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ଓଡ଼ିଶା ରାଜ୍ୟ ମୁକ୍ତ ବିଶ୍ୱବିଦ୍ୟାଳୟ
ସମ୍ବଲପୁର
Odisha State Open University
Sambalpur

Diploma in Journalism & Mass Communication
(DJMC)

Media Management



Journalism & Mass Communication



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DIPLOMA IN JOURNALISM & MASS COMMUNICATION

DJMC-6

MEDIA MANAGEMENT

Block

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Media Management

Unit-1

Ownership of Media

Unit-2

Media as Business

Unit-3

Media Economics

Unit-4

Income sources of Different Media

Unit-5

Government Policies for Media Ownership

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UNIT – I: OWNERSHIP OF MEDIA

1.0 UNIT STRUCTURE

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1.1 LEARNING OBJECTIVE

In this unit, we will study about the ownership pattern of media. In the process, we will understand how different political and economic scenario around the world also affects the media ownership pattern. We will also study, the trends and patterns in ownership and control of a range of mass media and the theoretical perspectives on the relationship between ownership and control of the media.

1.2 INTRODUCTION

Media companies are profit-making businesses. Those who commission and plan programmes or decide newspaper or magazine content, usually play safe by excluding anything that might offend or upset readers or viewers. No media company would like to lose revenue and profit by losing readers, or viewers, because they were offended by ‘extreme’ views.

1.3 THE PLURALIST THEORY OF MEDIA OWNERSHIP

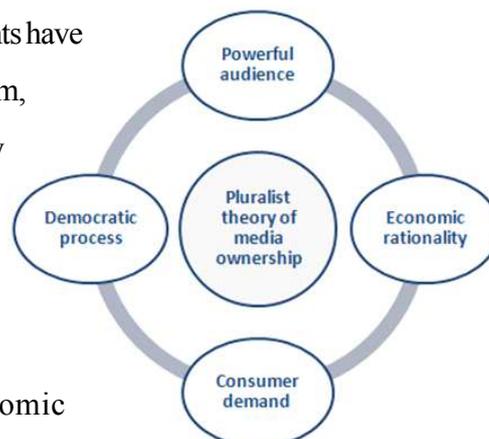
Pluralists argue that media owners are responsible for their ways of handling information because media content is mainly shaped by consumer demand in the marketplace. They therefore only give the buying public what they want. Moreover, editors, journalists and broadcasters have a strong sense of professional ethics which act as a system of checks and controls on potential owner abuse of the media.

They feel mass media are an essential part of the democratic process because the electorate today get most of their knowledge of the political process from newspapers and television. They are also of the opinion that owners, editors and journalists are trustworthy managers and protectors of this process.

Furthermore, pluralists argue that media audiences are the real power holders because they can exercise the right to buy or not to buy. If they did not like the choices that media owners are making available to them, or if they suspected that the media product was biased, such audiences would respond by not buying the product. The media, therefore, supply what the audience wants rather than

what the owner decides. If some viewpoints have a greater range of media representing them, this is not necessarily biased. It merely reflects what the audience wants or views as important.

Pluralists also argue that concentration of ownership is a product of economic



rationality rather than political or sinister motives. It is driven by the need to keep costs low and to maximise profits. Globalisation too results from the need to find new audiences rather than from cultural imperialism. Power of media owners is also restricted by state, or government, controls, e.g. in some societies, owners are not allowed to own too much media or different types of media. Many countries also have cross ownership rules preventing people from owning more than one type of media. Furthermore, newspapers, television and radio in Britain are subject to legal controls and rules imposed on them by The Press Council and the Office for Communications.

1.4 THEORIES OF MEDIA OWNERSHIP AND CONTROL

Doyle (2002) suggests that examination of ownership and control pattern is important for two reasons. It helps to understand all points of view need to be heard if society is to be truly democratic. And free media will thrive as it will keep the abuses of power and influence by elites under check.

1.5 FACTORS THAT AFFECT THE NATURE OF MEDIA OWNERSHIP

To acknowledge the factors that affect the nature of media ownership, let us first understand about the normative theories of mass media (1956). Each theory is connected with the kind of political system in which the society has to conduct its socio-economic political affairs.

In 1980s, Denis McQuail added two more theories to the existing set of four theories by Siebert et.al.

- a) Authoritarian Theory
- b) Free press theory
- c) Social responsibility theory
- d) Communist media theory
- e) Development communication theory
- f) Democratic participant media theory

Now, we will understand the theories in details, these will help us understand what affects the ownership patterns of media conglomerates in different countries in a better way.

a) Authoritarian Theory: Here the press is under the state power or ruling class. The chief function is to propagate what the owner wants to establish and sustain his rule. The message disseminated to the audience is suitable according to the owner; other opinions can barely reach the people at large.

b) Free press theory: Otherwise known as the “Libertarian theory,” here the press is owned by both private and public organisation. The major function is to let many voices and views find their ways for public consumption. The fundamental rights of each and every citizen are safeguarded.

c) Social responsibility theory: Social Responsibility theory of mass media is relatively a new concept. It started around the mid-20th century and is used mostly by developing and least developed countries. The theory started from Europe and took a shape with the Commission on the Freedom of Press that happened in United States in 1949. The model was designed formally by Siebert, Peterson and Schramm in 1956 in their book. It encourages total freedom to press and no censorship, but it should be regulated according to social responsibilities and external controls. Content is also filtered through public interference.

Press is supposed to be owned privately. The government does not own the press. The private owners should publish within the ethical guidelines and in a responsible way.

It helps democracy prosper as this media helps in maintaining democracy and does not encourage authoritarianism or communism. The chief function is to be pluralist and all national voices, views and interests find ways for accurate expression. People find out alternative views and thus society as a whole benefits.

d) The Communist media theory: This is also known as Soviet media theory. Russian media was reorganised around this theory. This theory is derived from the basic tenets of Marx and Engels. The media as per this theory are not subject to arbitrary interferences as in case of authoritarian theory. The chief functions are to

safeguard and propagate the interests of the working class. The society moves in one direction to achieve certain set of values.

e) Development communication theory: Here the state is usually the owner of the press. Major functions are to support the policies of development by the government. The limited resources are better utilised for nation building. The freedom of press and the journalists is curbed to an extent.

f) Democratic participant media theory: Here, press is owned by state and private organisation. There is multiplicity of media communication at all levels. It encourages small scale operation of media. People may have a better chance to interact more or local and relevant issues. And theorist can substantiate how this theory may weaken the national fabric.

1.6 TYPES OF MEDIA OWNERSHIP

There are four major types of ownership of mass media. Chain, cross media, conglomerate and vertical integration. These types of media ownership can be described as follows:

1.6.1 CHAIN OWNERSHIP

In chain ownership, the same media company owns numerous outlets in a single medium, a chain of newspaper, a series of radio stations, a string of television stations or several book publishing companies. Chain ownership in India applies mostly to newspapers. There are many publishing groups in India which have chain ownership, such as the group headed by the Times of India, Hindustan Times, Indian Express, Statesman, Ananda Bazar Patrika, Hindu, Telegraph and living media foundations.

1.6.2 CROSS MEDIA OWNERSHIP

When an organization owns more than one type of Media Company, for example a newspaper, a magazine and a television station it is called Cross Media Ownership. Three types of cross media ownership are often found: cross-media ownership across the various carriers such as television, radio or print; consolidation, including vertical integration among media operations of content, carrier and distributor within a media segment such as television or radio; and market share dominance in a given geography

within each media segment. Example of Cross Media Ownership in India includes Times Group, Network 18 Group, India Today Group, ABP Group etc.

1.6.3 CONGLOMERATE OWNERSHIP

Conglomerate ownership means the ownership of several business operations, one of which is a media business. For example when a publishing company owns a newspaper along with chemical, fertilizer, cement rubber, plastics factories, a liquor brewery, distillery or a major corporation has controlling shares in a number of media related business, this pattern is conglomerate. In a conglomerate, there will be interlocking of directorships, which means the same persons will be director of a media company as well as of manufacturing industries or financial corporations. Several transport or lorry company directors are directing the destiny of newspaper, television or film production companies. Their main business will be a high profit industry, but they tend to run a media company for prestige or to exercise social and political influence on decision makers in the private or public sector and in the government of the day. Such a conglomeration may not always support an unbiased or dispassionate presentation of events, issues and personalities. However, there are already at least six states where a single media house has a clear and growing dominance. These are media groups that are emerging as national conglomerates. They are all in the news business as well as in entertainment, media distribution and network business. They own newspapers, magazines, radio, cable TV and television channels, to name their key businesses.

1.6.4 HORIZONTAL AND VERTICAL INTEGRATION

Horizontal Integration refers to a Media Company having a presence across different media segments (print, TV, FM radio). A Media Company can own a Magazine, Radio, Newspaper, Television and Books. Almost all Media companies have horizontal integration. It generates more money and makes the company more popular among readers.

Vertical integration indicates that a media company has absolute monopoly in the production of the matter that go into the making of media products. For example a newspaper publisher may own several hundred areas of forests where the major components of a newspaper namely wood for newsprints cultivated. Some other

newspaper company may own a factory that produces the bulk of the printing ink or processed used in the industry. Some media companies have focused on increasing economic control over all aspects of the production process in order to maximise profits, e.g. film corporations not only make movies, but distribute them to their own cinema chains. This is referred to as vertical integration. These companies may own studios or industrial units producing film stocks or even a chain of theatres where the films are exhibited.

These trends of ownership, i.e. cross media, conglomerate and vertical integration are what seems to be unhealthy for a developing society. As this promotes the practice of monopoly and thus result in the phenomenon of suppression. Not only the freedom of media is compromised, it sheds doubts on unbiased representation of various points of view. Ownership and control of the mass media is a complex business. Let us understand this through some examples. Some companies are characterised by horizontal integration or cross media ownership – this illustrates that global media corporations often cross media boundaries and invest in a wide range of media products. For example, NewsCorp, owns newspapers, magazines, book publishers, terrestrial and satellite television channels and film studios in several countries. Most media companies in India and abroad are integrating vertically to sell cross-media, often acquiring or building multimedia platforms. News Corp’s Star TV India and Sun TV Network Ltd already own DTH and cable distribution platforms. Star’s cross-media India operations include television channels, Internet offerings, radio, mobile entertainment and home video (incidentally, 11 cable distribution companies provide some 400 television channels in India). Sun Network has 14 TV channels in four states, cable assets, four magazines, radio stations and two newspapers. In Tamil Nadu, the dominance of Sun in cable and satellite TV (channels and distribution network) and now in the DTH market is quite visible. Sun TV and its cable company are known to simply blackout political telecasts by rival Jaya TV.

1.7 THE MARXIST CRITIQUE OF MEDIA OWNERSHIP AND CONTROL

Marxists argue that the economic system of Britain, i.e. capitalism, is characterised by great inequalities in wealth and income which have been brought about by the exploitation

of the labour power of the working classes. Marxists believe that in order to legitimate and reproduce this system of inequality, the capitalist class uses its cultural power to dominate institutions like education and the mass media and transmit ruling class ideology. The function of these agencies is to socialise the working class into accepting the legitimacy of the capitalist system and capitalist ideas. Consequently, Marxists argue working class people experience false class-consciousness – they come to accept that capitalism is a just system that benefits all social groups equally. They fail to see the reality of their situation that they are being exploited by a system that only benefits a powerful minority.

1.8 THE MEDIA AND IDEOLOGY

The capitalist system is rarely criticised or challenged. Instead, Marxists suggest that owners shape media content so that only ‘approved’ and conformist views are heard. Miliband (1973) argued that the role of the media is to shape how we think about the world we live in and suggested that audiences are rarely informed about important issues such as inequalities in wealth or why poverty persists.

Tunstall and Palmer (1991) suggest that governments are no longer interested in controlling the activities of media owners because they need their support to either gain power or hang onto it.

1.9 SOME EVIDENCE ON THE IDEOLOGICAL NATURE OF OWNERSHIP AND CONTROL

Marxists are suggesting that media owners, wealth holders and the political elite are united in some sort of ideological conspiracy to brainwash the general population. However, it is almost impossible to scientifically gather empirical evidence that supports this hypothesis. Sociologists generally only have anecdotal evidence to confirm their suspicions that concentration of media ownership is damaging democracy.

However, Curran’s (2003) detailed systematic examination of the social history of the British press does suggest that the evidence for owner interference in and manipulation of British newspaper content is strong. Curran notes that in the period 1920–50 press barons openly boasted that they ran their newspapers for the express purpose of

propaganda that reflected their political views. Curran points out that even when engaged in investigative reporting, the majority of newspapers in Britain have supported the Conservative Party.

Curran also notes that the period 1974–92 saw the emergence of Rupert Murdoch. However, Curran rejects the idea that Murdoch is part of unified capitalist elite but acknowledges that Murdoch's newspapers are conservative in content and strongly supportive of capitalist interests. He argues Murdoch's motives are economic rather than ideological in that Murdoch believes that right wing economic policies are the key to vast profits.

Curran's analysis of British newspapers suggests that both pluralist and Marxist theories may be mistaken in the way they look at media ownership. He argues the pluralist view that media owners do not intervene in media content is evidentially false. Curran argues that since 2000 there has been even greater intervention by owners such as Murdoch. However, Curran disagrees with Marxists about the motive for this. He notes that the actions of media owners are not collectivised, rather they pursue their economic goals in a ruthlessly individualised way in an attempt to obtain a bigger share of the market than their capitalist competitors.

1.10 DIVERSIFICATION, SYNERGY AND TECHNOLOGICAL CONVERGENCE

Some media corporations are not just content to focus on media products, but have diversified into other fields. When a company spreads its' wings or we can say it diversifies by getting into other businesses. 'Virgin' which began as a music label and record shop chain, expanded into a wide range of products and services including cola, vodka, banking, insurance, transport, digital television, cinema and wedding dresses. This accounts to diversification.

Media companies often use their very diverse interests to package or synergise their products in several different ways, e.g. a film is often accompanied by a soundtrack album, computer game, mobile ringtone or toy action figures. A company may use its global interests to market one of its own films through its television channels, magazines and newspapers in dozens of countries at the same time.

Technological convergence is a recent trend which involves putting several technologies into one media product. Companies that normally work in quite separate media technology fields are joining up or converging in order to give customers access to a greater range of media services across technologies such as interactive television, laptops, MP3 players and mobile phones.

1.11 GLOBAL TRENDS IN OWNERSHIP AND CONTROL

Recent trends in media ownership and control suggest that the number of companies controlling global mass media has significantly shrunk in recent years. Bagdikian (2004) notes that in 1983, 50 corporations controlled the vast majority of all news media in the USA and by 2004 media ownership was concentrated in seven corporations.

Curran (2003) notes that ownership of British newspapers has always been concentrated in the hands of a few powerful ‘press barons’, e.g. in 1937 four men owned nearly one in every two national and local daily newspapers sold in Britain. Today, seven powerful individuals dominate the ownership of British national daily and Sunday newspapers.

The content of commercial terrestrial television is mainly controlled by one company, ITV plc, whilst access to satellite, cable and digital television in Britain is generally controlled by two companies – News Corp, (owned by Rupert Murdoch) which owns BSkyB, and Virgin Media (owned by Richard Branson).

1.12 NEWSPAPER OWNERSHIP IN INDIA

The Indian media market differs from those of developed countries in several ways. The reason being, India is a developing country and unlike the developed countries, all segments of the media industry (including print and radio) have a lot to grow. The media market in India remains highly fragmented, due to the large number of languages and the size of the country.

Over 82,000 publications registered with the Registrar of Newspapers as on 31 March 2011. There are various types of media ownership. There are many media organisation

in the country that are owned and controlled by a wide variety of entities including corporate bodies, societies and trusts and individuals.

There are many media organisations in the country that are owned and controlled by a wide variety of entities including corporate bodies, societies and trusts, and individuals. Information about such organisations and people is scattered, incomplete, and dated.

The Ownership Pattern of Newspaper in India

- ◆ The large number of media organisations and outlets often conceal the fact that there is dominance over specific markets and market segments by a few players – in other words, the markets are often oligopolistic in character, i.e. there are a few key players who control the market segment.
- ◆ The promoters and controllers of media groups have traditionally held interests in many other business interests and continue to do so, often using their media outlets to their advantage.
- ◆ The growing corporatisation of the Indian media is manifest in the manner in which large industrial conglomerates are acquiring direct and indirect interest in media groups. There is also a growing convergence between creators/producers of media content and those who distribute/disseminate the content.
- ◆ The absence of restrictions on cross-media ownership implies that particular companies or groups or conglomerates dominate markets both vertically (that is, across different media such as print, radio, television and the internet) as well as horizontally.
- ◆ Political parties and individuals with political affiliation control increasing sections of the media in India.



Check Your Progress:

1.1 Why is it necessary for media companies to diversify?

1.2 What are the types of media ownership?

1.3 What is Marxist take on media ownership?



UNIT – II: MEDIA AS BUSINESS

2.0 UNIT STRUCTURE

- 2.1 Learning Objectives
 - 2.2 Introduction
 - 2.3 Scaling of Business Models
 - 2.4 Value in Content Production and Distribution
 - 2.5 Drivers of value of Advertising
 - 2.6 Media Personalisation
 - 2.7 Evolution of Media industry
 - 2.8 Check your progress
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2.1 LEARNING OBJECTIVE

In this unit, we will learn about the growth of media as a business, how marketing and product selling lent path for media based industries to grow. We will also study a few media based business model plans and their distinctive features.

2.2 INTRODUCTION

While the production and manufacturing oriented business is focuses on production and tries to sell products. The customer oriented business focuses on the need of the customer and produces accordingly, being aware of the marketability of the services or product sold.

The basic concept of business and marketing is to reach out with the customer with the product he might be interested in. Mass manufacturing is an important aspect of this concept. Historically, the concept of marketing- implicitly or explicitly- was not in existence. When goods were barely produced by machineries, people were dependent on agricultural production, domestic animals and understood barter system. However the growth of civilization and discovery of sea routes in search of newer lands and markets, followed by the machine era came to change this. The discovery of new lands by sailors made people aware of new products and things. Upon using these products, they developed special interest in these products and the demand rose.

However with the machines becoming sophisticated, production went up and there was surplus of goods. The basic problem shifted from that of production to distribution. Hence the business developed a new channel of distribution to reach-out the people with their goods. This happened during the period of early 20th century. It was the era of distribution.

Due to mass production, mass distribution took place. And the problem slowly shifted to convince people to buy products, i.e. to create a market. This problem aroused as more and more products started flooding the market due to heavy production but the distribution mechanism was non-existent, the onus was to convince people to buy a product. Thus, the world entered the era of selling. Here, demand was created. To augment this, the producers also resorted to advertising.

By the middle of the 20th century, when mass production and mass selling were in place, the consumers were the centre of attraction. Buyers started to weigh their choices and were asking for goods of their choice and not what the manufacturer wanted to sell. This created “marketers” and slowly led the path for manufacturers reaches to their target market with their products.

With the advent of marketing, media too grew by multifold. Media is the carrier of advertising and communicating the target market. When industrialisation and modernisation spread all across the globe the media industry also grew, and thus many other businesses came under the umbrella of media business which was traditionally, press, then radio and then TV broadcasting.

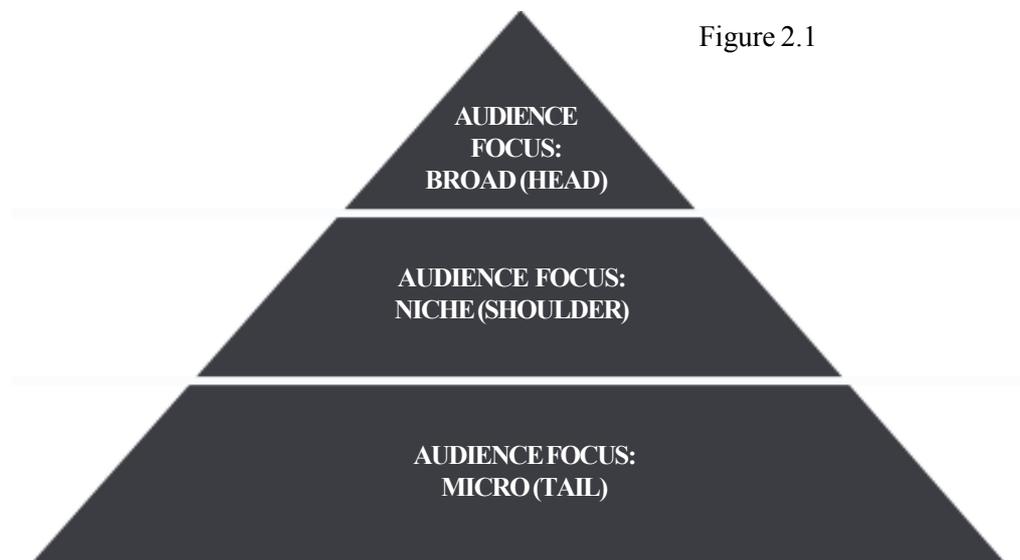
Peter Drucker, author of ‘The Practice of Management,’ considered as the father of modern Management suggested business purpose is to “create customer.”

Let us first understand the distinctive features of four elements of the media business model framework. They are as follows:-

1. Scaling of business models
2. Value in content production and distribution
3. Drivers of value of advertising
4. Media personalisation

2.3 SCALING OF BUSINESS MODELS

In order to understand the complete spectrum of media at different scales, you can refer to the figure 2.1. Here, mass media is at the top depicting the “head,” mid-sized



professional publishing as the “shoulder,” and micro-media outlets with small audiences as “tail.” Media have significantly different characteristics, leading to a variety of business models and approaches to scaling businesses. Characteristics that differ include:

- I Audience focus- Mass media only accesses broad audiences, whereas further down the tail highly selective niche audiences according to their geographical location or interest.

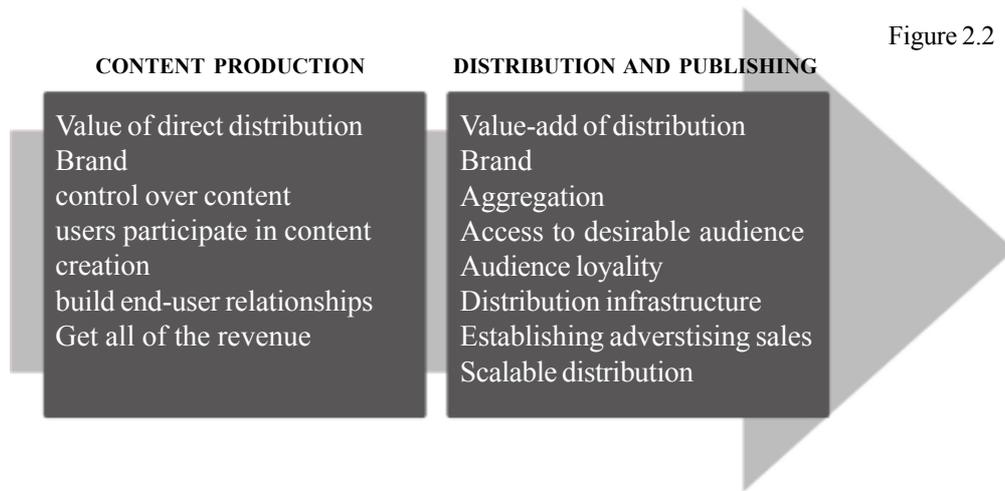
- II Advertising models- At different levels of scale, dedicated, aggregated or combined advertising sales models are appropriate. Different shares of total advertising revenue are associated with these models.

- III Cost of content creation- Mass media is associated with high production values, which means creating content remains expensive. Production costs are rapidly reducing, but the premium placed on creative work means that costs will remain high. However production costs for most other forms of content has become very low. This is primarily associated with labour rather than technology costs, which can be low due to lifestyle advantages for content creators.

The interesting fact about this framework is that there is no right or wrong place to be placed in the sequential order. This means nothing is more or less advantageous than each other. It only notes that the advertising or other revenue models and content creation mechanisms need to be aligned with the audience, i.e. specific content for specific audience. As the other frameworks show, attracting niche audiences can result in stronger revenue relative to costs. A “multi-niche” model which is effectively monetised can be more effective than traditional mass media approaches, as it allows sharing of overheads and sales efforts across media properties and gaining more value from highly targeted audiences. Scaling costs and overheads and extracting premium revenue is as viable a strategy as increasing audience size.

2.4 VALUE IN CONTENT PRODUCTION AND DISTRIBUTION

Digital channels have resulted in a dramatic fall in the cost of content distribution. This means that content creators like film producers, writers and researchers can readily distribute their content directly to their audience, if they prefer it that way. There is substantial ever-growing value to content producers in direct distribution, including control over content, building end-user relationships and not having to share revenue. As user-generated content grows as a factor, users are engaged directly in the content creation process.



However there remains real value in the distribution process. Distributors such as broadcasters, publishers and agents will continue to play an important role in the media landscape, as long as they can effectively establish and build distinctive value-add, including brand, aggregation, scalable infrastructure and attract desirable audience.

Value creation in content production and distribution continues to evolve. It leads to ongoing strategic choices for content producers and distributors. It helps them choose their work and business partners.

2.5 DRIVERS OF VALUE OF ADVERTISING

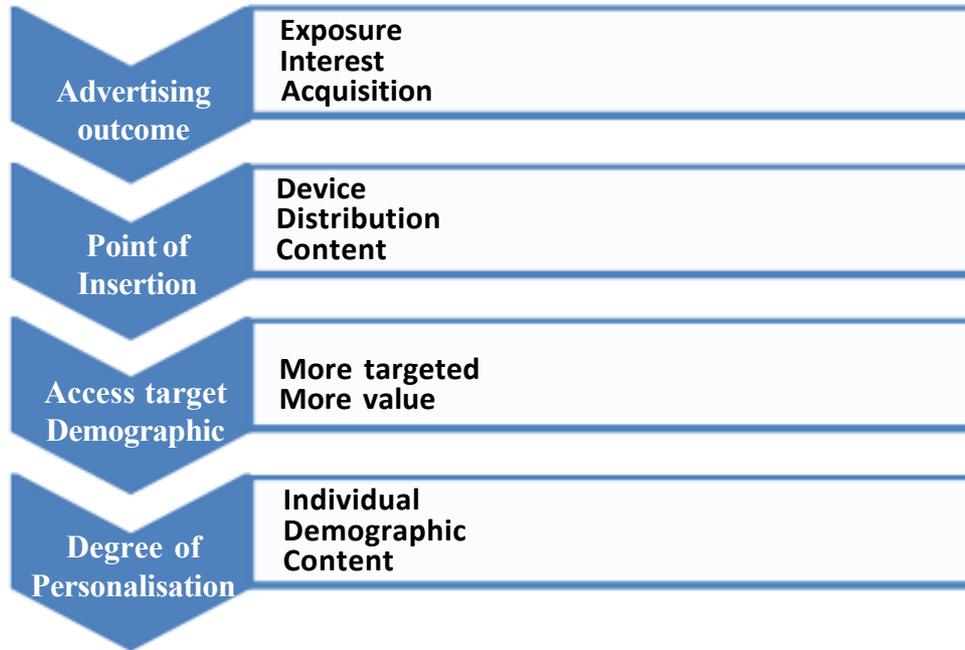
Paid content is visibly irreplaceable; it is in demand through subscriptions, pay-per-view, and other mechanisms. However the broad trend is that content creation is increasingly supported by advertising. This is becoming more prominent as differentiation emerges in the value and pricing of advertising. Advertising in mass media is priced largely by audience size. There are four additional key drivers of the value of advertising. As the ability to refine these drivers increases, substantial revenues will become possible, even from relatively small audiences.

Let us discuss the key drivers of the value of advertising,

1. Advertising outcome- The original concept of advertising was exposing an audience to messages. However advertising can now be linked directly to the audience taking action through expressing interest or making buying decisions.
2. Access target demographic- Accessing generic demographics that are highly desirable such as CEOs increases value for most advertisers. However some advertisers

are looking to access very specific profiles. As it becomes possible to target these niches, advertising value increases.

Figure 2.3



3. Point of insertion- Advertising used to be inserted solely in distribution channels, i.e. in newspapers or between TV programs. A multiplicity of new approaches to inserting advertising are emerging, including on the end-user device such as the mobile phone or inside content itself, as in for example product placement.

4. Personalisation- Personalisation is one of the strongest drivers of advertising value. This is covered in more detail in the Media Personalisation framework.

2.6 MEDIA PERSONALISATION

Personalisation is a large part of the future of media. In order to personalise content and advertising, there are multiple requirements including compiling data about audience members and content serving platforms that allow content and ads to be altered on the fly depending on the viewer. There are four levels to personalisation of content and advertising, each of which leads to increased value.

1 Nil- Most content and advertising is not personalised. It is not currently possible to personalise content on mass distribution channels such as broadcast television and newspapers.

- 2 Content- Personalisation is possible by being associated with audience-specific content. Trade magazines or targeted cable TV channels, e.g. attract particular audiences, effectively enabling personalised advertising.
- 3 Demographic- Advertising and content can be personalised for a particular demographic area for gender, age or location. This requires being able to match viewers with a profile, which can be generated for example by cookies or Internet Protocol address.
- 4 Individual- Personalisation for the individual requires both audience profiles, possibly generated through a registration process, and the ability to identify audience members individually. Online and mobile content delivery or interactive TV channels that enable individual personalisation. Yahoo!’s recently launched SmartAds initiative is primarily about individual-level personalisation.

It is important to note that, even if the distribution channel being used enables higher levels of personalisation, there are a range of other requirements for personalisation. These are often left unfulfilled.

Media Personalisation

VALUE OF ADVERTISING 

Degree of Personalisation			
NIL	Content	Demographic	Individual
Requirements : • None • Broadcast TV • Metropolitan Newspapers • Radio • Cable TV • Trade specialist magazines • Podcasts • Internet • Interactive TV/ IPTV • Mobile Delivery	Requirements: • Targeted content	Requirements: • Content serving Platform • Demographic data • (e.g. IP Address)	Requirements: • Audience profiling • Audience identification • Registration

Table 2.1

2.7 EVOLUTION OF MEDIA INDUSTRY

As the media industry evolves, the business model becomes the message. Business plans like magazine publishing, advertising agency, photography, publisher and other media communications businesses can be counted as some of the branches accounted under media. Media slowly evolved as a business, what started as a medium of communication, needed funds to keep running and thus the revenue started flowing through circulation money and advertisement. These processes took time and slowly advertising units, PR units started flourishing. Now brand and image management is added as a new branch of media. Here are some businesses which entered the market as media businesses:-

- ◆ Newsagent - Newsstand Business Plan
- ◆ People's News
- ◆ Magazine Publisher Business
- ◆ Wi-Fi Kiosks Business
- ◆ Newsletter Publishing Business
- ◆ Video Television Production Business
- ◆ Wireless DataComm Business
- ◆ Integrated Communications Business
- ◆ Online Booking Business
- ◆ Music Recording Producer Business
- ◆ Data Recovery Services Business
- ◆ Magazine Journalist Business
- ◆ Display Case Marketing Business
- ◆ Video Production Business



Check Your Progress:

2.1 What are key drivers of the value of advertising?

2.2 Briefly discuss evolution of media industry?

2.3 What is Media Personalisation?



UNIT – III: MEDIA ECONOMICS

3.0 UNIT STRUCTURE

- 3.1 Learning Objectives
- 3.2 Introduction
- 3.3 Some economic principles of media structure
- 3.4 The effects of ownership
- 3.5 Market media Reach
- 3.6 Distinctive features of Media Economics
- 3.7 Mass media Governance
- 3.8 Purposes and forms of governance
- 3.9 Media regulation and self-regulation
- 3.10 Media policy and policy making
- 3.11 Alternative mechanisms of media accountability and regulation
- 3.12 Check your Progress

3.1 LEARNING OBJECTIVE

In this unit, we will learn about the media structure and its various economic scenarios. This chapter will also cover how media ownership has its effects on media outreach and market media. Media economics has distinctive features. We will learn how mass media governance is carried out with its various forms to keep mass media in check.

3.2 INTRODUCTION

This chapter provides an overview of the main features of media economics and typical system of regulation (governance). Both show distinctive features compared with other industry sectors and other institutional areas. The key to differences in both cases is the dual character of media, being both a commercial enterprise and a key element in the political, cultural and social life of society. They cannot be left entirely to the market place or be closely regulated. Neither media forms nor governments have a free hand to imply policy. Although the trend is towards greater freedom, there will be limits to action.

Mass media can be regulated in marginal or indirect ways by governments. The forms of governance are extremely varied, including internal as well as external, informal as well as formal means. Different forms of regulation are applied to different technologies of distribution. Forms of governance are rooted in the history and political cultures of each society.

3.3 SOME ECONOMIC PRINCIPLES OF MEDIA STRUCTURE

A) DIFFERENT MEDIA MARKETS AND SOURCES OF INCOME

According to Picard (1989:17), ‘A market consists of sellers that provide the same good or service, or closely suitable goods or services, to the same group of consumers’. In general, markets can be defined according to place, people, type of revenue and the nature of the product or service. A more fundamental line of economic division in the media business is between the consumer market for media products and services and the advertising market, in which a service is sold to advertisers in the form of access to the audience. This feature of media economics – reliance on two different sources of revenue – has far reaching significance. One can note within the consumer market there is another division: between the market for “one-off” products like books, tapes, videos and newspapers sold directly to consumers and that for continuous media services like cable or broadcast television or online media. In fact there are other sources of income besides the two mentioned. They include sponsorship, product placement and public relations, as well as public money and support from private backers.

B) IMPLICATIONS :ADVERTISING VERSES CONSUMER REVENUE

The difference between the two main sources of revenue – direct product sales and advertising is an important tool for comparative analysis and for explaining media features and trends. The distinction cuts across the difference between media types, although some media are rather unsuitable for advertising (especially the ‘one off’ media), while others can operate equally in both markets (especially television, radio newspapers, magazines and the internet) there are some ‘advertising revenue only’ media, with no consumer revenue- for instance, free newspapers, promotional magazines and a few television channels.

Advertising based media are accessed according to the number and type of consumers (who they are, where they live) reached by particular messages (e.g. circulation, readership and reach/ratings). The market performance of media content that is paid for directly by consumer is assessed by the income received from sales and subscription to services. Ratings of (quantitative) satisfaction and popularity may be relevant to both markets, but they count for relatively more in the consumer income market. Performance in one market can affect the performance in another, where a medium operates in both. For instance, an increase in newspaper sales (producing more consumer revenue) can lead to higher advertising rates, provided that the increase does not lead to lower than an average level of socio-economic composition, with a reverse effect on unit advertising rates. It is also clear that the difference of revenue base can lead to different kinds of opportunity or vulnerability to wider economic circumstances. Media that are highly dependent on advertising are likely to be more sensitive to the negative impact of general economic downturns than media that sell (usually low-cost) products to individual consumers. The latter may also be in a better position to cut costs in the face of falls in demand (but this depends on the cost structure of production).

3.4 THE EFFECTS OF OWNERSHIP

For mass communication theory, it is nearly always the ultimate publication decision that matters most. Liberal theory rests on the assumption that ownership can be effectively separated from control or editorial decisions. Larger decisions about

resources, business strategy and the like are taken by owners or boards of owners, while editors and other decision-makers are let free to take the professional decisions about content which is their special expertise. In some situations and countries there are intermediary institutional arrangements (such as editorial statutes) designed to safeguard the integrity of editorial policy and the freedom of journalists. Otherwise, professionalism, codes of conduct, public reputation (since media are always in public eye) and common (business) sense are supposed to take care of the seeming problem of undue owner influence.

The existence of checks and balances cannot, however, obscure several facts of life for media operation. One is that, ultimately, commercial media have to make profits to survive, and this often involves taking decisions which directly influence content (such as cutting costs, closing down, shedding staff, investing or not, and merging operations). Publicly owned media do not escape an equivalent economic logic. It is also a fact that most private media have a vested interest in the capitalist system and are inclined to their interests alone.

3.5 MARKET MEDIA REACH

The difference between the two revenue markets interacts with other features of the media market. As noted above, the social composition of the audience reached (and sold to advertisers) is important, because of the differences in purchasing power and in types of goods advertised. There is logic in the advertising based mass media which favours a convergence of media tastes and consumption patterns (less diversity). This is because of homogenous audiences are often more cost-effective for advertisers than heterogeneous and dispersed markets, unless there are very large mass markets for mass products. This is one reason as suggested by Bakker, 2002, that the viability of the free newspaper that provides complete coverage of a particular area with relatively high homogeneity. However, on occasion there can be premium on diversity, when a medium can accurately deliver small but profitable niche markets. This is one the potential of the internet and of other specialist (non-mass) channels.

It is important for some advertisers such as local traders to be able to reach a high proportion of their potential customers. One result is that the newspapers with a dispersed set of readers are often more at risk economically than those with a locally

concentrated circulation. This is partly because of higher distribution costs, but it also stems from the relative capacity to cover a particular market of consumers, especially the relevant so called 'retail trading zone'. The general effect is to reward media concentration, almost by definition, the more newspapers-or other media- which compete, the more dispersed their separate set of readers are likely to be.

3.6 DISTINCTIVE FEATURES OF MEDIA ECONOMICS

Let us understand some typical features of the economics of media which distinguish them from other kinds of business. First, the media are typically 'hybrid' or mixed in character. Often they operate in a dual market, selling a product consumers and a service to advertisers. They are also extremely diversified in terms of the terms of the type of product sold and the range of technologies and organisational means for distribution. Secondly, media cost structures are characterised by high labour intensives and high fixed costs, although both dependencies are diminishing as a result of technological change and media expansion.

A third feature of the media is the high degree of uncertainty and also the uniqueness of the product. Uncertainty refers to consumer evaluation (it is still difficult to predict audience taste for music, films or books, however much manipulation through publicity is tried). Fourthly, despite standardisation, many media products can be easily differentiated on a day to day basis and can rarely be repeatedly sold in exactly same form. Fifthly, the media seem has a tendency of concentration. This may happen because of the advantages of monopoly control of advertising markets are so evident, and perhaps because of the appeal of power and social prestige to would-be media 'tycoons'. Sixthly, many media businesses at least those involving distribution are unusually hard to enter without large capital resources, mainly because of high fixed costs and high launch costs. One cannot hope to start up a significant newspaper or a television channel 'in a small way', although there are niche markets available. Finally, the media are different simply because they are affected by public interest, as suggested by Melody, 1990. And thus, they are not just 'any other business', and tend to be burdened with a considerable responsibility.

While the production and manufacturing oriented business is focuses on production and tries to sell products. The customer oriented business focuses on the need of the customer and produces accordingly, being aware of the marketability of the services or product sold.

DISTINCTIVE FEATURES OF MEDIA ECONOMICS

- ☞ Media are hybrid in respect of markets, product and technology
- ☞ Media have high fixed costs
- ☞ It involves creativity and uncertainty
- ☞ Products can be multiply used/recycled
- ☞ Media tend naturally to concentration
- ☞ Media business is difficult to enter
- ☞ Media are not just any other business, because of the public interest aspect

3.7 MASS MEDIA GOVERNANCE

The manner in which the media are controlled in democratic societies reflects both their indispensability for business, politics and everyday social and cultural life and also their relative immunity to government regulation. Some controls, limitations and also their relative immunity to government regulation. Some controls, limitations and prescriptions are necessary, but principles of freedom (of speech and markets) require a cautious even minimal approach to regulatory control. It makes sense to use the term ‘governance’ in this context to describe overall set of laws, regulations, rules and conventions which serve the purposes of control in the general interest, including that of media industries. Governance refers to the formal and binding rules, numerous mechanisms, internal and external to the media, by which they are steered towards multiple inconsistent objectives. Despite the ‘bias against control’, there is an extensive array of actual potential forms of control on media. Because of the diversity of the terrain covered it is inappropriate to speak of the ‘system’ of governance, although they are some general principles and regulatory to be found in the same form in many countries. Essentially governance entails some set of standards or goals coupled with some procedures of varying strictness for enforcing or policing them.

3.8 PURPOSES AND FORMS OF GOVERNANCE

The variety of forms of governance that apply to the media reflects the diversity of the purposes, which include-

- ◆ The protection of interests of the state and of public order, including the prevention of public harm
- ◆ To safeguard individual rights and interests
- ◆ Meeting the needs of media industry for a stable and supportive operating environment
- ◆ Promotion of freedom and other communication and cultural values
- ◆ Encouragement of technological innovation and economic enterprise
- ◆ Setting technical and infrastructural standards
- ◆ Meeting international obligations, including observance of human rights
- ◆ Encouraging media accountability.

It is clear that such wide ranging goals call for a diverse set of mechanisms and procedures, given the limited scope for direct governmental action. The outline of four media frameworks

(law, market, public responsibility and professionalism) has given an overview already of the main alternatives available. The complex terrain can be mapped out according to two main dimensions; external versus internal, and formal versus informal. The main forms of governance are classified in this way into four types, each with appropriate mechanisms for implementation.

Governance applies at various levels. We can distinguish between the international, national, regional and local levels, according to the way a media operates.

3.9 MEDIA REGULATION AND SELF-REGULATION

Regulations are formal and compulsory instructions about the structure, conduct or content of the media. These include control on monopoly ownership or media cross-

ownership, control over the amount of advertising on television (found in many European media systems); or the basic requirements to have an operating or receiving license for television or radio.

The legal system has formal regulation for media, even if not specifically part of any communication policy, as with laws that govern wireless, broadcasting, telephonic and other electronic communication.

Legal requirements that de facto help to regulate the media include, prohibitions against libel and defamation, laws protecting privacy, laws concerning intellectual property rights, and prohibitions against incitement to violence or racial hatred, pornography or obscenity. Generally the justice system protects itself by law against media activities that might pervert the course of justice, e.g. the publication of information about accused persons. In some countries, political communication is regulated, especially at election times in order to maintain fairness.

The typical framework of mechanisms for media regulation can be described in terms of a dimension of greater to lesser formality in respect of the main areas of application described above. Formality refers to three main aspects of regulation: whether or not it is established in law; whether provisions carry enforceable penalties (financial or otherwise); and whether it is permanent or temporary.

Most informal mechanisms of regulation rely on customary agreement and voluntary compliance, but there are pressures toward compliance aside from the law (e.g. from colleagues, industry clients, audience, advertisers, sources, etc.).

The degree of formality is related to power. Most powerful is the state and government, although the ultimate power to intervene in the media directly is usually avoided, even in authoritarian regimes (because it may be counterproductive). After the state, in descending order of power are: specific laws to regulate the media (Media or Broadcasting Laws); general laws of the country to which the media are also subject; administrative, technical and economic regulations which also affect the media; supervisory and advisory bodies for the media - e.g. the CSA (Conseil Supérieur de l'Audiovisuel) in France, Ofcom (Office of Communications) in the UK or the FCC (Federal Communications Commission) in the USA; industry or public bodies to monitor standards of performance in specific areas (e.g. advertising, privacy); press subsidy

systems; voluntary codes of practice and ethics for media organisations (self-regulation); outside pressure groups.

Self-regulation refers to responsibilities assigned to media operators to implement by themselves or that are voluntarily chosen by them. Such rules often have the character of desirable goals, guidelines or principles, rather than fixed or compulsory standards to be achieved. They are 'policed' either within and by the media organisation itself or by some intermediate body representing public and industry interests.

Self-regulation in the press mainly takes the form of journalistic codes of practice for accuracy and fairness plus some procedures for implementation. In broadcasting, it abounds in various forms such as guidelines for reporting on controversial issues such as terrorism or violence. Self-regulation also deals with privacy issues, the protection of journalistic sources and standards in advertising.

There is a large and growing category of communication regulation that is neither clearly formal and binding nor informal which relates to technical, legal and administrative points. These help to facilitate better interconnection and smooth operation of markets agreed nationally and internationally. Examples of this category include technical standards and copyright rules.

3.10 MEDIA POLICY AND POLICY MAKING

Between such general statements of principles and actual regulation we expect to find policies, which are projects of government formulated in particular countries for application to their own media systems. Communication policies are usually formulated as a result of pressures from public opinion or from self-interested groups (e.g. a branch of the media industry).

Media policies organise goals and means of action in relation to the media in general, to one media sector or some problematic issue (e.g. media concentration or transnational media flow) and the policy-making process normally involves the expression of conflicting interests. The main struggles over communication policy involve the following oppositions:-

- Public versus private interests,
- Economic versus social or cultural interests, and
- International versus national or local interests.

The main different levels at which communication policies are formed are the transnational, the national and the local or regional. Examples of policy actors at the first level would be: UNESCO, the International Telecommunications Union (ITU), and the European Commission (EC). At the national level there is probably the widest range of actors and interests, including many political bodies, labour unions and media industry interests. At the local or regional level, decisions about access (e.g. to a city cable system) may be in the hands of local government. Political and cultural bodies may also sponsor media provision for special needs. The level at which an issue is formulated largely determines the particular decision forum in which related discussions and decisions take place.

Communication policy-making can follow or appeal to a variety of different logics according to which an actor engages in the policy process. “Logic,” here refers to the “perception of the situation and the structure of goals and means...in a given situation” (McQuail and Siune). Logic (of policy) can also be considered as a consistent rationale of thinking and action related to particular goals. The most relevant kinds of logic for media policy and regulation are as follows:-

- Political (based mainly on partisanship)
- Administrative (reflecting organisational efficiency)
- Commercial (refers to profitability)
- Industrial (related to broader national economic strategies)
- Cultural (depending on a choice of values, for instance relating to language, nation, ethnicity, community, gender)
- Technical (operating efficiency and technology innovation)

These terms reflect the different roles and perspectives which are brought to bear on a particular issue.

3.11 ALTERNATIVE MECHANISMS OF MEDIA ACCOUNTABILITY AND REGULATION

Accountability can be defined as “all the voluntary or involuntary processes by which the media answer directly or indirectly to their society for the quality and/or consequences of publication” (McQuail). Accountability covers a much wider range of matters than

is likely to be dealt with by regulation. It is based on the existence of standards and responsibilities which the media either accept or which may be imposed on them. Where the media are voluntarily accountable to their audience or the society, there is less need for regulation. However, regulation, especially in relation to issues of content and effect, is often necessary because the media do not choose to be accountable. The two concepts are brought together here because there is a considerable overlap between the means of regulation and the mechanisms that exist for accountability.

In general there are four main types of accountability mechanism. One is provided by the media market, which balances the demands and evaluations of the audience (and advertisers) with what the media provides. In an open and competitive media market, the media should be rewarded for good conduct and content, and be punished (commercially) for their sins. A second type is also of an informal character and derives from the pressures from public opinion and pressure groups that may eventually be felt by way of the political system and by new media policy. Thirdly, there is the sphere of law and regulation where the media are formally required to meet certain (limited) standards and may be punished for failing to do so, after due process of inquiry and defence. Fourthly, there is the sphere of industry or professional self regulation, which has already been explained. In this context, accountability is usually voluntary but carried out according to set procedures. It does not usually lead to any material penalty.

With the help of specific examples, explain in your own words the relation between theory, policy and regulation.



Check Your Progress:

3.1 What are the different media markets and the sources of their income?

3.2 What do you understand by market media reach?

3.3 Write a brief note on mass media governance?



UNIT – IV: MEDIA ECONOMICS

4.0 UNIT STRUCTURE

- 4.1 Learning Objectives
- 4.2 Introduction
- 4.3 The role of Media in boosting Advertising
- 4.4 Income Sources of Media
- 4.5 Television and their sources of income
- 4.6 Sources of income for a Radio station
- 4.7 Sources of income for a Magazines
- 4.8 Outdoor Medium
- 4.9 Yellow Pages
- 4.10 Sources of income through the medium of Internet
- 4.12 Check your Progress

4.1 LEARNING OBJECTIVE

This unit will help us understand the various ways in which a media organisation makes money. The objective of the unit is to understand the revenue sources of the media, media selling and the role of advertising industry. After completing this unit, we will be able to understand the basics of media selling and the many ways a media organisation manages to stay afloat.

4.2 INTRODUCTION

Corporations and industries reach out to their target audience through marketing. Advertising is an integral part of marketing. If customers are not aware of the products manufactured for them, they cannot buy them, and if they are not aware of the substitutes of a category of one product, they will not be able to compare the prices and take a better economic decision according to their budget. As well as the manufacturers of product line up which has more such substitutes has to compete with the other company for the customers' attention.

So, we can say that the focus of marketing oriented departments is directed towards consumer satisfaction and maintenance of that level of satisfaction with that company for a longer time. The customers stay loyal as long as they are satisfied. These two prerequisites of marketing oriented organisations yield rich dividends in terms of profits for the organisation.

An important aspect for successful marketing is to direct a successful ad campaign, you must have seen how ads with certain jingles and tag lines are creatively put in order to appeal the customers. It is the advertising that quantifies the efforts of marketing by reaching the targeted customers.

Let us understand how advertising is beneficial for an organisation:

- ♦ It generates the appetite for the product amongst new consumers.
- ♦ It provides new reasons to the potential customers to buy a certain product.
- ♦ It is an integral element of the marketing process like sales, distribution, promotion and product development.

4.3 THE ROLE OF MEDIA IN BOOSTING ADVERTISING

The reach of media is substantial. When people talk about the media, they are referring to the distributors of news and entertainment contents. All medium of communication are taking a part in advertising are in the **advertising delivery** business.

Media is largely dependent on advertising for its survival. Media gets almost a major chunk of its expenses and profits from the advertising revenue. On the other hand, the advertising industry is equally dependent on the media to reach out to wider mass.

It is not that advertisers have no option than going to media for publication of their advertisement. They can advertise their product by moving from door to door or resorting to conventional methods in reaching out the people. But what brings on a major what makes all the difference is the reach and influence of media on peoples' decision making.

Media is popular and has a wider reach and people generally believe what the media shows. Media acts as a channel between the product and the target market. This is the money making or revenue generating process that takes care of the cost of publication or to stay afloat. Today, some of the highest profitable enterprises in the world are run by the media organisations.

The Times of India or Dainik Bhasker- papers with good circulation in the country- may be costing the producer about Rs.20 a piece. And when the agent commission and distribution cost of a paper is added the copy's cost soars up. However, the paper reaches to the reader at a much lower rate at about Rs. 5. This implies that the publication houses are losing a lot per copy. The question is how and why publishing business flourishes after all these odds on cost of production and distribution after selling a copy of newspaper below a rate that does not cover its production cost. Here, we have to understand that the revenue that comes from selling the newspaper is not all that a publication house is dependent on. For them the larger source of income that takes care of their cost of production and distribution are due to the advertisements.

The quality of contents of a newspaper or a magazine's is directly proportional to its brand appeal and consecutively affects the circulation. Higher circulation brings in more number of advertisements. More advertisement implies higher the price of advertisement space. Higher the advertisement price, more the revenue. More the revenue, better the spending on quality of paper, staff, circulation initiatives and brand building.

With the convergence of media i.e. the traditional publication house and digitisation say internet- media houses have spread their base. A newspaper house may be into broadcasting business as well as internet blogging and vice versa. Due to these reasons, media salespersons simply cannot limit their work operating from within a box i.e. segregate themselves as print, broadcast, electronic, internet sales persons. They are media marketing sales professionals.

Thus even a media professional should be aware of the five Ps of marketing, i.e. Product, Price, Promotion, Place and Post-purchase-service, feel Tim Larson and Ken Foster in the book **Media Selling: Broadcast, Cable, Print and Interactive**.

4.4 INCOME SOURCES OF MEDIA

Advertising has been the main source of revenue for most of the media organisations be it the print, television or internet. They all do space selling. Even trailers of movies and ads before or after a screening of a movie at the theatre generate revenue. Movies or cinema being a mass media also generates revenue through playing advertisements rather than just distribution of their film and screening. While Newspapers advertising depends on its circulation and readership, television's advertising revenue rests with TRP and internet with that of "hits."

4.4.1 NEWSPAPERS AND THEIR SOURCES OF INCOME

The two main source of revenue for a newspaper organisation are,

1. Circulation
2. Advertisement

In fact, both these revenue generating components are mutually dependent on each other.

4.4.1(A) REVENUE THROUGH CIRCULATION:

The revenue that generates from direct or indirect sales of newspaper copies is the revenue via circulation. This comes from the sale of the newspaper copies to the readers. It could be through home delivery to the regular subscribers, single issue sale through vendors, and through news outlets or through bulk purchases at hotels and business

establishments. Besides there is a marketing gimmick used by the news houses i.e. “sample copies” which are distributed to potential subscribers, advertisers and business establishments. Circulation money is not surplus for a publication but ‘copy’ sales helps in retaining old advertisers and attracting new ones.

4.4.1(B) REVENUE COLLECTION THROUGH ADVERTISEMENTS

Newspapers advertisements can be categorised under,

- a) Classified
- b) Display
- c) Classified display advertising, and
- d) Newspaper Inserts

Now let us study them in detail,

a) **Classified advertisements** are small messages grouped under a specific heading (classification) in a separate section of the newspaper or magazine. These are relatively small advertisements and are usually placed in column and do not include any graphic. These advertisements generally deals with offers or requests for jobs, houses on sale or rent, apartments on rent, drivers, vehicles on rent, car rentals, tutorials, hostel vacancies among others. Classified advertisements are generally sold on per-line basis or number of word basis to the clients. Though small in size and inexpensive, the classified section filled with a large number of small advertisements on almost daily basis. These are a regular source of income for newspapers and magazines. There is generally a fixed page where classified advertisement appears regularly.

b) **Display Advertisements** are the bold advertisements found in different pages of a newspaper. These advertisements have a generous share of newspaper space and their size is measured in the column centimeter or square centimeter basis. Besides, the standard measurement scale these may also be counted in terms of quarter page, half page or on full page basis. Display advertisements are placed in any page of the newspaper and earn good revenue. Display advertisements are divided into two categories namely local (retail) and national (general). Local advertisements are booked

by the sales people of the newspaper in their local market, and are the main source of revenue. Advertisements by local vendors starting from car show room to restaurants, boutiques, educational institutions, food joints and opening, discount sales in super malls make this section of advertisements. Whereas national advertisements are booked by the representatives of the organisation and consist of brand promotion, image promotion or sale of company manufactured goods like television sets, ACs, Cars, Bikes etc.

c) **Classified Display Advertisements** are different from classified advertisements in several ways. In this case, the copy occupies more space and in several instances carries graphics. It is generally surrounded by bold border and also carries bold headlines and logo of the company. Generally automobile dealers, recruitment agencies and real-estate agents use this space.

Besides these ads procured from commercial establishments and service providing firms, another kind of advertisement which is popular as well as seasonal is Political advertisement, which usually covers the display section and predominantly appear during political events, rallies and before elections.

d) **Newspaper Inserts** are not part of the newspaper but are inserted in the newspaper before distribution. Advertisers like big grocery stores, shopping malls, restraints, food festivals in hotels, food joint promotions prefer the kind of advertisement. While the advertiser gets mileage by distributing its message to a huge number of people through the newspaper inserts, the newspaper gets revenue for facilitating the distribution of the insert advertisement via their distribution chain.

4.5 TELEVISION AND THEIR SOURCES OF INCOME

The major sources of revenue for the visual broadcasting medium are

- a) Paid subscription
- b) Advertisements, and
- c) Cable distribution

4.5.1 REVENUE THROUGH SUBSCRIPTION

Almost all news channels including the public broadcaster Doordarshan now run on the paid subscription mode. Like newspapers, the subscription revenue is very less as compared to that of the cost involved in the production of various programmes aired by the television channels. The shortfall of the cost is filled up by advertising generates profit.

4.5.2 REVENUE THROUGH ADVERTISEMENTS

Television advertising could be classified into several segments like,

- a) Television Commercials
- b) Direct selling advertising
- c) Political Advertising

4.5.3 TELEVISION COMMERCIALS

Television commercials are short films that vary from 15 to 120 seconds and in some cases even more. Unlike newspapers where advertising 'space' is measured by square centimeter or column centimeter, in television, the 'space' is measured by seconds. There is another factor though considered for pricing slot like the timing of the commercial i.e. prime time, news hour, morning space, evening space etc. Rate of the commercial advertisement varies on the basis of timing as well as the length of the commercial. These advertisements are termed as "commercials" as they generally intend to promote a product or service so that its commercial interest is fulfilled.

4.5.4 DIRECT SELLING ADVERTISING

This is a new concept of advertising on television. Through this companies do direct selling by advertising their products over television. They generally book spots on specific television channel for a particular time and for a particular duration. The difference between television commercials and direct selling advertisement is that the latter did not have a middle agent in their business. The content advertised directly reaches the customer.

4.5.5 POLITICAL ADVERTISEMENTS

Broadcast mediums earn through political advertising like they would from any commercial advertising. It is difficult to categorise this under commercials because they are basically promotional and no real buying or selling of product takes place. But image building and publicity takes place on behest of ads.

4.6 SOURCES OF INCOME FOR A RADIO STATION

The major source of revenue for a radio station is advertisements. Almost all radio programmes in India are free on-air, the listener need not have to pay any fees/ subscription charge for radio station services. However, radio stations recover their cost of production of various programmes through advertisements. Like television, Radio commercials are also measured in seconds and the price varies from time to time like price of a 15 min radio advertisement may cost more during morning or evening hours than that of during the day. Listening to a radio does not require any special attention like engaging with other forms of mass media might demand. One can hear radio while at work or while on drive.

4.7 SOURCES OF INCOME FOR A MAGAZINES

Like newspapers, major source of income for magazines comes from circulation and advertisements. A fraction of the cost is recovered by Magazines from the subscription and single-copy sales or news-stand sales. However the major revenue is generated via ad space. Magazine sale their 'space' in terms of pages or fraction of it, in form of full page or half page or quarter page advertisements. Since magazines are periodicals and are meant to stay with the reader for a longer duration its quality of production, print is better than that of the newspapers. Magazine advertisements are comparatively expensive in terms of newspaper ad space.

4.8 OUTDOOR MEDIUM

Outdoor media is one of the oldest media. The use of outdoor media is to declare something or to attract attention. This is done through large banners or hoardings. It has gone through several transformations with time. Posters or Flex banners have

been replaced by electronic LED display, paintings have acquired 3D painting shape and clothe banners have been replaced by more colourful and glossy vinyl sheets etc.

Several advertisers solely rely on outdoor advertisements like posters, billboards and wall paintings where as several others use this medium along with Newspaper/TV/ Radio for improving their product's reach and impact.

4.9 YELLOW PAGES

Yellow Pages are directories containing information about a particular segment like telephone numbers of all the telephone subscribers of a city or details of important vendors, shops, malls, hospitals and other places of public utilities, including addresses of individuals and other professional service providers in a town or city. This unique feature made yellow pages a good advertising tool. Given the fact that yellow pages are published once in a year, advertising space is purchased for a year at a time. As yellow pages are referred during the year and beyond, pricing of yellow pages are generally competitive and advertisers strive for a better space and font size.

4.10 SOURCES OF INCOME THROUGH THE MEDIUM OF INTERNET

This is the new medium which has become a major trend in the recent times. Thanks to the spread of on-line marketing concepts and 'smart phones', internet advertising has grown by multifold. In fact, company like Google, the behemoth online search engine is the topmost grosser of online advertising revenue. Today Google offers a wide variety of services like online search engine, email, weather forecast, navigation services, news and tons of other online services for various platforms. As people are increasingly glued to these services, Google is earning huge advertising revenue by placing advertisements in its content & applications. What appears true for Google is true for other internet players also. But the differentiating factor is the number of users. It is a number game where more the number of users a particular website has the better is the advertisement revenue. A website offering user-friendly features would certainly attract more users and thereby generate more revenue. By 2019 the market size is estimated to be worth \$220 billion globally.



Check Your Progress:

4.1 What is classified display advertising?

4.2 How does television generate revenue through subscription?

4.3 What are the sources of incomes for magazines?



UNIT – V: GOVERNMENT POLICIES FOR MEDIA OWNERSHIP

5.0 UNIT STRUCTURE

- 5.1 Learning Objectives
- 5.2 Introduction
- 5.3 The Press in Developing Countries
- 5.4 Integration of media organisations
- 5.5 Media Ownership in India
- 5.6 Market dominance in our country
- 5.7 Concerns and challenges
- 5.8 TRAI'S Argument
- 5.9 The problem of paid news- Content creation and distribution
- 5.10 Check your Progress

4.1 LEARNING OBJECTIVE

After finishing this unit, we will be aware of the nature of the press operation in developing countries, the kind of press model they follow. We will also study the disadvantages that arise due to the integration of media groups, along with the concerns and challenges in our country due to this phenomenon.

5.2 INTRODUCTION

There are many media organisations in India that are owned and controlled by a wide variety of entities including corporate bodies, societies and trusts, and individuals. Information about such organisations and people is scattered, incomplete and dated.

Let us study a few salient aspects of media ownership,

- The vast number of media organisations and outlets often conceal that there is dominance over specific markets, i.e. oligopolistic in character.
- The absence of restrictions on cross-media ownership implies that particular companies or groups or conglomerates dominate markets both vertically (that is, across different media such as print, radio, television and the internet, as well as horizontally namely, in particular geographical regions.
- Political parties and persons with political affiliation own or control increasing sections of the media in India.
- The promoters and controllers of media groups have traditionally held interests in many other businesses they may often use their media outlets to further these.
- Large industrial conglomerates are acquiring direct and indirect interest in media groups.
- The promoters and controllers of media groups have traditionally held interests in many other business interests and continue to do so, often using their media outlets to further these. There are a few instances of promoters who have used the profits from their media operations to diversify into other (unrelated) businesses.
- The growing corporatisation of the Indian media is manifest in the manner in which large industrial conglomerates are acquiring direct and indirect interest in media groups. There is also a growing convergence between creators/producers of media content and those who distribute/disseminate the content.

5.3 THE PRESS IN DEVELOPING COUNTRIES

The pattern of ownership of the press in developing countries is influenced by several factors including

- a) colonial or investment spheres of influence initially
- b) government structure, whether democratic autocratic or modelled on a single governing party
- c) The size of the local investment
- d) The proportion of the population which is literate
- e) The vote bank, and
- f) Cultural factors

It is difficult to generalise even in a single region; in Asia, e.g. there is a government ownership in China, press is controlled and monitored by the communist government. This is also practised in Taiwan and Burma. In other countries, the influence of western press model is dominant, i.e. the one financed by advertising or corporate interests.

In India concentration of ownership follows some of the same problems in Europe, and there are periodic Press Commissions to consider the problem. The government has also considered making funds and tax commissions available to new independent newspapers.

In the Philippines, which follow a capitalist model of development, press ownership reflects similar problems of concentration to the West, perhaps more blatantly than elsewhere; the press operates to support the owner's vested interests. Competition at national level among a few owners has left little finance available for finance available for a provincial press. There is little foreign investment in the media, either on the part of advertising firms or others.

Consolidation of media holding means that certain of the newspaper group own radio and television stations, magazines and comic books. There has been an attempt to prevent further horizontal integration of this kind, but it has not yet been very successful.

In the Caribbean, the patterns of ownership is mixed: foreign ownership principally by the Thomson Group has been transformed to local private or state ownership, locally owned newspapers in financed by advertising, and in the Eastern Caribbean the news paper ownership, the horizontal integration with other forms of media. Decline in circulation, owing partly to the competition with television, been accompanied by decline in the number of titles in the last decade in the region.

The press in Africa is of limited importance as a mass medium because of low rates of literacy. There are five types of ownership, namely: a religious, political party, private and government, of which the latter is by far the most important. The foreign owned commercial press was important in a former phase, dominated by major press groups in Britain and France, with overlapping investment from the electronic media groups. The locally owned commercial press is circumscribed for three principal reasons: lack of capital, limited market size which affects advertising revenue, government control. Because of the weakness of the private local press and the desire to create a single national identity, government and party newspapers predominate, a situation which is likely to last for some time to come. For twelve countries, there is no daily newspaper at all.

5.4 INTEGRATION OF MEDIA ORGANISATIONS

In the last few years, there has been a growing integration of media organisations across the globe. Looking at the political economic scenario of the media the world has a dearth of not-for-profit media organisations. Neither subscription- nor advertising revenue-based models of the media have been able to limit this tendency of large sections of the corporate media to align with elite interest groups. The media is perceived as an active political collaborator. It also seeks to influence voters on the basis of loyalty of owners and editors. This often limits the free and fair exchanges of views to facilitate democratic decision-making processes.

The Indian media market differs from those of developed countries in several ways. As India is a developing country and all segments of the media industry are still growing unlike in developed countries. The media market in India remains highly fragmented, due to the large number of languages spoken in this country, size of the country and cultural barriers.

As we have studied in the earlier chapters, we now know that India has over 82,000 publications registered with the Registrar of Newspapers as on 31 March 2011. There are over 250 FM (frequency modulation) radio stations in the country. It would be interesting to note that India is the only democracy in the world where news on the radio is under the monopoly of the central government. The Ministry of Information & Broadcasting has allowed nearly 800 television channels to uplink or downlink from the country, including over 300 which claim to be television channels broadcasting “news and current affairs.” There is an unspecified number of websites aimed at Indians.

The mass media in India is possibly dominated by less than a hundred large groups or conglomerates, which exercise considerable influence on what is read, heard, and watched. It is noteworthy to see that Delhi is the only urban area in the world with 16 English daily newspapers; the top three publications, the Times of India, the Hindustan Times, and the Economic Times, would account for over three-fourths of the total market for all English dailies.

India’s established media conglomerates have refused to accept the need for restrictions over ownership and control, arguing that this would result in some sort of censorship post the infamous censorship that occurred during the 1975-77 Emergency.

5.5 MEDIA OWNERSHIP IN INDIA

It is difficult to ascertain who owns mass media in India. In India’s unique “media-scape,” proliferation of publications, radio stations, television channels, and internet websites guarantees plurality, diversity, and consumer choice. However, there are many media organisations in the country that are owned and controlled by a wide variety of entities including corporate bodies, societies and trusts, and individuals.

A few trends can be perceived as instances of integration in a sector in which big players have been steeped in debt and strapped for cash over the past few years. The shake-out also signifies growing concentration of ownership in an oligopolistic market that could lead to loss of heterogeneity and plurality.

While the growth of the internet has led to a collapse of geo-spatial boundaries and lower levels of gate-keeping in checking information flows. The perceived increase in

diversity of opinion has led to a shrink in the number of traditional media operations in television and print.

Powerful politicians need media barons as much as they need them – play a mutually role for each other. E.g. Shobhana Bhartia of the Hindustan Times group, the late Narendra Mohan of the Dainik Jagran group (bring out India’s most widely circulated Hindi daily), the Dardas of Lokmat, the Marans of the Sun group, and Chandan Mitra of The Pioneer.

A report prepared by an independent institution recommending imposition of cross-media ownership restrictions recently entered the public domain nearly three years after it was submitted following a rebuke to the government by a panel of lawmakers. The report, running into nearly 200 pages, was prepared by the Administrative Staff College of India (ASCI) at the instance of the Ministry of Information & Broadcasting (I&B). Though this report was submitted in July 2009, it was placed on the Ministry’s website only after Parliament’s Standing Committee on Information Technology sharply criticised the government for not initiating any action on the ASCI report’s recommendations. We will study about in detail, in this chapter.

5.6 MARKET DOMINANCE IN OUR COUNTRY

The restrictions on vertical integration of media companies owning stakes in both broadcast and distribution companies within the same media can result in non-competitive behaviour. Here, a distributor can favour own broadcasters’ contents over the content of a competitive broadcaster. In this scenario, large conglomerates would be able to impose their preferred content, which is not an healthy hypothesis.

Debates on media ownership are almost as old as the nation itself. The country’s first Prime Minister Jawaharlal Nehru and his Defence Minister V.K. Krishna Menon would criticise the “jute press” in a clear reference to BCCL which was then controlled by the Sahu-Jain group. Then came references to the “steel press.” The Tata group, which has a substantial presence in the steel industry, used to be a part-owner of the company that publishes the once-influential The Statesman. These were basically family-owned groups would use their news companies to lobby for their other business interests.

For example, the Dainik Bhaskar group, which, in 1958, ran a single edition Hindi newspaper from Bhopal, has a market capitalisation of Rs 4,454 crores (as on July 30, 2010), owns seven newspapers, two magazines, 17 radio stations, and has a significant presence in the printing, textiles, oils, solvent extraction, hotels, real estate, and power-generation industries.

Media companies tend to have a variety of professionals on their boards, such as investment bankers, venture capitalists, chartered accountants, corporate lawyers, and CEOs of corporate houses. Professional journalists, ironically, rarely figure onboard. As a result, those at the top of the decision-making hierarchy, rarely considers the interest of the bottom-line.

5.7 CONCERNS AND CHALLENGES

The real challenges that lie ahead for the media in India are to ensure that growing concentration of ownership in the oligopolistic set up. This scenario does not essentially lead to loss of heterogeneity and plurality. In the absence of cross-media restrictions and with government policies contributing to further corporatisation, especially with respect to the television medium, diversity of news flows could be adversely affected contributing to the continue to privatise and commodify information instead of making it more of a “public good.”

The government seems unlikely to accept the recommendations of the report prepared by ASCI, which describes itself as an “autonomous, self-supporting, public-purpose” institution. The Ministry has, for the time being, tossed the contentious set issues on cross-media ownership on to the court of the Telecom Regulatory Authority of India (TRAI).

The Standing Committee on IT, noted that the issue of restrictions on cross-media ownership “merits urgent attention” and needs “to be addressed before it emerges as a threat to our democratic structure.” It urged the Ministry to “formulate” its stand on the issue in coordination with the TRAI “after taking into account” international practices.

The earlier (February 2009) report of the TRAI had stated that it is important that “necessary safeguards be put in place to ensure plurality and diversity are maintained

across the three media segments of print, television and radio.” Before the TRAI report was finalised, during the consultation phase, there was strong resistance on the part of media groups to the idea of restrictions on their sector. Many different arguments were proposed, among others that regulation would stifle growth, that the multiplicity of media and the highly fragmented nature of the Indian market prevents monopoly.

It was also regulation of the sector amounts to an impingement on the Constitutional right to freedom of speech. Further, some groups, “particularly those associated with print” even argued that it was not under the jurisdiction of the authority to make recommendations on any matter which did not relate directly to telecommunications. This view was not accepted by the government.

5.8 TRAI’S ARGUMENT

According to the TRAI’s report, vertical integration in the media market is already causing serious problems. There have been numerous disputes brought before the Telecom Dispute Settlement and Appellate Tribunal (TDSAT) between broadcasters and cable operators alleging denial of content by other service providers. New cases are being added regularly, which the TRAI regards as “a clear indication that the current market situation requires corrective measures”.

Having taken into account all the arguments of the media groups, the TRAI nevertheless came to the conclusion that certain restrictions are required. It argued for restrictions on vertical integration, that is to say on media companies owning stakes in both broadcast and distribution companies within the same media. The reasoning behind this restriction is that vertical integration can result in anti-competitive behaviour, whereby a distributor can favour his/her own broadcasters’ contents over the content of a competitive broadcaster. In this scenario, large conglomerates would be able to impose their preferred content which is unhealthy. This allows them to have controlling stakes both in broadcasting and distribution by acquiring licences under their different subsidiary companies, thus totally bypassing current restrictions and defeating the purpose of their existence in the first place. The report, therefore, suggests that restrictions no longer be placed on “companies” but on “entities” or groups, which would include large groups and conglomerates such as BCCL and Dainik Bhaskar.

With regards to cross-media ownership, the report points out that no such restrictions exist in India, in stark contrast with most other countries in the world with a free press, including the United States, the United Kingdom, France, and Canada. It argued that restrictions are necessary and recommend that the Ministry should conduct a detailed market analysis in order to identify which safeguards would be most appropriate in the Indian context.

Today, the situation described by Nehru has intensified multifold. In fact, instead of using their media companies to lobby for their non-media business interests, a few large media groups have been able to diversify their business activities, thanks to the profits generated by their media business. In India at present, promoters of media companies have subsidiary business interests in sectors as varied as aviation, hotels, cement, shipping, steel, education, automobiles, textiles, cricket, information technology, and real estate. For example, the Dainik Bhaskar group, which, in 1958, ran a single edition Hindi newspaper from Bhopal, has a market capital of Rs 4,454 crore (as on July 30, 2010), owns seven newspapers, two magazines, 17 radio stations, and has a significant presence in the printing, textiles, oils, solvent extraction, hotels, real estate, and power-generation industries.

5.9 THE PROBLEM OF PAID NEWS- CONTENT CREATION AND DISTRIBUTION

This closeness between the media and corporate India leads to a deplorable confusion of priorities. Instead of media houses relying on advertisers to fund for quality journalism, the relationship has insidiously reversed. Advertisers and corporate units have begun to rely on news outlets to further their interests.

In 2003, Bennett Coleman Company Limited (publishers of the Times of India and the Economic Times, among other publications) started a “paid content” service, which enabled them to charge advertisers for coverage of product launches or celebrity-related events.

The behind-the-scenes influence of corporate and vested interests was made particularly apparent by the leaking of tapes recording conversations between Nira Radia, a powerful lobbyist with clients such as the Tata group and Reliance Industries, and a

variety of business men, politicians, and journalists. They revealed what had long been an open secret: the collusion and uncomfortable closeness among corporate units, politicians and journalists, a world in which the line between politics and business, public relations and news is reducing.

From a business point of view, media consolidation has undeniable advantages. It allows for economies of scale, which enable media companies to absorb the costs of content and distribution over a large volume of revenue. This in turn allows companies to invest in better resources such as talent or technical equipment. In a competitive market, small media companies have a very hard time surviving. Consolidation makes a lot of economic sense and can even, to some extent, translate into improvements in quality.



Check Your Progress:

5.1 Write a small note on the media ownership in India?

5.2 Describe the nature of press in developing countries?

5.3 Name a few concerns raised by TRAI.



FURTHER READINGS



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ANSWER TO CHECK YOUR PROGRESS

UNIT - I

1.1) Media companies often diversify to package or synergise their products in several different ways, e.g. a film is often accompanied by a soundtrack album, computer game, mobile ringtone or toy action figures. A company may use its global interests to market one of its own films through its television channels, magazines and newspapers in dozens of countries at the same time.

1.2) There are four major types of ownership of mass media. Chain, cross media, conglomerate and vertical integration

1.3) Marxists believe that in order to legitimate and reproduce the system of capitalism, the capitalist class uses its cultural power to dominate institutions like education and the mass media and transmit ruling class ideology. The function of these agencies is to socialise the working class into accepting the legitimacy of the capitalist system and capitalist ideas. Consequently, Marxists argue working class people experience false class-consciousness – they come to accept that capitalism is a just system that benefits all social groups equally. They fail to see the reality of their situation that they are being exploited by a system that only benefits a powerful minority.

UNIT - II

2.1) Advertising outcome, Access target demography, Point of insertion and Personalisation.

2.2) As the media industry evolves, the business model becomes the message. Business plans like magazine publishing, advertising agency, photography, publisher and other media communications businesses can be counted as some of the branches accounted under media. Media slowly evolved as a business, what started as a medium of communication, needed funds to keep running and thus the revenue started flowing through circulation money and advertisement. These processes took time and slowly advertising units, PR units started flourishing. Now brand and image management is added as a new branch of media.

2.3 Personalisation is a large part of the future of media. In order to personalise content and advertising, there are multiple requirements including compiling data about audience members and content serving platforms that allow content and ads to be altered on the fly depending on the viewer. There are four levels to personalisation of content and advertising, each of which leads to increased value.

UNIT - III

3.1) In Media Market, service is sold to advertisers in the form of access to the audience. Media economics relies on two different sources of revenue. Within the consumer market there is another division: between the market for “one-off” products like books, tapes, videos and newspapers sold directly to consumers and that for continuous media services like cable or broadcast television or online media. In fact there are other sources of income besides the two mentioned. They include sponsorship, product placement and public relations, as well as public money and support from private backers.

3.2) The difference between the two revenue markets interacts with other features of the media market. As noted above, the social composition of the audience reached (and sold to advertisers) is important, because of the differences in purchasing power and in types of goods advertised. There is logic in the advertising based mass media which favours a convergence of media tastes and consumption patterns (less diversity). This is because of homogenous audiences are often more cost-effective for advertisers than heterogeneous and dispersed markets, unless there are very large mass markets for mass products.

3.3) Governance refers to the formal and binding rules, numerous mechanisms, internal and external to the media, by which they are steered towards multiple inconsistent objectives. Despite the ‘bias against control’, there is an extensive array of actual potential forms of control on media. Because of the diversity of the terrain covered it is inappropriate to speak of the ‘system’ of governance, although there are some general principles and regulatory to be found in the same form in many countries. Essentially governance entails some set of standards or goals coupled with some procedures of varying strictness for enforcing or policing them.

UNIT - IV

4.1) Classified advertisements are small messages grouped under a specific heading (classification) in a separate section of the newspaper or magazine. These are relatively small advertisements and are usually placed in column and do not include any graphic. These advertisements generally deal with offers or requests for jobs, houses on sale or rent, apartments on rent, drivers, vehicles on rent, car rentals, tutorials, hostel vacancies among others. Classified advertisements are generally sold on per-line basis or number of word basis to the clients.

4.2) Almost all news channels including the public broadcaster Doordarshan now run on the paid subscription mode. Like newspapers, the subscription revenue is very less as compared to that of the cost involved in the production of various programmes aired by the television channels. The shortfall of the cost is filled up by advertising generates profit.

4.3) Like newspapers, major source of income for magazines comes from circulation and advertisements. A fraction of the cost is recovered by Magazines from the subscription and single-copy sales or news-stand sales. However the major revenue is generated via ad space. Magazine sale their ‘space’ in terms of pages or fraction of it, in form of full page or half page or quarter page advertisements.

5.1) In India’s unique “media-scape,” proliferation of publications, radio stations, television channels, and internet websites guarantees plurality, diversity, and consumer choice. However, there are many media organisations in the country that are owned and controlled by a wide variety of entities including corporate bodies, societies and trusts, and individuals.

A few trends can be perceived as instances of integration in a sector in which big players have been steeped in debt and strapped for cash over the past few years. The

shake-out also signifies growing concentration of ownership in an oligopolistic market that could lead to loss of heterogeneity and plurality.

UNIT - V

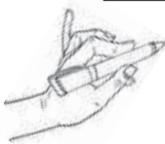
5.2) Nature of Press in developing countries is influenced by several factors. In China, Taiwan and Burma, there is a government ownership as press is controlled and monitored by the communist government. In India, concentration of ownership follows some of the same problems in Europe, and there are periodic Press Commissions to consider the problem. In the Philippines, which follow a capitalist model of development, press ownership reflects similar problems of concentration to the West, perhaps more blatantly than elsewhere; the press operates to support the owner's vested interests. In the Caribbean, the patterns of ownership is mixed: foreign ownership principally by the Thomson Group has been transformed to local private or state ownership, locally owned newspapers are financed by advertising, and in the Eastern Caribbean the newspaper ownership, the horizontal integration with other forms of media. The press in Africa is of limited importance as a mass medium because of low rates of literacy. There are five types of ownership, namely: a religious, political party, private and government, of which the latter is by far the most important.

5.3) According to the TRAI's report, vertical integration in the media market is already causing serious problems. There have been numerous disputes brought before the Telecom Dispute Settlement and Appellate Tribunal (TDSAT) between broadcasters and cable operators alleging denial of content by other service providers. New cases are being added regularly, which the TRAI regards as "a clear indication that the current market situation requires corrective measures.

Large conglomerates would be able to impose their preferred content which is unhealthy. This allows them to have controlling stakes both in broadcasting and distribution by acquiring licences under their different subsidiary companies, thus totally bypassing current restrictions and defeating the purpose of their existence in the first place.



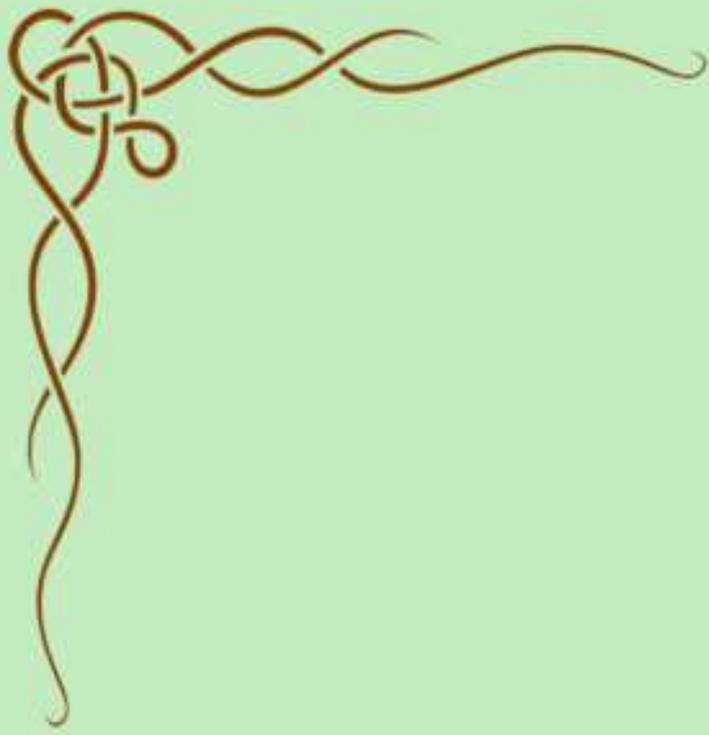
Comments



Comments



A large, empty rectangular box with a thin black border, intended for writing comments. The box is mostly empty, with only the small drawing of a hand holding a pen at the top left corner.



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