

Technology

The extent of respondents' agreement with our hypotheses illustrates our clear understanding of the issues facing the technology sector.

Boldly looking 15 years ahead, 65 percent of industry players share our prediction that the "mobile wallet" will oust credit and debit cards and become the preferred payment method for goods and services.

Already consumers are adept at using their smart phones for a vast range of activities. Using it as a payment device will be a logical next step, initially for smaller convenience purchases, say in a coffee shop, but ultimately for "big ticket" items too. Of course, you cannot win over everybody – as illustrated by the 15 percent of respondents who disagree with our hypothesis. Traditionalists will hang onto credit and debit cards for as long as possible. However, if you look at mobile phone penetration rates, which are in excess of 90 percent in Western Europe and more than 100 percent in some countries, I believe that the mobile wallet will be embraced sooner rather than later. Failure to recognize this will result in missed opportunities.

For tech companies, the concept is much more than a payment enabler. There are huge opportunities to create alliances with a broad ecosystem of players, such as retailers, advertisers, banks, entertainment venues and transport providers. Moreover, there are significant possibilities for exploiting the mobile wallet for its valuable data collection and data analytics capabilities, particularly to enable targeted marketing.

That said, data losses are a growing concern for technology companies. They have traditionally enabled data transfer but now, due to concepts like cloud computing, they have greater responsibility for holding and managing it – not a core competency in the past. It is no surprise that more than three-quarters (77 percent) expect to see tighter regulation on how they use and protect data in the future. Failure to hold data securely and failure to comply with regulation will carry significant penalties and will be hugely damaging to brands. In the third hypothesis, we see that 72 percent of respondents agree that large technology companies do not always achieve returns commensurate with their investment in research and development. The headline figures are always about what they have invested, rarely about what they get back. They need to

ensure that R&D is properly focused by, for instance, doing fewer things well to get more return for their spend. They should also buy in "disruptive" technologies rather than attempt to recreate them. We see signs of this in our second hypothesis. Four-fifths (79 percent) of respondents anticipate that M&A will be characterized by bolt-ons of small and more nimble industry players – those with pioneering technologies that could potentially shake up the industry.

Tech companies are comparatively cash rich, but recognize that major acquisitions rarely deliver anticipated synergies. They will focus instead on the intellectual property (IP) wrapped up in smaller players, which offer capabilities beyond their core expertise and tend to be easier to integrate. This is because the acquisition is all about the IP purchased, rather than the broader organisation. It is clear, moreover, that "exploiting growth opportunities through more successful transactions" is a higher priority for technology companies than for all other sectors combined. For them, it is the second biggest priority at 45 percent, compared with 36 percent of the overall population.

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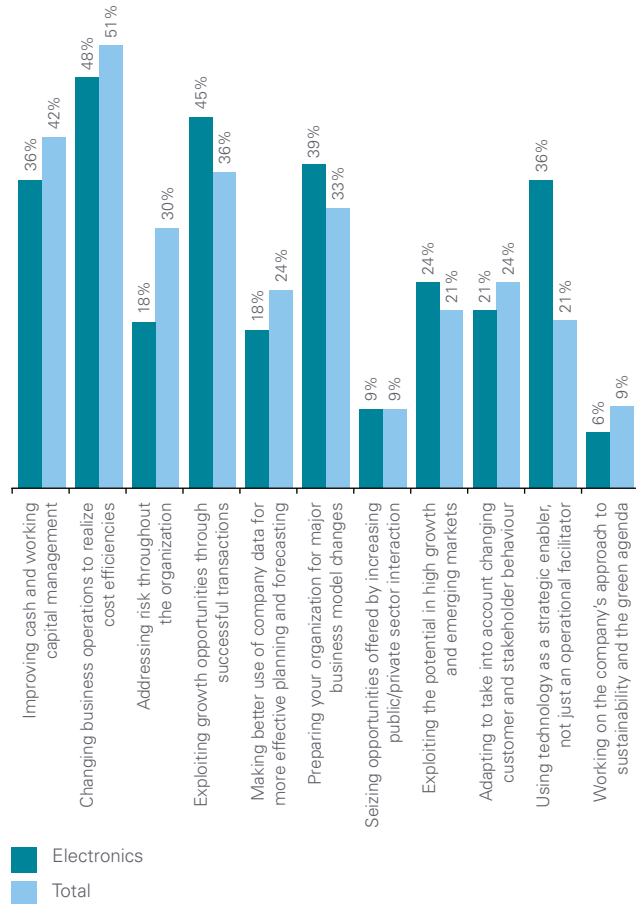
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Technology

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Technology – Sector Results

Comparison of top business issues for Technology with total results



Percentage add up to 300 percent as all respondents had three votes.

Hypothesis 1:

With society keen to simplify the number of ways via which it can make financial transactions, we shall be down to just two options – cash and the mobile wallet - within 15 years. The expected rate of technological advance within that time means that the mobile wallet will be the pre-eminent method of those two.

Hypothesis 2:

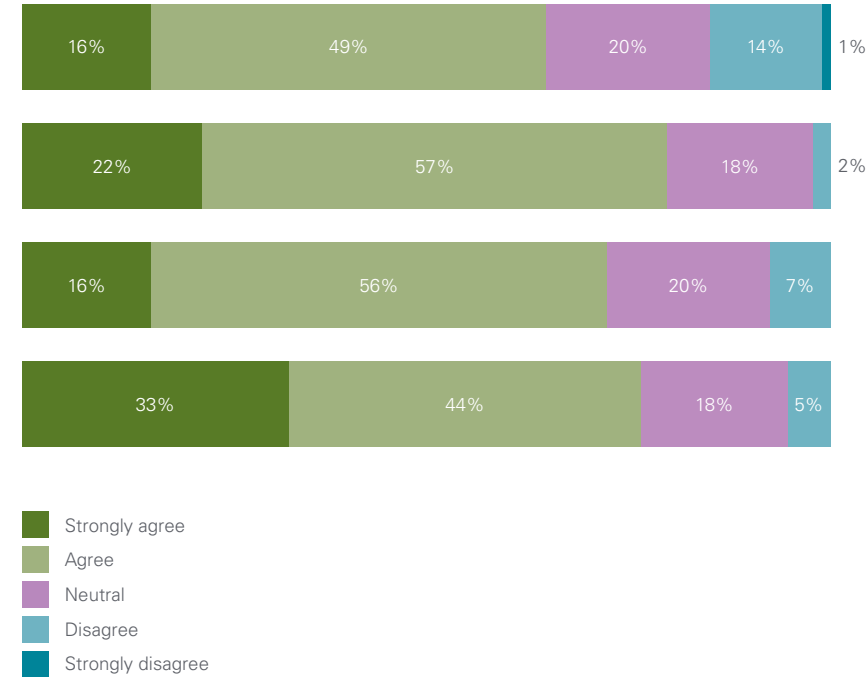
M&A activity across the technology sector in the near future will be characterised by a series of bolt-on acquisitions as larger organisations look to snap up new disruptive technologies being pioneered by their smaller counterparts...

Hypothesis 3:

Despite being responsible for some incredible innovations, larger technology companies nevertheless need to pay more attention to the way they address R&D as their return on investment in this area is not what it could – or should – be.

Hypothesis 4:

As customers come to better understand the extent of the personal data held by technology companies (and how it is used), those companies will soon find themselves more strictly regulated in terms of how they use and protect that data.



Further info

The SiCW Business Leaders survey Exec Summary is available at: www.kpmg.eu/businessagenda

A suite of videos and kitcards, on the top themes is available online. This includes Jeremy Kay outlining what the Board is thinking about in terms of changing their business operations to realise cost efficiencies; and Andrew Ashby on how companies can improve cash and working capital management. To view the information please go to: www.kpmg.eu/businessagenda

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