M.A.
(COMMUNICATION ANDJOURNALISM)
SEMESTER - I (CBCS)

MEDIA ECONOMICS SUBJECT CODE :

Prof. Suhas Pednekar Vice Chancellor
University of Mumbai, Mumbai.

Prof. Ravindra D. Kulkarni Pro Vice-Chancellor University of Mumbai.
Prof. Prakash Mahanwar Director
IDOL, University of Mumbai.

Programe Co-ordinator : Mr. Anil R. Bankar
Associate Professor of History and
Head, Faculty of Humanities,
IDOL, University of Mumbai.

Course Co-ordinator : Mr. Sagar Karande
Assistant Professor, Communication and Journalism, IDOL

Course Writers : Dr. Yatindra Ingle
Assistant Professor,
Usha Pravin Gandhi College of Arts Science and Commerce.

: Gajendra Deoda
Assistant Professor,
Sathaye College.

: Priya Shukla
Assistant Professor,
Rizvi College of Arts, Science and Commerce.

: Aditi Mone
Assistant Professor,
Sheth NKTT College of Commerce and JTT College of Arts,
Thane.

May 2022, Print I

Published by
Director

Institute of Distance and Open Learning, University of Mumbai,Vidyanagari, Mumbai - 400 098.

DTP COMPOSEDAND PRINTED BY
Mumbai University Press,
Vidyanagari, Santacruz (E), Mumbai - 400098.

CONTENTS

Unit No. Title Page No

*****

Syllabus

Media Economics (Core course)

M.A.(Communication and Journalism)	Semester – I
Course Name: **Media Economics (English Version)**	**Course Code:**

This course teaches how economic theories and concepts apply to all aspects of media. The digital revolution, convergence, globalised competition and international trade has reshaped communication and media businesses and is, at the same time, presenting challenges to policy makers. This course equips the learner to understand how economic forces affect the operation of media industry, explores innovation, digital multi-platform developments, economics of networks, risk-spreading strategies, copyright, corporate expansion, advertising whose resonance frequently extends beyond individual sectors and across the industry as a whole.

By the end of the course the learner must be able to apply economic theories and concepts to the mass media and mass communication in India and the world**:**

Week 1	What is media economics about, macroeconomics and microeconomics, the firm in economic theory, competitive market structures, market structure and behavior	Understanding Media Economics, Gillian Doyle, Sage, 2013 Media Economics: Theory and Practice, edited by Alison Alexander, James E. Owers, Rod Carveth, C. Ann Hollifield, Albert N. Greco, Lawrence Erlbaum, 2004 Handbook of Media Management and Economics, edited by Alan B. Albarran, Sylvia M. Chan Olmsted, Michael O. Wirth, Lawrence Erlbaum, 2006 The Indian Media Business, Vanita Kohli Khandekar, Response, 2010
Week 2	Ethics in India – principles and practice	
Week 3	Economies of scale, of scope and changing technology	
Week 4	Convergence, what are multi-media platforms, the vertical supply chain	
Week 5	Changing market structures and boundaries, digital convergence.	
Week 6	Technological change, innovation, creative destruction, multi-platform	
Week	Media response to digitization, managerial	

7	theories, horizontal expansion, vertical expansion, transnational growth	
Week 8	Economics of networks, broadcasting networks, online content distribution, social networks and microblogging	
Week 9	Mass to niche, user empowerment, segmentation and branding, audience flow management, public service content provision	
Week 10	The economics of print, film, television and radio	
Week 11	Globalising of content, advertising industry, internet advertising, advertising as barrier to market entry	
Week 12	Media economics and public policy	
Week 13	The Indian print and digital media business	
Week 14	The India electronic media business	
Week 15	The Indian film business	
Total Hours	4 hours per week = 60 hours	

The course will specifically cover the following areas. Introduction to media economics theory and practice, economics and media regulation, economics of international media, economics of the daily newspaper, television, radio, internet, cable industry, films, advertising, online media and public relations.

Class methodology:

This is a six credit course. It will involve teaching-learning for four hours a week for a period of 15 weeks. Of the total 60 teaching-learning hours, 40 will comprise the central teaching component while 20 hours will comprise the self-study component. The self-study component will consist of academic tasks outside the classroom that will be assigned by the teacher. The 40 hour teaching component will include two tests conducted in the classroom. These tests may be written, oral, in the form of presentations etc. Altogether these tests will be for 25 marks.

The self-study component of 20 hours will include writing of critical essays, research projects, and production of media content. These will be evaluated for 15 marks. The self-study component assigned in this manner will be related to or an extension of but not in lieu of the prescribed syllabus.

*****

1

MEDIA ECONOMICS

Unit Structure

1.1 INTRODUCTION

The application and study of economic ideas and concepts to the media industries is known as media economics. Traditional media such as print, broadcasting, music, and film, as well as emerging media forms such as

the Internet, are all covered under media economics. Media economics research covers a wide range of themes, including policy and ownership issues, market concentration, media firm practises and performance, and media political economy. This unit examines the history of media economics, significant theories and paradigms in media economics research, and media economics' contributions to the larger field of communication science.

Media economics is a term used to describe the financial and business transactions of organisations that produce and sell content to the various media sectors. What is produced, the technology and structure of how it is produced, and for whom it is produced are all topics in economics. The study of the application of economic ideas, concepts, and theories to the macro and microeconomic elements of mass media enterprises is known as media economics. Print, radio, television, the Internet, and social media are all common media platforms.

According to the Ministry of Information and Broadcasting of India's 2014 records, there are 832 television channels (406 news & current affairs, 426 others), 245 FM (frequency modulation) radio stations, 179 community radio stations, and 99,660 publications (news papers 13,761 and periodicals 85,899) registered with the Registrar of Newspapers for India (RNI)], following the Government of India's initiative to relax foreign

direct investment (FDI) pave the way for the Media economic aspects in relation to content, sources, media firm managing pattern, media products, influence of media regulations, polices, changing consumer taste & technology, cross media ownership, media manpower hiring pattern, and global, national, and local competition in media firms all have a lot of potential to be studied.

Microeconomic components of the media market are studied in relation to policies and regulations at the global, national, and local levels, where microeconomics encompasses supply and demand, consumer requirements and wants, market structure, and business conduct and behaviour.

1.2 HISTORICAL DEVELOPMENT OF MEDIA ECONOMICS:

The study of economics paved the way for the establishment of the area of media economics. With the study of mercantilism in western Europe in the sixteenth century, the first literature on economic thinking began to emerge. The amassing of precious metals such as gold and silver was linked by mercantile with riches. If a country lacks mining, it can obtain goods through trade and commerce. This resulted in political market interference through tariffs and subsidies, elevating commercial interests to national policy and connecting economic activity to political goals. The French physiocrats, a group of eighteenth-century intellectuals who opposed mercantilism in favour of agriculture, were among the first to advocate for a laissez-faire policy, or minimum government intervention in the market. This organisation was one of the first to see the economy as a continuous flow of inputs and outputs.

With a massive collection of works that produced a key work named The Wealth of Nations, philosopher Adam Smith is recognised with providing the first syntheses of economic philosophy. Land, labour, and capital,

according to Smith, are the three most significant aspects of production and key contributors to a country's wealth. Smith coined the term "political economy" to describe the developing subject, which later became the moniker for the study of economics. In addition to Smith, the classical school of political economy was founded by David Ricardo, Thomas Malthus, and John Stuart Mill. These authors' research focused on the interaction of economic factors, market operation, and production costs.

New theories such as marginalist economics and Marxism would subsequently challenge the classical school. While classical scholars believed that price was primarily influenced by the cost of production, marginalists felt that price was driven by demand. The marginalists supplied the basic analytic tools of demand and supply, consumer utility, and the use of mathematics as an analytical tool, all of which were forerunners to the creation of microeconomics. Marginalists also claimed that, in a free market economy, the factors of production (most notably

land, labour, and capital) were crucial to comprehending the economic system.

Labor was designated as the source of production by the Marxist school, which was founded on Karl Marx's works. Marx was opposed to a market system that permitted capitalists (factory and machinery owners) to exploit workers and deny them a fair portion of the things created. Marx foresaw capitalism's demise, thinking that the disenfranchised worker class would eventually rebel, topple the capitalists, and seize the means of production.

By the turn of the century, universities had embraced the expanding field and had eliminated the adjective "political" in favour of the single word "economics," which was used to describe courses in both North America and Europe. However, a more significant shift was taking place, as economic study shifted from a classical to a neoclassical methodology. Neo-classical economics was distinguished by its examination of market behaviour and price determination using both analytical techniques and mathematics (mainly calculus). Another significant addition of neoclassical economics was the refining of demand theory, as much of classical economics tended to focus solely on production and supply principles. Many of the principles developed during the neoclassical era became the foundation for the study of microeconomics as a whole.

A number of significant contributors enriched the study of economics in the second half of the twentieth century. During his time at the University of Cambridge, Alfred Marshall became one of the most prolific economic researchers, inspiring innumerable graduate students. Marshall is credited for refining many parts of economic theory, as well as making significant contributions to the study of industrial supply, consumer surplus, demand elasticity, and resource allocation.

During this time, another important academic, Edward H. Chamberlin, proposed a new type of market structure termed monopolistic competition. Monopolistic competition is based on the concept of product differentiation, which can be applied to a variety of industries where numerous providers offer slightly different items. Joan Robinson

established the theory of imperfect competition, which looked at price discrimination among monopolists as well as the labour market. She was one of the few female scholars in the neoclassical era. During the neo classical period, welfare economics, the study of how economics might be used to support better social policies, blossomed.

With the introduction of macroeconomics, significant shifts in twentieth century economic philosophy were further realised. The focus shifted to aggregate economics, which includes all monetary and market ideas. During the 1950s and 1960s, macroeconomics became a driving force behind a number of fiscal policy decisions in both Western Europe and the United States. Alfred Marshall's student and eventual originator of Keynesian economics, John Maynard Keynes, became the most well known macroeconomics scholar.

The basis for using government spending and taxation to stabilise the economy would be provided by Keynes' ideas and research. When private spending was insufficient and risked a recession, Keynes believed the government should boost spending and lower taxes; conversely, when private spending was excessive and threatened inflation, the government should reduce expenditure and raise taxes. The focus on the elements that influence total spending that Keynes advocated for is now at the heart of modern macroeconomic analysis.

Irving Fisher (money, pricing, and statistical analysis), Knut Wicksell (public choice), A. C. Pigou (welfare economics), and Milton Friedman were among the other scientists who influenced macroeconomics as a field of study (economic policy and consumption). Macroeconomics currently covers a wide range of themes, including economic growth, employment, aggregate output, consumption, inflation, and political economy, to name a few. Other fields of study that occurred with this time period included international economics, developing applied economics methodologies, and the adoption of more sophisticated analytical and statistical tools through econometrics, a sub-field of economics.

Theoretical economics and economic theory are always developing and evolving. Growing inflation and productivity developments in the 1970s pushed economics in new directions, including monetarist ideas, which re emphasized money supply growth as a predictor of inflation. The hypothesis claims that the ability of the market to anticipate government policy actions limits their efficacy.

The study of supply-side economics resurrected a concern voiced in the classical school about economic growth as a necessary condition for societal improvement. Supply-side economics emphasises the importance of providing incentives for consumers to save and invest in order for a country's economy to grow, as well as the danger of cancelling out those advantages through high taxes.

1.3 DEVELOPMENT OF MEDIA ECONOMICS:

This overview of important historical trends in economic theory exemplifies the field's rich diversity of studies and theories. Scholars began to research many different marketplaces and businesses as the study of economics became more polished, applying economic concepts and

principles to a variety of fields, including media. The development of media economics would be aided by the growing interest in this field.

The development of mass media cleared the door for the study of media economics, with some of the first studies appearing in the 1950s and continuing into the twenty-first century. All of the ingredients needed to study the economic process were present in the media industries. Consumers and advertising formed the demand side of the market, while content providers delivering information and entertainment represented suppliers. Macroeconomic market conditions were influenced by regulatory and policy bodies (e.g., the Federal Communications

Commission [FCC], the Federal Trade Commission, and other entities), whereas microeconomic market conditions were influenced by the relationships between suppliers in various industries.

Many of the first media economics studies focused on microeconomic issues, with newspapers, radio, and television as the key businesses studied. The majority of this early research is descriptive in nature, covering subjects such as ownership, advertising revenues, market structure, and competition with other media.

Concentration of ownership was a hot problem early on in the field, and it continues to be so today. The media's concentration has an impact on both regulatory and social policy, and there is a substantial body of literature on the subject covering all aspects of the media industries. Concentration is synonymous with ownership, which is another topic of investigation in media economics. Ownership studies can also be viewed through the lens of media management, demonstrating the interconnectedness of media management and media economics. Other research has looked at media competition, consumer spending and the relative constancy principle, barriers to entry for new businesses, advertising and ownership desire, and consumer utility.

The Journal of Media Economics debuted in 1988, significantly establishing the area of media economics. The Journal of Media Economics has established itself as the leading publication for cutting edge research in the subject. A number of books and edited volumes have contributed to the development of media economics, in addition to essays in scientific publications.

1.4 MEDIA ECONOMIC RESEARCH METHODOLOGIES

Trend studies, financial analysis, econometrics, and case studies are the four techniques suggested by the literature

Data from a time series is compared and contrasted in trend analyses. Scholars often research concentration indices over time to determine the impact of various legislative decisions or other acts on media ownership when examining media concentration. The network radio trend studies by Dimmick and McDonald (2001), Greco's (1999) research of book publishing and mergers, and Lewis' (1995) study of changes in newspaper price and subscription fees were also reviewed.

Another useful instrument in media economics is media financial analysis. It employs a variety of data kinds and formats. The data from financial statements is examined, as well as the usage of several sorts of financial ratios. Economic research questions, hypotheses, and theory are validated and developed using statistical and mathematical models in econometrics. Media economists with backgrounds in communication or journalism are unfamiliar with econometrics, which requires mathematical skills to create

econometric models used in general economic literature. Kennert and Uri (2001) and Miller (1997) are two examples of econometric analysis study.

Case studies are common in media economic research because they allow a researcher to use a variety of data and approaches. In media economics study, case studies are usually very specialised and focused analyses. McDowell and Sutherland's (2000) analysis of branding, Nye's (2000) evaluation of litigation in music publishing, and Gershon and Egen's (1999) case study of retransmission consent in the US cable television market are some noteworthy case studies. Policy analysis and historical research are two examples worth mentioning. The impact of governmental regulatory policy on media markets and businesses is the subject of policy studies. Historical research focuses on changes over time and can include a variety of approaches such as trend analyses, policy analysis, and case studies (Wolfe & Kapoor, 1996). Because the unit of analysis is frequently the organisation or corporation, this technique is common in media management research. The best type of data can be found in the complexity of organisational phenomena. It's also beneficial for performing exploratory research, such as when you want to learn more about areas of organisational behaviour that aren't well documented or understood yet and can only be uncovered through careful, multi-layered investigation.

Microeconomic theories, macroeconomic theories, and political economy, which can also be referred to as critical theory, are the three key areas of theoretical research that account for much of the knowledge in the subject of media economics. Because media economics research focuses on individual industries and market situations, much of the historical literature base deals with microeconomic trends and challenges.

Macroeconomic studies, by their very nature, include a considerably broader range of themes, including labour and capital markets, GDP, and policy and regulatory issues. In comparison to the literature based on microeconomic theories, the literature based on macroeconomic theories is much smaller.

The political economy of the media is broad and varied, and it arose as a reaction against positivist approaches to conventional economic theory. Scholars from subjects such as political science, sociology, and economics, as well as communications, flocked to the mass media as a natural area of investigation for political economy research.

1.5 NATURE OF RESEARCH IN MEDIA ECONOMICS

Good research, regardless of discipline, is as much about the importance

of the issue posed as it is about finding an answer to it. Here are a few questions that enumerate media economic issues:

Do media companies create the goods and services that people desire and need? Are they delivered in sufficient numbers and under optimal conditions? What relationship exists between the markets in which media

companies operate and their performance? How can media executives ensure that the resources available to provide media goods are utilised as efficiently as possible?

What unique obstacles does the management of creative processes present? Which tactics will ensure that new media technologies are utilised to their full potential in order to gain a competitive advantage?

What role should the government play in ensuring that media output is organised and supplied in a way that meets social needs? The next research question is for whom the research is being conducted; it is apparent that it is being conducted on behalf of a customer (a media organisation).

Interviews and questionnaires are the two most frequent research approaches for gathering information from media managers or other industry practitioners. Observation and focus groups are two other ways that could be effective.

1) Texts and documents:

For researchers in our profession, official data in the public domain is an immensely significant resource. Industry regulators such as the Telecom Regulation Authority of India, the Ministry of Information Broadcasting media wings, the Federation of Indian Chambers of Commerce (FICCI), or the Copyright Tribunal are typically able to provide essential economic media data.

Monthly performance evaluations, dissections of running costs, and the kind of management data that would allow a media company's operations to be evaluated in great detail are typically not available to the public (nor, understandably, to rivals). Only by negotiating with or talking to the gatekeepers can a motivated researcher gain access to this type of data.

Much of this official data is already available on the websites of numerous bodies. For media management researchers, the Internet has become a very valuable research tool. Indeed, most of the sources of official media industry statistics, whether public or private, national or worldwide, have websites where you may find information on reports and publications (and, in many cases, full papers in downloadable form). Sales and audience figures published by corporations like Nielsen or BARB are routinely released into the public domain, and additional data may be available on websites or in industry magazines.

2) People:

People are, of course, one of the most essential sources of knowledge on management techniques in the media industry. Interviews and

questionnaires are the two most frequent research approaches for gathering information from media managers or other industry practitioners. Observation and focus groups are two other ways that could be effective.

3) Analyses (quantitative and qualitative):

Existing research studies in media management and economics demonstrate a variety of quantitative and qualitative investigation methodologies (sometimes both). Measurement is at the heart of quantitative research. Quantitative analysis can be applied to the results of questionnaire surveys, highly organised interviews, or numerical and statistical data acquired from primary and secondary sources.

Individuals' interpretations of their environment or events occurring within it, as well as their own or others' conduct, take centre stage in qualitative research. Qualitative research is ideal for examining work practises and management styles, as well as doing organisational research. The examination and presentation of qualitative findings allows for the consideration of nuances and settings.

1.6 WHAT IS MACROECONOMICS AND MICROECONOMICS?

Microeconomics and macroeconomics are the two basic divisions in which economics is split. Microeconomics is the study of specific economic divisions and markets. It examines topics such as consumer behaviour, individual labour markets, and firm theory. Macroeconomics, on the other hand, is the study of the entire economy. Aggregate factors such as aggregate demand, national output, and inflation are examined.

1.7 WHAT IS MACROECONOMICS?

Macroeconomics is the study of a country's economic progress and actions. It also covers the examination of policies and other influencing factors that have a broad impact on the economy. Macroeconomics is based on a top-down strategy, using tactics such as –

· A country's overall economic growth.

· Unemployment and inflation are likely to be influenced by the following factors.

· Interest rates are likely to be influenced by fiscal policy.

· Globalization and international trade have an impact.

· Reasons for differences in economic growth between countries.

Another characteristic of macroeconomics is that it is concerned with aggregated growth and its economic correlation.

What is Microeconomics?:

Microeconomics is concerned with the decisions made by individuals and

businesses in response to the shifting cost of products and services in an economy. Microeconomics encompasses a wide range of topics, including:

Varied marketplaces have different supply and demand for items. Consumer behaviour, either individually or collectively. Individual labour markets, demand, and determinants such as an employee's compensation are all factors that influence service and labour demand. One of the most distinguishing characteristics of microeconomics is that it focuses on ad hoc scenarios in which a marketplace's present conditions alter. To analyse the economy, it demands a bottom-up strategy.

What is the relationship between microeconomics and macroeconomics?:

Microeconomics and macroeconomics are not interrelated but mutually separate areas of economics. The two terms have a strong relationship. All microeconomic studies can be used to analyse micro and macroeconomic variables for a better understanding. A study like this will aid in the development of economic policies and programmes. Changes and processes in the economy, as we all know, are the result of both small and large-scale elements that have the ability to affect or are directly affected by one another. For instance, while the tax hike is a macroeconomic decision, the impact on enterprises' savings is a microeconomic consideration.

Let us consider another example: if we understand how the price of any commodity is set and what role buyers and sellers play in the process, we will be better able to analyse changes in the overall price level of all commodities in the economy.

Microeconomics is the study of determining the price of a commodity and the role of buyers and sellers in this process, whereas macroeconomics is the study of the overall price level in economics. Similarly, to identify an economy's performance, we must first determine the performance of each sector of the economy, and to determine the performance of each sector of the economy, we must determine the performance of each sector individually or in groups.

A microeconomics study examines each sector of a production unit or group, whereas a macroeconomics study examines all production units in all sectors. As a result, microeconomics and macroeconomics are two aspects of economics that are intertwined. As a result, economics requires a thorough understanding of both words.

1.8 MICROECONOMIC THEORIES: THE INDUSTRIAL ORGANIZATION (IO) MODEL

The industrial organisation model, devised by a group of neo-classical economists, is the most extensively used framework for studying media economics. The model provides a method for systematically assessing many of the abstract notions encountered in market research. The industrial organisation (IO) concept is based on three primary factors: market structure, market behaviour, and market performance. As a result,

 the model is also known as the SCP model, and it is used to analyse media marketplaces and businesses.

In its most basic version, the IO or SCP model asserts that knowing the market structure provides for explanation of anticipated company behaviour and performance. The exact variables linked with each aspect of the model can be used to further define and analyse each of the three domains (structure, conduct, and performance). In the case of market structure, characteristics such as the number of sellers and buyers in the market, the degree of product diversification, the barriers to entry for new rivals, cost and price structures, and the degree of vertical and horizontal integration are frequently utilised for analysis.

For media economics research, the market is quite useful. Some researchers have concentrated on a single aspect of the model, such as market structure, while others have taken a more comprehensive approach and examined all aspects of the model. The model highlights the interdependencies between how a market is constituted and the behaviour and performance expectations that result. Scholars of media economics have been criticised for relying too heavily on the IO model, which they claim does not capture all of the complexities involved with new technologies and market convergence. The model, however, continues to be of tremendous use to academics and remains one of the most important theoretical foundations in microeconomics study.

1.9 THE THEORY OF THE FIRM

The theory of the firm was developed as a result of efforts to improve knowledge of market structure. The theory of the firm is an extension of the industrial organisation model that aims to provide a more detailed explanation of the most prevalent market structures: monopoly, oligopoly, monopolistic competition, and perfect competition. Oligopolistic and monopolistic competitive frameworks dominate most media marketplaces. In the media industry (with the exception of websites), perfect competition is unusual, and monopoly is usually limited to areas like newspapers and cable television.

The simplicity and economy of this method make it appealing. However, due to significant concentration in the media sectors and technological convergence, defining a market structure has grown more difficult. For example, the radio market can be defined as just broadcast radio, but it can also include high definition (HD) and satellite radio, Internet radio, and even podcasting. Many academics believe that these broad and basic names do not adequately describe market structure.

Competitive Market Structures:

What is Market Structure?:

In economics, market structure refers to how different industries are classed and distinguished based on the degree and form of products and

 service competition. It's based on the features that influence the behaviour and

outcomes of businesses in a certain market.

The number of customers and sellers, ability to negotiate, degree of concentration, degree of product differentiation, and ease or difficulty of entering and departing the market are all elements that influence market structure.

Market Structures: An Overview:

Market structures can be well understood in economics by evaluating a variety of aspects or characteristics displayed by different players. The following seven key characteristics are commonly used to distinguish these marketplaces.

· The buyer structure in the industry

· The number of clients who return

· The degree to which products differ

· The nature of input costs

· The number of market participants

· In the same industry, the degree of vertical integration

· The market share of the biggest player

Similar attributes can be discovered by comparing the aforementioned characteristics to one another. As a result, categorising and distinguishing organisations across connected industries becomes easier. Economists have identified four unique types of market structures based on the characteristics listed above. Perfect competition, oligopoly markets, monopoly markets, and monopolistic competition are some of them.

1.10 MARKET STRUCTURES: WHAT ARE THEY AND HOW DO THEY WORK?

1. Perfect Competition:

When a large number of small businesses compete against each other, perfect competition occurs. They sell identical products (homogeneous), have no price effect over commodities, and can enter and depart the market at any time.

The things being sold are fully understood by the consumers in this form of market. They are aware of the charges made against them as well as the product branding. The pure form of this type of market structure rarely exists in the actual world. It is, nonetheless, useful when comparing organisations with similar characteristics. This market is unrealistic due to the following key issues.

When there is little competition and a firm has a dominant market share, there is a natural urge to accelerate innovation in order to keep up with the competition and maintain the

status quo. In a totally competitive market, however, the profit margin is set, and sellers are unable to raise prices without losing clients.

There are few impediments to entry: Any business can enter the market and sell its product. In order to sustain market share, incumbents must remain proactive.

2. Monopolistic Competition:

Monopolistic competition is a type of imperfectly competitive market that has both monopolistic and competitive characteristics. Sellers compete with one another and can differentiate their products in terms of quality and branding to appear unique. In this sort of competition, sellers examine their competitors' pricing while ignoring the effect of their own prices on their competitors.

There are two main elements of monopolistic competition that can be detected when comparing short-term and long-term monopolistic competition. In the near run, the monopolistic firm optimises revenues and reaps all of the benefits that come with being a monopoly.

Because of the great demand, the company creates a large number of products at first. As a result, its Marginal Revenue (MR) equals its Marginal Cost (MC) (MC). MR, on the other hand, decreases with time when new competitors enter the market with distinct products, influencing demand and resulting in lower profit.

3. Oligopoly:

A small number of large enterprises sell differentiated or identical items in an oligopoly market. Because there are just a few companies in the market, their competing strategies are intertwined.

If one of the actors, for example, decides to drop the price of its items, this will cause other actors to follow suit. A price increase, on the other hand, may persuade others to take no action in the hopes that consumers will choose their items. As a result, strategic planning by these players is essential.

In a case when enterprises are competing against each other, they may reach an agreement to share the market by limiting production, resulting in above-average earnings. This is true if both parties respect the Nash equilibrium state and are not enticed to play the prisoner's dilemma. They operate as monopolies under such an agreement. Cartels are the term for collusion.

4. Monopoly:

A single business represents the whole industry in a monopoly market. It is the only seller of products in the entire market and has no competitors.

This market is defined by factors such as sole claim to resource ownership, patent and copyright protection, government-issued licences, and significant initial start-up costs.

All of the following features of monopoly make it difficult for other

businesses to enter the market. Because it has the authority to dominate the market and set prices for its goods, the firm remains a sole vendor.

1.11 QUESTIONS

1. Discuss the historical developments of Media Economics.

2. Explain nature of research in Media Economics.

3. What Is Micro and Macroeconomics? State the relation between them.

4. Discuss in detail 'Microeconomic Theories: The Industrial Organization (IO) Model'.

5. Discuss at length 'Competitive Market Structures'.

1.12 REFERENCES

· Albarran, A. B. (2002). Media economics: Understanding markets, industries and concepts, 2nd edn. Ames, IA: Blackwell.

· Albarran, A. B., Chan-Olmsted, S. M., & Wirth, M. O. (2006). Handbook of media management and economics. Mahwah, NJ: Lawrence Erlbaum.

· Alexander, A., Owers, J., Carveth, R., Hollifield, A., & Greco, A. (eds.) (2004). Media economics: Theory and practice, 3rd edn. Mahwah, NJ: Lawrence Erlbaum, pp. 207–220.

· Croteau, D., & Hoynes, W. (2006). The business of media: Corporate media and the public interest. Thousand Oaks, CA: Pine Forge.

· Dimmick, J. W. (2003). Media competition and coexistence: The theory of the niche. Mahwah, NJ: Lawrence Erlbaum.

· Napoli, P. M. (2003). Audience economics. New York: Columbia University Press.

· Picard, R. G. (2002). The economics and financing of media firms. New York: Fordham University Press.

· Picard, R. G. (ed.) (2002). Media firms. Mahwah, NJ: Lawrence Erlbaum

*****

2

WHAT IS SO SPECIAL ABOUT ECONOMICS OF MEDIA, KEY

ECONOMIC CHARACTERISTICS OF THE MEDIA

Unit Structure

2.1 WHAT IS SO SPECIAL ABOUT THE ECONOMICS OF THE MEDIA?

The application of economic theory and views in the context of media provides a range of obstacles because media and other 'cultural' output have unique traits not shared by other products and services. The output of the media appears to defy the very premise on which economic principles are based — scarcity. It does not matter how many times a film, a song, or a news report is seen or listened to.

The goal of economics is to enhance 'efficiency' in resource

allocation. The concept of economic efficiency is intrinsically linked

to goals.

Media organisations, on the other hand, have a wide range of goals. Many media companies adhere to the traditional idea of the firm and, like any other commercial entity, are primarily focused on making profits and satisfying shareholders. However, a significant number appear to be motivated by other factors. Quality of production and other 'public service' type objectives are an aim in itself for people who work in the public sector. Some broadcasting companies straddle the market and the non market sectors, appearing to meet one set of goals for industry regulators and another set of goals for shareholders. Because the objectives are vague, any all-encompassing model based on standard economic theory is difficult to apply.

The majority of resource allocation choices in free market economies are made through the price system. However, the relationship between pricing and resource allocation in the media is atypical, particularly in broadcasting, where many of the services consumers receive still do not need a direct payment from the viewer (despite the expansion of subscription-based channels). The traditional method of registering customer preferences with suppliers fails when pricing is not used as a direct link between consumers and manufacturers.

In terms of economics, production processes are said to be inefficient if they could create more of at least one commodity without generating less of another by simply reallocating resources. However, when it comes to the creation of media content, this strategy tends to fall short. For example, a television firm may be able to redistribute its resources to produce more hours of programming or reach larger audiences for the same cost as previously. Could this, however, be considered a more effective use of resources if it

narrows the diversity of media output?

These concerns concerning production efficiency and allocation fall under the umbrella of welfare economics, a branch of economic theory. This area encompasses much of the work done in the United Kingdom on broadcasting economics and related public policy challenges, most notably by Alan Peacock and, more recently, by Gavyn Davies and others. The premise that a 'welfare function' (i.e. a functional relation reflecting the maximum welfare that can be created by different resource decisions) can be specified for society as a whole is implicit in this method. Media economics can play a role in demonstrating how to minimise the welfare loss associated with any policy choices around media provision within such a conceptual framework.

2.2 KEY ECONOMIC CHARACTERISTICS OF THE MEDIA

Consider the qualities of the media as a whole that distinguish it from other areas of economic activity to gain a sense of what makes media economics unique. One such trait is that media companies frequently sell their products in two independent and distinct markets at the same time. Media industries are unique in that they typically operate in what Picard (1989: 17–19) refers to as a "dual product" market.

Content (television shows, newspaper copy, magazine articles, etc.) and viewers are the two commodities that media companies produce. One type of output that media companies can sell is the entertainment or news material that listeners, viewers, or readers 'consume.' Insofar as access to audiences can be packaged, priced, and sold to marketers, the audiences drawn by this content are a second valuable product.

Many media firms value audiences because they generate advertising revenue, which is a major source of revenue for commercial television and radio stations, as well as newspapers and many magazines, as discussed in later chapters. Even non-profit media is concerned about their audiences. For example, public service broadcasters must pay close attention to their ratings and the demographic profile of their audience because the level of audience utility or satisfaction they can demonstrate is usually central to discussions about what level of funding, public or private, is made available to them.

Blumler and Nossiter (1991) and Collins et al. (1988: 7–10), for example, have noticed that the other sort of media output – content – has a variety of unique and distinctive characteristics. Media content is commonly

referred to as a 'cultural' good. Feature films, television broadcasts, books, and music are not just commercial products; they can also be valued for their contributions to our cultural environment.

Many cultural commodities have the feature that the information or messages they send, rather than the material vehicle of that information, determines their worth for buyers (the radio spectrum, CD, etc.).

Of course, messages and meanings are intangible. As a result, media content is not 'consumable' in the strictest sense (Albarran, 1996: 28).

Determining what defines a unit of media material can be tricky at times. This could refer to a story, an article, a television show, a complete newspaper, or a radio station, for example.

Meanings, which are not material objects in and of themselves, are the core feature that audiences appreciate in one way or another. Media content does not become used up or destroyed in the act of consuming because its worth is often based on immaterial characteristics. It doesn't matter if one person sees a television broadcast; it doesn't mean that someone other won't be able to watch it.

The same content can be provided to additional consumers over and over again because it is not consumed as it is eaten.

As a result, television and radio broadcasts demonstrate one of the main characteristics of a 'public good.' Other cultural products, such as works of art, are likewise public goods because one person's consumption does not decrease their supply to others. Private goods (such as a loaf of bread, jar of honey, or pint of Guinness) will be consumed as they are consumed, whereas public goods (such as a loaf of bread, jar of honey, or pint of Guinness) will be consumed as they are consumed. One loaf of bread is consumed as soon as one person consumes it. It is no longer accessible to others. Only one loaf of bread can be sold at a time. When an idea or a narrative is sold, however, the seller retains ownership of it and can sell it again and again.

Consumption of private goods depletes precious resources, necessitating rationing (usually by the market and by prices). However, this logic does not apply to public goods. Although the initial cost of establishing a public product may be substantial, the marginal cost of supplying an additional unit of it is almost nothing.

At least for terrestrial broadcasters, the marginal cost of delivering a television or radio show to an additional viewer or listener within one's broadcasting reach is often zero. Similarly, offering an online magazine to one more Internet user has a tiny marginal cost.

The common usage of a Research and Development (R&D) analogy to highlight the very high initial production costs and low replication costs that are characteristic of broadcasting and other media is noted by Hoskins et al. (1997: 31–2). In general, once the first copy of a media product has been generated (during the costly R&D phase), reproducing and supplying more clients costs little or nothing.

What is So Special About Economics of Media, Key Economic Characteristics of The Media

As the audience for any particular media product grows, increasing marginal returns will be enjoyed.

When audiences decline, however, media companies have few options for

cost-cutting. In most other industries, producers can adjust part of their expenses in proportion to how much of their product is sold (and they can reduce raw material purchases if demand slows).

However, regardless of how many viewers tune in or do not tune in, the cost of putting together and delivering a certain programme service is constant for broadcasters. Similarly, when circulation falls short of expectations, newspaper and other print media proprietors have few options for saving money (despite the fact that, unlike broadcasting, marginal print and delivery expenses exist).

2.3 QUESTIONS

1. Explain in detail – What is so special about Economics in Media.

2. State the key economics characteristics of Media

2.4 REFERENCES

· Albarran, A. B. (2002). Media economics: Understanding markets, industries and concepts, 2nd edn. Ames, IA: Blackwell.

· Albarran, A. B., Chan-Olmsted, S. M., & Wirth, M. O. (2006). Handbook of media management and economics. Mahwah, NJ: Lawrence Erlbaum.

· Alexander, A., Owers, J., Carveth, R., Hollifield, A., & Greco, A. (eds.) (2004). Media economics: Theory and practice, 3rd edn. Mahwah, NJ: Lawrence Erlbaum, pp. 207–220.

· Croteau, D., & Hoynes, W. (2006). The business of media: Corporate media and the public interest. Thousand Oaks, CA: Pine Forge.

· Dimmick, J. W. (2003). Media competition and coexistence: The theory of the niche. Mahwah, NJ: Lawrence Erlbaum.

· Napoli, P. M. (2003). Audience economics. New York: Columbia University Press.

· Picard, R. G. (2002). The economics and financing of media firms. New York: Fordham University Press.

· Picard, R. G. (ed.) (2002). Media firms. Mahwah, NJ: Lawrence Erlbaum.

*****

3

ECONOMIES OF SCALE, OF SCOPE AND

CHANGING TECHNOLOGY

Unit Structure

3.1 INTRODUCTION

Economies of scope and scale are two notions that explain why larger organisations' costs are frequently lower. The average total cost of production of a variety of items is the topic of scope economies. Economies of scale, on the other hand, are concerned with the cost advantage that results from a higher level of production for a single good.

Because costs are dispersed among a number of items, a company that benefits from economies of scope has lower average costs. It is far easier for a restaurant chain to introduce new meals than it is to open a new restaurant chain with the same new cuisine. Multiple meals can be promoted at once, and the new items can be cooked and served with the same equipment and personnel. When production and consumption are complementary, economies of scope function best.

A corporation that benefits from economies of scale, on the other hand, has a lower average cost because costs fall as the volume produced rises. For instance, a corporation may be able to produce 100 million computer chips for a lower cost per unit than 1 million chips. For each chip, the corporation must spend a specific amount on research and development (R&D), as well as money to build up each manufacturing. Once that's done, it'll be easier to make more chips with less money. When fixed costs are substantial, economies of scale operate best.

3.2 ECONOMY OF SCALE

The division of labour and specialisation, according to economist Adam Smith, are the two most important ways to increase the return on investment. Employees would be able to focus on a specific task using these two strategies, as well as improve the abilities required to execute their tasks over time. The activities could then be completed more

effectively and quickly. As a result, time and money might be saved while production levels increased thanks to increased efficiency.

There are diseconomies of scale, just as there are economies of scale. This occurs when output is insufficient in comparison to inputs. This indicates that inefficiencies exist inside the company or industry, resulting in growing average costs.

3.3 EXTERNAL SCALE ECONOMIES:

Internal and external economies of scale were defined by economist Alfred Marshall. Internal economies of scale are realised when a corporation cuts expenses while increasing production. Within an industry, external economies of scale exist outside of a firm.

External economies of scale may emerge when an industry's scope of operations expands as a result of outside developments. For example, the development of a better transportation network may result in a reduction in costs for a company and its entire industry. All enterprises in the industry profit when external economies of scale exist.

Economies of Scale Inputs:

There are a variety of inputs that can result in the production of a good or service within every organisation, in addition to specialisation and labour division.

Reduced Input Prices:

When a company buys inputs or inventory in large quantities, such as the potatoes used to produce french fries at a fast-food chain like McDonald's Corp., it might benefit from volume discounts.

Inputs That Are Expensive:

Some inputs, such as R&D, advertising, management experience, and skilled labour, are too expensive. However, higher efficiency with such inputs may be possible, leading to a reduction in the average cost of production and sales. Economies of scale can be gained if a corporation can spread the cost of such inputs over a larger number of production units.

If the fast-food business decides to invest more money on technology in order to improve efficiency by lowering the average cost of hamburger

assembly, it will have to raise the number of hamburgers it makes each year to offset the additional technology costs.

Inputs that are unique:

As a company's scale of production grows, it can employ more specialised workers and machinery, resulting in increased efficiency. This is because workers would be more qualified for a certain job and wouldn't have to waste time learning to do something that isn't in their area of expertise.

For example, instead of creating hamburgers or accepting a customer's order, someone might specialise in solely preparing french fries. A dedicated french fry maker, for example, might have a longer life because it isn't utilised

excessively or poorly.

Techniques and Inputs from the Organization:

With a higher scale of production, a corporation can better organise its resources, such as establishing a clear chain of command, while also enhancing production and distribution procedures.

Employees behind the counter in a fast-food chain, for example, may be divided into two groups: those who take in-house orders and those who serve drive-thru customers.

Inputs to Learning:

The learning processes associated to production, selling, and distribution can result in better efficiency over time, similar to improved organisation and technique—practice makes perfect.

3.4 EXTERNAL SCALE AND LOCATION ECONOMIES:

As a result of the company's geographic location, external economies of scale can be generated from the above-mentioned inputs. As a result, all fast-food franchises in a given city's same area might benefit from cheaper transportation costs and a qualified workforce.

Furthermore, supplementary sectors such as specialised fast-food potato or cattle breeding farms may emerge. External economies of scale can also be realised if the sector shares technology or management knowledge to reduce the costs of expensive inputs. The spillover effect might result in the establishment of industry norms.

Scale Diseconomies:

Diseconomies, as previously stated, can occur. Inefficient managerial or labour policies, over-hiring, or failing transportation networks could all be contributing factors (external diseconomies of scale).

Additionally, if a company's scope expands, it may be required to distribute its goods and services in increasingly separated places. As a result, average costs may rise, resulting in scale inefficiencies. (See "How

 Do Economies of Scope and Economies of Scale Differ?" for more information.)

Some efficiencies and inefficiencies are more location-specific, whilst others are not. If a corporation has multiple plants across the country, costly inputs like advertising can benefit all of them. However, efficiency and inefficiencies can also be caused by a specific place, such as a favourable or unfavourable farming environment.

3.5 IS IT TRUE THAT BIGGER IS BETTER?:

There is a global discussion concerning the effects of larger businesses seeking economies of scale, as well as international trade and economic globalisation.

As organisations become larger, the balance of power between demand and supply may shift, leaving the company out of touch with its customers' requirements. Furthermore, there is rising concern that as major corporations merge, competition would completely vanish. As a result, monopolies may arise that are solely concerned with earning a profit rather than being customer-centric.

Final Thoughts:

The fact that the sources differ is crucial to understanding economies of scale and diseconomies of scale. A corporation must consider the whole impact of its decisions on efficiency rather than focusing on a single source.

While increasing a company's scale of operations may result in lower average input costs (volume discounts), it may also result in scale diseconomies. For example, if not enough transport trucks are invested in, a company's enlarged distribution network may be inefficient.

Companies must balance the effects of many sources of economies of scale and diseconomies of scale when making a strategic decision to expand, so that the average cost of all decisions taken is lower, resulting in higher efficiency all around. (See "Some of the Variables Involved in Economies of Scale" for more information.)

As a result, economies of scale are a common aspect of the media sector. They will be addressed and discussed several times throughout this book, so it is important to understand what they signify. In any industry where marginal costs are lower than average costs, economies of scale are said to exist. Economies of scale exist when the cost of producing an additional unit of a good decreases as the scale of output increases.

Many industries benefit from economies of scale, particularly those in manufacturing (for example, automobiles), where greater production runs and automated assembly line procedures result in reduced average production costs. There could be a number of causes for the existence of economies of scale.

It's sometimes because larger companies can get better (bulk) discounts on essential inputs than smaller companies. Scale economies are frequently associated with the advantages of specialisation and division of labour that are attainable inside large corporations.

Because of the public-good features of the media's product, economies of scale occur. Marginal costs (MC) are the costs of providing a product or

service to an additional customer for a media company.

The overall costs of supplying the product or service are divided by the audience — the total number of people who watch, read, listen to, or otherwise consume it. Marginal costs are often low, and in some cases negligible, in most media sectors. Average costs are almost always lower than marginal costs. If a result, as more viewers tune in or more readers buy a copy of the magazine, the company's average expenses of supplying that product will decrease. Economies of scale and better profits will be realised if average production costs decrease as the scale of consumption of the firm's products increases.

According to the notion of an economy of scope, the average total cost of a company's production drops as the range of commodities produced increases. When a corporation produces a complementary variety of products while focusing on its core capabilities, it benefits from scope economies. At first look, the concept of economy of scope is readily misconstrued, especially because it appears to contradict the concepts of specialisation and scale economies. Imagine that it is cheaper for two goods to share the same resource inputs (if possible) than for each of them to have separate inputs. This is a simple approach to think about economy of scope.

Rail transit is a simple approach to demonstrate scope economies. Rather than having two trains, one for passengers and the other for freight, a single train can transport both passengers and freight for less money. Joint production in this situation lowers total input costs. In economic terms, this suggests that after product diversification, the net marginal advantage of one input factor increases.

Company ABC, for example, is the industry's largest desktop computer manufacturer. Company ABC wishes to expand its product line, so it renovates its manufacturing facility to produce a wide range of electronic products, such as laptops, tablets, and phones. The average total cost of production falls as the expense of operating the manufacturing building is divided over multiple goods. Producing each electrical gadget in a separate building would be more expensive than having a single production facility to produce several products.

Mergers and acquisitions (M&A), newly discovered uses of resource by products, and when two producers agree to share the same factors of production are all examples of economies of scope in the real world.

3.6 ECONOMIES OF SCOPE

According to the economy of scope hypothesis, the average total cost of a company's production lowers as the range of commodities produced increases. When a corporation produces a complementary variety of products while focusing on its core capabilities, it benefits from scope economies.

At first look, the concept of economy of scope is readily misconstrued, especially because it appears to contradict the concepts of specialisation and scale economies. Imagine that it is cheaper for two goods to share the same resource inputs (if possible) than for each of them to have separate inputs. This is a simple approach to think about economy of scope.

Rail transit is a simple approach to demonstrate scope economies. Rather than having two trains, one for passengers and the other for freight, a single train can transport both passengers and freight for less money. Joint production in this situation lowers total input costs. In economic terms, this suggests that after product diversification, the net marginal advantage of one input factor increases.

Company ABC, for example, is the industry's largest desktop computer manufacturer. Company ABC wishes to expand its product line, so it renovates its manufacturing facility to produce a wide range of electronic products, such as laptops, tablets, and phones. The average total cost of production falls as the expense of operating the manufacturing building is divided over multiple goods. Producing each electrical gadget in a separate building would be more expensive than having a single production facility to produce several products.

Mergers and acquisitions (M&A), newly discovered uses of resource by products, and when two producers agree to share the same factors of production are all examples of economies of scope in the real world.

As more of a firm's output is consumed, economies of scope are also about earning savings and achieving efficiencies. Savings are made in this situation, however, by varying the character or scope of the firm's output. Media companies are known for their economies of scope, which are accomplished through multiproduct production, and this is due to the public-good aspect of media output.

Economies of scope are those available to businesses "big enough to participate efficiently in multi-product production and accompanying wide-scale distribution, advertising, and purchasing" (Lipsey and Chrystal, 1995: 880). They occur when there are shared overheads or other efficiency benefits that make it more cost effective to produce and sell two or more related items together rather than individually. If specialist inputs obtained for one product can be re-used in another, cost savings may be realised.

Because the nature of media output allows a product intended for one market to be reformatted and marketed through another, economies of

scope are widespread in the media. An interview with a politician, for example, that is taped for transmission in a documentary may be edited for use in other news programmes, whether on television or radio: the same television content can be repackaged into many products. And the reformatting of a product aimed at one audience into a 'new' product aimed at a different audience

results in scope economies.

Diversification is an economically advantageous approach if economies of scope exist because "the overall cost of the diversified firm is low when compared to a set of single-product firms providing the same output" (Moschandreas, 1994: 155). Diversification strategies are becoming more common among media companies, owing to the broad availability of economies of scale.

The creation of one good reduces the cost of producing another related good, which is referred to as an economy of scope. Economies of scope arise when a company can produce a greater variety of goods or services at a lower cost than if it produced less variety or each good separately. Due to the creation of complementary goods and services, a company's, organization's, or economy's long-run average and marginal cost drops.

Economies of scope are defined by efficiencies created by variety, whereas economies of scale are defined by volume. The latter relates to lowering the marginal cost of production by generating more units. Through assembly line production, for example, economies of scale helped propel corporate growth in the twentieth century.

Economies of scope are economic considerations that make manufacturing multiple products at the same time more cost-effective than manufacturing them separately. The following is a basic illustration of the contrast using the example of a train: Rather than having two distinct trains, one for passengers and the other for freight, a single train can transport both passengers and freight for less money. A single train with cars allocated to both categories is significantly more cost effective in this situation, and may also result in lower ticket or tonnage expenses for the train's passengers.

3.7 CO-PRODUCTS

Co-production linkages between end products might result in scope economies. These items are referred to be complements in production in economic terminology. This occurs when the creation of one item results in the automatic production of another good as a byproduct or side effect of the manufacturing process. One product may be a byproduct of another, yet it still has value for the maker or for sale. Finding a useful application or market for the co-products can help to decrease waste and costs while also increasing revenue.

Dairy farmers, for example, separate raw milk from cows into whey and curds, with the curds becoming cheese. They also get a lot of whey in the process, which they can use as a high-protein feed for animals to lower

their overall feed costs or sell as a nutritious product to fitness fanatics and weightlifters to generate additional cash. Another example is the so-called

black liquor created during the paper pulping process.

Rather than being a waste product that would be costly to dispose of, black liquor can be used to power and heat the facility, saving money on other fuels, or it can be converted into more advanced biofuels for use on-site or for sale. Producing and using black liquor reduces the cost of paper production. 1 Production Processes That Work Together

Direct interaction of two or more production processes can also result in scope economies. The "Three Sisters" crops, which were historically cultivated by Native Americans, are a famous example of companion planting in agriculture. The Three Sisters approach boosts the output of each crop while also improving the soil by planting corn, pole beans, and ground trailing squash together.

The bean vines climb up the tall corn stalks, the beans fertilise the corn and squash by fixing nitrogen in the soil, and the squash with its broad leaves shadows out weeds among the crops. When all three plants are grown together, the farmer can raise more crops for less money.

A modern example is a joint training programme between an aircraft manufacturing and an engineering school, in which engineering students work part-time or intern at the company. The engineering school can cut its instructional expenses by effectively outsourcing some teaching time to the manufacturer's training managers, and the manufacturer can cut its overall expenditures by receiving low-cost access to skilled workers.

Although the ultimate products (planes and engineering degrees) may not appear to be direct complements or share many inputs, producing them jointly lowers the cost of both.

3.8 INPUTS THAT ARE SHARED:

Because productive inputs (such as land, labour, and capital) are frequently used for many purposes, economies of scale can often be achieved by using the same resources to produce two or more different goods. For example, a restaurant can produce both chicken fingers and French fries at a lower average cost than two different businesses producing each item separately. This is because during production, chicken fingers and french fries can share the same cold storage, fryers, and cooks.

Because it manufactures hundreds of hygiene-related goods ranging from razors to toothpaste, Proctor & Gamble is an outstanding example of a corporation that effectively obtains economies of scope from common inputs. The corporation can afford to hire high-priced graphic designers and marketing gurus who can apply their expertise to all of the company's product lines, enhancing each one. If these team members are salaried, each extra product they work on lowers the average cost per unit, increasing the company's economies of scope.

3.9 DIFFERENT APPROACHES TO SCOPE ECONOMIES

Mergers and acquisitions (M&A), newly discovered uses of resource by

products (such as crude petroleum), and when two producers agree to share the same factors of production are all examples of the economics of scope in action.

Scope economies are critical for any large corporation, and a company can achieve them in a variety of methods. The first, and most often held, belief is that efficiency can be gained by diversifying related activities. Diversification offers enormous opportunity for economies of scale by combining products that use the same inputs or have complementary production methods.

Another option to generate economies of scale is to merge with or acquire another company on a horizontal level. For example, two regional retail chains may merge to consolidate distinct product lines and lower average warehouse expenses. This type of product is ideal for developing economies of scale through horizontal acquisitions because it can share similar inputs.

Example of Scope Economies:

Assume that business ABC is the leading manufacturer of desktop computers in the industry. Company ABC wishes to expand its product line, so it renovates its manufacturing facility to produce a wide range of electronic products, such as laptops, tablets, and phones. The average total cost of production falls because the expense of operating the manufacturing plant is spread among a variety of items. The price of creating each electronic gadget in a separate building would be higher than producing many goods in a single production facility.

What's the Difference Between Economies of Scope and Economies of Scale?:

The notions of economy of scope and economy of scale are two alternative approaches to reducing a company's costs. Economies of scope are concerned with the average total cost of production of a wide range of goods, whereas economies of scale are concerned with the cost advantage that comes when a single good is produced at a larger level.

According to the notion of an economy of scope, the average total cost of a company's production drops as the range of commodities produced increases. When a corporation creates a complementary variety of products while focusing on its core strengths, it has a cost advantage. The idea of economy of scope is commonly misunderstood, particularly because it appears to contradict the concepts of specialisation and scale economies. Imagine that it is cheaper for two goods to share the same resource inputs (if possible) than for each of them to have separate inputs. This is a simple approach to think about economy of scope.

Rail transit is a simple approach to demonstrate scope economy. Rather than having two trains, one for passengers and the other for freight, a single train can transport both passengers and freight for less money. Joint production in this situation lowers total input costs. (In economic terms, this means that after product diversification, the net marginal advantage of one input

factor increases.)

Company ABC, for example, is the industry's largest desktop computer manufacturer. Company ABC wishes to expand its product line, so it renovates its manufacturing facility to make a variety of electronic products like laptops, tablets, and phones. The average total cost of production falls because the expense of operating the manufacturing plant is spread among a variety of items. The price of creating each electronic gadget in a separate building would be higher than producing many goods in a single production facility.

Mergers and acquisitions (M&A), newly discovered uses of resource byproducts (such as crude petroleum), and when two producers agree to share the same factors of production are all examples of the economics of scope in action.

Scale economies are a type of economy that occurs when a large number of people work

An economy of scale, on the other hand, is a company's cost advantage resulting from increasing output of a good or service. The volume of goods and services produced and the fixed costs per unit to a corporation have an inverse relationship.

Assume that business ABC, a computer processor vendor, is considering purchasing CPUs in bulk. The business DEF, which makes the computer processors, quotes a price of $10,000 for 100 processors. The producer quotes a price of $37,500 if firm ABC purchases 500 computer processors. If ABC decides to buy 100 CPUs from DEF, the cost per unit for ABC will be $100. If ABC buys 500 processors, however, the cost per unit is $75.

In this case, the producer is passing on to firm ABC the cost savings of creating a bigger number of computer processors. This economic advantage comes because the fixed cost of generating processors remains the same whether 100 or 500 processors are produced. When fixed costs are covered, the marginal cost of manufacturing for each extra computer processor tends to fall. Additional units mean higher profit margins at lower marginal costs. It allows businesses to lower prices if necessary, boosting their product's competitiveness. Due to realised economies of scale, major warehouse-style stores like Costco and Sam's Club package and sell large commodities in bulk.

Although a company's economy of scale may appear to be advantageous, it has significant limitations. Marginal costs never go down indefinitely. Eventually, operations grow too huge to benefit from economies of scale. This forces businesses to either innovate, enhance their working capital, or

stay at their current optimal production level. For example, if a company that makes computer processors reaches its maximum manufacturing capacity, the cost of each additional unit may begin to rise rather than fall.

1. Explain in detail – Economies of Scale.
2. Discuss – Economies of Scope
3. State the difference between Economies of scale

3.10 QUESTIONS

and scope.

3.11 REFERENCES

· Anupindi, Ravi, et al. Managing Business Process Flows: Principles of Operations Management. 2nd ed. Upper Saddle River, NJ: Pearson/Prentice Hall, 2004.

· ―Diseconomies of Scale.‖ Available from: http://www.investopedia.com/terms/d/diseconimies ofscale.asp.

· ―Diseconomies of Scale.‖ Available from: http://www.tutor2u.net/economics/content/topics/b useconomics/disec onomies.htm.

· ―Economies of Scope.‖ Available from: http://www.tutor2u.net/economics/content/topics/b useconomics/econo mies_of_scope.htm.

· Kass, David I. ―Economies of Scope and Home Healthcare.‖ Health Services Research 33, no. 4 (1998).

· Raturi, Amitabh S., and James R. Evans. Principles of Operations Management. Mason, OH: Thomson/South-Western, 2005.

· Weiss, Rick. ―Report Urges Huge Changes to Factory-Farming Practices.‖ The Washington Post 30 April 2008. Available from: http://www.washingtonpost.com/wp dyn/content/article/2008/04/29/AR2008042902602. html.

· ―What Are Economies of Scale?‖ Available from: http://www.investopedia.com/printable.asp?a=artic les/03/012703.asp

*****

4

CONVERGENCE, WHAT ARE MULTI MEDIA PLATFORMS, THE VERTICAL SUPPLY CHAIN

Unit Structure

4.1 CONVERGENCE

The combining of mass communication sources such as print, television, and radio, the Internet, and portable and interactive technology through various digital media platforms is known as media convergence. Media convergence enables journalists to use a range of media to tell stories and deliver information and entertainment. Converged communication offers a variety of narrative methods, allowing users to choose their amount of engagement while controlling content delivery.

The propensity for diverse technical systems to move toward performing similar tasks is known as technological convergence. Voice (and telephony features), data (and productivity applications), and video were once independent technologies that now share resources and interact synergistically.

Media organisations (or individuals) can now distribute text, audio, and video content through the same wired, wireless, or fiber-optic links thanks to the growth of digital communication in the late twentieth century. At the same time, it prompted other news organisations to investigate the use

of multimedia in the transmission of information. In his 1997 book of the same name, researcher Roger Fidler coined the term "Mediamorphosis" to describe the digital convergence of news media in

particular. Today, we live in a multi-level convergent media world, in which all means of communication and information are constantly reforming to adapt to the ever-changing needs of technology, "changing the way we produce, consume, learn, and engage with one another."

The interlinking of computing and other information technologies, media content, and communication networks that has arisen as a result of the evolution and popularisation of the Internet, as well as the activities, products, and services that have emerged in the digital media space, is referred to as convergence in this case. Many experts believe that this is just the beginning, as all aspects of institutional activity and social life, such as business, government, art, journalism, health, and education, are increasingly being carried out in these digital media spaces across an expanding network of information and communication technology devices.

The term "convergence" refers to the meeting of ancient and modern media. "The movement of content across numerous media platforms, the cooperation between multiple media businesses, and the migratory tendency of media audiences," according to Jenkins.

Media convergence is more than just a technology transition or process; it also encompasses shifts in industrial, cultural, and social paradigms that push consumers to seek out new information. Simply put, convergence is the process by which individual consumers interact with others on a social level and use various media platforms to create new experiences, new forms of media, and new forms of content that connect us socially, not just to other consumers, but also to corporate media producers in ways that were previously unavailable.

Advances in technology enable technological convergence, which Rheingold says can modify "social-side impacts" by "colliding, integrating, and coordinating" the virtual, social, and physical worlds.

In the 1990s, it was prophesied that a digital revolution would occur, with old media being pushed aside by new media. The Internet is progressively replacing broadcasting, allowing customers all over the world to obtain their favourite media content more quickly and at a faster rate than ever before.

Web 2.0 is a concept that uses the Internet's network as a platform for sharing information, interoperability, user-centered design, and collaboration. Users can participate and collaborate in a social media discourse as makers (prosumers) of user-generated content in a virtual community, in content that was developed for them, on a Web 2.0 site. In contrast to websites where users (consumers) are limited to passive consumption of content, Web 2.0 sites include social networking sites,

blogs, wikis, and video sharing sites, as well as hosted services, web applications, mashups, and folksonomies.

Convergence's Implications: The transition from analogue to digital data transmission has enabled massive amounts of data to be transmitted with fewer resources. Convergence is both the cause and the effect of developments in communication technology. Convergence is a phrase that is currently in flux. To improve our knowledge, we need to settle on a definition. Grant (2009) takes a look at a variety of existing definitions. By combining these concepts, one can deduce that convergence is a type of intertextual information distribution that uses digital transmission technologies. Because of the emphasis on the mass media, this concept emphasises content delivery over communication.

To better appreciate how these shifts are affecting mass communication professionals, we need to concentrate our focus to convergence journalism. Criado and Kraeplin (2009) define it in a highly practical way. Convergence journalism, according to them, is defined as print, broadcast, and online newsrooms forming partnerships in which journalists collaborate and deliver material across several channels. These tactics have been attempted to be implemented by media companies in order to boost efficiency and audience reach.

Newspapers appear to have done a better job of putting these principles into action than television stations. Newspapers, it appears, stand to earn more from convergence journalism (Criado & Kraeplin, 2009). When compared to television stations, newspapers have a distinct disadvantage in terms of traditional delivery. Newspapers must be sought for, whereas television channels are provided to a person's home for free over the air. It's simple to see how collaborating with a television station and transitioning to the Internet may have a significant impact on newspapers.

Convergence has had the good consequence of allowing customers to have more knowledge due to increased efficiency in content generation and delivery. Because of collaborations with newspapers, television stations are able to produce more in-depth reports. Newspapers and television stations are permitted to distribute complete multimedia accounts of events via the Internet.

One disadvantage of convergence journalism is that it allows fewer interests to influence the information that is supplied to the general public. Media Consolidation is the term for this limitation of voices. The resulting media behemoths have been subjected to a barrage of criticism.

Fortunately, as media consumers become more technologically adept, they are increasingly taking up the role of journalist. Anyone with a cell phone or camera can take images or videos of a news event or newsmaker and share them online, according to Kolodzy (2009). As a result, information dissemination has become more democratic. The traditional gatekeepers are gradually losing total control over the information that is allowed to flow to a large number of people. Of fact, there is a current tendency in

this direction. According to Grant (2009), analysing a trend that is still in progress is dangerous.

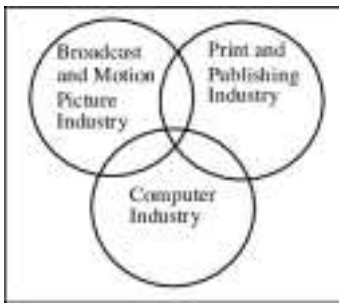
Regulative or market factors may force this democratisation of information to come to an end.

4.2 CONVERGENCE MODELS

The Convergence Model of Nicholas

Negroponte:

Ithiel de Sola Pool was the first media researcher to describe convergence in his book 'Technologies of Freedom,' which studied the interconnection of diverse media.



In 1979, Nicholas Negroponte developed a convergence model based on three intersecting circles, which may have been the first time the term "media convergence" was used in media studies. The circles represent the merging of three media industries into a single organisation. The media convergence discussion has continued in these circles. Convergence has been used to describe everything from organisational structures to new high-tech discoveries to mergers of media firms over the years as an outcome rather than a process.

4.3 CONVERGENCE MODEL OF FLYNN

In the digital world, Flynn (2000) outlines three areas of convergence.

Devices, Networks, and Content are the three components that make up the Internet of Things (IoT).

According to Flynn, device convergence occurs when two devices are combined. The question is whether or not people will use these combined devices.

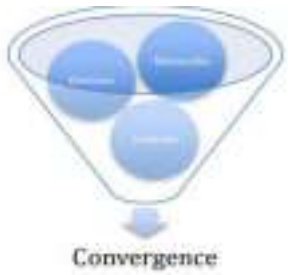


Figure 2: Flynn's three areas of Convergence

According to Flynn, convergence will not occur unless the resulting hybrid is adapted by consumers. The discussion and development of the formerly

popular concept of a "electronic information superhighway," which denoted a broadband-switched network infrastructure, led to network convergence.

In Flynn's opinion, content convergence is limited because he feels that technological constraints still prevent the use of the same type of content across all publication outlets. Flynn contends that the traditional understanding of convergence exaggerates the benefits of the possible arrival of "write-once, run-anywhere" material, and instead proposes a fourth sort of convergence: consumer convergence. Flynn appears to have taken a philosophical approach to device convergence, stating that it does not exist until people are willing to utilise the new devices. However, if the devices exist, device convergence must have occurred. regardless of consumer readiness to use it in the development of the new device

4.4 GORDON'S CONVERGENCE MODEL

Ownership, tactical, structural, information gathering, and storytelling convergence are the five types of convergence identified by Gordon (2002). Convergence of ownership might be equated to a merger of businesses. Tactical convergence is a type of cross promotion, whereas structural convergence is a process occurring within editorial departments that influences editors to become more multimedia editors.

Figure 3: Gordon's types of Convergence

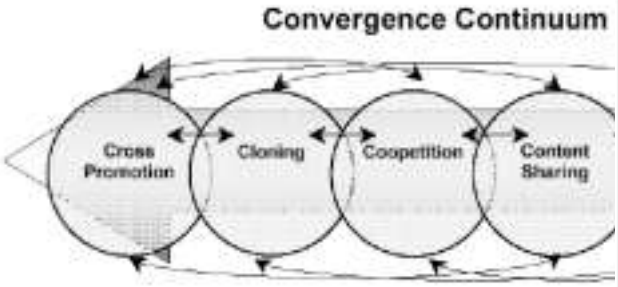
According to Gordon, the information-gathering convergence is best defined as a type of backpacking journalism in which reporters bring all of their equipment with them and produce content for all possible publication channels.

According to Gordon, storytelling convergence is about innovative methods to communicate information across various publishing outlets.

4.5 CONVERGENCE MODEL DDS

The 'Convergence Continuum' was proposed by Dailey, Demo, and Spillman (2003) as a model of convergence. Because the authors believe

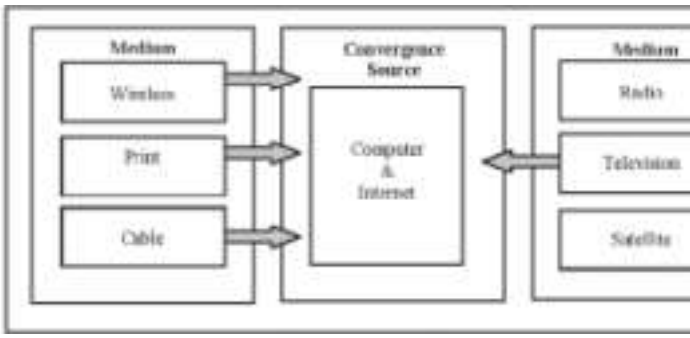
there is a lack of a consistent, behaviour-based definition of convergence and a common tool for detecting convergence effects, they developed the model.



As a result, they propose a model for newsroom content sharing convergence, with the goal of making it easier for academics all around the world to compare results. Five partially overlapping zones, or 5 Cs of convergence, make up the model.

4.5.1 The Lawson-Borders Convergence Model:

Another model of convergence proposed by Lawson-Borders (2006) is based on the idea that convergence is both a notion and a process. She does not go into as much detail about content creation as the Convergence Continuum does, and instead takes a more technological approach. Convergence, she believes, can be defined as the marriage of technology and content distribution via computer technology.



Communication, commitment, cooperation, compensation, culture, competitiveness, and customer are the seven 'observations' of convergence outlined by Lawson-Borders, all of which begin with the letter C. These seven topics overlap in some ways and can be used as a guideline for best practises in elaborating on convergence as a concept and a process.

4.5.2 The Convergence Model of Henry Jenkins:

Jenkins (2001) avoids attempting to incorporate multiple types of convergence into a single model. He explains that the difficulty in defining convergence stems from the fact that individuals use the term in a variety of circumstances. Technological, economic, social or biological, cultural, and global convergence are the five categories in which he divides convergence.

The digitalization of all media content is technological convergence; economic convergence is concerned with the integration of the entertainment sector; and social or organic convergence is concerned with consumers' multitasking techniques for navigating the new information environment.

4.6 WHAT ARE MULTI-MEDIA PLATFORMS?

Any content that combines different content forms such as text, audio, photos, animations, video, and interactive information is referred to as multimedia. Information content processing devices, such as computerised and electronic devices, can record and play multimedia, as well as display, interact with, and access it. Multimedia platforms are places where you may create, share, and view this type of material. Multimedia platforms, as a result, provide a wide range of communication and educational applications to business audiences. Business presentations, blogs, wikis and podcasts are all fantastic instances of how multimedia platforms may get the information across.

Creating and delivering successful corporate presentations is one of the most prevalent uses of multimedia platforms today. Although paper handouts, flip charts, and props are still used, they can be ineffective in a number of ways.

Handouts are normally printed on paper and have two primary drawbacks. First, they tend to divert the audience's attention away from the presenter, who prefers to read ahead rather than listen. Second, handouts run the risk of falling into the wrong hands, whether they be unauthorised employees or competitors. Flip-charts have a number of drawbacks. To begin, talent as well as professional tools and resources are required to create an outstanding flip-chart image. Second, they are inconvenient to move and are out of date in their application. For today's business presentations, props are likewise regarded outmoded and clichéd.

4.6.1 Presentations:

PowerPoint, Keynote, Adobe Presenter, and Prezi can all create multimedia slides that can be used as the foundation for great presentations. Professional colour, visual, and font capabilities are

provided by these apps, which aid in the better expression of the presenter's thoughts. They can integrate video, audio and hyperlinks into the presentation, offering a perfect platform for a

successful meeting.

Information is processed differently by various people. The same content can be delivered in a variety of ways using multimedia platforms. Using a combination of text, visuals, and sound to accentuate your message and capture people's attention at various moments throughout the presentation can help you stand out. An incorporated customer testimonial video can help to reinforce a message of exceptional service while also providing the presenter more credibility. Special effects, such as automated text highlighting or underlining on a slide, can help break up word-heavy slides if used sparingly.

Despite the dazzling experience multimedia presentations can deliver, success is still contingent on the presenter's understanding of the audience and framing of topics that are essential to them. You may be familiar with the "Death By PowerPoint" condition, in which the audience is rendered immobile by a never-ending stream of slides. Module 8: Developing and Delivering Business Presentations will go over multimedia business presentations in greater depth.

4.6.2 Blogs:

The blog is another multimedia channel for efficiently communicating with business audiences. A blog is a website that features journal-style postings on a variety of topics with the goal of informing readers and eliciting feedback. In business, blogs are used to communicate with customers and employees. Customers can use blogs for market research, public relations, customer outreach, and feedback solicitation. Here are two examples of excellent customer service blogs: a Starbucks customer service blog and a Coca-Cola customer service blog.

4.6.3 Wikis:

A wiki is a web-based platform that is used to store information. Wikis are collections of information compiled by an online community of contributors. Private intranets are used to maintain wikis within the company firewall in a business setting because they are the repository of sensitive company procedures and operations. All corporate locations, including remote employee offices, can readily access information such as travel expenditure policies, HR rules and forms, internal contact directory, previous quarter's financial press release, and so on.

4.6.4 Podcasts:

Podcasts are another multimedia tool utilised for effective business communication, in addition to presentations, blogs, and wikis. Podcasts can use all of the concepts we've covered so far in this session, but they're largely video and audio-based. Podcasts can be streamed live or recorded to be listened to later.

4.6.5 Social Media:

External and internal use of social media networks in company

communication can be separated into two groups.

External Applicability:

Companies use well-known social media sites such as Facebook, Twitter, Pinterest, and LinkedIn to connect with large online public groups. These communities have millions of users (Facebook has billions), so it's no surprise that they're appealing to businesses for a variety of marketing purposes.

Use within the company:

Internal use of social media is the second type of social media in company communication. Many large corporations have internal social media sites that are solely accessible to staff. Many of these follow the Facebook model, but they rely on software platforms from Salesforce, Yammer, and Jive. This is a significant usage of social media because it allows huge firms to effortlessly link employees across diverse sites and keep them informed of critical information in an easily digestible style.

4.7 IMPORTANCE OF MULTI-MEDIA PLATFORMS:

Multimedia is a term that combines the words multi and media. The term media (medium) has a double meaning: it refers to a device that stores data on a disc, CD, tape, semiconductor memory, and other devices. Second, information carriers such as numbers, text, voice, images, and so on are transmitted.

As a result, the comparable phrase is multimedia, which literally means that the media is compounded by a single medium. Anything you watch or listen to is considered multimedia. It includes visuals, audio, sound, text, and a variety of other elements. Information content processing devices, such as computerised and electronic gadgets, usually record and play, display, or access this. Multimedia refers to the combination of picture, sound, graphics, images, text, text, animation, and other media to form an organic whole with the goal of achieving a specific function.

All current technologies have two elements to them, and the media is one of them. It consists of hardware and software, or a combination of machines and concepts. Control systems and information are two categories of multimedia technology and characteristics. Multimedia The CD-ROM is the primary medium for storing and exchanging data. The computer business cannot sell hundreds of megabytes of multimedia programmes for audio, visual, and text data without such a convenient CD-ROM. We are no more passive audiences when it comes to multimedia; we can influence, interact, and have it done according to our wants. We can have direct access to crucial facts in a report, regardless of how useless the information is. It may also be of interest to the reports and

photographs gathered from throughout the world. Multimedia can be stored, transmitted, shown, and interpreted in a variety of ways.

In other words, it is a good means of communication. Multimedia plays a vital function in today's society because everything has to stay up with the times in today's society. Multimedia is an effective means of communication because it makes it simple to communicate and understand

what others are saying. Then there's multimedia, which includes animation, music, video, and more.

This makes it easy to get others to pay attention to what you're saying. It has also piqued people's curiosity in hearing and seeing what you have to say when you promote a product. Multimedia can also help you deliver your message more effectively. They can watch what you do in multimedia if they don't understand what you say. Because multimedia simplifies things, they can understand them more easily.

They used multimedia in programming, radio, the internet, and universality in this. You've now had a multi-sensory visual and aural experience. Other people will not be able to read that boring book since it contains animation, music, and movement. Is the city doing the media under our control, so we can use our imagination to create a dynamic multimedia? When giving a presentation, we cannot rely solely on words. Because the sauce will lead the guests to places they don't want to go, they will become bored.

As a result, when we do a briefing, we must not simply expand the number of animation writers, musicians, or videographers. We can also create a dynamic point typeface that will pique the curiosity of your visitors. Other multimedia files, such as video, image, and flash memory, will not only assist you in improving your visual abilities, but will also provide additional benefits to users.

Multimedia can also be used on the internet; this includes not only assisting in the creation of more multimedia websites, but also assisting in the creation of more multimedia website users' interests. However, it will aid in attracting more links to your site, which will assist you improve your ranking. As a result, creating a multimedia project or a Web site demands more than just writing skills and a higher level of education. A decent organisation and business skills are required.

4.8 WHAT IS A VERTICAL SUPPLY CHAIN?:

In the literature on supply chain management (SCM), supply chain integration is a widely discussed topic. Companies must make sensible decisions on acceptable governance models for efficient supply chains in order to expand – and sometimes to survive. This includes open spot markets, hybrid forms such as collaboration, alliances, and joint ventures, as well as contracting and full vertical integration (e.g. Hobbs, 1996).

Convergence, What Are Multi Media Platforms, the Vertical Supply Chain

Vertical integration has piqued the interest of scholars from a variety of fields, with strategic management and organisational economics experts contributing significantly to our understanding of the idea (Mahoney, 1992). Vertical

integration is viewed as one extreme of vertical supply chain coordination (e.g. Hobbs and Young, 2000) or as a forerunner to supply chain integration in the SCM literature (e.g. Stonebraker and Liao, 2006).

Strategic supply chain concentration is a major concern for industrial companies. Vertical integration refers to the ownership of practically the whole supply chain by some corporations, such as the Spanish clothing retailer Zara, from design and production to distribution and logistics to outlets all over the world. Benetton, The Gap, and Hennes & Mauritz, among Zara's retail clothes competitors, continue to rely on overseas production partners through complete or substantial outsourcing (Ferdows et al., 2004).

Integration is widely regarded as the most critical feature of well functioning supply chains, according to several academics (e.g. Richey et al., 2009). Simultaneously, the widespread use of outsourcing has forced many supply chains to become more specialised, emphasising the importance of cross-company integration. Some theorists even claim that outsourcing can improve supply chain efficiency (Kroes and Ghosh, 2010).

Despite the fact that outsourcing is common in some industries and segments, it has been suggested that diverse economic and technological circumstances necessitate alternative supply chain governance solutions (Grossman and Helpman, 2002; Rothaermel et al., 2006). In fact, the buying firm's outsourcing can be considered as the supplying firm's downstream vertical integration, with the vertical integration resulting from the customer's outsourcing strategy.

This research, on the other hand, focuses on a manufacturer's purposeful strategy of vertically downstream integration.

Manufacturing companies benefit from downstream integration in a variety of ways. First, it can assist companies in securing product distribution channels, particularly in markets with heightened uncertainty (Rangan et al., 1993). Second, it can provide a means of controlling supply chain efficiency gains and cost savings (Frohlich and Westbrook, 2001). Third, downstream markets can provide significant benefits in addition to big new revenue streams (Wise and Baumgartner, 1999).

Manufacturers must shift their attention from operational excellence to customer loyalty and redefine the notion of vertical integration in order to capture value downstream (Wise and Baumgartner, 1999).

Vertical integration is a business approach that allows a corporation to streamline operations by taking full control of various stages of the manufacturing process rather than depending on outside contractors or suppliers.

Rather than outsourcing, a corporation might achieve vertical integration by purchasing or establishing its own suppliers, manufacturers, distributors, or retail outlets.

Vertical integration has a number of drawbacks, one of which being the large initial capital expenditure required.

4.9 VERTICAL INTEGRATION: AN OVERVIEW

Vertical integration is exemplified by Netflix, Inc. Before going into online streaming of films and movies licenced from big studios, the company began as a DVD rental company.

Then Netflix executives learned that by producing some of its own original material, such as the successful shows Grace & Frankie and Stranger Things, they might increase their profit margins. It also made several duds, such as 2016's The Get Down, which cost the studio $120 million.

Netflix now promotes its original content alongside studio-licensed television through its distribution approach.

This also exemplifies the dangers of vertical integration. A successful original series can attract new subscribers while also retaining existing ones. A Netflix original bomb is significantly more expensive than a studio-licensed bomb.

4.10 TAKING CONTROL OF THE SUPPLY CHAIN

The supply chain or sales process of a typical company starts with the procurement of raw materials from a supplier and finishes with the selling of the finished product to the consumer. A corporation must control two or more of the phases involved in the creation and selling of a product or service to be considered vertically integrated. A previously outsourced element of the production, distribution, or retail sales process must be purchased or recreated.

Companies can lower manufacturing costs by vertically integrating by purchasing their suppliers. They can put money into the retail end of the process by establishing websites and physical locations. To control the distribution process, they can invest in warehouses and van fleets.

All of these processes demand a large commitment of money to develop up facilities and hire extra personnel and management. Vertical integration also results in the company's operations becoming larger and more complex.

4.11 TYPES OF VERTICAL INTEGRATION

A corporation can accomplish vertical integration in a variety of ways. Backward and forward integration are two of the most prevalent.

Convergence, What Are Multi Media Platforms, the Vertical Supply Chain

Integration from the Past:

Backward integration shifts ownership control of a company's products to

a point earlier in the supply chain or manufacturing process.

Amazon.com, Inc. began as an online bookstore selling books from well known publishers. It still does that, but it has also branched out into publishing. Eventually, the company expanded into thousands of branded products. Then it launched its own private label, Amazon Basics, to sell many of them straight to consumers.

Integration in the Future:

Forward integration allows a company to grow by obtaining control of the distribution process and the selling of its finished products.

A clothes manufacturer can sell its finished goods to a middleman, who then distributes them to various retailers in smaller batches. Alternatively, the firm can open its own retail outlets. If the company's retail division runs well, it will bring in more money per product.

4.12 VERTICAL INTEGRATION'S BENEFITS AND DRAWBACKS

Vertical integration can assist a business in lowering costs and increasing efficiency. However, the firm's attempts may backfire.

Advantages:

· Transportation expenses and turnaround times are reduced.

· Supplier disruptions and quality issues are reduced.

· Economies of scale result in lower costs.

· Profitability has increased

Disadvantages:

· The difficulty and cost of the total procedure may be underestimated by a corporation.

· Outsourcing to a company with more experience could be a better option.

· The initial investment is substantial.

· Capital expenditures may need more debt.

· Vertical Integration in the Real World

Vertical integration is exemplified by the fossil fuel sector. ExxonMobil, British Petroleum, and Shell all have exploration departments that look for

new oil sources, as well as businesses dedicated to extracting and refining it. The finished product is transported by their transportation departments. Their retail sections run the petrol stations where their goods is delivered.

Live Nation and Ticketmaster merged in 2010 to become a vertically integrated entertainment firm that manages and represents artists, produces performances, and sells tickets for events. The

united firm is in charge of managing and owning music venues, as well as selling tickets to events held there.

From the standpoint of Ticketmaster, this is an example of forward integration, and from the standpoint of Live Nation, this is an example of backward integration.

4.13 WHEN IS A VERTICAL INTEGRATION ACQUISITION CONSIDERED?:

If a firm gains direct control over a significant portion of its manufacturing or distribution process that was previously outsourced, this is an example of vertical integration.

A company's acquisition of a supplier is known as backward integration. Forward integration refers to the company's acquisition of a distributor or store. In the latter situation, whether it was a wholesaler or a retailer, the firm is frequently buying a customer.

4.14 IS VERTICAL INTEGRATION BENEFICIAL TO A BUSINESS?

When considering vertical integration, a corporation must assess which option is better for the organisation in the long run.

If a corporation produces clothing with buttons, it can either buy or fabricate the buttons. The button-markup maker's is eliminated by making them. It may provide the organisation more leeway in terms of changing button styles and colours. It has the potential to eliminate the difficulties
associated with working with a supplier.

The corporation would then have to build up or purchase a separate button manufacturing process, buy the raw materials needed to create and attach buttons, recruit personnel to make the buttons, and hire a management team to oversee the button division.

Before making this buy or make decision, a corporation must carefully consider the costs and complications of vertical integration.

What Is the Difference Between Vertical and Horizontal Integration?:

The acquisition of a competitor or a related business is referred to as horizontal integration. This could be done to eliminate a competitor,

strengthen or diversify a company's main business, expand into new markets, or boost overall sales.

Vertical integration entails the purchase of a critical supply chain component for which the company has previously contracted. It has the potential to lower the company's costs and offer it more control over its products. It has the potential to boost the company's profits in the long run.

4.15 QUESTIONS

4. Explain in detail „Media Convergence".

5. Discuss the Convergence Models.

6. Write a note on Multi-Media Platforms and its importance.

7. Explain Vertical Supply Chain with its types.

8. Discuss Vertical Integration's Benefits and Drawbacks

4.16 REFERENCES

· Adelman, M.A. (1955), "Concept of statistical measurement of vertical integration", in Stigler, G.J. (Ed.), Business Concentration and Price Policy, Princeton University Press, Princeton, NJ, pp. 279-328

· Anderson, J.C. and Narus, J.A. (1995), "Capturing the value of supplementary services", Harvard Business Review, Vol. 73 No. 1, pp. 75-83.

· Arya, A., Mittendorf, B. and Sappington, D.E.M. (2008), "Outsourcing, vertical integration, and price vs quantity competition", International Journal of Industrial Organization, Vol. 26 No. 1, pp. 1-16

· Bain, J.S. (1968), Industrial Organization, Wiley, New York, NY

· Balakrishnan, S. and Wernerfelt, B. (1986), "Technical change, competition and vertical integration", Strategic Management Journal, Vol. 7 No. 4, pp. 347-59.

· Barratt, M. (2004), "Understanding the meaning of collaboration in the supply chain", Supply Chain Management: An International Journal, Vol. 9 No. 1, pp. 30-42.

· Barratt, M. and Oke, A. (2007), "Antecedents of supply chain visibility in retail supply chains: a resourced-based theory perspective", Journal of Operations Management, Vol. 25, pp. 1217-33.

· Barrera-Rey, F. (1995), The Effects of Vertical Integration on Oil Company Performance, Oxford Institute for Energy Studies, Oxford, October

· Barreyre, P.Y. (1988), "The concept of importation policies: a different approach to vertical integration strategies", Strategic

5

CHANGING MARKET STRUCTURE AND BOUNDARIES, DIGITAL CONVERGENCE

Unit Structure

5.0 OBJECTIVES

After reading this unit you will be able to understand:

· Types of Competition in the Market

· Nature of Media Market

· Contemporary Media Market

· Media Convergence and its Boundaries

5.1 INTRODUCTION

The market structure shows how companies are classified based on the categories of goods they sell. Firms are differentiated based on how they operate and how they are affected by external circumstances. Homogeneous and heterogeneous are the two types of goods available in the market that affects and differentiate the firms. Let us first define what media market structure is before discussing how it is changing. There is no such thing as a market that isn't crowded. The market's structure is determined by the presence and dominance of monopolistic competitors, monopolists, oligopolists, and duopolists.

Monopolistic Competition is when there are a large number of vendors and purchasers in the market. However, product differentiation in terms of price and quality has been found in the market.

For instance, television programmes on several stations. The product, the goal, and the services are all the same. However, the concept's quality differs across channel. The diversity of web-series programmes across networks have expanded as a result of globalization. Amazon Prime, Netflix, and Zee5 are a few examples. These are networks and providers of the same type of product and service with price and quality variations.

Monopoly is where there is a single seller exists in the market as a whole. Monopolist market has the highest barrier to entry. The most difficult to enter is a monopolistic market. Where the market is completely controlled by a single seller. He's also in charge of determining the price. A small town with only one radio station or news channel is an example. Consumers will flock to the only player in the market. As a result, any new comer would be met with fierce opposition..

Although the term monopoly is frequently used in commercial media conversations. Critics frequently use this term to describe media giants such as Disney and Time Warner, among others. However, in the media, this word does not fit. In the same way that the media market is dominated by a small number of players, this type of market is called Oligopoly. Oligopolistic enterprises wield a considerable degree of influence, yet they also compete with one another and with smaller businesses. Oligopolistic partnerships are sometimes described by limited competition, or competition that isn't as open as full-fledged, free-market competition.

Oligopoly refers to the market structure where only small number of firms operate together controls the majority of the market share. Example: Comcast, NBC, Disney's ABC, CBS, and FOX are the broadcast networks that own nearly all broadcast and cable outlets.

Duopoly or twinstick is a situation in television or radio broadcasting in which two or more stations in the same city or community share common ownership.

2. Market structure of Media:

The development of technology has brought quite a difference in every aspects of media. Thus an argument is required about the expected societal benefits from the diverse nature of media. There are many segments in media like; music, games, films, internet, comedy, drama, news etc. Each one them contribute to the market structure of media industry. The operation of a very media outlets make the media economy. Now in the form of product these media outlets produce content, which once developed then remain the same, and only the efficiencies are increased with sustainable standardized strategies. Example; TV series once designed then released in the market with uniqueness is implemented in every episode.

5.2.1 Economies of Scale in Media Industry:

Economies of scale are referred to as cost advantages that a company gets by altering its levels of production processes. The company gets its advantages through economies of scale due to the inverse relationship that exists between per unit fixed cost and the quantity produced. The lesser the quantity of produce, greater will be the per unit fixed cost of the product. The best example to understand economies of scale in media is the cost of production of movie. The cost in the production of movie is fixed and once produced the number of audience doesn't affect the cost of the production. Similarly, the television program has a fixed cost of production and it is also an independent variable. Because it doesn't affect by the number of people who will watch it. But yes, after the program is released the variation in the number of audiences may affect the demand and supply of the product.

Let's have a look at how the various media outlets operate. When the popularity of a show begins to fade, network officials may consider creating a new product, such as a new show, to air during a specific time period. They'll encourage producers and writers to submit program ideas that they believe will appeal to the general public, then develop a few pilots, test the pilots with an audience panel, and order episodes of the series that they believe will work.

Similarly, executives in the music industry are continuously on the lookout for new talent. They believe that a performer in a specific genre, such as classic, western, or hip-hop, will be more popular than a well known jazz musician. When it comes to the film industry as a whole, it occupies a unique place in the country's economy. It also has a prominent position in the media industry because it generates a lot of money. The film industry does not only produce money at the box office; it also encourages people to make money on other platforms. For example, there was a time when DVD was all the rage. However, the Internet, as well as other websites and apps, has mostly superseded the DVD.

5.2.2 Effect of Internet on Media Market:

Internet is playing a vital role in changing the prevailing media market. It has become a platform for everyone from common people to big brands to communicate with each other. Any industry interacting with customers through digital and social media platforms have has shaped the new media market. The modern day marketing needs to be very creative to meet the people's aspiration. Internet being a giant platform for fruitful interaction and profitable output ask for good amount of money and efforts. Therefore, it is considerably a large part of revenue generator and game player in media market. Internet has been the fastest growing medium for advertisements. Globally, Internet is growing energetically. Infect, it has become notably very important since after the industry has reached a consensus about how to collect, aggregate, and apply specific metrics and able to supply them.

 5.3 INTERNATIONAL FILM INDUSTRY MARKET: Changing Market Structure And

The Lumiere Brothers popularized cinema in the year 1895. The notion of

commercialising film came from the audiences who admired and praised the Lumiere Brothers' work. That is how art and photography paved the path for new ventures around the world. People were entertained in the 18th century by roadside entertainers and fairs, which attracted many musicians, travelling showmen, and clowns.

The 19th century, on the other hand, proved to be a de-regulator for the entertainment business. Many new entrants to the market were encouraged to do so. The United States played a critical role in encouraging new market participants to invest and expand their businesses. Following deregulation, the inventive market attracted a slew of new entrants eager to invest and boost the global film industry's productivity. For the first few years after the film market's existence, the United States, along with a few other countries, was the dominant player. Though these countries continue to play an essential part in the global film industry, numerous new entrants from other countries are making significant revenue from the film market in the media sector.

Edison's coin-operated invention During the 1880s, kinematography was frequently seen at fairs and amusement venues. To see the film, viewers had to put a coin in a slot and look through spectacles. Later, the name Kinematogrph was replaced with cinematograph. Lumière had a team to operate the cinematograph and project the film, which they carried across the world with them to project the film. The initial projection attracted a large crowd, which was extremely encouraging for Lumière and his team. At the time, a film consisted solely of images and sequences of images. Films became a regular part of the satirical and theatre programming after a few years. Gypsy cinema arose at the same time, with cinemas that set up shop in a tent or theatre and travelled the country.

Films were then advertised and looked for worldwide distributors as an intermediary product. Many movie theatres have been built around the world to show films. While the amount of rent paid fluctuated based on perceived quality, general supply and demand, and the ticket price. It was highest in city Centre first-run cinemas and lowest in local theatres. Films were used at cinemas to provide hours of entertainment.

To ensure that earnings exceeded theatre fixed costs, film studios converted films into branded commodities. With the introduction of the feature film, they began to pay large sums to actors, actresses, and directors, as well as for the rights to renowned plays and novels. This is a fascinating aspect of the film industry that many people are still fascinated even today. The huge sums spent on celebrities and stories, on the other hand, are not as random and arbitrary as they look. They could actually be just as 'rational' and give a measurable return as direct marketing and promotion spending. (Bakker, 2001).

5.4 CONTEMPORARY MARKET

Since liberalization, there has been a significant increase in media economics. The growing number of television channels and increased

internet penetration have resulted in a thriving media industry. The traditional media has been changed and turned into a new media as a result of audience demand. And that new technologies are causing the media economy to develop. The market structure of media, as well as the source of income, has altered as a result of digitization due to the advent of new technologies. The market is being driven by rising demand for video and digital content. And it will continue to embrace the media market's future.

However, events such as the coronavirus pandemic have created a significant shift in market structure, such as theatre attendance. The film and video market includes production, distribution, post-production services, film and video theatres, and other film and video industries. According to the news website businesswire.com, the film and video production market accounted for 63.8 percent of the total in 2020, making it the largest segment of the film and video industry by type.

Post-production services are expected to expand at an annual rate of 8.2% from 2020 to 2025, making them the fastest-growing category in the film and video market by type. The film and video market includes genres like action, horror, humour, documentary, drama, and others. In the film and video market in 2020, drama was the most popular genre sector, accounting for 24.8 percent of the total. The others market is predicted to grow at the quickest rate in the film and video market split by genre, with a CAGR of 9.3 percent between 2020 and 2025.

North America dominated the worldwide film and video market in 2020, accounting for 40.5 percent of the total. Then came Western Europe, Asia Pacific, and the rest of the world. Africa and South America will be the fastest-growing regions in the film and video market in the future, with CAGRs of 11.7 percent and 9.9 percent, respectively. Following that, the Middle East and Asia Pacific are predicted to develop at CAGRs of 9.6% and 8.4%, respectively.

5.4.1 Newspaper:

Print media has traditionally been an important source of money for India's GDP. In 2000, the daily newspaper circulation was over 50 million, according to official statistics. In 2016, the count went below 40 million, and infect it dropped even further. Publishers began focused on consumer centric business strategies after studying the print media industry. In order for the company to be able to generate income. Because of the growing number of internet users, the publisher's focus has switched to the internet industry. Since the internet began to capture the attention of consumers, the print media business has shrunk. As a result, both consumers and publishers began to pay attention to online content. In the last two years, the COVID-19 effect has been very strong. The issue had a significant impact on every aspect of the media, as well as the economy. A number of

newspaper advertisers, businesses, event organisers, and the film industry were all severely impacted.

5.4.2 DTH:

DTH (Direct to home) service in India was introduced by Dish TV owned by Zee on 2nd October 2003. India is the largest DTH market in terms of subscriber. Currently we have 4paid DTH providers in the country. DTH customers receive digital TV channel signals via satellite on their dish antennae, which are then sent to their

television via a set top box. (STB). According to a news portal, the live mint DTH market proposition remains appealing in the medium to long term. It is still thriving in the market despite the present market structure and streaming services. According to a 2020 study, Airtel has added about 5 lakh users in the DTH television market, making it the number two player in the DTH space. In comparison to the rest of the market, India's linear television price structure is quite inexpensive. The pricing structure is set up in such a way that paying a tiny sum to acquire channel access is a no-brainer.

5.4.3 OTT:

OTT video (Over-the-Top video), which provides users with interactive TV and value-added services via the Internet, is the killer application for broadband carriers. It had a significant impact on traditional cable, satellite, and terrestrial television markets. Traditional broadcasting was soon engulfed and destabilised by OTT video, resulting in a 30% drop in subscriptions. Users like and demand OTT services because the OTT box intelligently and conveniently realises multi-screen interactivity (mobile phones push their displays to the TV via the OTT box), value-added applications, home network sharing, smart medical, and smart education, among other things. Furthermore, the flood of knockoff OTT STBs fuels a steadfast demand for OTT services, particularly live TV. It has an impact on the OTT market's structure. The number of competitors, market concentration, product and service differentials, and market entry barriers are the primary factors that shape the OTT market.

OTT licensees, content providers, operators, Internet businesses, smart TV and box manufacturers, and copycat set-top box manufacturers are now the main OTT competitors. One of the most important aspects of the market structure is product differentiation. Offering distinctive products, developing consumer preferences, loyalty, and a competitive advantage are all ways that businesses attract consumers. Where OTT products and services differ the most is in content, marketing, user experience, and value-added services. OTT is an oligopoly market. It needs a huge market investments and still has a high barrier to entry. Netflix is a very good example in streaming industry. Despite being not the network owner it is yet a very successful virtual operator. However, licensing, content control and product differentiation are the main factors resist the new entrant in the market. (Qin & Wei, 2014)

5.5 ECONOMICS OF INTERNET MEDIA

As per times of India, India has 504 million active Internet users in 2020. Of the total Internet population, 433 million are more than 12-year old, while 71 million are in the age of 5-11 years, who access the Internet on devices of their family members. Nine out of 10 users in urban India access Internet at least once a week. In rural India, there is an addition of 30 million new users, who access internet daily compared to March 2019. The Internet economy contributed up to $537.4 billion to India's GDP in 2020, of which a minimum of $270.9 billion was contributed by apps. Apps were contributing 70% to the mobile traffic.

A World Bank study finds that every 10% increase in broadband penetration boosts GDP growth by 1.38 % in developing countries. The internet has affected media economy in multiple ways right from media piracy to the lower cost of distribution, and media synergy. Which means any media outlet is the provider of different types of contents of which, the consumers are accustomed to getting on any other media platform. Almost every news portal, for example, delivers video content alongside written content to consumers. The advertising industry has also been affected by the internet. The brands do not just hunt for large news portals to place advertisements, but they also place ads on any decent functioning website with relevant content. For instance, you might place a clothing ad on any fashion website. The Internet, which connects information and communication technology, is a major driver of media convergence. While new Internet media share some characteristics with conventional media, they also have a few unique features: Aggregation by third parties with no editorial policy and user-generated material have become increasingly essential on the content side. On the advertiser side, numerous Internet media and social networks offer fine-tuned customizing and targeting of ads based on particular user characteristics. We see more time-shifting, multi-homing, and active search options for users. New participants in the media sector, such as search engines and Internet service providers, have accompanied these shifts. Some of these companies must deal with fresh strategic issues, such as how to convey search results. Google, a search engine company, plays an essential role in assisting such advertising organizations in reaching their target consumers. (Peitz & Reisinger, 2015).

5.6 INDIAN MARKET

According to an EY report, the revenue generated by the Indian media in the year 2020 was an estimated value of 19 billion US dollars followed by United States that generated the value of 25billion US dollars. As per the IBEF (India Brand Equity Foundation) reports, the Indian mobile gaming industry is assured of estimating US dollar 7billion value by 2025. Also, the advertising based video on demand segment seems to give a boost to media economy and is expected to reach US dollar 2.6billion by 2025.

Prior to the epidemic, it was discovered that the film industry's rise in 2016 and 2017 was largely fueled by Hollywood and regional films released in India. Each year, India produces between 1500 and 2000 films in more than 20 languages, roughly twice as many as the United States. (Stafford, 2006). With an average ticket price of US$0.81, India has the world's biggest movie

attendance, surpassing the United States, China, and Japan combined (Verma, Jain 2020).

In terms of newspaper sales, India has one of the world's largest markets, with millions of copies sold every day. Although the worldwide newspaper industry is in decline, the Indian newspaper sector is nevertheless thriving. Despite the fact that the newspaper industry is facing numerous challenges as a result of the country's socioeconomic status, it is nevertheless able to compete in the market. It could be due to its reputation as a reliable source of information, as well as its ability to be innovative and knowledgeable. The newspaper industry knows how to market and sell itself better than anyone else. In comparison to many other countries, such as the United States and Japan, India still has a thriving newspaper industry, despite losing its dominance in media industry. (Nidhi Sharma, 2015).

As per Times of India, the newspaper industry in India generated over Rs.295 billion income in fiscal year 2020, while the magazine industry brought in almost Rs.10 billion. In fiscal year 2020, the print sector in the United States dropped by more than 8% compared to the previous fiscal year. The paper asserts that Indian publishing is a crucial enabler for education, continuous learning, and recreation, as well as a promoter of Indian culture, values, and excellence, and was prepared in partnership with the Association of Publishers in India (API). It outnumbers print media (newspapers and magazines), digital media (social media, apps, online streaming, music, and games), filmed entertainment (movies), and radio and music as one of the country's largest media-related industries.

By allowing the continuous production of knowledge in regional languages, the publishing sector supports Indian culture, values, and greatness. It also takes advantage of the continued popularity of digital platforms like e-books in regional languages to reach out to a wide range of audiences. It is needless to say that the publishing industry has a promising future in India.

5.7 MEDIA CONVERGENCE

Media convergence means an openness to a different media contents on the same platform. Due to technological development mobile phones have made compatible to television and newspapers compatible to mobile phones. Digital convergence made the news pocket friendly for the news readers. The convergence between telecommunication and broadcast media has been possible because of the interactive digital broadcast services. In a generic sense, media convergence is a fusion of different media outlets. As per a news portal exchange4media, the media industry was dominated by 50 big corporations in 1983. The number had dropped

to 29 by 1923. In the early 1990s, the number increased to 23, and by the late 1990s, only ten major media companies dominated the market. AOL Time

Warner, Walt Disney, News Corporation, Viacom, Vivendi, Sony, AT&T, Liberty Media, and General Electric are just a few examples of large corporations. As internet media has grown in popularity, traditional media outlets have been pushed to reinvent themselves in order to stay competitive. The drive to reinvent oneself resulted in media mergers and acquisitions. However, there are several other factors that have aided mergers and acquisitions. For example, cash-rich private equity investors are very interested in the consistent cash flow generated by media companies. However, the twentieth century saw the ultimate split among all the corporations that combined with other companies, such as Viacom. They sold their equivalents since they had the most shares. The M&A activity in media firms is becoming increasingly muddled, which is a huge transformation in the media and entertainment industry. Since the last few years, the media and entertainment business has been quiet. Zee, on the other hand, is teaming up with Sony now. This merger, according to media reports, will be the most successful of all. Zee is a fictional content provider with a strong regional presence. Sony, on the other hand, is the market leader in non-fictional entertainment. Zee-Sony is thought to be worth $2 billion if they combine their broadcast market share of 25%. The M&E industry is undergoing three major changes, according to Karan Taurani, Elara Capital SVP - Research Analyst. This includes: 1) a digital shift, 2) ad growth convergence, and 3) broadcast tariff control. "To keep the growth rate and have a say in the market, consolidation is essential." If the market remains fragmented, even if there are only 5 or 6 competitors, and growth rates are converging, everyone loses since everyone will wind up paying more for content. Consolidation is required because it is possible to obtain the best of the market, resulting in a situation in which two or three larger firms control a significant portion of the market.

Media convergence is the distribution of media items across many media platforms. Adele's music album, for example, may be accessed on a PC or listened to on an iPod or iPhone. Media convergence blurs the lines between various forms of media, resulting in the birth of new media products and services. It has also altered the media industry's commercial structure and culture. It has been noticed that media convergence has influenced not just the market but also the behaviour of consumers. The consumer's perception of media products and content has shifted. The border between economy and culture has also dissolved as a result of the convergence. Production and consumption, as well as a passive and engaged audience, are all factors to consider. The best example of this is social media news material. (Josko Lozic, 2019)

The aim and content of news remain the same, but it is now delivered over multiple channels at the same time to meet the needs of the audience. As digitalization affects an increasing number of market competitors, convergence has blurred the lines between producer and customer. It inspires traditional media to reinvent themselves, with immediate implications for manufacturing processes. The media industry and its market structure have undergone a fundamental shift as a result of

convergence. In today's media industry, monopolistic competition is prevalent. However, the market remains dominated by a small number of media owners. (George Ghiea, 2022).

5.8 QUESTIONS

1) Why media market structure is called

Oligopoly?

2) Why do modern marketing especially in terms of media contents needs to be creative?

3) Explain DTH

4) Explain OTT media market structure

5) Explain how Indian media market has changed today? 6) How the Internet media has affected the economy?

7) Impact of COVID-19 on Media Market and economy?

8) How digitization has coined the term media convergence and its impact on Indian Economy?

5.9 REFERENCES

. http://www.scienpress.com/Upload/AMAE%2fVol%204_5_3.pdf

· **https://eh.net/encyclopedia/the-economic-history-of-the international-film-industry/**

. https://www.businesswire.com/news/home/20210910005333/en/Global-Film-and-Video-Services-Market-Report-2021---Opportunities and-Strategies-to-2030---ResearchAndMarkets.com

· https://www.mordorintelligence.com/industry-reports/newspaper industry .

. https://timesofindia.indiatimes.com/blogs/economic-update/the economic-impact-of-internet-in-india/

. https://open.lib.umn.edu/mediaandculture/chapter/13-3-the-internets effects-on-media-economies/

. https://www.sciencedirect.com/science/article/abs/pii/B97804446272 1600010X

. https://www.researchgate.net/publication/342029348_Emergence_of_Indian_Film_Industry_in_the_International_Markets_Facilitators_and _Impeders

· https://www.jstor.org/stable/4414083

Media Economics · https://timesofindia.indiatimes.com/blogs/economic-update/the economic-impact-of-internet-in-india/

· https://timesofindia.indiatimes.com/life-style/books/features/indian publishing-to-be-rs-800-bn-industry-by-2024-ey parthenon/articleshow/84434824.cms

· https://link.springer.com/chapter/10.1057/9781137005908_4

· https://www.exchange4media.com/media-tv-news/2021-the-year mergers-acquisitions-restructured-indias-me-sector-117215.html

· https://www.researchgate.net/publication/342029348_Emergence_of_ Indian_Film_Industry_in_the_International_Markets_Facilitators_and _Impeders

· https://www.jstor.org/stable/4414083

· https://www.ibef.org/industry/media-entertainment-india.aspx

· https://www.google.co.in/books/edition/Digital_Convergence_in_Contemporary_News/mfFLEAAAQBAJ?hl=en&gbpv=1&dq=digital+convergence+in+media&printsec=frontcover

· https://www.researchgate.net/publication/342004555_CONVERGENCE_OF_MEDIA_INDUSTRY_CHANGING_THE_PARADIGM_OF_MEDIA_PRODUCTION_AND_CONTENT_DISTRIBUTION

· https://www.google.co.in/books/edition/Economics_of_Scale/amiDDwAAQBAJ?hl=en&gbpv=1&dq=what+is+economies+of+scale&printsec=frontcover

*****

6

TECHNOLOGICAL CHANGE AND INNOVATION

Unit Structure

6.1 Introduction

6.2 Framework for adoption of new technology

6.3 Dimension of the organization towards innovation.

6.4 New media adoption by media firm

6.1 INTRODUCTION

The advancement of technology and innovation in media has a remarkable impact on the lives of people, society, and the economy. New media technologies like the internet gradually started becoming the mainstream media at the beginning of the 21st century. The spreading of communication technology has shaped the lives of people and the future of the media industry. The arrival of print media to the new interactive media industry has witnessed growth and commercialization. Although all media firms were aware of the importance of innovation, many firms were skeptical to be pioneers of innovation because of risk-averse beliefs. Those companies who fail to adopt new technology also fail to reap the benefit. On the other hand, companies who adopt new technology were also not successful in getting the benefit. Eg. Sony, a manufacturer of electronic products, changed the way we listen to music with the invention of the Walkman Walkman was a must-have gadget for every teen. But when MP3 players were introduced to the market, the sales of the Walkman started to drop. The iconic Walkman was killed by the MP3 players, which were later killed by smartphones. Sony didn't adapt to technological innovations such as digitalization, the shift towards software, and the growth of illegally downloadable music online. Sony had the technology to launch a product even better than the iPod, but it never happened. The company was too afraid to test out something new, thinking it would threaten their compatibilities on the market. The advent of the internet and digitization has generated revenue or lowered the cost; it can also change the current market standards.

6.2 FRAMEWORK FOR ADOPTION OF NEW TECHNOLOGY.

Creative destruction:

The essential driver of development in an economy is the process of creative destruction achieved by businessmen who continuously innovate products, production processes, which create more utility to consumers and accelerate economic growth. For success and economic development,

it has become crucial to commercializing business. Innovation also has an impact on the organizational structure. For example, the arrival of new technology

often changes an industry's existing value chain, forcing firms to attempt to create more value using the traditional system or to learn how to create value by incorporating the new technology into the existing system (Hitt, Ireland, Camp, & Sexton, 2001). The monetary worth and degree of progress, achieved by the presentation of new media, are obvious as should be visible from how digital TV changed the arrangement and content of TV programming and how the Web is upsetting the circulation of music items.

Business strategy:

One of the essential requirement for acceptance and implementation of new technology is how the management of an organization react to innovation. Management attitudes beliefs values attitudes towards innovation are essential in any organization irrespective of its size. Adoption of new technology would help media firms to innovate their product or service; explore new market avenues, cater to the requirement of a new line of customers. Barringer and Bluedorn (1999) proposed three specific enablers of firm-level entrepreneurial behavior: opportunity recognition, organizational flexibility, and the ability to measure, encourage, and reward innovative and risk-taking behavior.

6.3. DIMENSION OF THE ORGANIZATION TOWARDS INNOVATION

A Series of dimensions can be used to assess the approach of the organization towards innovation:

1. **Strategic approach:** the organization would be able to exploit opportunities in their best capacity only if the resources are optimally used.

2. **Willingness to exploit opportunity:** if the firm has an action oriented approach then it will immediately encash upcoming opportunities where the firm which has an analysis-oriented approach will be more cautious before exploiting an opportunity.

3. **Utilising resources responsibly:** certain firm believes in utilizing all available resources in full capacity for exploiting opportunities while certain companies believe in using resources effectively and preserving some for the future.

4. **Management structure and reward philosophy:** nowadays modern media organization believes in having a flattened management structure so that quick decisions can be made, employees can be made responsible for their job, and can be rewarded based on their performance. Whereas traditional organization still believes in following vertical hierarchy which slows down the decision-making process and creates more dependency on seniors for decision.

5. **Growth inclination**: innovative firm focuses on fast development and acknowledges risk associated with growth opportunities whereas a firm having a conservative approach prefers safe, and consistent development.

6. **Organisation culture:** modern organization focuses on generating idea, creativity, identifying

opportunity while conservative firm limits their progression of thoughts and fails to identify an opportunity.

Management, firm size, and ambiguous environment:

Management perspectives are important to all media firms irrespective of their size. In this competitive environment, large organizations focus more on their long-term sustainability but fail to explore new market opportunities whereas many small firms that can be successful often exceed in prospecting new markets and tapping new opportunities. The ambiguous environment has a positive effect on innovation and technology. Introduction to the internet and digitization has bought transformation in media tools.

Network relationship:

media firms nowadays are searching for developing network relations with different firms both horizontally and vertically. Network relationships help organizations to exploit new technology, explore new opportunities, share resources, and share market risk. Smaller firms having innovative services or products can overcome various business challenges like access to market, distribution system, expertise, overcoming entry barriers, etc.

Acceptance of new media technology:

The new media age is influenced by high-tech technology, changing the social environment for users of media, the role of social media in stimulating acceptance of new media. Pricing factor. Media adoption by consumers depends on the role of social media influencers, market competition, pricing factors, and product uniqueness.

Media product distinctiveness:

The organizational decision majorly depends upon the availability of resources in a particular media industry. Many times strategic networks are formed between media and non-media businesses to make their product/service unique from competitors. Eg. A Media firm having a core product may tie-up with the non-media organization which will help them out in distribution, promotion, packing processing of content, etc. thus adding value to the overall product.

4. **New media adoption by media firm**

Firm characteristics:

As adoption of new media is influenced by personal factors of consumers same way even organizational traits also have an impact on new media

adoption. Two sets of media firm characteristics are proposed: 1 firm approach towards new media product /market; 2. The risk-taking ability of the firm.

Firm approach towards media:

Miles and Snow developed a plan for exhibiting organizational attitude towards new product development, structure, and the process by assuming organizations with different organizational beliefs have a different organizational strategic choice.

Miles and Snow's taxonomy classify organization into four groups:

1. Prospectors are the ones who are always willing to take advantage of new products and market opportunities.

2. Protector focuses on attracting market segments to intensify a stable set of products/services.

3. Reviewer that has an intervening position between prospector and protector carefully observing and supporting prospector and simultaneously examining and protecting a stable set of product and services.

4. Catalysts that do not have a persistent product or market orientation but react to competition with a short-term focus.

Management perspective:

Another factor that impacts the acceptance of new technology is the management perspective. The management needs to have the willingness, sovereignty uniqueness. Risk-taking ability. The risk-taking ability might be a better measurement of the managerial ability of a media firm because new media technology adoption often takes the form of investments that require a larger scale and scope and greater coordination. Organizations' past experience and changing role of new media technology affect the process of adoption of new media.

Competitive Repertoires:

Competitive repertoires mean strategies framed by the media firm to attract, cater to, and retain customers in a particular market segment. (Miller & Chen, 1996). With reference to media product type of market in which Media Company operates has an impact on repertoires. A Majority of media companies operate in an oligopoly market which means competitive repertories are restricted to a very smaller number.

Current new media holding and past performance:

The media held by organizations currently also provide a hint about the likelihood of future adoption of the decision-making process. Organizations' prior experience also provide insight about resources available with the organization for commercializing new media technology

Firm Size:

In a world of innovation, size can be an issue. A large firm can are generally busy meeting the current need of the market thus fails in resources allocation to the new technology. As against small firms easily adopt the new technology with an attacker approach and change their marketing strategy. These firms are also successful in capturing the market over existing big companies. Eg. When internet dial-up service was

initiated a small firm like America online was successful in promoting such services rather than established media firms.

Firm age:

Like the size of a media firm, even the age of the firm has an impact on technology adoption. Generally, as older the firm is more will be market experience and strong resources. But in certain cases, firms fail to identify opportunities, change business strategies, and may not be willing to take risks. With reference to media products Businesses, especially businesses with established customer relationships with branded content Loyalty may be in a better position to assess customer needs and harness the market potential of new media technologies, either alone or through strategic networks.

6.5 QUESTIONS

1. What plan media firm needs to do to adopt new technology.

2. On which elements the media firm has to focus on while adopting innovation.

3. What aspects media firm has to consider while adopting new media. *****

6A

CREATIVE DESTRUCTION

Unit Structure

6A.1INTRODUCTION

Just imagine how your pandemic would be without OTT platforms. On the one hand, The development of the OTT platform has entertained many youths and on the other hand, it has also helped many producers to release their films or web series on various OTT channels like Amazon prime, Disney Hotstar, Netflix, etc. earlier people use to rent out DVD / CD to watch their favourite movie which is now replaced by OTT platform you can now watch any movie of any times on OTT platform. The existence of the OTT platform is an example of creative destruction. The term "creative destruction" was given by famed economist Joseph Schumpeter in the 1940s. In defining the term, Schumpeter stated the "process of industrial mutation that incessantly revolutionizes the economic structure from within, incessantly destroying the old one, incessantly creating a new one." Creative destruction is a process through which new creativity replaces old one. Economic progress is possible only by adopting new technology. An organization that always strive to be ahead of their rivals tend to respond positively to the adoption of new technology. Creative destruction helps organizations in dominating the market by providing better products/services to consumers, reducing cost, efficiently utilizing resources, etc.

6A.2 ROLE OF CREATIVE DESTRUCTION IN FREE ENTERPRISES.

Free market economists consider creative destruction as an unavoidable and crucial process of economic prosperity and protest the government's aim of controlling the process of decline.

Free market economists argued that if the organization is losing its market share then the business needs to be shut down so that resources can be diverted to some productive firm.

The volatile nature of the market stimulates organizations to keep on innovating their products/services and keep costs low.

Although change sometimes results in loss of employment simultaneously it also creates long-term employment opportunities in new areas which are often ignored by employees.

Growth in the service industry is a sign of a growing economy thus resulting in creating more employment opportunities.

The music industry has undergone a tremendous technological change which resulted in rising and fall of several companies. For Eg, cassettes were replaced by CDs which were later on replaced by digital music tools like Spotify, etc

3. The drawback for creative destruction:

Structural unemployment: structural unemployment takes place because of changes in industry standards, employees may lack the skills for getting better job opportunities. Structural unemployment may be permanent. Technological advancement might be one of the reasons for structural unemployment.

· The firm industry may provide external benefits which impact social efficiency. For example, in the 1960s, the Beeching report advocated in UK railways were replaced by car considering car to be a more efficient mode of transport and hence investment was diverted on the construction of roads instead of railways however due to increase in congestion, pollution, later on, made the government rethink on a decision of closing railway.

Regional unemployment: In a changing economy, regional immobility can make the "phrase of destruction" last longer. Large closures and the loss of many jobs can be difficult for the community to deal with. The economy can create new jobs, but not in areas with high unemployment. This can lead to long-term low growth and high local unemployment.

Not a Pareto improvement: Pareto improvement means no individual is adversely affected by economic action. Creative destruction might create better opportunities for some whereas it may adversely affect some people.

6A.3 THE ARGUMENT FOR CREATIVE DESTRUCTION

Economic progress is possible only by adopting new technology. An organization that always strive to be ahead of their rivals tend to respond positively to the adoption of new technology. Creative destruction helps organizations in dominating the market by providing better products/services to consumers, reducing cost, efficiently utilizing resources, etc.

The GDP of the nation will also start rising if businesses can successfully adopt new technology by replacing old ones.

Creative destruction helps in saving crucial resources like time and money thus resulting in improved efficiency of employees, an increase in wealth and standard of living

Organizations can make the best use of their resources by producing goods or services at a lower cost and enjoying a higher profit.

Organizations can dominate the market if the process of creative destruction is handled properly by management. Empowering employees by providing them proper training and insights into the new system can save the jobs of many employees thus maintaining the goodwill of the company.

6A.4 IMPORTANCE OF CREATIVE DESTRUCTION TO CAPITALISM

1. Rather than assessing the effectiveness of capitalism by where the business cycle is at a given point in time, we look at the long-term consequences of capitalism and judge its effectiveness in terms of economic growth and improved living standards. This is because the volatility of the capitalist business cycle is both a sign and a mechanism for the creative destruction process to work.

2. While most policy analysis focuses on redistribution schemes across the existing income distribution e. g. taking money from Amazon CEO Jeff Bezos and giving it to a McDonald`s worker, Schumpeter`s point about the centrality of creative destruction suggests that our focus should instead be on whether the income distribution itself changes, whether a new distribution can be created, an old one destroyed. Can a poorer McDonald`s worker rise to become the CEO of Amazon, as was the real-life experience of Jeff Bezos?

3. The biggest threat faced by many companies is not from established competitors in their space, but from smaller, more agile newcomers who have disruptive technologies that threaten market power. There are many examples of existing companies and technologies facing existential threats from the endless storm of creative destruction. Amazon and Wal-Mart, Netflix and Blockbuster, Uber and taxi.

4. For Schumpeter, there are five main types of innovations that can initiate a creative destruction process. Introducing new products or product qualities, introducing new production methods, developing new markets, discovering new markets. Sources and industry restructuring, such as mergers

5. Another major cause of creative destruction is international trade. Schumpeter's five sources of innovation do not prevent international trade. Introducing foreign products, technologies, or methods of an industrial organization into the domestic market has the same effect as domestic innovation, with the only difference being that the source of competition is now foreign.

6. Creative Destruction Innovation comes from two-player Start-ups are mainly entrepreneurs of an emerging technology company headquartered in the garage.
While existing players are primarily established companies, perhaps with large, well-equipped R & D labs for engaging in capital intensive research. Established companies are complacent, stick to past processes, and are too afraid to take great risks. In contrast, smaller, more agile entrepreneurs are willing to challenge the status

quo, and the innovation will revolve around existing companies that are sluggish until the swaying dinosaurs collapse under their own weight.

7. Access to credits closes the resource gap between existing and emerging players, allowing emerging players to bring innovation to the market. Given the important role that both new entrepreneurs and existing businesses play in creating innovation, policymakers provide support to government partnerships, grants, or existing entrepreneurs and R & D labs. We have endeavoured to support innovation through other schemes designed to.

8. The socio-political consequences of economic change, especially unemployment. A clear and common example is when a small town loses its main employer due to disruption, whether due to international trade or innovation-induced changes in product space. Creative destruction leads to unemployment and despair. That despair loosens community ties as the old man stays behind while the young man seeks a better outlook elsewhere and hollows out the city. In their newly hired cities, these urban migrants often seek jobs at low wages. City residents lament industrial activity, and local politics is moving in an ugly direction.

9. There is the direct cultural impact of innovation itself, a change that has not been driven into the realm of economics. Perhaps the best example is the introduction of the printing press in Europe by Johannes Gutenberg. The press not only spawned a new professional class printer. The printing press example is similar of today's social media. Public spaces have collapsed and the final social and political impact is still complete as we are classified as information silos and each of us is hiding in our own personalized flow of information. Has not been determined.

Thus, Policymakers have been working on ways to leverage the creative destruction process in a way that maximizes its benefits while minimizing the impact on those expelled by innovation, with a variety of effects. In order to realize the benefits of creation, the old must be destroyed. Otherwise, there is no place for innovation to drive the outcome of capitalism.

Example:

Effect of Creative destruction in the Covid era on the entertainment industry.

Should films be released directly on OTT (Over-the-top) platforms? This argument is not new. With plethora of pocket-friendly streaming services leveraging the 4G revolution in India, this shift has often been talked of as inevitable.

With large investments at stake, and there being no sign of cinema halls opening any time soon, Covid-19 has fast-tracked the process as producers are scampering to release directly on OTT, bypassing theatrical release, and the decision has naturally left the exhibition sector fuming.

In an ideal situation, both must co-exist and an invention of something digital must not eliminate traditional. Till the time we come up with a proper definition of 'ideal' for the entertainment industry, producers would not shy away from releasing their content on OTT platforms.

Source: https://timesofindia.indiatimes.com/blogs/voices/creative destruction-in-the-covid-era/

6A.5 QUESTIONS

1. What is creative destruction?

2. Role of creative destruction in free enterprises.

3. What are its pros and cons?

4. Relevance of creative destruction on capitalism

*****

6B

MULTI-PLATFORM

Unit Structure

6B.3 Economies of Scale

6B.4 Value Chain

6B.5 Question

6B.6 References

6B.1 INTRODUCTION

In the 21st century, media companies' traditional media continue to evolve into multi-platform media enterprises. For many years content was delivered via a single platform like newspaper, radio, etc. Now, technology-driven media company shares their content through multiple platforms including traditional as well as new media platform. Eg. Programs broadcasted to television sets are also broadcasted on social media like Facebook, YouTube; additional content is shared on OTT platforms (Bigboss Uncut on voot), mobile phones (tata play). Media organization has adopted a 360-degree approach to distributing their content on multiple platforms instead of limiting it to a single platform. But while adopting this approach media organization also has to check the availability of media platform, the usefulness of the media platform.
Feasibility of the platform adopted to endorse program, cost effectiveness.

Analysing multiplatform organization in the economic

context. **6B.2 PUBLIC GOOD**

Public goods are such products that are not used remarkably in the consumption process and the cost incurred for the additional user is also very negligible eg additional television viewers would impose hardly any cost to the broadcaster. Certain economists believe that media goods are non-rival eg. Many people watch television or listen to the radio simultaneously without impacting its quality. While some argued that media products are non – executable eg. Netflix, amazon are examples of non-executable goods because people who pay subscription charges would be able to watch programs running on these platforms.

Business model:

The business model is the strategy adopted by the media company t generate revenue. There are three types of model advertising, subscription, pay per use.

1. Advertising model – media companies generate revenue from advertisers eg Facebook, YouTube, etc.

2. Subscription model – generate revenue by charging subscription fees to users eg Disney Hotstar.

3. Pay per use: unlimited service is provided to the user but is charged based on service used by them eg. Subscribing for sports channel only during the cricket world cup.

Complementary and substitute:

When the increase in the price of one product increases demand for other products, the product substitutes each other eg. Movie show is priced high

at cinpolis and low at inox then inox will substitute cinepolis.
Complementary goods are good when consumed together enriches consumers' experience. When rising in the price of one product decreases in demand for another product then it is a complementary product. Eg. a rise in price for the internet may affect the demand for OTT platforms.

6B.3 ECONOMIES OF SCALE:

As the output increases the marginal cost of production decreases. This is because the cost of production is distributed by increasing production. There is a negative relationship between output produced and fixed cost of production. The media industry experiences economies of scale because of its public goods characteristics. Eg. The average cost of supplying a product reduces as the number of viewers or readers increases.

6B.4 VALUE CHAIN

The range of activities that a media undertake right from production to its distribution to the final consumer. It includes designing, creating, marketing, distributing, and after-sales service to the ultimate customer. This can be conducted by a single firm or if the size of the firm is small then multiple firms. Link is created for adding value to a product till it reaches the ultimate customer.

6B.5 VALUE CHAIN

Economies of scope:

When there is an increase in the variety of product similar products the cost of production decreases. When there are certain shared costs between two or more products then it becomes more cost-effective to sell. Many organizations opt for mergers and acquisitions as it reflects the widespread availability of multiple distribution resources.

6B.5 QUESTION

1. Analysis of multiplatform media.

6B.6 REFERENCES

· Alan b. Albarran Handbook of Media Management and Economics, Routledge, First published 2010 Taylor & Francis Group, a pg. 69 to 78pg 86 – 97.

· Alan B. Albarran; co-editors Sylvia M. Chan-Olmsted, Michael O. Wirth, Handbook of media management and economics, lawrence erlbaum associates, publishers, pg. pg251 to 263.

· https://www.caluniv.ac.in/global-mdia-journal/COMMENTARY JUNE-2014/C_3.pdf

· https://econlife.com/2019/08/the-impact-of-the-netflix-effect/

· https://www.investopedia.com/terms/c/creativedestruction.asp#:~:text=Schumpeter%20characterized%20creative%20destruction%20as,incessantly%20creating%20a%20new%20one.%22

· https://journals.sagepub.com/doi/full/10.1177/1329878X18798693

· https://knowledge.insead.edu/entrepreneurship-innovation/creative destruction-in-the-digital-media-age-1826

· https://www.caluniv.ac.in/global-mdia-journal/COMMENTARY JUNE-2014/C_3.pdf

*****

7

DIGITIZATION AND MEDIA

Unit Structure

7.1 DIGITIZATION AND MEDIA

The process of converting information into a digital format is called digitization. Here, the information is organized into units called bits that can be individually addressed. This binary data is processed by computing power computers and other devices. Digitization of information makes it easy to store, access and share across different platforms around the world. All industries have been positively impacted by the use of digitalization, and the entertainment and media industries are no exception. The digital revolution has swept the M & E industry, breaking new barriers and creating greater competition. The government has played an active role in this Supporting the media and entertainment industry, especially through various policies aimed at this Increased digitization, including the development of Digital communication infrastructure

7.2 RESPONSE OF MEDIA TO DIGITISATION

Television:

The technology utilised in televisions has vastly advanced. Users now have a wide range of alternatives when it comes to receiving television signals, thanks to the arrival of digital transmission. It also allows you to play or stream videos in various resolutions. When it comes to visual quality, digital signals give a higher level of efficiency. In fact, only digital data may be used to display images on high-definition screens.

Print media:

News was literally hot off the presses at one point – real newspapers were everywhere, mass-produced and circulated across cities for anybody to pick up, flip through, and read every line. News can now be access simply at a single click. Circulation is also done via email or through mobile app. Now news reader do not have to wait till next day to read the news they get all the news updates immediately.

Photographs:

The time has passed long ago when people use to wait to get print photographs. The digitization of photography has better preservation, can be shared with many people, and can be recaptured if the photograph did not meet the quality. Even digitization allows scanning of old photos and storing them for a longer period of time and cherishing the memories.

Music industry:

The music industry has seen significant transformations as a result of digitalization. In terms of supply chain management, digitization eliminated raw materials such as CDs and LPs and shifted traditional distribution methods to the internet, resulting in significant cost reductions. By providing easy access to the market through digital audition systems, it boosted the number of suppliers, songwriters, and artists..

7.3 MANAGERIAL THEORIES OF MEDIA FIRM

Managerial theories of the firm place emphasis on various incentive mechanisms in explaining the behaviour of managers and the implications of this conduct for their companies and the wider economy.

According to traditional theories, the firm is controlled by its owners and thus wishes to maximize short-run profits. The more contemporary managerial theories of the firm examine the possibility that the firm is controlled not by its owners, but by its managers, and therefore does not aim to maximize profits. Although profit plays an important role in these theories as well, it is no longer seen as the sole or dominating goal of the firm. The other possible aims might be sales revenue maximization or growth.

Following are three managerial theories of the media firm: **1.**

Baumol's Theory of Sales Revenue Maximization:

According to Baumol, 'The sales maximization goal says that managers of firms seek to maximise their sales revenue subject to the constraint of earning a satisfactory profit. "

As per the above definition after a media firm, once profits have reached a level that the shareholders consider sufficient, the managers' efforts are concentrated toward maximizing revenue by encouraging sales rather than profit maximization. It's important to remember that companies don't completely disregard profit. They do want to make a profit on a broad scale. But, once they have reached an acceptable level of profit, their focus switches to sales maximization rather than profit maximization.

Following arguments are given in favor of maximization of sales goal:

a. More Practical: The goal of increasing sales is a more realistic goal. In fact, media firm place a higher priority on increasing sales than on increasing profits. This is because a company's success is typically measured in terms of total sales. 'Among the different possibilities

advanced, Baumoul's thesis has a tremendous benefit — it raises the other models in the direction of realism and believability while still allowing a rather comprehensive theoretical analysis,' according to Ferguson and Krupps.

b. More realistic: Baumol's revenue maximization theory is more practical. This is because the goal of increasing income (Sales) leads to increased output, which leads to a decrease in price. As a result, the welfare of consumers is fostered. They also agree with the firms' purpose.

c. Maximum Sales: A company's strongest position in the market is symbolised by its maximum sales. A company's sales will be high only if consumers like its products, the company has more competitive power, and it has been expanding. All of these characteristics are indicative of the company's success.

d. More benefit to manager: it is in the management' best interests for the company to seek for maximum sales. As a result, their market credibility improves. Maximum sales are a measure of the managers' abilities. It has a positive impact on their pay. The company is in a position to pay its staff more money. As a result, employer-employee relationships improve. It is the managers' ongoing effort to maximise the firm's sales after achieving a certain level of profit.

7.4 MARRIS GROWTH MAXIMIZATION MODEL

Owners (shareholders) seek earnings and market share, whereas managers seek a higher compensation, job stability, and growth, according to marris. These two objectives can be met by maximising the firm's balanced

growth (g), which is determined by the growth rate of demand for the firms products (gd) as well as the growth rate of capital supply to the firm (gc). As a result, the media firm's growth rate is balanced when demand for its product and capital supply develop at the same rate.

The firms face two constraints in the objective of maximisation of balanced growth, which are explained below:

a. **Managerial challenges:**

Among the managerial challenges, Marris emphasised the necessity of human resources in accomplishing media firms goals. Manager of media houses' talents, expertise, efficiency, and sincerity, are critical to the firm's progress. The lack of managerial skill sets in the requisite size produces growth constraints: media firms with high levels of expansion may face a skill ceiling among existing staff. New hires may be employed to expand the managerial pool with needed abilities; however, new hires lack the experience to make quick choices, which could be another constraint.

b. Financial Constraint:

Prudent financial policy necessitates the optimal maintenance of the three

key financial ratios.

i. Current Ratio: The ratio of liquid assets to total assets is known as the liquidity ratio. Insolvency is more likely when there is a lack of liquidity (risk=+ve).

ii. Leverage/Debt, often known as the Debt-Equity Ratio, is the debt-to total-assets ratio. A high debt-to-equity ratio puts the company at risk of going bankrupt. (risk=+ve)

iii. Profit retention ratio: A high profit retention ratio adds to the reserves, which contributes to capital growth. (threat=-ve)

Combining all of the above into a single parameter will result in the firm's financial limitation.

Policy variables in Marris's balanced growth model are as follows:

i. The media firm has the liberty to choose its financial policy, as it subjectively determines the three financial ratios, liquidity ratio, leverage/debt ratio and retention ratio.

ii. The media might decide on its diversification rate by either growing its product range or just changing the style of its present product range. Alternatively, it can implement both policies at the same time.

iii. The firm's price is not a policy variable. It's a variable. The price is determined by the market's oligopolistic structure. Costs of production are also assumed.

iv. The media firm has complete control over the amount of advertising and R&D it spends. Given the price and production costs, an increase in advertising and R&D will result in a reduced profit margin, and vice versa.

7.5 WILLIAMSON'S MANAGERIAL DISCRETIONARY THEORY

Berle-Means-Galbralth and Williamson each created their own theory of Managerial Utility Maximization. Managerial Discretion Theory is another name for it. The theory is founded on the idea that the firm's shareholders and managers are two distinct groups. The shareholders or owners demand substantial dividends and are hence interested. Managers, on the other hand, have objectives other than profit maximisation when it comes to maximising profits. Once the managers have reached a profit level that allows them to pay reasonable dividends to shareholders while yet allowing the company to grow. They have the freedom to enhance their own remuneration, as well as the number of their personnel and the amount they spend on them. According to Williamson ―the extent that capital market pressure and product market rivalry are imperfect, the manager, consequently, has discretion to pursue purposes other than profits," "The lack of corporate democracy leaves owners or shareholders with little or no capacity to modify corporation policy," Berle and Means

added.

"Managerial Utility function may be expressed as follows:

U = f (S, M. ID)

It will be read as : Managerial utility is a function (f) of additional expenditure on staff, managerial emoluments and discretionary investment.
(Here, U = managerial utility; S = additional expenditure on staff; M = managerial emoluments and ID = discretionary investment).

The media manager is expected to follow policies which maximise the following components of his utility function.

1. Expansion of staff:

The manager wants to improve the quality and quantity of the employees that report to him. This will result in a raise in the staff's salary. Greater employees are prized since they result in a higher income, more prestige, and more security for the boss.

2. Emoluments for managers have risen:

Managerial utility is also influenced by remuneration. It contains benefits such as a stipend for entertainment, a fancy office, a staff car, and a company phone etc. This type of expenditure represents the manager's prestige, power, and status to a considerable extent.

3. Investing Discretionary Power:

Managerial utility is also dependent on the manager's discretion to invest in areas other than those required for normal operations. The manager has the financial means to invest in cutting-edge technologies and modern plants. These investments may or may not be cost-effective. These investments could be made for the manager's own gratification.

Shareholders and management are two distinct groups in a company, according to the notion. The firm strives for the highest possible return on investment and profit, whereas managers strive for the highest possible profit in their satisfying function.

Finally, Williamson's managerial discretion theory demonstrates a manager's utility function. In this notion, the corporation will strive for maximum returns or profit, while the manager will strive for maximum efficiency.

7.6 VERTICAL INTEGRATION

7.6.1 Introduction:

When media companies own different businesses in its own chain of production then it is known as vertical integration. The media firm control all the aspect right from the creation of the content to its distribution etc. organisation enjoys profit of both the company thus getting combine

benefit. Vertical integration reduces the price of product or service till is reaches final customer as the profit element that is involved at each stage is eliminated. Vertical integration also help media companies to differentiate themselves from competitors. Eg. fox company owns studio, cinema, TV channels and DVD rental shops.

7.6.2 Types of vertical integration:

Backward integration:

When a media company integrate with another company which is a stage before in supply chain then such integration is known as backward integration. Eg film distributor merges its business with film produce. A newspaper house or a magazine publishing house integrating with a rim manufacturing companies. Such integration will help newspaper house or magazine publishing house to maintain quality of paper as well as reducing the cost.

Forward integration:

When a media company integrate with another company which is a stage after in supply chain then such integration is known as forward integration. Eg camera manufacturing company will integrating with photo-developing software companies. Owner and operator of an event at various venues Live station acquired Ticketmaster which sells tickets for various events.