

ESSAYS ON THE EFFECTS OF DIGITIZATION ON MEDIA ECONOMICS

Abstract

This dissertation deals with the economic issues introduced by digitization and by the roll-out of innovative networks and supports in the economics of Media goods. The switch from a “physical analogic model” to a “digitized model”, by separating the concepts of meaningful expression from the traditional support allowing for publishing contents, imposes a rethinking of many media industries’ business models. Using the publishing industry as a study case, in the introduction we analyze the key economic issues emerging for magazine publishers facing digitization, both at the firm level and at the industry level, where new strategic interactions may occur, changing the traditional dynamics in the value chain. In the first chapter we then proceed to explore recent research efforts focusing on the effects of digitization and regulation on Media economics. The main contribution of this analysis is that it tries to conjugate the economic literature that analyses technology related issues generated by digitization with contributions analysing the impacts of new publishing protocols, following a value-chain based approach. In fact, the originality of the problem is that digitization is quite not just a technologic innovation, improving efficiency through the value chain but it is also a new written language. The study of all the different implications of digitization is thus essential in order to fully understand the emerging economic models in media industries. Economists will find in this chapter not only the more important contributions on pricing and bundling in digital two-sided markets or multi-channel distribution models, but also interesting contributions from other specialists, analysing questions related to regulatory framework and even epistemologic issues. In the second chapter we analyse the adoption dynamics of a digital technology associated with a network , when media goods are essential complements and there are positive externalities associated to a succesfull adoption. The original contribution of this model is that it allows for different types of subsidies and different stand-alone values for technology. In the third and last chapter, we develop a pricing model for copyrighted contents in a two-sided market with multi-channel distribution. We analyze both the case of a firm producing only on one market (digital or physical) and of a firm

producing the substitutable versions in the two markets. We find that: (i) in the digital market the “free dailies” business model is sustainable only if the number of publishers is limited. (ii) Publishers that are active already in the traditional channel with relevant market shares should “defend” their market share setting higher prices for the digital versions of their products. (iii) Unless both the advertising revenues per copy and the total sales in the digital markets grow larger than the traditional market, a traditional publisher should keep operating in the traditional market. (iv) If the total cannibalization grows to be more than proportional the optimal strategy for a publisher can be not to produce the digital version of a given product.