



Now that we are all connected, what should we do next?

How should businesses position themselves as we approach the all-communicating, always-connected world that telecom and electronics vendors, at least, dream of? We cannot really say, argues Scott Smyers. As connectivity moves from a want to a need, it becomes less of a business in itself, and more an essential service like the phone and electricity. The safest bet is to invest in ways for individuals to get what they are looking for, which means interaction with others who have similar interests.



THE FIRST MASS-MARKET PERSONAL computer was introduced 30 years ago. It was a tremendous product that had a huge impact, but we've come a long way since then. To put things into perspective, it took more than seven-and-a-half years to sell 2 million units of the first PC. At that point, those who had purchased one had each become part of a community that was well served by a healthy after-market for products and services. In the later years of the life of that first computer, in the mid-1980s, online services were available through slow dial-up connections, with text-based user interfaces. The online community had been conceived, but was not yet born. This is an interesting historical perspective, but we are clearly in a different world now.

Electronic devices today are increasingly capable and almost universally connected to something. Digital cameras connect to personal computers, which are almost all connected to the internet. Many digital cameras are found on mobile phones that are, by nature, connected to a service that gives access to the internet and e-mail. Personal digital assistants are connected to personal computers which, in turn, are accessing online phone books and calendaring services to make group planning and meeting scheduling easier.

But all these developments, looking at them through the 30-year history of smart devices, share two important points.

First, these trends were introduced and took root in a context where there was a business interest. It was not consumers that demanded online calendaring capabilities, for example. It actually wasn't even business interests that demanded it. Rather it was a capability that was developed, demonstrated and initially sold to work groups – businesses – where one product could be sold to 50 people, or 1000 people, or more. In the case of calendaring functions, a context broader than the individual was essential because there is little benefit if only one person puts his or her calendar online. The capability becomes useful only when large populations and communities share it. I am more likely now to book a meeting online than I was even one year ago, because I know that all the people I want to invite can most likely be reached by my electronic meeting invitation. From my narrow perspective, this change happened quite suddenly, which is the second point I want to address: that the number of novel uses is expanding at an exponential rate, faster than individuals and businesses can hope to comprehend.

Host of possible communities

When I chose to go online with my calendar I discovered that many of my colleagues and associates were already accessible by electronic meeting invitation. The discovery for me, at the moment it occurred, was that "everyone," it seemed, was already working this way, and the discovery for others was that they were not the only people at the meeting who used online calendaring. In other words, they'd had the ability to send electronic meeting invitations all along and didn't know it. I suspect, based on this, that there is

a host of potential community connections that are unknown or untapped.

By connecting, I don't necessarily mean getting online, because for all intents and purposes, as it relates to new products and services, internet connectivity is now ubiquitous. I refer instead to joining and participating in a group, community service or facility that enables broad community interactions.

As connectivity moves from a want to a need, it becomes less a pure business and more an essential service like the phone and electricity. It is difficult to differentiate your offering when you're selling an essential service, other than on price. Certain phone plans are amazingly complicated in terms of where you can call, when you can call and, in some cases, who you can call. But in the end, you pick up your phone, make a call and pay for it.

Encouraging certain behavior among consumers by making a plan complicated exposes the service provider to potential consumer frustration and impatience. We are starting to see some ultra-simplified service plans, such as a single monthly fee for unlimited calling. My gut feeling is that consumers will tend towards simplicity. And then there is the price of an internet connection, which is not and probably cannot be metered by when the internet is accessed or by what sites are visited. A flat-fee offering is hard to differentiate, except on the speed and the fee. And with an increasing offering of voice, video and other rich services coming down that ever-fattening pipe, it is safe to say that competition, in general, has added dimensions like never before.

Living in different times

I now turn my focus to the consumer. Selling to the consumer mass market means selling one device to each of a large number of individuals, as opposed to the business model of selling large numbers of devices to a single entity through a single buyer. I made the point earlier that many of the transitions over the past 30 years were seeded through a business interest. But during much of that period, getting people connected was part of the challenge, and only business interests could sponsor the huge build-out in communications infrastructure that we have seen. In the microcosm of the personal computer, which rode the technology and price curve over the past 30 years fueled largely by huge corporate purchasing, we have witnessed the gradual evolution of personal computers that became capable and inexpensive enough to appeal to consumers. Computer manufacturers can now hope to sell 1 million computers to 1 million different consumers, whereas previously they aimed to sell 100,000 computers to a single business.

Now we are at a point where consumers are connected and they have computers and other gadgets with which they can communicate and be entertained. We are firmly in the grip of the second point I made earlier: things are happening more quickly than individuals and businesses can track, and much more importantly, there are potential connections all around us that are just waiting



❖ ...Now that we are all connected ...

to be discovered. Witness the YouTube phenomenon, going from just playing around to a market valuation of more than USD 1.6 billion in less than two years. Yes, we are living in different times.

What can we learn from this? One fundamental assumption we should always keep in mind is that “killer apps” can erupt suddenly and unexpectedly with explosive force and effect. Another thing is that killer apps have nothing to do with getting online, because connectivity is now ubiquitous – the “getting online” has already happened. In fact, I will go so far as to say that there is no meaningful market for electronic devices of any kind that do not involve connectivity. Even a DVD player is “connected” in the sense that it relies on access to content in the form of packaged media. Televisions, too, rely on connectivity to something – a service, a DVD player – that obtains content from the outside world. This connectivity and access should be taken for granted, and as I mentioned earlier, it is hard to charge for that. Connectivity is what consumers expect, and making it complicated or expensive will encourage churn, not lock-in.

Then we get to the question of what consumers want and what they will pay for. These are the questions of our time. But the nature of the answer is different now than in any historical epoch. To explain this, I must digress.

Let me talk about prehistory as the period prior to 30 years ago,



when connectivity meant aiming your antenna toward the local broadcast station and communication was limited to what we now call snail mail and rotary phones. Not even acoustic modems exist in the prehistoric landscape I’m envisioning. What did consumers want and what did they pay for?

Commercial television was free. It was a community service, in some sense. But it was not completely paid for by government subsidies. The model was for broadcast stations and networks to earn the attention of the population and sell it to the highest bidder, namely advertisers. What drove consumers to sit cooperatively in front of their televisions and watch commercials? The shows, in this prehistoric time, were reality-based in some sense, if you can bend today’s meaning of that term to include Archie Bunker in the

1970s, and Mayberry RFD long before. Content also included escape-based products, such as Star Trek, I Dream of Jeannie, and Gilligan’s Island. The pattern I discern is that each was popular in a particular social, communal context.

To be part of something

The underlying pattern is that people want to connect and be part of ... something. It is a fundamental, overarching desire and need, part of the human experience. TV shows were produced, offering options that were appealing to different segments. They were connected during the 30-minute show and paid for it by watching commercials, the most successful of which were and continue to be those that connect with the audience.

Now, the tools that enable people to connect are much more sophisticated, much more capable and, most recently, much more usable by the masses. Usability has emerged from the confluence of two trends. First, it has become a priority for businesses offering products and services.

The second trend, coming from the opposite direction, is that people are becoming less intimidated about using communications devices and services. Getting people to try something and avoiding failures are by-products of a truly usable service or product, but those two things are rightly independent areas of focus in the current age.

Content offerings today are both the same and different. An example of things being the same is that one can now acquire, through downloads or packaged media through the mail, the same content that was broadcast in the prehistoric period. People who watched it long ago still feel the connection to the material, but it is now embellished with nostalgia. The second reason it is available is opportunity – the cost of offering this content is more than compensated for by the revenue that the distribution of the content generates. This is the so-called “long tail,” but the opportunity to operate a business by offering this content is made possible by the internet and broad connectivity by masses of people from all origins. This market did not exist when broadcast time was scarce and each minute was carefully monetized.

Number one meeting point

The way that offerings are different is very apparent when you casually surf today’s popular internet sites. You get a lot of short-form, low-resolution content that has become very popular. It is hard to say if the desire for this content is due to the format itself, or if it is just that the capabilities of the internet constrain content providers to this format and it has become popular nonetheless. Both are probably true to some extent, but it is a growing form of content that represents a commercial opportunity in one way or other, either by consolidating content made by consumers or by creating and producing such content for small-screen devices such as mobile phones.



From this analysis, I would like to draw attention to the point of confluence: people connecting. The internet is increasingly popular because it is the meeting point for people. It is the meeting point of the global community. It's what people want; it speaks to a fundamental human need. And it is accessible by people in sufficient numbers and diversity that it is poised for continued eruptions of an expanding set of offerings and killer apps because of its ability to connect people in both new and traditional ways.

As an example of how the internet is meeting this target, look at the practice of downloading movies and viewing them. Watching movies is a way of connecting that has been enjoyed for generations. Another example can be found in online gaming. Gaming offers an environment where individuals can interact through an assumed online identity. For a great many people, certainly sufficient numbers to base a business around, online gaming as a means of social interaction is an important trend.

Connection as a giveaway

There are many other examples, too numerous to mention, but I will spend a little time on just one more: communication. The internet, mobile phone services and land-line services offer means of communication that do not go beyond normal words and sentences – at least not yet – but they offer a dimension of communication that masses of people are incorporating into their lives in unexpected ways and to unexpected degrees. Handheld instant messaging, and even e-mail, is complementing normal voice communication, but it is also enabling individuals, for better or worse, to carry on multiple conversations simultaneously, a feat not possible with normal voice communication. It is now possible, for example, for an individual to have multiple instant-messaging (IM) windows open, even while talking on the phone, with the universal perception that the conversations are one-on-one. Each instance of communication is one-on-one; the difference is that there is more than one going on at a time. Instant-on, always-on modes of operation must have an as-yet-unknown impact on the individual, but I am inclined to believe that it will be positive as it relates to community and culture.

If there is a conclusion that can be drawn from this explanation and exploration, I believe it is this: consumers now have choice – a number of ways to do a number of things. But the way in which they are spending their time, once they are hooked up with suitable services and products, is in connecting. That means watching old movies, watching new movies, watching short-form videos, instant messaging and other forms of chatting, in pairs or in groups both small and large, and otherwise operating in interactive, extended communities. Getting the basic connection is an expectation, not a feature. In fact, without too much effort, you can find that some services include the internet connection as a giveaway to sell something else.

Consumers can now get what they want, so the target for busi-

nesses in this climate is to invest in ways for individuals to get what they are looking for, which means interaction with others having similar interests. This may sound too non-specific to some, but I say that you can go a long way in a business venture by serving up the infrastructure on which consumers' needs will be met. The hardware and backbone infrastructure is in good shape and improving, but other forms of infrastructure include new, online, virtual worlds (how about one tailored to fly fishermen or build-your-own enthusiasts?), group chat facilities, or the combination of such things (how about online shopping with chat?). These, too, are examples of infrastructure, and they are a hint of the diverse opportunities that still exist. Think of the businesses that succeeded during the California gold rush, such as those providing clothes, transportation, tools and basic infrastructure to the masses who sought to strike it rich. Substantial fortunes were made by those who never put shovel to soil.

In the next era of the internet, in which we now find ourselves, I think the target is to give consumers what they want, and they will create their own killer apps. This represents a substantial business opportunity to those who can pick up today's paradigm and run with it. ■



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