

Grace Chou: Welcome back to Future of Business, where we take you on a journey to explore the diverse range of sectors and stories embedded in the Oxford MBA cohort and beyond, and how they will shape the future of business. I'm Grace, one of the co-hosts and today I will be chatting with my classmate, Andreas Finzel better yet known by most of us as Andi. Welcome Andi.

Andreas Finzel: Hey Grace, thank you so much for having me. I'm excited to be a guest on the show.

Grace Chou: Yes. I mean, this is a special episode, not only because it's the last one of this season, which is bittersweet, but also because our guest today, Andi, is one of my fellow co-hosts on the podcast. If you've been listening to us, I'm pretty sure you'll recognize Andi's voice by now. For little background information, Andi is passionate about all things media and tech. Hailing from Germany, he's worked at Paramount before starting his MBA, and he has been the co-chair of Saïd Business School's Media & Entertainment Club, which has put on some great events, featuring speakers from Paramount to Spotify, just to name a couple of them. So not surprisingly, the topic that we'll be discussing today is Media and Entertainment.

Andreas Finzel: There's no biz like showbiz, that's what I say.

Grace Chou: Yeah, absolutely. Let's dive right in. My first question is, we all enjoy watching movies, listening to music, right? But there's only a handful of us, I guess, proportionally speaking, that actually end up working in media entertainment. So why did you decide to pursue a career in this sector?

Andreas Finzel: I think the short answer is when I was a teenager, I liked watching YouTube videos and I figured that's fun. The more complex answer is that I try to be a light that makes the world brighter and I try to bring positive and joyful things. That's what we do in entertainment. That's what we do at scale. And in companies like Paramount, we get to touch the lives of millions of people and it's a privilege. That's why I went to the media.

Grace Chou: I love that. Could you just tell me a little bit more about the day-to-day and maybe a particularly memorable project that you've worked on?

Andreas Finzel: Oh, sure. I could talk a little bit about the work that I do in particular. I do have a degree in media management, but I work at the very, very commercial end of media. So I do business development and sales for Paramount. They own a lot of other assets as well. It's not just the film studio, it's also the Nickelodeon, MTV, CBS, they show the Super Bowl, they have a couple of theme parks. They make shows like Hawaii Five-0, SpongeBob, Paw Patrol and movies like Transformers. So there's a lot of stuff happening. I, at the end at an office job, I would plan revenues, talk to clients, sign deals, have a sales target. The most important thing, if you like, when I enter the industry, understand that this is a

very small business. There's not many people. We were a hundred people in my organization and we were in charge of 25 countries.

Grace Chou: Wow.

Andreas Finzel: My dad is in manufacturing and they have 10,000 people in that small town, just for that one plant, just to get an idea of the scope. Prices are done by supply and demand and understanding how many people want to work in an industry or a company like Paramount, it's quite easy for them to dictate the terms under which people are being employed.

Grace Chou: You mentioned that working in the commercial side of media, now let's assume that the listeners and I know very little about media landscape on that side, but beyond just the fact that as subscribers, we pay for media content, of course, there's also free models, but could you just give us a bit of an overview of the main forms of media distribution and their business models?

Andreas Finzel: Absolutely. I love talking about this. This is the toolbox that I play with. So, there's a lot of people who are great in making movies and telling stories and they push the boundaries and they change representation and they push our culture forwards. And I don't do anything like this. I make money. So people always say, "The commercial people come in and they destroy creativity and just want to make money." I'm one of those people. And I love being one of those people. So if we have a TV show, let's say SpongeBob or Game of Thrones, whatever, it costs a lot of money to make. And then we look at different ways to monetize it. So if you look in terms of business models, and I think the first question is, who is going to pay? I mean, the easiest thing is obviously the consumer pays, you as a user pay.

For example, you could buy the DVD or you could go to the cinema and pay there, or you could buy it on iTunes. So, it's a retail model where you pay and you watch it once or you pay for a specific piece of content. I buy a movie in a cinema on iTunes on a DVD, that's retail. And then the next thing you can do is, you can have subscriptions like Netflix or Spotify, where there's a big package of content I can consume and I pay a monthly fee and it's quite nice for the company because they get reoccurring revenues that they can plan and it's less volatile for them. Right now, it's quite nice for the user because there's so much included for a good price. And then, there could be mixed models, like premium or different tiers.

And then obviously, if I don't want to pay anything because I'm cheap and it's okay, there's advertisements supported stuff like free television, where I get to watch a movie or a TV show and I don't pay anything and then an advertiser pays for me to see ads. And it's kind of interesting to understand what it means in terms of who gets to make decisions, who gets to make commands, who gets to push what is being shown, what is not being shown. And then, in a mix of both like a freemium model where I can get some for free, and then I subscribe

for more. Then I do want to mention a third thing just really briefly that there's public media like the BBC, that makes for a very interesting competitive landscape. So a TV station in the UK has to compete with the BBC, even though they are completely different terms.

Grace Chou: And so with all of these different players, who's coming on top and is it going to stay that way?

Andreas Finzel: That's a good question. I mean, there's a lot of different forms of media. Some people listen to music, some people watch TV, some people watch movies. I think all of them going to stay. It's good to have a bouquet of flowers and we like all of them. I think many of the business models are going to stay. Some people want to pay. Some people don't want to pay, that's fair. I think in terms of how we consume, the technology and the distribution, things do change, we watch more and more streaming, much less television. At the same time people are still listening to the radio. When the first time a TV was sold, everybody said the radio's going to die. And granted, the radio is much less important than it was a hundred years ago, but it's still around in a way, in terms of how the market is shifting. I think there's a few important things to realize.

Generally speaking, media has high fixed costs and less variable costs and it leads to economics of scale. So it's really expensive to make a movie in the first time, but I don't mind if a hundred people see it or a thousand people and with streaming and digital distribution, what used to be a national market becomes a global market. In TV, every country used to have four or five TV stations. And in 10 years from now, we're going to have four or five streaming services, globally. And it's a reduction of a factor by a hundred, just to understand.

I think this is really, in a sense of everything, we thought that the internet would bring us more players, but it actually ends up concentrating to market more. I think that's a really important thing to understand, that there's market concentration happening. I think another important aspect is that as we are doing more digital distribution, there's a lot of data about the users and this is really valuable. And in a competitive landscapes, access to first party data becomes an advantage. This is why companies like Amazon are doing so well, because they manage to not only produce content, but also to control the relationship to the consumer.

Grace Chou: Talk about streaming and of course the data aspect we have to talk about. Netflix they're have a company that sort of revolutionized subscription video on demand. For years, they've been increasing their subscriber base, but this year 2022, is the first time they've actually lost subscribers and projects that they may lose more subscribers during the year. So, some of the changes they've made for example is to add a cheaper ad supported subscription, which is something they previously avoided doing.

Andreas Finzel: Yeah. Yeah.

Grace Chou: So what are your thoughts on this development and what do you think needs to happen for the likes of Netflix and the rest of SVOD platforms to sustain themselves in the long run?

Andreas Finzel: Well, first of all, Netflix is great. It's a very impressive growth there the last couple of years. Maybe you remember that I talked about the toolbox of monetization and 10 years ago, all the big media companies figured they can make a quick buck by giving some content to Netflix, because they did it only online and they wouldn't put it on television. And that's how Netflix became so big, because for quite some time, it was quite lucrative for the other media companies to give them cool stuff for small price. Then Netflix had this incredible growth, had a lot of access to funding, so had a lot of money from Wall Street, managed to burn a lot of cash to grow subscribers and the business money they're using with subscription. Briefly, earlier we talked about that compared to iTunes, reoccurring revenue stream of subscribers it's much easier to predict and they sold the market, the Wall Street, on the promise of, "If we keep on adding subscribers, we're going to make a lot of money in the future."

I think what's happening now is that on the one hand, the economy is shifting a little bit and some people are worried about a recession and they're going to have to cut some costs. A streaming service is an easy way to save. You don't really need this, it's clearly disposable. And at the same time, there's a lot more competition. By now, Disney and Warner Brothers and every media company and Amazon realized that streaming is the way to go, so do Paramount, and they're ramping up and they're filling the market with great offerings. At the end of the day, I think the market is getting smaller and there's more people competing for it. So that's going to be tricky for Netflix. I do think they're going to be around. They're not going to go bust, but if I would have to put my money on Disney or Netflix, I'll put in Disney.

Grace Chou: And why is that?

Andreas Finzel: They print money in theme parks. Let's think again about this tool box of monetization. Netflix spends, let's say, 10 million on a movie, yeah. Fixed cost. How are they going to make money with it? They have subscribers all over the world and they pay and that's it. Disney spends 10 million on a movie. How are they going to make money with it? They have subscribers all around the world, they own ESPN+, they own Hulu, they own Disney+, they do make the same money. And then on top of that, they're going to sell millions of toys. They're going to make the theme parks. They have language class in Asia. They have cruise ships. There's just so much happening. There's so much better in monetizing the content that they pay for.

Grace Chou: That's very true. And essentially that's product diversification having a large portfolio, which maybe Netflix can move in that direction in the future.

Andreas Finzel: Yeah. I think that's one of things they're considering, diversifying their revenues. One way is to add advertisement, another is to... I mean, they do some toys and I'm sure you can buy a range of things. Check it somewhere if you try hard enough-

Grace Chou: Yeah, imagine-

Andreas Finzel: ... But not at a scale Disney does it.

Grace Chou: Imagine something like a Netflix Land or Stranger Things Theme Park.

Andreas Finzel: Imagine a hoodie from Squid Game?

Grace Chou: Right, exactly.

Andreas Finzel: With the symbols that exist. Netflix does those things, but not at the scale Disney does it.

Grace Chou: Right.

Andreas Finzel: Another thing, these theme parks are insane. I think we don't understand how much money Disney makes with theme parks. I don't think it's half their money, but it must be more than 30%.

Grace Chou: Switch gears a little bit. You're a self-professed LinkedIn addict. You've written some articles-

Andreas Finzel: I am, absolutely.

Grace Chou: ... On LinkedIn. I've enjoyed reading them. And so, at the end of last year, you wrote LinkedIn article, essentially making media and tech predictions for 2022. And so, one of the predictions that you wrote was that the big battles will be fought over infrastructure like 5G, OS and cloud. So could you talk more about that and how 2022 has panned out so far, in that regard?

Andreas Finzel: Thank you so much for taking the time to go through of my LinkedIn. I'm glad somebody reads my articles. I must admit I didn't expect you to direct us out in July, be like, "How is it going so far?" Yeah. So I said that, the big battles are not going to fight over who's the best streaming service, but the underlying infrastructure, like 5G, so that's mobile internet, OS operating system. So we are comparing the Android and iOS or stuff like the Amazon Fire TV Stick with Roku and then cloud computing, thought that's very Google cloud, AWS, Oracle, and Azure, Microsoft. I think the first thing to understand is the scale. Paramount is worth probably... Oh God, less than 50 billion and Apple is at 2 trillion, give or take a couple of hundred millions, don't pin me down a number. So if you would chart them next to each other, then they would be completely dwarfed by the big companies by the big tech companies.

But at the same time, they're still competing. So the other day, Apple shot up at Sundance and just put two hundred million on a table and bought a movie and then won the academy award for best picture, the Oscar. And that is just not a fair competition. That is David and Goliath. I think that is the first thing to understand and why these much bigger companies are competing with each other. I think they will use entertainment assets to build their bigger businesses. For example, some of the streaming services run on third party cloud systems like AWS or Google cloud. Then they use them as a example to Google their cloud business. So they would approach a commercial operator, like... I don't know, Tata or Tyson Group or Airbus, and be like, "Move your current computing to us. We are so proficient. We can even run Disney+." And that is just a much larger game.

In terms of how it's going, I mean, we've seen a couple of the tech stocks collapse that included Netflix and Spotify. It also included Amazon, so its not just the entertainment ones, but in case we are running into recession then probably value stocks like telcos are set to be more successful in next year or two, than growth stocks like Netflix. So I think yeah, we going to kind of come back to the idea of whose actually making money right now. It was a stable business and whose business is built on the promise of either growth in the future or a couple of hits per year that are not actually for granted. It's July only. Let's see how-

Grace Chou: Still half a year to go.

Andreas Finzel: ... it unfolds. And if you guys want to read the other predictions, head over to my LinkedIn.

Grace Chou: I recommend following Andi, especially if you're a media junkie. Something else I wanted to bring up is podcasting, which, of course we're recording for a podcast right now. We have to talk about it. It's an increasingly popular form of media and Spotify has invested significantly in its podcast business. So given that, how do you see podcasts as a content media and the commercial side of its business evolving in the next couple of years and what are the challenges ahead as well?

Andreas Finzel: I think podcasts are great. They're quite easy to make compared to movies and people spend a lot of time on them, compared to if you make a song. I think it's important to understand that podcast and Spotify are not the same thing. Apple made the term podcast, that's literally where it comes from. So you can clearly listen to them on the Apple device or Apple music or Apple podcasts. Amazon has a couple of very interesting long form audio things going on. I mean, let's talk a little bit about the business behind it. A lot of us consider podcasts in the same group of music, like audio only experiences. I put in my headphones and I can choose between music or podcasts. For me, kind of similar, right? But the business is entirely different and that is because the music industry is dominated by the labels like Universal.

And so, there's four or five big groups and they own the vast majority of intellectual property. And that means, if Spotify makes money with music, or Apple, a huge chunk goes to the labels and they're never going to get rid of it. Just once Universal sign Beyonce, they will have a fight between each other, and Beyonce is doing quite well, but Spotify's not going to come in and get rid of the labels. And that is why companies like Spotify, Apple, Amazon are pushing more to podcast content because they will be able to retain a bigger share of revenues. Then maybe a little bit about how podcasts can make money. So, I mean, clearly, sometimes just as a sponsorship going on. So I could now say, "This podcast is sponsored by..." And I would say something. And the next thing is, there could be programmatic ads.

You and I would say, "We're going on a break now." And then there would be like a tech infrastructure behind us, that automatically plays ads, depending on who's listening. The big difference is, if it's like a [inaudible 00:20:02], like the host reads it out, then the ad client, the brand, will be able to book it on the base of a specific show. But, if it's programmatic, so if a technology inserts different ads, then a brand would be able to book inventory based on an audience. Yeah, so once somebody buys, I buy advertisement to show to all the users of Future of Business and the other one would be, I'm going to buy advertisement and I want it for all the listeners that are female, below the age of 30, so it's very different the way advertisement works.

And then sometimes there sponsored content. I think Amazon has a couple of podcasts that they hired a production company to make it just so that they can present how quiet their carbons is, I guess. Yeah, so there's a lot of stuff moving in there and then let's see how it plays out. I think a lot of the stuff that happened with a lot of the revolution of Google brought to ads online, I think, the same stuff's going to come to podcast now the next couple of years.

Grace Chou: It seems like it's going to be harder for, say, just independent podcasters to break it into the market if they're not backed by these companies. Would you say that's the case?

Andreas Finzel: No, that's quite harsh. Yeah, it's a good question actually. In terms of monetization, if there's programmatic advertisement, then it's actually quite easy to get involved. It's the same way that, if you make a website and you get 2000 people to read it, like a blog about your time in Oxford, then you can use Google Ad Words, Google Ad Sense. You can use Google to show ads and you can make a bit of money. And the same thing is going to be able for independent podcast producers. What is going to be very difficult is for anybody else to offer this ad infrastructure. So Spotify is doing it themselves. Actually, Amazon is doing it themselves and Google is still doing that. So that battle, that's concentrated. And also for a big, big scale podcast, it's going to be difficult to push back against the likes of Spotify or Amazon or Google, but for the independent one, the Oxford student that wants to make a good buck on the

side with a cool podcast, that's probably going to be easier if there's more advertisement happening.

Grace Chou: All right. So to wrap up, I want to come back to the Oxford MBA. If you could just share more about how the MBA has helped you broaden your perspectives in the media entertainment landscape, as well as your advice for anyone who sort of wants to follow in your footsteps in and break into the sector.

Andreas Finzel: First question, how it broadened my horizon. It's been widely fascinating to meet people from different countries, obviously also from different industries. I love talking to doctors and all princes but for my work, it has been very illuminating to understand how different the business is in other regions. For example, in many African regions, people don't have credit cards and that's why they can't get a Netflix subscription. And the way payments work there, is that you do it with your mobile phone number. So when Netflix wants to enter market, they need to sign an agreement with the local Telco. And if they don't want it, then it's not happening.

There has been a time in a region in Africa, I'm not sure if it's still a case, when Netflix was for free, because they couldn't get the payments to work because the local Telco said, "No, I'm not going to sign this." And then Netflix said, "No chance to get payments and then well, might as well give for free." Crazy, completely unthinkable here. Yeah, that's one of the examples. And then in terms of how you can get into the space, I mean, it depends on the role. If you want to be a script writer or an actor, that is how-

Grace Chou: Well, I'm thinking more the commercial side.

Andreas Finzel: Oh, the commercial side. Yeah, I think ads is a good way to kind of get started, advertise either at a tech firm or, and an agency, media agency or creative agency, or even marketing for firms. And you get to work with media companies. If you're working at functions like corporate function, like HR or leader, and then all you're going to do is take a pay cut and the big media firm's going to be happy to hire you. That's a passion tax. As I said earlier, a lot of people want to work for Paramount. They get to dictate the terms, but if you are a skilled lawyer, then they're happy to have you.

Grace Chou: Right. So essentially, targeting based on your functional expertise to break into the overall sector?

Andreas Finzel: Yeah, if it's the commercial side.

Grace Chou: Yeah.

Andreas Finzel: I mean, if it's the production side and I mean, there's that episode of you about this.

Grace Chou: Yes. The plug.

Andreas Finzel: Yeah. Yeah. I work at the very commercial of media. And there's another episode with you who talks about protection of media.

Grace Chou: Yeah. That's a couple episodes back. And last but not least. I can't quite believe this because this is the last episode of the season, but what are you going to miss about Oxford and the MBA program in general? We're coming to an end right now, it's July, just have about a month and a half left.

Andreas Finzel: Don't make me tear up. I think you expect me to be really sad now. Honestly, I'm ready for this to be over just because I know it's temporary and I'm excited for the next step. I think what I miss most is the proximity of incredible people. So, there's this insane what kind of people are here, there's an absolute privilege to spend time with you. One of the things that makes stunning is that they all live within two miles. I can literally travel on my bike to meet each of you. And it's going to be very different, even if we all moved to London, but then I think we all got to make incredible things next year. Just imagine if we can move mountains with an Oxford, how much more can we do if we go back to carbon fractions? So in Germany we say that, it was a magic in every new beginning.

Grace Chou: Aw. I love that.

Andreas Finzel: And curious to see what you all will do next.

Grace Chou: Well, thank you so much, Andi. I'm so glad I've had the pleasure to host you on this last episode of season four.

Andreas Finzel: Thanks for having me.

Grace Chou: I also look forward to seeing where you go next.

Andreas Finzel: Thank you so much for having me.

Grace Chou: The future of business podcast will be taking a break until late this year, when the new MBA cohort takes over. I hope you've enjoyed listening to the episodes as much as we have enjoyed hosting and producing them. We'd love to hear your feedback regarding the podcast and learn more about how we can make it better. So please fill out the survey linked in the show notes. Last but not least, make sure you're following the Future of Business on Apple Podcasts or Spotify, so you'll be the first to know when the new season is out.