

THE MEDIA AND COMMUNICATION INDUSTRIES: A 21ST CENTURY PERSPECTIVE

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Resumen

Los medios de comunicación y las industrias de la comunicación están experimentando cambios y evolución sin precedentes en el siglo veintiuno. Este trabajo examina este proceso con un método de estudio de casos que analiza los sectores tradicionales y nuevos de los medios de comunicación, utilizando los siguientes criterios: los mercados en los cuales se ubican, los líderes en cada una de las industrias respectivas, el potencial económico de estas industrias, y los procesos continuos de evolución y transformación. El estudio sostiene que ya no se identifican los medios de comunicación y las industrias de la comunicación en términos de sectores centrales tales como la radiodifusión o los periódicos, sino en una estructura de actividades distinta, que involucra áreas como contenido, distribución y búsqueda. Además, el trabajo plantea que los estudiosos necesitan nuevas herramientas teóricas y metodológicas para comprender mejor los cambios y transformaciones masivos que se ocurren a través del sector de los medios de comunicación. Una serie de propuestas concluyen el estudio, ofreciendo un marco sobre el cual se puede construir la investigación y el análisis en el futuro.

Palabras claves: Comunicación, industrias, medios, mercados, cambios, transformaciones

Abstract

The media and communication industries are experiencing unprecedented change and evolution in the 21st century. This paper examines this process with a case study method by analyzing the traditional and new media sectors using the following criteria: the markets in which they are engaged, the leaders in each of the respective industries, the economic potential of these industries, and their continuing evolution and transforming processes. The paper argues that the media and communications industries can no longer be identified in terms of core sectors such as broadcasting or newspapers, but rather to a different structure of activities involving such areas as content, distribution, and search features. Further, the paper posits that new theoretical and methodological tools are needed by scholars to better understand the massive changes and transformation occurring across the media sector. A se-

ries of propositions concludes the paper, offering a framework on which to build future research and analysis.

Key words: communication, industries, media, markets, changes, transforming.

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1. Introduction

The first decade of the 21st century has been unique in terms of its impact on the media and communication industries. From the rapid rise and collapse of the dot-com era to a 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 (Albarán, 2009). This paper takes a look back, as well as a look forward, to understand this process and how it is reshaping the future of the media and communication industries.

The word "transformation" is purposely used in this paper to represent the massive changes taking place across the media and communication industries. 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 captures the environment that currently confronts the media and communication industries. The transformation of the media and communication industries didn't happen overnight. The process has been accelerated by several external factors discussed in the next section of the paper.

2. External forces transforming the media industries

There are five predominant forces that interact in any society impacting the media and communication industries. These forces are glo-

balization, regulation, economics, technology, and social aspects. Each of these forces is described briefly in the following paragraphs.

Globalization is a term with many different meanings (Micklethwait & Wooldridge, 2000); for media firms and industries the act of globalization occurs when companies reach beyond domestic borders to engage consumers in other nations, thus expanding their markets. Originally, media globalization was limited to selling content around the world, a practice that first began with Hollywood films and later television programming. The United States is the largest exporter of media content in the world, raising many concerns about the influence of America abroad and the notion of "cultural imperialism" (Jayakar & Waterman, 2000).

Globalization also occurs when companies acquire other properties in other countries. News Corporation was first an Australian newspaper company, acquiring newspapers in the United Kingdom and the United States, and later purchasing a group of television stations that would eventually become the Fox TV Network. Sony entered the film industry by first acquiring Colombia Tri-Star, and later MGM.

Yet another form of globalization occurs when a company establishes multiple locations in other nations. The Nielsen Company, a privately held firm specializing in various types of research services, operates in over 100 countries throughout the world. Disney operates theme parks in several important global cities, with a separate base in Latin America. As the global leader in book publishing, Germany-based Bertelsmann also has operations around the world through its various publishing entities.

Regulation and regulatory practices differ from nation to nation; through regulation governments require business and industry to follow certain rules and guidelines. Regardless of the country, most businesses and industries dislike being regulated, and would prefer to operate without government oversight (Albarán, 2002). But regulation is important in establishing and maintaining competition, to protect workers and consumers, and to generate revenues through taxation in order for government to operate.

Over the years the media industries have evolved in many developed nations from being strictly regulated to various forms of deregulation and liberalization. In the United States and United Kingdom, regulations for the media industries

have been repeatedly relaxed since the 1980s, especially in regards to media ownership. Other nations have followed suit to some degree, but in other regions of the world (e.g., Middle East, Asia) heavier regulation exists.

Economics in any nation is influenced by its government's philosophy and the interplay of market forces, which are identified through an analysis of macro- and microeconomic concepts. Macroeconomics is concerned with the aggregate economy, and topics like gross domestic product (GDP), gross national product (GNP), labor and unemployment, interest rates, and banking and finance (Albarran, 2002). Microeconomic analysis is concerned with the structure, conduct and performance of markets and individual firms (corporations).

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

Technology has both enhanced and disrupted the media economy. Innovations in technology through distribution and reception technologies continue at a rapid pace (Shapiro & Varian, 1999). The plethora of technological advances has forced media companies to try to keep up with one another, while at the same time not knowing what technologies consumers will ultimately adopt. The digital environment has caused havoc with traditional business models; in an analog world content was controlled by media companies and access limited. In the digital world these barriers are removed.

For media companies finding new business models and revenue streams are a major concern. For consumers, today's new technological gadget is likely to be obsolete within months, replaced by yet another new innovation. Technology offers faster and easier tools to deliver and access entertainment and information. Technologies like the iPod, DVR, and smart phones are examples where both media firms and consumers win.

Social aspects are also important in that the audience can no longer be thought of as a mass entity, but an aggregate of many different demographic, ethnic, and lifestyle groups with different needs and interests. The audience is transforming as well (Napoli, 2003). The baby boomer genera-

tion is graying; American society along with many other nations are becoming much more ethnically diverse and multicultural; people are living longer and working longer; younger people are more technologically savvy and prefer to access content differently than adults.

Given all the outlets available for entertainment and information in a digitally delivered media world, audience fragmentation is at an all-time high. Audience members are more empowered than at any other time in media history. Audience members no longer just consume content -they also make content in a multitude of ways, whether through blogging, podcasting, uploading videos, or social networking to just name a few options. Social aspects are yet another force driving the transformation process.

3. The evolution of media and communication markets

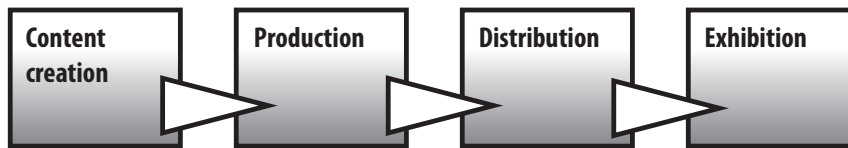
3.1. Traditional Media and Communication Markets

Historically, media and communication markets were easy to define because they functioned in a specific area -such as publishing (newspapers, magazines, books), radio, television, sound recordings, and film. Media companies could be further differentiated because they tended to focus on one area on the media value chain; specializing in development (of content), production, distribution, or exhibition as illustrated in Figure 1 (Albarran, 2009). As media companies began to consolidate, larger conglomerates such as Disney and News Corporation were developing numerous brands in a horizontal pattern, across different markets, as well as engaging in vertical integration, where many activities of the value chain were housed under one corporate structure.

The transition from analog to digital technology -along with the diffusion of the Internet and other digital platforms- began to further blur how media markets were defined. Cable, satellite, and telecommunication companies entered the picture, along with Internet-related businesses, and technology companies, together creating confusion as to how media markets are defined and identified.

Evidence of this evolution of media markets

Figure 1
Traditional Media Value Chain



is available through an examination of the media-related companies that make up the Fortune 500. The Fortune 500 is a listing of the top U. S. companies ranked by revenue, and published annually by Fortune magazine since the 1950s. While the information is descriptive, over time it illustrates trends and patterns. What follows is an analysis using only the top 100 firms each year.

In 1980, only three media-related companies were in the top 100: RCA -then the owner of the NBC Television Network (36); CBS (37), and Gulf + Western (52), then owner of Paramount Studios. By 1990, only three companies were listed: General Electric (5), which had acquired NBC from RCA; CBS (28), and Time Warner (59). Table 1 illustrates changes in the top 100 compared at three time intervals.

Table 1
Media Firms listed in the Fortune 100, Selected Years

1995	2000	2005	2008
AT&T (5)	GE (5)	GE (5)	GE (6)
GE (6)	AT&T (8)	Verizon (14)	AT&T (10)
Bell South (44)	SBC (12)	Time Warner (32)	Verizon (17)
Verizon (63)	MCI (25)	SBC (33)	Time Warner (49)
MCI (66)	Bell Atlantic (33)	Microsoft (41)	Sprint Nextel (58)
SBC (89)	Time Warner (45)	Disney (54)	Disney (67)
Media One (91)	Bell South (58)	AT&T (56)	Comcast (79)
	Disney (66)	Sprint (67)	News Corp. (84)
	Sprint (81)	Viacom (69)	
		News Corp. (98)	

Source: Fortune 500

Notice over time the growing presence of telecommunications companies, as well as the growth of the larger media conglomerates Time Warner, Disney and News Corporation. Thus, we

see evidence of two trends: the growth of content-related companies, as well as the importance of distribution via telecommunications, a great deal of the latter coinciding with the rapid growth of mobile phones and the Internet. Further, it was during this time period that telecommunication operators began offering "triple play" services, the bundling of telephone, high speed Internet service, and a multichannel video service to the home, providing direct competition to cable television providers offering similar services.

These traditional media and communication markets focused on a single business model: advertising. Content attracted audiences, and advertisers purchased time and space to acquire access to audiences. There is one other business model used by traditional media, that of subscriptions. With a subscription, the consumer purchases the good or service, usually on a monthly basis. Among items that use subscriptions are newspapers and magazines, and cable or satellite television services. Consumers also engage in direct purchases, 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 -that is until new technologies enabled a greater number of choices and options for consumers, creating fragmentation and declining audiences. This was especially true for younger demographics, who find little utility in a newspaper, radio station, or even traditional television. The younger demographics can simply acquire the content they want via the Internet, and watch or listen on a laptop or Mp3 player.

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, advertisers had pulled millions of dollars out of traditional media, in part to save money, but also to place more advertising online. As advertising eroded from three of the best sectors of the ad 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 companies forced in to early stages of bankruptcy protection (e.g., Tribune, Pappas Telecasting). The long-term economic outlook for traditional media suggests continuing contraction in terms of value, and continuing fragmentation (and thus erosion) of existing audiences (see Carr, 2008; "Fitch Touts Grim '09 Outlook"; Webster, 2005).

3.2. New Media and Communication Markets

The new media and communication markets forming early in the 21st century revolve around the Internet and a host of emerging digital platforms engaged in a variety of different services and applications. Traditional media firms are struggling to find a foothold in this new landscape, while fighting for economic survival.

In these new media markets, consumers can access or download content anytime they want from anywhere in the world. All they need is a broadband connection, either provided by wire or wireless, and a device that can connect the user to the Internet -which can be a laptop/desktop computer, or a mobile phone or "smart phone". There is no longer a linear chain from development to exhibition where control rests in the hands of the distributor. Now, content can be accessed or exhibited anytime and anywhere.

These new media markets share common characteristics (see Evans & Wurster, 2000). First, their experience is nonlinear, allowing the user entry at many different points along the value chain. Second, the experience contains a great deal of richness, involving both interactivity and individuality. 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 business models and revenue streams. Fifth, these new markets expand the entertainment and information options offered via traditional media. Table 2 provides a listing of currently available digital platforms in the U. S.

This transformation of markets not only shifts control to the user (audience), but also empowers the audience to be developers of content. We have seen early manifestations of this empowerment through several digital platforms hosting user generated content: blogs, which allow the user to operate as their own publisher; social

Table 2
Examples of New Media Digital Platforms

Mobile or Smart Phones	Mp3 Players	HDTV/SDTV
PDA's	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

Source: Compiled by the author from multiple sources.

networks, which allow exchange of entertainment and information with one's "friends"; and through services such as YouTube, where users can upload their own content to share with others, enabling a new generation of writers, producers, and actors who can use this new medium to develop their own programs or series, also known as "webisodes".

In terms of business models, the new media and communication markets offer an expansion of options, and we can expect more sophisticated models to emerge. At present, the most popular business models are advertising, subscription, pay per use, and search. A brief discussion on each follows.

Advertising is also the primary business model in the new media world, but it is driven with greater accuracy and precision than found in traditional media. Through the use of cookies and database marketing, advertisers can more directly target customers who "click-through" by knowing their online habits and preferences, especially for repeat customers. This allows for greater efficiency on the part of advertisers. Globally, Internet advertising is expected to reach \$50 billion by 2012, according to several analysts.

Subscriptions are usually available to allow users access to premium content. The most successful example of a subscription model is the online version of the Wall Street Journal. Users pay an annual fee for 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). Online subscriptions can also be a premium for subscribers of

traditional media; for example, as a subscriber of the Economist, I have access to the online version for free, and access to content unavailable to the general public.

Pay per use simply means the user pays a one-time fee for access or content. Apple's iTunes is an example of pay per use; the user pays for whatever content they download for their computer, iPod or iPhone. The user controls how much to spend, and when to spend. According to Anderson (2006), the future for many media companies will be building incremental revenue from a library of media products, rather than through large scale "hits". This idea is the basis for Anderson's theory of the long tail.

Search is the dominant activity among Internet users. 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.

In summary, the new media and communication markets evolving in the 21st century are driven by 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. A new landscape for media and communication markets in the 21st century is discussed in the next section of the paper.

4. Media & communication markets: a 21st century landscape

Historically, the structure of media markets were defined using labels associated with other economic markets, such as an oligopoly or monopolistic competition. But the impact of technology, regulation, economics, globalization, and social forces has led to blurring of the markets. In the 21st century, a TV station is not just engaged in broadcasting any more than a newspaper is engaged only in publishing. Both attempt to reach new and existing audiences (and advertisers) through their digital platforms.

The picture is further complicated when we

look at companies, especially large media conglomerates. With over 150 subsidiaries functioning across multiple media markets, what business is Time Warner engaged in? Likewise, News Corporation, 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 in to a single market structure.

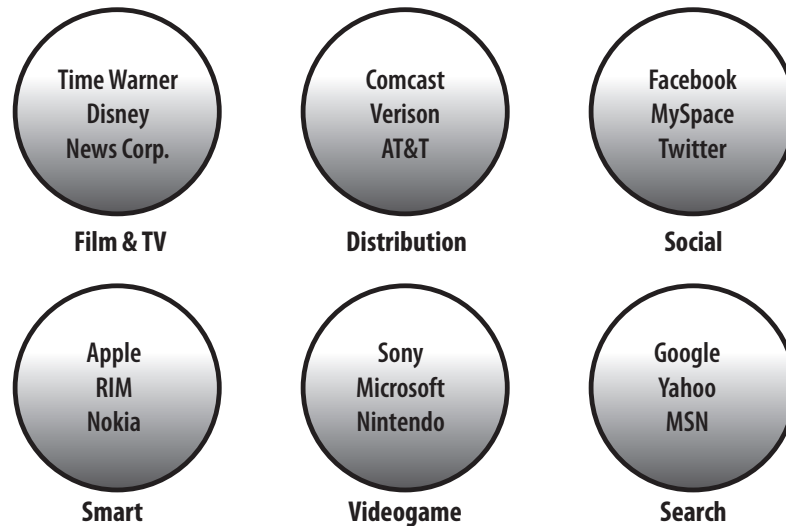
How do we as researchers begin to make sense of the current landscape, which consists of heavy competition in a fragmented marketplace with blurred boundaries? To begin with, we can no longer think of the media industries along the old former labels of broadcasting, publishing, and music. It is perhaps more useful to identify the core aspects of the current media landscape, and try to attempt a classification based on those criteria. For example, it would be better to use the term content to identify those companies that generate programs for television and movies for film. Likewise, distribution is perhaps a more effective term to describe companies involved in offering cable, satellite, and IPTV and telecommunications services.

The Rule of Three (Sheth & Sisodia, 2002) posits 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 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 reporting. Market specialists tend to target a specific demographic group, such as MTV whose audience is comprised primarily of younger audiences and programming to meet their entertainment needs.

Following these ideas, Figure 2 presents a landscape map of part of the 21st century media and communication industries in the United States, focusing on just six of the many possible segments. In each case, the top three projected leaders of the market are identified, following the theoretical foundation established using the rule of three.

Again, this is not to suggest that there are only the three leaders in each of these respective markets, but rather to identify the three with the largest share of the market. For example, the Film and TV Content market is among the most competitive of the areas listed in Figure 1, with CBS,

Figure 2
A Map of Selected Media Industries Using the Rule of Three



Source: Author's compilation.

NBC Universal and Viacom all 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 MSN. This examination is not to suggest that this is a static picture and will not change. To the contrary; we have experienced constant change and evolution in the media and communication markets, and this is simply a point in time reference. 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 discussion of the next section of the paper, where we review theoretical and methodological aspects of examining media and communication markets with a fresh perspective.

5. 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 theories, researchers have primarily relied on a handful of theories drawn from economics, such as economic theory, which argues that firms seek to maximize their value for their owners and stakeholders; and 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, according to Albarran and Liu (2009).

Other theories used by scholars to understand media markets include the principle of relative constancy (McCombs, 1972), niche theory and media competition (Dimmick, 2003); game theory, behavioral economics, information economics, transactional cost economics, and political economy (see Albarran, Chan-Olmsted & Wirth, 2006; Wildman, 2006). These theories still offer value to researchers, but little has been done in the area of evolving market structure to keep up with the changes taking place in the 21st century. The rule of three (Sheth & Sisodia, 2002) suggests a two-tiered market structure found in most markets, resembling a hybrid oligopoly-monopolistic competition structure, but this has not been examined with any consistency among media scholars.

Likewise, our methodological tools are not well equipped to handle the changes taking place in the 21st century. For example, the topic of concentration among the media industries is a global concern (Albarran & Mierzejewska, 2004). Yet, virtually all of the work on media concentration only investigates the phenomenon from a within-industry perspective. As this paper has attempted to point out, we can no longer look at media companies using a silo approach, because companies are not involved in just a single market. We need to be considering the influence of horizontal concentration across markets, a subject first broached by Albarran and Dimmick (1996).

Refining both theoretical foundations and methodological tools are not easy tasks; they require researchers to take risks and challenge assumptions. 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 or societal 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.

6. Propositions and research agenda

This section of the paper offers a set of propositions that may be helpful to other researchers interested in conducting studies on the continuing evolution of the media and communication markets. 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.

- The evolution of the media industries is a continuing phenomenon that will impact both traditional and new media markets. We will continue to see further fragmentation with traditional media, especially related to newspapers and broadcast radio and television.
- This evolution process must be examined using multiple levels of analysis ranging from the global to the individual level, as well as the development of new theoretical orientations and methodological tools.
- Media markets will best be examined by considering broader topics of content, distribution, and search rather than the outdated labels of television, publishing, and music.
- Media markets must be examined as part of the social system involving economics, regulation, globalization, technology, and demographics.
- 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.
- Technology will continue to expand, especially for wireless hand-held devices offering the user many applications and expanded utility to access media entertainment and information.
- New studies are needed to understand how the transforming of the media industries and markets process impact audiences and social structure. For example, if the newspaper moves entirely online, what are the ramifications of such a 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?

These are just a few of the many topics that deserve more study and investigation by scholars

from around the globe as we attempt to gain understanding of this transformation process.

7. Conclusions

This paper 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 paper utilizes a case study approach involving several different sources to begin to analyze this transformation process. The paper, based on the situation in the United States, illustrates how the number of companies engaged in the media and communication markets have grown and expanded since 1980. The paper also discusses 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 the consumer. An important part of this discussion is the differences in business models found among traditional versus new media.

From a theoretical standpoint, the paper draws on the rule of three, which 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 six media and communication markets -broadly defined- to illustrate the theory's utility in examining the media industries.

One outcome of the re-mapping of the media and communication markets presented in this paper 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.

The paper 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, we need theories that can be used across multiple levels of analysis, and we need methodological tools that can help us in understanding not only what happens within a particular market/in-

dustry, but across markets. This is especially needed to understand the full impact of large conglomerates 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.

This paper demonstrates there is much work to be done to truly grasp this evolutionary process, and the work done by academic researchers can be useful and helpful to society to understand these changes; to policymakers in making important decisions regarding regulation; to media industry practitioners and executives to understand the changes taking place around them; and to other researchers to help guide them in future directions.

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