



## Notes (Sixth revision, May 14, 2004)

These are the endnotes for my book *FreePrize Inside*. You can find out about the book by clicking visiting <http://www.freeprizeinside.com/summary>

Yes, for a short book there sure are a lot of endnotes. Some of them are merely pointers to interesting references online. Others are very long, detailed explanations of stuff I talked about in the book. I've found in previous books that some people want the big picture and others want every detail. I thought this might be a neat way to do both. Even better, this digital copy of the endnotes has been updated since this book was printed. I'm going to try to update it again, which means you can get a whole new set for free by visiting <http://www.freeprizeinside.com>. Thanks.

PS Feel free to forward this PDF to anyone you think might benefit from it. You can also find a summary of the book by clicking here. (<http://www.freeprizeinside.com/summary>).

The footnotes begin on the next page. Thanks for reading.

Seth Godin

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PS You can write your own footnotes. Just drop me a line at the address above with your note. If I include it, I'll put your name at the end of the document and your initials in front of all your entries. Fame and fortune!

- I    MYPARTNER: Here I talked about my old business partner. Steve turned his knack for practical insight into a career that went from Harvard Business School to the senior executive suite at Sears. I can sure pick 'emsometimes.
- 5    AMAZON REPORTED: New York Times, September 23, 2003, p. C4.
- 6    THISCAMPAIGNREALLY: Ibid., p. C8.
- 6    SIXTYMILLION DOLLARS: Does Yahoo! really need to spend \$40 million on advertising?
- 8    IF MARKETING IS ABOUT: Before you can communicate that you've solved the problem, it helps to understand what the problem is. And more often than not, the consumer doesn't know.
- 10    YOU CAN INNOVATE: I talk about the fact that incremental improvement isn't powerful enough to get people to switch to your product in droves. Many people don't want this to be true. They don't want to have innovation be the only path to growth. They believe that the market should reward earnest efforts at incremental improvement. Alas, it doesn't matter what you want ... what we see is that the market rewards innovation.
- 10    MORE THAN HALF THE BUYERS: The Lincoln-Mercury story has many variations. The Diamond Jubilee edition, made in 1978, is probably the most egregious—the option package cost more than most cars.
- 10    ADVERTISING: Lay's spent \$50,000,000 introducing new Stax chips, a competitor to Pringles. That's just in the first year. The launch was considered a big success because only 50% of the population (after being reminded) knew about the introduction. If one of the best marketers in the world can be satisfied with less than half of the target population even *knowing* about their new product, what chance do you have?
- Small aside. Part of the \$50 million went to pay for a team of world record seeking "stackers" to break the Guinness record for stacking cans (or cups) in clever little pyramids. Lays broke the record, with Emily Cox crashing through the nine-second barrier. Did you miss that when it was broadcast live? So did I.
- 10    THE FREE PRIZE: DESIGNED BY APPLE IN CALIFORNIA. That's what it says on a full panel on the inside of my iPod box. When a newspaper reporter was asking me about the appeal of the iPod, I talked about the Free Prize. The music that comes out of the iPod is a lot like the music that comes out of any other MP3 player...except it's not the music we're paying for. We're paying for the Free Prize—the white headphones, the great UI, the effortless synchronization.
- 10    The Free Prize: The Memory Maker Bracelet.



It didn't cost a thing to add photos to this charm bracelet. When you buy it, you're not buying the bracelet, you're buying the opportunity to have a conversation with a stranger on an airplane.

<http://www.memorymakerbracelet.com>

I1 THE SIMPLE FACT IS: The reason the curve is not straight is that ever-increasing investments require higher cost of capital, higher overhead and more risk amelioration. As a result, the return from a huge investment has to be higher (on a percentage basis) because otherwise the investors would prefer to make diversified bets in small projects.

I2 WHEN IRIDIUM INVESTED: <http://www.wired.com/news/business/0,1367,19920,00.html>

I2 HOW MUCH REVENUE YOU CAN: I'll admit that the curve on page I2 is a bit more controversial, but if you think about it, it makes sense. Think about the race to build the world's fastest supercomputer a few years ago. Fujitsu spent hundreds of millions of dollars on it. Or the Taligent debacle, which involved investments of a similar scale from IBM and others.

One of the biggest lessons of the dot-com flameouts was that spending \$100 million or more in TV advertising had little effect on actually building a business or a brand. While the commercials may have been entertaining, the return on investment wasn't there.

So, what we see is that the closer we get to the right or left side of the curve, the lower the return on investment actually turns out to be. You may have to make fewer decisions (big bets take as much decision time as smaller ones) but you pay for the privilege.

I5 EACH INCREMENTAL DOLLAR: I point out that the payoff from technology is decreasing. One of the big reasons for this is that the amount of technology is skyrocketing. In 1900, roughly 25,000 patents were issued. By 1950 that number had jumped modestly to 43,000. But since 1950 there has been a tripling of the number of patents to nearly 150,000 awarded every year since 1997. Having a cool gizmo isn't enough when there are millions of cool gizmos to choose from.

I5 CONSUMERS (AT HOME): Throughout this book (and every book I write, in fact) whenever I say "consumer," I really mean someone who buys things, whether it's at home or at work. An ad buyer or a conveyor belt purchasing agent are both consumers, as far as I'm concerned. Organizations don't decide to buy stuff... people do.

I5 WE WANT COOL STUFF: Not sure you buy the validity of the idea about want and need on page I5? Take the Consumer Reports reality-check test. Read a review in CR of a category you know a lot about. See if you agree with their findings. See if you bought the product they recommend. If you're like most people I know, the answer is no.

I6 AT RECORD LEVELS: <http://www.jdpower.com/presspass/pr/images/2003058afull.gif>

I6 PEOPLE ARE BUYING THE CAR: I touch on branding a bit on page 15. Jim Leff is one of the great food writers of our time. Here's something he wrote about branding in a recent newsletter: "Over the past century, marketers have learned to psychologically manipulate consumers into buying not on the basis of quality but in response to the specialized form of hypnosis known as branding. The human psyche has been hacked to the point where masses can be persuaded to gladly embrace poor-value, low-quality products. The plethora of choices has shriveled, value declines as prices rise, and any number of realms are getting worse, not better.

"Most consumers have not only stopped demanding quality, but quality has, in many cases, become entirely irrelevant. For example, millions have an emotional bond with Budweiser that has nothing whatever to do with its flavor."

Of course, Jim is right that Budweiser is not a great beverage. But it is certainly true that it's a great beer, if you define beer as a beverage that makes you feel powerful and sexy and part of a clan when you drink it! The brand (built at a cost of more than \$1 billion), which you surely can't afford to replicate, is very much part of what you buy when you buy the product.

Jim continues a bit later, "They buy Bud because of how the brand (not the actual product) makes them feel about themselves. It's about everything but beer. The preference of Bud loyalists stems from the insidious power of post-hypnotic suggestion continuously reinforced through keenly targeted marketing."

When you go to a fancy restaurant, are you buying the food or the chef? Jim sees it this way: "The upper-level assault, which is just starting to reveal itself, seems to involve spinning brand webs around hyped star chefs, using their premium images to assure upscale patrons of meals of sufficiently high prestige (most high-end spots—including the genuinely terrific ones—are patronized for their prestige). Figures like Bobby Flay and Emeril are the latter-day upscale analogs of Ronald McDonald...."

Jim may not like it ("Understand, please, that I'm not anti-corporate. I'm just anti-sucking.") but the fact is, people seem to like the nondescript food as long as the free prize (the famous chef) is included. My personal feelings lie with my fellow chowhound Jim, but, alas, it's clear that as in all things, the market prefers the prize to the main attraction.

Before I let my friend Jim go, I want to share two more paragraphs he wrote on Panera Bread, which was the proximate cause of this rant:

"But no. The pineapple upside down tart—like everything I've tried from Panera—was horrid. It wasn't just tasteless and mediocre and wrong and offensive. It created rippling spiritual and physical aftershocks. Eating it left me feeling deeply vacant, the way a burger and fries at McDonald's does (only worse, because one steels oneself for the 'great taste' of McDonald's). And it upset my stomach. My mother—who has infallible taste in baked goods—proclaimed it, with a look of sour and confused displeasure, as 'gooey.'

“Panera’s products are remarkable, though, in that they’ve developed an entirely new style of sucking. Their products don’t suck in any of the usual ways; they’re a fresh take on suckiness built from scratch. Since nothing sucks familiarly, Panera’s stuff can fool you at first if you don’t pay close attention.”

The problem, of course, doesn’t lie with all marketers. It’s marketers who don’t bother to make truly great stuff at the same time that they build the facade that makes people expect good stuff. The incremental cost of making a truly great pineapple upside-down cake (like the incremental cost of Starbucks making great coffee) is tiny. What separates a product that grows for the ages from one that just grows and crashes is the ability to appeal to both worlds—the folks that want the fortune and the ones who want the cookie.

16 SELLING T-SHIRTS: <http://www.totalrecall2003.com/index.htm>

17 A PROFITABLE VENTURE: I riff on the high payoff of design. It’s free. Free as in your revenue minus your costs is zero or more. Yes, you need to pay for great design. No, it doesn’t cost you anything.

19 THE FREE PRIZE

The Free Prize is the experience of service at the Ritz Carlton, when what you paid for was a good night’s sleep.

The Free Prize is the change counting machine at Commerce Bank, when what you needed was a checking account.

The Free Prize is the line at Al Yaganeh’s soup stand, when what you came for was the soup.

The Free Prize is the milk carton that housed the first 10,000 copies of Purple Cow.

The Free Prize is the way you feel when you open the little blue box from Tiffany’s.

The Free Prize is in the look on the face of the valet when you drive up in a Hummer.

The Free Prize is the lighting and ceiling of the new Boeing 77e

The Free Prize is the lighted keyboard on the new Mac Powerbooks

The Free Prize is the way it smells inside a bakery

The Free Prize is the line to get onto Space Mountain

The Free Prize is the container that Method dish soap comes in

The Free Prize is the exterior design of the Maytag Neptune dishwasher

The Free Prize is the “thunk” that the relays make when you turn on the Mark Levinson amplifier (which costs \$4,000)

The Free Prize is the way you can pack cigarettes against the side of the package before you smoke them

Yes, this book came in a cereal box. Really. But only the first printing.

- 16 **FREE PRIZES AND PURPLE COWS:** You've probably heard of L.L. Bean. A reliable, middle-of-the-road direct merchant of polo shirts, waterproof shoes and sleeping bags. Last year, they had just over a billion dollar in sales.

What might surprise you is that a similar business (with less than ten stores, almost all mail order) called Cabela's beat L.L. Bean's sales numbers by more than a hundred million dollars. How? By going to the edges and being remarkable. They sell more than a dozen kinds of turkey calls. They sell snake-proof gaiters, shooting videos, duck-hunting blinds and just about anything you'd ever need to hunt down and kill just about any kind of animal you can imagine. The sheer magnitude of their selection and dedication makes a purchase from Cabela's (even if it's the same item you could have purchased somewhere else) worth talking about.

- 21 **ONE ENDLESS, MIND-NUMBING STRIP:** As you can guess, I've driven the road described here more than a few times. My favorite part? If you keep going you'll see, off in the distance, almost like a mirage, a steel bridge (painted orange) spanning the highway. The bridge is for pedestrians only, and it was built with private funds. Weber's, Canada's most famous hamburger stand, built the bridge so that southbound motorists with a craving for one of their hamburgers wouldn't have to risk their lives crossing the highway to get to this tiny (but very busy) hamburger stand. (according to their site, Weber's bridge is the biggest private bridge in the province, and the tallest bridge as well.) (Did I mention that they sell more than a million ounces of chocolate shakes a year?) A combination of great location—halfway to where you're going!—and a remarkable burger turned Weber's into an institution.

But I don't want to tell you about Paul Weber's burgers. I want to talk about his neighbor, Rita Robinson. Rita runs a store in a little strip mall that's had more than its fair share of tenants.

Everyone thinks that being one hundred meters away from Weber's is the ticket to success, but the businesses come, and, just as quickly, go. Rita's store is different.

- 23 **YOU'RE SPENDING SO MUCH TIME:** Another Apple thought for you: Did you notice that the way their products look has a lot to do with the loyalty inspired in their users? Take a look at <http://www.billnoll.com/g5/> and you'll see the beauty designed into the G5. It's easy to argue that a computer should run fast and not crash and be cheap, period. But Apple's survival (and the leverage they've got) belie this point.

- 23 **THE CHAIN OF:** Ramit Sethi interviewed Ann Willoughby.

- 24 **DR. PETER PRONOVOST:** Dr. Pronovost was interviewed by Ramit Sethi. When he invented the checklist, he was a standard ICU doctor, nothing fancy. Since then, he's been promoted to medical director of the Center for Innovations in Quality Patient Care at Johns Hopkins.

- 24 **THEY'RE BUYING:** Sure it cost Apple money to write the software that syncs the music with your computer. Sure the mold for the iPod

wasn't cheap. But these innovations—the idea of sync and the sketch of the iPod that Jonathan Ive at Apple did—were about insight, not cash.

25 HAIRCUTS: Wall Street Journal, September 22, 2003.

26 THE NEW YORK TIMES: The New York Times talked about the price of wow in an article about high-priced New York real estate (apparently, \$10 million doesn't buy much anymore).

31 WHICH WOULD YOU CHOOSE?: In talking about gimmicks, I talked about American Express. When I was running Yoyodyne, the online promotions company, we devised a wintertime sweepstakes designed to reward people for shopping online. We gave away \$1 million in prizes to entice consumers to get involved. American Express loved the idea and sponsored it. Visa thought it was a gimmick, something that would tarnish their brand. They ended up spending twenty times as much as we were asking them for—they sponsored a portal instead. American Express ended up with a huge return on investment. Which was the gimmick?

31 AGIMMICK?: Thanks to Alex Godin for researching the Wrigley gum story.

33 THEY SOLD THE COMPANY: It's worth a note here that many high-flying companies ended up getting severely punished for what really was a gimmick. The accounting maneuvers that delivered the numbers that Wall Street said they wanted marked the end of their bull run. Clearly, lying about their financial status wasn't something that the investors were hoping for. It was a gimmick, through and through.

34 THE ZIP CODE: Actually, according to Postal Service officials, Robert Moon only invented the first three digits of the zip code. Someone else, identity unknown, contributed the next two. I kid you not.

35 DOZENS OF CLUBS: On health clubs: My wife likes to tell the story of the woman who used to work out at her gym—in her office clothes. After an hour on the treadmill, she'd wipe off her face, change her shoes and head back to work, blissfully unaware of the locker room.

35 AN ORIGINAL PICASSO: Yes, the Picasso at the Four Seasons was expensive. But the tens of thousands of \$27 chickens that painting has sold have more than paid for it.

36 IT DOESN'T MATTER: "Far more creativity, today, goes into the marketing of products than into the products themselves." —Hubertus Bigend, Founder, Blue Ant

41 BECAUSE YOUR COMPETITION: Not only the guys down the street, but the jerk in the cubicle next to you who's angling to get the promotion you know you deserve.

43 COULD WALK INTO FORD'S: I'm defining productivity as the amount of work produced by a given unit of labor. The combination of machines, jigs, assembly lines and repetitive work meant that a strong, motivated worker could dramatically increase his output merely by walking into Ford's plant. Same worker, different output. Productivity has been increasing relentlessly ever since, largely because we've mechanized more and more operations (in both service and product businesses) allowing non-gifted individuals to create ever more value.

Computers only accelerated this effort. Now, one worker can cut extraordinarily accurate parts out of sheets of steel using a laser. Telemarketers use predictive dialing to reach the next house on the list

without waiting for the phone to ring. The time it takes to create a new Ford car (including the engine) is now less than forty hours of labor, thanks to robots and computer-controlled devices.

(<http://lang.motorway.com/home/articles/gmpassford.asp>).

Credit card marketers use data mining to separate the likely buyers from the rest of the pack. The reason is that productivity increases are the only way to improve profits without raising prices or cutting the cost of materials.

- 43 **BASED ON PRODUCTIVITY:** Actually, the \$5 day wasn't Ford's idea. The idea came from his senior adviser, James Couzens, who later became a U.S. senator. Couzens was reading a socialist magazine (not that there's anything wrong with that) and became incensed over the response to a letter to the editor. The reader wanted to know why the magazine wasn't paying its workers more. The editor's whiny response offended Couzens. "That was an asinine answer!" he later wrote.

Couzens pitched Ford the idea of showing the world a different way of treating labor, and in a few weeks, the deed was done. Douglas Brinkley's history of Ford, *Wheels for the World*, is filled with fascinating examples of good (and bad) championing.

- 43 **IT MEANT THAT NEARLY:** This is true if you define "overpaid" to mean getting paid more than the company could pay someone else to do the same work.

- 44 **WE GOT USED TO BEING PAID:** This is even though our output was high through no fault of our own. It was high because the machines in the factory made it high. Better machines could lead to more output, and even though the workers didn't pay for those machines, they came to expect higher pay. The most ridiculous example of this thinking at work is the stupidly high salaries paid to ordinary, non-founding CEOs. These guys get paid a fortune because the very expensive organization they run is making a profit. No thought at all is given to how little it would cost to replace this person with someone as good (or better).

- 44 **THIS IS WHY WE'RE INSECURE:** This explains why jobs are moving to China so fast. Every once in a while, a CEO realizes how much extra she's paying people to do fairly straightforward work that could be easily done on another continent for 5 percent of what she's paying now. Sooner or later, the logic of Henry Ford's largesse breaks down and executives replace the workers who begged to have their jobs automated—with machines or with other people.

I'm fascinated by the analysis of the productivity trap, so let me elaborate on it a bit here. If we take a look at the plot of increased productivity among American workers, it looks a lot like increased pay over time.

Salaries keep rising, but for a lot of workers, the work we do is actually easier. Computer-aided telemarketing, computer-aided customer service, computer-aided manufacturing, even computer-aided marketing mean that we're busy following rules that someone else dreamed up.

As a result, many people have gotten their wish—they have boring jobs and they get paid a lot. Agents of change who are agitating for more exciting (and challenging) work are often met with a rolling of the eyes—why on earth would someone want to screw up such a great gig?

The reason is simple. As the gap between replacement cost (how much it would cost the company to outsource your job) and pay based on productivity rises, lots and lots of jobs are going to go overseas or get done by a computer. The only option, it seems to me, is to make our jobs so engaging, creative, ever changing and unpredictable that we're actually earning all that money.

49 IN 2002, MICROSOFT: <http://www.informationweek.com/story/IWK20010726S0016>

50 WITHOUT A CHAMPION: Cisco had a great strategy for growth. They knew that champions are hard to grow, so they bought them. Most high-tech firms are run by someone who championed an idea from the beginning and built it. When Cisco built an environment that respected and empowered these people, buying their companies became good for both sides. Now the company is filled with people who understand how to make things happen—it's up to management to get out of their way.

53 NOURICHE, YOGURT: As long as we're talking about food packaging, consider this December 2002 study from Information Resources, reported in The New York Times: Researchers wanted to know what would get consumers to try a new snack or food. Here are the top six benefits:

- Ready to eat
- Heat and eat
- On the go
- No utensils required
- Low carb
- Lowfat

Amazingly, "tastes good" didn't make the list, and "nutritious" didn't either. Clearly, when it comes to something important, the free prize dominates more needs-based concerns.

57 YOU GET THE MEMO: The first edition of this book came in a cereal box. Why? I was trying to make a point about soft innovation, but I was also creating a living, breathing experiment in using the fulcrum and in being a champion.

This time, I knew that I had all three elements in place. I could demonstrate (because I had done Purple Cow in a milk carton) that I was the guy to do the project. I knew (for the same reason) that the cereal box was likely to work. And I hoped I could demonstrate that the exercise of putting the book in a box was worth the effort.

So, with the fulcrum in place, is it easy to champion the project? Can a best-selling author command a publisher to do something they've never done before? Here's how the process went—a living example of the fulcrum in action.

I pitched the idea to my publisher. He seemed to like it.

Then I got the memo from someone on his team.

Here's a table from the note:

	<u>Entire first printing with cereal box, followed by normal book, both \$19.95</u>	<u>Simultaneous book and cereal box, retailers choice, both \$19.95</u>	<u>Slipcover-style small box for the whole first printing— clerks remove slipcover to scan at retail. No shrinkwrap.</u>	<u>Only way to get cereal box is via 10-pack, with or without COW or 99COWS.</u>
<u>Can we do a single ISBN to concentrate bestseller impact?</u>	No: our warehouse and all systems need to track them as different items.	No: our warehouse and all systems need to track them as different items.	Yes	No – in fact you need 3 ISBNs so that a store can sell individual cereal boxes
<u>Buzz value of the cereal box?</u>	High	Medium	Medium	Medium
<u>Sales department concerns?</u>	Sell in will be MUCH lower than normal  We will have to pay for extra coop at EVERY major account.	We will have to pay for extra coop, but only for select accounts.	Negative impact on sell-in will depend on size of slipcover – smaller is better.  Not sure yet about impact on coop.	We will have to pay for extra coop, but only for select accounts.
<u>Warehouse/Shipping/Returns concerns?</u>	Risk of damaged cereal boxes if we ship partial cartons  Returns will be harder and more expensive to process	Risk of damaged cereal boxes if we ship partial cartons  Returns will be harder and more expensive to process	Risk of damaged cereal boxes if we ship partial cartons  Returns will be harder and more expensive to process	(no partial cartons – good thing.)  Returns will be harder and more expensive to process
<u>Can we track sales of different versions?</u>	Yes	Yes	No	Yes
<u>Extra production &amp; laborexpense?</u>	TK	TK	TK	TK

You can't argue with this table. It's thoughtful, rational and clearly laid out. It's nothing personal—it makes it clear that this is an idea that's just not worth doing.

Of course, I *did* argue with it. Bit by bit, we teased out what the real objections were, what was really hard about putting a book in a box, and then I asked obligating questions. "If we can solve *this* problem, will you be able to support the project?" By digging deeper and deeper, we identified the real problems and stamped them out.

So, you're not the only one who's gotten the memo. It'll happen. And if you really believe in your innovation, you can work with your team to figure out what the hurdles are and address them.

While we're talking about memos, I wanted to take a second to talk about this next memo. This is the one you'll see from the hardworking guy in (insert department here) who is grudgingly going along

with your idea, but is still afraid because he sees too much risk. Here's the first memo that my publisher wanted to send to the sales force (I edited it down to a few relevant paragraphs):

### What Is This Thing?

A real cereal box, illustrated in 4-color, with the book inside. Based on the very successful milk carton that Godin self-published for the first edition of Purple Cow. It will reclose with a tab so that it looks good even after you break the seal. People will leave it sitting around as a conversation piece. It will help drive buzz and reinforce the message of the book.

### How Big Will It Be?

The size of a Grape Nuts box—dimensions TK. Not that much bigger than a fat hardcover.

### Does It Cost More Than The Regular Book?

No—both versions will have a \$19.95 cover price.

### Do Retailers Have To Take the Book in a Cereal Box?

No—we will offer every account a choice to order books with or without the cereal box. We believe the cereal box version will sell better on a display table, but we understand that not every retailer is *willing to take that risk* [all italics are mine].

The catch is that if you want to sell the cereal boxes, you have to order in multiples of 10—we will only be shipping them in prepacks of 10.

Seth believes that the biggest demand will come from Amazon, bn.com, and 800-CEO-READ. Seth will be promoting it to his mailing list of about 10,000 hardcore fans, and those people tend to buy online. They cleaned him out of about 9,000 Purple Cow milk cartons in 19 days, after his excerpt ran in Fast Company.

### Won't Cereal Boxes Get Easily Damaged During Shipping?

Since they will ONLY come in 10-packs, that eliminates the problem of mixed ships that might damage the boxes.

*We do need to make sure the 10-packs are sturdy enough to be stacked up very high without damaging the cereal boxes. This might require special cardboard—details TK.*

### Won't the Cereal Box Version Have to Have a Separate ISBN? And Won't That Screw Up Best-Seller Reporting?

The cereal box itself will have a phantom ISBN for SAP tracking only. However, it *won't* have a bar code matching that ISBN. Instead, it will have the *exact same bar code as the book itself*, so that it will scan at cash registers the exact same way as the plain hardcover, for joint best-seller tracking.

The key to making this work is that the warehouse will NEVER handle the cereal box as an independent object. They will receive finished prepacks from the outside vendor—the vendor will have to put the books into the cereal boxes and then the cereal boxes into the prepacks.

The catalog (and the warehouse) will only deal with two ISBNs—one for the plain hardcover, one for the IO-pack of cereal boxes.

*The big drawback* to this single ISBN is that if (for example) B&N orders 4000 cereal boxes and 4000 loose hardcovers, we'll have no way of knowing which edition is selling better, since they will scan exactly the same way. But it seems worth it to try to get on some best-seller lists.

#### How Many Cereal Boxes Are We Going to Print?

Hard to predict yet—maybe 5k, maybe 10k, maybe a lot more. Seth thinks the biggest demand will come from Amazon, BN.com, and 800-CEO-READ.

Fortunately, before the publisher spread gloom too far, they asked me to take a look. Here's my revised memo:

#### How A Milk Carton Created A *New York Times* Best Seller

Seth Godin's previous book *Purple Cow* hit #8 on the Times hardcover how-to list. There are a lot of reasons, but a big one was the nearly instant sale of the first 10,000 copies.

All 10,000 copies came inside a real milk carton. They were snapped up in 19 days, entirely online. This led to a great deal of buzz and a very warm reception for the hardcover edition.

Godin is back with an even better idea. His new book, *Free Prize Inside*, comes inside a real cereal box, illustrated in 4-color, with the book inside. It will reclose with a tab so that it looks good even after you break the seal. People will leave it sitting around as a conversation piece. More important, it makes it easier to give the book to a colleague—they don't call it a conversation piece for nothing. It will help drive buzz and reinforce the message of the book.

Instead of just offering this special packaging online, we've prevailed on the author to make it available to any retailer that wants it—but there's a catch.

#### What's the Catch?

Even though the specially packaged book costs exactly the same as the book without the package, we're only committed to producing it for the first print run. Accounts that fail to order the special packaging in advance can't get it.

The box is not much bigger than a big hardcover, and there's no requirement for the retailer to keep the box if they decide (whenever) that it's easier to shelve without it.

### Does It Cost More Than the Regular Book?

No—both versions will have a \$19.95 cover price.

### Do Retailers Have to Take the Book in A Cereal Box?

No—we will offer every account a choice to order books with or without the cereal box. We believe the cereal box version will sell better on a display table, but we understand that some retailers will insist on business as usual. (Please don't have them yell at us if they fail to order enough at the start!)

Books without the box can be ordered in ones and twos, but in order to get cereal boxes, you have to order in multiples of 10—we will only be shipping them in prepacks.

Any retailer that wants to be included on Seth's Web site (the center of the huge online promotion that is his trademark) will be included at no charge if they order the prepacks.

### Won't Cereal Boxes Get Easily Damaged During Shipping?

Hey, cereal boxes in the supermarket don't get damaged! We'll be shipping the prepacks in a secure way so there will be no damage.

### Won't the Cereal Box Version Have to Have A Separate ISBN? And Won't That Screw Up Best-Seller Reporting?

Glad you asked! The cereal box itself will have a phantom ISBN for SAP tracking only. However, it won't have a bar code matching the SAP number. Instead, it will have the exact same bar code as the book itself, so that it will scan at cash registers the same way as the plain hardcover. The book is the book, and we'll get the same best-seller credit regardless of whether the box is used or not.

(Not that you asked, but our warehouse will never need to handle the cereal box as an independent object. They will receive finished prepacks from the outside cereal box vendor—the vendor will put the books into the cereal boxes and then the cereal boxes into the prepacks—no hassle for us, for you or for the retailer.)

The catalog (and the warehouse) will only deal with two ISBNs—one for the plain hardcover, one for the 10-pack of cereal boxes. This is standard operating procedure for all special prepacks.

### Will We Be Able to Track the Effect of the Box on Sales? If a Retailer Orders Both Kinds, Can We Know Which Ones Are Selling?

Nope.

### How Many Cereal Boxes Are We Going To Print?

As many as you can sell in advance. And not one more.

- 58 IT'S NOT ABOUT GOOD IDEAS: As long as we're talking about change, here's an astoundingly great quote from Andy Law, founder of St. Luke's ad agency, "The failure ... was to try to simplistically replace one workable but broken system with another untried one as if a new mantra was the answer. No, the answer was to start behaving differently, to start talking differently. That way, you begin to meet other people who have been thinking along the same lines, possibly for longer and with greater application than yourself."
- 59 THE SATISFIED CUSTOMERS: The same math applies to nonprofits that work so hard to satisfy today's donors, while forgoing those that they need tomorrow.
- 60 THAT'S WHY FOCUS GROUPS: One more great thought about change: "If Henry Ford had listened to his focus groups, we would still be driving better horses" (Brian Collins, Ogilvy).
- 60 FREDERICK'S OF HOLLYWOOD: Focusing on the right issue is the best place to start. For example, Toyota has a similar problem with the Prius. Who's going to switch to an untested car that gets fifty-five miles per gallon? I don't think it's people driving a two-year-old Corolla. Instead, I think it's people who are giving up a Miata or a Porsche or a VW Beetle. People who are trying to express themselves with their cars, and are far more likely to be unsatisfied with whatever they're currently driving (they always want something more). That ought to change the way Toyota thinks about the design and pricing of the Prius, no?
- 60 MY GOOGLE T-SHIRT: I treasure this shirt, a gift from my friend Wes at Google.
- 62 THE VERY BEST VACUUM CLEANER: The Dyson has a HEPA filter, no dust bag, a see-through bin for junk and a hugely powerful suck that doesn't fade over time. After I vacuumed our (clean) carpet for the first time, my wife was so disgusted by the amount of junk I had collected that she had me vacuum the whole house. And the entire family fought over taking a turn, because being powerful is ... fun. During a recent visit to Best Buy, I saw dozens (literally) of Dyson knock-offs. It's hard to tell which came first, the copies are so artful in their skill. That means that Dyson has to start over and make a new Cow.
- 62 OF COURSE NOT: Dean Kamen, the brilliant inventor, has two quotes worth sharing on this. He said, "If J. P. Morgan had said to his MBAs, 'I want to build a railroad to the West Coast,' they would have advised against it as too capital-intensive, with an uncertain return, because the railroad would be going into nowhere. Morgan's response to such sensible MBA advice would have been, 'Morons! I know there's nothing out there. That's why I want to build the railroad!'"
- Kamen also said, "Inventing is frustrating, it's dangerous, it's expensive and inventors should avoid it whenever possible. Be a systems integrator."
- 66 WITHOUT REALIZING: The watering down I talked about is endemic. Martin Ruef, an assistant professor of organizational behavior at Stanford's Graduate School of Business did a study of Stanford alumni who started new businesses. He wanted to find out what helped them innovate. After studying nearly one thousand entrepreneurs, he came to exactly the wrong conclusion.
- He concluded that the more time you spend networking (and working) with friends, the less likely you are to be creative in your work. In other words, Ruef explains, "Contrary to common

assumptions, the evidence suggests that in many cases strong social ties do not provide significant new information, so it helps not to be embedded in them.... I found strong evidence to suggest that the longer entrepreneurs have been in the industry ... the less innovative they are. ... Veterans just don't come up with wacky or creative ideas that can really spark a new industry." He also concluded that people are more innovative when they're new to the industry.

I politely disagree. It's not that people somehow lose their ability to be creative when they're in an environment in which they feel safe. It's that they ignore the creative ideas that naturally occur to them and fight the changes championed by others.

They like things the way they are, and they can't resist the urge to defend the status quo.

The challenge of the champion is to help people who are already creative to take advantage of their talent. By selling the dream and fighting the status quo, we can free people who have been lulled into a false sense of security.

68 **PRECISELY THE SAME REASON:** Toy companies buy plenty of ideas, but only from proven inventors, which is why you should not try to invent a toy. It'll make you crazy.

71 **BASED ON THE EVIDENCE:** I need to make my position regarding the fulcrum crystal clear: It's a little like gravity or evolution—your opinion is irrelevant. The fulcrum exists whether you believe in it or not. I'm not saying I want organizations to work this way, but they do.

72 **ACOOALCHALLENGE:** Enrolling your peers is not that hard, especially the engineers, who get easily bored doing the same scut work day after day.

72 **MAKE THE STOCK PRICE GO UP:** That would be, ahem, the CEO and her team. My comment about the stock price should not be ignored. Senior management with stock options tend to get pretty focused on this.

74 **YOUR BOSSES LOOK SMART:** I talk about why organizations get so stuck. Understanding the fulcrum helps you understand why innovation so often happens outside market leaders, why companies from out of nowhere (and Silicon Valley start-ups) so often change the dynamic. When an idea doesn't require the full might and force of a huge company, it's often easier to get it done on your own.

You only have one boss, and if she doesn't believe you can do it or that it's worth doing, you're stuck. If you can't make the fulcrum work in the eyes of that key decision maker, your work is much more difficult.

But there are hundreds of sources of capital in the outside world, and when you approach them as an entrepreneur, you're more likely to have the posture of the champion. They want to believe that you're the person who can do this, and thus you're more likely to persuade them that you're the guy.

That doesn't necessarily mean the answer is to go outside and start something new. It means, instead, that you and your boss (or your co-workers, or your employees) should sit down together and figure out which parts of the fulcrum are out of whack.

79 "ATHREE-BLADE RAZOR!": As I write about razors, Schick, in a rare fit of innovation, has launched a (wait for it) four-blade razor!

79 SKEUMORPHS: I'm a big fan of neology which is the art of making up your own words when existing ones aren't cool enough. But no, I didn't make up this word. It's the art of using the known to make the unknown more palatable. You'll find it at its best in technology and user interfaces, and at its worst in politics.

82 YAHOO!'S DOMINATION: Yes, that's the way we talked back then. But it's easy to forget how close this was to true. In those days, being affiliated with Yahoo! was the difference between success and failure for hundreds of companies and individuals. It was Google, times ten.

I want to be really clear about one more thing, though: Yahoo! is doing better now than ever. They're making a ton of money, growing fast and doing it reliably and doing it on schedule. Stuff I could never have imagined doing. Good for them. Nice work (if you can get it)!

86 THE CHAMPIONS WERE ABLE: Time to be facetious for a moment. If you're not ready to champion your idea, you can:

- Go to a lot of conferences.
- Do a lot of research.
- Ask for a lot of support and a big budget.
- Cancel a project early if the competition shows any sign of waking up.
- Cancel a project early if the competition shows no sign of waking up.
- Blame your boss, the FDA, the economy and the guys in the factory.

Of course, your idea won't launch and you'll be right where you started. The time to start is now. Hey, you're going to go to work anyway. Why not do something great while you're there?

87 SOME OF THE TIME: Is there only one way to be a champion? Of course not. In fact, the only thing champions have in common is that they get the organization behind them and reach their goal. What follows is a wide variety of tactics . . . tactics designed to get you thinking about the fundamental principles that get an organization to do what you need it to do.

I could write a dozen books about how to organize around the idea of implementing change and innovation. If you're already a pro, go ahead and skip to the next section.

88 "IF I COULD PERSUADE": Channel conflict never goes away. Crest had this problem with Whitestrips. We all know that dentists love Crest and have made a big difference in the sales of their toothpaste. What would happen when P&G launched a product that took a big chunk of the dentists' revenue from teeth whitening services? It was unknown and untestable. Paul was smart enough to save that objection for later and answer the easy ones first.

P&G came up with two good strategies, though. First, they sold dentists on the idea that "Anything you can do to make people smile is a positive smile for dentistry." Then, Vince Hudson, the brand manager, had an insight—they let dentists have an exclusive on selling Whitestrips at the beginning of the rollout. The dentists made less per sale than they would have with custom whitening, but they

sold far more patients on the idea of whitening. Today, Whitestrips are the number-one recommended whitening solution.

89 ART AND FEAR: <http://www.amazon.com/exec/obidos/tg/detail/-/0884963799/IO2-4412133-6209760?v=glance>

91 IMPRINTED RUBBER BANDS: Lobster tracking: <http://www.islandinstitute.org>. Ramit Sethi did this interview.

93 "YOU WORK THE CHANNELS": Ramit Sethi interviewed Rich.

93 ADVERTISING DEPARTMENT: Ramit Sethi interviewed Steve.

99 NEW WORDS FOR COMPLICATED CONCEPTS: Here's the action item for your Web site. If you want to revamp your Web site from the useless dead end of broadband content\* to the more measurable, effective and profitable approach of combining ideaviruses with permission, it sure helps to measure. Measure pass along. Measure your permission asset. Once employees start asking about the stats for your pages along those measures, they're way more likely to be open to your ideas about improving the metrics! (\*yes, an asterisk in a footnote! What do I mean by the "useless dead end"? Go visit the Giorgio Armani website, or any site filled with flash and shockwave and clever animations. The web is not TV. It hasn't been TV for a decade. It will be TV one day, but not for a while.)

100 GET THE SIGNATURE: Ramit Sethi interviewed Bill at Starbucks.

102 ONSTAR: OnStar is a satellite-based system that helps you with navigation, service, etc. as you drive around.

106 (AND VICE VERSA): Some people believe that my PowerPoint riff doesn't apply to them. The work they do is too complex, they say. I got this note the other day from Dr. Michael Freeman, who's forensic trauma epidemiologist at the Department of Public Health and Preventive Medicine at Oregon Health and Science University School of Medicine:

Dear Mr. Godin,

Someone has just sent your tutorial on bad PowerPoint presentations to me and I wanted to let you know how much I appreciated your insight. I use PowerPoint constantly for lectures worldwide (and am generally considered an excellent lecturer) but your tutorial is going to have me making some major revisions.

Unfortunately, for scientific lectures I cannot be limited to six words per slide (at least I can't figure out how this could be done).

Best wishes,

Michael Freeman

Actually, my answer is pretty simple. Even in a scientific lecture, you're trying to make a point. You're trying to persuade people that you're right and that they have something to learn. So putting line after line of bullet points on the screen is not going to work. It's not going to persuade.

The answer is to use powerful graphs (showing, for example, the percentage of people who don't have a heart attack when they take an aspirin a day) or the logos of the journals that have printed peer-reviewed articles on the topics at hand, or a photo of a healthy liver that had responded to some treatment...

The point is this: It doesn't matter how technical your topic is. It doesn't matter how dense the ideas are. If you really and truly are trying to sell people, you must do it with simple, emotional, memorable images. If the audience can't remember what you had on the screen without looking at their notes, you have failed.

- 109 **YOU NEVER GET A SECOND CHANCE:** Or, as my old colleague Anthony used to say, "You never get a third chance to make a second impression."
- 110 **SOFTWARE PROJECT SURVIVAL GUIDE:** If you're serious about the ideas, please click over to: <http://www.amazon.com/exec/obidos/tg/detail/-/1572316217/102-4412133-6209760?v=glance>. I really can't recommend this book strongly enough. If Free Prize Inside persuades you to read just one other book, I hope it's this one.
- 121 **THE MAGNITUDE OF THE PROJECTS:** But don't go too far with self-censorship! My favorite Zig Ziglar story: There's this guy fishing. Across the way, he sees someone else fishing, and he's doing great. He keeps casting and then hauling in fish. But something strange is going on. Finally, our hero can't control his curiosity. He calls out, "Friend, may I ask you a question?" The successful fisherman stops and says, "Sure."
- "Well, I can't help but notice you're catching a lot of fish. But you keep throwing the big ones back and keeping the little ones. Would you mind telling me why you're only keeping the little tiny fish?"
- The fisherman pauses, looks ashamed and says, "Well, you know, I'd dearly love to keep the big fish, but all I've got is a little bitty frying pan."
- Please don't fool yourself into thinking you can't handle something important. Be realistic and you'll amaze yourself.
- 124 **BRAINSTORMING:** Have you ever noticed that while brainstorming, many people will catch themselves mid-sentence and say, "no." Or preface a comment with, "this is a dumb idea..." We need this defensive interruptions (and the encouragement they bring on) because we don't truly understand brainstorming. Brainstorming is not about trying to realistically solve a problem. Instead, it's designed to encourage the other people in the room to share new ideas, to explore all aspects of the problem, to get the juices flowing and the list long. *Then*, after you're all done, a realistic winnowing process might find the answer.

The problem is that because few are trained in doing it right (and worse, fewer still are encouraged to do it the right way) brainstorming almost always fails. People walk away convinced that they're not creative, that the great ideas have to come from someone else. This is sheer nonsense, but rather than following in the path of so many people who have failed to persuade you that you can brainstorm, I think it's just easier to abandon the entire idea.

125 (AT LEAST NOT AT YOUR COMPANY): I will share one effective tip if you decide to try brainstorming. Whenever you hear an idea that you feel like criticizing, use this phrase: "Great idea. Write it down." It allows you to move on without taking the time to criticize the factual foundation of the idea.

125 MIGHT HAVE TO DO IT LATER: One of the best people I ever worked with refused to brainstorm. She couldn't stop nay-saying. Finally, one day, in exasperation, I sent her home and told her not to come back to work unless she could solve the nay-saying. As soon as I said it, we both gasped. She gasped because she thought I might go through with firing her, and she needed (and liked) her job. I gasped because I felt terrible.

Best thing I ever did. She came back the next day, transformed. She turned into a great brainstormer. If you're willing to do this with your staff, it's okay with me if you try brainstorming. If you're not, forget it. (PS: My friend, when I remind her of this story, insists I've got it wrong. She decided to go for a walk on her own, I agreed not to make her brainstorm in the rigid, classical sense ever again, and we lived happily ever after. I like her version better.)

126 EDGE CRAFT: Do you know what's hard about Edgecraft? Being honest about what an edge really is. Setting the bar too low. Saying things like, "Quality up 10%" or "The best service in the industry." This is safe (and thus risky, because it's boring and won't work and you'll fail.) Honest edges are things like, "Our service will be free," or "A new flavor that is preferred in a blind taste test 4 to 1." Dramatic changes. Things that may very well be unattainable. Things that require not incremental improvements or changes, but significant quantum leaps in the way you organize, create and deliver what you do.

If you can't find a scary edge, then you haven't found an edge, have you?

126 EDGE CRAFT: Intrawest (which owns Whistler and Vail, among many other resorts) estimates that the average skier at one of their destinations skis for 2 hours a day. Obviously, you're not paying \$10,000 a week (or \$4 million for a house) for the skiing. There's something else at work.

In fact, at Vail they realized that they're really in the real estate business, not the ski business. They built a new lift and it enabled them to sell 101 properties at \$750,000 each. The Bachelor Gulch lift didn't create new skiing, but it did create \$70 million worth of real estate.

Vail isn't even close to the edge if they define the edge as being "the best ski resort". They can't do much to be a better ski resort—just make incremental improvements that keep them even with the competition, not ahead of it. That's decent management, but not the recipe for growth.

No, instead of being a ski resort, they ought to realize that the edge is to be "the most remarkable real estate resort." They've enjoyed success because of the coincidence of goals—making a better ski resort mostly helps you be a better real estate resort. But now, the competition offers just as good a ski resort as they do... so the challenge is to find the edge (real estate obsessed) and figure out what it means to go there.

I'm not saying they should alienate the non-owning skiers (that would hurt real estate, after all), nor am I saying that they ought to bulldoze the entire place and build more houses. What am I proposing is that once everyone in the organization realizes the edge (to make Vail a remarkable

place to own real estate) then a whole range of promotions, policies, activities, events and services can pop up that will get Vail closer to the edge.

No use going to an edge that all your competition is going to as well. That's not an edge. That's the middle.

126 **EDGECRAFT:** I want to pre-empt critics who want to misunderstand a few things here.

First, let's understand that *differentiation* has no place in this discussion. Differentiation is a selfish marketing concept, based on the idea that consumers actually care about you and your segment. Differentiation is saying, "everyone makes a blue one, we make a green one, therefore we're remarkable." NONSENSE. If people don't think your green one is worth talking about, then it doesn't matter one bit that it's different. What matters is that people find it remarkable. And that doesn't come from differentiating yourself from the competition. It comes from creating a product or service that deserves to be talked about.

Second, I'm not promoting foolish gimmicks and gimcracks. I'm not saying that quality isn't important. If you make a shoddy product filled with useless doodads, it's unlikely that people will talk about you—other than to complain. No, the surest way to create a Purple Cow is to make something so high utility and so high quality that it dwarfs the alternatives. If you could create a chemotherapy with no side effects, doctors would talk about you. If you could create a safer car with higher mileage and far great longevity, people would line up to buy it.

The problem is that these sorts of hard innovations, these extremely unlikely useful innovations are too rare to build a universal strategy out of. Sure, please go ahead and make something where the utility behind the product is one and the same with the edge you go to. For the rest of us, they will have to be different things.

128 **BUYING A WATCH TO TELL THE TIME:** This is one of the most important sections in the book. A lot of people nod when they read this, but then go back to work and try to make a more accurate watch. It's way too easy to fall into the trap of believing that gradual increments in existing product quality will allow you to succeed. They won't. It's a myth, a myth created by creatively bankrupt management. Slightly better yogurt, amusement park rides, management consulting, on-time airline performance and second-grade teaching are all important. Essential. Necessary. Vital. But ultimately, they're useless by themselves if your goal is growth. Growth only comes from the leap to the remarkable.

Muller cannot, for any amount of money, make a more accurate watch. Watches are already as accurate as they can be. Quality in the watch business is no longer about accuracy. It's about stuff that has nothing to do with what time it is and everything to do with why we buy a watch.

127 **EVEN DO IT BY YOURSELF:** I do my edgecraft in the shower. It has the added benefit of dramatically increasing personal hygiene.

141 **HOW TO GET RIGHT TO IT:** When you go past the edges, you're in the fringes. The fringes aren't nearly as successful as the edges. I don't spend a lot of time in this book worrying about the fringes,

because I don't believe most organizations have any idea at all how to get that far. Don't worry about it!

143 (DWARF THE COMPETITION): *New York Times*, July 27, 2003.

143 ITEMS, BRANDED, WOULD COST: Here's how Trader Joe's engine works. They have a huge flow of people (and the cash they bring with them) in their stores every day. This gives them the power to go to a supplier and say, "Create this sort of chili (or chip, or fish, or whatever) and we'll buy a whole bunch. No need for you to advertise or take much risk." Not every vendor takes them up on this because their standards are high and their prices are low. But they don't need every vendor. They merely need enough to keep the crowds coming.

145 THEIR USP: Unique Selling Proposition, a sixty-year-old idea that marketers use to figure out how to market something that is, in effect, average. Rosser Reeves, who developed the idea at Bates, was inducted into the Marketing Hall of Fame (I hear they have an urn waiting for me one day). This is what the hall says on its site: "Reeves believed that a basic dilemma in advertising was that few products were distinctly different. Reeves developed the USP concept in an attempt to distinguish one product from its competitors. The USP was an advancement over previous 'reason-why' advertising in that it operated as a part of consumer identity. The USP was similar to, but different from, David Ogilvy's brand imagery." Just to share my favorite example, the USP of Gleem toothpaste: "For people who are too busy to brush after every meal." I don't make this stuff up.

Sort of the antiprize. I say, if your product is not distinctly different, don't come up with better ads. Come up with a better product!

146 LITTLE PHOTO BOOKS: <http://club.nokia.co.jp/tokyoo/tokyoscape/puri01.html>

147 (HALLMARK CARDS): The Nathan's contest was covered at length by *The New York Times Magazine*, and thousands watch it every year. Hallmark, of course, succeeds because the person who buys a card then markets the company by sending that card to a friend!

147 LIKELY THAT PEOPLE WILL: Unleashing the Ideavirus was all about this edge. You can find free copies online (search for "download ideavirus" in Google) or you can get a copy at a local bookstore.

148 EXTRAORDINARY PIPETTE: <http://www.frogdesign.com/design/product/id/vistalab/>

151 DEALERSHIP IN DELAWARE: <http://www.mikesfamous.com/>

152 THREE FLAVORS OF MILKSHAKES: Of course, In-N-Out also does something even more remarkable. They have a secret menu! A menu not posted that only insiders know about, which makes it fun to take neophytes there and share the secret. For those who can't bear the fact that there's a secret they're not party to, here's the official company line: "We have several commonly requested burger styles, such as Animal-style, which do not appear on our menu. As you may know, our Animal-style burgers come with lettuce, tomato, extra spread, pickles, grilled onions, and mustard fried into the patty. We also offer Protein-style burgers, for which we wrap the burger in large leaves of lettuce instead of placing it on a bun.

"In addition, we have commonly requested burgers that are not on our menu. These burgers include the Wish burger, the Grilled Cheese burger, the Double-Meat, and the 3x3. The Wish burger is similar to a hamburger but does not contain the meat. The Grilled Cheese burger is similar to the Wish burger, but adds two slices of melted cheese. The Double-Meat is similar to the Double-Double in that it has two meat patties, but it does not have cheese. The 3x3 burger is a burger with three meat patties and three slices of cheese, and you can add meat patties and slices of cheese to make a 4x4, 5x5, etc."

152 JESSE JAMES: <http://www.fortune.com/fortune/smallbusiness/articles/0,15114,427131,00.html>

155 CATERS TO FAT PEOPLE: <http://www.signonsandiego.com/news/mexico/20030607-0957-beachforthebig.html>

155 MINNESOTA TYPEFACE COMPETITION: You can try it at [http://design.umn.edu:8080/cgi-bin/ltrstr/tcdc/alternator?page=interface\\_004](http://design.umn.edu:8080/cgi-bin/ltrstr/tcdc/alternator?page=interface_004)

### Keith's Three-Step Process

#### 1. DEFINE THE PROBLEM

- Defining the problem
- Envisioning the end state (knowing what victory looks like)
- Defining the approach by which victory can be achieved
- Inciting support and then action

#### 2. INNOVATING

- Seeking insight to inform the prototyping of the solution
- Prototyping potential solutions
- Delineating the tough choices
- Enabling the team to work as a team

#### 3. GENERATING VALUE

- Choosing the best solution, then activating it
- Making sure people know about your solution
- Selling the solution
- Rapidly learning and "tacking" based on your successes and failures

158 WHAT GREAT DESIGN CAN DO: Marcia Hart is an architect who understands organizational design. She can tell, with a glance at a company's phone directory, how well the place is run. By redesigning an organization the way she designs a building, she delivers nearly instant results.

158 COMPLETELY SOLD OUT FOR MONTHS: <http://haeftling.de/index.html>

163 PEACE FROGS: <http://www.peacefrogs.com/insideEntrepreneurs.php>

169 ARCHIE MCPHEE: <http://www.archiemcpee.com>

- 170 OUTLETS IN MUSEUMS: The chocolate exhibit at the Museum of Natural History seemed to have one objective: to give them an excuse to sell you chocolate bars on the way out!
- 170 ON AIRPLANES: Interesting fact about this: An airline can double their profit on a cheap ticket if they can sell you a watch or perfume on the flight. Once the plane is flying anyway, many airlines are willing to fly the last passenger for a tiny profit above marginal cost. The \$40 profit on a cheap watch is more than enough to double that.
- 171 JOI ITO DOES: <http://joi.ito.com>
- 172 A BOOM IN SALES: <http://sfgate.com/cgi-bin/article.cgi?file=/chronicle/archive/2003/04/16/HO119693.DTL>
- 175 A PHOTO LINK: [http://customerevangelists.typepad.com/blog/2003/09/cnn\\_in\\_the\\_show.html](http://customerevangelists.typepad.com/blog/2003/09/cnn_in_the_show.html)
- 175 HOLIDAY INN BILLOW: There have been scientific studies done on precisely why the shower curtain blows in on you. Visit <http://slashdot.org/science/01/07/15/1355250.shtml> for details.
- 182 MAKE SOMETHING HAPPEN!: My last thought is about old and new:

The old way is the way you remember: Make a product. An average product for average people. Manufacture the product. Get distribution. Run ads. Run more ads. Sell the product. Buy more ads. Reduce costs. Sell the product. Repeat.

The new way feels trickier because I've been busy making up a lot of new words to capture the essence of it (I know, all these terms do look a little ridiculous, especially strung together, but bear with me). It's like this:

Make something remarkable. Create a Purple Cow with a free prize inside. Create a fashion. Get sneezers excited about your product, help it become an ideavirus within a hive. Get permission from the early adopters with otaku, so you can keep in touch with them and let them know about your next fashionable soft innovation. Milk the cow, make a profit. Use edgecraft to make your next free prize. Alert the permission base of sneezers. Repeat.

[CLICK HERE](#)

to see if there are  
more recent footnotes.