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"Are we entering in a winner-takes-all economy? Why and what can we do about it?"

The first question expects a dichotomous answer: yes or no.

My first answer will be yes, and I'll explain why:

First, let's take the example of the winner-takes-all market, as part of the world economy.

The definition of a winner-takes-all market may refer to people, products, or services. In such markets, a product or service which is just 1% better than the competing ones may get more than a 90% share of all the revenues for that class of good or service. To put it simply, when the top supplier or performer earns disproportionately more than his, her or its competitors, it is a winner-takes-all market.

It is a system that can be quite unfair because in a winner-takes-all market, individuals are paid not according to their absolute performance, but rather according to their performance relative to their competitors.

Examples of winner-takes-all markets may be found in sports, pop music, entertainment, movies or finance. For instance, a top rock superstar earns significantly more than all the other rock musicians there are, even though his or her skill level is only slightly higher than the next highest earning rock musician. The same pattern is visible among the actors, as the highest-paid Hollywood actor or actress earns considerably more than the second-highest, who earns significantly more than the third, etc.

This pattern is also quite striking in the area of the new technologies.

Indeed, in the 1990s, with the advent of the Web, the winners were Google in search, Amazon in e-commerce and Facebook in social networking. They still dominate those markets. And since 2007, Apple and Google (Android) have dominated the market for mobile internet operating systems.

So, new tech markets are often intensely competitive, amplified by the volatile nature of the technologies themselves. But once a tech company achieves clear market leadership - usually as a fast follower with better execution than the pioneer - it soon attains complete dominance and is then almost impossible to displace.

Consequently, the threat is that a newer, bigger, adjacent market emerges, dominated by another player: a narrative that occurred to mainframes and PCs which have been overshadowed by online, mobile and cloud-based technologies.

Robert Frank, economist and professor at Cornell University, analyses: "normally, when economists think about why some people earn more than others, they look at the human capital model. So, if you have more training or more experience, or you're more intelligent, all those things are components of your human capital".

But now, the global dynamic seem to have changed. He defines the winner-take-all markets as “lots of people competing for a limited number of slots at the top, and the ones who land in those slots walk away with the lion’s share of the total reward”. Frank also insinuates that this process can be hazardous as many people try to come in the market, self-assured, but the reality is that “only a tiny handful gets the big pay checks” and that “99% of the people who enter those contests emerge as losers”.

All these different reasons indicate us that we are entering in a winner-take-all economy.

But, other reasons make me express some reservations: we are not entering in a winner-take-all economy, as we are and have been, for a long time now, in this system.

Indeed, David Nieborg, researcher in the media industries, proposes his vision in a Ted conference (2012). He begins his speech by asking: “what are the similarities between Barack Obama, Facebook and Angry Birds? Well, they are all winners. They all leveraged the power of networks.”

Indeed, Barack Obama, during his presidential campaign, “used web technologies like social media and emails to mobilize people to attract money and communicate ideas” and actually won the elections. Facebook, the social platform, with its 1 billion users “really redefined how we socialize”. Then, Angry Birds, the famous game, was originally developed by a small group in Finland in 2008-2009 which invested 100 000 euros before counting 1 billion downloads a couple of years later. They are all winners.

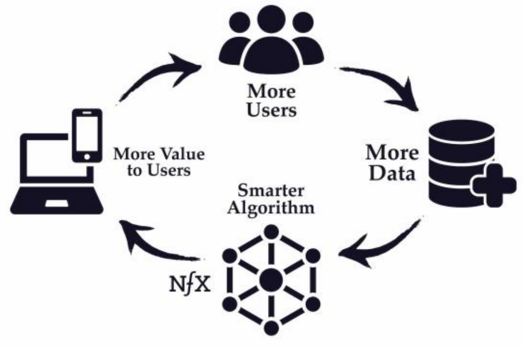
Nieborg then asks this very interesting question: “is it new?” The answer is no. “It has always been among us”.

He takes as examples the Lord of the Rings, written by Tolkien and released in 1954, which was a best seller. We also know the 1975 American blockbuster “Jaws” or the 1982 “Thriller” album by Michael Jackson that was a “hit album”.

According to him, the only thing that has changed is the fact that “the power of network hits becomes bigger and faster […] because of the network effects”. What are the network effects? Well, to put it simply; it is a phenomenon where increased numbers of people or consumers improve the value of a good or service.

The example of Internet is striking: initially, there were few users on the Internet since it was of little value to anyone outside of the military and some research scientists. However, as more users gained access to the Internet, they produced more content, information, and services. As the Internet experienced increases in traffic with the development and improvement of websites, attracting more people, it offered more value, leading to a network effect. The same pattern can also be found in social media.

Here is a simple illustration to summarize the idea:



But beware, when a platform bets everything on the network effect while it offers a type of interaction that has a different value than simply allowing to communicate, it hides its true value to itself. It leaves the door open to competitors. For instance, Uber, which only offers the shared car, may well suffer in front of more local and greener mobility platforms.

According to Nieborg, another reason to the increase power of network is the switching costs. Switching costs are the costs a consumer pays as a result of switching brands or products which can be monetary, psychological, effort-based, and time-based. So, it's typical to see companies trying to employ strategies that incur high switching costs on the part of consumers to dissuade them from switching to a competitor's product, brand, or services. Indeed, companies will create unique products that have few substitutes and require significant effort to master their use. For example, many cellular phone carriers charge very high cancellation fees for canceling contracts in hopes that the costs involved with switching to another carrier will be high enough to prevent their customers from doing so.

Now, a second question remains: what can we do about it?

The winner-takes-all model had effects not only on the economy, the markets, and the technologies but also, and above all, on people minds.

Back to Robert Franck, he makes a sad commentary on the changes in people's habits, stressing that "incomes have been growing so sharply at the top that it has had a costly effect on the rest of the population, because it has changed the spending patterns that define what people feel they need to get by in life". For instance, when the richest people build bigger, the people just below the top feel like they should build bigger too.

This tendency leads to this disturbing observation: "now, the median new house built in the United States is 50% bigger that its counterpart from 1970". Is it because people get richer now? No, it is quite the opposite, as "the hourly wage of men in American is lower than it was then." The only reason is that people like to build bigger house. And actually, the type of house in which people live constitutes a real social indicator. It is a vicious spiral: "if you don't match what people spend, your kids will go to inferior schools, because the good schools are the ones located in the more expensive neighbourhood" and so on and so forth…

This analysis leads us to the following question: how should we act in such a system? From my point of view, only two options exist:

- Either we accept the game, we go with the flow, and do everything to become the winner (in the case of a company executive) which would require a lot of self-confidence,

- Either we find a sector/enterprise that is not yet won by the winner-takes-all pattern, to help them grow and compete with the leaders.
  This second option was found by professors Luigi Zingales and Guy Rolnik (University of Chicago): "you can try to legislate an individual's 'social graph' (that is, a map of all of the digital connections a person has made) in such a way that all data and metadata gathered by these giants [i.e. Facebook, Netflix or Google] on an individual belongs to them and them alone. If you want to switch from one service provider to another, then the provider you are already using must surrender all of the information they have on you and give it to your newly selected provider. This porting of data to competitors will strip the 'winner take all' giants of their monopolies – providing space for competitors to arise – they could, for example, offer something different such as better or more niche UI design. Such a system would create competition in the sectors we currently see none and provide opportunities for businesses

stuck in sectors with decreasing amounts of opportunity" - like the people care sector or the social and solidarity economy.

In a nutshell, we can positively say that the winner-takes-all is winning the entire economy. But, it is not a recent pattern, as we have proof that it existed since the 20^{th} century. The only thing that has changed in the 21^{st} century is the intensification of the power of network, which consequently changed our habits of consumption. Now, it is to people to decide which direction they want to follow. Either they accept the game, either they stand out and create new opportunities.

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Definitions:

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