

## Chapter 8

# Applying Concepts and Frameworks in the Digital Economy in a Context of Convergence

### ABSTRACT

*This chapter provides an overview of some aspects of the convergence context and concepts presented in previous chapters. The media sector and the main characteristics of the entertainment industry are described. Several elements are underlined: access, user-generated content, and a higher number of physical supports and electronic platforms. Key trends and developments in ICT industry are explored and main aspects of convergence are described: definitions of convergence, industry impact of convergence, and implications for firms' strategies. Indeed, technological and industrial convergence made possible by digitalization has changed the strategy of ICT companies and has accelerated the erosion of the existing frontiers between the media industries leading to the emergence of new actors (web giants, technology enablers, telecommunications operators, etc.). These compete directly with the "traditional" media players. These ICT groups have adopted different relational strategies to strengthen their activities in the field of entertainment and to achieve a sustainable competitive advantage.*

### INTRODUCTION

The convergence of information and communication technologies (ICT) has affected different industries (telecommunications, media, Internet) and has led to multiple links between different market sectors: broadcast, production, IT, telecom,

web, consumer electronics, video games, media and advertising and to several partnerships between companies belonging to various industries.

This convergence made possible by digitalization has changed the strategy of ICT companies and has accelerated the erosion of the existing frontiers between the media industries (Peltier,

DOI: 10.4018/978-1-4666-6513-2.ch008

2004) leading to the emergence of new actors (web giants, telecommunications operators, Internet services providers etc.). These compete directly with the ‘traditional’ media players. The analysis of new media requires taking into account many different actors: telecom equipment manufacturers, telecommunications and network operators, terminal manufacturers, consumer electronics manufacturers, Internet giants, technology enablers and ‘traditional’ media groups (Comcast, Time Warner, Vivendi, Viacom, NewsCorp, and Disney).

The global media industry is large, complex, and multi-faceted. It has seen dramatic changes in the way consumers get and use music and video. This shifting behavior has forced the industry to evolve. The digital economy marks a historical shift in approach to businesses and potential commercial activities. This chapter provides an overview of some aspects of the convergence context and concepts presented in previous chapters.

Section 1 presents the media sector and the different definitions related to these activities. Then, the main characteristics of the entertainment industry are described. Several elements are underlined: access, user-generated content and a higher number of physical supports and electronic platforms.

Section 2 explores key trends and developments in ICT industry and summarizes main aspects of the literature on convergence. The following aspects are described: definitions of convergence, industry impact of convergence and implications for firms’ strategies.

Section 3 examines the strategies’ evolution of traditional media groups and of new entrants such as Internet giants. These ICT groups have adopted different relational strategies to strengthen their activities in the field of entertainment and to achieve a sustainable competitive advantage.

## **ENTERTAINMENT INDUSTRY OVERVIEW**

There are several activities related to media and entertainment sectors leading to various definitions which are presented in this section.

### **From Audiovisual to Entertainment Industry**

The notion of the audiovisual (AV) sector covers the film, broadcasting (television and radio), video and multimedia industries, whether these services are scheduled or on-demand. Accordingly, the definition of audiovisual media services does not cover activities which are normally not provided for remuneration, such as weblogs and other user-generated content, e-mails and private websites. The audiovisual media services exclude also the press in printed and electronic form, activities which are included generally in ‘communication’ or in ‘media’. ‘Media’ is the most common notion to describe the activities presented above (Figure 1).

The definition of the AV sector has to be distinguished from the “creative (or content) industries”. This term is relatively recent and has been developed in the United Kingdom in the late 1990s, when the Department for Culture, Media and Sport (DCMS) set up its Creative Industries Unit and Task Force. They proposed the following definition: activities which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property (1997). Consequently, the definition of creative industries is much larger than the AV notion including then architecture, art and antique market, design, software, music, the visual arts (painting, sculpture), the performing arts (theatre, opera, concerts, dance), and book and magazine

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