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Fantasy-League Media

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BY SARAH ELLISON

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Leading Ideas

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If you could draft an all-star team of entertainment and media assets and capabilities, who would you pick?

by Sarah Ellison

Outlook 2016–20

The media conglomerates we have known and loved (and sometimes hated) in our lifetimes are, by definition, legacy institutions. The mix of businesses assembled to create today's multibillion-dollar empires are the result of decisions media moguls began making more than 50 years ago. Back then, newspapers were profitable, vertically integrated operations (many newspaper companies owned paper mills); televisions were black and white; and the @ symbol was a rarely used feature on manual typewriters. What made perfect sense to a young Rupert Murdoch sitting in Melbourne in 1952, when he took over the family newspaper business, may not make sense to the older mogul today. For that matter, what made sense to a (slightly) younger Ev Williams or Jack Dorsey just five years ago doesn't necessarily work anymore. One moment Twitter (the company they cofounded) is helping foment revolutions across the Middle East; the next, it's a faltering stock in need of a turnaround. Legacy isn't just for the old anymore.

Most media CEOs I talk to aren't even shy about admitting that they would like to own assets that make more sense for the current environment. In the aughts, media bosses resolved this pining by spinning off slower-growing businesses and holding on to those deemed more valuable. But now, there is simply too much change and unpredictability to make such simple bets. And even as audiences fragment, scale is more important than ever before. So a new age of media conglomeration is already upon us. Witness Time Inc.'s purchases of digital players Hello Giggles and Viant; telecom giant Verizon's purchase of AOL; and Comcast's investments in Vox Media and Buzzfeed. Some of the most unexpected new-look media conglomerates are emerging from technologically adept upstarts, such as Amazon and Netflix. But creating a thoroughly modern media empire isn't simply a matter of mashing up the mind-sets of media and technology, analog and digital, legacy and startup. From the 2000 AOL/Time Warner merger to Facebook cofounder Chris Hughes's short-lived (and disastrous) ownership of the *New Republic*, it is clear that the two realms often speak different languages.

But what if you could start from scratch? What if you could take a cue from the legions of fantasy sports players (who have themselves become key participants in the emerging media world) and assemble your own all-star team? What if you could cruise around the world in your Gulfstream G650 and assemble the optimal collection of assets, capabilities, cultures, and executive skills that would allow you to succeed not just in 2016, but in 2020 and beyond?

For the purposes of this thought experiment, I decided that money is no object. (This is fantasy, after all. Hence the G650.) I'm similarly unbound by practical concerns of relocations and separation packages that might be required to woo individual executives, or the real-life rules that make it tricky to transplant corporate cultures. However, even in this fantasy world, my company — let's call it Ellison Global Media, or EGM — does have to abide by regulations and antitrust laws.

Let's assume that people want to watch long and short stories on video and listen to them on the radio, listen to music, read stories, and communicate with one another. They want to be informed about the world. Our fantasy conglomerate must have the kind of mobile platform and products on which people want to spend a lot of their time, the ability to create and market top-quality content, and a global presence. It will also need the ability to incorporate data and usage knowledge to build customer loyalty and great consumer experiences.

If the future of media is controlling slivers of human attention, I'd start with Electronic Arts, the gaming company that owns EA Sports titles FIFA, Madden NFL, NCAA Football, NBA Live, NHL, and SSX, not to mention Battlefield, Need for Speed, The Sims, Medal of Honor, and Command & Conquer. EA has shown it has the capacity to hold the attention of the legions of young people who inhabit alternate universes for several hours each day. And I'd plug EA's gaming properties into the portfolio of rival Tencent. Tencent is the largest Internet portal in the world's largest country (China) and the home of WeChat, a largely unheralded social app developed for mobile phones with voice and text messaging and time lines. WeChat, with its 700 million users, drives more interactions a day than anything Facebook has on offer.

Illustration by Benoît Tardif, colagene.com

Controlling screen time doesn't just mean controlling the intake of media content. It means holding the keys to interactions between humans, who increasingly interact only through the language of their social apps. And so I would make sure to include Facebook's main sharing platform. Aside from being the new town square where citizens argue about politics, parents brag about their children, and exes try to make each other jealous, Facebook has implemented the most successful zero-to-60 mobile strategy of any of the major tech players today. CEO Mark Zuckerberg understands that the future of interaction lies largely in gaming technologies and practices. He also understands the value of owning the platform on which others play. (Just ask the *New York Times, National Geographic,* and Buzzfeed, early partners in Facebook's Instant Articles experiment.)

The challenge for Facebook is acquiring its next billion users, in part because of the limitations to broadband connectivity, and in part because there's no guarantee the next generation of users will flock to it. Which is why I'd also want to include Snapchat in my fantasy media conglomerate. The mobile messaging application, which started as a way for college students to share impermanent photos and texts, has become one of the world's fastest-growing and most dynamic media properties. Although its user base (100 million daily users) is one-tenth the size of Facebook's (1 billion daily users), Snapchat's users spend a lot of time inside the app watching news and entertainment videos. With 21 publishing partners, Snapchat is blending communications and content on a global scale. And it's growing fast. Sixty-four percent of U.S. smartphone users between the ages of 18 and 24 used Snapchat in late 2015, up from 24 percent in early 2013, according to comScore. Penetration among 25- to 34-year-old users increased to 31 percent, up from 5 percent in 2013. What Snapchat is so good at, and what many in the media industry have missed, is that the app continually reengages its users, as they check back to see what their friends are sharing.

My fantasy conglomerate is going to have to be sophisticated about using its knowledge of what customers are looking at, and what they like to look at, to deliver to them informed and surprising offerings and recommendations. Which is why we'd need Netflix for long-form content. Netflix has shown its ability to create original content, with hits such as *House of Cards* and *Orange Is the New Black.* But it also has a global delivery system and data that other media companies can only dream of as they scan their Nielsen numbers. While big media is still just guessing, Netflix knows exactly who Sarah Ellison is and how much she *really* lets her kids play on her iPad. (And she pays for that service.)

On the subject of engaging long-form content, I'd need a piece of the Walt Disney Company. And this time I wouldn't shy away from legacy businesses. Strip away the properties the company acquired in its 1995 merger with Capital Cities/ABC (the television and cable networks), and the premerger Disney had a fantastic film and television business, theme parks, and merchandising genius. Now add Disney's acquisitions of Pixar, Marvel, and Lucasfilm. Disney's dominance in the film business is astonishing. The Marvel characters and Lucasfilm's *Star Wars* franchise provide multiple universes from which to draw — for movies, yes, but also games, apps, and products. The omnipresence of *Star Wars* books, toys, costumes, and even waffle makers is evidence enough to give the Disney merchandising chief a sunny office on the top floor of my office building. Can you imagine what that kind of surround marketing could do for the products of Electronic Arts? Since this is fantasy media, EGM will also add a prestige film company, such as A24, which produced Oscar darlings *Ex Machina, Room,* and the documentary *Amy,* which recounts the short life of Amy Winehouse.

For short-form content: YouTube, a US$10 billion business where people are spending a tremendous amount of time. (One might argue that Snapchat is the newer version of YouTube, but I would say that the platforms are complementary; the latter is primarily focused on content creation, and the former on sharing that content with friends.) In the long run, everyone wants to move up the chain from distributing others' content to producing their own. YouTube is financing $9 million movies, and walking up the content value chain. It reminds me of when AMC wanted to stop distributing other people's movies and bought *Breaking Bad.* These transitions can happen pretty fast.

My fantasy conglomerate won't just have fantastic video. For decades, conventional wisdom held that television would kill radio. It never happened. Today, people still spend two hours of their day listening to podcasts, audiobooks, and music as they sit in traffic, walk to work, shop, and generally go about their quotidian tasks. Where are they going to listen to all these things? On Sweden's Spotify, which has a global and mobile presence.

You have to capture the attention of investors and the public 24/7, you have to gain millions of followers, and you have to achieve ubiquity across a range of platforms.

I'll also need some pipes. Distribution isn't sexy. But it is very valuable, and I am trying to build a profitable company. Ultimately, we're moving toward a world in which broadband is a utility, and an increasingly regulated one at that. But when I think that I may not want to own pipes, I take a look at Warren Buffett, a one-man fantasy investing team. Last year, Buffett boosted his investment in Charter Communications as part of the Charter–Time Warner Cable merger. Why? He recognized that like Coca-Cola, one of his longtime holdings, broadband is going to be very much around for a long time and can deliver ample cash flow. (As a thought experiment, imagine how difficult it would have been for the iPhone to succeed without Apple's deals with AT&T or Verizon.) Avoiding cable, with its expensive infrastructure costs, and looking at the billions of people around the world who are just getting online, I'd choose India's Bharti Airtel. The world's fifth-largest mobile phone carrier, Bharti Airtel has at least 350 million subscribers in India and Africa.

I want all my company's products to be beautiful, which is why I'd want Jony Ive, Apple's chief design officer, to oversee the design of the offerings. And EGM would want to have a great advocate and a ruthless negotiator on board. Sharon Jackson of Hollywood powerhouse WME (William Morris Endeavor) would head up the talent division, bringing the power deal making of her boss, Ari Emanuel, without the attitude.

This team needs a head coach, and finding the right CEO will be a challenge. I don't want a pure Internet executive. All the movie people will quit once we start adding these other capabilities. Nor do we want a media executive who is hung up on the good old days of broadcast. I'd opt for a partnership of Reed Hastings, CEO of Netflix, and Evan Spiegel, cofounder and CEO of Snapchat: two people who are in no way tied to the previous ecosystem, who have encountered roadblocks and dealt with failure (recall Hastings's Qwikster fiasco?), and who have shown a willingness to change on a dime. (Netflix's pivot from DVD rental to streaming is already legendary. But think of how quickly Snapchat has changed and updated its app.)

There's one last thing EGM is missing. Media is a business in which image, marketing, and sales matter a great deal. It's not enough simply to assemble a great set of assets. You have to capture the attention of investors and the public 24/7, you have to gain millions of followers, and you have to achieve ubiquity across a range of platforms. That means I'll need a public relations department that understands how to thrive in today's media miasma like nobody else. Since money is no object, I'll hire the Kardashians to run it. +

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