Last update: Nov. 15, 2013.

**INTRODUCTION TO THE MEDIA INDUSTRIES:**

**A foundations course**

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**Introduction**

We generally call ‘Media’ the means by which some content (information) is created and delivered to an audience. The organizations (e.g. firms, government) and individuals (e.g. artists, consumers) who engage in this process constitute the Media industry. The media industry is broad and diverse and it is really more appropriate to talk about different media industries depending on the nature of content (e.g. data vs. entertainment), the nature of end-users (e.g. businesses vs. individuals), key technologies involved in creating, storing and distributing content (e.g. a theater, a cable network or the Internet). Over time, practical considerations and convention have delineated traditional media industries such as “the publishing industry”, “the television industry” or “the gaming industry” even though the boundaries among these are often blurred and arguably more so as a result of recent technological developments. Despite their diversity, media industries do share a few common characteristics in terms of the economics that drives industry dynamics. These include certain aspects of consumer behavior, direct and indirect network effects, certain regulatory aspects specific to these industries, etc.

The purpose of this course is to provide an overview of the various media industries, highlight the common characteristics mentioned above and familiarize students with the key drivers of industry dynamics. Specifically, the course has three distinct objectives. First, it intends to survey the media industries to make sure that students have a broad understanding of the various media sectors. Second, it intends to provide students with relevant experience in media industry analysis. This experience is important for other elective classes offered by the Media Program, which are often based on company projects in specific media sectors. Finally, it intends to discuss the fundamental drivers of the media industry in terms of consumer psychology/behavior, key economic drivers and also relevant historical background. **The foundations course should be the starting point for students who intend to follow other media elective classes**. While it is not strictly required, it is strongly recommended to students taking other media electives.

**Content and format**

Initial classes will each cover a relevant media sector (sometimes combining two/three related sectors). These include: Broadcasting (Television and Radio), Video games, Search, Social networks, Entertainment (film, books, music), Information (B2B media) and News. The last two classes will focus on specific functions relevant to media: advertising and innovation or product/concept development. We finish the course with a summary and student presentations on individual projects (see below). Most classes will use a case study that we analyze in class, followed by a lecture/discussion. We will also have a number of guests joining from various media industries to share their perspectives.

**Class schedule**

The course will consist of 12 double sessions of three hours including a break. The class will generally meet on Tuesdays at 2:15-5:30 in Uris 141. Note that on April 1st, we will pay a visit to the Associated Press. On that day, we meet at 2:15am at the AP lobby located at the corner of 33rd Street and 10th Avenue in NYC. Please, plan in advance and be on time.

**Class Schedule (tentative) – classes will be at 2:15-5:30 pm each Tuesday**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date** | **Topic** | **Case** | **Guest**  | **Comment** |
| 1/28 | Introduction  |  |  | Class may last longer as we will see a documentary on the early days of Radio (as prep. for next class). |
| 2/4 | Broadcasting | “Empire of the Air”  | Eddie Lazarus | Prepare articles |
| 2/11 | Search  | Google  | Alan Stein | Read case/articles |
| 2/18 | Video games | Gree andSecond Life | Strauss Zelnick  | Prepare Gree case for class |
| 2/25 | Social Media | Facebook | Dhiraj Kumar | Read case/articles |
| 3/4 | Entertainment content | Lady Gaga | TBA | Read case/articles |
|  |  |  |  |  |
| 3/25 | B2B mediaProfessional svc | Bloomberg | TBA | Prepare Bloomberg case |
| 4/1 | Visit to the Associated Press  | Meet at … in AP lobby at 33rd street & 10th avenue. |
| 4/8 | News  | The Economist  | Chris Stibbs | Prepare The Economist case |
| 4/15 | Advertising | Sephora and/or Maerk | Shelly Lazarus | Prepare Sephora (or Maerk) case |
| 4/22 | Innovation | Circle du Soleil |  | Prepare Circle du Soleil case |
| 4/29 | Summary |  |  | Be ready to present.  |

**Short class summaries**

1. Introduction:

This class presents the course (content, logistics, assignments and evaluation criteria) and also highlights the logic of the Media Program curriculum (for which this course is a platform). In the second half of the class we watch a documentary together on the early history of the Radio industry, which will constitute the case material for the next session.

1. Broadcasting:

This class discusses the birth and early history of Radio in the USA and how it evolved into Television after WWII. Important parallels will be drawn for today when another new medium (the Internet) is about to disrupt broadcasting and other media industries. The second part of the class will focus on traditional TV’s new challenger: online video.

1. Search:

This class will discuss the search industry. Of course, we will talk about Google – the largest media company by market cap – and analyze how it came to dominate the global search business. An important goal of the class is to explore some of Google’s core technologies and how they form the basis for competitive advantage.

1. Video games:

We review the video game industry, again starting with its history. We then discuss online games and the challenges brought by multi-platform competition. We use the Gree case to illustrate the key issues. We will also explore a struggling game platform, Second Life as it provides interesting lessons on consumers’ online behavior.

1. Social Media:

This class discusses the emerging social media industry. We will analyze the largest social network today: Facebook. Special emphasis will be put on consumer behavior on social media and its implications for revenue models and competitive advantage.

1. Entertainment content:

This class will analyze industries in specific entertainment sectors (books, music and film). These industries’ history and industry dynamics are strongly linked to the evolution of some recording technology. Books, movies, music are all industries where some content has been recorded and, as a result, allows the distribution of the content to millions of people. Generally speaking, these are “hit-driven” industries where a few content pieces dominate in terms of the share of industry revenues. How ‘hits’ emerge is a crucial question that we examine in this class.

1. B2B media:

This class will discuss information markets, where content is used for decision making rather than entertainment. Database vendors, financial information providers (e.g. Bloomberg, that we analyze in more detail), consultants are all part of the information industry. The class focuses on how information is consumed and the strange competitive forces that may emerge in information markets.

1. Visit to the Associated Press:

This is the first class that deals with the News industry and where better to start than at the AP? We will review one of the most important players of the industry, see how news is created and distributed and hear about today’s challenges.

1. News:

The second class on news will dive in more details. We will analyze a case on The Economist to understand what lies behind its success at a time when newspapers are generally declining. We will also explore in detail how readers/viewers consume news and what might be the reasons behind the phenomenon of media bias.

1. Advertising:

Most media markets are two-sided markets where a substantial source of revenue for media firms comes from advertising. Advertising is undergoing a revolution with broad experimentation happening in literally all media markets. This class will review the fundamentals of advertising and will also touch on the Agency business.

1. Innovation:

This class will explore in detail a number of techniques (value innovation, perceptual mapping) which can help generate new media models in a systematic way. We will analyze in detail the case of Circle du Soleil.

1. Summary:

This last class will start by a short summary of the key take-aways from the course. Most of the remaining time will consist of student presentations of industry analysis (see details below). We will end the class with a few concluding remarks.

**Class requirements and evaluation**

Students are required to attend and actively participate in classes following the general CBS rules and policies. Grades will be determined based on three types of inputs whose weights are as follows:

* Class participation (including case quizzes) – 40%
* Multiple choice test – 20%
* Industry analysis (see below) – 40%.

For class participation, students are required to read the material, with special attention to the assigned cases. Occasionally, a small assignment will be given, usually asking you to respond to case-related questions. In class, students are required to actively participate in the discussion. The quality of their contribution (comments based on pieces of analysis brought to the case discussion) will be the basis of the evaluation of class participation.

After the course a short exam will be administered. This will consist of a multiple choice test based on questions related to some of the most fundamental concepts and information in the course.

Finally, an important part of the evaluation will be based on a short media industry analysis. This is an individual assignment. Each student is asked to pick a ‘media industry’ (e.g. financial information vendors, movies, music, games, etc.). It is best to pick a (few) concrete company(ies) of interest to you and define the industry from that company’s perspective. There is no need to provide a full Company Analysis but provide the context and challenges/opportunities as they appear from public (or your private) sources. Once you have an idea of the industry you’d like to analyze meet the professor for approval and possible adjustment/advice. The industry analysis will generally consist of (think of a slide or maximum two as deliverables for each of these elements).

* Define current market size (local/global)
* Growth potential (stage of industry lifecycle, basic growth forecast)
* Value chain(s) or value net (including complements)
* Identify key players, market leaders (provide a landscape of industry participants)
* Porter’s forces analysis: identify barriers to entry and sources of competitive advantage. Who makes money in the industry? Opportunities for entry and value creation. (Here you might need two slides).
* Regulatory issues/challenges and expected changes – if applicable
* Technological challenges/opportunities – if applicable.

The goal of this exercise is to become familiar with media industry analysis. Subsequent courses (many based on projects) will ask for the development of a strategy for a specific company. Then, there will be more focus on company analysis but industry analysis will always enter the picture.

This individual assignment is due before class 11. I will select a dozen or so individual analyses (based on quality and the general importance/interest of the industry for the class) and these will be presented on the last class.

**Office hours – meet the professor**

You are encouraged to meet the professor for your individual assignment and you are most welcome to meet about other issues related to the course or the Media Program in general. I do not have regular office hours, meetings are scheduled by appointment. I also suggest that we schedule a few lunches with small groups of interested students to discuss course and program related things.

See you in class!

HBS cases:

* Google case #9-910-036
* GREE Inc. case#9-713-447
* Facebook case#9-808-128
* The Economist case#9-710-441
* Lady Gaga case#9-512-016

Columbia cases:

* Reuters PLC
* Bloomberg, LP

Cases from public sources (Wikipedia)

* Google
* Facebook

INSEAD Case:

* Circle du Soleil A: The Evolution of the Circus Industry (# )
* Circle du Soleil B: Even a Clown Can Do It (#302-058-1)

Yale SOM case:

* Introducing *The Matrix Reloaded*