Dean's Executive Leadership Series - Pepperdine University / DELS 2007-2008

Transcript of Presentation by Bruce Rosenblum, President of Warner Bros Television Group – Part 1

About DELS: The Dean's Executive Leadership Series at the Graziadio School of Business and Management features in-depth audio or video interviews with today's top business practitioners and thought leaders. Listen or subscribe to the podcast to hear their views and insight on the current challenges and opportunities facing the business community.

Start

Dean Linda Livingstone: Welcome to our Dean's Executive Leadership series, our first event of 2008. It is wonderful to see you all out on this rather damp evening in Malibu but we appreciate you coming. It is going to be a fabulous evening so I appreciate you being here.

We are going to talk quite a bit about the importance of stories tonight so I'm going to tell you a story to kick this off that happened to me today, and I thought it was great being that I'm the Dean of the business school. I was driving back to Malibu from my office that is in our building in West Los Angeles, and I was driving down the Pacific Coast Highway. I was about to Big Rock and I was pulling up to the stop light there and there was this black SUV right next to me. And the gentleman in the black SUV honks at me and rolls down his window. So I think okay, I'm pretty safe, I'm a distance from him, so I can roll down my window and talk to him. Rolled down the window and he said, "I just got accepted to your school." And I'm thinking now how does he know that I'm with the school. But I have a license plate frame on the back of my car that says Graziadio School Pepperdine. So he had seen my license plate frame. And he was so excited. "I got accepted to your school. I'm so excited. I can't wait to start." And I asked him which program, 'cause we were at a rather long light. And so he said, "The MBA program." And so then the light changes so we decide we'd better move on before the traffic behind us gets upset. And as I started to roll up my window he kind of turns back around. He goes, "Are you Dean Livingstone?" And I said, "I am Dean Livingstone." And then he said-- he had his iPod in his ear and he said, "I'm listening to you interview Kawanna Brown on the DELS right now as I'm driving." So it was really this great experience.

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So you need a Pepperdine license plate and you need to listen to our podcast of the DELS speakers and it creates all kinds of wonderful conversation on the road as you drive.

So-- but it's a pleasure to have you here. Before I introduce our speaker this evening I do want to mention a couple of things that are going on in the weeks ahead that you should know about and we'd would love to have you participate in. We are having a 20th anniversary reunion of our full time MBA program around homecoming weekend here at Pepperdine, which is February 15-17. So those of you in the full time program should come back for that. And those of you who are just alumni should certainly come and enjoy homecoming weekend.

We have a career fair this Friday, January 25, at the Radisson in Culver City, so anyone, alumni or student, that would like to participate you can go online and register and certainly come and participate in that on Friday of this week. We also wanted to encourage you if you've not joined our Graziadio alumni network to do that. That is our membership alumni group. It gives you access to important events and information. We are also getting ready to put out an alumni directory of our Graziadio network members and we would love for you to be a part of that directory. Also, if you're a golfer, we have our Friends of George Graziadio golf tournament coming up in April. We would love for you to be a part of that and to participate. It is our fourth- fifth annual-- I think it's our fifth annual Graziadio golf tournament.

I also want to recognize Faye McClure who is with us. She is with Farmer's Insurance Group and has been a wonderful friend of the school for several years now. And Farmer's is our sponsor for the Dean's Executive Leadership series. So Faye, thank you so much. <applause>

I do want to mention one other thing that relates to Farmer's, and something that Warner Brothers has also done with us. We have an education-to-business program that many of you are participating in as students, or did participate in as, when you were a part of our program. It's a student consulting program that has been going on for about five years now in the school. It's a fabulous program. We are doing a project with Farmer's Insurance group this spring. It is our 100th project in our E2B program. So it's been a tremendously successful program. We have done several projects with Warner Brothers as well, with some of their different groups. And so we certainly appreciate those of you from the business community that support that program, and we think it's a wonderful benefit to the businesses as well. So we see continued great success with that program.

And then I want to remind you that our next Dean's Executive Leadership series is on March 4, and we will be featuring Robert Eckert who is the Chairman of the Board and CEO of Mattel. So that should be a

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very interesting evening as well. We have some really great speakers that are involved in some sort of really hot business issues as you can see, not only out of the television industry right now but certainly with what Mattel has gone through with some of their toy production.

But what I want to do right now is introduce our speaker. That's what you're here for and I know you're going to be thrilled with what he has to say. It's going to be a really interesting evening. Bruce Rosenblum is considered one of today's most innovative television business executives, and he has headed the Warner Brothers television group since 1999, has really been charged with growing Warner Brothers portfolio of television businesses including their worldwide production distribution and broadcasting.

Their television group is rapidly developing new business models for the evolving television landscape, including video on demand, broadband, wireless, and home video exploitation of its vast library. In the traditional television areas, Warner Brothers Television Group produces primetime first run cable and animated series, and Mr. Rosenblum is responsible for their domestic television distribution, their cable, as well as their international portfolio of programs.

Rosenblum also oversees the studio's broadcasting interest and was one of the driving forces behind the creation and launch of both the WB in 1995 and the CW television network that was launched in 2006 in partnership with CBS. Prior to going to Warner Brothers he was with Lorimar Telepictures as Vice President for Business Affairs, and he actually is a lawyer by training-- went to law school at UCLA and began his career as an entertainment lawyer, and has a bachelor's degree in business from USC. So it is my pleasure to bring to the podium, Bruce Rosenblum. <applause>

Bruce Rosenblum: I'd like to thank my mom for writing that introduction 'cause-- or Scott. I have a speech, but before we-- I actually just did one of those podcasts, and the thought of my kids driving in the car listening to that on their iPod scares the hell out of me, so I don't encourage anybody to listen to that.

Thank you for having us here today. We really appreciate the opportunity to share some of our thoughts with you. This is a very highly regarded institution of higher learning so I thought I'd start my remarks this evening with a bit of a test. I know it's coming as a surprise and you didn't get to study, but let me try it anyway. *Friends, ER, Chuck*, and Ellen, what do those four shows have in common? Now most of you will say that they're all on NBC, and you'd be right. A handful of you might say that they're produced and owned by Warner Brothers, and you'd also be right. Most viewers identify television shows with the networks, so they're generally unaware of who actually produces and owns the series. And in our case, they usually don't know that our television group happens to be the leading supplier of TV content to the broadcast networks.

Now much has been written of late on the subject of internet distribution of our programming, and what we need to remember when we talk about internet distribution is that regardless of the screen or the device, content is what drives the value—a value that we're still in the early stages of evaluating and thus we're in month three of a writer's guild strike. And I'll talk about that a little bit later. But before we get going, let me take a step back and please allow me to show you a quick reel of who we are and where we came from.

<movie>

So as you can see, we do a lot of television, and when I was asked to speak at this executive leadership series on the topic of the future of television I thought well, that's not so hard. The future of television's pretty clear. The five broadcast networks will continue to experience a declining share but they will remain the primary aggregator of large audiences. Ad-supported television will continue to be challenged by time-shifting technologies, by DVRs, but will remain the dominant business model. And production costs will continue to increase but technology will support the development of new revenue streams that may mitigate some of these escalating costs. And so I almost prepared the shortest speech in the history of your executive leadership series.

But then I realized that Dean Livingstone had made a common mistake. She used the word television when what she really meant was electronically transmitted content. That's ETC for short or etc. for long, very long. The possibilities for electronically transmitted content stretch out farther than the eye can see. The thing we once called television, which for decades was a static world dominated by three networks, is now an infinite and constantly changing universe. It can be interactively accessed on computers, cell phones, iPods, and yes, even television sets. ETC indeed. Now I'm not being critical of the host of this event and I must admit that at our company we make the same mistake. My title is President of the Warner Brothers Television Group, but I really oversee the Warner Brothers ETC group. And when I arrive at work and see the range of meetings, the variety of phone calls, and the expansive emails awaiting me, things seem more ETC every day, and more exciting.

Warner Brothers is a creative, innovative, global, diverse, and well-positioned multi-media company. From motion pictures to television, from home video to consumer products, from direct to video to games, comic books, and television animation, we have the luxury of connecting with and entertaining consumers

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of all ages throughout the world on a daily basis. At our core we're a content company. Our primary competency is that of storytelling. As a content company we're at a remarkable moment in time. The value of content is shifting. So the big question before us is: Who will capture that value.? Thanks to the major shifts that are underway in our industry, it's safe to say that we're experiencing an unprecedented potential to reach more people in more ways more often. But of course the crucial word is "potential." The brave new world of the electronically transmitted content is unfolding far too quickly for any of us to know where it will lead. We can only be certain that this change is real, that it will affect all of us, that it will require us to adjust the business models we've grown comfortable with, and that it'll provide more nouns in front of which Steve Jobs can put a lower case "i".

Now, in case any of you still doubt the extent of the change that is before us, you can simply look at what's already occurred. Twenty years ago in 1987 there were three-and-a-quarter broadcast networks. At the time, Fox was barely taken seriously, offering programming only two nights a week. The big three, CBS, NBC, and ABC, held a commanding 73-share primetime television viewers. *The Cosby Show* was the number one show, averaging over 30 million households every week.

Today, there are five broadcast networks that are watched by 38 percent of viewers during primetime. This represents a 48-percent decline from 20 years ago. The number one show is a reality show, *American Idol*. It's on Fox. And it averages about 18 million viewers, a full 40 percent less than *The Cosby Show* 20 years earlier. Since 1987 cable networks like ESPN, CNN, Nickelodeon, and HBO have gone from being minor players to being ingrained into our culture. When I hear the phrase the big three networks I think of ABC, CBS, and NBC. When my 16-year-old son thinks of the big three it's ESPN, Comedy Central, and Fox.

Times have changed, and increasingly the TV screen isn't even being filled with TV shows but with content from DVDs, video games, websites, personal photos, and vacation videos. And the TV shows that are being watched are more and more being watched by people when and how they choose to see them. Video on demand has never been more true. Make no mistake about it, unless the show involves Ryan Seacrest reading results of a singing contest, or the Super Bowl, the era of appointment television is gone and unlikely to ever return. That said, even with half the viewers, *American Idol* is every bit as valuable, if not more so, than *The Cosby Show*. But the value has shifted. Now some of that value can be found from such sources as millions of text messages, multimillion dollar advertiser integration deals, nationwide and even worldwide concert series, and music downloads.

With this in mind we at Warner Brothers are positioning ourselves to similarly capture some of this shifting and emerging value. And I should add. I TIVO'd *American Idol* and I'm gonna go home and watch that one tonight. But while so much has changed, one thing has remained the same — the clock. There's still only 24 hours in a day. Today instead of those three networks fighting for your attention during those 24 hours, there are hundreds of channels plus all the other media you can access on your TV screen. And then there's that other screen vying for your attention. It beckons from your desktops, or more often sits in your laps. It's still called the computer but few compute on it anymore. And increasingly there's a third screen — wireless — which has become a window to anywhere we want to go.

Like television, the other two screens convey content of all kinds. But unlike television, which has formidable barriers if you want to be a content provider, to transmit content online all you need is a video camera and the ability to type YouTube.com into your computer. Consequently, in a broadband world, our competitors are no longer just the other five studios in Hollywood, but also four kids in a garage in Des Moines. And here's the most interesting part. The current wired mythology would have you believe that those four kids win.

Now as television gives way to the broader world of ETC, many argue that traditional studios will lose their relevance. This point of view is nothing new. Every time a new technology has come along it's been seen as a threat to established entertainment providers. But whether the new technology was radio, television, cable, VHS, DVD, or video games, it's always benefited those who are already producing content. And it has especially benefited those who own a library of content. And this time will be no different. To be sure, the road will be bumpy. Some will adapt better than others and there will be kids in a garage who break through. But I'm confident that companies like ours will once again be able to leverage the latest technology to connect with old and new audiences. And this is because studios have a number of powerful assets that the garage sets simply can't match.

First of all, we can place lots of bets. More than anything creative in content, success on the internet requires experimentation, because while no one knows for certain what will work in the space, it's vital to try out a range of promising ideas. Studios have the capital resources to do this — more important they have the human resources to do it right. Second, studios have libraries. To a large extent no one has yet cracked the code for monetizing library content on the internet, but these libraries are unique assets that have generated bigger returns on investment with the emergence of each new technology. It's likely that the internet will prove no exception. Third, studios may be labeled old media but the fact is they already have strong presences on the internet. Many are aligned with strong internet brands and all have sites for everything from films to TV shows to merchandise to theme parks. These sites provide an infrastructure and an expertise on which they can now build.

Fourth, and perhaps most important, there's the core competency of studios, which is storytelling, and especially episodic storytelling, for which we have a record of repeated success over many, many decades. There are lots of thriving companies and lots of great industries. Microsoft creates software, Apple invented the iPod, Starbucks produces coffee. We produce stories. We do it with a highly trained workforce of storytelling experts that include producers, directors, writers, actors, cinematographers, set designers, costumers, special effects wizards, gaffers, and gophers. For the better part of a century, Hollywood storytelling competency has translated into success in movies and in television. And just as we wouldn't pretend to know how to make computer programs, music players, or a three-dollar cup of coffee, others should be mindful of just how difficult it is to tell great stories. Assembling a story that will appeal to millions and justify the support of advertisers is as challenging as any production process I know. This is not to say that the studios have a monopoly on storytelling creativity but it is our core competency and we have history, experience, and an infrastructure that gives us a significant advantage in maximizing the results of our creativity.

In the case of our studio, the Warner Brothers TV Group, we're equipped to blaze a successful path through the new media landscape. Indeed, the challenges of this new landscape are surprisingly similar to the old ones. Throughout all the changes that have impacted the industry as a whole over the past 20 years, we've been the leading supplier of primetime programming in all but three of those years. During this time we've been consistently successful but never secure. This is because we've never had the luxury of owning a major broadcast network distribution pipeline of our own. In the 90s there was tremendous consolidation in the television business as all the networks aligned with television and movie studios to become part of large vertically integrated media companies. Conventional wisdom held that independent producers such as Warner Brothers would be relegated to the sidelines. Instead we managed to thrive by being more innovative, more aggressive, and more creative than our competition.

Warner Brothers has a longstanding reputation of attracting executives who understand that creativity needs to be infused into the process as much as into the product. Consequently, at our historic studio lot you'll find a tremendous amount of creativity in the expected areas of program development and production, but also in the unexpected areas of business management. Our team has innovatively reinvented the way we structure deals to foster a win-win for us and our network partners who are generally predisposed to buy from their in house studios. This is accomplished by a collection of entrepreneurs nimble enough to adapt to changing market conditions and improvise with new approaches.

Now some of you, appropriately, will view this as standard corporate communications spin, and quite frankly, I understand. It's the habit of every large established company to talk about how entrepreneurial, nimble, and innovative they are. But most of them stop with the buzz words. We actually implement them. Let me share with you a few examples of how creativity from our production and business teams resulted in success. We created a template for lower budget production when we developed a hit show for the cable network FX called *Nip/Tuck*, which ushered in a new production standard as well as a new business model. We were among the first to produce reality programming, such as *The Bachelor*. We pioneered ad-supported streaming of our series online with the broadcast networks, and we're creating online destinations, new programming specifically for broadband. And of particular relevance to tonight's topic, last September we transitioned TMZ.com from broadband back to television. Because we've tried to not just follow the rules but also establish them, for the current season our television group is scheduled to produce 34 series with more than 1,000 episodes, depending on when we get back to work after the writer's strike.

Now before you think I'm drinking the corporate communications Kool-Aid again, please keep in mind that we've also been responsible for such television landmarks as *The Mullets*, *Are You Hot*, and *The Sharon Osborne Show*, as well as a few others even more humbling. That's the painful part of experimentation: Every experiment just simply doesn't work. Everyone who works in television knows this very well. On average, just 20 percent of all shows are successful. Yes, a 200 batting average—which would get you kicked off the Waves baseball team—will make you a prize player in television. Now to maintain our batting average year after year we've experimented and placed lots of bets. Many of them have paid off, some of them very big, from *Friends* to *ER* to *West Wing*.

For 20 years we've compensated for not owning a major network by nurturing the talent of our team and the boldness of our business strategies. We now feel more than prepared to apply these strengths to an online world in which everyone must contend with the deficiency we've always lived with, the lack of a dominant distribution outlet. As we build our strategies for the new media era, an important new opportunity is emerging for us. As I said at the outset, in the consumer's mind our programs are identified with the network, not the studio. *Friends* was an NBC series, *Two and a Half Men* is a CBS series, and *Pushing Daisies* is an ABC series. But we produce and own all of those shows. In new media, the ground rules are different. We're now able to develop direct relationships with both consumers and advertisers—relationships that are not part of our core business of producing for the broadcast networks. There's no primary gatekeeper when it comes to broadband. This allows us to shift the value of the content directly into our hands.

Our first glimpse into our online future is TMZ.com. It was created in partnership with AOL in 2005 as a standalone site for celebrity news and gossip. TMZ has become the most popular broadband entertainment news site. In September it recorded 103 million page views and 10-and-a-half million unique visitors. About a year ago we sensed that the site's popularity had transcended the internet so that TMZ was now a brand that could be exploited in other media. We then developed a TMZ-syndicated television show and launched the new series last September. By the end of its first month on the air, TMZ was the top rated new show in syndication and has maintained the pole position ever since.

With the synergistic success under our belt, we're now pushing further with our new media strategy. We're launching advertiser supported channels beginning with Carriage on Juiced. [ph?] These branded channels use our library in innovative ways, each designed with a specific genre and demographic identity, and each designed to be broadly distributed across multiple platforms. In the works is T-works. This will be a broadband destination dedicated to all of our animation properties. We'll be leveraging both our library and our animation experience to create an immersive space where people can spend time with characters ranging from Bugs Bunny to Yogi Bear and from Scooby Doo to Superman. After 80 years of producing animation, our massive collection of beloved product will be monetized online in a direct advertiser supported relationship with the consumer. This site will be a valuable marketing tool for our consumer products and theatrical divisions as well, and you can check it out this spring, if you will. Draw your own conclusions. Uh.. never works. Parallel to the production of these sites is the establishment of a new product entity developed exclusively for digital media called Studio 2.0. This is where we're giving rising young talent a chance to express their creative passions outside the traditional box of television. To illustrate how we're setting up this business in contrast to traditional television, at Studio 2.0 we're producing two dozen projects, which, in the aggregate, cost substantially less than it costs us to produce an hour of network primetime television. These projects range from comedy to sci fi to soaps, and will be featured on the sites we're creating and will be syndicated around the internet. The emphasis is on being experimental with minimal studio intrusion. And if just one of these projects hits critical mass, Studio 2.0 will be a success for us.

As I hope you can see, we intend to approach the next 20 years as we have the past 20. Not with some grand strategy that will inevitably become obsolete before the ink is dry, but by staying a few steps ahead and remaining adaptable as we learn from our experiences and the experiences of others. But as we stay agile we steadfastly keep our focus on our core competency of telling great stories. This capability has served us well in the world of television. We're confident it will lead to success in the world of electronically transmitted content. No one can say for certain what this world will look like, but we do know that our entrepreneurial and nimble approach will take us far day after day, day week after week, year after year, etc., etc., etc. Thanks.

End

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