Chapter 13 Media Economics and the Global Marketplace

THESE SIX COMPANIES ARE:

GE	NEWS-CORP	DISNEY	VIACOM	TIME WARNER	CBS
Notable Properties:	Notable Properties:	Notable Properties:	Notable Properties:	Notable Properties:	Notable Properties:
COMCAST	FOX	ABC	MTV	CNN	SHOWTIME
NBC	WALL STREET JOURNAL	ESPN	NICK JR	HBO	SMITHSONIAN CHANNEL
UNIVERSAL PICTURES	NEW YORK POST	PIXAR	BET	TIME	NFL.COM
FOCUS FEATURES		MIRAMAX	CMT	WARNER BROS	JEOPARDY
		MARVEL STUDIOS	PARAMOUNT PICTURES		60 MINUTES

- **The rash of media mergers over the last two decades has made our world very distinct from that of earlier generations—at least in economic terms**

- **"Unlike American automobiles, television sets, and machine tools, American cultural products—movies, TV programs, videos, records, cassettes, and CDs—are sweeping the globe."**
- **–Richard J. Barnet and John Cavanagh, *Global Dreams*, 1994**

Analyzing the Media Economy

- **Does the government need to play a stronger role in determining who owns what mass media and what kinds of media products should be manufactured?**
- **Should the government step back and let competition and market forces dictate what happens to mass media industries?**
- **Should citizen groups play a larger part in demanding that media organizations help maintain the quality of social and cultural life?**
- **Does the rapid spread of American culture worldwide smother or encourage the growth of democracy and local cultures?**
- **Does the increasing concentration of economic power in the hands of several international corporations too severely restrict the number of players and voices in media markets?**

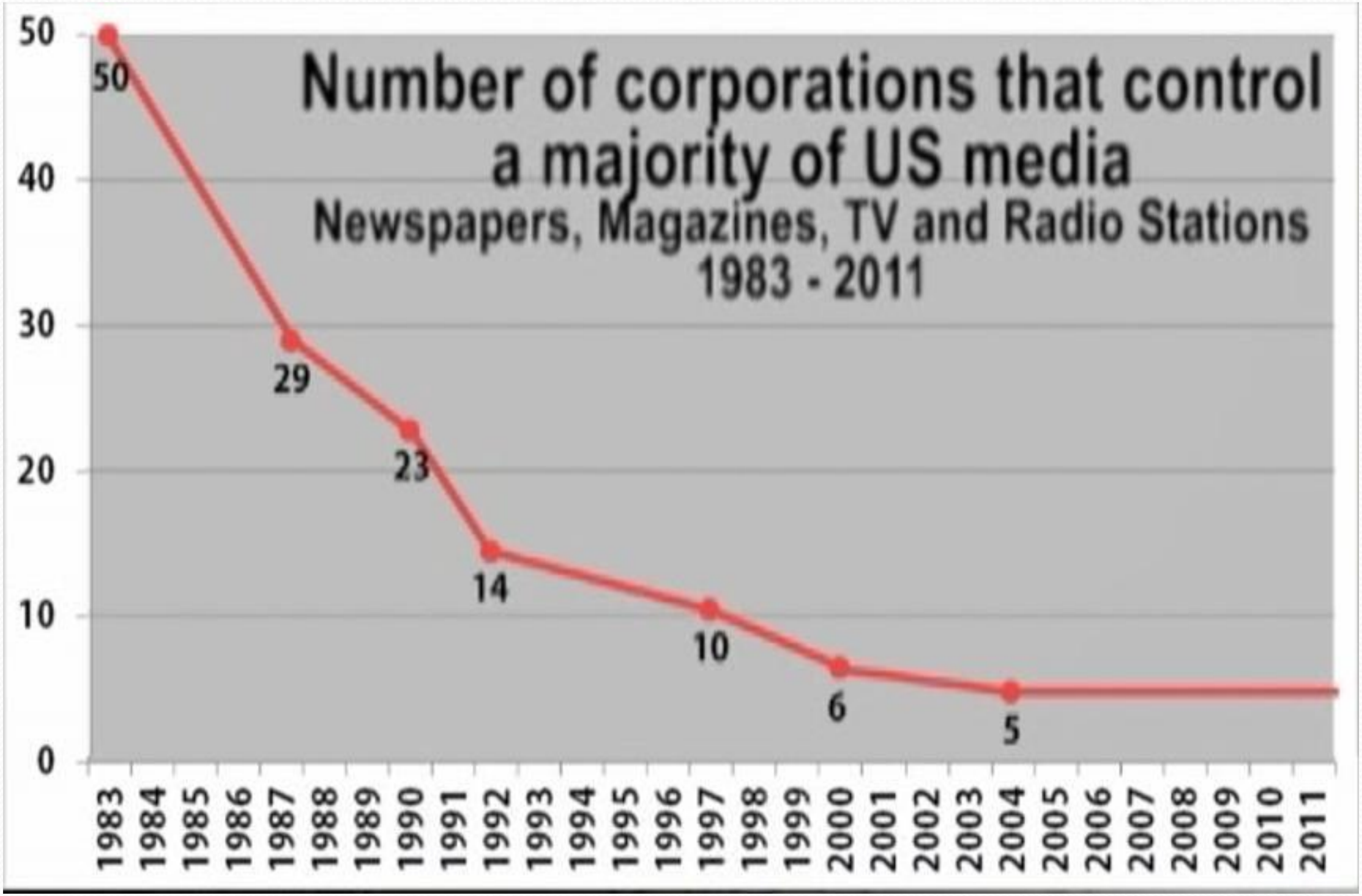
The Structure of the Media Industry

- In economic terms, three common structures characterize the media business: monopoly, oligopoly, and limited competition.

- **monopoly**: in media economics, an organizational structure that occurs when a single firm dominates production and distribution in a particular industry, either nationally or locally.
- **oligopoly**: in media economics, an organizational structure in which a few firms control most of an industry's production and distribution resources.
- **limited competition**: sometimes called *monopolistic competition*, characterizes a media market with many producers and sellers but only a few differentiable products within a particular category.

Consolidation and Mergermania

- Until the 1980s, antitrust rules had historically attempted to ensure diversity of ownership among competing businesses.
  - **Sometimes this happened, as in the breakup of AT&T, and sometimes it did not, as in the cases of local newspaper and cable monopolies.**
- Most media companies have skirted monopoly charges by purchasing diverse types of mass media rather than trying to control just one medium.
  - **For example, Disney, rather than trying to dominate one area, provides programming to a TV network, cable channels, and movie theaters. The company evades charges of monopoly by scattering products across many media ventures.**



Number of corporations that control a majority of US media
Newspapers, Magazines, TV and Radio Stations
1983 - 2011
50
40
30
20
10
0
50
29
23
14
10
6
5
1983
1984
1985
1986
1987
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2011

Global Markets and Specialization

- **The new globalism has coincided with the rise of specialization.**
- **The magazine, radio, and cable industries sought specialized markets both in the United States and overseas, in part to counter television's mass appeal at the national level.**
- **By the 1980s, however, even television—confronted with the growing popularity of home video and cable—began niche marketing, targeting eighteen- to thirty-four-year-old viewers, who controlled the bulk of consumer spending.**
- **Beyond specialization and national mergers, though, what really distinguishes current media economics is the extension of synergy to international levels.**
- ***Synergy* typically refers to the promotion and sale of different versions of a media product across the various subsidiaries of a media conglomerate**
- **however, it also refers to global companies like Sony buying up popular culture—movie studios and record labels—to play on its various electronic products.**

Cultural Imperialism

- **American media are shaping the cultures and identities of other nations. American styles in fashion and food, as well as media fare, dominate the global market—what many critics have identified as cultural imperialism.**

- **Today, numerous international observers contend that the idea of consumer control or input is even more remote in countries inundated by American movies, music, television, and images of beauty.**

- **For example, consumer product giant Unilever sells Dove soap with its "Campaign for Real Beauty" in the U.S., but markets Fair and Lovely products—a skin-lightening line—to poor women in India.**

- **Although many indigenous forms of media culture—such as Brazil's and Mexico's *telenovela* (a TV soap opera), Jamaica's reggae, and Japan's animé—are extremely popular, U.S. dominance in producing and distributing mass media puts a severe burden on countries attempting to produce their own cultural products.**

- **For example, American TV producers have generally recouped the costs of production in national syndication by the time their TV shows are exported.**

- **This enables American distributors to offer these programs to other countries at bargain rates, thereby undercutting local production companies trying to create original programs in their own language.**

Mickey Mouse Monopoly: Disney, Childhood & Corporate Power