

94-732 — Managing Disruption in Media and Entertainment

Carnegie Mellon University
Heinz College

Spring 2024, Mini 4

Instructor:

Michael D. Smith
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Office Hours: I don't have set office hours, but I'll make time for whatever you need.

I'm pretty good about answering emails. If you have a quick question, don't hesitate to email. If you would like to meet in person, please send me an email and I'll make sure we get something on the schedule.

Faculty Assistant:

Kristen Yeager
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412-268-7148
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Teaching Assistants:

Section A (and Canvas): Shuxuan "Helen" Zeng (shuxuanz@andrew.cmu.edu), Hamburg 3009
Section B (and Groups): Jose Eduardo Oros Chavarria (joros@cmu.edu), Hamburg 3009

Course Information:

Section A	Section B
TuTh 9:30-10:50AM	TuTh 11:00-12:20
HBH 2009	HBH 2009

Zoom Link for Lunchtime Guest Lectures:

As noted below we will have four Zoom guest lectures during the semester. The guest lectures are scheduled from 12:30-1:45 and you can join at the Zoom link below:

<https://cmu.zoom.us/j/96410443104?pwd=WkVIVE5vU0pOeDBGaktEcnI2YzZBQT09>

Meeting ID: 964 1044 3104
Passcode: 743765

Course Schedule:

Class Sessions: March 12 – April 25
Final Paper: Take Home, Due May 1

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 motion pictures. However, my goal is that the underlying principles will be generalizable across a variety of industries.

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.

Recording of Classroom Activities:

My policy on recording classroom activities is that no student may record or tape any classroom activity without my express written consent. If a student needs to record or tape classroom activities, he/she should discuss this with me prior to recording any classes to ensure that we can find an appropriate accommodation.

Student Expectations:

This course is different than a typical course in the sense that there are no accepted “answers” to how technology will affect marketing and strategy in the entertainment industries. Many of the early predictions about these markets have been wrong, and many of the current predictions are not well grounded in theory.

Because of this, the course will require a commitment on the part of students to complete the readings and come to class prepared to participate in discussions. I will reinforce this in three ways:

1. I will “cold call” students regarding class readings. However, note my policy is *not* to cold call students who are sitting in the front row. If something prevented you from being prepared for class on a particular day, you are invited to sit in the front row.
2. **Laptops should be turned off during class** (lectures, cases, and student presentations).
3. Class contribution is 40% of your grade. Because of this, attendance is extremely important. (If something keeps you from coming to class such as an illness or a family emergency, please contact me by e-mail as soon as possible.)

We will form groups of 3-5 students to work on the case write-ups and assignments. Each student is expected to fully participate in their respective case/assignment group. Because of this, I do not allow a pass-fail grading option for the class: all registered students must take the class for a grade. In addition, if you are aware of any circumstances that will impact your ability to contribute to the group (e.g., interview schedule, unusually heavy course load) you should share these with your group members and with me as soon as the group forms.

I plan to evaluate the relative participation of group members using “group self-evaluation” questions and revise individual student’s grades accordingly. *Failing to participate in your group work can result in a failing grade for the class.*

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.

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).

Plagiarism and Generative AI Tools: I encourage students to explore the use of generative artificial intelligence (AI) tools, such as ChatGPT, for assignments and assessments. Any such use must be appropriately acknowledged and cited, including the specific version of the tool used and the exact prompt used to generate the content. Because AI generated content is not necessarily accurate or appropriate, it is each student’s responsibility to assess the validity and applicability of any generative AI output that is submitted. You may not earn full credit if inaccurate, invalid, or inappropriate information is found in your work. Deviations from these

guidelines will be considered violations of [CMU's academic integrity policy](#). Please email me if you have questions regarding what is permissible and not for a particular course or assignment.¹

Course Web Site:

<https://canvas.cmu.edu/courses/40106>

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:

Our textbook will be "[Streaming, Sharing, Stealing: Big Data and the Future of Entertainment](#)," a book my colleague Rahul Telang and I wrote in 2015. It is available from 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/39800698>

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

<https://hbsp.harvard.edu/tu/66121cb1>

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

<https://hbsp.harvard.edu/tu/3c7eb6a7>

¹ Adapted from <https://www.cmu.edu/teaching/technology/aitools/academicintegrity/index.html> and <https://oue.fas.harvard.edu/ai-guidance>

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

<https://hbsp.harvard.edu/tu/fc7d5ad7>

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

<https://hbsp.harvard.edu/tu/0f84bb67>

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

<https://hbsp.harvard.edu/tu/203dd009>

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

<https://hbsp.harvard.edu/tu/9d17a3a8>

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

<https://hbsp.harvard.edu/tu/9b06e16a>

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

<https://hbsp.harvard.edu/tu/1b4160ef>

Pro Sports Has a Piracy Problem, February 14, 2024, H0815O-PDF-ENG

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

<https://hbsp.harvard.edu/tu/cd9c7e61>

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

<https://hbsp.harvard.edu/tu/b51fe1a3>

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

<https://hbsp.harvard.edu/tu/d3b6252d>

Lessons from Hollywood’s Digital Transformation, Harvard Business Review Online, December 16, 2021, H06RIZ-PDF-ENG

<https://hbsp.harvard.edu/tu/c6315545>

Grading and Course Requirements:

The final grade for the course is distributed as follows:

1. Class Contribution: 40%
2. Assignments / Case Write-ups: 45%

3. Take Home Exam: 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 (rather than 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 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: Assignments should be submitted to Canvas by 11:59PM 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 the 9:30AM class.

Instructions on writing up cases will be handed out in class and will be available on the course web site.

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.

Take Home Exam: The take home final exam is due to Canvas by 11:59PM on May 4. The assignment is individual work. The assignment has 2 questions:

1. Please answer one of the following questions:
 - a. Question 1: In this assignment, you have been asked by an executive of a company in the motion picture/streaming industry (of your choice) to evaluate which companies are best positioned to prosper in the streaming wars, and how the executive's company should respond to increased competition in streaming.² Your memo should follow the standard format: 2 pages, double

² This July 2023 WSJ article has some facts across the industry that might be helpful <https://www.wsj.com/articles/tvs-golden-era-proved-costly-to-streamers-87353c61>, and this

spaced, 1-inch margins, 12-point font, with up to 3 attachment figures or tables.

- b. Question 2: A January 2023 article in the Wall Street Journal asked “Will AI Make Creative Workers Redundant?”³ In this assignment, you have been asked by an executive of a company in the entertainment industry (of your choice) to evaluate whether Generative AI algorithms represent a disruptive innovation to the entertainment industry, and how that firm should respond. 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.

2. Please submit a 360-degree evaluation of your teammates’ contribution to the group assignments

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.

December 2023 New York Times article has some interesting background on studio licensing deals with Netflix <https://www.nytimes.com/2023/12/15/business/media/netflix-licensed-shows.html>.

³ <https://www.wsj.com/articles/will-ai-make-creative-workers-redundant-machine-learning-artificial-intelligence-technology-human-art-11673303015>

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 9:30AM 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 12 – Introduction: We will begin with an overview of the course: grading, student expectations, and topics.

March 14 – 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/39800698> or <https://hbr.org/2018/01/data-can-enhance-creative-projects-just-look-at-netflix>)

Supporting Articles

- “How Netflix’s Algorithms and Tech Feed Its Success,” Christopher Mims, July 28, 2023. (<https://www.wsj.com/articles/how-netflixs-algorithms-and-tech-feed-its-success-90632b92>)
- “Disney Fight Marks Cable TV’s Last Stand,” David Marcelis and Joe Flint, September 8, 2023. (<https://www.wsj.com/business/media/disney-spectrum-espn-charter-dispute-9147744b>)
- “How Bad Can it Get for Hollywood,” Mark Harris, March 1, 2024. (<https://www.nytimes.com/2024/03/01/opinion/oscar-hollywood-extinction-event.html>)

March 19 – 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.

Required Reading

- Chapter 2: Back in Time (S3)

March 21 – Spotify Research: In this class, our very own Jose Oros will talk about some fascinating research he’s doing with Spotify, including how appearing on a Spotify playlist impacts an artist’s touring revenue.

Supporting Articles

- “World’s Biggest Music Company Deploys the ‘Nuclear Option’ Against TikTok,” Anne Steele and Meghan Bobrowsky, February 28, 2024.
(<https://www.wsj.com/business/media/universal-tiktok-music-dispute-62de2dda?st=az17i913nomy1ex>)

March 26 – 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.

Required Articles

- Chapter 3: For a Few Dollars More (S3)
- “Netflix and the Economics of Bundling,” Michael D. Smith and Rahul Telang, February 25, 2019. (<https://hbsp.harvard.edu/tu/66121cb1> 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/3c7eb6a7> or <https://hbr.org/2021/01/will-movie-theaters-survive-when-audiences-can-stream-new-releases>)

Supporting Articles

- “In Search of Cash, Studios Send Old Shows Back to Netflix,” *New York Times*, December 15, 2023. (<https://www.nytimes.com/2023/12/15/business/media/netflix-licensed-shows.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/>)

March 28 – The Perfect Storm: Responding to 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.
(Assignment Due: Music Streaming Platforms – Friend or Foe?)

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/fc7d5ad7>)
- “Disruptive Technologies: Catching the Wave,” Joseph L. Bower and Clayton Christensen, Harvard Business Review, January-February 1995. (<https://hbsp.harvard.edu/tu/0f84bb67>)
- “The Other Disruption,” Joshua Gans. *Harvard Business Review*, March 2016. (<https://hbsp.harvard.edu/tu/203dd009>)

Supporting Articles

- “Netflix Disrupted Entertainment With Binge Viewing. Now Can It Avoid Disruption Itself?,” *Wall Street Journal*, June 28, 2022. (<https://www.wsj.com/articles/netflix-binge-streaming-stranger-things-11656378201>)
- “Inside the Collapse of CNN+, the News Channel’s ‘Apollo Mission’,” *Wall Street Journal*, May 13, 2022. (<https://www.wsj.com/articles/inside-the-collapse-of-cnn-the-news-channels-apollo-mission-11652439600>)
- “Keep Calm and Manage Disruption,” Joshua Gans. *Sloan Management Review*. Spring 2016. (<https://hbsp.harvard.edu/tu/9d17a3a8>)
- “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)

March 28 – LUNCHTIME GUEST SPEAKERS: The Ten Times Technology Transformed the Music Industry

In addition to our regular class sections, from 12:30-1:45 we will have a Zoom guest lecture from Bill Rosenblatt and Howie Singer, co-authors of the book *Key Changes: The Ten Times Technology Transformed 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?”⁴ The article showed how Spotify and other streaming services were key to the music industry’s recovery from piracy. 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.

⁴ <https://fortune.com/longform/spotify-music-industry-profits-apple-amazon/>

Starting in 2014, however, streaming revenue reversed this trend. U.S. music streaming revenue grew from \$1.9 billion in 2014⁵ to \$7.4 billion in 2018 at which point it accounted for 75% of the music industry's total revenue.⁶

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.⁷

In this assignment, I would like for you to address a memo to Mitch Glazier, CEO of the Recording Industry Association of America and his member companies evaluating whether they face a strategic threat from downstream platforms (e.g., Spotify, Apple Music, TikTok, YouTube) that parallels the threat Netflix and Amazon posed to motion picture studios in terms of control over customers, and the ability 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 2 – 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.

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/9b06e16a>)

Supporting Articles

- "What's Old Is New Again," *Jacobs Media Strategies*, January 27, 2022. (<https://jacobsmedia.com/new-music-pt-2/>)

⁵ <https://www.riaa.com/wp-content/uploads/2016/03/RIAA-2015-Year-End-shipments-memo.pdf>

⁶ <http://www.riaa.com/wp-content/uploads/2019/02/RIAA-2018-Year-End-Music-Industry-Revenue-Report.pdf>

⁷ 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>)

- 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>).
- “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>)

April 4 – 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

- TikTok Just Lost a Huge Catalog of Music. What Happened? Ben Sisario, New York Times, February 1, 2024. (<https://www.nytimes.com/2024/02/01/arts/music/tiktok-universal-music-explained.html>, see also <https://musictech.com/news/industry/universal-music-group-to-pull-songs-from-tiktok/>)
- Pro Sports Has a Piracy Problem, Brett Danaher, Michael D. Smith, Rahul Telang, February 2024. (<https://hbr.org/2024/02/pro-sports-has-a-piracy-problem>)
- The Digital Piracy Dilemma, Brett Danaher and Michael D. Smith, October 2020. (<https://hbsp.harvard.edu/tu/1b4160ef> or <https://hbr.org/2020/10/the-digital-piracy-dilemma>)

Assignment – Responding to Piracy: Password Sharing

Last year Netflix made a much-publicized attempt to reduce password sharing by identifying accounts that were (likely) sharing passwords outside of a household. In their

Q3 earnings, Netflix attributed this program to an increase in subscriber growth,⁸ but other outlets have argued that the program resulted in customer confusion and lost goodwill.⁹

In this assignment, you have been asked by Netflix's Co-COOs Ted Sarandos and Greg Peters to evaluate the effectiveness of the current password sharing program and recommend whether Netflix should continue, change, or eliminate the program.

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 9 – Can Generative AI and Copyright Coexist? In today's class, I'd like to talk about 3 recent lawsuits by copyright holders against Generative AI firms and ask what the U.S. government's policy should be toward the common practice of Generative AI firms using copyrighted materials in their training corpora.

(Assignment Due: Training Generative AI – Copyright and Policy)

Required Reading

- "Getty Images lawsuit says Stability AI misused photos to train AI," Blake Brittain, February 6, 2023. (<https://www.reuters.com/legal/getty-images-lawsuit-says-stability-ai-misused-photos-train-ai-2023-02-06/>)
- "The New York Times prohibits AI vendors from scraping its content without permission," Arstechnica, August 14, 2023. (<https://arstechnica.com/information-technology/2023/08/the-new-york-times-prohibits-ai-vendors-from-devouring-its-content/>)
- "Franzen, Grisham and Other Prominent Authors Sue OpenAI," New York Times, September 20, 2023. (<https://www.nytimes.com/2023/09/20/books/authors-openai-lawsuit-chatgpt-copyright.html>)
- "UMG Sues AI Company For Using Songs To Train Models: 'Systematic & Widespread Infringement'," Billboard, October 18, 2023. (<https://www.billboard.com/pro/universal-music-sues-ai-company-using-songs-train-models/#>)

Supporting resources

- TBD

April 9 – LUNCHTIME GUEST SPEAKER: Music Publishing, Copyright, and Generative AI

In addition to our regular class sections, from 12:30-1:45 we will have a Zoom guest lecture from Eric Sunray, VP Legal and Business Affairs at the National Music Publishers Association. Eric will talk to us about the NMPA's stance on the use of its members lyrics in Generative AI training.

⁸ <https://www.wsj.com/business/earnings/netflix-nflx-q3-earnings-report-2023-565748d5>

⁹ <https://www.washingtonpost.com/technology/2023/05/27/netflix-password-sharing-why-users-mad/>

Assignment – Copyright and Training Generative AI Models

In the past year, there have been a variety of lawsuits issued by rightsholders against Generative AI companies that were using copyrighted materials in their training corpus. In this assignment, you are the Legislative Director of a Member of Congress (of your choice) who has asked you to write policy brief on what policy stance they should take on this issue.¹⁰

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 11 – NO CLASSES: SPRING CARNIVAL

April 16 – Power to the People and Revenge of the Nerds: I’m giving a panel at ASU+GSV on equity in higher education and will need to miss today’s lecture. In my place Professor Uttara Ananthakrishnan is going to talk about research we are doing together to analyze how new digital streaming channels have impacted cast diversity in the motion picture industry.

Required Articles

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

Supporting resources

- “Authentic Cultural Depictions on Film Lead to Higher Box Office Revenue, Study Finds,” Variety, Sasha Urban, April 20, 2022. (<https://variety.com/2022/film/news/ucla-scholars-storytellers-creative-artists-agency-full-story-initiative-1235237460/>)
- “New CAA study says diverse casting increases box office potential across all budgets,” Los Angeles Times, Tre-vell Anderson, June 21, 2017. (<https://www.latimes.com/entertainment/movies/la-et-mn-caa-diversity-study-exclusive-20170622-story.html>)

April 18 – 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.

Required Articles

- Chapter 9: Moneyball (S3)

¹⁰ For example, here’s a recent bill that takes a particular stance:
<https://www.congress.gov/bill/118th-congress/house-bill/6881/text>

Supporting Resources

- What We Watched: A Netflix Engagement Report, December 12, 2023.
(<https://about.netflix.com/en/news/what-we-watched-a-netflix-engagement-report>)

April 18 – LUNCHTIME GUEST SPEAKER: Anna Andree, Director of Research, Universal Studio Group/NBCUniversal

In addition to our regular class sections, from 12:30-1:45 we will have a Zoom guest talk from Anna Andree (MEIM '16). In this guest lecture Anna will talk about her work as Director of Research at NBCU.

Assignment – Is Binging Good For You? (Empirically Analyzing the Impact of Episodic Release Strategies for Streaming Platform Success):

On February 1, 2013, Netflix said “I have no patience for useless things” to the television industry and decided to release all 13 episodes of *House of Cards* on the same day rather than following the television industry’s established one episode per week release strategy. In a front-page article titled “New Way to Deliver a Drama: All 13 Episodes in One Sitting,”¹¹ *The New York Times* declared the strategy to be a hit. Building on this success, Netflix went on to adopt “all at once” releases for its original shows *Squid Game*, *Money Heist*, *The Witcher*, *Dark*, and *Stranger Things* — and a dominant television release strategy was born.

Except...

Fast forward to today and the week-by-week strategy seems to be back. Most platforms including Disney+, Hulu, Amazon, HBOMax, and AppleTV seem to prefer a staged release strategy for their made-for-streaming shows.¹² Even Netflix seems to be questioning the all-at-once releasing strategy by releasing the fourth season of *Stranger Things* and the final season of *Money Heist* in two parts, and releasing the horror trilogy *Fear Street* over the course of three consecutive weeks.

In this assignment your team has been asked by a major streaming platform (of your choice) to propose a way their platform can empirically evaluate whether the all-at-once or week-by-week release strategy is best for their platform.

Please put together a memo with your recommendation to the platform. 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.

¹¹ <https://www.nytimes.com/2013/02/01/business/media/netflix-to-deliver-all-13-episodes-of-house-of-cards-on-one-day.html>

¹² See, for example, <https://www.wsj.com/articles/streaming-services-dilemma-how-quickly-to-release-your-favorite-show-fcb5eb46>

April 23 – Pride and Prejudice: In this class I'd like to consider how digitization in the entertainment industry has impacted organizational structure in the industry. We will illustrate this using the experience of Harrah's Entertainment. The Harrah's case highlights how the company transformed its organizational structure, and its bottom line, around the ability to analyze individual-level customer data. We will then apply these lessons in the context of the organizational

Assignment Due: What can ESPN, Fox, and Warner learn from Hulu?

Required Articles

- "Harrah's Entertainment Inc.," Harvard Business School Case 9-502-011. (<https://hbsp.harvard.edu/tu/cd9c7e61>)
- "Diamonds in the Datamine," Gary Loveman, Harvard Business Review, May 2003. (Reprint R0305H) (<https://hbsp.harvard.edu/tu/b51fe1a3>)
- "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

- "Disney Proposal to Restructure, on McKinsey's Advice, Triggered Uproar From Creative Executives," *Wall Street Journal*, December 1, 2022. (<https://www.wsj.com/articles/disney-proposal-to-restructure-on-mckinseys-advice-triggered-uproar-from-creative-executives-11669928586>)
- "Robert Iger Shakes Up Disney's Entertainment Operations, Rethinks Hulu Ownership," *Wall Street Journal*, February 9, 2023. (<https://www.wsj.com/articles/robert-iger-shakes-up-disneys-entertainment-operations-rethinks-hulu-ownership-11675977189>)
- "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/d3b6252d>)

Assignment — What can ESPN, Fox, and Warner learn from Hulu?

In July 2009, three media giants — 21st Century Fox, NBC Universal, and Walt Disney Studios/ABC Television — created Hulu. In the HBR article "Why Isn't Hulu Better," I argue that the shared ownership of the platform was a key reason behind Hulu's initial failure to gain traction in the streaming market.

Fast forward to February 2024 and another three media giants — Disney, Fox, and Warner — announced a partnership to create a massive sports streaming platform.¹³

¹³ See <https://www.wsj.com/business/media/disney-fox-warner-blitz-to-figure-out-sports-streaming-b5b8d8a9?st=4wvfrdmm59xnh79>, <https://www.wsj.com/business/media/streaming-venture-from-espn-fox-and-warner-blindsides-sports-leagues-e6c1fbcc?st=hd43tayjlgagoie>, <https://www.wsj.com/business/media/fox-warner-bros-discovery-and-disney-create-new-sports-streaming-venture-c9836792?st=4vptfmqyld4lylz>, and <https://www.wsj.com/articles/that-new-sports-app-wont-last-long-f5f835a0?st=yo000mrld7eig3l>

In this assignment, you have been asked by one of the partner companies (of your choice) to evaluate whether their new partnership faces any of the same risks that Hulu's partners faced in 2009, and if so, how they should respond to these risks.

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 23 – LUNCHTIME GUEST SPEAKER: In addition to our regular class sections, from 12:30-1:45 we will have a Zoom guest lecture from Randy Nelson. In addition to being a founding member of the Flying Karamazov Brothers,¹⁴ Randy was the founding Dean of Pixar University. In this talk, Randy will share his perspectives on how education can transform corporate culture.

April 25 – The Show Must Go On: In our final class section, I'd like to discuss what allowed the major studios to survive — and in many cases thrive — in the face of technological disruption. We usually think of “disruption” as a death sentence for incumbent firms, but many of the leading studios seem to be doing just fine. Why?

I'd then like to pivot to a provocative question I'm addressing in a book that will be released in September: Does technological disruption apply to the “education industry,” and if so, what can leading universities learn from the experience of leading entertainment firms?

Required Articles

- Chapter 11: The Show Must Go On (S3)
- Lessons from Hollywood's Digital Transformation, Harvard Business Review Online, Michael D. Smith, December 16, 2021 (<https://hbsp.harvard.edu/tu/c6315545> or <https://hbr.org/2021/12/lessons-from-hollywoods-digital-transformation>)
- Preface and Chapter 1 from my book “The Abundant University: Remaking Higher Education for a Digital World” (Canvas)

¹⁴ No kidding! <https://www.youtube.com/watch?v=IpUQZh9HjJA>