From the January-March 2007 Issue & *2007*
Tax Season Survival Guide

If the technology scene in 2005 was too boring for words, 2006 was downright strange. The major re-write of the Telecommunications Act, which would have overhauled video franchise rules nationwide and stimulated new investments in broadband, never got off the ground. Technology policy at the national level got bogged down in the debate over "network neutrality," which no one could define but about which everyone had an opinion.

The world discovered social networks, but by the time the year came to an end it was once again clear that teens are fickle consumers. MySpace had already become "so yesterday," YouTube was pestered by copyright issues, and only Google seemed to be holding its own in terms of stock values. Elsewhere, the statute of limitations ran out on most of the charges pending against AOL executives for financial misconduct ... with virtually no charges filed. AOL itself went quietly into the night, swapping its Internet/online service persona for a more lucrative ad-supported portal. Earthlink continued to look for a path to survival, but without much luck.

And then there was the election. It took up so much time, so much advertising, and so much raw energy that there simply wasn't room for much technology news to filter through. What little news we heard was mostly bad — as when people distressed over the limited quantities of the new Sony PlayStation and resorted to shooting one another to steal them. As for the predictions we (at Kent Associates) made with such confidence at the beginning of the year, our score was less than sterling. Here's the scorecard.

2006 Predictions   Score

screens as well.

Prediction: WiMAX wireless will be a flop.
Actual Results: Not just a flop, but a complete non-starter. Sure, a few companies are working on trials. But you won't see a lot of WiMAX deployment anywhere outside of third-world countries. Too little, too late, too costly.

2   +1

Prediction: Voice over IP will fade away.
Actual Results: Every year, I make at least one prediction that is so completely wrong I don't even know what to say. This was one of them.

3   0

4   **Prediction:** Cable companies and phone companies will talk merger.
Actual Results: If the Comcast/Sprint deal isn't already underway when this hits the newsstands, it will be a miracle. The major cable companies are flush with cash, and mid-range phone companies need a video offering. But where does

+1

that leave Satellite

giving Microsoft
a run for its money, but Redmond is doing quite well
with its PDA and
phone software, as well.

Prediction: Payroll software
will come down to three players.
Actual Results: The big story here
wasn't the market domination of ADP, Intuit and
Thomson, but rather
the number of software vendors who have re-

6 discovered accountants as a   **+0.5**
marketing channel. More than half of the vendors
created or re-energized
their efforts to work with accountants rather than
circumvent them. A
win-win all around.

7 **Prediction:** Color Laser printers   **+1**
will become the rage.
Actual Results: With falling prices
and improved print quality, Epson and HP have led the
pack in pushing
these ultra-printers into the retail channels. It's now
rare to
find an accounting office that doesn't own one (or
know where to
find one) for proposals and client financial plans.

9

Prediction: Identity theft will become an accounting issue.
Actual Results: It has become an accounting issue, but not nearly to the degree that it could or should have. Companies continue to manage data badly, and new reports of compromised customer information arrive almost daily. Congress got sidetracked with the elections, but this issue won't go away anytime soon.

+0.5

10

Prediction: The SOX compliance business will collapse.
Actual Results: It didn't collapse, but neither has it turned into the bonanza that many accountants thought it would be. Companies tightened their belts, bought the software, got through much of the process and made plans to stay that way. Meanwhile, other corporate misdeeds — like the HP espionage debacle — stole the spotlight.

+0.5

2007 Predictions

1

Prediction: The cable mergers will be in full swing. We hinted at this last year with the discussions of mergers with phone companies. Keep in mind that the biggest of the cable companies — Comcast, Cox and Time Warner — are highly profitable with outstanding market caps and lots of cash to spend. Some of that will go to shore up their telephony offerings by acquiring cell phone companies (T-Mobile is quietly up for sale) or midsize phone companies. And they'll put acquisition money into programming and customer service. But the real news will be the mergers among the cable giants, as they try to reach equivalent size with AT&T/SBC/WorldCom/BellSouth.

2

Prediction: Monitor and TV prices will continue to fall. Though technical problems with pixel burnout have slowed sales of plasma units, LCD and other technologies continues to show robust sales. The problem? There is so much competition that prices

here. About once a week, I read yet another prediction of the death of

3
the personal computer. Here's my prediction: The PC is here to stay. We've already experimented with smaller sizes and smaller screens, but consumers want more, not less. We make them more powerful and flexible, finding new ways to use them (as with the rise of the media center server over the past two years). Though there has been considerable consolidation in the market for PCs, the number of units being sold each year is not declining. So where's the evidence that the PC is dying?

4
Prediction: Spam will get worse. Much, much worse. There was a time when spam was the occupation of a handful of unscrupulous people (most of whom, for reasons never explained, lived in the state of Florida), and the United States was the spam king of the world. But the passage of the Can Spam Act and some ruthless enforcement has mostly shut those operations down. Today, the problem is that spam and its related virus and phishing activities are now the domain of organized crime. Run out of Asia and the former Soviet Union, using zombie servers

5 integrations like Microsoft Dynamics GP's CRM integrator) sales, customer service and other facets of the organization to have access to
backoffice accounting data. But these are just the early stages of such integration, and accountants should expect a flurry of other matchups
that reach from financial planning and payroll to fixed assets and inventory
control. If accounting software is the central nervous system of a company,
CRM is its lifeblood. It will be a case of more being better.

6 **Prediction:** Consumer electronics
will get easier. In its first two decades, the computing and personal technology industry was dominated by aficionados, geeks and early adopters.
These were often purists who demanded the best possible performance but
had few concerns about appearance and form. Now that these electronics
— from home theater to Wi-Fi and on to iPods — are going mainstream,
manufacturers are becoming painfully aware that most consumers will sacrifice
some performance for ease of use. Where will it show up? Easier-to-use
music and video devices. Simpler remote controls. Larger TV screens. Built-in
surround sound amplifiers. Built-in cable boxes (which already exist

7

is pushing to have the Internet data for all Americans kept available for law enforcement use for at least two years, it is unlikely such a law will be passed without a sizeable catfight in the Congress. The pendulum is forever swinging, but this year it swings toward better privacy protection.

Prediction: Satellite broadband will jump-start rural access. Getting Internet access away from large towns has been a problem. Sure, the local cable company has in the past two to three years brought some broadband, but only in town. The phone companies can't easily get DSL over the distances required. The same is true with broadband over powerline, which seems to have a promising premise that never manages to arrive. But an interesting set of things

8

happened last year. Satellite broadband (which has been saddled with high prices and poor performance in the past) suddenly got acceptably inexpensive and speedy. Sure, it still carries an installation cost of several hundred dollars. And it still costs $60 to $80 per month. But 2007 will bring a quiet rural revolution as we rev up more satellite installations (backlogged at present in many parts of the country) to bring rural areas online.

Prediction: Vista (yawn!) will

Think
of it as a replay of all of the things that went wrong during the debut
of Windows 95. But at least it will have features attractive enough to
make people want to buy it, unlike the new version of Microsoft
Office,
which promises to flounder through the next two years.

Prediction: Fiber will dominate
discussions on broadband. In the mid-Nineties, the cable and
telephone
companies had to make decisions about whether to continue to
deploy copper
networks or switch to fiber. They made the wrong call. At the
beginning
of this century, both began the scramble to deploy fiber. Verizon
leads
the pack with its FiOS system, followed closely by thousands of
smaller
network developers. Cable is following a "fiber to the
neighborhood"
strategy in an effort to hold down costs. But the reality is that the
battle to deploy fiber is the only broadband battle that matters.
Those
who can offer fiber to the home will control cable, telephony,
security,
video on demand and a host of other services. Those in second place
will
have difficulty surviving.

and Microsoft. Smaller vendors who have hung on through the past two decades will slowly wind down as the applications get more sophisticated or simply move to the web.

And we'll be here to comment on it all throughout 2007.

_____

Mr. McClure is a consultant and widely published writer on technology issues.

Technology