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The Transformation of the Media and Communication Industries

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The Transformation of the Media and Communication Industries

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1. Introduction

I am very pleased to be able to contribute this manuscript to the *Media Markets Monographs* series published by the University of Navarra (EUNSA). It is an honor for me to join the list of many professional colleagues and friends who have previously contributed to this series, each of which has made a broader contribution of new literature to the field. I can only hope this particular work is worthy of inclusion with previous publications.

The University of Navarra holds a very special place in my heart. My relationship with the University of Navarra can be traced back to 1994 when I attended what is now considered the “first” World Media Economics Conference held on a Viking cruise ship that went from Stockholm, Sweden to Helsinki, Finland and returned. It was at that meeting that I first met Dr. Alfonso Nieto, the former Rector of the University of Navarra, as well as former Dean of the School of Communication and Chair of the Department of Media Management. “Don Alfonso”, as he is warmly known and loved by his many friends and colleagues in Spain and around the world took the time to get to know me on that trip, and we had several conversations during that weekend together.

In the spring of 1996 while I was at Southern Methodist University, Don Alfonso and Dr. Francisco “Quico” Perez-Latre were visiting several universities in the United States. They made a stop in Dallas and SMU to visit with me as they were working on revising their curriculum. I had a pending sabbatical coming up in the fall of 1997, and I was interested in spending time in Spain—even though I had never visited the country. I asked Dr. Nieto if the University of Navarra would consider hosting me if a planned Fulbight grant would allow me to join them for a visit. He graciously agreed, and provided a strong letter of support.

A few months later I was disappointed to learn my Fulbright application had been denied. I emailed Alfonso to tell him that I could not be with them as a Visiting Professor as planned because I was unable to acquire the resources. Much to my surprise, Alfonso and the School's Secretariat, Aires Vaz, found the resources to help me travel to Pamplona and stay at the University for six weeks. That time in Spain was one of the highlights of my professional career.

While at the University of Navarra, I met many people who have become what I will call "eternal friends". Angel Arrese, Alfonso Sanchez-Tabernero, Mercedes Medina, "Quico" Perez-Latre, Jose Sanchez Aranda, Francisco "Paco" Verdera, along with Aires and Don Alfonso were among that initial group of scholars who welcomed me to the University, joined me for lunch and coffee, took me on sightseeing visits, played basketball with me on weekends, and shared many research conversations. Over the years I made more friends at the University of Navarra including Monica Herrero (the current Decana), Charo Sabada, Teresa LaPorte, Alex Pardo, Idoia Portilla, Juan Pablo Artero, and many others. If I left out a name I should have included my apologies.

But Don Alfonso also introduced me to many other people at other institutions, paving the way for me to visit Rome, Italy and Guadalajara, Mexico to mention just two. And these trips resulted in many other connections, all tracing back to that initial conference and meeting Don Alfonso. Of course, Don Alfonso has inspired many generations of students and scholars over his career, and has received many recognitions and awards. I know Don Alfonso has been instrumental my life, and I am better man and scholar because of his presence and care for others. I have returned to Navarra many times since 1997 to teach and lead workshops and seminars, and to attend conferences. My wife Beverly and youngest daughter Mandy have also joined me on occasion. We like to think of ourselves as "honorary" Spaniards, as well as "Pamplonians". We appreciate all of the kindness and generosity that has been shown to us over the years by everyone at the University of Navarra.

Now about this particular work you hold in your hands. Given my history with the University of Navarra, when I was asked to contribute to this series, how could I say "no"? The question was *what* to write about. For many years, I have been writing and researching the continuing evolution of the media industries, and the challenges it is causing for researchers in the area of media management and economics. The dilemma can be summed up in one sentence: The media industries are changing on what seems like a daily basis, yet our tools we use to research and analyze the industries are stuck in the 20th century.

My ideas around this subject began to crystallize when preparing a paper for an international conference on new media held in Athens, Greece in May 2009. This monograph is an expanded version of that previously presented paper. What I have attempted to do in this work is to explain the transformation process that is impacting the media and communication markets, and the forces that are driving this process. Another goal is to offer ideas as to how we as scholars in this field can refine our thinking and research by considering new ways to look at markets and industries, and refining our theoretical and methodological tools. Essentially, that's what *The Transformation of the Media and Communication Markets* is about. Because of the nature of the series, this particular work is more of an essay with a polemic nature. My hope is to stir up some of the "old" thinking so we can develop some new ideas on how to research and study media and communication markets in the 21st century. Ultimately, the reader will decide if this has been accomplished.

It is a professional joy and honor for me to participate in this series, and I thank the current Editor and my good friend and colleague Dr. Alfonso Sanchez-Tabernero for his patience and guidance in the development of this manuscript.

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Denton, TX USA

2. The Transformation of the Media and Communication Industries

2.1. Introduction

The first decade of the 21^{st} century has been unprecedented in terms of its impact on the media and communication industries. What exactly made the first decade of the new century so eventful? Consider just a few of the following events and innovations that took place during the decade beginning on January 1, 2000;

- Just days in to a new century came a staggering announcement that the world's largest media company, Time Warner, would be acquired by a "new" media company, the Internet service provider America Online, or AOL. The merger was expected to usher in a new era of merger activity between "old" media companies (print and broadcasting) and new media companies focusing on the Internet and online markets. The merger would prove to be a disaster losing billions of dollars in shareholder value, with AOL eventually being cast off as a separate entity in 2009.
- The height of the Internet-boom or "dot.com" era peaked in early 2001, forcing many new media companies which had *never* earned any profits to ultimately go out of business or seek bankruptcy protection.
- As the 2001 economic crisis was lingering, the world was shaken by a set of coordinated terrorist strikes that hit the United States on September 11, 2001. The impact on global markets was significant, as the events of this one day would forever change the world, and lead to long-term conflicts in Afghanistan and Iraq engulfing many nations.
- In 2001, Apple introduces a new digital music player called the iPod. The tiny device would revolutionize music listening and

video watching, causing many younger listeners to turn away from traditional radio stations.

- In 2002, the Euro was introduced as the common currency for members of the European Union. While not all countries participated, the introduction of the Euro provided a tremendous shift in thinking of Europe as a unified economic market. Two years later, the EU expanded to include 10 more nations, giving the Union a total of 25 nations.
- Digital technology continued a rapid expansion, and coupled with broadband distribution enables high-speed Internet access to widen around the globe. High definition (HD) television was introduced in many countries as a new standard for watching TV. The endless options for entertainment and information soared, leaving traditional media (newspapers, radio, magazines and broadcast television) struggling to maintain audiences and advertisers.
- The newest generation of DVD players and formats was decided after a battle between Sony's Blu-ray and Toshiba's HD-DVD. Sony eventually won the battle due to contracts with key movie studios plus the availability of the Blu-ray player on the popular Play Station video game console.
- Blogging, YouTube, and social media sites led by Facebook and MySpace emerged as powerful communication tools, creating even more options for consumers seeking media content. More than at any time in history, the consumer could create their own content, be it text, photographs, audio or video files, that could easily be shared and networked among "friends" and contacts. Content could be shared with other friends, creating a new buzzword known as "user generated content". Eventually media companies would embrace user generated content as a way to expand and facilitate news coverage.
- Apple introduces the iPhone in 2007 and Research in Motion expands the features on its popular Blackberry model, leading to mobile phones being recast as "smart" phones. By 2008, over half of the world's population was using some type of mobile phone.

- Globalization continued to expand fueled by economics, free trade agreements, and companies aggressively seeking to expand their market share. Protests at the annual gatherings of the World Trade Organization became commonplace and widespread.
- Several media giants that had grown by acquisition and mergers over the years were broken up (e.g., Viacom, AOL Time Warner, Vivendi) by their respective boards of directors, while others expanded with more new acquisitions (News Corporation). In 2009, Comcast agreed to acquire controlling interests of NBC Universal in a colossal deal that would create a new content giant and replace Time Warner as the world's largest media company.
- The great recession that began in December 2007 proved to be the most damaging global economic downturn since the great depression of the 1930s. The impact on media and communication markets was staggering, evidenced by the loss of advertising, the loss of many jobs in the media industries, and tightening of consumer discretionary spending, which also affected advertising expenditures.

From the rapid rise and collapse of the dot-com era to a staggering worldwide economic recession impacting virtually every sector of business activity, along with the introduction of converging technologies such as the mobile smart phone and multiple digital platforms, the media and communication industries are not only in the process of transforming themselves, but are being transformed by many external factors (Albarran, 2009). This monograph takes a look back, as well as a look forward, to understand the transformation process and how it is reshaping the future of the media and communication industries.

2.2. Why Transformation?

The word "transformation" is purposely used in this monograph to represent the massive changes taking place across the media and communication industries. But what is a *transformation?* Transformation is typically defined as an act or a process that transforms something, resulting in a change in form or appearance (Transformation, Merriam-Webster). The term seems appropriate to capture the environment that confronts the media and communication industries in the 21st century.

Of course, the media industries are not the only industry that has experienced transformation. Let's consider what has happened in the 20th century to a few other industries like the automobile, manufacturing, and airlines. All have experienced fundamental shifts and changes over previous decades as discussed below.

Automobile Industry Transformation. In the automobile industry, America was the leader in building automobiles for many decades. American-made vehicles over time increased in size and complexity, added numerous features and options, and led to the development of suburban communities across the United States which spurred housing growth and led to a declining population in many cities. Yet over time, other manufacturers, led by Honda and Toyota in Japan, and Mercedes Benz and Volkswagon from Germany, began to capture more and more market share from U. S. automakers.

Soon, consumers in the United States began to realize that many foreign made models were made better and were cheaper than many autos in the States. Cars were better designed, and over time the United States lost its leadership position in the automotive industry. America's big three automakers suffered severe hardships in 2008 and 2009, leading General Motors to be taken over by the U. S. government, forcing Chrysler in to bankruptcy protection, and Ford nearly failing as well. GM is showing signs of recovery, but will never be the giant it once was. Chrysler's future is still in question, while Ford for now at least survived without government bailouts.

Manufacturing Industry Transformation. The industrial revolution at the beginning of the 20th century was a key turning point in global history, as the world transitions from an agrarian society to an industrial society. Manufacturing plants were built all over the world, but again, the U. S. was the dominant manufacturer. Certainly America's manufacturing position was aided by both of the World Wars, which negatively impacted many European nations and Asian nations (especially for WWII).

But over time in the global post-war world another transformation began to take place with the rise of computers and information technology in the 1950s and 1960s when the first computers, integrated circuits, and transistors were developed. The shift from a manufacturing to an information society was underway.

As manufacturing costs began to increase during the 1960s-1980s, many countries began to look to other nations as a location to produce cheaper products. The rise of both Japan and China as manufacturing powers put even more pressure on American and European companies to manage costs. Many companies simply went out of business over time, as products could be manufactured cheaper in Japan and China than other places in the world. These Asian powers flooded the global market with cheaply produced goods and prices that hurt the larger competitors.

Many U. S. companies moved their manufacturing to other nations like Mexico and Canada where products could be manufactured cheaper and with a lower cost labor force. Since the 1970s, the globe has seen manufacturing shift from America and Europe to Japan and China. Now we are seeing a huge shift to India and other Asian nations such as Malaysia, Singapore and Indonesia. Based on these past trends, we can anticipate manufacturing will shift again, probably to a combination of Latin American nations (this is already happening in Brazil, the leading economy in Latin America) and to Africa, which is also showing strong economic potential early in the 21st century.

Airline Industry Transformation. The airline industry is another interesting example of a sector racked by change and transformation. In the 1950s and 1960s, travel by air was limited to the business person or the wealthy. Flights were fewer in number, and planes were smaller and not able to fly very long distances.

Over time, everything changed as the technology of building planes improved so they were more efficient, larger, and could fly longer routes. The airlines grew in size and stature, and airports became an important part of economic growth and development. Fuel was cheap, fares were competitive, and by the 1980s and 1990s just about everyone could afford a plane ticket.

The number of companies declined through mergers and acquisitions as the bigger airlines became bigger, forming global alliances with travel awards for frequent flyers. But recessions, rising oil costs, and the threat of terrorist attacks changed everything for the airline industry. Airlines began to do everything they could to lower costs and combat rising fees. Meals in coach service were dropped, and soon every possible way to save costs was considered. Airlines started charging controversial luggage fees; some even began charging for a pillow and blanket—if they were even to be found on a plane. Air travel was no longer a relaxing experience for travelers. Most people don't enjoy flying as much because of the security hassles and added fees. The airline industry has transformed in to a penny-pinching industry struggling to keep afloat.

2.3. Conclusion

As this brief example of different industries illustrate, transformation can be disruptive and challenging (Downes, 2009), not only for the industries and firms involved, but also for consumers and other constituencies. But transformation should not just be looked at as a negative process. Transformation in any industry presents new opportunities and innovations for companies involved in the industry, new pricing and cost structures, new ways of doing business, and in the case of the media industries, more options for consumers and more platforms for advertisers.

The transformation of the media and communication industries didn't happen overnight. This transformation is far from complete, and how long it will take remains an unknown. A series of converging macro-forces is driving the continuing transformation of the media and communication industries and markets in the 21st century.

These forces are technology, globalization, economics, regulation, and social changes—all moving interdependently at the same time and creating chaos and havoc for media managers and officers, while offering consumers new and expanded choices and options for entertainment and information. In the next chapter, we examine how these forces are leading this transformation process in more detail.

3. The External Forces Transforming the Communication Industries

This chapter examines the five forces that interact in any society that are constantly impacting the media and communication industries. These forces are independent, yet they move together interdependently, transforming the media and communication industries. These five external forces are globalization, regulation, economics, technology, and social aspects. Each of these forces is examined in more detail in the following sections.

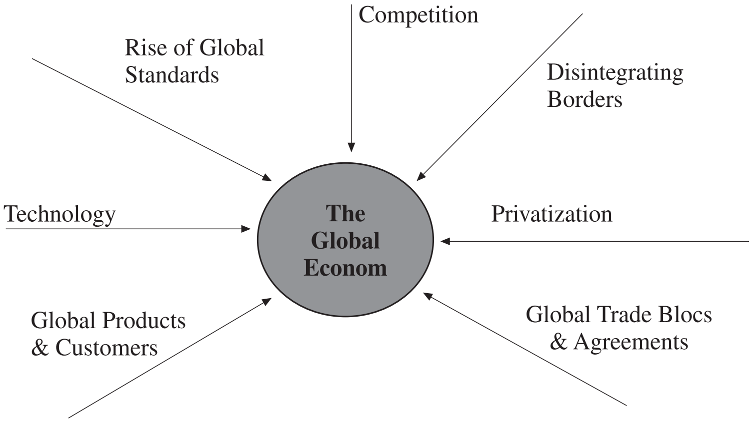
3.1. Globalization

Globalization is a term laden with many different meanings (Micklethwait & Wooldridge, 2000). Globalization in its simplest form occurs when a country or nation engages in trade and commerce with other countries, importing needed goods and products and exporting abundant goods and products. Globalization is a key part of the globe's gross domestic product, manifested by the formation of the World Trade Organization (WTO) in 1995. There are many influences on globalization; Figure 3.1 illustrates some of the key areas that impact globalization.

Globalization is both a positive and negative force (Friedman, 2005). Globalization provides competition for goods and services, increases productivity, and in theory helps to keep prices low for consumers while raising the standard of living for people. Globalization also plays an important role in developing new ideas and innovations in many sectors of the economy, ranging from agriculture to manufacturing to information technology. Globalization also promotes awareness and understanding of other cultures, and the business practices encountered in foreign nations.

Figure 3.1.

Factors Influencing Globalization



Globalization is also interpreted as a negative force. While criticisms vary depending on the context of the critic, a good deal of concern centers around the growth and enlargement of global political institutions (e.g., the European Union) and global economic institutions (e.g., WTO, World Bank, International Monetary Fund). Another criticism is globalization has created an international marketplace dominated by large multinational corporations at the expense of local, indigenous businesses. These large multinational conglomerates are found in the three largest GDP zones of the world: North America, Europe, and the Pacific Rim. Together, these three regions control about 80% of global GDP (see Albarran & Chan-Olmsted, 1998).

From a social standpoint, globalization is criticized for creating a homogeneous global culture heavily influenced by the West, overshadowing local norms and customs (e.g., Sparks, 2007). This concern is directly tied to media products (e.g., movies, TV programs, sound recordings) and advertising, which of course, are heavily dominated by strong U. S. brands and content.

The global recession of 2007-2009 also painfully demonstrated how global markets can be affected by a downturn. The aftermath was still being felt in 2010, as several nations suffered from consequences of the global recession, staggering unemployment, low GDP, and massive budgetary needs. Greece was the country most affected, but Portugal, Ireland, and Spain were also negatively impacted, and likely needing financial bailouts from sister European nations and the International Monetary Fund (IMF).

For media firms and industries the act of globalization occurs when companies reach beyond domestic borders to engage consumers in other nations, with the goal of expanding their market share. Originally, the globalization of media began with selling content around the world, a practice that started with Hollywood films and followed later by television programming. The United States is the largest exporter of media content in the world, raising the notion of "cultural imperialism" caused by the influence of American entertainment (Jayakar & Waterman, 2000).

Globalization also occurs when companies acquire properties in other countries. News Corporation began as an Australian newspaper company, later acquiring newspapers in the United Kingdom and the United States. During the mid-1980s, News Corporation purchased a group of television stations that would eventually become the Fox TV Network. The Japanese electronics giant Sony entered the film industry by first acquiring Colombia Tri-Star, and later MGM. Bertelsmann, the book publishing giant based in Germany, is now a global leader in the media. Telefonica, based in Spain, is also one of the largest telecommunication operators across Latin America.

Globalization also takes place when a company establishes multiple locations in other nations. The Nielsen Company, a privately held firm known for its expertise in various types of research services, operates in over 100 countries around the world. The Walt Disney Company operates theme parks in several important global cities, with a separate base in Latin America. Bertelsmann has operations around the world through its various publishing houses.

Companies use different strategies to compete in the global marketplace. Sanchez-Tabernero (2006) provides an analysis of the primary global strategies, focusing on four areas: (1) the creation of national and international media products; (2) scale economies and diversification; (3) seeking opportunities and attractive markets; and (4) moving towards internationalization in a series of stages. The author also identifies four stages companies use in pursuing a globalization strategy, all working towards establishing a competitive advantage over other competitors.

These stages include (1) first building a strong domestic position in the home country; (2) creating an initial presence in international arena by making either a small entry in a single country or pursuing a larger global strategy; (3) consolidating an international presence, achieved as the author notes when exports make up at least 25% of its business; and (4) the formation of transnational groups.

The media globalization that takes place around the globe is driven by large conglomerates, also known as transnational media corporations (TRMCs). Gershon (2005, p. 17) details the transnational media corporation as an entity with "overseas operations in two or more countries" where "strategic decision making and the allocation of resources are predicated on economic goals and efficiencies with little regard to national boundaries" with the "principle commodity being sold is information and entertainment".

In reality, a global oligopoly of these conglomerates or TRMCs dominates the media marketplace, capturing a large share of the revenues or turnover derived from the sale of media content products and advertising. Table 3.1 lists the major TRMCs as of early 2010.

Table 3.1.

Major Transnational Media Corporations (2010)

Company	Headquarters	Primary Holdings
CBS	USA	TV networks and stations, radio
Comcast/NBCU	USA	Cable TV, networks, studios, cable networks
News Corporation	USA	TV networks, studios, newspapers
Time Warner	USA	Studios, TV programming, publishing
Viacom	USA	Cable networks, pay cable, publishing
Walt Disney	USA	Studios, theme parks, TV networks
Sony	Japan	Electronics, studios, videogame consoles
Bertelsmann A. G.	Germany	Book and magazine publishing, TV programs

Source: Compiled by the author from company reports and websites.

Perhaps no sector of the media illustrates the power of globalization than the Hollywood film industry, which dominates the world in terms of popularity and economic clout. Movies are a big business, with expansive marketing and special effects (e.g., computer-generated imaging, 3-D, and animation to mention a few) driving audiences around the globe. Table 3.2 lists the top box office generating films of all time, with a new number one film emerging in 2009 with the movie Avatar. All of the top 10 films of all time were developed by the TRMCs listed in Table 3.1.

Table 3.2.

All-Time Worldwide Box Office Receipts (as of May 9, 2010)

Ranking	Film	Global Box Office
1.	Avatar (2009)	$2,724,292,481
2.	Titanic (1997)	$1,835,300,000
3.	The Lord of the Rings: The Return of the King (2003)	$1,129,219,252
4.	Pirates of the Caribbean: Dead Man's Chest (2006)	$1,060,332,628
5.	The Dark Knight (2008)	$1,001,921,825
6.	Harry Potter and the Sorcerer's Stone (2001)	$ 968,657,891
7.	Pirates of the Caribbean: At World's End (2007)	$ 958,404,152
8.	Harry Potter and the Order of the Phoenix (2007)	$ 937,000,866
9.	Harry Potter and the Half-Blood Prince (2009)	$ 933,956,980
10.	Star Wars: Episode I - The Phantom Menace (1999)	$ 922,379,000

Source: All-time Worldwide Box Office. Retrieved May 9, 2010 from: http://www.imdb.com/boxoffice/alltimegross?region=world-wide

In summary, globalization is a driving force that continually impacts the media industries, and has been a major catalyst in the transformation process. There are no indications that globalization will diminish in the 21st century; if anything, we can expect even more globalization of media content and products to occur around the globe.

3.2. Regulation

Regulation is a part of any nation, and through regulation governments require business and industry to follow adhere to certain rules and guidelines. Regardless of the country or its philosophical orientation, most businesses and industries dislike regulation, and would prefer to operate without any sort of government oversight (Albarran, 2002). But regulation is necessary to establish and maintaining competition, to protect workers and consumers, and to generate revenues through levies and taxation to provide funds for a government to operate.

Most governments around the world function with three branches that influence regulatory policy: the national level, the state level, and the local level. Generally speaking, national laws and regulatory policy have jurisdiction over state and local laws, while state policies have authority over local laws. In addition to the various branches of government, policy is influenced by the judicial system in each country, and by a host of internal and external agencies, and in democratic nations, by the vote of the people who elects their leaders and representatives to government.

Over the years the media industries in many developed nations have evolved from being tightly regulated to receiving regulatory relief through deregulation, liberalization, and privatization (see Table 3.3). In many developed nations such as the United States, United Kingdom, and many European countries, regulations regarding the media industries have relaxed since the 1980s, especially in regards to media ownership. While many nations have followed this pattern, in other regions of the world (e.g., Middle East, Asia) heavier regulation of the media industries exists.

Table 3.3.

Examples of Regulatory Action/Activity

Deregulation	Government eliminates existing laws and rules, usually determining they are no longer necessary.
Liberalization	Government relaxes previous laws, making them more open or accessible, but still maintaining some regulatory oversight.
Privatization	Government abandons oversight of a particular industry or sector of the economy. Leaves the function of the area in question to market forces.

Source: Author's Compilation.

In addition to the laws and regulations that apply to any business or industry, countries tend to enact media policies in several similar areas. Among the common types of media regulation are such areas as content regulations, especially for content involving children;

ownership requirements and limitations on the number and type of media businesses a single person or entity can control; advertising, intellectual property including copyright; and access to new technologies such as Internet and broadband. For the latter, the issue of network neutrality (meaning no entity can control the speed or flow of communication via the Internet) is a hotly debated topic in the 21st century in the United States. Proponents of net neutrality argue for a completely open and accessible network while opponents argue for a tiered system where heavier users (such as shared video files over the Internet) are limited or required to pay an access fee based on usage.

Regulation has transformed the media and communication markets by relaxing outdated policies, opening and expanding markets, and removing barriers to entry, not only for domestic firms but also for foreign companies eager to expand market share. Likewise, regulation has inhibited total freedom on media firms and industries by placing controls on markets and marketplace activity through ownership regulations and concerns over concentration. Regulation continues to be a significant force in the transformation and evolution of the communication and media markets, as policies have a direct impact on both business and industry, and ultimately the people.

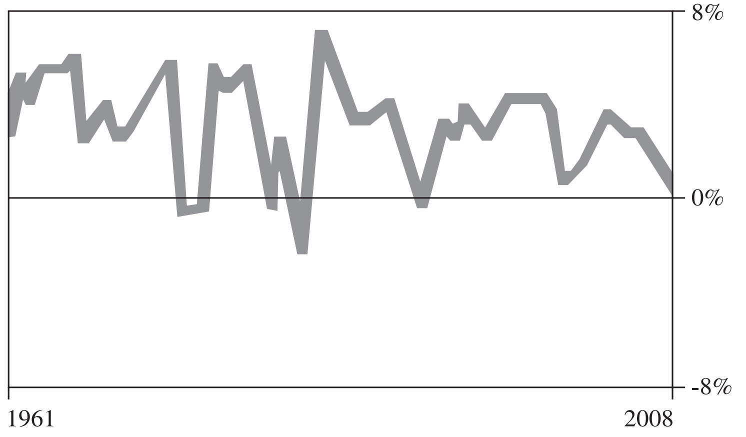
3.3. Economics

The economics and economic structure of any nation is directly related to the philosophy of its government as well as the interplay of market forces. Three types of political orientation are often used to describe the economics of a nation: the market economy, the mixed economy and the command economy (Albarran, 2010). The market economy is an idealized orientation based on the works of Adam Smith and other classical economic scholars which calls for a free market with no governmental controls. In reality, most nations employ a mixed economy, built on free market principles but also engaging regulatory forces (as discussed in the previous section) to ensure competition and anti-competitive behavior. The command economy is still present in the 21st century; in the command economy the media industries are controlled by the government, and public ownership is denied. Such is the case with the media industries in China, Cuba, and North Korea. Other nations that control significant media holdings and thus build on a command philosophy include Russia, Argentina, and Iran.

Typically, macro- and microeconomic concepts are used to analyze economic activity in any nation-state. Macroeconomics considers the aggregate economy, and is most concerned with topics like gross domestic product (GDP), gross national product (GNP), trade balances, labor and unemployment, interest rates, and banking and finance (Albarran, 2002). Figure 3.2 shows global gross domestic product growth over time, from 1961-2008. In the chart, we see a decline to nearly zero for GDP growth in 2008, as the global recession was in full force. Historically, global GDP has averaged around a positive 3-4%. When a recession looms jobs are lost, consumers and businesses contract spending, and economic growth wanes.

Figure 3.2.

GDP Growth Rate, 1961-2008



Source: World Bank, World Development Indicators.

Microeconomic analysis is centered at the level of markets and individual firms, and considers the structure, conduct and performance of companies and the markets in which they are engaged. Of course, macroeconomics influences microeconomics, and vice-versa.

During the 1980s and 1990s, the global media industries experienced massive consolidation due to a host of economic factors: strong cash flow and profit potential for media properties; the availability of capital for investing with low interest rates; and relaxed government policies liberalizing and deregulating ownership requirements.

The global recession of 2008-2009 brought in to focus the need for stronger economic policies in many nations and around the globe. As the world teetered on an economic collapse brought on by scandals in making loans in the housing sector, governments of many developed nations moved in harmony to cut interest rates and provide massive fiscal stimulus funds to promote stability. But the impact of the recession remained very painful in to 2010, with millions of people around the world losing their jobs, their homes, and facing a very uncertain future. The media industries were also affected, as consumer spending slowed dramatically leading to advertisers severely cutting their budgets and support.

The global recession painfully proved that economics is a transforming force in the 21st century, and likewise has impacted the media and communication markets. This has led to the notion of a "new normal" way of doing business, with financial firms operating much more conservatively by restricting credit and eliminating speculative holdings. Companies have responded in turn by reducing spending and investment and focusing on their core holdings. Media companies have also followed suit, and recognize that going forward the way media companies operate—especially regarding speculative investments and activities—will no longer be the norm.

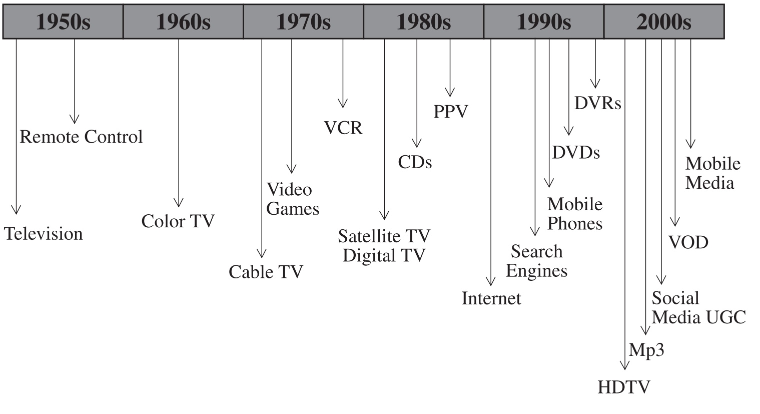
3.4. Technology

Technology is perhaps the most dramatic force in terms of being a catalyst for change across the media and communication markets (Shapiro & Varian, 1999). Innovations in both distribution and reception technologies continues at a rapid pace in the 21st century, affecting the media industries, advertisers and consumers. Much of the havoc was caused by an important development: the widespread adoption of digital technology replacing analog technology. The digital environment completely disrupted traditional business models; in the old analog world content was controlled by media companies and access was more limited. In the digital world it is all but impossible to manage access and distribution options are rampant.

Figure 3.3 provides a timeline of some of the many technologies introduced by the media industries since the 1950s. As the figure illustrates, the pace of technological change accelerated during the 1980s and 1990s as digital technology was fully embraced, computers and the Internet became widely accessible, and multiple distribution platforms emerged.

Figure 3.3.

A Timeline of Key Media Technologies (U. S.)



Source: Author's Compilation.

In the 21st century, media companies find themselves having to distribute their content across many different consumer platforms. Formerly, media companies were limited to distributing content via print, broadcast, the cinema, and through sound recordings. Now content is distributed in all of these forms to laptops, mobile phones, Mp3 players, video game consoles, and numerous other devices. To complicate matters, now the audience can provide content as well, via blogs and social media sites like Facebook and MySpace, as well as video material thought sites like YouTube.

In the old analog environment, media companies sold advertisers access to the audiences. Content was "pushed" to audiences as the media industries controlled distribution. In the digital environment, audiences are fragmented and more diverse, and advertisers have many more options. Audiences can now "pull" the content they want from a variety of platforms. As a result, advertising slowly began moving away from "traditional" media like print and broadcast, purchasing more time and space in "new" media options via the Internet and other digital platforms.

In the 21st century, media companies are struggling to find new business models and revenue streams to support their digital platforms. As companies adapted content to the Internet, most of it was made available for free with some advertising provided. But media companies find themselves in a position where they can no longer give away content for free, even though consumers are used to getting free content.

Consumers are also challenged by technology, in that today's new technological gadget may well be obsolete within months, replaced by yet another new innovation. Consumers are constantly faced with paying for new upgrades and versions of hardware and software to access content. Technology offers faster and easier tools to deliver and access entertainment and information, but there will always be the lower economic class in any society that cannot afford the technology, creating a digital divide and an information-rich versus information-poor dichotomy among audiences. Which leads us to the final force impacting the media and communication markets—that of the consumer.

3.5. Social Aspects

Social aspects are another driving force impacting the media and communication industries. In this sense, social aspects refer to the audience or consumers (Napoli, 2003). Historically, media audiences were thought of as a mass entity, but that is no longer the case. In the 21st century, the audience is an aggregate of many different demographic, ethnic, and lifestyle variables, all with different needs and interests. The audience and its relationship to media is transforming as well. For example, the baby boomer generation is graying; American society along with many other developed nations are becoming much more ethnically diverse and multicultural; thanks to advances in medicine people are living longer and working longer; younger people tend to be technologically savvy and access content differently than their adult parents and grandparents.

Figure 3.4 illustrates the transformation of audience choices available in the United States in the way of media content options. The oldest group, the Baby Boomers, had limited options—a few broadcast channels that many remember starting as black and white and transitioning to color. People in their 40s, who are classified as "late" Boomers, had a few more options than the original Boomers, the key being the introduction of color TV and the remote control. Generation X, those in their 30s, have lived in a multichannel world, and experienced the music industry shift from tape to CDs. Generation Y, those in their 20s, have always had the Internet, video games, over 100 channels of TV content, and many new innovations like the Mp3 player all the way to the new iPad.

Figure 3.4.

Generations and Media Use

Early Boomers (Age 50+)	**Late Boomers (Age 40-49)**	**Generation X (Age 30-39)**	**Generation Y (Age 20-29)**
• Grew up in 1960s	• Grew up in 1970s	• Grew up in 1980s	• Grew up in 1990s
• Media available: Limited TV AM Radio	• Media available: Remote control Color TV More TV channels FM Radio	• Media available: Cable VCRs MTV and other specialty channels CDs	• Media available: Internet Video Games 100+ TV Channels Mobile phones Mp3 Players

Source: Author's Compilation.

With all of the various outlets or platforms available for entertainment and information in a digital world, audience fragmentation has reached an all-time high. This has empowered audience members more than at any other time in media history. Audience members access information and entertainment when they want, where they want, and how they want.

However, the plethora of media content available on digital platforms can be overwhelming. So what makes content stand out from one another? Attention economics posits that consumers make decisions based on relevance (do I need and/or want this?), resonance (how important is this to me?), and engagement (the actual experience). The last item is particularly interesting, because the new media offers a higher degree of engagement than traditional media, due to interactivity, tailored content, and a non-linear experience.

Leonhard (http://www.mediafuturist.com) describes the differences technology has made on the consumer using television as an example. The author describes the traditional television audience as the "TV" generation, compared with younger audiences labeled the "Net" generation. These differences are detailed in Table 3.4.

Table 3.4.

The TV Generation Compared to the Net Generation

TV Generation	**The Net Generation**
Switch Off	Switch On
Receives content	Sends and receives content
"Couch Potato"	"Surfer"
Helpless	Powerful
Single culture	Multicultural
United	Fragmented

Source: mediafuturist.com

But one of the other biggest changes is that audience members no longer just consume content—they also make and share content with others. Consumers engage in blogging, podcasting, creating and uploading videos to services like YouTube, photos to services like Flickr, and sharing information on various types of social media sites (e.g., Facebook, MySpace, Twitter) to name just a few of the many options. This suggests a new way to think about the future of media and all of the platform possibilities, identified as Media 2.0.

Table 3.5.

Characteristics of Media 2.0

Open
Mobile
Connected
Collaboration
Independent

Source: mediafuturist.com

Clearly, these characteristics are becoming more and more evident in the 21st century. The Internet is open to anyone with a high-speed connection to access content over the network. Mobile devices are becoming the norm, and the way to access content on the go. Connected refers to the ability for all of us to be connected to the network, via a mobile device or at home. In terms of collaboration, the new environment fuels sharing of content, evidenced by user generated sites and social media. Finally, Media 2.0 is considered independent in that barriers to entry are low, and the power is now held by the people in making decisions about what to access.

All of this suggests that we have entered a new era involving the relationship of audiences to society. In this sense, this new audience/media environment has evolved due to the following key points:

- Because of growing options, audience fragmentation will continue unabated, meaning the audiences will be smaller and not larger. The era of mass media is behind us; the era of narrow or targeted media is here.

- Consumers control when, where, how, and what they access to meet their individual wants and needs.
- Careful branding and marketing is needed to build awareness and loyalty to media products and services in a crowded, competitive marketplace.
- A variety of new platforms offer new ways to engage audiences, while at the same time diminishing the effectiveness and power of traditional media.

Social aspects are yet another force driving the transformation process, creating still more changes for the media industries. Audience empowerment has never been greater in the history of communication media, and it has forever changed. Coupled with advances in technology, audience members will remain in control of their media consumption and access, with power no longer in the hands of the distributor. This shift has forced advertisers to follow suit, changing marketing strategies and moving more dollars to various online platforms to try to reach consumers using new media.

3.6. Summary

The media and communication industries are constantly evolving in the 21st century due to a confluence of forces, identified in this chapter as globalization, regulation, economics, technology, and social aspects. Each of these areas was discussed in detail, offering some specific examples as to how each force has impacted the media and communication industries.

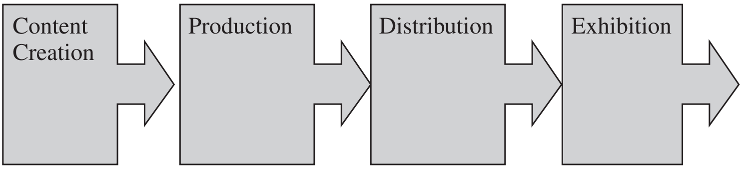
These forces have also affected the market for media and communication firms. In the next chapter, we look at the evolution of media markets and how they are changing as part of the overall transformation process.

4. The Evolution of Media Markets

Historically, media and communication markets were easy to identify because they functioned in a singular area. These areas were how traditional media was defined using labels like publishing (e.g., newspapers, magazines, books, etc.), radio, television, sound recordings, music and film. Media companies could also be differentiated because they tended to focus on one area on the media value chain; specializing in development (content creation), production, distribution, or exhibition as illustrated in Figure 4.1 (Albarran, 2009).

Figure 4.1.

The Traditional Media Value Chain



Content creation began in most cases with writers of scripts, screenplays, and novels. Production companies created the content—radio, television and film companies for electronic media; books, magazines and newspapers for print, and sound recordings for music. Distribution was done through networks in electronic media, and through newsstands, kiosks, and delivery to homes for print. Exhibition was the mainstay of the cinema or movie theater, which showed the films developed in the earlier stages of the value chain. Companies operating in distinct areas of the value chain tended not to invade or compete in other areas of the chain. This was the case for much of media history, roughly from the 1920s through the 1970s.

As media companies began to consolidate in the 1980s, larger conglomerates such as Time Warner, Disney and News Corporation began developing multiple brands and businesses using a horizontal strategy, across different media markets. By the end of the 1980s, a few larger conglomerates (Time Warner, Viacom) engaged in a vertical integration strategy, where the firm controlled many activities of the value chain under a single corporate structure, enabling the company to control virtually all aspects of the value chain and increase revenue potential.

As we moved into the latter stages of the 20th century, the transition from analog to digital technology—along with the diffusion and rapid expansion of the Internet and other digital platforms—began to further blur how media markets were defined. In many countries, policies were relaxed allowing for more open competition between media industries. Cable, satellite, and telecommunication companies each entered the media marketplace at different points in time, along with a vast number of Internet-related businesses and technology companies, all creating confusion as to how media markets are defined and identified, especially from an economic perspective.

4.1. Changing Market Leaders over Time

Evidence of this evolution of media markets is possible using a descriptive examination of the various media-related companies that make up the well-known and established Fortune 500. The Fortune 500 and has been published by Fortune magazine since the 1950s, and lists the top U. S. companies ranked by revenue. Examined over time, the Fortune 500 illustrates trends and patterns and shows the evolution of companies and leaders over time. What follows is a brief analysis using only the top 100 firms drawn from selected years, starting with 1980.

In 1980, only *three* media-related companies were found in the top 100: RCA—which was then the parent owner of the NBC Television Network (36); CBS (37), and Gulf + Western (52), a company that at the time was the owner of Paramount Studios. A decade later (1990) only three companies were again listed in the top 100: General Electric (5), which had acquired NBC from RCA in 1986; CBS (28), and Time Warner (59). Table 4.1 illustrates changes in the top 100 compared at four other time intervals: 1995, 2000, 2005, and 2009.

Table 4.1.

Media Firms listed in the Fortune 100, Selected Years

1995	2000	2005	2009
AT&T (5)	GE (5)	GE (5)	GE (5)
GE (6)	AT&T (8)	Verizon (14)	AT&T (8)
Bell South (44)	SBC (12)	Time Warner (32)	Verizon (17)
Verizon (63)	MCI (25)	SBC (33)	Time Warner (48)
MCI (66)	Bell Atlantic (33)	Microsoft (41)	Disney (60)
SBC (89)	Time Warner (45)	Disney (54)	Sprint Nextel (64)
Media One (91)	Bell South (58)	AT&T (56)	Comcast (68)
	Disney (66)	Sprint (67)	News Corp. (70)
	Sprint (81)	Viacom (69)	
		News Corp. (98)	

Source: Fortune 500. Number in parentheses refers to the ranking for the year by Forbes.

Notice over time the growing presence of telecommunications companies (e.g., AT&T, Verizon, and Sprint Nextel by 2009), as well as the growth of the larger media conglomerates GE, Time Warner, Disney, Comcast, and News Corporation. Hence, we see evidence of two distinct trends using this descriptive analysis: the growth of content-related companies, as well as the importance of distribution primarily via the telecommunications sector, a great deal of the latter coinciding with the rapid growth of the Internet, mobile phones, and broadband. By the 21st century, several telecommunications and cable companies in the top 100 began to offer a package of services that has come to be known as the "triple play", featuring bundled telephone, high speed Internet service, and multichannel video service to the home. By packaging services as a bundle, cable and telecommunication companies hoped to secure payments for all of the communication-related needs in a household.

4.2. Changing Markets

Historically, the traditional media and communication markets focused on a single business model centered on advertising, built on the idea of a "dual" product market offered to two different entities. The content distributed by media companies attracted audiences, and advertisers in turn purchased time and space in various media as a way to access audiences with their messages and offers. This traditional model is listed in Table 4.2 below.

Table 4.2.

Traditional Media Business Model

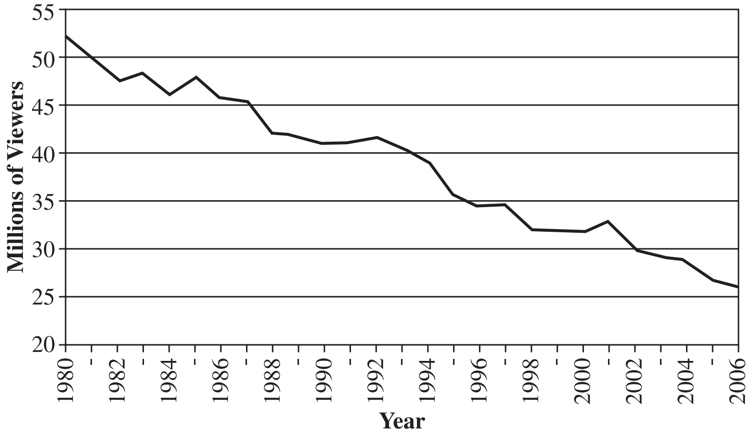
Product	Offered to:
Content (news, entertainment, sports, etc.)	Consumers
Access to consumers	Advertisers

The only other notable business model used by traditional media is that of subscriptions. Through a subscription the consumer purchases a good or service, usually on a monthly or annual basis, typically at a lower price than buying the same product each week or month. Among items that use subscriptions are newspapers and magazines, television, telecommunications, and Internet services, and book or video of the month clubs, etc. Consumers also make direct purchases of media content products, whether acquiring a CD, a ticket to the cinema, or a book.

Companies engaged in the media industries generally enjoyed strong cash flow and profit margins for much of the 20th century—until a range of new technologies enabled a greater number of choices and options for consumers, creating fragmentation and leading to declining audiences. Figure 4.2 illustrates one aspect of audience fragmentation, demonstrative how television viewing levels of the broadcast networks have declined over time.

Figure 4.2.

Decline of Network TV Viewing (United States)



Fragmentation was especially pronounced among younger demographics who find little utility in a newspaper, radio station, or even traditional television. These younger demographics can simply acquire the content they want via the Internet, watch or listen to media content on a laptop or Mp3 player, and interact with friends via social networking sites.

The plight of traditional media companies became further evident as the United States fell in to recession at the end of 2007. By the end of 2008, the recession had gone global for the most part, and advertisers pulled millions of dollars out of traditional media partly to save money, but also to place more investment in the online world. As advertising eroded from three of the best sectors of the advertising market (e.g., financial services, automotive, retail), the effect on media companies was dramatic.

Many media companies saw the value of their enterprises plummet, with some stocks trading for pennies, and several companies forced in to bankruptcy protection (e.g., Tribune, Pappas Telecasting, Citadel Broadcasting, etc.). The long-term economic outlook for traditional media suggests a continuing contraction in terms of value, even more fragmentation (and thus erosion) of existing audiences, and a struggle to maintain advertising to provide the necessary support to operate (see Carr, 2008; "Fitch Touts Grim '09 Outlook").

4.3. New Media and Communication Markets

The emerging media and communication markets in the first decade of the 21st century revolve around the Internet and a host of emerging digital platforms offering a variety of different services and applications. Traditional media firms continue struggling to find their place in this new landscape, while at the same time fighting for their economic survival due to strong competition and declining audiences and advertisers.

As discussed in Chapter 2, in these new media markets, consumers are now in control. Consumers can access or download content anytime they want from anywhere in the world anytime they want. All they need is a broadband connection, either provided via wire or wireless, and a device that can connect the user to the Internet—which can be a netbook/laptop/desktop computer, a mobile phone or "smart phone", or a hand held device such as the iPod Touch or iPad, or an e-book reader such as the Kindle or the Nook. There is no longer a linear chain from development to exhibition where control resides in the hands of the distributor. Now, content can be accessed or exhibited anytime and anywhere.

These new media markets share several common characteristics (see Evans & Wurster, 2000) discussed in the following points.

- First, the experience for the consumer is nonlinear, allowing the user possible entry at many different points along the value chain.
- Second, the experience contains a great deal of what the authors refer to as *richness,* meaning new media offers a great deal of both direct interactivity and individuality, something impossible to obtain with traditional media.
- Third, anyone from anywhere in the world can access the material, making the Internet and digital platforms a truly global experience.

- Fourth, these new markets offer multiple new business models and potential new revenue streams to emerge.
- Fifth, these new markets greatly expand the entertainment and information options offered to consumers in comparison to their traditional media counterparts.

Digital platforms are constantly growing, and will continue to do so in the 21st century as consumers, media companies, and advertisers adapt to these new market forces. Table 4.3 provides a listing of the many possible digital platforms in the U. S. and in many parts of the globe available in 2010.

Table 4.3.

Examples of New Media Digital Platforms

Mobile/Smart Phones	Mp3 Players	HDTV/SDTV
PDAs	Video on Demand (VOD)	Podcasts
Wi-Fi/Wi-Max	Broadband	Blogs
User Generated Content	Social Networks/Twitter	DVR/PVR
Video Game Consoles	SMS	DVD (old/Blu-ray)
Apple TV/Slingbox	RSS Feeds	Satellite Radio
HD Radio	TV Multicasting	Internet Radio/TV
iPod Touch	iPad/Tablet devices	E-book readers

Source: Compiled by the author from multiple sources.

This transformation of markets not only shifts control to the user (audience), but also empowers the consumer as content developers and creators. We have seen early manifestations of this empowerment through several digital platforms: blogs, which allow the user to operate as their own publisher; social media networks, which allow for the exchange of entertainment and information with a group of personal contacts or “friends”, and through services such as YouTube, where users can upload their own video content to share with others. The presence of YouTube and other video sites is enabling a new generation of writers, producers, and actors who can use this new platform to develop their own programs or series, also known as "webisodes". Even the vocabulary has changed. Consumers don't just watch or read content, now they Google, blog, YouTube, link, and tweet. Figure 4.4 illustrates some of the many recognizable sites that feature user generated content.

Figure 4.4.

Consumers are now Creators

The platforms listed in Table 3-3 consist of specific technology devices, reception technologies acquired by the user, and distribution options for media companies. Each of the platforms comes with its own unique position in the marketplace, with its own set of market conditions involving competitors and possible revenue streams. Let's examine a few of these platforms in-depth.

<u>Mobile/Smart Phones</u>. When the mobile phone was introduced decades ago, the market was exceedingly small (primarily for business people) and service was patchy. By the 1990s, technology had vastly improved the mobile phone, making them smaller, multi-functional, and cheaper—with many people first acquiring a mobile phone for reasons of safety and security.

The introduction of the iPhone by Apple in 2007 brought a new way to describe mobile phones—they quickly became known as "smart" phones, because the phones offered a number of tools (e.g.,, Mp3 player, camera, calendar, Internet access, GPS, email, etc.) and also ran a variety of specialty applications. In much the same way that Apple revolutionized the music industry with the debut of iTunes to offer digital music to consumers, the iPhone created an entire new market for software developers with the creation of thousands of "apps" to enable the phone to add utility for each user by acquiring apps to meet their individual needs. The Apple App Store, located within the iTunes web site, became another revenue stream for Apple.

The success of Apple's iPhone forced competitors to also develop their own line of smart phones—with Research in Motion's Blackberry the strongest competitor. Early in 2010, Google launched its Android phone in the U. S., also capable of running applications that mimic the iPhone.

There is no doubt that mobile technologies will continue to expand, including the ability to receive real-time broadcast video. Already a new term has been given for a series of television content made available over a mobile phone—"mobisodes".

The competition in the smart phone market will be intense for the next several years as many people upgrade to smart phones to take advantage of the many new applications for mobile phones now available. The devices are far more than just telephones. The smart phone is a tiny computer with unlimited capabilities. With the ability to capture live video and access the Internet, the smart phone will become the primary communications device for people on the go or away from home. But perhaps more importantly, the smart phone will be an enabler for lower-income people, to give them an entry point to the Internet and online world, helping to ease the long-standing gap between information rich and information poor segments of society.

<u>Social Networks/Twitter.</u> Social media networks have mushroomed in popularity in just a few short years of existence. MySpace was the first social media site to capture the attention of primarily younger people as a way to share music, photos, and news with other friends when it was introduced in 2004. Facebook appeared a year later, and was developed initially as a service for college students, but eventually opened to the rest of the world within its first three years of operation.

Between these two services, half of the world's population has a profile on at least one of these sites, and the online population of users grows every day, including businesses who want to expand their reach and awareness among consumers.

Twitter debuted in 2006 with a unique approach—the ability to offer "tweets" of no more than 140 characters to answer a simple question: "what are you doing right now?". Twitter users can posts their tweets to followers multiple times a day or on any schedule the user decides. Twitter has also exploded, and has quickly become an important tool for marketers and advertisers, as well as news organizations.

All of the social media sites are attracting users, but so far revenues have not followed. Advertising is starting to make its way on many sites, but the real value of social media is their ability to reach networks of networks. Several companies are engaged in developing applications to tap in to these networks (with user permissions of course) to offer brand and advertising messages. While these services are still in development, the long-term ability to reach millions of users via social media is tantalizing to marketers.

<u>Video Game Consoles</u>. Video game consoles have existed in some form or another since the 1970s, but they have taken on an entire new dimension in the 21st century with their multi-tasking capabilities and the immense popularity of video games among people of all ages and lifestyles. The video game console has expanded in terms of the utilities it offers to consumers, and manufacturers are constantly adding new innovations to the devices.

Sony's Play Station is one of the market leaders in the industry, and played a pivotal role in the fierce competition over digital video recorders (DVR) when the device came with a built-in Blu-ray DVD player. This gave Sony an early competitive advantage over rival Toshiba's HD-DVD unit, because it allowed more Blu-ray players in the market. But the Play Station (PS) has many other features, including online gaming.

Microsoft's Xbox is another popular console in the market. Like the PS, the Xbox has a number of features, including online gaming, the ability to play DVDs, the ability to rip Mp3s, and the ability to download games from its interactive marketplace.

The Nintendo Wii burst on to the gaming console market in 2006, and distinguishes itself from the PS and Xbox with its ability to reach a wide range of demographics. Like the other units, the Wii has online capability through Wi-fi and Bluetooth, and contains a wireless remote and remote controller.

The video game market is very robust, and is expected to continue to grow. An interesting fact about the economics of the video game market is that consumers spend more money on gaming than they do at the cinema box office. The wide popularity and intense graphics and sound provide a rich experience to users, along with online gaming and multi-functional capabilities.

<u>Satellite Radio</u>. After years of delay, the satellite radio market opened in the United States in 2001 with the debut of XM Radio, made possible by the launch of two communication satellites aptly entitled “Rock” and “Roll”. A year later Sirius appeared, offering consumers two options for satellite radio.

Both services offered a menu of over 150 channels, the majority of which were commercial free and some featured audio playback of popular TV channels like CNN, ESPN, etc. Both services also signed exclusive contacts for content to help market their services. XM captured the contract for Major League Baseball and key college football and basketball conferences. In terms of talent, XM signed Oprah Winfrey, Bob Dylan, and Tom Petty to host shows and channels. Sirius responded by signing a contract for rights to the National Football League, the National Hockey League, and NASCAR racing events. But the big talent acquisition for Sirius was contracting Howard Stern, the popular radio “shock jock” with a five-year $500 million dollar contract. It was estimated that Stern alone accounted for over 1 million new Sirius subscribers.

The heavy debt load and sluggish subscription growth found both services in trouble in 2007 as a recession began to hit the U. S. and the rest of the globe. Facing the possibility of bankruptcy for one or both of the services, the competitors agreed to merge in a controversial deal ultimately approved by regulators late in 2008. The service was renamed Sirius XM Radio, and after a rocky start has seemed to stabilize and is again adding subscribers.

The big question going forward is one involving pay—will consumers continue to pay for a subscription radio service when terrestrial radio is “free”. Also, there is a lot of competition for listening with Internet radio via services like Pandora, as well as HD radio which launched in 2006 in the United States. Smart phones have applications that can pick up XM Sirius for free, but you must buy a subscription to the service.

Long-term, the future of satellite radio remains questionable, but the service can survive and be quite profitable if it can maintain a growing subscriber base. As Sirius XM begins to expand internationally, it will also open new markets and the opportunity for more growth.

4.4. Evolving Business Models

One of the most important considerations of the new media and communication markets is their ability to generate new revenue streams. While the potential for many of the new digital platforms is still in its infancy, their overall economic potential appears very favorable.

In terms of actual business models, the new media and communication markets offer an expansion of options, and we can expect more sophisticated models to emerge in the future. As of early 2010, four business models dominate: advertising, subscription, pay per use, and search. A brief discussion on each model follows.

Advertising. Advertising remains the primary business model in a new media environment as it did with traditional media, but it is driven with greater accuracy and precision than what could be obtained in traditional media. Through the use of database marketing and Internet cookies, advertisers can more directly target customers who “click-through” an advertisement or repeatedly visit various platforms by recognizing their online habits and preferences. This allows for greater efficiency on the part of advertisers, who now have the ability to structure and target messages directly to match the user's individual preferences and tastes. Globally, these characteristics will be a boon to Internet advertising, which is expected to reach $50 billion by 2012, according to several analysts.

Subscriptions. Subscriptions allow users access to premium content for some type of fee, usually on a monthly or annual basis. The most successful example of a subscription model is the online version of the *Wall Street Journal.* Users pay an annual fee for 365/24/7 access and updates from the Journal.

Several magazines have also been successful offering premium content to online readers (e.g., Playboy, Consumer Reports), as have sites offering music subscriptions. Online subscriptions can also be used as a premium for subscribers of traditional media. For example, as a subscriber of the weekly *Economist* news and business magazine, I receive access to the online version for free, with content that is unavailable to the general public.

Pay Per Use. Pay per use simply means the user pays a one-time fee to access or receive the content. Apple's iTunes is the most widely-cited example of pay per use; the user pays for whatever content they download for their computer, iPod, iPod Touch, iPhone or the iPad. Through the iPhone, Apple introduced applications for smart phones, resulting in another lucrative revenue stream and providing a new outlet for software developers. Since its debut, over 1 billion applications have been downloaded for the iPhone, and other mobile phone makers have responded by developing their own applications, such as for Research in Motion's popular line of Blackberry mobile phones, used by many businesses, and the new Droid mobile phone created by Google. The introduction of the iPad will also spur more purchases of application, in that the iPad offers a bigger screen ideally suited for watching video, reading, or playing games.

Regardless of the type of pay-per-use activity, the user controls how much to spend, and when to spend. According to Anderson (2006) and the theory of the long tail, the future for many media companies will be building this incremental revenue from a library of media products and applications, rather than through large scale “hits”. If the long tail theory continues to hold, those who control vast libraries of digital content will have an advantage over smaller owners simply because they have more products to offer in the marketplace.

Search. Search is the dominant activity among Internet users, and the reason most people log on to the Internet—to find something, whether it is a product, service, directions, or answers to basic questions they encounter during a typical day. As a business model, advertisers pay search engines like Google, Yahoo!, and MSN to display adjacent ads when users conduct a search using specified key words. Search is a very efficient and effective way for advertisers to reach potential customers, because it allows the customer (in this case the advertiser) to specify the key words to search, the amount of money to spend each month, and the placement of the advertisement. This is the ultimate flexibility for advertisers, something not available through traditional media. The search engines are able to use this data through cookies stored on computers, enabling them to profile return visitors by knowing their tastes and preferences for various types of content.

4.5. Summary

This chapter illustrates how the new media and communication markets evolving in the 21st century are driven by technological convergence, the rapid expansion of consumer reception technologies, multiple digital platforms for consumers to access entertainment and information, and expanded business models. These trends are creating havoc among traditional markets, and leading to confusion as to how we define media and communication markets in this new era.

The next chapter analyzes how this new landscape for media and communication markets in the 21st century might evolve, by looking at a way to re-map and redefine media and communication markets. Included in the discussion is how this remapping needed for the 21st century differs from that normally found in traditional media markets.

5. Media and Communication Markets in the 21st Century

Having examined the five forces which continually impact the media and communication markets, we now turn to an examination of how these markets have evolved in the 21st century as part of the transformation process. Historically, media markets were structurally defined using labels drawn from other economic markets. These theorized structures ranged from a monopoly, with a single seller offering products at the price set by the monopolist, to perfect competition, where numerous competitors offered the same product at prices set by the market. In between these positions on the market continuum were a duopoly, a market structure with only two sellers; an oligopoly, a structure with at least three but usually less than 10 sellers which controls a large percentage of the market; and monopolistic competition, where a larger number of competitors offer similar but differentiated products. Figure 5.1 illustrates how the media industries would typically fall along this market structure continuum.

Figure 5.1.

Typical Market Structure Continuum

Unlimited sellers	Many sellers	3-10 sellers	1 seller
(web sites)	(magazines)	(TV networks)	(newspapers)
←			→
Perfect Competition	Monopolistic Competition	Oligopoly	Monopoly

Source: Author’s compilation. Not shown is a duopoly, which would have only two sellers in a market.

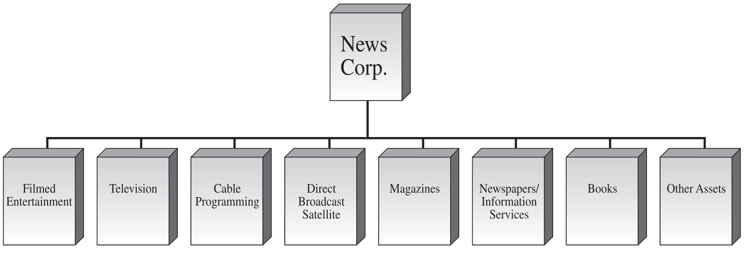
This theorized market structure has served the field well, and most scholars of media economics have utilized this structure in describing the characteristics of media and communication markets (e.g., Albarran, 2002; Alexander, et al., 2006; Picard 1989). But as we discovered in the previous chapter, the impact of technology, regulation, economics, globalization, and social aspects have led to a blurring of the markets and these traditional market structures. We see this in the way media industries have evolved, as well as how the marketplace for audiences and advertisers has changed.

For example, in the 21st century, a TV station is not just engaged in broadcasting any more than a newspaper is engaged solely in publishing. Both the TV station and the newspaper publisher are attempting to reach new and existing audiences (and advertisers) through a number of digital platforms as identified in Chapter 2. New reception and consumer technologies enable media content to be captured and consumed anywhere at anytime. The choices available for consumers have resulted in audience fragmentation. This in turn, has impacted the advertisers trying to reach these audiences, forcing the advertiser to rethink and re-strategize their marketing and advertising campaigns.

The picture is further complicated when we look at media companies, especially the large media conglomerates. Consider the world's biggest media company in terms of revenues, Time Warner. With over 150 subsidiaries functioning across multiple media markets, what business is Time Warner engaged in? Likewise, News Corporation (see Figure 5.2), which owns two TV networks, a number of TV stations, newspapers, a book publishing house, a film studio, and a number of new media ventures such as MySpace, cannot be classified as operating in a single market structure.

Figure 5.2.

News Corporation Market Segments (2010)



Source: http://www.newscorp.com/ Retrieved March 30, 2010.

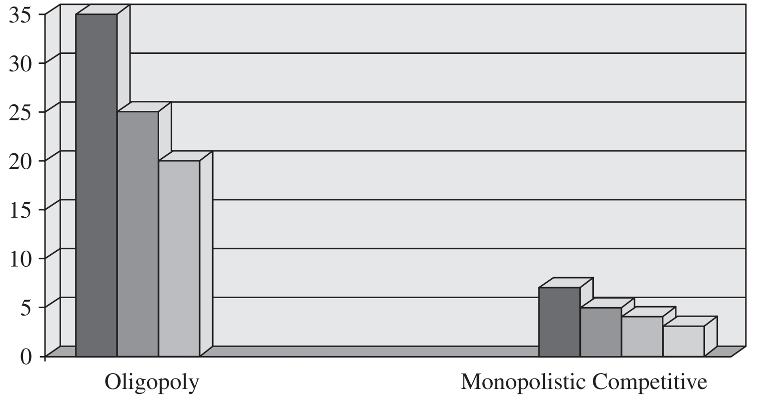
5.1. The Challenge: Understanding 21st Century Markets

How do researchers and policymakers begin to make sense of the current landscape, which consists of heavy competition in a fragmented marketplace with blurred boundaries? To begin with, we can no longer think of the media industries along the old former labels of broadcasting, publishing, and music. While some of the labels may still be a good fit for a few segments, it is perhaps more useful to identify the core aspects of the current media landscape, and to offer a classification system based on those criteria. For example, consider the use of the term *content* to identify those companies that generate television programming and movies for film. Likewise, *distribution* is perhaps a much more effective term to describe companies involved in offering multichannel video services to consumers via cable, satellite, IPTV and telecommunications services.

In the book *The Rule of Three* (Sheth & Sisodia, 2002), the authors posit that in any given market, there will be three leaders who will dominate absent excessive governmental regulation, capturing between 70-90% of the market share. The leaders are probably long-term players in the market, or were perhaps what are known as "early entrants" or "first movers" in the market. Their ability to dominate market share gives the leaders a powerful position over the other competitors.

Figure 5.3.

Hybrid Market Structure



Source: Author's rendition. In this graphic, the top three firms forming the oligopoly side controls about 80% of the market. All of the other firms, symbolized by the four smaller columns, compete for the remaining 20% share of the market in what resembles a monopolistic competition segment of the market.

The remaining companies in the market will fight for the remaining share by either becoming product specialists, or a market specialist. For example, CNBC has become a global product specialist with its emphasis on business news reporting. Market specialists tend to target a specific demographic group. An example of a market specialist is MTV, whose audience is comprised primarily of younger audiences and programming to meet their entertainment needs.

Following these ideas, the following section of this chapter presents a landscape map of the 21st century media and communication industries in the United States, focusing on several market segments. In each case, the top three projected leaders of the market are identified, following the theoretical foundation established using the rule of three (Sheth & Sisodia, 2002). The labels used to describe the particular segment may differ from what has normally been used in describing media and communication markets in order to provide greater clarity and specification of markets, especially in a rapidly changing media environment.

5.2. Analysis of Selected Market Segments Using the Rule of Three

This section looks at some specific market segments using the rule of three as a guide. We will consider a number of different segments, involving both software (content) and hardware (equipment) segments. As market conditions change rapidly, the following examination is current as of the early spring 2010.

Table 5.1.

Selected Media Industries Using the Rule of Three (U. S. Leaders)

Television & Film Content	**Spanish Language TV & Film Content**
Comcast/NBC Disney News Corporation	Univision Telemundo Azteca America
Content Distribution	**Music**
Comcast DirecTV Time Warner Cable	Universal Sony Warner Music Group
Radio (General Market)	**Radio (Spanish Language)**
Clear Channel Citadel Entercom	Univision Spanish Broadcasting Systems Entravision
Social Networking	**Search**
Facebook MySpace Twitter	Google Yahoo! Microsoft
Smart Phones	**Video Game Consoles**
Research in Motion Apple Google	Nintendo Microsoft Sony
E-Book Readers	**User Generated Content**
Amazon Sony Barnes & Noble	YouTube (Google) Wikipedia Flickr

Source: Compiled by the Author.

Television and Film Content. A number of media conglomerates are involved in the market for television and film content, rightly so due to the high fixed and variable costs associated with creating movies and television series. In the United States, all of the major broadcast networks have direct affiliations and ownership of movie studios enabling greater synergies between production units (see Table 5.2).

Table 5.2.

U. S. Broadcast Networks and Studio Ownership

Network	Studio Ownership
ABC	Disney Studio Properties: Buena Vista, Disney, Pixar, Touchstone, Hollywood
CBS	CBS Films, also access to Paramount owned by sister company Viacom
Fox	20th Century Fox Studios, Fox Searchlight, Blue Skies
NBC Universal	Universal Studios
CW (Co-owned by Time Warner)	Warner Brothers Studios, New Line, Castle Rock, HBO Films, Turner Entertainment

Source: Compiled by the author from various sources.

As this chapter was being prepared, federal regulators were beginning to examine the anticipated merger of Comcast and NBC Universal, which was announced in the fall of 2009. While there is uncertainty as to what regulators may require in the way of conditions or some possible divestitures to approve the merger, we will nonetheless consider Comcast-NBCU as a market leader, along with Disney and News Corporation.

Comcast and NBC Universal, if allowed to merge, will become the largest media content company in the world, with ownership of two television networks (NBC and Telemundo), a number of cable or satellite networks (e.g, MSNBC, CNBC, SyFy, Bravo, etc.), and the Universal film studios. Comcast also owns Versus, a sports channel poised to emerge as a major competitor to Disney's ESPN empire, with an approved merger.

Disney is probably the best known content company in the world, largely due to Disney's library of animated characters. Disney also owns a bevy of other content vehicles, including Pixar Studios (creators of the Toy Story franchise), Buena Vista Studios, the ABC Television network, interests in several cable/satellite channels, and the powerhouse ESPN brand of sports channels. Disney will expand even further with the pending acquisition of Marvel Entertainment, that will bring characters like Spider-Man, Fantastic Four, X-Men, and Iron Man under the Disney umbrella—a company that started thanks to a mouse (Mickey Mouse).

Spanish Language TV and Film Content. The three companies that are the leaders in the Spanish language TV and Film segment are Univision, Telemundo, and Azteca America. Univision was a public company until 2007, when it was acquired by Broadcasting Media Partners, a consortium of private equity firms that bought out the company. Univision is a powerhouse in terms of Spanish language content, with ownership of the Univision and Telefura networks, Univision.com web portal, and Univision radio.

Telemundo is part of NBC Universal, and is the second largest Spanish language broadcaster in the United States. Telemundo's holdings include the Telemundo TV network, and Mun2 (Mun-dos), a second network offering bilingual programming. Telemundo has also expanded its television production holdings in to Latin America, working on a partnership with Mexican giant Televisa.

Azteca America is the third leader in the Spanish language TV and film market. Azteca holds a single TV network, and is a distant third position behind Univision and Telemundo. While other smaller companies have emerged in the Spanish language space, Azteca has been able to maintain its position as companies target the burgeoning Spanish-speaking population in the U. S.

Content Distribution. In the U. S., there are three companies that lead the market for content distribution (multichannel TV) via cable, satellite, or IPTV services. The clear leader in the group is Comcast, which is the nation's largest cable television provider. As of the fall 2009, Comcast had an estimated 23.7 million subscribers to its services, according to the National Cable and Telecommunications

Association (NCTA). Comcast is poised to become the largest single content provider in the U. S. pending the merger of the company with NBC Universal.

DirecTV is the second largest content distributor, with an estimated 18.4 million subscribers according to the NCTA. Using satellite as its distribution vehicle, the company aggressively markets itself against other providers primarily with sports packages (e.g., the National Football League). DirecTV was formerly owned by News Corporation, but was sold off to enable the company to make other acquisitions.

Dish Network is the third largest content distributor in the US with approximately 13.8 million subscribers, and markets itself as the lowest cost of the three competitors and the one with the most high definition (HD) channels, a feature that 21st century TV viewing audiences demand. Like DirecTV, Dish distributes content via satellite.

In this particular market segment, Time Warner Cable is not in the top three, but is close and deserves mention. Time Warner Cable was spun off as a separate company by parent Time Warner in 2009, and ranks fourth with 12.9 million subscribers. The fifth carrier, Cox Communications, has 5.2 million subscribers, so it is easy to see the huge difference between fourth and fifth place in this ranking. However, most analysts expect all of these services to suffer losses to IPTV providers AT&T and Verizon, who are aggressively marketing their services in the United States, and are causing subscribers to all of the aforementioned services to cancel their services.

Radio (General Market). The radio industry has underdone massive change and consolidation since the passage of the 1996 Telecommunications Act which eliminated all ownership limits at the national level. This brought about numerous mergers and acquisitions in the radio market at a time when credit and capital were readily available and interest rates were very low. As a result, three companies hold dominant positions in the radio market in terms of reaching audiences and advertisers.

Clear Channel is the largest radio company in the world. For many years Clear Channel was a publicly held company, but in 2008 a group of private equity firms acquired a majority interest in the company, becoming a holding company of CC Media Holdings. The company owns over 1,000 radio stations in the U. S. and around the globe, along with a host of other media holdings including billboards, representative firms, and Premier Radio Networks. The company claims its stations reach 75% of the total 18+ population in the U. S. each week.

Citadel Broadcasting Corporation is the second largest radio company in the U. S., and touts itself as the only "pure play" radio company. Citadel grew primarily by acquisitions. The company became one of the top radio players when it acquired all of the radio assets previously held by the Walt Disney Company, an exception being ESPN radio which was not part of the deal. Citadel owns over 230 radio stations in the U. S., but has struggled with its huge debt load, forcing the company in to bankruptcy protection in early 2010.

Entercom ranks as the third largest radio company in the U. S., and owns 110 stations in 23 markets, including key markets like San Francisco, Boston, Seattle and Denver. In 2009, the company produced revenues of $372 million. Like Citadel, Entercom brands itself as a pure radio company, with no other media holdings.

Radio (Spanish Language). With a Hispanic population base of over 46 million people, the United States is one of the fastest growing segments of the population. This has resulted in a large number of radio companies targeting the Hispanic segment, and trying to capture part of this rapidly evolving market. Three companies dominate the Spanish language radio market in the United States: Univision, Liberman, and Spanish Broadcasting System.

Univision is the largest Spanish language company in the United States, and also the largest Spanish radio broadcaster in terms of stations with 70 stations located in 16 of the top Hispanic markets, including New York, Los Angeles, Miami, San Francisco, Chicago, Houston and Dallas to name just a few. The Univision radio segment garnered revenues of $338 million in 2009 down from $414 million in 2008, a direct result of the troubled economy and recession. Still, Univision dominates the Spanish language market in the country.

Spanish Broadcasting System is based in Florida and is another leader in the Spanish radio market. SBS has 20 radio stations and a small number of TV holdings. The radio segment brought in $123.6 million in revenues in 2009, down from $145 million in 2008. Based solely on revenues, SBS ranks as the largest radio company in the United States, although its total assets are smaller than Univision.

Entravision Communications is another major player in the U. S. Spanish radio market. Like Univision, Entravision is a diversified company with significant holdings in television. Entravision owns 48 stations as well as 51 TV stations and additional multi-media assets. The company generated $189 million in revenues in 2009, but this reflects combined revenues from all segments. Radio revenues were estimated to be around $50 million for 2009.

Music. The music industry has been deeply impacted by the transition to digital technology enabling illegal file sharing of music. Napster's introduction in the late 1990s and its peer-to-peer software enabled users to exchange digital music files easily. As a result, music industry revenues have plunged, and while legal downloading of music is bringing in some revenues, the business model of the recording industry has forever changed.

As we examine this sector in early 2010, three players dominate what is left of the industry. Universal controls the largest share of the market, followed by Sony and the Warner Music Group. Universal Music Group is owned by the French conglomerate Vivendi, and was retained by the company when it sold the other Universal assets to General Electric. Universal earned $5.9 billion in 2009. Among its labels are Interscope-Geffen, Island Def Jam, and the entire Universal family of labels. Key artists include U2, Taylor Swift, and Mariah Carey.

Sony Music is the second largest firm in the music industry, and a subsidiary of parent Sony Corporation, which is based in Japan. Revenues for 2009 were not available as of this writing. Among their key labels are Colombia, Epic, RCA, Sony Masterworks, Jive, and Legacy Recordings. Top artists include Bruce Springsteen, Bob Dylan, and Carrie Underwood. Sony grew by a series of mergers and acquisitions over the year, including such former giants as CBS and BMG (Bertelsmann Music Group).

The Warner Music Group is the third largest firm in the music industry, and was a former subsidiary of Time Warner, but was spun off as a separate company in 2004. In 2009, Warner generated $3.9 billion in revenues. The WMG has hundreds of labels. Among the top artists are Faith Hill, Hootie and the Blowfish, and Tom Petty.

Social Networking. Social networking websites, also known as social media, exploded during the first decade of the 21st century, radically changing the way individuals communicate with one another forcing business and industry to adopt social media as a platform for awareness, marketing, and branding. In the United States, the top three social networking sites are Facebook, MySpace, and Twitter.

Facebook debuted in 2004, created initially for college students to share personal information, photos, and links to other popular sites. Within two years Facebook eliminated restrictions on who could build a profile, and opened the service to anyone, including businesses and industries. Facebook users literally grow by the hour. It is estimated there are over 150 million Facebook users in the U. S. and over 400 million globally. If Facebook was a country, it would be among the three largest countries in the world. Facebook's popularity shows no signs of abating, continuing to grow by both individual users and sites established by businesses, industries, social causes, and non-profits. Facebook remains a private company, but there are plans for the company to offer sale of stock to the public through an IPO (initial public offering).

MySpace was the early leader among social media sites, but was quickly overtaken by Facebook in terms of users. MySpace debuted in 2003, and was acquired by Rupert Murdoch's News Corporation for $500 million in 2006. MySpace has an estimated 125 million users, but the service has gone through a number of changes in trying to remain competitive with Facebook. In 2010, MySpace is positioning itself as a leading source for music and entertainment. MySpace is still a strong number two, but has started to see a decline in recent months of users.

Twitter is set to overtake MySpace in second place among social media sites. Twitter is also a privately held company, and does not disclose the number of users. Globally, Twitter is believed to have at least 100 million subscribers, but as with the other sites in this space the numbers change hourly. Twitter is unique in that there is no profile; users provide updates known as "tweets" to their followers which can contain a maximum of 140 characters. At first, many individuals and businesses did not understand Twitter or the power behind the site. But very quickly users and businesses began to recognize how they could reach individuals with their posts (tweets) and create opportunities for growing brands and audiences.

<u>Smart Phones</u>. The market for mobile phones continues to expand and has evolved in to exciting new directions with the debut in 2007 of the "smart phone" led by Apple's innovative iPhone. The smart phone differs from the traditional mobile or cell phone in that it is capable of running many different applications (e.g., games, utilities, reference, social media, etc.) in addition to all of the other features found on most smart phones (e.g., Mp3 player, camera, calendar, note pad, GPS, calculator, etc.). The three leaders in this market are Research in Motion, Apple, and Google.

Research in Motion (RIM) is the maker of the popular Blackberry smart phone, which is heavily used in the business world. The Blackberry phone comes in several different models, and as of the spring of 2010 RIM captured about 42% of the smart phone market in the United States. RIM started adding applications to their phones as a response to the iPhone, but lacks in the number of applications available. While RIM's Blackberry is the dominant smart phone, Apple's iPhone is continuing to grab market share.

The iPhone has become the "gold" standard to which other smart phones are compared. The iPhone's sleek design, including its large viewing area and touch screen make it popular with both younger and older users. But the big draw for the iPhone is the number of applications available for the phone—estimated at over 150,000, with many available for free. The iPhone application store, located at iTunes, has given Apple a huge boost in revenues. Apple's share of the smart phone market is around 21% as of spring 2010.

Google's development of the Android or "Droid" smart phone operating system is already challenging both the Blackberry and the iPhone for market share after debuting in 2009 (Android's Rise, 2009). While Google's Droid is the latest entry to the smart phone market, they are not yet in the top three—but given early trends, the Google-based phones are expected to move rapidly up the adoption ladder in 2010 and beyond. In the spring of 2010, the Droid-based phones had about 5% of the market, which is significant given the short time it has been available. The Droid also features over 20,000 applications, moving quickly in this area as well. So, that is why Google is listed as the third leader in this market, even though for now both Microsoft and Palm rank ahead of the new system.

Regardless of the market leaders in this sector, what is exciting about the future of smart phones is the fact that the penetration rate is really quite low. Smart phones at best make up about 25% of the mobile phone space. As many users of mobile phones seek to upgrade and replace their old phones, many will switch to smart phones, especially as prices continue to come down. Further, smart phones will continue to add features and utilities through their applications, adding perceived value and utility to users of smart phones versus standard digital phones that offer no applications.

Search. Search is the primary reason many people connect to the Internet—whether they are searching for an answer to a question, the price of a product or service, an address/phone number, or reference item. Since the debut of the Internet, search has become the largest advertising vehicle and has pushed one company—Google—to its position as the dominant player in the market. In addition to the market leader Google, other companies battling for share include Yahoo! and Microsoft.

Google revolutionized the market for search when it appeared in 1998, well after Yahoo! and other competitors were already in the market. What made Google so attractive to users was a very simple interface, which asks users if they want to do a Google search, or if they "are feeling lucky" which takes them to only one web site. Google was easy to use, and quickly added a number of features (Google Images, Google News, Google Maps, etc.) in its early years to constantly expand its user base. Google's successful AdWords program allows advertisers to specify key words used in the search process and to set up a billing and payment schedule to match their budgets. Companies can advertiser on Google AdWords for as low as $5.00 a month. In 2010, Google controls an estimated 65.5% of the search market, easily outdistancing competitors. The company has a market capitalization estimated at nearly $180 billion.

Yahoo! is the second largest company in the search market, capturing 16.8% of the market as of early 2010. Yahoo! was the initial leader in search, but lost its leadership position as Google entered the landscape. Yahoo! has had an up and down existence; the company appeared ready to merge with Microsoft in 2008, only to walk away from the deal, leading to the resignation of Yahoo's longtime CEO, Jerry Yang. In 2009, Yahoo! agreed to a deal with Microsoft, essentially giving up on the search market and letting Microsoft take over the search engine with its new Bing application, while Yahoo! focused on selling ads. This merger is expected to be completed in 2010.

While being the third leader in the search market, Microsoft's acquisition of Yahoo's search engine will enable the company to better compete with Google. Prior to the deal with Yahoo!, Microsoft captured an estimated 11.5% of the search market. Combined with Yahoo's share, Microsoft should control close to 27% of the search market. The big question is will this new partnership between Microsoft and Yahoo! be enough to seriously challenge Google? That question can only be answered by future analysis of the search market.

<u>Video Game Consoles</u>. The popularity of video games continues to grow, fueled by the competition among console providers competing in this sector of the media marketplace. Three companies battle for market share: Microsoft, Sony, and Nintendo. Microsoft is known for their Xbox, Sony for the Play Station (PS), and Nintendo for its innovative Wii game console, which is been particularly appealing to older demographics.

Nintendo is the current leader in the video game console market, with an estimated 46.7% share of the market, followed by Microsoft (35.6%) and Sony (17.7%) based on data from 2009 (Gruener, 2009). However, the Nintendo Wii is outselling its two rivals at almost a 2-1 pace.

The video game console market will continue to grow, in part because it represents yet another distribution platform to reach consumers. All three consoles offer Internet connectivity, and all three companies are developing new models that will provide new features, to make the video game console a device capable of doing much more than just playing games. Video gaming continues to grow in popularity, and this will only fuel more growth in the market for video game consoles.

E-Book Readers. Electronic or e-book readers have been in existence for several years, but Amazon's development of the Kindle in 2007 brought renewed interest in this market and accelerated new competition in the market. Sony is the original leader in the market, having offered some version of a digital book reader since the 1990s. The third leader in this market is another bookseller, Barnes and Noble, who released their own e-book reader called the Nook in the fall of 2009.

Amazon does not disclose the number of Kindle units sold, but analysts estimate that the Kindle's market share in 2009 was an estimated 45%, with the Sony Reader capturing about 30% based on about 1 million units sold (Wood, 2009). The remaining competitors split the other 25% of the market. Another analyst suggests the shares are even larger, with the Kindle at 60% and the Sony Reader at 35% (Anand, 2009).

Regardless, the market for e-readers will only increase as the Nook begins to capture some of the market, along with the spring 2010 introduction of the Apple iPad which will also bring intense competition to the market. For now, the three leaders in this exploding market are Amazon, Sony, and Barnes and Noble.

5.3. Summary

Again, the purpose of Figure 4-1 and the preceding discussion is not to suggest that there are *only* the three leaders that compete in each of these respective markets, but rather to identify the three holding the largest share of the market. Further, competition in these markets varies in intensity and in terms of the size of market share for the leaders. For example, the Film and TV Content market is among the most competitive of the areas listed in Figure 4-1, with CBS and Viacom also challenging for market share. On the other hand, in the social networking market, Facebook and MySpace have an enormous lead in the US (and globally) over other sites, but Twitter—a new startup—shows enormous potential. Google dominates in search over both Yahoo! and Microsoft by a nearly two to one margin.

While these leaders were accurate as of the spring of 2010, we know that markets—especially media markets—are constantly evolving and changing. The landscape described here is anything but a static picture and will most definitely change. Since the 1990s, there has been nothing but constant change and evolution in the media and communication markets. What the author hopes to convey here is a different way to examine the media and communication markets from a structural standpoint, and moving away from labels that are no longer appropriate in the 21st century.

What is to be gained from looking at the media and communication markets in this manner? That is the subject of the next chapter, where we review theoretical and methodological aspects of examining media and communication markets with a fresh perspective.

6. Examining 21st Century Media Markets: Theoretical and Methodological Considerations

Media and communication markets have been examined for decades using the well-known labels of market structure identified as monopoly, oligopoly, monopolistic competition, and perfect competition (Gomery, 1989). In terms of theoretical foundations, researchers have primarily relied on a handful of theories drawn from mainstream economics, such as general economic theory, which argues that firms seek to maximize their value for their owners and stakeholders. Neoclassical economics also provided theories like the industrial organization model, which has been widely used to examine firms and markets from a microeconomics perspective (Wirth & Bloch, 1995). Macroeconomic examinations of media markets are much less prominent (see Albarran, 2010).

In this chapter, we look at how we can begin to transform our theoretical and methodological tools to provide a better way to analyze the media and communication markets in the 21st century. Our goal here is not to attempt to create some sort of "grand" theory, but rather to recognize that the marketplace has changed dramatically—yet the theories and tools we use for analysis have not evolved along with all of the concomitant changes.

6.1. Theoretical Traditions Used in Studying Media Markets

The field of media economics provides the most useful set of theories to study media and communication markets for our purposes. Picard (2006) explains that media economics research developed along three paths: a theoretical tradition, an applied tradition, and a critical tradition, also called the political economy of the media.

We will briefly examine each of these areas. The theoretical tradition developed primarily from the neoclassical economics area in the 20th century, and established the important micro- and macroeconomics perspectives. Neoclassical economics is used to investigate a number of topics, but at its central focus it seeks to understand how supply and demand, price, and quantity of production functions in a market-based system, especially at the level of the firm or company.

The applied tradition is centered on the structure of the media industries and their respective markets and sub-markets. Applied research differs in that it is usually not built upon theoretical foundations, so some would consider this an atheoretical area of research, although it embraces microeconomics and macroeconomics approaches. Some examples of applied research might include industry-based studies compiled by different media associations, trade groups, consulting firms and corporations. One problem is that most of the research conducted in the applied tradition is proprietary in nature, meaning the data is not shared publicly, or if it is made available it is at a hefty cost.

The critical tradition differs from both the theoretical and applied traditions. The critical tradition has many influences. Among these influences are Marxist approaches (which view the media systems as a form of control of a ruling class over the working class), British cultural studies, research dealing with the power or hegemony of the media and its institutions, ownership studies, technological determinism, as well as social, cultural and political concerns about the media and its influence.

A table summarizing this discussion is provided in Table 6.1. The three traditions have resulted in a number of theories available to researchers to study media and communication-related markets. It is important to recognize no single tradition is the best one to use in conducting research. It totally depends on the research questions being asked, or the hypotheses under investigation, to help determine which tradition to use.

Table 6.1.
Theoretical Traditions

Tradition	Institutional Foundations	Level of Analysis	Examples of Topics Examined
Theoretical	Neoclassical Economics	Consumer, Firm, Market, Industry	Supply, demand, price, production, elasticity, concentration, diversity
Applied	Industry-based Also influenced by Neoclassical Economics	Consumer, Firm, Market, Industry	Structure, conduct, performance, spending, diversification, strategy
Critical	Marxist Studies British Cultural Studies Political Economy	Nation-State Global	Ownership, power, policy decisions, social and cultural effects of media, globalization, welfare

Source: Adapted from Albarran (2010).

6.2. Levels of Activity

In refining theoretical and methodological tools for the 21st century, it is useful to think about exactly where the various levels of activity take place. Here we use the term *levels* to describe this interplay of market forces. For example, many large companies like Disney, Time Warner, Viacom, News Corporation, Sony, and Bertelsmann compete at a *global* level, offering their media brands and products in many regions of the world. At the *national* level, companies focus exclusively on their domestic boundaries, and attempt to cover the entire country. Examples at the national level include the broadcast networks, satellite-delivered channels, and magazines. Newspapers reflect a national market in many nations, but not so in the United States.

The *household* level is where a good portion of media consumption takes place, but even that is evolving. Households now have access to multiple technologies capable of receiving content from a number of media firms and industries through various digital platforms, which are shared by family members. These devices range from television and radio receivers, to DVD and DVR players, desktop and laptop computers, wired (broadband) and wireless household networks, and even videogame consoles. The concept of a household has also evolved, ranging from the concept of a nuclear family to single parents, or even single households. The household is important not just for tracking household media usage but also the expenditures and various subscriptions for media products and services.

It is at the *individual* level where more and more media consumption is taking place, fueled by a growing number of individual use technologies like smart phones, e-book readers, and tablet devices. Even in the family household there are differences in the way the parents use the media compared to their children, and how much time and attention are allocated to media products and services. Each of us is limited to 168 hours in a week. This process of allocation that individuals use to determine where and how to spend time and money on the media compared to other activities is an important area of study and inquiry.

Of course, not all individuals consume content in the same way. Younger audiences who have grown up with the Internet and many innovations in technology are very comfortable watching content on a laptop screen or mobile phone, while older adults would prefer a traditional TV set, or even better, a large enhanced-screen receiver. We also know there are differences in terms of gender, ethnicity, and lifestyle interests. Devices like the iPod Touch and iPad offers playback of video and audio content via a host of applications from the Internet. Smart phones can surf the Web, run applications, play music, take photos, and send messages/email, as well as make and receive telephone calls. Social networking sites like Facebook and MySpace allow friends to share their most intimate thoughts and feelings as well as links to content with one another, and create awareness of new products and services. Twitter is another social networking site that has been embraced by both individuals and businesses. YouTube and Wikipedia represent services that allow the sharing of user-generated content with one another.

In this transforming media marketplace, the individual is in charge of his/her own media consumption—what you want, when you want it, and how you wish to access it. This sea change has disrupted traditional business models across many media industries and forced advertisers to constantly rethink strategies and marketing practices. Traditional media find themselves forced to respond to this new environment or face obsolescence.

These levels of activity represent a key consideration in developing theoretical and methodological approaches to studying the media marketplace in the 21st century. A huge challenge for media firms is how to recast themselves as multi-platform entities that can reach consumers at all levels of activity. That in itself is a tremendous task, made all the more difficult by the fact that other forces discussed previously in this monograph are affecting the media industries as well.

6.3. Refining and Developing Theory

Our examination so far in this work has developed along several key trends worth summarizing here before discussing theoretical development. First, the media and communication markets are caught up in a fast-moving transformation process that is driven by a set of distinct forces (technology, economics, globalization, regulation, social aspects). As a group, these forces are creating disruption across markets and industries (Downes, 2009).

Second, this transformation of media and communication markets are causing markets to be redefined, business models to change and evolve, and companies to rethink strategies and objectives. Third, audiences and audience activity are no longer part of a "mass" phenomenon. While media consumption can take place at a global or national level, the real change has come about at the household and particularly the individual levels of society.

In short, this transformation process means a different way of looking at the relationships that exist between media and society, between media and advertisers and marketers, and between media firms and competitors. So how do we begin to make sense of all of this? Let's consider how existing theories can be defined and adapted to this new environment. In order to do this, we need to consider where to target our efforts.

A Multi-Level Focus. A majority of research tends to focus on just one level of activity. For example, audience-based studies focus on the individual user, but often fail to analyze the impact at the household level. Microeconomics looks at specific firms or markets, but often does not consider what it means at the global level. Macroeconomics tends to not consider the impact of its findings on individuals and households.

One easy way to expand our theoretical contributions is by focusing on multiple levels of activity as discussed above. This does not mean that all research must consider the four levels detailed here, but rather approach research with an interest in explaining relationships and findings across more than one level. Clearly, the focus of the research will often be targeted towards one level, but analysis can be expanded to other levels. Such an approach could also be strengthened by using more than one methodological approach to a study.

For example, let's consider the theory that has evolved known as the principle of relative constancy (McCombs, 1972). This theory focuses on spending on the media. In the original research—and in a number of later follow-up studies, McCombs found that the average U. S. household spent about 3% of their income on media-related goods and services. The study focused on spending at the household level. Conducting such a study in the 21st century would need to consider the individual level as well, and also describe the findings in light of the impact on the larger national market. Again, this is not an attempt to criticize earlier foundation work important to the field, but rather to look upon how we can expand our efforts to take in broader theoretical questions and examinations.

Combining Traditions. Media economics research has primarily drawn upon microeconomic concepts and principles, with a heavy reliance on the industrial organization model which considers the structure, conduct and performance of firms in various market structures (e.g., monopoly, oligopoly, etc.). While this emphasis clarifies the relationship of various concepts in microeconomic analysis, it limits the development of the field. Other economic theories, which have possible application to the mass media industries, have not been considered, especially those drawn from macroeconomics (Chambers, 1998; Lacy & Niebauer, 1995). For example, understanding the global consolidation of many media-related markets is an area that would be strengthened utilizing macroeconomic approaches. The impact of global consolidation on employment, economic development, and inflation are just three possible areas of inquiry.

Attention Economics. In the 1990s a new area of research emerged based on the subject of attention, a very important variable when considering the individual level of media and communication use. At its core, attention economics addresses how individuals manage the information they encounter.

In defining this important concept, Davenport and Beck (2001, p. 20) state "attention is focused mental engagement on a particular item of information. Items come into our awareness, we attend to a particular item, and then we decide whether to act". Lanham (2006, p. 6) adds that "there is too much information around to make sense of it all. Everywhere we look we find information overload". Napoli's (2003) examination of audience economics has direct relationship to this area of study as well.

Iskold (2007) points out that the concept of relevancy is the key to understanding the attention-based economy. It is the actual relevance (what matters to me) that individuals attach to information they encounter which encourages them to engage the content in the first place, or to simply disregard the content (i.e., no relevance).

The idea of an "attention economy" or attention economics depending on which term one prefers is an area that is well suited for application to the transforming media and communications marketplace. While much of the research on the attention economy focuses on the individual level, researchers could also examine the strategies media firms use to promote relevance among consumers, as well as how different types of content promote more or lesser attention. In the busy, crowded, 21st century, the idea of an attention economy is one of the newer areas of inquiry where there is still much to learn, and where scholars can benefit from additional research.

Other Theories. There are a number of other theories available to scholars to understand media and communication markets that have promise but have failed to be widely adopted by scholars. For example, there has been little research in the media and communication markets involving game theory, behavioral economics, information economics, and transactional cost economics (see Albarran, Chan-Olmsted & Wirth, 2006; Wildman, 2006). As Wildman (2006) illustrates, these areas could provide valuable insight for scholars working in media and communication markets.

Theory refinement and development is never easy in any field, but given the rapid pace of transformation and change in the media industries, the field can only benefit from fresh ideas and news perspectives involving media and communication markets. For the field to achieve greater prominence in contemporary media research, more theory building must occur, as well as new theories must develop, which means taking risks in presenting new ideas.

Researchers need to consider how to expand methods of investigation to assist in theoretical development. The interplay of economic and business structures, regulation, technology and social policy implications across the media industries offer a unique playing field for scholars to generate new theories and hypotheses. To do so, researchers must be willing to move away from describing phenomenon, and work more to provide analytical and investigative analysis. Improving methodological tools is one way to begin accomplishing this task.

6.4. Methodological Tools

In order to gain a better understanding of the transformation process, we need better methodological tools of analysis. This is not to suggest that all methodological tools used in previous research on the media industries or the economics of the industry are not adequate, but there is a need for greater refinement. This section considers different areas that need more attention, beginning with the complicated task of how to assess market competition and concentration.

Concentration Measures. Concentration and consolidation are important topics to both researchers and regulators because of their social policy implications. The concentration of media markets always raises concerns over diversity of opinions, the presentation of alternative views, and potential suppression of information. To further complicate matters, there are no set agreements on ways to measure and analyze concentration as we move from country to county (Albarran & Mierzejewska, 2004).

In the United States, measures to assess competition and concentration have primarily relied upon two available tools: descriptive concentration ratios or the Herfindahl-Hirschman Index (HHI) (see Albarran, 2002). Concentration ratios offer a simple way to measure concentration, using either the top four firms or the top eight firms in a market. If the top four firms control more than 50% of the market revenue, or if the top eight firms control more than 75% of the revenue, the market is considered to be "highly concentrated". Concentration ratios are useful but they fail to address the inequality that can exist among individual firms in terms of market shares. For example, using the four-firm ratio, one could discover one firm dominating the market with 30% of the revenues, while the other three firms held a combined 5%. In such a case, one would conclude the market is not concentrated, but it fails to account for the dominant position of the leading firm.

The HHI index, used extensively in antitrust examinations by the U. S. government, is a much more rigorous tool. The HHI is calculated by squaring the market share for each firm in the market, and then generates a total number for all the firms in the market. Here lies one of the key problems with the HHI. The researcher must have data on every firm in the market in order to calculate the index. Often, researchers lack access to data from all the firms, as well as the lack of data from privately held companies. Further, if there are a large number of firms in a market, calculating the index can be unwieldy. Yet another problem is that as soon as something changes in the market the numbers are obsolete.

Perhaps more problematic to both of these measures is the fact that they are designed to measure concentration *within* a market segment. There are no generally accepted measures available to assess concentration *across* markets (see Albarran & Dimmick, 1996), yet the reality of the contemporary marketplace clearly indicates that is an area of key concern, as discussed earlier in this work. Companies like Time Warner, Disney, Viacom, News Corporation and other media conglomerates may have limited shares within individual market segments, but no tools exist to measure their combined influence across markets and levels of activity. With multi-product firms engaged simultaneously in many media markets, developing measures to assess within-industry concentration and competition are badly needed. Noam (2009) has offered some important contemporary perspectives on concentration. Focusing on concentration of the media industries in the United States, Noam (2009) develops a new model to assess concentration through two new variables: lower barriers to entry and the growth of scale economies, and how they affect industry concentration over time.

<u>Defining the Market</u>. In the previous chapter the challenges of redefining markets was discussed. Here we do not repeat that information, but rather discuss why this is important from a methodological perspective. Policymakers and researchers must somehow grapple with the evolving definition of what constitutes a media market, a critical issue given the growing convergence across the media industries. Markets can no longer be defined cleanly in many industries.

Media companies offer products and brands in many different markets, in competition with other suppliers/providers. Yet a tendency among policymakers and researchers is to still treat markets under traditional labels, such as television, newspapers, or motion pictures. This approach fails to recognize the realities of the existing media marketplace, and can lead to inaccurate assumptions over which firms actually dominate in a particular market.

Media markets continue adapting towards a two-tiered market structure, with a limited oligopoly of firms (between 3 and 5) controlling between 75-90% of the revenue/market share, and a number of smaller firms on the other tier fighting for a small percentage of the remaining market share. But we don't really have a "name" for this type of market, nor do we have a way to measure its competitive influence across markets. This is a weakness that must be resolved in order to effectively measure these transforming markets.

<ins>Analytical Tools</ins>. Another area where more work is needed is in regards to the actual analytical tools used in the study of media markets and industries. Tools of analysis include two areas that are critical to better research and scholarship. The first involves statistical methods. A lot of the early research on media markets and industries has been descriptive. One reason is the face that communication scholars studying media markets often lack the rigorous mathematics and methodologies like econometrics used by traditional economists. As such, a good portion of the literature has dealt with information that can be easily analyzed.

Second, the way we define key concepts like "market" and "industry" in the field are subject to re-examination and clarification. Scholars need better means to analyze media markets and industries under rapidly changing conditions. In the transformation from divergent to convergent industries, it is critical to understand the many inherent changes in the media marketplace—and adapt our scholarship as needed. In short, better definitions of the key variables used for analysis is encouraged, as well as examining trends and phenomenon at the important levels of analysis (e.g., individual, household, nation-state, global).

Better refinement of methodologies will enable researchers to do a better job answering complex questions and hypotheses. Other areas which need more attention are new ways to define and measure markets, new approaches to understanding market structure, and how to quantify intellectual property and assess its value to firms in a completely digital environment. Our methodological tools need to be better equipped to handle the changes taking place in the 21st century.

6.5. Conclusion

This chapter has presented a broad discussion of theoretical and methodological considerations researchers can utilize when examining the transformation of media and communication markets. First, we looked at the various theoretical traditions that help to organize and classify previous research. Next, the chapter presented a discussion on how embracing different levels of activity in research designs would help broaden and expand research.

A discussion on theories and how they could be expanded was also presented, illustrating some examples of how to engage in multi-level research and how to combine research traditions. Finally, the chapter considered how to refine methodological tools for the 21st century. Here the discussion reviewed the complicated task of concentration, and how these indices beg for new ideas and approaches; the discussion of how to research evolving markets and market structure; and ways to improve our analytical tools we use to assess our data.

Refining both theoretical foundations and methodological tools are not easy tasks; they require researchers to take risks and challenge assumptions and not be happy with the status quo. Younger scholars will feel the most pressure, because they not only have to engage in publishing to ensure their place in the academy, but also because they will push the ideas long in place from established scholars. Established scholars must also take risks, and are in the best position to do so to grow the field—as long as they are open-minded about new approaches and perspectives used to examine media and communication markets.

Regardless of who is doing the investigations, only a handful may yield a new paradigm; it will take a great deal of trial and error. But now more than ever, the field needs—and scholarship demands—better theoretical and methodologies to begin to capture the transformation that is taking place with media and communication markets.

Our theories, and our methods, need to be more holistic and offer a broader orientation to studying these changing markets. We need to consider not only the within-industry impact, but also the across-industry impact. We also must recognize that media markets by themselves involve multiple levels of analysis, ranging from the global level to the nation/state level, to the household, and perhaps most importantly in the 21st century, the individual level where the consumer is empowered and in control of their own media consumption. We must begin the task of building new theories and methods to analyze these evolving markets, and the work needs to begin now.

7. Moving Forward: Establishing Propositions and a Research Agenda

This chapter begins by offering a set of summary propositions based on this discussion of the transformation of the media and communication industries that was developed by the author. These propositions may be helpful to other researchers interested in conducting studies on the continuing transformation of the media and communication markets. Ideally, these propositions are intended to serve as a heuristic catalyst to spur further inquiry and study, as well as the refinement of both theoretical and methodological tools available for researchers. Given that brief introduction, let's begin.

- The transformation of the media industries is a continuing phenomenon that will impact both traditional and new media markets. We will continue to see further fragmentation of traditional media, especially related to newspapers and broadcast radio and television, as the audience members continue to migrate to new media platforms.
- The media industries find themselves in a period where traditional media remains a strong but declining force, while new media platforms continue to develop. At the same time, traditional media firms as well as new media firms must also adopt a strategy involving social media, as social networking offers new and unique ways to reach audiences and advertisers.
- From a structural standpoint, this transformation process should be examined using multiple levels of analysis ranging from the global and national levels to the household and individual levels of activity. By utilizing a multi-level perspective, scholars will develop stronger research designs that better reflect the realities of the media and communication marketplace.
- The field is ripe for the refinement of existing theories, as well as the development of new theories. Scholars must be willing to take some

risks and be more innovative and even entrepreneurial in developing new theories and approaches to studying this transformative environment.

- Likewise, older methodological tools should be examined for refinement and updating as needed. There is also the need for new tools of analysis and methodologies to be developed. Studies that involve multiple methodologies would also help in understanding the transformation process.
- The transformation of media markets will best be examined by developing new ways to define media and communication markets. This work argues for remapping markets using broader labels like TV and Film content, distribution, and search rather than the outdated labels of television, publishing, and music. But other ideas are also welcome to help in how we redefine markets.
- The transformation of media markets must be examined as part of the broader system involving economics, regulation, globalization, technology, and demographics/social aspects. Research would be enhanced by considering the implications of these forces on the media and communication marketplace.
- Business models will continue to evolve and expand to take full advantage of the new media environment, offering greater sophistication and efficiency to marketers and advertisers attempting to reach target markets. Again, this is an area ripe for development using networks created from social networking sites.

7.1. Establishing a 21st Century Research Agenda

In terms of setting a research agenda, students and scholars will hopefully recognize that there is tremendous opportunity to conduct research in a number of areas. Never has this field been as broad and diverse as it is in the 21st century. We are caught up in a major shift of how people think about and use media content and products, and this will forever change many aspects of these markets and industries.

As with the previous discussion on propositions, the goal here is not to offer a proscriptive set of ideas but rather to stimulate other thoughts and discussion. For a field to grow, it needs scholars who are committed to helping develop the field, and move the body of knowledge to a higher level. In building ideas for a 21st century research agenda on the media and communication markets, we take the work that has brought up to this point from a broad array of perspectives, and consider how we can improve and grow the field further.

Therefore, here are a few ideas to consider in regards to setting a research agenda for the media and communication industries. Here are some ideas for areas of potential study and inquiry. The following points are by no means exhaustive, but rather a few thoughts to help organize a research agenda for the 21st century.

- In this transformation era, we need to carefully rethink what constitutes a media firm. What are the attributes of the media firm in the 21st century? How does it differ from the media firm of the 20th century?
- What are the business models that are supporting the media firm in the 21st century? There is wide agreement that business models for media firms must evolve, yet there is little evidence of new models being developed. This area of study is crucial as it provides the much-needed support for the media industries.
- How do cost structures vary in this transformed environment? How do the cost structures differ between traditional and new media? What do these cost structures tell us about the future of the media industries?
- How will the advertising marketplace evolve as part of the transformation process? There is more to this topic than simply stating that advertising is moving from traditional media to new media. Advertising can certainly become more efficient and targeted, but will that mean that advertising will become even more expensive in the 21st century? Will advertising continue to be the primary support for the media and communication industries?
- Research on the media and communication industries need to be conducted over time, to best identify trends and patterns and to

help redefine the field. Too much of our past research has relied on studies conducted at one point in time.

- Audience-based research should consider multiple methods of gathering data. Surveys should be built on data derived from focus groups or in-depth interviews. Audience research must also do a better job at generating samples that are reflective of the actual population, accounting for differences in age, gender, ethnicity and lifestyle.
- Research that is interdisciplinary in nature is welcome. So would research that is cross-cultural in nature, investigating phenomenon on a comparative basis across nations. Such research would aid in our understanding of globalization strategies by media firms and their success or failure.
- Technology will continue to expand, especially for wireless and mobile hand held devices offering the user many applications and expanded utility to access media entertainment and information. We need studies to assess how the introduction and expanded use of mobile and wireless devices impacts the use of traditional media.
- New studies are needed to understand how the transformation process will impact the relationship of audiences and social structure. For example, if the daily newspaper moves entirely online, what are the ramifications of such a sea change on an informed republic and the promotion of democratic values?
- How do we begin to assess the cultural impact of new media in a transformed marketplace? What theories, methods, and data do we utilize to measure the cultural impact of new media?

These are just a few of the many potential topics that deserve more study and investigation by scholars from around the globe as we attempt to gain a better understanding of this transformation process. Clearly, these ideas are not exhaustive nor do they cover all aspects of the media and communication industries.

But most importantly, what are your ideas as the reader? What do you see as areas that need new study and investigation?

8. Conclusion

In the 21st century, the media industries continue to experience unprecedented change. In this work, I use the phrase "transformation" to illustrate these changes. There are five predominant forces that interact in any society constantly impacting the media and communication industries, as well as other industries. Each of these areas (technology, economics, regulation, globalization, and social aspects) on their own could be responsible for a transformation of an industry; working together these five forces continue to create havoc across the media and communication markets.

Media firms operating within these transforming markets face many challenges in the 21st century. Here are just a few:

- Attracting and maintaining consumers, so these audiences can be accessed by advertisers.
- Building a firm that is known for strong brands and where possible, brand extension.
- Protecting content rights and intellectual property in a digital world that is rife with piracy and illegal selling of media content.
- Reducing costs and maintaining efficiency.
- Developing and expanding new business models.

Some media firms will not be able to survive in this transformation process. Much like natural selection, some of these firms will be unable to cope with the new environment, and be forced to sell out or merge or even exit the marketplace.

8.1. Five Emerging Trends

Here are five media industry trends that are emerging as part of the transformation process as of 2010. Each of these trends has the potential to further impact the media and communications marketplace.

Trend 1: The Rise of Mobile Media. There is little doubt that mobile media will accelerate as one of the primary ways to access media content in the 21st century. In particular here are the following observations about mobile media:

- Adoption of mobile devices is accelerating and costs are declining. This means that over time more and more people will be able to acquire mobile devices.
- This will begin with mobile phones, and it is happening now. In 2010, there is one mobile phone for every two people in the world. By 2020, there will be two mobile phones for every person in the world.
- Mobile media will expand with the rise of tablet devices like the iPad, e-readers like the Kindle and Nook, and enhanced smart phones.
- Mobile devices will be the primary connection to the Internet and various content platforms while people are at work and school.
- Literally billions of dollars will be spent on mobile media over the next decade by advertisers purchasing interactive ads, including the use of bar code point-of-sale coupons. But consumers will also be spending money as well, be it on applications, subscriptions, and pay-per use items.
- Mobile media will in turn require massive expenditures to maintain and develop high speed wireless networks for ease of access and to avoid congestion (high traffic).

Trend 2: Social Media and User Generated Content. It is hard to believe that both social media and user generated content are both products of the 21st century. Here are some observations about social media and user generated content:

- Social media is just beginning to engage its full potential as part of the media and communication industries. While many people around the globe are using social media, the opportunities in areas like research, marketing, branding, and building relationships with customers is just being realized.

- Social media is also evolving as a key social and political force. We saw the impact of social media in the United States with the 2008 Presidential election, as the Obama campaign utilized social media to garner donations, raise awareness and publicity, and transmit messages. The McCain campaign was late to adopt social media, and was not able to do it as successfully.
- Social media is also evolving for its "news and information" potential, not in terms of hard news, but in regard to keeping people in touch and connected. Like it or not, social media is becoming a new form of journalism in the 21st century. Traditional journalists who have shunned social media would be well served by learning about the medium.
- In terms of user generated content, growth of this medium and its various platforms continue unabated. Companies have yet to develop business models for UGC sites, but clearly there is potential for advertisers and marketers to engage this new medium.
- User generated content will turn more consumers in to publishers and content creators, which will help to create even more fragmentation for audiences as they engage UGC platforms.

<u>Trend 3: Applications Rule</u>. The words "applications" and "apps" have taken on an entire new meaning in the 21st century. Of course, we refer to the programs made available to smart phones and other mobile devices like the iPad to access entertainment, information, games, and other content. Here are some observations regarding applications:

- Applications will become one of the primary ways we access media content. This is especially true for mobile devices.
- Applications are also becoming available on home television receivers. Many new models enable Internet access, and some manufacturers (such as Vizio) are even pre-packaging applications with their sets.
- Every media firm engaged in content distribution will need multiple apps to attract consumers. In some cases the applications will need to be device specific, which will require a greater investment in terms of development costs. For example, the same

application designed for an iPhone will need to be reconfigured to take advantage of the wider screen available on the iPad.

- Applications will likely become one of the way content is ultimately paid for by the consumers, through the actual purchase of the app, or through advertising made available on the application.

Trend 4: Advertisers Find New Ways to Engage Audiences. Like media firms, advertisers are rethinking their strategies for the 21st century in terms of ad placement, marketing and branding, and most importantly, targeting consumers. Here are some of the emerging trends happening in the advertising market, broadly considered:

- Advertisers have widely adopted social media to complement their marketing campaigns, recognizing that to reach consumers a mix of traditional media, new media, and social media must be engaged.
- Advertisers are targeting consumers directly, with applications designed to reach consumers, point-of-sale coupons sent to mobile devices, and new campaigns that ignore traditional media. For example, Pepsi did not buy advertising on the 2010 Super Bowl, instead using the funds they would have spent to launch a national campaign known as "Pepsi Refresh" engaging millions of consumers and businesses to share ideas for grants on programs that will have a positive impact. Pepsi will award millions of dollars in grants ranging from $5,000 to $250,000.
- Companies will pursue direct investment to consumers as a way to better target customers and engage audiences.
- Advertisers will continue to experiment with new applications and content platforms to develop a mix of approaches to reach target markets.

Trend 5: Transition from Free to Paid Content. The growth of the Internet and digital platforms has resulted in a lot of free content being distributed by media companies, especially in the areas of video and print. But the reality is media companies will not be able to continue to give away media content in the 21st century.

Several CEOs, among them News Corporation's Rupert Murdoch, and CBS' Leslie Moonves, have called for monetization of popular digital content to make up for lost advertising in a fragmented marketplace. The big question to transitioning from free to paid content is how many of the consumers will in fact pay, what will be the price points, and will it be enough to sustain the enterprise. While many questions remain, a few trends are emerging as presented in the following points:

- Media companies will be forced to charge for content available on their digital platforms, because to date the advertising available on these platforms is not enough to sustain operations.
- Several publishers and television companies are already pursuing this strategy. The music industry saw its business model destroyed by the Internet, and many other media industries are trying to avoid what happened in the music industry.
- The charge for content may be made through the purchase of an application, which will enable access to a broader array of content than provided for free.
- Media companies may also charge micropayments for content, meaning that a TV program could cost just a few cents, while a movie may cost up to $5 for a new release. Mobile devices can establish accounts through services like iTunes and pay as they go for the content they desire.

8.2. Final Thoughts

This monograph has attempted to provide a broad examination of the transformation of the media and communication markets that is now ongoing during the first decade of the 21st century. This work utilizes a case study approach involving numerous sources to analyze the transformation process, and attempt to discern what is happening.

The analysis is based on the situation in the United States, and illustrates how the number of companies engaged in the media and communication markets have grown and expanded since 1980. The paper also discusses some of the key differences between traditional media markets (e.g., broadcasting, newspapers, film, etc.) and new media markets, driven by a plethora of digital platforms to engage households and individual audience members. An important part of this discussion is the differences in business models found among traditional versus new media, and the need to develop new business models and revenue streams.

From a theoretical standpoint, the monograph calls for a remapping and redefining of media markets, utilizing the rule of three as one option to consider. The rule of three posits that in any competitive market three dominant players are most likely to emerge controlling 70-90% of the market, with the remaining players fighting for the remaining market share. Using the rule of three, the paper offers a 21st century landscape of several media and communication markets—broadly defined—to illustrate the theory's utility in examining the media industries in the United States.

One outcome of the re-mapping of the media and communication markets presented in this work is to move away from outdated labels stressing areas such as "broadcasting" or "publishing", to focus instead on content, distribution, search and other functions which engage consumers and advertisers across multiple platforms in the 21st century. This labeling is more identifiable with contemporary markets, and offers a broader functionality than the older labels.

The monograph also calls for new ideas and investigations involving the development and expansion of theoretical orientations, as well as the creation of new methodological tools to account for the holistic environment that the media and communication markets are now engaged. Specifically, researchers and policy makers need theories that can be used across multiple levels of analysis, and the same constituents need methodological tools that can help in understanding not only what happens within a particular market, but just as importantly across markets. This is especially needed to understand the full impact of large conglomerates (e.g., Disney, Time Warner, News Corporation) that operate across multiple markets, yet we have no way to measure or account for the actual concentration within that market, just to use one example.

A set of propositions based on the transformation process was presented in the previous chapter to summarize what we know about the evolution of media and communication markets to date in the 21st century. A research agenda was also proposed in the last chapter, drawing on many of the insights and questions raised in this monograph.

Readers may be troubled that this work concludes by proposing more questions than answers on the process of transformation of media and communication markets, but that is the reality of where we stand early in the 21st century. Perhaps if nothing else, this monograph demonstrates there is much work that remains to be done to truly grasp this transformation process.

The work done by academic researchers and their students can be useful and helpful to society to understand these changes. It can also assist policymakers and government officials in making important decisions regarding regulation. Such research will also be helpful to media industry practitioners and executives to understand the changes taking place around them. Finally, it is the author's hope that this work will help other researchers by providing a guide for future research, as well as spurring imagination and ideas for new investigations.

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