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Multimedia Strategies in the Age of Globalisation

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1. Introduction

The development of global physical distribution systems for audio, video, and software products and digital distribution based on the Internet and cable and satellite systems has created the possibility of significant new global markets for multimedia products and services. Today, however, few companies are effectively exploiting that potential and many are floundering as they cope with the requirements and complexities of global activities.

The difficulties facing most companies typically result from a narrow view of their products and services, lack of experience in international trade, limited business knowledge, and the fact that most multimedia firms are small- to medium-sized enterprises. Even large firms engaged in new media activities have often faced difficulties maintaining their focus, selecting appropriate technologies and activities, targeting global markets, finding sustainable business models, and managing the growth of their multimedia activities.

These experiences have made some firms reticent to globalise operations and induced other firms to reduce or restrain their multimedia activities. But limiting multimedia and global activities can disadvantage firms in the mid- to long-term by reducing their multimedia knowledge development, skills, and business experience as the global conditions for successful multimedia businesses continue to improve.

Companies can achieve success in the global market if they understand the real potential and requirements for globalisation, create coherent and realistic strategies, and possess organisational capabilities to initiate and manage effective operations.

2. General Requirements for Globalisation

In order to successfully benefit from global markets a company must accommodate a variety of factors that influence such expansion. Certain environmental and market factors are necessary for multimedia businesses to operate effectively. The businesses also must accommodate content requirements as they expand their markets and they must ensure that internal resources and structures are present.

2.1 Environmental and Market Requirements

Environmental requirements necessary for globalisation of multimedia products include the relative absence of trade barriers, reasonable protection of intellectual property rights, avoidance of anti-cartel and domestic media policy impediments, and the presence of a sufficient market for the product or services.

Understanding the global business environment – and the domestic and regional environments of which it is comprised – requires business intelligence activities to identify and monitor developments that affect the basic requirements.[1] Without clear understanding of the conditions of global markets, firms place their expansion initiatives at risk. The information gained through environmental scanning becomes an important element in strategy development and strategic planning for media firms considering global activities.[2]

Although many trade barriers have been reduced or removed for large numbers of products and services through the General Agreements on Tariffs and Trade and other multinational agreements, media products have not fully benefited from the agreement, primarily because of national and regional cultural and industrial policies designed to protect and promote domestic and regional culture and media industries.

Many media and multimedia products have been left out of international and multinational trade treaties to accommodate those policies. Companies wanting to globalise their multimedia products and services must ensure that the nations or regions in which they wish to expand do not have trade barriers that will affect the potential for successful introduction and operation.

Protection of intellectual property rights is critical if companies are to recoup their investments and benefit financially from globalisation. Protections available for media, software, and other material are not universal and vary in coverage and strength. Efforts to achieve international protections over the past century have produced a number of international treaties providing protections for print, audio, visual, software, broadcast, and other material, but the number of nations signing the treaties and their levels of enforcement vary.

Thus, when multimedia companies expand their operations, they need to ensure that the countries into which they are entering provide reasonable protections under copyright conventions and the agreement on trade-related aspects of intellectual property rights.

Beyond mere protection, however, effective measures for managing rights and collecting fees are necessary. Although reasonable methods have existed for analogue products for nearly a century, the methods for managing and collecting fees for digital rights are still

1 Kolde, (1985); Prescott/Gibbons (1994); Salmon/de Linares (1999).

2 Gershon (2000).

emerging. Because of the explosion of content and its uses, it appears that technological means for digital rights management are the best solution but the newness of these systems and their applicability globally may limit their usefulness in some nations and regions.[3]

The third environmental requirement is avoidance of impediments to expansion and operation created by anti-cartel measures and domestic or regional media policies. National and regional policies differ regarding the levels and analysis of market power permitted to firms, and some have specific regulations regarding media ownership and cross-media ownership and activities that could constrain efforts by some companies involved in multimedia activities. In a number of cases firms have had their expansion and globalisation plans stymied and incurred great losses because they did not take these laws and policies into account before attempting market entry.

A fourth requirement is an actual market for the multimedia product or service. The market can only exist if there is the ability to use the products or services and consumers are willing to pay. This is a particularly difficult problem for multimedia because two billion people in the world do not have electricity and two-thirds have never made a telephone call. In much of the world per capita income levels are under 1.000 € per year, making it nearly impossible for households to acquire ICT hardware, multimedia products, and to pay use charges.[4] These factors obviously limit the size of the global market or limit the number of persons with ability and willingness to acquire and use multimedia products and services.

Even when the basic conditions for a market exist, it may not be a market worth entering. The number and market power of existing competitors in a potential market and the level of activity and bargaining power of consumers in potential markets are also critical factors in determining the potential of a market for a new firm's multimedia product or service.

Accurate market and demand estimation are critical factors in the success of multimedia activities and many of the failures of companies have resulted from unrealistic assumptions about market potential, ignoring the real difficulties for assessing potential of new media markets.[5]

2.2 Content Requirements

Firms planning to globalise multimedia products and services must recognise the necessity of adapting the material to local conditions. Motion picture producers and broad

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3 Informa (2001); Fetscherin (2002).

4 Picard (2001).

5 Zerdick, et al., (2000).

casters have long understood that information and entertainment in domestic language(s) and content reflecting a more local culture and lifestyle – or at least does not conflict badly with it – is more attractive and successful with audiences and consumers.

The first strategy in meeting content requirements is thus accommodation of language in the national markets in which a firm will operate. The motion picture, television, and video industries have accommodated this through translation into major languages (dubbing), subtitling, voiceovers, or narration. These techniques are increasingly appearing in games and other visually oriented multimedia products. Although the five largest language groups in the world include Chinese, Hindi, and Arabic, they are not among the five languages in which most audio-visual material is translated: English, French, German, Japanese, and Spanish. These languages are used because they provide better access to markets that are currently larger or more lucrative.

Text-based industries also accommodate language requirements through translation and books, magazines, and a few newspapers that are regularly translated into local languages. Online content providers, Internet service providers, and software and game manufacturers are increasingly following their example by translating text-based materials to accommodate desirable global languages.

Although there is interest in global events, the driving force for use of media is local and domestic information. These factors are evident even within the European Union, where only 1 % of newspaper circulation crosses a national border.[6] As a result, the second content strategy is localisation, that is, including a good deal of material drawn from as close to the users as possible. This means that including domestic and local community content becomes a critical factor in successful globalisation. Content that reflects the lives, needs, hopes and aspirations of the user is necessary.

European multimedia producers have not effectively engaged in localisation and customisation and are behind U.S. producers, according to recent research.[7] Effective localisation and linguistic customisation on a global scale requires considerable attention to potential networking and strategic partnerships because few firms are able to handle internally the numerous and complex issues created by the hundreds of different markets that exist globally.

2.3 Company Requirements

From the company perspective the most critical requirements in globalising multimedia products and services are guiding visions, clarity of strategy, financial ability, and managerial capacity.

6 Competitiveness of the European Union Publishing Industries (2000).
7 Export Potential and Linguistic Customisation of Digital Products and Services (2000).

A good deal of failure in global multimedia strategies results from the lack of a vision within the company regarding what it is trying to achieve. This is sometimes caused by poor company leadership, but can also result from conflicts over the vision among senior managers or failure to convey the vision to employees so that they embrace and support it.

Even if a vision exists, a firm needs a clear strategy of how it plans to move toward its fulfilment. Without a guiding strategy, companies tend to behave very opportunistically, grabbing onto every possibility and being torn in different directions. Strategies should not constrain the company from taking advantage of unique opportunities, but they should provide guidance about priorities, how opportunities will be evaluated, how they fit into overall development and growth plans, how the will affect financial and operational requirements, and how performance will be evaluated.

Merely having a good strategic view is not enough, however, because it must be grounded by a workable business model to guide it through the investment process and show how the operations will be funded and ultimately produce sufficient returns to cover costs and become profitable.[8] In many cases there is a tension between maintaining a focused multimedia business activity and the hybridisation of business models necessary for survival, as Eisenmann (2002) has shown in Internet-based businesses.

Media firms of all types are wrestling with their strategy and business models as they increase multimedia activities and expand their global presences. The most common multimedia strategies involve geographic and product diversification and brand extension. For many media companies, multimedia activities create value by increasing contact with current customers, by attracting new customers, by providing new competitiveness vis-à-vis other electronic and digital media, by creating new uses for existing materials, by creating new product lines and additional revenue streams, and by repositioning the company into an information provider rather than a company focusing on a single medium.

Each company must develop a strategy for its unique situation, as illustrated by the variety of strategies employed by firms in globalisation of television activities,[9] in brand extension,[10] and cross-media activities.

The financial abilities of firms are unique. No two firms have equal ability to invest in and sustain operations. Firms globalising multimedia products and operations need to understand the potential and limitations that accompany their financial situations. Some firms can easily expand activities into large countries or many countries simultaneously, while others may need to focus on smaller markets or only a few locations. A forthright

8 Picard, (2000); Eisenmann (2002).

9 Pathania-Jain (2001); Shrikhande (2001).

10 Todreas (1999); Chan-Olmsted/Jung (2001).

appraisal of financial abilities helps direct strategic choices, company structures, and operations to create sustainable globalised multimedia activities.

Internal financial strategies are also necessary for managing the value achieved and costs for multimedia operations. Although it is generally recognised that synergy results from combining activities to jointly produce greater value than produced by the independent activities or to reorganise activities to produce lower overall costs, current cost accounting methods are insufficient in most content firms to make reasonable decisions. These can only be overcome if financial principles are established that recognise all value created and that the benefits of synergy accrue to all participating units. If these do not occur there will be no incentive for all units to support cross-media activities domestically or globally. This leads to internal conflicts and, often, efforts that sabotage the development of multimedia.

Financial principles necessary for synergy to develop include: pursuing external rather than internal revenue because internal transfers do not increase overall value; maintaining pre-existing fixed cost in the individual units unless they are removed through rationalisation or reorganisation; compensating increases in fixed costs in a unit that are necessitated by the synergetic actions through allocation of the additional costs to the participating units in some proportional manner; charging variable costs for pre-existing activities in one unit that are used to the benefit of other units to the utilising units at average or marginal cost; and allocating fixed and variable costs for new activities created through synergy to the units in some proportional manner.

The fourth major factor determining ability to effectively globalise is the managerial capacity of the firm, that is, the knowledge and skills to handle the increased structural and operational requirements associated with expansion. Many firms do not have resident within themselves the necessary or sufficient personnel to manage globalisation. If they move ahead with global strategies without augmenting the personnel, adjusting their organisational structure, or making external arrangements to compensate for their limitations, they risk significant disruption to and even failure of their multimedia business plans.

3. Conceptualisation Problems in Globalisation

A variety of challenges exist in globalising multimedia products including conceptual problems involving users and markets. Many multimedia producers do not effectively recognize user differences and user mobility and they conceive of globalisation as being based on serving national markets rather than service to customers wherever they might be.

As portal operators have expanded their international operations they have increasingly created national sites to serve users in those countries in their domestic language and have localised the sites with additional materials specifically targeted to users in those countries. On the surface this appears to make the sites more attractive but below the surface problems exist if strategists confuse location in a country with nationality, national interest, and national language. This is a unique problem of the digital age in which ICT breaks down national boundaries, supports mobility in multimedia use, and is based on local network integration and use.

Internet users, for example, find that Microsoft's MSN is designed to default to a national site based on local language. This is accomplished by the system reading the country designator in users' e-mail addresses and directing the user to that national site. This can produce problematic results. In Finland, for example, customers leaving

Hotmail or another Microsoft site are redirected to the MSN Finnish Site. The redirection does not work for those without Finnish language skills and there is no mechanism to change the default to an alternative site. This is especially problematic because it assumes that all persons with Finnish service providers speak Finnish. This creates resentment because it ignores the fact that Finland is a bilingual country in which Swedish is an official language and the mother tongue of a large number of citizens.

Similarly, DVD users must be careful where they buy their video entertainment because of the zone protection system. The system allows producers to sell different DVD versions of films at different prices on different continents. There are some strategic reasons for them to do so because it allows them to price DVDs to suit local market demand. One problem with this system, however, is that we live in a global world in which some people spend a good deal of time travelling among the regions and might want to purchase and use some of their entertainment along the way. But unless the DVD players and the discs purchase come from the same region, that is not possible.

These types of problems are indicative of some of the difficulties multimedia content creators are having in adjusting to the global digital world. They can be overcome only if multimedia companies give serious thought to consumers and how those customers use their products rather than thinking of them as markets.

The problem occurs because much of global business strategy is based on considering national markets, which are wrapped up in market entry and distribution strategies, as well as legal and financial concerns. For multimedia producers, one must ask whether national markets are the appropriate market definition.

For some media, national boundaries mark the limits of natural markets. Cross-border trade in magazines, for example, is highly limited. Only about 4 % of magazine circulation in the EU crosses a national border and the copies are limited to a few large public affairs magazines distributed to subscribers and single copies primarily consumed by persons travelling or living outside the nation of the periodical's origin.[11]

Globalisation, however, breaks down some national markets for other types of media. Broadcasting, for example, tends to be primarily national and only a few large players are able to effectively operate globally using satellite and cable distribution systems. However, broadcasting programming is highly globalised because of linguistic customisation and worldwide marketing and distribution systems.

Markets for the digital content in software, games, news and information, entertainment, etc. can thus be global but its distribution may need to be national to accommodate local needs and requirements. However, parallel non-national distribution may be necessary to serve the needs of some customers not well served by the national distribution mechanisms.

4. Strategic Dimensions in Multimedia Expansion and Globalisation

In considering multimedia expansion opportunities, companies need to take into account six strategic dimensions: their purpose for the venture, their product strategy, their consumer strategy, their geographic strategy, their organisation strategy, and their financial strategy. If these are ignored before launching a new digital product or service or before expanding internationally, the organisation cannot have clear direction or expectations for the initiative.

The purpose is central to all strategic choices and answers certain basic questions regarding why the company is considering digital content entry. Is it a defensive strategy? Is it intended to provide additional benefits to existing customers? Is it a means of gaining new opportunities for the company? The main purpose will greatly influence the extent to which one devotes effort and resources to the new product or service.

The product strategy dimension is important because it answers questions about what the company wants its product to be. Is it an extension of a current content product? Will it use re-purposed material or create original material? Will it be an extension of an existing product or a completely new content product? The answers to these questions influence the kinds of financing, structures, operations, and staff necessary.

11 Competitiveness of the European Union Publishing Industries (2000).

The target customer is an important strategic dimension and the question of who the company expects to be the customers for the multimedia content must be examined. Is the product a new one for current customers or is it intended for a new group of customers? The answer to this question determines the extent to which current content can be re-purposed and the extent to which new and different types of content must be created.

Similarly, geography is a strategic dimension that needs to be assessed and the company needs to ask realistic questions about where the customers for the digital content will be located. Are they to come from specific geographic areas or from regional or an indistinct global geographic markets? The answers help dictate structure, operational, and content requirements.

Companies also need to address questions of how the new operations will fit into their organisation. How will current and expanded digital activities be structured? Will they be part of the existing organisation or operate in a separate organisation? Will each product support the other or will they be independent and unrelated? The responses here are important in identifying financial, structural, and operational needs.

Finally, companies need to answer questions about their financial strategy. How much are they willing to spend on infrastructure and systems and operating costs? What is the length of commitment they are willing to make to the new initiative, and what kind of requirements for break even or profitability will they place on the activity?

These various strategy elements must be co-ordinated or conflicts will easily arise that doom the initiative. For example, a completely new product will require more investment than a product extension. Finding new customers in a new geographic area will require alterations to the organisational structure. Merely defending markets against potential entrants may be a short-term strategy that requires little long-term commitment.

Companies in all media sectors are struggling to respond to the multimedia opportunities and how they can be integrated into their activities. Newspapers, for example, are trying to discover how they can use cross-platform and worldwide operations to gain added value from their content.[12] Magazines are trying to find means of extending their brands and customer content,[13] and audio recording firms are struggling to respond to digital distribution challenges.[14]

The strategies for doing so will differ depending upon the multimedia sector and the company and they will employ different methods as they expand into the global market.

12 Quinn (2002).

13 Bunting (1997).

14 Haring (2000).

5. Methods of Globalising Multimedia Activities

A variety of methods for globalizing activities exist, including direct exports, product licensing, format licensing, joint ventures, and direct foreign investment.

Direct export involves sending a product that is produced in one country to another country for sale. In this form of export the producer acts as its own exporter or contracts with an exporter for the task. A British producer of video games, for example, might produce and physically export the game to Australia or take a virtual export approach using electronic commerce and digital downloads to sell to Australian consumers.

Another form of internationalisation that often occurs in the magazine, book, audio, game, and software industries involves firms in one country selling licenses to companies in another country to produce copies of the material or to translate it and then produce a domestic-language edition. The producer of a hotel management software product in the Netherlands, for example, might sell a license to a Hong Kong software company to translate and market it to Chinese-language markets.

Format licensing involves selling the rights to use an established format to another. This reduces the amount of time and effort necessary to develop a format. An online retailer in the U.S., for example, might sell the rights to use the name and format of the site to a retailer in France who wishes to create a domestic version there.

A mechanism increasingly seen in multimedia internationalisation is joint ventures. These have been common for many years in the magazine publishing and television programming industries, but are increasing in online content and software industries. They are advantageous because they reduce risk, investment cost, and the need to expand staff. An example of such a venture may be a newspaper company and a telephone company providing mobile content together, based on the core competencies that both bring to the venture.

Direct foreign investment is a type of globalisation that occurs when a firm internationalises by purchasing an existing company in another nation as its mode of entry or by establishing a subsidiary firm in that country. A German video producer, for example, could choose to spend money establishing production, distribution, and other business activities in Spain or it could acquire an existing Spanish video company with its local knowledge and existing production and distribution operations and then integrate the two.

The choice of method depends upon the capabilities and needs of companies and the extent to which they are globalising. In some cases, companies combine different methods. Direct foreign investment might be used to enter one market but joint ventures or licensing might be used in other markets.

6. Discussion

There is no single strategy for success in multimedia globalisation because the type of content, value chain requirements, and companies involved differ so widely. Expansion into multiplatform content delivery worldwide also presents different challenges for companies in the different multimedia sectors.

For example, publishing companies expanding into cross-platform content and trying to provide material globally face different problems than audio recording companies whose existing production and global distribution systems are challenged by online sales of audio recordings. Video producers wanting to distribute in new markets face different challenges than game creators.

Because of these differences companies cannot expect that mimicking the strategies of other firms or following them into new markets will bring similar success. Instead companies must individually consider the market conditions for their product or service, assess the market potential, determine their own strategies and operational methods, and make an independent judgement about the opportunities and requirements for globalisation.

Expansion of content activities and markets allows firms to effectively leverage resources and assets, to grow, and to gain competitive and financial advantages. Doing so, however, changes the firm and requires changes in operations. Multimedia expansion and globalisation requires different types of financial structures and partners, additional planning and logistics, new marketing efforts, and a variety of changes in company strategy and organisation. This means that top management must be actively committed to the process, must garner support from divisions and departments throughout the firm, and must maintain the commitment of shareholders.

The benefits of globalisation of multimedia products and services are obvious, but experience shows us that they are not so easily obtained. Success can only come with careful development led by focused managers with clear visions and coherent strategies.

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