Why You Should Avoid Stocks That Don't Invest in Technology

Description

Technology is reshaping many different industries, and companies that don't embrace it may be left behind. It's hard to see much long-term growth for a company these days if it isn't investing in technology.

Not only will companies that develop innovations gain significant first-mover advantages, but their bottom lines will also benefit from stronger margins and greater efficiency.

Wal-Mart Stores Inc. (NYSE:WMT), for instance, is not a company that you might expect to be investing heavily in technology. However, the company has come a long way from just having an e-commerce site. In China, Wal-Mart offers delivery for its groceries — something that is still a work in progress here.

Wal-Mart is also reportedly looking at a shopping experience that may not involve any checkout lanes or cashiers, where consumers can pay for their purchases virtually. The company has even pre-ordered 15 electric trucks from **Tesla Inc.** (NASDAQ:TSLA) in the hopes of finding even more cost savings for its shareholders.

Although Wal-Mart is a large department store at heart, make no mistake; the company is very heavily invested in technology and in finding ways to make its operations more efficient.

Another motivation for Wal-Mart to ramp up its game is the threat from **Amazon.com, Inc.** (NASDAQ:AMZN) and its recent foray into grocery stores through the acquisition of Whole Foods.

Innovation is required to stay ahead of competition, regardless of industry

Amazon made headlines and shook the industry when grocers discovered the tech giant would be a major competitor. However, there's no guarantee other industries will be safe, especially as tech stocks continue to get stronger and amass more cash.

In addition to the threat of competition, investors are always looking for growth, and consumers are continually looking for lower-priced products. These are all forces that make innovation a necessity to stay competitive and to keep everyone happy.

Auto industry is seeing a big technological revolution

Self-driving vehicles are re-shaping the auto industry, and as Tesla moves forward with its cutting-edge vehicles, companies like **BlackBerry Ltd.** (TSX:BB)(NYSE:BB) are working on software which will work with driverless cars.

Meanwhile**, Magna International Inc.** (TSX:MG)(NYSE:MGA) is working with other companies on building the "brain" of self-driving vehicles, which would integrate with software components to create a driverless experience.

Hardware being connected online is the new normal

Sierra Wireless, Inc. (TSX:SW)(NASDAQ:SWIR) helps connect hardware to software, and the emerging Internet of Things industry could see tremendous growth as more companies are trying to make day-to-day devices more integrated with online services and apps.

Focus on environmentally friendly solutions requires innovation as well

New Flyer Industries Inc. (TSX:NFI) is another company you might not expect to be heavily involved in technology. However, the bus manufacturer has also been working on developing electric-powered vehicles, as it looks to use cleaner energy sources. Despite the company offering great long-term stability, it too sees a need for technology.

What is the takeaway for investors?

Companies have to innovate just to keep up — not to stay ahead of competition anymore. Investors should look not necessarily at companies that are spending a lot on research and development, but to look at whether that spending is producing tangible results. It's hard to see much growth from a company if it's not innovating.

CATEGORY

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2. NASDAQ:SWIR (Sierra Wireless)
3. NASDAQ:TSLA (Tesla Inc.)
4. NYSE:BB (BlackBerry)
5. NYSE:MGA (Magna International Inc.)
6. NYSE:WMT (Wal-Mart Stores Inc.)
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