

Mergers and Open Access: Public Concerns and Preferences

A Report produced for the Digital Media Forum

By

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Summary

The Digital Media Forum sponsored a study of national public opinion that demonstrates Americans have clear preferences with respect to telecommunications offerings.

This study was conducted independently by Professor Dhavan Shah, University of Wisconsin-Madison. It was designed to generate rich, yet objective, data about the opinions, behaviors, and media access patterns of the American public. Because of the systematic and rigorous nature of the study's design, the results accurately represent the public's preferences and practices concerning digital media.

Today, the DMF is releasing the data included in this study regarding mergers and open access on cable broadband networks. In general, this portion of the study shows that Americans are skeptical of media mergers, believe strongly in choice among ISPs, and do not want Internet search engines to favor their affiliated advertisers. Additional data from the study will be released in a series of reports in the coming months.

Specifically, the study reveals:

- ❖ Seventy percent of Americans believe media companies are getting too big.
- ❖ Nearly 60 percent of Americans do not believe that mergers between media companies produce better content and services.
- ❖ Eighty-six percent of the public express at least a moderate level of concern about media mergers — with 46 percent expressing a high level of concern.
- ❖ An overwhelming majority of individuals — almost ninety percent — does not want to be required to use the Internet service provider affiliated with their cable company.
- ❖ A vast majority of the public, 78 percent, does not want to pay a premium for the option of selecting an alternate Internet service provider.
- ❖ Sixty-five percent of the public believe that search engines should not give preferred placement to their advertisers.
- ❖ Sixty-four percent of the public believe that search engines should not speed up access to their advertisers.
- ❖ Each of these opinions are widely shared across several demographics, including age, income, political party affiliation, and Internet usage.

Background and Methodology

The mass diffusion of digital media and the explosive growth of the Internet are reshaping the lives and lifestyles of many Americans. Over the last decade, the rise of digital technologies has fundamentally altered how people work, play, communicate, socialize, and otherwise engage their communities. Major transformations in the American media landscape have accompanied these changes. In response to these trends, the Digital Media Forum, a media policy consortium established by the Ford Foundation in Fall of 1999, funded a large scale study of American's Internet attitudes and behaviors, and their policy preferences concerning digital media. The DMF's purpose is to strengthen the public's voice in media policy debates by providing an opportunity for the organizations representing the public interest to work collaboratively to obtain relevant and accurate research. Digital Media Forum members are: the Benton Foundation, the Center for Media Education, the Civil Rights Forum on Communications Policy, Consumers Federation of America, Consumers Union, the Electronic Privacy Information Center, and Media Access Project.

To ensure this research was conducted in a systematic manner and produced accurate and objective data, the study was designed independently by Professor Dhavan Shah, Ph.D., of the School of Journalism and Mass Communication, University of Wisconsin-Madison. The resulting study relies on national survey data collected in February 1999 and June 2000 from a single panel of respondents to address a variety of issues that these changes in electronic media have introduced. Topics examined by the study include: the extent of the digital divide in America, support for programs to increase public access to the Internet, opinion concerning electronic privacy and the restriction of media content, preferences about "broadband" and digital television, levels of support for non-commercial uses of the Internet, the connection between the Internet and civic life, and concerns about media mergers and Internet open access. The last of these topics is the focus of this report. Reports on other topics will follow in subsequent months. Although this report relies exclusively on the data collected in June 2000, the February 1999 data will also be described in order to introduce the broader study.

The February 1999 data were collected as part of an annual mail survey — the "Life Style Study" — conducted by Marketfacts on behalf of DDB-Chicago, an international marketing communications company. Via mail, a massive number of people were asked to express their willingness to participate in mail or telephone surveys, and if so, to provide basic demographic information. A balanced sample was then drawn from among the 500,000+ people agreeing to become part of the pre-recruited "mail panel." In order to ensure representativeness, the starting sample of approximately 5,000 mail panelists was adjusted within the subcategories of race, gender, and marital status to compensate for expected differences in return rates. The sample was also drawn to reflect demographic distributions within the 9 Census divisions of household income, population density, panel member's age, and household size. Applying this stratified quota

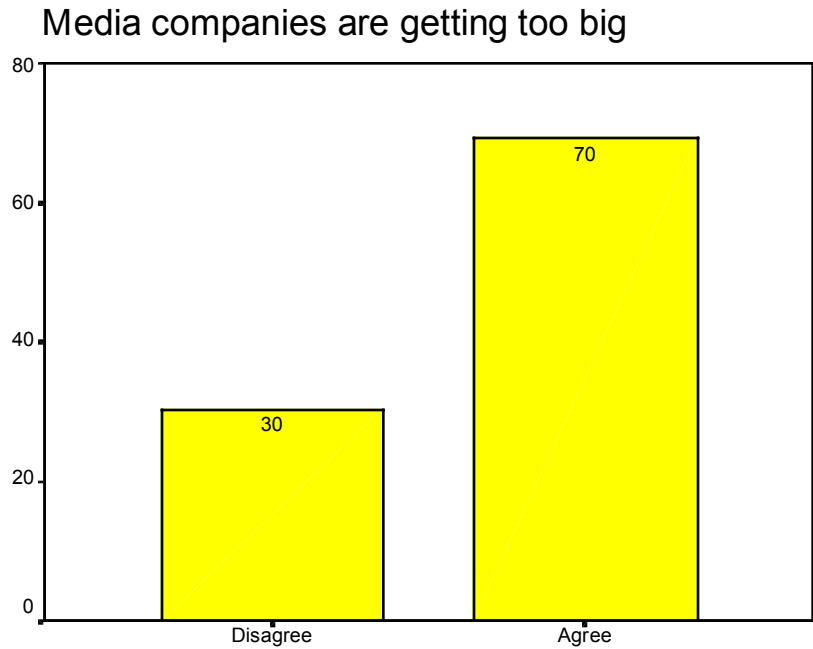
sampling method, of the roughly 5,000 Life Style surveys distributed to mail panelists, **3,388** usable responses were received, for a response rate of **67.8** percent. This rate of response is considerably higher than the typical national survey.

For the June 2000 wave of the study, Professor Shah developed a questionnaire to assess the public's preferences and practices concerning digital media and then engaged Marketfacts to recontact the individuals who completed the February 1999 survey. Due to some erosion, 2,737 questionnaires were mailed out to 1999 Life Style Study respondents. To ensure a high response rate — and a more representative sample — a substantial incentive was offered for completing the survey. The response rate for this survey was **70.1%**, with **1,902** respondents completing the questionnaire. For a validation of these data and the general methodology against other national survey data, see Putnam (2000, Appendix 1).

The questions on media mergers and open access were only contained in the June 2000 wave of the survey. For this data, the margin of error is about **±3.0%** when using the full sample.

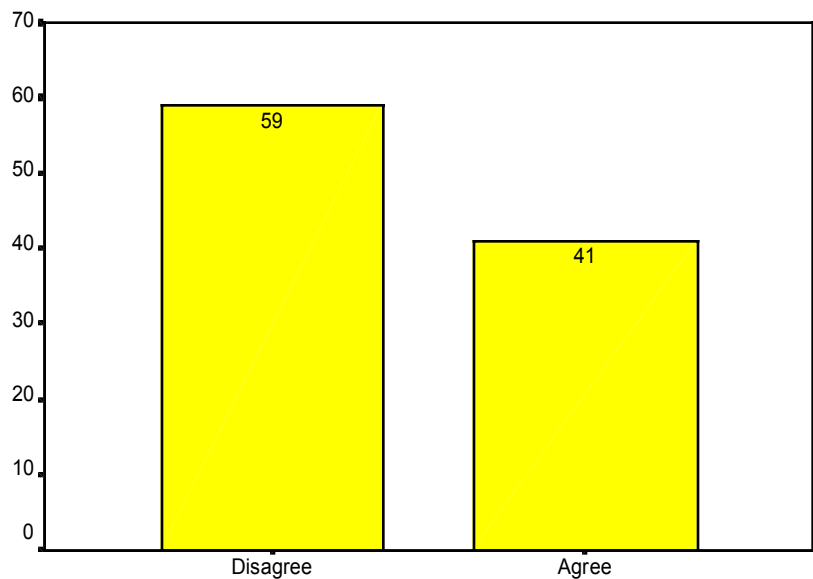
❖ Two questions from the survey center on the issue of public concerns about media mergers.

➤ **Merger concerns – Question 1**

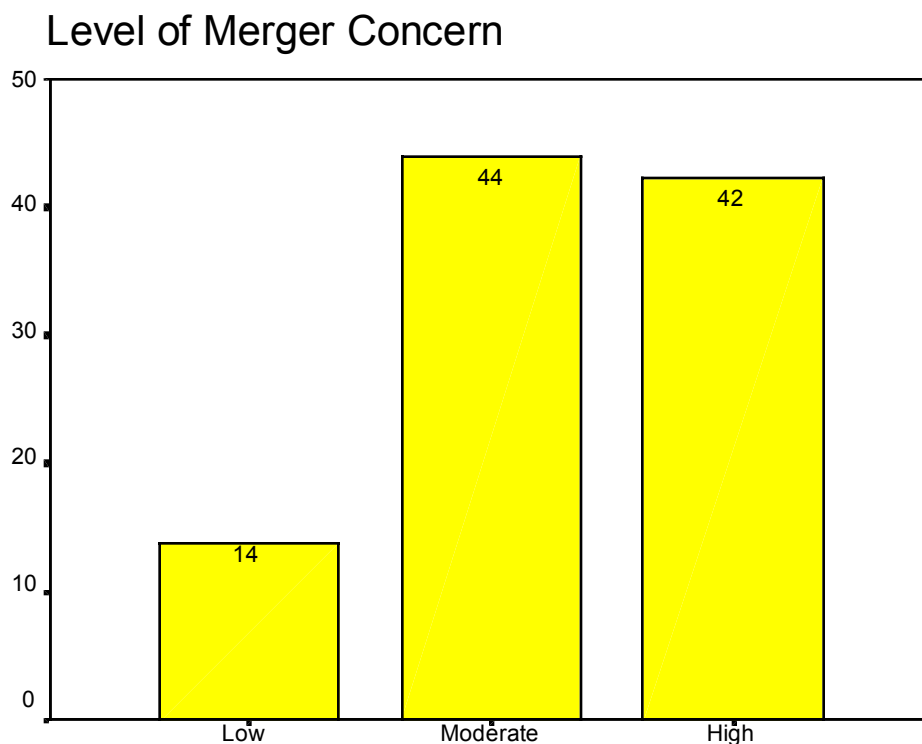


➤ **Merger concerns – Question 2**

Mergers between media companies
provide better content and services



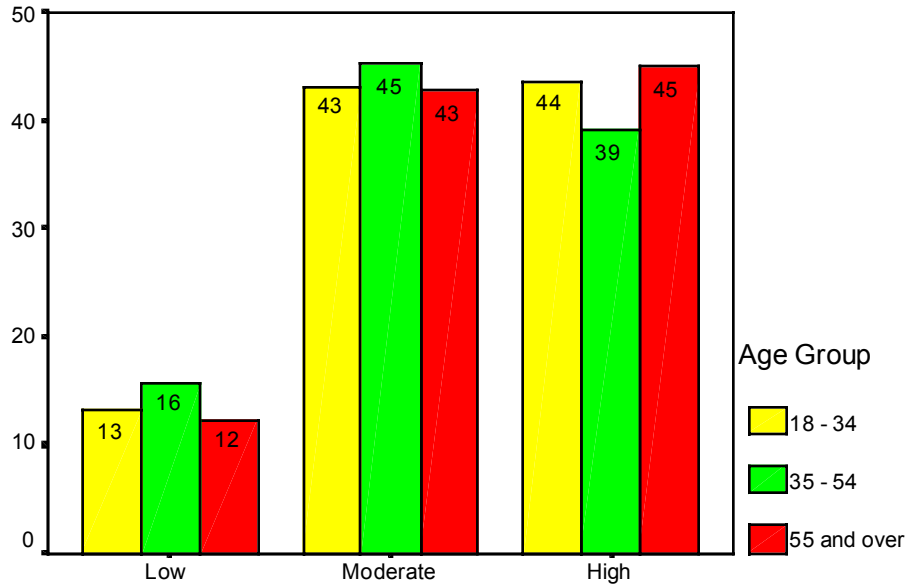
- ❖ Thus, 70 percent of Americans believe media companies are getting too big, and nearly 60 percent believe that mergers between media companies do not produce better content and services.
- ❖ These questions can be used to form an index of merger concern.¹ On this basis, 42 percent of the public express a high level of merger concern, and 44 percent express a moderate level of merger concern.



¹. To create this index, agreement with question 1 was scored as one, whereas disagreement was scored as zero. Likewise, disagreement with question 2 was scored as one, whereas agreement was scored as zero. Values for questions 1 and 2 were then added. A value of zero indicated low merger concern, one indicated moderate merger concern, and two indicated high merger concern.

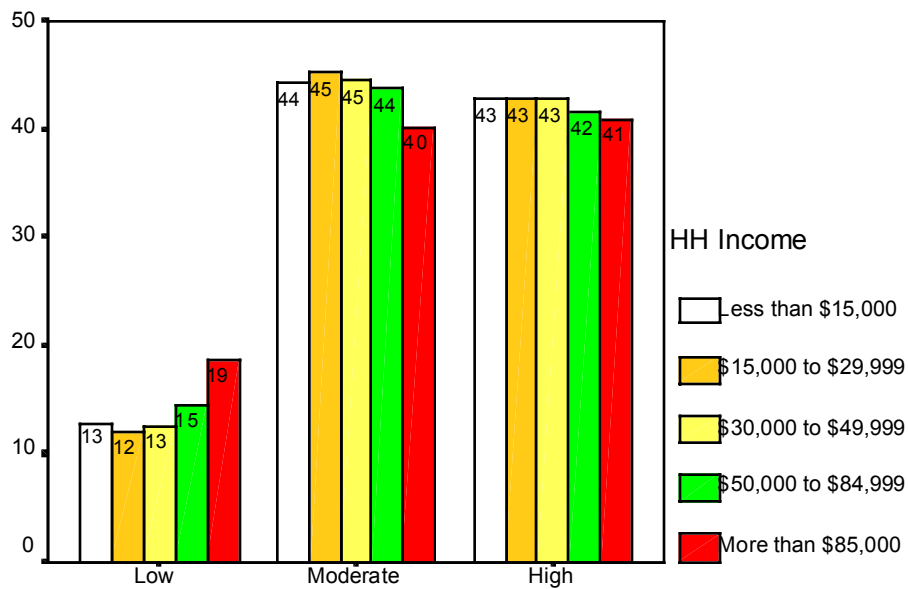
❖ These concerns are reasonably consistent across age, income, political party affiliation, and Internet usage. In other words, they are widely shared.

Merger Concern by Age Group



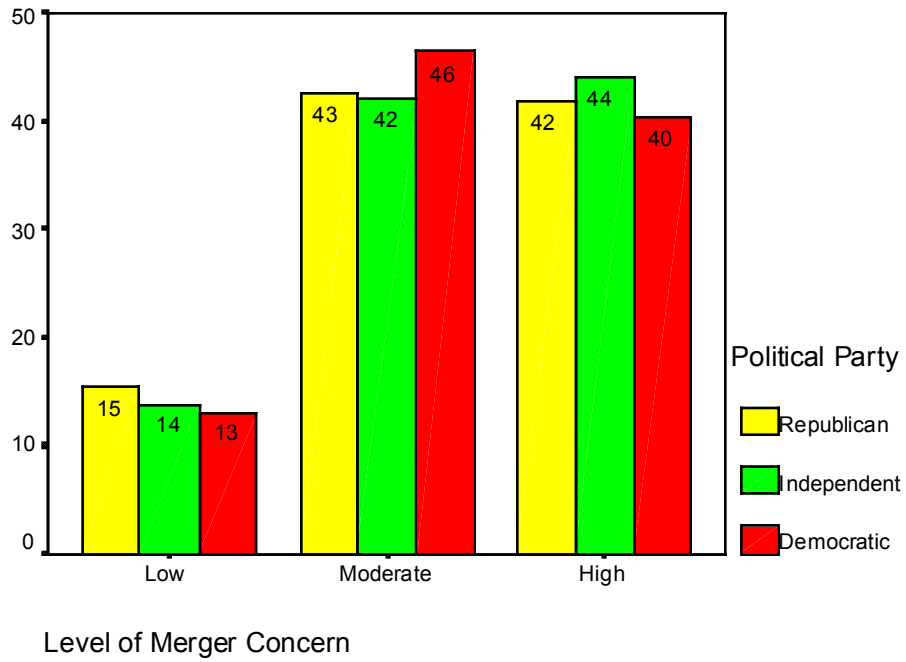
Level of Merger Concern

Merger Concern by Income

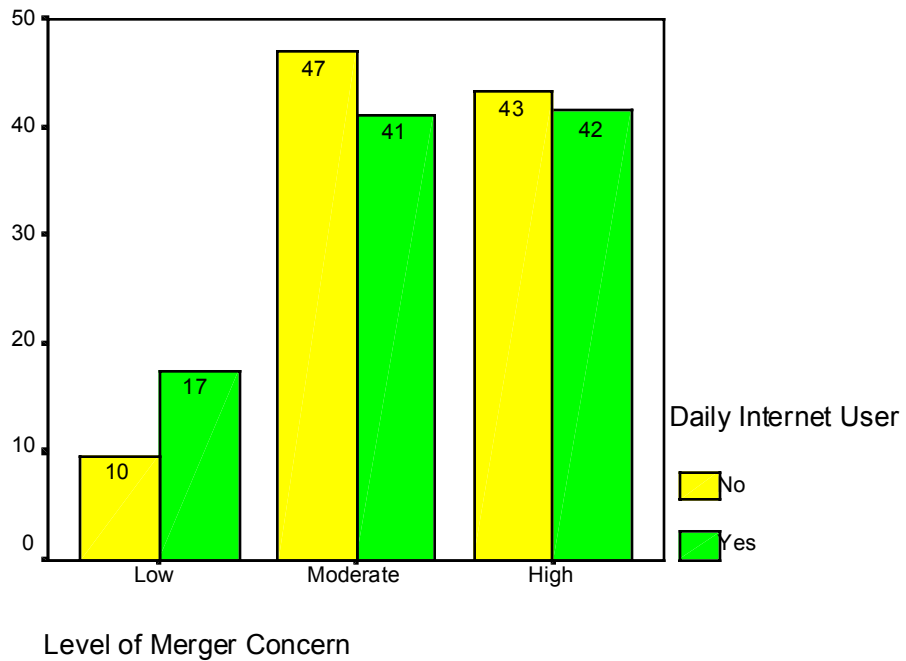


Level of Merger Concern

Merger Concern by Political Party



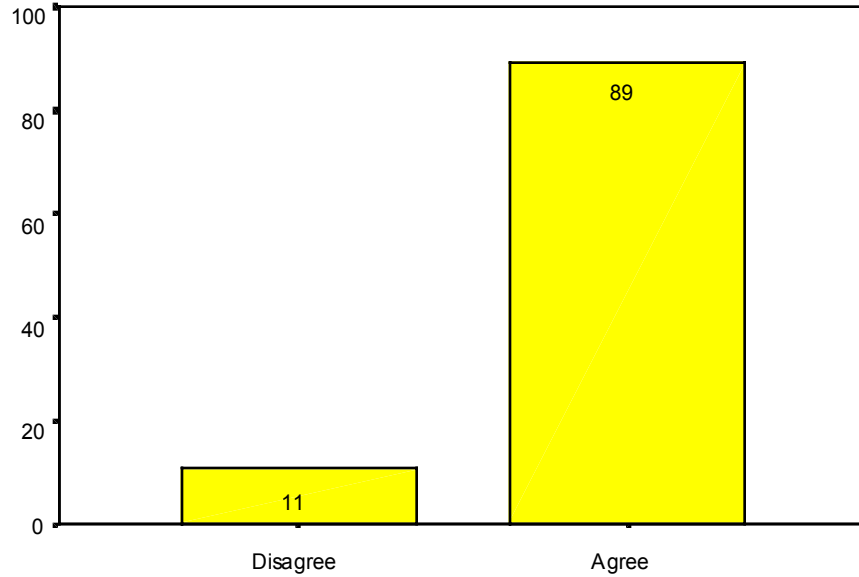
Merger Concern by Internet Usage



❖ Two questions from the survey concentrate on the issue of open access in Internet service.

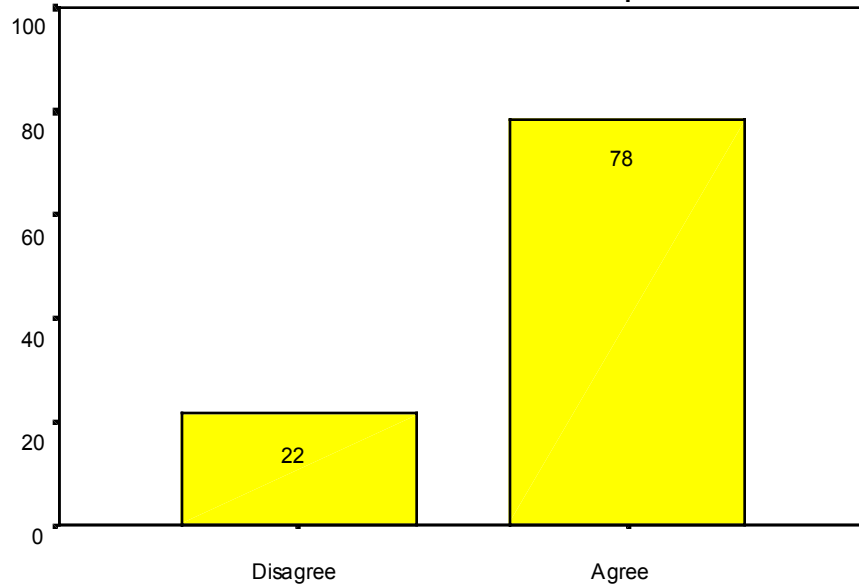
➤ Internet service choice – Question 1

I shouldn't have to use the Internet service affiliated with my cable company

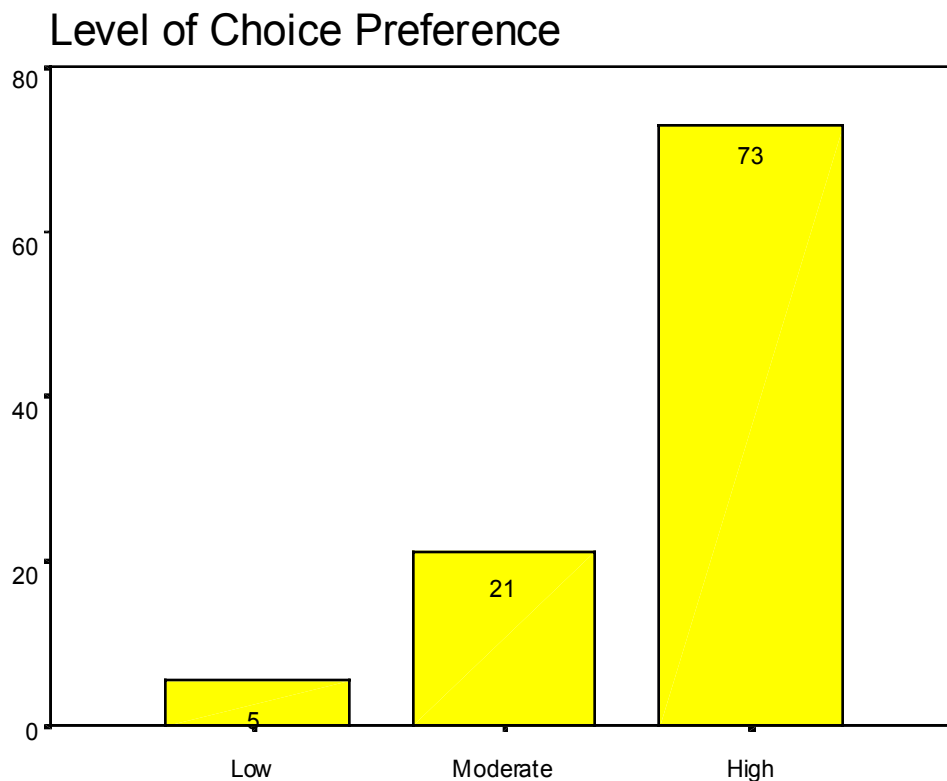


➤ Internet service choice – Question 2

I shouldn't have to pay my cable company extra to use the Internet service I prefer

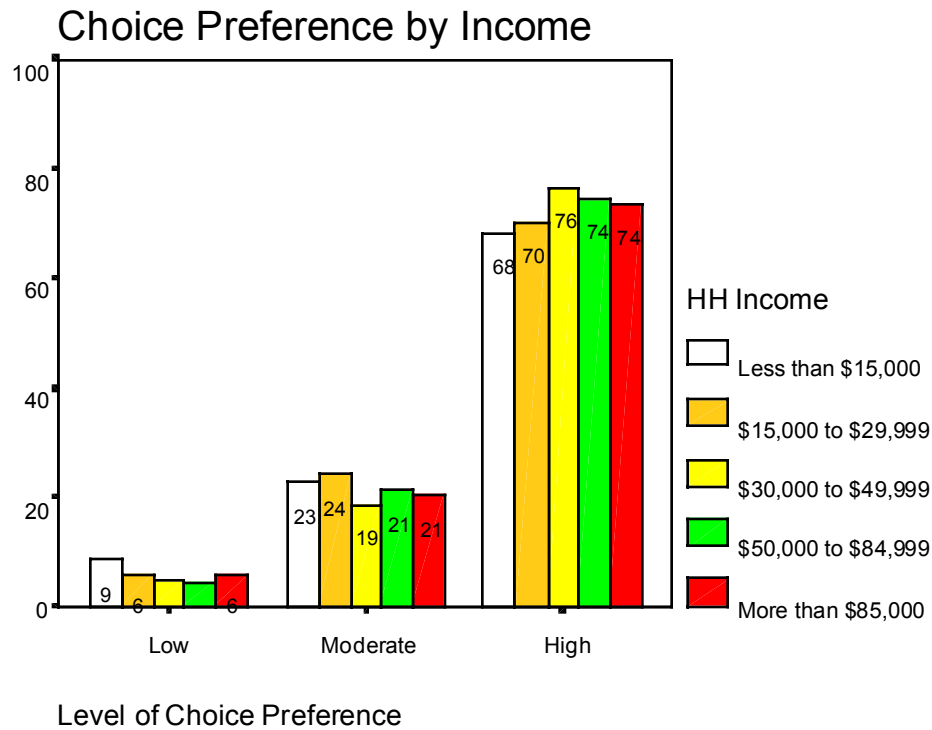
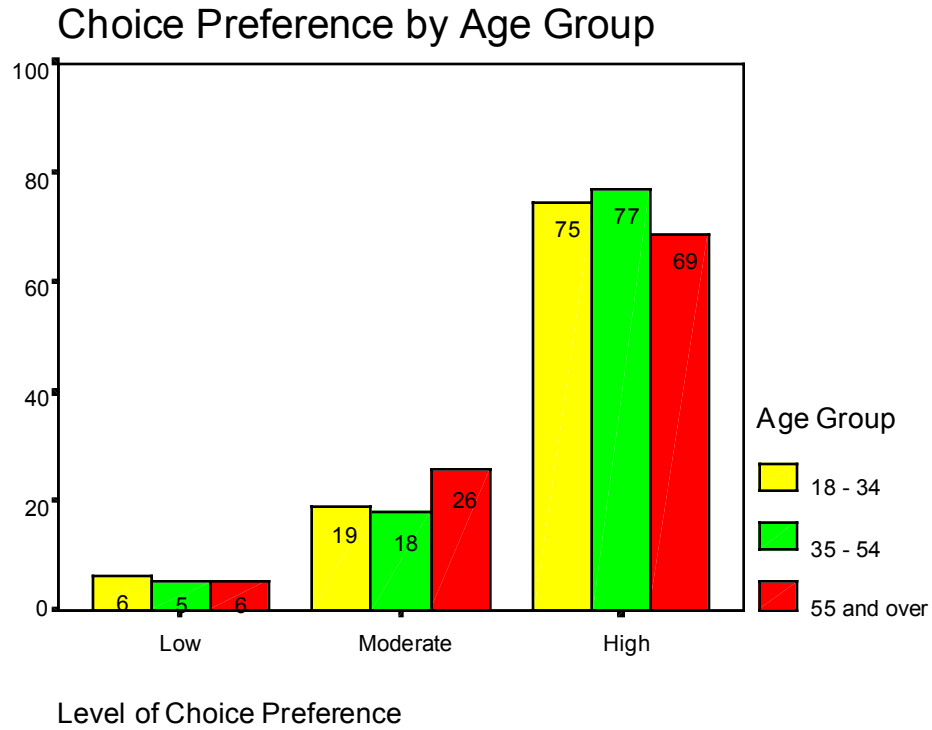


- ❖ An overwhelming majority of individuals — almost ninety percent — does not want to be required to use the Internet service provider affiliated with their cable company. Likewise, a vast majority, 78 percent, does not want to pay a premium for the option of selecting an alternate Internet service provider.
- ❖ These questions can be used to form an index of choice preference.² The data indicate that a vast majority of the public (73 percent) wants Internet service choice, and does not want to pay a premium for the option of selecting an alternate provider.

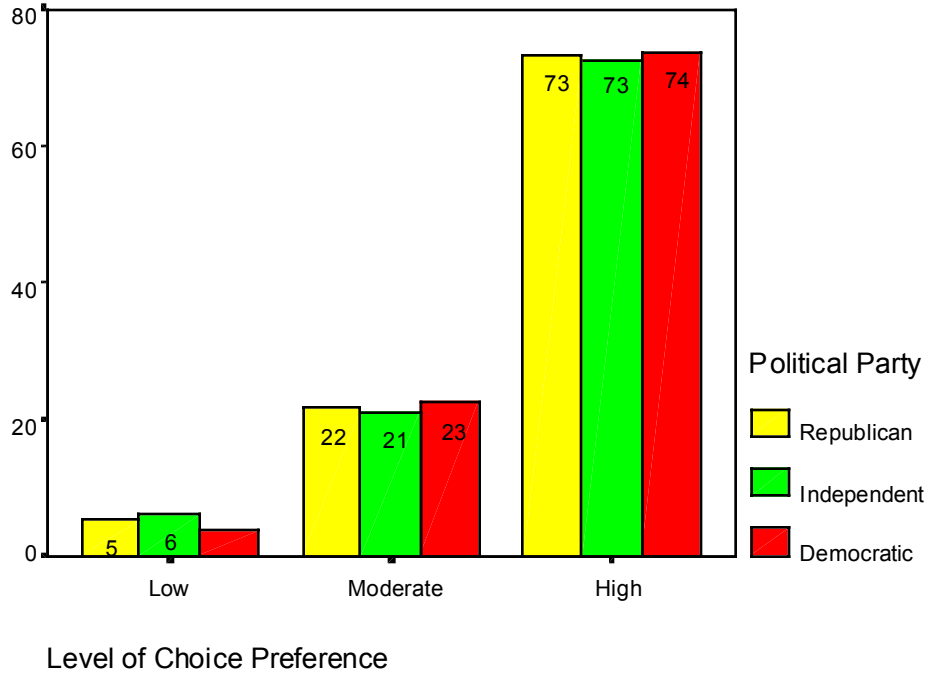


². To create this index, agreement with question 1 was scored as one, whereas disagreement was scored as zero. Likewise, agreement with question 2 was scored as one, whereas disagreement was scored as zero. Values for questions 1 and 2 were then added. A value of zero indicated low choice preference, one indicated moderate choice preference, and two indicated high choice preference.

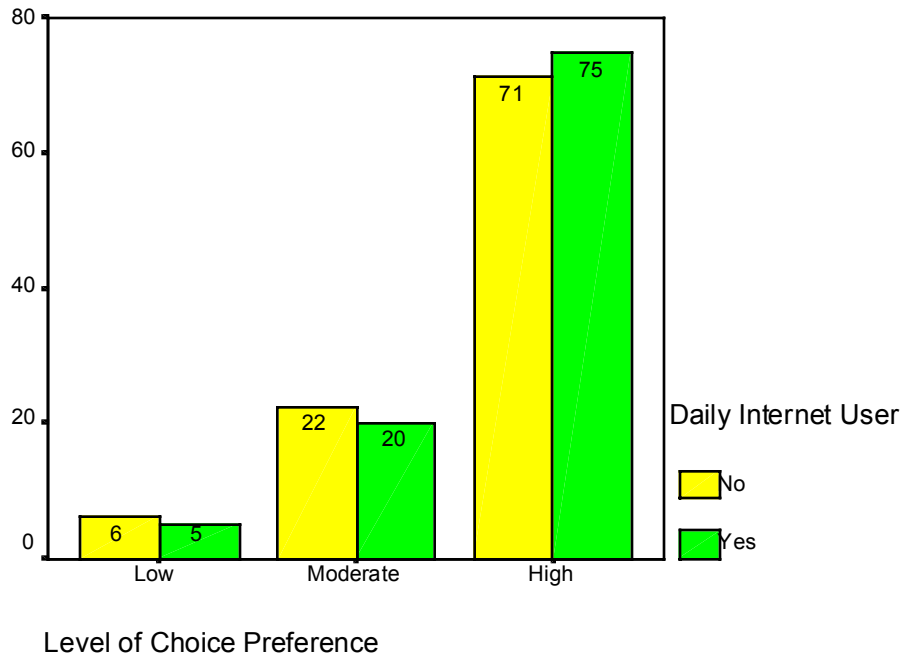
❖ These preferences are reasonably consistent across age, income, political party affiliation, and Internet usage. In other words, they are widely shared.



Choice Preference by Political Party

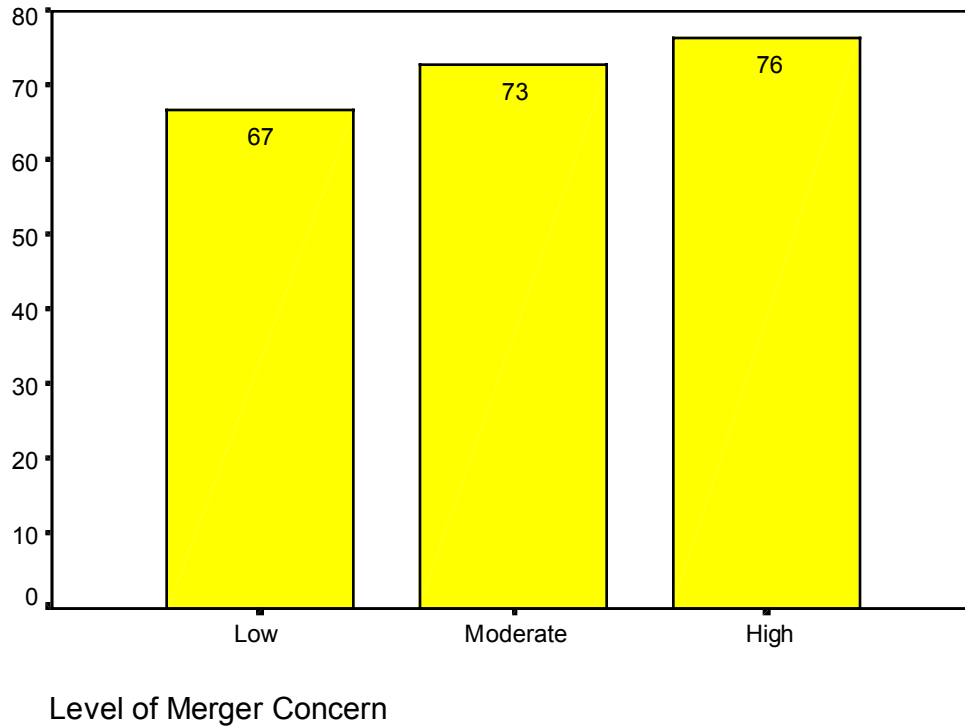


Choice Preference by Internet Usage



- ❖ The demand for Internet choice is strongest among those with high levels of merger concerns.³

Merger Concern by Choice Preference

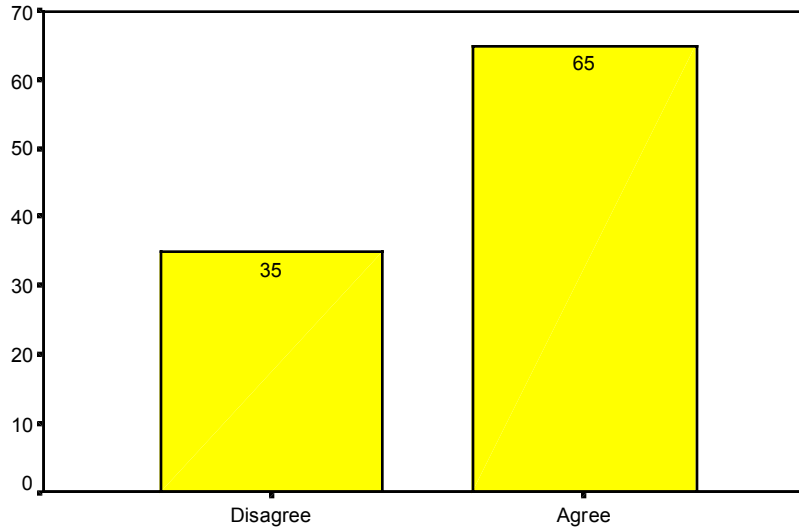


³ The data presented in this chart only includes individuals with a high level of choice preference in order to highlight differences among these individuals. These differences across levels of merger concern are statistically meaningful even when controlling for age, income, political party, and Internet use.

❖ Two questions from the survey focus on the issue of preferential treatment search engines may provide to their advertisers and affiliates.

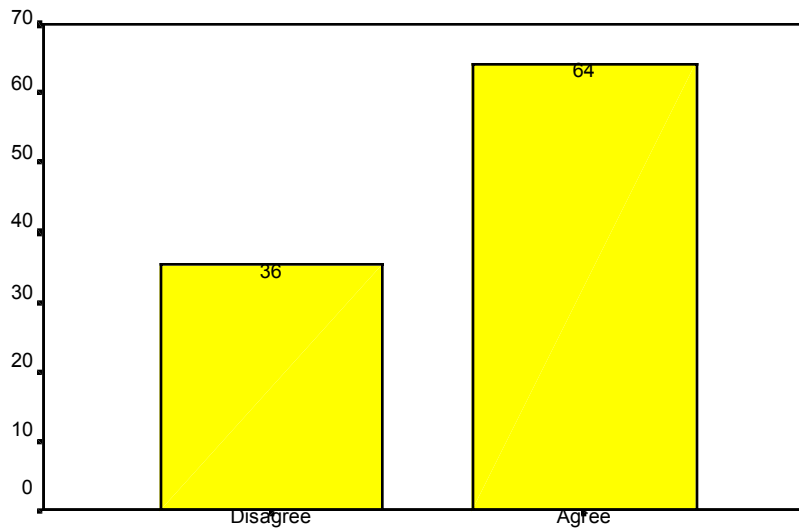
➤ **Preferential treatment – Question 1**

Search engines should not give preferred placement to their advertisers

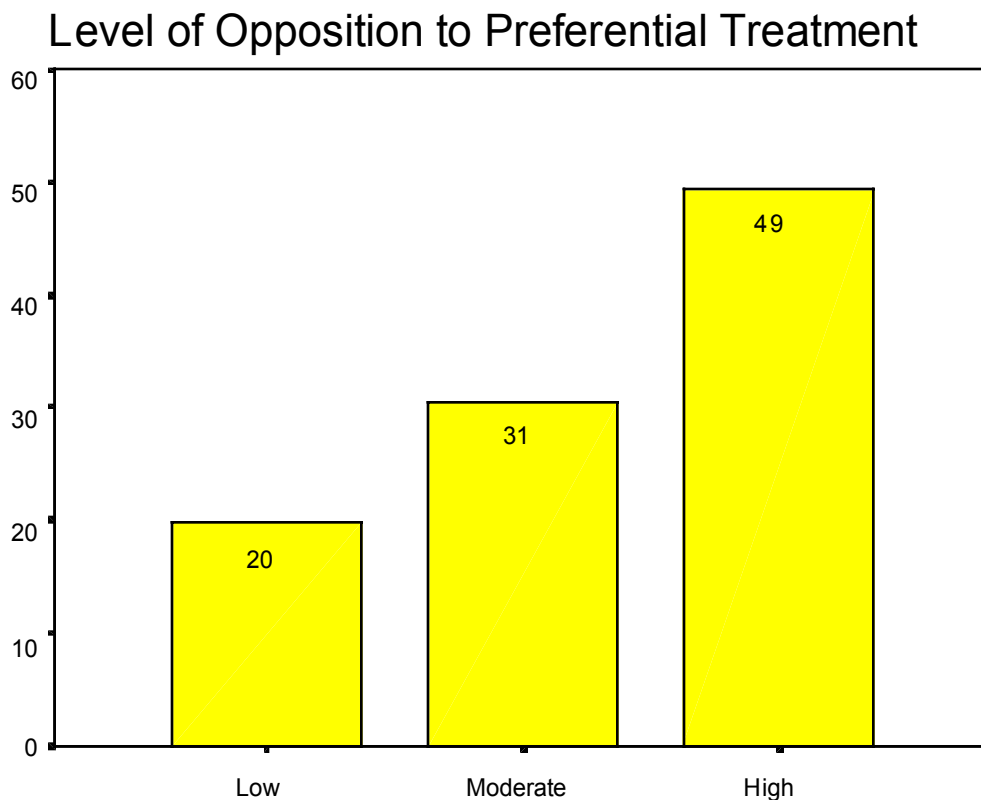


➤ **Preferential treatment – Question 2**

Search engines should not speed up access to companies that advertise with them



- ❖ **Sixty-five percent of the public believe that search engines should not give preferred placement to their advertisers. Likewise, sixty-four percent of the public believe that search engines should not speed up access to their advertisers.**
- ❖ **These questions can be used to form an index of opposition to preferential practices.⁴ Preferential practices are viewed negatively by a vast majority of the public, with 80 percent agreeing with at least one statement, and nearly 50 percent agreeing with both.**

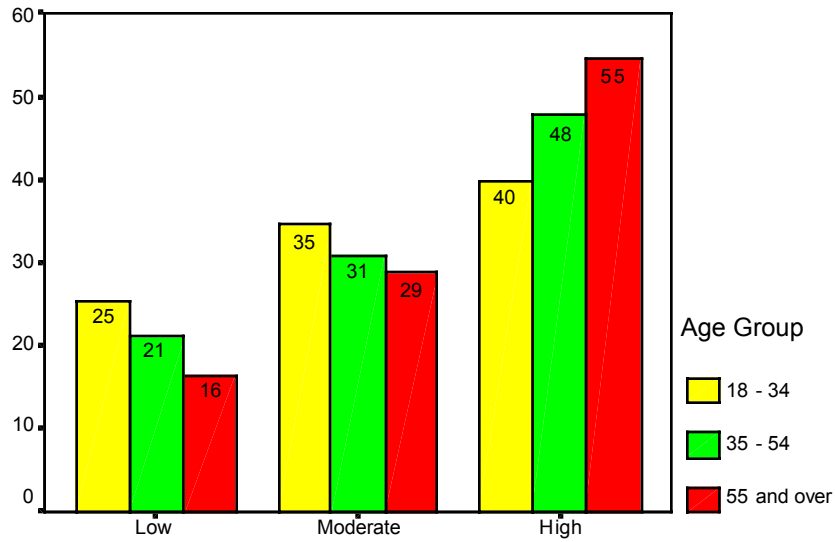


- ❖ **These preferential practices are considered somewhat more acceptable by younger respondents and regular Internet users,**

⁴. To create this index, agreement with question 1 was scored as one, whereas disagreement was scored as zero. Likewise, agreement with question 2 was scored as one, whereas disagreement was scored as zero. Values for questions 1 and 2 were then added. A value of zero indicated low opposition, one indicated moderate opposition, and two indicated high opposition.

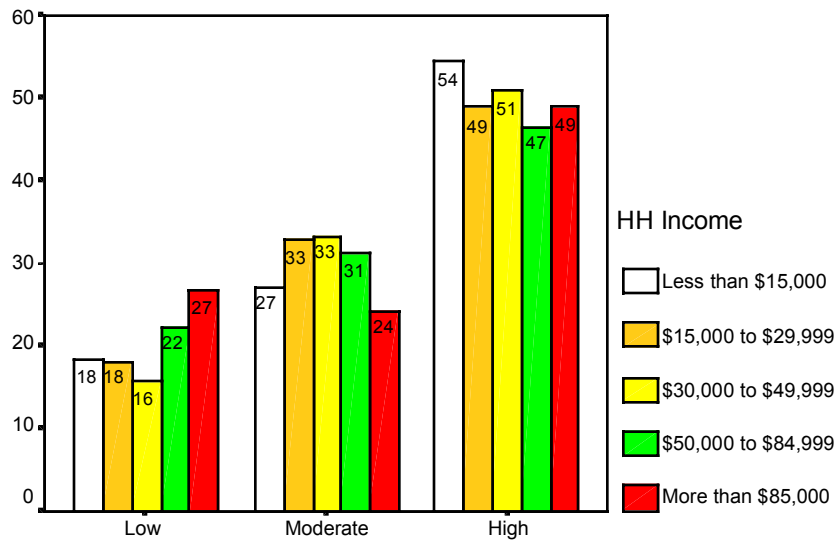
yet even among these groups there is substantial opposition to preferred treatment by search engines. There are few notable differences across income and political party lines.

Opposition by Age Group



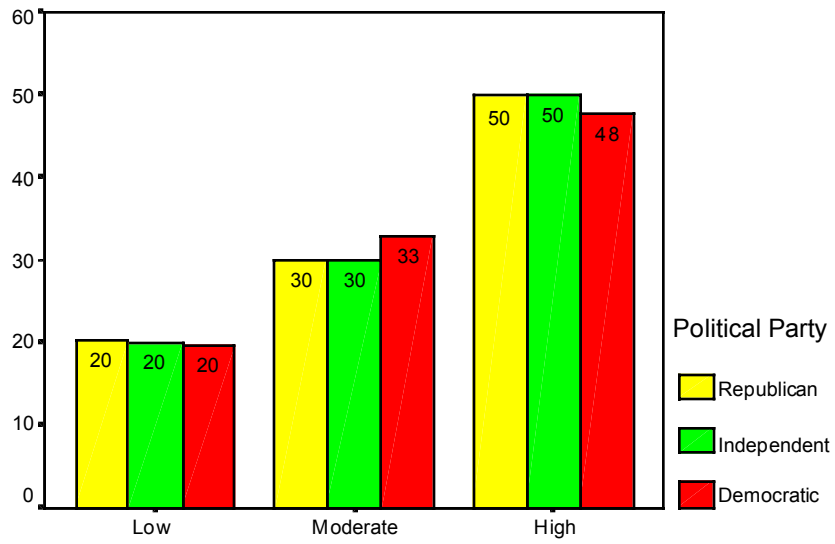
Level of Opposition to Preferential Treatment

Opposition by Income



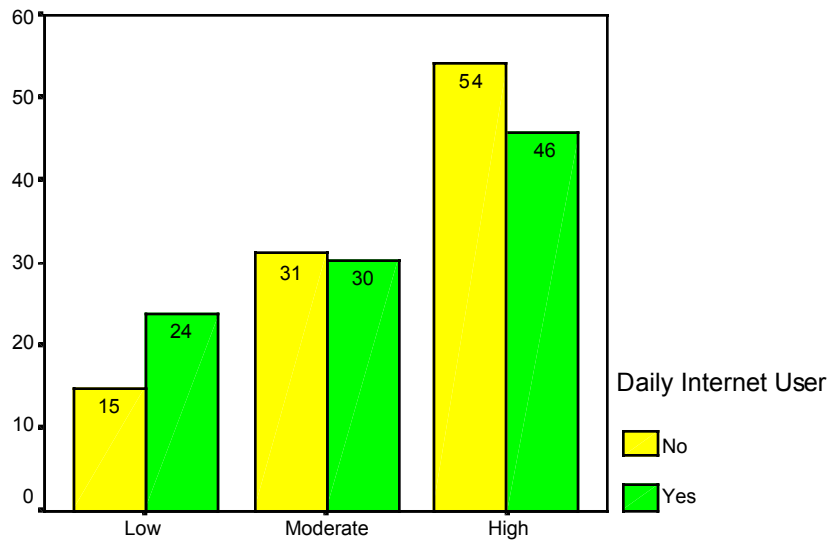
Level of Opposition to Preferential Treatment

Opposition by Political Party



Level of Opposition to Preferential Treatment

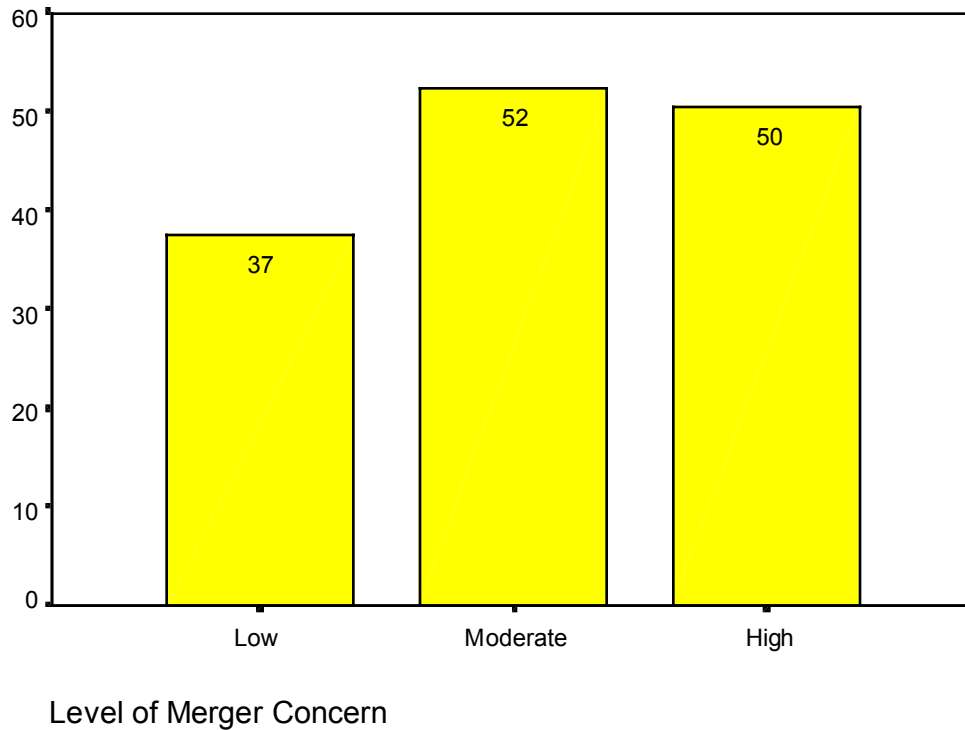
Opposition by Internet Usage



Level of Opposition to Preferential Treatment

❖ **Opposition to these practices is strongest among people with moderate to high levels of merger concerns.⁵**

Merger Concern by Opposition



⁵ The data presented in this chart only includes individuals with a high level of opposition to preferential treatment by search engines in order to highlight differences among these individuals. The differences between individuals with a low level of merger concern and those with moderate to high levels of merger concerns are statistically meaningful even when controlling for age, income, political party, and Internet use.