Applying the Structure- Conduct-Performance Framework in the Media Industry Analysis

by Wayne Fu, Nanyang Technological University, Singapore

The Structure- Conduct- Performance (S-C-P) paradigm has become a common approach to analyzing communications industries and markets. This framework, drawn from the well-established Industrial Organization (IO) economics, examines the operation of a market by discerning the three elements of the market – structure, conduct, and performance – and evaluating their interrelations. This IO perspective is well received among both media economics researchers and communication scholars who investigate the generic but overarching question of how the media operate in a free marketplace to serve the public. This paradigm presents a logical, systematic guideline for formulating theoretical models and crafting empirical examinations of the operation of a media market. Its merit also lies in normative implications it generates that can benefit the making of policies and regulations on media industries. A number of articles have illuminated the S-C-P paradigm as well as commenting on its media applications. These include Albarran (1996, 1998); Busterna (1988a, 1988b); Gomery (1989, 1993); McQuail (1992); Owers, Carveth and Alexander (1993); Ramstad (1997); Wirth and Bloch (1995); and Young (2000).

Despite the recognition and adoption of the paradigm, the current state of S-C-P applications in media analysis begs for greater scrutiny. As described later, certain misconceptions and misinterpretations have recurred in this line of research which have led to arguments and propositions that clash with the original meaning of IO economics. Incomplete and even errant concepts of the framework’s constructs have distorted what the model can properly demonstrate. This conceptual inconsistency is related to the fact that the S-C-P framework has been applied with too little rigor but much freedom and imprecision by media scholars. Further, what an S-C-P analysis usually reveals is largely determined by the particular angle the framework is conveniently approached from. It is not rare for an S-C-P media analysis to begin with a nebulous, subjective view of the theory and conclude with circumstantial or stylized interpretations. Such media studies have not been concerned about whether their own S-C-P interpretations can sustain the economic logic of the framework. As a salient example, performance in the S-C-P is often construed as the achieving of particular social or political objectives such as localism, free speech, diversity of ideas, fairness, equity, and so on. Interpretations of this kind either implicitly assume or explicitly state that the socially defined performance of a media market would, prima facie, bear – just as the economic performance does – a systematic relationship with the structure of and conduct in the market. However, whether these media performance criteria can be served through a market condition – i.e. competition versus monopoly – is still an open question. Views that market operation can promote social objectives are plagued by ignorance about the viability of the presumed causal link between market structure and these prescribed performances.

With an eye toward bridging the gap between what the framework truly means and how it is actually applied, this article identifies sources of the application inconsistencies, and discusses their research and policy implications. Next, it addresses how those thorny media themes, i.e. content diversity and

market concentration, can be better studied through the S-C-P framework. By calling for a more accurate and coherent use of the S-C-P approach, this article hopes to provide some insight in channeling related media market research in more robust and productive directions.

The rest of the paper is organized as follows. Section 2 expounds the microeconomic notion of market ‘performance’ and, based on this notion, explicates the rationale for its relation to market structure and firms’ behavior. Section 3 reassesses against the economic reasoning those ‘social-value’ views proposed about media market performance. Section 4 elaborates on the connection between media diversity and market competition, a longstanding issue in media studies. In Section 5, the paper explains the importance of explicitly accounting for the fundamental economic characteristics of the communications industry and products in S-C-P analysis. Section 6 provides the conclusion.

**The Economic Notion and the Measurement of Market Performance**

The term ‘performance’ as used by IO economists generally refers to the degree to which the operation of a market can achieve economic efficiency. A market is more efficiently operated when the goods transacted in it are manufactured by transforming resources more thriftily and are then allocated to users who have higher valuations. Herein, performance, first and foremost, refers to a ‘market’ as a whole, which comprises all the interacting buyers and sellers, instead to individual economic agents such as firms. In a seminal book on IO economics frequently cited by media market researchers, Scherer and Ross (1990, p. 4) made this clear: ‘performance in particular industries or markets is said to depend upon the conduct of sellers and buyers.’ Any IO performance study should not be concerned about a specific firm’s gain or loss as a performance goal because the welfare of the economy but not that of a certain company is at issue.

The model of competition is instructive when illustrating how efficiency is attained. Of course, pure competition rarely exists in media markets. However, an explicit understanding of the process of competition, as an efficiency yardstick, is necessary to judge the performance of any other type of market (McConnell & Brue 2003).

Competition coerces sellers to offer an ever-lower price in order to attract sales. As such, sellers cannot unilaterally raise their prices without losing business. Any drop in the market price will mean that more people can afford the good. In theory, perfect competition will keep the price so low that all individuals who are willing to pay at least the marginal cost will consume, but not anyone else. Provided this, allocative efficiency is maximized.

To reap more profits, firms have to continually search for ways to decrease production costs as well as to increase customer value. The urge of competing producers to innovate perpetuates an ongoing progress in terms of productive efficiency – efficiency accrues to the industry when the least costly production, relative to its value, prevails in the competition. As both productive and allocative efficiency improve with competition, the welfare gain to the society from the market operation is increased. This microeconomic characterization of price competition is the foundation of the logic of how structure, conduct, and performance are linked, and is central to the true notion of market performance.

In order to compete, sellers must make their products more attractive in the eyes of buyers. For this end, improved quality and/or reduced prices are the most direct and effective competitive instruments that sellers can use. These actions immediately yield a better efficiency performance. It is clear now that the mechanism that drives firms to offer what consumers desire – more value for money – is the sine qua non for market competition to enhance economic performance. It follows that different market structures (i.e. perfect competition, monopolistic competition, oligopoly, duopoly, and monopoly) cause individual sellers to show varying degrees of aggression to furnish what buyers demand, which dictates the state of efficiency (performance) of the market. This account is at the core of the S-C-P model; therefore, any proposition about market performance has to be consistent with this premise in order to be workable.

By virtue of the economic efficiency, measures of market performance used in IO economics have focused on unveiling the extent of the exercised market power of sellers in a market (Carlton & Perloff 1994). This is simply because the presence of market power (a byproduct of the lack of competition) impedes attainment of the market efficiency. A market is said to perform poorly if undue market power is experienced. To detect market power, one commonly used indicator is the price-cost markup or the Lerner index. This measurement expresses how far the market price of a good exceeds the marginal cost of production. Two other performance gauges are rate of return and Tobin’s Q (Carlton & Perloff 1994). A rise in either measure corresponds to an increase in sellers’ joint profit and thus signals a larger likelihood of supernormal profits, ceteris paribus.

The pervasive use of price-based measures for market performance suggests that price is by far the most prominent decision instrument used by firms to compete – at least from the viewpoint of economists. No doubt, firms may still engage in non-price competition, such as offering quality in various forms, but for any other dimension of
competition to be meaningful enough to fit in the S-C-P model, it has to meet the logical prerequisite of the model, as stated above.

**Media Performance and Its Relationship to Market Structure**

A theory is of little utility if its variables or constructs are ill-defined. The meaning of ‘performance’ in S-C-P media studies is, all too often, developed according to one’s specific need of analysis rather than being based on a systematic economic understanding, and so has been invested with multifarious but incoherent views. For many other scholars who argue from a social/political standpoint, ‘performance’ symbolizes certain social responsibilities for the mass media to fulfill for the betterment of a democratic society. In his writings championing the S-C-P framework for the analysis of the media industry, Gomery (1989, 1993) pronounced several criteria to judge the media’s performance. These qualities encompassed freedom of speech, public order, diversity, and access, among others. McQuail (1992) put forward a similar proposition. It has become increasingly frequent for media market researchers to judge or measure performance according to whether certain socially oriented objectives – equality, participation, cohesion, etc. – are met (Gomery 1993, 2000; McQuail 1992; Busterna 1988b; Lacy & Fico 1991; Napoli 2001). Such views regarding the performance of the media closely reflect the tenet in the arena of policy: market competition can spur media owners to pursue social and cultural values as well as generate economic benefits. Despite the importance of these values to the peculiar nature and role of the media system, functioning as both a social organization and a business, these interpretations are at odds with the economic construction of market performance and, thus, may amount to a rather inaccurate application of the S-C-P model.

One analyst’s adopted approach, from various possibilities, to judging the media is embedded in the position of his or her perspective along the market versus social-value continuum (Entman & Wildman 1992). For the social school, treating the media as just a pure enterprise sector is disconcerting: if the media’s social fabric is downplayed, then they will be reduced to ‘just another business’ for which commercial forces are the only master (Gomery 2000). That said, however, application of the S-C-P model in the context of the media does not concern the lofty debate about the choice between social or economic approaches, but resides, rather, in the practical question of whether the structure-conduct-performance logic can still be maintained when performance is defined in terms of a social dimension. In order to ensure a consistent use of the S-C-P framework, we need to ask whether or not the level of the social performance of the media systematically corresponds to the state of the market.

The non-economic view of defining performance variables as described above and relating them to the market structure assumes that increased market competition results in a greater satisfaction of such given performance criteria. That is, it is held that these performance qualities can be driven by market competition. However, the proposition is vulnerably dependent on two assumptions. First, audience members must individually ‘demand’ these qualities. Second, media firms must compete with one another in these dimensions to attract audiences or advertisers, and must adjust the level of these qualities in their products in order to optimize their competitive position vis-à-vis their rivals.

These assumptions are debatable, if not altogether untenable. The grounds for them are left entirely unarticulated in the literature. We know very little about how important social quality is in individuals’ decisions regarding media viewing, listening, and purchasing. Does one really prefer a television program that promotes ‘public order,’ all other things being equal? Do individuals actually receive utility (or enjoyment) from consuming media goods that score high in ‘social fairness?’ If the answers are negative, possessing social quality or not is not a factor in the competition between media firms. It, then, will challenge or even overthrow such S-C-P applications.

In fact, the competition-social media performance relationship inflicts a painful lack of research support. Little empirical effort has been devoted to this proposition and even those studies that dealt with it landed on no solid results (Shoemaker & Reese 1991). McQuail (1992) also admitted the failure of extant research to establish cogent empirical connections between competitive conditions and the social performance terms. This blatant vacuum of evidence leads us to the inference that media producers, whether competitive or not, do not respond to socially desired qualities insofar as these qualities are not demanded or valued by media users. With no basis for commercial forces to be conducive to the claimed social media qualities, such an alternative interpretation of the economic S-C-P model is unfounded or self-serving at best. For sure, media organizations, more than any other sectors, operate both in the political and economic spheres. Yet, we should be wary of attributing the media’s social/political functioning to market forces. We have already been warned of the danger of the conviction that competition improves the social performance of media (e.g. Krattenmaker & Powe 1994; Mullainathan & Shleifer 2002).

Of course, one should not leap to a blanketing conclusion that media firms’ market actions have no impact whatsoever on the social being of their consumers. Violent programs, for example, aired by ratings-fighting television broadcasters, give rise to antisocial
behavior among their audiences. A diversity of ideas and views presented by the media contributes to an informed citizenry and, in turn, is beneficial to the constituents of society (Entman & Wildman 1992). These influences, though hardly disputable, arise not from a purposeful business decision, but in the form of a cost or benefit external to the direct transactions between the users and suppliers of media products (e.g. Entman & Wildman 1992; Hamilton 1998). Those social performances expected of the mass media, in fact, are externalities of the media firms’ economic operation or the effects of the externalities. Optimizing these externalities (i.e. minimizing negative externalities and maximizing positive ones) for society is beyond or even against the firms’ egoistic profit consideration. This is the cause of ‘market failure.’

To correct market failure, we need to internalize the external factors into the firms’ business decision-making, which requires government intervention or firms’ self-regulation (or coordination). In this case, the market structure being competitive or not has no a priori relationship with the optimization of the externalities, in contrast to the fact that market structure is systematically associated with the efficiency performance.

The faith in the ability of market forces to compel social media responsibilities seems to be allied to the widespread overstatement of the power of market competition. This discussion has explained that market competition may fall short to achieve certain public-interest goals. Rivalry between firms can advance qualities that are demanded by buyers, but not those that are not so.

### Measuring Diversity as Media Performance

It is a tradition within media economics research to trace the content diversity presented by a media market and its relationship to market competition. The issue of media diversity is merely one aspect of the broader theme of media performance, but it is important in its own right since the pluralism of ideas, opinions, values, and so on, and the multiplicity of forms that convey them are considered as a cornerstone of a modern democratic citizenry.

An article of faith within diversity research remains that market competition in a media industry affects the diversity of the content created. Sometimes, competition and diversity are even treated as interchangeable (e.g. Napoli 2001). The concept of competition, however, is left too broad to be properly operationalizable: Almost all studies in this line of research measure competition by counting firms. This measurement equates competition with the mere existence of the multiplicity of suppliers, and readily assumes that more rivalrous behavior and effects take place among a larger cohort of sellers by default. But, the potential for competition is not equal to competition itself. No consensus has been reached among economists on a strict relationship between market concentration and the intensity of competition (Scherer & Ross 1990). The bulk of attempts that claimed to measure the competition effect on diversity actually measured the ownership (source) diversity-content diversity relationship, to be precise. The bifurcated results that emerge from these attempts even add to the conundrum of media diversity.

Causality studies on diversity are very few as Napoli (2002) noted. Among these studies, some have found a positive empirical association between the count of independent media suppliers or channels and the diversity level. Others, however, have found the opposite relationship. In their 1994 study, Hellman and Soramaki showed that concentration went against the diversity of video content in the videocassette market; though they reached opposing results in their earlier work (1985). In regard to the popular music record market, Peterson and Berger (1975) and Rothenbuhler and Dimmick (1982) attributed the higher variety of music content to their market competition measures, while Burnett (1992) discovered a trend of firm concentration-related music diversity from 1981 to 1989. Dimmick and Pearce (1976) demonstrated a link between the diversity of US prime-time programs and competition, even though Lin (1995a & 1995b) obtained results that showed that primetime diversity decreased in response to the mounting competition during the 1980s compared to the 1970s. Likewise, there was a stark contrast in the findings regarding newspaper competition and diversity (see Li and Chiang 2001 for a review). In sum, little systematic insight can be derived from the potpourri of findings into source-content diversity.

Furthermore, in the media diversity literature, the logic of the competition-diversity relationship is scarcely understood, so ad hoc explanations are usually used to account for whatever results are arrived at. One major gap in understanding of the issue is the black box about how exactly media content diversity can sprout from competition. Without a theoretical basis, research efforts of this sort are prone to an inability to generate any useful insights into the question of how we can rely on markets to create media diversity. In the language of content diversity there seems to be a belief, albeit a vague one, that competing content suppliers individually offer higher diversity as an economic good to outshine each other. This view is incomplete, if not incorrect altogether.

Media offerings, by nature, are differentiated products (Rosse & Dertouzos 1978). As Hotelling- product sellers, media firms distinguish their content products to avoid head-to-head rivalry.
that they would otherwise face in a homogenous product market. Hotelling differentiation is prevalent in many media, such as local TV news and radio programming (Powers 2001; Rogers & Woodbury 1996), magazines, and cable television channels.

Under such monopolistic competition, oligopolies strive to carve out a market for its product amid consumers with heterogeneous tastes. An assorted supply arises naturally when producers each serve a new profitable market niche (Entman & Wildman 1992). The landmark program choice models developed by Steiner (1952), Beebe (1972, 1977), and Owen and Spence (1977) offered a formal treatment of Hotelling-type media diversity and its relation to market condition. The model of monopolistic competition, while widely referred to, has not been operationalized in the empirical diversity work. Given that, it is helpful to explain the dynamics of Hotelling differentiation and its meaning to the media diversity investigation.

In pure Hotelling competition, individual producers do not compete in creating within-firm diversity. Instead, the product variety of the market is presented collectively by all firms, who actually feel no need to produce individual diversity. In other words, diversity occurs as a result of the existence of differentiated firms, but not from any firm’s production decision. Thus, it is more logical to regard market diversity as a demonstration of differentiated competition rather than as market performance. If diversity is desirable, then performance should be referred to as the creation of (or allowance for) firm-multiplicity in the first place, or the fostering of factors that can increase viable media sellers (differentiated).

The maximum number of differentiated firms in the competitive market is determined by exogenous variables — those that are beyond individual firms’ decision or control: market size, distribution of taste groups, size of entry barriers, operation costs, and so on (Mankiw & Whinston 1986; Waterman 1989/90). Any change in the number of differentiated goods produced (or the level of diversity) directly reflects a shift in any of the factors. For example, the continual progress in music recording and production technologies reduced the entry barriers to and the operation costs of the music business, so more music companies came along producing more CD titles (Gandal, Kende & Rob 2000). The satellite television channel market underwent a similar evolution. Social-value adherents welcome every increase in the media output diversity as regarded beneficial to society. For economists, the benefits of product diversity should be weighed against the costs of providing it. Excessive entry, even when differentiated, is considered inefficient and thus socially harmful (Berry & Waldfogel 1999a & 1999b; Mankiw & Whinston 1986; Scherer & Ross 1990).

To empirically inspect effect of competition in a differentiated media context, we need to understand firms’ interaction and competitive conducts therein. In a buyer market with dispersed tastes, product differentiation grants sellers market power over the buyers, who incur disutility (or cost) in consuming off-taste goods. So, the differentiated sellers have certain control over price, which hence distorts efficient resource allocation (in the sense that the sellers are able to limit supply quantity to uphold price).

Whenever profitable entry opportunities surface, new firms will come in filling up any taste demand hole being left out. And, consumers in this market segment will enjoy from the more direct satisfaction of their wants. As more and more differentiated entry is made into the market, the product supply continuum becomes increasingly dense and firms serving similar tastes are offering products increasingly alike and, so, substitutable to respective consumers (Tirole 1988). Growing substitutability brings about competition and thus erodes the sellers’ price control. Given free entry, increasing product variety should be accompanied with more competitive pricing behavior of firms. Accordingly, aside exorbitant entry, the efficiency of the market improves with the better preference matching for the buyers and the cheaper prices. Now, it becomes clear that a consistent way to quantify this competition-diversity dynamics is to relate the floor of diversity of products to price-cost markups. Following this logic, we can see, for example, whether the marginal profit drops in the proliferation of music labels and their recording productions.

Of course, not all media content goods have a price for users to pay directly. In “free content” circumstances, insertion of advertisements can be measured as a proxy for price, since tolerance of commercial interruptions is the implicit price that audiences have to bear (Owen & Wildman 1992).

Without explicitly accounting for the cost and price factors, explaining the level of differentiated supply by counting market concentration reveals little meaningful information. Both the supplier concentration and the demonstrated content diversity are artifacts of the fundamental supply and demand determinants. In light of product differentiation, ascribing the produced diversity to the division of the market pie among firms is, in fact, tautological. Then, any observed relationship between market concentration and diversity is hardly surprising.

There are also situations in which one media firm offers multiple differentiated products. Prime examples are music record companies, satellite TV channel operators, or movie production studios. As market concentration increases, firms do not necessarily have a stronger motivation to provide less diverse media products, since any unserved market niche will invite entry.
Within-firm diversity competition does exist in media industries. Multichannel video programming distributors (MVPDs) – cable and satellite TV operators – bundle channels into a package for household subscribers who appreciate variety (Wildman & Owen 1985). And, competition impulses these content packagers to include more channels (Waterman & Weiss 1997; Litman & Ahn 1997). Competing Internet content providers (like portals) present all-inclusive menus. A face-to-face battle between newspapers leads to a broader lineup of publication features. National television networks, particularly in the pre-cable era, provide an instance of this too. In this context, what is offered is not an individually differentiated product, as in the Hotelling dynamics, but a bundle of diverse media content. A larger scope of variety attracts more media customers. Sellers who wish to compete will then have to build a sufficiently diverse and, therefore, long portfolio. Relative to Hotelling differentiation, market concentration or power, here, is more a relevant factor to affect the scope of diversity available in the market.

Needless to say, not all media markets can be shoehorned into either the pure Hotelling model or that of within-firm diversity competition. For other situations, diversity is generated in a context that is between the two abstracted characterizations. A media outlet can produce many differentiated products, each of which still contains diversity in itself. Even though the two competition models do not always apply immediately, it is very crucial to clarify the distinction between them so that any media market when under a diversity examination can be formally modeled against these two benchmarks. Any attempt to examine competitive impacts on diversity should begin by identifying an appropriate competition model. Measuring market concentration as an indicator of competition strength and taking it as an independent variable of media diversity risks obscuring the diversity analysis.

**Market Structure as the Consequence of Underlying Product and Market Characteristics**

Many S-C-P analyses in communication literature are presented from a somewhat narrow and simplistic perspective. Attention is fixed, by and large, on identifying the structure of a media market or industry under study and relating it to firms’ observed conduct, but little effort is made to discern how exactly a particular market structure takes shape. The market status quo is taken as given without its drivers being probed. Such a frame of analysis inevitably leaves untouched questions about whether market structure is a cause or consequence. What usually follows is the impression, given intentionally or not, that market structure per se is held accountable for any imperfect competitive deeds of players, and that once market concentration is witnessed, structural remedies or restrictions can be imposed to rectify the perceived evil.

As others have noted (e.g. Wirth & Bloch 1995; Young 2000), contemporary IO theory holds that structure, conduct, and performance are two-way interrelated. The concept of a one-way linear causality of the S-C-P elements has been regarded as incomplete or faulty. Market structure does not only predetermine players’ conduct; firms’ strategies and actions (e.g. competition, consolidation, integration, predation, and collusion) do influence and alter the status of a market. Even setting aside the bi-directional structure-conduct interrelation, the true structure-conduct relationship cannot be brought to light without the driving market characteristics being explicitly analyzed.

Market structure neither arises randomly nor exists in isolation. Demand and production factors rudimentally affect sellers’ business decisions and behaviors and, in turn, shape how the market is organized as it is (Scherer & Ross 1990). They are pre-conditions that formulate the players’ profit-maximization problems, given its rivals, if any. A firm needs to respond to or optimize these factors in order to maximize profits.

A good example of market characteristics in the media business is scale economies: Scale economies of production push firms to supply a large output in order to reduce average costs. To survive in this context, firms will have to fight for market share. How many suppliers can live in the market is exogenously preset by the strength of scale economies. Thus, scale economies, among others, are chiefly responsible for the structural contrast between media markets that are served by a single seller (such as a newspaper) and those that are served by many (such as cable television channels).
In a pioneering treatise, Rosse and Dertouzos (1978, 1979) characterized the economic traits of media products – scale economies, public goods, product differentiation, and the advertising-content demand interdependence – and discussed their implications for market behaviors. These factors have come under the scrutiny of various economic media studies. Another powerful force in the communication markets is network externality: the values of communications products and services chiefly depend on their user bases (see Owen & Wildman 1992 for a review). The current sophistication of the study of media economics is indebted to the advanced understanding of the role of these factors in the media markets. The general wisdom from this line of research speaks of the intimate link between these characteristics and the strong tendency of media industries to gravitate toward concentration, dominance, or even monopoly.

To many, a concentrated media market is associated with unsatisfactory media outputs and regarded as a deleterious situation that should be prevented. ‘More is better’ is the philosophy reiterated among media commentators and scholars. But, concentration can arise innocently from underlying economic forces besides being caused by egoistic business conduct. A market, whether concentrated or decentralized, is likely to be an upshot of its structural determinants (Panzar 1989). Condemning a concentrated market for not being otherwise without considering the overriding structural factors only demonstrates a particular philosophical stance. Judging market performance without incorporating such characteristics can lead to misguided policy suggestions. Measures that force a market out of its natural equilibrium may run counter to economic efficiency. These economic characteristics, though well noted among economists, are yet to receive deserved attention from communication researchers who evaluate the structure and performance of the media and, especially, who employ the S-C-P approach. It is suggested that media market research needs to be better informed about market characteristics.

**Conclusions**

In the quest for an adequate framework for the analysis of media markets, much recognition is given to the industrial organization S-C-P model. This economic model is embraced as a tool to explore issues concerning media market performance that preoccupy communication researchers. This article has addressed common misconceptions, misunderstandings, and misuses of this framework and expounded how the utilization of this model can be enhanced when these flaws are amended. First, the non-market interpretation of performance in the S-C-P model made by scholars with a social-value orientation has been shown as the victim of its tenuous premise. Without sufficient justification and verification, such a proposition remains problematic or, at best, speculative, and analyses based on it are not able to give valid inferences.

For some, this theory promises to shed light on how ethical expectations placed on media operators can be met in a commercial marketplace. Nonetheless, customizing the application of a theory to specific purposes without knowing its boundary and constraints is likely to generate more heat than light. The way the S-C-P model is made sense of departs from what was originally constructed by IO theorists and empiricists, and, as a consequence, detracts from the value of taking advantage of it.

Second, the article has expressly explained the relationship between market structure and the variety of products within the S-C-P framework. This helps to unravel media diversity and its connection to market factors. It is noted that how much variety is produced in a content media market is subject to the specific market dynamics at work, which, indeed, are not uniform for all situations. Appropriate models should be discerned for different market conditions. Furthermore, even for many of the studies that adopted the S-C-P perspective, the analysis could have benefited from a more direct examination of the underlying market specifics. By doing this, the working of media markets can be better understood.

Lacy and Noh (1997) have already warned that mass communication scholars should refrain from advancing economic models without being familiar with material from the discipline first. (Certainly, it is dangerous for economists to build media market models without being educated in mass communication research.) Wildman (1998, p. 573) went further, cautioning about the hidden danger in applying economic theories to the mass media: ‘while the principles of economics are general, their application to any given industry is not necessarily transparent.’ In order for the S-C-P model to be productive for the study of the media market, this article seeks to clarify the central logic of this economic framework and its role in the analysis of media economics and related studies. While this article does not assert that market structure has no impact on or implications regarding the social aspects of the media under all circumstances, it has sought to delineate a more consistent and workable approach to applying the S-C-P paradigm to analyze the media industry. Calls have been made to establish a unique, appropriate paradigm for the study of media economics (e.g. Gomery 1989; Ramstad 1997), but so far they remain largely unanswered. As achieving such requires ongoing effort, this article has aimed to contribute toward this goal.
Endnotes:

1. Busterna (1988b) also pointed this out.
2. Other indicators can be considered as the performance measurement; for example, Scherer and Ross (1990) named full employment or equity. But these aspects’ relationships with market structure and conduct are far less explored even in the IO economics literature.
3. Gomery (2000, p. 522) points out: ‘Analysis of economic structure (and conduct) initiates and logically leads to analysis of performance. Indeed, what media scholars and critics care most about are the economic linkages to media performance.’
4. McQuail (1992, p. 90) observed that, ‘media performance is often assessed by criteria which have nothing to do with normal business criteria, and may even be inconsistent or in conflict (for instance, political criteria).’ Some other propositions about evaluating media performance are also seen as incompatible with the reality of the market. For example, newspaper researchers have measured space used for news/editorial versus advertisements as a newspaper’s performance quality, presuming that commercial messages are undesired by readers and so can be reduced by circulation competition. This postulation unwittingly disregards the fact that advertising messages are consumed by paper buyers actually as desired information and hence are a circulation demand factor (Dertouzos & Trautman 1990). The expectation is not borne out that competition can lower the amount of advertisements carried in a newspaper.
5. Even evidence against the positive role of competition for social media goals has been reported. For instance, in an enquiry into market conditions and the content performance of newspapers, Lacy, Fico and Simon (1989) detected a negative relationship between competition and journalistic coverage fairness or balance. In their model, Mullainathan and Shleifer (2002) proved that competition exacerbates, instead of redresses, some form of bias in the media.
7. Monopolistic competition of the media exists not merely among firms of the same media form, but also between media firms that use different communication modes.
8. As profit-motivated producers succeed in carrying out the differentiation strategy, the market makes available an assortment of products.
9. Entman (1985) and Entman and Wildman (1992) coined the term ‘vertical diversity’ in reference to the degree of product multitude presented by a single firm. On the other hand, ‘horizontal diversity’ means the variety of all suppliers’ different products in a market.

References


