EMT PROGRAM

B70.2119 -- ENTERTAINMENT AND MEDIA INDUSTRIES

Spring 2010
Tuesday/Thursday 10:30 to 11:50 am, 1st half of semester

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COURSE BACKGROUND

The course is designed to provide you with a broad overview of the entertainment and media industries. The course examines the development and structure of these industries as well as recent activities in these key sectors of the entertainment universe: movies, home video, television, cable and DTH, publishing, and music.

COURSE OBJECTIVES

- To learn the basic concepts, terms and principles that apply to the entertainment industries.
- To analyze the activities of the leading entertainment and media conglomerates.
- To become familiar with key strategic issues that cut across all the sectors of the entertainment industry.

COURSE REQUIREMENTS

Grading

Grades will be determined on the following basis:

Cases (including DIA) 40%
Class participation 20%
Final Project 40%
Total 100%
INSTRUCTOR POLICIES

Attendance/Lateness:

- Students are expected to attend each class and actively participate in discussion of key issues. Absences/Tardiness will lower your class participation grade. Missing class or being late will adversely affect your grade. Class will start promptly at 10:30am and late students disrupt the learning environment for those who arrive on time.
- Late assignments will be downgraded.

Notebook Computer Policy

- Increasingly at Stern, notebook computers used during class are a distraction. Please do not open your notebook computer, unless you are using it to take notes on the lecture or case discussion. If you are using it to take notes, I may periodically ask for a copy of the notes.

Cheating/Plagiarism:

- The Stern School of Business Honor Code governs conduct in the course.

“I will not lie, cheat, or steal to gain an academic advantage, or tolerate those who do.”

Class Participation:

- It is essential that everyone contributes to class discussion. You are expected to have read all the assignments for the day's class.
- Learning will come from each student trying to understand the issues and cases. Please continue with reading assignments as scheduled regardless of whether the class activities at times fall behind schedule.
- Class participation will be graded on the quality of the interaction and will be measured against these criteria:
  - Are you prepared
  - Extent of knowledge
  - Ability to get to the heart of the matter
  - New insights
  - Building on statements of others

Exam:

There is no exam, but there is a final paper that should incorporate class materials and the text. Details are at the end of the syllabus
READINGS


(Required) Three HBS cases that need to be purchased from the Professional Bookstore: *The CW: Launching a Television Network*, Marvel Enterprises, Inc. and Grand Central Publishing (A).

Additional reading may be passed out during the semester.

GUIDELINES FOR WRITTEN CASES

1. All case write-ups are to be typed, double-spaced, 12-point type font, one page (absolute maximum 1.5 pages).
2. Please take time to organize your work so that it is clear and concise.
3. You may want to construct charts or exhibits to convey your thoughts concisely. (Note: These do not count toward the page limit.).

Digitize the Industry Assignment (DIA)

During the semester we examine various sectors of the entertainment industry that are undergoing rapid and profound changes. In order to succeed (survive) firms in those industries must make major changes in how they do business to remain profitable and continue to grow. The key challenge that all sectors of the entertainment industry face is how to effectively generate “digital” revenue.

Your assignment is to recommend what firms in a given industry must do in order to generate meaningful digital revenue streams in the next 2 years. The write up is limited to 1.5 double spaced page. There should be 3 sections:

1) The Idea,
2) How it will generate revenue, and
3) Approximate cost/benefits.

The individuals who completed the assignment will serve as the “panel of experts” to present their ideas to the class and set the stage for a broader discussion when we conclude the section on each industry sector.

It counts as 5% of your total grade (part of the case grade). Industry assignments are based on the first letters of your last name and due as follows.

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<thead>
<tr>
<th>First Letters of Last Name</th>
<th>Industry to Save</th>
<th>Due Date</th>
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<tbody>
<tr>
<td>A – C</td>
<td>Film</td>
<td>2/4</td>
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<tr>
<td>D – G</td>
<td>Network TV</td>
<td>2/11</td>
</tr>
<tr>
<td>H – M</td>
<td>Cable (MSOs)</td>
<td>2/18</td>
</tr>
<tr>
<td>N – S</td>
<td>Publishing</td>
<td>2/25</td>
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<tr>
<td>T – Z</td>
<td>Music</td>
<td>3/4</td>
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ENTERTAINMENT AND MEDIA INDUSTRIES

Session 1, January 26  COURSE INTRODUCTION
Framework for the course, review syllabus, overview of assignments, explain content of course and the delivery.

Overview of the entertainment industry -- Process, Perspectives and Principles

- Hit driven businesses
- Key role of marketing
- Importance of ancillary revenue streams
- Role of technology
- Barriers to entry
- Nature of the product and consumption

Reading: Vogel, Chapter 1

Session 2, January 28  PERSPECTIVE AND OVERVIEW ON THE ENTERTAINMENT INDUSTRY
What is Entertainment? The “Experience” economy. Competition for leisure time, content creation and consumption. Lion King, Rule or Exception? Synergy: Myth or Mandate? Key marketing issues. Growth by sector, trend, major players and centers.

Discussion Questions
1. Why are consumers willing to pay more for an experience?
2. How do you create experiences that consumers are willing to pay for?
3. Why has the entertainment industry grown so rapidly?
4. What are some of the factors that determine whether a “new form” of entertainment will be successful?
5. How is marketing of entertainment products different from marketing traditional goods and services?
6. What are some of the factors underlying the growth (or decline) of different sectors of the entertainment industry?

Reading: Vogel, Chapter 2

Session 3, February 2  FILM

Discussion Questions
1. Evolution of the film industry:
   - What were the most important factors influencing the early development (to 1920) and subsequent development of the film industry?
   - Are there any lessons that can be learned that can be applied to the current situation?
   - What are the most important factors today?
2. What is affecting the studios practice of windowing? Are there other examples of “windowing” in the entertainment industry?

3. You’ve all been exposed to Porter’s 5 forces. Come to class prepared to apply them to the film industry.
   - How intense is the competitive rivalry?
   - What are some of the barriers to entry?
   - Identify possible substitutes. How “threatening” are they?
   - Who are the suppliers to the studios and how much bargaining power do they have?
   - Who are the buyers and what bargaining power do they have?

4. Look at the different strategies that film studios can follow (slides 28-35). Which do you feel are most effective? Least effective?

5. Should studios get back into the exhibition business?

Reading: Vogel, Chapter 3

**Session 4, February 4**

**FILM, THE SEQUEL**


**Discussion Questions**

1. Why is home video so much bigger than theatrical box office?
2. What are the main factors that have been responsible for its growth?
3. What is the best channel (retail distribution) to distribute home video?
4. How can a studio best maximize its total revenue from home video, sell-through or rental? What are the implications of each?
5. With digital filming/distribution, who wins and who loses?
6. What are the barriers to the widespread adoption of VOD?
7. Should film studios be in the business of supplying video on demand? Why or why not?

Reading: Vogel, Chapter 4 (Chapter 5 is optional, it contains more detailed financial information)

**Session 5, February 9**

**CASE**

**Assignment Due – Marvel Enterprises, Inc.**

**Questions**

1. Why was Marvel’s turnaround so successful? Would you characterize that success as a fluke? Is it sustainable? Why? How?
2. What strategic direction should Marvel Enterprises’ Vice Chairman, Peter Cuneo and his colleagues pursue? Why? How?
3. Evaluate their possible entry into the motion picture productions business.
4. Was Disney’s purchase of Marvel a good idea? For whom?
5. How important are each of Marvel’s three divisions – comic books, toys, and licensing – to its past and future performance?
6. Is Marvel’s success due to only one character, Spider-man? How can Marvel develop its lesser-known characters?

*Note: For the write-up, focus on questions 1, 2, 3 and 4. Questions 5 and 6 may enter into your thinking/recommendations.*
Session 6, February 11  BROADCAST: NETWORK TV AND SYNDICATION
Development of television. Industry players.
Original Three Networks, Programming Values, Share & Ratings, Shift in Audience Viewership,
Local Television Stations, Changes in Affiliations, O & O. Marketing issues.

Discussion Questions
1. What are the differences and what are the similarities between the development of the film industry and the TV industry?
2. **What specialized skills does a network need to have to be successful?**
3. How does (should) a network market itself?
4. What is the social impact of TV?
5. **What do the networks have to do to survive?**
6. What role do web sites like hulu.com play?
7. Can they be saved by: a) the internet, b) video iPods, c) cell phones, d) something else, e) all of the above?
8. What is the role of mobile content?

Reading: Vogel, Chapter 7

Session 7, February 16  CABLE AND DTH SATELLITE
Development of Cable. Economic underpinnings, Cable Basics. Cable Regulations. MSO's and consolidation. Content and programming. Key marketing challenges.

Discussion Questions
1. What is the “life time value” of a cable subscriber?
2. What does the cable industry have to do to grow?
3. How can Comcast grow?
4. Which poses a bigger competitive threat to MSOs, telcos or DTH satellite? Why?

Reading: Vogel, Chapter 8

Session 8, February 18  CASE DISCUSSION
Assignment Due – The CW
Questions for case write-up
1. What are the major challenges in launching a TV network?
2. The formation of the CW network caught News Corp by surprise. Evaluate their response. Would you have recommended a different response?
3. Which three shows would you run and why?
4. What are the best time slots for each of the three shows and why?
*(Note: For this write-up, be certain to answer each question fully)*

Session 9, February 23  PUBLISHING: BOOKS, MAGAZINES, NEWSPAPERS AND THE INTERNET
Discussion Questions

1. For mass-market paperback books, returns (books not sold and returned to the publisher) exceed 40%. Why are they so high? What would you recommend to deal with the problem?
2. Why is it so difficult to start a new magazine?
3. One way for magazines to grow is to leverage content to other markets. Why is it such an attractive strategy? What are some of the limitations to this strategy?
4. Newspapers rely heavily on advertising revenue. Which ad revenue streams are most vulnerable to the Internet and why?
5. Are e-books, webzines and online newspapers threats to their traditional counterparts?

Reading: Vogel Ch. 9

Session 10, February 25

CASE DISCUSSION

Assignment Due – Grand Central Publishing (A)

1. Evaluate the three options facing Kostolnyik and Raab.
2. Select one as the “best” and indicate why.
3. How much would you be willing to pay for the rights to Dewey and indicate why? (Be sure to indicate how you arrived at this number).

(Note: For this write-up, be certain to answer each question fully)

If possible, please attend the Media and Entertainment Conference on February 26th. Visit the MESA website for details http://pages.stern.nyu.edu/~mesa/ There is a great lineup of speakers and panelist. It will be a wonderful opportunity to learn more about the media and entertainment industry first hand.

Session 11, March 2

MUSIC INDUSTRY

Brief History. Key characteristics. Major players. Revenue streams. Radio’s: role. 21st Century Issues

Discussions Questions

1. What was the basis for market power pre 1920? Post 1950? Today?
2. Which would you rather do and why? Record a hit song? Write a hit song?
3. Why is the music business in such tough shape today?
4. What is the role of an independent promoter?
5. How have changes in distribution helped the industry? Hurt the industry?
6. Which of the 4 P’s is most important in the music business and why?

Reading: Vogel, Chapter 6
Assignment Due – Brilliant Move or Bad Idea?

Recently, Brian Roberts of Comcast orchestrated the biggest media/entertainment deal of the decade. This may turn out to be a brilliant move and make Comcast not only the largest media conglomerate, but also the most powerful. However, it is also conceivable that like others before him he is doomed by the “Curse of the Mogul.” Depending on which position you were assigned, hand in a 1.5 page write-up supporting either the “brilliant move” or “bad idea” thesis. We will spend time in class discussing the two positions.

Discussions Questions to consider before class
1. What will the entertainment industry look like 10 years from now? Why?
2. What sectors are likely to undergo the most profound changes?
3. What sectors are likely to remain unchanged?
4. Are there new technologies that will accelerate change?
5. Are there regulatory changes that will hasten or inhibit change?
6. In your view, what will the largest entertainment company be?

March 12

HARD COPY OF FINAL PROJECT DUE by 5:00pm

ASSIGNMENTS

During the semester each student has a set of assignments that cover different aspects of the course and will help prepare students for taking other courses in the EMT program, as well as providing the basic knowledge required to assume managerial positions in the industries. Key dates are below:

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<thead>
<tr>
<th>CASES/ASSIGNMENTS</th>
<th>DUE DATES</th>
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<tr>
<td>Marvel Entertainment</td>
<td>2/9</td>
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<tr>
<td>Select final project topic</td>
<td>2/11</td>
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<tr>
<td>CW</td>
<td>2/18</td>
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<tr>
<td>Grand Central Publishing (A)</td>
<td>2/25</td>
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<tr>
<td>Brilliant Move or Bad Idea?</td>
<td>3/9</td>
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<tr>
<td>Final Project (DSP)</td>
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DIGITAL STRATEGY PROJECT (DSP)

The final project is designed to give you an opportunity to explore in depth the digital strategy of a particular company (or division) in the entertainment and media industry. The task is to analyze a particular company’s digital strategy, assess its key competitors and indicate what it needs to do to succeed over the next 5 years. A critical component of the paper is to evaluate the digital components of the firm’s operation, current and future, and indicate how it will contribute to overall revenue generation. Everyone needs to let me know what company or division they have decided to examine by February 11.

The paper should be a maximum of 10 pages (excluding exhibits) and **hard copy** is due on March 12 by 5:00pm in Tisch Hall, 902.

The tasks for the final paper are as follows:

1. Select a company or division you would like to analyze.
2. The paper should contain the following sections:
   a. **Executive Summary** – This should be a concise one page summary of your paper. Approximately, half of the executive summary should focus on your recommendations for the firm’s digital strategy and the rationale behind them.
   b. **Company Background** – A brief background of the company and a description of the product/service and its major competition.
   c. **Current Digital Strategy** -- A brief description of the company’s current digital strategy.
   d. **Digital Strategy Assessment/Evaluation** – In this section, you need to evaluate the firm’s current digital strategy. Be sure to consider the firm’s business model, how this is changing, relevant changes in technology and consumers’ behavior. You will need to comment on how your company compares to its main competitor(s). Many of the general industry trends may affect all firms in an industry equally. However, certain firms may be in a better position to implement a strong digital strategy. Indicate where the company’s strategy is appropriate and where it is flawed. Also, you need to do some rudimentary financial analysis here.
   e. **Digital Strategy Recommendations** – This section should contain your recommendations and rationale. Indicate what the company needs to do to be successful over the next 5 years. Be sure to provide a strong rationale for your recommendations. Part of the firm’s strategy may relate to physical products and existing services, but the recommendation that have to do with the organization’s digital strategy are the most important part of the paper. Don’t be afraid to get creative. The basic question here is **what should they do and how will they make money doing it**.

The choice of the company or division is up to you. The large media conglomerates are too complex and multifaceted to analyze, so you would need to focus on a particular division. For example, if you are interested in Time Warner, you could look at their cable operation, AOL, magazine publishing, Warner Brothers, etc. If you are interested in Disney, you could look at animated film (Pixar), Miramax, ABC, ESPN, etc. You can look at any of the sectors of the entertainment industry to find a company. It can be from one of the sectors we covered in class, as well as ones we did not, e.g. electronic games. The key aspect of the assignment to come up with solid recommendations for the firm’s digital strategy.
To give a brief example, if you were to choose Blockbuster. The DVD rental market where they currently generate most of their revenue is about $8 billion a year and five times larger than the digital-content delivery market. To hasten the move from a physical product to a digital product, Blockbuster recently acquired Movielink digital-download service. In November 2008 they introduced a set-top box that allows customers to download content directly to their TVs. Meanwhile, the chain is testing per-day rental rates as low as 99¢ for some "classic" catalog titles, a price close to what rentals kiosks charge for all titles. Blockbuster’s, direct bricks-and-mortar competitor is Movie Gallery, which also owns Hollywood Video. Blockbuster also faces competition from Netflix, Redbox, video-on-demand services provided by MSOs, streaming video over the internet, big box retailers, etc. To fully understand the challenges facing Blockbuster, you would need to examine their basic business model, the economic implication of the business model in light of changes in technology, as well as changes in consumer behavior. You would also need to evaluate their current digital strategy and make recommendations concerning the future. An important aspect is to look at the revenue streams and profitability from the different parts of their business.

**NOTE: The final project can be done as an individual project or in teams of 2.**