

# **Crowdfunding and the valorisation of cultural goods: Towards greater cultural diversity?**

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## **Abstract**

This article provides a general exploration of the development prospects of crowdfunding and its capacity as an economic model to bring about significant change in cultural sectors by offering an alternative to the bestseller and long-tail models. After revisiting the notion of cultural diversity and proposing the alternative idea of “creative diversity”, we explore two scenarios: in the first, crowdfunding is seen simply in the role of an incubator, in which, apart from providing additional resources for the big players, it simply structures the creative pool by raising the profile of creative innovation, organises a more systematic project screening process and spreads the inherent costs across all contributors (the “crowd”). In the second scenario, crowdfunding is seen as the source of a new ecosystem of creative diversity in which the crowdfunding platforms are not simply content to finance and feed content to the dominant platforms, but also support artistic projects once produced; in so doing, they sustain an ensemble of “local artistic networks”, linked together on a “small-world” basis, which could coexist with – or even challenge – the dominant economic players and models.

## **Keywords**

Cultural diversity – Best-seller – Long Tail – Crowdfunding

## **Introduction**

The cultural sectors today are characterised by a contradiction: while the consumption of cultural goods is generally highly concentrated, we are witnessing increasing diversity in the production of these goods. This is explained by factors that are well known to economists and sociologists of culture (Caves, 2000): on the supply side, in particular, producer strategies designed to reduce the risk inherent in these markets result in “multiple trials” while marketing efforts concentrate on a few star products; on the demand side, imitative consumer behaviour in response to experience goods and uncertainty about the quality of cultural goods, result in a wide consensus around a handful of works and artists. Until recently, therefore, increasing the diversity of supply has had only a limited impact on the diversity of consumption.

This old debate about cultural diversity and its contradictions could, however, be revived with the development of the Internet and, more recently, of the participatory web. A

number of studies, triggered by a 2004 article by Chris Anderson in *Wired* magazine, have explored the “long-tail” model as an alternative to the dominant best-seller model. In the long tail process, the digital distribution of cultural goods is expected to significantly enhance cultural diversity and, more specifically, the diversity of what is exposed and consumed. This very sensitive question touches the very fundamentals of the economic organisation of the culture sectors and of the cultural policies espoused to promote cultural diversity.

The recent development of crowdfunding would seem to accelerate the shift towards economic models that exploit the long tail or at least their coexistence with bestseller models. Artistic projects find finance but also new channels of promotion through the very digital social networks that underpin crowdfunding. This article seeks to investigate the capacity of this economic model to significantly transform the culture sectors, by offering an alternative to the bestseller and long tail models.

After revisiting the notion of cultural diversity, we explore two scenarios: in the first, crowdfunding is seen simply in the role of an incubator, in which, apart from providing additional resources for the big players, it simply structures the creative pool by raising the profile of creative innovation, organises a more systematic project screening process and spreads the inherent costs across all contributors (the “crowd”). In this scenario, projects that have funding but are not selected by the dominant distributors/disseminators, swell the ranks of the long tail by using it as a means of achieving distribution. In the second scenario, crowdfunding is the source of a new ecosystem of creative diversity in which the platforms are not simply content to finance and feed content to the dominant platforms, but also support artistic projects once produced; in so doing, they sustain an ensemble of “local artistic networks”, linked together on a “small-world” basis, which could coexist with – or even challenge – the dominant economic players and models.

## **1. From cultural diversity to creative diversity**

Cultural diversity raises obvious political, social and economic questions. In particular on three levels: the importance of culture in individual practices and in the life of society; the economic impact of creativity and the culture sectors on other key sectors such as audiovisual, fixed and mobile Internet services or indeed tourism; the medium- and long-term structural effects of cultural diversity on the international attractiveness of the big urban centres and on spatial planning at local level. With respect to such questions, the arrival of the Internet giants (the famous foursome Google-Apple-Facebook-Amazon) undoubtedly generates opportunities for innovation in services and practices, but could also undermine – to the sole benefit of these big players – cultural ecosystems (publishing, cinema, etc.) that are based on ultimately fragile balances, and could thereby eventually threaten cultural diversity (Rallet & Rochelandet, 2012).

However, this question has only recently received significant research attention, though usually from the perspective of a single discipline (Benhamou & Peltier, 2007, Benghozi & Benhamou, 2008, Bourreau *et al.*, 2011, Guillon, 2011). In fact, the relations between digital innovations and cultural diversity are a recurrent question, but one that is often tackled in the wrong way. Firstly, because the impact of digitisation does not occur in isolation, but through cofactors. It is pointless to ask whether a given online service increases or reduces cultural diversity, especially as the empirical results prove contradictory (cf. Special number of the magazine *Réseaux*, 2012). We believe it is more

relevant to determine the *conditions under which* digitisation can produce greater cultural diversity. Secondly, because the notion of cultural diversity is itself a very vague: does it refer to the variety of supply, the variety of the products distributed, or the diversity of the goods that attract attention...?

This first section will therefore explore the notion of cultural diversity and the way it is affected by the different economic models developing on the Internet.

### **1.1. Nature and diversity of diversity**

Cultural diversity is usually invoked in the public sphere to justify cultural policies and international trade measures, without ever being really defined. The indices of cultural diversity can multiply like hotcakes, but the relevance of the analyses and comparisons often bundled in with the concept is open to question. All thinking about cultural diversity comes up against the definition of what is a multidimensional phenomenon. We have no pretensions to settle this problem, but simply offer a change of perspective.

*Variety, disparity, balance...*

In economics, diversity is generally reduced to the notion of variety, i.e. the number of products available on a market. The principle of preference for diversity postulated by Dixit and Stiglitz in their 1977 model of monopolistic competition thus means that, when offered two basket of goods at the same price, the consumer will choose the one that contains the largest number of products.

However, the number of products on offer does not exhaust the notion of diversity. There are also qualitative differences. For a given number of products, the diversity will be greater if the “distances” between products are large. This criterion is harder to measure, because the differences are qualitative. However, it can be tackled through large distinctions (popular culture/scholarly culture, national/international, public/private...) or through the variety of sub-genres available within an artistic discipline (in film – documentaries, comedies, dramas...) or different qualities within a single genre (blockbusters, arthouse...).

In addition to these two criteria of diversity, which he calls “variety” and “disparity”, Stirling (1999) offers a third, the existence of a certain balance between categories. On this account, the closer the proportions between categories, the more diversity will be maintained. Diversity would fail if arthouse cinema or scholarly culture were reduced to a minimum by blockbusters or popular culture.<sup>1</sup>

The balance criterion is the most arguable, because a close similarity in the proportions between categories is needed to conclude that cultural diversity has been achieved. However, close similarity is tricky, because the proportion of arthouse films – and even more so their share of the movie industry’s revenues – will never rival that of blockbusters. If we abandon the criterion of equal proportions, should we fall back on a minimum percentage below which the presence of a category will be deemed insignificant? Or else choose a proportion in between (a third, a quarter...?). In fact, “balance” is undetermined and can only arise from a political decision, such as France’s

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<sup>1</sup> Stirling seeks to construct a diversity index that is a synthesis of the three criteria. For an exploration of the criteria of cultural diversity applied to the book world, see Benhamou and Peltier (2007).

quotas for French language songs on the radio or programmes of French or European origin on TV.

### *Diversity of supply and preference heterogeneity*

This approach offers the essential advantage of implicitly assuming the possibility of defining intrinsic diversity. However, from our point of view, cultural diversity relates to consumer preferences. None of the three criteria (variety, disparity, balance) can be defined independently of these preferences.

The number of works produced (variety) cannot be assessed without considering the extent to which tastes are dispersed. In other words, 5 different works in principle introduce greater variety if there are 5 different tastes than if there are 10. Likewise for disparity: the qualitative differences between categories depend on the distances between preferences. A given difference between two categories will be greater in a highly heterogeneous system of preferences than in a system where preferences are more uniform. Finally, the relative approach to diversity provides a solution to the problem of the balance criterion. It would assume that the proportion of the categories brought to the market is equal to the proportion of the preferences for one or other of the categories within the population.

All else being equal, diversity will be maintained all the more if the qualitative dispersal of works increases in relation to the dispersal of preferences. In this way, cultural diversity can be defined as a *system of relations* between the diversity of works and the heterogeneity of consumer preferences. The diversity will therefore be greater when consumers with specific preferences are able to find the goods that correspond to those preferences. For a given system of preferences, diversity diminishes/increases if the degree of heterogeneity of the goods falls/rises.

However, it is possible to provide two versions of cultural diversity: a *synchronic* version and a *diachronic* version.

Statically, cultural diversity relies on the quality of the match between the characteristics of goods and preferences. Cultural diversity exists if individuals find the works on the market that correspond to their tastes. It will be seen as restricted if there is less diversity of goods than heterogeneity of tastes. Note that it is implicitly assumed that each individual has a preference for cultural diversity. In fact, the sociology of culture sometimes shows the reverse, i.e. individuals preferring to restrict the diversity of their tastes (cultural snobbery, religious beliefs...). In addition, in an attention economy, individuals may prefer to have to make fewer choices when the range of possible choices imposes excessive cognitive and informational costs. Nevertheless, it would be a questionable theoretical shortcut to postulate a preference for less cultural diversity on these grounds: individuals do not want their choices restricted so much as a preselection of works that are likely to match their preferences.

Dynamically, there is an interaction between diversity of goods and preference heterogeneity. An increase in the diversity of goods tends to transform consumer preference systems. It broadens their tastes, whereas a reduction in the diversity of goods impoverishes their tastes. Conversely, a broadening in consumer tastes drives diversification in the goods produced, while a reduction in preference heterogeneity tends to restrict the diversity of goods on offer. Each side (goods produced, consumer

preferences) of the matching system that defines cultural diversity is thus partly endogenous. This system can form part of a virtuous circle (growing diversity of goods matched by a qualitative expansion of preferences), in which case cultural diversity increases. However, it can also work the other way or become frozen when there is too little diversity of goods to generate consumer aspirations to widen their preferences or when preference heterogeneity is too low to encourage producers to diversify their range of goods. This then justifies exogenous action on the supply side (e.g. subsidies for creative activity) or on the preference side (educational measures or measures to increase consumer exposure).

The big question is whether cultural diversity defined as a dynamic matching system can be achieved simply by making both sides of the system endogenous or whether exogenous intervention is required to trigger a positive dynamic. In order to grasp this process better, we need to understand the economic models through which it operates.

## **1.2. Bestseller vs. Long Tail**

The literature identifies two major models: the bestseller and, more recently, the long tail. What they have in common is the two characteristics of digitisation: the increase in the variety produced and unlimited capacity for spatial and temporal exposure. Nonetheless, there is no automatic match between the diversity of consumer tastes and the variety of goods produced. All depends on the methods of prescription.

### *The bestseller model*

This is currently the dominant model. Publishers and distributors, as both the organisers and beneficiaries of this model, have every reason to keep it going by making minor adjustments without any fundamental challenges.

This model is organised around the star system (Rosen, 1981, Adler, 1985, Benhamou, 2002): the market and revenues are concentrated around a few artists. The wish of producers to avoid the ups and downs of demand for cultural goods by exploiting the star system and through mass marketing techniques focusing on a few preformatted goods, is reflected in the rapid turnover of the goods in the stores. In this system, goods are prescribed by means of concerted action by producers and distributors upstream of the market, culminating in something close to an injunction to consume a given cultural product. The injunction is not total, because the market must be given the chance to review the prescription in order to focus their exposure on the bestselling products. The producers formulate the initial prescription and the distributors have the last word based on the information they collect on levels of demand.

This practice prevents the development of demand for “difficult” works, those that do not correspond to established tastes or represent an innovation on such tastes. The time and scope of exposure in the distribution systems are not sufficient for the word-of-mouth process to widen the circle of consumers beyond an initial coterie of fans. The vast majority of these non-preformatted or niche works are then forgotten or left to the small distributors. As a result, many creators earn too little to make a decent living from what they produce. The maintenance of cultural diversity, in the sense of the survival of these authors, depends largely on state funding and private sponsors both on the production

side (income subsidies for authors) and on the distribution side.<sup>2</sup> It also depends on producers transferring to authors of part of the money they make from bestsellers, for the purpose of refurbishing the pool, a condition of the survival of the model, since the same authors cannot always be at the top of the bestseller list.

### *The marginal changes brought about by digitisation*

Digitisation offers great potential for change but the real changes have been marginal, since the parties who benefit from this model (successful authors, their publishers, the big distributors) strive to limit those effects of digitisation that threaten their revenues and to exploit those that increase them.

Initially, digitisation represented a threat to their interests, because of the phenomenon of illegal downloads. These practices were simply a reflection of the nature of digitised works as collective goods (noncompeting and non-exclusive) and their production characteristics (high fixed costs, zero marginal costs of reproduction and distribution). Because of this, free distribution is economically legitimate. The only problem concerns incentives: how do you fund the production of the work and give the author an income so that he or she continues to produce?

This very real problem should be distinguished from the economically distinct problem of distribution: on the one hand, producing a work entails a high fixed cost which must be covered by a return; on the other hand, distribution of the work costs nothing,<sup>3</sup> whether to the producer who reproduces and distributes it at no cost, or to the consumer who can pass it on without letting it go. The logical conclusion is to disconnect the payment of authors-publishers from the pricing of distribution. We know that the recognition of and response to this disconnection is central to the invention of new digital business models.

However, the beneficiaries of the bestseller model are opposed to this disconnection: they want to retain the link between the number of copies sold and what they earn in order to maintain their revenues. However, to promote online sales as an alternative to illegal downloading, they have been obliged to adapt their distribution method, but only at the edges. In music, for example, they have given up on the proprietary formats which were hindering the development of online purchase and album sales have been replaced by sales of individual songs.

Prescription has also evolved, but again without affecting the fundamentals of the model. For example, the distributors have introduced consumer reviews alongside mass marketing, thereby correcting the quasi-injunction with meta-information provided by consumer communities (Bourreau & Gensollen, 2003). Far from contradicting the Pareto principle, however, this word-of-mouth based “social network effect” results in the convergence of individual choices around a mean (Banerjee, 1992, Bikhchandani, 1998). Social networks can be used by distributors as another way of revising their selections to reflect the imponderables inherent in purchasing decisions. Alongside the retrospective

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<sup>2</sup> The French law imposing a single price for books has thus ensured the survival of small bookshops which steer readers towards greater diversity.

<sup>3</sup> Here we are talking about the “technical” costs of distribution. We classify marketing costs, which are high in the bestseller model, amongst fixed production costs.

review process provided by the market, social networks can potentially be exploited as a source of social conformism.<sup>4</sup>

### *The long tail, an alternative to the bestseller*

The principle of the long tail (Anderson, 2004, 2006, Brynjolfsson *et al.*, 2006, Brynjolfsson *et al.*, 2007, Elberse & Oberholzer-Gee, 2008) is simple: since 80% of demand is concentrated on a small number of cultural goods, there exists an unexploited market potential. The long-tail model therefore consists in exploiting this potential by monetising the end of the tail. In principle, therefore, it is complementary to the bestseller model. For its most enthusiastic advocates, it is even a serious competitor in its ability to “thicken” this long tail to the detriment of the bestsellers.

Digitisation offers the possibility of exploiting the long tail through the unlimited exposure of works, the reduction in storage and transport costs (electronic or physical) and the use of consumer search and taste matching tools. It becomes technically possible and economically viable to sell previously unsuccessful or niche market products. On the one hand, the increase in the number of online products available increases the length of the long tail. On the other hand, online prescription thickens the tail through a variety of decentralised marketing methods.

In the music sphere, these methods of prescription initially took the form of P2P networks. By assembling a large number of very different works, and at the same time providing shared information on them, they introduced consumers to unfamiliar kinds of music, thereby widening their taste and creating the potential conditions for exploiting the long tail. Real as it is, however, this discovery effect is counterbalanced by the majority tendency to imitation, which reinforces the audience for successful works. On its own, the P2P network is not enough to popularise the back catalogue.

That is why other prescribers, outside the distribution network, play a role in this model by publicising the back catalogue. For example, there are the specialist magazines, though these themselves are sometimes swamped with mass advertising (Creton, 2000, Debenedetti, 2006) and, more recently and on a massive scale, blogs or communities specialising in one particular cultural genre or another. These turn the informed amateur, a specialist in a particular musical or cinematic genre, into a prescriber of cultural goods, by providing a wide audience. However, for such individuals to become professional agents, the distributors need to make them a sustained part of the economic model by paying them. But value transfers between actors on the web are at present neither formalised nor stabilised, in the absence of a clear and viable business model. There would be no need for payment if this function were performed by a community working through a mutual exchange of information, but the problem then is to maintain the stability of the community over time and its relationship with commercial operators.

Finally, the computerised systems of recommendation built into the platforms founded on the long tail principle (Amazon, Netflix...) play an important (Anderson, 2006) but ambivalent role. They give a better match between goods and tastes based on information

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<sup>4</sup> It could be maintained that there is also a difference in nature: the market is a blind mechanism, whereas the social network effect could be seen as a deliberative mechanism which provides an opportunity, through public debate, to alert consumers about interesting works that fall outside the bestseller norm. However, this aspect should not be overstated: opinions that deviate from the average view on a forum appended to a distributor’s website have no more knock-on effects than minority purchases of a “difficult” work on the market.

disclosed by consumers (opinions posted, purchase history). However, they can also result in preference uniformity arising from the automated suggestions and selections generated by the algorithms used to process data on access, consumption, evaluation, or even interaction with web users (Konstan and Riedl, 2012)<sup>5</sup>.

This model undoubtedly adds diversity to the current system: provided that the recommendation message is viable, it increases the visibility of previously unexposed works. Up to now, however, it has also demonstrated significant limitations. The business models based on the use of the long tail in fact do no more than boost the value of works that have sold little or not at all, which have failed according to marketing canons but are good enough to have been produced and digitised. While they expand access to the variety of existing works, long-tail microsalses in no way inherently guarantee the funding of new works, especially independent or less accessible works, or ensure the survival of small production structures. As things stand, the main impact of this model is to revitalise back catalogues and to clear unsold inventory produced or distributed by the big players. The big winners in this model are primarily the likes of Amazon, Netflix, Spotify... , which do not finance emerging artistic projects but increase their revenues through commission levied on every micro-sale made on their platforms.

In conclusion, the model provides a better match between diversity of supply and preference heterogeneity, but remains static in nature. Since the “long tail” model does not exhaust the question of cultural diversity, a third remains to be explored, that of creative diversity.

### **1.3. A latent model: creative diversity**

In a previous study (Rallet & Rochelandet, 2012), we identified an alternative model to the bestseller and the long tail. Whereas the latter essentially entails the *exploitation* of an existing stock, creative diversity is linked with the *exploration* of new productions, with their variety, with the qualitative renewal of works both at global level and at the scale of individual tastes. Cultural diversity is then defined in relation to a culture that is emerging, as a process, rather than as improved access to an existing but unrecognised or forgotten stock.

In order to work, this model must tackle a twofold disconnection: (1) between funding and revenue models – in order to guarantee a wide circulation of content and creative independence from the demands of marketing associated with selling and commercial distribution – and (2) between prescription methods and commercial valorisation – in order to permit the emergence of works that diverge from average taste and the development of preferences that are open to creative innovation.

The digitisation of content and the arrival of digital social networks offer opportunities for the development of economic and service models that fulfil this double requirement. As with the long tail, the fall in the cost of production and distribution, as well as the spread of digital design tools, are bringing down the barriers to entry in the culture sectors and potentially opening up access to a wider audience. In addition, the digital tracks left by web-based social networks can be used to produce and circulate a very wide range of meta-information (links between artists, information posted at festivals or

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<sup>5</sup> So the shorter the “distance” between two works, the more each one will be recommended if the other is viewed or purchased. The uniformity effect arises from the nature of the “ingredients” used to calculate these “distances”, for example the millions of individuals who have bought or “liked” the works in question.



outings, shows, etc.). These are ingredients that can contribute to the development of information and recommendation services that foster a diachronic match between supply and demand in cultural goods.

However, these opportunities are not enough in themselves to generate viable new models. Existing models associated with creative diversity essentially consist of experiments (artists distributing their works free of charge in return for voluntary donations) and distribution platforms that are marginal in terms of user numbers (e.g. Jamendo). They also include unsuccessful experiments such as the artist networks on MySpace (numerous platforms designed to match artists with audiences are currently trying to rejig this model without achieving the hoped for economic breakthrough). As yet, there is no real model of intermediation that seeks to explore new works and match them with a wide range of consumer preferences. For these models of creative diversity to succeed and become more than opportunities or experiments, two riddles need to be solved: the prescription model and the economic model.

#### *Two riddles: prescription model and economic model*

The challenge in introducing a new prescription model is both to avoid the excessive concentration of artistic revenues (by contrast with the bestseller model) and to achieve diachronic matching (by contrast with the long tail model). For this, commercial concerns need to be removed from the prescription process by the use of “connectors” who act as links between the world of cultural creation and consumers. The existence of prescribers who act independently of the promotion strategies of the dominant players is a necessary condition for the emergence of models that accord with the principles of creative diversity. In response to the proliferation of supply and its dissipation across a wide variety of social networks, their goal would not only be to steer consumers but also to influence judgement formation. Ultimately, the question is how to match productions and tastes in a dynamic, nonconservative Anna. In this respect, we see the emergence of specialist intermediaries as preferable to “web 2.0” recommendation systems, because of the latter’s ambivalent effects (cf. above).

However, solving the conundrum of prescription is not a sufficient condition. A second riddle is to find the economic model that will maintain the principle of creative diversity and the distinctiveness of the services that might arise from it. Creative diversity is based on the indirect acquisition of revenues, i.e. disconnected from the funding of the works. The fixed costs of creativity are primarily financed by means other than the sale of copies or subscription. This may come from subsidies, donations or, in a more commercial vein, advertising revenues, under a market approach that is bi-faceted or even multifaceted. In this case, the business models are no longer rooted in the exercise of exclusive rights, but instead as far as possible promote the sharing of digital content, while significantly reducing the earning inequalities between artists.

So the whole problem lies in achieving this disconnection, which is essential to the survival of the model.<sup>6</sup> Such an economic model assumes the possibility of financing not just the production of creative works and cultural goods, but also the activity of the intermediaries (prescribers, distributors).

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<sup>6</sup> See also the study by Benghozi & Paris (2007) on the economic models of web-based prescription.

On the production side, we have seen that digitisation lowers entry barriers and allows cultural goods of professional quality to be produced with fewer resources than before. This opens up the possibility of craft production, not just organised industrial production as practised by the big publishers. Nevertheless, the funding of projects in certain creative fields and artistic genres demands very significant resources, even though one of the principles of creative diversity is precisely to significantly reduce the star system effect and therefore the influence of artistic prestige. Public subsidies and corporate philanthropy can provide a solution, but it is likely to be limited and pressurised (recession period, risks of censorship and favouritism, etc.). Sponsorship and product placement are also possibilities, but are subject to a number of serious caveats (adaptation of projects to advertiser requirements, self-censorship).

On the distribution side, digitisation offers the potential for infinite exposure. But under these conditions, how can people's attention be steered to creative works? As with the other models, this is a problem of intermediation, prescription and the aggregation of choices. Without appropriate intermediation, works have no chance of reaching anything more than a restricted audience and the potential of digitisation will remain unfulfilled. That is why we believe that the idea of disintermediation (where artists directly distribute their work) is wrong. Without an intermediary appropriate to this model (matching heterogeneous and evolving tastes to diverse and evolving productions), the function would be performed either by the big distributors using the web as a means of identifying new authors, or by social networks. But in both cases, intermediation would result in the concentration of sales on a small number of works. In fact, the big producers have always used this method (radio or TV talent competitions, etc.), but essentially to launch new bestsellers. Social networks also tend to orchestrate the convergence of taste onto certain authors and types of work, through the impact of networking effects.

The question remains entirely open: as yet, there is no real intermediation model that seeks to explore new works and match them with a wide range of consumer preferences. In this respect, crowdfunding interests us precisely because of its capacity to combine a particular form of prescription with the funding of cultural ecosystems. More specifically, the principle is twofold: to have funding methods that are at the same time prescriptive (the person who funds the creation of new works becomes a driver of their propagation by helping to broaden tastes) and to have prescription methods that seek to build an economy of clubs (an archipelago of clubs in which the individual steers attention to works that construct their economy within subsets that are economically viable for the artists). This is a model no longer based on the audience, but on the exploitation of club externalities.

## **2. Crowdfunding, a vehicle of creative diversity?**

As a relatively recent internet phenomenon, crowdfunding represents a hybridisation of the participatory web and a long-standing practice which has its historical roots in subscription schemes for heritage, museums, books, cinema, etc... What is new is primarily the substantial reduction in the transaction costs associated with the advertising of projects funded by this means, and with the collection and aggregation by intermediaries of small sums paid by a very large number of subscribers. Beyond these advantages, however, this "web 2.0" method of funding offers opportunities which could have radical consequences for cultural diversity. Nevertheless, these will be far from automatic, and will only occur under certain conditions that need to be defined.

## 2.1. Opportunities and risks for diversity

With possible differences between one sector and another, the economic model of crowdfunding essentially consists in financing new projects by seeking monetary contributions, usually modest compared with the total amounts collected, from web users. By publicising their projects to a large audience and mobilising different groups of individuals likely to provide funding, the backers of projects become 'early marketers'. By accepting to fund a project, subscribers in their turn often become prescribers in a viral process. Crowdfunding platforms therefore play the dual role of incubator and intermediary in this schema.

In the cultural sphere, crowdfunding has so far applied essentially to reproducible goods: music, cinema, videogames. However, this form of finance is emerging in a context where the dominant model, the bestseller, is under pressure not only from the massive development of sharing practices but also from the emergence of alternative commercial models (Amazon in books, Spotify, Rhapsody, Deezer in music). Despite certain variants, these models give works a wider exposure by exploiting the long-tail process.

In these circumstances, what impact might crowdfunding have on the two big models of the bestseller and the long tail?

By its very nature, crowdfunding diversifies and potentially widens the sources of funding for creative activity. It therefore creates conditions favourable to the production of a greater variety of work: from small budgets funded by friends and family... to projects turned down by the conventional intermediaries. Backers sometimes obtain full funding, sometimes "seed money" which subsequently enables them to negotiate larger funding from the traditional sources of finance. In these different cases, the projects at least partially escape the diktats of the media, commercial censorship or the requirements of business plans.

This "emancipation" is strengthened by wider exposure on digital sharing and content download platforms. Once a project is financed and produced, its backer can then post it online and have it disseminated by an infomediary (YouTube, direct download platforms, etc.).

In crowdfunding, this diversity and enhanced exposure combine with its endogenous recommendatory mechanisms to foster greater cultural diversity. The very communication mechanisms used to seek funding transform every subscriber into a potential project marketer. Ideally, this kind of viral process should significantly improve the match between diversity of supply and preference heterogeneity compared with conventional bestseller mechanisms.

This matching would be both synchronic and diachronic. Firstly, as with the role played by blogs and social networks, viral communication reduces the search costs of individuals better informed about the existence of different products with the potential to reflect their preferences. Secondly, crowdfunding revitalises methods of prescription through the involvement of subscribers on digital social networks. In this case, "peer-to-peer" type social influence can change tastes in the direction of new artistic categories.

Nonetheless, the effects of crowdfunding on cultural diversity also depend on the preferences and behaviour of subscribers, as well as on the economic models of the

platforms themselves. These factors can have a big influence on the capacity of crowdfunding to revitalise “creativity”.

The choices of subscribers can thus be conformist and limit funding to projects that are conventional in their subjects and artistic approaches. In this case, funding would be concentrated on a small proportion of projects, as seen in the USA with the Kickstarter platform (Agrawal *et al.*, 2013).

For their part, project backers may anticipate the expectations of subscribers and therefore adjust their claims and exercise self-censorship. In addition, many of them may not wish to reveal their secrets, their new ideas, so as to protect themselves and avoid the need to restrict themselves. The demand for transparency, essential to the operation of crowdfunding platforms, would therefore substantially limit the emergence and visibility of such projects.<sup>7</sup> Finally, the development of the platforms’ economic model could also influence creative diversity, as we will now see.

## **2.2. Crowdfunding... and beyond?**

Crowdfunding can usefully serve to finance and publicise artistic projects outside the conventional avenues of finance and promotion. For film producers, publishers, etc., these platforms offer a way to screen the creative pool emerging and evolving in real time before their eyes. This kind of incubatory process would not therefore seem fundamentally to challenge the dominant bestseller model or its coexistence with the long tail. Conversely, crowdfunding could go beyond this simple incubatory role to perform a more powerful function in sustaining an ecosystem of creative diversity. Under certain conditions, this could lead to the coexistence of the star system and diversity based on an “archipelago economy”. We will now explore these two main developmental scenarios.

### *Scenario 1: a simple incubatory role*

Crowdfunding is sometimes enough to fully fund a project, as in the case of audiovisual documentaries and a few noteworthy big budget exceptions (such as the film *Veronica Mars* based on the eponymous series, which raised 5.7 million dollars in funding promises). Usually, however, it enables artistic projects to benefit from a leverage effect in the form of a positive signal about their potential: by obtaining initial finance through crowdfunding, they can raise bigger funds from the traditional lenders. All in all, the benefit of this additional funding collected from the general public is somewhat marginal relative to the budgets allocated to cultural projects, in particular the funding of productions in the culture industries.

In reality, the effect of crowdfunding is primarily to enhance the real-time visibility of the creative pool, of projects and artists that would be forgotten or find only a very local audience without these platforms. If restricted to this role, the platforms would do the work of the big cultural players by enabling them to transfer all or part of the costs of identifying and selecting artistic projects to the subscriber and contributor network. In this way, they would reduce the hazards of producing cultural goods by limiting the risks of failure implicit in their nature as experience goods.

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<sup>7</sup> With the obvious exception of crowdfunding in the promotion phase of projects that have already been created and finalised.

In this respect, crowdfunding platforms could complement, or even compete with, the role previously held by the middleground players such as small labels and festivals, creative agents and collectives (Simon, 2009).<sup>8</sup> They could prove more “effective” in this profile raising/screening role because, being more systematic, they would cover a markedly wider geographical range outside the framework of the places and local social networks dominant in defining cultural value. They would therefore both offer more systematic screening of works with potential and provide more professional connections between the underground and the upperground actors: big players, major festivals and shows... These platforms would widen the spectrum and the capacities of the upperground actors to explore and absorb the underground’s creativity (Florida, 2002 ; Cohendet & Simon, 2008), by offering a kind of “appetiser” effect.

In the culture industries, this would provide the dominant actors with a solution to the current lack of creativity associated with the increased standardisation of content arising from the audience priorities of the big media and advertising players. Nevertheless, this creative revitalisation might be relative: its scope will depend on the same factors moulding the choices of the big players and on the pressure exercised by production contingencies on their content selection.

In this first scenario, crowdfunding is fully integrated into an augmented bestseller model: it acts as a stepping stone for the bestsellers, thereby giving the dominant players a huge advantage by transferring screening costs to the network and providing low-cost artistic intelligence in tracking and identifying artists and creative projects with commercial potential.

But what about other projects that are financed through crowdfunding but neither selected nor exposed through the media and the dominant forms of valorisation? Technically, they can still achieve exposure and distribution through platforms that employ a long tail type mechanism. Some of them may then be identified via prescription processes independent of the dominant players, resulting in a thickening of the long tail. In this case, crowdfunding plays the same role with these prescribers as it does with the big players, by improving the screening function, but this time with consumers via digital social networks. It thereby increases the diversity of the cultural offering by bringing additional finance and better matching with the heterogeneity of individual preferences.

What is new about the combination of crowdfunding and the long tail model is the increase in the number of sources of finance and in the visibility of projects. In this sense, the combination promotes the principle of creative diversity and ultimately goes a step further than the current long tail model. If we pursue this logic, a second scenario emerges, which we will now consider.

### *Scenario 2: a sustained archipelago economy*

Under what conditions would crowdfunding, as a system that combines prescription and funding, lead to the construction of an alternative culture economy based on a principle of creative diversity? In order to define such an economic model, we need to think about how service platforms can be grafted onto the worlds of art, now conceived as creative ecosystems. In order to explore this question and the processes at work, we need first to

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<sup>8</sup> Here we follow the analysis made by Simon (2009) and Cohendet, Grandadam and Simon (2010) of urban creative communities as being a combination of 3 layers (underground, the creative layer, upperground, the layer of commercial firms, and middleground, where these two layers meet).

understand how these ecosystems are structured and operate, and then to explain the role that crowdfunding platforms and the most credible candidates could play in coordinating them.

The worlds of artistic creation can be described as specific social structures through which heterogeneous actors (artists, organisations, the world's different artistic players) interact in different ways and through different channels and communication tools (collaborations, artistic influence, meetings, discussion, etc.). The literature, essentially sociological, examines these links largely from the perspective of artistic labor and collaboration (Gleiser & Danon, 2003, Smith, 2006, Grandadam, 2009). Drawing on the work of Milgram (1967), Merton (1973), Barabasi & Albert (1999) and Girvan & Newman (2002), these studies distinguish different types of social network. Notable among these are networks structured by preferential links ("scale-free networks"), inegalitarian networks within which an artist will prefer to collaborate with already well-known artists who may therefore represent the structure underlying the bestseller. Other types of network are marked by "small-world" or community structure characteristics, and therefore represent the collaborative structure in artistic creation.

In the first case – scale-free networks – special links are established: each new artist (a new node added to the graph) tends to prefer to collaborate with a star if the latter's reputation and influence can help to improve his or her status and create new opportunities for funding and valorisation. In dynamic terms, this centrality of stars in the collaborative network is self-reinforcing, since each new connexion established increases the attractiveness of the stars through a preferential attachment process. This winner-take-all process combines with those already mentioned above to reinforce the inegalitarian distribution of revenues in the bestseller model.

In the second case – community networks – artists collaborate to create new works and ways of interpreting works, to explore and develop new forms of artistic expression, by combining their resources and creative skills. This collective activity is conducted through small social groups within which artists interact closely and intensely on a shared artistic project. The structure of these artistic networks thus corresponds to a community process, since the nodes in such a social network (the artists within the worlds of art) are joined together in tightly knit groups with dense internal connections but few and looser connections with the rest of the social network. In other terms, the social links between the individuals who form a given artistic group are very strong (strong local density), but weaker with individuals from outside the group. Together, they form what we might call local artistic subnetworks, often geographically localised but linked within a more global network.

Research in this field explores the most visible links: collaborations on music albums or the links established through fan sites. However, the foundations of art worlds are more complex. Firstly, the ecosystems of artistic creativity are also structured by types of links other than working partnerships, for example friendship networks, cultural connections, mutual relations, etc. Meetings at festivals, the sharing of certain social characteristics (artistic genre, region of origin, political experiences, etc.), belonging to the same "social circle" or liking another artist's works... can generate and maintain links and therefore contribute to the structuring of social networks. MySpace is a good example of a real-time digital record of the links formed between artists through their pages.

Secondly, artists are not the only actors in these social networks, but are links to other categories such as consumers and prescribers, whose practices foster connections between artists, but also with the economic players through a “small-world” process, often by chance, fortuitous meetings between people or between people and works (Kretshmer *et al.*, 1999). Such small events (Arthur, 1996) can then generate further spreading and enable certain artists and artistic projects to move beyond their initial (local) social subnetworks and become more connected to the rest of the network (global).

As Milgram (1967, p.62-63) rightly points out, there are two ways to envisage the problem of “small-world” networks: the first stipulates that any social link is possible between two individuals, however far apart, and that this connection relies on a relatively small number of intermediate links. However, the second, which is more interesting for our purposes, rests on the hypothesis that “there are unbridgeable gaps between various groups and that therefore, given any two people in the world, they will never link up because people have circles of acquaintances which do not necessarily intersect. A message will circulate in a particular group of acquaintances, but may never be able to make the jump to another circle” (Milgram, p.63). The whole strength of digital social networks is precisely their ability to create certain missing links.

The purpose of defining an economic model that fulfils the principles of creative diversity is precisely to exploit the knowledge of these protean links and, on this basis, to encourage new ones by attracting the attention of consumers of cultural goods to “deviant” projects and involving them further in the artistic creation in progress. More specifically, the participatory web is a way to diversify, to superimpose, and even to encourage and stimulate social links. The links between artists can be made visible, tracked through the very operation of digital social networks. Prescription services can then exploit these data to help bring creative innovation to public awareness and involving the public in that activity. Crowdfunding can then play a crucial role in this process of “engagement” by individuals, enabling their preferences to be matched dynamically with a highly diversified offering.

However, the opportunities provided by technology and the practices developing around the participatory web are not in themselves enough to generate economic models of creative diversity. This requires an understanding of the economic model of the platforms that structure this ecosystem: what are their intentions? To be subcontractors for the big players, to specialise in artistic niche markets, to become actors in their own right by using their platforms to organise the ecosystems? It also also requires us to understand the evolution of the promotional function: are we going to see the emergence of actors specialising in small or medium-sized productions? Probably, because ultimately it would seem difficult for artists or collectives to do everything themselves. The task in that case is to design models capable of organising the attention economy within a context of informational superabundance linked with a corresponding proliferation of artistic projects whose quality cannot be observed in advance. And finally, it requires understanding the determinants of subscriber choices in order to influence them most effectively. And in particular, to better understand the respective influence of the dominant independent modes of prescription (cf. above).

By contrast with the first scenario, in this case the role of the crowdfunding actors is not restricted to that of incubation, i.e. simply assembling high potential artistic projects and

dominant players, but is more ambitious, to support projects once they are produced. In other words, it is about helping them to access the middleground – festivals, promotion centres – and to reach the independent prescribers... The question then is who are the credible candidates to drive such a process.

### *Crowdfunding actors to trigger this second scenario?*

Two categories of actors can help health creative projects to access the middleground: subscribers, as prescribers committed to the projects they support, and the organisers of crowdfunding platforms. In our view, the latter are the more credible players to take on this role.

As subscribers, they can act at two levels: individually and as a group. In the first case, a subscriber may have a special relationship with a festival, an influential journal or one of the middleground players. In the second case, a viral diffusion process enables the project backer to raise funds well beyond the original level set and above all to attract attention to the project in question.

However, such valorisation processes are something of a lottery. Just small events can trigger success (networking effects or snowball effects) – the project backer's neighbour's sister knows a DJ who, at the right time, will put his crowdfunded album on his playlist... Such random phenomena have in some cases led to substantial artistic success, even at international level (Kretschmer *et al.*, 1999).

On the other hand, while it is not automatic, buzz effects are likely to culminate in social conformity processes (cf. above). Just as crowdfunding choices can, under the influence of neo-promotional review systems (Creton, 2000), be directed to conventional projects that take no aesthetic risks, word-of-mouth can help to promote projects that are essentially in harmony with average taste. The only projects that this random process would bring to middleground attention are those of a conventional kind unlikely to change the artistic tastes of consumers.

For these different reasons, we see crowdfunding platforms as more credible candidates.

From this perspective, they would not be restricted to a function of intermediation in the funding of artistic projects, but would also be career drivers, going on to raise the profile of completed socio-funded projects. This would entail communicating, promoting, negotiating with the middleground players, e.g. by targeting theatre directors, filmmakers, small literary festivals and events, independent bookshops, critics, etc. Another avenue for continuing valorisation could be hybridisation with the participatory review platforms (like *Senscritique* in France).

In their value proposal, crowdfunding platforms could offer, in return for contributions above a certain threshold, rewards such as invitations to a preview in a nearby cinema or theatre, the right to distribute x number of digital copies of the artistic project, VIP access to festivals and shows, etc.

Clearly, this would require additional and more conventional intermediation functions to be added to the infomediation functions already performed by these platforms, which would then have to manage the costs of identifying, negotiating, tracking... with the middleground players. This would demand a significant revenue model which could, on grounds of cultural diversity, justify specific public support (subsidies, tax credits,



establishment of dedicated public platforms, etc.) to support and prime this hybridisation process.

### *Death of the star system?*

The possibility of the emergence of this kind of model raises the question of its coexistence with the dominant bestseller model. Would we see the end of the star system and a levelling of revenue levels between artists? Very probably not. Certainly, this model could fundamentally challenge the role of the dominant players, both in distribution and prescription, by providing services that are more innovative and in tune with the processes of disconnection/virtualisation currently underway on the web. Nonetheless, the mechanisms of imitation at work in public demand and the inherent processes of fame seeking within artistic collaboration networks are likely to persist.

However, the Pareto principle that prevails across the culture markets could be diluted and re-emerge in a different form through the multiplication of stars within local artistic subnetworks. Moreover, the star system could also be a key ingredient in the economic model of crowdfunding platforms, helping to promote and distinguish them in the event of competition, and above all in creating incentives to subscribe by focusing attention on a few new “A-listers” that will attract attention on the web and offer users a wider range of projects to fund.

### **Conclusion: next on the research agenda?**

The traditional approach to cultural diversity accepts its multidimensional character, but postulates that it is intrinsically definable. It thus seeks to measure the impact of ITs on indicators that correspond to this definition. Our starting point is different: that cultural diversity is a relative notion that measures the degree of matching between the characteristics of cultural goods and consumer preferences. Diversity exists if individuals find goods that match their tastes. However, this diversity can be understood in two different ways: statically and dynamically. In the latter case, preferences are not given, but generated by the dynamics between the variety of goods available and the widening of tastes. In this case, we speak of 'creative diversity'.

This is the kind of diversity that interests us, because it allows us to explore the impact of digital technologies and emerging online services on the models of production and distribution of cultural goods in terms other than whether it reinforces the dominant bestseller model and/or increases the possibility of exploiting the margins of the long tail. Do new online services and practices offer the possibility of a culture economy where less accessible works attract a bigger audience because tastes have widened and where, reciprocally, this new audience would give artists the financial means to continue their work?

This is the prism through which we have considered crowdfunding. Will it act as an incubator in support of the bestseller economy, as an explorer of the grey areas of the long tail or as a catalyst for the virtuous circle of creative diversity? At present, this is an open question.

As regards creative diversity, we have described the potential contributions of crowdfunding. It offers two advantages. The first is to trigger a relationship between individual and artist that is no longer one of mere consumption, but of commitment. Primed by crowdfunding, this commitment can drive a dynamic of dissemination based

on a “small-world” process, provided that the micro-funders act as go-betweens for the establishment of these “small worlds” and are asked to do so. The general audience on which the bestseller model relies is then replaced by an extended collection of interconnected and intertwined communities. This intertwining is dependent on the second potential contribution of crowdfunding: the capacity of the “small worlds” to interconnect through the discovery of new works, new genres, as a result of “crossbreeding” between artists on the platform. As long as people remain within the small world and seek, like the frog with the ox, to become as big as the bestseller, the process is not one of creative diversity but simply a reproduction of the bestseller model. For there to be creative diversity, there must be discovery, which takes place through the connection between artists (genres...) that the crowdfunding platform can generate. For there are no better prescribers than artists themselves, if prescription here is understood to mean not conformity with existing tastes, but a widening of the taste spectrum.

Crowdfunding can contribute to all three models: the bestseller, long tail type diversity and creative diversity. Which kind of model it serves will depend on the crowdfunding platform, the functions it performs or does not perform, its objectives and its economic model.

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