If you are FANCy maybe it’s time to grow FANGs

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What I am going to tell you is what you all already know and I am going to define it and generalize it in very layman’s terms with recognition that all generalizations have exceptions. I am going to frame all of this in order to convey an important helpful lesson at the end.

The business model for “traditional content providers, FANCy” is to produce a show or a filmed event that targets particular demographics for the purpose of selling 30 and 60 second video advertisements targeted toward that demographic. Determining the success of this form of advertising is spotty at best as one relies on a rating agency to give an idea of approximate viewership and the advertiser effectively pre-pays the cost of the ad with only a guesstimate of who and how many watch it and are called to action from it.

The business model of the “new content provider, FANG” is to either produce and/or provide any form of content: video, audio or written, and sell any form of advertising, video, visual, link etc., targeted directly towards the exact potential buyer or demographic. The success of this form of advertising can be precisely measured and many times be measured right to the success of a transaction. The cost/benefit of the advertising and what form to use can be far more exacting.

Without a whole long winded discussion on predictions of future trends, it is very clear to me to see where advertising dollars may be better spent. I know as well, there are those who are reading this saying, “but wait, there is still a large market for traditional content providers and they have not gone away yet.”

As a financial advisor who works with people in the media and entertainment business I am blessed to have been able to forge relationships with those who have made their fortunes in these businesses, both “traditional” and “new” and they have taught me a lot.

Today I want to share a message from a friend of mine who is now in his 80s. He was a major record executive for most of his life but finished his career working in newer technologies because he learned in the middle of his career, the hard way, not to cling to an old technology, even though some more money could still be made in the space.

I will paraphrase and probably do a disservice to the wonderful story he told me, but however poorly it is repeated it is worth hearing and learning from his experience based on what I mentioned above about “FANCy” and “FANG.”

In the late 1970s, the 8 track tape was all the rage. Many people enjoyed using 8 track players in their homes and autos as they played a continuous loop of music with no rewind or resetting of a needle. As the 80s approached, cassette tape quality was improving immensely and began to eat in on 8 track tape
sales. Then came the compact disc in 1982, which gained rapid popularity and market penetration. By about 1988, the 8 track tape was no longer sold in most stores.

Here comes the lesson and story I was told.

In the early 80s many sales people in the record industry did not want to let go of the 8 track tape. At the time they felt that so many people still had 8 track tape players and 8 tracks tapes were cheap and easy to keep producing, distributing, and selling. My friend and his management team initially listened to the sales people. For a brief period the sales people were correct, 8 track tapes kept selling. But in short order they had to cut prices drastically to keep product moving and by the time they decided to discontinue production they had to write off mass amounts of inventory. He told me that from then on anytime he felt a new technology was going to take over an old technology, still knowing that money could be made on the old, he left it on the table as he felt it was a better business decision to put all efforts towards embracing and therefore potentially dominating the new technology or medium. This served him very well through the rest of his career. This guiding principle allowed him to move away from the “traditional recorded music” business earlier than most and transform towards other media and technologies that made him far more than others, who were still left trying to squeeze the last bits of juice from dying fruit.

Please feel free to forward this article to anyone that might benefit from reading it or to someone you may be interested in introducing to me.

About the author:

Andrew Schultz has been a Financial Advisor at Morgan Stanley and its predecessor firms for over 25 years. He is one of approximately 300 Private Wealth Advisors, a group within Morgan Stanley Wealth Management who focus on Ultra High Net Worth individuals, families and foundations. Andrew has recently been recognized by Barron’s as one of the Top 1200, by Forbes as one of the Top 200, and by the Financial Times as one of the top 400 Financial Advisors in the country.

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