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ECONOMIC AND BUSINESS STRATEGY

DIRECT AND INDIRECT SALES IN DIGITAL
PLATFORMS

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Master Thesis submitted to the Department of Economics of the University of Piraeus in partial fulfillment of the requirements for the degree of Master of Arts in Economic and Business Strategy

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Άμεσες και έμμεσες πωλήσεις στις διαδικτυακές και ηλεκτρονικές πλατφόρμες

Σημαντικοί όροι: άμεσες πωλήσεις, έμμεσες πωλήσεις, διαδικτυακές πλατφόρμες, τύποι πλατφόρμας

Περίληψη

Το ηλεκτρονικό επιχειρείν είναι ευρύτατα διαδεδομένο στις μέρες μας, με κύριο μέρος του το ηλεκτρονικό εμπόριο. Όλο και περισσότερες επιχειρήσεις στρέφονται σε ηλεκτρονικές μορφές εμπορίου είτε άμεσες είτε έμμεσες (marketplace/reseller). Σκοπός της μελέτης είναι η ανάλυση των μορφών αυτών και υπό ποιες προϋποθέσεις είναι προτιμότερες οι μεν και οι δε. Για την καλύτερη κατανόηση της ψηφιακής αγοράς αναπτύσσονται οι πλατφόρμες και τα χαρακτηριστικά τους. Γίνεται διαχωρισμός μεταξύ των two-sided και multi-sided platforms. Οι άμεσες και οι έμμεσες πωλήσεις χρησιμοποιούνται και από το Netflix. Ακόμα και η αλλαγή του επιχειρηματικού μοντέλου της πλατφόρμας του υπήρξε καθοριστικής σημασίας για την μετέπειτα εξέλιξή της. Η πλατφόρμα αυτή δεν μένει στην αναμετάδοση ταινιών μόνο μέσω της ιδίας (άμεσα) αλλά και μέσω μεγάλων συνδρομητικών τηλεοράσεων (έμμεσα). Γίνεται ανάλυση των λόγων που επέλεξε αυτή την πολιτική και περιγράφονται τα θετικά και αρνητικά της κάθε μορφής, με έμφαση την πολιτική της πλατφόρμας σε δύο χώρες την Ελλάδα και το Ηνωμένο Βασίλειο.

Direct and Indirect sales in digital platforms

Keywords: platforms, direct sales, indirect sales, marketplace, reseller, direct sales of Netflix, indirect sales of Netflix, streaming platform

Abstract

E-business has been widespread nowadays, with e-commerce being a main part of it. More and more companies are turning to e-commerce, either on direct or indirect sales (marketplace / reseller). The purpose of the study is to analyze these forms and to find out under which conditions is preferable each one. For a better understanding of the digital market, there is an analysis of the digital platforms and their features. A distinction is made between two-sided and multi-sided platforms. Direct and indirect sales are also used by Netflix. Even the change of the business model of the platform was crucial for its subsequent development. This platform does not stay in the retransmission of movies only through its platform (directly) but also through big pay-TVs (indirectly). The reasons for choosing this policy are analyzed and the advantages and disadvantages of each form are described, with emphasis on the platform's policy in two countries, in Greece and in the United Kingdom.

List of Contents

Περίληψη.....	1
Abstract	2
List of Diagrams	5
List of Tables.....	6
List of Figures.....	6
Chapter 1	7
1.Introduction	7
1.1.e-business	7
1.2. e-commerce	8
1.3. Evolution of e-commerce	9
1.4. Definition of electronic goods.....	10
Chapter 2	12
Literature Review	12
2.1. Digital platforms.....	12
2.1.1. Two-sided platforms.....	12
2.1.1.1. Definition & Externalities	12
2.1.1.2. Pricing	13
2.1.1.3. Competition	14
2.1.2. Multi-sided platforms	15
2.1.2.1. Definition & Network Externalities	15
2.1.2.2. The chicken & egg problem	16
2.1.2.3. Types of multi-sided platforms.....	17
2.1.2.4. Pricing in multi-sided platforms	20
2.2. Direct & Indirect sales.....	21
2.2.1. Direct sales	24
2.2.2. Indirect sales.....	27
2.2.2.1. Types of indirect sales: Marketplace or Reseller.....	28
2.2.2.2. Definition.....	28
2.2.2.3. Factors related to mode choice	33
2.2.2.4. Differences between marketplace & reseller.....	41
Chapter 3	44
Netflix & Collaboration with Pay-TVs	44
3.1. Introduction	44
3.1.1. Introduction to Netflix.....	44
3.1.2. Business model.....	46

3.1.2.1. Market Definition	50
3.1.3. Cost structure of Netflix	52
3.1.4. Network Externalities	54
3.1.5. Economies of scale	56
3.1.6. Competition	56
3.2. Direct & Indirect sales of Netflix	60
3.2.1. Direct sales in Greece	60
3.2.1.1. Pricing policy.....	60
3.2.2. Indirect sales in Greece	63
3.2.2.1. Introduction to Vodafone tv & Wind Vision.....	63
3.2.2.2. Indirect sales of Netflix to Vodafone TV & to Wind Vision	67
3.2.2.3. Analysis of the Greek market	71
3.2.2.4. Covid-19 pandemic period	74
3.3. World Extension Policy.....	76
3.4 Netflix in United Kingdom.....	78
3.4.1. Direct sales	78
3.4.1.1. Netflix's competition in UK.....	78
3.4.2. Indirect sales in UK.....	82
3.5. Conclusion of Netflix: POSITIVES & NEGATIVES.....	86
4. Conclusion.....	90
5.List of References.....	91

List of Diagrams

Diagram 1.1: Global retail e-commerce sales worldwide from 2014 to 2021.....	9
Diagram 1.2: Number of digital buyers from 2014 to 2021(in billions).....	10
Diagram 1.3: Share of online purchases by channel.....	11
Diagram 3.1: Netflix's Costs (in Thousands).....	53
Diagram 3.2: Market shares of OTT platforms in 2019 & 2020.....	58
Diagram 3.3: Global demand share for all digital originals (Q2 2021).....	59
Diagram 3.4: European pay-tv operators with the largest number of estimated subscribers in 2023 (in millions).....	59
Diagram 3.5: Market share of subscription Video-on-Demand (SVoD services available in the European Union in 2020.....	61
Diagram 3.6: European pay-tv operators with the largest number of estimated subscribers in 2023 (in millions)	69
Diagram 3.7: Number of subscribers of OTT'S platforms in Europe (in millions).....	72
Diagram 3.8: Number of TVoD services per country.....	73
Diagram 3.9: Estimated number of Netflix's subscribers in Europe (in thousands).....	75
Diagram 3.10: Number of Netflix's estimated subscribers in Greece (in thousands)	76
Diagram 3.11: Estimated streaming revenues of Netflix in Greece 2017-2020.....	78
Diagram 3.12: Pay TV operators ranked by number of subscribers in the United Kingdom (UK) as of December 2018.....	81

List of Tables

Table 2.1: Pricing in a two-sided platform.....	14
Table 2.2: Pricing in multi-sided platforms.....	20
Table 2.3: Differences between reseller and marketplace.....	41

List of Figures

Figure 2.1: Multi-sided platform.....	16
Figure 2.2: Example of a non-transaction market.....	18
Figure 2.3: Example of a two-sided transaction market.....	18
Figure 2.4: Digital platforms' boundary decisions.....	19
Figure 2.5: Direct and Indirect channels modes.....	23
Figure 2.6: Wholesale & retail pricing in the reseller and marketplace mode.....	31
Figure 2.7: Reproduction of illustration showing a comparison of value exchange between MSPs, product platforms, and resellers.....	32
Figure 2.8: Network effects in multi-sided platforms.....	35
Figure 2.9: Private information prior to the decisions of marketing activities.....	36
Figure 3.1: Netflix's Logo.....	44
Figure 3.2: Netflix & Vodafone TV.....	63
Figure 3.3: Netflix & Wind Vision.....	63
Figure 3.4: Timeline of Netflix's sales in Greece.....	67
Figure 3.5: Timeline of collaborations in UK.....	82

Chapter 1

1.Introduction

The study concerns online and digital sales. For this reason, it is necessary to report and give a quick analysis of this market. Thus, in Chapter 1, are analyzed e-business and e-commerce. The platforms have evolved and have various aspects. They can be two-sided platforms or multi-sided platforms. The analysis of them on the first part of Chapter 2 is essential for the indirect sales, the sales by intermediaries. Direct sales are made by the platform itself. Direct and indirect sales are analyzed in the second part of Chapter 2. In Chapter 3 of the study is analyzed the case of Netflix. The main goal is to highlight the policies that have managed to make it the dominant position in the market. This was achieved both through the sales of the platform itself and through collaborations with various pay-TVs in many countries. Between them are Greece and the United Kingdom. Finally, Chapter 4 contains the conclusions of the study.

1.1.e-business

E-business is a set of business activities that aim to transform specific areas of business with the use of new technologies. E-business and e-commerce are different. The first refers to all the financial functions that rely on electronic means, every form of business that transfers data via the internet, while e-commerce is part of it. It concerns the markets and more on the communication between seller and consumer. The goal of e-business is to improve the quality of e-business, to create new innovative businesses at the same time, to reduce their costs and to increase their profit margin. Although it is a new form, it has expanded greatly in the last 20 years. In the future it seems that many businesses will be electronic, and the traditional form of shopping will begin to disappear over the years. In short, anything you come across on the internet is a form of e-business. The ease of creating an online business compared to its traditional form, as it has lower operating costs is one of the elements that contribute to growing more and more. When it comes to sales then we are talking about e-commerce. But there is another form of e-business; the subscription model

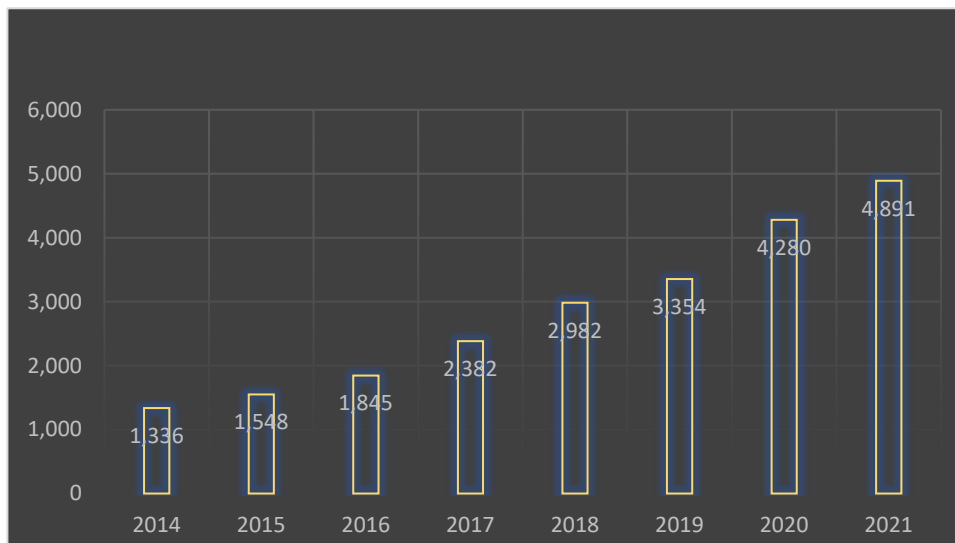
where the user pays a sum of money as a subscription to be able to have the content of the platform available. Such an example is Netflix, the streaming platform, in which in order to be a subscriber each month pays the amount corresponding to the package it is interested in. Therefore, it seems that e-business does not just dwell on sales per se but includes a set of businesses operating in the e-business. This new economy therefore not only dwells on the buying and selling of goods but also extends to other areas such as entertainment.

1.2. e-commerce

E-commerce is a way of trading goods or services between two parties - sellers and consumers. The basic condition for its existence is the internet. It is part of the e-business and includes the electronic markets, the online marketplace, reseller. It includes sales platforms that do not stay only in the sale of their own goods but also in the resale of third parties or through third parties. Initially, trade between business and consumer (B2C). It includes activities such as the promotion of products and websites, the sale, the purchase, the distribution of products and services. The next type is consumer to consumer (C2C). It is mainly found on sales platforms where a consumer sells directly to other consumers. A typical example is eBay, where anyone can sell anything, without having a company. This person is also responsible for processing and completing the order. And lastly Mobile commerce (m-commerce). It uses mobile phones or electronic devices to promote and sell products, services and includes mobile users and businesses that want to promote and sell their products or services. Direct and indirect sales seem to play an important role in the creation as well as in the survival and development of businesses. For example, someone is interested in buying a pair of sneakers from a well-known brand like Nike and he doesn't want to visit the website of the brand but prefers to search for the product through reseller websites that have a wide variety of these products. In this way the search is much easier, and he ends up buying the product at the best price he wants and with his own criteria., In general this is the positive of e-shopping. In the following section it is necessary to analyze the two models of e-commerce, the marketplace, and the reseller. These two types are the most popular on the internet platforms. But when is it worth choosing one and when the other? After all, many

companies start up with one model and end up in the other. A typical example is Amazon, which started as a simple book reseller and today has become a multisided platform that makes mainly indirect sales. The separation of these two types of platforms is necessary to give the definition of direct and indirect sales that is the subject of this study.

1.3. Evolution of e-commerce



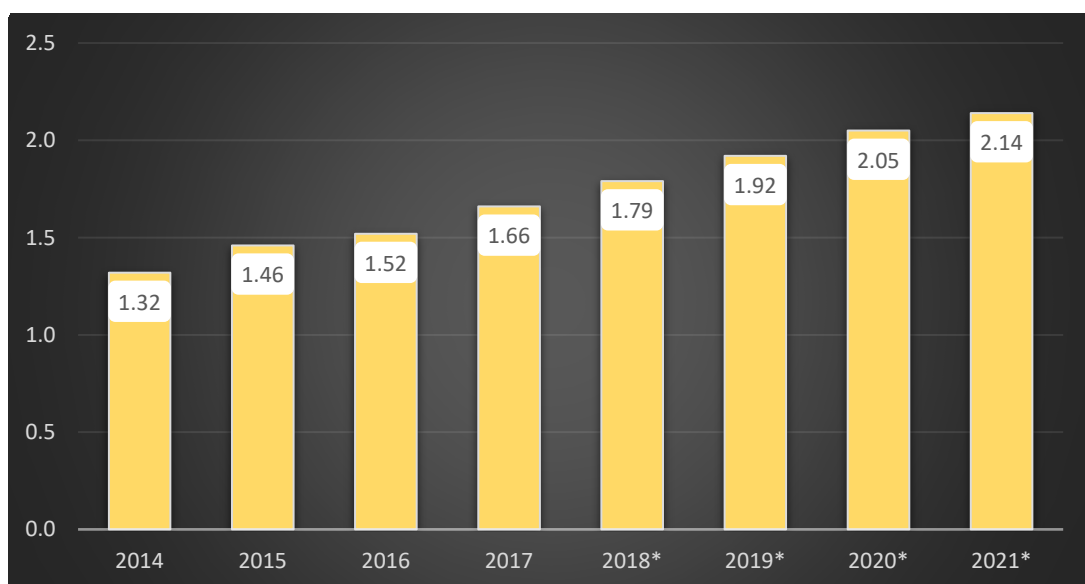
Source: <https://www.statista.com/statistics/379046/worldwide-retail-e-commerce-sales/>

Diagram 1.1: Global retail e-commerce sales worldwide from 2014 to 2021

The development of e-commerce is evolving rapidly worldwide. From 2014 to 2021 it is quadrupling, based on Diagram 1.1. In the future it seems that it will surpass these rates even more. But what led to this rapid growth?! Although the internet has appeared earlier, especially in recent years, after 2010, it has managed to grow and become an indisputable part of people's lives. As pointed out above, online shopping and consequently transactions greatly facilitate the daily lives of consumers. With the impact that social media has on people's lives, they have managed to make users increasingly search for e-commerce for a variety of reasons. The total number of online customers reaches 2 billion worldwide.

1.4. Definition of electronic goods

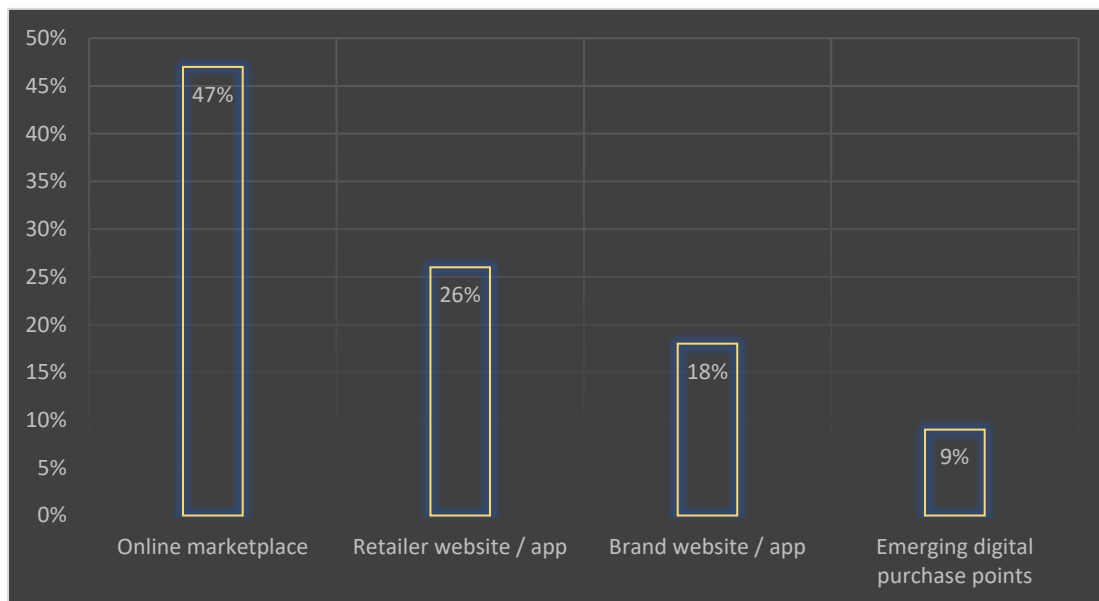
Electronic goods are found in digital sales. These goods are considered intangible, as in the moment someone looks at them in a digital screen cannot touch them, as it would happen in a physical market. Such goods are music that can be listened to and downloaded from the internet, photos, graphics, electronic games, books, movies, and streaming television that are available either through various applications suitable for mobile phones or through a special platform. Streaming television enables each user to download or just watch any content the user wants such as movies, series, shows. And this while he has paid a subscription, which provides him a wide range of content, whenever he wishes, without restrictions. The existence of the internet is clearly a necessary condition. This is the kind of Netflix's platform that is analyzed in Chapter 3. Other examples are Amazon Prime Video and Apple Tv. But even if this does not exist, there is an alternative. A typical example is Netflix's collaboration with the two most famous pay -TVs in Greece, Vodafone TV, and Wind Vision. That means if someone is not interested to watch the content through an electronic device, he can see the content by subscribing to the pay-tv provider. Any user of Vodafone Tv and Wind vision can add Netflix to the list of channels he can watch. Thus, Netflix has managed to not only limit itself to direct sales but also to expand indirectly by attracting a larger customer base. As shown in Diagram 1.2, the number of consumers who buy electronically



Source: <https://www.statista.com/statistics/251666/number-of-digital-buyers-worldwide/>

Diagram 1.2: Number of digital buyers from 2014 to 2021(in billions)

has increased rapidly in recent years. Since 2014 they have increased by 1 billion. Rapid growth is also observed in 2020, which was the year when stores were closed due to the Covid-19 pandemic. Therefore, the only way out was online shopping. The covid-19 pandemic period seems to have had a positive effect on the spread of e-business. The process of transmission, knowledge and adoption by both sellers and consumers that gradually spreading and could take decades; it managed to expand in just a few months. But as it seems in 2021 the growth rate is on rise.



Source: <https://www.statista.com/statistics/861336/share-online-shopping-customers-vs-sales-by-platform/>

Diagram 1.3: Share of online purchases by channel

As far as e-commerce and the sale of goods are concerned, apart from the sales made through a platform of the company itself, the sales can also be made through some alternative form, such as retailers. As shown in the Diagram 1.3 below, most of the online purchases were done through marketplace and resellers. For 2019, it is noteworthy that 47% was the share of online purchases through a marketplace, and 26% the share of sales through a reseller. After that there is the website that each company has at a percentage rate of 18%. The reins of the marketplace may be due to the evolution of this type of platform, and the integration of new types of it. It is one of the platforms that acquires a new form and can be adopted in many models, whether it is e-commerce or even technology platforms. These shares are necessary part and show the high preference of the consumers, in indirect sales. The comparison

of prices and features made through them but also their convenience are some of the reasons that attract more consumers. Therefore, a business can sell directly through its own website and online store but can also sell indirectly - through a third-party platform. But how will the company decide whether to sell through a marketplace or a reseller? In the second part of Chapter 2, the models of each platform are going to be analyzed, so that it can be concluded when it is better to sell in one and when in the other.

Chapter 2

Literature Review

2.1. Digital platforms

A digital platform is defined as a set of digital agents that include services and content that create value in it and enable relationships between various stakeholders such as external partners, producers, and customers (Parker, 2016). These platforms are divided into two types of markets on multi-sided platforms (Hagiu, 2015) and two-sided platforms (Rochet & Tirole, 2003). The value of the platform is therefore created through the dissemination of information on it and due to the relationships, that develop between the members and mainly gives value to its turnover.

2.1.1. Two-sided platforms

2.1.1.1. Definition & Externalities

Such a platform brings together only two groups. In the case of e-commerce, a reseller contacts the suppliers and then sells the latter's products to consumers. These two groups have no close contact with each other. The reseller acts as an intermediary for these two parties.

These platforms are two-sided in the sense that both sides— consumers and third-party producers—need to gain access to the same platform to be able to interact and the value of platform access to each side is higher, the more members are present on

the other side. These externalities can be positive or negative but also direct or indirect (Armstrong,2006).

Two-sided is defined as the platform whose values, if changed, can affect the participation in the platform and all the interactions in it (Rochet & Tirole, 2004).

A key feature of two-sided platforms is the network externalities both positive and negative between people on the same side and the opposite. Another key feature is their costing, which is defined to maximize the platform's profits. The platform costs both parties accordingly so that both can participate in it. An example of such a market is shopping centers (Armstrong, 2006) that attract both sellers and customers. Another example is the credit cards that many should prefer both on the part of consumers and on the part of sellers who will be able to accept them. Another example is videogame platforms such as PlayStation that want to attract customers to buy it so that it can attract more content creators (games) (Rochet & Tirole, 2004). Therefore, one team is necessary for the other.

In cases like online resellers, consumers are the ones who are interested in the variety of products in the platform and so for the variety of suppliers as this is the one that will determine the price they will finally pay. Thus, reverse network size functions as a qualitative parameter of platform selection (Wright, 2004).

In other words, the reverse network size acts as a kind of quality parameter in the platform adoption option. Since the opposite network size is affected by the specific price applied on this side, the indirect utility of a dealer in a two-sided market depends on both prices (Wright, 2004).

Two-sided platforms can evolve into multi-sided platforms when even a single team is added, and indirect economies of scale are developed.

2.1.1.2. Pricing

When deciding on pricing policy Eisenmann, Parker & Alstyne (2006) consider some important factors: direct network effects, indirect ones, user sensitivity to price, user sensitivity to quality, production costs and user brand value.

Most two-sided platforms focus on one team, which is the one that will create the indirect network effects, and the other team uses the platform as part of its revenue profitability. (Eisenmann et al., 2006).

Platforms often treat one side as a profit center and the other as a loss leader, or as financially neutral. Some examples that help to understand which side is charged and which is not in e-shopping are the following basis of Rochet & Tirole (2003):

Table 2.1: Pricing in a two-sided platform

Product	Subsidized segment/ Loss leader	Subsidizing segment/ Profit making segment
Video games	Consumers (consoles)	Software developers
Streaming media	Consumers	Servers
Browsers	Users	Web servers
Newspapers	Readers	Advertisers
Charge-free TV networks	Viewers	Advertisers
Shopping mall	Consumers	Shops

2.1.1.3. Competition

Competition on two-sided platforms can be divided into three categories based on Armstrong. First, there are competitive intermediaries, but each participant (from both groups) chooses only one intermediary. For example, when columnists work for only one newspaper and people read only one newspaper or when consumers visit a specific shopping mall and stores reside in only one shopping mall (less likely to happen). In the second category, the one of *Competitive bottlenecks*, while the first group continues trading with one intermediary, the second one trades with both intermediaries. For example, when an author publicizes an article in a scientific journal, but the readers become subscribers to more journals or when people buy only one newspaper, but advertisers refer to many newspapers to attract more potential customers. The last category is relevant with the example of advertising in media, which assumes that two newspapers are not the substitute of one another, and thus, part of the population buys both newspapers.

2.1.2. Multi-sided platforms

2.1.2.1. Definition & Network Externalities

A digital multi-sided platform is an IT-enabled commercial network of suppliers, intermediaries, and customers (Cusumano & Gawer, 2002) that facilitates transactions between these different entities to create value (Gawer & Cusumano, 2008).

Notable MSPs include eBay, which serves as a platform for buyers, advertisers, and sellers. A typical example of this form of e-commerce is the marketplace. The main features of the multi-sided platform are the network externalities that are distinguished in both direct and indirect. Besides, they can be both positive and negative. In this case it is mostly positive as it brings together the two groups of consumers and third-party sellers and this interaction is the most important as one group is an integral part of maintaining the other. The more on one side the more they will grow on the other, creating a two-way relationship (Hagiu & Wright, 2015). Indirect externalities of the network are also those that significantly differentiate the platform since the presence of one team is necessary for the presence of the other team both quantitatively and in the general improvement of the platform itself.

Another important element is the fact that a multi-sided platform is preferable in cases where the personal information of all the sellers is greater than the information that the intermediary has (Hagiu & Wright, 2015). In addition, such platforms have reduced search costs for both consumers and sellers themselves, as well as transportation and storage costs.

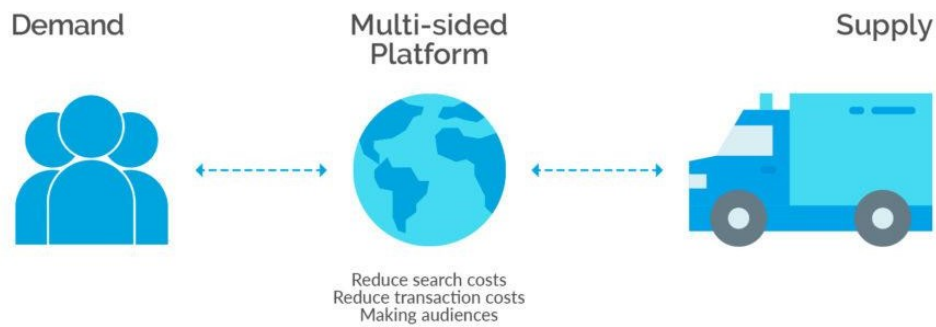


Figure 2.1: Multi-sided platform

2.1.2.2. The chicken & egg problem

Multi-sided platforms can be either B2B or B2C which means that the demand side can be a business or a consumer. A well-known example is Uber, which brings professional drivers in contact with passengers through MSP. So, in this case the drivers are the supply side and the passengers the demand side.

Network externalities are necessary for the platform to function as an MSP. One side could not exist without the appearance of the other. This is known as the chicken and egg problem (Caillaud and Jullien, 2003) as to attract the demand side of the platform itself there must be many participating vendors on the supply side, but the latter in turn will take place on the platform only if they expect demand to be high. So which team precedes the other is a problem. For example, Uber drivers will register on the platform only if there are transport customers, as without them there is no reason to register on the platform. Passengers do not find a reason to stay on the platform if there are no drivers registered on it, too. A solution to this problem is to change the model of the platform. As reported by Hagiwara and Wright (2013) a platform can start operating as a reseller and in the process change and become an MSP.

The strategies that multi-sided platforms use to attract an audience are divided into 3 categories based on Evans and Schmalensee (2016):

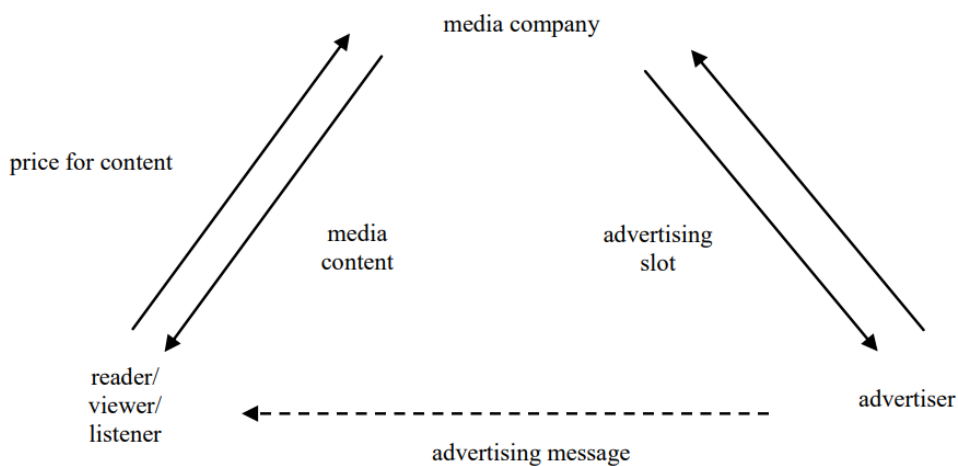
- ❖ *Zigzag strategy*: Based on this strategy, MSP expects both teams to join it at the same time. The most typical example is YouTube where on the one hand it is the content creators and on the other hand it is the viewers and those who determine the trends.
- ❖ *Two-step strategy*: In this strategy the platform expects one team to register in it and then after a satisfactory number has been registered the other party will be able to register as well. Most MSPs follow this strategy.
- ❖ *Commitment strategy*: The platform in this case expects one team to invest in the platform so that it can subsequently attract the demand side. An example is the Xbox, which when it first appeared was looking for similar content from game developers, to attract consumers later.

2.1.2.3. Types of multi-sided platforms

There are two main categories of MSP:

- ✚ Non- transactional /Innovation platforms
- ✚ Transactional platforms

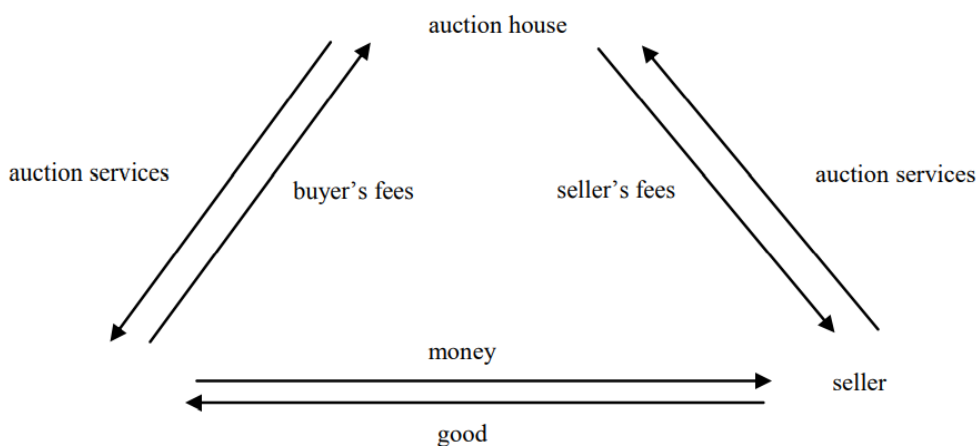
The first one's concern software platforms and focus on technological developments.



Source: Filistrucchi, Geradin, Damme & Affeldt (2013)

Figure 2.2: Example of a non-transaction market

The latter concern the online marketplaces and the transactions between sellers and buyers.



Source: Filistrucchi et al. (2013)

Figure 2.3: Example of a two-sided transaction market

Sides are defined as either “users” or “customers” of the platform (Evans and Schmalensee, 2016); both users and customers can be individuals or business organizations. Platforms generate value by reducing transaction costs (Parker, Alstynne & Choudary, 2016) and by acting as “matchmakers” among economic agents, helping members of their various sides to “productively interact” (Evans and Schmalensee, 2017). As Evans and Schmalensee (2016) explain, “the differences between single-

sided businesses and multi-sided platforms are stark. Ordinary businesses buy inputs of various sorts from suppliers, sometimes transform them into finished products, and sell goods or services to customers. Their focus is on attracting customers and selling to them on profitable terms. Multi-sided platforms, in contrast, need to attract two or more types of customers by enabling them to interact with each other on attractive terms. Their most important inputs are generally their customers.”

According to Gawer (2021), examples of transactional platforms are the Amazon marketplace, Airbnb, and twitter. These types of platforms consist of sellers and buyers, provide content-digital content generators and those who monitor them. The platform gains value by the subscriptions of the participants, raising money from ads or even both. Innovation platforms draw value by acting as a technological foundation on which one team creates complementary innovation. Typical examples are Microsoft Windows, Apple iOS, Google Android. Network outsourcing comes with the great promise of cost savings.

There are many transactional platforms that have added innovation platforms to their functions to make them even easier for users and to give them more options; as Amazon, Facebook, Alibaba did.

Platform Type Lifecycle Phase	Transaction platform	Innovation platform
Launch	<p><u>Proposition 1</u></p> <p>Scope Narrow</p> <p>Sides One side for asset owners and/or workers</p> <p>Interfaces Open for increasing transactions and for monitoring</p>	<p><u>Proposition 2</u></p> <p>Scope Broaden</p> <p>Sides One side for complementary innovators</p> <p>Interfaces Open for third-party innovation</p>
Maturity	<p><u>Proposition 3</u></p> <p>Scope Broaden through exploiting asymmetric data flows and/or acquisitions</p> <p>Sides Add new sides to become hybrid + more selective about who can join the sides</p> <p>Interfaces Recalibrate or close to prevent rivals from accessing data</p>	<p><u>Proposition 4</u></p> <p>Scope Broaden by absorbing complements' functionalities and/or acquisitions</p> <p>Sides Add new sides to become hybrid + more selective about who can join the sides</p> <p>Interfaces Recalibrate or close to prevent rivals from accessing data</p>

Source: Gawer,2021

Figure 2.4: Digital platforms' boundary decisions

The above table highlights the characteristics of these two platforms. There are two phases that are also distinguished in launch and maturity. The competition is very intense at an early stage for this, and the main goal of digital platforms is to dominate the market.

2.1.2.4. Pricing in multi-sided platforms

According to Hagiu (2014) platforms depending on which side is the one who pays must offer their services for free or at subsidized prices to at least one side of the platform and derive their profits on the other side.




-  *For each side, charge a higher price when the group in question has less price sensitivity.*
-  *If there is no priced transaction between the sides, then charge more to the side that stands to benefit more from the presence of the other side.*
-  *If there is a priced transaction between two sides, then charge more to the side that can extract more value from the other side.*

Table 2.2: Pricing in multi-sided platforms

Multi-sided platform	Loss-leader side	Profit making side
Advertising media (newspapers, Facebook, Google)	Users	Advertisers
Alibaba.com, eBay, Rakuten	Buyers	Sellers
PC operating systems (Windows)	Application developers	Users
Payments systems (American Exoress, Visa)	Users	Merchants

Source: Hagiu (2014)

2.2. Direct & Indirect sales

The term of direct and indirect sales is examined under different factors.

The study by Pu, Sun & Shao (2020) deals with the operating costs of the business and when it is estimated to be the lowest as possible. Depending on this variable, the corresponding model is selected. The study does not only focus on online sales but also on traditional one's. In addition, the vendor will choose the online strategy that has the lowest operating costs and therefore the other strategies will have higher operating costs. According to them a business is better to sell on its own platform when operating costs are less than reseller and the subscription price of marketplace. In terms of indirect sales, it is preferable to choose the reseller when the operating cost is low, and the marketplace is preferred when the subscription is quite low.

According to Alaei, Taleizadeh & Rabbani (2020) the marketplace or the reseller is preferred by suppliers based on the return policy. Based on these, the marketplace is preferable to the reseller when there is no return policy. Respectively, the marketplace is preferred because it has higher profits. In this case the prices are lower due to the intense competition. In case the marketplace subscription is high it is better to prefer the reseller for indirect sales.

Ryan, Sun & Zhao (2012) deal with their study both the resale by third party vendors in a marketplace and the need to have their own website and sell directly.

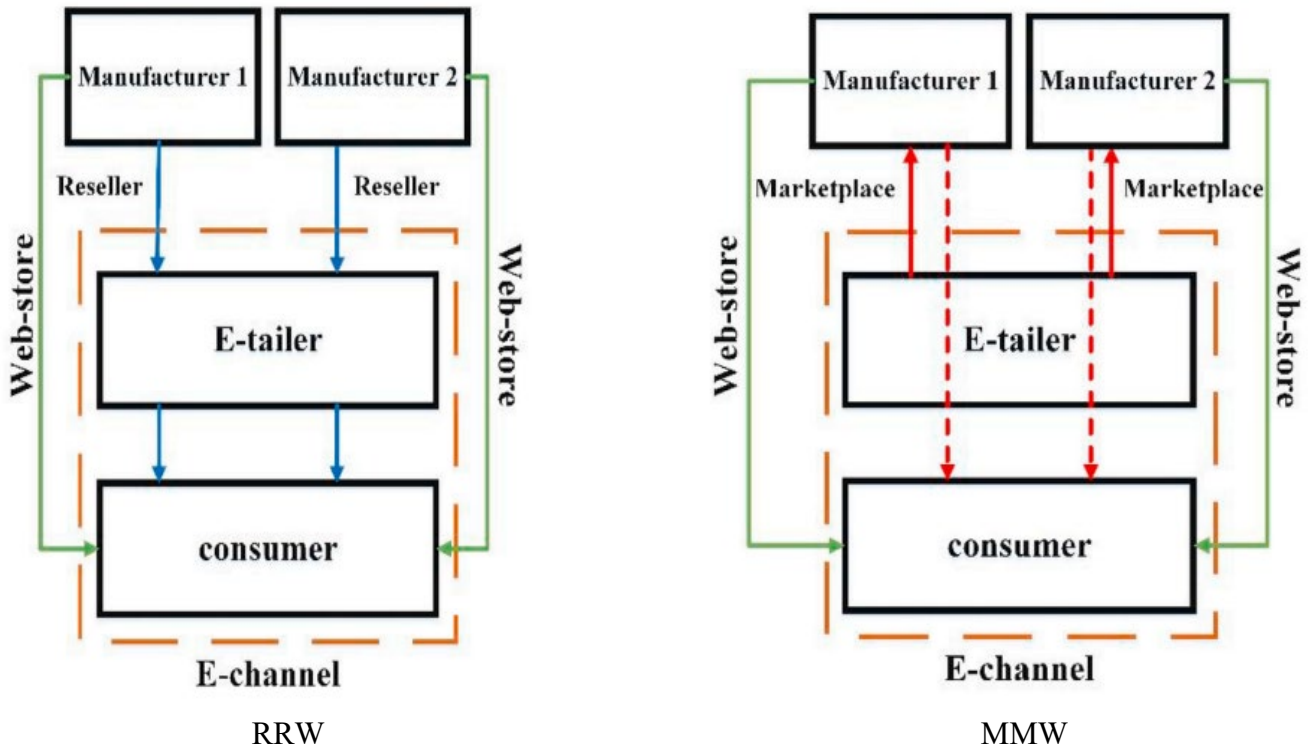
The differences between the marketplace and reseller have been studied by Hagi and Wright (2014). Their study focuses on the differences between these forms of sales based on the information that the company receives in each case and in combination with marketing activities. Personal information is what determines the marketing activities and the prices finally determined for the buyers. The personal information differs between the reseller and the third seller of the marketplace. So, they conclude that when sellers have an advantage of personal information than the intermediaries it is better to choose the marketplace. It is also better to choose the latter when the prices and marketing activities of the products they sell have limited influence on other products. Long-tail products are sold better in a marketplace when it has a marginal cost disadvantage and finally it is better to sell in a marketplace

business products that are about to "collapse" as prices will be lower and will sell faster.

Belhadj, Laussel & Resende (2019) state that it is preferable to choose the marketplace for low value products while the reseller is better preferred in cases of high value products if the reseller has the advantage of personal information.

Tian, Vakharia, Tan & Xu (2018) develop their study based on fulfillment cost and competition. Based on these two elements they conclude that when the fulfillment cost is high but also the competition is great it is better to choose the reseller for resale of the goods but if these two elements are low it is preferable the marketplace as a way of indirect sales.

A typical example is one of the largest marketplaces in the world, Amazon; which acts as a reseller for electronic items as they have more competitors but also functions as a marketplace for fine art items for long tail product category. Similarly, in products with high fulfillment cost such as books, it is on reseller mode, while for e-books with zero fulfillment cost, it is a simple marketplace.



Source: Alaei, Taleizadeh & Rabbani (2020)

Figure 2.5: Direct and Indirect channels modes

According to Alaei *et. al.* (2020), two suppliers who sell the same products are the ones that compete over which model to choose. In the first case, the left one of Figure 2.5, (RRW) it is the reseller mode. Both suppliers have chosen this form of indirect selling but at the same time they sell direct through their webstores. In the second case (right) the two suppliers / companies have chosen the marketplace and they sell again through their own website. There is also a third case where one supplier sells through a reseller, the other through a marketplace and at the same time each one sells on their website. As shown in the above figure, when it comes to resellers, the contacts concern the supplier with the reseller and the reseller with the consumer. On the contrary, the marketplace is the one who acts as an intermediary and brings the suppliers in contact with the buyers.

2.2.1. Direct sales

Direct sales refer to the platforms or webstores that businesses have. The easiness of their creation is a reason why they are so common. E-commerce has not only grown over time and tend to be preferred by most of the consumers but also it has been established and it was an important solution, during the pandemic period with the general lockdowns worldwide. Without online shopping, stores would have gone bankrupt. Although e-commerce was more prevalent in the younger age groups until the pandemic, after that it is widely used by middle-aged and older people. And when it comes to e-commerce, we do not just mean the classic sales of goods but also the general e-business that deals with entertainment platforms such as Netflix.

According to Steinfield, Bouwman & Adelaar (2014) a company can create an online store with the simultaneous coexistence of a physical store for sales. The combination of these two channels can work positively in the company as it will save space in terms of its stocks and staff, as sales can increase with the same number of employees. The combination of these two channels has as a result the reduction of the costs of transporting the stocks since the customers can order online but they can receive their products from the physical store. Finally, a great advantage of setting up an online store is that it's easier for customers to find it out. This also means expanding the geographical scale to which it is addressed. It will have the potential to expand to a wider consumer audience. It will not stay in a small group of consumers as it would in the classic way of traditional shopping. Thanks to the possibility of the internet, this audience can grow and not stay in the narrow borders of a city or even a country, but also expand beyond it. In this way the company will be able to generate more revenue and in time to be able to expand. In addition to these positives, the study also examines customers' distrust of online shopping. This fear according to Constantinides (2004) is much greater if there is no physical store that customers can turn to. Non-product returns and poor communication are two related factors. Causes of distrust are also transactions in the electronic environment, the collection of customer's data, and fear of data theft.

In the second phase, the advertising of each company is valued at a lower cost and has a greater impact. Such ways are by sending promotional mails, even discount coupons can be available to the consumers without the need to print them, it is only

enough to make a promotion on social media or in their mails - where somebody can be registered in the information list about the platform itself. However, thanks to the possibility of technology, personalized content can create the "profile" of each user and suggest products that he deems appropriate. Thus, the seller will not spend extra time to be able to convince the customer to buy a product, that in the end he will not proceed with its purchase. Personalized content, however, is not the only advantage of direct sales, but it is advantage of indirect sales too. Therefore, the cost of marketing activities may be relatively reduced but it remains as there is a cost to enable the company to keep up with technological developments so that it does not remain stagnant.

The choice of a business to sell through its own platform has the advantage that the business has the complete control over its products and their promotion. The competition, however, does not exist on the scale that exists in the indirect sales. In addition, it has the privilege of having unique products that in the marketplace would be much easier for its competitors to copy relatively faster. So, the company would lose the valuable privilege that secures her a good position in the market.

The company is the one that produces its own products and therefore is responsible for their development stages. To be established in the market, it uses social media as tools to promote its products and advertise them. This marketing activity is much cheaper compared to the advertising that large companies would undertake for campaigns. The company's next move is to establish itself on the internet. This can be achieved through the platform /website itself but also through the creation of applications on mobile devices. Mobile phones are an integral part of people's daily lives, so having direct access to the platforms they are interested in, makes it even easier, as applications are configured for mobile devices and their use is simpler and they spend less time searching for them. At the same time, the company is exclusively responsible for the development, storage, and transfer of orders, which makes its work more serious. In this way the company has the privilege to manage and have in its exclusivity all profits, without sharing them with partner companies (like it happens on marketplaces and resellers).

Therefore, a company will choose to sell directly, through its own platform, when:

1. The profits of the supplier-business are much greater than the profits of the retailer. This means that because it sells only through its own platform the profits it will have, will be only its own and they are not required to share with another partner company, as is the case of indirect sales.
2. When the company wants to have the exclusive control over its sales. On its own platform it can review pricing policies and control any problems that can arise. In that case, the control of marketing activities is very important. The costs for these are under control of the platform, which in indirect sales usually the reseller or the marketplace have this responsibility about them. In the latter case the company can only provide its products for sale. Nothing more. Apart from the above, however, the processing of orders is done by the same platform. As a result, it doesn't only control better the individual processes but also understands the needs of the consumers.
3. The importance of having a loyal consumer audience should not be underestimated. Through the platform itself, it can be achieved a standard who prefer it and do not change it for their purchases. In the case of the marketplace, if the prescribed conditions change then the company may no longer has this number of standard consumers that prefer it. Creating and maintaining a business identity-a brand is an important parameter for consumers.
4. In combination with the control of the processes is the strengthening of its brand. The company can build a reputation for its brand based on the policies it considers most appropriate. This strengthening of the brand can also be achieved by controlling the fulfillment process. The processing of orders and sending the products to consumers has a result of the company to communicate with them and being able to understand their needs. Direct communication with them is one of the factors that keep the consumers loyal.
5. Selling through a platform is an important key for the competition. Especially for companies that have original and unique products it is better to choose to create their own platform as it is more difficult for its competitors to find and copy them. This example is very significant, as it has not happened only once, but several times like the case of the Amazon marketplace. Amazon not only allowed companies with original products to sell them through its marketplace, but through this policy could be informed about new

developments in various sectors and then produced the products itself and sold them through her own profile.

2.2.2. Indirect sales

Indirect sales refer to the case where purchases are made through marketplaces or resellers. As there are plenty of companies on one platform, the potential consumer can choose from a variety of them. Therefore, it is easier to buy from them, and the firm's profits are higher. The profits of each company will be increased as more consumers will choose the platform. That is the opposite of direct sales, in which the customer base may not be high enough. Indirect sales may have the disadvantage of being under control of third parties, but because of them a business can expand to other markets. In addition, although it will be forced to share the profits with its partner company, which makes sense for it to receive a monetary reward for its services, these profits may increase over time as the partner company knows many times better ways and strategies to promote the product in a market and sell it. Many businesses don't choose to register in a marketplace due to the monopoly nature of it. That happens because many companies subscribe to the marketplace, and as they need to be featured in it, the marketplace can raise the prices it charges at any time. That really happens, and over time even more. The marketplace knows that even if one company stop the partnership with it, another company will be interested to be featured. Therefore, it is not affected and that's the reason it has monopolistic behavior. After all, the marketplaces that can be found in the market are fewer in number than all the companies. In other words, the competition between them is not as great as the one of the individual platforms.

2.2.2.1. Types of indirect sales: Marketplace or Reseller

Indirect sales are specifically related to the type that a platform will choose to operate. Other platforms operate as resellers and other like marketplace. Acting like a reseller means that the owner of that platform buys a product at a fixed price and then, depending on supply and demand, resells it at a price that he considers the best to offer him profit but also this price should be attractive to the consumer. In this case, the company that act like a supplier does not contact with the consumers. In contrast to the marketplace where the last one parties are in touch with each other. In both cases they act as intermediaries with a different business model. In both cases, the website must be updated at regular basis, so that the user's interest remains the same.

2.2.2.2. Definition

Marketplace

This type of platform is the most common in nowadays. The consumer visits a website where he can search for the products he wants. Then he can compare prices thanks to the great variety that exists due to the many partner companies of the platform. When he finally chooses the product that he considers it meet his needs, then he is automatically directed for his payment on the website of the third seller. In this way the platform brings together three teams. Third party vendors, advertisers, and consumers. Therefore, it is considered a multi-sided platform. Most popular multi sided platforms are Amazon, eBay, and Alibaba. Their importance is enormous, as they define and support much of the digital economy. How could they not do that, earning more than billions of dollars! Their presence is therefore considered necessary, especially after their abundance and their great rise in recent years.

Although marketplaces don't play a big role in the development of each market, they are often involved either having an important role in the stage of storage and shipment of products or even in the stage of payments, offering alternatives to the traditional ones. The marketplace sets a specific subscription price for sellers to allow them to sell through this platform.

There are several types of marketplaces, with the main ones being:

→ P2P (Peer to Peer): where individual users, without being companies, sell various goods, either used or new.

→ B2C (Business to Consumer): where companies, by clearly paying a subscription, can upload their products to the marketplace's catalogs, thus having the advantage of increasing the recognition of the corporate profile as well as increasing their profitability.

→ B2B (Business to Business): where companies target companies respectively. This type is rising, and the reason is the ease of detection by businesses as consumers that they can find suppliers much faster and at a lower cost. One of the most well-known platforms of this kind is Alibaba.

The marketplace is a website that can host hundreds of businesses. It corporate with third-party sellers and redirect customers to buy from them. It is essentially an intermediary, bringing these two groups together. Registering in a marketplace tends to be much easier than creating a business website. That is why more and more companies and people prefer it. Even the process for each phase of the order is much easier in the marketplace as they give the option to bear the cost of storage, transportation of products and the marketing cost. Otherwise in a platform of a company, the company is exclusively charged by these costs. Therefore, it seems to provide some positive elements. Pricing is based on the dominant competition. In the marketplace due to a huge number of competing companies the prices tend to be as low as possible. They cannot be high as this would automatically exclude the business from the choice of consumers. No one would choose it because of the variety of options he could find a similar product at a cheaper price. In addition, when a company chooses the marketplace, it is best to not change its prices often. Consumers choose the ones that remain stable and do not change often. Clearly a further reduction in prices can make a positive contribution as it is in periods of discounts and holidays, but when it is done frequently it may have a result of losing customers and not have loyal customers.

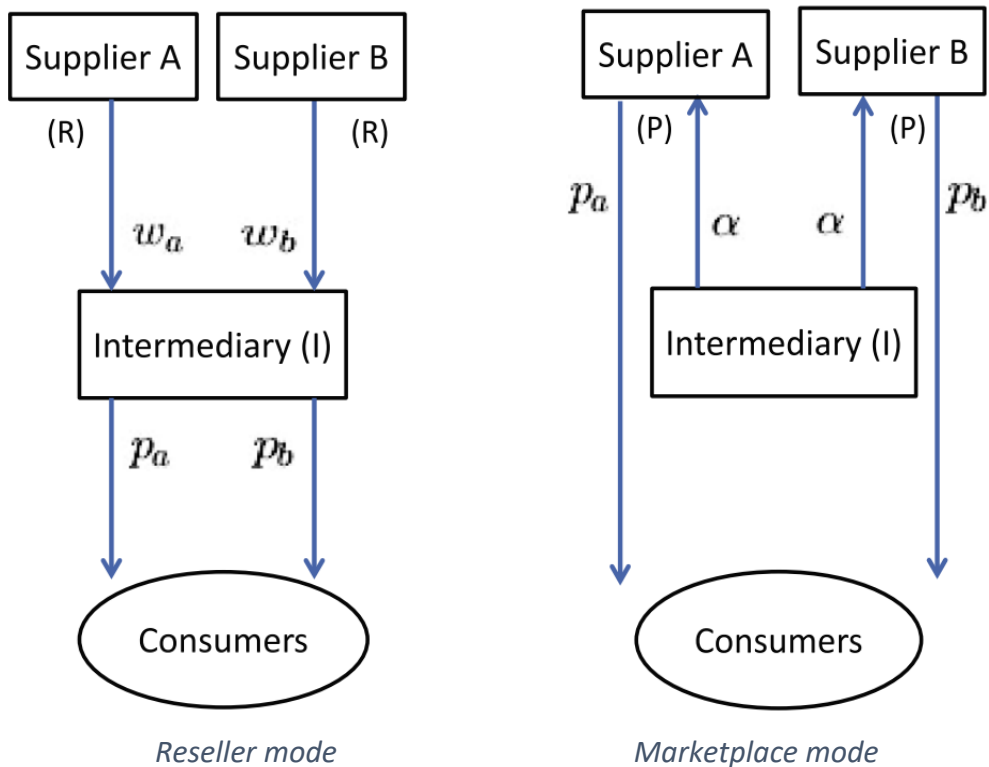
According to Ryan, Sun & Zhao (2012) the marketplace presents the positive that it has more potential consumers than the business website would have. However, the company must pay a fee for being present on the platform or even to give to the marketplace an additional commission from the sale of the product.

Another positive is the recognizability of the marketplace compared to the business website itself (Bakos, 1997), such as Amazon. The advantages of the marketplace extend to the ease of managing orders, facilitating payments, and sending orders in contrast to the company website (Bakos, 2001).

Reseller

The reseller is in touch with the consumer without intermediaries. He sells a product at a price that must keep up with the elasticity of demand. So, the reseller can be considered as a retailer, but not the other way around. An example of this type is Netflix. Netflix bought the rights of some movies and series and so it was a DVD rental service. Then by having predetermined a specific subscription per month a consumer could choose which package is most suitable for him. That was its model until it became a streaming platform almost a decade ago. The customer didn't need to move to a video club or go to the cinema. He had and still has at its disposal several movies and series, at any time of the day. This example shows the difference between online and traditional markets. In the first phase, when someone chooses to become a reseller, must determine what the market will be addressed and to have both the right products and the right prices. This definition is necessary because based on it, it will be able to compete with the corresponding companies. When a company undertakes to acquire the reseller mode then it will have to follow some steps to secure every order. In that case, the retailer buys the products of another supplier - another company and resell them to its customers. There are many suppliers and not just one. What differentiates it from the marketplace is that the whole process is under control of the reseller. He encounters the supplier and sells his products to the customer, so he contacts with him as well. That is why he is essentially an intermediary. The supplier

does not communicate with the customer. The exact opposite of the marketplace, where these two groups come in contact, the intermediary exists only to bring them in contact.

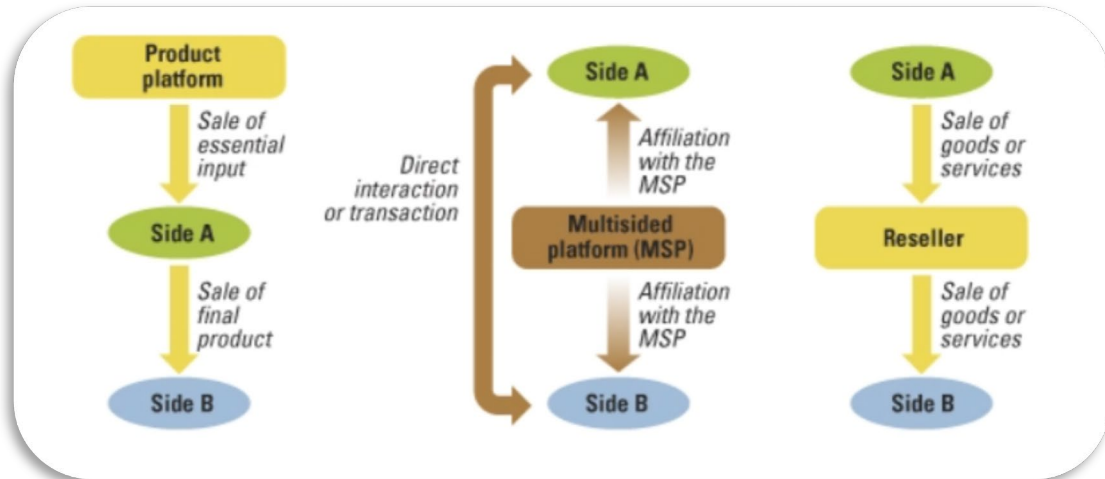


Source: Tian, Vakharia, Tan, and Xu (2018)

Figure 2.6: Wholesale & retail pricing in the reseller and marketplace mode

The Figure 2.6 (left) shows the pricing in the reseller mode. Prices are initially set by suppliers; they give their products at a set price w and then the reseller is the one who will determine the final price p to be sold to consumers. The difference between these two prices is the profits that the intermediary will have. Regarding the marketplace mode (as shown on the right of Figure 2.6) the intermediary is the one who determines the subscriber price α of the sellers. The subscription is necessary to their presence on the platform. In the next phase the sellers are the ones who determine the price p and sell to the consumers.

The differences between marketplace and reseller are found in the fact that they are two different types of platforms. The first one is a multi-sided platform while the second is a two-sided platform. The characteristics of these two types of platforms are different.



Source: Hagiu, 2014

Figure 2.7: Reproduction of illustration showing a comparison of value exchange between MSPs, product platforms, and resellers

As shown above, a multi-sided platform acts as an intermediary, who brings together sellers and buyers. In contrast, the reseller is a two-sided platform; a mediator that is in touch with the supplier and consumers without letting them contact with each other. The first figure shows how the platforms that the companies themselves operate work. By having their own webstore, they manage to sell their products directly to consumers and thus gain communication with them.

2.2.2.3. Factors related to mode choice

Indirect sales, which are an important part of business profitability, have some characteristics that differ from direct ones. These include network externalities, search costs, competition, fulfillment costs and marketing activities.

Network externalities

Network externalities require a minimum number of people / users on the platform (critical mass). Thanks to this group of users, the platform acquires the appropriate value and continues its presence on the internet. For example, in this way, Amazon was able to expand from a small bookstore, a simple reseller of books, to online sales of them and thanks to the trust that inspired the consumers to develop into a multisided platform, and a marketplace. According to Hagiu (2014) there are two subcategories of network externalities:

Direct or same-side network effects

The growth in the number of users on a platform, allows for an exponential increase in the number of possible connections, hence also an exponential increase in the usefulness of the platform. This means that the platform becomes more valuable, and its value increases as more users participate. In the case of Amazon, which is the most popular sales platform, the more sellers are registered, the more value there is among users and so new ones register and even more products are offered.

Indirect or cross-side network effects

Indirect or cross side network effects occur when an increased number of platform users increase the value of the product or service offered on the other side of the platform. The more products are added to the platform the more users are attracted to buy them. So, there is a unique interaction between these two sides.

An example for a better explanation of network externalities is Amazon. Anyone who wants to buy some electronics from Amazon, has chosen this platform because of its low prices. Consumers are interested in buying from Amazon due to the variety of products available, the price range, the existence of many retail businesses and the

reliability of the transaction. Once users arrive, retailers double and then appear more. These two sides - consumers / end receivers and traders - interact with each other and Amazon is the intermediary, without which they would not be in direct contact.

Network effects are network externalities that affect one group indirectly. That means that the decisions that one team will make will affect the other team on the platform accordingly.

If the platform decides to increase the subscription price for suppliers, then there is a possibility for the last ones to leave the platform and to look for a new way out.

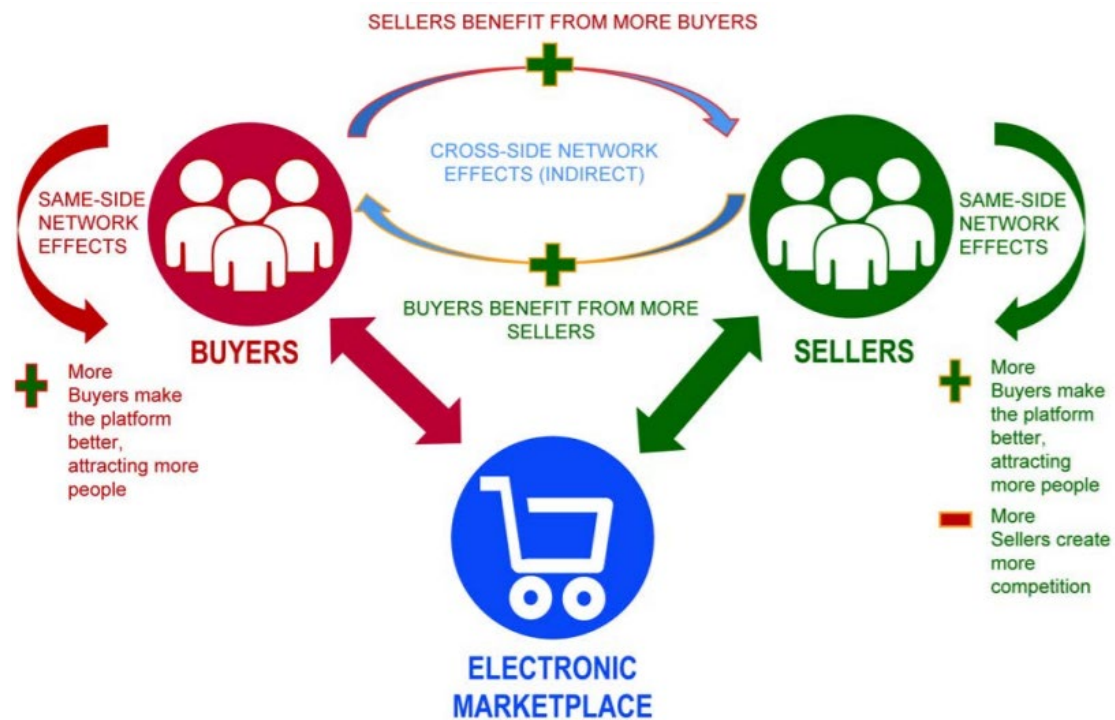
However, this behavior will result in the departure of users - consumers who will not be satisfied with the current content as it will be more limited. This in turn affects the other suppliers. This whole process creates problems in supply and demand. That is why network externalities are important for the explanation of these two models.

Network externalities are important features for sales platforms. The profits of the sellers increase, and the customers are satisfied because of them. But there is a strong difference between the marketplace and the reseller. In the marketplace, network externalities arise due to the strong presence of third-party sellers, as mentioned in the example of Amazon. The more they are the more consumers will appear on the other side as they will be able to choose from a variety of options. Conversely, thanks to the large presence of consumers on the platform, more third-party sellers will gather, because they will have a larger customer audience and therefore more profits. These are the direct network effects that are presented in the marketplace. Regarding indirect network effects, these arise mainly due to the existence of complementary goods.

When a consumer makes a purchase of an item that also has a complementary good that is deemed useful by the respective customer, then he proceeds to purchase both.

The indirect externalities are intense and because there are also suggested products.

At the point where the customer makes his purchase, he may come along unexpectedly with some additional options, either related to the complementarity of the goods or even to any offers that the platform may display. Therefore, the customer is more likely to make additional purchases.



Source: Adapted from YSH, "eBay – The Perfect Store(y) of Network Effects," Harvard Business School Digital Initiative blog, Oct. 4, 2015.

Figure 2.8: Network effects in multi-sided platforms

But what happens in the case of the reseller? There are no third-party sellers here, so this number is difficult or even impossible to be reached since there is only one seller in the platform. Therefore, direct network effects do not appear in this case. But the indirect network effects are important. The users who visit the platform are the ones who help in the greater development of the platform. Consumer preferences and evaluation by the platform's customers are the two elements that more often contribute positively to its development. Even if the comments are negative, if they are considered by the owner of the platform then he will be able to change some categories in it. For example, the quality of some products may not be good, so considering what the consumers want may change reseller's suppliers. Or maybe consumers will want other product categories on that platform. So, the retailer can renew the platform with more variety. Therefore, the more users there are on the platform, the more they contribute to its development and to the addition of more products or services to it.

The study by Hagiu & Wright (2014) focuses to model the choice between the reseller and the marketplace modes “as a decision between whether control rights over a non-contractible decision variable (the choice of some marketing activity) are better held by the suppliers (in the marketplace mode) or by the intermediary (in the reseller mode). The mode that will be chosen depends on whether independent suppliers or the intermediary have more important information relevant to the optimal tailoring of marketing activities for each specific product.” In their study, the choice leans to the reselling mode when the platform is better informed about the optimal tailoring of marketing activities.

→ TIMING

Stage 0. Intermediary chooses mode	
Reseller	Marketplace
Stage 1. Reseller makes take-it-or-leave-it offer to suppliers; suppliers decide whether or not to accept.	Stage 1. Marketplace sets the fixed participation fee P to suppliers; suppliers decide whether or not to participate.
Stage 2. Reseller learns his private information (γ_i) for each product and chooses marketing activities and prices to buyers for all products it has acquired.	Stage 2. Each supplier learns his private information (δ_i) and chooses the corresponding marketing activity and price to buyers.
Stage 3. Buyers make purchase decisions.	Stage 3. Buyers make purchase decisions.

Source: Hagiu & Wright (2014)

Figure 1.9: Private information prior to the decisions of marketing activities

Search cost

The search cost is meant from the moment the consumer enters the process to search for a product that he is interested in until the moment he will finally proceed to his purchase (Bakos,1997). The search cost is a very important feature as it tends to be minimized in online shopping. This happens for example in the marketplace, where the potential buyer has a wide variety of options. The time spent on the platform tends to be less than it would spend if searching on individual websites or other platforms. Many times, products, or companies that he would not find with a simple search on the internet tend to be available in the marketplace since there is a variety of companies and individual sellers. So, somebody can discover them much faster than he would if he was looking in cyberspace, where there are millions of them.

Competition

The competition is more intense in the marketplace mode; as sellers set prices at the same time and under different circumstances, the intermediary can change this result.

According to Tian, Vakharia, Tan & Xu (2018) the competition is focused on suppliers and not on intermediaries. So, the suppliers are the ones who will pay the corresponding subscription. The subscription that the respective supplier will pay is from 6% to 25% of the final price of the product on Amazon.

In fierce competition, consumers usually have a variety of options, they will eventually choose the seller who is better known and considered more reliable.

Competition is one of the most important factors to consider when setting prices. In the past there were many monopolies in the market, but this barely happens nowadays. The convenience of the internet has resulted in being created even more online businesses. Thus, when one company already exists and another appears, then the relationship between the supplier and the intermediary may change. More firms and therefore a wider range of options mean that prices tend to change. A company that was favored by its monopoly nature and its prices were quite high, would have to

change policy and adjust its prices based on those of its competitors if it wants to survive. A typical example is the Amazon Kindle. When it first appeared on the market in 2007 it was unique and without other competitors. In 2010 Apple iPad made its appearance with an iBook store. This worked like a marketplace. Interested customers could buy through third-party sellers, i.e., directly from digital bookstores and publishing houses. Until then, Amazon used the reseller model. In other words, it bought the rights from the publishing houses and resold the digital books. The intense competition, however, was the factor that made it to change its policy and to use the marketplace model. This was much more beneficial and brought greater profits to the company.

Tian *et. al.* (2018) found that when the competition is great it is better to choose the reseller but if it is small the marketplace is preferable. Their study concerns competition between suppliers and not between intermediaries. An example for a better explanation is Apple. Although the company sells several of its products in the Amazon marketplace, it does not sell the iPhone. The reason is that the company itself has several similar and competing products. So, it chooses to sell only through resellers.

The fulfillment cost is at the same level as the competition.

Fulfillment Cost

The fulfillment cost is very important in online sales. It is the cost that is spent on the storage, packaging, transportation of goods, and the wages and insurances of the people who work on these processes. It is considered a fixed cost as the people who need to work, and the storage procedures are necessary and are always encountered in such activities. This is determined by both the volume of the products and their quantity. The bigger the products are, the more this cost goes up, due to their weight. Many marketplace platforms now can store third-party seller's products, charging the last ones a fee for these services. Clearly this makes it easier for them, especially for small businesses that have difficulty finding storage space. Fulfillment cost includes activities such as the storage of goods and shipping to customers, services for the

return of products, and customer service. A business that decides to engage in e-commerce must consider whether it is going to sell locally or at a longer latitude or even globally. This must be considered from the beginning to set the prices at the appropriate levels based on the existing competition and since there is a case to cooperate with logistic centers outside its scope. So, if this cost is under the control of the company, then there must be the appropriate staff, in terms of appropriate skills and the appropriate number of these employees. But in addition, it should have a space suitable for storage, depending on the products it sells, and the conditions required to be located. The space is another extra cost to the existing one since the company will have to pay a rent for its operation. Because such spaces must be relatively large, it is difficult for a company to already have it, so it usually bears the cost of renting it. So, based on the above, the company, except from the existing services, will have and another one, resulting in increased costs. In cases where the company can also sell through the marketplace, the latter one can provide the ability to manage these storage and shipping processes. Clearly the main business only must pay the corresponding fee for the work provided to them, but this fee is much lower than it would be its costs if it were all borne by itself. A typical example is Amazon, which also operates as a fulfillment center in partner companies.

According to Tian *et. al.* (2018) this cost is significant when a supplier/company chooses to expand into indirect sales. The reason is also due to the fee that should be covered by the suppliers when it comes to the marketplace. The higher the transport cost is, the more the marketplace will increase its subscription, so the best thing for the supplier is to choose the reseller. If the cost is low, then it is better to prefer the marketplace. For example, books are sold on a larger scale through resellers as the fulfillment cost is quite high, in contrast to e-books that are sold through marketplaces as this cost is reduced.

According to Alaei *et. al.* (2020), a company decides which type of indirect sales is preferable based on the return policy. There are many companies that sell directly based on this policy. Apple and HP, for example, use the return policy on products sold only through their own website and not through third parties. Respectively, their study extends to indirect sales and determines that either in a reseller or in a marketplace the company should give a subscription fee. The amount of this fee will determine which model is preferable. If the subscription fee is low, then it is better to prefer the marketplace but if the fee is high then the reseller is preferred.

Alaei *et. al.* (2020) based on the return policy draw the corresponding conclusions in terms of direct and indirect sales:

1. When a company has a return policy on its website then it is better to use the reseller for its indirect sales, but if it doesn't have this policy, it is better to choose the marketplace.
2. The marketplace apparently generates higher profits than the reseller, so it is preferable.
3. In terms of competition in the marketplace, sellers compete directly with each other due to price transparency and thus they go up more than in the reseller.
4. As for the return policy it seems that when it is used by the companies themselves on their websites then they have reduced profits.
5. When the subscription is high, the reseller mode is preferable.

According to Belhadj, Laussel and Resende (2019) a platform decides what kind of products to sell based on its value. This is the reason why resellers have high value products and, in the marketplace, lower value.

The timeline that follows the procedure is as follows:

1. The intermediary sees if the product is low or high value.
2. Depending on this, the platform will be reseller or marketplace. If it is a reseller, then the quantity of the products and their price are determined. If it is a marketplace, then the seller's contribution is determined with all the decisions to be taken later by him.

3. The supplier-company decides which model to choose.
4. If the company chooses the reseller based on the willingness of consumers to pay, the total number of products available for sale is determined. If it chooses the marketplace, then it determines the set of products that can sell both through the indirect sale and through his own website.

2.2.2.4. Differences between marketplace & reseller

Table 2.3: Differences between reseller and marketplace

<u>Reseller</u>	<u>Marketplace</u>
There are no direct network externalities One seller	High network externalities Existence of many third-party sellers
The cost of marketing activities is borne only by the reseller and not the supplier company. The same happens for transport & storage costs	Lower cost marketing activities for the business. The cost of transportation is borne by the company itself
High value products	Low value products
Preferred under Intense competition & High fulfillment cost	Preferred under Minimal competition & Low fulfillment cost
	Preferred when it has a low subscription
When firms have return policy on their webstores	

Marketplace VS Reseller differences:

1. The existence of network externalities is one of the most important reasons it can choose. Due to the number of third-party sellers in the marketplace, the number of consumers is quite large and the more one grows the more the other grows accordingly. There is a close interaction between them. And the most important thing is that in this way the sales are higher for all the sellers. In addition, if it is a company that is relatively small then its presence on such a platform can only work positively as the problem of how to attract new

customers can be solved immediately. The choice of the reseller on the part of the company has to do with the fact that the existing externalities are direct. This means that the value of the goods is what affects the number of consumers. The happier the last of the goods, the more value they acquire and the more they tend to buy them. This in turn results in a stable consumer base. Consumers, having been satisfied with the choice of the brand through the reseller or even due to the general behavior of the reseller, the ordering process, continue to choose it for their next purchases. And in turn automatically influencing those around them these goods to acquire greater value over time. Indirect externalities are difficult or even impossible to exist since on the one hand they are the consumers and on the other hand they are the reseller himself. The reseller can buy his products from third parties, but the interaction that exists between the teams as in the case of the marketplace does not exist here either.

2. Selling through a reseller it is automatically known that it will not contribute to the procedures required further. Whether they relate to advertising campaigns or the cost of transportation where in this case it is zero for the company itself. Having therefore determined the price at which her product costs, she can expect an increase in her sales without doing anything extra. Having chosen to sell through a reseller he is automatically aware that he will not contribute to the procedures required further. Whether they relate to advertising campaigns or the cost of transportation where in this case it is zero for the company itself. Having therefore determined the price at which its product costs, it can expect an increase in its sales without having to do anything extra.
3. The marketplace can be chosen as an opportunity to reduce the fulfillment cost. Of course, it is best to combine both direct and indirect sales, based on this condition, since this cost is reduced as mentioned in the relevant paragraph. The lower this is, the more likely the company is to choose the marketplace model, while the higher the cost, the more it tends to choose the reseller, since in this case the cost is not borne by itself but by the reseller. as mentioned above when working with a reseller most responsibilities are taken by him.

4. Another factor is the prevailing competition. In a marketplace because sellers must show their prices to everyone, their competitors can see them and therefore they can be able to change their policies. The competition is fierce, but it acts as a factor of constant business vigilance. It can better compete with its competitors and adjust its prices based not only on demand but also on its competitive environment. After all, the general rule in a marketplace is the lowest possible prices in it.
5. The marketplace is preferable when the products sold are of low value. For high value products it is better to be preferred the reseller mode.

Chapter 3

Netflix & Collaboration with Pay-TV's

3.1. Introduction

3.1.1. Introduction to Netflix



Source: <https://brand.netflix.com/en/assets/>

Figure 3.1: Netflix's Logo

Netflix is a video streaming company of movies and series. It was founded in 1997 in California by Mark Randolph and Reed Hastings, and since then it has changed its policies considerably. Initially, it was a DVDs rental service company. Almost a decade after its founding, it decided to change its policy and to focus on streaming movies and series exclusively online without any commercials interrupting. In 2000, it was decided to make a policy of monthly customer subscription, and back then, this was a real original idea. In other words, someone could watch an unlimited number of movies, paying only once a month. In that way there were no problems in the company's profitability, like it would happen with any late or even outstanding payments. At the beginning of the company's operation there weren't many series and

movies as there are now. Even in 2007, with the conversion to purely online content, this number seemed small compared to the one of today. Nevertheless, the significant and vertical rise of Netflix came in 2018 where it was spread all over the world. At this point it should be clear that users can connect to this platform at any time and from any electronic device such as a smartphone, a computer, smart TVs, game consoles etc. But what was that contributed to this global spread? Clearly, the content that was available through this platform was one of the things that attracted the consumers, DVDs were already beginning to decline in the 2010s, and online entertainment had taken over. The uniqueness of the platform is in the personalized service for each user. In other words, the profile is processed for each customer separately and the actions of each user are recorded, in terms of the type of movies he/she watches, what he seeks to see but also what he does not like, which hours and days he watches, and which electronic devices uses. The appropriate algorithms used by Netflix processing the above data so that the platform can finally give personalized and meaningful suggestions for the best entertainment for each user. In fact, the total number of personal profiles exceed 250 million. It was not just the content that had contributed to the world spread but the way it was made available to potential consumers. Sales of the platform are not only direct, exclusively through it, but enabled pay-TVs such as Wind and Vodafone tv (in Greece) and other big ones like Sky tv & Virgin Media (in UK) to supply its content and give it to consumers through their own subscription televisions. Therefore, even people who are unfamiliar with the internet, indirectly can have such content at their disposal.

3.1.2. Business model

How did a reseller become a streaming platform?

It is important to analyze the business model of Netflix. At the beginning of its creation, it was a simple reseller, which bought some series and movies and resold them - rented them to its consumers. However, this model ceased to be in use in 2007, when the company's policy changed and it was decided to reorganize, acquiring its current form. When Netflix was launched it was a simple reseller, in the process it changed policy and became a two-sided platform bringing two sides together. On the one hand the content providers, and the relevant producers who supply it with the appropriate content of series and movies and on the other hand there are the subscribers who can watch this content. So, today it has evolved into a technology platform, a streaming platform, which not only reproduces content from its suppliers but also produces its own content based on the preferences of its consumers. By collecting user data, it can be determined which content is most in demand, so that the company itself can create it and thus acquire an even larger clientele. This was achieved by collecting kind of data like the interests of the users as well as the hours they spent to see the content they wanted.

But why did the company decide to change its behavior and to make a radical change in its policy? The benefits of acquiring a new philosophy in the general policy are apparently greater than they were in the early stages of the platform. The evolution of technology is directly related to the change of platform. Consumers gradually stopped being interested in the goods they could find in traditional markets and turned their attention to electronic goods, goods they could only find mostly online. Today we take internet for granted, but in 2007 the internet may have existed but didn't have this close and constant contact that it has in the daily life of people as it has nowadays. At that time, it was mostly used for information search and less for a kind of entertainment content. Therefore, based on the above, this company's change can be considered as an "advanced" perception at that time.

Having taken the reins, it managed to be one of the first of its kind of platforms and managed to establish itself in a place where more and more competitors seem to make their appearance every day and more over the years.

As a pure reseller, it took content from major film, studio and television producers and rented DVDs to its consumers by mail. Therefore, brought two groups in contact. For this reason, it cannot be considered as a multi-sided platform, but as a two-sided platform. This model, which from a pure reseller revolved into a streaming platform, managed to bring together not only the two sides mentioned above, but except from the producers, alliances were reached with major telecommunications providers as well as smart TVs too. In addition, its content can be viewed not only through the special application of the platform but also through the internet, through google and through similar search engines. All this results in the growth of the number of its suppliers and so on the amount of content that is available to the consumers to be increasing and therefore to increase the quantity of them. In this way, indirect network externalities have a positive effect on the evolution of the platform, resulting in an increase in its profitability.

It is important to note that the platform has managed to expand and become widely known. Which were the reasons that Netflix decided to change from a simple reseller to a streaming platform? This change was crucial for its evolution.

The main features of the old DVD-reseller were the personalization of the data and the fast delivery of its products. It is noteworthy that the original model that followed was simple compared to the next one, and in relation to the relevant market it was quite original. DVDs were very popular at the time, but the same was not true of the Internet, which became more widespread in the 2000s. Based on this, we can conclude that the audience that the company initially addressed was the early adopters, people who are interested in new technology trends. However, when this model was used, Netflix tested how and if the platform could function as a streaming platform. As the internet became more popular, the appearance and spread of YouTube was the trigger for the company to change its business model. And while it made this decision in order not to lose the existing audience but also to be sure that it can cope with the new conditions, it worked for a long time with both models. It was in 2010 that changed completely and became a streaming platform. This transition is related to the shipping costs of the products that were no longer valid but also to the time in combination with the size of the orders. The company may have made shipments in a short time but as the number of orders was growing more such a thing could not be crowned with success. Another key parameter is the spread it wanted.

With the new business model, it was able to expand globally, something until then it had not succeeded. Under different circumstances it would be difficult to ship DVDs worldwide, at the rate it did until then. This transition clearly brought the company more profits, but it faced some problems. Initially, how it would spread to other countries outside the USA. New cultures and therefore different languages for the translation of the series was one of the problems it would face in combination with the film rights and the tax policy of each country. These in terms of direct sales of the platform itself. Indirect sales and cooperation with pay-TV's came to help with problems related to payment methods and gaining a new consumer audience. In countries where payment methods differ significantly and are more familiar with the traditional form of sales; the use of debit-credit card is not so widespread and since the platform offers only this method of payment, cooperation with other companies had a key lever to win and part of the customers who prefer other payment methods mainly cash. This example is typical in Greece and in Latin America.

By analyzing a digital platform, it is appropriate to emphasize the importance of the data that are in interaction. Those data are not only by the users themselves who help the better operation of the platform, which are redirected to it - the so-called downstream data. But there are also those that came through the platform itself. Its content could not be distributed otherwise! These are the so-called upstream data. Both are necessary and integral parts of the online platform.

More specifically:

As for the upstream data. The importance of the data processed by such large companies cannot be overlooked. Both the software they have and the wide variety of quantitative and qualitative data, thanks to the large number of users, help to process the various policies, one of them is the marketing one, to attract more customers and not to keep a constant number of them. Those data helped and led to Netflix's decision to collaborate with major telecommunications companies in many countries, including Greece & United Kingdom. In addition, those data are necessary on platforms like Netflix because thanks to them the platform make a unique experience for each user, offering him/her personalized content - that is based on his/her preferences. In fact, when this platform is usually used by many people at the same time, for example of a

family that has at least three members, then each user should have his own profile as to not confuse the different preferences.

And as for the data that are "transferred" from the platform to the consumers, the downstream one's, it is a fact that the 15% of the cyberspace traffic belongs to them. And in Europe the data does not seem to be less since Netflix ranks 2nd in download services, with YouTube taking the first place. Therefore, the value of this data is very important since their existence and the position they hold alone on both a global and a European scale indicates how well-established the platform is.

ISPs

In order to know the needs of all of its customers, Netflix must have good facilities so that the streaming flow goes smoothly. After all, it is not a platform that has not been in a narrow context but on a global level. That's why its work becomes even more difficult. For that reason, it works with Internet Service Providers (ISPs), who ensure that the platform will work flawlessly without any problems and delays due to the large volume of users. Today, it has managed to have 1,000 ISPs worldwide. By working with them it can not only ensure the best possible experience for the users, but it can also collect the users' data accurately, without making any mistakes in them. Therefore, the cooperation with them is very necessary both for the operation of the platform and for its development.

3.1.2.1. Market Definition

Netflix's market includes both content streaming platforms and pay-TV's. Digital platforms include several types such as OTT platforms, SVoD and VoD. Some of them include ads and some don't. This is one of the reasons why a platform will be chosen by consumers. The second and most important is the cost of the subscription in combination with the offered content.

Explanation of the type of Netflix's platform:

Video on demand

The services of streaming platforms include video on demand. This service allows the user to download any video he wants, at any time. He can close and resume watching the video or change the point of the video stream whenever he wants. Video on demand is now a new form of television. It is simple to use and it's also cheap for every user. VoD allows the user to watch what he wants without interruptions of any advertisements in between and without having to search for the next episode. The episode starts as soon as the previous one ends, giving a beautiful feeling to the user and creating the one that is called binge -watching.

Streaming platforms

Streaming is a new technology. The consumer can choose what kind and content he wants to watch at any time, through an electronic device and thanks to the internet. Without bothering him with ads or information that does not interest him. Thus, the series on the streaming platforms present a coherence in depth of episode, having a complete view without any interruptions in their flow. As a result, the viewer does not get tired and can easily see many episodes continuously, back-to-back, the so-called binge-watching. In Netflix, which is the subject of this study, "binge-watching" is its main feature. First, the platform has all the episodes of a single series, the original

titles are omitted, and, in fact, for the convenience of the user, one episode follows the other automatically. A negative element of these types of platforms is that due to their rapid growth and the fact that there are many suppliers, it is difficult to find all of them in a single company. Therefore, in the end the consumer will choose the company which he believes is best for him but at the same time without having at his disposal all the companies-channels offered in this area. In other words, he will have at his disposal less, compared to those on the market. Streaming content gives the opportunity to the consumer to access digital TV and, in addition to prevent interruptions in audio or video streaming, saves a few seconds longer than what one sees, so that it can be watched as smoothly as possible.

OTT

OTT means Over the Top and is a media service offered to the consumers via the internet, regardless of the network that someone has. In other words, it is quite different from the traditional form of television. This service is synonymous with on-demand, in which the consumer must pay a fee for monitoring the content of the platform. Most importantly, on OTT platforms, the content does not come exclusively from third-party providers, but the company itself can create series and movie content. The most well-known example is Netflix, which has content not only from the biggest studios of America and from all around the world but also produces its own series and movies, intensifying the competition between them. Also, another key element of the service is that the content can be distributed to the individual user either through a computer connected to the Internet or even through a TV that has the appropriate features for viewing the platform.

3.1.3. Cost structure of Netflix

The operational cost of the company tends to be high. Not as much as it was at the time of the conversion of the business from a simple reseller to a streaming platform, but it is still on the rise. This is mainly due to the purchase of rights of many movies and series. Also, today the platform has its own content. To make a production as it is perceived, are required expenses of human staff and actors, in sets, etc. A significant cost is that of improving the platform itself. To be able to meet the needs of the whole and growing consumer audience, it is required to have the most advanced technology available so as not to make any complaints about delayed streaming or even in the case of personalization of each user's profile, there is a need of a well-organized software to meet the needs of all subscribers and to be able to suggest content that they find most appropriate for everyone. Clearly in the cost function there can be no human contributors working for the platform itself. Either it has to do with the subject of the software or even the marketing and expansion policies of the company. Technology may evolve and take on great proportions, but people are still essential to running a business. Their contribution is considered necessary.

The subscription service was the one that brought the most revenue thanks to streaming but this was not achieved quickly. It took several years for the platform to be extended to many countries. It was only in 2010 that it made this start. For its expansion, therefore, some costs were required for the additional benefits.

Its marginal cost remains constant, which means that it can make its content available to any consumer who wants without affecting the production process. The movies it has remain unchanged. There is no need to re-produce any, as would be the case with an electronic device such as a TV. The more people would want to buy, the more they would have to produce, so after a while the production unit - the factory - would have to expand so that it could meet the needs of consumers during that period of demand. The economies of scale in the online market give this great advantage. They can be owned by more and more users without the need for every business to have a huge cost to "copy" them, to produce more. Therefore, lower costs equate to higher profits for the business. That is why Netflix has managed to see a significant increase over the years. At the beginning of its creation, it was as mentioned above a simple DVD reseller. To be able to deliver DVDs to consumers there was a cost of transportation.

And respectively the cost of storing all these products was remarkable. So, apparently in this case the cost was higher and therefore the profits were less. In contrast, the current form of the platform where the space needed for the storage of these products is much smaller, but their transport costs no longer exist since their "transfer" is done via the internet. Smaller waste of money and therefore greater profitability.

It is noteworthy, that in 2009 for fulfillment expenses, almost \$ 170,000,000 were spent on management expenses due to the rapid increase in the percentage of subscribers.

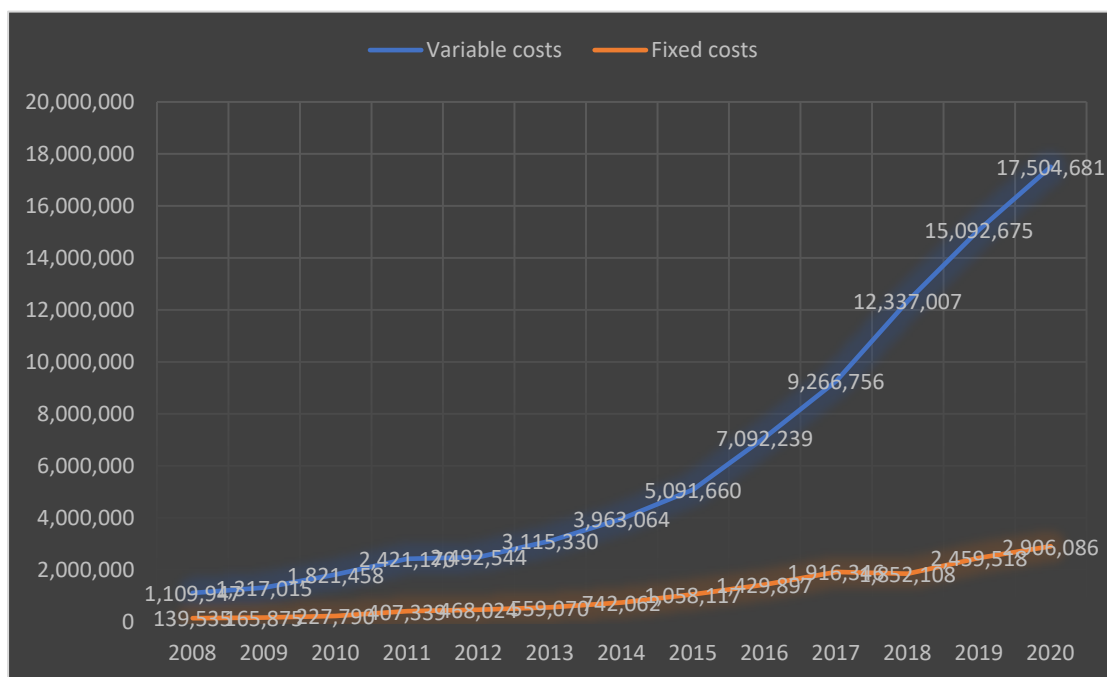


Diagram 3.1: Netflix's Costs (in Thousands)

As shown in the above diagram, the cost that the platform had and still has been on the rise. This is logical as the growing consumer audience that chooses the platform for entertainment increases the costs that the company will have to make to meet all their needs. What is remarkable is that the variable cost i.e., the cost of revenue, marketing costs and fulfillment cost not only increased but from 1 billion, in just one decade exceeded to \$ 17 billion. Although the fulfillment cost no longer exists since the information - the content is disseminated electronically, and no additional equipment is required such as transportation and related services that used to send

DVDs to consumers' homes in the past. The important thing is that the fixed costs manage to be kept at a relatively equal scale. Even though technology is evolving rapidly and while it is an important factor for the development and operation of the platform, this does not seem to create relatively high costs for the company itself. The same applies to the general activities and operations of the company. Cost in both cases is an important element for the overall well-being of the company. Another thing that cannot be overlooked is that while management costs have dropped over time, marketing costs are rising more and more mainly due to the existence of social media which have now taken the place of the traditional forms of advertising on the platform.

Regarding the cost of the platform especially the variable cost as shown in the corresponding Diagram 3.1, has an upward trend. The reason is that although the cost of transportation no longer exists, it has been replaced by the cost of producing new films combined with the cost of acquiring new content. The increase in subscribers will result in this cost rising more over time as the platform must meet the needs of the growing and heterogeneous consumers. However, this cost does not harm the business. Thanks to its own productions but also to the acquisition of its special content, the platform managed to have more subscribers and therefore higher profits than it had before as a reseller.

It should not be overlooked that the platform after 2019 has changed its policy and costs were no longer separated, as was done in the past domestically (within America) and globally. The results for streaming are on a uniform basis.

3.1.4. Network Externalities

The network externalities of Netflix are quite powerful. Thanks to them there is a close interaction between all the content it has and the percentage of its users.

Especially, indirect network externalities are the strongest. This means that the more users there are on the platform, the more quantitative the content will be and therefore its value goes up. More subscribers automatically mean more profitability, and therefore more potential for better content on it. At the same time, most subscribers are attracted to new content providers and so on, forming in a nutshell a perpetual

cycle. However, network effects do not only are positively for the content of the platform but also for its general operation. The large number of subscribers that has been gathered and the possible increase in profitability, result in Netflix investing more and more in its technological equipment. As mentioned earlier, the main axis of operation of the platform is the creation of a personalized profile for each user. So, the higher the revenue, the more feasible it is for the company to invest in technologies that will have better and better results in this field.

However, the direct network effects are also very important and are positively for the platform. Especially when it comes to younger age group users, who are more easily affected, network effects seem to become more powerful thanks to them. Younger people tend to want to be part of a group with common interests. The more people who have registered on the platform, the more likely it is that other people close to them will register. The sense of acceptance and the need to have common views and interests contributes to the rapid spread and "advertising" of the platform to these groups. Apart from that, social media also has a significant effect on the growing number of users. Facebook, twitter, Instagram, Tik Tok are some of the ones that have contributed to the platform's advertising and global spread.

After all, there are many companies that nowadays use social media as a means of advertising. Broadcasting is faster and easier. At the same time, advertising cannot even be done by the same company. As mentioned above, people want to feel that they belong somewhere, or they want to be like their idols. These two elements show why Netflix had such a rapid spread around the world. Without these social networks, it might not have spread so quickly to so many countries. This fact can be interpreted in its course so far. The last two social networks mentioned above were developed and been known almost from 2015. The year that the Netflix started to grow up rapidly, despite its almost ten-year presence in this industry until then.

3.1.5. Economies of scale

Network externalities are necessary for the optimal operation of the business. To a large extent, network externalities are the ones that allow the platform to have economies of scale. The large number of users of the platform has as a direct consequence of the company to emerge as one of the most competitive in its industry. And this in turn results the content that takes from content providers - its suppliers, who want to be on a platform of such a huge range - to buy it at a price that Netflix considers more appropriate, compared to its competitors. The latter ones compete with the company with difficulty as their subscribers are less than Netflix. Since consumers prefer Netflix, it is difficult to register on another platform. It's not unlikely, but once they pay a subscription, they will hardly choose to pay something else, especially when by choosing Netflix they have the greatest variety of content from its competitors, unless it is a platform that watches movies for free. Based on this data, Netflix has the option to buy at the price it thinks it is worth. Either cheap or expensive in the end the amount it will spend to buy it will be covered by the revenue of many of his subscribers. Netflix knows that when a supplier offers content that will be in big demand, then it does not hesitate to buy at a higher price than it would have initially been costed. In the opposite case, however, is its competitor, which does not have the ability to buy at a higher price because the network effects are too low for it. So, it turns out that Netflix has a lot of bargaining power as a seller and buyer.

3.1.6. Competition

Netflix has succeeded and established itself in the field of electronic entertainment. Network externalities have contributed to this spread. However, the market in which it is located is not characterized as a monopoly. There are competitors, among them of a larger scale and others of a smaller scale. Although there is competition, the company's policy to work with some of them was not accidental. Both parts have benefits from this collaboration.

Listed below are some of its key competitors both in Europe and globally with their market shares.

- Initially, Netflix's main competitor is Amazon Prime. Its monthly subscription is at € 5.99. The subscription with Amazon Prime, gives access to movies and TV shows. In addition, the user has the option to download any movie or series offered by Amazon Prime. Like Netflix, Amazon prime owns and produces its own content. The service provides a variety of free movies and other content that the user buys with the monthly subscription or separate purchase. The service is available through the Prime Video application, via smart TVs, game consoles and streaming media players.
- Its second competitor is Hulu. The company initially started as a DVD rental business, but later expanded into digital streaming. Consumers pay €5.99 each month for the first year for basic service. This package has ads. Subscribers who are not interested in ads can choose to purchase the most expensive package at €11.99 each month. Hulu Plus is owned by FOX, Walt Disney Co. and on NBC Universal. With a monthly subscription of € 6.99, the subscriber has access to 50 live and optional channels. Streaming is available from 2 different devices at the same time. In the simple Hulu Plus subscription, the available content contains ads. If the user wants to watch with no-ads, then he can pay €13.09 per month and at the same time has access to streaming services from unlimited devices. Each subscriber can create 6 different viewing profiles.
- Next competitor is HBO Go (or HBO Now). It has a monthly subscription of €7.49. A special advantage of HBO Go is the watching shows in the form of virtual reality, using the HBO Now VR app. This service does not contain ads, nor does it provide the ability to download movies or series. HBO Go content is limited to the content of the network channels it provides.
- Next one is Disney +. Disney + is a streaming service that will host the entire Disney movie library along with the original Disney TV series. Subscribers on this platform can have unlimited downloads to watch wherever and whenever they choose. Netflix and Disney had an exclusive collaboration, at least until the studio decided to enter the streaming service market. When Disney announced it would launch its own service, it terminated its deal with Netflix. Netflix offered several titles from Disney, but due to Disney's entry into the industry, it was agreed with Netflix to not use anymore, any of

Disney titles from 2019. The package will cost €6.99 per month or € 69.99 for a full year.

- Netflix's latest major competitor is Apple TV. It is a service offered by Apple to those who have exclusively its products or even Xbox, PlayStation. There are no ads here. The program costs €4.99 per month. Although it is a relatively new service, due to the large percentage of consumers who own Apple products, it has become quite widespread. The only negative element is that it is not provided on Windows and android platforms. So, it will not have many subscriptions.

The graphs above show the market shares for 2019 & 2020 on a global scale.

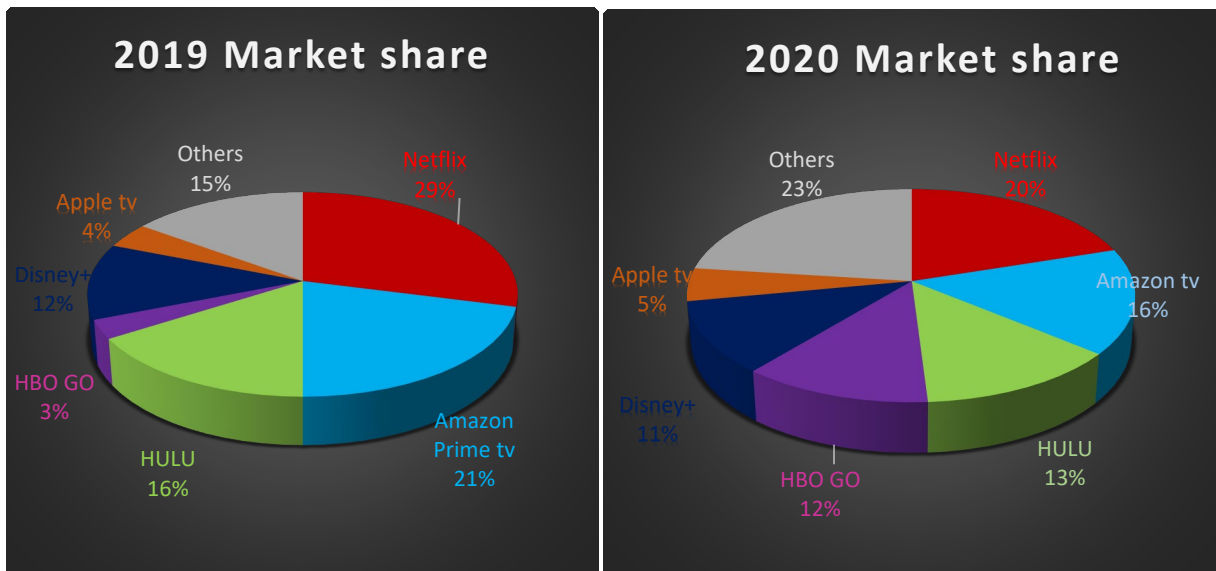
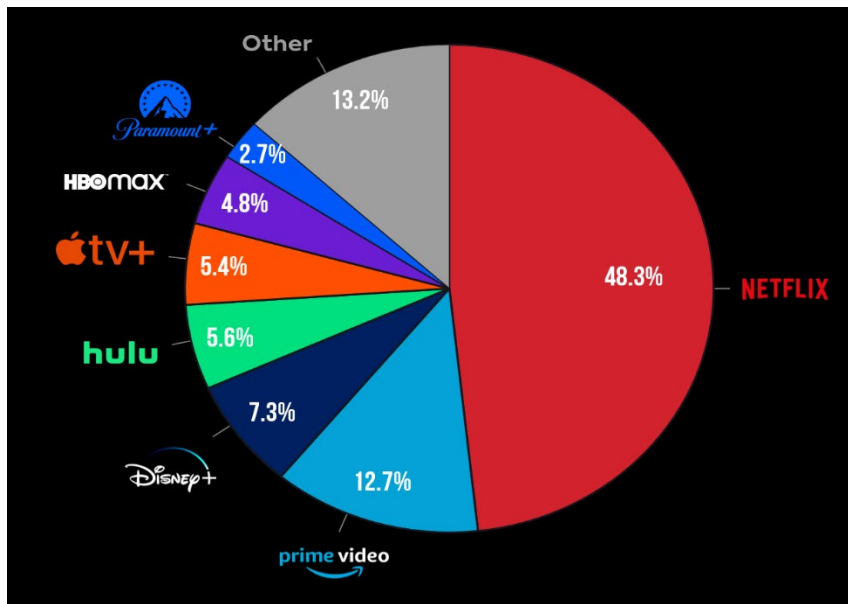


Diagram 3.2: Market shares of OTT platforms in 2019 & 2020

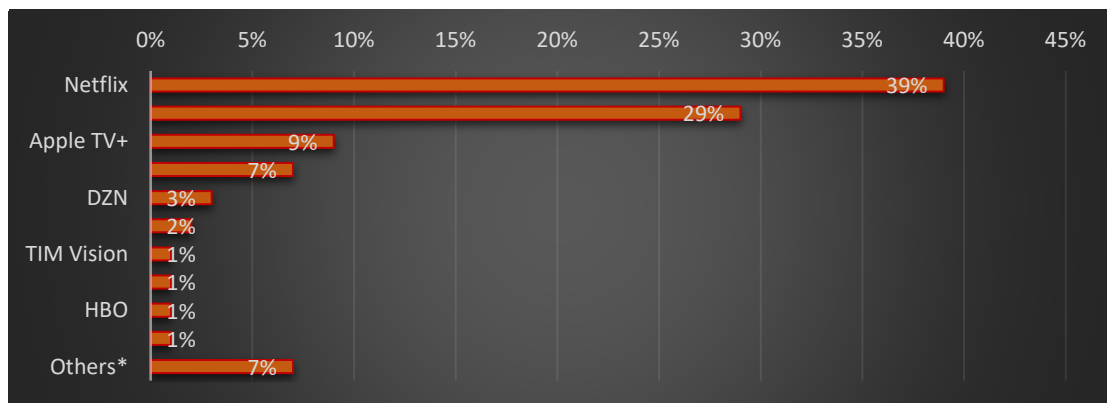
As it turns out, Netflix has the highest percentage, followed by the rest. Although there was a decline in its percentage. This is due to the entry of many new companies in the industry. These are the competing companies in the global industry. As for Europe, Netflix's competitors do not seem to be changing much, but there are some different ones. In 2021, Netflix managed to be first in the demand share for digital originals.



Source: <https://www.parrotanalytics.com/insights/netflix-q2-2021-earnings-the-true-impact-of-competition-2/>

Diagram 3.3: Global demand share for all digital originals (Q2 2021)

As shown in the Diagram 3.4, Netflix may be the first on demand platform among the others, but among the competitors are some that cooperate with the Greek pay-tv providers and therefore can compete with them from within.



Source: <https://www.statista.com/statistics/832067/svod-services-market-share-in-the-eu/>

Diagram 3.4: Market share of subscription Video-on-Demand (SVoD) services available in the European Union in 2020

3.2. Direct & Indirect sales of Netflix

3.2.1. Direct sales in Greece

Netflix is a platform that allows the customer to watch any movie and series that he wants. The personalized profile of each user works positively, giving a unique feeling to everyone and creating a profile with their interests exclusively, without wasting time searching for a series of titles that do not concern him. As for the movies and series found on the platform, it should be noted that they are not exclusively third-party products, but Netflix now creates its own content. It is a B2C (Business to Consumer) company, as it brings film providers in touch with consumers.

More specifically in terms of sales will be mentioned in this section, Netflix essentially uses its platform to stream series and movies. Of course, the individual user can watch any movie not only via the internet, it is not required to have a connection, but the user can also save and watch the content - the video that interests him at another time. This uniqueness is one of the elements that made it preferred by many consumers. Its direct sales, the content that is available to consumers through the platform itself, are the ones that generate greater profits.

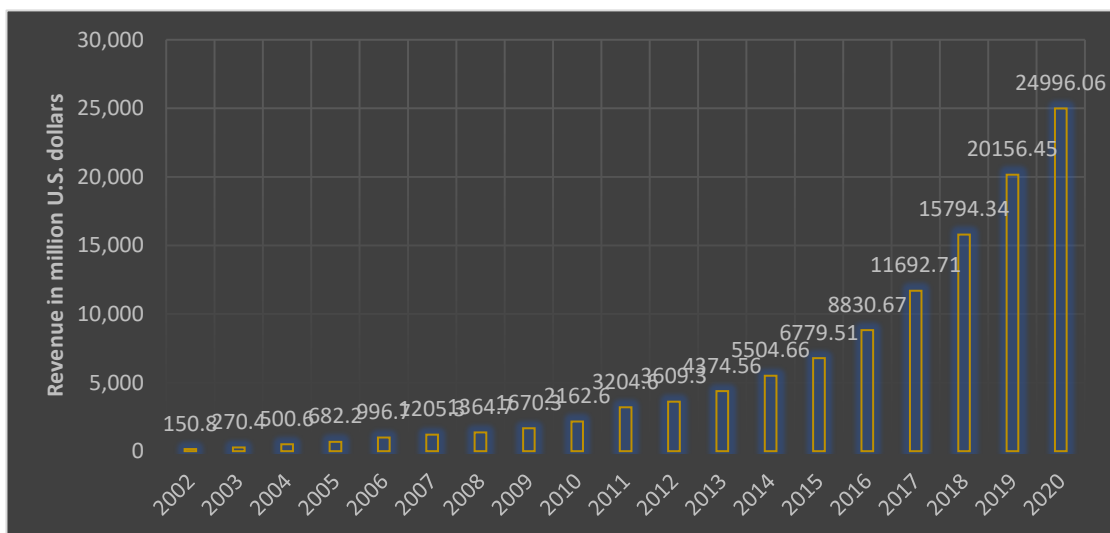
3.2.1.1. Pricing policy

How is the platform used and how does it generate revenue through its direct sales?

A user can subscribe by register via his/her email and password. Then he must pay his subscription to gain access to the platform. The price of the subscription is not considered high enough; though it is, compared to the competitors. Clearly, this ratio is directly related to both the title and the content. The characteristics of the platform such as the personalization of each user and the number of series and movies that it has justify its relatively high price. It is noteworthy that it uses psychological pricing. This simply means that when a package is priced at € 11, and Netflix sells it for €10.99. The consumer, seeing the last price, considers that the package offered is

much lower, although there is not a huge difference between the two prices - and in the end he ends up buying it. The prices offered by its packages cost €7.99, €10.99, and €13.99. The difference is that at a higher price someone buys the package, the better the resolution and image quality of the video being watched. And besides, so many devices can be connected at the same time, starting with one, then 2 and reaching a total of 4 devices connected at the same time. The number of movies and series remain the same, regardless the packages. It does not mean that someone who buys the cheapest package will have a smaller number of movies at his disposal. Everyone has the same number of quantities at their disposal. However, the prices that prevail today in subscriptions were not the initial ones. In 2017 the company decided to increase the prices of two packages. €10.99 was initially €9.99 and €13.99 was at €11.99. Although there were changes in prices, the company's profitability was not only not negatively affected but also increased significantly.

Today, Netflix's profits are estimated at \$ 25 billion, almost double the price increase from 2017, with profits back then being around \$ 11.5 billion.



Source: <https://www.statista.com/statistics/272545/annual-revenue-of-netflix/>

Diagram 3.5: Netflix's Revenue worldwide from 2002 to 2020

This increase in price subscriptions was not accidental. Until then, Netflix had drawn its content from partner companies such as film and television studios, including Buena Vista, Warner Bros., Sony Pictures, 20th Century Fox, Paramount Pictures and

Universal. There are of course partner studios of smaller scope, whose demand for their content is lower than the first ones due to its cheaper production and therefore comparatively lower level of quality. In the same year, 2017 the company decided to invest and do not have only series and movies from third parties but also to create its own content. Therefore, its policy is changing. The creation of this content is estimated at several million dollars, so a good solution was to gradually increase the prices of subscriptions to cover the costs. It must not be forgotten that advertising is not part of the company's policy. So, the only profitability for the company is the revenues from user subscriptions.

As for its pricing policy, it must be noted that gives to its customers the opportunity to watch its content for free for a month. This policy is not accidental. On the one hand, the consumer has the opportunity to search for its content and see if it meets his needs and on the other hand after the end of this free period if the customer has terminated the subscription (as this option is given whenever he wishes), the company reminds , by continuously sending emails to each user, how important he is for Netflix and that he can return and access the lowest possible price, based on the respective packages of the platform. So, psychological pricing is not just about prices and how they look virtual – non typically we say that the subscription costs €12 but, in the platform, you can view it as €11.99 - but also how it affects the consumer. By sending him daily messages /mails, in the end, he will return to the platform to gain normal access. In this way the company will have achieved its goal, a new customer, and more revenues.

3.2.2. Indirect sales in Greece

3.2.2.1. Introduction to Vodafone tv & Wind Vision



Source: <https://www.vodafone.gr/tv/netflix/>

Figure 3.2: Netflix & Vodafone TV



Source: <https://www.wind.gr/gr/gia-ton-idioti/vision/netflix/>

Figure 3.3: Netflix & Wind Vision

Although Netflix entered the Greek market in 2017, it was decided a year later in 2018 to expand and operate in the Greek market through indirect sales. This was achieved with the agreement it made with Wind Vision.

A. Wind Vision is a subscription entertainment service offered by a large telecommunication provider in Greece, Wind. The company has been active in the Greek market for almost 30 years and has ensured to create a brand name and be recognized among others. The wind vision service in addition to the subscription channels, provides the possibility to its subscribers to watch and the channels that are free of national scope. This is very useful in cases where in some geographical areas the signal may not be good, so people are partly forced to turn to such an alternative. The services are provided thanks to the IPTV service. This new technology can offer the possibilities of classic pay-tv and even more advanced, without the need for satellite equipment, with just only a fixed line and internet. The individual consumer can not only watch streaming content and watch it on demand, but he can also connect through various applications on the internet to have more entertainment material (e.g., YouTube, music apps, google apps) and that can be even in a better format (via TV in larger dimensions, not in the narrow confines of a computer screen). It is a fact that in March 2021 wind vision managed to reach 80,000 subscribers, thus managing to be in

the 4th place among the other television providers, despite counting almost three years of operation.

After this cooperation, two years later it expands and cooperates with another large pay-tv company, Vodafone tv.

B. Vodafone TV is a subscription service for digital movies and series. It is offered through the telecommunications provider of Vodafone. Someone can have access if he has a fixed line telephone of the company, or through mobile networks, or even if he does not have a contract with the company, he can have an exclusive subscription to digital television. Consumers can thus watch live digital programs, or even on demand. It is quite easy to use, and it makes no difference from a regular TV. As far as its content is concerned, this varies a lot. A user can choose from many program titles which do not belong exclusively to Vodafone tv but also to other companies. One of them is Netflix, which in 2018 signed a contract with Vodafone tv to reproduce its content. Someone who may already have Vodafone tv may also have Netflix at their disposal for an additional fee. And the main thing is that the customer does not "lock-in" in the specific company. Whenever he wants, he can terminate his subscription, or he just may not renew it the next month. The lock-in effect is therefore quite low, and this is so beneficial for both companies. That happens because the client can leave whenever he considers that is necessary. For example, if he is no longer interested in the content of the program, without having to pay the cost of departure that under different circumstances he could pay. The earlier he would decide to leave, the larger amount of money had to pay, and if the expiration date of his contract was the closer, the smaller amount of money would have pay. However, it is not the same as not needing to pay anything at all, since the fee presented is monthly and not annual. But why will someone choose to watch Netflix content through Vodafone tv? The answer will be given in the next section and is directly related to the types of consumers.

In relevant research of these two companies (Vodafone TV & Wind Vision) and a comparison between the channels offered by them it was found that some channels are in common. For example, the one of Nova, which includes several more Novasports1, Novasports2, Nova sports News, etc... Another one in common is Fox, Fox life, E!, the National Geographic, the Disney Channel and the Food network.

Clearly, in addition to the specifics, there are some extras channels that are different in these two companies. This difference is one of the reasons they have different pricing policies. However, pricing policies also differ due to other factors, like the strategies of each company and the different ideas of their executives' managers.

Types of consumers

Consumers are divided into two categories. And based on these two categories, it can be clear why one group prefers direct and the other one indirect sales of Netflix.

More specifically in the first group are the most selective consumers. They want to have a rich variety of content at their disposal to choose what suits them best. They are usually older people who spend more time watching TV as a means of entertainment. The combination packages offered to them; give them the variety they require. Therefore, indirect sales turn their attention to this consumer group. In addition, due to their age, they tend to be less familiar with the internet and computers in general, so indirect sales, Netflix content offered through pay-TV's, meets the needs of this group.

The second group is the most common and is the one that brings the most profit of the platform. It is much more elastic and the content it monitors tends to be larger. It is not selective enough, and that helps to look for different titles of either better or even medium quality of production. This consumer group includes younger people, who are quite familiar with the internet. The ages from 15-24 years old are the ones that use it the most compared to the rest, at a rate of almost 30%. They spend a lot more time online and are more up to date on the latest trends. Usually, because these people are much easier to influence, watch series and movies that are more widespread and well-known, and are widely accepted by their social environment. The rest are up to about 55 years old, with a percentage of 20%. And at the end follow the families that have at least one young person, at 15%.

Based on the above, it can be concluded that clearly both consumer groups are necessary for the profitability of the business. The highest profitability may come

from the second one, but this does not negate the first, without whom the profits would be much less. Direct and indirect sales are important. Without the indirect sales the business would remain stagnant and would not expand. But, thanks to them, it has consumers that it would not have if it only remained stagnant in sales through its platform. Thus, the company does not target only one consumer group but a wider - mass market - to generate greater profits.

The percentages that refer to the devices that consumers use to watch different types of content prove why the direct sales, through the platform, are more upwards since the second consumer group use this type of devices and why the indirect sales are less profitable. Computer is on the top of choices to watch streaming videos, 40% of users prefer that internationally. After that comes the use of mobile phone, at a percentage of 30%. In third place seems to be those who use the TV to entertain occupying 25% and last is the use of tablets, with only 5%. So, young people who are more familiar with it seem to be making more use of Netflix, compared to the first group, which tends to prefer television as a means of entertainment. These concern the first period of its application. As time goes by someone who is subscriber on the platform, change his choices and prefers another device. So, the percentages seem to change. Watching via TV reaches 70% and then comes the use of computer to 15%. Immediately after than is the use of mobile with 10% and finally the tablet with 5%. Therefore, the longer one a subscriber uses the platform, the more wants to get acquainted and feel comfortable. The big screen of the TV offers a great advantage that a computer does not have. This fact justifies the increase of this percentage.

According that if there is a house where there is access to subscription TV, why not adding the Netflix subscription so that there is more variety of watching? Especially if it is a family where the members are of different age groups, so in this way the needs of everyone are met.

3.2.2.2. Indirect sales of Netflix to Vodafone TV & to Wind Vision

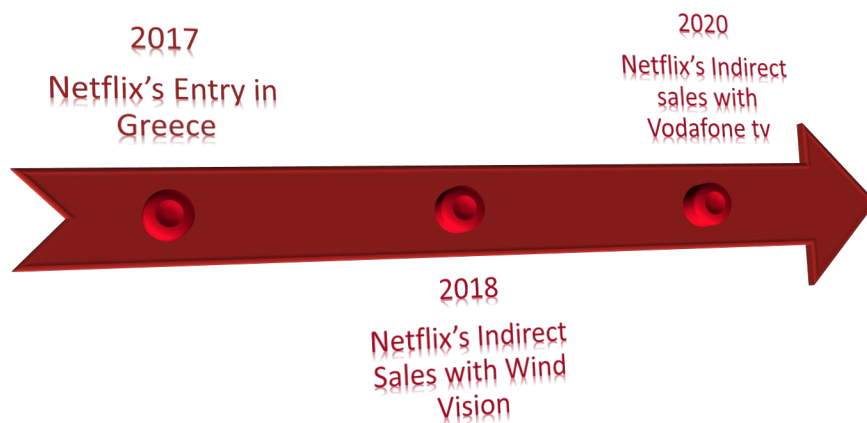


Figure 3.4: Timeline of Netflix's sales in Greece

A. Its spread is clearly due to the network externalities, that had been mentioned in a previous section, but not only by them. Networking externalities mainly concern the younger age groups. When it comes to older age groups, the company has considered the percentage of people who watch online entertainment platforms through an alternative form. That means, older people tend to be more familiar with television and want to enjoy a comfortable watching experience, not for example through a computer. In addition, younger age groups are more active on social networks. Therefore, the policy pursued by the company was based on expanding into the market through competing platforms, Vodafone tv and Wind vision.

The policy that followed is considered quite smart if someone considers how many competing companies it managed to overtake.

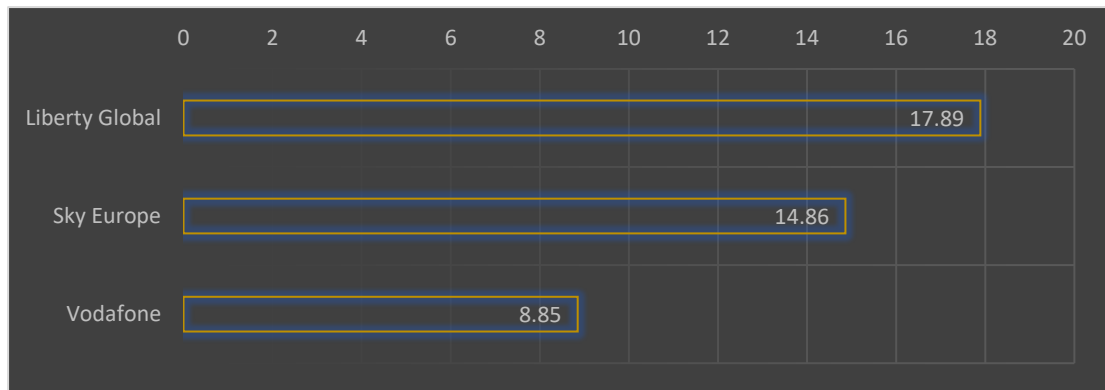
Vodafone tv is a content subscription service from Vodafone that offers a complete entertainment solution for everyone. It has many series, movies, and there are three packages, the first of which is the simplest, the second concerns additional channels for children and the third one has some subscription channels with sports. Depending on which package someone choose, the corresponding cost of the service is graded,

with the corresponding channels. Starting at €6.3, € 8.5 and reaching € 39.40 per month.

But the most important part is its content. Many of the channels available through it are big competitors to Netflix. As shown in the section with competitors, the market shares they share with each other are large. So, their competition is so intense. These are HBO Go and the Disney channel. At the beginning of its operation, it also had the Paramount channel, but it no longer exists. Therefore, based on these data, the expansion in the Greek market through Vodafone tv is beneficial for Netflix. People who were not familiar enough with the internet and did not spend enough time on it, through pay-tv had the opportunity to watch ads for Netflix and learn some details more about it and why not to prefer it once it was meet their needs. Vodafone tv also includes a special Netflix button on the TV control that will make accessing Netflix as easy and fast as changing channels on the TV. The only downside is that despite Netflix's indirect sale through Vodafone tv, its subscribers do not get any discount on their monthly subscription. They pay for both streaming services depending on the pricing policies of each company. So, indirect selling in this case seems to have a more advertising approach and it isn't so connected to the demand factor in the Greek market.

The new Vodafone TV has the largest directory for offline TV viewing, taking the on-demand experience to the next level, and includes unique, user-friendly features such as automatic switching to the next episode.

Finally, through the new decoder, but also the mobile application for smartphones and tablets (Android / iOS) two members of the family can enjoy Vodafone TV at the same time on any device they want, inside or outside the house. These features tend to be seen in many streaming platforms like this in the future.



Source: <https://www.statista.com/statistics/251674/european-pay-tv-operators-with-largest-number-of-suscribers/>

Diagram 3.6: European pay-tv operators with the largest number of estimated subscribers in 2023 (in millions)

The choice to partner with Vodafone clearly has to do with the fact that in 2023 the company is expected to be the third largest telecommunications provider in Europe. In that way Netflix can increase a lot the number of its subscribers. Besides, it does not cooperate with only one but with two telecommunication companies in Greece. In addition, the policy of expansion and cooperation is related to the competition that prevails in the market.

B. Netflix entered the Greek market in 2017. This was initially done through the platform itself but later in collaboration with a major telecommunications company in Greece, Wind Hellas, in 2018 and later with Vodafone, in 2020. Both companies, in addition of providing telecommunication services, they also have subscription -TVs. The most interesting thing is that Wind in its TV programs, has packages that cost relatively cheaper than Vodafone. The simple program of Wind vision is charged at 7.9 euros and the full pack at 17.9 euros, offering nova sports channels as well. However, despite the low prices in the program for entertainment, this should be combined with the respective fixed telephone programs that the company has. In other words, it does not allow someone to watch entertainment content and to be exclusively a subscriber to it, as Vodafone does. Another thing that is quite original in the Greek market and was made by Wind, is the fact that someone who wants and cannot watch a program that is broadcast live can watch it up to 7 days after its transmission, without losing it. Even more original is the idea that the remote control can be located through a relevant application on the user's mobile phone.

Making his whole experience even better and more original. Not to mention the remote control can each user "press" the corresponding Netflix button located on it, without having to search among the multitude of all other channels. That allows people who are not so familiar with technology and new platforms to watch the content without the need for special knowledge. Especially for older people who may partly know enough about digital platforms but compared to the younger generation are not so familiar with them. Another important element about these ages is that they are unfamiliar with the new payment methods such as debit / credit cards. Wind Vision enables users who want to be Netflix subscribers and their subscription does not need to be paid by card or electronically, but the subscription can automatically be transferred to the Wind vision package account. All that is required to configure this, is for the user to go to the settings and via his mail to "press" the "start subscription". So, when he goes to the store to pay his bill, he will be able to pay for his subscription to the platform in cash. A feature that is not possible through Netflix itself. So, it seems that the expansion of the platform in the Greek market, aims to renew its consumer audience and make it much easier in the monitoring process. Wind's technological innovation seems to have piqued Netflix's interest, which is why it has chosen it among so many other companies.

Another interesting fact is that in order to attract Wind subscribers clearly for both itself and Netflix, it launched a very attractive and smart campaign.

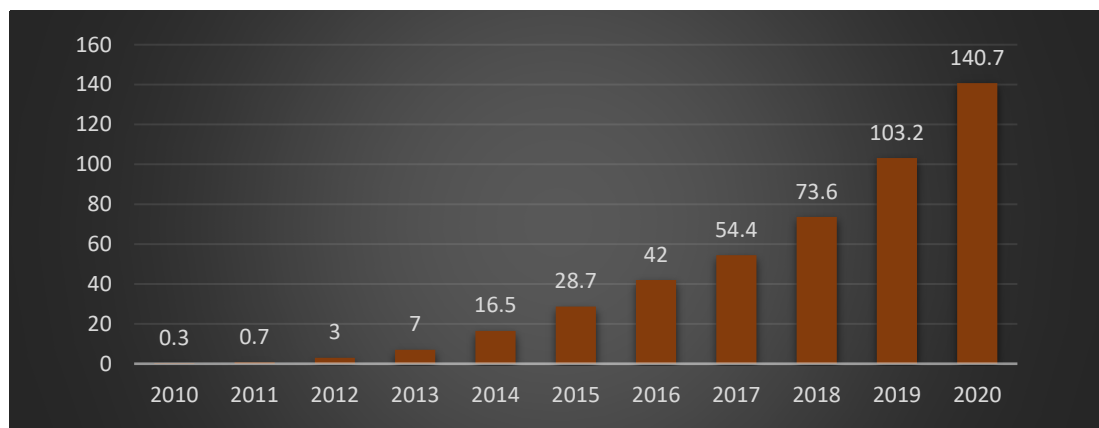
At the beginning of the operation of the platform through Wind Vision, the latter one announced that existing customers can purchase a suitable Wind Vision decoder to get a 12-month free subscription to Netflix and in terms of new customers who would choose a fixed and internet package Wind Fiber (50,100 & 200 mbs) would also get a free one-year Netflix subscription. This offer, especially about the new subscribers, was quite beneficial for the company as these packages were at the most expensive prices, which means that at that time few consumers preferred them, as they were happy with slower mbs internet speed. So, when they were offered such a good deal with a free subscription to a platform that was quite popular at that time, it made sense for sales to rise. A year later, this offer continued to exist, only that, the free Netflix subscription was not annual, but semi-annual. But that was again a very good policy of the company to attract new customers.

3.2.2.3. Analysis of the Greek market

Netflix's decision to expand in the Greek market, came after examining the given conditions that prevailed in it. The decision was the platform to be active in Greece through both direct and indirect sales. It made its first appearance in Greece in 2017. At that time, although the consumers were closely connected to the new video streaming technology, did not have many options. In addition to the channels that were available to consumers free of charge through television, to be able to watch content from external producers someone had to have pay-tv. Based on these two elements, Greek consumers had the choice to watch only through television and not through another electronic device. Though streaming platforms were existed, they were widely used to watch short entertainment videos. In the form of movies and series, it was difficult to find the features that Netflix had offer. And when it finally appeared, there were quite a few consumers who preferred it. Using the platform for free subscription for one month shows the public's willingness to do new things even though they ended up without a comprehensive subscription service they. It is a fact that many platforms extend to Europe, but Greece is not one of their first choices. The relatively small population compared to other European countries with higher living standards contributes negatively to their decision. When consumers of the other countries have the desire and the ability to pay, then the reason why other countries are preferred is understandable. In the Greek market, the package that is chosen the most is the most expensive, with €13.99. The reason seems to be to provide simultaneous connectivity to up to 4 devices. When an average Greek family has an average of 5.4 devices at its disposal in addition to television, such us smartphones, tablets, and computers, it makes sense to choose a package so that all members of the family can connect, even at the same time. After all, providing different profiles is a positive element of the platform and provides a solution to the problem of watching the entertaining content. So, when they connect by at least 3 devices it makes sense to choose a package that will combine all these elements. The fact that they choose the most expensive package is not in line with the general picture of the economic level of the Greeks. It is a country which the Consumer Price Index proves these claims, as in 2020 it was at 100.7 and in 2019 at 101.96 and in 2017 at 101.06. Therefore, there has been a major change in these time periods. Consumers estimated that although

they spent relatively low and then started spending a little more during the pandemic period, then they reduced their spending by 1.2% compared to the previous year. As far as the European area is concerned, one country that can be compared and considered one of the largest is France. There, the consumer price index is estimated at 110.57 and in 2017 at 106.86. 2017 is the base year because that's when Netflix entered the Greek market. European consumers, although have higher standard of living, tend to choose the subscription package based on their temperament. In other words, they do not just focus on the price, since they can spend a lot of money, but they also control whether it meets their needs. These differences are important for the expansion of a business, especially when it comes to a global platform with huge profits.

The profitability of OTTs platforms in Europe seems to be on a positive trend. Many consumers choose such platforms due to the widespread use of technology, thus increasing the percentage of subscribers who participate in them.

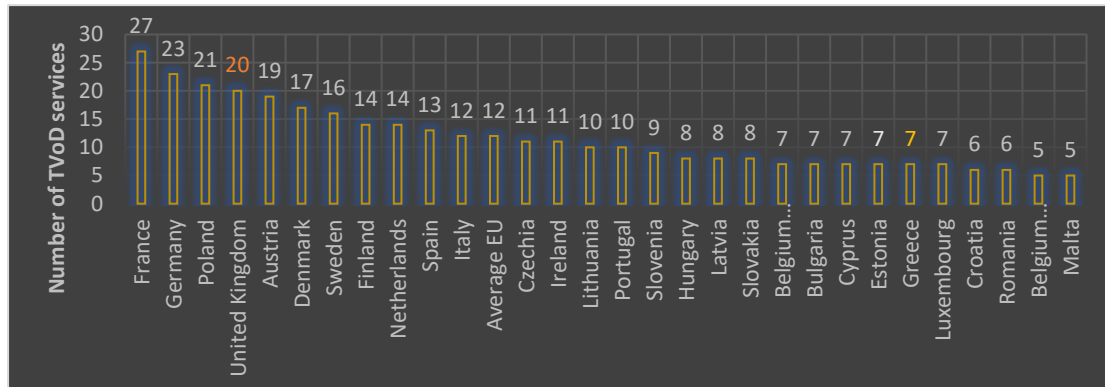


Source: <https://www.statista.com/statistics/814653/ott-svod-subscribers-in-europe/>

Diagram 3.7: Number of subscribers of OTT'S platforms in Europe (in millions)

As far as Greece is concerned, in terms of the provision of paid video on demand it

seems to be in the lowest positions in Europe. The reasons mentioned above justify this position.



Source: <https://www.statista.com/statistics/1232686/availability-tvod-services-country-eu/>

Diagram 3.8: Number of TVoD services per country

Countries with increased living standards have the most options in paid video demand. France has 27 such platforms, while Greece has only 7. Also, in the OTT Subscription services on demand in Greece for 2020, it seems that Netflix is the one with the highest percentage in market shares, reaching 55%, after that comes Apple tv with 28% and last one the Amazon with 17%.

When it comes to Netflix competition in Greece, it is not strong enough. Its two main competitors are Cosmote tv and Nova. Nova was the one which held the reins for several years. The fact that it has the largest number of channels at its disposal, a total of 250 justifies this position. Then comes Cosmote tv with 85, then Vodafone with 54 And last one is Wind Vision. It should be noted that in 2017 Cosmote tv had 510,000 subscribers. A number quite large considered that it was the year that Netflix entered the Greek market and had not even half of them and that Netflix has the corresponding ones in Greece today. The first companies not only have content with foreign productions but also create their own productions. Of course, until Netflix made its appearance in Greece, such platforms - OTT - were not widespread enough. Most of the citizens used to monitor content through illegal pirate websites.

As for the devices through which they watch videos, they tend to be mainly computers, mobile phones and tablets, and to a lesser extent, are Smart TVs. The fact that Greece is one of the countries where technological advances come relatively late

compared to other European countries justifies this case. The reason is that Netflix also tends to have increased direct sales through its platform and fewer indirect ones through cooperation with Vodafone tv and Wind. This does not mean that it does not derive significant profitability from the last ones. And this is the reason why pay-tv is quite widespread in the country, since there is at least one TV in every home, and it is accessible at any age.

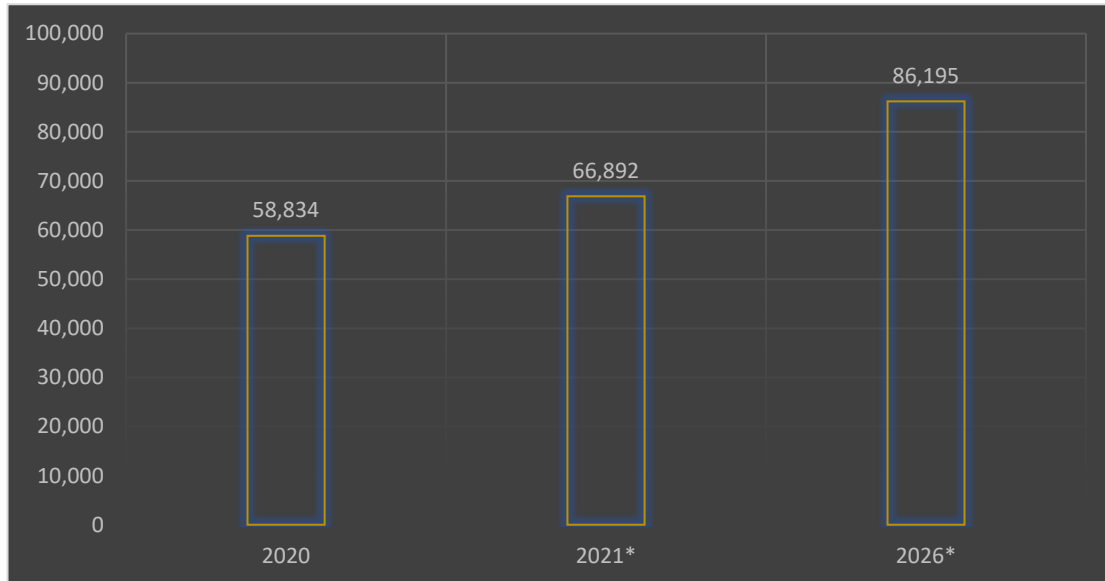
The prices of these subscription services are as follows:

Initially, Nova charges a minimum of €20 for satellite TV services and a maximum of €45 depending on the package and all channels, and charges €12 for OTT services. Wind Vision costs has two packages, which cost €7.90 and €17.27. At the same time, Vodafone tv charges a minimum of €6.3 for a pay-tv package and reaches € 40 for all channels. Cosmote tv on the other hand seems to have the most affordable prices on OTT service as it costs its services at € 8.19 per month, reaching a maximum of € 26. As for its services via satellite, the prices range from €13 to €27 per month. So, when it has many series and movies and the prices are relatively low it makes sense why it had so many subscribers in the past and today, reaching out to compete closely with Netflix.

3.2.2.4. Covid-19 pandemic period

The pandemic that hit the entire world in 2020, seems to have had a positive effect on the company's profitability. The fact that everyone was forced to stay indoors has led to a catalytic effect and more and more people prefer Netflix as a means of entertainment. The fact that they had to spend all day at home, and as cinemas and such entertainment were closed, contributed to Netflix be chosen by the consumers.

As shown in the figure below, Netflix subscribers in Europe have not just increased but it is estimated that by 2026 it will have reached almost 85 million subscribers.

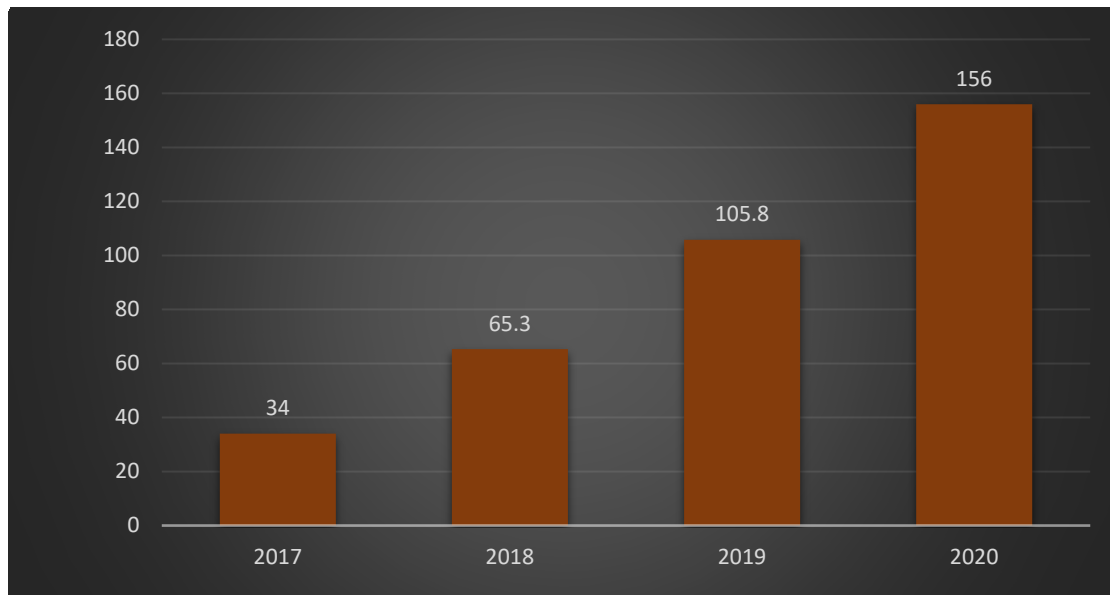


Source:: <https://www.statista.com/statistics/713055/netflix-subscribers-in-europe/>

Diagram 3.9: Estimated number of Netflix's subscribers in Europe (in thousands)

Even in global scope, the number of connected users, which in 2019 were 150 million, increased by 50 million in 2020, reaching 208 million in the first quarter of 2021. These percentages prove the catalytic effect that the pandemic had on the rise of the platform.

Even in the case of the Greek market, looking at the figure below, it seems that the number of registered subscribers tends to increase rapidly. In just four years the platform was estimated to increase its subscribers from 34,000 to 156,000, four times the percentage. The number of subscribers not only increased but also exceeded expectations and reached 517,000 in Greece, in 2020.



Source: <https://www.statista.com/statistics/607837/netflix-subscribers-in-greece/>

Diagram 3.10: Number of Netflix's estimated subscribers in Greece (in thousands)

Therefore, the Greek market was a good choice to expand the platform in Europe, as the number of subscribers increases the profits of the platform and therefore its overall profitability.

3.3. World Extension Policy

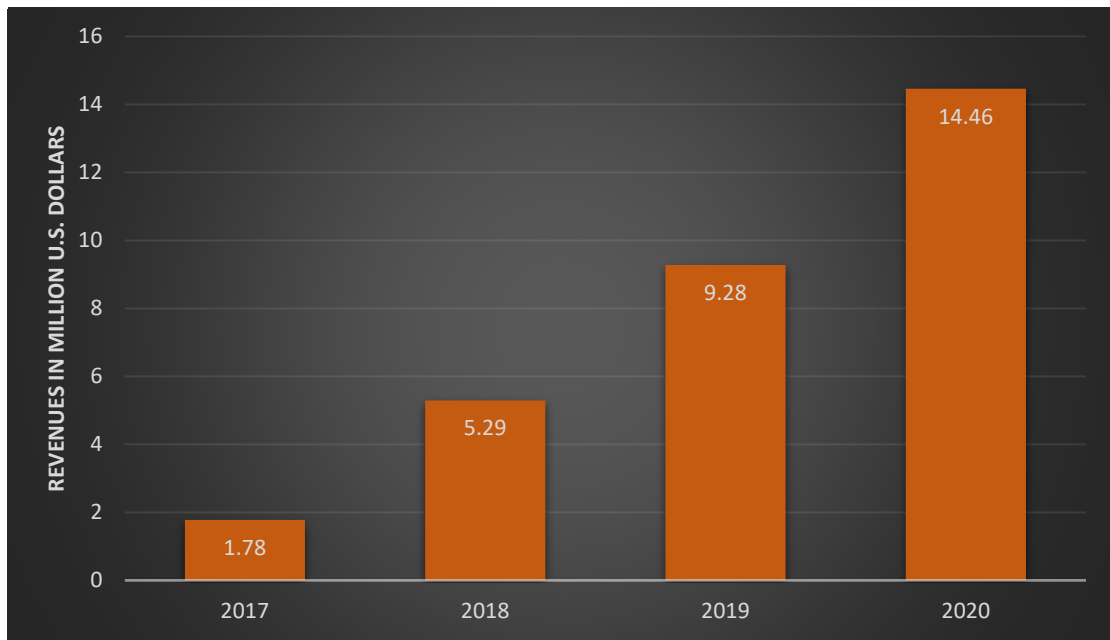
By deciding to expand to other countries, except USA, the platform came to the dilemma of how to achieve this successfully as there had been other similar efforts in the past that did not have the expected result. The best way of expanding was to do it gradually. That meant that Netflix would not approach all the countries that was interested directly but gradually. The goal was to see how successful the new venture would be outside the USA but also how the subscribers would react; what content they will choose and relevant data. It is important to note that the platform made its first venture into a new market, in Canada. A country where the spoken language is common to that of the USA. But the interest of the consumer public is different since these are different cultures and civilizations. The big risk was the expansion into markets and countries where the spoken language was different from English. For example, in Greece, when it first came out with English subtitles, it was preferred by a

smaller percentage of subscribers and the reason was that they were not so familiar with it. Another element that managed to maintain and turn it into a positive factor was that the productions that Netflix has are not from its country, the USA, but they are also productions from countries in both Europe and Asia. Subtitles in the spoken language of each country have the effect of attracting a wider range of subscribers. In this way it managed to bring its expansion policy to a positive element as it can be addressed globally from a local scope.

As for these productions, they are not only by third party producers but in recent years the company thanks to the personalization of data managed to have productions of the same or even better level.

It is important to mention the fact that Netflix entered the Greek market in 2017 but this was done with foreign subtitles in the series and not in Greek, in the spoken language. As expected, the Greek consumers did not prefer this style and the target audience was much more limited due to this condition. A few months later the policy changed, the subtitles of 70% of the films were in the Greek language. However, when the platform had already made its appearance in Greece, it was later difficult to integrate and be preferred by other users. The cooperation with the subscription service Wind vision came as a solution to this problem. The exclusive advertising campaign by the pay-tv was able to focus the interest of the consumers and ultimately be preferred by them. The offers by the company also contributed to this. So, indirect sales were complementary to the direct ones.

This collaboration seems to have been so beneficial that the platform was expanded to include another company two years later, Vodafone tv. The expected profits shown in the Diagram 3.11 below prove that its partnerships have been not only beneficial but also very profitable.



Source: <https://www.statista.com/statistics/611980/netflix-streaming-revenues-in-greece/>

Diagram 3.11: Estimated streaming revenues of Netflix in Greece 2017-2020

3.4 Netflix in United Kingdom

3.4.1. Direct sales

The platform entered the UK market in 2012; few years later since it changed its business model. Subscriptions fees are £5.99, £10.99, and £15.99. These prices can be considered relatively lower for the platform in Europe, as in Greece the cheapest subscription costs €7.99. The other two packages remain as they are!

3.4.1.1. Netflix's competition in UK

Netflix in the UK made its appearance relatively early. From then until today it manages to be the platform with the highest market share.

Regarding the competition that prevails in this country, it is on high level. The reason is that this is a country with an increased population and therefore more needs. This great heterogeneity results in an increase in the entry of new platforms and pay-TV's. Therefore, Netflix's biggest competitors for the UK are BBC iplayer, ITV Hub, All 4, Amazon, Now tv, Disney, UK TV play.

Based on the above, its competitors can be analyzed:

BBC iplayer: This is a VoD platform that is offered free of charge to its registered users. The fact that it is offered for free has to do with the fact that it is provided by channels that require a subscription to watch.

ALL 4: Another VoD platform that is offered for free to users, but they must be subscribers to a subscription channel. In addition, its content includes ads.

ITV Hub: It's an online VoD platform. However, it is not only offered online but also through some subscription channels and game consoles like the Xbox and PlayStation. The subscription is at £3.99, and this is because it is offered without ads.

Now tv: It is a SVoD platform with the subscription reaching 5 pounds and going up depending on the options of each subscriber such as entertainment, cinema, sports. Its subscribers can watch Sky programs and content at no extra charge.

UK TV PLAY: It is a VoD platform. It is provided free of charge and is offered not only through PC but also through pay-TV's such as Virgin Media, Now tv but also through smart TVs.

All the above demonstrates how intense is the competition for Netflix in the UK. There are many competing platforms that are accessible through other competing pay-TV's and channels. Therefore, the policy that will be followed in this case is quite different from the one it used in Greece. The reason is that there is a different level of competition. The choice of its collaboration with two major pay-TV's therefore helped it not only to become more widespread and known to the consumers but also subscribe on it. The numbers of its subscribers explain this claim. In 2012 it had just 1.4 million subscribers entering the UK market. In 2013 the percentage rose to 2.4 thanks to the cooperation with Virgin Media and in 2018 which cooperated with Sky tv resulted in 74% of the population being subscribers to the platform. Therefore, the combination of both direct and indirect sales has been the policy of expansion and selection by the consumers, reaching after many years of presence to maintain the first place in the market.

But which are UK pay-TV's and what is their content?

Sky tv: This pay-tv offers several options to each subscriber. Among the packages he can choose are movies, sports, content for children. Most importantly, Netflix is not given as an option but is included from the beginning of the package. So, the subscription cost ranges from £24 and can reach up to £ 60 per month.

Virgin Media / tv: This is one of the largest telecommunications and pay-tv companies. Subscription packages start at £ 33 and go up to £ 57. Unlike Sky, when a subscriber chooses a package, they will be charged extra for their Netflix subscription. In other words, it is not included in the package as is the case in the first case. This example is like the examples of Netflix collaboration in Greece.

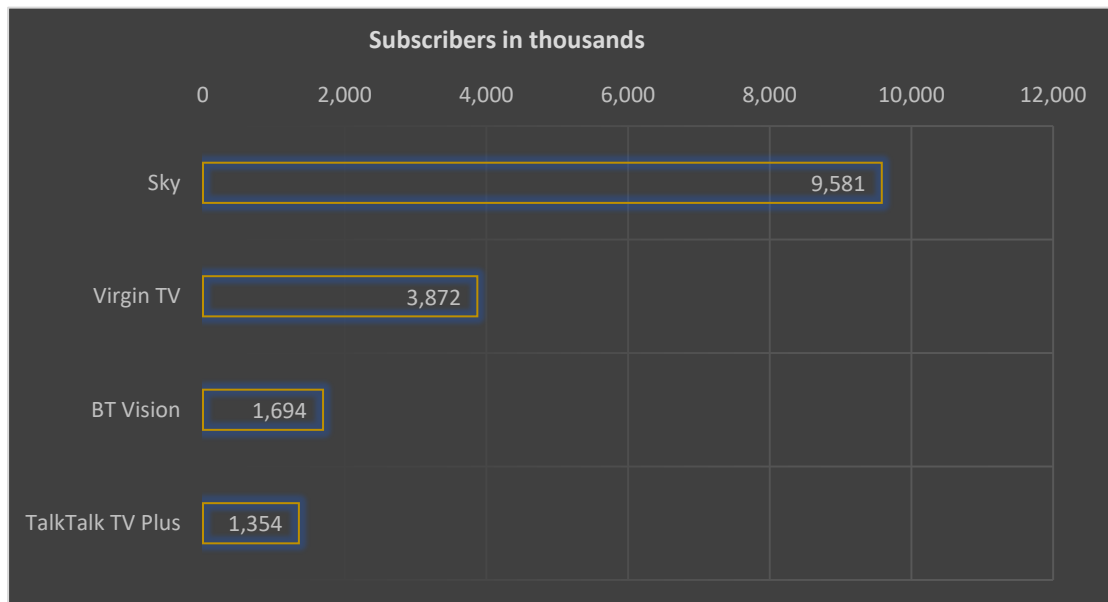
BT TV: It is a pay-tv. The subscription fee costs from £12 to £ 65. It is also estimated that the subscription to this is much smaller than that of Sky tv. To acquire Netflix through this service, someone will have to pay the corresponding subscription of the platform extra. But one facility provided by BT TV is that they can access Netflix via the corresponding button but also that it can pay its subscription through its pay-tv account. Netflix chose to partner with this company in 2014.

The fact that Netflix chose to collaborate with such firms is not accidental. Initially, it manages to acquire even more subscribers and therefore to have a greater heterogeneity of them. Heterogeneity is an important part of the operation of the platform as there may be personalization of data but to meet all the needs of subscribers there should be a wide variety of content respectively.

But the most important element of the UK case is the cooperation with Sky tv because Netflix is being included in the price of the package. In this case some questions arise. Subscribers will be able to have the same benefits they would have if they used the digital platform itself.

Sky tv is one of the largest pay-tv channels in the United Kingdom. Netflix's choice was not accidental as Sky tv for 2020 had a market share of 9.7%, which ranks it among the top 4 of its kind. The partnership with Netflix was a joint venture between the two companies. As Sky tv was among the best of its kind, it enabled Netflix to become even better known to the public. It is characteristic that in 2013 sky tv had 3.3 million subscribers and in 2018, when their cooperation was achieved, it reached 12.7

million subscribers. therefore, it had a significant benefit since it saw the number of its subscribers increase. Netflix has benefited from this partnership as it has been able to become better known to the public and increase its subscribers.



Source: <https://www.statista.com/statistics/410979/main-pay-tv-operators-in-the-uk/>

Diagram 3.12: Pay TV operators ranked by number of subscribers in the United Kingdom (UK) as of December 2018

The fact that Netflix chose these companies for collaboration was due they are the most well-known and most widespread in the consumer public. For 2018 as shown in the Diagram 3.12 above most subscribers chose these companies.

3.4.2. Indirect sales in UK

TIMELINE OF COLLABORATIONS IN THE UNITED KINGDOM

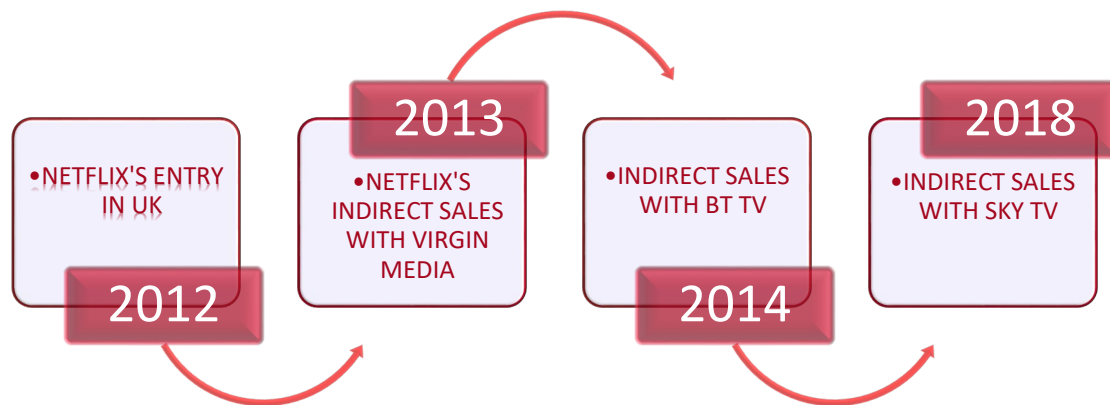


Figure 3.5: Timeline of collaborations in UK

In 2012 the platform entered the streaming videos market and was initially available via computers. Other electronic devices such as mobile phones, tablets, electronic game consoles were added along the way. In 2013, it partnered with Virgin Media, one of the largest pay-tv providers in the country. This collaboration has resulted in an increase in subscribers to both platforms. Netflix at the time was a new platform, not so well known to the public. Working with this company could bring several benefits. Among them to become much more widespread to the consumers but also to manage to gain Virgin Media subscribers. Achieving the required number of subscribers was necessary for the platform to stand out and evolve into its current model. The United Kingdom was one of the first countries that Netflix spread. Without this cooperation it would have been difficult, and it would need more time to achieve those goals. In addition, the United Kingdom is a country where technological developments play an important role. A platform like the one operating outside the European Union would be more difficult to extend to other countries if it did not have the desired results at UK first. Therefore, this cooperation was very important. However, it was not only an important point to gain more subscribers but also to be able to control the

competition. Being a foreign platform with this cooperation it was able to obtain all the necessary data for its competitors in a market where there were many similar platforms as well as pay-TV's. Regarding the competition, as happened in the case of Greece, it managed to cooperate with some of its main competing companies. In this way it became the first VoD platform in most countries and worldwide. In addition to this collaboration, in 2018 it also signed a collaboration with Sky tv. Clearly, what was analyzed above continues to apply in this case, but this case is different from the rest. The reason is that a subscriber who decides to get Netflix through this pay-tv will not have to pay any extra cost to subscribe to it since the final price of the Sky TV package includes the basic Netflix package. This collaboration aimed to calm down existing competition. By acting as one, these two companies can hold the reins in the market in which they operate. In part, however, Netflix also loses some profits, since the price of the package includes its basic package, £5.99. Of course, anyone wishing to acquire another Netflix package can do so, but then indirect sales become more complex. From the two examples given, it is understood that Netflix partnerships aim to try to control the current competition but also to maintain its market position. The fact that it acquires a portion of consumers from indirect sales is very important. Without them, it might not have had its current spread. Indirect sales therefore brought a convenience to the consumers but also an acquaintance about what platform it is.

In addition to these two pay-TV's, Netflix in the UK has partnered with other companies such as Talk Talk TV and BT. Respectively with Virgin Media the subscription to Netflix is extra to the TV package they will choose. Although these are two smaller companies than the first ones, its cooperation with them results in both more consumers and better coordination of competition (reduction of Netflix competition, elimination of negative competition and increased penetration of the consumer public). In essence, it is trying to eliminate it indirectly to stay on top.

The prices of its subscriptions as it happens in Greece are estimated at 5.99 pounds for the basic package, £9.99 and £13.99. In euros the prices are set at €7, €11.6, and €16.3. The difference in prices is not very big compared to Greece but immediately there is a difference. The reason lies in the fact that in the relevant UK market there is much more intense competition than in Greece. So, the prices should be as low as possible so that the platform can stand out from the rest.

Without indirect sales, Netflix would not be able to stay on top of its market. Apart from that, however, direct sales also played an important role in its development. The direct sales are the ones that made it spread and become known for the uniqueness of its platform. If it did not have its own platform, it would not be so familiar to consumers. Indirect sales, however, were the ones that helped to partially control the competition but also to eliminate it. One form is necessary for the other. Without the direct ones it could not be dominant in the market and be able to work with so many companies. In this case, however, there is no exclusivity and permanence. It may leave indirect forms of sales at some point, but it will continue to remain in significant force and determine its market data either to a lesser or greater extent. In addition, indirect sales greatly facilitate the consumers themselves. Whether they are going to learn the platform faster or even as a means of payment since it also gives extra options. Based on these, Netflix has managed to maintain its leading position in the market for several years. Although the negatives of indirect sales include the commitment it has from the partner companies, the benefits are much greater. Another advantage of indirect sales is that it binds consumers with a contract for a given time. In case they are not satisfied, they cannot "leave" since the contract they have binds them. For example, on Sky tv the contract commitment is estimated at 12 months. This would not be possible in direct sales as the subscriber can terminate his subscription at any time he wishes even if he is in the middle of the time of this subscription.

Netflix in the United Kingdom was very profitable, as expected due to the great competition and its expansion policy, which resulted in its cooperation with several pay-tv channels in the country. The reason why the example of the UK is analyzed is that there are in its cooperation with them some additional possibilities that do not exist in Greece. The details for Greece are valid in this case as well. But not the other way around.

Among the companies Netflix has worked with in the country are Sky and Virgin Media.

But what are the advantages of such cooperation?

Initially, the collaboration with Sky was achieved in 2018, several years since its debut. The focus of the scalability policy was to deal with competition, as happened in

Greece, but also to gain more subscribers. The only difference in the second case is that the subscribers can watch the content without having to be redirected to the platform itself but also without having to pay their subscription extra from the already existing pay-tv package. As already mentioned, (in paragraph 3.1.2.1) the competition is quite intense and this is because it does not compete with platforms like it, but this market also includes pay-TVs in addition to OTT platforms. Working with pay-TVs is the best possible solution to this problem. By concluding contracts with them, it manages not only to reduce the competition in the market but also to control what prevails in it and to keep the market shares stable.

As far as the offers mentioned earlier are concerned, these are achieved by giving the respective subscriber the opportunity to choose the package that interests him, and in the final price concludes the price of Netflix.

With the discount provided on the packages Netflix clearly has less profit. As soon as the subscribers pay a smaller subscription then the profits are reduced. But on the other hand, in this way it manages to attract a larger audience. So, if there are more subscribers there are more subscriptions and so the bigger the profits are. So, this policy brings several benefits to the company itself.

Working with these subscription services is beneficial as the company can settle in new markets without having to deepen further alone.

3.5. Conclusion of Netflix: POSITIVES & NEGATIVES

The above two collaborations seemed quite beneficial for the company since in combination with them it managed to integrate in the Greek market and to increase to the maximum the number of its subscribers. Although its indirect sales bring quite positive results for the company, they also result in some negative consequences. For example, subscribers who decide to opt for Netflix over pay-tv - the indirect form of sales, at the same time reject the option of direct sales. So, Netflix may be gaining subscribers but losing them at the same time. Based on these data below are the pros and cons of these two types of Netflix sales.

Speaking at an industry event, Maria Ferreras, Vice President of Business Development for Europe, the Middle East, and Africa said that partnerships with pay-tv providers and other telecommunication services have helped the streaming service “take it to the next level in terms of [subscriber] numbers and countries”.

In terms of direct sales - those made through the platform itself:

By having its own unique platform, Netflix has the immediacy with its own consumers. That means it can extract the data more easily since it is exclusively its own. Those data are the one that have ensured the personalization of the platform and made it stand out among others. Other competitors such as Disney or HBO or Amazon prime do not have data personalization. In addition, Netflix has more content than that. This number is also different in quality as due to the high heterogeneity of its customers it must ensure that they will be happy with the available content so this in turn means that it must acquire variety of content.

Netflix’s profits by its platform are very significant. These are its own and it does not need to share them, as it happens with indirect sales that cooperates with other companies. In indirect sales, profits are shared in the form of percentages. Its cooperation with pay-TVs means that they also receive a percentage share to allow its content to be shown through them. After all, these are competing companies, so the benefits must be shared by both parties.

The existence of its own platform also has some negative elements. For example, by having its own platform it is much easier to process what is happening in

other markets and expand to other markets, but it is difficult to integrate into them. This means that it may not have all the necessary elements of what is happening in a foreign market, such as the Greek one. Like what series and movies are preferred by these subscribers. Clearly their choices differ from those of other people. This negative element is supplemented by indirect sales. By choosing to cooperate with Greek pay-tv companies, it can obtain data on the preferences of the Greek market and, accordingly, to make similar productions. But the most important thing is the integration part. Deciding to work with these companies can also be integrated more easily. Consumers who already prefer the former can also choose Netflix as an additional option.

Thus, indirect sales are added to the platform's expansion policy. On the plus side, it facilitates integration into a foreign market, but also eliminates competition. By having a partnership with these two companies, it manages to undermine its competition with them. As seen in the section above, the two companies, Vodafone, and Wind, are among the main pay-tv competitors of Netflix. Thus, it manages to enter cooperation with its competitors and thus to gain part of their customers. In this way it not only gains customers but manages to be the leading platform and to keep the level of competition standard. Besides, the competition is not only eliminated for these two companies but as an analysis of the channels they contain, it manages to compete at the same time and partly to cooperate with other competitors such as the HBO GO. As a result, competition is eliminated and Netflix wins.

Another advantage of indirect sales is the easy integration into new markets. This was achieved especially in the United Kingdom which was one of the first markets where the platform spread. Not being known to the consumers, the conclusion of agreements with the above companies resulted in the platform not only becoming known to the consumers and being preferred by them but also managing to penetrate a new market and expand to the rest of Europe, and between in its countries Greece. As for the latter, the movie streaming market is not very developed, this is also evident from the choices of consumers.

However, the cooperation with those companies achieves another purpose of the company. Although it offers one-month free trial for each new interested subscriber; with the cooperating pay-TVs it manages to attract a new audience with promotions

that under different conditions, such as direct sales, would not be possible. In the same way are the options given as payment methods on the platform since it only provides one payment method. This happens not only in Greece but also in other countries such as the UK. As far as the offers arising from the cooperating companies, it is important to note that in Greece it may have the benefits mentioned earlier, but a negative element that is omitted from indirect sales is that when someone chooses his Netflix's package from a partner pay-tv will pay in addition to the package it pays for its subscription. This is quite a negative since in this case a similar collaboration between Netflix and pay-tv in England works differently. Someone who will choose Netflix through Sky tv, will not pay extra for his subscription to the platform but will also have a discount. This strategy alone can bring in many more customers. Thus, as mentioned, Netflix is primarily preferred by younger ages in its direct sales and by older ones through its indirect sales - this fact can be changed with a single change in its policy. If it decides to offer a discount through the cooperating televisions, then younger ages may also prefer its indirect sales. Among the negative elements of indirect sales as shown by the theoretical part of the study, the promotions that take place in indirect sales are largely the exclusive prerogative of the intermediaries. So, in this case too, the pay-TVs it works with are the ones that advertise their work with the platform itself. This may be positive, but it also has some downsides as these companies focus more on the content they have and not so much on Netflix itself. For example, they may mention the most current or most popular Netflix movies and series, not to mention other equally good ones. Since Netflix itself cannot control the ad campaigns run by its affiliates, it cannot know what is going on in the respective ad campaigns. Therefore, this can be considered as a partial negative element of indirect sales.

The next and main feature of these is that Netflix gaining an audience through them is closely linked to them and having as its main goal to undermine the competition that prevails with them cannot leave and continue its flow otherwise. Once it decides to work with them it is difficult to make the decision to end their cooperation. This means that it needs them. Consumers either because of the package they choose it is in their best interest to choose indirect sales and therefore Netflix loses from direct ones. Therefore, it is difficult to end the cooperation with the companies since this automatically means that it will lose a significant part of its subscribers. The need for

indirect sales for the platform is therefore negative since the platform cannot cope with the developments alone and needs them to evolve and not lag behind in change.

Having the above positive and negative elements as a key, we find that both direct and indirect sales play an important role in Netflix's own policy. Direct sales, i.e., the choice of the platform itself by the subscribers, may characterize it, but also indirect sales are important for its general course. Both together are the ones that bring more subscribers and therefore profits, but thanks to each of them the platform itself works better. The one is necessary for the other. Without the Netflix platform, its expansion into new markets may not have been as successful as it is now. But also, indirect sales, cooperation with pay-TV's is necessary since without them it would not have the results it has today. The fact that it entered Greece in 2017 and exactly one year later decided to work with such a company shows their important role. It can lose something but also the profit is multiplied, in the corresponding forms of sales. For this reason, the hybrid sales model is the most ideal for the company and for its evolution.

4. Conclusion

The study developed the forms of sales used in e-business. Especially in e-commerce, a company can have its own platform / website and sell its products directly, but it can also sell them indirectly, through a marketplace or reseller. Which form of sales a firm will choose is related with network externalities, marketing activities, competition and fulfillment cost and the return policy. E-business has not just expanded but has managed to be an integral part of people's lives. Both shopping and entertainment are now available through digital platforms. On platforms like that there are direct and indirect sales. The platform that has been analyzed is Netflix, which streams movies directly through its own platform, as well as indirectly by partnering with pay-TV's. The explanation of its business model is important as it was transformed from a simple reseller into a streaming platform. This was crucial for its evolution since the fulfillment cost ceased to exist. In addition, with the new model, it managed to expand beyond the USA. Its indirect sales contributed to this. The analysis made in referring to them both in Greece and in the United Kingdom proves their importance. The hybrid model that followed was therefore the best choice for the upward course of the platform. Indirect sales have resulted in its consolidation in these countries and so its preference by a larger number of consumers. The choice of pay-TV's is related to the existing competition in each country, having managed to control it. As far as Greece is concerned, the collaborations with big pay-tv companies have resulted in it becoming even better known to the potential consumers and at the same time reducing the cost of its advertisements. The additional benefits offered through indirect sales have the effect of attracting consumers not only in number but also in terms of their heterogeneity. The choice of the United Kingdom as one of the first countries to penetrate Europe and the timing of cooperation with pay-tv channels was not accidental. Netflix penetrated the country in its first year only through direct sales but failed. After that, when it collaborated with other companies, Netflix gained customers and the only thing the company lost was the privilege of autonomous descent.

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