Understanding the New Digital Economy

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# Introduction

Why is it that the digital economy, which is associated with social networks, faster digital processing systems, and continuous advances in the visualisation of Big Data focus on consumer culture? In the current digitised economic world, it seems like marketing relies heavily on the new social and mobile technologies, making consumer culture to be inseparable from market relations. Consumer culture can be defined as the consumption choices, practices, or behaviours that are based on cultural and social point of view.

Producers of goods and services understand that consumers play an integral role in shaping what they offer in markets (Livingston, 2011). Therefore, they proactively include them in their production processes. For instance, using the social media networks, consumers of goods and services are integrated into the production of value. They collectively build cultural repositories online. Marketers use the information presented by consumers online, for example, through the social media networks, and use it in their production. Consumers actively construct who they are, how they want to be seen, and who they want to be part of in their networked life. Cultural and economic practices seem to become closer and closer every single day. Consumer archives, which contain details or information about the lives of consumers, have made social networks increasingly valuable. Additionally, their immediate immaterial labour helps producers to come up with products and services that meet their needs, and hence the term prosumers (Pybus, 2013). For instance, nowadays, marketers no longer create ads, products, and goods for themselves, but depend on the ideas shared by consumers. In other words, the digital economy seems to be completely dependent on consumers’ digital profiles and data traces that they leave behind in their archives. This report starts by discussing the relationship between culture and economic relations. Secondly, it looks at the impact of social networks on the digital economy. Thirdly, it discusses Big Data and digital economy, and concludes with a brief summary of the whole report.

# The relationship between culture and economic relations

Consumer culture plays an integral role in shaping the new digital economy. This term emphasises that the world of goods and services together with the manner in which they are structured is instrumental to the understanding of the modern society. Consumer culture has two dimensions. The first dimension is on the cultural aspect of the economy, the symbolisation and utilisation of material goods and services as communicators, and not just utilities (Zwick & Cayla, 2011). The second dimension is on the economy of cultural goods, the market principles of demand and supply, capital accumulation, as well as monopolisation that is based on cultural goods, lifestyle and commodities. Also, the new digital economy, which is also known as the internet economy, refers to an economy that depends wholly on digital technologies such as the social media networks and mobile technologies (Zhang & Fung, 2014). The digital economy is characterised by the coming of age of the global digital economy, digital transformation in industries, emerging –market, where customers take the center stage, and embracing of the digital economy by corporations (Power & Teigland, 2013). Most importantly, it is characterised by the trend towards putting consumers to work (prosumers). In prosumer capitalism, production and consumption are merged instead of focusing differently on each. This is affirmed by the recent increase in the online user-generated content. Additionally, prosumer capitalism is unique compared to other forms of capitalism, in that, its exploitation and even control take a very different form. In the digital economy, instead of paid labour, the trend is towards unpaid labour, whereby consumers offer organisations ideas and skills at no cost (Goodman & Cohen, 2004). Prosumer capitalism has been effective due to consumer engagements through social sites.

Consumer culture and the digital economy cannot be separated from one another, considering that they have close relationships. For instance, consumer culture is influenced by digital technologies. This is affirmed by the current ways of online shopping and consuming, which have become social or cultural practices (commodification of leisure). Additionally, marketers use exchange value on their products and services, instead of value because they fully understand that the perceived value of a brand is more effective than its usefulness only. Therefore they integrate ads in their marketing to inform, educate, and persuade consumers to buy their products and services (Lury, 2011).

Similarly, consumer culture influences the choice of social networks that marketers use to advertise or sell their products. For instance, in the digital economy, marketers ensure that their advertising and marketing observes cultural practices and then try to fit in it (Lury, 2011). The use of value-based exchange affirms this. For example, Facebook, one of the social media sites, works with third-party service providers to show relevant and effective ads. Here, the company works with other parties to combine information they have collected from consumers with the information provided by advertisers, and hence helps the advertisers to send relevant ads to consumers on Facebook (Lury, 2011). Alternatively, the messages consumers share on Facebook can be used by advertisers to make their ads more relevant for consumers.

According to many scholars, the new phase of capitalist (digital economy) relies heavily on information as its primary source of value and exchange (Lury, 2011). People have adopted a culture, where they share information using the social media networks such as Facebook and Twitter. This enhances networking of human intelligence, through social interactions by cultural consumers, which theorise the rapid increase of the new digital economy. The data collected in the wake of virtual connectivity inspires myriad mechanisms, which are used to capture or gather large pools of social and cultural knowledge or ideas. It is through this information collected from data footprints that new markets are created. The current world businesses fully capitalise on immaterial or cultural labour (Goodman & Cohen, 2004). Immaterial labour refers to products or consumer goods that are not material things, but can be affective. For instance, they refer to the new digital economy, which places more significance on the selling of ideas, skills, or knowledge, instead of real material things. This is achieved through utilisation of information and communication technologies to create new forms of exploitation. For example, the emergence of digital profile, also referred to as personal archives created in social networking sites show the increasingly growing cultural or immaterial labor in the current economy. These archives provide a conceptual framework for grasping the impact that the digital economy has on the lived experiences of consumers, who are rendered as productive through their “writings” in their archives (Berger, 2011).

The virtual archives, for example, user profiles in Facebook act as a means of accumulation of ideas (Pybus, 2013). It also acts as a platform for subjectivisation of cultural consumers. However, these forms raise queries regarding how these practices can bring about a culturalised economy due to their acquisition of knowledge. This is because they are transgressive, and have transformative capabilities.

Many corporations have realised the need for incorporating cultural consumer in their production processes, and hence regard consumers as proconsumers. Through consumer archives, organisations are able not only to integrate themselves into networking sites, but also into the cultures of consumers of their products and services. For instance, Coca-Cola, one of the most successful organisations on Facebook boasts approximately 37 million friends (prosumers) (Sassatelli, 2007). The company benefits a lot from such. For instance, it is able to understand their cultures and hence use adverts that best fit their target markets. Coca-Cola is able to acquire information shared by consumers regarding its products or services, and hence produce goods that meet their specifications (Goodman & Cohen, 2004).

Additionally, the information economy has grown and this has led to an increase in consumer labor practices. This includes overlapping of work and leisure, as well as production and consumption through immaterial or cultural labour. The current consumers can be regarded as immaterial or cultural laborers. This is why Facebook is valued at $67 billion and Weibo worth $5 billion (Belk, et al., 2013). These organisations have achieved their respective worth due to the increasing value of social networks, which consumers use to share their ideas and ways of lives. As mentioned earlier, through immaterial or cultural labor, organisations get to understand what, when, which, and how products need to be produced. In other words, they dictate how organisations produce products, which they eventually consume. The digital economy is dictated by the digital profiles and data traces that consumers leave behind on Facebook, Twitter, and other social networking sites (Pybus, 2013).

Prioritising consumer labour over professional production (prosumer) helps organisations to save on labour costs, hence the relationships between consumer culture and digital economy. This is affirmed by the introduction of the “free model” in the Chinese gaming industry (Zhang & Fung, 2014). ‘Free labour’ is a trait of cultural economy. As aforementioned using the social media networks, consumers of goods and services are integrated into the production of value. They collectively build cultural repositories online. Organisations use the information presented by consumers online, using the social media networks, and use it in their production. Consumers actively construct who they are, how they want to be seen, and who they want to be part of in their networked life (Zhang & Fung, 2014). They hence dictate production because organisations that want to succeed must focus on proconsumption.

# The impact of social networks on the digital economy

The new digital economy has been radically changed through culture and networked connectivity. Firstly, social networks act as avenues of cultural exchanges and for laying down different identities (Ritzer & Jurgenson, 2010). Social networks are used to showcase different identities and consequently the presented identities influence the type of people an individual has on the social networks. Therefore, the kinds of relationships built on social networks are able to influence the type of information received. For example, Facebook collaborates with third-party service provider companies to show relevant advertisements according to the type of cultural networks and relationships established on the site (Zwick et al., 2008).

In the new digital economy, immaterial labour is important because it lays more emphasis on selling of ideas rather than material products (Pybus, 2012). Therefore the materials uploaded on Facebook such as photos entail immaterial labour and has an influence on an individual’s culture. Social networks contribute to digital economy through details provided by users on social sites. The personal information updated on Facebook for example, is used by marketers and corporations in designing products suitable to specific consumer needs. As postulated by Gill & Pratt (2008) social networks are valuable because they enable reduction of wastages in advertising and focuses on individual preferences according to relationship of people in social networks. In this case advertising changes from guessing the needs of consumers but rather consumers themselves say what they want. In the new digital economy, the consumer is put to work in signalling producers about specific needs. Businesses are able to make profit as a result of consumer behaviours.

In addition, cultural practices on social networks are being converted into instantaneous processes through web 2.0 technologies such as Facebook and Twitter leading to transformation in the way information is transmitted (Fuchs, 2011). According to Ritzer and Jurgenson (2010), the new digital economy is today at a stage whereby capitalism is being changed to rely on information as a value of exchange. Therefore, the amount of information generated in social sites such as Facebook and Twitter enables development of a conceptual framework based on networking. This brings about the concept of wikinomics as explained by Ritzer and Jurgenson (2010) the concept of wikinomics works through linking people with information.

The growing accessibility to information through social networks means that consumers have information at their fingertips. With very minimal costs, people are able to engage in discussions about markets and are able to engage in co-creation process with producers. Instead of being just consumers, they become ‘prosumers’ (Pybus, 2012). In this relationship the consumers are used as co-innovators and products are customised with the help of the consumer. People within social networks are becoming the drivers of products and have an impact on success or failure of companies. The process of prosumer behaviour begins with identification of users with influence and acknowledging them. Through conversations on social networks corporations and users are able to interact and users give useful information that is able to shape brands. Flexibility is incorporated during product creation enabling costs minimisation. A certain degree of control also needs to be lost in order for the concept of prosumers to work ( Zwick et al., 2008) Lack of giving consumers some degree of control in designing products will lead to innovations around the original product creating opportunities for other competitors.

These concepts of immaterial labour by prosumers enable organisations to make consumers work even without them knowing it (Cote´ & Pybus (2007). The conceptual framework surrounding the role of consumer in social networks offers a shift in paradigms on the impact of social media. According to Castells, (2009) and O’Reilly (2005), social networks have changed the way people communicate, share and generate content with the rise of web 2.0 technologies especially in the last 10 years. The use of Facebook, Google and twitter has radically changed from other means of social communications in the 1990s. For example the concept of ‘Facebook Ads’ has changed the role of marketers. Facebook circulated information whereby both marketers and users to facilitate specific targeting measures (Ritzer & Jurgenson 2010). The success of these strategies is particularly made possible by corporations creating their own platforms on networks. A company could open ‘fan pages’ for them to share information about products and services to their customers on social networks. For example, Coca-Cola is one of the most successful corporations on Facebook with 82 million friends (Coca Cola, 2014). The company is able to engage users at a high level and obtain information from them about tastes and preferences. Additionally through the Facebook page, the company is able to engage in brand awareness and social media campaigns. The social media management team is able to ask users questions and this leads to better product improvement from time to time. Additionally, an insight about users’ activities on Facebook is created to allow marketers to monitor activities. The culture attributes of users is therefore able to create user generated information which highlights patterns on social networks and used in making products specific to target market desires.

The virtual networks which are platforms for organisations to extract information may however lead to controversies on the method used by organisations to acquire information about tastes and preferences of customers (Fernback & Papacharissi 2007). User profiles accumulate information about a potential customer which is then used as sources of information for marketing strategies in a new digital economy. Therefore, according to Fernback & Papacharissi (2007) there is complexity, in that immaterial labour is deemed useful while at the same time is subjective because of monitoring personal information. Moreover, according to Cote & Pybus (2007), advertising has disrupted cultural spheres and the economy because companies are increasingly becoming integrated into everyday lives of users. Additionally, the concept of immaterial labour on social networks may have resulted in consumer exploitation as their own innovations are being sold back to them. As highlighted earlier, consumers are currently ‘being made to work’ and enable marketers to understand their tastes and preferences. However, there might be instances of inequality in relationships between consumers on social networks and corporations (Green & Jenkins, 2009).

Therefore social networks have revolutionised the concept of cultural and digital economy. The use of social networks has changed the relationship between consumers and marketers. Marketers are able to detect cultural patterns of users and the consumer is transformed from being just a consumer to take part in the production process. However, there might be the concept of exploitation as consumers’ information on social networks is used to build marketing strategies. Additionally, the relationship between consumer and corporations on social networks may not be balanced leading to exploitation of the consumer. Arguably, social networks are here to stay and in future, more engagements are to be made as use of social networks increases.

# Big data and digital economy

The big data is considered by Snijders, Matzat and Reips (2012) to be the collection, compilation and storage of large volumes of information by companies. As Preis, Moat and Stanley (2013) further noted that big data is not only about the large volumes of information but also the complexity of information. Big data therefore describes instances where the company’s physical and technical infrastructures are needed in order to keep pace with market data needs. For instance Facebook currently has more than 45 billion pictures in its database and Walmart processes more than one million transactions every one hour. This requires large technological capacity to capture the data and store it. According to Preis, Moat and Stanley (2013) for data to be characterised as big data, it has to satisfy three criterions which are volume, variety and velocity. This implies that the data has to be large at least one zeta byte in terms of volume. The data has to be in different varieties such as audio, visual and text. Velocity is the rate at which the data is available for analysis.

Tapscott (2002) considers digital economy to be incomplete without big data. this is because digital economy is an economic system which is entirely dependent on data generated from internet sources. In fact in the digital economy there is no emphasis of physical market but rather a web based market where consumers, producers and the regulatory factors exchange value using the internet (Tapscott, 2002). These transactions leave behind traces of large volumes of data which can be utilised by the organisations. However Kline, Dyer-Witheford and De Peuter, (2003) indicate that the digital economy cannot be fully restricted to online commercial transactions as other entities which operate brick and mortar businesses also do sell physical commodities using the internet. According to Tapscott and Williams (2007) digital economy differs from the mainstream economy in that the previous economy is characterised by mass, volume and transportation of commodities. The digital economy on the other hand is characterised by weightlessness, global outreach, virtual communication and real time exchange of products and services (Tapscott, 2002).

Big data has been very helpful to the digital economy in enabling digital companies to make decisions. In fact many large organisations consider big data to be a valuable business resource which provides the business with market intelligence especially on consumer needs and wants (Preis, Moat and Stanley, 2013). This makes it easy for the management to supply customers with relevant products and services as well as decide which products or services are no longer in demand.

Since the big data exists in complex form, the need to classify and simplify the data in simple form that can be understood by marketers has given rise to data mining industry. The industry provides digital marketers with simplified summary of their data which is comprehensive and easy to interpret (Preis, Moat and Stanley, 2013). This has made the big data crucial in assisting marketers to identify consumer behaviour and attitudes which are imperative in determining how to position the products and service in the market.

The big data is also helpful to digital economy as it allows companies to provide cyber security by detecting cases of system abuse (Snijders, Matzat and Reips, 2012). The perception of big data as a major resource and organisation has made companies to increase their surveillance on consumer data in order to safeguard it. According to Snijders, Matzat and Reips (2012) big data is the end result of the long term use of digital technologies hence the need for the data to be protected. This is because this data is value and can be a source of the company’s competitive advantage. Coke is one of the companies benefitting from big data as it has access to over 37 million online fans who provide crucial information about its products and services (Preis, Moat and Stanley, 2013).

The concept and need for big data in the digital economy has led to the need for digital archiving where the organisation store large information for future use and reference (Cvetkovich, 2003). Big data cannot be effective if it is not in a virtual store where it can be accessed from different digital platforms as well as from different geographical locations (Foucault, 2002). The archived data helps to predict consumer behaviour and trends. This helps companies to know how to respond to consumer behaviour. According to Foucault (2002) knowledge of big data archiving helps the organisations to analyse and identify the consumers’ trends thus giving the company leverage over its competitors. Digital archives do not only have static storage capabilities but also have analytical and interpretative ability which make the knowledge constant and timely (Foucault, 2002).

Big data mainly depends on social networking of consumers. The comments and information posted by consumers on social media about products, feelings and events provide important information to digital economy participants (Toffler, 1980). The big data is then analysed using algorithms to become a crucial resource used by marketers to develop better and enhanced products for the consumers. The need for big data has enhanced the prosumer concept in the digital economy (Ross, 2009). Marketers are in dire need to engage with the consumers and to keep the customers talking and discussing the product. The comments and information shared by the consumers becomes a crucial source of big data. The need for big data has therefore led to participatory marketing (Marsden, 2008). Previously marketing was a one way approach where only the marketer would disseminate information to the consumers (Preis, Moat and Stanley, 2013). However the big data in the digital economy has made marketing interactive as consumers have become participants in marketing by sharing information about a brand with other or interacting with the brand (Marsden, 2008).

The digital economy also has evolved the utility of advertising from being company oriented into being user oriented (Deleuze, 1995). Previously advertising focused on luring consumers by identifying the consumers need and filling the gap. In the digital economy it is consumers who identify their needs and then give the company an opportunity to meet the need by providing product or service that will meet that need. Big data is necessary in order to analyse and identify the consumer needs. Marketers in the digital economy use consumers as their advertising agent by encouraging them to comment and invite friends to discuss about the company’s products and services (Dean, 2010).

The need for big data has eventually led to the commercialisation of affective services. Previously affective services were considered to be a form of leisure and did not have any commercial value (Kücklich, 2005). Big data and digital media have nevertheless made such activities to have commercial value. Activities such as socialisation, exchange of information, gaming were previously considered as hobbies, but in the digital economy the hobbies do have commercial value (Deleuze, 1995). This is because consumers have become part of the labour hence lowering production costs. Big data has therefore become an important asset in the digital economy which provides companies with a competitive advantage in the digital markets (Kücklich, 2005). This is because the data enables the companies to engage with customers in the production and in the consumption processes. It also gives the companies important consumer insights which help the companies to customise their products as per the consumers’ preferences (Kücklich, 2005).

# Conclusion

From the study it is clear that the consumer culture has become integrated into the digital economy. In fact digital economy relies heavily on consumer culture as it determines how digital companies will customise their products to suit the consumers’ cultural preferences. The consumer culture of overreliance on social networks such as Facebook to interact and share information with others has compelled companies to join social networks so that can interact and share information with their fans. Consumer culture has also influenced digital economy in that it has made the customer a participant in the digital services production process. Unlike in the traditional economy where the producers and consumers are different entities, in the digital economy the consumer and producer are synonymous due to the integrated information sharing as part of consumer culture. The study also identified that social networks have impact on the digital economy mainly because social networking has become digitalised. They share information and access information through the social networks such as Facebook and Twitter. The social networks have brought large number of participants in the digital market. They have made the digital economy participatory where consumers have become producers. Also the social networks have led to the development of a large pool of immaterial labour which provides affective services. The social networks have also exposed consumer behaviour and attitudes which are very crucial to marketers in customising services and products to suit the consumers’ preference. Big data has become an imperative resource in the digital economy. Companies are becoming increasingly dependent on big data to make decisions. Big data provides crucial insight of consumer behaviour, attitudes and future consumer trends. The big data has become an integral part of digital economy due its accessibility and accuracy in forecasting consumer behaviour and market trends. Big data has become a commercialised commodity which companies are competing to have.

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