



Global Business Dialogue on Electronic Commerce

## **New Business Models Recommendations**

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### **INTRODUCTION**

The emergence of new business models in the provision of online services can be considered intrinsically linked to two major factors that have dramatically reshaped the landscape of the ICT sector.

On the one hand, increasing technological convergence between telecommunications, IT, consumer electronics and content industries has transformed the telecommunications sector into the electronic communications industry, and this in turn has attracted new players into the market.

On the other hand, advent of broadband access as a mass market technology provided through multiple and competing open platforms is creating opportunities for new multimedia and content revenue-generating services, thus adding value to the current business models often limited to selling broadband connectivity. It is foreseen that a much broader range of applications and services will become available as the market matures and broadband connection speeds increase.

Content and service providers must therefore now create new applications and content formats that take advantage of the new features and advantages provided by convergence and broadband. However, there is a clear need for industry and governments to cooperate in the development of innovative and commercially driven business models for the broadband environment, in order to overcome the different barriers that are hindering its development.

## **2. Barriers to the Development of New Business Models**

### **2.1 Open Standards and Interoperability**

In a competitive broadband and convergent services environment, there are multiple actors at different levels of the value chain (network operators, equipment manufacturers, content creators, content providers, content aggregators etc.). In this multi-stakeholder context, the use of open standards and platforms is crucial in order to ensure the three levels of interoperability necessary for the development of successful new business models:

#### **a) Interoperability of Networks**

All platforms providing broadband access should be open and interoperable in order to facilitate the circulation of content. Consumers should be able to freely choose the service and the delivery channel they wish.

#### **b) Interoperability of Devices**

Consumers should have access to content and services from multiple and interoperable devices using open standards and protocols for data streaming, downloading and storage.

Together with the IPR protection issue, the main reason for the lack of success of the recording industry business models developed so far is that consumers could not use legitimately downloaded music on the multiple audio devices in use, beyond

the PC. Market development will depend on broad horizontal interoperable working systems.

### c) Interoperability of Products and Services

Business models based on broadly supported content standards prove essential to develop mass market deployment. ICT companies have strong commercial incentives to make their products and services (i.e. software programs and applications) interoperate with others.

Governments should allow industry to lead in promoting technical interoperability, including the development of voluntary, consensus-based open standards. Public policies that would mandate or extend preferences to specific technology solutions or platforms should be avoided.

## **2.2 Access to Content**

Access to content is a key factor for the development of new business models but several knots have to be untied in order to ensure its full accomplishment.

Content providers should make content available under a non-discriminatory basis among the different platforms providing broadband access. Long-term exclusivity of contents could hamper the take up of innovative services and become a barrier for the development of the Information Society as provision of online content services and network development are interdependent. Consumers should have the chance to access high quality content services under a multi-platform competitive environment.

Governments should create an open environment that facilitates access to content. The fact that broadband content and services emanate from the convergence of the content creation sectors, with the information, communications and technology sectors, creates a need for cohesion among the different public authorities responsible for telecommunications, broadcasting and content

creation that should always act under the principle of technological neutrality<sup>1</sup>.

Public administrations, on the other hand, can act as a catalyst for the development of the broadband content market through the implementation of specific initiatives in the fields of e-Health, e-Education and e-Government.

### **2.3 Protection of IPRs**

Directly linked to the lack of availability of attractive broadband content is the fact that content and service providers have experienced copyright violations which have diminished their revenues, limiting their online presence.

Content and service providers must create new applications and content formats that take advantage of the new features and advantages provided by broadband. However, piracy and illegal copying need to be addressed by fostering dialogue between stakeholders in order to create an adequate framework for viable business models. It is a fact that certain content providers are reticent to enter the market until implemented solutions successfully fulfil their demands (e.g. record labels), which is currently slowing the development of the market. New technological measures such as DRM systems will be instrumental to obtain an adequate level of copyright protection.

The main objectives of DRM systems should be to ensure a successful exploitation of intellectual property rights in online content, as well as to ensure appropriate revenue for all players along the value chain. For this to become a reality, technical solutions must be generally accepted to provide value for both the service provider and user. Competition between different DRM systems providers that ensure interoperability without one point of control will allow for an increase in the services provided and a decrease in the prices of these systems, preventing management of intellectual property rights from becoming a heavy burden for

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<sup>1</sup> The principle of technological neutrality should however not lead to applying the same regulation to services that differ in nature, access and reception (i.e. broadcasting vs. information society services).

value-chain stakeholders. However, an industry accepted open and interoperable DRM standard for both fixed and mobile services in a horizontal market will provide the necessary critical mass, ease of use and lower burden for the final customer.

In this respect, it seems necessary to include the concept of “authorised domain” in the framework of DRM, which would be made up of devices, networks and interfaces used for consuming contents both in and outside a domestic environment, and which are the property of consumers or are under their control. Within the domain, consumers can exchange content (music, video, games, etc.) with certain freedom amongst the different devices that are part of the domain. However, outside this domain, services and access to content will be subject to rules previously determined by the rights holder.

Currently, a number of market players have opted for the implementation of temporary solutions such as “forward-locked” solutions that avoid the re-sending of content, and therefore fraud. However, they limit the development of the market and are not appropriate solutions in the medium and long-term.

With the availability of DRM based compensation systems, public authorities must re-evaluate the application of national copyright levies to online content and digital devices. In fact, public authorities should refrain from extending copyright levies or any new type of levy (e.g. broadband levy) to broadband equipment and media, (e.g. mobile handsets, storage devices PCs and printers). Otherwise, there is a risk of consumers having to make multiple payments through levies on equipment, media and via a DRM system.

It is important to remind policymakers that the main obstacles to successful DRMs include interoperability issues including the development of open standards that will enable the development of a satisfactory model for all players along the value chain.

The GBDe believes that key recommendations in order to achieve successful DRM systems should include the following:

- The need to define an open and interoperable DRM system with open certification criteria with the aim of solving the current lack of interoperability.
- The need for an active cooperation between all players along the value chain.
- The development of an adequate supranational framework.
- The need to maintain consumers' capacity of use of legitimately downloaded content.
- The need to avoid multiple compensation for content through the application of levies on equipment and media, and via DRM systems.

## **2.4 Customer satisfaction**

Until now consumers have demonstrated little willingness to pay for content and services provided over the Internet. The need to create the appropriate climate for users' willingness to pay for online services is not only a matter of industry provision of personalised/tailor-made services, optimising price and quality for each customer. A joint effort with public authorities is necessary, focusing on the following priorities:

- The need to inform users about the benefits of broadband content and services.

There is a real lack of awareness and understanding of the benefits of broadband content and services, and how they can positively impact business, government and consumer activities. Cooperation between stakeholders to make customers aware of their possibilities in terms of multiple access platforms and wider range of content availability is needed.

- Fostering consumer confidence.

The development of the global Internet network and improvement in telecommunications technologies, have brought substantial

benefits to consumers, including convenience and access to a wide range of goods, many kind of services and various forms of information at lower cost. However, these benefits cannot be realised fully until consumers develop confidence in commercial and other internet-based activities conducted over global networks and feel secure about the use of their content/data.

To address this challenge there exists a consensus on the need of a common framework to develop closer and more efficient cross-border cooperation among all stakeholders and to encourage the development of a global marketplace that offers safety, transparency, and legal certainty.

### **3. Recommendations**

- Public authorities should not jeopardise or hinder the development of new business models through inappropriate regulation.
- Public authorities should allow industry to lead in promoting technical interoperability, including by developing voluntary, consensus-based open standards.
- Public policies that would mandate or extend preferences to specific technology solutions or platforms should be avoided.
- Public authorities should encourage the creation of an open environment that facilitates access to content.
- Public authorities should develop their role of demand aggregator for broadband content and services in the field of public services: e-Health, e-Education, e-Government, etc.
- Public authorities, in cooperation, with all industry players should encourage the adoption of open and interoperable DRMs.

- Public authorities should avoid multiple compensation for content through the application of levies on equipment and ICT technologies and via DRM systems.
- Public authorities should maintain consumers' capacity of use of legitimately downloaded content.
- Public authorities should foster consumer confidence encouraging the development of a global marketplace that offers safety, transparency, and legal certainty to all stakeholders.