

## Turning Threats into Opportunities

By Justin Locke

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Have you ever noticed how major opportunities look like threats when they first appear?

A classic example is the American folk tale of John Henry. He and his co-workers viewed steam engines as a threat to their livelihood, and they tried very hard to resist the new technology, to no avail.

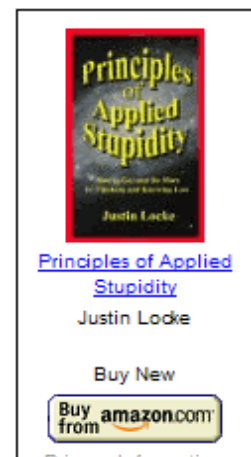


His was a marvelously poetic story of man versus machine. Much as we all admire these hard-working folk heroes, however, nowadays you would be hard pressed to find anyone who would want to swing a sledge hammer all day. Nostalgia is a fine thing, but in our hearts we all very happy that steam power came along.

Another example: In the 1950s, the major movie studios had a John-Henry-esque response to the invention of television. They saw it as a major threat to their survival, and tried to compete by offering widescreen formats and surround sound.

Eventually, they realized that the threat of television was actually a new opportunity to make money on their libraries of thousands of old movies. And now, far from seeing television as a threat, Hollywood is actually dependent upon it, as a vast and growing audience buys their movies through cable TV, DVDs, and Netflix.

The music recording industry went through a similar threat-turned-new-business-model process. When digital recordings came along, the major recording labels were in a panic. Customers could now make copies with no generational loss. Worse, the rampant downloading of digital music files was ruining their existing business model. In response, the recording industry demanded design limitations on digital tape recorders, and sued teenagers for downloading free music. The Luddites would have been proud.



Then along came Steve Jobs. He created iTunes, and now, instead of being threatened by the downloading of MP3s, the music business is dependent upon it. People are downloading music files and the music business is making more money than ever.

Throughout history, when status quo has been threatened, the first instinct was to run to



the ramparts, resist the onslaught, and maintain the status quo.

This did not work during the industrial revolution, and it won't work now. New technology is frightening at first, but following that initial disruption there is always an opportunity for new business models – often a big improvement on the old ones.

Here's one example of how this is unfolding today: The music and movie businesses are again under duress from the "threat" of YouTube "mashups," where people take their movies, edit them with new music and occasionally humorous new subtitles, and post them online for free. Instead of resisting this use with lawsuits, why not jump on the sales opportunity? One could do a deal with an unlimited universal access and use model. Users could pay a flat annual fee for unrestricted use of the copyrighted material, with the added incentive of being able to make ad money if they generate enough traffic. It's like the original "threat" of 1950s television, but this time there is a television station (and a free television director and producer) in every house.

The original producers would get a fee per viewer downloaded, plus a cut of the new ad revenue. These mashups would even serve to promote the original movie. One's percentage of the pie might be a lot smaller, but the pie itself would be much bigger.

It's amazing how so many people want to use products in a new way, and yet the owners still want everyone to buy in the old way.

I will bet you can cite numerous examples in your own field.

Facing uncertainty, we cling to the tried-and-true. But if the past teaches us anything, it is that out of the ashes of obsolete systems rise bigger and better opportunities. We need the courage to keep our heads, and have the vision and imagination to annex the perceived "threat" instead of resisting it. Sometimes this requires a whole new system of monetizing commerce, but such adaptation has been going on for centuries.

So the next time you hear complaints about a threat to your business model, remember that every new major opportunity begins its life as a challenge to what came before it.



*Justin Locke is a speaker based in Boston. He spent 18 seasons playing the bass with the Boston Pops, and he is the author of several books, including "Real Men Don't Rehearse" (a musical memoir) and "Principles of Applied Stupidity," a look at how to be more productive and effective by going against the conventional wisdom. See more by visiting his website at [www.justinlocke.com](http://www.justinlocke.com).*

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