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An investigation into disruptive innovation in the entertainment industry

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Abstract

As society moves towards digital developments, people demand more flexible forms of consumption. In the craving for new products and services, globalisation presents itself as a driving factor for economic and social changes, accelerating innovations arise. Thus, this paper aims to discuss the role of disruptive innovation as a democratic process to introduce new technologies to the world. The analysis of existent literature indicates that disruptive business models not only respond for significant changes in consumers behaviour but also induce competitors to reshape their strategy. In addition, an investigation into disruptive innovations in the entertainment industry, particularly in the subscription video-on-demand sector, identifies central ideas, patterns, and contexts related to disruption. Through a qualitative analysis based on bibliographic research and Netflix as a case study, the main findings of this research present the emerging of business models as a leading economic force, outlining their effects on businesses outside their core market and the new ways of consuming entertainment introduced by them. Consequently, further research proves to be needed to confirm and evaluate the relationship between disruptive entertainment business models and their consequences in society.

Keywords: disruptive innovation, disruptive business models, Netflix, entertainment industry, subscription video-on-demand

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1. Introduction to study

Innovation, and mainly disruptive innovation, has always been part of human history. It does not have borders or regulation, however, represents an inexhaustible source of investigation. As stated by Moss (2009), innovation drives human progress. Therefore, this work focuses on narrowing the literature gap surrounding the growing incidence of disruptive innovations. Moreover, it aims to discuss the role of innovation in the entertainment industry, outlining disruptive patterns and the consequent rise and fall of business models. This paper uses Netflix as a case study to understand the escalation of streaming video-on-demand business models introduced by the company in 2007 (Richardson, 2011). Thereby, it summarises principal facts attributed to successful business models migrations from product to customer-focused (Wardle, 2018).

The concept of innovation evolves continuously over time. Described by Teece and Pisano (1994) as a social phenomenon where organisations rely on their competitive advantage, in contrast, the Oslo Manual (OECD/Eurostat, 2005) presents other definitions: 1. implementation of a new or improved product, service or process, and 2. new marketing or organisational method in business practices. Further, as globalisation grew as an economic force, it started to influence overall living standards, especially after the Internet. Together, globalisation and innovation create and disseminate new forms of consumption, including new technologies and business models, leading to continuous shifts in consumers preferences. Highlighting the Internet as a driving factor for globalisation, Sayre and King (2010) stress the importance of networks capabilities in disseminating innovations.

In this scenario, the concept of disruptive innovation emerges as new ways of doing things, rather than insist on fitting in current markets (Harvard Business Review, 2019). Therefore, this research takes the disruptive innovation subject into a broad discussion to argue that is by increasing and destroying businesses that markets remain operating (Kin and Mauborgne, 2015). At this stage, what measure companies' success is the ability to capture value, meeting the demands of a new segment before competitors arrive. Therefore, part of this work is devoted to identifying disruptive patterns, leading causes for market disruption and consequences for society. Furthermore, an analysis from the entertainment industry angle suggests that the world is now living in the entertainment era (Zillmann and Vorderer, 2000). Thus, new disruptive companies have been working their way in order to make entertainment more accessible and democratic to people.

As innovation challenges the entertainment market landscape, this research uses a qualitative approach to dive into bibliographic materials to provide relevant and accurate data for investigation. Through a mix of bibliographic research and case study analysis, the work investigates the innovation impacts on the entertainment industry, supporting Warren and Sorescu (2017) view that entertainment is a leading force in today's world economy. This research builds upon credible sources, articles, and reports, presenting perspectives from several authors in order to investigate innovation challenges in the market landscape. Overall, the applications of this study would help people in general, not only specialists, to become critically aware of the impact of innovation on daily life.

2. Research question, goals and objectives

Given the growing incidence of disruptive innovations, this research investigates the innovation field and its impact on the entertainment industry. Throughout an in-depth investigation, the main goal is to identify and comprehend the basis of disruption, focusing on understanding patterns, traces, and the following consequences in society. Additionally, this research purpose is to critically evaluate breakthrough changes in consumers' behaviour due to disruptive business models and their ramifications on existing businesses. This work also reports the evolution of entertainment innovations, especially in the Internet era, outlining outcomes and side effects. In addition, a broad discussion regarding changes in the market landscape and consumer behaviour in view of the advent of subscription video-on-demand open grounds for further analysis. Thus, the main issues addressed in this research are:

I. How and why can innovation be considered disruptive?

II. What impact has innovation had on the entertainment industry?

3. Research Design Methodology

Selecting an appropriate approach for research helps to narrow down assumptions, methods, analysis, and interpretations (Creswell, 2014). Thus, this research has adopted a qualitative approach, focused on casting light on the impact of disruptive innovations on the entertainment industry. An exploratory analysis based on prior studies has built up an in-depth investigation surrounding the innovation subject, especially the disruptive framework. Furthermore, according to Walliman (2011), research is only valid if it is carried out honestly by the researchers. Thus, this research has a compromise with credibility, and, following Creswell's (2014) guidelines, it provides an accurate account of the facts during the interpretation data process. Even though the work does not directly collect data from the public, it is also necessary to be aware and take all precautions to avoid ethical misconduct.

Moreover, through critical analysis of the data, this research aims to understand when innovation is disruptive, evaluating the main characteristics of disruptions and what leads people to embrace innovation as part of their life. As stated by Bryman (2012), qualitative research presents a view of social reality as a constantly shifting emergent property of individuals' creation. Besides, the bibliographic research process, and its vast exploration of books, articles, and academic journals, presented an evaluation of the impact of innovation on the entertainment industry. As this paper bases on secondary analysis, the background information provides comprehension of relevant context, concepts, and theories (Heaton, 2011). Further, the high intensity of this research demands a broad perspective of up-to-date and genuine data on the subject.

Complementary to the bibliographic research process, this work uses a case study approach to acknowledge how Netflix has implemented a disruptive service. According to Stake (1995), a case study analyses the particularities and complexities of a determined event. The author also states that case studies usually have a small ground of generalisation, tending to follow a qualitative path rather than a quantitative one. An equally significant perspective is presented by Yin (2012), who affirms that case studies are a way to comprehend real-world perspectives. Therefore, by researching in the literature and using Netflix to background the research, it is expected better comprehension of the impact of life-changing innovations and the market changes induced by them.

4. Literature Review

Despite the uncertain and random nature of the innovation process, it commonly involves a dynamic, complex, and non-linear global activity (Gault, 2010). In light of this view, the globalisation phenomenon has emerged to integrate international markets (O'Rourke and Williamson, 2002). According to the OECD (1992), globalisation accounts for intangible and technological investments in innovation, working through a combination of increasing cross border activities and information technology. Moreover, it enables instantaneous communication worldwide and allows everyone, based on everywhere, to get access to everything (Hortz-Hart, 2000). Also, Kanter (1995) states that there is a set of foundation processes associated with globalisation, which includes mobility of capital, people and ideas; simultaneity; multiple choices capability; and diversity of expertise centres. As a result, people, businesses, and cultures are brought together for a more interconnected world.

Furthermore, Hortz-Hart (2000) suggests that globalisation means more than internationalisation. Instead, it is a process of change generated through collaboration and competition across countries. This concept helps to shape markets around the globe, pushing industries to invest in internationalisation strategies in order to quickly respond to this movement. Thus, while globalisation grew as an economic force, it started to influence overall living standards and income distribution (O'Rourke and Williamson, 2002). Complementary to this view, the idea of an effective global culture potentiates with the Internet (University of Minnesota, 2016). For Hortz-Hart (2000), the dissemination of innovation and its increasing performance depend on networks capabilities.

Recently, the Internet has become the most visible aspect of globalisation, reaching out to communications technology and capital movements, and consequently changing the nature of global social relations (Borcuch et. al., 2012). However, while globalisation suggests a faster rate of diffusion of new practices (Hortz-Hart, 2000), the late digital development and lack of high-speed broadband in several countries proved to be a challenge for new business models (Brennan, 2018). Still, internet-based companies have reached a broader audience compared to traditional ones (University of Minnesota, 2016). As a result, according to Brennan (2018), new digital services are now a viable option for entertainment, and customers once hesitant to pay for online services are willing to spend money with digital features.

4.1 What is innovation: a look into disruptive patterns

Global activities have increased the movement towards innovation, leading to restructures in markets and society. For Tidd and Bessant (2014), innovation is about turning ideas into values, making actual changes for the world. However, the concept of innovation lacks consistency. While Drucker (1985) defines it as an arranged search for changes and, more importantly, what these changes can offer for an economic and social market, Tidd and Bessant (2014) state that innovation does not come from anywhere but, instead, it is a response to opportunities or threats. The Oslo Manual (OECD/Eurostat, 2005) defines innovation as a new product, service, or process in business practices. On the other hand, Goffin and Mitchell (2017) classify innovation as an idea perceived as new by society. Yet, despite divergent meanings, innovation plays a substantial part in business strategies.

According to Teece and Pisano (1994), innovation is the most valuable investment for growing companies. For the authors, identifying and exploiting new opportunities is generally more profitable than generate defensive strategies to stop competition. Moreover, Utterback and Abernathy (1975) have proved through empiric tests and statistical evidence that innovations have a pattern and can be managed. The authors also define innovation as a combination of technologies to meet market needs. Thus, there is no right or wrong definition for innovation but contrasting lines of thoughts. Overall, innovation is a social and dynamic process, where organisations rely on to gain a competitive advantage and achieve success (Teece and Pisano, 1994). And to identify the better way to promote innovation, each industry should first find the most fittable definition.

As important as the innovative process is the division of innovation into degrees. Goffin and Mitchell (2017) describe innovation as an incremental, breakthrough, and radical, outlining radical as a new business model, making new markets rare and difficult to copy. Besides, Pisano's (2015) classifications are disruptive, architectural, routine, and radical, where disruptive demands a new business model but does not necessarily require new technology. The author also presents a fourth meaning, architectural innovation, in which it combines new technology with a new business model. One more and thoughtful perspective is mentioned by Christensen (2012), the pioneer scholar to bring up the term *disruptive innovation* in the late ’90s. According to him, disruptive innovations have a fundamental role in the democratisation of technology, making innovation a means to transform expensive products into affordable ones. Still, the author also agrees that disruptive innovations demand investments in new markets.

For Warren and Sorescu (2017), innovation should be seen as a process that contributes to the development and continuity of organisations. In sum, innovation accounts for change, going from minor modifications until the development of entire systems (Tidd and Bessant, 2014). Further, different types of innovation influence and conduct the market in independent ways (Markides, 2006), generating distinct effects in economic, financial, and social terms. Thus, disruptive innovations introduce new technology products and services that should transform economic activity by creating simplicity and accessibility while reducing costs (ARK Invest, 2014). For Kotler et. al. (2017), disruptive businesses are also a way for society to move towards inclusivity, as new emerging markets are now served.

A broad perspective named the Blue Ocean Strategy suggests that disruptive innovations originate new unexplored markets (Kin and Mauborgne, 2015), creating environments without competition. According to the theory, demands are fabricated rather than fought over (Harvard Business Review, 2019). The Blue Ocean Strategy demands investments in new business models, considering business models as the process of capture, creation, and delivering of value (Osterwalder and Pigneur, 2010). The rising number of Blue Oceans since the past 30 years brings a thoughtful insight: how many business models will take place next 30 or 50 years? The prime source for Blue Oceans innovations relies on differentiation strategy since it is by being different and serving customers better that value is created (Zook and Allen, 2011). In this scenario, value is not only commercial but also regarded social aspects (Tidd and Bessant, 2014).

The simultaneous pursuit of value and cost is the logic behind the Blue Ocean Strategy (Harvard Business Review, 2019). And how to build value is systematically connected with how to solve customers’ pain points. For Wardle (2018), when company purpose is placed before profits, innovation becomes a tool to help people build their dreams. In light of this statement, another approach is presented by Montgomery (2012), who defines purpose as the essence and unique value of a company. The author also relates purpose with commitment and strategy, defining strategy as a combination of market economics, ideas and action. In this sense, strategy is not necessarily related to competitors - one of the essentials propositions of disruptive businesses. Instead, it comprehends vital choices that would directly influence companies’ performance.

In recent years, several disruptive businesses emerged from industries considered conservator. As stated by Christensen et. al. (2015), the disruption usually occurs when small companies challenge traditional ones. These companies introduce new products and services and wipe up markets from current industries lacking innovation. (Schroeder, 2019). More important than the product, disruptive companies focus on a new way of doing things. When this goal is achieved, the following movement is to capture market share from traditional businesses and then their profits (Christensen et. al., 2015). For Christensen (2012), the disruptive mechanism brings cheaper and simpler products to the masses around the world. Still, according to the author, it is fundamental to understand disruption as a process that can take time and is often overlooked by other players in the industry, which do not see the new entrant as a threat until it becomes too late (Christensen, 2012). However, as suggested by Kin and Mauborgne (2015), it is the act of creating and destroying businesses that keep the market operating.

4.2 The rise of business models in the entertainment industry

Distinct innovations result in different markets. Given that, over the years, researchers have devoted attention to recognising the effects of disruptive innovation. Thus, to provide are more accurate investigation, the literature divides disruptive innovation into two categories: business-model innovations and radical product innovations. According to Markides (2006), disruptive business-model innovations accounts for the discovery of a fundamentally different model in an existing business. While Christensen (1997) defines disruptive innovation based on technological requirements, including products and business models in the same group, Markides (2006) suggests that they should be treated apart. Also, the author affirms that disruptive business models enlarge the existing economic pie, bringing in new customers and encouraging existing customers to consume more.

Through new value propositions, disruptive business-model innovations induce customers to rethink predominant consumption habits and behaviours (Barros et. al. 2021). Besides, they attract targets from established companies and require alternative value chains (Markides, 2006), making business-model innovations a strategy for business growth. In this scenario, the launch of a new disruptive product may force competitors to reshape their business forms (Cândido, 2011; Markides, 2006). Overall, Markides (2006) states that business-model innovations capture existing markets, redefining existing products or services, and introducing new ways to deliver them to customers, different from traditional players.

However, as society increasingly moves towards digital services, customers became more demanding regarding flexibility and scalability ways of consuming (Deloitte, 2021). In such a situation, subscription-based business models emerged as an alternative form of consumption (Pérez, 2020). The subscription economy focuses on customers' personalised experiences, implying changes to business capabilities and operating models (Deloitte, 2021). It also accounts for companies trading recurring subscriptions for access to products or services (Campbell, 2020). Moreover, the model sustains itself on constant improvements, focusing on meeting the particular desires of customers to increase value and build longer-lasting relationships. The subscription on-demand meets consumers' needs by responding to individual sets of expectations (StartUs Insights, 2020) and delivering unlimited access to an extensive variety of content for a monthly flat fee (Campbell, 2020).

In light of this view, the transformation from traditional live broadcasts to subscription video-on-demand services (SVoD) has been impacting the viewing habits of society (Pérez, 2020). The driving factor of success for subscription-based businesses relies on getting to know customers and monetised this understating in a flexible, responsive, and personalised service (Campbell, 2020). Besides, the Covid-19 pandemic has contributed to this stage, as the SVoD industry is expected to reach US$71,237m in 2021 (Statista, 2021). According to Rajan (2020), during the first lockdown in 2020, 12 million people signed up for a new SVoD. For Rao (2020), businesses capable of offer these values will exceed by delivering high-quality video streaming service for their customers.

The shifting of consumers' behaviour induces a change for new models of entertainment consumption. As stated by Moss (2009), the growing consumer demand to be kept entertained has originated numerous businesses focused on captive audiences. According to OED (2008), entertainment is any activity that provides interest or amusement. Moreover, while Wordnet (2008) states that entertainment diverts and holds attention, Merriam-Webster (2008) affirms that it amuses and provides a diversion. Still, there is no consensus regarding the concept of entertainment. Furthermore, the entertainment industry comprehends any company that generates value through something interest to do or watch (Spacey, 2019). The industry is responsible for delivering and produce thrilling experiences for ease consumption, evoking an emotional response among audience members (Moss, 2009).

Over the years, features like image projection, recorded sounds, cinema, radio, and television represented milestones in entertainment history (Moss, 2009). However, the advent of the home computer, Internet, and affordable broadband, took the industry to another baseline. A disruptive shift regarding the overall availability of content, along with algorithms developed to curate personalised, contributed to a massive spike in the home entertainment market (StartUs Insights, 2020). According to Aguirre (2017), the world faces its major business model transformation, where several industries are being impacted by digital disruption. According to StartUs Insights (2020), the entertainment industry is the most instantaneous way of introducing new technologies to society.

Due to a continual cycle of reinvention, innovation found new ways of keeping society entertained, building a symbiotic relationship between technology and entertainment (Stuczynski, 2014). As a result, several technological developments have been incorporated by entertainment businesses, like AI, drones, VR, gesture control, connected home, 3D/4D and streaming. Besides, SVoD has reshaped the industry by offering a content-as-a-service (CaaS), providing broad access to content, and generating steady revenue (StartUs Insights, 2020). However, while content consumption shifts from traditional media to on-demand providers, customers are becoming overwhelmed by the extensive amount of content available (Page, 2017). To overcome this situation, companies are investing in AI through self-learning engines in order to generate and personalise content, delivering a high-quality experience (Campbell, 2020). Overall, on account of technological investments, the entertainment industry is moving faster than ever before.

The current digital transformation demands a quick reaction from businesses, especially around home entertainment. In this scenario, companies lacking technological investments in innovation may not survive the competition. There is a need to deliver appealing content in alternative formats, reinforcing the urge for investments in digital capabilities, delivering pleasant experiences in a fast change environment. Moreover, according to Rajan (2020), the migration to digital platforms was speeded up due to Covid-19 lockdowns, transforming home entertainment into an escape from what is going on in the world. However, the challenge now relies on how to serve customers who have numerous entertainment choices.

4.3 Netflix: a disruptive innovation case study

The following giant leap in how the world consumes entertainment has arrived (Barners, 2019). Netflix, a disruptive company responsible for shaking up the way people watch movies and tv shows, was the one responsible for introducing the subscription video-on-demand business model. The corporation, which has started as an online DVD rental service, is now a world leader in streaming entertainment service, with over 200 million members subscriptions in 190 countries (Alexander, 2021). Netflix’s members can watch series, movies, documentaries, and tv shows in a vast diversity of languages, as much as they want on any internet-connected screen, paying a fixed amount per month. Currently, Netflix’s core strategy is to grow memberships worldwide while improving customer experience (Netflix Investors, 2020).

At the beggining, Netflix was an online subscription-based DVD rental service that used the US postal for delivering DVDs to customers' homes. Netflix had an exclusively online interface in which subscribers could search a movie by title, casting, director, or genre. It was also possible to create a list of movies that you would like to watch and schedule the shipping process based on the order of this list (Shih et. al., 2007). This service, despite innovative, was appealing for just a few groups of customers, since the decision to send DVD through US mail service meant movies took several days to arrive, so new releases should not be priory of subscribers. This was the main reason why Blockbuster, the biggest player in the movie rental market, decided to ignore the new entrant (Christensen et. al., 2015). At that time, Blockbuster's new releases represented more than 70% of total movie rents, making the company believe that Netflix had a different target. While Blockbuster used to charge an average of US$ 4 for each title for a certain number of days, charging extra fees per hour when returned late, Netflix's main subscription plan used to offer unlimited monthly rentals for a monthly fee of US$ 17.99 (Shih et. al., 2007).

Overall, Blockbuster's success was based on the promise of quick access to the most recent releases (Shih et. al., 2007). However, as time goes by, Netflix started to look more appealing to Blockbuster's customers. The company's investments in technology resulted in the launch of streaming video, offering a vast selection of outstanding content on-demand for an incredibly low price in a system "all-you-can-watch" (Christensen et. al., 2015). Ever since Netflix introduced subscription-video-on-demand (SVoD), the industry is becoming extremely competitive (Deloitte, 2015). According to Parks Associates' (2019) research, there are over 270 online video services in the United States. A report presented by Stoll (2021) suggests that streaming providers like Netflix, Amazon and Hulu are changing the way people consume movies, TV shows, and video content in general. Complementary, surveys evidence that an average home in the US has four streaming services (Rajan, 2020).

In 2020, Netflix, Amazon and Disney ranked the three companies with the biggest impact on digital video (Stoll, 2021). While Amazon Prime Video has 117 million subscriptions worldwide (Stoll, 2021), Hulu, a Disney-owned service only available in the US, had 28 million subscribers in 2019 (Griffith, 2019). Besides, since its launch at the end of 2019, Disney+ is experiencing rapid growth in subscribers, having reached 94.9 million subscribers in 2021 (Whitten, 2021). Still, even though the rival platforms share similarities, they differ in features and usability. For Lad et. al. (2020), Netflix has more useful device compatibility, wider catalogue, and better user experience. On the other hand, according to the author, Amazon Prime Video is cheaper and has more options for live TV and extras along with fresh content.

Nevertheless, the eminent rise of SVoD companies also comes with consequences. Currently, entertainment companies are for the first-time selling content straight to consumers, with no cable system operators or multiplex chains to intermediate distribution (Barnes, 2019a). However, researchers at the Langston Company (2019) have drawn attention to changes in customers' feelings regarding these alterations in the media landscape. According to them, customers are becoming unhappy due to fears of TV fragmentation, losses of value and the explicit and implicit costs of having multiple streaming accounts. Research presented by Fluent Digital Marketing (2019) sustains these findings, showing that around 50% of consumers are dissatisfied by the number of subscription services required to see the content they want to watch. Therefore, as an initial implication outside the movie rental market, traditional cable TV customers are expected to migrate to SVoD. In 2018, for the first time, the total of streaming subscribers around the world exceeded the number of cable TV subscribers by 57 million, as stated by Barnes (2019b).

Another considerable consequence of the flood of SVoD companies is the unprecedented competition for talent (Lauder and NG, 2019). Netflix and other streaming providers, which are also content creators, have been recruiting writers and producers from famous studios and television networks, leading to an extraordinary run for talents. Parks Associates research (2019) suggests that this movement around people, ideas and scripts has been generating revenue figures never seen in Hollywood before. Flint (2019) describes this phenomenon as a war for talent, provoking a shift in even contracts and payment systems. In this sense, Netflix was responsible for popularise upfront payments, allowing more flexibility among creators and distributors. However, for Kemp (2019), this new model induces writers and producers to step aside from intellectual property right, undervaluing their work.

Moving forward to strategies to beat the competition, the Netflix approach bases on continuous advances in technology and content. Only in 2019, the company spent $12 billion on programming (Barnes, 2019). Netflix uses Zook and Allen’s (2012) strategy of delivering a valuable service by being different from other players. In a long-time trajectory, this differentiation strategy matters more than performance. In Netflix case, it includes exclusive, accurate, and original content (Netflix Investors, 2020), personalised by region, and improvements on algorithms and mobile experience (Schroeder, 2019). Based on this mindset, keeping a market share advantage requires following a bigger purpose and a solid strategy (Pisano, 2015), combined with pursuing a balance between technological and business model innovation. Therefore, strategies well-oriented help to explaining Netflix global growth in the past few years, as the company sees international streaming revenues overcoming the domestics one (Brennan, 2018).

During its global expansion, Netflix did not enter all markets at once but carefully selected initial markets based on geography and psychic distance from its home country, the US. The extension to a diverse set of markets was endorsed by partnerships with local stakeholders, like local companies, producers, and internet providers, and investments in contents preferred by local audiences. Also, technological investments in analytics and the addition of more languages and subtitles played a substantial role in this process (Brennan, 2018). Understanding local cultures made Netflix sensitive to differences across political, institutional, regulatory, and cultural differences. Another significant advantage was signing deals with local production studios, acquiring contents and licenses across borders. For the company, rather than local-to-local entertainment, it is an opportunity to go bigger and show the world local productions (Brennan, 2018).

Additionally, Netflix also made it possible for customers to get access to a whole season of a TV show at once, introducing the concept of binge-watching (Starosta and Izydorczyk, 2020). Jenner (2014) defines binge-watching as watching more than one episode of one series in sequence. However, Netflix definition is watching between 1 to 6 episodes in one sitting. In the UK, over one-third of adults spend at least four hours a day watching television (Rajan, 2020). According to Page (2017), over 60 per cent of Netflix users regularly watch between 2-6 episodes of a show in one sitting. For Jenner (2014), the practice of binge-watching reflects the viewers desire for autonomy in scheduling when they want to watch what. Still, Page (2017) affirms that while binge-watching may act as a helpful stress management tool, it also can become addicting, isolating and even depressing (after finishing a series). The challenge relies on finding a balance and set parameters for the time spent consuming video-on-demand content.

In this fragmented world, while Netflix's customers maintain several relationships with other entertainment distributors, the company aims to be their first choice. The streaming provider has been a model of how to create a business model from scratch and keep it sustainable. It has also proved that the continuous strategic movement towards innovation is essential to maintain market position since, although pioneers, disruptive companies quickly attract imitators. In this sense, Netflix has led the creation of an experimental environment, making it possible to grow a new business model. Besides, the positive response from consumers sustains Tidd and Bessant's (2014) theory that value proposition maximises value and profit while fulfils customers' needs. On this basis, as innovation creates better ways of doing things, society moves towards inclusivity.

5. Research Findings

This research presents an investigation into disruptive innovation in the entertainment industry, analysing several studies, articles and journals regarding the subject. Through a qualitative analysis, the paper suggests the main features of disruption innovations, including patterns, and consequences for humanity. It also interprets the role of innovation for businesses and consumers, outlining its evolution throughout history. Besides, a look into the entertainment industry from the innovation perspective, especially after the popularisation of the Internet, indicates the main revolutionary aspects in entertainment companies. Using Netflix to background the research, the evolution of technological and business-model capabilities describes a new era for content consumption.

The dissemination of globalisation as an economic force, potentialized by the Internet, has led to shifts in living standards. The combination of mobility of ideas, simultaneity, multiple choices and diversity of expertise incited by the phenomenon is directly influencing consumer behaviour. While society moves towards the digital, increase demands regarding flexibility and scalability ways of consuming are emerging. In this scenario, people are more likely to consume digital services, transforming digital features into viable entertainment options. Gradually, innovation has become dependent on networks capabilities, making the Internet the major drive factor for achieving global performance.

5.1 How and why can innovation be considered disruptive?

One of the first finds of this research is the lack of consistency of the concept of innovation. Still, Goffin and Mitchell (2017) and Drucker (1985) definitions better serve the research, classifying innovation as an idea perceived as new and an organised search for changes, considering the role of these changes in economic and social perspectives. The literature also divides innovation into degrees to enhance its understanding. Again, several terms and word choices are presented by numerous scholars, with no consensus. However, concerning disruptive innovation, Christensen's (2012) definition is the most used by academics, inclusive by this paper. The author was the first to present the term, defining disruptive as the movement in which smaller companies challenge traditional well-established businesses, capturing their market share and profits.

Besides, the disruption should be seen as a process that brings more affordable products and services to the masses around the world (Christensen's, 2012). According to Kin and Mauborgne (2015), it creates unexplored markets and induces competitors to reshape their business forms. The concept of disruption bases on a new way of doing things, relying on differentiation strategy (Zook and Allen, 2011) rather than competition. Therefore, exploiting new opportunities becomes profitable than defensive strategies (Teece and Pisano, 1994). Moreover, disruptive innovations transform economic activity by creating simplicity and accessibility while reducing costs. As stated by Christensen (2012), disruptive innovation leads to the democratisation of technology. Sustaining this argument, Kotler et. al. (2017) suggests that it is a way for society to move towards inclusivity.

Juxtaposing Christensen's (2012) framework, Markides (2006) proposes a division of the disruptive innovation concept. While Christensen (1997) includes products and business models in the same group, Markides (2006) implies that they should be analysed separately. Enlightening this research area, Markides (2006) also co-relates disruptive business models with an enlarging on existing economic pies, attracting new customers and encouraging existing ones to consume more. Moreover, the author suggests that business-model innovations redefine existing product and service. As a result, disruptive business-model innovations impose a revaluation of consumption habits and behaviours, creating new demands. Overall, while the outcomes of disruptive innovations for society are inclusivity, cost-benefit and brand-new services and appliances, for the market, it means the death of industries lacking innovation.

5.2 What impact has innovation had on the entertainment industry?

The world is now experiencing a milestone in entertainment history, witnessing several businesses being impacted by digital disruptions. Thus, this research sustains the statement that the Internet has made the entertainment industry take a giant leap, accounting for speeding up the introductions of new technologies to society (StartUs Insights, 2020). In this sense, innovations continuously found ways of keeping society entertained (Stuczynski, 2014). Once again, as words lack precise definitions, this research was built upon the definition of entertainment proposed by OED (2008), who calls entertainment any activity that provides interest or amusement. Additionally, the definition of the entertainment industry embraced is a set of companies that enhance value through something interesting to do or watch, evoking an emotional response among audience members (Spacey, 2019).

On the grounds of disruptive business models in the entertainment industry, Netflix has transformed the way people consume entertainment. The company introduced a new business model, the subscription video-on-demand service (SVoD), leading customers to rethink prevailing consumption habits (Cândido, 2011; Markides, 2006). The model praises for longer-lasting relationships delivering unlimited access to a variety of content for a monthly flat. Reinforce the main characteristic of disruptive innovation, the entrance of Netflix in the movie rental market was ignored by the principal company in the sector, Blockbuster (Christensen et. al., 2015). Consequently, the SVoD business model led to the closure of traditional movie rental businesses, another crucial disruptive aspect: the takeover of markets from industries lacking innovation. (Schroeder, 2019)

A notorious finding of this paper is the cyclical movement performed by disruptive innovations. While attending existing demands, they also induce new habits – and collateral responses. Thus, consumers' demands for flexible and scalable ways of consuming entertainment (Deloitte, 2021) helps justify the raising of SVoD. Still, there is also the other way around. The flood of video-on-demand providers led to consumers' overwhelmedness, given the extensive amount of content available (Lauder and NG, 2019). Besides, customers are becoming frustrated due to fears of TV fragmentation and increase costs of having multiple streaming accounts to get access to specific content (Langston Company, 2019). The binge-watching event accounts for another substantial consequence of SVoD (Starosta and Izydorczyk, 2020). The term, first introduced by Netflix, fluctuates between stress management tool and addiction and isolation (Page, 2017).

This research also calls attention to the disruptive innovation's potential of inferring changes in business models outside its core business. Significantly changes in industries outside movie rentals were driven by the movement initiated by Netflix. The rising number of video-on-demand providers has led more people to cancel traditional cable TV subscriptions (Fluent Digital Marketing, 2019). Also, Netflix has been draining successful producers from Hollywood studios to work on its own productions, raising attention to a new event called the "war of talents" (Flint, 2019). Despite competition for creators, Netflix also redesigned the way contracts are settled, forcing similar providers to follow the movement. The company has restructured payment systems as well using the argument of promoting flexibility among creators and distributors. Still, the tendency raised criticism regarding the subtle undervaluation of content creators (Kemp, 2019). Overall, disruptive companies like Netflix work as an engine, balancing the introduction of life-changing inventions with a great deal of unexpecting transformations.

6. Conclusions and Further Work

While innovation continually introduces new technologies and business models, the subject keeps intriguing scholars. This paper discussed the emerging of disruptive innovations, focused on their impact on the entertainment industry. In this sense, innovation was presented as a powerful tool capable of redefining society parameters. Also, as globalisation stands for faster dissemination of new practices, the diffusion of innovations now relies on networks capabilities. Moreover, this research has found out that introducing disruptive products and services transform economic activity and account for the rise (and fall) of business models. Thus, companies lacking technological investments in innovation will struggle to survive. Overall, this paper shed light on systems of innovation, highlighting the transformational potential of disruptive innovations.

As innovation accounts for change, the disruptive framework leads to the democratisation of technology. From the entertainment industry perspective, innovation and commodification have made possible the creation of devices and services designed to captivate audiences. As in Netflix case, despite the introduction of a brand-new business model, subscription video-on-demand, the company's (SVoD) value was also focused on customers' personalised experiences, offering a wide range of content, curated and customised. The value proposition created by them responds to how new business models maximise value e returns it to organisations, a crucial strategy for businesses that aim for longer-lasting relationships. Further, due to continuous technological improvements, Netflix was able to keep market positioning, even with increasing competition. Once considered a Blue Ocean company, now the leading streaming provider is sailing a red ocean.

Nevertheless, Netflix still challenges other industries. As presented by this paper, the company is recruiting creators from famous movie studios and pushing for new contracts formats and payment system. Besides, the SVoD industry, introduced by Netflix, has led to TV fragmentation, putting cable TV on an uncertain path. However, the impact of these changes reflects on society as well. Customers are becoming frustrating because of the overflow of streaming providers forcing multiples subscriptions. Besides, people are reaching a stage of saturation due to vast the amount of content available. Another reaction is the appearance of new behaviours habits, like the binge-watching phenomenon. Therefore, despite the greatness of innovations, all come with side effects.

Regardless of the findings, future investigations would contribute to this research. In light of disruptive business-model innovations, a comparison between ascension processes among successful business-model might prove a significant area for future research. Looking forward, it is suggested a complementary division of the entertainment industry into categories such as home entertainment and outside entertainment, and an evaluation between both. As recommended above, an investigation surrounding different technologies inside the home entertainment industry, outlining their core businesses and most famous competitors could prove quite beneficial. Moreover, an analysis of SVoD impact on businesses outside the video content sector could be addressed. Overall, the entertainment industry has undergone a major transformation due to increase globalisation and investments in innovation. In this scenario, unceasing shifts in consumer behaviour and new technological developments create ground for inevitable disruptions.

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