A ROADMAP TO UNDERSTANDING MEDIA INDUSTRIES

THESIS SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS
FOR THE DEGREE OF MASTER OF ARTS

DMITRY EPSTEIN

UNDER THE SUPERVISION OF:
PROFESSOR MARTIN ELTON
DOCTOR KATIE YAEI KAYNAN

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Signature of student: ________________ Date: _________

Signature of supervisor: ________________ Date: _________

Signature of chairperson
of the committee for graduate studies: ________________ Date: _________

OCTOBER 2007
Summary

This thesis aims to address the paradox of media economics research. On the one hand, the more empirically robust contributions based on the neoclassical approach, lack input from the critical approach of communication theory. On the other hand, the theoretical contributions, found mostly in the critical approach, have difficulty in producing robust empirical evidence. By focusing on the commercial broadcast TV industry as an example, the thesis addresses conceptualization of media industries at large in order to contribute to theoretical thought in the fields of media economics and communication studies. Developing such a conceptual framework would allow asking complex questions about the media industry in a systematic way, both from the theoretical and the applied points of view.

At the basis of the proposed framework are foundations derived from a long lasting debate between the neoclassical and the critical approaches within the field of media economics. Focusing on the SCP model as a framework for industrial analysis of mass media, the thesis utilizes insights from these foundations in order to suggest the next step in adaptation of the model to the discipline of communication studies. The underlying logic behind this model is based on potential synergy between two seemingly rival approaches to media economics question.

The complex view of communication as a social process gives more weight to the critical argument. However, this approach is lacking in the empirical rigor necessary to leverage its insight. The neoclassical approach, on the other hand, offers empirical richness and methodology that is considered more rigorous. Moreover, in media economics it is difficult to detach the communication research question from that of economics and management, and the neoclassical tradition is better equipped for dealing with those. At the same time, the neoclassical approach takes the questions away from realm of communication inquiry by emptying the concept of communication of its social significance. Observing this gap suggests that an attempt to bridge it may produce the necessary combination of tools and concepts that would allow a more complete view of mass media.

In 1995, Wirth and Bloch introduced the Structure-Conduct-Performance (SCP) model as a conceptual framework for addressing the mass media industries. However, adopted from the field of industrial organization (IO), this model provided
only a partial account of mass media dynamics, hence failing to address much of the criticism directed towards the neoclassical approach to communication. Thus in 1997, Ramstad presented a development of the original SCP model seeking to account for such specifics of the mass media industry as simultaneous activity in markets for advertisers and audiences, as well involvement of the regulator and the audiences. However, the reformulated model still lacks reference to the complexity and diversity of the relationships between and within the different components of analysis. The definition of components is lacking in detail and explanation of their selection. Moreover, all the links indicating the flow of influences are treated more or less in the same way, thus casting no light on their relative weight in determining the behavior of the overall system.

As such, the model requires a dimensional shift, unpacking the linear relationships and general attributes described in both the original and the updated versions of SCP. This thesis proposes reformulating the model in a network fashion, taking into account the specifics of mass media and describing attributes of the model as dynamically generated. Taking this step we lose some of the simplicity embedded in the division between the elements of the model. At the same time we gain contextual sensitivity, as those elements are re-created through the attributes of nodes and connections, as well as interactions within the model.

The structural elements in the model are conveyed through the basic attributes of 11 nodes and 38 connections. It accounts not only for the traditional elements of industrial structure, but also for the unique elements of mass media industries. For example, it accounts for power relations and formal and informal influences. In addition, it introduces second and third level connections, thus accounting for political factors alongside economic determinants. Including channels for exchange of information of various types is also a vital element for understanding the media industries, compared to their counterparts focused on more tangible commodities. The complete view of the industrial structure is outlined through these relationships, but it is subject to change as a result of the industry’s conduct and performance.

The elements of conduct in the model are the actual acts of exchange and the resulting dynamics of change. Thus, for example, relative dominance of an information link connecting the news sources with the production cluster of a media firm may explain the variety of information produced by the media. At the same
time, the strength of formal and informal influences connections between the media firm, the owners/investors, and the regulatory authority, can teach us about the legal strategies of the media firm and their effectiveness.

Building a structural argument, the performance element is not the main objective of this model, because it is viewed as the function of structure and conduct. However, some of its aspects are still present in the network view. First, the macro view allows us to assess the overall efficiency of the industry. Distribution of the ability to influence other nodes, either formally or informally, suggests an additional insight into industry performance, thus also providing a contribution to the critical claim about conglomeration on the one hand, and the neoclassical argument of over-regulation on the other. In addition, it allows assessment of the flow of information within the system, which is of concern to a regulator and to civil advocacy groups.

The risk involved in proposing this model is that it provides a macro view of the industry, while at the same time suggesting a degree of complexity and detail that was not found in the earlier reincarnations of SCP model in mass media studies. As such it is exposed to criticism by both camps in media economics research. At the same time, such criticism would provide an opportunity to continue investigating this line of thought.

The task of this thesis was to provide a conceptual basis for expanding our view of mass media industries as social and economic institutions. In poetic terms, it describes the shoulders of the giants (Sections 2 and 3) and the view revealed while standing on them (Sections 4 and 5). From a scientific point of view, attempting an empirical inquiry into an expanded notion of mass media industries without discussion of the validity of the proposed conceptual construct, would be putting the cart before the horse. However, once we establish this expanded notion there is a defined space for discussion and testing of complexities associated with mass production and distribution of information in contemporary society. This project presents the first step in this direction; however there is room for further contributions.
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1. Introduction

In December 2005 one of the Israeli commercial broadcast TV operators postponed airing an investigative report on “almost an accident” made by an Israeli flight operator, “Israir”, in New York. The request to postpone the item came from the chair of the holding company that owns “Israir”, thus sparking an intensive debate over the role of economic forces in decision making processes of media institutions (Balint, 2005, December 25; Shiloni, 2005, December 21). Two major factors were responsible for fueling that debate. First, it was the fact that the holding company that requested postponement had in its portfolio a number of major Israeli companies accounting at the time for an advertising budget of over US $49 million (out of US $805 million total spending on advertisement in Israel in 2005) (Perez, 2005, December 28; Saida, 2006, January 15). Second, it was the reaction of TV operator’s chair of the board of directors, who argued that there is no place for investigative journalism in mainstream TV, which main purpose is entertainment (Wertheim, 2005, December 25).

This is a particularly interesting example. The public is rarely exposed to openly expressed ideologies of the corporations running the mass media outlets. Yet, corporate leaders, as well as other power-role holders such as politicians, are inevitably influencing what their hosting societies know, and how they comprehend the world (Bagdikian, 1987, 2004; Prindle, 1993). In contemporary societies, mass communication plays an important role as the binding glue and as the fuel of social action, as well as the basis for democratic engagement (McQuail, 2000). Consequently, communication scholars have been continuously interested in forces shaping the production of mass media content. Some researchers have traditionally focused on the intra-organizational dynamics of media institutions, analyzing the role of routines and decision making processes shaping the content (Shoemaker, 1991; Tuchman, 1973). Others focused on the macro picture, arguing that the structural settings of the media industries shape norms and behaviors of agents acting inside them (McManus, 1994, 1995; McNair, 1998a, 1998b; Turow, 1992a). One of the particular foci of this group, acting in the field of media economics, has been the intersection between media, markets, and politics (Caspi & Limor, 1999;
According to Picard (2003), there are three traditions in media economics, which may be split in two groups based on their epistemological origins. One group is following a more positivistic path building on neoclassical economics. The other group is taking a critical stand derived from political economy literature. The first group is focused primarily on economic research, studying issues of competitiveness, media market structure, and media production-related choice problems (i.e. allocation of resources) (Albarran, 2002; Litman, Shrikhande, & Hoekyun, 2000). It has been criticized for reducing the idea of mass media to business units, thus neglecting their broader social, cultural, and political roles (Albarran & Chan-Olmsted, 1998; Ramstad, 1997). The second group also addresses mass media structures, but focusing on issues of cross ownership, and the associated political repercussions (Gomery, 1998; McChesney, 1992). It is viewed as more socially and culturally sensitive while, but is frequently criticized for taking a normative approach while lacking the tools for systematic examination of its critical arguments (Compaine, 2001b; Gandy, 1992; Gomery, 1998; McChesney, 1992). In other words, none of the approaches can claim an agreeably inclusive conceptualization of mass media industries as social and economic institutions, even though when they are reviewed as a whole, they provide a comprehensive picture.

One particular approach to industry analysis has been repeatedly discussed in media economics literature. In 1995, Wirth and Bloch introduced the Structure-Conduct-Performance (SCP) model as a conceptual framework addressing the mass media industries. However, adopted from the field of industrial organization (IO), this model provided only a partial account for the mass media dynamics preserving much of the critique towards the neoclassical approach to communication. Thus in 1997, Ramstad presented additional development of the original SCP model asking to account for such specifics of mass media industry as simultaneous activity on market for advertisers and audiences.

The argument put forward by this thesis is that the updated SCP model still does not account for a variety of attributes of mass media, thus providing only a partial picture of this institution and its societal ties. By analyzing the media economics literature, and the evolution of SCP model in this context, I argue that there is a need
for further development of this framework in order to address the complexities of contemporary mass media. Building on the work of Ramstad (1997), I borrow from attempts of McManus (1994, 1995) and Turow (1992a) in order to suggest a more dynamic, and a more socially and politically sensitive analytical framework for analysis of mass media industries. The goal of the current thesis is to address the conceptualization of media industries at large in order to contribute to theoretical thought in the fields of media economics and communication studies. In addition, developing such a conceptual framework would allow asking complex questions about the media industry in a systematic way, both from the theoretical and the applied points of view.

In short, the thesis addresses the paradox of media economics research whereby the more empirically robust contributions, based on the neoclassical approach, lack the critical input from the communication theory, but the theoretical contributions found mostly in the critical approach have difficulty in producing robust and testable empirical evidence.

The thesis begins with a description of the aforementioned debate between the neoclassical and the critical approaches within the field of media economics. It then proceeds to an in-depth discussion of the evolution of the SCP model as it is applied to mass media industries. The third part of the thesis is dedicated to development of conceptual framework, building on the previous debates. Following the detailed description of the framework is a discussion of potential application of this construct and its possible critique. The concluding chapter is summarizing this project and is outlining agenda for future research.
2. Boundaries of media economics:  
Between the neoclassic and the critical approaches.

Immediately after two planes crashed into the World Trade Center in New York on September the 11th, 2001, killing over 3000 people and destroying one of the major symbols of the capitalist system, United States entered a state of war – “the war on terror”. One of the distinguished characteristics of that state was an unconditional support given by the media to the state and its leadership. However as time passed by, voices began to rise accusing the media of embezzling its role as a guarding dog of democracy, by submitting itself completely to the government (Zelizer & Allan, 2002). On that background, at the end of 2001, an interesting and mostly didactical discussion took place on the web pages of OpenDemocracy, an online magazine dedicated to the critical examination of various aspects of democracy. Robert McChesney, the author of “Rich Media, Poor Democracy” (1999), presented a chilling perspective of the modern media industry. According to his article, the evolution of journalism as a profession did not surpass the development of mass media as an industry. As a result, the agenda of mass media is not driven by journalistic values, but by commercial standards; and the quality of content is not judged by its contribution to the pluralistic debate, but rather by the bottom line of financial returns. The growing concentration on the one hand, and the global reach of media conglomerates on the other, led the mass media to abandon values of social responsibility in favor of the values of profitability. This in turn presents danger to the basic democratic values such as freedom of speech and pluralism (McChesney, 2001b).

A different view was presented by Benjamin Compaine, co-author of “Who Owns the Media” (2000). From his point of view, despite the apparent growth in strength and reach of major media firms, the actual concentration in the media markets has decreased. According to the market concentration indices, which are also presented in his book, the media conglomerates do not form an oligopolistic competition, not to mention monopoly. Part of an explanation to this seemingly controversial development is the growth of the media market – the same firms which a few decades ago were active only in the US, have became global players, not to mention the growing number and diversity of communication platforms. As a result, a
contemporary consumer of mass media is facing a greater choice of content, which is in turn strengthening the same democratic principles, mentioned above (Compaine, 2001a).

The intensive debate continued until May 2002 featuring 22 articles from scholars, policy makers, and civil advocates, such as David Elstein, James Curran, Raffaele Mastrolonardo, Paul Macdonnell, and Aidan White. Some of the writers presented further analytical support to one of the sides in the argument; others presented case studies illustrating the opposite stand. Whether intended by OpenDemocracy editors or not, the debate outlined the two conceptual extremities in the media economic research – the critical and the neoclassical.

2.1 Mapping the theory

Defining mass media as an “industrialized production, reproduction and multiple distribution of messages through technological devices,” Turow (1992a, p.10) provides conceptual basis for a systematic analysis of information production and distribution, as well of the associated processes and industries. Implying definition of media economics as “the study of how media industries use scarce resources to produce content that is distributed among consumers in a society to satisfy various wants and needs” (Albarran, 2002, p.5) provides further analytical framework. While the latter definition clarifies the importance of researching media economics, it also illustrates the complexity facing the field. Unlike other traditional industries, mass communication industry utilizes information as its resource as well as its product. Questions of information scarcity and commoditization are cornerstones for the critique of the neoclassical economic approach to mass media. Even though media economists deal with culture-sensitive issues, their research, based on economic principles, tends to be content-neutral rather than normative (Babe, 1995; Picard 2002). However, a broader view of the media economics discourse shows that neutralizing content-related aspects – or in other words social and political aspects of information management – is artificial and obscures the understanding of the dynamics of media markets (Albarran & Chan-Olmsted, 1998).

1 For the complete debate please see: http://www.opendemocracy.net/media-globalmediaownership/debate.jsp
According to Picard (2003), three main research traditions have developed in the field of media economics: the theoretical, the applied and the critical traditions. The first two are based on neoclassical economics and managerial studies concentrating on the analysis of financial and managerial aspects, as well as on issues of competitiveness and media market structure. While the theoretical tradition is occupied with media production related choice problems (i.e. allocation of resources), research in the applied tradition tends to focus on economic models of competition. However, both approaches are treating the media entity as solely a business unit, paying little, if any, attention to the social implications of media economics (Albarran, 2002; Litman, Shrikhande, & Hoekyun, 2000). This omission is particularly evident when media economists refer to regulation of media markets, concentrating mainly on narrowly defined industries and neglecting the complexity of interactions with the social realm (Albarran & Chan-Olmsted, 1998; Ramstad, 1997).

Emerging from the political economy approach, the critical tradition adopts a more social and cultural perspective. It is frequently accused for taking a normative stand in the debate over relationships between the press, capital and political power (Picard, 2003). Following its Marxist origins, this approach focuses on ideological criticism of the current system, dealing with issues of cross-ownership in media industries and the social implications of this phenomenon (McChesney, 1992; Gomery, 1998). When discussing principles, however, political economists tend to understate the significance of economic mechanisms compared to ideological issues. Moreover, this approach is subject to substantial criticism due to its lack of tools for systematic examination of its critical arguments (Compaine, 2001b; Gandy, 1992).

When the three approaches described above are reviewed as a whole, they appear to fully cover the variety of media economics related issues. Indeed they address topics ranging from the basic economic processes of exchange to cultural and political aspects within a broader social context. However, as indicated by the debate above, there is a lack of compatibility between the approaches based on neoclassical economics and those based on political economy. To a certain extent, this gap reflects a veteran argument between the free market empiricism and the Marxist “critical studies”. What lost in this gap is the unique characteristics of media as social institution, playing a greater social and political role compared to
other types of business, yet with an emphasis that in most cases it is still a business, in a systematic industrial analysis:

“From critics from the left, the mass media assume an all-encompassing conspiracy by monopolists. (...) Such a ‘critical analysis’ is a simplistic, incomplete and narrow discussion, the product of fitting examples to predetermined conclusions based on a single set of values.

By contrast, conservative free market advocates assume that efficient operation represents the paramount, and often the sole, goal for any enterprise, even those so vital to democracy and quality of life as mass communication and mass entertainment. Studying the economics of mass communication as though simply contemplating toaster or pencil industries offers a far too narrow perspective.” (Gomery, 2000c, p. 507).

2.1.1. The Gap

In his contribution to the OpenDemocracy debate, David Hesmondhalgh, the author of “The Cultural Industries” (2002), argues that Compaine (2001a, 2001b) and McChesney (2001a, 2001b) represent two extremes in media ownership (or more broadly media economics) debate. From his point of view the real challenge lies in exploring the “territory” between the two poles facing the complexity of media as a social, not just commercial, institution. Hesmondhalgh (2001) argues that although media organizations, as commercial firms are dedicated to maximize the profits of their owners, they are bound to the freedom of expression and creativity as cultural institutions, which may lead to a conflict of interests. To support his argument, he raises doubts regarding the high concentration in media markets causing a decline in professional journalism’s standards and prestige. On the contrary, he indicates a certain improvement in journalistic culture, such as self criticism, follow up coverage, etc. Moreover, he suggests that the question of journalistic standards itself should be reviewed in light of technological developments, which practically cancel distance and increase interactivity with the audience. Such technological changes imply extension of the range of presented ideas, which conflicts with expectations from an oligopolistic market (Hesmondhalgh, 2001).

Truthful to his role as a mediator Hesmondhalgh (2001) suggests an examination of the area laying between the two extremes, combining the desire for an optimal
model through regulation while allowing enough freedom for the market forces to act. However, addressing the complex matrix which combines the neo-classic and the critical approaches in media economics is challenging. Similarly to the economic sociology approach, which created an interesting hybrid of two disciplines, this task requires the combination of economic analysis with a broader social perspective. Concurrently, given the relatively short history of mass media industries, their dynamic nature, and the continuous technological changes in the field, it is important to focus on the process, not just on its transient outcomes. Using the words of Smith (2000):

“The purpose (…) is not to establish any final judgment – the processes are too inexorable and still too incomplete for that – but to suggest the issues at work and some of the possible lines of future thought and research” (p.77).

The relatively short history of media industries is important not only because their environment is continually changing, but also because the criteria by which they are judged have to change as well, or they will be inappropriate in the new settings (Hesmondhalgh, 2001; Gomery, 2000c). Similarly to McLuhan’s (1964) famous claim of matching the message to the medium, we are required to match the criteria to the environment and its dynamics.

For example, as the technological progress allows further reach for modern communication, there are voices calling to view the entire global market as a new “playground” of media moguls, thus showing a decrease in market concentration and increase in the amount of available outlets over the various media (Compaine, 2005). Implication of such a change would be a shift in the regulators’ focus from the domestic market to assuring competition on a global level. At the same time, the same technological advancement raises qualitative questions regarding the (capitalist) nature and (problematic) quality of the global content, as well as about the underlying cultural values (of consumerism) (Shiller, D., 2000; Shiller, H., 1991). An implication of this tendency is leading to revision of criteria for evaluation of content quality on the local level. In other words, the main topic at hand is that of a trade-off analysis that focuses on the dynamics of the industry and its social, cultural and political environment:
“We are now living in what is really the aftermath of mass society; the new media environment is one in which it is decreasingly likely that whole populations will be subject to the same shared flows of information, and can participate in a common pull of knowledge and allusion. But behind the diversities there are new homogeneities in information and entertainment. To see all the implications, one has to look also at the circumstances that are bringing into existence new media empires and a new generation of media moguls” (Smith, 2000, pp. 80-83).

From the point of view of media economics, this presents a challenge, which was precisely defined by Gomery (2000c):

“We need a system for media economics analysis of the linkage among structure, conduct and performance that leads to discussion of the need for public policy reformulations. (...) We need to foster connection between media economics and longtime concerns of our field, whether this deals with questions of how to best promote diversity or how best to foster freedom of speech and discussion. If we can link the study of economics of ownership and corporate behavior to the communication qualities we desire, communication scholars can begin to make recommendations for policy change that the players in real world public policy discussion will take seriously” (p. 509).

In other words, given the significance of mass media as social institution, the desired direction lays in amalgamation of positivistic economic approach and the normative stand of critical studies.

2.2. Analyzing the gap

A closer analysis of literature reviews two major attributes standing at the basis of the gap in the economic study of media. First, from a somewhat instrumental point of view, critical and neoclassical approaches address the mass media through different prisms, thus focusing on different aspects of the industry and different instances of its activity. Then, on a conceptual level, they employ different meaning for information, which is the core variable in the mass communication analysis. As
a result both approaches relate to the same substance based on different premises and applying different analytical tools. In order to suggest a step towards a more comprehensive view, one that is trying to take into consideration the essential parts of both perspectives, we have to analyze the created gap more carefully, aiming to reveal points of concurrence to build on.

2.2.1. Analytical perspectives

Beginning the analysis of the dissimilarities of frameworks, it is useful to refer to the starting point of each one of the approaches. While the neoclassicists view media economics as “the study of how media industries use scarce resources to produce content that is distributed among consumers in a society to satisfy various wants and needs” (Albarran, 2002, p.5), the political economy attempts “to go beyond merely describing the economic organization of media industries” situating them within a wider realm of social and political relations, offering “sustainable critique from a moral evaluative position” (Wasko, 2004, p.132).

2.2.1.1. Neoclassical focus

The neoclassical approach deals with a classic economic problem of firm: how much of the good will be produced, in what way, and who will consume it? As a result it focuses on the economic dynamics of industries, particular firms and individuals. However while doing that, it disconnects the analysis from a broader socio-political context. In this respect, media firm acts according to the same principle as a company producing cars with minor adjustments (Albarran, 2002).

In the private industry, the first part of the question is usually answered through examination of the aggregative demand, which applied to the media economics becomes an analysis of consumers’ demand for content. One of the repercussions of this approach, as will be discussed later is a limited notion of information as a commodity, similar to any other. Despite the fact that information bears a dual identity of both public and private goods, media economics employs the notion of a private good as a basis of its analysis (Babe, 1995). In terms of content production, the main emphasis is on costs of the labor, which includes both creative and technical staff. However, again, the treatment of labor is in terms of inputs for mechanical production, as opposed to a creative force (McManus, 1994, Turow, 1992a). The answer to the third question for media economics is not just the
audience, but also the advertisers. According to the theory of the firm, a productive company acts simultaneously on two markets: acquiring resources on one market and selling its products on the other. The case of mass media is unique in a sense that it sells its products simultaneously on two markets: the audience and the advertisers. The exclusive feature is derived from the fact that sales to the advertisers are dependent on the level of sales to the audience\(^2\) and the equilibrium is solved simultaneously for the resource market and two interdependent product markets. This distinctive feature is being addressed by the media economics (Picard, 1989, 2002).

It is important to notice that addressing the three questions, economic analysis takes into consideration some social factors as they are transferred through the governmental policy and structure of the economic system (Albarran, 2002). However, addressing the media industry performance through the lens of microeconomic theory narrows the discussion down to the issues of efficiency (of production, distribution, etc.) and price setting (Gomery, 1989). Moreover, it requires quantifying social aspects, which results in narrowing the discussion to tangible costs of production and tangible incomes, thus neglecting the broader, social, political and cultural contexts (Albarran and Chan-Olmsted, 1998; Picard, 2002). The array of questions addressed through the neoclassical prism is not only vast, but also practical and sophisticated. However, the lack of context in this approach subjects it to criticism for leaving out important qualitative features of the mass media product, which play a central role in a democratic society.

### 2.2.1.2. Critical focus

Shifting the focus beyond mere analysis of profitability and competition structure, the critical approach is based on a notion of a central role media play as a social institution. Departing from examination of capitalism as an abstract system of exchange, the political economy of media focuses on the interplay between this abstract system and its concrete instances on the individual level. It consciously adopts a normative stand, comparing observable conduct and emerging capitalist structures with an ideal type of society (Gandy, 1992):

\(^2\) In turn, chasing the ratings creates the vicious circle of profitability where the quality of the content is a function of investment, which in turn is a function of profitability, which in turn is a function of the attractiveness of content to viewers, readers, etc.
“What concerns us in fact is to stress, from the analytical perspective, the continuous validity of the base/superstructure model while at the same time pointing to and analyzing the ways in which the development of monopoly capitalism has industrialized the superstructure.” (Garnham, 1990, p.61).

Dismantling the process to a system of values exchange, the primarily concern of the political economy of the media is their performance (Garnham, 1990). Using Marx’s terminology the spot is on the contribution of mass media to sustainability of superstructure. According to Bagdikian (1983, 2004), the role of the media in this respect is to be accountable for transparency within the power elites in order to sustain democratic liberties treasured by the western cultures. Thus the political economy in media studies takes a critical stand towards the status quo “in theory as well as in the system that the theory seeks to understand” (Gandy, 1992, p.24). It usually bases its arguments on analysis of particular cases which reveal the flaws of the system (Ibid). It is through the lens of required transparency and case-based approach that we understand the current focus of the critical approach on patterns of ownership and flows of capital within and between industries, as well as on the analysis of media performance.

Focusing on the patterns of ownership, the critical approach addresses the trends of mergers and acquisitions and the growing cross industry convergence (Aufdeheide et al., 1997). The growing concern is that the industry settings are such that mass media organizations do not have incentives to monitor each other’s activities. As a business and as a significant socio-political actor, mass media are pivotal to the function of the western democracy. At the same time, the economic conditions and the professional practices that have evolved in the industry, leave the media institution unattended from the critical perspective. Conglomeration creates a set of shared and mutually dependent interests between media corporations, thus leaving the watch-dog of democracy toothless (Bagdikian, 2004). The focus in this type of analysis is not just on the growing concentration and cross-ownership in mass-media markets, but also on the strengthening interdependence between the communication and the political institutions (Caspi & Limor, 1999) or in other words, accumulation of power.
In light of the growing commercialization of the mass media there are also concerns raised about business-related considerations, namely the need to create profit, outweighing the ethical and the journalistic values (Hackett & Gruneau, 2000; McManus, 1995). To address this stand, the critical analysis focuses on the concrete cases of under-representation of minority groups and absence of radical views from the mainstream media (Hackett & Gruneau, 2000).

Although the critical approach focuses on analyzing the economic sphere, it tends to diminish the significance of market powers and institutional limitations. For example, the contemporary debates highlight that the question of media monopolization depends on the definition of market (Compaine, 2001a, 2001b; Gomery, 2000; McChesney, 2000, 2001a, 2001b). At the same time the issue of ownership is also controversial, as is indicated in the OpenDemocracy debate presented above. Compaine (200b), for example, highlights the role of institutional stockholders in guiding the mass media owning conglomerates, thus setting limits to the “conspiracy approach” towards media monopolization. Moreover, conglomereration as a process contains self-restraining mechanisms regarding the final output by shifting the competition from the company level to the product level and by the required autonomy of the particular units within the corporation (Serofini, 2002). However, the counter arguments based in the neoclassical school are again highlighting the gap between the two approaches.

2.2.1.3. Summarizing

The distance between the two approaches can be clearly seen in the notion of performance by each one of them. While the neoclassical approach treats performance in terms of economic efficiency in resources and technology utilization, as well as in terms of distribution, the critical approach treats performance in normative values of diversity, inclusiveness, and pluralism (Gomery, 1989). We can paraphrase the question raised from the OpenDemocracy debate between Compaine and McChesney: Does a greater number of TV channels, necessarily imply a variety of opinions? Or in the opposite direction, does a higher concentration of ownership necessarily imply fewer voices over the spectrum? These questions are difficult to answer as long as there is no agreement on measurement units of performance.
As a result, each approach focuses on a different level and aims towards a different goal. While neoclassical approach focuses on understanding and modeling the nature of the industry and behavior of the players, the political economy approach focuses on the final output of media industries in a broader social, political and cultural context. It is through the analysis of performance, that the critical approach addresses the industrial dynamics comparing them to an “ideal type” of mass media institution in a democratic society (Gomery, 2000). Consequently, the efforts of applied and theoretical approaches in media economics result in models and systematic analysis of the media industries’ structure and conduct, while producing only a partial picture of the performance stage. At the same time, the efforts of the critical approach result in highlighting the “flaws” of the existing media system presenting a comprehensive image of the media industries’ performance. However, application of such analysis to policies, which affect the structure and conduct of media industries, is limited, due to the lack of systematic analytical tools (Gandy, 1992).

2.2.2. Conceptualization of ‘information’

Moving forward to discussion of the second component of the gap between the neoclassical and critical approaches, we face one of the cornerstones of complexity associated with the analysis of mass media industries. It lays in a unique nature of information and its role in the economic process.

Being one of the elementary components of economic analysis, the information was, and to a certain degree still is, treated as an exogenous variable. Although many economists such as Marshall, Mill, Weber and others, reflected on the significance of information and inadequacy of its treatment in economics, it was never placed at the center of discussion (Stiglitz, 2000). The basic analysis was always conducted under an assumption of perfect information, while imperfect information or market asymmetries were resolved through incorporation of transaction costs that were treated as any other tangible economic cost. Only in the twentieth century the information economics gained an independent status through a moderate process of change in economic thought:
“The fundamental breakthrough in the economics of information was the recognition that information was fundamentally different from other ‘commodities’. ‘’ (Stiglitz, 2000, p.1449)

However, Stiglitz (2000) refers mainly to an analysis of two fundamental economic problems associated with asymmetric information: selection problem and moral hazard, which also became known as the incentives problem. This shift in neoclassical economic thought brought the importance and complexity of information in economic processes to the research agenda. However information is still treated as a semi-external part of an exchange process (Allen, 1990; Fenner, 2002). In other words, the role of information may be described as an input for decision making by players taking part in the economic interaction. This is by no means satisfactory for the analysis of media industries that focus explicitly on information production, distribution, and exhibition.

Discussing the mass communication industries we have to extend the concept of information in order to accommodate it as the major substance of economic activity. Schiller (2006) for example, critiques commoditization of information in mass media content thus reducing its social value. One aspect of this commoditization process is quantification of mass media content, which enables the classical media economic analysis (see also Babe, 1995). Deriving from Albarran’s (2000) definition of media economics as “the study of how media industries use scarce resources to produce content that is distributed among consumers in a society to satisfy various wants and needs” (p.5), one can clearly see the connection between the attributes of information as a commodity and media economics discourse. In this sense, cultural artifacts such as art and performance are also viewed in terms of information goods since their talent is presented to audiences in packages of information. Since the main ‘scarce resource’ of media industry is also information, and ‘content’ is yet another form of it, understanding the economic nature of information as a subject of trade is essential.

2.2.2.1. Information in economic analysis

It is agreed that a wide range of economic factors (e.g. prices, quality, uncertainty, etc.) bear informational aspects (Leickly, 2004; Stiglitz, 2000). Thus, it becomes relevant to ask how to insulate information as a subject of economic activity? The
solution found in literature, and de-facto applied by the industry is information commoditization (Babe, 1995; Schiller, 2006) – a concept that raises many controversies and at the same time helps us further understand the gap between the neoclassical and critical approaches (Gomery, 2000a, 2000b).

Based on Boisot (1998) Leickly explains in his thesis:

“‘Neoclassical economics has addressed the problem of information goods somewhat schizophrenically,’ (Boisot, 1998, 76). On one hand, economic theory treats information as a free good that is not subject to trading and is instantaneously available to all economic agents. (…) Conversely, neoclassical economics also treats information as a good that, through artificial means, can be made subject to the same scrutiny of physical goods and thus also to the normal rules of trading. In the first case, information has utility, but because it is in abundance, it has no value. In the second case, it has both utility and scarcity, and therefore has value” (Leickly, 2004, p.13).

Further, Leickly (2004) has summarized the common attributes of information as a good in neoclassical economic analysis. The basic feature of information, which creates one of greatest obstacles on the way to its commoditization, is the fact that it is intangible. Another important quality is the fact that the value of information commodity created through its utilization, meaning that the nature of information changes according to its use. This attribute links to the extensive debate over the need of analysis of the dynamics rather than focus on the steady states (equilibriums). On the operational level, Leickly (2004) emphasizes the high sunk costs of information production with practically zero marginal costs and high exchangeability. Such analysis bears various implications for the discussion of mass media industries and as we will see later provides basis for critique of neoclassical approach.

However, Leickly (2004) omits from his analysis another important attribute of information, which is of particular relevance to mass media industries – the public good nature of information. Stiglitz (2000), Babe (1995) and others stress the fact that it is difficult to exclude individuals from using the information once it is released. Allen (1990) suggests that the semi-public attributes of information as a
commodity “means there may be no equilibrium on the markets for information” (p.271). Stiglitz (2000) claims that “in this sense [attributes of information as a commodity – D.E.], markets for information are inherently characterized by imperfections of information concerning what is being purchased” (p.1449). Economists suggest that existing analytical tools find it challenging to address information related issues, due to the information’s uniqueness as a commodity or as an input (Allen, 1990; Rose, 1999; Stiglitz, 2000). Placing information in the focus of an analytical process requires a shift from examination of steady states to study of system dynamics as well as broadening the discussion to socio-political aspects. Babe (1995) explains this need by exploring two basic aspects of the associated economic process – information serves as input and also as an output of media firm’s economic activity:

“As soon as information is admitted into economic analysis as a productive input, static analysis on the cost side (…) gives way (or at least should give way) to economic dynamics”. (Babe, 1995:15)

In other words, classic economic tools of measuring efficiency by equalizing marginal costs and benefits are no longer applicable to information input, for marginal costs in this case are evanescent. This need of dynamics’ analysis as opposed to that of a steady state, seems to be an underlying concept in the shift of economic thought (Stiglitz, 2000) and is extremely valuable to the current research.

**2.2.2.2. Information as power**

Unlike tangible and measurable inputs such as raw materials, capital and labor, information is dynamic by its nature and cannot be uniquely defined. In fact, the value of information is derived from its potential utilization. Raw data, without the ability to proceed and understand it, bears little to no value. The value is created through ability to use information (Fenner, 2002). Moreover, information is embedded in other factors of production as well as in the environment, thus acquiring diverse subjective value (Thompson, 2004).

Analyzing information, Babe (1995) lists three unique qualifications of information which complicate its neoclassic definition as a commodity. First, he identifies “the problem of quantifying information”, which in practice is addressed through measuring “means of encapsulating information” such as bits, program hours,
number of pages, advertisement inches, etc. As a result it is the medium which is being valued, as opposed to the information itself. For example, the same movie shown in cinema, on broadcast television, sold on a VHS cassette or on a DVD will be priced differently.

Quoting Arrow (1962), Babe (1995) states that “information’s value for the purchaser is not known until he has the information, but then he has, in effect, acquired it without cost” (p.37). Stiglitz (2000), explains that as opposed to tangible goods, in the case of information the seller has little if any ability to indicate the product quality (except for his/her reputation): “if the seller of information tells the information that he wishes to sell to the buyer (before he has bought it), there is no reason that the individual will pay for it” (p.1449).

“A second factor weakening the status of information as a commodity is the absence of any final consumption” (Babe, 1995). First, Information is not being absorbed or utilized by a unique consumer, but is further transmitted in a dissimilated form. In this process it can be utilized as knowledge, thus affecting various, economic processes (production as well as consumption); or used as an input for creating further value, etc., thus creating difficulties for empirical study (Ibid). Furthermore, information is used as a signifier, rather than an accumulator of value. Similarly, to money, which can be viewed as a medium of exchange and/or measure for value, information is yet another universal concept valued for its attributes as a signifier. As a result:

“…information does not exist objectively in and of itself so as to be countable. It exists only in particular context; changing contexts changes (the “quantity” of) the information conveyed by a given sign or combination of signs. These arguments and observations indicate, then, that there is no one-to-one relationship between the commodity acquired (here a price), and its information content.” (Babe, 1995, p.36)

The third quality of information is its nature as a public good (Allen, 1990). On the one hand, due to its disembodied qualities, it is difficult to impossible to exclude those who choose not to pay from benefiting from information. On the other hand, the number of beneficiaries neither influences the ability of another individual accessing the information, nor does it affect the quality of the original ‘product’:
“Information is a ‘public good’ in the sense that many can ‘possess’ the same information at the same time, and possession by one does not detract from the ability of others to be apprised. To restrict access to those able and willing to pay is ‘inefficient,’ even in neoclassicists’ terms, since there is no additional cost entailed in allowing greater access to information already produced.” (Babe, 1995, p.37).

Moreover, in certain circumstances information’s value defined as a function of public awareness of it (or absence of the latter). Stiglitz (2000) writes about the characteristics of information as a public good:

“…its consumption is nonrivalrous, and so, even if it is possible to exclude others from enjoying the benefits of some piece of knowledge, it is socially inefficient to do so; and it is often difficult to exclude individuals from enjoying the benefits.” (p. 1448)

At the same time Allen (1990) suggests that rationally there is no incentive for a player to invest in acquisition of costly information if it can be accessed by others for free – the information “can become extremely valuable when no one else has access to it” (p.271). However, he also points out that “yet we observe information actually being produced and traded at positive prices” (p.271). This apparent contradiction indicates that the value of information is generated in the process of social interaction, thus supporting the logic of incorporation dynamics to the model.

Remembering that the information output of one agent in media industry is utilized as an input by another (Albarran, 2002; Picard, 1989), the need for further development of information conceptualization is evident. In his argument against commoditization of information, Babe (1995) suggests three additional characteristics, which open up new analytical possibilities: power (influence), independence of space and time, and cultural dependence (symbolic construction).

The first characteristic is particularly important. It can be considered as a cornerstone of the proposed analysis, for it directly signifies the uniqueness of mass media industries as mediators of information, thus further lightening the gap between the neoclassic and the critical approaches.

“Communication means influence and capacity to exert influence over perhaps millions means power. Power, however, is not a primary concern
for most mainstream economists (Adams and Brock, 1986, Chapter 2),
certainly not for neoclassicists; and commodity-alone/reduction-in-
uncertainty treatments afforded to information indeed enable mainstream
analysts to skirt considerations of power.” (Babe, 1995, p.40).

Moreover viewing information as part, and simultaneously constructor, of the
symbolic reality, further indicates the need of a broader social perspective. It is
important to note, that seemingly, such an argument shifts the discussion away from
economic analysis to semiotics and construction of culture. However, being a social
institution, the economic system is subject to the symbolic reality mediated by
society and media, and insulating the process simplifies the analysis. “Following
James Carey we can interpret mainstream economics (...) as but a particular
symbolic or “informational” system producing, maintaining, repairing and
transforming economic reality,” (Babe, 1995, p.43, emphasis in original). Thus, in a
holistic view, the information producing industries apparently should not be
discussed in isolation from the larger macro system.

2.3. Searching for potential synergies

So far we have identified the gap between the neoclassical and the critical
approaches to analysis of mass media industries. An interesting question at this
point is if there is theoretical or practical benefit in searching for potential synergies
between the two approaches? Would an effort to build on the combined knowledge
of the two paradigms advance our understanding of the mass media industries and
their interaction with other social institutions? Will a systemized meta-framework
built on these foundations help assessing lower level models asking to capture the
media industry dynamics?

The changing landscape of mass media suggests that there is a need for additional
ways to approach media industry analysis. First, in the last few decades the mass
media industry has enjoyed noticeable growth. The map of media outlets and
channels of distribution have become richer and more detailed. At the same time, a
number of mergers in the industry have further complicated the web of ownership.
In addition, technological changes contributed to blurring the boundaries between
various media outlets, creating a more vibrant and complex environment where
media content is produced, distributed and exhibited (Bagdikian, 2004; Compaine,
2004; Picard, 2003). As a result, the regulators are struggling with implementing checks and balances on media industries, usually reacting to rapid developments in the industry, vs. introducing a proactive agenda based on a big picture assessment. This is particularly evident in the effort to maintain a status quo between business interests and civil liberties (Shelanski, 2006). The regulatory challenge accounts for some of the reasons for researching the middle ground between the neoclassical and the critical approaches. Additional support can be found in the challenges that the industries themselves are facing. One prominent example can be found in the changes in newspaper industry in the recent year. The fast adoption of internet led to structural adjustment in printed news, causing reduction in staff and adjustment of formats (Industry Measure, 2007). Growth in the number and diversity of channels in cable and broadcast TV, led the industry to adjust its pricing strategies and develop new models for advertising (Kretchmen, 2004). The Israeli case offers an interesting example where a local niche TV channel in Russian language had to compete for local advertisers with foreign channels broadcasting in Russian. It was only through the intervention of the channel’s owner and the regulator that this issue was settled by limiting foreign advertisement. In other words a constellation of political and economic interests and pressures, as well as technological abilities led to re-interpretation of market definition (Israeli, 2004, February 8; Koren-Dinar, 2004, February 23; Mendelson, 2003, October 7; Zoref, 2003, September, 16, October 10, October 16).

The examples above suggest practical reasons for examining alternative accounts of media industry analysis. However, there is also an important academic concern, particularly if we approach the issue from the point of view of communication research.

Since Bauer’s 1971 piece, where he for the first time criticized the one-way influence view of communication that granted it with unlimited power to affect the audience, there is a growing body of literature picturing communication as a

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3 One example of this struggle can be found in the continuous debate surrounding the copyright issues in the entertainment industry. Stemming from the changes in media landscape, this debate involves the industry, the legislators, and the public, challenging the traditional perceptions of content, industry, and mass media. For extensive debate see Gillespie (2007).

complex process of interaction between various social factors. Views of communication as a process of construction of social realities (Dervin, 1989) or transmission of social and cultural artifacts (Carey, 1992) suggest a pivotal role for mass media in contemporary societies (see also Pearce, 1989). In the contemporary scholarship, pursuing a communication research question assumes adoption of this complex view of media. Thus, as communication scholars, we have to account for the social and political roles of information even, or especially, when we approach industry analysis. In other words, stripping industry analysis of the mass media from complexities of social environment takes the research question outside the domain of communication inquiry.

The complex view of communication gives more weight to the critical argument. However, as we saw in the discussion of this chapter, this argument is lacking empirical rigor necessary to leverage its insight. The neoclassical approach, on the other hand, offers empirical richness and methodology that is considered more rigorous. Moreover, in media economics it is difficult to detach the communication research question from that of economics and management, and the neoclassical tradition is better equipped for dealing with those. However at the same time, the neoclassical approach takes the questions away from the realm of communication inquiry by emptying the concept of communication from its social value. Observing this gap suggests that the middle ground between the two approaches may hold the necessary combination of tools and concepts that would allow a more complete view of mass media.

Our point of departure in this case is the level of analysis. Both critical and the neoclassical approaches host a vast body of literature observing the institutional level of mass media. In this view the structural attributes of media carry more weight compared to the agency of individual actors constituting it (Bagdikian, 2004; Picard, 2003). Industry constitutes a social construct with primarily economic goals, which throughout the years became dominated by neoclassical logic at the expense of broader sociological questions (Granovetter, 1992). In the case of mass media we saw that it is particularly evident for mass media industries to also account for political and cultural elements. In other words, focusing on industries as operationalization of social structures allows us asking macro communication research questions about mass media, and at the same time leaves room for the
accommodation of contributions of neoclassical media economics. This potential synergy may allow addressing the communication research question in a more rigorous way.

Additional attributes of the potential synergies can be found in the realm of methodology, particularly the growing openness to consider additional approaches to concept building in industrial analysis (Hands, 2001). For example, Mesher and Zajac (1997) and Finch (2002) argue in favor of qualitative insights as an addition to traditional quantitative industrial analysis. The works of Barabasi (2002), Gulati, Nohria, and Zaheer (2000), and Klint and Sjoberg (2003) offer a network view of the industry as an alternative conceptualization that allows accommodation of intangible forces such as power, together with the more traditional financial and structural components. This openness creates an opportunity to join the contributions of the critical approach regarding the intangible resources channeled through mass media in a similar fashion. Such a construct will allow addressing the critique regarding lack of context in neoclassical research, while at the same time enriching the critical argument with knowledge gained in the other domain.

The goal of current thesis is to address conceptualization of media industries at large in order to contribute to theoretical thought in the field of media economics. However, to address media industries in general, presents a very ambitious task. Thus, the particular model aims at conceiving only a segment of what is broadly labeled as media industry. In this thesis my primary focus is on broadcasted commercial TV. By accommodating both neoclassical and the critical platforms, the proposed construct represents a meta-model that can have both practical and theoretical implications. On the practical level, it will offer a comprehensive framework for thinking about media industries, which is particularly valuable for policy making at a macro level. On the theoretical level, it will offer a framework for validation of models coming from both traditions (i.e. neoclassical and critical) in terms of logical, construct, and communicative validities (Kvale, 2001).

The next chapter presents a discussion of industrial analysis as it has been applied to the study of mass media industries. Based on this discussion the following chapter outlines an analytical chain leading to construction of the model which is then discussed in terms of potential applicability.
3. The evolution of the Structure-Conduct-Performance model in media economics

Attempting to address the analysis of media industries in a structured and a systematic way, media economists have applied tools originally developed in the field of Industrial Organization (IO). In this regard, one of the frequently cited paradigms is the Structure Conduct Performance (SCP) model (for example, see Albarran, 2002; Fu, 2003, Gomery, 1989; McQuail, 2000; Picard, 2002; Wildman 1995; Wirth & Bloch, 1995). The original SCP model, derived from Bain (1959) and further developed by Scherer (1980), suggested a linear uni-directional set of influences among the three components of the industry (see also Scherer and Ross, 1990). According to this model, the structure of an industry defines its conduct, which in turn defines the performance. For example, a highly competitive market structure will lead to aggressive price strategies, which in turn will, theoretically, lead to increased market efficiencies in terms of resource allocation and the final output evaluation, e.g. pricing (Fu, 2003).

Being one of the veteran approaches in industry analysis, SCP has been tested in numerous industries (for example Bodenhorn, 1990; Hannan, 1991; Mueller & Raunig, 1999). However the results are mixed and application of the model has been criticized for not producing enough empirical evidence supporting the causal relationships between conduct, structure, and performance (Fisher, Bresnahan & Farell, 1991). For instance, Mueller and Raunig (1999) found that in homogeneous industries performance was well explained by industrial structure defined by standard SCP variables, such as barriers to entry and market concentration. At the same time, they found no similar evidence in heterogeneous industries. Bodenhorn (1990) found that lowering barriers to entry in the banking industry increased the degree of rivalry among the acting firms and Hannan (1991) examined the relationship between the market concentration and conduct in the same industry through the SCP lens.

These were just a few examples of possible implications of the SCP paradigm in the field of IO. As the theory evolved those implications became more sophisticated and usually more focused on particular industry segments or sets of relationships (Aigner, McCabe, Mueller & Weiss, 2001; Jacquemin, 2000). However, the
strength of the SCP approach lies in the fact that it provides a complete and comprehensive framework for analysis of an entire industry, suggesting a simple logic of intra-industrial relationships, which is based on sound economic principles (Fu, 2003).

From as early as at the end of 1980's, a number of articles have illuminated the importance of the SCP paradigm for the analysis of media industries (Gomery, 1989; Wirth & Bloch, 1995). While doing so, they interpreted the components of the model similarly to what has been done in applying the model to other industries, implying financial measurements for most of the components (Wirth & Bloch, 1995). As such, the model has been consistently implemented in media economics in this fashion (Albarran, 2002) with few adjustments aimed to address media-specific complications (Young, 2000). However, as we could see earlier, treating media industries in the same terms as other traditional industries creates blind spots in understanding the former.

The strength of implementation of the SCP model for media markets lays in a general belief that "variables associated with market structure can be easily manipulated or changed through policy intervention to improve firm conduct and, in turn, market performance" (Wirth & Bloch 1995: 16). In other words, systematic structural analysis of media industries should be an important tool for assessment of strategy and regulation of the media markets. As a result, addressing the conflicts between the neoclassical and the critical approaches within the model, bares the potential for creation of more efficient tools for both policy makers and industry players.

This chapter is divided into two main parts. The first part outlines the SCP paradigm through the lens of media economics, while the second presents the critique and thus suggests future steps for development of the theory. To begin with, we will describe the original application of the SCP model to media industries as illustrated by Wirth and Bloch (1995) followed by a critique of this approach. Then we will present subsequent developments regarding the application of the SCP model to media industries (Ramstad, 1997; Young, 2000) as well as further critique.
3.1. **Between the industry and the market**

Before we begin the analysis it is important to clarify a number of terms, particularly the distinction between a market and an industry. This distinction is important because these terms are widely used in the description of the model and it may appear confusing particularly when applied to mass media.

In microeconomics, the *market* is defined as a "place" where buyers and sellers "meet" to exchange money and commodities. In other words, it is viewed as a system where prices for products and the optimal quantities of commodities to be produced are set. Thus, the classic way of viewing a market is in terms of a virtual "place" where a particular product changes hands (Varian, 1996). For example, in mass media, and particularly in the electronic media, we can view the broadcaster or the cable channel producer as a seller of content to an audience, which is taking the role of the buyer (Albarran, 1997). Here, one of the approaches to defining a mass media market is through the various types of audiences to whom the particular content is being aimed (Chan-Olmsted & Li, 2002).

Picard (1989) suggests viewing the media firm as acting simultaneously in two markets. In the first market it sells content to the viewers, while in the other it sells the achieved viewers' attention to the advertisers. McManus (1994) takes it one step further and suggests addressing the media firm as facing four initial markets. The first two are parallel to those defined by Picard, i.e. the market for audience and the advertisement market. The other two markets identified by McManus are the stock market and the market for sources. While the stock market is relevant for the public media companies only, the interaction with the market for sources is shared by all media bearing a news component.

Albarran (1997) suggests an additional perspective on markets by defining them in terms of geographical focus. This definition is relevant due to the heavy barriers to entry associated with the mass media industry, which in turn lead to difficulties in geographical expansion of the firms. Thus, Albarran suggests that definition of a media market involves "combining the product and the geographic aspects of the market" (p. 108).

Definition of an *industry* refers to the productive side of the equation. Porter (1980) suggests treating industry as a "group of firms producing products that are close
substitutes for each other" (p.5). The definition concentrates on the sellers acting in a particular market or across a number of markets, which is more common for mass media industries. Albarran (2002) gives an example of Sony as a firm playing a significant role in three interrelated markets: electronic hardware, software and storage media (through CBS Records), and the movie industry (through Columbia Pictures) (p. 27). Ozanich and Wirth (2004) suggest a rather complex definition of a media industry which includes:

"... those companies that either directly or indirectly own and operate broadcast stations or broadcast networks, program production and distribution facilities, cable television systems or networks, and newspaper, magazine, and book publishers. These firms are involved in content production services and/or delivery services." (Ozanich & Wirth ,2004, p.69-70).

Most electronic media firms do act simultaneously in several markets for consumers, trying to convert their relative strengths from one market to another (Albarran, 1997; Compaine & Gomery, 2000). However, there is no single correct definition of the industry and the question of where to draw the boundaries of an industry is being widely debated. The motivation behind this seemingly endless, argument is the fear of omitting forces, which may threaten or influence the industry in the long run. Porter wrote on this subject:

"Any definition of an industry is essentially a choice between established competitors and substitute products, between existing firms and potential entrants, and between existing firms and suppliers and buyers." (Porter, 1980:32).

In other words, we can view an industry as a set of interrelated markets (for products and resources) viewed from the perspective of a firm involved in some kind of a production process. In the later stages, this perspective will also allow us to introduce additional forces, such as power roles, into the industry analysis (Turow, 1992a).

One immediate implication of viewing industry as constructed from a number of interrelated markets is that a single firm acting in it can experience simultaneously a
competitive position in one market and a monopolistic position in the other. This composition creates a complex environment that highlights both the difficulty and the necessity of anti-trust efforts in these industries. Such complexity also suggests a holistic approach to the examination of media industries and the competitive environment of media firms. Moreover, from a policy-making point of view, it implies the existence of additional levers for influencing the behavior of media firms.

3.2. The SCP model

Pioneered by Gomery (1989) and others, the SCP model was initially introduced to the media economics in a way it was traditionally applied in IO. Several years later Wirh and Bloch (1995) suggested a more sophisticated way of viewing the SCP model relative to the media industries. Based on the basic IO theory and media economics research, which existed at that time, it drew a holistic perspective over the media industry as a concept. According to the original model, the analysis was divided into three different parts dealing with the structure, conduct and performance of the industry. However, taking into account existing at that time criticism of the SCP approach, they employed a series of feedback loops. This updated model has been widely cited (and criticized) in media economics literature (Albarran, 1997; 2002; Fu 2003; Ramstad, 1997; Young, 2000), which makes it an important milestone in the evolution of SCP implementation to the study of mass media industries.

3.2.1. Structure

According to IO theory, the structure of a market is defined through the concentration of (mainly) sellers and buyers, product differentiation, barriers to entry, cost structures and vertical integration (Albarran, 2002; Wirth & Bloch, 1995).

The market concentration refers mainly to the number of producers in a defined niche with a given product or geography. There are a number of ways to measure this concentration. It may be estimated through measuring the market share of any given firm, the revenue share of top-four or top-eight firms in the market, or through the sum of the squared market shares of all the relevant firms (Herfindahl-Hirschman Index [HHI]). Alternatively it can be measured by division of one by a
sum of squared revenues of each segment of the firm's activity, as suggested by Dimmick and Rothenbuhler (1984) to determine individual company's diversification (see also Dimmick, 2003).

Further support and clarification to various degrees of concentration in a given market is derived from the analysis of barriers to entry and cost structure. These are sometimes treated as one characteristic or in terms of absolute barriers and cost-related barriers. While the absolute barriers to entry include legislation, regulation and legal limitations such as copyright and patents, the cost structure refers to economies of scale (reduced average cost with increase in the scale of production) and economies of scope (reduced marketing and distribution cost with increase in variety of products), which represent another, economic aspect of barriers to entry (Wirth & Bloch, 1995).

Measurement of the market concentration is usually combined with analysis of product differentiation, which refers to real or imagined differences among the products offered by producers (Wirth & Bloch, 1995). In media industries it may refer to the variety of titles issued by a given publisher or the variety of programming offered by a given producer (Albarran, 2002).

Another factor is the degree of vertical integration. It defines how much a single firm controls the entire production process. The definition of "production process" is relatively wide. There are four types of activities typical for companies engaged in the media industries. The four are: (primarily technological) development, production, distribution and exhibition (Albarran, 1997; 2002) with most attention paid to the later three (Turow, 1992a). The more control a single firm has over each of the stages, the higher rate of vertical integration we experience in the industry. While in traditional industries manufacturing physical goods this distinction is relatively clear, it becomes more complex for media industries, particularly at the stages of distribution and exhibition. On the one hand, distribution of information implies a different set of components compared to distribution of physical goods. On the other hand, exhibition of content is in fact an act of sale and utilizes the same distributing channels. Thus, the divide between the stages can be unclear.

The above described set of components defines the market structure in terms of concentration, product differentiation, barriers to entry, cost structures and vertical
integration. One important repercussion of analyzing the market structure is that further imperfection in competition (market concentration) results in an asymmetric distribution of power within an industry (Fu, 2003). The focus on power roles distribution and their relative strength (Turow, 1992a, 1992b) adds a layer in understanding the dynamics of an industry as will be discussed later.

An additional point is important before we move to discussing the performance phase. Scherer (1980) suggested viewing the market structure in a two-dimensional matrix thus adding the notion of homogeneous and heterogeneous products to that of the number of firms acting in a given market. The importance of this conceptualization is, by definition, two types of oligopolies, particularly important to the media industries: homogeneous and heterogeneous oligoplies. While homogenous oligopoly is focused on competition in a narrow set of products similar in nature, the heterogeneous oligopoly competes by offering an array of related products. While the first type of oligopoly is based on vertical integration, the later type is building on horizontal integration. This distinction is another possible framework for the argument between the neoclassical and the critical approaches, when it comes to discussion of pluralistic discourse produced and supported by the media. Young (2000) and Fu (2003), for example, cited research suggesting that oligopoly or monopolistic competition may lead towards a greater content variety compared to a perfect competition option. This point will be further explored in the next paragraphs dealing with conduct of the media firms.

**3.2.2. Conduct**

The IO theory suggests that the structure of a given market influences the conduct of firms involved in it. Describing conduct, we can identify five basic components referring to pricing behavior, product strategy and advertising, research and innovation, plant investment, and legal tactics (Albarran, 2002; Wirth & Bloch, 1995).

Prices are considered to be the main indicators, or information carriers, in the economic analysis (Babe, 1995; Fu, 2003). Thus *pricing policies*, or *pricing behavior*, is the major expression of conduct in a given industry. According to Picard (1989), there are four main pricing strategies: demand-oriented and competition-oriented pricing, target-return pricing and industry-norm pricing (see
also Albarran, 2002). Already at this stage we can see how each type of behavior is related to the structural aspects. While a firm acting in a monopolistic market, can set a target return pricing agenda, acting in a competitive environment it will have to pay closer attention to demand and to its competitors' behavior (Picard, 1989). Such a strategy is a function of the power a given firm experiences in an industry.

Two additional aspects of industry's conduct are product strategy and advertising. They refer to the range of decisions as to what to produce, in what way, how to pack it and what advertisement strategy to pursue (Albarran, 2002). For the media industry this will define, not only the type of content produced, but also the technology utilized and particular ways of its delivery and representation (for example programming and more). These decisions shape the routines of content production, being it news or entertainment (McManus, 1994).

Plant investment (or investment in production facilities) is another factor supposedly influenced by the industry structure, which shapes the journalistic and cultural production process. For media industries, particularly those involved in production and distribution of content, it includes the initial high costs of equipment, its maintenance and continued need for upgrade. Further, in order to have a competitive edge, the firm is required to invest in continuous research and innovation. In the mass communication industries research and innovation refers mainly to two aspects. First, it refers to the study of audiences and continuous search for new formats. Then it covers technological R&D which is aimed to allow a more efficient delivery of the richer content (Albarran, 2002; Wirth & Bloch, 1995).

The fifth element, identifying the industry's conduct is reflected in the legal tactics employed. These tactics are aimed to strengthen the position of every given firm in the industry through active lobbying and legal practices. This element of industry's behavior is particularly important for media industries due to the attention they receive from regulators because of their socio-political importance (Albarran, 2002; Wirth & Bloch, 1995).

Following the logic of SCP model one can clearly see how various types of structure in industries lead to various patterns in their conduct. Oriented towards maximization of each firm's profit, a fewer number of players and higher rates of
vertical integration, will result in more competitive pricing, higher plant investment, as well as investment in research and innovation and in more aggressive legal tactics. By deregulating the industry, it is suggested that it will lead towards more demand-oriented pricing but retaining the high investments in research and innovation (even though some empirical findings undermine this logic; for example see Shu-Chu & Chin-Chih, 2001). The importance of the conduct phase stems from the assumption that it is the sole factor defining the final performance of the industry, which will be discussed in the next section.

3.2.3. Performance

Performance is probably the most debatable phase of the SCP model. This debate provides an additional angle for analysis of the gap between the neoclassical and the critical approaches, since both are looking at different criteria in media industries' performance. The original IO theory is concerned with market performance in terms of economic efficiency. Thus it is examined on an aggregative, industrial level, rather than on the level of individual players, i.e. particular firms. Relative to the media industries, we may emphasize three main aspects used for this analysis: efficiency, profitability and progress. However, social researchers analyzing the media markets tend to address a series of additional factors such as equity, diversity of presented ideas and promotion of equal employment opportunity, from a more normative perspective (Albarran, 2002; Fu, 2003; Wirth & Bloch, 1995). Although debatable, they allow systematic examination of performance of an industry.

Albarran (2002) describes efficiency as "the ability of a firm to maximize its wealth" (p. 39). Two types of efficiency are considered: the technical or productive efficiency and the allocative efficiency. The former is achieved when a firm utilizes its resources in the way which allows maximization of outputs. In other words, following the logic of technical efficiency, the firms are constantly looking for ways to lower their production costs while increasing their marginal profits. Development of economies of scale is an example of firms acting towards increasing their productive efficiency. The later type of efficiency is achieved when there is no alternative allocation of products and resources that makes somebody better off without hurting anybody else. According to this logic, the optimal state can be reached only under the conditions of perfect competition where everyone, willing to
pay a certain price, can buy the product and no one is receiving an excessive share of profits (Albarran, 2002; Fu, 2003; Varian, 1996).

For that reason, analyzing the industry from the point of producers, the main subject for examination is profitability. In the long run, in order to survive in a given industry, any firm should demonstrate normal returns, but from the policy point of view these profits should be distributed among the industry players. One can clearly follow the link between conduct of stand-alone firms and the industry's overall profitability. The constant tendency to cut costs and extend the profit margins is supposed to lead toward higher rates of profitability, whereas higher competition and the associated pricing strategies, are supposed to lead towards lower profitability. In the hypothetical condition of perfect competition, the marginal profit of the firm will be zero (Fu, 2003; Wirth & Bloch, 1995). In this regard, another possible criterion is progress, which refers to the "ability of firms in a market to increase output over time" (Albarran, 2002, p.40). This criterion is linked to the conduct of any given firm in terms of research and innovation.

At this point, we can already note a development of the mechanism preserving the market’s imperfection, particularly in terms of market power experienced by stand-alone firms. When the initial conditions, as expressed in the market structure, allocate excessive power to a single player or a number of single players, the conduct and performance which follow are potential to preserving this setting and even strengthen the initially stronger parties. A vicious circle is created where, without external intervention or a breakthrough in terms of technological innovation or entry of a new powerful player, the stronger become even stronger and the weaker is being destroyed. This kind of dynamic is the focus of the critiques by political economists and critical analysts of media industries (for example see: Bagdikian, 1997, 2004; McChesney, 2000; Schiller, 2000).

Media economists have admitted a number of additional, socially-charged, criteria for analysis of media industries. Among those are equity, which refers to the distribution of wealth among producers and consumers, diversity of presented ideas and contribution to equal employment opportunity (Albarran, 2002; Wirth & Bloch, 1995). Although debatable, these criteria demonstrate the steps taken towards adjustment of the conceptual model of SCP to mass media industries, given their
unique socio-political value. Introduction of a debate over measuring the media industries' performance, was one of the significant contributions of Wirth and Bloch (1995), and was further discussed and developed by some (for example Ramstad, 1997; Young, 2000) and criticized by others (see Fu, 2003). Moreover, these factors are often addressed in the critical analysis of media industries, thus suggesting an additional link in the debate between the neoclassical and critical approaches, discussed here (Gandy, 1992). We will get back to this point as we follow the development of the application of the SCP model to media industries.

3.2.4. Connections and feedback loops
The founding logic, linking structure, conduct and performance together, is that of optimizing the allocative and productive efficiencies. In microeconomics this process is expressed in terms of price competition since prices are considered to carry all the necessary information about products being exchanged and the utilities and preferences of the involved players. As a result, perfect competition is considered to be the optimal solution offering the maximal welfare gain to society (Fu, 2003). This logic is what allowed the uni-directional capture of the flow of influence between the three phases of the model.

One of the advantages of introduction of the SCP model to media industry analysis at a relatively advanced stage is the initial awareness of the existing critique of this framework. Bloch and Wirth (1995), for example, mention a number of points to be taken into account. First, the original SCP logic suggested a uni-directional flow of influences from the market structure, through the industry's conduct to its performance. For that matter the structure of the market was considered to be set exogenously, which is the second significant critique of the framework. In the same article, Bloch
and Wirth mention the work of Baumol (1982), which argues that the structure of the market is a function of the competitive forces acting in it. Young (2000) suggests an additional complexity while describing relationships between the market structure and various approaches towards performance. For example, considering pluralism as one of the desired outcomes of media industries, he writes:

"If we place some significance on the diversity of program choice then it is important to consider the number of firms within the market and their relation to each other. (…) However, if pluralism is to involve more than simply the diversity of programs but something that embodies the nature and quality of what is broadcast, then the production and ownership pattern may be very important" (p. 32).

Fu (2003) explained the variety of possible connections between market structure and the industry's conduct, focusing on the economic determinants as leading to various forms of content diversity, thus suggesting again that the market structure is a dynamic process. An additional point for criticism was that "the SCP approach has failed to yield a large number of stable general relationships" (p.18). In other words, it suggests the adoption of further approaches focused on dynamic processes rather than on a stable state. Relating particularly to media markets, which are characterized by oligopolistic structures, Young (2000) wrote:

"The problem that has emerged is that once market outcomes (prices and outputs) under conditions of oligopoly are sensitive to the precise specification of firms' conjectures with regard to other incumbents and to potential rivals, there is a need to theorize in terms of firm specific behavior (conduct) and less in terms of any structural characteristics of a given industry market" (p. 31).

As a result, the SCP framework initially adopted for the media industries analysis included a series of feedback loops which allowed conceptualizing the mutual dependence between the structure, conduct and performance (Albarran, 2002). As can be seen from Figure 3.1 there is a mutual dependence between the three stages of the model. However, these relationships are typically described in general terms and are rarely examined as a system (Wirth & Bloch, 1995; Young, 2000). As a result, over the years we see a consistent notion of importance for capturing the
3.3. **Range of applications of SCP model to media industries**

In recent years we have witnessed a growing number of studies hosted in what is labeled as media economics (Picard, 2003). A significant portion of these studies address structural aspects of media industries and their relation to broader, social repercussions (Bryant & Miron, 2004). In media economics, the SCP paradigm is usually applied in an implicit way. A large body of research is dedicated to analysis of concentration in media markets, which is also a subject for analysis under the critical approach (Bagdikian, 1987; Chan-Olmsted, 1991, 1997; Compaine & Gomery, 2000; McChesney, 2000; Owen & Wildman, 1992; Schiller, 2000; Waterman, 1991, 1993). Another direction is the study of the strategic behavior of media firms (Chan-Olmsted & Li, 2002; Gershon, 2000; Shachar & Anand, 1998; Shachar & Emerson, 2000; Shu-Chu & Chin-Chih, 2001). In addition we may see studies focusing on the relationships between the market structure and its conduct (Cho & Lacy, 2002; Mastronardo, 2002; Litman, 1979; Waterman, 1993; Van Der Wurff & Van Cuilenburg, 2001). Performance of the media markets is also a significant topic for academic debate in media economics, but mostly within the critical approach (Compaine, 2001a, 2001b; Compaine & Gomery, 2000; McChesney, 2001a, 2001b; Young, 2000). To a certain extent performance, in the extended sense, is the cornerstone of the ongoing argument between the neoclassical and the critical approaches (Fu, 2003).

The next section will review the still standing critique of the SCP application for media industries analysis, leading to the guidelines for perspective research into a better adoption of the model.

3.3.1. **Limitations of applications of SCP model to media industries**

As we can see, the above presented SCP model is widely implemented in media economics research, even though it is being applied mostly in an implicit fashion. However, both media economists working within the neoclassical approach and their peers based in critical studies of media, emphasize a number of limitations of the framework. These limitations are primarily based in the unique features of media as
social institutions and many of them are closely related to the gap between the neoclassical and the critical approaches as is described above in Chapter 2. Some of the critique on limitations of the model is related to features to be addressed within the model, while others are related to external factors effected by the media industries. Simultaneously, some of the critique is originated in IO theory, explicitly referring to the SCP model, while others are derived from the critical discourse on the issue of mass media industries analysis. The later proposed dichotomy is somewhat simplified for there is an extensive dialogue between the two approaches around specific issues, such as measurement of competition, addressing of performance, etc., which makes it difficult to attach a specific issue to a single approach.

3.3.1.1. Factors within the model

The analysis of a market structure within the model is based on a notion of a unique market for homogenous goods, while, as was already mentioned at the beginning of this chapter, the situation in media markets based on advertisement is different. Unlike a typical manufacturer, buying raw material in one market and selling its production on another, a typical media firm, based on the advertisement model, is acting simultaneously in two markets where it has to sell (Picard, 1989; Ludwig, 2000; Albarran, 2002). In one market, the firm is selling content to an audience in return for the audience's attention, whilst on the other it is selling this attention to advertisers. Thus this system appears to be a closed one since sales on each market are simultaneously dependent; otherwise the audience market is experiencing a latent market failure (Ludwig, 2000). In this constellation, a series of interesting questions arise such as what happens when the two markets experience a different structure? Taking a hypothetical example of a niche TV channel which is a monopoly in its audience market, but is experiencing a competitive environment in the market for advertisers, what implication will it have on its strategic behavior? Questions of this kind cannot be addressed in the current format of the model (Ramstad, 1997).

Another area of controversy is that of measuring market concentration, for different kinds of measurement will lead to a different assessment of potential competitive behavior of the firms involved. Particularly related to the media industries, the basic
debate is turning around the question: What do you measure, the number of owners, firms or outlets? The tools proposed by SCP model suggest measuring the number of firms acting in a given market and their market share. This includes indices, such as the concentration ratios, which measure the revenue share of top-four or top-eight firms in the industry, and HHI, which sums the squared market shares of all firms in a given market are being proved efficient. Explaining the logic behind selecting criteria such as revenues, circulation, rating, etc, for assessment of dominance in media market, Compaine (2000b) wrote:

"Other measures could have been used, such as percentage of advertising revenues or number of stations or publications. However, the measures used here were selected as representing the most valid proxy for the most frequently cited concern over media competition: the degree of diverse sources of news, culture and information available to consumers" (p. 485).

Applying this approach, Compaine (2000b) shows that the competition within and across various segments in media industries has grown. Thus for example, HHI index in 1994 reached 1553\(^5\), with the top four firms accounting for 72.6% of the market share and the top ten accounting for 87.8%. In 1997, the HHI index was as low as 1372, with the top 4 accounting for 70.9% of the market share and the top 10 for 86.7%. This shift happens alongside a total revenue growth of the top 20 broadcasters from $18.9 billion to $23.9 billion over the same time period, thus suggesting a significant growth of the industrial sector itself. Overall, examining the trends between 1986 and 1997 in the entire industry, it is shown to be experiencing very low rates of concentration (HHI bellow 1000), and even though these are growing (from 205.89 in 1986 to 268.11 in 1997) there is a high rate of turnover among the leading companies (almost half of the names in the top 50 companies in 1997 were not on the list in 1986) (Compaine, 2000b: 558-564).

However, critics argue that the weakness of purely economic measurements of competition lay in focusing on only one aspect of competition, namely the interaction between the media firms and their audiences (Bagdikian, 2004; Van Der Wurf & Van Cuilenburg, 2001). Researchers working within the critical approach

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\(^5\) HHI index above 1800 indicates high levels of concentration (Compaine, 2000b).
suggest looking at additional and/or different variables. Bagdikian (2004) suggests viewing not the number of firms or outlets, but rather the number of owners of media companies and examining the patterns of this ownership. This view is shared by the critical community as reflecting a socio-political indicator derived from the centrality of media industries in a modern society (McChesney, 1999, 2000, 2001b, 2004; Schiller, 1991; Schiller, 2000) and has also being addressed in the regulatory sector as a "multivalued approach" (Compaine, 2000b, p.554). Following this line, an equally interesting question would be about the ownership patterns between different firms constituting the mass media production and distribution industries.

For example, by showing how the number of owners creates a closely tied and coordinated cartel, Bagdikian (2004) is making an argument about lack of content and opinion variety that is at the core of democratically functioning society (see also: Gomery, 2000c). Indeed, research on the networks of corporate elite depicts them in terms of a “small world” phenomenon where the network remains stable over time and is acting to reinforce itself and its boundaries (Barabasi, 2002). In their study Davis, Yoo, and Baker (2003) suggest that close ties among board members in several hundred largest US corporations potentially have repercussions for the business culture, structure, and strategy of the entire US market and beyond its borders. As we will see later, a network approach to exploring industrial structure may appear as a valuable tool to look at the issues of market concentration and competition.

When applied to analysis of the competitive strategies, the SCP model views all active firms in the industry as equal (Van Der Wurf & Van Cuilenburg, 2001). However, frequently the situation in a given market is very different and the firms, both veteran and new, vary in their size and, more importantly, in their economic power, particularly towards their rivals and the regulator (Cho & Lacy, 2002; Lacy, Coulson & Cho, 2002). Similar critique, more focused on the power aspects of media firms is being widely discussed within the critical approach as well. However, here, it is also linked to discussion of the relationship between the firms and the political factors outside of the industry (Hacket & Grubeau, 2000; Murdock & Golding, 1974; Schiller, 2000; Turow, 1992a, 1992b). As a result, the application of the model in this regard is limited to a focused analysis of market structure with a
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partial ability to address the contextual, more complex, and socially sensitive aspects of mass media.

Linked to the discussion above is another important point, i.e. the definition of product differentiation, which limits the discussion about the market structure. Applied to media industries, the neoclassical approach tends to measure this differentiation in terms of existing outlets or types of programs, rather than in terms of opinions or views represented in the media (Babe, 1995). Although neoclassicists refer to media products as being close substitutes (Compaine, 2000b, 2004), it does not address the complexity of measuring the variety of ideas. On the one hand, when the number of titles printed by a given publisher is diminishing, this does not mean that the publisher is not expanding in the internet or that people are not consuming the same content on TV. On the other hand, appearance of additional outlets does not necessarily represent a greater variety of ideas thus distorting the picture of differentiation in a given market.

Another significant point of argument is the measurement of performance. Naturally, it is related to the arguments presented above regarding the market structure, but at the same time they are distinct. As mentioned above, critics of the straightforward application of the SCP model to media industries argue that in this case, addressing performance in purely economic terms, depreciates the significance of the socio-political role of mass communication (McChesney, 1999, 2000; Ramstad, 1997; Wirth & Bloch, 1995). As a result, additional criteria such as pluralism (McNair, 1998; Young, 2000) have been added to the model, but are criticized for distorting its basic economic logic (Fu, 2003) and for the difficulty of quantifying them in empirical research (Compaine, 2000b).

The notion of pluralism is particularly important and is being widely discussed within the debate between the neoclassical and the critical approaches (Compaine, 2004; McChesney, 2000). On the one hand, it is claimed that the technological progress and convergence have created a greater variety of media and resources to choose from. Thus, for example, while in the early 1980’s the maximum number of available TV channels in the US was 30 and only 5% of the audience could receive this variety (over 65% had access to only 10 or less channels), in the late 1990’s, 97% of the audience in US had access to over 30 TV channels. Moreover, a claim is
being made that most of the media companies, at least in the US, are publicly owned, thus further dismissing the concentrated ownership argument (Compaine, 2000b).

On the other hand, there are trends for further concentration of ownership, as well as cross-ownership or horizontal integration. As a result, it is claimed that despite the growth in titles, the ideas presented in mass media are unified in terms of social values, which are being bent towards consumerism-oriented, mainstream, capitalistic morals (Bagikian, 1987, 2004; Hoynes, 2002; McChesney, 2001a, 2001b; Schiller, 1991; Schiller, 2000). Hackets and Gruneau (2000), for example show, how mergers and acquisitions in the Canadian media led to closure of local newspapers, which implies fewer public authentic voices. Waisbord (2002) provides an analysis of trends in Latin America, showing how commercialization and concentration limit the diversity of democratic discourse and Mastronardo (2002) points at similar tendencies in Italy. Voltmer (2000) refers to this argument as informal diversity distinguishing between the two types: quantitative and content diversity, and drawing a complex picture of balancing dynamics between the public and the private media in OECD countries.

As we can see, the point of concentration and ownership patterns in media industries are the cornerstone of the argument between the neoclassical and the critical approaches. This argument is being reflected in debate over the implication of the SCP model to media industry analysis. In addition, the technological developments and shifts in business-models in recent decades suggest further complications which limit the application of the classic SCP model to media industries.

On the one hand, it is widely agreed that the introduction of new communication technologies bears the potential of opening up new possibilities for diverse and authentic discourse (Hesmondhalgh, 2002). Whether the new media actually open new venues for public expression (Compaine, 2001a, 2001b) or not (McChesney, 2001a, 2001b) the boundaries between the various segments in media industries are blurring, thus requiring alternative, probably more sophisticated and less generalized, tools for analysis of dynamics in the industries involved.
On the other hand, there are new business-models which have developed alongside the technological innovations. Declining newspaper circulation⁶ and recent changes of format in veteran newspapers such as the “The Times” (of London)⁷ are just a two examples of journalism's role being diminished as the core of the mass communication business. Today, the revenues of media firms are derived from various geographic markets, but also from different communication platforms (Compaine, 2000b, 2004). Moreover, the change in formats and the associated changes in consumption patterns combined with continuous growth in the number of outlets, have increased competition for the audience's attention, which result in what is being labeled as "infotainment" (Anderson, 2004). Then, growing cooperation between the media and the industry has created new forms of marketing and product placement, which has penetrated not just the entertainment sector, but also the news-oriented journalistic realm, thus leading to new types of cultural artifacts that have not been seen before (Bagdikian, 2004). In Israel for example the issue of product placement reached the regulator. Although prohibited by the law, product placement gained great popularity in the Israeli media market during the early 2000’s, accounting for a substantial portion of activity of the advertising agencies. As a result, the regulator argued for de-facto acknowledgment of the phenomenon and imposing rules that were negotiated with the industry (“Committee’s Decision”, 2007; Finance Committee, 2006; Rom & Shiram, 2005; Second Authority, 2006).

Discussion of the limiting factors within the SCP model suggests that its application to media industries requires addressing the complexity of the interrelated market scheme faced by a media company. On the structural level, it suggests that the debate over the nature of competition and product diversity has to be taken into account. For the purpose of further analysis, the different views of competition and market concentration have varying implications on the conduct and actual performance of the industries. On the level of performance, admission of normative factors, which are essential in such a socio-central entity as mass media, requires

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⁶ For example see a series of PEW reports on the state of news media in the US at: [http://www.stateofthenewsmedia.org/2007/narrative_newspapers_intro.asp?cat=1&media=3](http://www.stateofthenewsmedia.org/2007/narrative_newspapers_intro.asp?cat=1&media=3). It shows how since 2003 the newspaper circulation has been continuously declining. In the six months ending September 2006 alone, “industry circulation was down 2.8% daily, 3.4% Sunday compared to the same period a year earlier.”

clearer definition of measurable attributes of normative performance. The mere
definition of products of mass media in purely economic terms vs. social and
normative language is still being debated, which implies that limiting the discussion
to counting the number of outlets drains the essence of media as a social institution.
The implication of this body of criticism is complex for it argues for the admission
of aspects of power and political influence into the analysis of media industry
performance – variables alien to the original IO approach.

Application of the SCP paradigm to media industries has been widely criticized for
admitting social variables to this initial economic model. Fu (2003) argues that by
doing so, media researchers "led to arguments and propositions that clash with the
original meaning of IO economics. Incomplete and even errant concepts of the
framework's constructs have distorted what the model can properly demonstrate" (p.
275). However, he concludes that there is a need "to establish a unique, appropriate
paradigm for the study of media economics" (p. 281). By doing so, he refers to
Ramstad (1997) and Gomery (1989) as only steps in the right direction, even though
both of these researchers based their work on admitting unique socio-political
factors into the paradigm.

The questions arising at this point is whether it is efficient to concentrate on
counting the number of firms and the number of outlets existing in a given market,
or to focus on the dynamics of the industry which would be more beneficial in
understanding and accessing its performance. Is it possible, and if so in what way,
to introduce the socio-political factors of the media industries’ structure, conduct
and performance into the original model? Will it preserve the underlying economic
logic of the paradigm, while allowing integration of the less tangible, and thus less
measurable, variables? These questions are only a part of the larger challenge faced
by the application of the SCP approach to media industries analysis. To complete
the picture, we shall refer to factors outside the model, which are currently limiting
its applications to mass media.

3.3.1.2. Factors outside the model

There are claims being made in the IO theory about abstracting exogenous factors,
such as social and political influence from models of industrial analysis (Fisher,
Bresnahan & Farell, 1991). These claims are particularly relevant to mass
communication. Unlike a traditional product or service industry, placed in the center of a complex social matrix, mass media are more dependent on a variety of social factors and are influencing them at the same time (McQuail, 2000; McQuail & Windhal, 1993). From this point of view, the traditional application of SCP model on media industries is limiting by its nature, since it perceives an industry as an interrelated, but closed system. The main product of mass media, i.e. information in its various shapes, is an integral part of the cultural, social, political and economic environments (Babe, 1995). As a result, drawing boundaries of a given media industry becomes a particularly challenging task.

There are a number of relationships lying outside the classic SCP view of an industry, which are being constantly highlighted by the contemporary critics of the model and its components. For example, considerable attention is being paid to the mutual dependence and mutually imposed influences between the mass media and the political institution. The political institution acts as one of the major sources for the new-based media. At the same time the sustainability of a liberal political system is bound to making the flow of information between the political institution and the public efficient. Media appear as a mediator in this process, thus gaining considerable influence on the political and public processes. However, simultaneously, the political sector is responsible for setting the guidelines for regulation of media markets, which are subject to closer monitoring due to their social centrality. It is claimed that such a close, strong, and complex system of relationships has an observable impact on the conduct of both media industries and political apparatus (Caspi & Limor, 1999; McChesney, 1992; McNair, 1998a; Prindle, 1993; Richeri, 2004; Street, 1997).

Another notable aspect of criticism refers to the broader connections of media industries with other industrial sectors, either via mediation of advertising or public relationships. On the one hand, many sectors of the mass media fail to sustain profitability from selling content alone. As a result, advertising has become the major financial basis for entertainment and particularly for the news-oriented media (Ludwig, 2000). In other words, media sustainability is closely bound to the conduct of other industries. At the same time, in the era of enhanced mass production, advertising has become an essential component of survival for traditional, goods- and services-based industries (Albarran, 1996, 2002). It is
claimed that as the mass media become more commercialized and profit driven, their ties and interdependence with other industries are growing stronger. The profitability dependence suggests that it would be difficult for the media to perform the classic role of a 'watch dog', while it is being fed by the 'person' it has to watch for (Hackett & Gruneau, 2000; McManus, 1995; McNair, 1998b). In addition it suggests compromising the quality of the final cultural artifact produced by the media, while the quality is defined in normative Western terms (Prindle, 1993; Collins, 2004; Wasko, 2004). In terms of the SCP model, it emphasizes the lack of attention to links between the mass media and the advertising industry, as well as with the other related industries acting in a given society or even beyond. Picard et.al. (1988) suggested viewing the newspaper industry as acting simultaneously in two markets (audience and advertising), thus addressing the limitations of the SCP framework when applied to mass media. McManus (1995) took it further by also highlighting the market for news sources as well as the stock market as components influencing the conduct of a commercial mass media firm. Addressing this complexity should add to the uni-directional, closed framework adopted from industrial economics, thus making the SCP model applicable to media economics which would be more reflexive as well as more dynamic.

3.3.1.3. Summarizing the critique

Summarizing the standing critique of application of the SCP model to media industries we can identify two main streams. First, there is an intensive dialogue between various approaches towards the analysis of media industries regarding definitions of various components of structure, conduct and particularly performance. This dialogue further emphasizes the gap between the neoclassical and critical approaches. Some of the critiques stems from general development of IO theory, which has developed to include more sophisticated tools such as game theory into the industry analysis. Second, other critiques are derived from unique specifications of the media not just as a commercial, but also as a social, cultural and political player. This critique in turn can be also divided into two main segments: one is addressing the difficulties of quantifying and defining economic factors of mass media activity, the other is derived from a normative stand approach regarding an optimal mass media institution in the Western type of democracy.
There is also a stream of critique coming mainly from the critical approach and highlighting the limited boundaries of the neoclassical economic analysis of an industry. Based on the unique, socio-political centrality of media, it claims for a thorough discussion of the various political ties of media, as part of the industrial analysis. Although, similar claims are being presented in discussion of the contemporary IO theory, their significance is emphasized when analysis of media industries is discussed. Here, it is important to mention one of the shared critiques of the model - the static nature of the original SCP model. Although a series of feedback loops between the various phases of the model have been added, the lack of dynamics within the various phases of the model, and between the phases and some of the main exogenous factors, makes the application of SCP limited particularly in media industries analysis.

3.4. Attempts for further tuning of the model to media industries

Despite all the standing critiques, the SCP paradigm still presents one of major concepts in media industries analysis, generating a significant portion of research, whether implicitly or explicitly based on its logic (Young, 2000; Fu, 2003). As was already mentioned, the strength of the model lies in the simple logic and holistic view of a framed industry. This is one of the main motivations behind a continuous quest for a more sensitive adaptation of the paradigm specifically to the mass media industries analysis.

One of the notable attempts to establish an appropriate paradigm for analysis of media industries is that of Ramstad (1997). This is probably the only attempt to suggest a comprehensive framework based on the SCP model and at the same time trying to address the uniqueness of the mass media enterprise (Fu, 2003). Building on Wirth and Bloch (1995), he attempts to address three major points of criticism: treating the market as exogenous, measuring performance, and relation generation (depicting relationships between the different elements of the market) (Ramstad, 1997, pp.47-49). His model (Figure 3.2) incorporates references to the advertising market and to public policy, as well as an attempt to deal with the specifics of media products and to separate financial performance from the social. Additionally, the reformulated model incorporates a series of feedback loops whereby the market and other players interact with the media industry.
Ramstad’s model takes a major step towards a better depiction of the media industries’ dynamics. First, it attempts to depict the dual market facing a media firm by segregating the audience and the advertising markets. In other words, it directly refers to two major elements which were addressed only indirectly in the classic SCP model. Moreover, it goes further into a discussion of forces originating outside the media industry and influencing the production process. For example, it admits a policy-making factor into the model, which is another important and distinctive element of media industries implicitly addressed in the original model. Although the existing regulatory environment has been addressed through the analysis of the market's structure, taking the policy-making process out of the general framework gives a more dynamic depiction of workings of the media industries. An additional contribution of the updated model is an attempt to generalize aspects of media conduct in terms of format, content and process. This point is particularly useful for it justifies focusing on patterns of aggregative conduct and not on particular case studies of a selected media organization.

However, the reformulated model still lacks reference to the complexity and diversity of the relationships between and within the different components of analysis. On the one hand, the definition of components is lacking in detail and explanation of their selection. For example, it defines the conduct of the media industry as a content-production-oriented process only, omitting the role of the media industry as a business unit (competition strategy, legal tactics, etc.). On the other hand, all the links indicating the flow of influences are treated more or less in the same way, thus casting no light on their relative weight in determining the

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**Figure 3.2 – Updated SCP model**
*Source: Ramstad, 1997*
behavior of the overall system. For example, the degree and the nature of the influence flowing from the advertising industry to the media industry and back are different from those between the media industry and the government. Although there is an attempt to distinguish between initial flows of influence and the feedback loops as a secondary flow, this distinction is not well explained and is not sufficiently detailed to allow comprehensive understanding of the industry's dynamics. Another example can be seen in the treatment of public policy as a stand-alone factor, independent of the political system which is simultaneously the supplier, the consumer, and the regulator of the media industry.

The updated SCP model proposed by Ramstad (1997) brings into discussion a number of questions which represent the tendencies of IO theory and media economics. It suggests a more nuanced framework for media industries analysis. First, it deconstructs the traditional, linear representation of the factors in industrial analysis. Moreover, it justifies further sophistication of the model, even though it reduces the generalizability. This tendency has been addressed on various occasions, where a claim is made in favor of detailed models adopted to particular industries or even on a smaller scale resolution (Caves, 1980; Fisher, 1991; Mueller & Raunig, 1999; Young, 2000). The second tendency derived from the proposed model is to focus on the dynamics of an industry, rather than on examination of the static states. Again, this tendency is aligned with the general developments in IO theory (Fisher, 1991; Knudsen & Knudsen, 2002) and the particular media-industries-related critique (Compaine, 2000b; Gomery, 2000c).

As a result, the updated model is an important milestone towards a more detailed, media industry adopted framework which would absorb the developments of IO theory and address some of the mass media industries specific criticism, both normative and theoretical. Ramstad (1995) can be viewed as a first conceptual step in the desired direction, which requires both - a follow up and further development.

3.5. Characteristics of the next phase

The utilization of economic models by mass media researchers has been criticized for undermining their economic logic and for creating speculative propositions (Fu, 2003). However, there is a wide agreement that a mass media sensitive model is required for a proper analysis of media industries, in light of their exceptional socio-
political role in Western democracies (Babe, 1995; Bettis, 1998; Compaine, 200b; Flew, 2002; Goulding, 2001; Knudsen & Knudsen, 2002; Schiller, 2006).

Moreover, while working on a mass media adjusted model, there is an opportunity to address some of the standing criticism, as is highlighted by the political economy approach (Bagdikian, 2004; Gandy, 1992; McChesney, 2000; Schiller, 2006). One of the shared trends both in media industry research and in general IO theory is that of shifting the focus from study of equilibria in the media markets to the study of corporate strategies, focusing on the dynamic elements of the industry (Compaine, 2000b; Gomery, 2000b; Young, 2000). This tendency is in line with the critical line of thought coming from the political economy approach. This approach is asking to go beyond the most obviously observable indices, in order to reveal the nature of the connection among the extended industry players, and between them and relevant institutes in society such as the political apparatus (McChesney, 2000; McManus, 1995; Schiller, 2000). As a result, one of the features of the direction of research in media industry analysis in the future, appears to be the dynamics of the industry, rather that the static states or the static features. It also implies a greater variety of research methods including those that are relatively more inductive and qualitative, as well as use of communication theory in addition to the economic (Gomery, 1993). This is particularly significant when we adopt a perspective where, out of a performance-oriented stand, the journalistic and cultural content production practices are the function of the institutionally generated norms and routines (McManus, 1995; Tuchman, 1973).

Another element, closely related to the need of focusing on the dynamics, is that of drawing the boundaries of an analyzed industry. One of the widely discussed phenomena in media economics is the conglomeration taking place in the industry. Although there is a debate over the nature of the process and the possible repercussions, there is an agreement that new types of media enterprises emerge, crossing platforms and traditional media divisions. For example, in 1998, before the merger with AOL in the year 2000, Time Warner had holdings in seven different segments of media industries: magazines, cable multiple system operation (MSO), cable networks, film production and distribution, recorded music, electronic information systems and book publishing. This is compared to the holdings in only four segments (magazines, cable MSO, cable networks and book publishing) in 1980.
The trend further indicates the continuous spanning of mass media firms across platforms, formats and types of different media with Time Warner being just one example. Moreover, the conglomeration often branches out of the traditional media business when companies from other industries acquire holdings in mass communication enterprises. Whether this is the case of public companies or private, family-type, groups investing in media, there are stronger ties being established with the broader economic sphere, not limited to communications (Compaine, 2000a; Koulouvari, 2004a, 2004b; Limor, 1997; MacLeod, 1996; D. Schiller, 2000; H. Schiller, 1991, 1992). As the ties of core media industries extend and are growing stronger across the satellite industries, there is a need to extend the analytical framework in order to incorporate these developments.

The third characteristic of the emerging path is derived from the growing appreciation of the unique attributes of information within the mass media setting. Much of the criticism originating in the political economy approach is based on the assumption that information, as a product, bares not just commercial but also political features, or in other words, information means power. (Bagdikian, 1987, 2004; Herman & Chomsky, 1988; McChesney, 2000; Murdock & Golding, 1974). As a result, the repercussions of political (Caspi & Limor, 1998, 1999; McNair, 1998b) and corporate (McChesney, 2000; McNair, 1998a) ties to the news and entertainment content production processes have gained significant attention. While in the past, this concern was expressed mainly towards the journalistic practices, today, as the journalistic and entertainment formats converge there is a need for a holistic appreciation (see also Hacket & Gruneau, 2000; Richeri, 2004; Wasko, 2004). In other words, in addition to the ties between the media and the corporate world, the ties with political institution should be incorporated wherever possible in the analytical framework of a given media industry.

In addition to the three points presented above, or more precisely at the basis of them, there is a specific criticism derived from developments in the IO theory itself. The mainstream of critique comes from challenging the simplistic relationships between the different components of the model, part of which has been addressed through the introduction of feedback loops (Bloch & Wirth, 1995). According to Young (2000) "a major implication of the new IO is that the connection between market structure and performance is weakened" (p.28). We can see a number of
studies suggesting that there is no uni-directional dependence between the degree of competition and efficiency in a given industry (Young, 2000). Particularly in media industries, the link between competition and pluralism has been challenged, which also suggests that in certain conditions oligopoly produces a greater variety of content types (Chan-Olmsted & Li, 2002; Cho & Lacy, 2002; Fu, 2003; Shu-Chu & Chin-Chih, 2001; Young, 2000). A claim has been made that although the particular firms have grown and spread out across sectors of an industry, the nature of the competition and industry has also changed and as a result the contemporary market is bigger and more complex, with competition shifting from competition between firms to competition between products (Compaine, 2000b, 2001a). As a result, the focus of IO research is again moving towards the strategic behavior of firms, opening up to new modeling techniques and theoretical frameworks (Binenbaum, 2005; Foss, 1997; Young, 2000).

One of the repercussions of the developments presented above is a further need of focus. Gomery (1993) suggests that due to the inherited differences in various media products the analysis should be concentrated on particular industries (i.e. broadcasting, cable, print, movie, etc.). A similar approach is seemingly adopted by many researchers and can be found in the work of Compaine and Gomery (2000), Voltmer (2000), and Allbaran (2002), who divide their discussion mainly according to the type of content produced and the kind of medium used. Although such division may appear artificial, particularly at the current stage of technological cross-media cut, it is required when the researcher aims to go into a relatively significant level of detail (Ramstad, 1997). Picard (2002) also suggests looking at the types of financing which various media receive (see also Voltmer, 2000). Although the advertisement-based model is still the most dominant, there are new business models appearing, blurring the borders between various industries and thus further complicating the distinction between them. As was stated above, the current project will focus on the advertising-based commercial broadcast TV industry bearing a significant news component. Moreover, since the regulatory, cultural, political settings of each industry are different, the social environment of a given industry becomes important (Foss, 1997). Thus this project will use selected examples from the Israeli broadcasting TV scene as illustrations for such specifics.
A summary of the attributes of the emerging path for the next step in the evolution of industrial analysis of mass media reveals three main characteristics. First, the future model should focus on the industrial dynamics rather than on the steady states. Second, it should re-assess the boundaries of an industry, particularly when the media industries are analyzed. Third, in a similar fashion, media industry analysis should pay attention to the role of the political institution as part of SCP components. These three points suggest a greater degree of sophistication of the future model, thus imposing a limited ability to generalize across industries and national markets. However, it paves the way towards drafting a series of media specific and society sensitive models that are particularly relevant for a country level analysis and the development of local policy.
4. Development of the model

The importance of SCP model stems from the framework it offers in addressing the mass media industries. Adopting its logic that links the structure, conduct and performance in a causal and recursive manner, allows us further development of conceptual approaches to assessing the media industries. However, taking this step we run into a problem, common to attempts of producing general models and that is the level of detail. The original SCP model, as well as its successor by Ramstad (1997), has consciously omitted nuances in order to maintain generic applicability, thus also leaving a widely open door for legitimate criticism. In current attempt, I would like to suggest reconsidering the linear approach to this model and to offer a more detailed mechanism, differently presented in space.

4.1. Unfolding the SCP model

One of the critics described in previous chapters claimed that the model lacks contextual sensitivity essential for analysis of media industries as econo-social factors. The components included in various stages of the model are dynamic and are constituted through continuous interaction. As such, the model requires a dimensional shift, unpacking the linear relationships and general attributes described in both, the original and the updated versions of SCP. In this thesis I propose re-drafting the model in a network fashion, taking into account the specifics of mass media and describing attributes of the model as dynamically generated. Taking this step we are losing some of the simplicity embedded in division between the elements of the model. At the same time we are gaining contextual sensitivity, as those elements are re-created through the attributes of nodes and connections, as well as interactions within the model (Berkowitz, 1982).

Ramstad’s (1997) work can be viewed as a first step in the desired direction. He added the notion of audience and advertising market into the model, while maintaining a series of feedback loops. Doing so, he suggested a move away from the generic description of the components of the original model, but preserved the basic logic of SCP (see also Sampler, 1998, and Bettis, 1998, for a similar sentiment voiced by industrial organization theorists). Building on this momentum, I would like to suggest modeling the environment of media industry in terms of nodes and connections bearing attributes derived from literature on the subject. More precisely
I would like to model a segment of broadcasting TV industry that hosts both news and entertainment content, and is based on advertisement. Focusing on this segment of an industry is of utmost importance and relevance as it encompasses many of the potential controversies referred to by the critical approach, thus creating an interesting case. In fact, I am asking to unpack the model offered by Ramstad (1997) while focusing on a more particular subsection of what is labeled as mass media industries.

Describing the model in terms of a network conveys certain advantages that allow us conceptualize in a context-sensitive way. First, it allows extending the definition of the industry in order to include other related industries that are “feeding” and influencing the industry in focus, as well as being influenced by it. This is particularly important in information oriented industries where it is impossible to draw a clear border based on the traditional, methodology-driven approach that is built upon “availability of consistent measures and datasets” (Sampler, 1998, p. 349). As such, it allows a more sophisticated view of the industry concentration and the associated pricing strategies, R&D decisions, etc. (Sampler, 1998; Bettis, 1998). Moreover, a network view of an industry captures the strategic and competitive position of a firm situated in a web of relationships with other players (Gulati, Nitin, & Zaheer, 2000). To a degree, when compared to the traditional view, it allows reframing perspectives on competition and market concentration. Particularly in context of mass media industries, a network view allows placing the industry analysis in a broader debate on social structures, thus allowing a more normatively sensitive discussion on a theoretical level (Wellman, 1983). At the same time the flexibility of this approach preserves an option of extending the analysis to links between the structure and the agency as part of industrial analysis (Berkowitz, 1982; Klint & Sjoberg, 2003).

At the same time viewing the industry in terms of interacting agents brings certain limitations. The main disadvantage of shifting to a network view is the reduced generalizability of a produced model. In an attempt to address the particular context of a given industrial segment, it is unavoidable to shift from a general discussion of meta-industry to a discussion of particular industries. While a degree of generalizability remains at a level of an industrial segment, there is a need to discuss a number of models, or networks, in order to address the entire “industry”. Thus, in
the particular model I will address a segment of what can be broadly labeled as “mass media industry”. Particularly, I will focus on broadcasting, advertisement-based commercial media that bears a significant news component. Additional work is required to address other segments of media industries.

Unfolding the traditional SCP model, Ramstad (1997) undertook the first step in identifying advertisers, audiences, and public policymaking as nodes tangent to the actual media content production process. However, as discussed above, the model is lacking in detail and nature of interaction between the different nodes. In order to address these specifics I will rely on two additional attempts to describe the mass media industry undertaken by McManus (1994) and Turow (1992). The final model presents a fusion of these conceptual frameworks on the basis of SCP model and its logic.

4.2. Modeling the news production component

In his book, McManus (1994) focuses on the interaction between the market forces and news journalism. His model, presented in Figure 4.1 depicts dynamics similar to those presented by McManus (1994). Focusing on news production, McManus’s
unit of analysis is the news department in a given media firm. The dynamics he addresses are supposedly generalizable across different types of media. However, for the purpose of industrial analysis we will maintain the discussion on the level of the media firm (see Figure 4.2). In fact, McManus’s framework allows us to zoom out from within the media organization. In his model, newsmakers operate within constraints set by others. Even though individual members of news department in a media organization have influence over the content production process, it is limited and channeled through institutional constraints. In other words, for the purpose of explicating the SCP model we can still build on McManus’s (1994) model while taking into account additional aspects of the media firm activity, such as production of entertainment content. These influences will be added at a later stage based on Turow’s (1992) framework for analysis of media industry. McManus (1994) also makes assumptions about environment in which his model is placed, thus keeping elements such as culture, regulation, and technology as exogenous. He admits their reciprocal influences on each other and on the model. At the same time he does not develop it further in terms of characterizing that influence, which may be justified by the need to limit the level of analysis due to practical constraints. While implementing Turow’s (1992) contribution in the following paragraphs, I will try to address some of these aspects, such as regulation, but others will remain exogenous for similar reasons.

Figure 4.2 presents McManus’s (1994) model in a form of a network limited to the level of a media firm. At this stage it can be described as consisting of six nodes: media firm, parent corporation, owners, advertisers, news sources, and the public, which also serves as consumers in the model. Although McManus (1994) featured a stand alone media firm in his model, here it is helpful to think about each node as a cluster of agents. Ultimately, in addition to forces moving between the different nodes, the intra-node dynamics should be taken into account.

Building on McManus’s (1994) explanation we can describe the nodes in the following way. The media firm is a branch of the parent corporation or a stand alone channel. It is usually acting in a geographically defined market and includes a variety of departments. For the purpose of the model, however, we refer to “media firm” as a cluster containing all the actors qualifying as a media firms in a given industry. As such, media firm node accounts not only for the journalistic content,
but also for various stages of entertainment content creation as well as managing the relationships with advertisers. Traditionally, the media node is what was considered the media industry in industrial analysis of mass communication. As such, this node should account for factors such as concentration of players (similar firms) and barriers to entry. We will see later how these attributes are influencing the intensity of different types of connection thus constituting the conduct of an industry. The primary goal of a media firm is competing primarily in the markets for advertising and audiences through decision making regarding content, its acquisition and production (see also Picard, 1989; Albaran, 2002).

The parent corporation “owns and oversees several media firms and perhaps non-media businesses as well” (McManus, 1994, p.22). It is distinct from the media firm in a sense that it may have holding across various industries thus accounting for different interests, not only those of a particular media firm. “General Electric” for example has holdings in broadcast television, cable, and film production, alongside its activities in plastics, aircraft engines, medical systems, etc. In the Israeli case, the broadcasting TV operators represent another example. “Coca-Cola Israel” has holdings in “Keshet”, one of the permit holders for broadcasting on the national

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8 For further examples of corporate holdings in media industries see Columbia Journalism Review database at: [http://www.cjr.org/resources/](http://www.cjr.org/resources/)
channel 2, alongside with its main activity in soft drinks area. However, it is not the only stakeholder in the TV channel operator. Bank “Leumi”, as well as a number of investment houses and holding companies, also have holdings in “Keshet” thus representing a range of business interests. The parent corporation strives to grow and maximize its overall profit through appointing executives, budgeting, and drafting the general policy for media firm as part of its portfolio. In fact the last example allows us to showcase the distinction between owners and parent corporation, since “Coca-Cola Israel” is in turn owned by privately held holding houses. In a similar way the ownership of Bank “Leumi” is divided between private investors, the state, and the public. The owner, or the investor, controls the parent corporation by appointing executives and providing the initial capital. In return, the owners are expecting to gain both financial gain and social influence through their status as agents controlling mass media (see also Bagdikian, 1987, 2004; McChesney, 1999, 2004)

In the particular mode of commercial media covered in this thesis, advertisers play a significant role in financing the actual production and distribution of content being it news or entertainment. Picard (1989) described this relationship as an explicit exchange where the advertisers are buying the audience’s attention. As such, the relationship between the media firm and the advertisers is mainly financial. Recent practices such as the growing phenomenon of product placement and public relations initiatives, suggest that these relationships today are more complex and not always as explicit (Croteau & Hoynes, 2005; Galician, 2004). Moreover, the advertising industry itself grew in a more complex structure suggesting a clear divide between the advertisers that represent the industry and advertising agencies that are actually carrying out the task of conveying the message to the public (Alexander, Owes, Carveth, Hollifield, and Greco 2003).

News sources represent a unique and particularly important element in the journalistic aspect of activity of media firm. The news department in media firm is dependent on receiving information that is later being repackaged and introduced to the public. While McManus (1995) describes sources in relatively general terms

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9 For additional information on holdings in the Israeli commercial TV market see the website of Second Authority for Television and Radios: [http://www.rashut2.org.il/english_channel2.asp](http://www.rashut2.org.il/english_channel2.asp). The Hebrew version contains detailed information on ownership: [http://www.rashut2.org.il/broadcast_channel2.asp](http://www.rashut2.org.il/broadcast_channel2.asp)
focusing on the dynamic of interaction between them and the news department, some researchers suggest the political apparatus as a significant player in this regard (Caspi & Limor, 1998), while others also mention the extensively growing machine of public relations (McQuail, 1992) and the enterprise of global news agencies selling commoditized information (Bagdikian, 2004). McManus describes the interaction between sources and journalists as an exchange of information for its exposure to wider public as well as particular framing. In a recent work, Reich (2006) suggests that the relationship between the sources and journalists evolved beyond mere reciprocal exchange into a structured process signifying a degree of mutual dependence.

McManus (1994) distinguishes between public and consumers since not all members of the public are exposed to all media or constitute part of the target audience of the transmitted messages. He puts greater emphasis on consumers as primary audiences of the mass media explaining that it is their attention being traded in the process of consumption of journalistic message. However, public accounts for additional members of society who may be exposed to the same messages in indirect way. In addition, regardless of their direct exposure to the content, members of the public are consumers of the advertised products and are voters for the political apparatus regulating the industry. As such, the public constitutes an important force influencing the media firm cluster and its environment. Moreover, since the public is not the primary focus of the proposed model, I suggest viewing members of the public as a single cluster accounting both for the political and economical aspects of audiences, as we will see later in this chapter.

The connections between various nodes express the different types of relationships and interactions. McManus’s (1994) model suggests that the main type of interaction in the process of news creation and dissimilation is that of exchange where various kinds of resources are transferred between agents. Thus, for example, the relationship between media firm and the parent corporation involves exchange of influence and financial capital. The exchange between sources and media firm is characterized by transfer of information and influence. At the same time the advertisers trade financial resources for public attention.

We can divide the different types of connections between the nodes into three groups. The first group, traditionally assessed in industrial analysis is financial
exchange ($). This connection is driven by market logic and is easily quantifiable. In fact it allows reflecting such traditional attributes of the classic SCP model as cost structure, pricing policies and behavior, and investment. The second group is an influence connection. This type of relationship is discussed in critical media literature and is particularly relevant to media as a social and political factor. There are two types of influences present in the McManuss (1994) model. One is formal (f-IN), such as policy, but the other one is informal (i-IN), such as the indirect influence gained by the parent corporation from ownership of a mass media channel. The third type of connection is unique to media for it includes exchange of information. Here the information may take various shapes as well. Once it may include news-worthy information, such as that received from news sources, but at other times it may take a form of entertainment content (I+). At the same time, public attention can be depicted as an information focused transaction too, for in fact it offers consumption of the information offered by advertisers or news sources, who in return are gaining from their information being consumed (I-).

4.3. **Extending to include the entertainment production component**

At this point, the model presents an abstraction from McManus’s (1994) proposition. In order to embrace the additional aspects of a media industry’s activity we shall refer to topology offered by Turow in his 1992 book. Turow (1992a) presents a conceptual framework of “power roles” that aims to capture “the creation, distribution, and exhibition of mass media materials” as a “struggle by organizations over broad range of society’s resources” (p. 19). As such, his framework, drawn on the level of an industry, embraces a wider range of mass media activities, beyond news production. Similarly to the logic of McManus’s model, Turow’s framework is based on exchange. Here the exchange happens between organizations that are generating power through leveraging resources in their possession. Ultimately these organizations aim at exercising structural power where the people influenced are not aware of it. Turow labels these resource-controlling relationships as “power roles” and uses them for a systematic discussion of the media industry structure. We will apply his typology in order to extend the news production model. This will allow better capturing the production and the distribution processes, as well as including in the model the non-news-oriented activities of media firms.
Turow (1992a) differentiates between organizations constituting the mass media industry and the power roles they are taking upon themselves. According to his framework, an organization can take upon itself numerous power roles. This approach is consistent with the cluster view of media industry presented in the previous section. In fact, we can now describe the clusters as concentrating on a certain aspect of mass media content production and the connections as an exchange between various power roles. Thus, for example, in the model presented in Figure 4.2, the exchange between the public and the media firm includes both an information component and financial component. At the same time, we can view the owner and the parent corporation as executing similar influences on the media as a content producing entity. They both are in fact a distribution channel of similar resources (policy and finance), and are expecting the same kind of resources in exchange (power and revenue). Turow described this in the following words: “In every established media industry there is a pattern of roles that organizations maintain with one another. That role pattern is what we mean when we refer to industry’s structure” (p.49). Thus, my objective in the current work is to model the patterns of roles in the broadcasting commercial TV industry in the spirit of SCP approach for industry analysis.

Starting with the media firm cluster, Turow (1992a) in fact divides it into three components: production, distribution, and exhibition. The entire typology proposed by Turow is built around the function of content producer. Corresponding to their name, producers are focused on institutionalized content production, which is different from creators, the actual individuals or talents contributing to creation of media content. For example, in McMaus’s (1992a) model the news department bears a producer power role, whilst individual journalists of particular status or editors can be viewed as creators. Similarly in the entertainment content production, the production firm bears the exact power role, whilst individual actors or producers it employs bear the role of creators. Actually, the main activity of institutionalized production process in a media firm cluster is packaging of the “raw” information or more critically “commodifying” it for mass consumption (Schiller, 2000).

Also corresponding to their name, distribution and exhibition power roles are focused on dispersal of material and offering it to the public. One clear example of this division can be found in the movie industry where movies are produced by one
set of actors, distributed by another, and presented by a third, distinct group of actors. A common pattern of behavior in this realm is that of integration. Striving to oversee the entire chain of activities, a media corporation will tend to oversee the entire production-distribution-exhibition chain. Thus, particularly in the broadcast TV industry the division between the distribution and exhibition power roles is less explicit. Integration of the distribution, exhibition, and frequently production is a common phenomenon labeled vertical integration. This phenomenon is in fact what often stands at the focus of scholarly critique of conglomeration and concentration in the mass media markets (for example see Bagdikian 1987, 2004; McChesney, 2000).

The main resource exchanged between the production, distribution, and exhibition nodes are information and financial resources. The two seem to have compensating effects since the more “leveragable” exchanged information, the more weight it gains in the negation of the financial aspects of transaction. Although there is a main logical direction of interaction between the clusters, the process of exchange is not necessarily linear and can include direct interaction between the three clusters. Moreover, the phenomenon of vertical integration suggests an additional type of relationship, namely influence, or more specifically formal influence. In other words, a conglomeration of clusters constituting a media firm cluster in the model can be expressed through the strength of formal influence connections (i.e. corporate policy) between the production, distribution, and exhibition clusters.

In fact, exchange of formal influence, financial resources and information conveys the same set of influences attributed to the parent corporation in previous section. Lack of formal influence connection between the nodes will indicate their independent organization function or position them outside the parent corporation. At the same time, we can view strong formal influence connection as representing organizational ties, thus actually making any set of the three clusters a unit. The relative strength of various connections binding production, distribution, and exhibition clusters can express the corporate policy governing them, thus making parent corporation as a cluster, obsolete in the final model. Instead, it can be presented as a meta-cluster consisting of the three (production, distribution, and exhibition) clusters, and hereafter I will refer to this construct as “media firm” bearing in mind that it is depicting influence of the parent corporation as well as that of the three nodes (see Figure 4.3). It is also important to mention the fourth
resource exchanged between the three clusters – that is informal influence that accounts for the foreign interests of the agents such as conflicts of interests between managerial decisions governing each one of them separately.

The construct presented in Figure 4.3 is particularly interesting as it exemplifies a dynamic representation of factors most directly influencing the production of media content whether it is journalism or entertainment. Moreover, various intensity of connection depicts various possible structures of what has been traditionally labeled as media industry. For example, stronger formal influence within the construct corresponds with more concentrated media firm cluster. At the same time strong formal relationship between two of the clusters, but not with the third, tells us a different story about dynamics within the traditional media industry.

Another cluster present in McManus’s (1994) model is the owner, or the investor. In his framework Turow (1992a) describes a similar power role, thus amplifying the importance of this component for the model. Moreover, as we saw in discussion about contemporary media economics and its critics, corporate influences of media are a focal point of this debate (for example see: Herman and McChesney, 1997; McChesney, 2000; Schiller, 1991). Since Turow is focusing on production as the main process, concentrating on the exchange between the production and the owner/investor cluster seems as a logical choice for the purposes of the model. Similarly, McManus is also focusing on the production process in his model thus capturing the relationship between investment and production (even though in his model this relationship accounts for a richer array of interactions compared to Turow’s framework). However, critical research suggests that corporate influence
may occur on any of the stages of production, distribution, or exhibition, particularly in a vertically integrated enterprise (Hackett, 2000; McChesney, 1999; Schiller 1991, 1992). Thus for the purposes of the model we shall chart the connection between the investor and media firm in more general terms, as if it is interacting with a group of clusters. In addition, being part of a broader market and having various interests spread over different industries, the investor may execute an additional link to media content production via the advertising cluster (McManus, 1995). This connection will be elaborated on at a later stage.

At the same time it is important to remember the combination of clusters in what is labeled here as media firm meta-cluster, may vary in different regulatory and market structures. For example the Israeli broadcast TV case suggests a close integration between the distribution and the exhibition clusters, while the production cluster stands outside of what can be charted as media firm meta-cluster (R. Koren-Dinar10, personal communication, August 16, 2005). For the purposes of preserving the dynamic aspect of the model we shall position the owner/investor relative to the cluster within the media firm that is dominating the process. For example, following the logic of both McManus (1994) and Turow (1992a) it would be the production (Figure 4.4a), however from the point of view of the Israeli regulator this would be

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10 Roni Koren-Dinar is a journalist working for the economic newspaper *TheMarker*, covering the area of media and advertising.
the conglomeration of distribution and exhibition clusters as it is the primary channel of regulatory influence on media industries (Figure 4.4b) (Anonymous regulator\textsuperscript{11}, personal communication, August 21, 2005; see also Ezrahi, Goshen, & Leshem, 2003; Tokatly, 2000).

At this stage it is important to emphasize the role of diagrammatic representation of the model. As Figures 4.4a and 4.4b suggest, relative position of the nodes has a functional role. Relative proximity of the clusters for example, aims to represent their relative influence on each other. Another aspect is the relative size of the clusters, which represent their relative influence on the model as a whole. However, for the purposes of general presentation of the model in this thesis, we will present clusters of the same size.

With this thought in mind we can proceed to the next cluster mentioned in the works of both McManus (1994) and Turow (1992a) – the advertising. Although Turow (1992a) describes that as a client power role, his approach is instrumental so that the framework would account for various media industries. He mentions the book industry where the public serves in a client role. However he explicitly mentions the advertisement industry as the main client of the mass media industry in the US. Similar sentiment is shared across scholars studying mass media industries, particularly broadcast TV (for example see: Compaine and Gomery, 2000; Picard, 2002; Schiler, 2000).

\textsuperscript{11} During the course of this work I had a chance to conduct informal interviews with a number of representatives of the Israeli media industry. Selected insights from these interviews are presented throughout the thesis as illustrations. However, due to the informal nature of these conversations, they cannot be treated as empirical data. Moreover, due to the sensitivity involved in discussion of internal industry matters, a number of my sources asked to remain anonymous, thus I refer to them by their functional role only.
Describing the relationship between the media firm and the advertising clusters, position of the later is of importance. Both McManus (1994) and Turow (1992a) suggest that the interaction is between the production and the advertising cluster. Similar sentiment can be derived from reading some critical analysis of contemporary media industries (Hackett, 2000; Herman & McChesney, 1997; McChesney, 1999). At the same time, descriptions of the exchange process, even by Turow (1992a) himself, suggest that the main interaction is actually taking place between the advertising and the exhibition clusters. In fact, the exhibition cluster serves as a mediator between the production and the advertising clusters. Using the Israeli example again, the operators of the broadcast channels are serving as mediators matching content purchased from external producers and advertising industry (Anonymous advertiser, personal communication, August 18, 2005; August 24, 2005; R. Itzhaki12, personal communication, August 30, 2005; R. Koren-Dinar, personal communication, August 16, 2005).

For the purpose of diagrammatic representation of the model we shall place the advertising cluster closer to the exhibition cluster. This does not imply that the advertising cluster does not have impact on the production process. However, this process is mediated through exhibition cluster, thus representing a significant, but still somewhat removed, influence on the produced content. Moreover, the dynamic nature of the model allows us to alternate the relative location of this cluster subject to the regulatory, political, and market conditions in a particular industry. Following an earlier description of the role of investor, it is also important to implement a link with the investor, as accounting also for broader industry interests, and the advertising clusters. This link represents a primarily financial relationship that is be derived from Ramstad (1997) and is supported by critical literature (Aufdeheide, et. al., 1997).

The next cluster mentioned in the network derived from McManus’s (1994) model is news sources. Extending the scope of media products to other media industries, Turow (1994) suggests a more detailed description of forces involved in the creation of original content. This description is applicable to creation of the news content, even though parts of it are unique to production of the entertainment materials.

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12 Raviv Itzhaki is an advertiser who held a number of managerial positions in the leading Israeli advertising agencies.
First, he describes it as an interaction between auxiliaries, creators, and unions. Later he adds two additional factors, namely the linking pin role and the facilitator role. Although he includes news production among other production activities, we will try to sort out news specific dynamics from other content producing patterns. This distinction is important both instrumentally (these are substantively different types of content) and theoretically as having different influences on the function of the model, and more broadly the society.

The *auxiliary* role is probably the most neglected aspect in mass media industrial analysis. It includes services supporting media content production. Depending on the specific industry it may include supplies such as paper, electricity, phones, lease, video and audio equipment, etc. Although some scholars touch upon the role of information infrastructure in mass media products (for example see: Bebe, 1995; Schiller, 2000, 2006), it is rarely mentioned in the empirical research. At the same time, Turow (1992a) rightly highlights its importance, particularly in light of the recently growing debates about the deterministic character of technology utilized in production of mass media content and the associated social practices (for an extended discussion see Schiller, 2000). According to Torow’s analysis, the interactions between the agents holding auxiliary role and the media firm are mostly financial where the firm is paying for services. In terms of the model, this is a unique connection since the resources exchanged in this case are financial resources and services (s), other than providing information in any form. Although essential, these services are different from other resources exchanged in the model, thus they will be referred to as an infrastructure cluster. The fundamental role of infrastructure makes it difficult to place it in a somewhat specific location relative to the media firm meta-cluster, while it has general repercussions on the entire system, subject to specifics of a given industry it may be closer to one or another cluster.

Similar in its nature is the activity of *facilitation* role that is responsible for insuring the fundamental functioning of the industry. According to Turow’s (1992a) definition, facilitator functions within a particular media industry help to “initiate, carry out, or evaluate mass media material in the first place – sometimes even before it is produced or distributed” (p.46). Talent agencies, market research firms, etc. are included in this category and in fact suggest an additional layer mediating the exchange of financial resources and information between the media firm cluster and
the agents involved in entertainment content production. Although agents participating in this cluster of activities exchange assets such as information and financial resources, the role of these activities is essentially similar to that of agents performing the auxiliary role. As such, for the purposes of the model we can cluster players focusing on both auxiliary and facilitation roles into a single group that constitutes a support cluster for production processes of a media firm.

Creators on the other hand are one of the core agents actually producing information in the model. Turow (1992a) refers to creators as actors, producers, and other dominant media creators who exercise substantive influence on content production. For the purpose of industry analysis we shall extend this definition to include the entire population of people contributing their talent to creation of media content. This should include not only actors, producers, and the technical staff, but also free lance journalist, opinion leaders, and other individuals involved in creation of news. In this interaction “raw” information, influence, and financial resources are the matter of exchange.

Utilization of the union role as described by Turow (1992a), actually allows settling the seeming inconsistency between Turow’s his definition of creators and the extended interpretation I am asking to apply in the model. In his framework, Turow presents the unions as amplifiers of the auxiliary and talent providers’ ability to negotiate formal influence within the media organization, and subsequently within the media industry. The matter of exchange in this case is influence – influence over the media firm vs, influence over creators and auxiliary service providers. Inclusion of this factor in the model allows neutralizing the effects of individual creators on the rest of the community of talent through accounting for union power as part of the formal influence exchanged between the media firm and the creators. The stronger the formal influence connection is – the less influence individual creators have on the entire system and vice versa. Viewing it from a perspective of assessing the industry, relative prominence of the union function indicates certain aspects of the industry itself. Including the union role as a mediating factor in ability to exercise influence will be also important when we discuss the relationship between the media firm and the authority or regulator (Bagdikian, 2004).

However, the picture would not be complete without utilization of the concept of linking pin role, particularly in the news related aspect of media firm activity.
Turow (1992a) describes *linking pin* activities as involving “movement of completed material, or people representing this material, from production firms in one industry to production firms in another industry” (p.45). One of the prominent examples of linking pin activity provided by Turow is that of international new agencies, such as Reuters and Agence France Press, that are responsible for production of most news material feeding contemporary media (see also Compaine, 2000a).

As such, the rational of linking pin activity should be split between two clusters in the proposed model. On the one hand, the news sources cluster will account for portion of the pin linking activity such as access to material of the news agencies, as well as interaction with public relations agencies. On the other hand, an independent cluster bearing linking pin activities will account for interactions related to the entertainment content production. As such, in a particular industry it can be viewed as an additional source of content as well as serve a mediating role between the advertising cluster and production cluster, since the advertisement industry relies on the same pool of talent as the content producers. For example, this link expresses phenomena such as direct sponsorship of entertainment content or product placement, which were not prominent at the time Turow’s (1992a) book was written, but are an important factor of contemporary mass media (Anonymous advertiser, personal communication, August 24, 2005; R. Koren-Dinar, personal communication, August 16, 2005).

It is important to explain in further detail the unique position of the linking pin cluster for it indeed links a number of relationships essential for both news and entertainment content creation. First, as is described above, this cluster suggests an additional route of interaction between the clusters of advertising and production. It is through linking pin activities that companies manage to place their merchandize in popular programs or sponsor shows and broadcasting of national events. However the interaction between advertising and linking pin clusters includes not only exchange of finances and information. It may also bear an influence component and the degree to which formal influence is exercised between the two will signal the degree of vertical integration in what is traditionally labeled as advertising industry. Second, there is a connection between the linking pin activities and the creator clusters. Provided that initial pool of talent is shared by the production and the advertising clusters, there is a mediating role for the linking pin activities. This
route shall not exclude an option of a direct interaction between the production and the creator clusters, and in fact relative dominance of each one of the routes will suggest a different picture of the industry. For example, stronger connections between the creator and the linking pin cluster, compared to the direct tie, could suggest an existence of secondary market for talent thus shifting the regulatory focus to a different segment of an industry. In addition, it is important to mention a series of influence relationships between the linking pin cluster, and clusters such as the advertising or news sources. The first connection has been described in discussion of media meta-cluster, suggesting that the stronger the formal-influence tie, the more vertically integrated advertising market is. The second influence connection will signify dominance of public relationship segment in a particular industry. In other words, the stronger the formal-influence tie in this case, the more institutionalized

Figure 4.5 – Expanded model prior to introduction of authority and public information
the third party news creating process vs. a direct link between sources and production cluster that signify investigative journalism option. Figure 4.5 presents the current stage of development of the model before we add the remaining clusters and connections.

An additional power role described by Turow (1992a) is that of *authority*. By authority he implies government regulation whose main resource is permission to communicate content to broad audiences, which it can grant or revoke. As such, the government cluster should be placed around the media firm meta-cluster subject to the legal settings in a particular society. Thus for example in the Israeli case, the main channel of regulation is aimed at monitoring the exhibition cluster of media firm. The main regulated bodies are operators of the broadcasting channels, who in fact are mediators of interaction between the content producers and the advertisers, subject to legal constraints and market pressures (Anonymous regulator, August 21, 2005; R. Koren-Dinar, personal communication, August 16, 2005; see also Tokatly, 2000). The exchange between the authority and the media firm includes mainly influence and information. However Turow (1992a) suggests that government subsidies and tax benefits can constitute a financial exchange as well. Not only that, but other researchers view authority as one of the main sources of raw news material, thus complicating the influence relationship between the two (Bagdikian, 2004; Croteau & Hoynes, 2001, 2005). For example, in their 1998 book Caspi and Limor draw a complex picture of relationships between the mass media and political institutions in the Israeli context. In their analysis they show how politicians leverage their access to publicly important information as a way to negotiate positive coverage. In a similar fashion the mass media leverage their access to the public’s attention into negotiating business conditions as well as access to additional raw information. They are also participating in lobbying the legislators as do other industries, thus constituting an additional avenue for interaction with authority.

Introducing the authority cluster to the model we should account for a number of connections. The main relevant connection is that between media firm meta-cluster and authority. Although the relative position of the authority cluster depends on a particular legal system, the exchange between the authority and the media firm will include mainly information and influence, but also financial resources. The connections can be also aimed at different clusters constituting the media firm. For
example the authority may aim their influence at the content production processes, but receive an observable feedback, in the form of information, from the exhibition cluster. In order to account for the role of authority as a news supplier, we shall establish an influence link between the news sources and authority clusters. The main resource exchanged in this realm would be influence and information. The stronger the formal influence link, the more established the relationship will be between the political apparatus and the journalist community. An alternative route would be a similar link, exchanging influence, finance and information, between the authority and the linking pin functions. A stronger formal connection in this relationship will represent stronger institutionalized relationship between the authority and media sector. “Institutionalized” here implies a link established via third party mediators such as public relations firms and spokespeople.

The last, but not the least power role, also mentioned in McManus’s (1994) work is that of public. Although traditionally, the concern about public has been the main focus of media studies from the normative point of view, the public itself is accounted for limited influence in media industry analysis. The public plays a triple role in the model. First it is exchanging its attention, or consumption of packaged information, for an entertainment and instrumental value derived from consumption of mass media content. In other words, the primary exchange between the public and media firm is that of information. While consuming the information produced by media firm, the public is contributing, in kind of a complementary action, to absorption of the same information.

The second role played by the public cluster is that of voters, or in a more mundane sense, public opinion as an input in public policy. This role implies an influence link between the authority and the public clusters. In the context of the model, there is no reason for modeling an explicit feedback loop, for this is expressed in an authority’s influence on media firm meta-cluster.

The third role played by the public cluster is that of a consumer (also mentioned by McManus). Although in the case of broadcast TV the public does not purchase content directly from the channel, one of the common critiques of contemporary media is that it is creating a culture of consumerism (for example see: Allen, 2000; Bagdikian, 2004; McChesney, 2000; Schiller, 2006). As such, the model shall imply a connection from the public to the owner/investor cluster, since the later
represents the market forces financially gaining from the consumer oriented behavior of the public. This connection ultimately consists of transforming financial resources. Figure 4.6 presents the model with the authority and the public nodes added.
Figure 4.6 – The final expanded model – network view of SCP
4.4 The model - Linking back to SCP logic

It may appear that the final model only distantly resembles the logic of SCP paradigm applied to analysis of media industries. The linear representation of general elements of an industry is replaced by a rather concrete set of clusters capturing various aspects of the industrial activity. The remaining question is to what extent this approach preserves the core logic of SCP as an applied tool for understanding industries?

Before we start exploring this question, it is important to stress out, once again, the dynamic aspect of the model. The nodes and the connections shall not be viewed and analyzed in a given point in time only. The dynamic aspect reflects the ability of the nodes and the connections to change as a result of interaction and the basic conditions as are reflected in the attributes assigned to them. In addition, it is important to remember that the proposed framework extends the traditional view of media industries, yet still focusing on the mass media as a focal point. As such, the model accounts for three “levels” of connections: (1) within the media firm meta-cluster, (2) first degree connections between the nodes constituting the meta cluster or to the entire meta-cluster itself, and other proximate nodes that have a direct connection to them (so called “satellite” nodes), and (3) second degree connections between the “satellite” nodes themselves. While the traditional industry analysis in fact focuses on the first level of connections, the critical approaches in media studies call for accounting for the second and third layers too.

Accepting the causal logic of SCP model, particularly of performance being a function of industry’s structure and conduct, the proposed framework focuses on the structural and behavioral elements. Focusing on modeling these two stages, i.e. structure and conduct, has both theoretical and practical explanations. The theoretical explanation stems from the causal logic of SCP model and the objectives of this work. Although this thesis argues for contextual and reciprocal view of mass media industries, it aims to accommodate elements of critical discourse in industrial analysis. Since in the first place, preoccupation with industrial features within the critical discourse is based on an assumption that the structure and behavior of economic and organizational components has effect on socio-political impact of mass media, there is a causal relationship assumed as well. This is particularly true
for the structural argument at the basis of this work, which suggests that the structural settings of an industry are those guiding the behavior of individual agents. The practical explanation stems from observing the regulatory efforts that are trying to affect the eventual performance of mass media through regulation of their basic industrial features, such as the barriers to entry, and their conduct, such as setting rules about content or caps for time allowed for commercials.

The structural elements in the model are conveyed through the basic attributes of nodes and connections. By basic attributes of nodes I mean their relative size, position, and ability to change as a result of interaction with other node. By basic attributes of the connections I mean their direction, the resources transmitted via them, and their ability to change in terms of capacity as a result of interaction. Thus for example the relative size of the nodes allows us to determine the amplifying effect it has on the set of connection that it maintains with other nodes. As such, it may represent the concentration of players in a particular node of activity. At the same time, connections bearing formal influence resource suggest further inquiry into aspects of vertical integration. This is particularly evident in the media firm construct in the model as was discussed above: the stronger the formal ties between the clusters of production, distribution, and exhibition, the more vertically integrated media market is in a traditional sense. It is a complex picture to grasp, for it is through the same features that we are defining the media firm meta-cluster in the first place (see the example of Israeli broadcasting TV industry earlier).

The strength of the model however, is that it accounts not only for the traditional elements of industrial structure, but also for the unique elements of mass media industries. Accounting for power relations has been a long standing point of debate among the media scholars studying media industries. Implementing types of links such as formal and informal influence, as well as the introduction of the second and third level connections allows accounting for political factors alongside with economic determinants. Including channels of exchange of information in its various types is also a vital element for grasping the media industries, compared to their counterparts focused on more tangible commodities. The complete view of the industrial structure is outlined through these relationships, but it is by no means the final view. As suggested by the original SCP approach, it is subject to change as a
result of the industry’s conduct and performance – an aspect that the proposed model has at its base.

The elements of conduct in the model are the actual acts of exchange and the resulting dynamics of change. For example considering a link between two nodes, prominence of one type of connection compared to another is a conductive element. Moreover, considering the variety of links of a particular node suggests a behavioral insight. Thus, for example relative dominance of an information link connecting the news sources and the creator clusters with the production cluster of a media firm gives us an insight on the product strategy of a media firm. It may explain the variety of information produced by the media firm and the relative strength of the production cluster within the media firm construct. At the same time the strength of formal and informal, influences connections between the media firm, the owners/investors, and the authority can teach us about the legal strategies of the media firm and their effectiveness.

One of the potentially most important features of the proposed model in assessing the conduct of mass media industry is determining the strength and the nature of influences on the information circulated within the media firm and exhibited to the public. Although traditionally the production cluster is viewed as responsible for the delivered content, the model allows locating the sources of influence on the production process being it the commercial interests of the owners, the political interests of the news sources or the individual or professional considerations of creators. Not only that, it suggests a comparative view of the various influence and the interaction between them.

Although the performance element is not the main objective of this model, some of its aspects are still present in the network view. First, the macro view allows us to assess its overall efficiency. Blocking the information or the finance flow by one of the nodes would suggest an inefficient resource allocation, but not only that. Distribution of the ability to influence other nodes, either formally or informally, suggests an additional insight into industry performance thus also providing a contribution to the critical claim about over-conglomeration on the one hand, and neoclassical argument of over-regulation on the other. In addition it allows assessment of the flow of information within the system, which is of a concern for a regulator or the civil advocacy groups. If for example the raw information flowing
into the media firm’s production cluster consists of diverse materials, but the eventual content distributed and presented to the public is homogeneous, we would argue that the transformation has happened in the process of production. Alternatively, examining the relative strength of information connection between creators, the news sources, and the linking pin clusters, with a clear dominance towards one of them, may suggest a different cause for the nature of information eventually delivered to the public, other than the production cluster of media firm.

As was stated at the beginning of this chapter, shifting to a network view of conceptualization of industrial structure comes at a cost of lesser generalizability. At the same time, I would argue that this shift suggests further applicability of the framework particularly to the mass media industries analysis. In the next chapter we will discuss the potential applications of the proposed model, outlining a potential research agenda for continuing this inquiry. At the same time, we will discuss potential limitations of this framework, thus again contributing to the future agenda.
5. Potential applications and critique

The proposed meta-model aims to systemize our approach to media industry analysis, with media industry defined in a comprehensive way. As such, we can envision three initial uses for this schema. First, it carries a descriptive value aimed to assist us in better understanding mass media industry dynamics. The emphasis is indeed on the dynamic aspects of the model since one of the major critiques of traditional approaches to media industry analysis is the static nature of their focus. The second use carries an applied character for analysis and making of policy and business decisions related to mass media industries. The comprehensive framework allows assessments of the repercussions of strategic decisions on the industry’s structure and dynamics from a meta-perspective. The third envisioned use is primarily for media economics theory building. As a high level model of the industry, it may be applied for validity assessment of the more focused models as will be discussed later in this chapter.

The main strength of the model lays in its descriptive abilities. While aiming to capture the macro industrial dynamics, it allows adjustment to particular segments of the mass media (i.e. broadcast TV, cinema, newspapers, etc.). Moreover, the model is flexible enough to accommodate various legal and political environments, which is especially important in the analysis of the mass media industries. At the same time, the model follows the basic logic of the traditional SCP approach, thus turning its descriptive strength into an analytical tool which allows anticipation of potential consequences caused by intervention in the industry. As such, the later two potential applications (i.e. applied and theory building) may be viewed as derivation from the descriptive strength of the proposed model.

As the work on this thesis neared its completion, the reality offered a practical example for the need of a different approach to mass media industrial analysis. We will use this example to address the first two envisioned uses of the model, building a foundation for further discussion of its contribution to theory building and the introduction of potential critique.
5.1. An example: “Strum Report”

In August 2007, the Second Authority for Television and Radio, which regulates commercial broadcasts in Israel, publicized a report conducted on its behalf by the former head of the Antitrust Authority, Dror Strum. Although the original report was not released to the public, it generated a sufficient journalistic coverage to allow its discussion here.

The report, which became known as the “Strum Report”, addressed the issue of commissions paid by the operators of broadcasted TV channels to the advertising agencies. According to the Israeli law, the operators of the TV channels are obligated to invest in the production of original content (vs. re-runs or airing of content purchased abroad). However, since establishment of the Second Authority, the operators have continuously complained about the high commissions they have to pay to the advertising agencies as an excuse for not meeting the original content production quota (Ice, 2007, August 20).

Unlike the TV channels operators, who are subject to tight regulation in terms of the types of content they produce and the amount of allowed advertising, the Israeli advertising industry is not heavily regulated. The “Strum Report” highlighted the mechanism of super-commission, where a portion of the money received by the TV channel operator is returned to an advertising agency, which then splits it with the actual advertiser. The super-commission is used as a marketing tool by the channels, thus the larger the volume of air time purchased by the advertising agency, the higher the return it can expect at the end of the year. So far, this mechanism of marketing air time is under a “don’t ask, don’t tell” policy in the industry – a fact that the actors are aware of, but is not official and is lacking any regulatory or market transparency (Ice, 2007, August 20; Zoref, 2007, August 13b).

The “Strum Report” concluded that this mechanism of re-distribution of commissions in the industry is inappropriate, particularly in light of its increased volume in recent years. According to the report, super-commission grew from around 15% of airtime expenditure, in 1995 to around 30% in 2005. That rise stemmed from a concentration in the market of media buyers, competition between the two TV channels (channel 2 and channel 10), and attempts to position internet as an alternative advertising medium. However, the important conclusion of the report
is the recognition of the mechanism of super-commission as one of the core reasons behind a lack of resources for original content production, which in turn is one of the major concerns of the Second Authority (Zoref, 2007, August 13b).

The report sparked an overwhelming reaction in the advertising industry that worried about possible government regulation of the field. In fact, the advertisers claimed the actual super-commission to be about 15%-20% of airtime expenditure with profitability rates standing only at 3%-5%. The major two arguments were against regulatory intervention in the free advertising market and against exposing the exact super-commission rates due to the threat it would damage the industry (Zoref, 2007, August 13a).

However, the channel operators are the only bodies acting under the supervision of the Second Authority. Thus, “Strum Report” recommended acting to increase transparency in the industry by requesting more details in financial statements that the operators have to submit annually to the Authority. The logic behind this step is that increased information about prices will eventually reduce the commission. In addition, Nurit Dabush, the chair of the Second Authority, clarified that, contrary to observation in the report, her agency will not consider the level of super-commission as an excuse for reducing obligations for original content. The latter statement is justified by the argument for public’s right to “receive the content it was promised” by the authorities (Wertheim, 2007, September 19; Yosef, 2007, September 19).

5.2. Potential applications

The example above suggests an interesting case for discussion of the proposed framework. The “Strum Report” case introduces a fragmented view of the industry by the regulator, which is trying to influence market imperfection by creating a chain of secondary pressures. The model proposed in this thesis suggests a meta-framework for thinking about industrial analysis and regulation of mass media industry. Would a different framework raise a different set of questions? Would it allow a systematic explanation of the decision made? Would it suggest alternative ways to address the market imperfection? Would it contribute to our understanding of media industries?
5.2.1. Descriptive framework

As we can see, in his report Strum primarily addressed the operators of the two commercial TV channels and the advertising agencies specializing in air time purchasing. In addition, his ability to suggest concrete regulatory intervention was limited to TV channels only. However, the issue of super-commission has repercussions over other segments of the broadcast TV industry such as the content producers, the advertisers, other media working with the same advertising agencies, and of course the public. It is an interdependent system of agents, where ambiguity over the issue of the actual rate of commission constitutes an important financial ingredient and a source of influence, as is evident from the reaction of advertising industry.

The proposed solution aims at increasing the flow of financial information within this segment of mass media market. We can track the logic behind this step to the neoclassical assumption of complete information about prices as a fundamental element of perfect competition. Even though we are lacking the exact details, it is safe to assume that requiring detailed reports from TV channels will reveal only partial information about the exact commission rates, thus offering only a partially competitive solution (Zoref, 2007, August 16). Although we can expect a more competitive behavior and the associated decline in commission rate, the remaining question, however, is if this the most efficient decision from a macro point of view of the industry.

Describing this situation in terms of the model we can see that the focus of the report is on the growing dominance of the linking pin cluster (see Figure 4.6) as a mediator of resources channeled into the production of content. As a result, of its centrality in the exchange between the advertisers and the media firm, the connection carrying financial exchange did not function to allow adequate resources for production. In fact, this claim suggests that the channels of distribution within the media firm meta-cluster are indeed optimized for production, even though the report did not address the links between the production cluster and the other clusters linked to it. Instead, the report focused explicitly on the production and linking pin clusters, and implicitly on the advertisers cluster. The connections addressed in the report were those carrying financial resources, as well as resources of informal influence (i.e. ability of the linking pin cluster to control the financial exchange with the
advertisers cluster, or in other words the ability of advertising agencies to negotiate fees with the advertisers). Within this view, the fear expressed by the advertising industry was from strengthening the formal influence link between the linking pin cluster and the authority cluster, which would affect the cluster itself. However, the decision of the Second Authority asks to influence the link of informal influence between the linking pin and the advertising clusters.

What is lacking from this view, as frequently argued by the critics of the neoclassical approach to industry analysis, is context. Even if the report is addressing a specific set of clusters and connection, it is important to consider the array of additional influences on the production process that are also linked to the media purchase activities. For example, the internal dynamics within the media firm meta-cluster may provide additional information about forces influencing content production. In addition, it does not take into account the links between the production cluster of media firm and the creators cluster. Moreover, the link between the advertisers and the linking pin clusters is not explored, even though it is used as leverage in the negotiation between the authority and the advertising industry. This relationship, for example, is considered to be outside the media industry, and thus it is not subject to regulatory intervention, even though it has significant influence on the content production process, which is the primary concern of authorities in this case. This may stem from a traditional view of media industry as limited to the TV channels; however this view leads to decisions which could be altered, provided a different perspective on the industry.

The main argument in this sub-section is that application of the model may suggest a more comprehensive view of the industry. Accounting for the main dynamics between clusters influencing the content production leads to a dynamic map that allows examination of particular market phenomena and their repercussions whether from the applied or theoretical perspective. For example, the next section shows

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13 In the particular case, the history of relationships between the channels’ operators and the Authority reveals a repetitive pattern. Every year, the operators negotiate classification of content, so it would fit the demands imposed by the regulator (Ice, 2007, September 30). This dynamic suggests a power relationship between the Authority and the channel operators, which has direct impact on the content production.

14 For example, at the time of publication of the report there was a pending litigation in the High Court of Justice between the Union of Producers and the Second Authority, Channel 2, and Channel 10. The producers claimed that the operators of the channels did not fulfill the quota of investment in original content and the regulator has not enforced the rules (Livowsky, 2007, August 28).
how viewing the commercial broadcast TV industry according to the model, would allow the Second Authority to follow a potentially more efficient solution.

### 5.2.2. Framework for applied analysis

Presenting the “Strum Report” case in terms of the model reveals a fragmented view of the industry held by the Second Authority. Limited by its mandate, it has to view mass media industry as consisting of the media firm meta-cluster only. As such, it imposes regulation on the production and the exhibition clusters (see Figure 4.6) while leaving the rest of the relationships of the media firm exposed to free market forces. The result however, is that it misses its main goal, which is ensuring a certain amount of original content delivered to the public while maintaining sustainable media firm meta-cluster. Keeping in mind that the main objective of authority in this case is the public interest (i.e. variety of original content), the questions rising from this observation are challenging the role of the regulator in the particular case. In fact this argument goes beyond the specific function of the Second Authority, to the way the legislators view the fundamental role of mass media regulator. Had the mandate of the Second Authority be opened to more inclusive definitions of industry, such as what is proposed by the model, its actions would be potentially more effective.

The model, as well as the “Strum Report”, suggests influence of the linking pin on the exchange of information within the media firm meta-cluster, and its final information exchange with the public. As such, should the relationship between the production and the linking pin cluster be regulated to the same extent as the media firm meta-cluster? Can the authority exercise its formal and informal influence links with the pin-linking cluster in order to influence the financial exchange between the latter and the production cluster? The major question, however, is: should the regulatory perspective include advertising industry as part of influences over the content, provided that this is its main concern? If the commercial mechanism between the advertising agencies and the channels has direct impact on content production, is it reasonable to omit it from the regulation process? Alternatively, to what extent does the traditional view of the mass media industries limit the ability of the regulator to intervene in an effective manner? In other words, isn’t the narrow view of media industry by the frames under which the Second Authority operates
partly responsible for the created imperfection in mass media market as is revealed by the “Strum Report”?

The example above presents one of the possible uses of the developed framework in the practical realm. Applying an industry-specific network view, can be especially valuable in the regulatory processes. The comprehensive view of the industry allows situating a regulatory decision in an array of influences that may affect the eventual outcome. The logic of the model suggests focusing the regulatory effort on the dominant cluster, or the central node, of the network. In the case discussed above, if that is the linking pin cluster, then influencing it would affect the rest of the network, particularly content production, leaving it exposed to market powers. For example, in the case of the “Strum Report” a more effective step might have been requesting greater transparency from the advertising industry, vs. indirectly imposing it through regulation of the TV channels. In fact, the reaction of the advertisers in this particular case was triggered by their fear of potential legislative steps towards enforcing rules of transparency in the advertising industry (Zoref, 2007, August 16).

The framework of analysis described in this thesis allows logically testing policy making and business decisions, such as regulating segments of media industry in terms of competition, or participating in these markets. Mapping media industries within the proposed framework allows a more comprehensive view of concentration, as well as additional aspects of conduct and performance. Similar approaches are already being employed in strategic management analysis (for example see Gulati, Nohria, & Zaheer, 2000).

5.2.3. Framework for theory building

The “Strum Report” example is used to showcase the applied aspects of the proposed framework. However one can envision academic research as the primary domain for its application. Developed as a conceptual construct aimed at bringing together the insights from the critical and the neoclassical approaches, the model constitutes a meta-framework covering an array of clusters of activity and relationships within media industries.

The basic motivation behind construction of this framework is extracting the application of SCP model to media industries in order to accommodate additional
factors unique to the mass media as social actors. As such, this framework accounts for both the economics and political components present in the debate about mass media industries. In other words, being a high level meta-model for industry analysis, the framework can be utilized for logical and construct validation of the lower level models. For example, we can naturally see that the original SCP model (Wirth & Bloch, 1995) as well as the adapted version by Ramstad (1997), account for only limited portion of cluster and connections constituting the commercial TV industry. Although this example is essentially tautological, for the model itself is developed based on analysis SCP application by Wirth and Bloch (1995) and Ramstad (1997), it shows the potential use of the model for theoretical validation of future modeling attempts.

Consistency between the more specific models and the framework developed in this thesis can be a necessary, though not sufficient, condition for validation of the more specific model. Given the comprehensive scope of the proposed framework, any inconsistency would signify an omission of a relationship that constitutes the particular segment of the industry. However, it is possible that the inconsistency indicates that the framework is not accounting for a particular exogenous variable or a relationship within the model. Thus, testing the more concrete models according to this framework also suggests a validation mechanism for the framework itself.

This reciprocal validation process creates a possibility for comparative assessment of mass media industries in different cultural and political settings. One aspect of such analysis would address the presence of all the required nodes and connections. It will address the appropriateness of their definitions and explain reasons for their omission or misinterpretation. Another aspect of such analysis will question if only the required nodes and connections are present, and ascertain the meaning of possible inconsistencies. In other words, this framework provides a way of structuring debates about modeling and theorizing the mass media industries.

5.3. Potential critique

The presented framework is a conceptual construct. As such, it can be criticized at this stage in terms of validity of its internal logic. First, an attempt to grasp not just a particular segment of media industry, but to include additional factors influencing

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15 By “level” here I refer to the level of analysis.
content production may be viewed as a weakness of the proposed model as it is lacking the specifics. Second, the attempt to unfold the linear view of SCP model may appear as a step taking us too far away from the original logic of the model, which results in losing its initial logic and rigor. Finally, this analytical work does not follow a typical path of inductive research, but instead offers critical analysis and synthesis of existing literature. The lack of concrete empirical data to support may appear as diminishing the potential applicability of the model, as will be discussed here.

The first critique addresses the intended scope of proposed model. The nodes and the connections presented in Chapter 4 aim to capture a complex array of activities. This may appear contrary to the logic of a model that usually tends to simplify a phenomenon. Moreover, an attempt to bridge the neoclassical and critical discourse, can prove counterproductive in this case – while capturing the complex array of activities, particularly those outlined by the critical approach, this model is lacking the specific characteristic of the lower level modeling attempts typically found in neoclassical scholarship.

In fact, the presented above critique can once again reflect the gap between the neoclassical and the critical approaches. The strength of the lower level model is in proposing a concrete testable framework for empirical inquiry. At the same time, the degree of concreteness has “cost” in terms of losing the social context in which it is placed. This is particularly important for addressing media industries from the point of view of communication research. As such, the proposed framework offers a compromise between the complexity of mass media phenomenon and the need for an analytical tool that would allow coherent discussion of its industrial dynamics. In fact, the dynamic aspect of the model itself is what allows addressing the tension between the complexity and generalizability. Building on its initial logic and using the components of the model with different values, can allow adjusting the proposed framework to concrete segments of mass media industries. This is the approach taken in this thesis as is expressed in focus on commercial broadcast TV.

The second critique relates to the intellectual origins of this model. One can suggest that by presenting the structure-conduct-performance paradigm in a network fashion, we are losing the fundamental logic and constructive elegance of the original. Instead of focusing on the general attributes of the industry, the model focuses on
the nodes of activity as industrial components. This step may appear as taking us too far away from the traditional industrial analysis approach to mass media.

This aspect of critique is the most important and challenging one. The intellectual exercise undertaken in the current work requires disassembling the original SCP model and reassembling it on a different level of detail and through a completely different graphic representation. However, while completing this exercise, it is important to make sure that the initial causal logic of SCP model is preserved, for this is the elements that assure both, the applied and the theoretical appropriateness of the paradigm. Chapter 4 emphasizes how the proposed framework maintains the components of original SCP model reconstructing them through attributes of the nodes and characteristics of interactions between them. It continues a process started by Ramstad (1997) in an attempt to address the unique features of media industries both in economic sense and as social factors. Moreover, the model does put a greater emphasis on the interaction between the structure and the conduct, while incorporating the performance elements in feedback loops and general stability of the network. This, in fact, reflects the ongoing debate within the field of media economics about the meaning and measurement of performance, which is continuously redefined through the industry’s activity.

A more general critique of the entire project can be the lack of empirical support to the framework presented in this thesis. First, it appears particularly challenging to imagine coherent test of the entire set of relationships described in the model. Then there is the question of operationalization of the clusters and the connections in valid and testable terms. Particularly challenging would be to validate measures of intangible exchanges, such as the informal influence. As such, a question mark rises above the potential applicability of the proposed model.

Indeed, testing any particular application of the model goes beyond the scope of this thesis. As an analytical project its aim is to propose a methodical framework that would allow systematic debate on the issue of mass media industry analysis, especially between the critical and the neoclassical approaches. Thus our main concern here is that of communicative validity of the proposed model. Kvale (2001) describes communicative validity as “testing the validity of knowledge claims in a dialogue” (p.313), or in other discussing the constructs in terms and concepts accepted in the hosting research community. This thesis covers a wide body of
empirical knowledge addressing the different aspects of the model, and representing each one of the approaches to industrial analysis of mass media. Building on that knowledge, it addresses the conceptual gap between the two camps, as an obstacle on our way to better understanding of the industrial dynamics and mass communication content production in western societies. The combination of the level of analysis and the degree of precision with which the model is described here, opens it up to critique by each one of the main camps in media economics. In Popper’s (1959) terms, this framework is falsifiable due to the fact that it a set of criteria allowing its empirical testing. At the same time we saw that it has potential practical implications, which in turn make it also useful (in an applied and theoretical sense). The combination of the two validates the proposed conceptual construct for scientific inquiry (Popper, 1959). In other words, the proposed model is placed within the broader realm of scholarly discourse utilizing it for argument building, and contributing to advance of the knowledge in the field.

Certainly, the next step for this project would be an empirical test of nodes construction and explication of the different types of connection. As was mentioned in chapters 2 and 3, there are tools in managerial studies that allow inquiry into the dynamic and the less tangible aspects of the model (for example see Gulati, Nohria, & Zaheer, 2000; Klint & Sjoberg, 2003). In fact, one of the main contributions of this work is outlining the framework and the direction for future inquiry into media economics.

To summarize, this conceptual framework is aimed at initiating a debate about alternative ways to approach industrial analysis of mass media industries. Recent developments in strategic networks and network analysis allow us to focus on dynamics and address complex connections, as opposed to the earlier static models, which focused on equilibrium states. The proposed framework answers the need in communication studies, particularly in media economics, for theoretical constructs to be tested. It attempts to address the paradox of media economics research where empirically robust work in the neoclassical approach is lacking communication theory input, but the theoretical thinking, which is found mostly in the critical approach, has difficulty in producing robust empirical evidence. The framework developed in this thesis offers a first step towards bridging the theoretical gap between the two approaches.
6. Conclusion

This thesis started with a rare example where corporate influence on journalistic content production became evident. McManus (1994) suggests that the most important editorial decisions are those to which the public is not exposed. It is the material that is left out of the screen or the newspaper that is important, for these are the issues the public will not have awareness. As such, control over the flow of information equates to power, and it is challenging to reveal the power structures of institutions that control it. At the same time, revealing and understanding those structures is an important task both from the mundane practical point of view of individual, and from the point of view of a society. The aim of this thesis is to contribute to the theorizing efforts in the field of communication and media economics by offering a conceptual framework for analysis of mass media industries.

At the basis of the proposed meta-model are foundations derived from a long lasting debate between the neoclassical and the critical approaches within the field of media economics. Focusing on the SCP model as a framework for industrial analysis of mass media, we could utilize insights from these foundations in order to suggest the next step in adaptation of the model to the discipline of communication studies. The underlying logic behind this model is based on synergy between two seemingly rival approaches to media economics questions. The complex view of communication as a social process gives more weight to the critical argument. However, this approach is lacking empirical rigor necessary to leverage its insight. The neoclassical approach, on the other hand, offers empirical richness and methodology that is considered more rigorous. Moreover, in media economics it is difficult to detach the communication research question from that of economics and management, and the neoclassical tradition is better equipped for dealing with those. At the same time, the neoclassical approach takes the questions away from the realm of communication inquiry by emptying the concept of communication from its social value. Observing this gap suggests that an attempt to bridge it may produce the necessary combination of tools and concepts that would allow a more complete view of mass media.
The model presents a network view of media industry and thus accounts for the mutual critique between the neoclassical and the critical approaches. By viewing the mass media industries as clusters of power and activity, and the connections between those clusters as exchanges of various resources, the model represents a shift away from the linear view of industry and its attributes, typical to earlier versions of adapting SCP to analysis of media. This is a perceptual shift from hierarchical view picturing stable relationships between elements of the industry to a “flat”, dynamic network accounting for the agency of its nodes. This is a conceptual framework that helps us assess the media industries as a whole, including the political and social forces involved in mass content production. However, despite the seemingly drastic change in the graphic representation of the model and the new horizons revealed by it, this framework still resembles the basic logic of the original SCP model, namely the causal interactions between the structure of the industry, its conduct, and eventually performance. The three elements are unpacked through description of the clusters and their connections.

The risk involved in proposing this model is that it provides a macro view of the industry, while at the same time suggesting a degree of complexity and detail that was not found in the earlier reincarnations of SCP model in mass media studies. As such it is exposed to critique by both camps in media economics research. At the same time, this critique is an opportunity to continue further investigating this line of thought. The task of this thesis was conceptual validation for expanding our view of mass media industries as social and economic institutions. Using Newton’s metaphor, it describes the shoulders of the giants (Sections 2 and 3) and the view revealed while standing on them (Section 4). From a scientific point of view, attempting an empirical inquiry into the expanded notion of mass media industries without discussion of validity of the proposed conceptual construct would be putting the cart before the horse. However, once we establish this expanded notion there is a defined space for discussion and testing of complexities associated with mass production and distribution of information in contemporary society.

6.1. Future research agenda

The discussion of potential application and critique of the model in Section 5 is the first step for outlining future research agenda. On the one hand, it argues that after
establishing the initial logic validity (i.e. coherence) and communicative validity (i.e. contextualizing within the existing literature) of this meta-model, further theoretical exploration is in order. On the other hand, it calls for development of a body of empirical research, which in turn presents a series of methodical and methodological challenges.

In order to continue the theoretical development of the proposed model, there is a need for extending the use of media economic literature. One concrete project that would naturally follow the discussion started here, can explore consistency between the proposed meta-model and other, more focused, models of various segments in media industries. Undertaking such a task, we would aim to assure that the model includes all the relevant nodes and connection, but none that are irrelevant. One way to address that could be to refer back to existing literature. The first step would be mapping both, the widely accepted models and the widely accepted criticisms of particular models from within each of the schools – the neoclassical and the critical. Then, we would locate all the models and criticisms within the proposed schema, by matching the model to particular clusters and sets of connection. After conducting such an exercise, we could learn whether there are nodes or connections within the meta-model that remain omitted or misrepresented.

Another concrete project can examine the more applied research addressing the clusters and the connections constituting the proposed model. Literature included in the current thesis is focused mostly on the theoretical constructs of the various segments of the network. It identifies their attributes and the nature of exchange between them. However, as is mentioned in chapter 4, there is room for more specific models contextualized in concrete geographical, cultural, or political settings. Relating a body of empirical literature to the framework proposed here would serve a dual purpose. First, it would provide further guidance about application of the model to concrete markets, thus advancing the empirical testing of the model (to be discussed later in this section). Second, it would produce a didactical tool for people entering the field and struggling with grasping the wide body of research in a systematic way.

In addition to the two ideas presented above, there is room for further investigations challenging the validity of the proposed construct. For example, Chapter 2 of this thesis highlights a growing body of research challenging the conceptualization of
information as a socio-political artifact. In this context, there is room for checking how various approaches to information affect the suggested dynamics of the proposed model. Communication research can add to it through a historical perspective on the notion of communication itself. It would be interesting to follow how the change from viewing communication as a vehicle, to viewing it as a social and cultural process, is reflected in different conceptual maps of mass media industries.

These and similar research initiatives would further develop the proposed framework contributing to its validation within the media economics discourse. However, the theoretical only enquiry would account only for half of the process. There is a complementary need for developing an empirical body of research, especially if we take into account the intended applied aspects of the model.

The first step in developing an empirical research agenda, would be addressing the methodical aspects of conducting research within the proposed framework. Particularly important is the issue of defining operational definitions for resources exchanged within the model. While there is a developed body of knowledge about the quantitative components, such as financial resources, there is more ambiguity regarding the qualitative elements such as influence. This difficulty could be addressed through extending the use of literature beyond the media economics discourse. One path to follow is mapping the conceptual work applied by strategic management studies or communication research focusing on content production practices on organizational level. Crossing these observations with critical literature in media economics can be a beneficial project bridging the proposed framework with empirical research.

Another aspect of advancing the empirical agenda concerns the methodology. In fact, the proposed model suggests expansion of methodologies used for the study of media industries. Particularly, the potential synergy between the neoclassical and the critical approaches calls for adoption of mixed method designs, which become common in policy research (for example see Creswell, 2003; Weisner, 2005). These designs include combinations of qualitative and quantitative methods, which are aligned in a symbiotic way. One of the repercussions of this approach would be an increased need in fieldwork for media economists. Although fieldwork is common
practice in managerial studies, industry analysis conducted in media economics tends to rely on secondary data.

A concrete study that would be of a particular personal interest includes field work in the Israeli media market. This is an interesting field due to the high level of information infrastructure development (both technical and legal), unique culture (including language), and a relatively well defined geographic market. As such, Israeli media market could be suitable for an empirical test of the proposed meta-model. At the same time, increased field work bears a significant risk factor stemming from the high access barriers to the mass media production communities. This difficulty is shared by scholars working within the critical paradigm, and as could be seen during the course of this work, its effect is amplified in a small market with close social ties.

To summarize, this thesis aimed to address the paradox of media economics research. On the one hand, the more empirically robust contributions based on the neoclassical approach, lack input from the critical approach of communication theory. On the other hand, the theoretical contributions found mostly in the critical approach have difficulty in producing robust empirical evidence. In order to bridge this gap a large amount of work is required both in the theoretical and the empirical domains. This project presents the first step in this direction, however as this section shows there is room for further contributions.
7. References


Zoref, A. (2003, September 16). We will consider limiting Israeli advertising on Russian channels (Hebrew). *Haaretz*.


I love you semidget!

8.

A Hebrew summary

8. תקציר

The current study aims to examine the paradox that exists in telecommunications economics. From one perspective, the empirical contribution, which is based on the neoclassical approach and lacks in the theoretical framework, it is difficult to present empirical evidence that supports the argument. On the other hand, the theoretical contribution, which is derived mainly from the critical perspective, lacks the ability to present empirical evidence.

The current study uses the example of the commercial broadcasting industry to discuss the general problems of the telecommunications industry. The main goal of this study is to contribute to the theoretical thinking in the fields of telecommunications and economics, by offering a conceptual framework that will allow a systematic discussion in the media fields, both from a theoretical and practical perspective.

The proposed conceptual framework is based on a continuous discussion between the neoclassical and critical perspectives in the field of telecommunications economics. This study applies the insights gained from this discussion when it focuses on the model - SCP (Structure-Conduct-Performance) - for the analysis of the telecommunications industries.

This model is based on a partial picture of the dynamics within the industry. The model presented an argument about the relationship between the industry structure, behavior and performance. However, it was exposed to the same criticism as the neoclassical perspective in telecommunications economics. Therefore, in continuation, Ramstad (1997) expanded the SCP model to incorporate unique characteristics of the telecommunications industry, such as simultaneity in the markets of viewers and advertisers, and the involvement of regulators and viewers. However, this model did not deal with the complexity and variety of relationships between the different components of the industry.

Moreover, the updated model does not deal with the complexity and variety of relationships between the different components of the industry. The model, as presented, does not provide adequate definitions of the components themselves and does not explain the differences between the links that reflect the relationship between them.

Thus, the current study brings the conceptual framework to the field of telecommunications economics.

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scientists and engineers working in various fields. The model is based on the theory of complex systems and emphasizes the interdependence of different components. The model is structured in a way that each component is interconnected, allowing for dynamic changes in the system. This structure enables the model to simulate the behavior of the industry under various conditions, providing insights into the performance and evolution of the industry.

The study is conducted at the level of the industry as a whole, rather than at the level of individual firms. The model takes into account the influence of various factors, including the behavior of consumers, the government, and other stakeholders. The model provides a comprehensive view of the industry, allowing for a deeper understanding of its dynamics and evolution. The model is flexible and adaptable, allowing for the incorporation of new data and the adjustment of parameters as needed.

The study also highlights the importance of the network structure within the industry, which plays a crucial role in the flow of information and the exchange of resources. The network structure is dynamic and changes over time, reflecting the changing nature of the industry. The model provides insights into the evolution of the network structure and the effects of various interventions on the network.

In conclusion, the model is a powerful tool for understanding the dynamics of the industry and for formulating strategies to improve its performance. The model can be used to simulate different scenarios, allowing for the selection of the most effective strategies. The model is flexible and adaptable, allowing for the incorporation of new data and the adjustment of parameters as needed. The model provides a comprehensive view of the industry, allowing for a deeper understanding of its dynamics and evolution. The model is a valuable tool for researchers and policymakers in the field of industry studies.
הסיכון בהצעת המודל הנוכחי טמון בכך שהוא מציג מבט על התעשייה והעת מקדם רמה של פירוט ומורכבות שלא נמצאו בגלגולים קודמים של מודל ה-SCP בכלכלת התקשורת. כתוצאה מכך, המודל חשוף ל ביקורת파ácil מאפייני התיאורית, ואת ההמתדולות בין היבזורים ותפקידים שונים לשלמות ולהשלמות.

המשימה המרכזית של המחקר הנוכחי היא להציע מסגרת קונספטואלית להרחבת הראיה שלנו את תעשיות התקשורת כמוסדות חברתיים וכלכליים. אם נרצה לעצמנו לסתות מן השפה הרשמית, הרי שהעבודה הנוכחית מתארת את אותו חליפון הענקים המפורסמים (פרקים 2 ו-3 של העבדה) ואת הנפש CHARSET (פרקים 4-5). מיקוד חלבית, החתח עבדה

הפרויקט הנוכחי הוא רק הצעד הראשון בכיוון זה, כפי שהוא מראה. יש מקים לתרומות נוספות.

לצידם, גם את תחומי trabajo של מוסדות אחרים, ואת הקונספטואליים המורכבים, היו כלים חליפון הענקים וה ואין לה*)_פקס

וכפי שהא原則, יש מקים להאריך ניסיון.
I love you semidget!
I love you semidget!

I love you semidget!

אני רוצה אתך-

הפקולטה למדעי הרוח והחברה
המתאיך לתקיינות

מפת הדרכים להבנת תעשיות התקשורת

הborough וחברה של מודרניזם לקבוצת התחנה ".AddInParameter" למדעי הרוח והחברה"

(מ.א.)

מאת: דניאל אפשטיין
מנחת: פרופ' מרטין אלטון
דר' קליני-על קינו

חתימת הסטודנט: __________________
תאריך: ______________
חתימת המנחה: __________________
תאריך: ______________
חתימת יו"ר ועדת המחלקה: __________________
תאריך: ______________

אוקטובר 2007
אני אוהב אותך שמידט!

הפקולטה למדעי הרוח והחברה
המחלקה לדקושור

สวFTA דריך להבנת תעשיות תקשורת

(מ.A) הביריה ומחוזו של מחזור לקבלי התוכן "משמק למדעי הרוח והחברה"

נכתב: דמיורי אפשטיין
בהנחייה: מרס' מרין אלתונו
דר' קייטי-על קוני

תשחי תשס"ח 2007