

CNN+, Consultants, and You by Charles B. Wendel

Reports in last week's business press chronicle the failure of CNN+, a new subscription-based streaming service launched with much fanfare by CNN. Articles describe the launch as an abject failure. Bank management and bank BODs should examine the circumstances around the failed launch and make sure they are not following a similar path to value destruction.

An article in last week's *International Business Times (IBT)* summarizes the current situation.

First, the optimistic projections:

“CNN+'s failure to attract subscribers follows optimistic projections produced by CNN executives together with consultants from McKinsey that predicted at least two million subscribers in the United States alone by the end of 2022. This number, it estimated, would rise to about 15 to 18 million after four years when it was then expected to break even after reaching international markets.”

Now, the reality:

“According to a separate report by CNBC, CNN+ attracted fewer than 10,000 users daily in its two weeks of existence. To give an idea of how this contrasts with other networks, Disney Plus attracted 10 million subscribers on its first day of existence on Nov. 13, 2019.”

And some important background information:

“One reason why CNN+ may be flailing stems from a wider decline in overall ratings. In February, it was reported that CNN saw a 69% drop in the size of its prime-time audience compared to the same time last year as well as a 68% decline in its total number of viewers.” Other reports put the cost of this launch in the range of \$200-300mm.

And many put the blame on the consultant firm leading this effort. From *PJ Media*:

“CNN had been told by high-priced consulting firm McKinsey that by charging \$6 monthly or \$60 annually they could expect two million U.S. subscribers in the first year, and that the domestic subscriber base could grow to 15-18 million in the first four years.”

In short, CNN decided to invest in a streaming service that required about 4.5 million subscribers to break even while “free” CNN captures fewer than one million viewers a day.

How did this happen? At least five related factors resulted in this mess, and bankers need to look hard at their own efforts to ensure they avoid following a similar downward path.

Key factors include envy, fear, ego, stupidity, and hope and happy projections over facts.

Envy. CNN's key rival, Fox News, appears to have a successful streaming service, so CNN executives wanted one too. Many years ago, I worked of a project for a Texas-based utility that was considering entering banking. Why? A utility in a neighboring city had done the same thing., so why not them? Well for a lot of reasons.

Fear. CNN and other media companies fear losing viewers and relevancy as social media becomes a major (and largely free) source of news. So, companies like CNN feel the need to do something new. Some banks may be going to new areas and linking with partners that they believe will provide new growth paths but will later find themselves frustrated. Banks must experiment and consider new paths some of which will lead to dead ends. That's to be expected. The major negative issue with CNN is that they made one big bad bet and spent a ton to do so, limiting their future flexibility.

Ego. CEOs everywhere are known for their self-confidence and implicitly encouraging employees to follow the mindset found in *The Emperor's New Clothes*." No one wants to risk telling the senior person that they are wrong.

Stupidity. Don't underestimate the role of stubbornness, and stupidity in this disaster. As noted below, the big dollar consultants may have played a pivotal role in this disaster, but management signed off on the idea and signed the checks. Monday's *New York Post* quotes Megyn Kelly's blunt comment: "Who is the moron at CNN who actually thought, 'You know what we need with our ratings in the toilet? More of us. We need more CNN.'"

Hope and happy projections over facts. As far as I can tell from press reports, McKinsey & Co was hired to assess CNN's opportunity in launching CNN+. The same IBT article quotes David Burge's Twitter words: "Oddly, there seems to be very limited demand for high powered consulting firms who tell clients their stupid ideas are stupid."

The reality is that if any consulting firm had told its client that CNN+ was a bad idea, two things might have happened: one, the client would have been unhappy because they did not hear what they wanted to hear and, two, the consulting firm's billings would have ended, a tragedy for the consulting firm.

One question that management and BODs should ask centers on whether they too expect to hear recommendations that confirm their own opinions, or do they want to be challenged? Too often in my experience, management says they want the "honest truth" from a consultant when in fact they want affirmation of their preconceived notions.

McKinsey may deserve some of the responsibility for the CNN+ disaster, but it is CNN management that reviewed and accepted the recommendations and, ultimately, it is their failure.

You can blame the consultant if you want, but remember where the buck stops

