Industry cycles for Visionary insights

Part one

Thinking about what to do with your business coming out the recession?

Perhaps there are lessons to be learned about where to look for opportunities from historical industry cycles.

Current Recession

Depending on your timeframe, you can see cycles everywhere. We've all heard about recessionary ones. "What goes up must come down – and what goes down must come back up again."

Recessions are often in three parts. We've already passed the first, which it is the typical 40% uplift in the markets. The second is a flat phase, which we're in now. Given the accepted logic of "what goes down must come up," at some stage we'll enter phase three. But when the economy comes back up, where to find the opportunities?

If you take a short timeframe, you can discover little niches in an industry where specific product opportunities aren't being matched. Large corporates often dump product lines through recession, which allows small businesses to jump in.

Four big players

In the mid-term, the alternative to niche spotting is a specific industry play. This model works in an industry sector with an established game.

Most industries around the world typically have four major players, each owning an average 20% of the market share. The four own 80% with the rest shared among smaller players. For example, the credit card industry, oil, airlines, supermarkets and banks each have four big players. In an industry play, a company spots the one in four players in trouble and creates a new offer to become one of the four themselves.

Companies like Virgin, for example are good at finding established industries with dying or dead products, poor management teams or inadequate infrastructure and buying them out to change the business model and product. These companies reinvigorate that sector and end up becoming one of the major players. They are repeatedly successful in turning around an industry already consolidated and in need of fine tuning.

Learning from history

On the other hand, taking a 500-year time horizon allows you to learn from historical eras. 500 years ago, the agricultural era employed 98% of the population on the land. If you'd predicted the end of the agricultural era during its peak around 1750, you could have been the first to market with the next opportunity.

The industrial era followed the agricultural as people came off farms to find jobs in industry. The industrial era peaked in the 1920s and since that time, the number of people employed in industry has been in decline. If you could have predicted the next era during the 1920's industrial peak, you'd have been ready to exploit the following era – the service industry.

The 1950s saw the service industry peak, since then the number of people in the service industry has been in decline. This era led into the information era, which is where we are right now.

continued...

What next?

Is the information era nearly over and if so, what will we move into next?

Predictions suggest the information era's peak employment was between 2000 and today. It seems we'll soon witness a turning point and that from 2015 onwards, the information era will go into decline. "Decline" doesn't mean everyone will stop working in "information" overnight. But it does mean that once the era peaks, we'll be journeying into the next.

Think about the boom times of the World Wide Web, Google, Facebook and companies that came from nowhere such as Microsoft and Apple. None of them were around in the 1950s. Major new corporations are always born out of new eras.

So what's next?

New work ethic

Industry's view of employment has lagged behind predictions for the new era – that we all work five days a week; that we should all work very hard in those five days; that we get just a few weeks off a year.

If we could skip ahead 30 years, this isn't how employment will look. People will discover they don't need to work that hard to cover life's basics. The concept of the five-day-week will be gone and employers giving people the most freedom will attract the greatest talent.

Old-fashioned employers sticking to the five-day-week – "Oh, and while you're here, you'd better work 12 hours a day" – will find that increasingly, people don't want to work for them. Generation Y is already making that quite clear.

More leisure time

Changing ideas about work will create the belief that three or four days a week is enough. What about the rest of the time? Unlike our ancestors, this time won't be filled by farming the land to get enough food to eat.

More "spare time" and the need to I fill it will cause a massive shift that challenges people's norms. They'll start to question their own worth, their values and their contribution to society.

Think about the boom times of the World Wide Web, Google, Facebook and companies that came from nowhere such as Microsoft and Apple

They'll realise that it's OK not to work a 60-hour week, a notion that stems from an earlier work ethic and the belief that, "If you want to make lots of money, go and work hard." In the future, that equation won't add when people realise instead, "I can have a good lifestyle without killing myself at work."

On the cusp of a boom

With all that time off work, the leisure industry will boom – a continued growth in travel, accommodation, games and gaming, sport, health and fitness. As people come to look after their bodies better, anything associated with physiotherapy, osteopathy, nutrition and yoga – to name but a few – will go through the roof. And these are currently fragmented industries.

Anyone remember a time before huge supermarkets? If you go back even less than a hundred years, they were once only small corner shops. As we moved into the service industry era, these retail outlets became consolidated into large supermarket chains.

So what's the next era?

Look out for Part two coming soon