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“The difference principle: shaping competitive advantage in the cultural product industries”

This paper argues that competitive advantage and thus commercial development in the cultural product industries cannot be fully reconciled with dominant models for the protection and exploitation of intellectual property. The framework for this paper is informed by empirical research on the fashion, music and brand-narrative industries and rests upon the hypothesis that cultural industries' products are economic offerings for which a vast range of substitutes always exist. The paper takes its starting point in consumers' viewpoint rather than firms'. For consumers, it is argued, a vast range of substitutes exist for all cultural industries products. Substitutes exist in the form of readily available pirated IP, close copies, similar alternatives, and indeed completely other product segments. In choosing product offerings consumers are faced with endless substitutes in each product category whilst their expectations (for quality, service, symbolic status, aesthetics, etc.) are just as likely set by actors outside of the particular category in question. Given this how then can we conceptualise competitive advantage in the cultural industries? And what sort of regional or industrial systems are likely to support the development of firm competitiveness?

In many segments of the cultural economy – resting as it does on fluid and unpredictable trends and hard-to-protect intellectual property – firms are faced with intense and globalised competition. The paper attempts to explore what this means for firms' competitive strategy and suggests that the norm is competition based on differentiation or monopolistic competition à la Chamberlin (1933). Chamberlinian competition is based on the notion that distinctive market distortions appear when producers have strongly-developed firm-specific characteristics. Under a regime of monopolistic competition there may be many individual firms all making a particular class of products, but each firm's output also has unique attributes (design, place-specific associations, brand, consumer anchoring, etc.) that can only be imitated by other firms in the form of inferior reproductions, or can at best be copied only after a significant time lag.

These competitive dynamics have profound implications for: what aspects of firms' products and intellectual property are most crucial to competitiveness; and the (industrial or regional) institutional and organizational frameworks that may facilitate growth, innovation and appropriation in the cultural industries. The paper concludes by exploring these implications for cultural industry regional clusters/agglomerations. It suggests that existing models of regional growth and innovation systems must be adapted to fit firms and sectors where competitiveness is not only based on traditional types of intellectual property (such as copyrights)

but also differential property (such as brands or marketplace positionality). If providing a regional system supportive of differentiation (and market positionality) is important to these firms/industries then we must reappraise traditional notions of supportive regional factor and demand conditions. To this end a revised version of the cluster model of regional competitive advantage is presented: one which attempts to be more tailored to industries where intellectual property and differentiation are the core products.