

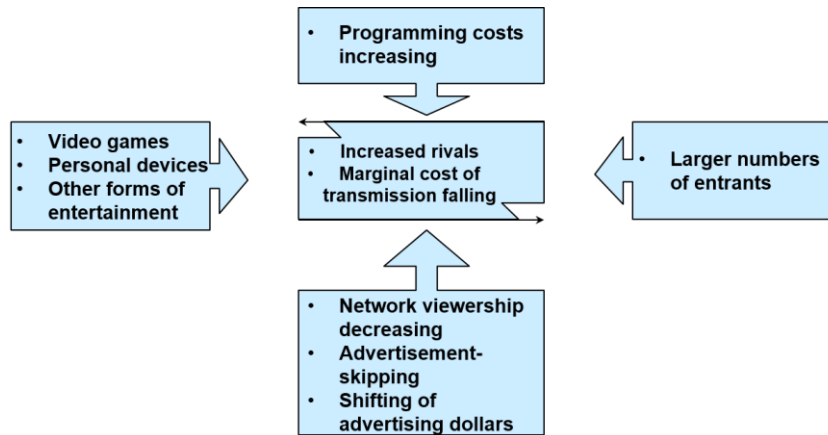
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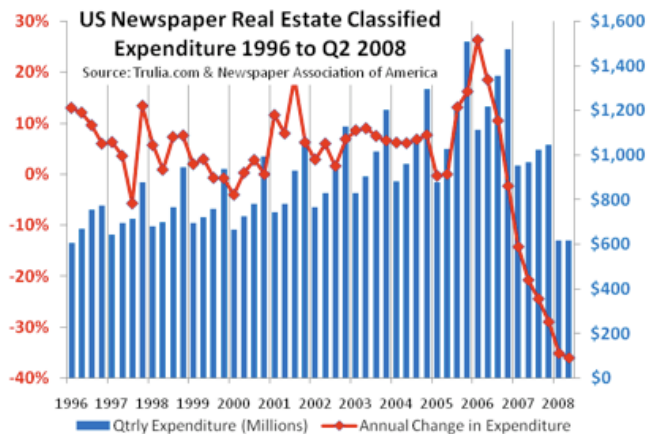
The State of Television: 1986 vs. 2016

The state of television looks challenging – but the forces look similar to 1986, which was before three decades of amazing growth:



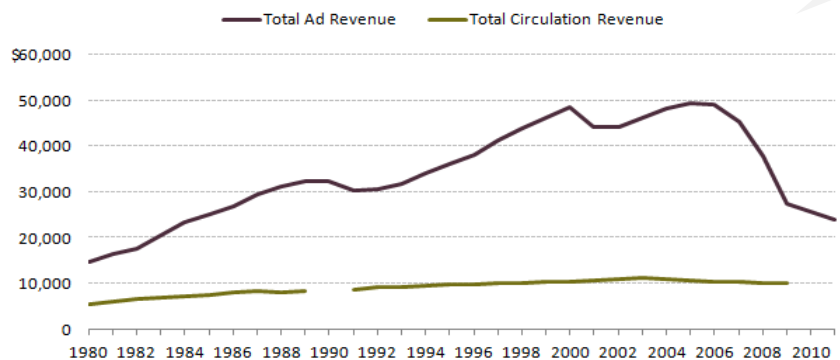
It's important to correctly diagnose the problem.

Example: Newspaper Readership



The decline of newspapers was **NOT** due to the availability of online/digital news, but to the sharp decrease in classified revenue.

Note that circulation revenue remained steady, but total ad revenue decreased.



Content isn't always at the center of the business.

Source: Newspaper Association of America
Note: Numbers are rounded. There are no circulation revenue figures for 1990. Figures from 2003 onward for total ad expenditures includes online.

Dramatic growth doesn't come from great products, but from consumer use and connections.

Strategy: How do you play and win?

- ✓ **Recognize you are in a *Networked Market* if**
 - Customer connections form the basis for our growth and success.
 - The gain or loss of one customer affects the profitability of every other customer.
- ✓ **Can you create “user connections” in your product or business?**
- ✓ **Develop a deep understanding of your customers and of the user experience**
 - Necessary to maximize your success in a *Networked Market*
 - Your “network advantage” can make up for a product quality shortfall
- ✓ **Retain your customers by knowing what products they could **substitute** yours for (*substitutability*)**

Substitutes = anything where the availability of that product **reduces consumer demand** for your product.

Example:



- Power tools' selling spike occurs around Father's Day and other similar holidays
- The alternative (substitute) for consumers buying gifts are ties

What is your “necktie” (a customer-centered view of competition)?

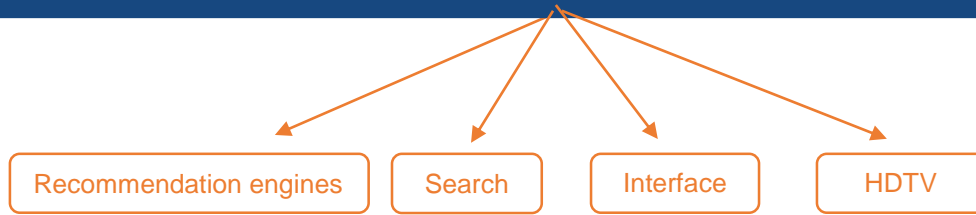
✓ **Leverage positive connections for your customer by developing complements (*complementarity*)**

\$\$\$ **Complements create value + profit opportunities**

Examples: **amazon kindle** + **Wireless**



In pay-TV, ask “How are we losing customers?” Then, find the complements that will bring them in.



Initiatives are Not a Strategy:

Proceed from strategic direction to functional initiatives rather than reverse.

A Common Approach

- Discuss initiatives: Newspaper example
 - Free model
 - New products and services for print
 - Stronger marketing in local areas
 - Re-price Sunday paper
 - More features in sports page

Result:

Incremental, misaligned, undifferentiated

Summary:

