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Tech Predictions for 2005

By

Dave McClure

From

the January 2005 Issue&

[2004 Prediction
Results | Predictions
for 2005]

This year will be spectacular.

For both the technology industry and consumers (who will finally begin to see some payoff in their long and patient wait for the technologies of wireless, broadband, convergence and consolidation to pay off). It is the year in which consolidation, convergence and competition will finally push us into new, interesting and cost-effective technologies.

For the past five years, since Congressional meddling and corporate greed pushed us into the biggest economic downturn in decades, we have waited to see what happens when the tech sector

bounces back. So far, the wait hasn't

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is the year it will break loose. Need evidence? Look at the proliferation of ASP-based online services for accountants.

- **Convergence.** The idea that people would want or use a computer in the living room is a stupid idea and always has been. Microsoft, AOL and a dozen other companies have lost fortunes trying to get people to merge the TV and the PC to no avail. Sadly, they should have waited. 2005 is the year it will begin to happen for real.
- **Competition.** War is breaking out everywhere. No, I don't mean the war on terrorism (though that certainly is enough to distract me on most days). I mean the war between the telephone companies and the cable companies. The war between satellite and cable. The war between entertainment companies and network companies. Competition for your office technology dollars is heating up, and that means more services and lower prices.

2005 marks the tenth year that *The CPA Technology Advisor* (formerly *The CPA Software News*) has published this list of predictions for the coming year. And as we have each year previously, we will consider the top 10 trends in technology in the coming year. But first, here's a recap of how last year's predictions went.

2004 Predictions & Results

The problem with an election year in the middle of a shooting war

is that these two events don't

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went spectacularly public, opening the speculation market once again for an Internet stock bubble. And most of the rest of the tech sector showed solid enough improvements in performance to cautiously suggest that life will return to normal.

But in 2004, there just wasn't much of interest happening in tech. No really new interesting hardware or software. No explosive trends — if you don't count the bloggers, and I don't.

It was a boring year, one of those things you just suffer through on your way to an explosive year of innovation.

Why not count the bloggers? After all, I've lavished praise on the technology, and noted with approval the rise of some very good accounting blogs. But this is hardly new technology; we had comment boards this good and better back in the '80s. Worse yet, the election blogs (and the post-election nut-case blogs) have raised serious doubts

about how useful these things will

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an 80 to 85 percent accuracy rate,
and this year was no exception:

2004 RESULTS

PREDICTION:

*America Online will be purchased
by Microsoft.*

ACTUAL RESULTS: Not. This is embarrassing. I think after three years, I'll stop predicting this will even happen.

SCORE: 0 Points

PREDICTION: *The spam situation will get
better.*

ACTUAL RESULTS: Marginal, but true due to filtering.

SCORE : 1 Point

PREDICTION: *Music downloading sites will
blossom.*

ACTUAL RESULTS: With a tip o' the hat to the new Napster and newer iTunes.

SCORE: 1 Point

PREDICTION: *Digital radio will rock.*

ACTUAL RESULTS: It's growing. Even Howard Stern can't wait to go satellite.

SCORE: 1 Point

PREDICTION: *Wireless Internet will do*

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ACTUAL RESULTS: Sign. It should have, but didn't.

SCORE: 0 Points

PREDICTION: *TiVo will finally succeed.*

ACTUAL RESULTS: What? You don't own a PVR yet?

SCORE: 1 Point

PREDICTION: *Security will begin to lose its luster.*

ACTUAL RESULTS: How would you like to be America's fourth cyber-security czar in two years? It's a tough job when no one cares.

SCORE: 1 Point

PREDICTION: *Laptops will see new popularity.*

ACTUAL RESULTS: Thinner and lighter are in this year.

SCORE: 1 Point

PREDICTION: *PDA phones will proliferate.*

ACTUAL RESULTS: Not among teens, of course, but in the business set, it's hard to find anyone without a PDA or PDA phone this year.

SCORE: 1 Point

8/10 Points

Fortunately,
being way wrong has never daunted
our fervor for making predictions.
After all, most of the major trends

in technology take time to develop,

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2005

Technology Predictions

1. **Time Warner will dump America Online.** Okay, I said I was going to stop predicting this. But how long can this Titanic keep afloat? It's hemorrhaging hundreds of thousands of users at a whack and is still embroiled in a costly, embarrassing accounting scandal that won't go away any time soon. What was once a cash cow for the entertainment giant has once again had to restate its earnings in 2004, and the company has set aside a whopping half-billion dollars in a bid to close out the SEC investigations of malfeasance. Worse yet, AOL bet the farm on a broadband strategy that has failed, forcing them to dump broadband subscribers in many states and reconsider where to go in the rest. Someone please buy this thing. Or kill it. Or something.
2. **Cable will win the broadband wars.** For the past five years, the earnest money has been on the telephone companies to rebound and clobber the emerging cable Internet industry. After all, the telephone companies have lines to virtually every home in America, and tons of cash to spend. And DSL is the dominant form of broadband the world over. But is just isn't happening. The phone company has held DSL hostage to its political wrangling over local and long-distance phone service, refusing to deploy DSL

to most neighborhoods in America.

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to technology companies when dealing with regulatory agencies, the strategy of “give me what I want or I will hold my breath until I pass out” is a losing proposition.

3. **Satellite will clobber earth-bound radio and television.** Once upon a time, conventional wisdom was that satellite TV would be capacity-constrained at no more than 15 percent of the market because of limited bandwidth on the satellite itself. Guess what? DirecTV and the Dish Network put up more satellites — four alone for DirecTV at last count. Satellite now has an estimated 25 percent share of the market for premium TV services, with very high customer satisfaction rates. Plus, DirecTV is now part of Rupert Murdoch's empire, typically a harbinger of innovation and falling prices. On the radio side, the battle to allow local news and weather over satellite radio will not last long, and, once local content is added, this subscription service is also likely to capture a quarter of the radio market quickly.

4. **There will be a computer in your living room.**

I've laughed so hard for so long at the idea of PC-TV convergence I can hardly believe I am writing this. TV tuner cards in computers were a massive flop. Video cards with TV outputs were a massive flop. And Microsoft's “MSN TV” venture was ... well, much worse than a flop.

Nonetheless, I spent much of December

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Tech to watch: Microsoft could wallop PlayStation, or vice-versa, by putting web browsing and Wi-Fi into their X-Box platforms.

5. **Independent content will dominate Video on Demand.** Video on demand is the new Mecca of entertainment. With everyone deploying fiber optic networks in the feverish bid to get fiber to the home (FTTH), you might think that major motion pictures would be the content that would dominate. But the movie studios have already demonstrated that they would rather let priceless, epic films rot in a vault than be forced to examine new distribution methods. Meanwhile, independent producers like the Food Network and the History Channel are beginning to cozy up to the idea that they can re-sell old episodes of popular shows over the Internet and make a bundle. Note to PBS: You could have done the same with episodes of Sesame Street, or with a retrospective bundle of Julia Child's old shows. Don't come whining to me for money if you pass up opportunities to make millions on the Internet.

6. **Privacy and security will be dead issues.**

This will be the case for the same reasons that tourists still get robbed while partying in Tijuana, and why most homes don't have a security system. People expect the police and their service providers to handle these protective chores, and will do no more than

necessary to protect themselves.

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...
will become every bit as important
as flossing your teeth —
you know you really should, but
....

7. **Microsoft will make a bid to dominate accounting software.** The Giant in Redmond has had its derrière booted by Intuit at every turn, from the disastrous Money to the moribund Great Plains. But in 2005, building on its strength in SQL databases and buoyed by success with its offerings for CRM and other business products, Microsoft will push into new areas. Working to its advantage will be the ability to leverage the popular interfaces of its Office products — accounting that looks like Outlook, and strong collaboration tools built in. Granted, it will be an uphill battle against three well-entrenched opponents. But Microsoft is smart enough to know that business applications, not consumer markets, are its future.
8. **Smaller computers will dominate.** This is such an easy prediction I'm almost ashamed to make it. On the desktop side, micro-ATX machines measuring a few inches in height and width are all the rage, carried by even such stalwarts as Dell and Gateway. Sony just introduced a new line of VIAO micro-notebooks, the tiny "U" series, which are already the rage in Europe and Asia. And hand-held computers (a.k.a. PDAs) continue to expand, though it's Microsoft's operating system and not Palm

that seems to be pulling ahead

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and a telephone in each room. There is cable and HD TV. This year, no one respecting hotel chain will be caught dead without free broadband (mostly through Wi-Fi) available to every guest. And not just hotels. This is the year for broadband in campgrounds, hospitals and restaurants as well. Except for truck stops, that is. They went wireless years ago. Hint to tech watchers: Truck stops are a wonderful place to see where new technologies are hatching. Truckers have money to spend, like their creature comforts, and seldom bet wrong on a trend.

0. Plasma TV sales will be lackluster. With the

wave of early adopters out of the way, makers of plasma television systems will face a tough battle for market share. Their products are subject to screen burn-in (like the old computer monitors), are expensive to purchase and worse to repair, and face significant competition from LCD, ultra-thin projection TVs and other technologies. Most consumers are wary of paying that much money for a risky consumer product, and many are happy to live with their old tube-based television anyway. A tough road this year for the plasma crowd, and while they say prices will not fall quickly, I think you'll get a good deal on cheap plasma screens by Christmas 2005.

Those may be the Top 10 predictions

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...and more to the tech industry,
quietly skirting the major wars
over content and connectivity while
maintaining control of the hardware
needed to make both work.

And keep an eye on the Congress.
With the election over and things
settling down elsewhere, Congress
will again turn to meddling with
major stuff. Already on the books
for this year will be a re-write
of the nation's copyright
laws and telecommunications laws.
Remember, the last time they did
this was like breaking a mirror
— we got seven years of bad
luck, including a major recession.
And there are hints that the Congress
may even try to re-write social
security and the tax codes, an opportunity
for every accountant to dash to
the store for the technologies needed
to cope.

Mr.

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

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