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## GROUND RULES FOR THE 21<sup>ST</sup> CENTURY

### Chapter 5

#### WE ARE BECOMING PARTICIPANTS AND CO-CREATORS

If you are so unfortunate to catch a disease, it is likely that the first thing you will do is to look it up online. You can quickly become much wiser. There are articles, self-help groups, advertisements from pharmaceutical companies and clinics - you name it. And therefore we can go to our appointment at the doctor's armed with facts about what we believe is our ailment. The doctor's diagnosis and plan for treatment is no longer an indisputable truth, but a proposal that we can choose to follow and which we will probably give some scrutiny.

This is an entirely different relationship with the doctor's expertise than what was the norm just a few years ago: We no longer just take the experts advice as a given, we want a second opinion from another doctor, or we may even have researched our way to alternative treatments. Many use the social networks to draw on experience and support from others facing the same situation.

The traditional authorities of society are experiencing that their role is increasingly challenged by ordinary people who previously would not have questioned or argued with the experts. As citizens we double check the media information we get and we make our voices heard in the public debate, we are demanding about the ways our children are taught in school, we are demanding of the kind of service we receive from the government and municipality, and we are spoiled and critical in relation to the goods we consume and how they are produced.

In short, we are moving *from broadcasting to interaction*:

**We are moving from a situation in which a central agency possessed most of the expertise and power and therefore could send what it chose to the masses of homogeneous, passive recipients.**

**In the new model, participants at the periphery of the system have far greater influence. The game is shifting; now it's about a number of stakeholders interacting to jointly find a solution.**

We have all become *participants* and *co-creators*. To a much greater extent we have the opportunity to influence and participate in the shaping of what we consume. In many contexts we will see a blending of roles that used to be clearly separated: sender/receiver, performer/spectator, producer/consumer, politician/citizen, and teacher/student.

Although the roles rarely converge completely, there is obviously an increasing overlap - and in zone of overlapping is where we will be creating new opportunities, new demands, and new standards - and where we will have new clashes about power and responsibility.

As the British writer and consultant Charles Leadbeater puts it: We are moving from having things done *to* you and *for* you, to having things done *with* you and *by* you. Whether it's our education, a treatment in the health care system or the advertising we

receive, we will help to shape it ourselves.

### DIY experts

To my kids, it sounds like tales from a prehistoric period of grainy black and white images. But in fact it's not *that* long ago, when we were served and assisted much more. At the library, there was staff to check out books. You had to queue at the bank and at the post office to withdraw cash and pay bills. These were tasks that apparently required a certain expertise.

Today we do our own bank transfers, we find flights and book holidays, we check in at the airport, and we are seeing more supermarkets, where customers self-scan their items at checkout. In the U.S., the online service [www.123divorceme.com](http://www.123divorceme.com) guides couples that want a divorce, through the paperwork and procedures, avoiding having to pay an expensive attorney for assistance. As the website writes: Starting over has never been easier!

There are two sides to this. For companies, self-service is a welcome opportunity to save on staff by letting customers do the work. But as a customer it can also be an opportunity to get things exactly the way you want it and when you want it. In that sense, we are empowered. We have gotten more opportunity to intervene and influence the outcome.

### Participants in all countries, connect

You don't hear much about Karl Marx anymore. Marx's strength was his analysis of the mechanisms behind the capitalism of the industrial age. Marx described how capitalists could exploit the workers because they had a monopoly on the production facilities. Anybody couldn't just start producing cars, refrigerators or typewriters. It required that you had the capital to invest in building a factory, and once in business, you had to constantly expand to new markets, to finance building even better factories, in order to achieve even greater economies of scale and thereby becoming able to compete even better.

In principle, an artisan could try to build cars by hand at a small workshop, but in practice he had no a chance of developing and producing as good and inexpensive cars as Ford could on his massive assembly lines. The leading products of the industrialization: steamships, telegraph lines, railways, airplanes or mainframe computers all required huge investments and similar solid market share, and only a handful of giants would have the muscle to participate in this game as producers. The advent of personal computers and cheap broadband connections thoroughly turned that situation around. A very large part of the value creation in today's economy basically takes place by using a PC and an Internet connection. Today, most of us are working at a computer screen - not at an assembly line.

**The basic tools of production have become so cheap to acquire and so simple to operate that they are found in most homes in the developed world. With a PC and an Internet connection, almost anyone now has the opportunity to start a production or to participate in creating products and services that are offered in direct competition with global giants.**

### Democratization of the means of production

Not only can you sit at home and deliver information and services over the network – you can in fact operate like a multinational manufacturing company – but without

needing large-scale investments. It's not necessary to build a factory to manufacture cheaply. With a web search you can find sub-contractors and outsource the production to China or Vietnam. You can sell the products through eBay or Amazon, and thus use the same sales and distribution tools and networks as the big established companies. Courier services can serve customers anywhere in the world from day to day. You can advertise through Google Ad words, so no matter how obscure and narrow your product is, your ads for them will show up when someone somewhere on the planet searches for it. And if it's computing power you need, you can rent computing power and memory capacity as needed in *the cloud* from one of the major providers.

You can start at the kitchen table, and very quickly scale your production up or down, depending on how well your products are doing in the market. As Wired Magazine's editor Chris Anderson notes, the global supply chain has become *scale-free*: it is able to support both the start-up in the garage and the global giant.

The crucial part is whether you have a good idea that's of value to users - not whether you have a lot of initial capital or control a large production facility.

This suggests a completely different kind of businesses emerging; networking, outsourced, with partners and employees assembled for the occasion, flexible, global, and whose value consists of knowledge and ideas rather than machinery and buildings. In short, barriers to participation have been lowered dramatically compared to the old-fashioned industrial production, where the vast majority could only contribute as workers.

The Institute of Marketing and Management at the University of Southern Denmark in Odense has studied the impact of globalization on young Danish companies, and they found that a large proportion of new businesses are "Born Globals" - they are international from day one.

It used to be that businesses would start by selling locally, and then gradually expanded to be nationwide and eventually internationally oriented. Today, there's a new generation of start-ups, which are oriented towards a global market from the start - and likewise, are immediately facing competition from anywhere. 85% of all Danish startups have international operations within three years.

#### We-media shows how the masses can be co-creators

Media is the industry in which you most clearly see how individuals can challenge the large and established companies without much more equipment than a PC. An example of the new, more participatory "we-media" is the U.S. site, the Huffington Post, which began in 2005 as a blog written by Arianna Huffington and a few friends. It has since evolved into a fairly extensive site with several hundred employees, and in 2011 it was acquired by AOL. At this writing, the Huffington Post ranks as the 18th most read news media online - comfortably ahead of old "big" media as Newsweek, Time magazine and Financial Times.

With about 2 million monthly visitors BoingBoing.net is one of the most widely read blogs about media, IT and Internet culture. The content is written mainly by just 5 people - yet another example that you can have enormous influence, without starting with much more than a laptop and an Internet connection.

Finally, there is Wikipedia, which currently has 280 million visitors per month - but a staff of only 25 people.

On the list of the ten most visited websites, six of the sites mainly consist of content that users contribute: YouTube, MySpace, Facebook, Blogger, Chinese QQ and Wikipedia. These sites are global mass media, and they are indications that a very significant part of all the information online is user created. Participation and co-creation is no longer a niche phenomenon, it is normal.

#### Releasing the creative potential

Yochai Benkler, a professor of law at Harvard University, has studied how the traditional distinctions between producers and consumers have begun to blur. As he says, there is decentralization of the inputs and of the production processes taking place. One reason, according to Benkler, is that a new type of objects have emerged that can be used both to consume and to produce.

In front of the TV you can only have the role as a *consumer* - you can only choose to accept what others are broadcasting or not. In front of the PC you are a *user*, because the computer is a two-way connection. One can intervene, change and add to the stream of information. The same applies to the mobile phone. The handset is rapidly becoming a platform that can deliver many of the services that we used to get from our PC: movies, music, news, traffic reports, etc. But the phone can also be used to upload video clips or other information that can be used by others. It is a tool for participation.

One of the consequences of lowering the threshold for participation is the release of an enormous creative potential. Clay Shirky, professor at New York University's Interactive Television Program, points out that there is a large surplus of brain activity that could be exploited much better with the new digital media. He calls it the "cognitive surplus" – and he predicts that far more of it can be recruited and engaged in the development of society. .

In 2009, an average Dane watched TV for 3 hours and 9 minutes a day - equivalent to more than 140 full working days annually. Clay Shirky has done a loose calculation that Americans collectively spend 200 million hours watching TV commercials every weekend. In other words, very significant amounts of time are currently spent on passively receiving.

You can sneer at people who spend hours building digital fantasy worlds or chatting with friends on Facebook, but if the alternative is to watch sports and game shows, the online media represent a significant step towards being more active and creative. As Clay Shirky puts it: *The real gap is between doing nothing and doing something.* So far we have only been able to sit receiving passively, and although there certainly are no signs that we will leave the traditional consumer role entirely, the balance does not need to shift very much towards interactivity and participation, before the many small and big efforts that this will release can become a significant new factor in shaping society.

#### Instant shift from local to global

Until recently, when TV or newspapers had to resort to using photos that an amateur had taken, it was explicitly pointed out that this was an "amateur photo". In today's news stream super sharp, professional shots appear alongside grainy, slightly blurry photos that were obviously not taken by a professional photographer. But often it's those "amateur-pictures" which have the greatest impact. The images of American torture in the Abu Ghraib prison, the phone video recording of Saddam Hussein's hanging, pictures from demonstrations in Burma or Tibet, tweets from demonstrators

in the Middle East – these are images and messages that we would not have seen in the past, but that now have become an important and recurring factor in political battles.

Any of the billions of cameras or PCs that exist in the world, can almost instantly be transformed into a transmitter with global reach. If it captures the right information at the right time the scaling up to global distribution is friction free. The photos can follow a continuous digital chain, right from the mobile phones up to satellite TV - in much the same manner as the resourceful entrepreneur can scale directly from the workshop in the garage to the world market. TV stations and newspapers are regularly calling for people who are living in inaccessible areas that suddenly happen to become hotspots to contribute with photos and reporting. As they say in the BBC: It is important to involve "the people formerly known as the Audience".

The tools for participation are changing the balance of power. The markets - whether it's for products, services or media - are becoming more fluid, restless and nervous. The established players are less secure in their position, and the pace at which a dominant player in the market gets replaced by another is accelerating.

With two-way media it is no longer just a few who get to control what the many will see or not see. Media storms can stir up in no time, public awareness and acceptance can change very quickly and at very large scale, and politicians and corporate information officers must be constantly alert to the risk that they might suddenly be the ones that are caught in the spotlight of global attention.

In a tightly integrated system where more and more players have increasing opportunity to exchange information, you can never know when or from where the next big change will come.

**It has a number of consequences that the tools to produce media have become so widespread:**

- **Audiences can assume a new role: as participants and co-creators of media content. Far more people have an opportunity to be heard and to contribute to global awareness and decision making**
- **There will be fewer opportunities to hide questionable activities**
- **There are much more efficient ways available to disseminate learning and experience**
- **Public debate and sentiment can change suddenly and unpredictably, because new information that changes the situation completely, can appear from anywhere and affect the global debate, almost from one hour to the next**

**It is not just small contributors who can have a large impact rapidly. Obviously, this goes for the large players as well. It takes very short time to spread the same product, the same movie or software globally – and the spreading can happen faster the less it is tied to physical production and distribution.**

There is room for the obscure in the long tail

To sum up, we can look at the evolution towards greater participation from two sides:

- *From the producer's perspective* the means of production are being democratized.

The barriers to participation are lowered, and lush undergrowth of millions of people have begun creating their own blogs, record companies, mail order companies and design firms.

- *Seen from the consumer's perspective* choices have dramatically increased. If there's

some obscure special interest or special requirements you might have, then chances are that someone out there somewhere on the global network, will be offering exactly that.

In short: There are more people and companies producing, and choice is far greater. But there is more to it. It has also become quick and easy for a consumer anywhere on the globe to access the entire range of offerings. Even for the smallest producers the market has become global.

*The long tail* is one way to describe the increasing diversity of inputs and choices in the marketplace. The term was coined by Chris Anderson, editor-in-chief of Wired Magazine in 2006 and it went straight into the charts of current buzzwords.

The Long Tail concept is simple enough to draw on the nearest napkin or whiteboard. It's an exponential curve that starts at its highest in the left side and then rapidly levels off, continuing to diminish far out of the right side of the x-axis.

The long tail curve shows the distribution of sales of one type of goods - for example music: A few blockbusters sell a lot of copies, but if you move just a few places down the list, sales start dropping significantly. The same pattern is evident for films and books – or even for most of all the groceries we buy.

If you are a retailer, it is important to draw a line just before the sales curve flattens out, and limit your range of products in the shop to those that sell really well. This mechanism brutally divides the world into hits and misses: A few hits get all the attention, the rest effectively disappear. If there is only room for 3000 different products on the shelves in a shop, well, then product number 3001 will drop out of sight for consumers, and sales will fall accordingly.

Chris Anderson, however, noticed that the situation is different when the number of different items is not limited by the amount of space on store shelves. Online retailers like Amazon or iTunes can offer any number of titles. And it turns out that even the most obscure publications sell some. Not much, but because the cost of keeping them on offer is so low, it is still possible to make money – even for a title which might only be sold once a year. A quarter of Amazon's sales are books that are positioned below the first 100,000 top-selling titles, but this part of the market – the long tail – could not previously be served in a profitable manner. You simply could not be present in the market without a certain volume of sales.

### **Three key trends enable the long tail:**

**1. The democratization of the means of production. As mentioned, the threshold for participating as a producer in the global marketplace has been lowered significantly. Therefore, many more different products from many more manufacturers are offered.**

**2. Infinite space on the shelves. Distribution over the Internet removes the physical limitations of the traditional, physical store and makes it possible to sell niche products without losing the scope and effectiveness of mass production. This is especially true when the product consists of data that can be distributed online.**

**3. Filters enable buyers and sellers to find each other. With search engines and recommendation systems to provide evaluations of products it becomes possible**

**to navigate through a huge range of offering. With Amazon or Google it takes no more clicks to find a special book on some obscure topic than it does finding a blockbuster like Harry Potter.**

The market is uniform in the head and diverse in the tail

Will this mean that consumers are split into millions of niches, each sticking to exclusively to their personal interest? Will we stop seeing the same movies, hearing the same hits and reading the same books?

It's more likely that the result will be a *polarization* of the market. We will still crowd around the blockbusters - but a growing share of our consumption will consist of something that is either specifically assembled for us or which addresses some particular interest that we don't share with all that many others.

None of us can overcome to seek out personalized versions of every item we use. In most cases we are fine with the mainstream product - and that standard product will increasingly be exactly the same as everyone else chooses. We have an enormous range of choices, but it is the same global supply everywhere – catering to the head-end of the market.

Blockbusters certainly have cultural merits. We like to share experiences with others, we like to be part of the same game as those around us, and we want to keep up with what's going on in the popular culture. But we all have some areas and some interests where we are NOT like the others, and where the products and services we seek can hardly be *too* specialized – whether it's a professional niche or a hobby... That's the tail of the market.

The Motivation and business logic is different in the head and tail ends

The head and tail ends of the market work according to quite different logics. As a supplier to the head-end, it's all about producing one-size-fits-all products that are interesting to most, and which do not offend anyone. Somewhat sarcastically, one can say that the goal is to find the lowest common denominator.

In the tail end, however, producers are not necessarily trying to attract a large audience - let alone to make money. There are completely overwhelming, exploding volumes of amateur content out there: bands that post their recordings on MySpace, aspiring filmmakers uploading their clips to YouTube. There are blogs, read only by a handful of friends, and photographers and artists who upload to online galleries that they themselves may be the only ones who visit.

As Jochi Ito, a pioneer in the development of the Internet's potential, has said it: It's people who express themselves because they have something they want to say - not to earn money.

It is interesting that these two types of production often meet on the same playing field – and when it happens you see two very different logics clashing.

Again, this is particularly clear within digital media. The quality found out in the tail end can be shaky and, frankly, unbelievably lousy. But *some of it* is brilliant – even to an audience beyond the producers and their closest acquaintances. Often a gem will suddenly zoom from the intimate sphere to global fame – from way out in the tail end right up to the head-end. A cute clip of a kitten, a catchy music video, a funny joke ... If it's good, we'll send it along to our friends who in turn send it on to their friends, and some of them might refer to it on their blog and so it rolls out across the globe. Each day has its amateur star, and on YouTube's list of the most viewed clips there is

roughly an equal numbers of professionally produced videos and clips that are clearly not made with a commercial purpose. But both types can become real, global hits, with millions of viewers.

**Although a large part of the productions in the long tail are not commercially motivated, and although there are very few amateur productions that make their authors any real money, the diversity of obscure content in the tail end is never the less in direct competition with the Blockbusters in head end.**

**What they are competing for is attention. Attention is a finite and scarce resource. There is a finite number of hours a day, so the time, which people spend watching amateur clips, is drawn directly from the time that could instead be filled by commercial media.**

It gets really tricky, because it is also a clash of two very different philosophies concerning intellectual property and copyright. The participants are simply not playing by the same rules. On YouTube there are lots of video clips that were originally produced commercially, but which have then been posted by amateurs. Many of the clips are evidently just lifted from a TV-screen with a video camera and then uploaded - presumably by fans that wanted to share their experience with others. It may well be an advantage for the producer. If you want to spread a message, one of the most effective ways is to make your content so interesting that users themselves will forward it each other, upload it to YouTube and link to it on their blogs. It's called *viral marketing*: When the message is spread from person to person, almost like an infection.

Conversely, if one would rather keep control of the content and prevent it from spreading freely it can be highly frustrating to fight a network of eager forwarders and sharers. *Information wants to be free*, as the well-worn slogan says; it's hard to tie information down. If audiences want information, they will take it and release it to everyone else - no matter how many threatening legal notices producers force their audiences to endure at the beginning of DVDs, movies or concerts.

Remixes of music or video are another example of the clash between commercial and amateur activities. Homemade sequences and material sampled from commercial productions, thoroughly remixed, cut and pasted, often with plenty of added effects. As long as a remix does not circulate beyond ones circle of close friends, then it will hardly be noticed by the commercial sector. But when a remix video with bits of proprietary content suddenly hits and gets millions of clicks, the lawyers will start moving. Companies that have invested heavily in creating commercial content will not simply accept losing market share to amateurs, who are using the commercial producers' precious content as raw material for their moment of fame.

#### Blockbuster and unique, simultaneously

What results is an interesting hybrid zone where two different paradigms increasingly overlap. The old commercial model of protecting and limiting access to material, will share the playing field with amateurs who wish to comment, combine and share their ideas.

The clash between the head and tail-end cultures is evident in the media, but the same clash of logics will prevail in many other industries, as it becomes possible to copy and remix the information that gives a product value.



But it doesn't have to be a clash. Consumers want products and services that precisely suit their personal needs - that's why they venture out into the diversity of the tail end. Companies in the commercial head-end market may well have an interest in moving further out into the tail end, and one of the ways to do so may be by involving customers as co-creators rather than as just passive recipients of ready-made products. By offering customers the ability to configure and combine colors, materials, equipment, design, etc. a company can provide products that are *both* blockbusters and personalized. We're already seeing it, not only in goods but also services like travel, insurance and education: The consumer is assembling a product that nobody or very few others have exactly alike, and thus it becomes difficult to say exactly where the result belongs on the long tail curve.

**This is one of the key strategic elements for the 21st century: We are becoming participants and co-creators. The familiar, clearly demarcated roles as either consumer or producer, either amateur or professional will increasingly dissolve.**

More people will have the possibility of starting their own businesses and to make their own contributions to the market or the media. But many more - virtually everyone - will be co-creators of the products they use because we will be in much closer interaction with the suppliers. Processes that invite users to configure and customize will increasingly replace the finished, uniform products. That will be the topic of the next chapter.