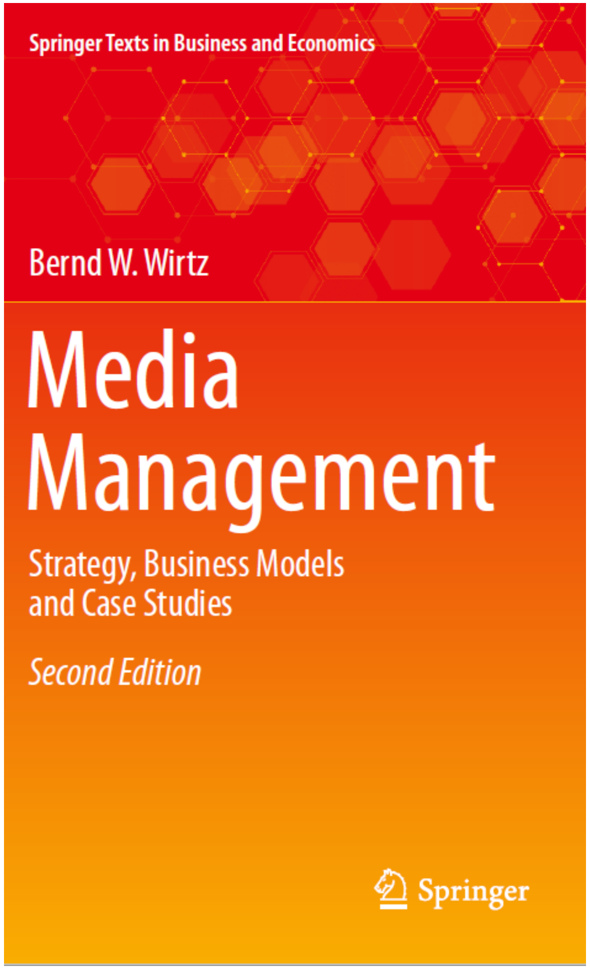

Media Management
Strategy, Business Models and Case Studies
Second Edition

Lecture Material

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Comments*

"Digitalization significantly changes the media. To cope with this change and to exploit new market opportunities is a major challenge for media corporations. Bernd Wirtz provides a valuable guideline for this new world, combining theory, facts, and practice."

Dr. Hubert Burda, Publisher and Managing Corporate Partner of Hubert Burda Media Holding KG (One of the leading Media Companies in Europe)

"The media business is subject to substantial change while differences between distinctive media areas are fading away. This is due to technical innovation in areas like transmittance of content, bearer of content and recording devices but also due to new formats, trends and constant change of consumer behavior." The textbook "Media and Internet Management" stays abreast of changes and covers this topic on a well-founded and comprehensive basis. It makes a valuable contribution to theory and practice in media management and is highly recommendable to media managers."

Christoph Mohn, Chairman of the Supervisory Board, Bertelsmann AG

"The world of media is full of challenges and dynamic conditions for its field. The dynamic of this market is accelerated even more by new digital technologies and ongoing globalization. This book "Medien- und Internetmanagement" is an absolute "must have" for everyone who wants to know more about the basics, conditions and requirements of modern media management.The analytical clearness and structure make this publication highly relevant for students, but also for managers."

Urs Rohner, Chairman of the Board of Directors, Credit Suisse Group AG

"Media Management is a textbook, but a very welcome newcomer for students and teachers as it fills a market gap for good educational material in this rapidly evolving field. It is concise, simple (but not simplistic), and contains a contemporary overview of concepts and tools for media managers. "

Prof. Dr. Bozena I. Mierzejewska, Editor of The International Journal on Media Management, Fordham University, New York

"Summed up, with his second edition Wirtz managed to strengthen the outstanding position of his publication "Medien- und Internetmanagement". His textbook shines because of its content, analytical clearness and the high relevance for business practice without losing its academic background. With the second edition this book has established its position in the field of media business as the leading standard reference book in Germany. It is suitable for business students, lectures as well as managers who can gain magnificent information from it."

Prof. Dr. Wolfgang Fritz, Director of the Institute of Marketing, Braunschweig University of Technology, Germany; Honorary Professor at the Institute of Business Administration, University of Vienna, Austria

**Comments based on German Version*

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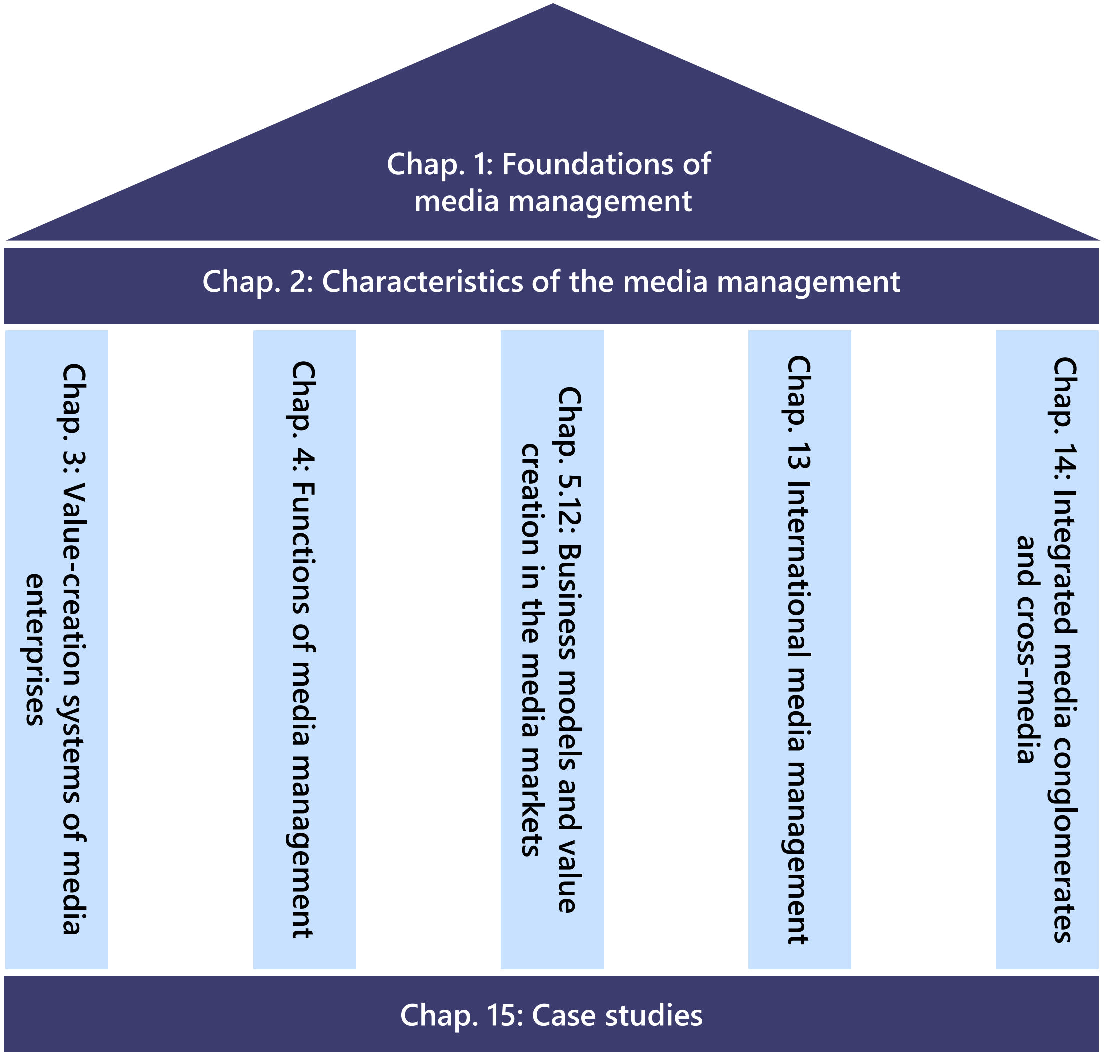
Table of Contents II

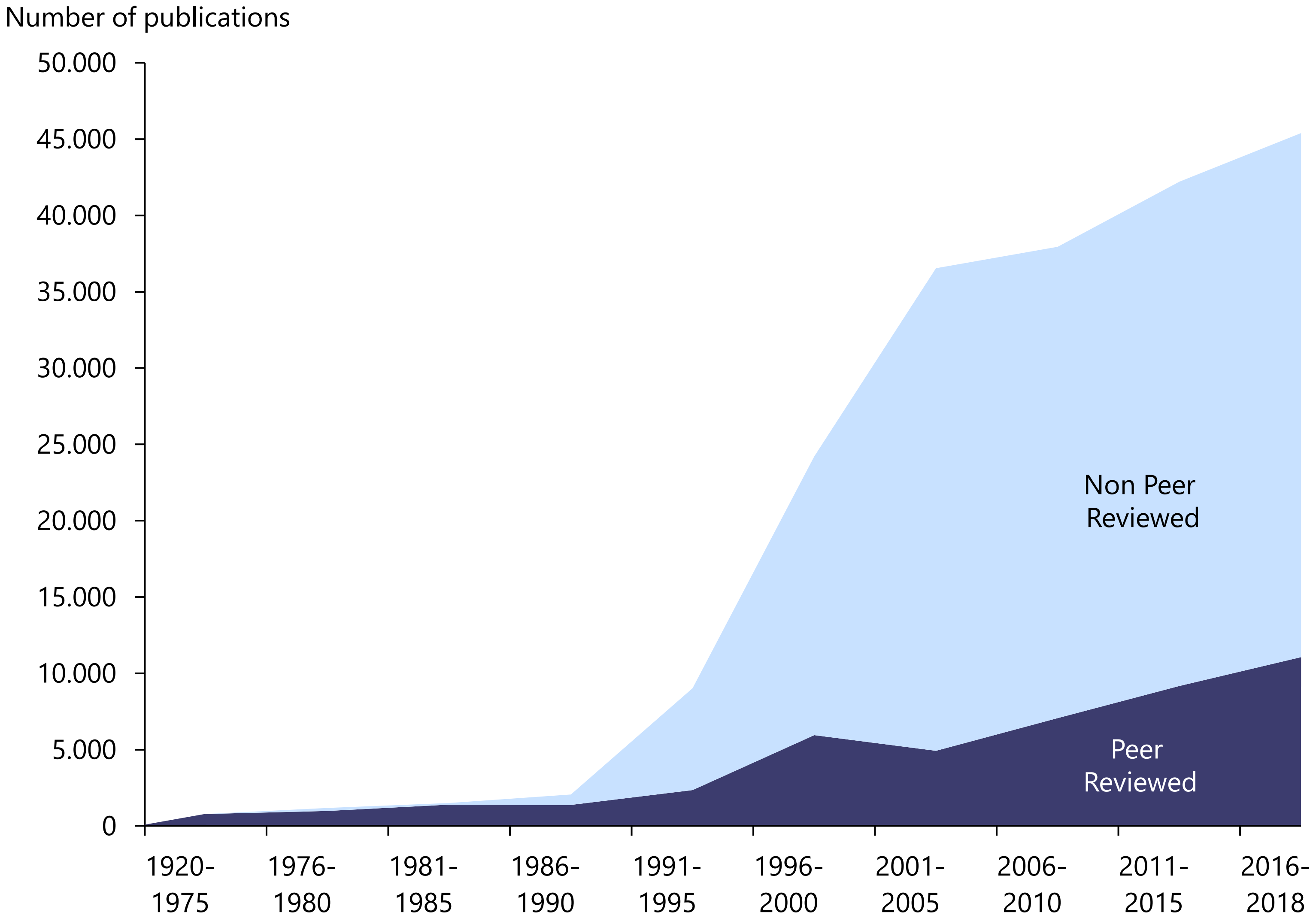
Chapter 1: Foundations of Media Management

Fig. 1.1 The structure of the textbook



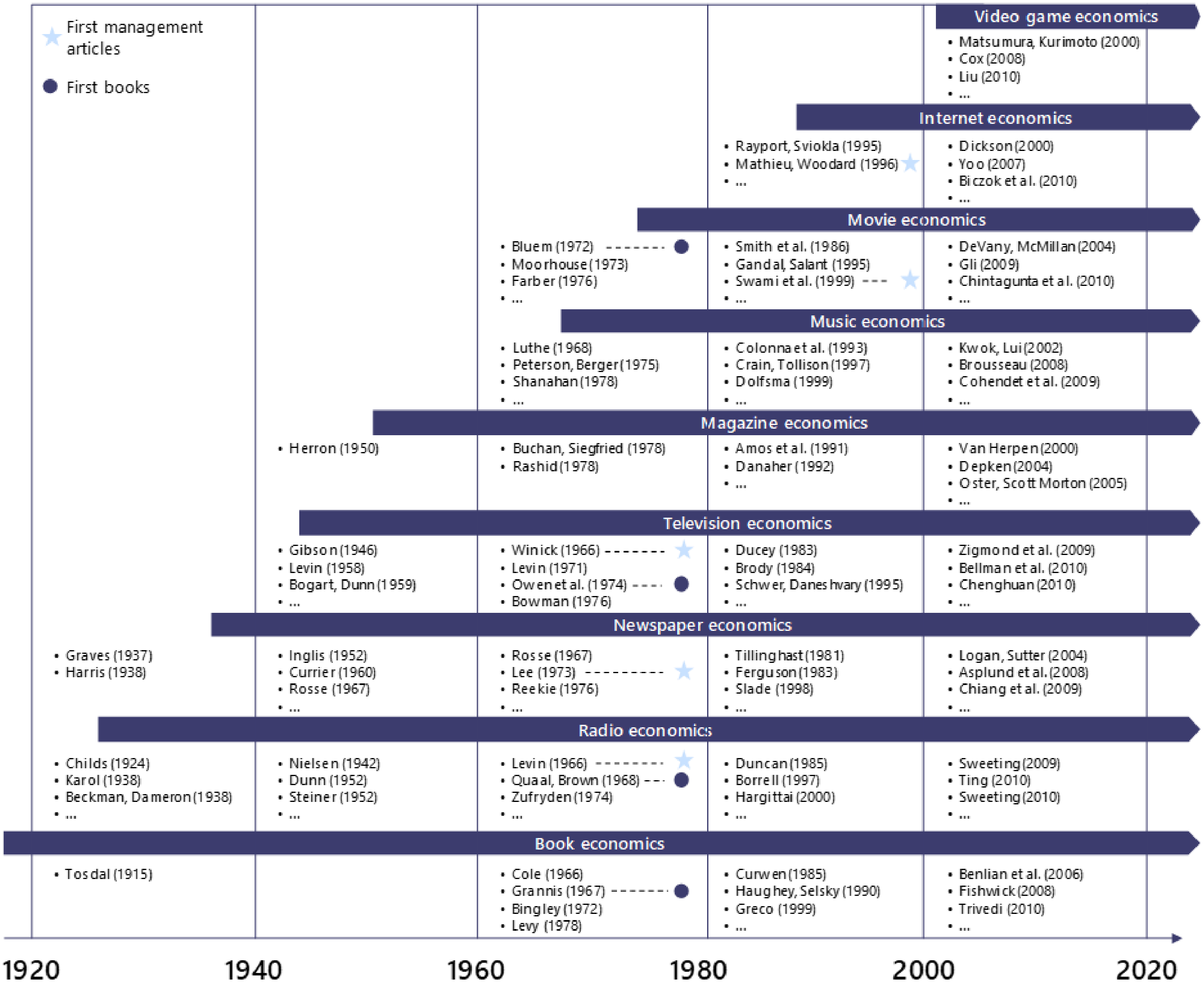
Source: Wirtz (2020)

Fig. 1.2 Number of publications in the field of media management and media economics



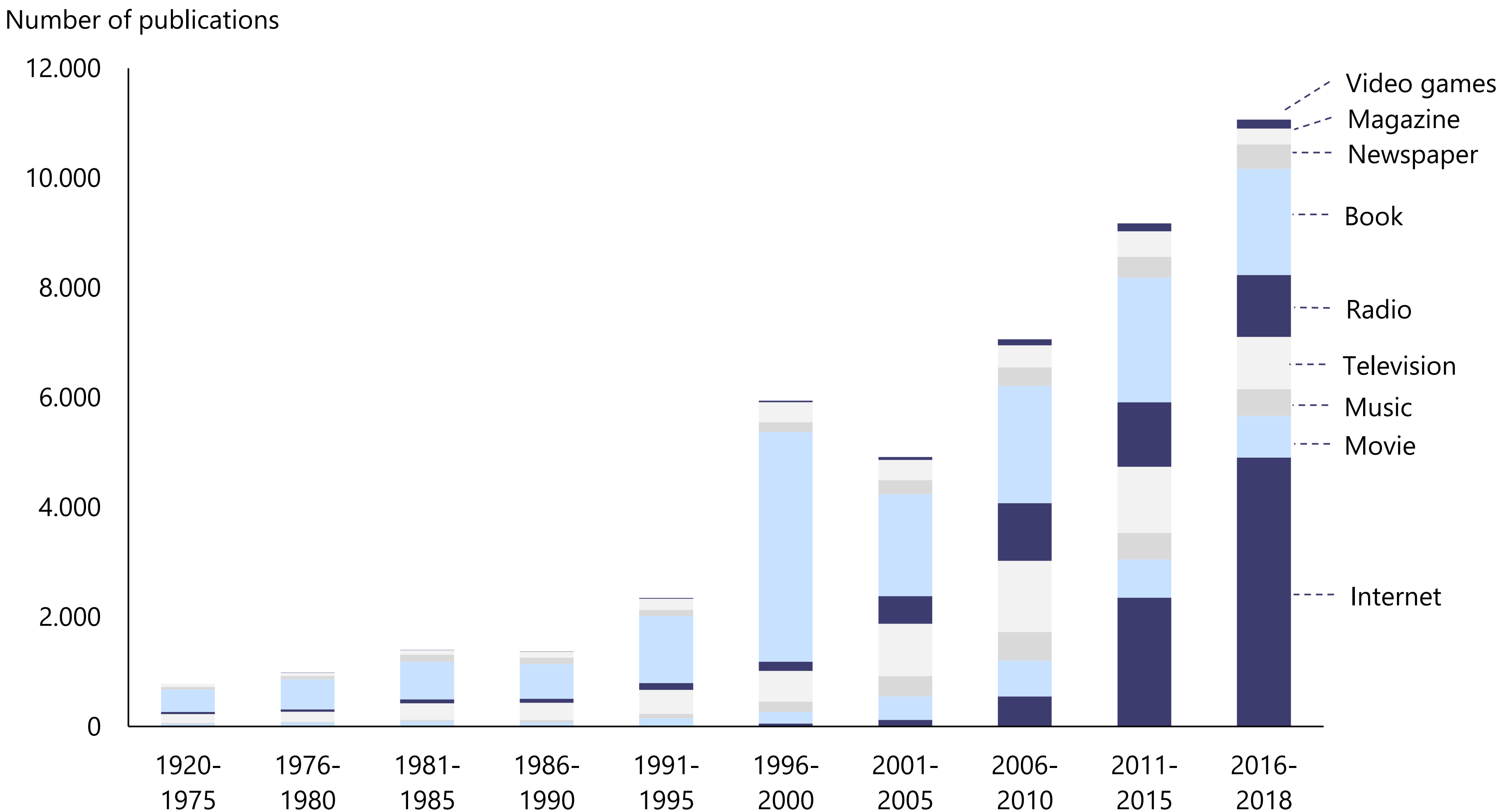
Source: Based on research with the EBSCO Database (05/2019), and Wirtz (2020)

Fig. 1.3 Chronological development of media management and media economics research fields



Source: Wirtz et al. (2013b), and Wirtz (2019b, 2020)

Fig. 1.4 Number of publications in media management/economics (only peer-reviewed articles)



Source: Based on research with the EBSCO Database (05/2019), and Wirtz (2020)

Definition of Media

Definition of Media

Media encompasses all goal-oriented technical means or instruments for the procurement of information in print, visual, or auditory forms, as well as the organizational and institutional entities behind them that generate and provide this information. The information is directed, in a traditional manner, at a broad and public audience (Wirtz 2007).

Source: Wirtz (2020)

Fig. 1.5 Definition of media enterprises

Definition of media enterprises

Media enterprises can be defined as systematically organized economic entities, in which the bundling of internally and externally generated editorial content (informational and/or entertainment-related content), the transfer of content to a storage medium, and direct or indirect distribution is undertaken.

Bundling of internally and externally generated editorial content	Transfer of content to a storage medium	Distribution of content to the recipients
• Compilation of different editorial content aspects and categories (e.g. informational and entertaining content) • This content can be self-created or externally created • There is a demarcation line between editorial and advertising content	• Transferring the content to a storage medium which helps by its distribution • The carrier medium does not necessarily have to be identical to the medium used by the recipient	• Direct transmission or indirect transmission through inter-mediaries or sales support

Main features of the business model of media companies

Examples of media companies

- Radio stations
- TV stations
- Film studios
- Newspaper publishers, Magazine publishers
- Book publishers
- Record producers
- Video and computer game producers
- Internet content provider
- ...

No media companies in the sense of the demarcation criterion

- Printing houses
- Pure retailers of media products
- Logistics suppliers
- Pure network operators
- Storage medium manufacturers
- Independent artists/authors/reporters
- Advertising and media agencies
- Rights agencies
- ...

Source: Wirtz (2007, 2019b, 2020)

Table 1.1 Overview of the definitions of media economics

Author	Definitions of “media economics”
Picard (1989)	“Media Economics is a term employed to refer to the business and financial activities of firms operating in the various media industries. The operations of these firms are undertaken in the context of given market conditions and technological alternatives and their anticipated financial implications. Media Economics is concerned with how the media industries allocate resources to create information and entertainment content to meet the needs of audiences, advertisers and other societal institutions.”
Doyle (2003)	“Media economics combines the study of economics with the study of media. It is concerned with the changing economic forces that direct and constrain the choices of managers, practitioners and other decision-makers across the media.”
Albarran (2010)	„Media Economics is the study of how media industries use scarce re-sources to produce content that is distributed among consumers in a society to satisfy various wants and needs.”

Source: Wirtz (2020)

Table 1.2 Definitions of “media management”

Author	Definitions of “media management”
Sherman (1995)	“Media Management consists of (1) the ability to supervise and motivate employees and (2) the ability to operate facilities and resources in a cost-effective (profitable) manner.”
Küng (2008)	“The core task of media management is to build a bridge between the general theoretical disciplines of management and the specifics of the media industry.”
Albarran (2010)	“The changing nature of the communication industries precludes the adoption of a universal theory of electronic media management. The complex day-to-day challenges associated with managing a radio, television, cable, or telecommunications facility make identifying or suggesting a central theory impossible.”

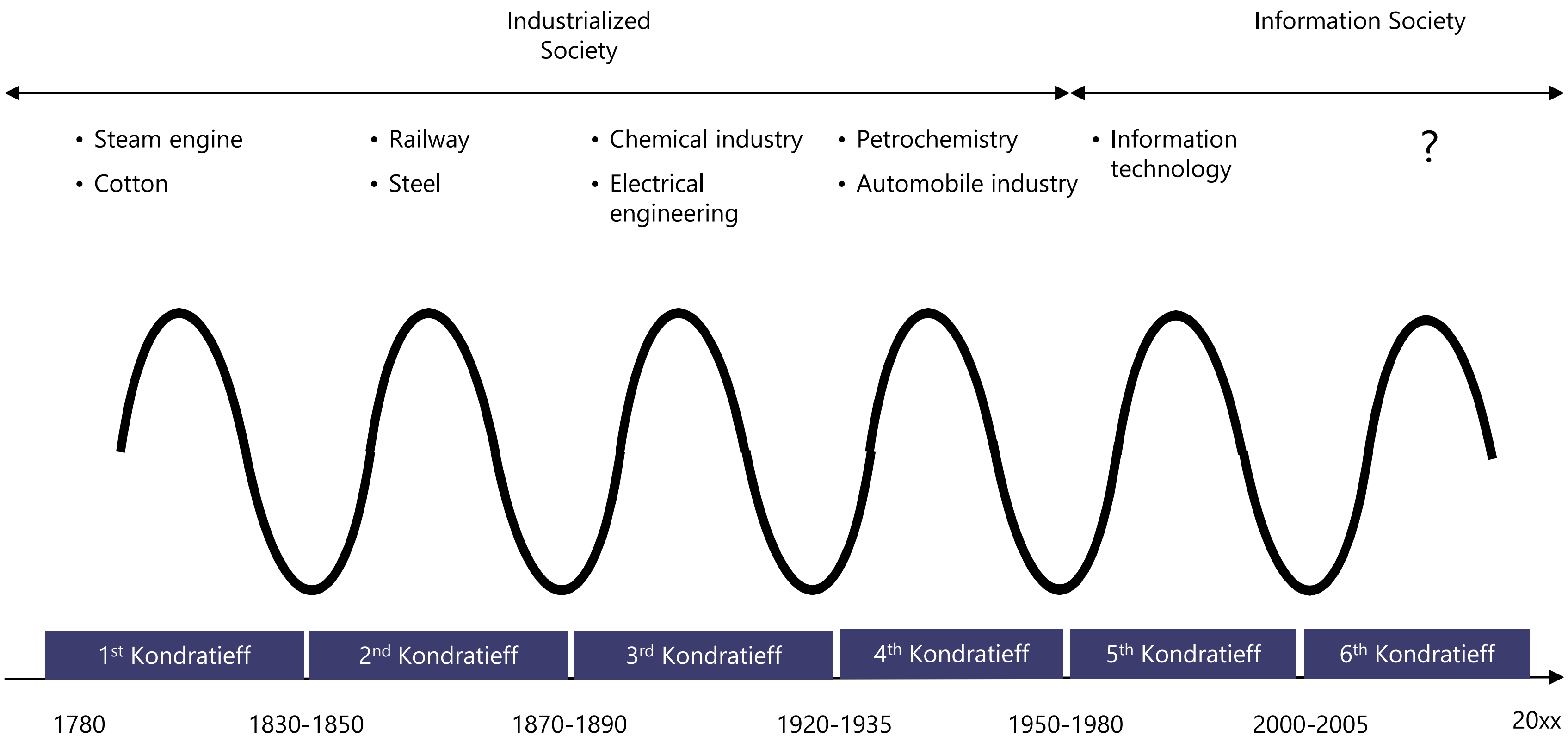
Source: Wirtz (2020)

Definition of Media Management

Definition of Media Management
Media management encompasses all the goal-oriented activities of planning, organization, and control within the framework of the creation and distribution of information or entertainment content in media enterprises (Wirtz 2000c).

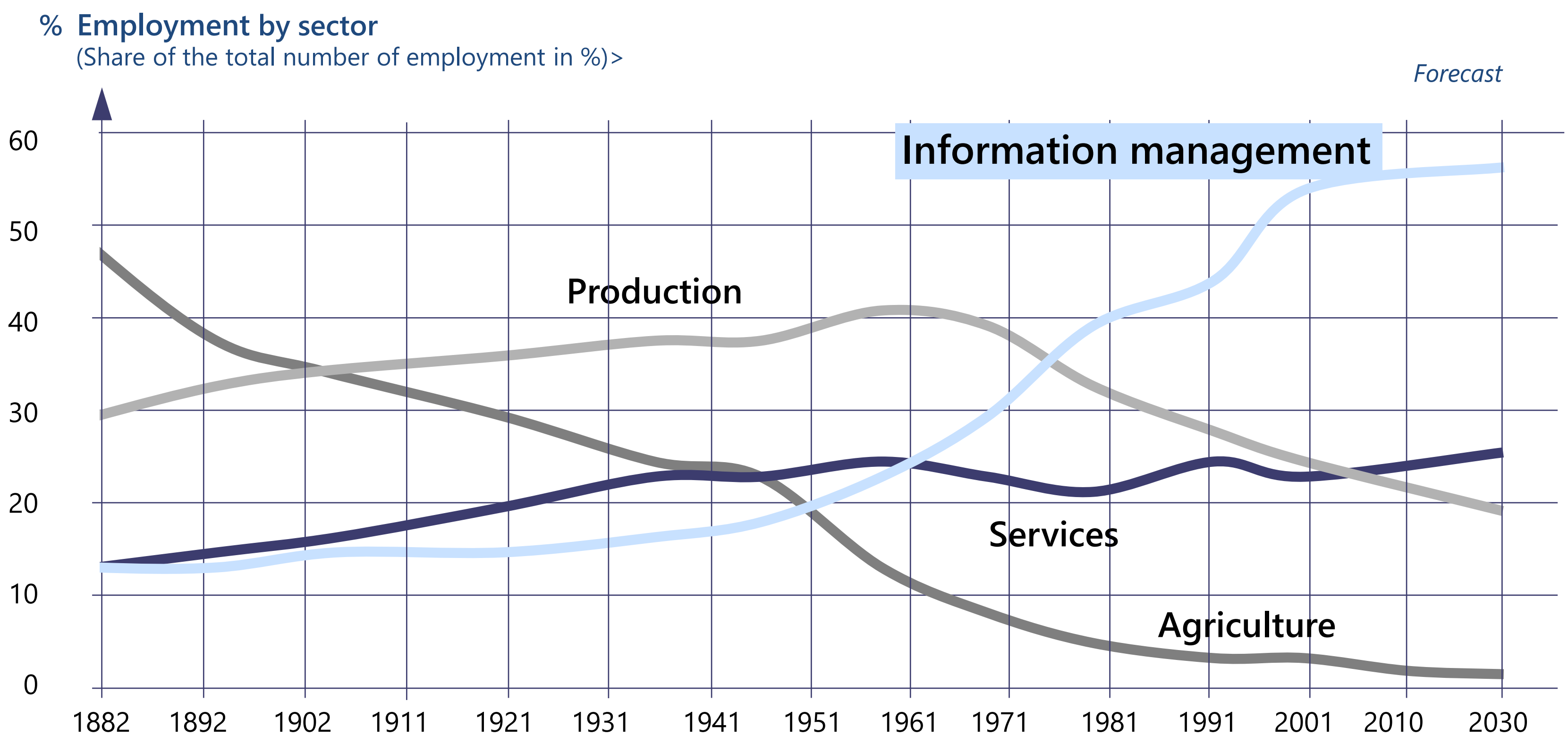
Source: Wirtz (2020)

Fig. 1.6 The development of a technological revolution



Source: Based on Nefiodow (2006), and Wirtz (2019a, 2020)

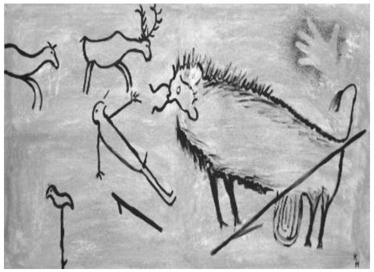
Fig. 1.7 Evolution of the information society in Germany



Source: Based on Dostal (2006); Data source: Statistisches Bundesamt (2018) and previous records, Wirtz (2019b, 2020)

Fig. 1.8 Development of media and communication applications (prehistory to Middle Ages)

Development of media and communication applications (prehistory to Middle Ages)



In the Stone Age, messages are left in the form of cave-paintings

The Egyptians first use papyrus as writing material – papyrus served as writing material till the 5th century A.D.

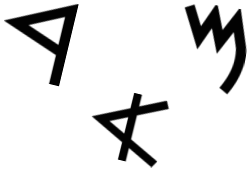
In Greece, the first basic books are manufactured in the codex form which is common today

Structured collection of knowledge in libraries, e.g. the library of Alexandria or the Celsus library in Ephesos

30,000 B.C. | 3,000 B.C. | 2,500 B.C. | 1,500 B.C. | 300 B.C. | 285 B.C. till 1,400 A.D.

About 3,000 years B.C., the first writing systems develop, e.g. the cuneiform writing in Mesopotamia or the hieroglyphs in Egypt

The Phoenicians develop the Phoenician writing in the Eastern Mediterranean area



In the Middle Ages, writers and monks transcribe books in order to duplicate them

Source: Wirtz (2013a, 2019b, 2020)

Fig. 1.9 Development of media and communication applications (1450 to 1929)

Development of media and communication applications (1450 to 1929)

Johannes Gutenberg invents the printing press with flexible metal letters

Denis de Sallo publicizes the first magazine in the world, the "Journal des Sçavans"

Rasmus Malling-Hansen invents the first typewriter which is ready for serial production

Louis Le Prince presents the first motion picture film named "Roundhay Garden Scene"

First acceptable transmission of a picture via fax machine by Arthur Korn

First feature-length sound film directed by Alan Crosland

1450 | 1605 | 1665 | 1861 | 1865 | 1887 | 1888 | 1895 | 1904 | 1906 | 1927 | 1929

Johann Carolus founds the world's first newspaper called "Relation"

Invention of the telephone and setup of the first functioning voice com-munication by Philipp Reis

Emil Berliner invents the gramophone and the disk record

Invention of the technical basics of the radio by Nikola Tesla, Guglielmo Marconi, Alexander Popow

Reginald Fessenden broadcasts the first radio program from Brant Rock

Broadcast of the first TV show by the BBC

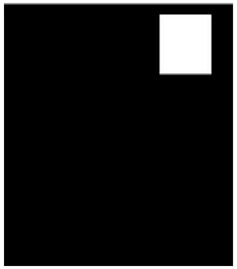
Source: Wirtz (2013a, 2019b, 2020)

Fig. 1.10 Development of media and communication applications (1931 to 1985)

Development of media and communication applications (1931 to 1985)

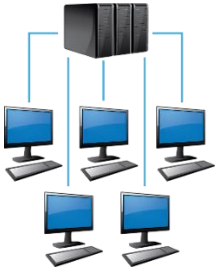
Eduard Schüller invents the first functioning tape recorder

Launch of the first worldwide mobile communications network in the USA



A. Sandy Douglas develops the first graphical computer game

Philips presents the tape cassette and the related tape recorder



Paul Baran and Donald Watts Davies develop the first decentralized network called ARPANET

Philips und Sony launch the CD and the CD player

1935 | 1941 | 1946 | 1951 | 1952 | 1953 | 1963 | 1967 | 1969 | 1981 | 1982 | 1985

Konrad Zuse creates the first fully automatic, program-controlled and freely programmable computer

Charles Ginsberg develops the first functioning video recorder

Launch of the color TV in the United States

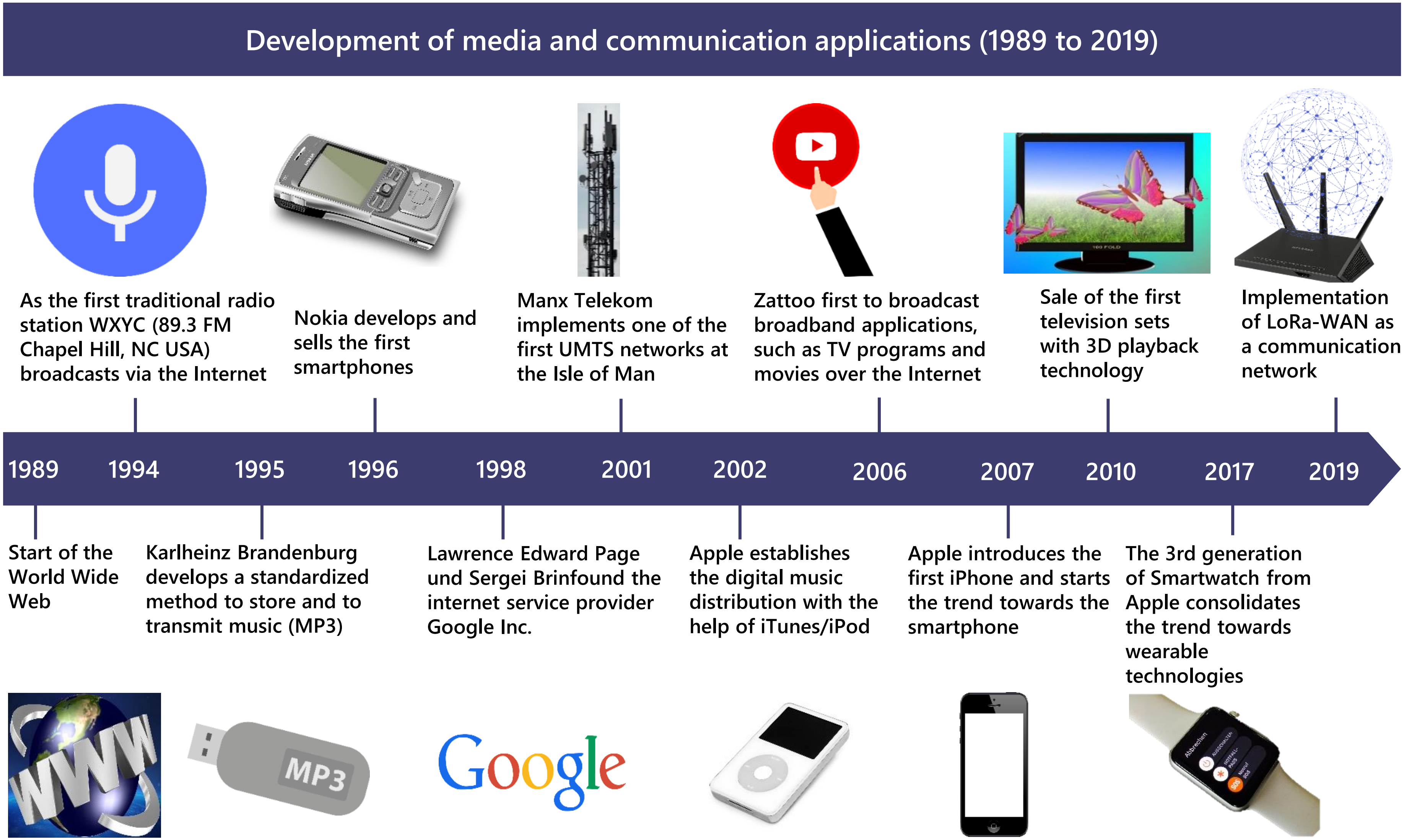
Ralph Bear develops the first game console called Magnavox Odyssey

Presentation of the first "personal computer" by IBM

Microsoft releases Windows 1.0

Source: Wirtz (2013a, 2019b, 2020)

Fig. 1.11 Development of media and communication applications (1986 to 2019)



Source: Wirtz (2013a, 2019b, 2020)

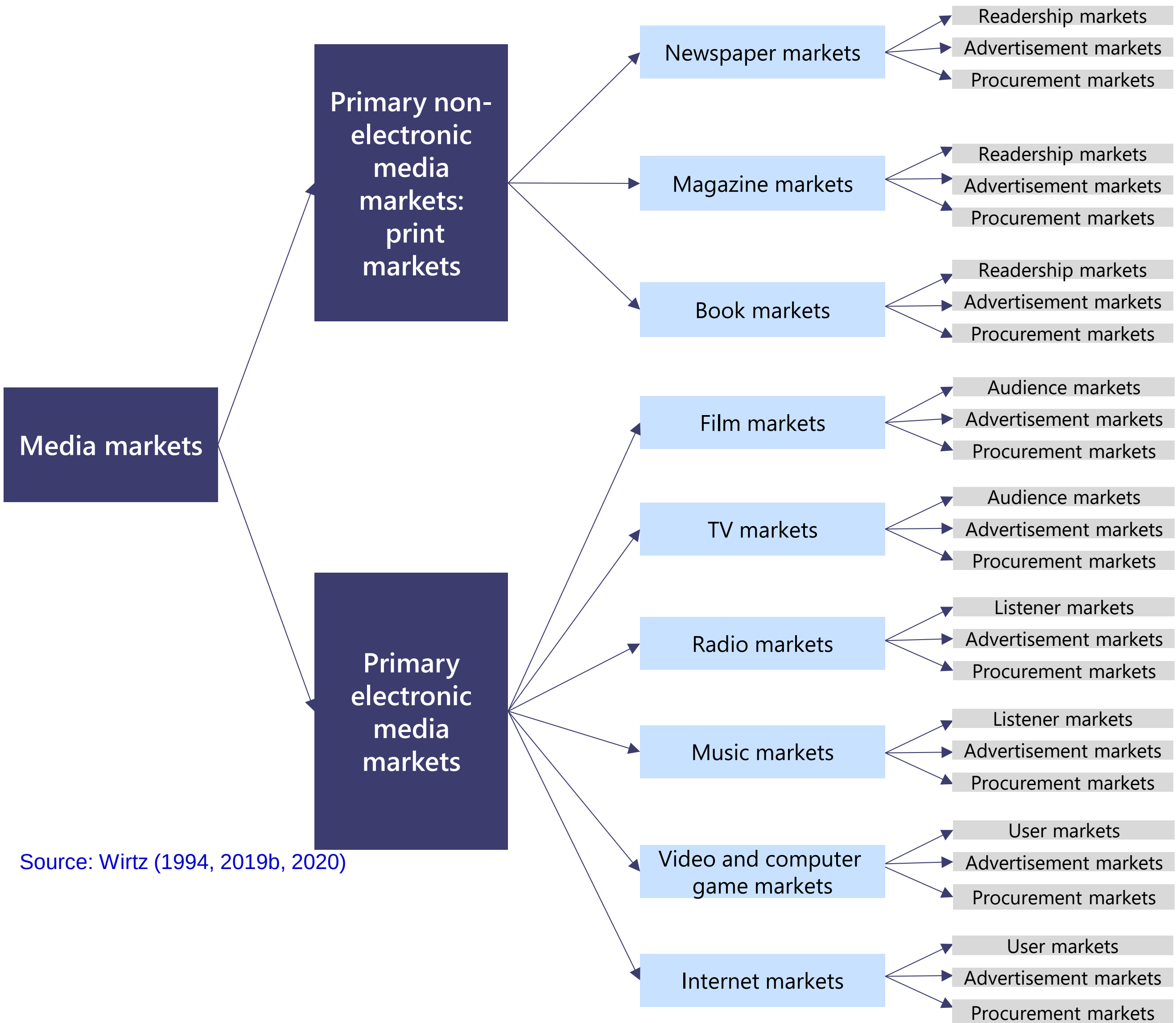
Knowledge review questions

1. Name four development stages of media and communication applications in the time 1931 to 1985!
2. How does the traditional use of the media differ from media use in the age of the Internet?
3. What are the characteristics of media enterprises?

Source: Wirtz (2020)

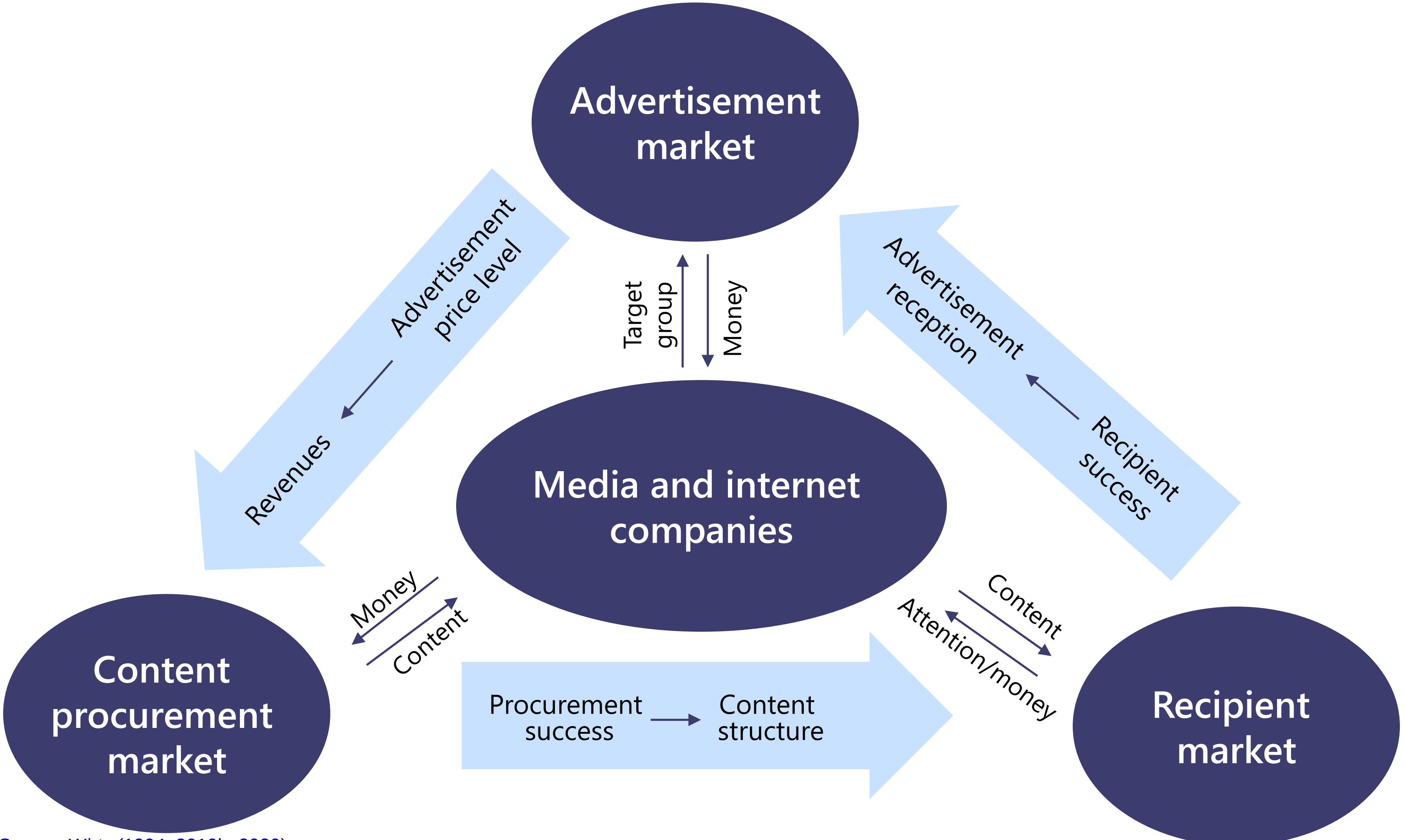
Chapter 2: Characteristics of Media Management

Fig. 2.1 Market Definition in the Media Sector



Source: Wirtz (1994, 2019b, 2020)

Fig. 2.2 Interdependencies in the media market



Source: Wirtz (1994, 2019b, 2020)

Fig. 2.3 The four dimensions of competition among media enterprises

Dimensions of competition among media enterprises

1st dimension: economic vs. journalistic competition

- The economic competition is expressed by quantitative success standards (e. g. profit, market share, sales and turnover figures)
- The journalistic competition is expressed by qualitative success standards (e. g. currency and quality of information, diversity of opinion)

2nd dimension: multimarket competition

- Submarket-specific view of the competition of media enterprises (recipient markets, advertisement markets, procurement markets)
- Recipient markets are particularly important for media enterprises because of its high share of revenue and therefore the influence on the success on the advertisement markets is high

3rd dimension: intermediary vs. intramediary competition

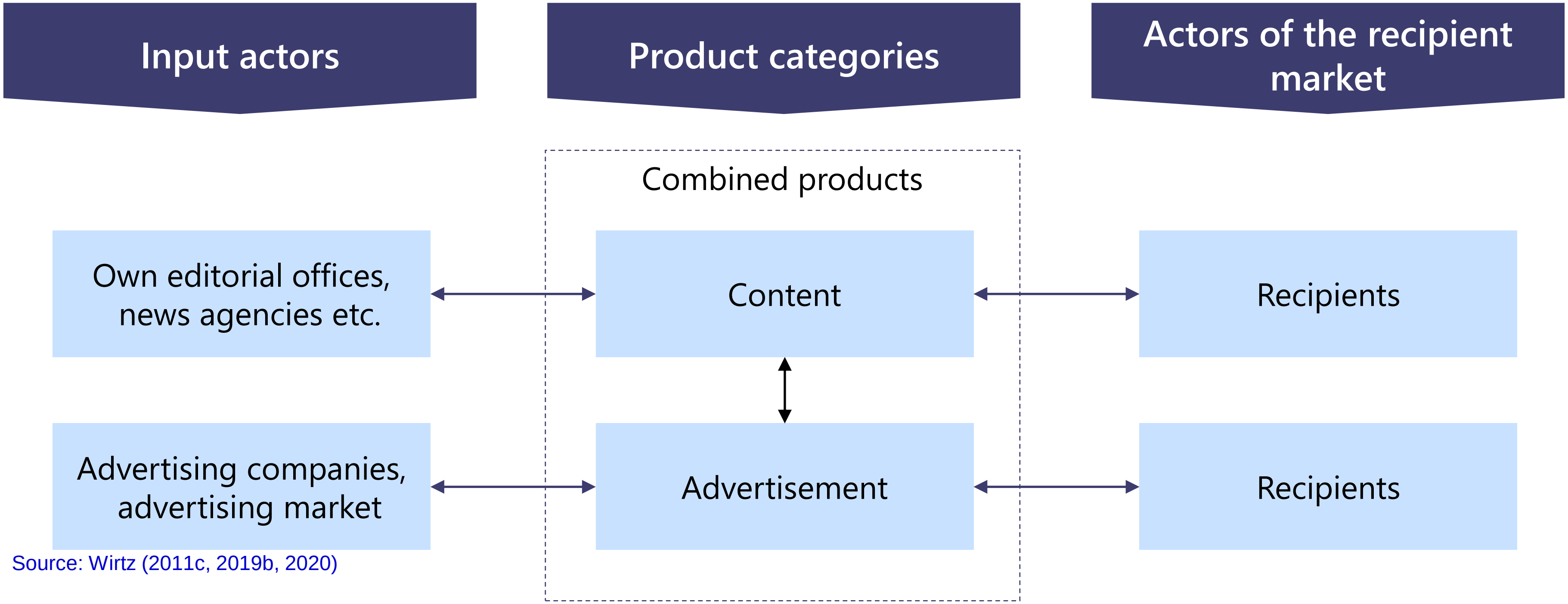
- The intermediary competition describes the competition of media types, whereby the intensity of competition depends on the inter-changeability of the particular media types
- The intramediary competition describes the competition of different products of a media category on all relevant markets

4th dimension: components of demand competition

- Relevant for the consumer markets only
- There is a competition about the expenses for the purchase of media products, about the time budget and about the recipients' attention
- Thereby, the opportunity costs of the recipients should especially be considered

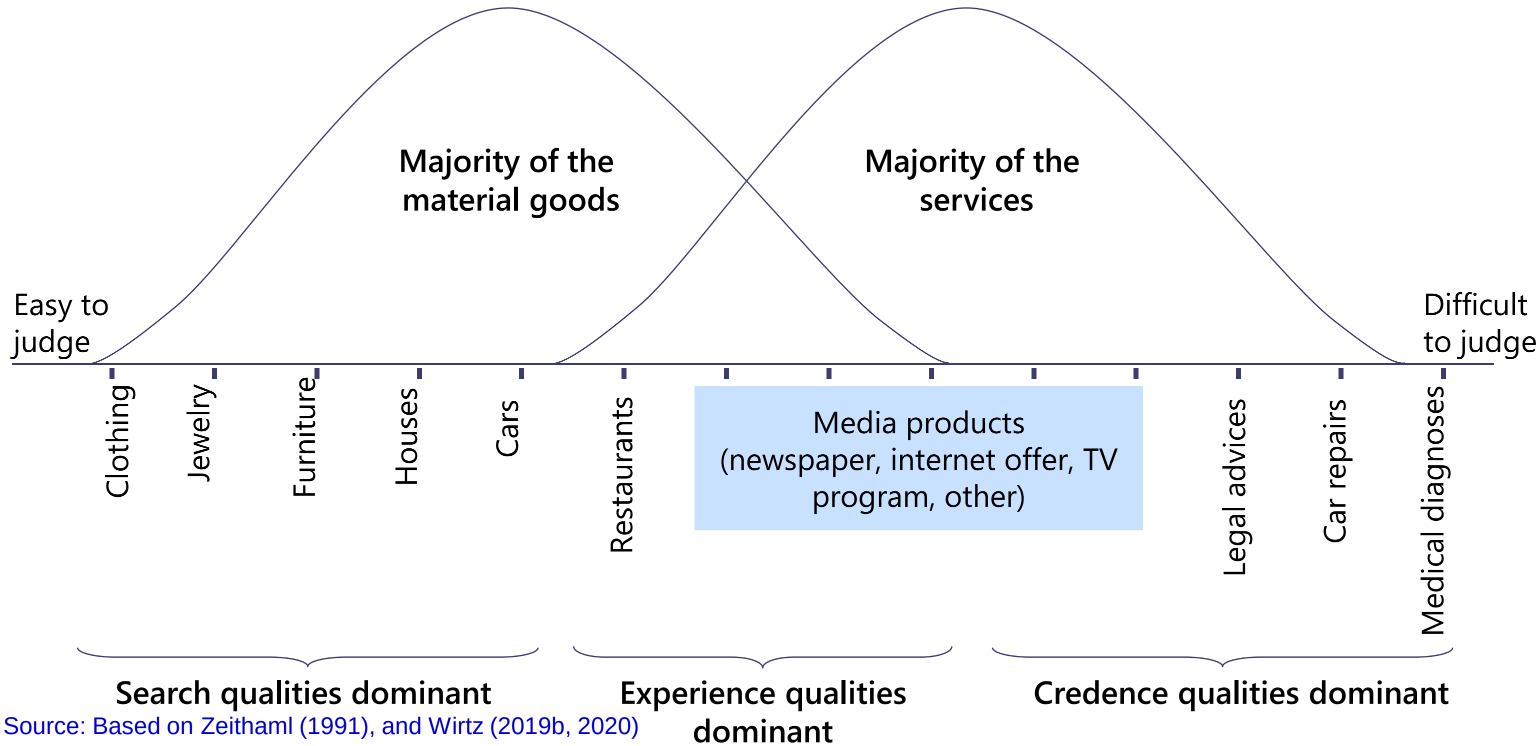
Source: Wirtz (2011c, 2019b, 2020)

Fig. 2.4 Media products as combined products



Source: Wirtz (2011c, 2019b, 2020)

Fig. 2.5 Quality assessment of tangible assets and services



Source: Based on Zeithaml (1991), and Wirtz (2019b, 2020)

Fig. 2.6 Product specifications of media products

Product specifications of media products

Media products as combined products

- Media revenues are made up of sales revenues and advertising revenues
- The service on the advertise-ment market cannot be performed independently from the service on the recipient market
- Both service components have to be combined within a final product

Media products as public goods

- Non-exclusivity of consume: no recipient can be restrained of using public goods, the use is free
- Non-rivalry concerning the consume: a recipient's consume does not limit the other recipients' consume

Media products as services

- Media products fulfill the constitutive characteristics of intangible services at the time of production
- These services are called refined services because most of the media companies consider a storage on a carrier medium as necessary

Media products as meritoric goods

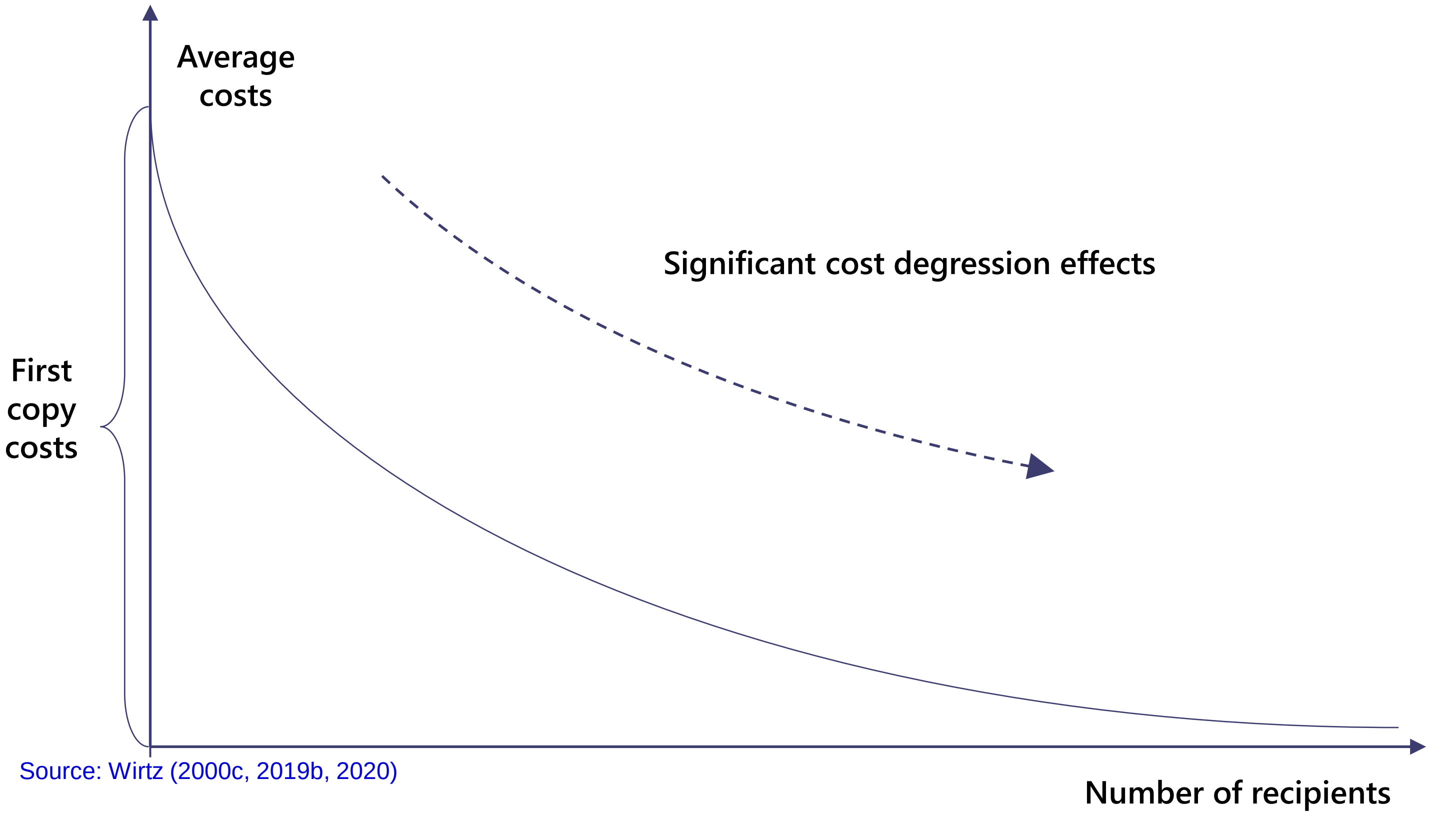
- Meritoric goods are characterized by a lower demand as socially desired
- The demand has to be adjusted with the help of subsidization or compulsion to buy (e. g. lower VAT on print products)

Quality of media products

- The influence of the management on the quality of media products is limited because the media production normally is a creative process which is difficult to standardize
- Quality features from the recipient's point of view are: search qualities, experience qualities and credence qualities

Source: Wirtz (2011c, 2019b, 2020)

Fig. 2.7 Economies of scale by means of first copy costs



Source: Wirtz (2000c, 2019b, 2020)

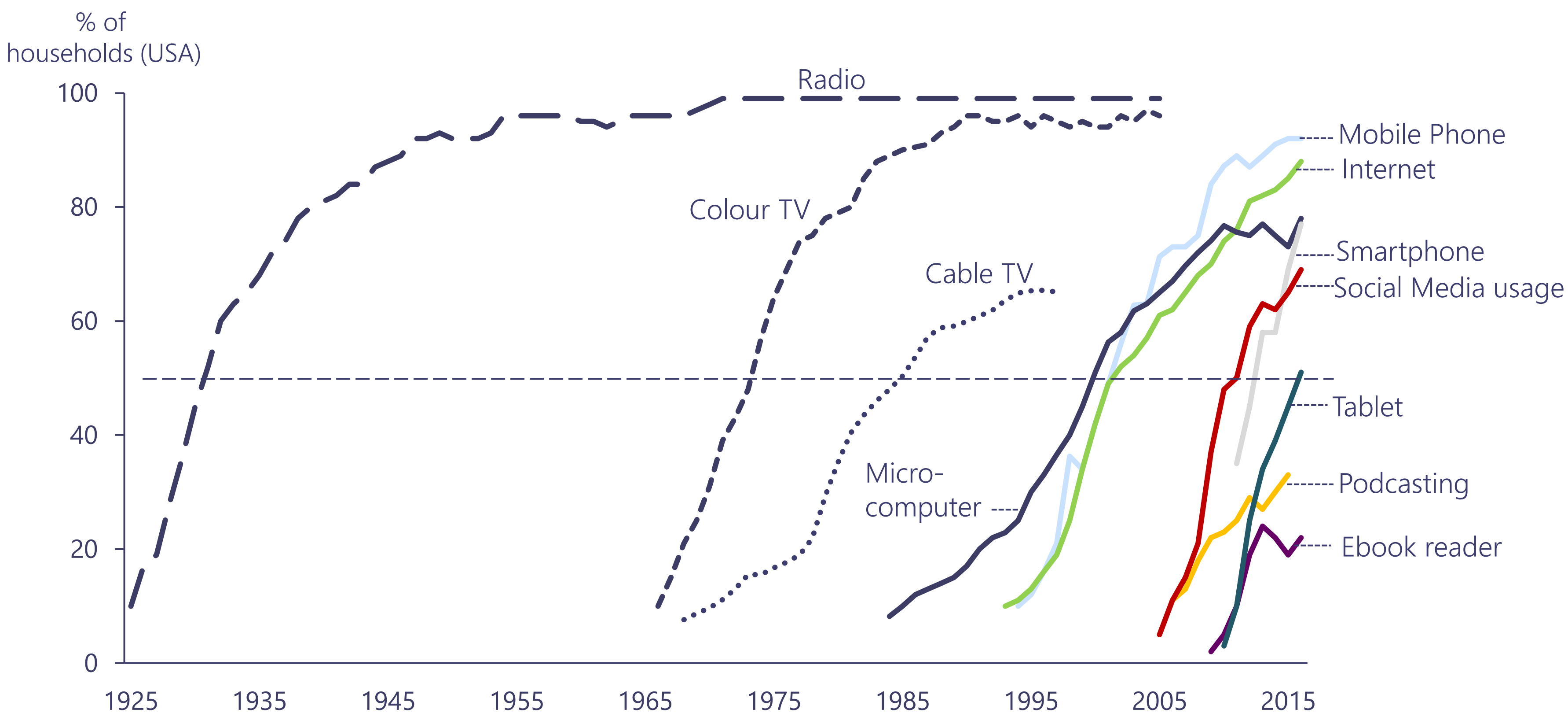
Fig. 2.8 Overview of market entry barriers

Market entry barriers

Structural market entry barriers	Strategical market entry barriers	Institutional market entry barriers
• Structural market entry barriers arise from the pro-duct characteristics and the media production process • Economies of scale and network effects, exchange costs, increasing returns and the spiral effect belong to structural market entry bar-riers in the media economy	• Strategical market entry barriers are used by the market participants to com-plicate resp. to prevent the entrance of new suppliers in the existing market • In the media branch, market participants can strengthen existing barriers, signal/ implement retaliations resp. react accordingly if a new market participant appears (e. g. price war or quality reduction)	• Entry barriers justified by legislative or administrative measures: in particular tariff and non-tariff trade barriers • Institutional market entry barriers in the media branch can be located especially in the TV and radio sector (e. g. state-controlled issuing of broadcasting licensing or the fee financing of the public service broadcasting in different nations)

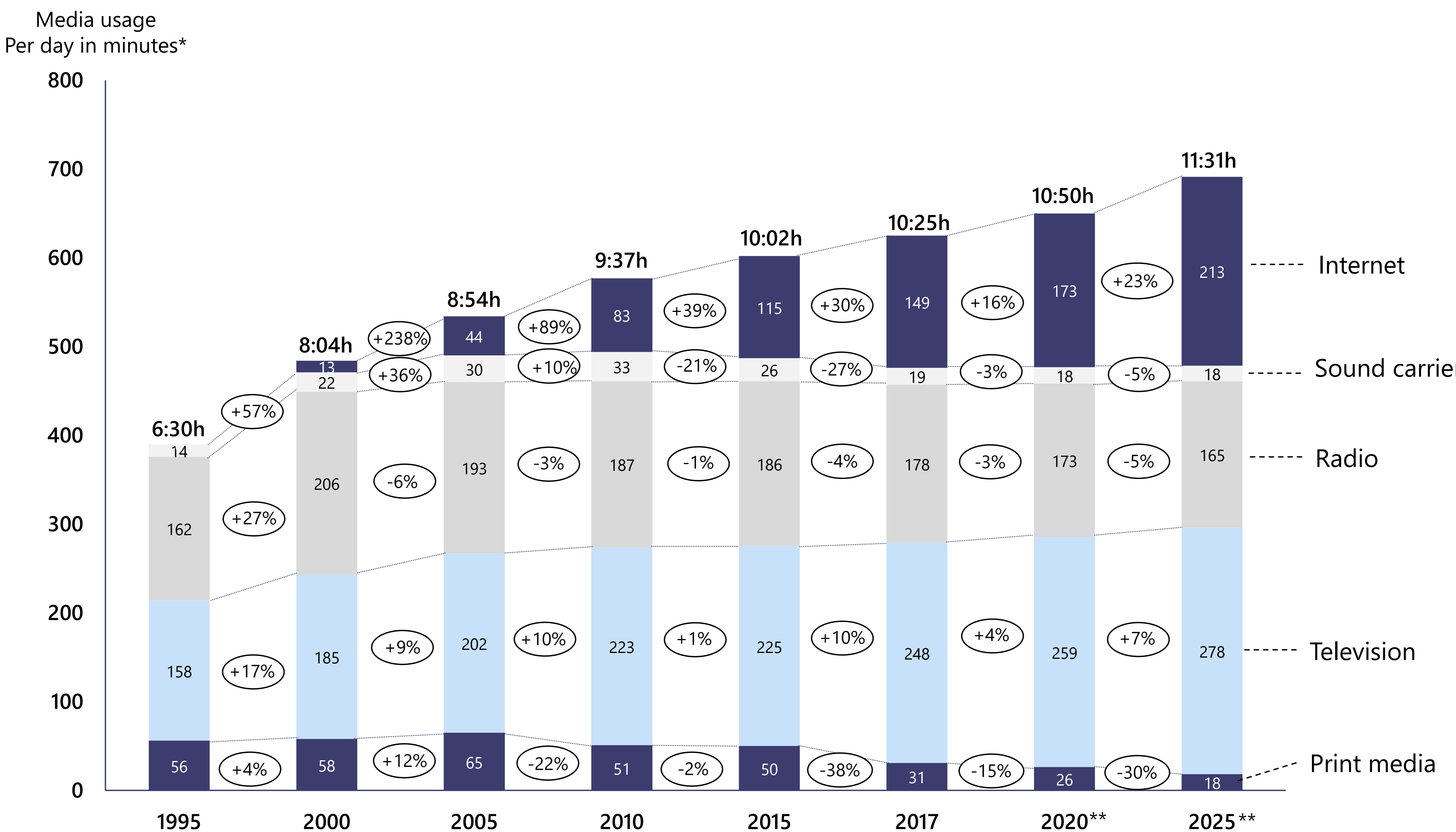
Source: Wirtz (2011c, 2019b, 2020)

Fig. 2.9 Development of information and communication technology in the United States



Data source: Ritchie and Roser (2019), and Wirtz (2020)

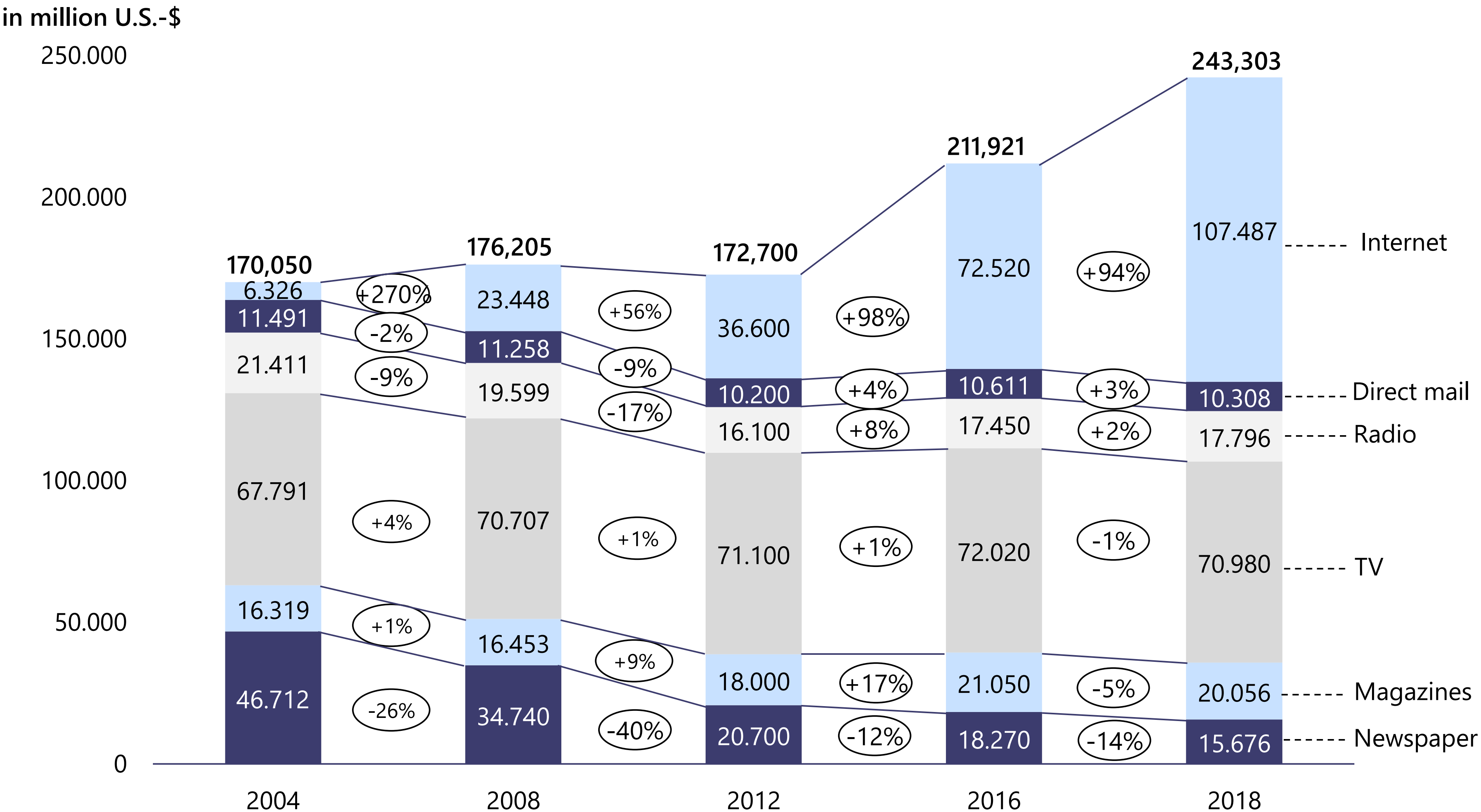
Fig. 2.10 Amount of time spent on various media from 1995 to 2025 in Germany



* From the age of 14 up, Monday to Sunday in Germany ** Forecast

Data source: Wirtz et al. (2006a), ARD (2016), Mediendaten Südwest (2015), Verband Privater Rundfunk und Telemedien e.V. (2017), and Wirtz (2019b, 2020)

Fig. 2.11 US advertising revenue by medium



Data source: Business Insider (2010), PWC (2013, 2017, 2019), US Census Bureau (2019), and on the basis of own analyses and estimates, Wirtz (2020)

Fig. 2.12 Convergence in the information and communication sector

Determinants of the convergence development

Technological innovations

- Digitalization
- Higher broadcast capacity
- Intelligent network structures

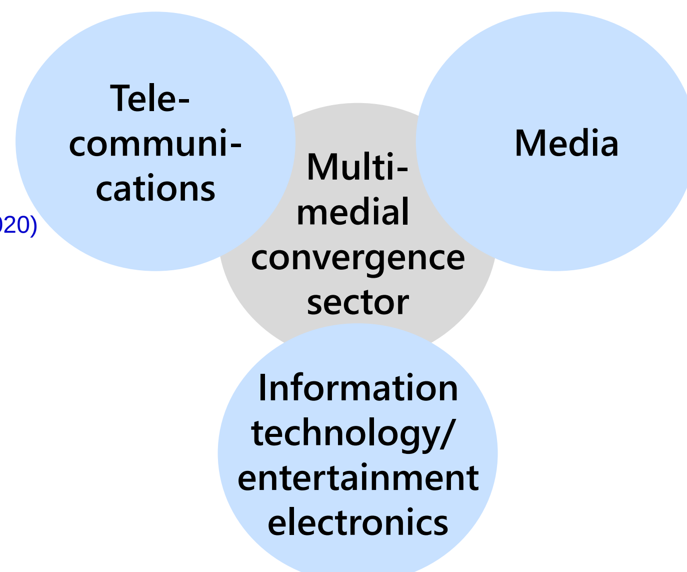
Market deregulation

- New competitors
- Cross-sectoral competition
- Continuous deregulation

Change of the user preferences

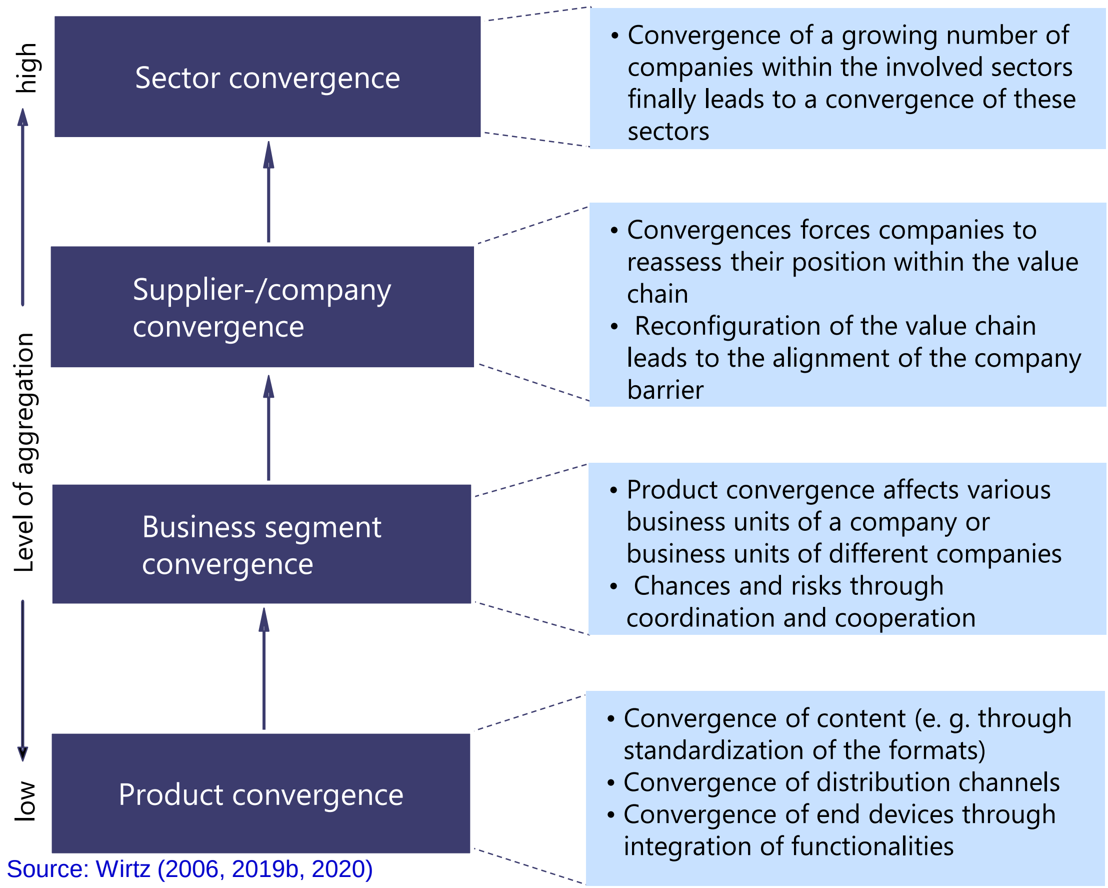
- Individualization of customer relations
- Systemic solutions
- Social Media and social Networking

Sectoral convergence



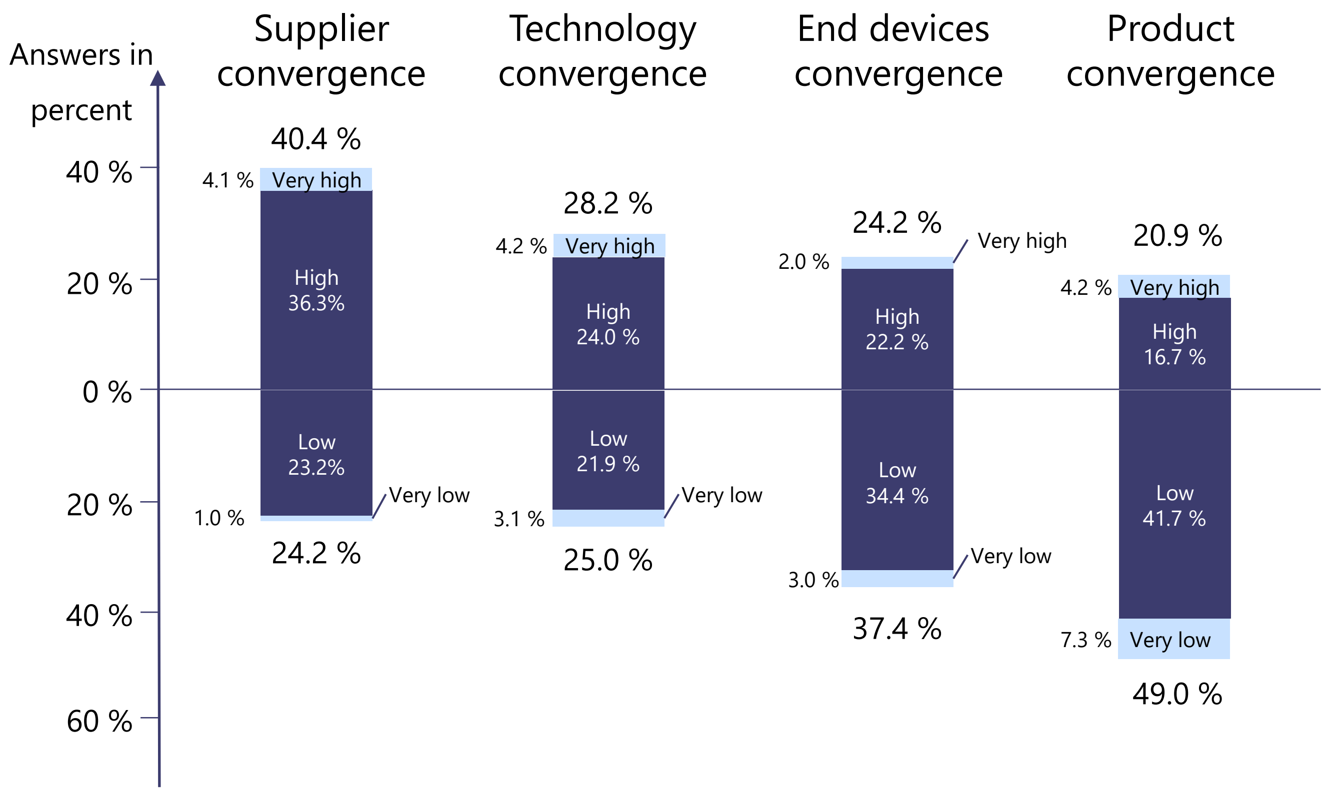
Source: Wirtz (2000c, 2019b, 2020)

Fig. 2.13 Four-level convergence model



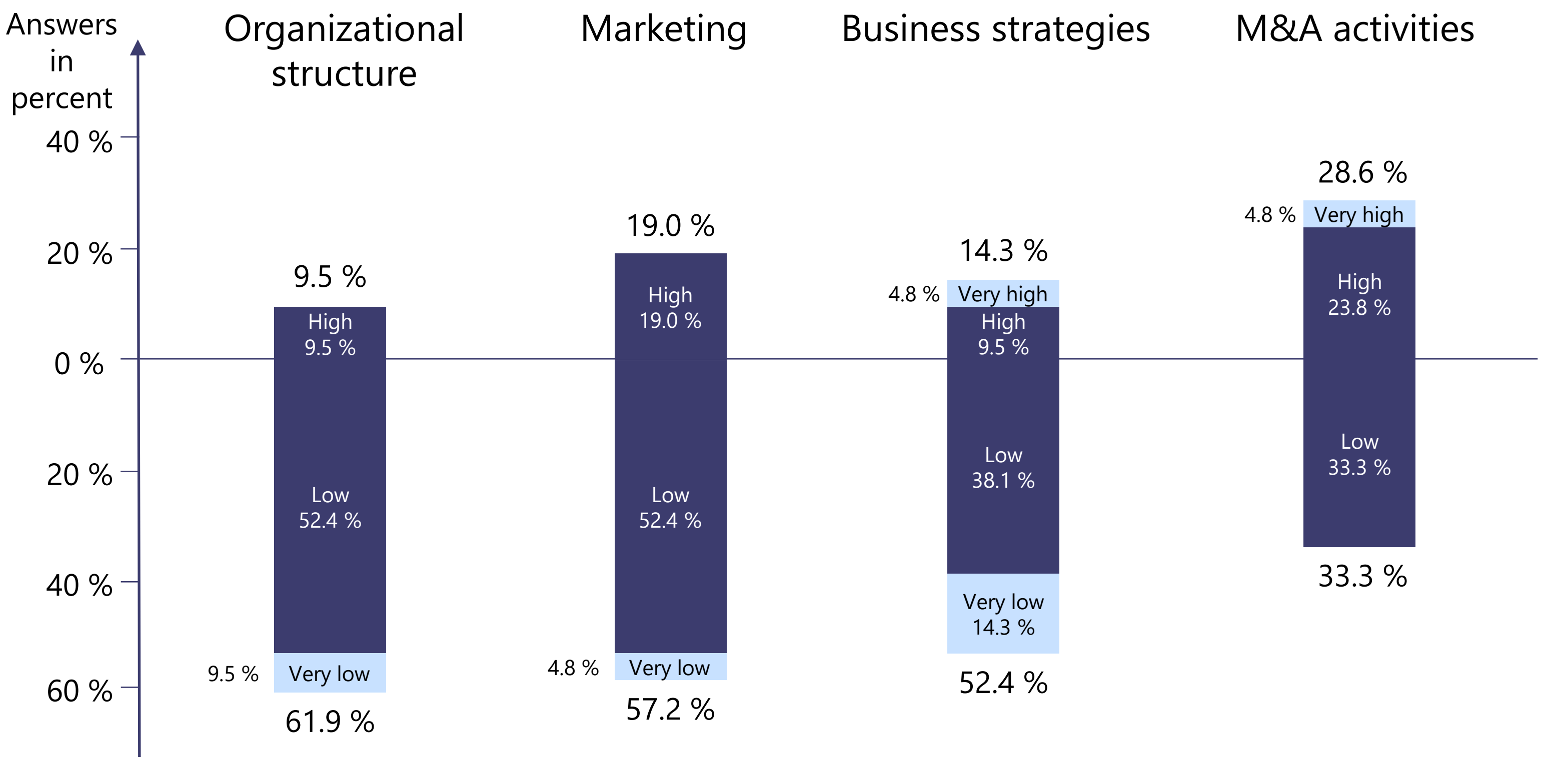
Source: Wirtz (2006, 2019b, 2020)

Fig. 2.14 Rank of the convergence processes in the Triad



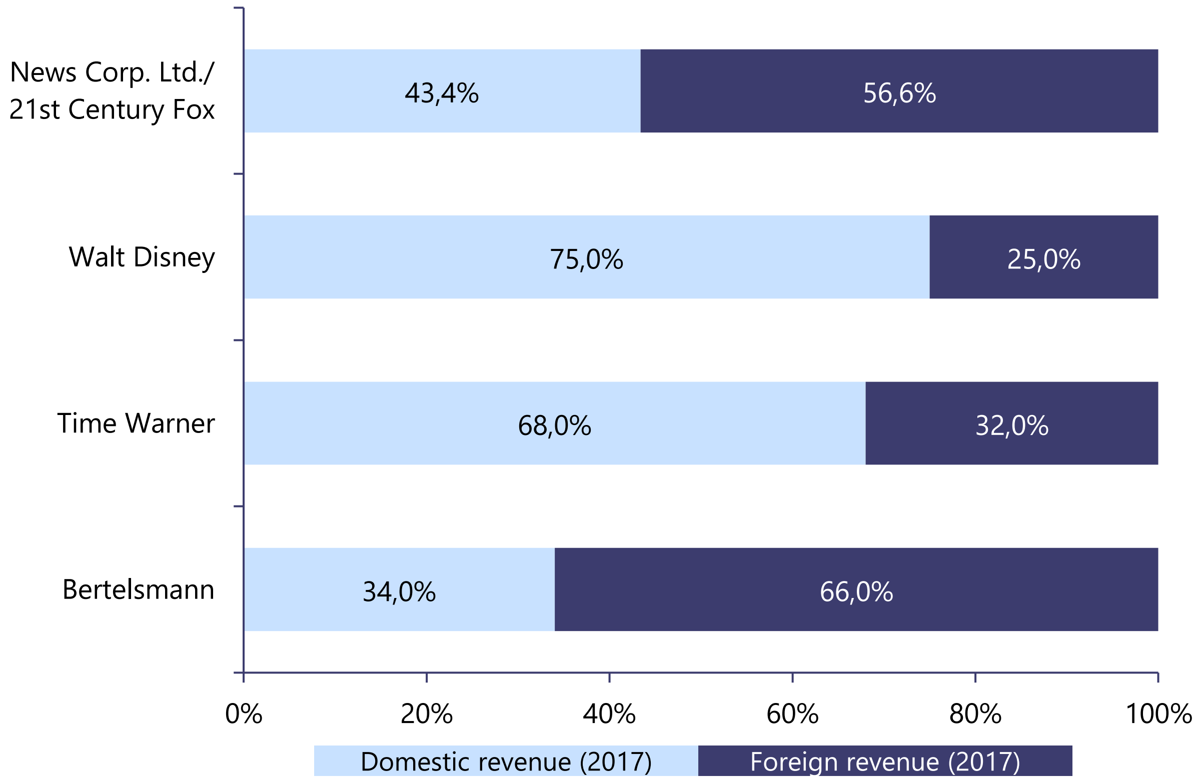
Source: Wirtz et al. (2006b), and Wirtz (2019b, 2020)

Fig. 2.15 Preparation for convergence of media enterprises in various areas



Source: Wirtz et al. (2006b), and Wirtz (2019b, 2020)

Fig. 2.16 Share of revenue for selected domestic/ foreign media enterprises in 2017



Source: On the basis of own analyses and estimates as well as business reports, and Wirtz (2020)

Table 2.1 Media enterprises according to size of revenue in 2017

<table>
<tr><th rowspan="2">Company</th><th rowspan="2">Revenue in 2017 (in million USD)</th><th colspan="7">Share of the media revenue with regard to total turnover</th></tr>
<tr><th>Press/ maga-zines</th><th>Books</th><th>TV/ video</th><th>Movies</th><th>Music/ radio</th><th>Internet/ multi-media</th><th>Other</th></tr>
<tr><td>Sony[2] (JP)</td><td>77,040</td><td>-</td><td>-</td><td colspan="2">26 %</td><td>9 %</td><td>35 %</td><td>30 %</td></tr>
<tr><td>Walt Disney (US)</td><td>55,137</td><td>-</td><td>-</td><td>43 %</td><td>15 %</td><td>-</td><td>9%</td><td>33 %</td></tr>
<tr><td>21st Century Fox (US)</td><td>30,014</td><td>-</td><td>-</td><td>27 %</td><td>9 %</td><td>-</td><td>54 %</td><td>-</td></tr>
<tr><td>Viacom, CBS (US)</td><td>13,263</td><td>-</td><td>-</td><td colspan="2">25 %</td><td>-</td><td>75 %</td><td>-</td></tr>
<tr><td>Time Warner (US)</td><td>31,270</td><td>-</td><td>-</td><td colspan="2">54 %</td><td>46 %</td><td>-</td><td>-</td></tr>
<tr><td>Bertelsmann[1] (DE)</td><td>20,530</td><td>19 %</td><td>19 %</td><td colspan="2">37 %</td><td>3 %</td><td>-</td><td>22 %</td></tr>
<tr><td>Lagardere Media[1] (FR)</td><td>7,069</td><td colspan="2">32 %</td><td colspan="3">19 %</td><td>-</td><td>49 %</td></tr>
<tr><td colspan="9">[1] USD1 = 0.85 EUR [2] USD 1 = 110 JPY</td></tr>
</table>

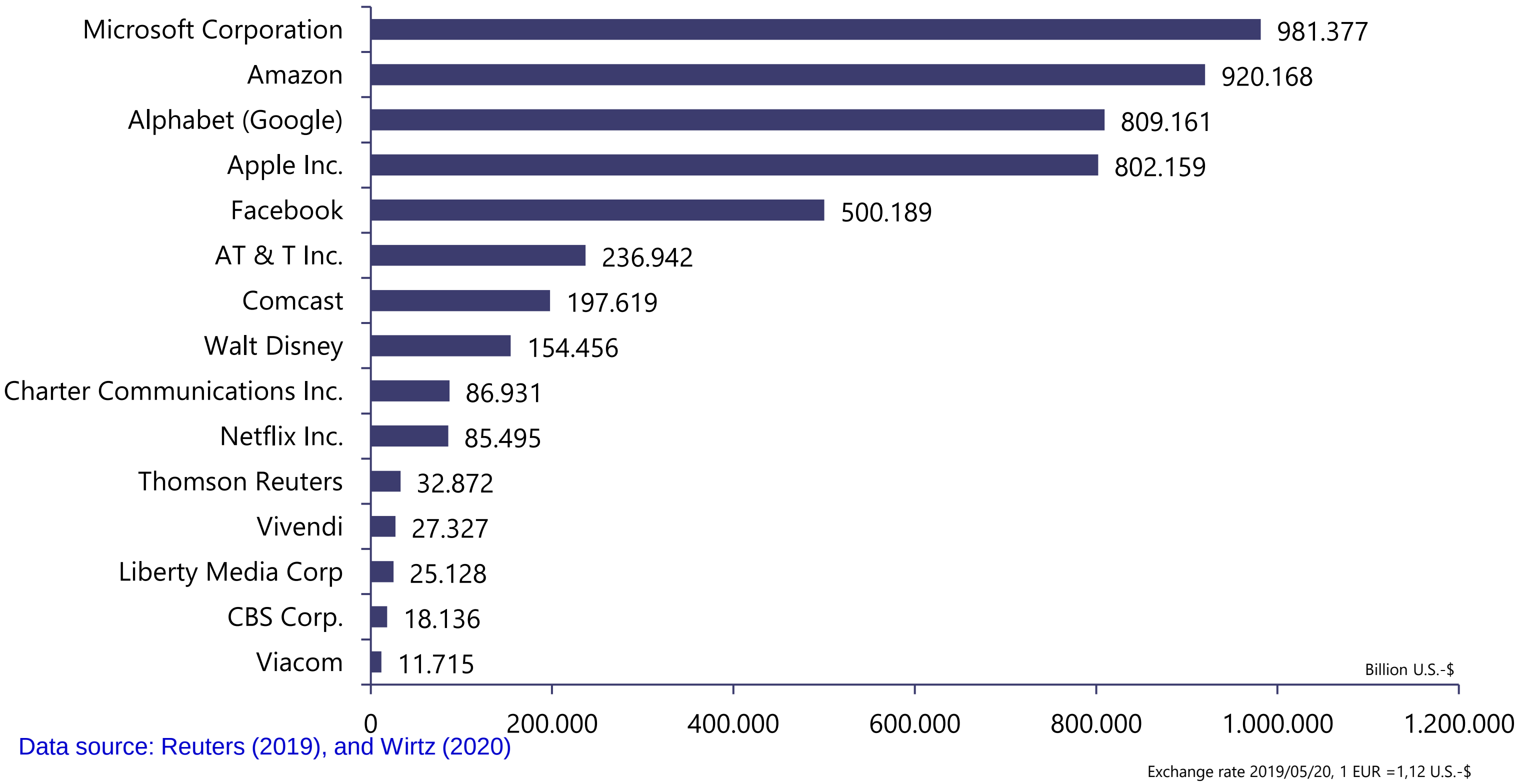
Source: On the basis of own analyses and annual reports, and Wirtz (2020)

Table 2.2 Selected examples for mergers and takeovers in the information and communication sectors

Buyer/ business focus	Acquired enterprises/ business focus	Acquisition price	Date/ country
AOL Internet portal, Internet service provider	Time Warner Print media, TV (including CNN, HBO), music publishing, movie	182 billion USD	2001 USA
Comcast Corp. Television cable network operator	AT&T Broadband Cable business of AT&T	47 billion USD	2001 USA
Google Internet services	Youtube Video portal	1.65 billion USD	2006 USA
Vivendi Universal Entertainment Telecommunication, media	Activision Game Publisher	8.1 billion USD	2007 USA
Comcast Corp. Television cable network operator	Walt Disney 39.5 percent share in E! Networks, E! entertainment and Style network	1.23 billion USD	2009 USA
Walt Disney Media conglomerate	Marvel Entertainment Comic conglomerate	4 billion USD	2010 USA
Comcast Corp. Television cable network operator	NBC Universal 51 percent share. TV channels (e.g. MSNBC), cable broadcaster, movie studios and theme parks	13.8 billion USD	2013 USA
AT&T Telecommunication	DirecTV Pay-TV	48.5 billion USD	2014 USA
Verizon Mobile phone company	AOL Online Service provider	4.4 billion USD	2015 USA
Microsoft Software company	LinkedIn Porfessional social network	26.2 billion USD	2016 USA
AT&T Telecommunication	Time Warner Print media, TV (e.g. CNN, HBO), music publishing, movies	85 billion USD	2018 USA

Source: On the basis of own analyses and annual reports, and Wirtz (2020)

Fig. 2.17 Selected media enterprises according to market capitalization in 2019



Data source: Reuters (2019), and Wirtz (2020)

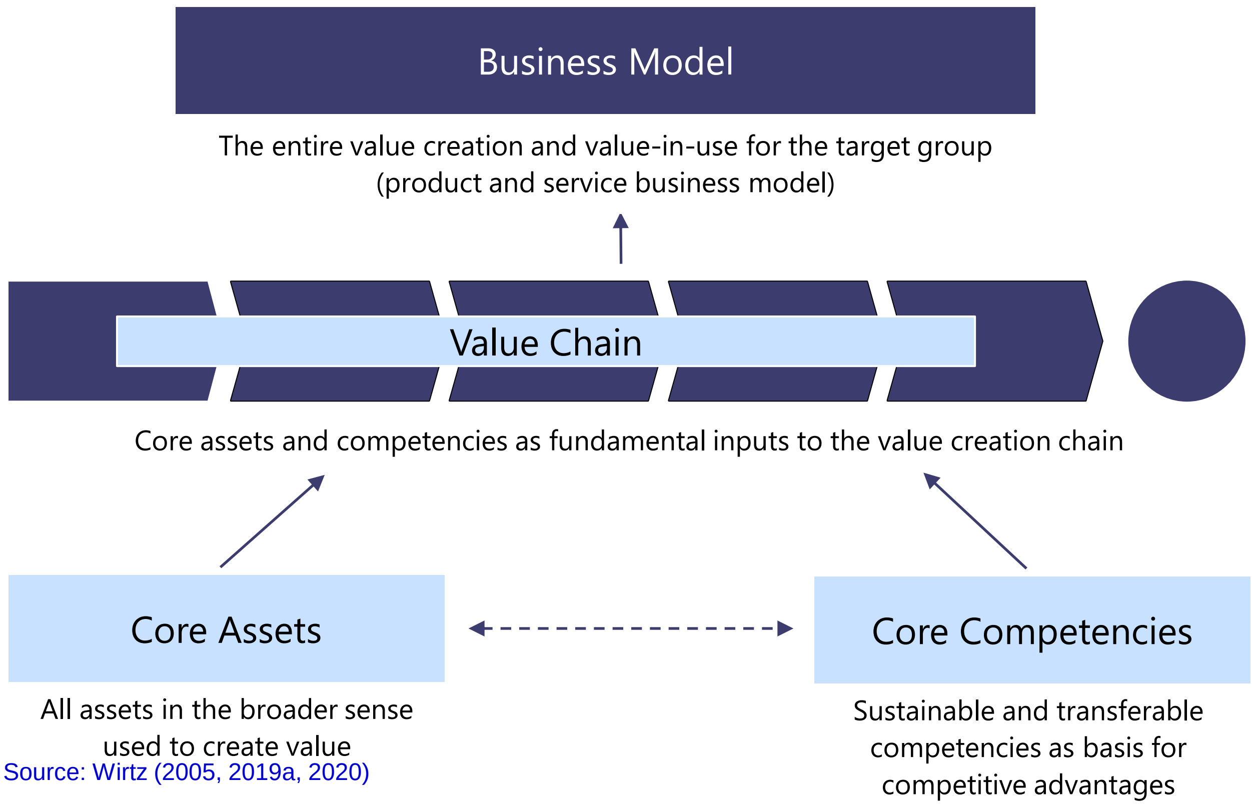
Knowledge review questions

1. What are the product specifications of media products?
2. What does medial convergence mean and what repercussions does it have for the media landscape?
3. How are the media markets delineated from each other and what interdependence structures do they have?

Source: Wirtz (2020)

Chapter 3: Value Creation Systems of Media Enterprises

Fig. 3.1 Value creation system of media enterprises



Source: Wirtz (2005, 2019a, 2020)

Fig. 3.2 Value chain of the media industry

Procurement of Information and content / Acquisition of advertisement	Production and aggregation of content / Advertisement placement	Product packaging	Technical production	Distribution	Recipient
• Purchase of text contributions • Purchase of film contributions • Procurement of advertisement contributions	• Production of text contributions • Production of film contributions • Converting advertisement contributions	• Selection of the product components • Editorial work	• Print • Provision of infrastructure and trans-missibility	• Sale • Transmission • Portals • Allocations of end devices	

Source: Wirtz (2000c, 2019b, 2020)

Definition of Assets and Core Assets

Definition of Assets and Core Assets
Assets are tangible and intangible resources that form the basis for the enterprise`s activities and competitiveness. Core assets are company-specific assets, are accumulated or refined in-house, and have a special intrinsic value for an enterprise's value-creation process. They are relatively scarce and do not lend themselves to imitation or substitution by competitors. Core assets thus constitute the basis for a long-term competitive advantage (Wirtz 2005).

Source: Wirtz (2020)

Definition of Competence and Core Competence

Definition of Competence and Core Competence
Competencies form the foundation for collective action in an enterprise and facilitate the service creation process in which assets and core assets are combined into marketable services. Core competencies are a special form of competencies. They are relatively scarce and do not lend themselves to imitation or substitution by competitors. Core competencies significantly contribute to the perceived customer benefits of an end product and provide enterprises with a lasting competitive advantage (Wirtz 2005).

Source: Wirtz (2020)

Fig. 3.3 Core assets and core competencies in media enterprises

Competitive advantages

Core assets

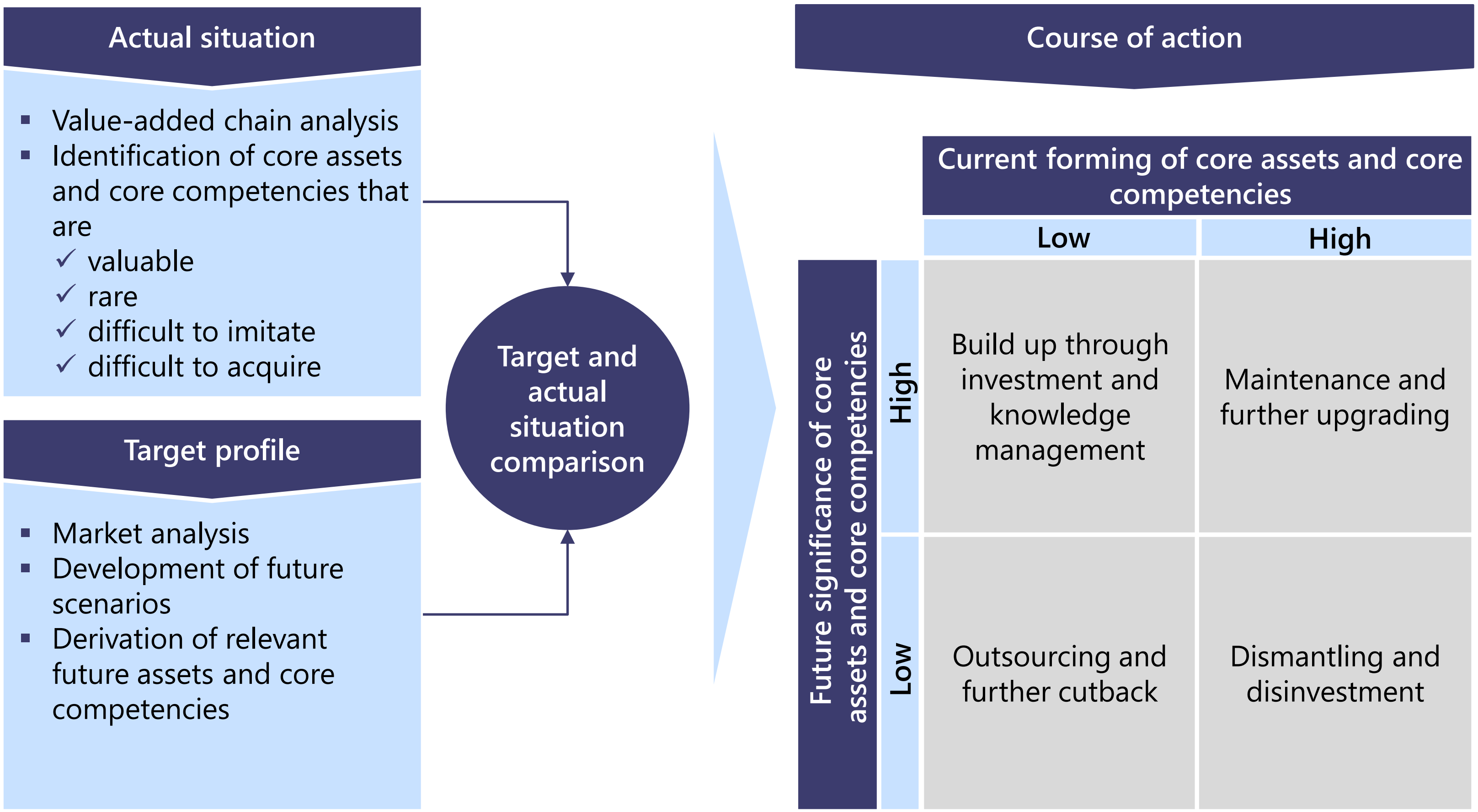
- Employees
- Brand
- Networks
- Customer base

Core competencies

- Content sourcing competence
- Content creation competence
- Product development competence
- Promotion competence
- Cross-medial utilization competence
- Technology competence

Source: Wirtz (2005, 2019b, 2020)

Fig. 3.4 Analysis and management of core assets and core competencies



Source: Wirtz (2005, 2019b, 2020)

Definition of a Business Model

Definition of a Business Model
"A business model is a simplified and aggregated representation of the relevant activities of a company. It describes how marketable information, products, and/or services are generated by means of a company's value-added component. In addition to the architecture of value creation, strategic as well as customer and market components are considered in order to realize the overreaching objective of generating and securing a competitive advantage" (Wirtz 2016a, 67).

Source: Wirtz (2020)

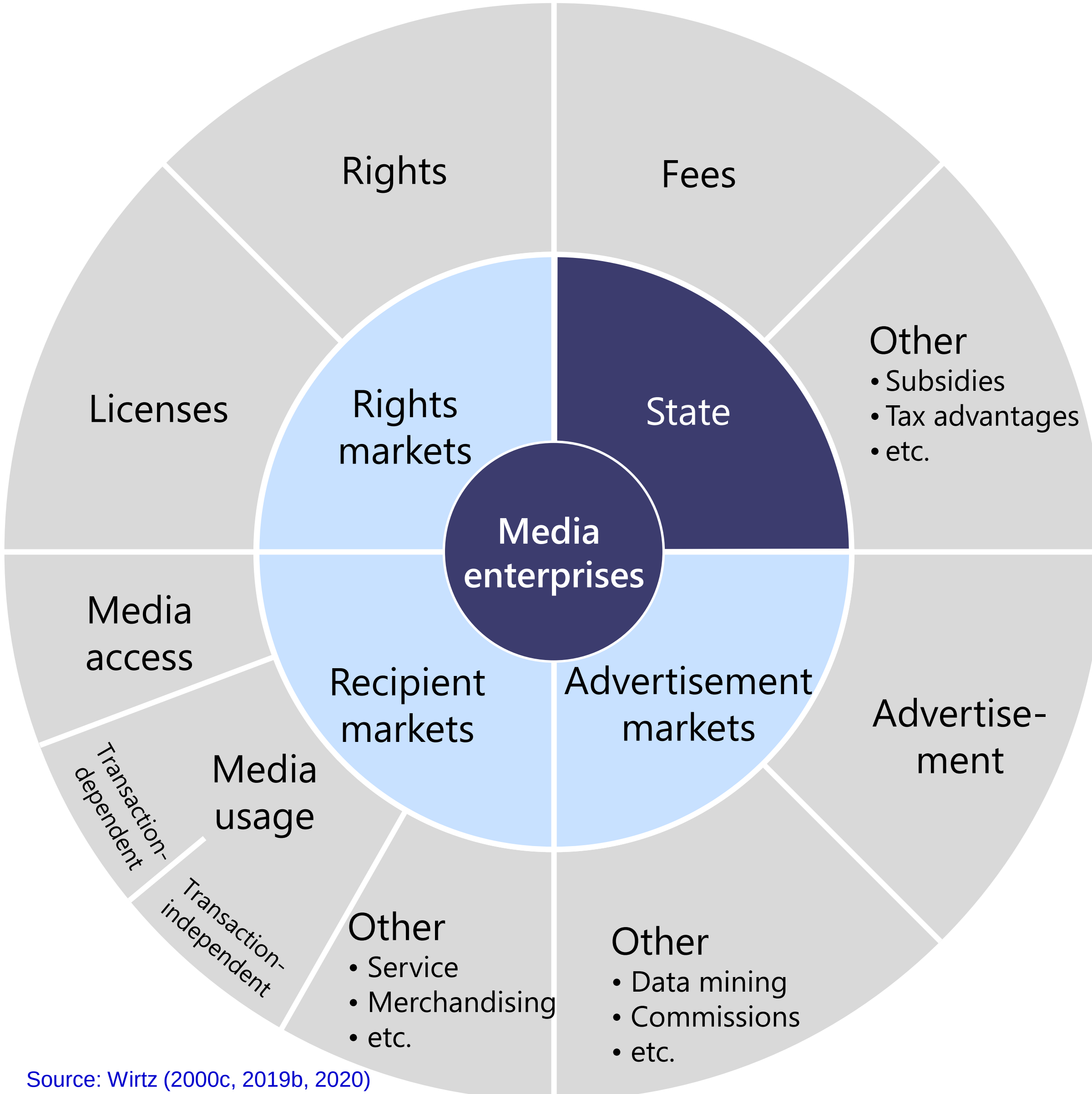
Fig. 3.5 Partial models of an Integrated Business Model

Partial Models of the Integrated Business Model

	Strategy Model	**Resources Model**	**Network Model**
Strategic Component	• Company mission • Strategic positions and development paths • Value proposition	• Core competencies • Core assets & Assets	• Business model networks • Business model partners
	Market Offer Model	**Customer Model**	**Revenue Model**
Customer Demand Component	• Competitors • Demand structure • Value offering/ products and services	• Customer relation-ships/target groups • Channel configuration • Customer touchpoint	• Revenue streams • Revenue differentiation
	Procurement Model	**Value Creation Model**	**Finance Model**
Value Creation Component	• Resourcing • Information analysis • Resource monitoring and controlling	• Service development • Value generation	• Capital structure • Cost structure model

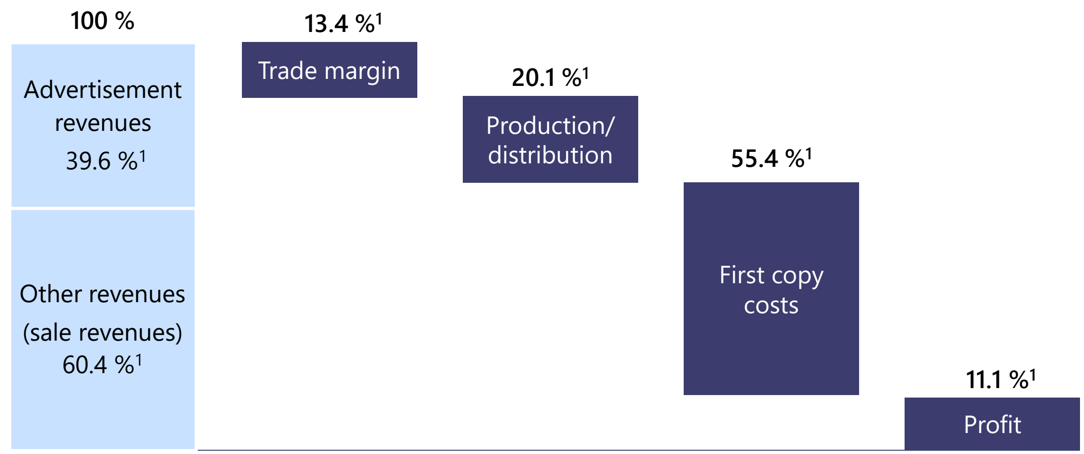
Source: Wirtz (2010a, 2019a, 2020)

Fig. 3.6 Potential sources of revenue



Source: Wirtz (2000c, 2019b, 2020)

Fig. 3.7 Cost and revenue structure of manufacturing in media economics



Medium	Other revenues	Advert-isement	Trade margin[2]	Production/ distribution[3]	First copy costs[4]	Profit
Newspapers/ magazines	38 %	62 %	-	48 %	42 %	10 %
Book	100 %	-	29 %	23 %	39 %	9 %
Movie	100 %	-	33 %	14 %	49 %	4 %
TV	14 %	86 %	-	12 %	78 %	10 %
Radio	13 %	87 %	-	7 %	84 %	9 %
Music	100 %	-	20 %	44 %	35 %	6 %
Video/com-puter games	100 %	-	27 %	13 %	44 %	16 %
Internet	18 %	82 %	-	-	75 %	25 %
Average	60.4 %[5]	39.6 %[5]	13.6 %[5]	20.1 %[5]	55.4 %[5]	11.1 %[5]

1) Average of below mentioned media branches 2) Trade margin = Intermediation costs

3) Copy costs and delivery to the intermediaries

4) Including content production costs, licensing costs, advertisement acquisition costs, marketing and administration costs

5) Average calculated across all 8 media

Source: Wirtz (2009, 2019b, 2020)

Fig. 3.8 Overview of media business types

Procurement of information and content	Production and aggregation of content	Product packaging	Acquisition & placing of advertisement	Technical production	Distribution
• Purchase of text contributions • Purchase of film contributions	• Purchase of text contributions • Purchase of film contributions	• Selection of the product components • Editorial work	• Content compilation/ layout • Placing of the advertisement	• Print • Provision of infrastructure and trans-missibility	• Sale • Transmission • Portals • Procurement of end devices

Business typ "content integrator"

- High vertical depth of integration and high expenditure of resources
- High competitive differentiation potential
- Requires distinctive competences/assets at the creative/editorial refinement process

Source: Wirtz (2006, 2019b, 2020)

Business typ "content bundling"

- Average vertical depth of integration and average expenditure of resources
- Use of content from the public domain with slight editorial refinement
- Requires competencies/assets with editorial bundling

Business typ "content presentation"

- Little vertical depth of integration and little expenditure of resources
- No distinctive competitive differentiation potential
- Requires little assets/competencies because content is either part of the content partner or gets compiled of standardized content from the public domain without any editorial refinement

Knowledge review questions

1. Describe the value chain of the media industry!

2. What are the core assets and core competencies in media enterprises?

3. Draw the submodels of an integrated business model!

Source: Wirtz (2020)

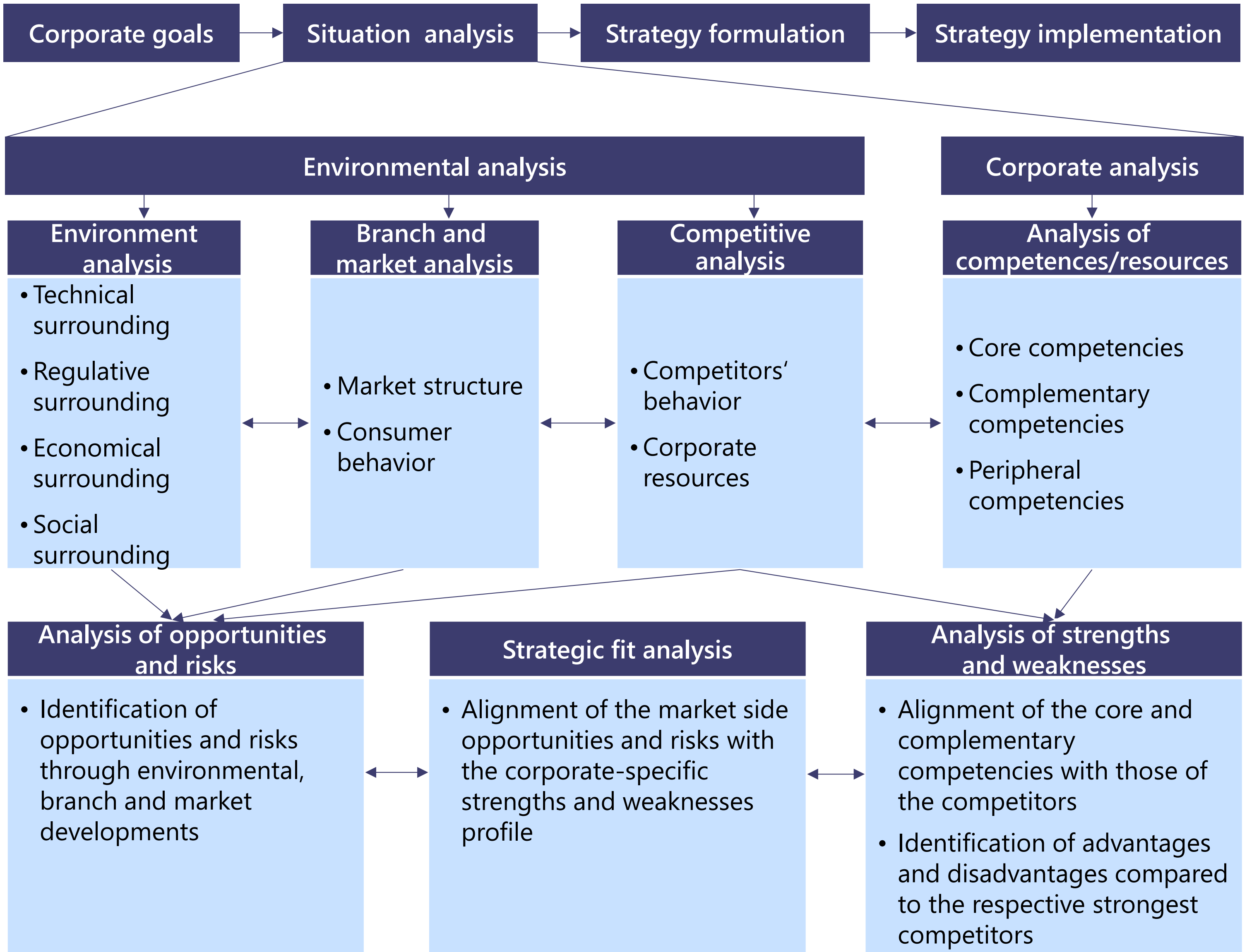
Chapter 4: Functions of Media Management

Fig. 4.1 System of strategy development

Corporate goals	Situation analysis	Strategy formulation	Strategy implementation
• Corporate goals are derived from the corporate mission and vision • Formulation of explicit goals as a foundation for current and future behaviors	• External analysis: environment and competitors • Internal analysis: competencies and resources	• Formulation of alternative courses of action on the foundation of the results of the situation analysis • Evaluation and choice of a strategy	• Passed strategies are transferred into behavior guidelines • Allocation of the required resources and controlling of the realization progress

Source: Wirtz (2003b, 2019b, 2020)

Fig. 4.2 Stages of the situation analysis



Source: Wirtz (2003b, 2019b, 2020)

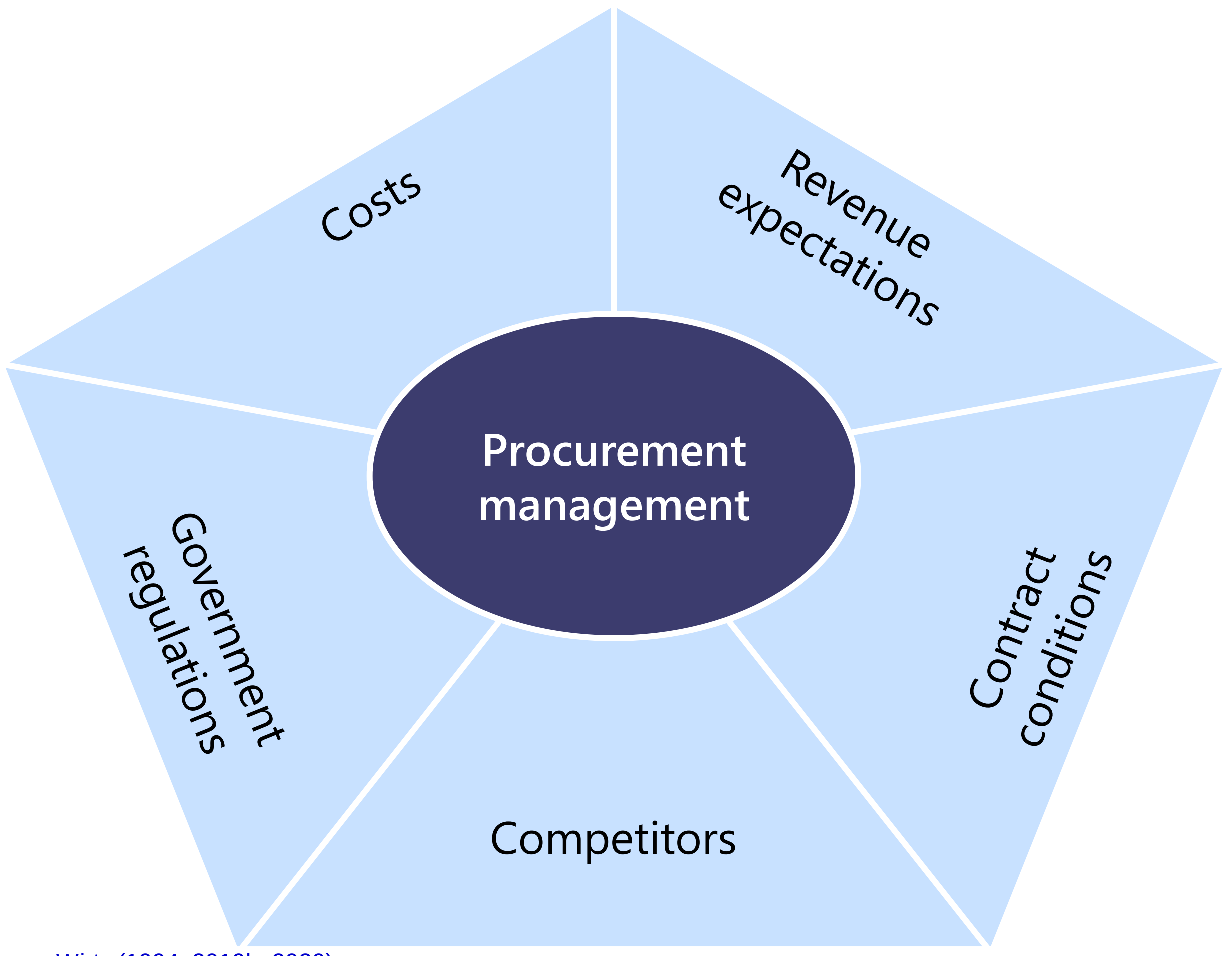
Fig. 4.3 Strategies of media enterprises

Corporate strategies

Focus strategy	Integration strategy	Network strategy
• Concentration on one stage of the medial value chain • Goal: realization of cost or differentiation advantages	• Extension of the medial range of services • Goal: assurance of procure-ment and sales channels	• Establishment of production and marketing cooperations • Goal: reduced expenditure of resources and access to complimentary competencies

Source: Wirtz (2006, 2019b, 2020)

Fig. 4.4 Influencing factors of procurement management



Source: Wirtz (1994, 2019b, 2020)

Fig. 4.5 Procurement strategies for media enterprises

Procurement strategies

Direct contracting strategy

- Direct contact between copyright holder and demanding company
- Goal: exclusive procurement of attractive content

Cooperation respectively partnership strategy

- Establishment of coop-erations for the exchange of existing content
- Goal: reduction of the expenditure of resources compared to external procurement/in-house production

Syndication strategy

- Use of a content intermediary/ content broker
- Goal: reduction of the expenditure of resources compared to in-house production

Source: Wirtz (2001b, 2019b, 2020)

Fig. 4.6 Media production process

Concept	Selection	Production in the narrower sense	Duplication/ distribution
• Events • Trends • Ideas	• Concept evaluation • Evaluation of work samples (e. g. music, texts)	• Creative period (e. g. screenplay, research) • Technical period (e. g. transcript, recording)	• Distribution (e. g. broadcasting, upload) • Duplication (e. g. print, pressing)

Source: Wirtz (2001b, 2019b, 2020)

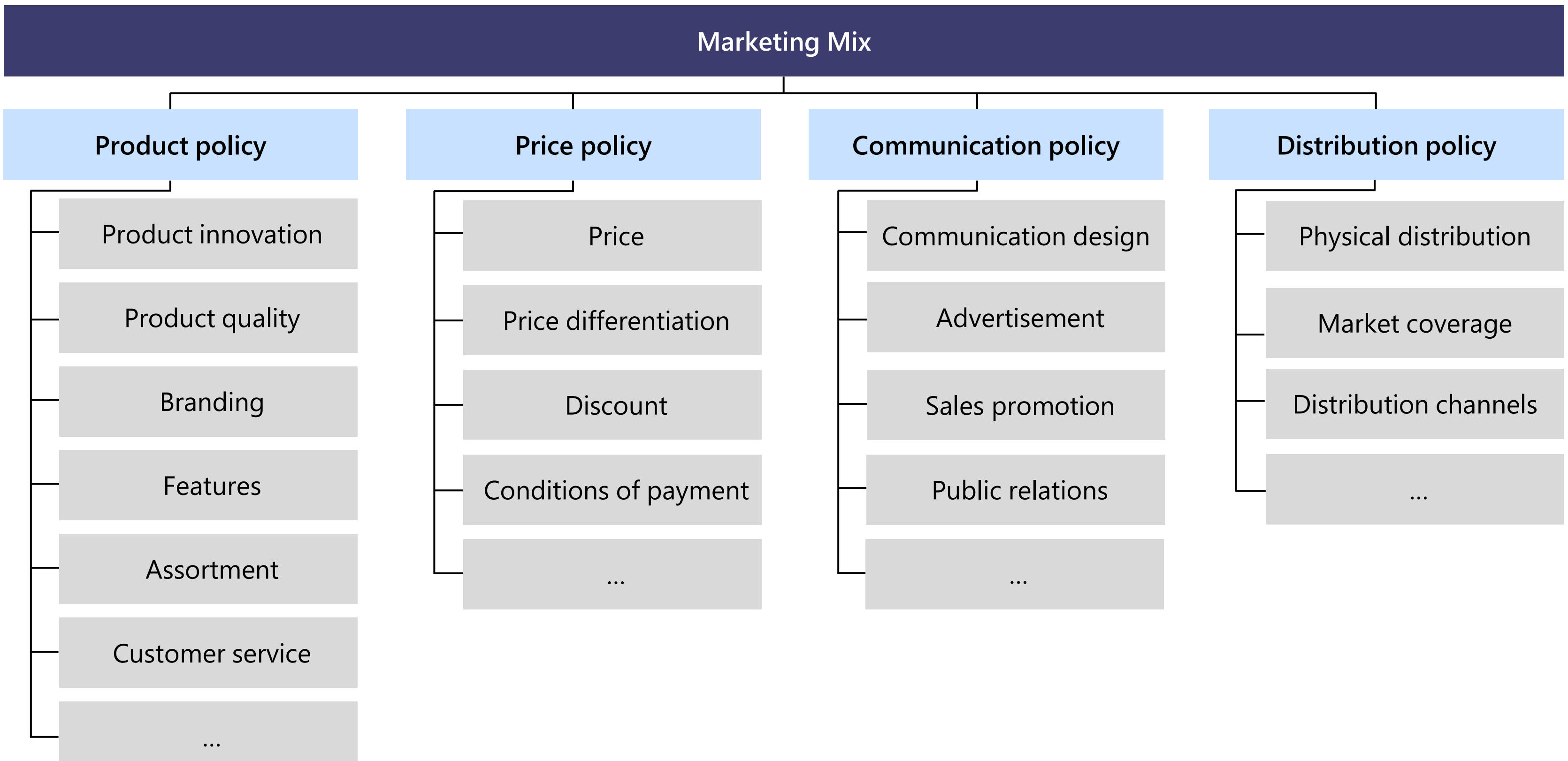
Fig. 4.7 Production strategies in media economics

Production strategies

In-house-production	Co-production	Outside-production
• Realization of the production processes within a media enterprise • Goal: quality assurance and contemporary content procurement	• Participation of one or multiple production companies • Goal: split-up of the financing and diversification of risk	• Outsourcing of the production to an independent company • Goal: reduction of the fixed costs and improvement of the capital structure

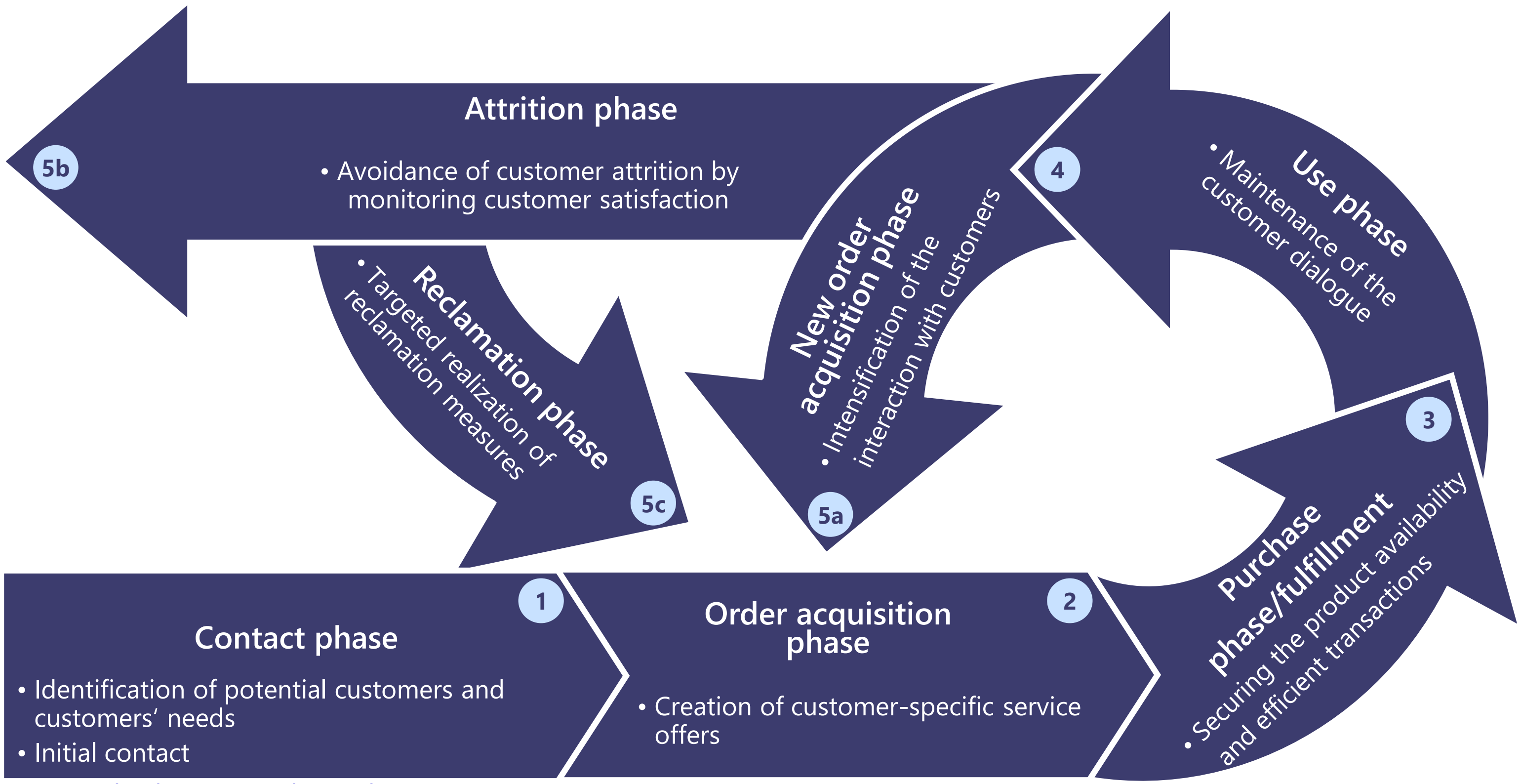
Source: Wirtz (2009, 2019b, 2020)

Fig. 4.8 Marketing instruments



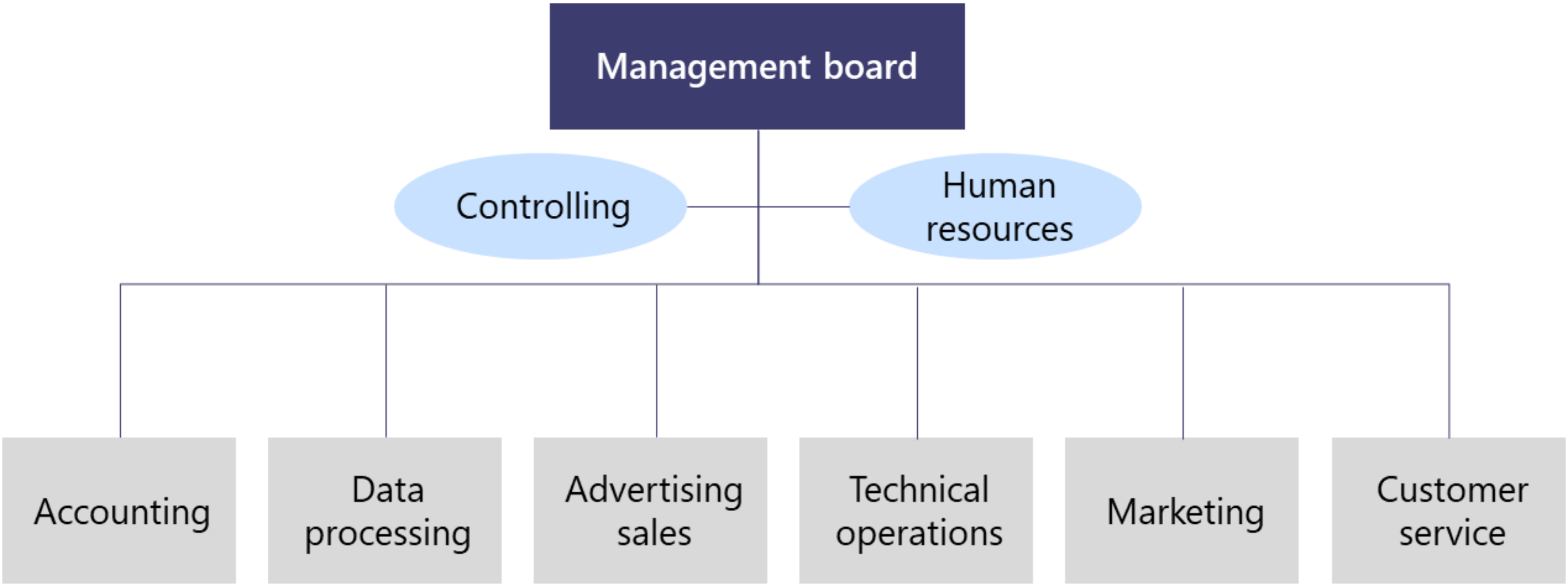
Source: Wirtz (2019b, 2020)

Fig. 4.9 Customer relationship process



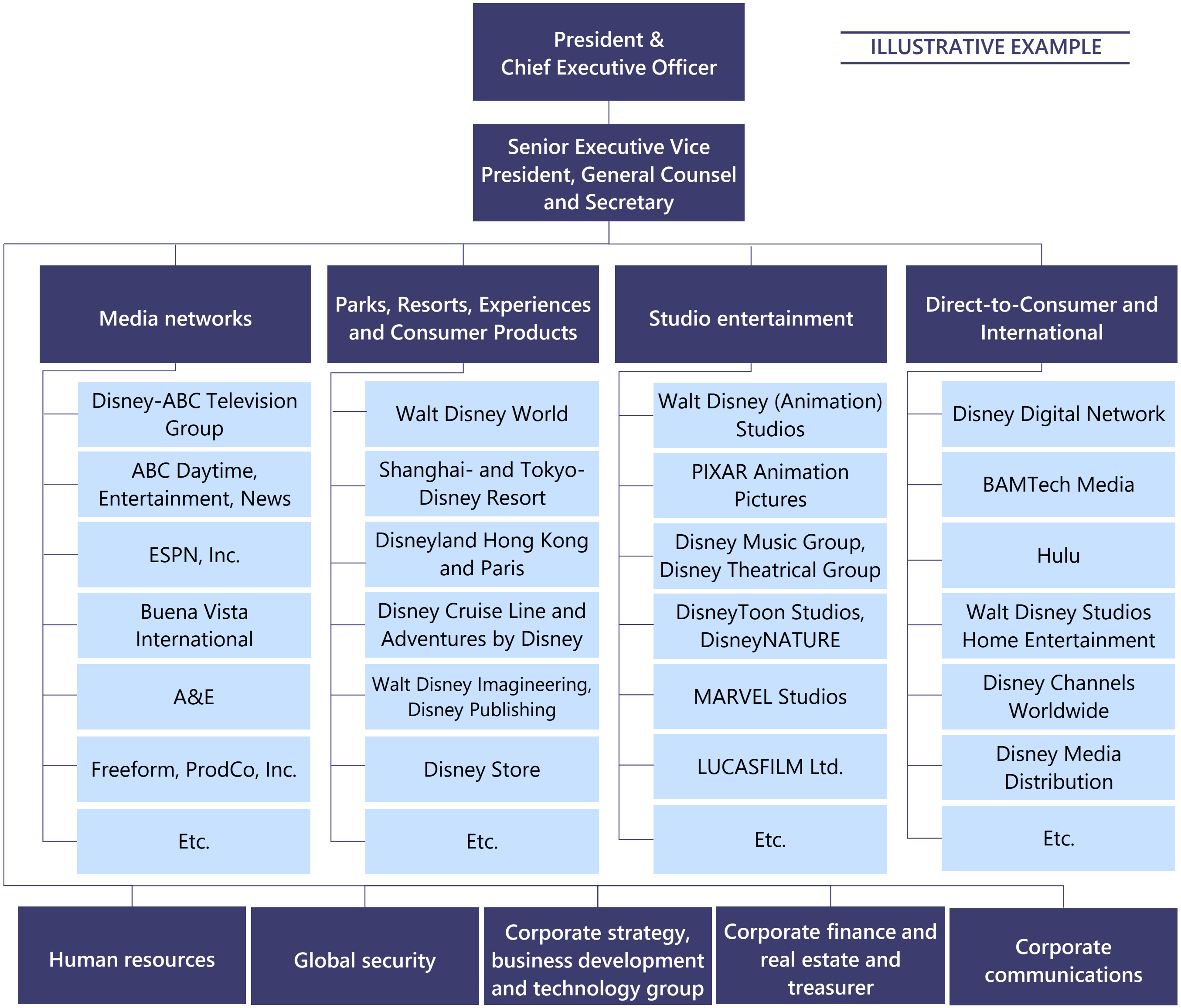
Source: Wirtz (2003a, 2019b, 2020)

Fig. 4.10 Typical functional organization of a cable television enterprise



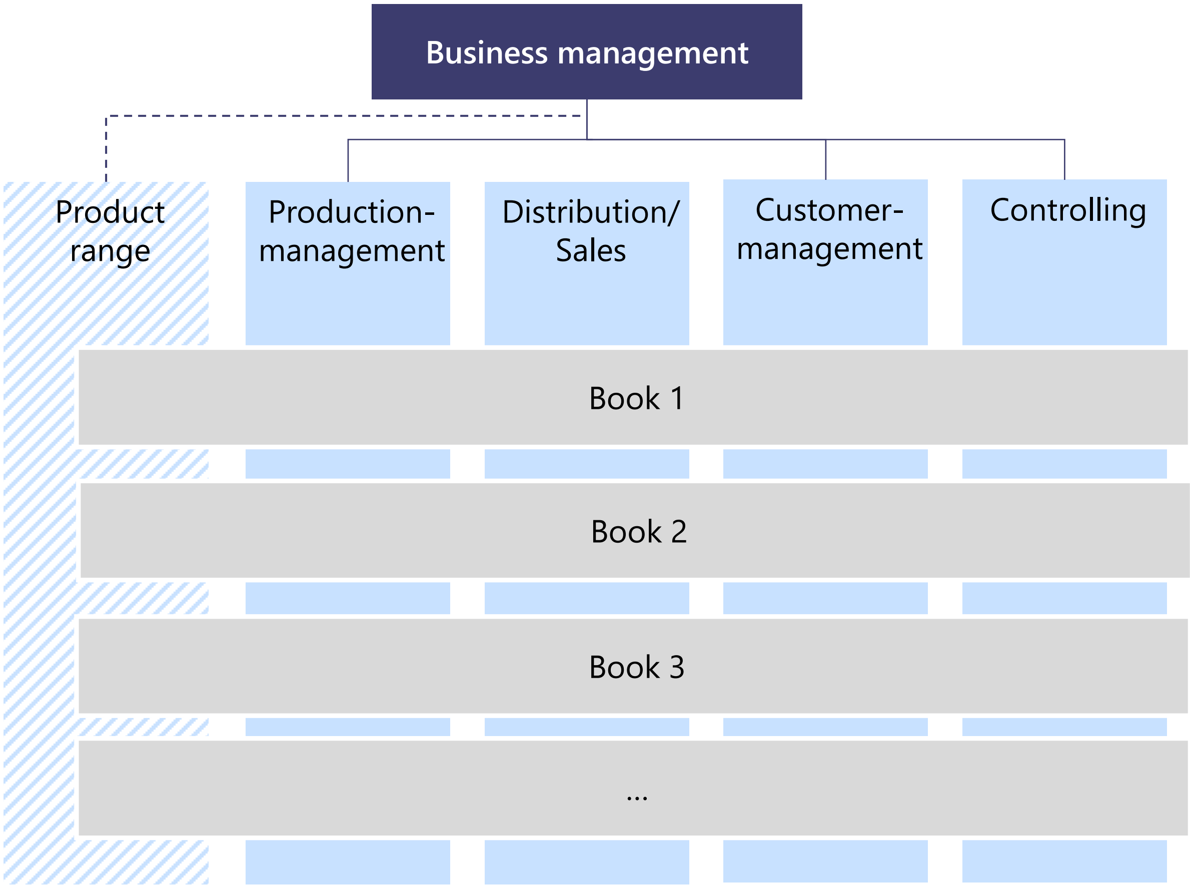
Source: Wirtz (2005, 2019b, 2020)

Fig 4.11 Profit center organization of The Walt Disney Company



Source: On the basis of own analyses and estimates as well as Disney (2018), and Wirtz (2019b, 2020)

Fig. 4.12 Typical matrix organization of a book publishing house



Source: Wirtz (2016b, 2019b, 2020)

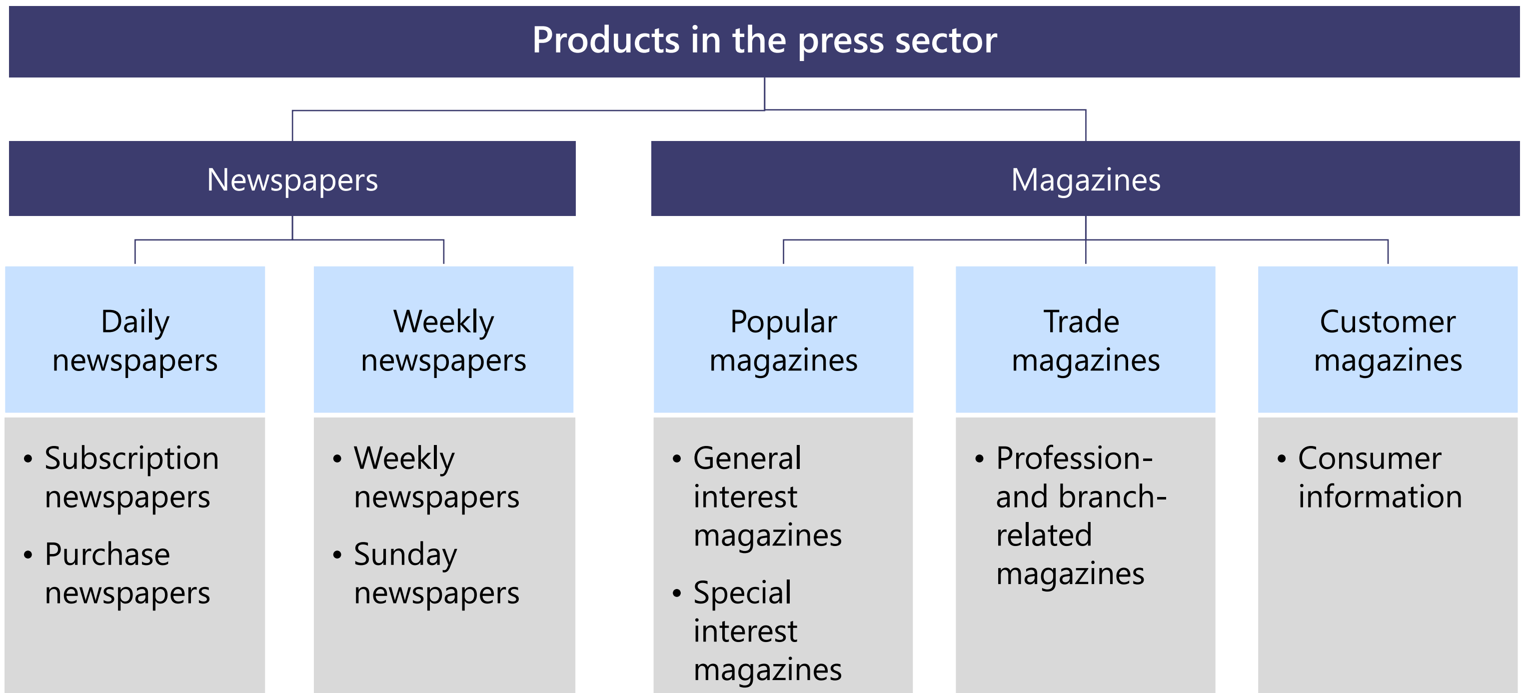
Knowledge review questions

1. What are the Stages of the situation analysis? Explain this stages!
2. What sales policy instruments are important in the media sector?
3. Which factors do influence the procurement management?

Source: Wirtz (2020)

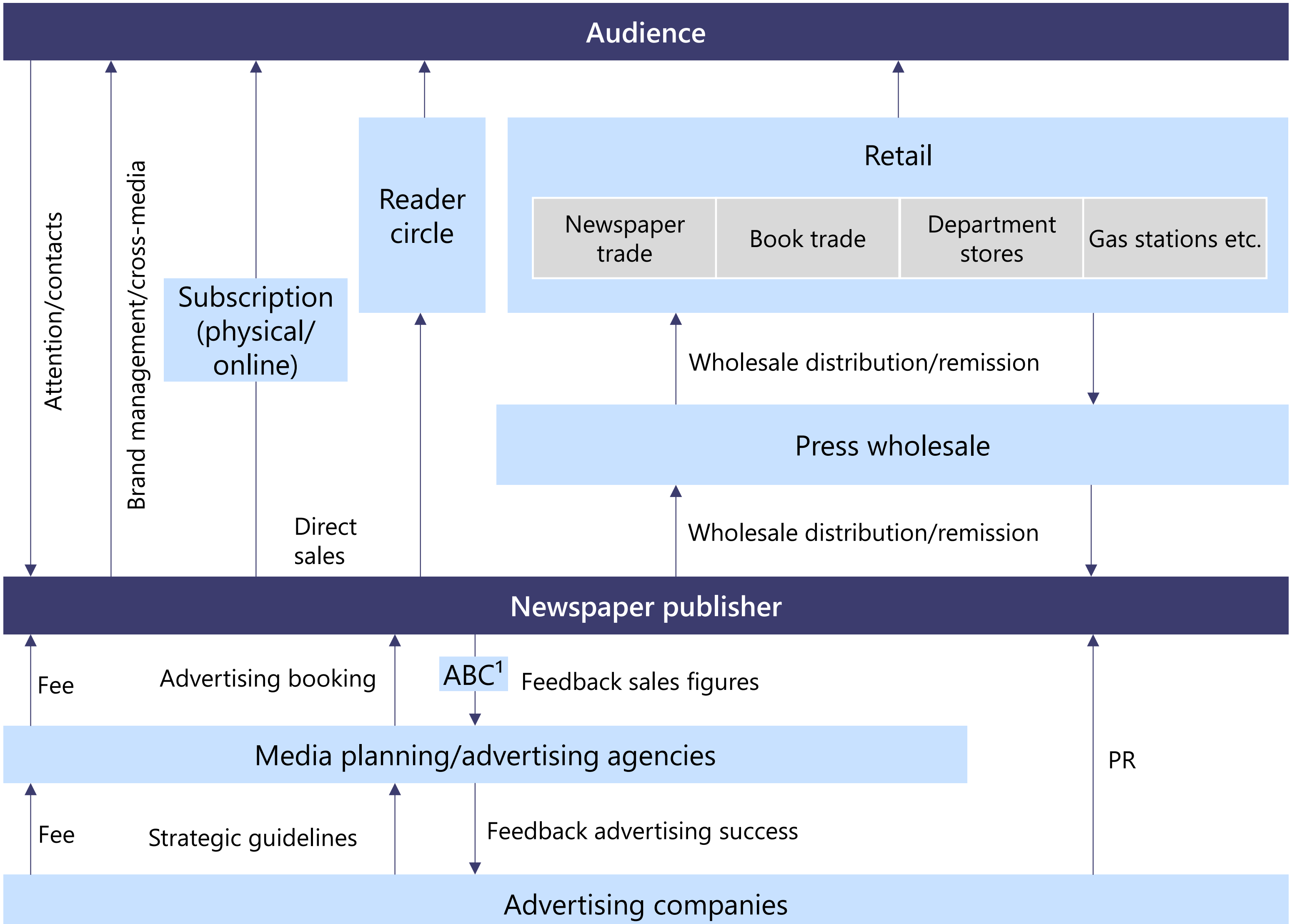
Chapter 5: Business Models and Value Creation in the Newspaper and Magazine Market

Fig. 5.1 Product range in the press sector



Source: Wirtz (2001b, 2019b, 2020)

Fig. 5.2 Interactions in the newspaper and magazine market



[1] Audit bureau of circulations

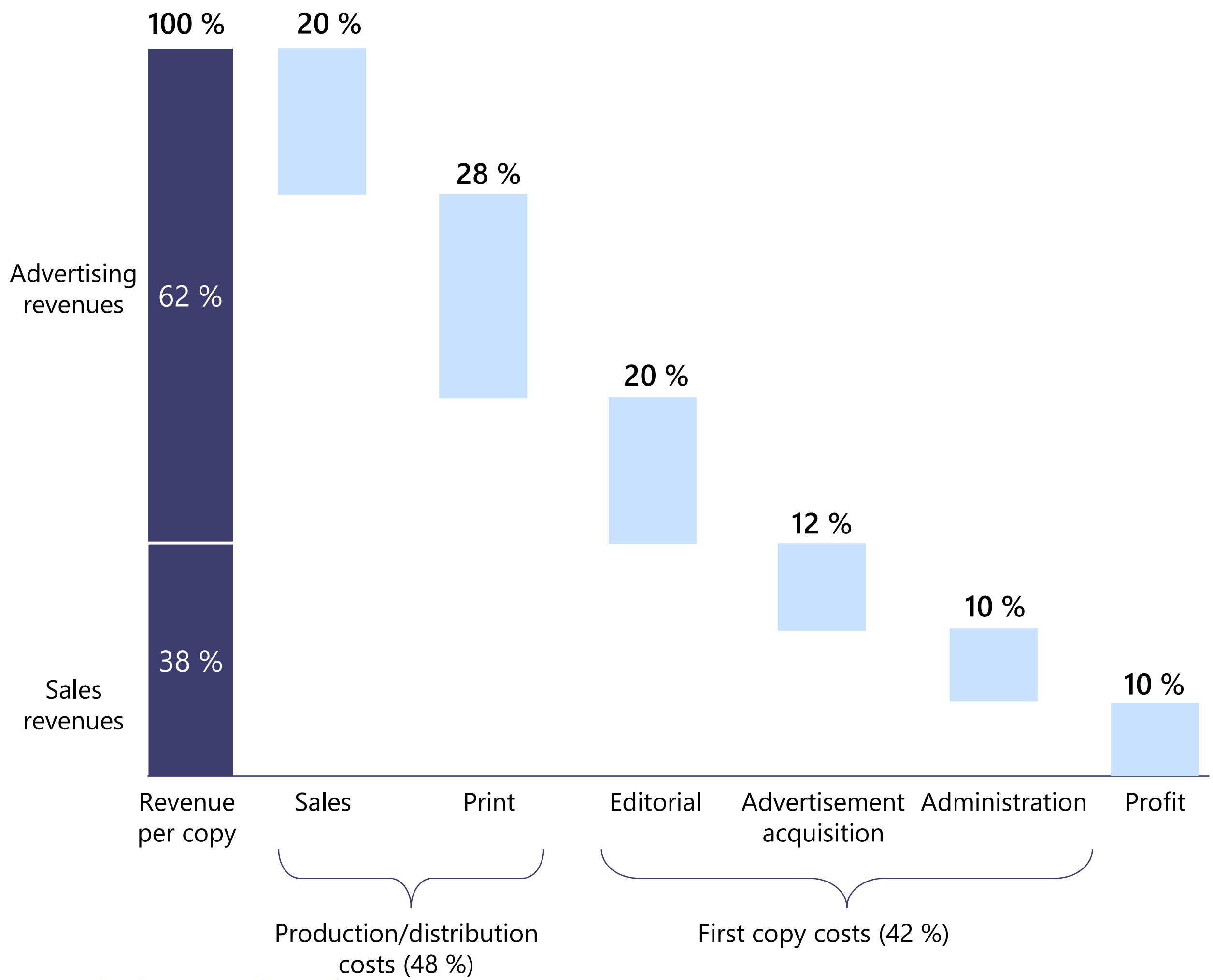
Source: Wirtz (2011c, 2019b, 2020)

Fig. 5.3 Value chain of the newspaper and magazine industry

a. Information Procurement b. Content Generation c. Advertising Acquisition	a. Editorial office b. Advertising placement	Product packaging	Print	Distribution	Reader
Key tasks • Procurement and generation of content and advertising space services	• Creation of editorial content • Acceptance of advertisements	• Layout design, setting, graphical cover design	• Copying respectively print of the print products	• Sales via retail and wholesale • Direct sales	
Provider • News and picture agencies • Authors, journalists • The publishers advertising departments	• Editorial offices • Advertising departments	• Art director • Graphic designer • Layout artist	• Printing houses	• Press wholesale • Kiosk, gas station, supermarket • Subscription • Reader circle	

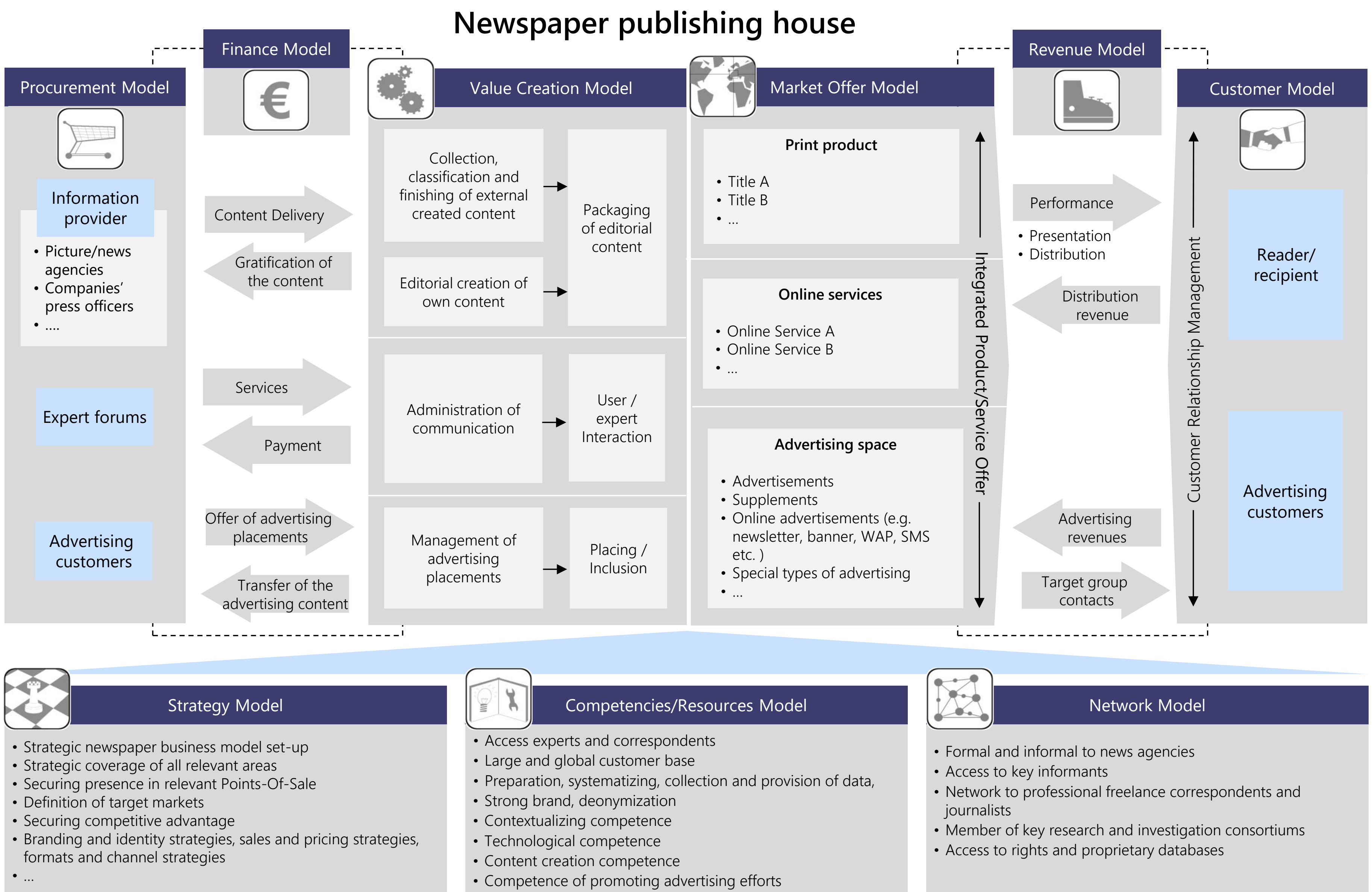
Source: Wirtz (2000c, 2019b, 2020)

Fig. 5.4 Cost and revenue structure of newspaper and magazine production (On the basis of own analysis and estimations)



Source: Wirtz (2005, 2019b, 2020)

Fig. 5.5 Business model of a newspaper publishing house



Source: Wirtz (2000c, 2019a, 2020)

Fig. 5.6 Business model of a magazine publishing house

Source: Wirtz (2001b, 2019b, 2020)

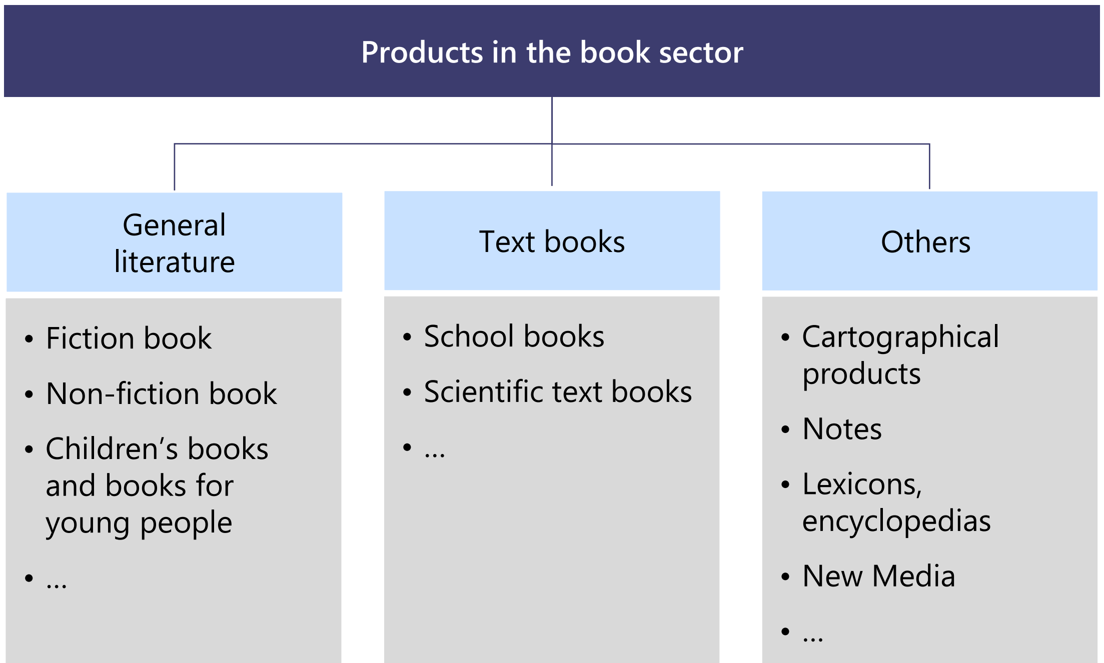
Knowledge review questions

1. Describe the product range in the press sector!
2. Explain the interactions in the newspaper and magazine market!
3. Which stages does the value chain of newspapers and magazines comprise? Give examples!

Source: Wirtz (2020)

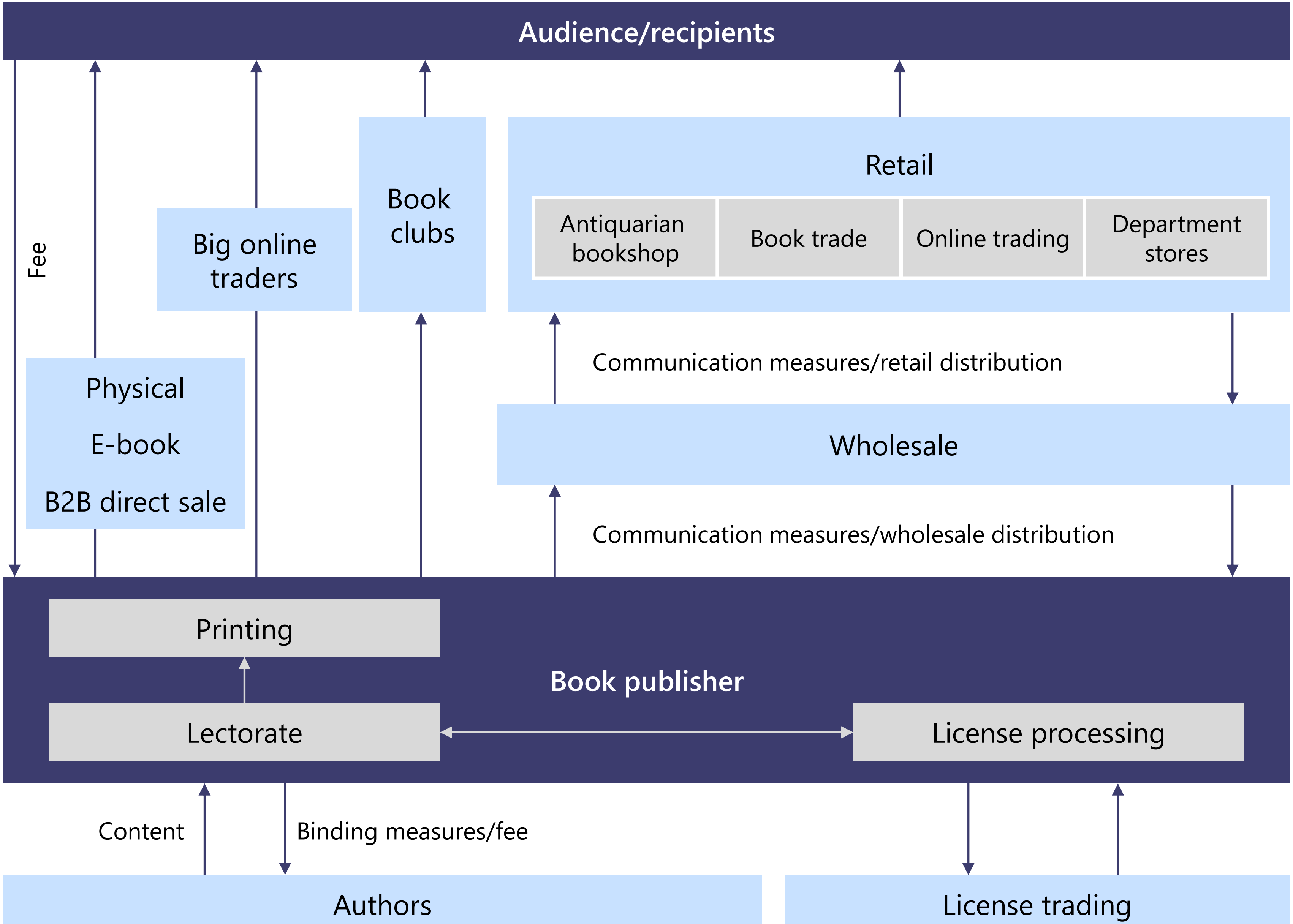
Chapter 6: Business Models and Value Creation in the Book Market

Fig. 6.1 Product types in the book sector



Source: Wirtz (2001b, 2019b, 2020)

Fig. 6.2 Interactions in the book market



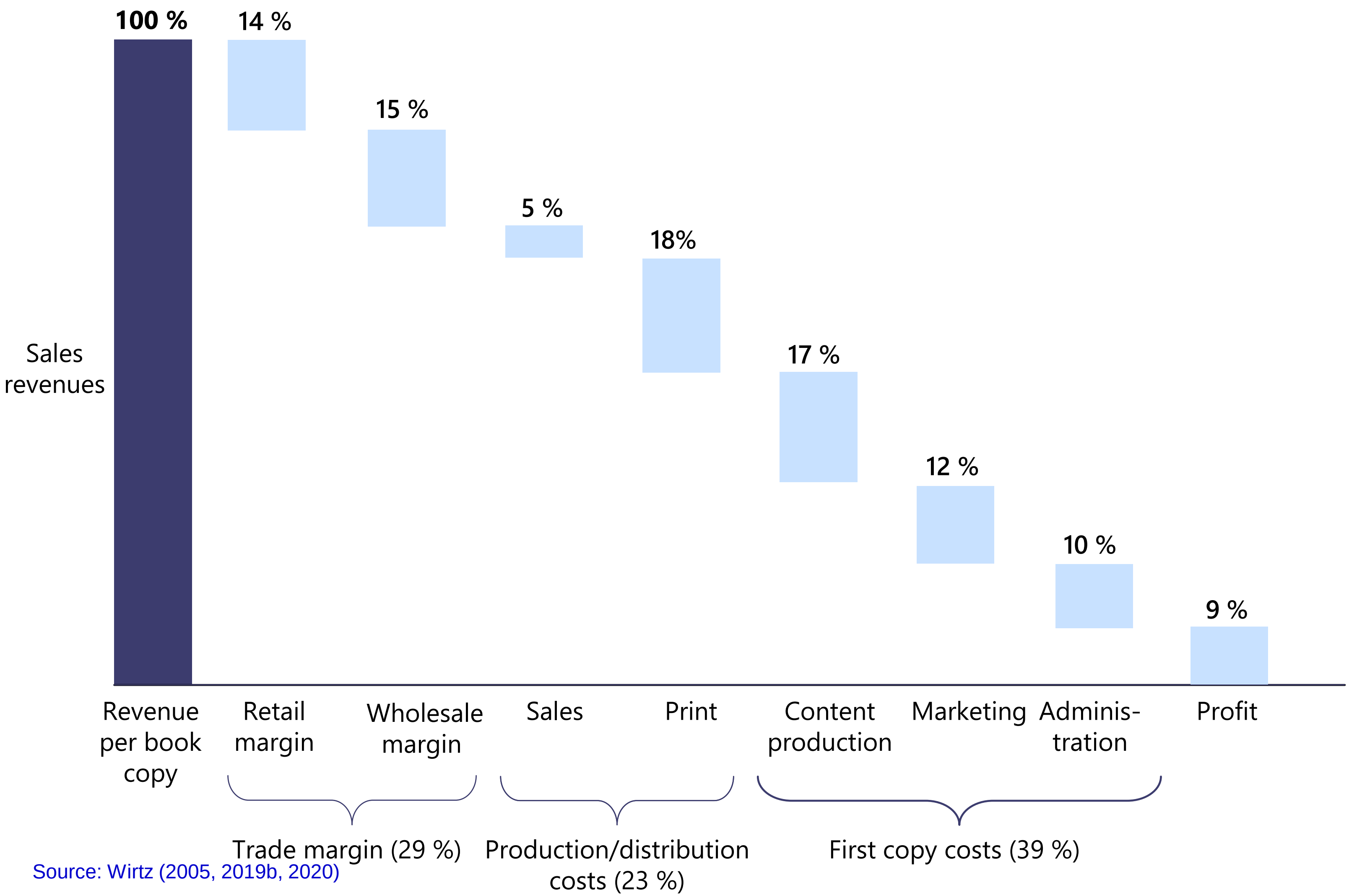
Source: Wirtz (2011c, 2019b, 2020)

Fig. 6.3 Value chain of the book industry

	Content procurement	Lectorate (editorial office)/ editorial department	Trade of licenses and rights	Print	Distribution	Reader
Key tasks	• Manuscript procurement • Recruiting authors • Purchase of license	• Planning, controlling and completion of the production	• Utilization of rights and licenses	• Technical book production	• Direct sale • Sale via inter-mediaries, whole-sale and retail	
Provider	• Publishers • Agents	• Editorial departments • Lectorates/ editorial office of publishers	• Publishers • Agents • Authors • Collective rights agencies	• Printing press • Bookbindery	• Publishers • Authors • Book wholesaler's, wholesaler, rack jobber • Book stores, department stores • Book club	

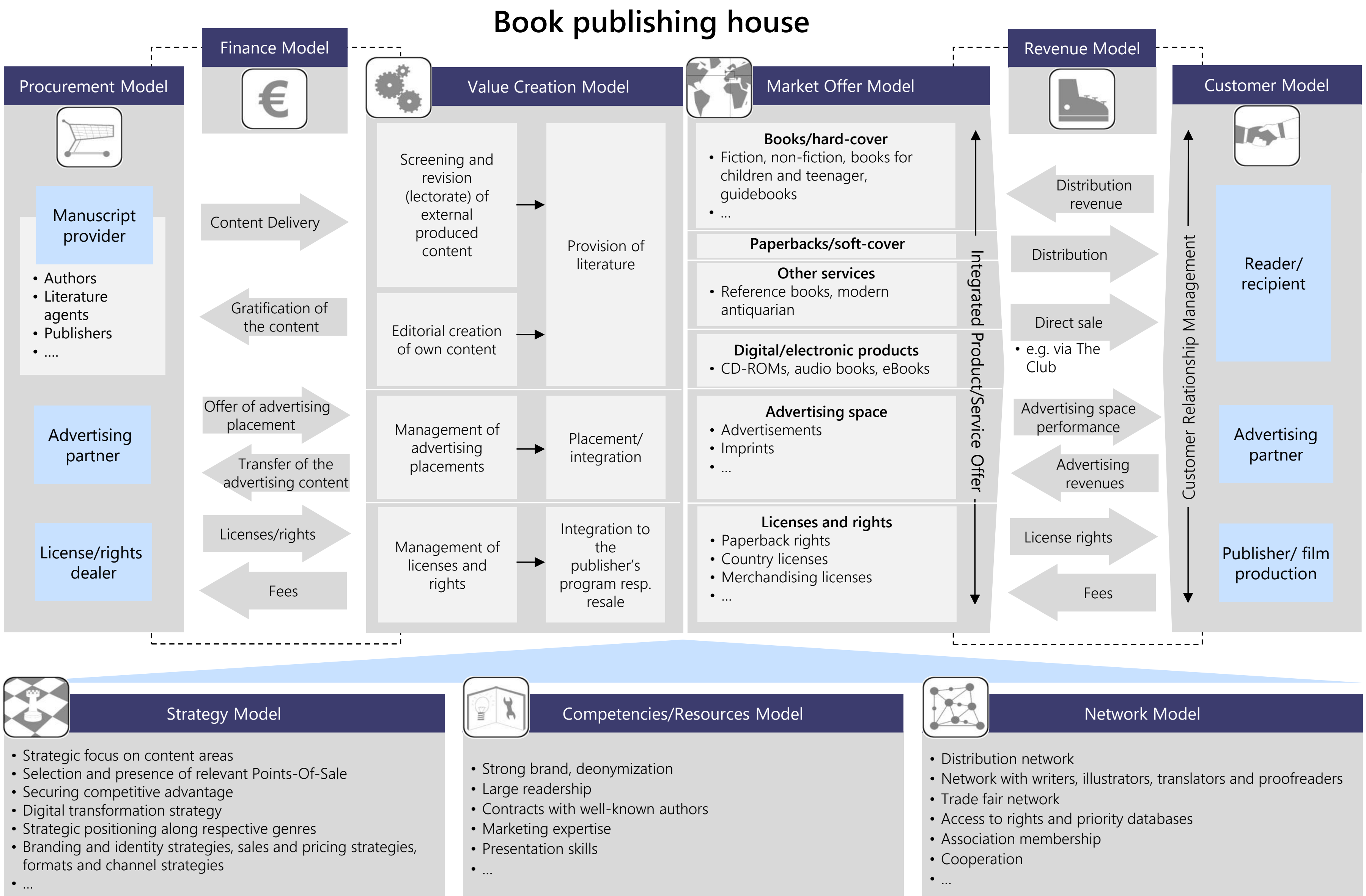
Source: Wirtz (2000c, 2019b, 2020)

Fig. 6.4 Costs and revenue structure of the manufacturing (on the basis of own analysis and estimations)



Source: Wirtz (2005, 2019b, 2020)

Fig. 6.5 Business model of a book publishing house



Source: Wirtz (2000c, 2019b, 2020)

Knowledge review questions

1. What are the effects of changed consumer behavior on the development prospects of the book industry?
2. What different types of products exist in the book industry?
3. What are the core assets and core competencies that book publishers must have in order to secure long-term success? Put the value-chain of book publishers into order!
4. What factors are crucial in the cost and revenue structure of the book industry? How are the first copy costs and distribution costs comprised?

Source: Wirtz (2020)

Chapter 7: Business Models and Value Creation in the Movie Market

Fig. 7.1 Products in the movie sector

Products in the movie sector

Film screening

Distributional differentiation

- Multiplex facility
- Individual theaters
- Program theater (special interest or time-delayed film screening)
- Events theaters (e. g. open air cinema, univer-sity cinema)

Contentional differentiation

- Original version/ synchronization
- Fiction/non-fiction
- Genre (action, thriller, horror, science-fiction, fantasy, western, eastern, drama, music film, cartoon, comedy, children's film, documentation and erotic film)

Home entertainment

Distributional differentiation

- Limited movie consumption (film rental DVD/Blu-ray, pay-per-view, near-video-on-demand, video-on-demand)
- Unlimited movie consumption (film sales DVD/Blu-ray)

Contentional differentiation

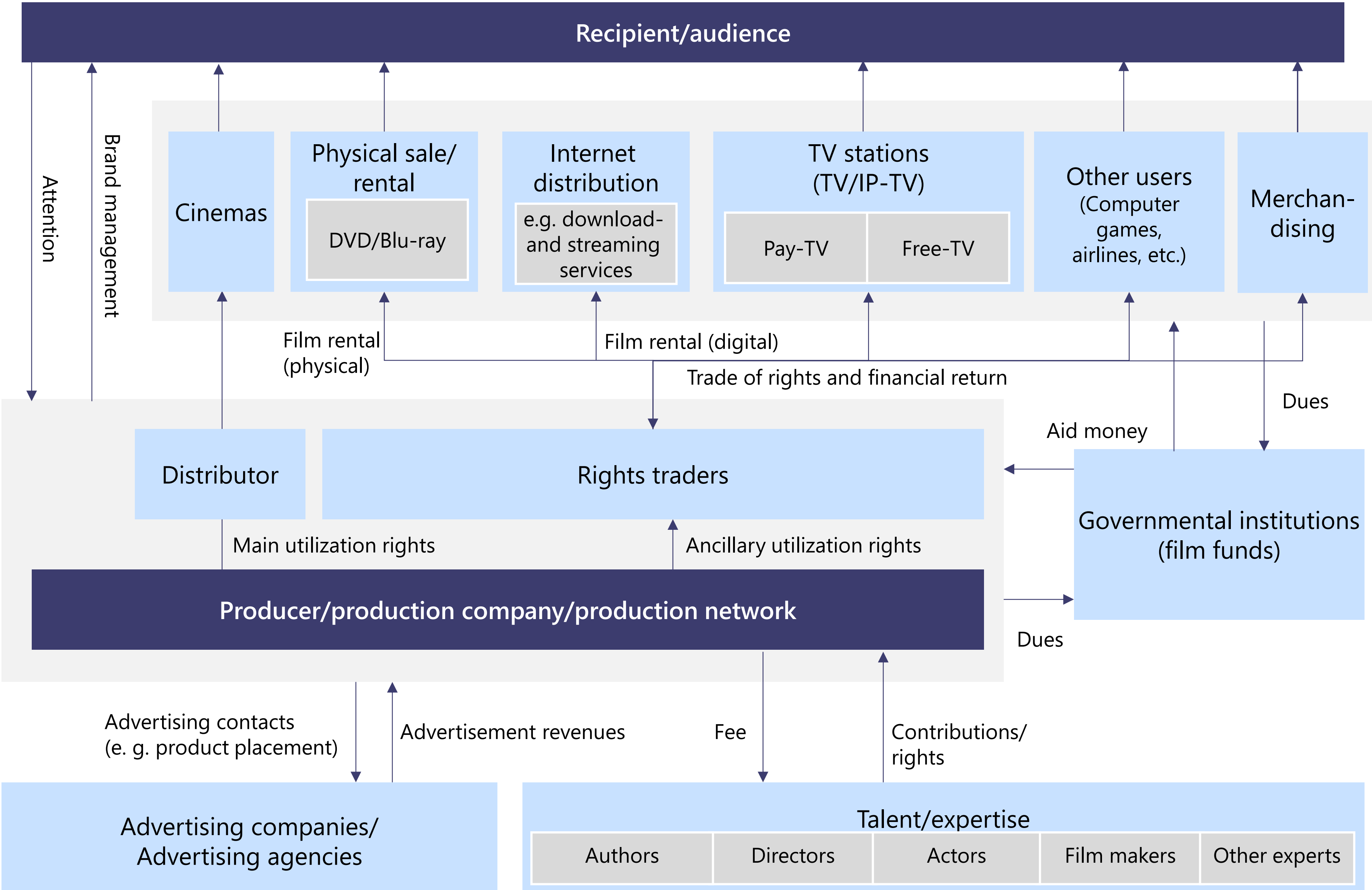
- Theater version of the TV movie
- Additional movie material (making-of documentation, interviews, program tips)
- Alternative film material: several Movie versions (e.g. director's cut, alternative scenes, diversity of languages)

Merchandising

- Music (soundtrack, theme song)
- Print (book, magazine, film poster)
- Game (video and computer games, board games, other games and toys)
- Textiles (t-shirts etc.)
- Foods (e. g. fast food restaurant chains)
- Theme parks (e. g. Movie World)
- Cosmetics and care (e. g. band-aid)
- Other consumer goods

Source: Wirtz (2003b, 2019b, 2020)

Fig. 7.2 Interactions in the movie market



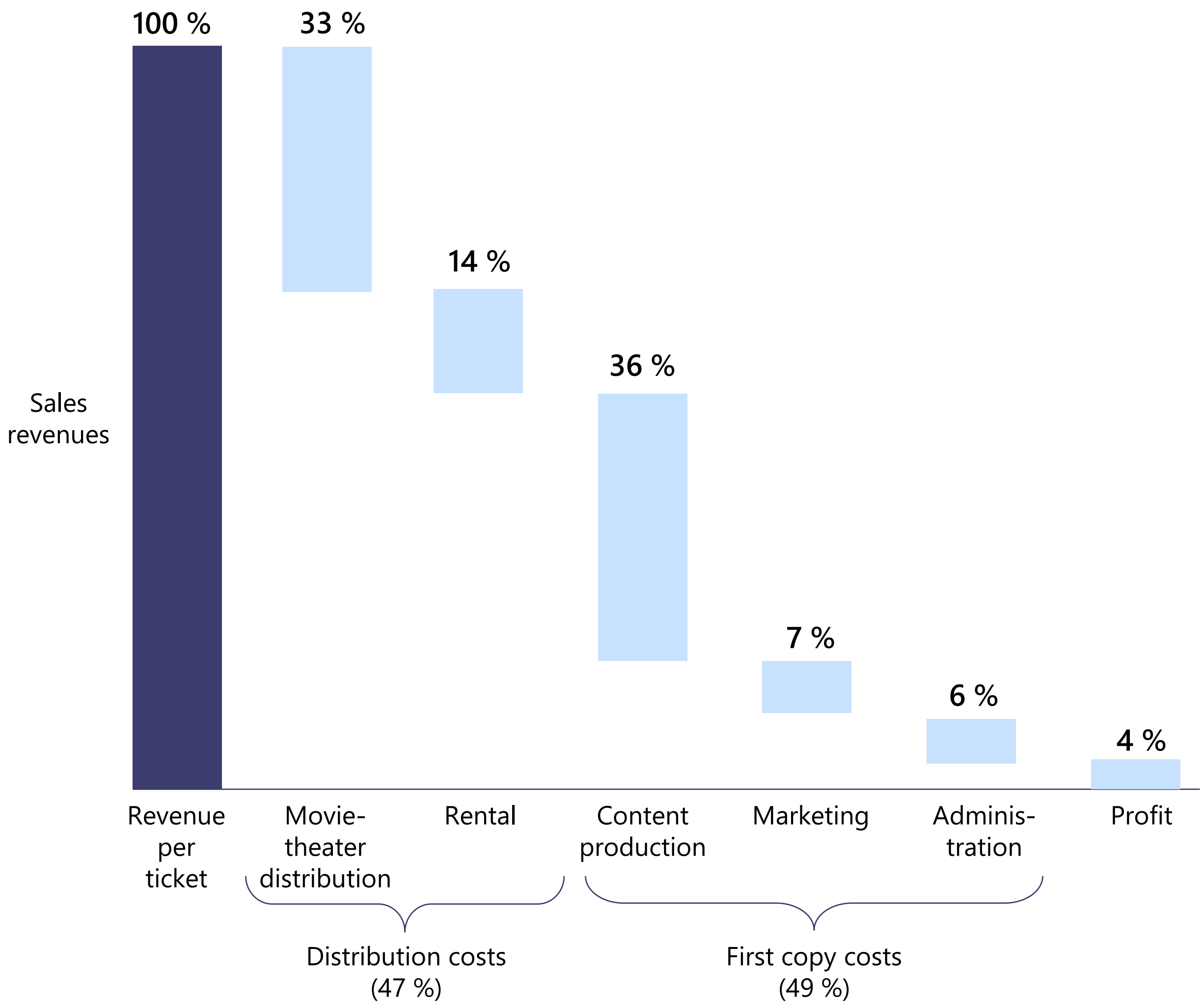
Source: Wirtz (2011b, 2019b, 2020)

Fig. 7.3 Value chain of the movie industry

	Procurement/ pre-production	Movie production/ post-production	Trade of rights/ movie rental	Utilization: Theater	Utilization: Ancillary markets	Recipient
Key tasks	• Production planning/project planning • Procurement of financial resources • Team configuration: director, actors, camera	• Production • Post-production • Soundtrack • Special effects	• Movie rental • Trade with other rights (DVD/Blu-ray, TV, world rights) • Marketing	• Distribution to theaters • Marketing • Cinema presentations	• DVD/Blu-ray sales and rental • Video-on-demand and pay-per-view • Pay-TV and free-TV • Merchandising	
Provider	• Major Hollywood studios • Producers • Film production companies	• Film production companies • Special effects companies • Post-production companies • Recording studios	• Film distributors • Rights trader	• Film distributors • Multiplex theater chains • Individual theater operators	• DVD/Blu-ray producers • Retail • Video shop/ media center • Pay TV • Free TV	

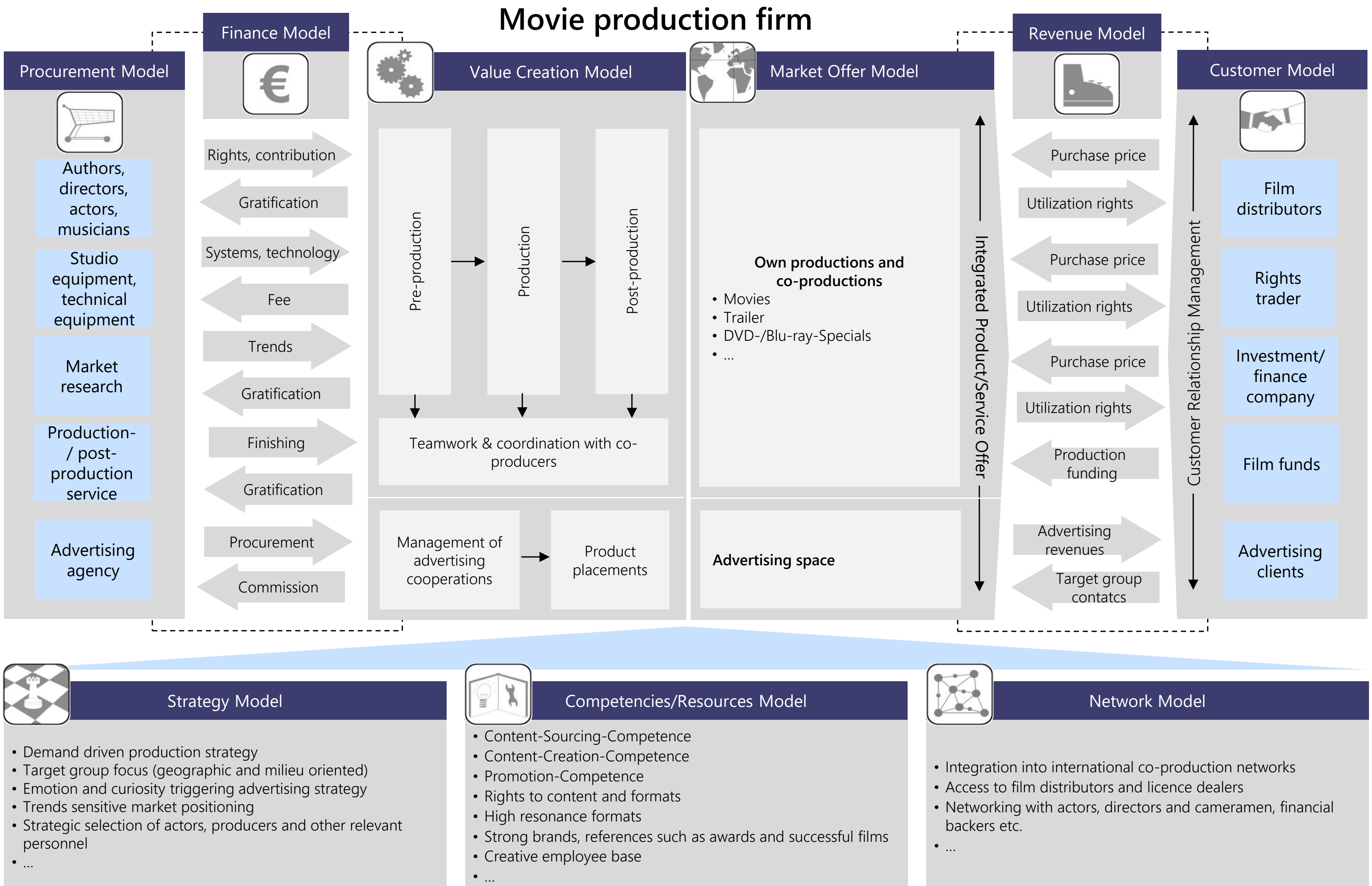
Source: Wirtz (2003b, 2019b, 2020)

Fig. 7.4 Costs and revenue structure of service creation (on the basis of own analysis and estimations)



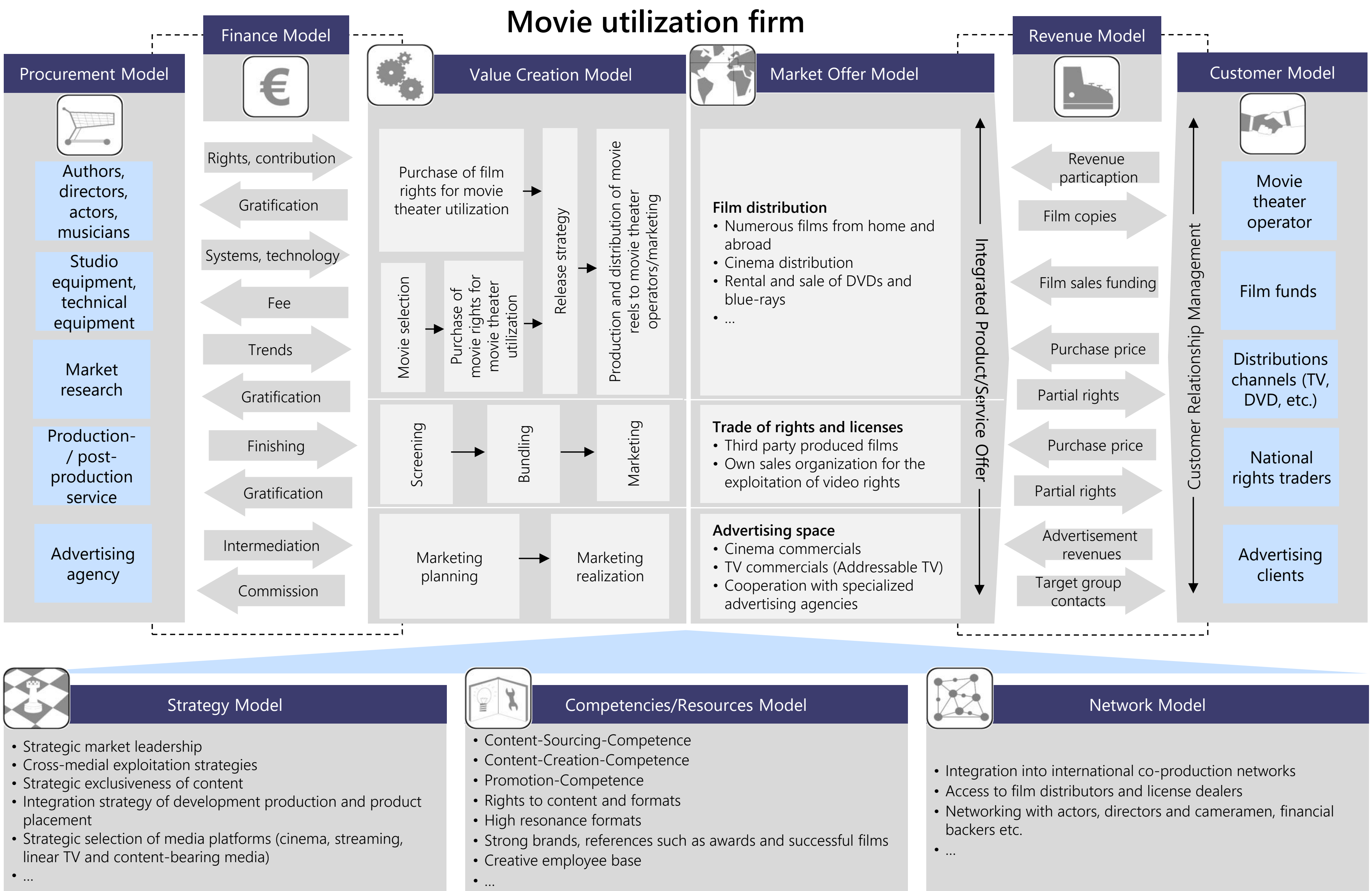
Source: Wirtz (2005, 2019b, 2020)

Fig. 7.5 Business model of a movie production firm



Source: Wirtz (2003b, 2019b, 2020)

Fig. 7.6 Business model of a movie exploitation firm



Source: Wirtz (2003b, 2019b, 2020)

Knowledge review questions

1. How can the process of movie utilization be described?
2. What trends can be seen in the movie theater, DVD and Blu-ray segments?
3. Which various elements of the range of services are used in the movie industry?
4. Explain the value chain of the movie industry! What can you say about the two-fold differentiation of the movie utilization?

Source: Wirtz (2020)

Chapter 8: Business Models and Value Creation in the TV Market

Fig. 8.1 Products in the TV sector

Products in the TV sector

Free-TV

- Full programs
- Specialized programs
- Local programs
- Free-video-on-demand
- Free-near-video-on-demand
- Free-IP-TV

Pay-TV

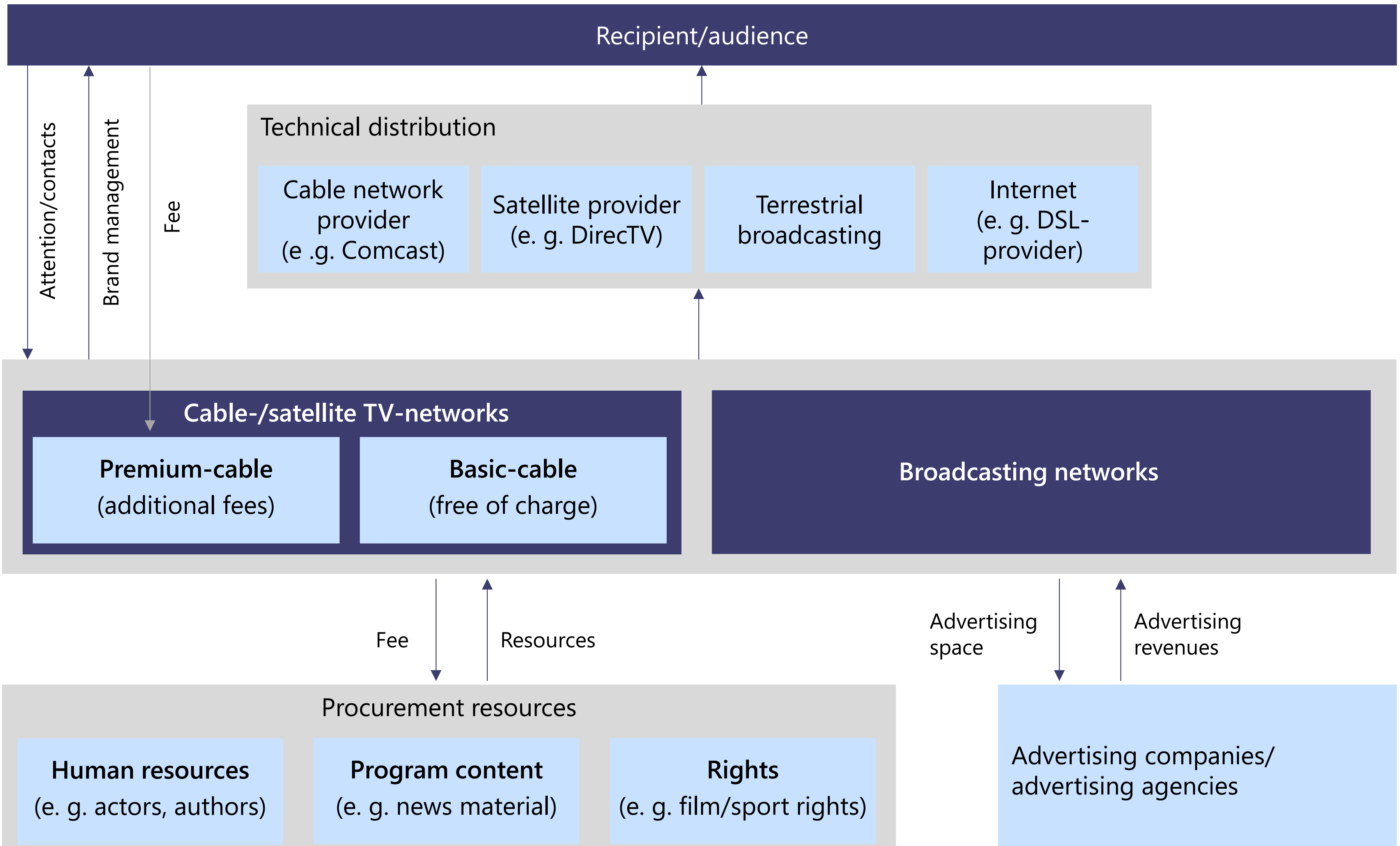
- Pay-per-channel
- Pay-per-view
- Pay-video-on-demand
- Pay-near-video-on-demand
- Pay-IP-TV

Teleshopping/ call-in-TV

- Direct response TV
- Infomercials/ documercials
- Video-malls
- Shopping shows
- Interactive teleshopping
- Call-in-shows

Source: Wirtz (2000c, 2019b, 2020)

Fig. 8.2 Interactions in the TV market



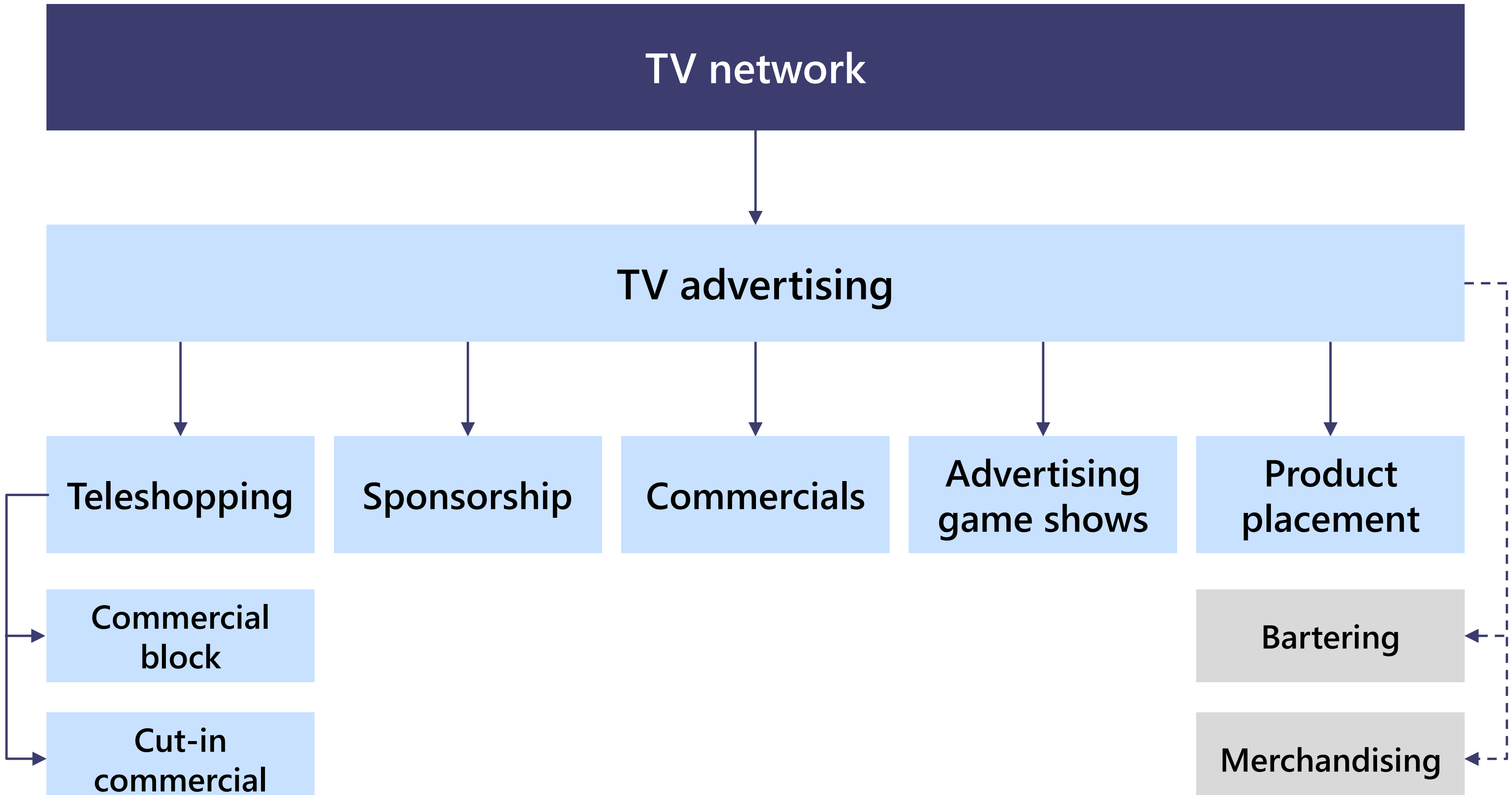
Source: Wirtz (2011b, 2019b, 2020)

Fig. 8.3 Value chain of the TV industry

	Procurement	Program production	Program trading	Program design/ packaging	Technical production and distribution	Recipient
Key tasks	• Procurement of screenplays, moderators, actors, editors, technology and other input factors as well as ad space	• Planning, control and execution of production	• Trading in movie or sports rights	• Program planning and prepackaging • Ad placement	• Transmission technology • Use of tele-communi-cations infrastructure	
Provider	• News agencies • Authors • Actors (agencies) • Advertising agencies	• Editorial staff • Production firms	• Rights agents • Program traders	• Program director • Program editors	• Cable provider • Satellite provider	

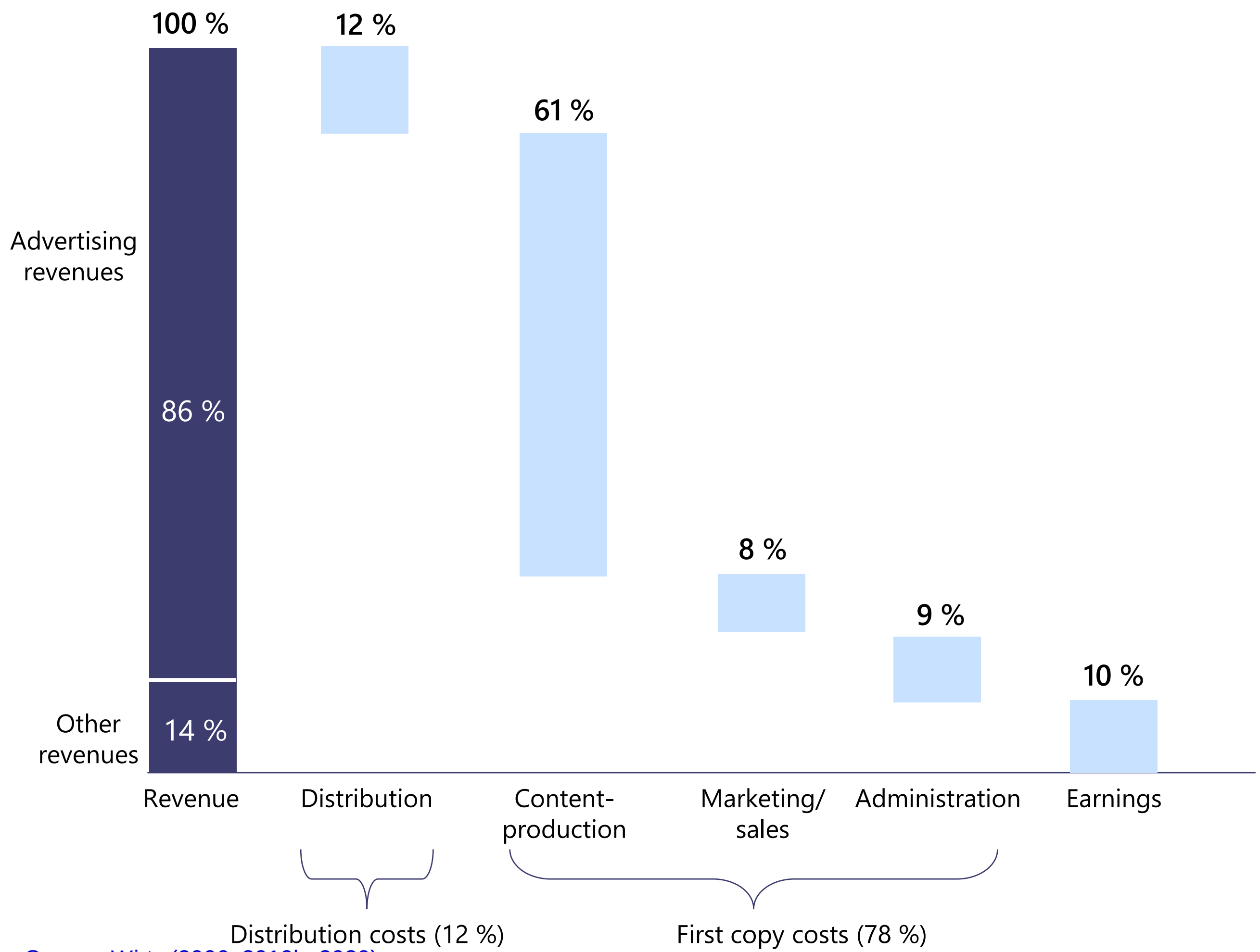
Source: Wirtz (2003b, 2019b, 2020)

Fig. 8.4 Forms of TV advertising



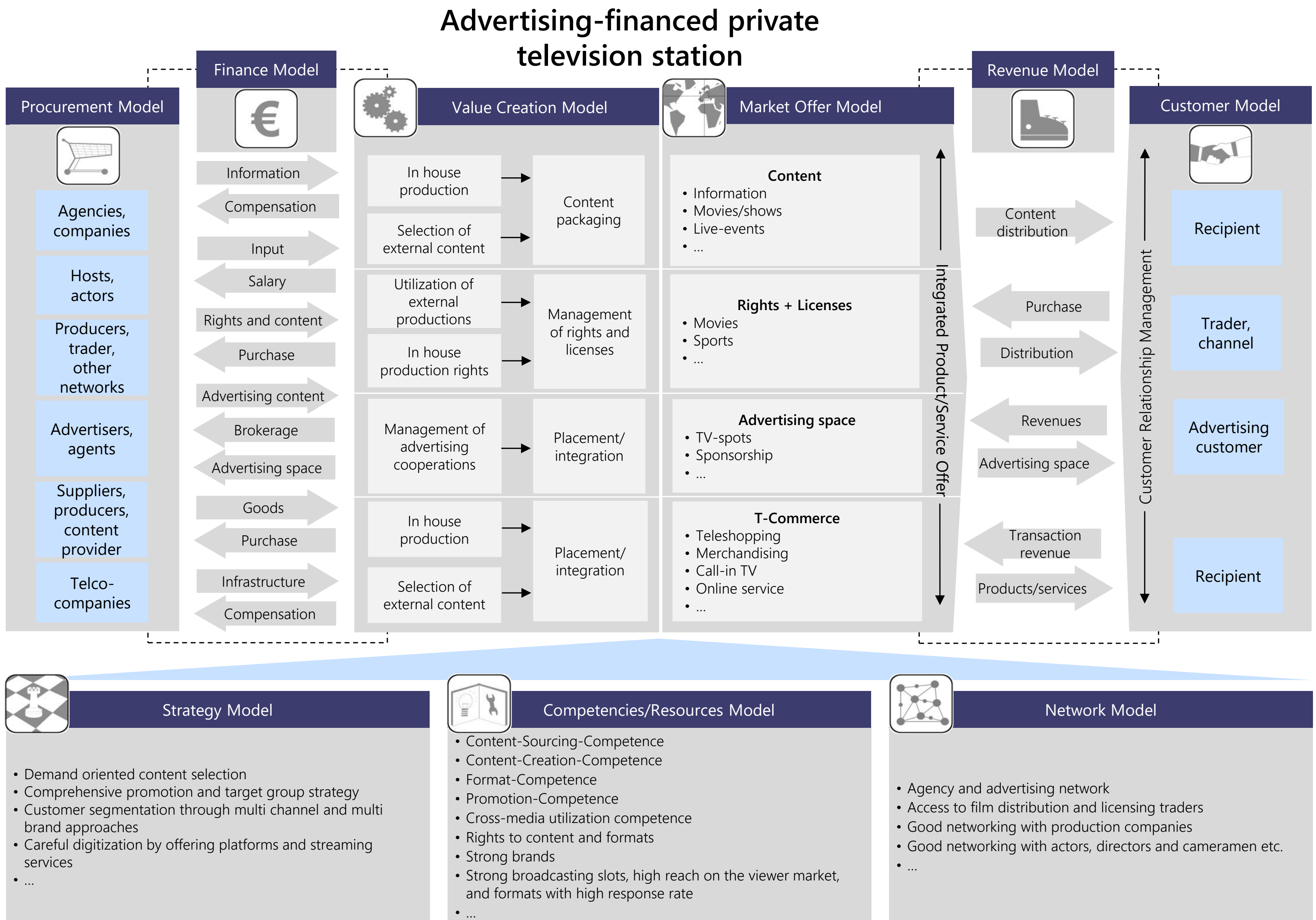
Source: Wirtz (1994, 2019b, 2020)

Fig. 8.5 Cost and revenue structure of manufacturing (free-TV) (on the basis of own analysis and estimates)



Source: Wirtz (2006, 2019b, 2020)

Fig. 8.6 Business model of an advertising-financed private television station



Source: Wirtz (2000c, 2019b, 2020)

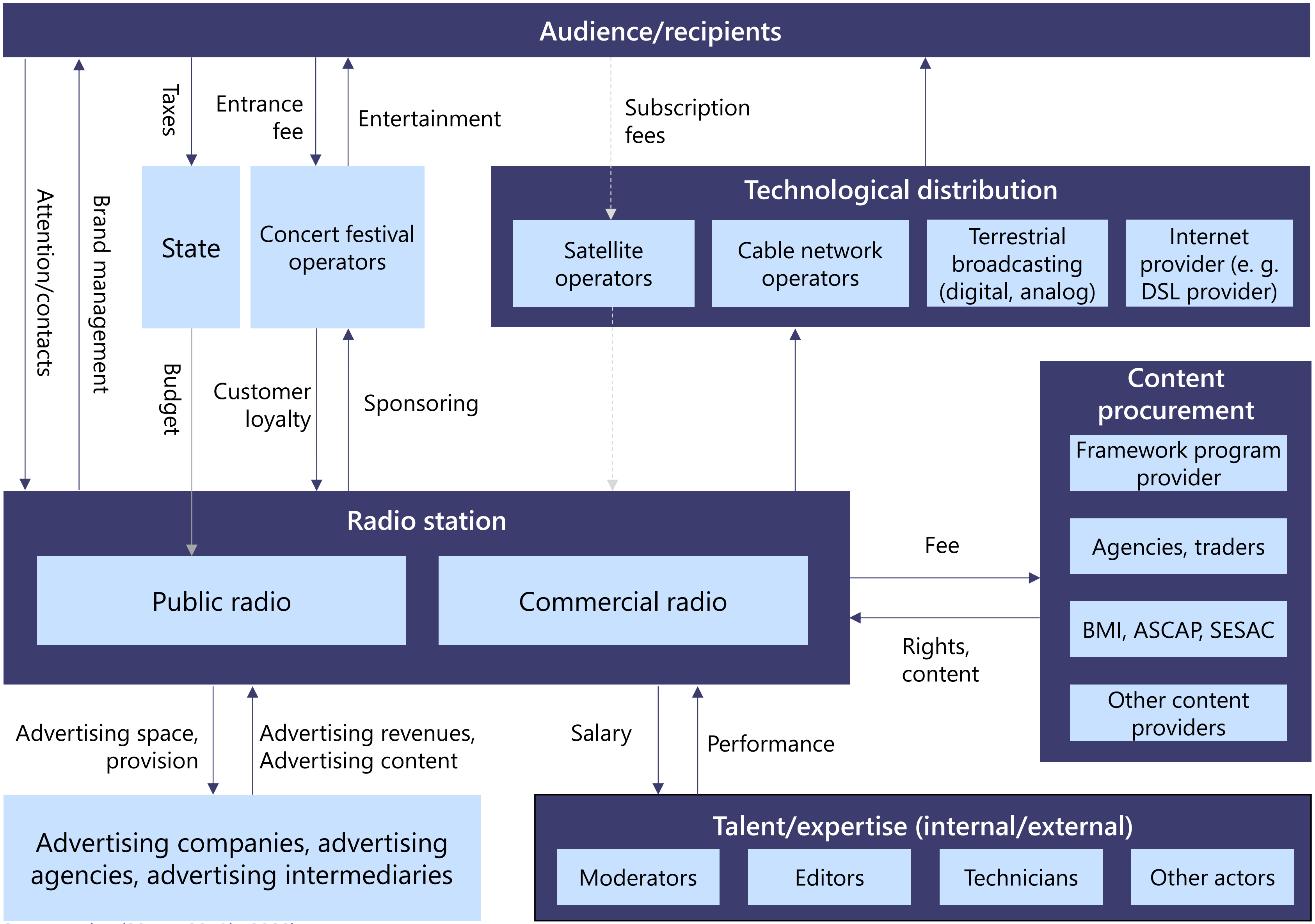
Knowledge review questions

1. What are the TV industry's product types? Give examples of pay-per-view and direct-response-television!
2. What are the TV suppliers' cost structure and revenue structure? Give reasons for the high content production costs!
3. Explain the interactions in the TV market!

Source: Wirtz (2020)

Chapter 9: Business Models and Value Creation in the Radio Market

Fig. 9.1 Interactions in the radio market



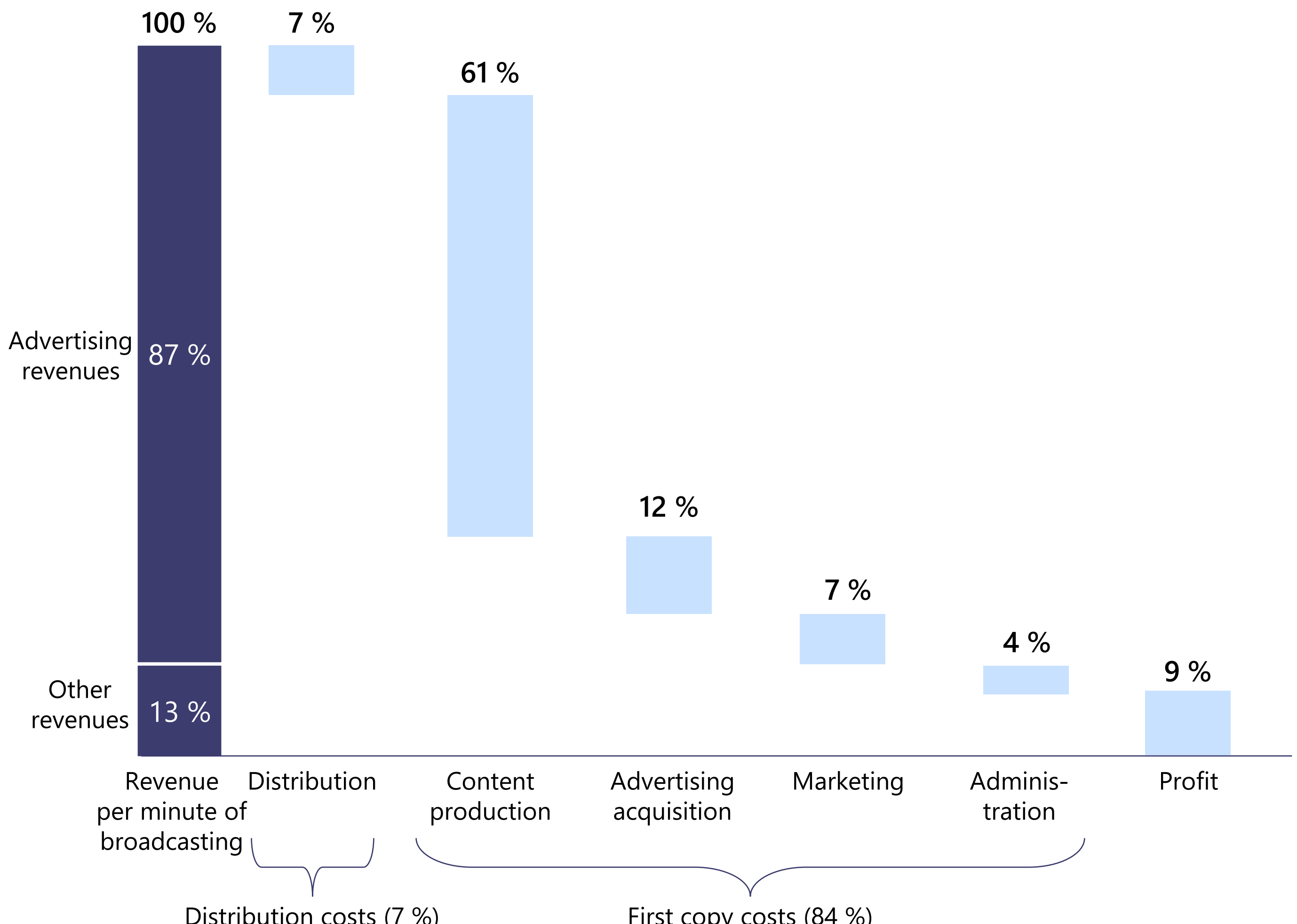
Source: Wirtz (2011c, 2019b, 2020)

Fig. 9.2 Value chain of the radio industry

	Procurement of the input factors	Program production	Program trade	Programming/ packaging	Technological production and program distribution	Listener
Key tasks	• Content procurement (including advertisement), technology and human resources)	• Planning, con-trolling and execution of the production	• Trade with radio program licenses	• Planning and compilation of the program sequences • Advertisement placements	• Broadcast technology • Use of the tele-communication infrastructure	
Provider	• News agencies • Radio drama authors • Advertising marketing companies	• Editorial offices • Production companies • Choirs and orchestras • Local studios	• Program trade	• Program director • Program editor	• Operator of terrestrial broadcasting stations • Cable network operator • Satellite operator • Internet	

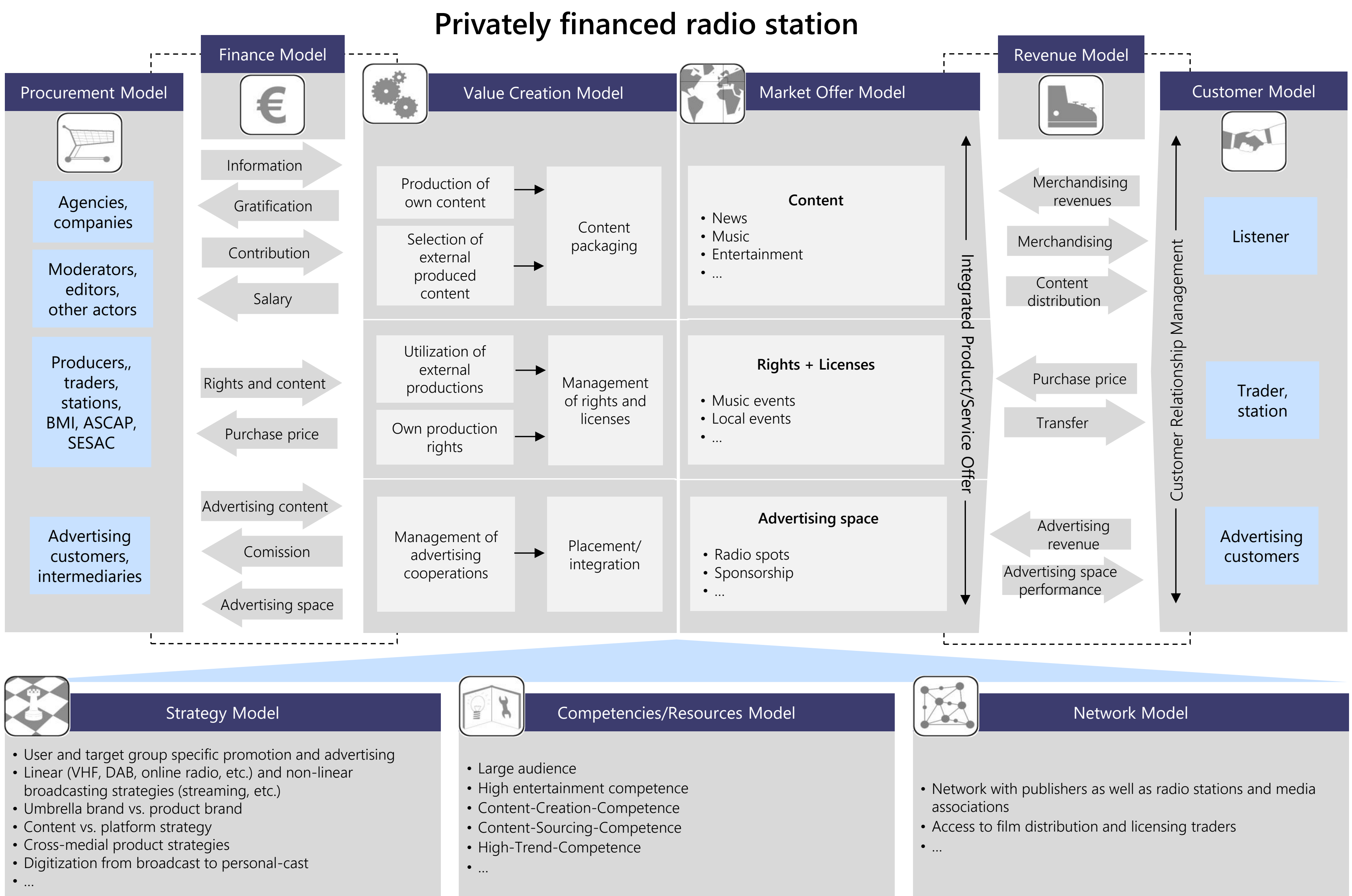
Source: Wirtz (2001b, 2019b, 2020)

Fig. 9.3 Cost and revenue structure of manufacturing (On the basis of own analysis and estimates)



Source: Wirtz (2005, 2019b, 2020)

Fig. 9.4 Business model of a privately financed radio station



Source: Wirtz (2001b, 2019b, 2020)

Knowledge review questions

1. Describe the value chain of radio enterprises! What core functions must be taken into consideration in the area of program structuring and packaging?
2. Explain the manufacturing model of radio management!
3. Why is the advertising market so critical for the success of private radio stations?

Source: Wirtz (2020)

Chapter 10: Business Models and Value Creation in the Music Market

Table 10.1 Overviews of various music genres (I)

Genre	Description	Interprets	Subcategories
Rock	Rock music is a music genre which emerged from rock'n roll; it captivates with heavy guitar music and its rock band characteristics	Linkin Park; Metallica; Rolling Stones; Guns N' Roses; Iron Maiden; Red Hot Chili Peppers; Green Day, Nirvana; Korn	Rock'n roll; surf; glamrock; progressive rock; art rock; psychedelic rock; flower power; metal; heavy metal; death metal/ gothic metal; thrash metal; black metal; hardcore metal; metal crossover; hard rock; new metal; grindcore; alternative rock; punk; independent; grunge; new wave; dark wave; melody core
Pop	Pop music is deemed to be harmonious and melodic light music with considerable commercial success	Madonna; George Michael; Lenny Kravitz; Mariah Carey; Elton John; Michael Jackson; Gwen Stefani; Britney Spears	Pop international; Brit pop; pop instrumental soloists; pop instrumental bands; new age
Black music	Very rhythmical music genre with partial melodic influences – this music genre is characterized by a large proportion of "spoken" elements	Whitney Houston; Bob Marley; 50 Cent; Eminem; Sean Paul; Black Eyed Peas; Beyonce; Mary J. Blige; Rihanna	Spiritual/ gospel; rhythm and blues; traditional r & b; blues; delta blues/ country blues; classic blues; city blues; blues rock; soul; phillysound; motown; contemporary soul; funk; hip hop; int. hip hop/rap; int. hip hop mainstream; credible hip hop/hardcore; g-funk; reggae; mainstream reggae; roots reggae; dub; raggamuffin; ska; traditional jazz/swing; big band swing
Electronic music	Electronic music refers to a music genre which is produced with the help of electronic equipment (computers, synthesizers etc.)	Global Deejays; David Guetta; Phats & Small; Lords of Acid; Milk & Sugar; Marshall Jefferson; DJ Tonka	Disco; dance/dance-pop/eurodance; techno; trance; acid; house; vocal house; drum & bass/jungle; big beat; electro/ambient

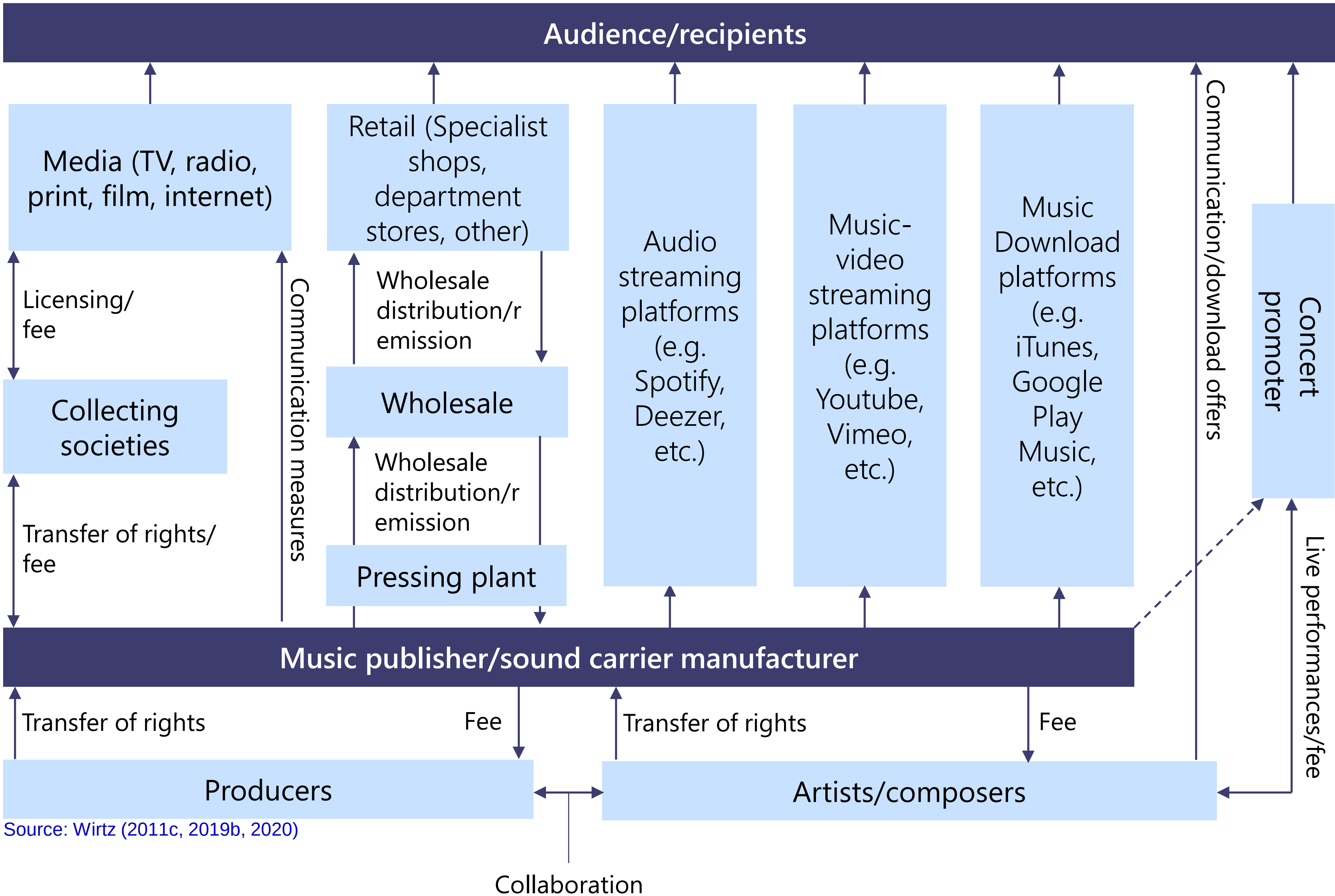
Source: Wirtz (2006, 2019b, 2020)

Table 10.1 Overviews of various genres (II)

Genre	Description	Interprets	Subcategories
Folklore	Characterized by the musical lore of a nation – the music genre combines classical folk music with dance music and also with theatre music	John Barden, Flogging Molly, Tommy Makem	March music; folk/folklore; North American folk; Western European folk; Eastern European folklore; Russian folklore
Country	An American music genre which illustrates rural living conditions with distinct and in part very direct lyrics	Carter Family; Chet Atkins; Hank Williams; Johnny Cash; Dolly Parton; John Denver; Keith Urban; Shania Twain; Dixie Chicks	Mainstream country; hillbilly/ bluegrass; country rock; western swing; texmex; cajun/zydeco
Classical music / orchestra	Classical music can be found in many epochs since the 15th century and is characterized by its demand concerning seriousness and specialty (particularly in contrast to popular music)	Vienna Chamber Orchestra; Dresden Philharmonic; Johann Sebastian Bach; Johannes Brahms; Frédéric Chopin; Georg Friedrich Händel; Joseph Haydn; Felix Mendelssohn Bartholdy; Robert Schumann; Pjotr Iljitsch Tschaikowski	Symphonic/orchestral music; chamber music with harp; chamber music string quartet; solo instrument; choir; new music/contemporary music; noise/sound music; neo-classic; neo-romanticism
World music / crossover	World music describes a music genre which occurred in the 1980s and which was developed by the crossover of popular music and traditional (mostly not Occidental) music genres	Leo Fuld (Netherlands); Gjallarhorn (Finland); Level 42 (England); Lizzy Mercier Descloux (France); Loreena McKennitt (Canada); Mari Boine (Norway/Lapland)	World music; worldbeat; Arabian world music; African world music; Asian world music; world music from the South Seas; tango; samba; salsa; calypso; flamenco/sevillanas; national anthems; classical rock crossover; classical jazz crossover; classical ethno crossover

Source: Wirtz (2006, 2019b, 2020)

Fig. 10.1 Interactions in the music market



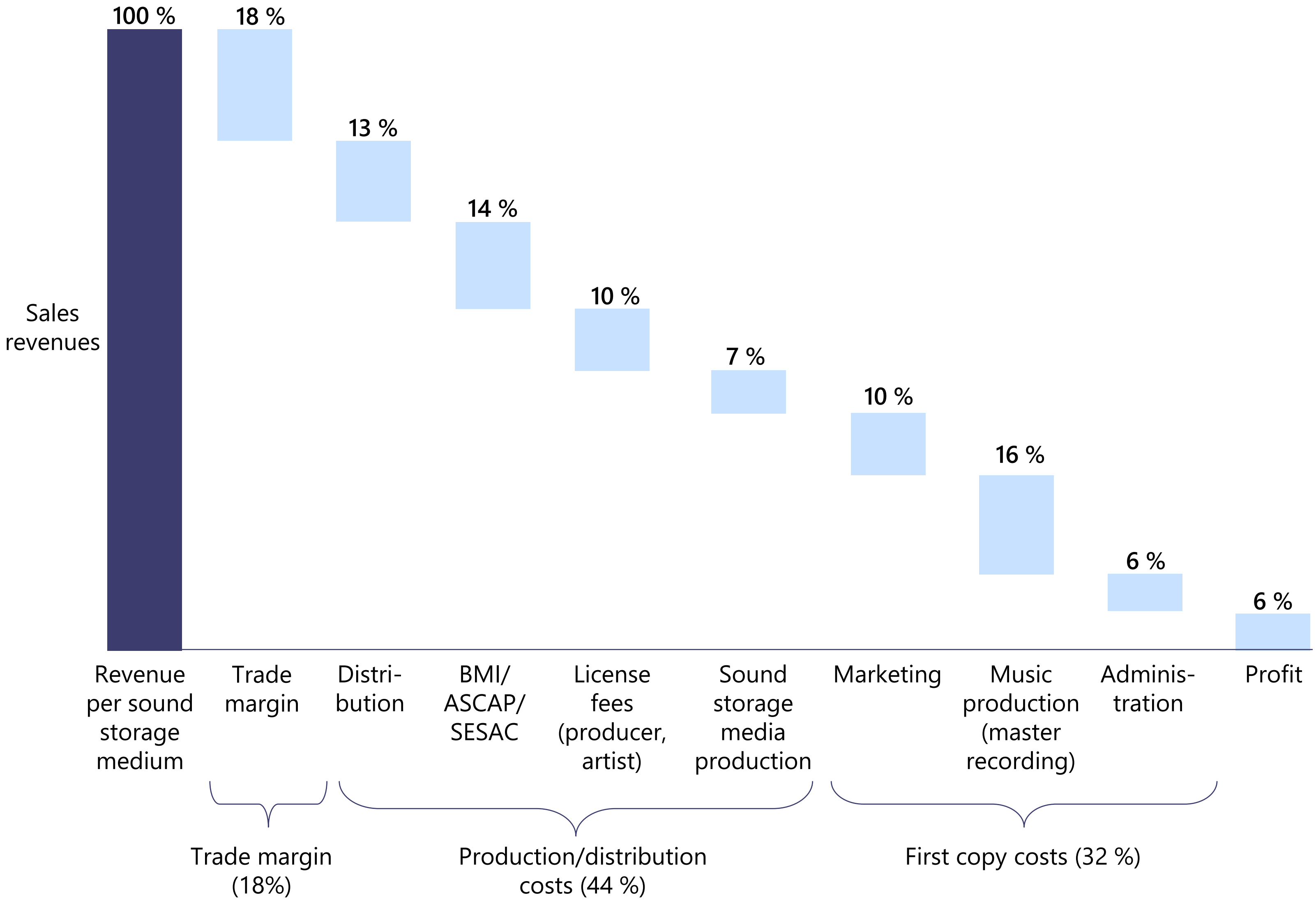
Source: Wirtz (2011c, 2019b, 2020)

Fig. 10.2 Value chain of the music industry

	Composition	Recording	Rights trading	Record production	Distribution	Recipient
Key tasks	• Writing of the song • Musical interpretation of the composition • Creation of demo tapes	• Planning, controlling, and completion of the record production • Creation of master tapes	• Trade with rights of musical works	• Planning and compilation of records and albums • Physical production of records´	• Storage and transport • Online distribution • Sales via stationary retail, online retail, and music download platforms	
Provider	• Composers • Songwriters • Artists	• Music labels • Recording studios • Recording managers • Producers	• Music publishers	• Music labels • Manufacturers	• Distributors • Music labels • Wholesalers and retailers • Online retailers • Music download providers	

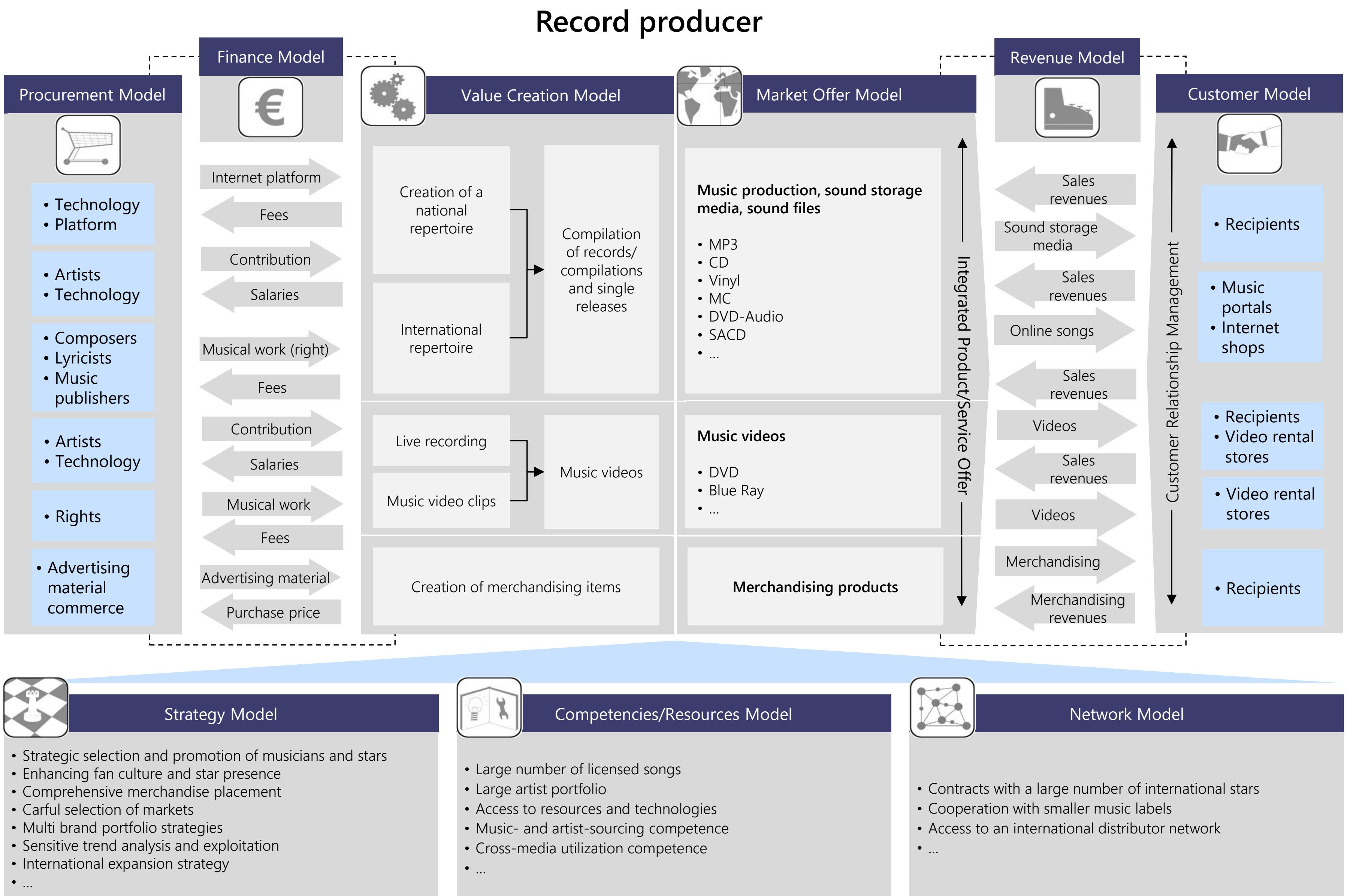
Source: Wirtz (2001b, 2019b, 2020)

Fig. 10.3 Costs and revenue structure of the manufacturing (On the basis of own analysis and estimates)



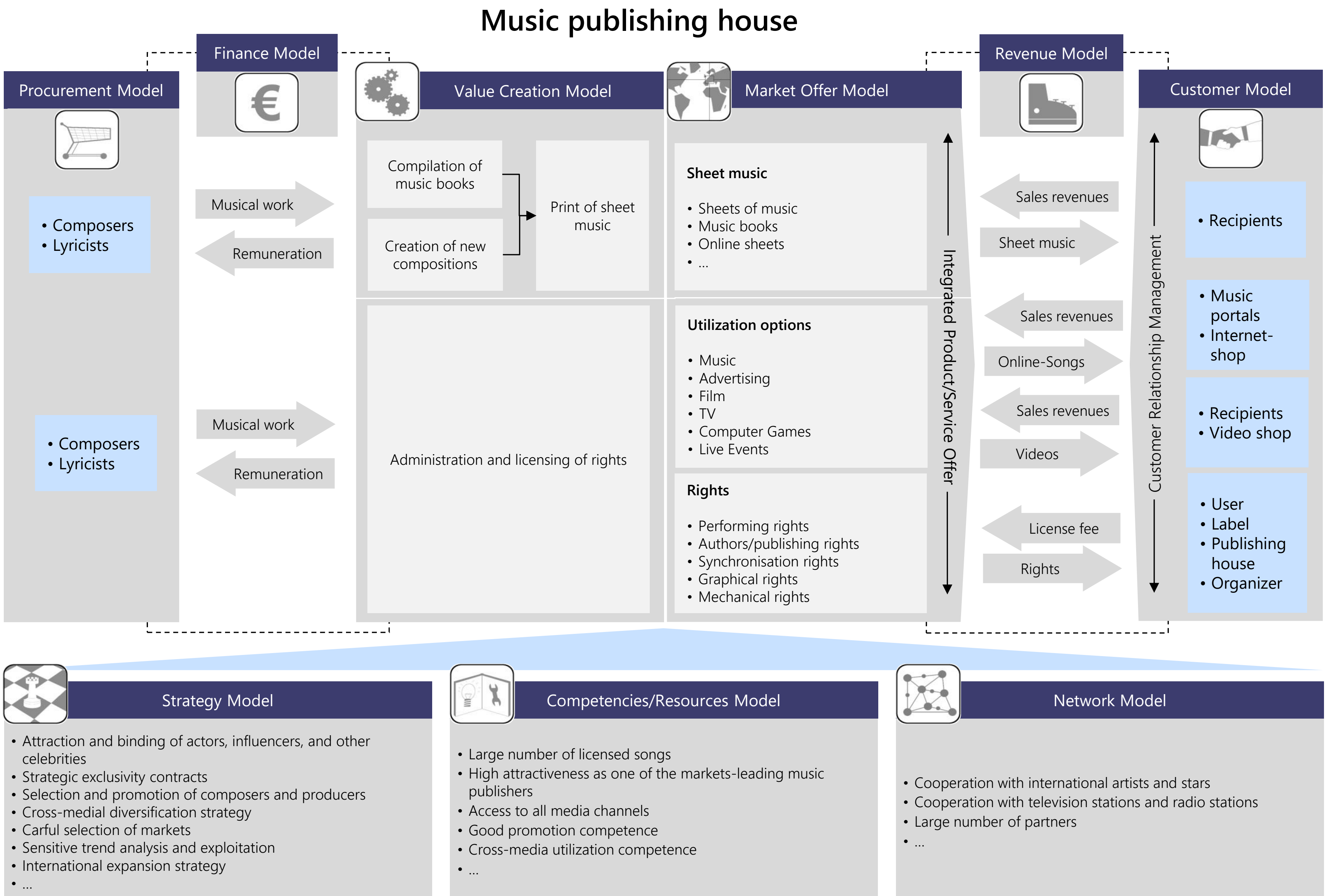
Source: Wirtz (2005, 2019b, 2020)

Fig. 10.4 Business model of a record producer



Source: Wirtz (2001b, 2019b, 2020)

Fig. 10.5 Business model of a music publishing house



Source: Wirtz (2001b, 2019b, 2020)

Knowledge review questions

1. Of what is the value chain in the music industry composed?
2. How can the revenue model of the music industry be described?
3. Explain a few differences between the business models of the music publishing houses and the record producer.

Source: Wirtz (2020)

Chapter 11: Business Models and Value Creation in the Video and Gaming Market

Fig. 11.1 Products in the video and computer game sector

Products in the video and computer gaming sector

Range of services in the narrower sense

Hardware

- Mobility: stationary (e.g. console, PC) vs. mobile game platform (PDA, handheld, mobile phone)
- Compatibility: proprietary (e.g. console) vs. compatible platform (e.g. PC)

Software

Distribution

- Offline (e.g. CD-Rom, DVD, Blu-ray, UMD, flashcard)
- Online (download, application hosting)

Content

- Genre (e.g. action, strategy, jump 'n' run, racing games)
- Number of players (e.g. single-player or multiplayer, mass-multiplayer)

Range of services in the broader sense

Peripherals

e.g.

- Gamepad
- VR Gear
- Wiimote
- Steering wheel
- Eye toy/camera
- Karaoke microphones
- Adapter/cable
- ...

Licensing/ merchandising

e.g.

- movies
- TV comic series
- Soundtrack
- Magazines
- Articles of clothing
- Toys
- ...

Services

e.g.

- Game portals
- Game events (LAN party, tournament)
- Forums
- ...

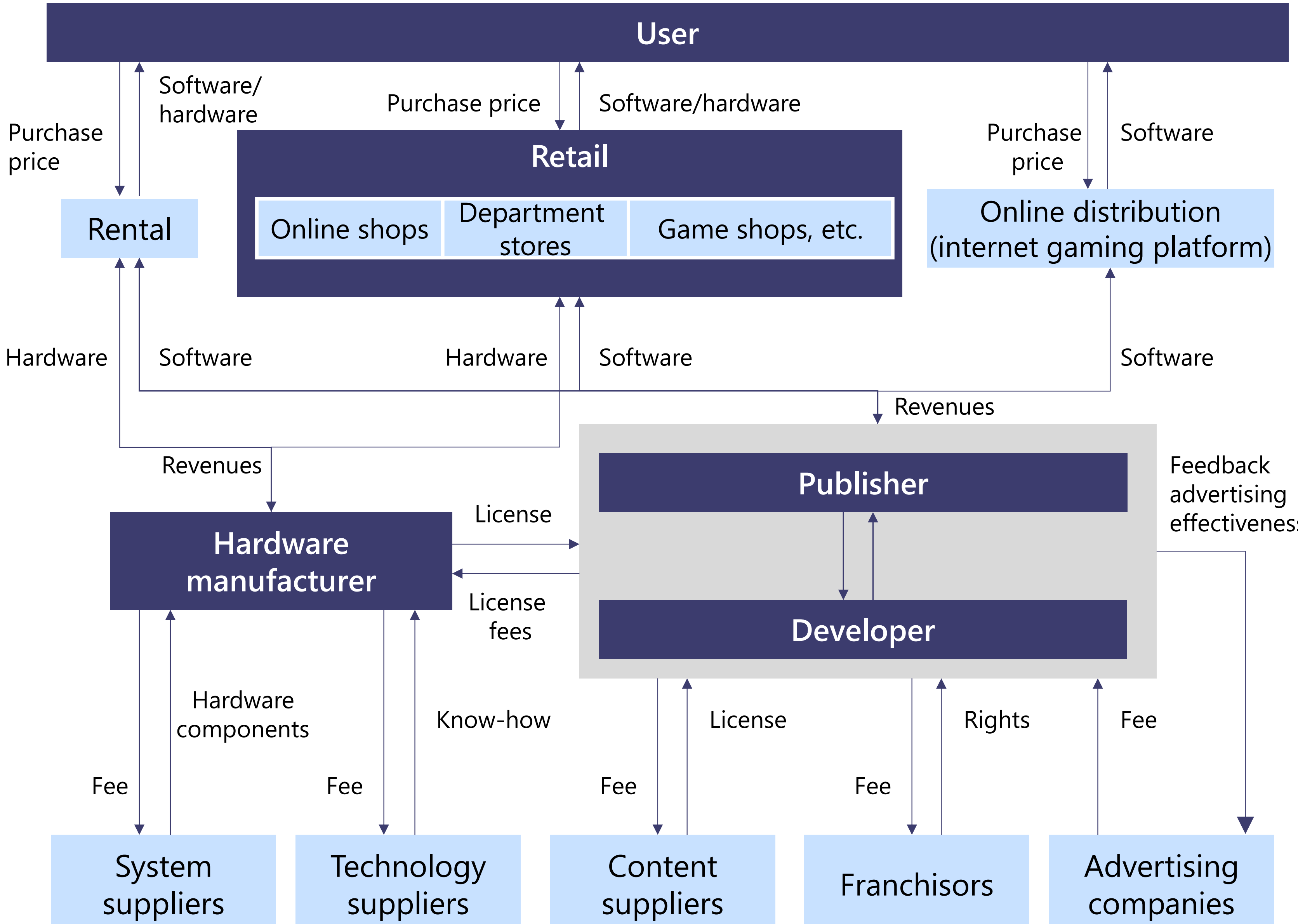
Source: Wirtz (2003b, 2019b, 2020)

Fig. 11.2 Video and computer game range of services

	Offline		Online	
	Stationary	Mobile	Stationary	Mobile
Single player	• Classical single game on the PC, console or set-top box	• Gaming on mobile platforms, e.g. classic Game Boy game and smartphone games	• Gaming on the PC, console, or set-top box via application-hosting	• Gaming of online smartphone games/ laptop/ tablet PC
Multi player	• Gaming on a stationary platform using several gamepads or LAN	• Gaming on connected mobile platforms, e.g. via WLAN (Nintendo DS, Playstation Portable) or smartphone games via Bluetooth	• Playing of online, multiplayer and mass-multiplayer games on the PC, console, or set-top-box	• Playing of online multiplayer games on the smartphone/ laptop/ tablet PC

Source: Wirtz (2003b, 2019b, 2020)

Fig. 11.3 Interactions in the video and computer game market



Source: Wirtz (2011c, 2019b, 2020)

Fig. 11.4 Value chain of the game console hardware industry

	Development	Production	Software/license management	Distribution/ trade	User
Key tasks	• Research & development	• Physical production	• License/software policy/strategy • Selection, human relations among developers and publishers • License management	• Storage and delivery • Stationary sale/ rental • Online sale	
Provider	• Platform manufacturers • System suppliers	• Platform manufacturers • Contract manufacturers	• Platform manufacturers	• Platform manufacturers • Wholesale and retail • Video rental stores/ media libraries	

Source: Wirtz (2003b, 2019b, 2020)

Fig. 11.5 Value chain on the game software industry

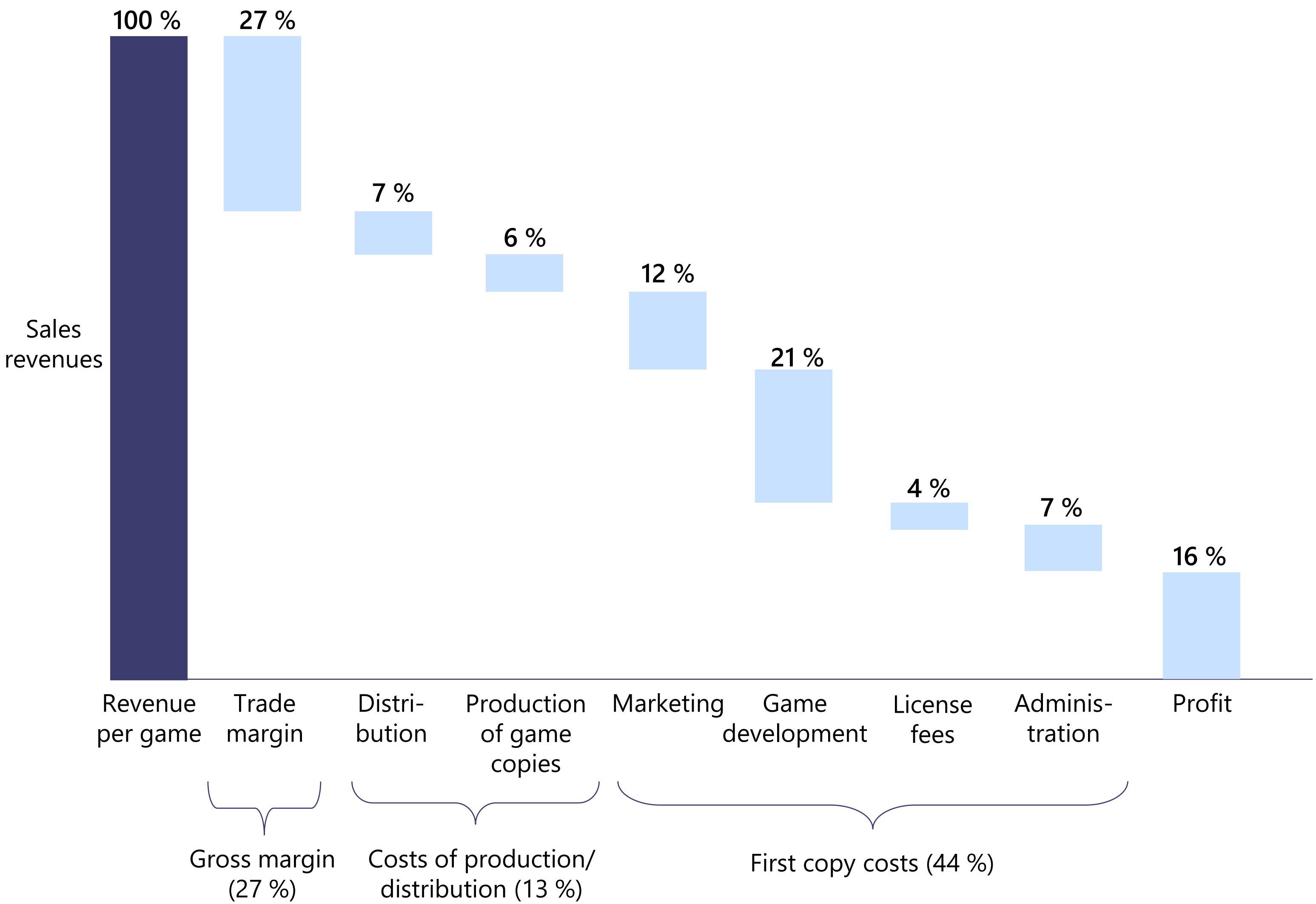
	Development	Publishing	Distribution/ trade	User

Key tasks	• Financing
	• Conception of games
	• Programming of games
	• Tests
		• Financing
		• Content procurement
		• License management
		• Hard copy reproduction (CD/DVD/Blu-ray/HD-DVD/UMD/flashcard)
		• Packaging
		• Marketing
			• Hard copy:
			  • Storage and delivery
			  • Stationary sale/rental
			  • Online sale
			• Digital copy:
			  • Aggregation
			  • Download
			  • Application hosting	

Provider	• Independent developers • Publishers • Platform manufacturers	• Publishers • Platform manufacturers	• Publishers • Wholesale and retail • Game portals • Download- or rather application hosting provider	

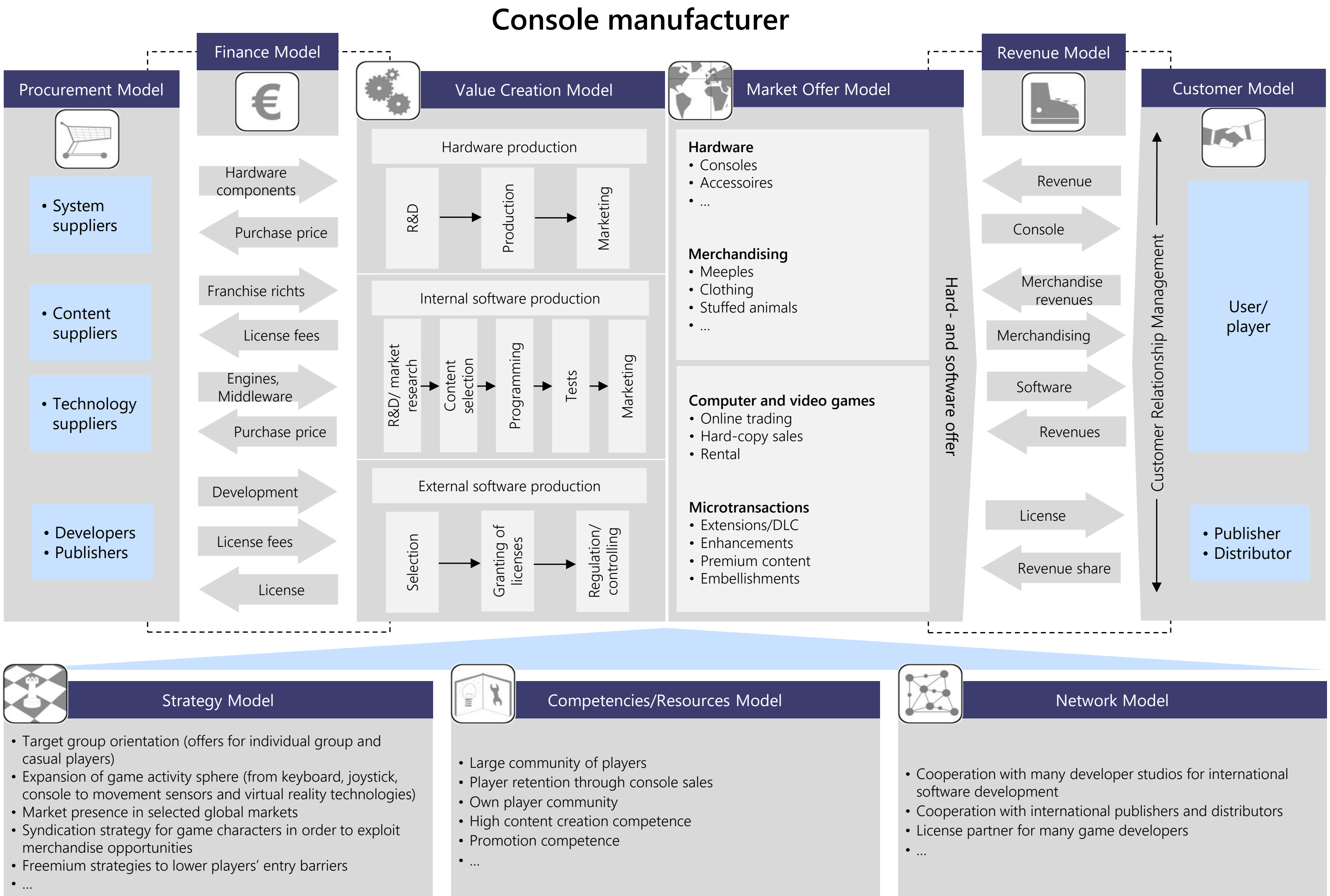
Source: Wirtz (2003b, 2019b, 2020)

Fig. 11.6 Costs and revenue structure of the manufacturing (on the basis of own analysis and estimates)



Source: Wirtz (2005, 2019b, 2020)

Fig. 11.7 Business model of a console manufacturer



Source: Wirtz (2003b, 2019b, 2020)

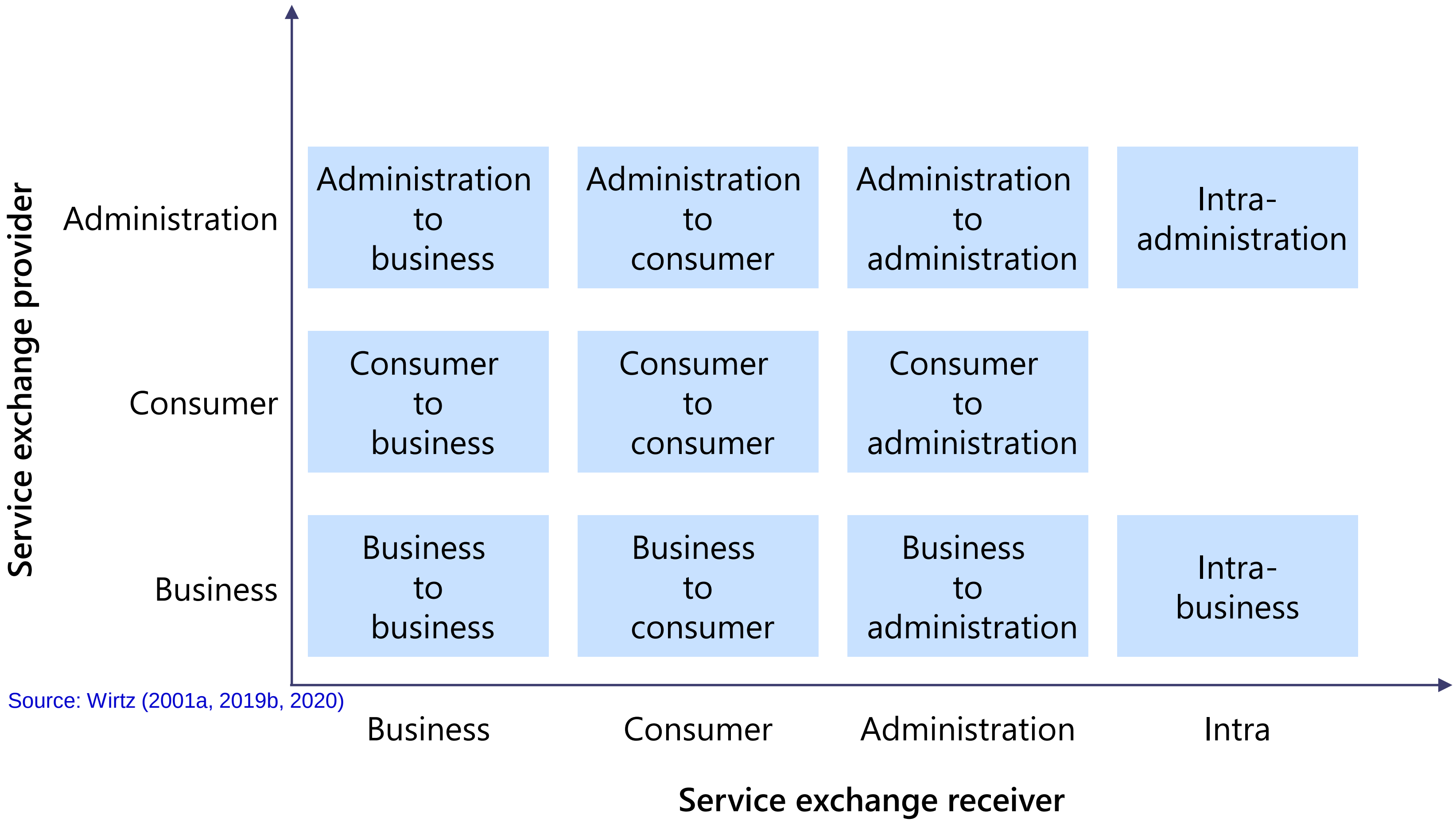
Knowledge review questions

1. Point out the range of services by means of an example of the video and computer game industry! Also distinguish between the online and offline range of services!
2. The value chains in the game software and game console hardware industry have certain things in common. Which ones are relevant for a cooperative or rather integrated success?
3. Do differences in profitability exist within the different business models in the video game industry? State possible reasons!

Source: Wirtz (2020)

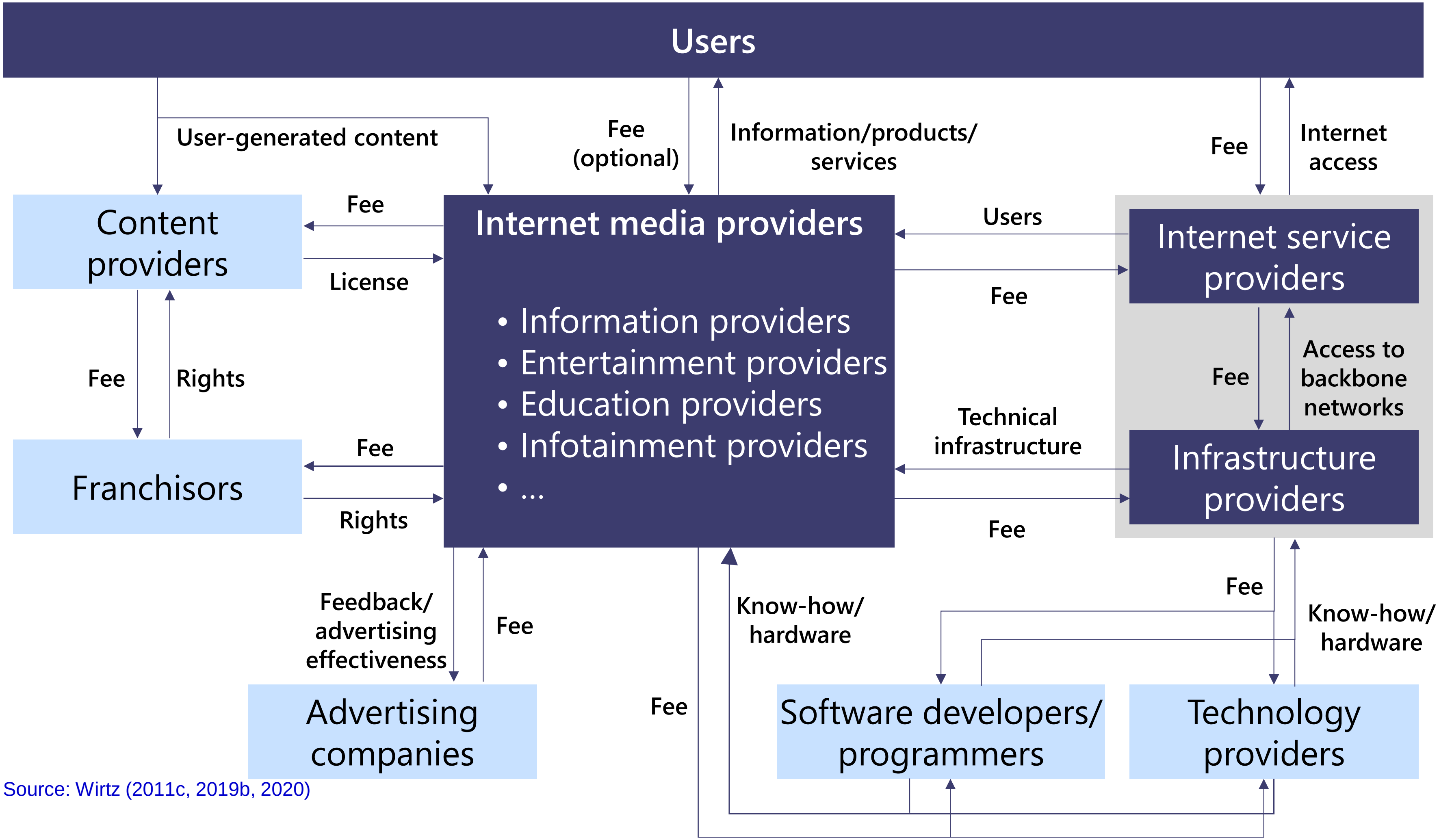
Chapter 12: Business Models and Value Creation in the Internet Market

Fig. 12.1 Actor structures on the Internet



Source: Wirtz (2001a, 2019b, 2020)

Fig. 12.2 Interactions in the Internet media market



Source: Wirtz (2011c, 2019b, 2020)

Fig. 12.3 Value chain of the Internet media industry

	Procurement of online content	Creation of online content	Packaging of content and services	Technical production	Distribution	Recipient
Key tasks	• Generation of content/services	• Production of input	• Aggregation and bundling of content/ services	• Programming of websites	• Content distribution via internet	
Provider	• Traditional content providers such as news agencies, newspapers, music publisher, TV stations	• Editorial departments	• Editorial departments	• Graphic artists, programmer, web designer	• Web hosting service provider	

Source: Denger and Wirtz (1995), and Wirtz (1999, 2019b, 2020)

Fig. 12.4 Basis of the classification of business models on the Internet

Content

- Compilation (packaging)
- Depiction and provision of content on a domestic platform

Commerce

- Initiation and/or settlement of business transactions

Context

- Classification and systematization of information available on the internet

Connection

- Creation of the possibility to exchange information in networks

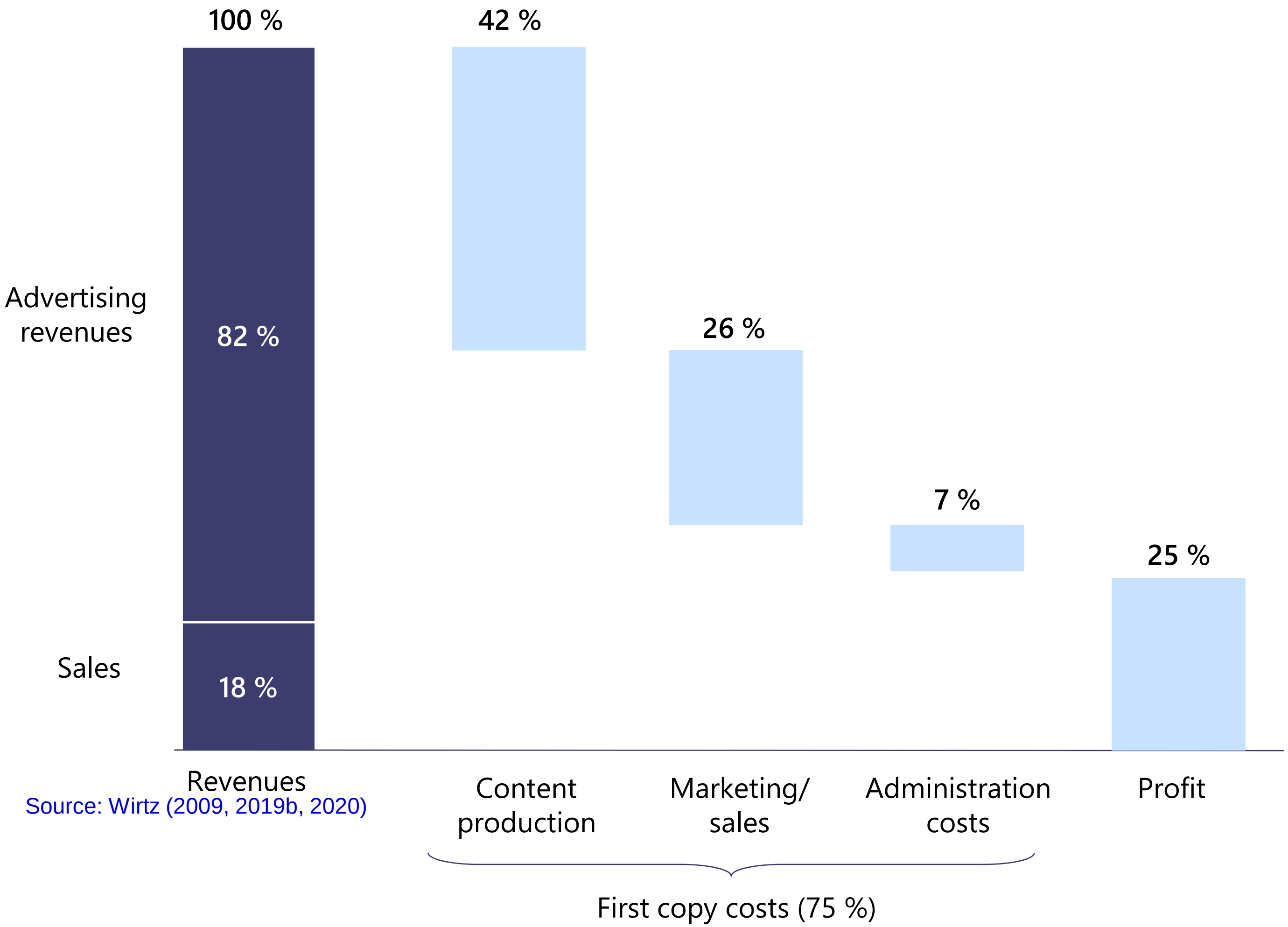
Source: Wirtz (2000c, 2019b, 2020)

Table 12.1 Revenue scheme in the content segment

	Direct revenue generation	Indirect revenue generation
Transaction-based	Transaction revenues in the narrow sense of user fees Royalties	Commissions Big-Data/Data-mining revenues Content syndication Ad sales (e.g. banner advertising)
Transaction-independent	Setup fees Basic fees	Content syndication Ad sales (e.g. banner advertising) Sponsorship

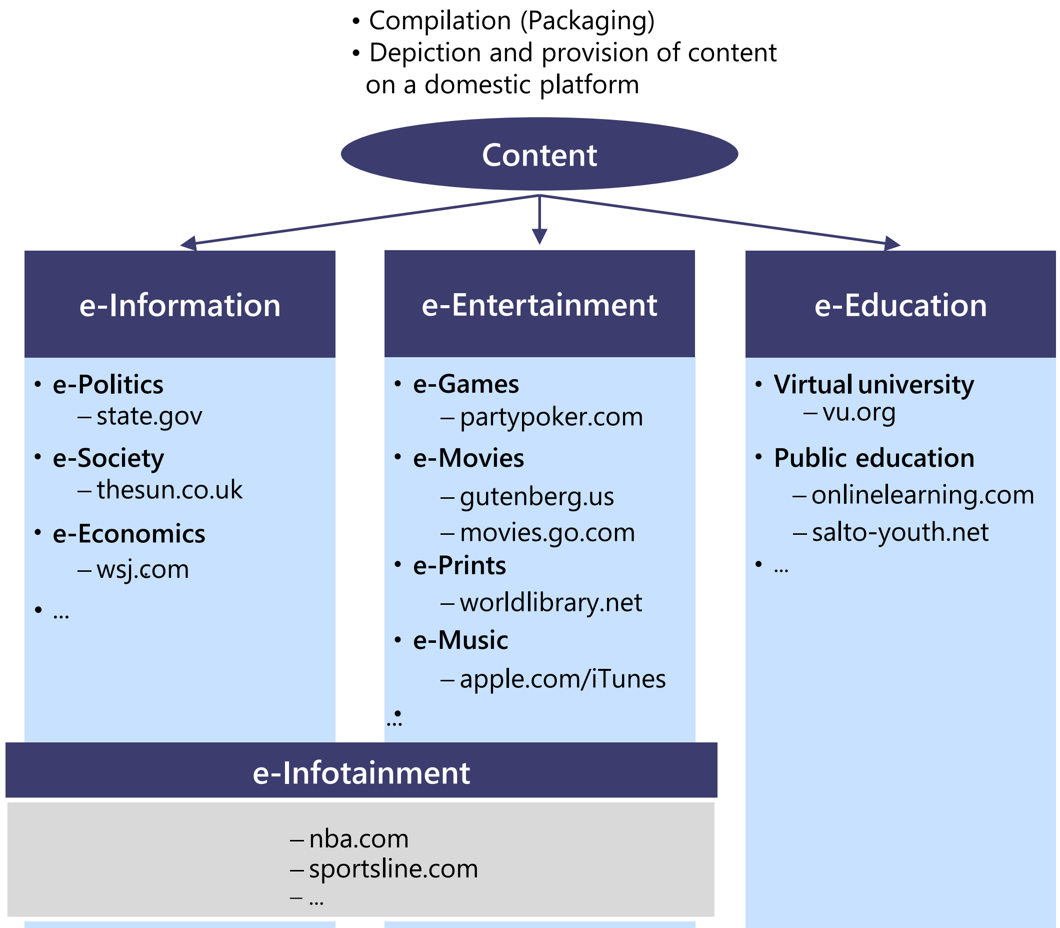
Source: Wirtz and Lihotzky (2001), and Wirtz (2019b, 2020)

Fig. 12.5 Costs and revenue structure of the manufacturing (on the basis of own analysis and estimates)



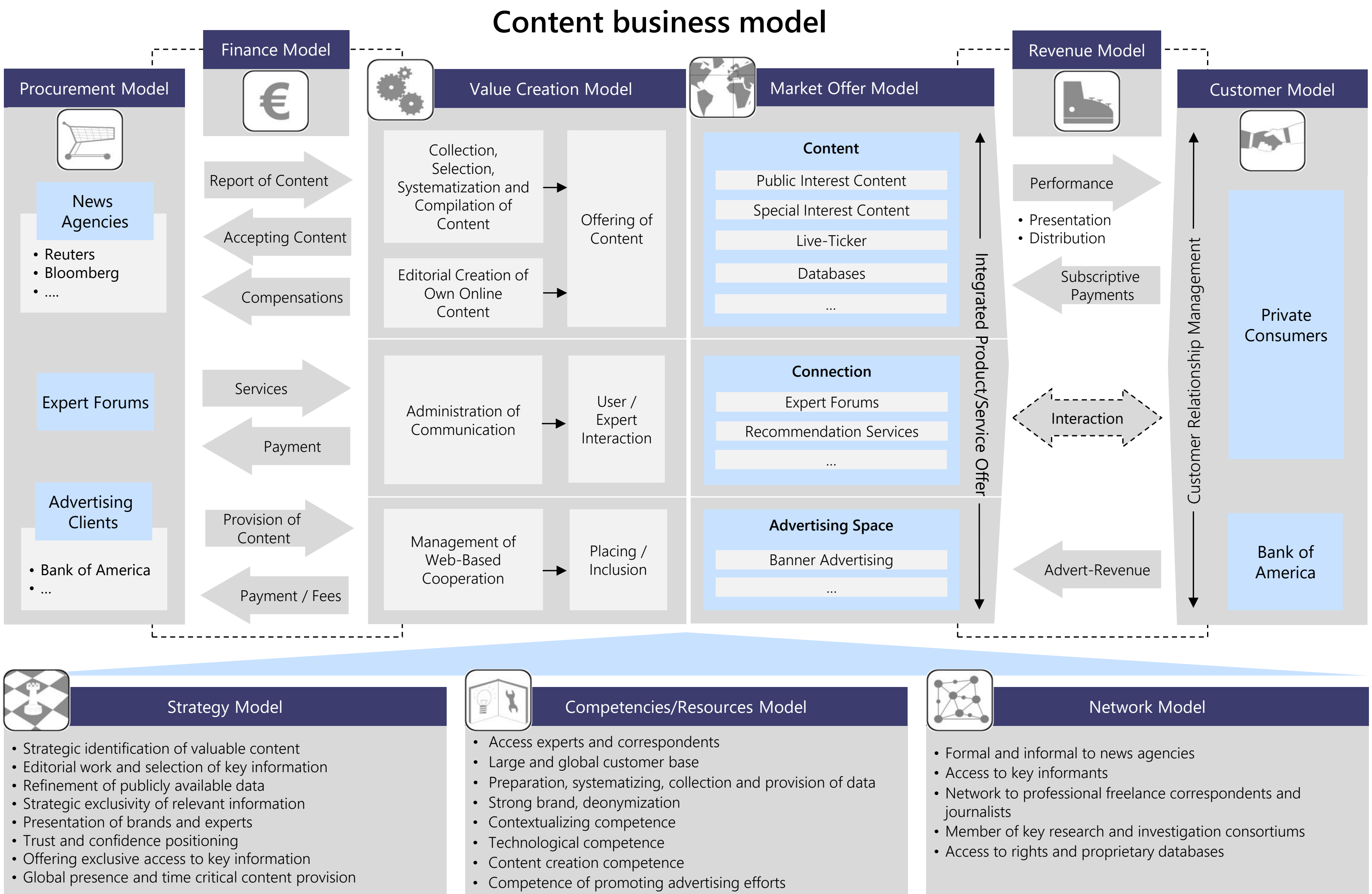
Source: Wirtz (2009, 2019b, 2020)

Fig. 12.6 The content business model



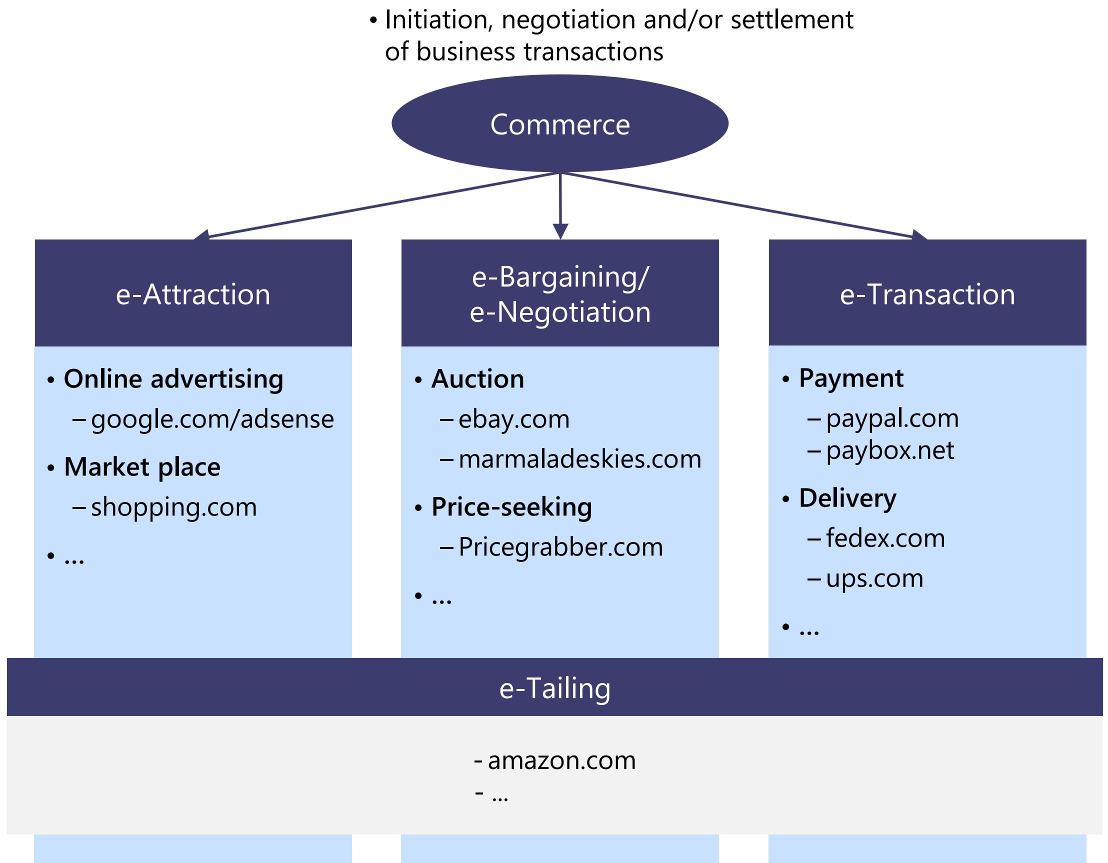
Source: Wirtz (2001a, 2019a, 2020)

Fig. 12.7 Illustrative content business model



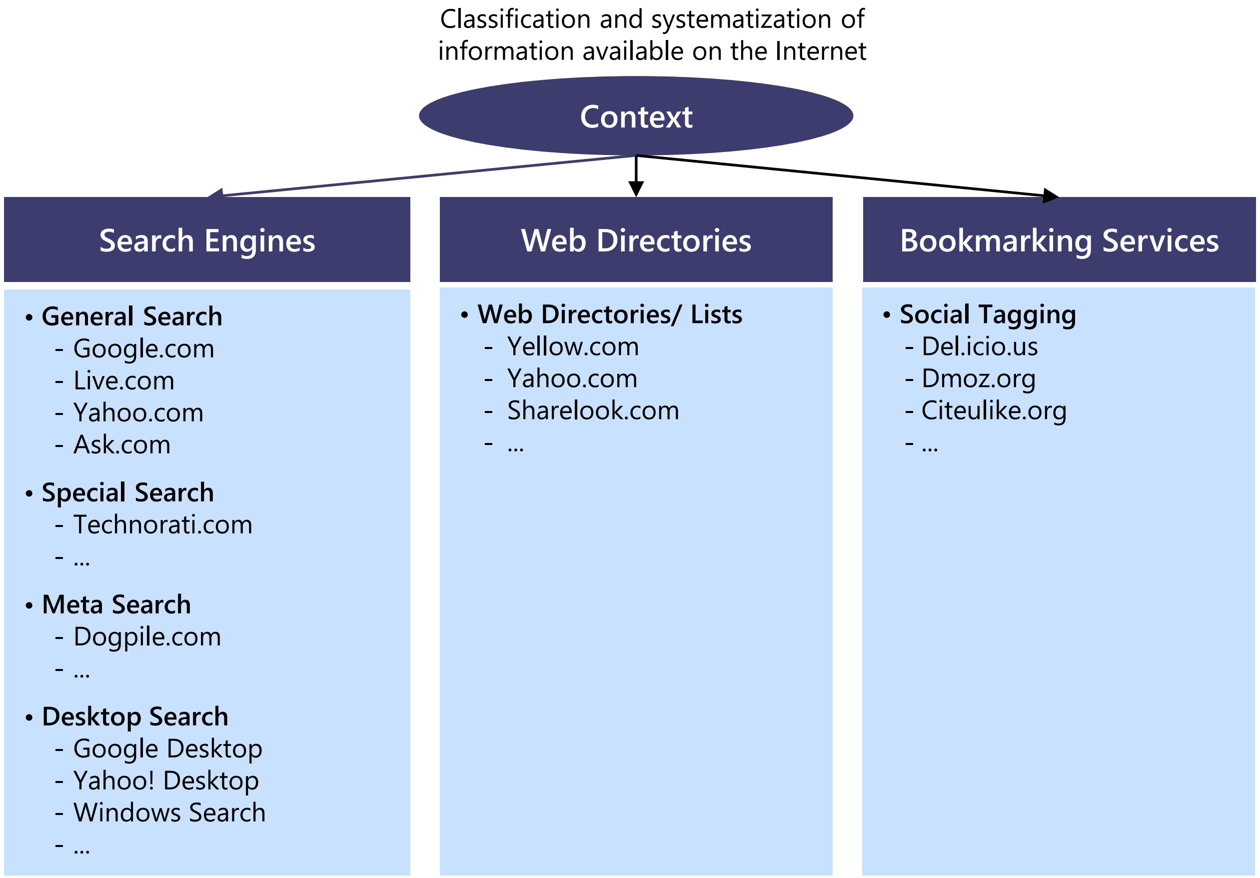
Source: Wirtz (2000c, 2019a, 2020)

Fig. 12.8 The commerce business model



Source: Wirtz (2001a, 2019a, 2020)

Fig. 12.9 The context business model



Source: Wirtz (2001a, 2019a, 2020)

Fig. 12.10 The connection business model

- Creation of the possibility to exchange information in networks

Connection

Intra-Connection

- **Community**
  - Social networks
    - facebook.com
    - LinkedIn.com
  - User messages
    - skype.com
    - icq.com
    - twitter.com
  - File exchanges
    - rapidshare.com
    - flickr.com
    - monster.com
  - Customer opinion portal
    - yelp.com
    - epinions.com
- **Mailing services**
  - gmail.com
- ...

Inter-Connection

- **Fix connection**
  - earthlink.net
  - sonic.net
- **M-connection**
  - att.com
  - t-mobile.com
- ...

Source: Wirtz (2001a, 2019a, 2020)

Fig. 12.11 Web 2.0 vs. social media

	Web 2.0	Social Media
Characteristics	• Users can continuously contribute and modify web content • Diverse basic functions allow the use of the Web 2.0 (see examples) • Ideological and technological basis for social media	• Group of Internet applications based on Web 2.0 • Allows creating and exchanging user-generated content
Examples	• Adobe Flash • RSS (Really Simple Syndication) • AJAX (Asynchronous Java Script)	• Social networking (e.g., Facebook) • Video sharing platforms (e.g., YouTube) • Wikis (e.g., Wikipedia)

Source: Kaplan and Haenlein (2010), and Wirtz (2019b, 2020)

Definition Social Media

Definition Social Media

Social media refers to applications, services and platforms on the Internet with high, mostly interactive and personalized creative potential. These are characterized by the active creation and design of diverse content through cooperative participation of the users. User-generated content constitutes in conjunction with platform services social networks that enable a communicative and content-based networking among the users (Wirtz and Ullrich 2008; 2019b).

Source: Wirtz (2020)

Table 12.2 Overview of current social media applications (I)

Application	Business Model	Service Offer	User Value
Social Networking e.g., facebook.com	- Compilation and provision of user-generated-content on a single platform - Revenues through ad sales/data mining	- Self-presentation of the user - Networking among users - Connection between users and content	- Mediation of social contacts through digital interaction - High suitability for use in the mobile context (mobile networking)
Blogs & RSS Feeds e.g., blogger.com	- Systematization and compilation of online diaries - Revenues through ad sales/usage or subscription fees/data mining	- Provision of an authoring tool for the creation of blogs - Hosting of blogs - Categorization of blogs	- Unfiltered personal publishing for "everyone" - Visual presentation of content
Microblogs e.g., twitter.com	- Compilation and provision of user-generated content on a single platform - Revenues through ad sales/data mining	- Special type of blogging to quickly publish short messages	- Fast and convenient opportunity to publish - High suitability for use in the mobile context
File Exchange & Sharing e.g., youtube.com	- Archiving and systematization of user-generated content (e.g., videos) - Revenues through ad sales/data mining	- Provision of online storage - Systematization of content, e.g., through categorization and ratings	- Broadcasting for "everyone" - Access to a large number of users/audience
Rating Portals e.g., yelp.com	- Aggregation and systematization of product- and service-related information - Revenues from agency commissions and through ad sales/data mining	- Aggregation of product and service information - User-generated reviews of products and services - Price comparisons with links to online stores	- Independent product/service reviews from users - Simplifying and supporting decision-making and the buying process

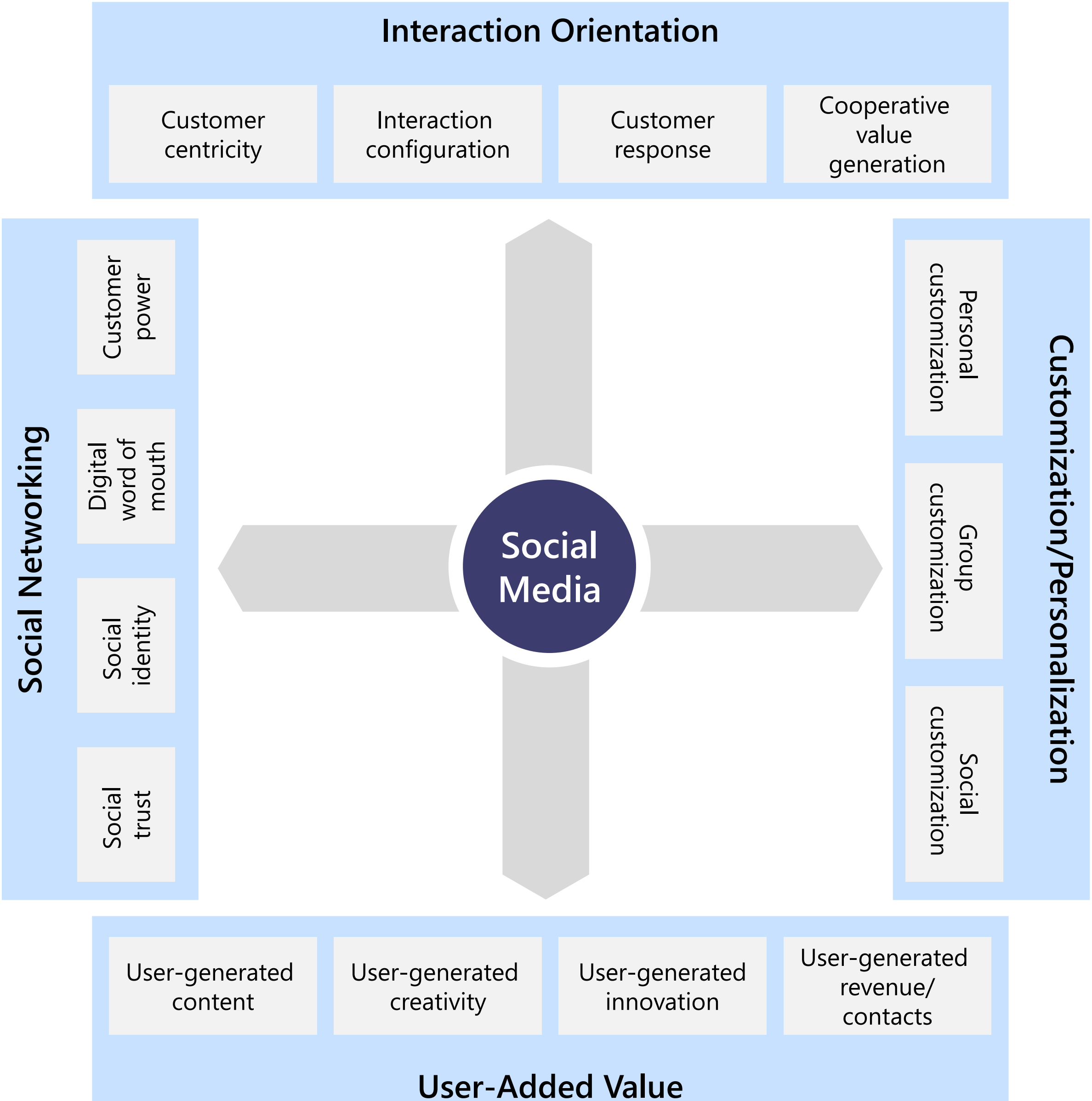
Source: Enderle and Wirtz (2008), and Wirtz (2019b, 2020)

Table 12.2 Overview of current social media applications (II)

Instant Messengers **e.g., whatsapp.com**	- Exchange of text, audio and video messages and content - Revenues through subscription fees, cooperation with companies and data mining	- Instant exchange of push messages - Support of data, audio and video streams	- Fast and convenient exchange of messages - High suitability for use in the mobile context
Podcasts **e.g., podcasts.com**	- Provision of audio or video content - Revenues through pay-per-use, subscription and ad sales	- Topic-specific audio and video content - Possibility of subscription	- Location and time-independent use of content
Wikis **e.g., wikipedia.com**	- Collection, systematization and further development of information - Revenues from donations	- Tools for creating and editing content by users - Provision of a platform for searching and presenting information/knowledge	- Aggregation of subject-specific information - Freedom concerning content and authors - Users as a collective editorial
Social tagging/ Bookmarking **e.g., delicious.com**	- Classification and systematization of Internet offers - Revenues, e.g., from the sale of click streams to data mining purposes	- Central archiving and ubiquitous availability of bookmarks - Tagging of bookmarks - Access to link collections of other users	- Individual editorial workup of the Internet
Online Forums **e.g., topix.com**	- Compilation, classification and provision of user-generated content on a single platform - Revenues through ad sales/data mining	- Exchange and archiving of thoughts, opinions and experiences	- Increase in knowledge - Problem solving through community - Structured documentation of topics and opinions
Mashups **e.g., parkingcarma.com**	- Combination of multiple online software products/API services - Revenues through ad sales and/or membership fees	- Creation of new media content by recombining already existing content	- Exploitation of synergies between different social media applications - Time savings

Source: Enderle and Wirtz (2008), and Wirtz (2019b, 2020)

Fig. 12.12 Social Media Four Factors Model



Source: Wirtz et al. (2010), and Wirtz (2019b, 2020)

Knowledge review questions

1. What constitutes the value chain of the Internet media? Please state examples for each stage!
2. What are the basic business models on the Internet and how are their revenues systematized on the Internet?
3. Which basic business model does the E-entertainment special business model pertain to?
4. The connection basic business model is increasingly gaining in importance! Which are the major social media platforms that you can hereby mention as examples?

Source: Wirtz (2020)

Chapter 13: International Media Management

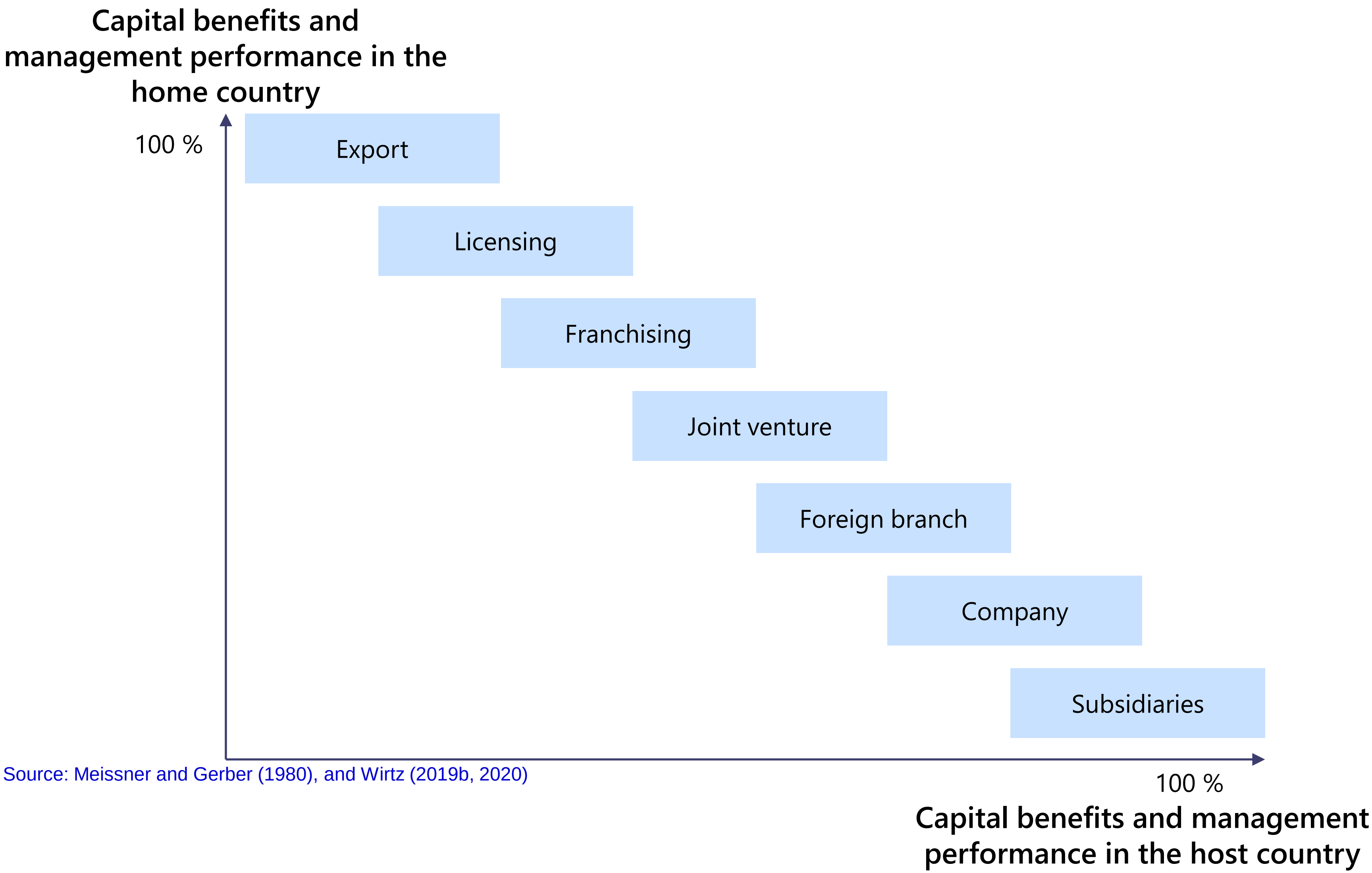
Definition International Media Management

Definition International Media Management (Wirtz 2003b)

International media management designates the strategic and functional operation of media companies in the international context. Thereby internationalization can in principle extend to all functional ranges of the company.

Source: Wirtz (2020)

Fig. 13.1 Systematization of market entry and market cultivation strategies



Source: Meissner and Gerber (1980), and Wirtz (2019b, 2020)

Fig. 13.2 Varieties of market presence strategies

	Basal market presence strategies	Geographical market presence strategy	Attractiveness-orientated market presence strategies	Balance-orientated market presence strategies
Criteria	• Number of national markets being operated	• Geographical dimension of the market presence	• Attractiveness of the national markets	• Cooperation between the national markets being operated in terms of balance
Forms	• Concentration strategy • Diversification strategy	• Single market strategy • Multi single market strategy • Regional market strategy • Multi regional market strategy • Global market strategy	• Markets to focus • Presence markets • Occasion markets • Abstinence markets	• Balancing of risks • Adjustment of profits • Balancing of investments • Balancing of resources • Balancing of know-how • Balancing of competition • ...

Source: Wirtz (2003b, 2019b, 2020)

Fig. 13.3 First mover and follower strategy

First mover strategy		Follower strategy	
Advantages	**Disadvantages**	**Advantages**	**Disadvantages**
• Development of market entry barriers adverse to competitors through: - Lead in awareness/ image - Lead in experience - Implementation of standards - Monopoly-caused pioneer profits - Creation of a loyal customer base - Employee recruitment	• Possibility of free rider effects • High costs of market development • Difficult assessment of the market • High risk of failure	• Avoidance of common pitfalls in a new market • Stable environment • Precise information about (foreign) markets	• Overcoming of the market entry barriers which have been built by the pioneer • Majority of sales potential already exhausted

Source: Wirtz (2003b, 2019b, 2020)

Fig. 13.4 Waterfall and sprinkler strategy

	Waterfall strategy	Sprinkler strategy
Criteria	• Successive entry into single national markets • Internationalization ranges over a longer period	• Simultaneous entry in all targeted national markets • No temporal differentiation with regard to the time of market entry
Advantages	• Time-shifted demand of resources, i. e. scarce resources being concentrated on a specific national market • Financial compensation • Balancing of risks • In time possibility of correction and termination • Prolongation of technology and product lifecycles • Use of time slots • Option of national-market-specific appearance	• Rapid market entry • Realization of first mover advantages • Realization of network effects through setting of standards • Fast amortization of fixed costs
Disadvantages	• Danger of a delayed market entry • Early warning of competitors • Danger of missing trends	• High resources expenses if entering several national markets simultaneously • Difficult organization and control • Lacking consideration of possible interdependencies between the national markets • Waiving of financial compensation and risk compensation • Lacking consideration of national-market-specific characteristics • Lacking possibility to draw consequences from mistakes in a market

Source: Wirtz (2003b, 2019b, 2020)

Fig. 13.5 International location configuration

Number of countries			
Single country	National compound production	National parallel production	Global market brand
Several countries	International production compound	International parallel production	-
	Splitting up the production stages	Splitting up the production locations	Centralization of the production

Source: Wirtz (2003b, 2019b, 2020)

Fragmentation of the production

Knowledge review questions

1. Do different globalization and localization advantages exist for media companies?
2. What importance do strategic alliances in the media industry have? Name examples of successful alliances!
3. What are market presence strategies and which can you name?

Source: Wirtz (2020)

Chapter 14: Integrated Media Conglomerates and Cross-Media

Definition cross-media (Wirtz 2013b)

Definition cross-media (Wirtz 2013b)
Cross-media refers to a concept for the use of at least two media channels for marketing media products.

Source: Wirtz (2020)

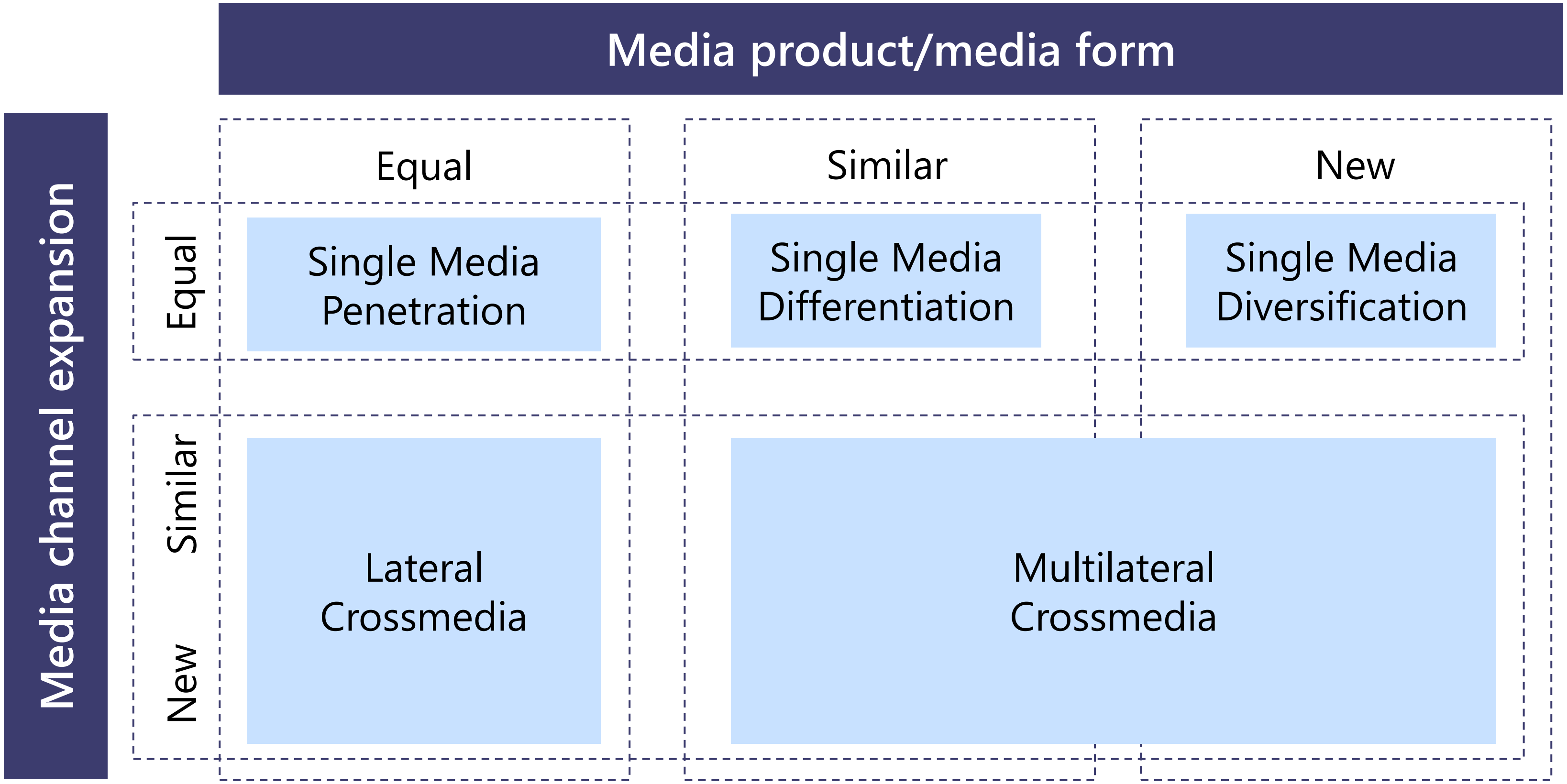
Definition cross-media management (Wirtz 2013b)

Definition cross-media management (Wirtz 2013b)

Cross-media management encompasses all purposeful activities of planning, organization, implementation, and control in the marketing of media products through various media channels.

Source: Wirtz (2020)

Fig. 14.1 Cross-media systematization



Source: Wirtz (2013a, 2019b, 2020)

Fig. 14.2 Manifestations of cross-media in dependence on the media channels

Number of media products / Number of distribution channels	Single media (Single-channel)	Cross-media (Multi-channel)
Different product types	**I Single media diversification** • Use of different media types in one media sector • For example, illustrated text in a magazine	**II Multilateral cross-media** • Use of different media types in different media sectors • For example, filming (audiovisual) of a book (text)
One product type	**III Single media penetration** • Use of one specific media type in one channel • For example, only audiovisual contributions on TV	**IV Lateral cross-media** • Use of one specific media type in different media sectors • For example, book texts on the internet

Source: Wirtz (2013a, 2019b, 2020)

Fig. 14.3 Drivers and catalysts of cross-media

Market-related drivers and catalysts

Digitalization

- Lower switching costs for multiple use of media
- Lower adjustment costs for cross-media formats

Industry convergence

- Convergent integration of new technologies
- Absorption and availability of new channels
- New competitors

Change in user behavior

- New user preferences regarding windowing and versioning
- Substitution of old by new channels

Cross-media

Business-related drivers and catalysts

Higher revenue opportunities

- Multiple use of media content
- Lower adjustment costs

Decreasing marketing costs

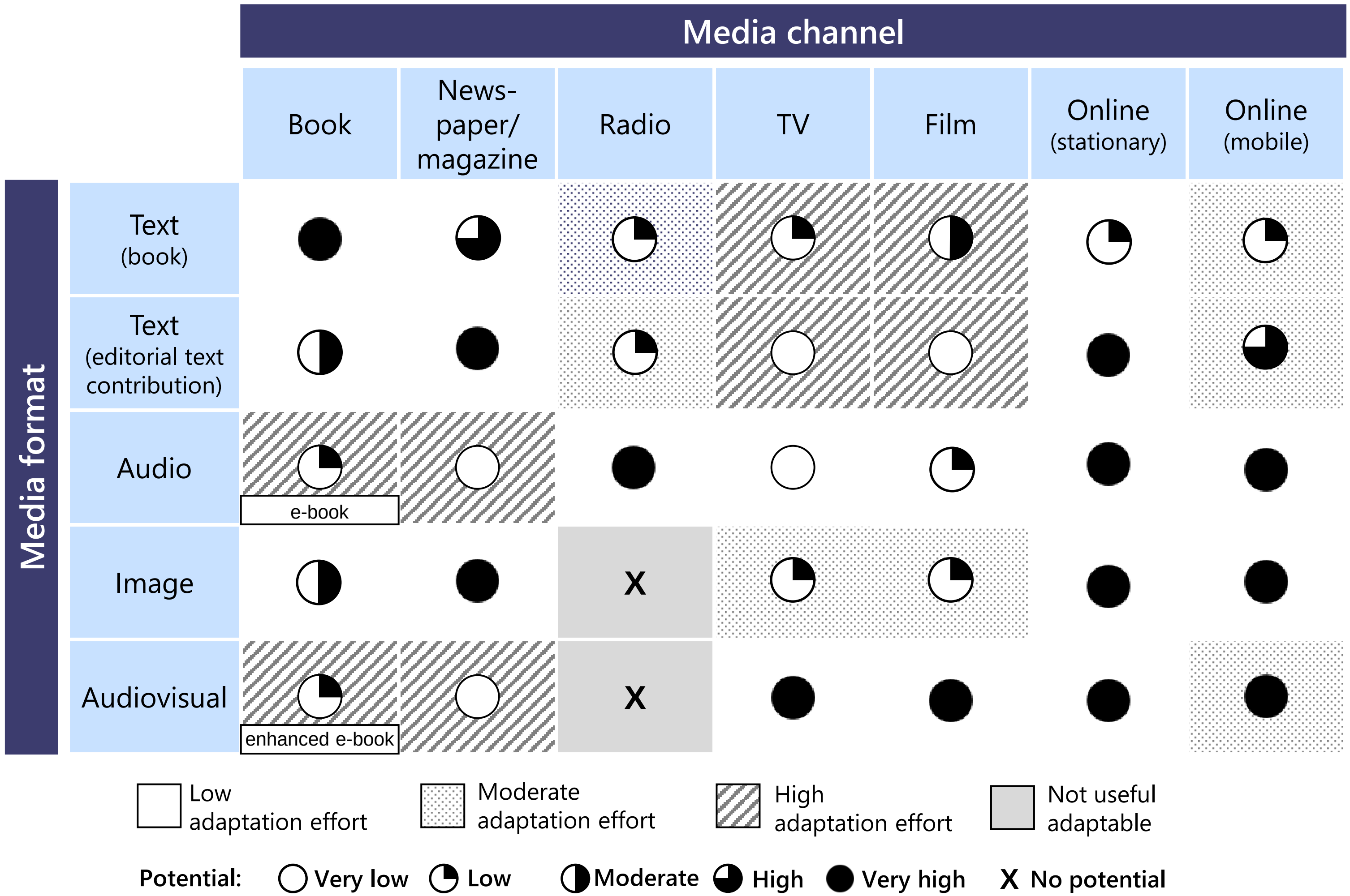
- Cross-channel media economies of scale and scope

Brand transfer

- Brands can be transferred cost-effectively to new channels
- Branding can be done across all channels

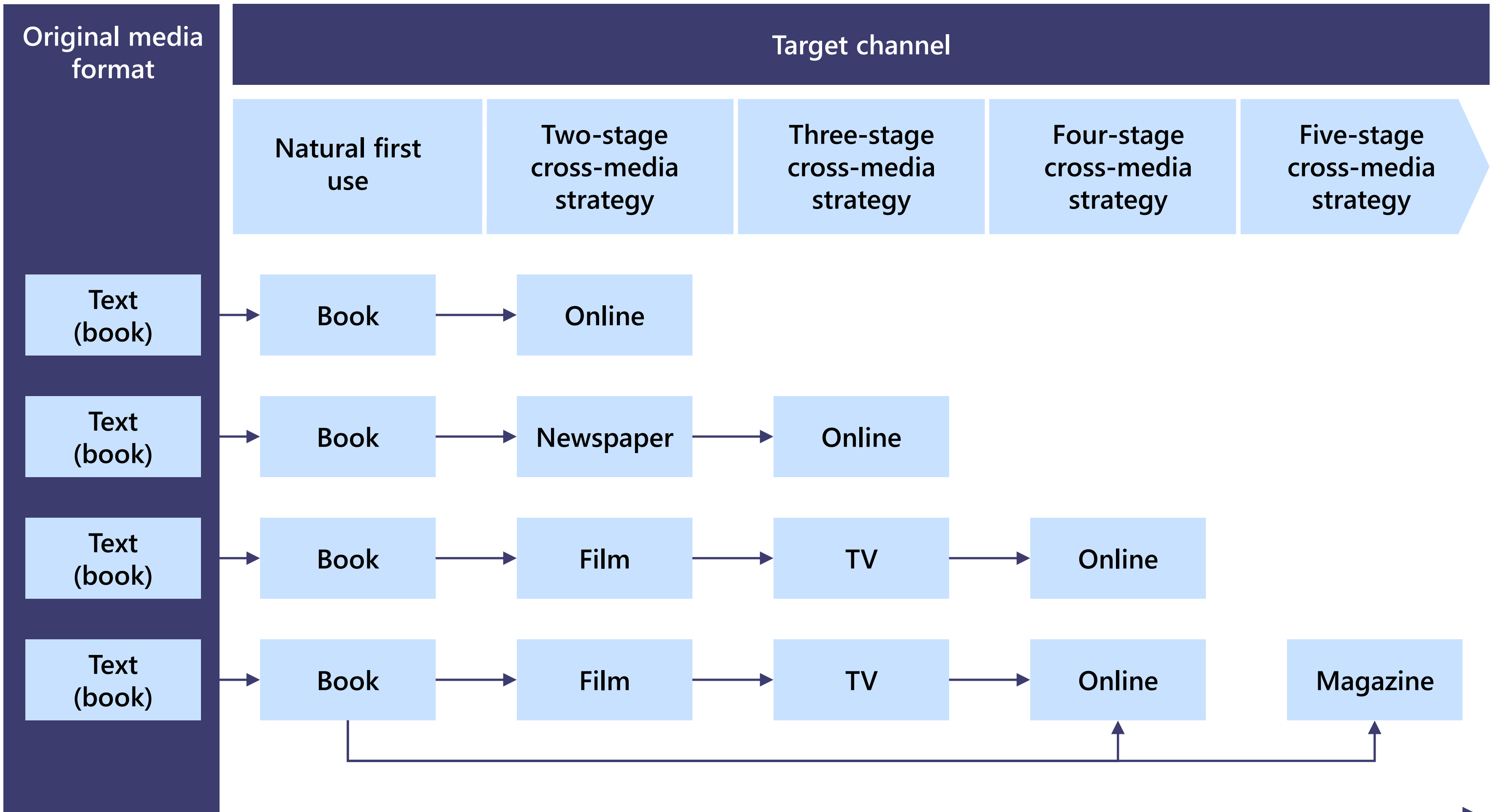
Source: Wirtz (2013a, 2019b, 2020)

Fig. 14.4 Cross-media adaptation effort and potential



Source: Wirtz (2013a, 2019b, 2020)

Fig. 14.5 Multi-stage cross-media strategies



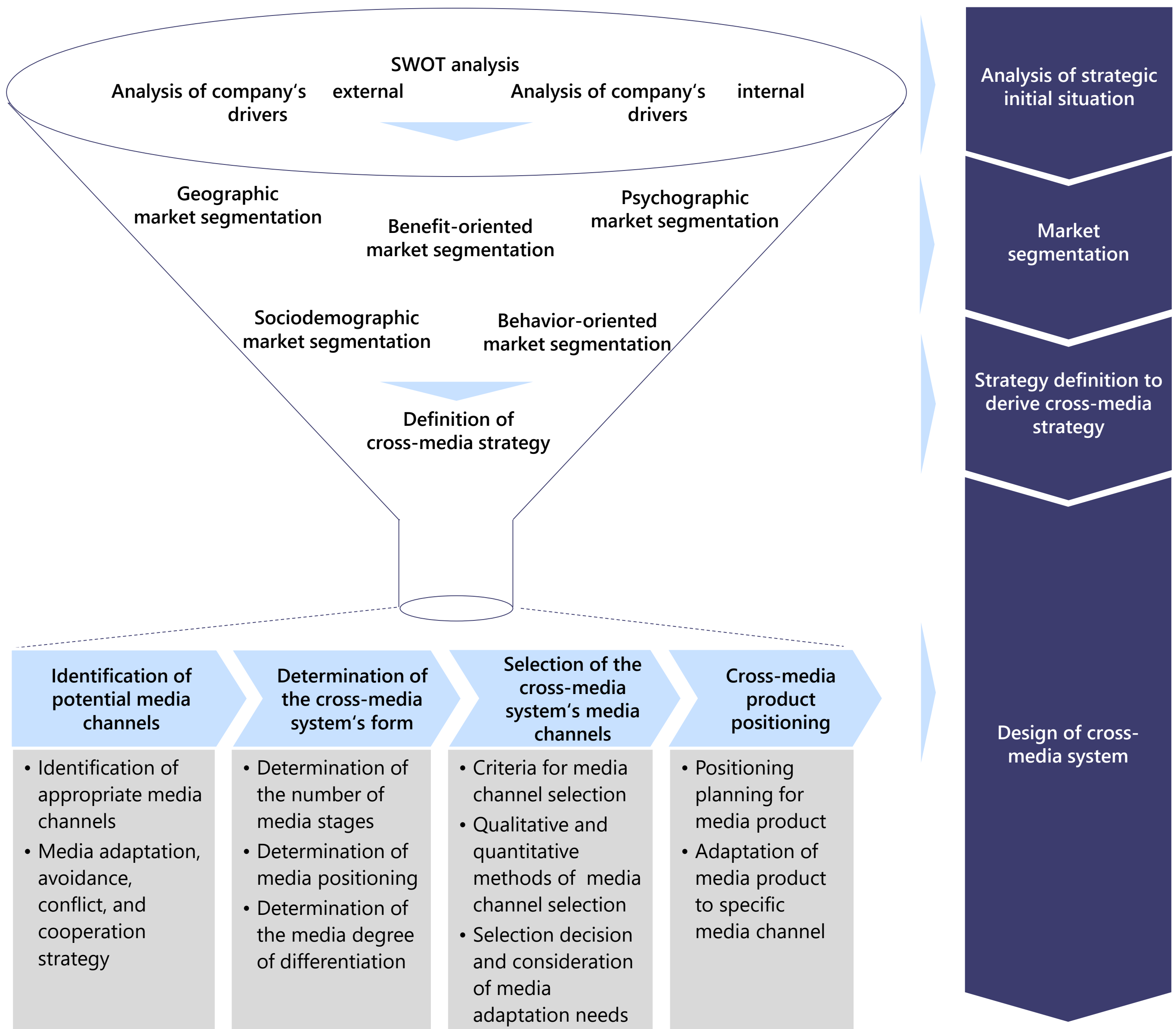
Source: Wirtz (2013a, 2019b, 2020)

Fig. 14.6 Cross-media strategy types

Aspects \ Approach	Isolated cross-media strategy	Combined cross-media strategy	Integrated cross-media strategy
Coordination	• No coordination of cross-media channels; channel-immanent management • Independent channel structure • Competition between channels	• Partial coordination of media channels; channel-immanent management • Loosely coupled channel structure • Coopetition between channels	• Complete coordination; cross-channel management • Interdependent channel structure • No competition between channels
Configuration	• Lead-channel structure • Channel-specific management	• Often lead-channel structure • Cross-channel management	•Multi-channel structure •Centralized management
Organization	• Strong self-reliance • Low coordination • Strong decentralization		• Strong interdependence • High coordination • Strong centralization

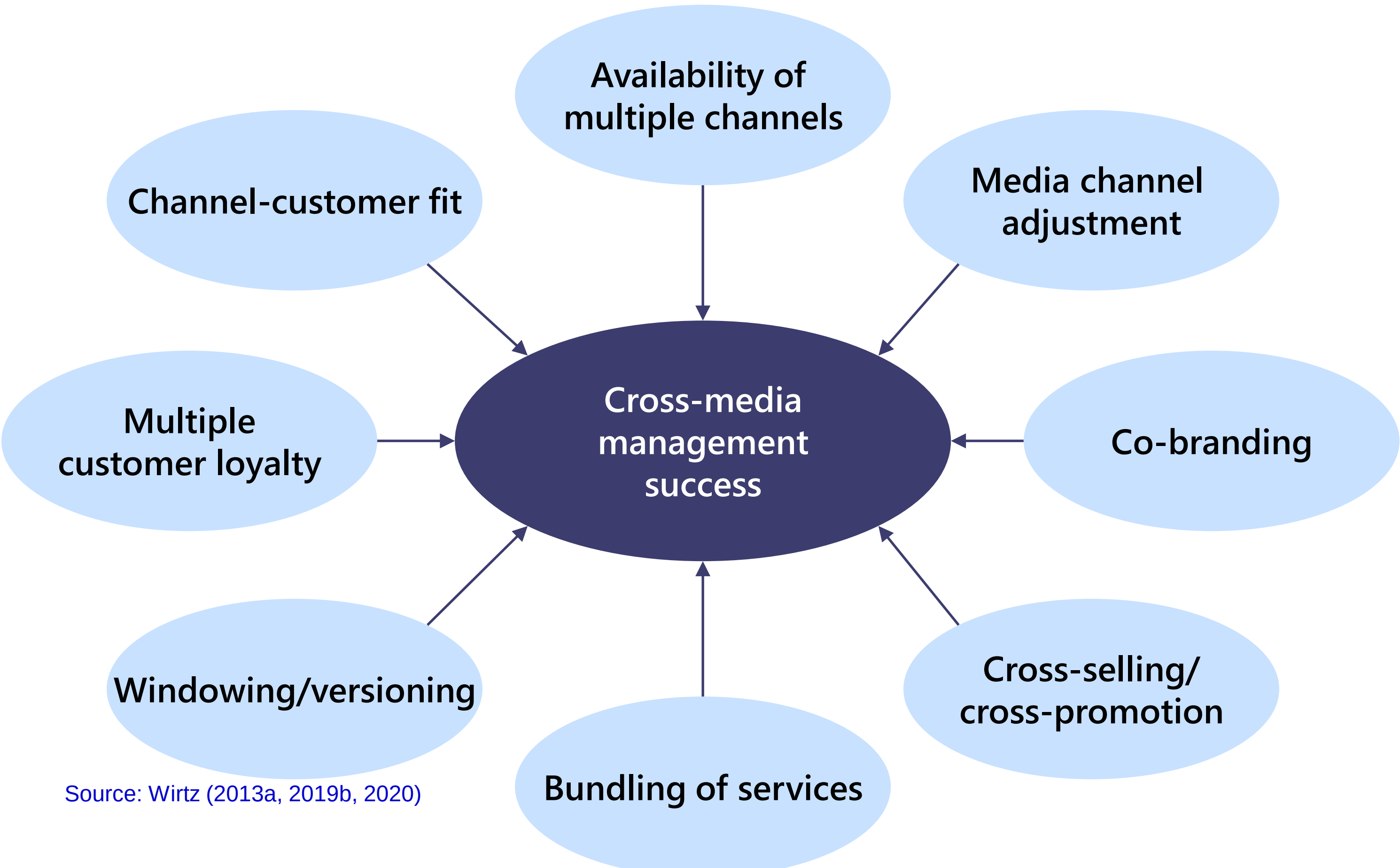
Source: Wirtz (2013a, 2019b, 2020)

Fig. 14.7 Processes of cross-media management



Source: Wirtz (2013a, 2019b, 2020)

Fig. 14.8 Success factors of cross-media management



Source: Wirtz (2013a, 2019b, 2020)

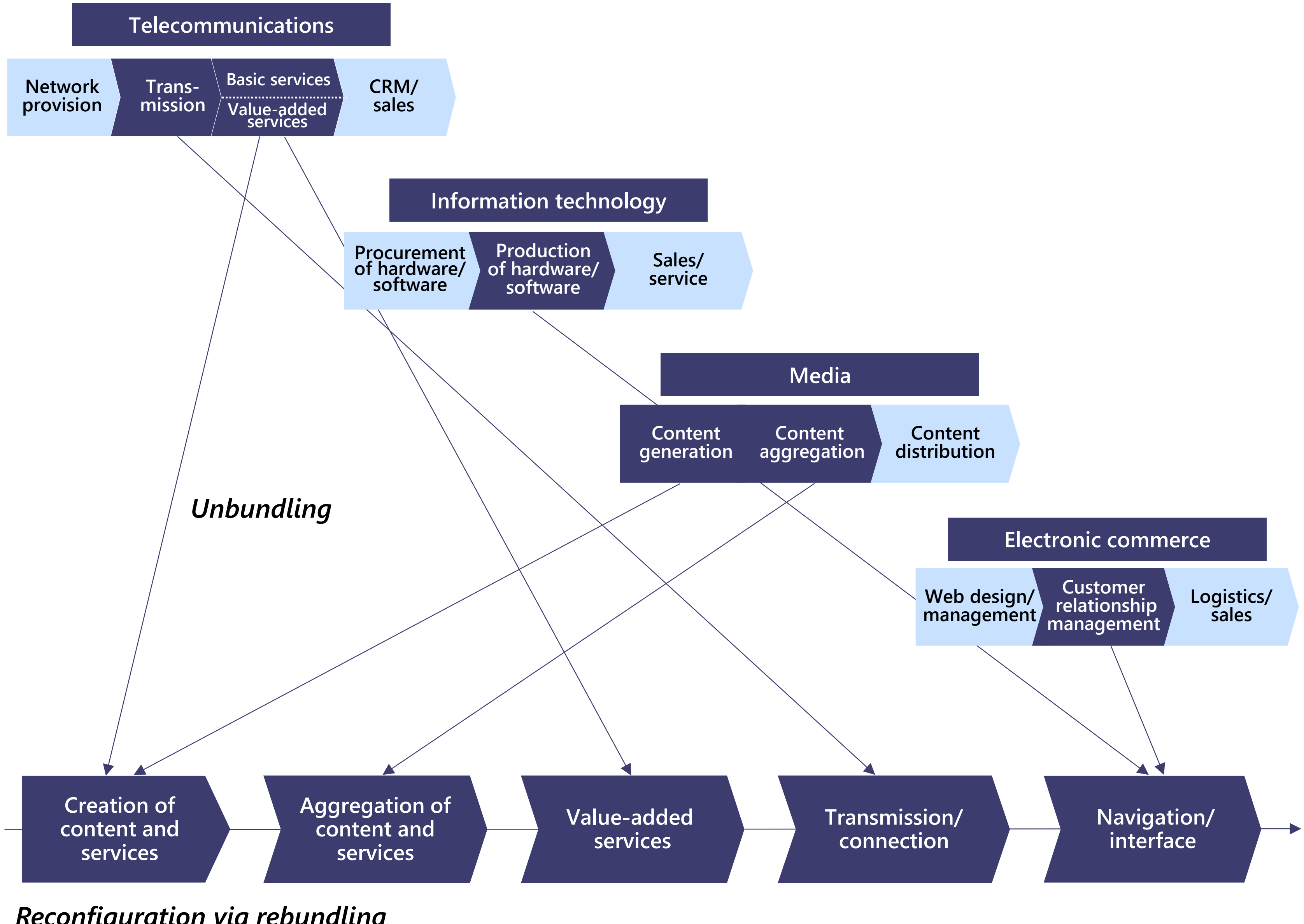
Fig. 14.9 Characteristics of integration strategies

Integration strategies

Integration at the value-added level	Integration at the business model level
• Describes the integration of upstream or downstream businesses • Aims to occupy all stages of the multimedia value chain	• Describes the inclusion of separate business models • Aims to build a hybrid and multifunctional business model

Source: Wirtz (2000c, 2019b, 2020)

Fig. 14.10 Establishment of multimedia value-added chains through reconfiguration and integration



Source: Wirtz (2000d, 2019b, 2020)

Fig. 14.11 Central tasks, providers, and businesses within the multimedia value-added chain

	Creation of content and services	Aggregation of content and services	Value-added services	Transmission/ connection	Navigation/ surface	Recip-ients
Central tasks	• Content/ service generation	• Organization/ aggregation and bundling of content/ services	• Offer of billing systems and hosting systems • Offer of advisory services	• Offer of infrastructure • Transmission	• Provision of navigation tools for clients • Offer of interfaces/ devices	
Provider	• Film studios • TV producers • Publishers • Music publishers • Retailers	• TV stations • Online service provider • Communities • News agency	• Billing operators/ system operators and hosting operators • Consultancies and training companies	• IP-provider • PSTN-infrastructure provider • CATV-infrastructure provider	• Navigation provider (e. g. browser, Java, intelligent agents) • Devices provider (e. g. mobile phones, intelligent TV-, PC-, set-top-boxes)	
Examples	• Disney • Bertelsmann • Washington Post Company • Viacom	• Time Warner • MSNBC • ABC (Disney)	• AT&T • IBM • EDS • Microsoft	• AT&T • Vodafone • SES Global	• Microsoft • Lenovo • Sony • Apple	

Source: Wirtz (1999, 2019b, 2020)

Knowledge review questions

1. What are the typical manifestations of cross-media and how do they depend on the media channels?
2. What are the drivers and catalysts of cross-media? Name six different drivers!
3. Name the characteristics of integration strategies! What does “reconfiguration“ mean in this context?

Source: Wirtz (2020)

Chapter 15: Case Studies

Google is a worldwide Internet software corporation and market leader in the area of online search and text-based online advertising. Headquartered in Mountain View, California, Google became well known through its self-named search engine Google. Nowadays, the search engine is available in 173 languages and has more than 180 domains. According to Google, their search engine covers three times the amount of information provided by other search engines.

The following chapter (15.1.1) highlights Google's organizational history and development. Chapter 15.1.2 provides insights into Google's integrated business model. The subsequent chapter (15.1.3) presents Google's market environment and its most important competitors. Finally, concluding questions offer a deeper examination of the case study at hand and respective hints for solutions provide suitable guidance.

Source: Wirtz (2020); See also for the following chapter: Wirtz (2013c) and Wirtz (2019a).

Google's Organizational History and Development

In 1998, Lawrence Eduard Page and Sergej Michailowisch Brin founded the corporation Google while attending Stanford University. Initially, they participated in a research project about data mining and developed a search engine called BackRub, the precursor of the search engine Google. At this time, BackRub was the only search engine that was capable of analyzing cross references of a website. Despite receiving recognition from academic society, Page and Brin were not able to find an Internet portal that was willing to use the search engine.

Therefore, Page and Brin founded Google Inc. on September 7, 1998. As seed capital, they resorted to 1.1 million USD collected from family and friends. In addition, they received venture capital funding from Andreas von Bechtolsheim, the co-founder of Sun Microsystems.

On Google's day of foundation, the corporation also launched the trial version called Google Beta. A few months later, the soon to be prospering organization moved its five employees into their first office in Palo Alto, Silicon Valley, close to Stanford University and their present headquarter. Already in February 1999, Google had eight employees and 500,000 search requests per day. In September 1999, Google established a partnership with AOL and Netscape. As the number of search requests per day increased to 3 million, they finalized the testing phase.

After officially finishing the test phase, Google concentrated on broadening its range of services. In June 2001, the Google search engine gained market leadership with one billion pages stored by the Google Index. Already by the end of the year 2001, Google recorded more than 3 billion page views. In the course of expanding their service chain, Google took over Blogger.com in February 2003. Moreover, in the year 2004, Google offered a free email service called Gmail.

Source: Wirtz (2020)

Google's Organizational History and Development

As part of its expansion strategy, Google acquired the world's leading online video portal YouTube for 1.8 billion USD at the end of 2006. One year later, Google bought the company Double Click for 3.1 billion USD. With this acquisition, Google gained access to Double Click's competency in graphic design of advertisement on websites and to its well-established and well-financed customer base.

Ever since its foundation, Google has been expanding its operations and service spectrum continuously. The 4C-Net Business Model typology provides an analytical framework to classify Google's services. This typology is used for classifying business models on the Internet, comprising the dimensions content (compilation, display and provision of content on own platforms), commerce (initiation, negotiation and/or settlement of business transactions), context (classification and systematization of the information that is available on the Internet) and connection (creation of information exchange in networks).

Within the area of context, services such as Google Catalogs, Google Image Search, Google Toolbar, Google Book Search and Google Scholar exist. Likewise, the services Google Mail, Google Talk and Google Voice are part of the connection segment. Regarding the commerce segment, Google AdWords, Google Checkout and Google Product Search constitute an important supplement to Google's services. Lastly, Google Groups, Google News, Google Maps and Google Earth represent services in the content area. Overarching this typology, there are services that correspond to more than one section like Picasa or YouTube.

At the end of 2007, the Open Handset Alliance (OHA) was founded, aiming to develop open standards for mobile devices, especially Android, an open source mobile phone platform. This alliance includes members from various network providers (T-Mobile, Telefonica), software companies (eBay), manufacturers (Samsung, LG), marketing service providers and companies from the semiconductor industry (Texas Instruments, Broadcom, Nvidia). At the same time, Google expanded its operations in the mobile phone industry and was able to align already existing services with the upcoming mobile segment. Consequently, the Android market offers manifold mobile applications like those from Google but also from many other providers and software developers.

Source: Wirtz (2020)

Google’s Organizational History and Development

The mobile market became increasingly more important for Google’s strategic positioning. Google’s acquisition of Motorola’s segment called Motorola Mobility for 12.5 billion USD in 2011 highlighted the importance of gaining access to the mobile market. This acquisition granted Google access to one of the largest portfolios of patents within the mobile sector, especially to capacities to produce smartphones based on Google’s operating system Android. In the third quarter of 2011, Android dominated the market with a market share of 52.3 % and with approximately 180 million devices sold. At this point in time, Google had a broad range of services at its disposal.

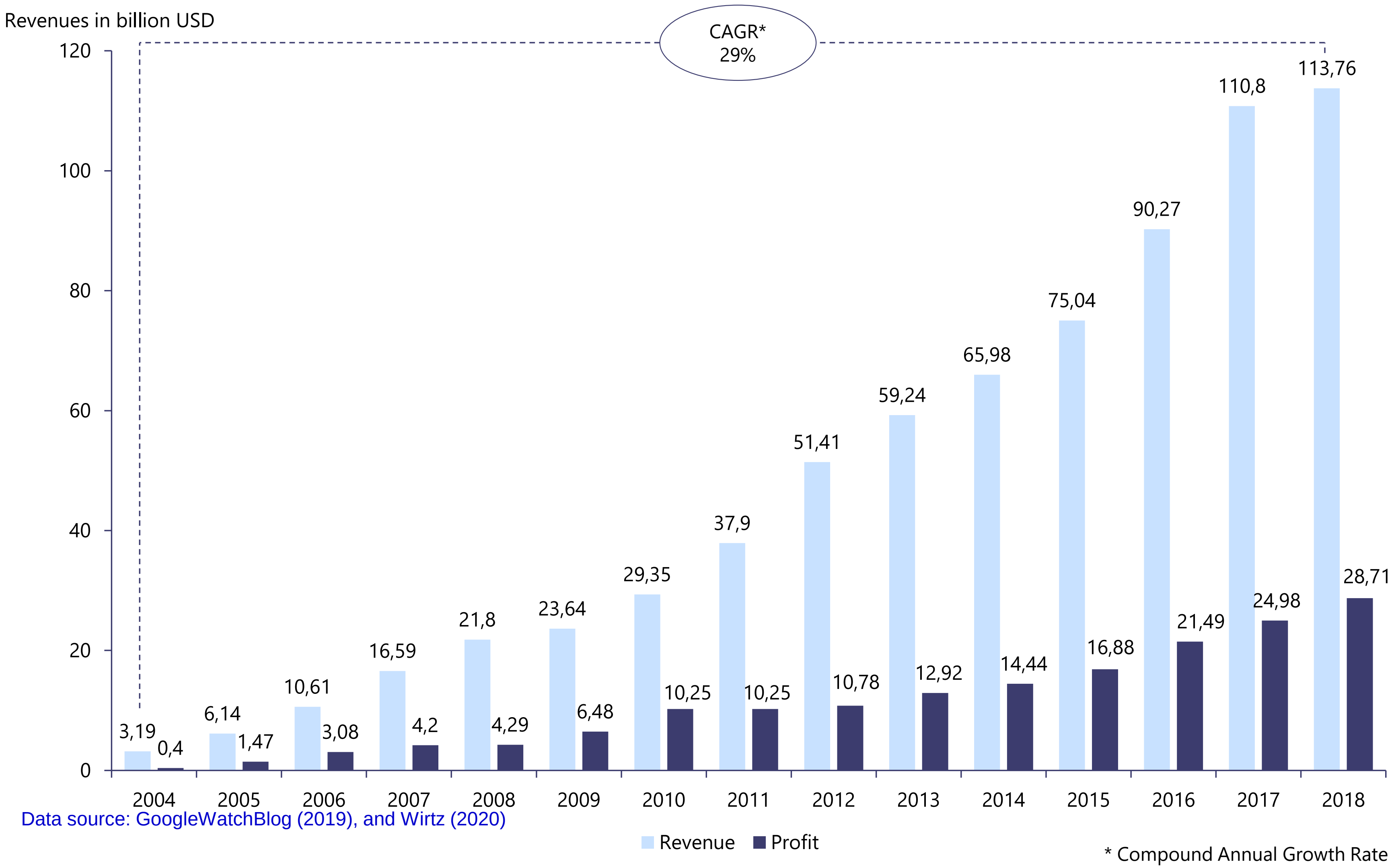
Nevertheless, changes took place in Google’s top management. In April 2011, Larry Page replaced Eric Schmidt and took over as Google’s CEO, while Eric Schmidt became executive chairman of the board of directors. Because of a simultaneous strategic modification, Google started to reduce its spectrum of services in order to focus on those segments most efficient in terms of costs and benefits. Hence, Google removed 20 services from their offers including, among others, Google Notebooks and Google Desktop. In this respect, Larry Page stated: “We have to make tough decisions about what to focus on.”

Since Google’s initial public offering in 2004, it has tremendously grown and developed. Within a few years, Google evolved from a startup company to the largest Internet service provider worldwide. Nowadays, Google employs around 70,000 employees and is market leader in the areas of online search and text-based advertisement. Due to the high name recognition of its identically named search engine, Google has become an established worldwide brand. This development is reflected in Google’s increasing revenue and profit.

The increasing diversification of its portfolio eventually led Google to found an umbrella company called Alphabet on October 2, 2015. Now, Alphabet serves as a multisector holding that allows its subsidiaries to act more freely than within one company, which was necessary for Google to stay fast and innovative. In 2018, Google generated a revenue of 113.76 billion USD and achieved a year-on-year increase in revenue of 29 %. Fig. 15.1 represents the development of Google’s revenue and net profit since the year 2004.

Source: Wirtz (2020)

Fig. 15.1 Development of Google/Alphabet's revenue from 2004 to 2018



Data source: GoogleWatchBlog (2019), and Wirtz (2020)

Google's Integrated Business Model

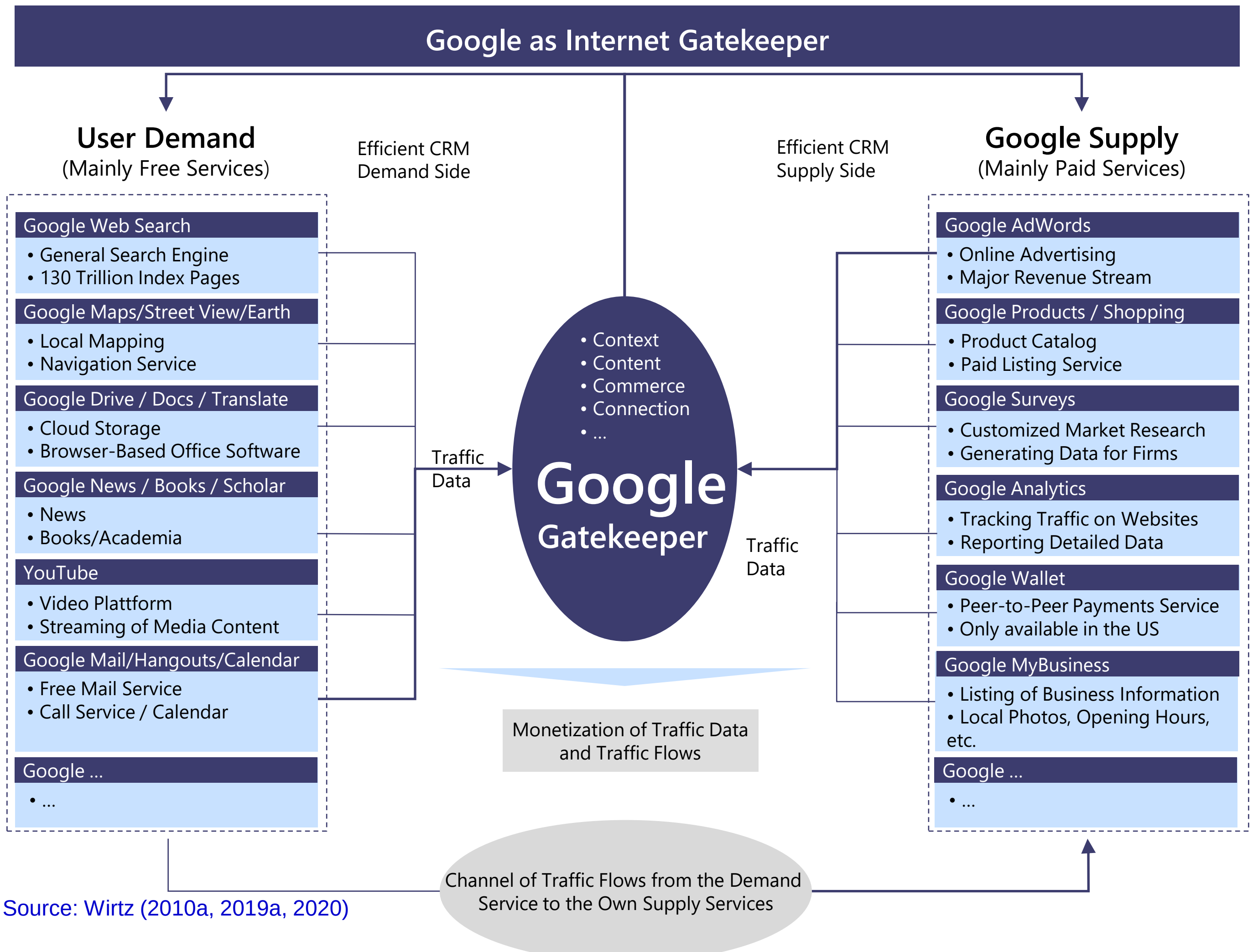
Even though the holding cooperation is called Alphabet, its core brand and most of its Internet-related ventures are keeping the name Google, which is why this case study also uses this name, as it focuses on those areas of activity. In the context of e-business models, the classification of Google's services with the help of the 4C-Net Business Model typology offers insight into the formal structure of the corporation. Although the search engine was previously associated with the context model, its broad service spectrum suggests a highly diversified business structure.

Therefore, one may categorize Google's business model as a hybrid business model, as its service range embraces all four dimension of the 4C-Net Business Model. In order to depict Google's hybrid business model, a detailed overview of various business model components will be presented. Especially the market-supply (competitors, market structure and value offering/product and services) and the revenue models (revenue streams and differentiation) serve as the foundation for analyzing the business model at hand.

In general, Google strategically aims to provide, organize and systematize existing information worldwide by means of the Internet. With this, Google formulates a clear mission that is an integral part of its corporate strategy and thus also of the respective strategy model (business model mission, strategic position and development paths, as well as business model value proposition). This way, Google grew to become an integrative Internet player and one of the most important gatekeepers of access to information throughout the Internet in recent years. In this context, the term "gatekeeper" describes the opportunity for the operator of a search engine to influence what information users find and can actually access (see Fig. 15.2).

Source: Wirtz (2020)

Fig. 15.2 Google Gatekeeper



Source: Wirtz (2010a, 2019a, 2020)

Google's Integrated Business Model

Due to the vast amount of existing information and the recent developments in user behavior, providers increasingly rely on the transparency of the Internet in order to be easily found by all users. Consequently, as one of the largest providers of a search engine, Google drew attention to its growing market power.

Google's value proposition mainly rests upon its gratuitous compilation, organization and representation of the immense variety of information on the Internet. Importantly, the value proposition remained the same throughout Google's organizational development and is characterized by a high recognition value and user friendliness. Google achieves a higher customer retention through their complementary service offerings. Private users can make free use of email, digital photo or image management and text processing programs, and they will probably do so repeatedly. Moreover, the high coverage Google promises with regard to advertising purposes attracts business users.

From a resource-based view, Google's manifold competencies and resources are extensive. One major core asset emerges from Google's highly specialized technological infrastructure that is characterized by its high amount of redundancy, efficient load balancing and a predominantly software-based system. Another core asset is Google's corporate brand and simultaneous product brand, which have been manifested through the process of creating a generic trademark. This means it became common to use the term "Google" to search the Internet.

One essential competence of the company is its comprehensive contextualizing competence. Notable in this respect is the criteria-specific localization, classification and systematization of the search engine as well as Google's extension of its services when it comes to illustrating context. Particularly after the year 2004, the company expanded its competencies in content and connection-related areas. This was mainly possible by intensifying business relations and through acquisition activities.

Source: Wirtz (2020)

Google's Integrated Business Model

Further core competencies of the enterprise are its technological competence, competence at content creation and search, as well as a fully developed competence at promoting advertising efforts.

The network model of Google is characterized by a far-reaching cooperation network, as well as an extensive business-to-business and business-to-customer network. The free supply of the Google search engine is particularly important. Google AdSense enables both companies and individuals to add a search box to their own website, giving them a share in profits when other Internet users click on one of the advertisements that appear on the search engine results page.

Without an innovative network of business partners and profitable business-to-business cooperation, Google would not be as successful and powerful as it is today. Nevertheless, the company has established an extensive network and tremendous user base in the customer area, which especially profited from a digital word-of-mouth effect after the foundation of the company. Users that were happy with the search algorithms personally recommended them to family, friends and acquaintances.

Google's creation of goods and services follows a clear and linear structure. The first step of creating content is to gather, systematize and classify information in order to save it as results for on-demand inquiries and make them available through the search engine. This content-creation process is particularly based on the supply of information from third parties or oneself. In comparison, the connection supply is characterized by a strong interdependency between user interaction and communication management.

The company receives most of its input from communities, content suppliers and news agencies. Therefore, the transmission of information and interaction follows a simple process, i.e. Google checks websites and registered content and either adds them to the index and utilizes them or classifies them as irrelevant and therefore rejects them.

Source: Wirtz (2020)

Google's Integrated Business Model

Another partial model of Google's business model is the revenue model. The AdSense partner program generates one of the most important revenue flows, which unlike the AdWords program places context-dependent advertising on an external website. Within this system, the owner of the website receives a certain amount of remuneration when a user clicks on the advertisement. Simultaneously, Google attains more traffic from partner websites. The fees or portion of ad revenues Google pays to such advertising partners that run Google ads or services on their websites are called traffic acquisition costs (TAC).

Another fundamental subcomponent of Google's business model is the market offer model that consists of context, content and connection offers. The aspects of the company that matter most to industrial customers are the wide-ranging offers of well-developed technical functions and the high number of users. The latter is associated with the great recognition value and the high usage of the search engine. The free usage of various online services offered by Google is highly appealing to private customers.

However, the foundation of Google's business model is still its search engine that offers information via the Internet by means of an intuitive search tool. At this point, Page's and Brin's PageRank algorithm evaluates the relevance of the website according to the links it incorporates. The introduction of PageRank revolutionized those search engines that evaluated websites according to their search terms in texts and meta tags. Today, Google includes over 200 different evaluation criteria for the ranking of websites. With the recent update of the search algorithm called "mobile-friendly 2", Google rolled out another ranking signal boost to benefit mobile-friendly sites on mobile search.

Source: Wirtz (2020)

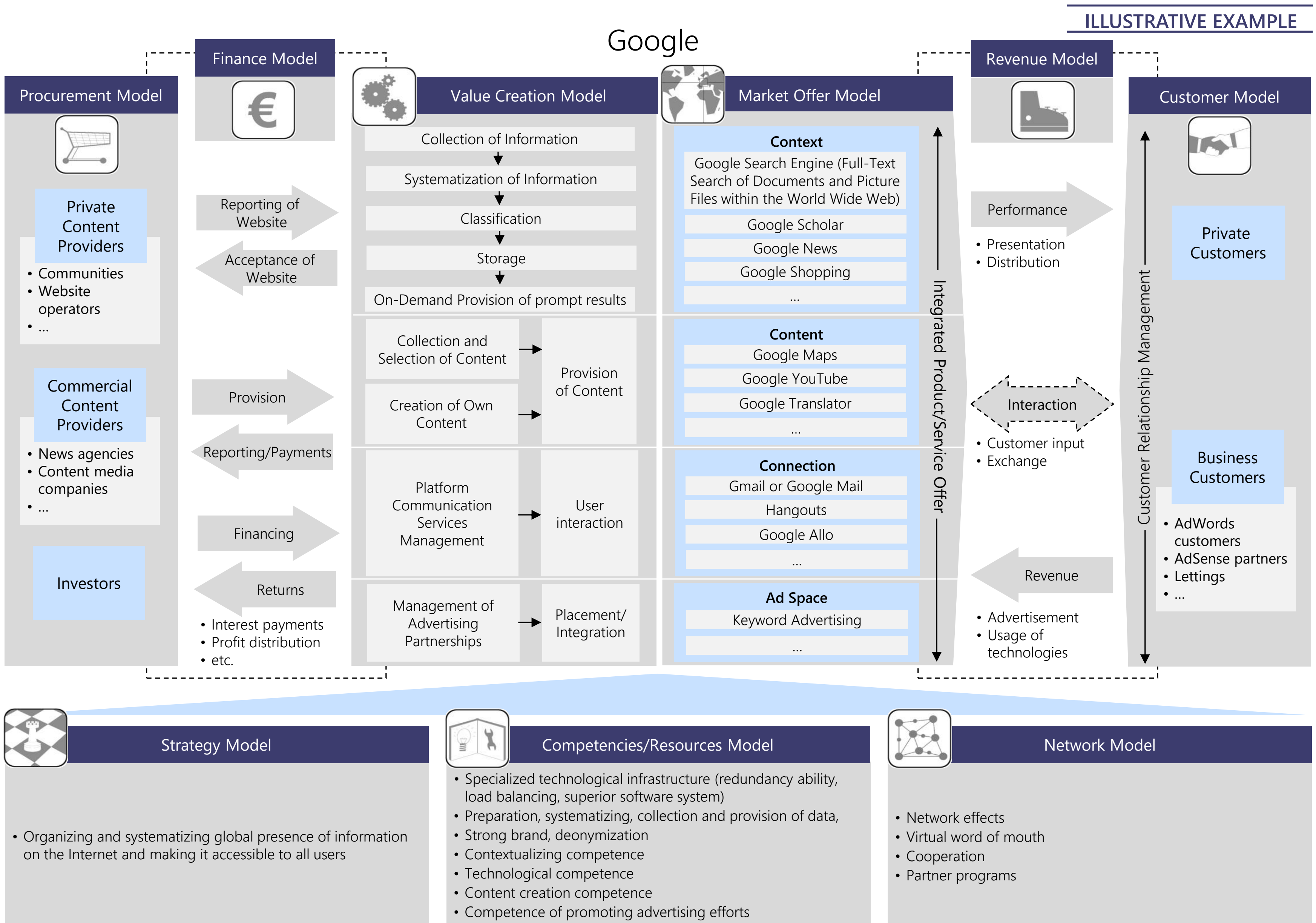
Google's Integrated Business Model

In terms of the 4C-Net Business Model typology, the context model with the search engine as its core service builds the foundation of Google's integrated business model. Due to a continuous and innovative revision and extension with specialized search services for images, news and geographic information, Google is the most frequently used search engine worldwide. Further services within the context segment are, for example, Google Catalogs, Google Images, Google Toolbar, Google Book Search, Google Scholar, Google Reader, Google Blog Search, Google Now and most recently Google Home.

One of the first services besides the search engine was Google Catalogs that offers users the opportunity to look at different print catalogs online. However, Google turned down this service in August 2015. Google Images allows to search for distinct pictures online by means of special search criteria like color, format or the right of use. Google Toolbar is a toolbar for the web browser that allows the user to quickly access the Google search engine and other Google services without changing to the main page. The following Fig. 15.3 presents Google's business model.

Source: Wirtz (2020)

Fig. 15.3 Google's business model



Source: Wirtz (2011a, 2019a) and own anlayses and estimations, and Wirtz (2020)

Google's Integrated Business Model

The applications Google Book Search, Google Scholar and Google Blog Search enable to search the Internet for books, academic publications or blogs. Google Reader, a web-based feed reader, informs users automatically about new contributions to their favorite homepages. However, Google turned down this service in July 2013.

With the takeover of the software producer ITA in 2007, Google expanded its context segment with the analysis of flight information. This feature presents airfares in a comparable way. The user benefits from these various context services in terms of time saving and information procurement.

In 2012, Google introduced the service Google Now as an extension of the Google Search App. Google Now is an intelligent personal assistant with voice search and a command feature. In 2016, Google launched its smart speaker Google Home that is able to receive acoustic commands via an integrated microphone and serves the user as personal digital assistant at home. Basically, it transfers the functionalities of the personal assistant Google Now to the home environment and enables the user access to Google services such as Google Play Music, YouTube or Chromecast via voice commands.

Another major sector of the market supply is the content segment that is characterized by the provision, preparation and aggregation of multimedia content. This sector contains services like Google Groups, Google News, Google Maps, Google Earth, Google Sketch Up, Google Text and Tables, iGoogle, Google Merchant Center and YouTube. Google extended or merged many of the older services in order to offer the user a broader range of services. For example, Google Local was integrated into Google Earth and Google Maps.

The first content service was Google Groups. This online service allows users to establish or to search for different groups of interest and to publish own content. Here, the connection aspect is also highly important because the service rests upon the Usenet and therefore offers a foundation for interactive communication.

After introducing Google Groups, Google launched a news service called Google News, a platform that automatically creates content in over 35 languages. Google Earth presents a digital globe that uses satellite aerial views and geographical data to create a digital model of the earth. In doings so, it allows users to search for addresses or places and to calculate distances and routes.

Source: Wirtz (2020)

Google’s Integrated Business Model

Moreover, Google Sketch Up is software to construct a three-dimensional model that allows to create pictures and animations. Google Text and Tables is another online service that offers online access to a word processing and table program. The successor to Google Base, Google Merchant Center, allows retailers to deliver product information to Google in order to integrate it into the Google Product Search.

The most important content service today is the online video channel YouTube. YouTube enables users to watch, upload and publish videos. To do so, they can make use of different channels or individual YouTube websites, through which they can use or offer other information besides those videos. The number of companies using this channel for marketing purposes is rapidly increasing. YouTube is the most popular platform for this kind of video material.

In 2018, YouTube had over 1.8 billion users worldwide, who altogether uploaded more than 300 hours of video to YouTube every minute (Dogtiev 2019). Recent content offers of Google include Chromecast, a line of digital media players, as well as the virtual reality platform Google Daydream.

The services belonging to the connection business model distinguish themselves by allowing to exchange network-based information. In this segment, Google presents itself with services like Blogger, Google Groups, Google Mail, Google Talk, Google Voice, Google Latitude, Google Plus (Google+), Google Drive, Google Hangouts and most recently with the video chat app Google Duo.

The social network Google+, for instance, is the consequent attempt to extend Google’s business model in the connection segment. Launched in September 2011, it counted more than 375 million active members in 2016 (Statistic Brain 2016). Google+ incorporates various old and new connection services and always struggled to compete with the largest social network Facebook. However, after several data incidents, Google+ was shut down in spring 2019.

With regard to the initiation, negotiation and settlement of business transactions of the commerce business model, the most important services Google offers are AdWords and AdSense. These two services will be presented later on in the context of Google’s revenue model. In the commerce segment, Google has rather few services to offer. Google’s payment service Google Checkout is primarily used for payment handling in the Android market, whereas its payment service Google Wallet allows users to pay via mobile phone with NFC (Near Field Communication).

Source: Wirtz (2020)

Google's Integrated Business Model

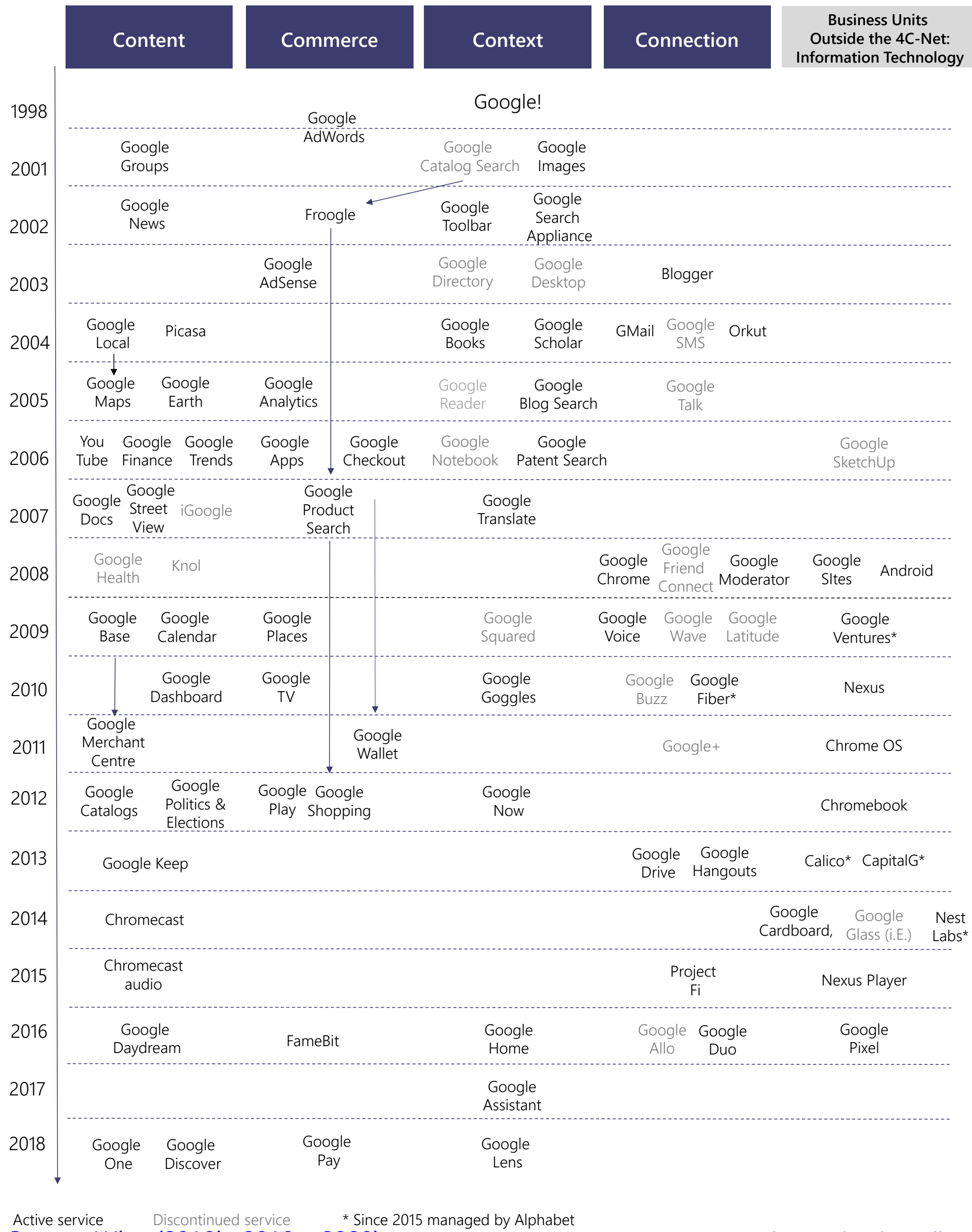
Google has been extending this segment by product search engines, product presentation and price comparisons primarily for its services Google Product Search and Google Shopping. Moreover, Google is starting to compete with other classic online retailers, particularly through its service Google Merchant Center. Recently, Google has also acquired Famebit a leading marketing platform that connects brands to creators for branded content creation.

Other services are part of more than one segment at once. For example, the photo community Picasa allows different users to share their photos worldwide and to interact with one another. According to this, Google combines both the content and connection segments in one service.

Since 2008, Google has been following business units outside of the 4C-Net (content, commerce, context and connection). For this purpose, it has developed information technologies like the mobile operating system Android, as well as own mobile consumer electronic devices, like the Google Nexus series and its next generation Google Pixel. Recently, Google has also introduced its augmented reality glasses Google Glass and its virtual reality glasses Google Cardboard. Moreover, it has acquired Nest Labs, a producer of smart appliances for home automation, which now works with the Google Home. Fig. 15.4 highlights the development of Google's business model and service offers.

Source: Wirtz (2020)

Fig. 15.4 Development of Google's Hybrid Business Model



Source: Wirtz (2010b, 2019a, 2020)

Google’s Integrated Business Model

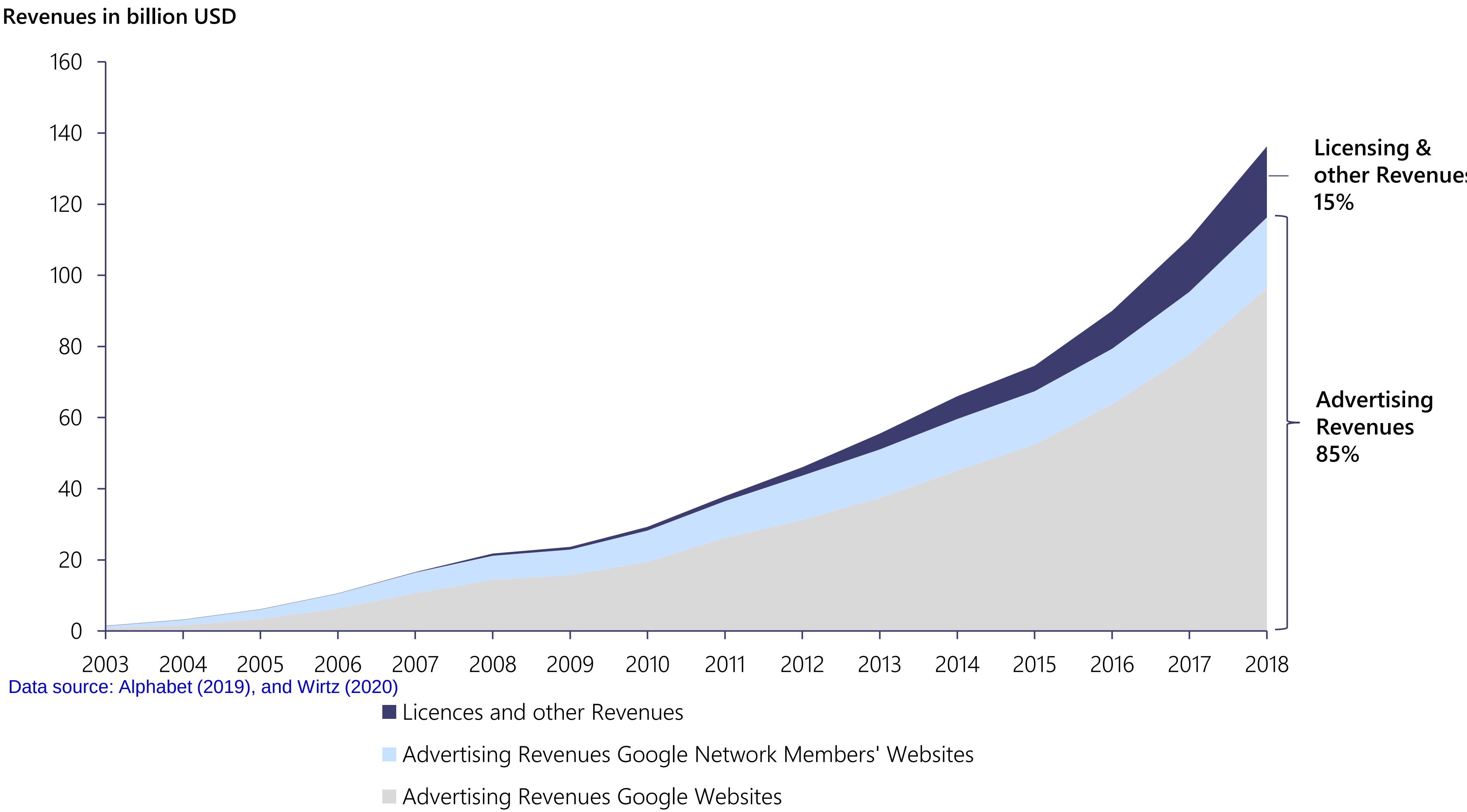
Another central component of Google’s business model is the revenue model through which multiple income streams are introduced and analyzed. The most important revenue streams are advertising revenues generated through integrated advertising solutions and keyword advertising by AdWords. The customer chooses various keywords that describe the product or service advertised, so that these products or services appear in the search results. Furthermore, the client determines the maximum price that one has to pay for every click on the advertisement. Combining the cost per click (CPC) with the quality of the keyword or product provides a basis to assess the advertising and thus the priority with which Google advertises it.

Moreover, the customer defines a monthly budget and is able to change some settings regarding the networks or languages. Besides the basic search page (google.com), possible advertising networks are Google Search Network and Google Display Network. The Google Search Network contains websites that have licensed Google’s search function as an independent toolbar. The Google Display Network comprises a large number of different websites that disseminate the display advertising. Nevertheless, considerably high costs in the form of traffic acquisition costs (TAC) emerge. Furthermore, Google has expanded keyword advertising also to other services such as Google Product Search and Google Mail. Besides the classic text display, other forms of multimedia like videos or images are also possible. In addition, location data can be integrated to combine the advertising with services like Google Earth or Google Maps.

Since the year 2007, Google has also generated considerable revenue from other income streams than advertising, which we will discuss later on. However, Google’s total revenue is mainly composed of advertising revenues that accounted for 85% of Google’s total revenue in 2018. Fig. 15.5 shows the development of Google’s revenue.

Source: Wirtz (2020)

Fig. 15.5 Development of Google Alphabet's revenue



Data source: Alphabet (2019), and Wirtz (2020)

Google's Integrated Business Model

Besides the huge amount of advertising revenues, the second revenue stream originates from royalties for the usage of software, as Google offers various software solutions in the form of fee-based versions with extended usability for professionals. Such programs are, for example, SketchUp Pro, Google Earth Plus and Google Earth Pro. In this extended version, Google Earth Plus offers the integration of GPS and a program to virtually construct buildings.

Moreover, Google sells the server hardware Search Appliance that companies can utilize for their document management and indexation. Google is also active in the mobile market with its smartphones (e.g., Nexus 5X and Nexus 6P) produced by LG and Huawei, but only generates comparably low sales revenue in this market. However, according to Google, nexus devices are not primarily intended to drive revenue but are rather an experimental bearer for Google's innovation for Android (Fortune 2015).

Google also receives revenue over the Android market, where developers of fee-based applications earn a transaction fee of 30% on the sales price. According to the highly diversified service spectrum, Google's revenue streams comprise transaction-based and transaction-independent revenues. Fig. 15.6 presents these different forms of revenue, showing that Google has various revenue streams that are differently structured. Nevertheless, one always needs to acknowledge the importance of keyword advertising in this context.

Source: Wirtz (2020)

Fig. 15.6 Google's revenue structure

	Direct Revenue Generation	Indirect Revenue Generation
Transaction-Based	• Sale of hardware • Transaction charges on the Android apps' market: PlayStore	• Cost per click – Keyword advertising • Cost per view – YouTube video ads
Transaction-Independent	• Royalties, for example, fees for using extended program packages • AdWords activation fee	• YouTube custom brand channel

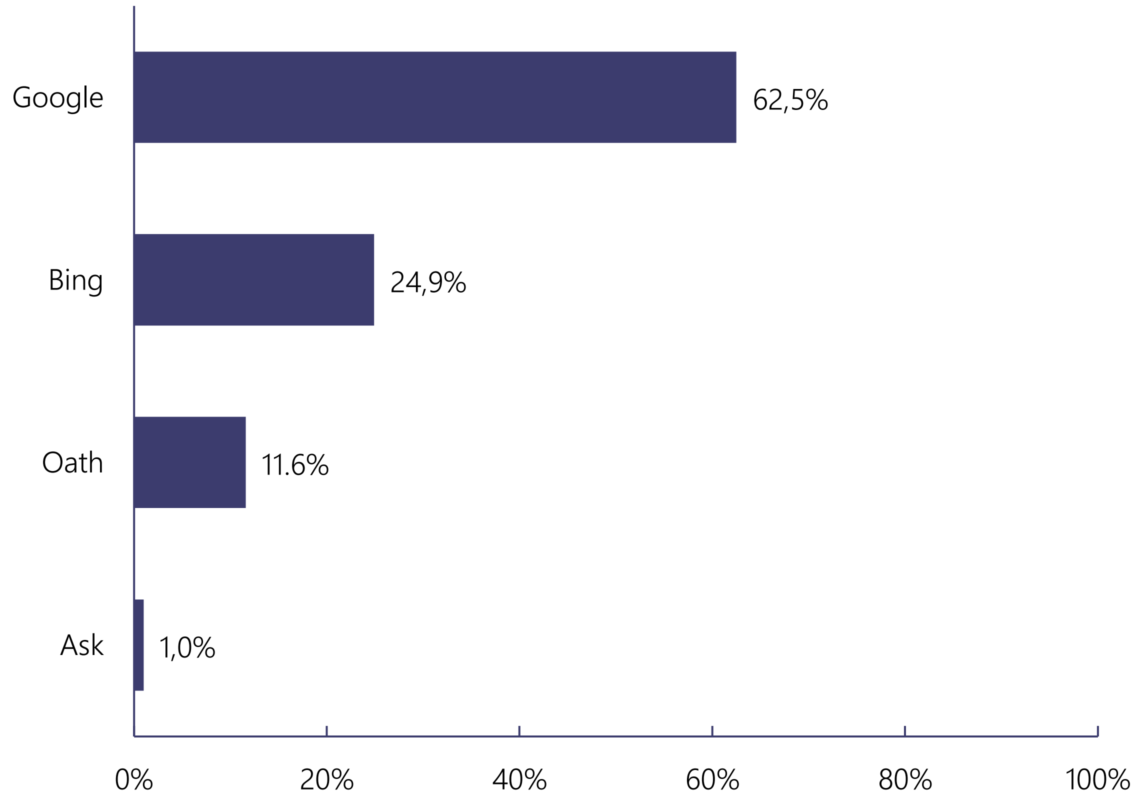
Source: Based on Wirtz (2000e, 2019a), and Wirtz (2020)

Google’s Market Environment

As one of the world’s leading Internet organizations with a broad service range, Google competes with numerous players in different markets. The following section identifies and presents various markets according to their strategic importance for Google. The most essential market for the company is the search engine market. This is not only the company’s origin and core business, but also accounts for about 70% (more than 90% including the network) of the revenue streams. A market share of 62.5 % makes Google the most frequented search engine in the U.S. Fig. 15.7 depicts the four largest providers of search engines worldwide.

Source: Wirtz (2020)

Fig. 15.7 Market share of search engines in the United States in March 2019



Data source: comScore (2019), and Wirtz (2020)

Google’s Market Environment

One should also pay attention to the fact that the search engine market is part of the superordinate advertising market. Due to the effective search engine marketing, not only the communication quality is important but also the coverage respectively the number of site views. In this respect, Facebook emerged as one of the most important competitors, gaining more stake particularly in the areas of social advertising and display advertising.

Another crucial market is the mobile Internet market in which Google operates as a provider of advertising services and a content provider. Just like in the classic markets, Google positioned itself with the search engine in the mobile segment so that location-dependent search and marketing, as well as services like Google Maps and Google Latitude gained in importance. The market share of Google’s mobile search engine is even higher than that of the classic search engine, accounting for almost 93% of the mobile search market in the U.S. in April 2019 (Statista 2019b). Consequently, Google occupies a strong position in the mobile market as well.

However, due to different proprietary systems, the mobile market is highly competitive in terms of classic online advertising. Apple’s marketing platform iAd serves as an example. iAd is able to integrate advertising messages seamlessly into applications and thus operates in the same way as Google’s system AdMob. Moreover, other social networks like Foursquare and Facebook play an important role in the mobile segment and strongly focus on local social advertising offers.

Source: Wirtz (2020)

Google’s Market Environment

With regard to content provision, Apple launched its platform iTunes in 2003, which has quickly become the market leader in this segment and one of Google’s strongest competitors. Thus, iTunes serves as a model company for Google’s Android marketplace that distributes content for the operating system Android. Google further expanded its mobile offers with Google Music, a competitive platform to iTunes, using One Pass as a suitable operating system.

Because of its high growth rate and market leadership Android finds itself with 70.38% market share in mobile devices (mobile phones, smartphones, tablets) clearly ahead of Apple’s iOS with around 28.32% market share (Netmarketshare 2019).

Besides these core markets, Google constantly aims to enter other markets and enhance its position in the Internet market. Google’s advancements in e-commerce are especially significant. By aggregating product information, Google is increasingly gaining importance as an intermediary in online retailing. Thus, competition among actors like Amazon, Google and so on is rising. With regard to Google’s presence via YouTube in the classic and mobile Internet, Google competes, for example, with the content aggregator Hulu.

Source: Wirtz (2020)

Case Analyses and Structure of Solutions

Case studies have their origin in the so-called 'Harvard Case Studies' and are nowadays a commonly applied and widely accepted scientific method within in the field of business administration and respective teaching. One particular characteristic of the case study analysis is that there is often no unique solution. Instead, one considers a specific problem and searches for an approximately optimal solution. This characteristic is at the same time the criterion to differentiate the case study analysis from normal exercises that are characterized by right and wrong solutions (e.g., in the field of law). This section defines the meaning of a case study and presents a methodological approach for handling and solving case studies.

The case study analysis is a heuristic method and thus a method of self-regulated learning for the respective person that deals with the case study and works out conclusions by means of analyses. Within the scope of this strategy of investigation, one examines a certain phenomenon in the respective and real existing context by using one or multiple objects of study, like individuals, groups and organizations.

The persons dealing with the case study should not be bound by particular methods or limited to a single solution method. Looking at a case study from multiple perspectives generates different approaches to solving a problem, but at the same time requires a broad spectrum of different approaches and solution methods. The case study analysis enables to achieve a variety of different goals of learning and teaching. However, the primary focus of interest refers to the connection of theory and practice. Here, one can distinguish, on the one hand, between approaches that apply theories to practice and, on the other hand, approaches that move from practical thinking and procedures to theories.

Source: Wirtz (2020)

Case Analyses and Structure of Solutions

Given the comprehensive approach to the research context and the inductive procedure of case study research, this approach generally refers to qualitative research. The following three characteristics of a case study clarify this closeness to qualitative research (Merriam 1998):

- Context-related: The case study focuses on a group or an individual, a program, a phenomenon or an event.
- Descriptive: The final product or result of the case study contains a detailed and multilayered consideration of the object investigated.
- Heuristic: The case study does not test already existing hypotheses, but rather generates new insights into the object of study, for instance, conditions, consequences and causal relationships.

Since one should consider every case study individually, specific cases cannot be generalized. However, if underlying conditions or characteristics of the objects of study are similar, one can at least partially transfer them. Consequently, the case study approach is particularly suitable when the objective is to look at complex underexplored phenomena in a broad manner and against the background of their dependence on context. The following illustrates a methodological approach for handling and solving case studies.

Source: Wirtz (2020)

Case Analyses and Structure of Solutions

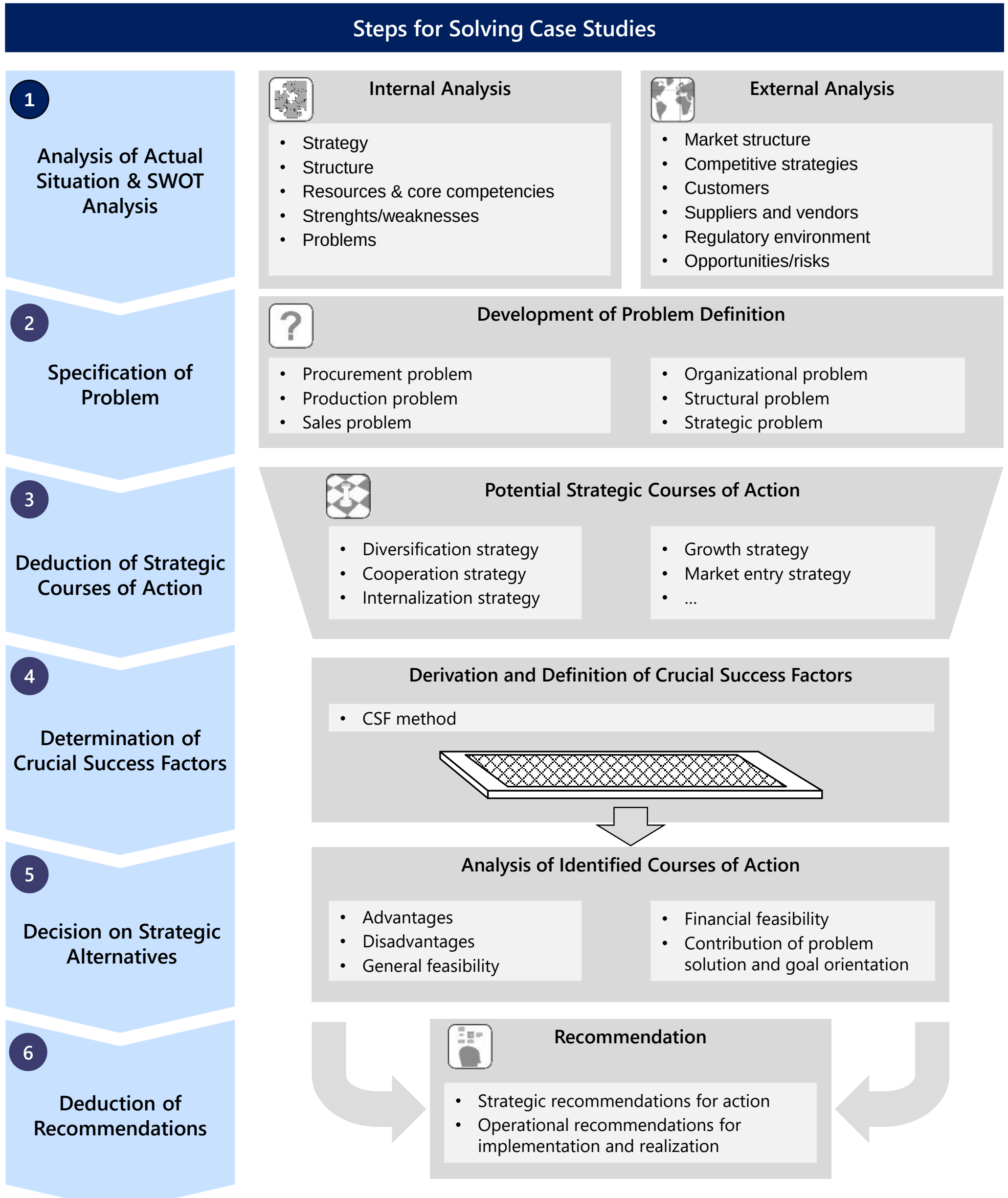
The procedure for approaching case studies usually comprises six steps that build on each other: (1) analysis of actual situation and SWOT analysis, (2) specification of problem, (3) deduction of strategic courses of action, (4) determination of crucial success factors, (5) decision on strategic alternatives and (6) deduction of recommendations. The first step should aim to analyze the actual situation. A SWOT analysis considers internal characteristics (e.g., strategy, structure and resources) of the business but also the external general conditions (e.g., market structure, customer and supplier potential).

The second step of the solution method of case studies involves specifying the respective problem. Potential issues, for instance, can trace back to the procurement, production or the corporate strategy. Based on this elaboration of the problem, one can derive strategic courses of action in a third step, for instance, strategies of diversification, cooperation and market entry.

The fourth step of the solution method of case studies includes determining or defining crucial success factors, before subsequently deciding on the strategic alternatives in the fifth step. In this connection, one examines the courses of action identified, for instance, for specific advantages and disadvantages or their feasibility. The sixth and final step of this approach involves deducing or giving strategic and/or operational recommendations. Fig. 15.8 presents an overview of the solution method of case studies.

Source: Wirtz (2020)

Fig. 15.8 Solution method of case studies



Source: Wirtz (2013b, 2019a, 2020)

Analysis of Actual Situation and SWOT Analysis

Within the scope of a case study analysis, one can apply the systematics of strategy development to examine the actual situation of a company. An important part of strategy development is analyzing the situation by means of situation analysis (Wirtz 2013a), which comprises analyses of environment, market, competitors, as well as competencies and resources. The competitive analysis and competence-resources analysis merge into an analysis of strengths-weaknesses. This in turn combines with an environment analysis and market analysis to form an analysis of opportunities and risks. The following section explains this procedure.

Within a situation analysis, one first examines the environment to describe the general conditions under which the respective company acts. In this connection, the sociopolitical, technical, regulatory and economic environment plays an important role. After the environment analysis, it is necessary to analyze the industry and market in which the respective company operates particularly the market structure and behavior of the demanding actors.

In the next step, one should perform a competitive analysis that aims to identify relevant actual and potential competitors and to examine their behavior on the market. Subsequently, one needs to consider the resources of the competitors. Along with this competitive analysis, one should also investigate the company's own competencies and resources. This competence-resources analysis needs to take place in much more detail than the competitive analysis and distinguishes between core competencies, complementary competencies and peripheral competencies (Wirtz 2000a).

Source: Wirtz (2020)

Analysis of Actual Situation and SWOT Analysis

Core competencies are mandatory resources that the company requires in internalized form to provide products and services. Complementary competencies, by contrast, are necessary resources that can also be provided by cooperation partners. Peripheral competencies refer to resources that are not essential and thus may be acquired from the market.

Based on the competitive analysis and the competence-resources analysis, one can analyze strength and weaknesses. Here, the aim is to identify advantages and disadvantages over the most important competitors and hence to derive the respective scope of action. The results of this strengths-weaknesses analysis together with those of the environment and market analysis jointly form an opportunities-risks analysis. In this connection, one compares the external situation with the internal situation of the respective company in order to identify development trends of the environment and the markets at an early stage and subsequently, to determine whether these future developments pertain to a strength or weakness of the business. On this basis, one can deduce indications of a potential strategic demand for action and use the results to develop the corporate strategy.

Source: Wirtz (2020)

Specification of Problem

After analyzing the actual situation, one has to specify the respective problem of the case study. This step focuses on identifying all problematic issues of the case study. If, for instance, several problems occur, it is recommended to prioritize them or to form a processing sequence and describe their relationships among each other. When working out the basic problems, one may not make the mistake of identifying symptoms as indicators or consequences of an underlying problem as the actual problem, because otherwise it is not possible to achieve adequate proposals for solution. One needs to summarize the symptoms and investigate the reasons behind in order to reveal the causal main problem. In case there are several central issues, one should consolidate them and bring them in order according to their meaning and importance.

Deduction of Strategic Courses of Action

After analyzing the actual situation and specifying the problem, one needs to derive strategic courses of action. Based on the case study-specific problem, one first develops different alternative solution approaches, the so-called strategic courses of action. The following evaluation of these options takes place under uncertainty since case studies often do not provide complete information and thus require to make assumptions. Examples of strategic courses of action are strategies of market entry, diversification, growth, cooperation and internalization. After deriving strategic courses of action, one can determine the key success factors of the business. The following section therefore discusses the procedure of identifying crucial success factors.

Source: Wirtz (2020)

Determination of Crucial Success Factors

Crucial success factors (CSF) are a small number of characteristics that significantly influence the success of companies. They differ from business unit to business unit because they are affected by both internal and external conditions. CSF need to have a certain minimum characteristic in order to enable the desired degree of goal attainment. The procedure of determining CSF and their application not only includes identifying the CSF, but also measuring the degree of goal attainment, as well as making an ongoing target-performance comparison. Besides creating a strategic frame of reference, the CSF method also involves analyzing own objectives in order to identify the CSF afterwards.

In the following, one needs to develop measuring criteria and determine so-called critical thresholds as standards. Subsequently, one can identify the control quantities and capture occurring changes. Having determined the CSF, one needs to decide on the different strategic alternatives, which is described in more detail in the following section.

Decision on Strategic Alternatives

Within the scope of deciding on the strategic alternatives identified, one should first analyze and assess the degree of fulfillment of the CSF for every strategic course of action. Then, one should examine the congruency between business potentials and market-specific requirements by means of strategic fit analysis (e.g., SWOT analysis). Finally, the criteria of feasibility indicate whether the respective company possess the resources and skills necessary to realize the respective strategic option. The analysis of the individual aspects leads to a so-called strategic evaluation matrix that allows to select the best strategic alternative. Based on this evaluation and selection, one can deduce recommendations for action, which is explained in the following section.

Source: Wirtz (2020)

Deduction of Recommendations

Deriving recommendations involves explicitly verbalizing and presenting the optimal strategic course of action selected with regard to the problem identified earlier. It is then necessary to operationalize the strategic decision and transfer it into specific recommendations for action in order to implement the decision. In this connection, one first needs to demonstrate the concrete measures and necessary consequences of the alternative selected, before adjusting operational action by means of operational measures (who, where, what, when).

The last step involves planning the financial realization of the strategic option selected. For this purpose, one needs to plan a detailed budget not only to ensure the actual financing after having analyzed the general feasibility, but also to show that the costs are justifiable with regard to the expected benefit.

Source: Wirtz (2020)

Google Case: Questions and Solutions

Question 1: Discuss Google's initial situation by means of the SWOT analysis with regard to Google's current financial circumstances. What kind of problem statement can be deduced?

Question 2: Based on this analysis, derive strategic opportunities of action and critical success factors for the management of Google. Name present success factors of Google.

Question 3: Reflect upon these potential strategic alternatives and choose the dominant one.

Question 4: Discuss various opportunities for Google to differentiate itself in the context of revenue optimization. Which recommendation for action would you give Google?

Source: Wirtz (2020)

Summarizing Questions

This section hints at solutions to the summarizing questions about the Google case study, following a step-by-step procedure. Against the background of Google's present revenue situation, the SWOT analysis focuses on and presents Google's current situation.

Based on this analysis, a problem statement can be derived. Then, strategic alternatives and essential success factors are established and critically assessed. Subsequently, several opportunities for revenue differentiation and extension of the service range are discussed and evaluated, finally leading to recommendations for actions for Google. Fig. 15.9 offers a schematic overview and describes core aspects, tasks and hints for solutions with regard to the Google case study.

Source: Wirtz (2020)

Fig. 15.9 Key aspects, tasks, and hints for solution in the Google case study

Steps	Key aspects	Tasks	Hints for solution
Current situation	• Google is a successful company that offers a broad range of services • The main part of Googles revenues is based on advertising (especially search engine advertising)	SWOT analysis focusing on the present revenue situation	• Focus on the market offer mode and revenue model • Consideration of current market situation
Specification of the problem	• The low diversification of revenue streams is a central problem	Which alternative revenue streams can be further exploited?	
Deduction of strategic alternatives for action	• Google already uses multiple sources and forms of revenue • Besides advertising, Google generates only low revenue • The broad range of services offers various opportunities for action	Identification of strategic alternatives of action	• Analysis of different revenue forms sources • Awareness of most important competitors
Illustration of critical success factors	• Google has numerous core competencies that are suitable for the revenue differentiation • Google's core business must not be influenced	Identification of essential success factors	• Inclusion of strategy model and resource model
Desicion about strategic alternatives	• Google remains unchallenged in its core business but has to diversify its revenue streams in order to diminish potential risks	Development and explanation of diverse diversification strategies	• Analysis of market and competitive situation • Market-based differentiation
Deduction of recommen-dations for action	• Google is already active on distinct future markets • Revenue generations needs to be optimized	Recommendations for actions and their justification	

Source: Wirtz (2013c, 2019a, 2020)

Fig. 15.10 Analysis of Google's strengths, weaknesses, opportunities and risks

Question 1: Discuss Google's initial situation by means of the SWOT analysis with regard to Google's current financial circumstances. What kind of problem statement can be deduced?

External Dimensions / Internal Dimensions	Opportunities	Threats
	Opportunities • Introduction of new revenue streams for the current service spectrum • Introduction of new or extension of current revenue streams on growing markets, particularly the social media (Google+), mobile (Android Marketplace, Google Pixel, Google Allo, Google Duo), Internet of things and automation (smart home devices like Google Home, acquisition of Nest Labs), augmented reality (Google Glass), virtual reality (Google Cardboard), artificial intelligence, machine learning and big data markets • Expansion of market leadership in online marketing	**Threats** • Vulnerable revenue monoculture -> high risk through a decrease in advertising revenue (customer turnover to Facebook), recession-driven decline or replacement through other search engine providers (e.g., Bing's increase in market share) • Brand dilution through too many unsuccessful services
Strengths • Dominant position in the online and mobile advertising market (particularly through search engine advertising) • Strong position as online and mobile content provider • Broad advertising network • Very broad range of online services • Technological leadership	**SO Strategies** (Strengths-Opportunities Combination)	**ST Strategies** (Strengths-Threats Combination)
Weaknesses • Missing revenue differentiation (over 90% of revenue comes from advertising) • Unclear range of services • Numerous services without clear revenue purpose or unexploited revenue opportunities • Varyingly strong positions in different geographic markets • Social media position	**WO Strategies** (Weaknesses-Opportunities Combination)	**WT Strategies** (Weaknesses-Threats Combination)

Source: Wirtz (2013c, 2019a, 2020)

Fig. 15.11 Strategic options for Google based on a SWOT analysis

Question 2: Based on this analysis, derive strategic opportunities of action and critical success factors for the management of Google. Name present success factors of Google.

External Dimensions / Internal Dimensions	Opportunities	Threats
Strengths	**Taking advantage of existing opportunities through own strengths** • Use of existing service range for revenue differentiation • Extension of the mobile business (e.g., Google Nexus, Google Pixel, Google Allo, Google Duo), social media (e.g., Google+), Internet of things and automation business (e.g., Google Home, acquisition of Nest Labs), augmented reality business (e.g., Google Glass), virtual reality business (e.g., Google Cardboard), artificial intelligence, machine learning and big data in order to establish new forms of revenue and to extend existing ones • Monetization of broad range of services (especially of content services)	**Using own strengths to avert existing threats** • Enhancement and extension of the current service spectrum • Utilization of dominant position in the search engine market and of technological leadership to outperform competitors • Focus on core markets to safeguard sustainable market positions
Weaknesses	**Eliminating own weaknesses to take advantage of opportunities** • Exploitation of existing revenue potential through streamlining the range of services • Monetization of services with no or low revenue • Extension of market leadership in online marketing through market expansion	**Eliminating own weaknesses to take advantage of opportunities** • Exploitation of existing revenue potential through streamlining the range of services • Monetization of services with no or low revenue • Extension of market leadership in online marketing through market expansion

Source: Wirtz (2013c, 2019a, 2020)

Summarizing Questions

Beyond these strategic opportunities for action, Google has the following core competencies at its disposal, which at the same time are critical success factors of Google:

- An essential success factor of Google is its technologically cutting-edge search algorithm that is continuously enhanced. Thus, Google's technology competence represents one of its key strengths.
- For a long time and in contrast to other competitors (e.g., Yahoo), Google's business model management has focused its core business on its search engine and search engine marketing. Google's focus competence and business model management competence is another core asset.
- Google created a huge network that generates a major amount of revenue today. Google's ability to manage this diverse portfolio is its networking competence.
- The high diffusion and acceptance of Google's search engine leads to Google's market leadership. With regard to its brand management, this market position allows Google to maintain a unique and differentiated corporate profile. Google has demonstrated its very strong brand management competence.

Source: Wirtz (2020)

Solution to Question 3

Question: Reflect upon these potential strategic alternatives and choose the dominant one.

Given Google's dominant position in the online business sector (especially in the advertising market) and its strong position in other markets, the SO strategy seems suitable, as opportunities can be exploited with own strengths. A crucial element of this strategy is revenue differentiation:

- Utilization of the existing service spectrum for revenue differentiation.
- Extension of the mobile, social media, Internet of things and big data segments to establish new revenue flows and extend existing ones.
- Monetization of the broad range of service offers

Source: Wirtz (2020)

Solution to Question 4

Question: Discuss various opportunities for Google to differentiate itself in the context of revenue optimization. Which recommendation for action would you give Google?

Google has a lot of potential for revenue differentiation resulting from various measures that generate revenue. These can be classified according to different revenue categories, comprising direct transaction-based, indirect transaction-based, direct transaction-independent and indirect transaction-independent revenues. Measures for generating direct transaction-based revenue include software sales, hardware offers for the mobile sector (e.g., smartphones or tablets), as well as extending the hardware offers in the server segment and range of payment service offers.

Software sales have a low revenue potential because many products are based on open source and are therefore difficult to realize with the current structure of service offers. In addition, this carries a high risk due to the reduced coverage and negative impact on the core business (advertising). Consequently, software sales are not suitable for revenue differentiation.

Hardware offers for the mobile sector show a very high revenue potential, but also a high risk of losing important network partners and risks with regard to competition law. Overall, this measure for revenue generation appears as highly suitable for revenue generation and differentiation. Extending hardware offers in the server segment has a low to medium revenue potential due to the highly competitive market and its special distribution structures. This measure only carries a medium risk due to Google's high technological competence. Therefore, this measure of revenue generation appears to be moderately suitable for revenue generation and differentiation.

Extending the range of payment service offers has a high revenue potential particularly in the mobile area. Although there is strong competition with providers like PayPal, this measure bears a low risk because Google already has an appropriate infrastructure, making it very highly suitable for revenue generation and differentiation.

Source: Wirtz (2020)

Solution to Question 4

Extending the hardware and software offers in the field of Internet of things, automation, artificial intelligence and machine learning has a high revenue potential especially with regard to smart home appliances. There is a low risk due to Google's technological leadership and moderate competition in the market. As a result, this measure is very highly suitable for revenue generation and differentiation.

In addition, extending hardware offers in the field of augmented or virtual reality are characterized by a low to medium revenue potential and a medium risk due to the moderately to highly competitive market environment. Therefore, this measure is only moderately suitable for revenue differentiation.

Moreover, measures for generating indirect transaction-independent revenues include commission fees that Google receives in its role as e-commerce intermediary (e.g., Google Product Search, Google Merchant Center and Google Shopping). Here, Google has a high revenue potential due to its role as a gatekeeper in online shopping, but at the same time a medium to high risk of engaging in competition with current customers. Overall, this measure appears as highly suitable for revenue differentiation.

Furthermore, measures for generating direct transaction-independent revenues comprise price differentiation for licenses of premium products or for business customers, as well as fee-based licenses and letting of server capacities (cloud computing). Price differentiation for licenses of premium products have a low to medium revenue potential, as only few services are suitable for this model. Given that it provides an added benefit, there is a relatively low risk, not least because it is an approved instrument (see Google Earth Plus). However, in view of the formerly free functions such price differentiations also carry a high risk of user churn. Altogether, this measure is moderately suitable for revenue differentiation.

Source: Wirtz (2020)

Solution to Question 4

Price differentiation for licenses for business customers has a medium revenue potential because the model is quite established but not suitable for all services. Similarly, there is a medium risk as it is an established model in online business, making it overall a moderately suitable measure for revenue differentiation. Fee-based licenses have a high revenue potential due to the high number of users. Yet, there is not only a very high risk of end user churn and a certain risk of brand erosion, but also a medium risk in the business sector because here it is already partially established (Google Maps API). Accordingly, this measure is less suitable for revenue differentiation.

The letting of server capacities (cloud computing) has a very high revenue potential for Google, as necessary structures are already established in the emerging market. While this measure is characterized by a medium to high risk in the private customer segment due to competing offers that are free of charge, it only carries a low risk in the business customer segment and thus is very highly suitable for revenue generation and differentiation.

Finally, measures for generating indirect transaction-independent revenues particularly refer to the extension of revenues from data mining and big data analysis (selling user data). Here, Google has a high revenue potential due to its broad portfolio of diverse user data. However, this is also associated with a high risk due to problems of acceptance among users and potential user churn, thus negatively influencing Google's core business. In addition, this also carries legal risks and therefore appears to be only moderately suitable for revenue differentiation. Fig. 15.12 summarizes various measures of revenue generation and evaluates them in terms of their revenue potential and risk. Due to the great differentiation, not all kinds of advertising revenues are considered.

Source: Wirtz (2020)

Fig. 15.12
Opportunities for differentiation with regard to revenue generation (I)

	Measures for revenue generation	Revenue potential	Risk	Rating
Direct ansaction-dependent	Software sales	Low potential because a lot of products are based on open source and therefore difficult to realize with the current structure of service offers	High risk due to reduced coverage and negative impact on core business (advertising market)	○
	Hardware offers for the mobile sector (smartphones, tablets, etc.)	Very high potential (see Apple)	High risk of losing important network partners, risks with regard to competition law	◕
	Extension of the hardware offers in the server segment	Low to medium potential due to highly competitive market and its special distribution structures	Medium risk due to high technology competence	◑
	Extension of the payment service range	High potential, especially in the mobile sector	Low due to existing infrastructure, but strong competition with other providers (e.g., PayPal)	●
	Extension of hardware and software offers in the field of Internet of things, automation, artificial intelligence and machine learning	High potential, especially with regard to smart home appliances	Low due to technological leadership and moderate competition	●
	Extension of hardware offers in the field of augmented or virtual reality (e.g., wearables)	Low to medium potential	Medium risk due to moderate to high competition	◑

○ Not suitable ◔ Less suitable ◑ Moderately suitable ◕ Highly suitable ● Very highly suitable

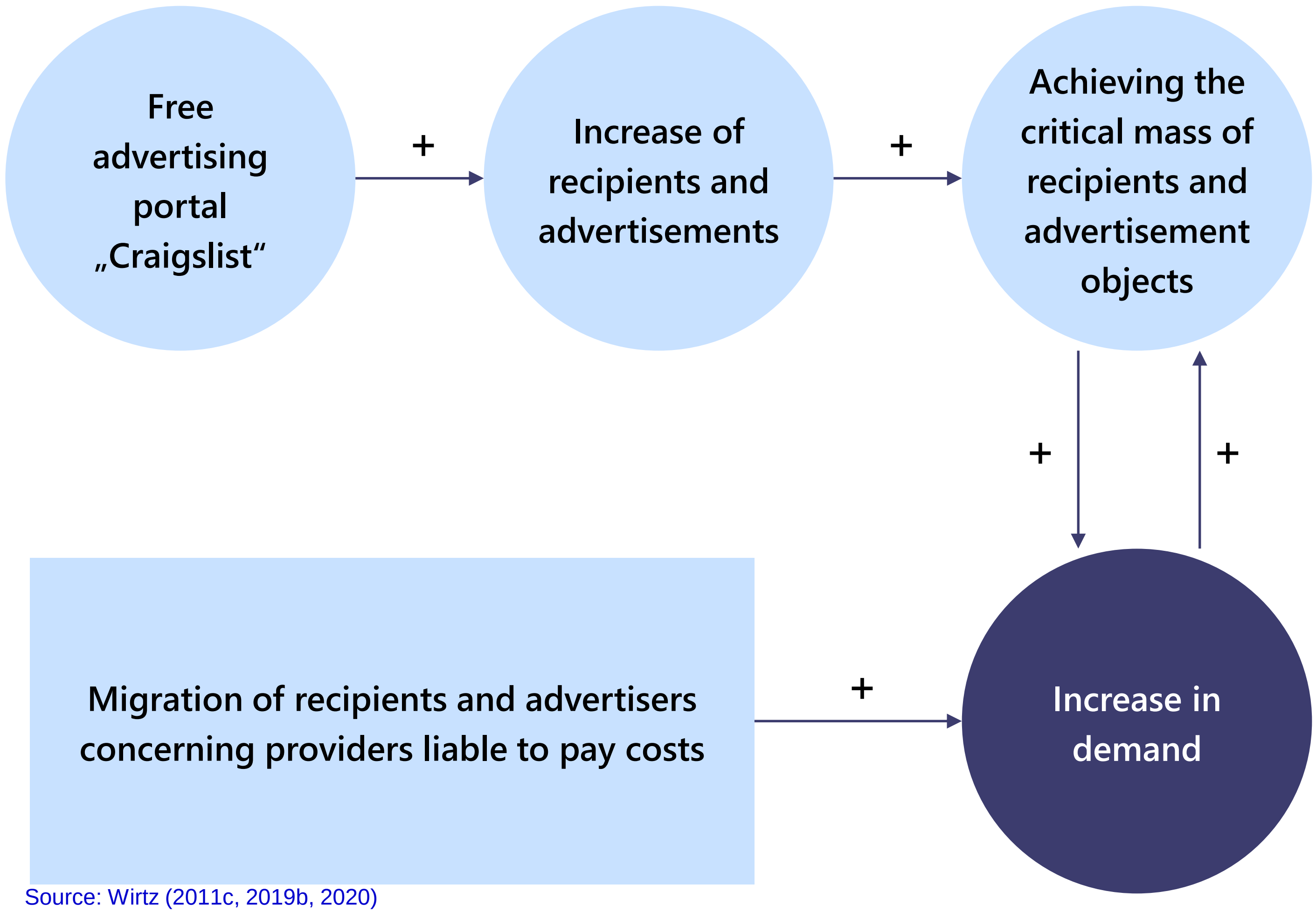
Source: Wirtz (2013c, 2019a, 2020)

Fig. 15.12
Opportunities for Differentiation with Regard to Revenue Generation (II)

Indirect transaction-dependent	Commission fees as e-commerce intermediary (e.g., through Google Product Search, Google Merchant Center, and Google Shopping)	High potential due to Google's role as gatekeeper in online shopping	Medium to high risk due to competition with current customers	◕
Direct transaction-independent	Price differentiation for licenses (premium products)	Low to medium potential because only few services are suitable for this model	Relatively low risk as long as there is a recognizable added benefit, approved instrument (see Google Earth Plus), high risk of user churn in view of formerly free functions	◑
	Price differentiation for licenses (charged for business customers)	Medium potential because the model is quite established, but not suitable for all services	Medium risk because it is an established model in online business	◑
	License fees	High potential due to high number of users	Very high risk of end user churn, risk of brand erosion, medium risk in the business sector because here it is already partially established (Google Maps API)	◔
	Letting of server capacities (cloud computing)	Very high potential because necessary structures are already established in the emerging market	Medium to high risk in the private customer segment, low risk in the business customer segment	●
Indirect trans-action-inde-pendent	Extension of revenues from data mining and big data (sale of user data)	High potential due to Google's broad portfolio of diverse user data	High risk due to problems of acceptance among users, resulting in user churn (impact on core business) and legal risks	◑

Source: Wirtz (2013c, 2019a, 2020)

Fig. 15.13
Development structure of Craigslist in the area of online advertisements



Source: Wirtz (2011c, 2019b, 2020)

Fig. 15.14 Strategic alignment of Craigslist

	Aspects
Strategy	• Online classified advertisement platform, mainly non-profit portal • Cost leadership in the online area of the job and real estate advertising segment • User-generated content strategy
Business model	• No self-generated content, all advertisements are user-generated content • Transaction-based direct revenue generation (e.g. revenues from fee-based job and real estate advertisements in conurbations)
Range of services	• Free online classified advertising with the exception of fee-based job and real estate advertisements • Making forum places available • Events calendar • Best-of-Craigslist (selection of the best postings)
Success factors	• High traffic volume on the platform • First mover and therefore high level of awareness as a community/ classified advertising website (mainly high popularity in the United States, the European market, however, is slowly being developed) • Continuous extension of the business model in new geographical areas • Altruistic concept

Source: Wirtz (2009, 2019b, 2020)

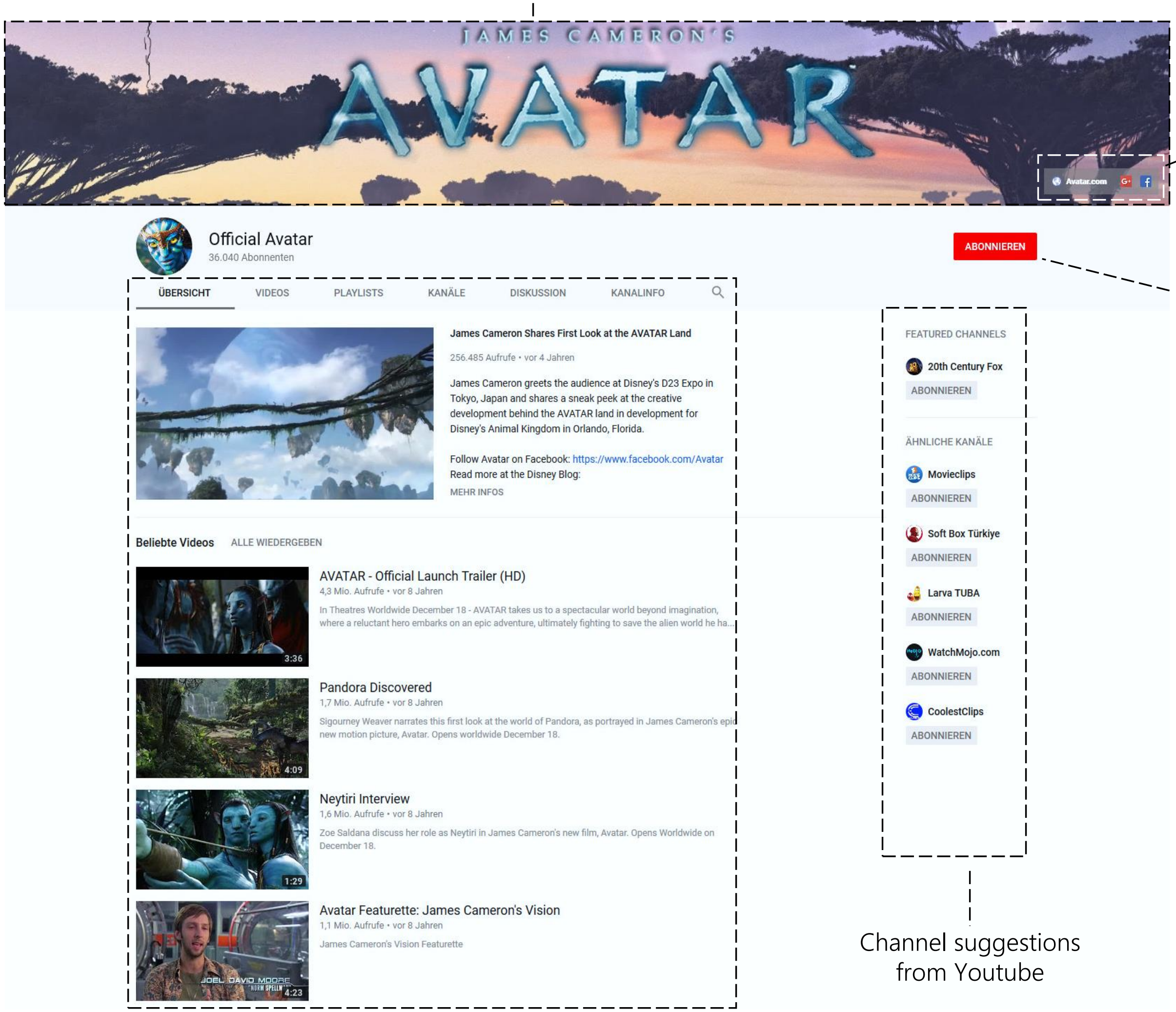
Fig. 15.15 Strategic alignment of Knopf Doubleday Publishing

	Aspects
Strategy	• Combination of focusing on quality and costs for different target groups • Creating star authors • Long-term commitment of established authors • Use of Web 2.0 technologies to realize an active integration of the customers into the communication measures
Business model	• Content aspect: collection, selection, systematization, compiling (packaging) and provision of entertainment texts • Staggered revenue model systematization
Range of services	• Wide range of fiction • eBooks as an alternative for classic print products • Licensing • Search and research possibilities online
Success factors	• Historical publishing brand • Long-term experience & know-how in the marketing of books • Long-term competencies and experiences in the communication with recipients

Source: Wirtz (2011c, 2019b, 2020)

Fig. 15.16 YouTube channel for the movie “Avatar”

Avatar movie logo



Linking to film and social media websites

Subscription option Oo the channel

Channel suggestions from Youtube

Additional videos (e.g. trailer, making-of, interviews)

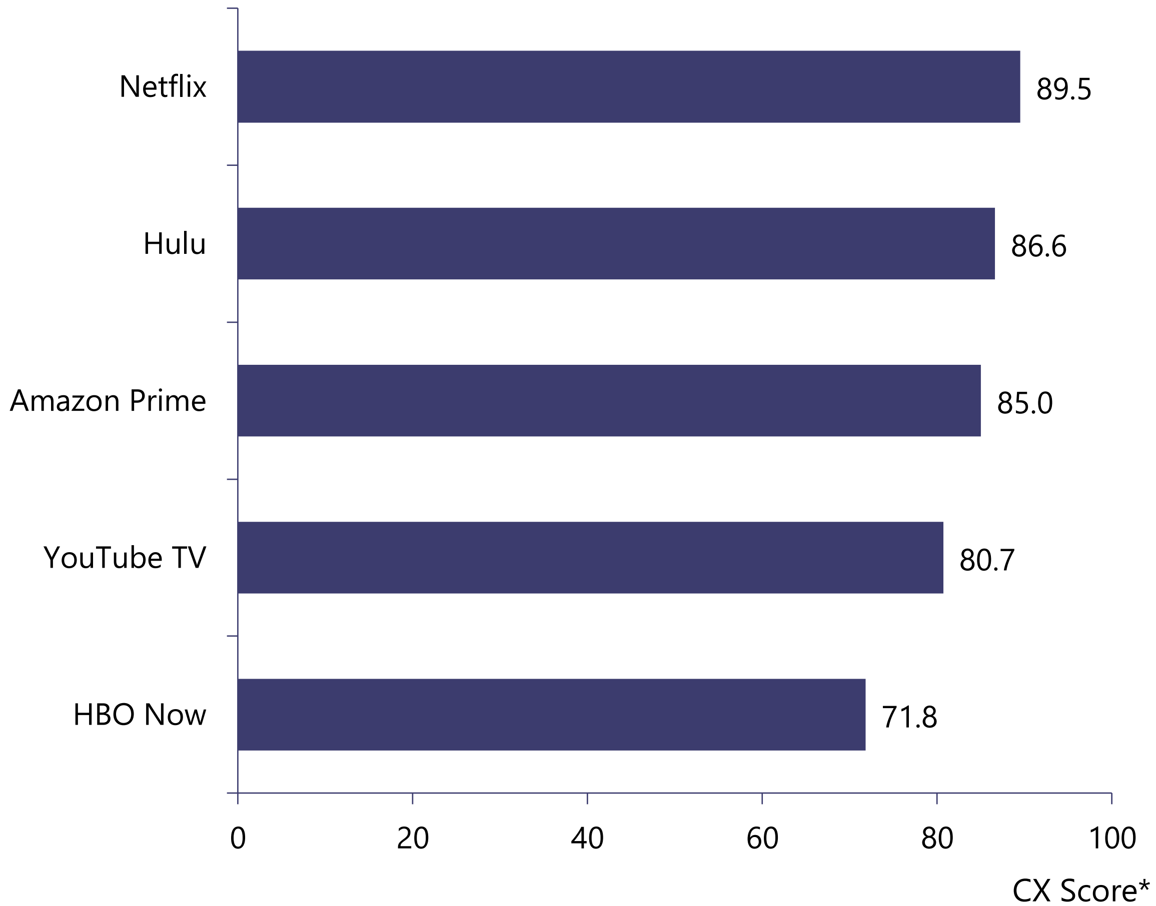
Source: YouTube (2018), and Wirtz (2019b, 2020)

Fig. 15.17 Strategic orientation of Fox Filmed Entertainment

	Aspects
Strategy	• Blockbusters as "tent pole strategy" • Vertical integration via central value-added steps • International marketing
Business model	• Own production and co-production • Trade of rights and licenses • Film distribution • Advertising space offers • Film utilization
Range of services	• Blockbuster production (20th Century Fox) • Production of independent films and foreign films (Fox Searchlight) • Rental and trade of rights • Utilization within the affiliated group of the News Corporation (e.g. Fox Television)
Success factors	• Competencies in production and marketing of blockbusters • Access to creative resources • Focusing on the respective fields of business • Covering important parts of the value chain • Target group specific productions

Source: Wirtz (2011c, 2019b, 2020)

Fig. 15.18 Customer experience score for subscription of video on-demand services



*Customer Experience (CX) (scale: 0 „negative" to 100 „positive")

Data source: UserTesting Inc. (2018), and Wirtz (2020)

Fig. 15.19 Strategic alignment of Hulu

	Aspects
Strategy	• Integration and convergence strategy • Legal content • High quality online video experience
Business model	• Content aggregation, allocation and syndication • Revenue model: generate revenue through subscription fees from recipients
Range of services	• Professionally produced content from over 400 content providers • Clear and easy-to-use web design • High advertising effectiveness through interactive features (e.g. individualization)
Success factors	• Legal content • Strong partnerships with the most important content producers • Strong media and internet competencies

Source: Wirtz (2011b, 2017, 2020)

Fig. 15.20 Strategic orientation of Last.fm

	Aspects
Strategy	• Individualized social web portal • Personalized music and music video portal • Differentiated segment • Leadership in quality
Business model	• Hybrid business model • Content aspect: collection, selection, systematization, compilation (packaging) and procurement of music, videos and concert information on an own platform • Community aspect: creating the possibility to exchange information in the field of audiovisual entertainment via social web applications • Commerce aspect: initiation, negotiation and handling of transactions through fee-based subscriptions and redirection to other portals trading with fee-based music downloads and CD sales • Transaction-independent direct (e.g. subscription revenue) and indirect revenue (e.g. revenue from transaction arrangements for third party companies)
Range of services	• Access to all artists available at Spotify/Youtube • Free and chargeable MP3 downloads • Extensive music video offer • Event finder • Large user community
Success factors	• Cooperation and alliance strategy • Individualized service offering according to personal needs and preferences in the field of audiovisual entertainment • Connecting music offer and community offer

Source: Wirtz (2009, 2019b, 2020)

Fig. 15.21 Strategic alignment of iTunes

	Aspects
Strategy	• First mover and innovation leader in the online distribution in the audiovisual segment • Convergence strategy (product bundling: software, content, hardware) • Integration of media (convergence of media content to a deep and broad product portfolio)
Business model	• Commerce aspect: initiation, negotiating, and handling of transactions in the form of fee-based music, video, and other audiovisual entertainment downloads • Transaction-dependent direct generation of revenues (e.g. download revenues)
Range of services	• Approximately 45 million songs from all big music companies and most independent labels • Over 20,000 music videos • Approximately 27,000 audio books • 2.33 million apps for iPad, iPhone, iPod, PC and Mac • More than 112,000 films (many of them in 4K HDR resolution) • A variety of TV series
Success factors	• Large entertainment offer in the audiovisual field • Innovative end user devices (e.g. iPod, iPhone, iPod etc.) precisely adapted to the software • Product bundling of software (e.g. iTunes) and hardware (e.g. iPod, iPhone, iPad) • Deep and broad product portfolio

Source: Wirtz (2009, 2019b, 2020)

Fig. 15.22 Strategic alignment of the Xbox One X

	Aspects
Strategy	• Differentiation strategy • Addressing a large target group • Further technical development
Business model	• Network effects due to a strong community: providing the possibility to link with other players, to exchange information, or to play against each other • Transaction-dependent direct revenue generation (e.g. revenues from selling consoles or games) • Indirect generation of revenues through licenses etc.
Range of services	• Use of state-of-the-art technology (4K capability) • Multiplicity of different games • System updates • Linking, exchanging, and playing with other real players within a network
Success factors	• Sophisticated gaming • Extensive target group approach, broad spectrum of players for gamers • Technical top performance

Source: Wirtz (2013a, 2019b, 2020)

Fig. 15.23 21st Century Fox corporate structure

21st Century Fox

Cable Network Programming

- FOX News
- FOX Business Network
- Fox Sports Net
- Fox Sports 1,2
- Fox Sports Racing
- Big Ten Network
- FOX Movie Channel
- FOX College Sports
- FOX Sports Enterprises
- FOX Deportes
- FOX Network Group
- FOX Soccer
- Fuel TV
- FX
- Nat Geo Wild
- National Geographic Channel United States
- National Geographic Worldwide

Filmed Entertainment

- 20th Century Fox
- 20th Century Fox Espanol
- 20th Century Fox Home Entertainment
- 20th Century Fox International
- 20th Century Fox Television
- Fox Searchlight Pictures
- Fox Studios Australia
- Fox Studios LA
- Fox Television Studios
- Fox Libary
- Blue Sky Studios

Television

- FOX Broadcasting Company
- FOX Television Stations
- MyNetworkTV

Other/Corporate

- Sky
- Hulu
- Endemol Shine Group
- Tata Sky
- Vice Holding Inc.
- DraftKings Inc.

Data source: 21st Century Fox (2017), and Wirtz (2020)

Fig. 15.24 Strategic alignment of 21st Century Fox

	Aspects
Strategy	• Internationalization strategy, external growth and multinational orientation on foreign markets • Economy of scale • Convergence in terms of an extension of new internet assets
Business model	• Hybrid business model, depending on the segment • Content aspect: collection, selection, systematization, compilation (packaging) and provision of information, e.g. FoxSports.com • Community aspect: making information exchange in the field of audiovisual entertainment possible • Commerce aspect: part of many business areas • Depending on the segment: transaction-independent direct (e.g. subscription revenues) and indirect (e.g. advertisement revenues) revenue generation as well as transaction-dependent indirect (e.g. revenues from transactions procurement for third party partner companies) and direct (e.g. direct sales revenues) revenue generation
Range of services	• Filmed entertainment (e.g. 20th Century Fox etc.) • Television (e.g. Fox Broadcasting Company etc.) • Cable programming (e.g. Fox Movie Channel, Fox News Channel etc.) • Other assets (e.g. Pay TV like Skyetc.)
Success factors	• Strategically smart orientation on almost all media markets • International networking • Business greatness • Full-fledged media portfolio • Strategically optimized M & A strategy

Source: Wirtz (2019b, 2020)