

Jaime: Welcome to Eventual Millionaire. I'm Jaime Masters and I'm really excited to have Christopher Lochhead on the show today. He's got a great book. It's called Play Bigger. You can find it at readplaybigger.com.

[00:08:00] You can also learn so much from him considering he's been involved in over 25 Silicon Valley startups. He started his first business when he was 18 years old. Thank you so much for coming on the show today.

Christopher: Jaime, the pleasure is all mine. Thank you for having me.

Jaime: Okay, so one of our mutual friends was telling us how amazing your book is and he's like, "It's making me think so much bigger." This guy, to me, thinks really big already. So you tell me what's the premise of the book and what is Play Bigger in general?

Christopher: So the book is subtitled "How pirates, dreamers, and innovators create and dominate markets" which hopefully all your listeners and viewers can relate to.

Jaime: Can I be a pirate? Am I allowed to pick which one I want to be?

Christopher: Absolutely and you can be all three if you like. I'm certainly more of the pirate, that's for sure. The big premise of the book is as follows. In the book, we introduce – my coauthors and I – this concept of a new discipline in business called category design and here's the big aha.

[00:09:03] Most entrepreneurs pull two levers in business; product and company. That is to say they believe that if they build a legendary **carbadingulator** and a great company to deliver that carbadingulator everything will just work and whenever anything shows up, they just pull those two levers.

You see it on TV all the time with entrepreneurs advertising. I always love those television commercials where the entrepreneur is pitching the product themselves. It's as though they're standing at a trade show and they just puke a ton of features on you. "It slices. It dices. It's better. It's faster. It's cheaper" all that stuff, right? Those are the two levers that we pull. When you study the legendary innovators over time, what you realize is the greatest legends in entrepreneurship and innovation pull three levers, not two; product, company, and the category itself.

[00:10:01] That is to say if you look at what a Steve Jobs did or if you look at what an Elon Musk is doing right now or if you look at what Henry Ford did or any great innovator – Sara Blakely the founder of Spanx, one of my current favorites – all of these legendary innovators they taught the world how to think differently about a problem and, when the world saw the problem the way they did, a whole new market category came to exist. That’s what the legends do.

They don’t compete on price. They don’t compete on features and they sure as – I was about to say a bad word I was told I shouldn’t say – they sure as F don’t let the world compare their great innovation to what came before. They create a whole new space for it and so what category design really is about, Jaime, is trying to capture, “What are the intuitive things that Henry Ford did, that Steve Jobs did, that Sara Blakely does today?”

[00:11:00] And understanding how to train the world to think differently about the problem and the solution such that they become, what we call in the book, a category king?”

Jaime: Okay, I have so many questions on this especially because I’ve heard the old adage you don’t want to be first to market because then you’re trying to educate your customers and that’s expensive and then usually the first one sort of tanks. You want to be the second one. So tell me more about how that works with your lever strategy?

Christopher: Yeah. So if you start to look at it, what you’ll discover is the company that wins is not first to market. The company that wins is the first to – you might think of it Jaime – as prosecute the magic triangle. So if you think of product, company, and category as a triangle – we call the magic triangle in the book – and it’s the company that gets all three of those things right. It’s not that it’s expensive because it turns out advertising a category is not really what you do, but what it does require is the ability to teach the world to think about things differently.

[00:12:00] So for example, Reed Hastings, the founder of Netflix, he didn’t attack Blockbuster the way most people did. He didn’t say, “Our product’s cheaper. Our product’s faster. Our product’s ...” He didn’t do any of that stuff. What he did do is he said, “Hey, today you drive to a video store. You probably pay a late fee when you get there. If you’re there with your family, you gotta look around and try to find a movie that we all agree to that now they don’t

have and now we're pissed off and now we gotta find another movie that we can all agree to and we can't so then we gotta go to the front of the store.

We gotta talk to the sweaty kid with the zits and say do you have Driving Miss Daisy?" They say, "Well, no we don't have that, but we have this." That was the experience, right? That's what happened and Reed said, "That's the old way to think about this. The way to think about solving a problem called 'How do I get the movie I want?' is go to a website and have it magically appear in the mailbox." Of course today, we stream it on this thing called the [interweb](#).

[00:13:00]

So what Reed did was he taught the world how to think about the problem – How do I get the movie that I want? – and therefore the solution in a completely different way and he embraced a whole new business model and so on and so forth. By evangelizing a different way to think about getting your movies, he literally put Blockbuster out of business without ever competing with them. That's what Henry Ford did and that's what Steve Jobs did and that's what Sara Blakely did, etc., etc.

Jaime:

How do you be one of those people that rise to the top because I came from video on demand from cable companies. That's what I used to do, travel around and install and project manage for video on demand, which was the hot new thing when Netflix was still sending DVDs and yet, to me, that hasn't picked up nearly ... Like Netflix is the place. Netflix and Hulu are like the things that you do. What's the difference between those? Why did one get picked up over the other?

Christopher:

Why did Netflix win where Hulu didn't?

Jaime:

Well, why did Netflix win over video on demand with cable companies?

[00:14:00]

Because they had streaming, same button pushing kind of thing.

Christopher:

Yeah because the cable companies have features conversation and Reed had a very different conversation about a whole new type of way to think about the problem and then a whole new business model, which was the subscription business model and, more importantly – and this is what legendary category designers do – they make what is the current paradigm old instantaneously. So the minute you realize you can go to a website, type in a list of all your

favorite movies and have them magically show up, you think, “There’s no F’ing way I’m driving back to the shit ass video store again. I’m just not gonna do that.”

To quote the Big Lebowski, “This aggression will not stand, man.” So we literally drop the old category like to quote Snoop Dog, “Drop it like it’s hot” and we move to the new one and, in the case of Netflix Blockbuster, Blockbuster literally goes bankrupt, right?

[00:15:02] That’s what legendary category designers do. They help us think about a problem and therefore a solution in a completely new way and, once we see that, we drop the old thing and move to the new thing. The leader in the old paradigm is left there thinking, “Hey, what the fuck? Hey, who moved the market, eh?”

Jaime: See and then you’re just replacing. So how do we become one of those people? How can we be that innovative, right? I’m sure you have answers for that also.

Christopher: Well, the first one is to acknowledge that every category that exists, Jaime, was designed either by somebody intentionally or by accident, right?

Jaime: Right.

Christopher: So why do all markets behave the same way? Who decided that a can of Coke should be what it costs and why is it that a price of high-end sunglasses is about \$300.00 and the price of a flat screen TV is about \$150.00?

[00:16:03] You say well, on its surface, the flat screen TV has a lot more technology. It talks to a satellite. It’s a feat of extraordinary engineering and a high-end pair of sunglasses look cool and keep sun rays out of your eyes, right? Yet one is 300 bucks and one is 150 bucks and the reason for that is somebody taught you and I how to think about a problem and a solution in a particular way and everything around designing how we think about that, including what we should pay for it. So that happens.

So the thing to understand is our businesses – and I know you had Michael Gerber on a little while ago, both of our ... certainly one of my heroes – one of the things he taught us all in some of his very early books is the market is a function of the way we do business, not the other way around. One of the things that makes me absolutely crazy is when people talk about markets or

categories, Jaime.

[00:17:00] They talk about them like they're the weather like it's the weather guy or gal on the news saying, "Well, it's gonna rain today in Santa Cruz, California, so bring your umbrella."

People think about markets that way. So if you read the Wall Street Journal and they're talking about Dell computer and how much trouble Dell's in right now. They say, "Well, Dell is suffering because of the downturn in the server and laptop market" as though it was rain in your neighborhood. So somebody designs these categories and markets.

Jaime: That makes this feel very manipulated though, isn't it? The people behind the curtain and going, "Ooh, and then we're gonna make them think about sunglasses like this. We're gonna do this." Right? Are the play bigger people the people that are doing the—

Christopher: Well, yes and no. I mean I guess, but the reality is everything you and I believe, Jaime, we've been conditioned to believe.

Jaime: Yeah. I mean but that's sort of the whole point. You're like, "Oh, I don't even realize that it's being done to me." Not that it's necessarily a bad thing. It's not like everybody's trying to screw you over or anything like that.

[00:18:01] But it's interesting to be like, "Oh, I could have the power to actually affect that also, instead of just being the receiving end." Right?

Christopher: Yes and one of the things I could posit to you is that every legendary product, service, or innovation that you and I love – that makes a difference in our lives – exists because an innovator built a product, a company, and category at the same time. Without doing all three of those things, they're great innovations that end up on the cutting room floor. So one of the reasons we wanted to write Play Bigger and, if you will, give category design to the world is, as you well know entrepreneurship in America is at its lowest point in recorded history right now.

There was an article last March in the Wall Street Journal based on an MIT study and the headline in the story said, "There's a crisis in American entrepreneurship." One of the reasons given is American entrepreneurial companies are not able to scale into their markets.

[00:19:01] That is to say, “If you don’t make a place for your product and you leave it up to the world, it may or may not go.” So Dean Cayman’s a legendary innovator. He created this incredible product called a Segway. Amazing technology and that technology, by the way, is found in these hoverboards and all this stuff we have now.

They’re exploding and all that will get sorted, but when Dean founded the company, he made all these huge proclamations about how Segways were gonna get rid of – you remember this – the congestion and pollution and all this amazing stuff was gonna happen. Instead, none of that happened. So what happened to that technology, that product? It’s now a tiny niche that no one gives a shit about. It’s tourists and mall cops.

Jaime: Yeah. My friend worked on that too and we were like, “Oh, this is so amazing. Oh, it’s so sad.” It’s a horrible story. How do we not be him?

Christopher: So that’s what happens when you get legendary product and company and no category.

[00:20:04] You know there’s a Tech Crunch article that came out recently about the dropping sales of smartphones and they made a quote about how the market wasn’t taking off. They said, “Well, I guess people still don’t know why they need a smartphone.” Excuse me. I’m sorry, a smart watch.

Jaime: Oh, okay. I was like, smartphones really? Wow.

Christopher: Smartwatch, that the smartwatch sales are tanking and when the journalist writes, “Well, maybe no one’s built the argument for why we need smart phone” what they’re saying is, no category design.

Jaime: What could they have done though? So that’s the thing. How do you actually do the category design? So could the Segway guy have done something different? Could those smart watch people have done something different to change the category?

Christopher: Yeah, so here’s the thing, as a three-time former CMO, when you go to do this marketing you don’t market the product.

[00:21:00]

Jaime: You market the category?

Christopher: Yes, and in particular you market the problem. One of my favorite mantras right now is fall in love with the problem, not the solution. So a great example of this is Marc Benioff, the founder of salesforce.com, and one of the greatest category designers of all time. To this day on Salesforce's website, there's a picture and it has the word software in it and around it is a red circle with a line in it. He's been screaming no software for the better part of 20 years, a software company.

So what he was doing is evangelizing the problem of traditional software and he was so smart, Jaime, he even renamed traditional enterprise software. He gave it a name that he called on-premise software, as distinct from the Cloud.

[00:22:00] Now SAP was not running around saying, "Hey, we sell on-premise software." That's not what they called it. On premise only exists when you realize there's another way to get your software, which is through the Cloud, which is what he was evangelizing. But Benioff was smart enough to evangelize the problem and he said, "Servers are hardware, are computers ... Software you gotta install on computers and you gotta build data centers and it's really hard and, once you've modified, you can't upgrade it and all these problems, right?"

"Don't do that. **[Inaudible]** **[00:22:27]** our software over this thing called the Cloud and rid yourself of all of the problems associated with software." Then he imbued this concept of on-premise software with very negative meaning. So it's like, "Well, you don't want to have total body cancer do you?" "No, I don't want to have total body cancer." "Okay, well then ...". He made on premise software sound like the worst disease you could possibly get and, by evangelizing no software and by making it clear what the problems were by traditional software, he now opened the world up to what today we call Cloud computing.

[00:23:08]

Jaime: Which way back then was like, "aha". Okay so how do we predict the future though? So this is the thing. It's so awesome to be able to go back through and be like, "Oh, look what they did." Everyone's like, "That's great for them way back then. Of course, they were trendsetters or whatever." How does somebody right now think of their industry and actually start trying to do this category design and seeing a problem that is, I don't know, big enough to really make a difference in?

Christopher: Well, the problem, the size of the problem, doesn't necessarily matter and sometimes a very small insight around a problem produces a legendary outcome. We talk about this entrepreneur named Manoj in our book **[inaudible]** **[00:23:50]** and he's the founder of 5-Hour Energy and he had a very simple aha around a problem and the "aha" was, "Just because I'm tired doesn't mean I'm thirsty."

[00:24:02] So all of the, when he looked at the competitive landscape at the time, if you wanted a pick me up of a drink, you had a Red Bull. You had a Monster. You had a Gatorade. Obviously, you could drink coffee etc., etc., etc. So he reimagined the problem and said, "Well, what if we could just give you this tiny, little thing and that would pick you up because just because I'm tired doesn't mean I'm thirsty."

That one little insight, that thinking about the problem in a very unique way and then reimagining what could be possible with the solution, has created a company that has over \$2 billion in revenue and over 90 percent market cap and it's the first company in history to have five SKUs, S-K-U-s, at the Walmart checkout predicated on reimagining the insight called, "What should I do when I'm tired?"

Jaime: Okay, so question, because when he really evangelized that problem, which makes sense. It's logical, not that many people would have thought of that.

[00:25:00] He could have solved that problem with a pill and yet he didn't. He just did a small ... so is there a change in that? Do you know what I mean? Does that matter what the solution is?

Christopher: Well, yes and no. The solution matters. I don't know if you've heard of this product. It was pioneered by this concept pioneered by Eric Ries, the author of Lean Startup, this concept of minimum viable product, right?

Jaime: Oh yeah, yup.

Christopher: Right and so but here's the part that needs to get talked about alongside that. It's minimum viable product to solve the problem the category needs solved. So 5-Hour Energy was a legendary minimum viable product to solve this problem called, "I'm tired but I'm not thirsty." So the answer to your question around the

product is, “What’s minimum viable product to satisfy the problem predicated on the insight that you’re trying to design this new category with?”

[00:26:02] If you’re like Manoj and you get it right, you create a new category called the energy shot and you become a billionaire and, in his case, he’s pledged to give away the vast majority of it, so that insight and the decision to prosecute the magic triangle. What he didn’t do is he didn’t say, “Oh, this is Gatorade 2.0.” he didn’t say that. He said, “This is a whole new thing. It’s not coffee. It’s not Red Bull. It’s an energy shot.”

Jaime: So when we’re looking for problems – and it doesn’t necessarily like you said matter how big it is – does it matter about ... I love the future of technology and I love thinking about AR and all sorts of virtual reality and 3D printing and all that crazy stuff. So things are gonna be changing in the next 20 years anyway. They are. There’s not much we could do about it. So how can an entrepreneur, knowing what you know about playing bigger, really start thinking bigger to solve specific problems, maybe with upcoming technology or whatever the solution that might be?

[00:27:07] That’s the minimum viable product. So that way we’re actually finding a niche for us that might work because of the trend? Does that make sense?

Christopher: Yeah, legendary question. So it turns out when you unpack it, Jaime, there’s really only two kinds of problems. There is a problem that we didn’t know we had and so a great example of that would be when the folks at TiVo originally created the DVR category. You and I didn’t have a problem. They had to make it a problem. So they invented a problem and they called that problem appointment viewing.

What they said was – Friends was a popular TV show at the time and they said – “Why do you have to wait until Thursday at 8:00 to watch Friends? Appointment viewing ... this aggression will not stand, man. I should be able to watch Friends whenever I want.”

[00:28:00] Once you do a, “Hey, yeah, this aggression will not stand, man.” Now, all of a sudden, you can’t live without your DVR and so that’s what legendary category designers do. Now in this case, it was a whole, new problem and they understood the problem in the context of what the solution could make possible. Right?

Jaime: Yeah.

Christopher: Are you following me? So that's a new problem. An existing problem is what Travis and the other founders of Uber did. The problem called personal transportation – at least for me and I guess for you and for a lot of our listeners today – was solved by cars and buses and subways and cabs and taxis and oh my and Travis is standing in Paris one day – it's raining – and he says, "This is bullshit. How come I can't press a button on my phone and have somebody come get me?" So that's a known problem that you and I understand that he reimaged in the context of the new technology and therefore a new solution.

[00:29:06] So, my point is the first thing entrepreneurs and innovators need to do is get clear, "What kind of problem am I dealing with? Am I dealing with a new problem that people don't know they have, TiVo and the DVR, or do I have an existing problem that people really understand, personal transportation, but I see something about the way the world's going – in this case technology, smartphone, and Cloud and so forth – that allows me to think about the problem in a completely different way and, as I reimagine the problem in the context of technology for the solution, bam, I create one of the fastest value creating companies in history, Uber."

So the first step is what kind of problem are you dealing with, a known problem that you're reimagining in the context of new technology or a new product or whatever or a problem that nobody ever knew they had that you now need to bring to light in the world?

Jaime: How do we pay attention to this stuff?

[00:30:00] Because most of the people listening have a business and they're sort of like this, right? We're in our own little world of maybe we see the problems in the pieces what we're working in, but we also become attuned to them because that's the normal problem and that's what we do and this is the way it goes. How do we open our mind or give ourselves the space to be able to even think about this stuff?

Christopher: Great question. So category designers do think differently. So a category is a bucket that you put something in. A simple way to think about it, Jaime, is I take it you've been to a grocery store probably very recently?

Jaime: I use Instacart. What do you mean? No, I haven't. Seriously I haven't been in probably months.

Christopher: Wow, I'm impressed. Well, I have seven hens and I need to go to the store on a regular basis and get things for them because they're very spoiled. So I go to the grocery store and if you go to a grocery store – even if you go to Instacart, their website – how is that organized? It's organized by category.

[00:31:00] So if you say to me, "Hey Christopher, go to the grocery store and pick up some two percent milk for me." I know where to find that. That's in the milk aisle. So it turns out that the human brain needs to **bucketize** everything in a category. If I start to immediately tell you about some new app I heard of, "Hey, I just heard of Smocko and it's awesome and I'm this and I'm doing that and it's really cool and you really need to download it, Jaime." But I haven't explained to you what it is.

You're most likely going to say, "Well, what is it?" You're asking for a category. Another way to think about it is entrepreneurs make category decisions all the time. So I like to drink beer and I live in Santa Cruz, California on the West Coast and the hot kind of beer out here are IPAs, which are awesome, California IPAs, and we now call that category craft beer. Well, and that's a hot space.

[00:32:00] So there's a new, I think it's the law in Santa Cruz – there's a new brew pub opening every 15 minutes now and two dudes – it's almost always dudes – and one just opened up in my neighborhood, right? And they didn't put up a sign that said, "Jaime and Chris's Brew Pub." That's not what the sign said. The sign said, "Craft Beer." The reason the sign said "Craft Beer" is the two **dudie** dudes who started this place, they probably don't know shit from Shinola about category design, but they do intuitively understand the market for craft beer is on fire.

So it's smarter for me and my new small business to put up a sign that says "Craft Beer" as opposed to a sign that says "Jaime and Christopher's" because nobody knows what the F Jamie and Christopher's is. So they're trying to grab hold of the momentum of the category because whether they realize it or not, being in a hot category is what makes you a hot company.

[00:33:00] So what I'm trying to share with you is if you start to look, categories are everywhere.

Jaime: I adore this, but do we create our own category or should we just hop in a trend of a category that's already going and ride that wave?

Christopher: Very good. I love this question. So I'll share with you what my friend Jim Goetz says. Jim is one of the senior partners at Sequoia Capital, and the founder of Sequoia Capital, Don Valentine, is absolutely one of the category designers of technology venture capital and Sequoia's one of the greatest firms in history. Jim's on the Forbes' list of tech venture capitalists. Jim holds the position of one. So here's what Jim says.

Jaime: Kind of an important guy, okay continue ... kinda, maybe, a little bit, okay.

Christopher: He says, "We look for mission-driven founders, mission-driven founders, who can design a legendary company and category at the same time."

[00:34:00] If the category exists, it's too late and I'll tell you why. So in our book, Play Bigger, we analyzed every venture capital-funded startup in the United States founded since 2000 through to when we handed in the manuscript, which was the end of 2015, and we asked ourselves a question. Now I'm a marketing guy. My coauthors have marketing backgrounds. Most "marketing guys" think about market share and market share is very important, but what we studied was something we couldn't find the answer to, which is market cap and what we wanted to do ...

So market cap is the total value of a company, right? A public company is called a market cap. A private company is called a valuation. What's the value of the company? We think your job as an entrepreneur or as a CEO is to increase the value of your business over time in an enduring way, right? How much value do you create at the end of the movie?

[00:35:01] So we wanted to know how much market cap in any given category, Jaime, went to the leader of the category king. So we analyzed that in the tech world and here's what the number is. One company gets 76 percent of all value created.

Jaime: **Jeesum.** It's like the top ranking at Google and then nothing for the rest? My gosh.

Christopher: Correct. So Jaime, you mentioned off the top that famous old Jack

Welch quote which is, "I want to be number one or number two in every market or I don't want to play." I think Jack was right then and is wrong now. You either want to be number one in your market or ... Do you remember the movie Amityville Horror, Jaime?

Jaime: A long time ... yes.

Christopher: You know that scene in the movie where the beautiful young couple's moving into the beautiful New England house? It's fairly early in the movie and, while they're moving in, the house says, "Get out." What do they do? They keep moving in, right?

[00:36:00] So one of the things that we know is if you're a CEO in a Fortune 500 company or you're an entrepreneur starting a single person business right now, the minute you know that you cannot be the category king, you need to get out because one company takes two-thirds of the economics.

Jaime: That's also if you want a humongous, amazing company instead of your breadcrumbs at the bottom? If somebody's okay with breadcrumbs, then that's okay, but if somebody really wants to make impact and have a big thing or do you feel they'll fail?

Christopher: What I'm telling you is there are no breadcrumbs.

Jaime: They'll fail, fail?

Christopher: Correct.

Jaime: Man.

Christopher: Listen, my dear friend, Ray Long, who's the founder of Constellation Research, one of the most influential research firms in technology, he wrote a legendary book that I recommend to everybody called Disrupting Digital Business. For his book, he studied what happens in the Fortune 500 over time.

[00:37:00] And according to Ray, since 2000 52 percent of the Fortune 500 are gone.

Jaime: Isn't that crazy? I mean that's what I was saying. We're moving to this thing and people aren't catching up. Okay.

Christopher: Well, we live in a winner take all world and I can explain to you

why. We did deep, deep research on this for the book and it all actually has to do with how the brain works and the scale of new technology. We can get into that in any level of detail that you want, but here's what I'm telling you. Pepsi will never catch Coke. Microsoft spent 10 billion, \$10 billion, trying to destroy Google in the search advertising category and Google has two-thirds of the economics and no one gives a shit about Bing.

Jaime: Nope.

Christopher: It happens in space after space after space. So what I'm saying to you is whether you're a one person realtor in Idaho or whether you're trying to become the next Mark Zuckerberg or you're a podcaster trying to be the next Jaime.

[00:38:05] We live in a category making world and so, unless you're able to design a space that makes you unique and – I'm gonna use this word on purpose – different, if you're positioned like everybody else at best you're fighting for two-thirds of the economics and, if you're in a true winner take all market, then you're done.

Jaime: Okay. I want to dive deeper into this because I love data in general. So when we're talking about you said brain and scale and us going ... because you're a marketing guy, which I adore because it's not necessarily just about we put out a market and we create a category and "ta-da" yeah, it's gonna work, right? I mean unless you're telling us that, which would be amazing. Tell me more about how we can actually do that?

Christopher: So here's the aha.

[00:39:00] Legendary entrepreneurs don't market their products when they bring new innovations to market. So when Steve Jobs stands up on stage and launches the iPad, if you go watch the video – and I highly recommend it. It's incredibly illuminating. It's a master sensei in category teaching us all how to do this. He puts up a slide where had has a picture of the MacBook on one end and the iPhone on the other and he literally says, "We believe there's room for a third category of device. Now let me tell you why."

Jaime: I get goosebumps just from you saying it. Jeessum. Okay, go on.

Christopher: He builds an argument for how a new category of device, that was purpose built solely for magical consumption of content and whimsical, wonderful ways of communicating – because that's

what the iPad was in the beginning, right? Read my book. Watch my videos. Browse the web and get on FaceTime, right? That's really what the primary use cases were.

[00:40:01]

So what Steve was doing was trying to argue that no matter how big your laptop or your desktop is or your phone, that there's actually a new way to think about doing this. You and I agreed with Steve and people can't to buy those products. Today, if you were to spin the iPad out of Apple, it would be not just a Fortune 500 company, but it would be in the top third of the Fortune 500.

So legendary innovators did something different when it came to marketing new categories of product and what they did was Jaime, they taught the world to think about them in a particular way. So for example, in one of the books, we tell the story – it's a great book and I can tell you the details if you like – about a guy named Clarence Birdseye. Clarence is the category designer and entrepreneur behind frozen food. See before Clarence, there was only two kinds of food.

[00:41:00]

There was food and canned food and Clarence, as a young boy, was a taxidermist like a lot of young boys today. He ended up getting a job that brought him up to the northern part of Canada and he saw the Native Inuit people up there and he spends time with them. He noticed that when you took a fish that you caught and you put it on the ice and you took it home and threw it on the fire or, if you caught it and put it on the fire immediately, it tasted the same.

That was his aha. He decided, "Well, why can't we do that everywhere?" But in order for him to bring his innovation called frozen food to the world, he had to teach the world to think differently about food. In his case, he had to build an ecosystem, which turns out all legendary category designers do. He has to get DuPont to commercialize cellophane. He has to convince grocers that there's gonna be a huge new category here and to adopt a new type of grocery refrigeration.

[00:42:02]

He has to convince the railroads this is gonna happen and to embrace refrigeration cars that can move food, right? Then most importantly, he has to go to the world – you and I as consumers – think about the 1920s and the 1930s. If you Google Birdseye early ads, what you'll see is a whole bunch of great ads talking about, "Wouldn't it be wonderful to have frozen peas in February?" So what he's doing is framing the problem.

The minute you hear that you have your Big Lebowski moment. “Yeah, how come we can’t have frozen peas in February. This aggression will not stand, man.” So, all of a sudden he, by evangelizing a problem like this, a whole new category of food emerges. Guess who’s the number one provider of frozen food today in the United States?

Jaime: I’m assuming Birdseye.

Christopher: It’s Birdseye foods and that’s the power of a category designer.

[00:43:00] So category designers do not leave their innovation to chance. They communicate with the world in a way that educates us to think about things – and I use this word on purpose – in a very different way and once we accept their definition of a problem, we have to have the solution. That’s very different than saying, “Don’t these peas taste awesome?” Right?

So the local beer place puts up a sign that says “Craft Beer” because they know that’s the hot category, as opposed to “Jamie and Christopher’s Restaurant” which nobody would ... If you just say “Jamie and Christopher’s Restaurant” the first thing people ask is, “What kind of restaurant is it?” You say, “Oh, it’s a craft brew pub.” “Oh, great. I love craft brew.” What you said is category first, brand or product second.

Jaime: Okay, so I love the distinction thought that you said that everybody else agrees that the problem is there because when I started asking questions like, “Well, what about it?” We can’t just like come up with categories.

[00:44:00] Everybody has to agree that the problem is big enough and now we want to solve it in whatever the new way is.

Christopher: Yes.

Jaime: So when we’re looking at say the taxidermist in general, how does a lowly little taxidermist go and change everything? So if he had to go through all of what you said with the food, the grocery store, refrigeration, and everything else, how could one guy do all that and think that he can do all that because I feel like that’s a big issue with an entrepreneur going, “Who me?”

Christopher: Well, a couple things about that. The first one I’d share with you,

Jaime, is it takes courage to be legendary and it takes courage to be an entrepreneur. So don't kid yourself what you're up to. The success rates in entrepreneurship are horrifying, right? Less than two percent of entrepreneurial companies are ever worth anything. We know that to be true and we know most small businesses fail, right?

[00:45:01]

We also know that we're facing a time of the greatest crisis in American in entrepreneurship in recorded history right now. So there's a lot of people staring at that going ... it causes them to have a bowel movement, right? So it takes courage to be legendary. That's the first one. The second one is for people to understand that you are more than likely operating in a winner take all category king market and the degree to which you think you're not – and I'm gonna say this provocatively on purpose – is the degree to which you're stupid. Look around. One company takes two-thirds of the economics.

If you don't think that's going on in space after space and you don't think it's gonna come to your space, ask a regular taxi driver how they feel about life right now and the economies of scale and the ease of distribution and the cost to create an innovative startup, all those things have never been easier because it's powered by all of this incredible technology.

[00:46:00]

So the first thing is get your courage going. The second thing is realize you're in a winner take all market and, as a result, we think every entrepreneur should ask themselves, "How do I increase the odds of winning?" Here's what I would posit. When you take a big step back and you study entrepreneurship – and I did for ten years, the last decade of my life. I hung up my jersey as a player ten years ago as an entrepreneur and a chief marketing officer and, for the last ten years, I've been a coach.

What coaches do is study the game, right? So what you realize is more and more of us are in winner take all markets. So you say, "Okay, what do legendary players do?" The aha is there's three levers, not two. So if you fall into the product trap, if you pray at the altar of the product like most entrepreneurs, "Oh, let me ... it's so [inaudible] [00:46:56]." Sit down, have a beer. This could take four hours. If you see some features stop me and they go, right?

[00:47:01]

Because they believe so much and they really believe that when the world sees it, they're gonna get it and everything's gonna work out. Well, a features conversation goes nowhere. People do not buy

solutions unless they have problems. So legendary category designers do everything they can to increase their odds and what they do is they focus equally on product, company, and category. Once they get into the market, Jaime, at least 50 percent of the chief executive's job is evangelizing the category the way Marc Benioff did, the way Henry Ford did. The E in CEO stands for evangelist.

Jaime: Okay, so the first thing that came into my head is, "If you're gonna play, you might as well play big. I mean why would you not, right?"

Christopher: I think it's time to play bigger, Jaime. That's what I think we're saying.

Jaime: That whole thing. I know we have to start wrapping up so I want to ask you the last question I ask everyone is what's one action listeners can take this week to help move them forward towards their goal of a million?

[00:48:02]

Christopher: The biggest action you could take is answer the three following questions. Like I'm a five-year-old, explain to me what problem do we solve? If we solve that problem perfectly, what do we call it? What's our category called? And if we become the category king, that is to say the company that takes 76 percent of the economics by solving that problem, how much is our company worth?

Jaime: Oh, I love that. Make sure everybody write that down. If you're driving, record and repeat this later. Make sure you also go check out the book because I'm assuming some of that stuff is in the book. That way they can get that instead of having to pull over and write those questions down, right? Where can we get the book? Tell me more so we can follow you online too because you're brilliant.

Christopher: Well, that's very sweet of you. Thank you, Jamie. You can get the book anywhere. It's called Play Bigger: How pirates, dreamers, and innovators create and dominate markets. Of course, it's on Amazon.

[00:49:00] The Audible version is out there. If you want to buy 10,000 copies of it, our friends at 800-CEO-Read could take care of bulk orders. Actually, you know what? This is gonna sound horribly immodest, but I'll say it anyway. The number of emails and tweets and stuff

that I have gotten from entrepreneurs and CEOs who say, “Hey, we bought this thing for our whole company” and they’d take a picture of these boxes coming in.

They’re gonna give it out to three or 500 people or whatever it is. It’s pretty amazing. So yeah, the book Play Bigger is everywhere and then you can find me digitally all over the place. I’m on Twitter @lochhead, L-O-C-H-H-E-A-D, and probably the best place to find me is my new podcast, legendsandlosers.com.

Jaime: I wish I would have known that at the beginning. I would have said that too. Alright, well make sure—

Christopher: Oh, I thought our friends.

[Crosstalk]

Christopher: I thought our friends told you, Jaime. Yeah.

Jaime: No, I gotta go check it out.

Christopher: It was launched in early February. So I think by the time this is live.

[00:50:00] It’ll be out and the podcast is called Legends and Losers.

Jaime: I love the name. Okay, make sure everybody go subscribe, go download, go leave them a review because you know how important that is and, if you listen to this podcast, you should totally listen to that one. Alright, go, of course, check out his book. Thank you so much for coming on the show today, Christopher. I really appreciate it.

Christopher: Thank you, Jamie. It’s really been an honor to be with you.