SECOND EDITION

UNDERSTANDING MEDIA INDUSTRIES

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PREFACE

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*U*nderstanding Media Industries guides students through an introductory explora-
tion of the complex and rapidly evolving media industries in the United States. The
origins of this book are in the classroom. It grew out of our introductory media indus-
tries courses, which we've taught at various universities, in classrooms large and small,
each of us for nearly two decades. In these courses, we found that existing textbooks
tend to have *either* thematic and conceptual consistency *or* a thorough and nuanced
understanding of the complexities of media industry operations, but none achieve both.
Rather than simply cobble together an array of material from media economics, political
economy, and more concrete explanations of actual industry practices (usually in col-
lections with a chapter focused on various industries), we wanted to provide this mate-
rial with a center—a core conceptual framework particularly crucial in an introductory
class. Research and perspectives on media industry operation have grown tremendously
in recent years, yet we have also found that frameworks of study or distinctive theoreti-
cal approaches often remain lacking.

The Unique Approach of This Book: Industrialization of Culture
Among the key challenges of designing a media industry class are the variation among
industries and national contexts and the impermanence of information as industry
practices and structures change constantly. Consequently, we felt a conceptual frame-
work would be the most valuable contribution we could make to the existing literature,
with the idea that such a framework would provide a map for students becoming aware
of media industries for the first time. In designing it, we interrogated many of the previ-
ously unexamined assumptions that have driven our own scholarship and findings.
Rather than the prescriptive form we associate more with the creation of "models," we
believe our "framework" brings a looser, yet productive, order to the variation charac-
teristic of media industry operation and a language for speaking about media industries
in a manner that has wide application.

Thus, after many long discussions about vocabulary and the relationships among
media industries and their practices, we developed the Industrialization of Culture
framework that provides the core organization of this book. The framework is a synthesis

of many ideas that are now well established in media studies; its innovation is primarily its articulation and explanation of these ideas. Our primary goal was to allow for the complexity of media industry operation while nevertheless making these operations understandable at a conceptual level. For example, we sought to explain different payment schemes and how they can affect media content, while not providing a detailed listing of every variation of advertising or direct payment that can be found in contemporary media industries. We hope to offer a starting point that introduces novice students to the basic processes and components of media-making while setting forth a vocabulary and set of relationships (the framework) that more advanced students can use to begin to make applications.

The book introduces and explains the Industrialization of Culture framework, which identifies the key areas and aspects of media industries that must be considered when analyzing how media industries function and why they do the things they do. The last two chapters of the book examine two dynamics—digitization and globalization—that are causing significant changes in media industry operation and explore how prior norms of operation are changing in every level of the framework.

We openly acknowledge it is impossible to write a concise text that explains all media industries everywhere. Thus we try to be succinct and provide only enough examples to make the point—allowing instructors to introduce further applications in their teaching or through assignments. We rely heavily on the framework as an organizing force in the hope that it provides a malleable tool for instructors that can be applied to a variety of teaching and media contexts. Certainly, valuable intellectual insights will come from identifying limitations of the framework and contexts in which its components have less explanatory value.

Scholars in a range of fields study media and their industries, and as a result there is considerable variation in the assumptions, methods, and goals of different types of research. The approach we take might be best described as that of "media studies." As media studies scholars, we believe that media and media industries are important because of their central role in the production and circulation of culture. We are interested in understanding the interaction between commercial industry realities (regulations, profit-maximization strategies, pricing, and so on) and the products of media industries (films, TV shows, music, video games, magazines).[1] We seek to develop understandings of the media industries that make it clear they are "complex, ambivalent, and contested";[2] we find that claims and theories about "the media" that suggest uniformity and consistency in their operation are simply not realistic.

Certain conditions may encourage media companies to perform in certain ways, but situations are often far more complicated than most grand theories about the media industries imagine. We are much more intrigued with exploring the situations that lead media companies to react or behave in unique or unexpected ways that force us to reexamine our basic assumptions. This is not to say that we would describe our approach as noncritical; rather, we acknowledge the considerable capital and power of global media industries but believe it productive to consider how their complexities and inconsistencies create opportunities for critical intervention. We are generally wary of the influence of commercial media culture on society, though we are by no means willing to dismiss

commercial media outright. Unlike analysts we would characterize as "free marketeers," who believe that commercialization inevitably leads to a vibrant "marketplace of ideas" that best serves democratic societies, we begin with the assumption that capitalist societies are inherently unequal, as certain groups have more money and power than others. Commercial media systems consequently tend to suffer from the same kinds of inequities that permeate capitalist democracies.

Features of This Book

• **Ongoing Support Material.** Instructors can access the Instructor's Guide by visiting Understanding Media Industries' Ancillary Resource Center, at http://oup-arc.com/havens-lotz/register/, which includes applications of material discussed in the text, assignment and class activity ideas, and additional readings and media. Because something is always changing in the media industries, we'll add new applications on the ARC. If you'd like to be notified of new material, follow the book at @HavensLotzUMI or be added to our announcement list by emailing us at understandingmediaindustries @gmail.com.

• **Discussion Questions.** At the end of each chapter we include some application and discussion questions. We offer questions that are less about rote recall of information and instead provide the basis for group discussions. Many ask the students to begin from their own interests and experiences in such a way as to be useful as writing exercises as well. Whether your course is a large lecture with smaller discussion sections or a smaller, discussion-driven class, we hope you will find these useful.

• **Application Materials.** Application materials are noted in footnotes. These are generally short videos, audio stories, or print illustrations of the concepts being discussed, as well as a question that indicates how we see this as an application of the book's material. Look to the online portal for newer applications as the media industries evolve, and we welcome suggestions you find helpful as well.

• **Suggestions for Further Reading.** Each chapter also includes suggestions for further reading. For the most part, our suggestions are established books that provide greater depth on the topics necessarily skimmed in this book. These are designed to be useful as a starting point for student research for assignments. Any of these books would also provide an excellent source for a book report. We also include a longer list of readings at the conclusion of Chapter 2. Here we list a number of publications that offer overviews of specific industries, sorted by industry. These sources will be helpful for students who want to learn more about a particular industry.

New in the Second Edition

Those familiar with the first edition will find the core features remain, with some reorganization and update throughout. The most significant changes include

• **A substantively revised introductory chapter** (Chapter 1) that introduces media industries and why they should be studied. Some material that explains the changing economic and societal conditions that contribute to the current state of the media industries, which was previously included in a later chapter, now appears here.

- **The first chapter from the first edition (Key Concepts in Media Industry Studies) has been moved** to Chapter 2. This chapter now includes a discussion of the Industrialization of Culture Framework, as well as updated examples and material relocated from later chapters.
- **Chapter 8 (Auxiliary Practices) has been eliminated** and major sections and concepts from that chapter have been moved to other chapters, especially Chapter 7 (Creative Practices) and Chapter 10 (Globalization) in the new edition.
- **Chapter 9 (The Growth of the Symbolic Economy) has been removed.** Elements of this chapter, which dealt with larger changes in postindustrial economies, have been integrated throughout the book, in particular Chapter 1 (Understanding Media Industries), Chapter 5 (Economics Conditions of Media Production), and Chapter 9 (Digitization).
- All chapters received a thorough revision and updating. We continually scour changes in legacy and emerging media and have endeavored to include these developments in our revisions for this new edition. However, because these developments often introduce as many questions as answers, we have prioritized the more conceptual elements of emerging technologies, practices, and industries. The state of any industry can never quite be captured in a textbook, so we encourage students to keep abreast of reportage about the media industries for the most current developments.

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Notes

1. See also Timothy Havens, Amanda D. Lotz, and Serra Tinic, "Critical Media Industry Studies: A Research Approach," *Communication, Culture and Critique* 2 (2009): 234–253.
2. David Hesmondhalgh, *The Cultural Industries*, 2nd ed. (Thousand Oaks, Calif.: SAGE, 2007), 4.

BRIEF CONTENTS

CONTENTS

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CHAPTER 1

Understanding Media Industries

Key Takeaways:

Understand the factors that differentiate the "product" of media industries from other industries and their importance for society

Understand the roles of individual agency and ideology within the media industries and how these forces produce diverse and varied products

Understand how the rise of the information economy and transitions from mass production to mass customization have changed norms of the media industries

In an episode of the animated series *South Park* titled "Gnomes," we meet an entrepreneurial group of gnomes who steal underwear for profit. They explain their business plan with the slide shown in Photo 1.1. None of the gnomes is sure what "Phase 2" is, but they are certain that others know and, more important, that profit can be generated from stolen underpants.

The wisdom, or folly, of the Underpants Gnomes—their belief that they can somehow turn stolen underpants into hard cash—is similar in some ways to the commercial media industry's efforts to generate profits from cultural endeavors. The process of
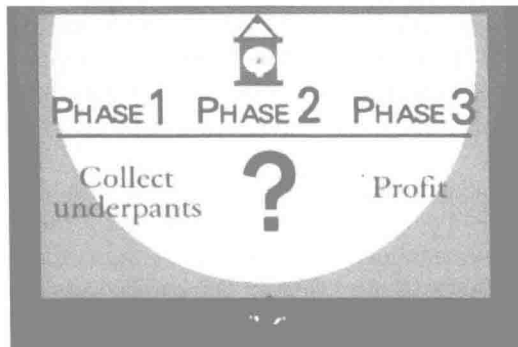

Photo 1.1 A gnome on *South Park* explains their business model.

building and maintaining an industry on the commercial exploitation of cultural expression is a challenge; and the uncertainty of "Phase 2" seems particularly relevant in the present era, when the integration of social media and traditional media industries makes amazing things possible, but business models remain elusive. Unlike other industries that produce goods and services, such as the food industry, tax preparation services, or the automotive industry, none of us *needs* the kind of popular entertainment that the media industries largely provide. And for generations, cultural activities, especially the kinds of domestic amusements that characterize the majority of our media consumption today, were nonprofessional, spontaneous, and free of charge. Today's media industries, in contrast, are multibillion-dollar global enterprises that are crucial as economic drivers and cultural arbiters to the societies that consume their goods even though media consumers are left with little but their memories afterward.

The fact that media do not fulfill essential human needs is often called the "nonutilitarian" feature of media. Yet, while we may not *need* media in the sense that we need food, many people nevertheless see media as central to their lives. In addition, many philosophers and politicians see the media as crucial to the proper functioning of a democratic society because democracies require public forums for discussion as well as the availability of news and information, which media commonly provide. Media are widely available to the public in industrialized societies, and people choose to spend significant amounts of their leisure time and money on media, again underscoring their importance.

To begin our investigation of media industries, this chapter first explains how media industries play important social roles by reviewing some of the events and situations that have led to close scrutiny of media industries. We then move into developing concepts and vocabulary that will be used throughout the book, including the concept of **agency**. Finally, the chapter identifies key issues affecting the media industries in the twenty-first century.

UNDERSTANDING MEDIA INDUSTRIES

Despite the fact that most of us have spent many hours of our lives consuming media—perhaps as much as half of our waking hours—we probably know very little about how and why media are made. We are most familiar with the **media texts**—the shows, songs, films, magazines, and games that we watch, listen to, read, or play. We also may be quite savvy users of media. We know where to look for the content we want and have established elaborate rituals of media use, such as reading news headlines between meetings or classes, listening to music on the go, or relaxing with favorite television shows in the evening.

The one aspect of media that most people know the least about, however, is how they are organized into and operate as industries. Most of the media consumed worldwide are created by businesses aimed at making money, and media industries have been very profitable indeed. In 2012, for example, *Advertising Age* reported that the top 100 media companies in the United States brought in more than $340 billion in net revenue.[1] As a reference point, $340 billion is roughly the gross domestic product of countries such as Thailand, Denmark, or Malaysia. A comparison of revenue (income)

and profit (income minus costs) of major US media industries in Table 1.1 further emphasizes the relative economic power of media industries.

Media economist Gillian Doyle provides a valuable explanation of the activities of media industries: "The general aim is to make intellectual property, package it and maximize revenues by selling it as many times as is feasible to the widest possible audience and at the highest possible price."[2] We may tend to think of the creative aspects first, but Doyle's observations about making "intellectual property" and maximizing profits are crucial to understanding media industries. Though the normal functioning of the media industries may be outside of our general awareness, understanding them is an important component of being an educated citizen and consumer in today's world.

The focus on studying industries that produce intellectual property is a way of distinguishing between media industries and what are often called telecommunications or technology companies. These industries, including companies such as Cox Cable, Google, and Apple, are often confused with the media industries, but they are distinct because they primarily provide the technological infrastructures and interfaces through which we access media content. But they generally do not *create* media content themselves. Of course in an age of technological convergence and consolidation of media ownership, the distinction between companies that produce content and those that provide the means to access it is blurring. When Comcast acquired NBC Universal in 2011,

Table 1.1 US Media Industry Revenue

INDUSTRY	2014 REVENUE	2014 PROFIT	MAJOR COMPANIES
Content			
Major label music	$7.6B	$450M	Universal, Sony, Warner
Newspaper	$31.6	$1.3B	Gannett, News Corp., Tribune
Magazine	$38.2B	$1.5B	Advance, Time Inc.
Broadcast networks	$38.2B	$2.6B	Disney, NBCUniversal, Fox
Film production	$33.8B	$2.6B	Fox, Disney, NBCUniversal
Cable networks	$56B	$5.7B	Disney, Time Warner, NBCUniversal
Social networking	$8.6B	$533M	Facebook, LinkedIn, Twitter
Internet search	$22.4B	$3.4B	Google, Yahoo!, Microsoft
Internet publishing/ broadcasting	$27.3B	$6.5B	Google, Facebook, Apple
Distribution and Aggregation			
Film theaters	$14.9B	$641M	Regal, AMC, Cinemark
Film distribution	$2.1B	$97.5M	RLJ Entertainment
Wired telecomm	$129.9B	$7.4B	AT&T, Verizon, CenturyLink
Cable providers	$84.9B	$15.5B	Comcast, Time Warner, Cox
Wireless	$234B	$19B	Verizon, AT&T, Sprint

Source: 2014 IBISWorld Market Industry Reports (December 19, 2014).