

The future may be now

The debate over whether Web 2.0 is the next big thing in how we conduct our online lives

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It's been some five long years since the dot-com crash, so the time would seem to be right for the Next Big Thing in tech hype.

And, no surprise, along has come what is called Web 2.0 -- a buzz phrase for everything that is, well, not the bad old, stagnant one-way-flow-of-information Internet of the dot-com era.

This new Net is one where content is generated, commented on, altered, improved and corrected, then set to work. This, in turn, generates new content that moves continuously and breathtakingly quickly around the Web.



CREDIT: Ian Lindsay, Vancouver Sun
 Web 2.0 advocates Paul Kedrosky (left) and Dick Hardt want to make it clear that Web 2.0 is not the second version of the Internet.

Gone is the browser (or at least the feeling of using a browser) and gone is the desktop, joined now into one seamless entity.

To its extreme advocates, Web 2.0 is nothing less than a completely new way of doing things online.

Elements of Web 2.0 include the likes of blogs (and the ability to take feeds from hundreds of them and aggregate them in one place), Google Maps, audio and video podcasts, and the online encyclopedia Wikipedia.

It's also exemplified by peer-to-peer programs such as BitTorrent and, here's the key, the general harnessing of the collective online mindmeld to create a better richer Web experience --and, just possibly, more usable and attractive products to help people live better lives.

And, oh yes, there's also the distinct possibility of money being made here, especially selling such products to business.

Well, whew.

Now, if you haven't heard about Web 2.0 (pronounced Web Two-dot-oh, Web two-point-oh and Web two oh, etc.) don't feel too bad.

Although the term's been around for at least a year now, it's just now making its way out of the "geeky echo chamber" to the general populace, according to Paul Kedrosky, a venture partner with Vancouver-based Ventures West.

"It's been largely just geeks using these tools to mess around with other geeks," said the proprietor of the edgy, funny and controversial technology and finance blog Paul Kedrosky's Infectious Greed. "This isn't to say that [the tools] aren't useful and important, it's just that [Web 2.0] hasn't broken out of the echo chamber yet."

Kedrosky said that one solid sign that Web 2.0 is truly upon us is that popular topics on blogs now include politics, economics and sports and not just the tech concerns of geeks.

While it remained a background topic, the discussion of Web 2.0 has gone through several stages already.

Original blind, true-believer enthusiasm has been met by stark cynicism by those who, scarred by the dot-com meltdown -- renamed the phenomenon Bubble 2.0. Their fear is that dewey-eyed investors will now begin buying into everything that calls itself a Web 2.0 company.

Recently, though, there seems to have been a sort of general acceptance that, while Web 2.0 is highly unlikely to usher in a general period of world peace, love and joy, it is undeniably full of promise.

"This is the next big wave of things," said Vancouver tech entrepreneur Dick Hardt, founder of ActiveState, now CEO of Sxip Networks, which has positioned itself as a Web 2.0 company, specializing in online identity.

Hardt likens Web 2.0 -- which he sees as having been overhyped recently -- to the transition from the old computer operating system DOS to the arrival of Windows.

At that point, computer users went from being able to do only one thing at a time to being able to easily transfer information from program to program.

"Everything was more open and things worked together and you got a much richer experience," Hardt said. "To me, that's a good metaphor around what is Web 2.0."

As to the contention that there's no business model and no way to make money from Web 2.0, Hardt points first to the recent introduction of the new Apple iPod -- which allows users not only to listen to podcasts but also to view them as video.

"And people are selling software to aggregate data, and people are selling ads to place within that content," said Hardt. "I don't know if there will be any radically new business models, but there will probably be some applications of existing models in new ways."

As an example, Hardt said, there's Google's AdSense, which at its base level is just advertising.

"But they've enabled a lot of small businesses to reach people globally who are interested in their stuff," said Hardt.

One thing that Hardt wants to make clear is that Web 2.0 isn't some kind of signal of a second coming for the Internet.

"The 2.0 moniker isn't like this is the second version so much as it's the next version," he said. "It's sort of a subtle difference I think. It's not like there's going to be a Web 3.0. It's sort of like modernism and post-modernism -- you had to give a name to it."

Kedrosky said it bothers him when he hears that some Web 2.0 entrepreneurs are creating companies just to sell to other Web 2.0 companies that themselves have yet to make a dime.

"Then that's all wampum," said Kedrosky. "But if people are worried about [Web 2.0] because there's too many companies or they perceive there to be too much excitement about this, then who cares."

Kedrosky is not concerned about investors being lured into Web 2.0 ventures the same way that they and their wallets were pulled into dot-coms.

That's because it costs so little to develop Web 2.0 products -- a \$100,000 investment where once \$5 million would have been needed.

"There's less capital committed and less capital required," he said. "If people want to program in their own basements that's their own business."

"One of the things that makes this stuff different from the last go-round is that you can do it with relatively little money, including playing venture capitalist to yourself."

Kedrosky said he think the excitement around Web 2.0 is great.

"Go for it. Get excited. I'd rather do that than sit around and be cynical preemptively."

A far less enthusiastic voice -- and one who has criticized the Web 2.0 hype online at a column, entitled Two Point Oh No, on Vancouver's T-Net web site -- is another venture capitalist, Brent Holliday of Greenstone Venture Partners.

In the column, Holliday led off by saying:

"There's a new hype sweeping the Internet. No, wait. There's a new hype sweeping the investors looking to cash in on the Internet.

"As with every hype bubble, if you are looking to cash in and are just learning of it now, you may have missed it entirely. The bubble might be popping as we speak. I'm talking about the idea of Web 2.0."

In the body of the column, Holliday, while admitting that there were good things to be had from Web 2.0, dismissed the idea that it was some kind of tech revolution:

"Once more, this is an evolution of how we run businesses, not some breathless new world order."

In an interview, Holliday said that Web 2.0 is not itself a business, but a bunch of features and a way of thinking about creating something online.

"It's interesting and I really like all the neat features in something like Flickr and how you tag photos and do really cool stuff, but at the end of the day I'm not going to invest in a company because it's Web 2.0," Holliday said. "I'm going to invest in a company that's going to make money."

Too many Web 2.0 companies, said Holliday, leave him puzzled about just how they're hoping to bring in money, other than by selling out to other companies.

He said he agrees with Kedrosky that the old model of investment does not apply. Once venture capitalists would throw \$5 million at a company because a product needed 18 months to be developed.

Then they would invest another \$5 million for marketing.

With Web 2.0 products, that's no longer the case.

And that means, said Holliday, that there's no way for a venture capitalist to make money.

"A venture capitalist can't go in and throw \$100,000 here, a \$100,000 there and \$100,000 there," said Holliday.

"The structure is that for every \$50 million raised you've got two or three professionals, so it doesn't scale down to the \$100,000 investment level, because how are you going to keep track of the companies? How can you sit on their boards? You can't do it."

There may be a need -- at least in the Internet area -- to rethink the venture capital model to where its more like angel investing.

"You could raise \$100 million and tell your investors you're going to turn it into \$500 million over 10 years," said Holliday. "Then you spread that money out over a whole bunch of investment people."

One Vancouver tech guru, Geoffrey Hansen of the consulting firm RocketBuilders, sits on the board of the Canadian online music company Puretracks, which has put Web 2.0 technologies to use in its battle to carve out market share in a field dominated by Apple's iTunes.

For one thing, Puretracks has its own technology that can be used on many different websites, like those of AOL, Bell and Telus, and provide the puretracks service to the customers of those firms.

"The advantage of Web 2.0 is that you have the ability to have one piece of technology that can be fit into a whole bunch of websites," said Hansen.

As well, Puretracks offers the creators of blogs the chance to use what is known as an RSS (Really Simple Syndication) feed -- the way that news from blogs is sent to users in headline form -- to run a list of popular tunes, say the Top 40, on their sites.

"It can be a list of songs from a particular genre," said Hansen. "So if they're into jazz and their blog is about jazz, they can have a bunch of jazz songs appear that will link people directly to the Puretracks website."

This allows users to then hear previews of the songs, which is not direct marketing but does expose the service to potential users.

Hansen said companies can take advantage of the Web 2.0 technologies -- like blogging -- to get the word out.

"Marketing is about engaging people in conversations," said Hansen. "So, it's conversations that ultimately spread word of mouth about your company, your brand, and Web 2.0 is a really scalable way of creating a lot of conversations on the Internet.

"People can talk about your product, talk about your company and, if you're friendly to that sort of thing, then your company is going to get a lot more exposure."

Hansen added that once firms engage in conversations on the Net -- through blogs or chat rooms -- they can discover additional uses for their products and get feedback about any problems.

"They'll find that there are additional uses for their products that they didn't anticipate and that the community will step up and say, 'Here's how to do this, here's how to do that.'"

Companies with a good product also don't need to fear that the comments will turn nasty and that they somehow will have to control what is said about them online, because their satisfied users will step in to defend them.

Hansen doesn't see a good business model at the moment for blogs.

"But what we're starting to see is a lot of companies in the services area bringing those same technologies to corporations. A blog is a very useful tool for knowledge sharing within a company."

One thing that will help build Web 2.0 within the corporate world is the upcoming new Windows operating system, Vista, Hansen said.

"It will have embedded in it some RSS capabilities and I'm expecting that is going to drive systems integrators and consultants to use RSS technology in corporate applications, because it's part of the Microsoft platform."

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