

LET'S MAKE IT

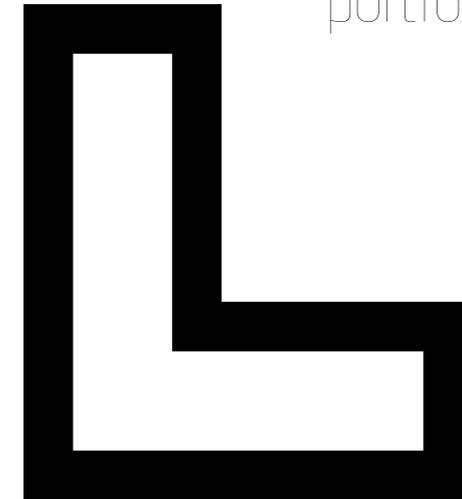
On the blue background is Ben Kaufman, Quirky's founder and CEO. The workshop scenes are from Quirky's fabrication and testing laboratories. The Quirky products are, starting from the top row, the Switch v2 multitool (still in development), the Stem (a spritzer you stick directly into a piece of citrus fruit), the Powercurl Mini, the Cordies (for organizing power cords), and the Prop Power Rugged.



IS THIS THE WORLD'S MOST CREATIVE COMPANY?

BY JOSH DEAN PHOTOGRAPHS BY EMILIANO GRANADO

How the renegade design company Quirky uses the power of community to develop, make, and sell an exploding portfolio of useful objects



LET'S IMAGINE you have an idea for how to reinvent the hair dryer. You're excited enough to sketch this brilliant concept, and even—if you have the engineering acumen—to describe its inner workings in the kind of detail that actually reveals its genius. What do you do next?

Call Conair? Fax your schematics to Revlon? Maybe you want to make a prototype. Are you competent in electronics? Do you own a 3-D printer? And let's say you did make it—what then? Will you outsource the production? What's the marketing plan? How are your contacts in retail?

I'll stop there, because you get the point. This is why most ideas are trapped in brains. This is why the world needs Quirky.

At Quirky, the mission is simple: to uncover those ideas and to make the things. Lots of things. And quickly. Each week, the New York City-based company receives more than 2,000 invention ideas from its community of some 500,000 (and counting) users, approves three or four of those for development, and ships an average of three completely new products to its growing list of retail partners, a group that includes big-box stores

such as Target, Bed Bath & Beyond, and Best Buy; online shops such as Fab and Amazon; and the cable shopping channel QVC. You can even buy them directly from Quirky's own e-commerce site or via its relaunched app, and soon you'll be able to go to dedicated Quirky stores.

This is what crowdsourcing looks like when it really works. It works because instead of asking for money or labor, Quirky is asking people to share their dreams and giving them real incentives to participate. It turns out people don't just want to make apps; they want to make *things*; and by recognizing this, Ben Kaufman has built a \$50 million business, attracted \$68 million in investment, and established a productive partnership with a giant of American industry. For these reasons and others, Quirky might be the most important innovation engine in business today.

The transitional moment in the Quirky process occurs on Thursday nights, in the spacious front room of the company's headquarters deep inside a former storage warehouse on the far West Side of Manhattan. There, most of Quirky's 150 employees, plus an assortment of invited guests, gather for the Eval, a highly stage-directed debate of the week's best submissions, broadcast live over the Internet.

Quirky CEO Ben Kaufman hosts and is his own opening act. Stout, dark-haired, 26 years old, Kaufman warms up the room and introduces the night's panel before going quiet and staring into the dark to watch a prompter count down to 7 p.m., at which time the cameras go live. "Ladies and gentlemen," Kaufman then bellows, "welcome to product evaluation!"

For a guy who didn't study theater or even go to college, Kaufman is an excellent speaker and showman, a natural evangelizer who is passionate, glib, and blessed with excellent timing. Being an entertainer comes naturally, but he's not putting on a show for the sake of entertainment; the spectacle is calculated. "Invention is this scary thing," he says. "You hear the word, and it seems complicated, involving lab coats." Broadcasting Evals is meant to explode that notion, to make any prospective inventor who tunes in think, I could do that. I'm just like him.

The archetypal *him* would be Jake Zien. He's the inventor of the Pivot Power, the clever, pivoting power strip that retails for \$30 and is Quirky's most successful product, by far, having sold 665,000 units. Lately, Kaufman has been telling people that Zien, now 24, will soon be Quirky's first millionaire. Kaufman claims, in fact, that Zien should make \$1 million in Pivot Power royalties in 2013 alone, and then every year after, since the product is branching out into an entire line of Pivot Powers. There's a mini edition, a rugged version, and versions for various foreign power-outlet configurations.

The concept came to Zien in high school, while he was enrolled in a summer program at the Rhode Island School of Design. The idea, he says, was for "a power strip that could telescope or flex or rotate or in some way accommodate large adapters in every outlet." He was really into tech and had spent one too many minutes under his desk fiddling with plugs. He wished he could make them all fit. *How hard could that be?*

After the program, the idea kept him up at night. Zien sub-

mitted the idea to a NASA Create the Future contest and was awarded honorable mention. His prize was a T-shirt. A family friend who was an intellectual-property lawyer encouraged him to get a patent—which he didn't do—and then said that he had really only one option: Take the idea to Belkin or GE and say, "Hey, I'm 18 and I have an idea. Please don't screw me." The best-case scenario was a one-time buyout of the IP, and maybe someday he would see his product on a shelf and get some satisfaction. Zien didn't do anything.

Then the same family friend read a story about Quirky in an airline magazine. He called Zien and said, "Here's a company that purports to be exactly what you need." And, Zien says, "They completely delivered on the promise."

Zien joined Quirky's community as a college

QUIRKY BEHAVIOR

The company at a glance

Employees: **150**

2012 revenue: **\$18 million**

2013 revenue (projected): **\$50 million**

Outside funding: **\$68 million**

Number of invention ideas submitted weekly: **2,000**

Fee for submitting an idea: **\$10**

Number of community members who can weigh in on ideas: **500,000**

Number of items currently being sold at retail: **100**

Best-selling product to date: **Pivot Power (665,000 units sold)**

junior and submitted his idea, and a week later, it was selected. Within a year, it was on sale at Bed Bath & Beyond. Zien knew nothing about electrical engineering; he had submitted only very basic drawings. "It was really them that did the inventing," he says. "They figured out how to make it work." Many zeros' worth of checks later, he is a 24-year-old with few financial worries. "Throughout this whole time, I've been very clear that all I had to do was have an idea, and all the hard work was done by Quirky. I could never have done this myself."

IN THIS EARLY summer Tuesday, Kaufman is preparing to address a group from the Industrial Designers Society of America in Quirky's front room, the same space that holds the weekly Evals.

Kaufman, as always, is wearing a black short-sleeved T-shirt. He has at least 100 of the shirts, made by Banana Republic, chosen because he travels often but hates to pack, and if he ever forgets to pack enough or extends a stay, there's always a Banana Republic nearby. Typically, he



✪ **ALL HANDS** Ben Kaufman, in the center of all that, leads an Eval—an evaluation session. Every Thursday, the Quirky community votes on 10 to 15 product ideas.

rounds out an outfit with jeans and sneakers.

The IDSA, New York City chapter, had come to hear Kaufman talk about his buzzy and fast-growing company, a burgeoning font of product development. But he was prepared for the IDSA to be a tough crowd, because there's some perception out there that the products Quirky makes—owing to the pace at which they come to market—tend to be cheap and gimmicky. Indeed, Quirky's youth has been dominated by clever but hardly earthshaking products like Wrapster (a headphone cord separator invented by Matthew Fleming, a father of two from suburban D.C., that retails for \$5.99), Cordies (a desktop cable organizer from Stephen Stewart, of Leeds, U.K.; \$9.99), and Stem (a sprayer that attaches directly to a citrus fruit—voilà, instant lemon juice!—from the mind of Tim Houle; \$4.99).

Skepticism only encourages Kaufman and in this case excites him, because he sees an opportunity: to motivate a group of people who share his love of making things. "A whole generation is working on mobile apps and social

things," he says a few minutes into the talk. "We're not taking on the right kind of invention."

A slide depicting the Empire State Building appears on the screen behind him. "Does anyone know how long it took to build the Empire State Building?" Kaufman asks with a chuckle. "I love this question. It's a joke around the office now. People stop me and ask, 'Ben, how long did it take to build the Empire State Building?'" He pauses, then says, emphatically: "It took 410 days to build the Empire State Building."

He clicks to the next slide, depicting a peeler.

"Do you know how long it took to make this potato peeler?" Pause for effect. "Three years." Everyone laughs. He's not kidding. The company that made that product couldn't commit.

"The world thinks decreased speed means increased quality," Kaufman continues. "This isn't true. Practice doesn't make perfect; passion makes perfect." He talks in confident sentences. Slogans pour forth in his oratory, and you could chop his speeches up into 1,000 T-shirts or cull the best of them into chapter headings for a business

manual. Probably it's only a matter of time until someone does.

He's also convincing, which explains how a 17-year-old persuaded his parents to take out a second mortgage on their home to fund a business he came up with while not paying attention in class. He sold that first business, Mophie, a maker of iPod and Phone accessories, for a good sum. This very magazine named him the No. 1 entrepreneur under 30 when he was only 20.

Finally, a quote appears onscreen. It

is from Procter & Gamble's now-ex-CEO, Bob McDonald, in response to his board of directors, who had asked why the company's growth had stalled. McDonald's reply: "Because we haven't created a new product or category in years." (As an aside, Kaufman notes that McDonald had just that week been fired but doesn't mention the tweet he sent to mark the occasion; it read: "Bob McDonald out at Procter [sic] and Gamble. Because he just proctored and never gambled.") "We do that every day,"

Kaufman says. "What happens Thursday nights in this space is amazing."

As he often does, Kaufman then talks about Jake Zien.

"Does anyone know why we put Jake's picture on every box?" He doesn't wait for a reply. "Storytelling! I want everyone who touches that box to know that it came from someone like them. If an idea is truly good, it will get made."

That, in a sentence, is the crux of Quirky: to strip away every single barrier to entry that stands between a regular citizen with an idea and the result, a fully developed product that can be marketed and sold to consumers.

"The only thing that matters is that good products win," Kaufman barks. "If an idea is good, it ships."

Thousands of Tiny Pieces of Pie

WHAT'S EVEN BETTER THAN BEING HEARD?

ANYONE WHO PARTICIPATES in the development of a Quirky product, in any of 10 ways, earns what are known as influencer points. If the product is produced and sold, influencer points translate into money, because influencers share 10 percent of the revenue the product generates. The biggest share of that share goes to the inventor, who gets 40 percent. The remaining 60 percent is divided among nine categories of participation:



BEING PAID

A TOTAL OF 1,571 community members are influencers on the Pivot Power, Quirky's biggest seller. Here are the 10 most influential persons, their areas of influence, and their Pivot Power stakes, through August 2013:

JAKE ZIEN
Inventor
37.68%
\$330,952

LEMONHEADS
Name
8.86%
\$77,819

JOSHUA WRIGHT
Tag Line
5.28%
\$46,416

KELLY SAGLIBENE
Research, Sales
3.56%
\$31,270

CODY STOWERS
Design,
Research, Sales
1.36%
\$11,946



MICHAEL McCOY
Research, Design,
Sales
1.01%
\$8,907

JEFF NATLAND
Research, Sales
0.69%
\$6,125

JULIE TYNION
Idea, Sales
0.46%
\$4,526

PATTI DIBART
Research, Name,
Tag Line
0.39%
\$4,045

JUDI SIGLER
Idea, Research, Sales
0.42%
\$4,301

ALL QUIRKY did was tap a motivated hive mind for latent ideas that fill small and important market gaps, it would be a clever company. But it does something far bigger and more complicated. Those ideas need to become things, and that's where Quirky really brings the muscle.

Immediately after a product has been selected at Eval, it moves on to design and conception, where Quirky's industrial designers and engineers use several million dollars' worth of prototyping equipment to realize and refine what most likely arrived on their desks as a thinly sketched idea. Lawyers and IP experts register patents and address regulatory and compliance issues, while the production department sources materials and decides which of the 21 core suppliers and factories (nearly all of them in Asia) will make the product. A quality assurance team tests that product. Packaging for the product is designed in New York and sent to the factories. Packaged products are shipped off to five global warehouses and distribution centers, which in turn send those boxes on to 35,000 retail locations.

By the midpoint of 2013, Quirky had rolled out "around 100 products" in its brief history, according to Kaufman, with "another 200 in the hopper for production" and "probably another 100 on top of that" that had been approved by

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COURTESY QUIRKY



vote at the Evals but had yet to enter actual product development. Revenue had increased from \$62,000 in 2009—when the company started in Kaufman’s East Village apartment with three employees, one of whom is now his wife (and the director of HR)—to \$18 million in 2012. Sales are expected to triple, to \$50 million, by the end of 2013.

Kaufman claims that not one of those 100-plus products has lost money. He has just sat down to lunch when he says this and, realizing how unbelievable the claim might sound, he picks up a salt shaker. “Let’s say this cost me \$15,” he says. “To spool up the production line, I need to spend \$10,000, so I know I need to sell at least 5,000 of them to make money. I’ve never sold less than that number. If you look at each product as its own little business, the products don’t lose money.” He smiles. “That does not account for the overall infrastructure, the machine, the platform, etc. Quirky as a company loses money every day. We are still losing money.”

This is not surprising for a four-year-old company that has more than quadrupled in size, and it has hardly deterred the world’s venture capitalists. In 2012, Quirky took on \$68 million in Series C investment, led by Andreessen Horowitz. Scott Weiss, the lovestruck partner who led that investment, calls Quirky the “most exciting retail concept we’ve seen since the Apple Store.” He talks of Quirky as disrupting a solid, giant business that isn’t often thought of as disruptable: consumer products. Weiss interviewed all of Quirky’s major retail partners during the research phase, and what he kept hearing was that retailers were shocked by the pace of innovation; they almost couldn’t handle it. “I was talking to Target, and I

think their quote was, ‘Nobody is innovating at the pace that Quirky is.’” (This is a major reason Kaufman is so aggressively shifting the sales strategy so that Quirky sells direct. It’s also a way to increase profits.)

Weiss says Quirky is such an “orthogonal idea” that the business world almost doesn’t know where to put it. In many ways, it looks and feels like a New Economy business, and certainly the Internet and a platform of proprietary software enable Quirky to access its universe of no-cost inventors. It’s also a retail products company that designs, manufactures, markets, and ships boxes full of things you can actually use. “It’s just not

The investor kept hearing that retailers were shocked by the pace of innovation; they almost couldn’t handle it.

on any typical market map,” Weiss says. “It has a little of the ‘I’m not sure how it works but it does’ thing going on. How do you disaggregate every step in the development process and allow people to contribute to it? Fusion is happening under the hood there.”

THIS SPRING, representatives from another company that knows a little something about invention paid a visit to Quirky HQ. That contingent, from General Electric, was led by Linda Boff, executive director of global brand marketing. Like Weiss, Boff was smitten by that googly-eyed devotion to excavating the world’s lost ideas.

It wasn’t vision alone that sold GE. So many entrepreneurs, after all, have Big Ideas. What impressed Boff and the GE management team all the way up to Jeffrey Immelt was that Kaufman had already built an entire infrastructure to support his. “He’s figuring out everything from blueprint, pricing, packaging, marketing, retail channels,” Boff says. This was a company that was already making things, all the time. “What we loved about Quirky is their commitment to invention, their speed to market, and

that they get this amazing community to help think about the everyday problems that all of us have.”

With only minimal discussions, the companies decided on a two-pronged partnership that would begin this summer. The first part was the launch of a co-branded line known as Quirky + GE. Basically, Quirky has challenged its community to invent app-enabled products for the connected home, and those selected will be developed in conjunction with GE. The idea, Kaufman says, is to create “a whole universe” of products—alarm clocks, smoke detectors, toasters, doorbells, sprinklers, appliances, etc.—all of them intelligent and

controllable by smartphone. The first co-branded items, including a bedside clock that learns your schedule and adapts your alarm accordingly, will appear by year’s end.

But there was something else Kaufman wanted from GE—access to its vast library of patents. Not so that dudes in Ohio could invent new versions of jet engines, but so that those dudes could use jet-engine blueprints to, perhaps, build a better fan. With surprising alacrity, GE said OK. The first 1,000 or so patents were scheduled to go up on Quirky’s site by fall, with more to follow, and Kaufman was so pumped about the idea that he had begun wooing patent libraries at research institutions such as Harvard and MIT to join the party.

In the early stages of the partnership, though, the most important thing Kaufman gets from GE is the residual luster of being connected to such a hallowed name. A company that calls itself Quirky certainly can’t just start making car seats—let alone smoke detectors—with any hope that consumers might actually buy them.

That’s partly because of its short history of making mostly simple objects,

Kaufman oozes confidence. He has a way of swatting away suggestions of problems, but this is one worth dwelling on.

but it probably has as much if not more to do with the name Kaufman chose. If the aspiration is really to make anything the community proposes, there's a real case to be made that the name Quirky is self-limiting.

"It's an interesting question, and something we talk about every now and then," Kaufman says. "It's also the most memorable name. Everyone self-identifies with being a little bit quirky; everyone wants to tell you they're quirky even if they're really vanilla and boring."

On the other hand, the word itself doesn't exactly connote quality or dependability. "Given enough time, people will realize we named the company Quirky because we have a unique and unconventional process," he says, not backing down. "It's not quirky quality. You just prove that over time, by making great stuff and shipping great stuff and never having a product problem."

So, as Kaufman sees it: Quirky is as Quirky does.

AS QUIRKY'S portfolio grows, other branding challenges arise. Most product companies make either tons of cheap things or a more limited quantity of expensive things. Kaufman wants Quirky in every space. "From a branding perspective, it gets a little complicated," he admits. "We have products in the MoMA store and others at Rite Aid. I can't think of another company in the world that does that."

Kaufman oozes confidence, sometimes to a fault. And he has a way of swatting away suggestions of problems that might lurk ahead, but this is one worth dwelling on. There's a side to Quirky that's like Apple or Porsche—a fetishistic attention to good design in beautiful packaging. And there's another side that is all about cheap and fun (but

still in cool packaging). The brand identity is muddy. That's hardly what you want when you're trying to increase brand awareness.

Kaufman also has to pay attention to keeping his community committed. His hundreds of thousands of extremely cheap consultants don't just pitch ideas; they pitch refinements for ideas and names and tag lines for products, and they help Quirky settle on a price by voting, en masse, for what a particular product is worth. The day the community loses interest and moves on is the day Kaufman starts scrambling for a new model.

It won't happen, Kaufman says. Community—his community, certainly—is more powerful than that. And so is capitalism. The Quirky community is definitely motivated in part by the potential monetary rewards of participation.

You don't have to come up with the product idea to make money at Quirky; you only have to participate in the process. Scan through the Quirky member profiles, and you'll see members who've earned only a few dollars and others who've earned tens of thousands, in some cases without inventing a single product. Joshua Wright, who now heads up IT for Quirky and stage produces the Evals (his official title is chief tinkerer), started as the inventor of the Shower Station, a \$70 shower organizer, but the bulk of his \$70,000 in earnings to date has come from pitching the Pivot Power's tag line: "A Creative Outlet." The small percentage resulting from that suggestion ("which took me maybe five minutes," Wright says) just keeps chugging along.

Kaufman says he knew Quirky would work two years ago when he saw a tweet that was a picture of a Target advertisement for a cluster of Quirky products. The tweeter wrote, "I made

that." The man, in fact, hadn't made that. But he had been part of the community that voted and refined it into existence, an experience that gave him a sense of ownership.

"I made that" is the primary motivator for everyone in the community. "That's a very simple and straightforward thing," Kaufman says. "But if you do that in the idea-selection phases and the naming phases, then you basically have data that is completely conclusive. The financial part of it is very easy." In other words, people who feel they made something are going to buy it, as are people like them. This makes the investment in development far less risky. "We have this many people wanting to buy this product. It's going to cost this much to make, and I'm guaranteed this much revenue. Who is not going to make that?"

His smile widens as he begins to paint the picture of Quirky's further evolution, once he has relaunched the platform (both online and mobile), unveiled a new brand identity (complete with new logo and iconography), and finalized plans for his first three retail outposts, one of which he plans to put "in the middle of nowhere, like Oklahoma City." Kaufman's concept? The story, of course. "The reason you are going to get off your ass, pack your kid up, and go to the store is to have an experience, to discover things," he says. "Quirky is the ultimate discovery. You never know what's going to be there."

Building retail stores is a risky gamble that has sabotaged other ambitious companies, but Kaufman is certain it will work, because he acts on behalf of nearly 500,000 advisers who help steer his vision.

"That's where it's like, 'OK, solve the branding problem.' I get it. But solve it because we need to be able to do this. The data is going to drive a lot of products. We have the most data of any product development company in the world. We can be the most predictive product development company in the world." **Q**

— JOSH DEAN is a regular contributor to Inc.

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