



**CIONET**

OPINION PAPER

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**CHEAP MONEY FOR  
DIGITAL NATIVES:  
HOW WILL  
INCUMBENTS  
COMPETE?**

This article was written by Roger Camrass, director of CIONET UK and a visiting professor of the University of Surrey. With more than 40 years of experience in the IT sector and working with 50 of the Fortune 500 companies, Roger is a pioneer of today's Internet and a master at navigating companies through periods of intense technological, social and economic change.

Check out his fresh, forthright and somewhat controversial view on how traditional companies should compete in this digital economy.

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British start-up Ocado lost half a million in 2017 on turnover of £1.3B. But investors rushed to provide a further £150M for robotic warehouse investments during the year. The shares doubled in just one day when founder and CEO Tim Steiner announced a deal with retailer, Kruger, to implement twenty new robotic warehouses across the USA. WeWork did much better. It lost nearly a billion dollars but received a further \$3B of investment capital from SoftBank after a short taxi ride with CEO, Masayoshi Son and its founder, Adam Neuman.

Mark Dixon is not so fortunate. Having founded Regus some twenty years ago prior to the dot.com boom (now International Workplace Group) and making a profit of £195M in 2017, he finds that his business is valued at around a tenth of WeWork despite operating ten times the number of buildings around the Globe. Speaking recently to Equinix, the darling of NASDAQ, the head of business development suggested that he could raise billions of 'cheap money' to finance the roll-out of 5G. Something that Ericsson or Vodafone would be hard pressed to achieve.

What does all this mean for incumbents in capital intensive sectors such as property, distribution, utilities, construction, energy and IT? Most large incumbents speak about digital innovation but are constrained by the 90-day pulse of delivering much needed dividends to shareholders. This leaves little wriggle room for the major investments needed to transform core operations or launch new ventures outside the traditional business. It is worth noting here that just five digital natives, the US-based FAANG group, are worth more than all the UK's FTSE100 companies.

Are we suffering a grand illusion, as per the dotcom boom and bust, or does the digital economy work in a fundamentally different way, rewarding risk rather than solid returns? Recent projections suggest that leading digital economy players will represent 50% of the global economy by 2030.

The consequences look dire for incumbents who are being rapidly squeezed out in the rush for investment capital.

My personal view is that traditional companies should continue to run their businesses for profit and return valuable cash to shareholders. Many will die as a result, but this is a natural consequence of industrial evolution. Newcomers will absorb much of this cash and create entirely new business models better suited to the digital age.



## About CIONET

CIONET is the leading community of more than 10,000 digital leaders in 20+ countries across Europe, Asia, and the Americas. Through this global presence CIONET orchestrates peer-to-peer interactions focused on the most important business and technology issues of the day. CIONET members join over a thousand international and regional live and virtual events annually, ranging from roundtables, programs for peer-to-peer exchange of expertise, community networking events, to large international gatherings. Its members testify that CIONET is an impartial and value adding platform that helps them use the wisdom of the (IT) crowd, to acquire expertise, advance their professional development, analyse and solve IT issues, and accelerate beneficial outcomes within their organisation.

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