

PELLETIER Emma

N° étudiant : 21800581

ECONOMIC COMPLEXITY

Essay : Winner-takes-all economy

Année 2020-2021

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Are we entering in a winner-takes-all economy?

Why and what can we do about it?"

What is the winner-takes-all economy ? First of all, a precise definition is required concerning the meaning of the term "winner-takes-all" in the economic field. It is defined as "A winner-takes-all market refers to an economy in which the best performers are able to capture a very large share of the available rewards, while the remaining competitors are left with very little", thus in other words it is an economic system where competition allows the best performers to rise to the top at the expense of the losers : the big one (companies) will be bigger but the small one will be smaller.

Nowadays, the economic field is facing a specific development, and as a result, the economy is evolving according to a complex system perspective. This whole system is based on interaction in a mechanism of understanding changes in life, information and networks. The economy is becoming more complex as there are more and more actors participating in this evolution, resulting in a division of knowledge through new technologies or globalisation. In fact, on the global economic stage, there are more and more competitors who are trying to stand out through new ideas, ambitious projects, technical innovations, etc. The international economic scene is becoming more and more competitive.

Today it can be said that we are not only entering a winner-takes-all economy, but we have entered that economy.

*"We are increasingly becoming a 'winner-take-all' economy, a phenomenon that the music industry has long experienced," Krueger argued in a speech in Cleveland. "Over recent decades, technological change, globalization and an erosion of the institutions and practices that support shared prosperity in the U.S. have put the middle class under increasing stress. The lucky and the talented — and it is often hard to tell the difference — have been doing better and better, while the vast majority has struggled to keep up."*¹

And it is obvious that this is not a fair economic system in the sense that it is only profitable for big companies, for groups that are already developed or have a significant capital base. Originally, the winner-takes-all economy was in the field of cinema, where the best actor earns much more than the second best, who earns more than the third best, and so on. The same goes for the field of music, sport, or finance, where the best will always earn more than the second best, just because they belong to the best(s) (concerning sport), or because they sell more records (for music) and they sell more shares (for finance). It's all about money, not talent strictly speaking.

In the winner-takes-all system, when we talk about new technologies, where this system is entirely present, for example in the field of e-commerce, the first one that consumers think of, in a totally unconscious way, when they want to buy a product, it is undoubtedly the Amazon

¹ Cf : <https://www.reuters.com/article/us-column-freeland-idUSBRE95J0WL20130620>

online sales site that consumers think of first, or as soon as we talk about telephony, consumers will directly refer to the American brand Apple, the same way as soon as we talk about social networks, there again, the first references will be Facebook, Instagram or Twitter. It is therefore obvious that there is a growing influence of a few powerful players in the digital economy, of which the acronym GAFA (Google, Apple, Facebook and Amazon) is the most emblematic flagship bearer. And this power is increasingly spilling over into the economy as a whole, as digital technology makes it possible to attack virtually every economic sector.

*The classic free-market capitalist answer to this has been, "So what"?*²

This has a strong impact on both technology and uses such as access to information or trade. While this consolidation appears to be beneficial in some aspects, it also presents risks such as hyper-dependence on the giants of the Web. The idea of a decentralised space is gradually turning into a space dominated by a few giants, so it is also an unfair economy because this system does not give a chance to any new company that tries to enter the competitive market because reference companies are already anchored in the collective consciousness.

As consumers have reference names in areas that can demonstrate the winner-takes-all system, such as sport, music, cinema or, more recently, social networks, e-commerce, they are developing a certain confidence in these large groups, which have proven their worth to consumers. For example, Amazon insists on its wide choice of products available on the site or its fast delivery. The site even offers faster delivery, more attractive prices, discounts on items for so-called "premium" buyers who subscribe to the monthly subscription called "Amazon premium", and this strategy is winning over many consumers, and it is indirectly effective because today Amazon is the leading e-commerce site in the world. This is particularly visible in 2020 with the current health crisis of the Covid-19, no surprise Amazon appears to be one of the main beneficiaries of this crisis and the director of the site has made a fortune on the "back of this global pandemic" because people were repeatedly asked to stay confined to their homes, but the purchases, whether for birthdays, celebrations, any other desired purchase, or even Christmas shopping, had to be made in spite of everything. So logic leads consumers to the big e-commerce groups such as Amazon, quite simply.

To illustrate: under these conditions, the counters have soared at Amazon, which recorded up to around \$11,000 in sales of products and services per second worldwide at the height of containment six months ago, according to The Guardian. At such a rate, the American group's annual sales forecasts could jump by 20% to \$335 billion by the end of the 2020 financial year.

It can be said that the winner-takes-all is therefore winning the whole economy. For example: Large-scale distribution has killed off the retail trade in its catchment area and it is now very difficult to support a small craftsman within a radius of 10 km around a large surface area,

² Cf : <https://www.reuters.com/article/us-column-freeland-idUSBRE95J0WL20130620>

On the Internet, where the constraint of physical location no longer exists, this phenomenon is even more accentuated. The leading brands are global and are winning in every country: Google, Facebook, Amazon, Youtube, etc. It is then difficult to make national champions and even more difficult to make a small shop survive outside niche markets.

Today, in 2020, it will therefore be easier to develop one's industry or business thanks to the Internet, because it must be considered that the majority of the population throughout the world is connected. In fact, the emergence of a new concept, a new product on the market is likely to be noticed and attract the curiosity of consumers. This novelty is therefore more likely to be visible while at the same time attracting potential buyers, especially when the novelty touches on new technologies, on the latest cutting-edge innovations, on a novelty that could further connect the consumer who acquires it, especially novelties that touch on the internet, smartphone applications, telephony, because investors are fond of markets in the making or with potential for financial development and know full well that they will attract consumers or the public. And it's a sort of virtuous circle inasmuch as the sale of smartphones goes hand in hand with the applications market, one no longer goes without the other from now on. For example, an application with an innovative, inventive, playful concept that reaches a large audience (in order to reach the most consumers, thus generating the most downloads and capital) will have a better chance of developing on the economic market.

However, even if it seems easier to develop your concept, your idea, your product that touches on new technologies, it is no less difficult to make it adhere in the eyes of the public. Indeed, they always have reference names and it will be difficult to get them to adhere to something new. Let's take the example of applications: many users use the social network Instagram, which clearly has a monopoly in terms of today's social network. This network is used to communicate, to publish photos (personal or professional), to exchange with an audience and thanks to the content published on the application, this has become a paid activity, therefore a professional activity that attracts many brands, partnerships, sponsors of all kinds. It is therefore obvious that it will be complicated to dethrone an application that allows you to make personal content, to view different contents, to carry out a professional activity, to discuss through messages, etc.

But what can be done against this monopoly held by certain large groups who make a lot of money at the expense of smaller companies who are trying as best they can to get their heads above water and stand out in the public eye?

Some "small" companies are trying to emancipate themselves from this economy where the big company will become even bigger and the small one will become even smaller. Indeed, these companies certainly aim to make a turnover, which in a sense seems logical, because it is the very purpose of a company, to make a profit, but they also want to offer "that something" (a product, for example) that will make it stand out. Why should it stand out? Because it will develop another strategy than "just selling and offering thousands of referenced and listed products". This "small" company will become more

specific, the products will undoubtedly be more qualitative because there will be a search for new design, new materials, potentially environmentally friendly, a new way of producing, or a new marketing strategy, a new way of bringing the product to the market, by radically changing the approach between the consumer and the producer. For example, large food groups such as Auchan, E. Leclerc, Intermarché, etc., hypermarkets attract countless customers every day. Customers can find all kinds of products and at different prices. It is therefore these large groups that will pocket all possible profits from the sale of food products. But there are some traders who try to stand out by creating small shops and offering more specific, local, organically grown products with more precise product traceability. Or again, let's take the example of the textile industry, the big groups such as Zara, H&M, Primark, etc., certainly make a turnover and make sales all day long, but you have to look at the way clothes are produced, where the raw materials are of low quality and the working conditions of the workforce are catastrophic. Some traders want to emancipate themselves from this mass consumption and want to develop a textile industry which respects the environment and the workers, the workforce, with more local or national raw materials, at least with fewer chemicals and a more alert conscience.

So yes, there is this winner-takes-all economy, where the big company gets bigger and the small one gets smaller, but isn't this changing? Wouldn't people become aware that this mass consumption has reached its limit and that it is necessary to review the way we consume in many areas of daily life? The wheel is turning in favour of the planet.