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How future consumers will behave, the impact of the current global crisis, and how combinations of new technologies will fuse together to create a new world.

### **The Future will be driven by emotion**

It is easy to focus on clever engineering, or new product developments, and lose sight of what the future will actually be like. The truth is that our future is being shaped by technology or innovation, but will be driven by emotion. How customers feel, how they want to live, what excites them and what worries they have.

Institutional blindness is a real risk: when we spend too much time with people in our own teams, business units, corporations or industry. So for example, if we are an engineering company, it is easy to be surrounded by engineers, focussed on our own engineering solutions, and miss vital changes which will radically alter our entire market.

As we have seen in the current global economic crisis, consumer confidence is really important. Trust really matters. Emotional reactions to events are often far more important than the events themselves. And emotions can change very rapidly. Just look at people's growing fears in many nations about the safety of deposits in their bank accounts. That's why market research is so often unreliable. We need to look deeper.

We live in a time of great uncertainty. Our world is very vulnerable to further "unexpected events" – wild cards or low probability, potentially high impact risks. That means we need more than one strategy. Our world can change faster than you can plan a board meeting so we need to think ahead, be Futurewise. Be ready with more than one plan, more than one vision of the future. This especially applies to technology companies where the pace of "disruptive" [innovations](#) is an additional challenge.

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### **Global warming – huge growth of new technology**

Take global warming. The science just gives an estimate about how hot or cold the earth may be in 2050 or 2100. But if you want to know how global warming will affect your business in the next 5 years, you need to look at how people are already feeling about the issue, and how that passion is growing. And we also need to look at new choices created by innovations. Public passion about global warming will drive new regulation, force new government subsidies and influence consumer action. We can expect to see up to \$40 trillion of new technology-related business opportunities over the next 30 years as a direct result.

Global warming challenges will be met by using combinations of technologies in unusual ways. For example better digital systems controls, new nanotechnology surface coatings for engines, new insulation materials, new designs for wind turbines, ship propellers and solar panels, and new battery technologies.

Expect many more multiple businesses like British Sugar which burns natural gas in turbines to generate factory power, collects the waste heat to make sugar, and drives the carbon dioxide exhaust gas into huge greenhouses to grow 35 million extra tomatoes a year. What business are they now in? Tomato production or sugar processing? Or a large IBM internet server centre which produces heat to warm 5,000 homes.

### **Convergence - and divergence**

Everywhere we see examples of convergence in products and business: cars all look the same because they are designed in wind tunnels. They all have similar features, and are pushing for the same markets. Computers become phones and phones become entertainment centres. Phones become cameras and cameras become personal organisers. Telecom companies become media houses. Food retailers become banks. Computers become phones and video stores.

Convergence will transform every aspect of the IT industry, together with all communications, media, music, film, TV and other entertainment. But convergence can be boring, destroys variety, breeds monopoly, kills invention, adds unwanted options, makes life more complicated - and robs consumers of choice.

When every product offers the same features, and is a similar price, where is the competitive advantage except by making your own products even cheaper? This is a dangerous route to travel.

### **Dangers of benchmarking against competitors**

Many companies talk a lot about bench-marking against groups of competitors – but benchmarking can be like blind people leading other blind people over a cliff. Benchmarking led directly to the current banking crisis – every bank in America was following the same patterns of lending of all the other banks in America. Benchmarking sounds clever, but can be an excuse for lazy thinking, low creativity, few original ideas, poor research, weak leadership and lack of courage. Managers benchmark, but leaders lead.

All real innovation is divergent: doing things differently to serve customers better. It is the opposite of benchmarking. Go beyond what people expect in imaginative and creative ways. Lead your industry by solving real needs with clever ideas which are easy to use, and low cost. Do things that no one else has ever thought of doing before. Keep one step ahead. Keep your brand identity strong and make your competitors look like last-century dinosaurs.

So then, while we will see convergence in products and services on price, features and quality, expect to see huge new investment in diversity. Customers will demand it.

### **Everything everywhere, all the time – but who wins**

Convergence is about co-packaging. Many companies are trying hard to sell single multi-tasking, convergent (expensive) devices to solve all problems. Take the so-called digital home: convergence might mean total control with wireless TV / video / music / web in every room, all from one online PC, also used for children's games and homework - or a fridge that is also a web browser. But who really wants web access on a fridge door, or a single remote control for every device in the house, or a single device to play the same music in every room?

Divergence means I have a tiny mobile phone (useless for serious camera use), a high definition video camera, a pocket PDA with large colour screen and video, an ultra-small portable PC with 10 hours battery life for long flights, and a giant-screened laptop for high-powered applications, suitable for car journeys where screen size prevents nausea and eye strain. I also have a data projector for a 3 metre wide home cinema with a dedicated DVD / digital TV system, and so on.

### **Innovation means doing things differently**

Both convergence and divergence are happening at the same time, and both are really important. We need to keep focussed on the needs of ordinary people who want many simple, well-designed, reliable, low cost products - to do different things. We need to encourage diversity, innovation and creative genius, to improve quality of life, solve real problems and make great things happen. Convergence in technology products is essential but divergence will drive the future. Survival of every technology company will depend on it.

At the same time, expect confusion in many software, telecom and media companies about their identity, caused by rapid convergence in their consumer offerings, leading to loss of focus when it comes to vision, confusion about strategy, and erratic decision-making.

### **Focus on real customer needs**

The winners in the convergence battles will be visionary companies who are able to think rapidly outside their own industry box, embrace radical new partnerships, integrate their processes, and create new products or services that meet real needs. Make it simple, reliable and focus always on the main use of each product.

After crisis will come huge recovery

During the economic downturn, expect worried consumers to focus on price and quality, reliability and length of product life, brand names they trust.

And remember that after the economic crisis is likely to come huge growth – even if we may have to wait some time for it to come. A significant amount of that growth will be in new technology sectors such as electric vehicles, alternative power generation, nanotech-coated fabrics, stem cell regeneration of damaged organs such as heart or liver, and next-generation online businesses.

The longer and sharper the downturn, the greater the over-reaction is likely to be, by [governments](#) trying to prevent disaster. Because of the long time delay between government actions and their impact, it is very hard for them to judge how strongly to act and for how long, and in the current crisis America, the EU and some other mature economies are likely to risk inflationary problems later, to prevent deflation in the short term.

### **Investors will return to technology stocks and real estate**

We should also remember that a major reason prices have fallen is because trillions of dollars of assets have been sold by anxious investors. American and EU pension funds alone have \$23 trillion under management, and every dollar has to be invested well every month. These funds and other investors cannot afford to stay out of equity or real estate markets for any longer than necessary. And every month these pension funds receive millions more dollars from working men and women, so the pressures grow for them to find good places to invest for the longer term.

These investors cannot keep such huge amounts of money in low yield government bonds forever, and as soon as we start to see recovery in the markets, those funds are likely to be tempted to buy back in. And a significant part of that re-investment will be into innovative technology companies.

### **“Cash is King”**

During this downturn we should remember always that “cash is king”. Companies that have cut costs early to preserve cash, will later be able to seize huge assets at very low prices. Many of them are likely to make spectacular gains as recovery comes. Expect radical changes in ownership and structure of technology companies with many new mergers, acquisitions and partnerships, accelerated by financial crisis. The result will be leaner, larger and fitter companies, ready to make the future happen.

"Take hold of the future or the future will take hold of you."

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