

## **ELSPA submission to the Convergence Think Tank**

**Subject: Why does convergence matter? 7<sup>th</sup> February 2008**

### **What do we mean by convergence?**

1. Convergence is usually taken to mean the combination of devices and information networks which traditionally have been available only as separate devices or networks. As a result of the trend towards convergence, it is commonplace in 2008 for one device to act as a camera, camcorder, MP3 player, internet browser and phone.
2. Convergent technologies enable videogame players to compete and play with each other in real time, and hold audio conversations in real time, via broadband networks. Another example is the increasing trend for consumers to make phone calls or view movies and TV via an internet connection.
3. Convergent technologies are utilised by consumers, business and government in applications ranging from entertainment, through education and research to everyday business and training. Convergence has led to devices such as the Blackberry, which allows us to receive and respond to our e-mails while travelling or away from the office or home. Information, questions and updates can therefore be received, and responded to, in real time and without the need for a desk or phone socket.

### **Why is it important for (a) consumers (b) citizens, (c) the economy as a whole?**

#### **a) Consumers**

4. Convergence offers an expanding range of increasingly affordable hardware and related software.
5. It offers potentially greater value for money offered by new devices which incorporate multiple functions and media. This also opens up new ways for consumers to access multiple platforms and media devices, e.g. a mobile phone contract potentially provides you with a device for web browsing, listening to MP3s and recording and sharing video clips.
6. Radical opportunities for lifestyle change are offered by new convergent technologies – consumers are able to pick up e-mail and phone messages from anywhere, web browsing is available to help in any situation, multiple entertainment media are available at all times e.g. TV, video, videogames, music and web browsing. For example – the benefits brought by the Blackberry include being able to pick up email on the move, which leads to fewer missed meetings, better awareness while travelling, and improved

response and turn-around times in everyday business. The Sony PSP, to use another example, allows consumers to carry a complete entertainment system in their coat pocket, which was a science fiction fantasy until recently.

7. Availability of convergent services generates awareness and familiarity – i.e. more users are turned on to MP3, mobile video and mobile web browsing simply by having the facilities available on their latest phone, leading to a fully-connected society which is able to rapidly share knowledge and access entertainment and business media.

8. Convergence enables consumers to choose and customise products and services, and provides a seamless multiplatform experience.

### **b) Citizens**

9. Potential for faster, more efficient service offered by suppliers and professionals e.g. utilities providers, lawyers, healthcare professionals could all be contactable and consultable online or via mobile, with text, photo, video and audio media.

10. Capability to share more information with suppliers, etc leads to more efficient service – e.g. using your phone to send photos of a problem with your window to your window installer/repairer. Businesses can utilise the same technology and networks to share information internally and B2B, enabling them to deliver quicker and more accurate service and solutions B2C and B2B.

11. Pupils and students can access, via a single device, educational and research material in textual, photographic, video and audio formats from the safety of their home or school environment.

### **c) The Economy**

12. Important to set UK's status as a world-leader in convergent technologies in order to attract inward investment and international recognition. Going forward, this develops UK technology as a trusted international brand.

### **How does the UK compare internationally?**

13. The UK is not currently a world leader in convergent technologies, and is overshadowed by Japan and the US in terms of convergent videogames development.

14. The UK is home to innovative and talented individuals and companies capable of competing globally, but the climate for creative industries in the UK hinders development of world-class convergent products and brands. The creation of convergent technologies and systems is extremely research and development intensive with very high costs attached, and UK companies do

not currently enjoy a business climate in which development incentives are offered, whether via tax breaks or other financial support. Government policies affecting the creative industries need to be considered and consulted upon extensively to avoid putting in place policies which unintentionally hinder the development of UK convergent technologies.

15. Convergence leads to convergence. Once a company has developed a convergent device or system, opportunities for further development and the creation of additional devices and systems are abundant. However, with high research and development costs and a lack of government initiatives to foster convergent innovation in the UK, initial inroads are not being made, and the sphere of additional opportunities which follows never emerges. In the UK therefore, a lack of convergence is leading to a lack of convergence.

16. To be successful with high profile, high budget videogames titles, videogames publishers need access to the world market. However, the UK currently has very few globally competitive companies capable of funding the development and release of such a title across the international market. Adding to these challenges is the fact that the hardware specific formats are controlled by US and Japanese companies.

### **What are the key challenges and opportunities convergence presents for the future?**

#### ***Opportunities:***

17. Opportunities for cross-sector working to the benefit of business and the economy. Convergence encourages the emergence and development of brand new business models and ways of working to the benefit of business, consumers and the economy.

18. Cross-promotion and subsequent opening up of more marketing channels and opportunities – i.e. games companies advertise via mobile devices, phone and network companies advertise via/ within games and associated media, all with click-through functionality for the consumer.

19. Greater consumer awareness of products and brands due to bundling of services and products, e.g. mobile phone users' increasing awareness of mobile videogames and online games. This leads to the emergence of new cross-sector business relationships and partnerships.

20. Billing – opportunities for streamlined billing and account management across multiple platforms for multiple products – reduces the administrative burden, increasing profitability across business and creates further new product development and collaboration opportunities.

21. Convergent technologies enable the suppliers and manufacturers to observe how customers use the products and devices, e.g. which mobile

phone users play online games or download software via their phones or use them to watch films, and therefore which services and advertisements to target them with. This creates opportunities for business, and benefits the consumer who can avoid irrelevant advertisements and product offers.

**Challenges:**

22. Convergent devices need to be effective, simple and fit for purpose. Consumers still purchase individual devices because of the perceived – and sometimes the actual – functionality and superior quality or ease of use of individual devices over and above multiplatform devices.

23. Functionality and freedom of use is key. Consumers won't engage with a device or product simply because it is clever or technically proficient - they want usability and style as exemplified by the iPod.

24. Increased cross-sector and cross-border working will require automated rights management systems, such as machine-readable rights systems like the book industry Automated Content Access Protocol (ACAP) which enables web crawlers to identify what they may and may not read according to the rights holders' demands.

25. The UK must ensure that an effective and robust copyright regime is in place, together with appropriate enforcement measures. Distribution of content via multiple platforms and multiple formats creates new challenges in terms of controlling copyrighted content. Systems like Blue Tooth enable mobile phones to make it simple for consumers to share content - meanwhile the rights holder has no idea what is happening and no way to collect revenue from the process. It is vital that the Gowers Review recommendations are taken forward to ensure that innovative UK convergent content can be successful in the global marketplace while being protected from IP theft.

26. Consumer protection becomes more difficult. Material supplied, under the necessary license, to compliant and aware adults may be accessed as a result of a file sharing system like Blue Tooth, by inappropriate consumers e.g. minors or people unaware of the nature of the content.

27. Consumer behaviour is unpredictable. Investment in any device, network or platform is high risk because there is no way to predict how consumers will engage with it or what uptake will be like.

28. The UK must promote innovation and knowledge sharing. Initiatives such as the Knowledge Transfer Networks are welcomed, but it is essential that the UK recognises the importance of encouraging innovation and creating a nurturing environment for convergence entrepreneurs and innovators.

29. Incentives and support must be put in place to encourage innovative UK companies to develop convergent products, take them to the global marketplace and get the UK recognised as a world leader in convergent technologies.

**What are the key policy implications which the Convergence Think Tank needs to address?**

30. A competent, fit-for-purpose intellectual property rights regime is essential to protect industry's investment in convergent business models and new products. Consumers will not be given access to innovative, world-leading new products and services unless industry can be certain that its intellectual property is protected under an efficient and fair system.

31. Policy makers need to be aware of the requirement for effective cross-platform and cross-border licensing systems to enable rights holders to control and monitor the use of their content and ensure that it is used only within specified terms. Such agreements are important to protect intellectual property and prevent content being distributed or used in any way without consent of the rights holders.

32. Robust and efficient networks must be in place and in good shape. 256k internet connections will not allow the fruits of convergence to benefit business, consumers or broader society. A secure and accessible broadband network is required across the UK to enable devices and networks to operate effectively.