

Crystal Balls & Groundhogs

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In Ancient times, the future was forecast by various methods including examining the insides of animals, flights of birds, soothsayers, witches and groundhogs. Today they do it with statistics. Here on Cape Cod, right about now, everyone starts prognosticating about "how the season will be".

It's a widely indulged pastime. Out comes such sacred icons as the Advance Bookings to the Islands, Volume of Calls to the Chamber of Commerce, Traffic Reports, Demographics and reams of detailed data. However well intentioned, they should just throw a dart.

Statistics aren't always indicative of reality. Take for example last years room tax figures from the Department of Revenue which show that lodging activity in 1996 was better than 1995. Many on the front lines of the lodging business would disagree. And then there's all those government economic reports which sway the stock market today and are sometimes drastically "revised" 60 days later to a totally different conclusion. Witness the recent articles on the fallacy of the data supporting CPI index changes.

So without scientific prognostication, how are we to predict ?

Years ago, 60 Minutes ran a story in June about how fiberglass radial tires, which were then new, were unraveling on the highway. Needless to say, it had a big effect and nearly made the Cape a ghost town until late July when the warm summer drove vacationers down despite their fears. Then there was the summer of 1986 when we had 17 rainy weekends in a row which cut the traffic down to the bone. But the succeeding years came back strong.

I can't prove it with stats but I truly believe that there are two factors which rule: First: Any ten year average would be the same without the peaks and without the valleys. Think of it as one balances the other. To look solely at one or the other produces an artificial conclusion. Witness the constant comparison to prior year statistics. In the early 90's everything was down. A comparison to "down" figures produces artificially optimistic deductions. The reverse was true in the early 90's - using late 80's benchmarks was bound to produce depressing conclusions.

Second: There are plenty of businesses that run counter to the cycle either because they are so well managed and long established that they are either bulletproof or they supply a product or service that thrives in adversity. Either way, if they are in the average they throw it off.

Overriding all of the above is that well run businesses do well and poorly run businesses don't. Even when the weather is off and maybe even when they aren't supposed to by all known methods of prediction. Real life goes on despite the statistics.