The shift to digital media has ratcheted up the pressure to diversify in the already highly competitive entertainment industry. While there are more ways to make money, there are also hundreds of new competitors scrambling for the same dollars. Life in the fast lane just got faster. Here is a glimpse of a few players who are learning to thrive in this new world.

RECOGNIZE AND EMBRACE GAME-CHANGING IDEAS
Meredith Amdur, MBA ’03, vice president of Digital Strategy at DirecTV
DirecTV already has a huge customer base: 30 million U.S. and foreign customers. It wants more, and so do its competitors. The game is Darwinian evolution at warp speed, and the rules are simple: Adapt or perish.
As the company’s vice president for digital strategy, Meredith Amdur helps assure that DirecTV not only survives but thrives. Her job is to figure out what the company should do next. “But it’s like chess,” she says. “You can’t reveal the moves that are coming.

“For example, should we invest in a country that I can’t name? What companies should we buy? And who should we partner with?” To come up with her recommendations, she gobbles industry blogs, research reports, customer surveys, and other data — and by necessity she reads extremely fast. She sandwiches research between meetings and other duties. If she has only five minutes to spare, she reads something. “It’s similar to being a Wall Street analyst,” she says. “I’m trying to keep up with an industry that’s changing rapidly.”

When she makes a recommendation, Amdur must convince top decision makers to go along. PowerPoint presentations are a staple of her working life. She recalls the time she proposed DirecTV purchase Hulu, the Internet-based service that streams television shows, movies, and new media. Although it represented a strategic diversification from DirecTV’s main business, satellite TV, “we saw that Hulu could be a hedge if our current business slows down,” she says. “It’s good to have a hedge.” The deal didn’t go through; Hulu’s owners pulled it off the sale block earlier this year.

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— Meredith Amdur, MBA ’03, vice president of digital strategy at DirecTV

“Strategy is about connecting the dots,” notes Amdur, who previously served as general manager of strategy and planning for Microsoft’s consumer online services business. “It’s day-to-day. You’re constantly assessing information and the competitive environment. There’s information overload, but in some ways I benefit from it. It stimulates new ideas.”

Amdur knows just how much the entertainment industry needs new ideas to thrive. She witnessed first-hand the damage digital technology did to organizations that failed to evolve. Ten years ago, she was a print journalist at Variety, where she served as New York bureau chief and finance editor. In the intervening years, print media has been in free-fall.

To keep DirecTV from suffering similar tribulations, Amdur peers into the future. But she doesn’t peer too far. The once-common five-year plan for business is history; things are changing much too fast for that. So Amdur limits her projections to three years or less.

“Technological change is highly unpredictable,” she says. “To look out five years is a foolhardy task. What’s important is being able to respond to change.”

“AIRPLANE REPO,” ARM WRESTLING, AND MOBSTERS

Jansen Noyes IV ’04, MBA ’11, vice president of development at Undertow Films

At last count, DirecTV had 285 channels, or roughly one channel for every 1.1 million Americans. The implications of those numbers are striking: There is more opportunity than ever for new shows to find a niche somewhere on TV. On the other hand, the mass audiences of the past are increasingly elusive.

Undertow Films is a case in point. Undertow produces the Discovery Channel’s hit reality TV show “Airplane Repo,” which zeroes in on people who make a living repossessing aircraft and yachts that haven’t been paid for. The average “Airplane Repo” audience numbers about 1.3 million. In the 1950s, when the U.S. had half as many people and just three networks, 50 million people tuned in to “I Love Lucy.”

“Technology lowered the barrier for entry by lowering the cost of creating a channel,” says Jansen Noyes IV, the company’s vice president of development. “Once you had cable and satellite, you could create channels relatively cheaply.” All those channels that are up and running need shows to fill them. And that’s where Undertow comes in. With the success of “Airplane Repo” under its belt, Undertow has produced a second show, slated for AMC, that reveals the world of underground arm-wrestling competitions. A third show, about mobsters who voluntarily leave the federal witness protection program, is in development.

“If you just had three networks, there wouldn’t be an ‘Airplane Repo’ or shows on organized crime,” says Noyes. “There aren’t enough hours in the day for the [major] networks to put on all the shows that are on all these other networks.”

But the proliferation of channels has also created intense competition to attract viewers. If you tune into Discovery, for example, a banner runs across the bottom of the screen. “It might say check out discovery.com for information on next week’s ‘Airplane Repo,’” Noyes says. “All the networks do social media as well. Many shows have Twitter and Facebook pages.”

New competition crops up regularly. For instance, in addition to Web-only television series such as the Emmy Award-winning “House of Cards” produced by Netflix, Internet-based webisodes that feature branded entertainment are rapidly growing in popularity. These programs typically run four to 15 minutes long and serve as
advertising vehicles. “Companies saw the big audiences YouTube videos drew and came up with the idea of commissioning short programs to promote their business,” Noyes says.

Typically, a branded webisode consists of an entertainment segment combined with a plug for the sponsor. Canon is among the companies commissioning webisodes, says Noyes. Production companies that land webisode orders may earn millions of dollars for producing 30 minutes of programming.

“I spend maybe a day a week working with our team and our agent to come up with webisodes for our corporate clients,” Noyes says. “It’s a lucrative opportunity.”

Whether Noyes is working on a webisode or a television show, the trick is to come up with something fresh and new. That’s the hard part, but Noyes says he applies “a business school analytical approach,” to the task, a creative process that is clearly working.

Take the planned show on witness protection, for example. Noyes began by systematically analyzing what has been successful in the past and found a lot of shows on organized crime. Knowing he needed a new angle, he noticed that past shows tended to end with a mobster’s arrest. Wondering what happened to them next, he found out that some turned state’s evidence and went into witness protection. Upon further digging, he found that some larger-than-life tough guys went stir crazy living quiet lives under assumed names in small-town America — and wanted out of witness protection.

Noyes pitched the idea to Undertow Films, which optioned it and then offered him a job.

Such creativity is all part of an effort to make money by catering to ever-smaller segments of the market. “The other networks were developed to meet demand for shows that weren’t on regular TV,” says Noyes. “If you notice something that people want that isn’t out there, that’s an opportunity for you to be the first person to provide it.”

FOLLOWING AN EVER-SHIFTING MONEY STREAM
David Viviano, MBA ’03, chief economist at SAG-AFTRA

The economics of a career in acting can be explained mathematically: There are more actors than there is work to keep them busy. So actors have long gotten by on secondary revenue streams generated by the roles they do get. When their shows are rerun, shown in foreign markets, or sold in DVDs, they get residuals.

But when the digital revolution swept in, the economic model shifted in ways that meant more money for some actors, less for others, says David Viviano, chief economist for the union that represents 160,000 entertainment workers, Screen Actors Guild and the American Federation of Television and Radio Artists (SAG-AFTRA).

For instance, the growing number of cable and satellite channels required more original shows. “Overall, there are more opportunities to work,” says Viviano, who advises union leaders on economic shifts in the industry and serves on the union’s contract bargaining team.

On the other hand, he says, there is less money from broadcast network rerun residuals in the U.S. Traditionally, residuals put food on the table when work dried up. But with so many additional channels, U.S. viewers don’t have to watch something they’ve already seen. And these days, many programs don’t get rerun here.

Revenue from DVD sales is also shrinking. Each time a DVD sells, the cast gets roughly one percent of the revenue. At the peak, global DVD sales topped $11 billion a year. Then the market changed. “Movie piracy has eroded the market for DVDs,” Viviano says. “There are some countries where they watch American movies like crazy, but it’s all on the black market.” Other movie distribution sources, such as Netflix streaming, have taken a bite out of the pie, too. Although actors still get a cut when Netflix streams a movie, the price of a streamed movie is less than the sales prices of a DVD, and that translates into less money for actors, Viviano says.

Nevertheless, the news isn’t all bad; other forces are helping to buoy actors’ income. Globalization has created huge new markets for American films, television shows, and DVDs. When a show or movie runs on a legitimate channel in a foreign market, actors get a
cut. It’s the same with legit foreign DVD sales, says Viviano. “From my perspective, digitization and globalization are working together. They’re both driving changes in the business model for entertainment.”

For that reason, Viviano and his staff pore over industry data to identify trends that impact the union’s membership. “My staff does most of the basic research,” he says. “But I review a lot of material myself. I read the Hollywood Reporter, Variety, proprietary databases we subscribe to, Nielson ratings, and comprehensive reports from any number of sources.” Viviano also cultivates industry sources ranging from investors to agents.

The data Viviano compiles and analyzes help the union prepare for contract negotiations, which in turn offer a chance to level a playing field turned topsy-turvy by changing times. In the meantime, actors do what they’ve always done: Look for all the work they can handle.

“Many actors have gone through dry periods when they haven’t worked,” says Viviano. “So they want to make as much money as they can when they can.”

**CUSTOM SHOWINGS FOR CUSTOM AUDIENCES**

**Jeff Cloetingh, MBA ’12, CEO and co-founder of Flicstart**

Well into the digital age, most movies slated for the theater were still shot on film and shown on film projectors. Then, in 2009, the digitally filmed 3D movie “Avatar” set box office records, and the industry scrambled to change its ways. Today, most filmmakers and theaters have switched to digital.

This sea change caught the eye of Jeff Cloetingh and Andrew Schoen ’12, who saw an opening for a new line of business. Acting on the premise that ordinary theaters could make money by showing old films to self-selected audiences on slow nights when almost no one showed up for newly released films, Cloetingh and Schoen worked together on the business plan for it in a Johnson course and subsequently won the Hemmeter Award for the business plan most likely to launch a successful business (as determined by Johnson’s entrepreneurship faculty). Meanwhile, Schoen introduced Cloetingh to Paul Heran Yang ’12, MEng ’13, whom he met at Cornell’s 3-Day Startup event. Together, the three of them founded Flicstart, a startup that “empowers movie lovers to demand screenings not only of movies, but any content at any theater,” says Cloetingh.

“Any content” includes archived films as well as alternative content, such as music, sports, and arts on the big screen, says Cloetingh. “If enough people join in advance by preauthorizing payment, the event happens and everyone enjoys the show. With only 15 percent of theater seats filled on average, movie theaters are keen to improve capacity utilization.” Targeting otherwise slow nights, theaters would get new revenue from added ticket sales and lucrative concessions while Flicstart would get a cut of the ticket sales for drumming up an audience. “We’re creating new demand without cannibalizing existing ticket sales,” says Cloetingh, Flicstart’s CEO.

Here’s how it works: Anyone who wants to see an old movie, a sports event, a music performance, or other content on the big screen at a local theater can schedule it through Flicstart, then spread the word via email and social media. Tickets are sold in advance online via Flicstart. If too few people pay for a movie, the showing is canceled and no one’s credit card is charged.

Flicstart is a case in point of how the digital revolution creates remarkable opportunities for those who can seize the advantages the technology makes possible. Digitization brought about four critical changes that enabled Flicstart to find a niche. First, it cut film shipping costs dramatically. A full-length feature film weighs 30 to 50 pounds and costs $50 to $100 to ship and insure — a critical consideration since Flicstart movies are shown only once for an audience that might have as few as 40 people. Lightweight digital copies can be shipped and insured for a fraction of that cost. Second, films wear out the more they are shown and “the old film copy we get might be inferior,” Cloetingh says. Digital offers crisp images. Third, it can be hard to locate a rentable copy of film versions of some old movies. And last, “Sometimes it’s too much trouble for the money for a studio to dig out a film for a single showing,” he says.

Flicstart’s five-member management team, all Cornell graduates, have full-time jobs and run Flicstart in their off hours. Cloetingh is a consultant at L.E.K. Consulting in Boston; Schoen is an M&A analyst at Blackstone Group in New York City; CTO Yang is a product manager at AppNexus in New York City; Director of Marketing Mayda Dorak ’13 is a business analyst at Deloitte in Istanbul; and Director of Community Research Development Joe Skovira, PhD ’90, is a high-performance computing consultant in Ithaca. The far-flung team holds conference-call management meetings on the weekends.

Without digital technology, “I don’t think Flicstart would exist,” says Cloetingh. “Digital technology is penetrating the movie making and distribution process, shaking up markets, and creating a ton of opportunities.”