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## Projection vs. Prediction by Bob Manna & Matt Manna • 00560503(R03)

*"In sports, basing future expectations on past performance is silly. In business, basing future expectations on past performance is more than silly, it's lethal."*

Basing future expectations on past performance is silly. Why? Because the future is a certainty but what will happen in the future is not.

Every basketball fan who has watched their favorite player score 18 points in the first quarter of a game, only to wind up with a total of 23 points at the end, has a visceral understanding of how much the future can differ from the past.

In business, as in basketball, it's tempting to believe the future is best evaluated through analysis of data representing the past. That's not usually the case, and to believe otherwise is dangerous.

The word that most exemplifies the danger is projection. There is another similar sounding word often equated with projection. That word is prediction. But projection and prediction do not refer to the same talent. In fact there is a vast difference between them. Let's take a look.

Suppose you're in control of an established luxury car company with steady but stagnant sales. Research indicates that cars above a particular price point sell in quantity X. Below the price point, X+ number of cars sell. You decide to go for the X+ price point.

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Because of your mathematical adroitness you “know” the increased number of cars sold will make enough real profit dollars to compensate for the projected decrease in profit margin.

Perhaps your company builds a less expensive car, one that keeps costs in line with the current profit margin and provides the magical X+ units sold price point. Either way the projection path seems clear. Offer an inexpensive luxury car and you’re on the road to good times.

It won’t happen. In fact it didn’t happen – just ask Jaguar. Why? Because luxury car customers are motivated by their convictions, and “luxury” is a conviction that *cannot* be connected to a low price.

The talent to identify the basic and invariable meaning of a conviction (a luxury car requires a luxury price) is the difference between projection and prediction. A projection is an estimate of future behavior based upon a statistical analysis of past behavior. A prediction is a statement of *unrecognized but possible* future behavior, based on the identification of convictions.

Identifying convictions is a difficult task. It’s often much harder to do than it is to develop a, product, service, candidate or cause. One reason identifying convictions is hard is because convictions occasionally change.

Suppose you’re the owner of a specialty picture frame store. Research confirms an increase in the number of pictures taken due to the proliferation of digital cameras. Also, a decrease in the cost of making prints, and the ease of transmitting digital photographs, has (as projected) increased the number of shared photographs.

Yea, it’s good times ahead! If X specialty frames were sold before the digital era, then X+ will be sold after. Wrong! The conviction that tickles a customer’s “special” gene changes when pictures are taken as easily as breathing, and shared as plainly as pushing a button.

Digital photography has changed the basic and invariable meaning (the conviction) a photograph represents. Digital photographs require “digital frames” — a *method of display* that is readily available for use and re-use as required.

To be sure, there are still photographs recognized as something distinct and permanent in comparison to others. But the environment in which photographs are taken and shared has changed, and that means the basic and invariable conviction of “framing” a photograph has changed. In the digital era most photographs aren’t framed, they’re displayed.

Prediction demands recognition that, (1) success is determined by customer behavior and, (2) customer behavior is based on the basic and invariable meaning of convictions, not mathematics.

In the case of luxury cars, that means a price that supports a luxurious story. In the case of picture frames, that means parlaying with the era of digital photography.

Author’s note: Ron White is a funny and famous comedian that does a bit on the difference between an antidote and an anecdote.

“If I knew the difference between an antidote and an anecdote my camping buddy would be alive today.” —Ron White

The idea for this column came from White’s bit. Confusing similar sounding words with very different meanings is funny when presented in a comedic environment. In the business world it’s lethal.



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