

Making God Laugh With Our Limited Grasp Of The Future

The start of every new year is inevitably accompanied by a torrent of forecasts, predictions, and projections about what the next 12 months will bring. These forward-looking statements fall into two broad categories: Those that are so ambiguous, they're all but impossible to disprove, as in "I say with absolute certainty that three things could happen next year: things could better, things could stay the same, or things could get worse." Or the more specific variety that have a high probability of being wrong. Like the noted economist Irving Fisher who said three days before the great stock market crash in October 1929, "Stocks have reached what looks like a permanently high plateau." Or the editor of *Byte* magazine who warned in 1998, "Y2K is a crisis without precedent in human history." Or Dell Computer's Michael Dell who said of Apple in 1998, "I'd shut it down and give the money back to the shareholders."

At *Music Trades*, we've reported on some forecasts that were similarly wide of the mark. In 1975, Norlin Music Corporation, former parent of Gibson Guitars and Lowrey Organs, and then the largest company in the industry, leased 160 prime mall store locations that were then sub-leased to independent music retailers. The rationale? "In the future, nearly all music retail will be done in mall locations," said the CEO. In 1985, CBS sold Fender guitars for less than the value of its inventory and accounts receivable because, as they told their shareholders, "There is no future in the guitar business." Or more recently, when the internet was first commercialized in 1992, we quoted a bevy of retailers who said with conviction, "No one is ever going to buy a musical instrument from their computer." In sympathy, however, a lot of these forecasts come about not because people have any special insights, but simply because they are asked by journalists in need of copy.

We could go on at length about the limitations of future knowledge, but an old Yiddish proverb sums it up better than we can: "We plan, God laughs." Or to quote Warren Buffett, a more contemporary sage, "Detailed forecasts and elaborate Excel sheets very often produce a misplaced sense of confidence."

The problem with forecasts is not just that they can be wrong, but they can be a distraction. In the real world, we operate within markets, but we run or work at companies. While there is a connection between markets and individual enterprises, the linkage is far from absolute. Increasing demand can provide a nice tailwind, but it's no guarantee of success. The demand for music products has ebbed and

flowed continuously in the 125 years we have been publishing. In years when industry revenues surged, our columns have carried reports of business failures. Conversely, in lean times we have also chronicled many vibrant enterprises. In short, market performance doesn't always make or break a company. Rather than spend a lot of time and effort divining future market direction (and possibly incurring giggles from above), the energy can be better spent getting to know your customer intimately, improving the products and services you offer, and searching out internal efficiencies. And while we're discussing

higher authorities, it's worth noting the Biblical warning of "fat years" followed by "lean years." Hurricanes, leaky roofs, bad debts, and other unforeseen hardships occur all too frequently, making it prudent to build up reserves. This is particularly relevant at a time when cheap money makes leverage seem almost risk free.



Working hard on the basics of your business and saving for a rainy day could be lumped in with those other forecasts that are general to the point of being useless. However, in 125 years of industry coverage, we've noticed a recurring pattern. Relentlessly customer-focused companies that constantly improve their offerings while exercising a degree of fiscal prudence are the ones that prosper in good times and bad. We're not sure what to expect in 2016, but we think this simple dictum will continue to hold true.

And, speaking of 125 years, we were overwhelmed by the outpouring of well wishes and congratulations from all around the world on the occasion of our anniversary last month. "Thank you" doesn't begin to convey the magnitude of our gratitude and appreciation. The kind letters and emails validating our approach to industry coverage have inspired us to redouble our efforts. Our longevity has been due in no small measure to a succession of talented predecessors. Our only regret is that the family and staff members who built the foundation upon which we stand are not here to see their efforts so strongly endorsed.

Thank you, and Happy New Year to all.

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