Shuffling Markets – Coupling/Decoupling

This is a follow-up to the discussion on the IP-List.

Te discussion of the Apple Shuffle is a useful lesson in markets and business. In designing products you have to decide on the architecture. If the product is a small device that plays music into the ear then you might go to the extreme of building it into the ear buds themselves and we wouldn't question the inability to have a separate earpiece.

Generally we decide whether separate the earpiece from the device for both mechanical and technical reasons. The product team may decide that the music player would be more valuable if decomposed so third parties can increase the value and the market size of the music player by offering alternative audio output devices – speakers or earpieces. Or it can define the product as the whole experience and benefit from owning the value of the whole.

In the case of the Shuffle (not knowing the details) it seems that the decision to put the controls on the wire is a design choice that has market consequences. Choosing to make the interface between the base and the controls proprietary is a business/engineering decision. We can argue Apple would do better to open up the design but we should be very wary about forcing the issue as doing so may preclude useful designs as in including the controls in the ear buds themselves.

Which brings us to the issue of telecom. Here we do have a (lack of) decomposition that matters in terms of public policy. Unlike the iPod which is just one of many ways to get audio content the carriers have control of our very means of communicating. What makes it worse is that the value is in the services rather than commodity transport. Thus they have every incentive to use their control of the transport to control the content.

Fortunately there is a natural demarcation between the content and the bits that is difficult to hide. Stories like the importance of IMS and QoS are used to make it seem as if silos are necessary but the lesson of the Internet is that not only is the separation of

bits and content real – it makes both the content and transport far more valuable to society.

This is why I'm increasingly emphasizing that this is not about telecom or whether the carriers are good or bad, it's about decoupling a value chain.

Coupling the transport and the content does more than merely keep the transport locked down – the two markets have very different dynamics and coupling the two leads to destructive dissonance when we adopt an accounting model that associates each element of the transport with the charge for content or the charge for a subscription.

While I'm wary about intervening in Apple's business decisions **telecom's coupling is a fiction sustained by extreme intervention in the market** – without such intervention it would be very difficult to maintain today's silos.

For the same reason that we should accept that Apple decides how to design the ear bud it is imperative that **we stop preventing the decoupling of transport from content**. Too bad, in the short term, it will appear that we are intervening to stop the coupling – but that's only the pain of removing the Band-Aid® that has been on so long the skin has grown all around it.