

THE CONTENT CREATOR'S DILEMMA: A Hypothetical Case

by
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All opinions and observations expressed in this paper are the author's and do not necessarily represent MMC's position.

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Overview

For 20 years our client (“X”) dominated the “music video to television” space but now faces the challenge of capturing the “music video to mobile,” or third-screen market. Early estimates, though speculative, predict the third-screen market will reach as high as \$27 billion by 2010. X approached our consultancy to advise their strategy for this market. In this review, we recommend that X focus its management’s resources more on content creation than on distribution strategy. Further, we recommend that X take cues from traditional companies in the IT industry to defend its market position against user-generated content competition. Our recommendations are supported by leading research on social media and innovation.

Focus on Content

While the entertainment industry is struggling to determine its small-screen distribution strategy, we believe X should primarily focus on producing compelling content for the third screen for the following reasons:

1. Mobile consumers demand quality for their attention

Traditional media companies have debated whether mobile content should be consumed through an advertising-supported or pay-per-clip fashion. Recent consumer testing in Britain concluded that any mobile show longer than three minutes is too long, which sends a clear message. Whether consumers are paying for clips through their wallets or through their attention, content providers will need to offer information and entertainment that is highly compelling.

2. Content, not distribution, leads to competitive advantage

Key players in the entertainment industry are focused on methods to distribute content to mobile phones. While a best-practice distribution model will likely emerge from these initiatives, it will likely not provide any one media company with a competitive advantage over the rest of the industry. Our client will be able to catch up through a “me too” strategy by adopting any breakthrough models. Further, M&A activity has been the empirical path for bringing new media functionality in-house. Therefore, using the brunt of management’s time for distribution models will produce less of a return than using it to create and support good content. A compelling two-minute show that airs five times a week can attract and sustain a loyal customer base.

3. **Next-generation children are impervious to distribution platform**

In March, 2006, Nickelodeon unveiled a third-screen strategy to create exclusive mobile content. Nickelodeon supported this initiative with a multimillion dollar investment in animation catered to mobile content. Said Nickelodeon President Cyma Zarghami, “This next generation of kids is platform agnostic.”

User-Generated Competition

X’s competition on the third screen has expanded beyond traditional content creators to include user-generated content. In April, 2006, Verizon signed a deal with Heavy.com, an aggregator of user-generated content designed specifically for the 18-34 male audience, to distribute heavy’s content on its V Cast Mobile Network¹. The deal was signed months before MTV signed a similar arrangement with Verizon, which translates to eons in the digital world. YouTube is currently in talks with Verizon to bring top-rated videos to Verizon’s customer base, which poses serious content competition for X.

In his book, *The Innovator’s Dilemma*, Clayton Christensen concluded in part that emerging startups often leapfrog traditional companies because they have more room to take risk and fewer stakeholders to disappoint. Christensen points to Apple Computer, which dominated personal computing but was leapfrogged by startups in the portable computing space. Similarly, X could be leapfrogged by startups that would like to replace traditional content with user-generated content. Heavy’s organizational mantra is “Because TV sucks and you know it.” The battle for third-screen viewers will not necessarily be civil.

Outmaneuvering the Competition

To beat out companies like Heavy, X should take cues from traditional IT companies that have stayed ahead of disruptive trends -- and apply these lessons to a media context.

1. **Create frequent, low-cost pilots to test the market**

Christensen’s book recommends market testing technological products. Unlike in the IT space, pilots in the digital media space can actually be inexpensive and gather instant feedback. Heavy leverages this low-risk environment by frequently producing pilots and taking them directly to market. If these do not test well, they remove the content and replace it with something else. X, on the other hand, produces expensive pilots based on concepts that have been vetted through senior executives and backed by a large budget. If they fail, the network starts over. This high-cost, high-risk process needs to be made cheaper and quicker in order to efficiently test the market.

2. **Do not over-rely on market analysis**

Traditional companies have a tendency to use sustaining technologies, or moderate improvements on existing products, to keep their customers satisfied. These strategies

are often the product of extensive market research within their existing customer base. Unfortunately, this strategy is rarely an adequate defense against nascent competitors that aim to provide the customer with not only a sustaining improvement, but a disruptive product that the consumer never knew she wanted. Apple executives proudly assert that “no one asked for an iPod.” At the same time, X no longer has the luxury of producing content and expecting a market to tune in. Therefore, X should conduct market analysis, but rely heavily on experimentation and gut instinct because breakthrough ideas are rarely requested by the customer.

3. Leverage existing resources for content creation

Unlike user-generated content, X has access to bankable actors and talent that can be used to build brand for new content. This is even more critical on the third screen where video-shots are closer and more intimate with tighter camera angles to fit content on a two-inch screen. Also, while some shows do not translate well to the third screen, others, such as America’s Top Model, have tested well on mobile devices. X should invest money into understanding which shows can be repurposed for the mobile phone with success.

4. Isolate content creation department

X should consider isolating its content-creation department to remove bureaucracy from the go-to-market process. Motorola’s Early-Stage Accelerator offers a good model. The group has autonomy to test products and conduct pilot tests. They remain a part of Motorola’s ecosystem, but face less red tape.

5. Develop street credibility through marketing to mavens

Ocean McAdams, vice president of MTV’s News Division, refers to the target mavens as “cred kids.” This group of consumer propagate buzz by actually sending compelling content to their large networks. In June, 2006, 12.5 billion text messages were transmitted between mobile devices, which creates a powerful opportunity for X to be supported through a viral campaign.

Continued Research

Rather than compete with user-generated content, traditional media may be able to guide and partner with consumers to produce quality, individualistic productions. Which companies are adopting this model and what are the implications?

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