

CNBC EDITORIAL

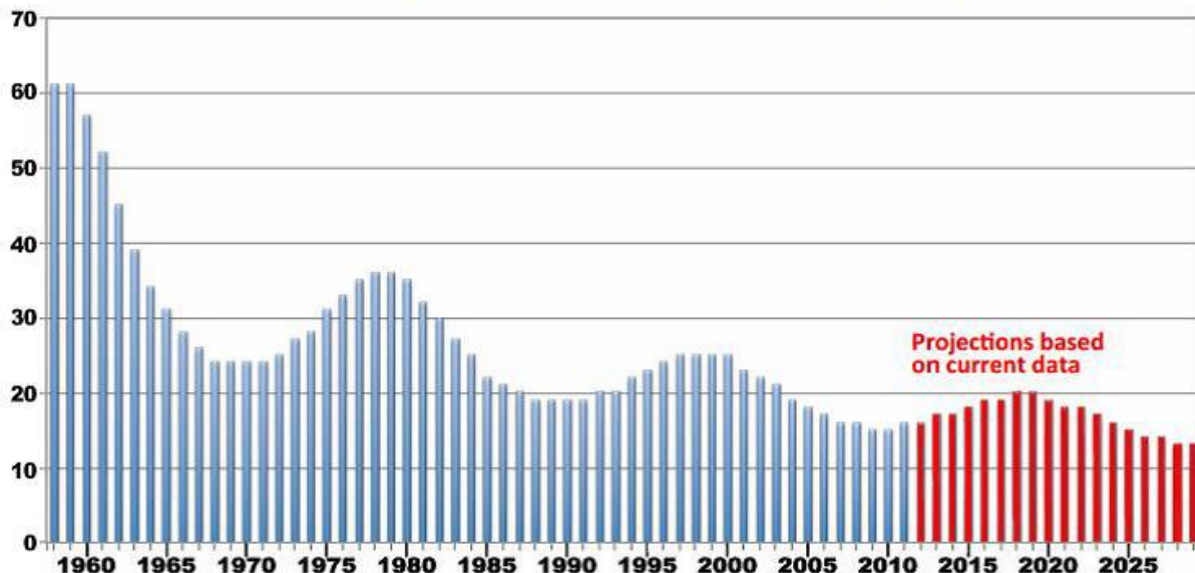
April 9, 2019

eResearch Comment: The following article was published by *CNBC* in its **Evening Brief: EDITOR'S NOTE** on Tuesday, April 9, 2019. It is authored by John Melloy, CNBC Investing Editor. His bio is provided at the end of the article.

EDITOR'S NOTE

How do you invest for the long term like Warren Buffett espouses when there are not very many companies that make it over the long term? Such is the case nowadays with disruption by tech juggernauts, like Apple and Amazon, accelerating the demise of public companies, either by merger or bankruptcy.

Average company lifespan on S&P 500 Index (in years)



Year (each data point represents a rolling 7-year average of average lifespan)

Source: RBC

The chart above was part of some big-picture analysis by RBC Capital Markets, which was looking specifically at the pace of disruption to consumer product makers by the tech industry.

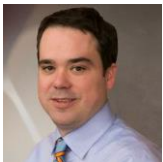
The average life span of an S&P 500 company has gone from 61 years in 1955 to 17 years and is likely headed even lower in the next decade, RBC found.

The firm also notes in the report that the average CEO tenure is down by more than 30% over the past 20 years to just seven years.

So what is an investor to do when most companies are not thinking long term, but just trying to survive the next year? They can just buy the index in the form of an index fund or ETF and hope the trend happily continues. Or, they could keep betting on the tech kings of disruption directly.

One has to wonder, though, if this trend can continue. At some point, the domination of Big Tech may bump against government regulators here and abroad who don't want just five companies dominating the economy.

The tech giants cannot slow down. They need to become even more aggressive, not less, in order to keep the profit growth going that Wall Street has come to expect, such as from the likes of Facebook and Microsoft. This economic situation does not seem quite tenable over the long term.



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