

Return of the Milkman & Other Random Thoughts

Glenn E. Atkins, CFA

Executive Vice President & Director of Research

Those of you who have followed this space closely over the years will surely realize that on occasion a series of seemingly random thoughts occurs to me. After these thoughts accumulate for a while I have to write about them - I have to get them out in the open, in the light, to see if they are interconnected and make any sense.

I've been thinking about technology for a few months, and given the recent market excitement (read volatility), it may not surprise you that my technology thoughts have been more keenly focused, but no less random. A question that keeps floating to the top is, Are we so close to the technology revolution that we can't see it? That is, do we fully understand the impact that technology has had and will continue to have over the next 10 to 20 years of our lives? I'm not so sure that we do fully understand technology's impact.

A quick reflection on history will reveal that within only the past two or three generations we have witnessed such achievements as telegraphs (forgot that one didn't you), telephones, televisions, moon-landings, semi-regular space travel (the shuttle), instantaneous world-wide news dissemination (CNN, etc.), cell phones, cars, planes, computers, the internet and medical advances not imagined even in the last 20 years. The list could go on, but you get the point.

The real question then is, Is that it - or is what we've witnessed just the tip of the iceberg? I firmly believe that it's just the tip of the iceberg, that we're just getting started. Yes, it is easy enough to measure technological progress, but only after the fact. It is the acceleration of change and progress while it is occurring that is the un-measurable variable.

One of the reasons I believe that this is just the tip of the iceberg is based on the behavior of profit-maximizing, capitalist companies. Take Intel as an example. Do you suppose that if they had a computer chip that would run at 3,000Mhz that they would put it on the market now, or do you think they would mete it out to us 50Mhz at a time? What would you do? Companies like this are spurred to make change happen and improve progress, but to maximize shareholder value they are rewarded by keeping the level of technological acceleration hidden. I'm obviously not accusing Intel of doing this, but it sure is an interesting thought.

Here comes another random thought. What I'm waiting for is the refrigerator that automatically orders my milk when it gets low. Now that's technological progress. Think for a minute about the grocery delivery companies just now in their infancy. Will this or similar services have any future impact on our society and our seemingly lost sense of community? Your initial reaction to this question may be no. But let's continue this line of thinking for a minute.

One of the major logistical hurdles for grocery delivery is the delivery of perishables - fresh bread, produce, meat, and yes milk. Is our society moving in two directions at once? Are we moving rapidly toward automatic ordering and delivery of shelf-stable goods and at the same time back to our roots - back to the days of the local baker, the local produce stand and the delivery of fresh milk to our door from a local dairy? You knew these proprietors, you interacted with them almost daily. You felt a sense of

community. Short of June Cleaver, this personal interaction may have helped to bind our society together in this sense of community. Are we going to regain this sense of community, and if so, what impact, if any, will it have on future generations?

If the answer is yes - technological change will continue.

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Technology in and of itself will not return our sense of community. But technology can be used as a tool, for good or evil, to influence future generations. The point is - technological advance and change can be blended seamlessly into our existence. In the words of Bob Seger (I'm dating myself, I know) the constant drum-beat of "deadlines and commitments - the ones you leave in, the ones you leave out" can be folded effortlessly into our daily lives with the assistance of technology. And I'm not talking about technology we know and have seen today. I'm talking about technology we have yet to know and see - future technology.

The key to technological adaptation is - don't fight it. Go with the flow, don't resist. Mold technology to your needs, not the other way around. Make sure that the technological light at the end of the tunnel is not attached to the train of technological addiction.

What investment themes are hidden in this discussion? The ideas of point-and-click and of 1-800-SEND-IT-TO-MY-HOUSE are just too appealing. Convenience, depth of product selection, competitive prices and the entire mantra of on-line shopping are beckoning consumers around the globe. How does the local merchant compete? Well, he or she competes just like the e-tailers - convenience, depth of product, and competitive prices. Although the theory goes that the e-tailer does not have a large investment in "bricks and sticks", don't forget that the local merchant will never have delivery charges. Somewhere there is a profit to be made by everyone.

I think the key to success for the local merchant is two fold - product depth (not breadth), and obviously, competitive prices. Are we returning to the days of specialty merchants with store-fronts who carry every item imaginable within a certain genre? Ever heard of category killers? The appeal of internet shopping is finding exactly what you need, quickly and at a competitive price. With certainty you can find this nearly every time on the internet. The appeal of a specialty merchant will be finding exactly what you need, quickly, at a competitive price, and taking it home with you NOW. Again, product depth and competitive prices without delivery charges.

Another random thought. E-tailers are either manufacturers or middle-men. The beauty of internet shopping is dis-intermediating the middle man. Guess what, if you're a dot-com that doesn't make something or provide a unique (and I mean truly unique) service, you're at risk of being eliminated. Sound familiar? What's the investment theme in this? Not every e-tailer will be around in 10 years, so what do you do? Buy the manufacturers who efficiently execute their own internet strategy and buy the internet infrastructure companies. Figure out which companies will be successful no matter which direction technological progress takes us - when we discover the rest of the iceberg.