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User Driven Publishing – Technology Push vs. Market Pull

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New Business Chances and Economic Opportunities

Why Users do (not) Generate Content

This presentation discusses the motives of users to publish – or more generally: to provide content. In line with the “homo economicus” of the economic text books they only will do so if they gain positive (net) benefits, i. e. if the costs to provide content are smaller than the (gross) benefits that result from content provision.

In the past the typical user did not provide content, as his net benefits were negative (see figure 1). However, there always have been some ("non-typical") users who provided content, as for them the net benefits were positive due to unusually low costs of provision or/and due to unusually high gross benefits of provision.

From the perspective of the firm this means that the typical firm did not receive (and offer) user generated content, but only some "non-typical" early adopters, like Napster, Flickr, My Space, and You Tube. Ceteris paribus this strategy made them most successful.



In Future the “Typical” User will be a Content Provider

With the new technologies, especially with the digitalisation and with the expansion of global communication networks, the costs for users to provide content gradually decrease, and the gross benefits (and consequently also the net benefits) for users to provide content generally increase.

See figures 1 and 2.

As gross benefits grow and net benefits become positive, more users will provide content. And whereas the "typical" user did not provide content in the past, in the future he will be a content provider. However, there will remain some users who will not provide content, as for them the costs of provision will remain unusually high or/and the gross benefits of provision will be unusually low. They will be "non-typical" users then.



Figure 1:
Costs, Benefits and Net Benefits for Users to Provide Content

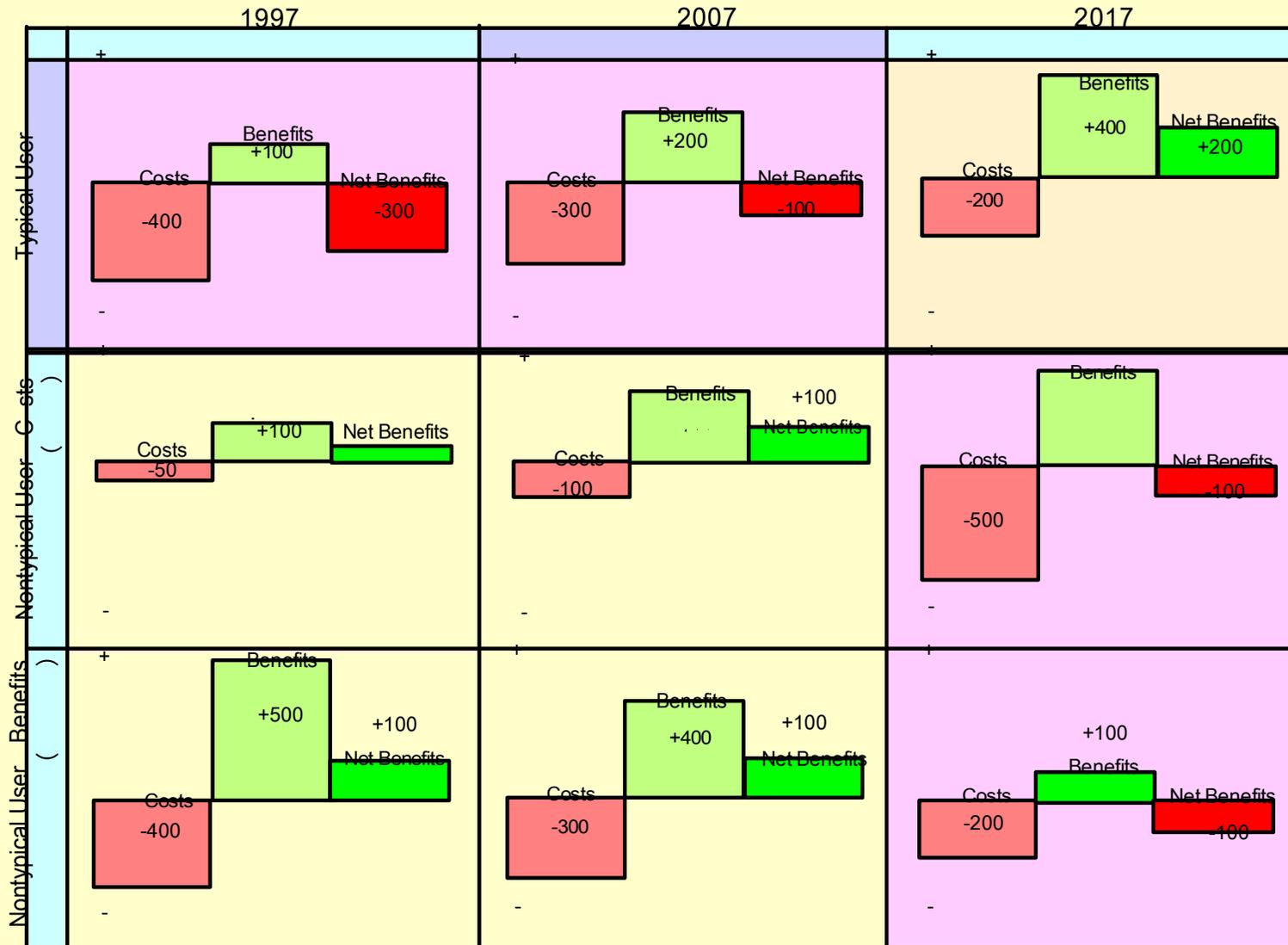
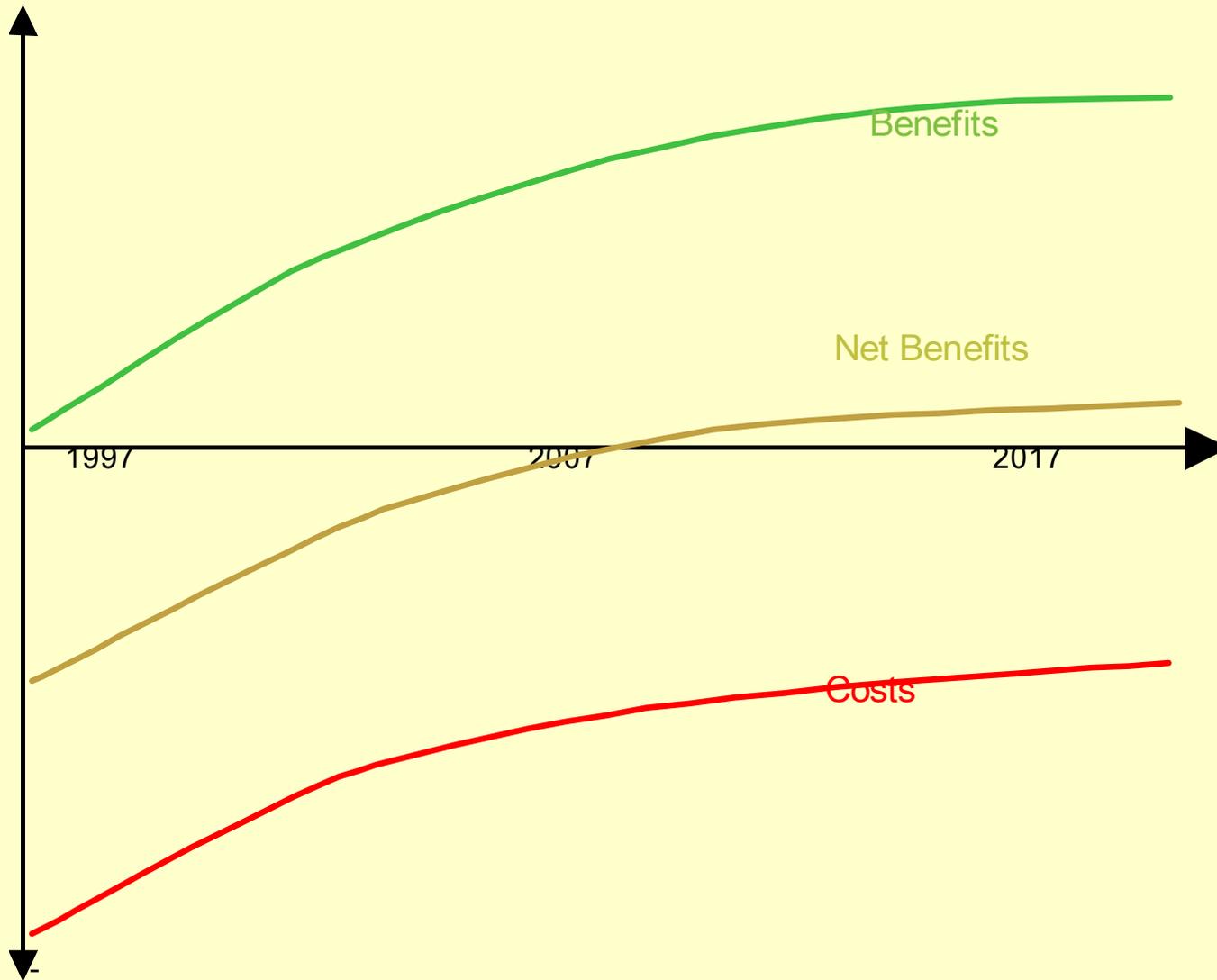


Figure 2:

+ Costs, Benefits and Net Benefits for Users to Provide Content in the Course of Time



In Future the “Typical” Media and Entertainment Company will Depend on User Generated Content!

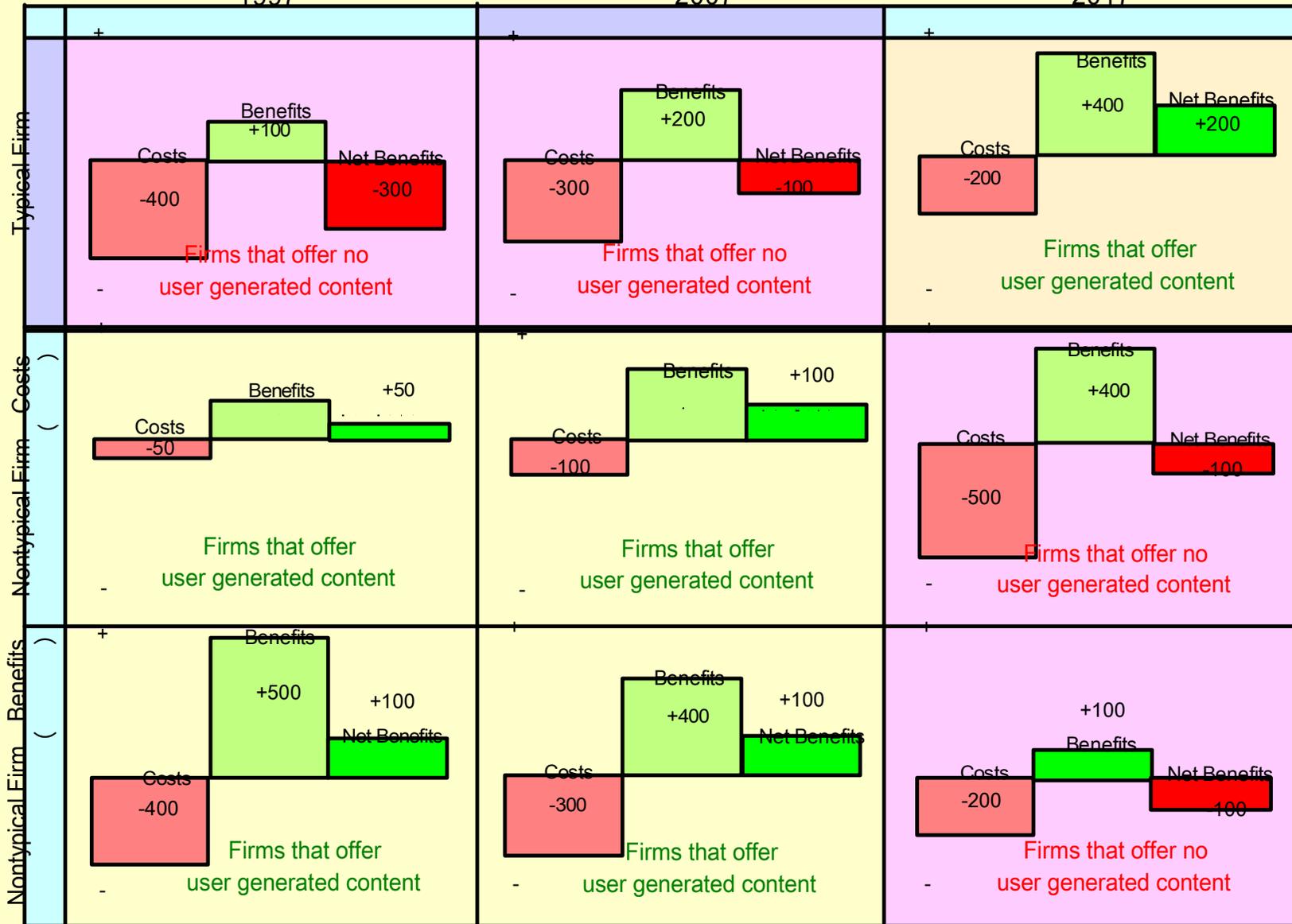
From the perspective of the firm this means that in future the "typical" firm will receive (and offer) user generated content and only some "non-typical" late adopters will receive (and offer) no user generated content (and ceteris paribus will fail). See figure 3.

The pressure on firms to acquire user generated content then will be higher than in the past, as less and less firms will be able to survive if they are not able to integrate this resource into their business models.

From that regard, user generated content is not a disruptive technology, but a gradually and continuously growing phenomenon. However, for those firms that do not adjust, its effects may become disruptive up from a pivot point.



Figure 3:
Costs, Benefits and Net Benefits for Firms to Provide Content
1997 2007 2017



Stipulate the Users' Willingness to Provide Content!

In order to acquire user generated content, firms have to stipulate the willingness of users to provide them with content, both by reducing the users' costs of provision and by increasing the users' benefits of provision.

Reduce the Users' Costs to Provide Content!

On the cost side firms have to establish an information and communication infrastructure (e.g. by integrating internet commons and open resources) and they have to equip the users with know-how and production tools. On the benefit side they have to increase both extrinsic gratifications (that are granted to the content providing users by the firms or by others) and intrinsic gratifications (that result from the coverage of intrinsic motives, e.g. for artistic expression or for convincing others).

See figure 4.



Figure 4:
How to Reduce the Costs for Content Providing Users

depends on type of content

- journalistic content
- artistic content
- scientific content
- etc.

depends on form of content

- text files
- audio files
- video files
- pictures
- paintings etc.

depends on type of costs

information costs (e. g. for acquiring information and techniques)

provide information infrastructure

production costs (e. g. for writing, painting, composing etc.)

provide know how and electronic production tools

communication costs (e. g. to communicate with publishers)

provide communication infrastructure

opportunity costs (e. g. as dispensed financial revenues or time)

cannot be influenced by individual firms



Increase the Users' Extrinsic Benefits From Providing Content I

To increase extrinsic gratification firms should establish instruments which enable them to pay financial revenues according to the value of the user generated content. Fair and transparent payments, e.g. based on the benefits for other users, are an important prerequisite for many content providing users, and unfair, arbitrary or intransparent payments are a reason for many users not to provide content (comparable to unfair, arbitrary or non-transparent salary structures that are a main reason for the low motivation of employees).

Also smart systems which enable the users to earn financial revenues from other firms ("external" revenues) can increase extrinsic gratification. Some TV formats, like "Superstars", for instance, are totally based on this business model, as the broadcasters do pay no revenues, but only offer a platform which the successful participants may later use to generate revenues (i.e. from the sale of music records or stories for the print media).



Increase the Users' Extrinsic Benefits From Providing Content II

Also other instruments that increase the professional reputation and social appreciation of content providing users can be helpful. Many bloggers, for instance, use their platforms to gain and expose professional reputation, and later use this reputation by contracting professional employments. (For these reasons it often is not possible to clearly distinguish the different forms of extrinsic motives. For some the professional acceptance or social appreciation of content providing users only may be a means to generate higher financial revenues.)

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See Figure 5.



Figure 5:
How to Increase Extrinsic Benefits for Content Providing Users

1. Increase the benefits from earning financial revenues

- ▶ establish a system to pay financial revenues according to the value of the user generated content
- ▶ establish a system to earn external financial revenues for users that provide content

2. Increase the benefits from earning professional acceptance
(also as a possible means to generate financial revenues)

- ▶ establish a system to measure and signal the quality of user generated content
- ▶ establish means to increase the reach for user generated content
- ▶ establish a system to measure and signal the quality of user generated content
- ▶ establish a system to describe and signal the identity of the content providing users
- ▶ establish a system for the communication between content providing users and content buyers

3. Increase benefits from earning social appreciation

- ▶ establish a system to measure and signal the social value of user generated content
- ▶ establish means to increase the reach for user generated content with social value



Increase the Users' Intrinsic Benefits From Providing Content

To increase intrinsic gratifications firms should establish instruments which enable users to communicate broadly and effectively with each other, and which enable them to observe and measure the individual and social effects of the content they provide. With regard to users' artistic or journalistic ambitions firms should similarly establish instruments which enable these users to express themselves, and which allow them to observe the individual and social effects of their artistic and journalistic contributions.

Network effects are most important here, as the gratifications increase progressively with the size of the network. On the other hand, not all members of a network are equally important and relevant for the users who provide content; and a small social network that consists of members whose appreciation is considered as important can generate a higher gratification than a larger social network that consists of members whose appreciation is considered irrelevant or even disliked.

See figure 6.



Figure 6:
How to Increase the Intrinsic Benefits for Content Providing Users

1. Increase benefits from communicating with others and convincing others
 - ▶ Establish a system for a broad and effective communication between users
 - ▶ Establish a system to measure the individual and social effects of communication between users

2. Increase benefits from expressing oneself, e. g. artistically or journalistically
 - ▶ Establish a system for a broad and effective expression of users
 - ▶ Establish a system to observe and possibly measure the individual and social effects of expression



Consider the Relation between Extrinsic and Intrinsic Benefits!

In some cases the extension of extrinsic gratification does not reduce or even increase the intrinsic gratification of the content providing users. If, for instance, a member of a photo community is paid for each photo he has uploaded (or better for each view on a photo he has uploaded) this rewards the provided content financially (extrinsically), in addition to the intrinsic gratification the photographer gains from exposing his pictures. Probably it even increases his intrinsic gratification, as the financial rewards indicate how much the community keeps attention to and positively evaluates his pictures.

In other cases the extension of extrinsic gratification can reduce or totally destroy the intrinsic gratification. For some writers, for instance, who express their opinions on political, cultural or social questions, pecuniary gratifications would jeopardize their intrinsic motives, as they would diminish their creditability (and convincing power) or/and as they would overlay the altruistic motives that gratify them most with egoistic motives. Similarly, for some journalists or artists that engage for social targets, e.g. for the protection of the environment or for the support of disabled, old and poor people, payments would `d e c r e a s e` the overall gratification.



Challenges from User Generated Content for the Firm

In order to maximize the gross (and net) benefits for the content providing users, and in order to acquire user provided content, firms therefore have to know the users` motives to provide. This is a complicated requirement, as the motives often are manifold and non-transparent, as they usually vary over time, and as they depend on the location, the environment, and the companionship, in which the users decide if they should provide content or not.

In that regard the expansion of user generated content is a big challenge for the firms, and only firms that manage to increase the benefits (or/and to decrease the costs) for content providing users will survive.



Chances from User Generated Content for the Firm

On the other hand it also bears great opportunities, as firms can attract new and additional content providing users if they succeed in optimizing their value chains and business models, especially if they manage to optimize the gratification system, especially by combining the different forms of extrinsic and intrinsic gratifications according to the users` preferences, and by founding peer groups or net communities that can award the user provided content at the best.

If the firms solve these challenges, they can add value for user generated content, in the same way as firms add value with the traditional business models that are based on paid professionals. As there they can use economies of scale and scope, and they can provide common goods that are essential for the efficiency of the network economy, like infrastructure, open sources, and data bases. In this case even those users that now prefer to provide their content individually, independently from firms and hierarchies, can be incorporated into business models. And of course the growing proportion of users that are willing to provide content, mentioned above, expand the firms´ chances to develop new successful business models.



Competition About User Generated Content will become Harsher

Firms that do not modernize their business models, that do not incorporate user generated content, will fail; and firms that innovatively adopt to the complicated preference structures of content providing users, that can take them over from other communities and platforms, will be most successful. For the users that are willing to provide content this offers new alternatives: They can choose between more firms where they provide content; and they can easily exit firms if they are not content with them. This further reduces their loyalty with the platforms where they provide content (which usually is low, anyway); and it further forces the firms to adopt their business models to the users` preferences. Regulating and restricting firms therefore risk to loose their content providing users, much more that the traditional firms. Only encouraging and enabling firms that carefully and sensibly explore and obey the users` preferences will keep them. And for this purpose they should invent and offer efficient instruments that allow the users to signal their preferences easily.



Producer's Rents Will Fall – Supplier's Rents will Rise

As a result of the increasing competition for user generated content the rents of media and entertainment companies that incorporate user generated content into their business models (“producer’s rents”) will fall.

Whereas in the past these companies often were monopolists (as their concepts were very innovative and modern), they will face higher competition in future, as their concepts will be copied and as the transparency for content providing users will grow.

Under these conditions the users will move to new companies for which content can be provided with lower costs or/and higher benefits, thus being able to increase their supplier’s rents (and diminishing the companies’ producer’s rents).

Thus not only the business models of company that offer user provided content will become more complex, but also the “business models” of content providing users: They will consider and combine different forms of costs, and of extrinsic and intrinsic benefits in a more complex and elaborated way.



User Generated Content – Pushed by Technology or Pulled by the Market?

User generated content both is pushed by technology and pulled by the market. On the cost side dominates the technology push. Many valuable technological inventions have reduced the costs for users to provide content: PC-hardware and software allows to communicate cheap and efficiently, e.g. to gather information, to aggregate and transform this information, to create (new) content, e.g. as photos, as text documents, or as audio and video files, and to distribute this content via digital data networks. And the digitalization has reduced the costs to combine and transform these different types of contents. Especially the internet with its public good characteristics for hardware and logistic has become a tool that enables users to provide content for large audiences at very low costs.

In contrast, the gradual growth of extrinsic and intrinsic benefits of content provision mainly is pulled by the market, e.g. by the increasing preferences for high quality user generated content. But it also is a side effect of saturating economies with an increasing proportion of people who are financially autonomous and can achieve to satisfy non-peculiar intrinsic targets.

