

The Myth of Convergence (It Just Doesn't Happen!)

by Stever Robbins

I AM LOOKING AT A FULL-PAGE AD IN THE Wall Street Journal. Samsung Electronics Vice-Chairman Yun is proclaiming himself “An Ardent Promoter of Digital Convergence.” Run, don’t walk, to sell your Samsung stock. Because despite a decade or two of hype, convergence just doesn’t exist ... *and* it’s irrelevant.

When two products converge, so the theory goes, you end up with a combined product that is somehow “the product of the future.” We have vague images of this new combined artifact taking over the world. But let’s get concrete: name two product categories that have successfully converged. Now name two more. You probably can’t, because products grow by differentiating, not converging.

Once upon a time there was a Model T. It came in a variety of colors (black). It came in a variety of styles (one). Then some bright marketer realized, “Hey! I’ll bet Rich people would pay more for diamond-studded seats.” Thus was the upscale car was born. Color was added ... and radios ... and intermittent windshield wipers. The market expanded by reaching more people, and reaching more people means creating versions of the product that reach different market segments.

A Case Study: TV and VCRs Converge (NOT!)

Consider why the TV/VCR convergence never took off (if you currently own a TV/VCR combo, please accept on faith that you’re the only person in your town who does). TVs come in many sizes. They come with many features. The features set the price and desirability. My friend Kevin paid thousands for a surround-sound capable, high-definition plasma display TV, with picture-in-screen. I paid two-hundred dollars for a TV large enough to use as a table without ever removing it from its box. Since I really need a table, I’ve never bothered to discover its other features.

VCRs offer variety, too: super-fast motion, slow motion, freeze-frame, dubbing capability,

remote control, on-screen programming, automatic bar-code programming, etc.

So what does the TV/VCR convergence look like? The manufacturers choose one model of TV, one model of VCR, combine them, and voila! The result appeals to the one market segment wanting those TV features and those VCR features—a tiny subset of the TV and VCR markets.

The converged product will always offer less variety than the individual products. To offer the same variety, the converged product would need to come in models offering all the combinations of the original products’ features. If there are five VCR models and ten TV models, it would take 50 different VCR/TV combos to give consumers the same feature combinations. Manufacturers would go nuts trying to create that many product lines.

Converged products are best thought of as a niche version of the component products. A TV/VCR combo is really a TV with an extra VCR thrown on. Or maybe it’s a VCR with a free TV. Either way, it’s a subcategory of both, not a separate category¹.

Converged Products are Hard to Use

People like easy-to-operate tools. Even if a combined product meets a market need, it will be harder to use than the originals. A personal digital assistant (PDA) / cell phone combo needs the controls of a PDA, the controls of a cell phone, *and* controls for the interaction between the two devices (for example, a new control telling the PDA to dial a phone number). Most VCRs can barely be programmed by people with a PH.D.; converged devices have no hope of being easier.

In the mid-1990s, home computers came able to function as a computer, FAX machine, answering machine, and voice-mail system. I only know one person who actually used their computer as

1. And have you seen those combos? *Shudder*. They’re awful. The niche they’ve come to occupy is low-cost, low-quality, and low-style, to punish those who can’t afford the separate components.



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an answering machine. Most people told me it was too complicated to figure out how to use the combined capabilities; far easier to have a separate answering machine.

You Can't Upgrade a Convergence

After convergence, technology marches on. The separate technologies keep evolving ... separately. Cell phones get color, digital networks, downloadable ring-tones, and interactive games. PDAs develop more memory, plug-in cards, and direct connect capabilities with home computers. The owner of a PDA/phone combo can't upgrade just the phone or just the PDA to get the new features they want. What was once ground-breaking becomes the biggest impediment to moving to better technology.

Convergence Happens, Just Not Where We Thought

If convergence is really a myth, why doesn't the myth die? Because convergence is real: markets may not converge, but technologies do. If you're reading this article online, you're almost certainly reading it on a machine that *right now* can do everything a home computer, fax machine, telephone, television, and stereo can do. The technology has been converging for quite some time.

Technological convergence can lead to great manufacturing efficiencies. I once consulted for a company that produced one high-end product. They released a low-end model by using a

cheaper plastic casing and flipping an inside switch to disable some of the features. The manufacturing and inventory efficiency from having a single design was so great it didn't make sense to have a separate low-end model!

Alas, pundits, vice-chairmen of the board, engineers, and business writers continue to mistake technological convergence for market convergence. They believe one leads to the other.

Markets don't converge; technologies do.

But belief doesn't make it so: the behind-the-scenes technological development has little direct effect on how the markets develop. Tech convergence may give us more choices, more markets, and more variety, but it will do it through market expansion, not market convergence.

Swiss army knives haven't, don't, and will never replace screwdrivers or knives. The technology has converged, but markets don't care. Markets want variety: more price points, more colors, more features, and more upgrade options. Samsung may get great efficiencies from convergence, but at the end of the day, the only markets they'll dominate with convergence are narrow niches in much larger markets.

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