

J. Michael Locke

Musings

#135: Musing July 16, 2021

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Tell your kids to go into sales. In today’s technology-based world, the keys to success are about building a good product (engineering/coding) and effectively taking it to market (sales/marketing). You hear lots about coding boot camps and the shortage of engineers but not enough about sales. Software companies generally have very high gross margins so can afford to spend more on sales and marketing. The key operating metrics become the LTV/CAC which is the “lifetime value”/“customer acquisition cost.” Unfortunately, historical frameworks have some professionals wary of sales. Good sales operations are not boiler room but rather psychology and chess. WSJ article: [the-pay-is-high-and-jobs-are-plentiful-but-few-want-to-go-into-sales](#). With all of the data you can aggregate on prospective buyers, sales has also become an “engineering exercise.” Remember, without sales, a company is just a lot of expenses. Funny throwback clip takes on a Few Good Men scene: [a few good expenses](#).

Not sure I agree with this, but Goldman Sachs research says employees are more productive working from home. From Bloomberg: *“The Covid-19 pandemic is fueling a productivity boost for the U.S. economy by speeding up workplace digitization....Since the crisis began, annualized growth in output per hour has risen 3.1%, compared with 1.4% in the previous business cycle, Goldman economists wrote in a note. “Stronger productivity growth has been one of the silver linings of the pandemic,” they said.”*

Never forget the consumer psychology of getting a deal when planning your marketing and pricing activities. Just go to Costco at lunchtime if you want to see it real time. Free food samples (or the \$1.50 hot dog and Pepsi) draw people in and next thing you know you have a 5-pack of toothpaste that you didn’t really need. There is a difference between saying “25% off” vs “50% off when you buy 2.” Best yet, make it free. A study published in the Journal of Marketing found that most shoppers prefer to get items for free, rather than at a discount—mostly because they find difficulty in comprehending fractions, while “free” is always understood...thus the buy one, get one free approach. For some reason, we can’t pass up on free --- just ask the airlines about their beverage service. Giving something for free also exploits the psychological concept of “reciprocity” where most people feel the need to give something back when something is received (ever have a homeless person wash your windshield at a light without it being requested? You feel bad not giving him/her money). Discounts also get associated with brands. Famed investor Bill Ackman missed this when he hired an Apple executive to run JC Penney and eliminated the discounting-centric marketing approach. Apple doesn’t discount. JC Penney plummeted when it stopped.

Speaking of consumer psychology, what does your car selection say about you? Red car owner -- someone who likes being noticed; Minivan owner -- practical. Pickup truck owner? While most people would say male, country boy, not so fast -- 46% of pickup buyers were women last year according to the

Car Guide. Look for a greater appreciation of “rural” America with the reshuffling of the population that has gone on during pandemic. Media narratives dominated by urban coastal viewpoints while pickup trucks continue to be the top-selling cars in the US:

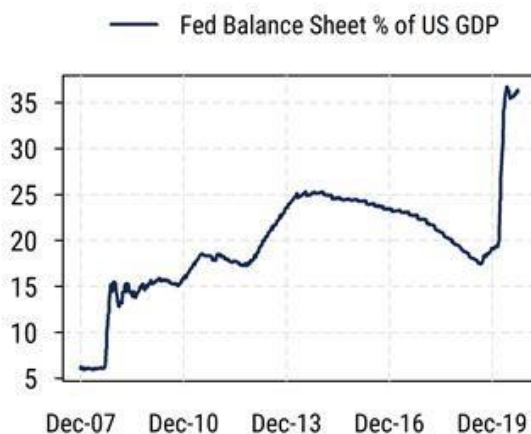
These are the top 20 vehicles sold in the U.S. ranked by 2020 full-year sales, according to Motor Intelligence U.S. Market New Vehicle Deliveries Report.

Rank	Model	2020	2019	Change
1.	Ford F-Series	787,422	896,526	-12.2%
2.	Chevrolet Silverado	586,675	570,639	+2.8%
3.	Ram Pickup	563,676	633,694	-11.0%
4.	Toyota RAV4	430,387	448,071	-3.9%
5.	Honda CR-V	333,502	384,168	-13.2%
6.	Toyota Camry	294,348	336,978	-12.7%
7.	Chevrolet Equinox	270,994	346,048	-21.7%
8.	Honda Civic	261,225	325,650	-19.8%
9.	GMC Sierra	253,016	232,323	+8.9%
10.	Toyota Tacoma	238,806	248,801	-4.0%

Good quote from the FT (Financial Times – the pink paper from London) – “Diversification is the only free lunch in finance.” In case you ever wanted to know why it was pink. From Google: *“In 1893, The Financial Times, a prominent London newspaper, decided to start printing its articles on light salmon-pink paper. The pink background was meant to distinguish the paper from the Financial and Mining News. ... Plus, it was also marginally cheaper to print on unbleached, slightly pink paper at the time.”*

Time for the Federal Reserve to stop the easy money train! They are still buying \$120 billion in bonds every month -- this increases demand and pushes down yields -- so the “government” manipulates the market, so you have a 10-year bond at under 1.4% and low mortgage rates! Look at what the Fed has done in the last 15 years below (Graph from Mills Street Research). Get Powell away from the High Noons and hope he starts fighting inflation (CPI up 5.4% last month).

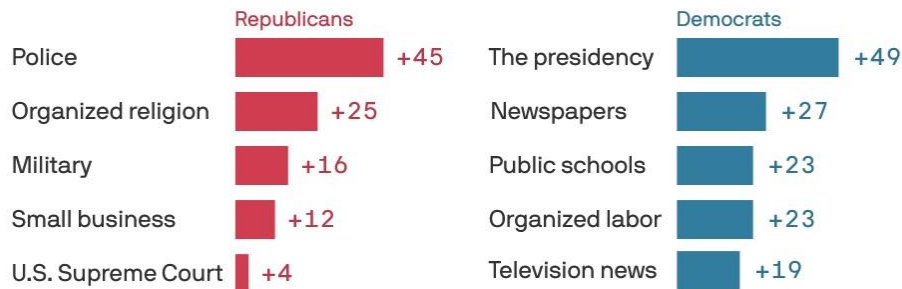
Federal Reserve Total Assets % of US GDP



Interesting statistics on the trust level in various institutions and how it varies between Republicans and Democrats. From Axios (thanks Mark Locke):

Partisan confidence in select U.S. institutions

Percentage points difference in share reporting a 'great deal' or 'quite a lot' of confidence in an institution;
Survey of 1,381 U.S. adults, conducted June 1 to July 5, 2021



Have you seen the famous digital cat in Tokyo? Watch out for the growing use of ultra-high resolution curved video signage: [digital monster cat](#)

We might be witnessing the end of communism in Cuba. Technology opened up communication and Covid has crushed the economy. Seeds of revolt planted and the protesters have rallied around a slogan and song "Patria y Vida" which means "homeland and life." [bbc on cuba](#). Unfortunately, Hong Kong going the other direction.

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