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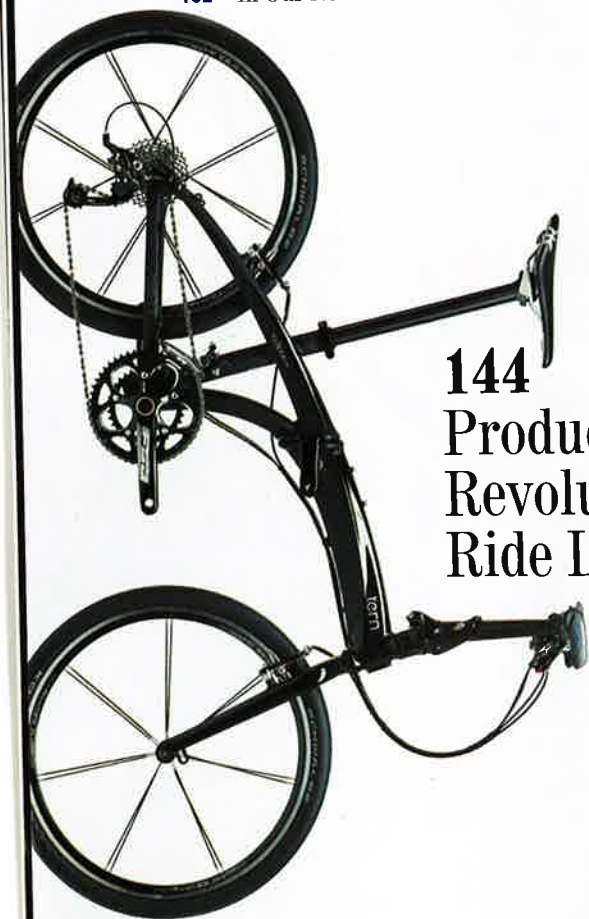
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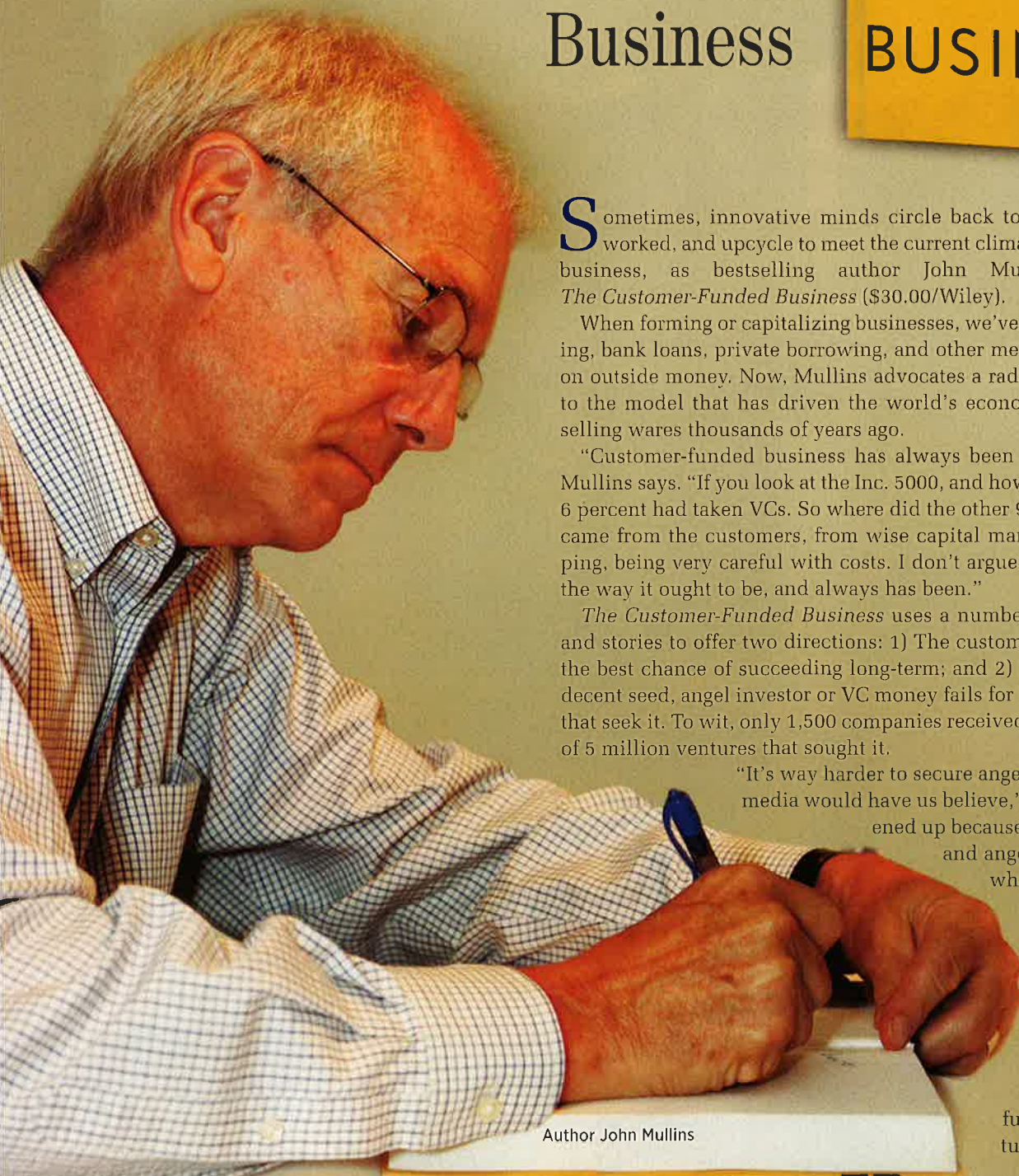
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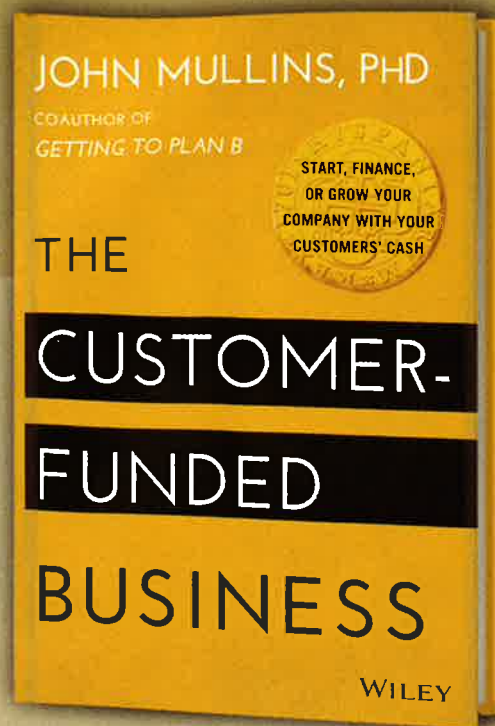


# Bookmarks

## Mullins: Go with the Customer-Funded Business



Author John Mullins



Sometimes, innovative minds circle back to what has traditionally worked, and upcycle to meet the current climate. Such is the case with business, as bestselling author John Mullins points out in *The Customer-Funded Business* (\$30.00/Wiley).

When forming or capitalizing businesses, we've moved toward VC funding, bank loans, private borrowing, and other means of getting our hands on outside money. Now, Mullins advocates a radical approach: returning to the model that has driven the world's economy since people began selling wares thousands of years ago.

"Customer-funded business has always been the best way to do it," Mullins says. "If you look at the Inc. 5000, and how they were funded, only 6 percent had taken VCs. So where did the other 94 percent come from? It came from the customers, from wise capital management, by bootstrapping, being very careful with costs. I don't argue this is new; it's not. It's the way it ought to be, and always has been."

*The Customer-Funded Business* uses a number of excellent examples and stories to offer two directions: 1) The customer-funded approach has the best chance of succeeding long-term; and 2) The prospect of landing decent seed, angel investor or VC money fails for 99 percent of companies that seek it. To wit, only 1,500 companies received VC funding in 2013 out of 5 million ventures that sought it.

"It's way harder to secure angel or VC funding than the media would have us believe," Mullins said. "It's tightened up because the vast majority of VCs and angels don't make money at what they do. Eighty to ninety percent of all funds deliver less than 25 percent annual return, and most of those have a hard time earning single-digit returns. Roughly a third of all funds deliver negative returns. As a result, a lot less

money is flowing to venture capital funds, so there's less seed money to start with."

Mullins defines and illustrates five models for building and sustaining customer-funded businesses — or reigniting flagging companies by turning to customer-funded approaches:

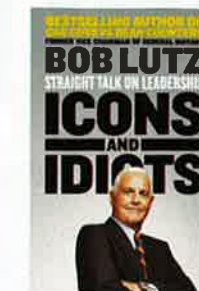
- (1) Matchmaker models
- (2) Pay-in-advance models
- (3) Subscription models
- (4) Scarcity models
- (5) Service-to-product models

We can all associate companies we own, run, or with which we do business to one of these models. Today's emphasis on partnering falls into the matchmaker model, such as AirBnB's mode of matching travelers with places to stay. A great example of a subscription model is Costco's \$55 annual card fee; the company makes 2/3 of its annual operating profit from memberships. Clothing companies that stock a line for one season, tell you to buy fast, and then do not restock when it sells out practice the scarcity model. Motivational speaker Tony Robbins exemplifies the service-to-product model in the way he's turned his speaking engagements into a multi-million dollar series of tapes, CDs, and printed materials.

However, the most common approach is pay-in-advance. According to Mullins, every service provider and manufacturer should adopt this approach. "You can take the whole service portion of the economy and say, 'You should all be customer funded,'" Mullins said. "It's a pay-in-advance model. If the customer isn't willing to pay something up front, then that's very important information and you should take notice."

*The Customer-Funded Business* will sound familiar to some and new to others. However, Mullins' insights are fresh. This makes the book a certain candidate for continuous referencing and dog-eared to those who buy it. ■

## The I&T Today Team Recommends ...



**John Faulkner:**  
*Icons and Idiots: Straight Talk On Leadership*  
by Bob Lutz  
(Portfolio/Penguin, \$19.95)

A collection of Mr. Lutz's encounters with people in positions of power and the lessons that these supposed leaders taught him. It's all about learning something from everyone we meet.



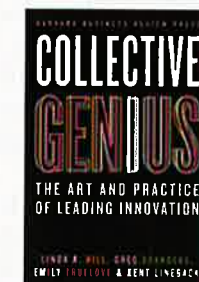
**Melissa Hirsch:**  
*Contagious: Why Things Catch On*  
by Jonah Berger  
(Simon & Schuster, \$19.95)

Berger's accessible but highly scientific approach to marketing satisfied my need for an analytic framework, my need to be entertained, and my interest in psychology.



**Aaron Whitfield:**  
James Altucher's Blog  
(<http://www.jamesaltucher.com/>)

Altucher's blog is great because it covers some of the hard and difficult facts about life and entrepreneurship to give you a better perspective on opportunities lying ahead.



**Robert Yehling:**  
*Collective Genius*  
by Linda Hill, Greg Brandeau, et al.  
(Harvard Business Review Books/\$28.00)

This book spells out why innovative, collaborative relationships lead to accomplishments well beyond what we could have done ourselves — or, in some cases, even imagined.



**Jake Faulstich:**  
*Onward: How Starbucks Fought for Its Life without Losing Its Soul*  
by Howard Schultz  
(Rodale Books, \$16.99)

While this book has been around for almost three years, it's as vital as ever. I love this book because it holds the perfect combination of big business management combined with entrepreneurial grit, all told in an easy-to-digest story.



**Lisa Lunney:**  
*Innovating Women: The Changing Face of Technology*  
by Vivek Wadhwa and Farai Chideya  
(Diversions Books, \$19.95)

This is one of the best reads of 2014. Universally, readers will find stories that resonate with them. These stories speak to our real-life, day-to-day struggles.