

TMT Trends: Technology predictions 2006

Touche Interview

Speaker key

IV Interviewer
WT William Touche

IV You've recently published the Deloitte technology trend predictions for 2006, what were your key findings?

WT Well, we trawl through our practice every year in order to produce our predictions and our 5,000 technology practitioners contribute and the report is a synthesis of that thinking. The key findings for the current year are the rise of Search versus document management, for example, that technology is becoming increasingly pervasive and connected, everything we do both in business and, and at home. Offshoring is an absolute necessity and, of course, we're going to have much more by the way of sexy applications for technology that are going to transform the way we live.

IV Have we already seen the coming of age in consumer technology now?

WT Well, I think, if we look back five years ago, there's no question that now consumers are much more willing to adopt new technology than they ever were before, so we all have five or six devices. It might be GPS in the car, it might be mobile phone that also is an MP3 player, it might be you've got your iPod separately, but now, of course, you can watch films on the move with a Nano [?], so, I mean, there are all sorts of devices that now we have, that we carry around with us that very much, I believe, that technology has come of age, and this is the age of consumer electronics now. And, of course, you know, price is very affordable and technology is moving on a pace so that what we paid five years ago for something, we're paying a fifth of that but getting five times the functionality, if not 10 times.

IV But now this sort of technology revolution has arrived, is there still a, still a sense that some people are being left behind by it?

WT I think there's no question that tomorrow's worker is going to be very technology enabled and, certainly, I'm the wrong generation, but absolutely, technology, if you're not a techno wizard you will be left with the dinosaurs.

IV What's the current state of the UK technology sector?

WT We produced a big piece of research last year called The Ball's in our Court and this really threw us quite a number of challenges at the UK Tech Sector. As you know, we've seen lots of consolidation and we had essentially a listed technology sector which is mid cap, so it's primarily players focused on the UK domestic market, providing perhaps niche services to financial institutions or to, to government or basic

sort of software, IT, outsourcing services and, and applications. What we're seeing is consolidation in that market so we're seeing fewer companies, again potentially protected by niche products, niche regulation, particularly in the Local Government area. So, we are seeing a big polarisation. There are very few UK companies that actually, are global players and this is one of the big challenges is how can we create a knowledge economy without having invention that goes global. And of course, we talk a lot about how the Brits are very happy to retire to the South of France with a nice house and their yacht, and I think we need more serial entrepreneurs in the UK in order to generate recurring wealth for the UK economy.

IV And, and just looking at the reasons behind, why, why isn't there any UK giant technology companies? What have we done wrong in the past?

WT Well, we always talk about management but clearly we do have good British management. I think a lot of this is scale, a lot of it is wall of money, and ambition to back small companies and take them global. I think the other aspect, of course, is that we're not blessed, as a whole, with a very large share of, of global multinationals and the larger economies tend to have more than, than, than we do and as a result technology companies which serve those tend, for example, to come out of the United States or out of Japan, which are larger economies.

IV So does that mean Britain just has to look to become a sort of niche player?

WT Absolutely. We need to focus particularly on what we do well and the government in its technology strategy sets that out very clearly, and there are certain niches where, we believe, that we can generate a lead, and the government is absolutely helping us to do that. But it is the future of the knowledge economy and we need to do everything we can to focus on those areas where we can lead.

IV And which do you think those bright spots will be? Where will we be leading?

WT So, always, Opto [?] is an area where... Opto Electronics is an area where UK traditionally is good at. The whole G-Nome [?] system, we are leaders in that area and we'd like to see that lead consolidate and, and, and grow. And, and of course we need to build on the medical delivery and the medical applications where we have fantastic research, fantastic scientists, and the commercialisation of that through our pharma companies which are world leaders is one of the areas too.

IV Search has become increasingly important. How do you see it developing?

WT Well, if you, if you think about Search at the moment, it's traditionally word-based. What it doesn't deal with is pictures and it doesn't deal with movies and, and, and other applications. Now, enterprises also find it increasingly difficult to manage the huge, huge amount of digital content that's produced, so we think that Search is going to evolve into a much smarter way of, of, of data finding, and perhaps will challenge of the, the traditional document management processes.

IV And who's going to be taking advantage of this? Who's going to be making the money? Is it going to be the traditional Googles and the Yahoos of this world?

WT Well, I think what we're seeing in technology is clearly consolidation around massive brands, and going global and becoming a word like, to Google, you know, is, is the way of the future.

IV So, could we see any new names coming in?

WT Big, we are, I think we are going to see more from the big brands principally.

IV R&D spend is likely to reach a whopping \$1 trillion this year. How are companies going to be able to foot this kind of bill?

WT Well, increasingly, we believe that R&D is, as you quite rightly say, more expensive, so to, to invent the next generation of product and get it out there and deliver it and have mass adoption, increasingly expensive. So, we're going to see much more partnering and much more offshoring of R&D. We're seeing the beginnings of offshoring of, of development and clearly Asia and, and particularly China, is picking up, has traditionally picked up a lot of basic code cutting, but increasingly we're going to see research and development innovation moving offshore.

IV And is that just, is that just because the pay is smaller out there?

WT Pay, but also the rise of basic engineering skills has moved much more rapidly into innovation and, of course, many of these companies, countries, particularly China, are very concerned about the large payments for intellectual property royalties to the West, so there are some big macro-economic reasons why China, in particular, is developing its own technology and, and standards.

IV And you've also mentioned that we can expect to see companies working together on R&D. How, how is that going to work in practice?

WT Well, much more partnering and collaboration to bring a product to market. The whole TMTC in telecom media and technology convergence is here now. It was talked about 10 years ago as the way of the future, but it's, we're really living it, so we're going to see much more cooperation, much more alliances to deliver products to market.

IV But, what about the sort of nitty-gritty when it comes to dividing up the fruits of their labour? How, how are companies going to go about that?

WT Yes, always a difficult negotiation right at the beginning and, of course, business models are changing very rapidly so everyone needs to strive to get to the win-win solution and focus on what the customer really wants.