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Issues On Media and Entertainment

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Francisco J. Pérez-Latre

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1. Introduction

This is an account of some of the major issues faced by media and entertainment management companies. It is also the product of a reflection on the media and entertainment landscape in the United States in the beginning of the 21st Century. Issues are described as they unfolded in the United States. But the American media landscape is very influential in the world at large. Therefore we cannot say that what developed in the US has no influence in other parts of the world.

Besides, most major media and entertainment issues are truly global. That is one of the reasons why I am hopeful that a variety of audiences interested in media and entertainment will enjoy the analysis of most issues portrayed here. Media and entertainment companies are very influential in today's world. They deal with really high stakes. In the following pages you will understand how in this industry there is a unique interplay of talent and creativity; need for business acumen and social responsibility. Such may be the defining traits of this industry, which make it relevant and fascinating.

Media and entertainment companies are excellent venues for personal growth of the men and women that work in them and the audiences that, sometimes ardently, follow them. Of course, there is wrongdoing in the media and entertainment scene. But it is always easier to criticize than to build a healthy media culture through powerful, well-managed media brands. Just thinking in how media have broadened our world experience is really a learning exercise. I will try to point into positive developments and explain that wrongdoing here is closely related with lack of quality work. Of course, media managers and companies have crucial responsibilities in the contemporary world but we will help them more pointing to excellence models than talking about how dangerous media are.

The media and entertainment field includes a broad range of different industries related to what audiences do in their leisure time. Besides work and sleep, media and entertainment consumption accounts for the largest part of audience time usage. That is why it might be useful to define which industries we cover while we talk about such an important field. It is a field heavily influenced by technological change, regulation and uncertainty. It includes the publishing, broadcasting industry, film, music, advertising, sports, online and the videogame industry (which is already larger than the film industry).

In the following chapters we will look at the impact of these industries as a whole. It is true that each of them has its own set of characteristics. But audiences are using most of them at the same time and their impact in popular culture occurs across media platforms.

It is significant to talk about this in a media management setting for a reason: media companies have to be managed balancing talent, creativity, business acumen and social responsibility. Business understanding here only goes so far: talent appreciation and social responsibility are always part of the equation. Media management needs to consider the role of social responsibility, which makes this industry unique. And media responsibility is not about negatives: it is about building something, taking into consideration the above mentioned specifics of the media and entertainment industries.

Besides, media managers need to be aware of the uniqueness of their product. Media is now a common language for many actors in society and its influence goes well beyond media outlets: it is a driving force in society, culture and politics. That is an aspect that probably should not be overlooked.

2. Why it is unique: understanding the language of media

One desiring to influence culture must know the language of the media. Such a language has become a common currency that goes beyond media practitioners and affects every single actor in the social and cultural scene. Media, with its inexorable technological development, shape attitudes and beliefs and helps to make the ideas broadcast by social actors more consistent, in an environment heavily influenced by instant communication and speed.

Genuine comprehension of the language implies a profound change in attitudes and perceptions by all those participating in social dialogue. Principals include the immediacy of news, the inescapability of transparency, and the importance of headlines. Nobody will read the body of the article if the headline doesn't grab him. First paragraphs are also instrumental: media need summaries. Those who want to communicate and influence culture have a need to work according to this unique language that asks for precision, newsworthiness, currency and the capacity for synthesis. Somehow, knowledge of this language is a part of the rhetoric training that is needed in the beginning of the century.

Iconic symbols are another important aspect of media language. Iconic expressions find their way into popular culture, allowing firms and institutions to advance their values and influence the "framing" of persons and organizations alike. In advertising, for example, such symbols give origin to such powerful icons as the brands (Holt, 2004).

The remarkable days that followed the death of John Paul II provide an historic example of how news has the capacity to produce a "cycle" with a life of its own. If the event remains newsworthy for a protracted period, it ascends into the realm of historic events, provoking reactions and even instant actions from audiences globally. In the case of John

Paul II, a real "globalization of astonishment" occurred. But in other cases the news cycle could be negative. Organizations must be prepared for a worst-case scenario involving a bad news cycle. It is not sufficient, but rather detrimental to an institution's image to just ignore the situation. One must respond to it. Frequently, ignoring the situation gives the appearance of covering up, which only worsens one's public image. Institutions can ready themselves for this contingency by developing a profound situation analysis capacity that will allow a correct assessment of their situation and thereby avert a crisis and develop a winning strategy.

Anyone desirous of having an influence on contemporary thought and opinion must have a good understanding of the different "screens" that rule so many lives. Contemporary citizens have at their disposal computer screens, consoles, cell phones, PDAs, etc. Screens, with their ability to broadcast instant information and their potential for human interaction bring with them new opportunities for relationships among persons. There arise new possibilities for audience participation that are increasingly active and open new avenues for social mobilization on behalf of social causes. Using these new technologies, civil society can become a bigger participant in the social dialogue, without strong ties to the value system that permeates the largest news organizations.

Currently media languages in the different platforms tend to integration. Thus those who promote a movie (film) think at the same time of selling its soundtrack (music), advertising it in web pages (Internet) and through TV commercials (advertising and television broadcasting). Finally, they might launch a videogame with the movie theme (gaming). All these platforms influence the different audiences and publicize values that lead to a certain world view and give meaning to specific decisions that people make about their lifestyle. The media-generated popular culture, using all the different "screens and platforms" has a unique capacity to produce trends.

Effectively using the language of media requires not only knowledge of its rules but also a deep understanding of one's perceived identity, frequently achieved through research.

The language of media is very much part of contemporary language, which allows people to communicate in such a way that understanding among people can be better achieved and messages can be culturally relevant. For its quality as a *lingua franca* for different institutions and causes, media language certainly goes beyond the media itself. Influencing culture is a task that requires understanding of media rules and also attention to message form. In this light, they should be briefer (speed being a salient characteristic of contemporary media landscapes), more original and segmented to their different target audiences.

A recent Kaiser Family Foundation describes eloquently the changing face of media that need to be properly understood: "not only is everything constantly changing, but the *pace* of change is accelerating as well. Media devices are simultaneously becoming bigger and smaller, portable and more built-in. New homes come complete with special nooks for over-sized TV screens and home entertainment centers, while new cars come with personal TV screens in the back of each seat. The amount of media a person used to consume in a month can be downloaded in minutes and carried in a device the size of a lipstick tube. Today we get movies on cell phones, TVs in cars and radio through the Internet. Media technologies themselves are morphing and merging, forming an ever expanding presence throughout our daily environment. Cell phones alone have grown to include video game platforms, e-mail devices, digital cameras and Internet connections" (Kaiser Family Foundation, 2005, 4).

New possibilities for participation appear for audiences that are increasingly active and have new ways to achieve social mobilization for different causes. Howard Dean's campaign illustrated just that, prompting some authors to say that the Internet is transforming American life by evenly distributing power. The Dean campaign is done in the assumption that the revolution will not be televised and that the Internet can help to overthrow even political regimes.

The impressive birth and development of blogs is another telling example of how this audience is not passive anymore. Web logs have

played a crucial role in some recent media stories like the “60 minutes” report on Bush´s National Guard Service and were everywhere in the recent U.S. election campaign. Blogs raise also concerns, though. They are unchecked and might easily be in the hands of radicals. Still, their presence shows how active an audience can be and how they can influence mainstream media coverage.

Posner considers blogs as “the latest, and perhaps gravest, challenge to the journalistic establishment”. Journalism accuses bloggers of having lowered standards. But their real concern is less high-minded –it is the threat that bloggers, who are mostly amateurs, pose to professional journalists and their principal employers, the conventional media (…) Having no advertisers (though this is changing) he has no reason to pull his punches. And not needing a large circulation to cover costs, he can target a segment of the reading public much narrower than a newspaper or a television news channel could aim for. He may even be able to pry that segment away from the conventional media. Blogs pick off the mainstream media’s customers one by one, as it were” (Posner, 2005).

The “blogosphere” is continuing to grow. Blog trackers have told in a recent report that the number of blogs stands at 14.2 million, up from 7.8 million. The number of blogs is doubling every five months: one blog is created in the world every second. Blogs come in many different shapes and forms, for professional and personal use. They have been used as campaign sites, personal diaries, art projects, online magazines and places for community networking. Blogs have played a part in highlighting issues not covered by journalists. They have also proved to be a valuable channel for journalists in countries without other publishing means.

Audiences are becoming part of media events; with bystanders playing a significant role in reporting through online pictures immediately what happened in the tsunami in South East Asia or more recently in the blasts in London in July 7, 2005. News organizations are not the only providers of news.

NY1 has introduced “The Call”, a television newscast to be programmed exclusively by viewers. The news channel is providing

web users a tool just like the one producers of the channel use to program their newscasts: a computer-generated rundown of all the stories available for that night's broadcast.

The Internet in general and blogs in particular have become magnets for advice, opinion and personal observations sent in by individuals to media web sites and on personal blogs. The tragic hurricane Katrina has been another example of what the Internet and bloggers do typically in response to major news events. When flooding stopped presses and broadcasts, journalists and citizens turned to the Web. The Times-Picayune, whose daily circulation is 270,000, put out only an electronic edition in August 30, when the newspapers had to be evacuated.

The Internet is a decentralized communications network and becomes more resilient than traditional media when natural disasters occur. Phone calls to the New Orleans region met only busy signals, and the occasional communications from New Orleans to other parts of the country tended to be sent from the private e-mail accounts of editors and reporters.

Using these new technologies, civil society can become a participant in the social dialogue, without strong ties with the value system that permeates the largest news organizations. Thus technological development goes against those who think –more negatively– that over consumption of media is eroding our sense of community, provoking an interpersonal divide.

3. Why is it unique: a unique business environment

Media and entertainment shape a unique business environment with characteristics that probably deserve close examination and a degree of specialization. Media and entertainment companies are driven by the creative element. Often media content would be developed whether or not the creator was compensated financially. In some circumstances, it is art for art's sake. That is the reason why this industry tends to attract idealistic and mission oriented people that are very committed to the products they offer.

Often their revenue model is based in advertising and their business model is that of a "hit" business. This last point builds the case for a troubled marriage between business and creative aspects. Most media products fail: there are very little "hits" or breakthroughs, like blockbusters in film, great best-sellers in publishing or phenomenal rating successes in television. That is also very difficult to understand for a conventional business executive.

In media and entertainment is often necessary to start all over again: "Businesses aimed at attracting large audience must reinvent themselves also. In the hit-driven environment, each new release, whether a new movie or a new razor blade, has to stand on his own. Businesses cannot rely on past successes and assume that every product they launch is going to be a hit. With every new product, a company has to start over. While consumers will give a courtesy look at new products from established brands (and getting that first look is critical), in the end every new product has to make a new connection with the audience/marketplace. Hit-driven businesses have to woo fickle audiences and make them fall in love all over again. There are new marketing, new advertising, new promotions" (Wolf, 1999: 162-163).

Down the line hits can become phenomena and expand into multimedia and multiplatform areas becoming brands, and often global brands. In the media and entertainment landscape, the above-mentioned phenomena become part of popular culture, they produce culture. Some personalities have in media and entertainment brand-like attributes with very well defined personalities. It happens with world-class actors, athletes and media celebrities that achieve significant authority with their audiences.

The creative element adds volatility to the scene: "the great wild card in the entertainment company is the creative element. This is a little scary for businesspeople who are used to making their decisions on the basis of exhaustive spreadsheet analyses. There is no spreadsheet that can fully predict whether the public will prefer a particular new color over another, one film over another" (Wolf, 1999, 294).

In media and entertainment, audience selection and quality of the experience are critical factors. That may be similar to other businesses. Media and entertainment companies are marked by high cost of production, but low cost of re-production. Their products need to be culturally relevant and a critical issue is capturing the audience's attention which requires significant promotion expenditures.

Media do influence culture, they beget culture. Some media practitioners dispute this but it is very difficult to argue against the effects that media content has in individual persons. It is not only a mirror or a reflection: it is something else. People are actively encouraged to be more narcissistic, hedonistic, exclusively career-oriented, engaged in consumerism…Media and entertainment products, consumed in a leisure basis, fill an increasing amount of the time. Finally, media and entertainment products are concentrated in relatively few hands. After many controversies, that are not entirely solved, the same parent companies (above all News Corporation, Viacom, Disney, NBC Universal and Time Warner) own the largest film, television, publishing and music companies and face competition with newer giants in the communications industries like Microsoft, Yahoo and Google.

The problem with a hit industry is that hits are increasingly difficult to achieve. Hits are declining: “Network TV ratings continue to fall as viewers scatter to cable channels; since 1985, the networks’ share of the TV audience has dropped from three-quarters to less than half. Ratings fo the top TV shows have fallen dramatically since the 1960s. Today’s top-rated show, American Idol, is watched by just 18 percent of households. During the ‘70s, American Idol wouldn’t even have made it to the top 10 with that kind of market share. Collectively, the hundreds of cable channels have now surpassed the networks in total viewership. No single one dominates (…) The trend holds for other media. Just 52 percent of Americans read a daily newspaper, compared with 81 percent four decades ago. Magazine newsstand sales are at their lowest level since 1970. And the number of weeks the average novel remains at the top of the list has fallen by half over the past decade” (Anderson, 2007).

4. The ongoing ideological debate on media bias

If you look to the bookstore near you it is easy to think that media are causing havoc in our world. For conservatives, liberal bias sheds a negative light in all the media landscape. Only the Wall Street Journal and Fox News (Collins, 2004) represent the conservative views of a large portion of the audience. Conservative critics applaud the rise of those media outlets as a correction of the mainstream media. Liberals probably overestimate the conservatives' ability to spin the media and the audiences, which explains the reputation for mavericks and the status achieved by Karl Rove and Ken Mehlman after the 2004 election. Alterman uses hyperbole when considers liberals outmatched by conservative media.

Liberals, including most journalists, believe that the decline of formerly dominant mainstream media has deteriorated quality. Fox News Channel, Rush Limbaugh's radio show and conservative blogs like Matt Drudge's, Hugh Hewitt, Instapundit or Michelle Malkin are quintessential for that particular point of view. For liberals, concentration of power and extreme deregulation is an issue. Big media are too big, which leads to lower quality, diminishing local news and suppressing diverting views. Rupert Murdoch is usually chosen as the main culprit. Besides, media seem to be manipulated everywhere: in the coverage of the Gulf War, in the coverage of the present Iraq war, in conflicts all over the world.

Journalists tend to be liberal indeed. Posner said in an important recent article that 26 percent of Americans describe themselves as conservatives and only 14 percent as liberal. The corresponding figures for journalists are 56 percent liberal and 18 percent conservative. The right uses Dan Rather's broadcast about Bush's National Guard service and to Newsweek's erroneous report that an American interrogator had

flushed down the toilet a copy of the Koran as examples of bias: the left would not stop at nothing “to defeat conservative causes” (Posner, 2005). Goldberg, McGowan and Bozell, among others, document well liberal bias in reporting. According to Kuypers, liberals are a partisan collective which both consciously and unconsciously attempts to persuade the public to accept its interpretation of the world as true (Kuypers, 2002).

Posner also considers the media as predominantly liberal. This does not reflect a change in the politics of the journalists. It does reflect “the rise of new media, itself mainly an economic rather than a political phenomenon”. Such a development “has caused polarization”: “the news media have also become more sensational, more prone to scandal and possibly less accurate. But note the tension between sensationalism and polarization: the trial of Michael Jackson got tremendous coverage, displacing a lot of political coverage, but it had no political valence (Posner, 2005).

This ideological debate is indeed interesting and every position has some merit. Conservatives and liberals probably only agree in the need to protect children from media effects on them, which might be an interesting side-effect of the controversy. In the meantime, each side tries to find new ways to smear each other. Media are crucial in political campaigns. Both sides consider media to be very important and rightly so.

Nevertheless, most of the debate is pretty reactionary. Its nature is illustrated by a few current titles: *Our Unfree Press, Amusing Ourselves to Death, A Public Betrayed, Media Unlimited, Treason, News Flash. Journalism, Infotainment and the Bottom-Line Business of Broadcast News, Killed: Great Journalism Too Hot to Print, Manufacturing Content, Our Media: Not Theirs. The Democratic Struggle against Corporate Media, Tell Me Lies, Censored 2004, Bias, Arrogance, Weapons of Mass Distortion, Free Culture. How Big Media Uses Technology and the Law to Lock Down Culture and Control Creativity*.

The ideological debate is also present in the controversies surrounding public broadcasting. Political balance is very important in a working

democracy. Corporation for Public Broadcasting's chairman Kennett Tomlinson said he wanted to bring the issue to the debate. Some of the initiatives have included monitoring "Now" with Bill Moyers and helping create a new office of ombudsman at the corporation to monitor balance in programs. Tomlinson said that some of the programs were monitored to demonstrate that, in contrast to Mr. Moyers's program, they were more balanced.

In the name of political balance, Tomlinson also rebuffed questions from Democratic members about his prodding of the corporation to provide $4 million to produce a weekly program that is broadcast on most public stations on Fridays and features members of the conservative editorial page of The Wall Street Journal. His answer is that the law requires diversity of opinions. A debate over balance might be harming broadcasting by jeopardizing public support.

In June 2005 the House of Representatives voted to restore some cuts to the public broadcasting system's budget when it approved a measure to keep the corporation's budget at $400 million. But it also cut the $23 million "Ready to Learn" program, which contributes to some children's shows on public television, and also rejected proposals to provide an additional $50 million for upgrading public broadcasting's aging satellite technology and $39 million for converting to digital television.

What does the public think of the left-right polarization? This is a question that journalists and editors of newscasts should reflect upon: "Why people consume news and opinion. In part it is to learn of facts that bear directly and immediately on their lives –hence the greater attention paid to local than to national and international news. They also want to be entertained, and they find scandals, violence, crime, the foibles of celebrities and the antics of the powerful all mightily entertaining. And they want to be confirmed in their beliefs by seeing them echoed and elaborated by more articulate, authoritative and prestigious voices" (Posner, 2005). Naturally, there are boundaries: for example, respect for the truth. But the public should come first and not last. Probably they read or watch more conservative or more liberal

because they want to. And there are more choices than ever, brought about by increasing media fragmentation.

Journalists see themselves as "servants of general interests, unsullied by commerce. They want to think that they inform the public, rather than just justify a demand" (Posner, 2005). Democracy cannot exist without an informed public. Another way to look at this is considering citizens as a public that needs to be served and not lectured.

5. Media as part of large corporations. A threat or an opportunity?

These above mentioned works explore fairly similar concerns about media size. "Big media" are way too big, which leads to lower quality, diminishing local news and suppressing diverting views. Consolidation of media ownership is mentioned as a leading cause of deterioration in the quality of news reporting. It is the topic of some works. Concentration by merger and acquisitions lowers the numbers of competitors in the market, in spite of the fact that media proliferation might lead some people to think that supply is actually increasing. Serial consolidation has shameless cross-promotion within companies with different outlets as a byproduct. Some common themes are highlighted. Media are not fulfilling their task of informing the public. Entertainment content is in a real race to the bottom.

The obsession with short-term profits leads media CEOs to bet on reducing costs more than improving contents. This is a salient concern in several recent works. Journalism, some would say, it's yoked to the demands of Wall Street. As more media companies go public, the stock exchange imposes commercialism and short-term orientation in the media business and media values are threatened (Fuller, 1997).

In a famous example, it is pointed out the New York Times has been vastly improving its product since the Howell Raines and Jayson Blair´s dismissals, but the margins grow always thinner. Since 1896, four generations of the Ochs-Sulzberger family have guided The New York Times through wars, recessions, strikes, and innumerable family crises. In 2003, Publisher Arthur Ochs Sulzberger Jr. faced a test after a loosely supervised young reporter named Jayson Blair was found to have fabricated dozens of stories. The revelations sparked a newsroom rebellion that humiliated Sulzberger into firing Executive Editor Howell Raines. But fate was not finished with Arthur Sulzberger. The

strife that convulsed The New York Times's newsroom under Raines has faded under the measured leadership of his successor, Bill Keller, but now its financial performance is lagging.

An apparent opposition between media quality and financial stability was thus underlined. The situation at the New York Times, a real flagship of the American press, is also the source of intense soul-searching. The scandals have a meaning for American Media. New venues for criticism of large newspapers have been opened.

Large media conglomerates make the news and have a key impact. They are subject to criticism and analysis. The big six media conglomerates worldwide (Viacom, Disney, AOL Time Warner, News Corporation, Bertelsmann and NBC Universal) have a remarkable presence across media platforms including television, motion pictures, music, book publishing and magazines industries. Companies like Yahoo, Microsoft, Apple, Google and Sony are also making significant inroads in media and entertainment.

A similar outlook could be found analyzing the advertising industry, where such "mega groups" as WPP, Interpublic, Omnicom and French-owned Publicis have a significant market share: 55% of all advertising and global marketing expenditures go to the four major agency groupings. These holding companies own also nine of the top ten largest public relations firms in the world: Porter Novelli, Fleishman-Hillard, Ketchum, Hill & Knowlton, Draft, Weber Shandwick, Burson-Marsteller, Manning, Selvage & Lee and Arnold Worldwide Integrated Solutions.

Cappo (2004) has described how a once-entrepreneurial business has consolidated into a handful of big holding companies. The first agency group to go public (Foote, Cone and Bielding) did so only in 1964. Today, of the top twenty agencies in 1981, seventeen have been swallowed up by the four major agency holding companies. Omnicom includes agency networks like BBDO, DDB and TBWA. WPP owns Grey, Ogilvy & Mather, J. Walter Thompson and Young & Rubicam. Interpublic concentrates McCann-Erickson, FCB and Lowe. France's Publicis is now the owner of the agency networks Publicis, Leo

Burnett and Saatchi. The largest advertising agency brands are owned by a tiny number of holding companies.

Journalists, screenwriters and advertising creative people lose their leading content role (idea generation and implementation) which is now the province of media CEOs. They are often media personalities. A good example of the increasing attention to media's CEOs has been the unprecedented level of media attention that Disney's CEO Eisner got in the media. It is not very common to see a media CEO making the cover page of The New York Times and The Wall Street Journal the same day. However, Eisner is not an isolated example: Murdoch, and his family, Redstone, Karmazin, Schulzberger, Neuharth, Malone, Turner and other media CEOs receive a significant amount of media scrutiny and attention. They have become celebrities themselves (Wolf, 1999).

Consolidation has also influenced the way the line between news, advertising and entertainment is blurring. News programs routinely promote movies released by their own parent companies or books published by their publishing arm. But as media companies themselves become news, key audiences are increasingly savvy and able to discover and make public cross-promotion deals among media conglomerates.

Sometimes this might translate into a faulty analysis. We think of media conglomerates as any other conglomerates: in so so we lose their specific traits' and the necessary perspective. In media and entertainment content quality is king. All the above-mentioned points and criticisms have some merit. The problem with these approaches to media is that there is neither hope nor proposal for improvement. The media landscape inevitably tends to get worse. Browsing book chapters and conclusions, the reader does not find any way to change media realities or improve them. Media authors think that pointing out what is wrong is enough. Practitioners, often attracted by bad news, engage easily in the discussion. As the above mentioned sample of titles makes clear, the expression bad news itself features extensively in the literature of this field.

But often negative conclusions are well intentioned simplifications. Positive developments can be spotted and pointed out. Television

supply is higher than it has ever been, with cable and satellite television thriving. The publishing industry is producing more titles than ever in most Western nations. Newspapers, which were supposed to be dead by now, are sometimes outstanding brands, real monoliths (Tungate, 2004). The number of magazine titles does not seem to be diminishing. In the U.S. only, 95 magazine titles sell one million copies or more.

Some good films still top the box-office. DVD and videos now being released create new windows for business development. Armed with marketing expertise, many good movies are making more money in those secondary outlets than in the box office, increasing the impact of quality products. Some time ago that would have not been possible. There is consolidation, but there are also many medium-sized local or regional companies that are close to citizens and serve them well.

Perhaps recent transformations are not so bad after all. For example, when media companies are large and go public, they have to be very well managed. They need to be financially sound: stockholders make media companies more accountable and transparent than ever before. However, media impact on culture can't be underestimated. Like anything so valuable, it needs protection so that it is not tarnished.

Consolidation as a model might also be under review. Sumner Redstone, founder of Viacom considers the age of the conglomerate over. The massive company that owns MTV, CBS and the Paramount movie studio was broken down and he has no regrets. In the last years several voices have described a situation where large media corporations are underperforming. It could be that media companies are not the money-making machines that some thought they were. After the media merger frenzy, stock market performance is far from impressive.

Movie theater attendance is in a two-year downward spiral. Sales of DVD's, once the growth engine for the entertainment business, are slowing this year. More advertising is going to the Web, where companies can better quantify consumer reaction to commercials. The summer of 2005 was not probably just the summer of the industry's discontent. Media companies, once hot growth stocks, are facing a

long-term future of slower revenue growth that may make them more appealing to value and income investors.

Time Warner, Viacom, the News Corporation, Disney and some smaller entertainment companies have the glamour of big-time, brand-name film and television properties that audiences like, from Superman to Harry Potter. Children still flock to Nickelodeon while teenagers and young adults continue to devour People and In Style.

But investors no longer find the stocks of the parent companies as attractive as they did. And the glory days — when media companies simply added subscribers and revenue as millions of homes signed up for MTV, the Disney Channel and Home Box Office — are over. The industry seems to have delivered on two promises. Most homes have access to all the digital services, and the amount of programming has boomed. From 1993 to 2004, revenue of the top four media companies grew 10 percent to 23 percent annually. That earlier performance was not all organic growth. It was also the result of mergers, many of which did not pay off.

Whether or not the media companies choose to do that, they are all attempting to focus on their faster-growing businesses, or to strengthen their relationship to the Internet, in an effort to benefit from advertisers' growing enthusiasm for that medium. And analysts have differing views about who is best positioned for the future. Some believe that News Corporation, which has promising international properties, with the potential for foreign expansion, will benefit.

Meanwhile, Time Warner is attempting to transform its America Online service into a free Internet portal that is compelling enough to attract traffic and advertising, as its rivals, Yahoo and Google have done. If the transformation is a success, it will make Time Warner the only "old media" company with a Hollywood major growing and a well-integrated Internet holding. Viacom is splitting itself into two companies in its own effort to distinguish its faster-growing cable network unit from the slower-growth television businesses. And it is asking its core businesses to make an effort to expand their online presence. Disney, meanwhile, is betting on better attendance at its theme parks and a turnaround at ABC. But as the stocks of Google and

Yahoo soar, the media behemoths will come under increasing pressure to behave more like the grown-up companies that they are. And they have little choice other than to strengthen their relationship to the Internet.

The story of the largest conglomerates in the last 20 years is not a history of uninterrupted growth. It might be useful to look at some key facts that occurred in the mid-eighties, mid-nineties and now. Crucial events are summarized in the table below. The mid-eighties were very significant for the largest media and entertainment companies. In 1984, Michael Eisner became CEO of Disney. That same year Disney acquired ESPN. In 1985 GE acquired NBC as part of a $6.3 billion bid for RCA.

In 1985 Murdoch becomes United States citizen in order to purchase more American media outlets. News Corp. buys the parent company of Twentieth Century Fox Film. In a related deal, News Corp. purchases seven television stations from Metromedia for $1.55 billion (WNEW-TV, New York; KTTV-TV, Los Angeles; WFLD-TV, Chicago; WTTG-TV, Washington, DC; KNBN-TV, Dallas; KRIV-TV, Houston, WFXT-TV in Boston. These stations reach 22% of all television households in the United States. These two deals help to form backbone of a new broadcast television network, Fox Broadcasting Company. Fox would start its operations in 1986. In 1987, Sumner Redstone became Chairman of the Board at Viacom.

Around ten years later other major developments occurred for the largest media conglomerates to become even larger in the wake of the 1996 Telecommunications Act. In 1995 Disney announced its intent to purchase Capital Cities/ABC for $19 billion. The deal was the largest media merger in history to the point and the second largest sum of money ever paid for a U.S. company. In 1996 Capital Cities/ABC officially becomes part of the Disney Company. NBC Universal partnered with Microsoft in 1996 to create MSNBC. It was also in 1996 when Time Warner acquired Turner Broadcasting. In 1995 CBS was sold to the Westinghouse Corporation for $5.4 billion and the UPN network hits the television airwaves. In 1996 Redstone became Viacom's CEO. In the same year, Westinghouse/CBS buys Infinity radio broadcasting and outdoor advertising group for $4.7 billion.

The Telecommunications Act of 1996 had heavily deregulated the media industry and allowed a company to significantly increase the amount of radio stations it could own. In 1997 Viacom deals its educational, professional and reference publishing businesses to Pearson for 4.6 billion. Viacom retains Simon & Schuster. In 1997 Westinghouse changes name to CBS and sells its hardware and manufacturing operations. By the mid-nineties the largest conglomerates of the media and entertainment world were already established.

From 2000 on the model is changing somewhat. NBC Universal has been still growing through Telemundo and Bravo's acquisition in 2002. In 2003 a deal was announced between GE and Vivendi Universal to create NBC Universal. Time Warner has been struggling to find its right model and has, as a matter of fact, changed its strategy a number of times.

In 2000 AOL and Time Warner announce their $183 billion merger. The largest corporate merger in history is finalized in January of 2001. The world's largest media and entertainment company changes name to AOL Time Warner. AOL-Time Warner then created its own cable operation while AT&T merged with Comcast. In 2003 Steve Case steps down as AOL Time Warner chairman. Dick Parsons replaces Case. AOL Time Warner reports $54.24 billion quarterly loss. Company changes name back to Time Warner.

Viacom has continued its expansion after merging with CBS in 1999. The $50 billion deal, the largest media merger of the time, comes one month after the FCC gives approval to duopolies. By 2003 Infinity Broadcasting owns and operates 185 radio stations, second in size to only Clear Channel Communications. Viacom Outdoor is the largest outdoor advertising entity in North America. Viacom Television Stations Group owns and operates 39 TV stations.

Today several media and entertainment conglomerates in 2005 seem to be showing a trend for downsizing again. Time Warner could spin-off its cable business. Viacom is dividing its business. As has been happening about every ten years it is time for changes and speculation about where the companies are headed. There is also talk about their new competitors: companies like Comcast, Yahoo, Microsoft and Google.

Table 1.

Corporate timeline media and entertainment conglomerates

1985	NBC Universal	General Electric acquires NBC.
1985	News Corporation	News Corporation buys Twentieth Century Fox
1986	News Corporation	Fox Broadcasting Company starts its operations
1996	Disney	Disney completes the Capital Cities' ABC purchase.
1996	Time Warner	Time Warner acquires Turner Broadcasting.
1999	Viacom	Viacom and CBS announce their $50 billion merger.
2000	Time Warner	AOL and Time Warner announce their $183 billion merger.
2003	Time Warner	AOL-Time Warner changes name back to Time Warner.
2003	NBC Universal	GE and Vivendi Universal create NBC Universal.
2005	Viacom	Viacom and CBS officially split
2007	News Corporation	News Corporation buys Dow Jones

Source: "Who Owns What in the Media", http://www.cjr.org/tools/owners

Wolf (1999) explains the growth of this media companies as a quest for the size that allows media brands to get themselves noticed through massive "multiplatform" promotion of their products. Media companies just needed to be bigger given the circumstances they are in. At the same time, media mergers work when they achieve the necessary synergies. Therefore it is not only a matter of being bigger: the different parts must work together seamlessly.

On May 1, 2007, News Corporation confirmed its friendly offer to Dow Jones & Company to acquire all of the outstanding shares of the company for $60 per share in cash, or in a combination for cash and News Corporation stock. It was the latest salient episode in the quest for growth of the largest media companies. After three months, on August 1, 2007 Dow Jones and News Corporation announced their merger agreement under which News Corporation will acquire Dow Jones (which owns The Wall Street Journal) in a transaction valued at

around 5.6 billion dollars. Conglomerates, large companies, provide capital to the extent that News Corp. can provide capital for further innovation, the Journal's future as a business should be enhanced.

The Wall Street Journal's operation is very important. Murdoch's newspaper holdings were somewhat isolated within the News Corp. empire, contributing less and less to a whole dominated by assets like 20th Century Fox studio, the Fox broadcast and cable networks and, increasingly, MySpace. But the Journal will not be isolated. Murdoch will pour capital into the paper, allow it to build international operations and its reports will be called to add up to a massive multimedia content mill, collaborating with the Fox Business Network (Creamer, 2007).

6. Media and entertainment companies as excellent settings

In spite of their shortcomings, media are great, wonderful settings. Media are great venues to build a community; to have informed, responsible citizens; to bring alive classics and great scripts through performing arts; to relax and entertain. They are also windows for knowledge of a world that has been aptly called the global village, since the world is more interrelated and interdependent than ever before. The media and entertainment industries are outlets for men and women to apply their talents and skills, and to have a positive impact on society.

Media are also potent means to convey messages. They are a part of the landscape that builds our contemporary lives. Media-related experiences make up for a large amount of our time. Tilley (1999) defined today's audiences as "experience-hungry" and "time poor". And one tends to look at contemporary technological transformation on a positive eye. We cannot isolate ourselves from them, and we should not try to isolate future generations from them.

The fact of the matter is that we live in media-driven societies; media have impact in our lives. We talk about them, we dedicate our time to them, we learn from them. Sometimes we are even "educated" by them. They are part of what we label as "popular culture" (Twitchell, 2001, 2004). They have come to tell us what is deemed socially acceptable.

Media affects our choices and our individual reactions to events and somehow shapes our world and the way we live in it. Part of that media and entertainment landscape shows a fascination with youth, a media and advertising paradigm that permeates the scene (Bogart, 2005). There are disagreements among researchers in the assessment of media influence in popular culture. Some think it is a negative influence.

Others consider that video games or reality TV stimulate rather than pacify the brain thus making people “smarter”.

Complaining will no make things better. Focusing in quality, in what is right, will allow researchers and practitioners to build socially responsible media companies and brands. It has always been easier to point out mistakes than look for venues for solution. But in today’s communication society, we better be serious (meaning positive) in the way we approach media.

However, it is also true that sometimes the way media themselves operate is to blame. Media critics are fed by a lifelong habit: news is only bad news. Good news does not make headlines, nor work very well in evening newscasts. A good demonstration of the strength of bad news can be found in cable. The cable news channel business had a crucial boost with the first Gulf War. And it was even more kicked off by the chaotic 2000 election and Gulf War II (Collins, 2004). Apparently, disasters and sleaze are needed to build the menu of cover pages and newscasts.

The same approach is used in media and entertainment criticism. In order to call attention to media, some think that the best approach is pointing out what goes wrong, thus provoking a reaction. This is fitting with the critical, post Marxist thought that, in a surprising turn, has proved to be somewhat reactionary. Marxism, no longer applicable in politics in the Western world, has had a second life among academics and other members of the cultural establishment.

But there is also an alternative framework. Both researchers and technically savvy practitioners can tell us what is right, what is noble. They can show us models of good practice, *benchmarks,* as management theory would put it. Benchmarks are hard to find, but very interesting to learn about. Media models make rare appearances in situations that are demeaning to human dignity, beauty, good taste, truth or social responsibility. It turns out that media benchmarks usually have a spotless reputation and are often imitated.

Media troubles probably have more to do with poor quality content, lack of audience research and lack of market freedom and competition

than anything else. If there is any major problem, it is probably related to lack of media content which is relevant (socially responsible and interesting), hip, contemporary and that, at the same time, appeals to what is most noble in human persons. There is more lack of professional skill and quality craft than wickedness. In other words, there is more laziness than evil doing.

Media content that is able to be meaningful will be original and have a deep commercial and social impact. It will not be easy to imitate and will be a lasting commercial success. It is a very instructive exercise to take a look at the foundation year of some major media companies still in operation as we will do later on.

7. Some contemporary challenges for quality media and entertainment

7.1. Poor credibility

Posner has vividly described how news media are suffering from lowering public's confidence: "The conventional news media are embattled. Attacked both by left and right in book after book, rocked by scandals, challenged by upstart "bloggers", they have become a focus of controversy and concern. Their audience is in the decline, their credibility with the public in shreds. In a recent poll conducted by the Annenberg Public Policy Center, 65 percent of the respondents thought that most news organizations, if they discover that they have made a mistake, try to ignore it or cover it up, and 79 percent opined that a media company would hesitate to carry negative stories about a corporation from which is received substantial advertising revenues" (Posner, 2005).

Hence, an example of poor quality is not being loyal to your sources and not being able to rectify. Rectifying is a very solid –although rare– media business practice. Rectifying is a very good way to showcase credentials and be fair to an audience that has been misled. Corrections in blogs can be almost instantaneous. But when mainstream media commits a mistake, "it may take weeks, it may take weeks to communicate a retraction to the public…in a secondary space. This is true not only of newspaper retractions –usually printed inconspicuously and in any event rarely read (…) but also of television news" (Posner, 2005).

Large news organizations have a dismal credibility record recently and the public's confidence has declined from 85 percent in 1973 to 59 percent in 2002, with most of the decline occurring since 1991. There has been little change in confidence in other institutions: special factors are eroding trust in the news industry (Posner, 2005).

The Jayson Blair and Jack Kelley scandals have tarnished the reputation of newspaper brands like The New York Times and USA Today. The blow for credibility in venerable newspaper brands has been considerable. However, telling the truth no matter the costs is not only a matter of ethics. It is also quality journalism. Large newspaper brands have to be reminded, in an environment where competition is scarce and markets mature, that truth-telling makes sense from every imaginable point of view, as the Washington Post showed long ago in Watergate.

The dissatisfaction of the news staffs also plays a role. The CBS news case is a good example: lying and faulty, scrappy reporting goes often hand in hand. Dan Rather has been used in a recent book as a touchstone and beacon of the “arrogance” of the “elitist, agenda-driven news media” (Goldberg, 2003). This political bias might be a reason for more people to turn their backs on political news. Americans under 40 do not follow the news (Mindich, 2004) and that might bring with itself a decline in the amount of informed citizenship.

Media credibility is at a low point. And it was not always like that. A New York Times article made this point quite persuasively: “as the news media expanded, standards became as varied as the outlets, and the public’s respect for the media steadily declined. The damage has been done by everything from gossipy Internet sites where anything passes for news to the Jayson Blair fiasco at the New York Times and CBS’s apology for its Dan Rather report on President Bush’s National Guard Service.

7.2. Short-term orientation: lying about circulation

Another “poor-quality indicator” is short-time orientation. Short-time might advise venerable newspapers like Newsday, Dallas Morning News, Chicago Sun-Times and Hoy (belonging to large newspaper companies like Tribune, Belo or Hollinger) to lie about their circulations because of pressure from competitors or pressure from company headquarters or shareholders. But embarrassment is bigger when the news is made public.

Belo reacted quickly, giving advertisers back $23 million. Nevertheless is already facing a lawsuit for its failure. In another case that has been recently reported, on an average Sunday, more than 100,000 copies of The Denver Post — more than 1 of every 8 printed — were delivered to homes in Colorado that did not request or pay for them. Across the country each week, more than 1.6 million people who are not on newspaper subscriber rolls are being delivered copies that did not cost them a cent.

The papers, which are typically paid for by advertisers, are delivered by small and large dailies across the country, including The Miami Herald, The Wall Street Journal, The San Jose Mercury News and The Boston Globe. New rules allowed so-called third-party sales to be counted as part of a newspaper's total circulation. Without them, many newspapers would be losing circulation at a far higher rate.

Third-party sales are a poor way to assess circulation from a managerial standpoint. They serve to artificial rate base increases that are unrelated with the success of newspapers among readers. They tell about thirst to increase circulation figures whatever the cost to the eye of advertisers. Such practices can only work short-term.

More recently, the magazine publisher Gruner & Jahr USA sued an independent circulation agent saying the agent provided faulty subscription data that could cause most of the company's publications to fall short of their guarantees to advertisers. The company's circulation figures for its former magazine Rosie were challenged in a 2003 court case in New York. The problems might affect the circulation figures of titles like Family Circle, Parents, Child, Inc. and Fast Company. Apparently, Gruner & Jahr discovered the subscription problems as part of more rigorous tracking procedures introduced last year. The company accused Publishers Communication of not providing enough documentation for subscription orders that it submitted for a number of titles in 2003 and early 2004. This caused 165,000 subscriptions to be classified as unpaid for 2003 by industry auditors. The impression in the industry is that these cases are examples or widespread practices in a mature market that deals with significant pressure to perform financially.

The year 2005 brought new episodes. The Minneapolis Star-Tribune, one of the flagship newspapers at McClatchy has been sued by advertisers. In addition to that, the Audit Bureau of Circulation (ABC) has determined that two widely used companies by newspapers and magazines for subscriptions will no longer count as paid circulation for lack of accuracy in circulation reports and for failing to pay subscriptions to publishers. The move was intended by to improve the accuracy and prestige of ABC reports. EBSCO Consumer magazine division, which worked for Time Inc. and Conde Nast, will be disqualified as paid circulation and InFlight, which distributes magazines in airports and other areas, did not pay publishers for copies that were to be counted as paid.

The magazine industry's struggle to improve the accuracy of its circulation information goes back at least as far as the revelation of inflated circulation at several Gruner Jahr USA titles. But the issue has gained momentum in the last 12 months as more circulation scandals erupted at publications including Tribune Co.'s Newsday and Hoy.

7.3. Short-term orientation: dropping news and political coverage

In 2004 the networks dropped political conventions coverage because of diminishing ratings. This is a classic short-term mistake, since there are a lot of dollars for political advertising in a year where advertising spending has already surpassed the 2000 Election mark. According to some experts the malaise goes beyond political coverage. Some TV insiders are even saying that networks news is doomed. Local news are becoming increasingly sensational and national newscasts are losing content. They are in the same ratings battle than the rest of programming, diminishing international staff, and giving more time and space to crime, sports and celebrities.

Besides, interesting and politically involved audiences have gone elsewhere, from cable news channels to specialized sites on the Internet. The 2004 political conventions seemed to have marked a shift with cable channels competing in the same league with networks'

ratings, after their decision of diminishing coverage. But political campaigns at large are spending more on advertising (especially in cable channels, but also in other outlets) than ever before.

In spite of all this, news is important…and interesting for audiences. Cable news networks like FOX News, CNN and MSNBC are doing well economically. The audience of the online news sites is very significant, as Table 2 below indicates. According to Nielsen/NetRatings seven online news companies have more than ten million people in their unique audiences.

Table 2.

Top 20 online global news destinations, June 2005

Rank	Company	Unique audience thousands
1	Yahoo News	24,917
2	MSNBC	23,760
3	CNN	21,353
4	AOL News	17,393
5	Gannett	11,351
6	NYTimes.com	11,157
7	Internet Broadcasting	10,863
8	Knight-Ridder Digital	9,878
9	Tribune Newspapers	9,047
10	USA TODAY.com	8,611
11	Washingtonpost.com	8,475
12	ABCNEWS Digital	7,687
13	Google News	7,177
14	Hearst Newspapers	6,938
15	WorldNow	6,236
16	Fox News	6,013
17	CBS News	5,863
18	BBC News	5,134
19	Advance	4,479
20	McClatchy	3,579

Source: Nielsen Net/Ratings. New York Times, July 13, 2005.

The table shows a brand-new and unique competitive landscape on the Internet where online newspapers compete with online news sites owned by Internet portals and network, local and cable television. The

range of news providers has broadened significantly, changing the picture.

Audience interest for news and search for new advertisers is also a driving force in the improvement of television news channels' online offerings**.** Broadcast news has long been favored by older viewers and the advertisers that cater to them. Television networks hope the Web can bring younger people and new advertisers. Both CBS News and CNN have rolled out improved web sites with freer video on demand and news stories for the online community.

Such initiatives encourage a better competition with rivals including Fox News Channel. They are also part of the effort by several big media companies to profit from Internet audience's growth and reflect also a desire to reach more people and advertisers. Visitors to ABC News's long-established Web site have a median age of 45, nine years younger than ABC News's median TV audience. Not only is the Web more widely used by younger people, but on-demand videos are more convenient for people who aren't home in time for the 6:30 p.m. news program. Time-pressed Americans also are increasingly less willing to sit through a half-hour program waiting for the one story they are interested in.

Although competition has increased and the players go beyond well-established media organizations, traditional newspapers and magazines brands like The New York Times, Wall Street Journal or Forbes are recovering some ground online. New online sites are less safe and more prone to sleaze and technical troubles: "A recent report from the Pew Internet & American Life Project says that about 93 million U.S. internet users (68 percent of them) have had computer trouble in the past year (consistent with problems caused by spyware and viruses) and this has caused many users to stop opening email attachments, stop visiting websites that they fear might unknowingly download unwanted programs and even change browsers to avoid future problems. You can look at the Pew results and throw up your hands and bemoan what a mess the web has become for most users. It wasn't so long ago that traditional media brands were so stunned by the internet that they panicked in a major way, none worse than Time Warner which raced ruinously into the arms of AOL. People gravitate

back to the brands with which they are already familiar. Brands they know they can trust not to screw them. Look at what is happening at most newspaper websites? Traffic is up, ad sales are up and people are registering in record numbers. Even the august Forbes brand says that pretty soon online revenue will surpass its offline revenue.

Major media companies have been spending money to beef up their online offerings: old media are learning the new online tricks. A sample of the most recent deals includes the following: Dow Jones acquired online financial site MarketWatch.com for $528 million in January. The New York Times Company bought information site About.com or $410 million in March. Rupert Murdoch's News Corporation acquired Intermix Media in July. Intermix is the owner of the popular website MySpace.com. The announcement came just days after News Corp. formed its Fox Interactive Media unit. The Washington Post acquired online magazine Slate.com for undisclosed amount in December 2004. All wanted to increase global and local audiences, but they also hope to increase advertising revenues.

Large media conglomerates are spending billions in a series of acquisitions and aggressive Internet initiatives. Companies like Viacom, News Corp. and Time Warner worry that they will miss the rapid expansion of Internet advertising while their traditional sources of revenue growth are slowing. Some hope to challenge portals like Yahoo or Google. Others transfer some of their content to online sites. These companies have been investing heavily in youth-oriented web sites, like gaming or prime-time television entertainment. They avoid the pay-per view model which has not gained traction online.

Media companies are walking a fine line on the Internet: they want to extend their online businesses without cannibalizing their traditional audiences. They are also burned by past mistakes. They invested in a number of Web sites, but failed to succeed. They have made bold bets –including the disastrous $103.5 billion AOL Time Warner merger– on high concepts like convergence that were too early for their time.

The Internet has quietly turned into a space for free news: "Charging for web content looked pretty promising back in 1996, when the

pioneering new web magazine Slate was gearing up to try just that (…) Then Slate made its move –but lasted only a year before going free again in February 1999. Now there's a crescendo of similar falling walls at serious news sites, including The Economist and CNN –and the likelihood that the websites of both The New York Times and The Wall Street Journal will soon be free" (Ives & Klassen, 2007).

The reason for this is that consumers resist paying for online news: "In a 2007 study by Frank N. Magid Associates, only 4% of surveyed adults 18 to 64 said they had paid a separate fee to read news online, on par with paying for sports information and online genealogy services. Fantasy sports ranked a little better, but at only 7%. Entertainment content performed fairly well, with 16% of respondents saying they'd paid something extra to get it. But even that area go fewer buyers than background and credit checks; dating services; adult entertainment; technical support such as spam filters; and games, the no. 1 category where people will pay to play" (Ives and Klaasen, 2007).

There seems to be a future for news, but their future is also likely to be influenced by technological disruptions. The demand for news is there: the question managers will need to master is the following: what is the more adequate delivery platform? Newspapers and broadcasting TV are joined by the Internet and by cell phones as ways to deliver news to time pressed, technologically savvy audiences.

7.4. Short-term orientation: selling sex, provocation and the quest for edgy content

Short-term orientation is also apparent is selling sex in media and advertising. The selling of sex is a not so subtle way to reach audiences appealing to what is most base in them. Some seem to think that persons can be easily prompted to change their behavior through stimulus-response type of actions. They might have a point. However, actions have consequences and media companies often serve higher purposes.

The growing presence of sexual contents on TV is well documented by researchers. The amount of sex in television has been increasing

according to a recent series of Kaiser Media Family Foundation studies in 1998, 2002 and 2005 (8% more sexual content and 9% more sexual behavior in four years). An impressive 64% of TV programs (news and sports excluded) in 2002 had sexual content and 32% had actual sexual behavior. The figure increases until 71% in prime time and 83% in shows addressed to teenagers, where instances of sexual behavior reach 49%. If we look at different TV genres the figures are also impressive. 96% of soap operas have sexual content. So do 87% of movies shown on TV, 73% of the comedies and 71% of dramas.

A new edition of the study was released in November 2005 and the results show and even higher increase. Seventy percent of all shows have sexual content, up from 56% in the first study in 1998 and 64% in 2002. Two-thirds (68%) of all shows include talk about sex, and 35% of all shows include sexual behaviors. The proportion of shows with sexual content in prime time has also increased. Nearly eight in to (77%) include sexual content, compared to 67% in 1998 and 71% in 2002. Different TV genres continue the trend of the previous study: 85% of soap operas have sexual content. So do 92% of movies shown on TV, 87% of sitcoms, 87% of drama series, 70% of news programs and 67% of talk shows.

In spite of its ubiquity today sex does not appear to be great business. Although some authors talk about the mainstreaming of adult content in media, the clutter in that kind of media content is so sheer, that most companies working in that business are finding profits increasingly elusive. Clutter has been significantly increased by adult content over the Internet, cable and satellite.

One of the leading companies in the sector is Playboy Enterprises. This corporation hasn't earned a profit since 1998, and its share price has been cut in half in 2004. For the second consecutive reporting period, Playboy magazine has missed its rate base in 2005 — this time by 35,002 copies. Penthouse is in the middle of a crisis that might be the end of the magazine. Maxim, FHM and Stuff lose readers: like other magazines they all have posted significant newsstands sales declines. Maxim found quick success after first publishing in 1997, eventually

accruing 2.5 million paying readers. Increasing competition inside and outside the magazine market is making things difficult.

While the domestic version of Maxim might be one of the stronger magazines in the industry, it is not the juggernaut it once was. In the first half of this year, advertising pages were down 12 percent compared with the period one year ago. Newsstand sales have begun to sag. In the last six-months of 2003, single-copy sales were down 14.6 percent to 724,170. Maxim has suffered increasing clutter in a category it once had to itself. Stuff, another young men's magazine may have cannibalized some of the market and FHM, another American version has found an audience as well.

The crisis in publishing for "adult content" has continued. The lads' magazine phenomenon of the 90s has lately run out of gas, with similar content widely available free. Short List a new men's magazine introducing in the United Kingdom in September will have no nudity and no profanity, according to its publisher. Several of the leading men's magazines are in trouble: "Circulation of men's magazines over all fell 14.4 percent in Britain last year, with Loaded, Maxim, FHM and Nuts all down more than 20 percent. The circulation slump has contributed to the difficulties faced by some British magazine publishers, including Emap, the owner of FHM, Arena and Zoo. Emap said in July that it was considering a sale of 'some of all of its constituent businesses'. The company has already sold some nonmagazine units. Dennis Publishing, which owns Maxim, recently agreed to sell that magazine and several others to (…) a private equity fund. The sale includes the United States edition of Maxi, with a circulation of 2.5 million; the British edition will continue to be published by Dennis, under license. Other publishers are staying in the market but adjusting their strategies" (Pfanner, 2007).

The latest episode in the industry crisis was the announcement in August 15th that Stuff, one of the biggest of the "lad" magazines that took off in the 1990s, "is being stuffed into its bigger sibling, Maxim" (Pérez-Peña, 2007). Alpha Media will turn Stuff into a section of Maxim, while keeping the website as a stand-alone Web

site. October's issue will be Stuff´s last. Stuff was created in 1998 "and quickly built a following among young men with money to spend and a taste for the latest gadgetry. Using a formula pioneered by some British magazines, Stuff projected and irreverent, entitled tone, although it relied a little less on sex and more on consumerism than some of its peers. Stuff has a circulation of more than 1.3 million, but its ad sales (…) had been less impressive" (Pérez-Peña, 2007).

The sheer amount of pornography supply in different media outlets make sexual content a very difficult sale. Like reality television is really ease to imitate, which makes it less interesting as a business. It seems difficult to build a brand around that. As a matter of fact, the most successful and famous commercials, movies and television productions are remarkably sex-free.

Table 3 includes the top 50 all time home-box office films. It is remarkable the presence of family films in the list and the scarcity of rated-R films. Family films seem to be good business. Even though the list is eschewed towards the most recent films the finding remains significant and as a matter of fact is helping Hollywood to reflect.

Table 3.

Top 50 all-time box-office films

Rk	Title	Studio	Cumulative Gross	Release Date
1	Titanic	Paramount Pictures	$600,788,188	12/19/1997
2	Star Wars	Twentieth Century Fox	$460,998,007	05/25/1977
3	Shrek 2	DreamWorks Pictures	$441,226,247	05/19/2004
4	E.T. the Extra-Terrestrial	Universal Pictures	$435,110,554	06/11/1982
5	Star Wars: Episode I - The Phantom Menace	Twentieth Century Fox	$431,088,301	05/19/1999
6	Spider-Man	Columbia Tristar	$403,706,375	05/03/2002
7	The Lord of the Rings: The Return of the King	New Line Cinema	$377,027,325	12/17/2003
8	Spider-Man 2	Columbia (Sony)	$373,585,825	06/30/2004

Source: Motion Picture Association of America. www.yahoo.com/movies.

Rk	Title	Studio	Cumulative Gross	Release Date
9	Star Wars: Episode III - Revenge of the Sith	Twentieth Century Fox	$371,154,119	05/19/2005
10	The Passion of The Christ	Newmarket Film Group	$370,782,930	02/25/2004
11	Jurassic Park	Universal City Studios	$357,067,947	06/11/1993
12	The Lord of the Rings: The Two Towers	New Line Cinema	$341,786,758	12/18/2002
13	Finding Nemo	Walt Disney/Pixar	$339,714,978	05/30/2003
14	Forrest Gump	Paramount Pictures	$329,694,499	07/06/1994
15	The Lion King	Walt Disney Pictures	$328,541,776	06/15/1994
16	Harry Potter and the Sorcerer's Stone	Warner Brothers	$317,575,550	11/16/2001
17	The Lord of the Rings: The Fellowship…	New Line Cinema	$314,776,170	12/19/2001
18	Star Wars: Episode II.	Lucasfilm/Twentieth	$310,676,740	05/16/2002
19	Return of the Jedi	Twentieth Century Fox	$309,306,177	05/25/1983
20	Independence Day	Twentieth Century Fox	$306,169,268	07/02/1996
21	Pirates of the Caribbean	Walt Disney	$305,413,918	07/09/2003
22	The Sixth Sense	Hollywood Pictures	$293,506,292	08/06/1999
23	The Empire Strikes Back	Twentieth Century Fox	$290,475,067	05/21/1980
24	Home Alone	Twentieth Century Fox	$285,761,243	11/16/1990
25	The Matrix Reloaded	Warner Brothers	$281,576,461	05/15/2003
26	Meet the Fockers	Universal Pictures	$279,261,160	12/22/2004
27	Shrek	Dreamworks SKG	$267,665,011	05/16/2001
28	Harry Potter and the Chamber of Secrets	Warner Brothers	$261,988,482	11/15/2002
29	The Incredibles	Disney/Pixar	$261,441,092	11/05/2004
30	Dr. Seuss' How The Grinch Stole Christmas	Universal Pictures	$260,044,825	11/17/2000
31	Jaws	Universal Pictures	$260,000,000	06/01/1975
32	Monsters, Inc.	Disney/Pixar	$255,873,250	11/02/2001
33	Batman	Warner Brothers	$251,188,924	06/23/1989
34	Men in Black	Columbia Tristar	$250,690,539	07/02/1997
35	Harry Potter and the Prisoner of Azkaban	Warner Bros	$249,541,069	06/04/2004
36	Toy Story 2	Walt Disney Pictures	$245,852,179	11/24/1999
37	Bruce Almighty	Universal	$242,829,261	05/23/2003

Rk	Title	Studio	Cumulative Gross	Release Date
38	Raiders of the Lost Ark	Paramount Pictures	$242,374,454	06/01/1981
39	Twister	Warner Brothers	$241,721,524	05/10/1996
40	My Big Fat Greek Wedding	IFC Films	$241,438,208	04/19/2002
41	Ghostbusters	Columbia Pictures	$238,632,124	06/01/1984
42	Beverly Hills Cop	Paramount Pictures	$234,760,478	12/01/1984
43	Cast Away	Twentieth Century Fox	$233,632,142	12/22/2000
44	The Exorcist	Warner Brothers	$232,671,011	12/26/1973
45	The Lost World: Jurassic Park	Universal Pictures	$229,086,679	05/23/1997
46	Signs	Touchstone Pictures	$227,966,634	08/02/2002
47	Rush Hour 2	New Line Cinema	$226,164,286	08/03/2001
48	Mrs. Doubtfire	N/A	$219,195,243	11/24/1993
49	Ghost	Paramount Pictures	$217,631,306	07/13/1990
50	Aladdin	Walt Disney Pictures	$217,350,219	11/11/1992

In 2004, PG-rated films had more income that R-film in theaters. PG films made $23 billion, while R films made $21 billion, with PG-13 movies making $4.4 billion. This fact is all the more remarkable since there were only 110 PG films and 187 PG-13 films, compared with 540 rated R films. Family films seem to be selling better that R-rated films, giving reason to complaints that point to Hollywood, an industry that cranks out many more movies aimed at adults. There is a growing strength in family films: families buy more tickets. In 2004, five of the top-grossing films were rated PG, including the year's biggest film, Shrek 2, which took in $441.2 million. But only four R-rated movies were among last year's top 25 box-office hits.

Medved (2004) has been arguing for a long time for the same findings: "I became convinced that sex and violence had been similarly oversold as crowd-pleasing essentials in appealing to the public. As a critic who paid close attention to the financial fate of the movies under review, I recalled too many instances when shock value fell far short of delivering decent box-office returns, while gentler offerings aimed at families fared far better with the public. Looking over Variety's list of top ten box office films of the entire decade of the 1980s revealed that

only one –Beverly Hills Cop– drew the adults-only R rating, even though R films accounted for more than 60 percent of all titles released in that period" (Medved, 2004, 360). Medved considers that the quest for edgy contents is bad for society but also bad for business. Hollywood's fixation in sex and violence makes no business sense.

The role of sex is also an issue discussed in advertising and has become even the subject of case studies like all the literature about Calvin Klein's campaigns (Garfield, 2003). The use of sex in media is somewhat paradoxical. It is used as a means to grab large audiences. At the same time very few media legitimize its widespread use in a society where sex addiction is becoming a major social problem. In such a way, media are overtaken for the very forces they wanted to unleash. Short-time thinking made the trick.

In a way, this reflects a continuing controversy related to the arts at large. Provocation is the textbook of the future art champion: bad art has a way of becoming confused with ingenuity, mostly by those who stand to profit for the confusion. Bogart has explained what he considers the search for "edgy" content (2005, 8): "The people who shape the content of mass entertainment constantly use the term 'edgy' to describe what they think attracts audiences to their products. The adjective probably comes from the expression 'cutting edge', used as a synonym for 'innovative' and 'fresh'. But as currently used it signifies a defiance of convention, ability to shock, and an aggressive rejection of traditional proprieties. These allusions apply especially to the use of language and to the display of intimate behavior". Media and entertainment managers often think that these approaches will improve ratings and circulation. Anything that is branded controversial will get attention and relies on a "judge it for yourself" approach, which makes it acceptable.

Even though "edgy" content is designed to grab audiences and attract advertising, there is little evidence that such contents are good for advertisers (Bogart, 2005, 77; Bushman, 2003). Research has shown that brands advertised in sexually explicit and violent programs are 19 percent less well remembered than the same ads shown on a neutral program. Brands whose ads show violence are remembered 20 percent

less, and those with sexual allusions 18 percent less than neutral ads. Violent or sexual ads placed in violent or sexual programs are not better recalled.

But many of those controversies cannot be considered the subject of serious debate. Sometimes we find in media the germ of an idea that might have been worth developing, but instead we have a barely developed script with characters to match. Sometimes sensationalism would seem to work, reflecting a continuing controversy related to the arts at large. Media have to be responsible with this. Many consider media as a unique outlet to make ordinary the extraordinary, to achieve the mainstreaming of realities and trends that were reserved of the few.

The videogame industry will also be a new avenue for controversy. Action videogames are known for serving up simulated violence. With a code written by a Dutch techie some scenes in the video game “Grand Theft Auto: San Andreas” become sexually explicit. The video game is not intended for younger children. It is rated M, or mature, for players under 17 and older. The national electronics store chains sell M-rated games, but tend to avoid adult only titles. The game rating board said that it would investigate the game to see whether the publisher had violated the industry rule that requires full disclosure of pertinent content.

The controversy with this videogame has ended up with an adult rating for the game. The videogame industry’s rating board slapped an adults-only rating on its “Grand Theft Auto: San Andreas” after the group found sexually explicit content within the game. The Entertainment Software Rating Board advised retailers to pull the videogame off store shelves until Take-Two can place new adults-only ratings stickers on the game’s packaging or release new discs without the objectionable material. As a result, Take-Two of New York sharply reduced its financial forecasts for its current quarter. Large retailers like Wal-Mart and Target are no longer selling the game. It originally had a “mature” rating, which limited its sale to people 17 years old and over. The new “Adults Only 18+” rating on the game limits its sale to those 18 and over, a seemingly minor difference from the original rating. Yet publishers strive mightily to avoid the more extreme rating – adults.

The lowering of standards in different media and entertainment areas has prompted a government crackdown, with the Federal Communications Commission (FCC) taking the lead. Such a crackdown was intensifying already before the Janet Jackson incident at 2004 Super Bowl halftime show. But that episode prompted some television viewers and politicians to step up the pressures and galvanized efforts to act on indecent material on the airwaves.

Indecent speech, technically defined as material that depicts sexual activities and organs in terms patently offensive as measured by contemporary community standards– is protected under the First Amendment. But its broadcast on public airwaves is limited between 10 pm and 6 am. On the other hand, the broadcast of obscene speech, as defined by the Supreme Court is illegal at all times. Broadcasters are held to a higher standard than other forms of media over indecency, because publicly licensed broadcast airwaves are uniquely accessible by all.

Until recently, the FCC rarely imposed fines of more than $7,000 for an incident. But lately the agency has increased penalties and is multiplying them by the number of stations on which the incident was aired. The FCC pursues cases only if someone files a complaint, a policy that has been criticized for being unfairly applied. Currently, television and radio stations and their owners are held responsible, though legislation that would punish the performers themselves is under consideration.

Media companies have adopted a conciliatory approach toward the government since the Janet Jackson incident, deleting in advance questionable content from television shows and, in the case of radio station owner Clear Channel, removing Howard Stern and other DJs from its schedule after an FCC fine. But as the government's crackdown has intensified, a number of media and legal organizations have raised the alarm about something that is deemed "censorship".

In a way the FCC is reacting to many files of consumers who are increasingly upset by what's on television and radio. There are a growing number of people complaining about what is on television and radio. Cable and satellite are not subject to regulation and that is an additional problem for parents in a world in which over 80 percent of

viewers are getting satellite or cable. The FCC has suggested cable operators providing a family tier or additional controls over the individual channels they're purchasing. The cable industry does not like that: they have been building their business around cable packages. The concern among many parents has to do with channels they are buying as part of a large package.

In the first quarter of 2005, the FCC received about half as many broadcast indecency and obscenity complaints in the first quarter of 2005 compared with the previous quarter, according to a new quarterly report released this week by the commission. The number of television and radio indecency and obscenity complaints dropped from 317,833 in fourth quarter 2004 to 157,016 in the first quarter of this year. On the other hand, cable– and satellite-related complaints are up, increasing from 132 in 2004's fourth quarter to 718 in 2005's first quarter.

The FCC does not regulate cable and satellite for obscenity and indecency the way it does for broadcasters. But organizations like the Parents Television Council are advocating more choice for parents in the specific channels that are provided to them by cable operators. Such organizations contend that families should have the ability to select single channels in every package.

The new FCC leadership, under Kevin Martin, said in December 2005 that cable companies should make channels available on an individual, or a la carte, basis, so people only have to pay for what they want to watch. The FCC concerns prompted Comcast and Time Warner, the largest cable operators to offer cable television customers a special "family tier", including Disney, Discovery and other family-friendly offerings. Any move by the largest cable operators is likely to influence the rest. As envisioned by Comcast and Time Warner, the family tiers would contain at most 30 or 40 channels. The tiers probably won't include Fox –known for its racy content– or Viacom's MTV and VH1, for years the source of complaints by parents.

In March 15, 2006, the FCC released orders resolving numerous broadcast television indecency complaints. The commission addressed complaints about nearly 50 television programs broadcast

between February 2002 and March 2005: 300 consumers had argued against those programs. The FCC upheld its earlier decision against CBS for the broadcast during the February 1, 2004 Super Bowl halftime show. The Commission also found episodes of "Without a Trace" and "The Surreal Life 2", which contained numerous graphic images to be impermissible under the Commission's standards. Finally, the FCC denied complaints regarding numerous other television programs.

7.5. Lack of audience knowledge and understanding

Quality is also diminished when audiences are unknown by media management. The problem is significant in an industry that often claims to be serving the public. Many media companies want to please audiences then forget about it: "Most companies start out wanting to please the customer but the desire gets lost for some reason or another. People, for example, get so immersed in their own work and their own creative processes that they forget to whom they are creating. For people who have little or no consumer contact, the customer is often in the background of their thinking process" (Tracy, 2002).

Media are unique venues for audience research. In media management there is always talk of readers, viewers and listeners. Media research starts by knowing audiences better. Some would say that media are byproducts of contemporary culture. It is the "mirror" theory, where media is a reflection of society. But we could also argue that media shape culture. Almost no media practitioners would recognize that their cultural impact is becoming more and more apparent or that media has a role in helping to develop violent conducts.

In other words, media practitioners are a set of people with their own beliefs and inclinations. And those beliefs show up in their work inevitably in the choices they make for content or editing. There seems to be no way around that. But media companies are not only venues for spreading our own ideas. Research has to be done to identify an audience and establish an interpersonal and enlightening dialogue with

audiences. Media provide interactive venues like the Internet, where audience participation is a must. Media and advertising agencies used to have large research departments. They do not seem to be interested in them anymore. Their number of employees has decreased. Those employed in research for broadcasting companies basically do immediate ratings analysis.

It is not that media are “bad”. It is that in this “experience economy” media sometimes are “under delivering” in terms of audience experience (Calder, 2002). People stay tuned, sometimes because they want just to relax. But that does not transfer exactly to a good media experience. It is a way to fill time. Media executives think their programming and content “inside out” instead of “outside in”, considering audience needs. Sometimes they seem to think that audiences only like the fare they are faced with. Media companies do not seem to have a firm grasp of where audiences are headed.

7.6. Protecting children and adolescents

As Bogart reminds us (2005, 100, 111) in its pursuit of young audiences, “television turned ‘edgy’. Other media have gone the same route for more valid reasons. This ‘edginess’ has had an important but unintended side effect. When violence and sex are introduced to lure young adults, these elements are also, inevitably, exposed to audience who are younger. Much of the widespread concern about the nature of popular culture centers on its presumably corrupting effect on children (…) Adolescents aspire to adulthood and model their behavior on that of those who are somewhat older. Inevitably, therefore, their entertainment tastes are hard to differentiate from those of young adults. This means that advertising schedules targeted for people in their twenties –by beer advertisers, for example– scoop up large numbers of younger viewers as well”.

This is an issue that has prompted regulators in Europe and the United States to act. Regulation is a way to address it. Another is self-regulation. The advertising industry is committed to that thorough the

Children Advertising Review Unit (CARU). But there are more efforts along those lines. In the face of continuing congressional concern about the violent and sexual content of entertainment products, a new industry-backed group is launching an advertising campaign to educate parents about the controls they already have to protect their children from such fare. Called "Pauseparentplay", the group is backed by marketing and media corporations including Microsoft, Wal-Mart, News Corp, NBC Universal, Comcast, Time Warner and the Motion Picture Association of America.

Children protection needs to be well understood. The first step might be to understand an audience that is changing and is surrounded with a mind-boggling array of new media technologies. It is good to be aware of the risks but research about this audience prompts very interesting conclusions. Recent research shows negative as well as positive elements in the exposure of children and adolescents to media and advertising.

The technological changes have also changed media and entertainment relationships with children and adolescents. Those relationships are complex and not necessarily negative. Questions range from broad social issues affecting interpersonal and family connections, the impact of more graphic sex and violence, the link to childhood obesity, issues of distractions from reading or homework, of whether inspire creativity or hinder it. Are media powerful tools for health education or unhealthy habits? (Kaiser Family Foundation, 2005, 4).

A large panel of Spanish kids has recently been asked about some of the issues at stake. Answers from 3.991 students, 8 to 18 years old, living in 20 Spanish cities are summarized. The students filled out an online questionnaire in their schools, answering 98 questions. The trends emerging in the study are of great interest already, many of them contradicting conventional wisdom in the field. The sample panel is a venue to understand a critical audience that is in a formative stage. Children and adolescents are still learning to interact with media and advertising messages. It also provides researchers with a glimpse of media and advertising consumption in the years to come.

The study seems a good indication of the potential of interactive communication with consumers. Media plans in general need more interactive venues and this is an audience that has grown up in multimedia environments and is used to interaction and multitasking.

Findings on television behavior are somewhat surprising. Kids and adolescents in our sample see less TV than their parents: between 150 and 180 minutes a day. In spite of that fact, they consider that they might see too much of it. Children and adolescent TV audiences are displaced to prime time. In contemporary television this unique audience does not have a specific time slot. Their TV experience is social: they like to see TV with others. This audience is not attracted to zapping. They are looking for specific content, for the programs they like. Random TV exposure as a phenomenon seems to be more prevalent among adults.

For this audience, TV is just one of many screens for them and it is the most unidirectional. That is the reason why they prefer Internet, video games and cell phones to TV. Children and adolescents in our sample prefer content over medium, family programs, see less TV than expected and looking forward to a dialogue with screens that allow for more interaction.

The need for interaction seems to explain why chat and/or messenger are the most valued Internet applications (63,3%), followed by e-mail (37,7%). Kids, tweens and teens also think highly of the cell phones' potential for communication with others. They use it above all to send messages (65,6%) and to make and receive phone calls (65,1%). Videogame usage is also primarily social: they play mostly with their brothers and sisters (38,3%) and next with their friends (35%).

This sample seems to be a good indication of the potential for interactive communication with this group of consumers that will drive consumption in the future. They are dramatically changing the way commercial messages are received which calls for a revamping of media plans in the form of more interactive venues. It is an audience that has grown up in multimedia environments and is accustomed to interaction and multitasking. It is also a generation that apparently is tired of conventional advertising.

Sometimes we might have thought that this audience is not well informed: they are frequently perceived as somewhat credulous. We might also assume that this demographic is not well informed. The data we have collected suggest otherwise. This audience is well aware of the dangers of the different media forms. They know that Internet and videogames take away time for other activities. They quote specifically homework time (20,3%). In the case of videogames they also mention also homework time (28,7%) and to a lesser extent family time (21%). But even more consider that with the Internet they spend less time with television (39,3%).

They also know that the Internet poses addiction risks. As a matter of fact, 55,8% know people that play nonstop. They are realistic. The Internet is useful for them (77,2%), but only 20,2% consider it irreplaceable. This audience is aware of piracy: a 59,7% own "pirate" games. All of these figures point to a well-informed audience. In our online sample, they say for example that if they went without a cell phone for two weeks nothing would happen (80,6%) and 45% say without hesitation that only a few of their messages and calls are needed. However, there is a degree of disconnect between the information they have and their behavior.

Sometimes we have heard that this public is vulnerable to advertising messages that it does not understand well. Again, our sample does not merit that conclusion. This people are well aware of the fact that advertising is trying to convince them. The problem for them is that it is boring. They also think that people creating advertising do not know them well and have difficulty relating to their world.

Advertising for them should be attractive, fun and interesting. But ads get very low scores in those categories. Only 17% find them attractive; 17,6% fun and 16,2% interesting. A majority of them, though, consider advertising "misleading" (64,9%). And only 9,6% consider that people involved in advertising creation are able to understand this audience.

These findings are consistent with those of a Kaiser Family Foundation Study that was published in March 2005, led by Stanford professors, Donald F. Roberts and Ulla G. Foehr. Children and teens are spending

an increasing amount of time using "new media" like computers, the Internet and video games, without cutting back on the time they spend with "old" media like TV, print and music, Instead, because of the amount of time they spend using more than one medium at a time (for example, going online while watching TV), they're managing to pack increasing amounts of media content into the same amount of time each day. The study, examined media use among a nationally representative sample (more than 2,000 3rd through 12th graders completed detailed questionnaires, including nearly 700 self-selected participants). They also maintained seven-day media diaries. Interestingly, this research follows up another study that was carried out in 1999.

This survey — which measured recreational (non-school) use of TV and videos, music, video games, computers, movies, and print – found that the total amount of media content young people are exposed to each day has increased by more than an hour over the past five years (from 7:29 to 8:33), with most of the increase coming from video games (up from 0:26 to 0:49) and computers (up from 0:27 to 1:02, excluding school-work).

However, because the media use diaries indicate that the amount of time young people spend "media multi-tasking" has increased from 16% to 26% of media time, the actual number of hours devoted to media use has remained steady, at just under 6 ½ hours a day (going from 6:19 to 6:21), or 44 ½ hours a week. For example, one in four (28%) youth say they "often" (10%) or "sometimes" (18%) go online while watching TV to do something related to the show they are watching. Anywhere from a quarter to a third of kids say they are using another media "most of the time" while watching TV (24%), reading (28%), listening to music (33%) or using a computer (33%). Multi-tasking is a major feature of the contemporary media landscape.

Children's bedrooms have increasingly become multi-media centers, raising important issues about supervision and exposure to unlimited content. Two-thirds of all 8-18 year-olds have a TV in their room (68%), and half (49%) have a video game player there. Increasing numbers have a VCR or DVD player (up from 36% to 54%), cable or

satellite TV (from 29% to 37%), computer (from 21% to 31%), and Internet access (from 10% to 20%) in their bedroom. Those with a TV in their room spend almost 1½ hours (1:27) more in a typical day watching TV than those without a set in their room. Outside of their bedrooms, in many young people's homes the TV is a constant companion: nearly two-thirds (63%) say the TV is "usually" on during meals, and half (51%) say they live in homes where the TV is left on "most" or "all" of the time, whether anyone is watching it or not.

While prior studies indicate that parents have strong concerns about children's exposure to media, about half (53%) of all 8-18 year olds say their families have no rules about TV watching. Forty-six percent say they do have rules, but just 20% say their rules are enforced "most" of the time. The study indicates that parents who impose rules and enforce them do influence the amount of time their children devote to media. Kids with TV rules that are enforced most of the time report two hours less (2:01) daily media exposure than those from homes without rules.

On average, young people spend 3:51 a day watching TV and videos (3:04 watching TV, 0:14 watching prerecorded TV, and 0:32 watching videos/DVDs), 1:44 listening to music, 1:02 using computers (0:48 online, 0:14 offline), 0:49 playing video games, 0:43 reading, and 0:25 watching movies. They also spend an average of 2:17 a day hanging out with parents, 1:25 in physical activity, and 1:00 pursuing hobbies or other activities. Seventh – 12th graders spend an average of 2:16 hanging out with friends, 0:53 talking on the phone, 0:50 doing homework, and 0:32 doing chores.

The study did not find a correlation between time spent watching TV and time spent exercising, playing sports, or engaged in other types of physical activity. There was no statistically significant difference in the amount of time light, moderate, or heavy TV viewers reported spending in physical activity (1:25, 1:21, and 1:34, respectively). Since 1999 there have been big changes in the percent of 8-18 year olds who have a computer at home (73% to 86%), have two or more computers at home (25% to 39%), have Internet access at home (47% to 74%), and go online for more than an hour in a typical day (5% to 22%).

A majority of young people from each of the major ethnic and socio-economic groups now has Internet access from home, but the divide between groups remains substantial. For example, 80% of White youth have Internet access at home, compared to 67% of Hispanics and 61% of African-Americans. Similarly, in a typical day 71% of children who go to school in higher income communities (>$50,000 a year) will use the Internet, compared to 57% of kids from middle ($35-50,000) and 54% of those from lower (<$35,000) income areas.

Nearly three out of four 8-18 year-olds (73%) read for pleasure in a typical day, averaging 43 minutes a day. Some kids read more than others: those whose parents set and enforce rules about TV (0:16 more per day than those without rules), those without a TV in their bedroom (0:16 more), and those in homes where the TV is not left on most of the time whether anyone is watching or not (0:18 more). Nearly one-third (30%) of young people say they either talk on the phone, instant message, watch TV, listen to music, or surf the Web for fun "most of the time" they're doing homework. Half (50%) of all young people say they have looked for health information online. The study found no relationship between children's reported grades and their use of TV or computers; but it did find that those who get the lowest grades (Cs and Ds or below) spend more time playing video games (0:21 more) and less time reading (0:17 less) than those with high grades (mostly As and Bs).

As new technologies have become available, young people have been quick to make use of them, changing how they use media as well as which media they use. For example, 64% have downloaded music from the Internet; 48% have streamed a radio station through the Internet; 66% use instant messaging; 39% have a cell phone; a third (34%) say they have a DVR such as TiVo in their homes; 32% have created a personal Web site or Web page; 18% have an MP3 player; and 13% have a hand held device that connects to the Internet.

While the amount of time spent watching TV has remained steady since 1999, the type of TV has changed. In any given day, 69% of all 8-18 year-olds watch cable, while 49% watch broadcast, a nearly exact reversal of the situation in 1999, when 69% watched broadcast and 50% watched cable. Most young people asked, report being largely

happy and well-adjusted. But the 18% who are lowest on a scale of "contentedness" (i.e., are more likely to report being sad or unhappy, having few friends and getting into trouble a lot) spend more time using media than their most contented peers (9:44 v. 8:07 in total media exposure).

Marketers spend a lot of time figuring out what teenagers want: they are the arbiters of cool who set trends, influence brand health and part with their discretionary income most freely. Teenagers want to have some fun. They want to customize products, they want to play games and socialize. Interactive agencies say they are more in touch with teenagers than traditional media agencies, and have statistics about teenage Internet usage: not only teenagers use the Internet, but they spend more time online than they do watching TV. Interactive advertising usually appeals to teenagers because it engages their desire to control what they buy. For marketers, it allows advertising to appear as a game and engage the consumer.

A frequent complaint about communication with this target audience has to do with the way advertising is ever-present in media products and its effects over important values. We could think that children watch more advertising than ever. However, there is no research evidence pointing in that direction. A recent study sponsored by the Federal Trade Commission and the Department of Health and Human Services in the U.S., explores the effects of kids' marketing on obesity and the food advertising industry's efforts to self-regulate. According to this study, children watch today about 13 food ads a day on television, down from more than 18 in 1977. The presence of childhood obesity has more than double since 1970. Kids see far fewer ads for cereal, candy and toys (top items in 1977) but more ads for restaurants and fast-foods chains, movies, video games and DVDs, and for other kinds of food such as yogurt.

Pressure from family health advocates and legislators has led the ad industry to review children's marketing. The National Advertising Review Council has said it will expand its panel of experts to set standards to review ads. It has asked its Children's Advertising Review Unit (CARU) to take a closer look into disputed areas: product

placement, use of cartoon characters and advergaming. NARC said the efforts are a response to some of the concerns raised at the recent Federal Trade Commission/Health and Human Services workshop questioning the role marketing plays in the childhood obesity crisis.

Critics say that it is the government and not the corporations who should be protecting public health. They also say that there is no appropriate use of cartoon characters to sell anything to kids and that the problem with product placement is not placement on kid's shows but placement on shows with high kid audiences. High children's viewership for American Idol is quoted as an example.

Another important piece of evidence is laid out in the recent report compiled in July 2005 for the Pew Internet & American Life project that studied teenagers (defined as people ages 12 through 17). Among them, nine out of ten (87%) have online access. By comparison, about 66% of American adults now use the Internet. The survey completed in late 2004, included responses from 1,100 teenagers who were randomly contacted by phone. It follows up the findings that the same authors reached in 2000.

About half of the young people who have online access say they go on the Internet every day, up from 42 percent in 2000. Three-quarters of wired teens use instant messaging, compared with 42 percent of online adults. Teenagers most often reserve instant messaging for friends and e-mail for adults, including parents and teachers. About half the families with teens who have an Internet connection have speedier broadband access, while the other half still use phone lines to connect.

Nearly a third of teens who use instant messaging have used to send it a music or video file: this technology is not being used only to talk to friends. A 45% of the teenagers surveyed have cell phones. But given a choice, about half of online teens still use land lines to call friends, while about a quarter prefer instant messaging, and 12% say they would rather call a friend on a cell phone. Older teen girls who were surveyed, ages 15 to 17, are among the most intense users of the Internet and cell phones, including text messaging. Technology trackers predict that text messaging will grow in popularity.

Internet use among teens is also far broader, deeper and more intense than among adults. 81% play games online, which is 52 percent higher than four years ago. Even though we might think that young people are not interested in news, 76% get news online, a 71 percent increase from four years ago. 43 percent have made purchases online, which is 71 percent higher than in 2000. Teenage fascination with cyberspace starts in seventh grade. While 60 percent of sixth graders are connected, that number jumps to 82 percent a year later.

The Pew Internet & American Life Project underlines the crucial impact that the Internet has in teenagers' lives: "today's American teens live in a world enveloped by communications technologies; the internet and cell phones have become a central force that fuels the rhythm of daily life" (Lenhart, Madden & Hitlin, 2005). Not only has the number of users increased, but also the variety of technologies that teens use to support their communication, research and entertainment options has grown.

The report also stresses the crucial role that interpersonal relationships have in communication through new technologies: children and adolescents value interaction above other things. That is the reason why instant messaging is used differently. To teens, e-mail is increasingly seen as a tool for communicating with teachers, schools and as a way to convey lengthy information to large groups. Instant messaging is used for everyday conversations with multiple friends.

In July 2005, thirty health, education and privacy groups joined to formally ask the U.S. Senate and House Commerce Committees to take action to regulate the use of mobile phones for marketing to children. Currently, youngsters are among the most avid users of mobile phones and the advocates are demanding that advertisers been banned or seriously restricted from exploiting those devices which afford such direct, immediate and personal contact with individual children. The market potential is a large and growing one — The NPD Group reports that 22% of 9-to-11 year-olds have mobile phones. Some 55% of youth 13 to 17 have them. Critics argue that the use of mobile phones to market to children, particularly younger children, is

inappropriate and should be recognized by Congress as an unacceptable marketing tactic.

Again the debate has to do with whether we understand how kids and teens relate with advertising messages. Sheltering children from commercial communication is probably not the best idea. Perhaps the best way to go is to teach children to relate to advertising and commercial communication messages. A prohibition of media consumption and usage by itself might not have a great educational value.

According to another recent study from marketing agency JuniorSeniorResearch, video games have become a central part of the lives of today's children. The study polled 4,000 kids up to the age of 15-years-old (both boys and girls) and discovered that 61 percent play video games on a daily basis. Interestingly, with all the focus on consoles and handhelds in this industry, the study found that a large majority (65 percent) of children prefer playing games on the PC. Also, only a small percentage (12 percent) admitted to copying their games from friends, despite the fact that PC titles are much easier to duplicate than console games.

Rather than copying games, more kids (39 percent) said that they were willing to save their money in order to purchase new titles for themselves. Most of these were older children (ages 13 to 15) but surprisingly, even some 9-year-olds (or younger) said they save money to buy their own games.

Although much of the industry concentrates its marketing on the coveted 18 to 35 male demographic, this study also shed some light on some advertising trends for the younger crowd. Among children, advertising doesn't appear to be as important as word of mouth. The study found that 32 percent of children learned about new games through their friends. Younger children tended to get more information from friends and family members than from advertising.

That being said, ads still play an important role with children. Practically every child (92 percent) has seen an ad for a game, with television being the predominant format at 63 percent. The Internet,

however, is seen as a growing medium for advertising to children. More than 15 percent of children said they view video game ads on the Internet, while only 11 percent said they see them in print media. Furthermore, children tend to look for more information on the games they become interested in, and the Internet is obviously a great source for further information on games.

7.7. Lack of creativity in film and broadcasting

Lack of ideas and creativity also lead to less than acceptable quality. The last movie hits and next projects are mainly sequels (James Bond, Shriek 2, and The Lord of the Rings, Spider-Man 2, Mission Impossible, Harry Potter, The Bourne Supremacy, The Manchurian Candidate, Indiana Jones 4, Batman Returns, and The War of the Worlds).

After a disappointing 2004, so far 2005 has not been a good year for Hollywood. Big-budget movies like “Cinderella Man”, “Bewitched”, ”Kingdom of Heaven”, “Stealth” or “The Island” did not perform up to expectations, and for most of 2005 the weekend take at the box office has been less than it was 52 weeks before. And things may become worse, Variety reports in the current issue. The cause, according to the article, is the shrinking window between a film’s theatrical opening and its release on DVD. If the DVD comes out too soon, there is no reason to see the film in a theater, and the take at the box office will fall even further. The drop in ticket sales from last summer to the summer of 2005 is projected to be 9 percent, and the drop in attendance is expected to be even deeper, 11.5 percent, according to Exhibitor Relations, which tracks the box office.

There are several theories about the decline: a failure of studio marketing, the rising price of gas, the lure of alternate entertainment, even the prevalence of commercials and pesky cell phones inside once-sacrosanct theaters. But many movie executives and industry experts are beginning to conclude that something more fundamental is at work: too many Hollywood movies these days are not good enough.

Audiences and box-offices are suffering: “Last year the Hollywood box office take fell 6 percent, continuing a decline in attendance per capita that started in 2001. The average top 25 blockbusters in any given year so far this decade have accounted for 5 percent less of the total box office gross than in the 1990s, even as they’ve cost 57 percent more to make” (Anderson, 2007).

Lack of quality comes on the eve of major technological changes. Competition has increased: it comes from video games, hundreds of television channels and DVDs. So the problem was not only a diet of formulaic plots, too-familiar special-effects vehicles and remakes of television shows. The moviegoer seems to be hungry for better entertainment. Although distribution matters, in the movie industry product content quality is paramount.

Industry concern is palpable. Bad performance is not limited to the most recent summers: overall movie attendance has slid to below it stood in mid-August 2001. DVD sales, while still robust, are no longer rising exponentially, and some analysts say that a poor box-office performance this summer will lead to poor DVD sales this winter. In this situation, focus is being put into the moviegoing experience in a time where DVDs and home theaters have made a better movie watching experience at home.

Industry news were somewhat better in 2007. The film industry achieved its first $4 billion summer. Hollywood had a good summer. The top 12 movies took in $90.2 million, up 7% from same weekend last year. Hollywood’s figures topped the $3.95 billion set in 2004, according to box office tracker Media by Numbers. Movies are likely to gross about $4.15 billion by the time the season ends on Labor Day, up 8% from last summer.

Industry experts explain that sequels, originals, comedies and action movies brought audiences in record numbers but the fact that the number of tickets sold is nowhere near a record needs to be tempered. The results are conditioned by higher admission prices. Factoring those prices in, Media by Numbers estimated about 606 million movie tickets will have been sold this summer –a solid figure but only the

sixth-best for modern Hollywood. The best summer in recent times was in 2002, when 653.4 million tickets were sold.

Lack of ideas is also an element in broadcasting. The emergence of reality TV has underscored some of its business flaws. It is true that the networks make instant money with reality. Reality TV finds advertising imitations in the hand-held, easy-to-produce emotionally charged commercial spots that some advertisers are using. Everybody wants to play it safe. The rule seems to be do not mess up…

For some, situation comedies are dead after "Friends" and "Frasier". Cheaper reality TV overtakes ratings, advertising dollars and the public's attention. There is a notable lack of original ideas. Most ratings hits are in the same programming areas: forensic shows like "CSI" with its different franchises, "Law and Order", "NCIS" and "24"; hospital series like "ER", "Scrubbs" and "Grey's Anatomy". And then there is reality TV.

With 21 reality TV shows in network television in the fall 2004 season, we are looking at a situation of growing homogeneity in broadcast network fare. That will not help in the competition with cable programming. The networks thrive in imitation and sequels. The "CSI" brand is extended to Miami and New York. "Friends" become "Joey". "Big Brother" and "Survivor" (global television formats) are replicated. So is "American Idol". But there are hints of a change.

A degree of crisis for reality TV seems to be clear: 2004 has been quite a year for situation comedies with "Arrested Development", "24", "Without a Trace", and "Joan of Arcadia" probably leading the way. All of a sudden, saturation in the supply has made reality TV a format that appears to be in a crisis, with more failures than hits. Industry insiders consider that media and entertainment management is more about managing failure than about managing successes.

After a fall littered with failed reality shows like "The Will" on CBS and "My Big Fat Obnoxious Boss" on Fox, NBC's "The Contender", which is carrying the largest price tag of any new reality show ever, more than $2 million an episode, is certain to be greeted with skepticism. How it fares could ultimately affect the commitment by networks to future reality programs, in spite of Fox's success with "American Idol". When there is

a hit it is endlessly imitated by competitors. Now the most important hit is ABC's "Dancing with the Stars", a format that is extending to other dancing reality shows in the competition. This genre extends itself with new sequels of the successful reality TV formats. Anyway, the audiences are not what they use to be before the advent of cable and satellite.

The summer of 2005 has been a new opportunity to rerun shows. Although there was a fair amount of new programming, the most-watched shows of the summer have been the dramas and comedies that aired earlier this year. Summer started to be time for new programming in 1999 with ABC's "Who Wants to Be a Millionaire", followed by CBS's Big Brother in 2000 and Fox's American Idol in 2002. But with the exception of ABC's Dancing with the Stars, none of the series introduced in the summer has been a hit.

Reality TV will be around for some time. Cheaper that most TV content, it does not need big name actors or screenwriters. It also has something precious for networks: it is buzzworthy. CBS' "Kid Nation" one of the last reality TV experiments illustrates this point. In 2007, first-place CBS already had good ratings, stars and strong franchises. But it did not have buzz. "Kid Nation" has a children-only cast and a simple premise: 40 kids living for 40 nights without parents in an unhabitated city near Santa Fe, New Mexico (Rose, 2007).

The show provoked a debate about the legality and ethics of such a program. That is exactly what CBS wanted: in order for a reality show to get out and change the landscape of television, you have to stir public debate. Industry insiders consider that all buzz is good buzz when it comes to ratings: "Buzz is always good. What is does (…) is drive people to sample the show. But (…) only merit will determine whether those viewers will stay" (Rose, 2007). In other words, the show has to be good and needs to resonate with viewers. Buzz is the beginning of this process, especially intense in reality TV.

A number of advertisers still need networks to reach mass audiences. Advertisers still like to watch television. Jon Fine writes in Business Week: "We still like to watch. Or, at least, advertisers do. Broadcast TV keeps losing audience, but the hold on its share of the ad pie still bests other big-media competitors. Despite the rightful hype about

fragmentation and TiVo, this medium has proved more tenacious that you would think from the ratings. In the 1984-85 season, 38 million households tuned in to broadcast networks during prime time, according to Nielsen Media Research. In 2003-2004, only 31 million did" (Business Week, July 25/ August 1, 2005, 10).

Today's top shows "("Desperate Housewives", "Lost", "Dancing with the Stars", "American Idol", "CSI, House", "Prison Break")" have lower ratings than top shows in the past, but they stand tallest in the market. There is more: "celebrity is what it's all about. No matter the numbers, advertisers have a hard time forsaking TV, for reasons that go beyond effectiveness studies and concerns about the model. One ad executive speaks of 'the long-term mystical hold' TV has on client and ad agency minds. Procter & Gamble may move away from the TV spot, but it's not moving away from networks (…) You may not star on American Idol but you can still make sure your product does (Business Week, July 25/ August 1, 2005, 10).

Even cable seems to be also suffering now from lack of originality. Joe Flint, a TV business commentator for the Wall Street Journal recently wrote: "These days, the 57 channels have the same thing on. As more and more cable channels aim for similar audiences with similar styles of programming, the brands and the ratings that they worked so hard to establish will evaporate. Shifting gears sometimes makes perfect sense — not every format or programming strategy can stand the test of time. But chasing the latest fad is rarely the answer" (The Wall Street Journal, July 20, 2005).

The drive for more advertising dollars and the 18-49 demographic has changed the programming of channels like American Movie Classics, A&E, Bravo, E!, ESPN Classic and others. This is somewhat surprising. In theory, cable is not playing the big ratings and advertising game. And yet the need to maximize advertising income and ratings is challenging cable's conventional branding.

Not even a market leader like HBO has been spared. Long thought as cutting-edge, groundbreaking TV, HBO is also suffering its own measure of creative distress. "Sex in the City" is gone and "The Sopranos" is not coming back. "The Comeback" (starring former

Friends star Lisa Kudrow) is not working. The last plots of a critically-acclaimed show like “Six Feet Under” are frustrating otherwise loyal HBO viewers. Although average prime time viewership is down from 915,000 households in July 2004 to 620,000 in July 2005, subscriptions are as high as 28 million.

HBO still leads the field in Emmy nominations, with 93. NBC, the next channel in the ranking had 54. But HBO’s executives should not forget that in 2004 they won 124 nominations. And its shows are not as talked about. This year the talk is about ABC hits, FX shows or Comedy Central.

The 2007 Fall season seems a departure for the networks, that want to give viewers a break from reality. The realism of shows like “24” and the various iterations of “CSI” are now deemed too sobering and TV executives look for fantastical and even supernatural premises as they look for new hits. Schechner (2007) describes some of the new shows, that include time travel, surreal storytelling devices and impossible situations like cavemen living among modern-day humans: “in ABC’s candy-colored “Pushing Daisies,” a socially awkward pie-maker moonlights as a detective who brings people back to life. In NBC’s “Chuck,” a dorky electronics-store employee is roped into becoming a spy when he has the nation’s intelligence secrets downloaded into his brain. Later this season, networks plan a series on a lawyer who may be a prophet, and two others about all-but-immortal detectives”.

The concepts are intented to be “noisy”. In the last quarter of 2006, the broadcast networks’ audience fell 9.2% from a year earlier, the biggest drop in at least four years. But networks also try to capture the mood of viewers that are unhappy with the state of the world from the economy to Iraq. Besides, “almost all of last fall’s crop of realist dramas about topics such as kidnapping and hostage situations flopped; even “24” attracted only 10.3 million viewers the night of its May finale, down 25% from the 2006 season ender, according to Nielsen. By contrast, one of last year’s biggest new hits, NBC’s “Heroes,” traffics in wish-fulfillment by giving superpowers to everyday people” (Schechner, 2007).

7.8. Lack of creativity in advertising

A crisis in the way to communicate with audiences is also apparent in the creative side of advertising. Often lack of originality springs from a desire to have too much of it. Many failures in the advertising business, as Garfield (2003) has pointed out, take its root in creative communities divorced from their audiences in taste and also in background and interests. Famous and hip advertisers like Benetton and Calvin Klein are among those singled out for criticism. Advertising is not considered primarily as an art with semantic and artistic implications.

Advertising works, but also has to make business sense, and advertising's excesses and failures leave room for criticism. They stem sometimes from the thirst to be original and artistic. Creative isolation is a serious disease. The "all-black-dressed crowd" that attends the Cannes festival and gives awards for art and entertainment value, not for effectiveness is a source of problems for the industry: "creative are all the time writing ads for one another or for themselves. Quite frequently they write ads for one another or for themselves and harvest trophies for their efforts. The clients, however, harvest no such profits" (Garfield, 2003. 93).

For Garfield is all about the message, the contents. It is not about entertainment, or art. And the contents have to be relevant for the consumer, not only for the black-dressed community. He also entertains himself with the advertising tendency to excess and "shockvertising" –celebrity and sex excesses, specially–. Not even David Ogilvy is spared from his criticism. His famous quote "the consumer is not a moron, she is your wife", is severely criticized. Garfield says that the consumer is not somebody close to us, but somebody we have to understand because, as he puts it, "she has not read a newspaper since high school civics class", as he puts it.

The audiences also deserve respect for their time: "TV spots simply appear, and in exchange for viewer indulgence advertisers owe a measure of restraint and respect for the sensitivities for everyone in the room. Not just the target. Everyone" (Garfield, 2003: 111). Advertising

cannot “offend the many” to “impress the few” with shocking images. There are lines that should not be crossed: “awareness is nothing –at least nothing of which I’m aware. Charles Manson has fabulous brand awareness. So does anthrax” (Garfield, 2003: 120).

Creative then becomes shocking or interesting for the creative community, or to people close to the creative community. There is a lack of effort to understand the audience and make the most of the client’s product, which is what advertising is all about. Some failures in the movie industry are also related to that pervasive disease: creative isolation.

8. Industries in transition

Media industries are undergoing a technology-prompted change led by audiences: “Media audiences may be increasing rapidly each day but consumption is another story. For the first time since 1997, U.S. consumers spent less time using media in 2006 compared to the previous year. Media usage per person declined 0.5% to 3,530 hours. This drop is mainly attributed to changing consumer behaviors and advances in the digital space, according to data by Veronis Suhler Stevenson” (Tan, 2007). This years’ VSS Communications Industry Forecast 2007-2011 projects continuing growth in the communications industry over the next five years with Internet advertising, including pure.play websites and digital extensions of traditional media, replacing newspapers as the largest ad medium in 2011. And advertising follows audiences.

Audience usage patterns are in a transformation: “because of the high demand for quick updates and short news briefs readily available on the web consumers now rely less on 30-minute broadcast or cable TV news shows and spend less time reading the Sunday paper, dropping time with ad-supported media 6.3%”(Tan, 2007). Advertisers’ dollars and audiences are moving from advertising to targeted media. They are not willing to pay for broadcast TV advertising, based on interruption. Dollars go to targeted media and they shrink because the targeted media is more effective.

The publishing, broadcasting and advertising scenes are more affected than other media and entertainment industries. In this context, “we must address the old saw that new media don’t destroy old media. Radio didn’t kill newspapers; television didn’t kill radio, and so on. That is true…so far. But some new media are so disruptive that they force older media to change themselves radically in order to stay in business. Those that decide to circle the wagons and refuse to change, refuse to reinvent themselves, are almost certainly going to struggle to survive” (Cappo, 2003, 72).

8.1. The paradigm shift in advertising

Commercial advertising, a crucial institution in contemporary media is undergoing massive change. In this "post-television Age" (Cappo, 2003), the way advertising works is changing (Auletta, 2005). Traditional advertising is said to be losing ground to viral marketing gaming, on-demand viewing, long-form content and other "new marketing". The literature has been describing this crisis for a while.

The idea itself of "advertising's death" is present in several major titles since Ries & Ries and Zyman (2002). Both books claimed that advertising agencies were selling clients short. Effectiveness is traded by spectacular ads that entertain but fail to sell. Al Ries and Laura Ries argue that the future for brands is in public relations and not in advertising. Zyman warns about spending too much on sponsorship.

Life after traditional advertising is the topic of another set of books. New marketing techniques, including Internet, video gaming and product placement are the focus of works by Jaffe (2005) and Galician (2004). The synergies achieved between entertainment and advertising through product placement are also explained by Donaton (2003) while exploring the history of product placement, which is currently one of the most apparent alternatives to traditional advertising.

The strength of online advertising and its cost-effectiveness is also discussed in a variety of works that explain how search engines like Google are changing advertising strategies. Marketing without advertising has also become a frequent topic in the academic and managerial conversation. Nyren (2005) explains that perhaps there is no need to work with an advertising agency.

Advertising-funded media and entertainment industries are in transition (Farrell, 2007). Technological change breeds cultural change. Today consumers of media are more in control of how, where and when they receive their messages. A broadcasters' ability to dictate when certain shows are watched or heard is diminished. There will always be some need for live television and radio, to deliver breaking news, as well as sporting events, awards shows and so on, but the drive towards more consumer control will continue. An equally strong

revolution is happening in content-creation. Blogs, cellphone movies and social networking sites are contributing to an explosion of user-generated content.

Bradley and Bartlett (2007, 1) mention some media strategy implications of the new landscape: “with the establishment of the Internet in the late 1990s, marketers began to use the Web to supplement their off-line campaigns. Eventually the convergence of widespread broadband, mobile technology, portable devices and user generated content created a world which propelled marketers to new outlets like rich media, podcasts, online videos and blogs”.

Brands are not built around the 30-second commercial anymore: consumers’ alienation with cluttered media has become a factor. The “2005 Best Global Brands special report” at Business Week underlined the industry turnaround: “the best brand builders are also intensely creative in getting their message out. Many of the biggest and most established brands, from Coke to Marlboro, achieved their global heft decades ago by helping to pioneer the 30-second TV commercial. But it is a different world now. The monolithic TV networks have splintered into scores of cable channels, and mass-market publications have given way to special-interest magazines aimed at smaller groups. Given that fragmentation, it’s not surprising that there’s a new generation of brands, including Amazon.com, eBay, and Starbucks that have amassed huge global value with little traditional advertising. They’ve discovered new ways to captivate and intrigue customers. Now the more mature brands are going to school on the achievements of the upstarts and adapting the new techniques for themselves” (Business Week, August 1, 2005).

This trend seems to be growing. According to Brand Channel’s 2006 survey the top five brands in the world were Google, Apple, You Tube, Wikipedia, Starbucks with Skype also in the top 10. Many of these salient contemporary brands have been built with very little help from traditional advertising.

In this context there is an increasing premium for innovation in media. Thanks to the Internet, advertising is going through its first true paradigm shift since the advent of television half a century ago.

The Internet is expected to attract close to $8 billion from national advertisers this year, still fairly modest but up 15% from 2004. So 'offline' media companies are redoubling their online efforts, and Madison Avenue is scrambling to cope. Advertising remains a very powerful economic force and advertisers are spending more than ever to "push" markets. But much of the growth occurs in California, in the headquarters of companies like Google and Yahoo.

Integration is a major driving force: "That simple solution to advertising doesn't exist anymore. Television is not as dominant as it once was. A whole world of cable and satellite channels is now available to smart marketers. One must devote more time to media evaluation and selection, and it can produce more effective advertising. That is exactly what clients are looking for –more answers to their marketing problems. And aside from the proliferation of television, cable and satellite signals, there has been substantial growth in all other forms of marketing –sales promotion, direct marketing, sponsorship, not to mention the Internet"(Cappo, 2003, 151).

Advertisers are indeed exploring many new avenues. Billboard advertising is being used in innovative ways: Out-of-home advertising, long considered a backwater on Madison Ave., is getting tougher to ignore as it branches out beyond the old-fashioned billboard. New technologies are transforming out-of-home ads, a sector which includes roadside billboards, ads on buses and trains and now even coasters in bars. As advertisers find it harder to reach consumers through television and radio, the increasing array of out-of-home ads is looking more attractive.

Another growth area is "branded entertainment", where advertisers and broadcasting executives thoroughly plan television shows and movies to achieve maximum brand impact. The stated goal is to avoid traditional advertising's pitfalls, tightly weaving a brand or product into content and to counter consumers growing habit of *zapping, zipping* or otherwise avoiding traditional commercial pitches.

Business Week echoed similar developments two years ago: "some marketers have worked to make their brand messages so enjoyable that

consumers might see them as entertainment instead of an intrusion. When leading brands are seen on TV they're apt to have their own co-starring roles (…) rather than just lending support during the commercial breaks. All are trying to create a stronger bond with the consumer" (Business Week, August 1, 2005).

Word-of-mouth and viral marketing are also mainstreaming. They have become "an increasingly potent force, capable of catapulting products from obscurity into runaway commercial successes" (Dye, 2000). Dye has explained the anatomy of buzz: "people like to share their experiences with one another (…) and when those experiences are favorable, the recommendations can snowball, resulting in runaway successes". Gladwell (2002) explained this pattern in the same year. Brands experiment with the brave new world of the Web 2.0 and user-generated content, using blogs and "social networking" sites like MySpace. Virtual reality outlets like Second Life and the videogame industry seem also ripe for marketers.

Besides, mass media advertising has long suffered from accountability problems: Everyone complains about the inability to determine the return on investment from advertising spending, but no one seems satisfied with what is being done about it. Senior marketers are increasingly intent on figuring out what they are doing right — and wrong — as the cost of peddling goods and services climbs each year, along with the difficulty of reaching potential customers. More than two centuries of advertising in media has not brought a significant improvement in that regard. Advertising's impact on sales is uncertain and advertisers might have other means to look for consumers.

Although the problem is already well known, advertising's lack of effectiveness has been the subject of pretty sound research in recent times: a significant proportion of advertising messages are not contributing to sales as expected. According to Briggs and Stuart (2006), as much as 37% of the overall advertising expenditures are a complete waste. Marketers don't seem to be ready to lose that much and Internet's effectiveness in marketing programs is putting traditional media campaigns on the spot.

In the new context, the era of building brands namely through mass media advertising seems over. The predominant thinking of the world's most successful brand builders these days is not so much the old game of reach (how many consumers see my ad) and frequency (how often do they see it), but rather finding ways to get consumers to invite brands into their lives. The mass media won't disappear as a tool. But smart companies see the game today as making bold statements in design and wooing consumers by integrating messages so closely into entertainment that the two are all but indistinguishable.

Clutter and media fragmentation have long been serious hurdles for traditional media. There is a problem of over marketing that overwhelms publics and undermines commercial communication efforts. Media plans are still too attached to the well-known classic approaches, but audiences do not seem to be listening as they used to. Profound transformations do not happen overnight but the need for fresh approaches is increasing.

Generally speaking, traditional media where advertising spending is highest are continually decreasing both in media audience and advertising share. Looking at measured advertising expenditures we can analyze what has been happening in the last decade in the largest advertising market in the world (United States), the two largest European Union markets (Germany and the UK), and the European Union at large.

Dailies are losing ground, threatened by free newspapers and online news outlets. Wherever there is a development in cable and satellite television, terrestrial television enters into a downward spiral. By 2002, cable advertising spending in the USA was already higher than in the networks. Their total advertising media share is just about 6.8% of the overall market. In the UK, paid television development has provoked an even higher decrease for terrestrial television in the last decade, losing more than five share points in the overall advertising market.

Only in Germany television's share has grown. But we still lack separate figures for terrestrial television and cable, in a country with

large cable penetration: at least 73.5% of Germans older than three have access to cable television. Radio and outdoor advertising tend to grow and even more clearly direct mail and the Internet, even though actual figures for Internet advertising are probably higher than those measured.

In the EU-15 (see table 7), the 1994-2005 decade has seen a retreat in print media share. Television has increased slightly because of deregulation of some broadcasting markets or increase in cable and satellite expenditures. Radio and outdoor advertising remain stable with a tendency to improve, and Internet has emerged as a significant player, confirming the trends apparent in the largest markets.

Table 4.

Advertising expenditures by medium in the United States (1995-2005)

	1995	**2000**	**2005**	**% Change 1995-2005**
Dailies	34,1	29,8	26,5	-7,6
Magazines	11,2	10,3	9,3	-1,9
Network TV	10	8,8	9	-1
Cable TV	5,3	8,6	12,1	6,8
Radio	10,2	11,2	10,5	0,3
Outdoor	1	2,6	2,9	1,9
Internet	0	4,2	7,4	7,4

Source: The European Advertising and Media Forecast, October 2005, July 2006.

Table 5.

Advertising expenditures by medium in the United Kingdom (1995-2005)

	1995	**2000**	**2005**	**% Change 1995-2005**
Dailies	38,4	37,6	32,8	-5,6
Magazines	16,2	15,1	12,6	-3,6
Terrestrial TV	28,2	25,5	21,3	-6,9
Cable/Sat. TV	2	4,1	6,1	4,1
Radio	3,1	4	3,5	0,4
Outdoor	4,3	5,2	6	1,7
Internet	0	1,1	9,1	8

Source: The European Advertising and Media Forecast, October 2005, July 2006.

Table 6.

Advertising expenditures by medium in Germany (1995-2005)

	1995	2000	2005	% Change 1995-2005
Dailies	45,9	43,2	40,5	-5,4
Magazines	18,5	17,7	16,5	-2
Television	20,9	24,1	24,5	3,6
Radio	3,7	3,7	4,1	0,4
Outdoor	3,3	3,8	4,8	1,5
Internet	-	0,8	2,1	2,1

Source: The European Advertising and Media Forecast, October 2005, July 2006.

Table 7.

European Union-15 Media Share (1994-2005)

	1994	2005	% Change
Newspapers	37.8	32	-5.8
Magazines	17	14.7	-2.3
Television	27.8	30.1	2.3
Radio	4.3	5	0.7
Outdoor	4.6	5.4	0.8
Internet	-	4	4

Source: The European Advertising and Media Forecast, Vol. 20, no 5, July 2006.

This is happening in spite of the fact that media planning is probably rewarding traditional media, which have more systematic quantitative measures. However, audiences seem to be going in a different direction. There is no other way to plan media that are “consumed” in a different way than conventional “above-the-line” media. Traditional media see themselves in a position where there is a need to build stronger brands to achieve differentiation, be relevant to audiences and get into media plans. The fact that free newspapers already account for 11.8% of total advertising spending in Germany or 9.6% in France can no longer be ignored (see Table 8). Internet is already a significant player in the overall market. Table 9 lists the countries where Internet advertising’s share is above 2%.

Table 8.

Free papers advertising expenditure as % of overall advertising, selected countries (2005)

	Free papers total advertising share (%)
Germany	11.8
France	9.6
Sweden	6.4
Finland	5.1
Denmark	2.6

Source: The European Advertising and Media Forecast, Vol. 20, Number 5, July 2006.

Table 9.

Internet advertising as % of overall advertising (2005)

	Internet advertising as % of overall expenditures
United Kingdom	9.1
Sweden	7.6
Norway	7.5
United States	7.4
Denmark	6.2
Japan	6.1
Canada	4.3
France	3.4
Finland	2.8
Netherlands	2.6
Belgium	2.2
Germany	2.1
Czech Republic	2.1

Source: The European Advertising and Media Forecast, Vol. 20, Number 5, July 2006.

In such an environment media planning practices need to change. Media plans should to be corrected so that they become closer to the brand communication's message and its audience. Media strategy carries a message to audiences. But audiences do not listen as they used to. There is a relevant degree of media overlap and multitasking. The best brands are conscious of the classic commercial's crisis and

look for fresh opportunities in media contents using product placement, viral marketing and sponsoring. Corporate communication also acquires greater relevance.

Planners will probably need to change habits and become experts in media usage and "consumption" by audiences at large. Only thus the media function will be efficient, connecting with audiences and putting its knowledge to serve and protect brands. Media planning will need to adapt to a media environment where *ratings, shares, GRPs* or *CPT* are increasingly irrelevant. Changes are also a consequence of a revolution in media use by the citizens: time spent and the impact of technology in everyday life, leisure time and lifestyles.

The advertising industry is undergoing a momentous time of change worldwide. The crisis of the 30-second spot and the lackluster performance of traditional media like terrestrial television, print and radio are having a profound influence in advertising-supported media. In a way, the advertising industry is disrupted by technology. So are terrestrial broadcasting, publishing and radio.

Advertising follows consumers. And consumers are talking loud. They like good ads, which travel increasingly around the Internet. But they do not like excess. Technology makes increasingly difficult for advertising to appear as an interruption: consumers are more in control. This is the situation brands should read correctly: it is not the end of advertising, but it is a whole new context with significant implications in the way media space is sold and planned.

A better audience understanding will help companies in those industries to develop advertising strategies that are relevant to consumers. The emergence of online advertising, innovative out-of home solutions and "branded entertainment" will continue to draw researchers' and industry attention. This situation calls for a revamp in the way advertising media plans are laid out.

Online advertising might well be maturing. The purchases of MySpace by News Corporation and YouTube by Google extended to new scenes the battle for audiences. Around the year 2000 different brands achieved global stature and dimension without using traditional

advertising media. Such brands gave rise to the academic and professional conversation about "word-of-mouth", "buzz" and viral marketing, Internet-based communication strategies. The nee communications tools have been completed along the same lines with "online videos", "blogs" and "podcasts". April and May 2007 are witnessing a new battle between the Internet giants headquartered in the U.S. West Coast (Microsoft, Google and Yahoo) and the Madison Avenue advertising companies (WPP, Publicis, Interpublic) that do not want to lose the train of the creative revolution that takes place on the web (Steel, 2007).

While the use of advertising strategies online by advertisers grows, the struggle for controlling the income generated is breaking out. The latest episode took place in May 18, when Microsoft acquired by $6.000 million aQuantive, a company specialized in online advertising. The purchase is the greater in Microsoft's history and follows similar acquisitions by Google, Yahoo and several advertising agencies.

The online advertising market walks towards maturity around an oligopoly of companies that sell the ads users watch on the Internet. There is a business model based on search, online video downloads or banners in news and entertainment sites. But there is also a more novel form pioneered by Google using automated methods of advertising location that can play a determinant role also in the way advertising is planned in media like television, radio and newspapers.

The above mentioned wave of acquisitions was inaugurated in April when Google bought online advertising agency DoubleClick by $3.100 million. A day before Microsoft´s announcement, advertising "megagroup" WPP had announced a new acquisition 24/7 Real Media by $649 million. This company places ads near online searches by users. Industry experts consider that WPP was trying to counter DoubleClick's purchase. Meanwhile, Yahoo bought Right Media by $680. In a similar operation, Digitas, a digital marketing agency was acquired by the giant advertising group Publicis by $1.300 million in January.

The implications of such movements for the agency business are huge. Advertisers have traditionally trusted agencies for their media placement and accepted their role as intermediaries. Google has started

to change those rules placing ads next to online searches presenting an alternative model to advertising agencies.

aQuantive, the company just acquired by Microsoft, was established in 1997 and it includes several online advertising businesses, including Avenue A/Razorfish, considered one of the largest Internet advertising agencies. The expected income for aQuantive in 2007 is as high as $615 million. Microsoft traditionally did not want to play a role in the advertising business. Its technological culture resisted some previous initiatives in the online advertising space. However, in the last two years, it has increased its number of employees for this field and has turned online advertising into a priority. Top Microsoft executives believed that in spite of some remarkable investments the company was losing market share to its more direct rivals, Google and Yahoo. Besides, Google beat Microsoft in the fight to purchase DoubleClick.

The online advertising market is growing. Search-related advertising already accounts for 40% of total Internet advertising expenditures, which account for a 7% of the overall advertising expenditures in the United States according to eMarketer. Today, there are also six countries in the world where Internet advertising expenditures are above 5% of the total advertising market, in spite of the medium's impressive growth. However, the fact that three of those six are among the four top advertising markets worldwide (United States, Japan and United Kingdom). Internet advertising's share is already similar to such established media as radio and outdoor. But experts are impressed with its growth rate.

The latest advertising expenditures figures show U.S. advertising spending poised to overtake radio advertising for the first time: "U.S. radio ad spending is expected to inch up 1.5% in 2007, to $20.4 billion, short of online ad expenditures of $21.7 billion, which will be up 22% from last year (…) Over the next several years, radio station Web sites and online audio advertising will be the principal drivers for radio advertising growth" (Hau, 2007). Terrestrial radio companies like Clear Channel, CBS and Cox Radio continue having massive audiences, but consumers are spending less time listening to radio than they do surfing the Internet or watching TV. Besides, only 17% of U.S.

consumers consider radio the “most” essential medium, down from 26% five years ago, according to an study released by Arbitron and Edison Media Research” (Hau, 2007).

The advertising industry is concerned with the fact that companies like Google, Microsoft and Yahoo are positioning themselves in the advertising market and consider it a “Silicon Valley invasion”. In the last two years, the largest advertising agencies have increased their interest for the online world. Advertising budgets have migrated from traditional media to the Internet. According to TNS, a leading advertiser like General Motors has increased its Internet expenditures 16%, but has decreased a 60% in newspapers and a 15% in television.

Advertising-funded media and entertainment industries are in transition. Technological changes lead to cultural changes and today media consumers have more control of how, where and when they will receive messages. The television network’s ability to dictate a program’s schedule is diminished. There will probably be always a need for live radio and television, to broadcast breaking news, sports events or entertainment awards. However, the trend towards more audience control will continue. In content creation terms a revolution is taking place in spaces like “blogs”, mobile phones and social networking sites where content is user-generated.

Bradley and Bartlett (2007, 1) have studied the implications of the new landscape for media strategies and explain that with Internet’s continued strength during the nineties, advertisers started to use it to complement their “offline” campaigns. Later on, broadband improvements, mobile phone technologies, portable devices and user generated content have created a world that leads advertisers to use such new vehicles as “podcasts”, “online videos” anf “blogs”.

The advertising industry is reluctant to lose the opportunities that come with the online world and it is determined to avoid that giants such as Google or Yahoo take control of the Internet advertising business. Google’s efforts in television, newspaper and radio advertising time and space sales have spurred the agencies reaction. Agencies have felt directly threatened. Publicis buy in January (Digitas) was followed in April by Interpublic, which bought Reprise Media, a company

specialized in search tools. But 24/7 Real Media buy by WPP is so far the more aggressive step by the advertising industry to get close to the technological side of the business. For some executives, the ad business can't allow to limit itself to creativity and media planning.

Yahoo has made in September 2007 the last move in the field, acquiring closely-held online-advertising company BlueLithium for about $300 million. BlueLithium was founded in January 2004 and operates an online-advertising network that buys graphical-display ad slots, such as banners, on about 1,000 sites owned by other Web publishers and resells the slots to advertisers. Yahoo in April had paid $680 million for the remaining 80% of online-advertising exchange Right Media Inc., following a 20% stake it bought in October, as part of the strategy of expanding its advertising reach to other sites (Delaney, 2007).

Online video advertising is turning into a new alternative for the 30 second spot. Industry insiders believe it gives more depth and visibility to some campaigns, for half the price. According to them, the website is replacing the 30 as the central expression of a brand. In most cases, rich-video sites can be made for half the cost of a 30-second spot. Marketers are showing increasing sophistication in their use of online video to create not just linear presentations that look like TV commercials, but interactive, virtual experiences. There are also detractors that say that the web "will never be a replacement for TV's reach and ability to create interest, but there is no denying the depth of experience a website allows" (Klaassen & Mcilroy, 2007).

The lively interest for the online video scene has also been highlighted by YouTube's acquisition by Google. Nearly ten months after the purchase, "the video sharing website is rolling out its first approach for selling ads within videos (…) Resembling a popular ad model cropping up on a number of other video sites, YouTube´s new format is a semitransparent ad that appears on the bottom 20% of the video. The ad shows up after a video plays for 15 seconds, and disappears up to 10 seconds later if the viewer doesn´t click on it. Viewers can either click to close the ad right away or to watch the commercial. If a viewer chooses to watch the ad, the main video pauses until the commercial stops" (Steel, 2007).

The format is a first step towards standardization in online video advertising and reflects the concerns to avoid online advertising that can be considered intrusive: YouTube "plans to sell these ads only on videos from its select content partners, whose original videos include professionally produced videos and user-generated content. The partners will earn a share of the ad revenue. The system is similar to Google's AdSense network, which matches ads to the content of a network of Web sites, and gives those sites a cut in the profits" (Steel, 2007).

Online advertising takes advantage of the increasing interest for advertising that travels along the Internet as good quality entertainment. Elliott (2007) comments on this trend: "for generations, advertising interrupted the entertainment that Americans wanted to read, hear or watch. Now, in a turnabout, advertising is increasingly being presented as entertainment –and surprisingly, the idea of all ads, all the time, is gaining some favor".

The proliferation of broadband Internet connections make easier for computer users downloading or watching video clips, and that is enabling media companies, agencies and marketers to create Web sites devoted to commercials and other forms of advertising as entertainment or amusement. YouTube has also shown how popular are good commercials on the Internet. That is the reason behind the release of new all advertising websites like veryfunnyads.com (Time Warner's TBS cable network), didja.com (NBC Universal's USA Network), and honeyshed.com (Publicis advertising agency).

It is interesting to note that, as Elliott says, "oddly, the trend runs counter to another powerful impulse among consumers: the growing desire to avoid advertising. TV viewers, for instance, are spending billions of dollars a year for TiVo and other digital video recorders thath help them zip through or zap commercials and click-through rates for banner Web ads are declining" (Elliott, 2007). But people do not seem to be against advertising as such. What they do not like is bad advertising and advertising as an interruption.

For all its promise, online video is still relatively small as an advertising revenue generator. It is true that viewership has exploded.

Around 135.5 million Americans watch online video at least once a month, up 19% from last year according to eMarketer. The online video advertising market is expected to surge 89% this year to $775 million, but that will account for just 3.6% of overall Internet ad expenditures. By 2011, the market is expected to expand more than fivefold to $4.3 billion –which would still only add up to slightly less than 10% of total online advertising spending (Hau, 2007). Web video has a long way to go before it rivals search marketing, much less the huge numbers achieved by television advertising. Besides, professionally produced programming remains the biggest potential draw for advertising dollars.

It is also a different vehicle: "Most early attempts at online video advertising involved simply attaching a 30-second TV ad to the front of a video clip. But the industry quickly recognized that recycling and ad format originally meant for half-hour or hour-long TV programming didn´t work well for online clips that were often barely longer than the ad itself" (Hau, 2007).

Online advertising is also expanding wireless. Steel (2007) explained that in the past couple of years many towns have set up free wireless Internet networks for public use: "a new generation of ad firms is starting to crop up, aiming to bundle together ad space on numerous local Wi-Fi wireless Internet networks throughout the country for sale to marketers (…) Advertisers have good reason to consider buying space in local Wi-Fi networks. While the web generally is swamped with ads, Wi-Fi networks offer marketers the ability to buy space on key positions such as the welcome page seen by Web surfers when they first log on. Most networks give users the option of paying for the Internet connection and skipping the ad, although some local network operators say most people agree to watch the ads".

Wireless is a way to avoid the already cluttered advertising environment in web pages. But there is more: "Wi-FI networks enable marketers to reach consumers on the go with ads targeted to specific geographic locations. So far, though, the Wi-Fi networks that have mostly drawn big advertisers are those operated by airports and

hotels, which give marketers the chance to reach business travelers" (Steel, 2007).

Social networks are another promising venue for advertising as the most relevant social networking sites try to monetize its huge and growing user base. Traditional advertising is losing its impact amid fragmentation of television, time-shifting in viewing and commercials' skipping. Research is also suggesting that "those viewers who actually see ads and commercials no longer believe them; the credibility of advertising is also at an all-time low" (Clemons, 2007). Social networks might be the next hope for advertisers. They seem to offer an opportunity: unlike the decline in television viewership or newspaper and magazine readership, online networks enjoy massive increases in participation.

Clemons (2007) considers that there are still limits to replacing advertising with social network distribution of promotional messages: on one hand, putting up a social networking Web site does not guarantee loyal viewership. On the other, loyal viewership does not guarantee trust in promotional messages and trust is fragile and can easily be destroyed, which suggests two more problems: content cannot be controlled, since users will say what they want, which is not necessarily what producers want said; trust cannot necessarily be monetized. The Internet is heavily transparent and attempts at manipulation will quickly become visible, quickly destroying trust and with it any value the web site could potentially enjoy as a means of product promotions.

In order to achieve the elusive loyalty, Clemons (2007) defines four conditions. Social networks have to be personal (interesting personally for any participant); participatory (opportunities for interaction); plausible and believable (online interactions have to follow some plausible rules); there has to be the possibility of physical transition (the ability to actually go from the online world to the real world is a plus). Clemons considers promising three advertising venues in this context: placing traditional ads on a web site; using paid content placement (for example, paying to have Second Lifers wearing certain clothes or drinking certain beverages);

and word-of-mouth advertising (for example, paying a Facebook user to recommend your product).

8.2. Change in the publishing industry

Newspapers also deal with high stakes in this entertainment society. The newspaper and the radio industries are probably the most disrupted in the media and entertainment landscape. Newspapers are losing readers: “the audience decline is potentially fatal for newspapers. Not only has their daily readership dropped from 52.6 percent of adults in 1990 to 37.5 percent in 2000, but the drop is much steeper in the 20-to-49-year-old cohort, a generation that is, and as it ages will remain, much more comfortable with electronic media in general and the Web in particular than the current elderly are” (Posner, 2005).

The sale of Knight Ridder to McClatchy was one of those events that speak volumes about the industry. The newspaper business’s long-term decline is an old story. But the Knight Ridder-McClatchy deal does remind of the changes that are transforming how people get their news.

The sale on March 12 2006 of Knight Ridder for $4.5 billion in cash and stock and $2 billion in assumed debt fell into the category. As the second largest newspaper company in the United States prior to the sale, the fate of Knight Ridder’s 32 properties was important to readers and employees across the country. Perhaps more stunning, was the announcement by McClatchy that it would sell 12 of the papers it had just acquired, notably those located in regions of slow population growth. Among them are The Philadelphia Inquirer, The Philadelphia Daily News and The San Jose Mercury News.

The Knight Ridder sale followed one of the most difficult years the industry has had — declining circulation, job losses and falling stock prices. Newspapers have two strikes against them: They are in a mature industry (the first regularly published newspaper came out some 400 years ago in Europe) and they are an example of an intermediary

between sources of information and customers — a role that is being challenged by the Internet.

The sale of the Tribune Co. to Sam Zell, a real-estate baron, has also been closely watched as an example of the industry crisis. According to Ellison and Forsyth (2007) it was “a seemingly endless process that featured tepid buyers, unhappy employees and angry investors. As the process dragged on, the landscape shifted constantly, and the entire industry lurched into decline as fears of Internet pressure on advertising and circulation mounted. In the end, the Chandlers had to settle for less than they had hoped for”.

Tribune is a very important company: it owns three of ten largest selling U.S. newspapers. In the 2006 summer a dramatic slowdown in newspaper advertising revenue forced many newspaper executives to rethink their strategies. A drop-off in print ad revenue has plagued Tribune’s biggest markets –Chicago, Los Angeles and New York– undermining the rationale for its 2000 merger with Times Mirror. The merger was designed to bring newspapers and TV stations together and this strategy has proved disastrous for Tribune (Ellison and Forsyth, 2007).

The Wall Street Journal’s sale, a world powerhouse in business journalism, founded in 1889, also underlines dramatic changes in the news business. In its editorial acknowledging the new owner, the Wall Street Journal makes comments that are interesting for the industry at large and also for newspapers owned by large corporations:

Change is inevitable in a capitalist marketplace, for the news business no less than for any other. That includes the possibility of changes in ownership, especially in an industry like ours roiled by the Internet. Ask the Tribune Company, or the reporters who once worked for something called Knight-Ridder. The Journal adapted to changing technology and reading habits. In the past five years, it redesigned the U.S. Journal twice and the foreign editions once, while adding a Saturday paper and investing in online publishing. From their perspective the future of the newspaper lies on its credibility. Business success is vital to editorial independence, but the reverse is also true: editorial independence enhances the prospects for business success. The more credible a publication is, especially one that specializes in

financial and economic reporting, the more readers and advertisers is likely to have.

To remain competitive daily newspapers will need to strengthen their efforts to attract younger readers, make more imaginative use of the Internet, and develop local stories that better meet the needs of readers who can access thousands of news and information sources at their fingertips.

The Internet's assault on newspapers is thought to be similar to the impact that digital downloading of music has had on compact discs: CD's still have appeal but they are no longer the dominant medium they once were. Newspapers are transient. Newspapers have adapted and thrived during decades of competition from emerging media but are now facing an intense level of competition from the Internet and cable television news. Newspapers themselves are to blame for a part of the problem, having been flush with cash for years and thriving in large markets where they have often enjoyed monopoly status.

Newspapers have been threatened for a long time but they adapted by being proactive. When TV and radio came along, newspapers bought them out. But the industry has matured to the point to where it has been less active. It is a generally declining industry. Newspapers are much more heavily consumed by older consumers than younger consumers. A few papers like The New York Times have been able to distribute themselves in multiple places. The Times has been able to keep circulation figures up through broader distribution, but that's not a strategy that will work for many papers.

To say the newspaper industry is in decline, does not tell the whole story. Circulation has indeed dropped in the aggregate, but most dailies remain profitable. Even The Philadelphia Inquirer makes money, just not as much as investors in Knight Ridder had wanted. Pressure from investors impatient with the profit margins of Knight Ridder papers and company's stock price was the reason the chain was put up for sale.

The difficulty in making a simple assessment is expressed in The State of the News Media 2006: An Annual Report on American

Journalism, released on March 13 by the Project for Excellence in Journalism. “For the newspaper industry, 2005 turned out to be a year of unpleasant surprises,” the report states. “Every indicator, including the number of news staff members that the nation’s best metro papers field every day, was on a steep downward path. Yet the picture heading into 2006 is ambiguous. Newspapers, by our reading of the evidence, are not headed for extinction by the end of the decade as some commentary has implied. But it is far from clear how to characterize what is going on. Is this the beginning of an orderly transition to a new set of business models in which the papers wholeheartedly follow many of their readers online? Or will newspapers inevitably shrink — in their news effort and even physically — leaving a dangerous void?”.

Statistics laid out in the report paint a mixed picture. Circulation continues to weaken; for the six-month period ending September 30, 2005, dailies declined 2.6% and Sunday papers fell 3.1%. At the Tribune Company, America’s second largest newspaper chain in terms of revenues, circulation revenue was down 7%. Circulation has declined as a percentage of the contribution it makes to the mix of newspaper revenue. In 2005 the ratio was about 20% circulation to 80% advertising. In the mid-1980s the ratio was more like 30%-70%. Wall Street discontent was measured by the stock prices of newspaper companies, which fell about 20% last year.

But profit margins were off slightly compared with 2004. Thirteen publicly traded newspaper companies saw their margins drop an average of 1.5 percentage points, to just below 20%. Big profit margins on flat revenues, suggest a stale industry to Wall Street. The investors are more focused on revenue growth and on the broader question of whether newspaper companies are flexible enough to invent new business models and find a way to grow in the Internet era. The industry is healthy if you look at profitability, but at the same time, the industry is in a crisis and it’s not going to be easy to get out of that crisis. To emerge from it unchanged is going to be impossible.

The problem facing newspapers is similar to such media as TV and magazines. Mass media are shrinking and they are likely to continue

shrinking indefinitely because they no longer have monopoly or oligopoly positions in the marketplace. Most major markets have only one newspaper, three major networks and a couple of national magazines, and their model revolved around building the largest audiences and selling ads to reach the largest number of people.

Advertisers are unwilling to pay to reach people unlikely to become customers, so they are moving to targeted audiences. Put those two things together — and add that classified advertising is the largest revenue stream for newspapers and this can be delivered much more cost effectively online — and you have several factors that will make it difficult for newspapers to have a growth strategy.

How dependent dailies have been on classifieds was illustrated in a March 20 article in The New York Times about the difficulties facing The San Jose Mercury News. Revenue from help-wanted ads dropped to $18 million in 2005 from a peak of $118 million in 2000 as high-tech companies in Silicon Valley, themselves financially hobbled by the dot-com bust of 2000, turned to Internet firms like Craigslist.com and Monster.com to post job ads.

Some insiders say that the Knight Ridder sale is a milepost in the profound changes sweeping the industry. It is interesting that when McClatchy bought it they made an immediate decision to get rid of some of the properties. McClatchy has been known as being a smart strategic company business-wise. The big question for newspaper companies, is how long are people willing to invest in and support the traditional newspaper model while they figure out what the next iteration of content providers will be and how to make money on it? Another big question is how large a profit margin will newspapers need to make during that period?

It seems that many younger commuters he sees on the train each morning prefer to listen to iPods on their way to work rather than peruse the newspaper. As a mobile society, fewer homeowners want the hassle of dealing with vacation stops, especially if the circulation department falls down on the job and fails to stop delivery of the paper.

There is the need to recycle all those papers that pile up around the house during the week. In the end, many busy customers cancel their subscriptions.

What is the industry to do going forward? Papers are not going to disappear, but executives must recognize that the happy days are gone. More than ever, think smaller staffs, local coverage and, perhaps most important, younger readers. Don't dumb down, but take the needs of your readers into account much more than you ever have in deciding what makes a story. Accept cultural change in the newsroom; the role of the editor as all-powerful intermediary is waning in the eyes of Internet-savvy readers. Think multiple distribution channels; cyberspace is as much a friend as a competitor. Recognize that the reader's time is valuable but also remember that analysis and narrative storytelling — not just facts and figures — remain in demand.

Newspaper shareholders should be willing to accept lower profit margins to give editors, reporters and ad executives the opportunity to make changes to adjust to the brave new world of delivering news and information. It is not uncommon for boards of directors in other businesses to take a long-term view and provide breathing room in times of turmoil. Maybe the model down the road will be to have more local autonomy instead of corporate pushing, more trust in managers on the local level and more opportunities for them to do what they feel they need to do.

Newspapers remain in a good position to take advantage of the Internet because reporters and editors have already created the content needed to be posted online. Pre-existing content producers are big on the web since they are already writing stories. From an early date, they have been attractive sites.

But newspapers have been struggling to figure out how to make more money than they already are from their online operations. All are selling advertising but only a few are charging subscription fees. The Wall Street Journal has done so since it launched WSJ.com, and The New York Times, with its Times Select option, started charging readers fees several months ago for access to certain areas of its website.

Still, some key questions have yet to be answered: Will charging for online access simply cause readers to shift to free news sites? Does posting content free of charge mean that readers abandon the print edition? Or does it entice them to go out and buy the hard copy from the newsstand or to start home delivery?

Daily newspapers also must find a way to increase the quantity and quality of local news coverage. In the last 10 to 15 years, there has been growth in national media. Consumers can clearly get better national coverage. What newspapers have done and have to continue to do is offer more local coverage. That's the way dailies try to stay relevant. Local coverage will be necessary but it will not come easily or cheaply for big-city dailies.

The most difficult road ahead may be for those mid-size newspapers caught between the major dailies and the small town and suburban papers. The truly big papers — The New York Times, The Wall Street Journal, USA Today and perhaps The Los Angeles Times — have benches that they will be able to appeal to readers largely on the basis of their national and international coverage. The small papers, in turn, will have a lock on their markets because they make no pretense of offering anything but deep local coverage and have no competition on that score.

But papers like The Philadelphia Inquirer can be neither The New York Times nor a truly local paper because they lack the staff to fulfill either role. It's those regional and metro papers that were such a force that are now the ones in the biggest trouble. Newspapers, to thrive, will have to develop portfolios of media products. One newspaper that has done well with this approach is The Arizona Republic, which says has 11 discrete product lines, including print and Internet news editions, direct mail products, and magazines. What they can show is that with an array of products they have a significantly larger audience aggregate than any one of their products has. But the Republic has a critical advantage that many other newspapers do not: It is in a Sun Belt market with a growing population.

A key challenge for newspaper websites is engaging the reader in ways they couldn't do before, whether that means giving interesting pathways through the content to make it stickier or coming up with features that

just couldn't exist in the ink and paper world. In the medium-term, there's no way they can make the same revenue online as they do with their print editions. I do not think there's any kind of cross-channel synergy. The website isn't going to make somebody buy today's paper.

Appealing to younger consumers is essential to the future of newspapers, but those readers are more likely to be attracted by the newspapers' websites than by their print editions. Each generation has read newspapers less than the generation that came before it. In the early 1980s, younger people were already reading less. But it was felt that it was a life-stage issue, and that as they got older they would increase their readership. But that's not the way things occurred. Usage patterns are set by and they don't change over time.

Despite the transformation of the newspaper business, not many people think broadsheets and tabloids will disappear. Even if many hard-news stories have become commoditized, daily papers have few competitors in providing analysis and opinion. And even in the digital age, there remains a hunger on the part of readers for stories that help explain the world.

Michele Weldon, a writer and now an assistant professor at the Medill School, has just finished writing a book titled, Everyman News: How and Why American Newspapers Changed Forever. In it, she details how newspapers in markets coast to coast are increasingly using humanistic leads in page-one stories, both features and hard-news pieces. By the time readers get their papers, they pretty much know the news. Newspapers have already been beaten on that score by TV, radio and bloggers. As a result, newspapers have to provide news more in-depth or somehow make it more appealing. Readership studies show that people are interested in reading localized stories or human-interest stories. So newspapers have begun to featurize the news.

Some people say reliance on narratives represents little more than dumbing down to readers and is part of an effort to save the industry. Others say this is what's going to save newspapers. A good narrative can hold a reader's attention regardless of whether the medium used is newsprint, a website or podcasting. Newspapers probably have to stop worrying about how the news is delivered.

There are fewer newspapers than in 1940 (when 1878 newspapers were published). Circulation peaked in 1990 around the 62 million circulation mark and they sell today around 58 million copies. Local competition is diminishing and the number of copies sold steadily goes down as shown in the table below.

Table 10.

Number of daily newspapers and circulation, in thousands (1990-2003)

Year	Number of Daily Newspapers	Daily Circulation	Sunday Circulation
1990	1,611	62,328	62,635
1991	1,586	60,687	62,068
1992	1,570	60,164	62,160
1993	1,556	59,812	62,566
1994	1,548	59,305	62,295
1995	1,533	58,193	61,229
1996	1,520	56,983	60,798
1997	1,509	56,728	60,486
1998	1,489	56,182	60,066
1999	1,483	55,979	59,894
2000	1,480	55,773	59,421
2001	1,468	55,578	59,090
2002	1,457	55,186	58,780
2003	1,456	55,185	58,495

Source: Audit Bureau of Circulations

Newspapers do not seem as interested as they were in audience research and try the impossible: become visual media. While they are not able to get attention from the youth, free newspapers like the Metro brand (40 newspapers in 16 countries) erode their mature market shares. Free newspapers are new contenders and many companies are perhaps not paying enough attention to them. With a business model very different from that of classic newspapers, free newspapers depend entirely in advertising revenues and not in subscriptions. Their overhead is very low. They do not need to hire a lot of reporters: their content comes from syndicated sources and news agencies. Distribution costs are also lower: newspapers are placed in commuter areas and there is no need to deliver them to homes or newsstands.

Free papers exploded in Europe in the late 1990s, and are now developing in cities like New York, Philadelphia and Boston (Gilbert & Ure, 2005). Some newspaper editors say that free newspapers are not real competitors: their quality is too low. But their small size and short stories make them an interesting read for a commute. Newspapers like the Boston Globe and the Washington Post have realized that there are good opportunities to team up with free papers to capture potential growth.

There is new and stronger competition and young readers are changing their behavior regarding print media. Bogart (2005, 47) describes how young people see newspapers and how they do not become readers as they used to: "in the past, young people began to read newspapers regularly when they settled into jobs, marriage, home ownership, and the responsibilities of family and civic life. But as is well known, both by newspaper people and by advertisers, movement into the mainstream of daily readership has become progressively less of a sure thing. Most young people remain newspaper readers, but they have abandoned the kind of regularity with which their parents perused the home-delivered paper. They are, however, avid readers of free newspapers, of the alternative weekly press, with its heavy emphasis on popular entertainment and its often iconoclastic political outlook".

Sometimes newspapers fail to understand their competition properly or they are surprisingly oblivious to it or overly complacent about their work (Raines, 2004). There are two cultures: –which Fuller (1987) called church and state– that remain separate.

In the mid nineties, most analysts predicted that a rapidly-expanding internet would completely disrupt the newspaper industry. Ten years later, newspapers and the Internet are coexisting. But disruption (Gilbert & Ure, 2005) is more a process than a single event. As we said before circulation has declined for more than a decade. The industry is still profitable, but the threat of disruption remains. The best way newspapers can succeed is change threats into opportunities.

Leading publishers in the late 90s had aggregate margins of more than 20%: only the pharmaceutical industry consistently reported higher margins. Internet usage grew between 1994 and 1999 from 34 million users to more than 110 million (Gilbert & Ure, 2005). As Internet

displaced newspapers as the primary source for information, it would affect circulation and advertising revenue –especially in classified advertising- would decline significantly.

Newspapers replicated their product online: consumers could read the same product in an electronic format, at no additional cost. Keeping a customer meant decreased revenue. Losses for the industry grew. But some of the new competitors failed with the Internet bubble burst. By 2004 newspapers executives were relaxing. Subscriptions are selling and display and classified ads are back. The business seems viable, but the threat of disruption is still there.

Table 11 includes the top 20 newspapers. Rankings are dominated by New York newspapers (6 out of the top 10 newspapers are published in the New York area). Circulation remained significant: there are 18 newspapers above 400.000 in daily circulation.

Table 11.

Top 20 newspapers by circulation in the United States (2004)

Rank	Publication	Daily Circulation
1	USA Today	2,154,589
2	Wall Street Journal	2,091,062
3	The New York Times	1,133,763
4	Los Angeles Times	983,727
5	Daily News, New York	747,051
6	The Washington Post	732,904
7	New York Post	678,012
8	Chicago Tribune	613,481
9	Newsday	580,069
10	Detroit News/ Free Press	579,755
11	Denver Post / Rocky Mountain News	577,827
12	Houston Chronicle	553,018
13	Dallas Morning News	525,441
14	San Francisco Chronicle	513,426
15	Chicago Sun-Times	481,798
16	Boston Globe	450,538
17	Arizona Republic	423,284
18	The Star-Ledger, Newark	407,945
19	Miami Herald/El Nuevo Herald	393,117
20	Philadelphia Inquirer	387,692

Source: Audit Bureau of Circulation, most recent as of June 1, 2004

Almost three years later, the picture is bleak, as shown in Table 12. Newspapers with circulation above 400.000 are now just eleven. Among the top U.S. newspapers only USA Today, New York Post and Arizona Republic are arecording increases. Some flagship newspapers are watching their circulation eroding dramatically in major markets: Los Angeles Times, Chicago Tribune, Dallas Morning News, Detroit Free Press and San Francisco Chronicle are worth mentioning along those lines. Others are stable like The New York Times and Wall Street Journal.

Table 12.

Top 20 newspapers by circulation in the United States (2007)

Rank	**Publication**	**Daily Circulation**
1	USA Today	2,278,022
2	Wall Street Journal	2,062,312
3	The New York Times	1,120,420
4	Los Angeles Times	815,723
5	New York Post	724,748
6	New York Daily News	718,174
7	The Washington Post	699,130
8	Chicago Tribune	566,827
9	Houston Chronicle	503,114
10	Arizona Republic	433,731
11	Dallas Morning News	411,919
12	Newsday Long Island	398,231
13	San Francisco Chronicle	386,564
14	The Boston Globe	382,503
15	Newark Star-Ledger	372,629
16	Atlanta Journal-Constitution	357,399
17	Philadelphia Inquirer	352,593
18	Minneapolis-St. Paul Star Tribune	345,252
19	The Cleveland Plain Dealer	344,704
20	Detroit Free Press	329,989

Source: Audit Bureau of Circulation, six month period ending March 2007

Newspapers are also moving to smaller formats. In August 5, the New York Times announced it was cutting 1.5 inches from its width and

moving to what is becoming a newspaper industry standard of 12 inches. The change, which the company announced a year ago, will result in cost savings of about $10 million per year. Several other major newspapers have already adopted the 12-inch format including The Wall Street Journal, The Washington Post and the Los Angeles Times.

The change at the New York Times was originally expected to occur in mid-2008, but the company was able to get its presses reconfigured sooner than anticipated. The look of the newspaper will remain unchanged, though the headlines will become slightly smaller. The news columnos will also become slightly narrower. Space of news willl be reduced by about 10%, but the paper will make up for half of that decline by adding extra pages. Going to a more standard size will also allow the New York Times to conform more closely to sizes used in other newspapers. Ads needed to be resized to fit in the New York Times.

Newspapers are looking for ways to save money. Advertising revenues have been decreasing across the industry amid changing reading habits, declining circulation and a migration of readers and advertising dollars to the Internet.

Newspapers work hard to improve their numbers. The Washington Post is a good example. Donald Graham, its CEO, was one of the first to aggressively push into the digital world, yet critics say Graham needs to move even faster to get the business online. In an effort to regain young readers, the Post in 2003 started a free weekday tabloid called the Express, which now boasts 185,000 copies a day and it is profitable. A year later the company bought a Spanish-language weekly, El Tiempo Latino. It also publishes five paid-circulation suburban newspapers, 34 free suburban weeklies, 12 military newspapers, real estate and auto guides. To get a few more dollars out fo its presses, the Post distributes The Wall Street Journal in Washington. Despite all this effort, print advertising revenue at the Post is six times that of Internet revenue. It’s still about the paper.

Trout (2007) has some ideas for newspapers to maximize benefits from its often strong brand names: “In my estimation, newspapers like The New York Times and The Washington Post have to pursue

a similar ‘read only at’ strategy. They have to work hard to aggressively branding their writers such as The Times’ Tom Friedman, Maureen Dowd or Paul Krugman. The more powerful these brands become, the more I’ll have to buy the paper or pay to read them on the Internet. Also, the more I’ll be willing to pay for the paper”.

Trout also thinks newspapers have to “sell” their staff too: “Beyond the celebrity writers, newspapers have to talk more about their reporting staff –how many they have all around the world and their credentials. They have to point out that accuracy takes mony, hard work and lots of talent. Stuff you can´t get from the bloggers, cable television or The Daily Show” (Trout, 2007).

In the meantime, newspaper companies continue selling or closing. The Albuquerque Tribune, an afternoon newspaper, has been put up for sale. In August 27, its owner E.W. Scripps Company announced that it will be closed if a buyer isn’t found. Last month, Scripps said it would end publication of the Cincinnati Post and the Kentucky Post on Dec. 31. Albuquerque Tribune’s paid circulation was 42,000 in 1988 and has declined for more than 20 years. Its daily paid circulation is now around 11,000. Scripps acquired the Tribune in 1923. In a time of decreasing newspapers circulation, Scripps have diversified with popular cable TV networks (HGTV, Food Network), and other businesses like online search or comparison shopping services. The company operates newspapers in 17 city markets, including the Rocky Mountain News in Denver, The Commercial Appeal (Memphis), The News Sentinel (Knoxville) and The Ventura County Star. It also owns 10 broadcast TV stations (six ABC-affiliated, three NBC affiliates and one independent.

Other newspaper publishers with other properties have decided to split them from newspapers. Belo, publisher of the Dallas Morning News has spinned off its newspaper business into a separate entity, as the company mores to spark its diminishing stock price. The other half of the new company is made of 20 television stations reaching 14% of U.S. households in 15 markets. Belo’s shares lag behind those of other TV owners despite of an attractive package including key markets like

Dallas, Seattle and Phoenix (Barris, 2007). The company seems to think that its future hangs more on that than on the newspaper business.

In spite of the industry crisis, it is worth noting that several very successful businessmen have bought newspaper companies in recent months: "These guys seem to be the only ones who do like newspapers these days. Most newspaper stocks peaked more than three years ago and have been going steadily downhill ever since. Investors have been fretting about declining readership, weak ad revenues and competition from the Internet and other media. To be sure, except for Murdoch, the gentlemen mentioned above made their fortunes in other industries (Broad and Zell in real estate, Burkle in supermarkets and Geffen in music) and so one could question how well they really know publishing. And there is a certain ego factor involved in owning a newspaper" (Putnam, 2007).

However, these businessmen have seen some things in newspapers. They think they are strong brands, powerful franchises that can be translated to the Internet, have good valuations and pay dividends: "The New York Times and The Wall Street Journal must be among the best-known brands on the planet. Even if the declines in readership for the papers cannot be stemmed, the brands can be transferred to other media such as the Internet. Good valuations may be another thing these guys like abot newspapers. New York Times stock trades at one times sales, compared with Google at nearly 12 times. Also, most of the newspaper stocks pay healthy dividends" (Putnam, 2007).

In the meantime, newspapers' advertising decline has accelerated. In the three months ending June 30, 2007, total ad revenue was $11.3 billion, down 8.6% from the same period last year. That marked the fourth consecutive quarterly decline in total ad revenue. According to Hau (2007), "the biggest culprit was continued weakness in print advertising, which totaled $10.5 billion in the second quarter, down 10.2% from a year earlier. Classified advertising plummeted 16.4% to $3.4 billion, which included a 21% plunge in real estate advertising, and 18.5% fall in recruitment ads and a 19% drop in automotive ads. Other print ad categories were also down, including retail, which fell

6.4% to $5.2 billion, and national advertising, which sank 7.9% to $1.8 billion". Internet advertising, however, totaled $796 million in the second quarter, up 19.3% from a year earlier.

This announcement came the day newspapers learned about another piece of troubling news. Google has begun hosting material produced by Associated Press and three other news services on its own Web site instead of just sending readers to other destinations. That has a potential to slow traffic in newspaper-owned Web sites.

Magazines represent also a market that shows signs of change. Magazines have lost advertising share of market. However, by targeting increasingly segmented audiences, sales remain significant. As the table below indicated 88 magazines in the US sell currently more than one million copies. The number of titles is increasing and subscriptions remain high. The market has additional interests: new audiences are constantly asking for new niches in the market, which acts like an observatory for change in the social landscape. New lifestyles bring with themselves new interests and along with them new magazines.

However, most of the best-selling magazines have stagnant or declining circulation figures: "like their brethren the newspapers, magazines are tied to the printing function, but they don't have the necessity of delivering to all their readers every day. However, the proliferation of new magazines has also had an impact on circulation. Of the ten most widely circulated consumer publications in 1990, all of them had suffered declines, some substantial ones, by 2000. Single-copy sales for many magazines also plummeted significantly in that decade, another result of product proliferation without a corresponding increase in newsstand space" (Cappo, 2003). As the table shows, only three of the top 20 magazines increased their circulation between 2002 and 2003.

Table 13.

Top 50 magazines by circulation in the United States (2007)

2003	2002	Publication Name	Paid 2003	Paid 2002	% Change
1	1	AARP BULLETIN	21,622,237	21,703,580	-0.40%
2	-	AARP THE MAGAZINE**	21,035,278	21,360,662	-1.50%
3	3	READER'S DIGEST	11,067,522	12,078,469	-8.40%
4	4	TV GUIDE	9,018,212	9,067,124	-0.50%
5	5	BETTER HOMES AND GARDENS	7,608,913	7,605,204	0.00%
6	6	NATIONAL GEOGRAPHIC	6,644,167	6,774,138	-1.90%
7	7	GOOD HOUSEKEEPING	4,679,941	4,699,736	-0.40%
8	8	FAMILY CIRCLE	4,615,536	4,634,069	-0.40%
9	9	WOMAN'S DAY	4,166,097	4,205,049	-0.90%
10	10	TIME - THE WEEKLY NEWSMAGAZINE	4,104,284	4,111,927	-0.20%
11	11	LADIES' HOME JOURNAL	4,101,221	4,101,347	0.00%
12	13	PEOPLE	3,615,795	3,625,427	-0.30%
13	15	WESTWAYS	3,477,257	3,369,799	3.20%
14	16	HOME & AWAY	3,320,869	3,312,075	0.30%
15	20	PREVENTION	3,275,411	3,140,916	4.30%
16	17	SPORTS ILLUSTRATED	3,238,974	3,249,418	-0.30%
17	19	NEWSWEEK	3,148,379	3,183,008	-1.10%
18	18	PLAYBOY	3,100,093	3,215,454	-3.60%
19	21	COSMOPOLITAN	2,889,043	2,992,536	-3.50%
20	22	GUIDEPOSTS	2,633,309	2,702,124	-2.50%
21	23	VIA MAGAZINE	2,633,163	2,643,896	-0.40%
22	25	SOUTHERN LIVING	2,604,682	2,555,114	1.90%
23	31	O, THE OPRAH MAGAZINE	2,592,572	2,268,585	14.30%
24	24	AMERICAN LEGION MAGAZINE	2,591,965	2,639,097	-1.80%
25		MAXIM	2,510,144	2,540,631	-1.20%
	29	REDBOOK	2,381,899	2,387,297	-0.20%
27	27	SEVENTEEN	2,372,261	2,445,539	-3.00%
28	30	MARTHA STEWART LIVING	2,366,173	2,341,229	1.10%
29	28	GLAMOUR	2,286,429	2,406,859	-5.00%
30	33	AAA GOING PLACES	2,254,480	2,202,555	2.40%
31	32	YM	2,209,379	2,231,752	-1.00%

2003	2002	Publication Name	Paid 2003	Paid 2002	% Change
32	34	PARENTS	2,080,515	2,092,113	-0.60%
33	35	PARENTING MAGAZINE	2,048,370	2,087,873	-1.90%
34	36	SMITHSONIAN	2,030,336	2,042,862	-0.60%
35	37	U.S. NEWS & WORLD REPORT	2,022,118	2,025,890	-0.20%
36	38	MONEY	1,998,136	1,970,666	1.40%
37	39	EBONY	1,798,844	1,884,739	-4.60%
38	46	ENTERTAINMENT WEEKLY	1,757,749	1,640,989	7.10%
39	41	COUNTRY LIVING	1,726,274	1,735,170	-0.50%
40	52	ESPN THE MAGAZINE	1,726,216	1,543,242	11.90%
41	43	MEN'S HEALTH	1,686,195	1,677,574	0.50%
42	45	IN STYLE	1,675,493	1,665,493	0.60%
43	42	VFW MAGAZINE	1,664,883	1,686,452	-1.30%
44	54	FAMILYFUN	1,661,559	1,508,819	10.10%
45	44	SHAPE	1,638,069	1,668,253	-1.80%
46	49	COOKING LIGHT	1,616,009	1,587,597	1.80%
47	40	NATIONAL ENQUIRER	1,604,494	1,788,210	-10.30%
48	47	WOMAN'S WORLD	1,580,217	1,639,759	-3.60%
49	48	TEEN PEOPLE	1,579,302	1,627,431	-3.00%
50	51	ENDLESS VACATION	1,575,644	1,549,971	1.70%

Source: Audit Bureau of Circulation

The amount of change in publishing is momentous: "Just 52 of Americans read a daily newspaper, compared with 81 percent four decades ago. Magazine newsstand sales are at their lowest level since 1970. And the number of weeks the average best-selling novel remains at the top of the list has fallen by half over the past decade" (Anderson, 2007).

Time magazine is a case in point. It remains the nation´s largest newsweekly but its verified weekly circulation is down 17.1% from 4.1 million to 3.4 million. Newsweek's circulation stood at 3.1 million, virtually unchanged from a year earlier, but now within striking distance of its longtime rival. U.S. News and World Report, another primary competitor, reported more than 2 million subscribers and stayed flat (Pérez-Peña, 2007).

Time has tried different approaches to avoid decline: in January began publishing on Fridays rather than Mondays, and overhauled the magazine's design to place greater emphasis in analysis. In addition a new managing editor, Richard Stengel, was hired. Time Inc. cut 300 jobs in January and sold 18 smaller magazines. Other big Time Inc. titles increased their subscriptions though. Sports Illustrated was up 77% and Money grew ninefold in the last year (Hau, 2007). Other magazines losing were powerhouses such as TV Guide (down 12.2% to 3.3 million), Playboy (down 5% to 2.9 million) and Ladies Home Journal (down 4.3% to 3.9 million).

The only category with strong growth was celebrity magazines: "OK! Weekly jumped 54 percent, to more than 809,000 copies an issue, and US Weekly, In Touch Weekly and Life & Style Weekly all rose 5 to 10 percent. People magazine, with a less intensive focus on celebrities and a less sensational tone than some of the others, still sells more than any other, but its circulation dropped about 2 percent, to more than 3.7 million" (Pérez-Peña, 2007). The North American edition of The Economist continues its increase, growing to 694,000 from 601,000, while Forbes, Fortune and Business Week had only minor changes.

Business 2.0 has been the latest magazine casualty. A monthly magazine about the new economy, Time Inc. has decided to shut it down rather than sold it. It will cease publication after its October issue. Time Warner bought the magazine (launched in 1998) in 2001 for a reported $68 million. Business 2.0 came close to breaking even in 2005, "but spiraled back into the red this year after the number of advertising pages plunged nearly 40 percent through July, according to the Magazine Publishers of America" (Stone, 2007).

8.3. Change in television: from broadcasting to narrowcasting

Broadcasting is also an industry ripe for change. An increasingly large audience percentage is looking for new options in cable, satellite, cell phones, videogames and the Internet. If broadcasting remains trapped

by reality and talk shows it risks becoming more and more irrelevant. There are already some hints of such a development.

Free from the large audiences and advertising urges of the networks and far from reality TV, pay television is on the rise in Europe and the United States. The situation has been described by Bogart (2005, 24): "The spread of cable as the dominant avenue for receiving television, the creation of dozens of new cable networks offering specialized subject matter or appealing to particular groups of people, the spread of satellite dishes –all have expanded the spectrum of viewer choice and fractionated the viewing audience (…) The increase in the typical number of TV sets in a household made viewing more of an individual experience rather than a shared one. The remote-control device made it less likely that a viewer would stay with a particular program from beginning to end. Channel switching, a reduction in the length of the commercials, and the slow but steady increase in the amount of air time dedicated to commercials and 'promos' (…) all made the viewing experience more disjointed, less intense". This is really a paradigm shift for broadcasting.

Networks remain very significant and enjoy new sources of income through program packaging or DVD selling of successful programs that add new revenue streams both for public and commercial broadcasting. A number of advertisers still need networks to reach mass audiences. There are even some relatively recent success stories, like Fox, the fourth network (Kimmel, 2004) and, to a certain extent, WB. At the same time, the networks will never have the grip on audiences that they had in the past: "During the long reign of three television networks that absorbed 90% of total viewing time, minute variations in audience profiles were trumpeted to advertisers. When dozens of channels, many with specialized content and appeal, became available to the average cable household, the size of the total audience for a channel became less important to advertisers than the number of viewers who conformed to their targeted specifications" (Bogart, 2005, 51).

CBS is also a recent example. Like a candidate seeking election, a network and its shows are voted into prominence by the public. The people either tune in or they don't. Unlike the movie business or the premium cable industry (of which HBO is emblematic), which charge

for their products and have much smaller, more homogeneous audiences, broadcast TV aims to attract the tens of million of Americans who might watch CBS (or ABC or NBC or Fox) on any given night. In recent years CBS shows like C.S.I., Survivor and Everybody Loves Raymond have enticed those multitudes, and as a result the network has soared in the ratings. However, audience fragmentation is a major industry force. In Table 14 below the 25 top all-time specials in ratings (a rating point is equivalent to 1.1 million homes) are shown.

Table 14.

Top 25 US all-time broadcasting specials by rating

Rank	Program	Date	Network	Rating
1	M*A*S*H (Final Episode)	2/28/1983	CBS	60.2
2	Dallas (Who Shot J.R.?)	11/21/1980	CBS	53.3
3	Roots Part VIII	1/30/1977	ABC	51.1
4	Super Bowl XVI	1/24/1982	CBS	49.1
5	Super Bowl XVII	1/30/1983	NBC	48.6
6	XVII Winter Olympics	2/23/1994	CBS	48.5
7	Super Bowl XX	1/26/1986	NBC	48.3
8	Gone With The Wind - Part 1	11/7/1976	NBC	47.7
9	Gone With The Wind - Part 2	11/8/1976	NBC	47.4
10	Super Bowl XII	1/15/1978	CBS	47.2
11	Super Bowl XIII	1/21/1979	NBC	47.1
12	Bob Hope Christmas Show	1/15/1970	NBC	46.6
13	Super Bowl XVIII	1/22/1984	CBS	46.4
13	Super Bowl XIX	1/20/1985	ABC	46.4
15	Super Bowl XIV	1/20/1980	CBS	46.3
16	Super Bowl XXX	1/28/1996	NBC	46.0
16	The Day After	11/20/1983	ABC	46.0
18	Roots Part VI	1/28/1977	ABC	45.9
18	The Fugitive (Final Episode)	8/29/1967	ABC	45.9
20	Super Bowl XXI	1/25/1987	CBS	45.8
21	Roots Part V	1/27/1977	ABC	45.7
22	Super Bowl XXVIII	1/29/1994	NBC	45.5
22	Cheers (Final Episode)	5/20/1993	NBC	45.5
24	Ed Sullivan (The Beatles)	2/9/1964	CBS	45.3
25	Super Bowl XXVII	1/31/1993	NBC	45.1

Sourcen: Nielsen Media Research. January 1964 - June 2006 television bureau of 10oer-tising, inc.

The last program that made it above 45 rating points was The Super Bowl of 1996. Out of the 25 programs portrayed in Table 14, 20 were broadcast before 1990. In a typical week today the situation would look more than this, where there is only one program above 10 rating points and the successful network programs are between 5 and 9.

Table 15.

Top 10 US TV programs by rating (2005)

Rank	Program	Network	Rating
1	Dancing with the Stars (Wed. 9 pm)	ABC	12.2
2	CSI	CBS	9.1
3	Without A Trace	CBS	8
4	CSI:Miami	CBS	7.4
5	Two and a Half Men	CBS	7.1
6	Law & Order	NBC	6.7
7	Everybody Loves Raymond	CBS	6.6
8	Dancing with the Stars (Wed. 8 pm)	ABC	6.3
9	Nascar: Daytona 400	NBC	5.5
10	CSI: NY	CBS	5.4

Source: Nielsen Media Research. June 27 through July 3 2005.

If we look at the most successful cable programs in June 27 through July 3 none of them reached four rating points, with just six programs above three rating points, broadcast at Spike, BET, TNT and MTV. In terms of coverage, networks still do better than cable: While cable penetration (wired and unwired) currently stands at nearly 85% of TV households, no individual cable network comes to anything near that by the end of an average week. No one cable network tops 40%. By contrast, 3 of the 4 major networks reach over 75%, while FOX reaches 70%.

The cut-throat nature of competition has disrupted the industry. A key challenge facing firms in broadcasting in particular and entertainment businesses in general is "getting their products noticed" (Anand, 2005): "consumer awareness, rather than product quality, is often the key ingredient that firms covet in such markets. Indeed, on the one hand, popular products need not always be of conventionally "high

quality" but can be heavily influenced by awareness (…) on the other hand, good quality products can often go unnoticed for long periods of time (it took two years of being on the air before Seinfeld became a popular show)" (Anand, 2005).

Disruption in the industry is not new. Already by 1986, when Fox became the Fourth Network several industry forces were changing the landscape: market share of network television was already decreasing; the advertising revenue based was threatened by VCRs, and programming content costs were also growing with more competition. This change has continued: cable today dominates ratings overall.

Broadcast television is seeing its steepest year-to-year decline in summer viewing since 1997. This summer marked the fifth consecutive victory of ad-supported cable over broadcast, according to data measuring TV viewing from May 30-Aug. 21. The audience share cable commands versus broadcast is now nearly at a 2-to-1 ratio, with the aggregate share of dozens of ad-supported cable channels amounting to a 61, compared with the 32 share of the seven broadcast networks (including Pax).

Broadcast's 32 share will mark a drop of 4.2 share points from last year. The seven networks dropped only seven-tenths of a point between 2003 and 2004. Both drops in 2005 and 1997 were accentuated by the fact that they were following years that featured Summer Olympics on broadcast TV. Among the Big Six (CBS, NBC, ABC, Fox, WB and UPN), summer has been a bruiser. Compared with summer 2004, they are collectively down 10% in households, 14% in 18-49 and 21% in 18-34.

Fox and ABC are doing relatively well, registering single-digit gains among households and 18-49. But CBS is down across the board, and NBC is hemorrhaging viewers, down 42% in 18-49. Having the Olympics on in 2004 makes matters worse, but Nielsen calculated that the decline would still be 24% when compared with NBC's previous summer performance minus the Olympics. Part of the problem might be that repeat programming is on at a higher level than last year, comprising 69% of primetime versus 64% last year. First-run programming percentages are down from last year among ABC, NBC

and Fox while slightly up at CBS, but the eye still has the lowest level among the Big Four (24%).

All in all, the difference between originals and repeats is just two-tenths of a ratings point in 18-49. Television usage overall this summer is actually up from five years ago, with an average of 30.6 hours per person consumed each week, exceeding the 27.8 tally of 2000. Still, broadcast hasn't helped that increase, actually dropping nearly three hours versus the 4.6 gain registered by cable over that span. Leading cable's charge is TNT, which posted record numbers exceeding not only all cable competitors but that of WB Network and UPN in primetime households, total viewers and 25-54. TNT was powered by new original dramas like "The Closer," the highest-rated new series on cable this summer, and NBA and NASCAR telecasts.

Anderson has described the same process: "Network TV ratings continue to fall as viewers scatter to cable channels; since 1985, the networks' share of the TV audience has dropped from three-quarters to less than half. Ratings of the top TV shows have fallen dramatically since the 1960s. Today's top-rated show, American Idol, is watched by just 18 percent of households. During the '70s, American Idol wouldn´t even made it to the top 10 with that kind of market share. Collectively, the hundreds of cable channels have now surpassed the networks in total viewership. No single one dominates" (Anderson, 2007).

Great events are not immune to the fall of the hit: "In 2005, the World Series had its worst TV ratings for all time, 30 percent lower than the previous year. Ratings for the NBA playoffs last year reached record lows as well, down 43 percent from 2004. The ratings for the Grammy Awards in 2006 were down 31 percent from two years ago. And the Winter Olympics this year had their lowest ratings in 38 years, down 36 percent from the 2002 Games in Salt Lake City" (Anderson, 2007).

This situation in audience hits from events has prompted General Motors, for example, abandon its Olympic sponsorhip of the U.S. Olympic Team and event broadcaster NBC when the deals expire after the Beijing Games. New marketing strategies and a different media

landscape are the reason: "GM told Advertising Age in 2004 it was the largest Olympic advertiser that year on NBC Universal's broadcast and cable networks, with more than 40 units during the games" (Halliday, 2007). Costs in broadcasting are largely fixed: they don't vary with the number of viewers. Vertical integration can work as an approach (as it did for Fox), but profitability seems to lie in lower-cost programming: mainly low-cost sitcoms and –more recently– reality TV. The "sweet spot" seems to be much lower cost programming, but without sacrificing revenues (by driving away too many viewers) in the process (Anand, 2005). Vertical integration can be profitable but it is not the only driver for success and news can still be profitable (as Fox News, for example, is showing in the cable industry).

This is the context where events' rights become important in broadcasting. On one hand they provide additional advertising revenues. But also might increase viewer awareness of other programs, increase market penetration (becoming a must-carry for cable operators where it was not aired) and draw in new and interesting demographics.

Spillover effects to other programs are significant. There is a lead-in effect: viewers who watch a show stick around to watch the next-show on that same network: "networks have a strong incentive to use popular and well-known shows to get its other lesser-known shows noticed (Anand, 2005). The impact of cross promotions on viewing seems to be large.

There are still isolated hits. Disney Channel's "High School Musical" is one of them. Its sequel, "High School Musical 2", smashed basic cable rating records on August 17th, with 17.1 million viewers. The premiere of the original film was watched by 7.7 million: "for some additional perspective, it also bests the summer-cable record set by HBO's series finale of "The Sopranos", which was watched by 11.9 million viewers in June" (Hampp, 2007). It was a hit that spurred viewing parties: "those youngsters without cable in their parents' homes flocked ot one of numerous "HSM2" viewing parties held at families' homes, as well as unofficial viewings hosted by local YMCAs and other community centers, all resulting in a cultural event even

Disney could't have prepared for from a marketing standpoint" (Hampp, 2007). "High School Musical" has turned into a very strong brand with top-selling soundtracks, a best-selling DVD, a high-grossing concert tour and an ice show still forthcoming. There is the possibility of a big-screen adaptation. However, "High School Musical" is an exception rather than a rule in the broadcasting industry.

By 2000 broadcast networks were no longer considered extremely valuable assets. But in the last year ABC has been reinvigorated by hits like "Lost" and "Desperate Housewives" and CBS's entertainment programming has garnered the number 1 ratings"in nearly every demographic. An average of nearly 27 million people watch an episode of "C.S.I." every Thursday on CBS, numbers that advertisers thrill to (and move their billions of advertising dollars toward). At a moment when the movie business is anxious about a declining domestic box office and a downturn in DVD sales, television is re-emerging as the place for commercially successful mass-market storytelling.

Audience fragmentation and advertising clutter are prompting companies like Viacom to start using second-by-second audience data from TNS Media Research, to monitor viewer behavior during specific moments within ad breaks: "More viewers these days can skip ppast ads with a digital video recorder. At the same time, advertisers are paying more attention to viewership patterns of commercial breaks, not just the programs they interrupt, thanks to adoption of a new Nielsen measurement that analyzes viewership of commercial breaks, also known as pods" (Steinberg, 2007). Viacom has reasons to explore audience behavior: "many of its channels, which include MTV, VH1, Nickelodeon, Comedy Central, Spike and Logo, draw younger viewers, who are notorious for splitting their attention between various media tasks –TV watching and instant messaging, for example" (Sternberg, 2007).

Broadcasting might be in a situation close to disruption. It is failing to charge of some of its contents with a model defined as "single play": their challenge is identifying ways to be paid for providing their most popular content to all digital broadband venues –from cell phones and video game consoles to streaming media on any Internet-connected

device –while starving off continued erosion of their conventional broadcast and cable platforms. Some of this ubiquitous transition already is occurring, primarily with 24-hour news and sports content and select entertainment– throwing the oft-cited time shifting vulnerability of such content into question. But broadcast and cable networks have barely scraped the surface of possibilities for appealing to consumers whenever and wherever they want to indulge in their favorite branded network fare. Finding new ways of distributing content seems to be a recipe for success in the media and entertainment industry and broadcast networks still have some way to go.

The biggest broadcasting companies are getting the message. NBC Universal is putting a new effort in what it calls the Digital Media team, which deals with television's content development for the Internet and wireless platforms.

NBC is placing a bet on the future of broadcasting in its different platforms. Although NBC's fall from first to fourth place in the nightly ratings race last season has been the focus of recent media and Wall Street attention, the company has higher hurdles to scale than just fixing Thursday night. The future of NBC Universal within the General Electric family hinges on management's ability to makes its premier television and film assets relevant and profitable in a global digital broadband marketplace where customized snippets, downloads and interactivity on portable and wireless entertainment devices are media and entertainment's new frontier. Amid negotiations to advance its new-media fortunes with the likes of Comcast Corp., Yahoo! and Sony, NBC Uni is strapped for the first time in a decade with rebuilding the NBC primetime schedule, a primary wellspring of content in the brave new world of on-demand, go-anywhere news and entertainment.

The death of Peter Jennings in August 2005 put networks' evening newscasts on the spotlight. The changing of the guard among the anchors of the three evening network newscasts could accelerate the shifts in audience that have already led Madison Avenue to reconsider how advertising dollars are spent. With so many viewers deciding who will deliver their daily 22-minute dose of news the almost $500 million

spent each year on “World News Tonight,” “CBS Evening News” and “NBC Nightly News” could be up for grabs. The situation is most critical at CBS. Every evening around seven million people watch ‘CBS Evening News’, which puts it in third place. The median age of the show’s viewers is 60. Moonves (CBS’ CEO) would like to enlarge that audience and lower its age.

But ad dollars are unlikely to leave ABC for CBS or NBC — or any other permutation or combination of choices among the three, for that matter. Instead, the trend that has lasted for decades of declining — and aging — viewerships for the newscasts is expected to continue. That would mean ad money will continue to move to alternatives like the broadcast networks’ morning news shows, which are enjoying growing audiences; news magazines like “60 Minutes” and “Dateline,” which are shown during prime time, when more viewers are home to watch; news programming on cable networks, which include CNBC, CNN, Fox News Channel, Headline News and MSNBC; and Web sites that specialize in news. It is not unlike a sea change that has remade the newspaper industry as readers of evening editions migrated to papers that publish in the mornings.

Data from the Nielsen Media Research division of VNU show that from Sept. 20, 2004, through July 29, 2005, the three newscasts still reached a total of 25.9 million viewers ages 2 and up: 9.7 million for “NBC Nightly News,” almost 9.1 million for “World News Tonight” and 7.1 million for “CBS Evening News.” Viewership for the evening newscasts is concentrated in the older demographic groups. While most advertisers covet younger viewers, there are still many marketers that seek to reach older shoppers. That is evidenced by a list of the top five advertisers on the three newscasts as compiled by TNS Media Intelligence, a unit of Taylor Nelson Sofres. Almost all are drug makers like AstraZeneca, Bayer, Johnson & Johnson, Merck, Pfizer and Sanofi-Aventis. Other major advertisers on the evening news programs include automakers and sellers of packaged foods.

It’s a time of soul-searching and open questions about the future at all three networks — even at NBC, where News president Neal Shapiro is expected to step down from his post. Over at CBS, the news division

was reeling after network chairman Les Moonves, who has called for a dramatic reinvention of the evening news. At ABC News officials are beginning to search for a replacement for anchor Peter Jennings, who died last month, and contemplating whether and how to make broader changes in their own broadcast.

The atmosphere of widespread change marks the most striking period of flux since the early 1980s, when Jennings, Tom Brokaw and Dan Rather all took over the anchor desks. But back then, the very format of the anchor-led evening news was not on the table. While the hurricane coverage has lifted viewership, it will likely prove hard to sustain that audience in the long run. The persistent defection of viewers still preoccupies network officials.

In recent years, the three pillars of the broadcasting industry's profits — advertising, regional programming and syndication deals — have come under fire from a band of technology companies that are rewriting the content distribution rules. TV won't necessarily be viewed via TV anymore.

Over the next decade, the idea of video content being limited to a single time and device will become obselete. Broadcasting, as we know it, is the product of historical limitations on distribution, which are increasingly irrelevant in the digital broadband age. The question is how quickly the transition will occur as technology shifts the place and time that television is viewed.

Television is a slow growth industry that will struggle to capture Internet-savvy generations now spending more time with web sites like MySpace than with their remote controls. Technology will redefine viewing habits. Media giants such as CBS, Disney's ABC and General Electric's NBC will have to change, but the TV giants seem to be willing to adapt to new technologies. The TV industry realizes that the recording industry didn't handle the digital era well, so it's very aware of the dangers and the opportunities of digital distribution.

The major television networks have cut deals to distribute shows for a small charge through Apple's iTunes or have launched on-demand viewing from Comcast or DirecTV Pay Per View. But what remains to

be seen is how television giants adapt to a shifting landscape. TiVo, with its digital video recording technology, allows consumers to “time shift,” or view programs whenever they want and skip commercials. Apple has shifted both the time and place viewers can watch TV by selling shows that can be downloaded to iPods. Sling Media, a company that in January 2006 secured $46.6 million in venture capital funding, has created the Slingbox, a device shaped like a gold brick that allows you to “placeshift” and watch your TV live from a laptop PC. On March 23, Sling Media announced software that allows a viewer to channel surf his home TV from any network-enabled mobile phone or handheld computer (PDA) powered by Windows Mobile. Sony also has a device, called Location Free TV, that lets viewers watch shows streamed from a home TV set to a PC anywhere, much like the Slingbox.

Individually, these companies aren’t going to upend broadcasters anytime soon. Collectively, however, they could undermine the business model that media companies have relied on for years. Television operates under a complex set of arrangements that cuts deals with local affiliates based on geography, syndicates reruns and relies on ratings to sell advertising. But gadgets like Slingbox do away with geography. TiVo redefines prime time. iTunes puts on-demand reruns in the palm of the viewer’s hand. Sites allow amateurs to share and distribute video clips. The audience becomes more fragmented, a fact that undercuts the ad rates TV can charge.

Gadgets are beginning to define the entertainment business. There are challenges but the bigger theme is time shifting. Consumers can access content whenever they want. TiVo had 4.4 million subscribers as of January 31, 2006. Cable had 66 million subscribers as of 2004 and the estimated TV audience that year was 200 million. What makes these developments more interesting is that there are no clear winners. For instance, TiVo is being threatened by cable-box makers that are embedding digital video recording technology. Slingbox has first mover advantage, but could stumble as other players enter the market.

The main questions are related to where will technology lead entertainment in terms of viewing and distribution. From a business model perspective, technology is clearly redefining entertainment.

Technology allows to set up the living room on the road. Gadgets such as the Slingbox give consumers more control than ever over what entertainment they choose, what devices they use to view it and what they can do with it. That fact fundamentally changes TV's relationship to viewers. Broadcast TV has been telling what to see, when to see it and how to see it. Technology has changed all that forever.

The unanswered question is how the television business model will respond to the changes. The television industry is used to adapting. Indeed, broadcast TV has had to fend off encroachment from VHS video tape recorders, cable networks and new entertainment forms over the last 30 years. Cable TV splintered audiences and VHS recording allowed consumers to time shift programs. TV giants have survived, and in some cases, thrived.

But the real wildcard is whether typical TV broadcasting can withstand online and other new forms of distribution. The networks' major thrust in digital television has been toward HDTV (high definition television) which, while it offers significantly better quality, still follows the same distribution model. To the TV industry, geography still matters. But Internet-connected devices change the equation dramatically. TV has built a whole business model around geographic segmentation. Digital distribution could affect everything from local advertising rates to what stations pay to rerun hits such as "Lost" and "CSI." On the other hand, he notes that digital distribution also creates markets for programs that may not work well as reruns. "A show like 'Lost' has a lot of buzz on its first run on TV. But once the mystery is revealed, it may not be as valuable a commodity. ABC may make more money selling it now through alternate venues while it's still a hot program. But the true effect on the business model will take years to unfold: the TV model is about control, and it is clear that broadcast attributes are a part of the past. But it is still one of the best ways to get a mass audience.

However, attracting a mass audience may lose some of its value as consumers become increasingly fragmented. New devices can potentially give advertisers smaller, but more lucrative, audiences due to better viewer tracking. By focusing on actual audience behavior instead of Nielsen ratings — which may not be able to capture how and

when content is viewed over alternative devices — advertising could become more efficient. The changes aren't lost on the television industry. It is experimenting through its iPod deals and could team up with a company like Sling Media, which streams TV content from anywhere but doesn't allow consumers to skip ads. It is way too early to count out media giants.

While the television industry is in flux, it remains to be seen if current leaders such as ABC, CBS and NBC will remain in front. In the future, a broadcast network may look a lot more like Google and Yahoo than NBC. The broadcast network could be in a different medium entirely. As the Internet increasingly becomes the key distribution mechanism for entertainment, the need for search becomes significant. Consumers will increasingly go out to find the content they want because they don't want to be told what to see. The ability to search is a phenomenon that can´t be denied.

The next frontier for media could be creating a portal where a consumer can get all of his or her entertainment needs met in one place. This portal would allow someone to manage, distribute and mix and match media as it is loaded onto a device of choice. Google, MSN and Yahoo seem to be in the best position to help with that.

What would it take to create a new digital entertainment powerhouse? The next key development will be when the first hit show, on the scale of "The Sopranos", is primarily distributed not through broadcast or cable TV, but through the Internet and mobile devices. What's unclear is who will create that hit and navigate digital distribution models.

Experts point to the fact that Steve Jobs, who is also Pixar's CEO, will become one of Disney's largest shareholders once the acquisition of Pixar by Disney is completed — a sign of how technology and entertainment are converging. What won't be changed by technological advances is entertainment's effect on personal experience. Each individual has a unique reaction to content. When two people watch a comedy or a drama, each takes away something different. Technology can't alter human imagination and story telling. Technology won't fundamentally change creativity. In that respect, the entertainment production companies are still in the driver's seat even

though their distribution models are in flux. It is still uncertain, however, whether content will remain king. These days functionality will be a key part of it.

The key for the broadcasting industry is blending the technology with the entertainment content. What remains to be seen is how the TV networks will construct a business model that works in the digital age. Relationship with the internet seems to be also a factor in what and how we watch TV. Earlier this year, Toyota Motor Corp. got some startling news. Walt Disney Co., which produces "Desperate Housewives", was planning to make the show available online free. The worlds of television and the internet are coming together fast. These changes are helped by the fact that people spend today as much time in front of the computer as they do in front of the TV set.

That means changes for networks, advertisers and viewers. Regarding the networks, they have already taken a huge first step into this new arena. They're using the web as a new distribution channel for their shows –instead of just a place where TV viewers can get program listings and other information. The logic: putting shows on the web helps the netwroks reach an audience that might not catch the show on the regular airwaves. The strategy is still in its infancy, but it faces some big questions. Network affiliates, which rely on local ad revenue from network shows, complain that internet broadcasts could siphon viewers from regular television instead of adding new ones.

For advertisers the internet means loyal fans, passionate viewers. Besides since web television doesn't have a fast-forward button –yet– viewers must sit through commercials. Then there is the promise of demographic data. It would be a simple step to have users register before watching a show online, giving a few pieces of personal information.

Viewers benefit from greater time-shifting. Not only can people watch shows when they want –as a VCR or DVR allows them to do– but also where they want, whether on a computer or portable gadget. Viewers will also get more choices about what to watch as more shows head online and networks create more Internet-only offerings.

Broadcasters are experimenting with online video as a delivery system but still face some hurdles. ESPN is one of the channels experimenting with online video and now ESPN.com is the most popular sports Web site. Currently, this Disney unit is revamping its all-video site ESPN360.com, that was launched in 2001. ESPN360 has suffered "from a business model that has limited the number of users it can reach and a mix of programming that has made it hard to differentiate itself from ESPN.com" (Thompson, 2007). CBS online streaming of the 2007 NCCA men's basketball tournament was a huge hit with fans.

The online video arena is populated with new competitors and Google's You Tube is probably the most formidable. Bought by Google in late 2006 for $1.76 billion, already streams more than 200 million videos each day and has announced a vast expansion, making available new channels in nine other countries. The expansion announced in June 19, 2007 makes YouTube sites available in Brazil, France, Ireland, Italy, Japan, the Netherlands, Poland, Spain and the United Kingdom. The web sites will be translated into the languages of the different countries and highlight videos that appeal to their respective audiences: many of YouTube's visitors are in other countries.

The largest broadcasters currently step up their online offerings and some start their own YouTube competitors. In August, NBC Universal and News Corp. unveiled the name of their joint online video venture, "Hulu". It was launched in March as a way to distribute films and television shows across the Internet.

The distribution model is an issue and networks don't seem to matter as much in the new landscape as competition opens up: "Once they realized last year that YouTube users were uploading a lot of their content to the video portal, CBS, News Corp.'s Fox, General Electric's NBC, Disney's ABC and Viacom's MTV and Comedy Central rushed to post more video on their own Web sites. By the end of 2006, they were reportedly discussing the possibility of launching a new joint portal site to rival YouTube. But with their Web sites struggling to pull in the critical mass of traffic needed to generate big ad dollars, three of the networks have ditched their

efforts to build destination sites and have instead lined up distribution partners to get their programming where consumers are hanging out online" (Hau, 2007).

Along those lines, News Corp. and NBC Universal have formed a soon-to-be-launched online video network (see above) that will distribute their content via MySpace, Yahoo!, Time Warner's AOL, Microsoft MSN and other high-traffic sites. CBS has adopted a related but somewhat different approach, partnering with large players like AOL, MSN and Comcast, but also smaller sites like Joost, Sling Media, Brightcove and Veoh.

Some experts think we are witnessing the "end of television". Such a claim might be exaggerated but there are fundamental changes on the way. Television might be approaching its "iPod moment" (Martin, 2007). In the same way that people now download their favourite music onto their iPod, viewers will soon be downloading most of their favourite programmes onto their computers. Live television will still be needed for news, sporting events, awards and emergencies, but increasingly it is going to be almost like the iPod, where you download content to look at later. Consumers will control when, how and where to watch as they do with so many things in their lives.

In the meantime, cable television continues its erosion of broadcast audiences. Rose (2007) explains some recent developments: "For years, cable has been grabbing eyeballs neglected by the repeat-heavy broadcast networks during the summer. But with a growing cadre of quality original series on cable, this season has proved particularly noteworthy. For the first time, basic cable will double the prime-time viewership of the six major broadcast networks for the coveted 18-to-49-year-old demographic".

Among the leading basic cable programming breakthroughs, Lifetime's "Army Wives", USA's "Burn Notice", FX's "Damages" and TNT's "Saving Grace" and "The Closer" stand out. The latter is the no.1 basic cable show of all time with an average audience of 4.8 million for its three seasons. USA is the summer leader in key demographics and total viewers. Nickelodeon tops in total viewers,

while TNT leads adults 18 to 49 and 25 to 54, while Adult Swim leads in adults 18 to 34.

While ad-supported cable continues to soar, the broadcast networks haven't fared so well. They have seen double-digit declines in viewers. "The six networks CBS, General Electric's NBC, Disney's ABC, News Corp.'s Fox and MyNetwork TV, and Time Warner's CW –have collectively lost 1.8 million households, or 11%, year-over-year, even after including time-shifted viewing" (Rose, 2007).

8.4. Change in radio: satellite technology changes the scene

The radio industry is also in the middle of a transformation reminiscent of the changes it experimented with the advent of FM Radio. Although radio audiences remain high with some AM talk radio stations remaining as very viable businesses, radio's share of the advertising market is small. And technologies are changing the paradigm from the hit to the niche.

Anderson (2006) has explained that "when it comes to lost marketing power nothing compares to the decline of rock radio. In 1993, Americans spent an average of 23 hours and 15 minutes per week tuned to a local station. As of summer 2005, that figure had dropped to 19 hours and 15 minutes. Time spent listening to the radio is now at a 12-year low, and rock music is among the formats suffering the most. Since 1998, the rock radio audience has dropped 26 percent. What's killing rock radio? A perfect storm of competition. Start with the 1996 Telecommunications Act, which added more than 700 FM stations to the dial. This fragmented the market and depressed the economics of the incumbents. At the same time, the limits of ownership in each market were relaxed, which led to a nationwide rollup by Clear Channel and Infinity, whose operating efficiencies included bringing cookie-cutter playlists to once-distinctive local stations". After that technology changed: "Then came the cell phone, which gave people something else to do during their commutes. And finally, the iPod, the

ultimate personal radio. With 10,000 of your favorite songs on tap, who needs FM?" (Anderson, 2006).

The remarkable growth of satellite radio has changed somewhat this picture. So far satellite radio has attracted only a tiny fraction of the 193 million people that are estimated to listen traditional radio. But the growth rate for the service is remarkable. Satellite radio subscribers receive more than 100 radio channels, including music, news, talk and sports. XM Radio and Sirius have been fairly successful in increasing subscriber revenues (the audience pays for them around $12.95 per month). Profits remain elusive at this point, although the outlook for these companies is promising.

Like in the broadcasting industry, they have incurred in significant costs to get themselves noticed. XM has signed Major League Baseball. Sirius, which came one year later in 2003, has signed the National Football League, and media stars like Martha Stewart and Howard Stern. Distribution is a concern. The growth of satellite radio is tied to the growth in the car industry, which leads satellite radio operators to deals with car makers. XM has signed with General Motors; Sirius with DaimlerChrysler.

Sirius Satellite Radio Inc. ended the third quarter with more than 2.17 million subscribers and expects more than three million subscribers by the end of the year. The subscription-based satellite-radio provider said it added more than 359,000 new subscribers during the third quarter, almost double the 182,000 net additions in the year-earlier quarter. Sirius expects its new programming lineup, which will include Martha Stewart Living later this year and Howard Stern in January, and the holiday season to bolster sales in the upcoming quarter. Rival XM Satellite Radio Holdings Inc. reported it had 5.03 million subscribers at the end of the third quarter. The company added 617,000 new subscribers in the period.

Sprint's mobile phone users are the first wireless customers to use Sirius Satellite Radio on their phones. Sprint announced in September 13 the availability of Sirius Music, which offers unlimited access to 20 music channels, plus a channel devoted to exclusive artist interviews and performances. The Sirius Music channel includes a wide

assortment of music, such as Pop, Hip Hop R&B, Rock, Country, Jazz, Blues and Dance.

Sirius brings listeners over 120 channels of music, sports and entertainment coast-to-coast. It offers 65 channels of 100% commercial-free music, along with more than 55 channels of sports, news, information, entertainment, traffic and weather. It also broadcasts live play-by-play games of the NFL and NBA. Sirius radios are offered in vehicles from Audi, BMW, Chrysler, Dodge, Ford, Infiniti, Jaguar, Jeep, Land Rover, Lexus, Lincoln-Mercury, Mazda, Mercedes-Benz, Mini, Nissan, Scion, Toyota, Porsche, Volkswagen and Volvo.

Both Sirius and XM have launched portable devices in August 2005. XM has launched an MP3-compatible portable satellite radio device along with Samsung. Sirius also unveiled a combo device than can store up to 50 hours of satellite radio transmissions and MP3 songs. Both new portable devices were crafted with an eye on design. Their style is minimalist. As satellite radio awareness increases among consumers, retail outlets are becoming increasingly important. At some point, the market has to transcend new car buyers. These new gadgets should help drive subscriptions.

In August 2005, New York Times has signed an agreement with XM to produce audio news and features. Under the agreement with XM, the larger competitor to Sirius Satellite Radio, XM will air a series of Times-branded features on several of its talk radio channels. The companies also plan to develop Times-branded newscasts. Another media brand signing with satellite radio is Cosmopolitan which will launch a full time channel with Sirius in early 2006. The talk shows on Cosmopolitan Radio will feature an array of topics of interest for women along with talk shows and thematic music programming that appeal to the tastes of the best-selling young women's magazine audience.

In another distribution deal, satellite-television provider DirecTV Group Inc. has agreed to provide its 14.6 million customers with access to programs from XM. DirecTV, which is 34% owned by News Corp., said it will begin offering the XM content to its subscribers on

Nov. 15. The El Segundo, Calif., company said the deal nearly doubles its current audio-programming lineup. Under terms of the deal, DirecTV Total Choice subscribers will gain access to 50 XM Satellite Radio music channels. Subscribers to the DirecTV Total Choice Plus programming package and above will have access to more than 65 channels. DirecTV Para Todos customers will also have access to the same XM channels, plus five Latin music channels.

In all, there will be 72 XM channels offered to DirecTV subscribers, including Major League Baseball "Home Plate" talk-radio channel, and the "High Voltage" channel that features talk-radio personalities Opie and Anthony. Last year, the Dish network, a rival satellite-television service owned by Echostar Communications Corp., started offering satellite-radio programming from XM rival Sirius Satellite Radio Inc. XM sees subscriber numbers hitting 20 million by 2010. The company reached five million subscribers in September 2005.

Both Sirius and XM Satellite have been reporting larger-than-expected losses amid higher programming and marketing costs and some investors have tuned out the nascent satellite radio services. But various auto makers that have deals to pre-install satellite radios continue to express confidence in the burgeoning market. In February 2006, XM announced that director Pierce Roberts had resigned, citing discomfort with the current direction of the company and predicting a significant chance of crisis on the horizon.

Some insiders think marketing costs are just too big. Satellite companies have added subscribers at a high rate, with XM now at more than six million subscribers and Sirius at about 3.3 million. But the high cost of acquiring talent, such as XM's Major League Baseball deal or Sirius's high-profile Howard Stern signing, has hurt the bottom line and rattled some investors. But because both companies are making headway in getting satellite radios into new cars as a standard feature, and increasing numbers of car buyers are signing up for satellite, many analysts still believe there is plenty of room for both players. XM has led Sirius in the car market, and on Friday XM's partners continued to express confidence in the service. General

Motors Corp. said it continues to have a close working relationship with XM.

Programming splurges, in particular Sirius's $579 million outlay on Mr. Stern, were justified, many analysts say. Without Stern, it would have been a challenge to mount the kind of competition to make them a viable competitor to XM. While keeping an eye on costs and programming jousting between the two companies, the bigger concern is how new technology will affect them — for example, the convergence between mobile phones and music players, which could cut into radio listening. Both companies say they are talking to mobile-phone operators. XM is expected to report positive earnings before interest, taxes, depreciation and amortization in 2008, and Sirius in 2009.

The end of 2006 shows an industry crisis. Sirius cut its subscriber projections by at least 200,000 to a range between 5.9 million and 6.1 million subscribers, blaming weaker-than anticipated retail sales since the Thanksgiving holiday. XM has been trimming its forecast all year, most recently telling investors it will end the year with between 7.7 million and 7.9 million subscribers (McBride, 2006).

McBride explains how "the situation is a sharp contrast to last year, when satellite radio was one of the hottest gifts around. The industry was generating unprecendented buzz. Morning radio host Howard Stern was about to join Sirius, accompanied by a saturation marketing and publicity campaign that reported every move Mr. Stern made. Much of the attention spilled over to XM, which launched its own advertising campaign to counter the Sirius blitz. Both campaigns signed up record numbers of subscribers" (McBride, 2006).

Now things have changed and "despite being better established in the minds of consumers, having wider distribution of their products and offering more and snazzier radio models, it's beginning to appear that the retail chatter about satellite radio may have peaked. Early adopters have already bought their satellite radios, but the product hasn't quite yet reached the point of being considered mass-market. While fans of satellite radio rave about the variety of programming and the less-commercial environment, many people who haven't tried it tend to shrug" (McBride, 2006).

For XM and Sirius future likely relies more on the automotive than in the retail area, which both expect will generate most of their subscribers. Both companies are strengthening their partnerships with car makers and dealers. The companies have signed up most mayor automakers. Sirius's partners include DaimlerChrysler and Ford. XM's include General Motors and Toyota.

9. What is media quality?

Some would say that quality is in the eyes of the public and different people would come up with different quality definitions. Apparently there is no common ground for a theoretical academic discussion. The word is also polluted by the idea that a high-quality product is something too highbrow, serious and even boring. There would not be room for entertainment. Quality would be only for high end news in print or broadcasting, and there would be no room for quality in entertainment or advertising.

I believe we could frame the debate along different lines, considering points that most reasonable people would consider quality indicators. I would avoid another equally devastating temptation: that of saying that quality is equal to ratings or circulation. The New York Post is the fastest growing newspaper in the United States and it would be really a little bit of a stretch to consider the Post as a quality paradigm.

In increasingly competitive times, criteria are needed and not just an ability to count. Some patterns to identify quality might be the following:

- History and duration of media over time. In media, as elsewhere, a great brand (the kind of brand a media plan would like to select) cannot be built without a long time span. The foundation year of some great "umbrella" media brands support this claim: The Economist (1843), Tribune Company (1847); The New York Times (1851); Dow Jones (1882); Hearst Corporation (1887); National Geographic (1888); Financial Times (1888); Wall Street Journal (1889); Knight-Ridder (1892); Gannett (1906); Time Inc. (1923); Walt Disney (1923); CBS (1926); Twentieth Century Fox (1933); ABC (1941).
- At the same time, capacity for innovation. The best media organizations are able to recognize change around them. The best newspapers, to name perhaps the most mature of media markets,

cannot fail to recognize how free newspaper, online news and time competition from other businesses have been impacting its operations fro years.

- Uniqueness. Great media brands (Tungate, 2004) have been able to find a niche or solve a problem and stay there in spite of increasing competition. They do build an original product and a unique relationship with its audience as a consequence.
- Ability to meet audience and advertiser's goals needs. Most media outlets serve two publics and should serve them well. Audience demands are sometimes implicit and sometimes explicit. An effort to look for them and ask is necessary.
- Industry acknowledgement. Best media and entertainment practices receive awards. In spite of its shortcomings and the politicking that is often involved, by and large awards recognize good products. There can be an occasional mistake, but that is the exception rather than the rule.
- Time dedication by the audience to the vehicle, which allows weighing the intensity and quality of a media experience. Time is a scarce resource and competition from different media and different outlets is fierce. When audiences are ready to spend a long time with a media product we have a quality indicator to consider.
- Social responsibility, which considers the effects and consequences of communication actions. Good media companies recognize the impact of what they do. What media companies do is so important that is constitutionally protected in many places. It makes a difference in people's lives. Even the most skeptics among media practitioners would agree on that. With great power, comes great responsibility. And I believe media responsibility is more about what media should do than about what media should not do. Ethics is about building something valuable not just about avoiding things out of fear of sanctions.

These quality indicators do not stand alone. I would contend that in order to consider a media and entertainment product of quality all the elements I just sketched should be somehow present. Achieving just one of them is not enough.

10. Conclusion

The media and entertainment field includes a broad range of different industries that deal with what audiences do in their leisure time (and increasingly also during their working time). Besides work and sleep, media and entertainment consumption arguably accounts for the largest part of audience time usage. That is why it might be useful to define which industries are covered by such an important field. Media and entertainment industries are heavily influenced by technological change, regulation and uncertainty. They include publishing, broadcasting, film, music, advertising, sports, online and videogames.

Media companies have to be managed balancing talent, creativity, business acumen and social responsibility. Social responsibility makes this industry unique. Media and entertainment companies are also driven by the creative element. That is the reason why this industry tends to attract idealistic and mission-oriented people that are very committed to the products they offer. People management becomes crucial in such a setting.

Advertising has traditionally been and still is a key source of revenue for media and entertainment and is a significant part of the marketing strategies of media and entertainment products. Often the revenue model in the media and entertainment industry is based in advertising and their business model is that of a "hit" business. This last point builds the case for a troubled marriage between business and creative aspects. It also shows the "communication-intensive" nature of this business, where key cultural products need to get noticed through advertising and other communications tools.

For media products advertising and branding strategies are critical. Most media products fail: there are very little "hits" or breakthroughs, like blockbusters in film, great best-sellers in publishing or phenomenal rating successes in television. That is also very difficult to

understand for a conventional executive. In media and entertainment is often necessary to start all over again: businesses aimed at attracting large audience must reinvent themselves also. In the hit-driven environment, each new release has to stand on its own. Businesses cannot rely on past successes and assume that every product they launch is going to be a hit.

Creativity is hard to define and find. But after decades of research we know what kills creativity and “when creativity is killed, an organization loses a potent competitive weapon: new ideas. It can also lose the energy and the commitment of its people”(Amabile, 1998: 87).

Some ideas about creativity need to be understood by business side of media. It is not that media managers are against creativity: they believe in the value of new business ideas. But they kill them to maximize coordination, productivity and control. According to Amabile (1998), they do so first of all by not matching people to the proper assignments that play to their expertise and ignite their intrinsic motivation. They also do so failing to understand freedom. Often they control the means. Media managers should be concerned with the end, not the means (or the process).

Organizations also kill creativity both with fake or extremely tight deadlines. Work-group features (crucial in the media) are also misunderstood. In order to come up with creative ideas groups with a diversity of perspectives and backgrounds should be supported. That calls for a deep understanding of people. Homogeneous groups might kill creativity. Agreement is quicker and there is less friction but expertise and creativity are not enhanced. Last, but not least, managers are sometimes too busy and they forget the essential: supervisory encouragement: “to sustain such passion, most people need to feel their work matters to the organization” (Amabile, 1998: 83). Managers kill creativity by not acknowledging innovative efforts or getting them with skepticism.

Creativity is what matters most in media and entertainment: “adding effective entertainment content is not something that is accomplished merely because a CEO wants it. It is not an industrial additive. Rather, it is a chimerical, hard-to-find quality, and those who can contribute to

its creation must be sought on, nurtured and rewarded. The entertainment economy will place enormous demands on a finite human resource: creativity" (Wolf, 1999, 293).

The creative element is characterized by a degree of uncertainty. But the rewards for finding it are high: "even though the creative element is unpredictable, that is not a reason to shy away from it. In the crowded marketplace, ignoring it is the same as condemning a product to extinction. I believe successful companies will be the ones that create talent-friendly environments. They need creative visionaries at top or near the top (Wolf, 1999, 295).

Content that uplifts is good and that is good for business. Business people understand their audience. Business is about understanding people's needs and catering for them. Media are not different. They do not want to impress the few to offend the many. Children and teenagers are exposed, and they are vulnerable. That audience needs to be properly understood. Sound ethics that produces uplifting content is the knowledge that allows an understanding about what human beings are.

Media do influence and beget culture. Some media practitioners dispute this but it is very difficult to argue against the effects that media content have in individual persons. *Media is a mirror and also –inseparably– an agent for change. Media is instrumental in "mainstreaming" social trends, making events, attitudes and behaviors socially acceptable and relevant*. A business person understands that *media are powerful weapons*. Like the nuclear energy you can use it to kill or to heal…

Media and entertainment products, consumed mainly on a leisure basis, fill an increasing amount of people's time. After work and sleep, media consumption takes the lion share of our time. That increases media's need for social accountability: media products are guests in our homes and meet our families. Media sit in our living rooms.

By shocking you do not build a valuable brand. As we have already seen, you have to repeat hits. That is to a large extent what the media and entertainment is all about: producing and repeating hits. However,

an isolated hit, no matter how high the ratings and the circulation achieved or the amount of controversy generated will not build a company. *Sleaze begets more sleaze and the downward spiral tends to get worse*. By shocking people you cannot build a brand. Anybody is in the position to increase the shock…Anybody can imitate that. And advertisers want to make headlines for the right reasons. They like controversy-free environments: they have a reputation to protect.

Quality media companies become benchmarks: they are unique and thus they are imitated. *Their reputation is spotless*. Good business needs companies with good reputation. The most powerful media brands are respected and won't engage in any kind of content.

Ethics is not a threat: it is an opportunity. Cable TV and now satellite radio sell themselves as uncensored, but might be failing to understand the needs of their audience. Selling "edgy" programming only goes so far. *Ethics is not just about boundaries is about building a solid business. In other words, there are boundaries and sound businesses are able to recognize them for the common good*.

When we look to media from a managerial, economic or financial point of view, we might we tempted to think that media are companies with products that are basically similar to other products and are subjected to similar rules and regularities. Uncertainty is a significant pattern in the media management landscape, always influenced by technological legal and cultural changes. Media are also different because they deal with talent and creativity and thus they have a largely intangible value.

Media is a personality-driven business, which makes personal responsibility and accountability all the more significant. For example, in the recent history of American broadcasting news it is striking the importance of some individuals: corporate players like Ted Turner, Rupert Murdoch, Walter Isaacsson, Bob Wright, Roger Ailes or Tom Johnson; on-air talent like Lou Dobbs, Dan Rather, Peter Jennings, Tom Brokaw, Sean Hannity, Larry King, Paula Zahn, Phil Donahue, Connie Chung. Bill O´Reilly or Greta Van Susteren (Collins, 2004). We could add Greg Dyke in the United Kingdom. In the early days of the motion picture industry five or six persons –Cohn, Mayer, Warner,

Fox, Thalberg– established companies that still rule the market (Gabler, 1988). That is why this is a very personality-driven business, which makes personal responsibility and accountability more significant.

Media are also legally protected. The media industry has an unusual level of freedom and protection that sets it apart from other industries. Freedom of expression and the right of citizens to be well informed are cherished values. From Alexis de Tocqueville, who marveled at the strength of American newspapers and its ability to engage in political debate, media is considered as a force to foster and maintain strong and democratic political systems.

Media do influence and reflect culture. They themselves are cultural products. Ads are a good example. Twitchell considers the 20 ads in its book as "analogous to those touchstone works of high culture that F.R. Leavis called the Great Tradition. These ads are like what in medieval times were known as *sententiae,* those passages of theological matter that could be expanded and contracted, but not pushed aside. These are the clichés of commercialism, the central passages of words and images that won't go away, although they only stay before our eyes for a few seconds. They often are, in a sense, inspired. We know them even if we haven't seen them, because our culture has been built around them" (Twitchell, 2002: 5).

Some talk about media as classic examples of cultural industries, contracts between electronics, commerce and the arts, as Caves (2000) has written. Florida (2002) has also explored the influence of the creative class.

Culture has today different new expressions. Some would say that media are the new art forms and fulfill the missions that painting or sculpture accomplished in the past. Many of them, like books, music and movies are thoroughly linked to media conglomerates that are able to use cultural products in different windows and bring them to audiences using different technologies, from the television to the computer; from the mobile phone to satellite radio. Contemporary media brings with itself remarkable craft and business acumen.

But media also need to sell and make business sense. So there are a number of balances to strike, which make this business particularly unique and challenging and thus a wonderful setting with significant social and intellectual rewards.

Therefore, we have four real challenges: *first, media business people have to appreciate the arts, beauty, creativity, great content*. They need passion for the media; they have to be passionate about companies that craft popular culture. They also need to understand the creative process that sometimes is fairly complex. In the motion picture industry, for example, the process has three stages that we could roughly sum up in preproduction, production and post-production. They entail completely different groups of people that work on a project basis. Only the director, actors and screenwriters are always present.

In order to understand creativity it is good for business people to understand storytelling (McKee, 2003). Often businesspeople work in an overly analytical fashion with facts, statistics and authorities. The problem is that people do not act by reason alone. It is more powerful in media settings to unite an idea with an emotion. Telling a compelling story is usually the best way to do so. In the ever-changing media world a creative story expresses how life changes. It begins with a scenario with everything is pretty much in its place. But then an event changes the balance. It is what screenwriters call *inciting incident*.

Media landscapes are full of inconsistencies and uncertainties. In such a conflicting scenario subjective expectations crash with a reality that does not cooperate: "Good storytellers describe what it's like to deal with this opposing forces, calling on the protagonist to dig deeper, work with scarce resources, make difficult decisions, take action despite risks and ultimately finally discover the truth" (McKee, 2003, 52). Business-oriented media managers have to understand the unique challenges that the media and entertainment industry faces and need to appreciate good stories, the essence of creativity, in order to apply them to their daily work.

Second, creative people need to understand the business side: doing marketable products just needs to be part of the creative parlor. This is easier said than done. As the movie industry saying goes: "In

Hollywood nobody knows anything" (Goldman, 1983). It is surprising the amount of creative work that is done with poor business understanding and lack of audience knowledge, just out of "instinct".

Third, both groups have to talk competently to each other respecting their autonomy but tearing down all the old walls, what newsrooms called "church and state", two separated worlds that deeply distrust or ignore each other.

Finally, *both groups of people need to know that they work on products with high cultural impact and their responsibility cannot be transferred*. Many leading characters of the media and entertainment industry have understood this to be the case: "the medium is too powerful and too important an influence on the way we live, the way we see ourselves, to be left solely to the tyranny of the box-office or reduced to the sum of the lowest common denominator of public taste" (Putnam, 1986).

Therefore media managers have to understand that in cultural products like the media the market is necessary but is not enough. There might be some lessons to be learned from arts management. In managing the arts a unique work is highlighted and managers try to get people to like something great they do not know. Managers are "market-driving". They see a need and lead the people to appreciate a work of art, for example. Sometimes media managers have to do the same. They have to drive the market and not just be driven by it, spotting a demand and trying to satisfy it, no matter the price.

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