

**The Future Digital Economy
Digital Content – Creation, Distribution and Access**

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**Presentation by Alberto Tripi, President Federcomin, Italian ICT Federation
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Session 3: Perspectives on opportunities and challenges

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“Changing roles and challenges for the telecommunications, broadcasting and IT industries”

The ICT sector is going through a phase of **structural change**, determined by several factors that I would like to talk about.

This change has been spurred not only by the phenomenon known as digital convergence, but also by the effects that it may have in the creation of a chain of supply and demand that will lead to the development of the digital economy and society.

One of the most important changes brought about by digital technology has been the end of the traditional distinction between the world of contents and the world of services.

This entails the birth of a new market whose size is hard to assess, and a transformation that is so extensive that it calls for attention and intelligence in order to take advantage of all the potentialities, including occupational ones, that we can already glimpse in the startup stage.

In this new scenario, the **way we use technology and the role of suppliers** will also change. In addition to traditional IT and TLC suppliers, new businesses and entities that today manage extensive customer bases (web companies, logistics companies and large retailers, utilities, central and local government agencies) will become key players by providing new services.

The language of audiovisuals is evolving in the internet, with new ways for users to experience them, characterized by new values based on interactivity.

It will therefore be necessary to **increase and diversify the offer of contents, in order to also increase availability in terms of formats.**

1) The first factor that must be analyzed is that of **digital convergence**, implemented through the use of **new technologies**: UMTS, wireless, RFID, the integration of voice and video on the web protocol (VOIP - Voice Over Internet Protocol, and IPTV - Internet Protocol TV), and in a **new environment**, in which digital contents may be “consumed” effectively and legally, taking into account technological characteristics but also the need to make the market competitive, in relation to the greater possibilities for the demand to be met.

2) The second factor to keep in mind is a new composition of the **e-Content market**, which comprises both **operators from the traditional contents industry** (publishers, newspapers, television broadcasters, movie studios and record labels), and **entities operating in the ICT sector** (electronic communications service providers, web portals, software houses, etc.), which widen the scope of this sector increasingly often, diversifying their activities by offering digital content.

The e-Content market is experiencing strong growth, and several aspects contribute to increasing its overall value. The most important ones are:

- **fee-based contents**, such as the purchase of a music track or a movie;
- **public contents**, which include all contents provided, for example, by museums, libraries and tourism;
- **advertising**, which is the main source of revenue in case of free services.

3) What evolution can we expect for e-Content?

Certain segments – such as **mobile entertainment** and **infotainment** – will grow much less than others due to the maturity of these markets, which grew much earlier than others, which, on the other hand, are experiencing much stronger growth: **music, video, online advertising** and **public content** (especially education, tourism and cultural heritage).

4) It is also necessary to analyze the **inhibiting factors** and the **opportunities** for the market's development.

The main **inhibiting factors** include: the not yet extensive diffusion of broadband services amongst all different users (such as families, enterprises and Public Administration), issues related to **billing** and **payment systems** (that mainly concern the markets of music, news and infotainment), the use of **credit cards** and, last but not least, **privacy issues**.

5) As for the **opportunities**, safeguarding, on one hand, the fair payment of authors and producers and, on the other, the possibility for users to access a greater quantity of online content, besides legislation it will be necessary to: **favor the digitization of works and their availability online, develop new business models, expand the licensing system, improve communications**, etc.

In Italy, similarly to France, a common initiative between all operators of this sector has been started in order to attempt to safeguard all interests involved, **favoring specific agreements and initiatives** (informational and educational campaigns directed towards both operators and the public) and **actual self-regulation codes** involving all of the sector's operators.

New rules, to favor the birth of new economic models that may enable us, amongst other things, to safeguard and favor the growth of an e-content industry: for Italy, this also entails the safeguard of the country's cultural, historical, artistic and environmental heritage, to the benefit of the international community.

6) A few suggestions for policies to promote the development of e-content

- ✓ **industrial policy initiatives**, aimed at enabling the market to function more effectively, in all its aspects and for all operators involved, without limiting its development;
- ✓ **initiatives for spurring the market's growth**, that spread the access platforms amongst the user base, promoting initiatives tied to certain sectors, specifically school, tourism, cultural heritage and infomobility, that may provide the basis for the market's overall growth.

7) In conclusion, the effort that must be made in order to harmonize all of the initiatives that exist today requires **joint action by the market's operators**, on one hand, **and by institutions**, on the other, to make best use of all the **opportunities created by the convergence process currently underway**, and to support a new cycle of development of a digital industry that will have a new protagonist in the content market.

The figures

The ICT sector in Italy

- **ICT market: + 2,1%** (percentage variation between the first half of 2005 and the first half of 2004, Assinform estimate).
- **TLC +2,9%**.
- **Informatics +0,4%**.

The diffusion of broadband

6.6 million broadband connections at the end of 2005, subdivided into:

- **1.6 business users** (out of 4 million businesses)
- **5 million consumer users** (out of 22 million families).

The growth rate, compared to 2004, is **40%**.

The e-content market in Italy

Estimated e-content market for 2004: **1,140 million Euro** (comprising: **fee-based content, public content, advertising**).

2005: + 30%,

2006: + 26%.

Music 2005: +600%.