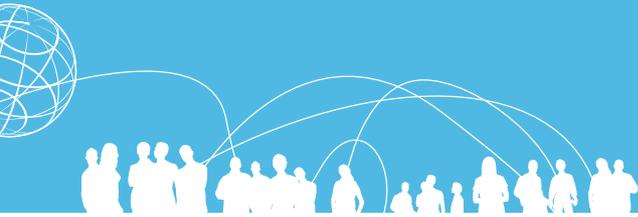


# Observatoire des mutations des industries culturelles

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The logo for 'omic' is located in the top right corner. It consists of the word 'omic' in a lowercase, sans-serif font, positioned inside a white circle that is partially cut off by the right edge of the page.An illustration in the top left corner shows a globe on the left, with several white arcs connecting it to a group of stylized human figures on the right. The figures are of varying heights and are arranged in a line, suggesting a network or a group of people.

## The Formation of Cultural and Communication Industry Poles: between financial coups and the integration of industrial production lines\*

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CEMTI - Paris 8

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\* This article presents the results of a collective research concerning the major evolutions, as to the financial, industrial and geographic aspects, of the main poles and industrial groups with an active presence in audiovisual and media industries. This study, edited by Bernard Niège, was conducted between 2000 and 2004 as part of a contract among the Research Group on Communication Issues (Stendhal 3rd University of Grenoble), the National Centre of Cinematography and the Board for the Media Development. Bernard Miège, Philippe Bouquillion, Claire Moriset and Christian Pradié took part in it, with the contribution of Placido Faranda, Isabelle Hamon, Elli Tsiforou and Catherine Vénica. The poles and the groups studied are: ABGroupe, Bertelsmann, Disney, Expand, France Télécom, Gaumont, Lagardère, Liberty Media, Mediaset, News Corporation, Pathé, Pearson, PPR, Sony, Suez, TF1, Time Warner, Viacom and Vivendi. This list narrows down our investigation since the active media, IT (particularly Microsoft) and equipment poles are not or little considered. Similarly, poles of specific geographical areas, particularly Asia, East Europe or South America are not or little studied. Finally, approach by poles and not transversal narrows down the range of our analysis.

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## INTRODUCTION

Since the middle of '90s, some active cultural and communication industries (CCI) poles<sup>1</sup> endowed with international ambition have formed or reinforced. The financial operations involving CCIs appear to be the most important in the international history of financial markets. There is no doubt that these operations led to a considerable decrease of the amount of independent decision centres. Far from a pure and perfect competition, the CCI markets work as in an oligopoly.

Many researchers consider these movements as both a stimulus and a characteristic of a new industrial stage in culture and media. With this global and financial perspective, the 'standardization' of cultural and intellectual products will increase, especially to satisfy financial investors' necessities of return. Concentration level, already very high, will consequently rise again. Is this interpretation correct? Or should we consider takeovers among poles as epiphenomena? As a fact, some poles disappeared or simply experienced important difficulties.

The aim of this article is to analyse the tactics, the strategies and the logic, which ruled the constitution of the media poles and groups, and particularly to their reinforcement in the last decade. We propose to distinguish the short-term financial dimensions from the industrial ones, which must be conceived in a mid-term period. The financial logic and the strategies of some of the actors (top managers, financial actors, i.e. public authorities) support the constitution of poles mainly for financial reasons. At the same time, and in possible contradiction with the financial logic, it may be observed that present oligopolistic conditions between poles and groups oblige them to relocate in other pertinent industrial lines. Financial logic and actors appear to be the factors that stimulate and facilitate those movements, which lead to a concentration of the capital, that is to a decrease in 'independent' decision centres<sup>2</sup>. Except for the short-term, however, only the concentration movements offering an industrial pertinence may come out to be continuative. The industrial groups resulting from their contribute have a part in reshaping production lines, thus playing a key role to the current changes of CCIs. Both the industrial and financial dimensions of poles' formation will be presented further on.

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<sup>1</sup> Financial poles, such as Vivendi, gather some industrial groups, i.e. Groupe Canal or SFR, sharing financial and not industrial synergies.

<sup>2</sup> Any decrease in the amount of decision centres does not mean industrial concentration, that is a real gathering of activities, i.e. the fusion of services, among firms or groups gathered in the same pole.

## 1 - ABOUT SELFISH FINANCIAL CONSIDERATIONS

Some strategies and tactics, inspired by essentially financial short-term goals, may be adopted independently from the industrial logic whose significance tends to influence in the mid-term. Initially, it is more convenient to present the financial context and its impelling role in the very first steps of poles and groups' takeover operations. A circular logic between the achievement of the operations and the way they are financed takes place. This circular logic basically highlights the selfishness and autonomy of the financial considerations. In a second time, we will examine the stakes of this selfishness for the future of the poles and for the configuration of contents.

### 1.1 – A selfish financial logic facilitates and stimulates capital concentration

Our aim is to investigate the part of responsibility logic and the financial actors share in the process of capital concentration in CCIs. Industrial actors' ability to mobilize funds is the essential condition for external growth. It would be obviously better that any takeover operation concerning other poles and groups had a financial covering. The strengthening of CCIs oligopolies is therefore undoubtedly bound with all the financial aspects. We want to prove the existence of a 'frame' formed by the different forms of liberalization. This frame has allowed the development of 'financiarisation' processes whose actors display different strategies or tactics that can be interpreted as 'coups'.

#### Liberalizations, financiarisation and capital concentration

Liberal movements spread worldwide during the latest '80s and '90s. Former monopolistic sectors welcome private initiatives and the historical operators lose their monopolistic status. Exchange of goods and services are liberalized internationally. Concentration and possession thresholds are frequently raised. National giants are formed, this is the case in France, positively supported by political authorities. Meanwhile, in several countries public offices' economic role tends to be limited to a mere organization of markets. Similarly, financial structures are characterized by growing liberalism in international circulation of capital and by financiarisation. The freedom to access different sectorial and national media markets is guaranteed even if some restrictions<sup>3</sup> may be maintained. These ultra-liberal processes allow the development of financiarisation. Experts, as the authors do, use this word to describe somehow different aspects. Not in a proper way, financiarisation may refer to

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<sup>3</sup> In France, these restrictions refer mainly to the press and to those firms exploiting hertzian networks. See BOUQUILLION, (Philippe) "La propriété étrangère dans les industries culturelles et de la communication en France: un bilan contrasté et une interprétation difficile" ("Foreign property in France's cultural and media industries: a controversial balance and a difficult interpretation"), in GIROUX, (Daniel), SAUVAGEAU, (François), TREMBLAY, (Gaetan), "La propriété étrangère en radiodiffusion: le débat canadien à la lumière de l'expérience étrangère" ("Foreign property in radio broadcasting: Canadian debate under the foreign experience"), *Le Cahiers-Médias*, Centre d'études sur les médias, n°15, June 2004, 116 pages, pp. 62-92.

the need for growing profitability, which tends to be a burden to the industrial actors, themselves submitted to the 'financial governance', whereas these needs find a reason in the increase in the number of shareholders or in other factors. With financierisation we mean the development of financial shareholders. In a broader way, financierisation may also identify the increasing participation of international investors, namely Anglo-Americans, inside the poles' capital. Financierisation is therefore related to property or 'control' of industries. The quotation at the stock market of an important, often most, part of the capital of any group leads to the development of a managerial control to the detriment of other forms of control (individual, familiar, public) and to the decrease, if not to the disappearance, of 'financial hearts'.

In France, in particular, even if ties with the State remain, international financial actors' influence grows. The financial markets make financing of new poles and groups' constitution largely possible. France is experiencing a shift from an economy called of 'financial hearts' to an economy defined of 'financial markets'. Since the '90s, this country is getting closer and closer to the Anglo-American model. The economist François Morin considers the transformation of the way companies hold and run their rated capital as 'radical', envisaging a real "revolution ... inspired by abroad, which is most important, mediated by the managers of the powerful American pension funds. Penetration of Anglo-American rules is today impressing and pervasive. This infiltration is proved by the presence, today massive, of North-American investors in French firms' capital. It should be noted that France is the only country to accept foreign investors so openly. Neither Germany nor Japan are experiencing a similar condition."<sup>4</sup>

It is often affirmed that all centralizing processes or concentrations walk arm in arm with financierisation. As a matter of fact, financial support to external growth operations (i.e. takeovers, mergers) may rest on:

- an operation on the capital (issuing or exchanging shares);
- getting into debt;
- an operation of self-funding.

All operations involving capital lead to a decrease and dilution of that part of the property in the hands of the former owners. Theories of financial economy affirm that public or familiar groups cannot externally grow as much as groups with a widely diffused capital, defined as groups under 'managerial' control. These can very easily get their growth operations financed. On the other hand, if

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<sup>4</sup> MORIN, (François), (interview with), "Où va le capitalisme?" ("Where is capitalism going?"), *La Lettre du LEREPS*, n°7, December 1999.

a shareholder (a public institution or a member of the family) desires to keep the majority of the capital, or at least the golden share, any operation on the capital will soon show all its limits. Financiarisation and managerial control would therefore be the condition CCI's are gradually tending to. These theories can be of help in explaining the different strategies of growth, particularly in the international context, of groups such as Bouygues and Vivendi.

To carefully understand its role, however, it is somehow useful to avoid a definition of financiarisation as exclusively associated to the operations on the capital and to the managerial control. In very frequent cases, getting into debt, transferring assets or self-funding operations are associated to operations on the capital. It is also convenient to note that groups' ability to borrow, and the interest rates allowed to them, are all in strict connection with the perspectives of evolution of their value at the stock market. Similarly, any perspective to transfer assets may favourably influence the shares of that group at the stock market. The ways groups get funded, therefore, are never to be considered as exclusive but complementary. Managerial control groups are not an exception. Vivendi, Disney and many others have financed their external growth using both operations on the capital and other ways of financing. Capitalistic operations among groups have therefore led to a spectacular increase in debt on their part. The former owners of assets prefer sometimes to have cash on hand, obtained getting into debt or by assets transfer, rather than shares of the purchaser whose value may constantly change. They might as well need that cash on the hand in order to finance their own growth projects. Similarly, some groups have components ensuring important cash flow which significantly contributes to finance the external growth. For instance, News Corporation, Lagardère and Bertelsmann's (even if the latter prefers a systematic long-term internal growth) weekly magazine sector hugely helps to diversify the activities of these groups abroad and in other sectors, particularly in broadcasting.

And still: there is no automatic connection between financiarisation and managerial control. Many groups experience 'unclassifiable' conditions as to their control, thus underlining the limits of the notion of 'control' itself. Control by management and property of the company (defined by the amount of shares owned) may not be connected. It happens therefore that groups are still controlled by one individual or a small number of individuals, generally part of the same family, whose status is legally protected (as Lagardère's limited partnership), or possessing the majority stake of voting shares (as Viacom). Similarly, even in case of absence of such legal device, one individual, or a number of individuals, may keep the management of the group despite a minority of shares owned. This may happen when no other part owns significant block of shares or when financial partners entirely trust the familiar management in charge. This is the case of News Corporation. This example clearly highlights how impossible any reasoning about 'control' of groups is, unless one considers other aspects besides the existing connections between shareholders and management. It is therefore

necessary to take into consideration all 'forms of control' other financial or political actors may exert on a group.

In short, it should be recognized that financiarisation, redefined as a process that does not exclude any conjunction between operations on the capital and other ways of getting financed, stands as a potential incitement to increase industrial groups' dimensions as well as their capital concentration. However, it is necessary to reintroduce in our analysis the strategies or the tactics of the different parts.

### **The art of making coups: a circular logic between coups and stock quotations**

Many operations are conducted on the basis of short-term considerations and are, using Michel de Certeau's words<sup>5</sup>, real financial 'coups', and not mere automatic consequences of financiarisation. Despite all industrial justifications, and besides any reference to the integration container/content, these operations are first of all the outcome of takeover opportunities. In fact, these operations arouse great interest in several actors (financiers, executives, public authorities). Their interests are interwoven. The 'system' of financial actors and its relationships and influences with the industrial and public actors is intricate and particularly subtle. This system may appear different according to each country's way of ruling the financial sphere (there are more or less financiarised economies as well as former existence of important connections, as it is in France between the public sector and the financial and industrial spheres, which explains itself with the position members of huge State corporations maintain). Among the financial actors endowed with an international influence, we can include:

- pension and investment funds, especially Anglo-American funds;
- the lending banks or share and bond issuing banks, or those banks which help in the merger or takeover operations;
- the institutions bringing in financial analysis, namely the rating agencies (Standards & Pools, Moody's).

These roles get somewhat confused very frequently (i.e. investors, financial analysts, operation organizers).

All financial actors are interested in pursuing these operations, as they may represent for all of them a source of profits, i.e. the commission rates groups or investors pay for their consultancies.

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<sup>5</sup> Michel de Certeau evokes the "art of making coups" typical of 'tacticians' as opposed to 'strategists'.

They can thus increase also their 'property' advantages. Possibilities for new investments open up, offering new activity opportunities to increase the figures of all the financial actors involved. These operations allow them to grow in power, too. Their influence on all the financial actors raises, especially their ability to have managements under control. Ended up an operation, they help to outline the shape of eventual newly born aggregations. They inspire therefore the great strategic choices, such as the appointment of new executives. Similarly, since groups tend to be dependent on them for all financial operations (loans, bond issues, increase in capital), from this very moment on they can permanently influence the great strategic trends.

Financial actors' influences and interests often meet with those of other actors, such as executives, or public authorities (this is the case of Vivendi). Some empirical studies have shown how executives of groups next to a managerial control withdraw personnel in advance when their pole is experiencing a strong external growth and a dilution in the control of the capital<sup>6</sup>. Face with a dispersed little or not organized at all shareholding, they are in the position to interfere with the board of directors. Management will have therefore more chances to survive since it is much more difficult for an expanded group to be the object of a takeover bid whose consequence might be a quarrell about the establishment in charge. Similarly, management can generally dispose of many material advantages, such as a high increase in their own revenues.

In the '90s, the different actors involved (financial actors, executives, important shareholders) contribute to the development of the so-called 'financial bubble' aimed to achieve growth operations, to allow valorisation of their investments (for the financial actors) or in their acquisitions (for the industrial actors), maximizing their other advantages. After any takeover of a new entity by a pole or a group, the market assigns to the newly born an increase in value higher than the two previously distinct societies used to receive. A circular logic starts working. Capitalistic operations among poles and groups are made easier by the increase in shares' value at the stock exchange but they stimulate the increase of those values at the same time. The passage to an ultraliberal financial logic leads to a valorisation of CCI's market shares inside the different geographic areas, first of all in the USA, where the financierisation movements are historically more developed. Once again, we had better avoid any opposition between the ways to get financed associated to the stock exchange (operations concerning the capital) and the other ways of getting funds. Such circular logic applies to the case of getting into debt as well as in case of a transfer of the assets. Interesting acquisition perspectives make loans easier, whereas a higher debt propensity allows new potential takeovers. Considering this 'virtuous' circle (for the actors involved) allows to relativize, in CCI case, François Morin's assumption.

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<sup>6</sup> GRIFFITHS (A.), WALLS (S.), *Applied Economics*, Prentice Hall, quoted in DOYLE, (Gillian), *Media Ownership*, London, Sage Publications, 2002, p. 67.

Foreign financial actors are obviously making profits, but their assets and their interests meet with those of national actors, sharing the same reasons to achieve takeover operations between poles and groups.

Examples of financial coups may include the AOL and Time Warner operation, or the Disney and ABC affair. As to the first operation, one of the most spectacular of contemporary capitalism, expressions used by actors, journalists and experts describe it as a forerunner operation for other poles to come, since it symbolizes the association between the 'new' and the 'old' economy. Besides all industrial speeches emphasizing the connection between containers and contents, this operation satisfies the financial goals of AOL, in a position of strength, as well as Time Warner's shareholders, who hope that the alliance with one of the leading group of the Internet, and despite the high dilution of their property, would raise the stock exchange value of their sharing. Depicting the merger as an industrial failure would therefore be a mistake. The difference in profitability between Time Warner, experiencing serious financial difficulties, together with the extraordinary overrating Net shares were given at the time, explains why AOL could acquire Time Warner by shares exchange, and why that exchange was so profitable to AOL shareholders (55%/45%). One group, whose essential assets are customers who place it at the very first place in the world as an Internet access provider, takes control of a pole whose assets are less intangible. Among its assets we can find the second American cable network, one cinema production and distribution company, one record company, production and distribution of well-known television products, first-rate pay-TV channels such as CNN and HBO and one world's leading magazine publishing group.

The other example, 1995 Disney's takeover of ABC, may also be analysed as a financial coup. It shows that financial coups are not related only to shares exchange or to the increase in capital. These operations are not the only ones to interest the financial actors or the executives. Banks, in the middle of '90s, lend very easily huge capitals to media groups or poles in search of takeovers or development. Media assets are then considered to be easily negotiable. Moreover, media assets are supposed to redeem a rather important cash flow. ABC purchase is therefore financed on a credit of 10 billion dollars. The financial capacity of the whole must allow to refund the debt by 2000<sup>7</sup>. The few debts of the two groups (2,2 billion dollars for Disney and 500 millions for ABC), regard financial circles reserve to them, as well as the low interest rates, make the whole operation easy. Warren Buffet, one of the main ABC shareholders, with 12,9% of the capital, strongly supports the merger since it will lead to a

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<sup>7</sup> QUIOC (G), "Endettement: l'augmentation du cash flow est la clef des fusions" ("Getting into debt: increase in cash flow is the key to mergers"), *Le Figaro économie*, 02/08/1995.

valorisation of Capital Cities ABC shares (+21% since the announcement of the merger). Shares priced 17,25 dollars some years earlier, when Warren Buffet bought them, had then a price of 124 dollars<sup>8</sup>.

## 1.2 - Consequences of the selfishness of the financial mechanisms on poles and contents

The various aspects concerning financial, industrial and content domains may reveal here some contradictions if compared to what recent generally accepted studies have affirmed.

### The possible contradictions between financial and industrial logic

Capitalistic operations such as merger between poles or groups offer important advantages to the different actors involved, the same who can be misguided in considering the risks that those operations represent for the poles or groups' future to come. In fact, the increase in size does not automatically arouse an improvement of profitability in the mid-term, both for financial and industrial reasons.

Firstly, because the financial conditions in which those operations were conducted may present regrettable consequences for subsequent financial situation of poles or groups. A drop in profits therefore accompanies some among the most important operations. Financial costs of these operations are important, too. They are generally due to the high financial expenses poles getting into debt must settle. As an example, in 2003, Viacom paid 776 million dollars in financial expenses, 21,4% of the operational revenue, and it paid 848,3 during the previous year. Most of the media groups would be then in an unpleasant condition if interest rates happened to rise. Moreover, some groups experience important financial difficulties after such operations. The high fall in media firms' stock quotations obliges many companies to estimate some forms of assets debasement, especially when expensively acquired companies lose all their value in few months. The AOL 2002 historical deficit of approx. 100 billion dollars has no industrial reason - it represents more than twice their 2002 turnover - but only financial causes: the necessity to bring in some estimates of assets debasement. Assets, essentially AOL's, priced at the highest level ever in a trading speculation at the very moment of the merger, lose a great part of their value two years later.

Secondly, many capitalistic operations between poles and groups do not lead to a better running. Due to the distance of newly joined activities, as in the case of AOL-Time Warner's merger, the industrial synergies between the two former poles, that is between the Internet and the cultural activities, the cable networks and the media, so extolled in the speeches justifying the merger, revealed themselves to be very weak. Generally speaking, cooperation among different newly

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<sup>8</sup> *Ibidem.*

assembled entities in the same pole or group might turn out to be very hard to achieve for organizational reasons. An American analyst affirms that “Time Warner has become a battlefield<sup>9</sup>” after the merger between Time and Warner. Similarly, Viacom's takeover of CBS does not take the expected results. As a whole, only the operations of capital concentration resting on pertinent forms of industrial concentration may lead to the constitution of new industrial entities able to live on.

### **The controversial debate about editorial stakes**

The editorial stakes in penetration of financial capital, French or foreign, are not easy to distinguish. This penetration is actually under discussion. Financial actors, namely the Anglo-American funds, will call of their own volition new forms of companies' 'governance'. Again, the notion of 'value creation', that is the search for the best financial performance of any share, is constantly in the forefront in companies' strategies. As a consequence, new panoply of indicators is displayed. However, according to a research conducted by the Ministry of Economy, Finance and Industry<sup>10</sup>, few French companies do take these indicators into consideration while developing new policies concerning the management revenues or the allocation of the resources to the different services or units which are considered in calculating the value creation. Researchers, experts, journalists or politicians very often discuss the matter of the influences on the editorial choices. This point should be treated on the basis of empirical verifications, as well as the development of marketing. Some studies have already been conducted. Analysing several areas of book publishing, Christian Robin proves that both the external, i.e. banks, financial actors, and the internal, i.e. the financial 'controllers', demand only global consistency and profitability. Their requirements would therefore be limited to the great strategic scenery and the consequent financial stakes. Their influences would reach the editorial choices in a direct manner very rarely. 'Governance' rules would consequently apply to the strict financial communication. The analyses of the ways some groups or poles work, such as Hachette<sup>11</sup> or Time Warner's press field, show that publishing houses belonging to the same pole or group keep a degree of independence. In the case of publishing, the fact that each house is endowed with its own independence is strongly perceived as an essential condition to ensure a high quality editorial job. Obviously, this statement refers to atmospheres and stakes sharing nothing with politics or elections, since these areas would deserve different researches. On the whole, it would be convenient to develop some empirical researches in the companies involved to verify the way financial needs take shape, particularly by financial control, and how they can interfere with the editorial goals and organization. Quite certainly,

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<sup>9</sup> “Walt Disney and the piper's tune”, *The Economist*, 05/08:1995, p. 14.

<sup>10</sup> Ministère de l'Economie, des Finances et de l'Industrie, “La montée des fonds d'investissement étrangers, une nouvelle donne pour le gouvernement d'entreprise” (“The raise of foreign funds, a new fact for enterprise governance”), *Les 4 pages des statistiques industrielles*, n° 147, June 2001.

<sup>11</sup> ROUET, (François), *Le livre: mutations d'une industrie culturelle (Books: changes in a cultural industry)*, Paris, La Documentation française, 2000.

these researches risk to be confronted to one of the peculiarity of cultural industry, the presence of an artistic and intellectual job. In fact, the more a given intellectual or artistic worker's contribute is requested to ensure value to a cultural product, the more all the management's attempts to rationalize contents, are difficult to be achieved.

However, some consequences on the contents may already be envisaged. First of all, the capitalistic integrations, as well as the alliances, may outline a 'securized space' in which transactions are easily conducted between foreign contents, particularly American, and distribution channels, in Europe above all. Secondly, in order to keep quotations at the stock market high, important and regular dividends are paid to shareholders. It is then obvious to begin searching for a faster investment return, climbing back to the top of the production line, that is to the production of contents, getting the advantage of a short-term strategy which can ensure immediate revenue. Finally, in order to allow the success of these strategies, internationalised media poles may ask the suppression of those regulations governing the production of contents, as the investment shares destined to production. These regulations keep industrial strategies in check. Consequently, requests for a suppression of public presence in communication, or at least for its considerable cutback, arise. One should note that the great poles have already heavily started to dispute public policies.

## 2 - THE RATIONALIZATION OF POLES' PRESENCE IN ACCORDANCE WITH AN INDUSTRIAL LOGIC

Instead of diversifying activities in more different areas, many groups centre themselves upon one or two consistent enough areas, so that inside each of them, industrial synergies may be deployed. Such areas correspond to sort of 'production lines', that is to homogeneous upstream/downstream entities supervising creation, production, diffusion and enhancement of a similar whole of products. Over their history, horizontal diversification actions and vertical integration ones take some of these poles to concentrate a significant amount of homogeneous groups or firms inside themselves, making them work at the different levels of the production line, thus forming sometimes, and in given geographical areas, oligopolies or duopolies. The production lines poles and groups more frequently integrate, which have made the object of our interest, concern publishing (press and books) and broadcasting activities. We begin by highlighting the limits poles fix as to the industrial position they occupy or the difficulties they meet when these positions do not respect the boundaries of their pertinent production lines. Later on, we discuss how poles benefit the advantages due to competition when they assemble restricted production lines.

### 2.1 - The rationalization of poles' position

Poles and groups tend to respect the boundaries set among the different production lines, whereas their international development is limited and mainly rests on a national context.

### The respect for the limits due to sectorial boundaries

Respect has nothing to do with regulations. It is the result of logic deeply influencing industrial strategies and tactics. This leads us to evoke the notion of 'social logic'. Bernard Miège defines social logic as some “long lasting movements in strict connection with production processes, production/consumption articulations, mechanisms of formation of habits.”<sup>12</sup> Actors' strategies develop on the basis of social logic. These, however, must never be considered in a fixed and unchangeable deterministic relation as far as the social actors' strategies are concerned: “they have, in their everyday actions, the chance to meet them temporarily or for a longer time; this way, they manage to overcome the dominant logic and even to become abstracted from them.”<sup>13</sup>

First of all, conglomerations in CCIs or in other entities correct the positions they occupy when they do not satisfy industrial logic. This subject mainly the case of France. In this country, historically speaking, groups and poles finance their way in CCI sectors investing revenues from other activities such as water distribution, electricity, weapons, building industry and public works. They also take advantages from the complex and sometimes obscure connections with public powers. Lagardère is a well-known example. The multiple positions occupied enable them to escape cyclical evolutions typical of every activity.

Some poles retire from CCIs. This is the case of Suez, which gave up acquiring a licence for mobile third generation telephones. Since then, even important Suez's media assets (a national TV channel, some cable networks, cable and satellite channels etc.) are not more than financial allocations with any strategic value in such internationally important pole. Suez decides then to dispose of them. Other poles leave their extra communication activities, such as Vivendi Universal. Finally, poles such as Dassault's, owning only financial allocations in communication, being in a second-rate role, not more than a king's dancer, takes a powerful position wishing to become one of the most important and long-term actor.

Two main reasons justify the rebalancing on the basis of industrial logic. The first one, less important, concerns the financial actors' request, mainly analysts and rating agencies', since they cannot value heterogeneous wholes. The second reason refers to the necessities due to the present forms of industrial concentration. Most groups are forced to rebalance themselves around their core business. In order to make these activities stronger, they have to anticipate very important

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<sup>12</sup> MIEGE, (Bernard), “Plaidoyer pour des problématiques transversales” (“Address for transversal issues”), in MIEGE, (Bernard) (ed.), *Médias et communications en Europe (Media and communications in Europe)*, Grenoble, Presses Universitaires de Grenoble, 1990, p. 21.

<sup>13</sup> *Ibidem*.

investments. Disposing of those 'non strategic' assets, as analysts define them, may give an important contribution to this repositioning.

Secondly, convergence between contents, networks, equipments and the Internet does not become reality. Since the late '70s, experts have envisaged integrated production lines resulting from the convergence between telecommunications, IT, broadcasting and publishing. The construction of this assembly line is subject to the constitution of 'multimedia' poles gathering inside themselves significant activities related to the different 'contents', the equipment production and some positions in the distribution chain. In the middle of '90s, a new idea of convergence develops. Internet, or the so-called Internet mobile 'portals', are considered as destined to become the main media to distribute different products and services in a short while. This perspective should also stimulate poles to develop more over the Internet. In fact, we must admit that very few CCI poles or groups gather significant activities concerning 'contents', equipment and networks in accordance with what is defined as model of convergence. Similarly, their diversification over the Internet has been a failure or still too limited.

Some poles, such as Disney, buy existing portals with a great number of connections. This is the way Disney acquired Infoseek in 1998 and today the group gathers the whole of its Internet assets in a stock exchange quoted company. Diversification over the Internet soon reveals to be expensive and a failure. Internet specialized branch was dismantled in 2002. The operation would have cost approx. 800 million dollars to Disney. The Chief Executive, Mr. Eisner, so explains that choice: "advertising left the Internet. If a portal become only a search engine and a directory of sites, well, we don't need a portal then". This quotation well describes the perspective Disney had at the time: not more than an extension over the Internet of the former managerial ways. After a while, Disney will be satisfied, as many other active CCI poles, to run Internet sites which may increase the value of its brands. Other poles, such as Lagardère through its Plurimédia branch, from their core business and particularly the weekly press, try to develop specifically conceived products that can be run over relevant Internet media or over the so-called mobile Internet.

Similarly, very few poles have a position in both equipments and contents. Sony, having followed such a strategy for a long time, knows the limits. It is an old industrial strategy. The milestone has been 1989 Columbia takeover by Coca-Cola. In the same way, Sony developed its musical publishing assets around the Sony Music brand. The merger, still in progress, with BMG, confirms this strategy. Game publishing is included in Sony's 'content' activities. In a first time, Sony aims to promote its equipments associating them with some contents, limiting its dependence from external content providers. At the beginning of the 2000-decade, Sony wants to offer 'access doors' to digital networks, that is to integrate its different terminals with different services. However, until now, the alliance between equipments and contents, even with a third important field of Sony's activity,

financial services, does not seem to be profitable<sup>14</sup>. Musical and cinematographic contents remain essentially distributed through the ordinary media. The use of the new ones has scarcely developed, so that many competitors are waiting behind the door. One should note that Apple's I Tune strategy is very different from today Sony's. It does not require any acquisition of other brands, offering contents which are sold at a relatively cheap price. The interest of that operation is to sell an equipment, the Ipod, expecting no profits from the sale of contents.

Thirdly, some poles, particularly Disney and Viacom, occupy important positions in broadcasting and in content production, particularly those called of 'stock' (movies and/or thematic channels productions). They are experiencing serious difficulties in creating pertinent links between these two components. Difficulty for them is double. From one side, thematic channel publishers find their natural audience more on a cable network or as part of a satellite comprehensive offer than in broadcasting. To a content provider, such as Disney, potential implications coming from a vertical integration realized with a broadcaster, as ABC, are very different from those which might result from integration with a cable network or a satellite bouquet. In fact, unless they transmit a great number of channels over the same territory, broadcasters cannot easily grant exclusivity to a unique content provider. On the other side, there is no logic in clearing out ABC's well known contents, reducing it to be not more than an empty box and replacing the programme schedule with an entirely new one. Association of relevant contents from the pay-TV with a distribution system typical of commercial television reveals thus to have little sense. They are two distinct production lines each one having its own contents, differing in distribution, development and use ways as well. One of these lines, the so-called commercial television, deals with a mainstream model<sup>15</sup>, whereas pay-TV reminds more the logic of clubs<sup>16</sup>. Moreover, since they do not take any important profit by cable networks or satellite bouquets' diffusion, these poles are not in the best position to negotiate the rights of their channels over these networks. On the other side, neither they are positioned in a market offering the best remunerative position today, at least in the U.S. Broadcasting activities, in fact, are presently suffering the competition due to cable networks and satellite bouquets. Noteworthy, another pole, Bertelsmann, is powerfully positioned in commercial television and has no assets in stock programme productions. It limits itself to possessing mainstream programme production means. This pole thus respects boundaries between the two production lines.

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<sup>14</sup> What's more, in some fields, Sony is facing sectorial significant difficulties, particularly in the equipment and musical publishing.

<sup>15</sup> See FLICHY, (Patrice), *Les Industries de l'imaginaire (The industries of imagination)*, Grenoble, Presse Universitaires de Grenoble, 1980. See also MIEGE, (Bernard), PAJON, (Patrick), SALAUN, (Jean-Michel), *L'industrialization de l'audiovisuel (Audiovisual industrialization)*, Grenoble, Presse Universitaires de Grenoble, 1986.

<sup>16</sup> See LACROIX, (Jean-Guy) and TREMBLAY, (Gaetan), "Télévision: deuxième dynastie" ("Television: a second dynasty"), Sillery (Québec), Presses de l'Université du Québec, 1991.

### **Poles: between globalization and national frame**

While common sense tends to identify 'globalization' with undifferentiated boundaries between national and continental spaces, or with the American domination in culture and communication, poles', and therefore CCI's, forms of internationalization are rather intricate. They appear as limited and diversified.

To a closer look, cultural and communication different products do not share the same chances to be exported in accordance with their cultural production area and in accordance with their genres. Movies, serials, records issued by American majors offer a relevant contribution to the turnover of poles such as Time Warner, Disney or Viacom outside the U.S. On the other side, by definition, it is worth reminding that some activities strictly depend on a given territory, particularly in the case of networks (hertzien and cable TV, satellite bouquets) or when language is crucial (books, press). Internationalization of poles' assets in these domains requires then the direct set-up of branches abroad or the association with foreign actors (in publishing, for instance with a 'local' publisher). This way, Bertelsmann, News Corporation, Sony and Liberty Media buy or develop branches outside their places of origin. This form of internationalization is connected to the pole's strength and particularly, as discussed above, to the pole's ability to get funds. It is also connected to the ability to export production and development formula tested in the domestic market, as Bertelsmann usually does. Poles need to be able to negotiate potential associations with local partners as well, and to talk with public authorities and administrations as to rules and regulations in the host country. Thus, in the French case, since the massive opening of audiovisual and publishing domains to foreign interests in the '80s, political power has promoted agreements between French and foreign poles or groups, to create national internationalized giants with foreign allies.<sup>17</sup>

Globally, the balance of poles' internationalization, appraised proportionately to the foreign turnover, leads to underline that the national frame is still pertinent.

A first category is that of some poles, or above all weakly internationalized groups; they occupy a medium size national market position. In France, the most representative example is that of TF1. In 2002, TF1 collects abroad only 10% of its turnover. Such a weak internationalization degree may have a reason on both the industrial and statutory levels; hertzien diffusion may be essentially conceived on a national or local scale but not on an international one<sup>18</sup>. Similarly, satellite bouquets of digital television may be only designed for a limited linguistic audience, such as the French-speaking one. This is particularly the case of TPS, whose main operator is TF1, as well as its competitor, CanalSatellite.

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<sup>17</sup> See BOUQUILLION, (Philippe), 2004, quoted above.

<sup>18</sup> Except in case of cross-border reception.

Financial poles may gather different hertzien TV stations, each broadcasting for a national market or a given linguistic audience. But, for a company or a group, a national position is completely rational. The lack of an international diversification may also be connected to financial stakes. A group under a relatively important familiar control, as TF1, cannot envisage an international diversification, unless getting into heavy debts or accepting a strong dilution of familiar interest. These groups are often a sort of 'relays' of international poles, mainly American, providing attractive contents. For several years TF1 and TPS have signed agreements concerning the distribution of the American Studios' movies. In the frame of a joint venture, TF1 is also involved in the cinematographic distribution with the American movie producer Miramax, a Disney's branch. A second category is that of poles buying up most of their turnover in a single national space, one of large size. The typical example is Disney. These poles benefit of a really international image diffusing their products worldwide. This situation is specifically due to the importance of the American market. It appears as the main destination of American active CCI poles' offer. Moreover, some of these poles' activities are anchored to a territory. This is particularly the case of the amusement parks and the tourist resorts in their surroundings. They stand for a huge part of their turnover, as well as most of the American poles such as Disney, Viacom or Universal's profitability. The issue of what part of the turnover is realized outside the U.S. compared to the pole's profitability has still to be posed. The public figures at our disposal do not allow us to give an answer.

A third category gathers poles essentially positioned in one single continent but in different national or linguistic markets, among which one dominates. Bertelsmann's turnover is mainly achieved in Europe, though Germany has a predominant role.

## **2.2 - The 'market power' developed by poles assembling restricted production lines**

Structurally, communication poles and groups' role essentially lies in their ability to develop synergies among their different activities, what one can define as 'market power'. Poles and groups work then as organizers of rarities and as applicants in search of dominant positions. Market powers provide relevant competitive advantages. 'Competition' is distorted, that is the conditions in which the different poles and groups work may greatly change according to the market powers they have. These advantages may be referred to the poles' size or to the control they exert on production lines.

### **Advantages due to size**

These advantages are both industrial and financial.

First of all, size allows market powers of a double industrial nature to develop. On one side, the vertical integration and the horizontal diversification strategies are generally the occasion to achieve

important scale economies maximizing the scope effects due to the pole's size and to its product diversity. These economies and effects are numerous. They may be connected to the increase in activities. For instance, distribution and diffusion structures can gradually increase their returns as the pole's activities increase as a result of the takeover of new firms producing contents. The result is a general mechanical increase in the new entity's profitability. Similarly, many mergers or takeovers have been followed by announcements envisaging important job cuts. Productivity consequently increases, too.

On the other side, favouring the internal exchanges avoids the outplacement of resources and helps concentrating the added value to the pole's most interesting level along the production line. As an example, integrating the three cinematographic production stages, Gaumont can gain control over the price due to transfer the films along the three stages of the production line, economizing on further negotiations with distributors or independent users. Added value thus remains inside the group. These strategies authorize cost manipulations and reductions, consequently allowing actions on prices. Reduced costs may lead to high profits and/or low prices. The more a pole is territory-based, the more its prices will be of reference for the market and consumers will assume them to make comparisons. A pole, or, in case of agreements, poles, may also fix prices maximizing profits on the basis of the inclination to consume and consumers' flexibility to prices. For instance, as happened for Time Warner, the sums for cinematographic and television products paid by the pole's channels on one hand, and the transfers agreed to the pole's channels by pole's cable networks on the other hand, have spectacularly increased in 2003 and have directly, and strongly, helped to modulate use.

These poles' competitors, at least those which do not share the oligopolistic agreement, are angry. Even avoiding to highlight the possible strategies to prohibit other actors' admission to the contents or the distribution and diffusion structures shared by oligopolistic members, competitors suffer the decision of a different allocation of that added value along the different levels of the production line. Their costs are affected every time they need any diffusion and distribution service or when they buy contents from the members of the poles and groups controlling the whole production line. Moreover, suffering from higher costs, their prices are higher and their margins lower than integrated poles or groups'. Advantages consequent to these strategies are different in accordance with the possible combinations between vertical integration and horizontal diversification.

These strategies may be displayed on the scale of many production lines among which it is possible to unfold synergies. Poles are also able to combine vertical integration and horizontal diversification. In France, Lagardère's speeches tend to present their activity as conciliating the advantages of international multimedia horizontal integration, on one hand, and the vertical integration on the other. Lagardère, press magazine first world actor, is the French predominant actor in daily press, magazines and publishing. They integrated the three stages of the production line, publishing,

diffusion and distribution. They develop important synergies inside the fields of press and publishing, thus creating a production line of the 'written word'.

Secondly, some poles have used their strong positions in a production line to finance their development in other production lines, without setting any significant synergy up, on both short and middle term, between the two production lines. Many examples can be of help. From the 'written word' and the revenues realized in that field, Lagardère tries to get into broadcasting. It must be remarked that the development strategy in broadcasting, more exactly in television, follows vertical integration logic since pole is present on both the diffusion and production stages.

Similarly, Bertelsmann starts integrating the 'written word' fields, combines them with the record industry<sup>19</sup> and diversifies in TV broadcasting. The pole starts creating record and book-selling clubs, integrating in the meanwhile recording and printing. In this way, Bertelsmann maximizes scale economies and scope effects; each product published by the group takes advantages from the very internalized different diffusion and development supports. These strategies may be understood on an international level. Bertelsmann was a pioneer to this regard. This pole also increased the value of both its contents and know-how in different countries. Considering fixed costs, especially conception ones, this strategy appears particularly rational. Diversification in broadcasting ended with 2001 and 2002 RTL's takeover.

#### **Control of given positions at the bottom of a production line: the origins of poles' synergies and of market powers' increase**

The 'bottom' has a fundamental strategic role, particularly in broadcasting. In 1984, Alain Le Diberder<sup>20</sup> supports that communication economy is marked by movement supremacy of the bottom onto the top. During the '90s, several researchers have discussed about the strategic roles of, respectively, the bottom, and particularly networks, and the top, the 'contents'. Debate about the model called of the 'meter economy'<sup>21</sup> refers to this point. Considering the industrial positions held by poles, we are more interested in broadcasting activities, particularly the access devices to consumers, such as satellite bouquets and cable-operators. Today, these fee-payment devices are in a position of force in some national spaces, namely in the U.S. With high installation costs, these de-vices tend to gather in geographically concentrated oligopoly, or duopoly (French satellite bouquets), or monopoly (Italy still has only one satellite bouquet). Cable networks always work in monopoly on a given

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<sup>19</sup> Bertelsmann's discographic production activities, namely BGM, have been sold to a company jointly owned with Sony.

<sup>20</sup> LE DIBERDER, (Alain), "Le cycle de vie des produits de communication" ("Life cycles of communication products"), *Bulletin de l'IDATE*, n. 16, 1984.

<sup>21</sup> MIEGE, (Bernard), PAJON, (Patrick), "La syntaxe des réseaux" ("Networks' syntax"), in MIEGE, (ed.), 1990, quoted, pages 249-265.

territory (normally a metropolitan network). The equivalent of an interconnection device does not exist, as in vocal telephony opened to public or as the distribution frame between the Internet and telephony, therefore installations and networks' owners cannot be obliged to rent their equipments to competitors. All in all, these resources are rare enough. Associated to popular thematic channels or to producers of high audience contents able to justify a subscription fee, they are very strategic wholes allowing several competitive advantages. The developments that follow are essentially referred to the U.S., where industrial and regulation specifications are peculiar.

Firstly, privileged ties may be established between the same pole's contents and devices. Acquisition of a satellite bouquet or a cable network allows channel networks to secure their audience's access. Technically, things have greatly changed in few decades. Digital techniques allow the diffusion of an important amount of services of a different kind: TV channels, telephone, fast Internet access, and several interactive services. These devices have known important developments in both North America and Europe. Without endangering the existence of former devices, such as broadcasting, they can count on a significant amount of subscribers.

Secondly, these devices offer a dominant position on consumers. Poles try to secure privileged connections between their contents and containers. This strategy offers a commercial advantage. An original offer of contents, in fact, is a powerful stimulus to increase subscriptions or pay-TV subscribers' loyalty. It can more easily allow higher turnovers, taking the most of exclusivity, of the priority character of content diffusion (if they are of high quality) and of the more or less passive character of subscribers. Some researchers<sup>22</sup> evoke the 'information lock', in which consumers will find themselves due to the quality of the marketing strategy that is produced in the context of these devices.

Thirdly, this dominant position also exerts itself towards the content providers external to the pole. In order to reach consumers, especially if they offer relevant contents to pay-TVs, the external content providers are obliged to use those devices that might be in a position of force to condition their terms and rights to be transmitted. The example of Liberty Media is particularly interesting since the group has established (to become a pole) thanks to his own cable-network possession. Rober McChesney<sup>23</sup>, in 1997, shows how John Malone builds, from a very small entity, the cable-network TCI, a central actor among broadcasting and media industries in the U.S. The group uses its quasi-monopolistic position in cables and the consequent relevant cash flow to extend its dominion to independent cable

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<sup>22</sup> BOMSEL, (Olivier), LE BLANC (Gérard), "L'économie numérique, une nouvelle économie?" ("Is digital economy a new economy?"), *La Recherche*, n. 328, February 2000, pages 82-87.

<sup>23</sup> McCHESNEY, (Robert), *The Global Media Giants, The nine firms that dominate the world*, article published over the Internet: <http://www.fair.org/extra/9711/gmg.html#tci>, read on November 9th, 2003.

networks and television channels whose vitality is conditioned to the access to TCI cable networks. TCI takes then a sharing, that is a position of control, in 91 channels. Now, after the 2001 split between AT&T and Liberty Media, U.S. cable network and broadcasting activities have been parted. Since then, Liberty Media has had cable networks in Europe, Asia and South-America, whereas its thematic channels are mainly devoted to the American market. Liberty Media position on this market is therefore hazardous. In fact, when retransmission contracts expire, Comcast, first American cable network which acquired the former AT&T cable networks that broadcast Liberty Media's channels, refuses to confirm the agreement in force, since it is very favourable to the latter. After a first vain attempt to take control of the first satellite bouquet, Direct TV, Liberty Media takes a 17% sharing in News Corporation capital, DirecTV controlling pole. This takeover of News Corporation may be interpreted as an attempt to be better positioned to diffuse its channels.

Fourthly, these devices undergo valorization in a way that particularly fits the CCIs characteristics. Their increase in value depends on subscriptions. But other ways of funding may be associated and offered to the final customer (mainly payments on contract) or indirect ways such as commercials. This situation presents many advantages. First of all, diversity in ways of getting funded allows to increase the global collection of resources. These devices also increase their value accordingly to the different markets, the final customers' market or the advertisers'. Compared to other diffusion systems, as broadcasting (that only have access to commercials unless public funds or licence fees), they have more chances to surf the cyclical waves of these markets. Moreover, subscription offers a specific reason of interest; it allows steady and estimated revenues, due to the passive character of subscribers. Bearing all this in mind, and recalling the logic of 'mainstream' and 'private club' discussed above, we can underline that to 'securitization' and to value permanence correspond the necessity to continuously guarantee the club contents (more than mainstream) supplies. Again, when it comes the time for financierisation, financial actors appreciate available, predictable, permanent and important cash flow, since it allows to keep the given quotation level of shares and to receive the rating agencies' favourable opinions. Finally, these pay-for devices are to be analysed compared to the former strategies of cultural industries, as the dialectics between hits<sup>24</sup> and catalogues' items, which tends to refer to the characteristics of cultural products, particularly to the logic of prototypes and to the uncertain character of valorization. In fact, integrating the production lines with the control at the bottom of satellite bouquets and cable networks associated to thematic channels and cinematographic productions or serials, enables these poles to draw several ways to get cultural products financed. To those deriving from the bottom devices, we need to add the cinema and

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<sup>24</sup> Refer to HUET, (Armel), ION, (Jacques), LEFEVRE, (Alain), MIEGE, (Bernard), PERON, (René), *Capitalisme et industries culturelles (Capitalism and cultural industries)*, Grenoble, Presses Universitaires de Grenoble, second edition with an afterword by MIEGE, (Bernard), 1984.

theatre revenues, and the revenues from the sales of those products externally published and sold (VHS, DVD). This way the occasions for valorization are maximized. On the other hand, risks linked to the ways contents get their value improved is minimized. As everybody well knows, a movie at the cinema or a serial on television are prototypes whose value is uncertain, whereas their unitary cost is important. Thanks to integration inside a pole, these stock products increase their value because of subscription revenues from pay-TV's. As the logic of a private club shows, the subscriber's interest lies in the amount and diversity of products and services he gets from his club. This way, product, either a movie or a serial, loses a part of its unitary dimension to become one of the elements the club offers.

Fifthly, poles in a position of force at the bottom of the production line can negotiate from that same position of force with other poles, in order to diffuse their contents to other territories along other complementary or active devices or, alternatively, welcome contents belonging to other poles. For instance, besides all financial considerations evoked above, one of the main industrial stakes in AOL's takeover of Time Warner is the control the former had on the cable network. Consequently, AOL may offer its broadband access device to the Internet to cable network subscribers. But also, and above all, AOL is now in a better position to negotiate with other cable networks, namely with AT&T owning at that time the first American cable network that can welcome AOL's access device to the Internet. AT&T had until then refused all AOL offers<sup>25</sup>.

In the logic of oligopolistic competition that characterizes CCI's, particularly U.S. broadcasting, it is crucial to be in a position of force as regards partners and competitors, since relations among poles are vivid. In the U.S., regulations or decisions from public bodies establish limits to exclusiveness, as the example of AOL and Time Warner merger clarifies. Federal Communication Commission (FCC) expresses its condemnation to Time Warner after Disney's ABC exclusion from its cable networks<sup>26</sup>. Previously, when in September 1996 public bodies authorize Time Warner's merger with Turner, the principle permitting competitors to access cable network is established in order to 'protect' consumers. Many analysts, therefore, avoid overestimating the importance of rivalry among the different communication companies. The most restricted logic of exclusiveness is not so much defensible. Besides regulations and judicial or other bodies' decisions forbidding these strategies, obstacles appear to be industrial as well. A given pole's cable network TV's or satellite bouquets need many and diversified contents. Their interest is therefore to welcome other poles' contents. Similarly, pole's contents generally need external diffusion supports to benefit valorization. Economical theories

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<sup>25</sup> Today separated from AT&T, we refer here to the Comcast group.

<sup>26</sup> *Le Figaro économie*, May 6th, 2000.

teach that oligopolies may be interested to come to agreements whose aim can be to avoid commercial wars or to share work competences which are difficult to acquire in the short-term<sup>27</sup>.

These five points highlight the power of pay-TV devices. This increase in pay-for devices is so spectacular in America that Pierre Mœglin's 1989 scenery, one of degeneration spiral<sup>28</sup>, seems close to become reality. In the United States, poles without these devices experience important difficulties. Disney's affair is particularly of help, since in 2004 this pole is the object of an attempted takeover by the first American cable network, Comcast. Disney, as all the other movie producers, must face inconsistent results. Following a rule in force to all the operators, good results are concentrated on few blockbusters, whereas unitary costs are very high. Moreover, Disney experiences a severe competition as to contents. Since the '80s, an important part of Disney's audiovisual contents are addressed to adults, competing with other producers' products, among them the majors, while other powerful actors produce contents for a younger audience, and they are Dreamworks, Paramount, Warner and Fox. Such competition led to an increase in costs, particularly as to directors' recompenses.

On the opposite side, as an example, News Corporation's takeover of DirecTV, first American satellite bouquet, takes the group to a position it did not have in the U.S. The pole is thus in the best condition to negotiate rebroadcast rights of Fox's thematic channels as regards cable operators, and the acquisition conditions of its cinematographic and TV productions of those thematic channels in search of diffusion over DirecTV. News Corporation's position appears to be even stronger since these devices occupy predominant positions in different relevant markets. In U.K., BskyB is the only satellite bouquet offering pay-TVs. Similarly, Sky Italia is in Italy in a monopoly position since 2003 as to the satellite market. Finally, News Corporation is a quasi monopolist as to softwares managing the access terminals to digital television since the pole acquired the system developed by Canal Plus Technologies in 2004.

## CONCLUSION

The study of tactics, strategies and logic governing CCI poles and groups' constitution urges to distinguish between financial and industrial considerations. Financial considerations play an enormous

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<sup>27</sup> Several economists' discussions about 'path dependancy' conceptualize this state of affairs. On this matter, and more generally on industrial alliances, refer to RALLET, (Alain), "Convergence technologique et organisation industrielle de l'audiovisuel, de l'information et des télécommunications" ("Technological convergences and industrial organization of audiovisual, media and IT"), in BROUSSEAU, (Eric), PETIT, (Pascal), PHAN, (Denis), (eds.), *Mutations des télécommunications, des industries et des marchés (Changes in telecommunications, industries and markets)*, Paris, ENSPTT, Economica, 1996, pages 263-295.

<sup>28</sup> MOEGLIN, (Pierre), "L'approche socio-économique des médias" ("Socio-economical approach to media"), in MIEGE, (Bernard) (ed.), 1990, quoted, pages 43-59.

role in the approach marches poles start. So far, they have greatly participated in concentrating capitals, a process typical of today CCI. A circular self-nourishing logic between the realization of operations and the way they get financed takes place. Several financial actors, and poles' executives as well, have great interest in realizing such operations. Opportunities are therefore taken to realize financial coups. They thus make the most of all the facilities offered by financialisation, but they also get into debt or transfer assets to achieve their goal. The selfishness of financial tactics and strategies must be taken into consideration in order to analyse the editorial consequences of capital concentration and the raise of financial capital in CCI poles' shareholding. It would appear, according to the first still very partial empirical studies, that poles' executives and financial actors basically value poles and their main components' global profitability rates, avoiding any analysis of the results of single products. Moreover, incidental intentions to rationalize contents must consider the significance of intellectual or artistic work in establishing the value of numerous cultural products.

No matter their importance, financial strategies and tactics cannot allow poles to occupy spaces not pertaining to their industrial domains. In mid-term, poles are asked to respect sectorial interests. To this respect, some companies correct their positioning, whereas poles trying to unfold significant entities of different production lines (commercial TV and pay-TV) experience serious difficulties, as those who considered the Internet as a central medium for their products' valorization. Similarly, poles and groups set limits to their international development, not only because available funds are limited but also for industrial reasons. Many CCI's markets are on a national level. Consequently, interior markets are often the main market for many groups and poles.

Most poles and groups balance themselves on one or two production lines. This position allows developing synergies among different activities. Synergies, that is scale and scope economies, may differ in accordance with the poles' size. Poles with important dimensions may also take advantage of the know-how acquired in a domain to help development of other domains. Other competitive advantages concern the control of devices that allow access to consumers, as it is for cable networks in the U.S. Especially in the case of poles present in both thematic channels and TV or movie production domains, these devices provide a position of force as regards partners/competitors as well as consumers. Some poles, such as News Corporation or Time Warner, are central actors in CCI oligopolies, too. These poles offer an exploitation context of cultural products which particularly fits their characteristics, especially their prototype character and the uncertain character of their valorization.