Working paper:
THE ECONOMICS OF MEDIA CLUSTERS
Localities of media activities
in a globalized world

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MEDIA CLUSTER RESEARCH

importance and relevance for academic approaches & policy makers
What are media clusters?

REAL-LIFE EXAMPLES AND DEFINITION

KEA European Affairs (2006)

Hollywood
world-wide leading film cluster (produces 80% of world-wide cinema box office)

Silicon Valley
High-tech cluster (thousand of start-ups, google, netflix, facebook, etc.)

Soho (London)
AV creative cluster (post- and pre-production of AV content, agencies, etc.)

The most cited and used definition of clusters stems from Porter (2000, p. 16), who defines regional clusters as: “a geographically proximate group of interconnected companies and associated institutions in a particular field, linked by commonalities and complementarities.”
Traditional economic thinking highlighted for decades the aversion of companies towards competition. Therefore one might expect from competitors to protect their competitive advantages (R. Smith, McCarthy, J., & Petrusevich, M., 2004).

Additionally, we are today in the digital age. Within Castells’ (2011) “The Rise of the Network Society” he describes the arrival of a new form of society without borders. It seems that the importance of location is diminishing in this new kind of society especially for the production of digitizable goods.

**BUT:** In media cluster research, location becomes focus.

**AND:** Successful media clusters can be found all over the world.
The Brussels’ regional government acknowledges the media industry as having key role in economic and social development of the Brussels Region and plans through different initiatives to support local creative industry.

**What are media clusters?**

**POLICY DISCOURSE**

- Successful media clusters attract **development agencies** that would like to replicate the success in their own areas through policy mechanisms that promote cluster development (R. Smith et al., 2004).

- The Brussels’ regional government acknowledges the media industry as having key role in economic and social development of the Brussels Region and plans through different initiatives to support local creative industry.
The overarching research question is:

What are the conditions that drive media clusters and how can governments support cluster development in their cities?

As more and more resources from national and regional governments are devoted to the effort to foster media cluster development, the need to tackle the development in a knowledge-based and informed manner have become urgent.
A NEW MODEL

What does current literature tell us?
What are the gaps in literature?
And how can we close them?
## What are the drivers of media clusters?

### Insights from the Literature

<table>
<thead>
<tr>
<th>Source</th>
<th>Drivers Described</th>
<th>Related to</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marshall (1920)</td>
<td>Pool of specialized labor</td>
<td>Provision of non-traded inputs specific to an industry</td>
<td>The flow of information and ideas</td>
</tr>
<tr>
<td>Porter (1990)</td>
<td>Firms strategy, structure and rivalry</td>
<td>Factor conditions</td>
<td>Demand conditions</td>
</tr>
<tr>
<td>Morisini (2004)</td>
<td>Social nature of an industrial cluster’s knowledge interactions</td>
<td>Broad diversity of their social fabric</td>
<td>Key importance of locally confined relationships</td>
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<tr>
<td>Scott and Storper (2003)</td>
<td>Economies of scale in capital intensive infrastructure</td>
<td>Dynamic forward and backward linkages among firms, which promote information flows</td>
<td>Resource availability and labour market conditions</td>
</tr>
<tr>
<td>Bathelt and Gräf (2008)</td>
<td>Local interaction or “buzz”</td>
<td>Interaction with external firms and markets through trans-local or global “pipelines”</td>
<td>Non-market relations</td>
</tr>
<tr>
<td>Cook (2007)</td>
<td>Trust (social relationships)</td>
<td>Cooperation</td>
<td>Non-market relations</td>
</tr>
</tbody>
</table>
What are the drivers of media clusters?

FINDINGS

• Many attempts in cluster literature
• Not so many for media cluster research specifically
• Each author highlights different aspects that are partly overlapping
• The groupings and differentiations seem arbitrary
• No consensus in literature exists

There is a need for a new model that ...

... is media clusters specific and flexibel for different cluster types
... simplifies existing approaches
... goes beyond current literature
(1) Agglomeration economies
(a) reduction of costs
(b) flow of information and ideas
(c) accessibility / mobility labour pool
(d) direct externalities

(2) Urbanization economies
(a) access to transport infrastructure
(b) high-speed internet access
(c) closeness to supporting institutions / services
(d) closeness to an urban milieu
(e) access to office space
(f) creation of new products / services, knowledge spill-overs, creativity

(4) Perception economies
(a) positive perception
(b) attraction of new clients / contracts
(c) attraction of skilled employees / freelancers
(d) strengthening the perceived value / abilities

(3) Localization economies
(a) access to special infrastructures and events
(b) access to necessary facilities and resources
(c) access to important contractors
(d) enabling of operation, specialization, establishment of contracts
METHOD AND PRELIMINARY FINDINGS

ARE THE NEW DRIVERS EXPLAINING THE DYNAMICS IN MEDIA CLUSTERS?
How do we analyse the new model?

BRUSSELS AS CASE STUDY

Previous research:

1. AV media cluster at Reyers
   - VRT, RTBF, BETV, RTL + post- and pre-production companies
   - 50 media businesses

2. News media cluster at European Quarter
   - international media outlets (journalists)
   - 100 media businesses

3. AV media cluster in Elsene / Ixelles
   - AV production and advertising companies
   - 150 media businesses
How do we analyse the new model?

DATA COLLECTION

• Method: Online Survey
• 160 of 300 media business identified
• Target: Senior managers from each business
• Response rate: around 20 %

Identification and collection of data still on-going
How do we analyse the new model?

**DATA ANALYSIS**

- Means-within-means approach
- Main variable of interest is the *relative* importance of each of the four economies for each media business.

- For each business, we calculate scores on each question regarding the economies with respect to a theoretical maximum benchmark,
- we average and then normalize the scores for each business and each of the four economies,
- we then average out the scores of all firms, now across firms, to identify the relative importance of the drivers of media clusters.
SOME PRE-LIMINARY FINDINGS

Relative importance of the drivers of clusters

The Cobweb Graph

- Agglomeration
- Localization
- Urbanization
- Perception
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Any questions?