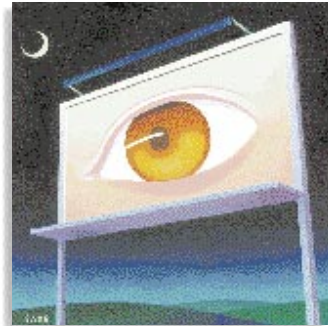


Keep an Eye on Major Trends



Changes in preferences and technologies in broad markets may have more direct effects on your business than you expect.

This column regularly reminds its readers of the impact that open systems trends and changes have on VARs, but broad socioeconomic trends also affect the way VARs do business. It is worth periodically sticking one's head up above the trees to see the whole forest.

VARs, like many other small and medium-size businesses, can become preoccupied with the daily challenges of their local markets and with the internal issues of their own businesses. These micro issues are critical, and VARs ignore them at their peril, but there are also macro issues. Large, even global, forces can and do impact small businesses. Executives charting the course of VARs need to pay them equal heed.

For example, VARs that sell media-based products or serve media industries provide a wealth of examples of how macro forces can shape a business. Here, as elsewhere, the best technology doesn't always win. Prior to the 1990s, the delivery medium of choice for industrial applications that required motion video was Compact Disk-interactive (CD-i). Many VARs involved in computer-based training (CBT) and multimedia authoring systems mastered the use and resale of this technology.

CD-ROM technology is now rapidly replacing CD-i. CD-ROM is arguably inferior to CD-i for many applications, but broad trends in consumer electronic purchasing and software distribution have turned CD-ROM into a low-cost, standard

fixture in many personal computers and workstations. CBT VARs now have to work around the CD-ROM's limitations or risk the loss of business. Authoring systems resellers must insist that their authoring ISVs support cross-platform development or look for new software partners. It made no difference if CD-i was "better," "field proven" or "established"—to quote arguments I have heard. CD-ROM was driven by much larger forces and had to be accepted by the industrial multimedia VAR community.

VARs working with media products and industries have also had to deal with shifts in platform preferences. At the turn of the decade, these VARs did not have to think much about what computer to resell. Most of the best applications ran on the Apple Macintosh, and most media creation industries would buy nothing else. Indeed, as Apple's fortunes began to falter, many analysts referred to Apple's media niche as "limited but secure." A VAR who did not check that analysis against what was happening in the real world was looking in the rearview mirror instead of through the windshield. Again, major forces were at work on a worldwide basis.

Some Macro Forces

Changes in preferences and the evolution of technologies in broad markets, such as consumer electronics, may have a more direct effect on your business than you expect. For example, one set of macro

forces generated a sharp increase in the demand for video content creation. Similarly, telecommunications deregulation around the world spawned a host of new programmers. New methods of distribution, such as interactive consumer broadband networks, multipoint, multichannel distribution systems (MMDS) and direct broadcast satellite (DBS) required new sources of content. Increasing sophistication in multimedia applications like business training and computer gaming required video sequences with a "broadcast look."

Another set of macro forces resulted in an equally dramatic increase in the use of computers for video content creation. Computer horsepower was increasing and storage costs were declining to the point where it was possible to apply computers to high-quality video creation. Increasing production costs made it more cost-effective to fix production errors, simulate complicated or dangerous stunts and execute other production tasks on computers during the postproduction process, rather than on location or in the studio. The worldwide increase in dynamic short-form programming, particularly commercials and music videos, increased the demand for computer-generated graphics and effects. Finally, the computer-intensive art of synthetic production evolved to the point where entire commercials—and now even entire movies—are generated by computers.

VARs who focused on the traditional media applications of desktop publishing (DTP) and low-end multimedia were caught by surprise. Video content creation meant different customers, different technologies and different skills. This was "convergence" with a vengeance. VARs dedicated to the traditional computer media applications found themselves missing out on a new market opportunity. VARs wedded to the Macintosh found themselves squeezed between VARs offering Unix-based workstations for high-end customers and VARs configuring Windows

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NT machines for cost-conscious customers. An explosive industry combined with a steady decline in the industry's confidence in the future of the Macintosh taught many VARs that Apple's media niche was far from secure.

Here's one last example from a media industry. VARs who serviced newspaper publishers thought they served a pretty staid industry. Not any more. I estimate there are over 200 newspaper sites online, and the number is growing. VARs offering newsroom networks, DTP and electronic prepress systems must now offer online publishing solutions or watch their customers go elsewhere.

The media industries are not the only ones where VARs have to be aware of global changes and react accordingly. Alert VARs constantly have an ear to the ground. Those servicing the federal government should be aware of the changes implicit in the political trend toward transferring more responsibilities to the states. These VARs must learn how to transfer their expertise to state governments; partnering with complementary VARs located in state capitals may not be a bad start. Deregulation and declining rates in international telecommunications will force new changes on VARs involved in computer telephony. The

proper handling of rotary dialing, multilingual voice processing, call-back and fax-back services, and cultural biases for and against certain applications are challenges that successful VARs will face and overcome.

The slogan "think globally, act locally" originated as good environmental advice. As it relates macro issues to micro actions, it's not bad business advice, either. ■

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