

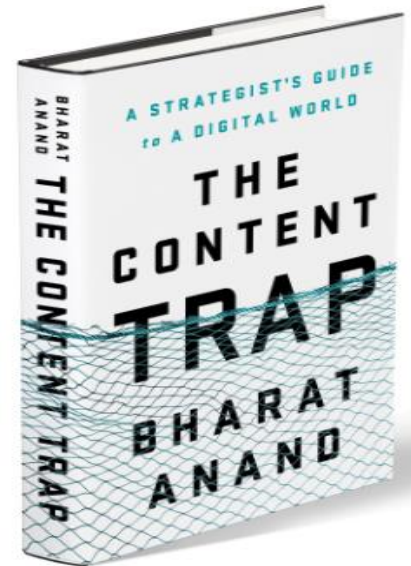


NEXT:  
summit  
2017

# **The Content Trap: A Strategist's Guide to Digital Change**

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**Bharat Anand**  
**Harvard Business School**  
**January 19 2017**  
**DCN Summit**



# Future of Newspapers?

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1

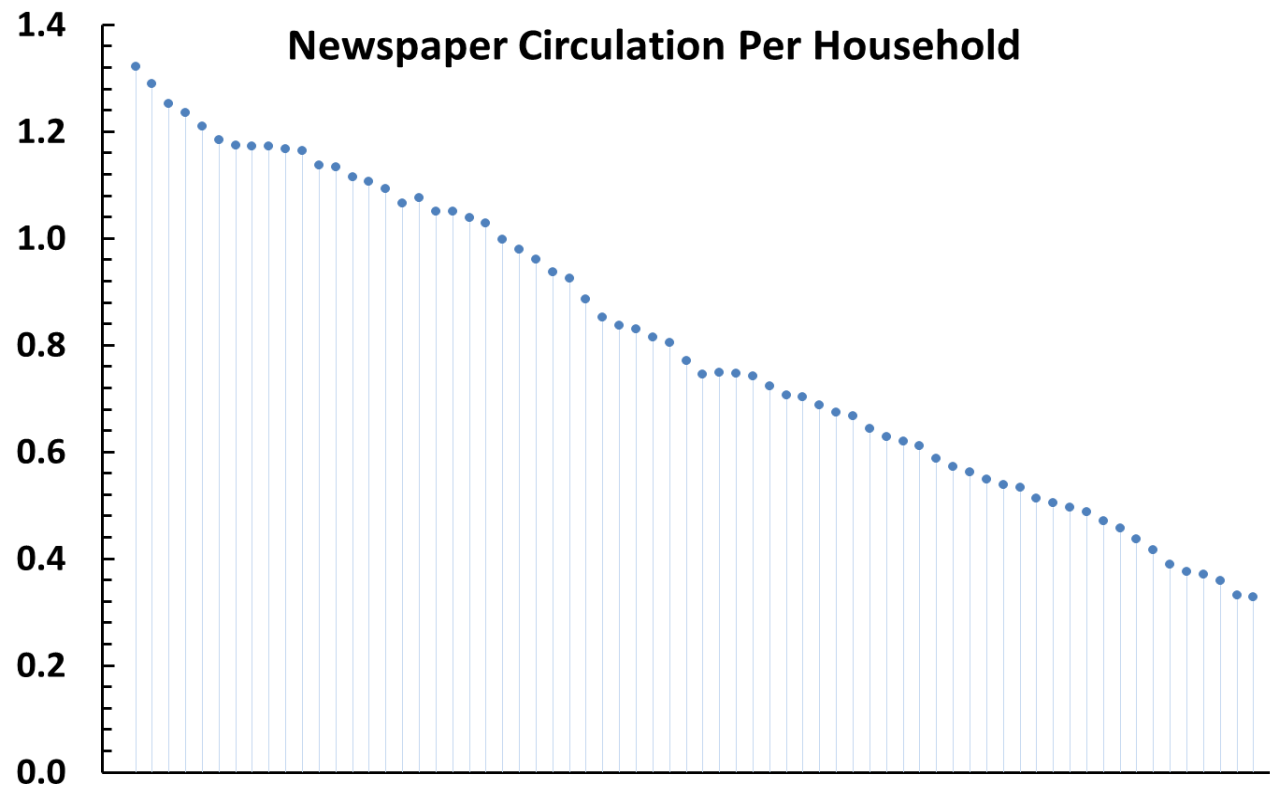


# Diagnosing the Problem: Newspaper Circulation

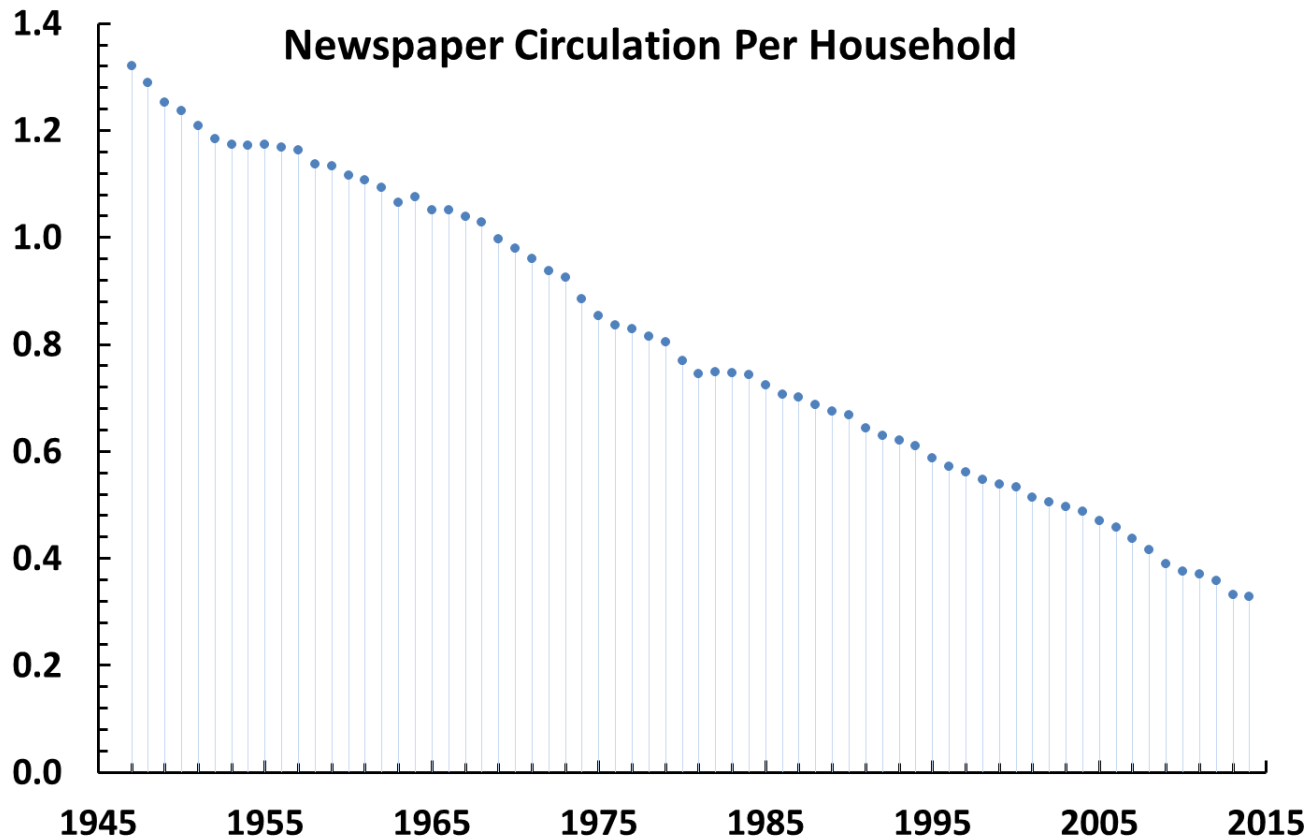
---

The online threat	
	News
Real-time updating	✓
Easier to search	✓
Greater variety	✓
Rich media format	✓
Anytime-anywhere	✓
Interactive	✓
Lower prices	✓

# Diagnosing the Problem: Newspaper Circulation

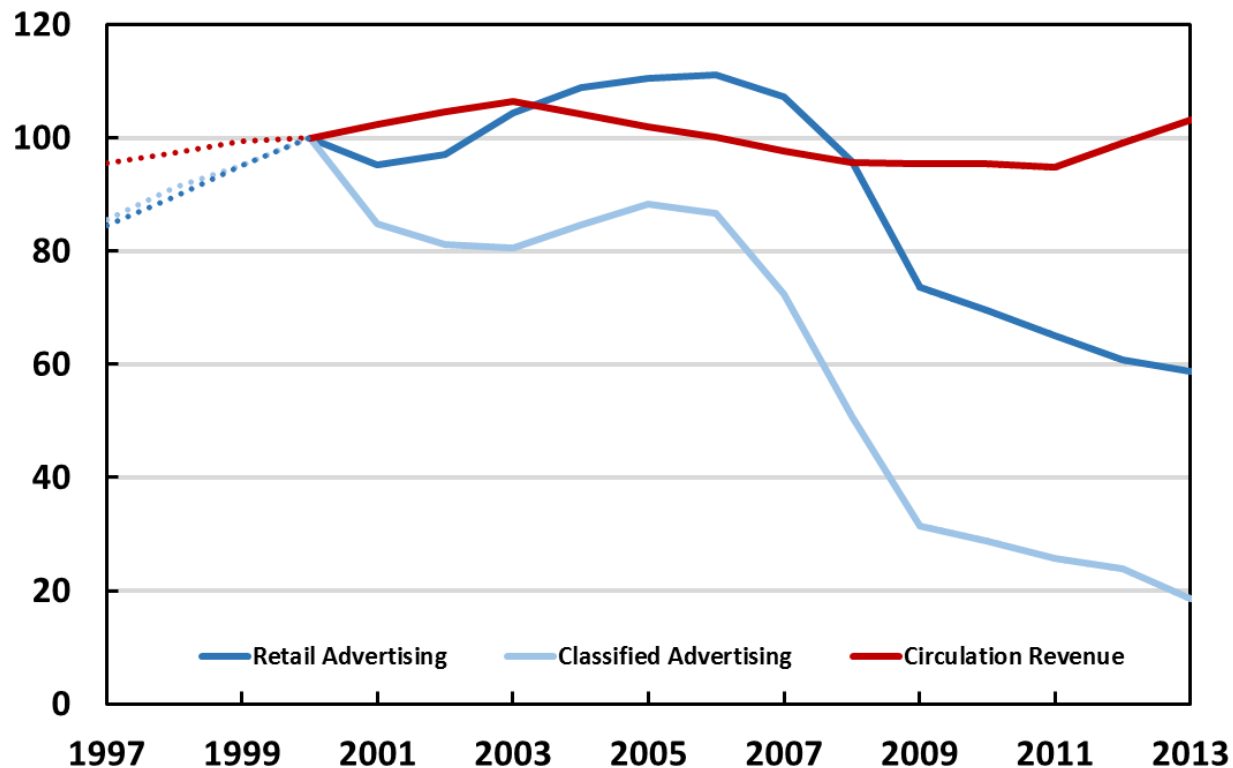


# Diagnosing the Problem: Newspaper Circulation



# News versus Classifieds

Index of Newspaper Revenues



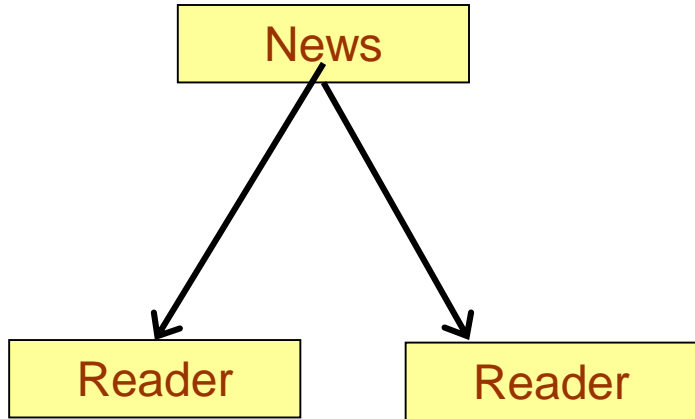
# News versus Classifieds

---

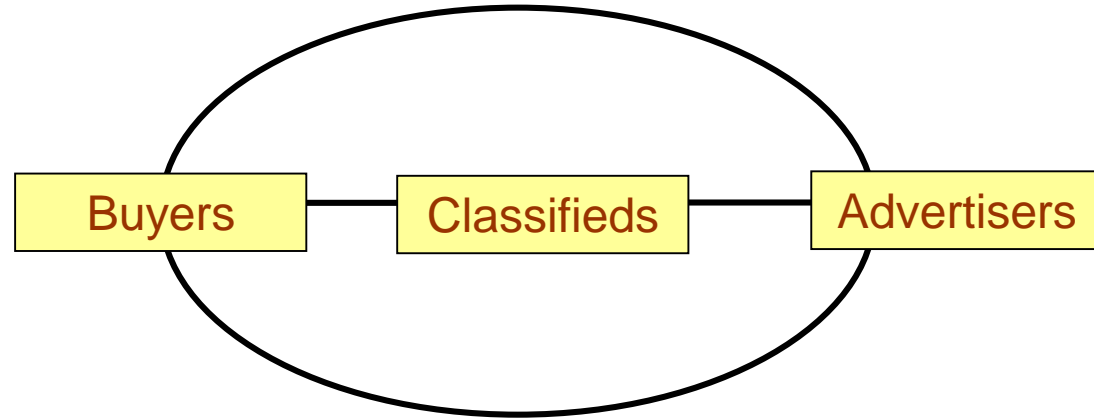
The online threat for different parts of a newspaper		
	News	Classifieds
Real-time updating	✓	✓
Easier to search	✓	✓
Greater variety	✓	✓
Video format	✓	✓
Anytime-anywhere	✓	✓
Interactive	✓	✓
Lower prices	✓	✓
Revenue declines	Small	Massive

# News versus Classifieds

---

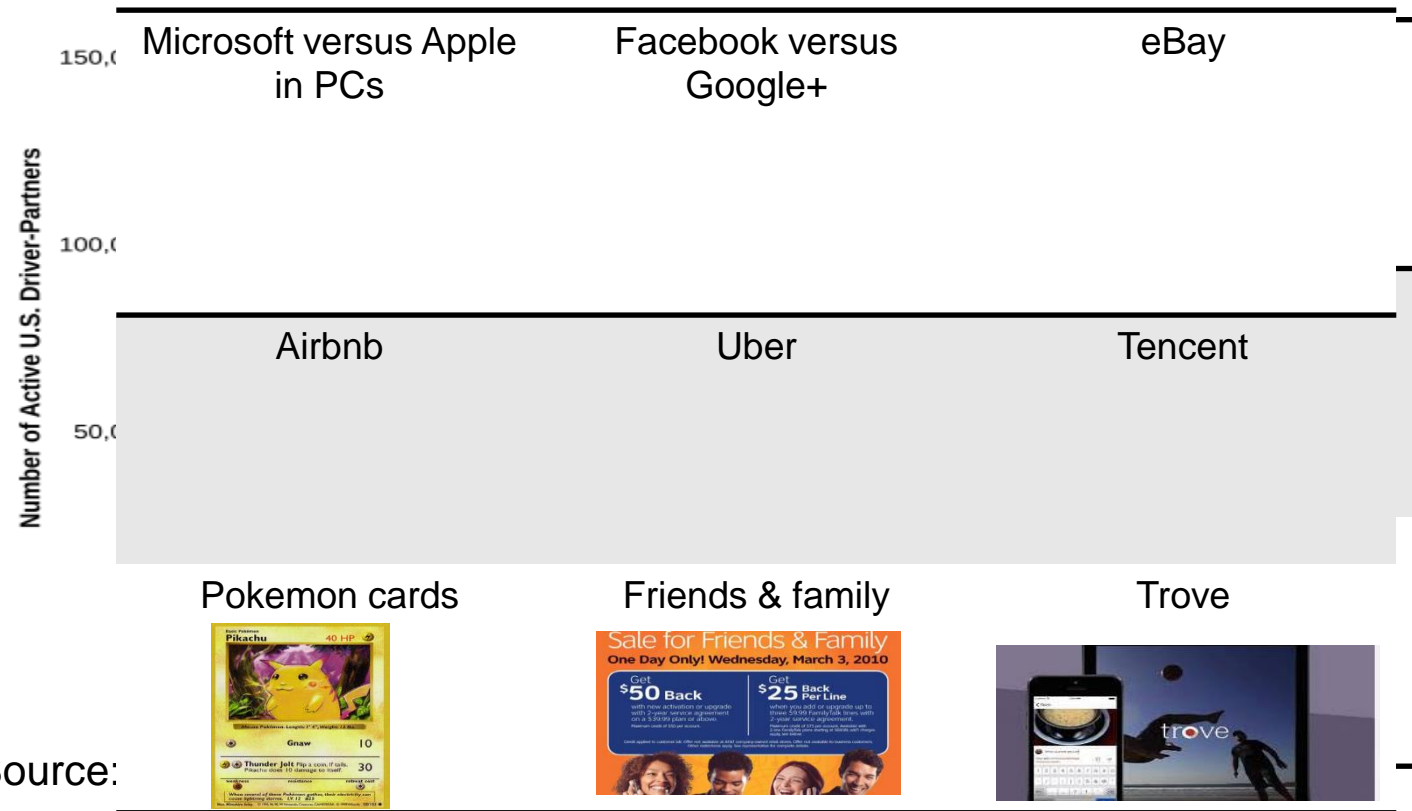


**Hub-and-spoke**  
**Individual decision**

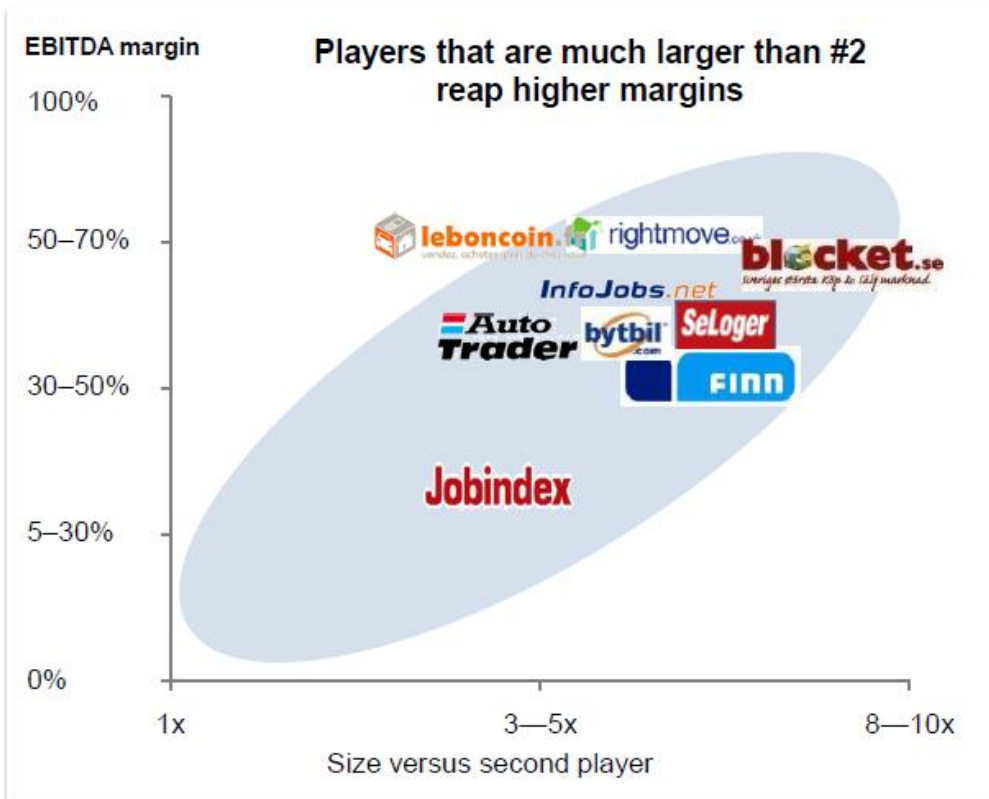


**Network effects**  
**Connected decisions**

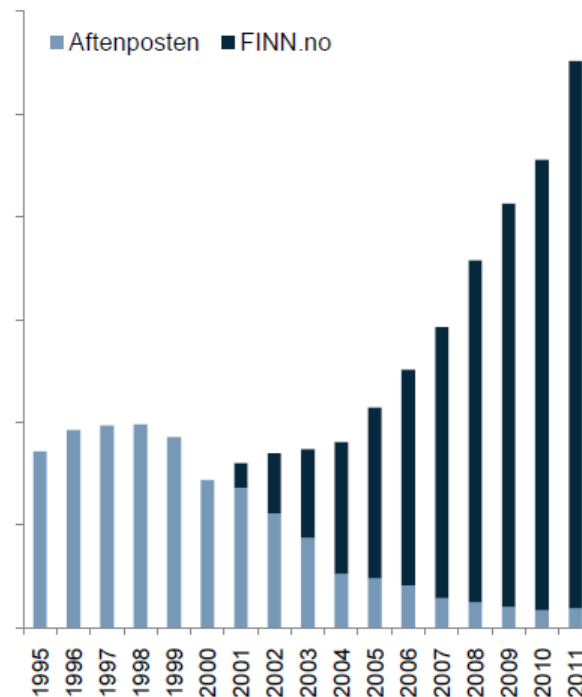
# Connected Choices are pervasive



# Schibsted in classifieds



## Revenues from car classifieds





How can we help each other?

# HAIKESENTRALEN

**Står du askefast på grunn av vulkanstovet? Her kan du få hjelp til å komme deg hjem.**  
Kanskje du skal kjøre en strekning, og kan hjelpe andre hjem.

**Fortell din haikeshistorie og les andres her!**

Innlegg fra personer som skal tjene penger på transporten, blir slettet.  
Oppdager du falske annonser kan du varsle oss ved å sende epost til [moderator@vg.no](#)

DISSE TRENGER TRANSPORT

DISSE TILBYR TRANSPORT

Klikk her for å etterlyse transport

Klikk her for å tilby transport

**Skriv inn opplysninger her**

Ditt navn:

Ditt mobilnr (obs! Bli synlig):

Vil i  
1 time

Orar fra

Orar til

Informasjon om tid etc:

Send inn

FRA → TIL

**oslo** → **marbella**

Jeg ønsker å komme meg ned til Marbella, spania, i juli måned. Har kjøpt marbella-oslo for en del år siden så er ikke helt fersk bak rattet. reiser gjerne med flere om det skulle være noe som gir mening for alle.

FRA → TIL

**Bergen** → **Somdal**

Reiser i laget av søndag ettermiddag. Andreas kan kontaktes på telefon 97752632

**Barcelona** → **Oslø**

Kjører 27 April fra Barcelona. Plass bil 3. Ta kontakt med Christopher på 93043925

Christopher kan kontaktes på telefon 93043925

**Brennevinsund** → **Oslø**

Kjører fra Brennevisund ca kl 15.00 torsdag 29. april. Deler vil på kjøringa blir det kjøring uten overnatting. Dag Elgethun kan kontaktes på telefon 91611665

**Halden** → **Hesøy**

Kjører tidlig på morgenen Torsdag eller Fredag neste uke (29-30.4). Skal på biffest så kjører en gammel amerikane oppover. Fint om du har lappen så kan vi bytte litt på kjøringa. Helst bare 1 pers. Heine kan kontaktes på telefon 90646520

**Hamburg** → **Oslø**

5 selers bil tilgjengelig for hjemtransport fra Hamburg Bil Oslo

Torbjørn Hauger kan kontaktes på telefon 90973494

**Oslø** → **Leknes**

Kjørt Oslo-Leknes tidligere. Kan også kjøre Leknes-Oslo. Gjerne 2 personer.

**HAIKEVETTREGLENE**

Meld fra hvor du haker

Fortell familie og venner hvor du haker og hvem du haker med, eller hvem du tar med deg i bilen.

Ikke send barn alene

Barn skal aldri hake uten følge av voksne de kjenner.

Du skal skue hunden på hårene

Ikke hake med en sjåfør du har steket til, og ikke ta med hakere som virker misterkelige. Det er lov å avslutte haketuren før du er fremme.

Ned utgittene

Det koster å kjøre bil i Norge og før dere legger avgifter er det klart å avslutte hvordan dere skal dele på benutidigheter og kompenger.

Ta med deg godt humør

Med smil om munnen og læss latter går turen lettere.

Vtser: [www.humoristen.no](#)

Sanger: [www.nordfals.net](#)

**Superhakernes beste haike-tips**

[http://www.vg.no/eiendelshakerguide.php?cat=SS3782](#)

**Har du en god haikeshistorie?**

Kontakt VG Nett på [2200@vg.no](#) eller ring 22 00 00 00 så hører vi gjerne fra deg

**SISTE OM ASKEN FRA ISLAND**

[Ingen fare for flytrafikken mandag](#)

[Ny avislekst kan ramme flytrafikken mandag](#)

[Richard Branson innfører flyvestrikksponging](#)

[Sveipullvannet forsinker flyder](#)

[Stabil aktivitet i islandskt vulkan](#)

[Les flere saker](#)

**TIPS OG NETT** MMS/MMS; 2200 E-POST: [2200@vg.no](#) Til: 22 00 00 00

annonser

# User Connections: Strategy Implications

---

	<b>Traditional businesses</b>	<b>“Networked” businesses</b>
• Industry structure	Neck-and-neck	Winner-take-all
• Growth possibilities	Incremental	Discontinuous
• Customer acquisition	Internal salesforce	Customers are de facto salesforce
• Product quality	At a premium	“Network” advantage can make up for quality shortfall

# User Connections and Network Effects: Strategy

---

- Industry structure

- Growth possibilities

- Customer acquisition

- Product quality

Traditional  
businesses

Neck-and-neck

Incremental

Internal salesforce

At a premium

“Networked”  
businesses

Winner-take-all

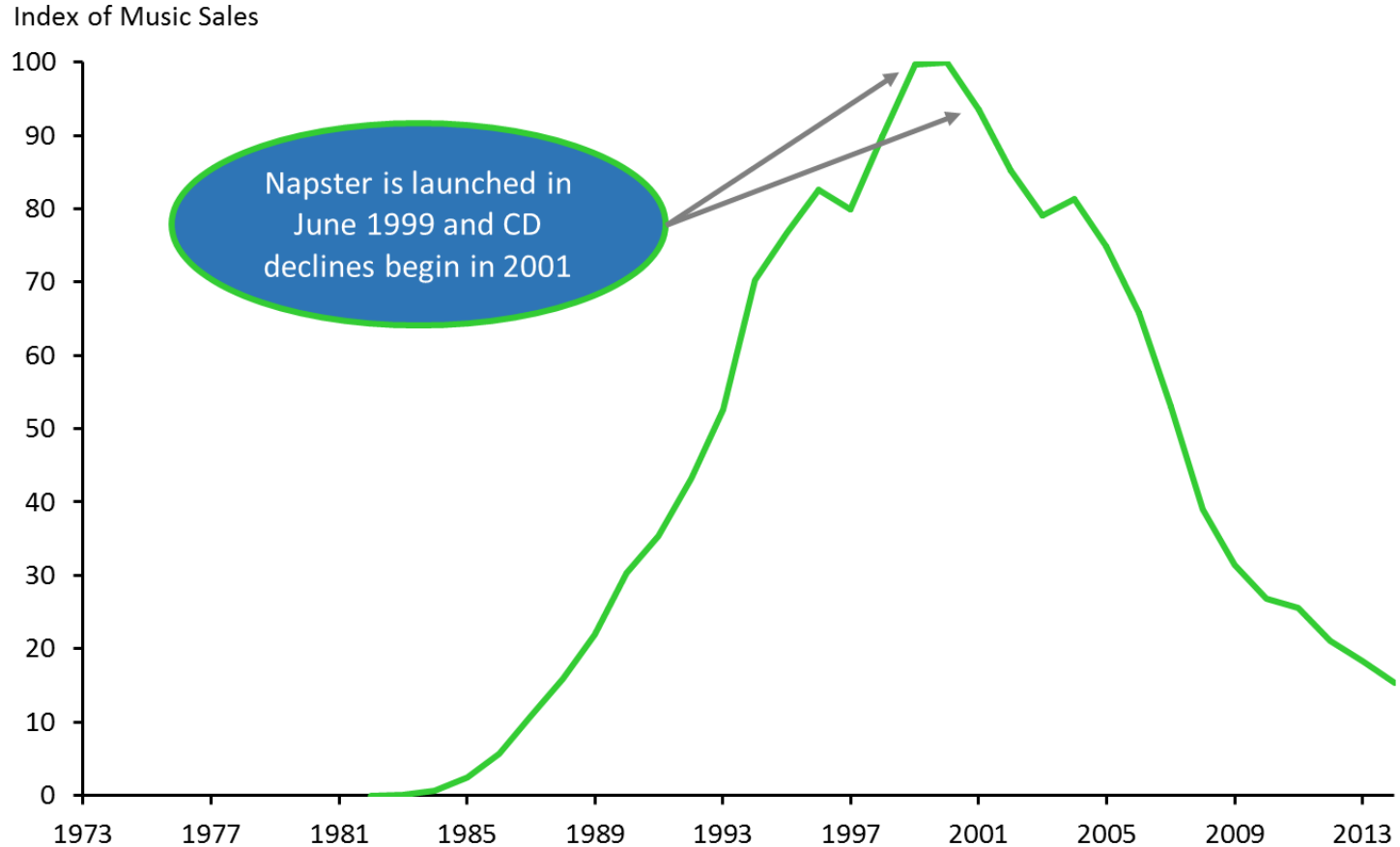
Discontinuous

Customers are  
de facto salesforce

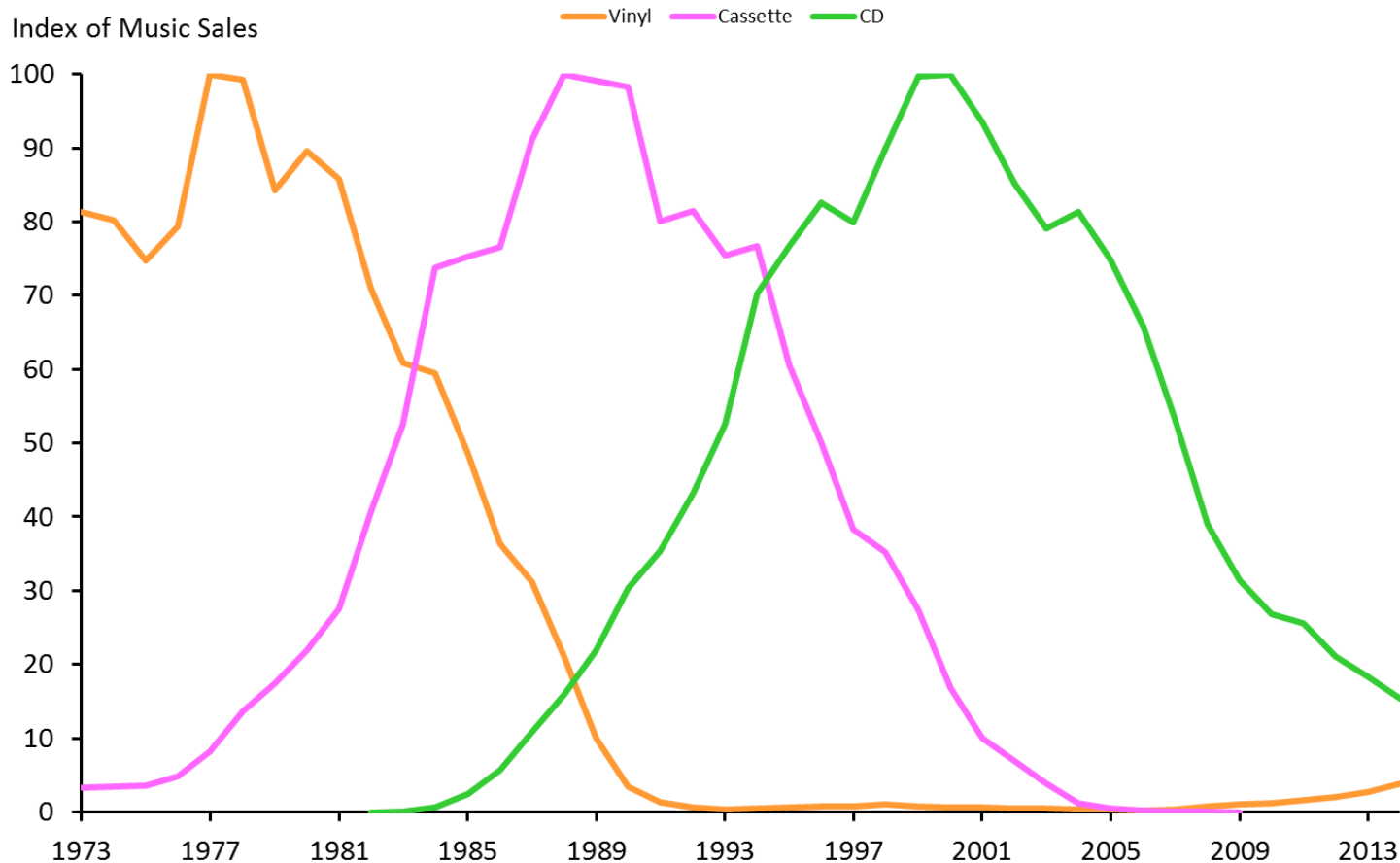
“Network” advantage  
can make up for  
quality shortfall

**Do you face “networked” competitors?**  
**Can you create “user connections” for your product?**

# Diagnosing the Problem: CD sales and Piracy



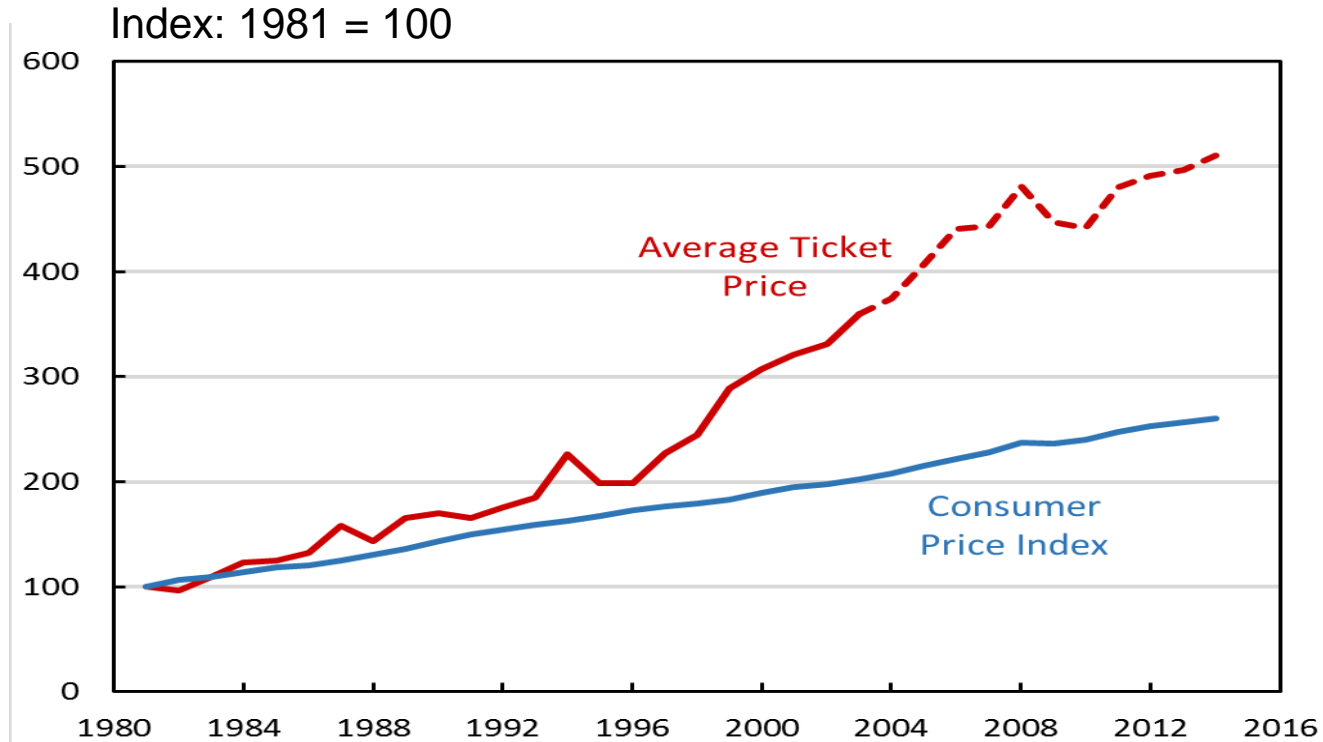
# Diagnosing the Problem: Music Sales across Formats



Source: RIAA.  
Rebase peak  
sales for each  
format to 100

# Concert Prices and Inflation

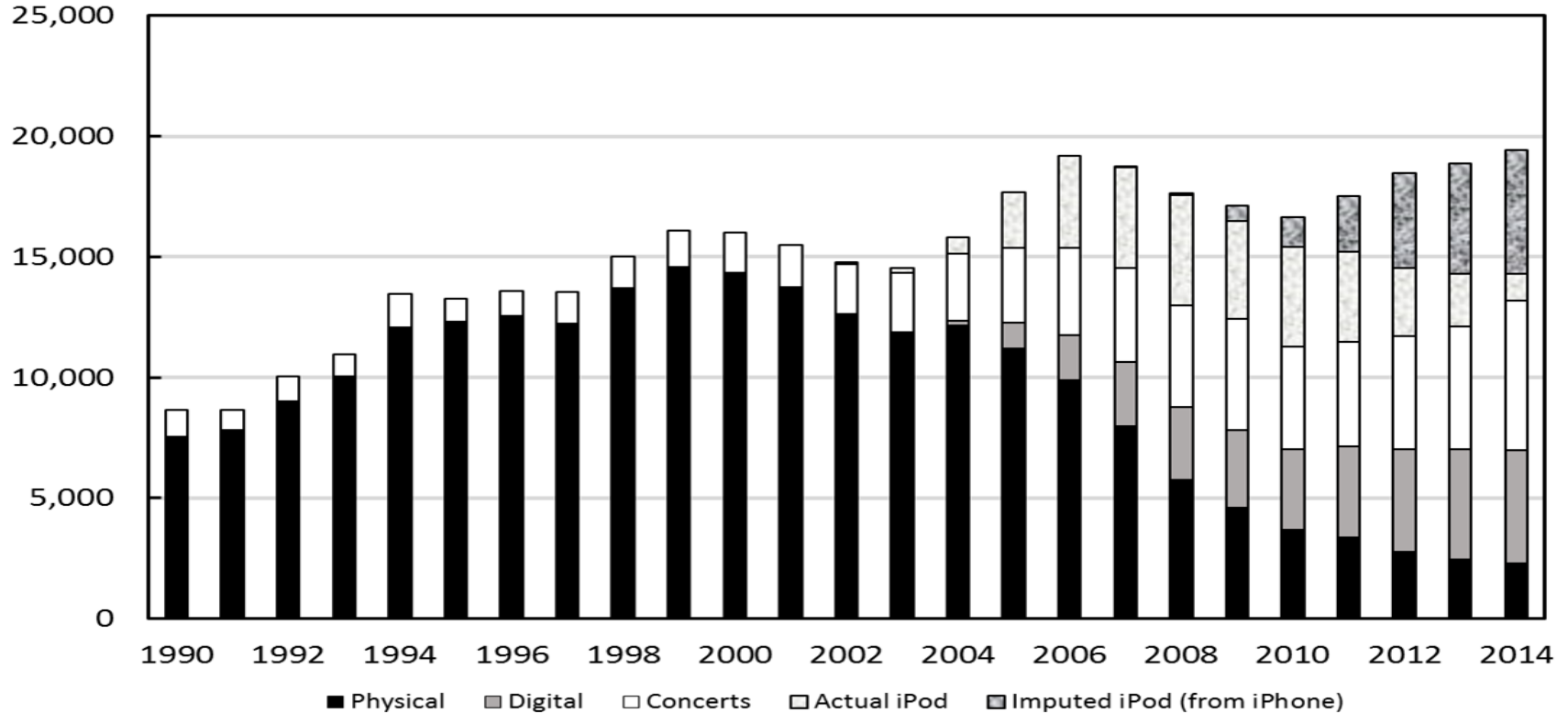
## Growth in Concert Ticket Prices



Source: Pollstar, Alan Krueger, BLS, CEA, calculations, author calculations

# Music industry in crisis?

Sales (in dollars)



(Adapted from Oberholzer-Gee and Strumpf, 2010).

# Complements: Strategy Implications

---

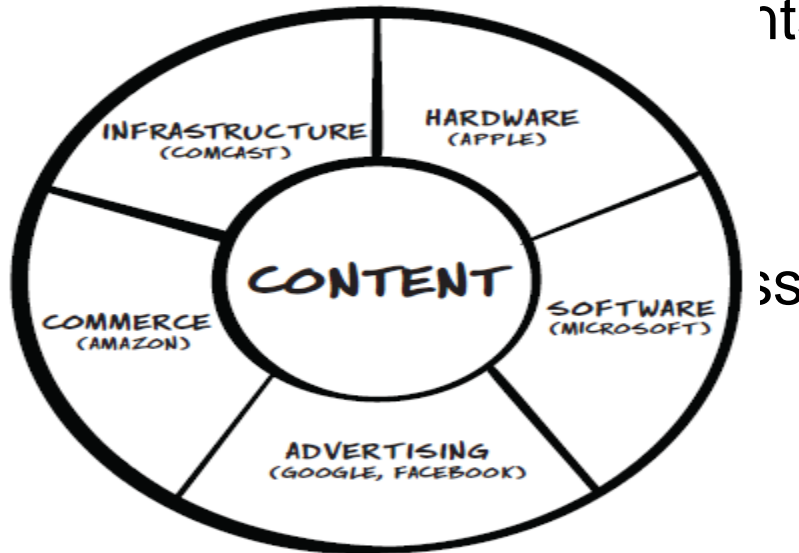
- A customer values your product more when she has the complementary product than when she has your product alone
- Complements create value and profit opportunities:
  - A decrease in the price of a complementary product makes your product more attractive to customers
- Examples:
  - Hot dogs and ketchup; Cars and roads; Tires and restaurant guides
  - Hardware and software; “Piracy” and Silicon Valley
  - Theaters and ?

# Complements and Product Connections: Strategy

- Substitutes should be expensive, complements cheap
  - The battle between digital giants

- Substitutes should be expensive

- Core competencies
  - Narrow versus broad



its ubiquitous

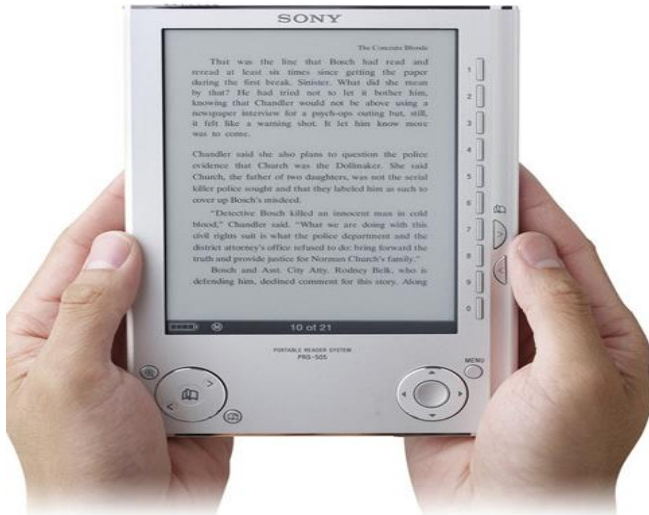
SS

# Complements and Product Connections

---



# Sony e-Reader versus Amazon Kindle



Complement: wireless

# The Pay-TV Question

---

- How are we losing subscribers with a better product
  - Faster, better pipes
  - More, better content

A word cloud featuring several terms in different colors and sizes. The words are: Interface (yellow), Repairs (dark green), Installation (dark green), Search (red), Recommendations (orange), Live-Sports (dark red), Content (dark green), and HDTV (yellow). The words are arranged in a cluster, with 'Interface' at the top, 'Search' on the left, 'Recommendations' on the right, and 'HDTV' at the bottom.

# Complements versus Substitutes

---

- Radio and music
- MTV and music
- VCR and movies
- DVR's and advertising
- Digital streaming and prime-time viewership
- Free online courses and classroom enrollment

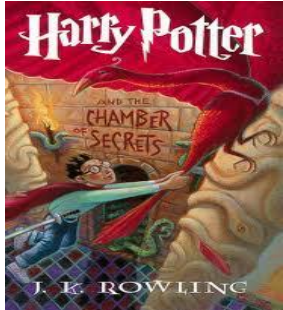
# Complements versus Substitutes

---

- Why do we get it wrong?
  - Mindset: Product versus Customer
    - Content versus Experience
  - Language: disruption, threats, substitutes
    - Negative versus positive connections
  - Data

# Complements versus substitutes

- Can be affected by managerial choice



Print book



E-book



TV product



Digital product

# Complements and Product Connections: TV

	7:00	7:30	8:00	8:30	9:00	9:30	10:00
<b>SUNDAY</b>			THE VOICE	THE VOICE	SCORPION	NOIS-LOS ANGELES	BLINDSPOT
<b>MONDAY</b>			DANCING WITH THE STARS	MINORITY REPORT		CASTLE	
<b>TUESDAY</b>			GOTHAM	EMERGENCY REPORT	JANE THE VIRGIN	BEST TIME EVER WITH NEIL PATRICK HARRIS (CHICAGO FIRE)	LIMITLESS
<b>WEDNESDAY</b>			THE MUPPETS	FRESH OFF THE BOAT	MARVEL'S AGENTS OF S.H.I.E.L.D.	QUANTICO	
<b>THURSDAY</b>			THE FLASH	THE GRINDER	SCREAM QUEENS		
<b>FRIDAY</b>			THE MYSTERIES OF LAURA	LAW & ORDER: SVU	CHICAGO P.D.		
<b>SATURDAY</b>			THE MIDDLE	THE GOLDBERGS	MODERN FAMILY	BLACKISH	NASHVILLE
<b>SUNDAY</b>			ROSEWOOD	EMPIRE	SUPERNATURAL		
<b>MONDAY</b>			ARROW	HEROES REBORN	THE BLACKLIST	THE PLAYER	
<b>TUESDAY</b>			THE 4400	THE 4400	THE 4400	THE 4400	THE 4400
<b>WEDNESDAY</b>			THE 4400	THE 4400	THE 4400	THE 4400	THE 4400
<b>THURSDAY</b>			THE 4400	THE 4400	THE 4400	THE 4400	THE 4400
<b>FRIDAY</b>			THE 4400	THE 4400	THE 4400	THE 4400	THE 4400
<b>SATURDAY</b>			THE 4400	THE 4400	THE 4400	THE 4400	THE 4400
<b>SUNDAY</b>			THE 4400	THE 4400	THE 4400	THE 4400	THE 4400

Programs  
versus  
Networks



A la carte  
versus  
Tiers



Single service  
versus  
Triple play

# Bundling: Some Economics

---

	<u>Sports fan</u>	<u>Foodie</u>
ESPN		
Food Network		
Bundled price	\$12	\$12

# Bundling: Some Economics

---

## Willingness to pay

	<u>Sports fan</u>	<u>Foodie</u>
--	-------------------	---------------

ESPN	\$10	\$2
------	------	-----

Food Network	\$2	\$10
--------------	-----	------

Bundled price	\$12	\$12
---------------	------	------

# Product Connections: Strategy

---

- Product connections are increasingly pervasive
  - Complements, spillovers, brands, bundles, platforms
- A result of choice as much as technology
  - Consumer behavior, inertia, awareness, information, advertising, pricing
- Requires deep understanding of user experience
- Complementarity versus substitutability is under your control

# Strategic renewal

---

- Online strategy...

## Schibsted

- Aggressive response
- Separate then integrate
- Hire outsiders
- Create new model for online
- Frequent updating
- Expand revenue streams (for eg., dating)
- Low fraction of borrowed content
- Aggregate content
- Many links to others
- Free

## Economist

- Slow response
- Integrate
- Staff with insiders
- Replicate print approach online
- Infrequent updating
- Similar revenue streams
- High fraction of borrowed content
- Produce most content internally
- Few links to others
- Paid

The best-practice trap

# Functional Connections: Prioritization

---

- Prioritize what's *most* important to *your* customer



- Strategic success comes from “saying no”

# Digital Transformation and Strategic Success

## Traditional Mindset

- Offer the best quality product
- Narrow product focus, core competence
- Best practices and benchmarking

## Digital success

- Networks: **user connections**
- Complements: **product connections**
- Context: **functional connections**

Not Content and Product

But

Customers and Connections

# HBS: Digital Strategy



# The Content Trap



# Social Learning



# Peer Help

**PEER HELP**
Financial Accounting: 2.3.1 Building a Trial Balance

... OFF Show All Of My Questions And Answers

... OFF Show Questions With No Answers Only

ASK A QUESTION

**DANNETTE FORD ASKED A CONCEPTUAL QUESTION**

Did anyone else get question two in the Building a Trial Balance incorrect for entering zero for cost of good sold? I am not sure how this is incorrect? Totals are balances for debits and credits are correct? . But because I entered a zero balance in the wrong account, it is incorrect? Confused.

UPDATED MARCH 03, 2016 AT 13:02 PM ET

Follow
3

**AJAI KARTHIKEYAN ASKED A RUDIMENTARY QUESTION**

What does the 'T' in T-Accounts stand for? I'm assuming Transactions but want to be sure.

UPDATED MARCH 03, 2016 AT 11:16 AM ET

Follow
3

**NITI YADAV ASKED A CONCEPTUAL QUESTION**

What is additional paid in capital?

UPDATED MARCH 03, 2016 AT 10:38 AM ET

Follow
4

**SANDEEP PAL KHURANA ASKED A RUDIMENTARY QUESTION**

What is the difference between Liability Account and Expense Account? I thought any accrued expenses like Rent Expenses are not actual expenses but Liabilities (as per the glossary) but then in Trial Balance, these expenses are added to expense account that act like Asset with Debit and Credit.

UPDATED MARCH 03, 2016 AT 00:47 AM ET

Follow
0

**SANDEEP PAL KHURANA ASKED A CONCEPTUAL QUESTION**

## 2.3.1 Building a Trial Balance

IDENTIFY TRANSACTION

UNDERSTAND TRANSACTION

CREATE JOURNAL ENTRY

POST TO T-ACCOUNTS

CREATE TRIAL BALANCE

CREATE FINANCIAL STATEMENTS

### It Must Always Balance

00:00

CC
⚙
🔊
🖥

01:37

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37

# Active Learning and Social Learning


**HBX**

MY PROGRESSWEEKLY ASSIGNMENTMY CALENDAR


AssignmentWEEK 5 02/12/2016 - 02/19/2018

Please post a photo illustrating two products or services that are "complements" - other than the ones that are described in the course. (Be as creative as possible in your posts!)


Filter by: ON OFF




1 13




0 1




0 0




0 0




0 5



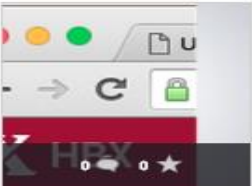
0 0




1 4




2 0





0 0





0 3












# “Online Cold Call”

---

COLD CALL

 What is the relationship between the expected value calculated by a regression model with a dummy independent variable and a conditional mean?

Enter your answer here



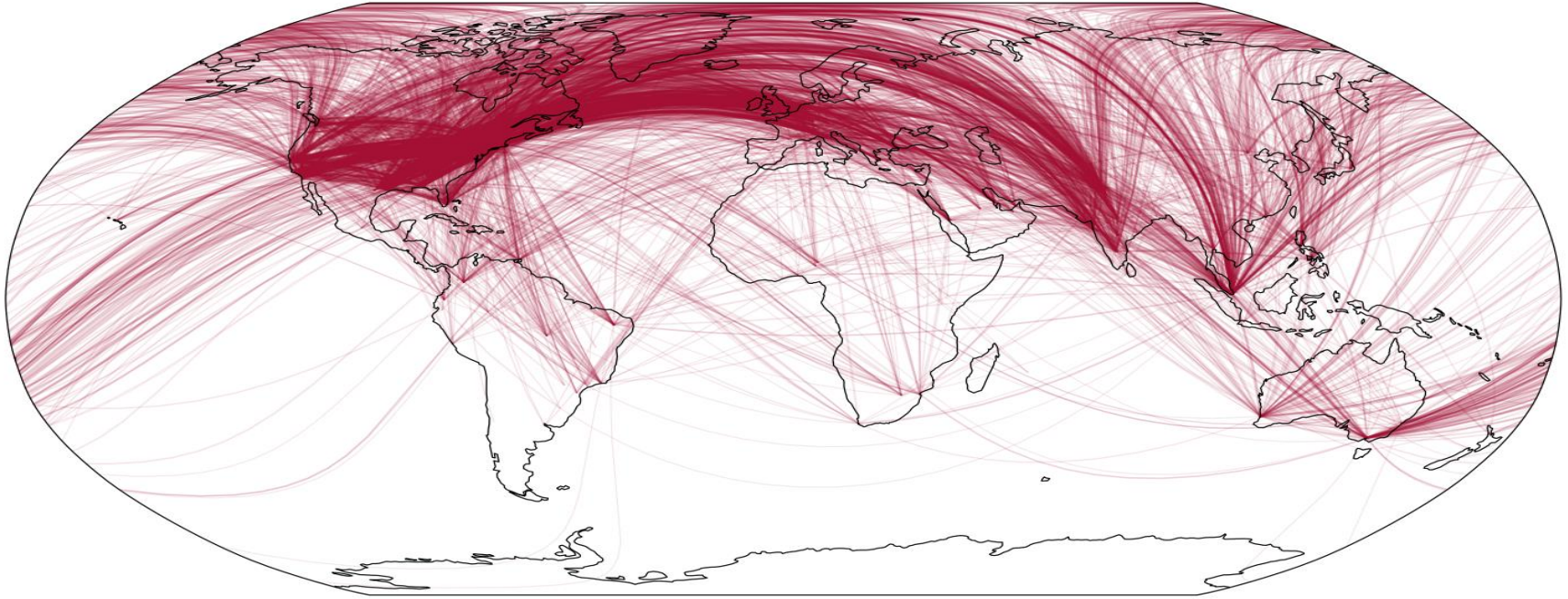
1:54

CLEAR

SUBMIT

# Peer Help: Geographic Distribution

---



# HBX Connex: From Online to Physical



# Digital Transformation and Strategic Success

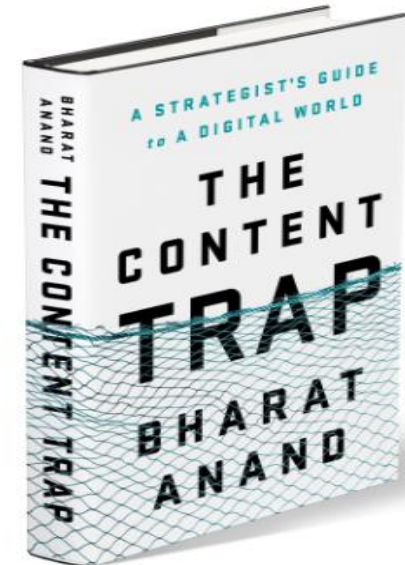
Traditional Mindset

Digital success

**CREATE TO CONNECT**

**EXPAND TO PRESERVE**

**DARE TO NOT MIMIC**



---

THANK YOU