Industry Structure in Converging Markets: 
An Analysis of the European TV and Online Services Industries

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Abstract:

When referring to the popular topics characterized by "the merging of television and computers" or the "integration of TV-programming and online services" there is a need for more precise language to answer question such as

• Where is "convergence" occurring, what does this phenomenon mean?
• What are the consequences for the industries involved?
• How should one analyze converging industry structure - i.e. is Porter´s "5-forces-model" still appropriate?

These questions, which are usually not addressed in most description of industry convergence are addressed in this paper using a strategic management approach. First we define the notion of "convergence" in a strategic management context by distinguishing where and in which dimensions it appears and what implications convergence has for industry analysis. For example does convergence mean the need for cooperation between complementary industries or does it mean interchangeability of different products or services to fulfill the same functions? Is it appearing only in terms of technology, in functions or needs, in company profiles, in markets or industries? Then we give a brief overview of the current industry competition in TV- and Online Services as well as important technological, customer-focused and corporate innovations moving them "closer together" - Television programs and the push-principle are brought to the WWW (Online-Broadcasting), Online or WWW-services with their pull-format are brought to the TV-screen by interactive or WebTVlike services. Using the Porter five-forces-model as a basic framework we identify the need for a trade-off between the threat of substitutes and the potential support by complements. This analysis leads to a distinction of the different modes of market entry ways but also suggests an essential shift of focus is necessary from the traditional rivalry-centered analysis to a primarily customer- or need- oriented analysis to cover the complexity of converging industry structures. Finally we suggest in which areas convergence is likely to emerge and give directions for further research in this area.

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