

INNOVATIVE BUSINESS MODELS IN THE MEDIA INDUSTRY

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ABSTRACT: In the modern media industry, in addition to the traditional business model of proprietary products selling, there are a number of new business models that involve free distribution of whole products, or some parts of the products. The advantage of the open business model is in the value creation by a large community of developers, whereas the proprietary business model means a simpler form of value capture. However, open and closed business models can not exist in pure form: the proprietary model does not give enough space for innovation, while the open model gives insufficient opportunities for generating profit. An investigation of the problem of optimal business model choice at the monopolistic market indicates that the fully closed business model is less efficient than the model with the closed core and open extensions; it is profitable for any firm to open all of those ideas and technologies that can not be used without the base module; the completely open business model is optimal if and only if a substantial part of the consumer value is determined by additional services or innovative activity of the users.

Key words: business models, innovation, vertical differentiation, horizontal integration, proprietary products, open products, media industry, monopoly

JEL codes: O31, L17