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Product success in cultural markets: The mediating role of familiarity, peers, and experts



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ABSTRACT

The mediation of ambiguous markets has been essential to recent developments in economic sociology. Cultural industries provide a valuable testing ground for its perspective of socially influenced market behavior. This article emphasizes the uncertainty of cultural markets and thus the relevance of social valuation in disseminating new releases. I hypothesize that recipients of culture simplify cultural choice by reacting to easily attainable signals of product value. Mechanisms of valuation include product familiarity, peer influence, and expert critique. Focusing on an exemplary cultural market, I confront theoretical implications with data from the German book industry (2001–2006). Panel and cross-section regressions show that, alongside well-defined market segments, separate mechanisms guide consumer behavior. For incumbents' offerings, prior recognition stabilizes cultural choice and reinforces differences in market success. In the highly ambiguous newcomer segment, imitation and negative media steer audience attention, at times leading to unsatisfactory aggregate outcomes, i.e. 'bad' bestsellers.

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1. Introduction

Popular cultural markets operate under extreme uncertainty. On the production side, 'nobody knows' (Goldman, 1983) which new manuscripts, songs, or screenplays will match consumer preferences. To cope with uncertain product success manufacturers oversupply a vast and diversified range of new releases (e.g., DiMaggio, 1977; Hirsch, 1972). For consumers, cultural objects are highly

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ambiguous (Bielby and Bielby, 1994) and often lack clear categorization (Zuckerman and Kim, 2003). In fact, this opacity is a constituent ingredient of cultural consumption, as people rarely want to read novels or watch movies they already know.

This environment provides a valuable testing ground for theories of socially influenced market behavior. Within the sociological study of markets, cultural industries have received particular interest, because they lack almost entirely any objective standards of valuation (see Beckert, 2009; Zuckerman, 2012 for reviews). Adding to this perspective, I hypothesize that recipients of culture, rather than relying on elaborate searches in markets with short product lifecycles and ambiguous product categorization, simplify cultural choice by reacting to more easily attainable signals of product value. Processes of valuation are thus crucial to the operation of cultural markets and the successful dissemination of new releases.¹

Valuation occurs through various channels including the reputation of creators and content (Bielby and Bielby, 1994), imitation among peers (Salganik et al., 2006), and evaluation by professional critics (Shrum, 1991). Each mechanism effectively reduces uncertainty regarding a work's value. Many prominent offerings such as popular fiction sequels, best-of albums, or blockbuster movies obviate additional valuation. These offerings are sufficiently familiar to a large potential audience and permit easy expectations as to their content and quality. With rising ambiguity of offerings, however, sensitivity to additional sources of valuation should increase.

Social scientists have long recognized the importance of 'mediation' in opaque markets. Accordingly, this article relates to several literatures. First, I draw on the 'Production of Culture' framework (DiMaggio, 1977; Hirsch, 1972; Peterson, 1976), which considers the fabrication of culture a multi-step process involving a series of intermediaries regulating the flow of cultural innovations from creation to potential consumption. Second, I call on concepts of quality inference based on current product success (Bikhchandani et al., 1992; Cialdini, 1984). Popularity-bound inferences, also termed 'rational imitation' (Hedström, 1998) or 'herd behavior' (Banerjee, 1992), describe individuals who follow others, regarding their actions as useful indications of unknown outcomes. Third, I borrow from diffusion research (Mahajan and Peterson, 1985; Rogers, 2003; Strang and Soule, 1998) the concepts of 'compatibility' as well as of 'internal' and 'external' influence, which provide a common language for synthesizing these diverse approaches to explain consumer choice and product sales in cultural markets.

Undoubtedly various measures of artistic achievement as well as tensions between commercial success and cultural recognition exist (e.g., Bourdieu, 1996; Craig and Dubois, 2010; Verboord, 2011). When considering mediated markets, however, one must not mistake critical appraisals for measures of product success. Following Shrum (1991) and others (e.g., Gemser et al., 2007; Zuckerman and Kim, 2003), I consider cultural 'consecrators' as influencers of aggregate demand rather than as recipients *per se*.

I structure the remainder as follows: In Section 2, I sketch a theory of consumer behavior in cultural markets in which poorly informed individuals rely on signals of product familiarity as well as on internal and external valuation in selecting cultural content. This perspective on mediated markets implies processes of cumulative advantage resulting in heavily skewed market outcomes not necessarily justified in terms of 'quality.' Considering differences in product familiarity permits generation of detailed hypotheses regarding product valuation in market segments of varied opacity.

In Section 3 I test these implications using exemplary sales data from the German fiction market, employing both panel and cross-section regressions. Book markets are non-transparent, providing permanent innovation and an ambiguous set of poorly classified offerings. Book markets, like many cultural industries, exist within several niches, each featuring a restricted identity and specific patterns of product valuation. Although successful releases of previously unknown artists constantly reshuffle status hierarchies, a compelling gradient in recognition between established writers and

¹ Although some considerations presented here apply to cultural markets generally, this article encompasses only cultural mass markets for fiction, records, and movies. I exclude artistic markets such as for paintings, sculptures, or antiques as they differ from mass markets in several ways: Their industrial organization is typically narrow, supply is limited and prices are relatively high. More importantly, specific motivations such as investment and distinction (e.g., Bourdieu, 1984; Veblen, 1899), which play only minor roles in popular mass markets, substantially drive consumer behavior in artistic markets.

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