Converging Technologies and Diverging Market Trends of Internet/Web and Traditional Media

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1 Introduction: The Need for the Application of New Media Business Models and the Decrease of the Economic and Social Influence of Traditional Media

One of the challenges of studying new media business models in the age of media convergence is that the concept is so multifaceted and broad that it has multiple meanings. As a result, the academic and scholarly literature in this area is diverse and remains under-researched, under-explored and under-developed from both a theoretical and an empirical perspective. This article reviews scholarly studies that identify the range of strategic options available for sustainable business models in new media industry.

Identification of sustainable and hyper-competitive new media business models is an urgent priority as continuing decline in audiences and collapse of traditional/old media organizations pose a major threat to media, democracy, ICT and telecommunications industry, with scholars agreeing that further erosion of media industry also have major implications for the advertising industry and a wide range of content producers.

Referred to in the industry as 'audience fragmentation' or 'disaggregation', this breakdown of large mass audiences of mass media is resulting in both advertising volume and rates falling within the dominant commercial media business model (Macnamara, 2010b). As Henry Jenkins warns, 'monolithic blocks of eyeballs are gone' (2006:66). Notwithstanding, John Pavlik concludes in his 2008 text *Media in the Digital Age* that 'few media organizations have settled on a viable long-term strategy for making money in a sustainable fashion' (2008:173). As a result of this lack of foresight, John Pavlik points out that media organizations—particularly news companies and departments—have not invested sufficiently in research and

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development to expand or update their product line over recent decades (2008: 20). Pavlik estimates that many news media have invested less than 1 % of their operating budgets in R&D to develop new products and new business models. The cost of failing to recognize the potential and public demand for new forms of content and distribution methods has been that media organizations have not developed new products tailored to the Web 2.0 and Web 3.0 environment of social media and social networks or the changing media and ICT economy (Macnamara, 2010a, b).

The lack of efficient development of new business models caused the decrease of the economic and social influence of traditional media (print, radio and TV). It is particularly evident in the statistical data which show that radio needed 38 years in order to reach 50 million users. TV needed 13 years to reach the same number of users, Internet 4 years, IPOD—3 years; while Facebook added 100 million users in less than 5 months (between April 8, 2009 and September 15, 2009). Moreover, iPod application downloads hit one billion in 9 month. On the other hand, global internet companies such as Google in 2012 have increased the value of their brand for 26 %.

Simultaneously, all the trend lines went downwards for the newspaper business. Global newspaper advertising revenues fell −17 % in 2009; North American newspapers lost a quarter of their advertising revenues. Ad spending was also down in Western Europe −13.7 %, Central and Eastern Europe −18.7 %, Asia −9.6 %, Latin America −2.9 % and was stable in the Middle East and Africa. Between 2004 and 2009, the US newspaper industry lost 34 % of its readers; the UK industry lost 22 %.

The research of the Newspaper Association of America shows that daily newspaper print ad has been constantly decreasing since 2005. Furthermore, in the U.S., *The Wall Street Journal* is the only newspapers in 2010 to gain in circulation among the top 25 newspapers. The importance as well as the market expansion of digital media is evident in the bookseller Barnes and Noble assertion that the company in 2010 sells more digital books than physical books on its Web site. Accordingly, Forrester Research expects U.S. e-book sales to total $2.8 billion in 2015, up from nearly $1 billion in 2010. The research firm projects the number of e-readers and tablets in the U.S. will soar from more than 15 million in 2010 to nearly 60 million in 2015.

2 Literature Review and Discussion on Recent Models of Convergence in Media Research

The concept of convergence is frequently used both in the academic field and within the media industry to denote the ongoing restructuring of media companies as well as to describe the latest developments in media forms, distribution, and

consumption (Appelgren, 2004). However, there is currently no generally accepted definition of the concept. Depending on the context, the meaning and connotations vary. It is generally accepted among media business scholars that convergence denotes the actual process toward a more efficient management of the media value chain. The use of the concept has therefore developed from being mainly connected with digitalization in media technology to also include elements of integration, combination, competition and divergence. This paper supports Ester Appelgren's (2004) perspective. It suggests that convergence should be seen as an ongoing process of media and media industry development that is dependent on and in continuous interplay with a contrasting and complementary process of media divergence.

Jenkins (2001) divides convergence into five areas: technological, economic, social or organic, cultural and global convergence. Technological convergence is the digitalization of all media content, economic convergence deals with the integration of the entertainment industry and the social or organic version of the process handles the consumers. According to Jenkins, cultural convergence is the explosion of new forms of creativity at the intersections of various media technologies, industries and consumers. Finally, global convergence is the cultural hybridity that results from the international circulation of media content. This definition is in line with the notion that convergence is an ongoing process, occurring at various intersections between media technologies, industries, content and audiences; it is not an end state (Jenkins, 2001). The effects of the process of convergence are visible, measurable and possible to detect, while the actual process might not be (Appelgren, 2004).

Lawson-Borders (2003) suggests another model of convergence, where the starting point is that convergence is a concept as well as a process. Lawson-Borders has identified seven observations. of convergence all beginning with the letter c: Communication, commitment, cooperation, compensation, culture, competition, and customer. These seven areas partly overlap and can serve as a guideline for best practices to expound on convergence both as a concept and a process Lawson-Borders (2003).

In addition, Lawson-Borders (2003) believes that for convergence to succeed, media firms must:

(a) Engage in high quality communication about what the organization is trying to accomplish;
(b) Be committed to incorporating convergence into their organizational mission and philosophy;
(c) Promote cooperation among everyone involved in the journalistic process "to share stories and ideas;"
(d) Revise compensation plans to fairly compensate multimedia journalists for taking on the new roles and responsibilities required by convergence;
(e) Facilitate the blending of different cultures in the newsroom (i.e., print, radio, television, and online) (see also Killebrew, 2003);

(f) Develop strategies and alliances capable of allowing media firms to successfully compete in local markets and globally; and
(g) Develop convergence strategies capable of serving evolving consumer needs in a dynamic and increasingly competitive/challenging marketplace (pp. 94–96).

Furthermore, Lee (2003) describes four categories and eight levels of digital convergence:

1. Data convergence (Media convergence and Domain convergence)
2. Structural convergence (Architecture convergence and Infrastructure convergence)
3. Application convergence (Platform convergence and Device convergence)
4. Industrial convergence (Intra-industry convergence and Inter-industry convergence).

Dennis (2003, p. 7) identified four stages of communication industry convergence: "incremental awakening"—the 1980s, "early adoption"—early to mid-1990s, "uncritical acceptance"—late 1990s, and "presumptions of failure"—early 2000s. Greenstein and Khanna (1997, pp. 203–204) define convergence in terms of substitutes and complements: "Two products converge in substitutes when users consider either product interchangeable with the other. . . . Two products converge in complements when the products work better together than separately or when they work better together now than they worked together formerly." Allison, DeSonne, Rutenbeck, and Yadon (2002, p. 61) consider convergence as a "business trend where previously separate industries . . . are converging through megamergers, buyouts, partnerships and strategic alliances."

3 Driving Forces of Media Convergence

As the concept of media convergence appears to be a multifaceted process there are apparently many driving forces behind convergence and the increased interest in the concept (Wirth, 2003). The most dominant driving forces include, but are not limited to:

(a) Technological innovation, including the rise of the Internet and the digital revolution;
(b) Deregulation/liberalization and globalization, including passage of the Telecommunications Act of 1996, formation of the European Union and the privatization of telecommunications and media around the world;
(c) Changing consumer tastes and increased consumer affluence;
(d) Technological standardization;
(e) The search for synergy (i.e., $1 + 1 = 3$);

(f) Increasing global competition (which has resulted in high levels of merger and acquisition activity among media and telecommunication companies around the world); and
(g) Repurposing of old media content for distribution via various forms of new media (Wirth, 2003).

4 Review of Literature in New Media Business Models

This section provides a summary classification of the new media business models scholarly studies. Accordingly, the most important business models that are analyzed in the book chapter include:

Tipping point strategy—Gladwell (2002); Hoegg, Martignoni, Meckel, & Stanoevska-Slabeva (2006).
Crowd sourcing strategy—Dokoupil & Wu (2010); Edwards (2009).
Mesh companies strategy—Gansky (2010).
Micropayment and, nicheization of media market—Anderson (2006); Jaring Matinmikko & Abrahamsson (2006); Mings & White (2000); Graybeal & Lee Hayes (2011); Ryu & Feick (2007); Clemons (2009); Zeng & Reinartz (2003); Foremski (2009); Tam & Ho (2007); Ahonen (2010).
User-generated content—Daugherty, Eastin, & Bright (2008); Schaedel & Clement (2010); Chevalier & Mayzlin (2006); Godes & Mayzlin (2004); Li & Hitt (2008); Ransbotham, Kane, & Lurie (2012); Snuderl (2008); Cattuto, Loreto, & Pietronero (2007); Golder & Huberman (2006); Marlow, Naaman, Davis, & Boyd (2006); Ames & Naaman (2007); Nov & Ye (2010); Qualman (2012); Koh, Kim, Butler & Bock (2007).
Content re-purposing, cross-media content and global convergence—Vizjak & Ringlstetter (2003); Bakos & Brynjolfsson (2000); Doyle (2002).
Experience economy—Pine & Gilmore (1999); Manovich (2012).

5 Research Methodology Approach

This study is based on an analytical and empirical research methodology. The author generated relevant data on old and new/digital media corporations from the Ycharts.com commercial database. The database contains financial information on leading international corporations across all industries.

Furthermore, it contains corporation-level financial data in a standardized financial format including financial ratios and business activities for up to 10 years. For building the dataset, the author analyzed the following micro-economic and financial indicators: enterprise value, market capitalization, annual revenue, annual net income, debt to equity ratio, return on assets, return on equity) of the leading global old and new media corporation.

The analyzed data prove the author's main hypothesis in which most successful global new media corporations maintain their competitiveness over old media corporations applying the following business models: tipping point strategy, Crowd sourcing strategy, Mesh Companies Strategy, Micropayment, nicheization of media market, User-generated content, content re-purposing, cross-media content and global convergence, and Experience Economy.

6 Empirical Case Studies of Leading Global New and Old Media Corporations

The empirical case study of fourteen global leaders in the new and old media business industry reveals that that the new media (internet and web) companies are definite winners in four out of seven micro-economic categories. New media corporations are dominant within the financial scores of net income, market capitalization, debt to equity ratio and return on assets while old media corporations dominate the aspects of revenue, enterprise value and return on equity. Among new media corporations, Google is the winner in three categories: net income, market capitalization and enterprise value; Baidu dominates two financial indicators: return on equity and return on assets. Linkedin and Yahoo lead the category of debt to equity ratio and Amazon is well positioned in the sector of revenue.

It is necessary to point out that debt to equity ratio of new media corporations is five times smaller as opposed to old media corporations. Also, the net income of new media corporations is twice as high compared to old media corporations. In addition, Google's annual net income and Amazon's annual revenue have been the highest recorded in the last 5 years.

The financial and business dominance of new media corporations is further reinforced by the fact that on the Millward Brown's list of top 100 most valuable brands in 2013 new media corporations feature six corporate entities (Google, Facebook, Yahoo, Baidu, Amazon and eBay) and old media companies feature only The Walt Disney Company. Google is positioned as the second most valuable global brand with the brand equity worth of $113.071 billion. In addition, Amazon and eBay have seen respectively a 34 and 40 % rise in brand value compared with last year.

Among old media corporations, Comcast Corporation is the winner in three financial categories: annual revenue, annual net income and enterprise value. The Walt Disney Company dominates sectors of market capitalization and debt to equity ratio, while Time Warner and Viacom lead in the segments of return on equity and media business are content distributors—Google and Comcast. In the Tables 1 and 2, the author provides a more detailed analysis of the most important financial indicators, metrics and scores.

Table 1 Analysis of financial indicators of the leading global new media corporations.

Name of the company	Enterprise value ($)	Market capitalization ($)	Annual revenue ($)	Annual net income ($)	Debt to equity ratio	Return on assets (%)	Return on equity (%)
Google	227.98 billion	271.59 billion	53.50 billion	11.19 billion	0.0681	12.62	16.38
Amazon	63.98 billion	112.81 billion	63.9 billion	−87 million	0.3605	−0.35	−1.12
eBay	62.96 billion	67.86 billion	14.5 billion	2.71 billion	0.2139	8.28	13.65
Facebook	58.74 billion	66.87 billion	5.08 billion	53 million	0.1276	0.44	0.54
Baidu	26.53 billion	29.69 billion	3.82 billion	1.69 billion	0.4177	29.48	46.19
Yahoo	23.88 billion	26.85 billion	4.90 billion	4.04 billion	0.00	24.21	29.11
LinkedIn Corporation	20.31 billion	21.05 billion	972.31 million	21.61 million	0.00	1.94	2.84
Netflix	11.81 billion	12.13 billion	3.76 billion	24.42 million	0.8611	0.64	3.37
Total	542.86 billion	608.85 billion	150.57 billion	65.53 billion			
Average	67.85 billion	76.10 billion	18.82 billion	8.19 billion	0.25	9.65	13.87

Source: Ycharts.com, May 1, 2013

Table 2 Analysis of financial indicators of the leading global old media corporations

Name of the company	Enterprise value ($)	Market capitalization ($)	Annual revenue ($)	Annual net income ($)	Debt to equity ratio	Return on assets (%)	Return on Equity (%)
Comcast Corporation	137.49 billion	110.52 billion	62.57 billion	6.203 billion	0.8197	3.87	12.88
The Walt Disney Company	130.05 billion	113.45 billion	42.84 billion	5.60 billion	0.4254	7.37	14.28
News Corporation	81.89 billion	72.39 billion	7.41 billion	3.72 billion	0.5846	7.49	16.82
Time Warner	73.29 billion	54.55 billion	28.73 billion	3.01 billion	0.6651	4.49	10.13
Time Warner Cable	50.85 billion	27.58 billion	21.73 billion	2.17 billion	3.823	4.38	29.62
Viacom	39.89 billion	32.18 billion	13.25 billion	2.23 billion	1.171	10.05	29.53
Total	513.45 billion	410.67 billion	163.288 billion	22.96 billion	–	–	–
Average	85.57 billion	68.445 billion	27.21 billion	3.82 billion	1.248	6.27	18.87

Source: Ycharts.com, May 1, 2013

7 New Media Business Models

After a detailed analysis of the major financial scores and metrics of new and old media corporations, the author identified seven business strategies that are the characteristics of the most successful new media corporations such as Google and Baidu. As both corporations are content distributors, it is clear that technological and economic aspects of distribution, access, usability and perceptive focus on demand and consumer needs are crucial in establishing effective and sustainable media business strategy. Each of these business strategies is respectively discussed and analyzed in the following sections.

7.1 Tipping Point Strategy

It is important to point out that the efficient usage of the long tail economic strategy leads to the reaching of the Tipping Point. Tipping points are "the levels at which the momentum for change becomes unstoppable" (Gladwell, 2002). Furthermore, the term is represented as "the precise moment of critical mass, the threshold, the boiling point when a trend becomes a trend" (Gladwell, 2002). In economics, the tipping point represents the point at which a dominant technology or player defines the standard for an industry-resulting in "winner-take-all" economies of scale and scope.

An excellent example of the application of the tipping point strategy in social media is the launch of Facebook. Since its inception, it has positioned itself as leader of interactive, participant-based online Web 2.0 media that creates value from the sharing of information between participants (Hoegg et al., 2006). Between August 2008 and September 2011, the number of Facebook users increased eight times (from 100 to 800 million). If Facebook were a country it would be the world's third largest between India and the United States. In addition, the revenue of the Facebook company increased from 52 million dollars in 2006 to two billion dollars in 2010. Based on traffic data from Alexa and Google Trends in June 2011, Facebook was the most popular social network in 119 out of 134 countries. More than 50 % of active users log on to Facebook in any given day.

7.2 Crowd Sourcing Strategy

In order to expand markets, social media such as Facebook uses Crowd sourcing strategy. Such strategy functions as reward programs and is only likely to grow more important, especially as the Web reaches into corners of the world where it never benefited from the frisson of a social movement (Dokoupil & Wu, 2010). In 2009, Google successfully launched the Kiswahili Wikipedia Challenge to grow the number of Swahili-language Wikipedia entries in parts of Eastern Africa by tying them to the chance to win modems, cell phones, and a laptop (Dokoupil & Wu, 2010). In this new world of social networks, the blogosphere, online communities,

the ever-growing notion of crowd sourcing ("collective wisdom"), factual information of the masses provides the "true statements and facts" by testing a wide range of users with vastly different opinions (Edwards, 2009).

7.3 Mesh Companies Strategy

Unlike the traditional businesses which follow a simple formula of creating a product or service, selling it and collecting money, in the past few years, a fundamentally innovative business model has taken root-one in which consumers have more choices, more tools, more information, and more peer-to-peer power. Organizations that use social media, wireless networks, and data crunched from every available source to provide people with goods and services at the exact moment they need them, without the burden and expense of owning them outright are called "Mesh companies" (Gansky, 2010). This strategy can be profitable as it creates trusted brands and build strong communities by helping customers buy less but use more products and services. Mesh strategy if successfully aligned with the peer-to-peer power of social media networks can inspire customers in a highly competitive world where access trumps ownership (Gansky, 2010).

7.4 Micropayment and, Nicheization of Media Market

Industry and market structure of the social media industry will be more niche-oriented. If the twentieth century was about hits, the 21st will be equally about niches (Anderson, 2006). On demand media and particularly VoD—Video on Demand, will considerably gain more importance. As such, long tail economics will become more prevalent in capturing the fragmented media market. In terms of advertising and marketing revenue, it is advisable to point out that online and interactive advertising as well as micropayment strategies will be increasingly important. Micropayment will provide potential consumers with immediate transaction processing and will increase VoD—Video-on-demand and PPV—Payment-Per View models. It is argued that micropayment is in the process of becoming the web's new currency and will be especially useful in purchasing electronic books, online articles, music, video and film files. The case of micropayment strategy is additionally supported by the exponential growth of the Internet during the past decade. Thus, between 2000 and 2010 the number of internet users worldwide increased for 445 %.

Micropayment strategy is widely becoming an alternative to subscriptions as it moves content creators closer to consumers. The competitive advantage of micropayments can potentially provide consumers with a payment model in which content can be unbundled and further sold via B2C channel. On the other hand, cloud computing will be especially important in terms of B2B marketing as many international companies will hire another firms to manage their data via the Internet in private spaces, rather than those companies using their own servers, in an

effort to gain storage. The increasing development of social media, web, personal computing devices (PCs, mobile phones and portable media players) made possible the wide dissemination of various online contents over the consumer-to-consumer (C2C) channel.

To date, no micropayment standards have been established, and interoperability between micropayment systems has not been solved (Jaring et al., 2006). Difficult usability, high registered customer acquisition costs, lack of universal acceptability, and lax security in traditional micropayment systems have been cited as reasons for a pure play micropayment model's lack of widespread success (Jaring et al., 2006; Mings & White, 2000). Also, there are currently few, if any, online payment solutions that can support transactions in the range of a few dollars or even cents (Tam & Ho, 2007).

Rather than a pure play micropayment model, the authors argue for a "Modified News Micropayment Model" that is constituted and contained by four primary drivers that make the idea of micropayments a feasible and attractive idea for news industries in the Social Web environment: a microearn component, socialization/sharing, local focus, and a centralized banking system (Graybeal & Lee Hayes, 2011).

7.4.1 The Micro-Earn Component

The Modified News Micropayment Model suggests that the ability to microearn is the most critical missing component of a sustainable model Graybeal & Lee Hayes (2011). A microearn system could function much like a referral rewards program: Users can earn points for disseminating news, information, and online content to friends and followers. Taking an equity view of social exchange, Ryu and Feick (2007) found that rewarding the recommender, regardless of the size of the reward, increases the likelihood of referral reducing consumer feelings of inequity in the exchange relation. Further, the likelihood of referral to weak ties (casual acquaintances) significantly increases when extrinsic rewards are given (Graybeal & Lee Hayes, 2011). Microearn enhances the value of shared content because it is disseminated, distributed, and discussed in social circles. The socialization of news (the next driver, discussed later) increases the social value of the content and also allows for a monetary reward for the dissemination of news. Microearn functions much like a rewards program, where users earn points for disseminating news, information, and online content to friends and followers.

7.4.2 The Socialization/Sharing

This system argues that social networking sites capitalize on their logistical streams of social networks social capital to disseminate valued information to trusted peers for peer review only. Therefore, the social aspect of payment for Web content is also extremely vital. Clemons (2009) argued that, although traditional media, specifically newspapers, have the capacity to create unique valuable content, they lack the ability to share it. Online, traditional media also lack logistical streams for distribution that are integral to any business model. In the Social Web, these logistical streams allow for value creation through facilitating interaction and

sharing. Without these streams, it is difficult, if not impossible, to generate a critical mass of users, which Zeng and Reinartz (2003) showed to be a crucial revenue driver in business models for the Social Web. The best examples the Socialization/Sharing function include "Re-tweet" feature on Twitter, "Share" function on Facebook® and Blogroll, links on blog sites.

7.4.3 The Local Focus

News sites retain local pricing decisions that will attract local audiences with its focus on local content. The function of the local focus includes a hyper-local blogs. Foremski (2009) called on newspapers to focus on original content, which people are more likely to pay for because they cannot get it anywhere else. He also said newspapers should focus on hyper-local coverage, where they "own" their regional beat.

7.4.4 The Centralized Banking System

This system allows universal currency exchange so that users can swap "currencies" from different platforms and trade in for cash. It includes Google TM Checkout and PayPal TM. As Tam and Ho (2007) noted, "it is important to establish an economy-wide micropayment infrastructure to settle very small transactions online" (p. 146). As society increasingly moves from a cash-based currency to digital currency, such a system becomes vital (Ahonen, 2010).

7.5 User-Generated Content as a Promoter of Collaborative Information Services

User generated content is characterized as 'Conversational Media', as opposed to the 'Packaged Goods Media' of the past century. The former is a two-way process in contrast to the one-way distribution of the latter. Conversational or two-way media is a key characteristic of so-called Web 2.0 which encourages the publishing of one's own content and commenting on other people's. UGC can be twofold and include both personal and collaborative publishing. The personal publishing consists of weblog, podcast, photo, whereas the collaborative publishing consists of the internet forum wiki. Thus, consumer becomes Prosumer—both producer and consumer of information goods. The proliferation of UGC has made a strong impact on consumers, media suppliers, and marketing professionals while necessitating research in order to understand both the short and long-term implications of this media content (Daugherty et al., 2008).

One of the main competitive advantages of the conversational media is that within the UGC, all digital media technologies are included, such as question-answer databases, digital video, blogging, podcasting, mobile phone photography and wikis. In addition to these technologies, user generated content may also employ a combination of open source, free software, and flexible licensing or related agreements to further reduce the barriers to collaboration, skill-building and discovery. As the consumption, creation, and distribution of UGC continues to

evolve, content aggregation tools and Web 2.0 applications built on Really Simple Syndication (RSS) technology will become more usable and accessible to consumers, helping create a manageable information space that is both customized and relevant (Daugherty et al., 2008).

Each step of the traditional value chain of media production—from concepts, know-how, and technology to content production, packaging, marketing and distribution—has a user-generated equivalent (Schaedel & Clement, 2010). This strategy allows social media to considerably increase market share and generate exponential returns for consumers and businesses. Those returns could vary for media businesses from sales, brand awareness, and customer service. A subset of this is that in the future, we will no longer search for products and services; rather they will find us via social media. Due to the speed in which social media enables communication, word of mouth now becomes world of mouth (Qualman, 2012). Therefore it is not surprising that there is considerable interest in the value of user generated content and its antecedents. Research shows that product reviews, for instance, influence consumer search and product choice, enhance sales forecast quality, affect product sales, and drive viewership (Chevalier & Mayzlin, 2006, Godes & Mayzlin, 2004, Li & Hitt, 2008).

There are three important hypothetical findings that define the network characteristics and the value of collaborative user-generated content:

Hypothesis 1. The market value of collaborative user generated content has a curvilinear (inverted U) relationship with the number of contributors to it.
Hypothesis 2. The market value of collaborative user generated content will be positively related to its embeddedness in the content-contributor network.
Hypothesis 3. The impact of (a) the number of contributors and (b) embeddedness on the market value of collaborative user-generated content declines with content age (Ransbotham, Kane and Lurie, 2012).

Christodoulides, Jevons and Bonhomme (2012) in their research "Memo to Marketers: Quantitative Evidence for Change How User-Generated Content Really Affects Brands", maintain that consumer perceptions of co-creation, community, and self-concept have a positive impact on UGC involvement that, in turn, positively affects consumer-based brand equity. A brand with stronger brand equity is likely to lead a more involving user-generated campaign through enhanced perceptions of co-creation, community, and empowerment.

User-generated content is a part of the development of collaborative information services and the usage of folksonomies. Folksonomies represents a collection of tags. The term folksonomy is a portmanteau of the words folk (or folks) and taxonomy that specifically refers to subject indexing systems created within Internet communities (Snuderl, 2008). Folksonomy has little to do with taxonomy—the latter refers to an ontological, hierarchical way of categorizing, while folksonomy establishes categories (each tag is a category) that are theoretically "equal" to each other (Snuderl, 2008). Folksonomies turn the classification system from criteria-centric into a resource-centric approach (Peters, 2009: 3).

On the other hand, Tags are a "bottom-up" type of classification, compared to hierarchies, which are "top-down" (Snuderl, 2008). Tags are keywords, entered as additional metadata to each uploaded file—words that describe the content according to author's opinion and experiences (Snuderl, 2008). So tagging is a method of categorizing information in a collaborative and decentralized way. Tagging, or using keywords to add metadata to shared content, is gaining much popularity in recent years. (Cattuto et al., 2007; Golder & Huberman, 2006; Marlow et al., 2006). Tags are used to annotate various types of content, including images, videos, bookmarks, and blogs, through web-based systems such as Flickr, YouTube, del.icio.us, and Technorati. The popularity of tagging is attributed, at least in part, to the benefits users gain from effective sharing and from organization of very large amounts of information (Ames & Naaman, 2007; Cattuto et al., 2007). Due to the fact that user participation is critical to the sustainability of content sharing communities, a collaborative tagging system cannot succeed without higher level of user contribution (Nov & Ye, 2010; Koh, Kim, Butler & Bock, 2007).

7.6 Content Re-purposing, Cross-Media Content and Global Convergence

Content re-purposing is particularly important because in the future, only media companies focusing on selling content and services in maximum quantities will manage to maintain a profitable position in this highly volatile market (Vizjak & Ringlstetter, 2003: 17). Moreover, the strategic management of cross-media content and platform is important because of two dominant reasons: (1) It increases the number of media distribution platforms and services, and (2) it diversifies a firms' corporate portfolios while reducing financial risk in highly volatile global markets.

The concept of cross-media content will integrate both the hypermedia and multimedia models. Cross-media and on-demand content offer the enormous content base (linear and nonlinear) as a part of web and social media content. In addition, on-demand web and social media services are able to promote premium, niche, and user generated content. As such, innovative services are based on convergent technological architecture (Bakos & Brynjolfsson, 2000). Due to the faster product life cycles, volatile markets, and increased competition, future cross-media services will be more interactive, dynamic, enhanced, and flexible. This enhanced technological and content integration will more efficiently stimulate the economies of aggregation that, in turn, will bring value added services to the media business and industry.

Moreover, globalization and convergence have created additional possibilities and incentives to repackage or to repurpose media content into as many different formats as is technically and commercially feasible (books, magazine serializations, television programs and formats, videos, etc.) and to sell those products through as many distribution channels, outlets, or windows in as many geographic markets and to as many paying consumers as possible (Doyle, 2002:

22). Accordingly, repurposing represents the joint emphasis of media firms on both the content and distribution.

7.7 Experience Economy

Due to the exponential increase of the web and internet media, it is necessary today to reorganize the media economy and business to deal with a new level of human needs, expectations and experiences. The aestheticization of hardware, software design and user interfaces that gradually took place throughout the industry in the decade following Joseph Pine and James H. Gilmore's book Experience Economy: Work is Theatre and Every Business a Stage (1999) fits very well with the idea of the "experience economy". In the age of social media, internet and mobile TV interaction with information devices became a designed experience (Manovich, 2012). In Manovich's opinion:

> . . . we can say that the three stages in the development of user interfaces—command-line interfaces of the 1970s (Unix), graphical user interfaces of the 1980s and 1990s (Mac OS), and the new sensual, highly aestheticized interfaces of the post-OS X era—can be correlated to the three stages of consumer economy as a whole: goods, services, and experiences. Command-line interfaces "deliver the goods": that is, they focus on pure functionality and utility. GUIs, in turn, add "service" to interfaces. And at the next stage, interfaces become "experiences". The concept of the experience economy works particularly well to explain how the physical interaction with technology objects—as opposed to their physical forms and screen interfaces—turned into a stage for delivering rich sensorial, immersive, visual, tactile and three-dimensional experiences (Manovich, 2012).

Therefore, the "experience economy" delivers a dynamic, decentralized, non/-linear, on-demand, interactive, immersive mode and habit of consumers' self-direction. In addition, consumers' experiences become a new source of value creation.

8 Main Paradigm Shifts in New/Social Media Over Old/Traditional Media

Although, both the old/traditional and new/social media can reach small or large audiences, there are many fundamental differences in terms of the competitive advantage in distribution, production, technology, market targeting that favor new/social media over old/traditional media. In the Tables 3 and 4, these marking differences are exposed in order to more effectively outline the major conceptual differences between new and old media.

Table 3 Main paradigm shifts in new/social media over old/traditional media

Old/traditional media	New/social, Web and UGC media
Industrial media dominantly produced by large multinational corporations	Personal media primarily produced by internet users
Top-down content production	Bottom-up content production
Centralized framework for organization, production, and dissemination of media One to many content distribution	Decentralized (network and on-demand) based media Many to many content distribution
Linear, One-way media communication	Interactive and immersive media communication
Reaching the audience	Connecting the audience
Passive users—Users as Recipients	Active users—Users as participants
Static media	Mobile media
Economies of scale	Economies of scope (Long tail Economics)
One-sided platform distribution	More diversified multi-platform (hypermedia and multimedia) distribution, less hierarchical, and distinguished by multiple points of production and utility
Less available and accessible to the public, distribution costs and viewing is more expensive	Generally available and accessible to the public at little or no cost
The time lag between communications produced by industrial media can be long (days, weeks, or even months)	Capable of virtually instantaneous responses; only the participants determine any delay in response
Once created content, it cannot be altered (once a magazine article is printed and distributed changes cannot be made to that same article)	Easily altered content by almost instantaneously editing and writing comments
Less creative content creation	More creative content creation
Storage capacity for media content is relatively low	Storage capacity for media content is very high Acts as an online database
Low level of content categorization and sharing	High level of content categorization, annotation and sharing: Widgets, collaborative tagging, social classification, social indexing, and social tagging, folksonomy
Less peer-to-peer power Publisher-centric	More peer-to-peer power User-centric model UGC—User generated content
Analogue	Digital media Digital convergence Mobile and wireless media Ambient media Augmented media Widget(ized) media Tagged media

Table 4 Main paradigm shifts in new/social media over old/traditional media

Two-dimensional media	3D media
Traditional market targeting (B2C and B2B marketing)	Better and more efficient market and consumer marketing (B2C and C2C) Nicheization Social network and online communities
Web 1.0 and web 2.0	Web 3.0 (semantic web) and Web 4.0 (symbiotic web)
Value chain	Value network
Collaborative consumption	Collaborative creation
Producer	Produser
Broadcasting	Narrowcasting, microcasting and egocasting
Interactive media	Immersive media
Consumerism	Prosumerism
Top-down organizational structure	Bottom up organizational structure
Upstream supply chain (push marketing, low-cost producers)	Downstream supply chain (customization, targetization, high margins)
One to many distribution	Many to many distribution
Symmetric information flow	Asymmetric information flow
First build a marketplace, than a community.	First build a community, than a marketplace.
Attention span is longer	Attention span is shorter
Owning the accessed content	Sharing the accessed content
Searching the data	Searching the metadata
Hardware based media	Software based (cloud) media
Demand is the king	Choice is the king
Industrial, tangible economy	Information, network, intangible, experience economy
Connect individual with the information/ content/product	Share content and experience among groups
Information based service	Conversation/Communication based service
Partial information access	24/7 information access
Place bounded media	Space bounded media
Individual/one screen media	Multi-screen media
Value is contained in transaction	Value is contained in relationship
Information based service	Conversation/Communication based service
Usage-based pricing	Access-based pricing

9 A Paradigm Shift in Social Media Content Production

When Web 2.0 applications emerged in 2005–2006, cultural theorist Henry Jenkins (2006: 24) was one of the first to notice a definite paradigm shift in the way social media content is produced and circulated: 'Audiences, empowered by these new technologies, occupying a space at the intersection between old and new media, are

demanding the right to participate within the culture.' The result, according to Jenkins, was a participatory culture which increasingly demanded room for ordinary citizens to wield media technologies—technologies that were once the privilege of capital-intensive industries—to express themselves and distribute those creations as they seem fit (Dijck, 2011). When 'old media' still reigned, media recipients had little direct power to shape the media content and faced enormous barriers to enter the marketplace, whereas 'the new digital environment expands the scope and reach of consumer activities' (Jenkins, 2006, 215). The technological opportunities seized by grassroots movements and individuals increase their creativity and provide a diverse palette of voices (Deuze, 2007).

Moreover, with the emergence of Web 2.0 applications, most prominently UGC-platforms, the qualification of 'user' has gradually entered the common parlance of media theorists (Livingstone, 2004). Users are generally referred to as active Internet-contributors, who put in a 'certain amount of creative effort' which is 'created outside of professional routines and platforms' (Dijck, 2011). Since the 1980s, the term 'prosumer' has been deployed by various academics to denote how user's agency hovers between the bipolar categories of producer versus consumer, and of professional versus consumer. New hybrid terms such as 'produser' and 'co-creator' have meanwhile entered academic discourse to accentuate user's increased production prowess (Bruns, 2007).

The ubiquity of Web 2.0 services has transformed the landscape of online content consumption (Szabo & Huberman, 2010). With the Web, content producers can reach an audience in numbers inconceivable through conventional channels. Examples of services that have made the exchange between producer and consumer possible on a global scale include video, photo, music sharing, blogs, wikis, social bookmarking, collaborative portals, and news aggregators, whereby content is submitted, perused, rated, and discussed by the user community. Portals often rank and categorize content based on past popularity and user appeal, especially for aggregators, where the "wisdom of the crowd" provides collaborative filtering to select submissions favored by as many visitors as possible. Over the last few years, the Web 2.0, now uniformly tagged as social media, has fundamentally shifted towards user-driven technologies such as blogs, social networks and video-sharing platforms (Smith, 2009).

Social media focus on both global and personal topics demonstrating how the future of content will be increasingly bottom up and consumer driven (Smith, 2009). Characteristics of user generated reviews and reviewers can affect ecommerce demand; feedback in blogs can affect the firms' pricing policies and the nature of competition; the attributes of user-generated search queries can affect the performance of search engine advertising, and the content of customer support dialogues can affect product design (Ghose & Ipeirotis, 2009).

In order to become flexible, adaptive, immediate and accessible social media have to develop personalized, immersive, customized, innovative, engaging and user-friendly applications and, services that can be easily accessed as well as shared. The strategic shift of media business moves toward Internet of Smart Things, Web 3.0 and Web 4.0, cloud media, personalized, ubiquitous, software

based, on-demand, wearable and database generated media and distributor of aggregated content (widgetization of media), Flattening of distribution chain, content aggregators and multiplatform distribution. Content and multiplatform distribution aggregators are the winners in the digital future as the availability and the internet speed significantly reduces the cost of media content as well as distribution.

Moreover, in the near future, contextual and behavioral micro targeting in advertising will be more prevalently supported by geospatial tagging, location-based marketing in which social interaction becomes a value. New media has to offer at the same time personal and intimate as well as multifaced experiences firstly attempting to build a community, than a marketplace.

Also, media consumption is not becoming exclusively about demand, but it is also becoming about choice that represents a prospective lock in and barrier entry into a new media ecosystem. Miniaturization in media production and ubiquitous access will inherently favor usage of social media via mobile phones.

10 The Business and Technological Impact of Media Convergence/Divergence

One important point that needs to be mentioned and analyzed is that media convergence refers to an evolutionary process, not an endpoint. It is not simply a technological shift, but it alters the relationship between existing technologies, industries, markets, genres, and audiences (Jenkins, 2006). Furthermore, convergence alters the logic by which media industries operate and by media consumers process news and influence public opinion.

The new media audience is being more divergent due to the increase of media production and its content. The media market is increasingly fragmented and users' taste is more versatile than ever. Different services and applications on the social networks create their own terminal and multiplatform ecosystem that is becoming increasingly unreachable to consumers unless they pay for premium services/applications. What we are now seeing is the distribution platforms converging while the content diverges.

However, a positive side of digital convergence is that it leads to a democratization of content because of the development of web 2.0; where users generate and upload content for a public access (Diehl & Karmatin, 2013). On the other hand, media convergence represents a risk for content producers and distribution operators since most of the new media companies fear a fragmentation or erosion of their markets. Valerie Feldman in her monographic publication 'Leveraging Mobile Media: Cross Media Strategy and Innovation Policy for Mobile Media Communication' further substantiate the competitive and technological advantage of media divergence over media convergence by stating that:

> Multiple utilization of content in the divergent media is one possible leverage for media companies to raise revenue potentials from existing media content and establish multiple revenue streams. The precondition is the production of platform—neutral content that enables repurposing of content according to the syntax specifications of different distribution platforms. The profitability in the media divergent production and distribution is achieved as the content becomes disaggregated and re-bundled according to the characteristics of the medium.

Thus, the development of multiple utilization of content decreases the technological and economical importance of media convergence. The proliferation of channels and the increasingly ubiquitous nature of computing and communications rather contributes to media divergence. Even on the device level, the plethora of specific devices does not suggest convergence, either, albeit digitization enforces technological convergence to some extent (Goldhammer, 2005). Yet, consumers' demand for context specificity as well as parallel media usage at the intersection of various media access modes, devices and contents rather suggest increase in media divergence (Cole, 2004).

Neverthless, Enlund and Lindskog (2000) describe how the range of information from a consumer perspective has widened, as content now is available in many more media channels than before. In this manner, interactivity and online media encourage divergence, but at the same time the technology behind the service and the production work flow, prior to distributing and broadcasting in the different channels, are converging (Appelgren, 2004).

Another important characteristic that further favourizes the media divergence over media convergence is the fact that in the digital media distribution channels and platforms the importance of intermediaries is largely minimized. However, one of the few media industry sectors that need media convergence in order to distribute efficiently its media content is IPTV. The reason for increasing interest in media convergence from the IPTV industry viewpoint consists in the fact that IPTV channels are dominantly distributed to prospective subscribers via telecom multiplatforms. Despite its reliance on media convergence the industrial sector of IPTV has achieved limited commercial success as presently only 6 % of the global TV viewers are payed IPTV subscribers. Moreover, the global future of IPTV market appears to be relatively uncertain as major international consulting and telecom agencies project that until 2018 the number of payed IPTV subscribers will increase approximately just 19 million per year.

It is advisable to point out that media divergence is particularly profitable if the media company decides to use the 'cloud' vendor lock-in. The main competitive advantage of the 'cloud' vendor lock-in is that it makes a customer dependent on a content producer/service/application or distribution channel/platform. This is explained as that typical customers are unable to use another vendor without substantial switching costs or inconvenience. This is predominantly the case when there is a lack of compatibility or, interoperability between content producer/service/application and distribution channel/platform.

11 Major Research Agenda

It seems clear that media entrepreneurs will continue to pursue various types of convergence-based business strategies. Thus, as a result of significant shifts in marketplace realities, convergence-based impacts and strategies are likely to become increasingly important elements of the studies conducted by media economics and management scholars as well as industry practitioners. This means that media researchers and executives need to continue to expand and improve their work in this area. Specific suggestions for improvement in the use of media convergence can be summarized as the following:

- Researchers need to do more in the way of empirical research in this area. Scholars need to design sophisticated empirical studies capable of quantitatively measuring and testing convergence-based theories and impacts. In particular, the author recommends that: (1) researchers adopt more sophisticated empirical methods to address empirical questions; (2) efforts be made to overcome the disciplinary fragmentation that afflicts the larger field of media economics (Fu and Wildman, 2008);
- As scholars plan future work focused on identifying the impact of media convergence, they need to pose and attempt to answer analytical, as opposed to descriptive, research questions (Wirth, 2003).

Some possible research questions scholars might utilize as a basis for future empirical research in this area include:

- What are the main differences between old and new media consumption patterns?
- How have various types of convergence affected old media/new media/telecommunication company performance (e.g., usability, consumer and choice demand)?
- How has convergence affected the availability of substitutes and complements within the media/telecommunication marketplace?
- How have the marketing strategies of media/telecommunication firms been affected by convergence?
- How have the value chains of old media/new media/telecommunication companies been affected by media convergence?
- How has the value creation process of old media/new media/telecommunication companies been affected by media convergence?
- How have the corporate financial strategies pursued by media/telecommunication firms been affected by convergence?
- How have the globalization merger and acquisition strategies pursued by media/telecommunication firms been affected by convergence?

In sum, convergence-based studies of media and telecommunications are still in an early stage of development (Wirth, 2003). As a result, there are a wide array of

possible studies and research directions available for scholars to pursue (Wirth, 2003). One of the major challenges faced by researchers as they conduct research in this area is to clearly define what they mean by *convergence*, and to then operationalize and measure convergence in social media so that they can assess its impact on the phenomenon under study. This will be efficiently done if researchers attempt to improve the Social Media Analytics and Measurement of ROI and examine its major parameters such as: Unique visitors, Member registrations, Interaction rate, Member Engagement rate (share files/documents), Product and Service Feedback, Social media follower, Website visitor, Transparency and participation, and comments per post.

12 Conclusion

The successful social media corporations will have to act more as corporate planners, as well as 'cloud', 'on-demand' and 'ubiquitous' content and distributor disaggregates, than traditional content and advertising providers. Moreover, with all these changes, media will need to accommodate various consumer lifestyles. In an increasingly global and mobile digital media landscape, it is easier than ever to reach a large audience, but it is harder than ever to effectively connect with it. The old media traditional preoccupation was to reach the audience, however, in the age of digital media globalization, new media companies have a twofold task to reach and connect the audience.

In summary, the second decade of the twenty-first century digital media is apparently becoming increasingly interactive, mobile, immersive, and ubiquitous. Furthermore, the future of the media appears to be specifically oriented towards the establishment of, networkes, 3D, on-demand, broadband and unicast as well as multimedia and hypermedia models of distribution, communication and content creation. Therefore, it is crucial that profitable digital media companies realize that media divergence can successfully perform as vendor lock-in, top-down corporate process and a bottom-up consumer-driven process.

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