

With big investments, tech giants battle to stay ahead

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"It's the only way these technology companies can maintain their leadership position," said Trip Chowdhry, analyst at Global Equities Research.

"The future doesn't belong to companies who are riding yesterday's technologies and yesterday's [investments](#). They may end up being what has happened to HP (Hewlett-Packard) or IBM," he said, referring to two American tech firms that have failed to reinvent themselves to keep up with competitors.

Some of the investments appear to be outside the companies' normal trajectories.

Facebook, for example, has invested some \$20 billion in the messaging platform WhatsApp and \$2 billion in the virtual reality maker Oculus.

Google has also invested in virtual reality, pumping cash into a little-known startup called Magic Leap, and has been investing in robotics, self-driving cars and schemes to provide Internet access via high-altitude balloons.

Online retail giant Amazon has been pushing its own line of smartphones and tablets, while producing its own online video content in a bid to challenge streaming rival Netflix.

The Seattle-based company bolstered its online gaming presence with a \$970-million acquisition of the platform Twitch and expanded its "Amazon Fresh" grocery delivery service. On Thursday, Amazon

unveiled its own Siri-like personal assistant in a speaker.



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Far-fetched plans?

Roger Kay, analyst at Endpoint Technologies Associates, said in some cases, the investments appear "far-fetched."

"If I were a shareholder, I'd like to see more governance involved in investment decisions, not (Facebook's) Mark Zuckerberg snapping his fingers and saying: 'I want to pay \$19 billion for WhatsApp because I think it's the next big thing.'"

But the huge amount of investment spending has been ill-received by some shareholders.

Amazon's shares took a hit following its most recent earnings, while Facebook also saw a slide in its shares, though analysts welcomed the social network's investments in things like a new online advertising platform to challenge Google.

Zuckerberg was unapologetic about the plan, saying after quarterly results: "We are going to continue preparing for the future by investing aggressively, connecting everyone, understanding the world, and building the next generation in computing platforms."

A report by the research firm Trefis said these investments "could help accelerate revenue growth once the steam from the Facebook's core business begins to blow off and it reaches a more mature phase."

Some firms have been seeing mixed results from investments.



The Facebook paid \$19 billion for the WhatsApp text messaging application

Microsoft, for example, had to abandon its Zune music player and has had only a lukewarm response from its Surface tablet computers. It has had some success in gaming with its Xbox console, and is starting to see results from "cloud" computing investments.

Netflix meanwhile has seen stunning growth after transforming itself from a DVD delivery service to the leading video streaming service. But it has had to spend heavily for this growth and has warned that profits could be dented in the current quarter.

As these companies grow, shareholder pressure can increase. This has notably been the case with Apple, which has been pushed to deliver more value to investors by paying dividends and buying back shares.

These firms may face the difficult choice of rewarding shareholders or pumping money into new investments which could pay off in the future.

"Wall Street is too narrowly focused," Chowdhry said.

"A dividend is a very short-term gratification, which puts the company in a position of weakness in the long term.

"Giving dividends goes against innovation."

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