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Willis: 'Adapt or die' to tech strides

Companies must embrace innovation to stay ahead, investment CEO says

BY JEFF GILL
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Bob Willis' words were pretty strong: In the ever-changing world of technological advances, businesses must learn to "adapt or die."

But in the history of America's economy, the need to keep up with such change is neither unusual nor unnatural.

"If you dig down to the root of capitalism ... you're going to find innovation, invention, new ideas, faster, better, smarter, not settling for the way it is," said Willis, founder of Gainesville's Willis Investment Counsel.

He spoke last week at an annual meeting with investors, but his company's message — that some companies face challenges in trying to keep up — could have had a far wider audience.

"In 2017, we're supposed to have the most store closures in modern history," portfolio manager Brett Slattery said.

The number is supposed to be even greater than it was in 2008, or in the middle of the Great Recession, when "people were not buying things unless they absolutely had to."

"We're not in a recession right now — everyone knows that — and consumer confidence is at a 17-year high," Slattery said.

Basically, online shopping and other digital experiences are transforming the way people think and buy — and affecting companies' bottom lines.

"Wal-Mart was the Amazon 15 years ago," Willis said. "Wal-Mart was taking over."

Today, "the market value of Amazon is now larger than most of the largest U.S. retailers," Slattery said. "What's interesting is that, along the way, there were skeptics who said it can't be done."

As recent as a year ago, he added,



Brett Slattery of Willis Investment Counsel.

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"many were questioning whether people would actually buy enough clothes online to disrupt the retailers. Well, they were wrong. In fact, they were really wrong."

Another company that has disrupted modern conventions is Airbnb, an online site where people can list and book rooms around the world.

Accommodations can be far from the traditional double-bed room with a window overlooking the hotel parking lot, as varied as a windmill or someone's houseboat.

Founded in 2008, Airbnb "started with two broke college students who couldn't pay their rent, so they put out an online ad to rent air mattresses on their floor," Slattery said. "And people actually came."

Some 150 million people have since stayed at an Airbnb location, and the company "doesn't own a single hotel room."

The company gets its money through fees charged when a guest connects with a host.

Companies still face the timeless question of where they see themselves in

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five-to-10 years, "but now they have to make sure they're paying even more attention to how technology can be used to upend an industry," Slattery said.

Companies like UPS and Federal Express are reaping the benefits of the online shopping trend, but they still can't be too complacent.

The trend "has invited a new competitor," Slattery said. "Amazon is getting into the (shipping) business. They're not going to try to take it over, but it's going to impact the way we look at the profitability potential."

Amazon has rolled out drone deliveries, a service the company calls Prime Air.

"Prime Air has great potential to enhance the services we already provide to millions of customers by providing rapid parcel delivery that will also increase the overall safety and efficiency of the transportation system," the company's website states.

"It's pretty amazing and scary at the same time — to me at least," Slattery said of the service.

Transportation companies Uber and Lyft, though they operate much like taxis, can be accessed with digital ease. Rides are set up with a few computer clicks.

They are "even disrupting rental cars, because people who go on vacation now feel they don't need to rent a car — they can just 'Uber' it," Slattery said.

The overarching theme for modern business is "that good companies adapt," he said.

And companies with higher cash flows tend to adjust.

"When this technology obsolescence occurs, they have the ability to either make acquisitions or use their excess cash flow to build out their own technology and stay relevant," Slattery said.

