

## J. Michael Locke

### Musings

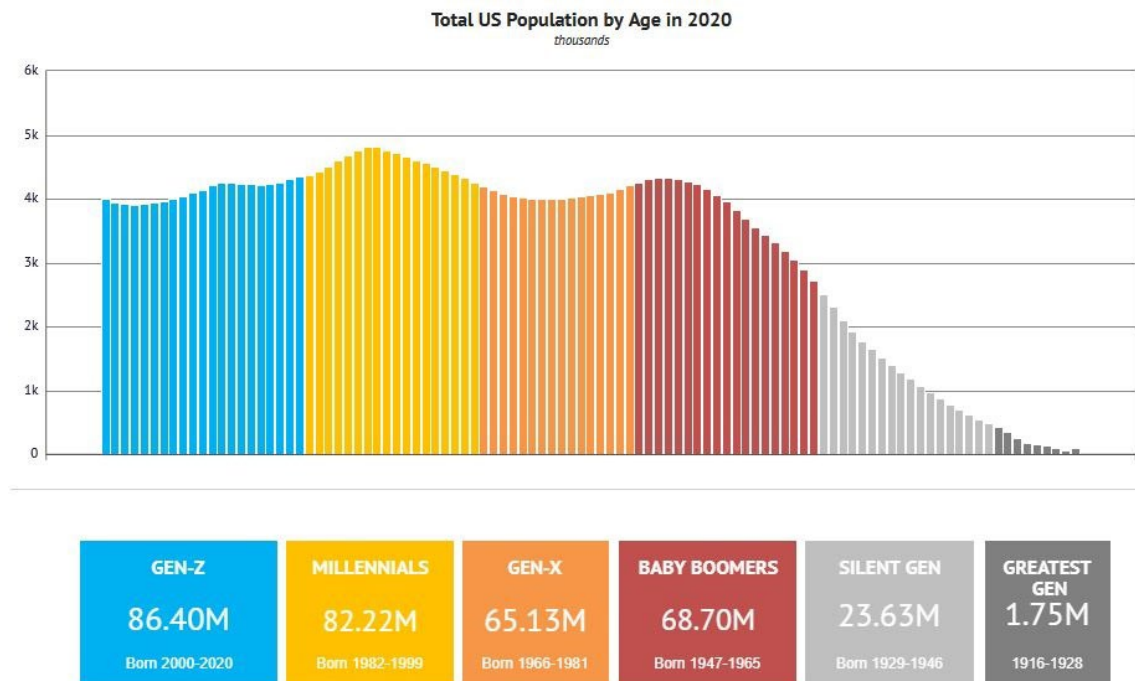
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#### #188: Musing August 14, 2022

I often write about the need to manage forward. Good business executives know what metrics to watch and other information to allow them to predict where things are going and adjust accordingly. The financial markets are always looking forward. Buy/Sell decisions are all based on what you think is going to happen in the future. This is why markets reacted enthusiastically to an 8.5% CPI. That is huge by any standard but the markets are focused on the sequential deceleration from 9.1% last month as an indicator that inflation is coming down and thus maybe less aggressive Fed rate hikes.

Retirees are also rejoicing. Social Security is adjusted once a year based on third quarter inflation. Rather than the composite CPI, Social Security uses the CPI for Urban Wage Earners which was up 9.1%. If August and September follow suit, social security recipients are about to receive a record COLA (cost of living adjustment) for next year.

The basic “system” of our society where current productive employees pay for those later in life who are no longer working is in real trouble. Look at this chart on population in the US. We need our baby boomers to keep working! [us-population-by-age-and-generation-in-2020](#)



The pendulum looks to be swinging back towards employers. While we still have a structural labor shortage, layoffs are increasing (especially at tech and retail). Some who left during the “great

resignation” are finding grass is not always greener. There is a continuum in leadership styles from the historical military/command and control/authoritarian style to the benevolent/servant leadership style. The latter had been winning out during pandemic but now many are moving towards more demanding style. [ceos-ditch-the-warm-talk-as-economy-shows-signs-that-winters-coming-](#)

I was recently reminded of one of the big learns from Steve Jobs’ success in running Apple. From an HBR article: ***“Customers should run the firm. Steve Jobs is above all an Apple customer. He and Steve Wozniak built devices that both of them wanted to use themselves. Wozniak brought exceptional engineering chops. Even more important, Jobs (who can’t program) brought the perspective of a passionate and non-technical customer into the design, the look and feel, and the excitement of Apple products. What made and still makes Apple products great — and what other tech firms can’t seem to grasp — is that Jobs and Wozniak didn’t apply their talents to make money or demonstrate engineering prowess. They applied their talents, fiercely, in the service of creating something that would excite them as customers — which they could do because they were passionate customers, as are the employees of the organization they built”*** Tesla is doing this with the car ownership and service experience. You schedule your appointment on your app. They have mobile service that comes to your house and you can pay through the app using Apple Pay. You don’t have to get out of your chair.

The “text war” is heating up between Google and Apple. The two companies use different texting technology which creates problems when texting among people. If you are an Iphone user (55% of US), a text sent from an android phone shows up as a different color and won’t work on Wifi. Apple is trying to keep people on its proprietary technology. From CNBC *“Apple’s systems detect when an iPhone texts another iPhone and, instead of sending that message through the SMS system, it uses Apple’s own proprietary iMessage network. Users see the text they sent as a “blue bubble,” as opposed to the green color seen on SMS texts, like those to Android users. The inferiority of “green bubble” texts has become a meme and inspired a [song by the musician Drake](#). iMessage chats provide a better user experience than SMS chats on an iPhone. Many of Apple’s features, like adding emoji reactions to a single text message, barely work on SMS chats. iMessage chats feel faster because of Apple’s animations and include features like read recipes, bubbles that indicate whether a user is typing, and superior group chats.”* [google-pushes-apple-to-adopt-rs-text-messaging](#)

Never take the “warranty / service” option when buying something IMO. They wouldn’t be selling it to you if they thought they were going to lose money on it. Take the risk. Often, consumers even forget they have the policy and it is 100% margin. Don’t have “purchase exhaustion” and let them jam you at the end with upsells in the business office of the car dealer or whatever.

I wrote last week about declining enrollments in higher education. In large part, this is due to a massive shift in perception on the value of higher education. Relentless price increases (schools are terrible about managing expenses) supported by practically unlimited capital from the government in student loans have created a very weak value proposition which has been exposed with the strong labor market and the arrival of other forms of post-secondary learning like the Google certificates. Google is offering some tech related certificates for \$39 a month ([grow.google/certificates](#)). According to Reuters: *“Over 70,000 people in the United States and 205,000 globally have earned at least one certificate, and 75% receive a benefit such as a new job or higher pay within six months, according to Google.”* In comparison, only 32% of Americans think college is worth the cost (according to Strada Group). [how-higher-education-lost-its-shine/](#)

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