JOMC 551.01 | Digital Media Economics and Behavior

Spring 2014

Carroll 283: TR 12:30-1:45

Professors:

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OVERVIEW

This course is designed to give students of all disciplines - from journalism to advertising to public relations to production - an introduction to the world of digital media economics and behavior. It will teach you the goals of digital-oriented companies, how those companies operate, how they measure performance, and how they handle economic and competitive threats. The curriculum is designed to be fluid; our discussions will evolve with the marketplace and we will analyze and debate new announcements, interesting mergers, and innovative product releases as they happen throughout the semester.

OBJECTIVES

Students should walk away from this semester with:

* A **FOUNDATION** of basic business principles designed to evaluate the structure and organization of companies in the digital media environment.
* The tools to **MEASURE** the success of those principles on a company-by-company basis.
* The ability to **APPLY** those principles and measurements to companies inside the rapidly changing digital media landscape.

READINGS

The media industry is in constant flux. The readings for this class, therefore, are fluid. While there are several core readings that I will upload beforehand as well as a pre-selected list of case studies, I will constantly be adding articles to Sakai as news happens.

**CHAPTERS AND BOOKS:**

FOR PURCHASE

*Understanding Financial Statements: A Journalist’s Guide.* By Jay Taparia, CFA. Marion Street Press. 2004. Several copies are available in the Park Library, or it can be purchased in the bookstore or online.

ONLINE RESERVES

“The Gales of Destruction” (Chapter 5) and “The Ubiquity of Creative Destruction” (Chapter 12) from *Creative Destruction: Why Companies That Are Built to Last Underperform the Market – and How to* *Successfully Transform Them*. By Richard Foster and Sarah Kaplan. Currency Doubleday. Available through UNC Reserves.

“How Newspapers Make Money” (Chapter 2) from *The Vanishing Newspaper.* By Philip Meyer. University of Missouri Press. Available through UNC Reserves.

*The Curse of the Mogul: What’s Wrong with the World’s Leading Media Companies.* Chapter 12 (Bad Mogul: Media Mergers and Acquisitions). By Jonathan Knee, Bruce Greenwald, Ava Seave. Portfolio.

*Media Economics: Applying Economics to New and Traditional Media.* Chapter 10 (Pricing and Marketing Segmentation) by Colin Hoskins, Stuart McFadyen, Adam Finn. Sage Publications, 2004.

*(AVAILABLE ON INTERNET) The State of the News Media.* By The Project for Excellence in Journalism. 2013 report. <http://stateofthemedia.org/>

*(AVAILABLE ON SAKAI)* “The One Number You Need to Grow” by Fred Reichheld. *Harvard Business Review*. December 2003. Available through UNC Reserves.

*(AVAILABLE ON SAKAI)* “Moving Upward in a Downturn” by Darrell Rigby. *Harvard Business Review*. June 2001. Available through UNC Reserves.

IN THE LIBRARY

*All the News That’s Fit to Sell.* Chapter 6 (The Changing Nature of the Network Evening News) and Chapter 7 (News on the Net) By James T. Hamilton. Princeton University Press.

*Media Economics: Applying Economics to New and Traditional Media*. Chapter 13 (Government Intervention) and by Colin Hoskins, Stuart McFadyen, Adam Finn. Sage Publications, 2004. Available through UNC Reserves.

**CASE STUDIES**

These case studies will act as a workbook for applying the analytical and strategic methods discussed in class. In general, we will discuss these case studies on Thursdays. You should read the case studies prior to class and come prepared to offer your analysis.

Details on how to purchase this online set will be discussed in class and are available under “Announcements” online on Sakai.

There will also be a few additional case studies that will be available via handout or on Sakai.

**PERIODICALS**

All students should make ***every*** effort to read news pertaining to digital media economics. While we will discuss what materials to engage with more thoroughly throughout the semester, the best options are The Wall Street Journal, the NY Times, TechCrunch, Paid Content. Students should also subscribe to Cynopsis Digital email newsletter.

EXPECTATIONS, GRADING, AND ASSIGNMENTS

1) CLASS PARTICIPATION – 20%

We all use digital media in some form or another, be it Netflix, Facebook, Amazon, or Google. I encourage you to bring your expertise of these products to class - to share your experiences and discuss your frustrations. You’ll hopefully begin to see these products in a new light, more as business entities than as mere diversions, and start to understand why they made the decisions they made in creating their business models.

Like the digital media environment, we will move quickly and will be covering new concepts and ideas every week. Attendance, therefore, is required and will become part of your larger participation grade.

Each one of you will also be assigned one week in which you will have to take notes – this assignment will count towards your participation grade. More information about this will be given in the first week of class.

Finally, all students are expected to participate in the “What’s in the News” portion of the Discussion board on Sakai. Thoughts from these postings will begin each class – the more interesting and substantial postings, the more interesting and substantial class sessions. A high Class Participation score, therefore, is dependent on frequent contribution to this board.

2) MIDTERM/PRESENTATION – 20%

In the middle of the semester, each student will be asked to analyze a single decision made by their company in the context of the lessons learned since the beginning of the semester. You will be asked to write a four to five page analysis of this decision as well as present a brief 5-minute presentation of your findings.

Details about the assignment will be posted under “Assignments” on Sakai.

3) HOMEWORKS – 20%

There will be three homework assignments due in the first half of the semester. These assignments are designed to help you apply the concepts we have learned to real-life scenarios. Details will be posted in the Assignments section of Sakai.

Homework #1 – Due Jan 30th

Homework #2 – Due Feb 13th

Homework #3 – Due Feb 20th

4) FINAL PAPER/PRESENTATION – 40%

Choose one of the following publicly owned media companies:

1. The New York Times Company
2. CBS/Viacom
3. Walt Disney Company
4. Time Warner
5. McClatchy
6. Comcast
7. Google
8. Yahoo
9. Gannett
10. Facebook

In a 10-page paper, please assess the following:

1. Its competitive and current strategic position;
2. The impact of disruptive technology on its business model;
3. Its ability to “build” on its core business;
4. Its recent flexibility in “transforming” its business model;
5. Its level of future strategic risk (Where will the company be in three years, five years, ten years?);
6. Your assessment of the company’s future (Would you purchase its stock? Apply for a job?).

**You will need to choose your firm by Jan. 21 and should come to each subsequent class prepared to discuss breaking news about your company, its current stock price and any other significant developments by competitors or potential competitors in the industry.**

You have the option of presenting your final paper in one of these three formats:

1. A sell-side analyst’s report on the company
2. A memo sent to the company’s board or CEO detailing a three-year business plan for the company, or a division of the company.
3. A feature-length news story on your company that might be suitable for publishing in the Wall Street Journal, The New York Times or a consumer business magazine.

CALENDAR

**Week 1 (Jan 9)**

TOPIC: Introduction to the course

**UNIT 1: THE FIRM**

**Week 2 (Jan 14+16) – The Nature of the Firm**

TOPIC: History of Mass Media

READINGS

1) Sakai Folder (Week 2 Readings)

THURSDAY CASE STUDY: Twitter

**Week 3 (Jan 21+23) – Business Models**

TOPIC: Costs, Revenues, Bottom Lines

READINGS

1) Sakai Folder (Week 3 Readings)

2) Taparia Chapters 1-3

THURSDAY CASE STUDY: New York Times Financials

**Week 4 (Jan 28+30) – Financial Statements**

TOPIC: How to Read Financial Statements - How to read financial statements and how to evaluate the overall health of a publicly traded company.

READINGS

1) Sakai Folder (Week 4 Readings)

2) Taparia, Chapter 9

THURSDAY CASE STUDY: New York Times Co.

**\*\*JAN 30th: Homework #1 Due – Who are we?**

**UNIT 2: THE MARKETPLACE**

**Week 5 (Feb 4+6) – Advertising and Pricing**

TOPIC: The Marketplace - Advertising, Pricing and Market Segmentation in an increasingly crowded digital marketplace.

READINGS

1) Sakai Folder (Week 5 Readings)

2) Chapter 10, “Pricing and Market Segmentation” *Media Economics: Applying Economics to New and Traditional Media,* by Colin Hoskins, Stuart McFadyen, Adam Finn.

THURSDAY CASE STUDY: Radiohead

**Week 6 (Feb 11+13) – Measuring the Audience**

TOPIC: Measuring Audience + Loyalty - A look at how stakeholders evaluate the performance of digital platforms – web metrics, social media measurement, online video, etc.

READINGS

1) Sakai Folder (Week 6 Readings)

2) “The One Number You Need to Grow” by Fred Reichheld. December 2003.

THURSDAY CASE STUDY: What’s the Deal with Living Social?

**\*\*FEB 13th: Homework #2 Due – Financial Statements**

**UNIT 3: THE ENVIRONMENT**

**Week 7 (Feb 18+20) – Creative Destruction**

TOPIC: Creative Destruction – How can companies survive in a constantly changing marketplace?

READINGS

1) *Creative Destruction: Why Companies That Are Built to Last Underperform the Market – and How to* *Successfully Transform Them*. By Richard Foster and Sarah Kaplan.

- “The Gales of Destruction” (Chapter 5)

- “The Ubiquity of Creative Destruction” (Chapter 12)

2) “Moving Upward in a Downturn” by Darrell Rigby

THURSDAY CASE STUDY: Apple 2012

**\*\*FEB 20th: Homework #3 Due – Measuring The Audience**

**Week 8 (Feb 25+27) - Growth**

TOPIC: The Environment - An evaluation of the different ways a company can grow including organically, through partnerships, and with acquisitions.

READINGS

1) Sakai Folder (Week 8 Readings)

2) *The Curse of the Mogul: What’s Wrong with the World’s Leading Media Companies.* By Jonathan Knee, Bruce Greenwald, Ava Seave

- Bad Mogul: Media Mergers and Acquisitions (Chapter 12)

THURSDAY CASE STUDY: Bloomberg; News Corp and Dow Jones

**Week 9 (March 4+6) - Presentations**

Class Presentations

**\*\*MIDTERM DUE MARCH 6th BEGINNING OF CLASS**

**Week 10 (Spring Break)**

**Week 11 (March 18+20) - Print**

TOPIC: Newspapers, Books, and Magazines - How are new distribution platforms changing the fundamental business models of traditional print brands?

READINGS

1) “The State of the News Media – Overview and Newspaper Reports”,

http://stateofthemedia.org/2013/newspapers-stabilizing-but-still-threatened/

2) “How Newspapers Make Money”(Chapter 2) from *The Vanishing Newspaper.* By Philip Meyer

THURSDAY CASE STUDY: New York Times Paywall; NOLA.com

**Week 12 (March 25+27) – Video**

TOPIC: Video (Broadcasting, Cable Television, Movies) - How have television and movie companies adapted to the new digital age?

READINGS

1) Sakai Folder (Week 12 Readings)

2) “The State of the News Media –Television, Network and Local

Reports”, *The Project for Excellence in Journalism*, 2013 report, http://stateofthemedia.org/2013/network-news-a-year-of-change-and-challenge-at-nbc/

THURSDAY CASE STUDY: CBS and Online Video; Walt Disney and Pixar; ESPN and FOX Sports

**Week 13 (April 1+3) – Cable Providers/Telecoms**

TOPIC: Video, cont. (Cable Providers and Telecoms) - How have video providers adjusted to new distribution and business models?

READINGS

1) Sakai Folder (Week 13 Readings)

2) “The State of the News Media –Cable Report”, *The Project for*

*Excellence in Journalism*, 2013 report, http://stateofthemedia.org/2013/cable-a-growing- medium-reaching-its-ceiling/

THURSDAY CASE STUDY: Netflix 2012

**Week 14 (April 8+10) – Consumer Websites**

TOPIC: Search, Social Media, and More – A review of the multitude of new, untraditional digital media companies and how they fit into the media landscape.

READINGS

1) Sakai Folder (Week 14 Readings)

2) “The State of the News Media – Online Report”, *The Project for*

*Excellence in Journalism*, http://stateofthemedia.org/2013/digital-as-mobile-grows-rapidly-the- pressures-on-news-intensify/

THURSDAY CASE STUDY: MySpace

**Week 15 (April 15+17) – Consumer Websites, cont.**

TOPIC: Mobile –How has mobile technology affected the business models of digital media companies?

READINGS

1) Sakai Folder (Week 15 Readings)

THURSDAY CASE STUDY: Amazon, Apple, Facebook, and Google

**Week 16 (April 22+24) –Wrap-Up**

TOPIC: Wrap-Up – We take a look back at all the media companies we discussed during the semester to try and determine what their futures look like.