

The Coming Year

by

Dave Birch <<mailto:dave@consult.hyperion.co.uk>>
Consult Hyperion <<http://www.consult.hyperion.co.uk>>

Predictions About Predictions

I'm nervous about predictions, giving that I once read Jonathan Margolis' splendid *Brief History of Tomorrow*, which notes that the British Astronomer Royal (Sir Harold Spencer Jones) dismissed the idea of space flight as "bunk" two weeks before the Soviet Union launched *Sputnik 1* [1]. That doesn't mean, of course, that everyone has always been wrong about the future. On the contrary, people have made some amazingly accurate predictions: the Internet, for one. Here's science fiction writer H.G. Wells in his long-forgotten book *World Brain*, written in 1938, imagining a microfilm-based and continuously-updated world knowledge repository [2]:

The time is close at hand when any student, in any part of the world, will be able to sit with his projector in his own study at his or her convenience to examine any book, any document in an exact replica.

If you think that's not a bad prediction, he goes on to say:

This [library] need not be concentrated in one place: it might have the form of a network. It would centralise mentally, but not physically... it is its files and its conference rooms which would be the core of its being.

So could Wells see the future? Probably not: he failed to predict television (despite the fact that it already existed when he wrote *The Shape of Things to Come* in 1932), space flight or computers; and he thought that the stock market would vanish and that a thirteen month calendar would be adopted worldwide by 1972. With these examples in mind, I considered a few different options for making my predictions:

- ◆ The "management consultant" option of being so vague as to be impossible to criticise. I was at a conference where a management consultant (I'm not making this up) said that if companies want to encourage visitors to come to their web sites, then they need to make the sites "interesting".
- ◆ The "analyst" option of spraying around detailed numbers (and being quantitatively wrong, but downstream when people will have forgotten). Lehman Brothers are predicting European mobile e-commerce as \$400 billion plus in 2005, whereas Forrester put it at about \$4 billion (ie, 100 times less) [3]. Who'll remember any of this in 2005?
- ◆ The "sci-fi" option of writing about, as Dennis Cass memorably put it in *Harper's* [4], "the kinds of things you've heard bores like Nicholas Negroponte drone on about in *Wired* magazine, like shoes that can send e-mail to other shoes".
- ◆ The realistic option of trying to make one or two modest predictions about areas I have been working in.

The last option seems like the best bet, but who am I to make predictions? Being in the middle of the Net revolution doesn't automatically qualify anyone as a visionary. Just to pick one example, Nathan Myhrvold was Chief Technology Officer of Microsoft in 1994 and was writing memos downplaying the Internet [5]. A couple of years later he said that traditional media companies would be "roadkill on the information highway" [6]. Microsoft went on to invest in, for example, Sidewalk (now sold off and defunct) and Digital Entertainment Network (also shut down). Of course, making predictions outside an area of core competency is also fraught with danger: here's astronomer William H. Pickering writing in *Aeronautics* in 1908:

Another popular fallacy is to suppose that flying machines could be used to drop dynamite on an enemy in time of war.

It's not as if we do better on this side of the Atlantic. Freeserve was sold to Wanadoo at about one-sixth the price it fetched at its peak, and at about 12p per share less than its launch price [7]. Yet when it was at that peak valuation of £9 billion, not one of the 16 London-based investment bank analysts who reported on it gave a sell recommendation. I'm not picking on them: it's just that in the new economy, as economist John Browning reminded me when reflecting on the \$300 billion plus that banks have loaned telecommunications operators to spend on the next generation of mobile phones in Europe [8], it's important to remember the so-called "First Rule of Hollywood": *no-one knows anything*. Here's Irving Fisher, Professor of Economics at Yale, on 17th October 1929:

Stocks have reached what looks like a permanently high plateau.

Just a week later, on 24th October 1929, Wall Street crashed. Hopefully, I can do a little better by setting easier goals: I'm just going to make a few predictions about the Net as a whole, focusing on the UK and the rest of Europe. These predictions are made easier by the fact that I see the near-term future being about the continuation of existing trends rather than radical changes: it's a common failing of technologists to dramatically overestimate the impact of technological change in the short term, by an equally common failing to underestimate it in the long term.

Short Term—Don't Overestimate

First, the shakeout of the B2C sector will extend into the B2B and C2C sectors. Whereas this year was about the failure of consumer sites—Boo, Pets, Boxman and WebHouse Club—next year will be about the failure of business exchanges (adumbrated by Efdex) and auction sites without critical mass. This doesn't mean that B2C or B2B commerce is in for a downturn: far from it, since US fourth quarter online sales are 70% up on the same period last year and a third of UK households have now bought something online (significantly above the European average). UK B2C commerce (about £1 billion this year) and UK B2B commerce (about £5 billion this year) will continue to grow, but the markets will naturally consolidate. The overall e-commerce market still looks strong but then the famous British entrepreneur Freddie Laker said

I'm flying high and couldn't be more confident about the future.

three days before Laker Airlines collapsed in 1982.

My second prediction is that the “Napsterisation” of many Net-based services will continue as the infrastructure for sharing without a central co-ordination [9] begins to take over from the ‘traditional’ client-server model for all such services. Closed communities will develop sharing strategies that are specific to their areas of interest. I can imagine that in a year or so I will no longer log on to my office server to upload my latest Powerpoint presentations. My laptop will just publish their existence and my colleagues’ machines will retrieve them from me when they need them (or at least leave a request pending for the relevant files to be sucked off of my machine next time I plug in). Napsterisation, alongside the rush of other peer-to-peer (P2P) services coming on stream will be the focus of genuine innovation. In evidence, I point interested members of the general public in the direction of the American NYCE debit card scheme to allow consumers to send money to each other via ATMs and Flutter.com, which offers a selection of bets (on sports and other events in the news) that bullish punters take up when e-mailed bets from other members [10].

The Napsterisation of the music industry will also continue without Napster, although I have to admit that predicting the future of media is a tricky business. Here’s the editor of the *Radio Times*, Mr. Rex Lambert, in 1936:

Television won’t matter in your lifetime or mine.

Third, as the mobile sector—which is conservatively estimated at 2% of UK GDP and was once attracting 43,000 new users per day [11]—continues to evolve at speed, more and more of us will expect services to be delivered through their phones and other mobile devices such as PDAs. Bluetooth won’t make as much impact as others are predicting. Is it right to remain optimistic? I think so. Note that there is a history of underestimates and poor predictions about the mobile sector. In the mid-1990s, no less a respected source than Forbes magazine was sneering [12]:

Cellular operators... say they can offer something completely different and better than wired service, letting you make calls when you’re away from the home and the office. But there’s something else that lets you do that do... it’s called a payphone.

The integration of mobile and other channels—such as the web and interactive digital TV—rather than mobile-only propositions, will be the way forward over the short term. There’s no need to try and guess a “killer app” in this field. It doesn’t need one (although it does need killer transactions, revenue-sharing and payment platforms [13], but that’s another story).

All in all, it’s not a difficult prediction to make that the year will be about evolving revenue and profit models accompanied by a less breathless view of technological change, tempered with more practical experience coming back from the front line.

References

1. Margolis, J. *The Way We Weren’t in A Brief History of Tomorrow*. p. 13–52, Bloomsbury (London: 2000).
2. Gardener, M. *The Internet in Did Adam and Eve Have Navels?* p. 144–161, Norton (New York: 2000).
3. Yuzdepski, J. *Determining the Impact of Emerging Technologies on the Mobile ISP Market* in proc. of *ISP Business Models*, IIR (Ft. Lauderdale: Dec. 2000)

4. Cass, D. in *Harper's* (July 2000).
5. Gates, D. *Nathan's New Groove* in *The Industry Standard*. p. 104–106 (11th Dec. 2000).
6. Schwartz, E. *Dumb and Dumber Ideas* in *Context*. p. 40–44 (Dec. 2000).
7. Fletcher, R. Why Wanadoo did it? in *The Sunday Telegraph* (Business section): p.11 (10th Dec. 2000).
8. Browning, J. and S. Reiss. *Everywhere, Anywhere—Nowhere?* in *New Economy Watch* (14): p. 1–5 (23rd Oct. 2000 2000).
9. Zeichick, A. *P2P Networks Explained* in *Red Herring*. p. 204–206 (4th Dec. 2000).
10. Coyne, I. *Fancy a flutter?* in *Gambling Online*. p. 19-20 (Nov. 2000).
11. Smith, D. *UK goes upwardly mobile* in *The Sunday Times* (Business section): p.4 (10th Dec. 2000).
12. Murray, J. *Everybody's Got One* in *Wireless Nation*. p. 278–288, Perseus (Cambridge, MA: 2001).
13. Bloomer, C. *Fingers without wires* in *Mobile Commerce World*. p. 41-43 (Dec. 2000).