

# September 2017 Newsletter (Copy 06)

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4 reasons why entertainment and media companies  
have thrown out their old playbook.

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## *Dear Colleagues,*

Not all that long ago, TV was watched as regularly scheduled programs, radio programming was broadcast only on radios, advertisers were able to reach a mass audience, musicians made their money on albums and the power to decide what was made available for our entertainment was held by moguls in massive media empires. In this newsletter, I'll explore four major shifts that have upended traditional competitive advantages in the Entertainment and Media business.

1. Rise of the fan.
2. Content rules.
3. AI makes smarter decisions.
4. Impatient & distracted users.

**#1 The essentiality of the emotional, passionate fan.**

As PwC points out in their *Strategy&* newsletter article, the major differentiator for entertainment properties now is not the mass or casual user, but the **passionately engaged fan**. As old forms of competitive advantage (such as ownership of distribution channels) erodes, building an engaged fan base has become a new form of advantage. Fans trust the objects of their affection. They share their preferences and ideas with one another. They'll spend money on the things that delight them. And, they can become brand ambassadors who recruit other fans.

The challenge for many large media companies is that creating deeply engaged fans requires a different way of working, and different capabilities, than they have inherited from the past. They need to coddle their fan base across multiple platforms – not just the ones they happen to operate. They need to think like anthropologists rather than counting unique visitors or impressions. They need to track indicators of fandom across their technology platforms, rather



than looking at lagging indicators like spending or revenue. A real fan might watch an episode of a show, attend a show-themed event, blog or tweet about it and team up with others who are similarly entranced. This creates huge challenges for media companies whose customers expect a consistently satisfying interaction with their brands, even when they are interacting with properties owned by partners.

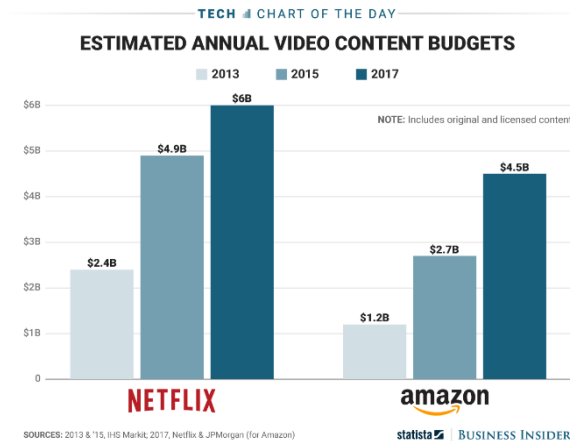
This shift toward creating avid fans has implications for other changes.

## **#2 Everybody in the content pool!**

After a number of experiments in which organizations just **distributed or aggregated content** created by others, power in the entertainment game is increasingly shifting toward what some call 'digital first' media companies. A key new model has to do with the creation of original content.

Netflix is reportedly going to spend an eye-popping **\$6 billion on content** this year. Amazon, which knows a thing or two about where trends are going, isn't far behind,

spending a reported **\$4.5 billion** on its original content.



**Apple**, also is allocating resources to the production of original content, reportedly as much as \$1 billion in 2018.

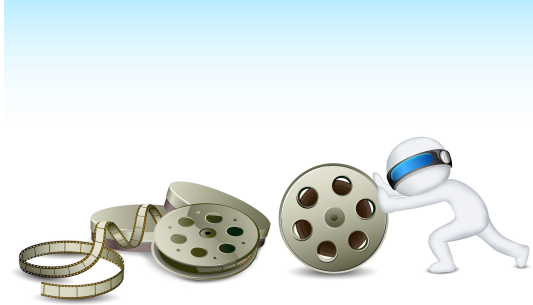
In a move that attracted quite a bit of attention, Disney announced that it was taking some of its proprietary **content away from Netflix** (following on Netflix's incursions into children's programming, which shifted the relationship from complementors to competitors). According to some observers, Netflix used Disney's content to achieve critical mass, then made the calculated judgment that it didn't need Disney's programming any more, if it could produce its own.

This suggests to me that the old line 'content is king' still works, but it's a lot more royal with a direct-to-consumer distribution business.

### **#3 Artificial Intelligence knows what we want better than we do?**

As in other industries, artificial intelligence (AI) and machine learning (ML) are beginning to nibble at traditional practices in the entertainment and media space. One controversial example is a startup called **ScriptBook**, which offers software that can analyze a movie at the script stage and spit out an estimate of how well the movie is likely to do at the box office. The inspiration for this Antwerp-based business was the dismal performance of **Gigli**, a movie that despite a huge budget (\$78 million) and highly popular stars (Ben Affleck and Jennifer Lopez) became known as the Hindenberg of movies in the early 00's.

Nadira Azermai, the founder and CEO of ScriptBook, was inspired by this disaster to explore how many movies lost money for their studios. The answer turned out to be a stunning 87% of all films produced are losers. From the scriptwriter point of view, sources estimate that only 0.003% of the 50,000 new scripts registered with the Writer's Guild of America each year ever get produced. Surely, she reasoned, a tool that could potentially weed out **losers at the script stage**, and perhaps identify a few hidden gems, would be helpful.



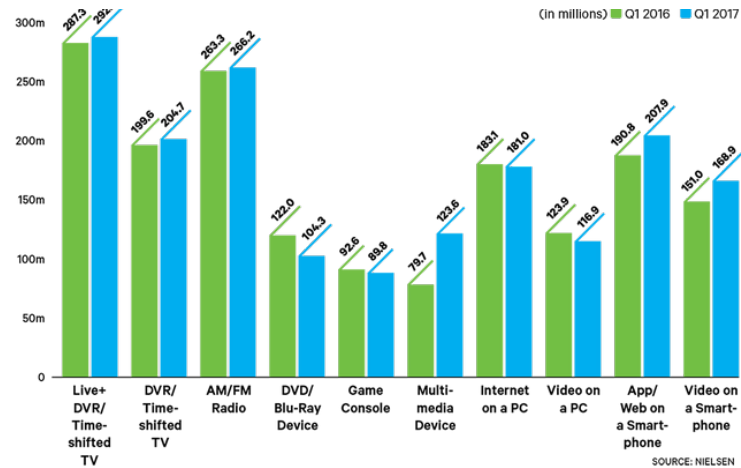
The humans involved (specifically the scriptwriters) were not at all happy about this. The Blacklist, a networking resource for screenwriters, offered to run **members' scripts** through the software only to be met with a wall of resistance.

While nobody is delighted to contemplate their work being judged by a Gigli-inspired robot, this, to me, has the seeds of a potentially very important inflection point. Watch that space.

#### **#4 Viewers are untethered, impatient and over-saturated.**

As the sheer quantity of content has expanded, so too have the formats in which viewers want to consume it. According to Deloitte, millennials spend more time **streaming content** than watching it on television. No less a giant in the field than Jeffrey Katzenberg believes that a future market for short-form entertainment, designed to be **consumed on mobile phones**, is going to be a huge opportunity in the future.

All of which brings me to the question of the upper limit of people's ability to absorb all this content. A chart comparing how and where people are consuming entertainment and media content suggests that people are shifting where they consume – from DVD, game consoles and PC-based platforms to TV and smartphones, but it also suggests an increase in viewing overall. Perhaps Katzenberg is on to something with his goal of making television in digestible bites of no more than 10 minutes long.



## Valize - The typical innovation success rate is 17%. Learn how you can do better.

For some time now, people have been asking for tools and apps to make the innovation and growth concepts I've been teaching them more accessible, repeatable and scalable. This in a context in which **94% of executives** couldn't understand why their investments in innovation delivered so little in return, according to a McKinsey poll.



I'm delighted to announce the launch of several Valize offerings that will address this need. You may want to start by measuring your organization's level of **Innovation Maturity** or assessing potential Growth Gaps (see below). Armed with this knowledge, you can set the agenda for how you can progress up the Innovation Maturity scale.

I'm happy to talk more about the vision for Valize and the other tools we're busy creating. Drop me a line at [Rita@valize.com](mailto:Rita@valize.com).

### Are you at risk of falling into this common growth mistake?

Innovation teams often make the promise to deliver growth, but many struggle to achieve these ambitions. Why? Many teams are unaware of the Growth Gap - the difference between your projected growth goals and what your base business can realistically deliver.

Filling this gap often requires innovative new offerings or acquisitions. That's when things get complex. The **Growth Gap Analysis** imposes a structured and realistic view of the time at which revenues will, most likely, be realized. You'll be able to proactively model the rate at which new growth or cost mitigation initiatives need to develop, enabling you to reach your projected targets.

To read more about the Valize Growth Gap Analysis, is a newly released article in the Harvard Business Review, [How to Set More-Realistic Growth Targets](#).

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## **Leading Strategic Growth and Change October 16 through October 20, 2017**

Discovering new sources of growth and transforming organizations to stay competitive are two of the biggest challenges I find my clients face. This weeklong course, which runs in October, covers the latest thinking on these topics, including how to manage the entire cycle of competitive advantage, how to manage growth portfolios, design thinking and inspiration from unusual places, 2-sided platform strategies and managing organizational politics. It runs in New York City, during the day, for a week.

Program participants bring their own organizational challenge to the program and work on it throughout the week. Click [here](#) for more information. Or drop me a line at [rdm20@gsb.columbia.edu](mailto:rdm20@gsb.columbia.edu).

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### **Recent press coverage:**

Software Executive Magazine - [Software Inflection Points](#)

Amazon HQ2 - Rita was interviewed by the Associated Press and USA Today and a number of publications ran the story regarding the recent announcement by Amazon to open a second company headquarters; Fox Business, [WPXI](#) Pittsburgh, Lake News Online, [KARE 11](#).

Moneyish - [Will taxing robots like they're humans help save people's jobs?](#)

Financial Times - [Stop thought leaders from turning useful ideas into pap.](#)

## Exciting news:

In May, I was invited to [speak](#) at the Thinkers50 European Business Forum. I'm delighted to be planning to attend the Thinkers50 awards program in London in November. To read more about the event, please click [here](#).

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## Upcoming Events:

**Business of Software Conference** A friendly conference for independent thinking people running very successful software businesses.

September 18 - 20, 2017 Boston, Massachusetts

**Fortune CEO Initiative** 2017 Fortune and Time are launching an important new initiative for the CEOs of companies committed to addressing major social issues as part of their core business strategies.

September 25, 2017 New York, New York

**Frontiers of Digital Finance** Frontiers of Digital Finance is a mutual learning environment for financial institutions, innovative startups, investors, technologists, other industry practitioners and academics to build a deeper foundation for success within digital finance. Columbia Business School

October 2, 2017 New York, New York

**Aspire** Gain access to an unparalleled network of career-driven women and have the opportunity to establish and foster relationships that extend far beyond the conference and into the working world.

October 14, 2017 New York, New York

**Leading Strategic Growth and Change** Focused on the process of finding opportunities, launching new ventures, and leading necessary organizational changes to revitalize an organization.

Columbia Business School

October 16 - 20, 2017 New York, New York

**Advanced Management Program** Helping executives respond to evolving leadership challenges and create a vision to lead their companies to success.

Columbia Business School

November 3, 2017 New York, New York

**World 50** A private community for senior-most executives from globally respected organizations to intimately share ideas, solutions and collaborative discovery free from press, competition and solicitation.

November 3, 2017 New York, New York

**Fujitsu Forum** An opportunity for business and IT leaders to join subject matter experts from Fujitsu, our partners and our customers, to discuss new ways of working and how using innovative digital technology can make businesses more efficient, effective and human-centric.

November 9, 2017 Munich, Germany

Growth & Inclusive Prosperity - The Secular Management Challenge

**The 9th Global Peter Drucker Forum** The conference will focus on the management challenges for private and public sector organizations and the civil society in the context of a fast-changing, complex and volatile environment.

November 16-17, 2017 Vienna, Austria

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## **As before, where there is uncertainty, there is also opportunity**

Media and Entertainment executives will be fastening their seat belts for the upcoming shifts in their environment. But, if Jeffrey Katzenberg has any insight, there are also going to be massive opportunities.

If you like this content, please do share it!

Here's to your next advantage!

Rita

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