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*From the Jan./Mar. 2008 Issue*

Just when we thought that 2007 would only be about politics and gas prices, along come three devices that turn their respective industries on their ears and make us once again pay a little attention.

What three technologies? Well, many would qualify this year, but my top three would have to include the following: the iPhone, which has completely revolutionized

how we think of cell phone converged devices; external hard drives, which truly came into their own in 2007 to re-energize the backup and archiving industries with low costs and high ease of use; and micro computing devices, which showed much promise in 2000, lay stagnant last year and then came roaring back this year.

All three devices became hits in 2007 out of necessity and consumer demand. Years of poorly built, error-prone and underpowered smartphones had left most consumers howling in outrage while the cellular service companies yawned and pushed yet more junk into the marketplace. The iPhone not only brought to market Apple's trademark quality, but a redesign that has sent handset manufacturers running back to the drawing board. A new model promised in 2008 will enable some type of PC synchronization and access to faster Internet speeds — both updates designed to maintain the iPhone's status as the year's Killer App.

The backup and archiving market is being driven by a host of market forces — Sarbanes Oxley requirements, legal precedents and cost-cutting efforts among them. But where small businesses were once stuck with a simple choice of diskette backups or tape, a new generation of hard drives has made securing

data on backups a nearly effortless process. It is no coincidence that the two

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Viao or the new generation of computers with 10-inch screens) makes it less awkward to carry and use smaller devices. A lower price tag doesn't hurt their sales, either.

Likewise, there were some technologies that stumbled. Wi-Fi was finally recognized as not being the path of free unlimited bandwidth, and WiMax showed its first signs of stumbling as investors came to realize that it could neither live up to its hype nor be as cheap as consumers want. Voice over IP (VoIP) telephone calls lost much of their luster as Skype hit performance problems and Vonage fell prey to patent law. Blu-Ray technology fell on its sword as an increasing number of companies rallied behind the competing DVD-HD standard. Finally, 2007 was a bad year for memory cards, which continued to suffer from far too many sizes and standards (memory stick, memory stick pro, SD card, mini-SD card, micro-SD card, CF card, etc.).

As for Kent Associates, our lab rats took their best shots at a forecast for 2007, and did not fare too badly:

## 2007 PREDICTIONS & RESULTS

**PREDICTION:** The cable mergers will be in full swing.

**ACTUAL RESULTS:** Some mergers and acquisitions did occur, but not nearly on the scale predicted. The cable giants got bigger by eating up smaller competitors but did not merge with one another.

Today, those mergers seem less likely, as does a cable acquisition of Sprint or T-Mobile.

The markets have moved on.

**SCORE: 0.5**

**PREDICTION:** Monitor and TV prices will continue to fall.

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down by  
as much as 50 percent in the last year alone.

**SCORE: 1.0**

**PREDICTION:** PCs will still be here.

**ACTUAL RESULTS:** The annual prognostications of the demise of the PC — to be replaced by cell phones, implants or other devices

— has never happened and likely never will. The big trend today is

a return to the micro-PC with a smaller footprint and integrated PC/Monitor

combinations. Both have better performance than ever.

**SCORE: 1.0**

**PREDICTION:** Spam will get worse. Much, much worse.

**ACTUAL RESULTS:** And the forecast is that it won't improve any time soon. While Asia and the Eastern European nations house

most of the servers pumping out spam, the originators are largely here in

the United States. Spam now accounts for more Internet traffic than legitimate

e-mail. Filters, anyone?

**SCORE: 1.0**

**PREDICTION:** CRM will dominate business software.

**ACTUAL RESULTS:** Dominate may be putting it a little strongly, since we have seen in 2007 the rise of software for corporate performance

measurement (CPM). Nonetheless, there is no question that CRM,

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**PREDICTION:** Consumer electronics will get easier.

**ACTUAL RESULTS:** This was probably a “gimme,” since one of the purposes of consumer electronics is to make the technology easier to use. That said, I am impressed with the strides made in television remotes, in combination DVD/CD devices, and in digital synthesizers that take the complexity out of surround sound. Elsewhere, GPS systems have gotten both cheaper and easier to use, and even the worst of the cell phones are getting more user friendly.

**SCORE: 1.0**

**PREDICTION:** Privacy will become a “big thing.”

**ACTUAL RESULTS:** Perhaps not in the way that most people expected, but with the departure of Attorney General Gonzales much of the impetus in peeking at the data of Americans has been lost. No new laws have been passed, and the loss of privacy on the mega-portals is still a threat.

But awareness is greater than it was last year, as it should be.

**SCORE: 0.5**

**PREDICTION:** Satellite broadband will jump-start rural access.

**ACTUAL RESULTS:** “Jump-Start” may be an overstatement,

but with two new satellite in orbit and a third on the way, satellite

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**PREDICTION:** Vista (yawn!) will finally arrive.

**ACTUAL RESULTS:** It was neither as awful as some predicted nor as wonderful as Microsoft wanted us to think. But it is a stable, feature-packed operating system that is a worthy progeny of the Windows lineage. If Microsoft would stop obsessing about becoming a content company and focus on better applications (like a truly useful media player, which WMP 11.0 is not), it would be perfect.

**SCORE: 1.0**

**PREDICTION:** Fiber will dominate discussions on broadband.

**ACTUAL RESULTS:** I only wish we were there already. Fiber to the home is the single hottest ticket in America today, with ultra-high speeds and other benefits as yet undreamed of. Most broadband companies are deploying fiber as quickly as they can, and the United States currently has a lead in this area. You could only wish it was available in your area today.

**SCORE: 1.0**

All told, a rating of 8.5 — a little better than our usual 80 percent, but still not the best year we've had as prognosticators. Many of the predictions may seem to have been too easy to guess at, given the trends. But

in 30 years of technology chasing, we have seen more trends die than come to

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Anyone who grew up with the fluorescent lighting of the sixties and seventies remembers with some horror the pale, ugly lights that made everyone within their illumination look like extras from the set of "Night of the Living Dead." But with lighting in general pushing for more natural colors and higher efficiency, new bulbs are moving onto the store shelves that promise to give better light longer at a lower cost ... and make you look good, as well. This (2008) is the year to replace those dreadful office lights with something better.

### **Payroll Services Will Become Less Lucrative.**

I seem to be about the only one in the accounting biz who believes this.

After all, they note, doing payroll is increasingly a lucrative business with high value added for the client, right? Well, yes. But then, the Titanic

was the best ocean liner on the seas until it hit that ice cube.

Here's

what makes me cautious about payroll services in the years ahead:

a) it's

not rocket science (for the vast majority of companies, it is a pretty simple

matter to calculate payroll on a PC and file the taxes); b) there are no

real facets that demand the intervention of a trained professional;

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amounts of money

to connect to the Internet in taxis, on the train or while waiting in line.

Consumers turned out to be not quite that stupid, and most of the operations

based on that model (including municipal Wi-Fi covering entire cities) fell

flat. But a curious backward trend seems to be emerging — free Wi-Fi.

It is cropping up in hotel lobbies, supermarkets and at the airport. The

last one is especially significant in that airports seem to now understand

that people who don't want to pay an arm and a leg for access still appreciate having it available while they wait.

**There will be a technology scare backlash.**

We've spent the last several years being terrorized by our technology.

With the tacit support of government agencies, the media and assorted snake

oil salesmen, we have been led to believe that technology in general and

the Internet in particular are big, scary places wherein we should fear

to tread. Unfortunately, the data contradicts. It turns out that while the

government claims that one out of every seven kids online has been solicited



for a sexual conversation, it is usually from peers. The total

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any kind of fear-mongering. Consumers are getting fed up with the scare tactics used to sell Internet filters and credit reports. As well they should.

### **The candidates will not be kind to technology.**

This year (2008) will be a major election year, and virtually every candidate for major elective office will have a “tech strategy.” But since few of the candidates actually understand the technology, the strategies are most likely to be based on polls and financial gifts to tech companies like more H-1 visas for tech workers. So far, few have had much to say about the conversion to digital TV, deployment of fiber and other forms of broadband, or investment incentives to spur the next generation of technology. Nor will they, in all likelihood. While technology is the driving force for our economy, it doesn't garner many votes or campaign dollars.

### **Home technologies will move to the forefront.**

It's not just a stagnant housing market that will drive homebuilders and owners to put more technology inside the home. The movement to go “green,” the demand for multiple phones, televisions in every room of the house,



the need for Ethernet networking and cable outlets in every room,

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### **Macintosh computers will lose some of their luster.**

It would seem that Apple can do no wrong, with the smashing success of both the iPod and the iPhone. But that illusion will quickly be shattered if the company stumbles with its core Macintosh computer line. The company has had a two-decade run making fun of the PC, based in part on the belief that the Mac is easier to use and safer from viruses and hackers. Neither statement is accurate in 2008, leaving the company vulnerable if it is unable to better defend its reputation. Our bet: The Mac is just another machine, and the marketplace is a pretty level playing field. As much as we like the Mac, the odds say it will stumble with the release of a new operating system and growing security woes.

### **Bluetooth will actually work.**

Though it's based on a pretty good technology, Bluetooth has neither lived up to its hype nor gotten the engineering attention it deserves. Most of the headsets are weak, low volume, poorly integrated devices that leave people holding one hand to the side of their heads to keep it in

place or

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applications

they use. The first company to make a good, low-cost converged Bluetooth unit wins.

### **Video on demand will become viable.**

The past year has seen services come in like lions and depart like lambs

— AOL's movie download service is the most recent to come to mind, though others have stumbled, as well. But that was before gas hit

\$3 per gallon and milk \$5. The cascading effect of higher food and energy

will be a loss in revenue to theatres and restaurants in favor of entertaining

at home. Chafing dishes and fondue pots will make a comeback.

Wine sales

will increase, while beer consumption drops. And people will watch more

movies at home, spurring video-on-demand services to become more real. Jeff

Pulver promises to make his Pulver 24/7 service a reality, but my money

is on the major studios who actually own rights to the films.

### **Internet connections will be awful.**

They're not great now, what with outages, slowdowns and ISPs who throttle

back throughput if they don't like what you are downloading. But

the

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of the largest portions of the Internet are in the last mile that runs to your house or office. The last mile is the slowest point of the Internet, and also the place where companies are most hesitant to invest. This is partly because they can't recover that investment and partly because of the continuing legal battles being waged over who should have the right to what little profit is to be made. In the coming year, you will be able to measure the time for websites to load in minutes, not seconds.

So those are the trends. We've tried to stay away from company-specific predictions, like the continuing demise of AOL and Earthlink, the slow downward spiral of Motorola, or the likelihood of impending catastrophes at both Google and Apple as they reach beyond their means.

Nor have I addressed the changes in the accounting software industry, as accounting software companies fight for the SMB markets and fixed asset management software tries to figure out how to get closer to the general ledger. These are topics better handled on a month-by-month basis — as we will begin doing after tax season.

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