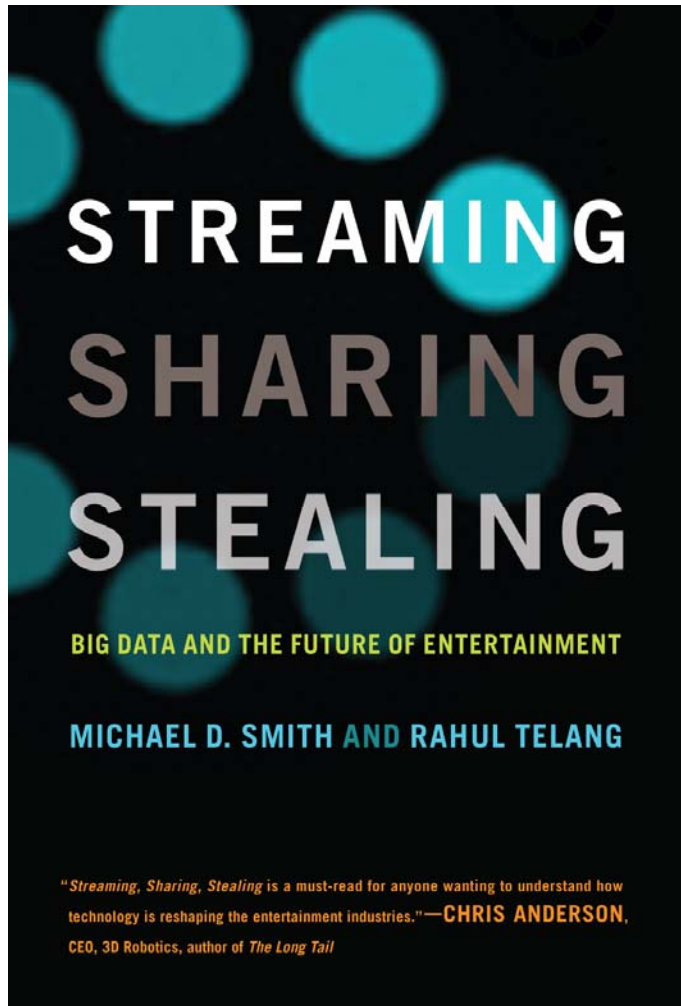


# Digital Transformation and the Entertainment Industry

IT Teaching Workshop: Core Track  
May 19, 2017

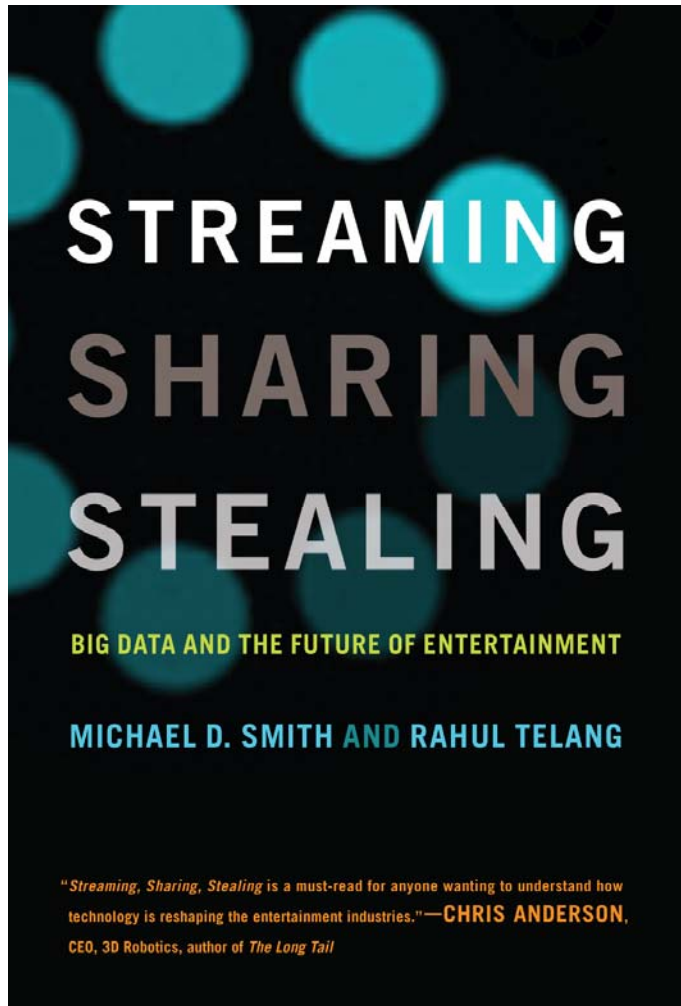
Brett Danaher, Chapman University  
Michael D. Smith, Carnegie Mellon University

# Key Strategic Questions



- Is technology changing market power in the entertainment industry?
- Is technology (big data) changing the quality of entertainment?
- Is there anything industry leaders can do to respond?

# Key Strategic Frameworks



- IT productivity
- Market competition
- Porter's 5 Forces
- Value creation / value extraction
- Organizational change
- Platform lock-in
- Disruptive change
- Horizontal power
- Upstream/downstream power
- Implementing analytics within an organization

# Pedagogical Advantages of Using the Entertainment Industry

- Familiar to students, increasing discussion/interaction and making it easy to illustrate frameworks.
- Entertainment is one of the fastest changing industries today, increasing topical applications and student engagement.
- It has many direct parallels to other industries facing significant change, making it easy to apply frameworks.

# Sample 14-Week Syllabus

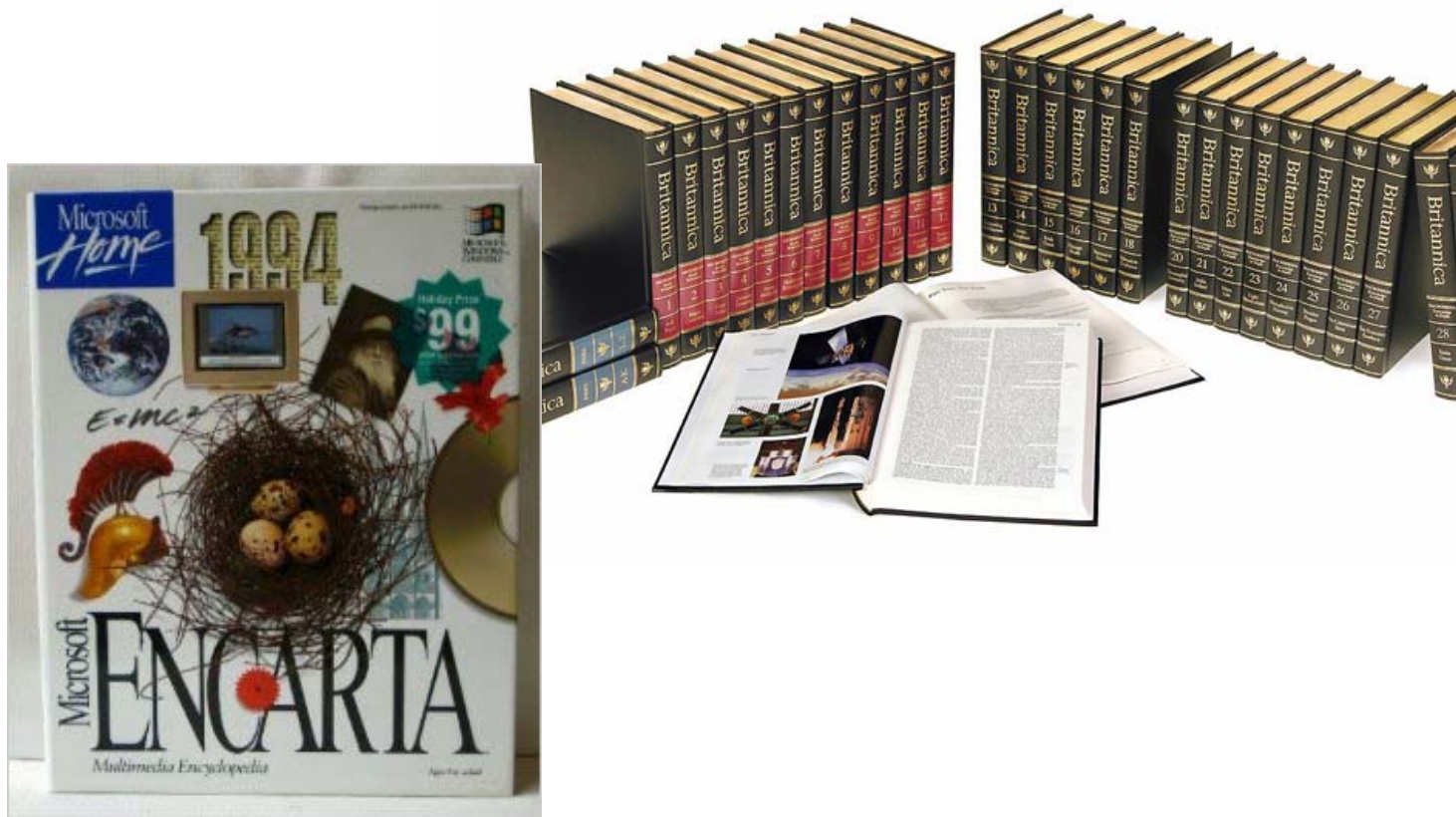
1. Why IT matters for businesses	Why does technology matter? Brynjolfsson-McAfee	
2. How IT Impacts Market Structure	Framework: Porter's 5 Forces Case: BMG	<i>Chapter 1: "House of Cards"</i>
3. How IT Impacts Market Competition	Internet markets and competition Case: Amazon v Barnes & Noble	<i>Chapter 2: "Back in Time"</i>
4. IT and Value Creation/Extraction	Saloner & Spence, Varian, Bakos-Brynjolfsson	<i>Chapter 3: "For a Few Dollars More"</i>
5. IT and Disruptive Change	Christensen "Disruptive Change" Case: Encyclopedia Britannica	<i>Chapter 4: The Perfect Storm"</i>
6. Disrupting Value Creation	Elberse vs. Anderson Assignment: Debate	<i>Chapter 5: "Blockbusters &amp; the Long Tail"</i>
7. Disrupting Value Extraction	Danaher et al, CACM Assignment: Strategy Memo	<i>Chapter 6: "Raised on Robbery"</i>
8. Upstream Market Disruption	Assignment: Future of the Majors?	<i>Chapter 7: "Power to the People"</i>
9. Downstream Market Disruption	NBC v iTunes Case: Amazon v Hachette	<i>Chapter 8: "Revenge of the Nerds"</i>
10. IT as a Strategic Asset	Brynjolfsson-Hitt Case: HEB Grocery	<i>Chapter 9: "Moneyball"</i>
11. IT and Organizational Change	HBS Diamonds in the Datamine Case: Harrah's Entertainment	<i>Chapter 10: "Pride and Prejudice"</i>
12. IT-Enabled Strategic Responses	Hulu.com, NBCU + Comcast, AT&T + Time Warner	<i>Chapter 11: "The Show Must Go On"</i>
13. Applications to Other Industries	Case: Disruption in Higher Education	
14. Wrap-Up and Group Presentations	Assignment: Recommendation Memo to Entertainment Firm	

# Sample Exercise – Teaching Disruptive Change

# Clay Christensen – Disruptive Innovations

- Disruptive innovations perform worse along existing metrics of success
- Unattractive to existing business models / practices
- Entrants brings it to (new) market
- Technological innovation allows disruption to quickly meet (most) needs of the established market

# Encarta v Britannica



*The Crisis at Encyclopedia Britannica -Greenstein & Devereux 200*



# Class Exercise

- Are streaming video services a disruptive innovation or a sustaining innovation for network television?

# Class Exercise

## As a pure technology:

- Can support the existing business model
  - More flexible than linear
  - Can keep viewers of serial content engaged
- Appealing if tightly controlled (don't want to cannibalize over-the-air ad profits)
- Monetize content long after initial run

# Class Exercise

## As a format / platform:

- Binge watching promotes a completely different type of content
  - No set run time or # of episodes
  - No need for cliffhangers, ad breaks
  - House of Cards “like making an eleven hour movie”
- Subscription model and direct access to consumers also supports very different content than network content
- Different incentives for the platform than a network (don't care what you watch as long as you stay on Netflix)

# Class Exercise

## Netflix Content / Platform Unattractive to Existing Models:

- Linear strategy of “once per week water cooler moments” holds viewers’ attention for a season – full season release leads to binge watching
- Netflix content often loses viewers in pilot episode – would be death for a network show
- Lots of Netflix content holds intense appeal for niche audiences but not broad appeal (HoC and OitNB are exceptions)

# Pedagogical Value

- Starts with a known framework (Christensen)
- Uses it to study historically documented business case (Brittanica – Greenstein and Devereux)
- Then turns back to entertainment and lets students apply framework to something that already has a big place in their lives (watching tv)
- Ends with asking students what major networks should do – apply model to think strategically