An introduction to
Media Economics

MEVIT 4300/3300
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Today

• Introduction - reading list, lectures, and seminars.

• Media economics - relevance, rationale, and research.

• Key concepts – definitions, uses, and discussions.

Course content

Media economics is concerned with the changing economic forces that shape and constrain the choices of decision-makers across the media. This course, which is accessible to media students without a background in economics, introduces some of the main economic concepts and issues affecting the media and addresses some of the main interests economic characteristics and industrial questions surrounding media corporations and markets. It examines the distinctive economic features of media, the relationship between these features and the strategies deployed by media corporations and a range of key issues in media economics such as the economic models of mass media. Areas that will be covered include economics of advertising, print media, broadcasting, film, and new digital media.

Learning outcomes

The students will develop a critical understanding of the key mechanisms in media economics, and how these influence the media market, media output, and public policy. After having followed the course, the students will be able to do independent analysis of changes in media markets.

Lectures

<table>
<thead>
<tr>
<th>Date</th>
<th>Time</th>
<th>Activity</th>
<th>Location</th>
<th>Lecturer</th>
</tr>
</thead>
<tbody>
<tr>
<td>12.02.13</td>
<td>12:15-13:00</td>
<td>Introduction to Media Economics</td>
<td>PF 2309</td>
<td>Gunn Enli</td>
</tr>
<tr>
<td>12.02.13</td>
<td>13:45-14:30</td>
<td>Media challenges for Scandinavian Media</td>
<td>PF 2309</td>
<td>Gunn Enli</td>
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<tr>
<td>12.02.13</td>
<td>14:45-15:30</td>
<td>Understanding and The Long Tail principle</td>
<td>PF 2309</td>
<td>Gunn Enli</td>
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<td>12.02.13</td>
<td>15:45-16:30</td>
<td>Advertising and the Media Economy</td>
<td>PF 2309</td>
<td>Gunn Enli</td>
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Seminars

<table>
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<tr>
<th>Date</th>
<th>Time</th>
<th>Activity</th>
<th>Location</th>
<th>Teaching staff</th>
<th>Syllabus</th>
</tr>
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<tbody>
<tr>
<td>16.02.13</td>
<td>14:15-15:00</td>
<td>Business models in Visual 1</td>
<td>PF 2309</td>
<td>S. S. O.</td>
<td>1-30</td>
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<tr>
<td>16.02.13</td>
<td>15:15-16:00</td>
<td>Business models in Visual 2</td>
<td>PF 2309</td>
<td>S. S. O.</td>
<td>1-30</td>
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<td>16.02.13</td>
<td>16:15-17:00</td>
<td>Business models in Visual 3</td>
<td>PF 2309</td>
<td>S. S. O.</td>
<td>1-30</td>
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<td>16.02.13</td>
<td>17:15-18:00</td>
<td>Business models in Visual 4</td>
<td>PF 2309</td>
<td>S. S. O.</td>
<td>1-30</td>
</tr>
</tbody>
</table>

Books

- Caves, Richard (2009), Marketing Channels: Organization and Change in TV Broadcasting, Harvard Univ Press. chap. 1.2 & 4. (60 pages)
- Dayn, Gillian (2003), Understanding Media Economics, Sage Publications. (170 pages)
- King, L. (2008), Strategic Management in the Media, London: Sage. Chap. 3.4 (40 pages)

Book chapters

- Lott, Anthony (2007), The Television will be Revolutionized, NY: University Press. Chap. 5. (40 pages)
Media Economics

The research field
- A new way to talk about the media – A new conceptual framework
- Media as products in a market – TV, radio, newspapers, books.
- Media economics is a field with a fairly short history; established in the 1980s.

The media as:
- A product sold on a market
- An intellectual property
- International trade
- Business strategy
- Pricing policies
- Competition industrial concentration

Media Economics:
"How the media operators meet the information and entertainment wants and needs of the audience, the advertisers, and society, with available resources."

Economics & Media Studies
Economics:
The Economist’s Dictionary of Economics:
"The study of the production, distribution and consumption of wealth (goods and services) in human society."

Hoskins et al. (2004):
"Economics is the science that studies how the economy allocates scarce resources, with alternative uses, between unlimited competing wants."

Media Economics:
"How the media operators meet the information and entertainment wants and needs of the audience, the advertisers, and society, with available resources."

Characteristics of Media Economics
- ‘Dual Markets’:
  - Audience market (content; entertainment/information)
  - Advertising market (ratings, circulation, niches)

- ‘Public good’
  - Consumption does not reduce value of the product.
  - Information is difficult to sell normally (‘market failure’)

Key Concepts in Media Economics
Economics of Scale
- Initial costs / Marginal costs
- Marginal reproduction costs
- 100 viewers = 1 mill viewers.
- More profit in large markets.

Economics of Scope
- Modify media products to various markets.
- Multi-product production.
- Profit from various markets.

Discuss in pairs (3-5 min.)
- The media has a hybrid function between commercial products and public goods.
- Discuss to what degree economic logics influence (1) the production, (2) the distribution, (3) the consumption of media.

Media Production
- Reduce Costs (economics of scale):
  - Information: reduce staff, less original reporting, recycle stories.
  - Entertainment: imported programs, mass produced series etc.

- Increase income (economics of scope):
  - Information: increase sales prices, more advertisements etc.
  - Entertainment: product placement, spin-off products, format export etc.
Influence on production:
USA 1950s: Quiz Show Scandals
Transition from sponsorship to advertising

Media Distribution
- Reduce Costs:
  - Online news replaces print newspapers
  - Fewer editions are circulated
  - Vertical and horizontal expansion
- Increase income:
  - Income from distributors
  - Mergers and expansion

Media Consumption

The Vertical Supply Chain'
- Media firms make their earnings from refining raw material; production, packaging, distribution.
- The value chain demonstrates what kind of added values that are introduced on each stage in the chain.
- The key goal is to create added value, to make customers willing to buy the products.
- Vertical expansion? Examples?

Expansion Strategies
Horizontal expansion
- Expanding in the same market. - e.g. newspaper buys another paper - Goal: eco of scale
Diagonal expansion
- Diversify to raw markets - e.g. newspaper buys radio station - Goal: eco of scale + scope
Vertical expansion
- Integration of value chain - e.g. cable company buys TV-station - Goal: control the value chain + bottleneck
Transnational expansion
- Expansion into international markets - e.g. Norwegian media firm buys newspapers in Baltic - Goal: eco of scale + scope + growth

Economic Theory:
A Model of Market Structures

<table>
<thead>
<tr>
<th></th>
<th>Perfect competition</th>
<th>Monopolistic competition</th>
<th>Oligopoly</th>
<th>Monopoly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market type</td>
<td>Highly competitive</td>
<td>Many competitors</td>
<td>A few top firms dominate the competition.</td>
<td>One seller. No competition.</td>
</tr>
<tr>
<td>No entry barriers</td>
<td>No entry barriers or obstacles</td>
<td>Some entry barriers or obstacles.</td>
<td>High entry barriers.</td>
<td>Extremely high entry barriers.</td>
</tr>
<tr>
<td>Economic Focus</td>
<td>No economic focus or demand.</td>
<td>No economic focus.</td>
<td>Our price setting.</td>
<td>Our price setting.</td>
</tr>
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</table>
Summary – Key concepts

- 'Dual markets' - 'Public goods' - Intellectual property
- Initial costs / Marginal costs
- Economies of scale / Economies of scope
- Vertical supply chain
- Expansion strategies
- Market concentration
- Public policies (market intervention)

Next Lecture

Monday 11 Feb - Jens Barland
Talk on recent developments in Scandinavian media markets.

Prepare:
Read: Understanding Media Economics (G. Doyle).
- ....But don’t forget to check out industry news:
  - [http://www.guardian.co.uk/media](http://www.guardian.co.uk/media)
  - [http://www.kampanje.com](http://www.kampanje.com)