



CHALLENGES OF THE DIGITIZED TV AND STREAMING MARKET

Designing a Competitive 2030 Strategy for TV 2



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Dynamics in the Danish TV and Streaming Market

The changing behavior of consumers

With the increasing popularity of streaming services, Danish TV has undergone a significant transformation over the last decade. Thanks to smart TVs, mobile devices, and high-speed internet, viewers can now access streaming services no matter where they are or what time it is. Streaming services allow viewers to pause, rewind, or fast-forward, giving them greater control of content and a more personalized experience compared to traditional TV. Due to these trends, cord-cutting is on the rise, in which subscribers cancel their cable or satellite TV subscriptions and receive content exclusively via streaming.

Competing with international tech giants

With the increasing popularity of streaming services, Danish TV broadcasters face fierce competition from international tech giants. As more consumers are choosing international streaming services, the commercial and financial foundation of traditional Danish TV providers is challenged. With their deep pockets and extensive resources, the international players can invest heavily in high-quality original content and marketing, helping them gain a significant foothold in the Danish market. In turn, this expansion of untraditional market players has created headwinds for Danish TV broadcasters who are increasingly challenged on content offerings, marketing campaigns, and user experiences.

Pressure on the Danish public service model

As the development progresses, it becomes increasingly difficult for neutral journalism to provide comprehensive coverage of contemporary society. The Danish television industry has historically relied on the model of public service to provide citizens with a wide selection of neutral information that can be discussed openly. In part, this model is credited with creating an enlightened society by allowing Danes to consume a high amount of news from impartial journalistic media. It is therefore crucial to maintain existing coverage, which is a difficult task as historical monopolies are being disrupted by the rapid expansion of the international streaming markets.

THE DANISH PUBLIC SERVICE MODEL

aims to ensure that the media market is largely covered by neutral publicist media.

Adapting to change

Public service broadcasters are under tremendous pressure to adapt to the changing landscape, or risk losing relevance and viewership to international competitors. For public service broadcasters to fulfill their essential duties as a social force, they must succeed in this mission. As a result, Danish TV broadcasters have been investing in their own streaming services and original content to stay competitive. While these efforts are a positive step, there is still uncertainty as to whether this is enough to maintain their market position and stay relevant in the ever-changing TV and streaming industry.



Introduction

TV 2 Danmark A/S

We are thrilled to introduce this year's PCC RISE case partner, TV 2 Danmark A/S, a powerhouse in the Danish television industry. Established by law in 1986 to break DR's monopoly, TV 2 has since become a leading force in the Danish television industry, with a reputation for producing high-quality and innovative content that resonates with Danish viewers. As a 100% state-owned company and a commercial public service provider, TV 2 is the only media house in Denmark that creates public service content on a

commercial foundation, financed solely through subscriptions and commercials. TV 2's revenue streams therefore depend on its ability to attract paying viewers.

TV 2 is a national focal point in our globalized world, born to support democracy and safeguard the Danish public service model that turns media consumers into critical, informed citizens. TV 2 is obligated to cover all of Denmark and be relevant to every Dane, setting the most relevant agendas and bringing us

together around shared experiences. In a time of increasing competition from international tech and streaming giants, TV 2 manages to gather us around important events and information that create value and cohesion. Topicality and news form the core of TV 2's content. In an increasingly fragmented media landscape, TV 2's role in informing, entertaining, gathering, and engaging the many in democratic conversations is more critical than ever.



AT A GLANCE

+1,000,000
SUBSCRIBERS

on TV 2 PLAY

DKK
3.9 BILLION

Revenue in 2022

1.4 MILLION

Daily users on TV2.dk
and TV 2 apps

87 PERCENT

of Danes reached each week
via the TV 2 platforms





“

TV 2 is very excited to be the Case Company of PCC RISE 2023. TV 2 is currently in the middle of a strategic, digital transformation, which is founded in our 2025 strategy. The main purpose of the 2025 strategy is to future-proof TV 2's great impact and significant role in the Danish society, which we have built up for many years around traditional television. However, the media market and Danish media habits are undergoing a rapid change, more and more consumers are canceling their traditional TV packages, and competition from international tech giants is significantly increasing. All this requires an ambitious, offensive digital growth strategy if TV 2 wants to continuously gather, inform, and engage the Danes.

The partnership with Polit Case Competition is a great opportunity to gain new perspectives on how to foresee and predict the media market. I am very much looking forward to getting an insight into the students' strategic approach to TV 2's future development. We thank you for your engagement and hope you will enjoy the work.

- Carsten Topholt,
Chief Financial Officer

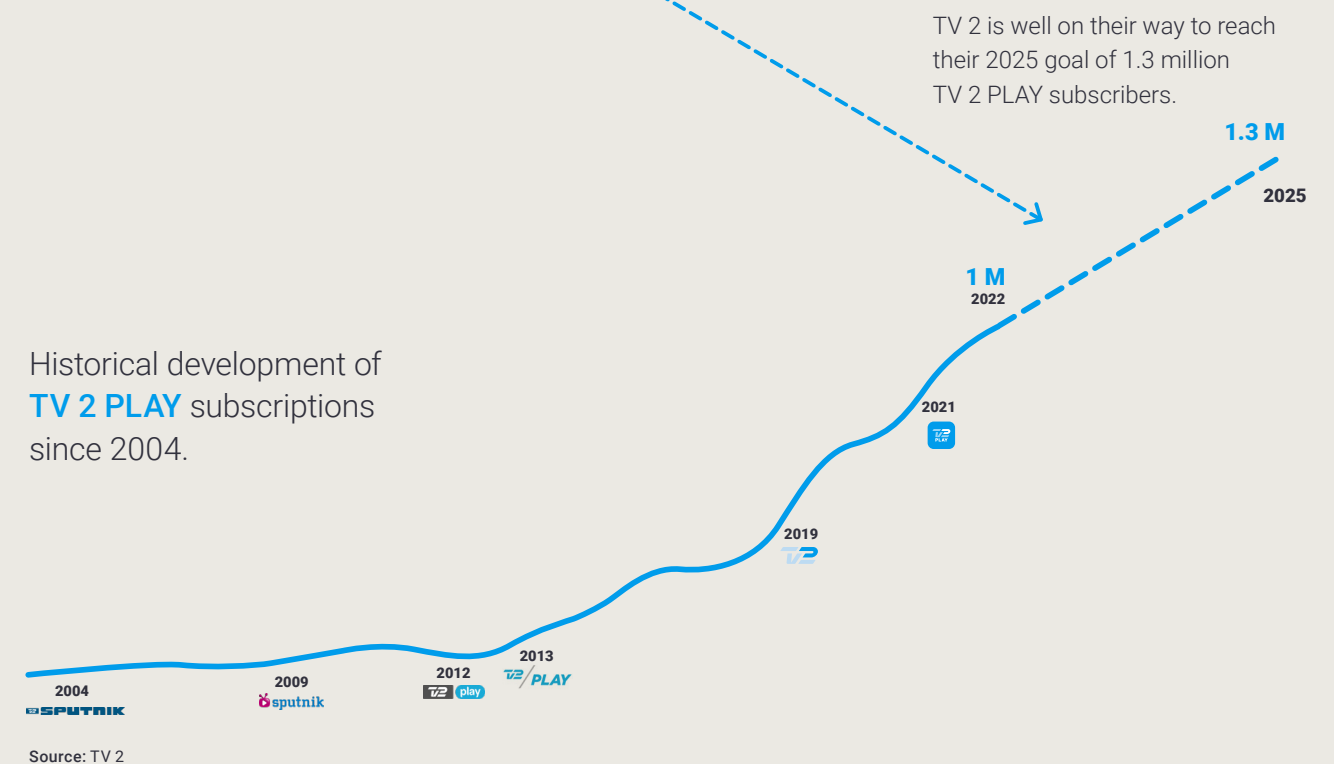
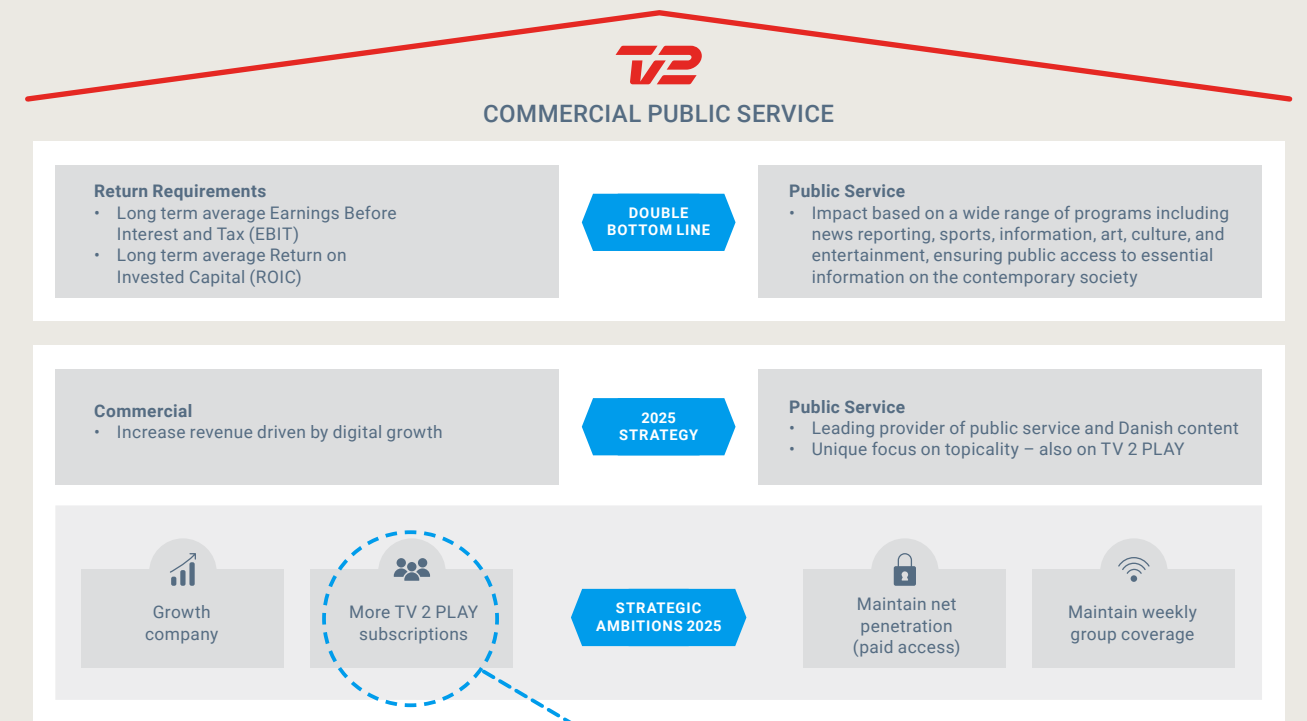


“TV 2 PLAY for Everyone” - The 2025 Strategy

The current 2025 strategy “**TV 2 PLAY for Everyone**” focuses on maintaining TV 2’s national impact and significance as the largest provider of Danish public service content. With the changing landscape of TV consumption in Denmark, TV 2 recognizes the need to adapt and remain competitive in a market, where more and more Danes opt out of traditional TV, and where streaming competition is massively intensified particularly by international tech giants. As part of an aggressive growth strategy, TV 2 is investing heavily in its TV 2 PLAY platform to ensure a strong and competitive position.

The aim of this growth strategy is to reach **1.3 million subscribers by 2025**, which requires ambitious and sustained investments in both content and commercial areas, as well as in digital capabilities. The goal is to continue providing high-quality Danish public service content to its audience, while also expanding its reach to new viewers. With this strategy, TV 2 aims to remain a relevant and important player in the Danish media landscape for years to come.

TV 2’s 2025 Strategy is based on a double bottom line including goals and strategic ambitions for financial and public service business aspects



The Case

With rapid digitization and the rise of streaming, the Danish public service model is at risk. As the TV industry transitions from a natural and national oligopoly to a global multi-agent streaming market, traditional media houses such as TV 2 face challenges in both their commercial and financial foundations, as well as their public service responsibilities. Thus, TV 2's shift from broadcasting to streaming is crucial. Failure to expand TV 2 PLAY accordingly would diminish its significance. While the 2025 Strategy "TV 2 PLAY for Everyone" is a step towards adapting to the changing landscape and ensuring future growth, several hurdles remain to be addressed. The streaming market is characterized by disloyal customers and penetration difficulties, thus underlining the importance of TV 2's original content and rights. For TV 2 to remain relevant to Danish audiences and protect their public service mandate, challenges of the ever-changing TV and streaming landscape must be addressed in their upcoming 2030 strategy.

Case Question:

How should TV 2 design its 2030 strategy for the TV 2 PLAY platform to maintain its competitive position as a commercial public service media house in the changing structure of the Danish TV and streaming market?

To answer the main case question, you are expected to cover the following aspects:

► **CASE QUESTION 1 (20%)**

Analyze the competitive conditions in the Danish streaming market. Investigate how past and possible future changes in the TV and streaming market structure affect financial and strategic aspects of TV 2 as a commercial public service provider.

► **CASE QUESTION 2 (50%)**

Design a competitive 2030 strategy which ensures that TV 2 maintains and/or expands their position as a leading commercial public service media house, focusing on the TV 2 PLAY platform.

► **CASE QUESTION 3 (30%)**

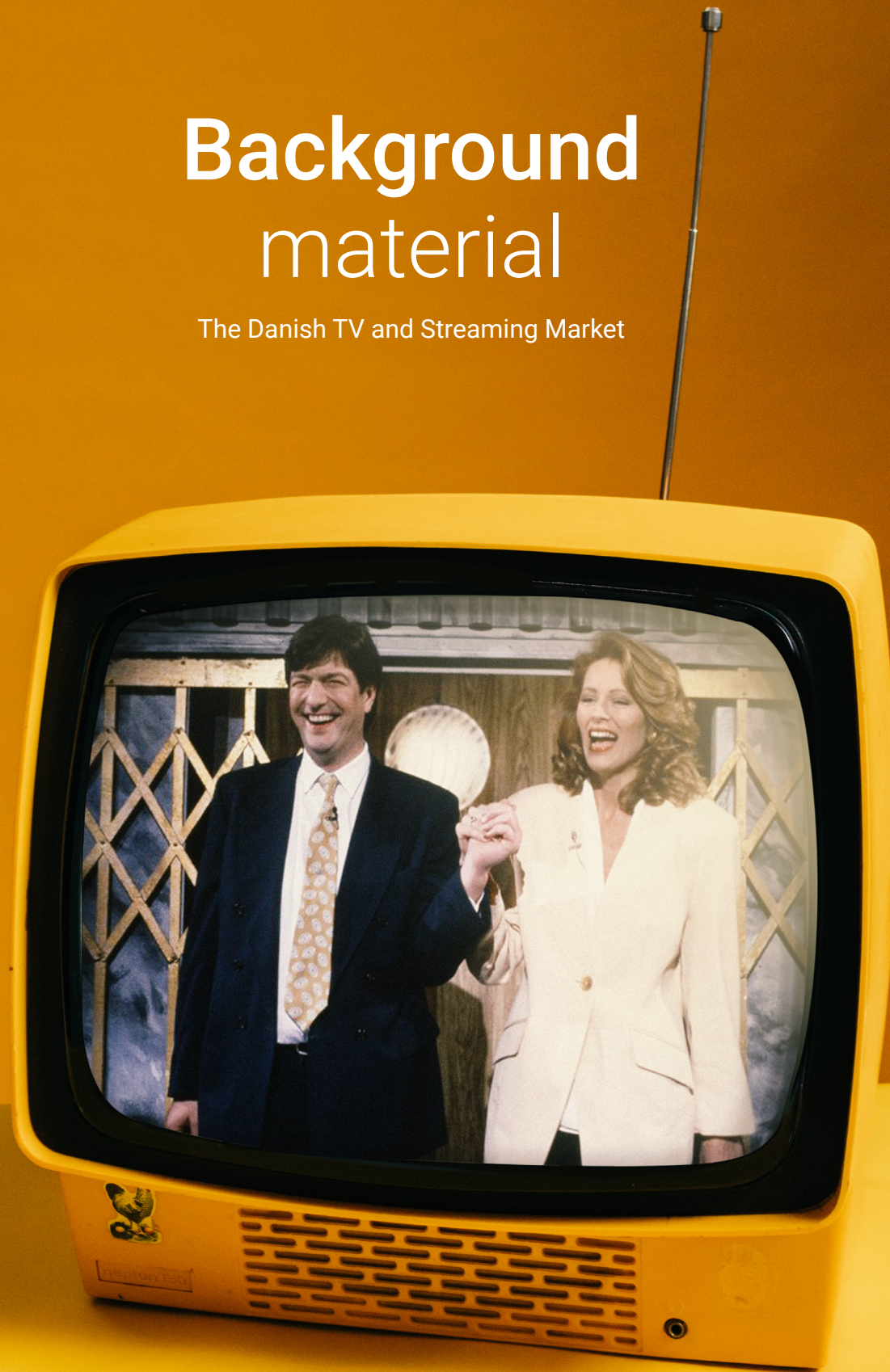
Conduct a critical assessment of the risks associated with your proposed strategy and consider how current macroeconomic conditions, and a possible recession, may affect your strategy. It is advised that you consider the cyclical sensitivity of TV 2's different costs and sources of income*.

*Note that participants are welcome to find macroeconomic key figures themselves from, e.g., Statistics Denmark <https://www.statistikbanken.dk/> (change to English in the top right corner if needed).



Background material

The Danish TV and Streaming Market



The early evolution of Danish television

In the 1980s, the Danish television market underwent significant changes. The Danish Parliament created TV 2 as a public service TV station to complement Danmarks Radio with the channel launching in 1988. The financing was a combination of advertising revenue and license fees until 2004, when TV 2 became a state-owned company without access to license fees. This was the official breaking of DR's monopoly on television broadcasting in Denmark, which increased competition in the market. The competition increased even further with the construction of the hybrid network in the mid-1980s, which

allowed for cable-tv, and the lifting of the ban on satellite TV for private individuals in 1987. Furthermore, the introduction of digital television in the early 2000s allowed for more channels and higher-quality transmissions, paving the way for video-on-demand and catch-up TV. This gave Danish viewers access to a growing number of TV channels, which were not only local, but for the first time, viewers had a greater choice in what they watched.

Recent development of traditional TV

The most recent significant change in the Danish TV market has been the rise of online streaming services. These services have

disrupted the traditional broadcasting model and have allowed viewers to watch content on-demand, at any time and place. As a result, traditional broadcasters are now competing with online streaming services for viewers, leading to new programming strategies and content distribution models.

As a result, TV today takes many forms, but is most easily categorized into the forms of distribution: Traditional television and streaming. The definition of streaming, and the categories it may cover, is somewhat fluid, but streaming as a general term covers video content viewed via an internet connection, either live or on demand.

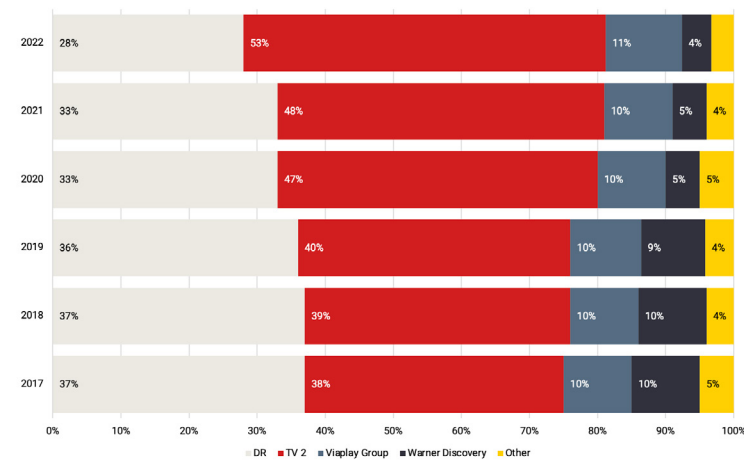
LIVE (FLOW TV)

ON DEMAND

	LIVE (FLOW TV)	ON DEMAND
TRADITIONAL TV	Viewing of TV channels	Viewing of recordings on e.g., VHS or HDD-recorders, "start-over"-functions
STREAMING	Viewing of TV channels via streaming services	Viewing of e.g., series and programs via streaming services

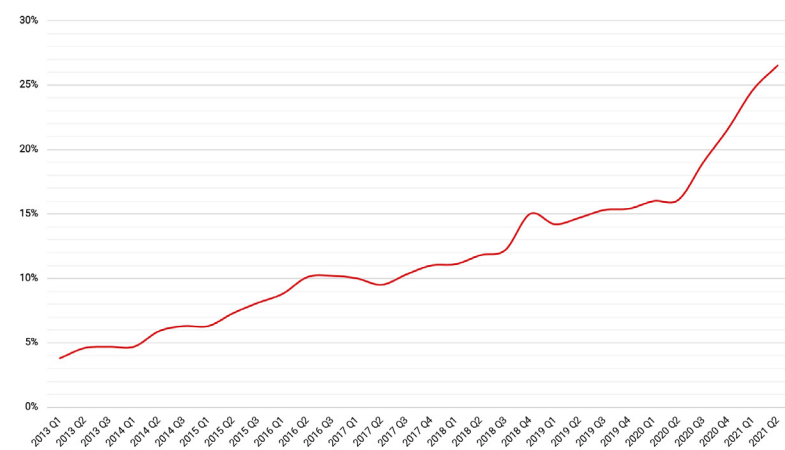
As illustrated in figure 1, the traditional TV market is dominated by a small group of players, namely DR, TV 2, Viaplay Group, and Warner Discovery, with TV 2 capturing the largest share of viewers. This success can largely be attributed to popular content such as Tour de France, the World Cup, and original productions such as Badehotellet and X Factor. Despite TV 2's relative dominance internally on the traditional TV market, figure 2 shows that the market itself is shrinking, with an increasing share of Danish households opting out of traditional TV.

FIGURE 1:
Viewing shares divided by channel families



Group: 3+ years. **Source:** Kantar Gallup Viewer Survey (2017-2021) and Nielsen Viewer Survey (2022). Data: Live + VOSDAL + TS 1-7
Disclaimer: The figure is not Polit Case Competition's own, but comes from the annual report by DR on the development of Danish media.

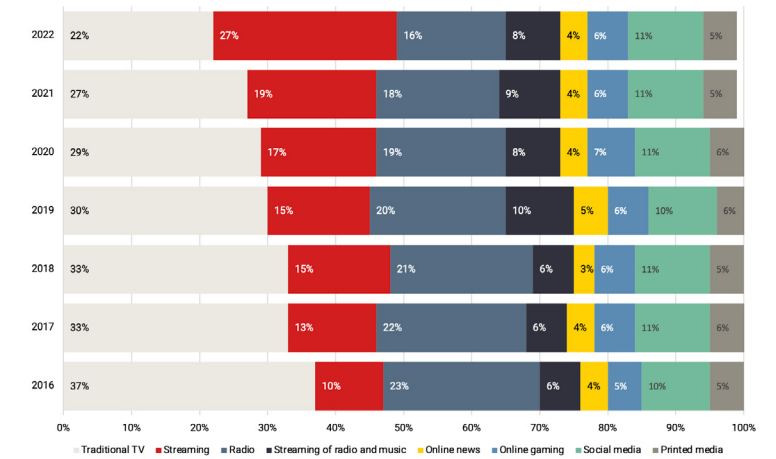
FIGURE 2:
Percentage of households without traditional TV reception



Source: Kantar Establishment

The overtake of the new media
Figure 3 shows that 2022 marks the first year where Danes spent more hours streaming than watching traditional TV.

FIGURE 3:
Distribution of Danes' media use

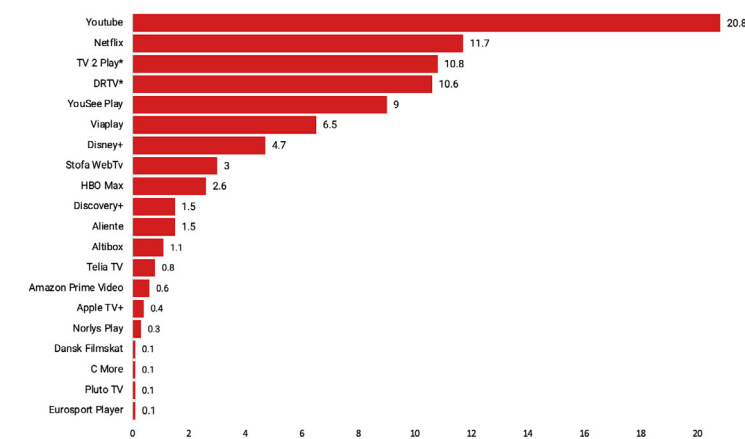


Group: 15-75 years. **Source:** DR Media Research. Period: 2022. The estimate is based on a number of different sources, including the official market measurements on radio and television, but also a number of questionnaire surveys, where time consumption is not measured directly, but calculated on the basis of the respondents' answers. The source for estimating streaming has in 2022 changed from a questionnaire survey to the official market measurement of TV.
Disclaimer: The figure is not Polit Case Competition's own, but comes from the annual report by DR on the development of Danish media.

Current Danish streaming trends

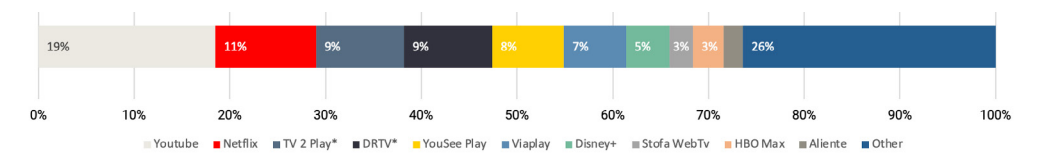
The general transition from traditional TV to streaming has increased the number of media offers and changed the competitive scope of TV and streaming from national to global. Where the traditional Danish TV market is an oligopoly, the streaming market is characterized by many international agents with differentiated content profiles and business models.

FIGURE 4:
Daily minute consumption of streaming per service (top 20)



Group: 3+ years. **Source:** Data: Player (total). Period: 2022. Social media as well as other and unknown streaming are not included.*The numbers for DRTV and TV 2 Play are weighted with player data.
Disclaimer: The figure is not Polit Case Competition's own, but comes from the annual report by DR on the development of Danish media.

FIGURE 5:
Distribution of time spent on the 10 largest streaming services



Group: 3+ years. **Source:** Nielsen Viewer Survey. Data: Player (total). Period: 2022.
Disclaimer: The figure is not Polit Case Competition's own, but comes from the annual report by DR on the development of Danish media.



Understanding



The TV 2 Value Chain

Being a 100% state-owned company, TV 2 Denmark is obligated to operate public service programming on their main channel TV 2 following the license issued by the Ministry of Culture. This entails that the program offering must include news reporting, sports, information, art, culture, and entertainment. The other channels and services are operated on purely commercial terms. The TV 2 Group runs the following activities:

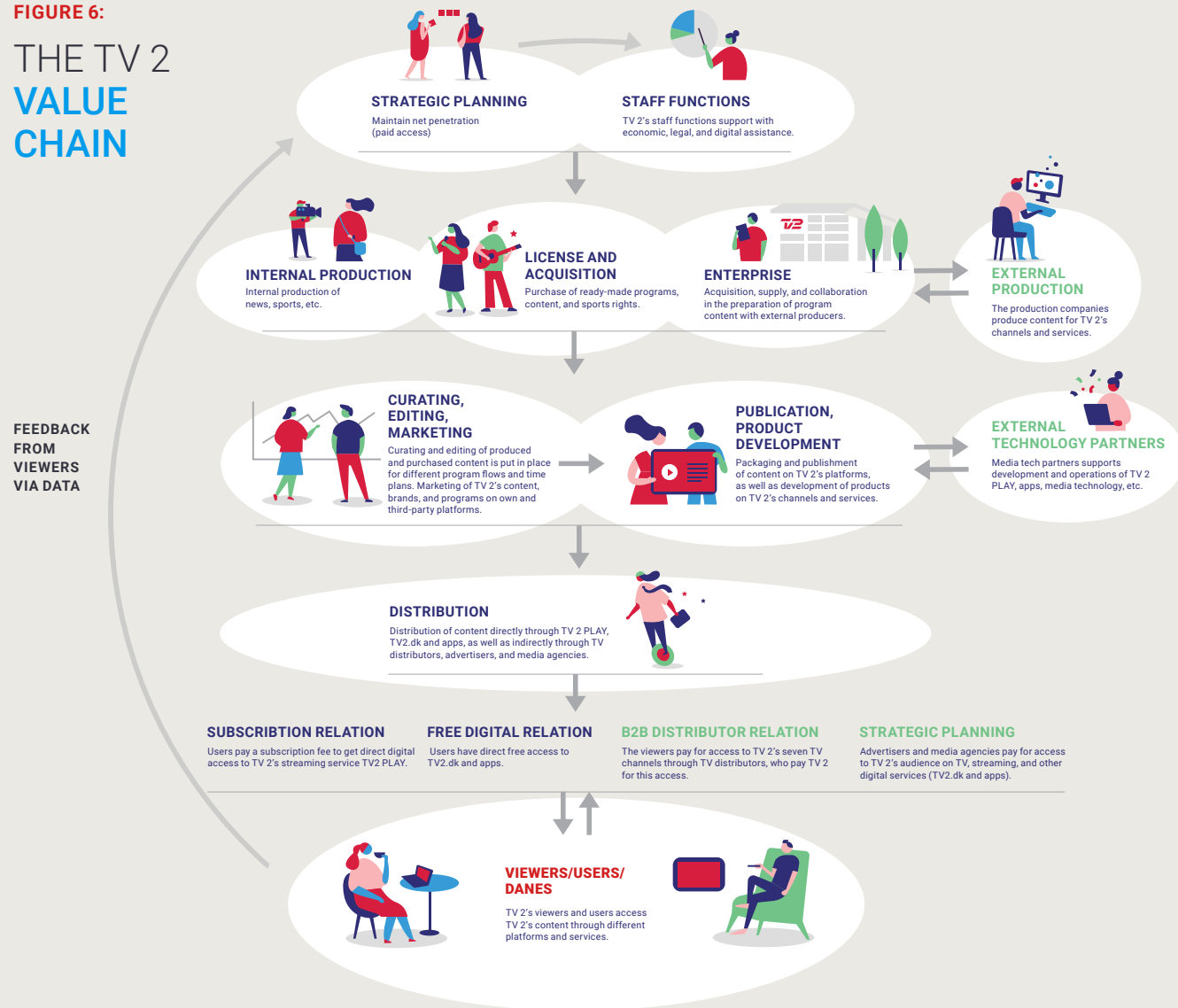
<p>FLOW TV CHANNELS</p> <p>TV2</p> <p>TV2 NEWS</p> <p>TV2 CHARLIE</p> <p>TV2 ZULU</p> <p>TV2 FRI</p> <p>TV2 SPORT</p> <p>TV2 SPORT X</p>	<p>TV 2 OPERATES SEVEN FLOW TV CHANNELS</p> <ul style="list-style-type: none"> ▶ THE MAIN CHANNEL TV 2: full-scale public service channel with a varied range of programs for everyone. ▶ TV 2 NEWS: a specialized channel focusing on news programs. ▶ TV 2 CHARLIE: a specialized channel focusing on programs for the mature audience. ▶ TV 2 ZULU: a specialized channel focusing on programs for young people. The channel closes on March 27, 2023. ▶ TV 2 FRI: a specialized channel focusing on lifestyle programs. ▶ TV 2 SPORT: a specialized channel that exclusively shows sports. ▶ TV 2 SPORT X: a second specialized channel exclusively showing sports.
<p>STREAMING</p> <p>TV2 PLAY</p>	<p>TV 2 operates the streaming service TV 2 PLAY, which offers the opportunity to watch TV 2's content live and on demand, as well as the opportunity to watch 15 event channels.</p>
<p>OTHER</p> <p>TV2</p>	<p>TV2.dk and three apps (news, sport, and weather), which are entrances to TV 2's freely available content.</p>

TV 2 produces news, current affairs and sports programmes and further collaborates with the eight independent TV 2 Regions on deliveries for the main channel's broadcast surface. The rest of the transmission surface is provided primarily by external partners.



Figure 6 illustrates the TV 2 value chain. This shows how TV 2 creates, produces, and distributes content to its viewers through TV channels, streaming services, and other digital media platforms to create a foundation for advertising and subscriptions.

FIGURE 6:
THE TV 2
VALUE
CHAIN



TV 2 has two main revenue streams. Advertising and subscriptions. Its content is sold both directly to consumers and via distributors such as YouSee.

ADVERTISING REVENUE	Revenues from sales of TV advertising, Advertiser Funded Programming (AFP), banner advertising, and sponsorships
SUBSCRIPTION REVENUE	Revenues from subscriptions and user payments
OTHER REVENUE	Revenues from sales of rights and production

TV 2 has categorized its costs into content, sales and marketing, and administration.

CONTENT COSTS	Costs for license, contract, and in-house productions, which are expensed at the time of screening. Costs for cultural support (film support), write-downs of programs and subsidies from the Public Service Pool, which are set off against the productions.
SALES AND MARKETING COSTS	Costs for sales and marketing activities, including costs for the production of trailers. Facility costs, personnel costs, depreciation and write-downs, which can be attributed to sales and marketing costs. Revenues from sales of rights and production
ADMINISTRATION COSTS	Other costs include costs for settlements relating to protracted litigation.
OTHER COSTS	Costs for management and joint administrative functions such as law, HR, communication, and finance.

Understanding TV 2's key figures

One of TV 2's key figures is the EBIT-margin. The EBIT margin is the percentage of a company's earnings before interest and taxes that are generated from its operations. This metric measures a company's ability to generate profits from its core business.

It can be useful to calculate growth in a given variable for an individual company or a market as a whole when designing a strategy. The compound annual growth rate (CAGR) is the rate of return that would be required for an amount to grow from its beginning value to its ending value, assuming the profits were reinvested at the end of each period.

$$EBIT \text{ margin} = \frac{EBIT}{Total \text{ Revenue}} * 100$$

$$CAGR = \left(\left(\frac{EV}{BV} \right)^{\frac{1}{t}} - 1 \right) * 100$$

Where **BV** is the beginning value, **EV** is the ending value and **t** is the number of years.

Perspective to the Current Economy

The global economy is facing a slowdown

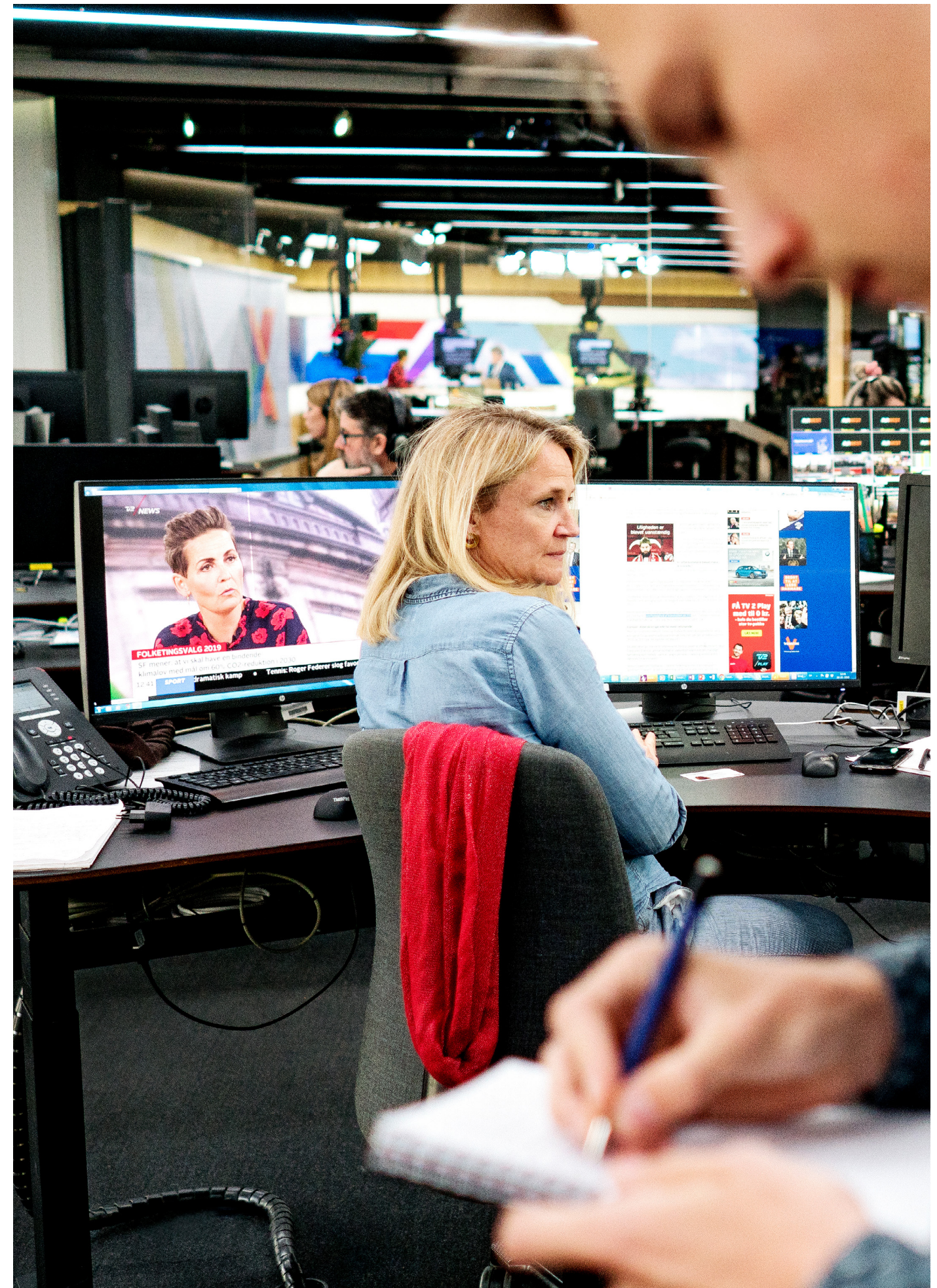
In the past few years, the world has witnessed a pandemic, economic instability, and geopolitical fragmentation, which has emphasized how difficult economic developments are to predict. The IMF World Economic Outlook from January 2023 suggests that labor market tightness could lead to unexpected wage growth, which could further stimulate inflation. Coupled with higher oil, gas, and food prices driven by the war in Ukraine and a faster rebound in China's growth rates, inflation expectations could become de-anchored and require even tighter monetary policies. These factors could reduce household purchasing power, increase interest rates, and slow the Danish economy, as shown in the expected growth rates for Danish real GDP in the following table.

To address this global uncertainty and the potential downside risks, companies are incorporating these factors into their forward-coming strategies. One approach is to analyze the cyclical sensitivity of income streams to understand how an economic downturn may affect a company's ability to generate revenue. For TV and streaming providers with very large one-off investments in original productions and programme rights, forecasting the cyclical sensitivity of revenue streams is especially important.

The terms **cyclical** and **non-cyclical** refer to how closely correlated a company's share price and performance is to the fluctuations of the economy. The performance of a cyclical product like luxury fashion will be positively correlated to the economy, while companies who provide non-cyclical or counter-cyclical products like electricity and water supply outperform the market when economic growth slows.

GDP GROWTH FORECAST % YOY

	2023E	2024E
DANSKE BANK	-0.1	0.1
NORDEA	-0.5	0.0
DANSK INDUSTRI	-0.8	1.5





Rules and regulation

- 1.** In Polit Case Competition RISE 2023, you are judged solely by the panels of the semi-finals and finals judges, based on your oral presentation, your supporting slide deck, and the subsequent Q&A session. You will be judged on the entire aspect of your analysis and solution, including the decisions you make along the way, and how you document and argue for them.
- 2.** You must submit your slide deck as a single PDF file in 16:9 format at rise2023.innoflow.io no later than 6:30 pm. Late submissions will not be considered.
- 3.** Your presentation slide deck must not contain more than 8 slides, including the frontpage. Any supporting documents are not required, nor considered.
- 4.** All content presented must be the original work of the group. Between 11:30 am and 6:30 pm, no outside aid or communication with other teams is permitted.
- 5.** If chosen as a semi-finalist, the oral presentation must not last longer than 10 minutes.
- 6.** In case of organizational questions or issues handing in your deck on Innoflow, these should be addressed to a member of Polit Case Competition by e-mail to info@politicasecompetition.com or via our social media. We cannot provide input to the case contents.

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Disclaimer

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The content of this case builds to a large degree on the TV 2 annual reports and company presentations, supplemented by the DR publication "Medieudviklingen 2022".

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GOOD LUCK