The American Television Industry

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Introduction

Media analysts commonly argue that the future of the American television industry is uncertain, given the growing competition from flashy new rivals, such as YouTube, Halo and iPhone. Yet reports of television's demise are often exaggerated, for it not only remains the pre-eminent communication medium in the United States, it continues to reside at the very centre of everyday life. In the month of May 2008, Americans spent an average of 127 hours viewing television, a six-hour increase over the preceding year. By comparison, they averaged only twenty-six hours on the Internet (Nielsen Company 2008).

Although they sometimes devote undivided attention to favourite TV shows, Americans also tune in while they read, eat, wash dishes, socialise or carry on with other household activities. Television offers nightly news, quirky game shows, big-time sporting events and luscious primetime dramas. Almost every American household owns at least one television set and four out of five homes have more than one. Not only is television a ubiquitous presence in the home, it is also widely available in airports, bus stations, schools, hospitals, restaurants, bars and shopping centres. In a country of 300 million people, 282 million watch television in a given month while only 162 million make use of the Internet (Stelter, 'Whichever Screen', 2008). Even among the computer-savvy population, television is the most widely used medium, comprising more than a third of their media diet. If one includes video and DVD viewing, television represents almost half of their total media use.[1]

Part of the reason television is sometimes described as a troubled medium is that few TV shows today can command the vast mass audiences that were typical during television's heyday. Instead, audiences today are far smaller, since they are dispersed among a growing number of channels. Moreover, as Internet usage grows, many believe it is siphoning away TV audiences. Nevertheless, in a fragmented media universe, the major television networks remain the only services that can bring together substantial national audiences on a regular basis. Popular primetime series still attract more than 10 million viewers. The most popular show, *American Idol* (2002–), averages close to 30 million, almost 10 per cent of the total US population. TV also carries a wide range of popular sporting events and championships, among them, the Superbowl football championship that attracts some 90 million viewers. Television is furthermore a leading source of news and it is the most important mediator of major political events, such as elections, debates, inaugurations and military engagements (Learmonth 2006).

A Nielsen Media Research study conducted in May 2006 found that each of the four major broadcast networks attracted between 157 and 179 million unique viewers. That is, more than half the US population watched each of the four major networks during the month compared to 50 million unique visitors to one the Internet's most popular social networking sites, MySpace. As for cable, the most popular channels drew 20 to 30 million unique visitors. Overall, Nielsen found the television channels that attract the most viewers and hold their attention for the longest periods of time are those with strong narrative content (television series) or event-based programming (sports, games, competitions). Consequently, the major networks continue to be most popular, each of them attracting the attention of viewers for an average of 5.6 to 8.2 hours per month (Lowry 2006).

Television in the United States is a resolutely commercial medium. Its fundamental objective is to attract substantial audiences so that it can sell their attention to advertisers seeking to promote their products and services. Each year, TV stations, networks and cable channels produce tens of thousands of hours of original programming that is funded by more than $72 billion worth of advertising (Fulgoni 2008). Entertainment, advertising and consumerism have operated hand in hand since the very earliest years of the medium.

Yet for all its commercial success, television today is undergoing a period of profound change. For decades, audiences tapped television's vast cultural resources by tuning their sets to particular channels. Increasingly, however, they surf the web as well, making online video the fastest-growing service on the Internet. YouTube (owned by Google) is the leader, distributing more than a third of all videos, much of it amateur content, but the most popular YouTube videos often prove to be clips from popular television shows. Furthermore, the most commercially successful video services online are operated by major television companies, for it turns out that advertisers are much more comfortable sponsoring professionally produced web videos ("NBC" 2008). Advertisers have also taken note of the fact that online viewers tend to prefer professional content and that for every hour they devote to Internet video, they still spend 57 hours watching television (Stelter, 'Whichever Screen', 2008). Thus, the American television industry remains the most significant provider of commercially sponsored video despite the emergence of many new technologies and competitors.

The following chapters explain how the industry operates and how it is adapting to changes in American media and society. Chapter 1 describes the origins

and development of the largest and most important television companies, which during their early years of operation were closely regulated by the federal government. Over time, criticisms of the network oligopoly encouraged the introduction of satellite and cable technologies during the 1970s and, as the number of available television channels expanded, the original networks were joined by powerful competitors from related media industries. The first chapter describes the corporate strategies that have shaped the industry and it explains the role that government regulation has played as well.

Chapter 2 explains how audiences are measured and advertising is sold. Since the government provides little direct support to the television industry, virtually all of its activities and programming content relies on funding from advertisers. In order to gauge the value of the commercial time that they sell, television services must demonstrate the size and composition of their audiences. Chapter 2 explains how television ratings are gathered and how ratings services have changed over time. It then shows how advertisers use ratings to design their messages and organise their campaigns. Finally, the chapter describes how the television companies market commercial spots to advertisers, and how the two sides negotiate prices for those spots.

Chapter 3 focuses on programming strategies, showing how network executives develop new programmes and promote them to viewers. It also explains how television schedules are worked out and how that may influence the popularity of particular programmes. Primetime programming on the major networks is discussed in detail but the chapter also explains programming strategies for various parts of the day, such as morning and late-night shows. It furthermore describes the programming strategies of cable channels and independent stations. And it shows how programming strategies for mass-appeal television are different from strategies for channels that target niche audiences. It finishes with a discussion of new media providers, such as video downloading and Internet broadband services.

Chapter 4 outlines the studio production process that has prevailed since the 1950s, featuring a highly rationalised mode of manufacture in which creative responsibilities are divided among craft and creative workers, most of whom are unionised. *Law & Order* (1990–2010) and *Frasier* (1993–2004) serve as models of this highly systematised programme production. The chapter further delineates how the networks have varied this system over the years as they responded to economic and technological changes, including corporate conglomeration, labour activism, home video recording and Internet distribution. Programmes such as *24* (2001–9) and *Survivor* (2000–) suggest the ways in which television programmes increasingly seek to incorporate stylistic and content innovations from new media competitors.

Chapter 5 discusses the niche networks made possible by cable technology. Like broadcast programming, early cable channels catered to general audiences, but as the number of services grew, they began to produce programmes apealing to particular audiences or built around specific genres. This chapter shows, for example, how news channels divided into specific services for liberal and conservative viewers, and even into news channels for sports fans or entertainment buffs. Similarly, A&E began as an arts and entertainment channel that would evolve into a platform of services specifically designed to showcase biographical, historical and military documentaries. Because of the smaller audiences, much of this cable programming is produced on far more modest budgets than programming on the broadcast network. The chapter also examines a key exception to this principle: Home Box Office (HBO), home to some of the most lavish productions on television today, such as *The Sopranos* (1999–2007).

Finally, Chapter 6 looks at television's shift from a preponderance of fictional programming to an increasing amount of informational or unscripted fare. Moreover, by the late 1980s news had become so intertwined with TV entertainment that critics coined the term 'infotainment', a category that embraces much of what's produced for television today. The chapter shows how the Public Broadcasting Service (PBS), which established many of the key genres of informational programming, has since the 1980s experienced growing competition from commercial cable channels that produce home-improvement, cooking and history documentaries, as well as popular music shows.

The Conclusion addresses recent developments and future trends in the television industry. It shows that TV companies are adapting to new media and in turn new media are adopting many of the practices that have governed the television industry for decades. Despite this continuity, the Conclusion points to profound transformations now taking place in the American television industry.

Although the authors collaborated at every stage of the writing process, we allocated the primary writing responsibilities as follows. Chapters 1, 2, 3 and the Conclusion were written by Michael Curtin and Chapters 4, 5, and 6 by Jane Shattuc. The authors would like thank colleagues and students at their respective institutions for supporting this venture and for sharing their ideas and insights. We would also like to express our appreciation to television executives, talent and critics for speaking with us about America's leading media industry.

NOTE

1 This figure excludes computer usage at work (Fulgoni 2008).

1

Key Players

Since the 1980s, television in the United States has undergone a dramatic transformation. Before then, American broadcasting was characterised by a network system that aimed to integrate television stations and audiences nationwide. This model was inherited from the radio era and reached its fullest expression during the 1960s and 1970s when three companies dominated the most popular and powerful mass medium in the history of the United States. Since that time, the power of centralised networks has diminished and the number of competitors has grown. Americans now watch hundreds of channels, access thousands of video titles, and increasingly make use of television outside, as well as inside, the home. Despite these changes, the television industry nevertheless remains very centralised with a few firms exercising significant market power. Instead of three networks, six conglomerates now dominate the industry, operating hundreds of channels and services that bring television to audiences throughout the US and around the world. This chapter traces key trends that have shaped the industry throughout its history and describes the operations and strategies of some of the most important players in American television.[1]

THE NETWORK ERA

Networking became a prominent part of the American media scene as early as 1926 when one of the leading manufacturers of radio receivers, the Radio Corporation of America (RCA), launched two networks with the aim of promoting sales of its equipment. Prior to that time, radio stations broadcast their signals within specific geographic locales that were defined by the distance that radio waves could travel from a station's transmitter, usually thirty to sixty miles. Most radio stations were local services in part because of technological limitations. Networking changed this by interconnecting a group of transmitters via telephone lines so that a programme produced in Chicago could, for example, be made available to audiences tuned to stations in Cincinnati and Detroit, as well. The National Broadcasting Company (NBC), which was owned by RCA, employed the technology to establish regular programming schedules aimed at a nationwide audience via dozens of local stations that came to be known as affiliates. Networking also afforded new business opportunities, since affiliates not only shared NBC's programming, they also shared a brand identity and they worked together to promote their services to advertisers. Radio networking mirrored the increasing influence of chainstores in the American economy, such as Sears department stores, Rexall drugstores and A&P grocery stores. Indeed, radio industry publications and government documents of the period often used the term 'chain broadcasting' when referring to companies such as NBC.

The concept of radio networking also drew precedents from live theatre. Vaudeville, for example, was enormously popular during the late nineteenth and early twentieth century, offering variety shows featuring performers who travelled around a circuit of theatres organised by booking agencies and theatre alliances. These circuits were established so that managers could rotate fresh talent into their local theatres on a regular basis. Circuits also allowed performers the opportunity to gain wide public exposure and gave them a chance to learn from other performers they encountered along the way. As a result, vaudeville entertainers developed genres and performance styles that could gain acceptance in many different locales, a precedent that radio would follow. Popular vaudeville performers also provided core talent for radio, as many were lured away to the new medium.

Although the radio industry developed many of the practices that would come to be associated with broadcast networking, these practices would not reach full maturity until the mid-1950s when television became America's leading vehicle of entertainment and advertising, and shortly thereafter the leader in news and information as well. Yet the triumph of national networking was not without controversy and periodic reversals. Rural and smalltown residents were often suspicious of the big networks because they arguably posed a threat to local businesses, social groups and cultural norms. Many politicians wanted radio stations to represent their local communities and to take into account local values and attitudes. In fact, localism has been a core principle of American media regulation since the 1920s, aiming to ensure that community voices would not be drowned out by powerful interests from afar (Kirkpatrick 2006). This principle was emblematic of political attitudes embraced by urban liberals as well as rural conservatives, both of them suspicious of large corporations headquartered in big cities. Broadcasting networks like NBC tried to address such concerns by acceding to the local ownership of most stations, while at the same time forging contracts with local affiliates that turned over large portions of their airtime to network programming.

As a result, radio and television stations in the US were licensed and regulated on a local basis, but they were nevertheless dominated from the very beginning by national networks. The three major networks prevailed most powerfully from the mid-1950s to the mid-1980s, when they controlled key elements of television production, distribution and exhibition. Historian Michele Hilmes (2007) refers to this period as the classical network era, when more than 90 per cent of primetime television viewers tuned into NBC and its counterparts, the Columbia Broadcasting System (CBS) and the American Broadcasting Company (ABC). Aiming their programmes at vast national audiences, these three networks earned most of their revenue from the sale of advertising time to providers of consumer goods and services. They were therefore central institutions of an economy that was modelled on the principles of mass production and consumption with television supplying the means to stimulate and manage consumer demand.

During the classical network era television programmes strove for widespread popularity, but just as importantly they sought to avoid giving offence to any particular group, an approach known as least offensive programming (LOP). Critics claimed that this often resulted in bland content, but audiences expressed enthusiasm for the medium, with the vast majority of homes tuning in on a regular basis. Viewers would adjust personal and household schedules to set aside time for favourite programmes, bringing families and friends together around the TV set on a regular basis. This meant that television viewing was a synchronous experience, for shows generally played only once and would therefore gather nationwide audiences at appointed times.

The popularity of the medium and the growing demand for television advertising fostered consistent growth throughout the network era. This encouraged television companies to extend their core business from national distribution (networking) towards a more robust investment in programme production and local exhibition (station ownership), a process known as vertical integration.[2] Such expansion was largely limited to the broadcasting industry, for networks rarely sought to extend their reach into related media such as publishing, movies or amusement parks. Instead, they tended to pursue medium-specific strategies in part because of government regulations and in part because the television industry was growing so consistently that it encouraged the networks to internalise profits from related sectors of the TV industry rather than expand into other media where network executives had less expertise. The industry also sought opportunities overseas, becoming the world's largest exporter of television shows, but this remained an ancillary enterprise, for the core strategy of each company centred on its US advertisers and audiences.

A brief history of the Columbia Broadcasting System provides a useful example of how the major American networks developed over time. Founded in 1927 by a talent agent as a showcase for vaudeville theatre performers, CBS didn't begin to turn a profit until it came under the leadership of William Paley, the son of a cigar manufacturer and an early enthusiast of radio advertising. The company's main competitor was NBC, which ran two networks, one that tended towards popular programming while the other favoured upscale cultural and informational fare. Owned by RCA, the leading US radio manufacturer, NBC used its networks to promote the sale of radios and to keep politicians and opinion leaders happy with what was quickly becoming America's favourite pastime. NBC also solicited the support of commercial sponsors, but that was only part of a larger picture, for the network's strategies largely revolved around the sale of radio receivers and equipment. CBS, by comparison, relied primarily on sponsorship revenue from advertisers and therefore paid careful attention to the popularity of its programming. Paley displayed a knack for attracting fresh talent, cultivating sponsors and promoting public-service programming that also had popular appeal, such as news.

After World War II, CBS and NBC both became pioneering forces in the development of television and they carried over business practices, programme genres and popular performers from radio to the new medium. Yet television also required a significant amount of innovation as the cost of television production and operations was roughly ten times greater than radio. As a result, CBS and its competitors all spent much of the 1950s experimenting with programming and advertising formats. Most notably, the conditions of production shifted dramatically during the 1950s. When the decade began, more than 90 per cent of the evening schedule was telecast live from New York City, but by 1960 the proportion reversed with the vast majority of shows recorded on telefilm in Hollywood studios for later transmission across the national network. CBS was a leading innovator of telefilm working in conjunction with one of its comedy stars, Lucille Ball. Telefilm not only provided production flexibility, it also helped to contain costs. Perhaps most importantly, however, the recorded programmes could be used for retransmission (summer reruns) or sold to local stations and overseas broadcasters after their network run, a practice known as syndication (Schatz 1993 and Kompare 2004).

Control over programming development and decision-making also changed significantly during the 1950s. Initially, advertising agencies, working in conjunction with programme sponsors, made most of the creative decisions associated with television production. Sponsors funded the shows and agencies managed most aspects of production. Networks provided them with airtime, but due to the tremendous costs of TV production, networks played a relatively minor role in the creative end of the business, preferring to emphasise their role as a distributor. Yet as the industry grew more prosperous, networks took a growing interest in programme production and syndication. They eventually snatched creative control from the agencies and restricted sponsors to the purchase of commercial minutes, effectively shutting them out of the production business. Networks then built partnerships with Hollywood studios and became producers in their own right. Just as importantly, networks took an ownership interest in each show, allowing them to earn additional revenue by distributing 'off-network' reruns to stations in the US and overseas. CBS assembled an impressive syndication catalogue filled with durable ratings performers such as *I Love Lucy* (1951–61), *The Beverly Hillbillies* (1962–71) and *The Andy Griffith Show* (1960–8). If network programming seemed bland because it was aimed at a mass primetime audience and sought to avoid giving offence, then telefilm programming exacerbated this tendency, since it strove for validity in many different scheduling contexts: on a wide variety of stations and at different times of the day. Consequently, syndication became a very important and profitable aspect of the television business in the United States.

Lucille Ball and Desi Arnaz pioneered the production of telefilm recordings of their show, *I Love Lucy*, which was syndicated to stations throughout the world

CBS avidly pursued expansion in the exhibition end of the business as well. Although the Federal Communications Commission (FCC) initially restricted each network to the ownership of only five stations, CBS and its competitors secured licences in the biggest markets, including New York, Philadelphia, Chicago and Los Angeles. Over time, as the population in the US shifted and as FCC regulation allowed the ownership of more stations, CBS would manoeuvre to ensure control over stations in the very largest and most lucrative local markets. The reasoning behind this strategy was that the network itself was only modestly profitable, since it incurred the costs of programme production, which was not only expensive but also risky. On the other hand, its owned and operated stations generated fabulous profit because they produced little more than local news and talk shows, taking most of their programming from the network. They therefore ran few risks and incurred few expenses, yet regularly generated strong advertising sales revenues. Big-city stations were also important because their audiences played a major role in national audience ratings and it was therefore important for the networks to control scheduling and promotion of their programmes in these major markets.

By the mid-1960s, CBS was unquestionably the most successful television network with a string of primetime hits, a strong syndication catalogue and a group of very profitable local stations in the very largest TV markets. It had systematically created a vertically integrated television enterprise that controlled every aspect of the creation, marketing and exhibition of TV entertainment and information. CBS and its network competitors built a truly mass medium that would endure for close to three decades.

This network system came under fire during the 1980s, however, as many viewers shifted their attention to new forms of cable, satellite and video programming. Some analysts claim this signalled the end of broadcasting and the transition to a post-network era. Yet it is important to recognise that the three major networks are still very much with us, albeit in new configurations, and that the concept of networking is still quite prevalent in US media, albeit with traces of the old and the new alongside each other. That is, media companies still employ technology to interconnect media operations. While earlier networks linked together broadcast transmitters, today they connect broadcasting, cable, satellite and wi-fi technologies to bring together geographically dispersed exhibition devices, everything from plasma TVs to mobile phones to laptop computers. Television companies also continue to emphasise the importance of national advertising and the aggregation of large numbers of viewers, even if those viewers are not necessarily tuned to the same show at the same time.

If network television sought to build a flow of programmes that would attract audiences for an entire evening of programming, television today aims to facilitate the flow of viewers' attention across networks of content. Television today operates through conglomeration, cross-promotion, flexible marketing and multiple technologies. Increasingly important are the programmes around which these strategies are organised. Whereas during the classical network era the big three television companies could manage audience access to programming

through their centralised control of transmission technology, today networks must compete with a growing number of television services using a variety of delivery techniques. Instead of a networked broadcasting model, television today is a leading component of a media matrix that is comprised of broadcast services (push technologies) as well as a large and growing number of media services available via the Internet and other telecommunication technologies. The latter are often referred to as pull technologies, since viewers actively seek out programmes to download from the web or view online, or they watch shows on their mobile phones or rent them from video providers, both online and in local shops. Viewers are no longer restricted to three channel options, so networks now must rely ever more crucially on the attractions of their software. Today they need to produce shows that audiences will actively pursue among the thousands of viewing options available to them at any time. This has profoundly changed the television business, but the major networks still remain an enduring presence and new competitors emulate many of the practices of their larger counterparts. This is not the end of network television but rather its reinvention in the matrix era using many of the same principles and relationships that governed the industry's early development.

NEW COMPETITORS AND NEW TECHNOLOGIES

Technology is commonly seen as the most important factor in bringing about the decline of the classical network system. According to this view, cable, cassette and satellite technologies transformed American media, society and culture. That is, new technologies *caused* social and economic change. Such notions of 'technological determination' are fairly widespread in popular news accounts and criticism, but they can be enriched by pointing to a host of other factors that prompted the development of these new technologies. This alternative perspective turns technological determination on its head, showing instead how the complex interactions of individuals, institutions and social interests shaped the development of communication technologies, which in turn influenced society. Socio-cultural determination in the realm of television might best be appreciated by recalling the development of another technology, space travel.

Many commentators have suggested that the invention of rocketry pushed society into the space age. Yet rockets were first developed in ancient China and were adapted to modern uses by the Nazi war machine during World War II. After the war, the major superpowers competed ferociously in a space race for military and scientific supremacy as part of the Cold War. Rocket technology certainly would not have developed as quickly as it did during the twentieth century if not for massive investments made by governments and corporations, each with their own agendas. Moreover, popular fantasies of space travel helped to fuel support for rocket research as President Kennedy invoked the mythology of America's frontier to describe the challenges that lay ahead in outer space. In a 1961 speech, the President explicitly challenged Americans to put astronauts on the moon before the end of the decade, a feat that captured the imagination of people around the world. Thus, individuals, institutions and political interests shaped the conditions under which rocket technology emerged and established the terms by which it would be popularly imagined and socially deployed. Material, scientific and engineering factors certainly played a role as well, but these too were shaped by socio-cultural forces.

One must therefore wonder: Did rocketry change society during the twentieth century? Or did various groups align themselves behind the 'invention' of space technologies in pursuit of their own diverse interests? Socio-cultural determination directs our attention to powerful actors and institutional imperatives as well as flights of popular imagination and technological genius. It resists explanations that suggest technology itself acts as an autonomous, singular and determining influence on society.[3]

Similarly, new media technologies played an important role in the transformation of television during the 1970s and 1980s, but the technologies were developed and deployed by various social actors with complicated and often conflicting ambitions. For example, cable-television technology was enthusiastically promoted by the Nixon administration in large part because President Nixon and many conservatives resented what they perceived as the power of the major networks to shape public opinion. Nor were they alone in expressing such concerns, many groups on the opposite end of the political spectrum also questioned the influence of the major networks, including antiwar, environmental and women's organisations. All of them pressed the FCC to relax restrictions on cable technology in hopes that cable would open up hundreds of new television channels. Proponents of cable waxed enthusiastic about the diversity of perspectives that cable might offer. In books, magazines and speeches from the period one can find heady speculation about the vast array of opportunities that would open up on the new cable frontier, much of it comparable to the optimistic conjecture during the early days of the Internet (Streeter 1987). Such speculation should not be seen as empty chatter; it should rather be understood as one of the ways in which various interests align themselves behind particular agendas that shape the development of a new technology.

Another group seeking alternatives to the network oligopoly during the 1970s comprised advertisers, many of them frustrated with the limited number of commercial minutes available for sale. These limitations consistently drove up the cost of television ad spots and helped to generate fabulous profits for the major television companies. This inspired resentment but also envy, especially among

companies seeking to expand their role in the TV business. Movie studios (e.g., Paramount), newspaper companies (e.g., Chicago Tribune) and publishers (e.g., Time-Life) had expressed interest in television from the very earliest days of the medium and now they sought to break up the network oligopoly and contend for their share of the industry. Studios wanted to increase the number of buyers for their movies and television programmes. Independent stations like the Tribune's WGN wanted to expand their geographical reach. Stations with weak signal strength – those using Ultra High Frequency (UHF) technology – wanted to improve and expand the quality of their transmissions. And publishers like Time-Life wanted to build new services for national niche audiences (e.g., Home Box Office).

Although cable technology had been available since the 1950s, it wasn't until the 1970s that the activities of these various interests converged behind an agenda to facilitate the growth of cable. Quite interestingly, cable would also benefit from the space programme, as the government spun off commercial satellite operations that assisted with the interconnection of cable services during the 1970s and in the ensuing decade provided direct-to-home broadcasting satellites (DBS). Rather than cable and satellite technology causing changes in TV and society, we can see that social actors, political interests and industry players shaped the development of these technologies, spurring their deployment during the 1970s and engendering new competitors for the major networks.

Socio-cultural determination also helps to explain the introduction of video cassettes, which allowed consumers to circumvent the programming schedules of the broadcast networks. German companies were the first to develop audio tape recording technology during World War II and in the following decade, video tape recorders were first sold to networks and local TV stations to help facilitate production and distribution of programmes. In the 1960s networks started using them for sports programming as well, allowing instant replay of key

Table 1.1 Adoption of New Technologies by Percentage of Total Households

	Multiset	Cable	DBS	VCR	DVD	Digital TV	PCs
1970	32.2	6.7					
1975	41.4	12.6					
1980	50.1	19.9		1.1			0.0
1985	56.8	42.8		20.9			14.0
1990	65.3	56.4		68.6			22.0
1995	70.9	63.4	>2.0	81.0			36.0
2000	75.6	68.0	9.2	85.1	13.0	>1.0	58.0
2005	79.0	67.5	20.3	90.2	81.0	15.0	73.0

Source: Nielsen Media Research (TVB Online) 2008.

moments during a competition. Nevertheless RCA (the parent company of NBC) had little incentive to market the technology to consumers because that might distract them from purchasing RCA's colour televisions, which were then new to the market.

By the 1970s, however, most US households owned a colour set and the electronics industry was beginning to look for the next big product to bring to market. American manufacturers were also beginning to feel pressure from Japanese competitors who had built their reputations on transistor radios, portable TVs and portable audio recorders. Japanese companies were renowned for scaling down the size and costs of electronic devices, and for making them consumer-friendly. One of these manufacturers, Sony Corporation, developed a new compact technology for industrial video recording, called the U-matic. Not only was it much smaller and more portable than earlier versions, it was also easier to use because the tape was encased in a cassette rather than wound on large, open reels.

Sony then took the logic of miniaturisation one step further by building a consumer-grade version that allowed viewers to record programmes off the air at home or buy cassettes of pre-recorded programming. The new product, called Betamax, served the interests of consumers and the interests of Sony, but it also presented a potential threat to the television networks, since it allowed viewers to time-shift their viewing and skip commercials. It also threatened the Hollywood studios because it made it possible to record, duplicate, share and resell copies of popular TV shows and movies (Epstein 2005).

As socio-cultural determination would suggest, consumer cassette technology did not appear out of thin air. It was developed by a Japanese company in response to competitive pressures in the increasingly globalised electronics industry. Sony sensed correctly that audiences might be looking for alternatives to broadcast television, something that a company like RCA would be less likely to provide since it was the parent company of NBC. As Betamax grew in popularity, American TV companies became anxious about its success and sued Sony to stop the spread of the technology, but ultimately the Supreme Court ruled in favour of video cassettes, saying that consumers have the right to make personal recordings of broadcast material. Consumers not only used the new technology to get around television advertising and network-scheduling regimes, they also embraced it as a means to circumvent network censorship codes, so that audiences could view erotic programming. Consumers furthermore employed the technology to purchase instructional videos, programmes that the networks then considered commercially untenable because they were not targeted at a mass audience. Cassette technology entered the scene through the

dynamic interaction of socio-cultural forces spurring the development of a new technology that in turn helped consumers subvert the power of the network oligopoly.

THE RISE OF CABLE TV

When cable first entered the scene during the late 1940s, it was primarily adopted in rural areas that suffered from signal interference due to mountainous terrain. Then referred to as Community Antenna Television (CATV), most services were provided by small operators, such as a local electronics retailer that wanted to encourage the purchase of television sets. CATV assured buyers that they would enjoy good reception even if they lived in valleys or on the other side of the mountain from their local TV station. The FCC limited cable technology to this simple retransmission function for more than twenty years. With the FCC's *Fourth Report and Order* in 1972, however, the commission shifted course and opened the door to new applications of the technology, allowing a significant expansion in the number of TV channels for rural and urban audiences.

The expansion of cable during the 1970s also helped to revive the fortunes of independent stations because most of them were transmitting on UHF, an inferior technology that often suffered from signal interference. Cable systems transmitted all signals with relatively equal quality, indeed, a higher and more consistent quality than one could receive over the air. With better signals, the ratings and advertising sales of independent stations began to rise, helping to expand the number of channel offerings in many locales. Yet the independents still suffered from programming limitations, with most of them airing off-network reruns, old movies, local sports and local news. Some were nevertheless successful with this formula, especially stations that carried local sports programming.

In Atlanta, Georgia, Ted Turner bought a money-losing independent station in 1970 and gradually built its popularity with coverage of local wrestling, baseball and basketball. WCTG then expanded its service in December 1975 by relaying its signal nationwide via Satcom 1, making it the first station to deliver its programming to distant cable systems by satellite. At first only four cable operators picked up the channel, but soon the service mushroomed, especially in the southern United States, driven largely by the popularity of the Atlanta Braves baseball team. In 1978, WGN, a very successful Chicago-based independent, followed suit and again it was the popularity of Chicago sports teams that helped to build the audience for this 'superstation.'

Both services prospered, but the following year Turner grew even more ambitious, renaming his channel WTBS (for Turner Broadcasting System), which reflected the company's strategic transition from an independent superstation to a national cable network. In 1980, the company added a news department, launching the first twenty-four-hour news channel, Cable Network News (CNN). Far smaller than its broadcast competitors, CNN seemed at first a motley operation with thin resources, few news bureaux and a modest journalistic reputation. It largely transmitted interviews, features and analysis, but soon thereafter it added the Headline News channel, which delivered thirty-minute newscasts back to back throughout the day.

With two news channels running non-stop, Turner made cost-effective use of journalists and resources, growing the service consistently throughout the decade and expanding its operations overseas. Its programmes drew small audiences, but research showed that viewers tended to be upscale consumers and included many opinion leaders, both domestically and overseas. The service attracted larger audiences when breaking news events encouraged viewers to check with the channel throughout the day for ongoing updates. During the 1991 Gulf War, CNN's audience and reputation grew dramatically as it supplied continuous and extensive coverage, earning praise as the only American news service to keep reporters in Baghdad throughout the conflict. Its impartial, timely coverage attracted millions of new viewers both domestically and internationally.

Despite success with news and sports, Turner nevertheless lacked a substantial core of drama programming, one of the fundamental strengths of the major networks. Given the costs and risks involved in narrative television production, Turner trod cautiously in this area, preferring instead to invest money in the 1986 purchase of the MGM film library, the largest collection of its kind, including many classics from the vaults of MGM, RKO, Warner Bros. and United Artists. At the time of the deal, old Hollywood movies were considered to be of limited value. Most new feature films premiered in theatres and were then licensed for network exhibition followed by syndication to local television stations around the country. After network exhibition and the first few years of syndication, the value of the films dropped dramatically.

Turner used the vast MGM collection as a core resource for his expanding cable services and in 1988 launched a new channel, Turner Network Television (TNT), with a marquee broadcast of *Gone with the Wind* (Victor Fleming, 1939, US), a film that is reportedly Ted Turner's favourite. TNT has systematically mined the MGM library for programming ever since, a strategy that would act as a model for other cable services and one that would increase the value of film libraries tremendously. Turner's strategy furthermore stimulated reflection throughout the entertainment industry on the importance of creating content libraries that could be repurposed in the multichannel environment over an extended lifespan.

Ted Turner purchased the MGM film library to provide programming for his growing cable operations. He used *Gone with the Wind* as a marquee attraction to launch TNT in 1988

Although none of the Turner channels could individually compete with the major networks for ratings or revenues, Turner's constellation of niche cable services underwritten by cost-efficient programming provided steady streams of income that added up each year to impressive profits. The company never attacked the big networks head-on, instead it cultivated niches that the major broadcast networks ignored due to their focus on mass audiences. Only once did Turner tilt its lance directly at a network foe, when in 1985 the company mounted an audacious offer to buy its much larger competitor, CBS. Although ultimately unsuccessful, Turner's bid sent a jarring message that the supremacy of the three major networks was no longer assured.

Independents weren't the only ones to exploit the opportunities of cable. As mentioned earlier, movie studios had an interest in television from the very early years of the medium, but they found it difficult to secure broadcasting licences from the FCC because of troubles with government antitrust regulators. Overall, the 1950s and 60s were difficult times for the Hollywood studios, and in the late 1960s several studios passed into the hands of larger corporations, Warner Bros. among them. Sold in 1969 to Kinney Services, a collection of non-media enterprises run by Steve Ross, the company was soon transformed into Warner Communication International. One of Ross's first objectives was to expand into cable television by purchasing local cable systems around the country.

During the 1970s, most cable companies were run by local businesses that, in accordance with federal law, had negotiated with city and town governments to secure access to public-utility rights of way. This allowed them to string cables along the same routes utilised for telephone and electrical services. In exchange for such permission, cable operators paid fees to the city and in many cases funded public-access channels that would carry city council meetings, local TV productions and other civic programming. As the promise of cable mushroomed, some large companies began to purchase numerous local systems, becoming multiple-system operators (MSOs). Warner Communication became one of the most aggressive MSOs, buying up many local systems so that it soon delivered cable service to more than 500,000 homes, most of them in big-city markets. This made Warner one of the most important providers of technological infrastructure, but it also fuelled the company's interest in the development of cable TV content.

Warner then entered into a joint venture with American Express, called Warner Amex, an early experimenter with niche television services, such as Music Television (MTV, aimed at teenage music fans) and Nickelodeon (aimed at children), and a premium movie service, The Movie Channel. The company was also one of the first to experiment with interactive television, setting up a test service in Columbus, Ohio that allowed audiences to communicate back to their cable provider with programming requests. Warner Amex took advantage of this test market to experiment with a host of information, commercial and financial services – hoping eventually to offer everything from pay-per-view movies to banking services to online shopping. Yet these ventures proved costly and the cable industry in general began to hit a downturn, so in 1983, Warner Amex sold its movie channel to Viacom and two years later sold MTV and Nickelodeon to the same company. Warner hadn't given up on cable programming, however. Shortly thereafter it entered into merger negotiations with Time-Life, a renowned publisher of weekly and monthly magazines, and an investor in various television ventures from the very earliest days of the medium. By the late 1980s Time-Life was the second-largest MSO in the United States and operated the leading movie channel, Home Box Office, as well.

Although Warner Communication came from the world of entertainment and Time-Life from the world of news, the two partners found common ground in cable, which both believed would play a crucial role in delivering future forms of information and entertainment. At the time of the merger in 1989, investment bankers behind the negotiation argued that Time Warner (TW) would combine two sets of complementary enterprises, bringing together movies, music, publishing, television and cable under one roof. It was argued that the value of these enterprises was more than the sum of the parts, since the publishing end of the business could help to promote the movies, while the movie studios could supply products for the cable systems and so on. Although the multichannel environment was undermining the mass audiences of the network era, businesses such as TW would use their multiple enterprises to ensure that core content was leveraged across many delivery platforms, helping it to exploit fully its core intellectual property and guarantee profitability. This principle, referred to as 'synergy', became the foundational premise behind most media mergers and acquisitions during the latter part of the twentieth century. Time Warner became a bellwether of this trend, swallowing up Turner in 1996 and merging with America Online (AOL) in 2000. Indeed, throughout the 1990s, Time Warner was the world's largest media conglomerate, dwarfing its TV network competitors in size and scope.

As one looks back, it seems as if today's leading media enterprises systematically and strategically followed a path to certain success. In fact, however, the path was filled with risks, reversals and dead ends. Clearly the wealth and scale of these enterprises helped them achieve their objectives, but notice Warner's abandonment of its early MTV and Nickelodeon ventures, decisions that might in retrospect seem foolish. Notice too, that at the height of its power and influence, Time Warner made one of the grossest miscalculations in American corporate history when it merged with AOL, a company whose value plummeted during the dotcom collapse that ensued shortly thereafter, costing Time Warner more than $100 billion in losses. Finally, it's important to acknowledge the role of luck and coincidence, and the fact that corporations often succeed because they learn to exploit unexpected developments, not because they sure-footedly engineer profitable innovations. Both Turner and WGN benefited from their experimentation with satellite-cable technology, but it was Turner that continued to exploit this advantage by rolling out new networks, repurposing content and cultivating new programming and new advertising niches. Likewise, Time and Warner experimented with many different technologies and programming services, but it was their determined commitment to cable over the long haul that elevated them to a position of leadership.

THE POWER OF POLICY

Government regulation and policy-making have played an important role throughout the history of television, first by favouring the major radio companies during the transition to television and then by favouring the development of a strongly centralised network regime during the 1950s. Only a decade later, however, the FCC reversed course in an attempt to unseat the very oligopoly it had fostered. Cable then became the preferred technology, spurring the growth of new channels and services. The government provided further assistance by commercialising its satellite technologies, encouraging the national interconnection of cable services. Just as significantly, the FCC forced the major networks to give up their investments in primetime programming, by adopting the Financial Interest and Syndication Rules (fin-syn) in 1970, which effectively shut the networks out of the lucrative production and syndication businesses. It could be argued that government policy fostered both the rise and the demise of the major broadcasting networks.

Although policy, like technology, has been very influential, it is not an autonomous force, but is rather the product of struggles among various interest groups. Some groups represent segments of the public, but most are stakeholders in the media industries themselves, each vying for a greater share of the market. Often the FCC and Congress mediate among the various contenders, fashioning compromises that are palatable to the companies and to the larger public. Such 'pie-sharing' exercises also tend to reflect political trends, so that policies in the 1950s conformed to broader agendas aimed at national integration and the promotion of consumerism, while policies in the 1970s tended to dovetail with a growing celebration of subcultures, personal expression and alternative political perspectives. Thus, markets, institutions and cultural change all play a role in shaping media policy, which helps to explain why government regulation periodically shifts – or even reverses – course. Such was the case with policies regarding network involvement in programme production.

The major networks became interested in the risky business of programme production during the late 1950s as they observed the tremendous revenue potential in the telefilm syndication market. Previously, they simply paid the Hollywood studios for broadcasting rights to programmes the studios produced. The networks received the right to a premiere showing and a summer rerun of each show, after which the studios were free to syndicate the programmes to local stations and overseas broadcasters as off-network reruns. For many years, the income from network exhibition helped studios to cover most of the costs of production, while syndication gave them an opportunity to turn a profit. Studios therefore established syndication divisions or they worked through companies that marketed large catalogues of programming for them. Many syndication deals were made at major trade shows where hundreds of syndication and TV station executives would meet on a regular basis (Kompare 2004 and Havens 2006).

As syndication grew more lucrative, networks began to negotiate for a financial interest in the shows that they licensed for primetime, reasoning that they were creative collaborators in the development, financing and promotion of new shows, and therefore should share the long-term benefits of syndication. The networks had strong justification for requesting an ownership interest in each show, but this put the studios in an awkward position: if they refused to make the network a partner, they worried that their show would not be picked up for primetime exhibition and without such exposure, the show would be worthless.

Tensions between the studios and networks intensified until government regulators stepped in to rule that the networks were engaged in anti-competitive practices because they were acting as both buyers and sellers of programming, and were seeking to extend their oligopoly from distribution to the production sector of the industry. The Financial Interest and Syndication Rules (fin-syn) banned networks from ownership of primetime programming with the exception of news and sports, which meant that they could neither produce nor own a share of the primetime programmes they telecast. Around the same time, the FCC also took steps to boost the fortunes of independent producers and to ban the networks from moving into the new terrain of cable television. After favouring the networks for two decades, the government was pressing to expand the number of players in the TV industry.

In response to these rulings, CBS bundled its production, syndication and cable divisions into a company called Viacom and then spun it off as an independent corporation in 1971. Something of a hotchpotch at the outset, Viacom was nevertheless a leading syndicator and a comparatively large MSO in the nascent cable industry. It sustained its cable leadership throughout the 1970s and 80s by adding more local franchises and by laying cable in dozens of communities across the US. It also invested in cable programming ventures, launching Showtime in 1976 as a competitor to HBO and acquiring MTV and Nickelodeon in 1985 from Warner Amex. Up to the mid-80s, cable was generally a money-losing business, yet Viacom remained profitable largely because of its syndication catalogue that included many of the CBS hit series from the 1950s and 60s. Viacom proved much less successful at developing new television programmes, but in the late 1980s, its fortunes began to change as MTV and Nickelodeon started to take off. In part this was due to shrewd programming decisions and in part due to the increasing importance of niche audiences, especially teens and young adults, that were considered attractive markets for many advertisers.

Athough these services flourished, other investments were turning sour for Viacom, making it a target for corporate takeover. It was difficult to sell the company, however, because it owned a small chain of radio and television stations, which made any sale subject to an FCC licensing procedure. Here again, changes in the policy arena would dramatically affect the fortunes of Viacom, as the FCC reversed course and loosened such restrictions in response to influence from the Reagan administration. This opened the door to a flood of station sales during the 1980s and made it much easier to buy and sell media conglomerates, such as Viacom. The deregulation of financial markets during this same period made it possible for companies to borrow money enlisting new types of investment securities. Consequently, low-grade investment bonds, or 'junk-bonds', played a role in the sale of many TV stations and media assets, sparking a fever of speculation and reorganisation in the media industries.

Amid these changes, numerous suitors began to pursue Viacom and after protracted manoeuvring, Sumner Redstone, the owner of a modest New England movie chain called National Amusements, emerged as the winning bidder in the spring of 1986. Using mostly borrowed funds, National Amusements was able to purchase a far larger corporation, a strategy referred to as a leveraged buyout. Such strategies can lead to enormous gains or staggering losses. Indeed, many critics wondered if Viacom's lacklustre performance might ultimately drag its suitor down. Yet the government again proved to be an influential player when it relaxed restrictions on cable fees to consumers. As a result, household cable payments began to rise dramatically and MSO revenues soared, enhancing the value of companies like Viacom. MTV also continued to flourish and by 1989 it was earning 15 per cent of *all* cable advertising revenues. Bolstered by this success and by the emergence of cable-satellite services worldwide, MTV then expanded into Europe, Latin America and Asia. Redstone not only benefited from hard work and good fortune but also from the shifting course of government regulation, which Viacom's high-paid lobbyists in Washington DC helped to nurture.

Despite these successes, the company nevertheless remained an ungainly collection of media enterprises until 1994 when Redstone engineered the takeover of Paramount Pictures, adding one of the leading Hollywood studios to the Viacom family. Later the same year, Viacom purchased Blockbuster Video, then the biggest and most prosperous video-rental company. Shortly thereafter, Redstone glimpsed another opportunity, as the FCC allowed the fin-syn rules to expire, making it possible for the major television networks and the Hollywood production studios to be part of the same conglomerate. The FCC reasoned that unlike 1970, when three networks dominated the television business, audiences during the 1990s could choose from a variety of television channels, video services and Internet resources. Similarly, TV programme producers could market their wares to a diverse array of potential buyers. The government therefore allowed the major television networks to re-enter the production and syndication businesses, a decision that made it possible for Viacom to purchase CBS, the very company from which it was originally spun off!

With the purchase of CBS in 1999, Viacom capped a period of expansion that in only thirteen years catapulted it into the very top rank of media conglomerates. What had at one time been a disparate collection of unrelated enterprises grew into a comprehensive juggernaut spanning film, television, cable and book publishing. It furthermore operated divisions dedicated to production, distribution, exhibition and merchandising, making Viacom a fully integrated media conglomerate. After the acquisition of CBS, Viacom executives proudly pointed out that, despite the proliferation of cable channels and the fragmentation of television audiences, their company could serve audiences in almost every major demographic group. In fact, they crowed, viewers might grow up with Nickelodeon, experience adolescence through MTV, transition to adulthood with UPN and Comedy Central, and then mature as loyal adult viewers of CBS. Although the network era had passed, Viacom claimed that its various TV services reached just as many total viewers as the networks had during the 1960s. Executives also took pride in the fact that Viacom had significant stakes in production, distribution and exhibition across a range of media formats, something the networks never achieved during the 1960s.

Viacom was more powerful and more expansive than CBS had been in its prime. Spun off as an orphan enterprise only thirty years earlier, it came home to CBS as one of the most powerful conglomerates of the era. This stunning corporate turnaround was emblematic of an even more stunning reversal of government policy. Government policy that during the 1970s sought to restrict the major networks and encourage new competitors dramatically changed course during the 1980s and 1990s thereby fostering the growth of huge media conglomerates like Viacom and Time Warner.

FINALLY, A FOURTH NETWORK

Although the Reagan administration was perhaps the most avid and vocal advocate of deregulation, the trend actually began during the Carter administration when influential corporate and political leaders began to argue that regulation of such industries as airlines, telephony and television imposed unnecessary burdens on companies, thereby retarding innovation, restricting competition and undermining the interests of consumers. Better, they argued, to stimulate competition among firms and to lower barriers to market entry by new companies than to attempt to keep a check on industry practices and prices (Horwitz 1991). This philosophy helped to shape the revision of cable regulations during the 1970s, and these changes did indeed bring new companies into the TV business over time, but these new niche services were not direct competitors to the major networks. Try as they might, government policy-makers found it much more difficult to encourage the formation of new broadcasting networks that might directly challenge the majors.

In part this was because such an endeavour would be a massive undertaking. First of all, a new competitor would need to own or purchase a collection of stations in the largest TV markets, including New York, Los Angeles and Chicago. As mentioned earlier, such 'owned and operated' (O&O) stations are the core profit centres for major US television companies, since the networks themselves are only marginally profitable due to high production costs. Big-city O&Os are not only profitable, they generate strong and consistent cash flow, money that can either be returned to stockholders or serve to upgrade and expand network operations. Second, a new competitor would have to line up affiliates across the country, a difficult task since the strongest stations in each market are already spoken for. And third, a new network would have to invest in programme production and promotion, two of the riskiest areas of the television business yet arguably the most important, since ratings (and advertising revenues) rely on a network's ability to generate shows that attract loyal audiences. These barriers to market entry proved so formidable that the three-network oligopoly persisted for more than thirty years.

By the 1980s, cable television had helped to erode one of the most significant barriers by boosting the fortunes of independent television stations thereby making more stations available as potential affiliates for a new network. Recall that many independent stations went bankrupt during the 1950s and 60s because of their comparatively weaker UHF transmission technology. As cable became more common in American homes, it levelled the playing field by transmitting independents with equal signal quality to that of network affiliates. This not only boosted the fortunes of independents, it encouraged investment in new stations as well. By the mid-1980s the number of stations had grown substantially, so that many more independents were now competing for syndicated programming. This sparked price increases in syndicated fare and it stimulated new production activity. It also stimulated discussion about the potential viability of a fourth network. With the costs of syndicated programming on the rise, such a network would probably find independents in many markets receptive to the prospect of signing on as an affiliate. A fourth network would nevertheless be an extremely risky and expensive venture.

Around this time, News Corporation, an Australian media conglomerate headed by Rupert Murdoch, started making inroads into the US media market. After taking control of the troubled 20th Century-Fox studio in 1984, News Corp. lured Barry Diller away from the top job at Paramount to run the Fox operation. Diller brought with him a plan for building a fourth television network, one that Paramount had rejected as too risky but one that intrigued an ambitious Rupert Murdoch. In 1985, News purchased the Metromedia chain of television stations for $2 billion, what was considered an astounding sum at the time. Much of the purchase was financed with junk bonds, making the investment appear even more daring, but Murdoch reasoned that the Metromedia chain would give him access to major urban markets across the country, providing core O&O stations for his proposed network. Before he could seal the deal, however, Murdoch had to seek FCC approval, since government regulations require station owners to be US citizens.

Hoping to further the prospects of a fourth network, the FCC granted approval contingent on Murdoch changing his citizenship, which he did expeditiously. With its O&Os secured and a studio production facility in hand, News Corp. began to line up affiliates, but again FCC approval would be necessary, since this would result in a vertically integrated media corporation with a studio, a network and a chain of stations under the same corporate umbrella, a practice forbidden by the fin-syn regulations that were still in force during the 1980s. Here again the Reagan-era FCC acquiesced, reasoning that the vertically integrated Fox media empire would actually increase market competition, which was the original intent of the fin-syn rules.

In 1987, the Fox network launched a limited schedule of programming for two nights a week aimed not at a broad mass audience but rather at a young, urban audience. Over the first four seasons, Fox distinguished itself with satirical programmes (*The Simpsons*, 1989–), ribald fare (*Married with Children*, 1987–97), trendy youth drama (*Beverly Hills 90210*, 1990–2000) and reality TV (*America's Most Wanted*, 1988–). The network also made a strong pitch to African American viewers, an audience that the three major networks ordinarily ignored, believing that they would follow the tastes of the mass-market, white audience. The majors furthermore contended that programmes pitched at African American viewers ran the risk of alienating white viewers, so when the networks did include black characters in primetime shows, they were commonly portrayed as either indistinguishable from white characters or as two-dimensional stereotypes. Fox, however, became the first major network to craft programmes specifically aimed at black viewers (Gray 2004 and Zook 1999).

In 1990, Fox commissioned an ensemble variety show written, produced and hosted by Keenan Ivory Wayans and performed by a predominantly black cast. *In Living Color* (1990–4) gleefully skewered the conventions of network television, offering pointed satires of racial stereotypes in mainstream media. Immediately controversial and surprisingly popular, the show became a cornerstone of Fox programming. Although the weekly schedule seemed like a jumble of unrelated shows, Fox succeeded largely because its programmes were edgy and because it attracted viewers that were unhappy with mainstream network fare. It also succeeded because the FCC accommodated Fox at various turns, perhaps most surprisingly by waiving public-service requirements that allowed Fox to operate as the first American network without a daily news programme.

Keenan Ivory Wayans and Damon Wayans spoof television's racial barriers by impersonating the Smothers Brothers in order to get a chance to perform on network primetime. Their show, *In Living Color*, was part of Fox network's attempt to court African American audiences

As it grew, Fox added more nights of programming and aimed to expand its audience, ultimately de-emphasising the niches that helped it prosper during its early years. Today it competes directly with the other major broadcast networks, engaging similar programming strategies and attracting comparable ratings. Although the emergence of Fox has increased the number of network broadcasters to four, its distinctive programming formula has now given way to a mass broadcasting approach very much like its competitors. Interestingly, News Corp.'s initial strategy was later employed by Paramount and Warner Bros. (WB) when they established the United Paramount Network (UPN) and WB networks in 1995. Both secured core O&Os, trolled among independent stations for a roster of affiliates, and rolled out a slate of programming two nights a week. Aiming to attract young viewers and African Americans, both networks also followed Fox's precedent by slowly expanding their schedules and aiming to grow beyond these market niches. Yet UPN and WB faltered early on because they both followed the same strategy, competing in the very same market niches. They merged in 2006 as the CW network, pulling together the strongest stations and the strongest programming into a single entity, and consolidating their audiences in hopes of making them more attractive to national advertisers.

Fox was also a model for the television industry in another way, since it was the first network paired with a major Hollywood studio, a clear transgression of the fin-syn rule. After the adoption of fin-syn in 1970, networks chafed at the rules, repeatedly complaining that they failed to acknowledge the important role networks play in the development of new programmes. As the Reagan administration launched its widespread assault on government regulation during the 1980s, network complaints about fin-syn grew louder and the volume further intensified when the FCC gave Fox a waiver and approved its plan for a fourth network.

The launch of Fox proved to be something of a watershed, since it signalled that the government stance on fin-syn was softening and in 1995 the rule formally lapsed when the agency decided not to renew it. In the decade that followed, all three major networks would align themselves with a Hollywood studio: ABC with Disney (1996), CBS with Paramount (1999) and NBC with Universal (2004). In part this consolidation of networks and studios was driven by a strategic concern about access to programming. What, for example, would NBC do if Fox studios were to decide to produce programmes only for its network partner? Studios were likewise uneasy, for what if Fox television network showed no interest in Paramount's new shows, preferring instead the programmes developed by Fox studios? Historically, studios had hawked their programmes around to all three networks, but the integration of network and studio engendered the prospect of huge media corporations that could produce, distribute and exhibit an entire season of programming on their own. This was an unprecedented possibility, and it furthermore threatened to eliminate the role played by independent studios and producers.

Debates over fin-syn were taking place at the very same time that the US Congress was beginning to deliberate over a rewrite of the 1934 Communication Act. Confronted with the growth of cable and satellite services, the emergence of the Internet and the globalisation of the American economy, Congressional leaders and the Clinton administration worried that the existing framework for media regulation needed a significant overhaul. They began to fashion a vision of media convergence in which all forms of communication would become digitised and intermingled as they travelled along the 'information highway'. The future, they believed, would belong to innovative enterprises that could provide a range of services and compete in international markets. Seeing information, entertainment and communication as increasingly profitable sectors in the global economy, they sought to fashion legislation that would protect and extend the market advantages enjoyed by American firms.

Whereas the 1934 act sought to regulate communication companies in the national public interest, the Telecommunications Act of 1996 sought to unleash media companies to pursue their interests worldwide and with few restraints. Proponents of the act argued that previous policy had been premised on a scarcity of channels, requiring that the government ensure that they not be used in the interests of a few. With only three commercial networks and a handful of channels in any given locality, regulators thought it best to keep a close eye on television companies that were making private use of public airwaves. By the 1990s, however, digital technologies had greatly expanded the available number of television channels, telephony services and Internet offerings. Given the prospect of multiple networks and media plenitude, regulators reasoned that government oversight of the media industries could be relaxed. They furthermore contended that deregulation would spur further innovation and make it possible for American media companies to sustain their global leadership. Companies would grow, but so too would audience opportunities.

This vision suggested that scale and scope were necessary elements for future success. Media companies of the twenty-first century would not only need to be large but would also need to reach across media platforms and across national borders. Like News Corp. they would move beyond their country of origin and beyond their traditional emphasis on film or television or music. They would be multimedia, multinational enterprises, and at the very centre of their corporate structures would be an engine of creativity: a Hollywood studio, spinning out popular content that could be delivered in many different formats to appreciative audiences around the world. This vision not only established a new set of premises for regulatory policy, it also set off another wave of mergers and acquisitions, led by Disney's purchase of ABC the very same year that Congress passed the Telecommunications Act of 1996 (Aufderheide 1999).

CONGLOMERATION AND SYNERGY

By the dawn of the twenty-first century all of the major television companies were subsidiaries of major conglomerates. This was a significant turnaround from the classical network era and it was an especially dramatic transformation for ABC, which had been the weakest of the three major networks throughout the early years of television. This deficit was largely a result of ABC's historical origins. The company was founded in 1943 when government regulators forced NBC to divest itself of one of its two radio networks. NBC executives of course decided to relinquish the weaker of the two, which was then taken over by a candy manufacturer. Consequently, the launch of ABC's television network did not occur until 1948, several years after CBS and NBC. Unfortunately, this was only months before the FCC imposed a freeze on the allocation of new TV licences while it tried to sort out problems with signal interference. That gave CBS and NBC a decided advantage, since they had already lined up the most desirable stations, most of them broadcasting on Very High Frequency (VHF).

ABC therefore found itself rummaging among the weaker UHF outlets in most markets, a pattern that would continue even after the freeze was lifted. While its counterparts enjoyed truly national coverage, ABC had spotty coverage in many parts of the US. The network was nevertheless attractive to Leonard Goldenson, the head of the Paramount Theatre chain, whose company bought a substantial block of ABC stock in 1953. Goldenson's company had recently been spun off from the Paramount Studio as part of an antitrust lawsuit brought by the federal government. Banned from movie production, Paramount Theatres was looking for investment opportunities in other media businesses.

Besides capital, Goldenson brought fresh executive talent to ABC and movie-industry connections, which he quickly put to good use, convincing the Walt Disney Company to launch a weekly show called *Disneyland* (1954–61), aimed at young children and families. The show was enormously successful, but it underlined ABC's second-tier status, since it performed well in major cities, but lagged in the national ratings. NBC easily wooed Disney away in 1961, placing the programme in a marquee time slot on Sunday evenings. The move instantly gave Disney wider national exposure than ABC could hope to provide.

ABC's fortunes finally improved during the 1970s due to the expanding popularity of cable as well as improvements to UHF technology, both of which raised the network's national ratings. A string of hit programmes during the latter part of the decade finally lifted ABC to a fully competitive position. During the 1980s, the government relaxed regulations on TV and financial capital, sparking a wave of buyouts and mergers, among them, the 1985 takeover of ABC by Capital Cities, a company one-tenth its size. As with other such deals during the 1980s, Capital Cities borrowed heavily and at high interest rates in order to secure its prize. Facing a substantial debt burden as a result of the purchase, executives sought to economise by trimming operations and programming budgets, which weakened the company even further.

It was only a matter of years before ABC became a takeover target yet again. Only this time Hollywood studios entered the bidding due to the expiration of the fin-syn rules and passage of the new Telecommunications Act. In 1996, Disney reconnected with ABC as its new corporate owner. Riding high on a string of box-office hits that included *The Little Mermaid* (Ron Clements and John Musker, 1989, US), *Beauty and the Beast* (Gary Trousdale and Kirk Wise, 1991, US), and *The Lion King* (Roger Allers and Rob Minkoff, 1994, US), Disney was renowned for systematic exploitation of its movies through ticket sales, video rental, television syndication, theme parks and merchandising. The company was considered the leading practitioner of corporate synergy, using each film as core content that was then leveraged across media platforms to exact maximum profit (Wasko 2001).

For Disney, the purchase of ABC seemed to make sense since it included a television network, a chain of TV stations and a cable MSO. ABC would provide important new delivery platforms for the studio's products, promising to make Disney an expansive media creator, distributor, exhibitor and merchandiser. Many industry analysts praised the synergies between the various divisions of the company. They saw Disney as a prototype of the twenty-first-century media conglomerate. It not only held an enviable position in established media industries, it was also expanding in new directions, such as the Internet and DVD retail sales.

Yet things didn't work out quite as planned. Disney's Internet portal failed to take off; its baseball team faltered; and its animation unit suffered a number of mishaps at the theatre box office. As for ABC, Disney worked hard to integrate the TV operations under its corporate umbrella, but critics said that Disney CEO Michael Eisner micro-managed the new assets and tried to harness the network too closely to the studio. Instead of production executives touting new programmes around to all the networks, they tried to envision shows that could be kept under the Disney tent. And instead of the network acquiring shows from a host of outside suppliers, it focused most of its attention on projects from its own studio. In the end, Disney-ABC faltered because the principles of corporate synergy limited the flow of creative ideas. Fox had a similar experience when it tried to tie together its network and studio operations. Although many television executives believed during the 1990s that ABC and Fox synergies were harbingers of the future, by 2003 most agreed that such attempts were largely untenable. Writers and producers have trouble enough satisfying their audiences without having to worry about corporate loyalties or potential synergies. This was a lesson that both ABC and Fox learned the hard way.

The logic of conglomeration faltered on another front as well. In 2001, the collapse of the digital media economy caused massive losses for media conglomerates. Nowhere was this failure more apparent than in the AOL merger with Time Warner, but others, such as Disney and Viacom, suffered losses as well. New and old media didn't necessarily mix. In fact, the concept of synergy itself came under fire during the 2000s, as many executives began stepping forward to explain how difficult it is to run a single division of a media company without having to strategise in terms of the parent conglomerate.

For example, a music division must be adept at dealing with musical talent, audiences and marketing, all of which operate differently from their TV counterparts. Even at times when collaboration does make sense, the music division of a conglomerate is unlikely to give the TV division favourable terms on, say, theme music, since each must generate profits that are reported separately to the parent corporation. In other words, for a music division to look good in the eyes of its corporate parent, it has to show consistent profit growth, and its quarterly performance is regularly compared to the performance of other divisions. Rather than act as cooperative siblings, the music and television divisions are just as likely to act as jealous rivals that curry the favour of top management. The music division must therefore treat the TV division the same way it would treat any other paying customer, seeking the best prices and the best contract terms. This means it has to shop its wares around widely, not restricting itself to inside deals. Moreover, actors and singers have occasionally sued companies for insider deals, claiming that their professional interests have been compromised for the greater good of the conglomerate.

Despite the wave of acquisitions and mergers that took place in the1980s and 90s, media conglomerates have proven to be unwieldy affairs that have yet to prove their synergistic value. As a result, stock prices have sagged as investors have turned their attention to other industrial sectors. In an attempt to restore the confidence of the market, Viacom decided in 2005 to divide its conglomerate in two, one retaining the corporate title and the other reorganising under the moniker of CBS. It was a telling admission that synergy and conglomeration may have their limits.[4]

CONCLUSION

The American television industry first emerged as a network system in which three major corporations ran centralised systems of production and distribution, pushing their programming out to mass audiences who viewed them at approximately the same time. This was an enormously profitable system, yet it concentrated power in the hands of a few and therefore engendered resentment and envy from various political factions and prospective competitors. It also limited the amount of commercial time available to national advertisers. These tensions engendered a search for policy and technological solutions to the network oligopoly. By the mid-1980s, most American homes had gained access to cable, satellite or home video, allowing them to select from an expanding menu of shows and, if they recorded them, to view them at a time of their choosing. Although most programmes were still watched at the time of their original airing, viewing behaviours became increasingly asynchronous and audiences divided into smaller and smaller groups. Programmes with mass audiences and high ratings during the classical network era gave way to an expanding number of channels featuring shows that targeted niche audiences, an era that Amanda Lotz (2007) refers to as the 'multichannel transition'.

Television is now on the cusp of another transition, as Internet and broadband technologies make it possible for viewers to download and otherwise acquire favourite shows, *pulling* content from providers who may be networks, studios, third-party distributors or independents. TiVo, i-Tunes, YouTube, MySpace and Netflix are only a few of the many places that audiences can turn to for video content. Although the major networks still have the power and resources to push and promote particular programmes, audiences increasingly search for content that suits their particular tastes. Instead of centralised networks, we seem to be moving into a multichannel, multimedia and multidimensional environment, one where producers, distributors and consumers all attempt to build linkages, find pleasure and make meaning out of the diverse range of content now available. We might refer to this as the matrix era, a media environment that poses significant challenges to existing television institutions and to the advertisers that have funded the industry since its very inception.

Box 1.1 Major US Television Conglomerates

Walt Disney
ABC Network & Stations
ESPN (80% ownership)
Disney Channel
ABC Family
A&E (37.5%)
Lifetime (50%)
History (37.5%)
E! (39.6%)
SoapNet
Disney Studios

News Corporation
Fox Network & Stations
FX Networks
MyNetwork
Fox News
Fox Sports
Fox Kids
Speed
Golf
National Geographic (67%)
MySpace
Hulu (45%)
20th Century-Fox Studios

NBC Universal
NBC Network & Stations
CNBC
MSNBC
Telemundo
USA
Bravo
Oxygen
SyFy
A&E (25%)
History (25%)
iVillage
Hulu (45%)
NBC Universal Studios

Sony Pictures Entertainment
Sony Pictures Television
Columbia TriStar Pictures
MGM Television

CBS
CBS Network & Stations
UPN
CW (50%)
Showtime
King World
CBS Radio
CBS Outdoor
CBS Paramount TV Studios

Viacom
MTV
VH-1
Country Music Televison
BET
Nickelodeon
Comedy Central
Logo
Spike
Paramount Pictures

Time Warner
Turner Broadcasting
CW (50%)
HBO
CNN
TBS
TNT
Cartoon Network
Turner Classic Movies
Cinemax
AOL
Warner Bros. Studio

NOTES

1. Excellent histories of television institutions include Anderson 1994; Barnouw 1966–70; Baughman 2007; Becker 2006; Boddy 1990; Castleman and Podrazik 2003; Curtin 1995; Douglas 1999; Hilmes 2007; Kompare 2004; Ouellette 2002; Sterling and Kittross 2001.
2. Although the vast majority of network stations were affiliates, the networks were allowed to own only a small number of stations themselves. So, for example, a network might comprise more than 100 stations, of which the FCC would allow them to own five or more, depending on the regulations at the time.
3. For more about the issue of technological determinism, see Williams 2003; Spigel 1992; and Smith and Marx 1994.
4. For more regarding debates over media conglomerates, see Rice 2008 and Barnouw 1997.

Conclusion

Several developments during the 2007–8 season pointed to a historic shift in American television. The season began with an agreement between national networks and advertisers to include DVR audiences in their ratings reports, basing calculations for each show on the number of live viewers plus those that watch within three days via DVR. At the time, close to a quarter of all US households owned a DVR and the major networks had been pressing advertisers to acknowledge some of these viewers since they comprise a substantial share of the audience. In return, the networks accepted advertiser demands for ratings of TV *commercials* as well as programmes. The agreement represented a fundamental change in the ways that audiences are measured and interpreted. It allowed networks to claim larger audiences for their shows, but it also intensified accountability for the commercial minutes they sold to sponsors. Both parties saw it as an important innovation aimed at coping with dramatic changes in media technologies and audience use patterns.

Yet these weren't the only issues troubling the television industry. Executives also expressed concern about growing competition from video games. On 9 March 2008, Nintendo released 'Super Smash Bros. Brawl', updating the enormously popular Super Mario franchise. That evening television ratings among 18–24-year-old males dropped 8 per cent. The following day they dropped 14 per cent (Fritz 2008). Studies furthermore showed that young people spend 25 per cent more time online than viewing television. Just as worrisome, an increasing number of Americans were turning to the Internet for video entertainment and information, a medium that Google and its YouTube subsidiary dominate with 38 per cent of all video streaming. Although television companies remained the leading producers of video content, their historic control of distribution seemed increasingly uncertain.

As these changes unfolded, another daunting challenge emerged as Hollywood writers voted to strike on 5 November in the very heart of the television production season. Late-night talk shows were most immediately affected and in December, drama series were put on hiatus as well, leaving gaping holes in the primetime schedule. Ratings plummeted and by the time a strike settlement was reached in early February, it proved unexpectedly difficult to lure audiences back to network television. Many executives declared the season a washout and

nervously shifted their attention to the upcoming fall schedule. Some struck a more contemplative posture, arguing that it was time to reassess the foundational assumptions and practices of the industry. As if to emphasise the point, all four networks announced that they would transform their upfront sales presentations in May, seeking to demonstrate that, despite the apparent slide in ratings, the national networks remain leaders of the overall television economy and that, along with their corporate siblings, they can attract substantial audiences across a range of electronic media, including the Internet.

Interestingly, intermedia rights were the key point of disagreement between the networks and the writers during the strike, with the latter arguing for a share of revenues earned via new delivery systems. During the classical network era when three companies dominated American television, writers were compensated for primetime showings and syndicated reruns, a formula that carried over easily into the cable era. Yet that compact became subject to debate during the 1980s due to the development of VCR technology. At the time, writers tried to convince the studios to share a percentage of video revenues, but executives claimed it was too early in the development of video to establish a revenue-sharing formula and that high royalty rates might smother the nascent industry. After a bitter strike in 1988, the two sides settled on 0.3 per cent royalty on reportable gross sales. As video took off and became a multibillion-dollar industry, the formula was earning writers only pennies from each sale and it therefore became a bitter point of contention, since royalties are often the only source of income for writers during inevitable stretches of unemployment.

In 2007, screenwriters were determined not to let the video rights formula established twenty years earlier become the basis for Internet royalties, but media executives countered that rising costs and growing competition made it difficult for them to surrender Internet revenues at a time when the income from online sources was minimal and tenuous. Executives for the media conglomerates seemed to be speaking out of both sides of their mouths, however. To advertisers at the upfront sales events, network executives presented their companies as powerful multimedia providers, while only months before they had told the writers exactly the opposite. Although seemingly duplicitous, their position pointed to a momentous transformation of the American television industry, as it moved from the network era into the matrix era.

During the 1950s, when American television was in its infancy, executives confronted the challenge of building a durable and prosperous industry, despite the enormous capital costs of production and distribution. At the time, most agreed that television would be ten times as expensive as radio, a prospect that encouraged industry leaders and policy-makers to advocate for a centralised commercial system in hopes of realising economies of scale. By the time television took off, three networks were solidly entrenched and would remain so for more than twenty years, a system based on principles of national mass production, distribution and consumption.

With the arrival of cable, these mass-media logics were challenged, however, as the number of channels multiplied and the audience began to fragment. Advertisers helped to instigate this transition, as they sought to undermine the network monopoly and to pursue greater efficiencies in the delivery of advertising messages to targeted audiences. As television headed into the multichannel transition, the fundamental logic of the network system remained in place as programme development, scheduling and advertising practices remained largely the same. Still, audiences and their viewing behaviours were changing, and the industry began to respond.

Unlike the mass-television era when the industry churned out inoffensive mass-appeal programming, executives during the multichannel transition began to pursue groups of viewers that were passionate about particular ideas, topics and interests. These niches were constituted as much by their audiences' shared worldviews as they were by their sense of difference from other viewers. To serve these audiences, producers began to pitch programmes with 'edge', meaning both programmes that pushed up against the boundaries of mass taste and programmes that hailed their viewers as self-consciously distinct from others. These niche programmes were not for everyone. Indeed, they offended some viewers while catering to the passions of others.

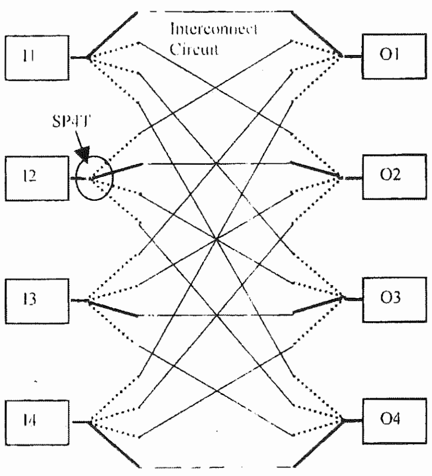
Observing these changes, executives came to believe that they needed to compensate for the erosion of network ratings by investing in niche cable channels as well as mass-appeal network services. They furthermore needed to anticipate the emergence of new digital media offerings and Internet services. This led to a period of mergers and empire building during the 1990s, resulting in the formation of huge media conglomerates premised on the notion that content might be successfully exploited across a range of media. Proponents argued that successful corporations would be those that could control multiple sites of creativity and diverse modes of distribution, and could operate them in synergistic harmony.

Yet synergy was easier to imagine than to execute, largely because the various components of each conglomerate were too accustomed to operating as distinct units: as network broadcasters, cable channels, Internet portals and so forth. Moreover, line executives were compensated based on the performance of their respective divisions, not on the health of the overall corporation. In the very top echelon of the media conglomerate, synergy seemed a logical objective, but down in the trenches executives and creative talent often fought bitter battles with their corporate cousins. When the merger bubble burst shortly after the

new millennium, many executives became openly critical of the huge conglomerates, which they averred only made sense to investment bankers who pocketed fat fees for putting them together. Consequently, the promise of synergy began to fade as media executives more or less went back to their same old ways. Despite such resistance, changes in the media industries continued to unfold, driven largely by the fact that audiences and advertisers were increasingly engaging with television as part of a multimedia environment. The 2007–8 TV season therefore proved to be something of a tipping point for the industry, a moment of crisis when executives and creative talent were again forced to revisit the issues of synergy and intermedia strategy. In part, they needed to recalibrate daily practices, audience-measurement techniques and revenue-sharing formulas, but at a deeper structural level, they needed to rethink the spatial logic of electronic media.

Both the radio and television eras in the United States were premised on the notion of broadcasting: the dispersal of information and entertainment from a central source to a diverse audience, limited only by the reach of electronic transmission waves. Radio did not discriminate among its listeners, indeed, as Roland Marchand argued, it played upon the ambiguity of second-person address, beckoning 'you', the mass audience and 'you', the individual listener at home, while also massaging the two into an 'us' (Marchand 1986). Advertisers paid to become part of that circle of mutual recognition, and the most powerful among them would underwrite the interconnection of transmitters across the country, so that they might deliver their messages from highly centralised facilities in New York and Hollywood to a vast networked nation. By the 1960s, each of the three major television networks regularly drew close to 25 per cent of all television households to their primetime schedules. Yet during the 2008 season, primetime audiences for each of the four leading networks averaged roughly 5 per cent of television households, only a fraction of what they had attracted during the classical era. Interestingly, daily television viewing hours remained high – in fact higher than in the 1960s at more than four hours and thirty-nine minutes among adults – but television was coming from more centres and flowing through more circuits than ever before, via DVD, cable, satellite and broadband; via Telemundo, Spike, Netflix and YouTube (TVB Online 2009). It was no longer a broadcast medium or a network medium or even a multichannel medium; television had become a matrix medium, an increasingly flexible and dynamic mode of communication.

According to the *Oxford English Dictionary*, 'matrix' was first employed with reference to social life during the late nineteenth century when biological metaphors spawned conceptions of human societies as comprised of complex, dynamic and interconnected elements. In the 1960s, managerial experts began



This diagram features a simple matrix switch, which is designed to allow multiple inputs, outputs and pathways for the flow of electrical impulses

to invoke the term with respect to flexible organisational structures as opposed to linear or hierarchical institutions. This emphasis on complexity and flexibility was seemingly picked up by the telecommunications industry as it developed the matrix switch, which is an array of circuits laid out in a grid so that paths can be established between any input port and any output port. A matrix switch can furthermore provide full bandwidth to multiple transmissions. When confronted with traffic congestion, it allows signals to be broken down and rerouted, only to be reassembled at their destination. These basic principles of electronic design prevailed during the late twentieth century, but just as importantly they governed the development of vast telecommunication systems, which were often portrayed as large-scale iterations of the matrix switch: a field of paths and possibilities for multiple users.

If the classical network era was characterised by centralised production and transmission to an undifferentiated mass audience, the matrix era is characterised by interactive exchanges, multiple sites of productivity and diverse modes of interpretation and use. Although huge corporations continue to shape and influence the media environment, they can no longer presume to deliver a national mass audience at an appointed hour and they can no longer market the attention of that audience to eager advertisers at the upfront presentations each spring. For media industries, the matrix era suggests emerging new structures and practices as well as changing conceptions of advertising, which remains the single most important source of media financing. A closer look at some of the strategies pursued by media companies in response to these changes helps to clarify what it means to say that television is entering a matrix era.

It's always difficult to lay a confident finger on watershed moments of significant historical change, but the 2007–8 season seemed to offer stark evi-

dence that the television industry was undergoing a profound transformation. CBS saw its viewership plummet by almost 30 per cent, from a 7.9 rating to a 5.6 average for the season. ABC and Fox experienced a similar slide and NBC brought up the rear with a 4.8 rating (Simons 2008). In response to its changing fortunes, NBC announced it would substantially alter its upfront sales presentation in May, transform its marketing practices and reconfigure its season schedule. Instead of a conventional fall premiere, NBC said it would introduce new series throughout the year, devoting more attention to the promotion of each new show. Instead of a twenty-three-week season anchored by autumn premieres and summer reruns, it would shift to a fifty-two-week schedule that would constantly be adapted and reinvigorated by the addition of new series. And rather than presenting the entire season schedule at the upfront market in New York, NBC executives began to travel the country consulting with advertisers about programme ideas and multiplatform content.

NBC's weak network ratings no doubt motivated this change in strategy, but company executives were also seizing the opportunity to direct attention to their best performing assets: cable and Internet enterprises. (See Box 1.1.) Remarkably, while NBC's primetime line-up was faltering, its cable channels were flourishing and even more importantly, its advertising sales remained strong, largely because it was presenting itself less as a broadcasting network and more as a multiplatform operator. As if to emphasise the point, top management at NBC mandated that every television programme must develop intermedia strategies for programming and advertising.

Among NBC's divisions, Bravo is one of the most successful practitioners of what the company now refers to as 360-degree programming. For example, *Top Chef* – a popular cooking competition presided over by head judge Tom Colicchio – features a cable show and a robust web site that extends the brand via recipes, games, blogs and dedicated mobile video content. Most popular is Colicchio's blog where he provides commentary on the show and related topics, and where fans can engage in online deliberation. Most of the show's judges and contestants (including both winners and losers) maintain blog sites as well. In addition to these services, the site delivers broadband video programming and promotes products such as the *Top Chef* cookbook. Bravo furthermore has a talent-management company that represents chefs whose careers take off after appearing on the show. These 'brand-extension' strategies aim to deepen the viewer experience by delivering content in a variety of formats so it is available to audiences wherever and whenever they wish to engage with it. As Bravo president Lauren Zalaznick puts it, 'Our value comes from super-serving a niche of passionate customers' (Whitney 2007). Unlike the network era of weekly primetime scheduling or even the daytime practice of stripping, *Top Chef* develops and delivers content in rolling timeframes on multiple platforms, while striving to retain a coherent brand identity.

Bravo serves one of the youngest and most affluent audiences in cable television and has scored notable success with its intermedia strategies. It targets an upscale, educated and metropolitan mindset, primarily viewers living in the top thirty television markets. It designs programmes aimed at affinity groups that organise around food, fashion, beauty, design and pop culture. Zalaznick says that women comprise some 60 per cent of the audience, but she claims that's less a matter of targeting by gender than one of building a brand around topics that attract passionate customers. In addition to Bravo, Zalaznick presides over NBC's recently acquired Oxygen channel, which describes itself as being 'on a mission to bring women (and the men who love them) the edgiest, most innovative entertainment on television'. Claiming to air more original series than any other women's channel, Oxygen promotes itself as a slightly younger and hipper version of the industry leader, Lifetime.

In 2006, NBC also acquired the i-Village web site, dedicated to 'connecting women at every stage of their lives'. Claiming 31.4 million unique visitors per month, iVillage.com touts itself as the number-one destination on the web for women seeking information about health, parenting, pregnancy, beauty, style, fitness, relationships, food and entertainment. The site's interactive features include thousands of message boards and a variety of social-networking tools, allowing women around the world to share information and advice. By assembling this collection of enterprises NBC is able to present advertisers with a matrix of media opportunities that include Bravo, Oxygen, iVillage and the *Today* show. It can package spots according to age, interest, psychographic profile and socio-economic background. It can provide access to broadcast viewers of *Today*, cable fans of the *Bad Girls Club* (2006–) and online customers with a passion for cheese. Rather than assembling a mass audience, these NBC services accumulate a very substantial base of users via the multiple circuits of matrix media.

Strategies such as multiplatforming, repurposing and cross-promotion became important tools of network news divisions during the 1990s. The most successful organisations expanded into cable and web services, spreading the cost of the newsgathering infrastructure and branding their content in multiple formats. NBC News was the most ambitious practitioner of this strategy, which not only extended its presence across the media matrix but also strengthened its core properties, helping to sustain the leadership of *NBC Nightly News* and *Today.* The news division's strategy was largely driven by a desire to control costs and secure new markets. No doubt similar concerns spurred recent changes in the entertainment division, but these more recent innovations also seem to be

motivated by the fact that advertisers are now asking for more than thirty-second TV spots when they purchase commercial time. Instead, they're looking for product-placement opportunities, Internet click advertising and pre-roll ad spots on mobile video devices. As a result, NBC altered its 2008 upfront presentation, focusing less on primetime and more on the company's ability to package advertising opportunities across media (Adalian and Schneider 2008). NBC furthermore conducted a series of smaller meetings with advertisers to solicit their input regarding plans for the upcoming season. Emphasising partnership, NBC is responding to advertisers' growing desire to break out of the box that defined American network television for more than fifty years. The flexible, dynamic and horizontal qualities of these services suggest a matrix media strategy rather than a conventional network strategy.

In interviews with more than 100 senior media executives worldwide, researchers for Accenture found that between 2005 and 2008 opinions began to coalesce regarding corporate strategy in the new media environment. Almost two-thirds said that multiplatform distribution would be the key driver of future growth. New types of content were the second most commonly mentioned (24 per cent) and new geographies of operation were third (10 per cent) (Accenture 2008). These results suggest that media companies are beginning to focus on the meaningful execution of matrix strategies. Although rivalries and differences within conglomerates persist, the erosion of revenues among the discrete media divisions as well the further development of broadband and mobile delivery systems have encouraged companies to revisit the complementarities of various media platforms and the advantages of cumulative audiences.

Some television series are now viewed millions of times after they are broadcast, via Fancast, Veoh, Hulu and dedicated network sites. For example, in spring 2008, MTV's most popular show, *The Hills* (2008–), premiered to 3.7 million 'live' viewers. Within the next three days it added almost 1 million DVR viewers and over the next few weeks episodes and excerpts of the show were streamed 32 million times (Stelter, 'In the Age', 2008). Although some overlap is likely, MTV seemingly generated many more advertising opportunities outside of conventional telecasting. *The Hills* also generated other revenue streams, as it scored among the top ten downloads on iTunes and among the top five videos in the 'teen scene' television category on Amazon, where one can also buy licensed merchandise that includes books, wall calendars and soundtrack albums. On the MTV web site, one can find *The Hills* music, news, games and message boards in addition to the episodes themselves. This not only reflects changes in audience use patterns but also points to changes in the ways that programmes are conceived, financed and executed. As one executive put it, 'We have to manage for profit margin and not for ratings' (Adalian and Schneider 2007).

Mobile telecommunications is another medium of growing interest to television executives. At its 2007 upfront presentation, ESPN executives lavished attention on new programmes designed to appear exclusively via mobile devices, including *Mayne Street* (2008–) (featuring Sports Center's Kenny Mayne), a mixed martial-arts series, and POV, a compilation of clips submitted by viewers and fans. According to one ESPN executive, these mobile services are a strategic attempt to broaden and deepen the network's relationship with sports fans (Steinberg and Elliott 2008). ESPN isn't alone in its enthusiasm for mobile delivery. It's estimated that content delivered over cell phones could generate $50 billion in revenue worldwide. Alert to the music industry's success with the multibillion-dollar ringtone trade, television executives are adding mobile video services to their media matrix (Halper 2006).

With all these changes afoot, the scheduling, distribution and financing of TV programming pose significant challenges for media executives. Just as challenging are the creative decisions associated with the production of online and mobile video content. Some 75 per cent of US Internet users view online video regularly, streaming an average of eighty-five videos per month (Fulgoni 2008). Google delivers more than a third of all views, much of it amateur content. Initially the service grew popular as a site for sharing video clips from TV shows. However, the major television companies soon protested about copyright infringement and pressured YouTube staffers to remove the offending videos or share revenues derived from their exhibition online.

Interestingly, the major television companies not only complained, they soon launched services of their own, many of them quite successful. Others, such as CBS, have struck deals with YouTube that allow Google to deliver the video and charge advertisers while splitting the revenue with television networks and producers. Altogether, the major television companies as a group now deliver well over half of all advertiser-supported video streams (Garrett 2008). Their success seems in part attributable to the quality of their content. A Pew Foundation study found that 62 per cent of Internet users prefer professional video, while only 19 per cent prefer amateur material (Madden 2007). Just as importantly, advertisers are more willing to place their messages alongside professional video because they find the content more compelling and less likely to engender controversy. Rather than posing a threat, online video may represent a grand opportunity for television companies, but executives are nevertheless aware that they cannot simply recirculate broadcast programming onto the web. They must develop dedicated material that is conducive to web viewing.

The potential for online video seems enormous, as suggested by Will Ferrell's and Adam McKay's brief series about a foul-mouthed two-year-old

Table C.1 Top Video Sites, May 2008

Property	Unique viewers (000s)	Average videos per viewer
Total Internet	141,657	85.3
Google sites[1]	83,828	50.2
Fox Interactive[2]	60,760	12.8
Yahoo! sites	40,197	8.6
Microsoft sites	29,471	8.3
Time Warner	24,612	5.9
AOL	21,670	4.8
Viacom	21,260	9.7
Disney	12,385	8.7
ESPN	8,425	8.9
ABC	7,747	16.3
Hulu (NBC)	6,800	13.0

Notes
1 Includes YouTube.
2 Includes MySpace.

Source: comScore, 'Americans', 2008.

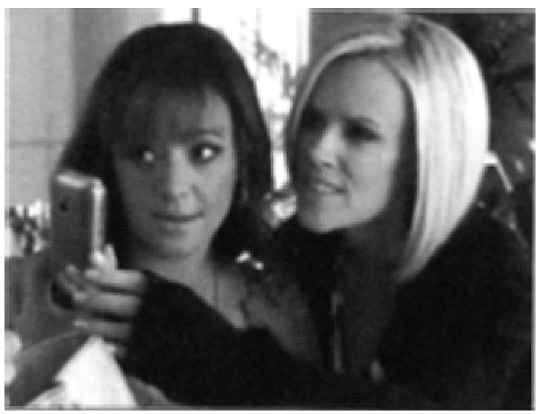
landlord that was streamed more than 50 million times on funnyordie.com. Within months their company added more than twenty-five employees and expanded its website into a robust buffet of comedy videos that reportedly generates more than $50 million in annual revenues (Alexa 2008; Marx 2009). Backed initially by Sequoia Capital – one of the most successful venture-capital firms in Silicon Valley – funnyordie.com soon attracted HBO as a minority partner interested in securing cable television products that could complement the online service.

A contrite Will Ferrell plays a tenant whose rent is overdue in *The Landlord*

Online producers such as Ferrell and McKay are experimenting with the emerging conventions of online video genres. In order to make their work commercially viable, they're tinkering with formats and formulas, hoping to come up with generic conventions that will bring viewers back on a regular basis. For example, even though most creatives agree that online videos should be short, successful videos range from two to seven minutes in length. Producers also debate about the frequency of episodes, the length of 'seasons' and strategies for promotion. These challenges may seem manageable, but many video ventures – some with very big budgets and strong institutional backing – have nevertheless failed miserably, such as Budweiser's bud.tv site and *Quarterlife* (2007–8), a melodrama series sponsored by Pepsi and Toyota that was directed by Marshall Herskovitz and Edward Zwick of *thirtysomething* (1987–91) fame.

Producers are also experimenting with interactive features, hoping to mine their fan bases for feedback and creative input. In May 2007, Mindshare, an advertising agency in the WPP Group, launched a series on MSN called *In the Motherhood* (*ITM*). Mindshare executives initially came up with the series while brainstorming with executives from Sprint and Unilever, both of which appear as prominent sponsors on the site. Billing *ITM* as a series 'for moms, by moms, and about moms', producers solicit story ideas from the audience and then set about fashioning episodes featuring Jenny McCarthy (formerly of MTV), Leah Remini (*The King of Queens*) and comedian Chelsea Handler. The production values are professional, but the budgets are modest.

In the Motherhood has a homey, 'let's put on a show' quality to it. Visitors to the site are immediately invited to write a story or to read and comment on stories that others have written. More than 1,000 script ideas are submitted for every show that is ultimately produced, and more than 13,000 fans regularly vote for the top candidates. The value of the series resides in its ability to tap the millions of stories that mothers have to tell about their lives, their children and their



In the Motherhood webisode featuring Leah Remini and Jenny McCarthy

families. The producers and the cast (all of them mothers) then bring the stories to life using the generic formulas of the domestic television comedy. Each episode runs five to seven minutes and is supported by online discussions, games and recipes, as well as interviews with the cast and outtakes from the series. By the spring of 2008, the audience had grown to more than 20 million streams per month, encouraging ABC executives to pick it up and develop *ITM* as a prime-time network offering as well.

Unlike the classical network era when three dedicated television companies exercised oligopoly control over production, distribution and exhibition, the matrix era is characterised by the formation of huge multimedia conglomerates. Although constituted more than a decade ago, these conglomerates are finally beginning to pursue the strategies and practices that are appropriate to this new media environment. Accordingly, their conception of television has changed from that of a highly centralised mode of transmission to a more flexible field of electronic media. Rather than indifferently transmitting a line-up of shows each evening, television companies now operate in an interactive, asynchronous and intermedia milieu. They build brands and render them accessible to audiences in a range of formats across rolling time horizons. Still financed primarily by advertising sales, television companies no longer rely solely on ratings as a measure of their success but rather have begun to embrace the importance of intermedia reach, as they attempt to target and accumulate audiences in a cost-efficient manner. Anxious to please advertisers who are demanding accountability and input, networks have opened their doors, infusing their clients' messages into the media matrix rather than selling them gross lots of commercial minutes.

These changes have been motivated in part by new competitors and new technologies but they are just as importantly spurred by the changing behaviours of audiences that now navigate a growing universe of entertainment, information and interactivity. No longer restricted to a menu of 'least offensive' mass-appeal programming, audiences make use of a diverse repertoire of mass, niche and micro-niche content. Accordingly, television companies are complementing their investment in capital-intensive studios with multiple modes of production and creative input. This is partially a cost-cutting assault on unionised labour, as they pursue lower-cost and non-union production opportunities, but it is also part of what Tiziana Terranova (2000: 821) refers to as a broadening out of media production into society as a whole. Citing the Italian autonomists, she observes that 'work processes have shifted from the factory to society, thereby setting in motion a truly complex machine'. The media matrix increasingly thrives in an environment where distinctions between production and consumption blur, where television seasons give way to an evergreen cavalcade of content that is made use of by audiences on flexitime schedules. It is perhaps remarkable that it took television companies so long to adapt to these changes and to acknowledge the fundamental transformations of the matrix era. One can only hope that their increasing enthusiasm portends a more open media future rather than the more ominously imagined matrix of Baudrillard (1995) and the Wachowski brothers (1999).

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