Changes

Imagine that it is a sign of aging when your period of youthful growth becomes the subject of a retrospective television mini-series. For me that was the 1970s. Yet consider the recent results of two rock icons who made careers out of singing about changes. Jimmy Buffet (Changes in Latitudes, Changes in Attitudes) has become a multimedia star. David Bowie (Ch-Ch-Ch-Changes), recognized that Wall Street would securitize any legal income stream and floated a $55 million 10-year bond issue backed by the royalties of his music catalogue.

Both of these moves suggest the major changes of “the new economy.” In fact, experts today debate whether or not the traditional business cycle has been eclipsed altogether by technology.

In 1965, Gordon Moore made a memorable observation about the growth in memory chip performance. Each new chip contained roughly twice as much capacity as its predecessor, and each chip was released within 18-24 months of the previous chip. Moore’s Law therefore predicted computing power would rise exponentially over relatively brief periods of time.

In 1973, the U.S. Defense Advanced Research Projects Agency (DARPA) initiated a research program to investigate techniques and technologies for connecting different types of networks. This was called the Internetting project and the system of networks that emerged from the research was known as, well you can guess.

With the development of browsers, the Internet became accessible to the public and the power of Metcalfe’s Law, which states that a network’s value increases exponentially with the number of users, came into play.

The Internet has been an immeasurable force in today’s economy. Many people claim, it is unmatched in history. That is not exactly true.

In the 1840s, the development of the railroad was equally dramatic, and the similarities to the Internet of today are striking. In the 1840s, railroads were still in their infancy and trying to make money. The transportation establishment (i.e., canals) did not consider them a threat. The railroads connected buyers and sellers, and the more points that the networks connected, the more valuable the network became. Distance started to disappear as a market barrier.

The railroads created new businesses (i.e., coal and steel) and developed intense synergies with others. One interesting case is the telegraph companies, who used the railroad rights of way. The railroads quickly discovered that the telegraph was a technology to improve operations.

Of course railroad and telegraph technology was eventually surpassed. Railroads, once 90% of the New York Stock Exchange’s market capitalization, were overtaken by cars and trucks. The job of telegrapher, once a stepping stone to railroad senior management, disappeared.

Last year marked the end of Morse code in shipping replaced by the Global Maritime Distress and Safety System. By the way, Morse code has a history with the Journal of Commerce. Both were established by Samuel F. Morse (the former in 1844 and the latter in 1827.)

This issue marks an historic change for the JoC. The oldest business newspaper in the country changes from a printed daily to an Internet daily, offering breaking news and interactive content, and a weekly news magazine for in-depth analysis.

Two interesting lessons can come from this. First, of course, is the overwhelming influence of the Internet. The question is not whether the Internet will change your business, but rather when and by how much.

The second lesson is that changes in the business environment can force changes to your business model irrespective of the Internet. For many years the JoC owned the business of daily printed sailing schedules called Shipcards. For you non-ocean types, that was the section you threw away before reading the paper. The Shipcards had a good, long run, and allowed the JoC to make investments in its publishing and Piers operations. Sometimes it led to incestuous reporting by the editorial staff unfavorable press coverage for carriers was usually an accident.

But then changes occurred, some caused by the Internet and some by market conditions, which reduced the need for carriers to run printed sailing schedules on a daily basis. Lines still publish printed schedules on their own and in weekly sailing schedule magazines, a number of which the JoC owns (such as Shipping Digest, and Florida Shipper and Gulf Shipper). With that change in its business environment, the JoC changed course. Some say the most effective way to cope with change is to help create it. The JoC has done just this.

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