

2

*Business Model
Innovation:
The Case of
Telefónica*



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ABSTRACT

Business model innovation is needed to adapt a company to a turbulent environment. Innovation can be stimulated by the entrance of new competitors, by changes in factors from the external environment such as technology, policy, economic or sociological conditions, or by the internal R&D department. Chesbrough (2007) identifies different stages in a progression of business models that range from simple to advanced and open business models. This paper applies Chesbrough's theory to the Spanish telecom company, Telefónica. Telefónica transitioned from a monopoly in the telephone sector by adding television and video service provision to their mix of services. The aim of this analysis is to prove the Chesbrough theory in a real case and see it could be the path for different companies to adapt to market changes and to develop innovation strategies in changing environments.

KEYWORDS: business model innovation, media company, strategy, market adaptation

INTRODUCTION

Business model innovation is required if a company needs to adapt to a turbulent environment. The telecom sector is among those that have changed most in recent years. According to William, Sooriyabandara, Yearworth, Doufexi & Wilson (2016, p. 301), “it has been growing at an unprecedented rate over the last three decades and innovation has been key to success. The largest telecom firms have often portrayed a monopoly mentality looking to dominate the industry by growing their assets. However, this strategy has been disrupted by the emergence of Over-The-Top (OTT) providers which in many cases have become more attractive and friendly for consumers and then, more profitable”.

We agree with these authors regarding the set of external factors that have affected telecom companies: “They are under pressure with revenues declining worldwide. Reasons for the decline include: first, a saturated market forcing down prices and therefore revenues; second, significant expense to operators is created keeping up with growth in demand due to the explosion in data traffic; and third, operators have been slow to adapt their structures for operational expenditure relative to a rapidly evolving market. Furthermore, the impact of the worldwide economic downturn of the last decade has added further pressure to operators” (William et al., 2016, p. 311). As Wirtz (2001) suggested, three major drivers are required to successfully embark on the provision of services involved in industry convergence: technological innovation, market deregulation, and a change in users’ perceptions of the new services. For telecommunications companies, competition started in the nineties and produced a reduction in their revenues. Therefore, they needed to expand their business to new sectors and, according to Doran and Barton (2016), “video is fueling the telecoms value chain”. Studies of telecom firms’ ventures into media services should therefore be of interest to scholars and industry professionals and observers who follow developments in the telecommunications sector and the role played by the telecoms’ media businesses in the larger media industry.

National markets for telecommunications and media services differ substantially, due to differences in both market fundamentals and national regulatory policies that are often substantial. Therefore, cross-country studies of telecom companies’ forays into media services must, of necessity, be strongly comparative. In this study, we analyze the efforts of Telefónica, to develop and grow subscription video services. The study is based on the strategic logic informing the business models employed by the company and how its business models changed over time, following the six-stage business model framework developed by Henry Chesbrough (2007).

The paper analyzes Telefónica's media business activities and the variation in the companies' performance employing Chesbrough's categorization of business models as an analytical and comparative benchmark. To gather information, the author searched through Telefónica's financial reports, company yearbooks, press releases, and analytical reports by the CNMC (Spanish National Commission of Markets and Competition). Finally, managers from Telefónica were interviewed related to Video and Delivery services.

The remainder of this chapter is organized as follows. The next section introduces Chesbrough's framework as well as commentary on its usefulness for application to various industries. The section after that provides an overview of the markets for pay TV services in Spain and how they evolved during the periods examined for this study, which sets the stage for our evaluations of the business models employed by Telefónica during this period.

CHESBROUGH'S BUSINESS MODEL FRAMEWORK

The business model innovation framework developed by Chesbrough (2007) has been used to analyze the evolution of Telefónica towards the video business. This framework is employed because it can serve as a paradigm to guide companies as they adapt to new and turbulent environments. Chesbrough focuses on value creation, rather than value capture, and on connecting innovation with the creation of economic value. In sectors where it is relevant, companies can use the framework to assess where their current business models stand relative to their potential and to identify appropriate next steps for business model advancement while taking into account environmental factors such as technology and regulations.

According to Google Scholar on March 22, 2024, the more recent Chesbrough's innovation model (2010) had been cited in more than six thousand six hundred academic articles. According to Zott, Amit and Massa (2011), Chesbrough thinks his framework is particularly well-suited for technology companies such as Apple, but it has been used to look at how value is created in a number of other industry sectors and he also recognizes that "business model innovation is vitally important, and yet very difficult to achieve" (Chesbrough, 2010, p. 362). However, the model has been applied to the Internet of Things (Bucherer & Uckelmann, 2011); to software industries (Baragde & Baporika, 2017), and to biotechnology companies (Yun, Yang & Park, 2016).

Chesbrough (2007) describes six business model stages. While he describes transitions from one business model stage to another, it seems clear that the described models do not necessarily represent a fixed sequence of stages through which every company must pass. Rather, Chesbrough's business model framework (BMF), which describes a sequence of business models

ordered from very basic to more complex models, is intended to help companies better understand their current business models and figure out ways to improve them or shift to better ones.

Chesbrough's framework has the following six types of business models (BMs). The type 1, "undifferentiated," business model, refers to a business model for a firm with products and strategies that are not differentiated from those of its competitors. Type 1 business models are employed by businesses that sell goods that are close substitutes for those of their competitors. Companies with type 1 business models typically compete on price and access and are valued by consumers who make purchase decisions on those criteria. For the purpose of the present research, we are not considering the first stage because there is no innovation strategy below.

The type 2 business model is employed by companies with products that are differentiated to some degree from those of their competitors. A "business model with some differentiation" can target customers other than those that buy products simply on the basis of price and availability. According to Chesbrough, a firm with a type 2 business model "may lack the resources and staying power to invest in the supporting innovations to sustain its differentiated position".

The type 3 "segmented" business model is employed by a company that competes in multiple customer segments simultaneously, enabling the company to serve more of the market and thereby extract more profit from the market. Serving the price-sensitive segment of the market allows low-cost production for high volume goods while higher margins are realized on sales to the performance/higher quality segment and products targeted to other niches can make the firm more of a force in distribution channels.

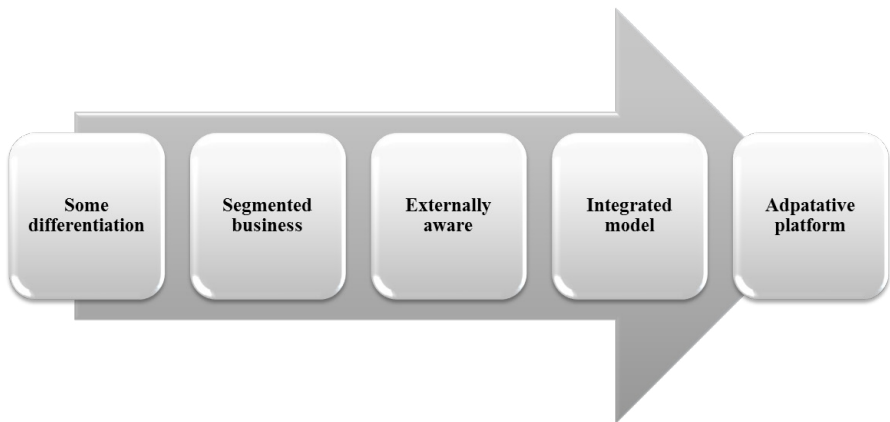
The type 4 business model is "externally aware". A company with a type 4 business model has started to make itself open to ideas and technologies that originate elsewhere, notably with suppliers and customers. Coordination and sharing plans and goals with suppliers and customers (if they are not final consumers), which are central to this business model, contribute to more efficient processes as well as the identification of promising new initiatives.

The type 5 business model is an "integrated" model in which the firm's own activities are tightly integrated with those of its suppliers and customers. A type 5 business model plays a key role in integrating activities within the company as well as activities and plans shared with suppliers and customers. The company shares its innovation processes and plans for the future with its suppliers and customers and receives comparable access from them, thereby improving the planning processes for all partners and laying the groundwork for possible experimentation with variations on the business model.

The type 6 business model is an “adaptive platform” business model, which is more open and adaptive than the previous stages’ models. Commitment to an adaptive platform business model requires a commitment to experimentation with new business model variants. A firm with a type 6 business model has linked its business model to the business models of core suppliers and customers, which makes both planning and business model innovation joint affairs in which the company shares technical and financial risks and rewards with its external partners.

Next graph summarizes the business model innovation according to the Chesbrough theory. We would apply this theory to two study cases in the telecommunication sector and see how two companies of different countries adapt their business to the new consumption habits.

Graph 1. Business model innovation by Chesbrough (2007)



While Chesbrough’s model has been extensively cited and has been applied to a number of industries, it is also important to note that it has also been criticized. According to Coras and Tantau (2014) and Marques (2014), to boost innovation employing Chesbrough’s framework, external partners must have a similar mindset to effectively work together. The success of a company does not come just from the business model, but also from external drivers that influence performance. External alliances need an open and flexible organization to integrate new ideas and this is more complicated for big companies. Although Chesbrough did not explicitly apply his model to telecom companies, as Da Silva and Trkman (2014) observe, in many respects it seems well-suited for application to the media ventures of telecommunications companies: a proposition examined and implicitly tested through this chapter’s comparative study of two prominent telecom companies’ attempts

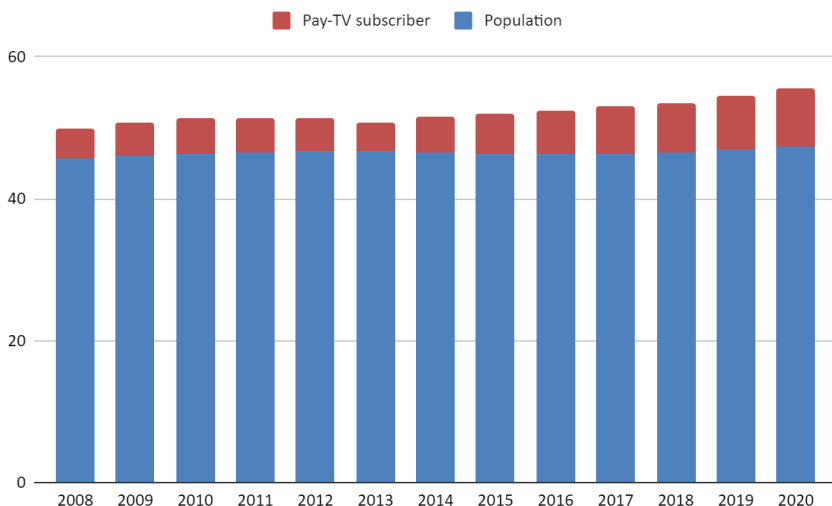
to establish themselves in the pay TV services market.

Telefónica started differentiation strategies from 1995 when it was privatized, but we start with Telefónica's second attempt to enter pay-TV services in 2014 because the second attempt was a complete restart and a strategic break from the failed strategy employed earlier.

AN OVERVIEW OF THE SPANISH PAY-TV MARKETS

The Spanish population amounts to 47 million inhabitants in 2020. That year the number of pay-TV subscriptions reached 8.34 million in Spain. Figures 1 shows the evolution of pay-TV subscription growth for Spain, respectively, from 2008 to 2017 when the companies most changed their business model.

Figure 1. Population and pay-TV subscribers. Spain [Million]



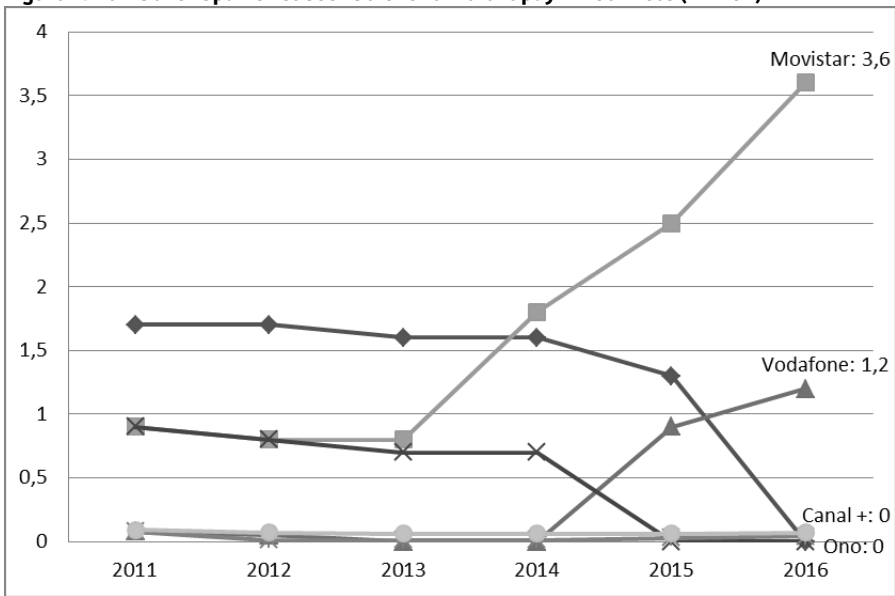
Source: data.cnmc.es (2022)

Figure 1 reports the growth in the number of pay-TV subscribers in Spain from just over four million in 2008 up to almost seven million in 2017 that represents 35%.

Telefónica was a former government-owned company that was privatized in 1995 when the Spanish telecom market was opened to competition. With a presence in 21 countries, it is one of the largest telecommunication companies in the world by market capitalization. Its activities revolve mainly around landline and mobile phones, and broadband is the key tool for the develop-

ment of both of these. The first attempt at pay-TV started but it failed as it was. In 2014 it re-entered as Movistar+, using satellite and broadband (ADSL and fiber optic) transmission systems. It became the leader in the pay-TV and VOD sector in Spain, reaching almost four million subscribers thanks to the merger with its main competitor, Canal +. Figure 2 shows the evolution of the number of subscribers of the different distribution systems that provided pay-TV in Spain from 2011 to 2016. Ono was the competitor on cable, but almost disappeared from the market by the end of the period. In 2021, Movistar+ maintained almost the same number of subscribers as in 2016, despite experiencing slight growth in 2018 and 2019. The entry of streaming companies altered its competitive advantage.

Figure 2. Number of Spanish subscribers for different pay-TV services (Million)



Source: CNMC Data (2017)

TELEFÓNICA'S MEDIA BUSINESS INNOVATION

Telefónica's history in the media business has two largely disconnected phases. The first started in 1995 when Telefónica first added media to its portfolio of services following the deregulation of the Spanish communications sector under the General Cable Telecommunications Law (42/1995). This phase ended when financial failure forced Telefónica to sell off or close the media services division. The second phase, which continues today, began in

2014 with Telefónica refocused on pay-TV and its triple play of television, telephone and internet.

We will examine the evolution of the company's media business model from the perspective of Chesbrough's framework. To identify the business models we have to distinguish the competitors in order to see the differentiation business model.

BUSINESS MODEL BASED ON DIFFERENTIATION

Telefónica was one of the companies that saw the deregulation of the communications market as an opportunity to offer new media services to Spanish consumers and it adopted the trade name Movistar to launch a digital mobile telephony service and online media content services in 1999 (Lorenzo, 2015; Bel & Trillas, 2005; Varon, 2004). To strengthen its position in the telecom market, it started expanding its ADSL broadband service and used its ADSL network to enter the pay-TV business as an IPTV provider and a competitor to the other cable operators. The new product was called Imagenio.

With the entry into force of the General Cable Telecommunications Law (42/1995), One was the largest cable operator and the first competitor of Telefónica in terms of telephone and content services through cable distribution. However, the differentiation strategy for Telefónica was to offer more TV channels, including exclusive sport events.

SEGMENTED BUSINESS MODEL

In order to increase market share and to achieve different audience segments, Telefónica launched Via Digital, a pay-TV multichannel satellite platform using used satellite dish technology. Some months later, the media group Prisa launched Canal Satélite Digital. Fierce competition between the two companies on price and contents started. The amount and appeal of programming offered viewers drove up the cost of acquiring exclusive rights to Hollywood movies and prices paid for football carriage rights and negatively impacted profits for both companies and for the rest of the pay-TV providers.

At the beginning, the two main competitors had similar shares of market, however, the know-how and bargaining power of Canal Satélite proved critical and after a while its market share considerably exceeded that of Via Digital (Alcolea, 2003). To ease the effect of their competition on profits, the two satellite companies arranged to share football rights, and, in a more dramatic move, in 2002 merged their services to create Digital+.

Until it became a co-owner in Digital+, Telefónica's strategy for its pay-TV service might have been described as a combination of differentiation and

segmentation. It was differentiated from its cable TV competitors who also had triple play offerings by providing more sports programming and more programming overall than its triple play competitors. At the same time, it offered subscribers the option to take the entire triple play package or purchase each of its separate components either individually or as two-component packages, which made it possible to segment its customers according to differences in the amounts they were willing to pay for the components of the triple play bundle.

Telefónica's acquisition of a partial ownership stake in Digital+ was not the first time it had acquired ownership in another company to increase its media holdings. It acquired most of the ownership of the free-to-air television channel Antena 3 and the Dutch production company Endemol (Tijeras, 2013). The strategy behind those acquisitions was to extend its business towards content production and advertising revenue business model. However, the strategy failed because of the recession and financial crisis that followed the bursting of the dot com bubble in internet stocks, and Telefónica began to sell off its media acquisitions.

After shedding acquired assets, Telefónica's media strategy was once again focused on pay-TV and digital services. Its competitive advantage was lower prices and the triple play of TV, Internet and telephone. Starting in 2007, the service was progressively migrated to a new TV platform that employed MPEG4 compression technology, which reduced the bandwidth required for each channel and allowed Telefónica to increase the number of TV channels offered, including some that were HDTV High Definition. Telefónica employed its triple play offerings as the foundation for a segmented business model, segmenting its customer base by offering Internet, TV and telephone in different combinations at different prices.

To achieve missing audience segments and to experiment how to attract young consumers, in 2010 it acquired Tuenti, a social media service for teenagers.

EXTERNAL AWARE BUSINESS MODEL

Telefónica started to expand its business through mergers and acquisitions of other complementary companies. In 2011, it signed a strategic agreement with Mediaset Spain to carry out the first tests of HbbTV (Hybrid broadcast broadband TV), using internet-based content from Telecinco as part of a package that included services marketed by Telefónica. The opportunity to participate in these tests was offered to all other audiovisual players who were interested. The goal was to define standards, create benchmark technologies and identify key interactive services (Mediaset, 2011). After the testing

was completed, Mediaset España and Telefónica both developed video on demand services that could be accessed through different devices.

Apart from emphasizing customer insights and user trends knowledge, Telefónica started to work with other companies and institutions to collaborate on certain innovation projects. It signed an agreement with a firm called Designit, which had expertise in customer research and user experience, and it hired a community manager to manage its social networks' accounts and projects like video streaming, storage optimization, copyright enforcement and machine learning for recommender systems.

On the other hand, Telefónica focused on video business and took advantage of the weakness of its competitor to increase their business. In 2013, Telefónica launched MovistarTV Go, which incorporated the services provided by the former Imagenio while also giving subscribers access to interactive TV channels, video on demand, and the ability to access the services from different devices such as smartphones or computers. The number of Telefónica pay-TV subscribers subsequently increased by 12%, reaching nearly three million in 2010, but with a churn rate of 65%, which was considerably above its competitors' average of 35% (Telefónica, 2011).

At the same time, Digital+ developed Yomvi, an OTT service available on all devices. Its advantage was mainly the content it offered (particularly, soccer matches and movies from Hollywood). Yomvi was the leading company of pay-TV providers with 44% penetration, which substantially exceeded the corresponding figures for Ono (22%) and Movistar TV Go (17%). By revenues, Yomvi was also the clear leader with 68% of industry revenue, followed by Movistar TV Go at 13% and Ono at 9% (CNMC, 2016).

However they were not the only competitors in the market. Other telecommunications companies launched IPTV services (Delgado & Fernández, 2007). Jazztel launched Jazztelia TV, France Telecom, Wanadoo TV and Vodafone, Vodafone TV. But the leader among the telecom companies in the triple play offering was Telefónica, because it had a larger fiber optic penetration. To compete against the telecommunication companies, Telefónica committed approximately €48,000 million since 2012 in the deployment of networks and other infrastructures of last generation such as 4G.

Thanks to the weakness of the rival competitor, Telefónica acquired Digital + in 2014. The new product was renamed Movistar+, and it became the leader of the pay-TV market from two million subscribers in 2015 to almost four million subscribers in 2016 (see Figure 1.b.). The contents included the catalog from both platforms, allowing users to access a wide range of multimedia content through a browser-based video streaming platform. Registered users could access a catalog of on demand and linear content to every device.

Telefónica became the leader in the national pay-TV market thanks to the acquisition of the contents of Digital + and its quadruple play offer, adding fixed and mobile telephony to the television, and internet services through multiple devices. Apart from TV drama series and movies, it has more than 16,000 catalog references including on-air sports, such as football, NBA, golf, rugby, tennis. Apart from different TV channels, it launched its own TV channel, called “#0” and invested €70 million in own production drama. The exclusive rights to broadcast football matches were its major competitive edge against cable operators and emerging rivals .

The new competitors were the new OTT companies, such as Netflix, HBO, Sony, Wuaki, Amazon, and the Spanish ones Filmim and Filmotech, that were cheaper, accessible on mobile devices like smartphones and offered attractive contents for young viewers. Netflix arrived in Spain in 2015 and Telefónica included it in its offer of video services. Furthermore, the rights to Netflix’s most famous series, “House of Cards” and “Orange is the New Black,” were sold to Movistar+ (Doyle, 2016).

In 2015 it launched a recommendation algorithm for video on demand that utilized its massive and structured personal data from the users (Valero, 2016). The Movistar recommender covered every type of content, cartoons, sports, drama included in their catalog, except adult content (Herrero, Medina, Urgelles, 2018). As Movistar’s recommender only registers data from one user, so it is not able to recommend it to the rest of the members of the family, it is mainly addressed to a social consumption in a big screen in the household central place (Marcos, 2016). According to the Innovation and Big Data Manager from Telefónica, Movistar’s recommender was considered by its customers as good as Netflix’s (Morrás, 2017). However, for him, Netflix’s recommender prioritizes the contents by marginal cost, so that until the user does not see all their own production and the one that has at fixed cost, does not really recommend anything that would really mathematically come out as your favorite content to see. The registered data are mainly what, when (time, weekday) and where (device) the user watches; furthermore, likes and dislikes, and they also try to know the region where the user comes from and other socioeconomic variables, as well as tastes and hobbies. Netflix was more useful for individual users and individual consumption. Telefónica’s budget to maintain the recommender was lower in comparison with the content acquisition, especially sports rights.

The externally aware and integrated models are combined, because Telefónica was offering integrated services with an externally aware orientation. According to Chesbrough, one of the innovation steps is when a

company starts to open itself to external ideas and technologies in developing its business and the firm's own activities are tightly integrated with those of its suppliers and customers.

INTEGRATED BUSINESS MODEL

Most of the acquisitions were to improve audience awareness and services provided for the clients so far. But it also deployed its strategy of integration and alliances towards the supplier side. Looking to increase the integration of different companies in the value chain, Telefónica developed some strategies to integrate services suppliers and content producers.

In 2016, it signed an agreement with the data consulting company Kantar Media, to develop the Return Path Data service to obtain audience consumption data of its contents across any device that was necessary to sell the contents to advertisers (González-Neira et al., 2020).

In 2020 it created a content production company called Buendia Studios, which was a joint venture with the media company Atresmedia. The objective was to finance and produce film content, fiction series and entertainment not only for its distribution channels but also for third parties.

ADAPTIVE PLATFORM BUSINESS MODEL

One of Telefónica's strategic priorities was to offer its customers increased connectivity in their everyday lives through the Internet of Things, such as managing energy consumption, maintaining certain home systems, or scheduling irrigation and lighting, installing access control systems and on-off appliances for household appliances that help prevent accidents or excess usage when users are absent. (Telefónica, 2015). In 2017, Telefónica launched Aura, a virtual assistant that allows it to manage the Movistar services, as well as other smart home services (Millán, 2017). Its applications' functions include helping customers understand their services (for example, whether they can watch a specific sports event with their current bundle), anticipate their needs (for example, tariff optimization depending on their data consumption), and preventing problems (such as overages) before they appear. They also developed new technologies for the core businesses, such as video, advertising, financial services and healthcare, and in the long-term innovation area: Internet of Things, predicting human behavior, identity and privacy, and network evolution. In 2023, Telefónica consolidated its audiovisual production activities, broadcast of sporting events and technological support under the company Telefónica Broadcast Services (TBS).

It developed a program called Open Future, to establish agreements with universities, technological centers, investors and content providers that

became technological partners. Moreover, to boost entrepreneurship and to support open innovation it created startup accelerators such as Wayra, Talentum and Think Big, and investment tools as Amérigo and Telefónica Ventures (Telefónica, 2017).

In the conclusive section, Telefónica's competitive strategy in the video sector will be summarized and we will reflect on whether Chesbrough's proposed open innovation framework can be applied to telecommunications companies.

CONCLUSION

Upon implementing this methodology within a telecom company as Telefónica, it becomes evident that they have progressively tailored their operations to embrace greater sophistication and openness. Thus, Chesbrough's framework finds relevance in telecom firms oriented towards video delivery. While technological innovation may come relatively easily for telcos such as Telefónica, the primary hurdle as video providers lies in sourcing and creating compelling content for their subscribers. In the realm of video distribution, the competitive edge hinges on providing premium, exclusive programming, which requires substantial capital investment and risk.

The bottom line of Telefónica's business model on pay-TV has been to increase the number of subscribers and to reduce churn rates. For doing so, they merged with competitors to increase the distribution capacity and they have improved their innovation departments to offer better services and content division to acquire contents that are more attractive for subscribers. Price competition has been one of the key factors for its supply. For the first goal, external drivers such as deregulation and other media and telecom policies, draw the innovation strategy and the growth strategies decisions, but in the second one, the innovation track based on internal strategy and external alliances were needed.

Table 1 summarizes the sequence of business models employed by Telefónica and the key components of Chesbrough's framework.

Table 1. Telefónica business models according to Chesbrough's framework

Chesbrough's framework		Telefónica
BM with some differentiation	Some differentiation – one hit wonder	IPTV (Imagenio) Added value services: triple play and bundling offer
Segmented business	Competition in different segments BM is technologically oriented and profitable Vertical integration	Satellite TV (Via Digital - Digital+) FTA TV: Antena 3
Externally aware business	External ideas, sharing real time and alliances with suppliers	IPTV (MovistarTVGo) OTT (Movistar +) Alliances with Netflix, Mediaset, Kantar media
Integrated business	Suppliers and customers integrated in BM alternative distribution channel	Production company: Buendia Studios
Adaptive platform	Customers and suppliers are business partners Venture capital in small startups	AI STB (Aura) Internal investors (Amérigo, Telefónica Ventures) Startups accelerators (Wayra, Ralentum, Think Big)

The findings show Telefónica's first type of business model innovation was the launch of IPTV. Its interactivity and capability was higher with ADSL first, and fiber optic after. In a second stage, it launched video and invested on fiber optic , bundling services and attractive contents for audiences. However, the differentiation and segmented strategies have not been easier for it. Telefónica lost the focus on its core business and cannibalized itself with two different business models, one based on advertising and the other, in subscription revenues.

It could be asserted that every type of business model has been an upgraded version of the previous business model. However, after the smartphone revolution and 5G, external factors and partners are more important to innovate. The business model innovation in pay-TV was accelerated when Movistar merged with Digital +/Yomvi and it became the leader of the pay-TV market, thanks to the contents and the number of subscribers. Its competitive advantage was based on contents, the exclusive rights of sports and over all, the football matches, and its bundling capacity. Bundling was still the most important part of Telefónica's business strategy, but related to customer services was not as efficient as its competitors. On the other hand, it was also conscious of the competition with the new streaming companies and are developing technologies focused on smart home and user experience.

DISCUSSION

Chesbrough framework can be useful to analyze and to apply systematically the different paths that companies need to follow to incorporate innovation to their business model. In this analysis, we wanted to prove that the theory could be applied to telecom companies in the pay-video business.

However, within the business model framework, emphasis is placed on products and processes rather than revenue streams, which are the essence of the business. Upon examining Telefónica, it becomes apparent that there is a lack of innovation in the revenue stream. Revenue continues to be generated primarily through direct payments and flat fees for bundled offers. According to Chesbrough's perspective, understanding the intricacies of companies is essential for defining the business model. Because sometimes there are facts to integrate external expertise or to sign alliances with other companies that are not evident for the external analyzer and they do not have evidence in their products or economic results. To obtain a broader vision of the innovation strategies of the companies, the business model framework of Chesbrough could be completed with other management and innovation theories such as the five forces and competitive advantage of Porter (1979), disruptive innovation theory (Christensen & Raynor, 2003) or the blue ocean strategy (Kim & Mauborgne, 2015).

We agree with Biggam that telecom companies are constantly facing innovation and adapting their business to the market changes. According to this author, "pay-TV had already established itself as a key sector by the mid-1990s and distribution strategies have evolved to include a variety of internet-enabled platforms and to allow consumers to choose the time and device on which to view their content" (Biggam, 2015, p. 93). Telefónica changed their core business from telephone lines to video delivering and packaging. In the entertainment industry, the key factor is not a matter of distribution, but a matter of good quality service and popular contents at an attractive price. This is where these companies compete and they need to learn how to listen to the audiences to satisfy their tastes and necessities.

OTT delivery is growing significantly faster than expected and it is assumed that new OTT services such as Netflix, Amazon, Google TV will take a large share of the consumer market for the delivery of audiovisual content to households. However, they need compatible broadband connections such as wireless or fiber optic to achieve their audiences. Therefore, the business model necessarily will have to be open and collaborative in order to integrate all the phases of the value chain of the audiovisual industry, from content production to distribution and commercialization taking into account consumers' inputs in all these stages. Therefore, the collaboration of technology and

content sector that leads current OTT business innovation is very important for the media industry's economies of scale. Technological development of the systems, the speed and quality of the bandwidth, to have hybrid platforms and the size of the companies will be the key issues for the following years. The company with the best consumer intelligence and the ability to offer targeted content packages with different prices and for different devices will survive such as downloading, digital video recording, catch-up TV, and to offer a huge catalog of exclusive and popular contents. In the end, controlling the ecosystem will be the key issue to survive. That is why telecom companies could dominate the market and they need to become big and vertically integrated. The payment for content will depend on popular and exclusive events. Hence, to have distribution rights of the content will be the other key to success in this business.

It must be noticed that integrating external ideas and partners to a big company generates economic costs and human conflicts because of the different corporate cultures. In media companies, there is a traditional cultural shock among managers and creative professionals.

Though some limitations must be recognized for this theory as a paradigm of innovation implementation to adapt companies to turbulent contexts. Chesbrough's business model innovation is a practical systematic approach to implement innovation in the companies. Though an open business is necessary to innovate, a correlation between innovation, business model and profits of the company must be developed in future research in order to conclude whether open business is efficient, effective and profitable.

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