

Thinking

... *Insights into Technology*

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The £20,000,000 question

If you had £20 million to invest in game changing technology, what would you spend it on?

That was the big question posed at our recent dinner seminar at the Reading Hilton. Three speakers took on the challenge to identify the key growth areas where this sum of money could make the biggest difference. Each brought their own business backgrounds to bear, and found one thing in common: the advent of scalable, trustworthy cloud technology offers UK technology businesses an excellent opportunity to invest in the future.

Introducing the experts



Martin Balaam
Former MD of BT,
Engage IT



Tony Henderson
Account Director,
TV, Operator
Channels,
Microsoft UK Ltd



Phil Smith
Vice President
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“Working with TMC businesses in the current market environment, we are very conscious of the challenges for Shareholders, CEOs and FDs in retaining a longer-term perspective on the way in which the Technology sector is moving - and how that might impact

on their business focus and business models. The objective of our ‘£20 million gamble’ event was to give our guests a real insight into how business leaders in the very largest technology corporates believe the market will develop and where they would ‘place their bets’ in terms of investment.

While a range of views were expressed, and despite the different elements of the ICT ecosystem which Martin, Tony and Phil represent, there was a surprising degree of consensus that the development of ‘cloud’ based services and cloud infrastructure is the single most significant

medium-term opportunity in today’s market. This, together with the challenge of managing and utilising the vast quantity of data being generated by internet and social media applications are seen by all as huge drivers for change.

In this paper we have tried to distil the views of our three speakers. We hope that this will be interesting and useful both for those of you who were able to attend the event and those who were not and will give some flavour of what was an energetic, insightful and thought provoking event.

As leading providers of audit, tax and advisory services to a huge range of businesses across the TMC sector, we remain committed to maintaining and developing our own understanding of sector drivers and a powerful network of influencers, investors and business people who help us contribute to realising our clients’ ambitions.”

Wendy Hart
Partner and Head of Technology
Grant Thornton

SMBs need a cloud they can trust

Investing in cloud services to small and medium-sized businesses means they get a cloud computing system they can actually trust, says Martin Balaam, former MD of BT, Engage IT.

“I’m passionate about SMBs: they’re the driving force in our economy and the biggest innovators. What they need is a safe and secure marketplace where they can understand, experience and procure cloud services,” he told the audience.

His £20m would go towards establishing a business that identifies the best service providers and negotiates the best possible terms and conditions for SMBs. This, he says, would make UK PLC more competitive while also creating a revenue-driven business at the same time.

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“The service would be more like a club, where you pay a nominal fee and get a full support service, with a desk that’s always there to help no matter what level of service you’re being provided with. At the same time, you’d get the same kind of service wrap around the deal that you get with the likes of Amazon: useful feedback from other customers as well as proactive feedback from the company itself to drive customer satisfaction.”

This cloud club wouldn’t rely on membership fees alone. Balaam suggests taking a 20-40% cut of the revenues of the service provider as well. In

return, they gain an excellent channel to access these businesses. Trust is key to the proposition. Bigger brands like BT would find this a straightforward proposition, he argues, but those starting from scratch would have to take a bigger risk in establishing the brand.

Balaam’s proposed investment meets three key objectives that he believes are key to any technology business. “You need a market that’s in natural growth territory, otherwise you’re constantly fighting for market share – which is pretty tough at the moment. You also need relatively significant barriers to entry, either from being capital intensive or having IP protection. Lastly, you’ve got to be passionate about it. Unless you’re genuinely excited, you’re not going to sell.”

Cloud arguably is coming

The UK is the home of the world’s greatest TV, but the traditional broadcasting model is doomed in the cloud age, says Tony Henderson, Account Director TV, Operator Channels, Microsoft UK Ltd. His investment idea is Cloud TV: scalable, flexible and responsive to the audience in a way that traditional channels can never match.

“Fundamentally, the TV business hasn’t changed in ten years. It is ripe for modernisation,” Henderson claims. “Google has pinched enormous chunks of advertising revenue from TV. For all its sophistication, Google does just one thing that commercial TV broadcasters can’t do: it directly connects advertisers to customers in a measureable and easily understood fashion.”

In 2009, UK online advertising revenues surpassed TV revenues for the first time, but the inherent creativity of the TV broadcasters has protected them from too much damage – so far. Live

TV, Henderson argues, is still a social activity that can drive huge audiences and bring in significant revenues. He holds up The X Factor as a prime example: “ITV can applaud itself for the impact that these shows have had on social media such as Twitter and Facebook, but the fact remains that it isn’t making much noise about its online revenues.”

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While the BBC’s iPlayer has set the benchmark in terms of user experience, depth of content and multi-format availability, it’s easy to forget that this has been driven by millions of pounds of investment that expects no return. “It makes iPlayer a great benchmark – but not a great business model for others to follow.

“To rise to the challenge of online social and mobile media, broadcasters desperately need flexible, low-cost reconfigurable infrastructure,” Henderson continues. “Could the cloud be the answer?”

Henderson is convinced that it is. The cloud provides a cheap, scalable and reliable means of connecting with the audience. It can deliver content on a faster cycle than traditional broadcast, and cloud broadcasters need only pay for the service that their audience demands. “Mobile applications have a cycle time measured in weeks,” he points out. “Broadcasters should start to mirror this, especially since TV is all about the here and now.”

To underline the compelling case for this leap in broadcasting technology, Henderson paints a vivid picture of a hypothetical new station: Cloud TV. Cloud TV thinks radically differently. A small, agile organisation with a targeted approach to focus on small,

niche audiences, Cloud TV makes deals with games console manufacturers, set-top box makers and connective TV manufacturers to stream live and on demand video over the internet.

“Cloud TV will find their audiences using social networks, apps on smart phones and web players,” he goes on. “All of cloud TV’s capability could be built and managed using cloud technology in a fraction of the time, months or even weeks, and at a fraction of the cost of traditional TV broadcasting. By targeting their viewers through online channels, cloud TV will build up a significant following who are engaged and loyal to their offering. They are thinking more like a retailer than a broadcaster.”

Cloud TV will initially make its money from targeted advertising on live and on demand TV services. Unlike today’s TV services, it has a return path that listens to what the audience wants. Cloud TV will then add subscription services and payment gateways so it can sell related content and services and merchandising – again, more like a retailer than a broadcaster.

‘To rise to the challenge of online social and mobile media, broadcasters desperately need flexible, low-cost reconfigurable infrastructure – could the cloud be the answer?’

“The long term goal of cloud TV is to provide really low-cost and efficient infrastructure, proving the business case and platform capability of a whole new generation of targeted television services,” Henderson states. “When cloud TV becomes successful, it will offer its expertise, infrastructure and services to other TV concept partners, production companies and broadcasters to build a scale business.” In this model, the longer-term revenue will

derive from transfer and revenue-sharing agreements with those big organisations, so they can operate, control and profit from the depth of current and past TV productions in the UK.

Who makes it happen is yet to be seen, but it will happen, says Henderson. “Thanks to leaps in a range of technologies it will be hugely successful. As the greatest TV nation on the planet I believe that it should start here in the UK.”

Connecting the Internet of things

“The way we think about investment is to look at the megatrends,” says Phil Smith, Vice President and CEO, Cisco UK & Ireland. “Like increased mobility: everyone has a phone these days. Globalisation, the personalisation and consumerisation of IT – these are all driving a raft of technology developments.”

Smith’s £20m gamble would be to develop the proper structure to cope with the data that all these megatrends produce. Rocketing numbers of smartphones, ‘clever’ machines that talk to each other, sensors surrounding our everyday activities: all these require data to be sent, received and analysed. What we need, says Smith, is a secure and scalable platform for doing so.

“Just look at the figures,” he says. “In 2008 the number of things connected to the Internet was 8bn, by 2020 it’s going to be 50bn. The potential number of devices that can each have an address on IP v6 is two to the power of 128. To put it in context, you can have 252 addresses for every known star in the universe!”

Global traffic on the Internet by 2015 will be equivalent to 241bn DVDs a year. As more and more devices become connected, how we treat this data will become crucial to the way we allow the Internet to scale upwards. Smith believes

this is all leading us towards what he calls ‘the internet of things’: a future where all things are connected by cloud technology. Crucially, this will give us the opportunity to improve our lives by making technology work better.

“Cisco are already strong in networking and scale, and one area we’re actively bringing these strengths into is what we call smart+connected communities,” Smith says. “Cities consume about 75% of the world’s energy, and are responsible for 80% of our greenhouse gases – but they have also been responsible for 78% of our economic growth over the last ten years. Getting the technology that runs our cities to work better is a fantastic opportunity.”

‘When you’re on the cloud, you need to make one thing happen for millions of people in just one click’

Smith emphasises the enormous breadth of application of this technology. From transport, healthcare, energy use and building maintenance, the creation of ‘smart’ grids and metering, he believes that the smart city market is going top one trillion dollars over the next ten to fifteen years.

Cloud technology that networks this data in a safe and scalable way is where the smart money is going to be, says Smith. “It’s not necessarily about the devices, but in the ability to scale their use, take the huge quantities of data and do something useful with it.

“Wi-Fi, mobility and security are all growth areas in this field. But scaling is really key: when you’re on the cloud, you need to make one thing happen for millions of people in just one click. The pace and scale of change in the Internet and communications doesn’t look like it’s stopping. As we invest in those technologies we provide a better capability to manage our data over the next few years.”

Where to invest for the future

“Personally, I’d invest in social media technologies. There’s a lot of knowledge at a personal, individual level that corporations and businesses just don’t seem able to harness. I’d invest in a technology business that tries to allow organisations to gather up the social interaction and networking to try and understand simple things, like achieving sales with target customers by finding who in the company has decision makers in that target area that they can plug into as a network.”

Martin Balaam

“Cloud technology: it is only limited by the speed of the network we have in this country and people’s willingness to commit to it. There’s no question it’s coming, and the people who make the leap and commit to it first will be miles ahead. I think it’s the most exciting time to be in technology for the last 30 years, and that’s saying something.”

Tony Henderson

“Mobility is an obvious growth area. Mobile networks have grown hugely, but the trend has moved to data rather than pure voice. If you talk to people like Vodafone, they’re faced with the challenge of that switch. You’ll also see the growth of cloud technology as mobile grows, it will become a natural extension of a mobile personal and work life. The whole planet is moving towards this connected, mobile internet world.”

Phil Smith



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