

Digital Media LATAM 2016

THE SERVER ECONOMY

UNDERSTANDING THE CREATION OF VALUE
IN THE AGE OF INFORMATION MONOPOLIES

Bruno Vilela - Chief Digital Officer - Jaime Câmara Group

 @Bruno_Vilela_



BRUNO VILELA

Chief Digital Officer
@ Jaime Câmara Group

JAIME CÂMARA GROUP

The largest media group in the central-northern region of Brazil. A Globo Networks affiliate.



11



TV
Stations

9

Radio
Stations

3

Newspapers

9

Web
Portals



BRUNO VILELA

Chief Digital Officer
@ Jaime Câmara Group

*Best New Mobile App
or Mobile Web Site
Group 1*



*Spider-man Trilogy,
Superman Returns,
The Aviator, Hancock,
The Watchmen, Matrix 2 & 3*



**“Information always turns to money,
somehow, sooner or later”**

Jaron Lanier, Author & Technologist

Information isn't just News

News

Information & Entertainment

To a news professional, information is meant to
inform people

Information isn't just News

Information is Data

To a network server, information means
data used to inform machines about people



But What is Data Exactly?

da·tum

noun

plural noun: data

1. a piece of information.
 - an assumption or premise from which inferences may be drawn.
 2. a fixed starting point of a scale or operation.
-



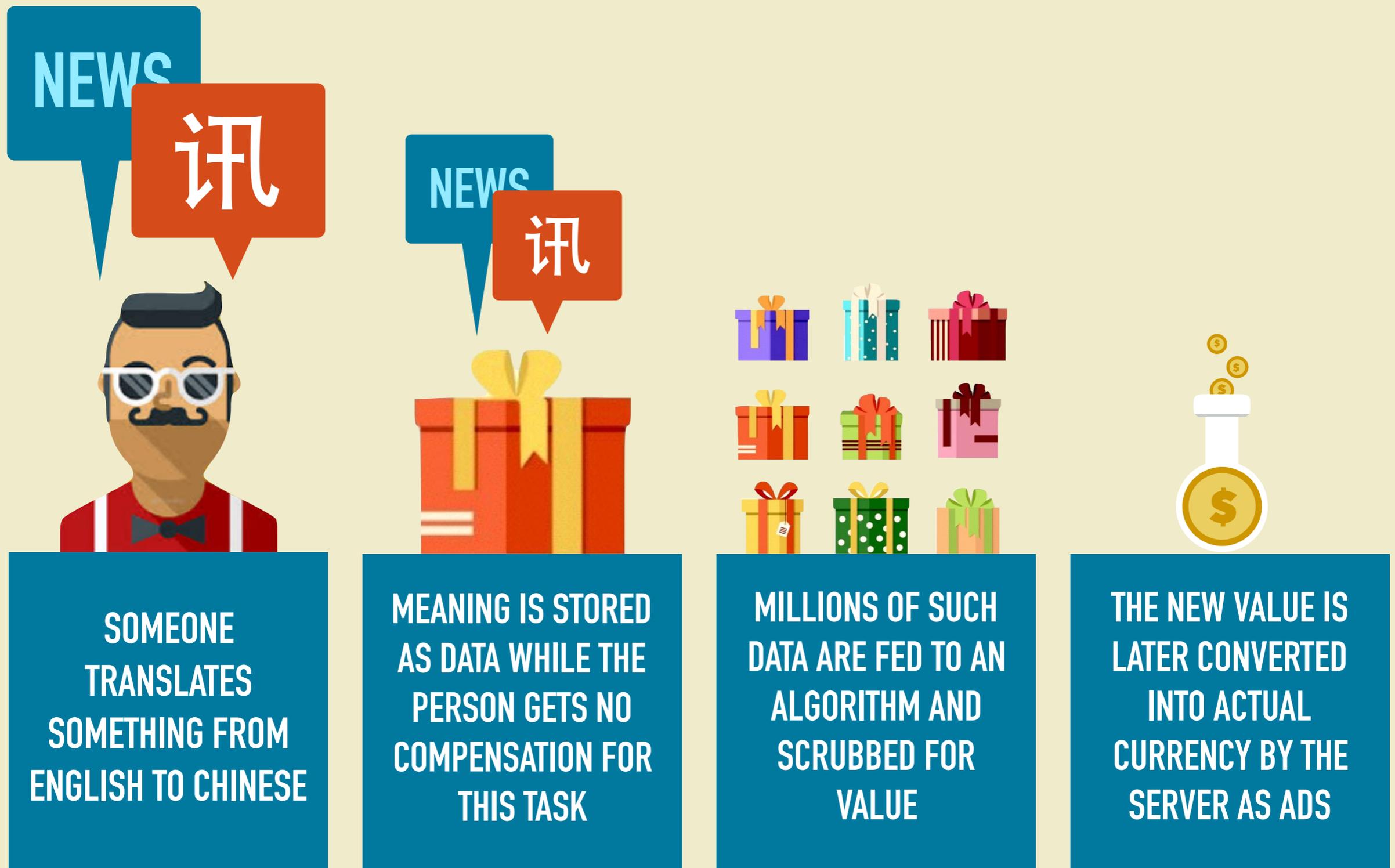
But What is Data Exactly?

Think of **DATA** as a store for
MEANING.

In a digital network, meaning is automatically aggregated and analysed by algorithms to identify **VALUE** which is later converted to **CURRENCY** by a central server.



How Data Becomes Currency



value flows from the network's extremities to its core

“Information Wants to be Free”

Stewart Brand, Author

As in Translation, so it is in News

This transfer of value, from users to an elite server, is an essential characteristic of the technology that turned the news industry on its head.

It is a byproduct of

Copying & Automation

Hippie Culture & Moore's Law

EVERY TWO YEARS

2x as fast

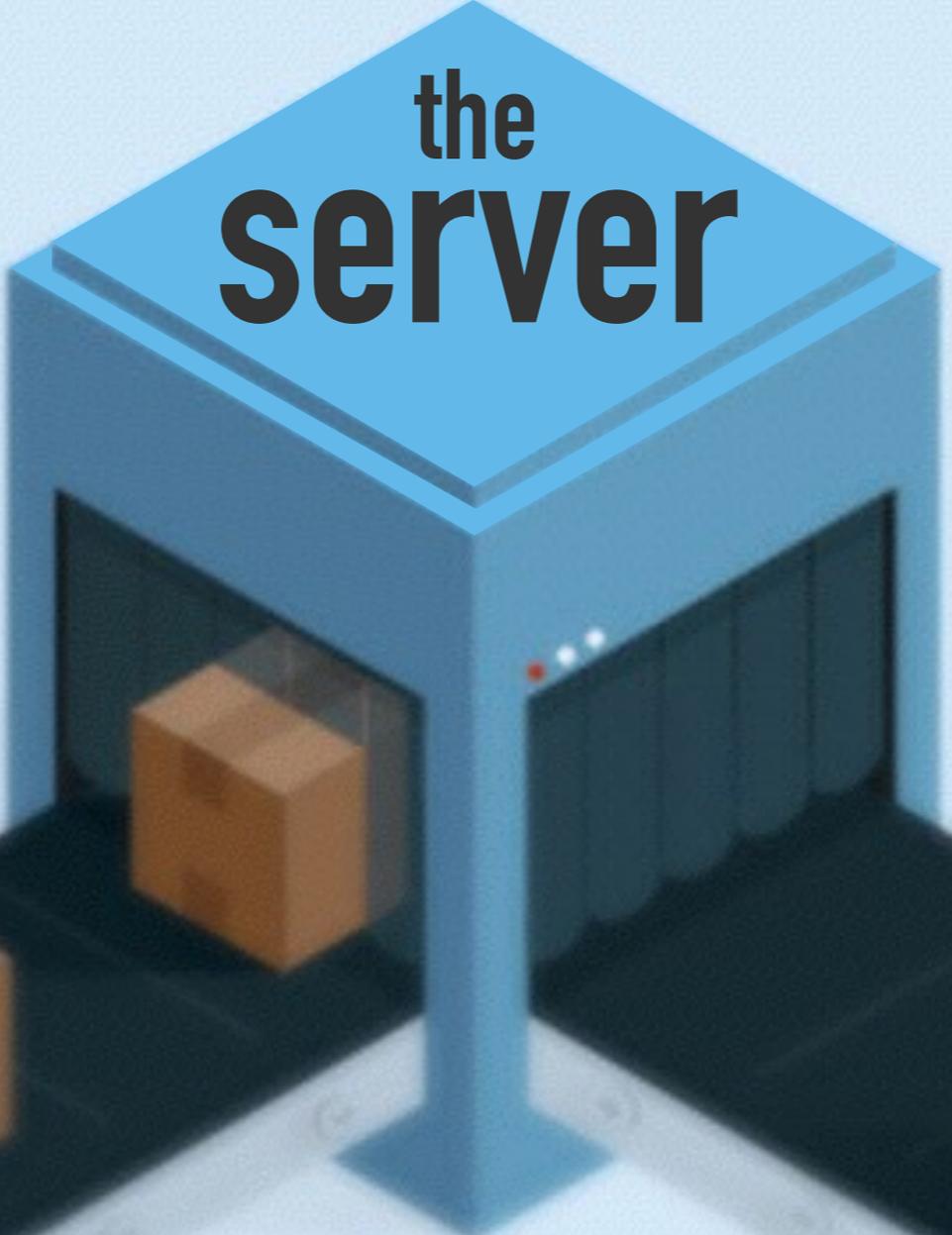
1/2 as expensive

Copying & Automation are natural to any digital network's operation.

They are incentivised by the **"information wants to be free"** ideal and powered by Moore's Law.

Information is Never Free

It's value simply flows from the extremities of a digital network to its center:



the
server

“Software is Eating the World”

Marc Andreessen, Venture Capitalist

Software Mediated Economy

We remain fooled by the **myth of free information** because it still does not represent the larger share of the world's economy



Think of a Few Successful Digital Companies



Facebook



Google



Apple



Citibank



BlueShield



IRS

offer a service for a premium fee			✓	✓	✓	✓
offer a service free of cost	✓	✓				
monetise advertising	✓	✓				
collect and analyse user data	✓	✓	✓	✓	✓	✓
different market segments	social network	search	hardware manufacturer	bank	insurance	government

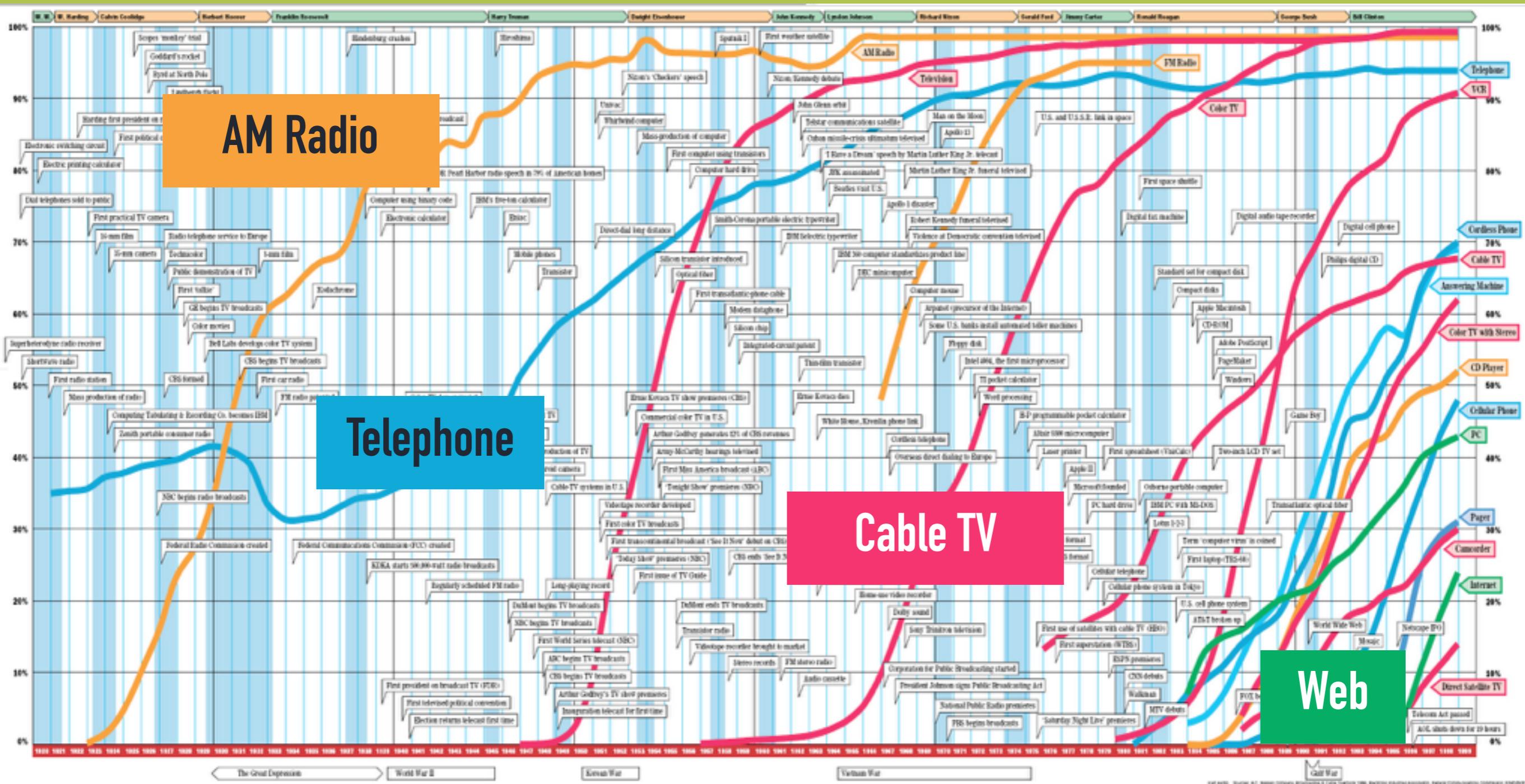
All of these outfits are in fact

Elite Servers

**“Only one thing can allow a
business to transcend the daily
brute struggle for survival:
MONOPOLY PROFITS”**

Peter Thiel, Venture Capitalist

An Elite Server is, in Essence, a Monopoly



To keep up with the frenetic pace of innovation, a company needs to secure monopoly profits

The Essential “Qualities” of an Elite Server

Powerful Network Effects

Amplified Risk Aversion

Extreme Information Asymmetry

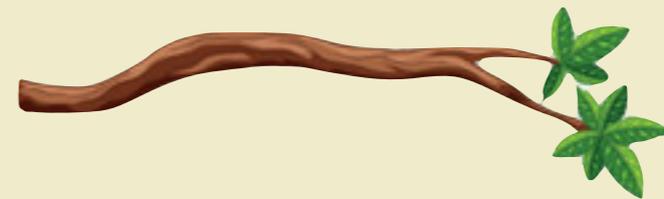
Carrots & Sticks

Network Effects are feedback loops that promote exponential results within a network. They generally come in two flavors:



Rewarding Effects

The more users engage with your service, the more valuable your service is to every other user.



Punishing Effects

The cost for current users to abandon your service is high enough to dissuade them from ever leaving.

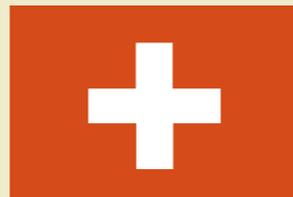
Make Others Responsible for Liability

Your server accepts no responsibility for the actions of its users.



Terms of Use

Clickthrough Agreements must be required and should place responsibility for any action square on users.



Position of Neutrality

Design your services so as to remain impartial and uninvolved in the activities of your users.

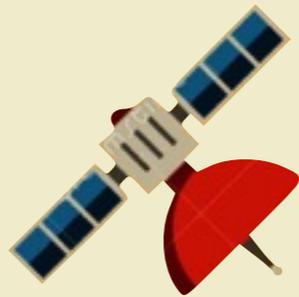


Indirect Revenue

Earn money by facilitating trade between users, by showing them ads, or by improving their visibility within the network.

Know More, Own More

User engagement is the building block of an elite server



Screening & Signals

User engagement features such as forms, favorite lists, likes & shares, and polls create opportunities for the server to map out user types in the network.



Inherent Pitfalls

Networks are populated by people, and they will invariably try to game the system to suit their needs and desires.

**“The difficulty,
the ordeal, is to start”**

Zane Grey, Author

Packing List

1. Acquire a Data Management Platform (DMP)
2. Implement a method of unique user identifier
3. Hire statisticians
4. Pair statisticians with business executives to ask the right questions
5. Design you network effects around the right answers
6. Build revenue models that radiate risk and draft user agreements to support them
7. Implement engagement features that feed the information asymmetry cycles
8. Repeat and review items 4 to 7 as your new server grows and evolves



Things to Take Home

“Planning to get as close as possible to an (elite) server is good advice in the near term”

Jaron Lanier, Author & Technologist

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THANK YOU

BRUNO VILELA - CHIEF DIGITAL OFFICER

Jaime Câmara Group



@Bruno_Vilela_



/VilelaBruno