

Understanding the Business of Global Media in the Digital Age

Micky Lee and Dal Yong Jin



 **Routledge**
Taylor & Francis Group

ISBN 978-1-138-68896-4



www.routledge.com • an **informa** business

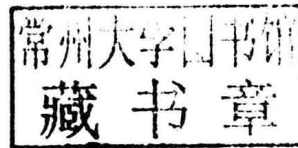
UNDERSTANDING THE BUSINESS OF GLOBAL MEDIA IN THE DIGITAL AGE

Micky Lee and Dal Yong Jin

ge

Understanding the Business of Global Media in the Digital Age

Micky Lee and
Dal Yong Jin



First published 2018
by Routledge
711 Third Avenue, New York, NY 10017

and by Routledge
2 Park Square, Milton Park, Abingdon, Oxon OX14 4RN

Routledge is an imprint of the Taylor & Francis Group, an informa business

© 2018 Taylor & Francis

The right of Micky Lee and Dal Yong Jin to be identified as the authors of this work has been asserted by them in accordance with sections 77 and 78 of the Copyright, Designs and Patents Act 1988.

All rights reserved. No part of this book may be reprinted or reproduced or utilised in any form or by any electronic, mechanical, or other means, now known or hereafter invented, including photocopying and recording, or in any information storage or retrieval system, without permission in writing from the publishers.

Trademark notice: Product or corporate names may be trademarks or registered trademarks, and are used only for identification and explanation without intent to infringe.

Library of Congress Cataloging-in-Publication Data

A catalog record for this book has been requested

ISBN: 978-1-138-68896-4 (hbk)

ISBN: 978-1-138-68898-8 (pbk)

ISBN: 978-1-315-53796-2 (ebk)

Typeset in Berling and Futura
by Apex CoVantage, LLC

eResources are available for this title at: www.routledge.com/9781138688988

Understanding the Business of Global Media in the Digital Age

This new introductory textbook provides students with the tools they need to understand the way digital technologies have transformed the global media business of the 21st century. Focusing on three main approaches—media economics, critical political economy, and production studies—the authors provide an empirically rich analysis of ownership, organizational structures and culture, business strategies, markets, networks of strategic alliances, and state policies as they relate to global media. Examples throughout involve both traditional and digital media and are taken from different regions and countries to illustrate how the media business is influenced by interconnected historical, political, economic, and social factors. In addition to introducing today's convergent world of global media, the book gives readers a greater understanding of their own potential roles within the global media industries.

Micky Lee is an Associate Professor of Media Studies at Suffolk University, Boston, USA. She has published in feminist political economy, information and communication technologies, and finance, information, and the media.

Dal Yong Jin is Professor in the School of Communication at Simon Fraser University, Canada. His major research and teaching interests are in social media and platform technologies, mobile technologies and game studies, media (de-)convergence, globalization and media, transnational cultural studies, and the political economy of media.

Contents

List of Illustrations	vii
1 Introduction and Overview	1
2 The History of the Study of the Business of Media	15
3 Theories and Approaches to Study the Business of Media	35
4 Economies	63
5 Politics	97
6 Technologies	129
7 Civil Societies	155
8 Cultures	185

Labor	221
Conclusion	255
Index	263

Illustrations

Tables

2.1	Media industry books catalogued in the Library of Congress	23
3.1	Comparison of the three approaches	45
4.1	How the three approaches conceptualize an economy	69
4.2	Import and export of office and telecom, telecommunications equipment (2014)	76
4.3	Ownership and control of four business models	87
4.4	Competitiveness of markets that Google is in	93
5.1	How the three approaches conceptualize politics	107
5.2	Top five spenders in six sectors from the communications/ electronics industry in political lobbying in the US (2016)	113
6.1	How the three approaches conceptualize technologies	137
7.1	How the three approaches conceptualize civil societies	165
8.1	How the three approaches conceptualize cultures	195
8.2	Examples of creative industries programs	197
9.1	How the three approaches conceptualize labor	230

Figures

3.1	Market equilibrium in the supply and demand curve	47
4.1	Mobile phone subscriptions (per 100 inhabitants)	76
6.1	Telephone leapfrogging: Africa (2006–2016)	147
7.1	The three sectors of society: government, business, and civil society	158
8.1	Box offices of Hollywood films in the US and China, 2016	213

Introduction and Overview

At the end of the chapter, students will be able to:

- list economic decisions that consumers make;
- differentiate economic from business decisions in the media industry;
- suggest how an approach would lead to different sets of questions asked about the media industry;
- state how the five objectives relate to students' career goals;
- explain why an economy lens is inadequate to understand the media business.

We want you to think about the last film that you watched or the last song that you listened to. We want you to think about what *economic* decisions you made to watch the film or listen to the song. For example, how much did you pay to watch the film or listen to the song? If you did not pay for it but got it for “free,” who paid on your behalf? What were other ways that you could watch the same film or listen to the same song? If there were alternatives, why did you choose one way over others?

We asked ourselves the same questions, and one of us wrote:

I watched a documentary film directed by an Asian American based in San Francisco. The filmmaker uploaded the film on Vimeo—a video-sharing website developed in the U.S.—and provided me with the password. I watched it for “free,” but only because I was deciding whether the college library should purchase a copy. If I did not watch it on Vimeo, I could purchase a copy of the film for personal use. I did not choose the alternative because I watched it for work and I knew the personal copy cannot be used for classroom screening. I knew the filmmaker would allow me to preview it for “free” if I would eventually ask the library to buy a “public screening” copy that costs fifteen times more than a personal copy. I made a series of *economic* decisions to watch the film: I have limited money to spend so I have to decide how I should spend it; I also have limited time to find out the alternatives so I have to balance how much I want to spend with how much time I want to spend to find out about the alternative means.

Now we want you to think from the point of view of the producers: what kinds of *business* decisions did they make so that their products can be delivered to the consumers? For example, how did the producers price their products? How much profit did they make from your purchase? How did they decide the platforms on which their products are delivered? Do you think they are aware that their products are available “for free”? If they are aware of the fact, what decisions were made to provide a “free” copy or to control the circulation of “free” copies?

For the Asian American filmmaker, her markets are mainly educational institutions, community centers, and public television. Film screening for students and community members requires a “public screening license” even if the audience does not pay to see the film. Therefore, a public viewing copy is priced much higher than a personal copy. The filmmaker probably takes in almost every dollar paid by the library. Because she owns the copyrights of her film, she does not need to pay another party when she sells a copy of the film. Her film can only be viewed from three platforms: DVD, Vimeo, and online streaming. She distributes her own work so it is not available on any rental service. However, the film is available on an online educational streaming service that is subscribed to by university libraries. Anyone with access to the database can watch the film. Because she provided me with the password to preview the film on Vimeo, many others must have watched the film this way. Why would she trust that

I do not show the Vimeo copy in class? First, both she and I know that the video quality is low; the image does not look good enough for a big screen. Second, both she and I know that libraries usually have a budget to acquire educational films, so instructors rarely pay out of their own pocket for a public viewing copy. The above shows that the filmmaker has made a series of *business* decisions so that her products can be delivered to the audience and that she can make enough money to cover the cost of producing, distributing, and marketing the film.

After answering the sets of questions on economic and business decisions, which set was easier to answer? We believe the set about *economic* choices is probably easier than the set about *business* decisions. As a media consumer, you are presented with choices: whether you should pay for the products or not; which platform you choose to enjoy the products; what alternative products and platforms there are. You have probably consciously asked yourselves this set of questions as a consumer. However, a media consumer rarely thinks from a business perspective; that's why the second set of questions may be more difficult to answer. This book is written to help you answer the second set of questions. One way to do this is to switch from thinking from a media consumer perspective to a media producer one. This book guides you through questions that media producers ask when they engage in the business.

Objectives of the Book

To guide readers to ask questions about business decisions, this book has five objectives. In the following, we will explain each of them by drawing on the exercise that we did at the beginning of the chapter.

Objective 1: We Aim to Provide an Overview of the Transformation of the Business of Media as a Result of Digital Technologies

In the exercise, we ask readers to think about what alternatives there are to watching a film or listening to a song. You could watch a film on a DVD, but you could also go to a movie theater or stream it online. If you live stream a movie, you could watch it on your computer, through your game console, or on your handheld device. The same goes for how you listen to a song: you could download it online, but you could also live stream it from a service or satellite radio. If you

ask someone from an older generation how they used to watch a film or listen to a song, they would probably think it is a strange question, because there were hardly any choices: to watch a film, they would go to a movie theater; to listen to a song, they would buy a vinyl record.

Digital technologies allow users to have more choices to consume media products. Media producers make conscious business decisions about how their products can be distributed through an array of digital means. Because of the expansion of distribution options, “traditional” media companies such as broadcasting stations and film studios have been exploring different ways to deliver content. As a result, you may not even go to the theater to watch films anymore, because you exclusively rely on online streaming.

At the same time, you may find that some content is only available from an online streaming service. The reason is that “new” media companies are entering the content production market. These companies make shows that are only available on their own platform. Because of the blurred boundary between who produces the content, who invents the technologies, and who distributes the content, this book does not present the industry as a collective of individual entities (such as film, television, music, newspaper, magazine, and so on). Instead, we present the industry as something always in flux, something that keeps on changing because of the rapid change in digital technologies.

Objective 2: We Aim to Provide Examples From Different Regions and/or Countries to Illustrate How the Media Business Is Influenced by Historical, Political, Economic, and Social Factors

Both authors were born and educated in East Asia. They also worked there before moving to North America for graduate studies. Coming from one region to another allows us to understand there is neither a *given* nor a best way to how media industries should be run. In the 1960s, the American media industry was already powerful enough to export Hollywood films and American popular music to East Asia. Many Hollywood studios set up local branches in East Asian countries so that US films would be subtitled/dubbed and marketed locally. On the other hand, some American products remain unpopular in East Asian markets: US magazines may be bought in very specialized bookstores, but they are not readily available on regular newspaper stands.

Therefore, it is wrong to assume that the US industry overwhelmingly dominates industries of other countries.

Also, some media technologies were more advanced in East Asia before iPhone was launched. When we travel to East Asia from North America, it is always amazing to see how advanced mobile technologies are in Asia. Unlike the laissez-faire market system in North America, governments such as South Korea and Japan often intervene in markets. For example, after WWII, the Japanese government designated that the audiovisual equipment industry be bolstered. As a result, brands such as Sony and Panasonic became well known outside East Asia.

The above examples show that power relations between global media and information technologies are ambiguous at local, regional, and international levels. There is no universal rule stipulating how much a state should let the market alone. As a result, what media goods and technologies the audiences get are results of the interplay between international and national politics, between the state and the market. We illustrate these power relations by giving examples from North America, Europe, Latin America,¹ the Middle East, Africa, and Asia.

Objective 3: To Introduce Three Approaches—Media Economics, Critical Political Economy, and Production Studies—to Study the Media and Communication Industries by Discussing the Merits and Shortcomings of Each Approach

We asked you to consider two sets of questions at the very beginning of the chapter: one set is economic decision-making from a consumer's perspective; the other set is business decision-making from a producer's perspective. Both sets of questions are asked from a specific theoretical standpoint: namely, a media economic perspective. From this perspective, both the consumers and producers ask how limited resources should be allocated. If there is unlimited money and time, then there is not much of an economic decision to be made. From the other two approaches (critical political economy and production studies), we ask different sets of questions.

Although we asked questions from a media economic perspective at the beginning of the chapter, your answers may draw on both critical political economic and production studies approaches. For example,

you may have watched a film by downloading the file on an online sharing site. Despite the fact that the film industry calls piracy a criminal activity, you probably did not do it to break the law. Some users download media files online because the products are not available in their region or because they feel the studios are making enough money already. Political economists discuss issues such as copyrights and profits.

A production studies perspective may have also informed your answers. For example, you may have uploaded your work on Vimeo, so you know why media producers allow the audience to watch their work without paying. You know that Vimeo is a vehicle for you to promote your work and establish your brand. If you believe media producers are not only employees, but also professionals who need to develop their identities in the industry, you are already thinking about the industry from a production studies approach.

As illustrated from the above, each of the three different approaches (media economics, critical political economy, and production studies) guides us to ask a different set of questions in the book. None of them is privileged over the other two because no one single approach asks *all* the questions there are to ask about the media industry. We need to emphasize, however, that the three approaches come from different traditions. Therefore, advanced students in media studies may need to differentiate between them and explain the merits and shortcomings of each of the approaches.

Objective 4: To Understand the Media Business Through the Lenses of Economies, Politics, Technologies, Civil Societies, Cultures, and Labor

We introduce six lenses to understand the business of media: economies, politics, technologies, civil societies, cultures, and labor. Each of the six lenses will be discussed in a single chapter; the six chapters on lenses will form the bulk of the book. In the next section, we will explain what the lenses are and why they shed new light on the business.

You may wonder whether the business of media is all about money; if yes, then why readers need to know anything other than economics. While business is commonly assumed to be all about money, the example that begins the chapter shows that economic and business decisions are about *more than money*. If money were the only