

Introduction to Digital Media

The Digital Media Economy

DGM 711

Lecture 10

Prepared by

Dr. Shereen Kedwany

Reminder



- **Power relations** are now also systematically organized around **digital media** and the **networked public sphere**
- There has been an **increase** in the number of **citizens** who **access information and participate in political debates through digital media**.
- **Digital divide** is the **difference in access to network technologies** that occurs **between rich countries and poor countries**, which depends on **the type of society** Policies related to **access to and transparency of information** .
- Several **Western governments** operate **surveillance systems** that allow them to **record all phone and online interactions**.
- **Web corporations** capture **users' data** to **improve their services** or provide **personalized advertising**.
- **Individuals** can choose specific **strategies** to **resist surveillance**, such as **encryption** or **refusal** of participation in the commercial web services



- I. The Digital Capitalism .
- II. Digital Media Economic Models and Actors.
- III. The Startup Economy .
- IV. The Sharing Economy .
- V. Conclusion.

- The **information economy** is a dynamic economic sector, dominated by **new players**.
- **Digital technologies** have **changed** the **organization of production** and have contributed to transforming **labor and consumption**.
- Yet **access to the information economy** is not homogeneous, and phenomena such as **concentration** and **monopolies** are at play.
- **Inequalities** between the **poorest and richest regions** of the world have **not disappeared**.



- The **success of companies** that produce and manage **digital technologies or services** is immense.
- The magnates of the **digital economy**, such as **Microsoft's Bill Gates**, **Amazon's Jeff Bezos**, and **Facebook's Mark Zuckerberg** are among the **wealthiest** individuals in the world, and in some cases the **value** of their **companies** has exceeded even that of **global oil corporations**.



- According to estimates, in early 2018 **Google, Amazon, and Apple** had a market value of **more than \$700 billion** each, followed by **Microsoft** and **Facebook** at respectively about **\$600 and \$400 billion**.
- Web giants are so **rich** as to **influence the development of global capitalism** through their **investments**.



RankingRoyals

Largest Companies by Market capitalization

Market capitalization is the total value of a company's outstanding shares of stock, calculated by multiplying the current share price by the total number of shares. It represents the company's overall valuation in the stock market.

As of December 21, 2024

Apple	\$3.846 T
NVIDIA	\$3.298 T
Microsoft	\$3.246 T
Amazon	\$2.365 T
Alphabet (Google)	\$2.353 T
Saudi Aramco	\$1.869 T
Meta Platforms (Facebook)	\$1.477 T
Tesla	\$1.351 T
Broadcom	\$1.031 T
TSMC	\$1.022 T

Source: Companies Market Cap
www.rankingroyals.com

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- This **economic power** is combined with the ability to participate in the evolution of the dominant **ideologies** that underpin **Western societies**.
- **Bill Gates** himself talked about a “**frictionless capitalism**” mediated by **digital technologies**, in which **free flows of capital, information, goods, and labor** are not hindered by regulations or borders.



- In a sense the **kind of capitalism** advocated by **Bill Gates** would be based on the fusion of technocratic and liberal ideals, and corresponds to the **project** of a **fully capitalist information society** in which barriers to **free enterprise** are overcome through the **deregulation of labor and financial markets**, the **weakening of nation-states**, and the **evolution of digital technologies**.
- The **theories** on the **transformation toward digital capitalism** represent an attempt at explaining the **evolution of information societies**



- Scholars have depicted the birth of a **communicative capitalism** in which affective and **communicative skills** are the main elements of **capitalist production** (Dean 2005).
- In this model, **communication activities** are **commodified** and their main feature is the **circulation in spaces mediated by digital technologies** rather than their **content**.
- Yet the **technologies** developed by **digital capitalism** are **not neutral** but rather designed and adopted to tame and **control human labor** and **extract value** from it.



- **Digital capitalism** evolves out of older forms of **industrial capitalism** and **media industries**.
- But it has also shown it has the ability to **change** by **co-opting** forms of **alternative production**.
- **Non-profit institutions** such as **Wikipedia** would thus provide a “**cultural infrastructure**” that represent a kind of **social and cooperative production** which takes place in **web enterprises** .



- **Countercultures** are **co-opted** too, as **alternative technologies** or organizational practices developed by **hacker communities** provide a source of ideas for **digital capitalism** .
- For example, **hackatons** are design-centered events traditionally used by **hacker groups** to collectively write a piece of **software or an application**.
- **Independent hacker media** such as **Internet Relay Chat (IRC)**, an early **text-only chat technology**, have inspired commercial social media such as X(Twitter) .



- **Digital media** have a great **economic** relevance.
- **Digital technologies**, such as **personal computers**, **smartphones**, **digital televisions**, or **tablets**, are part of a **global market** for consumer products.
- This **market** supports the **economies of areas** that produce **hardware** components, such as **East Asia**, and others that manage **innovation** and **marketing** processes, such as the **United States**.



- In addition to the market in hardware, **digital media** have given rise to an **economy** that is directly **based on web services**, such as **search engines**, **social media**, or **platforms for content distribution**.
- Since the mid-**1990s**, mass consumer access to the internet has unleashed **successive waves of investments** and **new business models** that support these **companies**.
- On the other hand, **technological innovation based on digital technologies** has introduced new **possibilities** and **constraints** for all **companies** that produce and exchange information.



- In many case, this means a **deep change** in terms of **models** of **production, commercialization, and funding**.
- While the **wealthiest companies** of the **information economy**, such as **Google, Amazon, Apple, Facebook, and Microsoft**, tend to be the **most visible** in the press and public discourse, **digital media** have a broader **impact on contemporary economies**.



- We will analyze some of the most common **business models** of **digital capitalism**.
- Some **companies** simply **sell content** distributed through digital networks.
- This was the idea behind the so-called “**dot-com**” **companies** of the **1990s**, that is that the web was a “**content library**” that could be accessed by a mass of customers.
- In **the content distribution model**, customers can be **charged** for accessing online content.
- This **business model** still exists in some sectors but has become less and less sustainable in others.



• **com**

- The arrival of **services** such as **YouTube**, or **social networks** such as **Facebook** and **Instagram**, has given **users** new ways to **distribute content** that they **produce themselves**.
- This is an **alternative** to **content** produced by **cultural industries**.



- Other sectors, for example **television**, have seen the emergence of new successful actors such as **Shahid & Watch It**, which sells **subscriptions** to a portfolio of TV content.
- Companies such as **Netflix** have been described as working “at the **intersection**” of **content distribution**, **advertising**, **technological evolution**, and **finance** .
- In fact, while most of their **revenues** are based on **subscriptions**, they also play a role in **advertisement** and in **financial markets**.



- Many **newspapers**, such as **The Globe and Mail** in **Canada** or **the Corriere della Sera** in **Italy**, do not charge for access to their websites via computers but are able to **sell content** to users of their **smartphone app**.
- Indeed, **accessing content via applications** for tablets and phones adds value to the content and is perceived as worth a **subscription fee**.



- Since the rise of the **collaborative web** in the early **2000s**, platforms which foster **user participation** through their technological architecture and **business models**, such as **wikis**, and **social media**, have emerged.
- Platforms based on **user generated content** facilitate user creation and sharing: **WordPress** makes it very easy to create and maintain a personal **blog**, **YouTube** allows **video sharing**, and **TripAdvisor** gathers **reviews** of hotels and restaurants.



- **The economic model** of these **companies** is based on **user co-creation**.
- **TripAdvisor** asks **users** to create the bulk of the **content** of its website, such as **reviews** and **ratings**, that is, votes on the quality of a service or business.



- Many **services** based on **user-generated content** have recently adopted a **hybrid model**.
- For example, **YouTube** has increasingly been “**institutionalized**” through the inclusion of **content** produced by **professionals**, such as **music video clips** or **commercials**.



- Most **services** for **user-generated content** are **free** to the **user** and rely on **advertising** as their main source of revenues.
- This is the case for **social media services**, but also for **search engines**.
- Both tend to generate and analyze **data** from **user** behavior and communications, and use it to provide **targeted advertising**.



- **Social media services** such as **Facebook** follow similar patterns: they invite **users** to **create content** that will make the website enjoyable and the user experience interesting, and then **sell targeted ad services to advertising agencies**, based on surveillance and data analytics .
- This makes **online services** similar to **traditional broadcast media**, as commercial **radio** and **television** also depend on **advertising**.
- However, the **advertising market** that supports the **web economy** is **different** from older ones.



- Initially, **websites** were publishing **ads** the **cost** of which depended on the **number of visitors** to the site, just as in **broadcast media**.
- Publishing an **ad** in **The New York Times** is **more expensive** than publishing it in **The Toronto Star**, given that the first newspaper has many **more readers** than the second.
- Today, however, more sophisticated **models** have emerged.
- With **click-through systems**, **advertisers** pay a **fee** based on how many **visitors click on an ad** and actually access its content.



- In sum, the provision of **free services** made possible by the collection of massive **advertising** revenues represents one of the prevailing **economic models of the web**.
- But is it a **sustainable model**?
- So far only a **few companies** have managed to attract **sufficient advertising revenue** to underpin their **market valuations** .
- At the same time, other partially **different models** are at play.



- **LinkedIn**, a social network for professionals, requires the **payment of a subscription fee** only to **users** who want to have access to its “**premium**” **services**.



- Major **web companies** such as Facebook & X(Twitter) are the result of the **startup economy**, i.e. an economy based on new emerging companies.
- The phenomenon is closely linked to the development of **Silicon Valley** since the **1970s** and has consolidated around a few **shared characteristics**.
- Most **startups** are launched by **young people** and are based on a **product**, often digital, or on the **application** of a technology, such as an **app**.



- Many are based on a combination of **ecommerce, social media, smartphones, and big data.**
- **Startups** often pass through an **incubator**, that is a place that provides a **training program** in which the **company** is assisted in the realization of its idea, the design of a business plan, and the preparation of a pitch – a brief narrative that presents the idea to potential **investors** in a concise and attractive manner.
- At the end of the **incubation phase, startups** are ready to compete for **investment.**



- Some **small startups** make use of **Kickstarter** and other **crowdfunding platforms** to accumulate a small initial **capital**.
- In addition to providing **financial assistance**, a successful **crowdfunding campaign** contributes to the **intangible value** of the **startup** by making it **appear attractive to investors**.
- Instead, venture **capital funds** bet on **high-risk** private **investments**, particularly in the **hi-tech** sector.



- Usually **venture capital** “**participates**” in **startups** by acquiring a **share of their capital**, which can be **sold in case of success**.
- Because of this logic, a **startup’s success** is not measured in terms of growth on the market, but on its **financial evaluation**.
- This **value** can monetized in **two ways**:
- **Acquisition** by a larger company (e.g. **WhatsApp** was acquired by **Facebook** for **\$19 billion**) or on the **stock exchange**.



- The **startup system** is organized around **two key concepts** that illustrate its **position** in the **digital economy**.
- The **first** is “**ideas are cheap**,” that is, the **success of a startup** does not depend on the quality of its core idea but rather on its **team**.
- This is why the **incubation** and **training process** is focused on giving a **desirable cultural** form to ideas, teaching **teamwork**, and **brand building**.
- The challenge is not to find the best idea, but rather to **handle complex forms of collaboration** within a calculable risk.



- **The second** key **concept** is “**disruption**,” which suggests that **the best innovations** are not cumulative or incremental, but possess the ability to **turn entire industries upside down** .
- This is the **model** followed by **Amazon** with bookstores or **Uber** with taxis.



amazon

Uber

- In fact, truly disruptive **companies** are able to **create new needs** from scratch: no one needed **Facebook** before its launch.
- But **many startups** tend to favor the **replication of successful models**.
- We are witnessing the birth of the **Uber for take-away food**, the **Uber for laundry**, etc.

The Facebook logo, consisting of the word "facebook" in its characteristic blue, lowercase, sans-serif font.The Uber Eats logo, featuring the word "Uber" in white and "Eats" in green, both in a sans-serif font, set against a black background.

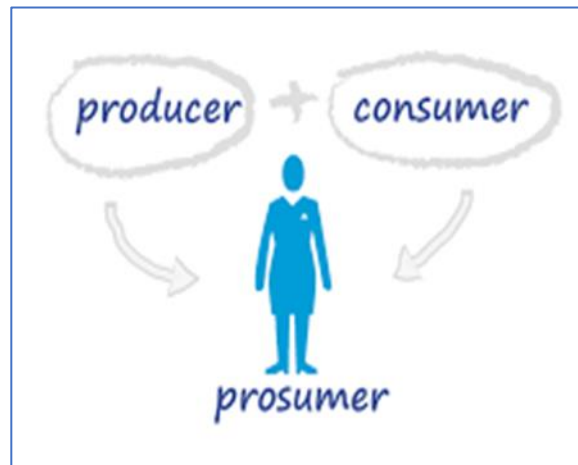
- The **flexible forms of production** have been adapted to interact with the **market economy** and large **multinational companies**, for example through phenomena such as the so-called **sharing economy**.
- This expression emerged in the course of the **2010s** to describe a series of **platforms** through which **people** can establish processes for the **exchange** of **goods** (such as homes or tools), **services** (such as car rides or senior care), or knowledge.
- As a result of the **technological success of social media** platforms and, above all, of **mobile apps**, the **sharing economy** gained strong public visibility.



- This form of “**collaborative consumption**” has been presented as a possible driver of **economic development**, as it generates **new businesses** and **new forms of employment**, and as a solution to the social alienation of contemporary societies, as it creates new forms of **solidarity** and new **relational networks** (Hamari et al. 2016).



- This is not an entirely new phenomenon, but rather part of a trend toward a progressive intertwining between **productive and consumption activities** that people undertake in their daily lives.
- Since the **1980s** the term **prosumer**, which combines the words “**producer**” and “**consumer**,” has been used to define individuals who have an active role in processes of both creation and consumption of goods .



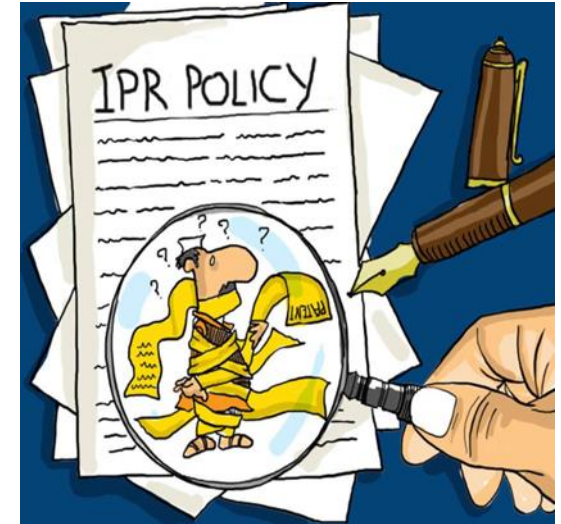
- By stating that “**markets are conversations**,” in **2000** the authors of the **Cluetrain Manifesto** provided an understanding of this convergence based on the idea that the internet gives **individuals** the opportunity to enter into **virtual markets** where they can actively **discuss** products, for example by **reviewing** a book on **Amazon**.
- **Companies** must take these **informed customers** into account and stimulate and **participate** in their **conversations** .



- A more radical approach to this **transformation** refers to the **prosumer** as the **individual** who, while **consuming** or **socializing** through commercial web platforms, **produces free information** that **companies** can use and appropriate.
- Interacting with friends on **Facebook** or reviewing hotels visited during a vacation on **TripAdvisor** can be seen a form of **unpaid work**, since Facebook and Trip Advisor's value and revenues depend on the **wealth** of this **user-generated content** .
- This model has been criticized as **exploitative** .



- For example, in many cases **the intellectual property rights policies** used by these **companies** do not protect the **creators** who contribute to collaboratively producing content through their platforms.
- By **agreeing to the copyright clauses** they accept when signing up to an online service, **users** give away many **rights** to the **information** they **create**.
- In this way, **web companies** are **legitimized** to **extract revenues** from production processes they promote and manage.



Conclusion



- The **information economy** is a dynamic economic sector, dominated by **new players**.
- **Microsoft's Bill Gates, Amazon's Jeff Bezos, and Facebook's Mark Zuckerberg** are among the **wealthiest** individuals in the world.
- They **influence the development of global capitalism** through their **investments**.
- The **global market** supports the **economies of areas** that produce **hardware** components, such as **East Asia** , and others that manage **innovation and marketing** processes, such as the **United States** .
- Some **web companies** simply **sell content** distributed through digital networks.
- Most **services** for **user-generated content** are **free** to the **user** and rely on **advertising** .
- **Startup economy** is based on new emerging companies often pass through an **incubator**.
- **Prosumer**, which combines the words "**producer**" and "**consumer**," has been used to define individuals who have an active role in processes of both creation and consumption of goods .



Thank You