

ENTER

The Economics of Entertainment Industries

1. Introduction

The entertainment industries (including professional sports) share a series of peculiar features: essentially, they (a) produce an intangible output (e.g., a music recording), which can be distributed in a variety of forms; and (b) do so based on an input which is extremely idiosyncratic: the creative output of a person or group of persons (e.g., a singer or a band). Finally, (c) recent technological innovation has changed the balance of power between the various players and led various industry segments to re-invent their business model.

2. Objectives

This course provides an introduction to the economics of the entertainment industries. It will cover demand estimation and pricing; contracting, both with content creators and with distributors; and, more generally, the design of a business model that reflects evolving demand and technology patterns.

3. Content

The course starts off with an overview session dealing with the specificity of the economics of the entertainment industries. After that, the course consists of three major parts, each devoted to music, motion pictures, and professional sports.

We conclude with two sessions of group presentations. Each group will be assigned a particular firm/artist/organization and given the task of producing a consulting report which details a strategy for dealing with the evolving business model of the particular industry or industries in question.

4. Methodology

The course will be based on case studies and readings (which will be discussed as case studies). Some numerical (spreadsheet-based) exercises will also be performed.

5. Student Profile

This course is an introduction to the economics of the entertainment industries. While prior industry experience is a plus (for you and for your colleagues), it is not a requirement. This course will not turn you into an industry expert, but it will help you think about the peculiar economics of the entertainment industries.

6. Evaluation

Class participation (50%), team presentation (20%), team written report (30%).

7. Course Outline

SESSION	TOPIC	CASE/ACTIVITY
1. November 9	Introduction and overview	Reading: <i>What is Special About the Economics of Sports and Entertainment?</i>
PART I. MUSIC		
2. November 10	Stars and fans	Reading: <i>The Economics of Rock Stars</i> Reading: <i>Self-Reinforcing Dynamics</i>
3. November 11	The music industry	Reading: <i>Selling Records and Selling Concerts</i> Reading: <i>Long Tails</i>
PART II. MOVIES		
4. November 16	Introduction to movie economics	Reading: <i>Hollywood: Past, Present and Future</i> Reading: <i>Movie Demand and Pricing</i> Reading: <i>Black Swans and Fat Tails</i>
5. November 17	Movie exhibition	Case: <i>Cinemex</i>
6. November 23	Home video	Reading: <i>The Home Video Industry</i> Reading: <i>The Economics of Revenue Sharing</i>
7. November 24	Contracting with talent	Case: <i>TV Power Games</i> Reading: <i>Combinatorial-Form Games</i>
PART III. PROFESSIONAL SPORTS		
8. November 30	Demand estimation and pricing: baseball	Case: <i>Variable Pricing at the New York Mets</i>
9. December 1	Football (soccer)	Reading: <i>The Governance of European Football</i> Reading: <i>Moneyball and Football</i> Reading: <i>Game Theory, Statistics, and Sports</i>
10. December 9	Formula One	Case: <i>Formula One: The 2009 Crisis</i>
TEAM PRESENTATIONS		
11. December 14	Team presentations, I	
12. December 15	Team presentations, II. Course wrap-up and takeaways.	