THE MEDIA OF MASS COMMUNICATION

11th Edition

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Chapter 3: Media Economics

• Thematic Chapter Overview
  – Media Economics
  – Media Technology
  – Media & Democracy
  – Audience Fragmentation
  – Media Future
  – Media & Culture
Financial Foundations

- Capitalism
- Revenue Streams
  - Advertising
  - Sales to media consumers
- Investors
  - Venture Capitalists
  - Dot-com Bubble & Bust

Why is profit a necessity for mass media in a capitalistic system?
What drives investors to risk money in unproven media ventures?
What’s happening with historically primary revenue streams of U.S. mass media?
Ownership Structures

- Conglomerate Dominance
  - Frank Gannett

<table>
<thead>
<tr>
<th>U.S. Media Conglomerate</th>
<th>Domestic revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comcast/NBC Universal</td>
<td>$ 51.2 billion</td>
</tr>
<tr>
<td>Disney/ABC</td>
<td>$ 38.0 billion</td>
</tr>
<tr>
<td>News Corp.</td>
<td>$ 30.4 billion</td>
</tr>
<tr>
<td>Time Warner</td>
<td>$ 26.9 billion</td>
</tr>
<tr>
<td>Viacom</td>
<td>$ 13.6 billion</td>
</tr>
<tr>
<td>Cox</td>
<td>$ 7.1 billion</td>
</tr>
<tr>
<td>Clear Channel</td>
<td>$ 6.8 billion</td>
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<tr>
<td>Tribune Company</td>
<td>$ 5.7 billion</td>
</tr>
<tr>
<td>Gannett</td>
<td>$ 5.6 billion</td>
</tr>
<tr>
<td>New York Times Company</td>
<td>$ 2.4 billion</td>
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Ownership Structures (continued)

• Case Study:
  – The Franken Crusade
  – Media Mega-mergers
  – NBCUniversal & Comcast gained Federal approval
  – AT&T and T-Mobile did not get Federal approval
  – What do you think?

• Conglomerate Behavior
  – Most have a Board of Directors
  – Day-to-day decisions are made by appointed managers

• Divestiture
  – Knight Ridder & McClatchy
  – Economic realities
• How do you explain the pluses of media conglomerations for mass audiences? Are there any downsides?

• How have ownership changes affected the performances of your local newspapers, television and radio stations?

• What do media companies do when profitability flounders?
Alternative Media Ownership

• Institutional Sponsorship
• Media Mogul: Rupert Murdoch
• Case Study: Christian Science Monitor
• Community Foundations
• Non profits
  – Investigative reporting
  – Sustainability
Alternative Media Ownership (continued)

- University Media Generators
- Family Ownership
  - Personality-Driven Media

<table>
<thead>
<tr>
<th>Media Unit</th>
<th>Early Proprietor</th>
<th>Later Ownership</th>
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</thead>
<tbody>
<tr>
<td>Books</td>
<td>Scribner</td>
<td>Charles Scribner</td>
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<tr>
<td>Newspapers</td>
<td>Wall Street Journal</td>
<td>Bancroft family</td>
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<tr>
<td>Magazines</td>
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<td>Henry Luce</td>
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<td>Recordings</td>
<td>Motown</td>
<td>Berry Gordy</td>
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<td>Movies</td>
<td>Paramount</td>
<td>Adolph Zukor</td>
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<tr>
<td>Radio</td>
<td>NBC</td>
<td>David Sarnoff</td>
</tr>
<tr>
<td>Television</td>
<td>NBC</td>
<td>David Sarnoff</td>
</tr>
<tr>
<td>Internet</td>
<td>Huffington Post</td>
<td>Arianna Huffington</td>
</tr>
</tbody>
</table>
• How aware do you believe media consumers are about institutions that sponsor some media products?

• Should community foundations take over financially floundering media companies? Why or why not?

• What are some of the problems in converting for-profit media organizations into nonprofits?
Government Role

- Historic Media-Government Links
  - Government Communication Policy
  - Postal Favoritism
- Broadcast Economics
- Government-Created Media Infrastructure
  - Scarcity Model
  - Marketplace Model
- Favored Tax Treatment
  - Newspaper Preservation Act
  - Joint Operating Agreements
• Are government postal subsidies for print media still justified? Were they ever?
• What arguments, if any, remain viable for government regulation of broadcasting?
• How relevant is the FCC in light of the rapid changes in communications technology?
• If the Newspaper Revitalization Bill of 2009 had passed, how different do you think the news media industry would be today?
• POINT
  – You can’t have a free press without the press being free.
  – This means uninhibited inquiry.

• COUNTERPOINT
  – Decency should trump news-gathering that invades privacy, interferes with criminal investigations and has nothing to do with serving the public good.
New Media Funding

• Advertising and Subscriptions
• Hybrid Mix
  – Government Funding
  – Philanthropy
  – Fund drives
  – Micropayments
• What is the future of advertising as a media revenue stream?
• Which hybrid mix of revenue can be expected to dominate mass media business models in the future and why?
Media Economic Patterns

• Phase I: Intervention
• Phase II: Entrepreneurship
• Phase III: An Industry
  – Oligopoly
  – Monopoly
• Phase IV: Maturation
  – Trade Groups
• Phase V: Defending Infrastructures
  – Ignore new challenges
  – Resist change
  – Radical reforms
Thinking Critically

• How have mass media fit historically into the capitalist economic system?
• What are problems inherent in conglomerate ownership of mass communication?
• Describe alternative business models for new revenue streams for mass media.
• What lessons do you see for us today from the U.S. experience of government-aided communication?
Thinking Critically

• What are downsides and upsides of alternatives being discussed for historic mass media business models?
• Project out and apply Andy Grove’s maturation business model to the developing social media industry. Where do you see it ending up?