

# Media Ecosystems

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## Purpose

1. The economic theory introduces property rights as an institution aimed at internalising actions that are beneficial to society (Demsetz, 1967). It also depicts these rights as a means to set up transactions between right holders and other agents providing complementary goods and services. The previous consent rule arranges these transactions as a contractual chain stemming down from the right holders to the final consumer.
2. The objective of this paper is to show that in the case of copyright, the value added to proprietary expressions is produced through media ecosystems. The prevalence of external effects associated with the media coverage – the mediatisation of the works – reinforces the internalisation function of copyright. But in a way that differs from the traditional vertical chain of contracts. And that makes copyright exploitation a highly empirical activity.

## Scope

3. Copyrighted expressions are usually created to address *audiences*, e.g. receivers that are unknown from the emitter. They are then brought to the attention of the public through media.
4. Media provide to the expression its public status. Conversely to business talks, or private correspondence, mediatised expressions are messages formally addressed to the public.
5. Of course, this is not only true for expressions. It applies to any kind of goods addressing indistinct consumers on competitive markets. Consumers are noticed through media of the availability and characteristics of tradable goods and services.
6. However, expressions are specific because they consist of information, a non-rival commodity subjected to peculiar property rights. As long as copyrighted expressions were published on material supports, the symbolic dimension of the mediatisation was hidden by the economics of the support. The support was bringing *rivalness* to the expressions, which were then considered as the informational component of a delivery media (Watt, 2000). In a digital environment, the publishing of copyrighted expressions adds information to information.
7. This paper deals with mediatisation that is the operation carried by media so to give material or immaterial goods a public status. Mediatisation indeed covers signalling or advertising, but also all the kinds of information – design, brands, names, reviews, buzz, word-of mouth, social image – attached to a public or tradable item.
8. Our thesis is that mediatisation is an information complement attached to the mediatised item. It is a complementary good that alters – increases or decreases – the

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utility of the plain product. The complement is produced through a set of media packed with information externalities. In the analogue world, such *ecosystems* used to be rather stable. So were the relations between producers, media and distributors, allowing fixed arrangements to internalise the externalities. In the digital environment, media ecosystems get continuously denser which makes internalisation strategies a moving target.

9. Mediatisation adds meaning to functional goods or services. In the case of copyrighted expressions, this meaning is added to products whose utility is already meaning. Besides, as we will show, the dematerialisation of media tones down the borders between mediatisation and distribution. Hence, mediatisation economics are even more difficult to assess for copyrighted goods than for material ones.
10. The paper is structured as follows. We will first recall the economic literature presenting advertising as a complementary good instead of a transaction cost. This approach will be extended to unpaid advertising or mediatisation. The next section will examine the mediatisation content and its production through what we call “publishing protocols”. Publishing protocols will be used to describe the information externalities that shape the media ecosystems. We will then describe the specificities of the mediatisation of copyrighted goods and the changes brought by digitization. Finally, we will underline the importance of mediatisation economics and its impact on creation diversity. Our concluding comments will concern the internalisation function of copyright in media ecosystems.

### Advertising as a complementary good

11. Since George Stigler’s paper on information costs (1961), the issue of advertising is widely discussed among economists. For many of them, advertising is a means to reduce consumer’s transaction costs and therefore, to increase demand by decreasing the real price of the product. However, as many advertisements do not provide objective information, some economists see them also as a means to change consumer’s preferences about the product. Therefore a distinction is made between informative and persuasive advertisement: informative ads are perceived as socially useful because they cut transaction costs, while persuasive ads generate artificial, if not lousy, needs (Dixit and Norman, 1978). This approach raises two issues: first, it is nearly impossible to separate informative from persuasive advertising as most messages carry the two aspects; second, from a theoretical point of view, if the consumer has free will, his or her preferences cannot be manipulated by third parties (Stigler and Becker, 1977).
12. This is why Becker and Murphy (B&M, 1993) uphold that advertising should be seen as a complementary good being positively or negatively valued by the consumer. Advertising is then an informational complement, comparable to a quality surplus or deficit, that helps to better discriminate among consumers: consumers who value more advertising will get more of it attached to the product while others will buy the product according to their valuation of its plain utility. Since the meaning associated with information can have a social value, the information complement may carry network effects increasing the utility of the good with the number of consumers. Such analysis of a meaning value brought by advertising to the product is both in line with the free will consumer hypothesis, and with the change in product utility that publicity can bring.

13. In their approach, B&M define advertising as giving a “favorable notice” to the good advertised so that an increase in ads raises the marginal utility of this good. They underline that such “notice” can either be paid by the advertiser and given away to the consumer, or sold to him or her through various media channels. “For example sports columns in newspapers provide plenty of notice about local professional teams, even though sports sections are not free to readers, and team owners do not pay for the columns.” (p.946). Such notice generate additional audience to sporting events, whatever their distribution channel.
14. Marketers commonly distinguish three kinds of channels: paid media that is used for traditional advertising (TV, radio, Press, etc.); owned media, that is the information delivered by the product itself, by an integrated distributor, by an owned website and all the channels related to it; earned media that is the information published by reviewers or consumers, more and more through social networks (Edelman and Salsberg, 2010). In other words, the information complement associated with the product is not only paid advertising it is the accrued meaning resulting from all media channels. This is why we prefer to call it “mediatisation”. Mediatisation economics consists in getting the most valuable complement at the cheapest cost.
15. A good illustration is given by the historic launch of the Apple Macintosh by Steve Jobs in January 1984 (Isaacson, 2012, Chapter 15). At that time, Jobs had financed a commercial movie shot by Ridley Scott setting up the myth of the liberating machine. The ad was such a storybook that the machine did not even appear in it. Jobs decided to broadcast it during the Super Bowl, reaching at once 96 million Americans. The ad created a massive expectation enabling Jobs to disclose the product in a theatrical keynote echoed as a global event. In other words, while the paid ad was focussed on persuasion, the informative side was covered by the keynote, which got relayed for free all across the world. This “publishing protocol” became a routine that helped Apple to establish its brand as a powerful context adding value to all the new products marketed by the firm. The innovative genius of Steve Jobs did not only focus on products but also on their mediatisation that catalysed their commercial success.
16. The multiplicity of media channels and the differences in their pricing schemes underline the importance of external effects in providing the media complement. The quest of such effects does not concern only marketers, but all the talents involved in the product, as well as media professionals and consumers. In the Apple example, the media earned by Jobs’ keynotes are external effects of the initial ad investment. The heuristics of marketing aim at generating the most valuable mediatisation as possible. It is frequently related to the maximisation of the externalities associated with the release investment.

### Mediatisation results from a publishing protocol

17. Schematically, two components contribute to the media complement value: one is the myth, the story conveyed by the media; the other is the reach, the social coverage of the message. The myth, which starts with the design or the packaging, the visible appearance of the product, relies on a creative work. It adds a universe that can be more or less valued by the consumer<sup>2</sup>. The social coverage can either be obtained through paid, owned or earned media. It may generate network or snob effects according to the positive or negative valuation of the number of consumers. In some

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<sup>2</sup> Alfred P. Sloan (1965) explains how the curvaceous design of the 1929 Buick has been mocked as « the poor Buick *enceinte* » leading to a pitiful commercial flop. P.272-273.

cases, the buzz corresponding to earned media can get hi-jacked by angry consumers willing to spoil the image of the product.

18. However, these components are not independent. For instance, the disclosure of the product relates both to the story and to the coverage: the product's entry into the public sphere, its arrival to the world takes part in its mythology. The delivery of the Macintosh coming after the Super Bowl announcement and brilliantly staged by its creator, is fully part of Apple's myth. The disclosure sets up a *before* and an *after* which has the dimension of an event. If spectacular, such event can be covered and echoed freely through the news. A resounding release establishes both the newness and the coverage of a product whatever its objective innovation.
19. In other words, mediatisation proceeds from a "publishing protocol" which provides the product – whether material or not – its meaningful complement (Bomsel & al., 2013). Such protocol has the economic dimension of a creative works: nobody knows in advance what its utility will be and how much it will add to the product. Although a mediatisation is needed to give the product its public status, it can be perceived either as a good or as a bad.
20. In this process, the information complement (the myth) is embedded in a set of names: the emitter of the expression who can be a single artist, a sportsman, a politician, or a cast, a team, provides a context which adds sense to the expression. It is the role of the publishing protocol to make the emitter identified by the public and to provide his name – in fact, his brand – with a contextual value. A publishing brand can be seen as an informational asset providing the branded expression with a context valued by the consumer. Such context has cumulative properties: its meaning value changes at every occurrence. A football team, where each player gets mediatised at every game, is a contextual asset portfolio (Bomsel & al., 2013).
21. Once the utility of the myth is tested, many techniques can be used to maximise its social coverage and the sales revenue. Because a "publishing protocol" deals with disclosure, it is also a piece of news. Hence, it can benefit from the externalities of the news echo. In effect, the news is not restricted by copyright and fuel media competition: a sensational event is instantly relayed on all the news channels including social networks (Facebook, Twitter, Instagram, Weibo, Weixin, QQ, etc.). Moreover, the brand value of popular artists attracts audiences on every platform that takes up the news. The importance of such externalities in producing the media complement deserves a specific focus. It will refer to the concept of ecosystem.

## Media ecosystems

22. The term ecosystem is primarily used in biology do designate a community of living organisms (plants, animals and microbes) in conjunction with the non-living components of their environment (things like air, water and mineral soil), interacting as a system<sup>3</sup>. These biotic and abiotic components are regarded as linked together through nutrient cycles and energy flows. Willis (1997) traces back the history of the concept and its adaptation to the description of natural systems. Ecosystems are defined by the network of interactions among organisms, and among organisms and their environment. They can be of any size but usually encompass specific, limited spaces.

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<sup>3</sup> Wikipedia.

23. By analogy, a business ecosystem applies to a community of economic agents interacting for the balance of all, in a framework favourable to externalities (Teece, 2007). “A business ecosystem finds its roots in the idea of value networks and can be seen as a group of companies, which simultaneously create value by combining their skills and assets. Business ecosystems create value for a participant only when the participant is not capable to of commercializing a product or service relying on its own competences.” (Clarysse, Wright, Bruneel, Mahajan, 2014, p.1164). The concept of ecosystem differs from the one of industry, market or sector, because it relies on the prevalence of external effects. Quite frequently, the externalities come from private or informal information exchanges – on individuals, organizations or institutions – that decrease transaction costs and favour various forms of business clustering. Such kinds of ecosystems could be called “transactional” since most of the externalities come from the impact on transaction costs of circulating knowledge, informal relations and institutional information.
24. Similarly, one can consider that a communicating society runs like a biotope in which public messages are received and re-emitted by media. Media interaction participates in society coordination although media are not systematically linked together by formal or contractual relations. As such ecosystem contributes to the production of a “favourable notice”, the participants rely on it to commercialize their products. Quite often, “the skills and assets” that are shared by media deal with trademarks or talent names equivalent to “brands” that provide a meaningful context to goods or expressions (Bomsel, 2013). The mediatisation of people, firms or goods proceeds from ecosystems dedicated to specific products. One can distinguish the ecosystem of books, the one of the news, of scientific papers, of plastic arts, of music, of cinema, of sports, etc. But there is also a media ecosystem for fashion, luxury goods, cosmetics, automobile, food, drugs, etc. While transactional ecosystems decrease transaction costs between the participants, media ecosystems produce the public image – the informational complement – of business or institutional agents and their related products.
25. Digital technologies are bringing new media in all ecosystems: online newspapers and magazines, blogs, science portals, audio and video platforms, social networks... The echoing of the news, for instance, can follow many new routes and reach consumers faster and wider than could the pre-digital media. Moreover, the connection between advertising or mediatizing a product and its actual purchase by a customer can be internalised through online procedures: an *html* link will transform a viewer into a purchaser, an audio or video platform teases for free until the viewer decides to pay for a service. As a consequence, the borders between mediatisation and sales tend to blur. This trend affects the economic means used to internalise the externalities of the media ecosystem. This is particularly sensitive in all the copyright industries that produce expressions to be distributed in a dematerialised form.

### The mediatisation of copyrighted expressions

26. Copyrighted expressions are informational goods that have to be mediatised. An inspired poem or a scientific theorem posted on an anonymous blog will remain unnoticed. The release of a novel, of a scientific article, of a music tune, of a movie or a TV series, of a sports event, follows a symbolic route constituting a *publishing protocol*. The public image of a movie disclosed at the Festival de Cannes will differ

from the one of a blockbuster presented in a Hollywood showy opening, and even more from a B movie released straight on DVD. The mediatisation of copyrighted expressions adds meaning and value to the works. It is achieved through a media ecosystem providing a direct and indirect echo to the works.

27. Copyrighted expressions differ from other goods by the fact that, being non-rival, they can be mediatised through free consumption. Thanks to external effects, the supply of free copyrighted works can be financed by ads paid by other firms, by authors (gold open access reviews), or by other contents bundled on a publishing platform. Digitization, which extends the non-rivalness thanks to the dematerialisation of the supports, increases the potential of mediatisation through free consumption. Hence, the coexistence of free and pay content – news, music, video, scientific articles, sports, etc. – on the same digital platforms, tends to narrow the gap between mediatisation and distribution.
28. In effect, a media ecosystem reflects a state of the technology. Let's take the case of music. Under the phonographic period, music was taped on records and mediatised through record sleeves, radios, concerts, magazines, video clips and record shops. The radios had to notice the release of the records and to start the buzz. Competition between record producers gave even rise to the payola system – a bribe to disc jockeys in order to get aired – that was depicted by Ronald Coase (1979) as a hidden publicity. Concert tours were keeping the topicality of the artists. Magazines were feeding fans with stories related to music performers. At the end of the chain, record shops were the ultimate media displaying the sleeves and their assortment in racks. In this ecosystem, most of the relations between copyright holders and media were internalised by formal arrangements. The production and sales of records was shaping the ecosystem. Broadcasters were paying license fees while getting paid through publicity. Showcase and tour operators were hiring performers as to sell tickets and drinks. For the most popular artists, record producers invested in video clips and TV ads. Distributors were rewarded on record sales. Only a few players (magazines, talk-shows, variety-shows) benefitted from informal cross-externalities.
29. With digitization, the phonographic ecosystem gets supplemented both on the media and the distribution side. On the media side, streaming platforms and social networks can create and amplify a buzz that was formerly produced by showcases and radios. The online press will link a music review to a playlist that is just one-click from the reader. TV promotion is re-focussed on ads and talent shows whose viewers argue on social networks. On the distribution side, music downloads and, increasingly, streaming services substitute to CD sales.
30. A key pattern of this trend is the convergence of mediatisation and distribution. Streaming platforms deliver both mediatisation – through free access service and discovery or thematic apps – and distribution. On such platforms, a subscriber can share his playlists with his social network's friends. Thus, a listener can become a disc jockey, now called a *curator*, getting followers for his selection service. On video platforms, amateurs can post video parodies that will increase the popularity of the original. Right holders can either accept or refuse such parodies and even, for a commercial use, license performers their music publishing rights. In other words, with the continuous surge and rollout of new media, the music ecosystem gets denser and denser making the internalisation strategies more open and flexible than in the past.
31. What happens with music also happens with books, scientific articles, news, sports, cinema, TV series... Each copyright industry – characterised by the production and

the publishing of specific expressions – is confronted with the surge of new media that change its former ecosystem. For a while, this change has been perceived as a dematerialisation arousing competition or cannibalisation between distribution channels. This view was suggested by the vertical design of the industry resulting from the copyright transaction chain and the distribution of material supports.

32. Actually, the change is far more sophisticated. The newness of the digital ecosystems is that mediatisation gets blurred with distribution. In other words, digitization makes copyrighted works distribution a particular case of mediatisation. This already existed when, for instance, radio stations had to pay license fees to mediatise music. But with digital ecosystems, such practises are widespread and continuously expanding. This in turn, makes internalisation – copyright exploitation – an iterative process adapting to new media, new practises, requiring new contracts and new pricing schemes.

### Economic issues

33. This picture of the industry has many economic consequences. An important one deals with the economics of mediatisation and its impact on creation or diversity. Another with the role of copyright and related internalisation strategies.
34. Each copyright industry is now confronted with a change of its ecosystem, which affects both mediatisation and distribution. And which in turn, loops back onto production. This process is uneasy to address in a general way because each industry evolves within its own ecosystem. Moreover, each public figure – artist, author, columnist, sportsman, politician, etc. – behaves like an autonomous brand, generating its own topicality, building its own community on social networks.
35. From a microeconomic standpoint, the utility of a copyrighted works can be termed as the sum of the expression and its associated mediatisation. When the mediatisation is subject to network effects, its utility grows with its coverage and with the consumption of the mediatised good. Copyright industries – from the serialized novels published in the newspapers to the Hollywood star-system (Caves, 2000) – have always been confronted with the necessity to generate network effects around brands and branded products. In the analogue world, such network effects were obtained through well-tested strategies combining a release investment calibrated to reach a critical mass and a media reverberation buzzing on the product. And when the buzz was feared to be negative, then the release investment was made to avoid it<sup>4</sup>.
36. An open question concerns the achieving of such network effects in digital ecosystems. According to a recent consulting study, “total global artist income from recorded music in 2013 was \$2.8 billion, down from \$3.8 billion in 2000 but up slightly on 2012. Meanwhile artists’ share of total income grew from 14% in 2000 to 17% in 2013” (Mulligan, 2014). But the top 1% artists grasped 77% of this revenue making digital recorded music a “superstar economy”. This suggests that network effects may be more massive but less accessible in digital ecosystems than in analogue ones. Such a trend would favour on the one hand, big incumbent artists whose long

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<sup>4</sup> Cf. the case of the Hollywood “ten-ton turkey” release commented by Richard Caves (2000) p.166.

lasting presence grants a critical mass<sup>5</sup>, and on the other, new artists showing extravagance enough to saturate news and social media (Rihanna, Psy, Lady Gaga...). In other words, the competition for network effects in global digital media seems to induce more “winner-takes-all” behaviours than in the analogue walled ecosystems. Some more empirical evidence is required to validate such hypothesis, but whether true or not it means that the “long tail” theory (Anderson, 2004) is seriously challenged by the economics of mediatisation in digital ecosystems. In effect, the diversity of creation – when related to effective consumption – relies more on mediatisation economics than on the productivity of search.

37. Mediatisation economics has long been associated with marketing or advertising whose external effects on sales are difficult to quantify. Simply because the utility of the meaningful complement relies on network effects that are as hazardous to predict as the success of creative works. However, more and more consulting firms are now measuring brands digital presence and their apparent valuation by consumers. Such data, if their collection costs are affordable<sup>6</sup>, might be used to model the network effects associated with mediatisation procedures.

### Copyright policy implications

38. Last, but not least, the growing importance of mediatisation changes the traditional vision of copyright exploitation. While copyright was for long identified as a way to internalise creation efforts, it is also a way to internalise mediatisation strategies. In a media ecosystem, a copyrighted good can be given for free if its consumption increases its media component. This means first, as noticed by various authors, that piracy or counterfeiting can prove socially useful. Not because it provides access to a lower segment of consumers (Watt, 2000). But because it can raise the utility of the good (the media component) and then, generate a higher willingness-to-pay that is collectable where excludability can apply.
39. It also means that the previous consent of copyright holders may raise transaction costs preventing them to benefit from mediatisation opportunities. The “notice and take down” procedure applying on digital platforms corresponds to an *ex post* consent that allows some right holders to better internalise many spontaneous mediatisation efforts. At the cost, of course, of a careful watch of their product mediatisation. The case of the countless parodies posted on YouTube that can be withdrawn on right holders’ request illustrates this trend. Parodies are pieces of the informational complement that add value to the original copyrighted expressions.
40. The previous consent rule should then apply but with lenience. A too stringent behaviour would prevent right holders from valuable media externalities. Conversely, take down notices corresponding to an effective internalisation decision of the right holder should involve the responsibility of the noticed intermediary. This is the point where copyright enforcement now meets tort law (Lefort, 2013).

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<sup>5</sup> In the case of video fictions, mediatisation is more and more achieved through serialized products (film franchises or TV series) that generate self-mediatisation.

<sup>6</sup> According to our experience, the collection of homogeneous data picked up from various digital media sources requires a dedicated task force with a high fixed cost. The specificity of each mediatisation scheme tends to inhibit such an investment.

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