Digital Transformation and the Entertainment Industry

IT Teaching Workshop: Core Track
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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

STREAMING
SHARING
STEALING

BIG DATA AND THE FUTURE OF ENTERTAINMENT

MICHAEL D. SMITH AND RAHUL TELANG

―CHRISS ANDERSON, CEO, 3D Robotics, author of The Long Tail
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

<table>
<thead>
<tr>
<th>Topic</th>
<th>Reading/Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Why IT matters for businesses</td>
<td>Why does technology matter? Brynjolfsson-McAfee</td>
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<tr>
<td>4. IT and Value Creation/Extraction</td>
<td>Saloner &amp; Spence, Varian, Bakos-Brynjolfsson Chapter 3: “For a Few Dollars More”</td>
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<tr>
<td>5. IT and Disruptive Change</td>
<td>Christensen “Disruptive Change” Case: Encyclopedia Britannica Chapter 4: The Perfect Storm</td>
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<tr>
<td>9. Downstream Market Disruption</td>
<td>NBC v iTunes Case: Amazon v Hachette Chapter 8: “Revenge of the Nerds”</td>
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<td>10. IT as a Strategic Asset</td>
<td>Brynjolfsson-Hitt Case: HEB Grocery Chapter 9: “Moneyball”</td>
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<td>11. IT and Organizational Change</td>
<td>HBS Diamonds in the Datamine Case: Harrah’s Entertainment Chapter 10: “Pride and Prejudice”</td>
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<td>12. IT-Enabled Strategic Responses</td>
<td>Hulu.com, NBCU + Comcast, AT&amp;T + Time Warner Chapter 11: “The Show Must Go On”</td>
</tr>
<tr>
<td>13. Applications to Other Industries</td>
<td>Case: Disruption in Higher Education</td>
</tr>
<tr>
<td>14. Wrap-Up and Group Presentations</td>
<td>Assignment: Recommendation Memo to Entertainment Firm</td>
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</tbody>
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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
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 Unnattractive toExistingModels:

- 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