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Hi. I'm Andy Doe. I'm the Chief Operating Officer of the Naxos Group. I'm here to give the keynote.

All week, I've been wondering what I should say.

There are lots of people here who know much more about radio than I do, so I probably shouldn't talk about that. I'd like to share some of what I've learned in ten years in the recorded music industry. I hope there's something in there that applies to the issues you face today.

I've had the privilege to work in a number of forward-looking companies, and I'm often asked to talk about the future of our business. The trouble is, I can't predict the future. Nobody can.

People keep asking me to do it though, so I must be getting good at looking like I can. It makes me wonder if there's something to be learned from that – which brings me to the subject of today's talk:

10 ways to fake it as a futurist (or how to foster innovation in your organization)

1) Don't listen to negative people.

"If a tree falls in the forest, and Norman Lebrecht and Greg Sandow aren't there to cite it as evidence that the entire forest is dying, did it really happen?"

The confusion here arises because a tree falls noisily, but a forest grows very quietly. If we're going to get an accurate idea of what's going on, we can't ignore the silent evidence.

When a big tree falls, the casual observer hears a lot of noise. It looks like that's the whole story. Stick around though, and you'll see that as light reaches the forest floor, a whole host of seedlings spring up, competing aggressively until one rises all the way up to take the place of the big tree.

If the climate hasn't changed in the meantime, you'll probably get a tree that looks a lot like the old one. If, however, the environment has changed, there's no telling what will grow in its place.

We're seeing this today in the world of music retail. Some real giants grew up, crowded out the competition, and then all fell at once. If you're prepared to

innovate, this is a great time to be in music retail. There's plenty of sunlight, so if you're not successful it's entirely possible that you've underestimated quite how much the climate has changed.

Has the music market shrunk? Yes – but that's really the answer to the wrong question.

Overall, the recording industry has been shrinking for my whole career, but I have always worked at companies that were growing. If that was only happening to me, I'd control the entire record industry by now.

This is a time of change. There will be some winners and some losers, but that's not the beginning of the end. It's the beginning of the next chapter, and the losers are the ones that sit around waiting for everything to go back to the way it was.

So there are plenty of opportunities for growth – and if you ever hear somebody say in a meeting something like “flat is the new up” then make them go and stand in the corner and think about what they just did.

They didn't just use everybody else's performance to justify lowering expectations to the point of redefining failure as success so they can keep doing something that simply isn't working – although that would be bad enough.

They also moved the goalposts so that failure is something that you aim for.

That's never ok.

So what do we do to succeed? Well, that brings us to number 2.

2) Be lucky

We underestimate the role of luck in success.

One of the most pivotal events in my career was meeting a man in an elevator. I went to school, I worked hard, I learned a lot – but I'd never have the job today if it wasn't for a number of lucky coincidences.

We tend to rationalize chance events as deterministic. It's comforting to think that, like a game of tic-tac-toe, you can think through all the possibilities and know the winning move.

Ironically, it's rock stars that often bring some much-needed humility to the table here, with the concept of the “lucky break”.

Knowing that we need to be lucky can save us a lot of trouble, chasing our tails trying to think a thousand moves ahead.

How, though, can you be more lucky?

3) Have a lot of children

- You never know which ones will take care of you in your old age

Naxos has the label, for which you probably know us best.

Over the years, though, the company has also developed a lot of other products and services:

- We have Naxos Music Library – an enormously successful product that allows libraries to access a vast recorded music collection through every computer on campus.
- We built Classics Online – a download store designed specifically for the needs of classical consumers.
- We have an international physical distribution infrastructure that allows us to ship both our products and those from other labels direct to consumers and retailers, almost anywhere in the world. Warner Classics recently became the first major label to be distributed by us in the US.
- We handle our own digital distribution, but we also offer those services to other labels – something that is becoming a very important part of our overall business.
- Finally, we now offer label management services – so that if an artist or organization wants to run their own label, they can outsource any part of that activity to us, and take advantage of the economies of our huge scale. We'll take delivery of a finished master and do anything and everything it takes to get the album ready for release – design the cover, layout the booklet, source the liner notes, manufacture stock, sell it into retailers, ship it worldwide and handle marketing and PR.

This means that any time somebody wants to release a classical record, there's a way we can help.

To arrive at this portfolio of successful activities, we've tried lots of things that haven't worked. What we've got today, though, is a robust and diverse set of revenue streams that bring with them tremendous security against changes in the

marketplace.

All these different activities could become a huge drain on both your attention and your financial resources. How do you keep all those balls in the air?

4) Make your kids babysit each other

My son's godfather, Uncle Steve, has eight godchildren.

When I saw him last week, he told me that another one was on the way.

Luckily for Uncle Steve, he's ideally qualified as a godparent – he's fabulously wealthy – but he complained to me that he can't handle any more godchildren. He can afford the gifts. He just doesn't have time to shop for them.

I told him the answer is simple. The oldest godchild is fourteen years old now. Steve just needs to delegate. That kid can earn his college fund remembering birthdays.

Although Naxos has a lot of big ideas, most of our projects start small, and earn their keep as fully formed business units from a very early stage.

If your startup activities can take care of themselves (or each other) from early on, then not only is your growth sustainable, but you also know that they're going to work.

A startup that funds its own growth is worth ten that require long-term investment, because it's not just a bird in the hand. It's a whole poultry farm.

5) Don't trust experts

By definition, every revolutionary innovation has been contrary to conventional wisdom.

Whether you look at technology, business, art or science, everything really cool has taken the experts by surprise.

It's usually only with the benefit of hindsight that great inventions seem inevitable, so if you want to do something innovative, don't pay any attention to experts that tell you it won't work. They might not know what they're talking about.

In a few years, they'll probably be explaining why your success was inevitable. Hindsight is a wonderful thing.

This does leave us with a bit of a challenge, though: how do we find out what's going to work?

6) Embrace Failure

When you're trying to do something efficiently, it's tempting to make a plan, get everything ready, and do it, for real, on a big scale.

The trouble with this, though, is that you don't learn much from getting things right, and if you've got anything wrong you won't find out until it's too late.

Whether you believe that it was evolution or intelligent design that got us to this point, if you want your business to move forward, you have to let it evolve.

That means failing early and often, prototyping ideas, products and services, trying them out while there's still time to change the plan, and learning from anything that goes wrong.

7) Use buzzwords if you must, but don't believe them.

When somebody says in a meeting "let's take this offline" what they really mean is "can we talk about this when all these people aren't here."

When they tell you "The analytics support this idea" do they mean statistics, or analysis? Didn't they just use a made-up word that blurs the line between data and its interpretation?

There are countless examples of management buzzwords that cover up woolly logic and ill-defined ideas, but the one that really worries me is the word "paradigm".

Websters defines a paradigm as "a philosophical and theoretical framework of a scientific school or discipline within which theories, laws, and generalizations and the experiments performed in support of them are formulated; *broadly: a philosophical or theoretical framework of any kind.*"

What people tend to mean, though, when they say "The information superhighway is a whole new paradigm" is "This is a different world, with different rules, and you can't judge projects by the same standards."

That's just not true.

Most of the conventional rules apply.

It's tempting to think that the Internet will increase your reach by making what you do available to a broader audience.

That's partly true. It can.

What it also does is expose you to an unprecedented level of competition.

If you wouldn't compete with the entire world using the old technology – say by building a transmitter powerful enough to be heard around the world – then doing the same on the Internet might very well not work either.

Social media can be a useful tool, and some people have experienced huge success with it - but it's unlikely to completely change your world.

8) Ask stupid questions

As markets change – and markets do change – we face the opportunity to thrive in a new environment or to be wiped out completely.

One of the easiest ways to be wiped out completely is to live in denial of those changes. I won't mention any names, but I'm sure you can think of an industry or two that has this problem.

A relatively simple way to guard against this is a simple thought exercise: what would we do to stay in business if some key activity was no longer possible?

“What happens if we can't make money by funding recordings and selling them?”

Well, that's easy. We already offer label management services. We can always continue to distribute the records that already exist, and keep on making records for other people that need them.

Let's try a sillier one.

“What happens if somebody bans the sale of classical music?”

Now, this isn't likely. But if we've got a plan for this, there's really not much that the market can do to hurt us:

- We still own the IP. We can exploit it in other ways.

- We have the largest database of classical works anywhere in the world. That data alone has considerable value.
- We have a distribution network that could carry stuff other than CDs and DVDs
- We have a huge royalty accounting infrastructure
- We have a talented sales and marketing team
- We have a startup culture

Ok. Now you try:

“What happens if somebody bans classical radio?”

Perhaps that’s a ridiculous question. They might take your funding, but they’ll never ban it. I mean, nobody would ever pass a law that meant you couldn’t, for example, play several consecutive tracks from the same CD...

...oh, wait. They did that.

Well, let me save you some trouble here. I have a stack of performance complement waivers right here. If you’re worried about the legal implications of streaming whole works on your station, don’t worry. Come see me after this session, we’ll sign it right away, and you can go home and broadcast as much of our music as you like.

[Contact me at andy@naxos.com for a waiver]

9) Don't take yes for an answer

Problem solving is a big part of running any successful company.

We can miss a trick, though, when we think that solving a problem was all that was required.

Nobody ever won a design award for an adequate product because the best products aren’t the result of asking the question “will this do?”

They result from asking “can we do this better?”

It’s often possible to improve on the first solution that we come up with. It is rarely three times as much work to propose three solutions to a major problem. You can pick the best one, and you’ll almost always be left with something that, if you don’t use it this time, will be a valuable option when you come to do something else in the future.

10) Don't be afraid of niches

We want to make the right move. We want to base our decisions on facts, so we do research.

When Coca Cola wanted to find out why they were losing the Pepsi Challenge, they did some research, carefully tweaked their flavor, and launched New Coke in one was to become one of the most infamous product management disasters of all time. Their over-reliance on research almost brought the company to its knees.

The trouble, here, was that something that performs well in a test doesn't always work in the real world, and we'd do well to remember that any time we commission market research instead of actually trying something for real.

When we set out to find out about our audience, we ask them questions about what they like, and then try to meet the needs of the largest possible audience. This can be a terrible mistake, as we overlay one median over another, aiming for an ever-narrower area in the middle of the road that might not contain any actual customers.

Sure, the median age of your audience might be 46, and the modal occupation might be "local government employee". You might find that the majority of your listeners live within five miles of downtown and commute an average of twenty minutes each day.

All those things could be true without you having a single 46-year-old listener who works in local government, lives downtown and commutes for twenty minutes. Aim for this guy, and you'll miss. He doesn't exist.

We get into even worse trouble with means. The average American has 1.991 arms. If record companies made shirts, I'd probably struggle to find one that fitted. After all, like most people, I have an above-average number of limbs.

The most important lesson here, though, is about the relative unpopularity of music.

The entertainment industry gets most of its news about itself from itself. We drink our own Kool-Aid™. After a while, it becomes very difficult to understand the difference between big and close, and we start to think that people are genuinely famous or popular, simply because we keep hearing about them.

Let's think about this for a moment.

For a record to go platinum in the US, you have to sell a million copies. There are more than 300 million people in the US, so that means that a platinum album was purchased by just 0.3% of the population.

Michael Jackson's Thriller holds the world record as the best-selling album of all time. It was released right at the beginning of MTV, and enjoyed the entire the entire CD boom. It had just about every advantage an album could have.

The result?

It was purchased by one in 62 people, worldwide.

In classical music, of course, the numbers are much smaller.

We're happy to sell 10,000 copies of an album.

To get there, we have to sell it, over the life of the project, to one in 30,000 people.

That might take ten years, so in any one year, we might sell it to one in 300,000 people.

In a town like Franklin Tennessee, where we have our office, that's about a quarter of one person, each year.

When you first hear numbers like this, it can be a bit depressing. Don't panic though. We do just fine in this market.

Classical music represents about 3% of the music sold in America today.

You know who has a 3% share of the car market? Mercedes Benz. Do you think they're worried? No. They make a better product than most people want, just like we do. They're successful not because they aim to please everybody, but because they aim to make their small corner of the market extremely happy. Like Apple, with their 5% share of the personal computer market, they don't have to make something that suits the entire population. They just need to do something that a small number of people really love.

The challenge, and the opportunity, for all of us here – and this is the thought I want to leave you with – is that we need to inspire interest and excitement in our audience. We need to engage with them – and we don't do that by telling them that they're wrong to dislike most of what we do, or by comparing them to some fictional average.

We engage with them by genuinely accepting that it's okay that most people don't enjoy all "great" music, because they love some of it.

We win by understanding that, at its core, our audience will go to great lengths to discover one thing they truly love. That's what makes them – and all of you - an amazing group of people.

Thank you all for your support.