

Hello Everyone

"The fundamental human problem is people are afraid of change." Rei Kuwakubo

You could have fooled me. As I look around, I see humanity embracing change with startling ease. Maybe that's Apple's challenge. How do you stay "fresh" when innovation is seemingly coming from everywhere?

Today's missive will look at Apple a little at 5G. I hope it gives you some insight into what many American tech companies are facing.

Signed, Your How-Good-Does-Your-Phone-Camera-Have-To-Be-If-All-You-Ever-Do-Is-Take-Selfies-From-Three-Feet-Away-? Financial Advisor,
Greg

KKOB 09.23.2019 Apple and 5G

Bob: So, Greg, I know this is kind of old news, but Apple rolled out its I-Phone 11 a couple of weeks ago; but there was very little buzz or excitement. I remember when a new I-Phone meant lines around the block.

Greg: Right. And, since a lot of your listeners own either an I-Phone or Apple stock, let's look under the hood to see what's going on.

First, you're right, the buzz-thing started fading several versions back. And now it's nearly nonexistent. Apple isn't stupid though. They know this. They are trying to transition from a hardware company---you know sell a new phone to a billion people very two years---to a service company. They want to generate revenue streams off their apps . Thus, they would make money no matter what Apple product you have.

Bob: I think that's smart. I remember they used to call it the Apple eco-system. If they could get you into their system, you'd become a "sticky" customer. You weren't likely to switch to Samsung, because it was too much of a hassle.

Greg: Right. The problem is people are switching---in particular overseas. Kids in Asia are extremely status conscious, and Apple is not seen as cool anymore. For example, the new Apple phone isn't 5G compatible.

Now in the US and Europe , there are legitimate health & environmental concerns about 5G. Plus, there is added cost; and

many customers are balking at even a \$6/month price hike for 5G speed and efficiency.

That's not true in Asia. They want 5G baby!---regardless of the health, environmental or financial concerns. So, if Apple wants to build its ecosystem, they are falling behind in one of the world's biggest markets.

Bob: I get all that. But isn't 5G going to make the so-called "*Internet-of-Things*" possible? And that seems to be the future—even here. So, Apple could find itself falling behind in the US as well. And wouldn't that mean our listeners should be selling their Apple stock?

Greg: I can see how you would think that given what I just said, but that advice wouldn't be fair. Plus, everyone's situation is different. Still, I'd say it's time to do an evaluation.

On the positive side, Apple is a remarkable firm. Their stock comprises almost 17% of the entire tech index. Alone, they are bigger than the utility and materials indexes (!) of the S & P 500. They are loaded with cash and they have very smart people developing products and services.

With that said, the buzz-kill thing is real. The 5G thing is real. And, the "stickiness" you talked about isn't as strong as once thought. What Apple really needs is that "next new thing"---- and it's not the Apple watch.

Bob: OK, so one last thing. I brought up the "*Internet-of-Things*" because I think it's going to be a big deal. Quickly...could you give an overview?

Greg: Quickly? Well, no. But, you're right. It's a big deal. Tell you what, I'll plan some future shows around it. Until then though, here's a quick example of 5G in action. An analyst at Saxo Bank used beer to make the point.

He said, "*Take a brewery which has thousands of valves that secure the smooth transfer of liquid through the machines. From time to time, one will break causing downtime or, even worse, a*

contamination of the product. To avoid this, the norm is to exchange all valves at specific intervals based on historic projections of breakage rates. In a 5G smart factory, sensors can measure the actual strain on the valves and alert the human controllers when a specific one needs to be replaced before it breaks and without throwing away otherwise perfectly good valves.”

Bob, that’s a big improvement and a huge cost saver. And 5G can do a lot more than that. So, will there be investment opportunities for your listeners? Sure. So, let’s keep this idea tucked away---and on slow market days, we’ll expand on the 5G theme. Deal?

Bob: Deal. How do people reach you?

Greg: My number is 505-508-5550. Or, go to my website at zanettifinancial.com.

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