Case study: On Twitch's business model (VISOR framework) [Excerpt]

Value proposition

For users, the value proposition comes down to the gaming experience, collective gaming resources, and the gaming social network. Twitch aggregated all the gamers that share the same gaming interest (say LOL, DOTA2), and offered them a place to watch people live casting and broadcasting. The large broadcaster base created the massive amount of content, thus offering them a wide selection of gaming videos to watch. This aggregated platform provides users a one-stop gaming video watching experience, from choosing the broadcasters, following the trend, classifying interest groups, to forming online discussion group/community. Twitch also serves as a "social network" for gaming communities besides its streaming functionality - its users can follow and DM (direct message) each other just like Facebook and Messenger; they can also start discussion and exchange opinions under each separate chat room.

For broadcasters, the value proposition lies in an open platform that they can present themselves, interact with other gamers, and make money. The entry bar is low; players don't have to build their platform to become popular in the gaming community, and all they need is a camera (sometimes a phone). The cost is low, since little marketing effort is required, and the traffic of Twitch will bring organic viewership. They don't have to be celebrities either, the grass root nature of Twitch welcomes everyone to broadcast and to be applauded by viewers.

Interface

The interface of Twitch is very user friendly in many ways. The homepage always shows one auto-playing live video featuring the most popular trend among Twitch gamers, and most users could watch the video without the hassle of repetitive search. The dashboard is simple and easy to navigate with only four sections on the top and two on the left bar side. The interface also enables users to comment and watch games at the same time. While the website has a classic gaming layout, the twitch brand still stands out as the purple color is unique.

Service Platform

One thing unique about Twitch is that while it has a considerable advantage via working with many different resources, it keeps its independency selectively from the third-party platforms to enhance user experience and system security. The in-house micro-transaction system is smart in that it creates a different transaction method (through bits, coins, cheers, and emoticons) while at the same time lowers down the transaction risks from the third party significantly. The APIs and SDKs are offered for developers to implement the Twitch features into third-party products, building an extensive impact outside the Twitch platform.

Twitch also relies on the common broadcasting applications to allow a "second screen" to show up on the main one for real-time gaming commentary. The applications, including OBS and ESplit Gamecaster, are implemented to offer in-depth data and customization for broadcasters to better interact with the viewers.

Thanks to the acquisition of Amazon, the full accessibility to different streaming/ TV/ mobile platforms offers an excellent advantage for Twitch over other competitors, such as YouTube gaming and Beam. Twitch apps are available almost on every platform, including iOS, Android, Xbox video consoles, PlayStation, Google Chromecast, and of course, Amazon's Fire TV. This advantage alone is able to maintain Twitch's extensive market outreach despite its innovation strategy.

Organizing Model

I drew a chart as an illustration for my understanding of the organizing model.
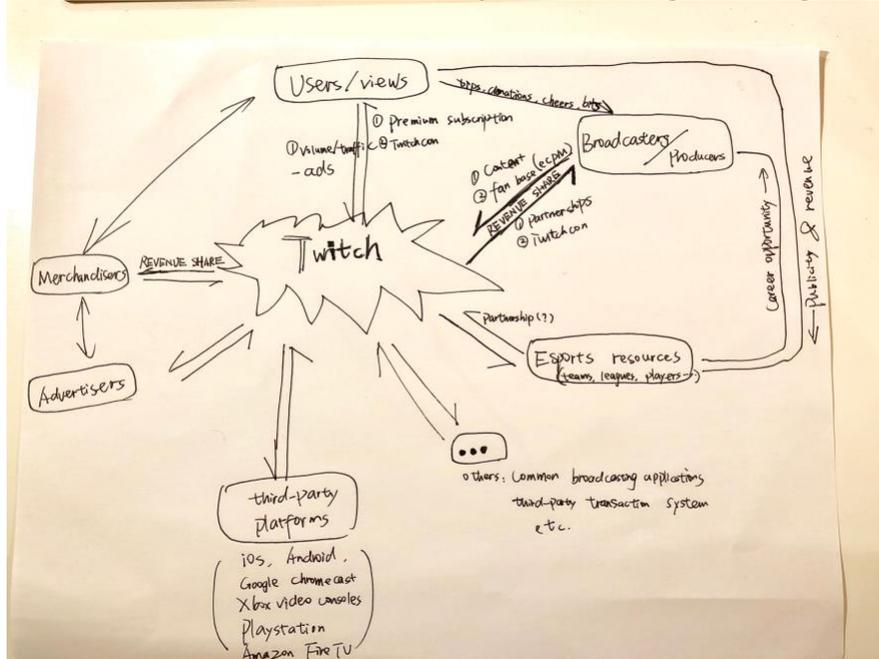
Revenue

Twitch's revenue comes from three primary sources: The partnership program with broadcasters, channel subscriptions with viewers, and merchandising sales (including with the third-party platforms). Twitch manages its revenue model well, in that the main source of revenue (partnership program) is stable and constantly growing. Twitch is so well-established that the mature audience base will guarantee the volume and the traffic from the site, thus delivering a reliable source of income. The subscription model is great on a gaming platform like Twitch in that gamers are loyal users, which means they are more willing to pay for premium features. One thing need to be improved is to increase the perks for premium features, making a more significant difference between premium and free usage; this will allow more premium subscription conversions from the middle group – people who are not super passionate about the game, but still contribute a decent amount of time watching on the site.

Summary: the distinctive features of Twitch's business model:

For service platform

- Building the in-house microtransaction system (bits, coins, cheers, emoticons, etc.)
- The ubiquitous third-party platform to present the Twitch content

For organizing model:

- Relationship between ECS (Esports championship series)
- Twitchcon

For revenue model:

- Partnership program with broadcasters

P.S. Personally I think the sharing feature, the real-time connectedness, and community embodiment are no longer considered as "distinctive" today since they become common features for gaming video sites.