



Telecommunications Convergence: An Industry Strategic Inflection Point?



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“What I heard from these customers convinced me that we're on the threshold of an explosion in convergence applications - a market shift that creates vast potential not only for the organizations that deploy these converged networks, but for network and software companies, service providers and investors looking for The Next Big Thing (or a least A Next Big Thing).” (Gallant)

The convergence of the telecommunications, personal computing, and corporate IT technology industries has been facilitated due to the increased use of the Internet as an interfacing agent between the latter and will set the stage for a variety of cross-platform interactive services that will benefit the consumer and offer potential competitive advantages/disadvantages to many corporations. Although they are very difficult to predict and are often acknowledged well after they have happened there is a good change that telecommunications convergence will usher in a strategic inflection point that will rearrange the market share pecking order in a variety of multi-billion dollar industries.

“Convergence occurs in networks, where the PSTN, the Internet, wireless alternatives, broadcast networks, and cable TV, as well as the back-office functions that support them, are all coming together to service the same sets of traffic and to deliver the same types of features and services. Convergence also occurs in devices, such as televisions, telephones, computers, smart appliances, intelligent clothing and jewelry, and smart tattoos. Convergence occurs in applications as well. Communications, information services, entertainment, e-commerce and m-commerce, and affective computing are all overlapping and blending with one another to create new generations of traditional applications such as edutainment and infotainment. Convergence happens in industries. Today industries share digital technology as a common denominator, so biotechnology, computing, consumer electronics, entertainment, publishing, power utilities, and telecommunications are all coming together and finding reasons and synergies for why they should work together or become one. Finally, convergence occurs in humans and machines. Today we have artificial limbs and organs, and we have intelligent implants. Tomorrow, we may see neural interfaces and artificial life.” (Goleniewski)

Andy Grove, one of the founders of Intel, describes the strategic inflection point that the computing industry experienced when a handful of new companies specialized and ultimately dominated the emerging computer chip technology which eventually became the de-facto standard in the computer business. Andy Grove helped Intel become aware of the technological shift towards smaller and more powerful micro-chips in the early sixties to dominate the latter market. He describes the importance of maintaining a healthy dose of paranoia when it comes to not missing opportunities relevant to exploiting the ability to bring technologically advanced products to market faster than large slow competitors.

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“Sometime last year, it began to occur to me that the next major battle in the world of technology policy was going to be the potentially thorough re-ordering of the telecommunications world. (Clark)

Bill Gates, founder of Microsoft, also expresses a similar belief related to riding technology shifts towards market domination to the detriment of other companies such as Apple, IBM, and Xerox. Microsoft leveraged its founder’s awareness of the technological shift that was occurring in the mid seventies and early eighties to dominate the PC operating system and software market.

Opportunities for a greater integration between television, cable, and the Internet exist already. We already see this as news organizations and entertainers have begun to achieve a greater interaction with audiences via online games, contests, trivia challenges, blogs, etc. Customer relationship management at a corporate level could be tailored even further. We see the beginnings of that today where for certain IT products a specialist can remotely interface with customer systems to try to fix potential problems. It is not unrealistic to suppose that in the future cars will have a computer interface accessible via a wireless connection with customizable permissions to enable mechanics or your dealers to advise about automotive maintenance and mechanical issues. We have seen the start of Internet and automotive interaction with the growing use of Internet car navigators.

“For example, the IT executive from the energy company detailed the difficult and ongoing job of re-organizing the entire technology to reflect the realities of deploying and running a converged network. That non-technical undertaking was more difficult than building the network itself.” (Gallant)

Although there are many changes occurring in the variety of interactive cross-platform interactive products being developed and the shift in computing lifestyle they are helping bring about it is difficult to predict whether this will bring about a strategic inflection point in the telecommunications industry similar to what happened with operating system software and microchips vis-à-vis Microsoft and Intel. Regardless, it is important for business managers to find the happy medium between recklessly pursuing expensive new technology and foolishly ignoring opportunities related to the latter.

Asides from the market opportunities available in the telecommunications convergence sector, changes in customer relationship management dynamics will most likely be the most important area that will affect most medium to large companies. A variety of new interactive features will probably become available in future versions of ERP or CRM software sold by vendors such as Siebel and SAP. The potential for ubiquitous computing via wireless networking technology will provide further incentives for permission based interactive database applications between companies, vendors, service providers, and customers. The mediums in which this will occur will involve personal computers, PDAs, blackberries, cell phones, etc. Communication will continue to involve a great deal of video, photography, multimedia, and graphical representations where appropriate as seen with the recent convergence of cameras and cell phones.

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