

**UiO : Centre for Entrepreneurship**  
University of Oslo

*Illegal streaming as disruptive  
innovation*

*How the established companies within the television  
industry deal with potential disruptive innovations*

**MSc in Innovation and Entrepreneurship**

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## **Preface**

This thesis is made as a completion of the master program in Innovation and Entrepreneurship at University of Oslo.

Several persons have contributed academically, practically and with support to this master thesis. I would therefore like to thank my supervisor Tronn Skjerstad for his support and help during this master thesis, and also for his positive enthusiasm around my work and for always motivating me.

I would also like to thank the interviewees; Arve Føyen, Karianne Melleby, Stian Kleppo, Steinar Brændeland and Leif Holst Jensen, for giving me much appreciated and helpful information during the interviews.

Thanks to all of the respondents of the survey, and for all of the discussions I have had with my friends and family.

Finally, I would like to thank my family and friends for motivating and supporting me during my education as a whole, and during this final master thesis period.

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## Executive Summary

This thesis was written to examine how the established companies within the television industry in Norway deal with potential disruptive innovations. In this case the disruptive innovation is illegal streaming of sports, series and movies. This is common among the younger population, which is not the incumbents' main target. In that way, illegal streaming can grow without them knowing it, and in worst case eventually push them out of the market. Especially when the users can "save" 900 NOK on sports or 300-400 NOK on series a month on the illegal market.

In order to analyze this, there were performed five semi-structured interviews with important players in the market. To map how the Internet-users relate to and use streaming, a survey was made and shared through social media. All of these can be found in the Appendix.

The results from the survey shows that all of the respondents have used streaming, due to availability and that the price is low (or free). In general the illegal sites were used more than the Norwegian services, like Comoyo and CMore Play.

The interviews indicates that the established companies are doing measures to prevent losing customers by making content available on several platforms, by making apps and adjusting to the habits people have. They are also monitoring the legal and illegal streaming market and encrypting their content. They do however not see the illegal streaming market as competitors, which is a bit frightening given that the survey indicates that these pages are used more than the ones they consider competitors. It seems like they don't take them as seriously as they should. This trend can evolve fast and if it grows beyond the innovators-phase and over to early adopters, they can in principle loose over 500.000 customers and also 2 835.000.000 NOK a year.

Recommendations for the established companies are

1. Stop illegal streaming  
(basically impossible)
2. Keep the price low enough for  
people to choose them
3. Improve service – better  
payment solutions, quality,  
selection and availability.

4. A “package-deal” between the services where the users can get discounts would be optimal
5. Get eaten up

The limitations of this thesis include: given only a few interviewees and a small amount of respondents (60) of the survey, the results from this thesis cannot be generalized to the population as a whole. Also, the analyze was conducted over a five-months period, which also make time a limitation.

However, this thesis can be a good foundation for further work within this field.

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## **Introduction**

Crime. The word itself is negatively related. It's about breaking rules and laws, and it is often associated with punishment and in worst-case prison. People that commit crimes are bad people and should be punished. Or? Is it possible that crimes sometimes can lead to something good?

An example of an innovation that started out as a crime, but actually ended out as something really valuable to combat crime, is Sportradar (Sportradar). The company was founded in Trondheim in 2001, and it delivers today software and information services to over 200 bookmakers and media clients. Their customer base covers Europe, Australia, Asia and South America, and includes Norsk Tipping, VG, Unibet, UEFA and Bwin. They provide sports statistics schedules, form and league tables, results service and live updates of various sporting events. In addition, they provide services, like feedback on errors, omissions and deviations in odds to the bookmakers (Betradar). However, the way it started wasn't that legal. They started out by finding loopholes in the betting system, finding odds that were still available to play on, due to time differences, so people actually could bet on results that were already given, and win money on it. They did however turn it into something helpful and legal, by offering to sell this "surveillance"-software to the companies that could benefit from it, the betting companies, as well as UEFA and similar organizations. This software now helps to find illegal bets and match fixing incidents. This is a story that shows that crimes can turn into something good, and that sometimes crimes actually pay off.

Can this be the case for all of the free (and illegal) streaming sites that shows sporting events, TV-series and movies? Can this help to make a difference in the industry and make it more profitable and easy for the users? Maybe illegal streaming sites can help to make the difference that is needed?

## **Motivation**

One and a half year ago I started this master program in Innovation and Entrepreneurship, and I was really intrigued to learn a lot more about how to lead and start a company, and to get management and strategy skills. This was really different from my bachelor's degree in Electrical Engineering where it was based mostly on technology and science. So to combine these skills with leadership and management

would be a great starting point for my career and also for this master thesis. After two internships and a lot more knowledge in innovation and entrepreneurship, I really want to know more about technology-based companies and on how they deal with innovation and how they adjust to changes in the market. I think it is really important to be motivated and curious about the topic I will be working on for five months, so that's why I decided to work further with these thoughts.

Firstly, I want to have something related to both my bachelor degree in Electrical Engineering, as well as my current Masters degree in Innovation and Entrepreneurship. As mentioned, during this master program I have learned a lot about starting up a business and also how new business ventures should behave and what rules they should follow when entering their desired market. I have learned about the success factors, as well as where things can go wrong when starting up a business. Last, but not least, how it is important to stand out and know the rules of the game in the already established market.

And even though this topic is really interesting, I would like to twist it around a bit, and take a look at it from the other side. Everyone talks about how new companies deal with the established markets. But how do already-established companies cope with new ventures entering their market, especially disruptive innovations? What measures will be done, and are they threatened by their innovative thinking? In general, how does this process work?

New and innovative companies are a really big threat for the established companies. Maybe they have a better or easier technology than them, or maybe they have much better prices on similar products. How do they solve this? Do they just continue what they are doing, and hoping that the customers they have will stick to them, or do they do any measures to prevent their customer base to stop using them as their provider? These are questions I find really interesting and it truly triggers me to find out more about this.

Just look at how the disruptive innovations have changed certain industries. One example is the photography-industry and the well-known story about Kodak. The old company that made photographic films, and that had a dominant position in

photographic films during most of the 20<sup>th</sup> century. In 1976 they had a 90 % market share in the United States (Rees 2012). It all seemed very well for the company, until the late 1990s where they really started to struggle as a result of the decline in sales of photographic film and its slowness in transitioning to digital photography, even though they had the original technology for it. 2007 was the most recent year where the company made a profit, this due to Kodak's turnaround strategy, where they focused on digital photography and digital printing (Hiltzik 2011). They also attempted to generate revenues through aggressive patent litigation (BBCNews 2004; Mattioli 2010). In January 2012, Kodak files for Chapter 11 bankruptcy protection (de la Merced 2012; McCarty 2012).

Another example is how Spotify, a commercial music streaming service providing DRM-protected content from a range of major and independent record labels (Spotify 2013), completely changed the music record industry. After the launching of this product record labels like Sony, EMI, Warner Music and Universal has found it much more difficult to sell records, and the sales have dropped. However, while the record companies have failed to go digital, Spotify is now helping them making money (Homan 2012; Masnick 2012).

These stories are only a few of many stories that shows how disruptive innovations can really change markets, and how it can change the future for the established companies. Disruptive innovations can happen any time and anywhere.

I find this topic really interesting and I am really motivated and intrigued to find out how this work in practice, and if companies today do things to prevent unexpected surprises like for instance Kodak experienced. To match this topic to my bachelor degree, I would like to write about disruptive innovations within the technology-based companies.

### **Research problem**

A business area that is going through big changes right now is the television market, for instance the providers of television channels. A lot of easy-access products are arriving in the market. Recently Netflix, HBO Nordic among others have been introduced to the Norwegian market, and they can provide a lot of the same TV-

programs as the regular channel-provider, only cheaper and at the users command – the users can see them whenever they want.

However, these new ideas are something the TV-channels and providers are very much aware of, and most of them have started similar solutions for their customers. On the other hand, what they might not be aware of is what's going on outside their range of knowledge, that is growing and can be a really big threat and a disruptive innovation for these companies – the illegal streaming sites. We are all aware of The Pirate Bay, and how people download their favorite movies or series in just a flash, in top-notch quality.

Football, and especially English Premier League, in addition to Norway's Tippeligaen, is extremely popular in the Norwegian population, and a lot of them are willing to pay several hundred NOKs per month to get the ability to see their favorite team on their television. If you like several leagues; Spanish, English, Italian and German for instance, you have to pay quite a lot of money each month to get access to these games, since the rights to these different leagues are spread over different providers. And the vendors are making tons of money on the Norwegian population's interests.

But what they might not be aware of are some “innovative people” that actually stream the same games (as well as TV-series and movies) people pay a lot of money to see, for free. And it is not difficult at all. One of these websites is wiziwig.tv. They have several different links to people that stream all sort of sports, it can be soccer/football, American football, baseball, basketball, cricket, you name it – they have it. And a lot of them are actually in pretty good quality. What happens if this becomes common knowledge? What will happen to the established companies that make a lot of money on selling live sports to their customers?

What I want to find out more about; are these companies actually aware of these webpages? What do they do to prevent customers to stop buying their products? Is disruptive innovation something they talk about in their companies and are aware of? Is it possible that these webpages can contribute to something good in the market and change the market for the user's benefit?

From this my problem statement is: **How do the established companies within the television industry deal with potential disruptive innovations?**

## **The industry**

In order to describe how disruptive innovations occur in technology market, a good place to start is the TV-channel providers, where big changes are about to happen. New entrants are continuing to come into the market, and a lot of those are streaming-based solutions, where the users have all the power on what to see, and when to see it. This threatens the established cable-TV providers like Canal Digital and Get, as well as the TV-channels (CMore, Viasat etc.) and the streaming solutions (Comoyo, Viaplay etc.) themselves. But in order to stay on top, some of the TV-channels have found some alternative to regular TV-watching, by having online streaming options for their programs, so people can choose when and what to watch their content. However, as mentioned, there are bigger threats than Netflix and HBO Nordic, because at least the established companies are aware of those alternatives.

What they might not have much knowledge about is all the available free (and illegal) websites that can offer a lot of the same services that they can. These sites often have a better selection than the established services, and they are sharing content because they want some kind of justice and freedom for the Internet users. The founder of Pirate Bay describes their service as only an empty site that is created by other than them selves. *“I really don’t care about the ideology behind piracy or copyright, or politics, it is just fun to run such a big site”*, says the developer Fredrik Neij in the documentary “TBP AFK (The Pirate Bay Away from Keyboard)” (Klose 2013). Peter Sunde (Pirate Bay’s spokesperson) claims that Pirate Bay democratizes a lot of things. It helps freedom of speech, and makes it possible for the users to share content. This is probably a general thought among those who share illegal content, either through downloading or streaming.

## **Streaming technology**

The technology behind a streaming site is not as complex as one thinks, at least not for the computer-skilled people behind these sites. Sharing the content is quite straight-forward; they have a server where the content are and some kind of tool that

broadcasts the content stream (for instance Ustream or Open Broadcast Software), and then they link to the IP-address this stream is available on their site. To capture the illegal content they either find a way to hack their TV-decoder, where the game or series are sent, “record” this, then broadcast it, or they can hack the code from other legal streaming sites. Then they only need to figure out the code the stream has, which is often not very complex to find out, given that the established market does not encrypt their content good enough. So for a lot of people this is not very hard to do, which is also why there are many options in the illegal market as well.

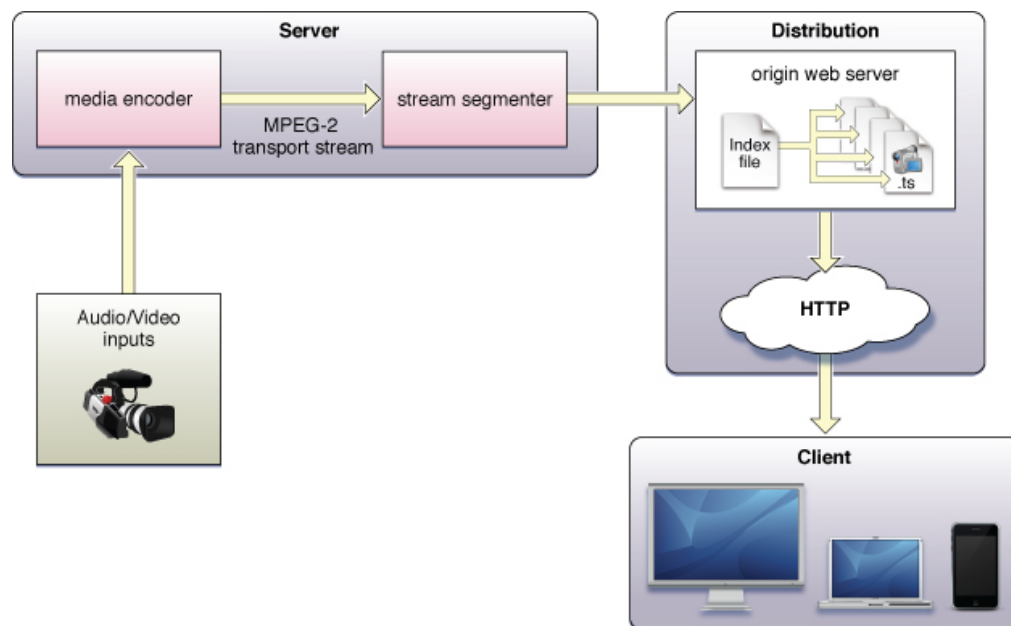
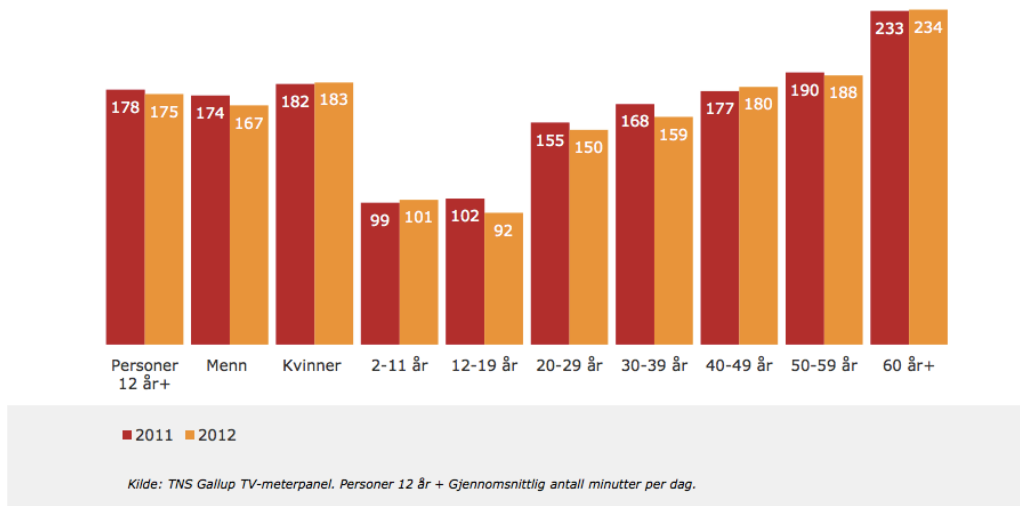


Figure 1: How to stream media via HTTP (Apple 2011)

The fact that it is not against the law for the users to watch illegal streaming, thus only the ones who shares the content are breaking the law, makes it also easy for people to use the illegal services, which also can increase the usage of these sites.

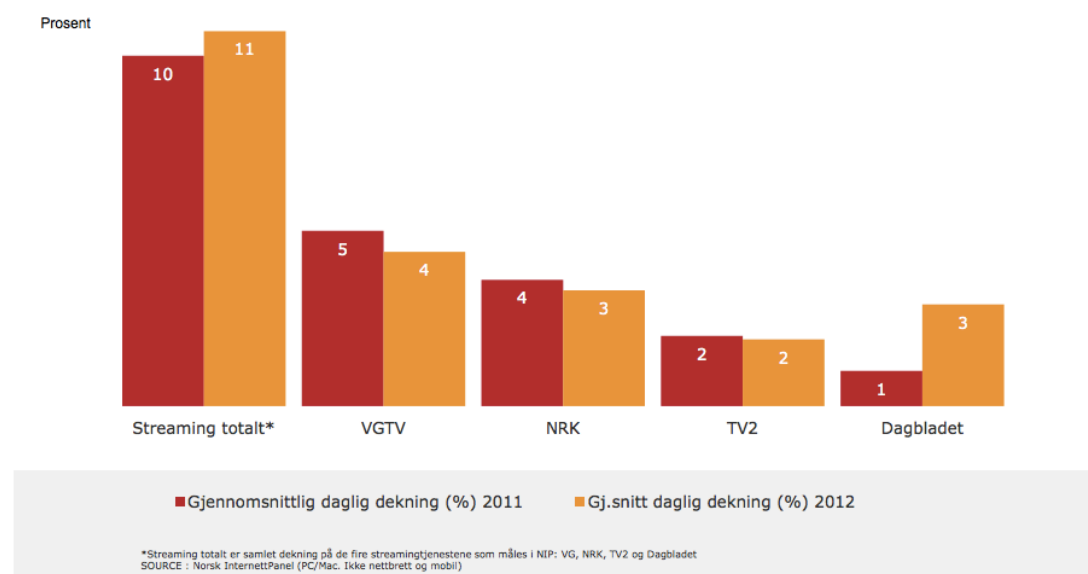
### TV-watching versus online streaming

According to TNS Gallup, fresh numbers indicates that regular TV-watching has decreased among the younger population (people between 12 and 39 years old). Also, for people over 12 years old, the ones who watch TV the least is people between the age 12-39 years (Mausethagen 2013).



**Figure 2: Numbers from TNS Gallup on TV-watching from 2011 to 2012 (Mausethagen 2013)**

An interesting fact is that online streaming has increased from 10 to 11 % from 2011 to 2012 (Sørum 2012). Also, 15 % of the people between 12 and 30 years old are using streaming, which also is the age group that is using streaming the most.



**Figure 3: Average daily coverage from 2011 to 2012 (Sørum 2012)**

Can these findings be related to each other? Can the decreasing of TV-watching, and the increasing of streaming among the younger population indicate that these people have substituted some of the regular TV-watching with online streaming? It seems

like it. This is also why the market is about to change more and more over to Internet-based solutions and over to more freedom for the users.

So, how do the established market handle this? Do they have a plan when a potential disruptive innovation comes along?

First let's look a bit more into some of the different options that are out there today.

## **Well-known competitors**

### **Netflix**

Netflix, Inc. is an American company that are providing on-demand Internet streaming media, which is available in both North and South America, the Caribbean, United Kingdom, Ireland, Sweden, Denmark, Norway and Finland. It was established in 1997 and is headquartered in Los Gatos, California. The subscription-based digital distribution service was started in 1999, and by 2009 they were offering a collection of 100.000 titles on DVD and had surpassed 10 million subscribers. Netflix announced its billionth DVD delivery on February 25, 2007 (NBCNews 2007). They surpassed 23.6 million subscribers in the United States and over 26 million worldwide in April 2011 (Schonfeld 2011). By 2011, total digital revenue for Netflix reached at least \$1.5 billion (2011). However, on October 23, 2012 they reported an 88% fall in the third-quarter profits (Economist 2012).

In January 2013, they announced that 2 million U.S customers were added during the 4<sup>th</sup> quarter of 2012 with a total of 27.1 million U.S streaming customers. Revenue was also up 8% to \$945 million for the same period (AP 2013). The latest numbers shows that 3 million members in 40 countries watches more than one billion hours of TV programs and films per month, including original series (Netflix 2013).

On August 15, 2012 Netflix announced further expansion to Norway, Denmark, Sweden and Finland before the end of 2012 (Lawler 2012), and eventually launching these services in October 2012.

In Norway this service is getting more and more popular, and is the most used streaming service. According to fresh numbers from TNS Gallup 150.000 (4 % of the



Norwegian population) is using Netflix daily, while 370.000 people (10 %) use it weekly (Kampanje 2013). In comparison there are around 500.000 pay-tv customers in Norway (1.3 million in the Nordic region).

### **The Pirate Bay**

A big threat for both the movie and TV-industry all over the world is The Pirate Bay (TPB), and it has been a threat for quite a while now. On this page you can download (illegally) almost everything your heart desires in just a flash, in HD-quality and at least here in Norway up to 6 months before it is shown on TV. The Pirate Bay is a website providing torrent files and magnet links in order to share files through peer-to-peer using the BitTorrent protocol. It was founded in Sweden in 2003. This is mostly popular amongst the younger population, but more and more people know how to download all of this content.

In some countries Internet providers have blocked this page. In Norway, however, it is not blocked. It has happened that the page has been down for a short period, but they always manage to come back. In 2012 The Pirate Bay did some changes, which made it even harder for others to catch them, by moving almost all of their content to the “cloud”. First of all, it will not be easy to identify them for the web hosting services, and if they do so, TPB can just move to the next providers. All they have to do is to upload the virtual server. In other words, the page won't have any downtime anymore (Wegner 2012). In 2008 they had close 25 million unique visitors per month. They also entered the Top 100 most popular websites (Ernesto 2008). Today they have Global ranking #74 according to Alexa (Alexa 2013).

### **Potential and unknown disruptors**

#### **Wiziwig**

Wiziwig.tv is an online website specialized for all kinds of sports (Wiziwig 2013). The page was formerly named MyP2P.eu, but the page was taken down due to domain issues, and Wiziwig was “reopened” in 2011. The name wiziwig is taken from the acronym WYSIWIG, which means, “What you see is what you get”. Their slogan is “Life is Live”.

There are schedules for all the sports, also Norwegian football matches, and by browsing you can find the match you want to see. The information of the site is fully free, however sometimes you will need to download some clients, like for instance Sopcast<sup>1</sup>, to be able to watch the matches. These clients are also free and you can find them on the site. They are also working on Live TV channels and Live Radio. Wiziwig provides links to external P2P (peer-to-peer) and media player or flash channels (Wiziwig 2013). On the Live Sports page you can find all Now Playing Sports events, and you can select a category to see the upcoming matches. Channels often get available 5 hours before the start of the live event. For each Sports Event there are different links you can choose from, and the links show if it is based on flash-technology or if you need certain programs installed to be able to see it. All the client programs are available under the Software tab section on the site. Most flash players links require more refreshing and do buffer more, however they don't require anything installed to watch them. But software links, like Sopcast, are often more stable.

Wiziwig doesn't host video streams itself, it just lists the feeds and links to them (Roy 2011). The feeds themselves are hosted elsewhere on the Internet. This makes it easier for the users, so they don't have to scour the Internet looking for them. Whether the actual feeds are strictly legal, thus free from copyright, is anyone's guess. It depends who provides them. The site wiziwig.tv is rated safe by the popular safe searching software WOT (Web of Trust), but the responsibility for the linked content lies on the user. However, the chance of being exposed or punished in any way by watching this site is fairly low.

What makes Wiziwig different from other streaming sites is that it is not just based on flash streams like most of the other sites. Flash streams can be full of obtrusive adverts, but by using other forms of streaming like for instance with Sopcast, you avoid this. This is also one innovative part of the site. They are also not motivated by money, because they don't have any adverts on their site.

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<sup>1</sup> SopCast is a simple, free way to broadcast video and audio or watch the video and listen to radio on the Internet.

According to Alexa (Alexa 2013), Wiziwig is ranked #4.170 in the world according to the three-month Alexa traffic rankings. The site is ranked number 801 in the UK, where it is estimated that 13 % of the visitors are located. It is also very popular in Sweden, where it is ranked as number 624. In Norway it is ranked 3,197, which indicates that it is not very popular yet, but it is an up and coming website also here especially among the younger male population. If you take a look at different forums on Norwegian Soccer Pages, for instance Liverpool Norwegian fan club or Norwegian football clubs (Fotball ; Liverpool.no 2012; liverpool.no 2013), Wiziwig is often mentioned as a good source for live sports, which means that people know about this page.

It is also important to know that Alexa does not provide accurate numbers, and does not cover all hits, which means that it can be a lot more viewers than it seems like on Alexa.

Another example of this kind of webpage is Chrome Live Sports, which is an extension on Google Chrome, where also different links to different live sports are collected. There are also other similar services like LiveTV, and FirstRow Sports. However, the technology here is much simpler.

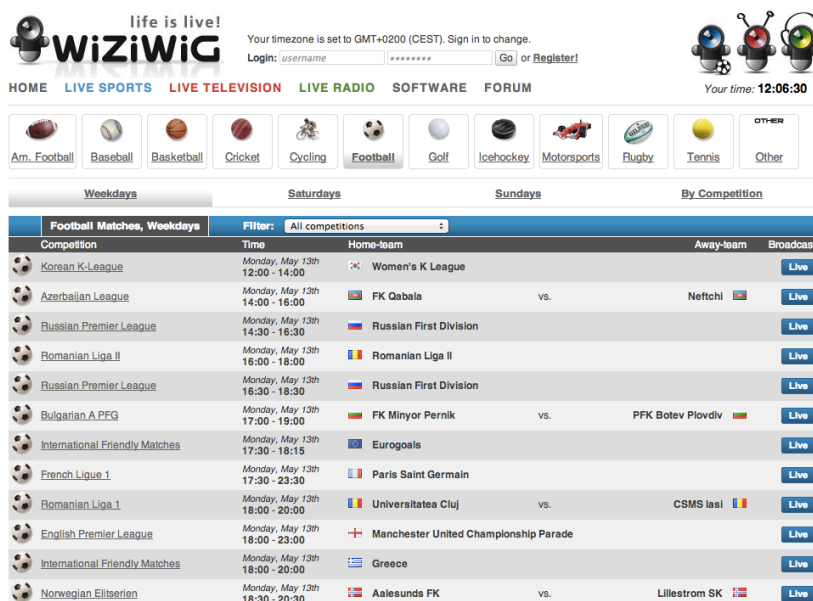


Figure 4: How Wiziwig's football page looks like

## Project Free TV

Similar to Wiziwig, Project Free TV (ProjectFreeTV 2013) is a website which collects links to TV-shows and movies, however, these links are not live. This site started in 2007, and everything on the site is free to watch. After a TV-series/show is shown on TV, it is uploaded to this page immediately, which makes it possible to watch fresh, new episodes all the time. The collection is impeccable. It is also free of commercials during the episodes, which makes it even easier to watch. On the most popular TV-show and movies you can choose between various links. The quality is pretty good, and it is not a problem to look at it on a big screen. The only disadvantage is that pop-up commercials appear when you press the links, but as long as you shut these down and don't push on them you are fine.

This is only one of several other streaming sites that show series and movies online, but they are all based on the same technology. However this webpage is one of the "best", with the most content.

UNLEASHING THE  
Free To Revolt

Tell everyone you know about this site  
Spread the word - Spread the Revolution!

# Project - Free TV

Watch all your favorite tv-shows & movies online 4 FREE

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Popular Online Episodes (Recently Updated)	Popular Online TV-Shows
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<a href="#">Family Guy - 12 May 2013 (S11E20)</a>	<a href="#">How I Met Your Mother</a>
<a href="#">Game of Thrones - 12 May 2013 (S03E07)</a>	<a href="#">Game of Thrones</a>
<a href="#">Simpsons - 12 May 2013 (S24E20)</a>	<a href="#">Dexter</a>
<a href="#">Mad Men - 12 May 2013 (S06E07)</a>	<a href="#">The Vampire Diaries</a>
<a href="#">Once Upon a Time - 12 May 2013 (S02E22)</a>	<a href="#">Supernatural</a>
<a href="#">Revenge - 12 May 2013 (S02E21)</a>	<a href="#">Family Guy</a>
<a href="#">Revenge - 12 May 2013 (S02E22)</a>	<a href="#">Glee</a>
<a href="#">Nikita - 10 May 2013 (S03E21)</a>	<a href="#">Greys Anatomy</a>
<a href="#">Glee - 9 May 2013 (S04E22)</a>	<a href="#">The Simpsons</a>
<a href="#">Grey Anatomy - 9 May 2013 (S09E23)</a>	<a href="#">Fringe</a>
<a href="#">The Big Bang Theory - 9 May 2013 (S06E23)</a>	<a href="#">Once Upon a Time</a>
<a href="#">The Vampire Diaries - 9 May 2013 (S04E22)</a>	<a href="#">The Walking Dead</a>
<a href="#">American Idol - 9 May 2013 (S12E35)</a>	<a href="#">Sons of Anarchy</a>
<a href="#">The Office - 9 May 2013 (S09E22)</a>	<a href="#">New Girl</a>
<a href="#">...more</a>	<a href="#">...more</a>

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Figure 5: Project Free TV's front page

## **Fighters**

Since the potential disruptive innovations are illegal, there are of course several fighters against piracy, in order to protect their rights, their content and their customers.

### **STOP – Nordic Content Protection**

The Nordic Content Protection (STOP) works on behalf of the TV-industry in Denmark, Sweden, Norway and Finland to stop piracy on the pay-TV platform (Stopnordic). Lately they have also started to concern about streaming. They employ people with many different backgrounds, like for instance former police officers, lawyers and technicians. They have offices throughout Scandinavia and work together with antipiracy-organizations in most European countries.

According to their webpage (Stopnordic), STOP seems to be most focused on piracy cards and the so-called Dreambox-solutions, which is kind of passé nowadays. These solutions are not modern and it is not the biggest threat for the established market. Dreambox and piracy cards are typically popular on the countryside, where satellite is most used, and it is common that this type of illegal distribution is done through ads in the local newspaper, or through telephone. This again show how outdated this is. It doesn't seem like STOP is focused on or are fighting the illegal streaming market that much. If this is the case, it makes it even easier for this market to go on and expand, and it becomes a lot more dangerous for the established market.

### **The Norwegian law §262**

The Norwegian law (§262) state that it is illegal to manufacture, import, sell, use or change decoding equipment with the purpose to give access to the content of an encoded radio- or TV-program (Stopnordic). Promotion and advertisement of such equipment are also prohibited. Distribution of codes, card sharing and pirate cards, i.e. via the Internet is a violation of the law. Violators of the law face severe fines and imprisonments for up to 1 year. Persons who use decoding equipment for private or non-commercial purposes risk imprisonment for up to 6 months.

### **The e-commerce law (E-handelsloven)**

The e-commerce law §16-18 (NHD 2003) says that all neutral mediators are free of responsibility for certain transfer and access services. A service provider, which

transmits information to a recipient in a communication network, is not criminal or tort responsible for the content of the information transmitted, provided that

- a) the transfer is not started by the service provider,
- b) the service provider does not select the receiver of the transmission and
- c) the provider does not decide or change the information transmitted

This also includes automatic, intermediate and short time storage of the transferred information.

This is the law that helped Telenor when they were sued by MPA (Motion Picture Association) for not blocking the IP-address to The Pirate Bay in Norway. They were free of responsibility since they were a neutral mediator in the process of illegal downloading (Føyen 2013)<sup>2</sup>, and thereby MPA lost the case against Telenor.

### **Changes in the Copyright Act (Åndsverksloven)**

This law says that; *“Any person who creates a literary, scientific or artistic work shall have the copyright therein. By such a work is meant in this Act a literary, scientific or artistic work of any kind, irrespective of the manner or form of expression.”* (Lovdata 1961) This means that people cannot use the copyright-holders’ work without their permission.

Recently, the government has proposed some changes or extension of this law (Brenna 2013; Regjeringen 2013). These changes includes that the right owners get the possibility to register IP-addresses that is connected to copyright infringements. Also, that the rights owners have the possibility to go directly to the courts and request information related to who’s behind a certain IP-address that is suspected for piracy, without going through the police.

The courts may impose Internet providers to prevent or impede access to sites that infringe copyright.

These changes have not been fully accepted yet, but most likely they will be. This will give the right owners more control and also easier access and tools to take down piracy. However, I don’t think this law will conquer all piracy in that manner. Also,

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<sup>2</sup> See more information in Appendix 1a

this law relates to the Norwegian copyrights, so they don't have the possibility to take down pages with for instance American copyright infringements.

### **Motion Picture Association**

The Motion Picture Association of America, Inc. (MPAA), together with the Motion Picture Association (MPA) and MPAA's other subsidiaries and affiliates, serves as the voice and advocate of the American motion picture, home video and television industries in the United States and around the world (MPAA 2013). MPAA's members are the six major U.S. motion picture studios: Walt Disney Studios Motion Pictures; Paramount Pictures Corporation; Sony Pictures Entertainment Inc.; Twentieth Century Fox Film Corporation; Universal City Studios LLC; and Warner Bros. Entertainment Inc. They are a proud champion of intellectual property rights, free and fair trade, innovative consumer choices, freedom of expression and the enduring power of movies to enrich and enhance people's lives.

MPAA's principal U.S. offices are located in Washington, D.C., and Los Angeles, California. They also have content protection teams in Chicago, Dallas and New York. The MPA, and other subsidiaries and affiliates of MPAA, have commercial and regional offices in Brussels, Singapore, Sao Paulo, Mexico City and Toronto. Along with their own subsidiaries and affiliates, they work with many content protection groups and other organizations in more than 30 countries around the world.

### **Penalties**

The founders of Pirate Bay, Gottfrid Svartholm, Fredrik Neij and Peter Sunde, were together with Carl Lindstrøm prosecuted in 2008 after a swoop in 2006. They were accused of “*doing copyright sound recordings available to the public and 28 February 2006 in Stockholm also promoted other people to make copies of sound recordings*” (Thorkildsen 2009). They risked up to two years in prison and they also got a claim of around 110 million NOK (Thorkildsen 2009). The trial began in February 2009, and a couple of days into the trial the indictment changed. The Pirate Bay founders were in the end only charged for accessibility, and not reproduction (Thorkildsen 2009). The trial got a lot of media attention. The Guardian described the trial as “*one of the highest-profile copyright cases in years*” (Anderson 2009). All of the defendants were on the 17<sup>th</sup> of April sentenced in the first court to one year in

prison and to pay 30 million SEK in damages.

A Danish Internet-user was in 2011 fined with 150.000 DKK for illegal uploading of a movie. He was also ordered to pay costs of 40.000 NOK (Rostad 2011).

Another Danish man was sentenced of illegal streaming of sports events under the name “Danish Delight”. On this site he forwarded broadcasts of football matches and other sports events. He broke the copyright law to multiple TV-channels, including Viasat and TV2. From 2007 to 2011 he streamed content without permission from TV2 Sport, TV3 Sport, and Canal 9. Københavns Byret gave him 4 months prison, or 80 hours of community service (Dabu 2013).

## **Literature review**

### **Product vs. process innovation**

Innovation is often related to products, physical things like a car or a mobile phone. However, innovation can also arise in processes that make products, or services that deliver products or provide intangible products. Many services don't actually involve physical products at all. And certainly illegal streaming is not a physical product. Product innovation (O'Sullivan and Dooley 2008) is about making beneficial changes to physical products. Examples of products innovation can be changing from CRT TV to flat screen, introducing smart-TVs (with functionality like Internet access) or changing the size of a mobile phone screen.

Process innovation (O'Sullivan and Dooley 2008) is about making new and improved changes to the processes that produce products or services. This can for instance be redesigning the assembly line so certain products can be manufactured more reliably, or find new systems which assembles products faster as well as cheaper. Other examples are to outsource production of parts of the products so this can be made cheaper, but at the same time with better quality.

These illegal streaming sites can be seen as a process innovation, because they have another, easier process to share their content than the established ones. They have a



better collection, and also they are free. You don't have to sign up, or pay. You can just go to the page and choose what you want to see. Just like that.

A third category of innovation is **service innovation**. When it comes to service innovation it is all about making improved and beneficial changes to services that customers use (O'Sullivan and Dooley 2008). This can for instance be changing how dealers sell products in order to cut costs or changing the way people get rid of old TV's by introducing a take-back policy.

Each of these innovations adds value for the customers, and if they recognize this, they will return to buy or use similar products or services later on. This is also related to the service-part of the illegal streaming sites. When it is easy for the users to reach them and to get the content they want, they most often come back to see more.

A key aspect of a product, process or service is the degree of tangibility of the product, as well as the degree of interaction with the end-customer. In product innovation it involves tangible products, which is an activity where most of the customers have little involvement. It is only when the product is brought into the market and the customer purchase it the customer actually experience the product. As apposed to products, the customers have a high degree of contact and interaction with services, since it typically involve intangible products such as banking and serving fast food.

Other differences between products and services are that products can be stored, services not, products have longer lead-time than services and products often are capital-intensive, while services are labor-intensive.

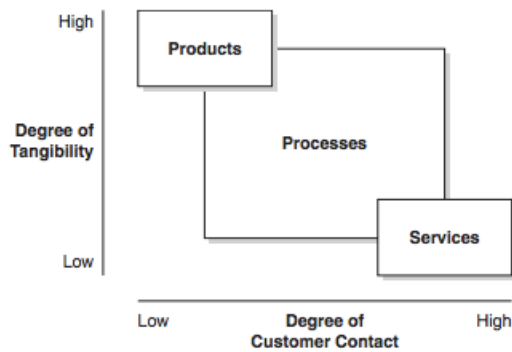


Figure 6: Tangibility and Customer contact (O'Sullivan and Dooley 2008)

### Product innovation

As mentioned, product innovation is making beneficial changes to physical products. Other terms that are often used interchangeably are product design, research and development, and new product development (NPD).

Each of these terms gives a certain perspective on the degree of changes to products.

The degree of change can be as follows (Clark and Wheelwright 1992):

- Incremental improvements
- Additions to product families
- Next-generation products
- New core products

Established organizations most often have a portfolio of products that has to be incrementally improved or adjusted as problems are identified in service or as new requirements occur (O'Sullivan and Dooley 2008).

Another important aspect is that they also work on addition to the product families. One of the main activities the product design team works on is developing next-generation products or new models of products. Another activity can be to design radical new processes to create them.

The new core products would ideally offer the organization the possibility of big increases in revenue and growth, which can result in a temporary monopoly in the market.

The product development process for next-generation and new core products follows a known cycle in most organizations (Cooper 1999):

1. Ideation
2. Preliminary investigation
3. Detailed investigation
4. Development
5. Testing and validation
6. Market launch and full production

Every step includes interaction with customers who may participate in idea generation and feature recognition.

The key performance criteria in the design process are focused around time to market, product cost, customer benefit delivery and development costs (Reinertsen and Smith 1991).

### **Process innovation**

Process innovation can be seen as the introduction of a new or significantly improved method for the production or delivery of output that adds value to the organization (O'Sullivan and Dooley 2008).

The term process involves an interrelated set of activities that are designed to transform inputs into a specified output for the customer. It implies a strong emphasis on how work is done within an organization rather than what an organization does (Davenport 1992). Processes refers to all operational activities where value is offered to the end customer, like for instance acquisition of raw materials, manufacturing, logistics and after-sales service.

The process the streaming sites use, gives a value to the end customer by having a wide selection, availability, and also an easy way to stream the content. If the incumbents (companies that are powerful and have a large amount of market share) change their processes, and give their customers better availability, wider content and better prices on their services, as well as developing a well-functioning technology and payment-solutions, they can also add value to their customers, which make the

customers stick to them.

In the 1970s and 1980s the Japanese industry got a competitive advantage thanks to process innovation (Nonaka and Takeuchi 1995). It allowed them to dominate global markets with cars and electronic goods. Other examples where process innovation has helped with gaining a competitive advantage is Dell and Zara (Lehmann-Ortega and Schoettl 2005; Fields 2006). They got this advantage by providing higher-quality products delivered faster and more efficiently to the market than by competition. Another more local business is Komplet.no, who really have been focused on process innovation. Not only is their logistic chain with robots one of the most efficient in the market, to satisfy the customers even more, they made an agreement with the grocery-chain ICA in 2011, allowing customers to pick up the orders there (Rønne 2011).

Process allows some organizations to compete by having a more efficient value chain than their competitors have. Also process innovation has resulted in organizational improvements, like lower stock levels, faster, more alert manufacturing processes and more responsive logistics.

Companies can improve the efficiency and value of their processes with different enablers. The application of technology such as robotics (like Komplet.no did), enterprise resource planning systems, as well as sensor technologies can change the process by for instance reducing costs, improving safety or reducing throughput time of the process.

Applying certain human resource practices can improve the quality of the process, and also enhance motivation and allow increased complexity through greater flexibility (O'Sullivan and Dooley 2008). At the same time, altering the raw material input can reduce costs and improve performance parameters.

So to summarize, where does the disruptive innovations, the free and illegal streaming fits in this? One thing that is sure is that it is not a physical product that you can buy in a store. It could however relate to both being a service innovation and a process innovation in a way. The process innovation behind these sites is how the TV-series/movies and sport are presented and how the users can reach them. The sites

collect several links to choose from, with different quality and also languages, and it makes it easy for the users to get to them. They don't have to pay anything or they don't have to sign up for anything. It's easy and it works. This is also related to the service-part of the innovation. When it is easy for the users to reach them and to get the content they want, they most often come back to see more. This is also where the established companies has to change, they have to focus more on process and service innovation; add value to the customers, in order for the users to continue or start using them.

### **Radical vs. Incremental innovation**

One of the most common dimensions that are used to distinguish types of innovations is the difference between radical and incremental innovation. Radicalness might be conceived as the combination of newness and the degree of differentness. A technology can be new to the world, new to an industry, new to a firm, or new merely to an adopting business unit. A technology can be very different from existing products and processes or only marginally different. The most radical innovations would be exceptionally different and new to the world. At the other end of the spectrum we have incremental innovations. As apposed to radical, these innovations might not be particular new or exceptional. It might already be known by the industry, but only have a small and minor change from existing products or processes (Schilling 2005).

### **Radical innovation**

As previously mentioned radical innovation is about making big changes in something that is already established. However, a change can represent a radical innovation when viewed at a technological level, but at the organizational the impact might only be incremental.

When innovation is examined, it is the impact of this level that is often most interesting (O'Sullivan and Dooley 2008). The term radical often relates to the level of contribution made to the efficiency or revenue of the company (McLoughlin 1999).

Radical innovation can be visualized as a step change in some measure of growth like revenue efficiency. Radical innovation can threaten to transform the industry itself by

destroying the existing market and thereby creating the great new wave (Utterback 1996; Christensen 1997). The illegal streaming services is therefore radical in a way that the established market can be changed and turned upside down if more and more people choose to use these sites.

Radical innovation can bring dramatic benefits for an organization in terms of increased sales and extraordinary profits, but on the other hand it is also highly resource intensive risk taking. So for the established companies it is very drastic to make big changes, given the risk related to change the infrastructure. However, these changes are often necessary to be able to follow the trends in the market and to prevent losing customers to disruptive innovations.

An example of a radical innovation is companies in the pharmaceutical industry. They can invest more than \$400 million in developing a new drug (Light and Lexchin 2004), but they have no guarantee that it will ever pass clinical trials or make it to the market.

Because of this turbulence from the external environment, it is difficult for companies to say that a potential innovation will result in a radical impact. The only thing they can do is to pursue the innovation with the knowledge that the scope for radical impact.

Another aspect of radical innovation is that the radicalness is relative, and may change over time or with respect to different observers (O'Sullivan and Dooley 2008). An innovation that was considered radical may eventually be considered incremental as the knowledge base under the innovation becomes more common. Just look at the first steam machine, which was then a monumental innovation, today however its construction seems relative simple.

Also, an innovation that is radical to one firm may seem incremental to others (O'Sullivan and Dooley 2008). Even though both Kodak and Sony introduced digital cameras for the consumer market within a year (Kodak in 1995 and Sony in 1996), the two companies' paths to digital photography were very different. Kodak with a background in chemical photography, had to redirect the firm significantly to make the transition into digital photography, while Sony had been in the electronics

industry since it started, and the digital camera was just a straightforward extension of its existing competencies.

The same applies to streaming. The service these free streaming sites are doing might be incremental for them, since the people behind them often are skilled in technology and to make a service like this is easy for them. However, for the established companies this change can be radical, because their whole infrastructure has to change, and the transition from TV to streaming can be tedious and time-consuming, as well as it costs a lot of money. As for the streaming sites, they started with streaming, and don't have to change an already established infrastructure.

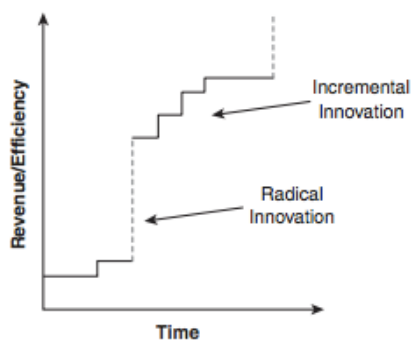


Figure 7: Radical and incremental innovation (O'Sullivan and Dooley 2008)

### Incremental innovation

Even though it is the radical innovation that most often makes headlines, most established companies spread the risk that is associated with innovation by also looking for small or incremental innovations to their products, processes and services (O'Sullivan and Dooley 2008). Some companies actually keep away from radical innovation, because of the risk, and prefer to invest in incremental innovations instead. Incremental innovation is less ambitious, and offers less potential for returns for the company, but the risks are much less also. Apart from using fewer resources, incremental innovations consists of smaller endeavors, which makes them easier to manage than radical innovations. Incremental innovations often lead to small changes in growth, however an organization may have to undertake more and more of these types of innovation to achieve the necessary growth to survive. If an organization

successfully invests in enough incremental innovations, it can sometimes lead to the similar levels of growth as radical innovations.

There are advantages and disadvantages related to both incremental and radical innovation. Radical innovation has the advantage of creating a step change in growth, while the disadvantage is the high level of risk and high cost of failure.

The advantages of incremental innovation are lower risk and the possibility of achieving small degrees of growth. The disadvantage compared to radical innovations is the slowness to reach growth targets before the competitors, which leads to a loss of competitive advantage.

Most organizations go for a dual approach to the size and scope of their innovations (O'Sullivan and Dooley 2008). Usually, there are many incremental innovations going on at once, which yields short-term results. Companies may also develop some potentially radical innovations that provide significant results in medium to long term.

### **Other classifications**

To define the scope of innovation as either radical or incremental is not that easy. In that manner, alternative classifications have been made. An alternative way is a product-oriented view of innovation, which consists of four levels (Olson, Walker Jr et al. 1995): products new to the world, line extensions, product new to the organization but not the market, and product modifications.

Another perspective is to look at innovation using four alternative labels; discontinuous, architectural, modular, and incremental (Tidd, Bessant et al. 2005).

To summarize, the type of innovation this paper is talking about, the free streaming sites is neither just radical nor just incremental, but it can also be both. It is radical in a way that the established market can be changed and turned upside down if more and more people choose to use the free sites, but if you look at it from the technological side, the innovation is only incremental. Streaming has been going on for quite a long time already and is not a new innovation in that manner, but these sites have done something new because of the way they use the streaming and how they present the different streaming options, and also that they are not motivated by money, but by



freedom. Freedom to watch whatever you want, whenever you want – for free. Also as mentioned the service these free streaming sites are doing might be incremental for them, however, for the established companies this change can be radical, because their whole infrastructure has to change. But the streaming sites don't have to change an already established infrastructure.

### **Disruptive innovation**

The man behind the term disruptive innovation is Clayton Christensen. He describes it as a process where a service or a product that basically is simple applications at the bottom of a market relentlessly moves up market, and eventually displaces established competitors (Christensen 2013).

According to Christensen (Christensen 2013) companies these days tend to innovate faster than their customer's needs evolve, which results in that most organizations eventually end up producing products or services that are actually too sophisticated, too expensive, and too complicated for many customers in their market.

The reason companies pursue these “sustaining innovations” at the higher tiers of their markets, is because this has historically helped them to succeed. By charging the highest prices to their most demanding and sophisticated customers at the top of the market companies will achieve the greatest profitability.

A sustaining innovation, in contrast to disruptive innovation, does not create new markets or value networks, but rather evolves existing ones with better value, allowing the firms within to compete against each other's sustaining improvements. According to Christensen (Christensen 1997) sustaining innovations can be either discontinuous (f. ex “transformational” or “revolutionary”) or continuous (f. ex “evolutionary”). Evolutionary means an innovation that improves a product in an existing market in ways customers are expecting, while revolutionary means an innovation that is unexpected, but nevertheless does not affect existing markets.

However, by pursuing sustaining innovations, companies unknowingly open the door to “disruptive innovations”, the ones at the bottom of the market. A disruptive innovation allows a whole new population of consumers at the bottom of a market,

which he calls the non-consumers, access to a product or service that was earlier only accessible to consumers with a lot of money or a lot of skills. In this case the disruptive innovation is the free (and illegal) sites that has a whole new market – the younger population and also often students. These consumers are not the main targets for the television-providers, and due to that they might not notice what’s going around amongst these consumers either. In that way the free websites can expand their user group eventually and in the long term actually acquire customers from the established firms.

Some characteristics of disruptive businesses, at least in their initial stages can be lower gross margins, smaller target markets, as well as simpler products and services that may not appear as attractive as existing solutions when compared against traditional performance metrics. However, since the lower tiers of the market offer lower gross margins, they are unattractive to other firms moving upward in the market, and by this they create space at the bottom of the market for new disruptive competitors to emerge.

Through the years there have been many examples where disruptive innovations have taken over for established products. I have already mentioned Kodak and Spotify, other examples include:

<b>Disruptor</b>	<b>Disruptee</b>
Personal computers	Mainframe and mini computers
Mini mills	Integrated steel mills
Cellular phones	Fixed line telephony
Community colleges	Four-year colleges
Discount retails	Full-service departments stores
Retail medical clinics	Traditional doctor’s offices

**Table 1: Examples of disruptive innovations (Christensen 2013)**

Another term that has been widely used as a synonym for “disruptive innovation” is “disruptive technology”. However the first is now preferred; since market disruption has been found to be a function usually not of technology itself, but rather of its changing application. Sustaining innovations are typically innovations in technology,

while disruptive innovations change entire markets.

For instance, the automobile was a revolutionary technological innovation. However it was not a disruptive innovation, because early automobiles were expensive luxury items that did not disrupt the market for horse-drawn vehicles. The market for transportation was not changed until the debut of the lower priced Ford Model T in 1908 (Christensen and Raynor 2003). So in other words, the mass-produced automobile was a disruptive innovation, because it changed the transportation market. The automobile itself was not.

The current theoretical understanding of disruptive innovation is different from what might be expected by default, an idea Christensen (Christensen 1997) called the “technology mudslide hypothesis”. This is the basic idea that an established firm fails because it doesn’t “keep up technologically” with other firms. In this hypothesis, firms are described as climbers scrambling upward a crumbling footing, where it takes constant upward-climbing effort just to stay still, and any break from the effort causes a rapid downhill slide. Christensen and colleagues have shown that this hypothesis is wrong and that it doesn’t model reality. What they have shown is that good firms usually are aware of the innovations, but the problem is that their business environment does not allow them to pursue them when they first arise. This is because they are not profitable enough at first and because their development can take scarce resources away from that of sustaining innovations, which are needed to compete against current competition.

In Christensen’s terms, a firm’s existing value networks place insufficient value on the disruptive innovation to allow its pursuit by that firm. However, start-up firms inhabit different value networks, at least until the day that their disruptive innovation is able to invade the older value network. At that time, the established firm in that network can at best only avert the market share attack with a me-too entry, for which survival is the only award (Christensen 1997).

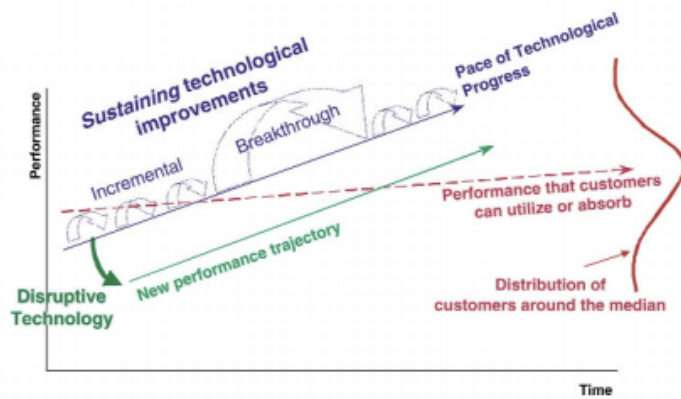


Figure 8: Definitions of sustainable and disruptive innovations (Christensen, Aaron et al. 2003)

## History

As mentioned the term disruptive innovation was created by Clayton M. Christensen, and it was first introduced in his 1995 article “Disruptive Technologies: Catching the Wave” (Bower and Christensen 1995), which he co-wrote with Joseph Bower. That article is aimed at managing executives who make the funding and purchasing decisions in companies rather than the research community.

The term is further described in his book “The Innovator’s Dilemma” (Christensen 1997). This book explores the cases of the disk drive industry and the excavating equipment industry. Further in his sequel with Michael E. Raynor, “The Innovator’s Solution” (Christensen and Raynor 2003), Christensen replaced the term disruptive technology with disruptive innovation because he recognized that few technologies are intrinsically disruptive or sustaining in character. Rather it is the business model that the technology enables that creates the disruptive impact.

In order to understand the evolution of business at the market or industry level Christensen’s evolution from a technological focus to a business modeling focus is central. In the 2008 Harvard Business Review article “Reinventing Your Business Model” Christensen and Mark W. Johnson describes the dynamics of “business model innovation” (Johnson, Christensen et al. 2008). The concept of disruptive technology continues a long tradition of the identification of radical technical change in the study of innovation by economists, and the development of tools for its management at a firm or policy level.

Christensen's theory explains why many disruptive innovations are not "advanced technologies", which the technology mudslide hypothesis indicates. Rather, the disruptive innovations are often novel combinations of existing off-the-shelf components, applied intelligently to a small, developing value network.

This is exactly what the illegal streaming sites are. They are not necessarily a big technological innovation, in the way that the technology is not very advanced or new. The technology is based on regular streaming solutions. What makes it a disruptive innovation though, is that it is a simple "network", with a lot of different streams to all kind of events and TV-shows. And the fact that these sites are making a change in the market, by making the established companies react, and possibly develop similar solutions to please the users.

So if the illegal sites didn't exist, the established companies would maybe not develop the technology at all, at least not that fast. However, that is a guess. But this kind of technology is often developed by "nerds", or in the dark side of the market. So it is not the technology itself that makes them disruptive, but how they change the market for the established players.

### **The theory**

As stated earlier, Christensen defines a disruptive innovation as a product or service designed for a new set of customers.

*"Generally, disruptive innovations were technologically straightforward, consisting of off-the-shelf components put together in a product architecture that was often simpler than prior approaches. They offered less of what customers in established markets wanted and so could rarely be initially employed there. They offered a different package of attributes valued only in emerging markets remote from, and unimportant to, the mainstream."(Christensen 1997) Cited from p. 15*

He argues that disruptive innovations can hurt successful, well-managed companies that are responsive to their customers and also have excellent research and development. These companies does however tend to ignore the markets most susceptible to disruptive innovations, due to very tight profit margins and that the

markets are too small to provide a good growth rate to an established firm (Christensen 1997).

### **Low-end disruption and new-market disruption**

Christensen differs between two types of disruptive innovations. The first type is “low-end disruption” (Type II disruption), which targets customers who do not need the full performance valued by customers at the high end of the market. The second one is “new-market disruption” (Type I disruption), which targets customers who have needs that were previously un-served by existing incumbents (Christensen and Raynor 2003).

Low-end disruption occurs when the rate of new improved products exceeds the rate of how customers can adopt the new performance. In other words, at some point the performance of the product overshoots the needs of certain customer segments.

At this point, a disruptive innovation may enter the market and provide a product which has lower performance than the incumbent, but that exceeds the requirements of certain segments, thereby gaining a foothold in the market. The free streaming websites can be seen as a low-end disruption, since they offer a lower performance product, in this case the same match or TV-series as the established ones, but maybe with commentary in another language or a little bit lower quality. However, for many people this is enough, and they don't expect more than that from a free website.

So, the disruptor in a low-end disruption is initially focused on serving the least profitable customer, who is happy with a good enough product. This kind of customer is not willing to pay premium for enhancements in product functionality, in this case extra features like Norwegian commentators or discussions in the studio during breaks. Once the disruptor has gained an entry in this customer segment, it seeks to improve its profit margin. In order to get higher profit margins, the disruptor needs to enter the segment where the customer is willing to pay a little more for higher quality. So the disruptor really needs to innovate in order to ensure this quality in its product. The incumbent will not do a lot to retain its share in a not so profitable segment, and will move up-market and focus on its more attractive customers. After a number of such encounters, the incumbent is squeezed into smaller markets than it was

previously serving. Then, finally, will the disruptive technology meet the demands of the most profitable segment and drives the established company out of the market.

New market disruption occurs when a product fits a new or emerging market segment that is not being served by existing incumbents in the industry.

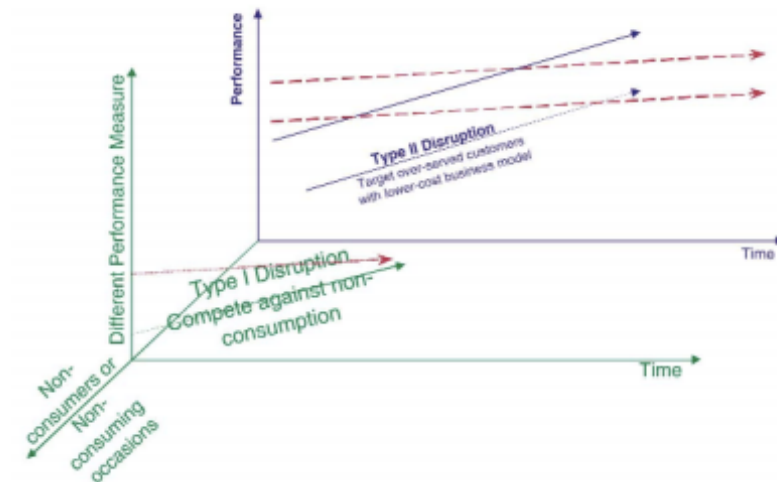


Figure 9: The two types of disruption (Christensen, Aaron et al. 2003)

### Diffusion of innovations

The diffusion of innovations explains how, why, and at what rate new ideas and technology spread through cultures. Everett Rogers, who is a professor of rural sociology, popularized the theory in his book “Diffusion of Innovations” from 1962 (Rogers 1962). According to Rogers, diffusion is the process where an innovation is communicated through certain channels over time among the members of a social system.

He says that there are four main elements that influence the spread of a new idea: the innovation, communications channels, time and social system. This process relies heavily on human capital.

Element	Definition
Innovation	Rogers defines an innovation as "an idea, practice, or object that is perceived as new by an individual or other unit of adoption"

Communication channels	A communication channel is "the means by which messages get from one individual to another"
Time	"The innovation-decision period is the length of time required to pass through the innovation-decision process"
Social system	"A social system is defined as a set of interrelated units that are engaged in joint problem solving to accomplish a common goal"

**Table 2: The key elements in diffusion research (Rogers 1983)**

He also differs between five different adopters of new innovations, which are innovators, early adopters, early majority, late majority, and laggards (Rogers 1962). The adoption of an innovation follows an S curve when plotted over a length of time.

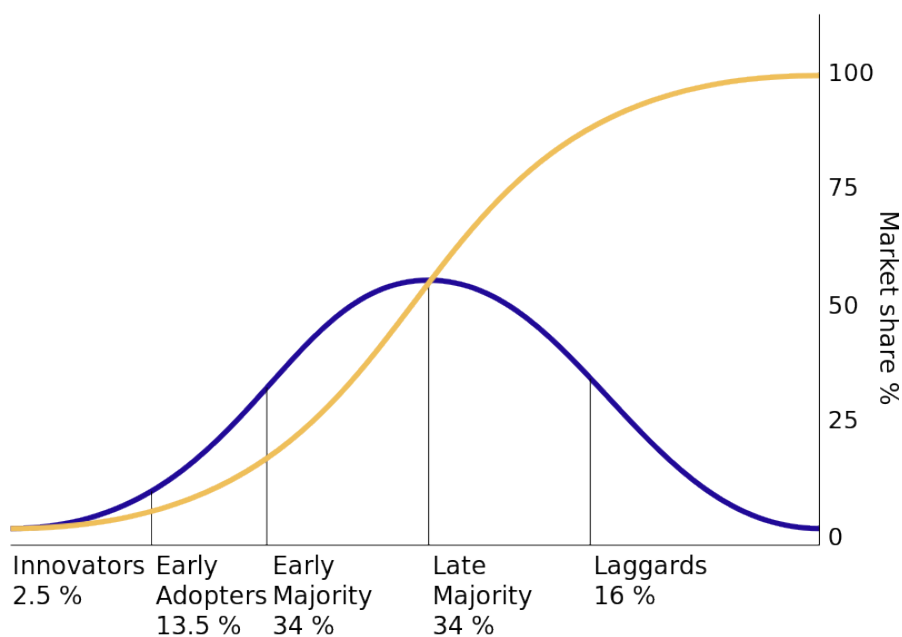
<b>Element</b>	<b>Definition</b>
Innovators	Innovators are the first individuals to adopt an innovation. Innovators are willing to take risks, youngest in age, have the highest social class, have great financial liquidity, are very social and have closest contact to scientific sources and interaction with other innovators. Risk tolerance has them adopting technologies, which may ultimately fail. Financial resources help absorb these failures.
Early adopters	This is the second fastest category of individuals who adopt an innovation. These individuals have the highest degree of opinion leadership among the other adopter categories. Early adopters are typically younger in age, have a higher social status, have more financial lucidity, advanced education, and are more socially forward than late adopters. More discrete in adoption choices than innovators. Realize judicious choice of adoption will help them maintain central communication position.
Early majority	Individuals in this category adopt an innovation after a varying degree of time. This time of adoption is significantly longer than the innovators and early adopters. Early Majority tends to be slower in the adoption process, have above average social status, contact with early adopters, and seldom hold positions of opinion leadership in a system.
Late majority	Individuals in this category will adopt an innovation after the average member of the society. These individuals approach an innovation with a high degree of skepticism and after the majority of society has adopted the innovation. Late Majority are typically skeptical about an innovation, have below average social status, very little financial lucidity, in contact with others in late majority and early majority, very little opinion leadership.



Laggards	Individuals in this category are the last to adopt an innovation. Unlike some of the previous categories, individuals in this category show little to no opinion leadership. These individuals typically have an aversion to change-agents and tend to be advanced in age. Laggards typically tend to be focused on "traditions", likely to have lowest social status, lowest financial fluidity, be oldest of all other adopters, in contact with only family and close friends.
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**Table 3: The five different adopters of innovation (Rogers 1962)**

## Innovators



**Figure 10: The diffusion of innovations according to Rogers (1962). With successive groups of consumers adopting the new technology (shown in blue), its market share (yellow) will eventually reach the saturation level.**

As the figure shows, the innovators are counted for 2.5 % of the population. Most likely, it is also the innovators or “nerds” for that manner that use these illegal streaming-sites, at least for now. As Rogers states, the innovators are the first ones to adopt an innovation, they are young, and are often willing to take a risk. That describes the users of these streaming sites pretty well, which is the younger population and often students. So if we count that there actually are 2.5 % of the population that uses these streaming sites, how many people will that be, and how much will the established companies loose?

To use a simple example we take all people in Norway over 12 years into counting, which is 4,2 million people (Sentralbyrå 2013). If 2.5 % of these people use illegal streaming, will result in that the legal and established companies in principle loose 106 000 customers to these sites. To get similar legal services as the illegal ones, people have to pay around 400 NOK a month, which makes around 5000 NOK a year. This indicates that the established market loose around 500.000.000 NOK a year on these users.

Rogers is also talking about different elements that spread new ideas, and one of them is the communication channel. For these streaming sites, one communication channel is especially important: the social media. If you take a quick look at Facebook, Twitter or different forums and blogs around on the Internet, you will find that a lot of these streaming sites are visible and known. One example is that Project Free TV has over 260.000 likes on Facebook (Facebook 2013). This is quite many, since people have restrictions about “liking” such a page, given it is illegal. If all of these people tell a friend or two about it, suddenly the users can increase a lot. Also, popular blogs posts about illegal streaming sites where you can watch you favorite series for free (Wulff 2011; Wulff 2012; Eriksen 2013). These blogs have a lot of readers, and they also have a big influence on them when they recommend something. Ida Wulff and Fotballfrue have recommended illegal streaming sites on their blogs, and they have around 20.000 and 90.000 readers everyday, which makes the spread of this information go really fast. The readers have chosen to follow these blogs and also trust them. So, the power of social media is huge, and this is also why the transition between a small and unknown page and a big and known page can happen so fast. So if this transition happens faster than the established companies evolve, this type of usage can also turn into the early adopters stage, which means that 13.5 % of the population will use these sites. That makes 567 000 people, which means that the established companies can loose up to 2 835.000.000 NOK each year on these sites. This again shows how these sites are potential disruptive innovations for the established market.

### **Prior research**

To summarize, the illegal streaming sites can really be seen as a disruptive innovation for the established television market. The market can loose both a lot of customers

and a lot of money due to these services. In other words, the illegal solutions can make a radical change in the industry, if it evolves. Even though there are fighters out there, it doesn't seem like they have the right focus. They are focusing on things that were most relevant 10-15 years ago, and even though piracy cards still are a problem, they need to shift focus to what the biggest threat is right now – the illegal streaming market. Especially when it comes to how modern and technical the population is today.

As seen, there is available literature on how the established market reacts to disruptive innovations, as described by Clayton Christensen. However, this is quite general. Netflix has been mentioned as a disruptive innovation (Richardson 2011), but there is little or no literature found on how illegal streaming can be a disruptive innovation. There is also little focus on the term disruptive innovation in Norway, and it seems like the television industry is not aware of the dangers connected to it. This is also why I wanted to explore this topic, because it is new and also a very current and engaging topic. Streaming is actually the future. So since this topic has not yet been explored for the television market in Norway, I have to find out how this market reacts, and how they handle this type of disruptive innovation.

## **Methodology**

### **Positivism vs. hermeneutics**

Positivism is a philosophy of science based on the view that in social as well as natural sciences information comes from sensory experience, logical and mathematical treatments and reports of such data are together the exclusive source of all authoritative knowledge (Macionis and Gerber 2011). According to positivism, there is only valid knowledge (truth) in scientific knowledge (Larraín 1979). Obtaining and verifying data received from the senses is known as empirical evidence (Macionis and Gerber 2011). Introspective and intuitional attempts to gain knowledge are rejected.

Even though the positivist approach has been a repeating theme in the history of Western thought (Navarro Sada and Maldonado 2007), the concept was actually developed in the modern sense in the early 19<sup>th</sup> century by Auguste Comte (Bourdeau

2011), a philosopher and founding sociologist. He argued that society operates according to its own quasi-absolute laws, like the physical world operates according to gravity and other absolute laws of nature (Macdonald 2011).

The use of hermeneutics has grown from its roots in the interpretation of Greek classical literature. It is traditionally known as a method to identify the meaning and intent of Biblical scripture, however the rules and principles of hermeneutics have become used not only for understanding written information, but also for interpreting human practices, events, and situations (Crotty 1998). Hermeneutics can therefore serve as a strategy to address a broad range of research questions.

In other words, hermeneutics focuses primarily on the meaning of qualitative data, especially textual data (Myers 2008). The purpose of using hermeneutics is to aid human understanding, and it also helps the qualitative researcher in business and management to understand what people say and do, and why they do so. A “text-analogue” is anything that can be treated as a text, like for instance an organization or a culture. The hermeneutic task consists of understanding what a particular text means, and it helps the researcher to produce a story that is believable.

In qualitative research studies about business and management, the “text” is what people say and do. Interviews, documents and field notes record the view of the actors and describe certain events. This material has to be ordered, explained and interpreted in order to “make sense” of the situation, this is done according to the researcher’s theoretical position and by comparing one text with another. The researcher’s understanding of the whole has to be continually revised in view of reinterpretation of the parts (Myers 2008).

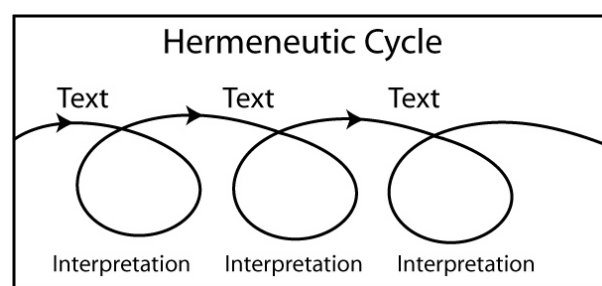


Figure 11: The Hermeneutic Cycle (University)

The hermeneutic circle refers to the dialectic between the understanding of the text as a whole and the interpretation of its parts, in which descriptions are guided by anticipated explanations (Gadamer 1976a).

The research for this thesis is based on hermeneutics, mostly because this is the research that fitted best for the problem statement, as well as the nature of innovation initiatives often is more subjective than objective. Another reason for this choice is because the research is based on open-ended interviews from different organizations, which makes the hermeneutic approach best suited to reveal the different points of views and the different opinions based on different backgrounds and knowledge from the interviewees. This method will give the most complete and fair view of the results.

### **Qualitative vs. Quantitative Research**

An important dimension of research is whether the reality will be treated in an objective or subjective way, which gives the two possibilities quantitative and qualitative research. In the book *Qualitative Data Analysis* by Miles and Huberman (Miles and Huberman 1994), there are some interesting quotes, which describes the arguments around the two research methods. Fred Kerlinger, a quantitative researcher says: “*There’s no such thing as qualitative data. Everything is either 1 or 0*”, while another researcher, D.T Campbell asserts “*All research ultimately has a qualitative grounding*” (Miles and Huberman 1994). However this arguing among qualitative and quantitative researches is “essentially unproductive”, according to Miles and Huberman (Miles and Huberman 1994).

Qualitative research is a method of inquiry employed in many different academic disciplines, traditionally in the social sciences, but also in market research and further contexts (Denzin and Lincoln 2005). Qualitative data is used to gain an understanding of underlying reasons and motivations, and to provide insights into the setting of a problem. It is also used to generate ideas and/or hypotheses for later quantitative research, and to uncover prevalent trends in thoughts and opinion (SnapSurveys 2013). Usually the qualitative data is based on a small sample of non-representative cases, where the respondents are selected to fulfill a given quota. The data collection

is most often unstructured or semi-structured techniques, like for instance individual depth interviews or group discussions.

The data analysis is non-statistical and the outcome of the research exploratory or investigative, or both. The findings from a qualitative research are not conclusive and can therefore not be used to make generalizations about the population of interest, it does however develop an initial understanding and sound base for further decision making (SnapSurveys 2013).

Quantitative research, on the other hand, is used to quantify and generalize results from a sample to the population of interest, and to measure the incidence of various views and opinions in a chosen sample (SnapSurveys 2013). This approach is sometimes followed by a qualitative research, which is used to explore findings further. As opposed to qualitative research, the number of cases that are represented here is usually large, and the respondents are selected randomly. The data collection often consists of structured techniques like online questionnaires, on-street or telephone interviews, as well as secondary data (Crossman 2013). The analysis consists of statistical data that is usually in the form of tabulations (tabs). The findings from a quantitative research are conclusive and usually also descriptive in nature. The outcome is used to recommend a final course of action.

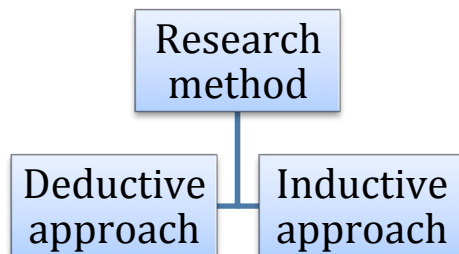
In this master thesis the qualitative research approach was followed, by using structured/semi-structured techniques like interviews by a small sample (only a few of the targeted organizations), as well as a small survey on user habit, which provides the information needed. It is also a non-statistical thesis, which means that the qualitative approach is the most suited for this paper.

Given that my research problem actually is related to something criminal (the illegal streaming sites), qualitative research and case study is the only way to come to a conclusion, by going to the source itself, and speak to people this concerns directly. This kind of information, because it is based on something criminal, is not available elsewhere. Also since this thesis is build on the views of the incumbents, it is very important to talk to them directly.

The outcome of this research will probably not be a conclusive finding, thus not be able to be generalized. However, it will give an insight in how established companies and organizations deals with disruptive innovations, and it will be a good base for further work as well.

### **Research method**

The next decision to take is the choice of research method. This implies how the data or information is collected, structured and analyzed for this master thesis. This method explains how the researcher is going to use theoretical as well as empirical knowledge. There are two main approaches to choose between, these being induction and deduction.



**Figure 12: The two main research methods**

It is often said that quantitative methods are for deductive research, while qualitative methods are for inductive research. Even though this is most often the way these methods are used, it is by no means the case that these methods are or should always be linked with those logical approaches (e-Source 2013).

Deductive approach works from the more general to the more specific (Trochim 2006). This is also called a “top-down” approach, from theory (the general) to data (the specific). It begins with specifying a theory. From there you generate hypotheses about what should happen in specific circumstances. If it is desired to test the theory, one can collect data to see whether the hypothesis happens or not. If it does, the specific data will provide support for the theory (e-Source 2013).

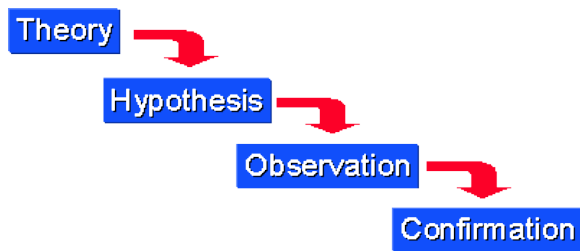


Figure 13: Top-down approach – Deductive (Trochim 2006)

Inductive approach works the other way around. In this approach, you begin with examining concrete events or phenomena – your data (e-Source 2013). In inductive reasoning, you begin with specific observations and measures, begin to detect patterns and regularities, formulate some tentative hypotheses that we can explore, and finally end up developing some general conclusions or theories (Trochim 2006). In other words, data is used to build theory. This theory is often thought of as “bottom up”, from data (the specific) to theory (the general).

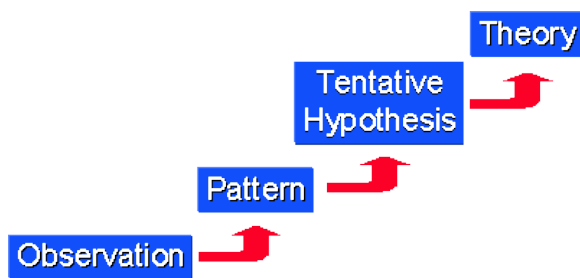


Figure 14: Bottom-up approach – inductive (Trochim 2006)



According to Wilson (2010) and there are some major differences between deductive and inductive approaches to research.

Deduction emphasizes	Induction emphasizes
<ul style="list-style-type: none"> <li>• Scientific principles</li> <li>• Moving from theory to data</li> <li>• The need to explain causal relationships between variables</li> <li>• The collection of quantitative data</li> <li>• The application of controls to ensure validity of data</li> <li>• The operationalization of concepts to ensure clarity of definition</li> <li>• A highly structured approach</li> <li>• Researcher independence of what is being researched</li> <li>• The necessity to select samples of sufficient size in order to generalize conclusions</li> </ul>	<ul style="list-style-type: none"> <li>• Gaining an understanding of the meanings humans attach to events</li> <li>• A close understanding of the research context</li> <li>• The collection of qualitative data</li> <li>• A more flexible structure to permit changes of research emphasis as the research progresses</li> <li>• A realization that the research is part of the research process</li> <li>• Less concern with need to generalize</li> </ul>

**Table 4: Major differences between deductive and inductive approaches to research (Saunders, Lewis et al. 2009)**

As a conclusion, inductive approach is by its nature more open-ended and exploratory, especially at the beginning. Deductive approach is narrower in nature and is more concerned with testing or confirming hypotheses (Trochim 2006).

So certainly, quantitative methods relates well to deductive research, since statistical techniques and the laws of probability provide an excellent framework for testing hypotheses and making specific statements about the level of certainty we can have about the generalizability of our findings (e-Source 2013).

Likewise, the qualitative methods fit really well with inductive research. Because when we are exploring a new domain and do not yet know what the important factors are, qualitative methods gives an excellent framework for uncovering unknown or unexpected phenomena. However, neither of these methods is exclusive (e-Source 2013). Descriptive statistics, crosstabs, correlations, clustering techniques, factor analysis and similar are often used to great advantage in exploratory or inductive studies. Also, many qualitative studies are used in a deductive mode, beginning with theory, and collecting and examining data in a systematic ways to see whether the theory is supported or should be rejected or modified.

Since this thesis is following the qualitative research method, the inductive approach is most used, due to the approach's nature of being open and exploratory, which is what this thesis is built upon. Again, given that the research problem is based on illegal streaming, the inductive approach is the only way to go, since there will not be any available data on how many people use illegal streaming or how the established companies relates to it. The bottom up approach is also the most natural solution for this thesis because the problem statement is based upon observations from former internships and the author's thoughts around the subject, and the work further was to find patterns and a conclusion to the problem by conducting interviews with important players in the industry.

### **Data Collection**

According to Yin (Yin 2008) there are six sources of evidence when collecting data. These are documentation, archival records, interviews, direct observations, participant observation and physical artifacts.

Some of the sources are primary sources, which is data collected by the researcher itself. These types of sources are interviews, direct observations, participant observation, as well as action research, case studies, life histories, questionnaires, ethnographic research and longitudinal studies (Leicester 2013).

Secondary sources are documentation and archival records.

### **Secondary sources**

**Documentation** consists of letters, memoranda and other communiqués, agendas, announcements and minutes of meetings, and other written reports of events, administrative documents (proposals, progress reports and other records), formal studies or evaluations of the same "site" under study, and newspaper clippings and other articles appearing in the mass community newsletters (Yin 2008).

**Archival records** are service records, organizational records, maps and charts, lists of names or other relevant items, survey data and personal records (diaries, calendars and telephone lists) (Yin 2008).

## **Primary sources**

Interviews are one of the most important sources of information, according to Yin (2008). There are three main types of interviews, structured, semi-structured and unstructured.

*Unstructured interviews* can be referred to as “depth” or “in-depth” interviews, and they have very little structure at all (Leicester 2013). The interviewer may just go with the aim of discussing a limited number of topics, sometimes as few as just one or two. The interviewer might frame the interview questions based on the interviewee and his or her previous response. This type of interview allows the discussion to cover areas in great detail, and they involve the researcher wanting to know or find out more about a specific topic without there being a structure or preconceived plan or expectation as how they will deal with this topic.

The *semi-structured interviews* are sometimes also called focused interviews, and it consists of a series of open-ended questions based on the topic areas the researcher wants to cover (Leicester 2013). It often has a series of broad questions to ask and may also have some prompts to help the interviewee. In other words, semi-structured interviews is interviewing with an interview guide (Bernard 1988). The open-ended nature of the questions defines the topic under investigation but provides opportunities for both interviewer and interviewee to discuss some topics in more detail. Semi-structured interviews follows all the principles of unstructured interviewing, except that the informants are not expected to move too far beyond the scope defined by the interview guide. This is also useful in situations where the researcher can only meet the informant once, and hence the interview is not likely to repeat (Bernard 1988).

This method gives the researcher the freedom to probe the interviewee to elaborate or to follow a new line of inquiry introduced by what the interviewee is saying. This type of interview works best when the interviewed has a number of areas he or she wants to be sure to be addressing.

The last type is *structured interview*, where the interviewer asks the respondent the same questions in the same way, and a tightly structured schedule is used (Leicester

2013). The questions may be phrased in order that a limited range of responses may be given, for instance very good, good, poor etc. For this type of interview, the researcher needs to consider whether a questionnaire or a structured interview is more appropriate.

Another primary source is **direct observations**. This can happen by making a field visit to a case study “site” (Yin 2008). The observations can range from formal to casual data collection activities. The formal data collection can involve observations of meetings, sidewalk activities, factory work, classrooms and similar. The less formally observations includes direct observations that are made throughout a field visit or for example observations from interviews. Observational evidence is often useful in providing additional information about the topic being studied.

**Participant-Observation** is a special mode of observation in which you are not merely a passive observer (Yin 2008). Instead you may assume a variety of roles within a case study situation, you may actually participate in the events being studied. The participant-observation technique has been most frequently used in anthropological studies of different cultural or social groups. The technique can also be used in more everyday settings, like large organizations or informal small groups.

**Physical artifacts** is a final source of evidence, which can be a technological device, a tool or instrument, a work of art, or some other physical evidence (Yin 2008). Such artifacts may be collected or observed as part of a field visit and have been used extensively in anthropological research. Physical artifacts have less potential relevance in the most typical kind of case study. However, when relevant, the artifacts can be an important component in the overall case.

### Strengths and weaknesses

Source of evidence	Strengths	Weaknesses
<i>Documentation</i>	<ul style="list-style-type: none"> <li>• Stable – can be reviewed repeatedly</li> <li>• Unobtrusive – not created as a result of case study</li> <li>• Exact – contains exact names, references, and details of an event</li> </ul>	<ul style="list-style-type: none"> <li>• Retrievability – can be low biased selectively, if collection is incomplete</li> <li>• Reporting bias – reflects (unknown) bias of author</li> </ul>

	<ul style="list-style-type: none"> <li>• Broad coverage – long span of time, many events, and many settings</li> </ul>	<ul style="list-style-type: none"> <li>• Access – may be deliberately blocked</li> </ul>
<i>Archival Records</i>	<ul style="list-style-type: none"> <li>• Same as above for documentation</li> <li>• Precise and quantitative</li> </ul>	<ul style="list-style-type: none"> <li>• Same as above for documentation</li> <li>• Accessibility due to privacy reasons</li> </ul>
<i>Interviews</i>	<ul style="list-style-type: none"> <li>• Targeted – focuses directly on case study topic</li> <li>• Insightful – provides perceived casual inferences</li> </ul>	<ul style="list-style-type: none"> <li>• Bias due to poorly constructed questions</li> <li>• Response bias</li> <li>• Inaccuracies due to poor recall</li> <li>• Reflexivity – interviewee gives what interviewer want to hear</li> </ul>
<i>Direct observations</i>	<ul style="list-style-type: none"> <li>• Reality – covers events in real time</li> <li>• Contextual – covers context of event</li> </ul>	<ul style="list-style-type: none"> <li>• Time-consuming</li> <li>• Selectivity – unless broad coverage</li> <li>• Reflexivity – event may proceed differently because it is being observed</li> <li>• Cost – hours needed by human observers</li> </ul>
<i>Participant Observations</i>	<ul style="list-style-type: none"> <li>• Same as above for direct observations</li> <li>• Insightful into interpersonal behavior and motives</li> </ul>	<ul style="list-style-type: none"> <li>• Same as above for direct observations</li> <li>• Bias due to investigator’s manipulation of events</li> </ul>
<i>Physical Artifacts</i>	<ul style="list-style-type: none"> <li>• Insightful into cultural features</li> <li>• Insightful into technical operations</li> </ul>	<ul style="list-style-type: none"> <li>• Selectivity</li> <li>• Availability</li> </ul>

**Table 5: Six Sources of Evidence: Strengths and Weaknesses (Yin 2008)**

For this thesis I wanted to collect most of the information from primary sources, and in that way get the views and opinions from the targeted companies and organizations themselves. This was also the only way to get the correct information given that the research question is based upon something illegal. It is important to get thoughts and opinions around illegal streaming from different sources and from different players in the market. I chose to conduct five semi-structured interviews with different companies that can be affected by illegal streaming as a disruptive innovation. The reason why I chose semi-structured interviews is firstly because I only had a chance to meet them once, and also since I had limited time to discuss with them on the interview day. I also wanted to follow some kind of guide and stick to certain frames, in order to compare and analyze the results from the different interviews easier later on. The questions from all the interviews covered the same topics, but they were related to what kind of business they were, and what they offer. I stuck to the overall

frame of the interview, but was also open to discuss other topics, since I find it very valuable to get this information as well. I also made a decision to not record the interviews, since this might make the interviewees more nervous and reserved, and might not answer as honest as they would without. So the interviews became less formal and more like a conversation, which I find much better.

These semi-structured interviews covered the industry itself, but I also wanted to know how the users and the potential customers, especially the younger population, watch TV-series, sports and movies, and what kind of habits they have. So to get more insight in how the users like it, or how they use these types of services, I also conducted a structured interview, in form of a survey, which I sent out to friends and acquaintances on the Internet.

I have also observed several forums about sports and streaming, to see if there is an interest around illegal streaming, and what kind of pages they link to. This is another way to see how the habits and interests are among the users out there, in addition to the survey. I have also observed how this illegal streaming sites works, and looked at forums and questions on those pages as well.

As for the secondary data, I have used this for building the theory behind this thesis, and I have also used newspaper clips and other websites to find out more about the streaming environment and events that has gone wrong or good in the past.

### **Coding of interviews**

In order to get a better overview and structure over the semi-structured interviews that were conducted, I first started to transcribe the interviews according to notes and by memory. This was done right after the interview was done, when the information was still fresh, in order to get the correct information down on paper. I stuck to the chronology of the interview and made sure to put the right information under the correct question. Since the interviews were taken in Norwegian, I also translated all of the interviews to English afterwards, to make it more feasible to quote and refer to it in this thesis. I made sure to follow the same tone of voice and expressions as they used in Norwegian. This was time consuming, but also necessary to keep a better chain of evidence to the paper.

After the interviews were transcribed, I started to filter out the information that was most important for my research question and the desired questions from the interview guide I had made. After I had read and screened the interviews, I decided to make an excel sheet<sup>3</sup>, with the most important findings. This information was sorted chronologically after the questions that were asked. A lot of the same questions were asked to all of the interviewees, and to get a better comparison of the answers these questions were lined up next to each other in the excel sheet. Also here I sorted them after chronology of the interviews. The unique questions where only one or a few had answered were put to the end of the sheet. This comparison sheet made it a lot easier to find patterns and conclusions to the interviews, and also to find the best way to describe the results and conclusion in the paper.

### **Validity and Reliability**

According to Yin (2008) there are three principles one should follow when collecting data, in order to deal with the problems of construct validity and reliability of the evidence.

The first principle is using multiple sources of evidence, triangulation, which makes a paper more valid and reliable. With data triangulation, the potential problems of construct validity can be addressed because the multiple sources of evidence essentially provide multiple measures to the same phenomena.

I have used several sources of evidence in this thesis, by conducting several (five) semi-structured interviews with different players within in the television industry, where they all have different tasks and approaches to the same market. One is merely a television provider online, by offering streaming of movies and series, and formerly sports. Another is offering both television; movies, sports and series online and through cable/satellite. The third is only providing sports, but both online and through cable/satellite. The fourth interviewee is a lawyer who is working close with the players in the television industry, and is also very concerned with the different rights and negotiations of these. The last one is an organization, which is talking on behalf

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<sup>3</sup> Excel sheet can be found in Appendix 1f

of all the producers of Norwegian movies, series, commercials, documentaries etc., and which is very interested in the rights of the different players, and that everyone have the same conditions and rights. All of these interviewees have different approaches and ideas about illegal streaming, and can be affected by this in different manners.

As mentioned, I also conducted a survey for the users to map and identify the needs and habits of them.

From these approaches and sources, in addition to observation on forums and discussions on the Internet, this thesis and results have a more valid and reliable case.

The second principle Yin is talking about is to create a Case Study Database, and has to do with organizing and documenting the data collected for the case studies. By doing this it is much easier for the reader of the paper to find out where the information comes from and also to follow the results much easier. In that way the reliability of the paper increases markedly when having a database. This is also something this thesis have as a appendix, both interviews in whole, as well as a document that compares the different answers and measures by the interviewees, so it is easier to see the comparison and follow the results.

The third principle has to do with establishing a chain of evidence. This measure will also increase the reliability of the information in the case study. This will make it easier for the reader to trace the steps in either direction. In order to maintain the chain of evidence in this thesis there will be links to interviews and observations that has been made, so this can easily be found in the database.

In order to try to reduce the bias during the interviews, I have tried to make the questions asked as detailed and clear as possible (in Norwegian), so there will be no misunderstandings or lack of information from either part. This also applies to the survey made. To avoid the reflexivity (that the interviewee says what the interviewer want them to say) the decision of only taking notes, and not record the interview was taken as a measure to try to avoid this. I made sure to take good notes, so I would not forget anything important they said, thus to avoid inaccuracies due to poor recall.



## Research program

In order to dig deeper into the television market interviews with important players has been performed, both the ones with the different rights to show sports or TV-series and movies, as well as the distributors and producers of this. From these interviews I have got the different opinions and also got a better picture on how they deal with these disruptive innovators. As mentioned: I decided to keep these interviews open by not recording the interviews. People tend to be more aware of what they are saying when they know they are recorded, so by only taking notes the conversation will be less formal and people tend to be more open and honest about the questions asked.

What I want to know can be explained by this figure:

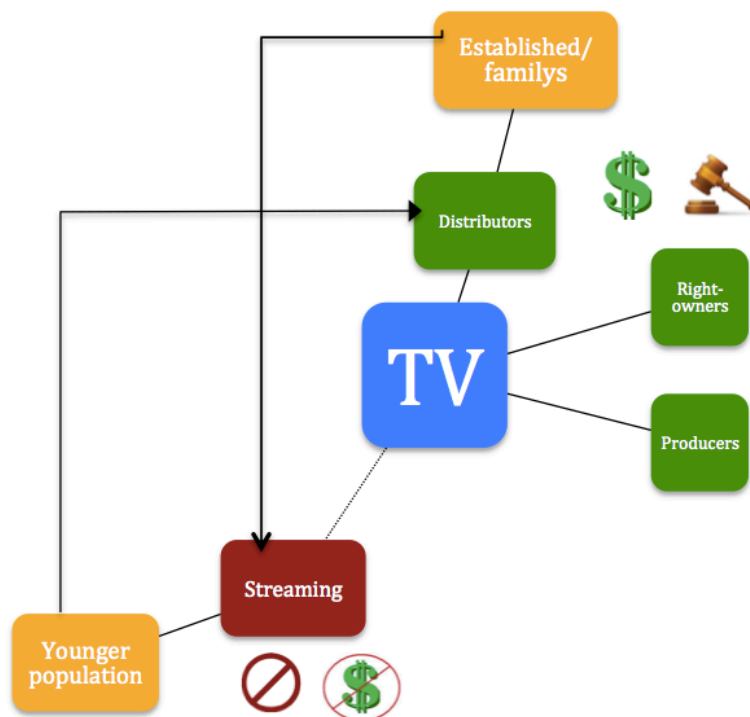


Figure 15: Problem statement

To restate med problem statement again, it is “How do the established companies within the television industry deal with potential disruptive innovations?”

This model looks at two “dimensions” of TV-watching, which includes sports, TV-series and movies. You have the established and legal market that consists of the right owners; the ones who have the rights to certain programs, sports or movies, the

producers of this content, and the distributors - which also include legal streaming, like for instance CMore Play or Comoyo. The other dimension of this model consists of streaming: in other words illegal streaming sites that distribute movies, sports and TV-series without the permission to do so.

The established market focuses mostly on the established customers, the families, while the (illegal) streaming market is mostly focused on the younger population, the students in particular. For the established market the younger population is not the main target and they might not be aware of what kind of habits this end of the market has. In that way the illegal streaming can widen their market by also including more adults and established families, at least when these students transfer these habits (illegal streaming) when they enter the more established phase. This is very dangerous for the established market, which can turn into a loss of market share and customer base, and in worst-case push them out of the market.

In order for the established market to prevent losing customers they should find new ways to also include the students and young population in their market, and find a way to please them so that the old habits with illegal streaming goes away.

Another difference between these two dimensions of the market, is that the established market is motivated by money and earns money on their content, while the illegal streaming sites are not. They are often motivated by other reasons, like for instance some sense of justice or freedom to watch content without having to pay for it. The younger population know that the difference between the established market's offer is not a lot better than the free service, at least not good enough to be willing to pay (a lot more) for it. This is also why these sites can be called a low-end disruption.

### **Issues with streaming events**

Another difference it is important to think about is that the sporting sites are live, while the services that show TV-shows and movies are not. This means that there are two different ways to stream this type of content. The sporting events require live streaming and in order to be able to show the best possible quality without any lagging or unfortunate delays, they often have a couple of minutes time difference

from the original game to the stream. In that way they can fix problems if they appear before the users actually sees it.

For movies and TV-series, this content is often stored somewhere on the web (on a server), and when the user want to see it the recording starts streaming, kind of like a regular recording on your PVR (Personal Video Recorder).

There are some sporting events that are more popular than others, and that also require big servers in order to handle the amount of streaming users. It is a well-known problem that more users than expected can lead to breakdown of the server. So when people pay money to see an event, or pay a subscription to one of the established streaming services, they expect good quality and they expect good service. This is a big problem for many of the established streaming services. For regular use it works fine, but when there are more special games where there's a lot of more possible users, it often fails. One example of this is when Csports' servers broke down half an hour before the football game between Norway and Denmark started, due to a unexpected large load of users (Ellingsen 2011). It became a big loss for the company since they had to pay the money the customers paid for the game (159 NOK) back to all the users that had problems (Gimse 2011). As for the free websites, it doesn't hurt them that much, because they are free, and because the users don't expect perfect solutions from a free service. It might not affect the popularity of the page at all, while for the established and legal streaming sites it can lead to a loss of users.

A lot of people are not happy with how distributors decide which game will be shown on free-TV and which will be sent on pay-TV. An example of this is big and important games in the Champions League. Often the more "uninteresting" games between teams that don't have many fans in Norway are shown for free, while big games that a lot of people want to see are only shown on pay-TV, or you can buy the game for 169 NOK. When Viasat decided that the big game between Manchester United and Real Madrid were not going to be sent on free-TV, people started to complain (Sande 2013). Viasat told the complainants that this is how it works; people that pay for the best channels will also get the best games. He also promised that it is possible to watch it online, by paying for it at Viaplay. They had big experience with streaming similar events, so the quality should be optimal.

But what did happen when the game started and people had paid to watch it online? For many users (including myself) the quality was not good at all; one could barely see the score or who the players were. This is not the quality one expects when you pay money for it, while it would be okay or expected if it was a free stream online. However, on the free streaming sites you have several options to choose from, and in that way this does not happen that often. These types of events are dangerous for the established market. After interviewing Viasat<sup>4</sup> myself I also got another answer to why they have to send the big games on the subscription channels. The reason is that the amount of money they have to pay for the rights to those big games are huge. They are so huge that they don't have any other choice than to show it on the channels where they get more income - the pay-TV channels.

### How the industry works

After the process of interviewing the different players in the market, there has arrived a pattern in the results which tells a lot about how the industry works, and why the television industry is much more complicated than for instance the music industry. There are a lot of rules to follow and the negotiations around the rights to show content either on pay-TV, free-TV, online or as a movie rental is very complicated. In order to show how this works easier, some figures will help with that.

### Movies<sup>5</sup>

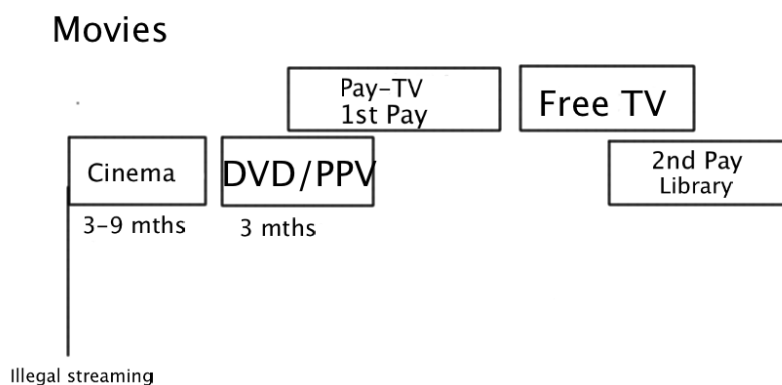


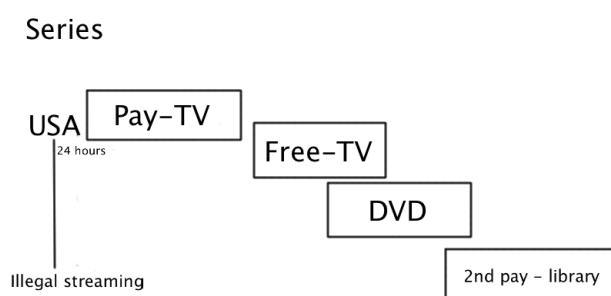
Figure 16: Overview of the distribution of movies

<sup>4</sup> See Appendix 1c for more information

<sup>5</sup> See more information in Appendix 1b & 1d

When it comes to movies, these are first shown on cinemas, where it usually stays for 3-9 months (9 months for the most popular movies like James Bond). After these months it will be released for DVD-sales and pay-per-view/TVOD (Transactional Video on Demand services), which includes Comoyo, Voddler and similar services. After three months it will also be released to paid-TV, also called 1<sup>st</sup> pay, which is where for instance CMore is placed in this chain. In the end it will also be available on free TV-channels (TV2, TVNorge etc.) and 2<sup>nd</sup> services like library services such as Netflix. And since the illegal streaming sites often releases the movies at the same time as it is shown on the cinema, it is often here the established and legal players loose money to illegal streaming. This is because these services are showing the content before the established ones have the permission to show it. For each of the step in this chain you have to negotiate with the right owners. If you want to distribute the content on 1<sup>st</sup> pay solutions like Pay-TV or as pay-per-view you only have it for about 3 months, and if you want it as a part of a 2<sup>nd</sup> pay solution, you have to negotiate again when this content is available for that type of service. It usually take five years from it is originally shown in the cinema until it is available for 2<sup>nd</sup> pay solutions.

## TV-series



**Figure 17: Overview of the distribution of series**

As for TV-series, or American TV-series, which is the TV-series most people stream illegally in Norway, it often takes some time from these shows are being sent in the U.S until they are shown free here in Norway. American TV-series is obviously first shown on different TV-distributors in the U.S, and straight after it has been shown on American television it is uploaded to the different illegal streaming sites. The first possible way to see this content legally in Norway is after 24 hours on Pay-TV

channels like CMore. However, they only have a few of the most popular American series. But when it comes to the content these pay-TV providers have they don't have as much competition from the illegal sites as for movies. In other words, they are more head-to-head with the illegal streaming sites here<sup>6</sup>. However, after they have been shown on Pay-TV it can take some time until they are being shown on free television channels. It can be weeks or months, and sometimes up to half a year until they are shown here. This is where it is critical for the established providers. A lot of young people don't want to wait months to see new episodes of their favorite series, when they know it has already been shown in the U.S, and when it is available illegally online.

After it has been shown on Free-TV, and the seasons are finished, it is distributed through DVDs, where they sell season by season. After that it will be available on library services like Netflix, but these episodes and seasons are then quite old, often several years old.

Also here you have to negotiate and pay large amounts of money to be able to distribute the content either on Pay-TV, Free-TV or library services, and you have to wait your turn until it is available for your kind of service.

## **Sports**

Sports are live, or at least people wants to see it live and not in a rerun. So here everyone has the same conditions. What it often comes to here is price, availability and also what they offer. So to be attractive for the younger population, the paid solutions has to be a lot better than the illegal ones, or at least be good enough to be willing to pay for. If events like the ones with Viasat and CMore happens to often, people will not be willing to pay for this content anymore and people will maybe then resort to the illegal streaming sites instead.

An interesting fact is that you are also able to see Tippeligaen (CMore/TV2's broadcasts) and Premier League games with Norwegian commentators (TV2 Premier League's broadcasts) on these free streaming sites. So, in other words, you get the same content, and the same quality as the established services - for free.

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<sup>6</sup> Information taken from Appendix 1d



Figure 18: Illegal streaming of TV2's broadcasting of Southampton vs. Liverpool

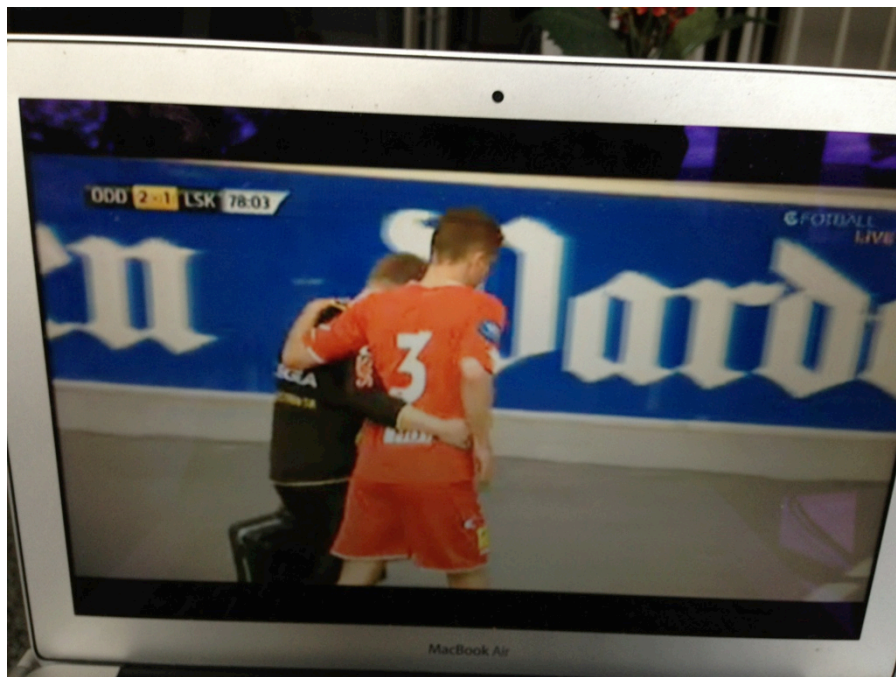


Figure 19: Illegal streaming of CMORE's broadcasting of ODD-Lillestrøm (Tippeligaen)

### Content offers

The established market has several different offers, and they typically provide services in a small-medium-large scale, which means they have three different prices and three different content offers. For instance CMORE has three options: CMORE Total (349 NOK pr. month), CMORE Sport (299 NOK pr. month) and CMORE Film (219 NOK pr. month). Viasat also has three main options, Viasat Sport (269 NOK a month), Viasat Film (229 NOK a month) and Viasat Film/Sport (319 NOK a month)

through cable/satellite and two options on Viaplay; Viaplay TV+Film (79 NOK/month) and Viaplay TV+Film+Sport (199 NOK/month). As for TV2 they have 3 Premier League channels, as well as two extra football channels. You can either subscribe to these online (TV2Sumo), or through cable/satellite. To be able to see the five different football channels on cable it costs around 329 NOK a month. TV2 Sumo has three main different options. The cheapest offer (Basis/Pluss) costs 59/79 NOK a month. Sumo Sport, which gives you the opportunity to watch all of the sports they provide online, costs 199 NOK per month. Sumo Gull, which gives access to everything, including TV2 Premier League, costs 229 NOK a month.

These offers compared to the illegal streaming sites are quite different, in the illegal streaming market there's only one offer – all of the content (the large-offer) for free. This is also what really makes the competition from the illegal market even more interesting and dangerous for the established companies.

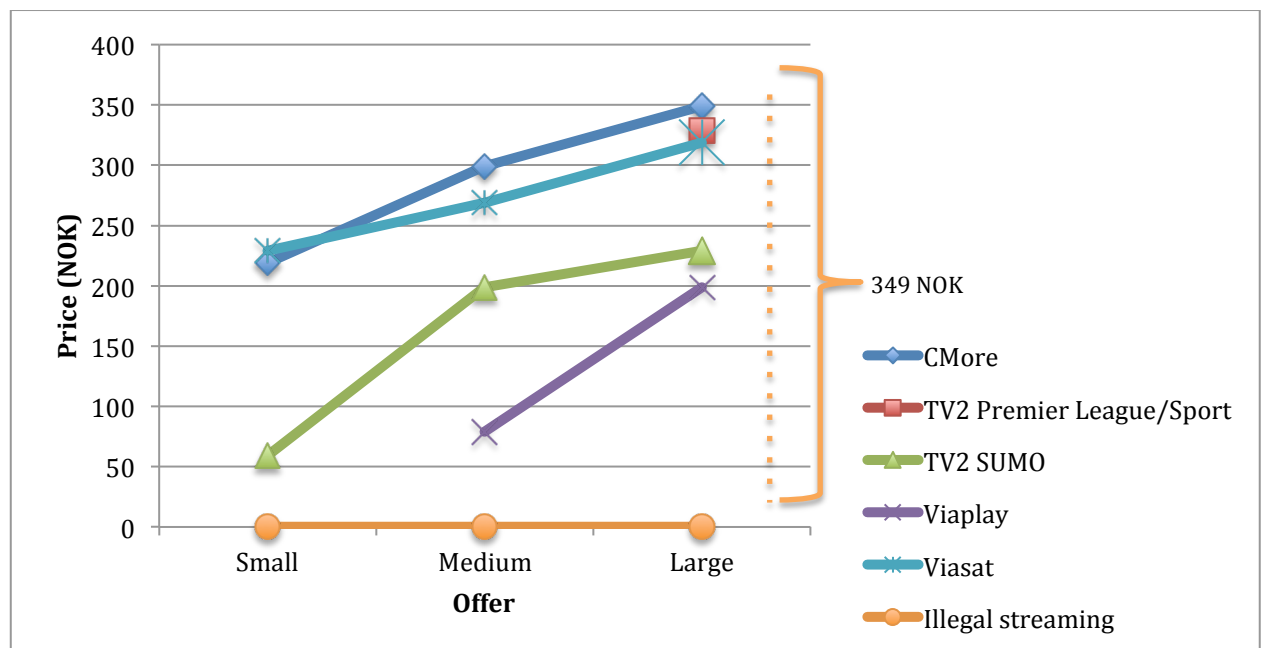


Figure 20: An overview over the different offers the players in the market have

As this figure shows, the prices for the different packages are pretty high, at least compared to the free options. For the best features and the best content in the legal market, you have to pay a rather large amount of money. If you want cheaper options, and a fairer price, you have to choose some features and/or content away. However, in



the illegal market you get the “premium” package for free. The difference between the legal and the illegal market is 349 NOK a month (4200 NOK a year). This is also why a lot of people also tend to use these free streaming sites, because it is convenient to have everything at one place (don’t have to subscribe to several services), and because it is free. More people would pay money to use the legal market if the prices were lower, and the content was worth it. That’s the problem the established market has today.

Another important point is that since the rights to the different football leagues and also the different series are spread over several providers, it will cost you a lot if you are interested in several leagues, or several series. Actually it will cost you 897 NOK a month to be able to watch Champions League, Premier League, and Tippeligaen through cable/satellite, because you have to subscribe to Viasat Sport (269 NOK), TV2 Premier League (329 NOK), and CMore Sport (299 NOK) (697 NOK if you choose to see Premier League only on TV2Sumo and Champions League only on Viaplay). In comparison, it costs nothing to watch them illegally.

When the rights to Tippeligaen was “won” by CMore this year, it also made it more expensive for the users to watch both Tippeligaen and Premier League (which a lot of people do), since they have to pay fully for both CMore Sports and TV2 Premier League, instead of getting a package price which was possible last season, when TV2 had the rights to both leagues.

Another example is if you want to see new episodes of for instance Spartacus, House of Cards, and Game of Thrones, the rights to show these series are shared between Netflix (79 NOK/month), Viaplay (79 NOK/month), and CMore (219 NOK/month)/HBO Nordic (79 NOK/month). So to be able to see these series legally you have to pay 237 NOK (Game of Thrones on HBO Nordic) or 377 NOK (Game of Thrones on CMore) a month, which is quite a lot for only three series. Instead you can watch these (and all other series) for free on the illegal streaming sites.

The gap between the free streaming sites and the subscription-based services are pretty huge when you are really interested in a lot of different football leagues or series. This can also be why people tend to use the illegal services.

## Interviewees

In order to get the correct and best information possible, this case has been looked at from different aspects. Five interviews were conducted, where all of the interviewees had a different part in the industry and relationship to illegal streaming. A survey was also made to gather some information around the users' habits. All of the interviews as well as the survey were made in Norwegian to make it easier for the respondents. You can find the translated and the original versions in the Appendix.

The first interviewee was a lawyer<sup>7</sup>, who is working with negotiations between parts when it comes to purchasing rights to different sports, and also has a lot of knowledge about the TV-industry itself. The agenda here was to find out how these illegal streaming sites would be defended or taken down in court, and get his opinion of the subject in whole.

The second interviewee<sup>8</sup> was the responsible for TV and movies at Comoyo (Comoyo 2013), which is owned by Telenor. Comoyo is a paid online streaming service where you can rent movies and series, and they formerly also sent Tippeligaen here. It is also possible to see content from 17 different TV-channels on their site. Being only an online service they are really head-to-head with the illegal streaming sites.

The third interviewee<sup>9</sup> was the chief of sports in MTG and Viasat Sport Norge (Viasat 2013). They have a bunch of different TV-channels within sports and movies, both free-TV and subscription channels. They also have an online service called Viaplay where you can watch the same content. They have the rights to distribute Champions League, in addition to some international matches.

The fourth interview<sup>10</sup> was with the Country Manager at CMore (CMore 2013). They are mostly a subscription-based TV-channel provider, but they also have a free TV-channel where some of their content is distributed. They also have online services

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<sup>7</sup> See interview in Appendix 1a

<sup>8</sup> See interview in Appendix 1b

<sup>9</sup> See interview in Appendix 1c

<sup>10</sup> See interview in Appendix 1d

called CMore Play and Csports. They recently got the rights to send Tippeligaen together with TV2, and from before they have rights to La Liga, Serie A, Eredivisie, Allsvenskan and Europa League within football. They are also providing various movies and series on their channels.

The last interview was conducted with the leader of Produsentforeningen (The Producer's Association), which are the ones who make all the Norwegian content like movies, television series, commercials and so on. They are an audiovisual association and they are really concerned with the different rights and conditions in the Norwegian film industry. They are organizing around 120 independent production companies within movie- and TV-production. The association was founded in 1930, and is built on a cultural political foundation.

In addition to these interviews a survey<sup>11</sup> was conducted and sent out through social media, where the mission was to gather information about the respondents' habits when it comes to streaming and use of this. This information would help me find out how much streaming is used and why they use it, in addition to which streaming sites that are mostly used. The tools used to make the survey is done through the website questionpro.com.

## **Major findings**

### **Survey**

The survey was as mentioned sent out through social media, which I felt was the best way to collect answers from the younger population and Internet users. It was published on Facebook and Twitter, as well as posted to streaming related pages on Facebook. 75 people started the survey, while 60 completed it. In other words, the completion rate was 80 %, which is a pretty fair number. The reason for the drop-out can possibly be related to the fact that people are afraid of answering illegal-related questions, and are concerned with "exposing" themselves. This can also result in that not everyone has answered honestly regarding illegal content.

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<sup>11</sup> See the whole survey in Appendix 2

I made sure to make the survey short enough for people to have the time and motivation to conduct it. The survey had 9 questions, and the average time to complete the survey was 2 minutes.

40 women (57.97%) and 29 men (42.03%) answered the survey, so there is a little skewness between the genders, however not a lot. 78.79% of the respondents are between 21-30 years old, which is quite logic since most of my friends and followers are between that age. This is also the age that was the target for this survey.

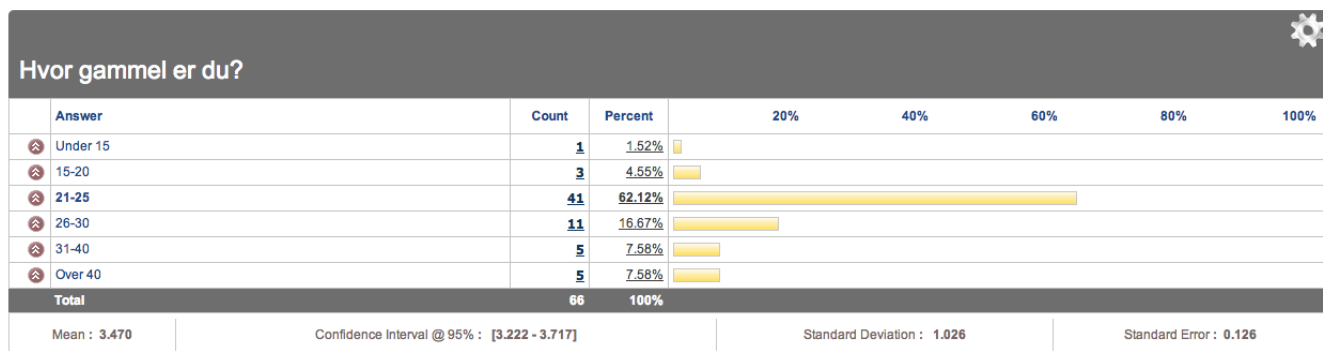


Figure 21: The respondents' age

61.54% of the respondents are also students, while 30.77% are working. This also gives a good result for the targeted respondents, since over half of them are students.

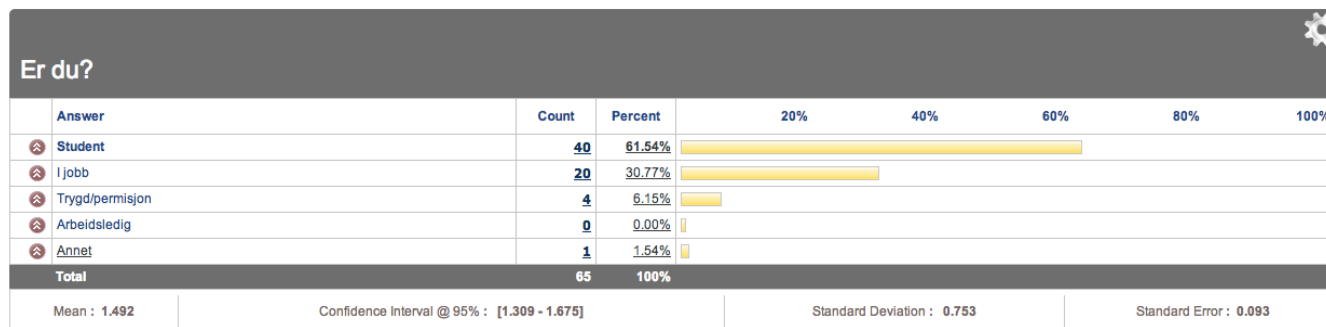
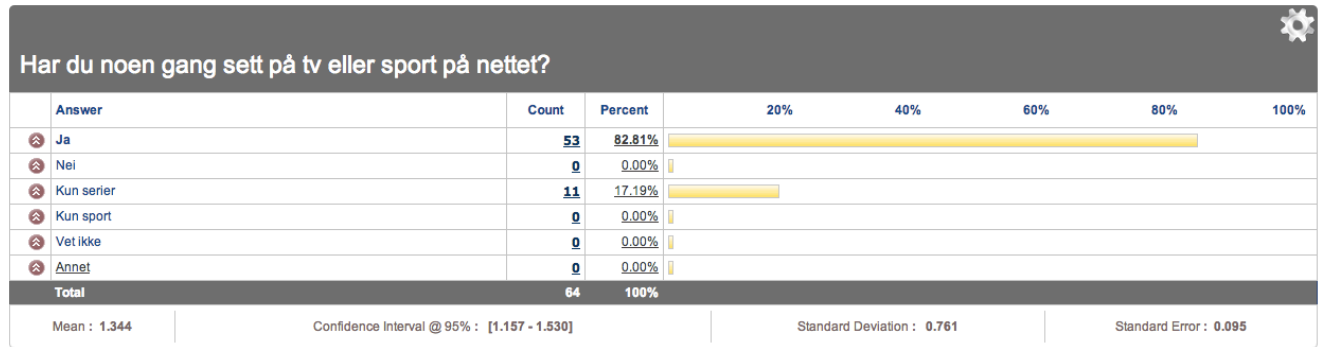


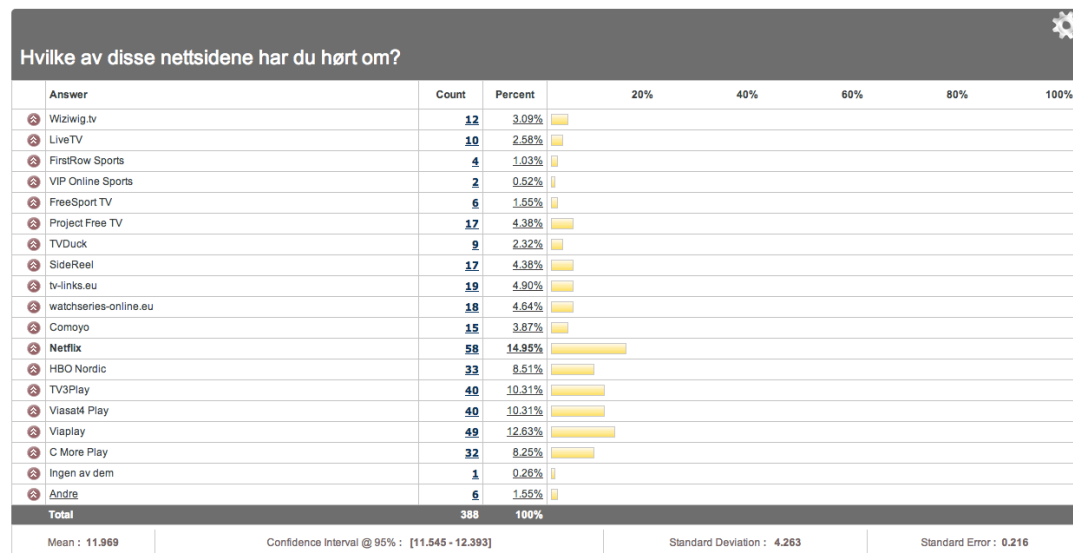
Figure 22: The respondents' occupation

On the question “Have you ever watched TV or sports online?” 82.81% of the respondents answered yes, while the remaining said they only watch series online. In other words everyone who answered this survey has watched either sports or series online, which really indicates the popularity of streaming among the Internet users.



**Figure 23: The respondents' use of streaming**

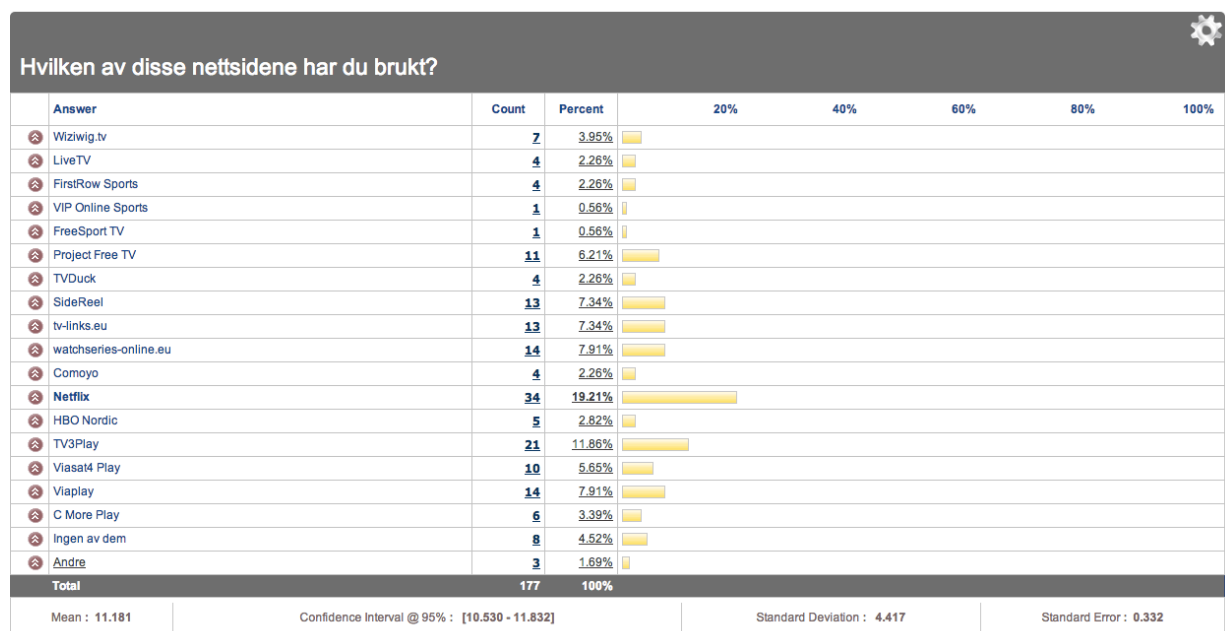
The next question was commissioned to map the knowledge of the different streaming sites out there, both legal and illegal. The results show that Netflix is the most known webpage, which 14.95% of the respondents have heard of. The legal sites are most known, which is also logical since most of them have commercials and advertisements about their products. Amongst the illegal sites, tv-links.eu, watchseries-online.eu and Project Free TV are popular for TV-series, while Wiziwig and LiveTV are most popular for sports. These results also shows that all of the illegal sites are known in a larger or smaller scale, and that thanks to no advertisements, only word of mouth.



**Figure 24: The respondents' knowledge about legal and illegal streaming sites**

Next up was to examine which of these pages the respondents use. Not surprisingly Netflix is also the most used here. Second up we have TV3 Play, which also has a lot of free content. 7.91 % of the respondents have also used Viaplay.

An interesting finding is that the same amount of respondents has used the illegal streaming site watchseries-online.eu as Viaplay. The illegal streaming sites SideReel, tv-links.eu and Project Free TV are also more used than for instance Comoyo, HBO Nordic and CMore Play. This also shows that illegal streaming is not uncommon among the younger population, rather it is more used than several of the established and legal services.



**Figure 25: Respondents' use of legal and illegal streaming sites**

Why people use streaming websites are related to several reasons. The most important reason is availability. 38.4 % of the respondents watch TV-series or sports online because of the availability, while 26.4 % do it because of the price or the fact that it is free. 27.2 % of the respondents watch series online because the episodes are not available in Norway yet. This is also a good indication that in order to capture the younger population the established companies has to make their content easy available, the price must be right and they should not wait too long to get new

episodes of the most popular TV-series.

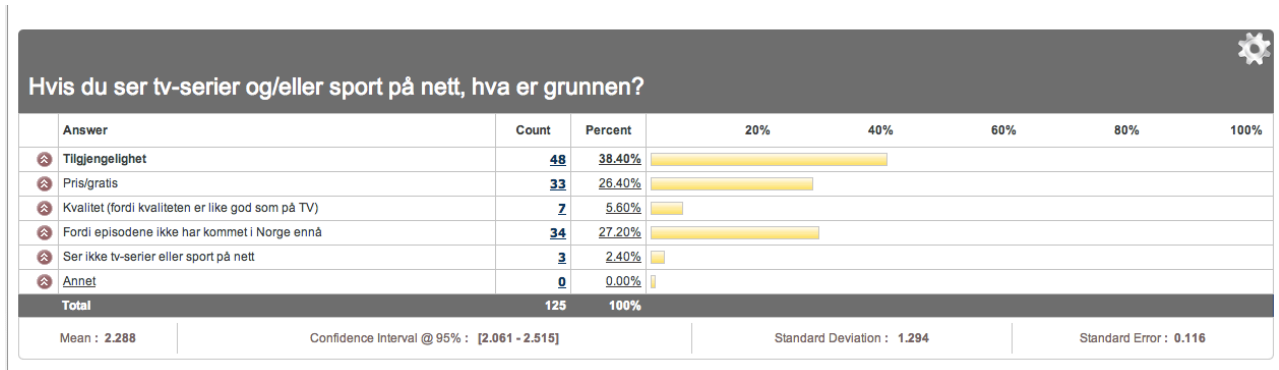


Figure 26: The respondents' reasons for streaming online

The next two questions mapped how often people watch respectively TV-series and sports online. 34.48 % of the respondents watch series online several times a week, and 10.34 % watch every day. 74.12 % of the respondents watch series online monthly or more often than monthly, which indicates that streaming of TV-series is very popular.

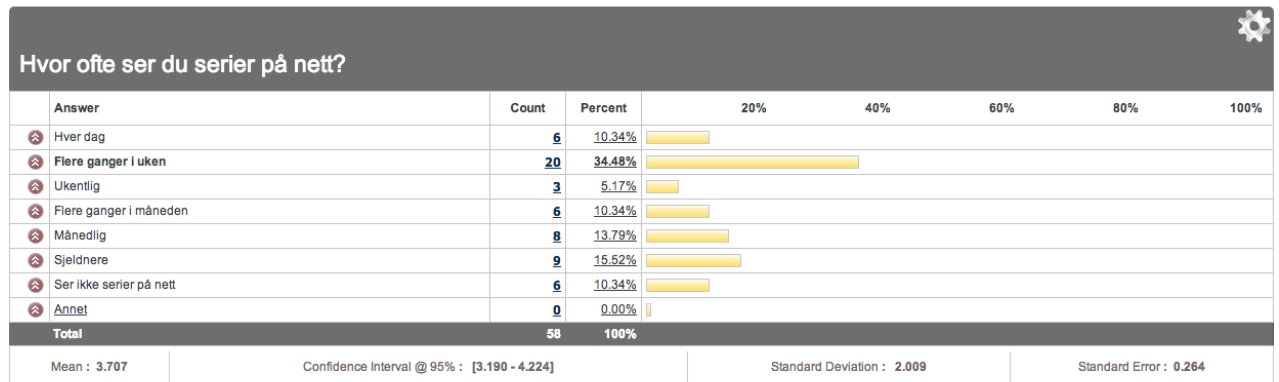
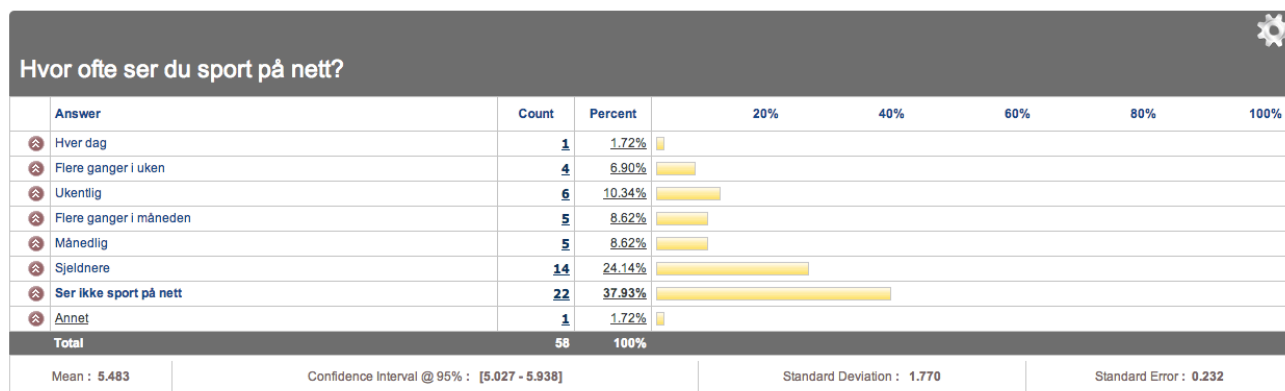


Figure 27: How often the respondents watch series online

As for sports, this is not watched as often as series. 24.14 % says they watch sports less than every month, and 37.93 % don't watch sports online at all. 36.2 % of the respondents watch sports online monthly or more often than monthly. The reason why sports are watched less frequently than series online, is probably due to that more people watch series and often more than one series, while a lot of the sports interested respondents might just see big events like El Classico or big Champions League games, which aren't played that often. Either way, the results show that people are watching sports online and that the interest for it is definitely there.



**Figure 28: How often the respondents watch sports online**

All in all, this survey showed that all of the respondents are watching online content like sports and TV-series, and that the reason for doing so is because of the availability and that the price is low, as I thought in the beginning. One can also see that several of the illegal streaming sites are more used than the legal Norwegian services. This really shows that these sites can be a disruptive innovation for the established companies if this trend keep on growing among the population.

## Interviews

These interviews were conducted with whom I considered as very important players in this industry. The interviews were open-ended and semi-structured, and were taken in person with all of them for about an hour each.

One of the first questions asked was if the interviewee were familiar with the expression disruptive innovation. This is an academic word, but do they know what it means and is it an expression they use in their work life?



### Is disruptive innovation a known expression?

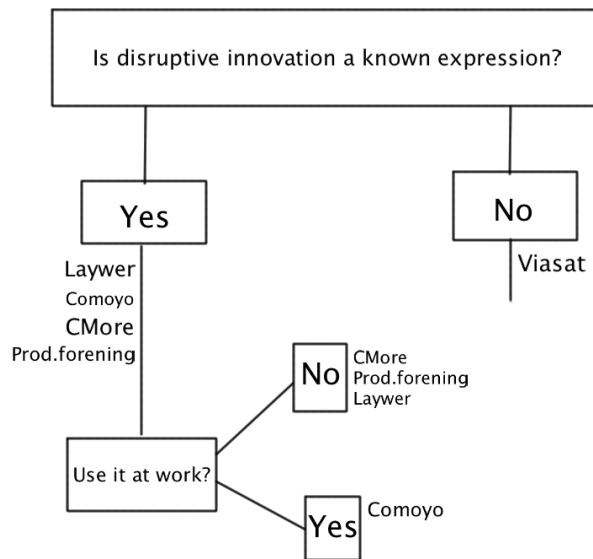


Figure 29: The interviewees' knowledge about disruptive innovation

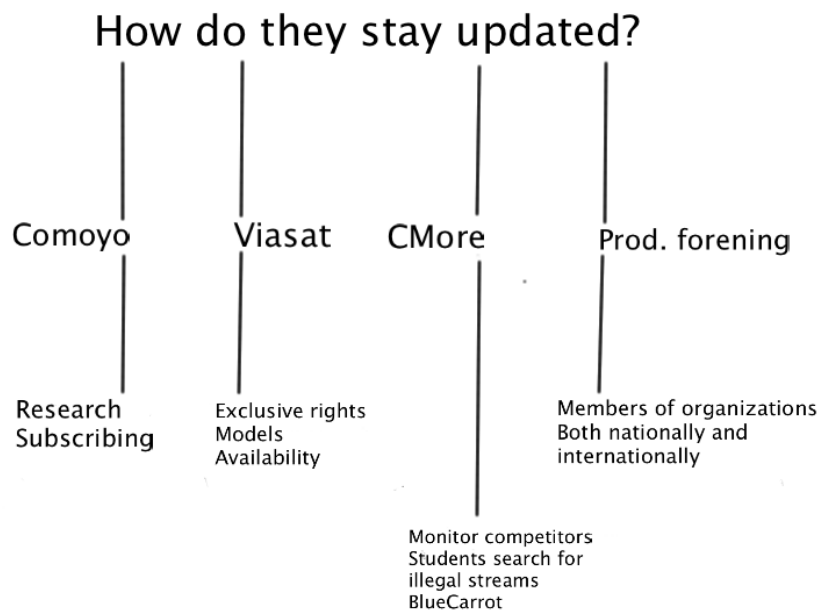
This is a simple figure that shows how the interviewees answered that question. Most of them had heard about the expression before, but only Comoyo used it in work related conversations. Comoyo<sup>12</sup> were actually working a lot with this, and were very aware of that illegal streaming can be seen as disruptive innovations. After explaining what this expression means academically to the other interviewees they understood what it meant, however it doesn't seem like this it is a common expression to use in this type of industry. The impression of the interviews told me that this was a topic they really thought was interesting, and that they really wanted to discuss.

### How do they stay up to date on the market?

I was also very curious about how much they knew about the market and who their competitors are, in addition to how posted they are on new trends.

I asked them how they kept up to date on the things going on in the market, especially related to streaming.

<sup>12</sup> For more information, see Appendix 1b.



**Figure 30: How the interviewees keep updated on the market**

All of the interviewees were doing things to keep updated on the market. Karianne from Comoyo were doing a lot of research herself, and were also subscribing to several competitors in order to see how their selection is, what prices they operate with, and what conditions they have. She said that she can tell when something works and something does not. She mentioned for instance that the way HBO Nordic tried to do business did not work for the customers, by trying to make them sign up for a one-year period. Conditions like that don't work in the streaming market and for the Internet-users. *"I have also used a lot of time to understand the marketing around these Internet services"*, she says.

Viasat makes sure to always get exclusive rights to their content, and in that way have much more control over the competitors. At least they then know that no one else in Norway is allowed to distribute the same content. Kleppo also says that they always try to stay on track with the different models that the market is using. He also states that something they really take serious is availability. He knows that availability of their content is the most important for their customers.

CMore are also keeping an eye on their competitors like Netflix and similar services. They have also employed a number of students to monitor the web for illegal streams of their content, especially Titteligaen. They have also involved a tracking company

called BlueCarrot to help them also find illegal content online.

Produsentforeningen (The Producers' Association) keep posted by being members of several different organizations both internationally and nationally, like for instance FIAPF (International Federation of Film Producers Association), CEPI (The European Coordination of Independent Producers) and EGDF (The European Games Developer Federation). In these organizations they discuss important issues like illegal streaming and other obstacles that may occur in the market.

### **How do they feel about illegal streaming?**

When I asked the interviewees about how they felt about illegal streaming, they were all very clear; they don't like them, of course.

Lawyer Arve Føyen states that these sites are illegal, and in that way don't have the same expansion as the established players. He also says that these sites do not do anything different than the paid ones, they work in the same way. *“The only difference is that they don't have the rights to distribute and share the content, and the fact that it is free for the users”*.

Karianne in Comoyo can also find some positive things about illegal streaming. She points out that they are actually doing something good by developing the technology behind the webpage, and also shows them how it can be played and how it can be shared, which is something they can benefit from. It also gives them an insight in how the Internet users want it. She does however say that they don't think about the illegal streaming sites that much, because she knows that if they can make a better and more structured product themselves, these sites will not be as attractive. *“There aren't a lot of people that want to be a “criminal” for 80 NOK a month”*. She also states that she knows that there will always be a pirate market. However, she feels that this will always be a “nerd-market”, and not for the average Joe.

Stian Kleppo at Viasat claims that these pages will diminish when good paid solutions becomes better and better. *“Just look at Spotify and how that has evolved”*. He also informs that FIFA and UEFA are very afraid of what these illegal sites can do with

the value of the rights and the income to the clubs.

Steinar Brændeland in CMore says that the illegal sites are really ruining for them.

*“We know we loose large amounts of money and also customers to these illegal sites”*. That’s why they are also working hard to take them down.

Illegal streaming can also violate the members of Prodentforeningen, because they often get distributor agreements. But they also try to track these incidents and content, and they also watermark and encrypt their files. *“It is no secret that we are against Pirate Bay”*.

### **Are the illegal streaming sites considered competitors?**

The illegal streaming sites are possible disruptive innovations, and should therefore also be seen as competitors. However, the interviewees don’t feel they are. Comoyo feel they are more like drivers of the film industry, while Viasat feel they are only ruining for them. *“I don’t consider the illegal streaming sites as competitors, more like a decease that tries to ruin for us”*.

CMore does however look at them more as a threat, rather than a competitor.

### **STOP**

I have earlier mentioned the organization STOP, which CMore, Comoyo and Viasat are a part of. Lawyer Arve Føyen says STOP is really working on taking down piracy, and that they also have been very concerned with sales and producing of piracy cards. Lately, several have been caught and punished for that. They do a lot of research, and it was also STOP that caught the man behind the sharing of Max Manus.

Comoyo feels that this organization is a way to collect the commercial part of the industry and to signalize that right owners and distributors take a stand against piracy. She also thinks this is a good forum to discuss and signalize how they feel about this.

Viasat says that STOP are especially concerned with Dreambox, as well as the piracy cards. He says that the organization also has a Scandinavian interest, since the countries can help each other.

CMore also feels that this is a way to tell everyone that they are united against these

abuses. He also informs that STOP consists among others of former policemen who know how handle these kinds of things.

Produsentforeningen are not members yet, but were planning a meeting with them at the time of the interview. He also mentioned another association called “Dele, ikke stjele”, which is a kind of petition against piracy. He also states that it is not always best to take down the guys behind the piracy, but more important is it to get the public to understand the difference between legal and illegal streaming, and the consequences of it.

### **Competitors**

I was really interested in knowing who they look at as competitors, since the illegal streaming is not considered as it.

Comoyo says that Netflix, Viaplay, HBO Nordic, TV2 Sumo and TV4 Play Sweden are the biggest competitors within movies and TV, however they didn't feel like they had any competitors when they distributed Tippeligaen, due to that the other distributor that had the rights were CMore, which is also partially owned by Telenor.

Viasat feels that the competition occur when the distributors are negotiating over the different rights, but after they have been dealt the competition is gone. He feels however there are competitors on the technological level, and here he mentions TV2 Sumo and CMore/Csports as the competitors.

CMore feels it is hard to name anyone on the illegal side. But he states “*Pirate Bay can absolutely be seen as a competitor to us*”. However on the legal side he mentions Viasat/MTG, TV2 and TV2 Sport as the main competitors. As for streaming, the biggest competitors are Viaplay and Netflix.

Produsentforeningen informs that apart from them selves, only TV2 and NRK are making the same kind of content as they are, so he also feels that they don't have any competitors.

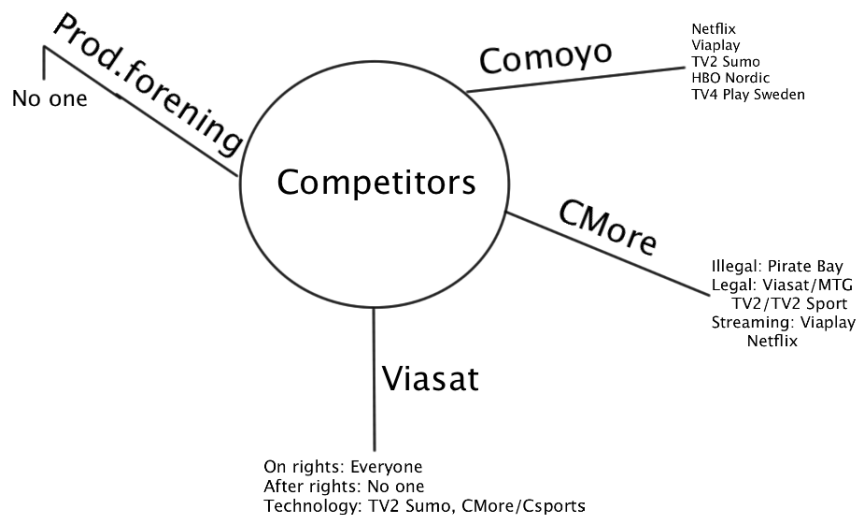


Figure 31: The interviewees' competitors

### Customers

The most common customers for Comoyo are the early adopters or socializers, this being the ones who are up to date on new technology. This is mainly men and women between 20 and 40 years old. However, for movies the early majority is also starting to use them.

CMore and Viasat agree when it comes to their customers. For movies the main group are families, while it is mostly men who watches sports.

Produsentforeningen are making content within five different groups: documentary, TV and TV-movies, commercials, games and movies. In other words; they are making content for everyone.

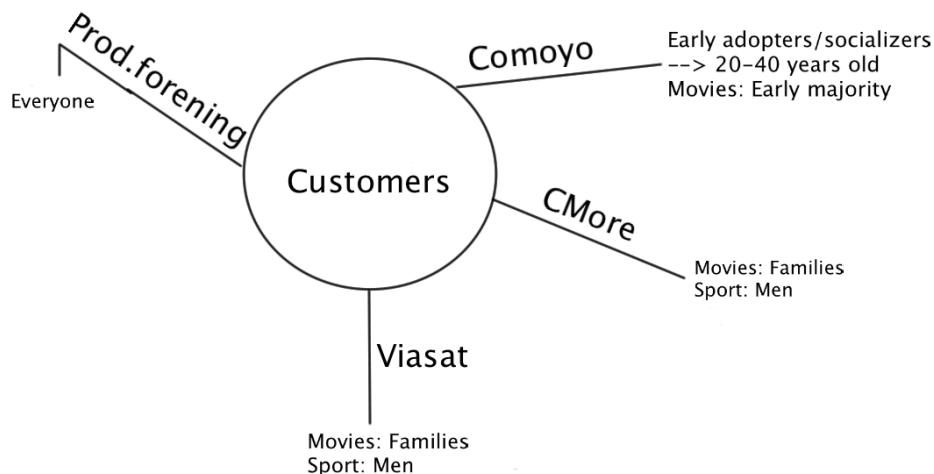


Figure 32: The interviewees' customers

### Market share and the younger population

In order to not lose market share, or try to capture the younger population, what do these companies do?

Well, Comoyo states that they so far haven't been doing a lot of marketing, because they want everything to be completely done before that. They want to have a subscription service up and running, and the technology is still a beta version, and is not fully developed. However, she informs that within the next 6 months they will be more visible in form of advertisements through commercials on TV and the Internet.

Viasat again mention exclusive rights as a way to not lose market share, and claims that this makes it easier for the customers. They also make sure to have their content available on all platforms. In order to capture younger people, they make sure to have a good dialogue with the supporter clubs, like for instance Liverpool.no. They try to make good offers to them, in order to show their appreciation.

CMore really tries to keep up with the habits the younger people have today. That's why they have their content available through Play online, and they also make apps, which makes it easier to watch the content. They are also launching a new cheaper offer, which is called Filmnett. They make sure to always renew themselves by

making services that fits with people's habits and wishes. CMore also give the customers the opportunity to choose between different packages.

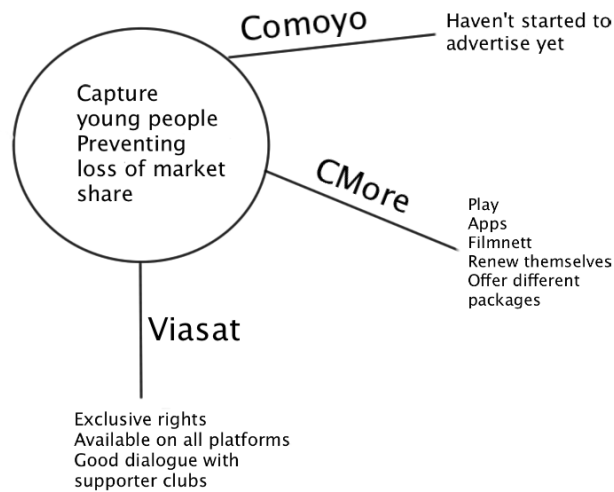


Figure 33: How the interviewees capture young people and prevent losing market share

### Illegal streaming and the law

In the interview with Lawyer Arve Føyen, he told that it is not easy to defend parts like illegal streaming sites, since it is obvious that they have done something illegal. There is no way to defend what they have done. The only solution is to defend that the penalty are too high, and in that way request a penalty reduction.

He also says that the illegal part very seldom wins, so from the other side of the courtroom it is very easy to take down the illegal players.

Before the interview he was not aware of that Tippeligaen is also being shown on these sites. And that concerned him. If this kind of use of Tippeligaen will expand, he definitely thinks it can hurt the negotiations of rights, and the market as a whole. He thinks that we will never manage to conquer all piracy, but that we can try to limit it. In order to do so, the established and legal players have to make sure to improve the availability of their content and also have good payment solutions. They have to offer a better solution themselves. They have to make sure that the content is available on all platforms.

Comoyo on the other hand were very much aware of that Tippeligaen was shown on



these sites, when they had the rights last season. They did however reckon that it has not expanded and that it has a small user group. They did some measures to prevent pirates from stealing their content, by encrypting it, and make different keys to each game. However, the pirates always managed to steal them.

### **Streaming challenges**

When talking to Viasat, I wanted to know what the biggest challenges with streaming were nowadays. I referred to the game between Manchester United and Real Madrid, that didn't work as it was supposed to. He then said that the biggest challenge with streaming is definitely the technology, and that we are in a two to five-year starting phase when it comes to streaming. *"We will probably laugh of ourselves in five years, on how we are dealing with streaming today"*. Another big problem is how to get the payment solutions to work in parallel with the streaming. When everyone is buying the game at approximately the same time, right before it starts, it causes problems. The capacity is another problem.

### **Conclusion**

After the interviews and the survey have been analyzed I have a much better overview of the situation both for the users and for the distributors and rights owners themselves. What I found really interesting from the survey results was that absolutely everyone had watched either sports or series online. This really strengthens the point that streaming is popular among the younger people.

The fact that the respondents of the survey watched more content on illegal sites, than for instance on CMore Play and Comoyo shows that the established players really should consider these sites as competitors as well. If illegal streaming evolves it can hurt the producers, distributors and the right owners, as well as the value of the different rights. It also shows that these sites are potential disruptive innovations, because they have such a strong influence and usage by the younger population, the people Clayton Christensen calls the non-consumers; the people the incumbents do not target. The fact that they don't even consider the illegal streaming sites as competitors shows how dangerous it is for them, and how the disruptive innovation can grow without them even knowing about it. As mentioned, these sites are not

necessarily technological innovations, but they are disruptive because they can change the market completely if the established players don't keep up.

These sites are considered as helpers of the industry, a disease, and a threat, but not competitors. And that frightens me a bit. Because, the ones they see as competitors got less viewers than the illegal ones according to my survey, if you disregard Netflix. Another interesting fact is that the legal sites are actually advertising and making people aware of them, while the illegal ones are not doing any kind of advertisements. And still people know about them and use them.

However, it seems like all of the different companies are doing measures to try to capture the younger market, and to prevent losing customers. They are trying to adapt to the changes in the market, and to the habits people are starting to have, by introducing their content on several platforms, by having different options on what and how they want to see the content, and also developing apps. They are also keeping posted on the things going on in the market by monitoring and subscribing other legal streaming solutions, by being members of different organizations, and by following the right models. So it seems like they are up to date on the legal market.

They also try to conquer the illegal market by searching for illegal content, by working with tracking companies, by being a part of organizations like STOP and by encrypting and watermark their content.

However, as they know, the pirate market will not go away. So to think that this is something only the "nerd-market" will use, or the most computer-skilled people are interested in, is a lie.

In 2013 habits and trends evolve fast. The transition for people to use Internet banking took maybe 15 to 20 years, because people weren't using Internet that much at the time and were scared of having to leave their old habits and safe environment. But now, most of the population is using it. When Facebook arrived it took approximately five years from launching until "everyone" used it. The transition from a few users to a lot of users is moving faster and faster.

So the transition for an innovation to be used by the innovators – the “nerds”, to the early adopters and majority can happen faster than the established companies thinks. It can happen to these illegal-streaming sites, especially due to the power of social media, which really spread the word fast, and often helps with gaining users more than regular commercials. So in that manner, it is important that the established companies take the disruptive innovations serious.

In the introduction of this paper, I asked myself if crimes actually can pay off. In this case the illegal sites are a crime. I do however feel like these disruptive innovations have done something good for the market and for the users. As Karianne<sup>13</sup> at Comoyo said herself, these illegal sites helps them to see how they can deal with streaming, and also help them to see how the Internet-users wants it. It is often the dark side of the market that develops new technologies, and lays the groundwork for everyone else. The disruptive innovations have made the established market be more innovative and able to follow what the users want. They are also more aware of how the streaming culture works.

And even though illegal streaming is a crime, and they try to ruin for the established market and they are concerning the right-owners, I feel in this case that is actually have paid off somehow, especially for the users. Now, it is up to the established players to deal with them, and to solve it, so they can still be a part of the market.

As previously mentioned, the difference between the offer the legal market and the illegal market offers quality-wise is not very different, however the price is. The illegal market also has a lot better variety and collection of content. The legal market often have different offers to choose from, typically small-medium-large packages. The large package has a wide collection and full features, while the smaller packages are more narrowed down. This is of course convenient, due to the users’ different interests. However, compared to what you get from the illegal market, which is the same content as the “premium” option from the legal market, the price to pay is too high. Also, if you are interested in several leagues and several TV-series, you might have to pay for several services and then pay a big amount of money each month. As

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<sup>13</sup> See more in Appendix 1b

mentioned earlier, it costs 897 NOK a month to be able to watch Champions League, Premier League and Tippeligaen through cable/satellite, because you have to subscribe to CMore Sport, Viasat Sport, and TV2 Premier League (697 NOK if you choose to see Premier League only on TV2Sumo and Champions League only on Viaplay).

Also, to be able to see new episodes of for instance Spartacus, House of Cards, and Game of Thrones, you have to pay 237 NOK (Game of Thrones on HBO Nordic) or 377 NOK (Game of Thrones on CMore) a month. In comparison, you can see these three, as well as a lot of other series for free (illegally). Another interesting point is that when it comes to series, the users actually get even better value from the illegal market. Not only is it free, but it is also more newsworthy given the episodes is sent earlier than the established market, as well as the quality of the product is better because all of the commercials have been cut away. The established market in Norway is also pretty narrow segmented, and the selection of TV-series is not for everyone. However, the illegal market has it all.

In order for the established and legal market to deal with this, they really have to redefine their strategy. What will make the customers happy, and what will make them choose them over the illegal services?

In order to do so, the established companies have in my opinion four choices:

1. They can try to stop illegal streaming (which is basically impossible). Especially due to the fighters focus on piracy cards, and not so much on streaming, and the fact that there always will be a pirate streaming market, regardless how much one tries to conquer it.
2. They can keep the price low enough. If the price is fair, it is worth the money, and people will choose them over the illegal market. Again, just see how Spotify has almost defeated the illegal downloading of music, because 99 NOK per month is worth the price for listening to your favorite songs. If the service is good and at a reasonable cost, people will use it.

3. They can fix the editorial around their offer, which makes it more appealing for people and make it worth the money. This includes improved availability, quality, payment solutions and selection (better than the illegal ones).  
It is important that the product is easy to use and that the design is attractive. The search-function has to be good, there has to be a clear overview over the content they offer, and optimally there should be a function that makes it possible to pause what you are watching and play it later on any device.
4. Optimally, it would be great for the users if the established companies could “join forces” somehow, and give the users the opportunity to buy package offers. Like for instance if you already are subscribing to Tippeligaen, you would get a discount on Premier League or the other way around. The same for TV-series. However, I know this is difficult due to the rules of competition in the market. But a service like this would make it easier for people to buy content legally, and get them away from the illegal services.
5. Get eaten up by the illegal market.

The problems the incumbents have today, and how they can be solved can again be related to this figure:

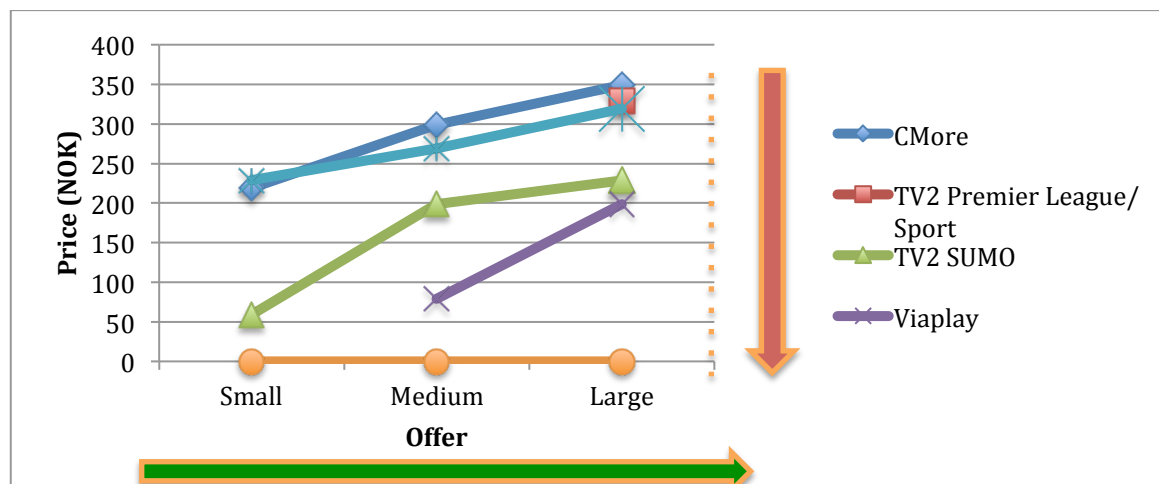


Figure 34: What the established companies have to do to capture users

For the established companies to get people away from the illegal sites, and get them to use their services, there are two critical points they must consider– price and offer.

They either have to get the price down to a fair amount or they have to improve their offer and the quality of their content.

## **Limitations and further work**

Although this research has reached its aims, I am still aware of its shortcomings and limitations.

Given that this research is only based on five (though important) informants, and that the survey was answered by a smaller number of people, the results from this thesis cannot be related to the whole population or all of the companies in the television market. The results are only an indication on how the companies cope with disruptive innovations, and a pointer on how streaming is used among the younger population.

Also, this master thesis is written and explored over a five months period, which also makes time a limitation. However, I feel this time was enough for collecting the data that was needed to analyze how the established market deals with disruptive innovations.

This thesis can on the other hand be a good basis for further work within this field. If this type of exploration is expanded to more companies and users in the television market over a longer time period, the overview will be even better, as well as the impact the disruptive innovations has on the established markets will be clearer. It could also be interesting to see how the impact is in other technological markets as well.

## Glossary

- **Streaming:** Streaming media is multimedia that is constantly received by and presented to an end-user while being delivered by a provider
- **Live streaming:** delivering live over the Internet, involves a camera for the media, an encoder to digitize the content, a media publisher, and a content delivery network to distribute and deliver the content
- **Flash video:** Flash Video is a container file format used to deliver video over the Internet using Adobe Flash Player versions 6–11
- **Peer-to-peer:** On the Internet, peer-to-peer (referred to as P2P) is a type of transient Internet network that allows a group of computer users with the same networking program to connect with each other and directly access files from one another's hard drives
- **Torrent files:** a torrent file is a computer file that contains metadata (“data about data”) about files and folders to be distributed, and usually also a list of the network locations of trackers, which are computers that help participants in the system find each other and form efficient distribution groups called swarms
- **Magnet links:** Magnet links are just links, they have no files associated with them just data. The links are an evolving URI standard developed primarily to be used by p2p networks. They differ from URLs, for example, in that they don't hold information on the location of a resource but rather on the content of the file or files to which they link
- **Cloud computing:** Cloud computing is the use of computing resources (hardware and software) that are delivered as a service over a network (typically the Internet). For example, email
- **Dreambox:** The Dreambox is a series of Linux-powered DVB (Digital Video Broadcasting) satellite, terrestrial and cable digital television receivers (set-top box), produced by German multimedia vendor Dream Multimedia

## **Appendix**

### **Appendix 1: Interviews**

#### **Appendix 1a: Interview with Lawyer Arve Føyen at Føyen Advokatfirma**

##### *Original interview in Norwegian*

#### **1. Hvordan forsvarer man ulovlige aktører som streamingsider eller f.eks Pirate Bay sett fra dine øyne?**

Disse aktørene er det ikke lett å forsvare ettersom de har begått klare lovbrudd. Det er ingen måte å forsvare at de ikke har gjort noe ulovlig. Det eneste som gjøres er å forsvare at straffen er for høy og at man dermed kan be om straffenedsettelse.

Telenor ble saksøkt av Motion Picture Association (MPA) i USA for å ikke stenge The Pirate Bay for sine brukere. MPA tapte derimot saken fordi Telenor ikke kan straffes for dette etter E-handelsloven (§ 16-17-18 i E-handelsloven), som sier at alle nøytrale videreformidlere er ansvarsfrie så lenge de ikke har noe med hvem som sender og mottar ulovlig informasjon. Et annet eksempel er f.eks at BitTorrent også er ansvarsfrie siden dette er laget for lovlig deling, og at det blir brukt også til ulovlig deling er utenfor deres ansvarsområde.

Så slike tilfeller blir de saksøkte ikke straffet, men i tilfellene med ulovlige streamingsider og Pirate bay er det ikke lett å forsvare dette.

#### **2. Hvordan prøver man å knekke de ulovlige aktørene (fra den andre siden) i en rettsak?**

De ulovlige aktørene vinner meget sjeldent, som altså vil si at det er forholdsvis lett å knekke disse, siden de åpenbart gjør noe ulovlig.

#### **3. Er disruptiv innovasjon et kjent begrep for deg?**

Jeg har vært bort i dette, men husker ikke akkurat hva dette vil si nå. Ikke et uttrykk vi bruker mye i vår jobb, men nå som du har forklart det må jeg tipse deg om en



kjempegod bok jeg har blitt anbefalt om emnet som heter ”The Master Switch” av Tim Wu. Og disruptive innovasjoner er det jo mange gode eksempler på, som virkelig har forandret markedet, et eksempel er Skype som virkelig har forandret markedet for de gamle telefonselskapene, et annet eksempel er Google, som har forandret mye for annonser og andre søkemotorer.

#### **4. Hvilken betydning kan disruptive innovasjoner ha på verdien av fotball/tv-rettigheter?**

Når det gjelder de ulovlige streamingsidene er jeg ikke veldig redd for det, men det som derimot kan bli farlig er endringene brukerne har fått når det gjelder vaner. Aktører som gjør innhold lett tilgjengelig for brukerne kan bli utfordring for de som ikke har gjort disse endringene ennå. Bare se på hvordan markedet har endret seg for filmutleiebutikkene, disse overlever så vidt, og kommer til å forsvinne etter hvert, etter som det er mye lettere for folk å streame eller leie filmer på TVen eller over nettet. Disse brukerendringene og vanene kan også påvirke og har også til en viss grad gjort dette allerede for tv-distributørene ved at de også jobber med å gjøre endringer i sitt system. Så det er altså ikke streamingen i seg selv som kan gjøre utfall i markedet, men vanene til kundene.

#### **5. Hva tenker du om de ulike gratissidene som streamer sport og tv-serier/filmer (i høy kvalitet)?**

Som sagt er disse sidene ulovlige og vil trolig ikke ha like stor utbredelse av brukere som de etablerte aktørene. Og disse sidene gjør ikke så mye annet enn betalingsstreamingsidene, det fungerer på samme måte, bare det at de ikke har rettigheter til å sende eller dele innholdet videre og at de er gratis for brukerne. Utifra det at mange av betalingsløsningene for streaming har kollapset under store eventer og kamper, og at gratissidene ikke gjør det, er jo disse bygget på samme streamingsløsning bare at de ulovlige sidene ikke har så mye pågang som de etablerte og dermed ikke kolliderer. Men vet jo blant annet NRK-nett TV hadde store problemer under Ski-VM spesielt under sluttminuttene av etappene, men det som har blitt bedre med streamingsløsningene nå, er at teknologien har utviklet seg slik at

skjermene ikke lenger blir svarte, men at det heller går ut over kvaliteten på sendingen.

## **6. Hva tenker du om at man også kan se Tippeligaen på disse sidene?**

Dette var jeg ikke klar over, og det er ingen tillatelser til å sende Tippeligaen utenfor Norge, så de som streamer dette på utenlandske sider, eller de sidene du snakker om gjør absolutt ikke dette lovlig. Rettighetshaverne er veldig opptatt av å ta alle de som sender dette ulovlig, og jobber mye med å få stoppet dette.

Så hvis det blir utbredelse av denne bruken av Tippeligaen kan absolutt dette skade for rettighetene og for markedet. Rettighetshaverne er jo opptatt av å få mest mulig penger for at andre skal kunne sende dette, derfor kan det at det er tilgjengelig gratis på nettet skade dem ved at de ikke får like mye penger for tippeligarettighetene.

## **7. Hvordan jobber STOP og eventuelt andre organisasjoner mot slike aktører? Tror de kan klare å ta dem?**

STOP er en nordisk gruppe som jobber med piratbekjempelse, og i det siste har salg og produksjon av piratkort blitt slått hardt ned på. Flere av de som har drevet med dette har blitt tatt og straffet for dette. Denne organisasjonen driver med mye research for å finne ut hva som ligger ute ulovlig av nordisk materiale og dermed prøver å få slutt på dette. Da de fant Max Manus ute på nettet ulovlig, satt de i gang store tiltak for å finne hvem som la ut dette innholdet. De prøvde å få Altibox til utgi IP-adressen til den aktuelle personen, men dette ville de på grunn av personvern ikke gi ut. De klarte derimot å finne ut hvem denne personen var tilslutt, og han ble straffet hardt for å ha lagt ut denne filmen gratis på nett.

En annen slik organisasjon er Motion Picture Association (MPA) som overvåker nettet etter fildeling av amerikanske filmer og serier. Det var disse som saksøkte Telenor den gangen for å ikke sperre Pirate bay fra det norske nettet.

Så mye av det ulovlige innholdet som ligger på nettet klarer de å finne ut av og også stoppe på et vis.

## **8. Tror du slike disruptive innovasjoner som disse streamingsidene kan skape endringer i markedet, eller vil slike sider forsvinne etter hvert?**

Jeg tror nok aldri de klarer å bekjempe alt, men de kan prøve å begrense det. Ved at de etablerte legger mer til rette for bedre tilgjengelighet og gode betalingsløsninger for sitt innhold kan de begrense bruken av de ulovlige sidene, ved at de kan tilby et bra tilbud selv, slik at brukerne ikke føler for å bruke noe annet. De må sørge for at innholdet er tilgjengelig på alle plattformer, altså mobil, nettbrett, PC og TV for at brukerne skal fortsette å bruke dem. Det som er problemet for de etablerte aktørene i forhold nye etablerte, disruptive innovasjonene er at det koster ufattelig mye penger for dem å gjøre om på hele infrastrukturen og derfor tar det lang tid for dem å oppgradere og følge med på de nye ”trendene”. Det kan virke som det går sakte med utviklingen for brukerne, men det jobbes i herdig i disse selskapene for å faktisk gjøre om på denne strukturen og gjøre det bedre for kundene. Så at disse nye trendene med tilgjengelighet og fleksibilitet kommer til å endre markedet er helt sikkert. Og mange av TV-selskapene som leverer kanalpakker kommer til å gjøre om mye på slik som det tilbys nå ved at kundene selv kan velge akkurat sine kanaler og kan se det på flere plattformer.

### ***Interview translated to English***

#### **1. How do you defend illegal players like streaming sites or for instance Pirate bay in your point of view?**

It is not easy to defend these, since they obviously have committed a crime. There is no way to defend that they have done something illegal. The only solution is to defend that the penalty is too high, and in that way request a penalty reduction. Telenor was sued by Motion Picture Associated (MPA) in the US, for not closing down Pirate Bay for their users. MPA lost that case, because Telenor cannot be punished for this according to the e-commerce law (§16-17-18 in the e-commerce law), which states that that all neutral mediators are free of responsibility for certain transfer and access services, as long as they don't decide or are involved in who the sender and recipient of this illegal information are. Another example is BitTorrent,

who also are free of responsibility, since this program is made for legal sharing. That it is used for illegal sharing is beyond their area of responsibility. So in cases like these, the defendant will not be punished, but defending illegal streaming websites or Pirate Bay are not easy at all.

**2. How do you try to break the illegal players (from the other side) in a courtroom?**

The illegal defendant very seldom wins, which means that is relatively easy to penalize these, since they obviously are doing something illegal.

**3. Is disruptive innovation a known term for you?**

I have heard about it, but I can't remember the exact definition right now.

It is not an expression we use in our work, but now that you have explained it to me, I have to recommend a very good book on the topic, which is called "The Master Switch" by Tim Wu. And there are a lot of good examples of disruptive innovations that has really changed the market. One example is Skype that completely changed the market for the old telecommunication companies. Another example is for instance Google that changed a lot for advertisements and other search engines.

**4. What significance do you think disruptive innovations can have on the value of football/TV- rights?**

When it comes to the illegal streaming sites, I am not very worried about that, but what might be dangerous is the changes the users have got lately when it comes to habits. Services that make content easily available for the users can become a challenge for those who haven't done these changes yet. Just look at how the market has changed for the movie rental stores, these are barely surviving and will disappear eventually, as it has become much easier for people to just stream or rent movies on their TV or over the Internet.

These changes and habits among the users can also affect, and has to some point

already have affected the TV-distributors, since the distributors are working on making changes in their system. So it is not the streaming itself that can make changes in the market, but the users' habits.

**5. What do you think about the various free websites that streams sports and TV-series/movies (in high quality)?**

As mentioned these sites are illegal and will probably not have as big prevalence of users as the established players. And these illegal sites doesn't do anything different from the established ones, they work in the same way, just that they don't have the rights to distribute or share the content, and that it is free for the users.

That several of the paid streaming services has collapsed during big events and matches, and that the free sites doesn't, is just because the illegal sites has not the same rush of people as the established ones. They are built on the same technology; the only difference is the amount of users.

NRK Nett-TV also had big problem during Ski-VM, and especially during the last minutes of the laps. However, the technology has become better lately, which means that the screen will not turn black when the load is too high anymore, but it will instead decrease the quality of the broadcast.

**6. These illegal sites also distribute Tippeligaen, what do you think about that?**

I wasn't aware of that, and they have no rights to distribute Tippeligaen outside of Norway, so those who streams this on foreign pages, or the websites you talk about, are definitely doing this illegal. The right owners really wants to take down those who distribute this illegal, and are also working a lot in order to stop this. So if this kind of usage of Tippeligaen will expand, this could absolutely harm the rights and the market. The right owners wants to get as much money as possible from the ones who want to distribute Tippeligaen, so that this content is available online for free can hurt them by reducing their income on the rights.

**7. How does the organization STOP or other similar organizations work against these players? Do you think they can take them down?**

STOP is a Nordic group that tries to combat pirates, and has lately been very concerned with sales and production of pirate cards. Several of the producers and sellers of these cards have been caught and punished. This organization does a lot of research to try to find illegal Nordic content online, and thus try to take them down. When they found Max Manus illegal online, they made a big effort to find the person behind this illegal sharing. They tried to get Altibox to release the IP-address to the person behind it, but due to privacy policy they wouldn't do that. They did however manage to find the guilty in the end, and he got a big punishment for what he did. A similar organization is Motion Picture Association (MPA), which monitor the web for sharing of American movies and series. As mentioned, they were the organization that sued Telenor that time for not shutting down Pirate Bay from the Norwegian web.

So it is possible to find and take down a lot of the illegal content out there.

**8. Do you think disruptive innovations like these streaming sites can create changes in the market, or will these sites eventually disappear?**

I think we will never manage to combat all, but we can try to limit it. The usage of these pages can be reduced if the established players facilitate better availability and good payment solutions for their content. By offering a good service themselves, the users will not feel they need anything else. They have to make sure that the content is available on all platforms, for both smartphones, tablets, PC/Mac and TV.

The problem for the established players compared to the disruptive innovations is that it costs them a lot of money to change their infrastructure, and it will therefore take a lot of time to upgrade and to follow the new trends. For the users it seems like the development goes very slow, but in the different companies they are working around the clock to change this structure and to make it better for the customers. So that these new trends with availability and flexibility will change the market is definite. A lot of the TV-distributors that deliver different channel-packages today will change this in

order to provide a more flexible solution for the customers, by letting them decide what they will watch, and make them available on more platforms.

## **Appendix 1b: Interview with Karianne Melleby at Comoyo**

### ***Original interview in Norwegian***

#### **1. Fortell kort om firmaet og hva din stilling og ansvarsområde i firmaet er?**

Jeg er ansvarlig for TV og film innenfor Comoyo og jeg har jobbet innenfor Telekommunikasjon i Telenor i 12 år. Comoyo startet opp som en slags start-up innenfor Telenor-konsernet, og gjorde da en disruptiv endring ved å velge å henge med på det nye som skjer i markedet i stedet for å bli ”spist opp” av konkurrentene. Comoyo er 2 år gammelt, mens Telenor er veldig etablert innenfor både TV, tale og kommunikasjon.

Innenfor TV har de i dag 2 millioner abonnenter, mens Telenor har innenfor tale 150 millioner mobilkunder i verden.

#### **2. Er disruptiv innovasjon et kjent begrep for dere?**

Ja, absolutt. Dette er noe vi jobber med hele tiden og det har jo blitt gjort mange endringer i Telenor før for å kunne henge med i markedet. Som for eksempel når Skype kom inn i bildet, viste jo det at man egentlig ikke trengte et SIM-kort lenger for å kunne ringe hverandre, man trengte bare en dings med internett som gjorde det mulig å kommunisere med hverandre. Telenor bestemte seg da for å velge å gjøre noe med det, i stedet for å sitte og vente på at de bare ble en aktør som solgte bredbånd til hjemmene, noe de vil tape masse på, men valgte å fokusere på for eksempel mobilt bredbånd som gjør at man kan bruke alle enheter som mobil, data og nettbrett til tale, kommunikasjon og generell surfing.

Problemet er bare at innenfor kommunikasjon slik som Skype er det ingen etablert forretningsmodell, de tjener ikke noe på selve ringingen eller kommunikasjonen mellom de forskjellige enhetene, så det er dette vi håper det blir litt mer orden på etter hvert så det blir enklere å finne en god løsning på dette for oss også.

Det er også andre endringer vi har gjort før for å unngå å bli spist opp av nye disruptive endringer, og det var helt tilbake til 80-90-tallet da det var vanlig å ha en fasttelefon i gangen hjemme. Det var rundt denne tiden de første mobiltelefonene startet å komme i markedet, og Telenor selv var ikke en del av dette. Men de valgte

også her å unngå å miste mange kunder fremover innenfor tale, de hadde jo mange fasttelefonabonnenter på den tiden, ved å starte opp et spin-off firma som kun skulle fokusere på mobilabonnenter. Grunnen til at de startet helt på nytt var at de ikke vil at de vanlige fasttelefonkundene skulle føle at de måtte velge mellom det ene eller det andre, men at det skulle bli et nytt, valgfritt alternativ. Denne løsningen lønte seg jo virkelig ettersom de har 150 millioner kunder verden over i dag. Det vil si at det virkelig lønte seg å være med på disruptive endringene i markedet.

Det er også dette vi jobber med i Comoyo for å gi det tilbud til brukerne som står i stil med det for eksempel Netflix og de gjør. Heller ikke her valgte vi å vente med å se hva som skjer, men valgte å starte opp dette underfirmaet for å henge med på trendene.

Det som gjør det vanskelig med film og TV i forhold til for eksempel musikk er at det er helt annen prosess å jobbe med filmbransjen og det er noen helt andre rettigheter rundt dette. Når ny musikk kommer ut, kommer den ut overalt samtidig, men når det gjelder film er det mange flere trinn.

Først kommer filmen på kino, og etter en tre måneders tid kommer den på DVD og på TVOD (Transactional Video on Demand) som da inkluderer Comoyo, Voddler og slike tjenester. Etter dette vil den bli distribuert til 1st og 2nd Premium Pay TV som f. eks CMORE og TV1000, og deretter til Free TV, som inkluderer TV2, TVNorge osv. Helt til slutt vil den bli solgt til Library, altså DVD i butikk (som f.eks på Rimi) og SVOD (Subscription Video on Demand) som Netflix og liknende tjenester. Når den når det siste trinnet har det gått fem år fra filmen kom på kino.

Som du ser er dette mye mer vanskelig og krevende prosess enn for musikk. Så det er ikke alltid kundene skjønner at det er mye jobb som kreves for å få en velfungerende og bra streamingnettside for film og tv.

### **3. Hvordan holder dere dere oppdatert på hva som skjer rundt i markedet, spesielt relatert til streaming?**

Det går jo mye i research og mye av dette gjør jeg selv. Jeg abonnerer på en rekke forskjellige slike tjenester selv, som Netflix, HBO Nordic og liknende for å se hvordan utvalget deres er, hvordan priser de opererer med og hva slags betingelser de har. Det er jo ikke alle som har skjønnet hvordan internett fungerer og hvordan disse brukerne vil ha det, som f. eks at HBO Nordic ville ha 1 år bindingstid på sine



tjenester. Dette ble veldig dårlig mottatt hos kundene og bindingstid er ikke noe man opererer med om man skal henge med i denne typen tjenester.

Jeg tror også at de vanlige TV-abonnementene vil avta ettersom folk vil ha mer frihet, men det er en ting ved vanlige TV-sendinger folk ikke tenker på og det er det at folk faktisk er som flokkdyr. Det vil si at de vil se på det samme som alle andre, og ha noe å diskutere på jobb eller skole dagen etter programmet har gått. Og det blir ikke helt det samme med disse streamingsidene.

Jeg har også satt meg veldig mye inn å forstå markedsføringene til disse internettjenestene som er rundt. For folk tror de har valgfrihet, men egentlig så er disse sidene veldig mye på å påvirke hva folk skal se på. Som f.eks at Netflix har promotert den nye serien House of Cards vanvittig mye både på nettsiden deres, på Facebook-gruppen og andre steder for at folk vil begynne å se på dette og få dette populært. Dette fører jo også at folk vil bruke deres tjenester ved at de har helt ferske episoder av det alle vil se på. Dette har jo også foregått på TV og i aviser i alle år. De promoterer serier de vet folk vil like og dermed også få folk til å se på dette. Tidligere har det vært tv-guiden på baksiden av Aftenposten som har gjort valget av tv-program for oss, men i dag er det altså på andre måter dette gjøres.

Hvis man ser på kanalen TV2 og Netflix, har begge to et visst innhold, men den eneste forskjellen er at på Netflix har man mulighet til å se på det når man vil. En måte å se effekten av nett-tv er å se på NRK Nett-TV, og man får lett se hva verdien av å ha dette tilgjengelig på nettet er. Hvis man ser på f. eks den siste episoden av Nytt på Nytt, har faktisk 60.000 sett denne på nett, enten for første gang eller i reprise etter å sett på TV. Ettersom NRK Nett-TV er gratis (hvis man ser bort ifra tv-lisensen) ser man hvor mye dette faktisk blir brukt. På tjenester som TV2 Sumo vil det selvsagt bli færre seere ettersom dette er noe man må betale for.

#### **4. Hva tenker dere om de ulike gratisidene som streamer sport og tv-serier/filmer (i høy kvalitet)?**

På en måte er de med på å bidra med noe positivt fordi disse sidene utvikler teknologien bak en slik nettside. Hvilke avspillingsmetoder som brukes, hvordan den deles osv, som vi kan dra nytte av. Det gir også et innblikk i hvordan internettbrukere vil ha det.

På den annen side tenker vi ikke så mye over dem, fordi vi vet at hvis vi utvikler et bedre og mer oversiktlig produkt med bra innhold til en bra pris, vil ikke disse sidene

være så attraktive. Det er ikke så mange som vil gjøre seg til kjeltring for 80 kroner i måneden. Og de fleste vil bidra med noe til de som faktisk hjelper brukerne med bra innhold og en bra brukeropplevelse. For det er mye jobb bak det.

Men det vil alltid være et piratmarked, og det er vi klar over. Men vi føler dette vil være et ”nerdemarked”, hvor de som er mest inni teknologi vil bruke, men ikke den vanlige mannen i gata.

#### **5. Ser dere på disse gratis sidene som konkurrenter?**

Nei, vi ser ikke på dem som konkurrenter mye på grunn av det jeg svarte på forrige spørsmål, vi ser mer på dem som oppdrivere for filmindustrien, som hjelper oss andre å finne ut hvordan vi skal lage våre tjenester.

#### **6. Dere er vel en del av organisasjonen STOP? Føler dere at denne organisasjonen eller eventuelt andre kan klare å knekke disse sidene?**

Jeg føler at denne organisasjonen er mer for å samle den kommersielle delen av industrien og for å signalisere at rettighetseiere og distributører tar et standpunkt mot piratmarkedet. Dette er også bra for oss å diskutere og signalisere utad hva vi mener om dette.

#### **7. Hvilken aldersgruppe er de vanligste kundene, eller hvem er målet deres?**

For oss føler vi at hovedkundene våre er det vi kaller early adapters eller socializers, som er de som er inne i ny teknologi og som er en rutinert internetbruker. Dette er hovedsakelig menn og kvinner i alderen 20 til 40 år. Men vi ser en utvikling på filmsiden nå at flere og flere innenfor kategorien early majority også bruker oss. Så vi er i en mellomfase for øyeblikket på kundegruppen. Dette vil nok også utvikle seg etter hvert. Nå skal vi ikke sende sport lenger, så nå har vi kun film og serier, og vi har kun filmleie som vil si at man betaler per film man vil se. Disse filmene er altså tilgjengelige 3 måneder etter de har vært på kino. Vi jobber nå med et filmabonnement hvor man kan se så mye man vil for en fast månedspris. Da må vi få tak i filmer som er eldre enn 5 år også, og dermed forhandle med rettighetsholderne på en annen måte enn vi har gjort til nå. Denne tjenesten vil bli mer lik på slik som Netflix er i dag.

## **8. Hva tenker dere om at man også kan se Tippeligaen gratis på disse sidene?**

Dette var noe vi var klar over, men vi regner med at det ikke var så utbredt og dermed hadde en liten brukergruppe. Vi gjorde dermed noen tiltak for å forhindre disse piratene ved at vi lagde krypteringsløsninger for kampene for å unngå misbruk, slik at man ikke bare kunne kopiere nøkkelen for alle kamper, men at nøklene for hver kamp ble forskjellig. Det var fortsatt ikke så vanskelig å finne ut av, men det gjorde det i hvert fall litt vanskeligere for dem. Men de som klarer å knekke denne DRM-kodingen gjør oftest ikke dette for de er interessert i fotball selv, de gjør det for å vise at de kan. Dette også føler jeg tilhører dette ”nerdemiljøet”.

## **9. Hva gjør dere for å forhindre å miste markedsandel og hva gjør dere for å øke markedsandel (ser blant annet at få folk i spørreundersøkelsen ikke vet om dere)?**

Så langt har vi ikke markedsført oss så mye, som skyldes flere grunner. Det ene er at vi har lyst å få opp denne månedsabonnement-tjenesten opp å gå før vi markedsfører oss. Det andre er at teknologien og siden har egentlig til nå vært en slags betaversjon, ved at den ikke er helt ferdigutviklet. Men vi valgte å utvikle teknologien selv, i stedet for å kjøpe ferdige løsninger for vi føler det vil kunne gi oss et fortrinn i markedet. Så i løpet av de neste 6 månedene vil vi bli mye mer synlig og også da begynne å markedsføre på vanlig måte gjennom reklamer på TV og på internett osv. Vi føler også det at vi er en del av Telenor gir oss et fortrinn ved at Telenor kan markedsføre oss til sine andre kundegrupper, og dermed øke publisiteten og bevisstheten om oss.

## **10. Hvem ser dere på som konkurrenter innenfor sport og film/serier?**

Innenfor film og tv ser vi Netflix, Viaplay, HBO Nordic, TV2 Sumo og TV4 Play Sverige som våre største konkurrenter.

## **11. Hvem så dere på som konkurrenter innenfor norsk fotball?**

Saken er den at den andre aktøren som sendte de samme kampene som oss var CMORE, som også er eid delvis av Telenor, som egentlig bare gjorde at Telenor sendte fotball på to merkenavn. Dermed så vi ikke på CMORE som noe konkurrent, mer som en søster på en måte.

Det vi dermed ble litt mer bekymret over var at CMORE inngikk en avtale med

Dagbladet om å også sende disse kampene. Det ble dermed ikke noe stort problem, ettersom det viste seg at Telenor sin rolle ovenfor sine kunder gjorde oss mer attraktive ved at de sendte ut koder til Comoyo sine kamper til kunder i andre segmenter, f. eks bredbånd. Slik ble folk mer bevisst på oss, og Dagbladet ble dermed ingen trussel på den måten.

Utenfor dette så vi heller ikke på noen andre som konkurrenter innenfor dette.

### *Interview translated to English*

#### **1. Can you please tell shortly about the firm, and what your position and responsibilities are?**

I am responsible for TV and movie within Comoyo, and I have been working within Telecommunications in Telenor for 12 years. Comoyo started up like a start-up within the Telenor-group, and we then made a disruptive change by choosing to follow the trends in the market instead of being “eaten up” by the competitors. Comoyo is 2 years old, while Telenor is a very established company within TV, voice and communication. Within TV they have today 2 million subscribers, while within voice they have 150 million cellphone customers in the world.

#### **2. Is disruptive innovation a known term for you?**

Absolutely. This is something we work with all the time, and it has been done a lot of changes in Telenor earlier to be able to follow the market. For instance when Skype appeared in the market, we knew that we no longer needed a SIM-card to be able to call each other, you only needed a thing with Internet that made it possible to communicate with each other. It was then Telenor decided to do something about it, instead of sitting and wait to be someone only who sold broadband to the homes, which they would lose a lot of money on, they chose to focus on for instance mobile broadband which makes it possible to use all units like cellphone, computer and tablets to speech, communication and general surfing. The problem within communication like Skype is that there are none established business model, so they don't earn anything on calling itself or the communication between the different units. So this is something we hope will be sorted out for us soon. It is also other changes that we have done, to avoid being eaten up by new disruptive changes, and it was back in the 80-90s when it was common to have a fixed telephone in the hallway of

your home. It was around that time the first cellphones started to appear in the market, and Telenor was not a part of this. But they chose also here to avoid losing customers within voice, because they had a lot of fixed telephone subscriptions at that time, by starting up a spin-off company that would merely focus on cellphone subscriptions. The reason that they decided to start from scratch was that they didn't want the regular fixed phone customers to feel that they had to choose between fixed phone and cellphone subscriptions, but that this would be a new, optional alternative. This solution really did pay off as they today have 150 million customers all over the world. In other words it really paid off to follow the disruptive changes in the market.

This is something we work on here at Comoyo, in order to give an offer to the users that are similar to what Netflix and similar services does. Neither here did we wait to see what happen, but decided to start up this subsidiary firm to keep up with the trends.

What makes it difficult with movies and TV, compared to for instance music is that it is a completely different process to work with the film industry and there are completely different rights around this. When new music comes out, it is made available everywhere at once, but when it comes to movies there are several different steps.

First, the movie will be shown at the cinema, and after a 3 months period it will be released on DVD and TVOD (Transactional Video on Demand), which includes Comoyo, Voddler and similar services. After that it will be distributed to 1<sup>st</sup> and 2<sup>nd</sup> Premium Pay TV, like for instance CMore and TV1000, and a later on it will be shown on Free TV, which includes TV2, TVNorge etc. In the final step it will be sold to library services, for instance DVD in stores (like Rimi) and SVOD (Subscription Video on Demand) like Netflix and similar services. From the first to the last step it has taken 5 years. As you can see this process is much more advanced and demanding than it is for music. It isn't always the customers get how much work it is behind a well-functioning and good streaming service for movies and TV.

### **3. How do you keep up to date on what is going on in market, especially related to streaming?**

We do a lot of research, and a lot of this I do myself. I subscribe to a number of different services myself, like Netflix, HBO Nordic and similar to see how their selection is, what kind of prices they operate with, and what kind of conditions they have. Some people haven't understood how the Internet works, and how the users want to have it, like for instance that HBO Nordic wanted a one year subscription on their services. This was not well received by the customers, and this kind of conditions is something you don't operate with if you want to stay on track.

I also think that the regular TV-subscriptions will diminish gradually, since people want more freedom these days. However, there are some things about regular broadcasting people don't think about, and that is that people are like pack animals. They want to watch what everyone else is watching, in that way they can discuss it at work or at school they day after show was on TV. And that will not be the same with the streaming sites.

I have also used a lot of time to understand the marketing around these Internet services. Because people thinks that they have freedom to choose, but this sites actually influence you on what you want to see. Like for instance that Netflix has promoted their new series House of Cards a lot both on their webpage, on their Facebook page and other places in order to get people to watch it, and get it popular. That also leads to people wanting to use their service since they have fresh episodes of the show everyone wants to watch.

This kind of propaganda has going on TV and in newspaper through the years. They promote series they know people will like, and because of that people will also start to watch it. The TV-guide on the back of Aftenposten has earlier been doing the choices for us, but today there are other ways as well.

If you look at the TV-channel TV2 compared to Netflix, they both have certain content, but the only difference is that on Netflix you have the possibility to watch it whenever you like.

One way to see the effects of web-TV is to look at NRK Nett-TV, and it is easy to see the value of having this available online. If you look at for instance the last episode of Nytt på Nytt, over 60.000 people have seen this online, either for the first time or

as a rerun after seeing it on TV. Since NRK Nett-TV is free (if you don't count the TV-license) you can see how much this actually is used. On services like TV2 Sumo there is obviously less viewers, since this is something you have to pay for.

#### **4. What do you think about the various free websites that streams sports and TV-series/movies (in high quality)?**

In a way they are contributing to something positive, because these sites often develop the technology behind this kind of website. Which different methods to play the content, how to share it etc., is something we can use. It also gives us an insight on how the Internet users want to have it.

On the other side, we don't think a lot about them, because we know that if we develop a better and clear product with good content to a good price, these sites will not be as attractive. There aren't a lot of people that want to be a "criminal" for 80 NOK a month. And most people actually want to contribute, in order to help the users get good content and a good user experience. Because there a lot of work behind it.

But it will always be a pirate market, and we are very much aware of that. But we feel that this will be a kind of "nerd-market", where the guys who are really into technology will use, but not the average Joe will.

#### **5. Do you consider these free websites as competitors?**

No, we don't consider them competitors, much related to what I answered on the last question; we look at them more as drivers for the film industry. They help us to find out more about how we should create our services.

#### **6. You are involved in the organization STOP, right? Do you feel this organization, or other can take these sites down?**

I feel that this organization is more about collecting the commercial part of the industry, and to signalize that right owners and distributors are taking a stand against piracy. This is also a good forum for us to discuss and signalize what we feel about this.

**7. Which age range are the most regular customers, and who are your target customers?**

We feel that our main customers are what we call early adapters or socializers, those who are up to date on new technology and who are experienced Internet-users. This is mainly men and women between 20 and 40 years old. But we also see a trend that more and more of the early majority use our movie selection.

So we are in kind of intermediate phase when it comes to customers. This will probably evolve later. We are not sending sport anymore, so for now we only have movies and series, and we only have a movie rental service where you pay for every movie you watch. These movies will be available for 3 months after they have been shown on cinema.

We are now working on a movie subscription service where you can watch as much as you want for a fixed monthly fee. In order to do so, we need to get movies that are older than 5 years as well, thus negotiate with the right owners in a different way than we have until now. This service will be more similar to what Netflix are today.

**8. It is also possible to watch Tippeligaen on these sites. What do you think about that?**

This is something we were aware of, but we reckon that this type of watching is not very common and that they had a small user group. We did however do some measures to prevent pirates, by encrypting our games to avoid abuse. In that way they couldn't just copy the same key for every game, but we had a different key for every game. It was still not very difficult solve, but it became at least a little bit more difficult for them. But those who are able to break the DRM-coding are most often not interested in football themselves, but they are doing it because they can. This is also something I feel belongs to this "nerd-environment".

**9. What measures do you do to capture up-and-coming customers, especially young people in the establishment phase? (I see from my survey that very few know who you are)**



So far we haven't been marketing ourselves a lot, due to several reasons. The first reason is that we really want to get this monthly subscription service up and rolling before we do any marketing.

The second reason is that the technology and our website has until now been sort of a beta version, in that it is not properly developed yet. But we chose to develop the technology ourselves, instead of buying complete solutions from others. We feel that this will give us an advantage in the market. During the next six months we will much more visible, and we will also then start marketing through regular channels like commercials on TV and the Internet etc. We also feel that being a part of Telenor will give us an advantage, since Telenor can also promote us to their customers, and by that increase the publicity and the awareness of us.

#### **10. Who do you consider as your competitors within movies/series and sports?**

Within movies and TV we consider Netflix, Viaplay, HBO Nordic, TV2 Sumo and TV4 Play Sweden as our biggest competitors.

#### **11. Who did you consider competitor within Tippeligaen?**

The thing is that the other player who sent Tippeligaen was CMore, which is also partially owned by Telenor. This means that Telenor were distributing football through two brands. In that way we didn't consider CMore as a competitor, but more like a sister. What we did however worry about was that CMore also made a deal with Dagbladet, which also gave them the right to distribute the same games.

This did however not turn into a big problem, as it seemed like Telenor's role to its customers made us more attractive by sending out codes to Comoyo's games to customers in different segments, like for instance broadband. In that way people became more aware of us, and Dagbladet did not become a threat in that way. A part from them, we did not feel we had any other competitors either.

### **Appendix 1c: Interview with Stian Kleppo at Viasat**

#### ***Original interview in Norwegian***

##### **1. Fortell kort om firmaet og hva din stilling og ansvarsområde i firmaet er?**

Vi distribuerer både sport og film via våre kanaler, og det omfatter både betal-kanaler og gratiskanaler som TV3, Viasat 4 og så videre. Jeg er ansvarlig for sport innenfor Viasat og også leddet over som er MTG. Det vil si jeg er ansvarlig for alle levende bilder som sendes både på nett og på TV. Jeg prøver jo å få mest mulig fortjeneste ut av det vi sender og det vi får igjen fra kundene.

## **2. Er disruptiv innovasjon et kjent begrep for dere?**

Nei, det er ikke et uttrykk vi bruker i vår hverdag eller i jobbsammenheng.

## **3. Hvordan holder dere dere oppdatert på hva som skjer rundt i markedet, spesielt relatert til streaming?**

Vi har jo rettigheter for det vi sender innenfor Norge, og derfor har vi oversikt over det som da blir sendt enten via oss selv eller via noen vi har gitt tillatelse til. Vi passer alltid på å ha eksklusive rettigheter, som vi si at vi vil ha rettigheter både til tv og til streaming på nettet, slik at ingen andre har tillatelse til å sende det samme som vi sender. Dermed har vi også god oversikt over dette innholdet.

Vi får masse tyn for at vi sender store kamper på betal-kanalene, men det er det en grunn til. Det er ikke bare for å være ”slemme”, men rettighetene til de store kampene i f. eks Champions League koster det vanvittig mye å få, og det er også slik klubbene får inntekter. De får penger for rettighetene som blir solgt til distributørene. Dermed for å få vårt ”regnskap” til å gå opp er vi avhengig av å få mer inntekter for disse kampene. Det er også viktig å tenke på at ved å betale for slike kanaler hjelper man også favorittlaget ditt med å tjene penger, siden rettighetspengene går til dette. Så om man er ordentlig supporter, betaler man for å se kampene. Om man ser det gratis på nettet er man egentlig bare med på å ødelegge for sitt eget favorittlag.

Faren med piratiseringen er at det kan gå utover rettighetene og prisene på dette, slik at altså produsentene ikke får like mye for rettighetene sine. Rettighetseierne er derfor veldig opptatt av å ta disse piratene.

Man vet også hvor mye makt Premier League har, man kan blant annet ikke se et eneste klipp fra Premier League på YouTube, fordi innhold av dette blir det screenet for hele tiden, og de blir fjernet umiddelbart om noe ligger ute. Det har blitt mer av det i Norge også, ved at aviser og forumer fjerner streamer som blir lagt ut i diverse tråder på nettet. Dette er også for å vise at de er i mot piratmarkedet.

Vi passer også på å holde tritt med alle modeller som finnes rundt omkring.

Et annet moment vi er veldig opptatt av er tilgjengelighet. Vi vet at dette alfa omega for kundene. Jeg føler også at hvis et bra produkt er tilgjengelig vil også folk vil betale for det.

Men en ting er sikkert og det er at UEFA, FIFA og liknende organisasjoner er veldig ute etter disse piratene, og den ulovlige streamingen bekymrer de veldig, vet jeg.

#### **4. Hva tenker dere om de ulike gratissidene som streamer sport og tv-serier/filmer (i høy kvalitet)?**

Jeg tror disse sidene vil avta etter hvert som gode betalingsstreamingsider blir bedre og bedre. Bare se på Spotify og hvordan det har utviklet seg. Man er absolutt villig til å betale 99 kroner i måneden for høre på all verdens musikk, og som er tilgjengelig overalt. Dermed er det ingen som laster ned musikk lenger når det koster så lite og er så lett å høre på all både ny og gammel musikk på alle plattformer via Spotify.

Men som sagt er FIFA og UEFA veldig redde for hva disse ulovlig sidene kan gjøre med verdien av rettighetene, og samtidig også inntjeningen til klubbene selv. Hvis en aktør vet at man kan få se kampen gratis andre steder, hvorfor skal man betale så ufattelig mye for rettigheter da.

#### **5. Ser dere på disse gratissidene som konkurrenter?**

Nei, det føler jeg ikke de er. Føler mer de er noen som prøver å ødelegge for oss lovlige aktører. Tror også at det er en liten gruppe mennesker som faktisk bruker disse. Så lenge man kan tilby et bra tilbud selv, vil ikke disse være så attraktive lenger.

#### **6. Dere er vel en del av organisasjonen STOP? Føler dere at denne organisasjonen eller eventuelt andre kan klare å knekke disse sidene?**

Ja, denne organisasjonen er spesielt opptatt av såkalt Dreambox, hvor folk designer sin egen kanalpakke fra forskjellige distributører. De er også veldig opptatt av disse piratkortene og har også tatt flere av de som har distribuert disse signalene ulovlig. De som er medlem av dette er veldig aktive i operasjonen med å ta disse nettpiratene, og det er også av skandinavisk interesse de er med her, vet at de for eksempel kan finne folk som deler norsk innhold ulovlig i for eksempel Sverige. Denne organisasjonen gjelder nemlig for hele Skandinavia.

Så medlemmene er selvfølgelig opptatt av å stoppe piratiseringen. Og det er også

veldig viktig å få tatt disse for industrien sin skyld.

Jeg forstår virkelig ikke retorikken i å legge ut ulovlig ting eller se ulovlig på nettet heller. De fleste som er glad i sport burde jo ville bidra (ved at man betaler) til at man faktisk har muligheten til å se disse kampene, og at de er tilgjengelige. Det gjør man ikke ved å se det ulovlig. Hvorfor skal man ha rett til å se dette innholdet gratis, når det koster så mye for de som faktisk distribuerer dette. Det er som alt annet som kjøpes og selges. Det er som at det er en rettighet med gratis klær fordi man fryser.

### **7. Hvilken aldersgruppe er de vanligste kundene, eller hvem er målet deres?**

For sport er det jo mest sportsinteresserte menn, og det kan jo være alle aldre. Det er selvsagt andre også, men dette er hovedgruppen som kjøper produktene våre. Sånn generelt for film og annet er det mest familier som er hovedgruppen av kundene.

### **8. Hva gjør dere for å kapre oppvoksende kundegrupper, spesielt unge i etableringsfasen?**

Vi passer på å ha god dialog med supporterklubbene, vi hadde blant annet møte med liverpool.no her tidligere. Ved hjelp av dette vil vi prøve å få til gode tilbud til medlemmene av disse gruppene, og siden disse er en lojal kundegruppe vil vi legge mest mulig til rette for dem.

Ved å ha slik god dialog kan vi få disse potensielle kundene til å få opp øynene for produktet vårt.

### **9. Hva gjør dere for å forhindre å miste markedsandel og hva gjør dere for å øke markedsandel?**

Som sagt passer vi på å alltid skaffe oss eksklusive rettigheter, slik at det også blir lettere for kundene å bruke det. Da kan de se kampen enten på våre betaling- eller gratiskanaler, men samtidig på nettet. Man kan for eksempel se en Champions League kamp på TV, og samtidig se oppsummeringsprogrammer med mål fra alle kamper samtidig på nett via mobiltelefon, PC eller nettbrett. Dermed har man mulighet til å følge med alle plattformer samtidig. Vi prøver rett og slett å gjøre det enklest og best mulig for kundene.

### **10. Hvem ser dere på som konkurrenter innenfor sport og film/serier?**

Når vi møtes for forhandle om rettigheter har vi selvsagt mange konkurrenter som kan ta disse rettighetene fra oss. Men når disse rettighetene er fordelt føler jeg ikke at vi har noen konkurrenter, siden vi har disse eksklusive rettighetene. De ulovlige streamingsidene ser jeg ikke på som konkurrenter, heller som en slags sykdom som prøver å ødelegge for oss lovlige. Men det er selvsagt aktører som driver med mye av det samme som oss, som TV2 Sumo og CMORE/Csports, som har samme teknologi og samme måte å distribuere innhold på.

### **11. Innenfor streaming hva er de største utfordringene, med tanke på kapasitet osv.?**

Den største utfordringen er selvsagt teknologien bak dette og hvordan man kan lage et godt produkt for kundene. Det er jo viktig for oss å levere et produkt som faktisk er verdt pengene man betaler for det. Og da må man jo selvsagt levere mye bedre enn disse gratissidene. Hvis ikke er jo ikke folk villig til å betale for det. Dessverre er det sånn nå at kravene til brukerne ligger foran teknologien, så det man ønsker seg fra en slik tjeneste har ikke blitt optimalt utviklet ennå. Jeg føler vi er i en slags 2-5 års begynnelsesfase nå, og om fem år vil vi sikkert le av hvordan vi løser streamingen i dag. Så dette kommer til å utvikle seg masse fremover. Streaming er framtida, men du må også huske på at det er faktisk nå vi lager framtida. Og det er mye som må på plass.

Grunnen til at tjenestene ikke alltid fungerer som de skal kan det være mange grunner til. Det kan være lokalt hos kunden, at internett ikke fungerer som den skal, eller at en node ikke fungerer. Men problemet kan også ligge hos oss, ved at det er feil på servere eller overkapasitet. Og det vet jeg at vi ikke kan ha for et produkt man betaler for. Folk blir forbanna og det skjønner jeg veldig godt. Det hadde jeg også blitt. Så dette må bli bedre. Forskjellen fra musikkstreamingstjenester som for eksempel Spotify er at du faktisk får tilgjengelighet til all musikk på en gang og ikke alle spiller av eller betaler for denne denne samtidig. Jeg føler også musikkindustrien her ligger en 5 års tid foran oss når det gjelder streaming for dette er et mye enklere produkt å levere. Når folk skal se en live event, som en fotballkamp, skal alle se og starte denne samtidig og det kan skape problemer. Og ikke nok med det, er det betalingsløsninger som også skal fungere og ikke skal falle sammen på grunn av pågangen. Banker har jo problemer hele tida, så når alle skal både streame og betale for den samme kampen

fem minutter før kampstart kan det absolutt skape problemer og i verste fall gå utover kvaliteten eller miste signalet. Hvis man hadde innført betalingsalternativer som at hvis man betalte en uke før kamp betale man mindre enn hvis man betalte rett før kamp, da ville disse problemene blitt løst mye enklere. Men det er jo typisk at folk venter helt til rett før kampen før de betaler for kampen og også setter i gang streamingen.

### *Interview translated to English*

#### **1. Can you please tell shortly about the firm, and what your position and responsibilities are?**

We distribute both sports and movies through our channels, and it contains both pay-tv (subscription) and free-channels like TV3, Viasat 4 etc. I am responsible for sports within Viasat and also the chain above which is MTG. In other words I am responsible for all of live pictures that are distributed both through web and TV. I am trying to get the best possible profit out our services.

#### **2. Is disruptive innovation a known term for you?**

No, this is not an expression we use on a daily basis, or in work relations.

#### **3. How do you keep up to date on what is going on in market, especially related to streaming?**

We have rights for what we are distributing within Norway, so we have a good overview over what is being distributed through us, or others we have given rights to. We always make sure we have exclusive rights, which means that we have the rights to distribute both through regular TV as well as streaming online. In that way no one else have the ability to distribute what we distribute.

That is why we also have a good overview over this content. We get a lot trouble when we choose to show the big games on the subscription channels, but there is a reason for that. We are not doing it do be mean, but the rights to the major games in for instance Champions League costs a lot of money to get, and it is also through this the football clubs gets their income. They get money for the rights that are sold to distributors. In order to get our financials to break even, we have to get more income on these matches. It is also important to think about, that by paying for channels like

that, you also help your favorite team to earn money, since the money from the rights goes to them. If you are a true supporter, you should pay for the games. If you choose to see them free online, you are actually contributing to ruin for your own team. The danger with the pirated content, is that it can harm the rights and the prices, in that way the producers won't get as much for the rights. The right owners are therefore very concerned with taking down these pirates.

It is also possible to see how much power Premier League has. For instance you can't find a single clip from Premier League on YouTube, because content from this is being screened all the time, and it is removed immediately if something is found. Similar things have started in Norway also. Newspapers and forums are removing illegal streams that are distributed in various threads online. This is also to show that they are against piracy.

We also make sure that we follow all models that are out there. Another element we are very concerned with is availability. We know that this is very important for the customers. I feel that if good product is available, people are also willing to pay for it. But one thing is for sure, and that is that UEFA, FIFA and similar organizations are really against piracy, and I know that the illegal streaming really concerns them.

#### **4. What do you think about the various free websites that stream sports and TV-series/movies (in high quality)?**

I personally think that these pages will diminish as long as good paid streaming solutions become better and better. Just look at Spotify and how that has evolved. People are absolutely willing to pay 99 NOK a month to listen to all kinds of music, which is available everywhere. Consequently no one is downloading illegal music anymore, when the price is low and it is so easy to listen to both old and new music on all platforms via Spotify.

But as mentioned, FIFA and UEFA are very concerned about what these illegal streaming sites can do with the value of the rights, as well as the income to the clubs themselves. If you know that it is possible to see the game free elsewhere, why would they pay unimaginable amounts of money for the rights?

#### **5. Do you consider these free websites as competitors?**

No, I don't feel they are competitors. I feel they are trying to harm the legal players. I also think that there's a little amount of people that actually uses these. As long as one can offer a good solution and offer our selves, they will not be as attractive anymore.

**6. You are involved in the organization STOP, right? Do you feel this organization, or other can take these sites down?**

Yes, we are. And this organization is especially concerned with the so-called Dreambox, where people design their own package of channels from different distributors. They are also very concerned with the pirate cards, and has also caught and punished those who have distributed these signals illegal.

Those who are members are very active in the process of taking down these web-pirates, and it also of Scandinavian interest that they are a part of this organization, because for instance can they find people who share Norwegian content in Sweden or similar. This organization concerns all of Scandinavia. So the members do of course really want to stop the piracy. It is also very important to take these down, for the industry's sake.

I really don't understand the rhetoric behind sharing illegal content or watch it online. Most people who are found of sports should want to contribute (by paying for the content) in order to actually have the opportunity to watch these games and make them available.

You don't contribute to that by watching them illegal. Why should people have the right to see this for free, when it actually costs so much for those who distributes this? It is like everything else that is bought and sold. It can be compared to that it is a right to have free clothes because one's cold.

**7. Which age range are the most regular customers, and who are your target customers?**

When it comes to sports, most of them are sport-interested men, and that can be all ages. There are of course more customers than that, but the main customer group for our products is these men.

In general for movies and other, the main group are families.

**8. What measures do you do to capture up-and-coming customers, especially young people in the establishment phase?**



We make sure we have a good dialogue with the supporter clubs, for instance we had a meeting with Liverpool.no (the Norwegian Liverpool Fan Club) here earlier. Through this we will try to make good offers to the members of these groups, and since they are a loyal customer group we want to the best we can for them. By having this good dialogue, we can make these potential customers be more aware of us.

**9. What measures do you do to prevent losing market share, and what do you do to increase market share?**

As I said earlier, we always make sure to get the exclusive rights, in order for the customers to use our services easier. In that way they can watch our games either through our subscription or free channels, but at the same time online. For instance one can watch a Champions League game on TV, and at the same time watch summarizing shows with goals from all of the games through you smartphone, computer or tablet. That makes it possible to follow on all the different platforms at the same time. We are simply trying to make it as easy and efficient as possible for our customers.

**10. Who do you consider as your competitors within movies/series and sports?**

When we have negotiation over the different rights we have a lot of competitors that can take the rights we want from us. Men after the negotiation is over, we feel we don't have any competitors, due to our exclusive rights. I don't consider the illegal streaming sites as competitors, more like a disease that tries to ruin for us legal services. But there are of course players in the market that do a lot of the same thing we do, like TV2 Sumo and CMore/Csports, that has the same technology and the same way to distribute the content.

**11. Within streaming what are the major challenges, considering capacity etc.?**

The biggest challenge is of course the technology behind this and how we can make a good product for the customers. It is important for us to deliver a product that is worth the money the customers pay for it. And in order to do that we have to deliver a lot better than the free websites. If not, people will not be willing to pay for it. Unfortunately, at the time the demands of the users is ahead of the technology, so

what they actually wants from this kind of service hasn't been optimally developed yet.

I feel we are in kind of a 2 to 5 year starting phase right now, and that we probably will laugh of how we deal with streaming today in five years. So this will develop a lot forward. Streaming is the future, but one have to remember that we are actually are making the future right now. And there is a lot that has to fall into place.

The reason why the services doesn't work as they are supposed to, can be various reasons. It can be a problem locally at the customer, that the Internet isn't working properly or that a node doesn't work. But the problem can also come from us; it can be errors on the servers, or overcapacity. And I know that these things can't happen with a product people pay for. People get pissed off, and I totally understand that. I would have been too. So this has to improve.

The difference from the music streaming services, like Spotify is that you actually get access to all music at once, and everyone aren't playing the same song or paying for the content at once. I feel that the music industry is five years ahead of us when it comes to streaming, because this is a much easier product or service to deliver. When people are going to watch a live event like a football match, everyone are going to see and start this stream at the same time, and that can cause problems. At the same time there are payment solutions that are suppose to work and not fall apart because of the big load. Banks have problems all the time, so when everyone shall stream and pay the same game five minutes for the game starts, it can absolutely cause problems and in worst case affect the quality or loose the signal completely. If we had adopted payments options that gave the customers the ability to pay a week a head for less money than right before the game starts, these problems would have been solved much easier. But it is very typical that people wait right before the game starts until they pay for the game and actually starts the streaming.

## **Appendix 1d: Interview with Steinar Brændeland at CMore**

### ***Original interview in Norwegian***

#### **1. Fortell kort om firmaet og hva din stilling og ansvarsområde i firmaet er?**

CMore har tre hovedområder. Det er Film, TV og sport. På nordisk basis har vi 1 millioner betalende kunder. Vi kjøper rettigheter for 500.000.000 kroner og fokuserer

på gode film, tv og sportsopplevelser. Vi har rettigheter til en rekke kvalitetsserier og filmer, samt La liga, Serie A og Tippeligaen innenfor fotball.

## **2. Er disruptiv innovasjon et kjent begrep for dere?**

Det er ikke et veldig kjent begrep ettersom dette er ikke noe vi bruker aktivt her hos oss. Men når du forteller om det, er jo dette et veldig aktuelt og spennende tema om dagen.

## **3. Hvordan holder dere dere oppdatert på hva som skjer rundt i markedet, spesielt relatert til streaming?**

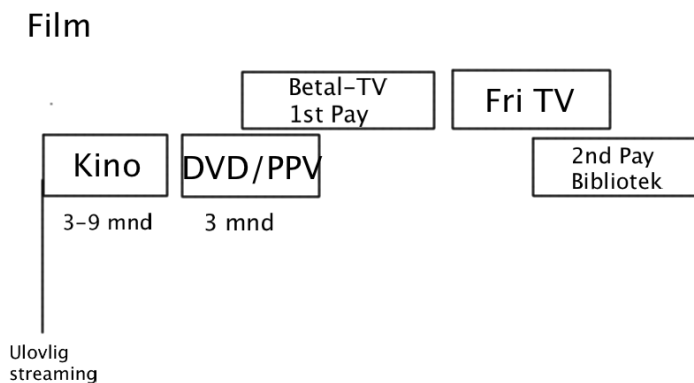
Sånn blant de norske distributørene er det veldig enighet i bransjen om hva som skal gjøres og hvilke regler som skal følges. Og vi er jo veldig klar over hva som skjer rundt i markedet i forbindelse med streamingtjenester, og at tilgjengelighet er noe som det viktigste for folk. Vi følger jo også med på hva Netflix, Viaplay og HBO gjør, men de ligger på et litt annet segment enn oss. Vi vet jo for eksempel at 70 % at Netflix sin kundebase er mellom 20 og 29 år. Og vi vet også at det er mye mer betalingsvillighet og evne for TV enn på nett. Med tanke på de ulovlige nettsidene, har vi faktisk ansatt en rekke studenter som søker etter ulovlige strømmer som sender vårt innhold, slik at vi dermed kan prøve å få stoppet disse. Vi har også jevnlig møter med et firma som heter BlueCarrot som er et trackingselskap som også hjelper oss med å finne ulovlig innhold.

## **4. Hva tenker dere om de ulike gratissidene som streamer sport og tv-serier/filmer (i høy kvalitet)?**

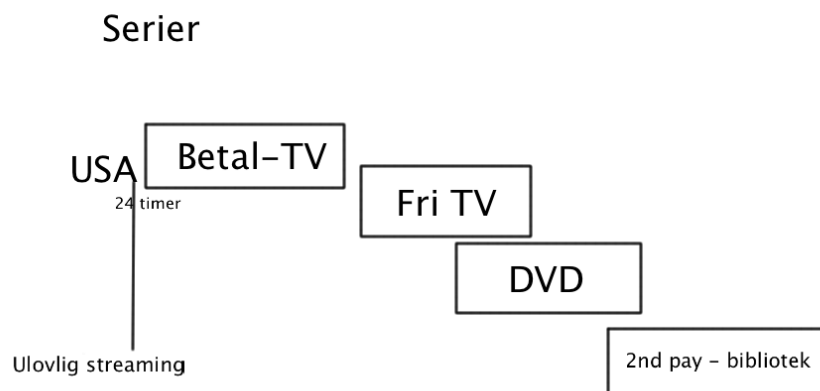
Vi liker jo selvsagt ikke disse. De er jo med på å ødelegge for oss. Og det er også derfor vi satt inn ressurser for å også få stoppet disse. Det man også må ta til etterretning her er også hvordan markedet er lagt opp. For det er her det ofte er vanskelig for å oss å gjøre vårt beste for kundene. For det er visse regler å forholde seg til.

Når det gjelder film, kommer jo dette først på kino og der er den 3 til 9 måneder, før den da blir frigjort for DVD salg og Pay-per-view tjenester, litt etterpå kommer den på betal-TV også kalt 1st pay, som er her vi ligger i kjeden, og så til slutt blir den tilgjengelig på Gratis TV og 2nd pay som ofte er bibliotekstjenester. Og her kommer jo de ulovlig streamingsidene ut med innholdet samtidig som de ligger på kino ofte,

og her taper vi ofte penger, siden streamingene er ute før vi får sendt innholdet.



Når det gjelder serier så har vi på Betal TV et mye større fortrinn ved at vi får de nyeste episodene kun 24 timer etter de har blitt sendt i USA. Så her er vi mye mer head-on, og så å si samtidig som streamene, så på våre serier blir ikke de ulovlige sidene konkurrenter på samme måte.



Når det gjelder sport er jo dette alltid live, eller det er i hvert fall få mennesker som gidder å se sportseventer i reprise. Så her stiller vi jo alle likt, så går det på hvem som har rettigheter, og samtidig prøve å få stoppa de ulovlige streamene. Her er det jo også både nasjonale og internasjonale kamper det gjelder.

Når det gjelder hvor vi ligger hen i markedet så ligger vi på den mer etablerte siden, som vil si familier og etablerte folk, og også på betalsiden. Mens Netflix/HBO/Viaplay har lagt seg litt mer midt i mellom de unge og de etablerte. De ulovlige



### **7. Hvilken aldersgruppe er de vanligste kundene, eller hvem er målet deres?**

Vi fokuserer jo selvsagt mest på familier og er opptatt av at vi skal ha noe å tilby til hele familien av serier og filmer. Men når det gjelder sportskanalene våre er nok 80 % av disse kundene menn. Og selvsagt også sportsinteresserte menn.

### **8. Hva gjør dere for å kapre oppvoksende kundegrupper, spesielt unge i etableringsfasen?**

Det vi gjør her er å prøve å følge vanene til de unge, som gjør at vi tilgjengeliggjør innholdet vårt via funksjonen vår Play på nettet, hvor man kan se alt av CMore sitt materiale på nett når man har abonnement, og så lager vi apper som gjør det lettere for dem å se innholdet vårt. Fra før av har vi jo tre forskjellige pakker. Vi har CMore Total som inneholder både sport, film og seriekkanaler, altså hele pakka. Denne koster 349 i måneden. Og så har vi også CMore Sport som koster 299, og CMore Film/serier som koster 219. Men for å gjøre det enklere og billigere for den yngre populasjonen, som for eksempel studenter, lanserer vi nå en ny tjeneste som heter Filmnett, som kun vil være tilgjengelig på nett og som kun vil koste 99 kroner i måneden. Det er et tilbud som vil være mer likt som Netflix og liknende aktører.

### **9. Hva gjør dere for å forhindre å miste markedsandel og hva gjør dere for å øke markedsandel?**

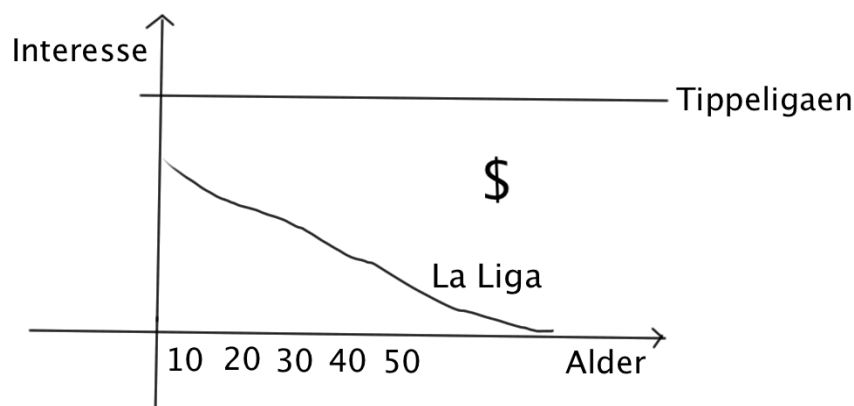
På samme måte her prøver vi alltid å fornye oss selv ved å lage tjenester som passer folks vaner og ønsker, slik som disse applikasjonene, og ved å tilgjengeliggjøre innholdet på nett, og også gi folk valgmuligheter med de forskjellige pakkene vi tilbyr.

### **10. Hvem ser dere på som konkurrenter innenfor film/serier og sport, og spesielt Tippeligaen?**

Blant de ulovlige er det ikke så lett å navngi noen konkurrenter akkurat nå, men Pirate Bay kan jo absolutt bli sett på som en konkurrent for oss. Men blant de lovlige aktørene er Viasat og MTG absolutt en konkurrent head to head på TV-delen. Det er også TV2 og TV2 Sport og liknende aktører. På streamingsiden er jo Viaplay og Netflix konkurrenter. Men som nevnt tidligere har folk mer betalingssevne på TV enn på nett, så det er på TV-siden det ligger mest penger for øyeblikket. Og når det gjelder

vårt tilbud av serier og film er selvsagt Viaplay og Netflix store konkurrenter. Når det kommer til Tippeligaen har jo vi hovedavtalen der, de fleste kampene sendes hos oss, mens to kamper sendes på TV2 og TV2 Zebra. Så konkurransen her ligger mer på rettighetsnivået, at for eksempel TV2 har rettigheter på Premier League eller at Viasat har rettigheter på Champions League. Men om man har veldig sportsinteresserte mennesker, så er det jo selvsagt mange aktører å forholde seg til, med tanke på at rettighetene er fordelt mellom Viasat, TV2 og CMore. Og også her kan jo de ulovlige sidene gjøre at folk går til de i stedet for alle de andre lovlige aktørene.

Men nå som vi har skaffet oss rettigheter på Tippeligaen, i tillegg til for eksempel La Liga føler vi at vi har fylt igjen et hull i interessen og også inntjeningen ved at det ofte er de yngste som har interesse for La Liga, men at Tippeligaen som er lokal fotball har en mer spredt interesse blant forskjellige aldre.



### *Interview translated to English*

#### **1. Can you please tell shortly about the firm, and what your position and responsibilities are?**

CMore has three main areas. These are movies, TV and sports. On a Nordic basis we have 1 million paying customers. We buy rights for around 500.000.000 NOK and we focus on good movie, TV and sports experiences. We have rights to a variety of quality series and movies, in addition to La Liga, Serie A and Tippeligaen within football.

## **2. Is disruptive innovation a known term for you?**

It is not a very known term, since this is not something we actively use around here. But when you have explained it, is this really a very relevant and exciting subject these days.

## **3. How do you keep up to date on what is going on in market, especially related to streaming?**

Among the Norwegian distributors there is a consensus in the industry on what should be done and what rules one should follow. We are very much aware of what's going on in the market, in conjunction to the different streaming services, and we know that availability is very important for people. We also monitor and keep posted on what Netflix, Viaplay and HBO does, but they are in a bit different segment than us. We know for instance that 70 % of Netflix's customer base is between 20 and 29 years old. We also know that there are much more willingness to pay for content on TV than online content. With regards to the illegal streaming sites, we actually have employed a number of students that searches for illegal streams that are using our content. By doing this we try to find a way to stop them.

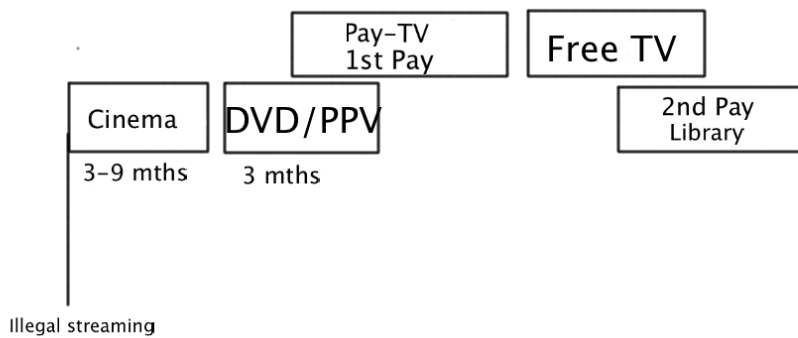
We also have frequent meetings with a firm called BlueCarrot, which is a tracking company that helps us to find illegal content.

## **4. What do you think about the various free websites that streams sports and TV-series/movies (in high quality)?**

Of course, we don't like them. They are contributing to damage us. This is also why we allocated resources to try to stop them. What we also have to considerate is how the market is organized. Because there are certain guidelines and rules one have to follow. When it comes to movies, these are first shown on cinemas, where it usually stays for 3-9 months. First after that it will be released for DVD-sales and pay-per-view services. Some time later it will also be released to paid-TV, also called 1<sup>st</sup> pay, which is where CMore is placed in this chain. In the end it will also be available on free TV-channels and 2<sup>nd</sup> services like library services. And since the illegal streaming sites often releases the movies at the same time as it is shown on the cinema, we often loose money to them here. This is because these sites are showing the content before we do.

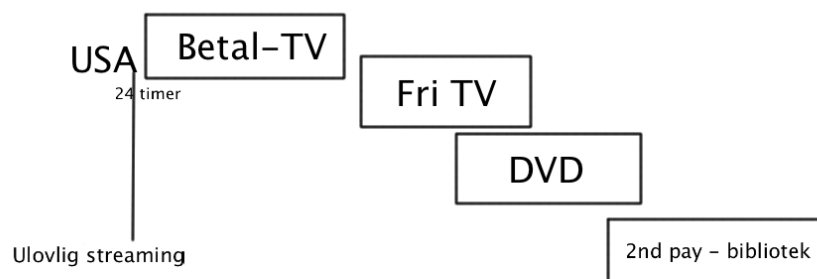


## Movies



We have much greater advantage when it comes to Pay-TV, because we get the newest episodes only 24 hours after they have been shown in the US. So here we are much more head-on, and we are almost sending the content at the same time as the streaming sites. In that way the illegal streaming sites aren't as big competitors here.

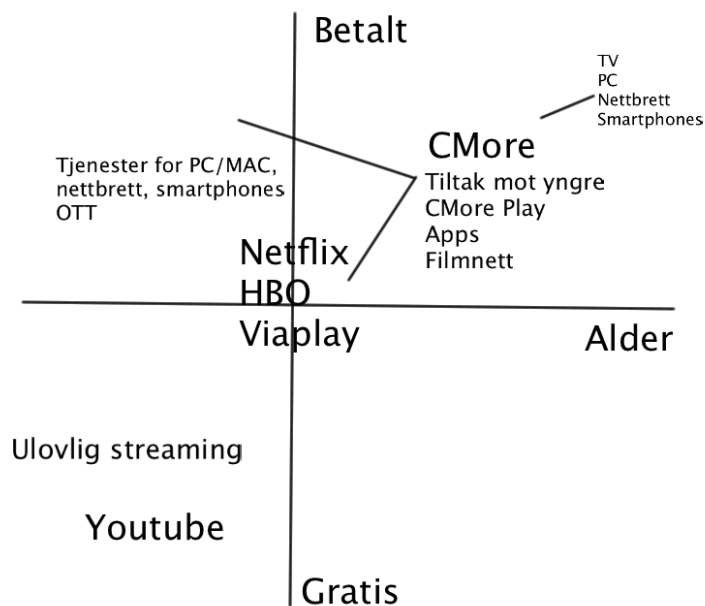
## Serier



When it comes to sports, this is different. Because sports are always live, or there are at least very few people that watches sports events in replay. So here, we are all equals, and it comes more down to who has the different rights, and at the same time trying to stop the illegal streams. Here it concerns both the national international games.

As for where we are located in the market, we are on the more established part, which includes families and more established people, and also on the paid part of the market.

While Netflix, HBO and Viaplay are more focused in the middle of the established and young people. The illegal players are often popular among the younger population, and also students. To be able to adapt more to the “younger” side, we have moved more against the trends and also launched different opportunities for them.



**5. Do you consider these free websites as competitors?**

Legally, we have been lacking remedies to be able to do something about them, but now several opportunities have opened up in the law, both in Norway and in Denmark, which makes it easier for us to take them now. But we don't look at them as direct competitors, but more as a threat. We know we lose large amounts of money and also customers to these illegal sites. This is also why we are very concerned about taking down these players. This is also why we hired these students to check out what is out there, and also engaged this tracking company.

**6. You are involved in the organization STOP, right? Do you feel this organization, or other can take these sites down?**

Yes, we are members of this organization, and this also a way to tell everyone that we are standing together against these irregularities. STOP consists among others of

former policemen, who know how to handle these kinds of things, and they fighting actively against those who post illegal material.

**7. Which age range are the most regular customers, and who are your target customers?**

Obviously, we are mostly focused on families, and we want to offer TV-series and movies for the whole family. But when it comes to our sports channels, 80 % of these customers are probably men. And of course men who are interested in sports.

**8. What measures do you do to capture up-and-coming customers, especially young people in the establishment phase?**

What we do is to try to follow the younger people's habits by making our content available through our feature Play on the Internet, which makes it possible to see all of CMore's content online when you have a subscription. We also makes apps, which makes it easier for them to watch the content.

We offer three different packages. There's CMore Total, which includes sports, movies and TV-series, in other words everything we offer. This package costs 349 NOK a month. We also have CMore Sport, which has a monthly fee of 299, and CMore Movies/Series that costs 219.

But in order to make it easier and cheaper for the younger population, like students, we are now launching a new offer, which is called Filmnett. This offer will only be available online, and will cost 99 NOK a month. This is an offer that will be more similar to Netflix and similar services.

**9. What measures do you do to prevent losing market share, and what do you do to increase market share?**

As before, we always try to renew ourselves by making services that fits with people's habits and wishes, like we do with these applications, or by making our content available online. We also give people the right to choose between our different packages.

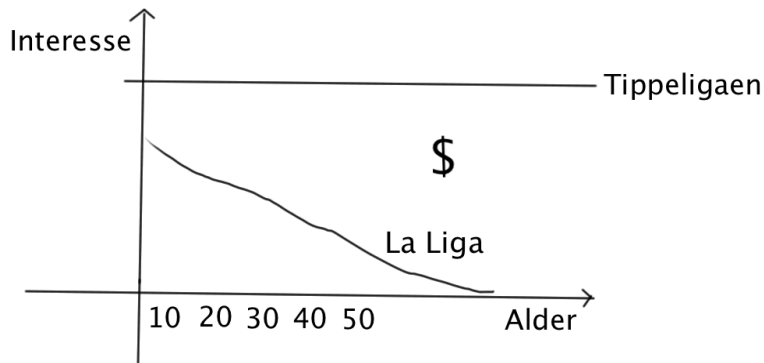
**10. Who do you consider as your competitors within movies/series and sports, and especially Tippeligaen?**

Among the illegal ones I can't think of any competitors right now, but Pirate Bay can absolutely be seen as a competitor to us. Among the legal players in the market, is Viasat and MTG definitely a competitor head to head on the TV-part. TV2 and TV2 Sport and similar players are also big competitors there. When we consider streaming services are Viaplay and Netflix competitors. But as I mentioned earlier, people are more willing to pay money on TV than online content, so there's definitely more money to make on TV at the moment.

And when it comes to our offer of series and movies, Viaplay and Netflix are obvious big competitors.

We have the main deal on this year's Tippeligaen, so most of the matches will be distributed by us, while two matches will be on TV2 and TV2 Zebra. So the competition here will depend more on the rights, like for instance that TV2 has the rights to distribute Premier League, or that Viasat has the rights to Champions League. So people who are very interested in football has a lot of different players to relate to, considering that these rights are divided between Viasat, TV2 and CMore. And it is also here that these illegal sites can make people go directly to them, instead of all the legal players.

Now that we have the rights to Tippeligaen, in addition to for instance La Liga, we feel that we have filled a gap in the interest, as well as earnings. This is because it is often the younger people that are most interested in La Liga, but when it comes to Tippeligaen, the local football; it has a more diverse interest among different ages.



### Appendix 1e: Interview with Leif Holst Jensen at Produsentforeningen (The Producers Association)

#### *Original interview in Norwegian*

#### 1. Fortell kort om firmaet og hva din stilling og ansvarsområde i firmaet er?

Vi er en audiovisuell forening, og er både en interesseforening og bransje- og arbeidsforening. Vi har i dag tre ansatte, meg selv som er ansvarlig for rammebetingelser, lobby og markedet, i tillegg til en advokat og en prosjektleder som tar seg av forskjellige eventer innenfor TV, film, reklame og så videre.

Vi er opptatt av å sikre rammevilkårene til norsk virksomhet. Vi er også en fusjonert forening, og vi organiserer i dag rundt 120 uavhengige produksjonsselskaper innen film- og tv-produksjon. Medlemmene er spredd over hele landet og produserer kort- og dokumentarfilm, spillefilm, tv-program, reklamefilm, spill, oppdragsfilm, multimedia med mer. Vi omsetter i dag for rundt 2 milliarder kroner. Foreningen startet i 1930, og har et kulturpolitisk fundament, vi er veldig opptatt av markedet og markedsvilkårene. Vi er vel de som ofte blir karakterisert som ”blårussen”, siden vi er opptatt av inntekter og markedet. Vi er opptatt av at alle produksjonsselskaper skal ha like kommersielle vilkår og like konkurransevilkår både nasjonalt og internasjonalt. Vi er også opptatt av at det ikke skal være forskjell på reklameavbrudd mellom sjangre, som det har vært tidligere. Ikke det at vi er så glad i reklame, men vi synes ikke det skal være forskjell på ”populariteten” om det er en dokumentarfilm eller en drama eller komedie. Vi jobber også med at alle skal ha samme adgang til produkt plassering. Men siden det norske markedet er så lite, er vi selvsagt avhengig av de store internasjonale markedene for å få til store forandringer.

## **2. Er disruptiv innovasjon et kjent begrep for dere?**

Det er et kjent begrep, det vil si vi vet hva det betyr, men det er ikke noe vi bruker i jobbsammenheng. Hos oss er det bedriftsmodeller og prosjekter som gjelder. Vi jobber med rammebetingelser, vi er ikke de som setter opp tjenester. Medlemmene må gjøre sin egen business, og dette er ikke noe vi blander oss inn i. Men problemet vårt er at mange av aktørene våre er så små at større distributører som Netflix og Comoyo ikke vil forhandle med hver og en av dem, så derfor vurderer vi å samle dem, slik at det blir lettere å forhandle med disse aktørene. Vi har en tendens til å være litt reaktive med tanke på teknologiutvikling. Vi er på en måte en råvareleverandør, og vi har ikke så mye kontakt med brukerne selv. De eneste som har det, er de som utvikler spill, de har mye mer kontakt med brukeren enn hos film og TV. Vi prøver å få disse til å dele erfaringer og få det til å bli litt lettere for TV og film og også få mer kontakt med brukerne, men det er ikke alltid like lett å få til. Et annet problem er at det koster utrolig mye å lage film og tv og vi er avhengig av finansiering og investorer. Dermed kan man ikke crowdføre film og tv på den måten. Men for fildeling bruker de kun ferdig produkter som vi eller andre har laget, så de er ikke avhengig av noe finansiering på den måten. Dette samme gjelder for musikk, for vi får ofte høre at vi ligger så langt bak musikken i forhold til å tenke på teknologiutvikling og så videre, men også her er kostandene for å lage film/tv versus musikk mye høyere. Så for oss er hovedutfordringen finansiering, og dermed har ikke de nye teknologiene kommet i første rekke.

## **3. Hvordan holder dere dere oppdatert på hva som skjer rundt i markedet, spesielt relatert til streaming?**

Vi er blant annet medlem av en rekke organisasjoner som FIAPF (International Federation of Film Producers Association), CEPI (The European Coordination of Independent Producers) og EGDF (The European Games Developer Federation), og også flere. Og i disse organisasjonene drøfter vi utfordringer slik som ulovlig streaming og andre hindringer som kan oppstå i markedet. Så vi holder oss oppdatert på hva som skjer i markedet, både nasjonalt og internasjonalt. Men vi har også fått erfare at det er ennå ikke noe marked hvor Video on Demand er noe butikk ennå. For noen år siden var det funnet 1000 forskjellige VOD-tjenester, og ingen av disse hadde overskudd. Men mye har forandret seg siden høsten, så det skjer ting, men det er

fortsatt ikke så lønnsomt med det som skjer på nett. Men det er ingen hemmelighet at mye av den teknologiske utviklingen som har skjedd har kommet fra den mørke delen av markedet. Men fildelingen har jo også vist oss hvordan man kan dele filer og hvordan det kan gjøres.

Men som vår advokat sier, vil alltid lovgivingen alltid henge etter teknologiutviklingen. Men det som er viktig er å ikke være for langt bak, slik at vi ikke henger med i markedet. Men det samtidig viktig å ikke la det stoppe opp innovasjonen i markedet.

#### **4. Hva tenker dere om de ulike gratissidene som streamer tv-serier/filmer (i høy kvalitet)? Og ser dere på disse som konkurrenter?**

Altså, våre medlemmer får jo ofte distributøravtaler og disse kan jo selvsagt bli krenket av disse sidene. Men de er også med å prøve å tracke slike hendelser og innhold som ligger ulovlig på nettet. Medlemmene av spillefilmdelen bruker også ofte advokater til å få hjelp til å få ned disse sidene eller streamene.

Et eksempel er jo da Max Manus lå ute. Her var det medlemmer som virkelig fulgte nøye med på dette, og som til slutt gjorde at vedkommende som la ut dette ble tatt. Vi passer også på å prøve vannmerke filene våre, og også kryptere dem. Slik at vi lettere kan se hvor disse ulovlige filene er tatt fra. Vi legger altså igjen data på filene, slik at vi lettere kan kjenne dem igjen og også finne ut hvor i kjeden det har skjedd ulovligheter. Kanskje det er en ”utro” medarbeider i et eller annet ledd som har lekket denne informasjonen.

#### **5. Er dere en del av organisasjonen STOP? Føler dere at denne organisasjonen eller eventuelt andre kan klare å knekke disse sidene?**

Nei, vi er ikke en del av denne per dags dato, men har faktisk avtale et møte med dem etter påsken. Vi er derimot medlem av opprettshavsforeningen og vi er også med i organisasjonen ”Dele, ikke stjele” som er et slags samlet opprop mot piratvirksomheten. Så dette er for å vise at vi er i mot disse ”ugjerningene”, men vi er også opptatt av at opinionen skal forstå forskjellen mellom ulovlig og lovlig innenfor dette. Vi har en høy terskel for å kunne politianmelde forhold, og vi er ikke ute etter å ta den ene personen på gutterommet som deler dette innholdet, men mer det som gjør at mange folk kan dele dette innholdet. Og det er ingen hemmelighet at vi er i mot Pirate Bay.

Saken er jo den at hvis ikke folk bidrar til å betale for innhold, vil det jo heller ikke blir laget nytt innhold. Og ingen vil vel sitte med en haug av gamle filmer, og se disse om og om igjen. Men nå har det jo kommet en endring i åndsverksloven, hvor regjeringen foreslå endringer der for å styrke rettighetshavere ved krenkelser på opphavsrettigheter på Internett.

Forslaget gir rettighetshaverne bedre verktøy for å håndheve opphavsretten på internett. Samtidig ivaretar forslaget andre tungtveiende hensyn som håndhevingen berører, slik som personvern, rettssikkerhet og ytringsfrihet (Regjeringen 2013). Så dette kan hjelpe oss mye.

Vi vet også at vi kan tjene penger på å tilby streaming av vårt innhold, og dermed få inntjening til våre aktører, men uansett vil ikke dette være nok penger til å finansiere nytt innhold. Og det er jo et problem for oss.

## **6. Hvem ser dere på som konkurrenter, og hva skjer i markedet?**

Innenfor norsk film og tv, er det jo ingen andre enn oss eller tv-kanalene selv som NRK eller TV2 som lager slikt innhold.

Men det har skjedd forandringer i det markedet gjennom tiden, som at før var det oss som produserte ting for dem, som de da sendte. Men nå er kanalene mer og mer opptatt av å ha innholdet på nettet, gjerne for alltid eller i hvert fall en lang periode, og det gjør da at DVD-markedet kan forsvinne mer og mer, som gjør at vi ikke tjener like mye penger på det markedet. Så dette er altså konsekvensen av teknologiutviklingen. Nå er jo salg av DVD halvert, i forhold til før. Så det ene markedet kan endre markedet for andre også. Det at mer og mer blir digitalt endrer markedet i alle ledd, det endrer for oss som lager innhold, for rettighetene og for distributører.

En annen endring eller trend er at det er mer populært å lage serier enn å lage spillefilmer, slik som for eksempel House of Cards. Episodene er kortere, som gjør det lettere for folk å se på når du vil, enn om det hadde vært en spillefilm.

Det er også andre vaner som forandrer markedet, som PVR, at folk nå tar opp innhold og ser det når de vil. Og det at ting skal være tilgjengelig på alle plattformer. Vi er på en måte midt i denne transformasjonen nå mellom den originale og den digitale verden.



## **7. Hvem lager dere innhold for?**

Vi lager innhold for drama, komedie, spill (også multiplayer spill), reklamefilm og mye annet. Men det er vi er opptatt av er at våre medlemmer skal klare å utvikle norske kulturprodukter for et nasjonalt og et internasjonalt marked, og ikke bare kjøpe utenlandsk innhold. Vi er derfor opptatt av Intellectual Property Rights (IPR), at dette skal ligge hos oss, og ingen andre. Slik at ingen andre har rettigheter ovenfor vårt innhold. Vår forening har også fem forskjellige grupper vi er organisert innenfor og det er dokumentar, TV og TV-filmer, Reklame, Spill og Spillefilm. Disse har alle forskjellige markeder og forretningsmodeller, men det som er felles er altså at vi ønsker å ha IP hos oss selv, at vi har laget dette innholdet selv.

### ***Interview translated to English***

#### **1. Can you please tell shortly about the firm, and what your position and responsibilities are?**

We are an audiovisual association, which is both an interest association, as well as labor- and industry union. We have today three employees, myself who is responsible for conditions, lobby and the market, in addition to a lawyer, and a project leader who are taking care of different events within TV, film, commercials etc. We are really committed to ensure the rights and conditions in Norwegian businesses. We are also a merged association, and we are today organizing around 120 independent production companies within film- and TV-production. The members are spread across the country, and they are producing short movies and documentary, feature film, TV-programs, commercials, games, commissioned films, multimedia and more.

Our turnover today is around 2 billion NOK. The association was founded in 1930, and has a cultural-political foundation. We are very concerned about the market and the market conditions. We are often characterized as “blårussen”, since we are working with income and the market. We want that every production company to have the same commercial conditions and the same competitive conditions both national and international. We are also working on that there should be no difference on the commercial breaks between genres, like it has been before. Not that we love commercials, but we don't think there should be difference in popularity between documentaries, dramas or comedies.

We also want that everyone should have the same access to product positioning. But since the Norwegian market is so small, we are of course dependent on the big international markets to make big changes.

## **2. Is disruptive innovation a known term for you?**

It is a known term, I know what it means, but it is not a word we use in our work. We are talking more about business models and projects. We are working with conditions, and we are not those who put up services. Our members are doing their own business, and we do not interfere with that. Our problem is that many of our participants are so small that bigger distributors like Netflix and Comoyo won't negotiate with them one and one. We are therefore considering compiling them, which makes it easier to negotiate with the bigger distributors. We have a tendency to be a little bit reactive when it comes to technology development. We are a kind of raw material supplier, and we don't have a lot of contact with user ourselves. The only one who has that, is the ones who are developing games, they have a lot more contact with the user than producers of movies and TV. We are trying to get these to share experiences and make it easier for movie and TV to also get more involved with the users, but it is that easy to achieve.

Another problem is that it costs a lot of money to make a movie or TV, and we are dependent on financing and investors. Thus, it is not easy to crowd source movies and TV in that way. When it comes to file sharing, they only use finished products that we, or others have made, so they are not dependent on financing in that way. It is the same for music. We often hear that we are so far behind music when it comes to technology development etc., but also here are the costs of making movies/TV versus music a lot higher. So for us the main challenge is financing, and because of that the new technologies have not become first priority.

## **3. How do you keep up to date on what is going on in market, especially related to streaming?**

We are for instance members of a lot of different organizations like FIAPF (International Federation of Film Producers Association), CEPI (The European Coordination of Independent Producers) and EGDF (The European Games Developer Federation) among others. In these organizations we are discussing different challenges like illegal streaming and also other obstacles that can come up in the

market. So we keep ourselves posted on what's happening in the market, both nationally and internationally. But we have also experienced that there is no market where Video on Demand has been a success yet. A couple a years ago, there were found a thousand different VoD-services, and not a single one of them had a surplus. But a lot has changes since this fall, so things are happening, but the stuff on the Internet are still not profitable.

But there's no secret that a lot of the technological development has come from the dark side of the market. But file sharing has also shown us how it is possible to share files (legally) and how it is done. And as our lawyer says, the law will always be behind the technology development. But it is important to not be to far behind, in order to keep up with the market. At the same time it is important to not stop the innovation in the market.

#### **4. What do you think about the various free websites that streams sports and TV-series/movies (in high quality)?**

Our members often get distributor contracts, and these sites can of course violate them. By they are also trying to track these kinds of incidents and content that is illegally on the Internet. The members who make movies often use lawyers to help them take down these sites and streams.

One example is when Max Manus was shared online. When this happened, the members were really keeping an eye on this, which eventually got the person behind this caught. We also try to watermark our files, and also encrypt them. This makes it easier to see where these illegal files are taken from. We are leaving data on the files, which make it easier for us to recognize them, and also find out where something has happened. Maybe there's an unfaithful employee in working for us who has leaked this information.

#### **5. Are you involved in the organization STOP? Do you feel this organization, or other can take these sites down?**

As for now, we are not a part of this organization. But we are having a meeting with them right after the Easter break. On the other hand we are a part of opprettshavforeningen (Intellectual Property Rights Association), and we are also a part of the organization "Dele, ikke stjele", which is kind of a collected petition against piracy. This is to show that we are against this kind of misdeed, but we also

want the public opinion to be aware of what's legal and what's not. We have a high threshold to report events, and we are not after the one person in his parents' home who are sharing this content, but more after the things that makes it easy for a lot of people to share the content. It is no secret that we are against Pirate Bay.

The thing is that if people don't contribute to pay for content, there won't be made new content either. And people don't want to watch a bunch of old movies over and over again. But there has been made some changes in the law recently, where the government can suggest changes to strengthen the licensees when there are infringements of intellectual property rights on the Internet.

This suggestion gives the right owners better tools to enforce the copyright on the Internet. At the same time the proposal protects other weighty considerations the enforcements affects, like privacy, freedom of speech and the due process (Regjeringen 2013). So this helps us a lot.

We also know that we can earn money on offering streaming of our content, and at the same time make money to our participants, but this would still not be enough money for us to finance new content. So this is a problem for us.

## **6. Who do you consider as your competitors, and what do you feel about the changes in the market?**

Within Norwegian movies and TV, there are no one else than us and the TV-channels themselves like NRK or TV2 that make the same type of content.

But there have been changes in the market through the years. Like for instance, before it was a straightforward process; we made the content and the channels provided it to the viewers. However, the channels are much more interested in having the content online, preferably forever or at least for a long period of time, which will cause the DVD-market to disappear, and which makes it difficult for us to earn money on that market.

This is the consequence of the technology development. Compared to before the DVD-sales has been cut in half. So one market can change for the other. By having more and more digitalized content it changes the market in every step, it changes for the producers of content, for the rights and for the distributors. Another change or trend is that it is getting more and more popular to makes series instead of movies, like for instance House of Cards. The episodes are shorter, which makes it easier for

people to watch it whenever they want, than it would have been with a movie. There are also other habits that change the market, like PVR, that people can record content and see it whenever they want. Also that everything should be available on all platforms. We are kind of in the middle of the transformation between the original and the digital world.

### **7. Who to you make content for?**

We are making content for drama, comedy, games (also multiplayer games), commercials and a lot more. But what we are concerned about is that our members are able to develop Norwegian cultural products for a national and international market, and not only buy foreign content. That's why we are very concerned with the Intellectual Property Rights (IPR), and that those will be ours and not others. In that way no one else will have rights to our content. Our organization is also organized in five different groups, which is documentary, TV and TV-movies, commercials, games and movies. These have different markets and business models, but the mutual desire is that we want the IP with us, and that we have made this content ourselves.

## Appendix 1f: Comparison of interviews

Questions	Føyen	Comoyo	Viasat	Cmore	Prod.forening
Company and position?	Laywer. Working with several players about negotiation of rights to sports. Has been in the game for a long time and has a lot of knowledge about the market.	Responsible for TV and movies within Comoyo. Comoyo is 2 years old, while Telenor are very established within telecommunication and TV. Within television they have today 2 million paying customers.	Distributor of both sports and movies via pay-TV and free-channels. Responsible for sports within Viasat and MTG.	3 main areas: Movies, TV and sports. 1 million paying customers in Nordic region. Buys rights for 500.000.000 NOK. Have rights to a lot of quality series and movies, in addition to La Liga, Serie A and Tippeligaen within football.	Audiovisual association. Three employees, himself, who is responsible for conditions, lobby and the market, in addition to a lawyer and a project leader. Concerned with the conditions for the Norwegian businesses. Organizing around 120 independent production companies within movie- and tv-prod. Turnover: 2 bill. NOK. Founded: 1930. Cultural political foundation. Concerned with the market and the market conditions.
Is disruptive innovation a known term for you?	I have heard about it, but don't remember the exact meaning. Not an expression we use around here.	Yes, absolutely. This is something we are working with all the time, and there has been done a lot of changes in Telenor in order to keep up with the market.	No, this is not an expression we use here.	It is not a very familiar expression. But it is a very current and exciting topic these days.	Familiar expression, I know what it means, but I don't use it when I work.
How do you keep up to date on what is going on in market, especially related to streaming?		I do a lot of research. Subscribing to different services myself, like Netflix, HBO Nordic etc. to see how their selection is, what prices they have and what conditions they have.	Exclusive rights. Make sure to keep on track with the different models out there. Very concerned with availability.	Keeping an eye on Netflix, HBO etc. Employed students who searches for illegal streams of their content, and try to stop them. Meetings with BlueCarrot, a tracking company, who helps find illegal content.	Member of a number of organizations, where we discuss challenges like illegal streaming and other obstacles in the market. Keep posted on what's happening both nationally and internationally.
What do you think about the various free websites that streams sports and TV-series/movies (in high quality)?	These webpages are illegal and will probably not have the same expansion as the established players. These sites do not do anything different than the paid ones, it works in the same way, just that they don't have the rights to distribute and share the content, and that it is free the users.	There are kind of doing something good because they are developing the technology behind a webpage like that. They show us how it can be played, how it is shared etc., which we can benefit from. It gives us an insight in how the Internet users wants it. But we don't think of them a lot, because we know that if we make a better and more structured product with good content for a good price, these sites won't be as attractive.	Think these pages will increase when good paid solutions becomes better and better. FIFA and UEFA are very afraid of what these illegal sites can do with the value of the rights and the income to the clubs.	They are ruining for us, that's why we try to take them down. We lose a lot of money because these pages exists.	Our members often gets distributor agreements, and these can of course be violated by that. But they also try to track these incidents and content. Also try to watermark the files, and encrypt them.

Do you consider these free websites as competitors?		No, we don't consider them competitors, we look more at them as drivers of the film industry, which helps us find out how to make this kind of service.	No, I don't feel they are competitors. Feel they are trying to ruin for us legal players.	Don't look directly at them as competitors, but more like a threat.	
Are you are involved in the organization STOP? Do you feel this organization, or other can take these sites down?	STOP is an Nordic group that works with taking down piracy, and has lately been very concerned with sales and producing of piracy cards. Several have been caught and punished for that. This organization does a lot of research to find out what's out there of illegal nordic material, and try to stop it.	I feel that this organization is more to collect the commercial part of the industry and to signalize that right owners and distributors take a stand against piracy. This is also a good forum to discuss and signalize how we feel about this.	Yes, they are especially concerned about Dreambox. Also very concerned with the piracy cards and has also caught several of them. Very concerned about taking these pirates. Scandinavian interest.	Yes, we are members. It is a way to tell everyone that we are united against these abuses. Consists among other of former policemen who know how to handle this kind of things, and are really trying to catch the ones who distribute illegal material.	No, we are not a part of this right now, but we are having a meeting with them after the easter break. But we are a part of the IPR-association and "Dele, ikke stjele", which is kind of a collected petition against the piracy. But we also want the public opinion to know the difference between legal and illegal when it comes to this.
Who do you consider as you competitors within movies/series and sports?		Within movies and TV: Netflix, Viaplay, HBO Nordic, TV2 Sumo and TV4 Play Sweden are the biggest competitors. As for Tippeligaen: none.	In negotiations of rights: a lot. But no one after the rights has been divided. Technology: TV2 Sumo, Cmore/Csports.	Illegal: Hard to name anyone. Legal: Viasat and MTG, TV2 and TV2 Sport. Streaming: Viaplay and Netflix.	Within Norwegian movies and tv, no one other than ourselves and the tv-channels NRK or TV2 who makes this kind of content.
Which age range are the most regular customers, and who are your target customers?		Early adapters or socializers, the ones who are up to date on new technology and are a established Internet-user. Mainly men and women between 20 and 40 y.o. Movies: More and more within early majority is also using us.	Sport: Sport intersted men i all ages. Movies/series: Familys.	Film/TV: Family. Sport: 80% men.	
What measures do you do to capture up-and-coming customers, especially young people in the establishment phase?			We have a good dialouge with the supporter clubs. Try to make good offers to the members of these groups in order to choose us.	Try to keep up with the habits the youngs have today. Make our content available via Play online, and we make apps which makes it easier to watch our content. Launching of filmnett.	
What measures do you do to prevent loosing marked share, and what do you do to increase market share?		So far we haven't been doing a lot of marketing, because we want the monthly subscription service up and running first, and because the technology is a beta version, and not fully developed yet. Within the next 6 months we will advertise through commercials on TV and the Internet.	. Exclusive rights - easier for the customers. Available on all platforms.	Renew ourselves by making services that fits with peoples habits and wishes, like applications and by making the content available online, and by giving the opporrunity to choose between different packages.	

How do you defend illegal players like streaming sites or for instance Pirate bay in your point of view?	It is not easy to defend these players, since they obviously have done something illegal. There is no way to defend what they have done. Only thing to do it so try to reduce the punishment.				
How do you try to break the illegal players (from the other side) in a courtroom?	The illegal part very seldom wins, which makes it very easy to take them down, since they obviously are doing something illegal.				
What significance do you think disruptive innovations can have on the value of football/TV-rights?	If this use of Tippeligaen will expand, it can definitely hurt the rights and the market.				
These illegal sites also distribute Tippeligaen, what do you think about that?	I was not aware of that and they have no rights to show Tippeligaen outside of Norway, so those who streams this from foreign sites, or the ones you are talking about, are absolutely not doing this legal. The right owners are very concerned with taking all of these illegal sharers down, and work a lot with trying to stop them.	We were aware of that, but we reckon that this is not expanded and has a small user group. We did some measures to try to prevent pirates, by encrypting our content to avoid abuse.			
Do you think disruptive innovations like these streaming sites can create changes in the market, or will these sites eventually disappear?	I think we will never manage to conquer all piracy, but we can try to limit it. If the established ones are making sure to improve the availability of their content and have good payment solutions, they can limit the use of the illegal sites, by offering a better offer themselves. They have to make sure that the content is available on all platforms; smartphone, PC/Mac, tablets and TV in order for the users to want to use them.				
Who do you make you content for?					Our association are organized within five different groups: documentary, tv and tv-movies, commercials, games and movies.
Within streaming what are the major challenges, considering capacity etc.?			The Technology. Payment solutions in parallell with streaming. Capacity.		



## Appendix 2: Survey

### Survey about streaming of sports and TV-series

1. You are
  - a. Male
  - b. Female
  
2. How old are you?
  - a. Under 15
  - b. 15-20
  - c. 21-25
  - d. 26-30
  - e. 31-40
  - f. Over 40
  
3. Are you?
  - a. A student
  - b. Working
  - c. Under social security/maternity leave
  - d. Unemployed
  - e. Other
  
4. Have you even seen tv or sports online?
  - a. Yes
  - b. No
  - c. Only series
  - d. Only sports
  - e. I don't know
  - f. Other
  
5. Which one(s) of these websites have you heard of?
  - a. Wiziwig.tv
  - b. LiveTV
  - c. FirstRow Sports
  - d. VIP Online Sports
  - e. FreeSport TV
  - f. Project Free TV
  - g. TVDuck
  - h. Sidereel
  - i. Tv-links.eu
  - j. Watchseries-online.eu
  - k. Comoyo
  - l. Netflix
  - m. HBO Nordic
  - n. TV3 Play
  - o. Viasat4 Play
  - p. Viaplay

- q. CMore Play
  - r. None
  - s. Other
6. Which of the websites have you used?
- a. Wiziwig.tv
  - b. LiveTV
  - c. FirstRow Sports
  - d. VIP Online Sports
  - e. FreeSport TV
  - f. Project Free TV
  - g. TVDuck
  - h. Sidereel
  - i. Tv-links.eu
  - j. Watchseries-online.eu
  - k. Comoyo
  - l. Netflix
  - m. HBO Nordic
  - n. TV3 Play
  - o. Viasat4 Play
  - p. Viaplay
  - q. CMore Play
  - r. None
  - s. Other
7. If you watch TV-series and/or sports online, what's the reason?
- a. Availability
  - b. Price/Free
  - c. Quality (the quality is as good on TV)
  - d. Because the episodes haven't come to Norway yet
  - e. I don't watch TV-series or sports online
  - f. Other
8. How often do you watch TV-series online?
- a. Everyday
  - b. Several times a week
  - c. Every week
  - d. Several times a months
  - e. Every month
  - f. Less often
  - g. I don't watch series online
  - h. Other
9. How often do you watch sports online?
- a. Everyday
  - b. Several times a week
  - c. Every week
  - d. Several times a months
  - e. Every month
  - f. Less often

- g. I don't watch sports online
- h. Other

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