

Avoiding ‘Star Wars’ – Celebrity Creation as Media Strategy

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I. INTRODUCTION

In the advertiser-supported media sector media content like television programs, newspaper copies, or magazine articles are sold to media consumers and the attracted audiences can be packaged, priced and sold to advertisers. Therefore, audiences are the main currency for media firms (Doyle 2002). Broadcasters do not only broadcast programs; they are in particular in the business of producing audiences (Owen and Wildman 1992). In general the profits of media companies increase with the number of viewers per program since mass media typically operate under increasing returns to scale. For example, once a television program has been produced, the extra cost of an additional viewer is very small. The audience attracting capability of stars is one of the traditional instruments employed to increase the number of viewers. The literature distinguishes between two different types of stars: highly talented and therefore ‘self-made’ superstars (see Rosen 1981, Adler 1985, MacDonald 1988, Borghans and Groot 1998), and ‘manufactured’ and thus rather trivial celebrities (see e.g. Boorstin 1961, Gamson 1994, Marshall 1997, Cowen 2000, Turner 2004). Both kinds of stars increase audience interest and draw attention. But whereas ‘self-made’ superstars set themselves apart by superior talent, celebrities draw people by pure fame ‘fabricated’ by media publicity.

‘Self-made’ superstars attract audiences based on their perceived excellence in the provision of a certain service. Placido Domingo has convinced the opera fans around the world of his exceptional voice just as Diego Maradona has persuaded the international football fans of his outstanding technical abilities on the pitch. Both became superstars because they were considered to be the (or among the) most talented performers in their field. Hausman and Leonard

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(1997) for example found out that the mere presence of superstars like Michael Jordan had a substantial positive impact on national television ratings of NBA matches. Several studies in the movie sector clearly indicate that superstars promote the success of the films in which they play (see e.g. Wallace, Seigerman, and Holbrook 1993, Prag and Cassavant 1994, Albert 1998, Franck and Opitz 2003, Elberse 2006). Media provide access to superstars in many different ways, for example by broadcasting a top sports competition, by airing an interview with an excellent singer or by inviting a successful actor to a talk-show.

Recently broadcasted reality television shows like e.g. *Pop Idol* are based on a different star concept: They 'create' stars out of anonymous performers by providing them a media platform and allowing the viewers to pick a singer to be groomed as a star. The format *Pop Idol* which was first aired 2001 in England has had tremendous success. Meanwhile, the show is broadcasted in 110 countries. *Pop Idol* is just one format – but possibly the most successful – of hundreds of reality television shows recently flooding the television programs. The reality shows range from reality soaps like *Expedition Robinson*, *Big Brother*, or *I'm a Celebrity, Get Me Out of Here!*, other casting shows like *America's Next Top Model*, to docu-soaps starring celebrities like *The Anna Nicole Smith Show*, *The Simple Life* (with Paris Hilton and Nicole Richie), or *Newlyweds* (with Jessica Simpson) just to name a few. Reality television has rapidly come to occupy a place at the forefront of contemporary television culture (Holmes 2004a). Of course, the idea of manufacturing celebrities is not new: For example, this strategy was already used by television quiz shows during the 1950s or by major recording labels during the late 1960s to 'create' celebrities like the *Monkees* as a televised alternative for the *Beatles*.

Before the 'graphic revolution' it was generally necessary to have demonstrated great deed or action in order to become a well-known and attention-drawing star (Smart 2005). Mass-media, however, allow stardom to be artificially created by media publicity and promotion. Recent information technology and the Internet have even extended the capacity to create, transmit and disseminate images of celebrities. Whereas there is still a loose connection between talent, winning the contest and the ensuing celebrity status in casting shows like *Pop Idol*, other reality formats like e.g. *Big Brother* do not even claim to select the winner according to any special achievements. Through such pseudo-events anyone may become famous. Boorstin (1961) speaks of people who are just known for being well-known. Apart from their fame, 'manufactured' celebrities may be trivial and superficial. But the rating success of most of the reality television shows still proves that celebrities have high viewer drawing capability. Thus, the attraction of large audiences is not necessarily based on exceptional talent; pure fame suffices.

In this paper, we compare the basic economic mechanisms which explain the emergence of traditional 'self-made' stars and 'manufactured' celebrities. Based on these mechanisms we show that 'self-made' stars and celebrities are comparable in their potential to generate value in the media industry. However, whereas 'self-made' stars become endowed with market power through the very mechanisms which create them, celebrities have inferior opportunities to capture the value created by their appearance. Therefore, the media companies are able to capture the bulk of the profits from 'manufacturing' celebrities.

The remainder of this paper is structured as follows: First, we describe the reality television show *Pop Idol* as a case study of 'manufacturing' celebrities. In the second part of the paper, we analyse the economic mechanisms explaining the emergence of 'self-made' stars as well as of celebrities and compare their consequences with respect to viewer drawing capability and bargaining power. In a last section, the findings are summarised.

II. POP IDOL – AN EXAMPLE OF 'MANUFACTURING' CELEBRITIES

Pop Idol originated 2001 in the UK as a public singing contest to determine the best undiscovered young singers in a country. The format starts with televised auditions where contestants are gradually selected by sarcastic judges. The final participants perform live on television each week and viewers then vote by phone or text message for their favourite. The singer with the least votes leaves each week until a winner is crowned. The winner then receives a management contract with *19 Entertainment* and a recording contract with *BMG* (Mortimer 2004). *Pop Idol* was an immediate rating success. The final episode attracted a viewing audience of 13.2 million, or a total audience share of 57%. The first final of *American Idol* – the US version of *Pop Idol* – generated record ratings of 23 million viewers, which was the biggest audience for a non-sports program at that time in over ten years. *American Idol* also generated an unprecedented 110 million telephone votes over the progress of the first final shows (Dann 2004). And the success has continued: The average number of viewers of *American Idol* increased from 26.5 million in 2005 (Daly 2006) to 30 million in 2006 (Zeitchik and LaPorte 2006)¹.

Pop Idol was devised by the British artist manager Simon Fuller and a director of *BMG*, Simon Cowell. Simon Fuller began his career as a talent scout in the 1980s. In 1985 he launched the keyboard maestro Paul Hardcastle and

1. The British *Pop Idol* show was replaced by the casting format *The X Factor* after the second series. Simon Fuller claimed that *The X Factor* was a copy of his own show and filed a lawsuit against the producers of *The X Factor*. In November 2005 an out-of-court settlement was reached.

guided his song, '19', to the number one spot. In the same year he founded the company *19 Entertainment*² which has grown and diversified to become a group of numerous companies covering television, music management, music publishing, recording, artist and producer management, sponsoring and promotion (Sanghera 2002). For example Fuller created and managed the *Spice Girls* and launched teen act *S Club 7*. *19 Television* was formed in 1997 as a subsidiary company of *19 Entertainment* to produce or co-produce television shows or films. In 2001 it started *Pop Idol* in the UK in cooperation with *Thames TV* which internationally trades as *Fremantle Media*. Since then, *Pop Idol* has spun off several successes such as *American Idol*, *Canadian Idol*, *Australian Idol* to name just a few. In March 2005 Simon Fuller sold *19 Entertainment* to Robert Sillerman's company *CKX* for \$196 million (Serwer 2005). Fuller, however, has remained the chief executive.

In just a few years the *Pop Idol* format has developed to a multi-million pound brand operating all over the world. In 2006, 34 local versions of *Pop Idol* air in 110 countries. The music expert Michael Learmonth (2006) names *Pop Idol* a 'diamond-studded annuity that generates in excess of \$1 billion a year worldwide through advertising, sponsorships, license fees, merchandising, telephone voting, record sales and touring'. The *Los Angeles Times* estimated that already the annual global advertising revenues of the *Pop Idol* format exceed \$1 billion (Hardy 2004). Exact data is not available. However, it is undoubtedly that the *Pop Idol* shows are a very lucrative business.

In the UK, Fuller's *19 Television* company and *Thames Television* have an equal share of ownership in the *Pop Idol* format. Internationally, the television rights of the *Pop Idol* format are held by *19 Television* for two-thirds in conjunction with *Fremantle Media* which owns one-third. *Fremantle Media* is a television production subsidiary of Europe's largest television and radio group *RTL*, itself 90% owned by German media conglomerate *Bertelsmann*. Over the period 2002–2003 *19 Television* and *Fremantle Media* received over \$250 million in format fees (Hardy 2004). However, broadcasters did not miss out. They obtained considerable *Idol*-related advertising revenues. All the global *Pop Idol* shows in the years 2002–2003 generated over \$2 billion advertising revenues according to the *Los Angeles Times*. The US-based *Fox* network for example gained \$200 million advertising income from the first two seasons of *American Idol* (Hardy 2004). During the fourth *American Idol* series in 2005 *Fox* sold ads at an average price of about \$600,000 per 30-second spot. According to Lieberman (2005) this summed up to at least \$444 million advertising income.

2. In the beginning, Fuller's company was named *19 Management*, but he later changed the company's name to *19 Entertainment*.

Another significant revenue stream is derived from merchandising the *Idol* brand, which is split between *19 Entertainment* and *Fremantle Media*. According to *Fremantle Media*, in the last three months of 2003 more than \$45 million of merchandise associated with *American Idol* was sold in the US (Hardy 2004). Consumers can drink from their idol's mug, download the artists' ring tones for their own phone or sing along to the branded karaoke system. Even video games, cell phone faceplates, or perfumes are sold as licensed products. In 2004 consumers spent about \$215 million on *Idol*-licensed products mostly for typical pop-culture products: toys, candies, trading cards, games, a magazine and books (Lieberman 2005). The sales of albums, singles and music videos associated with the *Pop Idol* format in the US, UK and Germany totalled some additional \$170 million from 2003 to 2004 (Hardy 2004).

Even though the winners of *Pop Idol* enjoy enormous fame and publicity, financially they do not profit likewise. A very detailed contract between the participants and Fuller's *19 Entertainment* guarantees on a clear 'take it or leave it' basis that the young performers are wrapped up for recording, management and merchandising under very restrictive terms for three years. Gary Fine, a music attorney, made this 'particularly aggressive' contract public as he came into possession of it when a mother of a young man who was interested in being on the show brought it for his perusal (Olsen 2002). The first clause, for example, says that the producers can record any and all behaviour of the contestant 'in and in connection with the series' and use the contestant's likeness, voice and biographical material, whether true or false any way they want to. The producers own all this material forever and everywhere. The second clause says that all information regarding the show and this contract is strictly confidential and if a contestant breaches this confidentiality, it will cause damages assumed to be in excess of \$5 million. A further clause requires each finalist to enter into agreements exclusively with *19 Recording* for recording of solo albums;³ *19 Merchandising* for advertising, endorsement, merchandising and sponsorship; and *19 Management* for the management of his or her career. All this was entirely at the option of Fuller's *19 Entertainment*, save for the winner, who was guaranteed this result. Another clause even states that the *Idol* winner has to appear at the later *World Idol* program⁴, for a total fee of just \$1,400 (Olsen 2002). *19 Entertainment* virtually controls all aspects of the singers under contract. Some music experts say that the careers of *Pop Idol* finalists are literally not their own. An example: *19 Entertainment* arranged for Kelly Clarkson, winner of the first *American Idol* show, to sing the American national anthem at the first September 11 anniversary in Washington D.C. Several newspapers and prominent persons criticised it, questioning if a day of

3. The recording rights, however, are mostly licensed out to *BMG*.

4. In the *World Idol* program the winners of the various national *Idol* shows compete against each other.

national mourning shall be turned into a giant promotional opportunity (Dann 2004). In response, Clarkson wanted to cancel her obligation. She was quoted in the *New York Times*, saying: 'If anyone thinks I'm trying to market anything, well, that's awful. I am not going to do it – I am not going to sing on September 11'⁵. The next day *19 Management* issued a press release and clarified that Clarkson will sing the national anthem on September 11 in Washington D. C. and that media reports to the contrary are incorrect (Dann 2004). Kelly Clarkson had no other choice. The very restrictive contracts between the *Pop Idol* singers and *19 Entertainment* restrain the singers' careers financially as well. *19 Entertainment* receives 10% of their recording revenue (Serwer 2005). The management fee is estimated to be an additional 15–20% (James 2002). And *19 Merchandising* also generously partakes of the merchandising and touring⁶ revenue. In a rare interview with *The Associated Press*, Simon Fuller described his manager-client relationships with the *Idol* contestants as 'partnerships', in which he receives between 25% and 50% percent of their earnings. The industry standard, however, is a 20% management fee (Ehlers and Writer 2004).

19 Entertainment is effectively structuring a global base for *Pop Idol*, which generates money not simply from the sale of the format and the exploitation of the promoted celebrities, but also from multimedia platforms, phone calls and the Internet (Holmes 2004b). According to Learmonth (2006), *19 Entertainment* and *Fremantle Media* together receive 50% of revenues from cellular phone calls and instant messaging. Given the tremendous numbers of votes, this is considerable money. In 2003, 7.5 million viewers of *American Idol* cast votes by text messages. One year later the number increased to 13.5 million and then another year later more than tripled to 41.5 million text messages (Zeitchik and Laporte 2006). In 2003 there were 60 million phone calls for *American Idol*. The chief executive of *Fremantle Media Licensing Worldwide* estimates that more than a billion phone votes have been cast globally for *Idol* contestants in the years 2003 and 2004. In 2006 580 million votes were cast during the fifth season of *American Idol*. In the UK alone, each series was estimated to generate \$9 million by phone and text message voting (Mortimer 2004).

The business model of *Pop Idol* is rather simple: Take unknown but ambitious young individuals who are willing to sign recording, management or merchandising rights away, equip them with stardom and sell access to the 'fabricated' celebrities. Every year ten thousands of individuals audition for various *Idol* contests. Few if any of those amateur or semi-professional singers have experience or track record in the music industry. Their bargaining power

5. See Kuczynski (2002) quoted in Dann (2004, p. 17).

6. According to the *Billboard* magazine ticket buyers spent more than \$28 million in 2004 to see the finalists of *American Idol* (Lieberman 2005).

is very low. Most candidates will sign anything the show's producer puts in front of them, because potential earnings of *Idol* finalists are still higher than alternative earnings as workaday Janes and Joes (Piccoli 2006). The big profiteers, however, are both production companies – *19 Entertainment* and *Fremantle Media* – and the television broadcasters. According to Learmonth (2006) the two production companies have retained an 'unusually large stake in the myriad revenue streams' the show generates. *Pop Idol* turned Simon Fuller into the second richest 'millionaire in film and television' with an estimated fortune of \$540 million (Beresford and Boyd 2006). The television broadcasters have profited as well. According to various network estimates, reality shows like *Pop Idol* cost about half as much to produce – about \$600,000 per hour – as typical new dramas or sitcoms. *Pop Idol* does not require new sets, or stars who ask for \$1 million-an-episode salaries, as the actors of the series *Friends* successfully did in 2003. And *Pop Idol* tends to be popular with the audience advertisers desire most: young women (Farhi 2003).

Pop Idol explicitly distinguished itself from prior casting shows (e.g. *Popstars*) in its invocation of audience interactivity and popular taste. The creators promoted *Pop Idol* insisting 'But this time, you choose!' (Holmes 2004b). As a result of this procedure rather popularity-driven celebrities emerge, because the candidate with the largest fan-support wins. Becoming the winner of *Pop Idol* is less an issue of talent and more one of sympathy and compatibility to popular taste. Experience shows that the 'manufactured' celebrities in general could not sustain audience interest in their work when they lost the publicity generated by appearing weekly on prime time television. While the initial success of some of the individual singles or albums of *Pop Idol* finalists has been extraordinary (the first UK, Australian or American singles, in particular, went to number one immediately), most of the singers have not been able to repeat their initial success nor to construct a continuing career (Turner 2004). They have had only mixed achievements outside the safety of the created popularity bubble.

To examine general publicity of the *American Idol* finalists, we measured how often they were mentioned in the press by conducting a text analysis of articles in numerous quality and tabloid newspapers as well as weekly magazines⁷. Figures 1 to 3 illustrate the number of monthly articles which mention the finalists of the first three *American Idol* series by name.

7. The database used contains quality newspapers (including e.g. *USA Today*, *The New York Times*, *International Herald Tribune*, *Los Angeles Times*, *Chicago Tribune*, *The Boston Globe*, *Chicago Daily Herald*, *The Denver Post*, *Detroit Free Press*, *Florida Today*, *The Kansas City Star*, *Miami Herald*, *The Washington Post*), tabloid newspapers (e.g. *The Edmonton Sun*, *The Boston Herald*), press agencies like *The Associated Press*, weekly magazines (including *Life*, *The Economist*, *Houston Press*) or music magazines (including e.g. *Billboard*, *BBC Music Magazine*, or *Variety*).

Figure 1

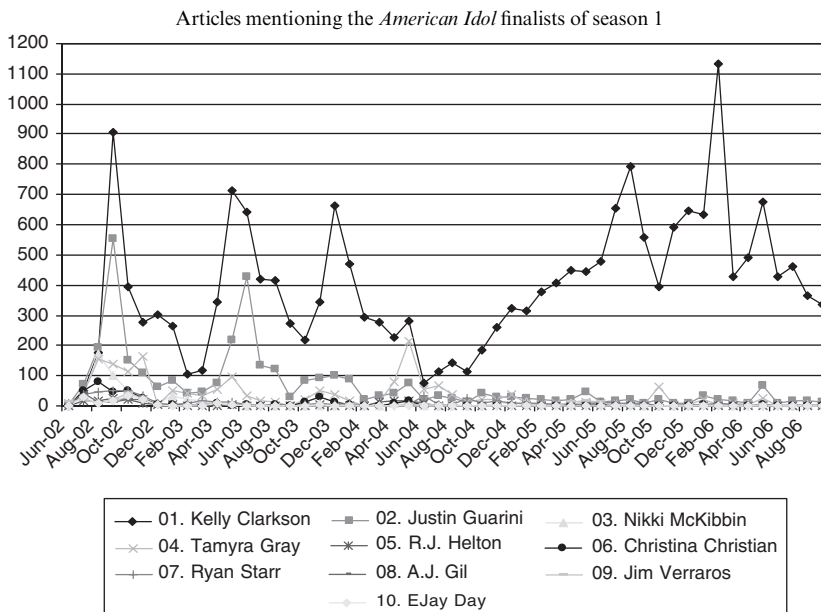


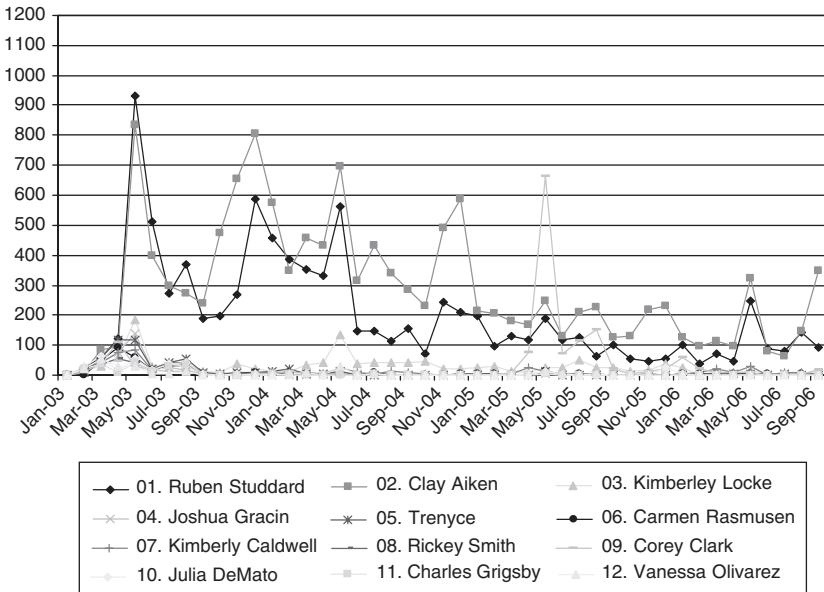
Figure 1 indicates that only the winner of the first *American Idol* season, Kelly Clarkson, has had lasting visibility in the press. After the television show in summer 2002, she attracted large media attention by releasing a successful solo album in April 2003, appearing on the *World Idol* contest in December 2003 and by launching a very successful second album in spring 2005. In February 2006 she won two Grammys and enjoyed more publicity than ever before. Kelly Clarkson was able to use the show's publicity bubble as a stepping stone for a successful individual pop career. By receiving honours of the prestigious *Recording Academy*, Clarkson definitely achieved superstar status and emancipated herself from the televised contest that originally made her famous. However, all other finalists of the first series of *American Idol* have vanished into thin air.

During the second *American Idol* contest both the winner and the runner-up snowballed into famous celebrities with monthly publicity scores of over 800 articles (see Figure 2). Their media coverage after the show has been – although very fluctuating – generally decreasing. Besides Ruben Studdard and Clay Aiken, who were able to call attention by releasing rather successful personal singles and albums or by extensive touring, the other finalists' celebrity status disappeared once the show went off the air. The publicity peak of Corey Clark in May 2005 was an exception. It proved that pure rumours

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Figure 2

Articles mentioning the *American Idol* finalists of season 2



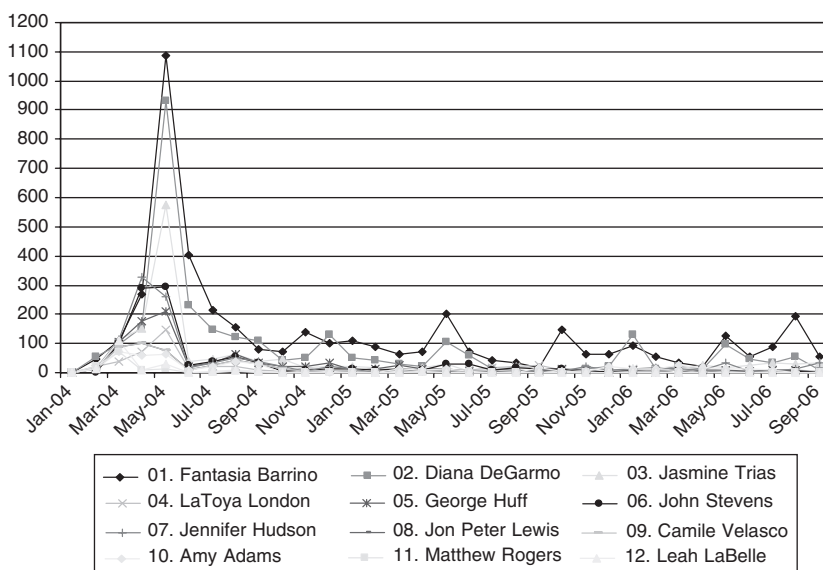
suffice to attract media attention. Although his recordings never reached the charts, he prominently placed himself in the media spotlight by claiming that he and one of the show’s judges, Paula Abdul, had an affair during the contest. He thereby profited from the enormous popularity of the fourth season of *American Idol* in which Paula Abdul was on the air at that time. However, the fame bubble of Corey Clark burst as quickly as it formed.

Figure 3 gives a typical illustration of the media coverage of ‘manufactured’ and thus rather trivial celebrities: The enormous publicity created during the television show rapidly decreased after the show. No one of the finalists has ever reached comparable publicity scores since then. Fantasia Barrino, Diana DeGamo, and Jasmine Trias lost their fame as quickly as it came.

III. A STRATEGY FRAMEWORK OF STAR ATTRACTION IN THE MEDIA

From a simple strategy perspective the success of a company depends on two elements: value creation and value capture. A media enterprise has a

Figure 3

Articles mentioning the *American Idol* finalists of season 3

competitive advantage if it is able to create *and* obtain more economic value than the marginal (breakeven) competitor in its product market (Peteraf and Barney 2003). In order to prosper, a firm must not only be able to create value, but to capture the value it creates (Saloner, Shepard, and Podolny 2001). Referring to stars this means that the profits of media firms are positively related to the viewer drawing capability of stars and negatively to their bargaining power as external resource suppliers.

The media provide a production technology suitable to create, promote or exploit stardom⁸. The consumption of media content is generally non-rival. If a person watches a television broadcast, it does not diminish someone else's opportunity of watching it as well. Media content does not get used up or destroyed in the act of consumption (Doyle 2002). The production of media content is subject to large economies of scale, because the production costs are largely independent of the size of the audience. The same content may be marketed under a windowing process in which it is delivered to consumers via multiple distribution channels sequentially in different time periods.

8. It is no surprise that the occupations of stars are generally closely related to the media: e.g. actors, musicians, or athletes (Borghans and Groot 1998).

The expenses involved in generating the first copy tend to be considerable. However, once the first copy of the program has been created, it then costs little or nothing to reproduce it to extra customers. The value of the program to the viewer is unaffected by the number of viewers, but the value of the commercial to the advertiser is directly and positively linked to audience size. Thus increasing returns will be enjoyed as more and more customers watch a program. The larger the audience, the more profitable it will become for the producer (Doyle 2002). Therefore, the viewer drawing capability is crucial. Superstars are providers of media content with high viewer drawing capability. Economic theory offers two distinct explanations why this might be the case.

3.1. The Rosen Explanation for the Viewer Drawing Capability of Superstars

In his seminal paper on 'The Economics of Superstars' Sherwin Rosen defines superstars as 'relatively small numbers of people who earn enormous amounts of money and dominate the activities in which they engage' (Rosen 1981, p. 845). Given a production technology that allows for joint consumption and scale economies⁹, output may be concentrated among a few individuals who have the most talent. Rosen's superstar theory is based on two basic premises: Firstly, lower quality is an imperfect substitute of higher quality. People prefer consuming fewer high-quality services rather than more of the same service at moderate quality levels: '(...) hearing a succession of mediocre singers does not add up to a single outstanding performance' (Rosen 1981, p. 846). Most people tend not to be satisfied with the performance of a less talented but cheaper artist when they are able to enjoy the performance of a top artist even if the cost is somewhat higher (Frey 1998). Secondly, Rosen (1981) assumes that talent or quality is costlessly observable by all potential consumers. Therefore, small differences in talent are magnified into large differences in earnings. In Rosen's model, a single superstar (or a single group of superstars) – the best – serves the whole market (Schulze 2003). Superstars attract audiences by providing performances of comparably higher quality.

The plausibility of Rosen's assumptions largely depends on the sector or job in which a star is engaged. The performance of a 100 meter sprinter, for

9. Media typically provide such a technology. Of course, public performances of a classical concert for example may exhibit a unit cost decrease with rising audience size too. However, there will be congestion costs at some point as a classical live concert is more enjoyable in a medium-sized concert hall than in a large sport arena (Schulze 2003). Media eliminate congestion, since the superstar activity can easily be replicated through CD productions, television performances, videos, movies or books. These 'canned performances' display higher scale economies and a higher personal scale of operations (Schulze 2003). Media technology makes it possible for large parts of the world market to be served by one person.

example, is clearly and unambiguously determined by the running time. The sprinter's talent is easily identifiable and measurable. And in general, people favour watching the finales in the Olympic Games rather than ten runs at mediocre levels. Concerning artistic activities, however, quality determination is a lot more difficult. Consumers have manifold tastes and their understanding of quality is highly diversified. While some people love the songs of *Madonna*, others may hate them. Commonly accepted and clearly measurable talent indicators are often not available. Hence Rosen's second assumption is less plausible in arts. Hamlen (1991, 1994) or Salganik, Dodds, and Watts (2006) fail to find empirical evidence for Rosen's superstar explanation in the popular music industry.

3.2. *The Adler Explanation for the Viewer Drawing Capability of Superstars*

Adler (1985) explains the phenomenon of superstars as a learning process that occurs if consumption requires knowledge. Based on the notion of 'consumption capital' by Stigler and Becker (1977), Adler (1985) argues that appreciation of a star's performance increases with knowledge: '... the more you know the more you enjoy' (Adler 1985, p. 208–209). Stigler and Becker (1977) use music as an example of how past consumption activities lead to beneficial addiction through an accumulation of consumption capital. By having exposed themselves to music in the past, consumers have built up consumption capital that enables them to derive more pleasure from listening to the same music in the present. Stigler and Becker (1977) themselves referred to Marshall (1923) who had written: '(...) the more *good* music a man hears, the stronger is his taste for it likely to become'¹⁰. When discussing the taste for *good* music, Alfred Marshall had probably some distinguished operas or classical music in mind. For example, Beethoven connoisseurs feel great pleasure in listening to symphonies, concertos, or operas of Beethoven, since specific consumption capital allows them to appreciate subtle details and delicacies of his compositions. This explains why consumers will not diversify indefinitely either across activities, or across individuals within a given activity; however, it does not explain why everybody would choose to have the same superstars. Adler (1985) supplemented the Stigler/Becker-framework by adding the element of discussing consumption with likewise knowledgeable individuals. Star specific consumption capital is not only accumulated by past consumption activities, but also by discussing the star's performance with other people who know about it. The more popular the superstar in question is, the lower the searching

10. Original statement in Marshall (1923, p. 94) quoted in Stigler and Becker (1977, p. 78). The accentuation is introduced by the authors.

costs to find competent discussants will consequently be. Searching cost economies imply that one is always better off patronising a well-known star as long as others are not perceived as superior by an order of magnitude. These positive network externalities explain why superstars may even emerge among equally talented performers.

3.3. *Bargaining Power of Superstars*

The existence of rents is not sufficient for a media firm to earn above average returns. If the resources which generate the rents are not owned by the firm, the suppliers (in our case the superstars) may bid up the price of their resources to the point where they capture the differential value won from customers (Bowman and Ambrosini 2000). The question how much value the media firm is able to retain is answered by the relative bargaining powers of the resource supplier and the firm. Resource suppliers with a powerful bargaining position are able to capture a large proportion of the created value, whereas resource suppliers with weak bargaining power will find themselves obtaining far less value. How powerful are superstars as external resource suppliers of media content?

In Rosen's theory superstars have a certain degree of monopolistic power due to their exceptional talent. Since consumers strongly prefer to watch the best performers, superstars are not replaceable without significant quality losses. Superstars cannot be separated from the activity in which they excel. Therefore, they display high bargaining power, which enables them to capture large parts of the generated rents (Borghans and Groot 1998).

In Adler's (1985) star theory, superstars enjoy high bargaining power due to the star specific consumption capital. Since consumption capital is irreversible and not transferable, it creates lock-in-effects and significant switching costs. Thus Adler stars have high bargaining power. For example, a person who has become a connoisseur of the actress Meg Ryan is not willing to substitute a movie with Meg Ryan for one without her. Ravid (1999) shows that movie stars capture most of the value added they create. There exists broad casual evidence indicating that movie stars very quickly adjust their fees to reflect their value. John Travolta for instance multiplied his fee by almost 100 after the success of his film *Pulp Fiction*. Weinstein (1998) who analyses the evolution of profit-sharing contracts in the Hollywood movie sector illustrates how proven stars are more likely to sign contracts with gross-profit shares. Superstars have more assertiveness and require higher remuneration. They take this compensation in the form of a profit or revenue share. Weinstein (1998) argues that sharing contracts are not primarily intended to align the incentives of actors with those of the studios. They are rather a sign of high bargaining power. Superstars like

Julia Roberts, Jim Carrey or Tom Hanks not only earn guaranteed \$20 million but also 20% back end (Franck and Opitz 2003). Hence, in spite of revenues in excess of half a billion dollars, the film *Forrest Gump* for example failed to make a profit (Ravid 1999). The marginal production costs of films or television programs partly do not decrease but increase with (expected) audience size. Bourreau, Gensollen, and Perani (2002) explain what seems to be an atypical production cost function for the media sector with the fact that superstars are able to negotiate remuneration based on the expected mean audiences they draw as a result of their rare talent.

We conclude that 'self-made' superstars in the sense of Rosen and Adler are excellent in value creation *and* value capture. Media firms, therefore, have clear incentives to find substitutes with comparable value creation potential but less bargaining power. In the following we argue that celebrities draw large audiences without having substantial bargaining power to adopt the created value.

IV. 'MANUFACTURED' CELEBRITIES

Despite the differences in the emergence of Rosen and Adler superstars, there is also a unifying element in both theories. They presuppose that superstars have exceptional talent and provide services of perceived superior quality. This assumption is obvious for Rosen superstars. However, it is also required for Adler stars because the notion of consumption capital stipulates that there is hidden talent and/or quality which need to be discovered through a learning process. If there was nothing to discover, learning would be superfluous and consumption capital inexistent. Because their stardom is based on their own capabilities Rosen and Adler stars are 'self-made' to a significant degree.

This is not necessarily the case for celebrities. The most widely quoted definition of celebrity was given by Boorstin (1961, p. 57): 'The celebrity is a person who is known for his well-knownness'. According to Boorstin (1961) celebrities' appearances are pseudo-events¹¹; they appear to be meaningful but are in fact insubstantial. He explains the distinction between 'self-made' stars – which he calls heroes – and celebrities as follows:

'We can fabricate fame, we can at will (...) make a man or woman well known; but we cannot make him great. We can make a celebrity, but we can never make a hero. (...) The hero created himself; the celebrity is created by the media. The hero was a big man; the celebrity is a big name' (Boorstin 1961, p. 48+61).

11. Turner (2004) describes a 'pseudo-event' as an event planned and staged entirely for the media, which accrues significance through the scale of its media coverage rather than through any more disinterested assessment of its importance.

Celebrity status is artificially producible by media publicity. In the democracy of pseudo-events anyone may become a celebrity if only he or she manages to get into the news and to stay there (Boorstin 1961). Superstars all share admirable qualities – qualities that somehow set them apart from the rest of us – whereas celebrities need not do anything special (Gamson 1994). Concerning superstars, fame and popularity are related to an exceptional talent. Celebrities though are famous because they have been made to be. For example, reality television turns ordinary people into well-known celebrities just by providing a publicity platform.

Marshall's assumption that '(...) no celebrity possesses any meaning of consequence' (Marshall 1997, p. 11) is a heroic simplification, of course. In reality, the boundary between 'self-made' superstars and 'manufactured' celebrities is more blurred. Most celebrities may also have a moderate level of talent and superstars have also profited from publicity platforms. But the fact that the well-knownness of celebrities has become a viable commodity all by itself is intrinsic to their meaning. Fame may stand independent of accomplishment, heroics, or talent (Rein, Kotler, Hamlin, and Stoller 2006). However, given the postulated triviality of celebrities, how can their attraction be explained?

4.1. *Viewer Drawing Capability of 'Manufactured' Celebrities*

We argue that celebrities generate gossip externalities. They attract audiences by providing a projection screen for all kind of rumours, judgments, or interpretations. The pleasure of gossip lies in the exchange of news, in the development of new story lines, in discussing and sharing evaluations. It is not necessary for gossip that the information is demonstrably true; in fact, too much truth can stop the gossip game (Gamson 1994). Celebrities are in many ways better objects for this game than acquaintances like e.g. neighbours.

'Celebrities are like neighbors whom nearly everyone knows, in nearly every social setting, and "stuff" about them is easier to find and share than information about friends or colleagues. More important, celebrity gossip is a much *freer* realm, much more game-like than acquaintance gossip: there are no repercussions and there is no accountability' (Gamson 1994, p. 176).

Joke Hermes who wrote a book about 'Reading Women's Magazines' observed that most women find talking about their favourite celebrities a comfortable way of spending their time with other people: 'Gossip draws speakers together in their sharing and evaluation of "news" about "third persons who are not present"' (Hermes 1995, p. 131). Jane Johnson, a reporter of the successful British celebrity magazine *Closer*, even believes that: 'Celebrity gossip is a national obsession and a unifying experience across all social groups' (Johnson 2004, p. 55).

The interaction benefit of gossip increases with the number of people knowing the tidings of a particular celebrity. The activity of discussion, story telling, interpretation, or judgment is typically subject to network externalities. The more popular a celebrity is, the easier gossip circulation becomes. The interaction benefit is, therefore, an increasing function of the celebrity's popularity. This creates a self-energising virtuous cycle: a celebrity with a large audience becomes more and more valuable to each viewer, as he or she attracts ever more viewers. Leibenstein (1950) named the observation that people often follow the crowd as 'bandwagon effect'. The bandwagon effect emerges if people's valuations of a commodity (and thus demand for this good) increase when they observe others consuming the same commodity. Banerjee (1992, p. 798) defines this herd behaviour as 'everyone doing what everyone else is doing'. Individuals decide whether or not to follow a rising celebrity depending on the number of people currently paying attention to this person. Popular support for an individual by the media may thus suddenly gain momentum and escalate. Of course, bandwagon effects might also happen randomly. But in the majority of cases media corporations consciously set agenda¹² and promote new celebrities.

In contrast to Adler's conception of superstars, star attraction of celebrities is not linked to the consumption benefit of the performance but rather to the subsequent interaction benefit. Therefore, the star attraction of celebrities is no longer necessarily based on talent. Of course, positive network externalities of popularity also exist in Adler's superstar theory. According to Adler (1985) popularity indirectly increases star attraction by simplifying the accumulation of consumption capital. Consumption capital, however, has no value of its own; it only generates a benefit by enhancing the valuation of the star's performance. But the underlying quality of the performance still depends on the star's talent. Referring to Adler stars even enormous popularity cannot replace missing talent.

4.2. *Bargaining Power of 'Manufactured' Celebrities*

The participants of the *Pop Idol* series are ordinary people who – due to the high-profile associated with the show – are becoming well-known celebrities. Nobody would know them if they had not been in the media. Since celebrity gossip does neither rely on extraordinary talent nor on specific consumption capital, celebrities are easy to replace and, therefore, have low bargaining

12. See e.g. Maxwell and Shaw (1993) for a review on the research about 'agenda setting', which denotes the media's ability to influence the public's opinion.

power¹³. *Pop Idol* candidates who are not willing to sign the very restrictive contracts are promptly exchanged by other applicants. Hence, media corporations obtain the lion's share of the generated revenues and routinely seek to find unspoiled fresh prospects they can 'discover' and groom for stardom. In reality television programs such as *Pop Idol* the media producers have incorporated celebrity emergence into the format. Therefore, these celebrities are particularly dependent upon the program that made them visible (Turner 2004).

4.3. Market Segmentation

Even though 'manufacturing' celebrities is more lucrative for the media than employing 'self-made' superstars, it is obvious that a total substitution of 'self-made' superstars in the media has not occurred. Why? Briefly, the market potential of 'manufactured' celebrities is limited to certain kinds of entertainment like for example game shows, docu-soaps and pop music to some extent. Celebrity 'creation' is feasible wherever an activity does not have clearly measurable quality indicators and whenever its consumption does not require specific knowledge. In sports or classical music, for example, celebrity status cannot be created from scratch. A set of well-established tournaments relying either on objective quality indicators like e.g. time performance and/or on institutionalised voting procedures by proven expert judges determine winners in these fields. The Olympic sprint finals or the Olympic gymnastics finals are obviously not decided by public voting. Here audiences are interested in the discovery of superior talent, and factors like the speed and the dexterity of the contestants cannot be substituted by sympathy or publicity. As long as audiences are interested in the talent superiority of performers, 'self-made' superstars will not disappear from the media despite their ability to capture large parts of the generated economic value.

V. CONCLUSION

Broadcasting stars is a common strategy to increase audience size. However, catching high attention and reaching high media ratings does not suffice to capture a rent in a competitive environment. The latter strongly depends on the relative bargaining powers of the stars as external resource suppliers and the media firm. We analysed the viewer drawing capability and the bargaining

13. 'Accidental celebrities' (Turner, Bonner, and Marshall 2000), who are individuals getting into the focus of attention initially through an uncontrollable incident, however, can sell their stories for large sums. Monica Lewinski, Diana's former butler Paul Burrell, or kidnap victim Natascha Kampusch are examples of this category. 'Accidental celebrities' are not interchangeable.

power of both superstars and celebrities. Whereas ‘self-made’ superstars attract audiences based on the perceived excellence of the provided service, celebrities draw viewers by offering a source of gossip. However, while superstars exert strong bargaining power due to the singularity of their performances and/or the consumers’ accumulation of specific consumption capital, ‘manufactured’ celebrities are interchangeable and thus have low market power to capture value. No wonder that the creation and exploitation of celebrities has become a large business in the media sector. But the market potential of ‘manufactured’ celebrities is limited because they typically prevail only in ‘talent free’ entertainment.

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SUMMARY

Media companies generally enjoy increasing profits if more customers watch a program. The viewer drawing capability of stars serves as a prominent instrument to increase the audience. The literature distinguishes between two different types of stars: highly talented and therefore 'self-made' superstars, and famous but 'manufactured' and thus rather trivial celebrities. Whereas 'self-made' superstars attract viewers by providing services of superior quality, 'manufactured' celebrities draw attention by fabricated fame. Illustrating the *Pop Idol* series and comparing the abilities of superstars and celebrities to generate and to capture value, we show why 'manufacturing' celebrities is a lucrative business for the media.