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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

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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 l imit 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

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Examine which industries are artifically boosted by technological claims

See what firms use this narrative to their advatange

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?

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