

94-732 — Managing Disruption in Media and Entertainment

Carnegie Mellon University
Heinz College

Spring 2021, Mini 4

Instructor:

Michael D. Smith
mds@cmu.edu

Office Hours: I'll make time to help you in any way I can. Feel free to email me (mds@cmu.edu) or my assistant Kristen Yeager (kolinski@andrew.cmu.edu) to setup a time to meet.

Faculty Assistant:

Kristen Yeager
kolinski@andrew.cmu.edu

Teaching Assistants:

Section A: Shuxuan “Helen” Zeng (shuxuanz@andrew.cmu.edu), Hamburg Hall 3008
Section B: Yangfan Liang (yangfanl@andrew.cmu.edu), Hamburg Hall 3002

Course Information:

Section A
TuTh 8:30-9:50

Section B
TuTh 10:10-11:30

Guest Lectures
TuTh 11:50-1:10

Zoom Link:

<https://cmu.zoom.us/j/99737299189?pwd=Yi8zZlROYWRYMD02NE1tWjlTcUpaZz09>

Meeting ID: 997 3729 9189
Passcode: 214151

Zoom Policies and Expectations:¹

As this class will be taught via Zoom, not in-person, I would like us to follow the following Zoom policies for the class:

- Please have your video ‘on’ during the class. I have found that having the video on (allowing all of us to see each other) helps everyone feel more ‘connected’ to the other students and to the professor. If having your video on is a problem due to internet bandwidth constraints or due to some other technical issue, please notify me by e-mail or text before the class begins.
- Please set your Zoom name to be your first name (or the name you would like to be referred to during the course) and your last name.
- All lectures will be recorded by Zoom on the cloud and should be available for you to view within 24 hours. I will put the recording links in Canvas in the module for this class.
- When you enter the course, please mute your audio.
- We will use the Zoom “Raise Hand” feature to ask questions during the class. When I call on you, please unmute yourself.
- If your hand is raised and someone just said what you were going to say, please put your hand down.
- I prefer to use our audio as the primary means of communication. Raising hands more closely resembles an actual classroom discussion. That being said, we will use the chat feature, too. Just be aware that it takes a lot of my bandwidth to watch your faces, the documents I post, your hand raising (the participant list) and the chat; consequently, I may be slower to respond to the chat. We will see how it goes as the semester progresses and I will do my best to adjust and accommodate as needed. Note that chat activity does NOT count towards your class participation grade.
- We will use the ‘Breakout’ feature in Zoom to facilitate small group discussions.
- “Ghosting” will negatively impact your class contribution score. Ghosting is particularly noticeable when people who don’t have their video on fail to accept the invitation to enter the breakout room, or don’t respond to questions from me or other students.
- If you have not already done so, please record the pronunciation of your name in S3.
- After the class, I will stay in Zoom for a while, just like in face-to-face classes. If students have some questions/comments, they can stay for a few minutes and chat with me and other students.

Course Description and Objectives:

In this course we will analyze how cheap and powerful computers and communication networks can change both managerial practice and the structure of industries. We will analyze these issues in the context of the entertainment industries — publishing, music, and movies. However, my goal is that the underlying principles will be generalizable across a variety of industries.

¹ Adapted from Professors Dave Lassman and Uttara Ananthakrishnan.

This course focuses on several areas where the presence of computers and networks are likely to have the most profound effect on management and strategy. These areas include pricing and distributing digital content, leveraging new digital distribution channels, managing intellectual property, understanding the drivers of industry power, and analyzing how technology can change power and the structure of industries.

The objectives of this course are to:

- Analyze how the presence of computer mediated markets will alter management and strategy in the entertainment industries,
- Explore current examples of excellence in applying marketing principles to entertainment goods and other digital products,
- Expose students to relevant management and strategic theory that will aid them in making strategic and tactical decisions about digital marketing,
- Develop a set of managerial and strategic principles that will help students evaluate the competitive positioning of firms.

To achieve these objectives, we will use a combination of lectures, cases, research results, and class discussions.

Assignments will be in the form of readings, exercises, case preparation, and presentations.

Cheating, Plagiarism, and Academic Integrity:

Students at CMU are engaged in preparation for professional activity of the highest standards. Each profession constrains its members with both ethical responsibilities and disciplinary limits. To assure the validity of the learning experience Carnegie Mellon establishes clear standards for student work. You are required to be familiar with all university policies on this subject (see <http://www.cmu.edu/policies/documents/Cheating.html>). An extract of these policies is reproduced here:

In any presentation, creative, artistic, or research, it is the ethical responsibility of each student to identify the conceptual sources of the work submitted. Failure to do so is dishonest and is the basis for a charge of cheating or plagiarism, which is subject to disciplinary action.

Cheating includes but is not necessarily limited to:

- Plagiarism, explained below.
- Submission of work that is not the student's own for papers, assignments or exams.
- Submission or use of falsified data.
- Theft of or unauthorized access to an exam.
- Use of an alternate, stand-in or proxy during an examination.

- Use of unauthorized material including textbooks, notes or computer programs in the preparation of an assignment or during an examination.
- Supplying or communicating in any way unauthorized information to another student for the preparation of an assignment or during an examination.
- Collaboration in the preparation of an assignment. Unless specifically permitted or required by the instructor, collaboration will usually be viewed by the university as cheating. Each student, therefore, is responsible for understanding the policies of the department offering any course as they refer to the amount of help and collaboration permitted in preparation of assignments.
- Submission of the same work for credit in two courses without obtaining the permission of the instructors beforehand.

Plagiarism includes, but is not limited to, failure to indicate the source with quotation marks or footnotes where appropriate if any of the following are reproduced in the work submitted by a student:

- A phrase, written or musical.
- A graphic element.
- A proof.
- Specific language.
- An idea derived from the work, published or unpublished, of another person.

Regarding plagiarism, you should also familiarize yourself with the content of the separate handout entitled “A Note on Plagiarism and Citing Sources.”

I also wish to inform you that I make use of plagiarism detection tools provided by the University.

One application of this plagiarism policy for our class is that you may not receive information on case write-ups from students outside of your project team. This includes both students from prior semesters and students from other project teams in this semester.

If you believe that a classmate is engaged in an academic integrity violation, you may report that violation to me (the instructor) or any TA, or if you prefer you can anonymously report violations to Carnegie Mellon’s “Ethics Reporting Hotline” at 877-700-7050 (for more information, see: http://www.cmu.edu/hr/eos/forms/carnegie_mellon_hotline_poster.pdf).

Course Web Site:

<http://canvas.cmu.edu/courses/22661>

We will use Canvas for course information and announcements. If you are registered for the class you should already have access.

If you are on the wait list, you should still be able to access the site with your Andrew login (with the exception of the student's resources section). If this does not work, please e-mail me or a Teaching Assistant and we can get you into the Canvas site

Canvas has an up-to-date copy of the syllabus, schedule, and any class announcements. While I will try to make announcements both in class and on the web site, it is a good idea for you to check the web site regularly. Additionally, the web site has links to class readings and relevant sites mentioned in class and more extensive background material.

Reading Materials:

We will be using as our textbook a recent book Rahul Telang and I have written "[Streaming, Sharing, Stealing: Big Data and the Future of Entertainment](#)." It is available from the CMU bookstore, Amazon, and most online retailers.

In addition, we will be using several cases from Harvard Business School. You can access the cases at the following links (the HBS case fee will appear on your student account):

Data Can Enhance Creative Projects - Just Look at Netflix, Harvard Business Review Online, January 2018, H0441X-PDF-ENG

<https://hbsp.harvard.edu/tu/d3a87646>

Netflix and the Economics of Bundling, February 2019, Harvard Business Review Online, January 2018, H04TGZ-PDF-ENG

<https://hbsp.harvard.edu/tu/a95e5591>

Will Movie Theaters Survive When Audiences Can Stream New Releases?, Harvard Business Review Online, January 2021, H06404-PDF-ENG

<https://hbsp.harvard.edu/tu/1977ad82>

Should You Invest in the Long Tail? Harvard Business Review, July-August 2008, R0807H-PDF-ENG

<https://hbsp.harvard.edu/tu/e2131d4a>

"The Crisis at Encyclopædia Britannica," Shane Greenstein and Michelle Devereux, January 2006, Kellogg Case Number 251.

<https://hbsp.harvard.edu/tu/d87aeaea>

Disruptive Technologies: Catching the Wave, Harvard Business Review, January-February 1995, 95103-PDF-ENG

<https://hbsp.harvard.edu/tu/d1554685>

"The Other Disruption," Joshua Gans. Harvard Business Review, March 2016.

<https://hbsp.harvard.edu/tu/e1b62ec2>

“Keep Calm and Manage Disruption,” Joshua Gans. Sloan Management Review, Spring 2016.

<https://hbsp.harvard.edu/tu/c8cf9352>

The Digital Piracy Dilemma, Harvard Business Review Online, October 2020, H05X0V-PDF-ENG

<https://hbsp.harvard.edu/tu/369d1507>

Hulu: An Evil Plot to Destroy the World?, 51005-PDF-ENG

<https://hbsp.harvard.edu/tu/93b40d20>

Harrah’s Entertainment, Inc., 502011-PDF-ENG

<https://hbsp.harvard.edu/tu/79f395b4>

“Diamonds in the Datamine,” Gary Loveman, Harvard Business Review, May 2003. R0305H-PDF-ENG

<https://hbsp.harvard.edu/tu/de949d6f>

Why Isn't Hulu Better?, Harvard Business Review Online, April 2019. H04X44-PDF-ENG

<https://hbsp.harvard.edu/tu/0edcb91e>

What is Marketing?, 590007-PDF-ENG

<https://hbsp.harvard.edu/tu/5ce39e3e>

Grading and Course Requirements:

The final grade for the course is distributed as follows:

1. Class Contribution: 40%
2. Assignments / Case Write-ups: 45%
(average of the top 3 grades from the 5 “optional” cases)
3. “Streaming Wars” Required Case Write-up: 15%

Class Contribution: The quality of our learning environment is contingent on effective and informed participation of each class member. The goal here is not to dazzle us with your individual brilliance or with the number of comments you make, but rather to help make the class smarter. Note that, in addition to providing new insights to the discussion, it is possible to make the class smarter by asking the right question or by assimilating comments from other students or sources. It is even possible to contribute to the class by giving a short presentation related to your professional experience as it relates to the class material (such presentations should be discussed with me in advance).

Accordingly, the class contribution grade is based on the quality (as opposed to the quantity) of your contribution to the classroom discussion. Contribution is graded based on (in increasing order of quality): demonstrating that you understood the readings, applying the concepts in the

readings to the marketing and industry applications discussed in class, integrating multiple readings (including outside readings) to develop novel solutions to industry applications or cases.

Case Write-ups and Assignments: There are 5 “optional” assignments and 1 “required” assignment for the class.

45% of your course grade will be based on the 3 highest grades for the 5 optional assignments (which are due prior to the 3/30, 4/1, 4/6, 4/13, and 4/20 classes), and 15% of your course grade will be based on the “required” assignment — “Who is best positioned in the streaming wars?” (which is due prior to the 4/29 class).

Assignments should be submitted to Canvas by midnight the night before they are discussed in class. (This will allow me to skim them before class.) Assignments turned in after that time will incur a 10% penalty. No assignments will be accepted after the beginning of class.

Your case analysis grade is based on a 2-page write-up (double-spaced, 12-point font, 1-inch margins). Your case submission is ***due to Canvas by midnight the day before the case is discussed in class.***

Your write-up should address the issues raised in the case narrative and discussion questions. I will provide a more detailed description of the case write-up expectations in a separate handout titled “Notes on Case Analysis.”

I have adopted the following grading scale for case write-ups:

- ✓ + Your write-up went significantly above and beyond what we were expecting
- ✓ Your write-up captured all the points we were expecting
- ✓ - Your write-up missed some significant points that should have been covered

We will explain this in more detail in class.

A Note on Regrade Requests: We will make every effort to return graded assignments within 1 week of their submission. If you believe that your grade is inaccurate, you may request a regrade under the following conditions:

1. Regrade requests must be submitted within 1 week of the date when the grade was returned.
2. Regrade requests must be in writing and must include a copy of the original assignment.
3. Regrade requests must outline the reasons you deserve a higher grade. These will typically be that the grader misread or misunderstood your answer or didn’t take something into account that they should have. For this, you should use the written comments on the assignment as your reference point. Referencing another student’s grade is inappropriate and irrelevant. While we do our best to apply an even standard across students, we can’t discuss anyone else’s grade with you, so we need to deal with the merits of your particular case.

4. I will regrade the assignment myself and I reserve the right to regrade the entire assignment and your grade may go up or down.
5. Class participation grades are inherently subjective. I make notes on participation at the end of each class and will assign grades at the end of the semester based on these notes. They are not subject to regrade requests. However, I would be happy to discuss my notes on your participation with you at any point in the semester.

Course Schedule:

This schedule is subject to change during the semester. All changes will be announced in class or posted to Canvas.

Unless otherwise announced, all assignments are due to Canvas by midnight the night before the assignment is discussed in class. There is a 10% penalty for late assignments. No assignments are accepted after the start of the 8:30AM class on the day of discussion.

Readings marked with (HBS) are in the reading pack available from Harvard Business School Publishing. Readings marked (S3) come from the book “Streaming, Sharing, Stealing.” Readings marked with (Canvas) are available on the Canvas website. Hyperlinks are provided below for readings available on the web.

March 23 — Introduction: We will begin with an overview of the course: grading, student expectations, and topics.

March 25 — Marketing & House of Cards: In this class, I want to discuss how technological change is impacting marketing practice and distribution strategies for entertainment goods. My goal is to get us all on the same page about the size and scope of this industry, and how technology is changing entertainment. We’ll use this foundation to motivate our discussion in our next class: the potential for technology to change the drivers of market power in the entertainment industry.

Required Reading

- Chapter 1: House of Cards (S3 — also <http://mds.heinz.cmu.edu/wp-content/uploads/sites/8/2021/01/Chapter-1-Promo.pdf> in case your book hasn’t arrived yet)
- “Data Can Enhance Creative Projects — Just Look at Netflix,” Michael D. Smith and Rahul Telang, January 23, 2018. (<https://hbsp.harvard.edu/tu/d3a87646> or <https://hbr.org/2018/01/data-can-enhance-creative-projects-just-look-at-netflix>)

Supporting Articles

- “Pandemic accelerated cord cutting, making 2020 the worst-ever year for pay TV,” September 21, 2020. (<https://techcrunch.com/2020/09/21/pandemic-accelerated-cord-cutting-making-2020-the-worst-ever-year-for-pay-tv/>)
- “Netflix is straight up flexing at this point: The streamer has nearly 60 original titles landing in July alone,” June 24, 2020. (<https://www.theverge.com/2020/6/24/21301959/netflix-july-2020-originals-licensed-tv-movies-competitors>)
- “Netflix hit ‘The Irishman’ marks a turning point for how Oscar-caliber movies are distributed, and could speed the demise of movie theaters,” December 15, 2019. (<https://www.cnn.com/2019/12/15/netflix-hit-the-irishman-could-spell-death-knell-for-theater-window.html>)

- “What Netflix is Learning from the Massive Success of Bird Box,” January 14, 2019. (<https://www.theatlantic.com/entertainment/archive/2019/01/netflixs-hit-bird-box-future-blockbusters/580255/>)
- “How To Watch ‘The Cloverfield Paradox,’ Because Its Release Is Historical,” Romper.com, February 4, 2018. (<https://www.romper.com/p/how-to-watch-the-cloverfield-paradox-because-its-release-is-historical-8116698>)

Optional Reading for Students with no prior Marketing Background

“What Is Marketing,” Thomas V. Bonoma, HBS Note #9-590-007.
(<https://hbsp.harvard.edu/tu/5ce39e3e>)

March 30 — Back in Time: Structure and Competition in the Entertainment Industry: As we discuss in Chapter 2, in the spring 2015 semester an executive from a “Big 6” studio came to class to discuss how technology was changing his business. At one point in the discussion, Professor Telang asked him whether his studio was worried about the competitive threat posed by large platform firms like Amazon, Netflix, and Google. The executive dismissed the threat by saying that “the original 6 players in this industry have been around for the last 100 years, and there’s a reason for that.”

In this class, I’d like to explore the historical and structural basis for that statement and then evaluate whether that historical basis still holds in the current market environment.

(Assignment Due: Music Streaming Platforms – Friend or Foe?)

Required Reading

- Chapter 2: Back in Time (S3)

Supporting Articles

- “How Does the Film Industry Actually Make Money,” New York Times Magazine, July 1, 2012. (<https://www.nytimes.com/2012/07/01/magazine/how-does-the-film-industry-actually-make-money.html>)
- “Netflix – The Monster That’s Eating Hollywood,” Wall Street Journal, March 24, 2017. (Canvas)

March 30 — LUNCHTIME GUEST SPEAKER: In addition to our regular class sections, from 11:50-1:10 we will have a guest talk from Mitch Glazier, Chairman and CEO of the Recording Industry Association of America.

During this lunchtime session, Mitch will talk to us about how he’s seen technology transform market power in the music industry.

Assignment — Music Streaming Platforms: Friend or Foe?

In October 2019, *Fortune* published an article titled “Spotify Saved the Music Industry. Now What?”² The article showed how Spotify and other streaming services were key to the music industry’s recovery over the past 5 years. From 1999 (the year Napster was released) to 2014, U.S. music industry revenue fell by over 50% — from \$14.6 billion to \$7.0 billion.

Starting in 2014, however, streaming revenue reversed this trend. U.S. music streaming revenue grew from \$1.9 billion in 2014³ to \$7.4 billion in 2018 at which point it accounted for 75% of the music industry’s total revenue.⁴

That’s the good news. The bad news is that music streaming platforms now have the potential to wield a great deal of power over the previously dominant labels. The *Fortune* article discusses Spotify’s \$230 million acquisition of podcast producer Gimlet Media in February 2019 as a possible beachhead for a broader entry into content creation.⁵

In this assignment, I would like for you to address a memo to Mr. Glazier and his member companies evaluating whether they face a strategic threat from music streaming services that parallels the threat Netflix and Amazon posed to motion picture studios in using their market power, and control over customers, to vertically integrate into content creation.

Your memo should follow the standard format: 2 pages, double spaced, 1 inch margins, 12 point font, with up to 3 attachment figures or tables.

April 1 — For a Few Dollars More: Pricing and Marketing Information Goods: At its core, the Internet is a tool for transmitting information. Because of this, information goods markets are one of the most important product markets on the Internet. In this session, we discuss some of the marketing challenges facing sellers of information goods, with a particular focus on entertainment products. Our discussion will cover pricing, bundling, and versioning strategies common in these markets.

(Assignment Due: Should HBO Max adopt a low-priced advertising-supported tier?)

Required Articles

- Chapter 3: For a Few Dollars More (S3)

² <https://fortune.com/longform/spotify-music-industry-profits-apple-amazon/>

³ <https://www.riaa.com/wp-content/uploads/2016/03/RIAA-2015-Year-End-shipments-memo.pdf>

⁴ <http://www.riaa.com/wp-content/uploads/2019/02/RIAA-2018-Year-End-Music-Industry-Revenue-Report.pdf>

⁵ Also see this article titled “The Record Label of the Future is No Label At All” (<https://medium.com/@denishakuhlor/the-record-label-of-the-future-is-no-label-at-all-75a0b52a4995>)

- “Netflix and the Economics of Bundling,” Michael D. Smith and Rahul Telang, February 25, 2019. (<https://hbsp.harvard.edu/tu/a95e5591> or <https://hbr.org/2019/02/netflix-and-the-economics-of-bundling>)
- “Will Movie Theaters Survive When Audiences Can Stream New Releases?” Gordon Burtch, Daegon Cho, Yangfan Liang, Michael D. Smith, January 15, 2021. (<https://hbsp.harvard.edu/tu/1977ad82> or <https://hbr.org/2021/01/will-movie-theaters-survive-when-audiences-can-stream-new-releases>)
- “Bundling and Competition on the Internet: Aggregation Strategies for Information Goods,” Yannis Bakos and Erik Brynjolfsson. (<http://oz.stern.nyu.edu/cite05/readings/bakos4.pdf>) (Don’t worry about the detailed math in this paper — just focus on the abstract, introduction, and conclusion sections. My goal is to give you a high-level understanding of how bundling works and the marketing and strategic issues it raises for firms.)

Supporting Articles

- “Versioning: The Smart Way to Sell Information,” Carl Shapiro and Hal Varian, Harvard Business Review, November-December 1998. (<https://hbr.org/1998/11/versioning-the-smart-way-to-sell-information>)
- “Bundling Information Goods: Pricing, Profits and Efficiency,” Yannis Bakos and Erik Brynjolfsson. (<http://www.stern.nyu.edu/~bakos/big.pdf>)
- “NBCUniversal revealed a critical number about Peacock that shows why media companies are walking slowly into streaming,” January 18, 2020. (<https://www.cnbc.com/2020/01/18/nbcuniversal-peacock-arpu-of-6-to-7-shows-streaming-conundrum.html>)
- “Disney CEO Bob Chapek Hints At Shorter Theatrical Windows: For “Impatient” Customers, ‘I’m Not Sure There’s Going Back’,” March 1, 2021. (<https://deadline.com/2021/03/disney-ceo-bob-chapek-shorter-theatrical-windows-streaming-marvel-star-wars-1234704357/>)

Assignment — Should Netflix adopt a low-priced advertising-supported tier?

On March 4, WarnerMedia announced that in June 2021 they would launch a “low priced” advertising supported tier for their HBO Max streaming service.⁶ HBO Max’s new AVOD service will compete alongside similar advertising supported tiers at Disney (Hulu); Paramount (Paramount+), Discovery, NBC University (Peacock); and even Amazon Prime Video (through its ad-supported offerings on IMDB TV).

This left Netflix as the one major streaming provider not to offer an advertising supported option for consumers. Market observers had long argued that Netflix needed to adopt advertising given their relatively high price point and competition from numerous new streaming services.⁷ Shortly after WarnerMedia’s announcement, Needham’s Laura Martin issued a report rating Netflix stock as “underperform” and highlighting the churn risk faced by Netflix without a “cheaper, ad-driven, tier”⁸

⁶ See [here](#) and [here](#) for coverage of this announcement.

⁷ See articles in [Fortune](#), [Barrons](#), [Variety](#), and [CNBC](#).

⁸ See the Needham market report posted to Canvas.

On the other hand, Reed Hastings had been resolute in saying that advertising wasn't "in the best interest of the business he is running."⁹

In this assignment, I would like for you to advise Mr. Hastings about whether Netflix should adopt an advertising-supported tier or remain ad-free. Your analysis should consider both the advantages and disadvantages of advertising support for Netflix's streaming service.

Your memo should follow the standard format: 2 pages, double spaced, 1 inch margins, 12 point font, with up to 3 attachment figures or tables.

April 1 — LUNCHTIME GUEST SPEAKER: In addition to our regular class sections, from 11:50-1:10 we will have a guest talk from Chris Anderson. Chris was editor-in-chief of *Wired* Magazine from 2001 until 2012, where in 2004 he wrote an article titled *The Long Tail*, which was later expanded into a 2006 New York Times bestselling book. In 2009 he wrote another New York Times bestseller: *Free: The Future of a Radical Price*.

In short, Chris is uniquely qualified to help us reflect on today's topic (new strategies for marketing digital products, including "Free") and next to prepare us for next Tuesday's topic (Blockbusters and the Long Tail).

April 6 — Blockbusters and the Long Tail: In this class, I'd like to analyze two very different theories about the future of marketing entertainment content. On one hand, Chris Anderson, the former editor of *Wired* magazine, argues that the future of the entertainment industries lies in selling niche products instead of blockbuster products. On the other hand, HBS Professor Anita Elberse argues that digital technologies will make the blockbuster business model even more dominant.

(Assignment Due: "Content bubble" or "The New Normal"?)

Required Articles

- Chapter 5: Blockbusters and the Long Tail (S3)
- Anderson, Chris. 2004. The Long Tail. *Wired* Magazine, October. (Available at <http://www.changethis.com/10.LongTail> or <http://www.wired.com/wired/archive/12.10/tail.html>)
- "Should You Invest in the Long Tail?" Anita Elberse, *Harvard Business Review*, July 1, 2008. (<https://hbsp.harvard.edu/tu/e2131d4a>)

Supporting Articles

- "Inside the Binge Factory," Josef Adalian. *Vulture*, June 2018. (<https://www.vulture.com/2018/06/how-netflix-swallowed-tv-industry.html>)
- Brynjolfsson, Erik, Yu Hu, Michael D. Smith. 2003. Consumer Surplus in the Digital Economy: Estimating the Value of Increased Product Variety. *Management Science*, 49(11) 1580-1596. (Canvas or <http://ssrn.com/abstract=400940>).

⁹ See this [BGR](#) story, and a similar story on [TechCrunch](#).

- “From Niches to Riches: The Anatomy of the Long Tail,” by Erik Brynjolfsson, Jeffrey Hu, and Michael D. Smith, *Sloan Management Review*, Summer 2006. (Canvas)
- “Debating the Long Tail,” Chris Anderson, HBR Blog (http://blogs.hbr.org/cs/2008/06/debating_the_long_tail.html)
- “The Long Tail Debate: A Response to Chris Anderson,” Anita Elberse, HBR Blog, (http://blogs.hbr.org/cs/2008/07/the_long_tail_debate_a_respons.html)
- Zentner, Alejandro, Michael D. Smith, Cuneyd Kaya. 2013. How Video Rental Patterns Change as Consumers Move Online. *Management Science*. **59**(11) 2622-2634. (Canvas or <http://ssrn.com/abstract=1989614>)
- Kumar, Anuj, Michael D. Smith, Rahul Telang. 2012. Information Discovery and the Long Tail of Motion Picture Content. (<http://ssrn.com/abstract=1871090>)
- Waldfogel, Joel. 2017. How Digitization Has Created a Golden Age of Music, Movies, Books, and Television, *Journal of Economic Perspectives*. **31**(1) 195-214. (<https://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.31.3.195>)
- “We’re All Drowning in Entertainment. Who’s Going to Rescue Us?”, Tim Ingham, Rolling Stone, November 30, 2018. (<https://www.rollingstone.com/music/music-features/were-all-drowning-in-entertainment-whos-going-to-rescue-us-761249/>)

Assignment — “Content bubble” or “The New Normal”?

At the January 2015 Television Critics Association meetings, John Landgraf, the CEO of FX Networks, predicted that the increase in content creation was unsustainable for the industry and would soon collapse. In his words “there is simply too much television...the business is in the late stages of a bubble...we are playing a game of musical chairs, and they’re starting to take away the chairs.”

His argument was bolstered by the fact that the number of scripted original series increased by 80% (from 216 series to 389 series in production) from 2010 to 2014. This increase, he argued, placed an unsustainable strain on audiences, on talent, and most important on the overall economics of the industry.

However, in the three years since his 2015 speech, content creation continued to increase by another 27% to 495 series in production in 2018.¹⁰ During the same time Netflix’s content spending increased from \$3.2 billion¹¹ to \$13 billion,¹² 85% of which will be for original content production (the remaining 15% for licensing).¹³ In December 2018, John Landgraf estimated that more than 530 scripted original series would be made in 2019,¹⁴ and in November 2019, *FastCompany* estimated that Netflix spent \$15 billion on original

¹⁰ <https://deadline.com/2018/12/streaming-series-surpass-cable-broadcast-first-time-fx-study-1202519711/>

¹¹ <https://www.theguardian.com/media/2014/feb/05/netflix-spend-3-billion-tv-film-content-2014>

¹² <https://www.forbes.com/sites/danafeldman/2018/07/09/netflixs-content-budget-is-updated-to-13b-in-2018/#6ebe69892b8c>

¹³ <https://variety.com/2018/digital/news/netflix-original-spending-85-percent-1202809623/>

¹⁴ <https://www.hollywoodreporter.com/live-feed/fx-chief-scripted-originals-could-top-530-2019-1170259>

content in 2019.¹⁵ And this is all before the entry of Apple TV+, Disney+, HBOMax, and NBCU's Peacock. What the heck is going on!?

In this assignment, it is February 2015 and I would like for you to evaluate whether this level of content production is sustainable, or whether Mr. Landgraf is correct that we will eventually see a collapse (or at least a significant contraction) in spending and production of scripted series.

Your memo should follow the standard format: 2 pages, double spaced, 1 inch margins, 12 point font, with up to 3 attachment figures or tables.

April 6 — LUNCHTIME GUEST SPEAKER: In addition to our regular class sections, from 11:50-1:10 we will have a guest talk from David Boyle. David is the Director of Audience Strategies, an entertainment analytics consulting firm based in the UK. Prior to Audience Strategies, David served as the Senior Vice President of Insight at EMI Music, the Senior Vice President of Insight at HarperCollins Publishers, the Executive Vice President of Insight at BBC Studios, and the Vice President of Strategy and Insight at MasterClass.

In this guest lecture, David will bring his wealth of experience in these roles to share real-world experiences in marketing long tail products and pricing information goods for music, books, TV shows, and MasterClass content, and to reflect on what was done—and what could have been done differently.

April 8 — The Perfect Storm: Disruptive Change and The Crisis at Encyclopædia Britannica: In this class we will discuss how new technologies, particularly information technologies, can disrupt competitive power in industries. We will illustrate our discussion in the context of the decline of Encyclopædia Britannica's business model, and then apply our discussion to the changes facing the entertainment industry today.

Required Articles

- Chapter 4: The Perfect Storm (S3)
- "The Crisis at Encyclopædia Britannica," Shane Greenstein and Michelle Devereux. Kellogg Case Number 251. (<https://hbsp.harvard.edu/tu/d87aeaea>)
- "Disruptive Technologies: Catching the Wave," Joseph L. Bower and Clayton Christensen, Harvard Business Review, January-February 1995. (<https://hbsp.harvard.edu/tu/d1554685>)
- "The Other Disruption," Joshua Gans. *Harvard Business Review*, March 2016. (<https://hbsp.harvard.edu/tu/e1b62ec2>)

Supporting Articles

- "Keep Calm and Manage Disruption," Joshua Gans. *Sloan Management Review*. Spring 2016. (<https://hbsp.harvard.edu/tu/c8cf9352>)

¹⁵ <https://www.fastcompany.com/90410798/netflix-spent-an-estimated-15-billion-on-original-content-in-2019-ahead-of-disney-and-apple-tvs-launches>

- “Qwikster Is Dead: Netflix Kills DVD-Only Service Weeks After Unveiling It,” Bianca Bosker, Huffington Post, November 10, 2011.
(http://www.huffingtonpost.com/2011/10/10/qwikster-dead-netflix-kills_n_1003098.html)

April 8 — LUNCHTIME GUEST SPEAKER: In addition to our regular class sections, from 11:50-1:10 we will have a guest talk from Rick Chambers, Vice President of Data and Decision Support at Cinemark Theaters. Cinemark, as I suspect most of you know, is one of the 3 largest theater chains in the United states and operates 525 locations worldwide.

In this guest lecture, Rick will talk to us about how digital disruption in general, and the COVID shutdowns in particular, have impacted the theatrical business, and how Cinemark is responding to these threats.

April 13 — Raised on Robbery: Piracy and Digital Entertainment: In this class, I’d like to discuss the latest research on how digital piracy impacts sales of entertainment goods, why piracy represents a significant threat to the entertainment industries, and what companies can do to “fight back” against this threat.

(Assignment Due: Responding to Piracy)

Required Articles

- Chapter 6: Raised on Robbery (S3)
- “Copyright Enforcement in the Digital Age: Empirical Evidence and Policy Implications,” Brett Danaher, Michael D. Smith, Rahul Telang. Communications of the ACM, February 2017, 60(2), pp. 68-75. (<http://cacm.acm.org/magazines/2017/2/212432-copyright-enforcement-in-the-digital-age/pdf>)

Supporting resources

- “Piracy Landscape Study: Analysis of Existing and Emerging Research Relevant to Intellectual Property Rights (IPR) Enforcement of Commercial-Scale Piracy,” Brett Danaher, Michael D. Smith, Rahul Telang, U.S. Patent and Trademark Office, Economic Working Paper. April 2020. (https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3577670)
- Danaher, Brett, Samita Dhanasobhon, Michael D. Smith, Rahul Telang. 2010. Converting Pirates without Cannibalizing Purchasers: The Impact of Digital Distribution on Physical Sales and Internet Piracy. *Marketing Science*. **29**(6) 1138-1151. (Canvas)
- The Digital Piracy Dilemma, Brett Danaher and Michael D. Smith, October 2020. (<https://hbsp.harvard.edu/tu/369d1507> or <https://hbr.org/2020/10/the-digital-piracy-dilemma>)

Assignment — Responding to Piracy:

In this assignment, you have been asked by a major studio, music label, publisher, or gaming company (of your choice) to provide recommendations about how their firm should use a combination of direct anti-piracy enforcement, marketing strategy, and public policy lobbying to respond to the widespread availability of digital pirated copies of their content.

Your memo should follow the standard format: 2 pages, double spaced, 1-inch margins, 12-point font, with up to 3 attachment figures or tables.

April 13 — LUNCHTIME GUEST SPEAKER: In addition to our regular class sections, from 11:50-1:10 we will have a guest talk from David Green. David is the Vice President of Public Policy at NBCUniversal where one of his key roles is leading NBCU's worldwide efforts to fight digital piracy and intellectual property theft. Prior to working at NBCU, David was the Vice President of Technology and New Media at the MPAA and was the Deputy Chief of the Computer Crime and Intellectual Property section of the U.S. Department of Justice.

In this guest lecture, David will talk to us about the threats digital piracy poses to the health of the entertainment industry, and about his work with lawmakers and other stakeholders to pass laws protecting the rights of entertainment creators.

April 15 — NO CLASSES: SPRING CARNIVAL

April 20 — Power to the People and Revenge of the Nerds: In this class, I'd like to talk about how technology is shifting power in the entertainment industry upstream (toward artists) and downstream (toward platforms), and what this shift might mean for the major studios, labels, and publishers.

Required Articles

- Chapter 7: Power to the People. (S3)
- Chapter 8: Revenge of the Nerds (S3)

Supporting resources

- "The Music Industry's New Gatekeepers," Wall Street Journal, Neil Shah, November 15, 2017. (Canvas)
- "Spotify opens the floodgates: artists can now upload tracks direct to the streaming platform for FREE," Music Business Worldwide, September 20, 2018.
(<https://www.musicbusinessworldwide.com/spotify-opens-the-floodgates-users-can-now-upload-tracks-to-the-streaming-platform-for-free/>)
- "SXSW 2019: How 'Creator-First' Streaming Tools Are Shifting Roles for Artists & Labels," Billboard, Tatiana Cirisano, March 13, 2019.
(<https://www.billboard.com/articles/business/8502314/sxsw-2019-streaming-shifting-roles-artists-labels>)
- "Taylor Swift and the changing tide of artist power," Hanna Kahlert, February 16, 2021.
(<https://midiaresearch.com/blog/taylor-swift-and-the-changing-tide-of-artist-power>)

April 20 — LUNCHTIME GUEST SPEAKER: In addition to our regular class sections, from 11:50-1:10 we will have a guest talk from Will Page (Former Chief Economist, Spotify) and Richard Kramer (Managing Director/Founder, Arete Research).

During this lunchtime session, Will and Richard will talk to us about they've seen technology transform market power in the music industry.

April 22 — Moneyball: One fascinating aspect of distributor market power is the ability of some firms (notably Netflix, Amazon, and Google) to observe detailed information about customer behavior, and their ability to use their customer base and distribution platform to match the right content to the right consumer. In this class, we will talk about how the ability to access detailed customer data has become a significant source of competitive advantage in the entertainment industries, and new areas where data and data analytics may influence the creative process.

(Assignment Due: Managing Customer-Level Data and Customer-Level Privacy)

Required Articles

- Chapter 9: Moneyball (S3)

Supporting resources

- “Warner Bros. Signs Deal for AI-Driven Film Management System,” The Hollywood Reporter, January 8, 2020. (<https://www.hollywoodreporter.com/news/warner-bros-signs-deal-ai-driven-film-management-system-1268036>)
- “Artificial Intelligence Could One Day Determine Which Films Get Made,” Variety, July 5, 2018. (<https://variety.com/2018/artisans/news/artificial-intelligence-hollywood-1202865540/>)
- “The first pop song ever written by artificial intelligence is pretty good, actually,” Quartz, September 24, 2016. (<https://qz.com/790523/daddys-car-the-first-song-ever-written-by-artificial-intelligence-is-actually-pretty-good/>)
- “How AI-generated music is changing the way hits are made,” The Verge, August 31, 2018. (<https://www.theverge.com/2018/8/31/17777008/artificial-intelligence-taryn-southern-amper-music>)
- “Creativity and AI: The Next Step,” Scientific American, October 1, 2019. (<https://blogs.scientificamerican.com/observations/creativity-and-ai-the-next-step/>)

Assignment — Managing Customer-Level Data and Customer-Level Privacy:

In this assignment, you have been asked by an executive at a streaming service to provide recommendations about the issues, benefits, and risks of using user-level viewing history, along with matched demographic data from a data broker as a basis for recommending content to the consumer.

To prepare for this assignment, you may wish to read this New York Times article titled [“Some Viewers Think Netflix Is Targeting Them by Race. Here’s What to Know.”](#)

Your memo should follow the standard format: 2 pages, double spaced, 1-inch margins, 12-point font, with up to 3 attachment figures or tables.

April 22 — LUNCHTIME GUEST SPEAKER: In addition to our regular class sections, from 11:50-1:10 we will have a guest talk from Ari Brio. Ari holds a Master of Science Degree in Public Policy and Management from CMU's Heinz College, and is currently the Director (Privacy), Business & Legal Affairs at Roku. Prior to working at Roku, Ariel was the Senior Privacy and Data Counsel at PlayStation.

During this lunchtime session, Ari will talk to us about the privacy challenges posed by the “big data” tied to customer identity, and how these privacy challenges impact entertainment industry firms.

April 27 — Organizational Transformation in the Entertainment Industry: The ability to develop an individual relationship with the consumer offers perhaps the greatest opportunity technology the Internet has given to firms. However, this opportunity can also create some of the largest structural challenges to firms, particularly firms like those in the entertainment industry which have established their organizational designs and incentive structures in an era long before customer data were available.

We will discuss these challenges in the context of Harrah's Casino, particularly focusing on how Harrah's Casino changed its organizational structure alongside its move toward collecting detailed customer data.

We will then illustrate changes in the context of the motion picture studios' relationship with Hulu.com in July 2009 by asking “Why Does Hulu Suck?”

Required Articles

- Chapter 10: Pride and Prejudice (S3)
- “Harrah's Entertainment Inc.,” Harvard Business School Case 9-502-011. (<https://hbsp.harvard.edu/tu/79f395b4>)
- “Diamonds in the Datamine,” Gary Loveman, Harvard Business Review, May 2003. (<https://hbsp.harvard.edu/tu/de949d6f>)
- “Why Isn't Hulu Better,” Michael D. Smith and Rahul Telang. April 25, 2019. (<https://hbsp.harvard.edu/tu/0edcb91e> or <https://hbr.org/2019/04/why-isnt-hulu-better>)

Supporting resources

- “The home of the Sopranos is under siege: Inside the battle for the soul of HBO,” CNBC, Alex Sherman, December 4, 2020. (<https://www.cnbc.com/2020/12/04/att-dismantles-time-warner-to-battle-netflix-the-inside-story.html>)
- “Hulu: An Evil Plot to Destroy the World?” Anita Elberse; Sunil Gupta, Harvard Business School Case 9-510-005, June 29, 2010. (<https://hbsp.harvard.edu/tu/93b40d20>)

April 27 — LUNCHTIME GUEST SPEAKER: In addition to our regular class sections, from 11:50-1:10 we will have a guest talk from Stephen Kahan, the Director of Analytics at The Walt Disney Studios.

During this lunchtime session, Stephen will talk to us about how Disney has changed its organizational structure as part of its strategic pivot to online streaming.

April 29 — “The Streaming Wars”: In this class, I’d like for us to discuss who is best positioned to thrive in what I will call “The Streaming Wars.” For fun, I’ll divide the players in the streaming wars into five broad groups:

In group 1, we have traditional studios who have maintained their “historic” business model of focusing on content creation and licensing that content to downstream distributors (e.g., Sony Pictures, Paramount Pictures).

In group 2, we have Disney, who executed a horizontal merger with 21st Century Fox and then vertically integrated downstream into digital distribution with the launch of Disney+ (see also their acquisition of MLB Advanced Media and Hulu.com).

In group 3, we have NBC Universal and Warner Brothers who executed vertical mergers with legacy distribution companies (Comcast Cable and AT&T Wireless respectively) and who then vertically integrated downstream with the launch of Peacock and HBO Max.

In group 4, we have tech firms like Amazon, Google, and Apple who have leveraged their existing business models (retail, advertising, hardware) to enter the streaming market (Amazon Prime Video, YouTube, Apple TV+).

In group 5, we have Netflix, who runs a standalone streaming business that just happens to be the largest streaming platform in the world, with the most well-recognized “brand name” in the market.

Assignment Due: Who is best positioned in the streaming wars?

Required Articles

- Chapter 11: The Show Must Go On (S3)
- “Mergers and Acquisitions: AT&T, Time Warner, and What Makes Vertical Mergers Succeed,” Bharat Anand, Harvard Business Review Online, October 28, 2016.
(<https://hbr.org/2016/10/att-time-warner-and-what-makes-vertical-mergers-succeed>)

Supporting resources

- “Netflix is straight up flexing at this point,” The Verge, Julia Alexander, June 24, 2020.
(<https://www.theverge.com/2020/6/24/21301959/netflix-july-2020-originals-licensed-tv-movies-competitors>)
- “Needham’s Laura Martin sees challenges ahead for Netflix as economy reopens, competition stiffens,” CNBC, Tyler Clifford, March 12, 2021.
(<https://www.cnbc.com/2021/03/12/netflix-faces-reopening-competition-challenges-needhams-laura-martin.html>)

- “2021’s Must-See Drama: Netflix Under Siege,” Washington Post, Tara Lachapelle, December 14, 2020. (https://www.washingtonpost.com/business/2021s-must-see-drama-netflix-under-siege/2020/12/14/64a183f8-3e0c-11eb-b58b-1623f6267960_story.html)
- “How Long Will It Take for Disney to Catch Netflix,” Bloomberg, Lucas Shaw, February 14, 2021. (<https://www.bloomberg.com/news/newsletters/2021-02-14/how-long-will-it-take-for-disney-to-catch-netflix>)
- “6 reasons why Disney fans should be worried about its future,” FastCompany, Nicole Laporte, December 12, 2020. (<https://www.fastcompany.com/90585750/six-reasons-why-disney-fans-should-be-worried-about-its-future>)
- “Former Netflix CEO: Apple Not in Streaming Market ‘With Both Feet’,” MacRumors, Juli Clover, February 11, 2021. (<https://www.macrumors.com/2021/02/11/former-netflix-ceo-on-apple-tv-plus/>)
- “The Streaming Price Wars Have Begun,” Vulture, Josef Adalian, February 11, 2021. (<https://www.vulture.com/2021/02/streaming-price-wars-customer-churn.html>)
- “The Streaming Wars Could Finally End in 2021,” Wired, Angela Watercutter, December 14, 2020. (<https://www.wired.com/story/disney-plus-hbo-max-streaming-wars/>)

Assignment — Who Is Best Positioned in the Streaming Wars?

In this assignment, it is April 2021 and you have been asked by an executive in the entertainment industry (of your choice) to evaluate who is best positioned to prosper in the streaming wars.

Your memo should follow the standard format: 2 pages, double spaced, 1-inch margins, 12-point font, with up to 3 attachment figures or tables.

April 29 — LUNCHTIME GUEST SPEAKER: In addition to our regular class sections, from 11:50-1:10 we will have a guest talk from Laura Martin. Laura is a Managing Director and Senior Analyst in charge of Entertainment and Internet at Needham and Company.

During this lunchtime session, Laura and I will debate who is going to win the stream wars. I’ll take the side of students in the class (e.g., Netflix wins, Peacock is screwed), and Laura will argue the other side (e.g., Netflix is screwed, Peacock wins). Laura suggested this format and I think it will be a great way for you to see the uncertainty associated with what happens next in the streaming wars.

May 4 — Managing Disruptions in Media Policy: Guest Lecture: Rick Lane, CEO, Iggy Ventures and Former Senior Vice President of Government Affairs, 21st Century Fox: In the last week of class I’d like to transition to a discussion of how technology has changed public policy in the context of entertainment.

We’ll start with a guest lecture from Rick Lane. From 2001 to 2016, Rick served as chief lobbyist for 21st Century Fox. During that time, he was “at the center of every policy fight on

content distribution in the digital age.”¹⁶ In this lecture Rick will talk about how technology has changed — and is changing — the policy landscape for motion picture firms.

Required Articles

- “Rick Lane to Step Down as 21st Century Fox’s Senior Vice President of Government Affairs,” Press Release, 21st Century Fox, December 6, 2016. (<https://www.politico.com/f/?id=00000158-d8d5-d386-abde-d8f7f31e0001>)
- “High tech’s top 5 special interests,” CNN.com, July 5, 2001. (<http://www.cnn.com/2001/TECH/industry/07/05/5.special.interests.idg/index.html>) (This summarizes an interview with Rick from his time at the U.S. Chamber of Commerce discussing top policy concerns and tensions around the rise of “big tech,” and gives a fascinating historical perspective on what was happening around big tech and policy as of 20 years ago.)
- “Business, labor urge Bush to sign RIAA-backed copyright bill,” CNET, October 8, 2008. (<https://www.cnet.com/news/business-labor-urge-bush-to-sign-riaa-backed-copyright-bill/>) (Another nice article with insights into the challenges of tech policy and piracy around 2008.)
- “United States Chamber of Commerce Hails Bipartisan Digital Signatures Bill Vote,” U.S. Chamber of Commerce, November 8, 1999. (<https://www.uschamber.com/press-release/united-states-chamber-commerce-hails-bipartisan-digital-signatures-bill-vote>) (This and the next article talk about key technology initiatives Rick led while at the U.S. Chamber of Commerce.)
- “New Encryption Regulations Don’t Go Far Enough,” U.S. Chamber of Commerce, January 13, 2000. (<https://www.uschamber.com/press-release/new-encryption-regulations-dont-go-far-enough>)
- “FCC Delays Vote on Cable Set-Top Boxes,” The New York Times, September 29, 2016. (https://www.nytimes.com/2016/09/30/technology/fcc-cable-box-vote-delayed.html?_r) (Review of another fascinating policy debate that Rick led while at 21st Century Fox that sits at the interface between technology interoperability and piracy protection.)

May 4 — LUNCHTIME GUEST SPEAKER: In addition to our regular class sections, from 11:50-1:10 we will have a guest talk from Jan van Voorn. Jan is the Executive Vice President and Chief of Global Content Protection for the Motion Picture Association.¹⁷ In this role he is responsible for working with studios and lawmakers worldwide to define and implement the MPA’s global content protection strategy.

During this lunchtime session, Jan will talk about his experience dealing with the complexities of the worldwide availability of pirated content, and the challenges of regulating the global availability of pirated content in the context of radically different local regulatory environments.

May 6 — Digital Transformation and Higher Education: In this class I’d like to apply the structural disruption framework we’ve discussed in this class to an industry near and dear to our

¹⁶ <https://www.politico.com/f/?id=00000158-d8d5-d386-abde-d8f7f31e0001>

¹⁷ <https://www.motionpictures.org/people/jan-van-voorn/>

hearts: Higher Education. My main goal here is to give you an opportunity to apply this framework to a different industry, and also give you some exposure to my current book project.

Required Resources

- Preface and Chapter 1 from a book I'm writing titled "The Abundant University: Remaking Higher Education for a Digital World" (Canvas — To Come)
- "Business School, Disrupted," New York Times, May 31, 2014.
(<http://www.nytimes.com/2014/06/01/business/business-school-disrupted.html>)
- "Are Universities Going the Way of CDs and Cable TV?" The Atlantic, June 22, 2020.
(<https://www.theatlantic.com/ideas/archive/2020/06/university-like-cd-streaming-age/613291/>)
- Browse Outlier.org's site, and watch the trailer (yes trailer!) for their calculus class (<https://www.youtube.com/watch?v=5YfHYhmxdYA>, particularly the 1:16 mark where Professor Hannah Fry says "there is no reason why everyone shouldn't have access to the very best education").

May 6 — LUNCHTIME GUEST SPEAKER: In addition to our regular class sections, from 11:50-1:10 we will have a guest talk from Aaron Rasmusen. Aaron is the Co-founder of Masterclass.com and the Founder and CEO of Outlier.org.

During this guest lecture, Aaron will talk to us about how he originally got interested in entrepreneurship in general and his specific experience in creating educational content for general audiences with Masterclass.com and his current vision for how Outlier.org can democratize access to higher education resources from top professors, at a price everyone can afford.

Along the way he'll tell us how cool it is to work with and capture the insights from great entertainment talent like Shonda Rhimes, Bob Iger, Steve Martin, David Lynch, Martin Scorsese, Aaron Sorkin, Jodie Foster, Samuel L. Jackson, deadmau5, Questlove, Itzhak Perlman, Carlos Santana, Ken Burns, Werner Herzog, Christina Aguilera, Reba McEntire, and the rest of the great artists on Masterclass. (Yes, I'm a subscriber and a fan.)