

Technology Economy and Hype - Four Instances of 'Tech-Washing' show the extent of the Technology Bubble

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Abstracts

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SUMMARY

As the world moves into an economic shutdown and weaknesses in the general structure of the world economy are revealed, one area that has been troubling is the technology bubble. There has been a lot of interest in technology businesses and trends in recent years that make big claims about their capabilities and demonstrate unusual business models, but often the underlying technology is either a long way away from being fully usable or cannot be demonstrated as being profitable.

Some examples of this are AI, drones, autonomous vehicles and areas of the smart phone market. Each example has a different inherent problem but all are subject to limitations in the underlying technology that has been "hyped" up beyond what it is capable of achieving and this means that investments in companies offering this technology can be misplaced.

Furthermore over the coming months of 2020 as the economic situation likely worsens due to COVID-19, many businesses operating in these technology areas will likely struggle to stay afloat as investors dry up and business model weaknesses are revealed.

KEY HIGHLIGHTS

Conversational AI and chatbots is one area that was thought to likely be a very useful and practical application of machine learning. Many companies have been moving to add chatbots to their customer services offerings, hoping that this would create efficiency and reduce costs. However what is actually being found in this industry is that the machine learning needed for chatbots is relatively simple and this is actually preventing further development in machine learning. In many senses the bubble of growth from interest in chatbots is now beginning to limit its expansion as the underlying technology is not providing the kinds of human-like AI experiences that investors believed warranted substantial investment.

The drone industry is an example of a hyped up technology industry that has actually already had its bubble burst and investment in the industry is significantly down from early levels. Drones have been sold as a potential solution to all manner of logistical, transportation and even military solutions and in some cases they do achieve these goals. Unfortunately early market leaders have gobbled up the main realistic business opportunities and start-ups have been left with limited opportunity to expand beyond very niche applications. Further to this regulation has been a major prohibitive factor and beyond the consumer segment, industrial applications are not as promising as was once thought or not of the potential scale that was imagined.

The hype around driverless cars has grown rapidly over the past several years, with many big tech companies getting behind the concept. Tech titans including Uber, Google, GM's Cruise Automation, Tesla, Apple, Zoox, Aptiv, Aurora, and Nuro have invested significant amounts of time and resources into the development of autonomous vehicle projects. However, there are over 40 companies engaged in the development of self-driving vehicle systems. So far the value of the driverless car market has been based on the need to reduce car accidents on the roads caused by manual errors, lower carbon dioxide emissions from autonomous vehicle, and reduce costs for businesses who require service provided for by delivery drivers and taxi drivers. Companies developing driverless vehicles have received significant amounts of investment in anticipation of large returns once the technology becomes commercially available.

SCOPE

Examine which industries are artificially boosted by technological claims

See what firms use this narrative to their advantage

Identify areas of the tech economy that might be oversold

Learn what firms are struggling to turn a profit and rely on growth

REASONS TO BUY

What industries oversell their technological prowess?

What companies trade off the back of a technology with limited use?

What tech industries have very limited use cases and profitability?

What can firms in these areas do to secure profitability?

Contents

1. EXECUTIVE SUMMARY

- 1.1. Conversational AI is popular but limited in capability
- 1.2. Drone bubble has already burst and funding is down
- 1.3. The autonomous vehicle market is overvalued and underperforming
- 1.4. Insignificant technological features are driving smartphone sales

2. CONVERSATIONAL AI IS VERY POPULAR BUT LIMITED IN CAPABILITY

- 2.1. Venture capital funding for conversational AI firms: total number
 - 2.1.1. Machine learning will be an innovation ceiling
 - 2.1.2. Limitations of technology are serious for business models
 - 2.1.3. Chatbot investment is pushing ahead, and will also peak before major innovation
 - 2.1.4. Industry 4.0 will bring a wave of consolidation

3. DRONE BUBBLE HAS ALREADY BURST AND FUNDING IS DOWN

- 3.1. The drones bubble has burst
- 3.2. Start-ups are no longer the industry's key drivers
- 3.3. Hardware is dominated by larger companies
- 3.4. Integrated services
- 3.5. Delays to regulatory change could bring another drones bubble
 - 3.5.1. There is still a focus on drones and future depends on not overpromising

4. THE AUTONOMOUS VEHICLE MARKET IS OVERVALUED AND UNDERPERFORMING

- 4.1. Companies continue to race to be the first commercially available
- 4.2. Autonomous vehicles are harder to produce than first thought.
 - 4.2.1. ADAS achieve more realistic industry expectations
- 4.3. Private autonomous cars will be unaffordable for most
 - 4.3.1. Autonomous vehicle developers target robo-taxi market
- 4.4. Uber continues to attract investors and growth despite underperforming AV technology
 - 4.4.1. Overvaluation of ATG has helped fuel Ubers driverless car ambitions.
- 4.5. Tesla sells largely undelivered self-driving technology

5. INSIGNIFICANT TECHNOLOGICAL FEATURES ARE DRIVING SMARTPHONE SALES

- 5.1. The volume of global smartphone sales is declining
- 5.2. Smartphone companies rely on marketing to drive sales rather than technology
- 5.3. Foldable displays have a bright future but not in smartphones
- 5.4. Smartphones will need to incorporate desirable technology as hype starts to fade away
- 5.5. Smartphone sales will be driven by 5G in 2020
 - 5.5.1. COV-19 will delay 5G rollout
- 5.6. 5G will facilitate smartphone industry once it is widely available

6. APPENDIX

- 6.1. Further reading

7. ASK THE ANALYST

8. ABOUT MARKETLINE

List Of Tables

LIST OF TABLES

Table 1: Outside capital raised by leading AV companies 2018 - 2020TD

Table 2: Levels of vehicle Automation

List Of Figures

LIST OF FIGURES

Figure 1: Venture capital funding for conversational AI firms: total number 2014-2019

Figure 2: Venture capital deals and acquisitions in the drones industry 2010-2020 and value (\$m)

Figure 3: Autonomous Vehicle (AV) technology funding and deals, (\$m), 2014 - 2018TD (09/20/2018)

Figure 4: Automotive semiconductor application growth (%), 2017 -2022

Figure 5: Uber net income, (\$m), 2014 - 2018

Figure 6: Uber business segments share of adjusted EBITDA losses, (\$m), Q4 2019

Figure 7: Top 8 Auto-makers by market capitalization, Jan 2020

Figure 8: Volume of global mobile phone sales (Units), 2014 - 2018

Figure 9: Average smartphone life-cycles, 2016 - 2018

Figure 10: Samsung advertising and sales promotion expenses, (\$bn), 2014 - 2019

Figure 11: Images taken with the Samsung Galaxy S20 Ultra

Figure 12: Global Smartphone Sales to End Users (Millions of Units), 2019 - 2021

Figure 13: Average smartphone users expectations of future 5G smartphone features

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