

MEDIA-ECONOMIE EN MEDIASTRUCTUREN

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CONVERGENTIE & MULTI-PLATFORM

Prof. dr. Tom Evens, 27/02/2020, Media-economie en mediastructuren (Ba1)

AFBAKENING: CONVERGENTIE



CONVERGENTIE: TECHNOLOGIE

- Digitalisering: alles in 0 en 1
 - Informatie/content beschikbaar in digitaal formaat
- **Niet langer specifieke netwerkinfrastructuur**
 - Vroeger: *medium is the content*
 - Alle content via zelfde distributienetwerk
- Ook toestellen groeien naar elkaar toe
 - Toch (nog?) geen *black box* geworden

CONVERGENTIE: CONTENT/FORMAT

- Vorming van **hybride multimedialdiensten**
 - Combinatie van verschillende mediavormen
 - Oude en nieuwe media komen samen (mengvorm)
- Crossmedia: verschillende media inzetten om een zo groot mogelijk publiek te bereiken

CONVERGENTIE: INDUSTRIEEL

- Traditionele **industrieschotten vallen weg**
 - Iedereen betreedt elkaars domein
 - Allemaal multimediabedrijven
- Specifiek: netwerk en inhoud onder één dak
- Leidt tot nieuwe marktstructuur: één digitale markt?

CONVERGENTIE: REGELGEVING

- Technologie achterhaalt media-specifieke regelgeving
 - Toenadering tussen telecom en omroep
 - Geen gelijke behandeling (*level playing field*)
- Naar een **alomvattend kader** voor industrieën die voorheen gescheiden werkten en gereguleerd werden (vb. AVMS)
- Overal ter wereld trend naar deregulering
 - Minder regels, minder overheidsbemoeienis

WAARDEKETEN (VERTICAL SUPPLY CHAIN)

- Manier om structuur industrie te ontleden/analyseren
 - Verschillende **stappen** in media-industrie
 - Upstream vs. downstream activiteiten (rollen)
 - Stappen staan niet los van elkaar



STAP 1: PRODUCTIE

- Media-inhoud gemaakt door **professionals**
- Internet/digitaal heeft intrededrempels verlaagd
 - Meer alternatieve productievormen (amateur, DIY)
 - User-created content → prosument
- Spectaculaire toename van aanbod (*attention*)



FELIX KJELLBERG AKA PEWDIEPIE



RYAN KAJI



CELINE DEPT



STAP 2: AGGREGATIE

- Media-inhoud wordt **gebundeld** (verpakt) en daarna aangeboden voor distributie
 - Selectie: beste content identificeren
 - Curatie: structuur aanbrengen
 - Contextualisatie: extra duiding toevoegen
- Traditionele aggregators komen onder druk



oud en nieuw naast elkaar

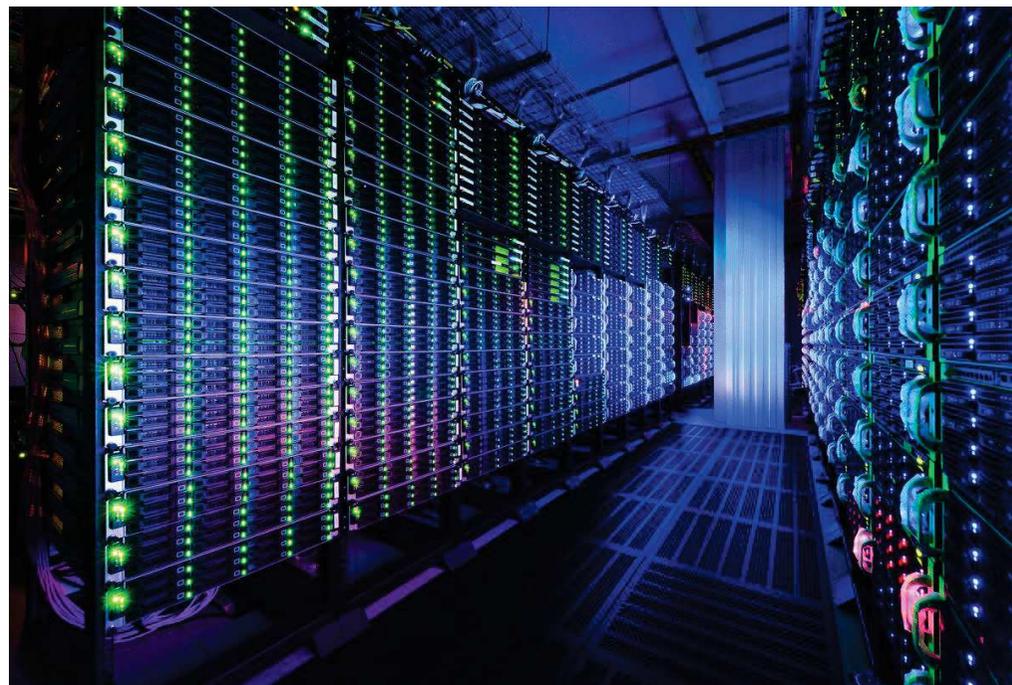


STAP 3: DISTRIBUTIE

- Media-inhoud **afleveren aan het publiek** via (elektronische) communicatienetwerken
- Elk medium had eigen netwerkinfrastructuur
 - Analoog → digitaal (en mobiel)
 - Internet is hét digitale netwerk bij uitstek
 - Digitale content verspreid via internet



NETWERK- EN DATA-INFRASTRUCTUUR



GATEKEEPERS (BOTTLENECKS)

- Intrededrempels verlaagd door technologie
 - Schaarste → overvloed
- **Controle** over stappen in de waardeketen (oud/nieuw)
 - Beslissen over wie toegang krijgt tot publiek
 - Aandachtspunt voor overheid (competitie)



HOURGLASS INDUSTRIESTRUCTUUR



OPENSTELLING KABEL

... besliste de CRC dat een aantal operatoren met een te sterke machtspositie in de kabel (Telenet, Brutélé, Tecteo en Coditel) hun netwerk moesten openstellen voor alternatieve operatoren. Ze moesten een doorverkoop aanbod voor analoge televisie en voor breedbandinternet aanbieden én toegang verschaffen tot hun digitale televisieplatform. (De Redactie.be, 12 november 2014)

Telenet moet kabel wel degelijk openstellen van rechter



wo 12/11/2014 - 19:30 

Update: wo 12/11/2014 - 20:09

Telenet moet de kabel openstellen voor doorverkoop aan alternatieve spelers. Het Brusselse hof van beroep heeft verzet van Telenet tegen die beslissing van de Belgische telecomautoriteiten uit 2011 verworpen. Dat hebben verschillende partijen in het dossier bevestigd. Mobistar reageert verheugd. Opvallend is dat de rechtbank vindt dat ook Belgacom volledig toegang moet krijgen tot de breedbandkabel, wat nochtans niet voorzien was.

In 2011 beslisten de regulatoren dat de kabeloperatoren, waaronder Telenet, alternatieve spelers -tegen betaling- toegang moeten verlenen tot hun netwerk zodat die ook kabel- en digitale televisie en breedbandinternet zouden kunnen verkopen. Momenteel stoomt Mobistar zich klaar om gebruik te maken van die mogelijkheid. Belgacom werd daarentegen uitgesloten voor digitale televisie en breedbandtoegang, omdat het zelf al zulke producten had via het eigen netwerk.

CREATIEVE DESTRUCTIE

- Blijven bedrijven altijd bestaan? En monopolies?
- Continue proces van verandering en innovatie
 - Bestaande bedrijven: **aanpassen of verdwijnen**
 - Brengt economische groei en vooruitgang
- Cf. survival of the fittest
- Risico op **destructive destruction**
 - Verandering niet slecht, maar iets 'beters' in plaats?

VERDWIJNEN MONOPOLIES VANZELF?

 GOOGLE.ORG FOLLOW INSTRUCTIONS ON TOP CARD 180 SHARES	 LINKEDIN FOLLOW INSTRUCTIONS ON TOP CARD 200 SHARES	 BOX.NET FOLLOW INSTRUCTIONS ON TOP CARD 200 SHARES	 FACEBOOK 200 SHARES	 SOCIAL PLATFORM 200 SHARES	 SKYPE 200 SHARES	 PAYPAL 200 SHARES	 GOOGLE 150 SHARES	 EBAY 280 SHARES	 GO TO DEADPOOL 404 Error - File Not Found 200 SHARES
 DOUBLE CLICK 200 SHARES	 GRAND CENTRAL 180 SHARES	 LINKEDIN 180 SHARES	 DESKTOP PLATFORM 200 SHARES	 YOUTUBE 160 SHARES	 SKETCHUP 140 SHARES	 GOOGLE 120 SHARES	 KEYHOLE 140 SHARES	 MICROSOFT 350 SHARES	 YAHOO 350 SHARES
 WRITELY 120 SHARES	 JOTSPOT 100 SHARES	 I'm Feeling Lucky FOLLOW INSTRUCTIONS ON TOP CARD 100 SHARES	 BLOGSPOT 100 SHARES	 MOBILE PLATFORM 200 SHARES	 INCOME TAX Pay your lobbyists in Washington DC 10% or 200 Shares 60 SHARES	 SCRIBD 60 SHARES	 google.org FOLLOW INSTRUCTIONS ON TOP CARD 60 SHARES	 LOOP T 60 SHARES	 GO TO DEADPOOL 404 Error - File Not Found 200 SHARES

STRATEGIE 1: VERTICALE INTEGRATIE

- Meer controle verwerven over de industrie
 - Actief zijn in **meerdere stappen**
- Upstream (achterwaarts) vs. downstream (voorwaarts)

Telenet en VIER/VIJF



Woestijnvis en VIER/VIJF



Medialaan en TV Bastards



Medialaan en Mobile Vikings



STRATEGIE 2: MULTIPLATFORM

- Aanbod via # platformen en formats (360° aanpak)
 - Proliferatie van platformen
 - Fragmentatie van publiek
- **Recycleren van content** (windows)
 - Lage marginale kosten
- Maar ook nieuwe content/formats nodig!
- Laat toe data over publiek te verzamelen

MEDIALAAN (DPG MEDIA) VOORLOPER



De cast van Dubbelspel is een mix van bekende namen (Peter Van Asbroeck, Ann Tuts en Anthony Arandia) en nobele onbekenden. ©RV

DUBBELSPEL

Vlaamse primeur: VTM lanceert serie die enkel online te bekijken is

Jongerenreeks 'Dubbelspel' zal niet op tv te zien zijn

In het buitenland zijn ze er al langer van overtuigd dat je een fictiereeks niet per se via een televisietoestel op je publiek hoeft los te laten. Deze zomer springt ook VTM op de kar met Dubbelspel, een jongerenreeks die enkel online te volgen is.

WTFOCK (TELENET/SBS)

The graphic is a promotional banner for the TV show 'WTFOCK'. It features four distinct panels on a black background:

- Panel 1 (Left):** Shows two women talking. Text includes 'NIEUWE VIDEO' at the top, 'MAANDAG 20:25' in large yellow letters in the center, and 'SWIPE UP NAAR WTFOCK.BE' at the bottom. There are three yellow triangles pointing up below the text.
- Panel 2:** Shows a group of people. Text asks 'WELKE WTFOCK-GIRL BEN JIJ?' in yellow. A yellow circle with a white eye icon is positioned above the text.
- Panel 3:** Shows a person in a black hoodie with yellow text. Text asks 'IS JOUW SCHOOL DE VOLGENDE?' in yellow.
- Panel 4 (Right):** Shows a young man in a white t-shirt against a rainbow background. Text asks 'MILAN' in large yellow letters, with 'WTFOCK' in smaller yellow letters below it.

INSTAVERLIEFD (VRT)



SCHOETERS EN BELLEN (VRT)



VOLGENDE LES: HOOFDSTUK 3



**Mediaconcentratie
in Vlaanderen**

understanding
media economics
second edition

gillian doyle



Understanding Media Economics



2

Convergence and Multi-platform

Digitization and convergence have had a significant and ongoing impact on production, distribution and consumption of media over recent years. This chapter explores how these developments have altered resource usage within media firms and reshaped the economic organization of media industries with, on account of convergence, much greater emphasis now on multi-platform approaches at all stages in the process of producing and supplying media. The chapter introduces concepts of market structure, market boundaries and barriers to entry. It introduces the vertical supply chain and examines how digitization is affecting interdependencies, competition and growth. It also considers the relationship between technological change and innovation.

After studying this chapter, you should be able to:

- appreciate what is meant by the vertical supply chain;
- discuss the implications for media firms and markets of convergence and globalization;
- understand the concept of ‘creative destruction’ and how technological change, innovation and economic growth are interrelated;
- assess multi-platform strategies as a response to digital convergence.

THE VERTICAL SUPPLY CHAIN

In order to analyse an industry, one approach used by economists is to carry out a vertical deconstruction or disaggregation. The production of any good or service usually involves several stages that are technically separable. Vertical deconstruction means breaking the industry’s activities up into a number of different functions or stages so that each activity can be studied more closely. The concept of a vertical supply chain was pioneered by management theorist Michael Porter (1985), who suggested that the activities of an industry are ordered in



a sequence which starts ‘upstream’ at the early stages in the production process, works its way through succeeding or ‘downstream’ stages where the product is processed and refined, and finishes up as it is supplied or sold to the customer.

This framework provides a useful starting point for analysing the media. For media industries, it is possible to identify a number of broad stages in the vertical supply chain which connects producers with consumers. These include, first, the business of creating media content (e.g. gathering news stories, or making television or radio programmes or Web content). Second, media content has to be assembled into a product (e.g. a newspaper or television service). Third, the finished product must be distributed or sold to consumers.

The concept of a vertical supply chain or ‘value chain’ assumes an orderly sequence of links from production through to assembly and processing and then onward to the eventual interface with consumers with, at each stage, value being added. In practice, the creation of value within the media industry is a somewhat more dispersed and complex activity. With the spread of digital technology and the growth of the Internet, it is notable that many consumers have themselves become prodigious makers and publishers of content. The increasing involvement of consumers in upstream activities is indicative of how the conventional conception of a vertical supply chain struggles to do full justice to the complexity of the media industry. In addition, many media firms operate in markets that are two-sided so that, in addition to supplying content, the sale of audience attention to advertisers represents an integral aspect of their business model.

Nonetheless, the media industry is essentially about supplying content to consumers. Albeit that many operate in markets which are two-sided, the core defining activity of any media firm is its involvement in supplying media content. The general aim is to make intellectual property, package it and maximize revenues by selling it as many times as



Figure 2.1 A simplified vertical supply chain for media

is feasible to the widest possible audience and at the highest possible price. To that extent, the vertical supply chain provides a useful analytical framework.

The first stage in this process is usually 'production'. Typically, the creation of media content is carried out by film-makers, writers, journalists, musicians, television and radio production companies. Thanks to the rise of the Internet, content which is co-created with or made entirely by users has come to feature more prominently as an aspect of production. Producers may sometimes supply content directly to consumers (e.g. by publishing on a website) but often their output (e.g. television programmes) created takes the form of inputs for a succeeding 'packaging' stage. This is when content is collected together and assembled into a marketable media product or service and it is carried out by, for example, television networks, online aggregators and magazine or newspaper publishers. Finally, there is 'distribution', which involves delivering a media product to its final destination – the audience.

Distribution of media output takes place in several different ways and, for some products, is quite a complex phase. In the twenty-first century, the distribution phase has become progressively more oriented towards digital platforms and mobile devices as media consumption habits have changed in favour of these outlets. Television and radio services are still transmitted over the airwaves and conveyed via broadband communication infrastructures. For pay-television the distribution stage involves encryption and subscriber management activities as well as transmission of signals. Newspapers and periodicals are still conveyed to the consumer via newsagents, or they may be delivered directly to the home or to places of employment on a subscription basis. However, for most if not all forms of media content, electronic distribution over the Internet is important and many media organizations have come to regard distribution as a multi-platform activity – i.e. involving multiple digital delivery platforms and formats.

All of the stages in the vertical supply chain for media are interdependent. For example, media content has no value unless it is distributed to an audience and, likewise, distribution infrastructures and outlets or portable devices for consuming media have little or no value without content to disseminate. No single stage is more important than another but all are interrelated. So, the performance of every firm involved in the supply chain will be threatened if a 'bottleneck' develops – i.e. if one player manages to monopolize any single stage in the chain. If, for example, one company gains control over

all the substitute inputs at an upstream stage, or all of the facilities required for distribution or for interfacing with consumers, then rivals will be put at a considerable disadvantage and consumers are also likely to suffer.

The interdependent relation between different phases in the supply chain has important implications for what sort of competitive and corporate strategies media firms will choose to pursue. The desire for more control over the market environment may act as an incentive for firms to diversify into additional upstream or downstream phases. Vertical integration refers to the extent to which related activities up and down the supply chain are integrated or are carried out jointly by vertically integrated firms whose activities span across two or more stages in the supply process. Media firms may expand their operations vertically either by investing new resources or by acquiring other firms that are already established in succeeding or preceding stages in the supply chain.

CHANGING MARKET STRUCTURES AND BOUNDARIES

Economics provides a theoretical framework for analysing markets based on the clearly defined structures of perfect competition, monopolistic competition, oligopoly and monopoly. In practice, many media firms – especially broadcasters – have historically tended to operate in markets where levels of competition have been strongly influenced by technological factors (e.g. spectrum scarcity) or by state regulations (e.g. broadcasting license requirements) or by both. Up until the 1980s and 1990s, these factors have held back competition. In addition, the traditional tendency for media organizations to operate in quite specific geographic markets, and to be closely linked to those markets by their product content and the advertising services they provide within those markets, has curtailed levels of domestic and international competition in some, though not all, mass-media products and services.

Things have changed however, mostly because of advances in technology which have had a truly transformative affect in eroding barriers to entry to media markets. The Internet has dramatically reduced entry costs for anyone seeking the means to publish media content (Flew, 2009; Shirky, 2010). This has resulted in a proliferation of Web-delivered media services, a number of which have become immensely popular, e.g. the Netflix subscription-based online video streaming service, or YouTube which is based around distribution of user-generated or other zero-cost content.

Even before the arrival of the Internet, changes in production methods in the print industries – a general shift from the old labour and capital-intensive ‘hot metal’ to cold metal printing technologies around the 1980s – had already served to reduce some of the high production costs which used to impede industry entry into print publishing. In broadcasting, a steady expansion in the means of delivery over recent decades (via cable and satellite and, more recently, through digital and Internet-based delivery) has effectively swept aside earlier constraints over distribution imposed by scarcity of spectrum. Thus, broadcasting markets have opened up to new service providers (Brown, 1999: 17; Lotz, 2007). In television and feature film production, lower capital costs for digital equipment have reduced technology-based entry barriers. Across the media and at all stages in the supply chain, technological advances have lowered entry barriers and introduced more competition.

But just as new technologies and liberalizing legislation have done away with some of the conventional entry barriers affecting media markets, one or two other new barriers seem to have sprung up in their place. Greater abundance in distribution has placed more emphasis on the fight for audience attention (Aris and Bughin, 2009: 21) and on the importance of control over key access points to content. Expansion in digital distribution avenues has introduced new stages and additional functions along the supply chain for media, some of which are highly prone to monopolization. For example, search engines have become an indispensable tool to enable consumers to navigate towards whatever digital content they are interested in. It is fair to argue that ‘Google wields tremendous power to make or break businesses on the web ... it can bring a flood of traffic ... or cast them into the online equivalent of Siberia’ (Waters, 2010: 22). Search engines occupy a crucial position, but because the activities they carry out are characterized by economies of scale and network effects the sector is naturally susceptible to monopolization (Schulz, Held and Laudien, 2005; van Eijk, 2009).

The term ‘gateway monopolist’ is used to describe firms that gain control over some vital stage in the supply chain or gateway between media content and audiences. When individual firms gain control over a gateway that all media suppliers need in order to reach audiences then effectively they become ‘gatekeepers’ with power to decide who may or may not be allowed market access. Gateway monopolies can occur both in upstream stages (e.g. through monopolized control over particular forms of content) and downstream (e.g. through ownership of dominant navigation systems or some other essential interface with consumers). For example, as mobile devices have grown in popularity

in the twenty-first century, their importance as a conduit between content publishers and digital subscribers is such that gatekeeping powers will accrue to the manufacturers of any exceptionally dominant market-leading devices. If left unrestrained by regulators, such gateway monopolists clearly threaten to create new entry barriers in the media sector.

More generally, the traditional boundaries surrounding media markets have been eroded. One of the key drivers for this has been globalization – a process affecting many areas of economic activity and not least media and communications. The term globalization has been around since the 1980s and can have different meanings but, in an economic context, is usually taken to refer to the gradual whittling away of national boundaries through removal of legal or logistical impediments to transnational trade in goods and services. For social theorists, globalization refers to processes of transnationalization of cultural phenomena. In an economic sense, globalization is about erosion of the boundaries around national economies because of, for example, more trade agreements, greater mobility of capital, increased international inward investment and new technologies.

The Internet – a borderless communications infrastructure – has been a crucial vector of change. The rapid growth and development of this infrastructure which seamlessly conveys not only communications but digital content of all sorts across transnational boundaries has reshaped the competitive environment for all media businesses. The transnational integration of markets that were previously just national markets through, for example, the European Union and the North American Free Trade Agreement (NAFTA), has accelerated the emergence of a more globalized media environment. Many media products – newspapers, television channels, radio services – remain strongly orientated towards specific national and local markets through their relationships with audiences and constituencies of advertisers. Nonetheless, globalization has diminished geographical market boundaries and encouraged commercial and even non-commercial media organizations such as the British Broadcasting Corporation (BBC) to become much more outward-looking in their approach.

It is not just geographical market boundaries that have diminished over recent years but also, to some extent, the boundaries between different sorts of media and communications products and services have also become blurred (Hoskins, McFayden and Finn, 2004; Picard, 2002). The boundaries which used to surround and distinguish one specific market from another (e.g. newspapers, television, telecommunications)

are less clearly delineated now than in the past. At the root of this aspect of transformation in market structures and competition is digital convergence.

DIGITAL CONVERGENCE

The term 'convergence' has been used in many different ways. According to Jenkins, it 'manages to describe technological, industrial, cultural and social changes depending on who's speaking and what they are talking about' (2006: 3). For many years, a mismatch between levels of hype and of ground-level progress resulted in scepticism and warnings against allowing media business strategies to be driven by the 'myth' of convergence (Noll, 2003). However, spurred on by growth of the Internet and rapid uptake of mobile devices, digital convergence has become very much a reality in the twenty-first century.

Convergence stems from a migration towards common digital technologies right across the communications industry and in all stages of production and distribution of media content. The term refers to the coming together, on account of shared use of digital technologies, of sectors and product markets that were previously seen as distinct and separate. Thanks to the use of common technologies to capture, tag, store, manipulate, package and deliver digital information (including all types of media content), media output can more readily be repackaged for dissemination in alternative formats. For example, images, text and/or video gathered for a profile of a celebrity or of a contemporary music star, once reduced to digits, can very easily be retrieved, reassembled and delivered in a number of different formats and guises. Thus digitization and convergence are weakening some of the market boundaries that used to separate different media products.

The use of common digital technologies has spurred on the development of new forms of content (combining video with text, for example, and involving interactivity and multiple layers) and of converged devices (such as mobile phone/media players). The transition towards digital platforms – the Internet being the principal example – means that content of all kinds can circulate and be delivered to audiences across numerous settings (e.g. television over mobile or radio via Digital Terrestrial Television (DTT) or the Internet). The experience of the UK is typical of developed economies in that, as demonstrated by Figure 2.2, the number of households and individuals with high-speed access to the Internet through broadband cable infrastructures and Web-connected mobile devices has grown rapidly in recent years.

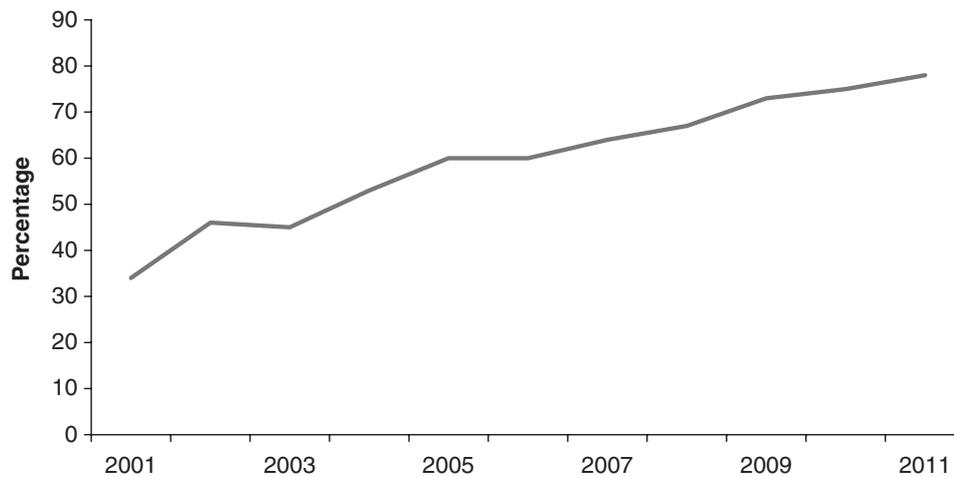


Figure 2.2 UK take-up of the Internet, 2001–2011

Source: Ofcom Tracker Data from Ofcom CMR (Ofcom, 2011a: 205)

Convergence has affected not only content and delivery but also the operational and corporate strategies of media and communications organizations (Küng, Picard and Towse, 2008). By inducing greater overlap between the activities of broadcasting, communications and computing, it has gradually drawn these sectors more closely together. Convergence has intensified competition: it has also been an especially powerful driver of strategic change in recent years (Chan-Olmsted and Chang, 2003; García Avilés and Carvajal, 2008). For many media suppliers, a major part of the response to convergence has been to adopt a more multi-platform approach towards distribution of their wares in the hope that this strategy will shelter them from what Austrian economist Joseph Schumpeter termed ‘the gales of creative destruction’ (1942).

TECHNOLOGICAL CHANGE, INNOVATION AND CREATIVE DESTRUCTION

More so than in many other industries, technology is at the heart of the media business. As a result, media firms that want to survive must be constantly vigilant for technological advances that may affect one or other aspect of production, distribution or consumption of their output. Economic success in the media industry is naturally dependent on the ability to adjust to and capitalize on technological advances.

Schumpeter coined the phrase ‘creative destruction’ to describe the process whereby technologies change and new innovations emerge that force existing businesses either to adapt or die out (McCraw, 2007). As entrepreneurs innovate, this brings opportunities and growth but it

also results in existing products and services losing ground, so the value of large dominant incumbent firms who fail to transform in response to technological change will be eroded and eventually destroyed.

Schumpeter's view was that processes of innovation, economic advancement and the demise of existing businesses are all inextricably intertwined with one another. As entrepreneurs spot and seize upon opportunities created by advances in technology to gain profit, this fuels a continuous and ongoing process of creative destruction which, in turn, brings economic growth. Schumpeter's work provided the inspiration for development of the field of so-called evolutionary economics which argues that capacity for innovation offers a vital source of advantage to firms as they seek to compete with each other (Metcalfe, 1998:17).

Schumpeter's notion that the phenomenon of constant restructuring and replacement of old products and businesses by new ones is central to economic growth has been well supported in many earlier economic surveys and studies (Aghion and Howitt, 1992; Caballero, 2006). This conceptual approach appears to have a strong resonance in the context of recent developments affecting media and cultural industries, whereby advances in technology have brought not only opportunity for new entrants but also significant upheaval for market incumbents. One example relates to the music sector, where vinyl records were replaced by cassette tapes which, in turn, were replaced by CDs which are now being usurped by MP3 digital files. Each successive innovation has brought success and growth for some players and destruction for others who have been unable to adapt.

Many areas of media content production and distribution and especially print publishing also appear to be caught up in the gales of creative destruction. In the newspaper industry, innovative new products such as the *Huffington Post* have rapidly achieved popularity and success while among conventional titles numerous closures have taken place, largely as a result of technological advances and altered consumption and advertising patterns (Patterson, 2007; Slattery, 2009). In magazine publishing too, many businesses and titles are struggling to innovate in the face of threatened extinction (Luft, 2009). Digital convergence and growth of the Internet have provided extensive opportunities for innovation – thus acting as a 'creative' force – but also, as evidenced by recent closures among newspapers, these developments have engendered difficulty and even demise for some market incumbents.

Schumpeter's view was not only that creative destruction is an inherent feature of capitalist societies but also that it is a beneficial one (1942). In a similar vein, Schumpeter and other economists (such as Friedrich Hayek and Lionel Robbins) have argued that recessions serve

the useful purpose of encouraging a reallocation of resources away from less productive activities (as reflected in higher company liquidations) and towards what are ultimately more productive economic activities. Thus in periods of technological change and of recession, such as were experienced by media companies in 2009–10, the combined forces of liquidationism plus creative destruction are apt to speed the pace at which slow adaptors get weeded out.

It is possible to draw a distinction between creative destruction – a process that is potentially helpful to the economy – and the possibility of ‘destructive’ destruction. The latter alludes to a phase in which businesses are eradicated but without any positive benefits being created. If the innovation that allows a firm to displace market incumbents is based on practices or activities that are not conducive to the wider economic or public good – if, say, it involves pollution – then what appears to be creative destruction may, in fact, turn out to be something else. Getting the diagnosis right is important from the point of view of ensuring an effective and appropriate policy stance.

Digital convergence is associated with countless claimed gains for citizens and consumers related to the arrival of innovative services, more flexibility and control over how and when to access media plus greater opportunities for participation. However, the more negative impact of digitization and the Internet on the ability of content suppliers to derive revenues from their intellectual property has prompted concerns in some quarters about whether changes sweeping across content provision industries amount to creative destruction or ‘just plain destruction’ (Liebowitz, 2006: 1). The fact that online service providers such as Google and YouTube, who may not have borne any of the investment costs involved in making content, will nonetheless often find themselves well-placed to siphon off audiences and revenues poses an obvious threat to broadcasters and other professional creators and suppliers of media content worldwide.

Opinions differ as to whether digital convergence and the Internet count as revolutionary and disruptive rather than just evolutionary technological changes, but it is widely accepted that significant technology transitions such as these are ‘always highly problematic for incumbent players’ (Küng, Picard and Towse, 2008: 33). Even so, firms across many sectors have historically survived processes of creative destruction and, in the media sector, the challenge of adapting to technological change is certainly nothing new (Carlaw et al., 2006). If, as some have argued, most media incumbents can be expected to survive (Cole, 2008), this requires that operational and corporate strategies must be adapted successfully to the era of convergence.

MULTI-PLATFORM

Across the media, many firms have responded to digital convergence by adopting a multi-platform strategy in relation both to production and to exploitation of their content assets. In response to a progressive blurring of market boundaries, many have migrated to an approach in which the aim is to supply and exploit content across multiple platforms and formats, including digital, rather than just one (Doyle, 2010a). The strategies of newspaper and magazine publishers are increasingly reliant on building online subscriptions. Many if not most television companies have embraced multiple and cross-platform distribution as a vital means of retaining and building audiences in the face of vastly increased competition. In the UK for example, virtually all speak of having a multi-platform or '360-degree' approach to content acquisition and distribution (Parker, 2007; Strange, 2011). A 360-degree approach means that from the earliest stages at which a new content property is considered, thought is given to what potential exists for that property to be distributed and exploited across *multiple* delivery platforms (including online and mobile) rather than just one.

The view that the business of supplying content should be seen as a multi-platform rather than a single platform activity has been embraced by most sizeable media companies and, in the television industry, by public service providers and commercial players alike. In the UK, the most prominent providers of PSB are the BBC and also advertiser-funded Channel 4. Channel 4's chief executive summarized the shifting landscape as follows: 'Broadcast television is no longer the funnel through which entertainment and information are channelled to millions of waiting consumers in a one-way flow' (Duncan, 2006: 21). An expanding range of delivery platforms and the growing popularity of the Internet have undermined the long-established position of television broadcasters as 'overseer in the great treasure house of content' (ibid.). The ways in which digital developments and fragmentation have changed relationships with audiences and introduced new expectations was summarized by a senior executive at BBC Scotland:

Across all media, everyone now has multi-platform approaches to content. That is driven by the market – by audiences. Audiences are determining what *they* want and how they want the material.¹

¹Small: interviewed in Glasgow in 2009.

The move to multi-platform involves adjustment in the nature of an organization's ethos as well as its activity. At the BBC, Director-General Mark Thompson framed a major strategic restructuring of the corporation's activities around the new imperative that '[f]rom now on, wherever possible, we need to think cross-platform' (Thompson, 2006: 12). In the commercial sector too many broadcasters have consciously overhauled their organizational cultures so as to execute strategies that capitalize on a multi-platform approach more effectively. Perceptions about what the business of supplying content is about have changed fundamentally, according to the Head of Digital at MTV Networks UK:

The future of media companies isn't just in making movies, broadcasting TV and making TV. It also is making console games like *Rock Band* ... and games online ... and virtual worlds, which have millions of people communicating with each other within our brand but has got nothing to do with TV ... MTV in the UK is a completely 360-degree media owner ... We're *not* a broadcaster; that's just part of what we do. We make programmes, we own brands and we media-cast [across] multi-platforms.²

As a great many recent studies indicate, the urge to invest in development of multimedia and online businesses is widely evident across the media industry and on an international basis (Friedrichsen and Mühl-Benninhaus, 2012; Krone and Grueblbauer, 2012; Medina and Prario, 2012; Nieminen, Koikkalainen and Karppinen, 2012; Vatanova, Makeenko and Vyrkovsky, 2012). Greater investment is reflected, for example, by a progressive increase over time in the number of media employees devoted to such activities. Empirical research focused on the UK television industry has shown how 'the sector is responding to technological advances through attrition and disappearance of jobs in some areas while, in functions related to the Internet and digital or future media, the flow of new jobs has increased markedly' (Doyle, 2010b: 253).

In theory, the impetus to adopt a multi-platform approach towards supplying content seems to make a great deal of economic sense, because it capitalizes on the public good characteristics of media content discussed in Chapter 1. It allows fuller and more thorough exploitation of intellectual property assets across additional outlets at what may be a relatively low marginal cost. Repurposing and recycling of content is

²O' Ferrall: interviewed in London in 2009.

by no means new and has long contributed towards the profitability of major media conglomerates (Caldwell, 2006; Murray, 2005; Vukanovic, 2009). In practice, however, the effect of a multi-platform approach on profits is not straightforward because the level of ambition involved in such a strategy can vary widely from one organization to another, with differing implications for costs and hence profits both in the short and long term.

While adoption of a multi-platform approach is widespread among media firms, what this actually means in terms of the sort of content being supplied, the combination of delivery platforms being used, the sorts of opportunities being pursued and the level of investment and experimentation involved varies widely (Anderson, 2006; Bennett and Strange, 2011; Johnson, 2007; Krone and Grueblbauer, 2012; Medina and Prario, 2012; Pardo, Guerrero and Diego, 2012; Roscoe, 2004). For some, the essence of the strategy appears to be low-cost reuse of existing content. For others, dispersal of content across multiple platforms involves significant investment in creation of multiple texts and ancillary materials to enhance the suitability of content for different modes of delivery. Whereas the economics of supplying media will be enhanced where multi-platform distribution enables firms to derive further value from their content properties and to reap economies of scale and scope, it remains possible that, in a world of fragmenting audiences, the additional costs involved in deploying such a strategy effectively will not be matched by marginal revenues, at least in the short term (Doyle, 2010a: 9–14).

Irrespective of how costly it may be, the need to innovate and to adapt in response to technological change is widely recognized as essential to the survival and competitive success of firms operating in free-market economies (Baumol, 2002). For media firms, adaptation that accords with emerging patterns of audience and advertiser behaviour which digital convergence has brought about is vital (Gershon, 2012). The experience of UK-based broadcasters suggests that adjustment and innovation based around switching to a multi-platform approach is generally based on the promise of advantages in two main areas. One relates to providing more and improved access to content, the other to new forms of audience engagement.

With regard to the former, a key incentive for broadcasters or indeed newspaper and magazine publishers to adapt their strategies to make sure that delivery via the Internet and other digital outlets will, in future, play a much greater role, is the potential for fuller exploitation of content assets. In the television industry, the rapid growth in popularity of online television services such as, in the UK, the BBC iPlayer catch-up

service or, in the US, the Hulu on-demand video streaming service owned by NBC, Fox and Disney provide good examples of how a multi-platform approach can generate additional audience value. Recycling and ‘windowing’ of content across additional audience segments, although by no means a new practice, makes very good economic sense.

A second area where digitization and multi-platform distribution provide opportunity for innovation and improved efficiency relates to the unprecedented ways that new technology allows suppliers to get to know their audiences and to match content more closely to their needs and desires (Caldwell, 2003; Doyle, 2010a; Shapiro and Varian, 1999). Because of improved signalling of audience preferences (via the digital return path), the ability of content suppliers to trace, analyse, monitor and cater more effectively to shifting and specific tastes and interests among audiences has increased vastly. In addition, as is discussed further in Chapter 4, because of the ‘lean forward’ rather than ‘lean back’ character of digital media consumption, a much more intensive relationship with audiences can be constructed and this represents a source of both creative and commercial opportunities.

A NEW CORNUCOPIA?

Adoption of a multi-platform approach is widespread among media firms and is motivated partly by the desire to exploit content more effectively and to harness the advantages of digital two-way connectivity. However, the re-envisaging of corporate missions in a more platform-neutral way also reflects a widespread recognition that major changes in consumption patterns and in the appetites of (especially younger) audiences have taken place. At the same time as offering opportunities to innovate, these changes threaten to simply leave behind those media organizations who fail to adapt.

To what extent has multi-platform distribution *improved* allocative efficiency within processes of supplying media content? This approach to distribution has engendered a vast increase in opportunities for consumption and engagement with content. On account of multi-platform dissemination the volume of outputs and the supply of opportunities to consume media content have ballooned, reflecting wider cross-platform access to media content and tendencies to create and supply multiple versions of narratives out of individual stories and content properties and brands. Digitization has removed constraints over distribution capacity and made reversioning of content easier and, as a result, dissemination across additional platforms and especially the Internet is now fairly common as a strategy.

However, whereas volumes of output have grown and opportunities to access it have multiplied, whether this has brought about an improved experience for audiences is open to question. Because the construction of attractive multi-platform content propositions can be expensive and because some forms of media content are inherently much better suited towards diversified distribution than others, the widespread adoption of a multi-platform approach is inevitably contributing to the ascendance of some forms of content at the expense of others (Johnson, 2007; Murray, 2005: 431). The problem is that – particularly at a time when budgets are constrained – multi-platform strategies can encourage more recycling of content across platforms and a greater reliance on safe and popular themes and brands that achieve high visibility and impact (Doyle, 2010a). To the extent that widespread adoption of multi-platform strategies results in a tendency towards narrowing of diversity or degradation in content quality, it might well be argued that this outcome detracts from rather than improves efficiency.

This underlines the more general point made earlier that, where media and other cultural industries are concerned, judgements about economic efficiency are inherently complex. On account of the socio-cultural dimensions of supplying media, any complete assessment of the economic merits of one set of arrangements for provision versus another calls for some consideration of whatever welfare impacts those differing arrangements would give rise to.