

CHAPTER THREE

SCAVENGERS

Always on the hunt for
things to innovate.



Nothing is perfect: no product, no service, no business model, no situation. There are always things that can be improved upon.

The need to question and to wonder 'what can be changed?' is the engine for the whole innovation cycle.

Take outdoor clothing company Patagonia, for instance. Patagonia Inc. is a privately held company based in Ventura, California, and was founded by climbing enthusiast Yvon Chouinard. The stuff ain't cheap, but it is incredibly practical and well designed and so worth the cost. Patagonia also has a very strong social conscience with a mission statement that is clear and simple: 'Build the best product, cause no unnecessary harm, use business to inspire and implement solutions to the environmental crisis.' Patagonia strives to make each product with as little environmental impact as possible. They know that however hard they try, everything they do leaves an indelible footprint on the environment, and they are very open about the fact that they are by no means perfect. So they have found a way for consumers to track the carbon footprint of selected Patagonia products from inception to sale. For each one of the items they chronicle on the *Footprint Chronicles* microsite at Patagonia.com,¹ visitors can see the steps that Patagonia went through to develop it, and included with the facts and figures are short videos and pictures about the clothing's design, manufacture and distribution.

And this is not just a greenwash – there's bad news given alongside the good. For the *Nine Trails Shorts*, for example, the good news is that the factory has committed to stringent environmental and safety standards. The bad news is that the fabric the shorts are made from is neither recycled nor recyclable and, because the factory is in Vietnam, the finished product needs to travel no, er, *short* distance (sorry) to get to Patagonia's US Nevada distribution centre. In fact, each pair of shorts must travel 16,262km from the place where the

¹On the US website it's at www.patagonia.com/web/us/footprint/index.jsp

raw material is sourced to the distribution centre in Reno, Nevada – that's a greater distance than that travelled when circumnavigating Antarctica (15,000km). Patagonia know they have more work to do to lower their environmental impact and they actively solicit feedback from consumers to help get there. Here's a big pat on the back, Pat.

Jill Dumain, Director of Environmental Analysis at Patagonia Inc., told Business Playground that what's been surprising about the initiative is not so much how well it's been received externally, but how difficult it's been for Patagonia employees to, as she puts it, 'learn out loud in public.' When the *Footprint Chronicles* initiative was first launched, employees felt they were on the front line in full public gaze, but management, convinced it was the way to go, pushed it through regardless. They wanted to take Patagonia's environmental commitment seriously, and they knew that if they just talked about the good things they were

doing they would only be telling half the story. 'We wanted to change the notion that we had it all figured out,' says Jill. The senior executives decided that to be part of a serious conversation about the environment they had to break through what she describes as 'the Patagonia Perfection Paralysis'. The culture had always been about doing the very best possible and employees found washing their clothes in public (see the section on metaphors later in the book) initially very awkward. But eventually, she says, the lack of self-censorship felt very liberating for them.

And it's forced everyone in the supply chain to think through what they do and the impact it has on the environment.

By looking at their carbon footprint in such detail they realised, for instance, that manufacturing locally is not necessarily the answer.

When Patagonia's top brass first conceived of the *Footprint Chronicles*, the received wisdom in the media was that it's got to be made locally to be green, so they were surprised to learn through their analysis how small, relatively speaking, the impact from transportation is – something they might otherwise not have known. 'If we'd simply listened to the environmental chatter,' says Dumain, 'we might have gone in a different direction.'



RIP IT UP AND START AGAIN²

One technique for looking at an existing product or service, and wondering how it can be improved, is to break it down into its components and then build it up again.

Figuratively, that is. This is sometimes called ‘attribute listing’, but we’re going to call it Derek. Take a pen, for instance: a pen has a number of attributes, such as its look, its feel, what material it’s made of, the type of ink it uses, how the ink is released so it stays in the pen when it’s not needed and how it comes out when it is.

Or take restaurants: what are the different factors that make up the restaurant experience? The type of food, the price, style, and how it’s delivered are some of the main ones, and each of these categories in turn has a number of different possibilities. The type of food, for instance – could be Italian, Chinese, Indian, English, Mexican, Middle Eastern, Thai, Japanese or Latvian, to name just a few. (You’ve tried Latvian, right?) Then, often independent of food type, there are the prices charged, which might be cheap, low priced, medium priced, expensive, or bleedin’ pricey. Then there’s the style of the restaurant: casual, formal, family-oriented or trendy. And how the food delivered could conceivably be by waiters on skateboards, eating it Roman-style while sprawled recumbent on soft pillows, as a take-away or home delivery, or even thrown by catapults (that could be fun!), We can make a list of each of these factors under their headings and then try different combinations of them to see whether one of them makes for a great new dining experience, or is in fact just a ‘recipe for disaster’.

(Dave has a penchant for pricey Italian food served in a formal setting that he can take his time over; Mark for extra spicy Indian food washed down with icy cold beer.)

²I said, rip it up and start again.

FOOD TYPE	PRICE RANGE	STYLE	DELIVERY
French	Cheap	Formal	Skateboarding waiters
Italian	Low	Casual	Roman-style
Chinese	Mid	Family	Take-away
Indian	Expensive	Business	Home delivery
English	Boy, that’s pricey!	Trendy	Catapulted
Latvian			

Try randomly picking from the different factors to see what you come up with. How about expensive Italian food delivered to businesses? Or how about mid-priced French food in a leisurely family-friendly restaurant? Nice one, Derek. And this same thinking can be applied to many types of business, especially those that sell products or deliver *experiences* in one form or another. The product can be broken down into the factors that fall within a small number of distinct categories, and these can then be recombined to create something completely new. (A giant triangular suitcase made of cotton wool was what we came up with, but don’t tell anyone, it’s still in development and it’s going to be a big hit, we just know it.)

Another approach to innovation to see what needs to be changed about a product, a service or situation, is to think about the things that bug you about it.

Take the umbrella (no, not *that* one, that’s mine, the one by the lamp). The steel-ribbed umbrella was invented by Sam Fox³ in 1852, although umbrellas in one form or another have been around for thousands of years. An innovative design, for sure, but not one without its flaws. It keeps the rain off and can be folded away to be put in a bag, used to fend off people when fighting to get on the bus or, when sharpened, even used to poison people with. But Sam’s design is also prone to blow inside out or to break, and maybe even unintentionally poke out an eye or two.

³Sam Fox is also the name of a large-chested model who became famous by appearing topless in *The Sun* in the 1980s and 1990s, and more recently as a contestant on *I’m a Celebrity ... Get Me Out of Here*, but it’s not *that* Sam Fox. This one is Samuel Fox and, as far as we know, he never appeared topless in *The Sun*, or on any reality TV show.



Dutch company SENZ Umbrellas designed a new umbrella that uses an asymmetrical (or 'lopsided') shape rather than a round one, apparently making it much more aerodynamic. It works with the wind rather than against it, and changes its orientation to deflect it without creating pressure on the fabric and ribcage. And those clever Dutchmen even added 'eye-savers' to protect innocent bystanders from being blinded. It was a roaring success. It went on sale in 2007 for \$67 a pop and they sold 10,000 units in the first nine days.⁴ Ophthalmologists were in uproar. SENZ⁵ say their umbrella design 'makes Senz', which is a terrible pun, but we forgive them.

THE BUG LIST

The SENZ umbrella is so distinctive looking that, according to the company founders, its owners will stop and greet one another on the street (perhaps saying, 'I see you have plenty of SENZ! Ha!' but then again, probably not). Yes, SENZ designer Gerwin Hoogendoorn had come up with an innovative new design for an old product that had some inherent design flaws after he thought about the irritating and debilitating design flaws, or the bugs, of the original.

We asked SENZ co-founder, Philip Hess, why they picked the umbrella to redesign and not another product. 'Our journey started

⁴'The Umbrella Gets an Extreme Makeover: Dutch Designers Give Old Standby an Aerodynamic Twist', *ABC News*, 6 March 2007.

⁵You can see their umbrellas (for some reason not sponsored by Barbadian singer Rihanna, who had a hit with 'Umbrella' in 2007) at www.senzumbrellas.com

out of pure frustration with traditional umbrellas,' he says. 'Everyone hates the fact that umbrellas always go inside out, break, poke you in the eye, provide bad visibility and are very uncomfortable.' As for the design process that led to the lopsided design: 'The process was never a Eureka! moment. First there was a solid analysis of all the problems people encounter with umbrellas. When coming up with solutions for all of those problems, although it sounds kind of corny, we really tried to go outside of the box, and we even considered magnetic fields and helicopter constructions above the head. However, as a designer you should also consider social acceptance and commercial potential. Therefore, the umbrella is still comparable to a traditional umbrella, but is fundamentally different. [Co-founder] Gerwin made the first prototypes of the SENZ umbrella by ripping apart old-style umbrellas and making asymmetrical umbrellas from them, using his grandmother's sewing machine!'

What's on your bug list? Bugs can be things you don't like about a product, a service, a whole industry, or just things that irritate the hell out of you.⁶ Bugs that if you get rid of could be the basis

for a wonderful innovation. For industrial designer Ethan Imboden a light bulb went off (a beautifully designed one, of course) when he realised that sex products needn't be ugly and cheap, and so he launched Jimmyjane as a range of very stylish alternatives made of precious metals. Some of the products even come with a small hole drilled into one end so they can be worn around the neck as a pendant, and celebrities like Kate Moss have done just that. Here's our bug list – feel free to steal any of them and send us your solutions (or better still, a royalty fee from the devices you invent).

⁶In the film *The Jerk* Steve Martin plays the character of a hapless chap, Navin R. Johnson, who invents an ingenious and stupid-looking device called the 'Opti-Grab', as a solution to the design 'bug' of spectacles sliding off the wearer's nose when the frames have lost their shape. Navin becomes rich beyond his wildest dreams. (For a while. He eventually gets sued and loses everything because a side-effect of the Opti-Grab was that it made people cross-eyed.)

- Junk mail.
- Piped muzak.
- Not enough time in the day.
- Air travel.
- Condoms.
- Parking.
- 'Special offers.'
- Commercial radio.
- Airport security.
- Shrink-wrapped packaging.
- Bottled water.
- Dog poop on the pavement.
- Tasteless fruit.
- Useless plastic toys.
- Customer service.
- Naysayers.
- Talking heads (not the band).
- We could go on ...

Oh, and did we mention the seats in coach class on aircraft? While we accept that the priority for the people who design the damned things is safety rather than comfort, comfort doesn't even seem to get a look (or knee) in. 'There is no catch-22 to this,' says Rick DeWeese, who is in charge of one of the Federal Aviation Authority's two crash-test centres. **'There's no reason a safe seat can't be a comfortable one.'**⁷

The people who make the seats for the airlines blame the airlines for packing the seats in too tight so passengers, squashed with a knee up each nostril and their elbows wedged beneath their armpits, can't wiggle about. The seats on their own are, according to the designers, just fine, it's just that if you have to stay sitting in them for too long without the ability to wiggle they become, well, a bit of a pain in the arse. 'If you put an economy-class seat in a nice place and compared it to an Aeron chair, I would argue that the Aeron chair is no more comfortable,' says Glenn Johnson, design director at B/E

⁷'Why Are Airplane Seats So Miserable, and What Can Be Done About It?', Eric Hagerman, *Popular Science*, 27 April 2009.

Aerospace, which makes seats for Southwest Airlines, Continental Airlines and British Airways. Yeah, well, hmm.

The airlines, of course, blame the consumers, saying that more room for passengers to wiggle means fewer seats on the aeroplanes and less money for their coffers. But, luckily for us consumers, there do seem to be alternatives to the current seat design, ones that balance safety with comfort and the space they occupy, it's just that the ailing airlines will need to pony up and stick 'em in, so to speak. The *Cozy Suite*,⁸ for instance, is a craftily configured seat row 'boasting', according to the company's website, 'a shoulder width as wide as business class'. It has a sort of staggered arrangement of seats so that each one is in a row positioned slightly behind the next. Other interesting designs that take a new approach to the traditional seating configuration include ones that use the vertical space above passengers to give them more room, and others that have passengers facing one another like on a military aircraft.⁹

Not accepting the way things are now is a great starting point for innovation. Even the humble mousetrap, the stuff of the innovation cliché, is the inspiration for countless new designs and patent applications. The saying goes: 'Build a better mousetrap, and the world will beat a path to your door.' The world excluding the mice, that is. As proof of this witness Rentokil who, in June 2006 and amid much fanfare, launched a digital mousetrap that tells operatives that a rodent has been caught and in which particular trap. The trapped mice or rats then go through some sort of interrogation, we imagine. They call their device RADAR – presumably the acronym preceded the choice of name – which stands for Rodent Activated Detection And Riddance.

⁸Developed by Thompson Solutions, a company in Northern Ireland that specialises in designing seats for the aircraft industry. Check out the Cozy Suite at www.thompsonaero.com/cozy-suite.html

⁹Designs by Emil Jacobs and by Design Q featured on *wired.com* in a feature by Jason Parr entitled 'Step Up, Lie Down, Sit Sideways As Airlines Explore Creative Seating', 8 October 2009.

Rentokil installed a bunch of them in Wembley Stadium and a press release from the following year boasting of RADAR's success proclaimed: 'As soon as a rodent enters the RADAR unit the pressure-sensitive pads detect its presence and automatically close the doors. The unit then releases a measured dose of carbon dioxide into the sealed chamber, killing the rodent quickly and humanely with no release of toxins.' And the blurb went on to say: 'With a capacity of 90,000, each event at Wembley Stadium will be a major catering exercise, and Rentokil will help keep the organisation free of harmful pests and the taint of poor hygiene that can go with them.'¹⁰ You'd think they were talking about the fans.

BALL-GAZING

Looking into the future can help to focus the mind on what might need to be changed to help deal with it. Let's do some ball gazing to look at what life will be like in years to come. Gaze deep into the ball. Deep ... deep ...

OK, stop for a second.

A word of advice before we go on. **What life is like now shapes our view on what it will be like in the future, and so not looking far enough ahead tends to anchor our thinking to the present a bit too much.** Look just five years or so into the future and we tend to assume that it'll be like it is now, just more so. So if we don't look far enough ahead, it's likely we'll underestimate some big important shifts that will blow any current trends out of the water. These are the disruptions that force people to do things in a new way. Who, just a few years ago, would have predicted the explosion

¹⁰From 'Building a Better Mousetrap', Mark Roth, *Pittsburgh Post-Gazette*, 9 May 2007.

in social media, the collapse in the global economy or the rise of the tree frog as a superpower? These and other changes have fundamentally shifted the way we live our lives.

To clear the decks let's gaze a little bit farther forward, at least ten years into the future. Again, look deep ... deep ... That far ahead and it's easier to disregard the short-term trends and focus on a future that might be very different from the present. To help, let's throw in some big disruptive changes that might have happened along the way. For instance, the mists in the ball clear, and ... it is the year 2025. Now,

- People have lost the use of their legs.
- A scientific breakthrough has increased average life expectancy to 300 years.
- People rarely leave their homes because of dangerous freak weather conditions.
- Children are in charge.
- Women have declared all-out war on men.
- We have discovered the ability to read each other's thoughts.
- A team of mice are playing Chelsea in the FA Cup at Wembley.

OK, so they're completely implausible (apart from the first, third, fourth and fifth scenarios, that is) but they will at least shake our minds free from the baggage of current experiences and how they limit our thinking. Maybe you could make the disruptive changes more relevant to your own situation? If it's business, what huge shifts can you imagine that could possibly happen in your industry? Not the little ones that are logical extensions of what's already going on, but the big breaks in the status quo. **Thinking through odd scenarios can help us come up with better ways to do or make something.** How odd you make them is up to you – throw a few in there that are on the

crazy side. Here's one that could have been written fifteen years ago that might have seemed crazy at the time, but it started to happen just a few years later.



You are a record label and in ten years' time people will have stopped buying your music because they can get it elsewhere for free.¹¹

The music industry has had to adapt to survive and create new business models for itself as the sales of recorded music has dried up.

According to Irving Azoff,¹² a music industry goliath who, as CEO of Ticketmaster Entertainment¹³ is reshaping the way the business works today, the revenue streams used to be record sales first, then ticket sales to live concerts, and third was merchandise. Sponsorship didn't even get a look in. But because over the past few years revenue from recorded music have plummeted, today sponsorship ranks only second to ticket sales as a revenue generator. The model has completely changed.

Through his company MEGA¹⁴ Danny Socolof creates innovative strategic partnerships between artists – like Gwen Stefani, Led Zeppelin and Beyoncé – and brands including Pepsi and Cadillac.

¹¹Shawn Fanning unleashed the music file-sharing site Napster in 1999.

¹²Irving Azoff was interviewed for 'The Price of the Ticket', John Seabrook, *The New Yorker*, 10 and 17 August 2009.

¹³In 2009 Ticketmaster, a ticket sales company, did a deal with concert promoter Live Nation and the new company is called Live Nation Entertainment. Seeing the writing on the wall, Madonna left her record label and signed with Live Nation Artists in 2007.

¹⁴www.megalv.com

He told Business Playground: **'The era of the album is dead.'** There is a gigantic evolution going on in music today driven by many factors, the most important one being how technology is disrupting consumption patterns.' He cites Pandora Internet Radio as a great example of how things have changed.¹⁵ Pandora lets people create their own radio stations (up to 100 stations per listener) of music they like by allowing listeners to plop in the names of artists or songs and then Pandora's software (called Music Genome Project) will play music with interesting similarities to the choice. Users can refine the stations so they more perfectly match what they want to listen to, and if they want to buy a song they can order a CD or purchase a digital download.

The Rolling Stones were way ahead of the game when they agreed to have their 1981 'Tattoo' tour sponsored. Mick Jagger told Business Playground: 'We did sponsorship for the first time and got a lot of attacks for it. It was a perfume company¹⁶ and it was a real breakthrough,' he says. 'I don't think any tour had ever been sponsored before. They approached us and we said, "Well, why not? You know, we're not making a lot of money on this tour." In those days ticket prices were really low, so this would up the income. It wasn't very much money but it was a breakthrough thing. After that it became the norm, and the next time we went on tour we got more money from a much bigger company.' Most major tours and music festivals now have corporate sponsors attached.

Now, three decades later, artists are increasingly looking beyond sponsorships to more strategic partnerships with brands to help finance and promote their music. In 2008 the English electronic dance duo Groove Armada signed a revolutionary one-year deal with Bacardi in which the drinks company funded the band's new

¹⁵www.pandora.com

¹⁶The sponsor was perfume make Jovan.

recordings. Groove Armada gave Bacardi the rights to use the music, but retained ownership, created a web radio series and curated dance events for the rum brand. At the time Dan O'Neil, Groove Armada manager, said,¹⁷ 'The old record company deal is a defunct model. Artists go away and sit in a studio for 18 months, they create an album – which people don't buy any more [because] they download individual tracks – and a large emphasis is still on how you get little plastic discs racked on a shelf. It just seemed wrong.' Andy Cato of the band explained that doing the deal was a big decision for them: 'There was a degree of nervousness about taking a leap so far away from anything that's gone before, but at the end of the day, we've got an amazing live show, one of the best in the world,' he said. 'We need to break that in markets where we need financial help ... and as always we want to get our music to as many people as possible.'

Socolof thinks that music gives brands a perfect way to develop deep human connections with their consumers.

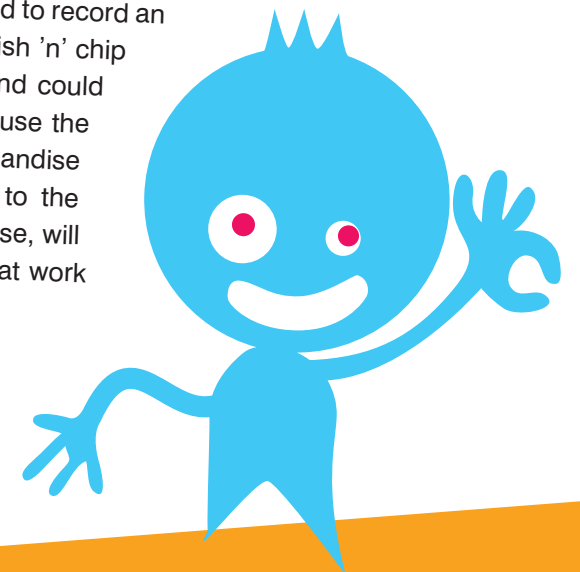
He told Business Playground: All the technology in the world, as it relates to music, is meaningless unless human connections are made. Ultimately, music is the thing that resonates with people more than anything I know. As an entrepreneur, Socolof knows that the first rule of success is that nothing stays the same: 'Change is never a good friend to people or institutions that are risk adverse.' But he knows how much more difficult it is for corporations to shift direction. His greatest successes have come from working with what he calls internal entrepreneurs (we call them *intrepreneurs*). 'Internal entrepreneurs know that real innovation and breakthroughs don't come without risk – whether they've been given permission to take the risks, or have just taken it.'

¹⁷'Duo's Revolutionary Pact with Bacardi', Paul Sexton, *Financial Times*, 17 April 2008.



Groove Armada, like the Stones, have found smart ways to finance their music that embraces change rather than fights it. When Business Playground interviewed Tero Ojanperä, the Executive Vice-President, Services at Nokia, he talked about the need for disruptive factors such as technology to be embraced as positive agents of change and not to be feared: **'Technology is moving so fast nowadays and when it comes to mixing technology and art and creativity, people tend to fight the technology. They think there is something bad and it's like "destroying my business, it's harming us", but very often if you embrace it sooner rather than later you will find out that it unleashes completely new forces in creativity.'**

We are currently working on a smart way to match up artists with corporate sponsors. 'Sponsorability' will use a sophisticated online database to allow brands to search for musicians and other artists that they are willing to help support in exchange for sponsorship rights. Say, for instance, there's an up-and-coming band that has a bit of a following but needs a few thousand quid to record an album to sell on iTunes, and a local chain of fish 'n' chip shops decides to stump up the cash, the band could play gigs at the shops, allow the chippies to use the music in radio ads and offer discounted merchandise at live events, and music and merchandise to the shops' regulars. A system like this, if easy to use, will be a clearing-house to match opportunities that work for both the artists and the sponsors.



YOUR BIG GREY SPONGE

As Albert Einstein said, way before the invention of the Internet, ‘I have no special gift, I am only passionately curious.’

The brain is a big, blobby sponge ready to absorb all that comes its way, and creative types are more often than not avid consumers of information and entertainment.¹⁸ They read all sorts of media, go to movies, listen to music and podcasts, scour websites. They always hunger for *more*; they never feel that they know enough.

Paul Allen, co-founder of Microsoft, told Business Playground how these habits ran deep with him: ‘I guess it started when I was a kid. Both my parents were librarians, so I was always around books. When I got a little bit older, I devoured magazines about computers and technology, just stuffed my brain with everything I could learn about technology and the future. I still read everything I can get my hands on ... and every now and then you see a connection of two ideas, where the link transcends the individual elements. With Microsoft, the critical connection was between a microprocessor and an easy-to-use programming language called “BASIC”.

‘That turned out to be a pretty good idea!’¹⁹

‘Those big ideas don’t come to you every day – it has probably happened to me ten times in my life, at most.’ When one pops out, first you have to check to see whether anyone else is already on the same trail of thought. If the way is clear, you need to jump on the opportunity.

¹⁸To have a look at some of the websites we peruse on a regular basis to feed our minds, go to www.businessplayground.com

¹⁹It was the idea that spawned Microsoft.

‘What does it take to make a breakthrough? A certain natural curiosity – and, just as important, a fearlessness to put your idea to the test. Luckily, I’ve had both of those things. It might be genetic or the way you’re brought up, but you have to have an incredible *thirst* to take in what’s out there, which paves the way for the next step. In your case, I’m sure you [Dave Stewart] studied 30 different guitarists and all their licks, and learned all The Beatles’ songs down to the last note – and that made your imagination more fully formed. I read shelves of science fiction when I was young, which was great training for my brain. It led me to think of things that didn’t exist, or “might” exist, or *shouldn’t* exist, even.

‘Some people are focused and deep in one or two areas. I’m different in that I’m interested in so many different things, from brain science and rocketry to professional sports franchises and underwater exploration and software. **For me, life is a rich and complex gumbo; there are so many things to explore in the world.** Entrepreneurial ventures are especially fascinating to me, even when they might seem mundane from the outside. When I was involved with Ticketmaster, which on the surface seems like a simple business, I got excited about learning how ticketing worked and how the business could maximise audiences. (In the process, I got a few rock bands mad at me because they didn’t like Ticketmaster’s business model.²⁰) If you look at it in the right spirit, you can find something compelling in just about anything. There are still great mysteries out there that are only vaguely understood: the workings of the human mind; the potential of the Internet; how we might rescue the planet from global warming. You could spend a rewarding lifetime studying any one of them.

²⁰Through Ticketmaster fans can find tickets to major events via one website, but many artists have complained about the high fees they charge the fans.

'Everything is far more interrelated than people realised 20 years ago.' Consider: you can build

a whole body from a single cell. In many areas, we're just scratching the surface of understanding; a few, like genomes or decoding, are accelerating a lot faster. Some seem incredibly difficult, like the workings of the human brain. The experts tell me that ocean fisheries work best when they're more controlled, with a preserve – say, a square-mile no-fish zone – where the fish somehow know they're not going to get caught. Creating a preserve builds back the population, and you wind up with more fish than if you had a no-holds-barred open season.

'We're just starting to figure out some of these complex systems. The challenge of global warming, or our need for clean and broadly accessible power, or the threat of a particular microbe – each requires lifetimes of specialisation. I call it "drilling into the orange with a needle". I like to take a different tack. I try to find broad-scale challenges with very specific, concrete goals. At the Allen Institute for Brain Science, we developed a genetic atlas for the mouse brain, and now we're working on the human brain. That's the whole rind of the orange. It's not the end of the process, but it's giving the specialists – the people looking at Alzheimer's, or addiction – a tool with which to accelerate their work. So when they drill *their* needle into the orange, they can go further and more quickly.'



**MOVE ONE SPACE FORWARD
TO THE NEXT CHAPTER ...
OR ROLL THE DICE**

Keeping our eyes, ears, noses (and throats) open to what's out there allows our minds to be tuned to new possibilities. In fact, we should never accept just the status quo (however much we love their music) because there are always things to improve upon. Patagonia, the outdoor clothing company with a conscience, has set itself high goals and has been very open about what it can still do better to minimise its environmental impact, while Dutch umbrella-maker SENZ looked at flaws in the design of traditional umbrellas to come up with a new and improved product. It's often hard to imagine what disruptive changes lie lurking just around the corner, but it is guaranteed that change will come. **All industries should learn a lesson from what's happened with the music business and how the revenue model has dramatically changed.** The smart bands have embraced the change and turned it to their advantage. As Paul Allen, the Microsoft co-founder, has shown with his myriad enterprises, the foundation for innovation is having a natural curiosity and constantly absorbing information and ideas. In the next chapter we talk about how coming up with the right version of the problem or question will shape the quality of the creative solutions.

I knew the music business was going pear-shaped in 1985 or 1986 when Jose Menendez was brought in from Hertz Rent-a-Car to run RCA Records in New York. The first I heard of it was when I went to a meeting at his office (our manager had met him once and refused to work with him). I was summoned to meet him and talk about plans for our new Eurythmics' album, called *Be Yourself Tonight*.

I sensed something was wrong as soon as I entered the room, and I had like an instant weird chemical allergic reaction. He was a big man, with a big handshake (which didn't save him later when he and his wife were gunned down by their own children²¹). He said in a booming voice, 'Great album, Stewart!' adding, as he slapped me on the back, 'Sounds just like "Ghostbusters"!'. I nearly choked on my gum. Before I could speak he said, 'I've done a deal that's gonna blow you out of the water,' and proceeded to tell me that a major hamburger chain had agreed to make mini Dave and Annie toys and, with every 10 or 20, or whatever number it was, of toys collected you'd get a free album.

I was trying to tell him that Annie was vegetarian (and was also on the cover of

²¹Lyle and Erik Menendez shot and killed their parents on 20 August 1989, for which they each received two consecutive life sentences without parole.

²²The Farmers Bank was one of the first manifestations of a strong move towards economic self-determination.



that month's *Vegetarian Times* magazine) and was a practising Hare Krishna, but he was very forceful and overbearing and I was soon nudged out of the office. He had artists in and out of there like a revolving door and, as I left, I saw a confused-looking Cyndi Lauper about to be wheeled in. In those 15 minutes I saw the future of the entertainment industry. And it was burger shaped. By 2000 I'd realised that in order for artists and content creators to survive at all, they had to take control of the situation. And so I came up with the idea that we artists should start a 'bank' called, surprisingly enough, First Artists Bank. (I stole the idea from The Farmers Bank.²²) As you can imagine, trying to round up lots of artists is a bit like trying to saddle a rat, and getting them to talk about finance often seemed about as difficult as selling Bibles in a brothel. Of course, when

I got the attention of Deutsche Bank, things started to happen. I pulled together first a meeting in their boardroom in London where Mick Jagger turned up and said loudly, 'This is the first time I've been in a fucking bank in 30 years', and then a meeting in their New York board room at which Stevie Wonder arrived on time – a rarity for Stevie.

Now, when you are standing at the head of a huge boardroom table on the top floor of the biggest European bank in NYC addressing everyone from Quincy Jones to Lou Reed to Stevie Wonder to Jeff Rosen (Bob Dylan's manager), you had better have something to say.

So, I announced that this was the end of the entertainment industry as we knew it.

Michael Philipp, who at the time was on the board of Deutsche Bank²³ and was at the meeting in London as well as hosting the meeting in NYC, recalls, 'When I first met Dave in September 2000, he talked for 12 hours about the impact of digitalisation on the production and distribution of media. As a banker, I didn't know what the hell he was talking about: nor did anyone else. Over the next five years, we all found out.'

Everyone was very interested in what I was saying, but no one was totally convinced by

my idea of a bank for artists. There were lots of heated discussions and plenty of puzzled expressions. All the artists knew that I was making some kind of sense but, because I was an artist too, I'm sure they thought, 'Uh-oh, Dave could be nuts but it's hard to tell because we are a bit nuts too.' There were non-artists there, too – a publisher, a record executive, a lawyer representing Dr Dre – and, by the looks on their faces, they were petrified that the lunatics were taking over the asylum.

What I was trying to explain to everyone there was that the Internet can be a good thing, if only we take control. The old business model was to retain control of manufacture and distribution, bamboozle the artists with contracts and then, when the money started rolling in, to hold on to it for as long as possible. And then, finally, months later, when you had to pay the artists what was owed, deduct as much as you could for as many reasons as you can think of (such as a 25 per cent deduction for costs of packaging). Music publishers were basically the equivalent of bad mortgage companies that loan you money at incredibly high interest rates, then, when you have paid off your loan, they still own your property (i.e. your songs).

²³Michael Philipp then became Chairman and Executive Board Member of Credit Suisse Europe, Middle East & Africa.

Rather than embrace the Internet and find new ways of doing business that reflected consumers' interest in downloading music digitally, the record industry got scared about cannibalising existing sales and missed their opportunity. I think they thought, 'If we keep our heads down it might never happen.' On 15 June 2000 the industry's top executives had gathered for secret talks with Hank Harry, the CEO of Napster, the rogue file-sharing website that had been giving fans access to digital music downloads. They discussed a subscription service for Napster's 38 million users, which would give them the ability to carry on downloading for a monthly flat fee of about \$10, revenues to be split between the labels and Napster (but what about the artists?). But the record executives simply couldn't take the final leap and the deal was never done. Napster went bust a year later, but it wasn't for another two years that the industry finally launched a legal, user-friendly service. By then, consumers were too used to other ways of getting the music they wanted.

What I was suggesting with my First Artists Bank (FAB) back in 2000 was that we form a bank that joined all the music rights societies around the world, thereby instantly becoming a publishing company with a

transparent payment system so we could see where the money is. Then we'd create digital destinations for artists such as U2, Bob Dylan or Gwen Stefani, and eventually all artists, that are way beyond websites. These would allow them to share, market and monetise their content, merchandise, tickets – and whatever else – to fans on the web and through mobile phones. Payments to the artists would be transparent and swift (seconds rather than the 9 to 27 months it usually takes to get royalty cheques). Our bank would attract customers more interested in getting Glastonbury or Lady Gaga tickets than a subscription to Reader's Digest! Gwen Stefani, for instance, in her digital world might include her music (No Doubt and her solo work), her L.A.M.B. clothing range, her co-branded K-Swiss and Hewlett-Packard products, her Harajuku Lovers brand,²⁴ her music videos, ringtones, digital applications, T-shirts, tickets to her concert – even hotel rooms and travel to the venues. Through her digital world she would get paid through a mixture of à la carte payments, subscriptions and advertising.

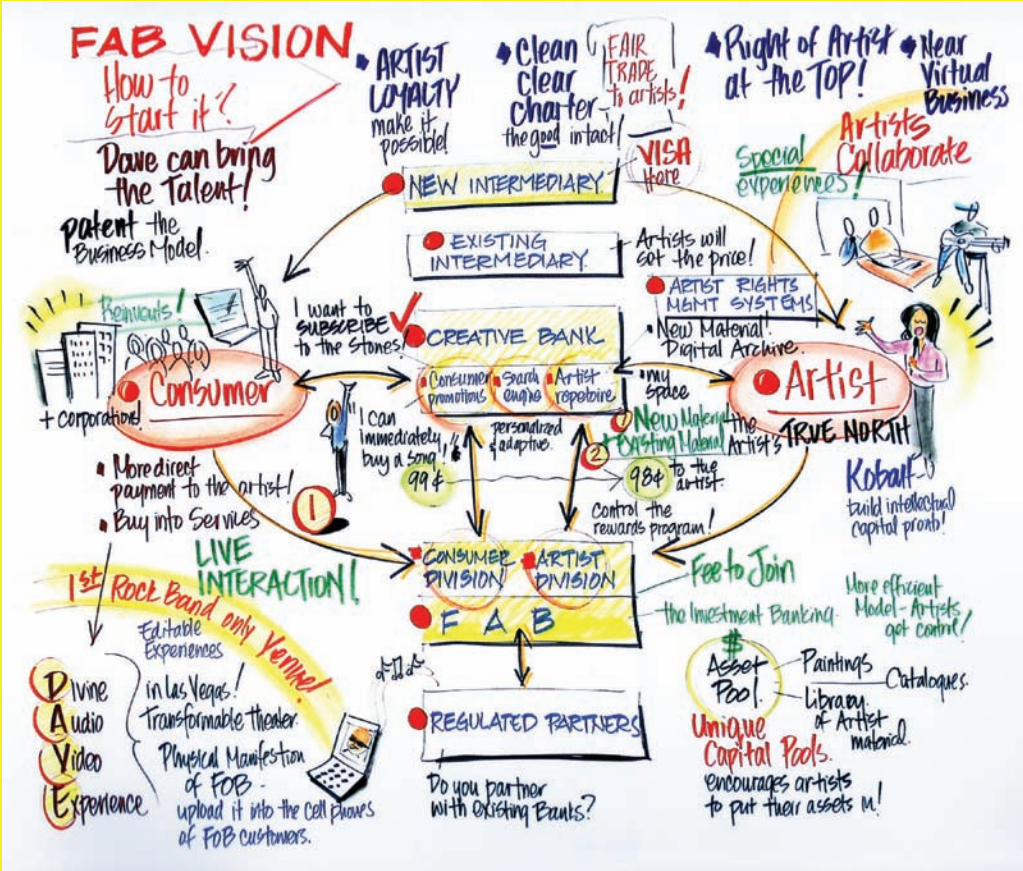
One day very soon my idea will be realised. It's taken ten years so far and a lot of meetings but it's finally beginning to happen. I don't think I could have got this far unless

²⁴I remember writing songs with Gwen at my Surrey farmhouse and her mentioning she had an idea for a whole Japanese-inspired brand of apparel and fashion accessories.

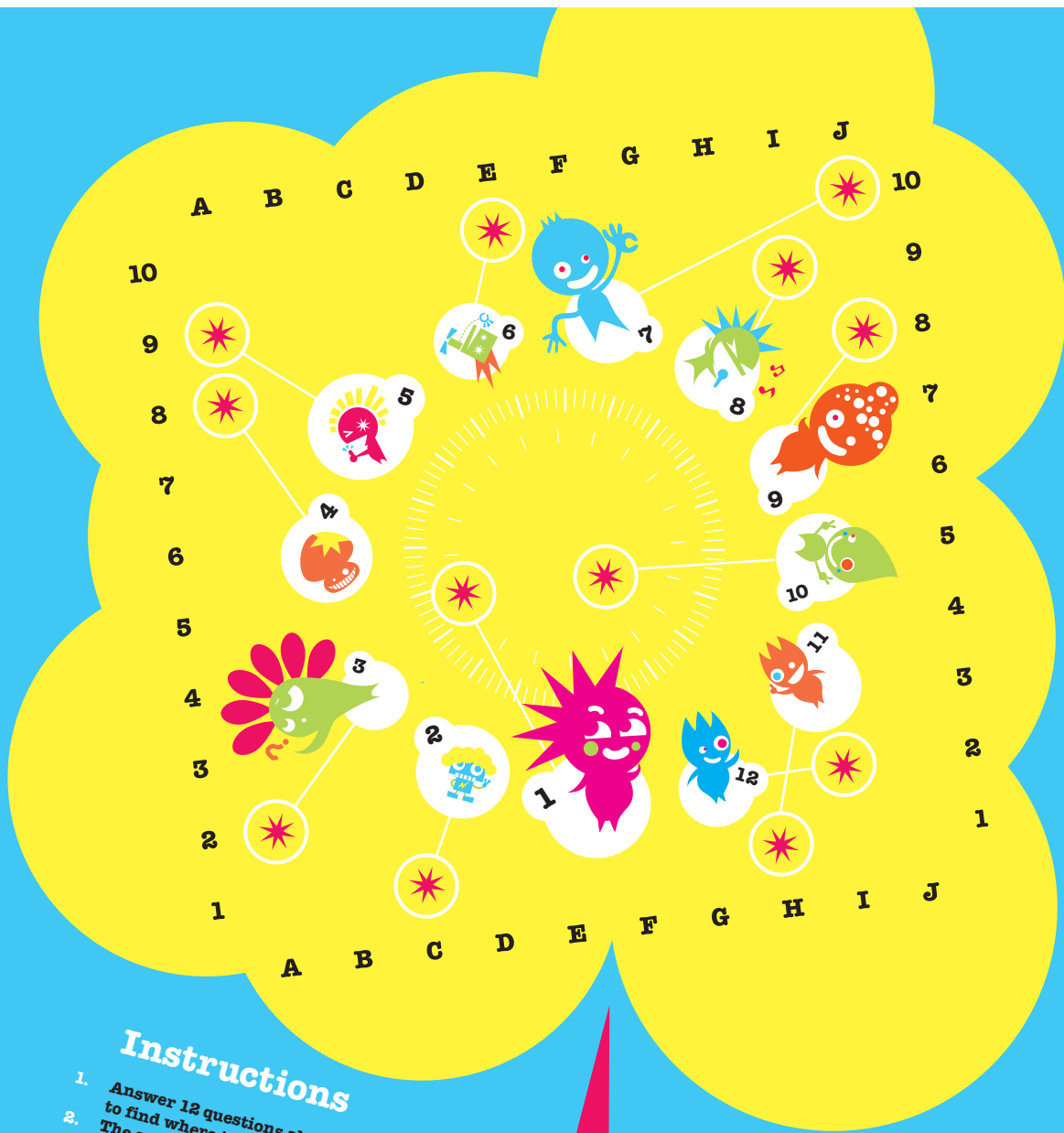
I had absolute faith in one simple, big audacious idea. I kept asking, 'Why does it have to be this way?' over and over again. I didn't see why I had to follow the rules if they no longer made sense. Children do this too; they constantly question us adults about why the world is the way it is and sometimes

the answer, 'Just because', isn't enough. The entertainment industry needed to change and I could see a straightforward (I didn't say an easy) way to change it. As they say, 'necessity is the mother of invention', and in this labour the birth has been long overdue.

Here is a mind map of our vision for FAB²⁵



²⁵It's just one slide of a whole bunch we did as we worked on the concept, and involved contributions from then CEO of Visa international, Christopher Rodrigues, Andy Law, Frank Nuovo and John Kao who was hosting the session.



Instructions

1. Answer 12 questions about familiar things to find where the hidden treasure is buried.
2. The answers you choose will determine where on the circular path you move (it's like the dial of a safe).
3. After 12 moves you will find yourself at one of the ten points.
4. Go to its corresponding star on the map to find where the treasure is buried.
5. Look at its coordinates and check at the back of the book to see if you were right!

START

BOARD GAME: SCAVENGERS

How it works: There is a treasure trove of ideas out there just waiting to be discovered, it's just a matter of keeping our wits about us. If we keep our eyes open we might be able to see things that others don't notice or just take for granted without ever really thinking about them.

How to play: From the start point on the map players move along the circular path and answer questions that test their powers of observation. Each one has two possible answers – one right and one wrong – and depending which one they choose, the players move a marker a certain number of spaces clockwise or anticlockwise (markers can be a coin or anything else to mark the space on the circle). Remember that where the marker is at any stage of the game has nothing to do with which question you're answering – for instance, you could be on question number 8 and have your marker at number 5 (and no, that's not a clue). After answering the 12 questions, each time moving their markers clockwise or anticlockwise as directed, players will find themselves at one of the 10 points on the circle. This will take them to the 'X' where the treasure is buried. It's like a giant safe and players are looking for the secret code!

How to win: Once they have arrived at what they think is the right X, players determine what are its coordinates, then check to see if they were right by looking at page 234 where they can also see the correct answers to each question. Good luck!

The questions:

One: How many times does the letter F appear in the sentence below?
'When I visited Phil, finches of Japan were flying around the flourishing bonsai placed on the left of the lounge's entry.'

5 = 2 spaces clockwise,
6 = 2 spaces anticlockwise

Two: On a standard traffic light is the green light at the top or bottom?

TOP = 4 spaces clockwise,
BOTTOM = 4 spaces anticlockwise

Three: How many curves are there on a paper clip?

3 CURVES = 1 space clockwise,
4 CURVES = 1 space anticlockwise

Four: In which hand is the Statue of Liberty's torch?

RIGHT HAND = 5 spaces clockwise,
LEFT HAND = 5 spaces anticlockwise

Five: Which way do fans rotate?

CLOCKWISE = 8 spaces clockwise,
ANTICLOCKWISE = 8 spaces anticlockwise

Six: How many sides are there on a standard pencil?

6 SIDES = 3 spaces clockwise,
8 SIDES = 3 spaces anticlockwise

Seven: Do books have even-numbered pages on the right or left side?

LEFT SIDE = 7 spaces clockwise,

RIGHT SIDE = 7 spaces anticlockwise

Eight: On the American flag is the top stripe red or white?

WHITE = 3 spaces clockwise,

RED = 3 spaces anticlockwise

Nine: On a typical phone keypad which of these number keys has no letters on it?

1 = 2 spaces clockwise,

9 = 2 spaces anticlockwise

Ten: When you walk does your right arm swing with your right or left leg?

LEFT = 1 space clockwise,

RIGHT = 1 space anticlockwise

Eleven: Which card in a pack of playing cards carries the manufacturer's trademark?

JOKER = move 2 spaces clockwise,

ACE OF SPADES = move 2 spaces anticlockwise

Twelve: How many differences are there between these two pictures?



4 = move 9 spaces clockwise,

5 = move 9 spaces anticlockwise

Check out our website, www.businessplayground.com, for more scavenger games.