Patrician College of Arts and Science

Department of Electronic Media

Media Organization
(An Intro to Economies of Media)

SAY6A

EVEN Semester

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ECONOMICS OF MEDIA

- Media economics are the economic policies and practices of media companies and disciples including journalism and the news industry, film production, entertainment programs, print, broadcast, mobile communications, Internet, advertising and public relations.
- Deregulation of media, media ownership and concentration, market share, intellectual property rights, competitive economic strategies, company economics, "media tax" and other issues are considered parts of the field. Media economics has social, cultural, and economic implications.

What is Media Economics ?

Media economics combines the study of economics with the study of media. It is concerned with the changing economic forces that direct and constrain the choices of managers, practitioners and other decision-makers across the media.

According to Robert Picard, media economics ‘is concerned with how media operators meet the informational and entertainment wants and needs of audiences, advertisers and society with available resources’

For Alexander et al., media economics refers to ‘the business operations and financial activities of firms producing and selling output into the various media industries’

All media firms are not, however, commercial organizations. Most countries have a state-owned broadcasting entity which takes the form of a public corporation and which is dedicated to ‘public service’ television and radio broadcasting.

Many public service broadcasters (PSBs) rely on public funding (e.g. grants) but some depend, in part or in whole, on revenues derived from commercial activities such as sale of airtime to advertisers.

Even when they compete for revenues from commercial sources, PSBs are usually distinguished from commercial firms by the fact that their primary goal is to provide a universally available public broadcasting service rather than to make a profit.

Economics of Films

For a film to earn money, it has to shell a lot of money also. Give money and take money in return, if you are lucky. After the film is produced, it has to shell out lot of money on distribution, both national and international distribution.

The film producers has to market the film via many things : which
include :-
– Merchandise of the film.
– Products related to the film.
– Games related to the film.
– And many more.
 Any action which depicts the promotion of the film is considered to be a marketing of the film.
After the film is produced and marketed. The film goes in to viewing. If the film is good and lucky enough, then the film may make profit. But remember, a large chunk of the money which is earned by the film, will go to the distributors and theater owners. Then the available money goes to the producers.

Elements related to different aspects in an Economics of a film.
Ticket sales of the movie in the theaters around the world.
Network TV rights.
Foreign distribution.
Sales to independent TV stations.
Pay and pay-per-view TV rights.
Airline rights for in-flight movies.
College rights for campus screenings.
Music sales for film soundtracks.
Film-related merchandise (toys, etc.).
Book publishing rights (when a book follows the movie).
and product placement (money received for clearly showing certain products in scenes.).

Economics of Newspaper

Production costs

The production charge of the newspaper, which include the basic materials needed for printing the newspaper and for the personnels who are working in the newspaper company (which includes from the Management to the editors to the printing officials to the delivery staffs.

Revenues for the Newspaper.

Which includes:-

Subscription of the newspaper.

Revenues from the advertisements which are published on the newspaper.

And Single copy sales. (The cost of the newspaper).

Brief note on Economics related to Television Production .

Most television networks throughout the world are 'commercial', dependent on selling advertising time or acquiring sponsors. Broadcasting executives' main concern over their programming is on audience size.

Once the number of 'free to air' stations was restricted by the availability of channel frequencies, but cable T.V (outside the USA, SATELLITE TELEVISION) technology has allowed an expansion in the number of channels available to viewers (sometimes at premium rates) in a much more competitive environment.

In the United States, the average broadcast network drama costs $3 million an episode to produce, while cable dramas cost $2 million on average. The pilot episode may be more expensive than a regular episode.

Many scripted network television shows in the United States are financed through Deficit financing: a studio finances the production cost of a show and a network pays a license fee to the studio for the right to air the show.

This license fee does not cover the show's production costs, leading to the deficit. Although the studio does not make its money back in the original airing of the show, it retains ownership of the show.

SUPPLIER(Media) – BUYER(Audience) RELATIONSHIP

The influence of the relationship strategies between buyer(Audience) -supplier(Media) on the performance depend on the benefits perceived by both parts. Among the factors that may influence this relationship, we may high- light two main groups.

Firstly, we may mention the service's operational standards. They are related to the supplier's performance criteria (quality, flexibility, dependability, costs). Complementarity, these criteria influence the relationship continuity through intrinsic characteristics, such as communication, co- operation and problem solving.

REVENUE MODELS

A revenue model is a framework for generating revenues. It identifies which revenue source to pursue, what value to offer, how to price the value, and who pays for the value.

The revenue model is a key component of the business model. It primarily identifies what product or service will be created in order to generate revenues and the ways in which the product or service will be sold. Without a well defined revenue model, thus a clear plan of how to generate revenues, new businesses will quite certainly struggle to emerge as they will face costs which they will not be able to sustain.

Types of revenue Model

Production model, the business that creates the product or service sells it to customers who value and thus pay for it. This is the most common revenue model and a possible example would be a company that produces paper, sells it to either the direct public or other businesses who pay for the paper thus generate revenue for the paper company.

Subscription model, the business provides a product or service to a customer who in return pay a per determined fee at contracted periods of time to the business. The customer will be required to pay the fee until the contract with the business is terminated or expires, even if he is not utilizing the product or service but is still adhering to the contract. Possible examples are flat-rate cellular services, magazines and newspapers.

Fee-for-service model, unlike the Subscription model, the business only charges customers for the amount of service or product they use. Many phone companies provide pay as you go services whereby the customer only pays for the amount of minutes he actually uses.

Markup model, unlike the previous models, in this particular case the business buys a product or service and increases its price before reselling it to customers. This model characterises wholesalers and retailers, who buy products from manufacturers, mark up their prices, and resell them to end customers.

Commission model, this model, is similar to the markup model as it is used when a business charges a fee for a transaction that it mediates between two parties. Brokerage companies or auction companies often use it as they provide a service as intermediaries and generate revenue through commissions on the sales of either stock or products.

Advertising model, this model is often used by media businesses which use their platforms where content is provided to the customer as an advertising space.

Possible examples are newspapers and magazines which generate revenue through the various adverts encountered in their issues.

Internet businesses which often provide services will also have advertising spaces on their platforms. Mobile applications in particular use this specific revenue model to generate revenues. By incorporating some ad space, many popular apps such as Twitter and Instagram have strengthened their mobile revenue potential after previously having no real revenue stream

Thank you

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