



MASARYK UNIVERSITY FACULTY OF ECONOMICS AND ADMINISTRATION

Media Economics

4. lecture

Simona Škarabelová

Mass media

- Television- and radio broadcasting, Internet
- Ways of communications, that can address many people in one moment or short time
- Owned by public authority or private entrepreneurs
- Financed from:
 - public money – subvention or fess (BBC in UK),
 - private money/advertising (Spain),
 - combination of both

Media economics

- is a term applied to the study of the way economics and financial pressures affect a variety of communications activities, systems, and organizations and enterprises, including media and telecommunications.
- only explores the specific application of economics laws and theories to media industries and firms, showing how economic, regulatory and financial pressures direct and constrain activities and their influences on the dynamics of media markets.

The field of inquiry:

- It concerns with the way, how the kinds of media and communications are available in society;
- Media economics - it focuses on the ways, how media behave and operate;
- it explores which kinds of content is produced in the media;
- It answers the question, how can media influence culture, politics and society as a whole.



Within the study of media economics...

- ...there are three different traditions evident:
 - A theoretical tradition
 - An applied tradition
 - A critical tradition.



The theoretical tradition

- Emerged from the work of economists who have tried to explain choices and decisions and other economics factors affecting producers and consumers of communications goods and services.

The applied tradition

- emerged from business economics and management department at universities and from researches for communications industry associations.
- Has often explored the structure of communication industries and their markets, with an emphasis on understanding trends and changes.



The critical tradition emerged

- from the work of political economists and social critics, primarily within communications studies, concerned about issues of welfare economics.

Across the three traditions, there is a common underlying precept that media are economic entities which work within economic content to producers and within market content to consumers.



Media

- operate with a variety of business models and value-creation processes and in a wide variety of settings.
- content can be sold or provide free to consumers. The state and private persons may provide financial support for non-market purposes.
- advertisers can provide none, some, or all of the income.



- The need to understand media economics is growing rapidly.
- In developed nations the rise of enormous commercial enterprises in communications, the rapid development of next electronic communications systems and the commercialization of broadcasting are dramatically changing the communications landscape and the economic and financial pressures on the media and communications systems.



Broadcasting

- Is a key sector in modern society, not only economically but, more than most industries, culturally, socially and politically.
- It is a sector that is more than most subject to government regulation.
- There is also a sector that is more than most linked to the digital revolution in technology at the core of the „new global knowledge economy“

Broadcasting

- Refers to a diverse range of radio and television services for entertainment, educational and informational purposes.
- The industry is therefore distinct from live arts and education and from non-electronic media such as cinema, books, magazines and newspapers.
- The industry can also be characterized as a process/way from
 - programme production,
 - programme selection for networks and local stations,
 - programme delivery
 - funding of this whole process.



Television

- had become a commercial mass medium by the 1950s, competing for audiences with radio and other media.
- Finding the money – there are three sources of funding for television programmes:
 - Advertisers,
 - Taxpayers (in form of public money)
 - Viewers (fees)



Economic characteristics:

- **Non-exhaustibility** is a principal economic feature of television programmes.
- With few incremental costs, a programme can be translated into other languages and reach wider markets.
- These economies of scale encourage programme producers to sell in international as well as domestic markets.
- **Non-excludability** – it is costly to change viewers from free over-the-air television.
- If some agreed to pay for the signals, free -rides could not be excluded.



Role of government:

- Governments have been intimately involved in the television industry from the outset because of its effect on the political process.
- Governments have used licensing of the spectrum as a way to control entry into television broadcasting and programme content.





The future of mass media

- In the time of digitalisation???
- In the time of globalisation???
- In the time of internet???





Influence of Internet

- The Internet and the replacement of analogue by digital signals threaten current economic relationship.
- Television and radio broadcasting viewership is decreasing, especially among the young, the some people spending more time on Internet for e-mail, chat, social networks, homework or downloading music, as well as content traditionally provided by television.

