
The other flurry of media mergers

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The media is big business. Organisations such as Microsoft, Google, Apple and Yahoo! are rapidly manoeuvring themselves into competition with the traditional services. They exist in an unregulated online environment where innovation is rewarded and there is no limit to the acquisition power of companies.

In a short time, many Internet companies have grown to be even larger than the regulated traditional media players

to develop a Web product, build a strong and supportive user base, and sell out to Google.

The social networking video site YouTube, which gathered headlines around the world when it was acquired by Google for \$2.2 billion in October 2006, is the most famous example, but it is by no means alone.

A typical story in this era is Writely, a word-processor which runs within a browser, created by the Silicon Valley

online media can now directly challenge incumbent broadcasters and traditional printers.

It was only in 1998 that NetFlicks—a US subscription mail rental service which combined the two relatively new technologies of DVDs and the internet—was inaugurated. Bigpond Movies, Telstra's clone for the Australian market, is even younger.

But both of these services have already been made obsolete by offerings

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with which they compete. For instance, Fairfax's market capitalisation of US\$3.43 billion is dwarfed by Google's US\$139.1 billion. In the US market, Yahoo!'s market capitalisation is larger than CBS's.

These companies are genuine competitors, and represent one of the greatest challenges to the incumbent leaders in the media industry since the introduction of broadcasting.

Like their traditional counterparts, the new media players have recently been undergoing dramatic structural and ownership changes. The big names—Google, Yahoo!, Microsoft—are buying up smaller entities which have developed recognisable and popular products, in order to integrate them into broad suites of products united under a single brand. The quickest way to fortune in 2006 is

start-up Upstartle. At the time it was acquired by Google, in March 2006, it had only four employees. Google has since merged it with a spreadsheet program it developed independently, a product which most commentators believe signals a direct challenge to Microsoft's dominating Office software suite.

Indeed, the often reported YouTube acquisition is just the tip of the iceberg. In the same month that Google acquired YouTube, it also acquired JotSpot, a collaborative document service, which will also integrate into its Office competitor. In November, Yahoo acquired Bix, an advertising/contest service, MyBlogLog, a blogging aggregation tool, and Kenet-Works, a service for mobile phones.

Since 2002, Microsoft has bought 24 individual Web services, Yahoo! 25, including the bookmark-sharing Del.icio.us and the photo-sharing flickr, and Google has bought 27.

Online media is still in its early stages of development. But this 'flurry' of mergers and acquisitions seems to indicate that

from Apple, Microsoft and Google—all released in 2006—which provide films and television programmes for download or streaming at home. These services are an example of the competitive threats that are now facing the traditional media. But they also highlight the amazing benefits that increased competition brings for consumers.

Diversity—as far as it has any useful meaning—will survive any manner of media mergers or acquisitions, even in the unregulated online environment. It is now more useful to look at the media as an integrated market consisting of all the players mentioned above rather than the segregated silos of print, broadcasting and online which seems to dominate the analysis of the commentariat.

There is money to be made on the Internet, and there are serious businesses online. If only the traditional media were as dynamic.

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