

**SPRING 2008**  
**CMGT 542:**  
**Business Strategies of Communication and Entertainment Firms**  
**(and the impact of the internet on traditional media companies)**  
**Wednesdays 5:15-8:05 PM**  
**Room THH213**

**Syllabus**

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Reading:           **Required:**  
The Search: How Google and its Rivals Rewrote the Rules of Business and Transformed our Culture. By John Batelle. Penguin Group. (2005)

Free Culture: The Nature and Future of Creativity. By Lawrence Lessig, Penguin (2006)

Entertainment Industry Economics, Seventh Edition. By Harold L. Vogel. Cambridge University Press, 2007

The Powers that Be. By David Halberstam. University of Illinois Press (2000—originally published 1975)

Fighting for Air: The Battle to Control America's Media by Eric Klinenberg. Metropolitan Books (2007)

Starving to Death on \$200 Million: The Short Absurd Life of the Industry Standard. By James Ledbetter. Penguin Books Group 2003  
(This book may be available from Amazon.com for the cost of shipping alone.)

**Recommended (Optional):**  
The Wealth of Networks: How Social Production Transforms Markets and Freedom by Yochai Benkler. Yale University Press (2006)

We the Media by Dan Gilmore. O Reilly (2004)

*Additional materials will be distributed in class and by email.*

## Introduction

This syllabus sets forth a basic description of the course, the topics to be covered, the grading process, and expectations about your performance.

This class will introduce you to the “business side” of the news, information and entertainment industry. It is a business, after all, not only a “calling.” Students will come away with an understanding of the history of the ownership structure of newspapers and mass media generally, from family ownership to Wall Street to the impact of private equity investors. In addition, students will learn what differentiates the media business from other businesses—what makes it unique and how that can impact news coverage and information flow. Finally, a major focus of the course will be the impact of the internet, the new business models that are being developed to serve changing information needs and how the internet has changed the traditional media business.

**This course requires considerable commitment on your part. There is a significant amount of reading.** You will be expected to keep up with the reading, arrive at class on time and fully prepared, participate in class discussions, and complete assignments in a thoughtful and diligent manner.

## Grading

There will be several components to your grade. Ten percent will be based on attendance and class participation. Thirty percent will be based on an oral presentation. You will work in teams of two for this project. Possible topics are listed following the course outline below. You can review the internet’s impact on a specific area such as music, television, or movie advertising, for example, or evaluate the strategies of specific companies, such as Google, Yahoo, or Time Warner. Assignments will be approved in the first several weeks. There will be a take-home final exam, which will represent 30% of your grade. Finally, you will prepare and present a twenty minute business plan summary for a new web-based media company, as if you were seeking funding from angel investors. The business plan assignment, which will be done in small teams and presented in class during the last several classes, will also be 30% of your grade. The presentations will be graded for presentation/communication quality, (e.g., effective use of power point slides, video), comprehensiveness, creativity, the strength of your strategic thinking, and, in the case of the business plan, financial analysis. There will also be two debates in class, one on copyright issues, and one on media consolidation.

## **Learning Goals**

Understand the basic business model of a media company  
Learn how to evaluate a media business through the eyes of a CEO  
Understand the impact of Wall Street and consolidation in media ownership/structure  
Learn an abbreviated history of the publishing business  
Learn how to prepare, present and evaluate a business plan for a start-up.  
Be introduced to the economics of the internet and its impact on the media business

### **Week One—Wednesday, January 16., 2008**

An introduction to the business of publishing and mass media. What makes the media unique as a business? How are these businesses different from other businesses? How has the business changed throughout history as new technologies, radio, television, cable, the internet, have been introduced?

### **Week Two-Wednesday, January 23, 2008**

A case study: the Los Angeles Times. History of the business from the Chandler family ownership, through its years of public ownership to the sale of the company to the Tribune Company.

Reading: The Powers That Be By David Halberstam (Only chapters about the Los Angeles Times—other chapters are optional.) Chapter 3, 94-122; Ch. 8, 256-298; Ch. 11, 342-363; Ch 15, 390-403; Ch 21, 552-563; Ch 25, 631-641; Ch. 30, 683-687; Ch. 34, 718-723.

Handouts:

1. "To today's Chandlers, Times is just a business." LA Times, April 3, 2007
2. "End Times," May, 2007, Style.com
3. "Of taxes, newspapers and Family," New York Times, Feb. 17, 2007

Guest Speaker: Simon Li, former foreign editor, Los Angeles Times

### **Week Three—Wednesday, January 30, 2008**

The impact of corporate ownership and consolidation. The transition from family ownership to corporate ownership. The impact of mergers and acquisitions. Impact/results of large scale corporate mergers such as Knight Ridder/McClatchey and Times Mirror/Tribune. What impact on the radio business from Clear Channel and similar consolidations? How has public ownership changed the news and entertainment business? Do corporate owners soften editorial independence and aggressiveness? What is the impact of short term focus on profitability driven by Wall Street.? Why didn't Tribune's "convergence" strategy worked?

Reading: Fighting for Air: The Battle to Control America's Media by Eric Klinenberg. You do not need to read chapters 2, 6, 8 and 10—you should read the rest of the book.

In class be prepared to evaluate Klinenberg's analysis: Are there other factors that he is missing that might be the cause of some of the problems he identifies. Is he convincing? What are the weaknesses in his analysis?

Handout: "Breaking the News," March/April 2007 *Mother Jones*

Debate on media consolidation

### **Week four—Wednesday, February 6, 2008** **No Class. Instructor out of town.**

### **Week Five—Wednesday, February 13, 2008**

. Advertising driven businesses. Print publishing. Broadcast Television. Cable Television. The basic economics. How changes in advertising strategy are changing these businesses. Every media business has to target and reach an audience to drive advertising. What are the best strategies for effectively reaching the "right" audience? The relationship between audience development and advertising revenue. Circulation marketing for newspapers and magazines, ratings for television producers, and changes wrought by the internet.

An in depth look at the newspaper and magazine business. The essentials of the print publishing business: circulation, production, editorial, sales.

Reading: Vogel, chapters 7 and 9

Handout: "The end of advertising as we know it." IBM Global Business Services

## **Week Six —Wednesday, February 20, 2008**

Introduction to the internet. How has the internet changed the way media companies must do business. Impact of the open source movement. Early predictions about the future. Lead generation advertising

Reading:

Handout “Wealth Without Markets” by Lior Jacob Strahilevitz. Yale Law Journal, 2007.

“Is this the end of News” by Michael Wolffe, Vanity Fair, October 2007

Guest Speaker: Neil Kaplan, SVP, Business Operations, Vantage Media, formerly SVP, Internet Brands.

*Oral Presentations Begin*

## **Week Seven—Wednesday, February 27, 2008**

Intellectual Property. The basic rules of copyright and their impact on the media business. Who owns what? Should the copyright rules be changed? The impact of piracy on the information and entertainment business.

Writing a Business Plan. The essentials.

Reading:

Free Culture by Lawrence Lessig and CJR article (handout).  
“Copyright Jungle,” Sept./October 2006, CJR  
Business Plan outline. MIT materials.

## **Week Eight—Wednesday March 5, 2008**

B2B Media. What is it? How does it differ from B2C media? Controlled circulation and the role of list rental in generating revenues. How the internet is changing the B2B media landscape.

Case Study: Redmond Media Group. How a b2b print product, Microsoft Certified Professional Magazine, morphed itself into a web, event, and print powerhouse franchise.

Guest Speaker: Henry Allain, President, Redmond Media Group

Reading: Ledbetter, Starving to Death on \$200 Million

### **Week Nine—Wednesday, March 12, 2008**

The reprint and syndication business, in print and television. How the internet has changed newspaper syndication. Will it do the same for television?

Guest Speaker: Jesse Levine, former president of the Los Angeles Times syndicate.

### **Week Ten—Wednesday, March 19, 2008** **No class. Spring Break.**

### **Week Ten—Wednesday, March 26, 2008**

A case study on the history of Google. Impact of search engines, search marketing, search engine optimization on traditional media. How has traditional media responded to the threat of the likes of Google and Yahoo?

Reading: **The Search** by John Batelle

### **Week Eleven—Wednesday, April 2, 2008**

Social Networking My Space. Facebook. Linked in. What attributes of social networking sites makes them so attractive to large audiences. What business model will work for them. Long term outlook. What's web 2.0? What future business models will work?

Reading: "As Facebook takes off, My Space strikes back," Fortune, September 19, 2007, By David Kirkpatrick.  
"Facebook Grows Up: Can It Stay Relevant?" Newsweek, August 27, 2007 By Steven Levy.  
"Facebook Gets Personal with Ad Targeting Plan" Wall Street Journal, August 23, 2007, By Vauhini Vara.

### **Week Twelve—Wednesday, April 9, 2008**

The motion picture and television industries. How does the entertainment business really work? The economics of a movie, television show or cable channel.

Reading: Vogel, Chapters 4 & 8  
"Obscene Losses" by Claire Hoffman, Portfolio, November 2007 ("YouPorn")

Guest Speaker: Mark Stankevich, entertainment attorney.

*Business Plan Presentations begin*

### **Week Thirteen—Wednesday, April 16, 2008**

Other possible topics: the music business; alternative weeklies; video streaming

Reading: TBD

*Business plan presentations.*

[Take home FINAL EXAM distributed.](#)

### **Week Fourteen—Wednesday, April 23, 2008**

Management and organizational challenges of running a media business. How to effectively manage an “artistic” work function such as editorial, art or film making. How to drive innovation and creativity. The challenge of organizational structures. The challenge of mixing “traditional” media structures with “new media”.

Reading: Handout--[Creating the E Media Organization](#), practical insights, a research paper from Outsell, Nov. 3, 2006

*Business Plan presentations*

### **Week Fifteen—Wednesday, April 30, 2008**

Leadership of a media business. Some tips on being an effective CEO--managing creativity, change and new business models.

*Business Plan presentations.*

[FINAL EXAM DUE.](#)

The dates, reading assignments, and topics may change during the semester depending on the availability of speakers and other factors. There may be additional readings assigned during the year.

Relevant Web Sites for research and to keep up.....(you can sign up for email newsletters from many of these sites.)

1. mediapost.com
2. mediabistro.com
3. foliomag.com
4. adage.com
5. paidcontent.org/
6. mediaweek.com
7. ojr.org
8. cjr.org
9. ajr.org
10. adweek.com
11. editorandpublisher.com
12. <http://www.gridmediallc.com/bornot2b.html>
13. <http://www.rexblog.com/>
14. laobserved.com
15. <http://lsvp.wordpress.com/2007/02/26/three-ways-to-build-an-online-media-business-to-50m-in-revenue/>
16. <http://battellemedia.com/>
17. <http://www.btobonline.com/apps/pbcs.dll/section?category=mediabusiness>
18. <http://publishing2.com/>

Possible Oral Presentation topics:

1. The impact of the internet on television programming
2. The impact of the internet on movie advertising
3. Nonprofit ownership of a newspaper: The Pointer experiment
4. Facebook strategy for advertising and revenue
5. The impact of the internet on newspaper classified advertising
6. Carsdirect.com, a case study
7. The open source movement
8. The online Wall Street Journal—does a paid subscription model work?
9. The strategy of online news aggregators
10. The webinar business—how to optimize it
11. Why the Tribune ownership of the LA Times failed
12. The story and strategy of Fox News
13. To bundle or not: Viacom/CBS; TimeWarner; Belo
14. The McClatchy strategy
15. The impact of public ownership on the newspaper industry
16. The battle between family and public ownership: the New York Times
17. Murdoch strategy for the Wall Street Journal. What's next?
18. The impact of institutional owners in media: Knight Ridder
19. The future of Clear Channel
20. Strategies for Search
21. Celebrity Journalism: impact of the internet
22. The WGA Strike

