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**Big Man or Big Name?**

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# Superstars versus Celebrities – Big Man or Big Name?

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## Abstract

Economic theories of superstar emergence concentrate on the perceived quality of the star's performance. Thus superstars are identified by perceived talent superiority. Information technology and mass media have recently released a new type of stars: celebrities who are just known for being well-known. Most of these short-lived celebrities are ordinary people who have no special talent at all. Nevertheless, they enjoy star-like attention. We argue that the demand for celebrities is based on the human desire to gossip; namely to discuss, share interpretations or judgments. Celebrities qualify well for gossip since information about them is easy to find and share. The more popular a celebrity is, the easier gossip circulation becomes which then fuels further popularity and creates a self-energizing bandwagon effect. Media plays a crucial role in selecting for whom it triggers this bandwagon effect.

Key words: Superstars, celebrities, popularity, bandwagon effect

JEL Classification: D 11, J 44

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"The hero was a big man; the celebrity is a big name" (Boorstin, 1961, p. 61).

## INTRODUCTION

Information technology and mass media have opened the gates for a new type of stars: celebrities. Celebrities are individuals who are known for their well-knowness. Until recently, stars were considered as exceptionally gifted and highly talented individuals who earn enormous amounts of money. This paradigm has been challenged at the latest when several television casting shows like for example *Big Brother* experienced a boom. Through these pseudo-events anyone can become famous. It is no longer necessary to have demonstrated great talent, since fame itself has obtained tremendous commercial value. But why are millions of people spending a lot of time and money (for the voting procedure) to see ordinary[1] people singing, dancing or just performing themselves?

Existing economic theories of superstar formation (Rosen, 1981; Adler, 1985, MacDonald, 1988) concentrate on the perceived quality of the star's performance. While Rosen (1981) and MacDonald (1988) argue that superstars necessarily have superior talent, Adler (1985) states that popularity also enhances star emergence. According to Adler (1985) a star's popularity facilitates the accumulation of consumption capital, which itself increases the valuation of a star's performance. However, consumption capital has no value of its own and thus popularity cannot completely replace missing talent. Therefore, existing superstar theories fail to explain the occurrence of celebrities who enjoy enormous fame but may not have any special talent at all. In this paper we suggest that social interaction does not only provide new consumption capital in the sense of Adler (1985), but that people directly benefit from interacting as well. Celebrities are well suited for "gossip consumption" (Gamson, 1994). In gossip, the pleasure

[1] Evans and Wilson (1999, p. 1) speak about the "democratization" of fame.

comes from the exchange of stories, interpretation or judgments. Thanks to media promotion celebrities are known by nearly everyone and there is no danger of repercussion. The more popular a celebrity is, the easier gossip circulation becomes. Popularity breeds popularity resulting in "popularity-driven stars". Such celebrities may be extremely famous independent of their (lack of) talent.

This paper is organized as follows: First, economic theories of superstar formation and a simple model of superstars are presented. Subsequently we explain the emergence of celebrities using the concept of gossip. We illustrate the role of the media and provide a simple model of celebrities. Finally, we conclude.

# SUPERSTAR EMERGENCE

## Economic Superstar Theories

Sherwin Rosen (1981, p. 845) defines superstars as "relatively small numbers of people who earn enormous amounts of money and dominate the activities in which they engage." Among superstar theorists it is indisputable that on the supply side the existence of a superstar is based on a technology that allows for joint-consumption. A superstar activity can easily be reproduced and the cost of production does not rise in proportion to the size of the seller's market. Hence the marginal cost function necessarily decreases or at least remains constant with an increasing demand. Otherwise cost considerations would prevent any superstars to satisfy a high market share.[2]

[2] The "personal scale of operations" explains why a soccer star for example earns a multiple of a school teacher, even if he or she is the best teacher in town. However, Rosen and Sanderson (2001) suggested that it is all in the technology. If a teacher used the Internet to personally teach millions of students at the same time, star teachers would earn at least as much as star athletes.

However, it is controversial what determines the demand of superstar performances. Large economies of scale do not guarantee high salaries for a restricted number of stars unless the demand becomes highly concentrated on their services. In the following, we shortly introduce the three most prevalent theories of superstar demand by Sherwin Rosen, Moshe Adler, and Glenn MacDonald.

Rosen's superstar theory is based on two basic premises: Firstly, lower quality is an imperfect substitute of higher quality. If a surgeon is 10 percent more successful in saving lives than his peers, most people would be willing to pay more than a 10 percent premium for his services. Secondly, talent or quality is costlessly identifiable and observable by all potential consumers. Therefore, given the large economies of scale on the supply side, 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).

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 example, is clearly and unambiguously determined by the running time. The sprinter's talent is easily identifiable and measurable. And in general people favor 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 music of *Madonna*, others may hate it. Commonly accepted and clearly measurable talent indicators are often not available. Thus 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.

In contrast to Rosen (1981), Adler (1985) did no longer consider consumer preferences as time-invariant. In fact in Adler's superstar theory, the appreciation of a star's performance increases with the consumption capital of the consumer: "… the more you know the more you enjoy" (Adler, 1985, p. 208-209). The star specific consumption capital may be accumulated both by past consumption and by discussing the star's performance with likewise knowledgeable individuals. Since the discussion is easier if all participants share common prior knowledge, a star's popularity facilitates the accumulation of additional consumption capital. According to Adler (1985) popularity increases demand.

The notion of "consumption capital" was introduced by Stigler and Becker (1977), who explained how past consumption activities may lead to beneficial addiction through an accumulation of specific knowledge. 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."[3] When discussing the taste for "good" music, Alfred Marshall had probably some distinguished operas or classical music in mind. But is it also possible to accumulate consumption capital with respect to "bad" music? Is consumption capital concerning television reality show celebrities imaginable? How much does consumption capital depend on the quality of the star's performance? These interesting questions are left unanswered.

Adler's theory is based on the assumption that stars only exist where consumption requires knowledge. He drops Rosen's second premise of perfectly observable talent. Otherwise knowledge would not be of any concern. Rosen's first assumption, however, persists. In Adler's star model talent or quality assessment still matters a lot. Popularity only indirectly feeds star attraction by simplifying the accumulation of consumption capital. But

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

consumption capital has no value of its own; it only generates a benefit by increasing the valuation of the star's performance. And this performance largely depends on a star's talent. According to Adler (1985) enormous popularity cannot completely replace missing talent.

MacDonald (1988) provides a dynamic version of Rosen's superstar model by adding an information accumulating process about the performer's talent. MacDonald (1988) describes how young artists, whose uncertainty of talent is high, perform to small audiences and earn net returns below what they could earn outside the industry. Since the quality of their performances is serially correlated, the knowledge of first-period reviews reduces the quality uncertainty. These reviews have predictive power for the second period's performance. Those performers who have been recipients of good reviews stay in the industry, earn larger incomes and play to bigger crowds than before. The less fortunate young performers leave the industry. Overall, there are few superstars in the industry who serve a large fraction of the audience and obtain an even larger share of the returns. In line with Rosen's model, MacDonald (1988) postulates earnings to be an increasing convex function of talent. However, he considers this function to have rather stochastic than deterministic properties. In the initial period a performer's talent is characterized by high uncertainty. But through performing, useful information of the likely quality of a subsequent performance is obtained. Rosen's second premise of costlessly observable talent is weakened. His first premise of a star's talent superiority, however, is still a key element in MacDonald's star model: Only bad luck may hinder the most talented performers to become superstars.

Our short literature review shows that the existing theories of superstar formation concentrate on the perceived quality of the star's performance. Therefore, they cannot explain the high attention and demand for celebrities who may not have any exceptional talent at all.

## A Simple Model of Superstars

Assume consumers have identical preferences concerning the non-identical producers called artists.[4] Following the existing superstar theories, the consumer's utility function of an artist's service shall be given by its consumption value $v(t_j, h(x_j^e))$. The consumption value function $v(t_j, h(x_j^e))$ depends on the artist's talent $t_j$, which is perfectly observable, and on the consumer's consumption capital ($h(x_j^e)$)[5] concerning a particular artist. It is taken to be twice continuously differentiable in both arguments. In line with Rosen (1981) we postulate that small differences in talent become magnified into large value differences near the top end of the scale. The consumption value function is thus convex in talent $t_j$. As Adler (1985) postulated it is also positively influenced by the artist specific consumption capital $h(x_j^e)$. The higher the expected number of consumers ($x_j^e$) of a particular performance, the easier it gets to accumulate additional consumption capital by discussing an artist's performance with likewise knowledgeable individuals. Due to the positive network externalities, $\partial h(x_j^e)/\partial x_j^e$ is positive and – to keep it simple – assumed to be constant.

The supply of an artist's performance is characterized by large economies of scale. Since we model constant marginal costs $g_j$ and positive fix costs $G_j$, average costs decrease with the number of consumers.

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[4] The model applies to any other occupation prone to superstar effects like for instance to athletes, doctors, or managers.

[5] Assuming homogenous individuals we neglect past consumption activities as additional source of consumption capital.

In the following we illustrate the value generated by an artist's activity prone to superstar effects. Focusing on the value creation the price determination for the superstar activity looses importance. In our setting the price does not primarily influence the value creation but rather its redistribution, namely the division of total rent in a consumer and a producer surplus.[6] Consumers generally choose the artist for which their consumer surplus is maximized. The artist who creates the highest value added is then also able to provide the highest consumer surplus and survives therefore in a competitive environment.

The value creation of an artist's performance – denoted as $\Pi(t_j, x_j^e)$ – is determined by:

$$\Pi(t_j, x_j^e) = v(t_j, h(x_j^e)) \cdot x_j^e - G_j - g_j x_j^e \tag{1}$$

Superstar services are provided as long as the aggregated consumption benefit exceeds total costs. To calculate the optimal market size of an artist, we differentiate the value creation function, $\Pi(t_j, x_j^e)$, with respect to the expected number of consumers ($x_j^e$) and derive:

$$\frac{\partial \Pi(t_j, x_j^e)}{\partial x_j^e} = \left[ \frac{\partial v(t_j, h(x_j^e))}{\partial x_j^e} \cdot \frac{\partial h(x_j^e)}{\partial x_j^e} \right] \cdot x_j^e + v(t_j, h(x_j^e)) - g_j \tag{2}$$

As a logical consequence of positive network externalities and constant marginal costs, the marginal value creation function of an artist's performance increases in $x_j^e$:

$$\begin{aligned} \frac{\partial^2 \Pi(t_j, x_j^e)}{\partial^2 x_j^e} &= \left[ \frac{\partial v(t_j, h(x_j^e))}{\partial x_j^e} \cdot \frac{\partial h(x_j^e)}{\partial x_j^e}^2 + \frac{\partial v(t_j, h(x_j^e))}{\partial x_j^e} \cdot \frac{\partial^2 h(x_j^e)}{\partial^2 x_j^e} \right] \cdot x_j^e + 2 \cdot \frac{\partial v(t_j, h(x_j^e))}{\partial x_j^e} \cdot \frac{\partial h(x_j^e)}{\partial x_j^e} \\ &= \left[ \frac{\partial h(x_j^e)}{\partial x_j^e} \cdot x_j^e + 2 \right] \cdot \frac{\partial v(t_j, h(x_j^e))}{\partial x_j^e} \cdot \frac{\partial h(x_j^e)}{\partial x_j^e} > 0 \end{aligned} \tag{3}$$

[6] Of course, this requires an efficient price, which is disputable especially given the properties of a „natural monopoly" (see e.g. Mas-Colell, Whinston, & Green, 1995).

Hence, one artist should serve the whole market, because the existence of multiple artists competing with each other is inefficient. However, which artist will succeed in becoming a superstar?

Let's first assume a situation with two equally talented artists. Differences in the perceived quality of the performance only depend on differentials of the star specific consumption capital $h(x_j^e)$ and, therefore, on the expected number of consumers of an artist's service. Consumers simultaneously decide with respect to the expected "fan community" of an artist.[7] The artist who has slightly higher expected popularity will snowball into a superstar.

The situation changes when star heterogeneity is introduced. If an artist's talent is unambiguously distinguishable, consumers maximize their utility in adopting the most talented artist, since he or she is expected to have the highest "fan community". Thus, higher talent $t_j$ comes along with higher popularity, which clearly leads to a superior consumption value. Consequently, the more talented artist will be leveraged to a superstar. We conclude that superstars emerge in the combination of exceptionally high talent and large economies of scale. Celebrities, however, somehow manage to catch high attention without outstanding talent. In the following section we offer an explanation of this phenomenon.

[7] Thus expectation management becomes crucial. In general expectation management is critical whenever the services themselves are not clearly distinguishable. In a very real sense, a new artist who is *expected* to become a star *will* become a star. Self-fulfilling expectations are a typical manifestation of bandwagon effects (Shapiro & Varian, 1999).

## CELEBRITY EMERGENCE

Boorstin (1961, p. 57) defines a celebrity as "a person who is known for his well-knowness". While a superstar is distinguished by some kind of special achievement; the celebrity is characterized by an image, fame or a trademark. Superstars all share admirable qualities – qualities that somehow set them apart form the rest of us – whereas celebrities need not do anything special (Gamson, 1994). Intrinsic to the meaning of celebrities is the fact that their well-knowness has become a viable commodity all by itself. It can stand by itself, independent of accomplishment, heroics, or talent (Rein, Kotler, Hamlin, & Stoller, 2006).

### "Gossip Consumption"

While in Adler's sense discussion with knowledgeable friends increases the utility of consuming a star's performance due to higher consumption capital, we propose that people directly benefit from interacting. This means that the pure consumption benefit is only part of the total benefit. Talking about a celebrity with friends, workmates, or acquaintances generates additional value for those involved.[8]

Gamson (1994) names this interaction benefit as "gossip consumption". For gossip it does not matter how celebrities got there, or even how they manage to stay there. "In gossip pleasure comes from the activity of circulating information and forming evaluations" (Gamson, 1994, p. 175). The pleasure lies in the exchange, in the development of new story lines, in discussing, sharing interpretations or judgments. It is not necessary for gossip consumption that the information is demonstrably true; in fact, too much truth can stop the gossip game.

[8] Frank and Cook (1995, p. 34) shortly addressed this point, writing that: „(…) one valuable part of the experience of reading a book is discussing it with a friend who has also read it. (…) Similar considerations apply to movies, plays, music, spectator sports, and a host of other interactive consumer activities."

Celebrities are in many ways better objects for this game than other people like e.g. neighbors. Celebrities are like neighbors whom nearly everybody 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).

The interaction benefit 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-energizing virtuous cycle: a celebrity with a large and popular “fan community” becomes more and more valuable to each fan as he attracts ever more fans. 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 that good) increase when they observe others consuming the same commodity. Banerjee (1992, p. 798) defines this herd behavior 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. The more popular a new celebrity is expected to be, the more valuable she becomes for others, and this fuels further popularity in a virtuous cycle. Popular support for an individual artist, athlete or personality may thus suddenly gain momentum and escalate. Celebrities are created by converting the lightest sign of plurality into an overwhelming majority.

## The Role of Media in Celebrity Emergence

Since the prerequisite for fame no longer is high birth, or the gift of great talent, or some valiant deed, the first step of celebrity emergence consists of nothing but somehow finding one's way into the media (Franck, 1998). Anyone can become a celebrity, if only he or she gets into the news. Before the 'graphic revolution' it was generally necessary to have demonstrated great deed or action in order to become well-known. With the development of mass-media the production and dissemination of fame began to be manufactured by the media. Recent information technology has further enhanced the capacity to deliver vivid images of individuals in real-time around the globe. Satellite and digital television, computer technology and the Internet have considerably extended the capacity to make, transmit and disseminate images of celebrities (Smart, 2005).

> "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" (Boorstin, 1961, p. 48+61).

The power of the media lies in the decision for whom it triggers the bandwagon effect of popularity. Superstars manage to catch attention by their superior talent. The higher quality of a superstar's performance suffices as selection criteria. Celebrities, however, have no qualities that set themselves apart. They are superficial, trivial, bereft of distinction and, therefore, in a constant battle of attracting or maintaining the media's attention. Celebrity status is fleeting and needs to be continually regenerated in order to remain in the public eye. Celebrities are destined to disappear and to be quickly replaced (Smart, 2005).

> "Whereas superstars emerge with the passage of time, through a process of gestation in which their feats have to withstand the test of time, celebrity is forever 'now', by definition contemporary. Celebrity is forged through media attention, through the cultivation and projection of image. Celebrity needs the oxygen of publicity" (Smart, 2005, p. 14).

Appearances in talk shows or coverage in tabloids, magazines are, therefore, essential for keeping celebrity status. Sometimes even liaisons between Hollywood film partners or personal sex tapes on the Internet are arranged to catch and maintain the media's attention.

Since well-knowness itself has obtained tremendous commercial value – wholly divorced from great deeds and accomplishments – there is a whole industry today that manages the business of transforming unknowns into celebrities. Pop artist Andy Warhol mentioned that in the future, everyone will be a celebrity for fifteen minutes – an allusion to the explosion of print and broadcast media, which must incessantly fill their space and time with people's stories. The man who rescues a boy from drowning or the woman who wins the state lottery – everyone and every story is potential grist for the news mill (Rein et al., 2006). In contrast to superstars, celebrities can be entirely "fabricated" resulting in minor, short-lived, or "flash in the pan" socialites (Rindova, Pollock, & Hayward, 2006). A New York publicist and a socialite decided to test the limits of celebrity making. The two ran a successful PR firm that launched a variety of products. They began outfitting a clerk – a twenty five year old woman who worked in a boutique – in designer clothes, deliver her to the most exclusive parties, limo her to movie and theatrical premieres. At each event, they made sure that she was photographed draped with other famous people, and in general, leak to the press her hotness and prominence. In a short period of time, she was arguably a well-known celebrity giving quotes to gossip columnists or being interviewed on her hairstyle by *Vogue.* (Rein et al., 2006).

## A Simple Model of Celebrities

In contrast to superstars, celebrities do not need to have any special talent. In this paper we consider celebrities as a media process that turns ordinary people into well-known socialites.

Therefore, the consumption benefit of celebrities is negligible. However, celebrities are well-suited for "gossip consumption". The utility of gossip about a celebrity $j$ depends on $x_j^e$ which denotes the expected combined number of media recipients and other people who indirectly hear about the celebrity's rumors.

$$U(x_j^e) = f(x_j^e) \tag{4}$$

In line with the network goods literature (see e.g. Katz & Shapiro, 1985), we model an increasing but concave interaction benefit function $f(x_j^e)$. Hence the pleasure of circulating information and forming evaluations and rumors increases with the people who are able to join in these gossip discussions, but at a diminishing marginal rate.

Media produces information goods: content, advertisements, or in our case celebrity news. The production of information goods are typically subject to high fix costs $G_j$ and no (or low) variable costs. Since the consumption of celebrity tidings is non-rival, the costs are independent of the market size. The total value generated in the provision of celebrity news is given by:

$$\Pi(x_j^e) = f(x_j^e) \cdot x_j^e - G_j \tag{5}$$

As long as equation (5) is positive, it is efficient to provide celebrity information. And celebrity news becomes ever more valuable as an increasing number of individuals are paying attention. Due to this bandwagon effect the marginal value increases in $x_j^e$:

$$\frac{\partial \Pi(x_j^e)}{\partial x_j^e} = \frac{\partial f(x_j^e)}{\partial x_j^e} \cdot x_j^e + f(x_j^e) > 0 \tag{6}$$

Equation (6) indicates that the value generated by celebrities is maximized if in the extreme case one celebrity dominates the market for gossip news. In general, a specialization on a few media-chosen celebrities is definitely more efficient than numerous unknown socialites.

To sum up; media plays a crucial role in creating celebrity status. The media executes a coordinative function by orchestrating the public's attention to a few celebrities for whom it triggers the self-energizing bandwagon effect of popularity. Consumers maximize utility by paying attention to the most popular celebrity, because he or she provides the highest interaction benefit.

## CONCLUSION

With the development of mass-media and information technology talent superiority or any special achievement is no longer a precondition for high attention. A new type of stars has arisen: Celebrities – individuals who are just known for their well-knowness. While the demand for superstars is directly linked with the consumption benefit depending on perceived superior quality of the star's performance, celebrities need not do anything special to attract demand. In this paper we propose that social interaction does not only provide new consumption capital as it is the case in Adler's superstar model, but that people rather directly benefit from interacting. Discussing, telling rumors or the development of new story lines about the martial relations, sexual habits, dressing fashions, or appearance of socialites generate value of their own for those involved. Celebrities qualify well for gossip, because they are well-known and tidings about them are most easily to find and share. The higher the popularity of the celebrity, the easier gossip circulation and the higher the interaction benefit become. This process fuels further popularity in a virtuous cycle.

Since celebrities are mostly not able to set themselves apart by any special achievements, they need the media to trigger a self-energizing bandwagon effect. The media plays a fundamental role in celebrity emergence. Popular support by the media and general publicity through

television casting shows, talk shows or coverage in tabloids, magazines and the Internet may suddenly gain momentum and escalate – creating most famous celebrities.

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