Imagining the Future

I'm often asked about when I think a given technology will go mainstream in our industry and which technologies will be flops. Many business plans rely on such projections, and the venture capitalists absolutely have to nail these guesses. Of course, making such projections isn't easy, and there's more art than science involved. I have come up with several general rules that I use to help in this process.

The first step is to determine if a given technology is even viable. There have been many failures—such as video conferencing and X12 standards—that never made it out of the gate. It's difficult for even the experts to determine the viability of technology, and it requires years of experience. I've been at this for 22 years and I've made several mistakes. For example, when laser printers first came out, I placed my bets on a company other than Hewlett-Packard (HP). Obviously, HP quickly dominated the market and I had to scramble to redeploy resources to program our software to the HP laser printers. Making a bad bet on technology can often sink a firm trying to develop solutions for the mortgage industry. Projecting the viability of a technology isn't nearly as important as projecting likely usability after it's been developed.

The next step, then, is to project the use of new technology. When looking at the latest technologies, such as imaging, I try to put myself in the seat of the user. Would a loan processor really use this technology? And why would her or she use it? Would a loan processor actually rave about the technology (which I consider a requirement)? Imaging has been around in our industry for about 10 years, but in all that time it hasn't gone mainstream. When I looked at imaging in the past, I couldn't find users who would rave about it. It was also expensive, and couldn't be economically justified for the vast majority of loan origination offices.

In some cases, the technology needs to mature a while before it becomes successful. Video-conferencing never received another look after the late 1990s. It's remained dead, and will likely remain that way for years to come. On the other hand, other technologies have slowly blossomed. For example, automated valuations have taken this route. When they first came out, they saw minimal usage. But over the years, they have steadily grown to the point that today we could consider it a mainstream product. Still other products, such as laser printing and automated underwriting systems, flew out of the gate and went mainstream within a couple of years—but this is a rare occurrence. Most technologies in the mortgage industry take five to 10 years to mature. This is why venture capitalists and investors have such a difficult time with our market. Typically, they want to see paybacks within three to five years. I find that the majority of the technology firms don't start achieving profitability until after six to eight years.

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For myself, seeing a technology go mainstream is a very significant and definable event. Yet it's rarely covered in the press. We all like to read about what's new and up-and-coming. However, I want to know about what's real and what's working in today's world.

Going back to imaging, I believe this was the biggest story at the Mortgage Bankers Association's (MBA's) annual convention in San Francisco in October. As you know, imaging wasn't new, and there wasn't any revolution that would make it suddenly exciting. I don't even remember seeing any press releases related to imaging. What I did see was a technology finally catching on for mortgage originators. I talked to vendors at MBA's annual convention who said they had seen a tremendous increase in software licenses to users, and I saw a lot of imaging vendors that were back for a third or fourth year. Most new technology vendors don't make it past two or three years of MBA conferences. Those that do begin to show some staying power and must be selling at least some products to real customers.

It seems loan processors like the ability to submit loan packages to wholesalers in a digital format. They also like it when the software places all the imaged documents in the proper stacking order that a particular wholesaler requires. Through imaging technology, mortgage originators can eliminate at least one overnight package and won't have to duplicate their entire loan file on the copier. I've found that you really have to offer hard savings before the originator will accept a new technology. After all, there's always a cost to purchase and implement technology. It's pretty easy to say that imaging can save $15 to $30 per loan. My view is that the hard cost of buying an imaging solution can't run more than half that. I believe this is one of the key reasons why imaging has progressively dropped in price over the years. This year seems to be the year it finally makes sense, as solutions are now available for a price of about half what they truly save. Of course, be careful about relying on any supposed cost savings as advertised by the vendors.

Geoffrey A. Moore wrote a top-selling book entitled *Crossing the Chasm: Marketing and Selling High-Tech Products to Mainstream Customers.* He does a great job of describing the lifecycle of technology products. The most important time frame of a technology is when it goes from occasional use by early adopters to mainstream use by

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the general population. Crossing that chasm is difficult, and products that don't make it become failures. What I look for are products that are just starting to cross the chasm, and this is where imaging is this year. This is the kind of development we all should be on the lookout for, and it's a great way to know when you should adopt a new technology.

If you are with a mortgage company looking at technology, you've got to imagine the future and predict the winners. More important, though, is that you have to recognize when technologies are beginning to cross the chasm and are going mainstream. Making accurate predictions and watching the market carefully can make a big difference for your firm. Being right means you stay ahead of the competition and increase your profitability. Being wrong means you buy into money-losing solutions that will distract your staff and put you far behind in the race for market share.

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