

CONCENTRATION OF MEDIA OWNERSHIP AS A GLOBAL PHENOMENON

KONCENTRACIJA VLASNIŠTVA U MEDIJIMA KAO GLOBALNI FENOMEN

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Abstract: *Today, we are confronted with local and global concentration of media ownership. In markets around the world, lot of media faced with pressures to “relax” ownership regulations. This push spills over into aggressive attacks on public broadcasting structures, with high widespread calls for privatisation. This article presents a macro-level portrait of the networked forms of organization, production, and distribution in which the world’s largest multi-national media organizations operate.*

Key words: *The Media, Concentration of Media Ownership, Global Media Synergy.*

Apstrakt: *U današnje vrijeme se suočavamo s lokalnom i globalnom koncentracijom u medijima. Na tržištima širom svijeta, značajan broj medija se suočava s pritiscima da se “olabavi” regulacija vlasništva. To se ubrzano pretvara u agresivne napade na javne radio difuzne strukture, sa široko raširenim pozivima za privatizaciju. Ovaj članak predstavlja portret umreženih oblika organizovanja, proizvodnje i distribucije na makro nivou, na kojem djeluju najveće svjetske multinacionalne medijske organizacije.*

Ključne riječi: *mediji, koncentracija vlasništva u medijima, sinergija globalnih medija.*

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*Power corrupts; absolute
power corrupts absolutely.*

Lord Acton, 1887

1. Introduction

The processes of globalization, digitization, networking, and cultural differentiation of media have induced new forms of organization, production, and distribution through which these multi-national media businesses operate. The global network of media organizations is a vast and complex entity constituted by countless players.

In some places major multinational corporations own media stations and outlets. Often, many media institutions survive on advertising fees, which can lead to the media outlet being influenced by various corporate interests. Other times, the ownership interests may affect what is and is not covered. Stories can end up being biased or omitted so as not to offend advertisers or owners. The ability for citizens to make informed decisions is crucial for a free and functioning democracy but

now becomes threatened by such concentration in ownership.

Increasing business concentration is a facet of globalization. The media, entertainment and arts sectors are in this respect no different from other industries – or, if there is a difference, it is that the large media empires are minnows in comparison with really large transnational corporations in banking, the oil industry, pharmaceuticals, automobiles and IT sector. It’s surely understandable if creative workers fail to become too obsessed with board room antics, given the way in which ownership of media businesses frequently changes. Consider Universal Studios, for example, the ownership of which has been shifted around the world in recent years – US, Japan, Canada, France – like a global game of pass-the-parcel. It’s tempting to suggest that Universal’s staff should ignore all this and simply get on with doing their own jobs in the best way they can.

Conglomerates buy eyeballs. That's it. And they leverage. Their producing power to drive content, their distribution power (such as retransmission consent) to drive new services, and their promotional power to literally obliterate competitor. The barrier to entry is now so incredibly high that the ability of a new entrant to actually go out and get voice is practically nil... The possibilities today of somebody launching a new Fox network, a truly independent new network, are non-existent. There are real dangers in complete concentration. The conventional wisdom is wrong – we need more regulation, not less.

2. Media Conglomerates, Mergers and the Concentration of Ownership

Bad ideas flourish because they are in the interest of powerful groups.

Paul Krugman

Media concentration is not new. History is rife with examples of oligopolistic control over the space of communications. In the United States, the "big three," ABC, CBS, and NBC dominated both radio and television networks into the 1980s. Though the early 20th Century, the news agencies Reuters (UK), Havas (France) and Wolff (German) formed a "global news cartel," which maintained rigid control over the transmission of international news stories (Rantanen, 2006). Moreover, in most countries outside of the United States, governments traditionally maintained a monopoly on radio and television networks. Control over the space of communication has thus always ebbed and flowed out of complementary and contradictory changes in regulation, economic markets, the political environment, and technological innovations. However, the digitization of information and the rise of satellite, wireless, and Internet communication platforms have diminished traditional firewalls to ownership expansion.

Global conglomerates can at times have a progressive impact on culture, especially when they enter nations that had been tightly controlled by corrupt crony media systems (as in much of Latin America) or nations that had significant state censorship over media (as in parts of Asia). The global commercial-media system is radical in that it will respect no tradition or custom, on balance, if it stands in the way of profits. But ultimately it is politically conservative, because the media giants are

significant beneficiaries of the current social structure around the world, and any upheaval in property or social relations—particularly to the extent that it reduces the power of business—is not in their interest (McChesney, 1999).

Term "global media" is typically used to describe the multi-media corporations with the greatest revenue and the largest diversified holdings in multiple regions and countries around the world. Some media businesses maintain a stronger international presence than others. However, "global media" organizations are not truly global, as local media organizations are not truly local (Arsenault & Castells, 2008, p.711).

There have been a lot of mergers and buyouts of media and entertainment companies since the 1980s. Mainstream media has since become more concentrated in terms of ownership and the influences of advertisers and owning companies both have an enormous influence in how mainstream media shapes itself and society.

At the end of the 1990s, there were 9 corporations⁶ (mainly US) that dominated the media world: AOL-Time Warner, Disney, Bertelsmann, Viacom, News Corporation, TCI, General Electric (owner of NBC), Sony (owner of Columbia and TriStar Pictures and major recording interests), and Seagram (owner of Universal film and music interests). By the end of 2006, there are 8 big media companies dominating the US media, from which most people get their main information: Disney (market value: \$72.8 billion), AOL – Time Warner (market value: \$90.7 billion), Viacom (market value: \$53.9 billion), General Electric (owner of NBC, market value: \$390.6 billion), News Corporation (market value: \$56.7 billion), *Yahoo!* (market value: \$40.1 billion), *Microsoft* (market value: \$306.8 billion), and *Google* (market value: \$154.6 billion)¹

As Robert McChesney describes, these are the "first tier" companies and following them are around 50 or so "second tier" companies doing media-related business at either national or regional level. All of these companies each do more than one billion dollars worth of business.

In 1983, fifty corporations dominated most of every mass medium and the biggest media merger in history was a \$340 million deal. In 1987, the fifty companies had shrunk to twenty-nine. In 1990, the

¹ Microsoft, Google and Yahoo! are newer media companies compared to the other "traditional" 5 players. Also, most of these companies are in the global elite of media companies.

twenty-nine had shrunk to twenty three. In 1997, the biggest firms numbered ten and involved the \$19 billion Disney-ABC deal, at the time the biggest media merger ever. In 2000, AOL Time Warner's \$350 billion merged corporation was more than 1,000 times larger than the biggest deal of 1983 (Bagdikian 2000, pp. 20).

When Viacom offered to buy out CBS earlier in 1999 for around \$37 billion, it resulted a flurry of praises in the mainstream media in the US, which otherwise reports little on its own industry. However, as the previous link points out, there are increasingly "fewer and fewer players" in the media. This results in the possibility of less diversity and reduced quality of journalism as political interests may not allow certain topics to be covered. Just as the Viacom/CBS deal fervor began to die down, we saw the largest corporate merger in history (valued at over \$165 billion) between mega Internet giant AOL, and media king Time-Warner, merging to form AOL Time Warner. While corporate-owned mainstream media praised this, there were many critics commenting on the resulting lack of diversity that will impact meaningful democracy and open debate even more. That was in early 2000. Around early 2002, the top ten media companies were AOL Time Warner, Disney, General Electric, News Corporation, Viacom, Vivendi, Sony, Bertelsmann, AT&T, and Liberty Media. As Mark Crispin Miller (2002, p.34) points out, while different companies may "come and go" out of the top brass, the "overall Leviathan gets bigger and bigger".

Not all media merger attempts are successful. As the example, in February Comcast's \$66 billion bid for Disney failed. But the fact this was attempted and would lead to more concentration if successful raised issues about concentration in media.

It is not a matter for the United States only, the media concentration is a global issue. For example, in addition to its more than 11.5 million direct broadcast satellite (DBS) subscribers, Murdoch manages the assets of Hughes Electronics, DirecTV's parent company, which gave News Corp. increased clout over programming in Latin America. Rupert Murdoch's News Corp/FOX merger with DirecTV in December 2003 was opposed by many, to no avail. "News Corp's Sky Latin America and Hughes Electronics' DirecTV Latin America (DLA), dominate the DTH (direct to home) sector in Central and South America. A News Corp takeover of DirecTV would put effective

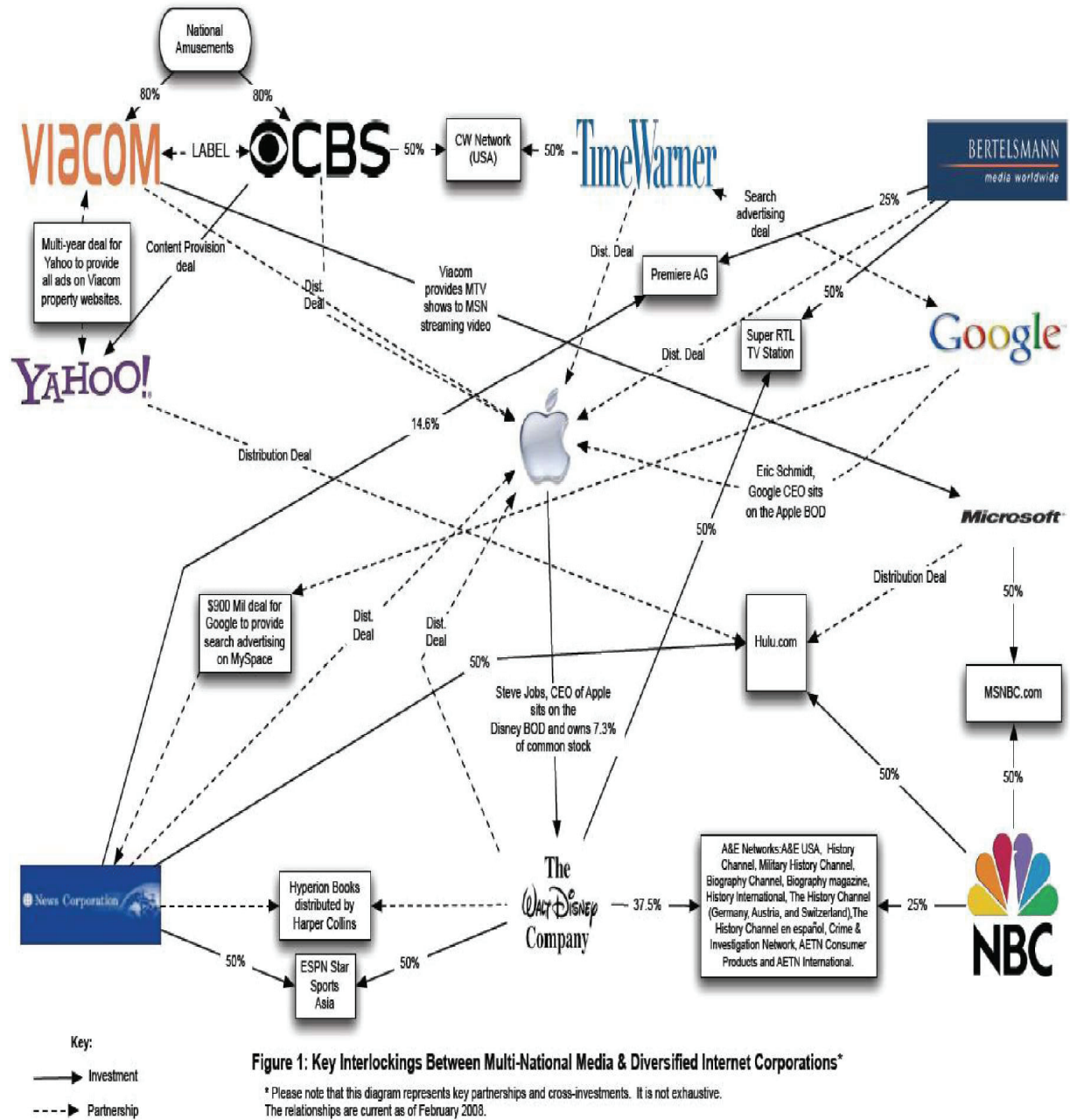
control of both platforms in the same hands," commented Steve Blum, in an article published in the August-September 2003 issue of "The Orbiter", a bulletin that caters to the satellite sector. Murdoch's empire includes British Sky Broadcasting and START TV in Asia, too. America's first broadcast network, NBC, owns and operates more than 14 stations, along with CNBC, a business-news network, and Telemundo, the nation's second-largest Spanish-language broadcaster. NBC has recently acquired Bravo, the Arts and Film cable network. Viacom owns theatres in Canada (Famous Players) and other places—United Cinemas International, in partnership with Vivendi, for example. CNN International can be seen in 212 countries, with a daily audience of 1 billion globally (Gutierrez, 2004). And that is not all...

After 2010, there were 7 giants in world media industry: Time Warner, Disney, News Corporation, Bertelsmann, NBC Universal, Viacom and CBS. In addition, it is presented the interaction of these "Big 7" with the largest diversified Internet/digital organizations: Google, Microsoft, Yahoo!, and Apple. Looking at the configuration of this global media core, we can find four major inter-related trends: (a) Media ownership is increasingly concentrated (b) Media conglomerates are now able to deliver a diversity of products over one platform as well as one product over a diversity of platforms, (c) This fluid movement of communication products across platforms encourages the customization and segmentation of audiences in order to maximize advertising revenues; (d) The success of these strategies is determined by the ability of internal media networks to achieve optimal economies of synergy that take advantage of the changing communications environment. Figure 1 provides a mapping of key partnerships and cross investments between the dominant global media and diversified Internet companies (Arsenault & Castells Ibid, p.714).

As Figure 1 illustrates, these companies are connected through a dense web of partnerships, cross-investments, and personnel. National Amusements, the family company of Sumner Redstone, maintains a controlling 80% stake in both CBS and Viacom. NBC Universal and News Corporation jointly own the online content provider Hulu.com, launched in 2007 as a rival to Google's YouTube streaming video platform. Time Warner's AOL, Microsoft's MSN, News Corp.'s MySpace and Yahoo! also provide distribution for the Hulu plat-

form. But while Hulu represents an effort to break YouTube's hold on the digital video market, its backers have formed strategic partnerships with

Google elsewhere. In 2007, Google signed a \$900 million contract to provide advertising delivery for News Corp.'s MySpace social networking site.



Thus these multi-media conglomerates simultaneously compete and collude on a case-by-case basis according to their business needs. Figure 1 reflects only current relationships. It does not reflect numerous temporary partnerships conducted by these corporations. For example, while NBC Universal won the broadcast rights to the 2006 Torino Olympics, it signed content provision deal

with ESPN.com (owned by Disney) and advertising deals with Google. When certain corporations amass disproportionate control over certain content delivery or production mechanisms — such as YouTube's dominance over Internet video — other media properties seek to break this bottleneck through investment or the development of rival properties. Diversification of properties thus works

hand-in-hand with media concentration. The ability of these media giants to successfully broker favorable deals both with each other and with other key media businesses is contingent on their ability to amass diversified media holdings through partnership, investment, or direct acquisition (Ibid., p.716).

3. Interlocking Directorates

Interlocking directorates is another interesting issue when we talk about global media concentration. Interlocking is where a director of one company may sit on a board of another company. As pointed out by U.S. media watchdog, *Fairness and Accuracy In Reporting* (FAIR) for example, Media corporations share members of the board of directors with a variety of other large corporations, including banks, investment companies, oil companies, health care and pharmaceutical companies and technology companies. Bagdikian (Ibid, p.35-6) details some of the impacts of this interlocking. In these cases where directors from numerous large corporations sit on each others boards and own or sit on boards of large media companies, he points out that conflicts of interest can be numerous. Furthermore, he also points out that it is difficult to show beyond doubt that these conflicts of interest make their way into media decisions. He said: *"It is not often the public hears of clear destruction of editorial independence. In most cases there is no visible imposition of the parent firm's policies, and the policies are often not absolute, conditioned as they are by the desire for profits. In a democracy a wide spectrum of ideas has equitable access to the marketplace. The effect of a corporate line (exerting control over public idea) is not so different from that of a party line (of a country imposing controls). Political intervention in its most pervasive form is not open and explicit but is concealed under seemingly apolitical reasons (such as the natural choices that have to be made on the countless number of works that might not be published for legitimate non-political based reasons). ... Most difficult of all to document is the implicit influence of corporate chiefs. Most bosses do not have to tell their subordinates what they like and dislike"*.

He continues to further point out that the concentrated ownership also allows criticism to be managed as well: *"Corporations have multimillion-dollar budgets to dissect and attack news reports they dislike. But with each passing year they have yet another power: They are not only hostile to independent journalists. They are their employers"* (Ibid.).

In this respect, as the mainstream media is more corporate owned, the same market pressures that affect those companies, affect the media as well

and hence, the media itself is largely driven by the forces of the market. In the US, for example, it is very noticeable how competitive the media companies are between themselves. While competition can be a healthy aspect of news reporting and media in general, pushing for better quality, the oligopoly and concentrated control of media companies has meant that the competition has reduced itself to attracting viewers through sensationalism etc rather than quality, detailed reporting etc.

Many stations report news on the very same stories at the exact same time and have commercial breaks at the same time! The sensationalism they compete for is what they hope will drive audiences to their channel. This type of competition affects the ability to provide quality news and affects the depth and even reputation of professional journalism (Kapusinski, 1999).

4. Economies of Synergy in Global Media

If from the 60's management practice stated that size was the main competitive advantage of companies, in the 80's the idea of "integrated corporation" was introduced, where each business line of a company would assist in the correct operation of the others. Many mergers and take-overs, and even total conversions of firms were based on this idea, generally called "synergy theory", which has been much used in the media markets. Although the term is applicable to other scientific disciplines, in media economics the concept of synergy has a different nuance.

Specifically, it includes at least four different processes: exploiting content by re-using it within the different areas of a company; the use of several areas to jointly foster a service offered by the company; multitasking by the staff in different operations or activities, and saving in management costs. The merger of Time Inc. and Warner Communications was the culmination of a period when the most important communications companies decided to use the same strategy to profit from, cooperate and share the available resources. This was the main line of reasoning behind horizontal, vertical and transversal mergers and acquisitions .

The ability to successfully leverage economies of scale, diversity of platforms, and customization of content in service of sustainable corporate expansion is determined by economies of synergy. The configuration of the internal network organization of major media organizations is critical. As

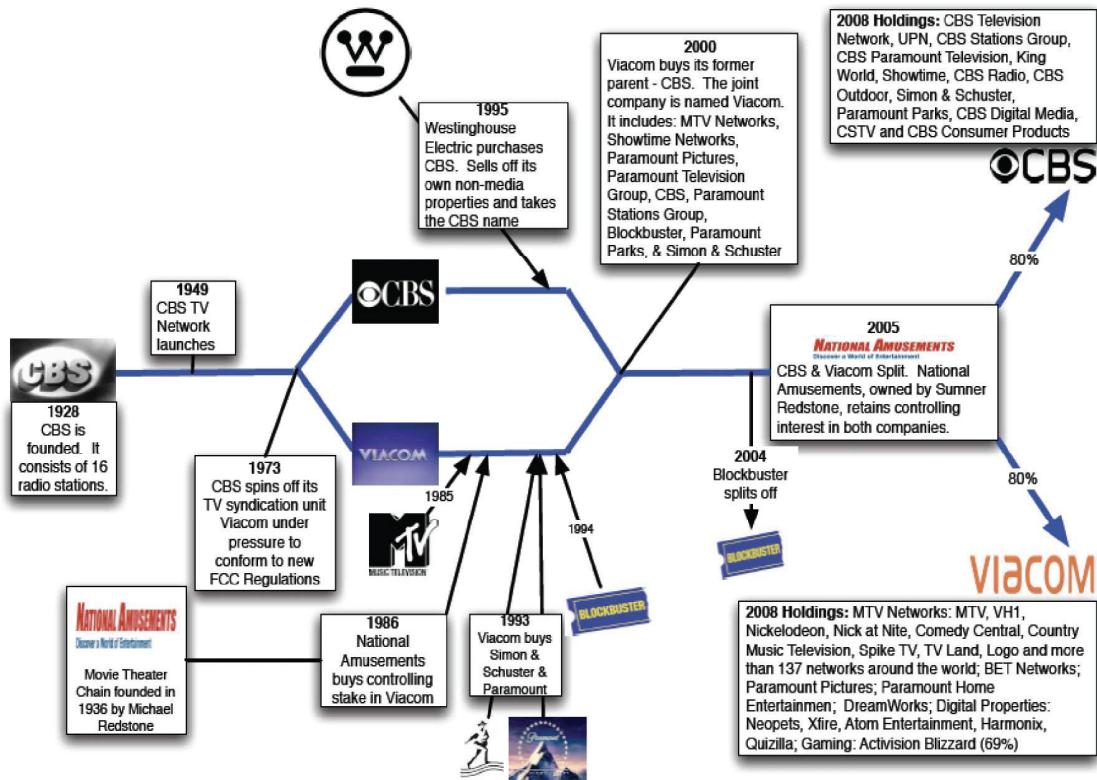
Bennett (2004, p. 132) stresses, "corporate behemoths are anything but well-organized machines". He points to the failures of AOL with Time Warner and Viacom with CBS to create profitable synergies. Indeed, the failure of CBS and Viacom to successfully merge their corporate cultures is illustrative of the fact that economies of size are not necessarily always beneficial. The relationship between CBS and Viacom dates back decades.

The Figure 2 provides a timeline of the evolution of these two mega-companies. It illustrates, Viacom actually emerged out of CBS in 1973 when CBS was forced to spin off its TV syndication unit under new FCC regulations forbidding U.S. TV networks to own TV syndication units. In 2000, Viacom, which in the interim became the more successful company, purchased its parent company CBS for \$22 billion in what was then the largest media merger to date. However, five years later, Viacom and CBS de-merged, finding little economies of synergy between the two companies. After the split, CBS retained the majority of the content

delivery platforms (e.g., the CBS Network, CBS Radio, and the CW), while Viacom retained the majority of the content creation properties (e.g., Paramount Studios and the MTV family of networks). National Amusements, one of the United States oldest and largest movie theatre chain companies and the family company of Sumner Redstone, retains controlling interest in both companies (Arsenault & Castells Ibid, p.718).

The key is *synergy*. Synergy is based on the compatibility of the merging networks. It is programs not properties that merge. Networked forms of organization within companies rather than horizontal integration of properties appears to be the most successful business model in contemporary multi-media conglomerates. Indeed, in recent years several of the largest media companies in terms of market capitalization have begun to pare down their operations. Clear Channel, a U.S. based company with principally radio holdings sold its television division. The New York Times Company also divested its television broadcasting interests.

Figure 4: The Development of CBS & Viacom 1928 - 2008



Low (2001, p.47) has identified News Corporation's global business model as being that of the global network enterprise, where "We can find mul-

ti-ple (and proliferating) styles of control and decision-making being tolerated in different parts of the network, so long as those at the centre of the web

can gain from allowing a particular practice and/or organizational arrangement to exist in a part of their networked 'empire'". In other words, News Corporation has focused on maximizing the profitability of individual segments rather than integrating the day-to-day business practices of its diverse holdings. Furthermore, even as Murdoch has maintained rigid vertical control, News Corporation has shown notable flexibility, particularly in terms of specialization across platforms. In the 1980s, News Corp.'s assets were overwhelmingly in newspaper and magazine publishing. By 2003, 63.7% of the company's total corporate assets were the areas of film, television, and cable/satellite network programming (Flew & Gilmour 2003, p. 14). It is likely that we are seeing the very beginning of a similar shift toward Internet/convergence properties. Thus, News Corp. is generally identified as both the most "global" media business in terms of holdings with the most sustainable internal networking management strategy (Gershon 2005).

It is evident that the global core of media companies are pursuing policies of ownership concentration, inter-company partnerships, diversification, and economies of synergy with varying degrees of success. In new, information or media world, the internal configuration of these media businesses is heavily contingent on their ability to leverage and connect to the broader network of media businesses. Moreover, second-tier nationally-focused media industries are also increasingly dependent on their ability to connect to these multi-national companies.

5. Conclusion

To be able to participate in community life and make economic, social and political choices, citizens rely heavily on information. They need to know what is going on and what are the options that they should weigh, debate and act upon. Ideally there should be a wide range of media representing the diverse opinions and viewpoints on issues of public interest existent in society, which are independent of the state and society's dominant economic forces.

Media concentration can occur in a variety of ways and for different reasons, but It always has a detrimental effect upon democracy, which vitally depends on diversity of opinion. Media should reflect the whole variety of ideas, viewpoints and opinions that exist in a society and represent a wide range of political and cultural societal groups. A

concentrated media market might not only have a disadvantageous impact upon pluralism and allow media owners a heightened influence on public opinion, but can also enable the largest players to close the market to new entrants. This leads to an absurd situation in which multiple media means less information.

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Zaključak: *Da bi mogli učestvovati u životu zajednice i vršiti ekonomski, socijalni i politički izbor, građani se oslanjaju na informacije. Oni moraju znati šta se dešava i koje su opcije između kojih treba vagati, debatovati i na koje treba djelovati. U idealnom slučaju trebalo bi da postoji širok spektar medija, koji predstavljaju različite stavove i mišljenja o pitanjima od javnog interesa bilo kojeg društva, koji su nezavisni od države i dominantnih ekonomskih i političkih uticaja. Koncentracija u medijima se može pojaviti na različite načine i iz različitih razloga, ali ona uvijek ima štetan uticaj na demokratiju, koja prvenstveno zavisi od raznolikosti mišljenja.*

Mediji treba da odražavaju čitav niz ideja, stavova i mišljenja, koja postoje u društvu i predstavljaju izraz širokog spektra političkih i kulturnih društvenih grupa. Koncentrisano medijsko tržište nepovoljno utiče na pluralizam i omogućuje vlasnicima medija povećan uticaj na javno mnjenje, a često može omogućiti najvećim igračima da zatvore tržište za nove konkurentske kompanije. To dovodi do apsurdne situacije u kojoj više medija znači manje informacija.
