

# TECHONOMYNYC

## A Conversation with John Martin

### Speakers:

John Martin, Chairman and CEO, Turner

### Interviewer:

David Kirkpatrick, Chief Techonomist

(Transcription by [RA Fisher Ink](#))

**Kirkpatrick:** Here we have John Martin, CEO of Turner, which is really taking some radically new ways of thinking about what a cable network is. It's probably not the right term anymore but what do you call your company? Maybe that's the way to start it in this environment.

**Martin:** Thank you for having me here and good afternoon, everybody. For anyone who is not familiar with our company, it was founded by Ted Turner. It's historically been an advertising supported television network company. I'm responsible for networks such as CNN, Headline News, TNT, TBS, Cartoon Network, Adult Swim, Tru TV, Turner classic movies, and a few others. I became the chairman and CEO of Turner in the beginning of 2014, and given the trends that are supported in the traditional ad-supported television business, which is being influenced by new entrances such as Netflix, Hulu, or Amazon that are investing in original content, we can't survive successfully if we merely keep doing the same thing that made the company successful over the last 10 years. And we are a successful company. We have the number one network in TBS, the number four network in TNT, the number one network with millennials. We reach 80 percent of all adult millennials in the United States every month. CNN is the fastest growing news network in the United States. So there's a lot to crow about.

Having said that, there's been a dramatic decline in barriers to entry in the television business. There's been an explosion of more highly produced and quality programming than ever before, and as a result of that, we're in an arms race, in a war to fight for what is arguably the scarcest resource that human beings have, which is their time. We need fans, so we're literally in the midst of innovating and transforming the company from the inside out.

And so historically, in the TV business, you would look at overnight ratings that Nielsen would supply you, which gave you viewers of adults 18 to 34 or adults 18 to 49 and how many people watched your channel and that became the currency of the business to sell in advertising. What I've been saying to our employees now is, okay, viewers are great and TV is a great reach vehicle because we aggregate lots of viewers. But we need fans. We need people that love our brands, that love our shows, that love our franchises, that love our branded environments, and would be willing to come back to us over and over and over and over again.

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The one personal example that I always typically use is—I don't know, does anybody like *Game of Thrones*? HBO could put anything anywhere on *Game of Thrones* and I'm there. And I'd pay money for it, I'd spend time for it, because I'm a fan. That's what we need.

**Kirkpatrick:** Well, I asked you on the phone, you know, Hulu has kind of been struggling along for a while. You guys are among those invested in it, and now it has *The Handmaid's Tale* and wow, it's transforming its image in the whole ecosystem.

**Martin:** A hit show can do that. That is the nice thing about the business.

**Kirkpatrick:** So in really going back to your issue about the battle for attention, this is becoming a huge topic in the tech industry itself because Facebook and Google in particular are your real enemies there because they are so good at commanding attention. As one pundit has been saying recently, you know, they each have like a thousand engineers whose whole job is to figure out how to keep your attention and keep you from clicking away. So you have to have a very strong pull to get people to do something different. But obviously, you have some very powerful brands and networks that are doing that.

**Martin:** Well, we do, and I appreciate your kindness in the way you asked the question. But one of the things that has changed dramatically over the last several years at Turner is we realize that we have to become much, much more capable and sophisticated in technology. It used to be that we would have our signal that would get sent up to a satellite and then we called it a day, because we were a wholesaler and we were in business with cable satellite telco partners. By the way, these partners pay us \$5.5 billion dollars a year. We love them. But—and there's always been an argument in the media business, or in the video content business, is content king or is distribution king? And now I would submit that neither one of them independently are king because the third leg of the stool, which has become incredibly clear, is the consumer experience is just as important, if not more important sometimes than the quality of the premium content itself.

**Kirkpatrick:** It's intertwined with both aspects of that equation.

**Martin:** Correct. So as a wholesaler, historically, we've been very limited in how we're able to influence the consumer experience because we've dependent on cable satellite and telcos to innovate. And so I can take a shot at one of the cable companies, can't I? We've got to have a little bit of fun.

**Kirkpatrick:** Yes. We'd love that. The more the better.

**Martin:** Yes. I'm a Time Warner Cable customer, which now was bought by Charter. By the way, the service hasn't gotten any better. The experience sucks.

**Kirkpatrick:** We all love our cable networks, don't we? Don't we love our cable networks so much?

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**Martin:** Well, the experience sucks. They are not innovating, they're not focused on what the consumers want and what matters. I wanted to watch HBO Go two weeks ago, which is advertised to me as a free service by virtue of being a Time Warner Cable customer, which is now owned by Charter, and it took me 45 minutes, I couldn't figure out how to get HBO Go to work.

Then I said, all right, well, I like *Homeland* so maybe I'll try Showtime Go. Another 45 minutes, couldn't figure out how to get that thing to work. So I wasted 90 minutes and then I went to Netflix and watched a pretty good TV show.

That's the difference. That's what we're competing against. So ultimately, what I've been talking about as the CEO of Turner is over the longer term we are going to need to be responsible, I believe, for owning and controlling the end to end consumer experience.

**Kirkpatrick:** Okay, but didn't you say that those people give you six and a half billion?

**Martin:** Five and a half billion. It should be six and a half. Now that you said should be six and a half. We'll get working on that tomorrow.

**Kirkpatrick:** Well, you've got to hold on to that revenue.

**Martin:** That's the balancing act.

**Kirkpatrick:** That sounds hard.

**Martin:** Yes. I have a hard job.

**Kirkpatrick:** Yes.

[LAUGHTER]

**Martin:** But that's a little bit of the prisoner's dilemma, right? How do you innovate and serve ultimately what the consumer is going to expect? Because the consumers are going to ultimately move to experiences that they know and love. And I think, you know, video content in general across the United States, consumption is increasing but it's happening in different ways. More and more of it is happening on these things. And five, seven years ago, if somebody told me that adults would have the patience to watch a full-length movie on one of these, I would be like, good luck with that, because I'm an 80-inch on the wall guy. But you know what? They are. And the fastest growth in video consumption over the next five to seven years is going to be in mobile. So we thankfully, as you kindly said, we have strong brands, but more and more we need to figure out how to get our brands in front of where consumers want to experience them. So CNN, as an example. I hope everybody watches CNN. There's no Fox News fans here, are there?

**Kirkpatrick:** There probably are. But everyone here probably watches CNN even if they also watch Fox.

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**Martin:** Well, this is a relatively young group so I don't think anybody could watch Fox News.

[LAUGHTER]

I'm just having a little fun.

**Kirkpatrick:** CNN plays a major role in the media ecosystem.

**Martin:** I'm sorry, that was a bad joke. But if you look at the average age of the adults in the United States who watch CNN, the linear network, it's 58 years old. Three years ago, it was 62. So we're actually bucking the trend in the television ecosystem by getting younger, and we're working hard at that.

So it's 58 on TV. The average age of an adult in the United States who consumes CNN on their desktop [cnn.com](http://cnn.com) is 48. Then if you go to a mobile device, the average age of somebody who's consuming CNN on a mobile app is 38.

**Kirkpatrick:** Wow, that's interesting.

**Martin:** And then if you say—because my daughter is 19 years old. She's a sophomore at NYU. I had her when I was three.

[LAUGHTER]

She interacts with CNN but she does two things in the morning when she wakes up. She goes to Instagram and she goes to Snapchat. So she's consuming news via Snapchat, and the average age of somebody consuming CNN on Snapchat is 27.

So we have to think about how to capture audiences across decades worth of genres, and what's really critically important is you have to think about it very, very differently because the CNN experience on Snapchat is significantly different from what the CNN experience would be on the TV.

**Kirkpatrick:** Going to your earlier point, you're controlling the interface and the direct customer connection on all of those age groups except for the oldest one.

**Martin:** Correct. We have a lot of input into that.

**Kirkpatrick:** But I mean you design a SnapChat channel or whatever, right?

**Martin:** Yes. And Jeff Zucker, who runs CNN, is doing an incredibly fantastic job in what is a very tough job. The discussions that he and I have with respect to the importance of the CNN brand, we have to have nothing short of the best digital products in the world, and that's still very much a work in progress. But yet, we've been number one overall in terms of news service with CNN, number one in politics, number three with CNN Money. We're starting to move into verticals and I'm really proud of what the brand permission CNN has and how that can travel

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globally, and when you can compare it to those news organizations that people most often compare CNN to in the United States, almost none of them have a significant digital presence and none of them are really global. So we're doing fine.

**Kirkpatrick:** Yes, well, you're so global, it's true. A couple quick things I want to hit before we go to the audience, but I want to hear from them. Well, first of all, you told me on the phone that you had experienced sort of a prototype beta video distribution thing when you were in Atlanta. Is that something you can talk about, like what might be coming, that kind of thing, and how it could possibly work?

**Martin:** Yes, I'll talk about it for a few minutes. Jeremy Legg, our chief technology officer, if anyone really wants to know how it works, go see him.

**Kirkpatrick:** Yeah, I'm not talking about the detailed mechanics but the idea that there's almost an Internet-like way—

**Martin:** But here's the idea. The idea is that very soon, very, very soon, we will be able to, by virtue of combining the traditional broadcast and IP stacks, video stacks, we will be able to essentially serve different versions of linear television networks to consumers.

**Kirkpatrick:** Over the cable system?

**Martin:** Yes. So let's say I've got two kids who are Cartoon Network viewers. One is a female, one is a male. The female loves "Power Puff Girls" and the male loves "Teen Titans." We will be able to understand over time, through a variety of mechanisms, who is watching TV and we will be serving linear video content to those individuals based on the probability that they will have a higher likelihood of wanting to watch it. That's a crazy idea in the TV business. Never been done before.

**Kirkpatrick:** Well, it keeps the cable systems in the loop to keep paying you that five and-a-half billion too.

**Martin:** Well, no, they're going to have to pay us a lot more.

**Kirkpatrick:** Now, is that because the cable systems also provide the Internet access typically that that's possible?

**Martin:** Well, it's Internet-connected TVs. So if you have an Internet-connected TV, whether the cable system is providing it or some other—I mean, anybody. You just need an Internet connection.

**Kirkpatrick:** You predict we will be experiencing your channels that way within the not distant future.

**Martin:** How long?

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[LAUGHTER]

One year?

**Audience:** Some of it you can do now. You know, running it through the cable boxes, you're probably looking at about a year.

**Kirkpatrick:** Wow, that's very cool. Okay, the other quick thing I wanted to ask you about, one of the things that most surprised me when I was prepping—I actually went to hear John speak at another talk recently—is his commitment to eSports. How many people here have never heard of eSports? Okay, there's a fair number. What is it and why are you committed to it?

**Martin:** I hadn't heard much before a couple years ago. Somebody came and said, "We have this incredible first-mover advantage idea in eSports." And I said, "Well, what the hell is that?" And now I have a ten-year-old son, this is all this kid does, except when I constrain him and make him do homework and eat vegetables. But the idea of eSports is individuals, viewers, fans, watching professional gamers.

**Kirkpatrick:** Video gamers.

**Martin:** Video gamers play video games. So whether it's Minecraft or any of the competitive games that are being broadcast, it is an enormous viewer phenomenon. They're selling out arenas. When my son goes, "Well, Dad, you know that guy is an athlete," I'm like, "No he's not, he's a video gamer," but he is an athlete. He's an e-athlete because his skills are better than anybody else who is actually trying to do that.

**Kirkpatrick:** And where do you make money on that, though? Where's the business there?

**Martin:** Well, we are the broadcast partner, the license partner for the television rights and we also broadcast on Twitch.

**Kirkpatrick:** Which is owned by Amazon. So they're the distributor in that case. Okay, I just had to get you to mention that because I thought it was so cool. Who has a question for John, or a comment?

**Flick:** Hi, I'm Charlene Flick. I'm a technology attorney and I'm also the founder of New York's Virtual Reality Content Creators. Lately I've been immersed in VR and AR, and I know that you've had some experiments, but I want to know to what extent and if you have faith in the medium.

**Kirkpatrick:** Great question. If you don't say yes, you're in trouble.

**Martin:** I was just going to say, I—and you've heard me talk about this before. When 3D came on and everybody thought that 3D was going to transform the television business, I never believed it. VR is something that's completely different. It's like going from a 56k modem to broadband. Now, it's not going to be applicable for every single video content experience but when you're in a virtual reality or an augmented reality type of environment, it's a game changer

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in terms of what the experience is and the applications that we might be able to run through that. So we are trying to move at Turner quickly to try to figure out, but a lot of it, admittedly, is experimentation. What video lends itself to appropriate VR experiences? How do we make money on it? Who do we work with in terms of hardware solution? But I think it's going to be enormously huge.

So yes, I've seen Cartoon Network VR stuff, I've seen gaming VR stuff, but one of the most incredible VR experiences that I saw was a CNN one where I was essentially dropped off on a street in Afghanistan and I was standing next to an international correspondent. And I mean, it really sort of messes with your brain a little bit. But it was unbelievable. It was really unbelievable. So I think we are in the very, very early stages of understanding the power and the impact that this technology can have on our business. But I believe—because again, I believe in the consumer experience and if consumers are fans and they get great experiences, then they are going to spend time and they are willing to spend money. And I think VR and AR are going to be hugely impactful. And I'm in love with my Alexa too.

**Kirkpatrick:** Oh, so you're going to have CNN content on there? Is it on there already?

**Martin:** We already do.

**Kirkpatrick:** Do you have to invoke the skill first and then you—

**Martin:** Well, what's the skill? "Alexa, play CNN."

**Kirkpatrick:** You just say it? Okay.

**Martin:** Yes.

**Kirkpatrick:** I have a cutting edge question for you. Since Amazon just last week announced Alexa's going to have a screen—I already ordered two of them the day they announced it because I thought it was so cool. Is that a place where CNN content might flow?

**Martin:** Possibly.

**Kirkpatrick:** I'm sure they haven't licensed that opportunity to you yet but you would be interested, I assume.

**Martin:** Yes, it's another opportunity to deliver video over IP.

**Audience:** I actually am really interested in eSports and AR and VR but the question that just popped into my mind is, I think a few weeks back, Hearst announced that 25% of their profit came from business services and like floor wax and stuff. Are there aspects of your business that aren't necessarily focused on leading edge technology development, where maybe to everyone's surprise, quite a bit of your profitability comes from? Maybe like old world stuff or things that aren't—

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**Martin:** Well, I appreciate the question. It is a good question. One of the areas where I think we have not executed as well as we should be executing is in traditional consumer products licensing and merchandizing and experiential types of services. So in Thailand we have a Cartoon Network waterpark. In Abu Dhabi we have a Cartoon Network waterpark. Again, this is about fans, so if we can actually tap into fandom and if we have opportunities then to sell people stuff, whether it's t-shirts or dolls or go to a theme park, we're going to be trying to do a lot more with that.

**Kirkpatrick:** Okay, one more.

**Audience:** I just wanted to make a comment. I have lived abroad all of my life and I wanted to highlight for you the importance of CNN Global and how you have an incredible opportunity to influence people because in odd parts of the world, everybody watches CNN and that really is the news that people respect. So I just wanted to throw that little pat on the back.

**Martin:** Well, I appreciate the compliment. And this is going to sound like I'm playing to the question, but there's never been a time in this world, I think in the history of the world, where CNN's journalistic mission has not been as important as it is right now. That's true inside the United States but it's also true outside of the United States. And one of the things I think people underappreciate is we spend a couple of hundred million dollars more per year than any other news organization globally on news gathering and programming. We do that by choice and on purpose because when there is news breaking around the world, we want to have more resources in more places to be able to bring those stories to consumers. The world is getting smaller every day. People are more and more connected and I couldn't be more proud of the position CNN has. So I appreciate the comment. Thank you very, very much and we are going to continue doing what we're doing.

**Kirkpatrick:** And that's an upbeat note to end on. And that's true, any of us who are traveling in the new few weeks will almost guaranteed turn on CNN International if we're outside of the US because you're going to have to watch what's happening in the next few weeks, I'm afraid. Thank you so much, John.