European Foundation for the Improvement of Living and Working Conditions

# Sector Futures

## The future of publishing and media



european Monitoring Centre on Change

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*In the 1990s, innovation in information and communication technologies (ICT) looked set to transform traditional publishing and media through more efficient production, new forms of distribution, the entry of new players and much greater choice for consumers. The Internet offered the prospect for everyone to be a publisher or broadcaster. 'New media' was the buzzword. But with the bursting of the Internet bubble, what is the future for publishing and media? This article provides a snapshot of the sector and looks at the major trends and driving forces shaping its future.*

Before we can look at the future of the publishing and media sector and its driving forces, we first need to define its boundaries. We should acknowledge that the term 'media' is loosely defined and means different things to different people. Therefore it is a term used in different contexts to encompass a wide range of sometimes-different industries and activities. Every so often media is included as part of the leisure and entertainment industries or, even more broadly, the cultural industries. Other commonly used classifications include the media and graphics sector, the audio-visual sector and the creative industries.

## Defining the publishing and media sector

Collins Concise English Dictionary defines *media* as the 'means of communication that reach large numbers of people, such as television, newspapers, magazines and radio'. Thus, it is safe to say that publishing forms part of the media sector and that when we use the term 'media' we are also referring to publishing.

It is perhaps more helpful to think of media as referring to 'the production and distribution of information on a one-to-many basis' (Europe Economics, 2002, p. 7). It is this *one-to-many* characteristic that allows us to distinguish between the media industries and others involved in the transmission of information. For instance, both telephony and radio broadcasting are concerned with the transmission of audio information. However, telephony is a one-to-one or one-to-several relationship whereas radio stations make information available to a mass audience. Telephony, therefore, falls outside the media sector.

By including the 'means of communication' as a key aspect of media, we also exclude the 'direct supply of information' or 'media content'. For instance, the public delivery of a speech at a conference, or the performance of a play in a theatre should not be included within the media sector. Nonetheless, televise either of these and they do become part of the media. The medium and the message need to go hand-in-hand to be included as part of the media sector.

It is important, therefore, to distinguish between the information and the method of distribution. For instance we can think of a musical recording as an information product, or media content. But this information can be distributed through a variety of different channels - as a CD, by radio stations, or through the Internet. It is this complex nature of the media industries that often leads to rich and intricate market structures and makes market definition such a complicated and difficult task (Europe Economics, 2002, p. 97).

In its **recent study for EMCC**[1] on the impact of information and communication technologies (ICT) on the media and graphics sector, Pira International (2003a, p. 1) includes the following industries:

- Advertising agencies
- Equipment and consumable suppliers

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[1] http://www.emcc.eurofound.eu.int/content/source/eu03009a.html

- Printers
- Publishers
- Broadcasters (radio and TV)
- Television production and distribution
- Facilities and post-production

Note that the music industry is excluded in this definition of media and graphics, whereas in the **Global entertainment and media outlook**[2], PricewaterhouseCoopers define the entertainment and media sector to include 13 industries:

- Filmed entertainment
- Television networks: broadcast and cable
- Television distribution: station, cable and satellite
- Recorded music
- Radio and out-of-home advertising
- Internet advertising and access spending
- Business information
- Magazine publishing
- Newspaper publishing
- Consumer book publishing
- Educational and professional books and training
- Theme parks and amusement parks
- Sports

Thus, what we should conclude from this is that definitions of the media sector vary significantly, and that we should bear in mind the fuzzy definition of boundaries in considering its future.

## Market size, structure and employment

### Market size

Because the media sector is difficult to define and because definitions differ, finding even the most basic and comparable data is difficult. Much information is also commercially privileged.

According to PricewaterhouseCoopers, the global entertainment and media market was worth $1.1 trillion in 2001 and is forecast to increase to $1.4 trillion in 2006. If we exclude theme parks and sports, the figures are about $1 trillion and $1.3 trillion respectively (see table 1).

[2] http://www.pwcglobal.com/e&m/outlook/Outlook2002_ExecSummary_Final.pdf

Table 1: *Global entertainment and media market by segment ($ million)*

| **Segment** | **2001** | **% of total** | **2006** | **% of total** |
|---|---|---|---|---|
| Filmed entertainment | 59,485 | 5.9 | 78,509 | 6.1 |
| TV networks: broadcast and cable | 107,394 | 10.6 | 144,291 | 11.1 |
| TV distribution: station, cable and satellite | 150,375 | 14.9 | 209,852 | 16.2 |
| Recorded music | 35,502 | 3.5 | 38,505 | 3.0 |
| Internet advertising and access spending | 52,989 | 5.3 | 93,609 | 7.2 |
| Magazine publishing | 77,527 | 7.7 | 88,391 | 6.8 |
| Newspaper publishing | 157,699 | 15.6 | 185,635 | 14.3 |
| Consumer book publishing | 44,709 | 4.4 | 50,940 | 3.9 |
| Educational and professional books and training | 207,602 | 20.6 | 260,844 | 20.1 |
| Business information | 68,830 | 6.8 | 87,770 | 6.8 |
| Radio and out-of-home advertising | 46,420 | 4.6 | 58,678 | 4.5 |
| **Total** | 1,008,532 | | 1,297,024 | |

Source: *Adapted from PricewaterhouseCoopers, 2002, p. 35*

Of this, the United States of America (USA) represents the largest market at about $414 billion in 2001, with Europe, the Middle East and Africa accounting for about $325 billion.[3]

The two main sources of revenue are advertising and consumer/end-user spending. Global advertising revenues amounted to $320 billion in 2001, and are forecast to rise to $404 billion in 2006. Again, at $149 billion in 2001 the USA is the world's largest advertising market and is expected to grow to approximately $186 billion in 2005. For their part, Europe, the Middle East and Africa accounted for $82 billion in 2001, a figure estimated to increase by $21 billion to $103 billion in 2006. Global consumer/end-user spending is forecast to grow from $743 billion in 2001 to $965 billion in 2006. Consumer spending in the US market was worth $266 billion in 2001, which is likely to rise to $354 billion in 2006. The corresponding figure for Europe, the Middle East and Africa was $243 billion, expected to grow to $303 billion in 2006.

### *Market structure*

As we have already described, media markets are characterised by complex chains of production. Häckner and Nyberg (2000, p. 1) describe two common features. First, since economies of scale are particularly important, media markets tend to be highly concentrated. Second, media companies frequently operate simultaneously in two or more separate sub-markets. For instance, newspaper publishers also own commercial television channels. Media firms not only sell their products and services to viewers and readers but they also sell advertising space to the general public and other firms.

Tables 2 and 3 give some indication of both this market concentration and the operation in different sub-markets. It also confirms the strength of the USA in the global media sector. In 2000, the first three of the top 10 audio-visual conglomerates were American. Five out of these 10 were also American. In the European market, German, French and British companies are to the fore. These tables also show that despite the talk of 'new media', it is traditional forms of media, particularly newspapers, which still dominate.

[3] To illustrate the difficulty with the data, the PricewaterhouseCoopers report does not provide separate data for Europe.

Table 2: *Top 10 leading world groups ranked by audio-visual turnover, 2000*

| **Rank** | **Company** | **Country** | **Turnover ($ million)** |
|---|---|---|---|
| 1 | AOL Time Warner | USA | 19,069 |
| 2 | Walt Disney | USA | 18,231 |
| 3 | Viacom | USA | 15,865 |
| 4 | Sony | Japan | 14,626 |
| 5 | Vivendi Universal | France | 14,174 |
| 6 | News Corporation | USA | 8,358 |
| 7 | Bertelsmann | Germany | 6,873 |
| 8 | General Electric/NBC | USA | 6,797 |
| 9 | ARD | Germany | 6,215 (1999) |
| 10 | NHK | Japan | 4,393 (1999) |

Source: *Punie, 2001, p. 12*

Table 3: *Largest publishing and media companies in Europe, 2000*

| No | **Company** | Turn-over (€ million) | **Country** | **Activity** |
|---|---|---|---|---|
| 1 | News Corporation | 14,690 | USA | Newspapers, TV, books |
| 2 | Bertelsmann | 12,860 | Germany | Publishing/print/TV/music/eCommerce |
| 3 | Pearson | 5,659 | United Kingdom | Newspapers/books, educational services |
| 4 | Daily Mail (DMGT) | 2,430 | United Kingdom | Newspapers |
| 5 | Axel Springer | 2,300 | Germany | Newspapers/publishing |
| 6 | Hachette | 2,300 | France | Newspapers/publishing |
| 7 | Hollinger International | 2,224 | Canada | Newspapers |
| 8 | Gruner + Jahr | 1,850 | Germany | Newspapers/magazines |
| 9 | Bonnier | 1,582 | Sweden | Newpapers/magazines |
| 10 | Bauer | 1,578 | Germany | Newspaper/publishing |

Source: *PIRA International, 2003b, p. 16*

### *Employment*

If finding data on the media market is difficult, then data on employment in the media sector is practically non-existent. According to Ducatel, Burgelman and Bogdanowicz, ‘data on employment and occupational structure of the media sector in general and the impact of new technologies on it in particular are very poor, selective and often not comparable’ (2000, p. 17). Following these authors’ analysis of employment trends within the media content industries, the ‘culture industry’, which includes performing arts, heritage and education, cinema and audio-visual, publishing and recording, press and crafts, represents a substantial industry sector. In 1995, it employed 2% of the workforce and more than three million people in the European Union (EU) - 2.5 million if art and crafts are excluded (ibid, p.17). Slightly more recent employment figures for the audio-visual industry show that nearly one million people were employed in this sub-sector in the EU in 1998 (see table 4).

Table 4: *Employment in the audio-visual industry in the EU*

| **Country** | **Employees** |
|---|---|
| Austria | 3,681 |
| Belgium | 20,889 |
| Denmark | 14,699 |
| Finland | 7,025 |
| France | 177,108 |
| Germany | 200,760 |
| Greece | 10,134 |
| Ireland | 6,086 |
| Italy | 144,023 |
| Luxembourg | 2,320 |
| The Netherlands | 57,186 |
| Portugal | 8,918 |
| Spain | 88,523 |
| Sweden | 10,907 |
| United Kingdom | 198,543 |
| **Total** | 950,802 |

Source: *Employment and the audio-visual industries, 1998, p. 11*

These figures are of course quite dated and a lot has happened over the past six years, not least the dot.com boom and bust. It is difficult to say with any certainty what impact this will have had on employment levels in the media sector. Certainly, there will have been some growth in television as a result of growth in cable and satellite TV. Perhaps there may have been some loss in terms of traditional print media.

The figures from the above tables do however confirm that within Europe the big three players are France, Germany and the United Kingdom (UK).

## Trends and drivers

### Economic and political drivers

#### Economic health

The media sector, funded through advertising and consumer spending, is consequently closely related to the health of the underlying economy. In the 1990s the European economy was growing strongly with continuing investment in information and communication technologies (ICT), the growth of the Internet, and television distribution. As a result, advertising revenues grew throughout the 1990s. However, the dot.com crash followed by the meltdown in the telecoms sector and the general economic downturn meant a sharp fall off in advertising revenues at the end of the decade. Thus, growth in the sector depends on a recovery in the European economy over the medium term.

#### Competition and regulation

A second key driver of change, particularly regarding the audio-visual sector, is regulation. For instance, regulation on the foreign ownership of television channels, and cross-ownership of television channels by other media interests is constantly under review. For this reason industrial restructuring is likely to continue as media businesses search for economies of scope and scale driven by globalisation, industry concentration and mergers and liberalisation.

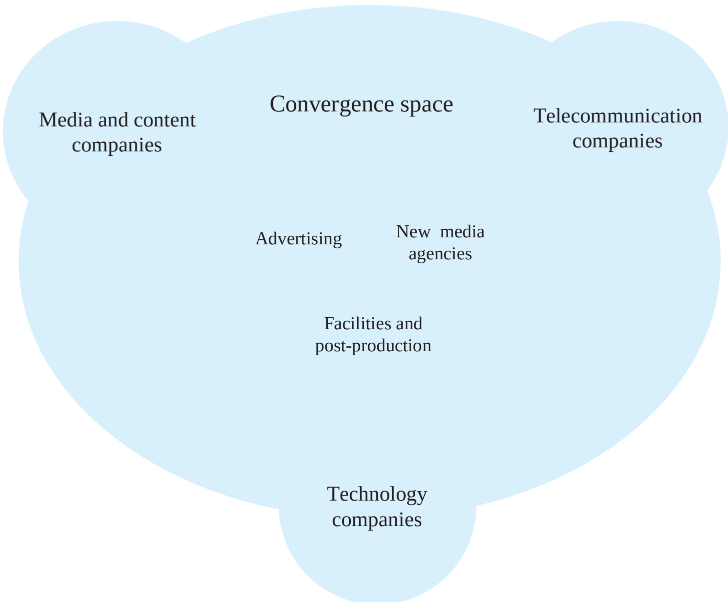
## Technological drivers

### Digitisation and convergence

The media sector as a whole has experienced significant impact resulting from new technology, although ICT has had a variable impact on different sub-sectors. One fundamental aspect of ICT as it relates to media is digitisation. Apart from reduction in production costs and the benefits of speed, digitisation of content allows for it to be transmitted via different media and theoretically opens up completely new applications and opportunities. For instance, publishers have the opportunity to reuse their assets in new ways, e.g. online. Digitisation allows publishers, advertisers and other content creators new channels of distribution not only through the Internet, but also interactive digital television and mobile phone networks.

The digitisation of information also means that previously separate industries are increasingly operating in the same market space and encroaching on each other, making an already complex picture even more confusing. Telecommunication, television, publishing, information technology (IT) companies and others have all viewed the ‘converged space’ as offering opportunities for cross media synergies. However, progress towards this convergence has been slower, more uneven and more partial than many had anticipated (see figure 1).

Figure 1: *Partial convergence - the new paradigm?*




Source: *Pira International, 2003a, p. 5*

### From scarcity to abundance

In the analogue era, television and radio was defined by the economics of scarcity. Limited bandwidth and spectrum scarcity meant that only a few broadcasters were able to operate in a particular region. This had the effect of limiting choice, putting a premium on the value of airtime and making it almost impossible for new players to enter the market. It also meant that governments were compelled to regulate the content to ensure quality, fairness, plurality and so on. The system ensured a degree of stability but placed considerable power in the hands of incumbents.

The digital era turns all of this on its head removing the barrier of spectrum scarcity. Multichannel and digital television erodes the value of airtime, lowers the barriers to market entry, and challenges the fundamental basis for regulating the sector. Choice is theoretically increased but competition for audiences with lower programme budgets means maintaining quality is increasingly difficult.

### Continuing innovation in ICT

Aside from the general technological drivers mentioned, there will be continuing innovation in ICT leading to new platforms and applications that will have an impact in shaping the media sector. These include:

- Broadband networks
- Third generation mobile systems
- Peer-to-peer communications for file sharing
- Digital compression technologies
- Content management systems

### Social and cultural drivers

Similar to the ICT sector, the media sector will be affected by social and cultural drivers, especially the desire for personalised and customised products and services. This will influence many aspects of the media sector including interactive digital television, publishing on-demand, one-on-one marketing, etc.

This also relates to the increasing time pressures of modern life. With many more demands on individuals' time and with more and more channels of information, people will demand products and services when they want them. They will also be more protective of their time and privacy, and will be increasingly intolerant of unwanted intrusions.

Furthermore, the drive towards globalisation will be key to the future of the media sector. The rise of global corporations has to be counterbalanced by the need to understand a range of cultural factors tailoring products and services to regional and local markets.

## Uncertainties and issues

The media sector faces considerable uncertainties particularly because it is unclear how new technologies will unfold and whether they will be successful in the marketplace. There is uncertainty over the rate of growth in, for instance, pay-TV, digital TV, cable and satellite, third generation mobile, Internet broadcasting and so on. Market growth, investment patterns and regulatory responses are all unclear. Following the dot.com crash and the stumbling in the telecom sector, there is also less certainty about the prospect of convergence, the benefits of Internet advertising and so on. In part this is because considerable doubts exist over the extent to which individuals want to consume more information and entertainment products and services.

Two quotes illustrate this sense that the promise of convergence and new media may be ephemeral - and that the old messages remain the same.

> *'When it comes to building brands and generating sales, internet advertising cannot boast a single success story.'*
>
> (**Michael Winkler, European Media Director, Gillette Group, November 2000**[4])

> 'Digital TV has destroyed the "convergence theory". For years now, the word convergence has gone side-by-side with digital, a convenient way of explaining how TVs and PCs will get married and live happily ever after. Well, I'm sorry to be the bearer of bad news, but there's been a divorce. It's increasingly clear that people's use of the TV and the PC are hugely different experiences. TV will continue to be the dominant medium for lean-back leisure rather than lean-forward interaction.'
>
> (**Elisabeth Murdoch, General Manager, Sky Television, UK, August 1998**[5])

The next article in this series will investigate further these uncertainties and certainties challenging the future of publishing and media by analysing future scenario work of the sector.

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