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An analysis of Amazon’s diversification strategies and complementarities between business units:

Amazon Prime Video – Accessory or key business?

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Abstract

Amazon’s expansion led it to places unlikely to be reached by an online retailer, including physical stores. The firm’s diversification history cues us over the logic around these decisions. Despite the current excitement around SVoD services by customers and competing firms alike, in the early 2000s the prospects of investments in this new market was far less evident. Amazon, at the time just an online retailer, was one of the first companies to bet on this industry and today it reaps its benefits. This paper analyses strategic reasons for Amazon to diversify into streaming as well as its future prospects.

Keywords

Management, Strategy, Diversification, Corporate Strategy, Competitive Advantage, Streaming, Amazon, Network Externalities, Synergies, Data Management
Introduction

In 2016, 51% of American households went to church. 52% owned Amazon Prime.\(^1\)(Exhibit 1) Data like this often brings to light how the tech powerhouse has successfully managed to capitalize on the era of digitalization and drive economic and cultural change throughout the 21\(^{st}\) century.

Popularized as “The Everything Store”, Amazon quickly became the nemesis of retailers worldwide, offering fast, tailored, and cheap service for basically any product that consumers wish to buy. Despite their anchoring in the digital economy, in recent years they have taken the expansion of their business to a new landscape, physical stores. The development of cashier-less Amazon Go stores is another proof of the firm’s ability to adapt and transform industries in the process. In 2021, Amazon already has 98 stores located all over the U.S. offering a wide range of assortments, such as books, grocery, general merchandise, devices, among others.\(^2\) That without considering the acquisition of Wholefoods, a supermarket chain focused on selling organic produce, accounting for over 500 stores of itself.\(^3\)

On July 5\(^{th}\) of 2021, Jeffrey Bezos announced his stepping down as Amazon CEO after 27 years.\(^4\) Bezos leaves the company with a record $386bn in sales in 2020, and $21.3bn in profits, almost double of 2019, in a year of global pandemic and economic setback.\(^5\) To take his place, Amazon chose their former Head of Amazon Web Services, Amazon’s cloud-computing division, Andy Jassy.

The company’s next move will be to open department stores aiming to become more competitive in the clothing, household, and electronics segments. This will be Andy Jassy’s first challenge as the new Amazon CEO.\(^6\) He receives the firm in great shape, breaking revenue records, and listed as the most valuable brand on the planet. But will the cloud computing guru be capable of handling a more tangible business expansion, as opposed to his former digital business, or will Bezos’ withdrawal mark the end of an era of market domination and innovation for Amazon?
From the garage to the world

In 1994 Jeff Bezos kickstarted Amazon from his own garage in Bellevue, Washington. He was twenty-nine at the time, a committed workaholic looking for an opportunity to start his own business. Upon graduating with a Bachelor of Science in Engineering from Princeton in 1986, Bezos worked at a company called Fitel that was developing a private transatlantic computer network for stock traders. Afterwards, he went to Wall Street to work on D.E. Shaw & Co (DESCO), where he spent 7 years integrating the internet into the business.7

In 1985, Bezos became acquainted with the Internet at an astrophysics class at Princeton, but only at DESCO he had a grasp of its market potential. Firm owner David E. Shaw and Bezos frequently met to brainstorm ideas for the next technological wave. In one of these meetings, they came up with an idea they called “the everything store”. It was a simple concept: an Internet company that served as an intermediary between customers and manufacturers and sold nearly every type of product, all over the world.8

The big leap

While still working for D.E. Shaw, Bezos started pursuing the new venture. Amazon was registered in URL on November 1, 1994. The name was a reference to the world’s largest river, cueing what the firm aimed to be: The world’s largest store.9

Despite Bezos's confidence, he realized that in the beginning, a true "everything store" would not be feasible. To choose what should the company sell, he listed twenty possible product categories, including office supplies, computer software, apparel, and music. In the end, books seemed to be the best category to follow since they had a universal demand at the time, there were hundreds of thousands of titles to be sold, they were not expensive, and books were simple to pack and would not break.10 Moreover, books had the advantage of being standardized. It didn’t matter how consumers acquired the product, it would always be the same, adding up to the convenience factor offered by an online seller.
To fulfil his dream, Bezos knew he would have to dedicate all his time to the new company. So, he decided to leave his lucrative and comfortable job on Wall Street and move to Seattle, more specifically, Bellevue. The city was known as a tech hub, had some tax advantages, and was close to major book distribution centres. So it began, with Bezos and 2 other programmers creating a rudimentary website inside his own garage at the Bellevue suburb (Exhibit 2).  

Amazon was promoted as “Earth’s biggest Bookstore” and opened as an online bookseller in July 1995. Within its first 30 days, it generated $20,000 in sales per week. The company’s customer accounts skyrocketed from 180,000 by December 1996, its first full year of operations, to 1,000,000 in October 1997, increasing its revenue from $15.7 million to $148 million, in those years. Fun fact, in 1997 Jeff Bezos delivered personally his one millionth order to a customer in Japan. In May of that same year, in order to sustain its company’s growth, Amazon went public with $18 per share and managed to raise $54 million, which would fund its future acquisition strategy and aggressive growth. Despite the company’s early success and Bezos being acknowledged as Person of the Year in 1999 by Time Magazine, this was only the start for Amazon.

**Get big fast**

Since the beginning, Amazon’s motto was to “get big fast”, which was for Bezos the undeniable truth to succeed as an online retailer. He believed in the long-term results of achieving market leadership. According to him, “Market leadership can translate directly to higher revenue, higher profitability, greater capital velocity, and correspondingly stronger returns on invested capital”\(^1\). But to achieve that, they’d have to scale and reach more consumers than its peers. Amazon was not the first company to sell books online but what distinguished them from the competition was the promise to deliver any book to any reader anywhere. The focus on providing the best possible customer experience was one of Amazon’s foundations. The e-commerce allowed customers to post reviews of their purchases and create a more transparent
e-retail space with key benefits for the consumer by providing available knowledge with which to make purchase decisions. They learned early on to use data from consumers to personalize the shopping experience, helping them in real time with product selections based on browsing and buying history and looking for ways to help customers get the best deals. In addition, to encourage a shift in shopping behaviour towards online commerce, Amazon developed tools to smoothen the experience, such as the 1-click patent, which reduced friction from online purchasing and drove Amazon sales even further.

In 1998, after it had already established itself as the largest bookstore in the world, Amazon foresaw how it would be a matter of time before other companies populated the business and reduced its margins. The solution was to tap into new categories, increase revenue, attract investors, and enable the e-commerce to invest in technology and dominate competitors. During the 90’s, tech companies were on the spotlight, and Amazon was a superstar. Bezos had convinced investors of its vision of the future and managed to collect around $2.2 billion in funding with a 4.75% interest, historically low and cheap capital, proving the reliance of capital markets on Amazon’s promises. With that money, Amazon started looking for opportunities to grow, spending almost all of it in acquisitions and distribution centres. In a letter destined to shareholders in 1998, Bezos stated: “We will make bold rather than timid investment decisions where we see a sufficient probability of gaining market leadership advantages…”. Amazon was set to measure its success in terms of customer base and revenue growth, favouring the firm’s long-term over short-term profitability.

Between 1998 and 1999, Amazon went on a spending spree towards different fronts. First, it made the so called “megadeals” with portals such as Yahoo, AOL and MSN, where they were paid tens of millions to only showcase links to Amazon books within their search results. In addition, Amazon tried to diversify into different sectors among the internet scope, buying IMDB, social-network PlanetAll, and data-collection company Alexa Internet just to name a
few. The fact that many of those purchases happened in the same short period of time made it hard for Amazon to properly integrate these firms’ structure and eventually led to the exodus of experienced executives. Finally, Amazon also played in the venture-capital market, investing tens of millions in shares of dotcoms that offered a range of different product categories, such as Gear.com, Wineshopper.com, and Pets.com, just to name a few. The rationale was that when eventually some of those paid off, Amazon would be well positioned on that specific product segment online.

Around those years, the e-commerce started to open different product categories, namely CDs, DVDs, toys, electronics and more. Some were easier than others, because Amazon could rely on third-party distributors to provide the items and take back what wasn’t sold, like CDs. But with toys and electronics, for example, big manufacturers weighed production based on the number of retailers they’d have to supply, and these had to calculate how much they would sell in advance as it was nonreturnable. Without either backup from suppliers or expertise in these new categories, the e-commerce was failing to keep popular items in storage while pilling up others.19

Amazon was also trying to sort out its distribution issues, buying warehouses and retrofitting existing ones to mimic Walmart’s operational efficiency in physical retail. It ended up spending $300 million to solve capacity shortages. In 1999, Amazon had 5 distribution centres in the U.S., 2 in Europe, and a software that was tailored to ship books and now had to accommodate Amazon’s new categories with no predictability of demand, as orders were increasing every day, leading to misplacing, loss of inventory and severe accounting issues. To try to reduce the disparity between the number of orders and packages being shipped, Amazon had the famous holiday shifts, where executives would take their families to distribution centres to help speed up the delivery during busier times.20
The firm was undoubtedly growing fast, with net sales growing from $610 million in 1998 to $1.64 billion in the next year, a 169% increase. But processes were chaotic, it was yet to achieve profitability and there were still many holes to cover if they were to become a solid and reliable company for its customers and, of course, the people who were funding this growth: shareholders.

The dotcom Bubble

The beginning of the millennium was hectic for Amazon. Investors’ optimism was reaching its limit as dotcoms were subjected to scrutiny due to their lack of returns and high expenditures. Newspapers were running stories about how Amazon and other dotcoms were quickly burning their cash without any perspective of reaching profitability. Suddenly, Amazon went from a rising star to a potential web hoax and had to convince a sceptical audience of its value.

The dotcom bubble that took place during the start of the year 2000 was a combination between the euphoria towards the new technological promises of the internet and a favourable financial background that induced investors to take more speculative and risky investments. Overvalued dotcoms that relied on steady cash injections to operate reached a point of reckoning as years passed by without any profits. The growing pessimism around these web companies’ prospects made their value shatter. With the eventual decrease of capital availability in the market, most of these companies went bankrupt within 1 year, including Pets.com, where Amazon had invested $50 million along with other VC partners.

During the year 2000, Amazon would reach a loss of over $1.4 billion that included $343 million in write-offs related to its bad acquisitions. Early in that year, already predicting major setbacks from the dotcom crash, Amazon went to the European market to look for investors, where it eventually managed to collect $672 million in debt funding from overseas investors at an interest rate of 6.9%, a much more expensive sum when compared to the 90’s rates.
Without the bandwidth to further its acquisition strategy, Amazon had to develop different ways of growing. To establish new sources of revenue, it used the infrastructure of existing businesses such as Amazon Auctions and zShops to develop its marketplace and enable small and medium third-party seller to list products alongside Amazon’s. Sellers would pay fees for each sale and Amazon would benefit by offering customers a broader range of products. In terms of product portfolio, the e-commerce was still struggling with the stocking and shipping of new product categories. Looking for quick cash injections, Amazon’s solution was to sign multiple punctual deals with other retailers who were struggling to migrate to the online business, such as Toys R’Us and Circuit City. Amazon agreed to stock the retailers’ inventory and outsource the toys and electronics categories. Other deals included a $100 million contract to run AOL’s online shopping channel. These contracts weren’t ideal but essential to boost cashflow, broaden the product selection.26

To survive this new era, Amazon had to change its strategy. It needed to prove itself and battle the uncertainty towards its business model. Not only investors, but firm executives that had Amazon shares were also anxious about the future of the company, leading to mass quitting over the next few years. The solution was to radically shift from growth at all costs and start prioritizing current profitability. Therefore, Amazon took a step back and started reorganizing its processes aiming for efficiency, cost reduction and returns. To guide their efforts, Amazon’s executives drew a flywheel, the business’ reinforcing virtuous cycle, to better understand where efforts should be placed to enhance company performance. By offering low prices on its products, Amazon would attract more customers and increase its sales. Greater sales volume made it more attractive as a platform for third-party sellers. More sources of revenue enabled Amazon to get more out of its fixed costs, such as data storage and fulfilment centres. Finally, by raising efficiency, the company would be able to continue offering low prices.27
On the cost side, Amazon was cutting wherever it could, closing expensive and poorly planned investments, such as a call centre at The Hague, an expensive financial and diplomatic hub in the Netherlands, and Georgia’s fulfilment centre which was constantly falling behind schedule. Bezos made a bold move by shutting down the centralized marketing department and using the extra money to enhance the customer experience in multiple ways. The first measure was to offer free shipping for orders above $100, which even though was expensive, ended up boosting sales and encouraging customers to get used to shopping in different product categories. In addition, Amazon did numerous money-losing offers on popular products such as Harry Potter’s Quidditch broom, during the launch of the 4th book of the series, which generated instant good publicity for the company. Amazon’s scale helped it negotiate better terms with big distributors, such as UPS, even though it had fixed rates for its services. In addition, the firm benefited from a negative cash conversion cycle, with near-zero days receivable, low days in inventory and enough size to press suppliers for better terms to pay them, allowing Amazon to use the cash in its business before having to pay for products (Exhibit 3).

Finally, in the beginning of 2002, Amazon announced its first profits, a modest $5 million that surprised accountants worldwide. It was a defining moment for Amazon, serving as a tangible validation of its business model.

After the Storm
Growing with Structure

Growing 20% per year, Amazon had no choice but to master the complexity of its own systems to get more out of the investments it had already made. Amazon started to write its own software code tailored to its needs, improving the fulfilment system’s accuracy and reliability. The development of the logistic infrastructure enabled the company to launch Prime’s two-day shipping and kick-start a loyalty program that would become crucial for the firm’s success. With spare space and expertise to deal with their own products, Amazon eventually offered third-
party vendors storing and shipping services in an initiative called Fulfilment by Amazon (FBA).\textsuperscript{31}

**From e-tailer to innovator**

Most of the companies bought during the 90’s eventually faded out due to Amazon’s incapability of organically incorporating them to its business. The firm was now prioritizing the development of their own capabilities rather than buying them out.

Born out of Amazon’s own need to build a way for developers to access the firm’s server’s infrastructure and run and test their software seamlessly, AWS was commercially launched in 2006 and provided data management and storage services to whoever needed it. The service would revolutionize the demands of IT infrastructure, turning an expensive fixed cost with servers and computer engineers, to an adjustable variable cost depending on your usage of it.

With the evolution of its processes, the issue of pricing and product selection was solved by programming bots that searched the web for competitors’ prices, creating automated tools that allowed buyers to order products based on many variables, especially demand. Amazon’s obsession with increasing offerings for customer led to violations of exclusivity contracts and deal breaks with big retailers such as Toys R’Us.\textsuperscript{32}

Another good example of Amazon’s resilience and drive to be ahead of the competition can be depicted by the Kindle venture and its disruption of the book industry. In 2004, Amazon did not have the technical capabilities to produce hardware for an electronic device, so they had to develop it from scratch. It received extensive resources from its parent firm and benefited from the efforts of Silicone Valley’s brightest engineers. Concomitantly, Amazon was working on how to increase the offer of digital titles, convincing publishers to bet once again on the e-book endeavour. Amazon was able to offer publishers the service of cheap book digitalization, tying them to Kindle’s format as a consequence. At a standardized price of $9.99 per e-book and a catalogue of over 90 thousand e-books, Amazon managed to combine a large and convenient
offer of products with a sleek and seamless device designed specifically for the purpose of providing a good reading experience. After three years of development, Kindle was launched in 2007 at a starting price of $399, and its first 25 thousand units sold out, changing industry norms forever.

Later, Amazon would try to repeat the feat in the smartphone industry. In 2014, it launched the Fire Phone, an attempt to compete against Apple and Samsung on the high-end mobile market. It had already experienced success developing hardware with the Kindle and entering this highly profitable industry would help send a message to rivals and establish a foothold as a big tech innovator. Amazon’s device sold for $199, the same price as the iPhone and, using a customized Android version, it did not possess key apps such as Gmail and Google Maps. In conclusion, it was too expensive and incipient in an extremely competitive environment. In 2015, Amazon withdrew Fire Phone from the market, absorbing a $170 million loss with the venture.

**Strategic acquisitions**

After its experiences with tech startups in the past century, Amazon kept for years without making any major acquisitions. The money wasted previously on failed acquisitions made the e-commerce giant become extremely cautious when considering buying a new company.

After structuring its processes, Amazon began to grow through acquisitions again in a frugal and objective manner. Negotiations were hard and often brutal, with executives trying to get the best deals for Amazon. Moreover, it was much clearer whether the new purchase could add some important benefit for the corporation. Buying companies such as Zappos and Quidsi, both also online retailers, served the purpose of helping Amazon establish a strong foothold on key product categories while shutting down strong competitors at the same time. French start-up Mobipocket provided the technology to enable e-books to be read in a different number of devices, such as cell phones and PDA, crucial for Kindle’s development. Kiva Systems, a robotics firm, could provide Amazon with important IP to be used in its fulfilment centres and
improve its delivery infrastructure. One of the latest acquisitions, Annapurna Labs, an Israeli chip maker, aided AWS in maintaining its technology ahead of Google and Microsoft in the cloud systems market, and establish itself as the most successful cloud infrastructure company on the planet having more than 30 percent of the market share (Exhibit 4).

Set for success
In 2007, Amazon’s Q1 sales surpassed $3 billion for the first time, a 32% increase from the previous year and well above the e-commerce’s standard 12% annual growth. Profits were also high at $476 million, up from 2006’s $190 million. Amazon had successfully developed a self-reinforcing business model with complementary businesses. The top-notch distribution infrastructure financially enabled Prime’s two-day shipping subscription at affordable prices, stimulating adoption by new clients. An efficient subscription program, subsidized by AWS, fed Amazon with information to improve customer service. A better program leads to more customers and sales on the e-commerce platform. More customers mean more sellers and the best prices.

Physical Stores
A common tale from inside Amazon’s office tells how every executive meeting had an empty chair, a metaphor for the client’s voice echoing in each decision made inside the firm. As soon as it became clear that offline retail was not something to be easily overcome by technology, and customers appreciated the convenience of shopping nearby, Amazon did what it does best: adapt and conquer.

Going down memory lane, Amazon’s first physical store was a bookstore in Seattle that opened in 2015. The store was not like other traditional stores, since there were only about 3000 titles, relatively less than in traditional bookstores. When choosing the books to stock they used a combination of pre-orders, sales, customer ratings, and curator’s assessments. The upside of this model was the existence of books people would not normally see, which attracted more
customers. It also got a central aisle of electronics with some of the company’s own products like Kindle, Kindle Fire and Fire TV. Moreover, it provided a 50% discount for Prime members and the prices varied a lot.\textsuperscript{41} Now Amazon has a total of 24 bookstores across major cities in the U.S and. According to Amazon’s CFO Brian Olsavsky: “Amazon’s bookstores are a really great way for customers to engage with our devices and see them, touch them, play with them” (Exhibit 5).\textsuperscript{42}

In 2017, Amazon completed its biggest acquisition to date: Whole Foods Markets, the largest organic food grocery chain in the world. The $13.5 billion purchase landed Amazon 460 stores overnight, solving the issue of selling groceries online, a category where Amazon had been trailing to succeed over the past years. This announcement was taken as a colossal blow in the grocery industry. The fear was not about what Amazon would do with Whole Foods, but the fact that the disruptive Amazon was finally entering the market.\textsuperscript{43} Now Amazon customers could decide whether they want to buy online, offline or buy online and pickup at the store. No demand is left uncatered.

Amazon is revolutionizing physical retailing by pioneering in cashier-less stores with the Just Walk Out technology. In 2017 it started testing Amazon Go prototypes in the U.S. (Exhibit 6), where customers could simply enter by scanning the Amazon Go app on their smartphones, pick up their products and walk out of the stores. It opened its doors for the public in 2018, in Seattle, and now has 30 stores with a size around 450 to 2,700 square feet.\textsuperscript{44}

Still in the grocery segment, Amazon decided to open Amazon Go Grocery (Exhibit 7) on February 25, 2020, as a larger version of the company’s Amazon Go convenience stores. It is its first full-sized store, which similarly to the smaller ones, does not contain checkout lines or cashiers, and displays over 5,000 unique items. Despite the full force entry, Amazon eventually rebranded Amazon Go Grocery and renamed it as Amazon Fresh.\textsuperscript{45}
Amazon Fresh already existed since 2007 and started as a grocery delivery service accessible only to Prime members containing thousands of items. Customers can simply sign into the Fresh app or sign into their Amazon Prime account and select the items they want to purchase. In addition to the online and, as said previously, Amazon Fresh grocery store was announced in 2020, offering a seamless experience between online and offline.46

Amazon is also present in the physical retail of non-food products, with two different kinds of stores. The first one is Amazon 4-Stars, created in the fall of 2018 with the end-goal of selling products that have 4 stars reviews and above. They have around 4,000 square feet, offer every product category, and intends to reflect what Amazon customers are buying online. Currently, there are 32 stores in total.47 The other model is the Amazon Pop-Up stores (Exhibit 8), focused on specific themes for each Pop Up which differentiates them from the 4-star stores. They are stand-alone kiosks often opened in malls.

Finally, Amazon’s next step is to develop its own department stores. The move is expected to increase the company’s reach in categories such as clothing, electronics and household items. As always, Amazon won’t lose the opportunity to differentiate itself, and stores are expected to have 1/3 of the regular size of department stores and include high-end brands.

The stores will likely not have the usual department store experience and will be aligned with Amazon’s main strategy of customer-centrism, with a modern approach. It will revolve around technology with stores utilizing robots, QR codes and other gadgets.48 These department stores will add a new layer of information over each customer, for example, collecting information on how long they spent looking at certain items or what areas are they visiting the most. This will contribute to make personalized campaigns for customers more effective.49 Amazon will bring some of the experience from its other physical shops to the department stores, using a strategy similar to the Amazon 4-star store, featuring only high-performing sought after products. Additionally, it will use the technology used for Amazon Go with no cash registers, thus
disrupting the industry. It will also focus primarily on Amazon’s clothing brands while offering less products from retailers that sell on the e-commerce platform. For a long time, people have been forecasting the collapse of brick-and-mortar retail, however, Amazon’s move to physical department stores shows in-store shopping is still alive and doing well.

**Andy Jassy’s mission**

Now it’s time for Andy Jassy to take accurate decisions. He needs to look back at Amazon's track record and consider the challenges that lie ahead with the offline retail expansion. Andy will be asking himself fundamental questions such as “What are the main factors that influenced Amazon’s sustained success throughout two decades?”, and “What should Amazon continue doing and what shouldn’t it do anymore?”. Eventually, it will all come down to one major enquiry: “Is it really a sound strategy to shift pure e-commerce to mixed retail?”.

Jassy will have a tough mission in his hand to keep up with Amazon’s outstanding numbers.
Case Study

Endnotes:


5 MIKE STARLING, “Amazon’s new boss: who is Andy Jassy?”, The Week, February 3 2021 https://www.theweek.co.uk/951864/amazon-new-ceo-andy-jassy-jeff-bezos


7 Stone, Brad. 2013. The Everything Store” Jeff Bezos and the age of Amazon. Random House,

8 Ibid

9 Ibid


11 Stone, Brad. 2013. The Everything Store” Jeff Bezos and the age of Amazon. Random House,


Case Study

Exhibit 1- Percentage of America households in 2016 (a)

<table>
<thead>
<tr>
<th>Percentage of American households activities in 2016</th>
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<tbody>
<tr>
<td>78% Decorated Christmas tree</td>
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<tr>
<td>55% Voted in 2016</td>
</tr>
<tr>
<td>54% Have Amazon Prime</td>
</tr>
<tr>
<td>51% Go to Church</td>
</tr>
<tr>
<td>44% Own a gun</td>
</tr>
</tbody>
</table>

Source: Galloway, Scott. 2017. “Amazon” The Four: The Hidden DNA of Amazon edited by Bantam Press, 18,

Exhibit 2 – The original Amazon website (August 1995)

Source: Anne Quito, “This is what Amazon’s homepage looked like when it launched 25 years ago”, QUARTZ, Accessed December 12, 2021,
Exhibit 3 – Example of Amazon’s Cash Conversion Cycle (2017)

Amazon Cash Conversion Cycle 2017

During this period, Amazon had around 27 days to use its cash to finance its activities.


Exhibit 4 – Cloud infrastructure market share

Cloud Infrastructure Market Share

Exhibit 5 – Amazon Bookstore

Source: Jacob Kastrenakes, “Amazon is opening its first physical bookstore today”, The Verge, November 2, 2015, Amazon is opening its first physical bookstore today - The Verge

Exhibit 6 – Amazon Go

Source: Melanie Weir, “How to shop at Amazon Go, the cashierless store where you can take your items and ‘just walk out’” December 6, 2019, https://www.businessinsider.com/how-to-shop-at-amazon-go
Exhibit 7 – Amazon Go Grocery

Source: Kurt Schlosser, “Inside ‘Amazon Go Grocery’: Tech giant opens first full-sized store without cashiers or checkout lines”, February 25, 2020, Inside ‘Amazon Go Grocery’: Tech giant opens first full-sized store without cashiers or checkout lines - GeekWire

Exhibit 8 – Amazon Pop up

Source: Eugene Kim, “Amazon is doubling down on retail stores with plans to have up to 100 pop-up stores in US shopping malls”, Business Insider, September 9, 2016, Amazon Plans Big Expansion of Retail Pop-up Stores (businessinsider.com)
1. **Introduction**

Amazon’s path to becoming a widely diversified company has had its fair share of successes and failures, be they coming from acquisitions, such as apparel e-commerce platform Quidsi, or from its own Fire Phone venture. In what could be considered as a counter-intuitive move for an e-commerce platform, Amazon decided to invest early on in media entertainment. After a number of name changes, makeovers, business model shifts and acquisitions, Amazon eventually found a perfect fit for the business unit’s structure. Fast-forward to 2020 and, amidst the Coronavirus pandemic, Amazon spent $11 billion on video and music content, a 41% increase from 2019’s $7.8 billion (Variety 2021). What began as an accessory for the firm’s Prime subscription, Amazon’s high-profile loyalty program, became increasingly relevant and now consists in a strategic pillar for Amazon’s core business. But what differentiates it from other diversification moves? Why did this specific strategy thrive? How did a diversification that was seemingly distant from its core business became such a highly regarded operation inside Amazon? What did Amazon see in this move in terms of synergies that drove them to invest in it in the first place? Moreover, which other types of synergies became relevant with time and further consolidated Prime Video as a central piece of Amazon’s corporate strategy?

Behind Prime Video’s development there is an intricate set of strategic decisions that linked the business unit to the corporation in a way that helped enhance each other’s competitiveness and grow together towards Amazon’s major goals. This analysis will seek to answer the previously stated questions by going through a historical overview of the firm’s video streaming venture, an industry analysis, Prime Video’s competitive position, and its benefits to Amazon as a corporation. Finally, this paper proposes some possible strategic paths that could be pursued by Amazon to further explore the synergies that come with this prominent business unit, as well as its limitations.
2. **Prime Timeline**

2.1. *From DVD to all you can see*

In 1998, after Amazon’s IPO raised $54 million in capital, it began to expand its product portfolio selling music and DVDs. During the 2000s, the company started to lose space in the DVDs segment due to the action of rental services such as the one offered by recently founded Netflix. Thus, to maintain a strong position in a key category, Amazon’s first option was to try to buy Netflix, but CEO Reed Hastings was adamant about not selling it. So, they were forced to build their own DVD rental-service and from then on, Amazon used the same approach as in many other initiatives: learn, wait, and dominate.

Amazon’s streaming endeavour began in 2006 with an online download store called Amazon Unbox, promising movies and TV Shows with DVD quality. Users could choose from 1400 titles that had to be fully downloaded before they could watch it from their PCs. With streaming services gaining momentum two years later, Amazon entered the hype and shifted its business to adapt to the new trend, and Unbox became Amazon Video On Demand. The streaming platform was incipient and still followed a pay-per-view model.

Meanwhile, Amazon was still trying to operate DVD-rental services, learning about the business to tap markets that hadn’t been reached by Netflix yet. Without much success, Amazon sold its European rental business in 2008 to a competitor, LoveFilm, in exchange for 32% stock ownership of the firm, becoming its largest shareholder (Stone 2013, 231).

A year later, home-video market started shifting towards streaming and Netflix was already pioneering it. Amazon counter moved buying LoveFilm in 2011. With a strong position in the video streaming industry, backed up by the recently acquired library, Amazon unveiled their plans of transforming Amazon Video on Demand into Amazon Instant Video (later rebranded Prime Video) offering over five thousand movies and TV shows to their Prime subscribers.
without having to pay nothing more than the subscription price of $79 per year. If you were a Prime member, why would you pay around $7 dollars a month on a similar service like Netflix?

3. Why did it make sense for Amazon to go to streaming?

A central tenet of sound corporate strategy states that diversified firms must act to make it such that the sum of their business units combined create more value to the corporation than it would if they operated by themselves, thereby achieving corporate advantage. By contrast, the business strategy, or competitive strategy, concerns how can that specific business create competitive advantage in the industry that it is part of, maximizing performance and increasing its NPV (Porter 1987, 43-46). Considering a successful diversification as one that achieves the previously stated objectives of corporate and competitive advantage, if a firm is set to diversify its business portfolio, it should first assess whether or not it possesses the proper strategic assets and the capability of leveraging them into another business, enabling it to overcome competition in the new industry (Markides 1997, 94). When a firm effectively makes the collaboration between different business units enhance the corporation’s value, it is said to have benefited from synergy effects (Goold and Campbell 1998, 132). Sources of synergy are often operational, such as sharing know-how, tangible or intangible assets and costs, but can also be financial, through the allocation of cash across businesses under the same parent company’s umbrella (Goold and Campbell 1998, 133). Strategic diversification is about the efficient combination of activities that reinforce each other, therefore creating an activity fit between businesses, that can have multiple positive effects on a firm’s performance and profitability (Porter 1987, 55-57).

Normally we are used to companies diversifying into segments which are more familiar in terms of their business scope. A closer fit between industries and clear transferability of resources and capabilities can sometimes make it easier to achieve those previously stated goals of corporate and competitive advantages. Using an Amazon example, it only made sense for the biggest
bookstore in the world to eventually become a publisher itself. It knows the business, it has the resources, contacts and can share information across the organization. Firms eager to diversify can jump steps and ignore important factors that can be crucial for a positive outcome, such as the industry’s profitability (Porter 1987, 46-47) and the possession of strategic assets that are key for competing in that industry (Markides 1997, 94). When it launched zShops, an online auctions house, Amazon thought it would be able to leverage its expertise in e-commerce to build a superior auctions site, but eBay had already dominated the category and developed network effects that drove Amazon’s diversification attempt into failure.

During the early 2000’s, e-commerce and media entertainment were two different worlds. Anyway, Amazon decided to invest in its early stages and today it is reaping the benefits of that bet. But what is it that made this specific industry a good bet?

According to Porter (1987, 46), there are three sequential tests that a company must undergo if they are to succeed in a given diversification move: industry attractiveness, cost-of-entry, and better-off tests. They are meant to thoroughly analyse the industry prospects and the firm’s capability to create value through the new business. To better understand the reasons for Prime Video’s success, we’ll apply these tests to Amazon’s streaming endeavour.

- **Industry attractiveness**: Streaming evolved from DVD-rental services, which was at the time a dying industry. Attractiveness doesn’t necessarily mean high ROI, as high returns may also mean bigger players and higher barriers to new entrants. An industry that is yet to reach its full potential can be considered an attractive one (Porter 1987, 46). Industry players then have the opportunity to shape it however it fits them best. DVD-by-mail was not simply fading away, it was making space for a new form of business, one that was intimately linked to the fast-paced development of the internet. As an early internet adopter, Amazon had a competitive advantage over current and future industry players, the ability to leverage its expertise in online platform development.
• **Cost-of-entry**: The second test indicates that the cost to enter a new business shouldn’t be higher than the sum of its future profits. As the streaming market started to mature, Amazon acquired LoveFilm for $317 million (Financial Times 2011) and used its movie catalogue to build a more attractive platform for its users. Alongside that, Amazon had the advantage of owning Amazon Web Services (AWS), which provided a solid web infrastructure that enabled the streaming technology and reduced the costs they would have to incur otherwise with data storage. Now Amazon sits as the number 2 player in a $70 billion per year industry (Statista 2021).

• **Better-off**: third test directly applies to the essence of corporate and competitive strategies. The new business unit and the parent firm must bring some type of advantage for each other (Porter 1987, 49). Successful business model configurations within the same corporate umbrella have complementarities between its business units, which allows them to share information and resources, learn faster and improve each other’s key capabilities through joint collaboration (Aversa, Haefliger and Reza 2017, 5). When it was launched in 2011, Amazon’s streaming business had the advantage of being part of the Prime membership’s bundle of services. As so, it shared Prime’s 5 million subscribers at the time (Practical Ecommerce 2011). Providing Prime Video with a solid user base from the kick-off allowed for a faster market penetration that would otherwise take years to achieve. On the other hand, by offering customers an ad free platform with over 5 thousand movies and TV shows in their catalogue without any additional cost than the annual $79 (CNN Business 2011), Prime Video worked as a supporter of the Prime membership program, increasing customer reliance and loyalty, as well as its attractiveness for new members (The Wall Street Journal 2011). Essentially, the video streaming platform contributed to endorse Amazon’s core e-business activities, and the latter for the adoption and growth of Prime Video itself, creating a virtuous cycle of business reinforcement (Figure 1). Moreover, the diversification
provided Amazon the opportunity to maximize the use of its current resources, achieving economies of scope through AWS’ services, and further develop corporate-level competencies, such as technological prowess.

4. Streaming Wars

According to Statista (2021), video streaming (SVoD) will reach a record $71 billion in revenues worldwide by the end of 2021. In 2025, the industry revenues are expected to grow up to $108 billion, more than 50% growth in less than 5 years. The U.S. is by far the most profitable market, accounting for $32 billion, followed by China’s $12 billion. Moreover, the nearly 1 billion users worldwide are expected to spend an average $65.7 per year with streaming services. Propelled by the COVID-19 pandemic, consumer spending in SVoD services increased 21% in the first half of 2021 and three-quarters of U.S. household are expected to have at least 1 type of streaming provider (Forbes 2021).

In the U.S., the biggest players are Netflix, Amazon Prime Video, Hulu, HBO Max and Disney+ (Figure 2). Together, they account for 72% of the U.S market share (Statista 2020). Even though these companies have already established a strong foothold in the industry, the constant market growth and increasing shift from linear TV to streaming has attracted the interest of several different platforms who are backed up by big corporations from the traditional media entertainment industry. As a result, Netflix’s leading 29% market share in 2019 was reduced by 9% in 2020 after the entry of new players such as Paramount +, Discovery + and Comcast’s Peacock (Statista 2021).

The worldwide SVoD market expansion has urged traditional cable networks to join forces through mergers or partnerships to be able to compete globally with other established streaming giants and conquer market share. Decade long players, such as Netflix, are shifting from
strategy to maintain growth, while new players try to quickly gain subscribers through different approaches in terms of content and service provision (Table 1).

4.1. **Prime Video’s position in the market (and within Amazon)**

Amazon’s current video entertainment strategy resides on three main pillars: Amazon Studios, Channels and Sports. The first one is Prime Video’s flagship, where it produces all its original content, showcased in the Prime Video app. Recently, Amazon transitioned its content production strategy to focus on programs that could reach a broader mass appeal and resonate with the wide range of subscribers that use Prime Video (CNBC 2019). Amazon Channels, as the name suggests, works as a platform for traditional media to exhibit their programming and launch new content. Prime members can add a range of TV channels to their already robust catalogue of movies and TV shows for an additional value per month. The last one is Amazon’s most recent endeavour, the transmission of live sports. Since 2017, it has acquired broadcasting rights for NFL Thursday night matches, some of the Premier League’s football matches, ATP Tour championships, and UFC fights. According to Marie Donoghue, Amazon’s VP of Global Sports, “Prime subscribers are set to control every aspect of their viewing experience, including how, when and where they watch” (Reuters 2019). For Amazon, it’s all about tapping different market segments, reaching a broader customer base (CNBC 2019), and therefore converting more online sales on the long run.

Whilst there had been a lot of buzz around the launching of Apple TV+ and Disney+, heating up the competition around the streaming industry, Amazon appears to be unfazed by peers’ moves (Observer 2021). While Netflix, Hulu, Apple TV+ and others rely on monthly subscriptions to keep profitable, Amazon Prime Video is sustained by its 200 million Prime subscribers (Statista 2021), many of whom use it for other services, such as shopping benefits, rather than solely watching movies (Forbes 2020). When analysing all the perks offered by Prime membership, access to Prime Video was chosen as the second most popular reason for
subscribing among U.S. users, with 57% of respondents pointing it as an important factor (Figure 3). All the effort and investment put into developing Prime Video’s catalogue serves the ultimate purpose of increasing customer loyalty and inciting online shopping.

Finally, major streaming platforms, such as Netflix, Disney+, and Hulu, depend on AWS to store their content in its data centres and provide smooth instant video streaming to their subscribers. According to Amazon’s 2020 Q1 earnings, AWS represented 47% of the firm’s operating income with only 12% contribution to its total revenue (CNBC 2021). A highly profitable segment that is now a crucial part of Amazon’s revenue model. Given these facts, crushing competitors in the streaming industry just doesn’t seem like a sound strategy for Amazon as a corporation.

4.2. The Amazon Effect – The Importance of Network Externalities

Amazon benefits from a phenomenon that is common to digital platforms: network externalities. It describes what happens when the value created by a network, physical or virtual, rises according to the number of participants that adopt it (Zhu and Iansiti 2019, 121). Technology companies work hard to achieve positive feedback: the increase in user benefit according to the number of nodes the network possesses. It can be reached through direct (same side) or indirect (cross-side) externalities. At Amazon’s core e-commerce business, network externalities are present in the following forms:

By combining both users (buyers) and third-party sellers in the same platform, Amazon’s online marketplace capitalizes on the advantage of achieving cross-side externalities. The strength of this effect becomes clear when applying it to Amazon’s bargaining power with suppliers. It had to push suppliers’ margins down to be able to offer more value to consumers. Suppliers gave in since it would be more profitable for them to be a part of Amazon’s network than to stay out of it. They would not only miss the opportunity to reach millions of consumers, but also lose them to competitors that decided to join the e-commerce.
The tech giant has also been able to replicate this effect throughout other businesses. The 200 million Prime subscribers increase the company’s attractiveness to third parties and represent a great negotiation tool for them. Applying it to its video content strategy, Prime Video offers traditional media channels the platform to reach a much broader audience. By joining Amazon Channels, traditional TV channels can finally migrate to the digital stage without having to develop the technology or spend money developing a user base. Amazon Channels helped Starz, a Lionsgate owned channel, to achieve a bigger audience of subscribers by enabling their access through Amazon’s app instead of having to download the Starz app via other streaming devices, such as Apple TV or Roku (CNBC 2019). The same effect can be applied to sports broadcasters, that see in Amazon a powerful partner to accelerate digital growth and reach their target audience. On the other hand, the more channels Amazon can offer, more attractive it becomes to its customers. It managed to replicate the traditional TV offering by aggregating a variety of channels but offering the possibility to sign only what you are interested in watching, developing a promising market for niche content. Since making huge profits out of Prime Video is not an end in itself, Amazon is able to offer good terms to customers and third-party content suppliers, increasing its appeal as a platform to both sides and boosting the network effect.

4.3. Applying the Amazon logic

Even though Amazon’s business model has numerous sources of revenue, it all ends adding up to its core business: online shopping. According to Prahalad & Bettis (1986, 490-491), managers tend to apply their knowledge across a diversified firm’s businesses in what is defined as the dominant management logic (Figure 4). There is a proneness that top management eventually reapply the same administrative tools and logic used in the primary business to solve issues and organize critical tasks in different business units. This logic can be identified across Amazon’s different businesses, as exemplified below.
Amazon’s main source of revenue, online retail, is composed by sales from its online stores and fees collected from third-party sellers, which include commission, shipping and payments for services provided, such as product fulfilment. Amazon has managed to grow the business by putting its own products and third-party sellers’ side by side on its marketplace, providing customers with a bigger selection of items, and creating positive feedback by becoming a more appealing platform. When analysing the streaming’s content strategy, it is possible to see a resemblance between it and the main business’ game plan. Amazon’s main focus is to increase the offering of content to its Prime subscriber. It recently enabled them to integrate TV channels of their choice into the Prime app and access numerous sports broadcasts. As it did with the online marketplace, Amazon is allowing third-party channels to reach its subscribers and compete directly with its own original content production. Consequentially, it benefits from other sources of revenue, such as fees from partners and advertisers, improves the video platform and achieve greater positive cross-side externalities.

5. Future plans: Leveraging data

Leveraging customer data has always been central to Amazon’s strategy. Since it was a simple online bookstore, it used information about buyers to tailor its offering under the pretext of delivering a better service for its customers. As the company evolved, so did its ability to collect and process data. Amazon developed the capability of adapting to customer preferences, calculating the propensity of buying specific products based on various variables and perfecting the art of cross and up-selling without harming the customer experience (AWS 2021). Whoever shopped at Amazon is familiar with the phrase: “Most customers buy these products together”.

Amazon is always trying to learn more about its customers, and streaming offers another way to do so. Entertainment is a great landscape to explore customer preferences. Amazon is skilful in making diversification moves work by linking units together and mutually reinforcing their advantages, creating cross-business synergies (Aversa, Haefliger and Reza 2017, 11). By
sharing customer data among businesses, Amazon can fine tune its offerings and leverage core competencies in online commerce and big data management.

Mastering media can be the final piece to develop the ultimate shopping experience. Amazon’s prowess in machine learning is taking off, as evidenced by its computer vision recognition model that predicts exciting moments in sports (AWS 2020) and enhance the viewer’s experience (Youtube 2021). Perfecting computer-based recognition models can lead to new industry prospects within the e-commerce landscape. For example, knowing which football team a subscriber follows opens the opportunity to sell him clothes, sports gadgets or even game tickets. Outfits used by your favourite series’ actors could be recommended through an automated system that recognize these products and links them to your individual profile in the online marketplace while you stream. It’s all about Amazon leveraging data to complement its service and increase the e-commerce’s efficiency.

Besides complementing Amazon’s existing core business, streaming opens doors for Amazon to build new businesses grounded on customer information, such as advertising. Traditional media uses Nielsen’s statistical sampling method to come up with TV shows’ ratings. It collects data from a representative sample to draw conclusions about viewing habits and sell this information to advertisers. All this is rudimentary compared to what Amazon knows about Prime subscribers (Wired 2021). The e-commerce tracks each mouse movement done in its ecosystem, managing to perform a very detailed customer profiling, accurately predicting behaviours, and effectively targeting ads and cross-selling. Prime Video is still an ad-free platform, but with the fast-paced growth of Amazon Ads (Business Insider 2021), it could combine viewer data with the digital ad business and become a prominent channel for advertisers.
6. **Limitations and strategic recommendations**

Amazon’s presence in multiple businesses has drawn attention towards its activities, turning it into a victim of its own success. The firm has reached such proportions that further expansion might trigger regulatory intervention and eventually constrict the way it conducts business in many domains. With Prime Video, it is no exception.

M&A activity in the video streaming is one of such instances. After its recent MGM acquisition, Amazon is suffering from monopoly scrutiny and risks being obligated to sell part of its video business, starting an industry race to claim its most sought-after titles (Observer 2021). To bypass those threats, Amazon would have to abdicate increasing its catalogue through purchases and focus on using its expertise as an online platform to consolidate different networks in the same place and ultimately achieve its goal of offering a bigger variety of content to Prime members. In addition, this strategy shift could be accompanied by an emphasis on its in-house original content production, allowing it to have more control of the value-chain and develop key capabilities, such as learning how to translate consumer data into movie hits.

Amazon’s data usage has also been subjected to investigation from lawmakers worldwide. The tech giant has recently been fined for $886 million for breaching the EU’s GDPR (General Data Protection Regulation) (BBC 2021). The increasing vigilance over the firm’s collection and treatment of customer data can not only affect it financially, but also in the way Amazon shares information across businesses. Amazon is continuously fed with dynamic data, which is then processed and applied, according to its relevance, into different segments. It has developed a complex data analysis system that is employed to extract deep insights from it and come up with sophisticated measures, such as decaying time windows, to identify trending elements in a data stream (AWS 2021). This type of practice is crucial to come up with real-time information about movie popularity, user activity and other key metrics that are used to drive business decision making, such as content development, fine tune recommendation engines,
capital allocation for marketing and promotions, among others. Data protection regulation limits the use of customer data in terms of processing, storing, and sharing it, which essentially hinder the development of new businesses centred around data, such as Amazon Ads and Echo (AI). Among existing accusations of data misuse and antitrust threats, Amazon’s next steps must be well calculated. It is not a matter of stopping to explore data-based synergies, as it consists of one of Amazon’s core competencies, but doing so in a measured way. It would not be a sound strategy to carelessly leverage data to foster growth if it would mean having their ecosystem broken up by antitrust laws in the following year. The number one priority would be for Amazon to protect its core business, e-commerce, even though it could mean limiting the development of prominent businesses such as its Prime Video venture. Amazon’s data management proficiency could be concentrated on finetuning the online shopping experience, as improvements in it would directly feed the firm’s virtuous cycle and boost network effects (Figure 5). On the other hand, Amazon might do well in suspending the use of data gathered from video streaming to develop other businesses. Promising moves, such as selling advertising inside the SVoD platform, might be problematic, as sharing information about Prime subscribers to third parties can make the company be targeted by regulators and risk the corporation’s integrity.

7. Conclusion and final remarks

When well-managed, business model diversification initiatives can improve a firm’s performance and add value to the corporation as a whole by providing synergies through valuable connections between businesses. Amazon’s approach towards media entertainment proved illustrates a dynamic that corporate strategy that successfully adapted to is not static and successful diversifications multiple environmental changes over time go through adaptations to keep its relevance in an ever-changing market. As media provision transitioned into streaming, Amazon exploited opportunities to further leverage its Prime user base, technological
capabilities in online platform development and distinctive competencies in data management through AWS to increase the synergies between the video streaming platform and its businesses. Moreover, Amazon, well aware of its corporate strategy, the e-commerce successfully managed to spread-port its competitive advantages in e-commerce across businesses by using once again its relevant subscriber base to attract partner TV channels and grow towards its goal of becoming a global digital entertainment platform. Alongside the development of the video business comes the prospect of perfecting core competencies, such as data collection, and applying it to conquer different markets, such as the Chinese, and further extend its operational synergies, improving the efficiency of new promising ventures such as Amazon Ads and others that might develop with its machine learning technology. However, given the challenges posed by legislators, the e-tailer faces a delicate trade-off when it comes to leveraging data-based synergies across the corporation: explore them to the fullest and risk being broken-up due to antitrust violations, or neglect them and face the threat of being surpassed by competitors in key segments. Considering that, limiting the use of data inside Amazon can be regarded as a strategic lever to secure the sustainability of its ecosystem on the long run. In order to work with a manageable level of risk of regulatory intervention, the company must focus on initiatives that can provide greater value and synergy to the corporation at the cost of constraining the development of others. Consequently, it will have to measure its next steps, choosing strategic areas to invest that would further the benefit of synergies and reduce the possibility of negative setbacks around its major revenue source, the e-commerce platform.


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9. Appendices

Figure 1 – Prime membership and Prime Video complementarities

Figure 1- Prime membership and Prime Video’s different types of complementarities (Adapted from Casadesus & Ricart. “From strategy to business models and onto tactics.” Long range planning: 43, 201, fig. 4.)
Figure 2 – U.S. Market share SVOD

![U.S. Market Share of SVOD](image)


Figure 3 – Reasons to subscribe to Prime

![Reasons cited for subscribing to Prime](image)

Figure 4 – Application of the dominant logic across businesses

Figure 4- Application of the dominant logic across businesses. (Adapted from Prahalad & Bettis. “The dominant logic: A new linkage between diversity and performance”, 491, fig.1.)
Figure 5 – Amazon’s Flywheel

![Diagram of Amazon's Flywheel model showing the virtuous cycle: Operational Leverage in FCs and website → Low prices → Bigger selection → Attract more third-party vendors → More traffic → Enhanced customer experience → Operational Leverage in FCs and website.]

*Figure 5 – Amazon’s core business virtuous cycle. (Adapted from Collins, Jim. 2001. “Good to Great”. Random House Business Books, 175)*

Table 1 – Streaming Wars Summary

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<th>Streaming Wars</th>
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<td><strong>Players</strong></td>
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| Netflix | • Acquisitions  
• Diversification to games | Industry leader Netflix, who has always relied on producing original content and licensing franchises, saw its library shrink with the entry of new competitors. As a response, it recently spent $700 million to buy Roald Dahl Story Co., owner |
of character such as “Matilda” and “Charlie and the Chocolate Factory”, planning on using its intellectual property to expand content production and explore its potential to be adapted to gaming (Bloomberg, 2021). Increase catalogue to compete with new streaming services and diversify into new market segments to reach new forms of revenue.

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<tr>
<th><strong>Amazon Prime Video</strong></th>
<th>Acquisitions</th>
<th>Partnerships with traditional media</th>
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<td>Amazon bought MGM studios for $8.5 billion, the e-tailer’s second highest acquisition ever (TIME, 2021), securing Amazon’s presence in Hollywood and contributing to enrich its Prime Video catalogue with known existing franchises like the Bond movies and providing them tools to create more of their own in-house hits (NBC News, 2021). Moreover, it is partnering with traditional media and sports broadcasters to offer a wide range of content that can appeal to all audiences.</td>
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<th><strong>Disney (Hulu and Disney+)</strong></th>
<th>Original Content production</th>
<th>Geographic proliferation</th>
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<td>Hulu is expected to leave the U.S. for the first time since 2007. Disney+ benefits from one of the most acclaimed libraries of the streaming industry and will continue to rely on creating hits and its constant movie launch calendar to draw customer to the platform.</td>
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<th><strong>HBO Max (WarnerMedia)</strong></th>
<th>Original content production</th>
<th>Acquisitions</th>
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<td>HBO Max is extending HBO’s already extensive library and is betting on original productions and brand name to grow its subscriptions. The purchase of Discovery for $43 billion will help providing a bigger selection of titles and 20M Discovery+ subscribers.</td>
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<th><strong>Viacom (Paramount +)</strong></th>
<th>Partnerships</th>
<th>Geographic proliferation</th>
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<td>Paramount+ aims to increase reach and appeal of the platform and conquer space in the streaming industry. ViacomCBS will be using Sky, Comcast’s European streaming platform, to launch Paramount+ in the UK, Ireland, Italy and other countries. The strategy is to create an appealing library to enable its platform to compete against incumbents.</td>
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<th><strong>Comcast NBCUniversal (Peacock)</strong></th>
<th>Licensing content</th>
<th>Geographic proliferation</th>
<th>Partnerships</th>
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<td>Peacock bets on acquiring customers by offering a basic ad-supported version of the platform for free. The recent partnership with Viacom serves the purpose of offering a wider range of content to its audiences worldwide.</td>
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