

Diginomics

The Importance of Being (re)Born Digital

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Internet Age Newspaper

The Economics of Digital Goods

The Nature of Digital Goods

- ♦ Economic characteristics of digital goods:
 - ♦ Public goods: *Why pay for something you can obtain without paying?*
 - ♦ Durable goods: *What to do when each client and all her offsprings are lost forever?*
 - ♦ Experience goods: *How to know how much to pay when you don't know how much something is worth?*
- ♦ Why is it so important: such goods used to be rare, they now play a major role in the economy
- ♦ Each characteristic undermines firms' profitability: *Eventually, will companies get any money at all?*

Business models for digital goods

- ♦ Pretend nothing is different with digital goods or attempt to alter their nature
 - ♦ Use existing business models
- ♦ Acknowledge the economic characteristics of digital goods:
 - ♦ Advertising business models (Google, etc.)
 - ♦ Subscription business models (newspapers, MobileMe)
 - ♦ Tangible complement business model (Microsoft, Apple)
 - ♦ Tax funded business models (BBC)
- ♦ None of these business models can be generally applied
- ♦ *Is it possible to find new business models?*

The Internet Economics Jujitsu

- ♦ Instead of fighting against the economic nature of digital goods and against the rational behaviour of consumers
- ♦ The strength of digital goods can be used to develop individual incentives that are compatible with social welfare

How can economics help with digital economy?

- ◆ Economics can tell you:
 - ◆ Why so many people pirate and why firms and governments haven't been prevent it
 - ◆ Why Apple sells music while Napster rents it and why Microsoft dropped MSN for Zune.
 - ◆ Why DRMs are bound to fail and why recording companies have been forced to abandon them
 - ◆ Why Web 2.0 is inefficient and how to improve it
 - ◆ How to conciliate DRMs with privacy and find new business models for the digital economy

Key Questions

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- ♦ Is it still possible to fund the internet through advertising and is it a good solution?
- ♦ Now that users participate actively in the production of internet content, how does it change business models?
- ♦ Thinking outside the advertisement box: can we find new business models for Web 2.0 and beyond

Key questions

- ♦ Are endangered industries definitely lost or can they find a way to survive?
- ♦ How economics can help with such issues as piracy, privacy and identity?
- ♦ How can economics help provide incentives to go towards a “greater good”?

Questions from the public

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