

THE COMPETITIVE EDGE

CONNECTING WITH TODAY'S NEW ENTERTAINMENT ECONOMY

By John Parikhal Consumers use entertainment to make connections. They connect with their deepest inner needs, with their spirits and with their souls. They connect with friends by sharing emotional experiences and sharing their opinions. They connect with performers by seeing them live, by chatting about them in e-mail or by joining fan clubs.



Consumers are becoming accustomed to having more control over the formats in which they get their entertainment, in the ways their entertainment is configured and even in the ways in which they share it. On the other hand, the big are trying to get bigger. Clear Channel wants 2,000 radio stations and the concert business too. Viacom wants more TV. Time Warner and America Online have merged. Record companies are consolidating very fast. Bertelsmann even bought into Napster.

Each of these cases is an attempt to re-create the old entertainment economy. The old economy meant trying to own as many "transmitters" as possible so that consumers would have nowhere else to go for entertainment. But by focusing on consolidation, technology and digitalization, we risk missing a more fundamental change — a change that means the old entertainment economy is no longer king. This change means that the most talented people in the radio, television, film and recorded-music businesses will use their skills in new ways if they want to survive and remain successful.

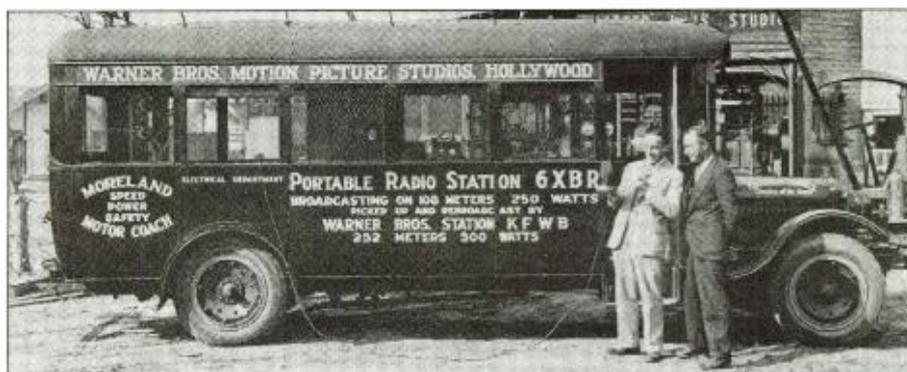
SURVIVAL OF THE MOST CREATIVE

The old entertainment economy won't end quickly. It will be a lot like newspapers — even though they're slowly dying, they still make a lot of money. However, the biggest opportunities for a smart individual or a small, nimble company are in the New Entertainment Economy. Here's why.

The old entertainment economy followed a pattern. In the beginning the transmitters of entertainment had all the power. If there were only one or two radio stations or one or two TV stations or a single cable provider in an area, the public had no choice. All the power lay in the hands of those who controlled the transmitters.

But after a while there were more and more transmitters — more radio stations and more TV stations. Then the power shifted to the formatters. Those were the talented individuals who figured out ways to package entertainment to reach bigger audiences. Gordon McClelland and Todd Storz created Top 40 radio. Barry Diller invented the Movie of the Week. Someone created the first greatest-hits record. Smart formatters gained more and more power.

But after a while a lot of people got very good at formatting. At that point power shifted to the creators. When Bill Cosby's *Cosby Show* was on top, Cosby made more money than the president of NBC. Jerry Seinfeld, Rush Limbaugh, Dr. Laura Schlessinger, Howard Stern and so many more have been able to write their own tickets. In the New Entertainment Economy, things have been turned upside-down. Instead of beginning with transmitters, things begin with creators.



On March 25, 1925 KF WB-AM debuted in Los Angeles with 250 watts of power. Warner Brothers Studio founder Sam Warner bought the radio station to finance his movie projects. The call letters, KF WB, stood for Keep Filming Warner Brothers.

In this upside-down world, creators believe they have the most power. They take their product and look for packagers and formatters, for people who can focus creativity in this overcommunicated world. Creators have become better at marketing, hype and public relations and at using their notoriety to attract such transmitters as radio, TV, cable or websites.

The Blair Witch Project, a famously inexpensive independent movie, used the Internet and smart public relations to generate huge publicity, which led to a deal for good old-fashioned movie distribution and attention from all the other media.

Stephen King decided to skip his transmitter, the publisher, and issue a book directly on the Internet,

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negotiating a price per chapter. His first attempt, with book one of *The Plant*, was successful, and people paid what he asked. The second time King tried it, with *The Plant, Book 2*, people weren't paying as much as he wanted, so he stopped posting new chapters.

Many recording artists are hoping to skip the old model and go directly to the customer by way of the Internet. Model and self-declared "Internet phenomenon" Cindy Margolis has used the Internet to make herself famous, which led her to become a fixture on many media transmitters — she even has her own TV show.

In other words, in the New Entertainment Economy hype, public relations, marketing and packaging are the most important skills of all. The recorded-music business and the film business have the most experience with those skill sets, and, if they can take full advantage of them, they should thrive in the New Entertainment Economy.

FORMIDABLE TEAMS

You can thrive too. If the best promotion people left radio and went looking for creators to work with, they could make formidable teams. If the best programmers turned their packaging skills toward the Internet or joined with creative talent, they could thrive in the New Entertainment Economy.

At this time consolidated radio companies are not taking full advantage of their skills in promotion, public relations, marketing and packaging. They are taking many of their most talented people and forcing them to do mundane jobs on five or six different radio stations, limiting those people's ability to create and innovate. If radio is to thrive in the New Entertainment Economy, the focus must change.

The newer technology providers aren't much different. Whether it's satellite-radio companies, wireless companies or broadband providers, they all have one thing in common: They can't rely on their power to transmit alone. They need to focus their people on creating compelling entertainment, they need to package that entertainment and hype it, and they need to produce entertainment that makes consumers feel like they are in control.

In the New Entertainment Economy consumer connection and consumer control are the keys. If consumers feel they have those things, they are much more likely to pay to participate in a fair, negotiated deal with the entertainment providers. If they feel bullied by old-economy providers, they will use their technological savvy and shared knowledge to stick it to those transmitters.

This renegotiation of power promises to be very exciting — and very stressful. Stay tuned.

John Parikhal, CEO of Joint Communications, is a global leader in media strategy and implementation. His company specializes in identifying, capturing and keeping audiences. He can be reached at 203-656-4680 or at parikhal@aol.com.