Specific characteristics of the media industry: Business Models and Management Challenges

29 April, 2015

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Paulo Faustino (*)/Global, April 2015

Since the 20th Century, the diversity of media and advertising has increased considerably. The period of time required for new technologies to form part of everyday life has become much shorter than before. It is also a fact that in today’s world, children easily outperform their parents in the use of such technologies. The Internet has grown (and still has much more to grow) faster than any other media platform. In the 20th Century, music and cinema replaced books as the main form of mass medium. Now, in the early part of the 21st Century, it’s the Internet that has become the most widely used medium. The fundamental factors that have led to this state of affairs, in addition to the rapid expansion of personal computers, are the increasing number of broadband connections; an exponential improvement in computer technology; and the constant and progressive rate of growth of telecommunications. All this has resulted in radical consequences for the media industry, including the areas of business management and the development of business models.

Although the media industry has some marked and very specific differences in relation to other industries, such as visibility, and its cultural and social impacts, media organizations are increasingly adopting more market-orientated management practices, particularly in the areas of marketing and sales, all of which are being focused on economic and financial profitability. This situation also includes a tendency for media products to be perceived as a *commodity* or raw material. Moreover, management practices adopted by media companies appear to be increasingly picked up by other industries.

One of the aspects that has contributed to the fact that the management of media companies has become more aligned with the practices observed in other industries, is the impact of convergence (at the level of business models, distribution and production, for example), and the increasing competitive pressure generated by the growing number of competent communication products and substitutes. Growth in the implementation of models of multimedia products also implies that there is a growing view by media managers of the specific characteristics and complementarity between the different segments within the universe of communications media. In this sense, one can say that, as they are aware that there is a transition from a *mono-media* production and distribution logic to a multimedia logic, operators are also shifting from one form of mono-management to a more multi-management format, in the sense that they need to acquire more knowledge about the various media businesses, rather than focus solely on a particular type, as often happened in the recent past.

Furthermore, technology, through the creation of software and other models supporting business management, has also contributed thanks to the homogenization of certain management processes and operations. In this context, managers have a wider range of tools available to promote and administer their products. For example, the promotional tools used by the media and telecommunications industries are now more similar to each other, particularly as both sectors make use of: advertising, retail display and promotion, trade promotion, marketing and public relations, sponsorships, direct marketing, entertainment products, indirect advertising (product placement), personal sales, product registration and viral marketing.

It is thus possible to note the following aspects of the mass-media industry in relation to telecommunications, which may induce forms of management adapted to the context of media companies (but not necessarily different from the general principles and theoretical assumptions):

- Economic irrationality in media industries is stronger than in other industries; some decisions are based on non-economic criteria (catering, need for visibility, cultural values, etc.);
- In the media industry there are human resources that produce content without being paid, due to artistic reasons, intellectual satisfaction and in some cases, because of the need to affirm and generate public visibility;
- Mass media products involve autonomous professionals; consequently, organizational conflict is inherent within the media business, particularly when content creators have conflicting objectives to those of managers;
- The success of products is unpredictable; it is often not possible to test media products with their target consumers before production starts. Thus, the possibility of failure is greater for unique creative products;
- Reuse and rotation of practices in new formats and media, which are the result of technology and the multiplicity of uses and abundance in the supply of content;
- Operations according to the Pareto principle (the 80-20 rule), in which the economic value of the mass media comes from a small number of products or services; success can financially compensate any failures;
- Mass media products operate in two markets: that of information consumers, and that of advertising investors; a product's ability to draw the attention of these two markets determines its success and competitiveness.

In the table below, and as a form of general systematization, it is possible to view certain aspects that indicate characteristics associated with the traditional way of management versus the modern approach to media management.

Aspects associated with forms of traditional and modern mass media management

Forms of traditional management	**Forms of modern media management**
Cultural product	Economic product
Mono-media product	Multimedia product
Product based on weak technology	Product based on advanced technology
Product has a limited portfolio	Product has an extensive portfolio
Product with well-defined delimitations	Product does not have well-defined delimitations

Single-use product	Reusable product
Journalistic product	Journalistic and marketing-techniques product
Mono-media management: mono-management	Multimedia management: *multi-management*
Mono-knowledge	*Multi-knowledge*

Source: Own elaboration

One aspect that has differentiated the media industry from other industries is the fact that content creators (journalists, for example) and media business managers (i.e. marketing professionals) work separately and autonomously. However, this idea (that advertising and news are separate activities and that printed news journalism and broadcast journalism are part of different businesses) has been altered significantly, particularly from the 1990s onwards, with the emergence of communication, distribution and production technologies, all enhanced by the Internet.

Information and knowledge are about to become critical factors of production, and new virtual products (which respond to the needs of consumers and industries) have entered the market and are building new areas of businesses such as consultancies, services and the possibilities of cross-media. In general terms, media markets are now finding themselves located in an area of convergence determined by various factors, particularly: (i) the specific characteristics of the sector, such as technological developments, (ii) the legal and possibly regulatory structure; and (iii) the internal market and external success factors.

There are various factors pressuring the informational markets (e.g., regulation, technological innovation, communications platforms, etc.) making them increasingly volatile and competitive. As a result of these pressures, routine behavior, traditional skills and the resources of mass media companies have become insufficient, and many practices are now obsolete, a fact that demands new forms of management and adaptation in the search for new forms of production and distribution of content. In this new competitive environment, companies need to acquire and develop new skills, new resources and new management practices that force them to become more market-oriented, just like the competitive pressures that affect other industries; this is to say, the need for competitiveness is contributing to greater standardization of management practices of the mass media, drawing them closer to the practices adopted in other industries.

In turn, the convergence of mass-media and telecommunications technologies leads to another type of convergence: on the one hand, it contributes to bringing together more and more characteristics and similarities between the media companies themselves, and on the other, it helps standardize the management practices and business strategies used in different business segments. That is to say, management practices applied to different media companies are becoming more similar to each other, to the extent that convergence can be observed in the following: i) business models; ii) distribution platforms; iii) means of production; iv) marketing tools; and v) interaction with the consumer. Finally, and regardless of the type or size of media, these practices are being confronted, and at varying levels of intensity, with similar challenges at the level of management strategies and practices, as highlighted by the following: (i) the creation of new products; (ii) diversification of formulas; (iii) the reorganization of work; (iv) brand management; (v) investment in technology; (vi) cooperation between companies; (vii) costs reduction; (viii) project management; (ix) portfolio management; (x) attracting talent; (xi) multiplatform content; (xii) the articulations between management and drafting of content; (xiii) continued training; (xiv) the conquest of customer loyalty; and (xv) production synergies.

Summing up, it is possible to conclude that the Internet not only represents a system or distribution channel (similar to, for example, radio and television), but also a technology and a platform for acceleration in the transition of media activities into a new era. This is a fact that reinforces the need for new skills and professional profiles in media organizations, given that business management in this industry will have to pay special attention to the impact of technology on their respective business models and professional skills. The changes introduced by digital technology have been felt intensely, and the media executives of companies have been progressively adapting. In this context, it is possible to say that technologies have helped to dilute the borders between each type of media and also to standardize similar forms of business management practices, regardless of the type or size of media communications businesses observed.

*** President of the International Media Management Academic Association (IMMAA). President of Media XXI – Research & Publishing. Post-doctorate diploma awarded by the Nova University (Lisbon), with research undertaken at CITI/Columbia University. European Ph.D. in Economics and Media Management, Complutense University of Madrid. Professor at the University of Porto. Visiting researcher at the State University of Rio de Janeiro. Author of *"Pluralism, Concentration and Regulation of the Media".***

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