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The Difference Principal

DIME - The Creative Industries and Intellectual
Property Conference - London May 2008



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Starting points - Structural conditions: limitless substitution?

- What are the structural conditions that underpin the market for creative artefacts such as patents, trademarks, CDs, fashion clothing, etc.?
 - Substitution: readily available pirated IP; close copies; wide variety of similar alternatives; completely other product segments.
 - Consumers are faced with endless substitutes in each product category whilst their expectations - for quality, service, delivery channel/mechanism, symbolic status, aesthetics, etc. - are just as likely set by actors and experiences outside of the particular category in question.



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Structural conditions: limitless substitution?

There are limits to substitution but it is central to understanding the creative industries because:

The act of substitution is deeply rooted in our tastes... tastes that are highly linked into ever changing socio-spatial desires and processes... reliant and expressed through distinct and evolving geographies of consumption and substitution...



Implication of limitless substitution?

- Firms/economic actors cannot build strategies on the assumption that their IP's level of inventiveness, creativity or innovation will be enough to secure commercial success, create value, or generate revenue
- 2 options remain:
 1. Limit consumers' ability to find substitutes for the firms' IP: e.g. legal action, DRM
 2. Monopolistic competition: Establish differentiated positions in the marketplace with the aim of convincing consumers that substitutes do not exist...



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The Difference Principal? Shaping firms' competitive advantage

- Once a differentiated position is established a series of vehicles can be built to capitalise on the position

For musical acts:

Traditional vehicles rely upon recorded music – that can be copyrighted and then packaged and embedded in a wide variety of media such as CDs, ringtones, MP3s, etc.

However, the position can also be used for a wide variety of other vehicles: e.g. merchandise, sponsorship, concerts, etc.

- Availing of all these vehicles means firms cannot rely upon traditional IP alone and must work to secure a wider positional package



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Difference engines: clusters and spaces for differentiation

- Certain geographies have been shown to support IP processes such as technological innovation and creativity, can the same be said about creativity and innovation in market positionality?
- Are creative firms be drawn to regional or industrial systems that are likely to support firms' development of differentiated positions?



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The cluster approach

- The cluster promises to produce innovation and competitiveness via a series of interactive processes within systems of actors assembled in a milieu defined through some form of spatial proximity
- It recognises that different places will have different sets of supporting conditions...



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- Specialized Labour
- Technical infrastructure
- Access to money and capital
- Positive local image/brand

Context for strategy and rivalry

The rules and incentives that govern competition

- IPR regime
- Range of substitutes
- Fair and open competition (tolerance for individualism and diversity)
- Transparency (ease by which positions can be monitored and assessed)

Factor conditions

Presence of high quality specialty inputs available to actors

Differentiated position

Local demand conditions

The nature and condition of local consumer needs/desires

- Availability of local suppliers of specialty inputs
- Presence of clusters instead of isolated actors
- Exhibition and broadcast channels – media etc.

Related and supporting actors

The local availability of supporting actors

- Sophistication of local consumers
- Density of niche customers
- Demanding regulatory standards
- Unusual local needs
- Social relations and systems



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Conclusions

- Getting close to the spaces and geographies that underpin the construction, negotiation and recognition of difference is an important area of future research if we are to understand the creative industries product
- We need to focus not just on the spatiality of creativity/innovation processes that result in tangible IP outputs but on positional processes and the geographies that may be supportive of these



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Thank you...

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