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M. Bjørn von Rimscha (Ed.)

MANAGEMENT AND ECONOMICS OF COMMUNICATION

In cooperation with Stephanie Kienzler

HANDBOOKS OF
COMMUNICATION SCIENCE

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Management and Economics of Communication

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Edited by
Peter J. Schulz and Paul Cobley

Volume 30

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Preface to *Handbooks of Communication Science* series

This volume is part of the series *Handbooks of Communication Science*, published from 2012 onwards by de Gruyter Mouton. When our generation of scholars was in their undergraduate years, and one happened to be studying communication, a series like this one was hard to imagine. There was, in fact, such a dearth of basic and reference literature that trying to make one's way in communication studies as our generation did would be unimaginable to today's undergraduates in the field. In truth, there was simply nothing much to turn to when you needed to cast a first glance at the key objects in the field of communication. The situation in the USA was slightly different; nevertheless, it is only within the last generation that the basic literature has really proliferated there.

What one did when looking for an overview or just a quick reference was to turn to social science books in general, or to the handbooks or textbooks from the neighbouring disciplines such as psychology, sociology, political science, linguistics, and probably other fields. That situation has changed dramatically. There are more textbooks available on some subjects than even the most industrious undergraduate can read. The representative key multi-volume *International Encyclopedia of Communication* has now been available for some years. Overviews of subfields of communication exist in abundance. There is no longer a dearth for the curious undergraduate, who might nevertheless overlook the abundance of printed material and Google whatever he or she wants to know, to find a suitable Wikipedia entry within seconds.

'Overview literature' in an academic discipline serves to draw a balance. There has been a demand and a necessity to draw that balance in the field of communication and it is an indicator of the maturing of the discipline. Our project of a multi-volume series of *Handbooks of Communication Science* is a part of this coming-of-age movement of the field. It is certainly one of the largest endeavours of its kind within communication sciences, with almost two dozen volumes already planned. But it is also unique in its combination of several things.

The series is a major publishing venture which aims to offer a portrait of the current state of the art in the study of communication. But it seeks to do more than just assemble our knowledge of communication structures and processes; it seeks to *integrate* this knowledge. It does so by offering comprehensive articles in all the volumes instead of small entries in the style of an encyclopedia. An extensive index in each *Handbook* in the series, serves the encyclopedic task of find relevant specific pieces of information. There are already several handbooks in sub-disciplines of communication sciences such as political communication, methodology, organizational communication – but none so far has tried to comprehensively cover the discipline as a whole.

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For all that it is maturing, communication as a discipline is still young and one of its benefits is that it derives its theories and methods from a great variety of work in other, and often older, disciplines. One consequence of this is that there is a variety of approaches and traditions in the field. For the *Handbooks* in this series, this has created two necessities: commitment to a pluralism of approaches, and a commitment to honour the scholarly traditions of current work and its intellectual roots in the knowledge in earlier times.

There is really no single object of communication sciences. However, if one were to posit one possible object it might be the human communicative act – often conceived as "someone communicates something to someone else." This is the departure point for much study of communication and, in consonance with such study, it is also the departure point for this series of *Handbooks*. As such, the series does not attempt to adopt the untenable position of understanding communication sciences as the study of everything that can be conceived as communicating. Rather, while acknowledging that the study of communication must be multifaceted or fragmented, it also recognizes two very general approaches to communication which can be distinguished as: a) the semiotic or linguistic approach associated particularly with the humanities and developed especially where the Romance languages have been dominant and b) a quantitative approach associated with the hard and the social sciences and developed, especially, within an Anglo-German tradition. Although the relationship between these two approaches and between theory and research has not always been straightforward, the series does not privilege one above the other. In being committed to a plurality of approaches it assumes that different camps have something to tell each other. In this way, the *Handbooks* aspire to be relevant for all approaches to communication. The specific designation "communication science" for the *Handbooks* should be taken to indicate this commitment to plurality; like "the study of communication", it merely designates the disciplined, methodologically informed, institutionalized study of (human) communication.

On an operational level, the series aims at meeting the needs of undergraduates, postgraduates, academics and researchers across the area of communication studies. Integrating knowledge of communication structures and processes, it is dedicated to cultural and epistemological diversity, covering work originating from around the globe and applying very different scholarly approaches. To this end, the series is divided into 6 sections: "Theories and Models of Communication", "Messages, Codes and Channels", "Mode of Address, Communicative Situations and Contexts", "Methodologies", "Application areas" and "Futures". As readers will see, the first four sections are fixed; yet it is in the nature of our field that the "Application areas" will expand. It is inevitable that the futures for the field promise to be intriguing with their proximity to the key concerns of human existence on this planet (and even beyond), with the continuing prospect in communication sciences that that future is increasingly susceptible of prediction.

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Contents

M. Bjørn von Rimscha

1 Management and economics of media and communication – History and definition of the field

Abstract: This introductory chapter will define the field by describing the management and economics of media and communication as an interdisciplinary perspective that applies economic theory and methodology to assess whether media organizations efficiently reach their respective objectives also beyond profit maximization. A brief and selective history of the field will be provided before the characteristics that constitute media as economic goods are introduced, and it is considered how this affects media functions. Furthermore, an outline of the chapters in this volume will be presented.

Keywords: media economics, media management, history, good characteristics

1 Introduction

Economics is the social science concerned with the rational use of scarce goods. When thinking of communication some readers might think of their email inbox and wonder why on earth someone should believe that communication is scarce. Well, it depends on the perspective. Quite possibly, scarcity is only at one end of the transaction: While messages are abundant, potential attention to them is not. An economic perspective it is basically about efficiency. However, variations concerning the objective that shall be efficiently achieved are possible. A language can be efficient if it allows for a parsimonious use of words and symbols to convey a given information. A publisher can be efficient in bringing together solvent recipients with content providers or attractive target groups with solvent advertisers. A public service broadcaster can be efficient in translating license fees in public value as defined in its mandate. Hence, management and economics should not be narrowed down to profit maximization but can be a useful way of thinking about how to achieve very diverse goals with a thrifty use of resources.

Thus, an economic perspective on media and communication is useful as it can be applied to different types of objectives, or "functions", of the media and communication sector (McQuail 2005: 96–99). Broadly speaking, these functions can be categorized along three objectives:

First, there are social objectives. Media entertain audiences and thus allow them to relax. They provide orientation in a complex world and convey social values and norms to the members of a society. In doing so, they serve an integrative function

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bringing together the individuals constituting a society. Notwithstanding the obvious differences in the values and norms respectively promoted, on a generic level, the social function of media is present in every society and political system.

Second, there are political objectives. Media establish a public, identify upcoming issues, and provide the platform to articulate opinions. Depending on the political system, this also includes either a function of controlling the powerful and voicing critique or a function of suppressing control and critique.

Third and lastly, the media also have economic functions. These functions only becomes relevant in a capitalist context. Media can be regarded as a profit-maximizing business themselves addressing citizens as consumers, and furthermore they serve as a means for other businesses to publicize, advertise, and market their goods.

Media organizations can be efficient in all of the three functions, and thus the study of economics and management of media and communication is at the intersection between communication studies, economics and management, psychology, and semiotics that each deal with these functions. Each perspective has a different level of investigation and a different object in focus. On the individual level (micro perspective), language is important: Questions in this context might include whether a conversation is efficient. Research is fairly limited in this context, not least because an economic perspective is at times equated with a frowned upon commodified perspective (e. g., Cameron 2006). While commodification is often also criticized in a media industry context (e. g., Mosco 2009) since it ranks economic objectives higher than societal objectives, it is generally accepted to interpret media at least also as economic goods. Thus, media economics and management both provide an economist's view on mediated mass communication with insights from communication science as moderators in predominantly economic descriptions of the media industry. However, they differ with regard to their perspective on the media and with regard to their objective.

Media economics offers a macro perspective of political economy: Analyses are often descriptive or normative and address the overall question of how a media system as a whole should be optimized in order to best serve society. The "media" aspect in media economics is thus emphasized due to the influence of the media on society and their contribution to a functioning political system and a productive economy. As such, the perspective of media economics resembles that of cultural economics which likewise includes non-monetary aspects of welfare. However, media economics has a narrow focus on media.

Media management, on the other hand, has a meso perspective with regard to the organization involved in communication, be it informative, entertaining, or persuasive. It addresses questions about how to optimize the development, production, and distribution of media products in the light of the special characteristics of media goods. The objective here is usually profit maximization for media companies (or utility maximization in the case of not-for-profit organizations). Thus, the "media" aspect in media management is emphasized due to the characteristics of the media as products that demand a special handling by managers.

Media economics is the older of the two perspectives with the first inquiries dating back to the 1940s. Even though media economics has a broader perspective, most work until 1990 tended to focus on single media industries such as the newspaper, television, or movie industry and focused on specific markets, most notably the USA. This made sense when, during the Cold War, the USA was the obvious example of a free market economy, whereas in countries with a command economy, the function of the media for society was considerably different. In an increasingly multi-polar world that is economically ever more intertwined, media economic perspectives need to become both more holistic and more generic, and research as well as text books have made a start to do so.

Media management is the younger perspective that gained attention only fairly recently when scholars of business administration and strategic management in the 1990s discovered the media as an interesting case in point when investigating products with special traits: On the consumer side, media can be described as experience goods; on the producer side, project-based production and a strong identification of the producers with a creative output stand out. Thus, media management was by and large characterized by theory import, where generic theories were applied to the communication and media industry. With experiences becoming more important than ownership, development and production becoming increasingly organized in projects, and a growing importance of innovation, insights from the media industry can now also be (re-)transferred to other sectors.

In the following, I shall briefly sketch the history of the field (2) and then introduce the characteristics of media and communication goods (3) to explain why it is necessary to take an interdisciplinary look at the field. Some readers might wonder whether there is any difference between communication and media goods compared to other goods. In other words, could questions in this context not just be covered by economists? Why bother with economics of communication also in a communication science context? Tellingly, researchers in the field seem to love asking the question about what is so special about that field (e. g., Nissen 2013; Dogruel 2014; Lowe and Brown 2016). Basically, there is not one distinct feature that makes media and communication stand out. There is nothing extraordinary about media goods in terms of good characteristics. Any good characteristic of media goods can also be found in other goods, be it external effects, economies of scale, or experience good characteristics. And of course, standard business theories and analysis methods can easily be applied (Picard 2005). Although these traits are not unique, they are influential for the ability of media to fulfil also non-economic functions of media for society. That is because media have a split character as they are both economic and cultural goods. Finally, the chapter introduces the plan for the book (4), with chapters that pick up on these issues and in the latter part also discuss regional distinctiveness.

2 History

A great overview of media economic thought beginning in the age of Enlightenment can be found in Mühl-Benninghaus (2016). I won't go back that far, but I will start with the beginning of the 20th century. Before the study of economics and management became institutionalized in its own right as a subdiscipline of both communications science and economics, works in this field were published in general economics. Book prices (Tosdal 1915) as well as economic aspects of film production and distribution (Johnston 1926; Cassady 1933) or arbitration between publishers and printers (Weiss 1923) were discussed in economic journals long before anyone conceptualized media economics and management.

Most of the early works in the field were carried out along the lines of certain media technologies focusing on a single industry segment. Early studies include those by Franklin (1927) on the movie industry, Thayer (1954) on the newspaper industry, Reinsch (1948) on radio- and Roe (1964) on TV-station management. All of these books were aimed more at conveying how-to-knowledge than at analyzing the respective industry or comparing the effectiveness of different managerial approaches. They basically provided guidance on how to deal with the then emerging media.

Also, the more theoretically grounded beginnings of the field were triggered by current developments in the markets. In the 1970s, media concentration first became an issue of public concern. The newspaper markets in many western countries were consolidated, and the public as well as politicians began to wonder about how to preserve competition and avoid monopolies both in terms of economic units and in terms of the effects on the marketplace of ideas. Early works, e. g., by Gustafsson (1974; 1978) in Sweden and Kisker, Knoche, and Zerdick (1979) in Germany, were often based on commissioned research for regulators or governmental commissions, leading to follow-up studies on countermeasures such as press subsidies (Gustafsson 1980). Most of the work on concentration has been carried out on a market level, however, the micro perspective of the individual media worker in this context can also be traced back to that time. Soloski (1979), for example, carried out participant observations to analyze the effect of group ownership of a newspaper on the actual journalistic and editorial work in a newspaper, and Engwall (1978) looked at newspapers as organizations.

Around the same time, Owen published his reflection on the economic history of the print media and their relevance to the First Amendment of the U.S. Constitution (1975) which stated that the transition of communication enterprises from persuasion tools to profit instruments was characterized by a substantial decline in competition and an simultaneous increase in concentration. He also discussed issues arising from the co-ownership of print and electronic media (Owen 1973).

The 1970s also saw a first institutionalization of the subject. Nieto Tamargo (1973) became the first professor of "information economics" in Spain in 1974, Kopper (1982) followed in 1978 in Germany with a chair in "media economics"[1]. Until today, the number of academics with "media economics" in their job title remains limited. Issues in the field are often addressed by academics with a background in economics, business administration, communication science, journalism, or law, who work on media economic and management issues either in addition to their main topic or because they use the communication and media industry as an example to make their case. Miller and Shamsie's seminal work on resources in film production (Miller and Shamsie 1996) serves as a good example here: From a communication science perspective, it is a great contribution to the understanding of the development of the film industry, from the economic perspective of the authors, the film industry serves as an ideal example to convey their idea of the context-dependent value of different resources.

Much of the development in the research on the economics of media and communication was triggered by technological or regulatory changes. *Video economics* (Owen and Wildman 1992) dealt with the increased competition in the television market resulting from technological progress as well as deregulation in the U.S. market. Similarly, *E-conomics* (Zerdick et al. 2000) was a reflection on how the business models of media companies are challenged by the advent of the internet. And also the recent interest in platform economics is a result of the success of companies like Google and Facebook and other hybrids between media and technology companies.

The development of media management was a bit different. In an applied field of economics, professor positions instructing students how to run a media business were quickly introduced and today they outnumber by far those in media economics. However, this applied approach has at times handicapped thorough analysis. Picard (2006) states that early literature on media management (which he defines as prior to the 1990s) was predominately descriptive and as such only offered a very limited contribution to the field. He extends his argument not only to the theory but also the methodology and scope of the research and criticizes the limited and rather unsophisticated range of methods employed as well as the neglect of different management levels and roles.

More recent works in the fields have much evolved from the humble beginnings as some of the chapters in this volume will illustrate. However, one limitation remains: Media management and media economics almost always take a Western perspective for media economics rely on a market economy framework. If the objective of economic behavior was switched from profit maximization to a more generic issue of efficiency, more universal perspectives could evolve. Currently, issues and tools sometimes do not match. This becomes evident, e. g., in a recent submission to the *Journal*

1 Depending on your academic pedigree, you might think of other names in other countries. Bear with me, as I do not claim to be exhaustive here but hope you will find more names and perspectives in the section on regional perspectives in this volume.

of Media Business Studies: The authors from a non-western country at the brink of a civil war and with an economy relying on remittances from abroad tried to discuss how to best run a media company in that country. The Western concepts they tried to apply could take them only so far. Some of these aspects will be discussed in this volume in the section on regional perspectives and peculiarities. So far, media economics and management is still not only a rather young discipline, but also one that is fairly narrow in its scope on commercial media in Western democracies.

3 Good characteristics as fundamentals

The fundamental characteristics of media as communication goods largely define the research issues in the field. Therefore, they shall be introduced here. The most useful characterizations of the peculiarities of media as economic goods have been published by Caves (2000: 1–17) in his introduction to a book that analyzes creative industries through the lens of contract theory, by Picard (2005) in the *Journal of Media Business Studies*, and by Noam (2018: 9–12) in his introductory textbook. The following paragraphs rely heavily on their works as well as on an overview I authored in the context of film economics (von Rimscha 2010: 55–74).

3.1 Non-transparent quality and uncertainty in demand

In the audience market, media are experience goods (Nelson 1970). This means that the audience cannot easily assess the quality of a media good in advance. To do so they have to experience it. For example: You can only tell if a movie is actually entertaining while or after you have seen it. For news, it is often even worse: A viewer of television news has to trust the correspondent regarding the accuracy of the information, be it the development of a civil war a continent away or the justification of a company's valuation. She can neither assess it nor check it with reasonable effort, thus news are often credence goods. With this characteristic, demand is highly uncertain in advance (Caves 2000: 3). If consumers cannot easily assess the quality of a good, regularly the result is likely adverse selection (Akerlof 1970). Because consumers do not know whether they will receive a good of high quality or not, their willingness to pay is only high enough to fund a good of low quality. Hence, producers will no longer produce high-quality products but adjust their product to the low willingness to pay. New institutional economics deals with these issues of asymmetric information (see chapter 4 in this volume). Research in media management devotes much attention towards the question of how to deal with this, for example by modeling marketing efforts when demand is uncertain (see chapter 15 in this volume) or by creating media brands that shall provide trust and subsequently predictability (see chapter 16 in this volume).

3.2 Externalities

Media markets have external effects. Media content, whether editorial or promotional, has social benefits and cost that are not represented in its market price. On the positive side, for instance, news may lead to a better-informed electorate and to a better government that is kept in check by media that fulfil their monitoring function. However, these benefits are not included in the price of the product. Individual media users are only willing to pay for their private and immediate benefit. Without regulation, news are produced only to the point at which the private benefit equals the cost of production, which is lower than the social value of a higher production volume. Hence, news are produced less than socially desirable (Busterna 1988). Positive externalities often serve as a justification for regulatory interventions in the market, e. g., in the form of subsidies for media content with social value or by creating public service institutions (see chapter 13 in this volume).

3.3 Economies of scale

Media production usually involves relatively high fixed costs, i. e., those expenses that need to be covered in order to produce the first copy. These costs remain constant, independently of the number of copies that are then produced and sold. The marginal costs, i. e., the incremental costs required by each additional copy, are relatively low. A tangible medium like a printed newspaper has considerable marginal costs for an additional print run. For electronic media, marginal costs are almost negligible (for a discussion of the differences between different types of media, see Picard 2005). Or, as Noam puts it, “Media content is typically expensive to produce but cheap to reproduce” (2018: 9). The initial costs of the first copy can be distributed across all copies, resulting in decreasing average costs with an increasing number of copies. Media goods show economies of scale as a greater output results in lower average costs. The consequences of these economies of scale are an advantage for larger companies. Initially, this is good for consumers, as competition and low marginal costs lead to low prices. However, industries with economies of scale subsequently show higher levels of concentration, be it through internal growth or mergers and acquisitions, which hampers competition and lowers consumer surplus through low prices. This is true for every industry. For the media industry, however, concentration is especially problematic since it can also reduce the diversity of the opinions reported in the media (see chapter 12 in this volume).

3.4 Network effects

Besides the direct individual benefit from using media, additional value can be derived from the fact that others use the same media content or platform. For a spectator, for instance, a movie might be entertaining in its own right. However, the more other people also watch it the higher the value of watching it as an item of socially rewarding follow-up communication. The ceiling effect aside, the value of a network grows with its size as it offers greater value for its members and subsequently becomes more valuable in itself. A rising number of users drives the attractiveness of a network leading to an even stronger rise in the number of users. Network effects are the consumption-side counterpart to the economies of scale on the production side (Noam 2018: 10). Size is valuable and this again leads to concentration. Some authors refer to social media as winner-take-all markets (Noe and Parker 2005). Most media companies are engaged in more than one market and serve as a platform between different actors, e. g., the audience on the one hand and advertisers on the other. This means that network effects cannot only be observed in one market but also between the different sides of a platform market. The popularity of media content among users also affects its value in the advertising market. The interaction between direct and indirect network effects on multi-sided platforms is a major issue for media and communication economics (see chapter 9 in this volume).

3.5 Intangible assets

The largest part of the media and communication industry is built on intangible assets such as knowledge and ideas. These kinds of assets tend to be easier to copy and harder to protect. Information can hardly be protected, so an exclusive news item is not really exclusive but merely offers a temporal advantage. Information goods do not wear out when consumed, and it is often hard to exclude free riders from consumption. At least in the audience market, many media show the characteristics of public goods. Media goods can thus be easily copied by competitors, and this discourages innovation as investments in novelty can often not be recouped (Noam 2018: 11). In the past, media companies addressed the problem of non-excludability from the consumption of information goods by tying information to a tangible carrier medium such as paper or CDs. Convergence and digitization have rendered this strategy insufficient (see chapter 8 in this volume) and put further strain on the funding of media businesses. If property rights to intellectual assets are hard to secure, competitive advantage has to be derived from other intangible resources. The resource- and the knowledge-based views deal with these issues (see chapter 3 in this volume).

3.6 Utility maximization

Regulatory interventions that create actors, such as public broadcasters with a public mandate, lead to actors who do not aim to maximize their profit. But even without these actors, the media and creative industry is populated by individuals who are not or at least not only motivated by pecuniary incentives. Media workers are often intrinsically motivated, they might want to publish an article because they deem it important, they might want take part in an audiovisual production because they regard it rewarding even beyond their salary. Caves calls this the "art for art's sake property" (Caves 2000: 4) of creative goods. At least part of the workforce in the industry is acting in a way economist would expect from consumers: they maximize utility. From this perspective producing media is part assignment part benefit. Creators might be incentivized to maximize recognition rather than profit (Noam 2018: 12). This has two consequences: First, market participants that do want to maximize profit have to compete with those who don't and thus offer their products too cheap. Second, media companies can take advantage of the non-monetary utility their employees derive from their work and deny them a fair compensation for their efforts. While the first consequence is often discussed in the context of competition between public service and commercial broadcasters the second is a major concern in the analysis of media work (see chapter 12).

4 Plan for the book

This handbook shall reflect the most relevant research areas in the economics and management of media and communication without strictly separating the different subfields. Since the macro, meso, and micro level are always correlated and objectives on each level need to be reflected on the respective other levels, the chapters regularly combine the different perspectives.

The volume is organized in five sections. Following this introduction, the first section I presents the four most commonly used theoretical frameworks for the analysis of media and communication economics and management. The second section II consists of two chapters and provides an overview of the methods and types of data used in the area. The third section III constitutes the core of the volume with chapters on the key issues of the field discussed in context. The fourth section IV is a bit of a deviation from the generic structure that readers of the *Handbooks of Communication Science* series may have become used to. In this "Regional trends and peculiarities" section, scholars from different parts of the world describe how the field has evolved in their respective region and name the most important researchers with their respective focus. The goal is to show the diversity of the field as well as to broaden the view beyond North Atlantic perspectives. The volume ends with a reflection in section V on shortcomings of the current toolbox of media economists exemplified with online video and hints at future directions for the field.

4.1 Theories

The theories section discusses the four major theoretic perspectives used to describe and analyze the economics of communication and media. This lineup is by no means exhaustive but the majority of research in the field can be assigned to one of these perspectives. *Industrial organization* examines the structure of markets and firms, while *resource perspectives* from the field of strategic management focus on the foundations of competitive advantage within the firm. The perspectives are not mutually exclusive, rather, they can be combined in the analysis of the media business. The *political economy* perspective is more interdisciplinary and often critical, including concepts from sociology and political science in its explanation of the reciprocal influences between the political and the economic system regarding the media as a crucial connection between the two. *New institutional economics* expands neoclassical perspectives by legal and social norms that enhance the understanding of economic activity. Along the way, the authors of the theory chapters will also touch upon additional perspectives such as behavioral economics and platform economics.

None of these theories is exclusive to an economic perspective on communication and media. Rather, they all derive from the universal toolbox of economics and have been adapted to the peculiarities of media to varying degrees.

Oliver Budzinski and **Björn Kuchinke** (chapter 2) outline the fundamentals of modern industrial organization theory of media markets. Building from there, they discuss platform economics and the economics of data-based business models and markets. Finally, they highlight the respective implications for competition policy.

Päivi Maijanen (chapter 3) introduces three modern streams of strategic management, namely the resource-based view, the knowledge-based view, and the dynamic capability view. Each of these approaches focuses on characteristics within a media organization that possibly define a competitive advantage and that must be cultivated in order to maintain such an advantage. Majannen describes them as an evolving story: The resource-based view serves as the starting point as it focuses on a firm's inimitable and idiosyncratic resources. Media products have become less reliant on tangible carrier media, thus the knowledge-based view emphasizes knowledge assets as strategic value-creating resources. Moreover, digitization has rendered the formerly stable business models in the media industry more dynamic, forcing media companies to continuously adapt. Accordingly, the dynamic capability view looks at meta resources and capabilities that enable this adaptation.

Christian Steininger (chapter 4) points out the differences between economics and institutional economics and illustrates the potential of six selected approaches from new institutional economics for issues in media economics. Positioning media economics as a part of communication science, it is important for him to highlight the interdisciplinary connectivity of new institutional economic approaches.

Terry Flew (chapter 5) describes the political economy of communication as an alternative paradigm to mainstream (media) economics. He regards political economy as an applied approach that enables a more granular analysis of markets, institutions, and policies. Furthermore, he shows how institutional and behavioral economics can be combined with a political economy perspective.

4.2 Methods and data

The section on methods and data deals with the questions of what types of data can be obtained from which sources and with which methods they can be analyzed. Different research questions call for different methodological approaches, and more often than not, a combination of methods is indicated. To limit this field (four volumes in the *Handbooks of Communication Science* series will actually be devoted exclusively to different methodologies), only two chapters will be representing a quantitative and a qualitative approach.

Marcel Garz (chapter 6) discusses different means of data collection for quantitative data, be it by capturing online data or by digitizing offline data. New measures can be derived from automated methods such as text mining or natural language processing. Furthermore, he introduces methods that allow for causal inference also in data gathered beyond controlled but possibly unrealistic experiments. Garz concentrates on qualitative methods for media economics. Quantitative methods in the context of management and especially media marketing are discussed by Seifert, Clement, and Otten in chapter 16.

Leona Achtenhagen and **Joaquín Cestino** (chapter 7) offer an overview of qualitative methods and how they can be employed for theory building rather than just providing best-practice examples. They briefly describe how qualitative studies should be designed and discuss suitable quality criteria for assessing qualitative research. Furthermore, the chapter mentions ethical guidelines that should be respected when conducting qualitative empirical studies.

4.3 Key issues

The third section of this volume comprises ten chapters that each address key issues in the field. The selection of issues is by no means exhaustive but rather somewhat arbitrary, however certainly not random. The first four chapters focus on changes in the media market and how they affect media business models as well as regulatory frameworks and public service media. The remaining six chapters deal with rather timeless issues that can all be regarded as results of the good characteristics introduced earlier.

Gillian Doyle (chapter 8) describes how digital convergence has affected production and distribution strategies across media and approaches to content as well as the challenges and implications for policy and regulation. Her particular focus is on the so-called "multi-platform" approach whereby the distribution across multiple digital platforms is guiding strategies and activities also on all upstream stages in the value chain. Doyle shows that convergence has fundamental implications for industry and society alike. She analyzes how media companies adapt to … and how policy and regulation have reacted or could react, aspects that are also picked up addressed in the subsequent chapters.

Benedikt Berger, **Simon Bründl**, **Joschka Mütterlein,** and **Thomas Hess** (chapter 9) also look at the evolution of the media industry. They describe how digitization and the advancement of information and communication technology has enabled a new type of media company to evolve. They compare the traditional linear process of creating, bundling, and distributing – the content provider model – to an alternative way of organizing communication processes on content platforms. The chapter introduces content platform operators as a new type of media company and distinguishes them from content providers, discussing the specific challenges in managing content platforms, such as attracting users, ensuring content quality, running the platform, and last but not least capturing value from these activities. The chapter calls for a revised understanding of the term "media company" and hints at possible implications for media regulation that are discussed in detail in the subsequent chapters.

The features of communication and media industries with strong economies of scale and scope render them especially prone to concentration that may hamper competition in terms of business as well as in terms of public opinion. **Natascha Just** offers an up-to-date introduction to the field of media concentration (chapter 12). She discusses the key concepts and definitions of concentration, its measurement, and why it is particularly significant for communication and media markets. Just outlines the legal framework how concentration is regulated or governed and how different institutions are involved in supervising concentration and securing competition. Established approaches of how to assess and measure concentration are challenged by technical, political, and economic developments that have substantially restructured the communications industries (see chapters 8 and 9). The chapter discusses whether traditional enforcement practices are still adequate for converging communication industries and in the light of platform-based multi-sided communications markets.

The evolving communications and media landscape has also affected the research object of **Karen Donders**, **Tim Raats**, and **Stephanie Tintel** who discuss the role of public broadcasters (chapter 13). With their strong position especially in European media markets, public broadcasters have long been criticized for being a market distortion because of unfair state aid. Now, new competition by often dominant content platforms (see chapter 9) has somewhat changed this perception. Policy makers reassess the potential contribution of public broadcasters for innovation and domestic production. The chapter discusses this potential and argues that public broadcasters can indeed contribute to a sustainable development of media markets, but that such an objective should be subordinate to their societal role.

Beyond recent changes and current challenges for the communication and media industries and hence for the research into it, there are a number of perennial issues resulting from the basic characteristics of communication and media goods. More than any other industry, media rely on innovation and creativity both in general (chapter 10) and with regard to their creative personnel (chapter 11). Media are influenced by the state of the economy and in turn influence it (chapter 14), they serve as channels for brand and marketing communication but also act as brands themselves (chapter 16), and need to market their special products (chapter 15).

In her chapter on innovation and creativity, **Marika Lüders** (chapter 10) highlights how research on media innovations can benefit from an interdisciplinary perspective, that combines concepts from business literature with critical theory popular in media and communication studies. Lüders reviews how diverse concepts of innovation and creativity are conceptualized in the literature and applies them to media industries, using music streaming services as an example. Innovation goes beyond technology and processes but can also take the shape of an experience-centric approach to innovation, or customers as co-producers of service value. Furthermore, innovation often extends the boundaries of a firm, involving multiple actors and their interactions. Lüders cautions against a pro-innovation bias and diagnoses a lack of critical approaches in innovation literature. She argues that the study of media innovations should therefore also question innovation.

Anna Zoellner and **David Lee** analyze labor markets in media and communication from a risk perspective (chapter 11), using the UK audiovisual production industry as their case. They first recapitulate why the very characteristics of the product and the structures of production render the media industry a risky business. They then apply this perspective on three levels: the corporation, the individual, and, as a result, society. They show how media companies are able to divert risk towards individual media workers, leading to insecurity and problematic working conditions in flexible employment. Again, we see the benefits of interdisciplinary work: Zoellner and Lee draw on business and organizational studies for the corporate perspective and supplement this with critical approaches from media and labor studies for the individual perspective to ultimately arrive at a nuanced reflection on the societal level.

Stephanie Kienzler (chapter 14) addresses the interdependencies between economic development and media. Her literature review shows that the connection is neither clear-cut nor constant, so she differentiates between demand- and supply-side effects as well as between different media categories. Her focus is especially on recession and the question if media companies can weather a recession and which role they might play for the economy and society at large in overcoming a downturn.

Rouven Seifert, **Michel Clement**, and **Cord Otten** (chapter 15) give an introduction to the marketing of media products as hedonic products with usually short life cycles and high flop rates. They provide a framework for the development of marketing models including the modelling process, the model specification, and the fitting of relationships. A number of examples help illustrate the challenges in various media industries and the connected econometric issues.

Sylvia M. Chan-Olmsted and **Rang Wang** address the subject of branding from both the media branding perspective and the brands-as-media perspective (chapter 16). They describe that the evolution of media technologies has changed the practice of media branding and at the same time allows formerly non-media brands to create and distribute their own branded media to engage with their customers. Chan-Olmsted and Wang give an overview of the development of media branding and its practice with a special focus on audience research and social media marketing. For the perspective of brands as media, they focus on personal brands and social media influencers in particular. Marketing communication through influencer brands are depicted as a new means for commercial brands to gain media influence.

At the end of the key issues section, chapter 17 by **M. Bjørn von Rimscha** and **Johanna E. Möller** serves as a bridge to the regional perspectives described in the subsequent section. They provide an introduction to transnational media management and the specific challenges related to the trading of media products across borders. They discuss why media companies cross borders and how these engagements can be quantified. Furthermore. different strategies of crossing borders are introduced together with the respective implications that culture might have in this context. Once again, this highlights the necessarily interdisciplinary character of an economic perspective on communication and media.

4.4 Regional trends and peculiarities

While some connections and phenomena are universal, media economics and management is a social science and as such deals with humans that are always affected by contextual factors such as culture, traditions, and path dependencies. Thus, not only media markets and products and the way they are produced and consumed differ from region to region, but also the way this is analyzed in academia. While there is sort of a global mainstream, research in different regions puts a different emphasis on certain aspects, and theories and models are sometimes more popular or appropriate in one region than in another. For instance, quite a few concepts imply a capitalist and free society. Therefore, the chapters in this section try to go beyond a transnational standard canon of issues and approaches and present a lineup of regional perspectives that, as a whole, cover the globe. The chapters on regional trends and peculiarities are each written by an author or an author team from the respective region. While they each had the same briefing, the very peculiarities they describe also shape the way they interpreted this briefing and the way they compose their chapters. Readers will not only recognize differences in individual style but at times also traceable influences of the enablers and constraints that shape the institutional setting the authors work in.

Most authors also list or point out individual authors they consider especially influential in their region. If you, esteemed reader, think some names (maybe even your own one) are missing in the text, this might well be the case. However, as editor, I rely on the judgements of the authors.

Amanda D. Lotz describes five strands of research about the economics and management of media in North America (chapter 18) that coexist more or less unconnected and that are based on different types of departments: social science, humanities, and economics. As is often the case for the "market leader", it is difficult to point out peculiarities. Hence, much of the analysis Amanda Lotz offers for North America is actually just as applicable on a more generic level.

María Elena Gutiérrez-Rentería describes the current state of media economics and media management research in Latin America (chapter 19). She depicts how individual researchers and individual universities or departments can be extremely influential in developing a research area and community in other regions, creating kinship in research traditions and approaches. The chapter also aims to illustrate current research foci and the contribution of Latin American researchers to the field.

Mikko Grönlund, **Katja Lehtisaari**, **Carl-Gustav Lindén,** and **Mikko Villi** take up the challenging task to describe regional traditions and peculiarities in a region as diverse as Northern Europe (chapter 20). Scandinavia, Germany, the United Kingdom, and the Benelux countries are quite diverse in their academic traditions as shown in an analysis of the publication output. The author team illustrates the strong influence that researchers from these regions have exerted in the establishment of the two most important academic associations in the field and provides a (necessarily fragmentary) list of both past and present influential departments and individuals in the region

Mercedes Medina and **Mónica Herrero** present their take on the same challenge for Southern Europe (chapter 21). They have a more historic perspective describing how, when, and where media and media economics was established at universities in Southern European countries. They divide the development since then in three phases with the current state as maturity phase, characterized by an internationally-oriented (and English-language dominated) research community.

Ágnes Urbán and **Zoltán Vékey** trace the development of Central and Eastern European media markets after the political transition in the 1990s (chapter 22). They show that the assumption of a progressive assimilation towards Western Europe has not materialized. Three specific vulnerabilities of these media systems are presented, namely ownership concentration, public media independence, and a lack of trust as well as willingness to pay for quality journalism.

鳥居 昭夫 – Akio Torii and **春日 教測 – Norihiro Kasuga** cover media markets and research on the economics of communication and media in East Asia, namely Japan, South Korea, and Taiwan (chapter 23). Although there might be a cultural proximity between these countries they describe the three markets as clearly separated by political and language barriers. However, a common theme is the importance of good relations of media companies with the respective government in all three markets. In earthquake-prone Japan, the role of media in disaster situations is especially important and therefore draws the attention of researchers.

杭敏 – Min Hang describes the growth of academic research on media management and economics and the media landscape in China (chapter 24). She describes that, on the one hand, media is an industry with strong state ownership and influence and, on the other hand, media businesses and researchers alike embrace economic perspectives from outside. According to Hang, media business research in China has to go beyond that and address the peculiarities of the country's "socio-market economy".

Vibodh Parthasarathi, **Sunitha Chitrapu**, and **Sathya Prakash Elavarthi** describe media business as an underdeveloped academic field in India (chapter 25). They provide two reasons for this: First, media business has been perceived as a field of vocational training rather than as a research subject, and second, media and communication research has predominantly focused on studies on media reception and effects. This can be read as an example that, contrary to the benefits of interdisciplinarity mentioned in other chapters, media business studies at times might fall into an academic no-man's-land were no subject feels responsible. Nevertheless, the Indian author team points out important traditions and topics in India such as a growing interest in a political economy perspective on media culture and regulatory issues both in the context of the press and telecommunication.

Terry Flew and **Peter Thompson** (chapter 26) explore the similarities and differences in media and communications between Australia and New Zealand, two countries strongly integrated in global media dynamics. While media and communication research has a strong tradition in both countries, media economics and management courses do not exist. Questions arising from these contexts are rather addressed in a cultural studies tradition or in a political economy tradition, often with a strong focus on media policy concerns.

Johanna Mavhungu shoulders the task of covering a whole continent in chapter 27 on media economics and management in Africa. Her focus is on her home country South Africa and her perspective is that of a researcher who produces locally-based case studies on media management. She discusses scholarly influences on the development of media management in Africa and the complexities of contextuality when trying to apply Western scholarship. In her view, media management studies in (South) Africa are in an infant state as annex to journalism studies.

4.5 Future directions

In the concluding chapter 28, **Steven S. Wildman** reflects on the question whether the economic models developed for traditional media markets can also explain newish online media markets. He uses an examination of online subscription streaming services and online video sharing services to illustrate that online media services bear limited resemblance to offline media and that analytical frameworks used in the past are thus no longer sufficient to explain the economics of these services. He calls for the development of new economic models that incorporate perspectives and learnings from other scholarly disciplines. Thus, it seems that just like in communication science as a whole, the analysis of the economics and management of communication in particular has to be an interdisciplinary endeavor to make meaningful contributions and address the economic *and* social function of public communication and media.

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Section I – Theories

Oliver Budzinski, Björn A. Kuchinke

2 Industrial organization of media markets and competition policy

Abstract: This chapter outlines the modern industrial organization theory of media markets including competition policy implications. After recapturing fundamentals of industrial organization theory in a non-technical way, the state of the art of (i) modern platform economics and (ii) the economics of data-based business models and data-driven markets is summarized in a detailed way and illustrated by modern media examples. An overview on competition policy applications of these economic theories concludes the chapter.

Keywords: industrial organization, media economics, industrial economics, platform economics, digital economy, digitization, big data, economics of privacy, competition policy, antitrust economics

1 Introduction and motivation

The economics of industrial organization or, in other words, industrial economics is an extension of microeconomics. It serves to explain markets and market processes as well as the strategic behavior of companies in a competitive market. The approaches of industrial organization are suitable for analyzing every market or industry regardless of whether these are manufacturing markets (e. g., vehicle construction), service markets, or health care markets. Consequently, understanding the economics of media markets requires a command of industrial economics. On the one hand, understanding markets is the theoretical basis for an economically sound competition policy and regulation. Competition policy sets the “rules of the game”, i. e., the rules governing market conduct. Regulatory policy, like media regulation for instance, is about the rules that specifically apply (only) to certain markets. If such policies shall promote social welfare, they must be based on a sound industrial organization analysis. On the other hand, understanding markets benefits managerial competences. Companies are active in competitive markets and they are subject to competition law and/or regulation. Thus, neglecting industrial organization know-how may lead to misjudgments and wrong management decisions. Eventually, understanding the working of media markets also contributes to understanding communication processes in the modern world.

The ongoing process of digitization and the increasing importance of the internet are considerably changing the nature of media markets. Accordingly, industrial organization has developed new theories and concepts to describe and analyze modern media markets. The origins of industrial organization trace back to Smith ([1776] 1976) in the 18th and Marshall ([1920] 1997) in the 19th century. Cournot (1838) and Bertrand

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(1883) significantly expanded industrial economics by introducing mathematics as a method. One of the pioneers of empirical industrial organization was Bain (1959) in the 20th century. Modern industrial organization theory focuses on oligopoly theory, often based on game theory, institutional economics, and transaction cost theory as well as behavioral economics. In addition, there are many econometric works as well as experimental economics approaches that examine markets empirically and challenge the theories (for overviews see, inter alia, Tirole 1993; Shy 1995; Belleflamme & Peitz 2015; Waldman & Jensen 2019).

The international mainstream of modern media economics is based upon modern industrial organization theory, and many modern industrial economics models and concepts are applied to the media sector. Examples of modern industrial economics thinking applied to and inspired by media industries and the digital economy include platform economics and the economics of (big-)data-driven markets. Before these fields of modern industrial economics of media markets will be discussed (3), the following section will summarize some essential industrial organization foundations (2). Section 4 sketches some regulatory implications.

2 Essential foundations of industrial organization

2.1 Types of markets and barriers to entry and exit

In economics, the term "market" refers to a (virtual) place where supply and demand meet. Its main characteristic is the decentralized, self-organized coordination of supply and demand via the process of competition. Without the self-organizing force of market competition, supply and demand run a high risk of permanently diverging with an increasing divide. In its model-theoretical representation, this process of coordination ends up in equilibrium because changes of the framework and environmental conditions are neglected (in order to theoretically isolate the coordination mechanism). However, in reality, this framework and these environmental conditions change permanently, i. e., costs change, tastes and preferences change, trade conditions change, knowledge and technologies develop, etc. In other words, new coordination needs are permanently created and, thus, the coordinating market process is permanent. So far, no centralized, public mechanisms have been found or developed that are able to cope with this coordination task (von Hayek 1945; von Hayek 1968).

Oligopoly theory

The majority of real-world markets including most media markets belong to the oligopoly types of markets. Oligopoly models account for the strategic interdependence among suppliers (and among customers as well). The success of any strategy employed in competition depends both on the smartness of the strategy *and* on the reactions of competitors to this strategy. A price decrease may yield an increasing demand – but not so if competitors decrease their prices even further. An innovation may successfully generate new demand – but not so if the innovation of competitors is even more useful. The branch of mathematics analyzing such phenomena of strategic interdependence is called game theory. Companies acting on competitive markets face two restrictions to their strategic behavior: (1) (as always) the customers' reactions, and (2) the competitors' reactions and actions.

Thus, proper competitive processes take place in oligopolistic markets where suppliers compete via various strategies like pricing, product and service design, product differentiation, and innovation on goods and technologies, for instance. Consequently, this type of market is extremely multifaceted. Correspondingly, industrial organization has developed numerous models to analyze oligopolistic competition. For the purpose of empirical market analysis, these models may be tailor-made to the specifics of a given market and calibrated by real-world data (for an overview, see Budzinski and Ruhmer 2010).

A very important distinction relates to the difference between homogeneous and heterogeneous goods. Homogeneous goods are identical in the eyes of the customers, i. e., they have no preferences as to which supplier they buy the good from. Besides the "objective" technical features of the good being identical, homogeneity also includes the absence of more "subjective" features like brands, supplier reputation, etc. The latter is the reason why homogeneous goods are rarely found on markets where consumers are the buyers because they usually have preferences for brands, design, reputation, etc. Hence, media markets are typically also heterogeneous markets. On business-to-business markets, homogeneous goods exist particularly for raw materials and standardized compounds. Quantity (Cournot) competition can often be found in markets with few suppliers and relatively homogeneous goods, whereas price (Bertrand) competition is particularly relevant for markets with heterogeneous goods. While Cournot oligopolies tend towards low competition intensity and collusion (e. g., cartels, coordinated effects, tacit collusion), heterogeneous Bertrand oligopolies represent the empirically most relevant environment for various competition strategies of enterprises. It has thus become the most important theoretical framework in industrial organization during the last three decades.[1]

1 Textbooks often additionally refer to the case of Bertrand competition with homogeneous goods and without capacity constraints because in this specific case, the oligopoly resembles the results of the polypoly ("perfect" competition) model. However, this specific case rarely exists in reality and its results do not hold for the much more complex world of heterogeneous Bertrand oligopolies.

Monopoly

If there is only one supplier present on a market, this type of market is referred to as monopoly. Within competitive processes, temporary monopolies may emerge if disruptive innovations create new markets with the innovator being the monopolist. However, competitors imitating innovation(s) will soon recreate competition in such markets. A second market-internal type of monopoly may follow platform and network effects (see section 3.1). Generally, the probability of permanent market-immanent monopolies decreases with the size of the market and, particularly, the heterogeneity and diversity of goods traded on that market. The vast majority of monopolies existing in the real world is protected against competition by some form of public regulation (monopoly privilege). Examples include governmental monopolies on postal and/or telecommunication services that existed or are still existing in many countries. In contrast, exclusive copyrights to artistic creations (texts, music, videos, etc.) rarely create monopolies. Most artistic creations compete in heterogeneous markets with other artistic creations of the same genre (e.g., a novel with other novels or a pop song with other pop songs) and do not constitute a market of their own (which would require that no – even imperfect – substitutes exist).

A monopolist faces only one of the two usual restrictions to its strategic behavior: While he still needs to consider the reaction of the customers (who may stop buying the good(s)), the competitor restriction is not apparent anymore. Persistent monopolies harm welfare because of (1) an inefficient allocation (higher prices accompanying lower quantities), (2) a considerable decrease in innovation dynamics, and (3) an exploitation of customers (to the benefit of the monopolist at the expense of social welfare). While long-run pure monopolies are rare and are usually the result of and protected by governmental intervention, quasi-monopolies represent a more frequent phenomenon. These are markets where one company is so much bigger than the others that it enjoys almost monopoly-like market power.

Contestability and barriers to entry

The contestability of different markets varies according to the presence of barriers to entry and exit. In the current literature, the division into state (or institutional), structural, and strategic barriers to entry is predominant. State barriers to market entry arise through administrative market access regulations. Examples are taxi licenses, patents, and copyrights. Structural barriers to entry stem from the nature of the market (for example, economies of scale, investment requirements, advantages from experience and learning). Strategic barriers are created by incumbent companies and include strategies such as raising rivals' costs, strategic overcapacity, strategic patent policies, artificial creation of incompatibilities and switching costs, and excessive brand building.

Barriers to entry protect the insiders who are already in the market (incumbents) from new competition by outsiders entering the market (newcomers). This may be crucial to turn a temporary monopoly (as a result of disruptive innovation, for instance) into a persistent one because it prevents imitation competition. Institutional barriers to entry are often prohibitive in the sense that they cannot be overcome (already determined by law) and harm contestability more severely than structural and strategic barriers. Similarly, barriers to entry may allow a dominant company in a quasi-monopoly to preserve and protect its market power (and increase the scope for abusing it). In oligopolies, barriers to entry do not completely prevent competition but they do reduce competition intensity in the market because incumbents merely compete with each other and do not have to face maverick newcomers. Barriers to exit are relevant as well: If leaving a market is costly (for instance, due to sunk costs), this will negatively affect the decision to enter it.

In former times, relevant entry barriers to media markets included the scarcity of frequencies, naturally limiting the number of broadcasting channels (radio and television programs), or the necessity to have access to the cable network of telecommunications or television. Thanks to digitization, mobile technology, and the internet, most of structural barriers to entry have vanished. Another relevant entry barrier regarding the provision of media contents was always seen in the gatekeeper function of publishers and editorial offices that decided about the program contents and thus determined the options among which consumers could choose. The ubiquitous availability of online services renders this barrier to entry ineffective, too, as virtually everyone can now offer their contents easily online.

However, two examples demonstrate that this does not imply that there are no barriers to entry left in modern media markets. First, the problem of information overflow implies that access to audience attention is crucial for the commercial success of online contents (Budzinski and Gaenssle 2018). The quantity of uploaded content by far exceeds what users (consumers) can survey in order to take an informed consumption decision. Instead, they need someone to preselect the content options. On the internet, this is partly done by promotion or multichannel networks that basically assume the role of former editorial offices in selecting what is and what is not brought to the attention of the user. Individualized search and recommendation algorithms of relevant platforms (like YouTube or Netflix) are interacting with these promotion networks. Empirical research confirms that most users limit their choice of contents to the items listed on the first page of their recommendation list (inter alia, European Commission (EC) 2017). While the exact working properties of the algorithms constitute a business secret and are changed quite frequently, smart promotion network managers excel in guessing the underlying mechanisms correctly and in managing to push their contents (artists, videos, songs, movies, etc.) up on the recommendation lists so that they receive the attention of a larger number of users (Gaenssle and Budzinski 2019). Without such professional help, it is has become increasingly difficult to effectively "enter" online markets in the sense that your content is perceived by a relevant number of users (structural barrier to entry).

Secondly, switching costs and lock-in effects gain importance as relevant entry barriers (Burnham, Frels, and Mahajan 2003; Kerber and Schweitzer 2017). For instance, the running time of an internet access contract or a mobile phone contract prevents switching to another provider during the contract period. Due to habituation effects, customers may have become accustomed to Apple products, for instance, and therefore always opt for Apple when purchasing something new (lock-in). In particular, companies with market power experience incentives to artificially increase switching costs and create incompatibilities with competitors in order to lock-in their consumers. For instance, while it is common that telephone calls are interconnected irrespectively of the provider, it is not possible to use Facebook's messengers and social networks (including subsidiaries like WhatsApp) to communicate with consumers using different apps and networks. Obviously, it would be no problem to allow for this from a technological point of view, but Facebook may find it profitable to lock in its users by blocking compatibility here (strategic barrier to entry).

2.2 Market failure

Market failure exists when a market does not come to fruition or when market competition leads to inefficient results. The term "failure" may be somewhat misleading since such markets often "just" work imperfectly but still work – and often better so than alternative regimes. If there is a market failure, government intervention may be beneficial. However, while regulation may potentially improve the working of the market in such cases, there is no guarantee that it does so in reality (inefficiencies of political decision processes including lobbyism as well as bureaucratic and administrative deficiencies may well lead to the regulated market performing even worse than the "failed" market). Government intervention should therefore be as mild and reluctant as possible so as to distort competition as little as possible. Note that if a market already under regulation and/or government intervention performs badly, then this may be regulation failure rather than market failure. There are four reasons described in the literature that lead to market failure.

Natural monopoly

Economies of scale may create a natural monopoly (Baumol 1977). A natural monopoly exists when the demand curve of a homogeneous market with high entry barriers intersects the long run average total cost curve in the falling range (sufficient condition) or subadditivity exists (necessary condition). Subadditivity exists when the production of the requested (market) quantity of a homogeneous good in one company causes lower total costs than the production of the same quantity in two or more companies. Natural monopolies are virtually always industries bound to pipe or cable networks (water pipe networks, energy cable networks, etc.) for which no sufficiently close substitutes exist. The telephone cable net used to be a natural monopoly, however, with the emergence of mobile and internet telephony, this may no longer be the case.

Note that digital economy markets usually do not constitute a natural monopoly because they do not represent homogeneous markets in the first place and, furthermore, neither the sufficient nor the necessary condition is met. Digital goods like e-books, music streams, or online videos benefit from considerable first-copy-cost effects: The more users "buy" the good, the lower the average fixed costs. However, they do not constitute natural monopolies because the relevant markets are heterogeneous markets consisting of many competing e-books (e. g., of a specific genre), many music streams or many online videos, respectively. Similarly, services like search engines, messengers, social networks, or e-commerce platforms may suffer from concentration-promoting effects (see section 3.1), but not to the extent of a natural monopoly.

External effects

An external effect (or externality) occurs when an individual's utility or profit function contains, apart from his own action parameters, at least one variable that is not (fully) controlled by him but by one (or more) other individual(s). External effects can be negative or positive, i. e., the benefit or profit increases or decreases. A *technological* external effect is not captured by the market mechanism, i. e., there is no compensation over the price or transmission through the market process (in contrast to a *pecuniary* externality that does not represent market failure). Examples of a negative external effect would be noise and exhaust fumes leading to illness, or noisy party music robbing the neighbor of sleep. One and the same event may cause negative and positive externalities at the same time. An open-air AC/DC concert that can be heard outside the stadium will be negative for (pure) classical music lovers, but positive for hard-rock fans.

Technological externalities cause market failure because too much or too little of a good is produced since the external effect is not reflected in prices and costs. Potential solutions are the so-called internalization of external effects, i. e., mapping them via the market mechanism by defining appropriate property rights. In severe cases, internalization through government intervention may be useful (e. g., prohibitions, taxes, subsidies, state provision of goods, certificates). Note that small or minor externalities reduce the efficiency of a market only very marginally and do not require (costly) regulatory intervention.

Public good

Public goods represent an extreme case of positive externalities. In economics, a public good must fulfill two criteria, namely non-rivalry in consumption and, in particular, non-excludability. Classic textbook examples of public goods are lighthouses or street lighting. There is non-rivalry in consumption because the lighthouse does not get better or worse nor does it disappear when one boat or 1,000 boats use the lighthouse to navigate. There is also non-exclusion from consumption because it is impossible to let the light shine for just one boat but not for another one close-by. Note that modern technology (like GPS-systems in the case of lighthouses) may erode the public-good character of a good.

One of the problems with the economic understanding of public goods is that it strictly refers to the nature of the goods and abstracts from provision regulations in a given place or time. For instance, a society may decide to offer a certain good to its members (citizens) without charging them directly (but indirectly through taxes) so that no one is excluded from consumption. However, for the economic understanding, it matters whether (non-paying) consumers *could* be excluded given the state of technology, not whether they actually *are* excluded. Consequently, the frequently (mis-) used example of public broadcasters does not represent a public good in an economic sense. The first criterion, non-rivalry in consumption, is fulfilled: An increasing audience does not harm or benefit the consumption of any single viewer. However, the second criterion, non-excludability, is not given nowadays: From a technological perspective, it is not very complicated to encode broadcasting signals and provide decoders for paying customers only. The sheer existence of pay TV represents a striking proof. Therefore, neither free broadcasting for social purposes (public service broadcasters) nor free broadcasting for commercial considerations (advertisement-funded "free" TV or internet content; see also section 3) constitutes a public good if excludability was technologically and organizationally possible in a realistic sense.

As a consequence, public goods in the economic sense are a rare phenomenon, also in the media industry. However, its underlying good, information, may possess public-good characteristics. Depending on the simplicity, type, and structure of information, excludability may be *de facto* impossible (e. g., the information that France won the football world championship) or well possible (e. g., complex expertise knowledge). As soon as information is bound to a media and structurally allows for enforceable property rights (like copyright provisions) or entails strong first-mover advantages, excludability is usually given (but may be imperfect).

Public goods cause market failure due to financing problems because of the free-rider problem, i. e., everyone wants to be in the user collective but not in the payment collective. Due to the non-excludability, non-payers cannot be excluded from using the good; therefore, everyone has an incentive to use the good without payment – resulting in an under-provision of the good. In this case, alternative financing options (forcing free-riders to pay) must be considered.

Asymmetric information

Asymmetric information exists when players on one market side are less well-informed regarding market-relevant aspects than players on the other side of the market, and the latter can strategically use their information advantage for their own benefit. Either the demand side or the provider side can be less well-informed. A lack of market-relevant information can occur in a quantitative sense, i. e., some information is not known on one market side, or in a qualitative sense, i. e., information on one market side is distorted (e. g., false, misleading, or misinterpreted). Asymmetric information often occurs when goods display elements of experience and credence goods. In the case of experience goods, the consumer can assess the quality of the good only after consumption, in the case of credence goods not even then.[2] Most media contents are experience goods, for instance, a viewer will only know how good a movie or a video was after watching it. News may even include credence-good character because the recipient may not be able to check their trustworthiness. In order for asymmetric information to become a market failure problem, the supplier must be better informed. In the case of news-type media content, this will usually be the case. However, despite their experience-good character, there is often no information asymmetry with respect to entertainment goods. The supplier does not know either whether a movie or a video will suit the viewers' preferences (otherwise there would only be commercial successes and no failures in these markets). Whether a viewer will find a comedy video funny or not is *ex ante* unknown both to the producer and the consumer – so there is a lack of information but no asymmetry that can be strategically exploited.

Information asymmetry may lead to market failure if its strategic exploitation by the better-informed market side leads to adverse selection (Akerlof 1970; Darby and Karni 1973). An example from the media could be a market for news-type contents where consumers looking for "high quality" news (i. e., mostly unbiased, trustful, following high journalistic standards) struggle to identify the actual quality of existing news media (credence goods) and are thus reluctant to provide a higher willingness to pay for these suppliers. As a consequence, cheap but low-quality (for instance, sensationalist or even fake) news prevails, whereas expensive, high-quality news is driven out of the market. Another classic example of market failure would be an insurance market, where the asymmetric information is to the detriment of the provider because he cannot know how the insurant behaves after conclusion of the contract (moral risk, hidden action, self-selection). The market may collapse or not even materialize (market failure through moral hazard). An example from media economics would be

2 Note that experience-good elements do not matter much if the good is bought frequently by the consumer (like daily products or food), because in this case, only the first purchase really has an experience character.

the age indication on web pages for adults only. In this case, the website operator often does not know whether the user really has the required age.

Problems of asymmetric information can usually be alleviated market-internally via screening and signaling. Screening means that players on the less-informed market side improve their level of information through self-information or specialized third parties. Consumers of news media content may, for instance, use and compare multiple sources or search for additional information, which increases the probability of detecting biased or faked news (Gentzkow and Shapiro 2006; Anderson and McLaren 2012). Similarly, consulting assessments and experience reports by other consumers like ratings, comments, and reviews or opinions of experts and peers may be of help. Signaling means that the better-informed market side provides additional information. This can be done through reputation building, guarantees, the provision of external or independent expertise, offering deductibles or a no-claims discount. In the case of news contents, investment – for instance, in a net of reporters and correspondents around the world – can signal quality as well. Note that high-quality suppliers in particular experience strong incentives to invest in signaling in order to establish and develop their market segment. An example from media economics would be large daily newspapers, such as *The New York Times*, *Frankfurter Allgemeine Zeitung* or *Yomiuri Shimbun*. If all these instruments are not sufficient to reduce the exploited asymmetric information, public regulation may be considered.

3 Modern economic theory of digital economy

3.1 Platform economics

During the 2000s, industrial economics was enriched by a new body of theory which has become popular for media economics analyses, in particular regarding online and digital media (Anderson and Gabszewicz 2006). Originating from the analysis of markets for payment systems like credit cards, the theory started under the label "two-sided markets" (Rochet and Tirole 2002, 2003, 2006; Armstrong 2006; Evans and Schmalensee 2007; Evans and Schmalensee 2015; see also Haucap and Stühmeier 2016). In the course of time, however, the more general and less misleading[3] term "platform economics" has become established.

A platform is a supplier of goods (products or services) to at least two customer groups characterized by three constitutional characteristics: (1) The customer groups

3 The term "two-sided markets" – referring to two demand sides of the market – may be misleading because actually every market has two sides (supply and demand). Furthermore, there may be markets with three or more demand sides (multi-sided markets).

are *distinct* (distinguishable and delimitable from each other), (2) the customer groups are indirectly connected via indirect network effects (INEs), and (3) these INEs cannot or can only to a limited extent be internalized by the customer groups because transaction costs prevent or hamper side-payments and arbitrage. In the original case of payment systems (like credit cards), the supplier of the payment system sells its service to the customer group of (i) consumers, using it for payment in shops, and of (ii) shop owners, accepting it from consumers.

Network effects

The crux of platform economics is the INE between the customer groups. Direct network effects (DNEs) refer to the case where an increasing number of network members increases the individual utility for network users, both incumbents and newcomers (Farrell and Saloner 1985; Katz and Shapiro 1985). Social media networks (like Facebook, Twitter, or LinkedIn) are an example of such effects: If more of your "friends" join the network, the utility derived from the network services (communicating, social interacting, etc.) for yourself and for each of your "friends" increases. While DNEs work within the same customer group, INEs work in a similar way but between distinct customer groups. Consumers, for instance, derive a higher utility from holding and using a payment system (a certain credit card, for instance) if they can pay with it in many shops. Consequently, if more shop owners (customer group i) decide to accept the payment system, the utility for consumers (customer group j) increases – and so does their demand for the payment system. This is a positive INE (increasing participation of customer group i leads to an increasing participation of customer group j). And in the case of payment systems, the positive INE runs in both directions: Shop owners find it more interesting to accept a given payment system if many consumers are willing to use it. Thus, an increasing participation of customer group j also increases the demand by customer group i.

The platform needs to manage the demand sides like a chicken-egg-problem (Caillaud and Jullien 2003): It needs to attract sufficient numbers from both customer groups in order to get the service running. If the INEs between the customer groups are not equally strong in each direction (which is empirically the usual case), the platform faces incentives to attract especially those customers whose group exerts the stronger positive INE on the other customer group. If, for instance, boys strongly focus on going to clubs where there are many girls, whereas girls view the presence of many boys as a less relevant (though still a positive) criterion for going to a certain club, then the club owner acts rationally if she concentrates on attracting girls (free entry, bonus drinks, atmosphere, music selection, etc.) and expects boys to join automatically if successful. This involves an important implication of platform economics: The price structure may be asymmetric in the sense that the customer group exerting the stronger INE will be priced very low (up to zero or even negative monetary prices), whereas the other customer group is priced so high that it covers the costs of serving the first group as well. If girls get free entry plus bonus drinks in a club (a negative pecuniary price), the boys' entrance fee plus consumption must cover these costs as well. This asymmetric price structure considerably differs from pricing on "ordinary" markets. Commonly, the literature distinguishes between transaction platforms and non-transaction platforms (inter alia, Haucap and Stühmeier 2016). In the first case, transactions between distinct customer groups are directly consummated via the platform or at least directly observable for the platform. Non-transaction platforms require a platform-external transaction after mutual attention for the transaction partner has been created by the platform.

INEs may also be one-sided or even negative, which is often the case in platform media markets. A prime example are content providers on the internet offering their content for free (a monetary price of zero[4]) and finance themselves through advertising revenues (predominantly non-transaction platforms like online newspapers and magazines, social networks, search engine services, price comparison services, audio and video streaming services, etc.). Here, the distinct customer groups are (i) users of the content and (ii) advertisers buying advertising space from the platform. The INEs from users to advertisers are positive: If more users (in general or from a relevant target group) are visiting the content provider's website, advertisers find it more attractive to place their advertising. The other way around, however, the direction of the INEs is not that clear. If users like advertising, it may as well be positive. However, many users may find advertising disturbing and perceive it as constituting a disutility. If this was the case, INEs from advertisers to users would be negative, and an increasing advertising frequency would reduce demand by users. Similar examples are advertisement-funded television or partly advertisement-funded printed newspapers and magazines. Logically, the platform will focus on attracting the customer group exerting the positive INE by subsidizing it (free content) and by trying to design its service in a way that the advertising is both as effective as possible (increasing advertisers' willingness to pay) and as little disturbing as possible (increasing user participation, which in turn also increases the advertisers' willingness to pay due to better reach). This has fueled many innovations in advertising placing and design (search advertising, sophisticated types of targeted advertising, influencer marketing as a new form of product placement, native advertising, etc.) as well as in advertising pricing models (pay-per-view, pay-per-click, etc.).

4 However, see section 3.2 for non-monetary "payments" by providing data.

Platform competition

Some digital/online markets are characterized by dominating, almost monopoly-like platforms while others are not. While monopolies are more efficient on platform markets than on "ordinary" markets (due to the internalization of INEs), still competition among platforms is better for welfare, in particular in the medium and long term. Industrial organization theory analyzes the features of platform markets with regard to their effect on competition among versus monopoly of platforms (Evans and Schmalensee 2007; Haucap and Heimeshoff 2014; Haucap and Stühmeier 2016). This research is still ongoing, but the following factors have been identified to promote sustainable platform competition (and their opposite, i. e., to promote dominant positions of single platforms): (1) weak and/or asymmetric INEs, (2) weak DNEs, (3) multi-homing by customer groups, i. e., customers regularly using more than one platform, (4) size of the market, i. e., the larger the market, the more platforms may be able to attract a sufficient number of customers of each group, (5) heterogeneity of customer preferences, i. e., if the needs of customers differ within the customer groups, different platforms may specialize on different needs (like Facebook on private social interacting, LinkedIn on business social interacting, Snapchat on very young users, etc.), (6) (accompanying) heterogeneity of platform services, (7) compatibility among platforms, i. e., interconnectivity of users of different platforms and low switching costs, and (8) innovation dynamics, etc. Different platform markets will meet these factors in different ways. Thus, they are more or less prone to being dominated by a single platform. However, once platforms enjoy market power, they can also strategically shape the market conditions in anticompetitive ways, for instance, by deliberately creating incompatibilities and switching costs, standardizing platform services, encouraging single-homing, reinforcing positive DNEs and INEs, and many more.

The issue of welfare also relates to the distinction between natural and artificial platforms. Natural platforms describe markets where transactions are impossible without the intermediary service of a platform (= transaction costs are prohibitive without the platform service), whereas artificial platforms describe markets which could be organized in an "ordinary" way but where companies strategically chose to turn their business into a platform. Payment systems are an example of natural platforms, whereas online shops are an example of artificial platforms. An online shop can organize itself as an "ordinary" retailer, i. e., by buying goods from producers or wholesalers and reselling the goods to consumers. Note that this is part of a vertical supply chain and does not constitute a platform. Alternatively, however, an online shop can organize itself as a platform offering virtual shelf space on its platform to other shops, producers, and wholesalers and focusing on bringing sellers and buyers together as a matching service, perhaps accompanied by transactions services (like payment services, customer complaint services, search and recommendation services, rating services). The online shopping giant Amazon, for instance, once started as an "ordinary" retailer and still runs a considerable part of its business like this. Later on, it added a shopping platform (Amazon Marketplace) where it turned part of its retailing business into a platform business (Budzinski and Köhler 2015). The distinction between natural and artificial platforms is particularly relevant if platforms tend towards monopolistic positions: In the case of a natural platform, the quasi-monopoly may be acceptable for society due to the otherwise impossible internalization of INEs, whereas in the case of an artificial platform, it represents a deliberate monopolization strategy not determined by the nature of the market and detrimental to social welfare. (Social/Digital) Media platforms are usually artificial platforms; the advertising revenue model represents only one out of several possible organization options.

3.2 Economics of (big) data, privacy, and online communication

The phenomenon that some services and contents, especially via the internet, are ostensibly offered "for free" (in terms of a monetary price in common currency) is receiving increasing attention in the economics of industrial organization. In particular online communication services like social media networks (e. g., Facebook, Twitter, Instagram), messenger services (like WhatsApp), or online telephone and videophone services (e. g., Skype), but also search services (e. g., Google, Bing), (price) comparison services (e. g., NexTag, PriceGrabber), or booking services (e. g., Booking.com, HRS) can be used by everyone for the monetary price of zero. The same is true for various contents (e. g., YouTube, news platforms, or smartphone apps). While platform economics already offers a theory explaining pecuniary zero prices towards one demand side (users) subsidized by the other demand side (advertisers) (see section 3.1), the context of big data analytics and privacy concerns has recently revived an older discussion from economics dealing with the incentives to provide personalized data as well as the effects of its usage for commercial purposes.

Personalized data includes both "classic" registration data like email addresses, names, sex, age, perhaps residence information, and maybe even account/payment information, as well as "advanced" behavioral data allowing for conclusions and conjectures regarding the consumers' preferences and commercial behavior. This advanced data may consist of personalized data about individual (online) browsing, searching, and buying histories (revealed preference data) as well as preference-related statements of users through posts, comments, ratings, (Facebook) "likes", etc. (stated preference data). Additionally, individual movement profiles, collected through the location function of mobile devices, and other personalized data may complement the information. Pooling such data yields more or less accurate individual consumption patterns from which reasonable hypotheses about individual consumer preferences may be derived.

Literature from the 20th century focused on asymmetric information effects (see section 2.2), i. e., perfectly-informed consumers behaving in a (hyper-)rational and smart way, whereas service providers suffer from information disadvantages (inter alia, Hirshleifer 1971, 1973, 1980; Stigler 1980; Posner 1981; Varian 1997; overview: Acquisti, Taylor, and Wagman 2016). In this Stigler-Posner-Varian (SPV) world, an enhanced use of personalized data increases efficiency and welfare because information asymmetries are reduced and the consumers' strategic behavior at the expense of service providers is frustrated. At the same time, data-based abuse of market power is rather unlikely. Consequently, this literature focuses on setting incentives for consumers to reveal more personalized data (Posner 1981) as long as this increased information provision is not predominantly waste (Hirshleifer 1980; Akerlof 1976).

Data-driven markets

In the light of the digital economy, however, new insights have surfaced. The focus in literature gradually shifted towards the question of when, how, by whom, and for what commercial purposes companies use personalized data of consumers as well as towards the commercial value of this data (inter alia, Acquisti, Taylor, and Wagman 2016; Acquisti and Varian 2005; Gross, Acquisti, and Heinz 2005; Hermalin and Katz 2006; Hui and Png 2006; Grossklags and Acquisti 2007; Beresford, Kübler, and Preibusch 2012; Brown 2016; Heidhues, Köszegi, and Murooka 2017; Hoffmann, Inderst, and Ottaviani 2014; Kerber 2016; Heidhues and Köszegi 2017; Obar and Oeldorf-Hirsch 2018). As a consequence, information asymmetries are often reversed compared to the SPV world, and consumers are frequently found not to behave fully rationally. Along with the growing popularity of behavioral-economics approaches in industrial organization, empirically well-supported phenomena like (1) non-utilization of available information, (2) framing and anchoring effects, loss aversion, salience as well as satisficing behavior, and (3) the presence of naïve consumers (i. e., consumers who do not correctly anticipate the economic interrelationships of their actions and decisions and, consequently, act overly trustfully) are increasingly targeted (inter alia, Heidhues and Köszegi 2017; Budzinski and Stöhr 2019). More simply expressed, if consumers behave "only" bounded-rationally and/or naively, whereas service providers enjoy information advantages about the use and value of personalized data (information asymmetries in favor of service providers), then effects are likely to differ from the SPV world. In this behavioral-economics (BE) world, a considerable scope for data-based profits at the expense of consumer welfare surfaces, in particular in combination with market power.

We distinguish three fundamental types of data-based markets: (1) paying-with-data markets where personalized data serves as payment or currency, (2) data-trading markets where (bundles of) personalized data are the object of transactions, and (3) markets for data extraction and protection technologies where the development of more sophisticated extraction and analysis software (fueled by demand from data-selecting and -using companies) competes with the development of advanced blocking software (fueled by demand from data-protecting consumers as well as collected data-protecting companies).

The latter market type (3) is particularly relevant for the extent of asymmetric information and the asymmetry of power in data-based markets. Sophisticated extraction technologies may collect data without the consumer's awareness. Already now, many internet users are unaware of the number of cookies (tracking programs installed on your computer when visiting websites) regularly tracking their internet surfing behavior and the extent of data collected this way – let alone of the subsequent commercial use of this data. Moreover, the German Facebook antitrust case reveals that personalized data may be collected by a company even if the user does not visit the website or uses the service: Already visiting a site with a Facebook interface (e. g., a Like button) is allegedly sufficient for the social media operator to track the data. Blocking technologies (advertising blockers being a simple example), on the other hand, empower the user to keep control of her personalized data. If the "race" between extraction and protection technologies is head-to-head, this promotes efficiency and welfare (Acquisti and Varian 2005). However, if extraction technologies, due to the financial power of big online companies, outdevelop combating protection technologies due to unorganized or bounded-rationally ignorant users, negative consumer welfare effects must be expected. Protection software shielding companies' collected stock of data against digital thieves and pirates represents a different branch of this market.

If bundles of personalized data possess commercial value, then markets where these data bundles are traded (type 2) promote an efficient allocation (Varian 1997; Acquisti and Varian 2005). However, one problem concerns the knowledge of the original provider of the data: Does she have a chance to anticipate the further use of her data if it gets bundled and sold by the original data collector? If not, inefficiencies and privacy concerns may arise (Varian 1997; Acquisti and Varian 2005). Another problem relates to the value of big data. It is not so much the data itself that promises commercial value; instead, the tools and competencies to meaningfully pool, combine, and analyze the data so that commercially valuable conclusions can be drawn represent the scarce resource (Schwalbe 2018).

Data-based business models

Internet users are mostly confronted with type (1) of data-based markets where they "pay" for a good (service, content) by providing their personal data either instead of having to offer traditional money (i. e., monetary price of zero) or receiving an (implicit, tacit) monetary price discount. The industrial organization literature analyzes the questions: Why are these business models profitable for companies, and what are the consumer welfare effects? Presently, three data-based business models are particularly discussed.

Companies profitably use their collected personalized data quantities (especially advanced behavioral data) for *sophisticated data analyses* and sell the results of these analyses (but not the data itself) to customers. For instance, Spotify commercially offers analyses of its users' streaming behavior to the music industry. Record companies then may learn from such analyses about profitable investments into artists or music styles and thus are willing to pay considerable prices for such analyses. This revenue allows Spotify to lower its flatrate price towards users of its streaming service. *Targeted advertising* describes the sub-case where personalized user data serves to personalize advertising according to the data-based-conjectured preferences of the user. This adds to the phenomenon that platform economics is explaining (see section 3.1). Since data-based targeted advertising should increase the effectiveness of advertising, advertisers are willing to pay more for it, and profits of the platform increase. However, the effects on consumer welfare are ambivalent. On the one hand, targeted advertising should be less disturbing than "ordinary" advertising (Acquisti and Varian 2005; Tucker 2012). On the other hand, however, the amount and intrusive character of advertising may increase, advertising avoidance costs rise, and privacy concerns surface (Hui and Png 2006; Anderson and Palma 2012; Tucker 2012).

Based upon personalized data, companies *individualize services*, tailor-made to the individual user, which are either a good in itself or a means to facilitate the buying of other goods (i. e., reducing transaction costs). Examples include data-based search services, which provide a ranking of results that fit the preferences of the individual user (e. g., Google Search), as well as data-based recommendation services that suggest other goods based upon the consumption history of the individual user and other users (e. g., Amazon, YouTube, Netflix, or Spotify). These individualized services induce additional consumption and, thus, increasing turnover and revenues – and are often an important element of their suppliers' commercial success. At the same time, shaping digital goods according to the preferences of the consumers should typically also increase consumer welfare (Acquisti and Varian 2005). However, news markets may represent an important exception: The supply of preference-conformal news based upon algorithmic selection may cause and/or aggravate filter bubble and echo chamber effects, i. e., consumers only receiving news corroborating their already existing world views (inter alia, Bond et al. 2012; Del Vicario et al. 2016; Sunstein 2017; more skeptical: Gentzkow and Shapiro 2011; Boxell, Gentzkow, and Shapiro 2017; Schnellenbach 2018). While potentially not directly harming consumer welfare, this may cause welfare-decreasing negative externalities on societal consensus, public opinion formation, and the working of democracy.

Very sophisticated personalized data analysis (e. g., pooling individual search and consumption patterns with personal preference statements) may allow companies to approximate the individual willingness to pay of users for a given good so that they may charge different consumers different prices for the same product or service (*data-based price discrimination*). In theory, such individualized prices could come close to first-degree price discrimination. However, firstly, the quality and quantity of the data needs to be high enough to allow for sufficiently precise approximations. Secondly, market transparency reduces the scope of data-based price discrimination (for instance, price comparison services easily available online). Thirdly, effective competition probably erodes high margins from price discrimination.[5] In an SPV world, data-based price discrimination may have welfare-increasing effects due to efficiency gains and an expansion of quantities. Notwithstanding, consumers' rents will obviously be transferred into producers' rents when companies can price each consumer at the maximal price this consumer is willing to pay (distribution effect). In a BE world, negative consumer welfare effects are more likely, in particular in combination with heterogeneous goods (i. e., product/service differentiation or even individualization), lock-in effects and switching barriers, relevant information asymmetries at the expense of consumers (Taylor 2004; Hermalin and Katz 2006), information deficiencies about how personal data is used (Acquisti and Varian 2005), low competition intensity, i. e., a lack of alternatives for consumers (Kerber 2016), as well as the presence of naive and/or bounded-rational users (Hoffmann, Inderst, and Ottaviani 2014; Heidhues and Köszegi 2017). Furthermore, negative dynamic effects may occur, for instance, the survival of inferior goods in the market (Heidhues, Köszegi, and Murooka 2017).

Modern online media markets often display the characteristics of the BE world rather than the SPV world. Online communication markets serve as a prime example. Communicating online can take place via emails, messenger services, direct audio and video connections, or social media, for instance. Many of these services require the user to sign in to a network or a platform, like the popular Facebook services (including its subsidiaries WhatsApp and Instagram). Users need to accept the terms and conditions of usage, including privacy rules. In an SPV world, we assume that potential users utilize the available information about terms, conditions, and privacy and then make an informed and rational decision whether to join the network and/or download the application. However, empirical analyses demonstrate that users tend to ignore the available information due to its sheer length and information overload problems, the complicated language (often because of legal requirements), and the feeling that they have no choice anyway (Gross, Acquisti, and Heinz 2005; Obar and Oeldorf-Hirsch 2018). At the same time, many users actually care about privacy and state privacy-related objections to far-reaching data usage terms and conditions when asked in surveys or interviews. This phenomenon – a conflict between revealed preferences and stated preferences – is usually referred to as the privacy paradox (inter alia,

5 While such sophisticated data-based price discrimination systems do not appear widespread nowadays (which may change in the future), more rudimental versions exist where prices are adjusted according to more general information about platform-specific search histories, location and time of buying, type of computer device used, etc., often combined with dynamic pricing elements (e. g., online airline ticket sale platforms).

Grossklags and Acquisti 2007; Beresford, Kübler, and Preibusch 2012). Its widespread existence points towards a BE world being the more appropriate framework for analyzing online communication.

4 Implications for competition policy and regulation

The policy implications of industrial organization theory relate to competition policy and sector-specific regulation. Competition policy, on the one hand, applies a framework of competition rules with the aim of protecting competitive markets from inner erosion and preserving the welfare effects of the process of competition (detailed overviews: Motta 2004; Blair and Sokol 2015). The competitive market process may be inherently eroded by collusive arrangements among competitors, i. e., when companies cooperate on dimensions of competition, like prices, quantities, market division, innovation, etc., at the detriment of consumers and society. Cartels refer to contractual collusion, whereas tacit collusion or coordinated effects refer to non-contractual collusion. Another way of eroding competitive forces may be an increasing concentration which creates market power for dominant companies (up to (quasi-)monopolies). While dominance cannot be completely prevented (see section 2.1), merger control seeks to limit anticompetitive concentration through merging with or acquiring other companies. Companies that enjoy powerful positions on the market nevertheless (perhaps because of past breakthrough innovation), irrespectively of how they came into these positions, are not allowed to abuse this dominant position at the detriment of consumers, society, and sometimes also smaller competitors. Although the details of the competition rules differ from jurisdiction to jurisdiction, anti-cartel policy, merger control, and abuse control are nowadays the common three pillars of virtually all competition policies around the world, existing in more than 100 countries worldwide (Budzinski 2015). Sector-specific regulation, on the other hand, aims to correct market failure (see section 2.2) but is often also driven by influences from lobbyism and political failures. Thus, its economic effects are often controversial and, in many cases, deficient regulation actually reduces welfare.

Traditionally, media industries were heavily regulated in many countries. In telecommunications and postal services, comprehensive regulation or even governmental organization were prevalent. An economic justification for regulating telecommunications rooted in its dependence on a physical cable network as a natural monopoly (see section 2.2).[6] However, technological progress like mobile telephony virtually eroded most of the natural monopoly character and, consequently, a large part of the economic justification for sector-specific regulations. Notwithstanding, elements of

6 Note that the historical reasons for regulated or state-organized postal and telecommunication services were often politico-military rather than economic.

natural monopolies may still exist if, for instance, broadband internet access is only possible through access to a physical fiber optic cable network.

Another area of sector-specific media regulation in many countries are broadcasting services like television and radio. Typically, the motivation significantly differs in this case: While some countries regulate broadcasting media in order to protect and preserve the freedom and diversity of opinion, other countries do so for opposite reasons. Thus, "public service" broadcasters may either be comparatively independent cornerstones of a free and diverse media system or they may be biased advocates of the government – in the first case protected in their existence by regulation, in the second case protected from competition by regulation. From an economic perspective, the problem of asymmetric information combined with elements of the credence-good character of news may justify some regulation, although modern research on the (industrial) economics of media bias points to competition as a more effective instrument to limit bias, favoring a strict competition policy over sector-specific regulation (inter alia, (Gentzkow and Shapiro 2008; Anderson and McLaren 2012).

Like virtually all other industries, media industries are subject to competition law and policy. While cartels and collusive arrangements do not have a prominent case record in media industries (with some exceptions), merger control plays an important role. Several media industries like telecommunications or the music industry experienced considerable concentration tendencies on an international scale.[7] In the latter case, for instance, the market structure of record companies halved from formerly six majors in the 1990s (Universal, Sony, Warner, EMI, BMG, PolyGram) to three (Universal, Sony BMG, Warner) in 2018. In the markets for social networks and online messenger services, the acquisition of WhatsApp by Facebook in 2014 was cleared by competition authorities in Europe and the U.S., a decision that received scholarly criticism because of the lack of an adequate application of the economics of personalized data (see section 3.2) by the competition authorities (Deutscher 2017; Budzinski and Stöhr 2019). In 2018, U.S. antitrust authorities tried to block the merger between telecommunications giant AT&T and leading media content company Time Warner due to severe anticompetitive concerns. However, they failed to convince the court of the first instance – a judgment whose reasoning received critical reviews from an industrial organization perspective (Caffarra, Crawford, and Weeds 2018; Salop 2018). The German competition authorities, on the other hand, blocked both a merger between leading newspaper publisher Springer and commercial television provider ProSiebenSat.1 in 2005 (Budzinski and Wacker 2007; Kuchinke and Schubert 2006) as well as a cooperative VoD platform by leading commercial TV stations in the 2010s (Budzinski and Lindstädt-Dreusicke 2018).

7 For issues of concentration in media industries – including diversity and pluralism aspects – see also Just (chapter 10 in this volume).

With the upcoming relevance of digital and online media platforms, abuse control gained importance in media competition policy, in particular because platforms tend towards powerful market positions due to network effects (see section 3.1) but also because of the often global business of these platforms. Already in the 1990s and early 2000s, competition authorities around the world targeted a number of Microsoft's business practices abusing the market power from their then dominating operating system, including practices like raising rivals' costs, foreclosure, bundling and tying, exclusive contracts, etc. (Fisher and Rubinfeld 2001; Gilbert and Katz 2001). Some of the charges against Google regarding its Android business practices resemble this case (Vezzoso 2019). However, with its dominating search engine, Google additionally faces allegations regarding search bias, i. e., deliberately manipulating its search algorithm to benefit its own subsidiary services at the expense of competitors and consumers, as well as regarding abusive practices in online advertising (European Commission (EC) 2017; European Commission (EC) 2016). European competition authorities sentenced a € 2.42 billion fine in the search bias case (European Commission (EC) 2017). Also, the market power and related business strategies of companies like Amazon, Apple, Facebook, Spotify, and others receive increasing attention by competition authorities.

All these cases demonstrate the relevance of up-to-date industrial organization knowledge about modern media industries because both competition policy enforcement and sound regulation need to be rooted in comprehensive economic analysis. Digitization and the internet have considerably changed the business world and fueled concentration trends and the emergence of powerful international market positions by single companies. These developments promote a discussion whether competition policy suffices to control modern media industries or whether there is a need for adapted competition rules or even new regulation. We think that adapted competition rules and reinvigorated antitrust policies should suffice to enforce pro-competitive behavior by platforms and data-driven businesses in the online world (Budzinski and Stöhr 2019).

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Päivi Maijanen

3 Approaches from strategic management: Resource-based view, knowledge-based view, and dynamic capability view

Abstract: This chapter introduces three essential approaches of strategic management: resource-based view, knowledge-based view and dynamic capability view. They represent the modern streams of strategic management, each highlighting the role of intra-organizational factors as the source of sustainable competitive advantage. The resource-based view emphasizes the role and management of valuable, rare, inimitable, and non-substitutable resources as sources of market imperfections and thus able to create competitive advantage. The knowledge-based view focuses on the role of intangible knowledge assets as a main source of superior performance. The dynamic capability view studies strategic change with the question of how firms are able to keep their resources valuable and unique when the business environment changes. The emphasis on firm-specific and unique factors and drivers of success is highly relevant in the media industry where new technologies and keen global competition are changing existing business models faster than in any other industry. For media management, the approaches studied in this chapter provide important concepts and analytical tools to analyze intra-organizational dynamics of change and to detect what types of resources and change-enhancing capabilities media firms would need to outperform others and remain competitive.

Keywords: competitive advantage, capabilities, dynamic capability view, five forces model, knowledge-based view, resource-based view, strategic management

1 Introduction

In strategic management research, the fundamental question is how firms create and sustain their *competitive advantage*, i. e., how they can outperform others. As a discipline, strategic management is young. It was only in the 1970s that strategy research started to evolve into a serious discipline. During the following decades, strategic management research has developed and matured into a discipline with diverse research agendas and methodologies. Along with the evolution, the core question of how to create and sustain competitive advantage has been studied and approached from different theoretical perspectives. One of the main demarcation lines goes between a firm's external and internal factors as explainers of competitive advantage. The theoretical frameworks of this chapter – the resource-based view (RBV), the knowledge-based view (KBV), and the dynamic capability view (DCV) – represent

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the latter, i. e., the streams that emphasize a firm's internal idiosyncratic resources and capabilities as the main source of a firm's success. The emphasis on intra-organizational factors provided an alternative approach to the industrial organization framework (Structure-Conduct-Performance-paradigm, Scherer 1980) used originally for anti-trust purposes in order to protect consumers against monopolies. Following this research tradition, Porter (1980; 1981) turned the basic model "upside down" and launched the five forces model, according to which a firm's competitive advantage is based on its product/service market position. Porter used a monopoly model and managed to show through which kinds of strategies a firm can utilize its monopoly power against its rivals.

The RBV can be regarded as challenging Porter's model that treated firms as identical black boxes and explained their different successes by means of product market imperfections. As one of the founders of the RBV, Wernerfelt (1984) analyzed the situation where firms are in a similar competitive position but show performance differences. The main explainers were to be found not in product market imperfections but in the factor/resource market imperfections. The need to explain the performance of firms arouse in the 1980s, when businesses became more global and national monopolies lost their power. This resulted in a diverse and growing body of research focusing on intra-organizational success factors (see e. g. Armstrong and Shimizu 2007; Barney and Arikan 2008; Newbert 2007; Lockett, Thompson, and Morgenstern 2009).

The RBV, KBV, and DCV can be regarded as one gradually evolving "story". The different approaches complement each other highlighting different aspects of the question of how to sustain competitive advantage. The RBV focuses on a firm's inimitable and idiosyncratic resources, whereas the KBV takes a closer look at knowledge assets as strategic value-creating resources. The DCV, in turn, takes a more dynamic stance and analyzes how firms transform their strategic capabilities to address changing business environments. The main idea in all the approaches is to create market imperfections that allow to earn extra profits or rents. For media scholars, these frameworks provide useful tools to explain why some media firms are succeeding and others are failing in today's volatile media environment disrupted by rapidly advancing digital technologies, constantly changing media users' needs, and keen global competition. Some media scholars have highlighted the value of the strategic management approach for studying media and media management (Chan-Olmsted 2006; Küng 2017). The different strategic management streams provide insightful tools for media professionals to detect and understand a firm's strengths and weaknesses.

2 Resource-based view

Scholarly interest in the strategic importance of firm-specific heterogeneous resources as a source of competitive advantage arouse in 1980s partly as a response to Porter's (1980; 1981) five forces model. In that time, the works of Wernerfelt (1984), Rumelt (1984), and Barney (1986a, 1986b) contributed to the formation of the new theoretical paradigm that shifted the focus towards firms' internal resources, routines, and capabilities. Their works revitalized the ideas of Edith Penrose (1959) who emphasized idiosyncratic human resources and the services provided by them by managerial actions (Rugman and Verbeke 2002; Kor and Mahoney 2004; Lockett and Thompson 2004; Lockett 2005; Pitelis 2005, 2007a).

Finally, after the initial stage of diverse theory development (Barney, Ketchen, and Wright 2011), the fundamental assumptions of the RBV were highlighted in Barney's (1991) seminal article "Firm resources and sustained competitive advantage". During the following decades, the RBV evolved and matured, reaching a strong position both in the theoretical and empirical strategy research, and in line with this, it also gained prominence in the studies of media management (Chan-Olmsted 2006).

2.1 VRIN resources

According to the core assumption of the RBV, firms are heterogeneous in terms of their resources, and this heterogeneity can be long-lasting due to the immobile nature of resources (Barney 1991), i. e., resources "cannot be transferred from firm to firm without cost" (Priem and Butler 2001a: 25). The core assumptions of the RBV are deeply rooted in Ricardian economics of scarce resources[1] (Peteraf 1993; Barney and Arikan 2008). These assumptions are opposite to those of the Porterian view, which emphasizes the mobility of resources and regards firms as identical in terms of their resources.

In his seminal article, Barney (1991: 101) defined resources inclusively as "all assets, capabilities, organizational processes, information, knowledge, etc. controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness". Barney (1991) further categorized resources into physical capital (e. g., machines, equipment, and location), human capital (e. g., skills, routines, and managerial skills) and organizational capital (e. g., processes, control and coordination mechanisms, and organizational culture). Later, Barney and Arikan (2008: 137) condensed the original definition by defining resources as "the tangible and intangible assets firms use to conceive of and implement their strategies".

1 Ricardo (1817) launched the model where he managed to explain the differences of land rents. The more fertile the land site was the higher the rent and vice versa.

According to the RBV, a firm's competitive advantage is based on resources that are scarce and hard to imitate. One of the central ideas is Barney's (1991) definition of the so-called VRIN resources. According to his idea, rent-generating VRIN attributes are *valuable*, *rare*, *inimitable*, and *non-substitutable*. Resources are *valuable* when they add value by enabling firms to minimize threats and to exploit opportunities (Barney 1991, 1995). Barney and Arikan (2008: 137) define valuable resources as "strategies that have the effect of lowering a firm's net cost and/or increasing a firm's net revenues beyond what would have been the case if these resources had not been used". The attribute of *rareness* emphasizes that the resources are in short supply. *Inimitability* means that the resources are difficult to imitate or copy for other firms. The attribute of *non-substitutability* requires that there are no substitutes available for the specific resource.

According to the RBV, a resource needs to be simultaneously valuable, rare, inimitable, and non-substitutable in order to be a source of sustainable competitive advantage. Together, the VRIN attributes create *isolation mechanisms* (Rumelt 1984) against competitors. The RBV highlights three of them in particular: *unique historical conditions*, *causal ambiguity*, and *social complexity* (Barney 1991; Barney and Hansen 1994). As to the *unique historical conditions*, firms can gain superior competitive advantage in at least two ways (Barney 1991; Barney 2011: 129–130): (1) Firms may enjoy the first-mover advantage of acquiring and exploiting resources that generate competitive advantage. This aptly applies to the current rapid rise of the so-called platform-based economy (e. g., Facebook, Google, Amazon, Airbnb, Uber, and Spotify) that managed to be quick in exploiting knowledge-related externalities. The platform companies have managed to profit from the first-mover advantage. (2) Firms may develop their resources path-dependently through cumulative learning based on the firm's own experiences of failure and success. Through learning processes, a large amount of firm-specific tacit knowledge (Polanyi 1962) becomes embedded into the firm's internal resources. Tacitness and firm-specificity make the resources hard to copy for others. *Causal ambiguity* means that resources are often complex and acting in various combinations, which makes it impossible for rivals to make sense of what the actual valuable resources behind the competitive advantage really are. Furthermore, some resources may be *socially complex*. For example, organizational culture (Barney 1986a) or reputation are complex phenomena and therefore hard to copy. A classic example of a success story are Disney animation films. The Walt Disney Company has managed to leverage and exploit its corporate resources to sustain a competitive advantage (Collis and Montgomery 2008). The long learning process has created a resource base, such as a transnational brand (Gershon, 2006), that is socially complex and ambiguous and therefore hard for other companies to copy.

2.2 Later developments and critique

During the last decades, the RBV has become an important stream in strategic management research. It has been applied using both qualitative and quantitative methods (Barney and Arikan 2008; Newbert 2007). In addition to the strategic management studies, the RBV has been applied in other related disciplines, such as human resource management, product development, marketing, finance, etc. (Barney and Arikan 2008).

Over the years, the RBV has undergone an evolution toward a more dynamic approach emphasizing not only the role of resources as such but also their exploitation. Recently, Barney (2011: 134–135) added to his original VRIN framework the *organizational context* and stressed the importance of structures, management control systems, and compensation policies. The findings of Newbert's (2007) analysis of the empirical RBV studies confirm the relevance of the organizational context and suggest that the firm's unique ways of organizing its activities seem to be more essential for its success than having a bundle of superior "static" resources (Newbert 2007: 142).

The evolution of the resource-based model towards a more dynamic approach can be seen as a reflection on debates around the RBV (Priem and Butler 2001a, 2001b; Peteraf and Barney 2003; Kraaijenbrink, Spender, and Groen 2010; Pitelis 2007b, see also Barney's (2001) answers to the critique). One of the main arguments of the critique has been the claim that the RBV is partly tautological and retrospective (Priem and Butler 2001b; Lockett, Thompson, and Morgenstern 2009). According to the critique, tautology arises from the logic of explaining a firm's competitive advantage by the resources it possesses. As Kraaijenbrink, Spender, and Groen (2010: 357) put it: "Because the value of a resource and the sustainable competitive advantage it generates is defined in identical terms, the *explanans* and the *explanandum* of the RBV remain the same". Priem and Butler (2001a: 33) criticize the RBV for not explaining how competitive advantage is generated: "the processes through which particular resources provide competitive advantage remain in a black box". As an example, one can look at the smartphone markets in the beginning of the year 2007. Nokia dominated the market and had a market share of about 40 %. Following the RBV logic, one could have said that Nokia really had superior VRIN resources (e. g., the ability to orchestrate global value chains and superior signal processing technologies). However, by the end of 2007, the situation had totally changed. Apple iPhones dominated the market with their new superior VRIN resources while Nokia lost its leading position and disappeared within a few years.

The critique and debates can be seen as a natural and necessary part of the development process of any young research tradition. The critique is needed to challenge the theory and enforce its further development. As for RBV, later developments have shown its vitality and sustained its relevance as a theory. The new research has extended the analysis more to the organizational context (Newbert 2007) and managerial practices (Sirmon et al. 2011; Ndofor, Sirmon, and He 2015).

2.3 Implications for media management

The RBV provides a useful frame for analyzing the media sector. Currently, media companies are constantly challenged to stay competitive by renewing their internal resources. The intrinsically creative nature of the media (Küng 2017) emphasizes the strategic value of internal skills and competences required to boost new ideas and innovations. Creativity is required in all spheres of the organizational life, e. g., in products, work processes, and management. The value creation logic in the media is based fundamentally on creativity. As Küng (2007: 26) expresses, "The act of content generation is the sector's fundamental activity and *raison d'être*, and their requirement for creativity is constant. […] This, combined with the fickle nature of customer demand, means there is an incessant need for novelty. The higher the levels of creativity, the greater the potential for competitive advantage, and thus the primacy of creativity as an organizational resource". The ability to create novel product innovations and new business models is especially relevant in turbulent times, as Schumpeter ([1912] 2017) realized already at the beginning of the 20th century. On the other hand, in the media, work processes and skills are based on complex combinations of creativity, expertise, and accumulated tacit knowledge. This may serve as an effective isolation mechanism against rivals.

Media scholars (Chan-Olmsted 2006; Mierzejewska 2011; Küng 2017) have highlighted the applicability of the RBV as an insightful framework to study what lies behind the success in the media sector. According to Chan-Olmsted (2006: 178), RBV approaches including also the KBV "provide a fertile foundation through which to empirically investigate the behavior and performance of media firms". A number of studies have applied the RBV to media issues to analyze, inter alia, knowledge-based and property-based resources in Hollywood (Miller and Shamsie 1996), the rise of network TV (Landers and Chan-Olmsted 2004), media reputation (Deephouse 2000), partnerships between traditional TV and the internet (Liu and Chan-Olmsted 2003), newspapers' adoption of a multiplatform strategy (Doyle 2013), and data economy analyzing how data can be a source of competitive advantage (Doyle 2018).

Besides its applicability in media research, the RBV also provides valuable implications for media practice (Barney and Arikan 2008). The framework may serve as a toolkit for managers to be more aware of their own strategic strengths. For instance, it might help to exploit those resources that are at the core of the competitive advantage today, and to identify those resources that have the potential to create competitive advantage tomorrow. Correspondingly, the resource-based framework may also help managers to identify the sources of strategic disadvantages. In addition, the resource-based logic can be used as a tool for benchmarking with rivals, to analyze the strategic resources of the firms with a superior advantage and how the firm's own resources compare to them. However, due to the ambiguous and complex way how VRIN resources create competitive advantage (see above), it might be hard for managers to identify the relevant assets.

3 Knowledge-based view

3.1 Ideas behind the knowledge-based view

The knowledge-based view (KBV) will here be analyzed as a special but important extension of the RBV that emphasizes the strategic role of knowledge as the most relevant value-creating resource of modern firms. As for today's industries, knowledge-based assets are particularly relevant in the media industry where products are based on individual and organizational creativity and know-how (Chan-Olmsted 2006; Küng 2017). Traditionally, the firms in economics were characterized as being simple production functions with capital and labor as their main resources. The first scholar who took knowledge assets seriously was perhaps Edith Penrose (1959) who stressed the idea of combining heterogeneous resources so that their services would allow for creating competitive advantage. She emphasized the entrepreneurial role of management and the managers' ability to know how to combine different resources. In a way, she was dealing with a "know-how" type of knowledge as a strategic resource.

However, the two influential economists Nelson (1959) and Arrow (1962) took a different stance as to the role of knowledge assets. They emphasized *non-rival* and *non-excludable* features of knowledge assets, thus interpreting them as codified "know that" information (often in the form of blueprints, chemical formulas, computer software, etc.) that can be transmitted once decoding rules are known. This blueprint metaphor suggests that anyone with access to relevant information can also utilize knowledge. Hence, codified knowledge has high levels of applicability and transferability but low levels of appropriability. Non-rivalry means that a piece of knowledge does not lose its value even if many users are using it. Hence, knowledge assets can create positive externalities and are therefore useful for society. For example, if I drink a glass of wine (a rival good), nobody else can have it anymore. However, if I am using Pythagoras' Theorem, anyone else can use it as well if she/he has enough absorptive capacity (Cohen and Levinthal 1990). When knowledge assets are codified information goods, their production results in a market failure. It is advisable for society to produce more knowledge goods, but single firms have no incentives to produce them, since they cannot profit from them because of non-excludability[2]. This market failure outcome resulted in national technology policies, i. e., in the idea to promote research and development activities of companies by subsidizing them or giving them temporary legal protection.

However, from the strategy perspective, the interpretation of knowledge as codified information was misleading, since it omitted the dual nature of knowledge assets. They can also be *excludable* because of their *tacit* "know-how" nature. The Hungarian

2 In some cases, of course, intellectual property rights such as patents and copyrights can make protection possible.

sociologist Polanyi (1962; 1966) first made this finding by differentiating between the explicit, i.e., codified "know that" type of knowledge, and the tacit "know-how" type of knowledge. In fact, learning processes are normally based on tacit knowledge that offers procedures on how to do something even if one cannot codify it. Since tacit knowledge is embedded into the social knowledge production context, it necessarily contains *collective* organizational elements. Hence, there is *no* general *access* to tacit knowledge bases. This, in turn, makes it possible to build up new capabilities and upgrade old ones so that *rent-creating* entrepreneurial acts become possible. Tacit knowledge is hard to articulate and transfer but easy to protect. Teece (1998: 63) states succinctly: "The fact that we know more than we can tell speaks to the tacit dimension". Polanyi's very important distinction proved to be the starting point for knowledge-related strategy research. Evolutionary economists, especially Nelson and Winter (1992), used the idea of routine-based cumulative learning in their innovation models.

Kogut and Zander (1992, 1996) and especially Grant (1996a, 1996b) were the first ones who used the concept of *the knowledge-based view (of the firm)*. Kogut and Zander (1992: 391) introduced a special form of tacit knowledge called "know-why". It tries to answer questions of how to create Schumpeterian "new combinations" on the boundary between a firm's own idiosyncratic knowledge base and more codified knowledge dictated by the technological trajectory used in the industry. "Know-why" knowledge is utilized through combinative capabilities that include parts of tacit "know-how" and codified information. As empirically shown by Foray (1993: 128–132), many innovations today really are incremental recombinations around existing technology trajectories.

Kogut and Zander (2000) used their knowledge-related views when trying to lay the foundations for the KBV of the firm. As Håkanson (2010) shows, the basic idea was that firms as epistemic communities are able to economize on knowledge-related costs, i.e., they are able to create capabilities more efficiently than through market transactions.

Grant (1996a, 1996b) focused on the analysis of individual knowledge assets. Non-rival elements of knowledge are able to create value, whereas tacit elements make it possible to protect the value created. Organizational capabilities enable a firm to integrate the specialists' individual knowledge more efficiently than markets could ever do. Grant emphasizes that the most important function of management is to coordinate and integrate individual knowledge. Thus, he conceives the KBV more as a framework that focuses on the strategic role of knowledge assets rather than as "a theory of the firm in any formal sense" (Grant 2002: 135).

Teece's seminal article (1998) highlighted the importance of the so-called *appropriability regime* as a method to profit from knowledge. Teece analyzed the market imperfections that relate to the markets of knowledge assets, especially to know-how and intangibles. As is well known, the ability to utilize market imperfections is a starting point for most theories of strategic management. Following the lead of his celebrated article "Profiting from innovation" (Teece 1986), Teece stressed the role of *replication* and claims that the harder it is to replicate know-how-based capabilities the better are the chances to profit from knowledge assets. Of course, legal means of protection, such as patents, trademarks, and copyrights, also play a role in some industries where intellectual property rights are effective. The question of the importance of the appropriability regime is interestingly touched upon in a famous media-related article by Miller and Shamsie (1996) where the authors take a closer look at the nature of different resources used in Hollywood film studios. They empirically show that during stable and easily predictable years, property-based resources securing legal protection based on long-term contracts (actors, distributors, technologies, etc.) are the main sources for profits, whereas during more turbulent periods, knowledge-based resources – such as skills, expertise, teamwork – guarantee financial performance. Property-based resources are more static whereas knowledge-based resources enhance flexible adaptation to changes in the business environment.

3.2 The rise of platform-based digital companies and the media

Teece's (1998) article also anticipated how important the peculiarities of knowledge assets would be in the rise of digitalization in the 2000s. Teece stressed the importance of demand-based increasing returns, i. e., the network externalities and the compatibility standards as well as high first copy costs and very small marginal costs that potentially lead to the rise of "winner-take-the-lion's-share" companies that are able to exploit the first-mover's advantage. Network externalities are demand-related positive externalities that result in increasing willingness to pay, i. e., increasing demand curves, since the more valuable the network is, the more users there are (just think about Facebook or Uber). Together with large up-front costs and very low marginal costs leading to decreasing supply curves, this constellation results in a situation where companies first have to reach the critical mass of users. After this point, the willingness to pay is higher than marginal costs. This situation often results in a first-mover's advantage where the firms have a dominant market share and can keep the competitors out of the market.

During the last ten years, we have witnessed the rise of so-called platform-based companies that have effectively utilized the peculiarities of knowledge. Due to digitalization, they can also manage a huge amount of information collected from their users for business purposes. The typical way to expand is to first establish a platform that exploits the network externalities and to then extend the network of users by means of an effective information gathering system. Amazon and Alibaba are dominating the retail sector. Google, that started as a web browser, has effectively utilized its huge amount of information for different purposes while at the same time creating profits by advertisements. Facebook, Uber, Spotify, Airbnb, and Netflix are examples of platform companies profiting from network externalities, very low marginal costs, and the opportunity to utilize the data gathered from their users. It is clear that we are going to see the rise of more platform companies in many other business areas as well. Until now, the customers have mainly benefited from these giants but, of course, there is a danger that we are approaching a situation where the winner-take-it-all situation will show its darker side and companies will use their monopoly power even more.

The media sector has become an interesting battlefield where new digital business models meet old business models. Netflix has already taken the next step and started to produce its own TV series and films, thus moving towards the riskier production-based business model. Spotify has a market share of about 36 % of the music streaming market worldwide even though the company is not profitable yet. In the media field, we are witnessing how large digitalized companies with their customer information and huge financial resources are going deeper into the domain of traditional print and broadcasting media, for instance, by offering some content for free. Of course, the basic idea of the RBV still holds true. If traditional media companies are able to have resources that help create content customers are willing to pay for (valuable) and that are rare, interesting, and non-imitable, they can keep going profitably. However, if they do not manage to convince their old and potential new customers to pay for their content, they are facing a real problem, since free content is increasing rapidly and large ubiquitous digital giants like Google, Amazon, and Apple will be there with different business models. In addition, you can also find interesting players in the media field that can use large public funding and very advanced information technologies, i. e., large public broadcasting companies that deliver content based on license fees or public broadcasting taxes. Seeing all these challenges, it is certain that traditional media companies are bound to renew their business models in a way that guarantees the production of high-quality content customers are willing to pay for and that cannot be easily imitated or substituted. It is not an easy task, and companies certainly need *dynamic capabilities* to overcome their challenges.

4 Dynamic capability view

4.1 The core idea of the dynamic capability view

According to the idea of the dynamic capability view (DCV), firms build and exploit dynamic capabilities in order to sustain their competitive advantage in a changing business environment. The purpose of dynamic capabilities is to transform and renew a firm's resource base – routines, competences, capabilities, assets, etc. – to address new business challenges successfully. The DCV can be regarded as a dynamic extension of the RBV (Ambrosini and Bowman 2009; Easterby-Smith, Lyles, and Peteraf 2009; Leiblein 2011). It shares the assumptions about the VRIN resources (Teece 2014) and, in addition, addresses the RBV's shortcomings by taking into account dynamic issues, which the retrospective RBV had not done. The DCV focuses on strategic change and the continuous renewal of resources. It aims to understand and analyze the process of how a firm generates superior value with its resources and, importantly, how a firm keeps its resource base competitive in new and different market situations. Whereas the RBV regards the valuable, rare, inimitable, and non-substitutable resources as sources of competitive advantage, the DCV attaches the VRIN criterion also to the dynamic capabilities (Teece 2014; Teece 2018). They are built inside the organization, thus being firm-specific, tacit, causally ambiguous, and therefore difficult for others to copy. For this reason, they cannot be bought or sold either. There are no efficient markets for dynamic capabilities.

The DCV provides a relevant approach for analyzing the current media industry, which is changing faster than ever before. Technological disruption combined with individualized customer needs and global competition is forcing media companies to take radical actions in changing their business models. For successful renewal and performance, media companies need dynamic capabilities. Media companies need to build and deploy dynamic capabilities in order to constantly search, identify, and seize new business opportunities and to transform their resources, capabilities, and structures to successfully capture these opportunities.

4.2 Dynamic capabilities defined

The DCV took shape in the 1990s to address the challenges of an increasingly competitive and global business environment. Following the evolutionarily oriented approaches in economics (Nelson and Winter 1992; Schumpeter [1912] 2017), the new approach emphasized a firm's ability to learn, change, and adapt to the volatile business environment. The core theoretical ideas were presented by Teece and Pisano (1994) and Teece, Pisano, and Shuen (1997). The latter article has become one of the seminal works in the DCV tradition. In this article, dynamic capabilities were defined as "the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments" (Teece, Pisano, and Shuen 1997: 519).

The article of Teece, Pisano, and Shuen was followed by various other versions, definitions, and conceptual developments during the following years (see reviews, e. g., Barreto 2010; Di Stefano, Peteraf, and Verona 2010; Schilke, Hu, and Helfat 2018). Along with this, the young tradition has also been a field for harsh debates regarding inadequate specifications of the main concepts, performance criteria, and environmental dynamism (see reviews related to different understandings: Barreto 2010; Peteraf, Di Stefano, and Verona 2013). However, as Schilke, Hu, and Helfat (2018) show in their comprehensive analytical review of the studies on dynamic capabilities, the DCV has advanced remarkably both conceptually and empirically.

The theoretical and empirical evolution has converged the DCV into the three most used and applied definitions by the following scholars: (1) Teece, Pisano and

Shuen (1997), (2) Eisenhardt and Martin (2000), and (3) Helfat et al. (2007) (Schilke, Hu, and Helfat 2018). Especially the definitions by the first two groups of scholars imply two very different, even contradictory understandings of the role of dynamic capabilities. The strongly evolutionarily oriented Teecean tradition (Teece 1998; and Helfat et al. 2007; Wang and Ahmed 2007; Helfat and Peteraf 2009) emphasizes the proactive nature of dynamic capabilities, thus linking them to the entrepreneurial mindset of managers (Nelson and Winter 1992; Teece 2007, 2012; Augier and Teece 2009; Helfat and Peteraf 2015; Schumpeter [1912] 2017; Adner and Helfat 2003). Accordingly, dynamic capabilities are regarded as firm-specific, path-dependent, and cumulatively generated through learning processes and at the core of generating sustainable competitive advantage.

Eisenhardt and Martin (2000: 1107) relate more moderate attributes to dynamic capabilities by defining them simply as "the firm's processes that use resources—specifically the processes to integrate, reconfigure, gain and release resources—to match and even create market change. Dynamic capabilities thus are the organizational and strategic routines by which firms achieve new resource configurations as markets emerge, collide, split, evolve, and die". According to this definition, dynamic capabilities are regarded as *best practices* that can be shared by firms. Subsequently, according to Eisenhardt and Martin, dynamic capabilities can provide only temporary competitive advantage. The dynamic evolutionary nature of dynamic capabilities is almost omitted.

The third commonly applied definition of Helfat et al. (2007: 1) provides an integrated and most inclusive view of dynamic capabilities: "A dynamic capability is the capacity of an organization to purposefully create, extend, or modify its resource base". It highlights the purposeful deployment of dynamic capabilities and thus links them to Schumpeterian entrepreneurial thinking where innovations are of great importance. Later, also Teece (2007, 2012, 2014) stressed the role of entrepreneurial thinking when searching for microfoundations of the DCV.

The differences and contradictions of the Teecean definition and the definition of Eisenhardt and Martin in particular may cause confusion, and there have been different ways to cope with them. Some scholars have tried to create solutions for integrating these quite contradictory definitions (Peteraf, Di Stefano, and Verona 2013; Di Stefano, Peteraf, and Verona 2014). Others, e. g., Schilke, Hu, and Helfat (2018: 408), in turn, point out that the different definitions can be seen as complementary to each other. Arndt and Pierce (2018) regard the contradictory views as representing two "schools" inside the dynamic capability perspective having origins in different theoretical foundations (see also Di Stefano, Peteraf, and Verona 2014). The definition of Eisenhardt and Martin follows the ideas of the (more or less static) behavioral theory (Cyert and March 1963), whereas the Teecean definition is based on the assumptions of evolutionary economics (Nelson and Winter 1992; Winter 2003; Helfat and Winter 2011). Eisenhardt represents the rigid view of organizational behavior to dynamic capabilities, while Teece and his colleagues regard dynamic capabilities as the firm's ability to innovate, change, and overcome organizational rigidities. Teece also emphasizes the role of entrepreneurial behavior and non-routine-based aspects of management.

Despite their differences, both traditions can be applied in the field of media industry studies, however, for different reasons. The definition of Eisenhardt provides an approach for analyzing how best practices evolve and spread among media companies. This is a phenomenon that takes place as media companies benchmark each other in search of new ideas and business models. The Teecean framework provides a useful framework when we want to analyze media companies' ability to take entrepreneurial actions and renew their resources and business models.

4.3 Microfoundations of dynamic capabilities

Having a capability implies that an organization has "the capacity to perform a particular activity in a reliable and at least satisfactory manner" (Helfat and Winter 2011: 1244, see also Winter 2003). A capability has an intent based on patterned and repeatable activities. Furthermore, based on the literature on organizational capabilities, capabilities can be divided into different types or hierarchical levels depending on their function in the organizational renewal process (e. g., Hine et al. 2014; Winter 2003; Zahra, Sapienza, and Davidsson 2006). One widely used categorization is the division of capabilities into *operational* and *dynamic* capabilities (Winter 2003). The operational – also called ordinary (Teece 2014), zero-level (Winter 2003), or substantive (Zahra, Sapienza, and Davidsson 2006) – capabilities are needed to maintain the status quo by repeating the learned routines and activities and by exploiting existing competences, capabilities, and assets. They are aimed at short-term targets and regarded as best practices that the organization has learned through its past successes (Helfat and Winter 2011; Teece 2014). The exploitation of best practices and the maintenance of the status quo are sufficient as long as the external environment remains stable. As for the media industry, this was more or less the case until the mid-1990s when the digital revolution started. Dynamic capabilities are aimed at long-term success and needed when the environment changes in a way that the current business is no longer competitive. Dynamic capabilities enable an organization to break the status quo and transform its operational-level competences, capabilities, and assets in order to successfully address the changing environment (Teece, Pisano, and Shuen 1997; Helfat and Peteraf 2009).

In addition to the categorization of capabilities into operational and dynamic capabilities, the construct of dynamic capabilities can be analyzed in terms of the processes they create. The process view of dynamic capabilities has contributed to the operationalization of dynamic capabilities and the understanding of how they affect change in practice (Schilke, Hu, and Helfat 2018). For example, Teece, Pisano, and Shuen (1997) specify coordinating, learning, and reconfiguring processes of dynamic capabilities. From the procedural-frameworks perspective, especially Teece's (2007) model of sensing, seizing, and reconfiguring/transforming capabilities has become a widely used framework in the studies of dynamic capabilities. According to the model, dynamic capabilities can be divided into the three capacities of sensing, seizing, and reconfiguring/transforming. These three capacities form a logical and interrelated sequence of activities (Helfat and Peteraf 2009), i. e., they demonstrate how the new knowledge is integrated into new organizational competences, capabilities, business models, innovations, etc. According to Teece, sensing is the capacity to sense and interpret opportunities and threats in the environment. It is the ability to search, identify, and interpret emerging ideas in the external environment concerning customer behavior, technologies, and new markets, for instance. Seizing is the ability to seize the sensed ideas and opportunities by making decisions on investments, new business models, or firm acquisitions, for instance. It is the ability to build such decision-making processes and cognitive capabilities (Helfat and Peteraf 2015), which enables an organization to overcome path dependences and to enhance proactive decision-making. Transforming means the ability to continuously transform the resource base by altering, renewing, recombining, and reallocating assets and capabilities to achieve the desired targets. Transformation can be achieved either inside the firm or in collaboration with partners.

As the core question of the DCV view is about how a firm sustains its competitive advantage, a large part of the research is focused on the linkage between dynamic capabilities and performance outcomes. In this linkage, the transforming activities of dynamic capabilities are the crucial part of the successful change process (Teece 2007). By definition, "a dynamic capability is the capacity of an organization to purposefully create, extend; or modify its resource base" (Helfat et al. 2007: 1). What really matters for achieving strategic targets and long-term competitive advantage is the successful transformation of the resource base (Zahra et al. 2006). Sensing and seizing can be regarded as necessary antecedents for the transformation of resources (Danneels 2016). As for the performance outcomes, they have been studied and understood in diverse ways using both quantitative and qualitative methods. Performance has been defined and understood comprehensively, ranging from financial parameters and innovation outcomes to the ability to learn and adapt to changes (Barreto 2010; Schilke, Hu, and Helfat 2018).

The DCV and especially the Teecean tradition emphasize the entrepreneurial orientation and mindset of managers (Augier and Teece 2009; Teece 2007, 2012). Managers are the initiators and drivers of change (Zahra, Sapienza, and Davidsson 2006). As the recombination of assets requires entrepreneurial, experimental, and creative actions, the managers' ability to take risks, have visions, and take proactive steps is crucial for the organizational renewal.

4.4 Implications for media management

As already mentioned, the media industry has been facing rapid, even turbulent changes since the mid-1990 when the role of stable and path-dependent dominant logics and business models has partly lost their value-creating power. The role of the DCV has become very important for both media scholars and practitioners to explain these profound changes. Media industry provides a rich case for implementing the dynamic capability framework to study various issues, e. g., how different kinds of media firms build and deploy higher-order capabilities and how they become a patterned organizational behavior, and whether dynamic capabilities have certain more generic industry-level features. From the managerial perspective, it is relevant to study how sensing, seizing, and transforming capabilities relate to each other and the firm's performance. For example, the story of Blockbuster and Netflix insightfully demonstrates the relevance of dynamic capabilities. In both cases, the business was originally based on video sales and renting. Along with digitalization, video renting lost its popularity. Blockbuster was unable to address the challenge, but Netflix was successful in creating new competences and business models. Whereas Blockbuster was unable to renew its business, Netflix was able to build dynamic capabilities by sensing and seizing new business opportunities.

In strategic management, studies on dynamic capabilities form a rich and established body of research. In the field of media management, however, there has been an increasing interest in applying the DCV only in recent years. However, there are some interesting studies on dynamic capabilities, e. g., in relation to innovation performance in the audio-visual industry (Naldi, Wikström, and von Rimscha 2014), renewal capacity in public media (Maijanen and Jantunen 2014), corporate venture capital (Hasenpusch and Baumann 2017), and ambidexterity (Maijanen and Virta 2017), to name but a few. The number of studies on dynamic capabilities can be expected to grow in the coming years as the competition and speed of change will increase and along with this, the understanding of the drivers and obstacles of change will become more and more crucial. This is not only relevant knowledge for media scholars but even more so for media managers. The DCV provides a useful framework to analyze an organization's internal dynamics as well as strengths and weaknesses. For example, the model of sensing, seizing, and transforming is a practical tool for managers to analyze how well a firm is able to scan the environment and how well the scanned opportunities are seized and implemented at the resource- and knowledge-based level.

5 Conclusions

In this chapter, we have studied the basic ideas and main managerial implications (especially in the media industry) of three strategic management approaches: the resource-based view (RBV), the knowledge-based view (KBV), and the dynamic capability view (DCV). They represent the modern streams of strategic management, each emphasizing the role of intra-organizational factors as the source of sustainable competitive advantage. Despite the same economics-based internal logic, the RBV, KBV, and DCV each have some important differences. Following the old Ricardian tradition, the RBV emphasizes the role and management of valuable, rare, inimitable, and non-substitutable resources as the source of competitive advantage. The complexity and tacitness of these so-called VRIN resources serve as effective isolation mechanisms against imitation by rivals, thus creating market imperfections to be exploited. The KBV goes one step further and points out that out of all resources, knowledge assets in particular are of greatest importance. Tacit uncodified knowledge cumulated over many years of experience provides a resilient protection against imitation. As for creative industries, knowledge can be regarded as a key resource embedded in the hard-to-imitate accumulated know-how and knowledge-based competences, such as creativity and talent. The DCV is linked to the RBV and KBV by highlighting how firms are able to keep their resources valuable and unique when the business environment changes. Dynamic capabilities are unique and inimitable firm-specific capabilities that enhance organizational strategic renewal and learning. The managers' entrepreneurial activities in sensing weak signals and new strategic options, in seizing these options, and in continuously transforming the firm's resources and capabilities are the core drivers of innovative actions. In addition to resources, the (dynamic) capabilities can also be regarded as value-creating sources of market imperfections. The markets of dynamic capabilities are very thin or even non-existent. Hence, firms have to build them within the company or by networking with other companies. In order to analyze dynamic change processes, the DCV utilizes evolutionarily inclined ideas when searching for the sources of sustainable competitive advantage.

From an economics perspective, the RBV, KBV, and DCV emphasize firm-specific differences in resources and change-enhancing capabilities as the source of superior performance. The basic common idea is the ability to capitalize on market imperfections, i. e., to build and deploy such resources and capabilities that are unique and inimitable. The focus on cumulative firm-specific factors and drivers of success is highly relevant in the media industry where new technologies and global competition are changing existing business models faster than in any other industry. For media management, the RBV, KBV, and DCV approaches are regarded more as complements than as substitutes since they provide excellent tools to analyze intra-organizational dynamics of change and to detect what kinds of resources and change-enhancing capabilities media firms would need to outperform others and remain competitive.

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4 (New) Institutional media economics

Abstract: In this article, the fundamental differences between economics and institutional economics are presented in detail against the backdrop of a short description of media economics as a subdiscipline of media and communication sciences. This serves as a basis for taking a more detailed look at six approaches to institutional economics with regard to their heuristic potential for questions in the field of media economics. These would be the following: constitutional economics; the property rights approach; contract theory and the principal agent approach; transaction cost economics; the theory of institutional change; and evolutionary economics. This is followed by an evaluation of the relevance of these approaches for communications and management theory. Finally, the interdisciplinary compatibility of the approaches discussed are demonstrated, taking the examples of ideology and journalistic media and applying the theories developed by North.

Keywords: media and communication sciences, methodological individualism, institutional economics, constitutional economics, property rights approach, contract theory, principal agent approach, transaction cost economics, theory of institutional change, evolutionary economics

1 Specifics of media economics

Although media and communication sciences have their roots in German economics (Bohrmann 2002), they have long ignored economic issues. There is no inherently consistent subject called media economics. Admittedly, there have been more and more attempts to develop the subject, however, one question still remains: Is it a subdiscipline of media and communication sciences or should it be part of economics? Currently, its status as a subject is unclear because it is not certain where the demand for it lies. Even economics has shown only little interest in media or technology-based communications for a long time.

A subdiscipline that discusses the problems of media and communication sciences (and of other social sciences) and that approaches them by using the instruments and methods found in economic theory has to be interdisciplinary by nature. It needs a build-up of knowledge about economic theory within these sciences to create something that is more than simply cumulative or imperial. How else can it be used for research findings beneficial to media and communication sciences? Most media-economic papers and studies fit into the category of pre-formal theory. They are looking for context, influencing factors, and causes, trying hard to integrate empirical findings.

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Even though media economics is not a well-defined subdiscipline in media and communication sciences, there has been an increasing number of publications about media-economic topics. In the German-speaking world, questions from the business and media management perspective dominate (Gläser 2014; Scholz 2006; Schumann and Hess 2006; Wirtz 2016). This focus on business and management is also visible in the English-speaking world: More and more contemporary textbooks barely differentiate between media economics and management anymore (Albarran, Chan-Olmsted, and Wirth 2006) or between media economics and media business studies (Alexander et al. 2004). These textbooks are aimed mostly at media management students. Publications that do not present business-related analyzes are quite rare (Anderson, Waldfogel, and Strömberg 2015). Interdisciplinary references to media and communication sciences are an exception. They can be found at Gläser (2014) and von Rimscha, Studer and Puppis (2016), for example. The analysis of media corporations as well as their management and control dominate this subject. Additionally, macroeconomic aspects of the media are barely considered – everything is focused on the business-related perspective of media management. Basic questions within media management are treated from the perspective of a product, a resource as well as management and commercial needs (Schumann and Hess 2006, for example). This strong orientation towards business has already begun to leave its mark on studies and papers in communication sciences. Kopper (2006: 39) talks about media economics as a science as being mainly based on themes that mostly focus on corporate interests. This makes the interdisciplinary aspects more difficult to deal with and leads to a divergence in the scientific debate.

2 Types of economic approaches

Subdisciplines should serve the scientific interests of their parent disciplines. This means that we have to consider the types of economic approaches that can serve the scientific interests of media and communication sciences. The question is: Are all economic approaches equally suitable?

The fundamental focus of economics is scarcity. However, scarcity does not mean absence in this respect, but only refers to the asymmetric relationship between the availability of a resource and the range of applications that the resource can be used for. Human objectives and needs have to be matched to economic resources (labor, capital, land, raw materials, time, and opportunity costs/alternative uses) that are scarce. Economic thinking is characterized by three components: (1) *Methodological individualism* states that social issues and collective phenomena are explained using individual behavior. Additionally, economics tries to find *patterns* (2) in the social behavior of humans. The last component (3) *preferences/restrictions* will be defined in more detail later in this text. Economists bundle these three components into a so-called *economic model of behavior*: (a) The individual is the actor; (b) people do not act by chance; (c) utility is the driving force in human behavior; (d) limitations determine individuals' freedom; (e) limitations are conveyed mainly via institutions; and (f) people make rational decisions or decisions based on "bounded rationality" (Frey 1990; Kirchgässner 1991). This model is designed to explain and predict human behavior. However, the so-called *homo economicus* who is based on this model is not a reflection of the actor but an analytical construct that is taken to explain patterns in aggregates (consumers, entrepreneurs) by using individual decision-making considerations.

Institutional economics expands the economic resources mentioned above to include ethical and intellectual resources. Strictly speaking, it focuses on restrictions, such as norms, laws, and other restrictions that limit and determine people's actions. Moreover, institutional economists expand this perspective from macroeconomics (focusing on general economic factors) to microeconomics (focusing on economic actors), from market theory to explaining human behavior by using specific assumptions.

Economics and institutional economics agree that the market is an efficient allocation mechanism because the necessary degree of macroeconomic coordination of decentralized decisions exceeds human capacities to plan in a specialized, highly differentiated society. (Kiefer and Steininger 2014: 54) There are differences in the ideas about the market and the acceptance and assessment of governmental and political control systems within it. Institutional economics assumes a multitude of control systems that affect economic activities. By adding governmental and political control systems to the equation, we must also deal with institutions as they are closely connected to these control systems.

What are institutions? They are understood as forms of social acts that structure our lives and thus reduce uncertainty. Institutions create guidelines for social interaction. Without suggesting any definitional homogeneity in regard to the term, it can be said that the phenomena described as institutions have one common denominator: They form the basis of expectations. Additionally, institutions can be differentiated according to whether they are rules and norms or corporate structures (organized, social mergers, such as states, parties, and companies). As a result, institutions may be formulated in organizations. Organizations can be shaped but are limited by (upstream) institutions regarding their scope of actions. This constraint secures the coherence of the social institutional structure, even in times of change. Let us leave it at that for now. We will come back to this term later with North (1991), who understands the term as any kind of constraint devised by humans for structuring human interaction.

3 Institutional economics

Institutional economics, as defined here, is a subdiscipline of economic sciences that can also be referred to as political economy or new institutional economics.[1] The subdiscipline has become more and more relevant in the German-speaking world in recent times. Institutional economics can be seen as a throwback to the classical beginning of economic sciences in that economic phenomena are no longer described and analyzed separately from social and political contexts and more general contexts are taken into consideration, with judgments having a place in this analysis. Thus, institutional economics has gained ground in German media economics to a certain level. How can subjects such as economization, deregulation, privatization, commercialization, internationalization and globalization, innovation, and information society (all keywords for changes in the media) be discussed adequately without bringing the institutional dimension into the equation? The economic framework shaping the media cannot be regarded in isolation, but must be viewed within the institutional framework it is part of.

Media are mostly organized on a commercial basis, represent key economic factors, and are integrated into the economic system. They are economic and cultural goods. They are increasingly seen as economic goods as their economic relevance rises. Thus, media policy questions are answered from an economic perspective. Media policy discussions focus mostly on the role of the media in the context of work, economic growth, and international competitiveness (Kiefer and Steininger 2014: 20).

Media have never been as precisely and consistently defined as in the “theory of goods”. Each field of this theory (services, public goods, externalities, merit goods, experience or trust-based goods, networking effects, benefit assessments) explains significant consequences for production, finance, and consumption. This leads directly to the risk factors present in media production, demand uncertainty, and the logic of media production. The behavior of economic actors and the existence of economic institutions (market, competition, corporations) is only understandable for those who deal with information systems (price) in the media field and who do not suppress decision and governance systems.

Institutional economics works with evaluation metrics that differ greatly from those used in economics. Rationality and economic principles are not congruent in institutional economics. Rationality cannot be defined as system-independent (Herder-Dorneich 1992: 11). This can be shown in a simple example: “subsidies for theatre and opera are irrational economically speaking, but are rational from the view of cultural policy. The ability to recognize different rationalities is an important difference

1 At this point, reference should be made to the deliberations by Flew (chapter 5 in this volume), who discusses the institutionalist tradition in economics and invokes Veblen as a representative of this tradition. A line of development can be drawn methodically from mercantilism, German Historical School, and old institutionalism to new institutionalism (Steininger and Hummel 2015: 134).

between heterodox and "pure" economics, which is central for media economics". (Kiefer and Steininger 2014: 69) Media cannot be approached without taking social goals into consideration, which are both a cause and justification for the special constitutional position of the media (such as freedom of the press and broadcasting). It is also about shaping media using theoretically-derived reform recommendations.

From a theoretical perspective, institutional economics enables the further development of economic instruments (Feldmann 1995; Furubotn and Richter 2005; Seifert and Priddat 1995). However, institutional economics should not be viewed as a self-contained theoretical construct. In a broader sense, the subsumed approaches deal with the analysis of institutions – research into the "establishment, transformation and effects of social institutions" (Holl 2004: 29). The most important approaches are: (1) constitutional economics; (2) the property rights approach; (3) contract theory and the principal agent approach; (4) transaction cost economics; (5) the theory of institutional change; as well as (6) evolutionary economics. The following paragraphs provide a rough overview of these approaches.

3.1 Constitutional economics

Constitutional economics has its origins in public choice theory, but unlike public choice theory, it is focused on the regulation level and not on human behavior under predetermined rules. It analyzes choices of rules and questions the effects of these choices on society's wellbeing, the benefit to its members, and whether new rules are accepted by its members. Constitutional economics is closely tied to the long tradition of social contract theories: The individuals in a collective establish a social contract the rules of which define the way they interact with each other and how they wish to provide public goods.

Such a social contract is based on the voluntary agreement and unanimity of all the members who – in line with constitutional economic theory – should ensure normative individualism through collective decision making. However, the criterion for achieving this is the joint concession of those involved, as this is the only way to ensure agreement on a given rule or institution. This ability to find a hypothetical consensus is based on knowledge (Kiefer 2010: 85). Aufderheide differentiates between two types of knowledge: theoretical knowledge and knowledge of interest (*Interessenwissen*). The first encompasses the knowledge of cause-and-effect relationships between rules and individual actions. The second describes the knowledge of one's own position in society and personal interests. The objective of constitutional economics is to generate this knowledge with the aim of consensus-building between the individuals (Kiefer 2010: 86; Aufderheide 1996: 187–188).

Moreover, constitutional economics also deals with the question of the effects of rules on the welfare of the members of a society and the question of whether consensus between its members can be reasonably assumed with respect to existing or new rules and institutions. In principle, constitutional economics can be applied to a variety of collectives (associations, companies, clubs) and their “constitutions” and not only to the state. Given the fact that media contents, especially the services the media are expected to render to society, appear to be public goods to a high degree, the transfer of this approach to the media sector makes sense (Kiefer and Steininger 2014: 63–64). Thus, Kiefer (2010) applies constitutional economics to describe the media as institutions. She illustrates that media are not only embedded at collective (media laws) and operative (production and recipient side) regulation levels but also at constitutional (constitutional protection of the freedom of the press) levels. In principle, institutions must be controllable by democratic means. Media are one of the exceptions to this rule as they are considered “autonomous institutions”. We will return to this later.

3.2 Property rights approach

This approach states that the content design of property and disposition rights have an influence on the allocation and use of goods in a specific and obvious manner (Demsetz 1974; Furubotn and Pejovič 1972). The property rights approach examines the allocation and limitations of property and disposition rights and their impact on the economic behavior of people. To this end, it is essential to realize that the key factor relevant to property is the right of disposition held on the good and not its ownership. Transaction costs and their changes resulting from technological progress play an important part in the content design of property rights.

The ideas of the property approach are crucial for questions of media financing and the development of new media technologies, in addition to the various forms of media organizations. Content design and the protection of property rights for intangible goods and intellectual services play a central part in post-Fordist capitalism in general and in the age of digital and net-based media in particular (Kiefer and Steininger 2014: 64). Property rights play a crucial role in the media sector in the form of copyright laws and exploitation rights. The public-good nature of media content requires a legal definition of ownership rights and disposal rights of the work’s creator and the work’s producer/distributor of copies. This applies in particular during transition phases in media technology and media policy. Property rights theory is used as an organizational theory approach for problems relating to privatizing public property as it is used in the efficiency assessment of company structures. The fact that service-oriented businesses are increasingly in the focus of the analysis makes this theory become even more relevant to the media.

3.3 Contract theory and the principal agent approach

This theoretical approach (Coase 1937; Jensen and Meckling 1976) centers on the collaborative customer-supplier relationship and the legal concept of the principal agent. The agent (contractor) acts on behalf of the party represented (principal). In the course of executing the assignment, the agent makes the decisions and takes actions that not only affect his or her own but – in particular – the values of the principal, who has difficulties monitoring the agent's actions. In general, the principal will only see the results, but is unable to determine their exact cause. If there is an information imbalance between the principal and the agent, opportunistic behavior on the part of the agent cannot be ruled out. The contract agreed to by the two is explicitly or implicitly incomplete, i. e., not specified in its entirety.

This constellation results in various manifestations of the principal-agent problem, the crucial differences of which can be found in the chronological structure of the development of asymmetrical information (Erlei, Leschke, and Sauerland 1999: 112). Moral hazard occurs when both parties have asymmetric information after agreeing to the contract, because the principal cannot verify the agent's contractual behavior accurately. Adverse selection takes place when the parties have asymmetric information before they agree to the contract because the agent or provider has more information on the quality of his or her services or product, for instance, than the principal or customer.

The principal-agent approach focuses on three objectives: (1) working out the specific causes and characteristics of the agency dilemmas; (2) developing possible institutional arrangements as a solution; and (3) developing effective forms of contracts for an agency relationship. This approach is also suited for the analysis of media-economic questions. Thus, the relationship between medium and audience can be modelled on the agency theory. What impact does media freedom granted to the media entrepreneur (agent) have on the audience (principal)? Is the audience protected from the opportunistic behavior of media companies, and how could broadcasting ensure this? (Kops 1998)

3.4 Transaction cost economics and governance structures

Coase (1937: 388) explained the existence of the institution of the firm by stating that it supersedes the price mechanism, i. e. transaction costs necessary in market structures to carry out commercial activities. Williamson (1985) extended Coase's approach by saying that economic institutions (companies in particular) serve the elimination of transaction costs in general. The theory says that firms are efficient if the transaction costs for using the market exceed the organizational costs within the firm. At present, the economic analysis of institutions does research into both economic and social transactions – the costs of social trade in general. Economic transactions are considered a special case in social transactions (Richter and Furubotn 1996: 48). According to Coase (1960), the transaction costs of the market-related coordination process can be divided into the following categories: *search costs*, as suitable trade partners are not freely available at any given time; *information costs*, as potential trade partners must be informed about one's own transaction intentions; *bargaining costs*, as the optimal price must be negotiated and agreed upon; and *policing, enforcement and value guarantee costs*, as the execution of the contract must be monitored and ensured.

Transaction costs are essentially information and communication costs because the market actors – as opposed to the assumptions of neoclassical theory – have basic information deficits and the price system does not reflect all the relevant information. Transaction costs can be eliminated by finding different institutional arrangements for different types of transactions. According to Williamson (1985), transactions differ from each other primarily in three ways (Kiefer and Steininger 2014: 66–67):
1. *Asset specificity*. Production assets are specialized for specific uses. Although this allows for savings on costs, asset specific investments bear quite a risk.
2. *Uncertainty*. Transactions bear varying degrees of uncertainty in relation to future contract-relevant events.
3. *Frequency*. Specialized arrangements that entail high costs may become profitable in cases of high transaction frequency, as high costs are easier to cover by a higher frequency.

Williamson (1985) extrapolates four types of institutional arrangements or governance structures from these theories, ranging from the market to the company. Non-specific transactions, i. e., transactions with low asset specificity, are dealt with externally via the market, while regular transactions with highly specific production assets are usually carried out internally – vertical integration ensues. In between are forms of cooperation between legally independent partners, the significance of whom is currently gaining importance (Lundin and Norbäck 2016). The transaction cost approach can be applied to media-economic questions. Thus, the asset specificity of human capital appears to be high in media production, but also the asset specificity of real capital. Uncertainty is a vital criterion in the media sector (Kiefer and Steininger 2014: 66).

3.5 Theory of institutional change

North (1981) defines change as the way institutional organizations are created, changed, or destroyed over time. The coupling of societal behavioral norms – including ethical and moral ones – with constitutional rules ensures the stability of institutional organizations that are linked to each other and, in their entirety, form a hierarchically structured, political economy system. Hierarchical structures and coupling ensure that institutional change usually progresses gradually and in a relatively coordinated manner. North (1981) attributes the most important function in organizing a system to constitutional rules, namely that they are developed with the intention (1) to create a scheme for the distribution of wealth and income; (2) to define a system of protection in a world of competing nations; and (3) to create the basis for a system of procedural rules for decreasing the transaction costs of economic activities. Mantzavinos (2001) points out that economic factors (e. g., income distribution as a result of technological innovation) can be neutralized by ideologies and vice versa. Organizations, not technologies, compete with each other. The former play a decisive role in institutional change. By pursuing their goals, their organizational purpose changes the institutional order. Which organizations are formed and how they develop depends primarily on the institutional framework, although organizations also affect institutional change both wittingly and unwittingly. Media companies influence the shaping and change of society. They change the institutional order as organizations by pursuing their goals (North 1991). The fact that Western democracies belong to a societal type that encourages competition can also be credited to the media. Organizations, including the media, have become and are still becoming increasingly important in this type of society (Steininger 2012).

Media change can be described as institutional change, as defined by North. The institutional structure surrounding the media is recognized as a result of negotiation processes. This means that media change is characterized by the reciprocal effect between institutions and organizations. Thus, the institutional framework governs the maximizing potential of media organizations, the structure of which depends on profit prospects (production cost and transaction cost benefits). North describes the relationship between institutions and organizations as follows: Opportunities provided by society are governed by institutions. Organizations are created to seize these opportunities (North 1991).

3.6 Evolutionary economics

Many economic directions are attributed to evolutionary characters (Hannerer and Steininger 2009: 25). However, evolutionary approaches – in all their heterogeneity – can be credited with highlighting the significance of institutions in social development. In other words, historical questions are essential for evolutionary theories: “history matters” (Schneider 2002: 158). This is not about understanding economic processes in the context of balanced markets. Evolutionary economics reconstructs business processes analogously to (biological or cultural) evolution. The good, the firm, or the economic system that reacts best to given environmental demands will be successful. Unlike neoclassical theory, evolutionary economics underscores the historical conditionality of development paths and resources. Witt (2004: 32) remarks that current economic theory appears as if purged from all traces of history, which can be a problem if we understand economics as a historical process characterized by permanent change. Instead, it would be important to find regular – more precisely: recurrent – and, thus, theory applicable phenomena. Therefore, evolutionary economics focuses on historical and structural phenomena. Pascha (1994) understands institutions as such as a phenomenon. Evolutionary economics focuses on explaining the creation and change of institutions.

Kiefer notes that the sub-processes of evolution take place at different levels of speed as actions change more rapidly than the structures formed by them. Based on the hierarchical structure of the institutional system, institutions at the micro level change more rapidly and more easily than institutions at the macro level. The presence of micro and macro levels and their connection to each other show that change evolves into collective performance at the macro level because of individuals acting at the micro level (Kiefer 2010: 101).

The theory of institutional change and evolutionary economics cannot only be applied in a meaningful way to media-economic questions, but to communication sciences in general (Kiefer 2010; Jarren and Steininger 2016). Latzer (2013) argues for a shift in perspective towards an evolutionary view, including changes in media and a combination of innovation, evolution, and complexity theoretical approaches for analysis purposes. All these approaches are also very much about rediscovering a problem that was already identified by classical national economics (Bücher [1893] 2011) and that became the basis of its theoretical thinking: the problem of social management (Herder-Dorneich 1995: 238).

4 Relevance of institutional economics

4.1 Relevance for communications theory

The significance of media economics and institutional economics in particular can be explained with McQuail (1986: 633), who asked the following of communications theory: It should be able to evaluate developments both normatively and critically, to provide methods and concepts to describe and clarify these developments, and to explain causal relationships to make predictions. When comparing these requirements for media and communication science theory to principles of economic theory, we will find parallels in the trinity of problems and theoretical contexts. Acocella (1998) differentiates between three levels of social decisions and optional actions: social, institutional, and individual. A specific form of analysis can be allocated to each of these three levels (Kiefer and Steininger 2014: 405). Identifying socially desired goals can be allocated to the level of social optional choices, while at the institutional level, it is more about the analysis of the institutional framework (in which the goals mentioned above are achieved) and the process of public intervention to achieve those targets. At the level of individual optional choices, the focus is on the decision-making and cooperational behavior of individuals and formal organizations. The following is a brief illustrative attempt to gauge the contribution that *(New) Institutional Media Economics* can make to these levels:

1) Definition of socially desirable goals

Deliberation is undoubtedly a desirable goal. Its attainment will be prevented if: (a) socialization patterns give rise to excessive individualism such that public discourse is exclusively structured by forms of communication aimed at personal gain, or; (b) established canons of discourse structurally promote exclusion and disenfranchisement. Deliberation thus depends on the media production of socially desirable content and the production of content characterized by freedom from stereotypes. It can be said at this point that the concept of deliberation is challenging in general. From a constitutional economic point of view citizens are the authors of those laws and institutions that they submit themselves to (Kiefer 2007: 56; Imhof 2003: 49–50). Furthermore, they are also required to have the ability to provide rational statements and to think in collective rationality.

2) Analysis of the institutional framework

A common feature of the many phenomena referred to as institutions is the fact that they give rise to expectations. Distinctions are normally drawn between institutions according to whether they represent rules and norms or corporate structures. The latter are organized social combinations (states, parties, companies, etc.). One can also speak of secondary or derivative institutions resting on higher-order institutions. Fundamental (such as human rights) and higher-order derivative institutions form the framework or environment in which organizations operate as secondary (derivative) institutions.

In Western societies, the mass media are generally subject to a dual regime – a mixture of economic and constitutional elements – under which the public service sector is subject to a more traditional legal regulation, and the private sector is subject to more modern commercial constraints. Spinner (1994) distinguishes between legal, economic, and academic regimes, each of which is engaged in a battle for ascendancy. The question that research should address is about which regime, along with the related institutional arrangements, is most suited for attaining the goals considered to be socially desirable. The way to answer this question is comparative analysis, that is, a comparison of actual or potentially realizable institutional arrangements, explicitly stating the yardsticks of comparison employed (Kiefer and Steininger 2014: 412–413).

3) Analysis of individual decision-making behavior

Consumer sovereignty is a tenet of liberal society and a fundamental economic assumption. However, the economic axiom of the individual's pursuit of rational personal interests depends on consumers who are not only capable of taking informed decisions, but also possess market power. Consumers must be in a position to control their payments. Willingness to pay provides producers with a means of recognizing consumer preferences and, thus, of tailoring their products to the latter. An analysis must encompass both main agents on the markets – the producers and consumers of media services – because both face serious problems in media economics terms. Here, the problem is that of attaining goals within the existing institutional framework. The points at issue are whether the market functions efficiently in given media systems and whether the above goals can be achieved by functioning markets. Regulation could be an alternative; however, this is susceptible to the problem of political failure.[2]

4.2 Relevance for management theory

Two dominating strategy concepts are differentiated in economic management theory: the market-oriented and the resource-oriented approach. Both are understood as being complementary to each other to the extent that the integrated view is dominating at present. An analysis of the strategic connection of market structure, behavior and result, as well as resources touches on questions of information and communication. It is evident that parts of institutional economics can be integrated into the theoretical system of management theory when it comes to these questions. It can be thought of as an analysis of information imbalances between principal and agent (contract theory and principal agent approach) or addressing information and communication costs (transaction cost economics). Even references to the significance of organizations in institutional change (theory of institutional change), in particular their objectives and purposes, show that striving for competitive advantage affects institutional change and that media management is institutional management to a certain degree. Meeting the entrepreneurial objective of "taking a profitable position" does not solely depend on strategy types such as cost leadership, (product) distinction, and concentrating on focus points. Companies change the institutional order by pursuing their objectives. This is what the theory of institutional change shows.

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2 Economic institutional theory indicates that the allocation of property rights is closely linked with the distribution of power. Groups with political power can change the rules of the game by shaping laws and regulations in a way that costs and benefits are modelled in line with their preferences (Libecap 1989). The principal agent approach also points out the possibility of individuals and groups abusing power. In short: "governance structures often arise out of power motives or are sustained for that reason" (Groenewegen, Spithoven, and van den Berg 2010: 131).

Thanks to evolutionary economics, we have been given (a) an insight into the fact that actions change faster than structures, and we can state that (b) institutional systems have a hierarchical structure. Institutional management must take the hierarchical structure of the institutional system into account to be able to manage organizational change at least to some extent (Haes 2003: 29–30). To this end, an understanding of how individual actions at the micro level evolve into collective performance at the macro level is necessary.

5 Summary and outlook

All approaches used in new institutional economics are closely connected to each other. There are also indications that the differentiation between New Institutional Economics (NIE; Coase 1937, 1960; North 1981; North 1991; Williamson 1998; Williamson 1985) and Original Institutional Economics (OIE, also referred to as Old Institutional Economics, American institutionalism, Neo-institutionalism, or classical institutionalism; (Veblen [1899] 1995; Veblen [1898] 1998; Commons 1931)) may have become redundant in the meantime. The institutional expansion for the economic explanation program makes it possible to create connections to neighboring disciplines, such as sociology. At this point, we could highlight the fact that approaches connecting NIE and OIE in particular enable us to gain deeper insight in fields such as *ideology, media, and journalism* that seem to have no common ground with economics. This will be made clearer below using North's[3] theory.

Uncertainty can be understood as the initial problem, according to North: Uncertainty with regards to possible actions and the success of actions will lead to social rules becoming beneficial, as rules cut transaction costs and provide information. North suggests that economic actions require formal and informal rules. He explains the completion of transactions via interests and obligations against a backdrop of formal (laws, constitutions) and informal rules (conventions). North recognizes coincidental, historical similarities between ideas and interests as a dynamic force generating material wealth and economic growth (Maurer 2009: 251–252). This raises two questions: one about alternating between the consideration of benefits on the one hand and ideas about what is right on the other hand, and the other question about the mutual support of ideas and interests.

North shows that players must accept *ideologies* as a result of their limited knowledge and limited possibilities to process information to remain able to act (Schmid 2009: 110). Uncertainty forces players to acquire mental models in the sense of creative interpretations of situations in which they have to act. Players cannot always have

3 Groenewegen, Spithoven, and van den Berg (2010: 368) refer to North as an economist, who links NIE and OIE.

all the rights and full information, as assumed in neoclassical theory, as the world is perceived and interpreted subjectively by individuals. North's work is influenced by Hayek's epistemology (1937). Hayek understands human perception as an interpretation in line with the attempted classification of impressions in a premeditated, more complex organizational system (Holl 2004: 64). Thus, perception is interpretation alternating between humans and institutions. Personal interpretation happens based on experiences made and classified. New experiences are constantly redefined.

However, what is the relationship between ideologies and mental models? First, we must differentiate between individual mental models (understood as products of cognitive systems) and shared mental models as an intermediate stage to ideologies. Ideologies themselves are more general interpretation patterns of larger groups and can be understood as shared frameworks of shared mental models (Denzau and North 1994). The subjective perceptions of the players are changed through experience, filtered by the mental models described above. As a result, ideas, dogmas, trends, and ideologies become significant causes of institutional change (North 1991).

Coyne and Leeson (2009) state that *media* and *journalism* play a causal role in the change of institutions. They understand media as backup institutions that enable the establishment and maintenance of other institutions via communicative coordination. "The media is one such supporting institution that can reinforce existing institutions while simultaneously contributing to the evolution of those and new institutions." (Coyne and Leeson 2009: 9) Given North's theory, institutions evolve based on cultural idea patterns of economic actors. These patterns require a complex, dynamic learning process. The ideas created during this process need to be collected and stored and require the dissemination of knowledge; the connection between transaction costs and information gain has become one of the most important reasons for creating institutions in North's more recent works (North, Wallis, and Weingast 2009).

Journalistic media can also be described as institutions from a constitutional economic perspective. This is based on the assumption that institutions must represent background justice. Institutional services must serve the education of basic civil skills and enable their use (Rawls and Kelly 2001). To do this, institutions must follow the principle of people's sovereignty and be controllable in a democratic manner. Exceptions to this rule are so-called "autonomous institutions" (Franke 1998: 100). Courts are considered autonomous institutions in a narrower sense, while the media are considered autonomous institutions in a wider sense. They are given tasks that make them autonomous institutions, institutions that must remain outside the government's sphere of influence to stabilize the democratic system, by enabling societal cooperation and by keeping the economic and the bureaucratic rationality of the "rentier state" in check. Social problems require collective understanding, not only individual understanding. This implies public communication about the acceptance of goals, values, preferences, and interests, according to Homann and Suchanek (1992). Journalistic media come into play when common target values are defined: The ability to find a consensus requires knowledge about one's own position in society (interest knowledge) and about the cause-and-effect relationship between rules and individually elected actions (theoretical knowledge) (Kiefer 2010: 86). These two forms of knowledge are increasingly developed through the media.

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Terry Flew

5 Political economy

Abstract: This chapter locates the political economy of communication in the wider context of the evolution of political economy as an alternative paradigm to mainstream economics. It identifies Marxism as vitally important to political economy, but also notes that Marxist political economy has struggled to reconcile microeconomic perspectives, or those based upon individual choices, with macroeconomic or society-wide approaches. The political economy approach is an applied one, but applied work in the political economy of communication has often had to jettison elements of the 'methodological collectivism' associated with the Marxist tradition, and develop a more fine-grained analysis of markets, institutions and the role played by public policy in shaping capitalist development. Observing that political economy is a dynamic field, the chapter considers the contributions of institutional economics as a 'middle ground' approach, and behavioural economics as providing more realistic insights into human behaviour under conditions of structural constraint.

Keywords: social totality, capitalism, methodological collectivism, rational choice, behavioural economics, informal institutions, institutions and culture, institutional economics, conglomerates, monopoly

1 Situating political economy historically and intellectually in communication studies

The political economy tradition has been a vitally important one to the study of communications at the social or macro level. It can be argued that some subfields of communication, studies were essentially established by political economists. This is most apparent in the study of global communications, which did not exist as a distinct and coherent field of study before the pioneering analyses of critical political economists, such as Schiller, Smythe, and Boyd-Barratt (Mowlana 2012; Wilkins, Straubhaar, and Kumar 2014; Miller and Kraidy 2016; Flew 2018). It has proven to be an indispensable framework for the study of key topics in communication, such as media power, the implications of concentration of media ownership, work and labor in the communications, media, and creative industries, and inequalities of access to communication technologies and media content (Murdock and Golding 2005; Picard 2011; Freedman 2014; see also chapters 10, 12, and 13 by Just, Lüders and, Zoellner and Lee in this volume). As an inherently interdisciplinary approach to communication studies, political economy has also been central in building bridges to social science disciplines, such as sociology, economics, and political science, as well as to the humanities through cultural and media studies as well as history and philosophy.

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The political economy of media and communication has been particularly well served by detailed accounts of the history, development, and core concerns of the field (e. g., Hardy 2014; Wasko 2004; Murdock and Golding 2005; Mosco 2009; Wasko, Murdock, and Sousa 2011). This chapter will therefore not go into a detailed account of the development of the political economy approach, noting these far more detailed sources. It is very important to note, however, that the political economy approach to media and communication has a strong affinity with the broader development of political economy as a critical framework for understanding capitalist economies and societies (Mosco 2009: 37–50; Stilwell 2002). This chapter will instead focus upon areas of debate within critical political economy, including the relationship between macro-structures and individual behavior, and the relevance of monopoly to political economy. It will then consider two alternative frameworks – institutional and behavioral economics – and contributions that they can make to the political economy of media and communication.

The political economy of communication approach draws upon the history of economic thought in an important way. It is observed that the founders of political economy, such as Smith and Ricardo, approached the study of economics from a historically grounded perspective, understanding markets as embedded in a wider framework of social institutions, and viewing capitalism as an economic system where there were competing social classes. The neoclassical approach, which became dominant from the mid-19th century, stood in contrast to the classical school, by narrowing the scope of economics to focus upon individuals rather than social classes, and separating economics from other branches of social theory. Political economists view this narrowing of the scope of economic theory not as a purely intellectual exercise, but rather as a response to the challenge presented by Marxist political economy, which extended and radicalized the systemic perspective of the classical economists.

Neoclassical economics has often been viewed as an ideology supporting dominant economic interests, with dissenters from the dominant paradigm, such as the institutionalist economist Veblen, relegated to the margins of economics as it was taught in the major universities and in the most widely-used textbooks. In Samuelson's *Economics* textbook, which was first published in 1948 and has gone through 19 editions, there is only one reference to Veblen in over 700 pages of text, while Marx is referred to twice in the whole book, primarily in relation to the economic failure of the former Soviet Union (Samuelson and Nordhaus 2010). Political economists observe that the field of economics has been increasingly characterized by challenges to the dominant economic models and the assumptions underpinning them, such as rational choice theory, economics as a value-free science, and the idea of self-correcting markets (see Roncaglia 2005: 486–504; Quiggin 2010; Keen 2001 for illustrative examples).

For political economists, such "ferment in the field" is never simply a matter of one set of ideas being displaced by another, but is reflective of changes in underlying socio-economic conditions (see Bowles, Carlin, and Stevens 2017; Cole, Cameron, and

Edwards 1991). The Great Depression of the 1930s promoted the economic theories of Keynes, as his work foresaw a more active role for government. By contrast, the economic downturn of the 1970s saw the rise of what came to be known as neoliberalism, as a strand of the dominant economic approach that increasingly viewed society as a whole in market-based terms, influenced by economists such as Friedman and von Hayek (Mirowski 2014; Duménik and Lévy 2016). The Global Financial Crisis of 2008 has catalyzed new forms of critique of free market capitalism, of which a notable example has been Piketty's *Capital in the Twenty-First Century* (2013), which provides an account of why inequalities have continued to increase in market economies in the period since the 1970s.

From this historical and intellectual perspective, we can identify some of the core propositions of political economy as applied to communication: the importance of understanding media economics as part of a social totality; the importance of the economic dimension to communication and culture; and the role of conflict and contradiction in the dynamics of how communication industries and practices develop historically. Mosco (2009: 65) describes political economy as "an entry point in social analysis, one important opening to the social field, but not one to which all approaches should be reduced". He argues that one implication of a political economy approach is that its practitioners have "sought to *decenter the media of communication* even as they have concentrated on investigating its economic, political and other material constituents" (Mosco 2009: 66, [emphasis in original]). This means that the study of media needs to be located within a wider social totality, whereby the macro frameworks associated with the production and reproduction of capitalist economic and social relations serve to shape and constrain communication and media technologies, institutions, content and practices.

At the same time, political economists deny that this is a form of *economic determinism*, whereby communication is simply a by-product of capitalism, and lacks its own distinctive features and dynamics. Mosco argues that "communication is not simply an effect of social practices, not just the description of a cultural landscape that can only be genuinely explained by economics, political science, and sociology" (Mosco 2009: 69). This raises the question of *how* important economic factors are to shaping and determining communication. This is known in critical political economy and cultural studies as the *base-superstructure* debate. It derives from the argument, first made by Marx, that, under capitalism, the economic structure of society constitutes the "base", or the "real foundation on which arises a legal and political superstructure, and to which correspond definite forms of social consciousness" (Marx, quoted in Hardy 2014: 23).

The political economy approach differentiates itself from other approaches in communication and media studies, such as cultural studies, by arguing that "culture is linked to economic structures and that any attempt to understand the products of media needs to include an understanding of how they are produced and how that relates to broader structures of society" (Hardy 2014: 24). Similarly, Murdock and

Golding (2005: 63) argue the distinctiveness of the political economy approach to communication as arising from how it "think[s] of economic dynamics as playing a central role in defining the key features of the general environment within which communicative activity takes place, but not as a complete explanation of the nature of that activity". At the same time, political economy of communication theorists reject the proposition that they adhere to what Hardy (2014) terms a "radical functionalist" argument that the media in capitalist societies will inevitably serve capitalist interests, pointing to elements of contradiction and contestation between competing class interests under capitalism. An example would be how the professional ideologies of media workers, such as the creativity of entertainment producers or the commitment to objectivity of journalists, periodically clash with the interests of owners and managers to maximize profits, or pursue a particular political line.

2 Levels of analysis in political economy: Macro and micro

In order to understand the significance of levels of analysis in the political economy of communication, it is instructive to contrast the approach to that of mainstream media economics. Media economics commences from what neoclassical economics came to define as *the* economic problem, of how individual economic agents – both people and firms – make choices about what to produce or consume under conditions of economic scarcity. In the most influential economics textbook of the post-WWII era, Samuelson and Nordhaus defined economics as "the study of (1) *what* outputs to produce, and in what quantity; (2) *how,* or with what inputs and techniques, to produce the desired outputs; and (3) *for whom* the outputs should be produced and distributed" (Samuelson and Nordhaus 2010: 9).

Replicating this definition and applying it to the media, Picard (1989: 7) defined media economics as "concerned with how media operators meet the informational and entertainment wants and needs of audiences, advertisers and society with available resources", while Albarran (2002: 5) defined the field as involving "the study of how media industries use scarce resources to produce content that is distributed among consumers in a society to satisfy various wants and needs". Where other approaches are acknowledged, they are typically seen as being outside of the disciplinary "core". Albarran (2017) identifies three traditions of media economics: the *theoretical*, based in neoclassical economics; the *applied*, which draws upon management theories as well as industry economics; and the *critical*, informed by Marxism, political economy, and cultural studies.

How these multiple consumer and producer preferences are reconciled is through markets, and the neoclassical approach to economics focuses fundamentally upon the role played by markets in enabling producer supply and consumer demand to reach an equilibrium point at a given price. It is acknowledged that there are numerous complexities to media industries, products, and markets that make application of a simple neoclassical approach more complex. These include: (1) the heterogeneous nature of media products (e. g., a TV program is a very different commodity to a newspaper); (2) the existence of dual media markets, where media businesses are selling products to audiences while also selling access to those audiences to advertisers; (3) various social drivers of media consumer behavior, including the preparedness to pay extra for premium brands in order to acquire status, or the fashionability of different forms of content at different times (e. g., music genres); and (4) externalities to media products, which point to the need for government regulation for social objectives (e. g., restrictions on access to excessively violent media content), or the funding of public broadcasters to meet the needs of underserved communities or (to) ensure the availability of content that has cultural value or is considered a merit good (Cunningham, Flew, and Swift 2015: 17–27). Even with these caveats, media economics remains within the core assumptions of the neoclassical paradigm, namely that the individual is the primary object of analysis, that individuals engage for the most part in rational behavior and predictable responses to market stimuli, and that free exchange between these producers and consumers will generate socially optimal outcomes in most instances.

Whereas mainstream media economics starts at the *micro* level, drawing upon assumptions about individual behavior to generate society-wide outcomes, the political economy of communication is focused in the first instance upon the *macro* or society-wide level of analysis.[1] It is primarily interested in the role played by collective entities, such as social classes, in the shaping of public and private institutions in the context of complex socio-historical processes that lead to the formation of economic systems. The starting point of the political economy of communication is that, in most parts of the world, the media operate in capitalist economic systems, and this is of critical importance in framing the context in which media content is produced, distributed and consumed.

While individuals certainly have choices, those choices are constrained by the level of access they have to economic and other resources – including the capacity to influence the political and legal systems – and these are shaped primarily by one's location in the social class structure, and secondarily by power relations based on gender, race, ethnicity, disability, and sexuality (see, e. g., Murdock and Golding 2005: 76–80). Moreover, the choices that are made by individuals are themselves shaped by the dominant economic relations, insofar as the media play a critical role in shaping the dominant ideologies of society, or the "mental maps" through which people make sense of the world and their place within it. The advertising and marketing com-

1 It should be noted that the term *macro* is being used differently here to its use in mainstream economics, where *macroeconomics* refers to the study of aggregate trends in national economies in the context of international trade.

munication industries play a vitally important role in: (1) shaping the consumption choices that individuals make; (2) structuring the choices made by media companies about the content they make available to consumers; and (3) stimulating consumer desire for new products and services. The Canadian Marxist political economist Dallas Smythe famously referred to the media as the "consciousness industries", so that "the process of commodification thoroughly integrates the media industries into the total capitalist economy [...] by producing audiences, *en masse* and in specific demographically desirable forms, for advertisers" (Mosco 2009: 137, [emphasis in original]).

The political economy of communication approach is therefore critical of the neoclassical approach for its extrapolation from a micro-level theory of the rational maximizing individual subject to a macro theory of society as a whole. Is it vulnerable to the opposite critique, of having a theory of society and its structures, but lacking an explanation of how this connects back to the behavior of individuals? We will consider this question in more detail below in discussing behavioral economics, but it is notable that the issue has arisen in discussions of the methodology of Marxist political economy.

What is known as the "analytical" or "rational choice" approach to Marxism argues that a distinction can be made between those aspects of Marx's political economy that remain valid when aligned with social science methods, such as methodological individualism and intentional explanation, and those which rest upon assumptions not seen as consistent with such social science methods (Elster 1985; Przeworski 1985; Roemer 1986). Elster defines *methodological individualism* as "the doctrine that all social phenomena – their structure and their change – are in principle explicable in ways that only involve individuals – their properties, their goals, their beliefs and their actions" (Elster 1985: 5). Associated with this is the concept of *intentional explanation*, whereby collective action can only be explained through the choices made by individuals to act collectively in ways that can be considered to be advancing a particular goal or purpose (i. e., they are rational), or that they follow leaders who could induce individuals to act collectively in pursuit of such goals or purposes. This is contrasted to *methodological collectivism*, where "there are supra-individual entities that are prior to individuals in the explanatory order" (Elster 1985: 6). It is typically tied to functional explanation, whereby one set of structures shapes another set, largely autonomously of the actions and goals of individuals (e. g., the economic "base" determines forms of law, politics, and ideology consistent with its requirements), or that individuals are compelled to act according to a structural logic associated with a condition external to them (e. g., their membership of a particular social class).

Methodological collectivism is the predominanjt approach in Marx's writings. But we can identify three instances in which the micro and the macro can be reconciled within Marxist political economy in a manner consistent with the premises of analytical social science (for overviews see Weldes 1989; Philip and Young 2002):

(1) The question of when, how, and under what conditions individuals who occupy particular class positions (employers, managers, workers, etc.) identify the need to act

collectively, and create the institutional and other conditions in order to do so, such as their formation into trade unions, industry and trade associations, political parties, or other collective entities (Przeworski 1985; Hindess 1990). In instances where they do not do so, or where they appear to make choices that are not considered to be in their collective interests (e. g., working-class voters supporting Donald Trump), this may be a case of what is referred to as *sub-intentional causality* (Elster 1985: 18–22), or to bahviour that is informed by other preferences (e. g., workers being opposed to other groups of workers on the basis of race, ethnicity, gender, or religion).

(2) There is also the possibility of what Elster refers to as *supra-intentional causality*, or the unintended consequences of individual choices. Marx's theory of capitalist crisis provides the starkest example of this. One of Marx's key insights was that the development of capitalism is not an even, linear process, but rather one characterized by recurring cycles of economic boom and slump (Howard and King 1985: 208–233). A key reason for this is that what is rational from the point of view of individual capitalists may be irrational from a collective standpoint. For example, at the peak of an economic cycle, profits are at their highest level, and it is rational for companies to invest in additional productive capacity, but this may only be leading to excess capacity and overinvestment, which brings the rate of return on such investments downwards, leading to reduced investment and economic crisis. Such economic cycles remain an inherent feature of capitalism because there is a disjuncture between what is rational from the point of view of the individual capitalist and that of capitalism as a whole.

(3) A final critical area of Marxist political economy that links the macro to the micro relates to the theory of competition, and its relationship to the notion of contradiction and the causes of change within capitalism. Competition is not only between individual capitalists, or between capitalists and workers, but also between what theorists such as Poulantzas (1982) referred to as *fractions of capital*. There may be contradiction between large capitalists and small businesses, as the theory of monopoly capital proposes (discussed below), or between those who derive profit from the production of goods and services and those who derive it from interest or rent. An important recent example of this in communication has been the rise of *platform capitalism* (Srnicek 2017), and the threat that digital platforms such as Google and Facebook have presented to traditional media companies. Traditional media companies have historically been able to derive profits from the ownership of copyright over the media products in which they have invested, but digital distribution means that such products may be more freely available on the internet. Similarly, to the extent to which these platforms have become the gatekeepers for access to the digital products of traditional news and entertainment media, they have been able to extract a significant share of advertising revenues that were previously going directly to the publishers and broadcasters.

3 Statics and dynamics in political economy of communication: The monopoly capital debate

One important question in the political economy of communication is the extent to which capitalism changes over time, and what implications that has for the Marxist foundations of political economy. The most notable revisionist account of Marxist political economy is the theory of *monopoly capitalism*. First proposed by Hilferding and Lenin, the monopoly capital school has seen the tendency towards the concentration and centralization of capital, which Marx saw as being inherent in the dynamics of capitalism as an economic system, reshaping capitalism as a system. In particular, it was argued that the highly competitive capitalism of the "classical" era (19th century) had been replaced in the 20th and 21st centuries by monopolies and oligopolies who had considerable market power, and can use their power to control their economic environment. Baran and Sweezy (1968) argued that post-WWII capitalism was now dominated by monopolies, who relied upon advertising and the "sales effort", as well as government military spending, to absorb an otherwise chronic tendency towards overproduction. More recently, Foster (2000) observed that "in this strange, semi-regulated world of monopoly capital, there is no longer a life-or-death competition threatening the survival of the mature capitalist enterprise [...] Rather, the giant corporations that dominate the contemporary economy engage primarily in struggles over market share" (Foster 2000: 6–7).

The monopoly capital thesis has been highly influential in the political economy of communication. Schiller, who pioneered critical global communication studies, argued that cultural domination was the "soft power" of U.S. global hegemony – with military power as the "hard power" – that was increasingly in the service of powerful monopolies in the "Entertainment-Communication-Information" complex (Schiller 1969; Schiller 1991). McChesney (1999) argued that the U.S. media industries had been subject to growing concentration of ownership, and Herman and McChesney (1997) argued that media ownership worldwide is subject to growing concentration of ownership and effective control, leading to reduced competition and increasingly homogeneous media content worldwide. They concluded that the global media system is "dominated by three or four dozen large transnational corporations (TNCs) with fewer than ten mostly U.S.-based media conglomerates towering over the global market" (Herman and McChesney 1997: 1).

It is notable that when McChesney, Herman, and others originally wrote about global media monopolies in the late 1990s and early 2000s, the companies in question were the major conglomerates of traditional media, such as Time-Warner, Disney, News Corporation, Viacom, and Sony. While these corporations remain significant, they are now overshadowed in size and significance by the big digital players: Apple, Alphabet (Google), Facebook, Microsoft, Amazon, and Netflix. Moreover, the dominant business models have changed. Whereas traditional media profited from producing and distributing copyrighted works, the digital platforms are for the most part not content creators, but rather content aggregators who benefit from the network effects of concentrating the attention of audiences on their platforms based on content produced by others.[2]

While authors working with the monopoly capitalist perspective have had the strongest influence in the political economy of communication, the argument has its critics. Most notable among these has been Fuchs (2014; 2015), who has argued that Marx's labor theory of value retains its relevance in an age of digital and social media. Rejecting the "revisionist" argument that giant corporations now largely control media and other related markets, Fuchs follows Smythe's (1977) insight that consuming media is a productive activity, in that the audience undertakes labor for the benefit of advertisers. Fuchs extends this insight in arguing that users of social media platforms, such as Facebook and Google, are creating value by capturing the content produced by users, and producing data that is then used in the accumulation process by digital platform companies, digital advertisers, and others in the information industries. From this perspective, culture becomes a form of work that "produces symbols and meaning as specific use-values and communication as a work process that circulates symbols and meanings in society" (Fuchs 2015: 88).

4 Case studies in applied political economy

When comparing political economy to mainstream economics, we have tended to treat the mainstream as a singular approach, primarily framed by neoclassical microeconomics. This is perhaps understandable, as textbook economics has generally been synonymous with the neoclassical approach, and has been taught as *the* approach to economics to generations of students around the world for decades.[3] This is, however, an unduly narrow reading of approaches to economics. Fischer et al. (2018) identify nine alternative economic paradigms to the neoclassical approach, while Earl and Peng (2012) identify twelve "heterodox" economic perspectives which all have their own intellectual influences, distinctive methodologies, and approaches to understanding contemporary societal issues from an economic perspective. Media econo-

2 There is a growing debate about whether large digital platform companies, such as Google and Facebook, are increasingly taking on the attributes of media companies, as they commission content and make editorial decisions about what to distribute or publish on their sites.

3 While the neoclassical paradigm has always had high-profile critics within the discipline (see e. g. Keen 2001; Quiggin 2010), it has only been fairly recently that textbooks have been developed that openly address the heterogeneity of approaches in the field. Alternative texts developed in recent years include Chang (2014), Bowles, Carlin and Stevens (2017), and Fischer et al. (2018). These generally relate a commitment to methodological pluralism with the observation that "economics can never be a science in the sense that physics or chemistry is" (Chang 2014: 2).

mist Wildman has observed that "the neoclassical approach [... is] no longer the overwhelmingly dominant paradigm it once was" (Wildman 2006: 68), while Ballon has argued that "an economic approach to the media needs to be informed by information economics, and network economics, institutional economics and evolutionary or innovation economics" (Ballon 2014: 76). Cunningham, Flew and Swift (2015) applied institutional and evolutionary economics to media, alongside the neoclassical and political economy approaches.

Fitzgerald (2012: 38) develops an applied and heterodox political economy framework in his analysis of News Corporation, Time-Warner, and Bertelsmann as transnational media conglomerates. He observes that authors in the political economy tradition such as McChesney and Herman (1997) identify such corporate expansion as a means of enhancing institutional power through global integration and product diversification, minimizing their exposure to risk by enabling greater control over the media markets in which they operate. In particular, the development of conglomeration strategies allows for the internal reallocation of capital and resources to respond to shifting conditions of profitability (e. g., the rise of digital products alongside traditional media forms). But Fitzgerald's account differs from accounts informed by the monopoly capital framework in emphasizing the extent to which such market power is always contingent for these global media giants.

Media corporations face a number of inherent uncertainties in seeking to control the markets within which they operate. There are the uncertainties around consumer preferences and hence their ability to realize profits from new productions, as well as the new uncertainties arising from digital disruption and the rise of platform-based companies such as Google and Facebook. There are the particular difficulties in managing creative labor and rendering the creative process susceptible to industrial forms of management, as well as the tensions that can exist within large media conglomerates in terms of priorities, management styles, and product development strategies (Flew 2011). Most particularly, the increasingly financialized nature of global capitalism means that these media corporations face even greater competitive pressures, not just from other media businesses, but from investors seeking greater short-term returns from these highly leveraged companies. As Fitzgerald observes, "rather than shielding today's leading media corporations from competitive capitalist relations, the competition for money capital, *qua* heavily debt financed growth or stock market centralization, has placed new constraints on their activities" (Fitzgerald 2012).

Winseck (2011) also demonstrates the value of an interdisciplinary political economy approach to understanding global media industries. In particular, he challenges the tendency to focus upon the size of media corporations as *prima facie* evidence of their market dominance. Observing that "the main weakness of the monopoly capital school is its view of the media as a giant pyramid, with power concentrated at the top" (Winseck 2011: 18), he notes the contribution made by institutional political economy and cultural and creative industries approaches in identifying alternative accumulation strategies that challenge the dominance of vertically integrated media corporations. He discusses the rise of what he terms the "club" model of accumulation associated with digital platforms, that are neither publishers nor broadcasters, but rather aggregators of content from multiple sources, notably users, and where user data rather than cultural products is what is sold to advertisers. He also questions the prevailing focus on media content industries, which is in part a legacy of the origins of media studies in the critical humanities, noting that the network media industries, or the providers of enabling infrastructural services such as telecommunications companies, have seen their relative power increase in the age of digital media and the internet.

5 Challengers to political economy: Institutional and behavioral economics

In the remainder of this chapter, I consider the challenge presented to critical political economy by two such approaches to economics. The first is *institutional economics*, which identifies institutions as a critical bridge between individuals and society, and seeks to apply a historical and comparative perspective to economics by observing the durability and significance of differences in both formal and informal institutions, between nations and over time. In contrast to the neoclassical paradigm, which brackets off economics from other social science disciplines, it acknowledges its considerable areas of overlap with fields such as sociology and political science. The second is *behavioral economics*, which introduces issues relating to values, beliefs, culture, and strategy into decision-making, relaxing or questioning the assumptions of the neoclassical model about rational choice, and seeking to better align policy and institutional design into more complex behavioral models of economic agents. It introduces fields such as psychology and neuroscience into economics.

5.1 Institutional economics

It was noted that the neoclassical and political economy approaches have contrasted in their relative focus upon individuals (the *micro* level) and society (the *macro* level). Associated with this is an analytical distinction between methodological individualism and methodological collectivism. Methodological individualism presumes that "only individuals have aims and interests [… and] all large-scale sociological phenomena are ultimately to be explained in terms of theories that refer *only* to individuals, their dispositions, beliefs, resources and interrelations" (Rutherford 1994: 28). By contrast, methodological collectivism assumes "the social whole is more than the sum of its parts [… and] the behaviour of individuals should be deduced from macroscopic or social laws […] and from the positions (or functions) of individuals within the whole" (Rutherford 1994: 31–32). So mainstream media economics approaches media markets as discrete entities in which individual firms, workers, and consumers make choices to optimize their relative outcomes with available resources. By contrast, political economy focuses upon social classes, conflict between media corporations and their workers, and the role played by media and communication industries in wider structures of domination and ideological control.

The institutionalist tradition in economics, which goes back to the late 19th century, has always been highly critical of methodological individualism. For Veblen, methodological individualism and rational choice assumptions meant that "institutional facts are taken for granted, denied, or explained away" (Veblen 1909: 622), and the significance of culture, custom, and habit on the formation of individual preferences was ignored. By contrast, for Veblen, "it is on individuals that the system of institutions imposes those conventional standards, ideals, and canons of conduct that make up the community's system of life" (Veblen 1909: 629). At the same time, approaches based on methodological collectivism, such as Marxism, struggle with issues of intentionality and providing explanations for collective action. The idea that systemic imperatives drive the behavior of individuals requires, at the very least, the existence of institutional entities that can bind individuals to forms of social action deemed consonant with the ability to make decisions and act upon them. As Hindess noted, "human individuals are not alone in being able to reach decisions and act on them. Political parties, trade unions, capitalist enterprises, and state agencies are examples of actors other than human individuals [… that] have means of reaching and formulating decisions, and […] act on some of them" (Hindess 1990: 89).

One way to understand the institutional contribution is as a "middle ground" between these conflicting approaches. Hodgson has defined institutions as "durable systems of established and embedded social rules and conventions that structure social interactions" (Hodgson 2003: 163). Institutions "enable ordered thought, expectation and action, by imposing form and consistency on human activities", and hence shape the values, beliefs, and preferences of individuals, even as they are also the products of individual decisions and actions. They "depend on the thoughts and actions of individuals but are not reducible to them" (Hodgson 2003: 163): Institutions come to take concrete legal and other forms – articles of incorporation, laws of property, rules of behavior, codes of ethics, etc.

In the New Institutional Economics (NIE), institutions are "the humanly devised constraints that structure human interaction" (North 1994: 360). They include *formal institutions* such as corporations, government agencies, trade unions, and other social, economic, and cultural institutions. Of particular importance has been the NIE conception of the firm as a *nexus of contracts*, or a governance structure, that reduces uncertainty and transaction costs, as well as mediating relations within and between economic agents, meaning that "firms need to be understood as complex organisations with their own cultures and governance structures, and not simply as ‘black boxes’ through which production occurs and profits are maximized subject to resource constraints” (Cunningham, Flew, and Swift 2015: 80).

Institutional economics also links the micro and the macro levels of analysis through arguing the importance of interactions between *institutional arrangements*, or governance structures through which resources are allocated and decisions are made at the levels of firms and other organizations, and the *institutional environment*, or the “rules of the game in a society” (North 1991: 3). The latter incorporates both the formal institutions, as manifested in constitutions, laws, bureaucracy, political organizations, allocation of property rights, etc., and the *informal institutions*, or historically and culturally embedded customs, traditions, norms, values, conventions, beliefs, and self-imposed codes of conduct (North 1994; Williamson 2000). Formal institutions are amenable to political reform, and NIE theorists observe “the importance of a country’s system of governance […] for the country’s success in terms of long-term economic growth, enhancement of human welfare and societal development” (Oman and Arndt 2010: 7). Informal institutions, and the cultural practices and belief systems that underpin them, are considerably more durable in nature, and mark out a continuing source of variation between national systems. North (1994: 363) has observed that belief systems and the “mental maps” through which individuals understand and act in the world “get transformed into societal and economic structures by institutions – both formal rules and informal norms of behavior […] Mental models are the internal representations that individual cognitive systems create to interpret the environment; institutions are the external (to the mind) mechanisms individuals create to structure and order the environment” (North 1994: 363).

Institutional economics can have a complementary relationship to political economy. The Canadian communications historian Innis ([1951] 2008) developed a political economy of media based around the symbiotic relationship between the dominant communications technologies and the institutional forms of power in different historical epochs: Print-based cultures promote power based on continuity over time (e. g., systems of law) and technologies which enable simultaneous communication, such as broadcasting, promote territorial expansion and the expansion of empires. Babe (1995) proposed that the institutional economist Veblen played a pioneering role in developing a political economy approach that combined economics with culture, and identified institutions as the codification of “habits of thought” (Babe 1995: 180), and emphasizing “the importance of the symbolic and the communicatory for the study of economic affairs” (Babe 1995: 80). Melody (1987) identified information and its communication as being central to all societies, proposing that “in the broadest sense, the social, cultural, political and economic institutions in any society are defined according to the characteristics of the shared information in those institutions” (Melody 1987: 1313). Mosco (2009) has identified the institutional approach as being, along with Marxism, one of the major influences upon the political economy of communication, particularly around its focus on the relationship between technologies and organizational structures in shaping markets, consumer wants, and corporate behavior (Mosco 2009: 5–6, 52–53).

One of the key areas where institutional economics can contribute to political economy is around the question of what goes on within media corporations. As we have noted, political economy develops a macro-structural approach to economic dynamics that is in explicit contrast to the methodological individualism of neoclassical economics. Institutionalism provides a *meso-economic* framework (Dopfer 2012), which identifies how complex economic agents, such as firms, engage in market behavior subject to the structural constraints of capitalist economies. An example of the application of institutional economics to media and communications is Caves' (2000) use of contract theory to understand the role played by contracts in linking creative workers with complex and diverse skills to particular projects in large-scale media and creative industries. Loisen (2012) has drawn upon New Institutional Economics to understand the ways in which multilateral agreements shape trade in audiovisual services, where there are forms of cultural protection sitting alongside injunctions to promote the free flow of media content globally.

Institutional economics also benefits from a closer engagement with political economy. North's identification of mental maps as a core informal institution of capitalist economies leaves open the question as to why some such mental maps may prevail over others, and the relevance of competing cognitive understandings of capitalism. The mental maps of corporate executives and trade union officials about how a market economy works are competing and potentially conflictual, and political economy gives important insights into why these worldviews differ, and why some prevail over others. It is therefore moving in the direction of theories of ideology, which are central to political economy. Political economy also gives a key role to media institutions as distributors of information, the professional ideologies of those working within them, and how they shape the understandings that individuals have of the economy and their wider society.

5.2 Behavioral economics

The second heterodox field to be considered in relation to political economy is *behavioral economics*. As with institutional economics, behavioral economists share with political economists concerns about the limitations of the neoclassical economic paradigm, with a focus in this instance upon the assumptions of the rational, profit or utility maximizing individual. Simon observed that individuals could never be perfectly rational, because of the cognitive limitations facing decision-makers in acquiring and processing information. Simon proposed the concept of bounded rationality (Wilkinson and Klaes 2012: 14), which would be complemented by work in psychology and brain sciences that pointed to the importance of heuristics, or the "mental shortcuts or decision rules used by the brain in reacting to complex situations" (Young

2018: 83). The important point about such heuristics is not that they are completely random, but that they generate certain predictable biases, meaning that behaviors can become “predictably irrational” (Ariely 2008).

Behavioral economics presents a challenge, not only to neoclassical economics, but to political economy. The challenge is that it shares with the political economists, as well as the institutional tradition, is the view that *homo economicus*, or the rational calculating agent of neoclassical theory, provides a poor guide to actual human economic behavior. Elster (2007) identified at least 18 instances where the choices made by individuals would violate the core assumptions of rational choice theory, and that even on the most generous interpretation that rationality – rather than desires or emotions – is the primary driver of human behavior, it needs to be acknowledged that such rationality rests upon subjective interpretations by individuals of what is in their best interests. Bowles (1998) points out that economic institutions themselves influence behavior, preferences, and choices through the ways in which they frame choices, the relationship between intrinsic and extrinsic motivations, the ways they shape social norms, and processes of cultural learning. Therefore, the absence of concepts such as altruism, biases, emotions, fairness, framing, reciprocity, risk aversion, and social norms from standard economic models means that it excludes “key elements of human behaviour, all of which can have powerful influences on ‘economic’ decision making” (Young 2018: 77).

The primary influence of behavioral economics has been on public policy, particularly around the concept of nudging, or “changing behavior without changing minds” (Young 2018: 85). Political economists would point out that the media and related industries, such as advertising, have long understood the importance of managing the psychology of individuals and groups in order to drive preferred behaviors, rather than rely upon purely market-based approaches. A professor of marketing would be far less surprised by the insights of behavioral economics. To take a current example, Apple has responded to an increasingly competitive market for digital products by increasing its prices, and using advertising, marketing, and design to occupy a distinctive and lucrative niche for high-end digital products. A different example is that of Facebook, which presents itself to users as a free service, but generates huge amounts of highly valuable consumer data from the behavior of its two billion-plus site users, which is in turn highly valuable to a range of advertisers and marketers.

6 Conclusion

The political economy approach to communication is one of the most significant in the field. Developed since the 1960s, it draws upon over a century of critical scholarship in economics, cultural theory, philosophy, the social sciences, and the humanities. Its focus upon the macro-historical dimensions of communication structures, industries and practices, and their relationship to the broader realm of ideas and culture, provides an important corrective to narrow, disciplinarily constrained approaches, as political economists perceive to be the case with mainstream media economics. At the same time, in the focus upon macro or society-wide forces, there is a risk of overly functionalist or deterministic understandings of the conduct of economic agents in the communication industries. These debates take place within political economy, as seen for example around the relationship of economics to culture and ideology, or competition and monopoly.

It has been proposed in this chapter that perspectives from institutional and behavioral economics are useful complements to political economy. Such accounts are generally less well known to communication scholars, but they provide rich accounts of the meso and micro dimensions of markets and economic behavior. The institutional and behavioral approaches benefit in turn from stronger engagement with the political economy scholarship in media and communication, particularly in connecting with the richly interdisciplinary traditions of the political economy of communication framework.

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Section II – Methods

Marcel Garz

6 Quantitative methods

Abstract: This chapter reviews recent trends in empirical research on media and communication. In terms of *data collection*, researchers have been making increasing efforts to retrieve publicly available online data via application programming interfaces (APIs) and by using methods to crawl, scrape, and parse information. At the same time, there has been a trend to compile original datasets by digitizing material from historical sources. When it comes to *measurement*, the literature has benefited from automated methods that allow to analyze text as data, including text mining and natural language processing. Finally, a growing number of studies has been applying techniques that allow for *causal inference* with observational data. Methods such as instrumental variable regression, differences-in-differences, and regression discontinuity have become popular alternatives when controlled laboratory experiments are not feasible or desirable.

Keywords: causal inference, data collection, differences in differences, instrumental variables, natural language processing, regression discontinuity, sentiment analysis, text mining, web scraping

1 Introduction

This chapter reviews recent trends in empirical research on media and communication, especially in reference to (a) data collection, (b) measurement, and (c) causal inference. Researchers have been making increasing efforts to *collect data* by harvesting publicly available information from online sources, for instance, by retrieving data via websites' application programming interfaces (APIs) and by using methods to crawl, scrape, and parse web data. At the same time, there has been a trend to compile original datasets by digitizing information from historical sources. When it comes to *measurement*, the literature has benefited from automated methods that allow to analyze text as data, including text mining and natural language processing. Due to their increasing sophistication and the rising processing power of computers, such tools are frequently chosen when human content analysis would be too slow or too costly. Finally, a growing number of studies has been applying techniques that allow for *causal inference* with observational data. Methods such as instrumental variable regression, differences-in-differences, and regression discontinuity have become popular alternatives when controlled laboratory experiments are not feasible or desirable.

This chapter complements the review on qualitative methods in this volume. It intends to encourage researchers to apply a quantitative perspective to problems

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that are usually not addressed in this way. As this chapter will hopefully show, many communication-related research questions can be tackled by quantifying certain phenomena that would traditionally be analyzed in more qualitative ways. The review does not attempt to systematically survey the literature but aims to provide selected examples of studies that illustrate the applicability of tools to gather media-related data, create text-based measures, and distinguish cause and effect. The review has a stronger focus on studies in economics than management, due to the widespread use of the above-mentioned methods in the former discipline. Thinking about communication issues in terms of supply and demand, incentives, welfare, and other economic concepts has opened up new perspectives on these issues. As a consequence, a growing economic literature has helped to provide new answers to communication- and especially media-related questions.

2 Data collection

This section focuses on data sources and methods of data collection that have been increasingly used recently, including the digitization of information from historical sources, the use of digital newspaper archives and broadcasting transcripts, and the automated retrieval of information from online sources. Data from these sources are often used in studies that address topics related to news markets, media effects, media bias, and the relationship between mass communication and politics.

2.1 Historical data sources

Early mass media – such as newspapers, radio, and television – have played a pivotal role in human history. A recent strand of literature investigates research questions related to the introduction of these media. At the intersection of media economics and economic history, this literature studies the role of economic and regulatory conditions for the dissemination of new media technologies, as well as the effect of these technologies on economic, political, and social outcomes. The research usually involves great efforts to digitize analog data sources, including historical year books, reference books, and directories. While it is possible to use optical character recognition (OCR) in some cases, it is often necessary to manually locate and process the desired information. Thus, the costs of retrieving data from such sources are high. Since the resulting datasets have not been investigated before, analyzing them usually allows for original contributions though.

For example, Gentzkow, Shapiro, and Sinkinson (2011, 2014) have collected comprehensive data on several thousand US newspapers between 1869 and 2004. Using sources such as the American Newspaper Annual, the American Newspaper Directory, and the Editor and Publisher Yearbook, the authors compile a dataset that includes information on newspaper entry and exit, newspapers' location, circulation, subscription and copy prices, as well as their political affiliation. They use these data to investigate the effect of newspapers on electoral politics, among other things. For a study on the impact of media competition on the quantity and quality of news, Cagé (2017) collects similar data on French newspapers as of 1944, including revenues, expenditures, and demographic information of journalists. Cagé and Rueda (2016) use the World Atlas of Christian Missions to obtain information on printing activities by mission stations in sub-Saharan Africa in the early 20th century. The authors use these data to evaluate the effects of the printing press on newspaper readership, education, and political participation.

In a study on the seizure of power of the Nazis, Adena et al. (2015) work with historical documents to collect information on the location and power of radio transmitters in Germany in the early 1930s. They also add region- and city-level data on radio subscription rates, the number of newspapers and cinemas, and the number of speeches given by Hitler. With these data, the authors are able to estimate effects on Nazi party membership, election outcomes, and anti-Semitic acts.

Gentzkow (2006) evaluates the implications of the introduction of television in the US for political participation. For the time from 1940 to 1970, the author gathers county-level data on the availability of TV stations from various issues of the *Television Factbook*. The findings indicate a negative effect on voter turnout, likely because television consumption partially replaced the use of other media that provided more political coverage. Using similar data, Baker and George (2010) find that exposure to television advertising increased household debt, whereas the results of Campante and Hojman (2013) indicate a decrease in ideological polarization of the US Congress.

2.2 Digital newspaper and TV archives

Research on news markets often requires measures of news output, which is why many recent studies have greatly relied on full-text archives of newspaper articles and, to a lesser extent, transcripts of television news. Data extracted from such sources have been used to create variables that count news items, or that capture forms of media bias or media sentiment.

The *NewsLibrary* and *ProQuest* databases mostly offer access to US newspapers. Among other things, researchers have used these sources to investigate ideological media bias (Gentzkow and Shapiro 2010; Puglisi and Snyder, Jr. 2015), voter information (Snyder, Jr. and Strömberg 2010), and effects on financial markets (Engelberg and Parsons 2011). The *Factiva* and *Nexis* databases include newspapers from all over the world, although their focus is on Western and English-speaking titles. Data extracted from these archives have been used in studies on media bias against foreign companies in Germany (Friebel and Heinz 2014), advertising bias in US newspapers

(Gurun and Butler 2012), and coverage about government scandals in the UK (Latham 2015).

All databases have browser interfaces that support advanced keyword searches, including Boolean operators. Searching the *NewsLibrary* database is free but users are charged for full-text access. *ProQuest*, *Factiva*, and *Nexis* require a subscription, which many universities and libraries have. However, in the case of academic subscribers, there are usually limits on the number of search results and especially the number of downloads of full-text articles.

A commonly used source of data on US newscasts is the *Vanderbilt Television News Archive* (e. g. Durante and Zhuravskaya 2018; Eisensee and Strömberg 2007). This archive offers access to *ABC*, *CBS*, and *NBC* as of 1968, and to *CNN* and *Fox News* for more recent periods. Their browser interface allows for keyword searches on story-level abstracts. The retrieval of results is free but access to video clips requires a subscription. Other studies rely on non-public or proprietary data (Durante and Knight 2012; Martin and McCrain 2018) or use broadcasting transcripts from *Nexis* (Martin and Yurukoglu 2017).

2.3 Web data

As with many other disciplines, the field has greatly benefited from the possibility to gather all sorts of data from online sources. The Internet has vastly increased the amount of information accessible to researchers. Most of these data are pre-structured and can thus be harvested at low cost. Researchers have been increasing their efforts to collect data by crawling, scraping, and parsing publicly available information from websites. For simple applications, it is possible to apply ready-to-use packages (e. g., in Python or R) to implement the retrieval and organization of information. In most cases, it is necessary to program customized routines though, which can be a non-trivial task if a website structures the desired information in a complex way. In addition to technical aspects, further limitations may arise due to the terms and conditions of websites and privacy issues. In the case of media economics, the attractiveness of web data arises from the prospect of creating measures of news output, for example. Berger and Milkman (2012), Budak, Goel, and Rao (2016), and Garz et al. (2018) collect data from US online news outlets to construct measures of content, placement, and popularity, whereas Szeidl and Szucs (2016) and Simonov and Rao (2017) retrieve information from Hungarian and Russian outlets, respectively. Going one step further, Jo (2017) collects data on South Korean users via a custom-made and self-distributed mobile news application. The app not only monitors users' news consumption, but also facilitates the implementation of field experiments. The latter feature allows the author to study the causal link between selective exposure and polarization.

Websites and online platforms sometimes offer access to their data via APIs. Information retrieval through this channel is usually fast and reliable, and the data can often be downloaded in pre-formatted blocks. Lee, Hosanagar, and Nair (2018) use data obtained via the Facebook API to analyze the effects of social media advertising on user engagement (i. e., the likelihood to like, share, or comment). Garz, Sörensen, and Stone (2018) are interested in the same outcome variable but investigate the role of politically like-minded versus counter-attitudinal information. Data downloaded via the Twitter API have been analyzed as well. Halberstam and Knight (2016) investigate connections between like-minded users and exposure to like-minded information, whereas Allcott, Gentzkow, and Yu (2018) study user interactions with misinformation.

Other researchers take advantage of click data provided by specialized market research companies. For example, comScore has shared their proprietary data for academic purposes. Studying ideologically motivated news consumption, Gentzkow and Shapiro (2011) and Lelkes, Sood, and Iyengar (2017) use samples of individuals who have agreed to let the company track their browsing activities. ComScore maintains a panel of over one million users who installed software that monitors their online behavior via desktop, tablet, or mobile Internet, in exchange for cash and other rewards. The data allow researchers to describe and analyze people's browsing activities in great detail, with the caveat that panelists might behave differently than users who are not tracked. The same applies to similar data collected by Microsoft via a voluntary extension to its browser. These data have been used by Flaxman, Goel, and Rao (2016) to investigate the role of social media for partisan selective exposure.

3 Text-based measures

Researchers in media economics have a natural interest in capturing characteristics of media reports, social media posts, or other communication on websites. These characteristics can be coded manually, for example, by conducting human content analysis. For instance, the Swiss-based company Media Tenor International analyzes media reports published by news outlets from all over the world. Their data – which have been frequently used for academic purposes (Tausch and Zumbuehl 2018; e. g. Beckmann, Dewenter, and Thomas 2017; Ulbricht, Kholodilin, and Thomas 2017) – include information about the topic, the referenced time, region, and actors, as well as the tone of individual news items. Recently, researchers have also used crowd-sourced content analysis, which involves click workers recruited on Amazon Mechanical Turk (Budak, Goel, and Rao 2016).

However, an increasing amount of studies have been applying automated methods from areas such as information retrieval, text mining, and natural language processing; see Jurafsky and Martin (2009) for details on these techniques. As a first step, they require a text/texts to be cleaned. The cleaning usually comprises the removal of stop words (e. g., "the", "is", and "on"), punctuation, numbers, and extra whitespace.

Words can then be reduced to their word stem to avoid complications related to grammatical issues – such as conjugation or comparison – and converted to lower case. The clean text is usually stored as a term-frequency matrix. In this form, simple measures of news output can be created by counting indicative terms. For example, Groseclose and Milyo (2005) propose to capture media bias by counting citations of think tanks in US media reports. Qin, Strömberg, and Wu (2018) count occurrences of various items in Chinese media, including mentions of political leaders, citations of the state-run press agency Xinhua News, and references to politically relevant events. The authors use principal component analysis to extract the first component of these counts, which results in a single measure of political bias.

Term-frequency matrices can also be used to extract the sentiment from text. Researchers often use algorithms that retrieve weights from sentiment dictionaries, based on which sentiment scores related to the term frequencies observed in the text segments under consideration are computed. Basic sentiment dictionaries – such as *SentiWords* (Gatti, Guerini, and Turchi 2016) – rank words on a one-dimensional scale from negative to positive. More complex dictionaries feature the ranking of words on further dimensions. For example, the *Harvard IV-4 dictionary* comprises of 77 categories, including emotions, roles, and motivations (Stone 1997). Sentiment dictionaries have also been developed for different languages and specific contexts. For instance, Loughran and McDonald (2011) compile a dictionary that captures sentiment in financial applications. Other dictionaries support the detection of word classes, negations, and amplifiers, which allows to take syntax into account (see, for instance, the R package “Syuzhet” by Matthew Jockers, which currently offers this kind of functionality for at least 23 languages).

The idea of comparing texts with dictionaries has been applied by the media bias literature in a more general way. Instead of using dictionaries, researchers have compared the language used in news reports with the language used in reference texts that have known ideological positions. Gentzkow and Shapiro (2010) and Martin and Yurukoglu (2017) create a measure of political slant by using speech protocols of Democratic and Republican politicians in the US Congress. Garz, Sörensen, and Stone (2018) capture the slant of posts by the Facebook pages of German news outlets by comparing their language with that used in the election programs of the main political parties. Beattie (2017) measures the tone of news reports related to climate change by using reports of the Intergovernmental Panel on Climate Change (IPCC) and the more skeptical Nongovernmental International Panel on Climate Change (NIPCC) as reference texts.

The popularity of topic modeling has been increasing as well in the field. Many research questions require scholars/the scholar to distinguish between topics addressed by media reports. Topic models use algorithms that cluster pieces of text by the frequency of the terms that these pieces include. Using data from an Indian newspaper, Sen and Yildirim (2015) apply topic modeling to find clusters of successive news stories on the same underlying common topic. Simonov and Rao (2017) use a similar approach to identify government-sensitive news in Russia. For their investigation on the decline of news coverage on local politics in the US, Martin and McCrain (2018) run topic models on broadcast transcripts to distinguish segments with local and national relevance.

4 Causal inference

This section discuses four approaches that support causal inference when analyzing observational data. The review starts with the instrumental variable technique, a method that has been increasingly used since the 1990s to disentangle cause and effect, followed by the differences-in-differences and regression discontinuity approaches. The section ends with a discussion of controlled field experiments.

4.1 Instrumental variables

The instrumental variable approach was first proposed by Wright (1928). For a long time, it was mostly used to address problems related to measurement error and omitted variable bias, until Angrist (1990) and Angrist and Krueger (1991) emphasized the role of instrumental variables in identifying causal relationships. Interested researchers can find a modern and application-oriented introduction to the technique in Angrist and Pischke (2009).

The question of causality is relevant in most empirical applications, but it is of particular importance when investigating media markets. The reason is that prices, quantities, product quality, and external effects of media consumption are observed simultaneously. For example, in the market for news, the selection, presentation, and evaluation of news items could be driven by the supply side, if ideologically-motivated media owners, editors, or journalists seek to influence public opinion. The news output could also be driven by the demand side though, because profit-maximizing media companies can increase their revenue by catering to the preferences of their recipients. Thus, regressing measures of news output on consumer preferences does not necessarily reveal demand-side effects, and a correlation between news output and outlet ideology is not sufficient to identify supply-side effects.

In their study on political bias in US newspapers, Gentzkow and Shapiro (2010) address the simultaneity by using religiosity as an instrumental variable for consumer preferences. They argue that religiosity is a strong predictor of demand for conservative reporting, and that religiosity is unlikely to be affected by newspaper coverage in the short run. According to their findings, the part of consumer preferences that is driven by religiosity explains some of the differences in the political bias across newspapers, which plausibly identifies demand-side effects.

To illustrate the approach formally, assume that the researcher is interested in estimating the effect of an explanatory variable x_i on an outcome variable y_i Ignoring control variables, the standard approach would be an ordinary least squares (OLS) regression of the following form:

(1) $y_i = a_1 + a_2 x_i + e_i$

where i indices observations, a_1 is a constant, and a_2 is the parameter of interest However, with OLS, a_2 does not identify the effect of x_i on y_i, if in reality y_i also affects x_i (reverse causality), or if there is a third variable that influences both y_i and x_i (omitted variable bias). The identification problem can be tackled if the researcher has a variable z_i that (a) is exogenous to y_i and x_i, (b) correlates with the endogenous regressor x_i, and (c) affects the outcome variable y_i exclusively through x_i. If such a valid instrument z_i exists, the causal effect of x_i on y_i can be estimated by two-stage least squares:

(2) $x_i = b_1 + b_2 z_i + \varepsilon_i$

(3) $y_i = c_1 + c_2 \hat{x}_i + \epsilon_i$

Equation (2) denotes the first stage and is used to estimate the effect of the instrument z_i on the x_i. In equation (3), y_i is then regressed on the predicted values of the endogenous regressor $\hat{x}_i$. Thus, the parameter c_2 captures the causal effect, which is usually interpreted as a local average treatment effect.

In practice, valid instrumental variables are rare. The instruments most often used in media-related research are either based on random technological conditions or random newsworthy events that compete with the news coverage in question for attention. Examples of studies falling in the first category include Falck, Gold, and Heblich (2014) and Miner (2015), both of which exploit random differences in the rollout and penetration of high-speed Internet in Germany and Malaysia, respectively. More precisely, they use the distance of households to the main distribution frame, as municipalities closely located to the next hub were more likely to receive a high-speed connection early on. Distance to the main distribution frame exogenously predicts Internet penetration, which in turn explains differences in Internet usage and resulting effects on voting behavior. The empirical strategy addresses the possibility of reverse causality (i. e., citizens could vote for politicians that lobby for a rollout in their region) and omitted variable bias due to demographic differences across regions. Enikolopov, Petrova, and Zhuravskaya (2011) study voting behavior too, but they exploit differences in people's exposure to the only independent national TV channel in Russia. Their instrument is based on the strength of the broadcasting signal, which varied for geographical and other random reasons. Martin and Yurukoglu (2017) construct an instrument based on the channel positions of *Fox News*, *CNN*, and *MSNBC* in cable television lineups. Channel positions vary randomly across US counties. However, a channel is watched more if it has a low position, which allows the authors to identify the effect of exposure to the different news channels on voting.

The second group of often-used instrumental variables exploits random variation in news coverage caused by unrelated but competing events. On a given day, news outlets have finite capacities to cover different stories, while recipients are limited in their attention to these stories. Thus, only a subset of all news is covered, and particularly newsworthy events sometimes cause a congestion of the news agenda. Eisensee and Strömberg (2007) take advantage of this mechanism in their study on US disaster relief. They construct a measure of news pressure based on the length of the top three news segments of *ABC*, *CBS*, and *NBC*. Their findings suggest that other newsworthy events – such as the Olympic Games – crowd out news coverage of otherwise similar disasters, which affects the propensity of the US government to support the country or region in question. Webbink, van Erp, and van Gastel (2017) investigate if showing suspects of crime in a Dutch TV show affects the likelihood that these suspects are apprehended. To identify the causal effect, the authors use exogenous variation in the number of viewers of the crime TV show caused by Champions League games that are occasionally broadcasted at the same time on different TV channels. Garz and Sörensen (2017) create an instrumental variable that measures the length of the cover story of the German daily *Frankfurter Allgemeine Zeitung*. They use this instrument to show that competing events reduce news coverage about criminal investigations into German politicians, which in turn decreases the likelihood that these politicians resign. Jetter (2017) uses the occurrence of natural disasters to study the effects of terrorism coverage by the *New York Times* on subsequent terrorist attacks. Using a similar instrument, Garz and Pagels (2018) show that media attention to court trials involving celebrity tax offenders increases the likelihood that other tax payers voluntarily declare taxes they evaded.

As these examples show, instrumental variables are often used in observational studies. Because a valid instrument is as good as randomly assigned, the setting is sometimes referred to as a natural experiment. This kind of experiment can be an option if a controlled experiment is not feasible, or if researchers want to take advantage of real-world data instead of some artificial laboratory environment. The rarity of valid instruments limits the researcher's ability to manipulate the desired treatment though. In addition, the empirical applications are usually quite context-specific, which can make it difficult to generalize findings. Another disadvantage is that the validity of an instrumental variable cannot be entirely tested. Specifically, it is not possible to verify the so-called exclusion restriction (i. e., the instrument must affect the outcome variable only through the endogenous regressor). Thus, researchers have to rely on theoretical arguments that this condition is met in their setting.

4.2 Differences in differences

Another approach that can help to identify causal effects is the differences-in-differences method; see Imbens and Wooldridge (2009) for a detailed description. Sometimes referred to as a pretest-posttest controlled design, the approach compares the differential effect of an intervention on some outcome in a treatment and a control group. The 2×2 setting can be implemented by using repeated cross-sections of observational data or, better yet, panel data (i. e., repeated observations on the same individual). These data need to include pre- and post-treatment observations on both the treatment and control group, as illustrated in Table 1.

Tab. 1: The differences-in-differences setting

	Pre-treatment	**Post-treatment**
Treatment group	untreated	treated
Control group	untreated	untreated

In this setting, the average change in the control group after the treatment serves as a counterfactual for the treatment group. The underlying assumption is that in the absence of the treatment, both groups would have developed in similar ways. This requirement is also referred to as the common trends assumption, which researchers usually spend great efforts on to verify. When plotting the outcome variable over time, both groups should ideally exhibit similar trends before the treatment, and different ones afterwards, as illustrated in Figure 1.

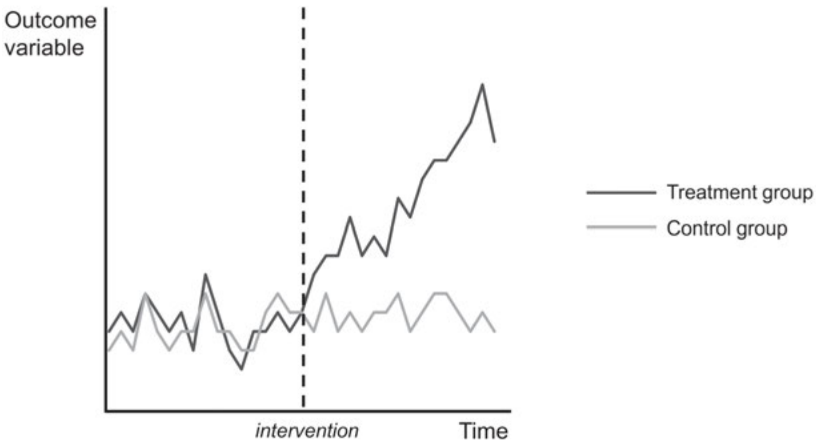

Fig. 1: Hypothetical pre- and post-treatment trends

The differences-in-differences model can be estimated by OLS:

(4) $y_{it} = a_1 + a_2 treated_{it} + a_3 post_{it} + a_4 treated \times post_{it} + e_{it}$

where *treated* is a binary variable that takes the value 1 if individual *i* belongs to the treatment group and 0 if she belongs to the control group. The binary variable *post* indicates if the outcome *y* is observed at a point of time *t* after the treatment. Accordingly, the interacted term *treated* × *post* relates to individuals after they received the treatment. The coefficient of interest is a_4, which measures the change in the outcome variable in the treatment group relative to the control group. Thus, the coefficient provides the average treatment effect on the treated.

Barone, D'Acunto, and Narciso (2015) investigate how the switch from analog to digital TV in Italy affected voters. The switch to digital TV increased the number of TV channels aired by networks with no ties to Berlusconi or to the government. The authors exploit the fact that the switch-off dates randomly varied between 2008 and 2012 across Italian regions, which makes it possible to compare the voting behavior of individuals that received the "digital TV treatment" with those that did not. The differences-in-differences approach allows the researcher to isolate the effect of exposure to digital TV, which the authors estimate to have decreased the vote share for Berlusconi's coalition by between 5.5 and 7.5 percentage points.

Peukert, Claussen, and Kretschmer (2017) use a differences-in-differences approach to study the effects of online piracy of movies on box office revenues. For that purpose, the authors exploit the sudden shutdown of Megaupload, a popular file hosting platform at the time. Between 2005 and 2012, Megaupload could be used to download or stream pirated movies. In January 2012, the website was deactivated after their owners were arrested and company premises raided. Using movies as observation units, the authors estimate the effects of the shutdown on box office revenues by comparing movies previously hosted on Megaupload to those movies not available on the platform. They find that only movies circulated in many cinemas benefited from the closure, while the overall effect on revenues was negative.

Martin and McCrain (2018) employ a differences-in-differences strategy to investigate the effects of the 2017 takeover of numerous local US TV stations by the Sinclair Media Group. The authors use data on broadcast transcripts to evaluate how the content of the acquired stations changed in comparison to stations that were not acquired by Sinclair. Their results indicate that the takeover led to an increase in coverage of national politics, whereas coverage of local politics declined. Since viewership decreased in response to this change, they conclude that the takeover was mainly supply driven.

As these examples illustrate, the differences-in-differences approach is well-suited to investigate the effects of policy changes, changes in the law, changes in technology, or other shocks that change certain conditions at a specific point of time. Since the data requirements are not extensive, the approach may be a reasonable alternative when a controlled experiment is not possible or an instrumental variable not available. If the common trends assumption plausibly holds in a given context, the approach accounts for unobserved confounders, especially the possibility of another shock that might have affected the outcome variable at the same time as the treatment of interest. A disadvantage is that it can be difficult to find individuals or other units of observation that are as good as randomly assigned to the treatment and control groups. In many cases, there is the possibility of pre-selection, or that the assignment of the treatment follows some deliberate considerations. In addition, conventionally computed standard errors can be misleading in most differences-in-differences models. The reason is that the outcome variable usually varies at a much finer level than the treatment variable, which deflates the standard errors if there is correlation within units of observation (Bertrand, Duflo, and Mullainathan 2004). However, most statistical software allows the researcher to correct for the deflation by computing standard errors clustered by observation unit.

4.3 Regression discontinuity

The regression discontinuity approach is another method to estimate treatment effects in non-experimental settings. The approach was first proposed by Thistlethwaite and Campbell (1960) and can be applied if the treatment depends on some assignment variable. More precisely, individuals or other units of observation receive the treatment if the assignment variable exceeds a certain threshold. The approach relies on comparing the outcome variable for observations just below and just above this threshold. There are two main assumptions for the approach to provide valid estimates. The first one is that units of observation on either side of the threshold are similar in all observed and unobserved characteristics, except for their treatment status. The second main assumption is that individuals cannot precisely manipulate the assignment variable in the proximity of the threshold. If both assumptions are met, the treatment is as good as randomly assigned. Lee and Lemieux (2010) provide comprehensive guidelines on how to implement a regression discontinuity design.

Figure 2 shows the distribution of a hypothetical outcome variable around a treatment threshold. The variable continuously increases for higher values of the assignment variable, but it exhibits a discontinuity at the cut-off. In a regression discontinuity design, only observations close to this cut-off are evaluated, as illustrated by the shaded areas.

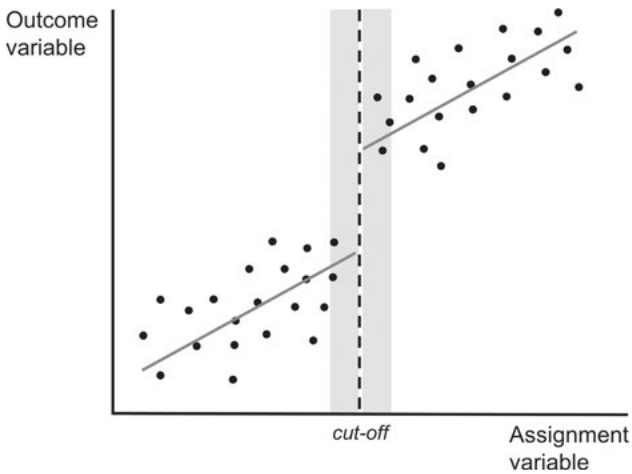

Fig. 2: Hypothetical discontinuity

A basic regression discontinuity can be modeled by estimating an OLS regression of the following form:

(5) $y_i = a_1 + a_2 treated_i + a_3 X_i + e_i$

where *y* is the outcome, *treated* is a binary variable that indicates if the unit of observation *i* received the treatment, and *X* is the assignment variable. The treatment dummy takes the value 1 if the assignment variable exceeds the known threshold. When estimating Equation (5), the data are restricted to a certain bandwidth (i. e., observations just above and just below the threshold). Selecting the bandwidth is subject to a trade-off: A larger bandwidth increases the precision of the estimates, as more observations are used; a narrower bandwidth decreases the bias in estimating the treatment effect, because the units of observation are more similar in their other characteristics. The optimal bandwidth can be determined by using the so-called cross-validation procedure (Lee and Lemieux 2010). With this restriction, the coefficient a_2 captures the treatment effect.

Using historical data from the US, Gentzkow et al. (2015) investigate the effect of party control of state governments on the partisan composition of the press. They implement a regression discontinuity design to account for the reverse direction of causality, that the press influences voters and thus the chances that one or another party controls the government. Specifically, the authors use close elections, which allow for a comparison of situations in which parties receive a vote share just below the majority threshold with vote shares just above this threshold. The candidates and conditions are assumed to be similar in both situations, except that the parties won some elections by a close margin and lost others by a close margin. The results suggest that the number and content of Republican and Democratic newspapers in US states are usually not affected by who is in charge of the government.

Anderson and Magruder (2012) study the effects of consumer reviews published by Yelp.com on restaurant visits. The authors focus on the implications that arise from the forum's 1- to 5-star rating scale. Yelp.com calculates each restaurant's average rating but displays the value rounded to the nearest half-star. As a consequence, two restaurants with similar actual ratings (e. g., 3.24 and 3.26) would be shown to be of a different quality (e. g., 3-star vs. 3.5-star). Exploiting these discontinuities allows the authors to address endogeneity issues in the relationship between review quality and restaurant quality, which helps them to identify the positive effect that consumer reviews have.

Kaniel and Parham (2017) investigate the relationship between media attention to investment funds and consumer investment behavior. The authors compare funds mentioned in a *Wall Street Journal* "Category Kings" ranking with funds who just missed being mentioned in the ranking. Both types of funds are assumed to be similar in their performance and other characteristics, but the ones mentioned in the ranking are found to be more popular investment choices by consumers. Here, the regression discontinuity accounts for the possibility that funds are mentioned in the ranking only because they are already in great demand.

Compared to other quasi-experimental methods, the regression discontinuity approach requires less restrictive assumptions. For example, it is not necessary to assume that the treatment is generally as good as randomly assigned, nor is it required for the exclusion restriction to hold as in the instrumental variable approach. It is merely necessary that the units of observation cannot control their assignment to treatment near the cut-off, and that the discontinuity is not present in confounding variables. Despite these relatively weak assumptions, the regression discontinuity design can be interpreted and analyzed similarly to randomized controlled experiments. However, restricting the data to some bandwidth around the threshold involves a loss of observations. Thus, it is crucial to have a large enough sample size so that the parameters of interest can be accurately estimated. Another disadvantage is the limited external validity. The estimation results only pertain to the observations close to threshold, they could be different for other data points.

4.4 Field experiments

Field experiments resemble those conducted in the laboratory. They also involve a randomization of subjects and the experimenter has precise control over the desired intervention. However, with a field experiment, the treatment is evaluated in a natural environment rather than the laboratory. This difference is an important reason why these experiments have grown more popular in media-related research over the past decades. For instance, when testing for media effects in laboratory settings, it is difficult to account for people's tendency to selectively expose themselves to certain sources or items of media (e.g., partisan selective exposure). It is unclear how to interpret tests that do not account for this kind of self-selection, i.e., if subjects are confronted with information that they would rarely encounter in the real world.

Gerber, Karlan, and Bergan (2009) address this issue by conducting a field experiment before the 2005 Virginia gubernatorial election. They randomly assigned subjects to two treatment groups and a control group. Subjects in the treatment groups either received a free subscription to the *Washington Post* or the *Washington Times*. The authors do not find any effects on political attitudes or knowledge, perhaps because subjects could not be forced to read their subscribed newspaper.

King, Schneer, and White (2017) recruited 48 US media outlets and asked them to publish articles on selected but randomized topics and dates. The randomization allowed the authors to causally track the repercussions of the articles on the national news agenda and public debate. In this setting, the results are unlikely to be contaminated by recipients' selective exposure. Reading the articles was voluntary, including recipients' choice of which outlet(s) to use. The results of the experiment indicate a positive effect of the articles on the website pageviews of the outlets, which the authors interpret as evidence of changes in the national news agenda. In addition, the overall amount of Twitter posts on the topics addressed by the articles increased after the intervention.

Dertwinkel-Kalt, Kerkhof, and Münster (2018) conducted a field experiment shortly before the 2017 federal elections in Germany. The authors sent different versions of a letter to the editor to a large set of newspapers, randomizing the subject of the letter (i.e., Angela Merkel vs. the main challenger Martin Schulz) and the evaluation of the subject (negative vs. positive). The authors tested for different types of media bias by monitoring which version got published relatively more often. According to their results, German newspapers exhibited a form of incumbency bias, with the version about chancellor Merkel being printed more often.

Thus, studying subjects in the field has the big advantage of avoiding the artificial environment that most laboratory settings involve, which may increase the external validity. Field experiments also grant more control over the randomization and intervention than the quasi-experimental methods discussed in sections 4.1 to 4.3. The biggest disadvantage are the costs, as field experiments require enormous logistical efforts. In addition, it might be difficult or impossible to obtain access or permission to run an experiment in a certain environment. When conducting a controlled experiment outside the laboratory, there are usually greater concerns about contamination by third variables. These concerns can be addressed by recruiting a larger number of subjects than required in a laboratory setting, and by measuring and controlling for potential confounders. However, such actions usually produce additional costs and make the replication of a field experiment more difficult. For an in-depth discussion on the advantages and disadvantages of field experiments, as well as description of best practices, see Gerber and Green (2011).

5 Outlook

Recent quantitative research on media and communication has shown a strong trend towards analyzing observational data – especially from online sources – with methods that support causal inference. This trend is a likely result of the so-called credibility revolution in empirical work (Angrist and Pischke 2010). As a consequence, the chances of academic studies being used as an input in the decision-making process by companies, regulators, and policy makers have possibly increased. The role of web data in media-related research can be expected to continue to grow. The increasing availability of structured information from online sources and decreasing costs of processing these data will generally open new research opportunities. In addition, it will be much easier to conduct research in (less developed) countries that have been previously neglected because of the lack of traditional data. The continuing development of automated text processing and growing computational power will likely increase the use and usefulness of text-based measures. Automated content analysis of photo and video material has not been used much so far. Researchers may want to allocate resources in this direction, as these forms of communication likely have larger effects on recipients than text messages. Boxell (2018) provides an example of how machine-based content analysis can be applied in the field. The author uses over a million images from various US websites to construct an index of nonverbal media slant. This task involves an algorithm that identifies images containing a face of a politician, as well as facial recognition software to characterize different emotions, such as happiness, anger, disgust, and sadness. Analyzing such an amount of data is hardly possible with human content analysis. As researchers continue to develop and apply automated methods that can master complex coding tasks, open research gaps will be filled though.

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7 Qualitative methods in media management research

Abstract: In this chapter, we argue that well-conducted qualitative research can play an important role in advancing the field of media management through theory building. We outline and compare different perspectives to qualitative research and how these can be used in terms of sampling, data collection and analysis. We also introduce relevant criteria to assess the quality of qualitative research and present some ethical considerations.

Keywords: qualitative research, theory building, research design, data generation, cross-case analysis, quality criteria

1 Introduction – What are qualitative methods and why are they important?

While qualitative research has long played a major role in advancing knowledge in different social sciences and has gained high relevance in general management scholarship (Mir and Jain 2017), somewhat surprisingly, it is currently far less established in media management research. In a recent review of the three main journals in the field, Achtenhagen and Mierzejewska (2016) showed that only 14.3 % of media management articles were based on qualitative methods – while about 23 % of the papers published in highly ranked general management journals rely on qualitative approaches (Baker, Powell, and Fultz 2017). One explanation for this might be the emergence of the field of media management as a spinoff from the earlier established field of media economics (Lowe 2016), which is dominated by quantitative methods. The underlying assumption of this chapter is that rigorous qualitative research could help advance the field of media management through contributing to the theoretical grounding needed in order for it to be recognized as a legitimate academic field.

What makes a media management scholar choose a certain research method[1] over another? In the best of worlds, scholars master a range of different methods and can pick the one that is best suited to address their purpose and answer the research questions at hand. However, research fields often show a methodological inertia, with some approaches being perceived as more appropriate than others, regardless of the

[1] Following Corbin and Strauss (2014: 1), we refer to methodology as “a way of thinking about and studying social phenomena”, and methods as “techniques and procedures for gathering and analyzing data”.

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research question. To make things worse, many universities do not offer method training to their graduate students and faculty, and thus a level of mastery that would allow them to select between different methods cannot be taken for granted. For example, common misconceptions related to qualitative research in media management include that doing one or a few interviews at a company would be the same as conducting a case study or that case studies would necessarily be based on interviews. In case you are wondering: Case studies can be built on various sources of data, such as interviews, but also on archival data, observations, or surveys (Eisenhardt and Graebner 2007). While in media management research case studies are commonly employed to explore empirical phenomena, few studies explicitly aim to develop theory. One of the most interesting strengths of case study research, however, is its potential to build theory, for example by rigorously identifying patterns across several cases (Eisenhardt 1989) or by disentangling complex phenomena in a single or a few in-depth cases (e. g. Gummesson 2017). Thus, case-based research has the potential not only to derive a better understanding of media-related phenomena, pointing at "what is special about media firms", but could also contribute to developing genuine media management theory, which is needed to justify the existence of media management as a distinct academic field (Achtenhagen 2016). And, importantly, academic publications that build theory from case studies are often considered highly interesting research (e. g. Bartunek, Rynes, and Ireland 2006) – not least because they have the potential to explain phenomena within their contexts.

The aim of this chapter is to contribute to the advancement of theory-building research in media management. This requires solving some of the misunderstandings about qualitative research that still dominate the field. We attempt to do this by providing guidance regarding different important choices to be made when designing and conducting qualitative research within the field of media management. The remainder of this chapter is structured as follows: In the next section, we will discuss the importance of theory building in relation to different perspectives to qualitative research. Thereafter, we introduce important aspects to consider when it comes to the design of a research study, including sampling, data collection, and analysis. This is followed by a discussion of different quality criteria in qualitative research as well as ethical considerations to be made. We will conclude the chapter with a brief outlook.

2 Qualitative methods and theory building. Different perspectives to qualitative research

2.1 Theory building

Qualitative methods are particularly adequate for theory building. This is relevant for media management, where current theories tend to be underdeveloped, problematic, or simply non-existing (Achtenhagen 2017). Additionally, the current media context is rich in complex processes of change, leading to confounded configurations of variables and patterns in empirical data that other methods are poorly equipped to unearth. Similarly, many concepts in media management still lack validated measures and appropriate variables and thus remain “hard to measure”. Finally, the media industries are witnessing the emergence of unique actors, processes and structures constitute unique exemplars and dynamics that require situated approaches. All these reasons suggest that qualitative methods can be particularly useful to theory-building media management research.

Qualitative methodologies can stem from different scientific traditions, such as critical realism, social constructivism, or postmodernism. These traditions, as they range from more objectivist approaches to pure interpretivism, bring different understandings of the research object and the adequate methods to approach it. Along this chapter, we will mention some of the choices to be made regarding different research strategies, but it is important to note now that despite their differences, e. g., in stressing more deductive or inductive approaches, these traditions largely agree on the importance of grounding research in related literature. More positivist approaches would start by identifying a research gap and developing research questions that address this gap (e. g. Eisenhardt and Graebner 2007), in the basic assumption that different researchers would find similar results. More interpretivist views would alternatively argue that findings are produced by engaging with the personal experience of actors (e. g. Gioia, Corley, and Hamilton 2013). Such insights do not correspond to the “truth claims” of positivist positions, but they nevertheless demand a progression from first-order raw data to second-order concepts and dimensions that are well-grounded in theory.

Theory development can be triggered by recognizing paradoxes, contradictions, or puzzles in existing literature – which appear to make sense if the “poles” are considered independently but contradictory if considered simultaneously. Theorizing can then attempt to resolve such apparent contradictions (Shepherd and Suddaby 2017). Alternatively, Alvesson and Sandberg (2011) propose to generate research questions through problematization, i. e., by identifying and challenging the assumptions underlying existing theories, in order to develop interesting, and possibly influential, theory. Problematization of existing literature calls for scrutiny of particular debates, critiques and, possibly, previous attempts of challenging the assumptions around a certain domain (Alvesson and Sandberg 2013). Whether or not a study and its contribution to theory development will be perceived as interesting by its audience is therefore not simply a question of the rigor of the research design and the empirical data generated (Alvesson and Sandberg 2013). The authors argue that research that fails to challenge any prior assumptions will typically be judged as merely confirming the obvious. On the other extreme would be research that challenges or denies most or all assumptions that an audience might hold about a certain phenomenon. Such research is likely to be regarded as unbelievable and absurd. Thus, Alvesson and Sandberg (2013) suggest that ideally research accepts some and denies other assumptions held by the targeted audience.

However, theorizing from qualitative research does not necessarily need to be triggered by paradoxes or problematizations of current theory. Theorizing can also depart from empirical observations and findings that are somewhat counterintuitive and thus require theorizing for explanation or by focusing on practitioners' practices as well as everyday events to gain a deeper understanding, e. g., of the connections between activities, tools, and interactions (Shepherd and Suddaby 2017). Lastly, van de Ven's (2007) concept of engaged scholarship suggests collaborating with practitioners to gain access to their perspectives for identifying relevant practical challenges to be addressed (Shepherd and Suddaby 2017). Studies that not only explore an empirical phenomenon but also offer a theory-based explanation and elaboration on how the study's results develop, expand, or contradict existing theory will contribute to advancing the state of the field (Achtenhagen 2016).

2.2 Different perspectives to qualitative research

As outlined above, different methodologies can reflect very different ontological and epistemological assumptions. The main difference that separates these traditions is the degree to which the researcher accepts subjectivity (Morgan and Smircich 1980). Functionalist approaches, even in qualitative studies, remain close to objectivism and do not cringe at positivism (e. g. Eisenhardt 1989). Interpretive approaches, however, accept subjectivity openly and explicitly address the lived experience of actors as a source of knowledge (e. g. Gioia, Corley, and Hamilton 2013). Qualitative research in both traditions shares an interest in getting close to the field and in learning from it (Wigren 2007), but their approaches to the field differ. While in the interpretive paradigm induction dominates, in the functionalist paradigm of inquiry deduction does. Although in practice the boundaries between these traditions are often blurred, in their extremes they differ in many aspects, such as their preferred methods and quality assessment criteria, which are also reflected in different terminologies (for more details, see e. g. Denzin and Lincoln 2000).

3 Designing qualitative studies: Choosing an appropriate approach

A crucial consideration in the design of qualitative studies is the justification of why it is ideally suited to study the phenomenon at hand. This justification is typically given if insights into complex social processes are needed, i. e., addressing questions of "how" and "why" (Eisenhardt and Graebner 2007). For deciding on what qualitative methodology and methods to use, awareness about the purpose and aim of the research in terms of theoretical contribution to be made is key. Research designs should also consider which methods fit with the theories that seem adequate to address the studied phenomenon (Gehman et al. 2018). Thus, getting familiar with theories and methodologies used in previous research about or transferable to the studied phenomenon is useful. Different methodologies often lead to specific operative choices of data-collection methods (Neergaard and Ulhøi 2007: 9). But, before we outline some basic qualitative alternative methods dominating management studies, it is important to note that in qualitative research, there are no strict borders between methodologies and techniques of data collection. Thus, knowing what has been done previously should neither force the researcher to follow suit, nor preclude creative, novel approaches. In fact, research strategies do not need to be mutually exclusive, and qualitative studies often excel when data and analysis are approached combining rigor and creativity (Eisenhardt, Graebner, and Sonenshein 2016) in a process of "disciplined imagination" (Weick 1989, 1999).

Langley and Abdallah (2011) identified the emergence of two dominant templates in qualitative studies in management, the "Eisenhardt method" and the "Gioia method", which are based on different epistemological assumptions. Over the last years, the popularity of these approaches has greatly increased, to a level that they are now commonly used as yardsticks for new research (Baker, Powell, and Fultz 2017). These approaches offer alternative, internally consistent methods and rhetoric writing styles.

The Eisenhardt method (as outlined in Eisenhardt 1989) is built on multiple case-study research (Yin 1994; Miles and Huberman 1994) and often, although not necessarily, develops theory in the form of testable propositions. The focal research attention remains as close to the "facts" as possible, i. e., events that are identified through different sources of data. Data sources, mainly interviews with different informants and documents, are explored in an attempt to achieve the highest possible validity and reliability. This process requires a careful triangulation of sources (e. g. Denzin [1970] 2009) and works best when multiple researchers are involved. In this approach, cases are selected to be sharply distinct along one key dimension (e. g., innovation, growth, or another performance indicator) and scrutinized in cross-case comparison to identify (patterns of) elements that distinguish high- and low-performing cases from another. Theory development in these studies is built on the discovery of novel insights not anticipated by extant literature, leading to new or refined constructs and relationships. Establishing this theoretical novelty requires to contrast one's own findings with previous research and to provide robust evidence supporting these findings. Commonly, the presentation and visualization of findings building on the Eisenhardt method includes tables that classify the sample cases along high and low performance continua and provide pieces of evidence (such as typical interview quotes) supporting these classifications and the concepts that explain the performance differences. These tables are commonly explained with data-driven narratives of high and low exemplar cases, providing detailed accounts of the underlying reasons explaining the findings. As propositions are developed in relation to extant literature, they result in specific contributions that expand theory. Great examples of the use of this approach in empirical studies of media firms include Uzo and Mair's (2014) study of informal economic activity in the Nigerian movie industry to explain why organizations adopt informal rules though formal ones exist and Gilbert's (2005) study of the responses of newspaper organizations to the rise of digital media to better understand the structure of organizational inertia. He demonstrates how the way managers perceive the threat of discontinuous change creates paradoxical links between resource and routine rigidity.

The Gioia method (as outlined e. g. in Corley and Gioia 2004) is less concerned with the events *per se* than with how actors understand them, and thus takes a different route: The focal interest here is to apprehend the meanings informants make and give to events in a grounded-theory approach (Glaser and Strauss 1967; Corbin and Strauss 2014), aiming to produce novel concepts. Studies in this tradition are often based on in-depth, single revelatory cases for which interviews are combined with real-time observations. In this approach, the driving logic is to produce trustworthy evidence with revelatory power that moves beyond what it is already known. The insights of these studies are highly sensitive to contexts and processes. Prime examples in this tradition provide a detailed theorization of hard-to-capture organizational experiences. These insights are commonly obtained through a process of progressive abstraction that starts with first-order codes that reproduce the same terms informants use when reporting their experiences. Then, these initial codes progress to second-order themes and aggregated dimensions that theoretically distill the essence of the insights of these studies. This process is often displayed in tables detailing how data is structured and thick narratives are produced that demonstrate the trustworthiness of findings. An example in point of using this approach is Raviola and Norbäck's (2013) study of institutional work at an Italian business newspaper.

Despite their dominance, by no means the Eisenhardt method and the Gioia method exhaust the possibilities of qualitative research in management. Other increasingly common approaches include the study of organizational phenomena as social practice and as discourse (Langley and Abdallah 2011). The "practice turn" originates in practice-based ontologies (Schatzki 2012) and argues that the social can be better understood with a focal attention to the daily activities of ordinary actors (or "practitioners") and the material arrangements they involve. This tradition embraces a wide array of philosophical standings and sensibilities, resulting in very diverse methods. Yet, the rich methodological toolkit (Nicolini 2013) that the practice turn provides tends to center on longitudinal ethnographic observation aimed at identifying and unravelling the taken-for-granted and often unconscious “rules” that channel people’s actions (Schatzki 2012). Researchers interested in matters such as rationality, identity, learning, and communication can benefit from using practice-based methodologies. These approaches often include thick narratives and temporal bracketing aimed at revealing the temporal dynamics of social activity.

Rooted in linguistics, discursive research stresses the constitutive nature of language in society. The “discourse turn” adds to social practice-based approaches an interest in the role of narratives as central to understanding the social construction of organizational phenomena (Czarniawska 2000). In this perspective, the contextual analysis of written and verbal discourses allows the discovery of meaning structures, power dynamics, and sensemaking processes at the core of organizational dynamics (e. g. Vaara and Tienari 2002). Studies based on this methodology focus on the detailed analysis of texts and the contexts in which they are used. Considering the close relationship (existing) between media organizations and language, it is somehow surprising that, despite the abundance of discourse approaches using media content in organizational studies, journalism, communication, social change, and many other fields, media management has only timidly incorporated this approach to the analysis of media organizations themselves. An inspirational exception is provided by Horst and Järventie-Thesleff’s (2016) study of a European print company through a narrative approach to strategy-as-practice.

With the increasing importance of social media as well as the availability of large amounts of data available online, digital research methods have recently been gaining momentum. For example, Kozinets (2019) suggests the use of “netnographies” to investigate social media practices from a qualitative perspective. However, as a digitalized research environment requires a range of additional choices regarding study design, we suggest scholars interested in exploring the opportunities and challenges of digital methods and data to consult expert publications on that topic, such as Quinton and Reynolds (2018).

In the following sections, we outline some important considerations related to research techniques used in qualitative methodologies in three steps: sampling, data gathering, and analysis. Although most researchers report their method as a linear, sequential process following these steps, good qualitative research is usually an iterative cyclic learning journey (Edmondson and McManus 2007) in which the different steps influence each other and are continuously revised as the research progresses.

3.1 Choosing the sample

Qualitative research has often been criticized for being careless in its sampling (Aldrich 1992), sometimes relating to a lack of generalizability of findings if cases are not considered (to be) representative of a certain population. Here, one needs to keep in mind that the main goal with qualitative research is to develop theory and to establish its boundary conditions, rather than to test it – therefore calling for theoretical sampling. Theoretical sampling means that cases are selected based on their potential to illuminate relationships among constructs and their underlying logics (Eisenhardt and Graebner 2007). For single cases, Yin (1994) suggests selecting extreme cases that are unusually revelatory. However, as single cases need to be in-depth to be revelatory, some pragmatic choices in terms of choosing a case company that allows extensive access might be called for. Unravelling the relationships between constructs in their temporal interconnectedness moreover benefits from longitudinal research designs (Pettigrew 1990).

Multiple case studies can also provide a strong base for theory building (Yin 1994). Studying more than one organization has the advantage of allowing comparisons across several companies, thereby clarifying whether findings are idiosyncratic to one case or typical for several cases (Eisenhardt 1991). Eisenhardt and Graebner (2007) suggest that theory-building from multiple cases would allow for more robust, generalizable, and testable theory than single cases. One approach for choosing multiple case studies is selecting so-called "polar types" (Pettigrew 1990), i. e., cases varying along the main variable to be explained in the research, for example representing early and late adopters of digital technologies. This allows to observe contrasting patterns and variations, the reason being that typical or average cases often are not richest in information, while atypical or extreme cases might reveal more information "because they activate more actors and more basic mechanisms in the situation studied" (Flyvbjerg 2006: 229).

In sum, when conducting multiple cases, controlled variance is key. Using the Eisenhardt method, differing patterns can be spotted more easily when comparing cases that display high and low performance, or early and late adoption, in the focal variable. Variance along other variables should, however, be reduced to avoid unwanted "noise". Interpretivist alternatives, however, are less interested in controlling variance and more concerned with capturing variability and trying to understand why that variation exists. Finally, in single-case studies, variance is of no interest and sampling should be guided by the revelatory potential of the exemplary case in relation to the researched phenomenon (as well as the level of access granted by the organization). Yet, whatever the chosen method, good qualitative studies make explicit their sampling process, the logic behind it, and the implications it carries in terms of the analytical generalizability or transferability of findings (Yin 1994).

3.2 Data collection

In contrast to quantitative approaches, where the researcher stays at a safe distance from the field, in qualitative research "the researcher is the instrument" (Corbin and Strauss 2014; Patton 2002). In observational studies, the researcher is indeed the central and often sole research instrument. Therefore, in qualitative research, connecting with the informants in a meaningful way is key (Baker, Powell, and Fultz 2017). This requires striking an uneasy balance between building trust and avoiding unwanted interference. Trust is needed to – in an ethical way – gain access to often non-obvious, even hidden, relevant data. Trust often demands sustained engagement with informants. In some cases, being an expert in the field helps to build trust as informants perceive a potential payback on the information they provide in ideas and guidance once the field research is over. In other cases, the opposite happens: The less knowledgeable the researcher appears, the more willing the informants are to share important information and their true experiences. Qualitative researchers that build trust with their informants through honesty, flexibility, and openness will often experience the serendipity of unexpected discoveries. But as qualitative researchers interact with their empirical fields, they also need to be aware of the impact that their presence generates in the data they collect. Even when trust has been established, informants often behave differently in front of a researcher, and interviewees embellish their reported memories or might unconsciously rationalize their narratives in reaction to certain cues produced by the researcher. Thus, qualitative researchers need to reflect on how they might have influenced the data through their behavior and way of asking questions. Here, Bogner and Menz (2009) provide a useful overview of different interview situations between interviewers and experts, depending on the interviewers' knowledge of the field.

As a starting point, what kind of data should be generated is guided by the research question to be addressed. In order to capture organizational reality, conducting interviews with a range of informants with different roles in the organization, such as different hierarchical levels or functions, can help to shed light on the phenomenon under study. This is especially important if interviewees are asked to make sense of events in hindsight (Eisenhardt and Graebner 2007). However, for studying change processes, Pettigrew (1997: 338) suggests "to catch (...) reality in flight", i. e., to study processes while they unfold in real time.

Face-to-face interviews and observations have many advantages, such as the possibility of instant feedback, the transmission of multiple cues, the high fidelity produced by the use of natural language, and the possibility to develop a personal focus. Telephone interviews and written interviews, while still very useful, already compromise many of these advantages. Data collection techniques also include conversations, observations, questionnaires, e-mail correspondence, self-reports and journals, internal and external documents, literature, photographs, video, artifacts, and many others – with an increasing popularity of using qualitative data available online, e. g., in social media platforms. All interaction with the field is an opportunity to produce data: Not only a formal interview provides important insights, also the informal conversations preceding and following it, (the) observations made at the site of the interview, informal interactions with other organizational members or external stakeholders witnessed during the visit, or follow-up emails after the interview are examples of additional data that can enhance the understanding of the phenomenon at hand. One of the great advantages of qualitative research are its possibilities to be sensitive to all forms of available data, which are often restricted by company access and negotiated data handling, and to combine them into coherent pieces of evidence.

This sensitivity to evidence, however, is lost if data is not exhaustively documented as soon as it is generated. A common way of documentation is by taking notes and writing memos that complement the transcription of recorded interviews, conversations, and other forms of verbal data. Good memos are usually written on the (same) day of the interview and help the researcher to get and retain the gist of the conversation. Memos should also record in detail observations made at the site, list follow-up questions, and identify needs to crosscheck information with other possible informants and sources of data.

In sum, good qualitative research requires both empathic understanding and thick descriptions of evidence from multiple sources. An important consideration is how much data should be generated in order to be confident that the research question can be answered. Typically, the cut-off point is the perceived data saturation, i. e., when the researcher notices that additional data no longer reveals new insights (Green and Thorogood 2004). Depending on the research question, this means that there is no fixed number of interviewees, observations, documents, and so on; instead, the aim is to reach enough depth of information to allow to fully describe and analyze the phenomenon under study (O'Reilly and Parker 2013). This might represent a bit of a challenge when applying for external funding for the study, where costs related to data collection typically need to be specified a priori. To solve this challenge, it is a good idea to base the research plan on a more intensive data collection than probably needed, as well as to combine different sources of data.

3.3 Analytical approaches: Coding, within- and cross-case analysis, and data visualizations

As pointed out above, the distinction between data gathering and data analysis is somehow artificial. In much qualitative research, data collection and analysis take place simultaneously. It is common that the analysis, as it advances, calls for additional data, prompting supplementary interviews, for instance. In order to be processed, collected data needs to be broken up into pieces – a step that it is generally referred as "coding" – and then abstracted to a higher level for the theorization of new concepts and constructs, relationships, or both. The analysis is only completed when the findings are fully described and explained, which often requires a precise and convincing visualization of data.

Coding is a crucial part of qualitative analysis to make sense of qualitative data (DeCuir-Gunby, Marshall, and McCulloch 2011). A code is “a word or short phrase that symbolically assigns a summative, salient, essence-capturing, and/or evocative attribute for a portion of language-based or visual data” (Saldaña 2016: 3). Like in many other areas of qualitative research, there is not one best way to code. The best coding strategies are those that best respond to the research purpose, questions, and methodology and should be consistent with the theoretical perspective of the study. Coding links data with the constructs, concepts, models, and theories that structure our research (Merriam 2002). Thus, coding goes far beyond labelling, it is decisive in how the researcher extracts meaning from data and makes sense of it. In a first step, the researcher needs to reflect on pieces of data and interpret their meaning (decoding). Only then can the researcher label them, selecting the most adequate – single or various – codes (encoding). Initially, coding can be open or remain extremely close to the wordings used by informants (open coding), but eventually it moves to second-level codes and their interconnections (axial coding). What often makes the difference in high-quality qualitative research is a judicious core of cycling between decoding and encoding, linking data and theory. In the Gioia method, this cycling moves from first-order codes, that are close to informants’ utterances, to themes and dimensions. In the Eisenhardt method, the process is similar but it moves from measures to constructs. In both cases, the progress is from relevant pieces of raw data to concepts and theory development in the form of refined meanings and/or new underlying relationships. Because coding is so important in any analysis, it is advisable to perform at least parts of it collaboratively – such collaboration can range from an independent reading of the empirical data to facilitate brainstorming about emerging themes to more quantified intercoder reliability checks. Having different researchers involved in the coding facilitates a reality check during the process. High intercoder agreement, i. e., the extent “to which different coders agree and remain consistent with their assignment of particular codes to particular data” (Saldaña 2016: 27), is an indicator of interpretive convergence and enhances reliability.

As the analysis progresses from first-order codes to second-order codes, it also moves to higher levels of abstraction. In Gioia-style data structures, the researcher seeks similarities and differences among many possible classifications of codes, “a process that eventually reduces the germane categories to a more manageable number (e. g. 25 or 30)” (Gioia, Corley, and Hamilton 2013: 20). Tentative answers to what goes on in the data emerge from the identification of “some deeper structure in this array [of second-order codes or categories]”, facilitating the eventual development of theoretical explanations at even higher-level, aggregate dimensions. The core dimensions that result from this process of increasing abstraction determine the emerging theoretical concepts, their internal elements, and their relationships, all of them firmly rooted in the original data. In the Eisenhardt method, the process is somewhat different and it also adds comparisons between different cases. It usually starts with a longitudinal study of each case: a thick case description that stays close to facts and can be used to check with informants that there are no mistakes and that nothing relevant has been left out. At a later stage, cross-case comparisons facilitate the identification of patterns. In this approach, the development of measures, although based on the data, is in focus, always keeping in mind extant theory and the possibilities to advance theory. Thus, the abstraction process here is not so much about higher levels of aggregated codes as it is about identifying causes and relationships among different measures directly ob served in the data. Finding "the whys", i. e., logical explanations (Gehman et al. 2018), often implies the development of new constructs in connection to prior theory to advance existing or to build new theory.

Presenting the findings of a qualitative study can be a challenge as there is typically a trade-off between empirical detail and level of abstraction necessary for theory building. For presenting a single-case study, the narrative of the case in its development over time is usually presented, either already interwoven with theory considerations or as a case story followed by a theory-driven analysis. When conducting multiple case studies, the choice of how to present the data is more difficult – telling multiple narratives tends to lose focus on the research question addressed (in the paper) and thereby renders the paper less interesting (Eisenhardt and Graebner 2007). Here, the challenge is how to maintain the focus on the main storyline while still providing a sufficient level of empirical detail. Tables providing excerpts from interviews and reflecting the coding and abstraction process can be highly useful in any qualitative method. Gioia has popularized a figure referred to as "data structure" that explicitly shows the abstraction process that connects first-order concepts to second-order themes and the resulting aggregate dimensions (e. g. Corley and Gioia 2004). Persuasive visualizations of the data structure figure tend to accompany it with tables displaying abundant data – not necessarily solely quotes but also other pieces of evidence resulting from the combination of sources – that support the interpretations of codes and second-order themes. Data structures are usually complemented with diagrams that detail the interconnections of dimensions in a theoretical model (e. g. Smith 2014). Influential research based on the Eisenhardt method also takes great care in providing supporting evidence in tables and models. Different tables typically present first overviews of the sampled organizations and then specify the performance of each case along the dimension in focus to derive the construct(s) explaining it. Detailed evidence supports these tables to communicate the interpretation proposed by the researchers (e. g. Martin and Eisenhardt 2010). Data visualization is also important in other qualitative research methods, usually including tables with empirical examples supporting the concepts and interpretations (e. g. Monin et al. 2013; Jørgensen and Messner 2010), and vignettes that provide vivid accounts of the personal or organizational stories behind findings and theoretical discussions (e. g. Powell and Baker 2014).

4 Quality criteria for qualitative research in media management

Some people tend to view qualitative research as inferior to quantitative research – arguing that qualitative research is anecdotal, descriptive and non-scientific. All of this could hold true for poorly designed and inadequately conducted qualitative research – but the same holds for poorly conducted quantitative research, for example lacking a clear rationale for sampling or robust, pre-tested measures. Nonetheless, it is relevant to reflect on quality criteria as early as during the process of designing a study, but also in hindsight when reporting the results. Over the past decades, the emergence of generic quality criteria for qualitative research has increased the confidence in its potential. However, Hollifield and Coffey (2006: 579) point out that most studies within media management and economics that use qualitative methods fail to provide transparency regarding their empirical study.

Generic quality criteria for qualitative research differ from those common for quantitative studies due to the nature of the data and analysis. Typical quality criteria suggested for qualitative research are those of credibility, transferability, dependability, and confirmability (Lincoln and Guba 1985). Although we will elaborate on these criteria below, it is worth noting that there is somewhat of a debate about the usefulness of such generic quality criteria applied across all types of qualitative research (see e. g. Tracy 2010). Given that qualitative research is so diverse, it is important to reflect about the quality of one's own research in relation to the specific method chosen and the epistemological stance (Guba and Lincoln 2000) to enhance its rigor (Barbour 2001).

In quantitative research, internal validity evaluates to what degree a study is logically sound and free from confounding variables. The corresponding criterion for qualitative research is *credibility* which refers to how the researcher ensures that a respondent's viewpoints fit with the researcher's reconstruction and representation. An important way of enhancing credibility is to build the study on a rigorous research design and method, including high-quality data generation and triangulation. The latter refers to the consistency of findings across different sources, for example by contrasting and complementing different sources of data (Denzin [1970] 2009). However, triangulation can also take place by assessing the consistency of findings across different methods (for example, by testing insights gained through a qualitative study with a quantitative survey). Patton (2002) also suggests analyst triangulation, for which different people analyze the same data set, as well as applying different theoretical perspectives to interpret data. Finally, because of the complexity of the phenomena that qualitative research projects often address, they can encounter difficulties and dilemmas during the research process. Reporting transparently how these were encountered and tentatively solved adds to the credibility. Qualitative research credibility can also increase with the inclusion of negative or disconfirming cases that do not fit into the findings, suggesting boundary conditions, additional puzzles, and further research possibilities.

Another quality criterion typically used in quantitative studies is external validity, i. e., the generalizability of findings to a larger population. The corresponding criterion for qualitative research is that of *transferability* (Lincoln and Guba 1985). While the aim of qualitative research is not to generate generalizability of findings in a statistical sense, more positivist approaches such as in the Eisenhardt method do not cringe at the possibility of developing theoretical explanations in the form of propositions that could eventually be quantitatively tested. To achieve transferability, sample size is important (Onwuegbuzie 2003). Unlike quantitative research, this does not necessarily refer to the number of cases studied, but researchers need to pay attention to reporting the lengths of interviews (or other means of data generation) as well as the number of them (Onwuegbuzie and Leech 2005). Yet, the quality of the data is not solely determined by the amount of data generated, but by its appropriateness to answer the research question at hand (O'Reilly and Parker 2013). One common approach to deal with transferability in excellent qualitative studies is by explicitly reflecting on the boundary conditions of the proposed findings (Bacharach 1989).

In quantitative research, reliability refers to the consistency of what is measured, usually in different scores that are expected to remain consistent among them, over time, and across research tasks. In qualitative studies, assessments are of a different nature and offer another kind of results, usually referred to as findings and insights. *Dependability*, the qualitative-research alternative to reliability, deals with the extent to which the research project is logical, traceable, and well-documented. Some issues that play no role in quantitative studies are of primary importance in qualitative research, such as how researchers enter the field, how they develop relationships and interact with informants, which arenas they visit, what sources of information are approached and how and under which conditions they are accessed which, and how the gathered data is checked across different sources. Honest descriptions of these issues generate transparency and facilitate the evaluation of the study by other researchers (Wigren 2007).

Finally, for interpretative studies – since they are based on constructivist criteria – truth claims do not require (or permit, as social constructivists would say) accurate representations of the objective reality. The quality criterion of *confirmability*, however, offers reassurance about data and interpretations to not be mere products of the inquirer's imagination. For that, data and analysis illustrations are key, as the reader would otherwise be asked to blindly believe the researcher.

In social constructivist and postmodern perspectives, studies aim at building trustworthiness in their findings by being authentic, plausible, and critical. A study is *authentic* when it remains genuine to what the researchers have observed and participated in. Thick descriptions of the research project, the focal events, and, importantly, the informants' interpretations of these events in their own language – i. e., extensive quotes that make first-order codes explicit – provide a direct perspective on the informants' experience. *Plausible* research bridges the empirical and theoretical worlds transparently and convincingly. The process of theorizing, i. e., going from first-order to second-order codes and to the construction of even higher-order concepts cannot remain in the dark. Poor qualitative research remains silent about how this process is conducted or fails to illustrate it sufficiently. In excellent studies, detailed and rich-in-evidence data and analytical narratives vividly convey the interpretations made by the researcher and allow the readers to also directly experience the research findings. In any case, overreliance on presentational data – i. e., informants' utterances and texts – can be dangerous when done uncritically, as such data can reflect manufactured images of idealized doings (van Maanen 1979). Researchers also need to be precautions about unwittingly espousing the same taken-for-granted assumptions present in empirical settings they are supposed to expose. This is particularly important in the media field, which is rich in cultural norms, unconscious logics, and professional ideologies. Entering the field of media beyond presentational data provided by informants can be challenging. Good qualitative media management research benefits from direct, attentive, and extensive presence in the field and critical reflexivity. It is commonly suggested that researchers should be *critical* of received theories. The same goes for the research methods used. In this chapter, we advise to creatively build on existing theories to develop the field of media management research. Being critical in media management, however, also requires taking a step back from the media industry and reflexively uncover which taken-for-granted assumptions inhabit the field. A prime example of the combination of creativity in research design with high rigor in achieving transparency regarding data collection and analysis is Elsbach and Kramer's (2003) inductive study of social judgment processes used by studio executives and producers in Hollywood. The authors assess the creative potential of unknown others during pitch meetings in which screenwriters attempt to sell their ideas.

5 Ethics

Nowadays, many universities have ethical review boards, that must give consent to qualitative research projects and the handling of qualitative data, for example, by outlining how and where interview data should be saved. While these guidelines might be perceived as a bit of a nuisance by researchers, they have to be followed. Publishing research findings that were not gained in concordance with the ethical guidelines of the university might seriously hamper academic careers and destroy the trust between external stakeholders and the academic institution. Christians (2000: 138–140) points out several guidelines for conducting ethically sound research: The first one is *informed consent*, referring to the research subjects' right to be informed about the nature and consequences of the study and their voluntary participation in it. The second guideline refers to *deception avoidance* and entails that researchers design their studies free of active deception. The third guideline covers *privacy and confidentiality*, which covers the responsibility of qualitative researchers to protect people's identities and research locations against unwanted exposure. Researchers need to ensure that no one gets embarrassed in result of insensitive research practices. The last guideline proposed by Christians (2000: 140) is that of *accuracy* and entails ensuring that data are accurate and exclude fabrications and omissions. This guideline goes beyond the generation of empirical material to avoiding any type of plagiarism, i. e., the stealing of other scholars' intellectual property.

6 Outlook

In this chapter, we have tried to outline important choices to be made when designing and executing a research study. We recommend media management researchers to ask relevant research questions that not only aim to describe a phenomenon, but that also explain the phenomenon with the help of a suitable theory. To advance the field of media management, we need better research and better attempts at theorizing. This requires carefully designed studies as well as analytical rigor and the precise presentation of data and findings. Only if we manage to develop a genuine theory of media management will the field manage to attain legitimacy in the academic world in the long run.

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Section III – Key issues

Gillian Doyle

8 Convergence

Abstract: Driven by growth of the internet and the spread of digital technology, convergence has been an especially powerful driver of change in media and communications industries over recent decades. This chapter considers how digital convergence has affected production and distribution strategies across media and approaches to content and the implications posed for policy. In analysing industry responses to convergence, this chapter highlights the economic, managerial and regulatory implications of one strategy which has been particularly prevalent amongst media firms: that of adopting a 'multi-platform' approach in which, at all stages in the process of producing and supplying media, emphasis is placed on distribution across multiple digital platforms and avenues. Convergence and its implications for industry and society have emerged as major themes in research about policy and regulations for media and communications. As well as looking at how media companies have adapted to convergence, this chapter analyses some of the key concerns raised for policy and regulation.

Keywords: convergence, digitisation, multi-platform, cost-efficiency, monopolisation, Subscription Video on Demand, big data, Audiovisual Media Services Directive (AVMSD), General Data Protection Regulation (GDPR)

1 Introduction

It is widely recognised that, driven by growth of the internet and the spread of digital technology, convergence has been an especially powerful driver of change in media and communications industries over recent decades. Thanks to the arrival and rapid spread of digital technologies, avenues for distribution of media and communications have been expanding and a greater overlap or convergence in the technologies used across these industries has opened up new opportunities for innovative and more interactive products and services. "For industry, convergence means a change to the underlying economics of distribution for many services and the launch of new services. For consumers, it means accessing content, services and applications in new ways and on new devices" (Office of Communications (Ofcom) 2012: 6). This chapter considers how digital convergence has affected production and distribution strategies across media and approaches to content and the challenges posed for policy and regulation.[1]

1 This article draws on findings of "Multi-platform media and the digital challenge: strategy, distribution and policy" (ES/J011606/1), a project on which the author was Principal Investigator, for which the support of the UK Economic & Social Research Council (ESRC) is gratefully acknowledged.

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The term “convergence” is used in many different ways (Jenkins 2006) and can refer to the merging of technologies, sectors of industry, platforms and/or content (Negroponte 1995; Meikle and Young 2012) as well as to associated social implications (Castells 2001). Although a “multifaceted concept” (Wirth 2006: 445), in the current context convergence refers to the use, right across media and communications industries and in all stages of production and distribution of content, of common or shared digital technologies. The convergence of technologies and the ways in which this has brought together sectors of activity that previously were seen as distinct are widely recognised as major forces affecting industry structure (Drucker 1985: 75–76). Convergent technologies have spurred on the development of digital platforms, new forms of content and of converged devices.

Convergence has impacted not only on content and delivery but also, as many earlier studies have shown, on the operational and corporate strategies of media organisations (Küng 2017; Doyle 2013; Picard 2011). Digital convergence and growth of the internet have provided what are perceived as extensive opportunities for innovation in the media sector (Donders et al. 2018) and thus, in line with Schumpeter’s vision of industrial renewal through “creative destruction” (Schumpeter 1942), have acted as a positive force. But also, as evidenced by the recent financial struggles of many print media organisations, these developments have engendered difficulty and even demise for some market incumbents.

Convergence is a phenomenon that has been propelled by various forces including “technological advances, more open technical standards, increased economies of scale as markets become global, and the adoption by consumers of always-on digital technologies such as smartphones and broadband” (Office of Communications (Ofcom) 2012: 3). A large number of earlier studies in the realm of management and economics of media have sought to unravel how this phenomenon has affected industries and firms (Chan-Olmsted 2006: 251–252; Avilés and Carvajal 2008; Picard 2011) while some have focused more specifically on production (von Rimscha et al. 2018). A number of earlier studies have looked at convergent technology as a force of creative destruction for news media (Schlesinger and Doyle 2015; Nielsen 2012). Others have focused on how television broadcasters have integrated online opportunities (Bennett and Strange 2011; Doyle 2010; Waterman, Sherman, and Wook Ji 2013). In recent times, many have focused on the effects of the rise of economically powerful new online intermediaries (Barwise 2017; Edelman 2015; Haucap and Heimeshoff 2014). This chapter highlights the economic, managerial and regulatory implications of a response to convergence which has been particularly prevalent: that of adopting a “multi-platform” approach in which, at all stages in the process of producing and supplying media, emphasis is placed on distribution across multiple digital platforms and avenues.

Convergence and its implications for industry and society have emerged as major themes in research about policy and regulations for media and communications (Latzer 2014; Mansell 2016). Much of the early policy rhetoric surrounding convergence was driven by concurrent if at times contradictory aspirations surrounding, on the one hand, harnessing technological and economic opportunities and, on the other, encouraging an "information society" (Schlesinger and Doyle 1995). The gains for citizens and consumers that are attributed to digital convergence and growth of the internet are manifold and range from the arrival of numerous new and innovative services, to more flexibility and control over how and when to access media, to greater empowerment of audiences and a widening of opportunities for participation.

However, convergence is also associated with some harmful outcomes. For example, the effect of the internet, in some cases at least, in eviscerating the value of intellectual property rights (because of the ease and prevalence of illegal copying) has caused some to question whether the transformative effect of convergence upon content provision industries amounts to creative destruction or "just plain destruction" (Liebowitz 2006: 1). At a time when many especially magazine and newspaper companies are struggling to finance content production, the success of digital intermediaries and service providers such as Facebook and Google in determining the visibility of online media content, guiding audience attention and in scooping up much of the advertising generated by online audience attention are other sore points (Jiang 2014; Barwise 2017). Many recent studies have drawn attention to the increasing power and dominance in digitally converged spaces of just a handful of US technology giants (Moore and Tambini 2018). Growing reliance on data extracted from digitally converged delivery infrastructures has raised new concerns about asymmetries of power (Doyle 2018) and about privacy and surveillance. So, as well as looking at how media companies have adapted to convergence, this chapter analyses some of the key concerns raised for policy and regulation.

2 Media industry responses to convergence

While opinions are divided about whether digital convergence and the internet amount to radical and disruptive rather than just evolutionary technological changes, it is widely recognised that major technological developments such as these pose significant challenges for market incumbents. Amongst newspaper publishers for example, Schumpeter's vision of "creative destruction" very aptly describes current transformations and the challenges for incumbents associated with innovating and adapting. The newspaper sector is by no means alone amongst media incumbents in finding itself at the epicentre of a period of creative destruction precipitated by digital convergence, growth of the internet and associated changes in consumption patterns. Other sectors including film and music, book and magazine publishing have encountered considerable challenges in adjusting production practices, distribution strategies and business models to the contingencies of the digital era. But firms across many sectors of industry have historically survived phases of industrial re-structuring, and, for media companies, adapting to technological change is a constant (Küng 2017). So, despite the challenges, it can be argued that many if not most can be expected to survive (Cole 2008), but this requires that operational and corporate strategies must be adapted successfully to the era of convergence.

The effects of convergence on traditional media businesses have varied quite considerably from one sector to another with the television industry generally benefitting from resilience in levels of viewing while print publishers have struggled against a trend of diminution in sales (Office of Communications (Ofcom) 2012: 9–11). The evidence presented and summarised in this section is drawn mainly from a recent study on how media organisations are adapting to digital convergence funded by the UK Economic and Social Research Council.[2] Research involved interviews with senior executives at leading UK media organisations and an analysis of each company's financial data carried out by the author.

Findings suggest that a strategy commonly adopted by traditional media companies in response to convergence and growth of the internet is that of transforming from a single-platform to a multi-platform supplier of content. Many UK firms have adopted a so-called "multi-platform" strategy in which the aim is to supply and exploit content across multiple platforms and formats, including digital, rather than just one (Doyle 2015b). This pattern is by no means confined to the UK: International studies too have confirmed the prevalence of multi-platform strategies as a strategic response to convergence (Medina, Herrero, and Guerrero 2015).

The adoption of a multi-platform strategy in response to convergence is significant because, for many media firms, this approach has fundamentally transformed not only their understanding of what their *business* is about, but also their very organisational *identity*, as is evidenced by this view expressed by the Chief Executive of Hearst UK which publishes a range of magazine titles including *Elle*: "We are not a publisher […] Our job is to create a business which is diversified and will enable a connection with our audience around our different brands" (De Puyfontaine, Interview: 2013). Digitally convergent platforms, by introducing connectivity that is two-way, have effected a powerful transformation in industry thinking. Two-way connectedness has greatly elevated awareness of the importance of building relationships with audiences. So, as multi-platform strategies have become more prevalent, so too has reliance on techniques of branding in order to engage audiences effectively and to secure a prominent presence across digital platforms (Siegert et al. 2015). Branding techniques, although historically particularly associated with efforts to internationalise products on the part of magazine publishers (Cabel and Greehan 2005) and producers of television content and formats (Chalaby 2009; Esser 2010), have become, in the era of convergence, much more mainstream (McDowell 2006; Murray 2005) and

2 The author was Principle Investigator on a three-year ESRC-funded project entitled "Multi-platform media and the digital challenge" (ES/J011606/1) from 2012–2015.

are as much about underpinning expansion across differing platforms and devices as they are about gaining footholds in new geographic territories. According to VP Content & Programming, MTV UK & Europe, “We don’t see ourselves now as a traditional broadcaster – we see ourselves as a brand and our content is a part of a brand experience and our brand is on different platforms. [...] Portability of programming is key” (Booth, Interview: 2011). In the competitive ecology of digital delivery, ownership and control of content that translates and appeals across multiple platforms is obviously advantageous but so too is ownership of content that is capable of distinguishing itself and that audiences will seek out for themselves across platforms.

As making or having content that will translate and work well across multiple platforms – that audiences can recognise and seek out – has become key, so too has recognition of the need for new tools and skills that are effective in building and sustaining engagement. According to the Head of Research at London-based international television production company Endemol-Shine: “I think the world of TV is going to be increasingly about the recognisable brands that people follow across any platform.” (Wood, Interview: 2018). The experience of leading media companies in the UK and beyond clearly suggests that, in a convergent environment, branding is shaping everyday operational decisions about content and business planning (Siegert et al. 2015). The need for visible and high-impact brands affects how content is selected, produced, presented and managed. Although this raises potentially critical questions about the role of branding in contributing to uniformity of content, the very compelling economic logic that underpins the use of brands to support multi-platform expansion suggests that this feature of the digitally convergent era is here to stay (Doyle 2015a).

The transition to multi-platform has also involved a re-structuring of resources. It is well-recognised that the capacity to reconfigure in the face of changing environmental conditions is a major source of potential advantage for individual firms, including media firms (Teece, Pisano, and Shuen 1997; Helfat and Peteraf 2003). Earlier research into the effects of convergence in the media industry has identified “factor reallocation” – the incidence and magnitude of investment in new resources (such as equipment and job functions) and the concomitant attrition and disappearance of others that have become obsolete – as a marker of how media companies are re-inventing themselves and how the business as a whole is being transformed as converging digital technology has changed the nature and composition of factors required to be a successful media supplier (Doyle 2015b). Research findings have shown how, although differences exist from one sector and organisation to another in the timing, pace and exact nature of processes of change, renewal through factor reallocation is an ongoing phenomenon across media industries with a number of observable communalities of experience.

Not surprisingly, new investment has focused on strengthening digital skills in areas such as data analysis and, in television, interface design and software development and, in publishing, digital page editing, video production and interactive graphics. Media companies in all sectors have made substantial investments in the systems and equipment needed to support digital multi-platform production and distribution. In newspaper publishing for example, processes of, on the one hand, investment in training and in new equipment such as content management systems (CMSs) that facilitate more flexible working by journalists and greater ease in publishing across platforms and formats and, on the other, attrition through redundancies are ongoing in the UK and beyond (Mayhew 2017; Jenkins and Nielsen 2018).

The renewal brought about by changing patterns of investment is generally seen as propelling innovation, improved efficiency and economic growth. For example, at the BBC, outsourcing of back-office functions has facilitated more investment in the IT and digital skills needed to develop pioneering new content delivery services on digital platforms such as, of particular note, the highly successful iPlayer (Doyle 2015b). But processes of factor reallocation do not always run smoothly. Again using the BBC as an illustrative example, one notable misjudgement was the Corporation's investment of some £100m on the Digital Media Initiatives (DMIs), a system for integrating production and archiving, which didn't work properly and eventually had to be written off (Conlan and Arthur 2013).

Despite the risks, the tendency for media companies to respond to convergence by adapting their investment strategies and resources so as to become multi-platform entities has been driven, to some extent at least, by the promise of improved economic returns (Doyle 2015b). Distribution on a multi-platform rather than single-platform basis facilitates extended exploitation of intellectual property rights (IPRs) in content, thus potentially yielding economies of scale and scope. Squeezing more value out of IPRs is usually economically advantageous for the firm and so practices of repurposing and recycling content have a long history. But, the net effect on firms' profitability of adopting a multi-platform strategy can vary widely because, dependent on the level of ambition and experimentation that it entails, such an approach is likely to impact on marginal costs as well as revenues in both the short and the long term (Doyle 2013).

Aside from the pursuit of economies through fuller exploitation of content, another important incentive for adopting a multi-platform approach is (in order) to avail of opportunities offered by convergent digital technologies to innovate and to engage with audiences in new and more effective ways. For example, the use of the digital return path can provide extensive and valuable feedback on audience preferences and tastes while also enabling closer relationships to be forged, thus building brand loyalty. Attendant benefits involved have been summarised succinctly by the CEO of Hearst UK: "You have all that capacity through data mining to add value [and] efficiency in what you're providing [… to construct] a special relationship. […] This is the new bonanza – that knowledge about people is the new goldmine" (De Puyfontaine, Interview: 2013).

3 Managerial challenges

As predicted by de Sola Pool, convergence has brought about a prolonged period of adjustment across media and communication industries (de Sola Pool 1983). While media consumption patterns continue to change and evolve, demand for and interest in traditional media formats is by no means extinct. Although audiences for news have shifted towards digital platforms, they have not entirely abandoned print (Nossek, Adoni, and Nimrod 2015) and, importantly from a business perspective, nor have advertisers (Krumsvik 2012). In magazine publishing the fact that audience attention has migrated from the glossy print product to online and mobile screen content has propelled a major re-direction of both resources and staff effort but, at the same time, many advertisers have been slow in transferring their investment to digital platforms (Doyle 2015b). The result has been that, for many publishers, convergence has entailed straddling across both new digital platforms and formats plus traditional print ones – a costly and complex challenge.

Likewise in the television industry, the rise of digital distribution platforms has re-shaped consumption habits, especially amongst the young, prompting some to question the longevity of television channels. Netflix CEO Hastings famously asserted that broadcast television is like a horse and "the horse was good until we had the car" (Hecht 2014). But despite the growing popularity and success of on-demand services, there is much evidence to suggest that the linear channel remains the key and crucial touch point for delivery of television content to mass audiences (Office of Communications (Ofcom) 2017: 92) and, because of its strengths bundling and branding, this is likely to remain so well into the future (Doyle 2016). Hence, for broadcasters as for print publishers, convergence has imposed the costly requirement of straddling investment, resource and managerial effort across both newly emerging digital formats and platforms, with associated opportunities for innovation in content and services, plus traditional ones, in the shape of broadcast channels. Catering to the bifurcated demands of a transitional environment has proven to be a challenge across the industry and for both commercial and public service media organisations alike.

A key challenge for managers is that of ensuring that production practices and cultures of production adjust successfully to the needs of the digitally convergent era (Krumsvik 2012; Micó, Masip, and Domingo 2013; Picard 2011). Despite rhetoric about the importance of a "digital first" approach, many newspaper publishers have found that the rhythms and values associated with traditional print journalism remain deeply engrained. The attractions of print culture are encapsulated by one UK industry executive as follows: "The lovely part about our daily newspaper is it's a daily cycle. You get something done at the end of every day and you feel like, 'Yes, tick the box'. Problem with the digital age is it's never done. You get it out, you still have to change it, you know, and the story never stops – and that's a struggle" (Financial Times Executive, Interview: 2012). Notwithstanding converged newsrooms, the enduring supremacy of traditional print cultures and routines is exemplified by a tendency, at many newspapers and magazines, for journalists to post up lots of fresh content online as the print deadline approaches (Schlesinger and Doyle 2015). Although the problems faced by print publishers in re-shaping work practices have received extensive attention, broadcasters too have struggled in adjusting to cross-platform delivery against problems with adjusting their work flows and routines, achieving necessary levels of multi-skilling and with attitudes towards convergence (Larrondo et al. 2016).

A further challenge associated with adapting to the digitally convergent environment has been that of figuring out how to best harness and use flows of data collected from the digital return path in content decisions and product development (Doyle 2015b). While the insights (that) big data can yield are, for many firms, a potential "bonanza", to the extent that, as part of the process of adapting to digital delivery, a long-standing reliance on human judgement is eroded by ever-greater reliance on data analysis to shape content decision-making, it may be argued that media organisations are in danger of undermining their core *raison d'être* and, in turn, their own long-term viability.

4 Content, productivity and cost efficiency

While convergent and cross-platform delivery has at times exerted pressure on organisational resources, managerial performance and production practices, it has also facilitated new forms of content and creative storytelling. In some cases, this has involved novel combinations of, for example, video, text and images and/or integration of social media communications. Hand in hand with a blurring of the distinctions between media and communications, convergence has encouraged a rise in user-generated content and in transmedia storytelling and prompted a shift towards more participatory audience cultures (Bruns 2008; Jenkins 2014; Wood and Baughman 2012).

Approaches taken within individual media organisations to how their content outputs have been adapted for delivery across multiple and convergent digital platforms have varied from one to another, by sector and revenue model. Some organisations are inherently much speedier and more ambitious than others in adapting to technological change and perceived opportunities (Küng 2017). Broadly, however, convergence and growth of the internet have been responsible for fostering a vast expansion in the volumes of media content being supplied and made available to media audiences.

But to what extent this expansion in content availability has improved the audience experience is questionable. As earlier research has shown, while some of this increase is accounted for by new material, much of it reflects strategies of re-use of identical content across multiple platforms by media organisations (Fenton 2010; Doyle 2015b). The widespread adoption of multi-platform approaches to distribution, at a time when content budgets have been constrained and when digitisation has made re-versioning easier, has encouraged propensities towards recycling of content and a greater reliance on safe and popular themes and brands that achieve high visibility and impact across platforms (Doyle 2015b).

So, by facilitating more effective exploitation of content assets across different product and geographic markets, digital convergence can be credited with generally improving the economics of enlarged and diversified media organisations. However, given the implications for diversity, pluralism and competition of facilitating such strategies, convergence has at the same time posed a number of complex challenges for policy-making.

5 Reflections on policy

Since the early 1990s, convergence has been a recurrent theme in discourses about media policy-making both at national and international levels (Latzer 2014). One issue has been the need for regulatory structures, which traditionally originated and developed around specific industry "silos", to adapt to an environment in which sectoral boundaries have blurred and faded away (Department of Broadband Communications and the Digital Economy (DBCDE) 2011). Although many countries have now adopted a converged regulatory body for media and communications (e. g., Ofcom in the UK), earlier regulatory systems for these differing industries were typically guided by different sorts of economic, social and cultural principles and values. For example, universality of provision has historically been a major concern in regulation of telecommunications and it may be argued that, in the digitally convergent era, a similar agenda of promoting inclusion and of avoiding problems with inequality has fuelled concerns about the so-called digital divide (Selwyn 2004). In media industries, regulation of content and protecting audiences from harm has traditionally received much more attention. Not surprisingly then, early assessments of "converged" approaches to regulation at national and international level frequently questioned the extent to which models traditionally developed either for regulation of communications or of media can be applied more generically across the digital landscape (Iosifidis 2002).

Another challenge stems from growing use of the internet as an access point for media content. This has gone hand-in-hand with the development of a new generation of online intermediaries such as social networking sites, search engines and content aggregators who now wield considerable power to shape media selection and consumption patterns. So, in a convergent environment, a growing priority for policy-making has been to recognise and address bottlenecks and monopolisation of gateways and access points to media, not only "to ensure well-functioning markets and the fair and open competition needed to sustain efficiency" (Doyle 2012: 17) but also to preserve and promote pluralism.

As the boundaries between different types of media and how they are distributed have blurred, regulating media content has proved challenging (Darlington and Tambini 2011). While the rise of convergent distribution platforms has increased the availability of media content on internet-connected devices and screens, standards of regulation often remain platform-specific, reflecting the ethos of the delivery platform in question and the assumption that some media are more powerful than others. According to UK regulator Ofcom, people expect traditional media to be highly regulated but have different expectations of other "new" media. For regulators such as Ofcom, the progressive blurring of boundaries between different media and how they are distributed calls for "debate to be had on the balance between personal responsibility and increased regulatory protection in a converged world" (Office of Communications (Ofcom) 2012: 2).

A relatively permissive approach towards regulation of online content, although pragmatic, has attracted criticism. Regulation and governance of the internet has often seemed to suffer from "paralysis" which, for Mansell, reflects the competing visions that have shaped its emergence – one the "information wants to be free" spirit that typified internet pioneers and the other a wish to facilitate market-led developments – both of which tend to resist regulation (Mansell 2012). But discrepancies and inconsistencies of approach have over time fuelled calls for a more coherent and platform-neutral approach to content regulation (Australian Law Reform Commission (ALRC) 2012: 66; Gibbons 2009).

The rise of global internet-based media services such as Netflix and YouTube that span across national boundaries has highlighted limitations in the extent to which traditional approaches to regulation, often rooted in national legislation, can still operate adequately to protect the public interest in the era of digital convergence. But transnational systems of governance, such as that provided by European Union policy and regulation, have also been challenged by the advent of convergence (Donders, Pauwels, and Loisen 2014). The ways that convergence has shaped European approaches to economic regulation of media can be seen by examining the Audiovisual Media Services (AVMS) Directive which is a key element of European audiovisual policy.

The introduction of a new directive on AVMS in 2007 to replace the earlier Television without Frontiers (TVWF) Directive on broadcasting was a direct response to changing technologies. Digital convergence and growth of the internet had not only widened avenues for distribution of television content – whereas when TVWF was negotiated back in the late 1980s there were only 47 television channels in the European Union, by 2005 the number of licenced channels across Europe was in the thousands – but also changed how television was distributed and consumed with the rise of a plethora of "television-like" and on-demand services such as YouTube. The Commission was, in principle, keen for European regulation to keep abreast of convergent technologies by bringing "television-like" services within the scope of TVWF alongside traditional broadcast services and thereby creating "a level playing field"

(European Parliament and Council 2010, 53: 3). But in practice, the approach adopted in the new Directive was strongly influenced by the perceived distinction between on-demand, where the viewer controls what is received, and conventional broadcast services, where the viewer is a passive recipient. This, for the Commission, warranted the introduction of a differentiated or two-tier approach to regulation of content in which, under the new AVMS Directive, conventional broadcast services were subject to the same sort of rules that previously applied under TVWF (on protection of minors, right of reply, quotas etc.) but non-linear services faced a reduced basic tier of regulation that, for example, excludes compulsory quotas for European-made content.

Adoption of a two-tier approach can be seen as a necessary pragmatic response to vociferous opposition from many influential voices in (the) industry who argued that extending the scope of EU regulation of audiovisual from broadcasting to include the internet would have been excessively interfering and *dirigiste* (MacKenzie 2006). But the resultant regime, in which some television content services are more lightly regulated than others, is clearly open to criticism for failing to produce the "level playing field" that revised EU legislation was intended to provide. Critics argued that the AVMS Directive was too concerned with de-regulation and with supporting industry and commerce and not sufficiently attuned to issues of culture and citizenship (Wheeler 2007).

Although online Subscription Video on Demand (SVoD) services such as Netflix and Amazon Prime have for several years escaped the more stringent requirements imposed on broadcasters – in particular the compulsory European quotas which require that a minimum portion of their output must be comprised of European-made film and television content – a "breakthrough in EU negotiations for modern and fairer rules" achieved during the 2016–18 review of the AVMS Directive paved the way for change from 2019 onwards (European Commission (EC) 2018). An European Parliament report calling for SVoDs to be required to devote at least 30 % of their catalogues to European-made works (Verheyen and Kammerevert 2017) was approved by MEPS in the Culture Committee in April 2018 (Spangler 2018), and this requirement was subsequently written into the revised AVMS Directive approved by the Council of Europe in November 2018. While resistance from industry to regulation of internet content services has continued unabated, Commissioner for Digital Economy and Society Mariya Gabriel justified the integration of a 30 % compulsory European quota for online on-demand services within a revised text for the AVMS Directive by saying: "A fairer environment for all players in audiovisual sector is much needed. Moreover, our cultural sector will have a more prominent place in on-demand catalogues – a significant and positive change for European creators and authors" (Gabriel, cited in EC, 2018).

As well as requiring existing regulation approaches to adapt, convergence has also created entirely new challenges for policy-making. One of the defining features of the convergent environment has been, spurred on by the internet and digital distribution of content, an increasing emphasis on collection and use of personal data collected via the digital return path data. Every viewing event on web-connected platforms creates data that can be analysed (Pennington 2017). As distribution of media content has migrated to web-connected platforms and devices, media suppliers have become increasingly focused on harnessing the value of digital traces left by consumption of that content (Napoli 2014). While big data has provided media and advertisers with useful insights about what audiences like and with more effective means of targeting, the widespread collection and use of personal data has naturally raised concerns about the effects of an ever-growing and pervasive emphasis on personalisation and about privacy.

Personalisation techniques based on algorithmic analysis of personal datasets collected on digitally convergent platforms have raised criticisms about, for example, the normalisation of large-scale data mining (Cohn 2016) and about seemingly irreversible growth of robotics with its capacities both for intrusiveness and for error (Gal and Elkin-Koren 2017). From a regulatory perspective, the existence of a trade-off for consumers between, on the one hand, rights to privacy and, on the other, the benefits of personalisation which may include lower prices for content is an important consideration (Gal and Rubinfeld 2016; Kennedy and Moss 2015). As earlier research has shown, data disclosures which facilitate more effective advertising may in some cases help to pay for content services where otherwise charges would have to be levied on the user (Deutscher 2017; Evens and van Damme 2016).

Even so, worries about surveillance, privacy and other potentially harmful implications of large-scale data-mining prompted the EU to respond by introducing the General Data Protection Regulation in May 2018 (Custers et al. 2018; de Streel, Bourreau, and Graef 2017). A Regulation is one of the strongest instruments in EU law and, unlike a Directive (which needs to be transposed into national law), has immediate binding legal force throughout every Member State. A major scandal surrounding large-scale leaks of data from Facebook to Cambridge Analytica has encouraged other jurisdictions to follow suit. For example in June 2018, the State of California set aside objections from major digital players such as Facebook and Google and introduced stronger curbs over the use of personal data in order to protect privacy (Waters 2018).

Another concern for media policy-making that surrounds a growing reliance on personalisation and systems of recommendation is the potential for individuals and audience segments to become trapped in filter loops and bubbles. Access to a range of news sources and to a variety of political views and opinions is clearly important for democracy and earlier work has, rightly, highlighted the corrosive effects that filter bubbles may have on shared public discourse and the dangers that arise when audiences end up "dwell[ing] intellectually only in arenas where they are comfortable, creating barriers between them and those in the public sphere with whom they would not likely agree" (Couldry and Turow 2014: 1711). But the effects of filter bubbles on consumption of entertainment are also a relevant consideration for policy-makers, since access to a plurality of entertainment content also matters to individual and societal aspirations relating to taste development, promotion of tolerance and socio-cultural cohesion. A related issue is how PSM organisations, who are seen as bearing special responsibilities in respect of these aims, can integrate public values within algorithmic design and their usage of data (Sörensen and Hutchinson 2018).

As one of the major by-products of digitally convergent technologies, the rise of big data has yielded a number of benefits for audiences and for industry through informing and facilitating more effective decision-making. However, as has been argued elsewhere (Doyle 2018), the migration towards greater reliance on data analysis also raises particular concerns about the emergence and implications of asymmetries of power in relation to ownership and use of data. In the television industry, for example Netflix, which has become an increasingly important commissioning purchaser of original television content, has been criticised for hoarding data and "refus[ing] to reveal figures on how popular, or not, its shows are" (Sweney 2017). Few would deny that those who invest in collecting and analysing data in innovative ways so as to better serve audiences and build their businesses deserve rewards. But even so, since data clearly represents a key informational resource and is prone to monopolisation in ways that might distort market transactions, a key challenge for media policy-making going forward will be how to address asymmetries of power in the realm of data ownership and use.

In summary, convergence has been a major force for change in media and communications industries over recent decades as shared use of digital technologies and growth of the internet have transformed the competitive landscape and company strategies. As firms have made the journey from being single-sector to digital multi-platform suppliers of content, this has altered conditions for production and distribution of content and impacted on the economics of supplying media, affecting flows of jobs and investments across industry and re-shaping processes of content creation and the nature of content outputs. While in some ways enabling organisations to exploit their resources and serve audience demands more effectively, digital convergence has, as discussed above, posed new challenges for industry. Likewise, it has presented a number of issues for media and communications policy-making, including how to judge "the balance between personal responsibility and increased regulatory protection in a converged world" (Office of Communications (Ofcom) 2012: 2), how to regulate effectively in a globalised environment and how to tackle asymmetries of power in relation to ownership and use of data. The persistence and pace of change caused by digital convergence together with the complexity of attendant challenges for industry and policy-making underline the ongoing and pressing need for research focused on economics and management of media and communications.

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9 Content platforms

Abstract: The term media company has originally been associated with firms creating, bundling, or distributing content in a linear communication process with consumers as recipients. Such companies can also be referred to as content providers. However, the advancement of digital information and communication technologies has given rise to a new way of organizing communication processes, namely content platforms. These platforms do not create content themselves but offer users the opportunity to publish content for the reception by other users. A focal role in the resulting ecosystem is obtained by the platform operator. In this chapter, we introduce content platform operators as a new type of media company and distinguish them from content providers. Based on examples from practice, we shed light on the relationship between content providers and content platform operators. Furthermore, we look at specifics in managing content platforms, which includes attracting users, ensuring content quality, running the platform, and capturing value from these activities. The chapter closes with a discussion of a revised understanding of the term media company and possible implications for media regulation.

Keywords: content platform, content platform operator, platform approach, content provider, pipeline approach, media company, media regulation, value chain, value network, ecosystem, network effect, prosumer, user-generated content, content quality, media management, platform management

1 The two approaches to providing content

1.1 Content platform operators as a new type of media company

The emergence of digital information and communication technologies (ICTs) and their ubiquitous connectivity with the Internet have caused severe changes in the production and consumption of media content. The means to create and distribute content (without geographical restrictions) have become drastically cheaper and easier to use, which has empowered consumers to create their own content. Such content is commonly referred to as user-generated content (UGC), while users creating their own content are also called prosumers (Ritzer and Jurgenson 2010: 19). Furthermore, digital ICTs enable consumers to communicate with content producers, and allow these producers to present formerly more or less separated content modalities (text, image, audio, and video) within a single medium, which is referred to as

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convergence (Jenkins 2004: 34). Owing to these changes, new ways have emerged of organizing the communication process between producers and consumers of content. Based on their value creation activities, we can differentiate between two fundamental types of media companies: content providers and content platform operators (Hess 2014: 3–4).

Content providers' activities cover one or more stages of a well-structured sequential value chain – they create content, bundle it, and distribute it to consumers. Publishers (of newspapers, magazines, or books), broadcasters (running radio or television stations), movie studios, and music labels are examples of content providers. On the other hand, content platform operators provide a technical platform that aggregates a certain type of content and makes this available to the widest audience possible (Hess and Bründl 2015: 27). The producers of the content bundled on a content platform can be either (non-professional) prosumers or (professional) content providers. The two types of media companies do not, therefore, exist independently of each other, but cooperate and compete. Content platforms are a specific type of industry platform defined as "a foundation technology or service that is essential for a broader, interdependent ecosystem of businesses" (Gawer and Cusumano 2008: 28).[3] Content platform operators organize value creation by building ecosystems instead of sequential value chains. Social media, search engines, and review websites are typical examples of content platforms. Overall, content providers and content platform operators follow two different approaches to value generation. Content providers apply what we refer to as the publishing-broadcasting or pipeline approach, whereas content platform operators follow a platform approach (Hess 2014: 5). Fig. 1 depicts the two approaches, including content providers and content platform operators' activities (in squares) and consumers' role (in ellipses).

In the following sections, we will first delineate the two types of media companies in more detail before we specifically describe how content platform operators create and capture value, as well as how they relate to each other. Subsequently, we focus on content platform providers' three main activities: (1) attracting (producers and consumers of) content, (2) ensuring the quality of this content, and (3) running the technical platform. We conclude the chapter by discussing the implications of understanding content platform operators as a new type of media company.

3 Please note that different understandings of the term platform exist. This article refers to content platforms as platforms that are open for content contributions by third parties.

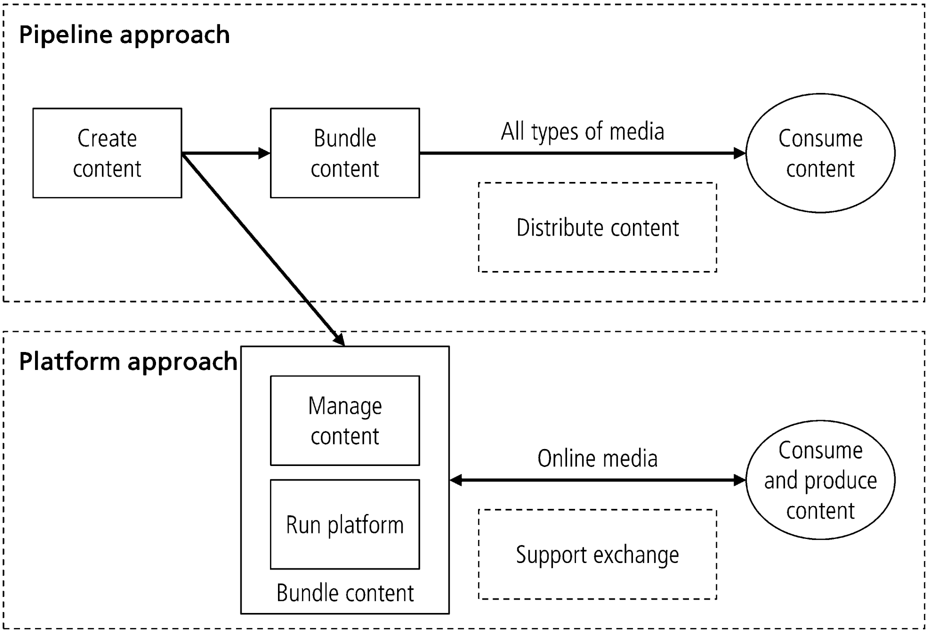

Fig. 1: Value creation by content providers and platform operators based on Hess (2014: 5)

1.2 Differences between the pipeline and the platform approach

In the pipeline approach, content production fundamentally follows a value chain logic (Porter 1985). One or more content providers assemble, produce, and distribute content linearly to the consumer, which is similar to the production of cars or laptops. Companies along the value chain create value by transforming an input into a product. By disaggregating a product's value creation process into primary and supportive activities, a firm can identify and improve its competitive advantage. While primary activities are directly involved in creating value for the customer, support activities enhance these primary activities' performance. The production of a movie is a good example of value creation in the pipeline approach (Bloore 2009: 8). While a company could in principle cover the whole value chain, movie production is fundamentally project-based and involves several parties undertaking primary activities. First, the writers develop ideas and create a screenplay. After a studio has decided to fund the movie and has assembled a cast and crew, one or more production companies shoot (production) and edit (post-production) the material. Subsequently, the studio licenses the movie to distributors, who ensure that movie theatres show it. Thereafter, the studio usually sells licenses for further distribution to video streaming services and broadcasters. The support activities include the marketing of the movie,

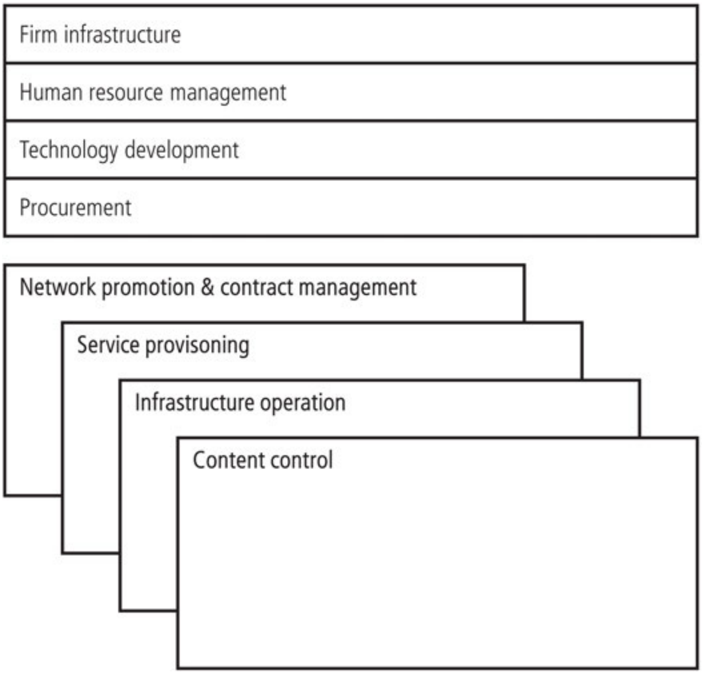

Fig. 2: Value network based on Stabell and Fjeldstad (1998: 430)

procurement support, human resource management, technology and infrastructure development, and legal matters.

In contrast, content platform operators follow the value network logic shown in Fig. 2 (Stabell and Fjeldstad 1998: 429–430), which is not based on a sequential order of task fulfillment. Instead, value networks simultaneously link all of an ecosystem's interdependent complementors. The content platform operator therefore does not represent the value network, but rather provides the network service. Consequently, the content platform operator creates value by organizing and facilitating the exchange between the complementors (i. e., content platforms' consumers and producers of content). The different value creation rationales mean that content platform operators' primary and secondary activities differ from those of content providers. Content platform operators' essential primary activities are to establish, control, and manage their platform's infrastructure to enable the interaction between the complementors in the ecosystem. Content platform operators provide several services based on this infrastructure to manage the links between the complementors. These services may include transaction facilities and conflict-resolving procedures. Moreover, content platform operators need to promote their platform to convince complementors to join the ecosystem. Depending on the platform operator and the complementors' commitment to each other, formal contracts need to be negotiated and managed. Finally, another important primary activity for the platform approach's value creation is controlling the content on the platform. A well-known example of content control is Facebook's use of an algorithm to manage the content that appears in its users' news feed. This news feed algorithm prioritizes content from friends and family, while avoiding clickbait and promotional posts (Lua 2017). Furthermore, the platform approach also requires other support activities than the pipeline approach does. Specifically, procurement and human resource management differ a great deal in terms of the network infrastructure and the service development. The technology development includes activities related to the design, development, and implementation of the network infrastructure, as well as the modification development of the provided services (e. g., development of a new messenger for Facebook). It is important not to confuse the firm infrastructure (i. e., general management, financing, and information systems management) with the value network infrastructure, because the latter creates customer value by mediating between the complementors, whereas the former is a support activity.

Content providers and content platform operators' need to focus on different aspects due to the differences in the pipeline and the platform approaches' value creation activities. Content providers' activities concern the creation of informative or entertaining content. Their fundamental core competencies are therefore journalistic and creative expertise. Content platform operators are more network- and technology-driven. Their main task is to run and maintain the platform, as well as to attract and organize the content. Algorithms support several content platform operators' activities, or these may be fully automated, which allows operators to scale their businesses quickly. Conversely, content providers still rely largely on human work, although the first steps towards automatizing content creation have been taken (Cohen, Hamilton, and Turner 2011). While the pipeline approach focusses on content that attracts a sufficiently large audience, platforms host a wide variety of content, some of which addresses very small niches, depending on the creator's interest. Tab. 1 provides a systematic comparison of the two approaches.

The distinction between content providers and content platform operators is not always as clear-cut as described so far, which is due to various reasons. On the one hand, many companies combine the pipeline and the platform approaches to some extent. The Huffington Post, for instance, employs its own editors, but also attracts content from external bloggers. Similarly, some platform operators, like Facebook, have decided to acquire exclusively produced content to make their platform more attractive (Costine 2017). On the other hand, several content platforms have attracted such a large audience that prominent content creators on these platforms have capitalized on their reach, becoming increasingly more professional over time. These content creators are also referred to as influencers (Abidin 2016: 3). Moreover, content platforms' reach and marketing opportunities have prompted many content providers to also contribute content to these platforms. For instance, the two largest commercial television companies in Germany, RTL and ProSiebenSat.1, have both established multichannel networks for content production on video platforms. The next section addresses this point in detail.

Tab. 1: The two approaches to providing content in comparison based on Hess (2014: 6)

	Pipeline approach	Platform approach
Value adding steps	Creating, bundling, and distributing content	Operating an IT platform to attract and manage large amounts of content
Media used	Offline and online	Online
Primary competences	Journalistic and creative competences	Technological competences
Content covered	Content attracting a sufficiently large audience	Content the creator is interested in
Role of technology	Supporting activities	Automatizing activities
Technology application	Creating, editing, storing, and distributing content	Attracting, analyzing, storing, and retrieving content
Current examples	Publishers, broadcasters, record labels	Search engines, social media, opinion portals, dating platforms

1.3 Relationship between content providers and content platform operators

Content providers and content platform operators do not exist separately, but are in co-opetition. Platform operators benefit from network effects and tend to grow quickly once they have a critical mass of users. In fact, more than half of all news consumers prefer side-door access to news via content platforms, such as search engines, social media, and news aggregators, whereas only one third of such users make use of content providers' websites or apps as a gateway to news content (Reuters Institute for the Study of Journalism 2017: 15). This large customer base makes it interesting for content providers to publish their content on those platforms and thereby adopt a distributed content strategy (Lambert 2017). On the other hand, content providers compete with platform operators for audience attention and advertising revenues.

From a content provider's perspective, the advantage of publishing content on external platforms is these platforms' large reach. This reach can be converted into revenues earned on the platforms (e. g., advertising revenue sharing agreements), higher traffic on content providers' own channels (e. g., websites and apps), and brand awareness. However, being successful with content on external platforms requires other strategies than those necessary for delivering content on providers' own channels. Consequently, a new type of content provider specialized in aggregating and publishing distributed content has emerged. BuzzFeed, for example, uses 45 distribution channels, including social networks (e. g., Facebook), messenger apps (e. g., WeChat), and news aggregators (e. g., Apple News) to publish its content (Liscio 2016). Distributed content strategies run the risk of losing the direct relationship with the audience (including the user data), of losing control over the content monetization, and of a dependency on the content distribution mechanisms of a particular platform. The latter point became specifically evident when Facebook changed its news feed configuration at the beginning of 2018, driving some content providers out of business (Moses 2018). Furthermore, content providers run the risk of cannibalizing their own channels instead of complementing them if they offer too much of their content on content platforms.

Content platform operators, on the other hand, compete for the best content to attract as much user attention as possible. Many platform operators therefore offer specific formats for content providers to host their content directly on the platform (e. g., Google's Accelerated Mobile Pages or Facebook's Instant Articles). These formats are designed to facilitate content consumption without having to leave the platform. Since content providers are usually interested in making platform users switch to their own channels, platform operators have to incentivize content providers to publish content directly on the platform by offering revenue shares from advertising, sharing user data, or helping content providers sell subscriptions (O'Kane 2017).

Overall, content providers and platform operators constantly haggle about who covers which parts of the value chain and who is entitled to which share of the revenue. Owing to their size and because the number of relevant content platforms is much smaller than the number of content providers, operators are in a strong position. Besides, content providers usually do not advocate their interests in a centrally organized way, which weakens their position. Content platform operators can therefore play content providers off against one another. Furthermore, platform operators control the access to their users, which is why they are also called gatekeepers (Hess and Matt 2012: 45). Gatekeepers' market position can influence the access to other companies' customers, thereby affecting these firms' business models. Consequently, content providers face a strategic dilemma: A platform's reach always implies a dependency on the platform operator. To deal with this dilemma, content providers need to clearly define the objectives behind their distributed content strategy. These objectives could be increasing the audience, but also achieving more sustainability by establishing a loyal community that engages with the content and might ultimately become (paying) users of the content providers' own channels.

2 Managing content platforms

2.1 Attracting users

User activities on content platforms can be categorized into three interdependent behaviors: *consuming*, *participating*, and *producing* (see Fig. 3). The two main motives for *consuming* UGC are information and entertainment seeking (Shao 2009: 9–12). On the one hand, consumers seek information to increase their knowledge and understanding of themselves, others, and the world. On websites like Wikipedia, users can obtain specific and individual information about a particular topic. Moreover, users perceive information provided by other consumers, for example, in the form of product evaluations, as more trustworthy than recommendations by advertisers and marketers (Benlian, Titah, and Hess 2012). On the other hand, consumers look for entertainment. An example of this is YouTube, which offers a variety of videos in different categories such as entertainment, sports, music, and comedy. Similar to traditional media, such as television and magazines, the consumption of user-generated entertainment media relaxes users and alters their mood. Hence, user-generated videos on YouTube can be regarded as a broad range of stimuli choices to achieve more comfortable mood levels. For example, watching relaxing clips calms stressed users, while amusing clips cheer up sad users.

Participating refers to user-to-user interaction, such as chatting with peers, and user-to-content interaction, such as rating content, saving favorites, and posting pictures (Shao 2009: 12–13). The primary motives for participation are social interaction and community development. Individuals use social network sites, such as Facebook, to interact with other users and to fulfil their social needs. Virtual communities allow individuals to engage with others in similar situations and to get emotional support, a sense of belonging, and inspiration. Furthermore, participating in user-generated media can lead to virtual community development. According to the social identity theory (Tajfel 1978), people seek to become a member of a distinct social group. In such virtual groups, users find others with similar attitudes, interests, and goals with whom they can discuss their opinions and concerns (Ridings and Gefen 2004: 3–4).

Producing refers to creating and publishing original content, such as texts, images, and videos, on websites. Besides commercial motives, the primary motives for producing content are self-expression and self-actualization (Shao 2009: 13–15). Self-expression refers to prosumers' aim to express their character and individuality. By uploading videos on YouTube or posting pictures on Facebook, they create a certain image of themselves and control how others perceive them. They can thereby present themselves in a desired way, attract consumers, and build relationships with other users. Self-actualization, on the other hand, refers to boosting one's identity and revealing one's personality. Users produce their own content as they are unconsciously seeking recognition, fame, and personal efficacy. Further motives are enjoyment, information dissemination, and, when taking commercial incentives into account, monetary incentives (Bründl and Hess 2016: 5–6). Producing one's own content evokes individual pleasure from using the system and enjoyment from interacting with other users. Information dissemination, however, is a rather altruistic motive. Those users with expert knowledge and unique competences want to share their passion and their knowledge with other users. Finally, monetary rewards, such as ad-revenue-sharing programs or affiliate programs, motivate users to produce content.

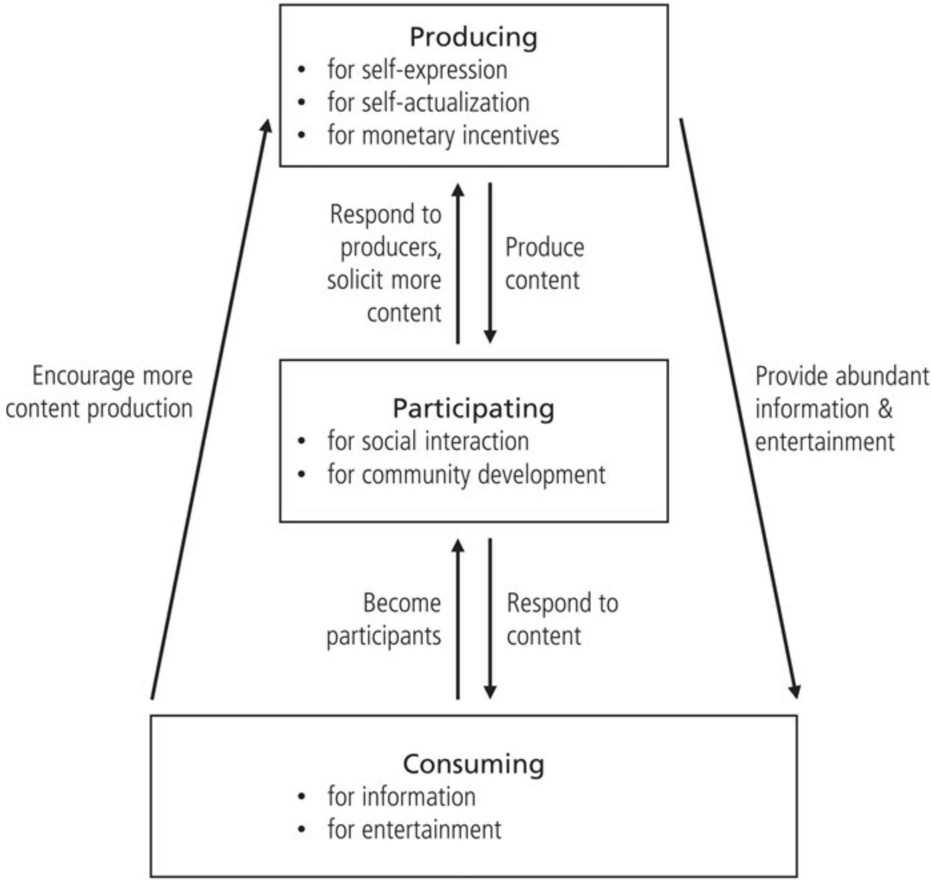

Fig. 3: Interdependence of consuming, participating in, and producing UGC (Shao 2009: 10)

2.2 Ensuring content quality

Content platform operators can benefit from satisfying heterogeneous customer needs and from exploiting indirect network effects by offering a wide range of diversified content. By providing innovative and manifold third-party content, such operators can also increase the platform's value (Ceccagnoli et al. 2012: 263; Ghazawneh and Henfridsson 2013: 174). However, third-party content may also cause problems for platform providers, with the two main threats of UGC being low quality and the spread of fake news.

The rise of social platforms, such as Facebook and Twitter, facilitates the sharing of great volumes of content and reaching a large number of recipients in a very short time. Since news spread rapidly in social networks and the pressure for content producers to publish first is high, they often do not verify UGC or do so inaccurately (Boididou et al. 2018: 15546–15547). Consequently, large amounts of uncontrolled, false information in the form of texts, videos, and images circulate online. The World Economic Forum (WEF) even lists the risk of digital misinformation as one of the main threats to human society (World Economic Forum 2018: 48–49). Specifically, the social homogeneity of users drives the viral diffusion of fake news and leads to polarization, because users are more likely to share news content with users who have similar political views and opinions (Del Vicario et al. 2016: 558). As a consequence, the dissemination of false information amongst people with similar beliefs leads to the formation of homogeneous clusters and biased polarization. False news can cause social, political, and geopolitical threats such as the misallocation of financial resources or the manipulation of elections (World Economic Forum 2018: 48–49). Prominent examples of the spread of fake news are the US presidential elections in 2016 and the Brexit referendum. The fact that false news diffuses even faster and reaches even more people than accurate information increases the risk of misinformation (Vosoughi, Roy, and Aral 2018: 1148–1150). Moreover, it is far more difficult to correct false information than to disseminate it (de Keersmaecker and Roets 2017: 107–110). The affected users remain biased even after fake news has been explicitly clarified. Consequently, the dissemination of fake news might lead to distrust in the media, perceived political bias, and the avoidance of news services altogether. In addition, since the polarization of UGC fosters unconfirmed rumors, mistrust, and paranoia, this might result in information of inferior quality. This low-quality UGC is another problem for content platforms such as Wikipedia (Anderka, Stein, and Lipka 2012: 981). The large number of articles contributed by a heterogeneous community, including authors with different levels of education, competence, and knowledge, means that it is impossible to guarantee a consistent high quality, as not all articles can be reviewed separately.

Consequently, the increasing amount of fake news and low-quality content on content platforms requires policymakers and platform providers' sustained efforts (World Economic Forum 2018: 48–49). Not only should governments therefore balance the regulation of UGC with the prevention of individual liberties from being violated, but it is also the content platform operators' duty to ensure high-quality and truthful content on their platforms. The latter is important if content platform operators wish to improve or sustain the user experience in the long run, and if they wish to proactively counteract government regulations. Potential countermeasures include, for instance, decreasing financial incentives for those publishing fake news on their websites. With this in mind, Google restricted its AdSense for websites concealing or falsifying information about the content and their publishers. Using algorithms to reveal and delete fake news is another countermeasure to avoid misinformation. As mentioned in section 1.2, Facebook uses an algorithm to control the content displayed in the users' news feed. This algorithm allows users to mark false information in order to reveal fake news. Algorithms can also be applied to identify low-quality content. A Wikipedia bot, for instance, is able to identify inadequate articles and thus spot quality weaknesses without human interaction (Anderka, Stein, and Lipka 2012: 988). However, using mechanisms to control UGC should be considered with caution as platform operators risk intervening too much in the content exchange. Deleting or censoring UGC could frustrate the users and hamper their motivation to contribute further, especially in cases where the guidelines regarding deletion or censoring are not transparent or do not seem to follow a strict logic, as the discussion on Facebook's censoring of violence or female nudity has shown.

2.3 Running the platform

Application systems only play a supporting role for content platform operators, as humans still create and edit content, and these activities can only be automated to a certain extent. Content platform operators, however, organize content by means of a central database. The administration of the network infrastructure, which includes the design, the interface configuration allowing users to provide and retrieve content, and algorithm development to manage the database, are therefore important content platform operator tasks. Additionally, platform operators need to emphasize their control of how they handle personal user data in their network's exchange processes more than content providers need to in their fundamental customer management processes. Besides, the design of content providers' and content platform operators' core systems differs. An example is the platform YouTube's core system, which is based on a database of user-generated videos, user data, and relational ties (see Fig. 4). Accordingly, defining the database's data structure and developing an algorithm for its evaluation are of special interest for platform operators. Based on the user and video data as well as on the relational ties, the platform provides basic functionalities, such as creating and managing a profile, uploading videos, posting comments, and rating videos. The main goal of these activities is to aggregate and provide third-party content. Third-party services, such as the possibility to integrate affiliate links or place advertisements by means of AdSense, often supplement these basic functionalities. Consequently, content platform operators require increased technological competences and the ability to manage large quantities of content to develop and run the platform (Mertens et al. 2017: 116).

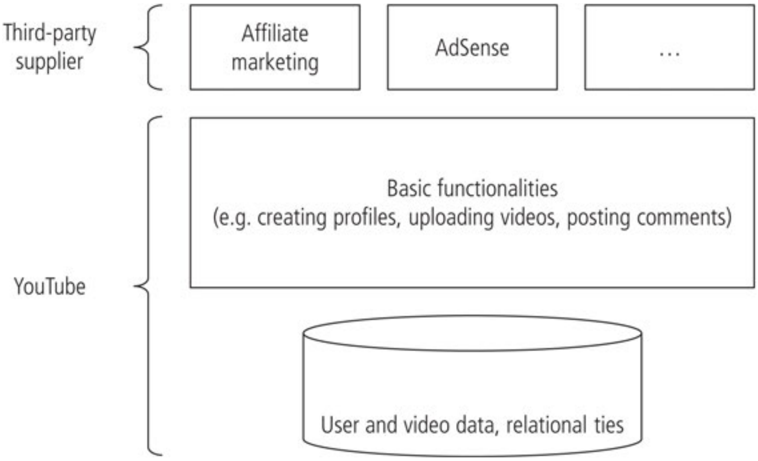

Fig. 4: Components of the content platform YouTube (based on Mertens et al. 2017: 116)

2.4 Value creation and capturing

Apart from successfully carrying out their core activities, content platform operators can take advantage of several e-business value drivers: efficiency, complementarities, novelty, and lock-in. These have been shown to generally help to optimally exploit digital ecosystems' capabilities optimally (Amit and Zott 2001: 503–509) and are especially relevant in the context of interconnected media business models (Kurz and Werning 2013: 258).

Efficiency is a primary value driver for content platforms. The interconnectivity of users in online networks leads to enhanced efficiency for operators and users due to the possibility to reach many users quickly and simply. Furthermore, the aggregation of a variety of heterogeneous content on one extensive platform, such as Google News, reduces the distribution costs for content platform operators and allows for faster and well-informed decision-making on the part of the users. Therefore, compared to traditional content providers, content platform operators can reduce their marketing, sales, and communication costs and increase the number of transactions through their enhanced efficiency.

Complementarities are another main driver of value creation on content platforms. From an economic perspective, content platforms can be regarded as two-sided markets (Parker and van Alstyne 2005), mediating between prosumers acting in two distinct user roles: On the one hand, content producers contribute UGC in the four different modalities text, image, audio, and video. On the other hand, consumers receive content that the producers provide. The key characteristic of two-sided platforms is the existence of indirect (cross-side) network effects (Katz and Shapiro 1985). This means that the utility a user gains from consuming a good increases with the number of complementary products available. The spread of such goods therefore also determines the supply of complementary products. Consequently, when indirect network effects are present, positive consumption externalities arise, because one group can benefit from an increase in members of the other group. In the case of content platforms, this means that platforms are more attractive for producers if they have a large number of potential consumers who can contribute to profit generation (e. g., through donations, merchandise articles, and advertisement revenues). In turn, consumers benefit from producers offering more content. Platform operators should therefore leverage this potential for value creation by supporting the development and supply of complementary products.

Furthermore, the development of *novelty*, i. e., new and innovative ways of doing business, is another possible source of value creation for content platform operators. The unique characteristics of online platforms allow them to eliminate geographical and physical constraints, to reverse information flows from users to the platform, and to organize and bundle information in new ways. By including a new type of complementary product, for instance, the content platform operator can increase the network's value. Moreover, platform operators can also benefit from the first-mover advantage by introducing a completely new business model. Consequently, such operators can create superior value through increased brand awareness and reputation.

In addition, content platform operators can create value by motivating customers and strategic partners (i. e., complementors/content providers) to engage in repeated business instead of migrating to other platforms. This *lock-in* originates from the network effects underlying content platforms, which can be assured by switching costs and positive network externalities. Customizing and personalizing the platform interface can in turn increase switching costs. As the customer becomes familiar with the platform design and interface, the costs of switching to another platform increase. Furthermore, positive network externalities can create a lock-in effect. Operators of two-sided content platforms, such as Facebook, can benefit from direct and indirect network effects. Not only does a platform's perceived attractiveness increase with the number of other users, but the spread of complementary products also has a positive influence on the platform's value for its users.

Revenue can be captured from these drivers of value creation mainly in two ways: advertisement-based (Rappa 2004: 35–36) or freemium revenue models (Anderson 2009; Wagner and Hess 2013). The advertisement-based revenue model originates from the traditional pipeline approach. The platform operator offers content for free, generating revenue by placing advertisement messages, for example, in form of banner ads. This revenue model's success depends on the volume of traffic and the platform's degree of specialization. A prominent example of the advertisement-based revenue model is Google's content-targeted advertising, which identifies a platform's content and automatically delivers specific advertisement messages tailored to the user. In contrast to the non-segmental advertisement-based model, freemium services offer two different usage options with the goal of converting non-paying users into paying customers (Anderson 2009). Platform operators provide a basic version of their service for free to acquire a large user base and, in addition, offer premium-priced value-added services to generate revenue. An example of the freemium revenue model is Twitch, which offers a free version allowing users to watch live broadcasts on thousands of micro channels with occasional interruptions by advertisements. By purchasing a premium version, users can avoid the advertisements and obtain additional features, for example, chat rights, special emoticons, or on-demand access to archived broadcasts (Bründl 2018: 4). Both revenue approaches can only be successful if content platform operators understand the drivers of content production and consumption, as well as the determinants of user participation (Shao 2009). This expertise is necessary to attract a sufficient number of producers who provide content and are encouraged by non-monetary or monetary incentives (e. g., the revenue sharing of advertising money, subscriptions, or donations), as well as sufficient consumers who are attracted by the provided content and who "pay" by viewing ads or through premium options (see Fig. 5).

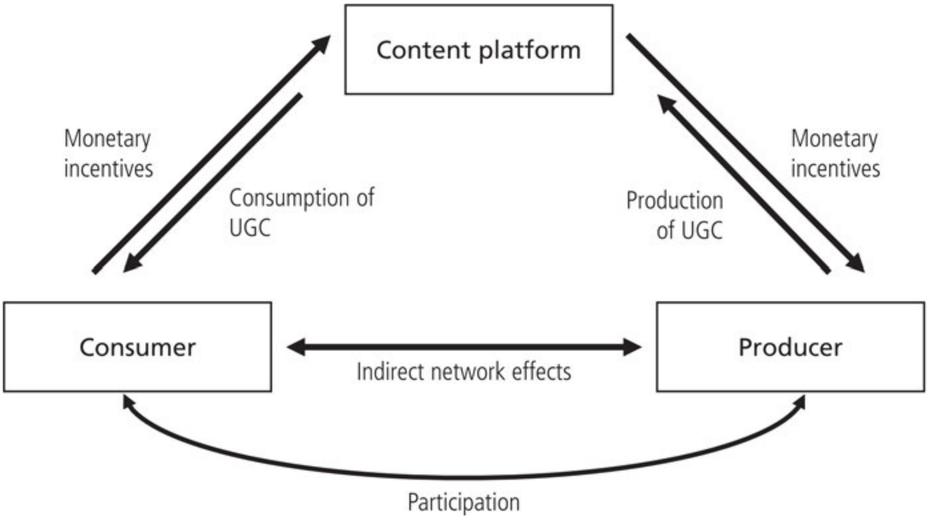

Fig. 5: Content ecosystem

3 Conclusion: Revising our understanding of a media company

The importance of content platforms in media consumption shows that we cannot define media companies as mere content providers. A possible solution for this definitional problem is to examine the purpose of content providers. Whether publisher or broadcaster, content providers always enable public communication. In this sense, we could use the term media company nowadays to refer to all companies that support public communication (Hess 2014: 6). The latter is possible by creating content professionally and distributing it to the largest possible audience. However, all companies operating platforms to aggregate third-party content also support public communication. The definition of media companies as companies supporting public communication thus covers both content providers and content platform operators, although many content platform operators still deny being media companies.

The question about which companies can be defined as media companies is crucial for their regulation. Content providers are ascribed special importance in the forming of political opinion and in the developing of culture (McCombs 2014: 7), which is the reason for many nation states to intervene in media markets. They usually do so in the following two situations: First, mergers of media companies often require additional approval, which is aimed at preserving media pluralism. Second, many states have set up public companies – usually in the broadcasting sector – with a special supply mandate and financed differently than private-sector companies are.

On examining these regulatory measures, it becomes evident that they are aimed at ensuring that citizens receive sufficient information from as many and as diverse sources as possible to allow for a free formation of opinions. However, the Internet is responsible for content providers losing their monopoly as distributors of content and, thus, of public communication. Today, many parties (including prosumers and non-media companies) have the means to create and distribute their own content through the Internet, with content platform operators acting as organizers of this information exchange. This raises questions such as whether content providers still need to be regulated, whether such regulation needs to be adapted, and, given their influence on public communication, whether the regulation of media companies should be extended to content platform operators. Content platforms undoubtedly influence both opinion-forming and cultural development. Owing to network effects, platform markets are characterized by high market concentrations, thus promoting control over opinion forming. The question whether content platform operators should be regulated is already heavily debated (Krämer and Schnurr 2018). While it is beyond the scope of this article to answer this question conclusively, it is obvious that current regulatory frameworks in many nation states do not reflect the described changes in media consumption and production patterns and therefore need to be revised.

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10 Media concentration

Abstract: This chapter starts with a brief introduction to major terms and definitions of concentration, its measurement, and its specific significance in communications markets. This is followed by a discussion of the substantive legal provisions for the governance of concentration and competition in communications markets and the shared responsibilities between the institutions that enforce them. Finally, it scrutinizes these terms and definitions as well as the handling of concentration in the light of technical, political, and economic developments that have substantially restructured the communications industries over the past two to three decades. These developments have put competition issues at the forefront of policy discourses and challenged the assessment and measurement of concentration in communications. In particular, they have raised significant questions regarding the adequacy of traditional enforcement practices, particularly in view of the convergence of communications industries, the increasing platformization of communications markets, and the proliferation of multi-sided businesses.

Keywords: media concentration, measurement, competition, regulation, convergence, multi-sided markets

1 Terms and definitions

The degree of competition in the market usually depends on the level of concentration (for more details on general terms and definitions see, e. g., Heinrich 1994; Just and Latzer 2010; Schmidt 2012; von Rimscha and Siegert 2015). Generally, the term concentration denotes a state when a few companies have high market shares in the *relevant market* (for definition see below). Concentration processes occur when the number of companies in the market shrinks or when market shares shift in favor of the largest companies, resulting in unevenly distributed market shares among market participants. Such concentration processes occur through external or internal growth. In cases of internal growth, companies expand their own operations, e. g., by enlarging their customer base, increasing production capacities or developing new products. External growth, on the other hand, refers to growth through mergers, acquisitions, or strategic alliances. Here – in reference to the relevant product markets affected – one distinguishes between horizontal, vertical, and conglomerate concentration. Horizontal concentration involves companies that are active in the same relevant market, for example, two daily newspapers or two local radio stations. In cases of vertical concentration, companies are active at different stages of production and integrate along the value chain, for example, a newspaper and a printing plant. Finally, conglomerate

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mergers occur when companies are neither active in the same relevant market nor related in terms of seller-buyer-relationship or value chain, for example, a broadcasting and a pharmaceutical company. Instances of cross-media concentration (e. g., a merger between a broadcaster and a newspaper) or across the communications industries (e. g., a merger between a telecommunications company and a newspaper) also fall into this category, even though boundaries between vertical and conglomerate concentration have become increasingly blurred, not least because of digitalization and the convergence of communications industries that has followed from it (Latzer 1997). The various growth strategies are pursued for different reasons and can have diverse – positive and negative – effects on markets and their participants. Advantages of mergers lie in the realization of economies of scale and scope, in the reduction of (transaction) costs or in the possibilities of internal cross-subsidization. Fixed-cost degression and the interlocking of user and advertising markets are other media-specific advantages of mergers. In cases of catch-up mergers, market-share symmetry between competitors in markets may be achieved and competition enhanced. The disadvantages of mergers include the possibility of market dominance, the erection of barriers to entry, or a decrease in competitors, with detrimental effects such as a reduction of media diversity or an increased homogenization of media content.

The primary goal of competition law and policy is to protect competition and enhance consumer welfare and economic efficiency. In the media sector, however, concentration issues often require the alignment of two competing public interests: the safeguarding of competition on the one hand and ensuring media plurality (media diversity or pluralism) on the other (Just 2009); see also Kunelius 2008 or Karppinen 2013 for a discussion of the terms plurality and pluralism). The preservation of multiple opinions and sources, the so-called marketplace of ideas, therefore becomes paramount. This results from the media's social and democratic importance, which is also acknowledged and safeguarded in part by specific statutory provisions and by media-specific measures on concentration (see also section 2). The justifications for these special rules or this exceptional treatment are essentially based on normative assumptions of (Western) democracy that emphasize the importance of *diverse ownership* to guarantee an equal distribution of communicative power, assure the availability of diverse content, provide safeguards against the abuse of media power, and consequently enable the development of public discourse and a proper functioning of the public sphere (Just 2009; Baker 2007). The relationship between ownership structure and likely effects (e. g., homogenization of content or less diversity) is contentious however. There is generally a lack of measurable knowledge regarding the influence of the economic structure on the supply and demand of programs, on output, and opinion formation (Kiefer 1995). This has led to the widely followed approach of securing media plurality through structural ownership regulation with an emphasis on a plurality of independent media companies (Baker and Kübler 2004; Just 2009).

This stance, which is increasingly called into question (see section 3), has also been substantiated by the fact that various characteristics drive concentration and monopolization tendencies in communications markets. Among these are: *high fixed costs*, i. e. high costs for producing the first unit, e. g., the first copy of a newspaper or software, regardless of how many copies are subsequently produced and sold, or *direct* and *indirect network effects*. In markets with network effects (e. g., telephone network, social online network), the utility a consumer derives from a particular service or good depends directly or indirectly on other consumers or rather on the size of the same network, or, in cases of indirect network effects, on the size of another network. Indirect network effects are an important characteristic of multi-sided markets (e. g., Armstrong 2006; Caillaud and Jullien 2003; Dewenter and Rösch 2015; Evans 2003; Rochet and Tirole 2003, 2006; Rysman 2009). In very simple terms, multi-sided markets are markets where one supplier – lately often referred to as the intermediary or platform – sells at least two different products to two distinct but interdependent demand sides. The two demand sides are interdependent and interlinked by the existence of indirect network effects, where one side of the market is attracted, sometimes also depreciated, because of the other side. The supply side accounts for this by coordinating the demand through the price structure and how it allocates the price between the demand sides. Usually one side pays little or nothing while the other side is charged a high(er) price (e. g., a low price or even a monetary price of zero for the general user of free-to-air television, newspapers or search engines, and a positive price for advertisers). Multi-sidedness is not new to media markets and there has been early research into the process of mutual reinforcement between circulation and advertising and the general profit-maximizing behavior of daily newspapers on the markets for advertising and users (e. g., Corden 1952; Furhoff 1973; Gustafsson 1978; Smythe 1977). Nevertheless, the concept only gained increased attention in theory and practice as of the early 2000s with theoretical advances in industrial organization economics (see references above) and the proliferation of Internet businesses that operate accordingly (e. g., Google Search, Facebook, Airbnb).

Market dominance or concentration is always assessed for a specific market. The definition of the *relevant product* and *geographic markets* is therefore one of the first steps in a competition analysis. It aids in systematically assessing the competitive forces and constraints companies are exposed to and in determining market participants, their market shares, and consequently concentration ratios and likely effects of concentration processes. The central characteristic of the relevant *product* market is the interchangeability or substitutability of products and services by the consumer. The central characteristics of the relevant *geographic* market are sufficiently homogeneous conditions of competition. The scope of the geographic market depends, among other things, on regulation, linguistic barriers, transportation costs, network licenses, or service availability. Conceptually, both are determined by scrutinizing demand- and supply-side responses under the assumption that a hypothetical monopolist introduces a small but significant non-transitory increase in price (SSNIP), which is usually between five and ten percent. Despite its importance, the ultimate definition of the relevant market is theoretically and practically challenging and contested (e. g., Kaplow 2010) and in competition cases precise definitions have repeatedly been left open (Just 2018).

Once markets are delineated and the participants identified, market shares can be determined. This is most often done based on turnover or total sales, but in the media sector audience shares or range of services are employed as well. Based on these shares, concentration can be measured by different types of index that focus on measuring the number of participants and/or their disparity. Measures of absolute concentration like the concentration ratios (CR), the Herfindahl Hirschman Index (HHI) or the concentration curve usually consider both aspects, i. e. the number of participants (sometimes of only a few participants, as with the CR) and their disparity, while measures of relative concentration like the Lorenz curve and Gini coefficient focus on disparity or inequality. The most commonly used indexes are the CR and the HHI. The CR is considered a simple concentration measure that calculates the aggregate market shares of the n-largest participants, like CR3, CR4, or CR8, denoting the market shares of the largest three, four, or eight companies. The German Restraints of Competition Act, for example, assumes market dominance for one company with a market share of at least 40 %, for three or less with a market share of 50 %, and for five or less with two thirds (§ 18 paras. 4–6). Alternatively, the HHI squares the market shares of every participant in the market and then sums the results. By squaring, larger companies are assigned proportionally more weight in relation to their relative importance in the market (e. g., a company with a 20 % market share weighs 400, while companies with 25 % or 40 % weigh 625 or 1,600 respectively). The 2010 US American Horizontal Merger Guidelines consider markets with an HHI below 1500 as unconcentrated, markets with an HHI between 1,500 and 2,500 as moderately concentrated, and markets with values above 2,500 as highly concentrated. It is further presumed that mergers involving increases in the HHI of more than 100 points in moderately concentrated markets or of between 100 and 200 points in highly concentrated markets will raise significant competitive concerns. An increase of more than 200 points in highly concentrated markets is further assumed to enhance market power. The thresholds of concentration measures are not rigid and provisions are usually framed in terms of (disprovable) presumptions. Altogether, the various concentration measures have in general been appraised cautiously with regard to their actual effectiveness and employability, especially in communications markets (e. g., Dugger 1985; Heinrich 1999; Just 2009; Shepherd 1997; Noam 2009; Roberts 2014). Consequently, they are only one factor among many that are taken into account when assessing likely effects of concentration. In recent years, there have also been controversial efforts to establish media-specific concentration measures to account for the importance of the media and their specific functions (see section 3).

2 Substantive provisions and specifics in communications markets

As indicated above, media concentration affects both competition and the plurality of media and opinions. The securing of the latter is the reason for comprehensive regulatory provisions, which range from general constitutional freedoms for the media (e. g., First Amendment of the US American Constitution; Article 10 of the European Convention on Human Rights) to more specific measures such as ownership rules targeted at structurally shaping communications markets. With this focus, media concentration control also implies a sometimes-contested protection of competitors. This is in opposition to the current doctrine or normative premise of general competition/antitrust law, which upholds the protection of competition as its public-interest standard so as to secure consumer welfare and economic efficiency (Just 2015). Concentration control in communications thus continuously seesaws between competing public interests, i. e. it aims at simultaneously securing economic as well as social and political goals. This is further highlighted by the concurrent applicability of both regulation and competition law to the communications industries, and by media-specific provisions contained in some competition laws (Just 2015, 2016).

In general, competition law is fully applicable to the communications industries. In some jurisdictions, competition laws also contain special provisions for the media. Among these are special multiplier factors for the calculation of turnover of newspaper and broadcasting companies in the German Restraints of Competition Act (§ 38), or for media mergers in the Austrian Cartel Act (§ 9). With this multiplication of turnover, it is acknowledged that the public-opinion-forming power and democratic functions of the media are far greater than their turnover might suggest at face value. Multiplying the turnover therefore guarantees that media mergers are subject to merger control even if their non-multiplied turnover would be below the generally required threshold (Just and Latzer 2000). The European Merger Control Regulation (Art. 21) contains the possibility to demand the referral of a media merger from the jurisdiction of the European Commission to that of the Member State in order to protect the plurality of the media. Here, the Member State has the option of prohibiting a merger if the plurality of the media is at risk, even if the merger would otherwise be permissible on economic grounds. To be able to request such a referral, however, the individual Member State's laws must themselves contain legal provisions for the enforcement of this concept (COM (92) 480 final). The Austrian Cartel Act (§ 13), for example, provides for the possibility to prohibit a merger if the plurality of the media is impaired. Similarly, the UK Enterprise Act (section 58) allows for public-interest intervention by the Secretary of State in certain media mergers that raise media plurality issues. In the UK, there have only been a few public-interest interventions, among which and more recently those relating to the mergers of 21st Century Fox and Sky (2017) or between Trinity Mirror and Northern & Shell's publishing assets (2018). Similarly, the

Irish Competition Act (section 23) contains a special regime for media mergers, where all such mergers have to be notified regardless of turnover and the minister has the possibility to examine the impact of proposed mergers on media plurality. A novel and additional criterion for the notification of mergers has recently been introduced in the German (§ 35 para. 1a) and Austrian (§ 9 para. 4) competition laws, namely a transaction or purchase value threshold. This is to take account of circumstances in which the turnover of merging companies is low but the value of the transaction may be substantial. These provisions were especially developed with Internet markets in mind, where enormous sums are repeatedly paid for companies that generate no or low turnovers at the time of the merger (e. g., Facebook reportedly paid $19 billion for WhatsApp). Such mergers run the risk of escaping competition law scrutiny because they often fall outside of the turnover-based jurisdictional thresholds of merger control.

Of particular importance for the communications sector are also the state-aid rules contained in European Union competition law (Articles 107–109 TFEU). These rules declare that any aid that distorts or threatens to distort competition and affects trade between Member States is incompatible with the internal market and therefore impermissible. This is a particularly sensitive issue since these rules intervene in national sovereignty and limit Member States' discretion, for example, with regard to granting state aid to public-service broadcasters, which has been a highly contentious issue within Europe for many years now (Just and Latzer 2011). At the same time, however, these rules also grant the possibility to exempt public undertakings from competition rules if this obstructs the performance of the particular tasks assigned to them (Article 106 TFEU).

Besides these special rules contained in general competition laws, a far-reaching sector-specific regulatory framework has been put in place in many industrialized economies worldwide to counter concentration and to guarantee media plurality as well as a free and diverse communications landscape. The rules are usually contained in national media, communications or broadcasting laws and – to name just a few – range from ownership prohibitions both within and across traditionally distinct media (e. g., USA: restrictions on the number of radio and television stations a single entity may own in a market; Switzerland: limits on number of radio and television licenses a company may hold) to special controls of abusive practices if the plurality of opinions or offers is impaired (e. g., Switzerland) and restrictions on ownership based on audience share (e. g., Germany) or reach/service area (e. g., Austria, USA). Similarly, in the course of telecommunications liberalization, former monopolists or companies with significant market power have been subjected to comprehensive regulation aimed at opening the market to competition and – within the European Union – at harmonizing rules across nation states. While the rules for the media industries vary widely between countries, the telecommunications sector is subject to more or less uniform sector-specific rules. These rules, which are contained in the national telecommunications laws, include, among other things, duties to interconnect, unbundle, provide number portability, access to rights of way, or obligations regarding transparency, price control, and accounting separation.

For long, such sector-specific rules for the media were considered important in order to maintain a diverse and pluralistic media industry; however, they have increasingly been criticized as inadequate for coping with changing media landscapes. Similarly, for telecommunications the sector-specific rules were from their inception considered as interim solutions that would gradually be phased out as the markets become more competitive. Consequently, the regulatory framework for communications industries is constantly in a state of flux and is gradually and continuously being adapted worldwide (see section 3).

Besides the concurrent applicability of competition law and regulation, the task of enforcing these rules is in many cases divided between competition authorities and communications regulators. The former are responsible for economic issues and competitive effects and the latter for the public interest other than economic concerns, i. e. mostly for media plurality as well as diversity or localism issues, even though occasionally there may be overlaps. In addition to the above-mentioned public-interest interventions in the UK and Ireland, communications merger review processes in the USA may involve the Department of Justice and the Federal Trade Commission (usually either of the two) as well as the Federal Communications Commission (FCC). The latter has a mandatory public-interest authority but only in cases when companies hold FCC licenses and the transfer of control of such licenses is implicated. Other countries with shared responsibility are, among others, Germany with responsibility divided between the Federal Cartel Office and the Commission on the Concentration in the Media (KEK).

3 Transformations and challenges for assessing concentration

3.1 Beyond traditional media sectors

The convergence of telecommunications, mass media and information technology industries (Latzer 1997, 2013), the emergence of the Internet and mobile communications as well as changing media use have led to increased political interest and research into questions of concentration and competition in communications. Although research on the relationship between ownership structure and effects has always been ambiguous and inconclusive, there is somewhat of a consensus that convergence and the rapid diffusion of the Internet further complicate the assessment of concentration and diversity in increasingly convergent communications markets (Just 2016). In fact, the observable changes in the structure of communications markets spotlight and aggravate many of the hitherto unresolved theoretical, empirical and methodological challenges of media concentration and its control, such as the adequacy of traditional concentration indices for measuring concentration in communications and possibilities to quantify and assess diversity (Just 2009; Noam 2009). Pressing recent questions in particular concern the assessment of the Internet's contribution to securing a plurality of opinions, the understanding of the degree to which it influences viewpoint diversity as compared to other media and how this can be acknowledged and measured (Neuberger and Lobigs 2010; Kommission zur Ermittlung der Konzentration im Medienbereich (KEK) 2015). At the same time, the rise of new, internationally active and economically highly successful Internet companies like Google, Facebook, or Twitter raises questions concerning the relationship between old and new players, the general need for competition-policy or regulatory action in the light of high concentration in these markets, or the definition of relevant markets in general and for two- or multi-sided markets in particular (Armstrong 2006; Caillaud and Jullien 2003; Dewenter and Rösch 2015; Evans 2003; Haucap and Stühmeier 2016; Just 2018; Latzer et al. 2016; Rochet and Tirole 2003, 2006; Rysman 2009; Wright 2004).

Overarching some of these more specific questions is the predicament of whether convergence and the proliferation of channels by and large strain the long-held normative justifications for sustaining sector-specific concentration regimes. In this vein, it is increasingly demanded that ascertained empirical proofs and indicators for plurality should be presented in order to maintain such systems (Hill 2006; European Commission (EC) 2007). At the same time, there is a repeated discussion of whether competition should be the primary steering mechanism in communications and whether sector-specific regulation should thus be abolished in favor of the sole application of competition law (Just 2008, 2009, 2018; Just and Latzer 2000; Braun and Capito 2002; Geradin and Kerf 2003; Prosser 2005; Shelanski 2002, 2006, 2007). Additional arguments for changes in concentration control accentuate the need for international competitiveness, high cost of double enforcement by regulators and competition authorities, changing media usage patterns, and general arbitrariness of rules. Many rules, for example, are still targeted at traditional broadcasting or the press and leave out the technology companies, which are increasingly assuming roles comparable to traditional media (Napoli and Caplan 2017). Thus, the rules do not reflect the wider changes in the communications industries, resulting in claims for a comprehensive media concentration control that encompasses the entire communications sector.

3.2 Beyond economic concentration

Various countries have embarked on such reforms of media concentration control, which include both the removal of regulations (mostly of ownership regulation in media markets and of competition-enhancing regulation in telecommunications) and the introduction of novel mechanisms to cope with changing industries (Just 2009).

Most recently, for example, the FCC added another round of relaxation of long-standing media ownership rules in the USA in November 2017, when it eliminated, among other things, the newspaper-broadcast cross-ownership rule and the radio-television cross-ownership rule. At the same time, it announced and later adopted an *incubator program* to promote ownership diversity in broadcasting. The aim is to essentially pair new, small, or struggling broadcast stations with established owners that act as incubators and support the former with, among other things, financial, management, or technical assistance. In return, the established broadcaster receives an inducement in the form of an ownership rule waiver. Because this program will initially only apply to radio stations the waiver concerns the applicable local radio ownership rule and the incubator is allowed to acquire one more station than generally allowed under the rules in either the incubated market or in another comparable market.

Such a phasing out of rules with a concurrent adoption of new mechanisms for assessing market power and plurality in media markets, for promoting diversity and other public interests, or for weighting the influence of different media has been a repeated strategy during various media ownership reforms in the recent past. An example is the Diversity Index, which was introduced in the USA in 2003 with the intention of assessing viewpoint concentration in local media markets and of informing the FCC where it should retain cross-media limits. This was later struck down by the US American appeals court, together with the new cross-media rules in 2004, and the FCC later moved away from it altogether (Just 2009; Napoli 2015). Other examples are the above-mentioned possibility of public-interest intervention by the UK Secretary of State, also referred to as the Public Interest or Plurality Test (introduced in 2003); the SIC – *Sistema integrato delle comunicazioni*, which integrates a myriad of different media such as radio, television, cinema, the press, advertising, and the Internet into the same relevant communications market in Italy (introduced in 2004); or the KEK's scheme for weighting the influence of various media on diversity and opinion formation in Germany (introduced in 2006), which assesses these weightings based on the three criteria of the suggestive powers of the media in question (*Suggestivkraft*), the broad effect (*Breitenwirkung*), and the topicality of news (*Aktualität*). All of the above approaches are intended to provide an answer to technological change and the perceived limitations of a solely economic approach to the media (Just 2009). While there has been much criticism with regard to these approaches, only a few alternatives have been offered. As for formulaic alternatives, Noam (2009) asserts that diversity and market power are both legitimate interests in media concentration control and proposes a Media Ownership Concentration and Diversity Index (MOCDI). This index combines the market-share-based HHI with the number of voices in a media market. Essentially, it divides the regular HHI value by the voice value, which is the square root of the number of voices in a market. The overall media concentration and diversity index therefore rises with a higher HHI and fewer voices and declines with a lower HHI and more voices. Noam further discusses modifications of the MOCDI to account for cross-ownership where market shares and number of voices are supplemented with other weighted measures of relative importance, such as a medium's share of news or public affairs or its subjective significance as a news or information source based on surveys. Noam (2016) headed a thirty-country team that assessed media ownership concentration within and between these countries with several concentration indices, among other things, concentration ratios (CR4, CR1), the HHI or the MOCDI.

A more comprehensive approach for assessing media pluralism in general or rather for obtaining information on likely threats to it is the Media Pluralism Monitor, which was developed by order of the European Commission by an interdisciplinary research team (Valcke et al. 2015; Katholieke Universiteit Leuven et al. 2009). The Media Pluralism Monitor is essentially a diagnosis tool, a type of risk-based approach – originally based on 166 quantitative and qualitative indicators – to establish a risk profile for single countries. It captures a wide range of factors that may have a restricting impact on pluralism: from general legal provisions to questions of availability of media according to socio-demographics and economic aspects such as the number of suppliers or concentration rates. Subsequently, the Centre for Media Pluralism and Media Freedom was assigned the task of developing a simplified version. Currently, the Media Pluralism Monitor is undertaken on a regular basis and assesses the risks to media pluralism by considering four areas of risk, namely basic protection, market plurality, political independence, and social inclusiveness, which are measured by 20 indicators. The latest study from 2016 covers the EU-28 countries as well as Montenegro and Turkey (Brogi et al. 2017).

Especially the question of what weight different media have for opinion formation has occupied Germany in a number of other attempts. Such an approach is seen as essential in order to overcome the television-centered concentration control that Germany has long pursued and to establish a control that encompasses and secures plurality within the entire communications sector. Since 2012 the Bavarian regulatory authority for new media (BLM), for example, has published the Media Plurality Monitor (MedienVielfaltsMonitor). This gives information about the weightings of media for information and opinion formation and has been integrated into the Media Convergence Monitor (MedienKonvergenzMonitor) of the German media authorities (encompassing 14 state media authorities). Since 2014 the Monitor has assessed and analyzed these weights comparatively across different media, i. e. for television, radio, the Internet, and the press (newspapers and magazines). Hasebrink and Schmidt (2012, 2013) put forward a further cross-sector approach based on representative survey data that aims at understanding the information repertoires of users and the relative relevance of different media for information. Besides shifting the focus from suppliers to users, the challenges of media concentration control under the terms of convergence also involve getting to grips both with *content* providers and the strategic role and influence that new players like Google or Facebook occupy in terms of *access* to this content (e. g., Gennis and Gundlach 2014). Fundamentally, this regards the question of how to integrate network and platform operators into the system of securing plurality (Dörr and Natt 2014; Paal 2014). Besides the general methodological questions this entails, the discussion is also afflicted by technology companies' resistance to being characterized as media companies – even though they increasingly assume such or comparable roles – and accepting the resulting legal, political and social implications (Napoli and Caplan 2017).

3.3 Role of digital gatekeepers/platforms

Altogether, there is a controversial discussion about the role of cybermediaries or digital gatekeepers like Google, Facebook, Twitter, Amazon, or Apple, and the governance of online platforms has become a top priority for policy-makers, regulatory agencies, and competition authorities worldwide (e. g., Bundeskartellamt 2016; European Commission (EC) 2015; European Commission (EC) 2016; House of Lords 2016; Organisation for Economic Co-operation and Development (OECD) – Competition Committee 2009) The discussions center on general questions of whether their high market shares and business practices are a cause for concern, whether their monopoly positions are temporary or signs of lasting market dominance, and whether there is a special need for regulatory intervention (Haucap 2012; Haucap and Heimeshoff 2013; Haucap and Stühmeier 2016; Just 2015). In more detail, the discussion focuses on whether general competition law can adequately account for rapid technological change, innovation markets and companies that operate on multi-sided markets and how to turn new economic theory into policy and practice (Auer and Petit 2015; Shelanski 2013). In the light of current changes, Just (2018), for example, argues for the need for a paradigmatic change in competition policy. This requires a further move away from competition policy's traditional price-oriented emphasis toward an increasing and systematic focus on non-price competition factors such as innovation, quality, or privacy. In addition, there is the need for due consideration of attention markets and the acknowledgement of markets in the absence of price that are common in the media but have traditionally been disregarded in competition analysis. Furthermore, this involves increased alertness to the role of big data and the content of competitors and users as well as to the respective roles that competition enforcement and regulation will play in such cases.

Among the competition cases, it is especially two investigations conducted by the European Commission against Google that have attracted most public attention, not least because of the high fines that were imposed: one of 2.4 billion euros for illegal advantages to its own comparison shopping service (June 2017) and another of 4.3 billion euros for illegal restrictions on Android device manufacturers and mobile network operators (July 2018). Neither of the cases centered on excessive market power or concentration per se, which by themselves are not reasons to intervene in markets, but on abusive practices of market-dominant companies.

3.4 Conclusion

The convergence of media, the rise of Internet and mobile communication as well as changing usage patterns have reinforced discussions about media concentration and its control. The focus of research and policy-making centers on the reappraisal and expansion of established concentration control in communications. This implies considerable strains on traditional normative arguments for such control and the closely connected sector-specific regulations for safeguarding a plurality of media and opinions. It is increasingly demanded that such control should be sustained by empirical evidence and greater trust in general competition law and economic evaluations. At the same time, novel concentration and competition issues emerge with new Internet companies, which are increasingly establishing themselves as gatekeepers and intermediaries between the traditional media and users. This highlights the relationship between old and new players and entails questions of how to integrate network or platform operators into the system of concentration control. Due to central economic characteristics, such as indirect network effects, these new multi-sided platform markets tend toward high concentration. Consequently, the control of abusive practices and of the behavior of market-dominant companies gains in importance. Due consideration needs to be paid especially to the functioning of multi-sided markets and the role of innovation in these markets.

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Karen Donders, Tim Raats, and Stephanie Tintel

11 (Re)defining public service media from an economic perspective: Damned if they do, damned if they don't

Abstract: Public broadcasters have held an important position in European media markets ever since their creation in the 1920s and 1930s. While their economic impact on media markets was perceived as market distortive and negative in the 1980s and 1990s, the position of policy-makers on this has gradually changed in an era of platform domination. Nowadays, policy-makers also emphasize the potential of public broadcasters's investments in audiovisual production and innovation. The aim of this chapter is to discuss the role of public broadcasters in media markets, devoting attention to issues of market distortion and European State aid control, public broadcasters' contributions to domestic audiovisual production, and their investments in innovation. We argue that public broadcasters can indeed contribute to the sustainable development of media markets, but that such an objective should be subordinate to their societal role.

Keywords: public service media, media policy, media ecosystems, economic impact, audiovisual industry, media markets

1 Introduction

Public broadcasters have held an important position in European media markets ever since their creation in the 1920s and 1930s. In countries such as Belgium, public broadcasters ended private initiative in the radio market. The government entrusted them with a monopoly on radio broadcasts (Putseys 1987). Public broadcasters such as the BBC had to contribute to the emerging market of radio hardware (Regal 2005). Public broadcasters' radio monopoly was subsequently extended to television (Raboy 1995: 10). In the 1980s, these broadcasting markets were opened to competition. As explained by Dyson and Humphreys (1988a: 3), there was a desire to realize the economic potential of the media sector. T(hey say t)he "promise of diversity and choice (…) prompted a 'paradigm change' in the theory and practice of West European broadcasting" (Dyson and Humphreys 1988b: 96). While monopoly ended, the economic position of public broadcasters remained strong. Confronted with commercial television, several public broadcasters adopted more entertainment-focused programming strategies for their generalist channels as well. Getting "bottoms on the seats" became an explicit goal (Nossiter 1991).

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Criticism on/of market-distorting public broadcasters followed quickly and was taken to the European level with several commercial broadcasters filing complaints against the funding of public broadcasters with the European Commission (Nitsche 2001; Ward 2008; Donders 2012). The 1990s were also characterized by the surge of management and efficiency thinking with/of public broadcasters. The use of words such as outsourcing, task force, ten points plan, and downsizing became commonplace in public broadcasters (Grade 2005). Budget cuts throughout the last decade have been reinforcing this. Public broadcasters are forced to look for new revenue models, e. g., through the export of programs (Donders and van den Bulck 2016) or through engaging in online advertising, and in doing so they also adopt strategies of targeting, making extensive use of user data, and become part of the wider problem of the "datafication" of citizens. Even if competition in digital platform markets is high, public broadcasters in Western and Northern Europe remain important actors from an economic point of view. Particularly in radio and television, several of them still hold high market shares.

The position and role of public broadcasters as economic actors is a contentious one. There has been considerable criticism by competitors and policy makers on public broadcasters for allegedly being market-distorting (Donders 2012). Public broadcasters are considered too big, they should refrain from commercial communication activities, be prohibited from offering information with too much text online, etc. In several countries, this criticism has resulted in regulations that restrict the action radius of public broadcasters. Several countries have *ex-ante* tests in place that/to evaluate the market impact and public value of new services that public broadcasters seek to launch (Donders and Pauwels 2012; Donders and Moe 2011). Countries such as Germany and Switzerland are imposing restrictions on what public broadcasters may do on their news websites, although/even though information is one of the key tasks of public broadcasters. Other countries such as Belgium (French-speaking Community) have strict rules concerning the number of days public service content may be offered online (Donders 2015).

However, somewhat contradictorily, policy makers are instrumentalizing public broadcasters to achieve economic objectives of media policy. Public broadcasters are required to invest in independent and domestic production. They have to work together with production companies to increase export. They are supposed to spend money in innovation, sharing results with private media. Moreover, public broadcasters are asked to collaborate with commercial media, the very companies aiming to limit the scope of the remit of public service broadcasting (PSB). Such collaboration is aimed at increasing/augmenting the scale of local initiatives and thus the competitiveness of domestic "media ecosystems" *vis-à-vis* international media companies and Internet platforms (Wauters and Raats 2018). Some public broadcasters capture this trend, illustrating and quantifying their economic value. Studies concerning the multiplier effect of subsidies or license fees spent on public broadcasters are a case in point (Wauters and Raats 2018).

In academic research, public broadcasters as economic actors do not get/have not gotten much attention though. Most attention goes to public-interest-related considerations and to the evolution from public service broadcasting to public service media (PSM) (see several contributions in Lowe, van den Bulck, and Donders 2018; Lowe and Martin 2014; Lowe and Bardoel 2007). This chapter aims to fill this gap. It studies the ways in which economics is becoming a more explicit part of PSB at the level of policy making of both politicians and public broadcasters themselves. The chapter is based on a literature review and consists of four parts. First, we will discuss the implications of defining public broadcasters from a societal or economic perspective. Second, we will explore the ways in which national and European policy looks at public broadcasters as distorters of free markets. Third, the role of public broadcasters as market developers will be addressed, focusing/with a focus on domestic production, innovation, and collaboration to scale local initiatives. Finally, conclusions will be outlined.

2 Social responsibility versus market failure perspectives on PSB

Essentially, there are two ways of looking at public broadcasters' role, and both of them have approached/view the position of public broadcasters as economic actors as a problem, albeit from different angles: a market failure and a social responsibility perspective. Firstly, there is the – from a scientific perspective less dominant – market failure view on PSB. According to this approach/view/theory, market failure – not societal values – should be the basis for government intervention. Governments should intervene only in those areas where there is an under-provision of services with positive externalities (i. e. the market provides talent shows and soap operas instead of information and historical documentaries) by the market and where government failure is lower than market failure. This is not only a matter of the market insufficiently providing some services, but also really failing to provide services such as regional news of domestic children's content (which is a very fragile market, specifically in small countries). Intervention is also not necessarily tied to one particular institution (Armstrong and Weeds 2007). Some experts have therefore proposed to limit the scope of existing public broadcasters' activities, turning them into providers of niche services. This is basically a public service *light* scenario (Peacock 1986, Cmnd. 9824; Peacock 2004). Others argue that market mechanisms should be introduced in the provision of public services as well, meaning that all companies can/should be able to apply for government funding to provide public interest-driven media services (Elstein et al. 2004). It is clear that scholars adhering to this perspective consider public broadcasters to be market distorters from the outset. Exceptions (to this) are authors such as/like Davies who take a more positive approach towards the role of public broadcasters in (the) economy, saying that there is "an under-provision of Reithian broadcasting services under free market conditions, relative to the socially optimum level" (Davies 2005: 131). Public broadcasters have an important, not limited, role in the ambition to reach the socially optimal level.

Next to the market failure model stands the, in communication studies dominant, social responsibility approach. This approach is the most common model (used) in communication studies and it supports the expansion of PSB beyond broadcasting (Donders 2012). In general, scholarly contributions on PSB (e. g., Lowe and Bardoel 2007) are based on three assumptions about the evolution of public broadcasters and public broadcasters into something "new". The first assumption is that PSB is at the core of democracy and the fulfilment of democratic values. Hence, the justification for public broadcasters does not lie in market failure or in (a/the) scarcity of airwaves, but in their non-commercial role in society (Garnham 1990: 120). As such, technological evolutions do not invalidate the legitimacy of PSB or, nowadays, of PSM. Spectrum scarcity was neither the sole, nor the most important reason for having public broadcasters either (Hoffmann-Riem 1995: 82). Second, defenders of PSB assume that public broadcasters are the best means to realize (the) public interest objectives (that) PSB stands for. They refuse to disconnect the idea of PSB from the organization historically entrusted with the execution of the idea, claiming that the choice of an institution in charge of PSB has, though not always optimally, delivered value to citizens. In that sense, one chooses to be pragmatic, refusing to go for more market-oriented options that are at best unproven (Barnett 2007). Third, the assumption is that PSB should evolve into PSM, meaning that radio and television are only means to deliver the public interest through (the) media. The task of public broadcasters should reach beyond these technologies and include basically everything that allows public broadcasters to reach their audience, also in a more interactive manner (Moe 2008; Vanhaeght 2018 online first). PSM is nowadays used as the most dominant concept to describe this new form of PSB, confusing it with the institution of public broadcasters as well. For example, the European Broadcasting Union, representing/which represents public broadcasters in Europe, consistently talks about PSB when referring to both project and organization at the same time. According to this perspective, PSM is not about economics at all. Societal needs and democracy are the basis of the *raison d'être* of PSM. The Rheitian adage "to inform, educate and entertain" should guide public broadcasters in developing activities.

Scannell has emphasized that both the market failure and the social responsibility perspectives on PSB have their merit. They can be regarded as complementary:

> the question of whether a market-led approach to broadcasting is better or worse than a public service-led view of broadcasting can not be settled definitively one way or another. The approaches are complementary, for each adds something to the other that it does not have and, in so doing, modifies the excesses to which the other would tend if left in sole possession of the field. (Scannell 1995: 23–24)

For most scholars, the market failure perspective is not reconcilable with the social responsibility approach though. The former is said to look at PSM "through the wrong end of the telescope" (Barnett, quoted in Fairbairn 2004: 62), reducing policy to the correction of market failure, reducing PSM to something that is about markets and not about societal needs, and reducing citizens to consumers.

Both Scannell and Barnett have a point of course. This chapter does not offer a definitive answer to the field of tension sketched above. Rather, it tries to elaborate on how the economic role of public broadcasters has been addressed so far and how this impacts the PSM project.

3 Public broadcasters as *distorters* of the market

From a market failure perspective, public broadcasters act as distorters of the free market. It is difficult to argue against that observation. The whole idea of having public broadcasters is that a market does not function in the public interest and that we do not want to subject all media output to supply and demand mechanisms. While most media scholars and a considerable number of policy makers would support that view, there is a growing concern about the extent to which public broadcasters distort the market. Is all market distortion justified by the public service remit?

Admittedly, this question has been asked both at the level of EU Member States and at the level of the European Union, the European Commission in particular. In this chapter, we will focus on the European Commission's concerns regarding the market-distorting behavior of public broadcasters. These concerns are particularly interesting to study because they are taken up by the Directorate-General for Competition within the European Commission and are, hence, grounded on a market logic (Donders 2012). This is not per se the case at the national level where concerns on/about the market-distorting behavior of public broadcasters are usually addressed as a part of public broadcasting regulation(s). Later in this chapter, we will point at the impact of the European Union's involvement in this area on public broadcasting policies in various EU Member States.

The European Commission's investigations of the financing of public broadcasters commenced in the beginning of the/early 1990s. Most broadcasting markets were liberalized at that time, and commercial broadcasters filed complaints with the European Commission on public broadcasters distorting the market through the provision of entertainment and sports programs. They also objected against the launch of thematic channels through digital television. Moreover, mixed funding was also a concern for competitors in countries such as Italy and Spain. Simultaneously with State aid complaints, private companies also protested against the joint acquisition of sports rights by public broadcasters through the EBU. This was considered a form of cartel and thus anti-competitive (Coates and Sauter 2007: 1506–1510). The European Commission was at first very hesitant to investigate (the) complaints made by commercial broadcasters in Spain and Portugal. It was in fact so hesitant that the General Court (ex-Court of First Instance) ruled against the European Commission for a so-called failure to act. In 1998 and 2000, the General Court said the European Commission was obliged to investigate commercial companies' complaints against the funding of public broadcasters, even if such an undertaking was difficult (Court of Justice of the European Union, Third Chamber 1998; Court of Justice of the European Union, First Chamber 2000, C176). Member States were incredibly concerned about all of this and pushed for the inclusion of the so-called Amsterdam Protocol in the Amsterdam Treaty (1999). The Protocol confirmed that public broadcasting is a competence of (the) Member States/each Member State and stressed its importance given its contribution to the democratic, social, and cultural needs of society (Nitsche 2001)).

While the importance of the Protocol should not be underestimated – public broadcasting is the only institution that has such a prominent and explicit place in the Treaty –, it could not prevent the application of the State aid rules to the funding of public broadcasters. Since the 1990s, almost 40 decisions have been issued by the European Commission. All of these have their basis in the basic principle that State aid is market-distorting and that all exceptions to this general rule (Article 107(1) of the Treaty on the Functioning of the European Union) must be interpreted narrowly. In 2001, the European Commission adopted a communication elaborating on how its Competition Directorate was applying the State aid rules in the field of public broadcasting (European Commission (EC) 2001). This so-called "Broadcasting Communication" specified three main criteria that public broadcasting policy has to comply with in order to be in line with internal market rules:

(1) *Definition*: The public service task of public broadcasters has to be precisely defined. It must be clear what governments expect public broadcasters to do and what can be considered commercial services.
(2) *Entrustment*: The task of public broadcasters must be officially entrusted to them through a management contract or comparable document. That is to prevent public broadcasters from offering services that governments consider to fall outside the scope of their remit. An independent body should monitor whether this task is being fulfilled by public broadcasters.
(3) *Proportionality*: The funding of public broadcasters must be proportional, i.e.,/ meaning they cannot get more money than what is strictly necessary for the fulfilment of their task. Over-subsidizing public broadcasters could result in them outcompeting other media companies, for example, when buying sports rights.

In 2009, the communication was updated to include technological developments. Most importantly, the instrument of a public value test was considered a best practice to evaluate whether significantly new services of public broadcasters (such as social media platforms or/and streaming services) were offering sufficient public value and (were) not distorting the market. The public value test originated in the United

Kingdom in 2007 and was at first used to test the immensely popular BBC iPlayer. The European Commission liked the idea of a test balancing public value with market impact and has ever since the Broadcasting Communication of 2009 consistently asked Member States to implement such a regime, clearly with an eye on avoiding market distortion (Donders 2012; Pauwels and Donders 2013; Donders 2015).

What has been the impact of the European Commission's involvement in this area? Opinions about the issue are mixed. Scholars such as Bardoel and Vochteloo (2009) and Moe (2008) have argued the State aid rules are narrowing the scope of activities of public broadcasters. They consider the/a European Commission intervention/the E. C. interventions a negative factor in the development of PSM policies. Other scholars such as Ward (2008) and Donders (2012) have argued that the issue is more complex. The European Commission undoubtedly sets out from a market-driven logic. In some instances, its involvement has indeed/in fact led to a narrower/more narrow scope of public broadcasters' remit. For example, its investigation of the funding of German public broadcasters ARD and ZDF resulted in a so-called *negative list*, consisting of services that are not allowed to/that may not be offered by the public broadcasters. Text-based services, touristic sites, dating websites, etc., are examples of services on this list (European Commission (EC) 2007). Admittedly, one could argue that some of these services do indeed not fit (in with) the public service remit. Its investigation of the funding of Belgian public broadcaster RTBF (French-Speaking Community) resulted in a delineation of time windows for online content. It is now/has been specified that different types of content may be offered for a limited period of time online, varying between 24 hours and 7 to 30 days (European Commission (EC) 2014). This goes against the idea of universal and free access to public broadcasters' offers and is a measure that aims to protect/aimed at protecting competitors' service provision online, even though there can be quite considerable differences between the content offered by public broadcasters and the content offered by commercial media companies. In these two cases (for a more elaborate discussion of cases, see Donders 2012; Donders 2015), the European Commission's involvement is not the only explanatory factor for changing legislation though. In fact, governments in both cases were inclined to limit public broadcasters' activities as well. Hence, pointing at the European Commission as *the* adversary of public broadcasters seems unfounded.

There are also cases in which European Commission involvement can be considered a good thing altogether. The investigations into Spanish, Italian, Portuguese, and French PSB revealed a mismanagement of both governments and public broadcasters. In these cases (European Commission (EC) 2005a; European Commission (EC) 2005b; European Commission (EC) 2005c; European Commission (EC) 2006), the European Commission enforced principles of good governance and requested more transparency at the organizational and financial level. The Commission requested separated accounts and required clarity about shady debt restructuring constructions in both Spain and Portugal. All of these requirements actually improved PSM policy making in these countries (Donders 2010).

Having said that, the most pertinent issue with European Commission investigations seems to be its conservative thinking about media. PSM is limited to radio and television, considering online (to be) (something of) an accessory activity (Donders, Pauwels, and Loisen 2012). Online services are required to be "closely associated" to existing radio and television activities (see European Commission (EC) 2003; European Commission (EC) 2010), even when/if these online services expose more public interest characteristics than some radio and television programs. The European Commission also has issues with text-based services, basically arguing that public broadcasters cannot enter the domain of newspapers. However, aren't both newspapers and broadcasters entering a new domain when offering news online? Here, a clear market-driven agenda is/becomes apparent. This agenda is not being implemented in all EU Member States as only half of them have been subject to such an investigation. This does not mean (that) the Broadcasting Communication has not affected Member States' regulation(s) of/on/about public broadcasting though. Ideas on how to limit public broadcasters' activities seem to be inspiring for some governments. Outside formal cases, they have trickled down to specific Member States.

4 Public broadcasters as *developers* and *sustainers* of the market

Despite criticism on/of the alleged economic dominance of public broadcasters, their strong economic position has also served the public broadcasting mission. In most countries, and especially in markets where public broadcasters enjoy stable (sometimes mixed) funding and large market reach, the economic importance of public broadcasters/their importance is considerable. This has been demonstrated in an increasing/a growing number of consultancy reports (that have been) commissioned by governments and PSM organizations (themselves). It indicates not only their importance for the independent production sector, but also the economic (benefits) and spill-over effects for the wider media and creative industries and/as well as their positive effects on employment and regional development (see, e. g., Deloitte 2010; Streissler-Führer, Fischer, and Friedrich 2013; Lemke, Cramer, and Ostwald 2017; Raats, d'Arma, and Steemers 2018; PWC 2013).

Interestingly, over the past decade, economic objectives have been increasingly added to the remit of public service broadcasters. Indeed, the PSM remit seems to be/has been extended to not only include the audience, but other stakeholders as well, with public broadcasters becoming central nodes in an increasingly networked media ecosystem (Raats and Donders 2017). Various PSM organizations have increasingly been/been more and more forced to "open up" or develop partnerships with private media companies and market competitors. In Flanders (Dutch-speaking part of Belgium), for example/instance, VRT's management contract 2016–2020 (VRT and

Flemish Government 2018) explicitly puts "market strengthening" forward as one of the seven key objectives (for VRT) in the (up)coming years. The BBC has a partnership agenda, elaborated upon online (British Broadcasting Corporation (BBC) 2018). It does not only relate to independent production companies, but also to other public institutions in the educational and cultural field.

4.1 PSM as the quintessential partner

Various reasons explain the shift to collaboration and partnerships in PSM operations.

Firstly, technological and market developments and a hybridization of roles have made media players become increasingly interdependent in a networked media environment. Media companies can act as competitors and partners at the same time. This process is sometimes referred to as co-opetition (Evens and Donders 2018; Hölck and Ballon 2015).

Secondly, policy makers have pushed different forms of structural collaboration as a way to realize and manage large-scale cutbacks. In the Netherlands, where the PSM system consists of different organizations operating under the NPO brand, large-scale cutbacks coincided with forced mergers between these member organizations and intensified collaboration on top of that. In a similar vein, collaboration and efficiency were put forward in policy rhetoric to motivate an integration of previously autonomous local and regional broadcasters under the overarching structure of the NPO/NPO structure (Raats 2012; Ministerie van Onderwijs, Cultuur en Wetenschap 2013). In the United Kingdom, the BBC's 2010 license fee settlement partly came with increased/strengthened partnership and joint ventures between the BBC and the Welsh S4C, Scottish STV, and Gaelic Television.

Thirdly, a partnership agenda also partly meets the demands of private competitors who oppose an extension of PSM activities in a multi-platform world by opening up towards these competitors. Since its "Building Public Value" (vision) document in 2004, the BBC has explicitly put collaboration as a strategic priority, not only with arts institutions, schools, and libraries, but also with market players. In 2009, i. e. prior to its license fee settlement and during Charter negotiations, the BBC presented its roadmap strategy "BBC partnerships: Helping Sustain UK PSB". In this strategy, the BBC acknowledges not only the need for the BBC to develop the market by partnering up, but also as a necessity if it wants to remain effective and distinctive (British Broadcasting Corporation (BBC) 2009). This resulted, among others, in public broadcasters sharing knowhow and technological standards, opening up distribution platforms for third parties, or public broadcasters sharing news content with newspapers. Also(,) in the area of innovation, public broadcasters in Germany, Italy, Finland, Belgium, etc. are increasingly collaborating with commercial media as well through the sharing of information and test beds (so-called "sandboxes") (see below).

During the past years, discussions on partnerships have been heavily fueled by large-scale shifts in media use and payment models, which have put increasing pressure on business models of traditional media players. Newspapers are facing increasing/growing difficulties in monetizing news content following years of decline in physical and subscription sales; private broadcasters are facing decreasing advertising revenue due to a/the migration of advertisements to online platforms, shifted media use, and a global uptake of ad-skipping and digital video recording (DVR). Independent producers are afraid that they might have less resources for production as financing has become very fragmented, and new players such as Netflix and Amazon might have purchased a lot of European content rights, yet (might have?) invested only limited proportions in domestic original production. The idea is that an "ecosystem" logic, where domestic players collaborate within their own market would equip them better to face common adversaries in the international market (such as Amazon, Google, Facebook, and Netflix) (Wauters and Raats 2018). This resulted in public broadcasters acquiring sports rights with private competitors, sharing commercial data for targeted advertisements (Switzerland), sharing production capacity with local news providers, or developing joint initiatives for video-on-demand (VOD subscription services such as Danflix (Denmark), Salto (France), or NlZiet (Netherlands)) (Wellens et al. 2018).

4.2 PSM as a motor for domestic production

With exceptions in Luxembourg, the United Kingdom, Italy, and Finland, where regulated commercial broadcasting was/had been allowed earlier/at an earlier point in time/had been allowed for a longer time, the European television landscape until the 1980s was dominated (mainly) by public broadcasters, that exercised a monopoly over production and distribution (Donders 2012; Iosifidis 2011: 25; Raats, Evens, and Ruelens 2016). Productions targeted national audiences and were also domestically produced. It was only when broadcasting monopolies were abolished across Europe that an independent production television industry started to gradually evolve. In most markets, however, the independent production industry has remained very much a "cottage industry" (Mediatique 2005), entirely dependent on a few buyers, especially in smaller territories. Rather than paving the way for a flourishing independent production industry, privatization and commercialization of the broadcasting markets in Europe (has) fueled the dominance of the USA to fill increased channel capacity with U.S. American television programs. As domestically produced content remained/still was incredibly popular, private broadcasters were also triggered to reserve at least part of their output in domestic original programming (Doyle 2012: 13).

In most countries, public broadcasters (have?) remained the most important producers of original content. That has certainly been the case for the well-funded public broadcasters in the Nordic and Western European countries. Especially in times of increasing competition with global platforms such as Netflix, PSM organizations have emphasized their importance of producing "distinctive" domestic television programming. During the discussions about the (most) recent BBC Charter renewal (Secretary of State for Culture, Media and Sport by Command of Her Majesty 2016), the BBC repeatedly referred to "big statement" programs like *The Night Manager* to compete with distinctive content on a global scale (Raats, d'Arma, and Steemers 2018). Despite the challenges to existing production and distribution models induced by the proliferation of platforms and content services, shifted media use, and (the) new market entrants, high-end TV drama continues to have a key role in programming and content strategies of public broadcasters. In the Nordic countries, the success of the high-end drama genre Scandi-noir (series such as *The Killing*, *The Bridge*, and *Borgen*) results from a combination of significant public broadcasting investment, sustainable co-production and co-financing partnerships between Nordic public broadcasters and ZDF in Germany, as well as a distinct public broadcasting strategy putting screenwriting at the core of the development and production process (Jensen, Nielsen, and Waade 2016; Redvall 2013). In smaller markets characterized by a limited number of market players and private players lacking significant investment capacity, public broadcasters become the prime or sole outlet for cost-intensive genres such as drama, children's television content, news, and documentary. In Flanders, VRT programmed more original domestic original TV fiction in 2017 than all its private counterparts combined (Raats, d'Arma, and Steemers 2018). The economic importance of original domestic production is even more important in a small market characterized by heavy competition with neighboring countries that share the same language and where players/that have to compete with foreign channel offerings on/in their own market. For example, RTBF in Wallonia (French-Speaking Belgium) and RTÉ (Ireland) are the only players in their market who invest in original drama productions that are not considered "minority domestic".

As to the importance of the independent production sector, significant differences exist between (the) PSM organizations across Europe and beyond. In markets such as the United Kingdom, France, or Flanders, public broadcasters can be considered the driving force of industry developments. In these countries, public broadcasters have also been pushed to heavily invest in independent production by quota systems and negotiated terms of trade between the production industry and (the) public broadcasters. Since the Television Without Frontiers Directive in 1989(,) and (afterwards) the Audiovisual Media Services Directive in 2007, European public broadcasters and free-to-air broadcasters have been required to reserve at least 10 percent of their transmission time or (10 percent) of their program budgets for productions by independent producers, where practicable. As original content and production industries have come under significant pressure over the past years, policy makers in Norway, Denmark, and Flanders have increased public broadcasting commitments for independent commissioning. In the UK, a 25 % quota for independent producers was introduced already in 1990, followed by the Communications Act in 2003, which allowed independent producers to retain rights in productions commissioned by terrestrial broadcasters. In Flanders, VRT has to spend 18.25 % of its total turnover in independent production by 2020.

In some European countries, the independent television production sector has evolved from a so-called "cottage industry" to (become) a two-tier production market with a small group of production companies. These companies are in the top tier that are able to challenge the power of free-to-air broadcasters and (that/to) position themselves as "super-indies" in the market for televised formats, thereby expanding their international footprint. In the case of the smaller market of Flanders, the public broadcaster VRT has even become dependent on its independent production industry over the past years, with genres such as entertainment and TV drama that are almost exclusively being commissioned from a limited number of independent Flemish producers.

However, besides the/this limited number of large players, the bottom tier consists of a large number of economically small, local companies, who are highly dependent on commissions from domestic broadcasters. This is especially/particularly the case for niche production companies focusing on documentary or experimental programming. Data for Flanders, for example/instance, show that 43 % of (the) production companies working with the Flemish public broadcaster do not work for other Flemish broadcasters (Raats, d'Arma, and Steemers 2018). This shows/gives evidence of the role public broadcasters play in stimulating domestic audiovisual production. In that sense, subsidies to public broadcasters have a double function: to stimulate national culture and identity, and at the same time to ensure economic growth and development in the production sector. Governments aim to achieve two or multiple goals at the same time/simultaneously for each euro they invest. This is often also the case with film subsidies or financial support for the gaming industry. In Flanders and also/as well as in the French-speaking part of Belgium, the public broadcasters are themselves very eagerly pointing at this "double-win" effect of the subsidies they receive. The question of course is whether public broadcasters are not going along too far with an economic logic that is essentially not very friendly to their existence.

4.3 PSM as the motor for innovation

In most European countries, public broadcasters in the 2000s were also entrusted with specific obligations to coordinate the roll-out of digital television and analogue switch-off as well as the switch to digital radio, and, more recently, specific broadcasting standards such as DAB+ (see Alm and Lowe 2001; O'Neill 2007). Given the significant costs as well as the reach of public service radio, public broadcasters took the lead. Private media hardly objected to that. On the contrary, given the significant costs related to these tech-driven innovation projects, public broadcasters were encouraged to take their responsibility in the technological and subsequent market development.

Moreover, and a topic for policy debates and private sector opposition, public broadcasters also invest significant parts of their budget in services innovation. Experiments with online news services, thematic digital television channels, co-creation, social media and storytelling, etc. are examples of this. The BBC, for example, pioneered with large-scale online offerings (BBC Online), thematic digital television (e. g., BBC Parliament), and red-button services in the United Kingdom (Goodwin 1997), and later took a leading role in the development of video-on-demand content offerings (e. g., iPlayer) and, recently, of co-creation video platforms such as BBC Ideas (Ramsey 2018). As these services were often competing with private players' (own) initiatives, the latter became increasingly critical of public broadcasters' activities in the area of services innovation (Donders 2012: 25 ff.). Public broadcasters, they argue, should only engage in technological innovation if this innovation/it constitutes a benefit for the entire market. Moreover, commercial players argue/point out that technological innovation should be driven by consumer need(s) rather than (by) PSM agendas. When taking a social responsibility approach, such a view does not make (any) sense at all. From a market failure perspective, public broadcasters should indeed rectify possible weaknesses in the market. Finally, private players also assert that public broadcasters often lack the flexibility and adaptiveness technological innovation warrants (Donders, Pauwels, and Loisen 2012). Opinions of stakeholders on the role PSM organizations should play in digital innovation often differ as well and are highly dependent on the actual outcome of promised innovation. Whereas a 2010 stakeholder inquiry in Flanders clearly indicated that VRT should take a leading role in digital innovation, the same stakeholders defended a more reserved PSM attitude in 2015. Nowadays, especially policy-makers see an important role for VRT in taking up its responsibilities to drive innovation in Flanders, which is expected to result in more clearly outspoken media innovation commitments in the upcoming management contract (2021–2025).

Nonetheless, PSM institutions have features that make them apt to invest in both technological and services innovation (see Cunningham 2009: 89–90). First, they have a history of innovation. With "universality" as one of the(ir) core principles, PSM organizations have traditionally been entrusted with the distribution of services for all audiences, which in a lot of cases also required significant technological developments and investment. Second, innovation is highly contextual, and "as public broadcasters are entrenched in the historical, political, economic, social and cultural fabrics of nation states, they are most suited to walk ahead of international conglomerates" (Donders et al. 2012: 280). Third, public broadcasters have a relatively stable budget, allowing them to combat specific risks associated with investments in innovation. Fourth, as public broadcasters are obliged to privilege public interest over market development, financial return, or efficiency savings, they are best suited to take into account aspects such as quality, diversity, and access in development of technological innovations.

Over the past decade, public broadcasters have increasingly engaged in technological innovation in collaboration with various other players, partly following/due to an increased/a growing necessity, partly in response to criticism of public broadcasters, and partly to meet the strategic objectives of their partnership agenda (see above). PSBs all across Europe are collaborating in European research and development tracks within the Horizon2020 program of the European Commission. Initiatives aimed at developing next steps in media consumption, such as Project Kangaroo or Project Canvas (Youview) in the United Kingdom, have resulted from large-scale consortia where public broadcasters played a leading role, through the collaboration with other broadcasters, pay-tv operators, and distributors. These forms of collaboration are also increasingly extended to partnerships with start-ups, providing them the logistic and technical support as well as an experimental outlet for developing/the development of new services (see, e. g., VRT Sandbox; Wauters and Raats 2018). At the same time, creating the conditions for innovation(s) to thrive and adapting to an increasingly changing fluid media environment has also confronted PSBs with their legal, organizational, and cultural boundaries (see Głowacki and Jaskiernia 2017).

All in all, the role of public broadcasters with regard(s) to innovation takes an ambivalent position in the discussion on PSM and economics. On the one hand, public broadcasters' contribution to technological innovation in Europe can hardly be underestimated and is valued, even encouraged and prescribed, by governments and commercial media alike. On the other hand, services innovation and also the benefit from PSM organizations' investments therein should be the realm of market activity. That puts public broadcasters between a rock and a hard place.

5 Conclusion and discussion

(This chapter has demonstrated that d) Despite the fact that PSM organizations operate under a public service remit, their economic role in markets is considerable and an increasingly big/large part of PSM policies. These "economic" policies see public broadcasters as forces distorting the market. That distortion should be limited, mainly to the benefit of competitors. Interests of consumers are not really taken into account in this regard. On the contrary, it is precisely the achievement of some public broadcasters to make the relevant popular and (to make) the popular relevant that provokes criticism. Indeed, if public broadcasters' programs or news websites did not attract audiences, few commercial media would complain about the "holistic" task to inform, educate, and entertain (Bardoel and Lowe 2007; Trappel 2008).

Interestingly, and at the same time, policy makers consider public broadcasters as actors that can aid in the realization of economic objectives in fields such as independent production, technological innovation, services innovation, the development of new business models, etc. Public broadcasters have gone along with this somewhat schizophrenic government agenda, publishing results on multiplier effects for example.

There is a hidden "pitfall" here. The more public broadcasters try to take up their "positive" economic role, the more they engage with a market-driven rhetoric that is, first, inconsistent and, second, hostile to its very existence. This is not to say that public broadcasters cannot contribute to market functioning, but only if this does not undermine their public service remit and results in more pluralism, diversity, and quality of media offers in the surrounding market.

There is a second hidden "pitfall" for policy makers. Innovation thrives in an environment that allows for risk-taking, experimenting, and breaking the rules to some extent. In case politicians genuinely want public broadcasters to positively impact innovation, it is probably counterproductive to impose stricter rules on what they may do online, what they may not do in the digital realm, to have slow public value tests processes (see several contributions in Donders and Moe 2011), etc.

Last but not least, the "pitfall" for audiences is that public broadcasters need to become more concerned with serving markets and competing media companies (that continue to stress/point out public broadcasters' market-distorting behavior at the same time) (rather) than with serving the citizens. This is a big risk as/since the attention of public broadcasters should not be focused on accountability to(wards) politicians and companies, but towards the audience who is the "owner" of the PSM project after all.

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12 Innovation & creativity: Media as business and commons

Abstract: This chapter argues that research on media innovations benefits from combining insights and concepts from the business literature with the critical theory approach typical of media and communication studies. Business, economics and marketing literature rarely address innovations in media industries, and communication and media scholars seldom look beyond their own disciplinary boundaries when studying media innovations. This chapter first reviews how the interrelated notions of innovation and creativity are conceptualized in the literature, and next how innovation and creativity apply to media industries. Using music streaming services as a case, I argue how innovation and business literature provides perspectives useful for understanding the development and adoption of these services. Key notions include a turn to experience-centric approach to innovation, customers as co-producers of service-value, and the context of innovation extending to include multiple actors and their interactions. Whereas the innovation literature has much to offer, media and communication scholars are likely better positioned to investigate media innovations than scholars from the business and marketing fields. This is due to the pro-innovation bias and lack of critical approaches in the innovation literature. A core concern for the study of media innovations is therefore to also question innovation.

Keywords: business management, business models, business model innovation, creativity, critical innovation studies, customer-centric, experience-centric

Fast Company's 2018 edition of the world's most innovative companies ranks the media streaming services Netflix and Spotify as the second- and ninth-most innovative (Fast Company 2018). The business models of these companies share similarities with regard to their core value propositions, their global reach, and having contributed to changing how audiences access media content. Clearly, choosing Fast Company's list of most innovative companies is a bit of cherry-picking; numerous rankings are made each year with different companies featuring as "most innovative". The point here is not to take these rankings at face value, but merely to state what may seem obvious: In a matter of just a few years these two companies have become the epitomes of a remarkable shift in how content finds audiences, and moreover an apparent (though not necessarily accurate) victory on the "war on piracy". As such, we might initially use these two companies as examples of the importance of innovation and creative change thinking for solving pressing challenges and making the most of technological opportunities.

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In the context of innovation, creativity concerns the generation of novel and useful ideas (Amabile 1988). Innovation in turn is defined as the successful implementation of new ideas, products, processes, or services (Amabile 1988; Hurley and Hult 1998; Thompson 1965). It is depicted as a core requirement for any company hoping to remain in the market (Drucker 1985), and the main factor behind economic growth. Innovation is hence intrinsically linked to the belief in free markets and continued economic growth as the means to achieve human progress. However, whereas most commercial media organizations face profit requirements, the dual role of media industries in providing content and services for the common good of society and delivering profit to shareholders implies that studies of media innovations ought to include critical approaches: Is innovation always for the better? And for whom is innovation better (citizens, societies, democracy, companies, profit-maximization)?

In this chapter, I argue that media innovation research benefits from combining insights from the business literature on innovation and creativity with the critical theory approach typical of media studies. This chapter is hence an exercise in broadening the scope of media innovation research towards the fields of business management and marketing, yet with the explicit objective of delineating how media as commerce and commons require subtleness in such endeavors. First, I will turn to how the interrelated notions of innovation and creativity are defined and conceptualized in existing literature, expanding beyond the field of media and communication studies. I will thereafter turn to how innovation and creativity apply to the media industry. The chapter ends with a discussion about an emerging trajectory of critical innovation studies seeking to counter-balance the pro-innovation bias typical of studies on innovation.

1 Innovation and the innovation process

Whereas innovation appears inherently human (Fagerberg 2006), the organized form of innovation typical since the advent of industrialization rapidly accelerated the speed of innovation (Kline and Rosenberg 1986). The scholarly interest in innovation has seen a steady growth, represented for example by a steep increase in the number of articles on innovation in business and economics journals (Crossan and Apaydin 2010). This increase in scholarly interest is accompanied by various conceptualizations and operationalizations of the notion of innovation, and numerous typologies of types of innovations (for reviews, see Crossan and Apaydin 2010; Garcia and Calantone 2002). Starting with the simple definition of innovation as the implementation of a new idea, product, or process, it is apparent that this definition eludes the complex and far-from-straightforward process of what comes before implementation. As such, the many definitions of innovation *processes* might be a symptom of how these processes differ depending on the type of innovation: A product innovation process might depend on different forms of competences, capabilities, skills, forms of creativity, and technological advance compared to a process innovation or service innovation. Part of the challenge in conceptualizing innovation is hence the need to distinguish between different types of innovations. Attempts to distinguish between types of innovation roughly reflect two questions: What is being innovated, and how radical is this change compared to the state of the art?

With regard to the first question, innovations certainly apply well beyond innovations in goods or products. Francis and Bessant (2005) distinguish between innovations in products/services, processes, position, or paradigm. In their typology, product innovation refers to changes in the products or services that an organization offers; process innovation refers to changes in the ways in which products/services are created and delivered; position innovation refers to changes in the context in which the products/services are introduced; and paradigm innovation refers to replacing traditional belief systems with a new way of understanding and reframing business. Innovations in paradigms include innovations in business models – a field of research that has seen a remarkable upsurge of interest in recent years (see Foss and Saebi 2017 for a review). Business models specify a firm's value proposition, the target segments addressed, the structure of the value chain or networks required for realizing the value proposition, and the firm's value-capture mechanisms (Saebi et al. 2017). Business model innovation hence refers to innovation in any of these components, and how changes in one component reflect or necessitate changes in others.

With regard to the second question (how radical this change is compared to the state of the art), management scholars often use the notion of radicalness to denote the degree of newness of an innovation compared to existing offerings in the market. The radicalness of an innovation is closely related to changes in technology (Dewar and Dutton 1986). Hence radical innovations represent revolutionary and risky changes in technology, which in the next step implies the introduction of innovations that depart from existing practices (Dewar and Dutton 1986; Ettlie, Bridges, and O'Keefe 1984). Thus, it follows that incremental innovations refer to the continuous improvements of types of innovations that may be caused by technological improvements and adjustments (Green and Cluley 2014; McDermott and O'Connor 2002).

The distinction between incremental and radical innovations has been productive and has also enabled scholars to unpack the effects of organizational structure and practice on innovation (Green and Cluley 2014). However, we might question whether the notion of radical innovation is based on a too naïve understanding of technological development (Lüders et al. 2017). That is, whereas the management literature on innovation links innovation closely to technological development and advancement, this link appears to be characterized by too deterministic accounts of the role of technology for innovation. An exception is Christensen's (1997) distinction between innovations based on disruptive technologies and innovations based on sustaining technologies, which represents a useful alternative and one which might be particularly relevant for innovations in media industries. Christensen argues that disruptive innovations are first underperformers compared to established mainstream products, "but they have other features that a few fringe (and generally new) customers value. Products based on disruptive technologies are typically cheaper, simpler, smaller, and, frequently, more convenient to use" (Christensen 1997: XV). The appeal of his theory is the process view on technological development, acknowledging that "new technology" does not emerge full-fledged and perfect. Once the technology matures and the innovation meets the quality standards of the mainstream customers, disruptive innovations intersect with the needs of the majority of the customers and may ultimately displace the mainstream products of incumbents in the market. Netflix serves as a good example: The service was launched in 1997 as an online service for renting movies with DVD delivery through postal mail. This way of renting movies was slow and cumbersome and did not appeal to mainstream customers. It was only with the process of turning Netflix into a streaming service with a fixed monthly fee for an "all-you-can-watch" offer that the company became attractive to mainstream customers (Christensen, Raynor, and McDonald 2015).

Regardless of the type of innovation, innovation processes are not smooth and linear, but rather characterized by uncertainty and disorder, and an innovation rarely has a clear entry-point in time in terms of entering the market (Kline and Rosenberg 1986). Likewise, studies on innovation within the fields of management, economics, marketing, and organizational studies tend to point to the complexity and riskiness of innovation, and to the apparent constant need to innovate in order to be able to stay in the marketplace (Christensen 1997; Drucker 1985; Lüders et al. 2017; Tidd, Bessant, and Pavitt 2005). Innovation is hence not easy, but it is imperative (Tidd, Bessant, and Pavitt 2005), and innovation is considered and found to be one of the key factors for a successful firm. Relatedly, the capacity to innovate has a decisive impact on business performance (Hult, Hurley, and Knight 2004; Schumpeter [1912] 2017; Hurley and Hult 1998).

Attempts to innovate are attempts to forecast what the future entails and what customers may want. Innovative capabilities thus include creative change thinking as well as being attentive and outward-looking. However, skills to pick up signals of change and to exploit external sources of knowledge are only part of the story. In their seminal article, Cohen and Levinthal (1990) introduced the notion of a firm's absorptive capacity as its ability to exploit and act upon external knowledge as a key component of innovative capabilities. This firm-level absorptive capacity depends on the capacities of its individual members, but also "on transfers of knowledge across and within sub-units that may be quite removed from the original point of entry" (Cohen and Levinthal 1990: 131–132). In any organization, one of the challenges consequently is to bridge and connect the different units, or to bridge the structural holes that emerge between different groups of people, where each group embodies information and knowledge that may be non-redundant to the other groups. Relatedly, the ability to come up with or act upon creative and innovative ideas relies on import-export actions across structural holes (Burt 2004).

An emphasis on business performance, defined as "the achievement of organizational goals related to profitability and growth in sales and market share, as well as the accomplishment of general firm strategic objectives" (Hult, Hurley, and Knight 2004: 430–431), indicates the importance of business-centric metrics as the primary motivation for why companies need to innovate. However, innovations such as new products, services, and processes regularly also make a difference for customers, who need to be convinced that "new" means "better, convenient, worth the price", and sometimes that the inconvenience of changing from one service to another is worth it. An additional complicating factor in terms of uncertainties of innovation is that customers do not necessarily adopt innovations even if these provide a better product or service (Heidenreich, Kraemer, and Handrich 2016). In the marketing literature, the notion of customer switching or churn has been extensively studied, where both monetary equity and customer psychology (cognitive, social, and affective aspects) are considered important for explaining why and when customers do or do not switch (see Kristensson, Nysveen, and Thorbjørnsen 2017 for a review).

Aligned with this awareness of the unpredictability of customers as the make-it-or-break-it stakeholders is the alleged increasing recognition of putting customers first. A core trajectory and thesis within the management and marketing literature over the last decades is the move from a company- and efficiency-centric to a customer- and experience-centric company (see, e. g., Pine and Gilmore 1999; Prahalad and Ramaswamy 2004). Given the unique and contextual character of customer experience, service providers depend on a continuous dialogue with customers (or with the audience/recipients, if applied to the field of media) to understand their needs and to update their offerings accordingly. By implication, this means that while profit-optimization and efficiency-optimization remain core incentives to innovate, the outcomes of innovation tie in closely with pleasing customers, i. e., with moving beyond business performance as more or less a measure of pleasing shareholders to a realization that pleasing shareholders can only be achieved by pleasing customers. A similar approach, also from the field of marketing, is the service-dominant logic, providing an analytical lens to understand how marketing has moved from a goods-dominant to a service-dominant view (SD-logic), implying that service value is always co-created with customers. Value is hence proposed by a service provider, but always determined by a service beneficiary (e. g., a customer): The recipient actor, as an operant resource, is as such capable of acting on other resources to create value in use (Vargo, Maglio, and Akaka 2008; Vargo and Lusch 2004). The SD-logic forms the backbone for the subsequent service ecosystem approach, which conceptualizes innovations as the co-creation of "practices that provide novel solutions for new or existing problems" (Akaka, Vargo, and Wieland 2017: 54). From this perspective, innovation is hence not so much an output, but rather a collaborative process involving and integrating a number of actors as operant resources. This approach has evident similarities to Csikszentmihalyi's Systems Model of Creativity, which I will address in the next section.

2 The role of creativity in innovation

If innovation is the successful implementation of new ideas, products, processes, or services, then the ideas, hunches, and inspirations for potential innovations must come from somewhere. Creativity can be considered one of the "sources" of innovation, yet innovation is more than a creative process, and definitions of innovation(s) (albeit numerous) all tend to point to the necessity of the application, exploitation, or commercialization of what is new, changed, or improved (Amabile 1988; Anderson, Potočnik, and Zhou 2014; Csikszentmihalyi and Sawyer [1995] 2014; Crossan and Apaydin 2010). In discussing the role of creativity in innovation, I will now turn to two formative scholars within the field, Amabile and Csikszentmihalyi, whose long-term studies have provided insights that both overlap and diverge in their emphasis on what creativity is and where it can be found. Amabile and in particular Csikszentmihalyi also play a formative role in how media and communication scholars have conceptualized creativity (see, e. g., Küng 2008; McIntyre 2012).

Amabile (1988: 126) defines creativity as "the production of novel and useful ideas by an individual or small group of individuals working together". In Amabile's account, creativity thus resides in individuals and is a crucial but not sufficient element of organizational innovation. In Amabile's model of creativity and innovation in organizations, individual creativity is depicted as associated with three components: domain-relevant skills (e. g., knowledge, technical skills), creativity-relevant skills (e. g., persistence, risk orientation, cognitive-explorative skills), and intrinsic motivation. Each component is necessary but not sufficient for creativity in and of itself. In the next stage, Amabile's componential model of creativity is included as a required element in a general model of organizational innovation. Organizational level components include the motivation to innovate, resources in the task domain, and skills in innovation management. Both individual components and organizational components are situated within stages of the innovation process. Amabile's model is admirably clear on distinguishing creativity as part of the innovation process, and her empirically solid insights on the components of creativity with an emphasis on the need for a baseline domain knowledge and intrinsic motivation have been corroborated by later research (see Anderson, Potočnik, and Zhou 2014 for a review). Although Amabile's model of creativity goes beyond the individual, we might question how far we get by primarily understanding creativity on the level of individuals.

Csikszentmihalyi's (2014) Systems Model of Creativity retains the individual level as important, yet situates creativity in a much larger societal context. Csikszentmihalyi ([1988] 2014: 47) does not so much ask what creativity is, but *where* creativity is. The question of where creativity is cannot be answered merely by pointing to a person or a person's (or organization's) work; instead, creativity is the result of interactions between three systems: a set of social institutions that selects the works worth preserving; a stable cultural domain that preserves and transmits selected works to following generations; and the individual (or group of individuals) who brings about a change considered to be creative. "Without a culturally defined domain of action in which innovation is possible, the person cannot even get started. And without a group of peers to evaluate and confirm the adaptiveness of the innovation, it is impossible to differentiate what is creative from what is simply statistically improbable or bizarre" (Csikszentmihalyi [1988] 2014: 48). Csikszentmihalyi may in this instance seem to use innovation and creativity as interchangeable notions. Still, elsewhere he is quite clear on situating innovation as a trait of entire organizations as the innovation process requires investments in order to turn creative ideas into implemented innovations (Csikszentmihalyi and Sawyer [1995] 2014).

The core thesis of Csikszentmihalyi's systems model posits that creativity extends beyond the individual and can only be fully grasped by including the system surrounding the individual level. The "person" level *is* important, but it is also the level requiring the least attention, being the best known (Csikszentmihalyi [1988] 2014: 59). Still, even at this level, the contribution of the individual is tightly connected to the system level in producing "some variation in the information inherited from the culture" (Csikszentmihalyi [1988] 2014: 51). Humans cannot create *ex nihilo*. Instead, creativity in the minds of human agents is seen as causing and being caused by something else, i. e., creating is as much about re-creating as it is about creating something new and absolutely original. Moving from an individual definition of creativity to a system-level or sociocultural definition of creativity also implies moving beyond the organization. Only relevant social groups can collectively determine the novelty of an individual creation, and only relevant social groups can determine whether a novelty is appropriate or recognized as socially valuable in some way (Sawyer 2012).

3 Innovation and creativity in the media sector

Research addressing topics of innovation, creativity, and innovation processes in the business, economics, and marketing literature rarely concerns the media industry sector (Dogruel 2014). Relatedly, communication and media scholars rarely investigate the media industries with an explicit focus on innovation and innovation processes, or, more precisely, scholars addressing creativity and innovation in media companies look beyond their own disciplinary boundaries to a limited degree. Exceptions exist, but seldom in terms of empirical studies. Storsul and Krumsvik's (2013) endeavor to identify what media innovation is starts off from the business and economics literature, for example by adapting Francis and Bessant's four Ps of innovation (2005) to the field of media. Likewise, Dogruel's (2014) conceptual analysis of the characteristics or attributes of media innovations distinguishes between the research of media innovations as products on the one hand and media innovations as processes on the other. Her attempt to bridge the chasm between the innovation literature and the media economics and management literature shows how the innovation literature might beneficially inform studies of media innovations, as well as the limitations of transferring approaches across these disciplinary boundaries, largely due to the specific characteristics of media innovations. Limitations concern for example how "newness" and creativity are key elements of media production, however considering each new film, newspaper, or episode of a TV show as an innovation makes little sense (Dogruel 2014). We should also recall the value of a Systems Model of Creativity and how creativity is in essence a collective endeavor situated between agency and structure. The output of journalism is creative even if, or exactly because, journalists "become inculcated into their profession" and "absorbed into a social organization that has its own culture, its own set of logics and its own traditions and history" (McIntyre 2012: 104). Relatedly, the importance of formats and genres in television production does not invalidate produced content as creative output. Indeed, as McIntyre (McIntyre 2012: 120) argues, agency/structure is not a matter of "either/or". Rather, structures are capable of providing enabling (creative) possibilities. However, even if a new episode of a TV show is an outcome of creative work, a new episode is very rarely an innovation. Instead, innovations in media content need to be assessed as products that diverge from existing formats or genres.

The relatively small number of attempts to study changes in the media industries using notions and perspectives from the innovation literature does not mean that communication and media scholars have ignored media innovation-related topics as research areas. Quite the contrary, changes and developments in the media industry have been thoroughly addressed and discussed. Still, these studies are theoretically framed with an emphasis on concepts and approaches that are quite different from those typically employed in innovation studies in the business literature. Hence, few studies attempt to distinguish between types of media innovations; few studies apply a business model approach to study media innovations (with some exceptions, see, e. g., Günzel and Holm 2013); few studies address the complexity and riskiness of media innovation processes, or the role of different innovation and management capabilities in media innovation processes; and few studies look into the initial creativity-dependent phases of media innovation processes (with some exceptions, see, e. g., Steensen 2009). To some extent, it might be the case that the types of questions and topics addressed in the larger business and economics literature have a limited relevance for investigations of media innovations. For example, scholars who explicitly address and advocate the need for innovation in order to ensure the continued sustainability for the news media and for media companies situate media companies as placed between commerce and commons, emphasizing the need for commons-based principles as fundamental for innovations in the media (see, e. g., Pavlik 2013).

The stark changes in the media scene over the last few years also imply numerous and very broad avenues for research, roughly linked to at least three interdependent trajectories of change: technological development, economic challenges, and changing audience patterns of accessing media content. The changes and innovations in media products, services, processes, and business models over the last twenty years are quite remarkable. We have witnessed the incessant growth of the tech quintet Amazon, Google, Microsoft, Apple, and Facebook, whose global dominance has to a large extent changed the game also for incumbents in the media industry. In 2016, Facebook and Google attracted one fifth of global advertising spending (Kollewe 2017), and the dominance of these two players is usually emphasized when attempting to explain the dwindling revenues from advertisements in incumbent media firms, "especially noticeable in the newspaper, magazine, and radio businesses" (Couldry and Turow 2014: 1715). We have moreover witnessed tech companies disrupting the markets of the music and television industries with value propositions aligned with the preferences of digital audiences; and new media streaming services apparently mitigate challenges with piracy and illegal file-sharing, paving the way towards service offerings customers are willing to pay for. Media streaming services represent an interesting case for discussing innovation and creative change thinking at the intersection between a complex value network of stakeholders, and in the following, I will address these types of services with a particular emphasis on music streaming services.

The development and massive adoption of music streaming services over a relatively short time span is worth investigating using notions and perspectives from the innovation literature. I will emphasize three points: First, music streaming services are "offers you can't refuse". For music listeners, the value propositions these services represent are almost too good to be true. Second, these services represent innovations in value capture mechanisms with audiences paying for access *to* rather than ownership *of* music, suggesting that we might also consider whether music streaming as an innovation represents the final triumph over piracy. Third, an ecosystems perspective on innovation allows for an analysis of how music streaming services represent co-creative innovations of technologies and markets.

First, music streaming services tie in well with a customer- and experience-centric approach to innovation and the service-dominant logic of marketing. Spotify, Apple Music, and Deezer are examples of services that start from what customers want (as a first step) towards optimizing business performance (as a whole). The value propositions of these services as providing access to an abundant catalogue of music "anytime and anywhere" reflect the convenience value of these types of services (Oyedele and Simpson 2018). Music streaming services also have added-value characteristics compared to previous formats of owning and accessing music, most notably the efforts made by service providers to distinguish their service offerings in terms of optimizing personalized recommendations. And whereas music streaming services have replaced ownership with access, music listeners retain a sense of ownership, e. g., by sorting and curating their music in local libraries and playlists, which moreover enables different types of listening practices (Hagen 2015; Sinclair and Tinson 2017). With regard to the design and continuous innovation typical of these types of services, it may also be worthwhile to consider some of the key points from Vargo and Lusch's (2004) service-dominant logic. The service-dominant logic is a marketing perspective with evident relevance for understanding innovation in goods and services. Companies can only offer value propositions, while actual value is always co-produced by the customer, as perceived and determined by the customer on the basis of value in use. Given that the customer is always a co-producer of service experience and hence service value, what is offered and how that offer is experienced and put to use cannot be separated. Singling out *the* music streaming experience or *the* value of such services is as such impossible, as also reflected in the different patterns of realizing the value propositions of these types of services (Hagen 2015; Hagen and Lüders 2017).

Interesting in this context are also the different needs for the streaming service provider to monetize on offerings: Apple does not depend on Apple Music as a revenue machine. Instead, Apple Music is part of the Apple ecosystem, where revenue primarily flows from the sale(s) of iPhones (Apple 2017) and where other services are part of what creates value for customers. In other words, Apple has a significantly larger leeway in terms of generating revenue from specific services compared to single-service providers such as Spotify and Deezer. As Apple thus can be said to build a service-system surrounding and providing added value to the tangible products the company sells, Apple also serves as an example of the change from a goods-dominant to a service-dominant logic, that is, "a reoriented philosophy that is applicable to all marketing offerings, including those that involve tangible output (goods) in the process of service provision" (Vargo and Lusch 2004: 2).

Second, the combined value added with music streaming services compared to previous ownership-based formats of music listening has been perceived as significant enough for music listeners to largely discard purchases of physical and digital formats as well as illegal downloading (Hampton-Sosa 2017; Sinclair and Tinson 2017). After years of losing revenue, 2016 marked a milestone year for the recorded music market industry, with an increase in revenue and with streaming being a driver for growth. Revenues from streaming increased by 60.4 % and the number of paid subscribers to streaming services passed 100 million (International Federation of the Phonographic Industry (IFPI) 2017). Given that some services have a two-tire freemium and premium model, the number of active users is much higher. Spotify reports to have 159 million monthly active users, including 71 million premium subscribers (Spotify Technology 2018). Research relatedly suggests that music streaming services appear to be offerings users are willing to pay for (Kim, Nam, and Ryu 2017). These legal services appear to some extent to be displacing illegal file sharing and downloading, and it may consequently appear legitimate to propose that music streaming represents the victory over piracy. Danaher, Smith, and Telang (Danaher, Smith, and Telang 2017: 71) likewise argue that research provides "strong evidence that rightsholders can reduce piracy and increase legal consumption by offering their content in more convenient channels". Yet, we might question whether streaming represents a triumph over piracy. Spilker (2017: 117) instead claims that streaming services represent the victory *of* piracy: "Piracy has forced the music industry to accept, reluctantly, business models and services that it from the outset fought fiercely against". That is, the massive popularity of illegal file sharing posed such challenges for the music industry that they had no choice but to succumb to a model more in line with what music listeners, once accustomed to having the world of music at their fingertips, would find satisfactory.

Third, it might be useful to examine music streaming services as innovations from a co-creative perspective. An ecosystems perspective on innovation posits that technologies and markets are shaped by co-creation of value: The context of innovations extends to include multiple actors and institutions and their interactions (Akaka, Vargo, and Wieland 2017). Before proceeding, it is worthwhile to revisit how internet-distributed services have changed and perhaps disrupted how the music industry works. The challenges for the incumbents in the music industry concern how companies outside the music industry introduced technologies that fundamentally changed the value propositions, and consequently also the value chain and the revenue mechanisms. This development must be situated historically and with regard to the challenges experienced with illegal sharing of music in the late 1990s and early 2000s. The music industry responded to the upsurge of illegal uploading and downloading of digital music by prosecuting illegal peer-to-peer services and individuals who illegally shared files (Mossoff 2015), and no real efforts were made to develop legal alternatives for purchasing digital music. Legal music services such as Apple's iTunes Music Store and streaming-services such as Spotify required cooperation and deals with record labels in the process of developing and launching their services, but it remains symptomatic that the existing business models in the music industry have been challenged and disrupted by actors from the tech industry. A service-ecosystems approach to music streaming services foregrounds questions concerning ongoing interactions among the multiple actors and institutions (understood as rules, norms, and meanings enabling and constraining human action) and how "technologies and markets are shaped by value co-creation and the ongoing negotiation and recombination of overlapping and intersecting institutions" (Akaka, Vargo, and Wieland 2017: 44).

This account of the emergence of music streaming services has emphasized how tech companies collaborating with the recorded music industry have managed to finally put end-users first with a model with a commercial appeal. However, I introduced this chapter with a call for addressing media innovations also from a critical perspective.

4 Critical innovation studies

In the innovation literature "new" means "better", and while exceptions exist, this assumption has remained largely unchallenged. Anderson et al. (2014: 1320) hence pertinently suggest that the existing literature suffers from what they term an "innovation maximization fallacy", which describes "the implicit, untested, and critically suspect set of presumptions that has grown out of proinnovation bias' remaining unchallenged. Innovation maximization fallacy is that 'all creativity and innovation is good; and the more the better'". Even if we were to accept the premise that more innovation and creativity is always good, we may follow up, asking for whom it is good or better? Given the intrinsic link with the dominant belief in continued economic growth, the question answers itself: successful innovation is not necessarily good for everyone. Suchman and Bishop (2000: 331) relatedly argue that innovation "is a politicized construct taken up by specific actors and made to work in particular ways", and commonly innovation is appropriated for change agendas aimed at reproducing existing economic orders. As such, the authors reason, innovation frames conservative projects. Others chime in, pointing to how innovation studies within a managerial framework are limited and uninventive, always privileging those already in powerful positions (Ehn, Nilsson, and Topgaard 2014). Hence, critical approaches and inquiries that address the consequences of innovation and creativity are acknowledged to hold promise to advance the field forward (Anderson, Potočnik, and Zhou 2014).

Such calls for critical innovation studies resonate with several of Feenberg's (1999) key points when he discusses the central place of critical theory for addressing or questioning technology and technological development. Feenberg's approach is explicitly relevant for understanding innovation as a consequence of the central role assigned to technological advancement for understanding innovation processes. Feenberg's critical approach is also implicitly relevant as dominant accounts of technological development and innovation share the same narrative of an inevitable progress. Critical theory is needed in order to unpack how the technical and the social domains are entangled and how technology is value-laden, i. e., technology as a means forms a way of life that includes ends. This stance implies that technology cannot be merely reduced to functions and raw materials, or an essence understood as rational control and efficiency. Rather, Feenberg argues the essence of actual technology as we encounter it in all of its complexity is not simply an orientation toward efficiency. Humans are not governed solely by rationality, which implies that a rational criterion such as technical efficiency does not in itself account for the success of some innovations and the failure of others. Neither are technical principles alone sufficient to determine the design of actual devices. Hence, agreeing with the constructivist approach to technology, Feenberg (1999: 79) argues that "the choice between alternatives depends neither on technical nor economic efficiency, but on the 'fit' between devices and the interests and beliefs of the various social groups that influence the design process". The ultimate path a technology takes is thus determined as much by politics, cultural norms, user agency, and everyday practices as by technical limitations and economic imperatives.

Technological development (or innovation) is therefore not unilinear. Rather, it branches off in many directions and could potentially reach higher levels along several tracks. Once fixed and stabilized, it becomes difficult to see the final stage as other than inevitable. Prior to this stage of closure however, there is often no consensus on the precise function of new technologies. Rather, technical functions are not pre-given but characterized by a process of interpretative flexibility within which functions are discovered and revised in the course of development and use (see also Uricchio 2008).

Ultimately then, this position has a political significance. Technology, and innovation we may add, is a site of struggle between different interests and stakeholders. To adapt Feenberg's arguments to the objective of this paper, an understanding of innovation as being intrinsically linked to economic growth and human progress comes with a bias towards optimizing business performance. Critical theory affirms human agency in technological development (or innovation processes) and acknowledges that technology (or innovation) is value-laden (and therefore political), yet considers it a central task to discuss alternative means and ends systems.

In closing this chapter, I will return to the case of music streaming services, however now with the objective of discussing these from a critical perspective. It is difficult to assess whether the music streaming model has reached a final closure and hence reached a stage where the way music streaming works is seen as inevitable. It would nevertheless be worth investigating whose interests have come to dominate the current model and with what consequences. I will address two closely connected points. First, I will point to the unresolved challenge of how artists should be paid. Second, I will discuss music streaming services as innovations in the interests of the big players.

Whereas the upsurge of music streaming services is considered within an optimistic framework by the music industry (International Federation of the Phonographic Industry (IFPI) 2017), mainly due to increasing revenues from such services, challenges remain for the music industry stakeholders as well as the music streaming services. Whether the model is economically sustainable for the music streaming providers is also uncertain. Revenues from music streaming services come from the subscription fees of individual users. For two-tire services such as Spotify, some additional revenue comes from advertising, yet premium pays off more than freemium (Sinnreich 2016). The business logic and revenue structure of streaming services depart from previous models based on the purchase of physical albums and music as digital files. Instead of a fixed royalty for albums and songs sold, streaming services calculate payments to labels (and indirectly artists) based on a pro-rata system. This business logic means there is no direct link between the music streamed by individual users and the revenues generated for artists. Instead, artists are paid (indirectly via their labels) a percentage of the streaming service's overall monthly revenue (from subscription fees) as allocated based on their share of the total number of streams (Marshall 2015; Maasø 2014; Sinnreich 2016). As this revenue model breaks fundamentally with the model of fixed royalty per album (or digital file) sold, it has been difficult to establish a feasible plan for distributing revenues, particularly from labels to artists. It is still unclear how revenues from music streaming services can be distributed in fair and transparent ways in complex value networks encompassing consumers, streaming service providers, record labels, composers, and musicians. What is clear is that music streaming services, representing an acclaimed business model innovation, are a site of struggle between different interests, and a struggle where the interests of smaller players in the music industry are not catered very well for. A pertinent question is whether these revenue models are still open for negotiation or whether they have reached a stage of closure.

Strongly related to the first point, it appears that music streaming services are innovations in the interests of the big players; the streaming model basically reproduces the existing economic order of the music industry. As pointed out by both Marshall (2015) and Nordgård (2016), streaming as related to digitization does not seem to fundamentally change industry structures, challenge existing power relations, or support independent and small labels. Quite the contrary, streaming appears to consolidate the long-established power structures and dynamics of the recording industry. According to Marshall, this skew towards major labels is a consequence of the revenue model, which is "beneficial to artists and labels who receive a high number of streams because it means that they receive a high proportion of income regardless of how many paying users actually streamed their music" (Marshall 2015: 185). Relatedly, Marshall argues, this consumption logic benefits artists and labels with extensive back catalogues.

This hunt for large numbers of streams leads to a situation where labels have to optimize the visibility of their catalogues. We may add that streaming users are actively encouraged to explore the vast libraries of music available, for example through editorial playlists and personalized recommendations. Such features clearly add value to these services, but it also raises the question of the constellation of music being promoted. Spotify argues that it is a strength that people use Spotify to discover new music and that users listen to a greater variety of artists, and moreover points to its programmed features (e. g., Discover Weekly and Daily Mix) as "driving this growth in artist diversity" (Erlandsson and Perez 2017: unpaginated). With regard to information providers and search engines, Gillespie (2017: 64) argues that "those interested in having their information selected as relevant will tend to orient themselves toward these algorithmic systems, to make themselves algorithmically recognizable". Applied to music streaming services, we may hence ask whether this game can be played, and if so, who has the resources to do so.

5 Conclusion

In this chapter, I have argued that the business and marketing literature on innovation and creativity might contribute notions and perspectives that help open up new avenues for research on innovation processes and innovations in media industries. Importantly and as a consequence of the dual role of media as commerce and commons, media and communication scholars are likely better (but not uniquely) positioned to investigate media innovations than scholars from the business and marketing fields. Rather than disqualifying the latter, this assertion is merely intended to emphasize the importance of considering “value” and “innovation” as concerned with a much broader scope than what is common within a neo-liberalist focus on economic growth, profitability, and business-centric metrics. Hence, when communication scholars cross disciplinary boundaries and consider how theoretical notions and perspectives from the management and marketing literature might function as analytical lenses for addressing media innovations, they must bring with them their critical thinking.

The substantial changes that have characterized the media industries over the last twenty years, particularly with regard to technological development, economic challenges, and changing audience patterns of accessing media content, call for continued scholarly attention. In conclusion, I will highlight three important approaches for studying media innovations. First, a business model approach to the study of media innovations might have much to offer in terms of providing an integrated framework for investigating value propositions, target segments, the structure of value networks required for constructing and delivering a media service, as well as value-capture mechanisms. Second, “the media experience” has possibly never been as fragmented and individualized as in our time, evidently as a consequence of technological development. This calls for a reinvigorated scholarly interest in audience/user studies. These first two approaches are not very prevalent in studies of media innovations. The third approach, however, is firmly rooted in the scholarly legacy of our discipline: When media and communication scholars address technological development and innovation, they do so very often from a critical theory perspective. *Questioning innovation* is ultimately a core concern for the study of media innovations and also suggests that communication studies has much to offer to the business and marketing literature, particularly given the burgeoning realization that the innovation literature suffers from a pro-innovation bias.

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Anna Zoellner and David Lee

13 Labour and risk in the media industries: Individual and organisational perspectives

Abstract: This chapter explores how labour in the media industries is shaped by the inherently risky nature of media production. It draws on the concept of risk as a critical lens through which to view key characteristics of work in the media industries, investigating how research describes and explains them. In particular, we discuss the transfer of risk and responsibility from media organisations to individual workers and the resulting economic insecurity for workers, which is made possible by a number of factors but most pertinently neoliberal political contexts and processes that have facilitated deregulation and eroded effective workplace representation intended to protect the collective interests of workers. The chapter focuses on the dominant form of this transfer – flexible employment – and the managerial advantages of this practice as well as the material and subjective implications of this transfer for individual workers. By focusing on risk in media work, we hope to bring business-centric media management issues and literature into a fruitful dialogue with critical media industries research, which engages with normative issues of exploitation, inequality and exclusion.

Keywords: creative work; media industries; risk; precarity; neoliberalism; individualisation; unionisation; entrepreneurialism

Risk is central to cultural production at all levels: from the micro level of individual producers negotiating insecurity and precarious labour markets to the meso level of cultural industry businesses developing strategies to mitigate against unpredictable market demand. Risk can also be seen to extend to the macro, or social level, where current conditions of cultural production and capitalism work against media industries functioning in the interests of democracy, inclusivity and sustainability. This chapter explores how labour in the media industries is shaped by the inherently risky nature of media production. It draws on the concept of risk[1] as a critical lens through which to view key characteristics of work in the media industries, investigating how research describes and explains them.[2] In particular, we discuss the transfer of risk

1 Our concept of risk incorporates both economic risk inherent to cultural production, which is largely discussed in the cultural industries research literature (e. g., Hesmondhalgh 2019; Bilton 2006; Caves 2000) and more broadly sociological risk discussed in relation to individualisation, labour and reflexive modernity (Beck and Beck-Gernsheim 2002; Beck 2007; Kalleberg 2009).
2 While our focus explores general tendencies across the media industries, we draw largely on examples from UK and European film and screen industries, reflecting our geographical location and research interests.

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and responsibility from media organisations to individual workers and the resulting economic insecurity for workers, which is made possible by a number of factors but most pertinently by neoliberal political contexts and processes that have facilitated deregulation, de-unionisation and the subsequent trend towards a lack of effective workplace representation to protect the collective interests of workers. Of course, this is a central trend in many forms of labour in the context of neoliberalism (Jessop 1993; Peck 2001) but one particularly widespread and accepted within cultural labour markets (Hesmondhalgh and Baker 2011).

The focus of our discussion will be on the dominant form of this transfer – flexible employment – and the material and subjective implications of this transfer for individual workers. In this discussion, we explore creative media labour across different levels of analysis and different theoretical lenses. We first provide a general overview of risk in relation to cultural labour markets. We then consider risk for media firms and explore how they seek to displace and reduce risk through labour management, drawing on scholarship in business, management and organisational studies. Based on findings in critical cultural labour studies, we then turn to the impact on individuals, partly as a result of business risk and partly because of processes of individualisation, which are widely recognised as having significant consequences for cultural workers. To conclude, we consider the social issues and implications emerging from this context based on debates in political-economy-of-culture scholarship. By focusing on risk in media work,[3] we hope to bring business-centric media management issues and literature into a fruitful dialogue with critical media industries research, which engages with normative issues of exploitation, inequality and exclusion.

1 Cultural labour markets and risk

There are two starting points to contextualise our discussion: the nature of cultural production (which is inherently risky) and the political economic shifts under the influence of neoliberal ideology, which have intensified labour market risks for firms and individual workers. We find the concept of neoliberalism useful as an umbrella term for explaining major shifts within politics, economy and society since the 1970s, which include increased marketisation, privatisation and deregulation of industries and services.[4] Harvey's definition provides a broad understanding: "[A] theory of polit-

3 In this chapter, we are foremost concerned with those work roles in the media industries that are directly involved in the creation of media content and that Hesmondhalgh (2019) refers to as "symbol creators". We are using the term "workers" as our emphasis lies on the circumstances and experience of media production as work.

4 There is of course no space here to provide an analysis of neoliberalism, but there is an abundance of literature which has informed our conceptual understanding of the term (Harvey 2005; Crouch 2011; Davies 2016).

ical economic practices that proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets, and free trade" (2005: 2).

However, practices of neoliberalism differ considerably, and we agree with writers such as Watkins (2010) and Hall (2011), who see neoliberalism as too broad a term to explain the specificity of change and policy globally – neoliberalism needs to be understood as an uneven and contested process, with huge territorial differences, and operating with divergent political structures. Therefore, neoliberalism is far from a universally accepted, completed process, but is differentiated and needs to be approached with theoretical nuance (Hesmondhalgh et al. 2015). However, for the purposes of this chapter, we agree with a body of scholarship which sees neoliberalism as the fundamental driver of changes to cultural work in recent decades, in large part because of political economic shifts which have subsequently impacted on firms and individuals.[5] Given the focus of this chapter on risk and responsibility, neoliberalism – with its rejection of state intervention and its emphasis on individual responsibility – is the key mechanism that enables us to understand the scale of change that has impacted so significantly on media firms and media workers, and in particular heightened risks for individual workers, primarily due to the growth of contingent labour (Purcell and John 1998; Heery 2004).[6]

It is well recognised that cultural production involves high levels of economic risk for individuals and organisations (Caves 2000; Banks 2007; Hesmondhalgh 2019). Indeed, it is fair to say that cultural production has historically always been a risky business because of the notoriously uncertain demand from consumers of cultural products (ibid.). Modernisation and technology of course have intensified these risks. Other chapters in this book provide a more detailed discussion on the political economy of media industries (Flew, chapter 5) and creativity (Lüders, chapter 12); but below, we briefly summarise what we see as the most relevant factors:

(1) Media and cultural industries are "hits based" sectors, where uncertain demand makes most commercial cultural products economic failures whereas a handful are hugely successful, offsetting the losses of investment in the market failures. Market failure, therefore, is a key characteristic of media industries and is managed through various business strategies.

(2) Media products have public-good characteristics, meaning that they are resource intensive to produce, but once produced they can be distributed at zero or very low costs. Their "immaterial" nature means that symbolic goods can be distributed

5 See Hesmondhalgh (2019) for an extensive analysis of such shifts.

6 We focus here on policy and industry developments in modern Western capitalist society, using the United Kingdom as an example, but similar developments – including the influence of neoliberal thinking – have occurred in other countries and media systems with comparable consequences (see Hesmondhalgh 2019).

> via digital networks; therefore, creative firms must find ways to control the distribution of these goods in order to gain a profit. Copyright law is the obvious way that this is achieved, as well as other modes of content protection such as encryption, alongside distribution models such as platform subscription payment.

As a result of these factors, economic risk in the media industries is particularly intense due to the difficulties of achieving broad success or popularity with media products, but conversely, the potential for greater profit for the successful few is much higher than in other sectors (Caves 2000).

One of the primary ways that creative firms deal with the economic risks outlined above is by displacing their economic risks onto the individual workers, largely through organising production using a casualised workforce.[7] That they (and many other firms within contemporary economies) are able to do so is a result of labour market deregulation, driven by changes in capitalist production towards flexible specialisation (Harvey 2005), undertaken within a neoliberal ideological environment (Jessop 1993) leading to a context of de-unionisation[8] (Heery 2004), and experienced through sociological and subjective processes of individualisation (Giddens 2013; Beck and Beck-Gernsheim 2002; Ross 2004). The deregulatory impulse across many advanced economies since the 1970s is often not manifested in any particular "policies", but rather over time governments have created environments where the needs of capital (in the form of deregulated business and financial markets) have been placed over the needs of labour (in the form of workers and workers' rights). Deregulation, self-regulation and a steady weakening of union power have been the main policy drivers for the weakening of workers' rights and the increase in casualisation, although of course the issues are hugely complex, variegated across different economic geographies, and are in many ways responses to radical shifts in capitalist production during that period. Peck sums up the implications of neoliberal policies for labour and social life in the following terms:

> As neoliberal economic policies and programs of labor market 'deregulation' not only permit but positively promote income inequality, unstable work and underemployment, so a barrage of brutally complementary social control and economic inclusion policies serve minimally to underwrite the basic reproduction needs of those marooned on the margins of social, economic, and political life. (Peck 2001: 445)

7 Casualisation is the process whereby employment moves from the security of a long-term contract, with sickness, holiday benefits and pension provision, to work organised on a temporary basis, offered under short-term insecure, non-permanent contracts.

8 In the European context, and especially in the UK, this process includes regulatory weakening of union power and a membership decline leading to reducing the collective bargaining of unions. In some cases, industrial action can still be effective, such as during the Writers Guild of America strike in 2007–2008, but they are largely the exception to the broader trend.

Within an economic context where capital accumulation and production has become increasingly based on signs, symbolic production, networks and knowledge (Drucker 1969; Lash and Urry 1993), cultural production has been positioned as an increasingly important source of economic growth in an advanced capitalist society, particularly with the rise of the concept of the "creative industries" since the 1990s (Hesmondhalgh 2019; Garnham 2005; Caves 2000). The growth of this sector of the economy has been impressive: In the UK, for instance, the creative economy as defined by DCMS is now claimed to account for 284,400 businesses and employ 3.12 million people (Creative Industries Council 2018).[9] Governments have not only promoted their "creative industries" but also supported and invested in them in various ways(,) including regional investments into "creative clusters", skills training, marketing and promotion, trade missions and education (Hesmondhalgh et al. 2015).

This has largely occurred within a context of flexible, precarious labour, which has been facilitated by a steady wave of deregulatory politics, often as responses to changes in capitalist production taking place at the global level (Jessop 1993). This process of deregulation has occurred in the UK since the 1980s with the rise of the New Right under Thatcher, and which was normalised under New Labour as neoliberal doctrine spread and governments attempted to "weaken the bargaining power of labour in order to lower wage costs" (Hesmondhalgh 2019: 115); something which has only intensified in the subsequent decades. Policies, which make it easier to hire and fire workers, and which have weakened the trade unions, have had a particularly noticeable effect on media industries. In particular, we have seen a workforce, seduced by the glamour of cultural work (Ursell 2000) and seeking employment in a highly competitive sector of the economy, prove to be highly amenable to the shift towards a largely flexible workforce. As we explore below, this highly casualised workforce is not only decidedly vulnerable to exploitation – for example, working excessively long hours for little or no pay – but also has willingly embraced these working conditions in a process of "self-exploitation" (Gill 2002).

Today, trade union membership in media industries is minimal, and although comparative data is hard to come by, there was certainly a far more unionised environment for cultural production in the middle of the 20th century (e. g. Ball and Bell 2013; Hesmondhalgh and Baker 2011). Workers struggles have become individualised, and although there are attempts to put workplace politics back on the agenda, so far creating the conditions for widespread and successful mobilisation has proved somewhat elusive[10] (de Peuter and Cohen 2015; de Peuter 2014; Hesmondhalgh and Baker 2011).

9 It should be noted, however, that there are significant ongoing empirical concerns over the DCMS data methodology, largely due to the inclusion of IT related activity, concerns about a tendency for official datasets to inflate the size of the creative sector and because the statistical sources cannot account for freelance labour (Oakley 2004; Spicer and Presence 2017).

10 A key reason for this, in case of the UK, is, on the one hand, the reduced uptake of union membership and, on the other, the practice of opting out of legal protection (for example, the UK Working Time Regulation 1998) in individualised work contracts.

Policy may have put cultural production in the limelight since the 1990s, but labour has been a largely undiscussed factor – a metaphorical Banquo's ghost at the feast of "creative industries". As creative work has become the object of policy and economic valorisation, labour conditions have steadily eroded for the majority of workers, especially those in vulnerable positions due to class, health, age, gender, geography and race (or any combination of these factors) (e. g. Friedman, O'Brien, and Laurison 2017; O'Brien and Oakley 2015; Saha 2018; Banks and Milestone 2011).

2 The corporate perspective: Cultural work as managerial challenge

The increased investment since the 1980s and subsequent growth of the commercial media sector (Hesmondhalgh 2019) facilitated by regulatory changes have led to a media landscape where the majority of content is now produced by corporate organisations whose profit objective heightens the impact of the particular economic challenges facing media organisations. The resource-intensive and uncertain nature of media production, combined with the fact that it is difficult to rationalise, standardise and mechanise processes of creation, presents a very specific organisational risk. In response, management seeks to, firstly, reduce the costs involved in the creation of media texts, and secondly, to predict and organise the creative outcome of this process. Policy developments as described above and the resulting casualisation of media work have directly benefited media companies, providing opportunities to reduce production costs. Whilst being promoted as advantages for media workers by offering them flexible control over their work life, the flexibilisation of cultural labour has first of all created immediate economic advantages for employers. Short-term and freelance contracts enable them to "hire and fire" personnel in response to changes in the intensity of production activities in the largely project-based media industries. Hiring self-employed workers further saves employers financial contributions such as payments towards pensions and healthcare, which demonstrates the erosion of the social responsibilities of corporations for their workers that were fought for by unions and workers in the 20th century (Standing 2011; Banks 2017; de Peuter 2014). Neoliberal discourses with their emphasis on entrepreneurship and individuals' responsibility for their success (and, incidentally, failure) in life facilitate this shift (Banks 2007) whilst the fragmented nature of the workforce limits the potential for collective action and bargaining about labour conditions (Deuze 2016).

This approach to reduce costs is complemented by many other organisational strategies to decrease economic risk. They include at industry level, for example, ownership integration, collaboration with other organisations and revenue protection through copyright and intellectual property laws (see Hesmondhalgh 2019 for an overview). Other strategies focus closely on product properties and audiences aiming to offset losses by increasing returns drawing on marketing, branding and economies of scale (Faustino and Noam 2018). Scholars in business, management and organisational studies, who study the cultural and media industries, are concerned with the analysis of such activities. They provide useful empirical data about media management strategy and company arrangements, but this work is traditionally uncritical and aimed primarily at advising organisations on how to achieve business success in this particularly risky environment (Hesmondhalgh 2019; Hesmondhalgh and Baker 2011). Media *labour* does not feature prominently in this approach, and there is little interest in investigating the lived experience of cultural work and the ethical and moral implications of labour management. Rather, cultural workers are considered a company resource that needs to yield maximum returns in the search for increased revenue and efficiency.

In fact, many researchers in this tradition consider creative media work a form of work like any other, but some media management literature recognises the specificity of cultural work[11] and its particular managerial challenges (e. g. Smith and McKinlay 2009; Bilton 2010). A central theme in this scholarship stems from the very premise of contemporary cultural production: making culture for profit. The relationship between artistic and creative ambitions, on the one hand, and commercial and profit goals, on the other, presents a central concern of business, management and organisational studies of media industries. Whether their objectives are mutually exclusive or complementary remains disputed (Peltoniemi 2015), and for us either such binary position seems simplistic since artists also need to make a living and the economic success of cultural products depends to a large extent on their creativity and originality. We suggest that it might be more useful to think of the relationship as a spectrum rather than a dichotomy. Business, management and organisational research that focuses on the relationship between culture and commerce generally assumes the perspective of organisations and investigates how to protect their interests and achieve their business goals.[12] Creative work within media organisations is consequently perceived predominantly as a managerial challenge for reconciling artistic ambition with commercial objectives and getting higher value out of the creative workforce (Bilton 2010).

The potential tensions between the goals of creative workers and the organisations they work for present one dimension of the specific risk in the media industries. A central aspect in “managing” work in the culture-commerce dialectic concerns the question of control and autonomy. In his investigation of the relationship between art and capital in cultural production, Ryan argues that “artistic labour personifies a demand for personal autonomy in the workplace and the high value of creativity and originality, which provides a material basis for resistance by artistic workers to

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11 See Hesmondhalgh and Baker (2011) for a helpful discussion of the debates surrounding the specificity of creative labour.

12 See Peltoniemi (2015) for an overview of such work.

subordination and control, and against which capital has to struggle" (1992: 104). He reasons that loosening control at the "creation" stage of cultural production provides creative workers with greater freedom and increases the efficiency and creativity of this process, since cultural value, he argues, remains centred on the expressive artist. But the transfer of economic risk and responsibility from organisation to workers diminishes the potential for "subordination" and instead facilitates an indirect form of control. Hesmondhalgh and Baker's (2011) useful distinction between workplace autonomy and creative autonomy helps to unpack different aspects of freedom and independence in media work – and their limitations. The former refers to work organisation, offering workers discretion over how to organise their work tasks, whilst the latter concerns questions of authority and hierarchy, providing workers with more freedom in creative decision-making.

The flexibilisation of cultural labour markets facilitates workplace autonomy as freelancers, who hire themselves out to media companies, are often able to plan their work schedule and location flexibly, determining when, where and in what order work tasks are carried out. Whilst surrendering control to workers in this way, companies also shift responsibility for successful completion of work to the individual. Although the financial risk remains with the organisation, workers on freelance and short-term contracts depend on the successful completion of their tasks within time and budget constraints to secure future work contracts. Competition in the over-supplied labour market[13] intensifies this pressure to succeed. It also leads to workers accepting bad working conditions including long work days, unpaid overtime and low pay rates to stay in work.

The second form of autonomy, creative autonomy, is considered a key desirable feature of media work. It describes the potential for media workers to realise artistic and social ambitions, enabling self-expression and self-realisation. But it also increases their responsibility for success, and likewise failure, and the risk for the production is, at least partly, transferred to the workers. For example, responsibilities for budgeting, work schedule and recruitment are outsourced to creative media workers who lead semi-autonomous work groups on project basis. Ursell's (2000) research of television freelancers shows that they not only self-exploit but also reinforce exploitative structures of media companies in the application of their autonomy. She describes how producers adopt the financial risk and replicate exploitative conditions of media companies when organising their own project teams, including, for example, negotiating low wages to increase the money available for the programme content. Another aspect concerns assumptions about audiences, which shape creative decisions in the

13 The fact that, despite the challenging economic conditions, more people aim to work in the media industries than there are jobs available continues to be a subject of academic debate. A prominent explanation draws on Foucault's governmentality approach and the power of discourses in guiding people's actions. See Banks (2007) for a useful discussion of relevant discourses in the UK that promote media work and freelance labour as attractive life choices.

attempt to manage the systemic uncertainty of success. In this context, the high level of risk, competition and insecurity on the media industries labour market is likely to deter resistance against the prioritisation of commercial considerations in creative decision-making.

These observations show how the flexibilisation of labour in the media industries provides not only financial relief for organisations but also a means of indirect control as risk and responsibility for media productions is shifted towards individuals. However, people are central to cultural production and companies depend on a reliable, motivated and capable workforce. The lack of standardised skills and qualifications in media industries means that staffing decisions present themselves a risk for employers. Recruitment decisions within the media industries are therefore largely based on professional reputation, inter-personal networks and peer recommendation (Blair, Grey, and Randle 2001). This is a challenging situation for both employers and workers, and casualisation can make it even more difficult for organisations to find and keep hold of good workers. Flexible employment offers workers a certain degree of choice over who they work with, and they tend to be committed to projects and their work role rather than a specific company (Deuze 2016). In response to this challenge, companies can ensure continuous employment of media workers by regularly renewing or improving their contract – but this would reduce the financial advantages of casualisation for media organisations. Even so, workers may still decide to choose different opportunities. Media organisations therefore employ strategies to not only bind workers contractually but also emotionally and socially with the aim to inspire a high work ethic and company loyalty.

In doing so, media organisations, as well as many other cultural companies, focus on the particular attachment cultural workers feel towards their work. Media workers care about the work they do, often rooted in the potential for artistic self-expression and self-realisation (Banks 2007). Consequently, workers tend to be self-motivated, requiring less supervision and control. Instead, media management seeks to capitalise on this close connection to their work in order to increase work motivation and performance. Smith and McKinley summarise this managerial approach as follows: "The dominant strategy for management is that which allows the organisation to mobilise the deep attachment displayed by creative labour to the product" (2009: 47). This form of labour management shows characteristics of what Ray and Sayers (1999) describe as "soft capitalism". They argue that economic success can be obtained through "soft" characteristics, which include culture, knowledge and creativity, rather than through "straightforward technological or cost advantages" (1999: 17).

Soft, or "light-touch", management strategies consequently aim to minimise workers' alienation by building on their sense of identification with their work role and workplace and strengthen the attachment to the products they create. This includes a higher level of workplace and creative autonomy compared to work in other industries (at least for those work roles directly involved in creative production). But it also concerns the work environment as media companies aim to provide a "creative" *space* to work in and to appear as cool and unconventional employers, for example, through non-traditional office locations, informal communication, lack of dress code, social events and staff "treats".[14] Such measures are intended to create a "family feel" and a sense of belonging in workers that builds company loyalty by establishing "social rather than contractual relations" (Grugulis, Dundon, and Wilkinson 2000: 103) and encourages self-exploitative behaviour among workers. They contribute to what Heelas refers to as "self-work ethic" that "treats work as something to be valued" (Heelas 2006: 80), as something "deeper" and meaningful to our lives instead of just a means to a materialistic end. Nevertheless, such management strategies are ultimately economically motivated and shaped by the particular organisational risks of media organisations. Their objective is to attract good workers and increase their motivation and efficiency, but these strategies also reinforce opaque traditional hierarchies, distract from exploitative working conditions, and disguise creative restrictions in work reality (e. g. Ross 2004; Gill 2002) in what Gregg calls the "coercive dimension" of office culture (2011: 74).

Such problematic aspects of creative labour management are largely ignored in business, management and organisational studies. Their perspective of media management and labour is limited to the interests of commercial organisations, and management strategies are discussed only with a focus on how well they perform to support profit goals, ignoring their effect on workers. Overall, labour management in the media industries, as described here, can have positive effects for the experience of work, resulting, for example, in greater independence and autonomy, positive work climate and a sense of work satisfaction (Hesmondhalgh and Baker 2011). But, driven by economic interest, it also facilitates creative constraints, the persistence of traditional hierarchies and power structures, and exploitative working conditions. In the following section, we explore research that, in contrast, explores these conditions critically with a focus on the individual experience of media workers.

3 The individual perspective: Between precarious exploitation and entrepreneurial freedom

Of course, one of the primary ways that creative firms deal with the risks outlined above is by displacing their economic risks onto the individual workers, largely through organising production through the use of a casualised workforce. Deregu-

14 A prominent example of unconventional office space is Google and its "playful" work environment that is designed to turn the work place into a "life environment where work is supposed to feel like play" (Mühlhoff and Slaby 2018: 167), and follows in the footsteps of the "cool" skateboard, table tennis and pinball machine cultures of new media and advertising companies in the 1990s (McRobbie 2002).

lation, self-regulation and a steady weakening of union power have been the main policy drivers for the weakening of workers' rights and the increase in casualisation, although of course the issues are hugely complex, variegated across different economic geographies, and are in many ways responses to radical shifts in capitalist production since the 1970s.

Although increasing numbers of workers across all sectors of the economy are experiencing casualisation and contingent labour (Standing 2011), workers in the cultural and creative industries have been at the forefront of these processes for decades (Oakley 2014; Ross 2004; McRobbie 2016), which is one of the reasons why studying their experiences is so important. Cultural workers may be the celebratory focus of the "new" or now "digital" economy, but they are also those workers who most represent the poster boys and girls for the new capitalism – mobile, flexible and endlessly entrepreneurial (Oakley 2014; Ross 2004). Contingent labour has always been a feature to some extent within media production; however, if we look back to the 1950s and 1960s (the "long boom" (Banks 2017)), it was largely the preserve of the elite creative personnel, such as star actors, directors and cinematographers in the film industries, who chose to be freelance so they could dictate financial terms and for tax purposes. In the UK, most workers in the media industries used to be employed on staff contracts (for example, in case of the television and film industries, at the public service broadcasters BBC and ITV or the major film studios such as Pinewood or Elstree) and belonged to strong industry unions such as BECTU, the NUJ or Equity. There is no space here to detail the story of how this security was slowly dismantled, as it happened in varied ways in different industries, but if one looks across the media industries labour market now, it is utterly transformed from the relative security afforded to media workers in that period (Banks 2017).

Responding to this precarious situation for cultural workers, critical scholars across disciplines (but most notable cultural studies) focused their attention on the subjective experiences of work in the cultural industries. The celebratory public discourse surrounding creativity and "creative industries" at the time fuelled a vital body of critical scholarship that sought to unmask and investigate the actual lived experiences of cultural workers (McRobbie 1998; Gill 2002; Ursell 2000; Ross 2004). In contrast to business studies research, which focuses on media management and ways to maximise profit, these researchers utilised concepts such as governmentality (Rose 1990) and emotional labour (Hochschild 2012) to conceptualise the experiences of these workers. The increasing economic and personal insecurities for cultural workers are central to this body of research.

So, what does risk entail for contemporary media workers? Primarily, it involves intense competition for jobs within a landscape of contingent labour for an increasing number of workers. Much media work (although not all) is highly flexible, and the labour market is composed of numerous freelancers working on a project-by-project basis (Banks 2007). In the UK, for example, it is estimated that 43 % of people working in the creative sector are self-employed (Creative skillset 2016). This can vary significantly by sub-sector – for example, in the same survey film production was comprised of 89 % freelancers, television independent production of 52 %, while video special effects, a highly specialised area, had only 8 % freelance workers.

In terms of their working lives, this risk and resulting precarity coupled with an oversupply of skilled labour leads to intense competition for jobs. Consequently, the search for the next job becomes an overriding priority for many freelancers. Research has shown that many media workers are engaged in a process of continually looking for the next job (Randle and Culkin 2009; McRobbie 2016). The constant “hustle” of media work involves intense communicative activity (such as networking, emailing and engaging on social media) to find the next project, and media work has been characterised as involving “bulimic” patterns of work, where workers can have an oversupply of work followed by periods where they have no work at all (McRobbie 2002).

Such an environment often leads to self-exploitation, where creative workers regularly work very long hours on projects, sometimes unpaid, and not only accept such conditions but actively collude in them. This has been a rich topic of discussion in cultural labour studies since the late 1990s. For Ursell (2000), using the concept of governmentality (Burchell, Gordon, and Miller 1991), cultural workers are seduced by the glamour and freedom associated with the discourses circulating around television labour, which she personifies as a vampire sucking in these workers and bleeding them dry. But for Ursell, the workers actively constitute the processes of their exploitation, by willingly embracing them. These “willing slaves” (Bunting 2005) demonstrate the affective dimensions of creative work, whereby cultural worker subjectivities are influenced by the glamourous discourses surrounding creative work, as well as a broader culture of over-work, so that they recreate the conditions of their own exploitation. Other writers from cultural studies have explored these dynamics in cultural work, from Ross’ (2004) investigation into new media work in New York, Gill’s (2002) analysis of new media workers in the Netherlands and McRobbie’s (1998) formative study of British fashion designers. All of this research highlights the context of risk and individualised self-responsibility for cultural workers, and also shows how managerial and political-economic discourses around creativity, freedom and work encourage and capitalise on this attachment to work in ways which serve the needs of business.

Individuals seek to navigate this risk-laden context through intense socialisation, as the agglomerated spatial economies of creative work lend themselves to such a dynamic of networking (Pratt 2009; van Heur 2014). Networking in cultural work has been theorised using various approaches. Lee (2011) and Grugulis and Stoyanova (2012) have employed a Bourdieusian framework in order to explore questions of cultural and social capital in relation to class and gender inequalities in cultural labour markets. Granovetter’s concept of “weak ties” has been useful in investigating how workers find contracts within media industries, where a broad range of relatively casual contacts is shown to be useful in determining labour access, and where socialising is seen in fairly instrumental terms (Lee 2011). Cluster theory (Porter 1999) and concepts such as “communities of practice” (Pratt, Virani, and Gill 2019) have also proved to be useful in understanding the spatial dynamics of urban networking within media industries. Scholars have also explored the stress of constant networking and managing the “hustle” of cultural work, putting questions of well-being in the agenda. For example, back in 2002, McRobbie questioned what happens to cultural workers when the “stamina of youth” has left them, and more recently research has explored the longitudinal psychological pressures of performativity and self-representation in the context of precarious creative work (Lee 2019; Gross, Musgrave, and Janciute 2018) and reasons for leaving media work (Percival 2019).

Much research has pointed to the networking culture within media industries, and critical research has reflected on not only how this functions but also how it works to create a highly exclusionary, inequal labour market. After-hours socialising and compulsory sociality are characteristic features of creative labour (Neff, Wissinger, and Zukin 2005), and as much as it offers opportunities and access to work for some, it has been shown to exclude many others on the basis of class, gender and race.[15] For example, television production’s “class ceiling” (Friedman and Laurison 2019) is deeply connected to its networking culture, which favours individuals with high levels of cultural and social capital, largely drawn from more privileged backgrounds (Lee 2011; Grugulis and Stoyanova 2012). Because jobs tend not to be advertised but knowledge of them circulates through word of mouth, many creative labour markets are highly opaque in terms of getting in and getting on (Randle and Culkin 2009). Therefore, for critical scholars of creative labour, networking serves as another method of exclusion, leading to a more homogeneous, classed, raced and gendered workforce where dynamics of self-branding are highly prevalent and favour those with the attributes acquired through social background (Frenette 2013; Gandini 2016). Indeed, despite being the subject of critical research for several years, much empirical quantitative research suggests that this inequality is increasing, in tandem with a wider growth in inequality in capitalist society (Oakley and O’Brien 2015; Taylor and O’Brien 2017; Friedman, O’Brien, and Laurison 2017). This focus on inequality, which occurs partly as a result of the structural individualisation of risk, leads us to consider the wider social and political implications of the current conditions of creative work, which we do so below.

15 This is not to say that this is the only reason for such inequalities nor that they did not exist before recent intensification of casualisation. In fact, the media industries have always been highly unequal and continue to show a distinct lack of diversity in their workforce (e. g., Banks 2017; Edwards 2014; Saha 2018).

4 Conclusion: Wider implications of media labour and risk

As this chapter shows, risk in cultural production concerns both media organisations and media workers.[16] However, responses by management and media workers to risk and risk transfer in media production matter beyond individual experience or business success. They have social, cultural and political implications as media industries are not only economic entities, but their "products" shape the way we perceive and make sense of the world. How media texts are made and by whom has direct consequences for the form and content of these texts. Critical political economy approaches to culture offer a useful perspective for the macro-scale study of the media industries. They are concerned with ethical and normative questions of power and justice that offer a useful starting point for the consideration of wider implications of risk in media work. They are interested in who benefits from current conditions in the media, who controls media production and how capitalism encourages existing inequalities. Building on Sayer's capitalism critique and his concept of a moral economy (Sayer 2000), Hesmondhalgh (2017) suggests that a moral economy approach to media and culture can complement such concerns, as it is particularly useful to explore ethical questions of media production. Inspired by these approaches, we want to highlight three concerns related to the developments we have described in this chapter: (1) the inequalities of the labour market, (2) the well-being of media workers and (3) the nature/quality of media texts produced under these conditions.

Media industries research has revealed it to be a highly unequal field of work, marked by stark differences related to class, race and gender (e. g. Saha 2018; Eikhof and Warhurst 2013; Friedman, O'Brien, and Laurison 2017; Banks 2017). In the context of risk transfer, media organisations' tendency to risk-averse recruitment contributes to these inequalities by limiting the diversity of media workers. And the requirements and pressures of precarious work, including self-exploitation and self-promotion, privilege media workers who can afford or have the support structures for such a lifestyle.[17] Carer responsibilities, lack of financial reserves, different educational and cultural backgrounds, and introverted personality can all function as exclusionary mechanisms under these conditions.

But it is not only about affordance and sustainability. The stresses of persistent insecurity, the pressures to secure work and to self-exploit have a severe impact on

16 In this chapter we have focused largely on examples from the UK screen industries and we fully acknowledge the differences and specificities between various media industries. Yet, we argue that the developments concerning labour markets, labour management and individual experiences of work discussed are also occurring in other media industries that are shaped by commercial and neoliberal principles.

17 An often-cited example is the widespread culture of unpaid internships and placements in the media industries (see Perlin 2012; Frenette 2013).

workers' mental and physical well-being (Gross, Musgrave, and Janciute 2018; Lee 2019). Such research indicates that issues such as burnout, anxiety, depression and substance abuse are the hidden and often "unspeakable" costs of cultural work, despite a prevailing discourse of "well-being" in the contemporary workplace (Davies 2015). On the other hand, if media workers have reached a position where financial security and the uncertainty about future work are no longer a predominant issue, they can benefit from other aspects of flexible labour and risk transfer. For example, they can exert their choice over what to work on and who to work for, enjoy increased workplace and creative autonomy, and resist exploitative conditions.

Precarious labour conditions and managerial attempts to manage risk also impact on media texts. In contrast to the majority of business and management literature, we consider media texts to have a vitally important public, democratic role within a wider moral economy – they are not just commercial products. The lack of diversity as well as risk-related stresses in workforce also affect the diversity and quality of products they create. Existing inequalities are reproduced in media representations, and workers are less likely to resist risk-averse creative decisions that lead to standardisation and repetition at the cost of innovation and experimentation (e. g. Zoellner 2009).

Existing research helps us to understand the nature of business and management decisions in response to risk and their impact on media workers. It draws attention to the conflicts and inequalities in media production, based on which we argue that the transfer of risk and responsibility in media work predominantly benefits media organisations whilst media workers are facing increased insecurity and pressure. However, future study of the role of risk and responsibility in media production would benefit from merging the different theoretical perspectives described here. Combining the focus on media management strategies in business, media and organisational studies with the critical perspective and focus on media workers of creative labour research and the ethical concerns of moral economies of culture would provide new insights in questions of power, control and creativity in media production and illuminate the disputed relationship between creativity and commerce. This could support attempts to challenge and improve existing practices and conditions in media work, for example through renewed efforts at collective action and bargaining (de Peuter 2014), alternative – including non-commercial – forms of media production (Banks 2007), or policy intervention to increase security and equality in media work (Banks 2017). Such efforts could help to make the media industries and society as a whole more just, improve the quality of work and facilitate innovative and diverse media texts.

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Stephanie Kienzler

14 Media and the economic cycle

Abstract: This article tries to unravel the complex interdependencies between economic development and media. In order to do so, it differentiates between media demand vs. supply, and recipients vs. advertisers on the demand side. It highlights differences between media or content categories, and considers both directions of influence. Due to the asymmetries between upswings and downturns with respect to the depth and speed of effects, this article focuses more strongly on recessions. It becomes clear that adjustments are undertaken when the economic condition deteriorates: Affected consumers as well as advertisers reduce demand or shift their budgets to other (media) substitutes, media organizations cut costs and/or explore new avenues to create revenue which in turn can cause unwanted consequences with respect to media diversity or journalistic norms. Vice versa, there is also empirical evidence for the impact of advertising investments, as well as media content on the economic cycle. As for the latter, research has, for example, shown that news coverage during recessions has the potential to worsen the situation.

Keywords: economic cycle, recession, media, advertising, Principle of Relative Constancy (PRC)

1 Introductory remarks on the scope of this article

This article tries to unravel the relationships between “the media” and “economic development”. In order to do so, it tries to be more specific with respect to the meaning of those two terms, who the key players are, and what we know about the direction of influence exerted between them.

When we are talking about “the media”, we have to be aware of the fact that media are “dual” (Picard 1989: 17) or “joint products” (Lacy and Noh 1997: 9): On the one hand, media products consist of content demanded by private consumers for information, education, or entertainment purposes. On the other hand, media serve as advertising vehicles, i. e., companies (as well as other corporate or individual actors) demand media time or space in order to reach their target groups (similarly: Picard 1989: 17–18). Some media are financed via private consumer spending alone (such as books, music CDs, or film DVDs), others obtain their income exclusively from advertisers (such as free TV, free newspapers, free music streaming services). However, most media address both market sides which mutually influence each other: Media that attract more consumers and economically relevant target groups are more attractive for advertisers than media with low market penetration and economically less relevant audiences (see also von Rimscha and Siegert 2015: 112; Ettema and Whitney 1994: 5).

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Consequently, these interdependencies exist even in the case mentioned above when all financing stems from advertisers and consumers do not pay monetarily but with their attention only. These different ways of financing but also the differences with respect to their uses and gratifications, prices, contents, etc. (see below) need to be taken into account too when talking about economic interdependencies.

In order to describe the second term, “economic cycle” (or “business cycle”), it is often drawn on the seminal work of Burns and Mitchell (1946) whose definition still serves as a basis for various international organizations (the National Bureau of Economic Research (NBER), the U.S. American Department of Commerce Bureau of Economic Analysis, The Conference Board) who empirically observe and record business cycles (Mazzi and Ozyildirim 2017: 46, 50). According to the authors,

> a cycle consists of expansions occurring at about the same time in many economic activities, followed by similarly general recessions, contractions, and revivals which merge into the expansion phase of the next cycle; this sequence of changes is recurrent but not periodic; in duration business cycles vary from more than one year to ten or twelve years; they are not divisible into shorter cycles of similar character with amplitudes approximating their own. (Burns and Mitchell 1946: 3)

Hence, in graphical terms (see Fig. 1), business cycles can be described as “somewhat disturbed sine-like waves” (Arnold 2002: 3) of economic activity with usually longer phases of expansions and shorter phases of contractions (Arnold 2002: 4) around an estimate of the underlying trend level (Organisation for Economic Co-Operation and Development (OECD) 2003: 117). A cycle is complete “when the level of activity has returned back to the trend following a period when it was above, then below, the trend level, or vice-versa” (Organisation for Economic Co-Operation and Development (OECD) 2003: 117).

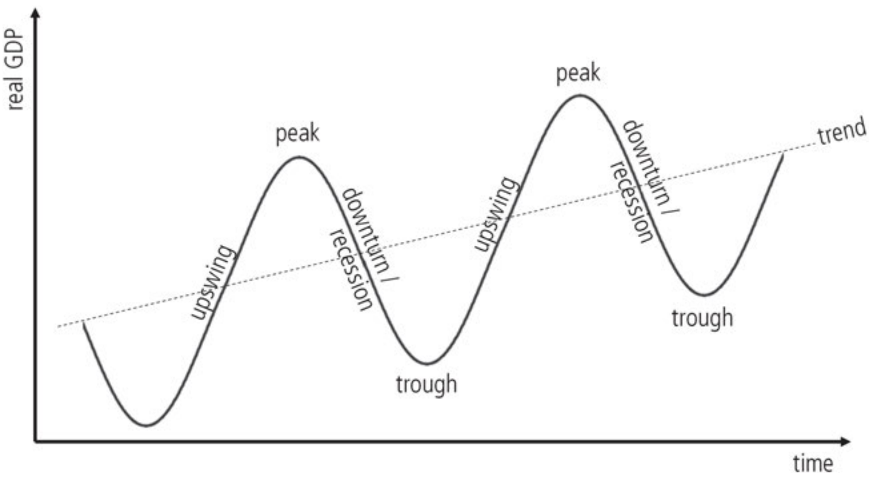

Fig. 1: Stylized depiction of the economic cycle with a positive trend

The crucial question is how the trend and the cyclical component are assessed. The NBER in the USA, for example, characterizes a *recession* as "a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in real GDP, real income, employment, industrial production, and wholesale-retail sales" (National Bureau of Economic Research 2012). Thus, cycles are defined retrospectively by using a range of indicators that cover the production- and income-side of economic activity, and by taking into account the depth of the decline (National Bureau of Economic Research 2019). Of course, this approach entails relatively high levels of effort to assess and evaluate each change in these time series accordingly. Hence, others, commentators and analysts, for instance, but also researchers, use a more simplified rule according to which a recession is given if real GDP shows negative growth rates for at least two consecutive quarters (Dekimpe and Deleersnyder 2018: 31, 44–45).

As has been implied above, economic actors react differently to economic downturns vs. upswings with respect to the depth and speed of their adjustment: Spendings and investments are reduced quicker (steepness of the decline) and to a greater extent (deepness of the decline) in the face of recessions than they are increased when the economy recovers (see e. g. Dekimpe and Deleersnyder 2018). Due to these heavier reactions and consequences, there is a stronger research focus on recessions. Accordingly, this article will have an emphasis on media demand and supply during economic downturns too.

In the following chapter, we will focus on the demand side of the market. Starting with the Principle of Relative Constancy (2.1) – which profoundly fueled this research stream – we will then go into further detail by looking at the two demand sides of the market individually: the recipients or consumers first (2.2), the advertisers second (2.3). These two sections highlight in more detail how (recipients' and advertisers') demand for different media categories reacts to economic development, and to what extent advertising investments affect the economy conversely. We will then shed light on the supply side of the media market (3). The guiding questions here are how media outlets deal or have dealt with economic downturns, how contents offered change in the wake of a deteriorating economy, as well as how editorial content, vice versa, can affect the economic cycle.

2 Media demand and economic cycle

2.1 The roots: The Principle of Relative Constancy (PRC)

The impact of a country's general economic development on consumer's demand for media products or services has been vastly discussed (see e. g. Dupagne 1994; Glascock 1993; McCombs 1972; McCombs and Eyal 1980; McCombs and Nolan 1992; Son and McCombs 1993; Wood 1986; Wood and O'Hare 1991). In 1972, McCombs proposed the "principle of relative constancy" (PRC) stating that "[t]he level of spending on mass media by consumers and advertisers is determined by the general state of the economy. Any change in the level of the economy causes a parallel change in spending on mass media" (McCombs 1972: 10 [emphasis omitted]). McCombs bases his hypothesis on Scripps, then board chairman of the former "The E. W. Scripps Company" (Stautberg 2007), who concluded a descriptive study of mass media expenditures as follows:

> If we may suggest one broad generalization, it is that in spite of the increasing complexity of mass communications with the advent of new media, the pattern of economic support has been relatively constant, and more closely related to the general economy than to the various changes and trends taking place within the mass media field itself. The consistency evident in the pattern of economic support for the mass media seems significant. It suggests that mass communications have become a staple of consumption in our society much like food, clothing, and shelter. Its stability in times of economic stress indicates that consumers feel that mass communications is a necessary of life, although their selection of media may vary. (Scripps-Howard Research: 6 cited in; Dupagne 1997: 54 [emphasis omitted])

These statements contain several assumptions (Demers 1994: 32; Dupagne 1997: 53): (1) The share of income as an indicator of the general economic development spent on mass media by consumers and advertisers does not change substantially over time (=constancy assumption). (2) Although this share is more or less constant, spending on different media categories may vary over time which implies that different media are perceived as functional equivalences (=functional equivalence assumption). Thus, the introduction of "new" media might lead to a decreasing demand of "old" media. (3) The relationship between income and spending is interpreted causally, i. e., an increase (decrease) in income will lead to higher (lower) media spending.

Empirical evidence for the PRC has been mixed, and there has been criticism with respect to methodological and theoretical issues (see e. g. Dupagne 1997; Demers 1994; Lacy and Noh 1997; Chang and Chan-Olmsted 2005). For example, there are a couple of studies that note a significant rise of media spending in the 1970s and 1980s potentially due to the introduction of cable TV and the video cassette recorder (Dupagne 1997: 58; Chang and Chan-Olmsted 2005: 341). Other authors report that the hypothesis holds true for specific time frames or media types only (Dupagne 1997: 58). Demers (1994: 36) notes that the time people spend with mass communication has increased since the 19th century, which suggests the assumption that consumers' expenses on media rose accordingly. These findings undermine the assumptions of the PRC. From a theoretic point of view, Lacy and Noh (1997: 7) criticize specifically the absence of *economic* models and concepts to substantiate the PRC. In particular, they argue that the PRC ignores important influencing factors on media consumption such as the price of the focal good, the price of substitutes, the size of the population, media supply, education, leisure time, tastes, preferences, and expectations (Picard

2002: 50; similarly: Dewenter and Westermann 2005; Hjorth-Andersen 2000: 32). In accordance with Dupagne (1997: 58), they further question the functional equivalence (or zero-sum-game) assumption that might be valid for some but not for all categories of media and seems to ignore competing non-media products or services. Another point of their criticism refers to the "dual product" character of media goods and the interdependencies between advertising and consumer markets.

Additionally, there is empirical evidence for the exact opposite: McDonald and Johnson (2013) observe several short-term increases in media demand during severe economic downturns in U.S. American history and argue that media consumption could be a coping strategy to deal with stress caused by economic conditions (such as unemployment, a rise of working hours for employees, feelings of isolation and failure, sickness, etc.). Media do so by offering ways to "escape" the harsh reality (see seminal publications by Katz and Foulkes 1962 on escapism, and Zillmann 1988 on mood management) and to reach out to and spend more time with family and friends. The results of the authors' empirical analysis of U.S. American data around the recession 2007–2009 (National Bureau of Economic Research 2012) after the burst of the subprime bubble indeed show an increase of time and money spent on media in consistency with their hypotheses (McDonald and Johnson 2013).

Given these criticisms, a more differentiated look at the relationships between economic cycles and media demand and supply is necessary.

2.2 Consumers' media demand during the economic cycle

If we further unravel the reference object of media demand, the media good, we have to differentiate different categories of media. We can first of all distinguish between the medium (the "carrier") and the content (see similarly McDonald and Johnson 2013: 285). The former is often a durable consumer good and as such more expensive (e. g., a TV, a laptop, a gaming console, a smartphone – as opposed to a newspaper or a magazine); the latter is a public good free of charge (e. g., a show airing on free TV) or a private good that is less expensive to purchase (e. g., a single piece of paid online content, such as a news article, a piece of music, a TV show). Previous research has shown that purchases of durables depend on income (McCollough 2007) and the economic situation (Cook 1999; Dhawan and Jeske 2008; King and Rebelo 1999; Krishna and Yavas 2004; Power 2004; Stock and Watson 1999) and are thus more likely to be postponed during economic downturns (see e. g. Bryant and Zillmann 1994: 17–18; Petersen and Strongin 1996: 190; Deleersnyder et al. 2004). Consequently, we can expect the demand for (more expensive) media devices to be more affected by the economic cycle than the media content itself or joint products with a short lifespan (such as a printed daily newspaper or weekly magazine). Empirical support for this argument can, on the one hand, be derived from Lee, Lee, and Chan-Olmsted (2017), who find income to be one of the drivers of tablet PC diffusion, and on the other hand from a couple of studies according to which income has a negligible effect on newspaper purchases (Escardíbul and Villarroya 2009; Chan and Goldthorpe 2007; Garz 2017).

In-between these rather expensive vs. free or very inexpensive media goods, there are such options as books, performing arts, games, or cinema attendance. Regarding the latter, McKenzie (2012) provides a systematic literature review from an economic perspective. Drawing on his results, most studies provide evidence for a positive income-elasticity of cinema attendance (see also von Rimscha 2013). On the contrary, a more recent study by Dhar and Weinberg (2016) finds that in the USA, during the latest recession, cinema attendance increased since it is a relatively inexpensive and thus "attractive alternative to more expensive forms of entertainment" (Dhar and Weinberg 2016: 397; see also von Rimscha 2013).

With respect to book purchases, Hjorth-Andersen (2000: 39) identifies "three basic forces that determine demand and thereby the [Danish] book market: Price; income; and the time trend as a proxy for competition from other media as well". Torche (2007) considers education, income as well as status significant determinants of book reading in Chile. Ringstad and Løyland (2006: 147) also confirm that household income "has a substantial and significantly positive impact on the likelihood of buying books". Contrary to that, the gaming industry has been claimed to be "recession proof" (Huntemann 2010). However, there might be other reasons why sales in this market seem unrelated to the economic cycle – for example, because games have been niche products for quite a long time or because the market is very much hit-driven (The Economist 2010).

For all these results, one has to keep their relativeness in mind: These conclusions hold true for comparably prosperous and well-educated societies with high levels of education. Contrary to the abovementioned studies regarding newspaper reading, Torche (2007), for instance, finds income to be a significant predictor too. This might be explained by the fact that she chose Chile as the object of study, an – as she states – "relatively poor country, and one in which functional illiteracy is not uncommon" (Torche 2007: 89). In addition to that, we must not forget that income is not the only driver for media demand. Thus, there are other variables, too, such as status or lifestyle (for an overview see Escardíbul and Villarroya 2009) that might offset economic reasons to diminish one's media diet. And last but not least, as reported above, media can serve as coping mechanisms in times of stress (see also Nabi, Pérez Torres, and Prestin 2017). Consequently, the demand for certain types of media or contents might *in*crease during harsh economic times. As for the latter, empirical evidence on the impact on movie genres is ambiguous: Pettijohn (2003), for example, analyzing U.S. American data from 1939 to 1995, finds support for the assumption, i. e., an increase in demand for comedies during downturns; von Rimscha (2013), delving into the genre preferences of German, Spanish, and British moviegoers (among other variables) finds mixed results for different crises/downturns. Studies have furthermore shown that social media can help unemployed maintain social inclusion and find new job opportunities (Feuls et al. 2014) or help employees increase their resilience in difficult job environments (Cohen and Richards 2015).

2.3 Advertising investments during the economic cycle

The relationship between advertising investments and economic cycles seems more distinct compared to the complexity of consumers' spending on media as described above.[1] Numerous researchers have delved into the relationship between certain economic indicators such as GDP or consumption and advertising investments (Picard 2001; Kopf, Torres, and Enomoto 2011; van der Wurff, Bakker, and Picard 2008; Deleersnyder et al. 2009; Molinari and Turino 2006; O'Donovan, Rae, and Grimes 2000; Ashley, Granger, and Schmalensee 1980; Jung and Seldon 1995; Rehme and Weisser 2007). It is important to note that – in contrast to the investigations for consumer spending on media – this stream of research is not only focused on one direction of influence running from economic development to changes in advertising investment. There are theoretical reasons to assume that the amount spent on advertising also affects the economy. This refers to the activists' view according to which marketing activities (such as advertising) help spur economic growth, contrary to the determinists' view claiming that economic growth stimulates increases in marketing activities (Savitt 1988; Kopf, Torres, and Enomoto 2011). A rationale for the first school of thought is provided by Galbraith ([1958] 1998: 127–128) according to whom advertising can stimulate needs which translate into an increase of consumption expenditures. Another line of argument draws on endogenous growth theory according to which economic growth is mainly driven by knowledge accumulation which implies an increase of the stock of human capital (Romer 1986, 1990). Based on this idea, advertising investments can contribute to economic growth by (1) "spilling-over" knowledge about new goods, technologies, or applications which can be used by other suppliers to improve their production processes or output (see also Bharadwaj, Clark, and Kulvivat 2005: 355), as well as by (2) informing consumers about "better" goods, which again gives more efficient suppliers an edge (see Kopf, Torres, and Enomoto 2011: 10). Additionally, advertising investments help enhance an economy's stock of knowledge indirectly by financing media that make information (as a basis for knowledge, innovation, etc.) available to the masses (Kopf, Torres, and Enomoto 2011: 10). The determinists' view, on the other hand, is based on the "microeconomic principle that aggregate advertising demand in an economy depends on that economy's income" (van der Wurff, Bakker, and Picard 2008: 31) and also stems from the observation that the marketing function usually evolves after an economy has reached a certain level of prosperity (Bartels 1976 as quoted in; Al-Khatib, Dant, and Vitell 2015: 659; Hosley and

1 The following paragraphs draw on Kienzler 2016: 45–52.

Wee 1988: 46; Duhaime, McTavish, and Ross 1985: 4). It is further supported by advertisers' budgeting strategies, where investments are based on the revenues or profits generated in previous periods or competitors' previous investment behavior. Especially in times of crises, it is rational for the individual decision maker to orient herself on the reaction of the "herd" to protect her current and future career (Scharfstein and Stein 1990; Freiberg 2004) since "[w]orldly wisdom teaches that it is better for reputation to fail conventionally than to succeed unconventionally" (Keynes [1936] 1997: 158).

With respect to empirical evidence for the relation between advertising investments as an indicator for marketing activities and economic development, results are mixed: Studies have provided evidence for the activists' view (Taylor and Weiserbs 1972; Sturgess and Wilson 1984; Rehme and Weisser 2007; Lamdin 2008; Kopf, Torres, and Enomoto 2011; Fridriksson and Zoega 2012), for the determinists' view (Ashley, Granger, and Schmalensee 1980; O'Donovan, Rae, and Grimes 2000; Hsu et al. 2002; Deleersnyder et al. 2009; Picard 2001; Quarles and Jeffres 1983; Tellis and Tellis 2009; Darrat et al. 2016), for a mutual (Jung and Seldon 1995) as well as for no relationship (Chowdhury 1994).[2] Calling the theoretical considerations back to mind, there is per se no reason to believe that only one of the views, the activists' or determinists', can be right. Thus, the assumption of a mutual effect between the two variables seems most plausible.

When we again unravel how advertising budgets are allocated, we can find a couple of differences. First of all, we have to bear in mind that public service media are significantly less affected by (changes in) advertisers' budget allocation – purely because ad revenues usually represent only a minor part of their income. With respect to *different media categories*, a couple of studies have shown that advertising investments into print media, especially newspapers, are more closely related to economic cycles than investments into audiovisual media, especially TV (van der Wurff, Bakker, and Picard 2008: 48; Picard 2001: 11; Deleersnyder et al. 2009: 631–632). This can be explained by practical reasons (shorter time frames necessary for producing/booking/cancelling print, especially daily newspapers vs. TV ads), or economic reasons (lower production costs and thus a lower inhibition threshold to cancel a print vs. a TV ad) but also by looking at the individual industries that contribute most to advertising income for particular media categories: Convenience good industries (in particular suppliers of food, beverages, and personal care products), which are less affected by economic downturns, are responsible for the biggest share of German TV advertising income, whereas durable consumer goods suppliers (in particular the automobile industry), which are more strongly affected by economic downturns, as well as small and medium-sized enterprises that tend to cut their ad budgets more strongly than bigger national brands, invest mostly in newspaper advertising (Mellmann 2015). In line with these findings, upscale magazines promoting "expendable" discretionary

2 Similarly, empirical evidence regarding the relationship between advertising and sales is mixed too (see Darrat et al. 2016: 64).

goods or services are among those who struggle most since consumers cut back their expenses on those categories, and advertisers cut back their investments accordingly (Quelch and Jocz 2009: 61; see similarly Picard 2002: 84)

Furthermore, there are differences between economic upswings and downturns: Advertising budgets are cut faster and to a bigger extent in the face of economic downturns than they are increased during economic upswings (see e. g. Lamey et al. 2007: 4) in line with consumer spending fluctuation (Dekimpe and Deleersnyder 2018: 37) – and this, again, holds particularly true for newspapers (Picard 2001; van der Wurff, Bakker, and Picard 2008). However, there are studies that provide evidence for the success of a proactive marketing strategy where advertising budgets are held constant or increased during economic downturns (Lamey et al. 2007; Özturan, Özsomer, and Pieters 2014; Deleersnyder et al. 2009; Srinivasan, Rangaswamy, and Lilien 2005; Kashmiri and Mahajan 2014; Kamber 2002; Steenkamp and Fang 2011). The question is thus what kind of "mind-set" – short-term vs. long-term, advertising as an expense vs. advertising as an investment – is predominant in an organization. On the aggregate level, most firms seem to adhere to the former and pursue a pro-cyclical strategy (Dekimpe and Deleersnyder 2018: 38). Especially during the economic crises from 2007–2009 and in 2001 (National Bureau of Economic Research 2012) after the bursting of the "dotcom bubble", advertising investments (into traditional media) fell drastically (see e. g. Rollins, Nickell, and Ennis 2014: 2728). In times of crises, advertisers are pressured "to do more with less" (Quelch and Jocz 2009: 57), which is why budgets are more likely allocated to instruments whose effects are easier to measure such as direct marketing, POS-marketing, and especially online advertising (Quelch and Jocz 2009; see also Rollins, Nickell, and Ennis 2014; Barwise and Styler 2002). Another strategy for companies is to shift their focus away from classic advertising to other communication strategies, i. e., PR and social media marketing (see e. g. Papasolomou et al. 2016; Rollins, Nickell, and Ennis 2014).

With respect to advertising content, there is also evidence for an adjustment: McAllister (2010), for instance, reports about a number of companies referring to the economic crisis in 2007–2009 within their ads. Another study by Lee, Taylor, and Chung (2011) shows that financial service providers shifted their focus from transformational to informational. Green and Peloza (2015) find an increase of ads containing CSR messages during economic downturns. This unexpected result is rationalized by marketers' focus to the "'real' priorities" in the face of hardship and an emphasis on CSR's values for both sides, the firm and its customers (Green and Peloza 2015: 121).

Analogously to what has been stated in the previous section on consumers' spending, one has to keep in mind that there are other variables affecting the size and allocation of advertising budgets such as the cultural context or the economic structure of a nation, but also factors that are bound to certain characteristics of the organization (size, structure, history, etc.) and its decision makers (professional experience, mind-sets, etc.) (for an overview see Kienzler and Lischka 2016).

3 Media supply and economic cycle

As the previous paragraphs have implied, the media industry has been affected by several major economic crises in the past since advertising investments have shown to disproportionally drop in economic downturns. First of all this prompts the questions how media outlets deal or have dealt with crises and how they could possibly protect themselves against economic hardship (3.1). In addition to that, there is another stream of research addressing the question of whether there is evidence for the reverse direction of influence: To what extent is the economic cycle affected by media supply? This question is accounted for in section 3.2.

3.1 The impact of economic downturns on media supply

Basically, there are only two options to stay profitable: cutting costs or trying to increase revenues (see also Brüggemann, Esser, and Humprecht 2012: 746). Regarding the latter, media firms can try to increase revenues from recipients. Aterman and Wook Ji (2012: 296), for instance, observe a shift towards direct payments in the U.S. American media industry in the decade after the 2001 crisis. This holds true also for the digital area where firms ramped up their efforts to gain revenue via paid content strategies, for example, through paywalls (see e. g. Chyi 2012) or micropayments. With respect to contents, we can also observe certain changes that can be driven by artistic motives or rather commercial interests as an attempt to adapt to the presumed taste of the masses. Pettijohn and Sacco (2009), for instance, assess correlations between a “general hard times measure” accounting for the state of social and economic conditions and the contents of U.S. American Billboard No. 1 song lyrics between 1955 and 2003. In rather difficult social and economic times, lyrics were more meaningful and expressive, contained more references to the future (indicating the longing for better times) and expressions indicating the desire for social affiliation.[3] Similarly, von Rimscha (2013), finds that cinemas screen rather serious contents after critical events such as the collapse of the financial services firm Lehman Brothers which marked the beginning of the 2007–2009 crisis. There is also empirical evidence that the quantity of economic news, the news tone, and the consonance change during economic downturns (Lischka 2014). This can be interpreted as an attempt to be more attractive to recipients who want to be well-informed about how a crisis is developing, how it might affect themselves, how further damage could be averted, etc.

3 There is also evidence for the opposite direction of influence: Zullow (1991) analyzing the contents of 40 U.S. American song lyrics (1955–1989), finds that increased “pessimism” in these lyrics predicted a decrease in consumers’ confidence in the economy which subsequently had a negative effect on consumption expenditures and GNP growth.

Analogously, media companies can try to become more attractive again for advertisers. Due to advertising's status as very (if not the most) important revenue source, interests of advertising clients have per se (i. e., irrespectively of the current economic situation) the potential to affect editorial content, directly or indirectly (see e. g. Schauster, Ferrucci, and Neill 2016: 1410; Coddington 2015; Rinallo and Basuroy 2009; Gambaro and Puglisi 2015). Regarding the former, studies have shown that advertisers, for instance, ask for certain types of news or specific contents or, vice versa, demand to "kill" stories that might negatively affect their business, and these demands are of vital importance whenever they are combined with the threat of or the actual cancellation of advertising contracts (see e. g. Soley and Craig 1992: 6; Hays and Reisner 1990). Regarding indirect ways of exerting influence, we can think of self-censorship, either in the way that journalists soften or completely restrain from news reports that, in their perception, might be too critical for specific clients (see e. g. An and Bergen 2007: 111–112; Hays and Reisner 1990). Another implication of economic influences is the increasing amalgamation of editorial and commercial content (advertising or PR) which manifests itself in the increased occurrence of advertorials, infomercials, product placements, brand journalism, sponsored content, etc. (see e. g. Dix and Phau 2009; Porlezza 2017: 31) or the rise of native advertising. Additionally, editorial work might be supported via payments in kind or grants to cover production costs in exchange of brand or product mentions, for instance (Fassihi 2008: 20). In times of financial hardship, it is to assume that these exertions of influences increase (Fassihi 2008: 13–14; Porlezza 2017: 31–32; Nyilasy and Reid 2011). This assumption is, for example, supported by Schauster, Ferruci, and Neill (2016) who conduct qualitative interviews with journalists, PR and marketing communication professionals, and find notions of native advertising as "a necessary evil" due to the drop of ad revenues. Similarly, Nyilasy and Reid (2011) find a positive correlation between the permissiveness of media professionals' ethical norms and the extent to which their news organization is confronted with economic pressures. Finally, if we think of rather preventive measures, diversification has proven to be a functioning strategy to moderate the effects of economic downturns. Picard and Rimmer (1999), for instance, show that more diversified newspaper outlets were to a lesser extent affected by the 1990/1991 crisis than non-diversified competitors. Similarly, Mangani and Tarrini (2017) find higher survival rates for digital publishing companies that are additionally active in print or other mass media industries. Also, Edge (2011) finds evidence that the success of a Canadian printing company during the recession in the late 2000s can to a large part be ascribed to its diversification into high-growth areas (cable television and mobile telephony).

In an effort to reduce costs, dimensions or format of media products might get cut. Some U.S. American newspaper suppliers, for instance, reduced the size of their physical products or shifted to more cost-efficient web-only publications during/after the 2001 crisis (Kirchhoff 2010). As another direct consequence, large-scale layoffs of media personnel have been reported (see e. g. Deuze, Elefante, and Steward 2010; Kirchhoff

2010; Brüggemann, Esser, and Humprecht 2012: 746; Reinardy 2010). Media professionals are forced to be equally or even more innovative with less resources, lower wages, in rather instable and precarious working environments that prefer younger, flexible, and broadly-skilled individuals (Deuze, Elefante, and Steward 2010; Kirchhoff 2010; Lauk and Harro-Loi 2017: 1966–1967). Another response to financial hardship is to intensify the exploitation of content, i. e., to repackage and repurpose it, and to sell it through as many different channels to as many different geographic areas at as many different time frames as possible (Vukanovic 2015: 59–60). In this context, social media become more important for media suppliers in order to prolong the life cycle of their products, to reduce advertising costs (Vukanovic 2015: 61), or to retain recipients.

Finally, economic downturns have always spurred the consolidation or closing-down of media businesses (Siegert et al. 2012: 162–163; Kirchhoff 2010). From a normative point of view, the concentration of media ownership and the emergence of multi-platform players is critical since it is said to negatively affect the diversity of contents (see e. g. Barnett 2010; Doyle 2010; van den Bulck et al. 2016 and chapter 10 by Just in this volume) and journalists' autonomy (Lauk and Harro-Loi 2017) with the above-mentioned potential effects on contents.

One might ask now if these changes and adjustments are rather cyclical, i. e., short-termed, meaning that they are reversed as soon as the economy recovers, or if they are of structural nature and thus persistent. This question can only be assessed in retrospect. However, it is plausible to assume that they will last due to the afore-mentioned asymmetry of upswings and downturns, and due to the observation of additional, structural changes such as digitization processes or shifts in recipients' media usage (see also Reinardy 2010: 2).

3.2 The impact of media content on the economic cycle

When we are talking about interdependencies between economic development and media, the second direction of influence has to be taken into account too: A major stream of research deals with the question to what extent media content affects economic behavior and thus the condition of an economy (e. g. Blood and Phillips 1995; Brettschneider 2002; Goidel et al. 2010). Media content is, among others, one source of influence on a person's opinion on a certain topic. As such, it can affect that person's economic sentiment and consequently her economic behavior (for an overview see Lischka 2014). Again, this relationship poses an asymmetry: Research has shown that the agenda-setting effect as described above (i. e., the influence of news content on people's perception of the economic situation) is more prominent during recessionary times (e. g. Wu et al. 2002; Soroka 2006; Hollanders and Vliegenthart 2011; Lischka 2015; Damstra and Boukes 2018) and affects consumption behavior negatively (Nguyen and Claus 2013). Furthermore, economic hardship leads to more consonant and more negative news coverage (see Lischka 2015: 388) which might in turn worsen the economic condition. To the contrary, during upswings and more stable economic times, economic sentiment seems mainly driven by real-world developments (as measured via economic indicators).

4 Concluding remarks

Starting from the Principle of Relative Constancy as one of the earliest general assumptions on the interdependencies between economic cycles and media demand, this chapter tries to disentangle the complex relationships that the principle touches upon: First of all, I differentiate between media demand and supply; secondly, I differentiate the two sides of media demand, i. e., recipients or consumers vs. advertisers; and finally, wherever possible, I try to draw a more detailed picture about these relationships – and the direction of influence – for specific types of media and/or content categories. In addition to that, due to the asymmetries between upswings and downturns with respect to the depth and speed of the adjustments, I focus more strongly on recessionary times.

To sum up, we have to first of all keep in mind that the state of the economy is only *one* influencing factor among a range of factors and that its impact varies significantly, depending on what kind of "media" we are looking at. Having said that, for the demand side, it is important to evaluate the relative costs (e. g., purchasing a media device vs. a single piece of content) but also the function of a media good (e. g., purchasing a tablet as an "add-on"[4] vs. using media/communication for stress relief). For advertisers, most studies indeed find evidence for a pro-cyclical budgeting behavior, especially in times of crises when competitors are reacting similarly. However, there are also organizations with a rather proactive mind-set that keep up or even increase their budgets during economic downturns. This again, shows that characteristics of the focal industry, organization, and decision makers are highly influential too, and that advertising can affect economic outcomes in turn. With respect to media supply, the article elaborates on two basic strategies to cope with (or even prevent) negative effects in harsh economic times: cutting costs vs. boosting sales. Of importance here are the normative implications that these strategies entail, i. e., constraints for media professionals – particularly journalists – that affect their autonomy, independence, and the resources they need to maintain a certain level of quality. This, in turn, can have negative effects on their output with respect to the diversity of contents or the adherence to journalistic quality norms. On the other hand, media, particularly news content, can affect the economy too. Research has shown that the predictive power of news coverage as a driver for economic outcomes increases during downturns.

4 See, for instance, a study by Chan-Olmsted and Shay (2016) on the adoption of tablets as devices that are very similar to smartphones in form and function.

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Rouven Seifert, Michel Clement, and Cord Otten

15 Designing marketing models for media products

Abstract: Managing media products is challenging. Media products are innovations with hedonic consumption utility which are distributed in competitive physical and digital markets influenced by social and cultural trends. These attributes often cumulate in short life cycles and high flop rates. Successful marketing strategies require knowledge about the ecosystem and the effects of marketing activities. This article provides a framework to develop marketing models and to evaluate existing media business studies. We discuss fundamentals in starting the modelling process, specifying the model, and fitting relationships. Our framework provides an introduction for researchers who are new to this field and some guidance on advanced econometric specifications. On each step of the modelling process, we elaborate on key challenges in various media industries and illustrate econometric issues with examples to provide implications for managers of media companies, scholars, and policy makers.

Keywords: marketing models, media economics, econometrics, media products

1 Introduction

Media industries represent an important part of the global economy (PWC 2018) and include traditional products like newspapers, magazines, books, music, games, and filmed content, but also new phenomena such as virtual reality and e-sports. The production and distribution of media products requires substantial investments (e. g., 425 million US$ for the production of the Avatar movie; The Numbers 2019) and come along with high flop rates (Hennig-Thurau and Houston 2019). Media products are social and cultural products (Salganik, Dodds, and Watts 2006) which are distributed in different formats and distribution channels (e. g., Papies and van Heerde 2017). Their quality is hard to evaluate before consumption, the experience is dominantly hedonic (Hirschman and Holbrook 1982), and desirability changes through repeated consumption and commercial interruptions (e. g., Galak, Kruger, and Loewenstein 2013; Nelson, Meyvis, and Galak 2009). Typical in the media ecosystem are high competition and numerous new releases (e. g., about 85,000 new books are published in the German market annually; Börsenverein des Deutschen Buchhandels 2018). Digitization has reduced entry barriers and allowed newcomers to enter the market with innovative products and services (PWC 2018). Against this backdrop, it is indispensable for media companies to attract consumers through marketing activities and to create "buzz" around their products (Houston et al. 2018). Recent reviews (e. g., Hennig-Thurau and Houston 2019) and generalizations (e. g. Clement, Wu, and Fischer

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2014) summarize empirical evidence on the major role of marketing in successfully selling media products. Further, they report high elasticities for marketing activities in various media markets.

Marketing models use empirical data on consumers and markets to quantify responses to marketing actions in order to guide managerial decision making (Hanssens, Leeflang, and Wittink 2005). For example, insights on the relationships of advertising and word-of-mouth activities on product sales may help in optimizing respective budget allocations (Bruce, Foutz, and Kolsarici 2012). Digitization provides researchers access to new and more consumer and market data (Kannan and Li 2017). But raw data and descriptive analyses provide insufficient guidance for most decision problems. Thus, knowledge on designing marketing models for media products is a critical capability for firms to derive meaningful implications from (more or less unstructured) numerical and sometimes big data (Kannan and Li 2017). However, building a marketing model for media products is challenging and has to create value for the stakeholders (Leeflang et al. 2015).

Academic research provides an impressive library of econometric marketing models (e. g., Leeflang et al. 2017). Within this stream of literature, we observe an increasing number of response models applied to the context of media products (Hennig-Thurau and Houston 2019). However, the literature lacks a step-by-step blueprint on how to build marketing models for media products.

In this article, we address this gap and provide a blueprint for developing a marketing model in the context of media products. Researchers such as managers of media companies, scholars, and policy makers are invited to use this framework to critically evaluate existing studies and as a roadmap during the development process of a marketing model. We aim to provide a parsimonious introduction to the topic of building marketing models and illustrate key challenges and strategic options during the modeling process. For readers interested in advanced econometric specifications we classify various solution approaches to inform and facilitate decision making.

The remainder follows a four-step process to build a marketing model for media products: First, we give an overview of applications of marketing models, the modeling process, and criteria for designing a good model. In section 3, we discuss data sources and shed light on operationalizing input and outcome variables. Section 4 elaborates on key aspects in fitting relationships between input and output. In section 5, we introduce advanced econometric challenges. This article closes with implications and limitations.

2 Getting started: Building valuable marketing models

In this section, we review applications of marketing models, the modeling process, and criteria for designing a valuable model. This section provides fundamentals for the evaluation of existing and the design of new marketing models.

2.1 Applications and processes

Applications. Marketing response models draw from a large library of econometric models (e.g., Leeflang et al. 2017). These models are dominantly estimated using regression analyses, but also include econometric approaches such as machine learning algorithms (Lehrer and Xie 2017). Marketing models are highly relevant for managers and scholars as they provide a broader and deeper understanding of the consumers' response to changes in marketing mix variables, and information to adjust current behavior and optimize future policies (Hanssens, Leeflang, and Wittink 2005). The literature provides different approaches to quantify and illustrate the impact of changes in input variables on outcomes. Parameter estimates (e.g., price elasticity of demand) and forecasts (e.g., release week sales) are typical outcomes and provide initial decision support. For example, Elberse and Eliashberg (2003) provide an elasticity of .81 for screens on box office revenues in the US American theatrical market, indicating that a ten percent change in screens results in an 8.1 percent change in box office revenues. What-if scenarios with simulations (Papies and van Heerde 2017) and impulse response functions (Pauwels 2004) aim to illustrate the effect on broader marketing mix systems. Finally, a response model can be integrated in an optimization model.

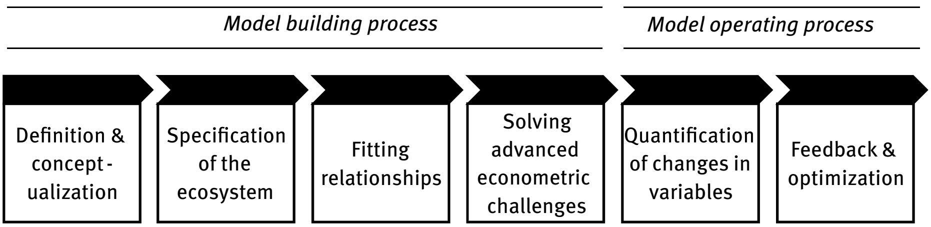


Fig. 1: Overview of the steps to build and operate a marketing model

The model building process. Building a marketing model requires the consideration of key aspects (Leeflang et al. 2015) which we group in four steps. Fig. 1 gives an overview of the steps to build and operate a marketing model. The model building process typically starts (section 2) with the definition of the managerial problem and the development of a conceptual model. In the second step (section 3), the specification of the variables transforming data from different sources into input and output variables is conducted. The third step (section 4) addresses the functional form of the relationships between the entities as well as potential moderations and mediations in causal chains. Further, we consider shadow diffusion as a frequently observed aspect in the context of marketing media products. Finally, section 5 focuses on advanced econometric challenges which can evolve in specific marketing response models. Specifically, heterogeneity requires time-differentiated or segment-specific analyses and endogeneity calls for methods to address omitted variable bias.

2.2 Criteria

A response model is valuable when it is clear in objective, smart in use, accurate in causal inferences, generalizable in use, coordinated among stakeholders, and properly estimated (Calder, Phillips, and Tybout 1982; Leeflang et al. 2015). However, each marketing response model is a combination of various trade-offs made during the model building process.

Clear in objective. The model building process typically starts with the development of a clear and scoped definition of the managerial problem and the intended contribution (Leeflang et al. 2015). It includes a definition and description of the entities involved and their causal relation as well as statements on the level of aggregation and relevant decision variables. Research hypotheses sharpen the focus on the core research question. In many instances, researchers are more interested in research hypotheses related to the magnitude of the effect (e. g., advertising elasticity) and less on the direction of the relationship (e. g., advertising increases sales or not). The intended contribution clarifies the purpose of the model in a few sentences. Researchers construct a conceptual model which condensates the real world into a formal representation. It depicts the ecosystem, the entities involved, and their relations and theorizes the causal chains (Leeflang et al. 2015). Researchers typically use visual elements such as boxes and arrows to illustrate the model and research hypotheses. Scoping the real world is fundamental to exclude irrelevant aspects and to accurately represent the ecosystem, economic units, investigated decision variables, and their relations (Albers 2012). Aggregation and disaggregation play another important role as it zooms in or out. On aggregated levels, marketing models evaluate the response of marketing activities on the product-category or brand level (Albers 2012). Similarly, models dealing with consumer data can be analyzed on the individual or household level (e. g., Burmester et al. 2016). However, information on different economic units and levels of aggregation can be combined in one model. For example, Luan and Sudhir (2006) combine information on the consumer and product level to investigate sequential product introduction strategies in the motion picture industry.

Smart in use. Low transaction costs to develop and implement a response model in a specific managerial context make it useful in daily practice (Venkatesh and Bala

2008). Standardization increases the perceived ease of use (Venkatesh and Bala 2008) as it improves face validity and interpretability (Hanssens, Leeflang, and Wittink 2005). However, it may reduce the perceived usefulness through a loss of flexibility.

Accurate in causal inferences. To make causal inferences, a model has to adequately depict the ecosystem and quantify its relations. However, econometric models are limited in testing statistical causality as they report correlations of the entities linked by theoretical considerations (Granger 1969). Typical statistical indicators such as the explained variance (R^2) and parameter significance provide no insights on the causal relations between input and outcome (Coltman et al. 2008). Some types of marketing response models (e. g., vector-based time series models) are appropriate in testing causality, but true causality remains unreachable, since a research subject (e. g., a consumer) cannot be exposed to different treatments (e. g., promotion and no promotion) at the same time (for a discussion on causality see Holland 1986). Thus, a theoretical motivation is essential as it helps to identify relevant variables, legitimates relations and excludes alternative causal claims (Calder, Phillips, and Tybout 1982), and hedges against spurious correlations (Rotfeld 2014) and other forms of misspecification (Holland 1986).

Generalizable. A model which is adaptive, flexible, and robust to changes in the ecosystem (e. g., changes in data, variables or relations) increases the areas of application as it generalizes to other managerial problems and produces reasonable forecasts (Calder, Phillips, and Tybout 1982).

Coordinated. Building a marketing model requires a high degree of coordination (Leeflang et al. 2015). Various stakeholders have different and sometimes diverging expectations of the model, thus requiring close coordination (Hanssens, Leeflang, and Wittink 2005; Leeflang et al. 2015). Unexpected problems such as insufficient convergence of estimates make adjustments during the modeling process necessary (Leeflang et al. 2015). Further, collecting, merging, and processing data is costly and often prevents model implementation in practice. Thus, the model has to be adjusted to capabilities and balance time and costs with the objectives of the stakeholders.

Properly estimated. The estimation procedure uses the formalized model, the underlying data, and a statistical algorithm (e. g., OLS) to estimte parameter values (Leeflang et al. 2015). Thus, the estimation procedure is closely related to decisions made during the four modeling steps. First, the estimation procedure has to adequately depict the relations in the ecosystem and produce insights on the managerial problem and the intended contribution. Second, the estimation is related to specifications on the kind of data (e. g., cross-sectional, time series, or panel data; Leeflang et al. 2015), observed variables (e. g., number of variables and their operationalization; Leeflang et al. 2015), and unobservable variables (e. g., segment-specific response and endogenous processes; Allenby and Rossi 1998; Papies, Ebbes, and van Heerde 2017; Vermunt and Paas 2017). Third, the estimation is related to decisions on established relationships and necessary statistical assumptions (e. g., distribution of errors; Leeflang et al. 2015). Finally, the standardized applicability with statistics software packages (e. g., SPSS or STATA) and the computational effort in estimating the model are decisive (Leeflang et al. 2015).

3 Specification

The specification process operationalizes data into input and outcome variables based on the conceptualization of the model (Hanssens, Leeflang, and Wittink 2005). Thus, section 3.1 starts with a general discussion of data structures and sources as the starting point of the operationalization. In section 3.2, we focus on input variables and introduce the 4Ps as a pragmatic and widely accepted structure to identify and categorize relevant marketing mix variables. Then, we focus on media products and discuss consumption, production, and distribution characteristics of particular importance in this context. Fig. 2 provides an integrated overview of the 4Ps and consumption-, production-, and distribution-related characteristics. Finally, section 3.3 provides an overview of outcome variables, their applications, and implications.

3.1 Data

Data structures. Data are a key resource for firms to understand consumers and markets and to create a competitive advantage for the firm (Porter and Millar 1985). Identifying adequate data sources is the first step to create value based on data. In a second step, these data have to be stored and transformed to extract information (Balducci and Marinova 2018). The marketing literature differentiates between unstructured and structured data as well as between cross-sectional and time series data. Typically, highly unstructured data describe data which represent different observations at the same time without a predefined structure or numeric values (Balducci and Marinova 2018). For example, videos observing customer behavior provide data of multiple units in the ecosystem (e. g., customers and sales staff) on emotional, behavioral, and cognitive processes, which make them highly unstructured. The less structured the data are, the more effort is required to prepare them for a marketing response model (Balducci and Marinova 2018). Cross-sectional data observe research subjects such as customers or brands at a single point in time (e. g., cumulated sales of the first eight weeks after product release), while time series data provide repeated observations in a temporal order (e. g., weekly sales) (Leeflang et al. 2017). Time series data on multiple economic units are called panel data such as behavioral information over newspaper customers over multiple periods of time. Panel data enable short- and long-term implications from changes of marketing mix variables, but require multiple observation per unit and carry potential bias through missing values and panel mortality (Sobol 1959).

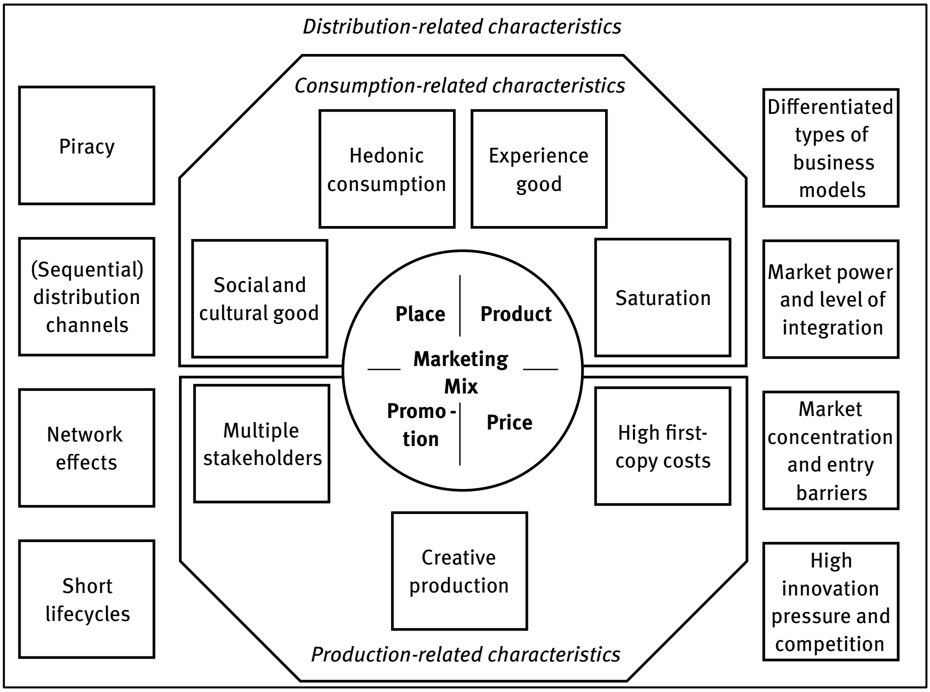


Fig. 2: Integrated overview of the 4Ps and consumption-, production-, and market-related characteristics. Modified from Hennig-Thurau and Houston (2019: 60)

Data availability. Data availability has increased dramatically over the last decades, especially through advances in information technologies such as digitization (Kannan and Li 2017). Automated data collection technologies provide novel ways to track consumers in their daily life (Martin and Murphy 2017). Web crawlers and scraping applications store information, which are accessible through websites or application programming interfaces (APIs). However, extracting this information requires particular attention to individual privacy rights and ethical guidelines (Verma 2014). Access to data differs substantially across industries, countries, and stakeholders. Publicly available data such as movie-content characteristics, word-of-mouth activities, and box office results on IMDb or Variety are easy to access, but also available to competitors. Industry associations such as IFPI, Börsenverein, NATO and MPAA as well as trade publications publish sales data and related information in regular time intervals. Online marketplaces (e. g., eBay) and retail platforms (e. g., Amazon) list sales ranks and prices. Social network sites (e. g., Twitter, Facebook, and Instagram) as well as user-generated content applications, user forums, and blogs provide information on professional and user-generated word of mouth. Moreover, various online platforms (e. g., special interest websites such as rottentomatoes.com) provide information on professional product reviews. Commercially available data from market research companies are yet another frequently used data source. For example, market research companies (e. g., GfK or Nielsen) track marketing activities such as advertising spending or promotions. Private data such as customer data of streaming services are hard to retrieve, but can provide interesting insights. For example, Datta, Foubert, and van Heerde (2015) investigate retaining customers with free trials for iTV.

3.2 Input variables

Marketing mix variables: The 4Ps developed by McCarthy (1964) provide a pragmatic and widely accepted structure to identify and categorize relevant marketing mix variables. Tab. 1 provides an overview of typical marketing mix variables for media products in each of the four categories, namely product, price, promotion (communication), and place (distribution). However, media products have special characteristics which change the consumer's response behavior and require attention in optimizing the marketing mix. The characteristics can be divided into consumption- and production-related characteristics as well as those on the distribution level (Hennig-Thurau and Houston 2019).

Tab. 1: The 4Ps and exemplary marketing mix variables for media products in each of the four categories. Modified from Homburg, Kuester, and Krohmer (2009)

Category	Marketing mix variables
Product	– Product characteristics (e. g., genre, cover design, age restriction) – Brand-related aspects (e. g., sequel, book adaptation)
Price	– B2C and B2B price discrimination for the different product versions (e. g., B2B price mechanism, retail price physical product, retail price digital product)
Promotion	– Firm communication (e. g., advertising, PR) – Product-related buzz management (e. g., product word of mouth)
Place	– Choice of distribution channels (e. g., number of product releases in a geographic area) – Time and order of product release in distribution channels (e. g., time span between sequential product releases)

Consumption-related characteristics: Consuming media products is primarily hedonic (Hirschman and Holbrook 1982), and consumers struggle to assess the quality of the experience before consumption (Hennig-Thurau and Houston 2019). Consumers seek signals to predict the media product's quality in order to reduce their risk (Kirmani and Rao 2000). Thus, product-related cues communicated via advertising, public relations, or social media activities (e. g., actors, critic's appeal, directors, genre, and sequels) impact consumer behavior (e. g., Burmester et al. 2015; Clement, Wu, and

Fischer 2014; Hennig-Thurau, Houston, and Heitjans 2009; Mathys, Burmester, and Clement 2016), while interpersonal chatter spreads through the social network (Bruce, Foutz, and Kolsarici 2012). Promoting these key characteristics acts as an amplifier in interaction with other product characteristics (e. g., star power; Hofmann et al. 2017). Additionally, media products are social and cultural products leading to symbolic appropriation which make them sensitive to herding behavior (Salganik, Dodds, and Watts 2006). However, desirability for these hedonic aspects is volatile over time (Hennig-Thurau et al. 2007), linked to consumption intensity (Galak, Kruger, and Loewenstein 2013) and commercial interruptions (Nelson, Meyvis, and Galak 2009).

Production-related characteristics: These consumption-related characteristics increase the risk carried by firms producing media products. Producing a media product starts with a selection of content in a creative process with the objective to meet the consumer's actual and future tastes. Thus, plots and genres categorizing the content are important sources of information in green-lighting production and predicting market performance (e. g., of movies; Eliashberg, Hui, and Zhang 2007). High first-copy costs (usually sunk costs after production) compared to replication and distribution costs (Wang and Zhang 2009) increase pressure to select good movies. Moreover, content creators have to satisfy different audiences, such as content customers and advertisers, which are interrelated (Armstrong 2006). For example, non-fitting product placements or content overloaded with advertising can disturb the consumption experience and harm the success of the media product (Balasubramanian, Karrh, and Patwardhan 2006).

Distribution-related characteristics: The consumption and production characteristics have implications on the distribution. Producers of media products use numerous business models to monetarize their content and tap different audiences. Micro-payment (Graybeal and Hayes 2011), Freemium (Datta, Foubert, and van Heerde 2015), two-sided markets (Argentesi and Filistrucchi 2007), flat rate or subscription (Lambrecht and Skiera 2006), bundles (Venkatesch and Mahajan 2009), unbundled offerings (Elberse 2010), and publicly funded alternatives exist. However, in non-vertically integrated settings, distributors and channel operators have to negotiate on the revenue sharing agreement (e. g., content distributor and channel retailer are distinct companies). The negotiated revenue split or price differs according to the market power of the contracting parties (Pan et al. 2010). Competitive pressures to innovate due to evolving technologies, fluctuating consumer preferences, and intensive competition combined with enormous first-copy costs make media markets risky and lead to market concentration and entry barriers for content producers (Acs and Audretsch 1987; Kessides 1990). Short product life cycles of only months or even only a few weeks (e. g., Elberse and Eliashberg 2003) increase pressure on premiering success in the opening days after release. Digitization allows for unlimited shelf space, thereby increasing the long tail as content is also available after its initial life cycle in an online library or as a catalogue title (Elberse 2008). Further, technological devices (e. g., mobile and smart devices) and digital social media platforms (e. g., blogs and social networks) lower the entry barriers for content creators. Consumers produce and share their own texts, audio files, and video clips, emerging as new consumption alternatives in the media industry (Cha 2013). A clear understanding of the distributor's market environment is essential: Content is commonly distributed through various physical and digital distribution channels (Hennig-Thurau et al. 2007). Timing, order of channels, and price as well as the overlap of the consumption experience determine the degree of substitution (cannibalization) or complementarity. A prominent example is the cannibalization of the theatrical channel in case of a simultaneous release of movies in theatres and in home video channels (Burmester et al. 2016). In contrast, Papies and van Heerde (2017) demonstrate that live music concerts and recorded sales induce an upward demand spiral in the music industry. Next to legal consumption, pirated product versions affect many media markets. Most studies find that these illegal versions displace legal demand (e. g., Oberholzer-Gee and Strumpf 2007), but the piracy rate depends on several characteristics (e. g., popularity; Bhattacharjee et al. 2007) and is not per se negatively related to sales (e. g., Smith and Telang 2010). The consumption of some media products depends on technological devices or applications. Prominent examples are video games on game consoles, DVDs on DVD-players, and music on streaming services (e. g., Spotify). The value of these products may increase with direct and indirect network effects (Clements and Ohashi 2005). For example, the consumer's value of a multiplayer video game through direct network effects increases with the number of players (active customer base) of the video game. A large active customer base may further have indirect network effects by incentivizing firms to offer value-adding complementary products.

3.3 Outcome variables

The ultimate goal of producers and distributors of media products is to create shareholder value through different content business models (Srivastava, Shervani, and Fahey 1999). In this context, researchers are interested in market outcomes and intermediate steps in the value creation chain that can be measured and managed (e. g., sales). Furthermore, some products require revenue streams from more than one target group such as two-sided markets (Argentesi and Filistrucchi 2007). Most marketing response models use count data such as product sales (e. g., Elberse and Eliashberg 2003) or sales ranks (e. g., Chevalier and Mayzlin 2006) as performance indicators. Often, these data are zero-truncated with systematically missing zero sales. Moreover, additional sources of variation are common, leading to so-called over-dispersion in count data. Count data can be modelled with Poisson models, and multiple related models exist to deal with common phenomena in the data. Examples include zero-truncated or zero-inflated Poisson models or Negative Binomial models to address over-dispersion (Hilbe 2011). Changing market conditions such as emerging or saturating product categories, formats, and distribution channels as well as strategic reactions from competitors make market share models a powerful instrument (e. g., Mukherjee and Kadiyali 2011). Research contexts dedicated to decisions between discrete product choices rely on ordinal outcomes (e. g., Hennig-Thurau et al. 2007). For example, Hennig-Thurau et al. (2007) study movie selection among a small number of movies with respect to changes in release timing, order, and price using a choice-based conjoint analysis. Logit or probit models address adoption and retention decisions such as for subscription services (Datta, Foubert, and van Heerde 2015). Situations in which the outcome of a media product is conditional on a selection process, such as the unavailability of a media product in certain stores, requires a Tobit Type II or Heckman model (Heckman 1976, 1979). Measuring the value of a customer across services and including switching and multiple consumption may be of interest (Datta, Foubert, and van Heerde 2015). For example, changes in customer lifetime value (CLV) due to the conversion of a customer from ad-revenue based versions to premium versions or from pay-per-use to flat rate could be investigated (Pauwels and Weiss 2008). Further, this includes the ability to retain customers in high-margin premium versions (Datta, Foubert, and van Heerde 2015). Moreover, high return rates are also an important outcome in the media industry, as they decrease the CLV (Lepthien and Clement 2019; Petersen and Kumar 2009). In addition to that, researchers are commonly interested in the adoption process of media products in a social system over time (Rogers 1962). Typically, media products with short life cycles peak shortly after release and then decrease exponentially (blockbuster pattern) or start on low sales levels peaking a few weeks after release (sleeper pattern) (Hofmann-Stölting et al. 2017). Thus, the common bell-shaped Bass model is insufficient for many diffusion patterns typically observed in the context of media products (Peres, Muller, and Mahajan 2010). Respective further major developments to depict different diffusion patterns are the expanded Bass (Swami and Khairnar 2003), exponential (Jedidi, Krider, and Weinberg 1998; Radas and Shugan 1998), generalized gamma (“BOXMOD-I”; Ainslie, Drèze, and Zufryden 2005; Sawhney and Eliashberg 1996), Weibull (Moe and Fader 2001), and logistic hazard diffusion models (Lee, Boatwright, and Kamakura 2003). However, the best-fitting model is a case-by-case decision. Diffusion processes with both exponential and “sleeper” patterns favor generalized gamma or Weibull models (Hofmann-Stölting et al. 2017).

4 Fitting relationships

In this section, we discuss key aspects of fitting linear and non-linear direct and indirect relationships between input factors and outcome dimensions. Section 4.1 features stock variables as a parsimonious way to address the typical phenomenon of shadow diffusion in the diffusion of media products. In section 4.2, we discuss key issues related to the functional form of the relationship. Especially, we focus on quadratic terms, moderations, and mediations.

4.1 Shadow diffusion and stock variables

Media companies usually announce their forthcoming product releases in the press and social media, provide product samples such as movie trailers, and advertise them to create pre-release consumer buzz (Houston et al. 2018). Interpersonal communication spreads these cues through the network even before the product's release (Houston et al. 2018) and consumers of illegal versions influence potential legal adopters (Givon, Mahajan, and Muller 1995). This shadow diffusion captures the intended demand from adopters who decide to purchase the product before it is released (Peres, Muller, and Mahajan 2010). This pre-release demand can culminate in a large number of adoptions within a very short time after the release (Muller, Peres, and Mahajan 2009). As Burmester et al. (2015) show, the impact of PR is even higher in the pre-release phase. However, consumers' pre-release adoption intention is (almost) non-observable unless they place pre-release orders (Hui, Eliashberg, and George 2008). Fig. 3 illustrates a typical pattern of a shadow diffusion due to consumer pre-release buzz and its link to product adoptions. Researchers and managers struggle with incorporating the shadow diffusion into marketing response models (Muller, Peres, and Mahajan 2009). Stock variables provide a parsimonious approach to link pre-release consumer buzz with observed sales and to address the carryover of buzz metrics and company actions to future periods (Nerlove and Arrow 1962). These stocks represent the cumulated prior level of a specific variable such as advertising, discounted with a carryover factor (Nerlove and Arrow 1962). The carryover captures the stock that spills over to the next period and is usually affected by wear-out, forgetting, and repetition (Bruce, Foutz, and Kolsarici 2012; Naik, Mantrala, and Sawyer 1998). Stock variables are frequently used in various econometric models and applications (e. g., Bruce, Foutz, and Kolsarici 2012).

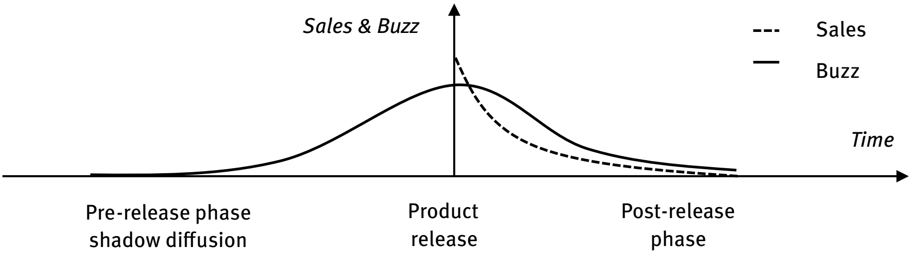


Fig. 3: Exemplary pattern of shadow diffusion through pre-release marketing for games. Modified from Burmester et al. (2015)

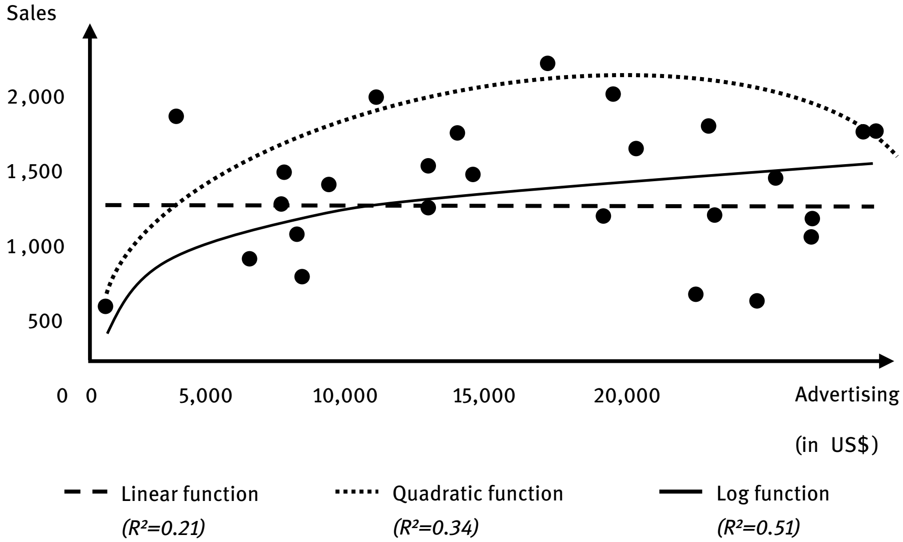


Fig. 4: Plot and trend lines generated with Excel. Fictive example of advertising spending and sales

4.2 The functional form

Marketing mix variables, such as advertising expenditures, typically show diminishing marginal returns through wearout (Bruce, Foutz, and Kolsarici 2012; Naik, Mantrala, and Sawyer 1998). Consequently, an additional advertising contact is only profitable up to the point when marginal return exceeds the marginal cost. Note that an optimum is only possible for non-linear relationships. The form of the response function is thus of crucial importance to find an adequate representation of the underlying data-generating process in order to derive meaningful implications from the parameter estimates in general and to support managers in optimizing their marketing mix decisions in particular (Albers 2012). The economic literature provides a large library of functional forms as well as combinations among them: Fig. 4 illustrates the decision problem that researchers face in choosing the right functional form for an advertising response function. An adequate functional form needs to balance multiple requirements. First, theoretical arguments should favor a functional relationship. Second, the literature on marketing and media products validate different types of functional specifications. However, prior media business studies frequently used response functions (e. g., linear) that lead to implausible optimization results (Albers 2012). The literature proposes different more suitable and parsimonious solutions such as a log-log specification, which directly estimates elasticities and accounts for decreasing marginal returns (Leeflang et al. 2000). Log-log models are linear models in which both the dependent and the independent variables are log-transformed and can be estimated with standard software using ordinary least squares (OLS). This functional form is frequently applied in marketing research (e. g., Clement, Wu, and Fischer 2014). However, log-log models require an additional transformation (e. g., +1 unit) to handle zero-truncated data. Thus, econometricians recommend Poisson models to tackle zero-truncation and over-dispersion (Hilbe 2011). Third, a visual inspection ("model-free evidence") through plots helps to gauge the relation of the dependent and the independent variable (see Fig. 4). Fourth, specification tests such as the Box-Cox test (Box and Cox 1964) help to identify the appropriate functional form comparing goodness of fit among different specifications. Tests of the residual normality such as the Breusch-Pagan test (Breusch and Pagan 1979) validate that the functional form meets the Gauss-Markov assumptions. Fifth, some functional forms are not useful for deriving optimal policies. For example, the optimization result of pure linear relationships is always either infinity or zero (e. g., no advertising). On the contrary, some functional forms such as the log-log model make interpretation and optimization convenient.

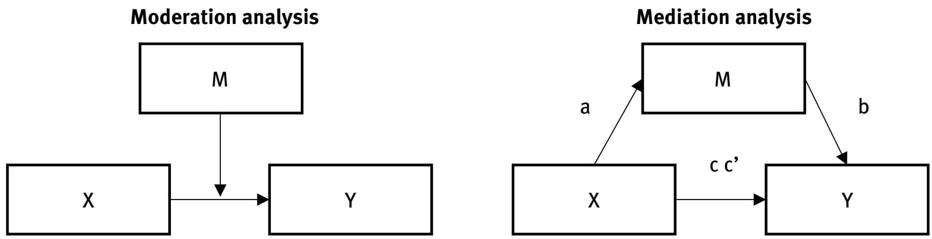
4.2.1 Quadratic terms

Typically, responses to marketing mix variables reach a minimum or maximum, which requires a non-linear relationship. One approach is to specify a quadratic functional form. For example, Ahmed and Sinha (2016) estimate an optimal release window between the theatrical and home video distribution channel using a quadratic term. In this case, the plot between the dependent and the independent variable shows an inverted U-shape. However, simple tests on the significance of the original quadratic term can be biased. A more appropriate way to establish the quadratic relationship is to orthogonalize the linear and quadratic terms (e. g., the linear term is regressed on the quadratic one) to reduce non-essential correlation (Marquardt 1980). Further, the additional variance of the quadratic term has to be significant, and the estimated extremes (minimum or maximum) have to be within the data range (Lind and Mehlum 2010).

4.2.2 Moderation

Researchers and managers are not only interested in the direct but also in the indirect effects of marketing actions. A common distinction between two types of indirect effects, in which the link between an input and an output is affected by a third variable, are moderations and mediations (see Fig. 5).

In moderation analysis, two marketing mix (input) variables are interrelated in a way that the level or sign of the consumer's response depends on the realization of the other one (Hayes 2018). For example, the stock market response to announcements of movie casts is higher for actors with a commercially successful history (Elberse 2007).



With the formal notation:

$$Y = \alpha_1 + \beta_1 * X + \beta_2 * X * M + \beta_3 * M + \varepsilon$$

With the formal notation:

$$(a): \quad M = \alpha_1 + \beta_{1,1} * X + \varepsilon_1$$

$$(b, c): \quad Y = \alpha_2 + \beta_{2,1} * X + \beta_{2,2} * M + \varepsilon_2$$

$$(c'): \quad Y = \alpha_3 + \beta_{3,1} * X + \varepsilon_3$$

Fig. 5: Overview of basic mediation and moderation analyses

Interaction effects in marketing response models are usually implemented using a new variable, which is the product of the two interrelated input factors. Input variables are usually mean-centered to better interpret the interaction term (Iacobucci et al. 2016). Mean-centering changes the interpretation of the coefficients, but it is unclear if it can help to reduce the correlation between the original variables and the interaction term (for a discussion see, Iacobucci et al. 2017). Mathematically, both specifications are equivalent (Iacobucci et al. 2017). Similarly, research settings with a categorical input variable (e. g., price promotion vs. no price promotion) and a categorical moderator (e. g., in an online channel vs. in an offline channel) provide different coding options (e. g., effects coding vs. dummy coding) which change the interpretation of the effects, but do not change the information included and the statistical inferences (Daly, Dekker, and Hess 2016). Simulations of shocks in the input variables combined with different levels of the moderator help to fain managerial insights into the moderation (Papies and van Heerde 2017). For example, Papies and van Heerde (2017) show that the positive cross-format elasticity of concert revenues on recorded music sales is moderated by different factors such as the amount of piracy activities.

4.2.3 Mediation

Mediation analysis explains the sequential process between two or more than two marketing mix (input) variables and the outcome. Fig. 6 shows a decision tree on different typologies of mediation modes. Theoretical considerations propose a causal chain (Baron and Kenny 1986; Hayes 2018) in which the realizations of the first marketing mix variable take place before the second one (in a strict temporal order; MacKinnon, Fairchild, and Fritz 2007). Addressing this causal chain, the direct effect of

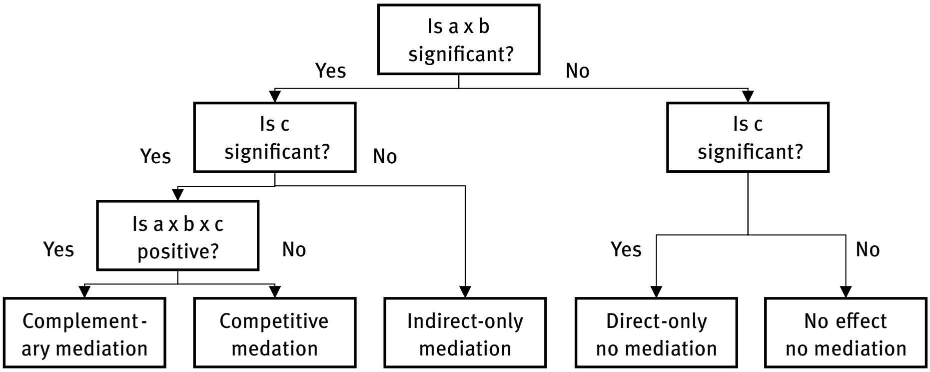


Fig. 6: Decision tree on different typologies of mediation modes. Modified from Zhao, Lynch, and Chen (2010)

the first variable changes under consideration of the second (mediating) variable (Hayes 2018). For example, theatrical movie distribution typically starts with firm communication through advertising and press announcements, which directly affects box office, but also leverages interpersonal communication. This proposes a mediated effect of advertising over word of mouth on sales.

The literature provides different approaches for mediation analysis. The famous stepwise approach by Baron and Kenny (1986) requires four steps to establish a mediation and formed the research standard for many years (for a discussion see, Zhao, Lynch, and Chen 2010). The statistical significance of the mediation can be assessed by different distribution (e. g., Sobel 1982, 1986) or resampling-based (bootstrapping) approaches (e. g., Preacher and Hayes 2004). The bootstrapped mediation analysis has received increasing attention after the introduction of the PROCESS macro for SPSS (Preacher and Hayes 2004) and provides more statistical power in detecting mediations (MacKinnon, Fairchild, and Fritz 2007). However, recent discussions in mediation research (Zhao, Lynch, and Chen 2010) relax the four requirements formulated by Baron and Kenny (1986). The most important requirement to establish a mediation is the statistical significance of the indirect effect (Zhao, Lynch, and Chen 2010). Market response models can include more than one mediator, which are ordered in parallel or serially (Hayes 2018; MacKinnon, Fairchild, and Fritz 2007). In this logic, a significant direct effect (so-called partial mediation) is an indication that there are one or more omitted mediators in the relationship between the input and the outcome (Zhao, Lynch, and Chen 2010). Furthermore, in some cases the indirect effects form a combination of moderations and mediations (Baron and Kenny 1986; MacKinnon, Fairchild, and Fritz 2007). Different types of these models are also implemented in the PROCESS macro (Preacher and Hayes 2004).

5 Advanced econometric challenges

In this section, we discuss frequently observed, but rather advanced econometric challenges which can emerge during the modeling process. Section 5.1 addresses heterogeneity and hierarchy in response to marketing activities. In section 5.2, we discuss approaches to address endogeneity bias. Finally, section 5.3 focusses on dynamics among outcome variables and systems of equations. This section provides an overview and a classification of potential solutions to create awareness for these challenges and guide the reader in finding an adequate modeling approach.

5.1 Heterogeneity and hierarchy

The setup of a model requires the trade-off between abstraction from reality in order to be useful and the inclusion of detail for valid inferences. However, the willingness to pay for a video game, for instance, is presumably different for a consumer owning the corresponding game console in comparison to the general population. Thus, the expected mean willingness to pay for the general population may be unreasonable for any given individual (Ozkaya et al. 2013). To maximize profits, managers and automated marketing systems have to target these heterogeneous customer needs (Ansari, Essegaier, and Kohli 2000).

Heterogeneous response to marketing activities has been demonstrated in many empirical settings (e. g., Zhu and Zhang 2010). However, most standard regression-based response models such as an OLS (with parameter estimates for direct effects) provide average effects over the entire sample. For example, Elberse and Eliashberg (2003) report a mean advertising elasticity of .26 for all movies in their sample. A common strategy to address this heterogeneity is to add the relevant fidelity by explicitly including the sources of the heterogeneity into the model. For example, with cross-sectional heterogeneity, individuals or brands are nested in higher-ordered segments, as they are aggregated to social, cultural, or economic groups (Ozkaya et al. 2013). This may be challenging though. First, there may be only few instances of respective data resulting in small sample sizes. Second, some features may not be observable to the researcher. To setup an effective marketing model, the researcher should first select an appropriate aggregation level. Theory should inform this step. Next, respective data should be gathered and white spots be addressed.

Tab. 2: Overview and classification of model types to address heterogeneity

Unobservable heterogeneity	**Model type**
Non-normal distribution of conditional outcome	Quantile regression
Distinct data generating processes/ segments	Mixture models
Continuous latent intercept variation	Random intercept model
Continuous latent slope variation	Random slope model
Continuous latent intercept and slope variation	Random coefficient model

As shown in Tab. 2, the literature offers various approaches to address unobservable heterogeneity. Quantile regression builds on percentiles in the conditional distribution of the dependent variable to capture segment-specific parameter estimates (Koenker and Bassett 1978). This approach is appropriate to OLS in presence of outliers and heavy-tailored conditional distributions (Coad and Rao-Nicholson 2008). The number of estimated percentiles is determined in line with the research goal. However, data availability usually restricts the analysis to a small number of models (Buchinsky 1998). For example, Bagella and Becchetti (1999) report marketing mix parameters in the Italian motion picture market by quartile. Finite mixture models provide a model class to problems where theoretical considerations suggest segment-specific differences with a finite number of groups, but data availability prohibits the clear assignment of a consumer or brand to a segment (Vermunt and Paas 2017). For example, Jedidi, Krider, and Weinberg (1998) investigate the opening strength and decay rate at the box office and report results for four latent movie segments. However, the practicability and efficiency of finite mixture models decreases with complexity in the mixtures (for a discussion see, Allenby and Rossi 1998). Thus, hierarchical linear models receive increasing attention in the literature (Allenby and Rossi 1998). There are two main dimensions in the design of hierarchical linear models: the degree of information pooling between segments and the location of specified variation in the model. The two extreme cases of information pooling are complete pooling, where segments are ignored, and no pooling, where each segment (e. g., each individual) is completely independent from one another (fixed effects models). So-called random variation models are an example of partial pooling, where some information is shared between segments. That is, individual parameters are drawn from a pre-specified distribution. Ozkaya et al. (2013) describe three locations to introduce this random variation in the model. The random variation can be included in the intercept (random intercept model), the slope (random slope model), or in both (random coefficient model). For example, Moon et al. (2016) differentiate between movie-specific and country-specific variables across 48 countries and show that box office increases with higher levels of a movie's and national cultural compatibility. However, many hierarchical linear models require rich data with large samples. Next to standard hierarchical models, Bayesian modeling approaches allow for great flexibility in hierarchical model specifications. Building on the idea of heterogeneous coefficients, research settings with heterogeneous response over time, across products, and spill-overs are typical outlets for dynamic linear models (Bruce, Foutz, and Kolsarici 2012).

5.2 Endogeneity

In many empirical settings, scholars and managers use market response models to investigate the impact of certain marketing mix variables on the outcome. However, data availability and costs for data procurement, storage and processing as well as measurement error, simultaneity, and sample selection prevent the collection of all relevant information in many empirical settings (Papies, Ebbes, and van Heerde 2017; Rutz and Watson 2019). Consequently, model endogeneity is a concern. The endogeneity problem arises when an explanatory variable is correlated with the error term, resulting in biased estimates of the true effect of the explanatory variable. The starting point for the endogenous process can be either the organization and its decision makers or the consumers (Papies, Ebbes, and van Heerde 2017). Although these omitted variables (aggregated in the error term) usually do not inflict harm, they trigger an endogeneity bias if they are correlated with the observed input factors (Papies, Ebbes, and van Heerde 2017). For example, Elberse and Eliashberg (2003) show that parameter estimates for the sales response to the number of movie screens are overestimated if the expectations on movie success and the induced strategic behavior in adjusting the number of screens are ignored. Finally, selection can cause an endogeneity bias, as shown by Caliendo, Clement, and Shehu (2015) for professional critics in the book publishing industry.

Generating research implications under control of potential endogeneity bias has received increasing attention in the marketing literature (Rutz and Watson 2019). However, endogeneity correction can even increase bias (Rossi 2014). Interventions should be made cautiously and should be based on theoretical arguments and empirical evidence (Rossi 2014; Rutz and Watson 2019). Without this evidence, the simple OLS estimator is the best estimator as it provides the best fit on assumptions of the standard linear model (Papies, Ebbes, and van Heerde 2017) and uses the full variation in input variables (Rossi 2014).

The econometric literature provides different methods to address endogeneity in response models (Papies, Ebbes, and van Heerde 2017). Fig. 7 provides an overview of these methods, namely instrumental variables, time series information, instrument-free methods, and sample selection models. The most common method is to use instrumental variables (Papies, Ebbes, and van Heerde 2017). However, the richness of this approach depends on the strength and validity of the instrumental variable. In practice, it is difficult (and usually combined with a trade-off) to find instruments correlated with the endogenous input variable and uncorrelated with the error from

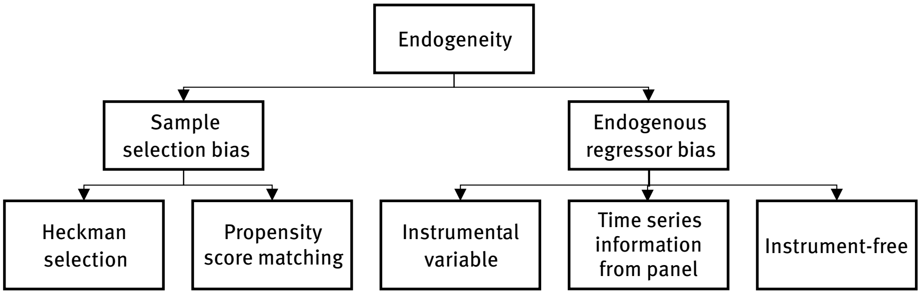


Fig. 7: Comparison of approaches for estimating with endogeneity correction. Based on Papies, Ebbes, and van Heerde (2017)

the market response equation (Rossi 2014). Tab. 3 provides an overview of potential sources of instrumental variables (for a detailed description see, Papies, Ebbes, and van Heerde 2017). Another method is to extract time series information from panel data (e. g., using fixed effects) to account for endogeneity (Papies, Ebbes, and van Heerde 2017). Finally, the literature proposes methods that do not require instruments (e. g., Danaher and Smith 2011; Ebbes et al. 2005; Park and Gupta 2012). These methods rely on distribution assumptions to identify exogenous and an endogenous variation (Park and Gupta 2012). Particularly the control-function approach by Park and Gupta (2012) with Gaussian copulas receives much attention (e. g., Burmester et

Tab. 3: Overview of potential sources of instrumental variables. Based on Papies, Ebbes, van Heerde (2017)

Source of instrumental variable	Strength and validity consideration	Examples in the marketing literature
Costs	Costs unrelated to unobserved factor, but unrelated or correlated with endogenous variable	Price for ingredients (Rooderkerk, van Heerde, and Bijmolt 2013; Villas-Boas and Winer 1999), price for advertisements (Dinner, van Heerde, and Neslin 2014)
Lagged values of input or outcome	Highly correlated with endogenous variable, but unobserved demand shocks have to be outside the used period	Past values of own and competitor sales/ market share (Ataman, van Heerde, and Mela 2010; Villas-Boas and Winer 1999), past values of prices/advertising (Villas-Boas and Winer 1999)
Marketing activities (input) from other categories, regions, brands, or industries	Correlated with endogenous variable, but unobserved demand shocks have to be outside the used category, regions, brands, or industries	Past price/advertising from other product classes (van Heerde et al. 2013), cities within a region (Nevo 2001), firm segments (Dinner, van Heerde, and Neslin 2014), competing brands (Ataman, van Heerde, and Mela 2010)

al. 2015). Here, a copula term is added to the main equation of the response model to approximate the endogenous portion of the error term (Park and Gupta 2012). Finally, cases in which the sample is truncated and therefore not representative for the population are typically addressed by selection models (Heckman 1976, 1979) or propensity score matching (Caliendo, Clement, and Shehu 2015; Smith and Todd 2005).

5.3 Dynamics among outcome variables and systems of equations

The response to marketing and customer activities such as sales of a media product underlies several dynamics over time. Researchers are interested in short- and long-term effects (persistence and autoregressive processes), seasonality (time series components), evolution of trends (stationarity), and external shocks (structural breaks), feedback loops, dynamics among variables, and competitive reactions (dynamic systems), just to name a few (for an overview see, Pauwels 2017b). The critical challenge is to reveal and transform the dynamic processes within the data into a statistical model (Dekimpe and Hanssens 1995, 1999). The appropriate type of model depends on the specific research context and focus as well as data availability. Univariate time series models focus on just one dependent variable over time explained by earlier realizations of the dependent variable (Pauwels 2017b). Multivariate time series models expand univariate time series models by input factors such as price or advertising (Pauwels 2017b). Typical univariate and multivariate time series models are the autoregressive integrated moving average model (ARIMA). A core requirement are stationary processes, meaning that the statistical properties of the series do not change over time. Unit-root tests are used to test stationarity (Perron 1989). For example, Deleersnyder et al. (2002) use a unit-root test to check for structural breaks and find only little cannibalization from the introduction of the online version in the newspaper industry. However, recent studies propose dynamic systems with multidimensional causality chains (e. g., Pauwels and Hanssens 2007; Steenkamp et al. 2005). These are not captured by univariate models (Pauwels 2017a) and inefficiently captured by multivariate time series models (for a short discussion see, Horváth et al. 2005).

Systems of equations expand these statistical approaches and provide a parsimonious way to model dynamic effects within and among different outcome variables. Each outcome variable is represented by one equation, and the equations are linked by correlating the errors (Papies and van Heerde 2017). Prominent examples are supply and demand dynamics in the theatrical movie market (Elberse and Eliashberg 2003) or dynamics between concerts and album purchases in the music industry (Papies and van Heerde 2017).

Finally, multiple time series models such as vector-based time series models (e. g., VARX; for an overview see, Pauwels 2017a) treat all variables in the model as endogenous (Granger 1969). Furthermore, these models learn "the appropriate lags (or leads), the direction of causality and the presence of feedback loops" (Pauwels 2017b: 89).

Impulse response functions help researchers to illustrate dynamics in a formalized ecosystem initiated by an increase or decrease of a specific variable (for an empirical example see, Bronnenberg, Mahajan, and Vanhonacker 2000).

6 Implications and limitations

The marketing of media products is challenging. Decision support systems based on marketing models provide sophisticated investigations into consumer responses. They reveal direct, moderating, and mediating relations between input factors and outcome dimensions and show potential heterogeneity in response and dynamics over time. This paper provides a blueprint to build marketing models for media products and addresses the key challenges and potential solutions that are highly relevant for managers and scholars in this field. For this purpose, we connect econometrics with challenges in the media industry and provide decision support (e. g., decision trees) to find adequate solutions. Our insights are focused on media industries, but generalizable to other product types outside the media universe such as fashion and consumer durables. Additionally, our discussion provides a comprehensive introduction to more sophisticated econometric discussions.

As we have shown in this article, modeling media products requires an adequate consideration of the relevant aspects grouped in our modeling steps. To make it valuable, the model should be clear in objective, smart in daily practice, accurate in causal inferences, generalizable in use, coordinated among stakeholders, and properly estimated. Data should be selected according to the intended contribution, their availability and accessibility. Theory should guide the specification process. In some cases, moderations, mediations, non-linearity, shadow diffusion, endogenous processes, heterogeneity, and dynamics call for model specifications beyond simple linear response models. However, feasibility, cost, and benefits of different specifications make a case-by-case evaluation indispensable. Future studies in the field of media business studies can benefit from our insights as they use the blueprint guiding their research process.

Digitization fundamentally changes the marketing of many media products, which leads to upcoming managerial problems that have not been targeted in prior research (for a detailed review see, Kannan and Li 2017). Big Data provides new and more elaborated insights as it increases the volume, velocity, and variety of customer and product data (Erevelles, Fukawa, and Swayne 2016). Changes in the marketing environment and new business models shift the focus to new outcome dimensions and dynamics within the system. Advances in econometrics offer new methodological opportunities such as machine learning (Cui, Wong, and Lui 2006). Finally, software packages with user-friendly interfaces and integrated estimation and optimization procedures facilitate access to marketing response models for broader audiences.

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16 Branding: Media brands and brands as media

Abstract: This chapter addresses the subject of branding from both the media branding viewpoint and the brands as media viewpoint. With the advancement of media technologies, the practice of media branding has changed significantly. In addition, brands have become capable of creating and disseminating media content to engage their customers. In this chapter, we first reviewed the development of media branding and key issues that affect its practice. We highlighted the importance of audience insight and electronic word-of-mouth (eWOM) in the successful branding of media. As for brands as media, we focused on personal brands, especially social media influencer brands, as a typical example of media-like brands. We discussed marketing communication through influencer brands as a means for commercial brands to cultivate the former's media influence and proposed a framework regarding the relationships among social media influencer brands, commercial brands, and consumers in such practices. In addition, we identified the characteristics of personal branding on social media and proposed the necessities of influencer branding in today's media environment.

Keywords: media branding, audience insight, eWOM, brands as media, personal branding, influencer marketing

The branding of media has gone through stages of evolution over the last two decades. From the early emphasis on simplistic logo design (Chan-Olmsted and Kim 2001) to the focus on less standardized metrics such as engagement (Chan-Olmsted and Wolter 2018), the development and management of media brands remain key to the success and survival of media firms, especially in an increasingly fragmented media environment (Krebs and Siegert 2015). While the practice of media branding has changed significantly, which is largely due to the advancement of digital media platforms, scholarship addressing this particular topic is still limited and, in general, lacks the theoretical sophistication (Malmelin and Moisander 2014).

In recent years, with the ubiquitous adoption of social media and user-generated content, the dynamic relationship between brands and media has also shifted. Because of the access to abundant media platforms in a networked environment and the ability to engage the audience through brand communities, brands are now capable of creating media content and have the resources to operate platforms that disseminate content designed to engage their customers. In other words, brands have become a new breed of media. The blurry boundaries between media and brands have significant implications in the realms of business strategies and audience behav-

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iors from a communication perspective. This chapter aims to address the subject of branding from both the media branding viewpoint and the brands as media viewpoint. Specifically, it will review the development of media branding and key issues that affect its practice in the future. Special attention will be directed at the need for audience insight and electronic word-of-mouth (eWOM) in the successful branding of media. For the subject of brands as media, the chapter will focus on social media influencer brands, a construct that has attracted great attention in the media industry, as a typical example of media-like brands. The chapter will discuss marketing communication through influencer brands as a means for commercial brands (i. e., non-personal brands, such as product and service brands, as opposed to personal brands) to cultivate the former's media influence.

1 Media brands

1.1 The development of media branding

Brands are something we encounter every day. Many times, we choose products and services based on the brand names associated with them rather than based on the specific features. On the one hand, brands help consumers set expectations, simplify decision-making, reduce risks, bond with the product/service providers, and even express personal identities (Keller 2013). On the other hand, brands can help companies add unique associations to products/services, distinguish themselves from competitors, and create competitive advantages (Keller 2013). At its core, media branding presents a view that treats media products as brands, as an economic construct driven by commercial interests, and audiences as the target of these economic activities. In other words, media brands are not developed by accident but are the consequence of systemic and institutionalized branding activities (Siegert et al. 2015). Most media products are experience goods, which means that consumers cannot judge their quality by inspection and have to rely on cues to make decisions (Keller 2013). A strong media brand has a set of favorable and valuable associations in consumers' minds and serves as an important cue of quality.

There are abundant strong media brands historically. New York Times, Disney, BBC, Google, Facebook, Netflix, and YouTube are among the top 100 brands across the globe (Millward Brown 2018; Reputation Institute 2017; Forbes 2018; Tenet Partners 2017). Because media help people express ideas and identity socially, media brands have both economic and cultural qualities and are inherently interwoven with audiences' lives. From a business perspective, branding has also become essential in the media sector because of the need to set oneself apart from an array of competing content providers, and also to leverage past successes. For example, Disney's animation franchise differentiates itself from others for its family-friendly image associations. Its past performance also signals certain expectations that audiences can expect for Disney branded animations. Such brand effects present great opportunities for media brands in an increasingly fragmented marketplace where the audience has a multiplicity of media choices and decreasing loyalty. Nevertheless, it sometimes leads to a content uniformity when a content franchise is afraid of expanding too far of its established comfort zone and associations.

As the media world transitioned from analogue to digital, branding in the media sector also became more complex and therefore strategic. The infusion of social media further intensified the process by providing new means of connecting with audiences personally, interactively, and collectively. It was suggested that successful media brands should be “OPEN”. That is, they should be *o*n-demand, *p*ersonal, *e*ngaging, and *n*etworked (Chan-Olmsted 2011). In reality, since digital and social media were originally seen as competing platforms that might siphon away audiences from the more traditional outlets, it was a learning process for most media managers to take advantage of the new digital platforms. Over times, magagers learned to incorporate the unique characteristics of each platform and integrate the different delivery systems. As such, they could ensure that the old and the new complement each other while simultaneously contributing to the media brand financially and strategically. The arrival of web 3.0, with its intelligent (e. g., “you may also like”) and contextual (e. g., “related stories”) capabilities, again changed the direction and tools of media branding. Media managers can now design user-tailored experiences enabled by intuitive interfaces, contextually relevant content, and portable and personalized platforms. The incredible potential means that different branding competencies are now required of media managers. In addition, changes in the media environment such as time-shifting behavior, binge viewing, second screen usage, and growth in streaming/video content (McDowell 2015) indicate the need to closely monitor and respond to audience preferences and motives.

From an academic perspective, brand research in the context of media appeared in the early 2000s. Early studies examined branding from a source perspective, such as the perceptions of branding among media managers (Chan-Olmsted and Kim 2001), cross media branding (Ha and Chan-Olmsted 2004), social media content (Greer and Ferguson 2011), and brand management strategy (Förster 2011). More recently, the focus has shifted to the recipient perspective (i. e., the audience), including brand personality (Chan-Olmsted and Cha 2007), ingredient branding (Lis and Post 2013), and brand extension (Chang and Chan-Olmsted 2010). A study identified five different approaches to conceptualizing and studying brands and branding in the context of media management. They include (1) brand as product (e. g., media products are branded by media companies), (2) brand as extension (e. g., media brands launching new media products as brand extensions), (3) brand as identity (e. g., media brands have certain attributes and personalities), (4) brand as differentiation (e. g., media companies utilize branding to achieve product differentiation), and (5) brand as equity (e. g., media brands are valuable assets for media companies) (Malmelin and

Moisander 2014). It is our proposition that in the aforementioned web 3.0 environment, the brand as identity and the brand as extension approaches are especially fruitful areas of investigation since contextual and customized brand experiences offer excellent opportunities for brand image association (i. e., identity cultivation) and also generate important relationships and audience intelligence for promising brand extensions.

1.2 Branding in an audience-centric networked world

While the branding of media is becoming more challenging, there are a couple of competencies that would enhance the likelihood of success in today's audience-centric, networked media environment – namely, the effective use of audience insight for branding decisions and the effective use of eWOM through social media platforms.

1.2.1 Audience insights

In the new media economy, audience data is becoming more complex in both its measurement and its usage. The reality is that today's media companies can derive value from their audience more than just in the form of advertising and subscription revenues. The new business model of media companies now involves the aggregation and selling of audience insights, namely deep knowledge about the attributes and behavioral patterns of audiences. Such knowledge has become a source of value both for media companies and advertisers. It is no longer sufficient for media companies to just produce and sell target segments to advertisers. In this new digital economy, media companies also need to garner audience insights by using appropriate technological tools and knowhow, they have to use audience intelligence to improve and brand their products, and they have to become the knowledge partner to advertisers. The successful monetization of Facebook, Snapchat, Twitter, and other social media platforms is heavily dependent on their ability to track and report on clickstream analytics (Kaushik 2010). By doing so, they can justify the continued sale of promoted posts, sponsored content, and native ads. In a sense, audience insights, derived from the delivery of attractive media content to audiences, can now create value in marketing ROI and brand engagement on behalf of the advertisers, and for the media brands themselves (Chan-Olmsted and Wang 2019).

As indicated earlier, we are now in an era of audience fragmentation and media competition for attention. Though challenging, this new environment of multiplicity also provides more opportunities for content enhancement and audience interaction. To succeed in such an environment, media managers now need to pay attention to the assessment of "quality" in addition to "quantity" when interacting with audiences, and engagement seems to be a key measure of such quality interactions. Woodard

(2006) stated that "engagement" represents the goals of both creative and media advertising metrics because it addresses not only the delivery and reception of specific media but also the ability to activate key cognitive processes. He also proposed that engagement can be the "great equalizer" of media measurements that facilitates the comparison of different media platforms. In other words, based on audience insights, media branding can include engagement strategies that create more long-term value for media brands.

1.2.2 eWOM

The exponential growth of social media in recent years has presented an array of new opportunities for the branding and distribution of media products. The marketing utility enabled by social media is most evident in the context of eWOM because of the multidirectional and viral nature of social media platforms. eWOM can be defined as "opinion sharing by members of a social media community among themselves and prospective others" (Dellarocas 2003). It is a valuable means of marketing communications for media products, an experience good, as studies have shown that eWOM is effective for disseminating experiential knowledge for both hedonic and utilitarian goods (Chevalier and Mayzlin 2006; Mudambi and Schuff 2010; Bughin, Doogan, and Vetvik 2010). Furthermore, with the viral and networked power of social media, eWOM has an unparalleled diffusion scale and speed as well as measurability (Dellarocas 2003). All of them are qualities that complement the traditional media means of marketing and communication.

eWOM, in a social media context, has empowered consumers, especially those seen as influential among their peers. These online opinion leaders are often called e-influentials, i. e., people who can help reduce uncertainty during a consumer's decision-making process by providing credible input. Word-of-mouth (WOM) can take two formats: organic (i. e., when customers who are satisfied with a product or service voluntarily advocate for the product or service) or amplified (i. e., when a marketer launches campaigns to increase WOM activities) (Kieff 2008). Another way to classify WOM is to differentiate between experiential WOM (i. e., based on a consumer's direct experience with a product or service), consequential WOM (i. e., based on a consumer's direct exposure to traditional marketing campaign messages), or intentional WOM (i. e., based on a celebrity's or an opinion leader's endorsement of a product or service) (Bughin, Doogan, and Vetvik 2010). Therefore, a marketer can adopt and integrate various approaches to identify and develop influentials in the eWOM process.

Why is eWOM an especially important tool for the branding of media products? First, as most media content products are also digital goods (i. e., media content that may be distributed and consumed via networked, electronic devices), there is a synergistic effect and seamless integration between media products and social media which can act as either a marketing or distribution platform. Second, research has shown that eWOM is most effective for products that have a unique look and feel, user experience, or functionality, and for products that are hedonic in nature (i. e., consumption that is governed by an affective experience) (Dhar and Wertenbroch 2000; Bughin, Doogan, and Vetvik 2010). Media products are unique in that there is no complete uniformity among products and the experience of one user does not predict the experience of another user. For such experiential and affective products with abstract features, shared consumer feedback and experience is critical in subsequent consumption as it serves as an uncertainty-reducing mechanism in the consumer decision-making process. A good example is movie reviews on popular websites like IMDb.com. Third, the effect of eWOM might be realized in many aspects beyond increasing awareness and consumption of existing or newly introduced media products. It may be used to improve customer satisfaction by understanding why people complain and how they suggest the product should be improved, and to generate ideas for new product development.

As noted above, the ubiquitous adoption of digital and social media has changed the media landscape. One of the most significant consequences is the increased access to media platforms in the hands of both consumers and brands. Accordingly, we are going to examine the subject of brands as media next.

2 Brands as media

Traditionally, media content was offered in the domain of media companies. However, some brands also established content creation units/subsidiaries or collaborated with other creative studios or content producers to produce media content that appeals to their target consumers (e. g., Red Bull Media House, Red Bull YouTube channel, and AirBnB magazine). This trend corresponds to the growth of content marketing, branded content, and inbound marketing in today's digital marketing world. Through an effective pull strategy, brands are able to establish another means of engaging busy consumers in an attention economy by acting as media content providers. Most brands, in the past, chose to sponsor programs to create stronger ties between content and brands. Nowadays, powered by direct access to consumers through digital and social media and inexpensive digital production tools, brands as media offers a more controllable means of consumer interaction through engaging content that enhances the brands' positions without hard selling. Though brands as media is not a new phenomenon (e. g., the supermarket chain Trader Joe's has put out its famous "Fearless Flyer" comic-book-like newsletters for years), the ubiquitous adoption of digital and social media has made such practices widespread.

A growing number of brands are entering the content space. For example, in 2012, Coca-Cola launched Coca-Cola Journey, which turned its corporate website into a dynamic digital magazine. On its website, Coca-Cola publishes both branded and unbranded stories and features social media sharing facilities to engage with consumers. Also in 2012, Lego began to upload short original videos to its YouTube channel, which has brought the brand over five million subscribers and enabled it to reach more than thirty million unique users monthly (Howarth 2018). All of a sudden, it was no longer enough for brands to communicate with consumers through advertising and other disruptive marketing avenues. Given consumers' distrust of traditional marketing communications and their craving for meaningful information in the age of information overload, offering content that adds value to consumers is no longer an option for brands, but a necessity. As a result, more and more brands are taking the role of media companies, engaging consumers via informative, entertaining, or inspirational content.

Because of the viral, networked nature of social media and the growing use of such platforms for product and brand information, it is now easier for brands to amplify their messages through the strategic use of social media (Lobaugh, Simpson, and Ohri 2015). In addition to becoming media themselves with the help of social media, brands also actively collaborate with another type of "media-like brand" on social media: social media influencers. As a specific type of e-influentials, social media influencers are content creators who publish on social media and have built a sizeable group of followers. Through the media content they create and the interactions they have with followers, social media influencers promote their distinct personal characteristics and build themselves into brands (Khamis, Ang, and Welling 2017). They best exemplify the concepts of people as brands and brands as media. By collaborating with them, product and service brands explore new ways to deliver brand information and engage consumers. For example, Nordstrom worked with fashion influencer Shea Whitney to feature their items. Calvin Klein partnered with lifestyle influencer Lauren Elizabeth to promote their women's underwear and clothing (Mediakix 2017).

The potential of marketing communications through social media influencers is well-recognized. The assumption is that if done right, it has a positive impact on brand awareness, retail traffic, sales, and brand loyalty (Brouwer 2017). Some marketers also see it as more cost-effective than buying advertising space (Sharma and Albus 2017). However, the exact contribution of influencers to marketing effectiveness and return on investment is still hard to assess using old metrics (Penny 2019). In addition, in contrast to the popularity of this nascent form of marketing communication in practice, relevant academic research is limited. This chapter proposes a framework regarding the relationships among social media influencer brands, commercial brands, and consumers in influencer marketing communication, underpinned by marketing and communication theories. The framework suggests that social media influencers actively employ personal branding characterized by value delivery to and value co-creation with consumers to sustain their status. The collaboration between commercial brands and social media influencer brands benefit the former in terms of the enhanced ability to reach consumers precisely, the increased credibility of brand messages communicated, and the generation of favorable brand associations. The

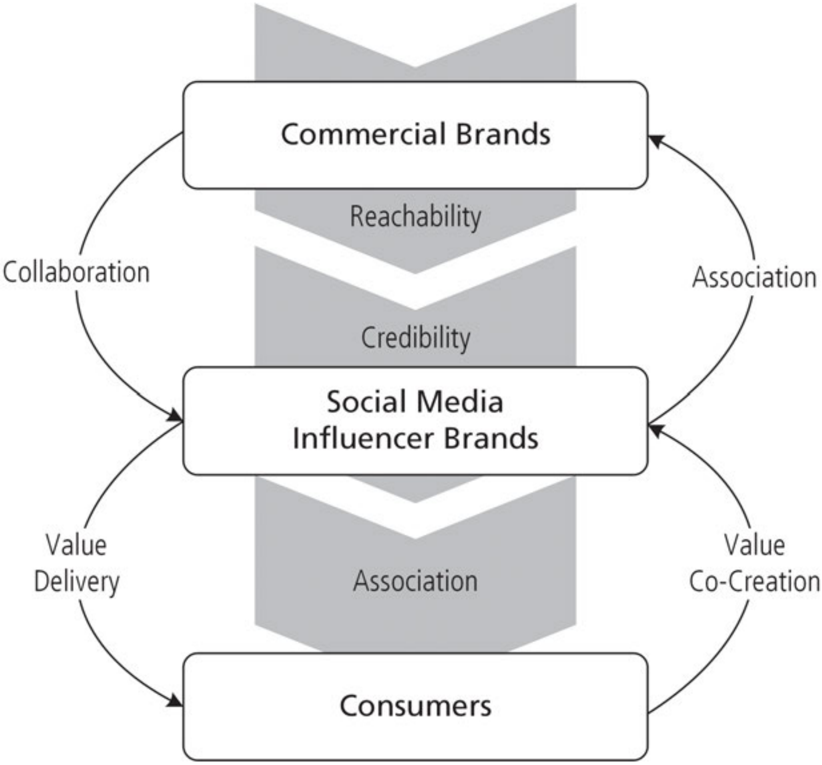

Fig. 1: The relationships among social media influencers, commercial brands, and consumers in influencer marketing

collaboration also assists influencers in building their personal brands and producing high-quality media content (see Fig. 1).

Furthermore, the chapter identifies three characteristics of personal branding on social media (i. e., accessibility, interfusion, and co-creation) and proposes four necessities of social media influencer branding (i. e., competence, interactivity, authenticity, and continuity).

2.1 Influencer marketing communication

Influencer marketing is "the process of partnering with influencers to promote a brand and its products or services" (Barker 2019: 14). Brands will sponsor influencers in various ways, such as monetary compensation, free samples, support of equipment, and invitations to brand events. While there are overlaps between the concepts of influencer marketing communication, WOM marketing communication, and celebrity endorsement, some key differences are worth noting.

First of all, influencer marketing communication does not necessarily involve explicit buying recommendations (Chandler and Munday 2016). For example, it can be a product placement in pictures or videos posted by influencers, or special thanks to brands from influencers for supporting their work. In contrast, WOM marketing communication and celebrity endorsement normally involve explicit recommendations about certain products or brands.

Second, the three marketing communication forms feature distinct information senders whose influences derive from different sources. In general, in WOM marketing communication, peers (e. g., friends and other consumers) play an essential role; in celebrity endorsement, mainstream celebrities are the focal point. Influencers, the hybrid peer-celebrities, inherit the advantages of both and have their unique strengths. Their strengths root in their relationship with their audiences. On the one hand, compared to celebrities, influencers are more accessible, relatable, and open to interaction (Djafarova and Rushworth 2017; Wiley 2014; Freberg et al. 2011). They also tend to proactively develop social connections and interpersonal relationships with the audience, forming a community surrounding them (Berryman and Kavka 2017; García-Rapp 2017; Rotman and Preece 2010). These characteristics of influencers are likely to positively affect the results of the marketing communication. On the other hand, the relationship between influencers and their audiences is more asymmetric compared to that between peers. In their role as content producers and perhaps discussion leaders, influencers are undoubtedly the center of the community surrounding them. They have leadership in the community and can exercise a significant influence within the community (i. e., their audience) (Chandler and Munday 2016). As a result, they have a louder voice than peers when communicating with consumers. Understanding the differences between the three forms of marketing communication can help commercial brands to better develop strategies, especially in the social media context.

2.2 Building influencer brands: Value delivery and co-creation in personal branding

By definition, social media influencers – content creators who have built a sizeable group of followers on social media – grow from "content creators" to "influencers" because of the scale of their audiences. Consequently, it is extremely important for influencers to retain current audiences and attract new ones. Unlike in the age of traditional media when the audience did not have a big choice of what to consume, today's audience has absolute power in controlling their media consumption experiences. Just as few buyers seek commodities (Arruda and Dixson 2007), it is vital for content creators to set themselves apart from the mass and to beat out the competition in order to win the audience. To achieve this goal, they need to build themselves into strong personal brands that deliver unique values to consumers and, as desired by consumers in the social media age, that co-create values with consumers (Cova, Dalli, and Zwick 2011; Brodie et al. 2013).

2.2.1 Personal branding

Personal branding is about establishing and promoting what you stand for. It is the unique combination of personality, skill sets, and experiences that set you apart from others in the world. Your personal brand conveys a story that reflects your principles, behavior, and attitudes. In a sense, personal branding is the premise of building strong influencer brands and therefore facilitating effective marketing communications in appropriate contexts. The concept of personal branding was first addressed by consultant and writer Peters (1997) in his article *The Brand Called You*, stating that individuals should be their own brand and intentionally control their brand identity. Being a marketer of one's *Me* brand is necessary in order to stand out in the labor market and achieve career success (Peters 1997). Since 1997, the concept has been enriched a lot. Basically, it refers to "individuals developing a distinctive public image for commercial gain and/or social capital" (Khamis, Ang, and Welling 2017). Like conventional brands, personal brands have unique selling points or public identities that are responsive to targets' needs and interests (Khamis, Ang, and Welling 2017). If someone is just being oneself without any intentional control of the public image, the person is not self-branding. Personal branding is greatly associated with celebrities, politicians, and top executives (Labrecque, Markos, and Milne 2011; Shepherd 2005). However, personal branding is not a luxury for everyday people; we self-brand for various reasons, such as self-expression, dating, and friendship formation (Shepherd 2005).

It is pointed out that as a result of personality qualities, past experience, and communication with others, everyone possesses an intrinsic personal brand (Rangarajan, Gelb and Vandaveer 2017). However, many people haven't started to deliberately build their personal brand (i. e., to create distinct and beneficial public images). Just like the process of product branding, personal branding begins with the definition of a brand identity (Labrecque, Markos, and Milne 2011; Kaputa 2006; Schawbel 2009). Identifying the unique value one can deliver to others and thus establishing personal distinctiveness are critical in this stage (Arruda and Dixson 2007; Dalla-Camina 2016; Labrecque, Markos, and Milne 2011; Bendisch, Larsen, and Trueman 2013). Individuals need to have a clear picture of what they do, how they do it, for whom they do it, and why they do it (Dalla-Camina 2016). For example, instead of generally saying "I am a makeup artist", one can brand oneself as "I'm skilled at creating youthful looks using fairly priced makeup products for people with limited disposable money because I believe everyone deserves beauty". Such a description differentiates the person from other makeup artists by emphasizing affordability, which is a value to target consumers, and therefore sets up the person's unique brand identity.

When brand identity is developed, the next step is to communicate it to the target audience (Dalla-Camina 2016; Labrecque, Markos, and Milne 2011). The target audience can be potential customers, employers, and fellows. For instance, the makeup artist mentioned above may want to target students and young professionals who just started their career (i. e., potential customers), makeup studios or brands that are fairly-priced (i. e., potential employers), and other makeup artists (i. e., fellows), based on his or her purposes and communication circumstances. Understanding the constructs and practices of brand influencers and personal brands is becoming the key to successful branding when brands attempt to perform media-like functionalities because they essentially mediate the process in most circumstances.

2.2.2 Characteristics of personal branding on social media: Accessibility, interfusion, and co-creation

Personal branding has witnessed significant changes since the beginning of the social media age. Social media have endowed personal branding with new characteristics, namely accessibility, interfusion, and co-creation. We will now address each aspect separately.

(1) *Accessibility*: Although Peters (1997) suggested that everyone can be their own brand, for a long time personal branding was not easy for ordinary people, mainly because they lacked channels to present themselves and reach the target audience. This is why personal branding was usually associated with people who have achieved something notable and therefore could attract public attention easily, such as celebrities, elite sportspeople, media personalities, top executives, politicians, and the extreme wealthy (Khamis, Ang, and Welling 2017). However, social media has offered every person the opportunity to disseminate information and reach a large number of people in a cost-effective way via online networking, which helps individuals gain an audience, followers, money, and fame (Petrucă 2016). Although individuals were able to gain an audience before the emergence of social media (e. g., through personal websites) as well, social media has unprecedentedly increased this possibility as well as the potential scale of the audience. It is social media that makes personal branding accessible and affordable to everyone. The fact that social media offers a means with fewer restrictions and potential viral effects also elevates the importance of transparency and responsibility in this process. Greater accessibility to communication channels for personal branding leads to more fragmentation and the need for authenticity as well as accountability.

(2) *Interfusion*: Nowhere are profession and private life more interfused than on social media. Social media has broken the convention of only presenting one's professional life in personal branding, bringing to the table the importance of other elements, such as one's hobbies, family, life stories, or even trivial matters (Gehl

2011). In fact, social media has blurred the boundaries between professional life and private life. Personal branding in the social media age is more about developing a holistic brand that transcends professional and private life distinctions (Labrecque, Markos, and Milne 2011). An extreme example is vloggers, who make it a profession to present and share their private lives. The exposure of private life enriches their personal brands and enhances the perceived authenticity of the influencer brands in consumers' minds because it makes the influencers genuine humans and creates a sense of intimacy (Gehl 2011; Khamis, Ang, and Welling 2017). It is worth mentioning that while social media influencers, who are natives of the social media environment, embrace the life-profession interfusion and benefit from it in their personal branding, the interfusion is more of a dilemma for conventional stars and personalities (Brems et al. 2017). Stay professional or become personal? The approach can determine consumers' perceptions of their personal brands. Regardless of the choice, social media is a tool that offers an opportunity to add different layers in personal branding (Brems et al. 2017). Note that authenticity here is a matter of perception and can be shaped by sharing personal moments, whether staged or not, with the target audience. It might involve strategic and intentional acts or it might be completely organic. The resulting perception is really the key when it comes to personal branding.

(3) *Co-creation*: Co-creation is the most significant characteristic of personal branding in the social media age. The interactive nature of social media largely changes how personal brands are developed and managed. Individuals are no longer the sole designers of their personal brands; on social media, both the platforms and other parties can affect and contribute to one's personal brand (Thompson-Whiteside, Turnbull, and Howe-Walsh 2018). As mentioned earlier, like conventional brands, personal brands are by definition created with a purpose (e. g., social capital or commercial gain). As a result, they need to possess distinct identities and meet targets' needs and interests (Khamis, Ang, and Welling 2017). From a branding perspective, the co-creation culture of social media actually gives the holders of personal brands an opportunity to directly connect with the audience. This connection can serve to distinguish the personal brand by incorporating the insights and input from the community involved. Technological functions of social media platforms, such as tags and hashtags, help individuals build links with specific people and events and join the conversation, which in return assists in creating brand associations. The co-creation process enabled by social media means that personal branding can be dynamic and can involve the associated community (i. e., the target audience). The contribution from the audience enhances engagement and creates deeper meaning for them (Singh and Sonnenburg 2012). On the other hand, it also presents difficulties in terms of control in messaging and positions. The management of co-creation in personal branding is an increasingly challenging task.

2.2.3 Necessities of social media influencer branding: Competence, interactivity, authenticity, and continuity

As the search engine optimization and social media marketing expert DeMers claimed: "If content is the fuel for your personal brand, social media is the engine" (DeMers 2014). People who have the time and skills to take advantage of social media in building their personal brand will benefit remarkably from it (Harris and Rae 2011). The social media influencer economy has best demonstrated the notion. As individuals who rely extremely heavily, if not solely, on social media to build personal brands, social media influencers must understand the new requirements and desired strategies of personal branding through this platform. Based on branding and social media literature, we are now going to propose four necessities of social media influencer branding.

(1) *Competence* refers to influencers' expertise in their respective niche areas and capability of using social media platforms properly to engage the audience. As mentioned above, individuals need to deliver a unique value to consumers in order to develop strong personal brands (Bendisch, Larsen, and Trueman 2013). Expertise in a niche area is one major prerequisite for value delivery. Expertise has long been a focus of self-branding as it evokes trust and respect (Rangarajan, Gelb, and Vandaveer 2017; Djafarova and Rushworth 2017). A large number of studies on social media influencers emphasize their amateur nature, as they are people who record videos in their bedrooms, by webcam, and can even be out of focus (Berryman and Kavka 2017). However, considering influencers simply as amateurs would oversimplify the phenomenon. They may well be amateurs in media production, but not amateurs in their professional areas. In practice, many social media influencers consistently claim their expertise by emphasizing their qualifications, professional experience, and knowledge (Bhatia 2018; Tolson 2010). Even for genres that seemingly don't require expertise, influencers need extraordinary skills to succeed. For instance, vloggers may not be knowledgeable about a specific topic, but they must be skilled at storytelling, or they won't be able to attract a wide audience through presenting everydayness. It is in storytelling that they have expertise. Nevertheless, it is worth noting that although a certain level of expertise is desired, individuals don't need to be experts in a traditional sense. Social media influencers blend the distinction between experts and amateurs; they are hybrid "amateur experts" with diverse levels of expertise in their areas (Bhatia 2018; Tolson 2010). Claiming expertise can be helpful in constructing influencers' identities, building an influential voice, fostering meaningful relationships with followers, and thus positioning themselves at the center of the communities (Bhatia 2018; Burgess and Green 2009; Chang, Molesworth, and Grigore 2015). In addition to expertise in a specific area, social media influencers should master the platform(s) they use to ensure value delivery. Nowadays, there are hundreds of social media platforms with varying functionalities. Users

have different experience expectations and engagement needs on different platforms (Kietzmann et al. 2011). Instagram, for example, is picture-oriented, and thus visual impression is important. YouTube is video-based, and content quality is the key. It is important for influencers to understand the users of the platform(s) they choose and the functional features of the platform(s) that can be useful in personal branding.

(2) *Interactivity* is one of the most significant characteristics of new media (Sundar, Kalyanaraman, and Brown 2003). It is an indispensable part of personal branding nowadays. It is advised that individuals answer within 24 hours after being contacted by followers if they want their personal brands to be successful (Petrucă 2016). Also because of the possibility of interaction, personal branding on social media becomes a co-creative process involving both the branded person and the audience. Although this can hinder one's control of brand identities and communications, it offers individuals the opportunity to curate deeper connections and relationships with the audience. When social media influencers continue to reply to comments and interact with their audiences, a closer social connection is stimulated (Lange 2007). Recognition, emotional attachment, and social support are thus created between influencers and their audiences based on the frequency and volume of their interaction (Rotman and Preece 2010). Research has found that interaction is critical in building social media influencers' follower base (Bhatia 2018). It also increases their influence as the interpersonal relationship plays a critical role in consumers' decision-making process and has a huge impact on consumers' purchase behaviors (Beckman 1967; Lin, Bruning, and Swarna 2018; Zhao et al. 2018). In practice, social media influencers adopt a variety of interaction methods. For example, they often start off with a greeting to the audience, express their acknowledgment of the community surrounding them, film regular QandA videos to answer reviewers' questions, and ask reviewers to like, share, and comment on their posts (Cayari 2011; Tolson 2010). Figuring out the most effective interaction method is also crucial as this varies across platforms. On typical social networking sites such as Facebook, interactions are often based on personal profiles and friending behaviors (Boyd and Ellison 2007). On content-sharing platforms like YouTube, the main vehicle of interaction is the video content itself (Burgess and Green 2009; Lange 2007) in addition to the interactive tools offered by the platform such as disliking (Khan 2017). As a result, it's a necessity for social media influencers to identify the most appropriate way of interaction and then to keep interacting with the audience to foster value co-creation.

(3) *Authenticity* is regarded as vital in personal branding (Labrecque, Markos, and Milne 2011; Harris and Rae 2011; Gehl 2011). "(…) Branding is not about tricking people into buying your services or pretending to be someone you are not. It's about clearly establishing who you are, what you are good at, or even what you like to do, so you can stand above the competition" (Paprocki and Paprocki 2009:

6). It is believed that if an individual's image on stage differs from the image back stage, his or her reputation will be damaged (Goffman 1959). Therefore, being transparent and authentic is critical to the success of personal branding, especially in the digital age (Gehl 2011). For the branded people, it is a way to connect to consumers (Gehl 2011) and to gain consumers' trust and confidence (Woods 2016). For consumers, the reputation of an authentic person brand indicates a promise of the ongoing delivery of value; authenticity is also what drives forward the co-creation between consumers and the person brands they follow (Harris and Rae 2011). Authenticity is exceptionally emphasized on social media because social media users have high expectations about it. Most people see social media as a personal space for information sharing and social interactions; spam, advertising, and marketing are unwelcome in this space (Marwick and Boyd 2011). This is evidenced by the great presence of narratives of authenticity and realness on social media (Marwick and Boyd 2011; Tolson 2010). As a result, most social media influencers are very careful to remain authentic by honestly revealing personal information and by being transparent about brand sponsorship in order to sustain their market position and status (García-Rapp 2017; O'Brien 2009). It is argued that it is the authenticity of social media influencers that makes them more influential than traditional celebrities among consumers (Wiley 2014; Djafarova and Rushworth 2017). Authenticity is also what differentiates personal branding on social media from that on other platforms (Liu and Suh 2017).

(4) Last but not least, *continuity* – staying active on social media – is important. In order to gain audience and influence, influencers should post consistently (Petrucă 2016) and interact with consumers all the time. Post frequency, volume and immediacy of posts, and level of participation in the social web are all indicators to be included when measuring an influencer's influence (Booth and Matic 2011). Through continuous posts and interactions, a personal brand gets exposure and becomes an authority in the respective niche area (Petrucă 2016).

2.3 Brand-influencer collaboration: Reachability, credibility, and association

The power of social media influencers in affecting consumers' attitudes, perceptions, and purchase behaviors is well documented (Uzunoğlu and Misci Kip 2014). By collaborating with influencers, brands can benefit from the sources that influencers have. The power of influencers in marketing communications can be attributed to three factors: reachability (i. e., reaching specific consumer segments and disseminating brand information), credibility (i. e., influencers are perceived as a credible information source), and association (i. e., transferring consumers' positive perceptions of and attitudes toward influencers to brands).

2.3.1 Reachability

Based on the typology of virtual communities proposed by Armstrong and Hagel (1996), social media influencers are operators of communities mainly built upon shared interests and social relationships. Members of an influencer community (i. e., the influencer's followers) can be more attached to the topic of the community (e. g., game, beauty, music, and photography) based on their interests, or to the influencer due to the influencer's personal traits and relationship with the community members. As a result, influencers provide brands with two ways to reach consumers with specific characteristics, namely consumers interested in certain topics and brand categories, and consumers admiring certain lifestyles and personal traits. The ability to precisely reach certain consumer segments largely enhances brands' marketing effectiveness.

2.3.2 Credibility

Credibility theories suggest that the information source is an important factor affecting the persuasiveness of a message. The credibility of an information source positively impacts the credibility of the endorsed brands (Spry, Pappu, and Cornwell 2011). A source perceived as credible is able to induce more persuasion towards the advocacy (Pornpitakpan 2004). Research has found that social media influencers are perceived as a credible source and that consumers trust them more than traditional celebrities and organizations (Uzunoğlu and Misci Kip 2014; Wiley 2014; Djafarova and Rushworth 2017). The credibility of social media influencers as an information source can lead to the increased credibility of the brand message communicated and lead to consumers' positive attitudes toward the featured brands.

2.3.3 Association

By collaborating with social media influencers, brands associate themselves with the influencer brands. Given followers' positive perceptions of and attitudes toward the influencers, this brand association has a positive impact on forming the commercial brands' images (Yildiz 2016) and building their brand equity (Keller 2005; Aaker 1991). Brand associations can also have an influence on consumers' purchase behaviors and willingness to recommend a brand to friends (del Rio, Vázquez, and Iglesias 2001). As such, influencer marketing communication benefits commercial brands in terms of not only the dissemination and credibility of brand messages, but also the development of a holistic brand image and equity. It is worth noting that brand association is not one-way. While commercial brands benefit from the association with influencer brands, influencer brands also benefit from it. By building links with certain brands, influencers can utilize the images of these commercial brands to shape the image of their personal brands. In addition, they are able to profit socially and financially through the cooperation (Liu and Suh 2017), which in turn helps with content production and circulation which is the foundation of influencer branding. To leverage favorable brand associations, it is essential to evaluate the fit between influencers and brands. The collaboration between unfit brands and influencers may generate negative associations in consumers' minds and therefore harm both sides.

2.4 The problems of personal branding and influencer brands

Although personal branding and influencer brands seem appealing as a form of marketing communications in the digital age, there are abundant controversies surrounding them. Branding an individual, especially a social media influencer, could raise conceptual and practical problems. Conceptually, it is arguable whether we can scale down the branding concept, which is developed in the context of products and services, to human beings, given the obvious differences between the two (Khamis, Ang, and Welling 2017). For example, one role that brands play is to help consumers reduce risks and simplify decision-making, because a brand name suggests a set of expectable, consistent experiences and outcomes (Khamis, Ang, and Welling 2017). For example, consumers can expect that every Coke tastes the same and that all Apple products are reliable and user-friendly. However, we can never expect a person to behave in the same way every time and in every situation. A hard worker can be lazy sometimes, and a tough man can be vulnerable to certain things. There have been plenty examples of influencer scandals in insensitive comments or fake followers (Confessore et al. 2018). Some notable examples are the two YouTubers PewDiePie and Logan Paul (Armstrong 2017; Mediakix 2018).

Because it is notoriously difficult for human beings to behave consistently, a related practical problem for sponsors working with influencer brands is that sponsors often face a great deal of risk. The risk of partnering with influencers can be greater than that of partnering with traditional celebrities because the latter are typically managed by professional PR teams, while the former are mostly sole decision makers of their activities. Another practical issue, which is related to the first one, is that not everybody can successfully develop and maintain a personal brand consistently on a long-term basis. Personal branding can require significant resources over time and may never pay off (Rampton 2016). Finally, in the age of co-creation, transparency, and authenticity, it is difficult to gauge the right mix of personal information, organic expression, and community interaction that is true to the personal brands while at the same time maintaining commercial value/attractiveness.

3 Concluding thoughts

Along with the innovation of communication technology come information overload, audience fragmentation, and consumer empowerment. Faced with the incredible quantity of media content available and given the power to fully control consumption experience, consumers are becoming more demanding and less loyal. To survive in such an attention economy, media companies need branding to differentiate themselves from the masses while building more holistic connections with the audience (i. e., media as brands). At the same time, new media technologies such as social media made it possible for brands, whether conventional or personal, to enter the media space and take the role of content creation and distribution (i. e., brands as media). The interaction of media branding and brands as media practices is the new audience-centric strategy of developing a more meaningful and long-lasting relationship with consumers through offering better media experiences. The success of media branding and brands as media today is determined by the companies' ability to understand the audience and engage them through contextual connections utilizing appropriate platforms and relationships.

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M. Bjørn von Rimscha and Johanna E. Möller

17 Transnational media and their management

Abstract: Transnational media management research deals with the specific challenges related to trading media products across borders. Considering media as "culturally charged" commodities, demands scholarly attention for most diverse audiences, political and market frameworks. This has triggered a large body of scholarly work on market entry, product and organizational adaptation strategies. In this chapter, we review this literature by asking four transverse questions. In particular, we discuss why media companies cross borders, how to quantify their engagement, how they cross borders, and what role culture might play in this context. Our discussion illustrates the complex and interdisciplinary character of transnational media management research. We explicate this by pointing to questions for future research.

Keywords: transnational media management, cross-border strategies, national market differences, transnational media company, cultural discount, language of advantage

1 Introduction

The management of transnational media is in a way media management seen through a magnifying glass. All the issues we have become familiar with concerning media being an economic *and* a cultural product are at place only with another layer of complication: There is not one cultural context but several. Supply and value chains extend cultural and legal borders, and companies have to deal with competitors that start with different structural constraints and advantages. Therefore, we do not plan to repeat other chapters from this volume adding a little transnational sparkle to the same issues. Rather we focus on four guiding questions that shall allow us to make the literature on transnational issues of media management accessible. First, we look into why media companies cross borders in the first place. Second, we try to address the dimension of the phenomenon by discussing work on the scale of transnational trade in media goods and services. Third, we deal with the varieties of how media companies and products cross borders. That includes issues of market entry and product adaptation as well as the international division of labor and legal aspects. Finally, we consider the role of culture and language in transnational media trade. In our conclusion, we will also point out aspects that should be addressed in future research.

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2 Why cross borders with media?

The literature on international media business routinely neglects the question why a media company should want to engage across borders. The rationale for an engagement beyond the home market is not scrutinized (Albarran and Chan-Olmsted 1998a; Strube 2010). Rather, it is taken for granted that profit-maximizing companies would try to expand their market reach or minimize their factor cost by sourcing in territories with lower price levels (Gershon 2006).

Considering market differences, push and pull factors can be distinguished. Push factors exist when a media company has reached the limits of growth in its home market. An example would be a newspaper publisher with a high market share in its home market. Further growth is impossible, either because it would be legally impossible to buy the remaining national competitors or because the absolute market potential is exhausted. If the company wants to keep growing it would have to diversify, either into different product categories and industries or into new markets beyond its home market.

Pull factors exist when a national market becomes more attractive for foreign companies. This can apply to procurement markets as well as to audience markets. Rising levels of disposable household income in a country can mean a higher spend on media products. An improved infrastructure can mean it is becoming possible for the first time to benefit from lower labor and other factor costs. An example would be improved motorways that meant printing in neighboring Poland became attractive for German magazine publishers. An extreme case of pull factors is when a market is first opened up to foreign investments and to media product imports, such as when the communist rule ended in Central and Eastern Europe or the military junta ceded power in Myanmar.

Another reason why media companies cross borders is that they follow their customers, be they advertisers or recipients. If the companies that advertise in a medium expand into new markets the media company might feel inclined to follow in order to keep its share of the advertisers' budgets. Likewise, in order to be able to negotiate on eye level with multinational consumer good companies, media companies have to grow accordingly and in the same markets (Nelson and Paek 2007; Chalaby 2008). In terms of recipients, media companies can follow their audiences either in the shape of a globalized business elite or – much more numerously – as diasporas. Bollywood movies for example have a considerable audience in Britain that mainly consists of Indian migrants living in Britain.

The shift from analogue media products to digital media services has substantially reduced market entry barriers, access to local resources is often no longer necessary (Autio and Zander 2016). Thus, whatever motivations media companies might have to cross borders, it has become easier in recent years, at least from a technical perspective. From a regulatory perspective by contrast, enthusiasm for globalization and free trade also in cultural goods has cooled off (see e. g. Richieri Hanania 2017).

Finally, there might be reasons to engage in foreign markets beyond direct economic objectives such as maximizing revenue or profits. On an organizational level, media companies hope for transnational learning effects and they might use their foreign engagements to influence media regulations (Möller et al. 2019). Propaganda is usually not done by commercial media companies but by state-backed entities. The *Deutsche Welle*, *Radio Free Asia*, as wells as *Russia Today* and *Al Jazeera* are all directly or indirectly funded by their respective governments.

3 What is the volume in transnational media trade?

Cross-border activities of media companies often attract public attention – either because the media in a country where a foreign player is setting up shop are discussing the potentially hostile influence of a foreign competitor, or because the trade press in a country is magnifying even minor investments abroad by local companies. Thus, the common perception of the volume of cross-border trade in media tends to be overestimated. Researchers in the field rather avoid the question of volume altogether and rather look at the strategies (Hollifield 2001; Gershon 2000; Gershon and Suri 2004). Wildman and Siwek (1988) analyzed the role of market size on comparative advantage in film production without any real trade data but with simulated hypothetical data. This is somewhat understandable since cross-border media trade is notoriously hard to measure. While the value of the paper of printed newspapers can be found in custom statistics, trade statistics are ill-prepared to measure trade in services and ideas – that is, the value of the articles printed on that paper. Reporting on foreign direct investments is sketchy, and many alternative ways of cross-border cooperation of media companies, e. g., in strategic alliances or within network structures are not captured at all (Güngör, Przybylski, and von Rimscha 2016). Seufert (2006; 2015) provides an overview of potential data sources. Annual reports of media companies are often not helpful either for two reasons: The share of private companies that do not have to provide detailed reports to the public is large in the media industry, and public companies that are engaged in several countries often do not report on a by-country basis. The annual report of Disney for instance reports international revenues only for its theme park business but not for the segments "media networks" or "studio entertainment". Seufert (2016) estimates that in the German market, the import and export of media goods only accounts for five percent of the respective market volume. This remains a rather vague guess though, since consolidated market data are not available. And – more importantly – it does not include revenues from joint ventures or foreign subsidiaries. Individual firms report considerable contributions of their foreign business: German publisher Gruner + Jahr for example reported a share of foreign revenues of 54 % in 2008 (Pezoldt and Merget 2009: 4). Some media-related cross-border transactions are hard to grasp. Imagine a Dutch newspaper that uses a sponsored post to push an article towards potential readers on Facebook. To Dutch readers, this seems like a domestic procedure, in fact, however, the Dutch newspaper deals with the Irish subsidiary of a US American company. Such transactions are not easy to cover in cross-border trade statistics.

Although hard to quantify, precisely some aspects of international trade in media and other cultural products can be derived from international statistics. Trade in media goods is often a one-way trade rather than reciprocal. Marvasti's (1994) conclusion from UNESCO statistics of the mid-1980s that developing countries are net importers and industrialized countries are net exporters seems to be still valid (see e. g. Cattaneo and Snowball 2019). In Marvasti's analysis, trade in recorded music, films, newspapers, and book exports was dominated by only ten export nations. This might have changed considerably. Also trade figures measured in US$ value are skewed since they neglect differences in purchasing power. Furthermore, differences persist in the relative importance of domestic media markets. Jayakar and Waterman (2000) found that foreign films have a smaller market share when consumer spending on films is high in a country. Nigeria, which produces some 1,500 films per year, also exports to many African countries (Schultz 2012). Influential in cultural terms, but comparably irrelevant when measured in US$ terms. Trade volumes should therefore not be taken as direct proxies of cultural proximity or societal relevance. Some authors thus suggest not to focus too much on global markets but rather on regional markets (e. g. Flew 2018: 90).

4 How do media companies and products cross borders?

4.1 Market entry

Textbooks (e. g. Bradley 2005) or theoretic perspectives on international media strategies (e. g. Liewehr 2002; Marjoribanks 2011) suggest that market entry would be preceded by a systematic market evaluation and selection. This assumes an ideal-typical process where a media company would first take the strategic decision to expand abroad, then select a suitable market, and only subsequently decide on a suitable market entry strategy. While media companies often undertake a comparative market screening, the actual entry decision is often driven by opportunities and coincidences, be it that a foreign company is for sale, a senior manager has individual preferences, or industry wisdom triggers herd behavior. For example, in the early 1990s, everyone in the German publishing industry believed there would be vast markets in Central and Eastern Europe surely waiting to be captured (see also the chapter by Urban and Vékey in this volume).

Textbooks tend to present market entry strategies as a succession of ever deeper and extended engagement. Bartlett and Beamish (2014: 12) systematize these engagements along the dimensions amount of resources invested and the level of control over foreign activities. It is suggested that a company would start to export its media goods unchanged to gauge the demand. If successful, they might look for a local joint venture partner, and if again successful, buy it out. Following this idea, modes of cooperation range from product export to wholly-owned subsidiaries supposedly building on each other. However, real-life economics are usually more complex. If, for instance, a German publisher ships its magazine to Austria and Switzerland as exports, it might keep it that way indefinitely. Balancing strategy between extra profits from exports on the hand and cost and revenues from a local subsidiary producing local content on the other, the export option might well remain more attractive. Thus, while in principle all common market entry strategies are available to media companies, the peculiarities of the media business impact the feasibility and attractiveness of each approach (Sánchez-Tabernero 2006). Since media content is often produced in networks, the market entry often happens as a (collective) network entry. The companies in a production network have to enter a new market together, and if the network wants to enter a new market each network member has to follow (Sydow et al. 2010).

There is an interrelation between the market entry strategy and the degree to which a product is culturally charged. The more universal a content, the more likely it is that media companies control the business with wholly-owned subsidiaries. Bloomberg's stock-market oriented foreign TV channels in the 1990s are an example. The more relevant it is to have local market knowledge, the more likely it is that companies opt for joint ventures. For instance, German publishers in Central and Eastern Europe followed this strategy at the turn of the century. For the biggest transnational media corporations, Albarran and Chan-Olmsted (1998b) suggested that their market entry approach is usually through mergers and acquisitions rather than through internal developments (see also Chan-Olmsted and Chang 2003).

4.2 Media products

Depending on the type of media and the involved markets, different modes of how media content crosses borders prevail. Regarding media products crossing borders, Bartlett and Goshal (1989) offer a two-dimensional typology. It suggests that the suitable strategy depends on advantages of standardization on the one hand and the necessity of local adaptation on the other (see Fig. 1). If local adaptation is not necessary and standardization brings great advantages a global approach with "one size fits all" products is suggested. This approach is seldom used for media content since even Hollywood movies that are distributed worldwide are adapted to each market in terms of language and in terms of marketing concept. However, for content platforms or media technologies this is a very feasible approach. If no adaptation is necessary but standardization does not bring about many advantages, an international strategy seems feasible where unchanged products are exported only to selected markets or niche audiences within these markets. That is a common approach when serving diaspora audiences such as Indians in Britain or Germans in Switzerland. If standardizations offer little advantage and markets demand elaborate adaptation, companies need to pursue a multinational strategy where operations in each market are fairly unconnected. Internationalization in this approach is more akin to a purely financial engagement. Finally, the transnational approach tries to benefit from standardization while still offering local adaptations. This shall be achieved by realizing economies of scale using templates across different markets and winning local audiences by adapting these templates according to their specific needs. In practice, media companies employ these strategy types rarely in pure form. Rather, they flexibly combine strategies – depending on the interplay of activity type, product type, and cultural context (Möller et al. 2019). More fundamentally, Olson (1999) has questioned the dimension of local adaptation. He argues that "narrative transparency" would allow audiences to read texts as familiar, independent of their actual provenance.

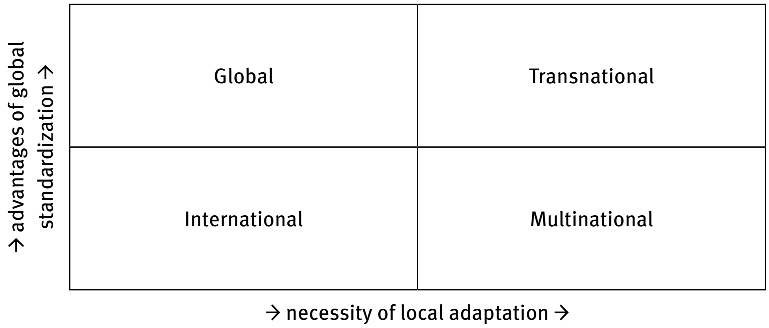

Fig. 1: Four basic strategies of internationalization (Bartlett and Ghoshal 1989)

In contrast to other industries, the products of the media industry tend to be regulated more strongly and there are more barriers to trade. Even countries that generally welcome free trade limit the influence that foreigners and their media companies may exert in a national context. While many countries have relaxed foreign ownership rules since the 1990s (e. g. the British 2003 Communication Act; Queen Elisabeth II), others set clear limits. Numerous countries allow foreign direct investments only as minority stakes in joint ventures, or have regulations concerning the nationality of the owner. This is why Rupert Murdoch, the Australian founder of News Corp, swapped his citizenship to be able to control media companies in the USA and why he could only own 45 % of Phoenix Television in China (Jin 2012, 2: 9). More recently, the trend towards ever more liberal foreign ownership rules has be reversed. Australia defines media as a "sensitive business" (Treasurer of the Commonwealth of Australia 2019:

4), allowing the government to consider and veto acquisitions or investments on a case-by-case basis. Russia has forbidden foreign ownership beyond 20 % since 2017 (Freedom House 2016). And, in 2019, Germany put media on the list of industries where the government can veto foreign takeovers if it believes that the national security is at stake (Deutsche Bundesregierung, Bundesministerium für Wirtschaft und Technologie, Auswärtiges Amt, and Bundesministerium der Finanzen 2013: § 55 Abs. 1 Nr. 6). In all of these examples, the objective is to limit potential interference with internal politics.

Empirical tests of the aforementioned matrix of Bartlett and Ghosal (1989) are relatively rare. Leong and Tan (1993) found that in general, the global and multinational approaches would be more common. However, for the media industry with its culturally charged products it is often suggested that a global approach is not feasible and a multinational approach would not be attractive as it does not allow for economies of scale. Thus the transnational approach is described as the most promising solution for media companies (Chalaby 2005) as it combines economies of scale and risk reduction of the standardization with the enhanced attractiveness of a product adapted to local tastes and traditions (Rohn 2011; Magder 2004).

Looking into literature, the transnational solution has received most scholarly attention. Combining a globally standardized pattern with its local interpretation, it offers a perspective applicable to a broad range of products. Yet, not all types of media are under consideration. While uncommon in film and newspaper studies, it has gained attention for especially light entertainment television and magazines. TV formats allow for the exploitation of economies of scale. The initial development effort for a show can be distributed over several national versions of that show. And even on the production level economies of scale become available, e. g., when the Austrian version of Who wants to be a millionaire? is recorded in the same soundstage as the German one. Magazines, as opposed to newspapers, are comparably easy to market across borders as content is easily adaptable to local needs (Doyle 2006). Lifestyle and fashion magazines use a specific cosmopolitan language and visual style that audiences around the world accept, with slight local adaptations though (Machin and van Leeuwen 2005). This holds true for, e. g., Western fashion magazines exported to China (Frith and Feng 2009) or men's lifestyle magazine FHM (Doyle 2006).

An important issue in the context of the transnational solution is again the fact that the value of media is in the intellectual property (IP) rather than in tangible assets. However, laws on intellectual propertydiffer from country to country, especially when it comes to ideas and concepts rather than finished products. While, for example, British IP law protects TV formats, this is not the case in Germany. Producers need to substitute lacking remedy with a combination of first-mover advantages, trademark protection, and mutual dependencies in the producer broadcaster relation (Lobigs et al. 2005).

Another legal discussion in the context of copyrights might lead to an unwanted (at least by media producers and rights holders) internationalization of the media business. Copyrights are usually based on the principle of territoriality, which means that licenses to use a certain media content are granted on a country-by-country basis. The rights holder of a film produced in the USA, for instance, can sell the screening rights separately to different broadcasters or video-on-demand services in different countries (Evens and Donders 2018). For the rights holder, this means license fees can be set according to the purchasing power of each market, for the broadcasters, it means they only have to pay for their target market. Now the European Commission wants to enforce the Digital Single Market also in the context of copyrights to cultural goods, which would mean that licenses sold in one European country would allow legitimate use of the content throughout the EU (Weiss 2016). What sounds great from the perspective of a British tourist in Cyprus trying to catch up on his favorite program, troubles producers who fear they might lose substantial parts of their financing. This might subsequently lead to an oligopolistic industry structure and diminished cultural diversity (Ibrus and Rohn 2016).

4.3 International division of labor

Value chains often span across borders in order to benefit from cheaper factor costs. Thus German children's books are printed in countries like Malaysia, Western European radio channels commission their smartphone apps in Romania, Facebook outsources content moderation to the Philippines (Chen 2014), and the book you are reading right now was copyedited by a subsidiary or contractor of the publisher in a relative low-wage country in Asia. South Korea became an animation powerhouse by offering cheap production services to Japanese and US American customers (Vallas 1997). Later on, South Korea itself outsourced the production of domestic animation to even cheaper North Korea (Lee, Wonhee 2006). Most of these outsourcings can be described as a result of an international division of labor (Mosco 2006). Work is done where it is most efficient. That is why in the media industry outsourcing is often confined to humdrum tasks, while the creative aspects remain close to the audiences.

Often also timing is an issue. Although printing is cheaper in South East Asia or in Eastern Europe, this would not be feasible for daily newspapers in Western Europe. In contrast to manufacturing, supply chains in the media business tend to be shorter. In the run-up to Brexit, it became public how long supply chains might be in the car industry with parts crossing borders back and forth several times (e. g. Ruddick and Oltermann 2017). The production of a complex media product such as a feature film shot at multiple locations and full of effects produced by highly specialized companies similarly combines inputs from several countries. However, a newspaper article usually does not zip around the globe during the different stages of development before it is published.

Offshoring in the media industry draws the same criticism as in any other industry affected by globalization, and just like anywhere else resentments are particularly high when competitive advantages are attributed to subsidies in another country. Hence the indignation about so-called runaway production: After Canada had introduced production subsidies at the end of the 1990s, numerous film productions intended for the American market were produced in British Columbia rather than in Hollywood, potentially hurting less mobile media workers and production service companies (Miller and Leger 2001). Many governments deem the media an important sector for the public and the national cultural life that should not be serviced by foreign companies only. Therefore, many countries have subsidies in place to support local production and to lure foreign productions in order to lift the domestic industry to a sustainable scale. The international division of labor in the media industry is thus not only the result of factor cost differences but also of an active industrial policy in many countries (Trappel 2018).

In the context of media production, there is another trend that leads to a convergence of production routines on the one hand and production styles on the other. While a production has one “passport” from a subsidies perspective, in terms of the team it often has many: Production teams are regularly composed of individuals from several countries. Ambitious media workers work their way up by searching jobs with reputed colleagues on projects anywhere in the world where they feel that there is industry wisdom to be absorbed. For talents from smaller countries, it can be simply a necessity to work also abroad in order to find enough gigs. Thus, virtually every director, actor, cutter, or producer from countries like Switzerland or Belgium has also worked in the neighboring countries and by doing so helped to distribute routines and industry standards across borders. Over time, a cosmopolitan standard of how things should be done has emerged (Kuipers 2012).

In the context of globalization, a new and in many regards problematic international division of labor has emerged. New media platforms and technology firms like search engines can be regarded as born globals (Gabrielsson and Kirpalani 2014). While they started as a students’ project in American universities with a limited focus, the business models of companies like Google and Facebook are by and large agnostic towards cultural, political, and market differences. By focusing on the platform and delegating the provision of content to local users (Möller and von Rimscha 2017; Helmond 2015), these companies circumvent problems that would come up when trying to provide the same stories or information universally. Beyond trends already observable in the TV cable industry two decades earlier (Evens and Donders 2018), convergence toward universal platforms means all media distribution on platforms can become internationalized. Content production is outsourced to individuals, non-media companies but also local traditional media companies. This leads to a decoupling of expenditures and earnings. The cost of content production is still borne by local companies while the advertising revenues generated with this content are to a large part collected by globalized tech companies. Especially in Europe, media companies have been rallying against that (Tworek and Buschow 2016; Stühmeier 2012), asking their governments and the European Commission to introduce legislation that would reign in the market power of the new competitors (Scalzini 2015; Höppner 2018) and introduce either special ancillary copyrights for publishers as in Germany and Spain or a special tax on local revenues of tech firms as in France. Leaving apart the pros and cons of particular proposed or implemented legislation, the combination of digitization and globalization is often expected to have an impact on media diversity (Sjøvaag 2016) and the funds available for original reporting.

5 What is the role of culture?

5.1 Cultural discount and effects on production

It has been long established that, given the choice, media audiences regularly prefer media content with cultural proximity (Straubhaar 1991). I. e., content that is locally produced and thus relates to their everyday experiences both in terms of the setting and in terms of values and norms (Trepte 2008). However, culture is not necessarily bound to national borders. When local content is unavailable, audiences will prefer content produced in regions that share a language or historical heritage (La Pastina and Straubhaar 2005).

Conversely, foreign content is less valued since it has a diminished appeal outside its original context. Hoskins and Mirus (1988) have coined the term "cultural discount" to describe this. Cultural barriers limit the potential success of foreign media content (Rohn 2010), and content loses value when crossing borders. However, decades of continuous media imports from the USA may have in many places altered the perception of what is familiar by reconfiguring the cultural capital (Bourdieu 1979) of the respective national audiences (Schlütz and Schneider 2014; Park 2015). Not only may people in other countries recognize the streets of New York more easily than those of their own capital, they might also consider a verdict by a jury a standard, although it is not part of their juridical system. Kuipers (2011) calls this the emergence of a transnational cultural field and thus a transnational market.

Certainly, what is considered close or alien varies across time and topics. Studies have shown that genres that are set in a fictional world, not relating to a particular place, such as Sci-Fi, travel more easily (e. g. Lee, Francis 2006). The same holds true for nature documentaries. Since hardly anyone has a penguin in his neighborhood, they are equally alien for any audience. Some authors also suggest that visual language has a more universal appeal and that, e. g., image-heavy magazines would travel more easily than text-based formats (Schulte-Hillen, Ganz, and Althans 2001). Beyond that, the impact of a cultural discount can be reduced by another converse effect: the country-of-origin effect. Independently of the respective foundation, people tend to have positive stereotypes about what countries would be good at (Chattalas, Kramer, and Takada 2008). The Germans are said to build decent cars, the Swiss manufacture top-quality watches, and the Belgians know how to produce delicious chocolate. Stereotypes also exist in the media context (Bose and Ponnam 2011). Impressive martial arts films come from Hong Kong, the Swedes have a reputation for children's books, the British for pop music, and the Dutch for intrusive reality shows. For the respective target audience, the origin from one of these countries thus does not result in a discount but rather works as a quality indicator and can even translate into a price premium. Park (2004) has shown that simply "liking" a country or its people can counter the effect of a cultural discount.

Yet, despite these qualifications, the cultural discount effect persists and has been repeatedly confirmed (inter alia Kuipers 2011; Park 2015; Rohn 2011). For media producers willing to distribute their content outside their home market, the opposing effects of cultural discount and country of origin suggest that they have to decide between two basic strategies: Either they can try to render their content as universal as possible to avoid the cultural discount effect, or they can address all the national stereotypes and use the country-of-origin effect as a branding strategy. While the first strategy risks creating dull contents with no edges, the latter limits the size of the potential target group. In any case, it does not seem to be a good strategy to export content that is neither universal nor addresses the respective stereotypes. A Spanish TV show imitating Nordic Noir, for instance, is not likely to succeed. The need to finance increased budgets for media production also with revenues from abroad might thus indirectly lead to less diverse media content (Habann and Herrmann 2003: 907), replicating stereotypes and the international division of labor.

5.2 Country typologies

The extent to which a content might suffer from a cultural discount can be estimated based on the similarity between cultures or markets, that is, on country typologies. A popular approach in this context is to refer to the cultural dimensions suggested by Hofstede (1983). Initially based on workplace behavior, he positions countries along six dimensions: power distance, individualism vs. collectivism, masculinity vs. femininity, uncertainty avoidance, long-term orientation, and indulgence vs. restraint. The reasoning goes that content produced in, e. g., a short-term oriented, masculine society that praises indulgence could be easily transferred to a country with similar traits but not to a more feminine, long-term oriented society that praises restraint. Other, more media-focused country typologies such as those presented by Dobek-Ostrowska et al. (2010) might serve the same purpose although they are usually more interested in the interface between the media system and the political system.

While easily comprehensible, these typologies have a fundamental weakness when used as market delineators. The typology unrealistically assumes homogeneity within countries and heterogeneity between countries (McSweeney 2002). This is inconsistent with overwhelming everyday evidence as well as with the concept of target audiences that provides fine-grained segments also within national markets. Even if the globalization enthusiasm of the 1980s (Levitt 1984) proved to be premature and there is no such thing as a globally converged culture or at least a pan-European audience (Vissol 2005), there might be relatively homogeneous target groups across cultures that seem heterogeneous in the aggregate. Therefore, cross-national consumer typologies might become more useful than higher-level country typologies. Having said that, country typologies that focus more on media system properties and regulatory traditions (Hallin and Mancini 2012) than on consumer preferences are still relevant in market entry and development decisions (Flew and Waisbord 2015).

5.3 Language

Among other aspects, such as norms, habits of dressings, or humor, language is a key indicator of culture. While style and humor are acknowledged as crucial in media content production, they are hard to grasp in economic terms. Transnational media management practice and researchers in the field consequently define audiences via languages. If the audience can understand the language, it constitutes a potential market. In fact, media produced in the same language will reveal a sense of locality (Ksiazek and Webster 2008; La Pastina and Straubhaar 2005; Singhal and Svenkerud 1994). And audiences that share languages will tend to pay attention to each other. This applies with a focus on legacy media (Hepp et al. 2014) and continues to be valid in the age of social media (Heft, Wittwer, and Pfetsch 2017)

There is, thus, a relation between language of (dis-)advantage and economic success in cross-border markets (Collins 1989). In particular, English-speaking media companies, yet also enterprises based in Spanish-, Arabic- or Chinese-speaking environments, benefit from both large home markets and sizeable audiences around the world. Media companies striving to engage across borders depend on resources to invest into often risky and trial-and-error businesses abroad. And unexpected limitations in culturally diverse markets demand disposal of time and money (Rohn 2010). In this regard, companies with large home markets are usually better equipped (Ksiazek and Webster 2008; Doyle 2017). Conversely, companies based in countries with non-dominant languages suffer from disadvantages concerning cross-border expansion. Content needs to be adapted to qualify as export. Coping with these disadvantaged companies rely on costly strategies such as building co-operations or acquiring subsidiaries in local markets. Thus, only larger companies from non-dominant media markets have succeeded with cross-border engagement. German publisher Bertelsmann serves as an example of globally successful media companies also beyond English language markets (Chan-Olmsted and Chang 2003; Mora-Figueroa 2015).

Relatively few studies discuss perspectives of unleashing potentials among non-dominant language market-based enterprises (Fursich and Shrikhande 2007;

Yesil 2015) and others have pointed to potentials to overcome limitations through digitization (von Rimscha et al. 2019). Digitization allows for savings regarding investment into local resources, but seems to reproduce the described (im)balances of power. Companies from countries with non-dominant languages are absorbed in keeping up with (new) technological developments and re-defining their business models. Investments in new technologies tie up resources that could otherwise be used for engagement in foreign markets. Advantage of scale and capacities of advancing technology are interrelated (Doyle 2017). There are, yet, two exceptions: Media companies serving niche markets as well as born globals can profit from digitization (von Rimscha et al. 2019; Preston and Kerr 2001).

Language can be a constraint for success in foreign markets. In some countries, foreign media content usually remains unchanged, while other countries regularly dub audiovisual products and translate written formats such as books and magazines. While in small Scandinavian markets, for example, only subtitles are added to US American films, Germans expect to watch the same film in a dubbed version (Pedersen 2010). For some media content, the licensing of concepts is an important intermediated solution between exporting and financial investments in the foreign market. This might change with changes in geo-cultural markets, evolving with simultaneous global, national, regional, and local program exchange flows (Hesmondhalgh 2007). Also, language is not only a potential indicator of cultural proximity, it is also an object of regulation. Trade in media goods is at times limited by rules that stipulate a certain share of content in the local language (Machill 1996). While aimed at protecting local production, such measures also lead to funny French versions of English chart successes.

Language has additional potential effects on the production of content and the trade in distribution rights (Marschan, Welch, and Welch 1997). Language can be influential in the recruitment of staff and can be a proxy for different routines how things are done. (Non-media) Cross-border management scholars point out that top management team national diversity would be positively related to performance (Nielsen and Nielsen 2013). Thus, media conglomerates might specifically aim for national diversity in their management and workforce in order to foster innovation and to create universally appealing contents. On the contrary, language-induced misunderstandings can also hamper achieving joint working routines. Language, or rather the language competence and fluency of executives, often defines the horizon of the management. If nobody in the management team speaks a certain language it might not be an obvious choice to export to or import from the respective region even if the company has decided to introduce a global company language. Both perspectives are not common in media management literature yet. Workforce diversity is usually addressed from a regulatory (e.g. Napoli 1999) or integration (e.g. Horsti and Hultén 2011) perspective rather than with the potential boost to economic performance in mind.

6 Conclusion

Media are sensitive to politics, technology, and culture. Investigating their creation, organization, and distribution needs to consider complex interactions beyond markets. Consequently, the field for transnational media management research offers old and new research questions. In this chapter, we have tried to highlight both. Scholars of transnational media management often neglect the question *why media cross borders*. However, dealing with it uncovers a whole range of cross-border activities hardly investigated until now, such as lobbying or PR. Beyond that, there is still limited knowledge regarding the *volume of transnational media*. Both methodological and theoretical work is needed on how to grasp volumes of cross-border media trade, as economic volume does not necessarily equate with cultural impact. Comparably more work has been done regarding *how media cross borders*, in terms of markets, products, and the international division of labor. A particular recent challenge is to investigate media crossing borders without relying on local subsidiaries or partners. Digital technology allows for "saving" local infrastructures while still doing the business. What is, finally, *the role culture plays*? Transnational media management research hints to understandings of culture beyond the "national box". (Non-media) Cross-culture management research shows that this raises additional questions on the nature of transnational co-operative work or the persistence of cultural diversity, even in times of media convergence.

There is always also a political dimension in media crossing borders (Thussu 2019). Political infrastructures as well as political debates, signifying and legitimizing media, influence the way media business is expanded or organized across borders. Starting with US American politics in the 1980s, for instance, power balances in international media markets developed in favor of US companies. This era brought forward both paradigmatic debates on the globalization and transnationalization (Chalaby 2005) of media businesses and on media imperialism (Fejes 1981). On the eve of the 2020s, however, discourses and politics of protectionism seem to be striving again. In a political era characterized by complex issues such as advances in technological innovation and global migration, authoritarian and populist leaders try to win votes by calling for bringing media back to where they belong. Simultaneously, transnational media companies explicitly reconsider unlimited cross-border expansion. Even before contemporary political protectionism rhetoric, media companies started to retreat from international business (The Economist 2017). Axel Springer, for instance, started selling its Turkish business a couple of years ago.

Irrespective of political protectionism and its consequences, media will continue to cross borders. Digital technologies have created a backbone for cross-border media activities (Chalaby 2005: 29). Technologies such as satellites or the internet have created audiences, new media practices, and new markets across borders. While content creation or distribution might be relocated to national markets, there are countless visible and invisible organizational and technological structures and businesses that will continue to be in place. Media companies have built cross-border networks and will continue to leverage them. Not least, digital media foster the creation of transcultural audiences. This applies to communities sharing styles and interests as well as to elites consuming foreign news media.

Arguably, there is a link between political thematic booms and scholarly work. Following intense publishing activities during periods of globalization resp. liberalization discourses and politics, scholarly interest in transnational media management research seems to have cooled down lately. Yet, as we have shown in this article, there is no reason to neglect this field of research. Media continues to travel across borders, be it through digital technology, cosmopolitan audiences, or managerial decisions.

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Section IV – Regional perspectives and peculiarities

Amanda D. Lotz

18 North America

Abstract: Multiple strands of research about economics and management of media can be found in North America. Each takes a slightly different focus, and there has been far less collaboration among the scholars working in these different strands within North America than there has been among North American scholars working with those around the globe.

Keywords: media economics, political economy of communication, media industry studies, production studies, sociology of media, media management and strategy

The study of economics and management of media communication in North America began taking shape in the 1980s. It is difficult to identify a single North American strain of research. Scholars trained in fields as diverse as sociology, economics, and film studies have attended to questions of structure, interaction, behavior, products, and the cultural and economic significance of media industries. Notably, the different approaches have rarely conversed, but rather broadened their conversations by connecting with other scholars that adhere to similar approaches to study first in North America and then quickly throughout the world.

Although the North American context has featured multiple traditions, what might be argued as the dominant approach cohered with the launch of the *Journal of Media Economics* in 1988. At launch, the journal set out "to broaden understanding and discussion of the impact of economic and financial activities on media operations and managerial decisions". Before the journal's launch, scholars published research in journals such as *Journalism Quarterly*, *Journal of Communication*, and the *Canadian Journal of Communication*, though as Compaine describes, "there was never quite a home" in these more general publications (2014: 113). As the title of a venue such as *Journalism Quarterly* suggests, the topical focus of much early North American media economics research considered newspapers, although of course not exclusively. Several media economists also published research in books in these early years (Noam 1985; Dunnett 1990; Lacy and Simon 1993; McFadyen, Hoskins, and Gillen 1980; Owen and Wildman 1992; Picard 1988; Picard 1989; Picard 2002a; Picard 2002b; Webb 1983), but the arrival of a topically-focused journal increased publication significantly. Compaine's 1979 book *Who Owns the Media* included chapters on the ownership of seven media industries and provided an important resource and illustration of the possibility of considering an issue such as ownership across media industries.

Of course, research on the economics and management of media industries existed long before this coherent approach began to develop in the 1980s. Attention to media industries can be found as early as the 1920s, some of which was driven by the interest in understanding media power and influence at that time. In the USA, the

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effect of media was the dominant line of study – as seen in the Payne Fund studies and tradition of media psychology that finds its roots in this era – but others recognized these messages of influence came from somewhere, and turned their investigation to the entities producing and circulating them (Tosdal 1915; Johnston 1926; Cassady 1933).

Throughout much of the 20th century, the study of media economics and management existed on the margins of various fields, but by the 1970s, the seeds of the multiple North American traditions were evident. At least five identifiable strands exist: media economics, political economy of communication, sociology of media industries, critical media industry studies, and media management and strategy. All of these strands explore a wide range of media industries and organizations. While they are arguably united in their topic of study, their approach and the nature of the questions that animate their research vary so considerably that minimal cross conversation exists.

1 Media economics

Even upon the development of the *Journal of Media Economics*, the business of news continued to be a focus of this strand of the field. The *Journal of Media Economics* was first self-published by Picard, who has played a central role in shaping the study of media economics and management both in North America and internationally. In its first years, the journal mainly published research focused on traditional media industries, with a particular emphasis on newspapers, and was described by Albarran (2014: 110) as descriptive in nature.

Of course, media economics scholarship appeared before the late 1980s, but Picard notes that it was "ignored, or only lightly attended to" until the second half of the 20th century when U.S. American media began "taking on stronger commercial characteristics" and as ownership consolidation grew steadily (Picard 2006: 24). He notes the earliest research developed in the 1950s and focused on newspaper competition and characteristics and broadcasting structures and regulation (Ray 1951, 1952; Reddaway 1963; Coase 1966; Levin 1958; Steiner 1952; Coase 1959). Harvard economist Caves' (2000) book outlining characteristics of "creative industries" was broader than media industries, but valuably enumerated many economic characteristics that differentiated the industries studied by media economists and the strategic responses of these industries.

By the late 1990s, a clearer subfield began to cohere that led to the increased publication of books that named and defined a subfield of study (Albarran 1996; Albarran and Chan-Olmsted 1998; Alexander, Owers, and Carveth 1993; Alexander, Owers, and Carveth 1998; Hoskins, McFadyen, and Finn 2004; Wolf 1999), while articles published in the journal began to address the emerging consequences of digital media and technologies and expanded the range of methodologies (Albarran 2014:

110). The first years of the journal were dominated by North American scholars, with some European authors, but in this second phase, the research in this strand began to take on a much broader international character – likely due in part to Picard's founding of the World Media Economics Conference in 1994 (though a development outside the US; later known as the World Media Economics and Management Conference). Consequently, by the turn of the century it is difficult to pinpoint a particularly North American approach to media economics.

In 2006, a new editorial team took over the *Journal of Media Economics* and expanded its scope to include "research on the impact of media on the economics of other industries and the economic implications for media industries on the media's special role in politics and society" (Albarran 2014: 111). Upon the 25th Anniversary issue, Compaine (2014: 114) reflected that competition and concentration was a frequent topic of the journal in its early years, but had become an infrequent focus by 2010, likely a reflection of the shifting competitive dynamics introduced by digital distribution across media industries by that point. Although the *Journal of Media Economics* emphasizes this strand of study, the journal publishes research characteristic of several of the other strands discussed here.

The *Journal of Media Economics* provided a common site for publication, but the study of media economics, media business, and media management was fractured by the varied departmental locations of its scholars and the multiplicity of professional organizations and conferences these scholars might attend. Many scholars studying media economics and management are located in journalism or communication departments or schools, but also in departments as varied as sociology, telecommunication, information, or radio-television-film. Picard (2006: 26) notes that "it was rare for more than one person on a faculty to share the interest" in media economics given the dispersal geographically and across university departments. Notably, media economics scholars are rarely found in economics departments or, with few exceptions, in business schools. The roots of North American media economics scholars in the study of journalism led the Association for Education in Journalism and Mass Communication (AEJMC) and its Media Management, Economics, and Entrepreneurship division to be a first common conference venue for its scholars. AEJMC dates to 1912, when it was founded as the American Association of Teachers of Journalism. Also, the Broadcast Education Association (BEA), developed a Management and Sales division and later a Management, Marketing, and Programming division that created a space for media economics research outside of journalism. BEA began in 1955 as the Association for Professional Broadcast Education and has been closely aligned with the National Association of Broadcasters throughout its history. As these divisions suggest, interest in management and economics exists as subdivision of professional organizations of faculty who teach and research many aspects of broadcasting and journalism.

Given the global exchange among media economics scholars that developed by the 21st century, North American scholars also publish research in journals founded outside of North America such as the *International Journal of Media Management* and the *Journal of Media Business Studies*. This tradition of study became quickly international to a degree that makes it difficult to argue that a particularly North American strain persists into the 21st century. What is particular to North America are other related approaches to studying and theorizing media businesses that coexisted with this tradition, often with little cross-pollination.

2 Political economy of communication

Another strand of economics and media industry related research is that of North American political economy of communication (Smythe 1957; Smythe 1982; Schiller 1969; Schiller 1976; Bagdikian 1983; Bagdikian 2004; McChesney 1994; McChesney 1999; Mosco 2009; Mosco and Wasko 1988; Gershon 2000; Mosco 1996). This tradition also attends to matters of media economics, though does so with a primarily critical focus and even defines itself in opposition to the strands of media management scholarship that focus on identifying and improving corporate practices. The political economy of communication approach dates to the 1940s and begins to cohere earlier than the media economics conversation as part of global interest in media power that emerges in relation to student uprisings in the late 1960s and the role of American media and military empire. North American political economy of communication scholars only belong in this consideration of the study of media economics/economics of media at the broadest and most conceptual level, as their focus is understanding the operation of media power rather than its economics or management. Though engaged in a separate conversation, the issues explored and insights of this scholarship nevertheless enrich media economics scholarship, as can the grounded empiricism of the media economics scholarship contribute evidence for analysis of media power.

Wasko, Murdock, and Sousa (2011: 3–4) distinguish political economy of communication from media economics by noting that:

> [the] emphasis of media economics is on microeconomic issues rather than macroanalysis, and focuses primarily on producers and consumers in media markets. Typically, the concern is how media industries and companies can succeed, prosper, or move forward. While competition may be assessed, little emphasis is placed on questions of ownership or the implications of concentrated ownership and control. These approaches avoid the kind of moral grounding adopted by political economists, as most studies emphasize description rather than critique. Generally, then, media economics represents the application of neoclassical economics to media. And while there may be some issues and forms of analysis that are shared by political economy and media economics, for the most part the fundamental assumptions and motivations are quite different. In most cases, media economics avoids political and historical analysis, both fundamental components of the critical study of political economy. Importantly, media economics mostly accepts the status quo, whereas political economy represents a critical orientation to the study of the media, challenging unjust and inequitable systems of power.

The drawing of intellectual boundaries in such a value-laden manner explains the lack of cross-conversation between areas, although Picard (Picard 2006: 30) notes conflict between the approaches "is unnecessary and counterproductive because each contributes important evidence and explanation that makes the others stronger".

Not all scholars identifying with the political economy of communication tradition have drawn such stark lines among approaches. Given the more vibrant public service media environment in Canada, it has offered a rich environment for the study of the economics of public service media that has led to scholarship that blends economic and political economic insights to explore effects of the U. S. American media on Canadian industries (Hoskins and Mirus 1988; Magder 1993; Magder 1998; Hoskins and McFadyen 1992; Tinic 2005). Also, government is a funder and a significant actor in the economic structure of media industries in Canada – much like other regions of the world, but unlike the USA. Magder (1993) and Tinic (2005) both engage in economic and industrial analysis that include a more extensive role for government in supporting Canadian film production or public service broadcasting.

3 Sociology of media

An additional thread of study can be found among sociologists who have studied media organizations (Gans 1980; Tuchman 1978; Hirsch 1972). Such research aims to understand the operation of particular media organizations and converses with parts of both the media economics and political economy of communication traditions. More recently this scholarship has been identified as the "production of culture perspective" (Peterson and Anand 2004). Given its home in sociology, the focus of this strand is often less on economics, but on how media organizations operate as social institutions. Given the expansion in other strands in the early 2000s, the sociology of media arguably made a greater contribution in the earlier days of this subfield, but the methods and insights of this research provide an intellectual cornerstone of research that focuses on and identifies itself as media industry studies.

4 Media industry studies

In the last decade, another strand of research has emerged that likewise connects with, and remains distinct from, these other approaches to the study of economics and management of media communication. Critical media industry studies (Havens, Lotz, and Tinic 2009; Holt and Perren 2009; Havens and Lotz 2017; Havens and Lotz 2012) and production studies (Mayer, Banks, and Caldwell 2009; Banks, Conor, and Mayer 2016) have emphasized the connections between media industries and culture at more meso- and micro-level contexts in order to explore the operation of power within the creation and circulation of media and engage in empirical examination, often through methods such as interviews and observation. Media industry studies (Herbert, Lotz, and Punathambekar 2020) – which draw considerably from British cultural studies and British political economy – include economic considerations such as ownership, revenue models, and business strategies among other factors such as regulation, technology, and socio-historic context to understand the operation of media in societies. The attention to questions that connect media industries and their implications for culture distinguishes this strand that engages questions of media economics and management to varying degrees.

Although it has cohered only recently, this strand of research identifies a much longer legacy including political economy approaches characteristic of the US and UK in the 1970s. Also from a sector of film studies, largely recognized simply as film history, that typically produced detailed and complicated examination of film industries. Gomery, who earned a MA in economics and then a PhD in Communication Arts from the University of Wisconsin-Madison, can be credited with playing a significant role influencing this strand of study. Gomery, who encouraged Staiger's research that connects textual goods with modes of production (Bordwell, Staiger, and Thompson 1985), wrote on many aspects of media industry and culture and provided rich industrial histories including his account of the studio system (1986), the impact of sound technology on the film industry (1985), and film exhibition (1992), in addition to writing specifically about media economics (1989). Gomery also joined Compaine in authoring the third edition *Who Owns the Media* (Compaine and Gomery 2000).

One of the best applications of this research tradition to the specific topic of media management is the collection of chapters included in *Making Media Work: Cultures of Management in the Entertainment Industries* (Johnson, Kompare, and Santo 2014). The editors set forth a research agenda, including mid-level fieldwork, that considers "management as a set of tactics constituted through discourse, but also to consider how media managers – positioned between the agency of a perceived creative class and the strictures of economic institutions – embody the contradictions at the heart of mid-level situations" (Johnson, Kompare, and Santo 2014: 11). In doing so, the editors challenge the undertheorized and rarely empirically based claims about media management that can often be found in critical approaches that at times simplistically identify media management as shills for media owners and as uniformly anti-labor. Their project conceives of "'management' as a discourse [...] to move past debates over what managers (should) 'do,' and instead address how 'management' is understood within industrial and academic settings" (Johnson, Kompare, and Santo 2014: 4).

Notably, this approach is also difficult to classify as particularly North American because it is deeply engaged with scholarship developing in other national contexts and eager for broader global conversation. The Society of Cinema and Media Studies (SCMS) established a Media Industry Studies interest group in 2011 and the International Communication Association (ICA) followed suit in 2015. Neither organization offers a specialized publication, but the *Media Industries* journal developed as an international collaboration among nine universities in 2014. A standalone Media Industries Conference was held in London and hosted by Kings College in 2018 and repeated in 2020.

5 Media management and strategy

Finally, scholars located in North American business schools occasionally examine research questions related to media management and strategy. For the most part, North American business schools organize around subdisciplines such as management, strategy, finance, marketing, and operations rather than on particular industry sectors such as media. A common focus of scholarship in this strand is to apply methods of market analysis characteristic of general business theory to media businesses (Wirth and Bloch 1995). On occasion, business strategy scholars have examined media strategy (Elberse 2013; Anand 2016). Many approaches to marketing also blur disciplinary boundaries between business and media (Chan-Olmsted 2011; Chan-Olmsted and Park 2000). Research characteristic of this tradition is also produced by those working in media industries (Vogel 1986; Blumenthal and Goodenough 1991; Ulin 2009).

The International Media Management Academic Association (IMMAA) was started at the Kellogg School of Management at Northwestern University in 2004. It does not have its own journal, but the *Journal of Media Business Studies*, which also began publishing in 2004, provides a venue for research characteristic of this strand. Although there are certainly North American scholars contributing to this strand, it is more substantively developed in other regions.

In sum, multiple scholarly traditions aimed at understanding different aspects of media businesses coexist in North America though rarely interact. The study of the business of journalism and news provision remains the dominant focus, although studies of entertainment businesses have certainly expanded. The research of North Americans has followed the media businesses as an object of study that has grown increasingly global to converse far more extensively with non-North American scholars that approach questions similarly rather than by engaging with the range of other approaches that can be found among North American scholars. This fractionalization is further reinforced by the lack of a clear home welcoming of the diverse strands of the study of media economics and management. Although many scholars are based in schools or departments of communication or media, many such departments have not prioritized expertise in these areas, or assumed they can be found in business schools. North American media economics and management research has also followed its object through the transformations of digital production and distribution, yet here too, it is difficult to argue for a distinctly North American approach.

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María Elena Gutiérrez-Rentería

19 Latin America

Abstract: Researching media economics and media management in Latin America is not an easy challenge. The study of applied media economics and media management in the region is still in a nascent stage and only about to be consolidated. Most academics who analyze the industry are based at private universities with comparatively limited resources. This chapter describes the studies on media economics and media management in the region. Otherwise, this work presents the support that academics Albarran, from North Texas University, in the USA, and Nieto, from Universidad de Navarra, in Spain, have provided to different Latin American authors for the development of this line of research. Finally, this section gives, also, an overview of the contributions of Latin American researchers in the field of media economics and media management in the region.

Keywords: audiences, advertising, Latin American countries, hispanic media industry, media markets, regional markets in Latin America, media company, media industry, media economics research, media management research

1 Introduction

Latin American studies on media economics have been/are carried out thanks to the support of European and American universities, such as the Universidad de Navarra in Spain and the North Texas University in the USA. The majority of these studies is conducted by different faculties of communication in Latin America and their common interest is to delve into the reality of the media industry in a holistic and interdisciplinary way. This is a necessity in the area of social sciences for the study of the industry.

The economic, political, and social circumstances of each country in Latin America are different. The communication markets each have their own peculiarities and this is, in some way, reflected in the studies on the subject. On the other hand, there are similar characteristics/similarities of the industries among the countries that serve the description of the regional industry, although the communication and telecommunications markets have witnessed different developments (Gutiérrez-Rentería 2018).

The Latin American population is young and consists of more than 650 million people (Economic Commission for Latin American and the Caribbean 2018). Brazil and Mexico not only contain more than fifty percent of the population, they are also the largest economies.

The political environment in the countries of the region is different, since populist policies persist in some of them, while in other countries neoliberal policies predomi-

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nate. The most concerning issues in the area of socio-economics are the concentration of wealth, poverty, corruption, and drug trafficking.

The development of the media industry varies by country, although there are microeconomic characteristics that unite/uniting them (Gutiérrez-Rentería 2018). For example, the region is characterized by a high consumption of entertainment through radio and television, a low level of reading by the most representative segments of society, and a high consumption of social networks on mobile devices (Gutiérrez-Rentería 2018). The largest part of the advertising investment in the region is concentrated in Argentina, Brazil, Chile, and Mexico. The governments of Cuba, Venezuela, and Mexico are attacking the freedom of the press. In Mexico, journalism is considered a dangerous profession due to the large number of murders of journalists (Reporters without Borders 2018).

Researching media economics and media management in the region is difficult. There is only limited access to official information on the companies that shape the media industry. Most academics who analyze the industry are based at private universities with comparatively limited resources. Furthermore, most research originates from journalism schools where, for decades, the focus was on teaching students about political economy of communication. Thus, there was little room for teaching and researching from the perspective of applied economics and the strategy of the media company. Studies on communication and company-oriented industry studies were not combined with each other, hampering the view that media should serve society and at the same time generate returns for the shareholders and stakeholders. Interdisciplinary academic research, which is necessary for the study of the media industry, is still fairly new to the region.

The chapter consists of three sections. The first section deals with the background of studies on media economics in Latin America. The second section highlights the contributions of Nieto and Albarran to the development of research in the region. The third section gives an overview of the contributions of Latin American researchers.

2 The approaches of media economics and media management studies in Latin America

The academic literature on media economics in Latin America can be grouped into 1) a critical tradition and 2) an applied economics tradition that reflects the close link between the social sciences and the humanities (Gutiérrez-Rentería 2018).

Studies in the first group were first published in the 1980s and have been used as academic training material for students in communication and journalism. Research on the political economy of communication in the region was influenced by Marxist studies, British cultural studies, and political economy. European and American scholars had a great influence in the region. Most notably, Mattelart and Schumucler of the University of Paris, Schiller and Albornoz from the Carlos III University of Madrid in Spain, Noam from Columbia University, and Hughes and Chappell Lawson from the University of Miami, in the USA.

The second group consists of applied economics studies, i. e., industry-based studies with some influence by neoclassical economics and from the social market perspective. They have tried to understand the communication markets of the region, and several of these studies reflect the theoretical contributions of social market economics and the anthropology of managerial activity. They define the purpose of a media company to serve the audience and the shareholders, and therefore, the society to which the company belongs, according to the social market perspective. The scholars who represent these studies and who have influence in Latin America are Nieto, Iglesias, Sánchez-Tabernero, and Pérez-Latre, all from the Universidad de Navarra in Spain.

Overall, much of the research done on media industries in Latin America is carried out in two universities outside the region. Albarran (e. g., Albarran 2009; Albarran & Hutton 2009; Albarran 2013) from the University of North Texas in the USA and Medina from the Universidad de Navarra in Spain (e. g., Medina 2001, 2003; Medina & Barrón 2010, 2013; Medina & Gutiérrez-Rentería 2008; Medina 2014a, 2014b) deserve a special mention.

3 The contributions of Nieto and Albarran to the formation of Latin American scholars

Nieto initiated research on media economics and media management from the perspective of the social market economy in Spain and subsequently had an enormous influence on the development of this academic field in Latin America. Albarran promoted applied economics studies in the region and became an influential mentor of many Latin American researchers. This section highlights their respective contribution in stimulating a whole generation of studies on media economics in the region.

3.1 (Don Alfonso) Nieto

Nieto, doctor of Law from the Universidad de Oviedo, was the first professor of media management in Spain. He was dean of the School of Communication from 1969 to 1974 and served as President of the Universidad de Navarra from 1977 to 1991. In 2002, he received an honorary doctorate from the Universidad Austral in Buenos Aires. He can be considered the founder of media company studies in Spain and Latin America (Rodríguez 2015). Nieto understood that only where a free market economy does exist, media content quality can be guaranteed and fostered. “Every study conducted demonstrates the humanizing function of the media. For him, information companies should be made up of professionals aware of their responsibility as bearers of society’s right to information, and also that their efforts should be at the service of it. For this reason, he dedicated in his writings prolonged attention to the subject of principles” (Rodríguez 2015: 110).

Nieto stands out for highlighting the importance, the goals, and the social responsibility of the journalistic company. Also reflected in his works is the economic value of information and entertainment products within the media market. His works such as *La empresa informativa* (Nieto-Tamargo & Iglesias-González 2000) were quite influential in Latin America. He was also a key person in the projects that Albarran would later carry out with Latin Americans. This is the result of his close friendship with Nieto as well as his special interest in the region.

4 (Alan) Albarran

Albarran established the Spanish Language Media Center of the University of North Texas in 2006. This institute organized several congresses on media economics and media management in the Hispanic media industry. In 2008, the first volume of the bilingual *Journal of Spanish Language Media* was published. Currently, this magazine is titled *The International Journal of Hispanic Media* and is edited by Kent Wilkinson, director of the Institute for Hispanic and International Communication at Texas Tech University.

The first contribution made by Albarran (2009) to scientific literature in the field is reflected in *The Handbook of Spanish Language Media* in which various authors analyze the different Hispanic communication markets. The work includes the competitive dynamics and/as well as the description of the markets in Mexico, Central America, Colombia, Venezuela, Bolivia, Ecuador, Peru, Chile, Argentina, Uruguay, Paraguay, and Cuba. The edition of the *Handbook* was challenging due to the scarce research that had been carried out so far in the continent, the lack of access to public information about these markets, and the small number of researchers who understood the focus of the area.

The first cross-country studies directed by Albarran in Latin America aimed at a better understanding of audiences, especially in the context of mobile media that is ubiquitous in the region (Albarran 2013; Albarran & Hutton 2009).

Albarran has also stimulated the participation of Latin Americans in events such as the Conference on Spanish Language Media and other Latino-oriented media, held at the University of Texas in San Marcos in the USA in 2009, the World Media Economics and Management Conference in Bogota, and the Broadcast Education Association (BEA) in the USA.

Finally, Albarran is a member of the editorial boards of *Revista en Comunicación* (University of Piura, Peru), *Palabra Clave* (University La Sabana, Colombia), and *The International Journal of Hispanic Media* (Texas Tech University, USA). He was supportive in including Latin Americans in the editorial boards of both *The International Journal on Media Management* and *The International Journal of Hispanic Media*.

5 Themes and topics in the field of media economics and media management in the region

Studies on media economics applied in Latin America have aimed to contribute to the study of the industry and the development of this area of knowledge, taking (into account) various methodological traditions in the field of economics science, mainly from neoclassical theories and social market economics. Latin American authors have tried to understand the real problems of each of their countries and they have tried to find solutions, by strengthening a common language and an exchange of methods, results, and knowledge.

The Department of Media Management at the Universidad de Navarra has been an important hub for research on the region. Since 1980, 10 doctoral theses that addressing Latin American media markets have been defended by Latin Americans here (e. g., Benavides 2012; Rosario Albert 2012; Marra 2003; Gutiérrez-Rentería 2004; González-Bernal 2016).

Studies on media economics applied to communication company management and analyses of emerging markets in Latin America first emerged at the turn of the millennial (Gutiérrez-Rentería 2018). These studies apply theories from a neoliberal tradition as well as a social market tradition. Some of these works have also served to study the strategic and competitive actions of media firms from the economic analysis of the industry (e. g., Arango-Forero 2013).

At the same time, there are more studies dedicated to obtaining greater knowledge about the demand: measured from the consumer behavior of information and entertainment through the media (e. g., Benavides & van Weezel 2013). Much of the work in this field heavily relies on theories from communication science that describe different types of audiences according to their media consumption and the uses and gratifications of information and entertainment accessed through mobile devices.

The first work in the field was a country report on Mexico (Gutiérrez-Rentería 2001), followed by another one on Chile (van Weezel 2006). As of 2007, research devoted to these areas of study has been published regularly. Fig. 1 summarizes the issues that have been addressed in (the content of) 43 papers published from 2001 to 2018. Most of these publications are written by authors from Mexico, Chile, Colombia, Brazil, and Argentina.

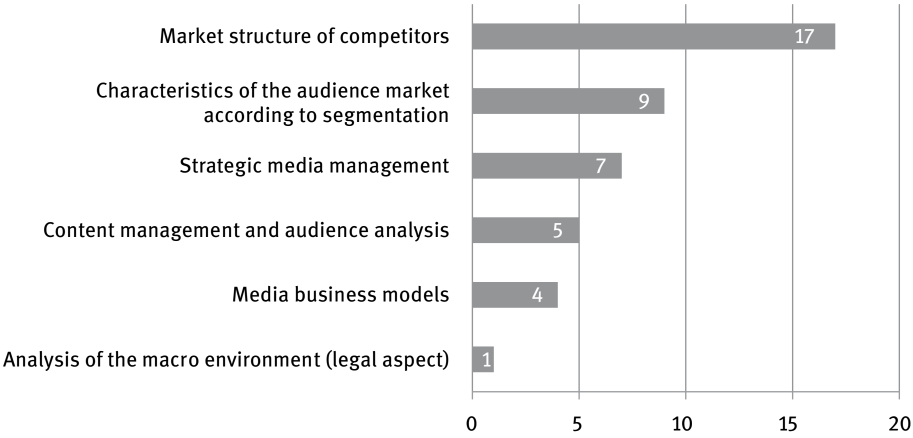

Fig. 1: Main subjects of media economics and media management studies in Latin America. N=43. Each study was assigned to only one topic.

17 of these works (40 %) are devoted to the structure of the media markets of different regions, and in some, the strategic media action of the regionally leading companies is described (e. g., Gutiérrez-Rentería 2007; Pis Diez & García 2014).

The second most prominent topic (21 %) are characteristics of the audience market according to demographic segmentation and consumer behavior. Young audiences and mobile media play a major role here (e. g., González-Bernal et al. 2015).

Furthermore, there are several studies (16 %) analyzing strategic media management of leading media companies in their domestic markets with an international influence (e. g., Hang & van Weezel 2007). In these articles, economic and financial analyses are used to assess the effectiveness of the respective strategy implemented. Furthermore, they have contributed to an understanding of the internal dynamics of the companies and the obstacles, weaknesses, strengths, and advantages they have historically faced.

The relevance of content management and audience analysis has been growing, now representing 12 % of the sampled articles (e. g., Barrón 2009). 9 % of the articles studied business models, with a special focus on newspaper companies in Brazil (e. g., Belda 2014). A rather under-researched field is the connection between the media industry and the regulatory and legal framework. Pis' (2010) work on Argentina is the sole example of this research stream/stream of research in the sample.

Recently, Latin American scholars of media economics and management (have) created their own academic association called the Latin America Media Management Association (LAMMA). The founding president was van Weezel from the Universidad de los Andes in Chile. Conferences have been held in Chile (2009, 2015) and in Colombia (2010).

Latin American universities have hosted two of the most prestigious academic congresses in this field of research. One is the World Media Economics and Management Conference (WMEMC) held in Colombia in 2009 and in Brazil in 2014. In 2017, the International Media Management Academic Association (IMMAA) also held its conference in Brazil.

6 Conclusions

The study of applied media economics and media management in the region is still in a nascent stage and only about to be consolidated. In the beginning, most of the works were of a descriptive nature and mirrored the macro- and microeconomic characteristics of the region. This has not been an easy task for Latin American researchers.

Many studies on media management in the region build on research in Europe and the USA (Albarran 2018; Mierzejewska 2018). Some of the works from this academic perspective have served to explain the strategic action of media companies according to the macro- and microeconomic environment of the industry and the media business models. These works increasingly employ empirical methods when explaining the characteristics of products and the audience behavior.

Finally, studies on political economy in this region have served to understand the environment of the media markets. Regarding the literature on media economics in Latin America, from the perspective of applied economics tradition and social market economics tradition, the influential work of academics from the Universidad de Navarra and from the University of North Texas has to be acknowledged. The support of/by the economics and business schools of the universities in which the majority of Latin American authors participate is valued.

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Mikko Grönlund, Katja Lehtisaari,
Carl-Gustav Lindén, and Mikko Villi

20 Media management and economics research in Northern Europe

Abstract: Researchers and academics in media economics and management with a Northern European affiliation have played a major role in the development of the field and in creating strong international networks, including The World Media Economics and Management Conference (WMEMC) and European Media Management Association (emma). The chapter provides an overview of media management and economics research in this geographical region.

Keywords: Northern Europe, media management, media economics, media business, media policy, scientific journals; scientific networks

This chapter[1] examines the field of media management and economics research in Northern Europe[2], looking at the history and current tendencies as well as the contribution to the creation and development of international networks in the field. Overall, media management is a young discipline in comparison to the closely allied field of media economics, which emerged in the 1970s (Küng 2007). However, issues of media economics and management have been discussed in Northern Europe already since the first decades of the 20th century. For instance, Tosdal (1915) compared pricing in book trade in Germany, the UK, and America as early as in 1915. In the film industry, the research field of media as a cultural and economic good was established in in the 1930s (von Böhmer and Reitz 1933) and 1940s (Bächlin 1945). In the 1970s, media business and economics were introduced to university curricula, for example, by Gustafsson at Gothenburg University (Picard 2018: 114). Northern Europe today is well known for the co-existence of public service and commercial media (Syvertsen et al. 2014), which is reflected in the research traditions. In fact, it is possible to argue that the presence of strong public service media and the rather late introduction of commercial broadcasters have fostered the reflection about what is special about media.

1 The authors are grateful to Tor Bang, Sabine Baumann, Gillian Doyle, Tom Evens, Aske Kammer, Castulus Kolo, Arne H. Krumsvik, Reinhard Kunz, Jonas Ohlsson, Antti Paasio, Robert G. Picard, Mona Solvoll, and Helle Sjøvaag for their help in mapping the developments.

2 In the context of this chapter, countries included as Northern European are Belgium, Denmark, Finland, Germany, Ireland, Luxembourg, The Netherlands, Norway, Sweden, and the United Kingdom.

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1 Contribution in Northern Europe to the creation and development of international networks in the field

It is important to note how researchers and academics in media economics and management with Northern European affiliations have played a major role in the development of the field and in creating strong international networks among academics. For example, the initial idea for the European Media Management Association (emma) was born in 2003 while Picard was director of the Media Group at the Turku School of Economics and Business Administration in Finland. In addition, the first meeting of the World Media Economics and Management Conference was conceived during Picard's visiting professorship in Turku in 1993–1994.

The organizing conference[3] for emma took place in April 2003 in Brussels, piggybacking on a conference hosted by the European Association for Communications Research. Altogether, 35 people, 24 of them from Northern European countries, attended the meeting and created work groups at the conference. In different workshops, they documented the types and levels of media management education in Europe: media management education in business and economics schools, media management education in communication and media studies, and media management education in technical institutions. Professor Gustafsson from the University of Gothenburg in Sweden was the keynote speaker for the organizing meeting. In the beginning of the 1970s, he was one of the first scholars together with Nieto from the University of Navarra and Toussaint-Desmoulins from the University of Paris 2 to develop a body of knowledge and introduce the topic of media economics to communication students (Picard 2018).

The emma participants were invited to take part in creating an organization that aimed to serve the needs of educational programs at European universities, polytechnic schools, and industry federations. Other goals of the organization were to develop and exchange teaching materials reflecting European practices and issues, facilitate the exchange of ideas and concepts to further develop the skills of teaching personnel, create networks for student and faculty exchange, promote research into management practices and issues in European media firms, as well as to coordinate information on media management education and training activities across Europe. Those who had

3 The group was established as the European Association for Media Management Education, and the conveners of the first meeting were: Gillian Doyle, University of Stirling, Scotland; Nils Enlund, Royal Institute of Technology, Sweden; Mihaly Galik, Budapest University of Economics, Hungary; Rolf Høyer, Norwegian School of Management BI, Norway; Robert G. Picard, Turku School of Economics and Business Administration, Finland; Jan Servaes, European Consortium for Communications Research, Belgium; Alfonso Sánchez-Tabernero, Universidad de Navarra, Spain.

taken part in the constitutive meeting of emma became the founding members of the organization and played a critical role in determining its structure, establishing its policies, setting out its operations, and selecting its key personnel. The impetus for the establishment of the organization came from desires to coordinate and improve education in media management and economics education.

The World Media Economics and Management Conference (World Media Economics Conference until 2006) is the biennial meeting of the global community of media business scholars. Together with Professor of Entrepreneurship Paasio (Turku School of Economics), Picard organized a meeting focused on current media economics research in Europe in March 1994 on a cruise ship between Helsinki (Finland) and Stockholm (Sweden), which served as the constitutive meeting of the conference. It was primarily an invitational conference designed to bring together scholars of media economics and management to understand what they were researching and how they were approaching the topic.

In addition, the media management, economics, and policy division at the NordMedia conference has grown to be the second largest division of the conference, only surpassed by journalism studies (Krumsvik and Ots 2016). The biannual NordMedia conference is arranged in cooperation with the national media and communication associations in the Nordic countries as well as with the Nordic Information Centre for Media and Communication Research (Nordicom). One purpose of Nordicom is to develop knowledge about media's role in society, and it follows and documents media development in terms of media structure, media ownership, media economy, and media use in the Nordic countries. It also publishes research literature, including the international research journal *Nordicom Review*, which is a popular publication channel among media economics and management researchers in the Nordic countries.

2 Contribution of researchers with Northern European affiliation to selected journals in media economics and media management

In order to investigate the specific characteristics of Northern European research in media economics and media management, we have analyzed the topics of all articles published until 2017 in the three main journals of the field, the *Journal of Media Economics (JME)*, the *International Journal on Media Management (IJMM)*, and the *Journal of Media Business Studies (JOMBS)*. Articles were coded as Northern European if at least one of the authors was affiliated with a Northern European university or another Northern European institution.

During the review period,[4] the total number of articles with at least one of the authors having an affiliation to a Northern European country was 269. This accounts for one third (33 %) of all articles (approximately 820) published during the review period; the count excludes book reviews, comments, and essays. Interestingly, there were quite clear differences between the journals as far as the amount of contributions from Northern Europe is concerned. The biggest share of contributions from Northern Europe was found in *JOMBS*. Picard established the journal in 2004 while he was the director of the Media, Management and Transformation Centre (MMTC) at Jönköping University in Sweden. *JOMBS* is still based in Jönköping. In *JOMBS*, the contribution from researchers affiliated with Northern European institutions was over half (55 %) of all articles. In contrast, approximately one third (30 %) of the articles published in *IJMM* had a Northern European affiliation. The smallest share of contributions from Northern Europe, approximately one fifth (21 %), was detected in *JME*.

Overall, the authors represented approximately 130 different background organizations, mostly universities. This indicates that the field of media management and economics research is wide and well established in Northern Europe. Approximately one third of the background institutions of the authors were located in Germany (34 %), one fifth (21 %) in the United Kingdom, and one tenth both in Sweden (11 %) and Finland (10 %). Out of the 269 identified articles, 111 were published in *JOMBS*. The number of articles with a Northern European affiliation was 89 in *IJMM* and 69 in *JME*. After the turn of the millennium, the number of articles by researchers from Northern Europe began to grow, and since then, the average number of articles published has been approximately 15 per year (see Fig. 1). The growth seems to reflect the trend that publishing scientific articles has become more important for researchers, which at least in the Nordic countries is a reflection of the academic reward and career system.

More than a fourth (29 %) of the identified articles with a Northern European affiliation were published by authors who had an affiliation with an organization in Germany at the time of the publication. Authors with a connection to Sweden made the second biggest contribution (18 %). Contributions from both Finland and the United Kingdom accounted for 14 % of all identified articles (see Fig. 2).

4 *Journal of Media Economics* 1994–2017 (between 1988 and 1993, complete information about the authors' affiliation for all issues was not available on the journal's website). *Journal on Media Management* 1999–2017. *Journal of Media Business Studies* 2004–2017.

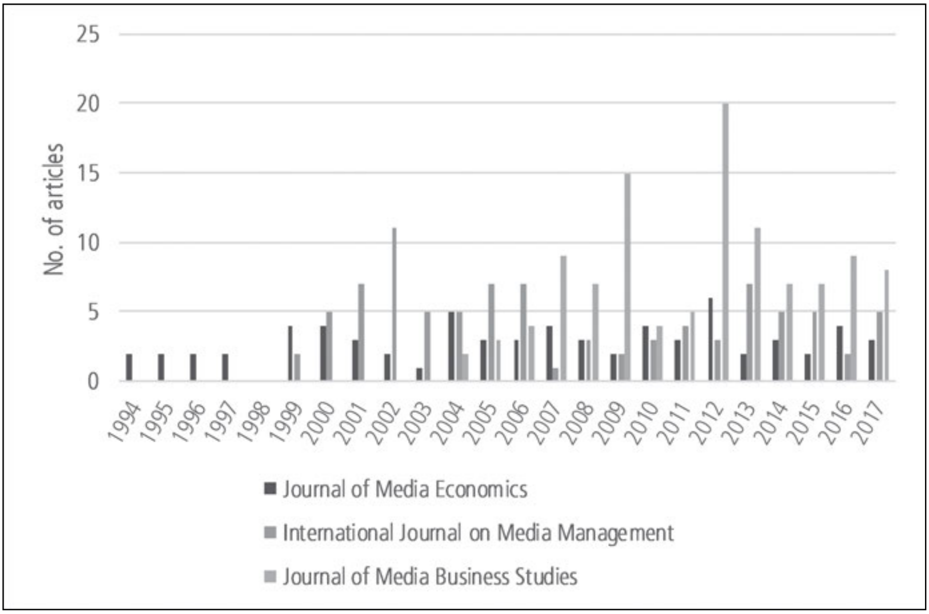

Fig. 1: Number of articles with a Northern European affiliation, per year per journal (n = 269)

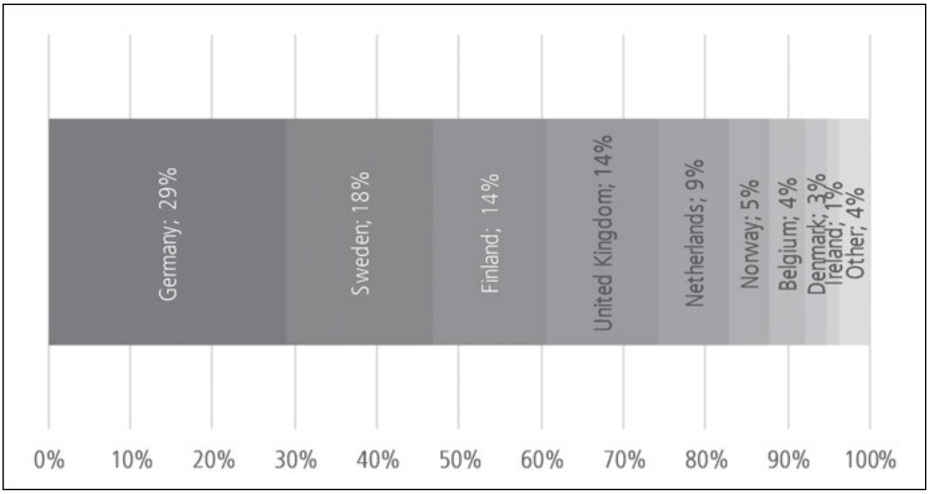

Fig. 2: National affiliation of authors of articles published between 1994–2017 by country[5] (n = 269)

5 The group "other" consists of articles with authors that represent two different countries.

Tab. 1: Distribution of articles by year and country (n = 269)

	Germany	**Sweden**	**Finland**	**United Kingdom**	**Netherlands**	**Norway**	**Belgium**	**Denmark**	**Ireland**	**Other**	**Total**
1994			2								2
1995		1			1						2
1996	1			1							2
1997	1					1					2
1998											0
1999	3		2	1							6
2000	3	1	1	3	1						9
2001	3		2	2	3						10
2002	6	2	2	1	2						13
2003	2		1	1	1	1					6
2004	2	4	2	1	2		1				12
2005	3	3		3	3	1					13
2006	7	4		1		1			1		14
2007	5	6			1	2					14
2008	3	5	1	2			1			1	13
2009	2	8		4			1		2	2	19
2010	5	1	1	1			3				11
2011	4	1	1	3	1		1			1	12
2012	4	8	7	1	1	4		2		2	29
2013	6		4	2	3	1	1		1	2	20
2014	4	1	4	2	1	1		2			15
2015	4		3	3	1		1	1		1	14
2016	4	1	2	2	1	1	2	1		1	15
2017	6	2	2	3	1		1	1			16

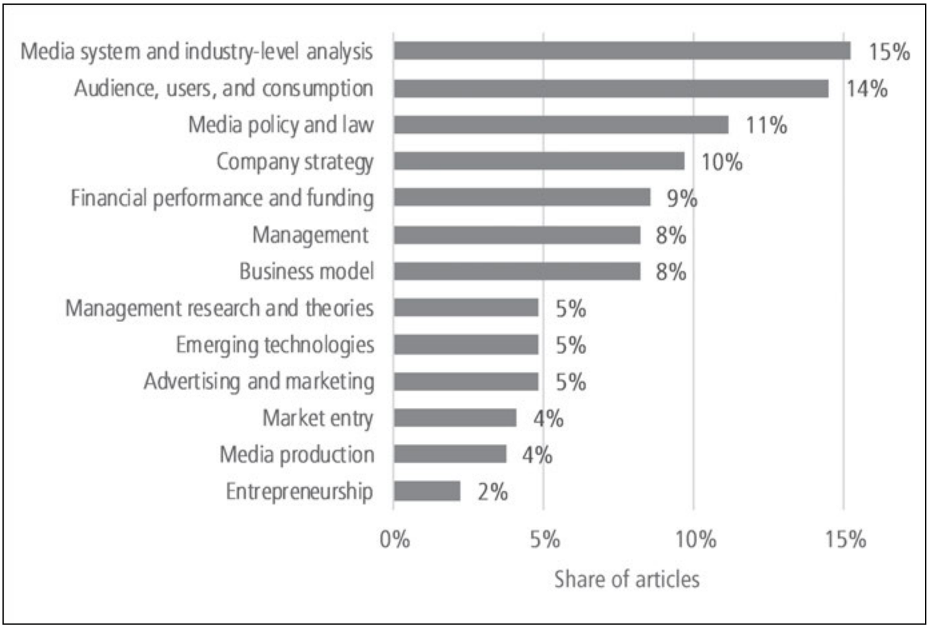

Fig. 3: Distribution of topics in articles (n = 269)

The topics of the articles in the three journals written by researchers with a Nordic affiliation range from media use to financial performance and from company strategies to media policy. Based on the article headlines, the topics can be categorized as follows: advertising and marketing; audience, users, and consumers; business models; company strategy; emerging technologies; entrepreneurship; financial performance and funding; management; management research and theories; market entry; media policy and law; media production; media system and industry-level analysis (see Fig. 3). As Fig. 4 shows, *JME*, *IJMM* and *JOMBS* have distinct profiles regarding topics published by researchers with a Nordic affiliation. *JME* stands out by publishing especially on topics related to media system and industry-level analysis, financial performance, and audience, users and consumption. *IJMM* is strong also on audience topics, as well as on management, strategies and business model related articles. *JOMBS* stands out with a relatively large number of contributions on media policy and law, media system and industry-level analysis, business models, and company strategies.

The categorization draws on the observations by Albarran (2014) and Picard (2014) on the development of topics in media management and economics. In the meta-analysis of transnational media management research in *JME*, *IJMM*, and *JOMBS*, Strube (2010) divides the studies into seven general topics: firm-level management, market-entry strategies, corporate-level strategies, internationalization processes, lead-

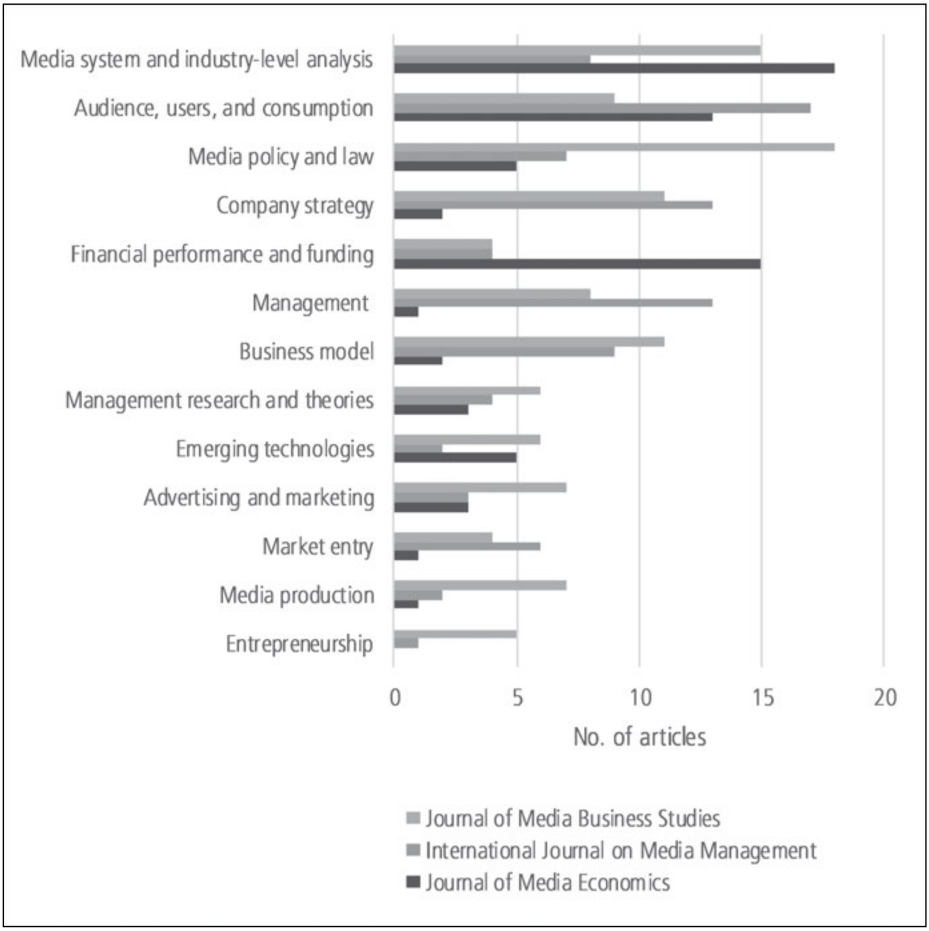

Fig. 4: Distribution of article topics by publication n = 269

ership and organization, functional management, and management of cross-border cooperation. These categories were partly applicable to the analysis in this chapter as well.

The popularity of article topics in the three journals varies from country to country (see Tab. 2). In Germany, the most popular category was audience, users, and consumers (22 %). In Sweden, media system and industry-level analysis (17 %) was the most common category. In Finland, a quarter (24 %) of the articles fell into the category (of) company strategy. In the United Kingdom, the most popular topic category was media policy and law (24 %). Elsewhere, according to a meta-analysis of papers published in the year 2015 in *JOMBS*, *IJMM*, and papers presented at the NordMedia Conference 2015, Krumsvik and Ots (2016) note how Nordic researchers are on average more open to apply qualitative methods, more likely to study specific media platforms, and more likely to have a policy perspective in their papers than other nationalities. These differences can be partly explained by the characteristics of different media systems and market size (Krumsvik and Ots 2016).

Tab. 2: Distribution of article topics by country (n = 269)

	Germany	Sweden	Finland	United Kingdom	Netherlands	Norway	Belgium	Denmark	Ireland	Other	Total
Advertising and marketing	6	4	2							1	13
Audience, users, and consumption	17	2	3	2	5	3	3	4			39
Business model	5	2	2	3	3		3	1		3	22
Company strategy	7	4	9	3	1	1	1				26
Emerging technologies	5	3		2			1			2	13
Entrepreneurship	2	3			1						6
Financial performance and funding	8	4	2	2	2	1	1	1	1	1	23
Management	9	3	5	3			1		1		22
Management research and theories	4	7			1	1					13
Market entry	6	2	1	1						1	11
Media policy and law	2	4	5	9	2	4	1	1	1	1	30
Media production	1	2	1	4	1					1	10
Media system and industry-level analysis	6	8	7	8	7	3	1		1		41
Total	78	48	37	37	23	13	12	7	4	10	269

3 Country-by-country review of media economics and media management research in Northern Europe

Media economics and media management research and education in Northern Europe has developed rather rapidly during the last decades. Next, we will review the key developments in the field in the following countries or areas: Nordic countries, Germany, the UK, and Belgium and the Netherlands.

3.1 The Nordic countries

In Denmark, media economics and management research and education are largely based on the interests of individual researchers. In the 1970s and 1980s, some media scholars began to take an interest in the workings of media organizations. This research took two directions: on the one hand, a sociologically informed, critical approach (e. g., "TV-Avisen set indefra" by Pittelkow 1986– an early production study) and on the other hand, more "business-friendly", economically informed research into the workings of the media as firms. An important early piece of work in the latter tradition is "Dagbladskonkurrencen 1870–1970. Politik, journalistik og økonomi i dansk dagspresses strukturudvikling I-II" by Thomsen in 1972.

Professor, now emeritus, Lund (Copenhagen Business School) has arguably been the most important scholar in the field in Denmark. Associate Professor Søndergaard (University of Copenhagen) has done important work as well, focusing on public service broadcasters. The list also includes Professor Hjarvard (University of Copenhagen) and Assistant Professor Kammer (IT University of Copenhagen). Regarding new trends, there is a growing interest in the use of data for managing media organizations.

In Finland, media economics started to gain more interest at the turn of the 1970s and 1980s when the commercialization of the media started and the foreign ownership of media became possible. The pioneer of media management and economics research in Finland was the Business Research and Development Centre (BRDC) at the Turku School of Economics where the Media Economics Research Group (later Media Group) had been working since the early 1990s. Discussions between the representatives of the media industry and Professor Paasio, who was also the director of the BRDC, led to the establishment of the Media Economics Research Group. From the beginning, the idea was that the research group would also help media companies in changing the business environment by conducting economic and management research, company research and consulting, and industry training programs. In his role as the director of the group and Professor of Media Business, Picard, who had published a book called *The ravens of Odin: The press in Nordic nations* in 1988, had a great influence on the development of the domain in Finland in the 1990s and early 2000s. Researchers of the Media Group wrote one of the first and very few Finnish textbooks on media economics (Vähämäki and Stenvall-Virtanen 2006), which was first published in 2000. In 2008, the Media Group became part of the Business and Innovation Development (BID) unit, which after a merger between two universities became part of the Brahea Centre at the University of Turku.

Between 2008 and 2018, the University of Tampere had a Master's degree program in Media Management. The curriculum also included issues related to communication policy. The leader of the program (2009–2018), Professor of Management Lowe, who had previously worked as Senior Adviser in Corporate Strategy and Development at the Finnish public broadcaster YLE, had a great impact on media management research and education in Finland. Research on media companies and media management is carried out in some other higher education institutions as well, including the University of Helsinki, the University of Turku, the University of Jyväskylä, the Aalto University, and the Lappeenranta-Lahti University of Technology LUT. Some polytechnics, such as Arcada University of Applied Sciences, also carry out research and education in media economics and management. Active scholars in Finland include Björkroth (Turku and DG Competition), Grönlund (Turku), Järventie-Thesleff (Aalto University), Lehtisaari (Helsinki), Lindén (Helsinki), Maijanen-Kyläheiko (Lappeenranta), Malmelin (VTT Technical Research Centre of Finland), Nylund (Arcada University of Applied Sciences), Villi (University of Jyväskylä) and Virta (University of Tampere and Jönköping University). Research topics range from company strategies to organizational change and from media brands to market structures. Researchers are also active in governmental and industry collaborations.

In the Nordic context, Norway certainly has the richest and broadest research into media economics and management. A significant step towards the emergence of a new field was the BI Centre for Media Economics (BI Norwegian Business School) founded by Professor Høyer in the 1990s. Researchers included Gaustad, Solvoll and Krumsvik. This was an important starting point for media economics and management research in Norway, implemented in close cooperation with Gustafsson from the University of Gothenburg, and for many years funded by the Swedish Hamrin Foundation. The center was closed a few years after Professor Høyer had retired. As a replacement, the scope of research was broadened and a new institute, the Centre for Creative Industries, was founded at the BI.

There were two later attempts to create research centers within the field: the Centre for Research on Media Innovations (CeRMI) at the University of Oslo by Storsul and Krumsvik, and the Centre for Interdisciplinary Media Research at Oslo Metropolitan University in 2014, also created by Krumsvik. After the founders moved on to other institutions, the research foci changed. In addition, *The Journal of Media Innovations (JMI)* was founded in 2014 at the University of Oslo. Overall, Norwegian researchers have a strong tradition of collaboration, which is an important reason for the breadth and strength of research as well as provides good access to research funding.

Further, Norway seems to be a country where researchers cooperate in different institutional and interdisciplinary settings. Pioneering researchers, focusing on the press, were Østbye (University of Bergen), Allern (University of Oslo), as well as Roppen and Høst (both at Volda University College). Television research in the media industries context was also emerging in the 1980s and 1990s, particularly with Syvertsen and Skogerbø (both at the University of Oslo). During recent years, Professor Sjøvaag (University of Stavanger) and Associate Professor Barland (formerly NTNU) have established themselves as two leading scholars in the field in Norway.

Media economics research focusing on the newspaper and television industries has also been conducted at the Norwegian School of Economics (NHH), with Kind as front-runner. The digitalization of the newspaper sector and the effect of this on news industries (content and business models) has been researched in the 2010s by Sjøvaag and Kvalheim (both in Bergen then), Barland, Olsen, and Solvoll (BI Oslo). However, there are no education programs on media economics and management in Norway at the moment.

In Sweden, media management is a limited research area. The leading institution is the Media, Management and Transformation Centre (MMTC), a research center within Jönköping International Business School (JIBS) of Jönköping University. Since its launch in 2003, the MMTC has developed into a central academic institution in the field of media management, both nationally and internationally. However, media researchers have been decidedly more interested in researching editorial management than media management per se. There are plenty of autobiographies of famous editors (for instance, Djerf Pierre and Weibull 2009).

The grand old man in media economics research in Sweden was Gustafsson (1938–2018). He was appointed professor of media economics at the University of Gothenburg in 1989 and continued at the Jönköping International Business School after his retirement. One of his missions was to help develop the MMTC with Professor Picard as the director. Together, Gustafsson and Picard developed the MMTC into a nationally and internationally renowned research center. Today, Professor Achtenhagen leads the MMTC. Since mid-1970s, Gustafsson has published a yearly report on the economy of the Swedish press, a project commissioned by the Press Subsidies Board. So far, has been the only Northern European to receive the *Journal of Media Economics* Award of Honor.

Nordicom, a non-profit organization on media research, has published a number of analyses of both Nordic and Swedish media economics and their structure. With the Swedish Press and Broadcasting Authority, Nordicom also publishes annual analyses of the financial and structural development of the Swedish media industry. The time series of the financial performance of the Swedish press stretch back over four decades, making it a unique data set. Most Swedish research in the area of media economics has been carried out in relation to one of several state policy analyses and in particular as an evaluation tool of the Swedish press subsidies policy. These questions have been researched for instance by Ots (MMTC) and Ohlsson (current director of

Nordicom). Digitalization of media production has been researched, among others, by Professor Westlund (Oslo Metropolitan University and Gothenburg University), who is also the Editor-in-Chief of *Digital Journalism*.

3.2 Germany

The history of media economics and management research and education in universities in Germany started around 25–30 years ago. Media economics and management have been mainly approached from a media and communication studies viewpoint and less from the perspective of business administration or economics. Media economics has ties with research on media systems and media and communications policies. Media management research gained more importance in the 2000s, especially since universities of applied sciences have stepped in the field. For business schools, media was in fact a minor issue until the introduction of digital media.

Many media economic and management scholars in Germany come from the fields of management and economics research. Significant scholars include (in alphabetical order) Altmeppen (Eichstätt; media management), Baumann (Jade; business models, production networks), Clement (Hamburg; media management), Hess (Munich; digitalization, platforms), Kolo (Munich; media management), Kuchinke (Weimar; media economics), Kunz (Cologne; strategic media management), Lobigs (Dortmund; competition/concentration), Loebbecke (Cologne; media and technology management), Müller-Lietzkow (Hamburg; media economics and management), Seufert (Jena; industry structures), Rau (Ostfalia; media economics, marketing), von Rimscha (Mainz; media management), Scholz (†, Saarbrücken; media management), Will (Ilmenau; entrepreneurship), and Wirtz (Speyer; business models, management). In addition, a number of German scholars teach abroad, such as in Austria or Switzerland. In earlier years of media economics and management research, Zerdick, Gläser, Glotz, Heinrich, Kiefer, and Nienstedt contributed significantly to the field.

Much of the top-level scholarly research is published in English in *JME*, *JOMBS*, and *IJMM*. There is one German journal, *MedienWirtschaft*, which focuses on media economics and management, and a large market for German textbooks. In addition, many scholars publish in journals of general management or marketing. Quantitative approaches are rather common, as is a strong technological emphasis. Leading textbooks have been written by Wirtz (2019) and Gläser (2014). Springer publishes a series of books in media management.

Regarding teaching and education in media economics and management, there are several universities and universities of applied sciences that have a program or courses in media economics and/or management. The list of other universities includes the University of Hamburg, Johannes Gutenberg University Mainz, Friedrich-Schiller-University Jena, Technical University of Ilmenau, Ludwig-Maximilians-University Munich, University of Cologne, and the University of Bayreuth. Public universities of applied sciences include the Hochschule der Medien (Stuttgart), Ostfalia, Jade Hochschule, Hochschule Mainz, Technische Hochschule Köln, Hochschule Neu-Ulm, and Hochschule RheinMain. Private universities of applied sciences include Macromedia and Fresenius.

When it comes to national trends and peculiarities in media economics and management research and education in Germany, the field is still somewhat dominated by legacy media issues and less by new media and their business models. Many universities have an emphasis on media and journalism studies or communication science. Emerging digital media and technologies are, however, making their way into research and teaching.

3.3 United Kingdom

In the United Kingdom, media and communication have traditionally been studied through the lens of sociology or political science. However, there has been growing interest also in the perspectives and frameworks offered by economics, especially since the 1990s. Earlier than that, some economic research into media came about in order to inform public policy-making, the main example being the *Peacock Report* (1986) by public sector economist Professor Peacock. The Peacock Report was the first systematic economic assessment of the UK television industry, and it was to have seminal influence on subsequent broadcasting policy in Britain.

Understanding Media Economics by Professor Doyle was published in 2002 and was the first media economics textbook in the UK. Doyle also set up the first Master's program in Media Management at the University of Stirling in 1993. Then other universities followed, such as the University of Westminster and the University of East Anglia. Research on media economics and management has been carried out at the Centre for Cultural Policy Research at the University of Glasgow and the London School of Economics (with a strong focus on media policy, as opposed to management or economics per se), at the University of Warwick (focus on film and on creative industries), University of Leeds (wider focus on creative industries), King's College, University of Bournemouth, and the University of Westminster. In addition, the Oxford-based Reuters Institute for the Study of Journalism, with scholars such as Küng, has contributed to research on media economics and management. Lately in the UK, creative and cultural industries have become very strong areas for teaching and research, which affects/has an effect on how the field of media economics and management is developing.

3.4 Benelux countries

In Belgium, the first steps in media economics and management research took place in the 1960s and early 1970s. Luykx and de Bens were pioneers of media economics and management research and education. Luykx set up a new discipline of "press and communication science" as a fully-fledged graduate course at the Faculty of Law at Ghent University in 1961, and the first students graduated from there in press and communication sciences in 1964. As a historian, Luykx also had a lot of interest in the history of media and the development of the Belgian press. De Bens founded the research group for Media, Innovation and Communication Technologies (MICT) at Ghent University in 2004. Her focus of research is on media economics, media policy, and ICT. Currently, the most significant scholars in media economics and management are Raats, Donders, and Ballon from Vrije Universiteit Brussels, Evens and Raeymaeckers from Ghent University and Van den Bulck from the University of Antwerp.

So far, no handbooks specifically on media management or media economics have been published in Belgium. Published volumes (de Bens and Raeymaeckers 2010; Donders, Pauwels, and Loisen 2013) have been focusing either on print or on audio-visual industry. Teaching of media management and economics has spread out around the country, and individual modules on media management or media economics are offered at several Belgian universities. Yet, at large, there is not really a tradition of media management and economics in Belgium, because media studies are rooted in social sciences and humanities and not much connected to economics. Only the Vrije Universiteit Brussels has a coherent program[6] on media economics (a postgraduate program from 2019 onwards). However, during the last couple of years, the situation has changed, and now there is more emphasis on media industries. The domain is still fragmented, either focusing on print or the audio-visual sector – it lacks an integrated vision of media management and economics.

According to Puustinen, Thomas, and Pantti (2008), media and communication research in the Netherlands is divided between social scientific communication research and humanities-oriented media studies. Within communication research, an empirical and quantitative approach is dominant. Media studies is dominated by interpretative and qualitative methods and an analytical approach. Applied or business-orientated research is not common in the academic communication research in the Netherlands. Nevertheless, scholars often collaborate with media companies or public organizations. Studies on media production are still in the minority, as the mainstream media research focuses on content analysis of media products. Media policy and governance research has strong roots especially at the Amsterdam School of Communications Research (ASCoR) at the University of Amsterdam. Important Dutch scholars in media management and economics include Bakker, van Kranenburg, van der Wurff, van Cuilenburg, and Lichtenberg.

6 http://www.vub.ac.be/en/study/postgraduate-in-media-economics#general-info

4 Conclusions

This chapter has shown that researchers and academics in media economics and management with a Northern European affiliation have played an important role in the development of the field. They have also been active in creating strong international networks, such as the World Media Economics and Management Conference and the European Media Management Association.

In order to investigate the specific characteristics of Northern European research in media economics and media management, we have analyzed the topics of all articles published until 2017 in the three main journals of the field, the *Journal of Media Economics (JME)*, the *International Journal on Media Management (IJMM)*, and the *Journal of Media Business Studies (JOMBS)*. Our study demonstrates how the contribution from researchers with an affiliation to a Northern European university or other research institution has been notable and extensive. According to our analysis, Northern European authors were involved in altogether 269 articles out of approximately 820 articles published in the three journals during the review period. The authors represented approximately 130 different background organizations, mostly universities and in some cases universities of applied sciences. The variety of topics of the 269 articles was rather extensive, reaching from media use to financial performance and from company strategies to media policy. This indicates that the base for media management and economics research in Northern Europe is wide and well established.

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Mercedes Medina and Mónica Herrero

21 Southern Europe

Abstract: The most relevant institutional fact concerning research on media management and economics in Southern Europe was the opening of the first schools of communication in the sixties of the twentieth century. This was the case in Spain. In the other countries, the discipline was boosted in either humanities or economics schools. In both cases, the discipline grew thanks to the funding and support by the universities, rather than by politicians or practitioners. In a second step, the research started to be oriented by the growing focus of the media markets towards liberalization and privatization, and scholars from the five countries conducted applied and theoretical research to inspire handbooks used for teaching. Finally, maturity came with the start of associations, research groups, and journals based on media economics and business. Most of the research was published in English and the authors started to be well-known when they took part on international conferences.

Keywords: school of communication, political economy, neoclassical perspective, European Union influence, European Media Management Association

In this chapter[1], we will focus on five countries in Southern Europe: Portugal, Spain, France, Italy, and Greece. However, we will sometimes refer to Europe as a whole, understanding that these five countries follow the same trends and experience the same difficulties as the other European countries. We will follow a life cycle-scheme to explain how this field has developed in the Southern European countries. The most relevant institutional fact concerning research on media management and economics in Southern Europe was the opening of the first schools of communication in the sixties of the twentieth century. This was the case in Spain. In the four other countries, the discipline was boosted in either humanities or economics schools. In both cases, the discipline grew thanks to the funding and support by the universities, rather than by politicians or practitioners. In a second step, the research started oriented by the growing focus of the media markets towards liberalization and privatization, and scholars from the five countries conducted applied and theoretical research to inspire handbooks used for teaching. Finally, maturity comes with the start of associations, research groups, and journals based on media economics and business.

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1 Institutional support

The field's academic tradition had started in the USA fifty years earlier with the Missouri School of Journalism, which was founded in 1908, and the Columbia Graduate School of Journalism founded in 1912. In Europe, publishers and editors regarded journalism as a vocation more than a profession that could be learned and taught, so the integration into academia took longer. Moreover, the artisan concept of the journalism profession made it more difficult to introduce journalism as an academic discipline.

First, we will outline the beginning of communication studies at the university level, and second, we will describe the birth of media management departments. Southern European countries show some differences that are dealt with in great detail in the book *European Journalism Education* edited by Terzis (2009). Therefore, we will look at each country separately because the Southern European countries do not all share the same features.

Spain was the first country in Western Europe to create full-fledged university-based schools for the training of journalists and other communication professionals in 1971 with the creation of the schools of communication in Madrid (Universidad Complutense de Madrid), Barcelona (Universidad Autónoma de Barcelona), and in Pamplona (Universidad de Navarra). Previously, in 1958, the Instituto de Periodismo had been established at the Universidad de Navarra. This was the first time that a university offered academic training for journalists. However, it still lacked official recognition (Barrera 2012).

In France, however, a journalism school – École Supérieure de Journalisme de Paris – had already been established in 1899, and some years later, a new one was opened at the Université de Lille: the École Supérieure de Journalisme. Nevertheless, the French écoles were completely skills-oriented, and for many decades, they did not develop significant research programs. In France, the new university departments founded in the late 1960s in Bordeaux and Tours reflected a growing acceptance of academic training for journalists, although these departments had to compete with the already existing organizations in charge of journalism education and had to seek the accreditation of their programs (Le Bohec 2009).

In Italy, despite initial attempts made in the 1940s, the first school of journalism (Institute for Journalism Studies) was established in Milan only in 1977. However, it was not created within a university, and its founder was the President of the Association of Reporters of Lombardia (Agostini 2009). In Portugal, the first university program began in 1979 at the Universidade Nova de Lisboa, but the first program that would exclusively focus on journalism would be launched only in 1991 at the Universidade de Coimbra within the School of Humanities (Pinto and Marinho 2009). In Greece, the first schools of communication or journalism education were created in the 1990s in Athens and Thessaloniki (Siomos 2009).

The beginning of the studies of journalism at the universities did not necessarily come along with the development of the media management and media economics field. In fact, media economics or media management had a negligible presence in the curricula of the first courses in journalism programs. Although research on media management and economics was primarily located at those new institutions within created inside universities, the development of the field was more linked to the research interests and came after a while. The consolidation of the field in Europe happened in the 1990s. In some cases, the researchers did not even belong to schools or departments of journalism, but mostly came from economics or humanities departments.

Nevertheless, in some places in Southern Europe, the departments and schools played a leading role at the beginning through supporting the scholars' efforts, providing funding for research projects, sponsoring conferences and workshops, and by bringing international scholars to European universities. This was the case in Spain, Italy, and France.

The Universidad de Navarra was one of the first academic institutions in Southern Europe that considers the managerial and economics aspects of media. The leading figure was Nieto, a visionary scholar who had the vision to understand how media companies would create competitive advantages in the future. Nieto moved to the Universidad Complutense of Madrid for a number of years, in 1976 he got the first Professorship in Media Management and subsequently created the Department of Media Management at Complutense in the late seventies, going back to Pamplona afterwards. Nieto had published papers and monographs since the late sixties. He was the supervisor of more than twenty doctoral dissertations in the field of media management at the Universidad de Navarra and created one of the most dynamic research groups in the field, with a strong influence also in Latin America (see also chapter 19 by Gutiérrez-Rentería in this volume).

In Italy, the first scholars happened to come from mainly two or three universities, although it never meant the creation of a media management or media economics department. Richeri, who could be considered the first scholar in political economy and media economics, developed his academic career first at the Università di Bologna and then moved to the Università della Svizzera italiana in Lugano, Switzerland. With the works of Dematté and Perreti in the 1990s, the Università Bocconi could be considered a reference institution, but not within the media or journalism department, but within the Management and Economics School. Gambaro and Silva who were both from the Università degli Studi di Milano and also belonged to an economics department, also made seminal contributions in the early nineties.

In France, the Institut Français de Presse played a significant role. Founded in 1937, it was affiliated to the Université Paris II Panthéon-Assas in 1969 and now belongs to the Department of Information and Communication Sciences. It was the first university center dedicated to studying the French press, focused on the history of the written press at the beginning, with the publication of extensive collective works. Simultaneously, the sociological, economic, and legal dimensions were developed therefore the first studies on media economics were published, and the first courses on those issues were taught due to the work of researchers such as Bertrand (2000) and Toussaint-Desmoulins (1978).

As far as Portugal and Greece are concerned, there were no universities playing a significant role as such in the beginning. In Portugal, the first courses on media economics or media management were taught in the Political Institute of Leiria, at the Universidade Nova de Lisboa, and the Universidade do Porto. The late creation of schools of communication in Greece led to an even slower development of the field. The first courses were taught at the Aristotle University of Thessaloniki at the Department of Journalism and Mass communications at the School of Economic and Political Sciences.

2 Research in media management and media economics

In Southern Europe, the number of research contributions increased dramatically thanks to the media deregulation around the eighties. There were two schools with different approaches: the liberal one and the cultural and political one. The first school shares the neoclassical perspective characterized by a positive attitude towards the "laissez faire" proposal as long as the law is able to restrict the power of the big corporations. The neoclassical sholars consider that the regulators' prime task is to protect both the freedom of the news and entertainment providers and the choice of the consumer. According to the political economy of communication, media outlets follow the interests of their owners and fail in their theoretical mission to serve the citizens, to promote democratic values, and to create united communities. Therefore, this school of thought does not pay much attention to practical management issues and is more interested in measuring the effects of media consumption in citizens, the political system, and society at large.

Primary research in media management in Southern Europe was mainly focused on print media (Conesa 1978; Nieto 1967, 1973), although some other books deal with the emergent media industries (Tallón García 1981; Pinillos y Suárez 1975). Many researchers tried to identify examples of good public broadcasting services. In the music and movie industries, the main interest was the protection of the cultural national identity against the big American corporations.

In the early fifties, the film industry was one of the foci from the media economics. From an economic perspective, Mercillon's (1953) French book on American cinema explained how Hollywood reached an oligopolistic structure. Mercillon later held different positions at French universities in Montpellier, Dijon, and Paris I. Italian Giannelli (1953) also wrote a book on film economics focusing more on European countries.

In the eighties, deregulation was a global phenomenon that influenced the media sector, especially broadcasting. Scholars who sympathize with the free-market perspective used to study how media markets and companies operate. By contrast, left-oriented researchers tended to emphasize the effects of media firms on society. Furthermore, European frontiers were open and the division between Eastern and Western Europe disappeared. Scholars were interested in how the former communist countries implemented a free-market economy.

From 1960 to 1990, the research field in Southern Europe was dominated by authors who may be included within the political economy school. Many of them reported about the excess of concentration in media markets (Bustamante 1982; Miège 1989). Other authors were concerned about the journalists' lack of freedom within media groups (Zallo 1988; Ramonet 1989). According to the political economy of communication, media outlets follow the interests of their owners and fail in their theoretical mission of serving the citizens, promoting democratic values, and creating united communities (Prado 1981). Hence, the state must guarantee a media system according to those principles.

The most representative members of the Spanish critical theory, such as Bustamante, Moragas, and Martín-Barbero, joined the working group of Political Economy of ALAIC (Latin American Association of Communication Researchers), which was created in 1978. Moreover, Richeri was one of the most active scholars of the political economy division of the International Association for Media and Communication Research (IAMCR) (Barrera, 2019). On the contrary, the authors from the liberal school considered that the regulators' prime task must be to protect both freedom for media outlets and consumer choice, so the state should allow as many media owned by private companies as possible (Toussaint 1978; Nieto, 1984).

As well as in former years, the new scholars were concerned about the power of new media "moguls" (Zallo 1992; Miguel de Bustos, Juan Carlos 1993; Miège 2000). After the media market deregulation, some authors placed their attention on media concentration and tried to assess how to make growth strategies of media firms and the public interest compatible (Sánchez-Tabernero 1993; Pilati 1993), while others dealt with the management of radio, the new firms (Prado 1981) and television companies (Gambaro and Silva 1992; Richeri 1993; Bustamante 1999; Dematté and Perretti, 1997).

Public service television was a useful way to balance the commercial logic in the market. But the launching of new commercial channels in all European countries – more than 100 each year from 1990 to 2000 – caused a decrease in public broadcasters' audience. Public channels faced the risk of becoming almost irrelevant. As a result, the key question was whether PBS should protect their ratings by programing contents targeted to the general public or whether, on the contrary, they should focus on culture, education, and other programs that are complementary to most popular commercial contents. Since 1990, the literature about public television and its role in the media system has increased. Some examples are Richeri (1994), Achille (1994), Cadima (2007), Fernández and Santana (2000), Moragas and Prado (2000), Manfredi (2004), and Medina and La Porte (2010), among others.

In the year 2000, the Internet was the most disruptive phenomenon changing the rules of the game in communications markets and, logically, it captured the attention of scholars. Some of them pointed out the weakening of the barriers to entry, how citizens became providers of contents, how new business models influence in the legacy media (Rojo 2008) or the new media market structure (Almirón 2011; Bustamante 2003)

The publishing of handbooks about media management shows the maturity of the field. Some authors developed theories about the key strategic decisions in communication markets and the main competitive advantages in the media and entertainment industries (Nieto-Tamargo and Iglesias-González 1993; Echeverri 1995; Murciano 1992; Población and García-Alonso 1997; Bustamante 1999; Sánchez-Tabernero 2000; Caro González 2007; Aguado et al. 2008; Deslandes 2008; de Mateo Pérez, Bergés Saura, and Sabater Casals 2009). There were other handbooks that focus on media economics and the new European markets (Álvarez-Monzoncillo and Iwens 1992; Medina 2005; Faustino 2004; Faustino and Vukanovic 2011; Le Floch and Sonnac 2013; Bassoni and Joux 2014).

3 Consolidation of the field

We will now have a glance at the participation of Southern European scholars in international associations, editorial activities, and teaching programs. Picard (1997), Sánchez-Tabernero (1997, 2005), and Artero (2015) are useful references to obtain a comprehensive overview of authors, research, and schools focused on media management in Europe.

One of the most significant steps to develop the field and to build a strong network among academicians was the creation of academic associations. In the nineties, the discipline of media management and economics was fully established in Southern Europe. The number of scholars and the diversity of interests and research methods grew significantly. Most international communication associations such as the European Communication Research and Education Association (ECREA) and the International Association for Media and Communication Research (IAMCR) have an economics and management section with an increasing presence of scholars from Southern Europe.

In April 2003, the European Media Management Association (EMMA) was founded in Brussels. As an academic organization, EMMA supports research and teaching in the field and organizes an annual international conference as well as a biannual summer school for young scholars. The presence of Southern European countries has been quite remarkable, both in terms of the number of members that are part of the

Executive Board and in the organization of conferences. Sánchez-Tabernero from the Universidad de Navarra was the first president, and three more scholars from Navarra were part of the Board. In June 2003, there was a national meeting at the Universidad de Navarra with the objective of integrating the scholars and researchers of media economics and management from different Spanish universities. Around 40 scholars gathered in Pamplona and wrote a manifesto for the Spanish Ministry of Education asking for the inclusion of media management and media economics classes into the new curriculum for communication students. Regarding Portugal, the presence of Portuguese scholars has also been very active, with Faustino and Ribeiro being members of the Board in different periods. EMMA conferences have taken place in Southern European countries, in Portugal (Lisbon, 2005 and Porto, 2016), Spain (Barcelona, 2008), and France (Paris, 2009).

World Media Economics and Management Conferences (WMEMC) have also taken place in Southern European cities: Pamplona (2000), Lisbon (2008), and Thessaloniki (2012), giving scholars the opportunity to join other local colleagues. When an executive committee was constituted for the International Media Management Academic Association (IMMAA), Faustino from Portugal was elected as president in 2012. IMMAA organizes an annual conference, and Portugal and Spain hosted it in Lisbon (2013) and Pamplona (2014), respectively. The presence of Italy, Greece, and France in these associations is not as large as that of Spain and Portugal.

Regarding the main scholars and research groups, it seems more convenient to look at each country individually since there is no general trend in Southern Europe. The methodologies used differ depending on the backgrounds of the scholars. Some carry out applied research that is very much aligned with the practitioners' worries, while others like French scholars are more focus more on econometrics and economist theories and the press sector.

In Italy, there are various scholars from other related fields that have influenced the field of media economics and media management, such as Dubini, professor in business administration; Perretti, expert in management, television, and film studies; Frova, professor of Corporate Finance at the Università Bocconi, who collaborates with the AGCom (Autorità per le Garanzie nelle Comunicazioni); Pattuglia, coordinator and professor in the Master of Communication and Media Management at the Università degli Studi di Roma Tor Vergata; or Barra, researcher at the Arts Department of the Università di Bologna. Doglio, vice-president of the school of Political Sciences at the Università di Bologna, teaches in the Media Management master at the Università della Svizzera italiana. The Associazione per l'Economia della Cultura was created in 1986 to integrate culture-related research and activity.

The presence of French scholars in the media management field is more limited. After Toussaint, the only scholar focusing on media management is Deslandes, expert in media business ethics, is the academic director of the master specialized on media management at the ESCP Europe Business School. Like in Italy, there are scholars from the econometrics field that have developed their research in media.

For example, Badillo, Lesourd, and Bourgeois from the Aix-Marseille Université, Geneva, and Fribourg; Sonnac, from the Université Paris II Panthéon-Assas, who has carried out research on price discrimination and competition and the economy of the press (2013). Le Floch from the Université de Rennes 1, Bassoni from the Université de la Méditerranée, and Joux, director of the School of Journalism and Communication at the Aix-Marseille Université, are specialized in media economics. In Portugal, Faustino is the most relevant scholar in the field. He has written different books about media concentration and managerial issues for media companies and has run some master programs addressed to journalists, producers, and media managers. There are some other important resarchers such as Brauman, Cádima, Ribeiro, Santos, Sousa, and Cardoso. In Greece, the main scholar in the field is Tsourvakas from the Aristotle University of Thessaloniki who comes from the fields of business administration and sociology, but the development of the field in Greece is still in its infancy.

The presence of the Southern European authors in international journals focused on media management and media economics is smaller than that of scholars from other countries. The main reason of this small presence is that – at least at the beginning of the discipline – the authors used to write in their native language rather than in English.

Regarding academic journals, there are no specific journals on media economics and media management in Southern European countries, with the exception of Portugal, Italy, and Spain. Faustino played an important role with the launch of the publishing company Media XXI-Formal Press in 2003 to publish books on information, media management, marketing, and cultural industries, and with the launch of the *Journal of Creative Industries and Cultural Studies* (JOCIS) in 2017 that focuses on the economy, management, and policies of media and creative industries. The journal's editors accept papers in other languages than English, but they translate them into English. The main Italian journals that publish papers related to media and communication management and economics are *Economia dei media*, *Problemi dell'informazione, Comunicazioni sociali* and the Swiss multilingual journal *Studies in Communication Sciences*. However, the only scientific journal that regularly publishes articles on media economy is *Economia della Cultura*. In Spain, the research group from Navarra launched a book collection called *Media Markets Monographs*, focused on original research based on the analysis of media markets from different perspectives.

As the research activity increases, also does the academic teaching in the field. It is not the purpose of this paper to explore every single course in media economics or media management taught in Southern Europe, but to give an overview of the development of the academic programs. Therefore, we will focus our attention on the institutions that provide specific programs on media management or media economics, most of them at the postgraduate level.

In this context, it is important to highlight the leadership of Business Schools in developing programs in the field. This is the case of France where the ESCP Europe

Business School launched a Master's program in media management in 1997 with a strong influence in the field, reaching more than 500 executives over the last 30 years. As we have seen before, the Università Bocconi played an important role in Italy in the development of the field. Nowadays, it has specific programs both at the undergraduate and postgraduate level with a broader focus on creative and cultural industries: an undergraduate program in Economics and Management for Arts, Culture, and Communication, and a master's Program in Economics and Management in Arts, Culture, Media, and Entertainment.

In Spain, at the undergraduate level, courses on media management are usually included in the curricula of most schools of communication. Regarding specialized programs, the Universidad de Navarra launched a Master's Program in Media Management in 2001. The conviction of the important role of media in shaping public opinion and the great responsibility of all players in the sector motivated the IESE Business School of the University of Navarra and the School of Communication to create the International Centre for the Study of Media Companies (CIEC).

In the case of Portugal and Greece, the research activity and the leadership of some scholars have made it possible to introduce specific courses in media management and economic issues both at the undergraduate and postgraduate level in schools of journalism and mass communication. This is the case at the Universidade de Lisboa, the Universidade do Porto, and the Instituto Politécnico de Leiria. In a similar way, there are also courses in media management and media economics at the School of Journalism and Mass Communication at the Aristotle University of Thessaloniki.

4 Conclusions

Between the five countries we have studied, there are so many differences that it is difficult to talk about a Southern European perspective as such. However, we can draw some general insights concerning the future of the field.

From a research perspective, the field in Southern Europe is consolidated. However, the number of scholars specialized in media management and economics is not so large in every country.

The presence of scholars from Southern Europe in international associations, conferences, and journals is limited, mainly because of the language barrier. Most scholars started their careers writing in their own language, and there are at least five different languages in the five countries of study.

Regarding research themes, the main difference from non-EU countries is the influence of EU policies on media markets and companies and, therefore, the implication on research topics. However, despite the available research funds from the European Union, most of the research groups in Southern European countries get funding from their own universities or national governments.

Comparative studies would be an interesting challenge for scholars, and to continue with research that could be applied in the media industry. One of the challenges is to get media practitioners involved in media research and funding.

Finally, from a teaching perspective, another challenge for the field is to launch specialized programs and to include media economics and management into the curricula of communication students.

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Ágnes Urbán and Zoltán Vékey

22 Central and Eastern Europe

Abstract: The Central and Eastern European (CEE) media systems have followed a curious developmental trajectory in recent years. For a long time it appeared that the political transition in the 1990s had set the countries of the region on a certain path towards Western-type development; today we know that this was not the case. Democratic transition is not a one-way street, it is possible to turn back from the previously charted course of democratic development. Despite the fact that major parts of the region have since acceded to the European Union, media freedom is clearly declining in large swathes of the CEE. We present the vulnerabilities of these media systems by focusing on three distinct issues. For one, we look at ownership concentration as a factor that threatens diversity in the media while it increases the potential for political influence over media outlets. Second, we examine how the ethos of public media independence has fared and show that it has been often violated in practice. Thirdly, declining levels of trust in the work of journalists and a low propensity on the part of consumers to pay for quality journalism constitute a major challenge for the media. These three areas highlight major structural problems and together they threaten media freedom while at the same time they also impede democratic development.

Keywords: Central and Eastern Europe, ownership, public service media, journalism

For historical and political reasons, the countries of Central and Eastern Europe (CEE) are often treated as a singular block, even though there are many cultural and economic differences between the individual countries. These differences also impact the media market conditions that prevail in the respective countries. What the countries in question definitely have in common though is that they spent the second half of the 20th century under dictatorial communist rule, and that the ensuing political transition in the 1990s fundamentally transformed their media systems. The Soviet bloc collapsed, the building of market economies commenced, foreign investors appeared, and many countries of the region joined the European Union. In a historical perspective, a veritable success story appeared to take shape. Even later, it became apparent that the absence of democratic foundations and the vulnerability of media enterprises made the emergence of a democratic public sphere impossible. Political and economic reasons both played a role in the stalling of a democratic development. The democratic deficit as well as economic factors, such as small market sizes and linguistic fragmentation, rendered the CEE media systems vulnerable, and, contrary to early expectations, the region did not follow the developmental trajectory of Western European nations.

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1 Change in media ownership structure

On account of the Soviet occupation that followed on the heels of World War II, communist dictatorships cropped up throughout the countries of Central and Eastern Europe. The situation of the press in the region during the post-World War II period obviously bore the marks of dictatorial communist rule. In their *Four Theories of the Press* (Siebert, Peterson, and Schramm 1956), the authors clearly lay out the essential features of the Soviet-communist/totalitarian model of the media, large part of which applied to the Central and Eastern European media markets at the time. The primary goal of the media system was to present, disseminate, and promote the prevailing monopolistic ideology. Press freedom did not exist, and media products were all controlled by the state. Contents were centrally reviewed in exacting detail, and everything was subordinated to the dictatorship.

The first cracks in the system appeared in the second half of the 1980s, but more profound changes only became possible when the Soviet empire collapsed. As of 1989, a new age began. A so-called spontaneous privatization was set in motion in the newspaper markets of several countries of the region, including Hungary, the Czechoslovakia, and the Baltic states. The essential idea was that journalists collectively quit their jobs at their previous publishers and then they proceeded to collectively sign employment contracts with the publisher they had founded. The readers, in the meanwhile, saw no change. Later, a process of managed privatization moved into the foreground, but journalists and editors were often involved in the process either way. It often happened that publishers could not exercise their ownership rights profitably without the underlying journalistic expertise and the newspapers' brand names, which were often acquired by the editorial staff due to the deficiencies of media regulation (Gálik 1997).

As time went by, media theory also improved, and Hallin and Mancini (2004) drew up a new model to capture the variety of media systems. They built their models around four main structural principles: the level of development in the media market, the phenomenon of political parallelism, professionalism of journalism, and the level and nature of state intervention in the media. Based on their classification, we might best describe the CEE media systems in the post-transition phase as hewing closely to the Mediterranean or polarized pluralist model. Political parallelism is typical for this system, as are lacking professionalism in journalism and close ties to the state. A further feature of this model is that opinion journalism tends to predominate, which is absolutely the case with respect to the press in the post-communist period. After regime transition, foreign media investors began to appear in the region, they invested massively and built large media empires, created commercial television, and launched newspapers.

In these markets, too, the breakthrough of digital technologies at the turn of the millennium had a decisive impact on media market processes. The advertising market flourished and the media became increasingly diverse, but at the same time, the underlying risks of such a development also began to show. The circulation of paid quality newspapers began to decline, while in this region, too, tabloids, free newspapers, and free online media outlets increasingly drew away readers from established newspapers. The vital turn was triggered by the economic crisis of 2008, however. The economic development stalled in the vulnerable CEE countries, and after being confronted with decreasing revenues from their audiences, media enterprises also had to come to terms with declining advertising revenues.

The aftermath of the 2008 crisis resulted in a shift in the ownership structure, and subsequently this also emerged as a popular area of media research in the CEE countries (Bajomi-Lázár 2013; Dobek-Ostrowska and Głowacki 2015; Klimkiewicz 2009; Milutinović 2017). The actual trends in the ownership structures differ between these countries, of course; what they have in common, however, is that the role of domestic investors has become more pronounced in these countries.

The economic decline also impacted foreign investors, and several major enterprises left the CEE countries because they no longer saw the high returns they had previously experienced. “What we see in CEE is that Western media tycoons come and go, depending on how profitable the markets are, and do not necessarily have an interest in involving themselves in local or national politics, but rather shy away from this”, Rantanen (2013) writes, and the role of foreign media investors was indeed often the subject of debate. In many cases, their investment strategies focused on financial objectives, while at the same time the Eastern European subsidiaries of major international media corporations often did not adhere to the standards that their enterprises in the home countries followed. This undoubtedly owed in part to the different social, cultural, and professional environment, but it was also a reflection of the lacking commitment on the part of the owners.

As a substantial portion of market advertising disappeared, the role of state advertising became more important (Bátorfy and Urbán 2019). National governments increasingly began to deliberately use these funds to either reward or punish individual media outlets. Media that found themselves in a difficult financial position were often either shut down or sold – this was the more frequent scenario in order to recoup the investments – by their (usually foreign, but occasionally domestic) owners, which were major media investors. In most cases, the new owners were government-friendly representatives of big businesses, oligarchs, who reshaped the newsrooms and expected it to follow a tone that reflected their own interests. Strangely enough, after each such takeover, state advertising began to proliferate in the newspapers in question. In Slovakia, for example, a substantial stake in the esteemed newspaper SME was sold by a German investor to business persons with close ties to the Slovakian government. In the Czech Republic, Andrej Babis, a former businessman and currently prime minister, also boasts a major media portfolio. One might also mention the Bulgarian government-friendly investor Delyan Peevski, whose media empire is officially owned by his mother, even though he is clearly the one who actually wields control over the business (Lyman 2014).

In Russia during the 1990s, market forces started gaining ground in the media, but subsequently this process was reversed, and in the 2000s and the 2010s, political forces became dominant. A 2016 law capping foreign ownership stakes in media corporations at 20 % played a major role in reshaping ownership structures in the market. In the 2010s, Putin's influence on commercial media was obvious, too, and the media-owning oligarchs with ties to the Russian president are readily identifiable (Lehtisaari 2015; Zakem, Saunders, and Hashimova 2018).

An illustrative example of how foreign investors are being squeezed out of the media market and domestic investors gain ground is Hungary, where Lajos Simicska became the biggest media owner and was then replaced by Lőrinc Mészáros – both are emblematic oligarchs of the 2010s. A case in point is the story of the leading online news portal Origo, which had been owned by Deutsche Telekom ever since it was first launched, and was known for its investigative reporting and objective, balanced coverage. In 2019, it was owned by Ádám Matolcsy, who was previously completely unknown in business life but is the son of the president of the Hungarian National Bank. Consequently, Origo is known for its pro-government propaganda.

The increasing dominance of domestic investors has had a negative impact on journalistic professionalism, as Štětka (2012) showed. "However, in most CEE media markets the category of independent domestic players, particularly those with a strong professional journalistic legacy embodied by their founders and proprietors [...], is either missing, or it is largely limited to niche and alternative outlets." When newsrooms focus on the expectations of owners rather than on professional principles, then professional journalism is undoubtedly done for.

An extreme example is the assassination of a journalist in Slovakia. Jan Kuciak, a reporter who worked for the investigative portal actuality.sk, was working on a corruption story implicating governing party politicians at the time when he was shot along with his girlfriend in their home in February 2018. The murder had major political ramifications, and a year later, there is finally a suspect (Walker 2019). The case drew attention not only to the regional press outlets but also to international media, which reported about the Slovakian situation and the importance and risks of investigative reporting.

By the 2010s, it became apparent that despite the regime change and the dominance of market forces, the CEE media markets followed an entirely different trajectory than their Western European counterparts. These differences are obviously the result of national political developments; an examination of a media system can hardly be isolated from the assessment of the state of democracy and the general changes in national political systems (Bajomi-Lázár 2017; Örnebring 2012; Polyák 2015; Price 2009). Countries of the region lag far behind their Western European counterparts in the World Press Freedom Index ranking, and their decline is also striking when compared to the positions they occupied a decade ago. In the 2018 ranking, Slovakia came in 27th (down from 7th in 2008), the Czech Republic was 34th (16), Romania 44th (47), Poland 58th (47), Croatia 69th (45), Hungary 73rd (23), Ukraine

101st (87), Bulgaria 111th (59), and Russia 148th (141) (Reporters without Borders 2007, 2018).

2 Public service media

The audience measurement data clearly show that public service media are far less popular in Central Eastern Europe (CEE) than they are in many Western European countries. Public service media in the region have been less successful in withstanding the competition posed by commercial media, they have proven vulnerable in the face of this challenge. This owes undoubtedly to some extent to the fact that while public service media in Western Europe have developed progressively, in parallel and together with market competition, technological progress, and democracy, they have developed against a completely different backdrop in the CEE. Following the collapse of the Soviet system, the newly introduced media regulations gave rise to new, revamped public service media providers in the 1990s. However, these institutions never managed to attain the professional or social prestige that their Western European counterparts have managed to secure over time. Previously, state media throughout the region had served the respective ruling communist parties, and an ethos of independence or a commitment to professionalism were lacking. Moreover, these media institutions had operated as monopolists and had been shielded from competition. In the new political environment that prevailed after regime transition, however, commercial channels quickly appeared, thereby creating a whole new situation in the market. This was followed by the emergence of broadband internet at the turn of the millennium, which engendered a whole new pattern of media consumption, and, as a result, public service media became marginalized in several countries of the region.

As Jakubowicz (2004) pointed out, public service media in the region suffer from a lack of social embeddedness. The public service media in the CEE have failed to fully transform themselves and to leave behind the burdensome legacy of the ancient regime (e. g., independence, impartiality, detachment from politics, dedication to public interest, commitment to quality); the institutional structure that would have been necessary for a modern public service media was lacking.

Price (2009) also highlighted the difficulties experienced by public service media in the CEE region. The process of turning state broadcasting services into genuine public service media providers is a slow process, and the actual implementation that follows the relevant legislation is often the target of legitimate criticism. The expectations put forth by European institutions and international experts may give rise to tensions, as the transformation of the Croatian state media (Hrvatska Radiotelevizija, HRT) has shown.

In her research on public service media, Simunjak (2016) concluded that there are significant differences between the respective institutions. Her study examined these institutions in 19 EU countries (eight of which, including Latvia and Lithuania, are in the CEE region) with respect to their susceptibility to risks for political independence and their predilection for biased electoral reporting. The comparative analysis showed that the public service media institutions in the CEE countries differ substantially from one another, they cannot be grouped as belonging to the same class, neither in terms of the degree of risks to their political independence nor with respect to biased coverage. Milosavljevic and Poler (2018) compared public service media in the countries of the Western Balkan region and concluded that the state plays an increasingly important role, confirming the enduring power of media capture of the public media. In addition to linguistic reasons, the similarities between these public service media systems were due to such common characteristics as "inefficient license fee collection, pressure and interference from political elites, as well as characteristics of local political and journalistic culture".

Overall, it can be asserted that research on public service media is far more popular in Western Europe than in the CEE region. One reason may be that in the latter region, public service media play a less significant role in shaping public discourse and their market share is lower. At the same time, it is also conceivable that scholars have simply recognized the fact that public service media in the region are traditionally subject to intense political influence and as a result cannot operate as independent and autonomous institutions. Moreover, there are also limitations on how far the CEE region can be treated as a coherent unit. Although the historical legacy and the resulting challenges may be similar, the media landscape, the relevant regulatory framework, and the level of political inference vary widely.

An especially interesting question is which conclusions can be drawn based on the countries where public service media have been allowed to operate independently for a relatively long time, only to then become subject to massive political influence. Hungary is a case in point, as the Media Act of 2010 substantially revamped the underlying institutional structure, putting it at the mercy of politics; within a few years, this has resulted in a conspicuously propagandistic editorial policy (Polyák 2017). In Poland, the government began to enact a series of measures in 2015 and these have led to strict political control over the public service media. At the same time, the employees of public service media institutions are barred from expressing any type of criticism regarding the operation or the management of these institutions (Article 19 and Helsinki Foundation for Human Rights (HFHR) 2017). At the end of the 2010s, the future trajectory of public service media in the region remains very much in doubt. What may be asserted nevertheless is that whatever its future, the trajectory will be closely linked to the evolution of the political system and the state of democracy.

3 Lack of trust, lack of willingness to pay

The pattern of public trust in the media in Central and Eastern Europe is very different from that in the developed Western democracies. For obvious reasons, the gap between the countries is partly the result of the different historical trajectories of the respective media institutions. A frequent issue in academic research concerns the identification of variables that could be best used to capture the differences in the professional standards of journalism and in the levels of trust that the public vests in media (Castro-Herrero, Hopmann, and Engesser 2016; Eberwein, Fengler, and Karmasin 2018; Salovaara and Juzefovics 2012; Štětka and Örnebring 2013).

The European Broadcasting Union's Media Intelligence Service (2018) study showed that in numerous countries of the region (Romania, Bulgaria, Macedonia, and Albania), television is considered the most reliable type of media, while in other countries the internet is seen as most reliable (Hungary, Serbia). In Western Europe, by comparison, radio tends to fill that role. Furthermore, CEE is the only region where the printed press is considered the least trusted media. The latter was the prevailing sentiment in Poland, Serbia, Macedonia, and Bulgaria. Still, the aggregate data on trust in the media do not reveal a clear regional pattern. Both the CEE countries and the Western European nations that were investigated include some where trust is far higher than on average – or far lower, for that matter.

The variation in the levels of trust in news media is also apparent in the research of Newman et al. (2017). Within the CEE region, the highest values were registered in Poland (53 %), while in the other countries trust is far lower: Romania 39 %, Croatia 39 %, Czech Republic 32 %, Hungary 31 % and Slovakia 27 %. Typically, these values tend to be lower than the equivalent values in most Western European countries.

This wavering in consumers' trust is especially important not only because of the role played by media in society and politics in safeguarding democratic values. Another equally important aspect is that advertising revenues have been declining because of the increasing role of digital platforms, primarily Google and Facebook. On account of the traditional two-sided market character of the media, direct revenues from audiences have become more important in terms of media funding. There are examples of successful paywall- or subscription-based models in Western Europe and Northern America, but in Central and Eastern Europe several factors impede the proliferation of such models. One is the low level of disposable income, which lags far behind western standards. The other is that over the last two decades, the notion that news on the internet are free has become increasingly widespread, and it seems that as a cultural attitude this perception appears resistant to change. The third factor is the relatively small size of the relevant markets: the English, French, Spanish, German, etc. language markets are far more extensive in terms of the size of their potential audiences. Correspondingly, economies of scale pose a far greater challenge to the linguistically fragmented CEE region.

The ratio of "ongoing online news subscription" is rather low in most countries of the region: It is 5 % in Romania, 4 % in Poland and Hungary, 3 % in Slovakia and Croatia, and 2 % in the Czech Republic (Newman et al. 2017). Despite these impediments, there have been and still are ongoing attempts at finding viable business models. At this point, however, there are no unequivocal successes or best practices suitable for adaptation. The most widespread solution is the so-called freemium model, which makes a segment of the news available for free while asking for money for more serious contents, such as videos. This is the model used by the Slovakian Denník N, which has seen a steady rise in subscription figures since it was first launched in 2014. Another example worth mentioning is that of Piano Media. The Slovakian company was created in 2010 and introduced a national paywall of sorts. The companies that joined the system operated by Piano Media did not need to set up their own separate paywall but were charged a commission by the company instead. The largest content providers in Slovakia joined the scheme, and for a time this seemed to make the model sustainable. In 2016, however, several large players left, which put an end to the joint paywall. Nevertheless, Piano Media played a major role in the education of consumers who recognized that news have a value and need to be paid for (Minarechová 2016). Piano Media also appeared in other countries of the region – including Slovenia and Poland – but it did not attain lasting success anywhere.

The fact that a joint approach may be the best way was also reinforced by a Danish study showing that those aged between 18 and 39 are more likely to exhibit a willingness to pay if they receive news from several sources in return (Kammer et al. 2015). In other words, the joint paywall model does not necessarily need to be discarded, even though it has thus far failed to establish itself in the region.

What appears to be functioning and increasingly proliferating, however, are small journalism workshops based on crowdfunding and support by donors. Despite their small size, they can achieve substantial success and impact in cooperation with major online portals. Primarily, they publish investigative pieces, revealing corruption and other scandals, which makes them more widely known and enhances their professional prestige. This was how the portals atlatszo.hu and direkt36 were initially launched in Hungary. Today, they boast several thousand supporters thanks to the high quality of journalism they produce: They regularly publish major scoops which are then often republished by leading news media. Other cases in point are Re:baltica in Latvia, CIN in Bosnia-Herzegovina, and KRIK in Serbia. Their funding tends to be based on more than one pillar, typically they avail themselves of grants and co-operations, and to an increasing extent they rely on supporters and readers. Their contents tend to be available for free, but they also provide certain extra services to their subscribers, such as behind-the-scenes newsletters or exclusive events and chats.

Cross-border journalism projects are also increasingly vital in the region. There are international pages that bundle several media products, including portals focused on anti-corruption investigative journalism for instance; the best example of the latter is the OCCRP (Organized Crime and Corruption Reporting Project).

There is also a media network, vsquare.org, which focuses especially on the Visegrád Four (Poland, Hungary, the Czech Republic, and Slovakia). Vsquare.org regularly publishes major pieces on issues with a high impact for the region overall, such as Russian propaganda. Another important network is the BIRN (Balkan Investigative Reporting Network), which is made up of independent journalists and editors in the Balkan countries.

To sum up, the regional press is still lagging far behind in terms of paid models, although there are some encouraging examples holding out the promise that over time the notion of charging for contents might become culturally entrenched in the region. This, in turn, could infuse some new blood in the media markets in the form of stronger and more independent media outlets.

4 Conclusion

Research on media economy first cropped up in the region at the time when the market economy was introduced in the 1990s. Foreign investors appeared and the countries of the CEE region seemed to be set on the same developmental trajectory previously experienced by the Western European countries. By the 2000s, however, it became obvious that the superficially similar political and economic arrangements in fact concealed many differences that continued to persist, and these have an impact on the media system as well. The ownership concentration and major share of stakes in the media held by owners with close ties to politics, the lack of autonomy in the public service media, and the low esteem in which journalism is held are typical for the majority of the CEE countries. These problems can be traced back to the general phenomenon that institutional autonomy tends to be low in the CEE region, while political influence tends to be pervasive in all walks of life. Societies in the region tacitly accept that politics spills over into realms where it has no place, and thus the political influence over independent institutions, for example, does not elicit widespread outrage.

It is difficult to anticipate how the media systems in the CEE countries will develop in the future. One readily conceivable scenario is that their differing levels of integration with the European Union will set the countries of the region on divergent trajectories, and the CEE region, which has thus far been seen as a more or less coherent regional unit, will come apart in this sense. It is also possible, of course, that the differences are only temporary, that the joint historical past and the cultural similarities will continue to outweigh the impact of distinct national characteristics. In this case, the particularistic features of the CEE media system will be readily identifiable in the coming decades as well, and this will undoubtedly determine the course of future research, too.

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23 East Asia

Abstract: In this area relations with the government are one of the most important tasks for media companies. In Japan, various privileges are provided such as the exemption from the ban of resale price maintenance activity. After the Great Earthquake in eastern Japan in 2011, however, social networking services gained appreciation in society and initiate changes in the relation with the government. In South Korea, direct government initiatives are prominent in media content industries. The development in these industries was successful enough to have a strong export competitiveness in East Asian markets. Established media sustained its their monopoly power by being tied to a conservative power, but recently, online media emerged as a powerful alternative journalism. In Taiwan, the relationship between government and the media changed from one a relationship of direct control to a relationship of market censorship. An introduction of market competition seems to increase diversity and efficiency. Although markets in these countries are divided and the relationships between the media and governments differ, there may be a trend of convergence reflecting the cultural proximity between them.

Keywords: government, social networking services, online media, popular culture, language barrier

Japan, Korea, and Taiwan, the three major media markets in East Asia, have been divided by political as well as language barriers. After Japanese rule, imports of media content were banned in Korea. Only in the late 1990s were manga comics, films, and music from Japan allowed to be published. In Taiwan, there were also restrictions on TV programs and music until the early 1990s, at least officially. It is only for the past two decades that contents have been traded without restrictions in this region. In all three markets, however, relations with the respective government are one of the most important tasks for media companies; hence, this chapter focuses on this issue.

1 Japan

Although the size of the media content market in Japan is significant (106.4 billion US$), thus being the third largest market in the world, the amount of research in the field of media management is quite modest. In their introduction on research in Asia, Jung and Kim (2018) question the lack of Japanese scholarship. The situation is no different in articles published in Japanese. The lack of incentives for Japanese scholars of management science in media industries to publish on this issue reveals the

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lack of appeal in studying the media industry compared to other industries. First, in the field of news media, regulation protects the industry from competition, such that maintaining good relationships with the government is important in the management of companies. In fact, various privileges are provided: exemptions from the ban of resale price maintenance (RPM) activity by newspapers; a closed *kisha club* system for accessing information; the abatement of a spectrum of user fees for broadcasting stations; other tax redemptions for newspapers; and restrictions of newspaper ownership. Second, the content production industries in Japan may appear underdeveloped due to hierarchical subcontracting systems with lower wages and an unfair distribution of the surplus in value chains(see e. g., Japan Fair Trade Commission 2015).

Thus, studies on media industries in Japan tend to focus on their relationship with the government, which is suitable for an economic approach, but less so for a management approach. From an economic perspective, the effects of competition in regional markets are standard topics to be investigated. This tendency began to change, however, after the Great Earthquake in eastern Japan in 2011, when the role of interactive media, especially social networking services (SNS), gained appreciation in society and researchers began to develop an interest in the field. This section provides an introduction to the research on these topics, discusses government relations, and examines the effects of competition and new trends in research after the great earthquake.

1.1 Newspapers

Japan has five national news dailies, several bloc newspapers that are available in contiguous prefectures, and another approximately 50 newspapers that mainly serve a single prefecture. The total circulation of news dailies is about 85 % of the number of households, with more than 95 % of sales consisting of monthly subscriptions rather than single issue purchases. Sales are supported by a home delivery system which recorded 54 million circulations in 1997; however, this has fallen by 10 million over the past 20 years, particularly in the metropolitan areas.

Although most products and services are currently prohibited from adopting RPM, given suppliers' stipulations that bar downstream firms from price discounting newspapers enjoy an exemption. Flath (2016) shows that Japanese newspaper subscription prices are far below the levels that would maximize joint profit, given the newspaper content. He concluded that the current implementation of RPM seems to be motivated by reasons other than cartelization. The effects of competition among newspapers can be observed in the media coverage of the issue. Cho and Lacy (2000) examined the impact of interlayer competition on international conflict-oriented news and found a negative relationship. In other words, Japanese newspapers differentiate news coverage by allocating less space to international conflict-oriented news under more intense competition. Cho and Lacy (2002) also found that local Japanese newspapers were substitutes for national newspapers in terms of penetration. There was a strong negative relationship between the penetration of local newspapers and that of national newspapers. They concluded that local newspapers had expanded their news coverage beyond their local prefecture in light of intense competition with national newspapers.

Au and Kawai (2012) investigate a unique institution within the Japanese press industry, known as the *kisha club*, which is a formal association of reporters. Each of the approximately 1,000 different agencies of the government, justice system, police headquarters, political party centers, and major economic organizations in Japan allocates a large room to reporters responsible for covering that agency for their news organizations. This room serves as a base and operations room for reporters to gather, confirm, organize, and write the news. By tracing its history, the authors show how the *kisha club* system developed as a result of the government's attempt to control the media and the media's incentive to use the opportunity provided by the government to limit rivalry within the industry. By providing a simple model that links the distribution of political power and media capture, they explain why this institutional arrangement has been so persistent in Japan.

1.2 Commercial broadcasting

One of the characteristics of the markets is strong terrestrial commercial broadcasting. Zenith Advertising and Communications shows that the share of television in the Japanese advertising market is 4.8 % higher than the global average (Zenith Optimedia 2017). Total revenue of the TV broadcasting industry in Japan was around 40 billion US$ in 2015. Terrestrial broadcasting companies consist of five major networks and 13 independent stations and hold 59.9 % of the market share based on advertisement. The share of airtime for self-produced programs, except for those produced by key stations, is only about 15 %. Kasuga and Shishikura (2006) show how revenue and profits have a positive correlation with market share, household coverage, and income per capita, but no clear relationship with market concentration, which shows market continuity despite a fragmented oligopoly structure.

With respect to the pay-TV market in 2015, cable TV held 12.8 % of the market, while communication satellite carriers held 9.7 %. Based on an international case study on the role of intra- and inter-industry competition in satellite broadcasting, which included Japan, Sohn (2005) posits that a policy framework is required to guarantee an adequate level of competition for content delivery technologies. The effect of vertical separation between program production and transmission of terrestrial broadcasting carriers was discussed by Ueda and Mitomo (2002), who examined the convergence of broadcasting and telecommunications. Domestic program production and transmission of terrestrial broadcasting have long been vertically integrated, which deters competition. They reported that little evidence can be found to support the existing integrated structure.

1.3 Role of media in a disaster

During the Great East Japan Earthquake and following the 2011 Fukushima Daiichi nuclear reactor accidents, acquiring precise and appropriate information was imperative. While the mass media struggled with the collection of localized information, such as lists of missing persons, locations of shelters including spontaneous ones, and bottlenecks of distribution of backup supplies, social media were able to respond quickly and to fill the gap by conveying vital information. The information mediated by social media has been studied intensively since the disaster, especially Twitter logs, because it played an important role in sharing vital information (田中 [Tanaka] 2015). Note that Japan is the only country where Twitter traffic exceeds that of Facebook (World Economic Forum 2017).

Cho, Jung and Park (2013) indicate that crisis communication on Twitter was led by peer-to-peer communication and relied on peer-generated information. Individual users tended to rely more on sites providing peer-generated content, such as video-sharing sites and blogs, than on news channels. The authors also reported that the government's leadership in facilitating disaster communication was not observed in tweets. Toriumi et al. (2013) analyzed the structure of information-sharing behaviors on Twitter and concluded that users refrained from sending non-emergency tweets to avoid interrupting the flow of critical information. Shibanai and Inamasu (柴内 and 稲増 2015) categorized newspaper articles, links on Yahoo topics, and contributions on blogs, and investigated media-specific characteristics of topic selection. They noted that content in mass media does not show fewer emotion words, either positive or negative, compared to personal blogs.

Ikeda and Yasuda (池田 and 安田 2015) analyzed information behavior. They considered how access to information stimulates information-acquiring activities and how the need for information is dependent on the media: Both information-acquiring activities and needs are stimulated in community media and television broadcasting. The gap between information acquiring and needs was filled by information from television and enlarged by information from the Internet. SNS and community media contributed to the communication between individuals and participation in cooperative activities.

2 South Korea

South Korea has achieved the most outstanding success in broadband penetration, rating as the highest and the fastest penetration in the world. Various hypotheses have been proposed to explain this performance: intense competition by Internet service providers with unbundled incumbents, the government's commitment as demonstrated by its offer of generous subsidies, the characteristics of Koreans, and densely populated geographical advantages. Kim, Choi and Kim (2007) emphasized the synergy effect between supply-side push with government policy initiatives and demand-side pull with reliability and observability under intense competition. The roles of government initiatives have been examined in various information and communication technology (ICT) areas. Shin, Kim and Lee (2006) investigate the cause of the development of digital mobile broadcasting by using a socio-technical approach via interviews with stakeholders. They concluded that the development is not demand-driven but completely technology-driven, "the outcome of a proactive strategy of telecom carriers and the Korean government's top-down industrial policy" (Shin, Kim, and Lee 2006: 70). A complex web of stakeholders, government, and industry enabled such a development. In particular, the government intervened in the supply and demand chain by promoting the construction of information infrastructure and endorsing the conduct of *chaebol* (an industrial conglomerate under a parent company) to seek control of international standards for base technologies and monopolization.

Direct government initiatives with huge investments and subsidies are also prominent in media content industries, especially in the film and video, popular music, and game contents industries. The development in these industries was successful enough to have a strong export competitiveness in East Asian markets. This is known as *Hallyu* (Korean Wave). Kwon and Kim (2014) described the government implementation of policy-making as ranging "from the establishment of industry infrastructure to support for developing the skills and knowledge of the workforce, to supporting firms expanding into global cultural product markets" (Kwon and Kim 2014: 434). Jin (2014) observes that the role of the nation state is not decreasing in popular culture in Korea, contrary to the notion that globalization with neo-liberalism lowers national boundaries in this field.

The presence of the government provokes structural reactions in the news media industry: Online journalism has become a major source of information that citizens consider credible. Woo-Young (2005) explained the historical background behind the rise of online journalism. After the rule of Japan, South Korea was ruled by an authoritarian regime before it transitioned to a democracy in 1987. Established media sustained their monopoly power by being tied to a conservative power, although theyfailed to provide opportunities for the expression of diverse opinions. Online media "emerged as a powerful alternative journalism" and facilitated "reform-hungry" civic participation opportunities by successfully removing the barrier between information producers and consumers. South Koreans are also known for their high confidence in online information. From survey data, Kim and Johnson (2009) concluded that independent web-based newspapers have become the main reliable information tool for online political news users, while Internet users with campaign interest judged traditional media to be conservative and less credible, contrary to the general anxiety about the quality and credibility of information on the Internet that dominates outside Korea.

The rapid penetration of broadband service with rich content into society causes various concerns which have raised researchers' interest. Out of the many articles on this topic, we will discuss three such papers here. The first is on film industry. Globalization in Korean content markets comes not only alongside the expansion of exports but also the domination of imports, especially of Hollywood films. Kim (2004) analyzed the film market when home videos were introduced as a new window other than theatre, assuming that an increased window caused disproportional effects on both global and local films. The paper identified a "cultural discount", referring to the disadvantages of imported films that benefit domestic film producers. Kim also reported the decreasing effects of the size of film budgets. The second paper is on music industry. The consumption of music has an aspect to be used as instruments of social communication. The digitalization of music technology has caused the music industry to become more concentrated and integrated, which may have altered the sociability of music consumption as a cultural intermediary, making it more personal. Lee (2009) examined the transformation in the consumption of Korean music and concluded that the communicative value of music has not been lost, although its intermediation function has shifted. Cyworld, a virtual world, provides the opportunity for the relational consumption of music; consumers share playlists on Melon, a streaming and downloading service. The third paper is on media usage manners by the younger generation. Ok (2011) claims that Korean youth lead the world in the adoption of digital media, and predicts how the appropriation of technology gives shape to potential. Interest-driven online communities are major playgrounds for Korean youth and give rise to political activities. This is because online spaces provide channels for obtaining and sharing information as well as for forming public opinion, which traditional media have not provided.

3 Taiwan

After the Japanese regime, Taiwan had to confront mainland China with the internal conflict between the native Taiwanese and the mainlanders under prolonged martial law. In describing the history of journalism in the last decades of the 20th century in Taiwan, Chen (1998) notes the close "link" between the *Kuomintang* (KMT, Chinese Nationalist Party) regime and the media. Meanwhile, the relationship between KMT and the media changed from a relationship of direct control or manipulation to a relationship of "market censorship". KMT's control was removed stepwise. As for TV broadcasting, for example, the Hong Kong- based satellite company StarTV was introduced in 1991, Cable TV in 1993, and a new private channel in 1997. With these liberalizations, the penetration of digital technologies and ICT occurred quickly, and the economy achieved a remarkable growth, especially in high-tech industries. The shift towards a digitalized society in a relatively compact and homogeneous area provided a rich field for the study of media management and technology penetration. Recently Taiwan has been ranked high in the press freedom index in Asia (Reporters without Borders 2018; Repucci 2019). Explaining this rapid transformation has been another challenge for researchers.

Within the literature, a series of works by Prof. Li deserves mention. She investigated the details of the transformation of Taiwanese media industries. Li (1999) analyzed the effect of increased competition in TV broadcasting on the performance of the three major channels, where the performance is measured by diversity of prime-time programs of the three major channels. She claimed that diversity increased with intensified competition, unlike in the USA. Li, Liu and Chen (2007) also investigated the effect of competition on the diversity of programs provided by cable TV. This time, the estimated performance measure is extended to involve customer satisfaction, penetration rates, and subscription fees. The subscription fee was employed as a proxy of efficiency. They found positive associations between competition and consumer satisfaction, as well as between competition and efficiency. Li (2004) analyzed the factors that promoted the adoption of interactive cable TV services, and Li (2014) examined the difference between the adoptions of digitalized terrestrial and cable TV. While both studies ascertained that the basic factors that affect the adoption of new technologies are the same as in the USA, the latter study found that there is a bias in technology selection of consumers: they tend to believe that digitalized cable TV, not the digital terrestrial TV, is an inevitable technology. Li (2001) investigated the substitutability and differentiation among the news services from the perspective of consumers, examining news delivered via television, the Internet, and newspapers. She reported that online news were not yet considered superior in providing easier opportunities to access the news, but were rather perceived as a substitute for television news. She argued that although television news had not been allotted enough broadcast time before cable news entered the market, they gained a competitive edge over newspapers.

Two more research articles will now be introduced. The first presents online games as a kind of social media where players perform and communicate, while other players pay attention to progress of games. Taiwan has a large population of online gamers benefiting from an advanced Internet environment. Hsu and Lu (2004) constructed an extended version of the technology acceptance model that involves social norms consisting of influences and flow experience that is a state of mind experienced by people who are totally involved in some activity. They ascertained high explanatory power of the model in explaining why people play games. When players engage in online games, the experience of interaction among players is important to keep them engaged. In the second article, Chyi and Huang (2011) investigated the possibility of cannibalization between online and print newspapers. They reported that printed newspapers have a higher penetration, and web users are more likely to subscribe to printed newspapers than to free online papers, although the number of readers of printed newspapers has declined. The authors suggest that cannibalization may reveal its effect in the long run.

4 Beyond the border: A conclusion

When Japan noticed that the competitiveness in manufacturing industries was declining, the government became aware of an emerging competitiveness in popular culture, especially in content industries such as *anime*, *manga* comics, video games, and TV dramas. A problem is that the government tries to apply the same kind of strategic policy to the content industries as it did to the manufacturing industries decades ago in the form of guidance and subsidies under the Cool Japan branding strategy. Daliot-Bul (2009) critically examined the challenges and questioned the relevance of the modernistic approach applied by cultural policy makers as a regulatory cultural planning apparatus. One of the conclusions of the paper was that "the more widespread the institutional imagery of Cool Japan becomes, the faster the market hype dubbed Cool Japan is likely to fade away" (Daliot-Bul 2009: 262).

While the export of Japan's content is considered to have been consumer driven thus far, the strong role of the Korean government in *Hallyu* is often mentioned. However, according to Huang (2011), who examined the process through which imported TV dramas are accepted by Taiwanese TV viewers, both Japanese and Korean TV dramas have been promoted and spread through similar paths: Idols and national images are promoted, the Taiwanese media frame the nation's culture as stylish and desirable, and local and foreign businesses exploit the trends. Huang described this as the manner in which nationalistic nation-building increasingly blends with capitalist nation-branding.

Thus, although markets in these countries are divided and the relationships between the media and governments differ, there may be a trend of convergence reflecting the cultural proximity between them.

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24 Media management and economics research in China

Abstract: The media management and economics scholarship has grown significantly over the past decades in China. Scholars and practitioners are keen to learn about media economics as a field of inquiry and the scope and themes of its various branches of literature at both national and international levels. Research of media business is flourishing, and educational programs have been developing rapidly as well. With the demand for internationalization and structural reform coinciding with the media environmental change of digitalization, China's media industry is facing unprecedented challenges and opportunities. This chapter introduces the growth of academic research and the transforming media business landscape in China; the development of the scholarly filed is reviewed, and future research issues in the emerging media market are also discussed.

Keywords: media management and economics research, business and industry development, emerging market, industry transformation, China

The media management and economics scholarship in China has grown significantly over the past decades. There are increasing needs to understand the development of the media industries, where dramatic changes in media structures and operations have led to emerging issues for inquiries and where a significant body of media economics literature has emerged.

Scholars and practitioners in China are keen to learn about media management and economics as a field of inquiry and the scope and themes of its various branches of literatures at both national and international levels. Therefore, research in such a field is flourishing, and educational programs have been developing rapidly. In the this chapter, the growth of academic research on media management and economics and the media landscape in China will be introduced. Furthermore, development of the scholarly filed will be discussed as well as the future research directions in this emerging media market.

1 China's media management and economics research: A snapshot

It is among the major hot topics of discussion around the world that China's economy has been growing in the recent decades at an unbelievable rate. Despite the increasing

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openness to the outside world in manufacturing and industrial sectors, media is still a sphere that a high level of state or government ownership remains. However, as the country on the whole is integrating itself into the international community, media companies also encounter increasing competition from overseas markets. “Deregulation”, “internationalization”, and “innovation” often become buzz words of strategic importance for media business operation and development. With the demand for internationalization and structural reform coinciding with the media environmental change of digitalization, China’s media business is facing unprecedented challenges and opportunities.

After the founding of the People’s Republic of China in 1949, a communist media system was introduced and established by learning from the former Soviet Union’s model, which had prevailed for quite a long time. Constrained by the unique features of such a communist media system, media had mainly been considered a tool for political propaganda in China. All the media entities were mostly owned, operated, and financed by the state, although seemingly through governments at various levels. Business operation was regarded a less relevant issue for the media sector.

Media liberalization and deregulation took place gradually after the adoption of the policy of “reforming and opening to the outside world”, initiated by the Chinese leader Deng Xaioping in late 1970s. The commercialization of mass media became one of the most important movements since 1978. Commercial advertising was introduced in 1979, and TV stations began to gain their revenues from advertising and sponsorship. Consequently, the media turned into party corporations instead of merely public units. In response to these changes, initial studies on media management and economics were conducted in the 1980s to examine issues such as the legitimacy of advertisement in a social communist country, the commercial interests of media products, and the market reform and transformation of a communist media system (Wu 2004).

Studies on China’s media market developed rapidly during the 1990s. With the political reform and the economic transition, media sectors were considered important components of the entire “socio-market economy”. Since then, a great number of research has been conducted to explore, for example, ways of managing media enterprises as economic entities and methods of transforming from socio-communist media systems (cf. He 1995).

In 2001, China’s accession to the WTO agreements turned into an important landmark which greatly accelerated the development of media management and economics research. A large number of studies investigated how media sectors need to be restructured and how the need to react in order to cope with the opportunities and challenges brought by the WTO accession. After the turn of the millennium, state regulations have been promulgated to encourage the establishment of various kinds of market-oriented media enterprises. Therefore, another wave of media consolidations occurred, and lots of debates have been raised to discuss issues of structural change of the media industries, the construction of new media enterprises, and the management and operation of new conglomerates (cf. Ni 2002).

In the last decade, a great number of academic works on media management and economics has been published in Chinese and international journals and, with broader and deeper theoretical investigations conducted. Research issues cover a wide range of industry phenomena, including media policies, media market structure and regulations, strategic management, leadership, human resources management, and marketing strategies of media enterprises, media business investment and financing, and media innovation and entrepreneurship.

Nowadays, China is developing a unique communist media system in a socio-market economy. This is an economic system with Chinese characteristics that is dominated by the public-owned economy and complemented by a private sector alongside social policies that establish both fair competition within the market and a welfare state. In this social context, more research efforts need to be made to understand the sophistication of the industry and the market. China needs to learn from experiences of the developed nations, and it also needs to find its own way to construct so called "Chinese characteristics" that sustain its development in the socio-media market. Therefore, the next years will see a rising and prosperous field of inquiry for media business studies in China (Hang 2010).

2 China's media landscape: Revenues and market structure

As a country with a population of 1.3 billion people, China holds a vast and rich media landscape. The media industry is characterized by a fast transformation from traditional approaches of news making towards a new media era, and from a state-owned structure to a more deregulated market structure.

China's media industry is composed of traditional media, new media, and some tele-information media sectors. The total industry revenue was 1.89 trillion RMB in 2017, indicating a 16 % growth compared to the previous year according to the statistics from *China's Media Blue Book* (Cui, Hang and Zhou 2018). This industry revenue covers ten major sectors: radio, TV broadcasting, newspapers, book publishing, magazines, movies, audio visual media, online media, mobile media, ISP, and online search engines. Among these, the content revenue from the mobile media sector makes up almost 51 % of the total industry income, and internet media stands for another 15 %, whilst traditional media, including print, broadcast and movie, only take up 34 % of the total revenue, reflecting a rising and dominant status of digital media in generating industry revenue in a digital era.

China's major traditional media corporations include the China Central Radio and Television Corporation, People's Daily Newspaper Group, Xinhua News Agency, Southern Daily Press Group, etc. Among these, the China Central Radio and Television Corporation was newly formed in 2018 by merging the former China Central Television, China National Radio Corporation with China Radio International Corporation as a strategic action to consolidate national flagship media corporations. Most traditional media corporations are state-owned, in contrast to the largely private-owned new media sectors. The leading new media companies include Tencent, Baidu, Sohu, Sina, and Netease. Out of these, Tencent is an internet-based technology enterprise providing various media content business, Baidu was developed from a search engine business as a so-called variation of “Chinese Google”, and Sohu, Sina, and Netease were mostly developed from portal-site companies for news content. Unlike many western nations, Facebook does not operate in China, and Google shut down its Chinese search service in 2010.

From a market structure point of view, the television industry was a duopoly market before the wireless and cable stations were merged. In the press and publication sectors, the government still maintains state ownership. Contrast to government oligopolies, the marketization of newspapers in metropolitan areas leads to fierce competition for a monopoly. In the metropolitan media market, there are still various newspaper titles to compete with. Although the positioning of these papers is similar, there are differences in their content, distribution channels, readers, advertisers, and many other aspects. Aside from cable television, the TV market is an oligopoly, which exhibits a high market concentration structure and greater homogeneity or difference, while the television production market shows has a comparatively lower barrier to entry and exit that is almost a competitive market. (Hang 2013; Noam 2016)

Despite the competition due to the low barriers to entry and exit, many new media firms subsequently enter the market. Therefore, the new media market is the least monopolized, which is almost a perfect competition. In the new media sphere, the internet media combines the functions and advantages of traditional media, it also has its own unique traits that have greatly affected the development of traditional media. In China, the appearance of internet media does not restrict the development of traditional media: They are both growing, searching for a balance. When internet media develop, this prompts the transformation of traditional media to survive and to develop within the new structure.

More recently, media regulators and policy makers in China are increasingly recognizing that competition is a necessary factor and that only under this condition will the media industry continue to thrive rapidly. China’s media industry has proven that in those areas where competition is relatively high, the media develops into relatively mature and influential businesses. For instance, Guangdong Province is the most competitive market. For newspapers, there are four major groups: Southern Daily Group, Guangzhou Daily Newspaper Group, Yangcheng Evening News Group, and Shenzhen Press Group. In television, there are numerous TV stations from Hong Kong and Macau in Guangdong. As a result of fierce competition, Guangdong Province’s media industry has made tremendous progress through mutual learning. In addition, the media market of Shenzhen and other southern cities has also gained considerable ground in the recent years. (Hang 2013; Noam 2016)

Overall, the traditional media integrated with new media through media convergence, leading to dramatical environmental and eco-system changes. During this process, the media market dynamics and strategic requirements for media business operation provide both opportunities and challenges to media enterprises in China which also call for more research efforts addressing emerging issues from this fast developing and changing media market.

3 A review on publications of media management and economics

In such this context of media business transformation and industry development, the demand for research on media management and economics rises. The field of Chinese media management and economics research emerged about three decades ago, after the adoption of the policy of “reforming and opening to the outside world” in the late 1970s. Despite a comparatively short history, the development of the field of inquiry is tremendous. According to statistics from a survey conducted by Wu and Jin (2004, 2016), more than 7,000 books/articles have been published since the emergence of the field, covering a large variety of media management and economics topics ranging from policy development and market commercialization to company strategy and other managerial issues of media enterprises. The text below will analyze these scholarly publications and also discuss the implications.

3.1 Development of the field of inquiry

In China, the earliest adoption of the concept of “economics” in media studies can be traced back to the 1950s, when several articles were found that referred to economics issues, for example, the production and distribution of motion pictures (Zheng and Zhao 1957) and the revenues generated by motion pictures (Chen 1957; Gao 1957). However, following that, there was a long period with no studies conducted relating media to business operations, which was due to the political turbulences during the 1960s and 1970s, a time when a tightly controlled “planned economy” system dominated (Hang 2006).

It was only at the end of the 1970s and the beginning of 1980s that the field of study emerged as a result of the “reforming and opening door” policy (adopted) and the commercialization of media markets occurred. In 1979, commercial advertising was introduced in China, and TV stations began to receive advertisement revenues in addition to the subsidiaries from the government. Consequently, media companies started the process of commercialization. Following this, studies were conducted, for example, to discuss issues such as the legitimacy of advertisement in a social communist country, marketing and advertising (Liang 1987), commercial interests of media products (Chen and Zeng 1987; Chen 1986), reform and transformation of communist media systems (Fang 1986; Wu 1986), etc.

Research on media management and economics developed rapidly during the 1990s. With the political reform and economic transition, media sectors were gradually considered important components of the entire socialist market economy. An increasing amount of research was conducted to explore, for instance, ways of managing media enterprises as economic entities and methods of transforming towards a socialist market media system (Song 1997). Issues such as the consolidation and industrialization of newspaper industries were frequently addressed by media scholars during this period of time (He 1995).

At the turn of the millennium, China's WTO accession accelerated the development of media management and economics research. A large number of studies has been carried out to investigate how media sectors take the opportunities and master the challenges posed by the WTO accession (Dai 2003; Ni 2002). China's media market has been increasingly deregulated since then. Private media companies began to emerge, and foreign capital entered the market. Meanwhile, in order to improve the competitive advantages, media conglomerates were taking shape through M&A and alliances. The deregulation of the media market and the consolidation of media groups together with the emergence of new electronic distribution technologies has led to a new surge of media management and economics research (Zhou 2003).

During the past decade, issues of globalization, media convergence, and business models for new media development became the central issues of discussion. A large number of scholarly works has been carried out, for example, to discuss globalization strategies of media companies (Gao 2014), convergence and innovation strategies for print media (Liu 2018), consumer behavior changes in the context of media convergence (Zhong 2012), and business models of the new digital media (Wu and Liu 2018).

3.2 Research growth and issues

Examining the amount of media management and economics research over time, an exponential increase can be found since the emergence of the field. There were very few studies conducted in the 1970s and early 1980s. However, since the late 1980s, there has been a tremendous growth of research efforts. Especially after the turn of the millennium, there has been a great deal of work conducted. The significant increase of studies indicates the growing attention for the topic by the scholars and also, great demands for study arising from the media industries.

Among the study topics, the book industry, the broadcasting industry, and the newspaper industry are found to be the major areas of study in the 1980s and 1990s. General media topics, such as the nature and commodity feature of news

(Wang 2001; Wei 1993) and conflicting interests of media companies (Wang 1990) are also discussed, while the music industry seems to be a field that is inefficiently explored.

New media, such as electronic media and mobile media issues, came to the field starting in the 1990s. Research on such topics started to boom after the 2000s (Wang 2001). By contrast, the growing pace of media advertisement studies slowed down after 1990s, although advertising was one of the earliest issues studied by the scholars in the 1980s (Chen 1985).

International studies have developed especially after the second half of 1990s. Various western media management and economics publications were translated into Chinese (e. g., Picard 2004, 2005), and foreign media industries and companies were studied by many Chinese scholars (Hu 2003; Wu 1994). The development of international studies has created more opportunities for academicis and media practitioners to collaborate in an international arena. (Hang 2006)

More recently, mobile media, online digital media, and social media have gradually become the new core of media management and economics research. The business models of these emerging media and the technological development associated with management challenges are the central issues of discussion (Peng 2017, 2014; Zhao and Yu 2017; Yu 2015).

3.3 Research paradigms and study approaches

In terms of research paradigms, Picard (2005, 2004) proposed three major paradigms for media management and economics research: a theoretical paradigm, an applied paradigm, and a critical paradigm. The theoretical paradigm emerged from the work of economists who have tried to explain the choices and decisions as well as other economic factors affecting producers and consumers of communications goods and services. This paradigm is primarily based on neoclassical economics and uses that paradigm to explain the forces that constrain and compel actions involving communications systems and media. The applied paradigm emerged from business economics and management departments at universities and from researchers for media industry associations. It is the most common paradigm when media economics study is located in university communications departments. The applied paradigm has often explored the structure of media industries and their markets, with an emphasis on understanding trends and changes. The critical paradigm is about issues of welfare economics and emerged from the work of political economists and social critics, primarily within communications studies.

In line with these research paradigms, some common study approaches are found in media management and economics scholarship. They can categorized as industry and market studies, company studies, and effect studies, in accordance with the theoretical paradigm, the applied paradigm, and the critical paradigm, respectively.

In the analysis of the publications on Chinese media management and economics research, the applied paradigm is found to be the most frequently adopted paradigm, with which scholars have explored the strategies of media companies (Hang 2017; Yu 2015; Peng 2014), development trends of media industries (Zhao and Yu 2017), etc. The theoretical paradigm is also used, for example, for explaining media operations with economic theories (Hang 2017; Zhou 2003) and the issue of media investment (Chang 2018; Xia 2012). The applied paradigm and the theoretical paradigm are often combined to study, for instance, media market and capitalization (Zeng and Li 2018) and the growth strategy of media enterprises (Duan 2018; Ding 2010; Bao 1994). Meanwhile, the critical paradigm is much less used compared to the other two paradigms.

As to the study approaches, most research applies the company study approach to examine, for example, the marketing issues of media companies (Chen 2010), the industrialization of media business (Yi 2018; Yang 2012), etc. Industry and market studies are carried out to investigate issues such as the economic policy of media industries (Cui, Zheng and He 2018; Tan and Yuan 2010; Wu et al 1994) and media business management (Wang, 2000). It is also common to conduct studies at both the industry and market level as well as the company level (Hang 2016). Yet, effect studies are much less frequently applied (Wang 2014), similar to the neglect of the critical paradigm.

Nevertheless, there are some studies that hardly fit into any of these paradigms and approaches (identified above). For example, in Chinese reasearch practice, it is also common to apply theories of socialist market economy to examine the transition of the Chinese media system from a planned economy to a market economy (Zhang and Qin 2015); there are also studies adopting ideological theories to examine Chinese media practices, with an emphasis on the role of media in social propaganda (Cui 2012). These patterns reflect unique Chinese characteristics of conducting media management and economics research (Hang 2006).

4 Discussion and implications

Based on the review above, the progress of media management and economics research can be seen. The field has been developing tremendously over several decades since it emerged. The exponentially growing number of studies is a convincing indication of this vigorous progress.

The literature review shows that a great variety of media areas and topics has been covered by scholars in the past decades; and the field of inquiry is continually showing its robustness and diversity, attracting an increasing attention from both academicis and practitioners. Major traditional media industries, such as the book industry, the newspaper industry, and the broadcasting industry have been intensively examined. Studies of media advertising had built the early landscape of the field; more recently, the emerging media have moved to the forefront. In the 1980s, the commercialization of media products was among the central topics, and research foci shifted to the consolidation of media groups in the 1990s, with industrialization and reconstruction of media sectors becoming central issues of discussion. In the new millennium, a large number of studies is clustered around issues such as organizational studies, market reconstruction, and changes in competition. During the past decade, new media business models, media convergence, and changing patterns of media consumption have become more emerging issues for study.

Some common research paradigms and study approaches are found in the publications. The applied paradigm and the company approach are adopted most often in the existing literature; the theoretical paradigm and the industry and market approach are also frequently applied, whereas the critical paradigm and the effect approach are used much less often. The overlap and integration of different paradigms and approaches becomes obvious in a number of studies too. In addition, Chinese media scholars have contributed to the field with some China-specific patterns – for instance, by applying the theories of socio-market economy to examine the uniqueness of the Chinese media market and by adopting ideological theories to analyze media phenomena and economical activities in the communist system.

Comparing media management and economics research in China with that in the western nations, there are some similarities. For example, issues of internationalization, new media, changes in the market, the advancement of new technologies, and changes in media organizations are issues of common interest. Also, major research paradigms and study approaches used in the west are seen in Chinese publications as well. However, different media systems and market conditions also have distinct impacts on the field of research, which is reflected by the research of media economics and management in China. The uniqueness of the Chinese media market distinguishes media management and economics observations in China from those in the western markets in the way that some research foci and approaches are embedded with Chinese characteristics.

Therefore, research in the field needs to be conducted by integrated frameworks with interdisciplinary knowledge. China has transferred from a planned economy to a socio-market economy, yet most traditional media organizations are still state-owned. Although the trend of privatization rising from other sectors is increasingly influencing the media industry and economical forces do affect the media, the impact of media business operations still needs to be understood in the context of a specific Chinese media system and a unique socio-media environment.

Meanwhile, media management and economics research in China falls mostly into the discipline of journalism and communication studies, with less grounds in the economics and management disciplines. The tradition of Chinese journalism and communication studies impacts media management and economics observations in the way that many studies in the field tend to examine and explain economic activities within a normative ideological framework that has a media commentary nature, with few eonomics and management theories applied.

Moreover, studies of media management and economics in China are also strongly influenced by the social cultural tradition, where applied studies account for the majority of studies. In some cases, scholars paid less attention to explain, for example, how the conceptual framework was set, how the data were collected, as well as the process of empirical work.

Drawing from the above explanations, one of the important challenges facing China's media management and economics research is to construct theoretical and methodological frameworks for studies in the discipline, through which research work can be conducted and scholars can communicate on the same ground. Future observation needs to integrate knowledge from different disciplines, crossing social, cultural, journalistic, communication, and economics boundaries, in order to study the sophistication of media operation in the unique Chinese market. Furthermore, as a way of problem-solving, methodology issues also need to be considered in order to achieve genuine scientific findings and understandings (Hang 2006).

5 Conclusion

To conclude, media management and economics research in China is developing rapidly and will be continuously booming as the market holds huge potential for media business development, calling for more scholarly endeavors that may contribute academic wisdom. In the past decades, significant progress has been made in the fields of theory building and paradigm constructing, and the field of inquiry has shown to be research-abundant and full of opportunities.

The opportunities for future development come from dynamics in the fast-changing media market, which provide a huge demand for study, as the need for media economics scholarship is growing simultaneously to the growth and changes in media and communication practices. The opportunities are also seen from the development of media management and economics education. Syllabi are developed, a variety of courses are offered in the journalism, communication, and business management schools, and many institutions have initiated educational programs at undergraduate and graduate levels.

Putting these together with many other potentials and opportunities, it is believed that there will be a foreseeable prosperous future in the field in the years to come, and media management and economics research in China will grow to be a more mature and established discipline for both media business scholars and industry practitioners in the future.

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25 Media economics in India: Traversing the Rubicon?

Abstract: India is one of the most diverse media economies in the world and presents incredible opportunities for research in the field of media economics and management. At this point in time, we find that the often scattered contours of this area to some extent are a result of its checkered history and salience within the larger field of communication studies. All this has resulted in only a limited set of problematics being explored in the extant scholarship in/on India, compared with the diverse abundance generated internationally. These problematics, outlined in this chapter, oscillate between those triggered by three main concerns: the wider debates in the political economy of media culture, the sporadic reflections on sectors of media businesses, and, over the last decade, by the flashpoints in media policy. This undulating scholarly corpus has however drawn sustenance from a wide variety of theoretical and methodological quarters. These varied influences reflect, to a large extent, conscious desires to grasp the 'economic' phenomenon constituting the media in their deeper, often peculiarly Indian, social and historical contexts, which is also perhaps one reason why we find that this scholarship has largely remained aloof of intellectual orthodoxies marking the field media economics elsewhere in the world.

Keywords: regionalization, linguistic markets, ownership, media education, India

Recognizing the contexts structuring the field of communication studies in India is an apt place to begin making sense of the mottled character of media economics there. Three such structuring factors are most pertinent here: the vocational/professional rather than scientific/academic bent of communication education in India; the founding contours of communication studies as a scientific endeavor; and the muffled character of media economics within the otherwise expanding field of communication research.

1 Media business amidst institutional orthodoxy

The intellectual history of communication studies in India suggests two institutional orthodoxies that have come to limit the development of media economics: its construction of as a professional endeavor, and, when not so, its preponderance towards effects and reception studies.

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Communication has been and largely continues to be viewed in India overwhelmingly as an applied, professional pursuit rather than a social science constituency. Its subject matter has been construed in the context of either communicating "Development" or producing media professionals (Das, Parthasarathi, and Poitevin 2005). The roots of this go back to the various ways in which media technology and journalism education were domesticated in colonial India during the inter-war decades. Communication was seen and came to be preoccupied with, on the one hand, instrumentally harnessing the then "new media" of cinema and radio for modernization, i. e., social awareness, formal education, and agricultural extension, and for varying shades of colonial propaganda (Lelyveld 1990). On the other hand, the earliest initiatives at journalism education in India were directed at socializing and training to serve the emergent but still informal institution of the press. In the post-British regime, communication remained a pursuit preoccupied with inculcating development to the vast numbers of illiterate masses (Rogers 1974) and imparting vocational skills to prospective journalists and other media producers. This orthodoxy has come to shape nearly all university programs in communication today – in its various avatars of Journalism, Mass Communication, Electronic Media, Mass Media, etc. – to be construed and formulated as a professional course. The expansion of newspapers from the 1980s and the more sudden explosion in television during the 2000s only further fueled the rationale for the continued construction of communication as a professional field.

All this has taken a toll on communication as a systematic and scientific endeavor of research. The growth and expansion of the plethora of emphases in media studies, including media economics and management, must be seen within this milieu, i. e., of the preponderance of media education as a professional rather than an academic endeavor.

The beginnings of communication research in India as a scientific endeavor can be traced back to the 1950s. Under the influence of modernization theory and North American behavioral traditions, research sowed the seeds of a decontextualized conception of media effects. The emphasis on media technology as a driver was an integral component of this obsession with post-second world ideas of "diffusion" of innovation and measuring "impact" of communication. Significantly, such research was conducted in parastatal organizations in India, especially centers of research and development in space technology, agriculture, and health. Universities merely provided social scientists to conduct fieldwork on the impact and usage of media. Such officially sanctioned, "evaluatory" endeavors bypassed addressing the elements which built up systemic configurations and within which practices of communication were operating, namely economic structures, locations of social and political power, and the constituted contexts of speech. This myopic intellectual orthodoxy has constrained researchers, both institutionally and scientifically, to engage with concepts like modernity, democracy, citizenship, economy, market, and industrialization which were staple of concurrent social science research.

The late 1990s saw incremental growth in communication research on India, concomitantly with the incremental deregulation and internationalization of media business in India. Most such scholarship emerged from outside India, especially by expatriate and diasporic scholars trained, researching, and teaching in North America. Their efforts widened the questions being raised in rethinking (about) the role of communication not only in the social sciences but also more deeply in society and polity (Israel 1994). In the newly internationalizing and marketized media environment of the 1990s, problematics popular in the West during the previous decades got explored – be it the 1970s obsession with international flows in broadcasting, or the 1980s focus on TV homes and audiences. In doing so, scholarship opened doors to engage with theoretical developments and trends in the social science and humanities (e. g., Pendakur 1991). This also started shaping the basket of techniques being employed for systematic investigation. Not surprisingly, by the 1990s scholars, including in India albeit outside the realm of evaluative research, slowly moved towards what became the "qualitative turn" in communication research (Mankekar 1999).

There remained one glaring theme unaddressed in this long childhood of communication research in/on India, i. e., the rubric of media economics, media business, and media management. Media economics has remained a marginal province within teaching and research in journalism and mass communication in India. Looking back, the substantive reasons, and possible speculations, for this may be numerous. As a backdrop to this chapter, two key reasons deserve mention.

One was the analytical legacy of communication research in India where scholarship was directed at, as explained earlier, evaluating the impact of media technology in gaining behavioral change and meeting the goals of development. Thus, it was the realm of "the social" that was the primary object of study by communication scholars. This emphasis gained momentum with media research inspired by the turn towards cultural studies in India during the 1990s, and persisted even in recent calls for fresh itineraries of media studies in postcolonial settings (see, Kumar and Parameswaran 2018). Two, communication research emerged when two large segments of the contemporary communication business – broadcasting and telecommunications – were owned by state monopolies. While two others – newspapers and cinema – remained in the private sector since their inception, "market forces" played a lesser role across the value chain of these businesses. In such a landscape, research got directed less at the salience and functioning of media markets and more on content qua content, especially its reception and interpretation. As would be expected, both these structuring conditions reinforced each other in tempering the field of research.

Despite incremental demonopolization, deregulation, and trans-nationalization in newspapers, cinema, satellite television, and mobile telecommunication from the 1990s, the economic and managerial dynamics of this "market turn" remained predominantly unexplored. Scholarship, while expanding from the 1990s, continued to be pursued in, self-consciously or otherwise, the broad traditions of effects studies and reception studies – albeit now in the milieu of incremental deregulation in media markets.

2 Political economy of media culture

An increasing body of scholars from the 1990s onwards sought to explore the political economy of the emergent media culture in India, trans-nationalized and commercialized as it was getting. In this scholarship, we see the earliest sensitivity towards problematics concerning media economics.

Three main themes resonate within this literature. The first two tend to do with markets and borders – between countries (i. e., trans-nationalization) and within countries (i. e., regionalization) – while the third revolves around markets for media products and labor.

In scholarship on the political economy of media culture during the 1990s and 2000s, two trends present themselves: the transition of the Indian media milieu to a market economy, and the trans-nationalization of the media business/products. Both trends are of interest to political economy scholars of various hues for the light they cast on the “vital tension” (McChesney and Schiller 2003: 1) the media presented in India. Transformations in India’s media businesses were part and parcel of wider transitions in its longstanding macro-economic and political contours, thereby offering scholars multiple sites to examine the imbrication of media systems with such contours.

The movement of recorded music, films, and television programs across international borders acquired sudden momentum with the arrival of satellite television. Significantly, a handful of scholars argued such market-driven initiatives first unfolded during the 1980s, thus paving the way for a sudden and rapid transition to occur in the media business during the 1990s (see, Pendakur 1985; McDowell 1997). With rare exceptions (Pendakur 2003), scholarship motivated by archetypical problematics of media business is conspicuous by its absence in the booming, hermeneutics-inspired scholarship on film studies during the 1990s and 2000s – up until a turn towards an economic anthropology of cinema found expression (see, Ganti 2012; Athique and Hill 2007).

Nevertheless, the milieu of cable and broadcasting spurred the bulk of investigations. One focus here was on the trends and consequences of trans-border broadcasting, located in traditional debates on media imperialism (e. g., Thussu 1999; Chadha and Kavoori 2015). The more managerial perspectives emphasized the strategies of international broadcasters to enter and expand in the Indian market, be it by partnering domestic entities or introducing region-specific programming (Shrikhande 2001; Pathania-Jain 2001). The latter opens on to the second focus of trans-nationalization scholarship, that on the consumption of media products in the wake of globalization, which went beyond just broadcasting. Here while one strand emphasized the preponderance of imported global catalogues and the development of hybrid programming for Indian audiences (McMillin 2001), another strand looked into the outward flows of Indian media products, primarily Bollywood films, also leading to the birth of new genres and new revenue streams pivoted around diaspora audiences (see, Punathambekar 2010). Yet another strand engaged with the nature of commodity forms consequent to the globalization of media infrastructure, such as the "multiplex film" as a new cinematic genre (Viswanath 2007) or the emergence of downloaded music as a distinct aural commodity (Booth 2017).

Apart from trans-national and global flows, scholars have also looked inwards, within the national boundary. Interestingly enough, whereas historical works detailed how and why during the early 20th century a nationwide market was created for recorded music (Parthasarathi 2013) and a trans-regional one for cinema (Kaushik 2001: 109–125), scholars also attended to ways the infusion of incremental technology and investments in subsequent decades spawned variegated sub-national media markets. Here, the linguistically organized states of India become a key structuring feature, and present different historical, political, and economic trajectories for media markets in particular geographies. The presence of numerous languages creates and nurtures rather distinct media markets, with their own peculiar dynamics, product traits, and audience experiences, often triggering methodological challenges (Chitrapu 2013; Srinivas 2015). Within each linguistic market, commercial actors are differentiated by their size, their intent behind entering this section of the media, the degree of organizational formalization, and links with their other business interests (Parthasarathi and Athique 2019). Rich insights on what triggered and sustains such sub-national markets have been offered: be it agricultural surpluses laying the foundation of the Telugu film industry during 1930–1950 (Srinivas 2010), film production in smaller linguistic markets being catalyzed by the advent of cable TV like in Marathi (Chitrapu 2011) or by state patronage as in Karnataka (Pendakur 1992), or caste relations and technological change driving Bhojpuri cinema and Telugu news channels in recent decades (Tripathy 2007; Shaw 2014). Regional markets also reflect peculiar revenue streams with some remaining dependent on advertising since their inception, like newspapers in Andhra Pradesh (Elavarthi 2018), while others demonstrating the primacy of the concert platform despite rising revenues from commercial recording, as reflected in the case of folk musicians in Haryana and Bihar (Tripathy 2018). At the same time, the acquisition of the once local and hyper-regional businesses, such as in cable distribution, by trans-regional and national enterprises, and the resulting formalization of the production process, has fueled curiosity (Parthasarathi, Amanullah, and Koshy 2016). Recognizing media businesses create content catering simultaneously to sub-national audiences and the global diaspora, the idea of regionalization goes beyond its spatial emphasis to offer a framework to understand the emergent media economy (Kumar 2014: 22). Equally what lends complexity to the Indian media economy, perhaps even challenges scholarship, is the increasing presence of common commercial actors across these linguistically, spatially, and culturally differentiated media markets (Parthasarathi 2018).

Compared to media content, media labor has received far less systematic attention. Recently, this neglected theme has excited sociologists and organizational scholars. Grounded in ethnography and located across different business segments, geographies, and theoretical dispensations, these have pointed to the embedded networks of opportunities, contractualization of work, and negotiations with professional logics. The dense inter-personal networks at the core of Hindi film production point to their geographical and social embeddedness (Lorenzen and Taeube 2007). Research has also shown these networks to disadvantage film and television workers by especially excluding women and minorities (Chitrapu 2018). The "lowest rung of the workforce" performs informal "invisible work" that calls out to be investigated (Mazumdar 2015). But the invisibility is also affected by contractualization across media businesses. While contractualization is argued to reduce the bargaining power of journalists (Remesh 2018), journalists have also been shown to turn to "occupational professionalism" to protect their interests in the face of growing media consolidation (Fitzgerald 2018).

Scholarship has also brought up insights on employment trends. On the one hand, the burgeoning Hindi television news business is believed to offer stringers a newly gained visibility as journalists and upward social mobility (Roy 2011). On the other hand, as the Hindi film business comes to reflect international fashions, costume assistants are shown to lose jobs to assistant directors whose class orientations make them more knowledgeable about such international trends (Wilkinson-Weber 2006). A trade-off rooted in class distinctions is also observed in the Teulgu film business wherein as "stars" corner a large proportion of the surplus generated at the box office the levels of real wages of production personnel have been declining (Shaw 2011).

All such burgeoning scholarship on media and media culture, despite sharing varied degrees of interest in political economy, has never self-identified as being located in the field of media economics. While their individual insights and collective vision do indicate engagements with some of the core problematics in this field, they fall shy to shed light expressly on the industrial dynamics, product traits, and firm behavior. While providing macro-level understandings, and in some cases also explanations, about media as an economic institution, they fall short of addressing middle-range economic phenomena, viz. functioning of individual companies, their production choices, or dynamics of particular segments and micro-level problematics in media economics, such as costing structures, pricing strategies, and audience metrics.

3 Media business as middle-range phenomenon

If Picard's classification of traditions in media economics scholarship is applied in the Indian context (2006), we find that overall the critical tradition had been dominant at the expense of theoretical (micro-economic) and applied (organizational) traditions. Critical perspectives on the media as an economic entity, with financial constraints and profit goals, have been traditionally sidelined in journalism and mass communication schools, for reasons touched upon earlier, i. e., one, their expressly professional orientation which marginalizes scientific analyses, and two, where research has been fostered, their disciplinary lineage continuing to frame studies of the media primarily as social, symbolic, and ideological institutions. This legacy, which includes strong normative frameworks, has prevented media schools from developing capabilities to engage with either orthodox or heterodox traditions in economics required to examine media businesses.

Fortunately, our knowledge of segments of the media industry has been enhanced from outside the quarters of the legacy of journalism studies and mass communication. One instance is film exhibition where we have been shown the growth, and stagnation, of this business in leading Indian cities over 40 years, leading to the multiplex phenomenon (Athique and Hill 2009). Scholarship on the newspaper business has evoked comparatively wider attention. Mapping developments in regional newspapers from the 1980s onwards unearths their complicated commercial dynamics, especially their links with informal networks of local politics and regional capital (Jeffrey 2000). In this growth of the non-English press, inter-determined by the tremendous localization of news content, attention is directed at various strategies of resource mobilization, including connections with national advertisers, that ultimately led to the rise of trader capitalists as regional media barons (Jeffrey 1997). The symbiotic relationship between capital, class, and politics in regional media markets has been delicately threshed out by anthropologists examining the Hindi language press in large urban centers (Rao 2010; Ståhlberg 2002). The widest sweep of the Hindi press stemmed from Ninan, one of the few media journalists in India, who mapped the newspaper business as a small-town phenomenon; situated in the aftermath of deregulation and liberalization, it brings out, much like Jeffrey, strategies of newspaper expansion by localizing content and aggressive marketing (Ninan 2007). In sharp contrast to these descriptive, regional narratives, Nair's (2003) quantitative, longitudinal approach, drawing on circulation data, came up with a thick analysis of the transformations in the structure of the newspaper market from 1950 to 1980. With the digital expansion of newspapers, the commercial and organizational compulsions shaping the value chain of online news production have been grasped, yielding case studies from this emergent segment of the media business (Aneez et al. 2016; Kumar and Mohamed Haneef 2018).

Besides academics, media executives and owners have also chronicled business practices of newspapers. A mix of micro-economic analyses, organizational approaches, and managerial perspectives, these chronicles consist of commentaries of varied lengths on a themes such as break-even analysis, advertising management, circulation management, personnel management, and financial management (Sindhwani 1979; Kothari 1995).

One of the stumbling blocks in the study of media business has been the availability of reliable data sets on the supply and demand sides. With deregulation and liberalization, fresh openings emerged, viz. financial disclosures from companies going to the bourses, online access to government records of annual filings by private companies, viewership ratings by private companies or industry consortiums, sundry analyses by market research firms, and most recently online metrics shared by technology behemoths and third-party agencies. In tandem, older exercises from the Audit Bureau of Circulation and National Readership Survey systematized their enumerations. Under the auspices of the apex trade, The Federation of Indian Chambers of Commerce and Industry, the annual report on the media and entertainment businesses in these sectors, variously prepared by global auditing majors PWC and KPMG, has become the standard reference for "industry data". While all such documentation has catalyzed larger volumes of academic and journalistic commentaries, for the more diligent the questions of reliability and uniformity of data sets remain (2011: 252).

The problematic of audience ratings solicited scientific scrutiny as a consequence of these self-aggrandizing enumerations of the media business. Taneja and Mamoria (Taneja and Mamoria 2012) track the rise of attempts to create single-source audience information systems that measure usage across media and purchase behavior from the same set of respondents and its possible consequences for the audience markets and metric systems. Taneja subsequently addressed the question of natural monopoly of audience measurement systems in the Indian context. In a different vein, Chakrabarti skillfully attempts a socio-political critique of popular television using audience metrics data (2014).

Outside traditions of methodologically informed scholarship, a significant and exhaustive work drawing on a systematic compilation of industry disclosed data sets is the work by Kohli-Khandekar (2013). Written in the tradition of managerial economics, blending incisive journalistic analysis with caselets, and modelled on the lines of Vogel (2011), with snapshots of key media segments, this has become a ready reckoner for students in media schools, business school and sundry scholars referencing the field. This volume is a vast improvement on earlier reference works commonly prescribed to students of media marketing/management (such as, Suresh 2003; Sarathy 2005). Visualized as anthologies of analytical essays and case studies on media markets and firms at the turn of the century, compared to Kohli-Khandekar they appear to be more of an assemblage with a smaller thematic congruence, besides being under-referenced.

This brings us to the near absence of media economics as a province of academic enquiry in business schools across India, much like in economics departments at universities. For a long time, media firms were too small, stunted, or insignificant for business schools to venture into typical industry and company studies constituting their pedagogy. Even after the geometrical expansion of media business over the last two decades, the study of these firms has remained a small part of curriculum and research; they are largely tucked away in courses on marketing management – where literature on advertising, brand management, and public relations was given primacy (e. g., Bakshi and Mishra 2016). In other words, courses in media management at business schools, much like in the few media schools making such offering, were not engaging with the management of media companies or the workings of the media markets, but almost entirely with the media as an instrument for marketing.

4 Media economics in regulatory contexts

Apart from media schools and business schools, the third site provoking the field of media economics in India is the regulatory quarters. Three research interests deserve attention in this essay – media ownership, spectrum management, and native digital markets – since they pertain to different fonts of central problematics in media economics, competition, and market power.

Debates on newspaper regulation in the two decades after independence highlighted two challenges lying at the very heart of newspapers as an economic entity – namely, sustainability of small dailies and impact of newsprint access on market structure – but inspired rather rudimentary journal articles (Reddy 1966; Bhaskar Rao 1966). Media concentration and ownership never really caught the imagination of scholars; the peaks and troughs of sporadic commentaries coincided with debates in media policy on these matters. The Press Commission Report of 1954 was one such moment which while providing the first ever enumeration of the commercial landscape of the press in India spawned a wide-ranging public debate. Ensuing scholarship explored the impact of concentration on small newspapers (Bhaskar Rao 1966) and how access to newsprint created an unfair competitive field between large and small newspapers (Reddy 1966). In the following decades, while the implication of ownership structures on the profile of content got passing attention (Vilanilam 1976), what went unexplored were the interests behind the 'Big Press' contributing to incremental concentration – both themes occupying center-stage in media economics globally in the last decade.

The Second Press Commission in 1982 appointed an academic and journalist duo to inquire into the precise degree of domination and control over the press by big business (Goyal and Rao 1981). Their findings unmasked the degree of concentration being higher than not only that observed by the press commission of 1954 but also greater than the oft-quoted scenario in the USA around that time (Bagdikian 1980). Subsequent studies argued otherwise – i. e., the patterns of the growth in the press from the late 1970s were argued to be "broadbased", since newspaper production was getting geographically de-centralized away from national metropoles (Nair 2003). Others had long held that the decline in the dominance of national chains/groups in regional language markets corresponded with the rise of "majors" in these very languages owned by regional press barons.

The boom in private cable and satellite TV during the 2000s saw concerns on ownership creeping back. However, unlike the thick enumerations by the press commissions, neither the line ministries administering the media businesses nor the multi-sectoral media regulator, the Telecom Regulatory Authority of India (TRAI), have sought to generate necessary knowledge. Whereas the former commissioned academics at the Administrative Staff College of India to document cross-media ownership and concentration levels (Dasgupta, Ramachandra, and Allamraju 2009), the latter's in-house efforts have drawn on anecdotal and industry disclosures rather than systematically generating public interest data (Telecom Regulatory Authority of India (TRAI) 2009; Telecom Regulatory Authority of India (TRAI) 2014). However, research is on the rise with analyses of the texture of corporatization in the news (Guha Tharkurta and Chaturvedi 2012), enumerations of media power (Bhattacharjee and Agrawal 2018), political ownership of media infrastructure (Parthasarathi and Srinivas 2019), and, importantly, methodological critiques of ongoing efforts (Nair and Taneja 2018).

5 Managing telecommunications

However, it is in the literature on mobile telecommunication that we find scholarship to be most self-consciously grounded in, and shaped by, the global mainstream of media economics. From this large body of knowledge, mostly published in one journal, *Telecommunications Policy*, two emphases are relevant to this chapter: reflections on the economic rationale of policy, and that on the economic implications of regulatory interventions. In both, (the) analytical concern has been on nurturing competition, rather than foundational policy principles like equity and diversity.

Earliest research pointed out the telecom industry faced legacy issues related to the protocols of spectrum management (Vagliasindi and Vagliasindi 1998) – something canonized by subsequent scholarship (Prasad and Sridhar 2014). Nevertheless, over the years, there have been insightful arguments about India having adopted market mechanisms despite a low level of market orientation (Jain and Dara 2017). The growth of mobile services and the accompanying competitive challenges, both among mobile operators, and between them and fixed line operators, also bought interconnection issues to the forefront of research, lying as they do at the cusp of media economics/management and media policy (Sinha 2001). Here, the role of formal regulatory models in setting interconnection charges has been the immediate focus (Jain 2006).

While the competitive effects of multiple technological formats operating in the same jurisdiction have been reflected upon with changes in technology options

(Gupta and Jain 2016), the enduring anxiety has been on the competitive effects of regulation permitting numerous mobile operators. Some have consistently argued social welfare being maximized only when few operators participate in the mobile market, which inter alia paves the way to make a case for permitting secondary markets in spectrum, i. e., the introduction of trading/sharing/mergers (see, Prasad and Sridhar 2008; Sridhar and Prasad 2011). These sensibilities are visible globally in neo-classical streams of media economics/management, most of which hinge around the assumption/observation that the mobile telecom industry is not allocatively efficient in certain jurisdictions. This allocative inefficiency, due to underpricing of spectrum and insufficient spectrum allocation per operator, is argued to increase costs, which in turn is visualized to adversely implicate mobile penetration in India (Prasad and Sridhar 2009; Prasad 2010). However, others were quick to point out that the initial round of spectrum auctions in India was undertaken before auctions were used in many other countries, and were primarily driven by the need to draw private investment to assist in meeting the needs for network expansion in the then nascent mobile telecommunications sector (Jain 2001).

Two broad insights emerge from this narrative: first, the tense relationship between the drive to expand telecom access and protecting entrenched property rights emanating from spectrum licensing, with changes in technology (Singh 2009); and second, India's different licensing arrangements reflect an ongoing negotiation and shifting regulatory bargain among public- and private-sector providers of telecommunications services, the government, and its regulatory arms, and the actual and potential users of these services (McDowell and Lee 2003). Some of these debates have continued in subsequent scholarship on broadband, since internet expansion in India remains overwhelmingly driven through mobile access (Jain 2014).

Literature on law and economics has recently joined in to enrich debates on the political economy of media business in India. This is particularly welcome in light of earlier efforts at creating dialogues between law and social sciences where the focus on "the economic" has been wanting, given the culturalist/humanities orientation of the bulk of critical legal studies in India. Here, however, rather than being motivated by policy values, there is a propensity to narrowly reflect on managing the forces of competition and mitigating anti-trust threats (Parsheera, Shah, and Bose 2017). Much of the economic thinking on competition regulation has been tempered by two big but under-researched anti-trust instances – each triggered by risks of leveraging its market dominance by a global behemoth, Google (Pingali 2018), and by a national communications conglomerate, Reliance Jio (Mukherjee 2019). One must also underscore that the problematic of economic regulation in the digital economy has got reduced to risks of competition, with the odd exception of exploring alternative value frameworks (Panday 2017). Even periodic calls for fresh thinking get preoccupied with ironing out the organizational design of regulation, especially between the roles of the sectoral regulator and the competition regulator (Singh 2009; Parsheera 2018).

6 In lieu of concluding

The intellectual history of media economics and management in India is in its early teens, and perhaps as a result thematically rather scattered. Nevertheless, it has drawn sustenance from numerous disciplinary and intellectual traditions while exploring a limited set of problematics.

One consequence of this is that it has remained aloof of "intellectual orthodoxies" that have curated the field elsewhere, lest it becomes a victim of missed opportunities (see, Fitzgerald and Winseck 2018). For, the theoretical and methodological pluralism evident here conveys opportunities of arriving at various levels of understanding the economic phenomenon constituting the media, rather than propounding competing or incompatible ways of explaining it.

The other noticeable feature of this emergent field during this decade is its closer intellectual synergy with global scholarship. Of course, the flip side of this is the risks of being tempered by thematic trends in global scholarship, which may not always reflect either key intellectual problematics or pressing policy priorities in the peculiar media milieu of India.

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Terry Flew and Peter Thompson

26 Australia and New Zealand

Abstract: This chapter explores the similarities and differences in media and communications between Australia and New Zealand. Media and communication courses are well developed in both countries, with high student demand and internationally significant research. Media economics and management courses are not a feature in either country, which has impacted upon how industry research has been undertaken. In the Australian case, cultural studies has been the strongest influence in the field, and creative industries research sought to align – with varying degrees of success – media economics with a predominantly humanities-based approach to media studies. In New Zealand, critical political economy has often been aligned to activist movements around media policy questions. Digital convergence is raising again the need for economic analysis of media industries in both Australia and New Zealand, particularly as they are both highly exposed to global media dynamics.

Keywords: Australian Broadcasting Corporation (ABC), Special Broadcasting Service (SBS), Asia-Pacific, News Corporation, Rupert Murdoch, political economy, cultural economics, cultural studies, creative industries, telecommunications, digital convergence

1 Introduction

Australia and New Zealand are geographically proximate societies whose lands was colonised by the British from the indigenous peoples, and who share a lot of common interests, from sport to geo-strategic alliances to economic treaties. As a result, they are often spoken of together, even though, to paraphrase George Bernard Shaw's observation about the English and America, they are two nations divided by a common language.[1]

In the field of media and communications, there are both similarities and differences. As predominantly English language societies, they have a strong import-export dynamic with the major global audiovisual market of Hollywood. Both countries receive a lot of U.S. American media content, but also have a history of successful international media exports, from the *Lord of the Rings* films for New Zealand to the *Mad Max* films for Australia. Both adopted a version of the BBC model of public

1 We would like to thank Joe Atkinson, Auckland University; Bill Rosenberg, NZ Council of Trade Unions; Jim Tully, Massey University; Brian Pauling, NZSB; Wayne Hope, AUT; Ruth Zanker, NZSB, who kindly shared their experience of the evolution of the media/communication field in the 1980s–1990s.

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service broadcasting, which was part of a dual system in Australia with commercial media and was a state monopoly in New Zealand, although New Zealand dismantled large parts of this structure in the 1980s, as discussed below.

The relative significance of public broadcasting marks one point of difference between the two countries, with the Australian Broadcasting Corporation (ABC) having a large, if frequently contested, role in Australian news media and cultural production. Australia has also been a pioneer in multicultural broadcasting, with the Special Broadcasting Service (SBS) operating as a multicultural television service since 1980. New Zealand has had a somewhat more ambitious commitment to biculturalism and recognition of the indigenous Māori peoples, with provisions including iwi radios and Māori Television.

Historically, a number of media giants have operated across both countries, including Rupert Murdoch's News Corporation, APN and Fairfax (acquired by the Nine Entertainment Group in 2018) (see Hirst, Hope, and Thompson 2017). News Corporation has an outsized influence over Australian politics through the significant concentration of newspaper ownership – its papers account for about 70 per cent of all sales in Australia – and their frequent propensity to champion conservative political parties and causes (McKnight 2012).

There is a history of scholarly collaboration between Australian and New Zealand media and communication researchers. Since 1994, the Australian and New Zealand Communication Association (ANZCA) has operated as a trans-Tasman organisation, representing communication scholarship in both nations.

2 Australia

Communication studies as a broad field is very strong in Australia. Its roots as a teaching area can be found in professional programmes in the universities (formerly institutes) of technology, strong journalism and screen production programmes in regional and newer universities, and a significant focus upon questions relating to the media in courses in political science, sociology and literature in some of the more established Australian universities. By the late 2010s, virtually all Australian universities with the exception of the Australian National University offered a communications degree course, and they have proven to be particularly popular at the postgraduate level (with international enrolments above the average for arts and humanities courses) and as a field of graduate study (Turner and Brass 2014).

From a research and publications perspective, four historical influences can be identified on the development of communication and media studies in Australia. First, there is the influence of political economy. The political economy movement emerged strongly in Australia, particularly at the University of Sydney, where alternative political economy courses have been taught since the 1970s in the Economics department. Political economists came to take a particular interest in the role played by the media in the maintenance of class hegemony and conservative governments, with particular reference to the role played by Rupert Murdoch and News Corporation, which is the dominant player in the Australian print media (Bonney and Wilson 1984; Wheelwright and Buckley. Ken 1987; Connell 1977).

This interest in interactions between political and media elites also characterised the second major influence, which was based around work in political science about news and its relationship to Australian politics. This tradition was pioneered by Mayer at the University of Sydney, and has continued with work(s) by authors such as Tiffen and McKnight (Mayer and Tiffen 1994; Tiffen 1999; McKnight 2012)

The third influence was the growing number of interpersonal, human, speech and organisational communication courses that were flourishing in Australia from the 1970s. The establishment of the Australian Communication Association (ACA) in 1980 sought to develop a local equivalent of the International Communication Association (ICA). But as Maras (Maras 2004, 2018) has observed, attempts to transplant the U.S. American mass communications tradition in Australia were challenged almost as soon as they began.

The rise of cultural studies was the fourth major influence on communication scholarship in Australia. In particular, European "theory" was often countered to U.S. American "empiricism", and British cultural studies was seen as more politically significant (Frow and Morris 1993). By the 1990s, cultural studies had come to dominate not only communication theory in Australia, but had also largely displaced the political economy tradition in terms of critical approaches to Australian media.

Australian media and communication courses have often had an "industry" component that sits alongside cultural or textual approaches and the study of media audiences. The popular undergraduate text *The Media and Communication in Australia*, which went through six editions between 1997 and 2014 (e. g., Cunningham and Turnbull 2014), instituted a model where the various industries were analysed from an Australian perspective. Across its six editions, there would typically be chapters on the press, radio, television, advertising, film, music, telecommunications and magazines. These chapters often focused on recent policy developments in Australia and their implications for the industry in question; the impact of digital media was typically registered in these collections by new chapters on the internet, games or social media, again with an Australian focus. This industry-centred approach also characterised the leading journal *Media International Australia* (first published in 1978), which retained a strong focus on contemporary industry and policy trends.

A notable feature of this work is that industry studies tend to be uncoupled from any particular paradigm of economic analysis. Economics inserts itself in broad terms, around policy trends such as deregulation or technological changes. It is rare for economic analysis to form the starting point of media industry studies in Australia, which more typically start from an empirical overview of the key institutions, ownership structures and policy agencies. Some exceptions exist, such as Sinclair's work on advertising (Sinclair 2012), which explicitly considers the place of advertising in the political economy of global capitalism, Barr's analysis of the economics of broadband services in the context of the National Broadband Network (Barr 2010) and the application of media economics to online video and public service media developed by Cunningham, Flew and Swift (Cunningham, Flew, and Swift 2015). But for the most part, studies of the economics of Australian media have been undertaken by economists rather than by communication researchers, or by government departments with a specifically economic remit (e. g., Bureau of Communications and Arts Research 2018).

The lack of economic analysis in Australian media and communications research can be traced, at least in part, to the absence of courses that deal with media economics or media management. While there are courses in arts and cultural management, and research in cultural economics (Throsby 2001), equivalent programmes have not emerged for the media, or have been short-lived. One significant exception has been in the new field of creative industries. Australian researchers have played an outsized role in the emergence of creative industries as an academic field, as well as an area of public policy and curriculum (Cunningham and Flew 2019; Flew 2019b).

Creative industries research in Australia fused three elements. The first was a vibrant tradition of media and cultural policy research that emerged in the 1990s, and (which) extended methods of industry research, such as workforce mapping, beyond the media industries to the wider creative industries and – importantly – to creative occupations in the wider economy. This work found that the size and significance of the creative industries to the Australian economy was considerably greater than had previously been measured (Cunningham 2013). Second, there was the influence of cultural studies. Creative industries discourse offered a policy-related way to address the longstanding debate over "high culture" and popular culture, while also drawing upon the "active audience" tradition of media and cultural studies in the context of convergent digital technologies (Hartley 2012). Finally, there was the influence of heterodox economics, such as new institutional economics, evolutionary economics and innovation theories (Potts 2011). This work extended the analytical frame of creative industries beyond cultural economics, by proposing that digital technologies enabled the emergence of "social network markets", and new intersections of culture and economy, based around the revealed preferences of digital publics as expressed through social media (Potts et al. 2008).

Australia was distinctive not only in its uptake of creative industries concepts, but also in the alignment of these to communication, media and cultural studies. In other countries, creative industries research was more associated with business management, cultural and economic geography, and urban policy research (Cho, Liu, and Ho 2018). It was certainly a strongly contested discourse, particularly in cultural studies, where critics saw it as edging too closely towards an endorsement of neoliberal economics, and at odds with the critical history of the discipline (Turner 2012). At a policy level, the Rudd-Gillard Labor governments from 2007–2013 prevaricated over the development of a national cultural policy, and the Liberal-National Party governments elected after 2013 were actively hostile to such initiatives, meaning that creative industries policies were largely developed at the level of state governments, and a coherent national policy strategy failed to emerge. Finally, the much vaunted "age of creatives" trumpeted by some of the more boosterish academic literature came up hard against the growing dominance of the digital platform giants such as Google, Apple and Facebook over content distribution, with adverse consequences for fields such as journalism, music and publishing (Schulz 2019).

In spite of the renewed interest in media economics arising from creative industries debates, the relationship between economics and media and cultural studies in Australian media analysis remains unclear (Flew 2019a). Political economy is not a strong tradition in communications schools in Australia, and there are few media economics and management courses. Economic discourse is frequently subsumed under the cultural studies' critique of "neoliberalism", which has metastasised from a concern about neoclassical economics being overly influential in public policy debates to a wholesale suspicion of quantitative methods and policy engagement (see Flew 2019a). The understanding of creative industries as "pillar industries" of the 21st century economy, as has emerged in countries such as the UK with the Creative Economy Programme, has not developed in Australia. While there is important work occurring around digital platforms and video streaming (Lobato 2018), much of the analysis is still shaped by populist opposition to media barons such as Rupert Murdoch and his print and broadcast media interests, along with general support for public subvention of the arts, public broadcasting and culture that is only occasionally positioned within the wider dynamics of the global digital economy.

3 New Zealand (Aotearoa)

The historical trajectory and disciplinary tributaries to the formation of the media/communication field in New Zealand differ somewhat from the Australian case. Media economics and media management have never evolved into discrete sub-fields in their own right although they have manifested within other areas of academic research and programmes. The extent to which this has occurred depends partly on the macro-structural settings shaping the tertiary educational environment, partly on the institutional priorities and policies within individual universities, and partly on the composition of research expertise and the epistemic priorities within academic programmes themselves. In line with institutionalist theories, the evolving articulation of these settings has historically shaped the scope of possible academic agency (see Cunningham, Flew, and Swift 2015; Thompson 2017).

New Zealand's sweeping neoliberal reforms, which began with the mid-1980s, were pivotal for the development of media/communication studies in New Zealand. The nascent coalescence of media/communication studies into a coherent academic field stems from restructuring of the broadcasting sector and the tertiary sector in the late 1980s and early 1990s. The commercialization and (partial) privatization of the state broadcasting sector saw the removal of restrictions on overseas media ownership. The intensifying commercial imperatives accentuated concerns about local content levels and cultural representation as well as the implications for democracy if the news media were subordinated to the commercial imperatives of overseas shareholders (see Atkinson 1994; Rosenberg 2019). In the tertiary education sector, meanwhile, the introduction of bulk-funding (i. e., dependent on enrolment numbers) and study loans encouraged academic competition to attract students, particularly once media studies gained recognition as a university scholarship subject.

The institutional histories behind the establishment of respective media/communications studies programmes in New Zealand resist any unilinear narrative, and it is well beyond the scope of this short overview to provide a representative bibliography indexing these developments. However, some generalizations can be made about the tributaries, trajectories and tensions involved. Vocational journalism education can be dated back to 1910 with an early postgraduate journalism programme at the University of Canterbury dating back to 1969 (Tully 2019). Broadcasting training programmes commenced in the 1970s as evolving collaborations between industry "in-house'" and external polytechnic providers (Pauling 2019). These typically focused on applied skills, but from the mid-1980s, more formalised degree programmes (e. g., at the NZ School of Broadcasting) incorporated more theoretical components on the media industries. This was arguably the point where aspects of media economics and management featured in the curriculum although there was sometimes a tension in balancing industry's demand for applied vocational training with more theoretical content (Tully 2019; Pauling 2019).

Media studies was also shaped by the expansion of English and literary criticism into the study of visual texts such as film (e. g., the MA in Film at Auckland University dates back to the mid-70s) (Horrocks and Hoben 2005; Watson 1996). Up to the 1980s, there was limited New Zealand-specific academic work on media, with a primary reliance on British, North American and Australian literature. In 1988 Lealand's book *A foreign egg in our nest?* offered a seminal examination of the predominance of overseas media content. Although sceptical of any crude claim about media imperialism, Lealand drew important links between the scale and shape of the New Zealand market and insufficient local content levels. As a small, English-speaking economy, local content production carries opportunity costs, making overseas content commercially attractive. This tendency was further exacerbated by the deregulation of the media sector through the 1990s, including the removal of overseas ownership restrictions and the inclusion of audiovisual content in free trade agreements such as GATS.

There was also an important parallel strand of interest in media ownership within some journalistic and political circles. Hope (2019) points out that during the 1970s to 1980s, articles in *The NZ Listener* by Warren Mayne and in *New Outlook* by John Street examined issues of media ownership and policy. The Campaign Against Foreign

Control of Aotearoa (CAFCA) also developed a focus on overseas shareholding of media. Economist Rosenberg (2019) cites a CAFCA forum on media in the late 1980s and articles by Hope in *The Republican* (later *The NZ Political Review*) as seminal influences behind what became a series of reports periodically documenting NZ media ownership arrangements (initially in CAFCA's *Foreign Control Watchdog,* and later in the *Pacific Journalism Review*, e. g., see Rosenberg 2007). Meanwhile, the 1992 publication of *Who's News?,* edited by Massey University researchers Comrie and McGregor, drew together a range of critical articles from practitioners, politicians and academics on news production and representation. A subsequent article by Auckland University's Atkinson (1994) demonstrated the impact of commercial pressures on television news content and the implications for informed democratic deliberation.

Through the 1990s, the academic "location" of the emergent media studies field was subject to contestation across different disciplines in humanities and social sciences (Horrocks and Hoben 2005; Hope 2019; Atkinson 2019). This loosely reflected their respective emphases on the conditions of production (market conditions and regulation), analysis/production of textual forms, and audience reception. At times, instances of intra-institutional tensions between political science and critical political economic approaches and those of postmodern/popular cultural studies have emerged (Atkinson 1994; Hope 2019; Atkinson 2019). Unlike Australia, where funding for the emergent creative industries as a policy framework aligned with research interests within the media/cultural fields, funding for media/communication research in New Zealand remained minimal and piecemeal (Matheson 2010), although the late 1990s saw a brief period of government support for research into the "knowledge economy" (e. g., see Frederick and McIlroy 1999).

As the media studies field evolved, most tertiary media/communication programmes embraced an eclectic range of research philosophies and course offerings. This diversity is reflected in the *Media Studies Journal of Aotearoa New Zealand* (*Medianz*) and the (now discontinued) *Communication Journal of New Zealand (He Kohinga Korero).* To date, however, there are no specialist courses in media economics and management[2] per se. This is partly explained by the institutional location of most media/communication programmes in arts, humanities, and social sciences and the consequent tendency to attract students more interested in interpretative rather than quantitative subjects in contrast to to those in business/economics/management. It also reflects practical economies of scale and the institutional pressures to prioritise courses with broad appeal. Aspects of media economics and management are nevertheless present in many courses dealing with media industries.

Research publications salient to media economics and management generally stem from critical political economic analyses of industry developments and govern-

2 This should not be confused with courses in *communication management* and *corporate/business communication* such as those offered at Massey University and Waikato University.

ment policy (e. g., Cocker 1996; Hope 1999; Thompson 2011), while the Journalism, Media & Democracy centre at AUT has continued Rosenberg's mapping of NZ media ownership trends (Myllylahti 2011–2018). The IAMCR's *Political Economy of Communication* journal was founded by NZ-based academics. One research area where mainstream media economics does have a significant presence is in the analyses of regulation and competition in the NZ telecommunications sector (e. g., Beltrán 2012; de Boer and Evans 1996). The Institute for the Study of Competition & Regulation at Victoria University of Wellington represents a more neoliberal strand of analysis (e. g., Howell 2007; Howell 2012), but critical media analyses of the telecommunication sector are few and far between (e. g., Given 2010; Thompson 2014).

An academic division of labour appears to have evolved here, with business/management/economics programmes being predominant in the telecommunications literature, whereas content-providing media being the more common focus within media/communication programmes. This may be changing, however. Digital convergence is increasingly blurring the boundaries between previously discrete media sectors, with platform providers vertically integrating into content production and distribution while digital intermediaries and social media co-opt advertising revenues from traditional media. These trends have been accompanied by some controversial merger proposals, such as those between Vodafone-Sky (see Thompson 2017) and Stuff-NZME (see Myllylahti 2011–2018). This may suggest that the respective interests of media/communication and business/management/economics researchers will need to engage more closely with each other in the future.

4 Conclusion

Both Australia and New Zealand present very vibrant environments for media and communications research, which has both focused on national context and had international circulation. Research into the economics of media industries has been extensive in both countries, albeit with distinctive inflections. The creative industries approach has been strong in Australia but did not get traction in New Zealand, where there is a stronger tradition of work from a critical political economy perspective.

There is a general acknowledgement that, in highly trade-exposed English-speaking nations, research into national media industries and cultures needs to be framed around an understanding of global media dynamics. This raises the question of the comparability of the Australian and New Zealand experiences to other small nations, such as those of Europe. Australia and New Zealand are more exposed than non-English-speaking nations to U.S. American media culture, which has historically pointed to the need for government subvention of national media content production, but can also provide advantages in terms of access to global media markets. The location of both nations in the Asia-Pacific means that their interactions are as much with the

Global South as with North America and Europe, and this "turn to Asia" has strengthened with the economic rise of China. Both nations are also unusually open to global migration, and hence increasingly multicultural, while their settler colonial histories mean that there is an ongoing need to address questions of representation with regards to First Nations people. Both nations also face challenges that are common to smaller nations about dealing with global digital platform companies, whether around the applicability of local content rules to Netflix and similar platform entertainment services, or setting standards for social media platforms such as Facebook.

An important question that arises in media and communications research in both countries is its current and future relationship to the broader field of economics. Engagement with the dominant neoclassical paradigm has been historically limited, and there has been interest in approaches informed by institutional economics as well as critical political economy. But in the absence of taught programmes in media economics and management, this has often been episodic and framed within the study of particular industries or the impact of certain policies, rather than in terms of sector-wide dynamics. One of the challenges will be to identify opportunities to link economic analysis to changing digital economies and social media industries, identifying both areas of continuity and change in the overall media environment.

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27 Media management scholarship and research: Emergence and trends of the discipline in Africa

Abstract: This chapter discusses the emergence of media management in Africa and South Africa specifically from the point of view of a researcher and scholar whose work has contributed to the generation of locally-based case studies on media management. The paper discusses scholarly influences on the development of media management in Africa. In addition, it explores the work of scholars in journalism studies, sociology and anthropology of media, who write about some of the complexities of contextuality when it comes to the application of Western scholarship in journalism studies and how this has also shaped media management studies as a field that emerged and developed primarily in a journalism school in Africa. Furthermore, the chapter draws comparisons from literature about the challenges experienced during the development of media management in the Global North.

Keywords: media management in Africa, media management research, Sol Plaatje Institute for Media Leadership, media management evolution and trends, Rhodes University School of Journalism and Media Studies

1 Introduction

The uneven distribution of and access to media in Africa has been a key feature of the practice of journalism and media under conditions of inequality predating democracy in Africa and South Africa specifically. Inequality also characterizes media development, news and entertainment practices on the continent. One only needs to look at innovations such as Nollywood cinema (low-budget filmmaking) and newsroom practices across the continent that demonstrate ideas around resourcefulness and resilience as well as interdependence (Nyamnjoh 2005). Nyamnjoh stresses the difficulties of the media in action and points out that they must be understood not only as failures but as pointers to the very inadequacies of the liberal democratic model in Africa. He argues that if African philosophies of personhood and agency stress interdependence between the individual and the community and between communities, and that if journalists each identify with any of the many cultural communities seeking recognition and representation at the local or national level, they are bound to be torn between serving their communities and the imagined rights-bearing autonomous individual citizen of the liberal democratic model (Nyamnjoh 2005).

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According to Atton and Mabweazara (2011), local journalism and media practices necessitate a rethinking of what journalism is (and what it is not) in terms of its normative identity across cultures. The authors concur with Wahl-Jorgensen (2004) that while journalism embraces its critical potential, African journalism studies need to be empirically rooted in African experiences and need to acknowledge that journalists there do their jobs under immensely varied circumstances (Atton and Mabweazara 2011). In addition, they argue that the critical tension between the local and the global might form the focus of attempts to widen as well as deepen understandings of the position of African journalism in the "new media age" (Atton and Mabweazara 2011). The position of African journalism affects the role of media management in practice and in teaching, because media management is concerned with the sustainable practice of journalism in both "traditional" and new media platforms.

Küng defines media management as a sector that harnesses "knowledge and creativity, in confronting the challenge of rapidly changing technology, in reconciling the dilemma of achieving both critical mass and flexibility, and of meeting business and public interest objectives" (Küng 2008: 3). Küng points out the gap in media management knowledge theorized from a perspective of organizational theory, management, and business strategy. A similar gap exists in South Africa, as will be discussed in this paper: Theories that engage with contexts of media practices are written predominantly from a journalism discipline and use theoretical orientations derived from the social sciences, political sciences, communication sciences and journalism studies, there is a lack of writing and theorization of media management from an economics theoretical perspective.

The teaching of media management in South Africa, similarly to the teaching of journalism, was also met with questions of whether to prioritize training and professional development or critical scholarship that develops and contributes to the sustainable management, leadership, and governance of media companies and government media institutions on the continent.

This paper locates itself in debates that analyze the tensions between local and global practices in the development of media management as a field of research in Africa, followed by an analysis of the trends and peculiarities in media industries. The analysis tracks the evolution of the field by drawing on the works of scholars that influence theoretical and empirical perspectives in media management on the continent and uses some definitions from scholars in Europe and North America. Examples used in this paper focus on South Africa as an example of how these developments point to the unique characteristics of media contexts in Africa and because South Africa is a pioneer in the development of the field on the continent.

2 Media management evolution in Africa

Since South Africa's entry into the global community, post-apartheid collaboration among scholars across the continent has been growing and is driven by high attendance of national, continental, and international industry and scholarly conferences and seminars. One important moment for media management in Africa was the establishment of the Sol Plaatje Institute for Media Leadership (SPI) in 2002 by Berger, then professor and head of the School of Journalism and Media Studies at Rhodes University in Grahamstown, South Africa. The Institute was established on a self-funding model to deliver a postgraduate Diploma program and short courses, a self-funding research unit was added subsequently. There are other training institutions primarily based in Johannesburg that offer short courses in media management, but only the Sol Plaatje Institute offers a formal qualification at a postgraduate Diploma level.

Nevertheless, through international funding from the German Konrad Adenauer Stiftung (KAS)[1] based in Johannesburg, a partnership to conduct the first ever media management conference on the continent was pioneered by the Institute, and this initiative lasted ten years until funding ceased. Over the ten-year period the Institute managed to convene annual conversations with media managers, scholars, and civil society that culminated in at least three publications, i. e., *Revenue generation for robust African media: Practical ideas, experiences and innovations of frontline managers* (Mdlongwa 2007), *Doing digital media in Africa: Prospects, promises and problems* (Mdlongwa 2009), and *Harnessing Africa's digital future* (Mdlongwa and Letlhaku 2010).

In 2018 after eight years without a conference, the partnership with KAS led to another instalment of an industry-focused conference, *Entrepreneurial journalism in Africa* (Mdlongwa 2019a).

Media and cultural industries scholars have no local academic conferences. In 2018, the World Media Economics and Management Conference (WMEMC) was hosted in Africa for the first time. There are no local journals on media management scholarship in Africa; instead, African scholars publish in international journals mainly as a result of projects such as the one initiated by the Université Neuchâtel, Switzerland, on media development in Africa, emerging scholars in the field are presenting and publishing their works in a special edition of the *Journal of Media Business Studies*. For scholars publishing on the continent one has to publish in journals that are not specifically focused on media management scholarship but one has to tailor media management scholarship into local conferences whose main focus is usually media democracy, development, and technology.

1 The KAS is a German political party foundation. It is affiliated with the center-right Christian democratic Union party and funded by the German tax payer. https://www.kas.de/satzung

There are increasing numbers of books written on the subject of journalism, media studies, and communication sciences, as well as strong degree programs in institutions of higher learning that are embedded in Africa's historical past such as Rhodes University in Grahamstown, South Africa.

Higher education institutions in South Africa came under criticism by students who protested locally mobilizing under #FeesMustFall, influencing the beginning of other twitter hashtags and protests such as #rhodesmustfalloxford in the UK, with students demanding a decolonized fee-free quality education. These movements led to awareness about pedagogical practices that have been unquestioned for decades and that need to be rethought from a perspective that centralizes African contexts and prioritizes canons developed in, for, and by Global South scholars.

Wasserman (2018) explains that critics of hegemonic normative frameworks in media and communication studies have therefore found resonance with postcolonial critiques of the Northern "genealogy of thought" in which scholars in the South find themselves located and have set out to "provincialise Europe" (Chakrabarty 2008: 53). What do these developments and calls mean for the development of media management curricula? And what do they mean for media management scholars in general in Africa from a research and practice point of view?

Under these conditions, one has to negotiate what Nyamnjoh (2005: 26) argues is the history of difficulty at implementing liberal democracy in Africa. It attests to a clash of values and attempts to ignore African cultural realities that might well have enriched and domesticated liberal democracy towards greater relevance. In addition, he warns that calls for domestication must not be confused with ploys to orchestrate high-handedness and intolerance (Nyamnjoh 2005). Thus, a project that begins to theorize around tangible instances of practices that are happening equally between the North and the South may begin to see how similar or dissimilar the contexts are in which media managers and leaders are operating.

Scholars in South Africa and in the rest of the continent write in a Humanities tradition including but not limited to journalism, media studies, and film studies. There are students writing their theses on media and creative industries in economics departments and business schools but not in media economics. However, scholarship in cultural economics is rising as a result of the work by the South African Cultural Observatory (SACO) on impact studies and value in the creative and cultural industries. Therefore, studies on economics and management in Africa's media are rare. SPI is a pioneer of an Africa-centered institute that delivers training and research information on media management in Africa. However, a strong research focus will begin a critical scholarly project building on existing applied research, taking an interdisciplinary approach and drawing comparisons to the rest of the continent and the Global North, with the aim to experiment or to develop theoretical lenses to analyze media management contexts across the continent, while understanding the clear nuances of each socio-political, economic, and cultural context.

Research has tended to be informed by various academic and practitioner accounts of new technologies that overlook the different political, economic, cultural, and social circumstances in which the technologies are developed and assimilated (Miller and Slater 2000: 1–25). Nyamnjoh credits van Binsbergen (2004) pointing out that "it is regrettable that scholarly focus has been rather on what ICTs [information and communication technologies] do to Africans, instead of what Africans do with ICTs" (Nyamnjoh 2005: 64). To this end, research conducted by SPI's research unit resonates with the latter part of Nyamnjoh's statement, i. e., the Institute took the deliberate decision in its research methodological approach to use case study approaches that highlight the context-specific opportunities and threats faced by media organizations in Africa. These have been documented in several research reports (Milne et al. 2006; Rau et al. 2009; Mavhungu and O'Shea 2009; Bloom and Mavhungu 2009).

Furthermore, this work has highlighted the importance of good governance, leadership, and management practices in Africa's media as well community media in South Africa. As stated above, research has remained largely at practitioners' accounts with little to no theorization because research is usually produced expediently with funding expectations in mind.

The absence of a cohesive scholarly project in media management that interfaces with pedagogy has led to a reliance on theories and empirical studies developed in the West which are apparently applicable to the African context. However, a closer look shows significant differences requiring nuanced theorizing and research, since much of the research "is often conducted in splendid oblivion of conditions in the Third World" (Berger 2000: 90).

Adapting these studies to the African context in many instances creates problems as the studies "cover only a small portion of the problems that face developing countries [and] most of the results are not applicable to the situations in developing countries" (Adam and Wood 1999: 307). Nyamnjoh argues that African media research must be located "in African realities and not in Western fantasies" (1999: 15). Atton and Mabweazara (2011) highlight the urgency of the approach by adding that "given the performance of the media in Africa is all too often measured against the backdrop of western professional values and standards; local contextual factors that shape and underlie practices in Africa are often overlooked" (2011: 668). These factors include socio-political, economic, and institutional contexts that are markedly different, these differences are also documented and reported in media barometers. Citing Kupe (2004), Mabweazara, observes, "African journalists work with significantly fewer resources [including technology] They have a lower status, are poorly paid and operate in multicultural countries that are at various stages of constituting themselves as nations in a globalizing world" (Mabweazara 2014: 4), therefore lack of resources determines how knowledge, skills and services areas are prioritized to fulfil development and democratic values.

"The African continent, therefore, presents a cultural context within which journalism can be researched and understood, rather than, as in previous approaches, which relied on theorization from outside. The question then becomes "what are the theoretical lenses that can be used to understand the practice of journalism in Africa?" (Mabweazara 2018: VII). There are unique aspects of news making cultures in Africa that can only be explained when the above factors are considered in relation to the social and cultural context under which journalism is practiced on the African continent. This means, for example, the question of how technology has been appropriated and repurposed to suit the African experience.

Scholars concur (Atton and Mabweazara 2011; Nyamnjoh 2005; Wasserman 2018) that the above is not suggesting a localized research agenda of separatism or an agenda seeking to move towards an ethnic, parochial frame for a coherent African identity. Media management in Africa draws largely from Western research and the discipline can learn from local and international journalism scholars who advocate for "cross-cultural comparative studies" (Atton and Mabweazara 2011: 670). Media management would benefit from such an approach that embrasses the above and an interdisciplinary approach that bring economics and to some degree politics into the research of Africa's media, while assessing the impact and management of new technologies on mainstream and community media and journalism. The research will draw comparisons between economically developing African countries and economically developed countries of the North looking at patterns of media ownership and media commercialization. Atton and Mabweazara (2011) add that the value of cross-cultural comparative studies is that empirical evidence might enable us to critically assess epistemological, ontological, and ideological orientations in the study of [media management] locally and globally. Similarly to journalism studies, the approach would offer media management researchers in Africa a backdrop for testing and supplementing the predominantly Western examples and theoretical frameworks which they continue to rely on (Atton and Mabweazara 2011; Nyamnjoh 2005).

Küng explains that "the establishment and growth [mainly in the West] of the field of media management has many parallels. It emerged in response to growing interest from researchers and scholars in the profound developments underway in the media, communications and technology fields and then enjoyed vibrant growth over the last decade as these industries have grown in influence and size" (Küng 2007: 21–22). Küng made this argument in her article over a decade ago when the field of media management was growing in the North. Africa's contribution is also now growing with local scholars from media, journalism, cultural and, creative industries who begin to research, teach, and critically engage with scholarship and practice on cultural and media industries and their contribution to the economy, culture and social value.

The scholars mentioned below grapple with the complexity of technology, although they do not engage with the nuances of management practices, organizational theory, and media firms theory. The term organization is used to refer to media business of all types. Scholars who highlight some key issues, such as the structure and nature of journalism and creative work, include Atton and Mabweazara who argue that "contemporary journalism studies in Africa have tended to shy away from studies of the routines and practices of journalism (especially in the print media), preferring instead to emphasize issues around the democratization of the media (including new technologies) and its role in political and democratic processes" (2011: 667).

The above argument is also relevant for the advancement of scholarship in the area of media management practice as an acknowledgement that media operate in financially constrained environments that impact on the structures of journalism. Furthermore,

> L. Moyo (Moyo 2009b) and D. Moyo (Moyo 2007, 2009a), examine the role of the new media in countering repression and propaganda. Mudhai (2004), Mudhai et al. (2009) and Wasserman (2005) theoretically and empirically focus on the relationship between the new media and democratic processes in Africa. Such studies examine the impact of new technologies on political participation and in particular their potential to amplify the work done by social movements and activists. (Atton and Mabweazara 2011: 667)

Mudhai, Tettey, and Banda (2009) claim that new information and communication technologies (ICTs) are catalysts of democratic change in Africa, with scholars providing evidence from their contexts – including words and deeds of various political actors and organizations, from the government to political parties. Mabweazara (2014; 2018) focusses on news media routines and practices of journalism, especially in print media, as well as online news cultures. Teer-Tomaselli takes a political economic perspective on broadcast media in Africa (Teer-Tomaselli, Tomaselli, and Muller 1989; Teer-Tomaselli and McCracken 2016) by applying a combination of economics, politics, and sociology. Tomaselli and Muller, Teer-Tomaselli, and McCracken's publications focus on economic determinants, ownership structures, and political allegiances [ideologies] in the media industry, as outlined in the political economy lens described by Küng (2007: 23).

Other scholars researching on audio-visual media include Willems and Mano (2016), who deal with questions around decolonization and media cultures in Africa. Tomaselli criticizes film and media (especially broadcast media) practices in South Africa and investigates practices and processes embedded in historical and ideological truths in the past. His seminal book *The cinema of apartheid* (1989) recounts the rise and development of cinema in South Africa. It is one of the few books that lay out how government interference in the media value chain guaranteed the underdevelopment of media for the black population. Nyamnjoh's book *Africa's media, democracy and the politics of belonging* (2005) takes a sociological and anthropological perspective on communication media and its role in Africa as well as on the use of ICT by Africans to generate a sense of belonging.

There are so many scholars the author could have mentioned and therefore the scholars mentioned above show the author's bias and it is the beginning that points to the current need for multiplicity of research outputs needed with multifaceted research approaches including a stonger media economic analysis of the media industry in general from a scholarship point of view in Africa.

3 Media industry trends and particularities

By 2018, South Africa had about 250 newspapers: 16 dailies, 25 weeklies, and over 200 community newspapers. The country has 360 radio and 556 television stations – including community broadcasters – and an unknown number of online media and digital startups (Daniels, Tarisai, and Nxumalo 2018).

In 2019, total newspaper circulation is still on the decline (Audit Bureau of Circulations 2019), although South Africa still has a plural and diverse media environment. Tiso Blackstar Group – previously Times Media Group – announced that they would shut down the print edition of *The Times*, the daily tabloid launched in 2007 (Finlay 2017). This follows other retrenchments in media houses in South Africa, including the public broadcaster South African Broadcast Corporation (SABC).

South Africa fits into the global media pattern of traumatic job losses, random and messy digitization processes, a huge downturn in advertising revenue, and a decline in sales and circulation. In 2018, the media were operating in a climate of the #MeToo movement globally and the #Totalshutdown movement nationally, which has seen an increased assertiveness by women about sexism and patriarchal domination and gender-based violence in general (Daniels, Tarisai, and Nxumalo 2018). Service delivery protests, which sometimes turn violent, have become a regular occurrence, and media violations e. g. the intimidation of journalists and the use of bribery to quash stories are on the increase.

A major event that shook South Africa's media landscape in 2017 was the media exposures in South Africa. Linked to a family from India and a global media PR company that allegedly captured strategic departments in the South African government:

> the 'Gupta Leaks' was the demise of London public relations firm, Bell Pottinger, following revelations of a behind-the-scenes campaign financed by the Guptas to stoke racial divisions in the country. The Pottinger campaign was said to have been just a cog in the 'construction of the Gupta family's propaganda empire' that included The New Age and ANN7 [a daily newspaper and satellite television channel], a multipronged online strategy using social media, Twitter bots, and fake news websites, and the allegiance of several outspoken public commentators. For its part, the London firm – under a £100,000-a-month contract from Oakbay signed in January 2016 – drew on both social and traditional media to attack companies and individuals in South Africa, divisively promoting the ideas of 'economic apartheid' and 'white monopoly capital' to divert attention from allegations of corruption and state capture against the president and the Gupta family. (Finlay 2017: 9)

The exposure threatened the future of Gupta-owned media outlets as listed above, but the transfer of ownership to a black-owned company (accused of participating in state capture) saved the jobs of many journalists' and media workers' livelihoods albeit subsequently jobs were lost when the print title of the company was shut. This instance raises questions about the complex web of media ownership in South Africa and its links to foreign ownership – a policy and regulation issue, which is an important area for future research, especially in a media environment where large oligopolies dominate media industries and are taking advantage of new media and digital technology transformations, with the result of a further consolidation of media monopolies and impacting the economy, employment, and inequality. In addition, the above instance raises important questions about media funding models that lead to systems of political patronage existing in Africa. These should form part of a future research agenda with links to economics and political discourse.

Changes that can be seen in post-apartheid South African media and Wasserman (2018) links them to global turns in the media industries and their changing business models, especially as a result of developments in new technologies. He argues that "this is not to say that local changes merely mimicked changes in the Global North. Instances that he points to that are unique to South Africa for example include: the steady rise and popularity of tabloid newspapers even when 'elite' newspapers where falling" (2018: 47). Wasserman adds that this rise is indicative of the "continued marginalization of the poor publics [in South Africa] by mainstream elite press and also fits a pattern of increased commercialization of the media globally" (2018: 47). This is still linked to South Africa's media patterns and trends. Furthermore, he states that "South Africans (as is the case elsewhere on the continent) do not have or cannot afford fixed-line access" (Wasserman 2018: 48), with internet penetration at 54 % (Newman et al 2019). Internet penetration and the rising access to smartphones has contributed to the huge uptake of mobile phones that provide internet access for many.

Global partnerships trends show the rise of the Global South engagements with China and the BRICS[2] countries in general that provide entry into the continent, a narrative used to justify the role the Gupta family played in South Africa's economy. The role of China in Africa's media is explored by Zhang, Wasserman, and Mano (2016), they, like Wasserman argue that China's role has been met with debates and controversy leading to questions about the continent's ability to "resist Chinese threats to press freedom" (Wasserman 2018: 48). He adds that these "global developments [...] are often viewed and assessed through lenses of local political, social and economic imperatives" (Wasserman 2018: 48). What does this mean for media development opportunities? What does this mean for investment and foreign direct investment in the media in Africa?

Mdlongwa notes that there is a need for accurate figures to establish the performance of the media in Africa:

> These are not easily available, but there is anecdotal evidence that, while the newsroom bloodletting was taking place in much of the world, parts of Africa were experiencing a significant growth in the number of media outlets that were being established in the same period. Thus, for example in Kenya, where because of deregulation and the opening up of the airwaves by the once one-party state which had had only one state-owned broadcaster, we began to witness the

2 Brazil, Russia, India, China and South Africa (BRICS)

> establishment of many commercial and community radio and television stations, which lifted employment of media jobs there. It must be noted that advertising and circulation revenues in most African countries generally remained steady at this stage. (Mdlongwa 2019b: 9–10)

Mainstream media in South Africa remains under pressure. However, community media, one can argue that the sector in South Africa in the same 2018–2019 period continues to grow, albeit its growth doesn't have the same impact on the economy as mainstream media do, but it offers young and emerging media professionals employment and learning opportunities from television stations such as Soweto TV, 1KZN and Cape Town TV. Community television is mushrooming and switching to the internet as a means of distribution, largely because of the moratorium imposed by the Independent Communications Authority of South Africa (ICASA), the regulator.

The trends highlighted above, i. e., the influence on media by private interests, job losses, the awareness and sensitivity to gender issues, the circulation decline, the rise of tabloid journalism, the cost of internet connectivity, missing the ITU digital migration deadline, and the rise and growth of community television, operate differently in each country's local political, social, and economic imperatives (Wasserman 2018). Given the diversity of media outlets, journalism, and media management practices, Mdlongwa adds that "we have to be mindful of the fact that Africa is a vast continent of 54 different countries, which are not homogenous but have different and specific economic, social, political and technological conditions" (Mdlongwa 2019b: 8). In the case of South Africa, technology disruption, global partnerships, job losses, gender parity, and corruption are some of the issues dominating public debate and policy issues at the micro- and macro-level of the economy.

Mdlongwa argues from the vantage point that Atton and Mabweazara (Atton and Mabweazara 2011: 670) state should be "rooted in African experiences". He adds that,

> in this 'moment of despair', African media broadly fared somewhat better than the developed world primarily because the use of the internet and digital and social media on the continent were still in their infancy. Africa's underdevelopment, such as the sheer lack of an enabling technology infrastructure, endemic poverty, digital illiteracy, among several other challenges, also, ironically, shielded the continent – especially its legacy newspapers – from the digital winds of change sweeping the world. (Mdlongwa 2019b: 9)

He concurs with Bowman and Wills (2003) who highlight the promises made by technology determinists in the last decade. Predicting the dawn of a new era of possibility because of the internet claiming it will herald a new era of robust democratization and renewal of journalism and media in general (Mdlongwa 2019b: 8). Mdlongwa (2019a), Atton and Mabweazara (2011: 667) and other authors concur that "there [were] many utopian predictions made about new technologies in Africa that call for empirically grounded research to test them" (Banda, Mudhai, and Tettey 2009; Adamolekun 1996; Etta and Parvyn-Wamahiu 2003; Lesame 2005). However, since the early 2000s, the sense of utopia about ICT especially in South Africa has been dashed by the cost of internet connectivity, the access to infrastructure as well as government ICT projects that have not materialized.

In the latest instalment of the Sol Plaatje Institute's conference in 2018, various issues were raised by media leaders, i. e., CEOs, media entrepreneurs, executive directors, and so on, about a range of issues, e. g., nurturing the next generation of media managers, (the) quality and cost of journalism, social media and fake news, paying for journalism and working in risky territories. These and more issues where discussed from an industry perspective. The Sol Plaatje Institute's work takes a predominantly industrial perspective on the issue of media management in line with the global emergence of media management as an applied field (Küng 2007).

4 Conclusion

In conclusion, the emergence of media management as a field in Africa and South Africa has benefitted aspiring and middle managers, who study for media management courses mainly to improve their management practice, although recent graduates enquire about the possibility of studying further to a Master's program. And to date no Master's or PhD project has been launched.

The development of media management studies, especially in the case of the Sol Plaatje Institute (SPI) where the field emerged from a journalism school that is based in the humanities scholarly tradition has an influence on its epistemological and ontological orientations. One of the ways the SPI balances this has been through the collaboration with the University's Business School. Küng states that, in the first decade of the development of the discipline in developed countries, one could see differences in course materials, topics, reading materials, and theories, and she calls this "a function of its newness" (Küng 2008: 3). In South Africa and Africa, the structure is fairly new, at most two decades. While there may be interdisciplinary epistemological and ontological orientations in the development of media management locally, there are too few media management programs to compare to locally, and the development phase may last longer than it did in the Global North.

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Section V – Future

Steven S. Wildman

28 New media and the need for new analytical frameworks: Dual challenges to media economics and policy analysis

Abstract: The media sector is being transformed by the internet and digital technologies more generally. Many online media services bear little to no resemblance to familiar offline media, and even those that at first glance appear to have fairly close offline counterparts are, upon closer examination, found to differ from them in economically profound ways that cannot easily be explained with analytical frameworks employed in the past to study offline media. This chapter's fairly detailed examinations of online subscription streaming video services, like Netflix, and online video sharing services, like YouTube, illustrate this point. The online services also pose substantial analytical challenges of their own. While extensions or elaborations of economic models developed to improve our understanding of offline media may be sufficient to respond to some of these challenges, for others it will be necessary to develop economic models that incorporate perspectives and learning from other scholarly disciplines.

Keywords: bundling, business model, media economics, online media, viral processes

> "Toto, I have a feeling we're not in Kansas anymore."
> Dorothy speaking to her little dog Toto in the film *The Wizard of Oz*.

Those who have seen the movie *The Wizard of Oz* will recall that a tornado carried Dorothy and her dog Toto, along with the house in which they had taken refuge, from rural Kansas to the fantastical land of Oz. In Oz, Dorothy had to learn how to navigate a world where slippers could have magical properties and that was populated by munchkins, witches (both evil and good) and talking tin men, lions and scarecrows. As media economists, our predicament is analogous to that of Dorothy, although in some ways our challenge is even more daunting. Oz was fully formed with its own physical laws and inhabitants when she arrived. The media universe we study is still transitioning from one dominated by analog-based institutions to one where inhabitants built on digital foundations increasingly predominate. We are no longer in Kansas, but many of its most prominent denizens still struggle to find new niches in the still transforming landscape, and it will be some time before Oz is revealed in its final form, should there ever be a final form. The basic premise of this chapter is that the media sector is being changed by the internet and digital technologies more generally in ways that raise questions fundamental to understanding the economics of the emerging media ecosystem that will require new perspectives and, especially, new analytical frameworks to adequately address them.

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For the purposes of this chapter, a framework may be as all-encompassing as a Kuhnian paradigm (Kuhn [1962] 2012) that provides a theoretical template that guides and structures research for an entire discipline, as Einstein's general theory of relativity and before that Newtonian dynamics did for physics, or as tightly focused as an economic model designed to shed light on a more narrowly focused question, such as Gentzkow and Shapiro's (2006) model of factors that determine the political slant of commercial newspapers' news coverage and opinion pieces. New analytical frameworks may emerge for a number of reasons, two of which motivate the central argument developed in this chapter. (1) Researchers may be confronted with questions for which established frameworks offer no satisfactory answers. This inadequacy then spurs attempts to develop new frameworks without the established frameworks' shortcomings – an illustration of the old proverb that necessity is the mother of invention. For research in media economics and management, thorny questions raised by the ongoing transformation of the media sector will hopefully serve as a spur for much needed conceptual innovation. (2) New frameworks may also be developed when researchers in one field discover they can build on conceptual advances in other fields to develop frameworks that better address some of the conceptual challenges of their own field. In this chapter, I will argue that while some of the needed framework innovations can be developed using modeling and analytical techniques that have served economists well in the past, there are others that will require constructing analytical frameworks that incorporate knowledge already generated in other fields of research.

The universe of online media services is too vast and the services are too varied to cover in a book chapter all of the ways the transformative consequences of the transition to internet-based digital media are reflected in the design of online media services. This chapter instead looks fairly closely at online subscription streaming video services (SSVSs) and online video sharing services (OVSSs), both of which will be familiar to most people who read this chapter, because certain striking and critical differences between them and their closest offline counterparts illustrate the magnitude of the transformative consequences of a shift to online services. I then show how attempts to explain these differences must deal with conceptual challenges that cannot easily be addressed with the analytical frameworks and models that supported and inspired scholarship on media economics and management in the past. I offer suggestions for how some of these challenges might be addressed with the analytical toolkit economists have employed in the past, but I also point to other challenges for which it will be necessary to incorporate knowledge and perspectives from other disciplines within economic models to develop more compelling explanations for many of the phenomena we observe online. The technological and economic forces that shape SSVSs and OVSSs influence the design and performance of all online services, and the more focused examinations of these two services presented here are used as a platform for a more general discussion of what we need to do to create a better understanding of the economics of online services in general.

The chapter is organized as follows. The next section describes internet-driven changes in the media landscape that pose significant challenges to the ways we have analyzed media industries, firms, and institutions in the past and examines online subscription video sharing services and streaming video sharing services in some detail to illustrate the nature of the conceptual challenges we face. This section also presents suggestions for ways extensions and applications of modeling techniques already familiar to economists might be employed to address some of these challenges. The following section makes the case for drawing on research and perspectives developed in other scholarly disciplines to develop new analytical frameworks that can help us address conceptual challenges for which standard economic models may prove inadequate. A final section briefly summarizes the arguments presented in the second and third sections.

1 Addressing framework challenges posed by SSVSs and OVSSs

The dramatic changes occurring in the media universe reflect two transformative consequences of the transition to a digital internet-based media ecosystem: (1) the dramatic reductions in critical costs and the substantial easing or complete elimination of other constraints that substantially shaped the forms media services, industries, and institutions took on in an analog, pre-internet world; and (2) the introduction of new and powerful capabilities that made possible the creation of entirely new types of media services and greatly amplify social influences on media consumption that could conveniently be ignored in the past. Both transformative consequences of the digital transition are reflected in the business models and nature of the services delivered by SSVSs and OVSSs.

1.1 Subscription Streaming Video Services

Comparison with traditional offline television. Until the emergence of internet video, television programs were delivered to viewers via dedicated spectrum-using channels. Television started as an over-the-air broadcasting service using spectrum assigned to individual broadcast stations (that is, channels) by national broadcasting authorities. The introduction and growth of the multichannel subscription television services delivered by cable companies, satellite providers, and IPTV systems demonstrated emphatically that the number of over-the-air channels allocated to television was far from sufficient to satisfy consumer demand. Even though they used different delivery technologies, the multichannel pay TV services all delivered programs to viewers one at a time via spectrum-using channels (now often referred to as “linear channels”) or their digital facsimiles. Mistakes in program selection and scheduling carried high opportunity costs in the form of lost viewers and reduced advertising revenues for ad-supported services, and, for pay TV services, lower subscription revenues. Because the revenues and profits for these services depended on the appeal of their program lineups to viewers, considerable effort and expense was devoted to selecting the programs their channels carried and the schedules that dictated when they were shown. For over-the-air broadcast stations this task was handled by the stations themselves or by networks who supplied affiliated stations with programs and program schedules. Pay TV services typically contracted with other networks to supply programs and schedules for the channels they controlled.

For television viewers, the number of programs they could choose from at any given time was capped by the number of channels available over the air if they did not subscribe to a pay TV service, or by the number of channels offered by their pay TV service if they did. For pay TV customers, this might amount to at most a few hundred channels. While the pay TV services faced no regulatory or technological constraints on the number of channels they could offer, channel capacity additions were costly at the margin and the amounts their customers were willing to pay for additional channels declined as the number of channels increased. Declining marginal profitability per channel, rather than technological constraints, limited the number of channels pay TV services were willing to offer their customers.

Unlike traditional pay TV services, online SSVSs have no channels delivering linear sequences of programs, and thus no networks either. Online video services' programs reside on video servers managed by the services and are delivered to viewers via internet connections whose costs are covered by subscribers when they subscribe to dedicated broadband services and/or wireless services that provide the bandwidth required to watch streaming videos on a smart phone or tablet. Because an online SSVS's subscribers can use their online connections to select and watch any of the service's programs at any time of their choosing, subscribers' willingness to pay would fall if they were forced to watch individual programs at times specified by the service. For an online SSVS, all programs stored on its servers are always available to its subscribers and it is the number of stored programs that constrains a subscriber's simultaneous viewing options. Fortunately for online streaming video subscription services, the marginal cost of server capacity is extremely low. As a result, compared to offline subscription video services, online subscription video services find it profitable to give their subscribers extremely large numbers of programs to choose from. While the number varies according to the source consulted, Comparitech reports that Netflix's U.S. American subscribers can choose from nearly 6,000 movies (Moody 2019) and television programs, which is in the middle range of the estimates reported and might be considered sufficiently accurate to illustrate the magnitude of the difference between the numbers of programs available to SVSS subscribers and the much more limited sets of programs from which multichannel pay TV service subscribers can choose.

With no channels or networks, skills in constructing program schedules that are critical to the success of offline television services have no value to an online SSVS. Because the audience for a program on an online video service accumulates as different individuals watch it at times of their own choosing, terms like prime time and appointment viewing, that for offline television contributed to explanations for, respectively, networks' programming strategies and the times viewers chose to watch TV, likewise become casualties of a switch from offline to online video services. The absence of networks also means that researchers working to uncover the economic logic behind the menus of programs SSVSs offer their customers cannot draw on the extensive and still growing (see e. g., Anderson and Peitz 2017) literature on how competition influences the types of programs offered by television networks that started with a simple model with a few advertising-supported broadcasters and viewers willing to watch only their favorite type of program that was introduced by Steiner in 1952.

Responding to analytical framework challenges. Uncovering the economic logic underlying the SSVS business model is a substantial challenge that remains to be taken on. By comparison with their legacy analog precursors, they offer their subscribers extremely large bundles of programs, which suggests the possibility of developing a statistical bundling model with features similar to that first introduced by Bakos and Brynjolfsson (1999). In their model, a common bundle of information goods is offered to all potential customers with bundle components drawn from a potentially infinite set of information goods that could potentially be included in the bundle. Bakos and Brynjolfsson assume that, while buyers may differ in the amounts they are willing to pay for individual information goods, the statistical distribution across all potential bundle components of the amounts buyers are willing to pay has the same shape for all buyers. Bakos and Brynjolfsson show that as the number of bundle elements increases, individual buyers' willingness-to-pay distributions across actual bundle components approach the shape of the common distribution across all potential components. The result is that the amounts individual buyers are willing to pay for the actual bundle converge toward a common value and, as this happens, the price the seller can charge for the bundle approaches the amount that could be collected if the seller were able to practice perfect price discrimination against each of the buyers individually. In this case, the seller captures all of what would be consumer surplus if the bundle were priced at cost.

Could a model with features similar to Bakos and Brynjolfsson's reveal the economic logic behind the way that SSVSs construct their bundles of programs? An econometric study of prices charged by cable television service providers in the USA by Crawford (2008) provides empirical support for the explanatory value of this type of model, although the prediction of consumer surplus capture due to bundling was supported only for the 15 most popular networks in cable TV packages, not for the entire collection of networks cable TV services bundled together, which leaves the economic rationale for including networks outside the top 15 in cable TV packages unexplained. An SSVS parallel to Crawford's findings for cable TV is that a typical

SSVS program bundle consists of a relatively small number of very popular programs and a much larger number that attracts considerably smaller audiences. A more elaborate bundling model will be required to uncover the economic logic underlying the strategy of packaging very popular programs with others that an SSVS must expect to appeal to much smaller subsets of its subscriber base.

Bakos and Brynjolfsson's 1999 model assumes a monopoly bundler, but it is obvious that Netflix competes with Amazon Prime Video for viewers and that both compete with Hulu and a number of other SSVSs. How might we model this competition and its effects on SSVSs' business models and profits? If SSVSs differ from each other in either the types of programs or the relative numbers of different types of programs they include in their bundles, then it might be possible to adapt models of competitive product differentiation for application to competition among SSVSs. The set of different program types might be treated as the set of dimensions along which program bundles can vary. While the multiplicity of dimensions precludes a straightforward application of single dimension spatial models of the type pioneered by Hotelling (1929), if locations in a multidimensional space can be mapped onto locations on a line, then models with one spatial dimension might prove enlightening. For example, if there are two types of programs and we accept the restriction that all program bundles contain the same number of programs, then the set of permitted points in two-program-type space can be mapped onto a single dimension by interpreting the numerical value of each location within the zero to one interval as the ratio of the two types of programs within a bundle. Allowing the number of programs within a bundle to vary would add bundle size to the model as a second dimension while preserving much of the analytical convenience associated with working with spatial models. Waterman (1989) included content quality as a second dimension in a spatial model of competition among sellers of information goods, and his modeling strategy might be adapted to a model of competition among bundles with different mixes of program types by substituting bundle size for quality in a variant of Waterman's model.

Of course, real-world SSVS program bundles include more than two types of programs, but economic models are not intended to serve as completely accurate descriptions of real-world situations, but rather are designed as simplified representations of selected aspects of reality that make possible a tight analytical focus on the way specific economic forces of interest impact market outcomes. Ideally, a detailed descriptive study of SSVSs that provided compelling evidence that SSVSs are differentiated by program type mixes would precede a modeling exercise of this type.

Building on the model in their 1999 paper, Bakos and Brynjolfsson (2000) developed a model of competition among suppliers of bundles of information goods that has considerable potential for application to competing SSVSs. For this model, Bakos and Brynjolfsson assume that two firms, A and B, each with its own large bundle of products, compete for customers. In the simplest version of the model, A's and B's bundles contain identical numbers of distinct information goods. For every information good in A's bundle there is an information good of the same type in B's bundle and vice versa. As with the model in their 1999 paper, consumers differ in the amounts they are willing to pay for different information goods but resemble each other in the shapes of the statistical distributions of their willingness to pay for potential bundle components. The two bundles are not perfect substitutes, however, because Bakos and Brynjolfsson also assume that for any randomly selected consumer, for each product in A's bundle there is a 50 % likelihood the consumer will prefer the corresponding product in B's bundle and vice versa. While the two bundles, considered independently, have identical value to a representative consumer, if their prices are not too high the consumer can still benefit from acquiring both to get access to her preferred version of each type of information good. Bakos and Brynjolfsson show that in these circumstances competition between the bundles results in lower prices and increased consumer surplus. They also show that if A's and B's bundles differ in size and they compete to acquire new products to include in their bundles, the firm with the larger bundle always finds it profitable to outbid the firm with the smaller bundle. Therefore, an initial size disparity might grow larger over time.

It is also possible, that with some simple modifications, the competing bundles model might be employed to explore the economics of competition among bundles of programs when, as is the case in the real world, there is considerable prerelease uncertainty over how audiences will respond to new programs once given the opportunity to watch them. For an SSVS, this means that new programs for which the service has identical ex ante performance expectations may be found to differ considerably in audience appeal once they are included in the service's bundle of programs. Work with such a model could generate different results, but it seems likely that a competing bundles model where consumers always agree on whether the A or the B version of any specific program is more appealing, while, for each program type a coin flip determines which bundle's program has the most appeal, would have properties similar to the Bakos and Brynjolfsson competing bundles model. This could help explain why Netflix, as first mover and largest player in this market, so aggressively increases its content acquisition budget from one year to the next (see e. g., Spangler 2019).

Work along this line could contribute toward filling a glaring gap in the media economics literature. It has long been known that even the most successful media companies find it difficult to predict how audiences will respond to creative works they have invested in prior to their release. For example, Vogel (2011: 145) estimates that "perhaps 5 % of movies earn about 80 % of the industry's total profits". Owen and Wildman (1992) found that only about 24 % of new programs appearing in the major U.S. American broadcast networks' prime time schedules for the 1972 through 1981 television seasons were sufficiently popular to warrant renewal of their contracts for a second year. However, little has been done to incorporate the riskiness of content investments in formal analyses of media firms and markets.

1.2 Online video sharing services

Key differences from online SSVSs. Online video sharing services like YouTube and TikTok represent a further departure from the types of television services that developed during the analog television era. As with the online subscription streaming video services, there are no networks or other channels with linear programming on YouTube and TikTok. (What YouTube calls a channel is a name that makes it easier for users to find videos posted by a creator of content they want to watch repeatedly.) But unlike SSVSs, which, like offline television networks and stations, select the programs they offer viewers with considerable care and often spend heavily to acquire or produce the programs they want (Netflix spent 12 billion US$ on content in 2018, Spangler 2019), OVSSs feature videos that their users and others trying to attract an audience upload to the services' websites free of charge. Video sharing services also host massively more content than do subscription streaming video services, sell their audiences to advertisers to generate revenue, and, rather than employing expert judgement and audience analytics to identify programs likely to appeal to their viewers, as is the practice for both offline television services and SSVSs, rely on viral processes to bring content with greater audience appeal to the surface. While the term "viral" is often employed quite loosely, even in more scholarly settings, its use in this chapter follows Dictionary.com's second definition of viral as "pertaining to or involving the spreading of information and opinions about a product or service from person to person, especially on the internet" (Dictonary.com 2019).

This brief description of differences between SSVS and OVSS business models raises four questions of considerable interest that can only be answered by future research. The first is how we can explain the co-existence of video streaming services with revenue models and cost structures as different as those for SSVSs and OVSSs in the same online media ecosystem. My own initial attempts to respond to this question suggest that it can be addressed, at least in part, with standard industrial organization modeling techniques as long as we are willing to treat the outcome of a viral process for finding videos with hit potential as a model parameter.

The second, third, and fourth questions, which are closely linked, concern the OVSS viral discovery process that a standard economic model of an OVSS is likely to treat as a black box. How do we describe the internal dynamics of the viral processes that generate OVSS hits? What must an OVSS do to enable these processes? And to what extent can an OVSS manipulate them to its own advantage? Because virality is a product of human interactions, knowledge of human behavior, including how people process information, respond to environmental cues, socialize and, more generally, interact with other people in different situations, that has been developed in other scholarly disciplines will be critical to creating the new analytical frameworks needed to guide research that can generate answers to these last three questions, which can then be incorporated in a more complete response to the first question.

Because viral processes are integral to the functioning of other online media services, social media and content sharing services of all kinds being obvious examples, we need to combine the perspectives and knowledge of economists with that of experts in other scholarly disciplines to improve our understanding of virality's role in the business models these services employ.

2 Looking to other disciplines for insight

Formal models of viral processes in the economics literature are often presented under other labels, such as herding (Banerjee 1992) or information cascades (Bikhchandani, Hirshleifer, and Welch 1992). Given the considerable insight they generate, herding and cascade models are surprisingly simple. A number of individuals is confronted with the same binary choice, perhaps between two brands of a consumer good. Each individual receives a private signal indicating which of the two options is most likely to generate the greatest utility while understanding that the private signals received by other individuals confronted with the same choice may conflict with their own. Choices are made one person at a time and each person in the queue after the first can observe choices made by those who preceded her, which she interprets as indicators of what her predecessors learned from their private signals. Under very plausible circumstances, it is rational for an individual who observes that all individuals who chose before her made identical choices to choose the option selected by her predecessors, even when it conflicts with her private information, because the statistical likelihood that the others were collectively acting on more accurate signals than her own exceeds one half. Information cascades can form in this manner even if individuals near the beginning of the queue receive misleading signals and choose what everyone would agree was the wrong option if they had perfect foresight. Empirical studies inspired by these models and related work on "word of mouth" have provided convincing evidence that viral processes can significantly influence choices consumers make in real-world markets (e. g., Chevalier and Mayzlin 2006; De Vany and Lee 2001; Fu and Sim 2011; Moul 2007).

Missing from both the empirical and the theoretical work in the economics literature on viral processes is a more granular portrayal of the individuals involved and ways in which they differ from each other besides their positions in a queue of decision makers. We can contrast the rather skeletal portrayal of individuals in the economic models with the diverse cast of characters in the pioneering model of innovation adoption introduced by Rogers (1962) that, along with elaborations in later editions of his book, continues to inform and inspire research in a number of fields, including marketing (e. g., Frambach and Schillewaert 2002) and information technology adoption (e. g., Poon et al. 2006; Lee, Trimi, and Kim 2013). As originally articulated, Rogers' model of technology adoption has five types of innovation adopters, who, for successful innovations, adopt a new innovation according to a sequence that starts with innovators willing to take risks and try new ideas and moves through adopter types that are progressively less adventurous and more risk averse before ending with adopters called laggards who are skeptical of change and highly risk averse. My point here is not that a version of Rogers' model of innovation diffusion or any of a number of other innovation diffusion models should necessarily be employed to study viral processes operative in online media services, but that people with very different personalities and different motives for consuming user-supplied content, for posting comments, and for sharing content with other users undoubtedly contribute in different ways to the viral processes that produce viral hits on video sharing sites and facilitate the viral diffusion of videos and other types of content on other online services that also facilitate communication, direct or indirect, among users.

Personality differences and differing motivations likely also play important roles on the supply side of online services that feature user-supplied content or depend on user-supplied contributions of other kinds, such as the work done by the volunteers who edit and screen content for Wikipedia. Benkler (2002, 2006) describes a number of nonprofit organizations that depend on volunteers' online contributions of time, skills, and expertise to create information goods and services that serve a purpose other than profits. Some, like Wikipedia, depend on voluntary content contributions as well. Benkler makes a compelling case that the online environment facilitates the creation of volunteer-based nonprofit organizations committed to creating merit-worthy information goods because the internet makes it possible to recruit a geographically distributed workforce willing to perform online tasks because its members believe in their organizations' missions. On the other hand, most online content sharing services are created to make a profit, so we have to ask what motivates content contributions from users with little or no prospect of being compensated for their contributions. Online services that depend on viral processes driven by interactions among users and content voluntarily contributed by users and others cannot survive if users and content contributors are not motivated to play their roles. To develop a deeper understanding of the economic logic underpinning the business models of online services of this kind, we must identify and understand the sources of these motivations and how they are reflected in the ways these services operate.

This examination of online services that depend on unpaid contributions from users and others, and, in the case of online content sharing services, employ viral processes to sort through contributed content to identify that with the most appeal to a service's users, illustrates how, at least for certain type types of online services, economic analyses informed by expertise and knowledge created in other fields can provide more compelling explanations for the economic logic underpinning these services than can traditional economic methods alone. Other phenomena characteristic of online media services may also reflect the influence of deep-rooted human behavioral tendencies, and the same disciplinary sources for knowledge of human behavior that can help us construct models that better explain the economic logic behind online streaming video services can also help us construct more compelling explanations for other online phenomena as well. If we look closely enough, we will undoubtedly find this to be the case for many other online services.

3 Summary

The media sector is being transformed by the internet and digital technologies more generally. Many online media services bear little to no resemblance to familiar offline media, and even those that at first glance appear to have fairly close offline counterparts are found, upon closer examination, to differ from them in economically profound ways that often cannot easily be explained with analytical frameworks employed in the past to study offline media. This chapter examined online subscription streaming video services, like Netflix, and online video sharing services, like YouTube, in some detail and found that the ways these services and their business models differ from offline television services are economic manifestations of significant differences in critical costs and capabilities associated with the very different technologies employed by offline television services and the online video streaming services. We need to develop new analytical frameworks more closely tailored to the features and properties of the online streaming video services to develop a better understanding of the economic logic underpinning their business models. For some analytical challenges posed by the new services, extensions or elaborations on existing models of media services may be sufficient, but for others it will be necessary to develop economic models that incorporate perspectives and learning from other scholarly disciplines. The challenges online video streaming services pose to economic analysis are not unique to these services, but instead are illustrative of the types of analytical framework challenges posed by online media services in general.

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