

# Web and Mobile Media

Mevit 3300/4300

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# Today

- What's new about new media?
- What are the implications of a network economy?
- What challenges do providers of web and mobile services face?
- And which strategies do they choose?
- How may we expect the market structures to develop?

### Readings:

- Doyle, Gillian (2002) Understanding media economics, London: Sage. (Ch. 8)
- Shapiro, Carl and Hal R Varian (1999) Information Rules. A Strategic guide to the Network Economy, Boston: Harvard Business School Press. (Chs. 1, 2, 4, 5 7, and 8) (*here*: S&V)

# What's new?



- Not a *new* economy.
- “Technology changes. Economic laws do not.” (S&V)
- But - technology may change the impact of some economic mechanisms.

# New in new media markets

- Information is:
  - anything that can be digitized.
  - a public good + an experience good
  - costly to *produce* but cheap to *reproduce*
    - *high fixed costs, low marginal costs*
    - *the more you produce the lower your average cost of production*
- Digital technology:
  - reduces reproduction costs
  - reduces distribution costs



## Market effects of digitization

- Consequently, digitization:
  - Increases *economy of scale* advantages.
  - Increases *economy of scope* opportunities.
- *Bigger is better?*
- But also:
  - Reduced distribution costs opens up for smaller players.
  - Piracy of perfect copies.
- *Small is beautiful?*

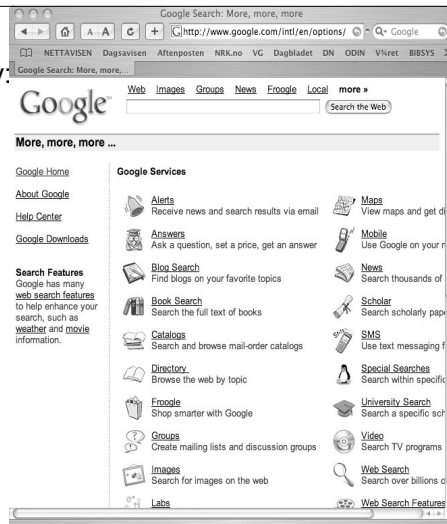
## The Economics of Attention

- *A wealth of information creates a poverty of attention.* (S&V)
- Strategies to attract attention:
  - Add value
  - Visibility
  - Control



## Attention strategy: Add value

- The real value comes in locating, filtering and communicating what is useful. (S&V)



## Attention strategy: Visibility

- Multiple platforms:
  - paper + web + wap + podcast + webtv + radio.
- Flows of attention:
  - NRK: Childrens TV → childrens radio
  - TV2: Idol from TV to web, wap, radio and back.
- User activities
  - Chatrooms, communities etc..
- Aims:
  - Brand and build loyalty
  - Move market power across platforms



## Attention strategy: Control

- Alliances and automatic links
  - Wap: Telenor + national media houses
- Priority
  - Portals
  - Search engines
  - EPGs (electronic programguide)
- Exclusive arrangements
  - Canal Digital + TV2 (vs Viasat)
  - Sports rights
- Aim:
  - Increase attractiveness/prices
  - Lock users into their universes



## The value of attention

- Streams of income in web + mobile media:
  - Advertising
  - eCommerce
  - Charge users/subscriptions/PPV
  - ...other...?

Doyle 2002:ch8

## Advertising

## eCommerce

## Charge users



## Case: business models for mobile contents

- Closed
  - Network operator linked to content universe (*walled garden*)
  - Mobile subscription includes subscription to certain exclusive services
  - NTT DoCoMo (Japan)
  - Cfr cable tv
- More open
  - Network operator provides access to all service providers
  - Mobile subscribers may access services across networks (as long as agreements in place)
  - CPA-model (Norway)
  - Cfr web

## Business strategies

- Firm reward = Total value added to industry x firms share of industry value (S&V)
- Business strategies:
  - Openness
  - Control
  - Mix: open platforms, but proprietary extensions to lock customers in?
- Switching costs/lock-ins: Once you have chosen a technology, or a format for keeping information, switching will be very expensive. (S&V)

## Network effects

- Network effects:
  - When the value of a product to one user depends on how many other users there are.
    - Real networks: Phone, fax, internet etc
    - Virtual networks: Users of macs, windows etc

*It is better to be connected to a bigger network than a smaller one.*

## Market structures

- Dominant firm model
  - size and scale economies gives it a cost advantage over smaller rivals - enhanced by network effects and lock ins (Microsoft)
- Differentiated product market
  - firms competing producing the same “kind” of information (films, series etc)

