

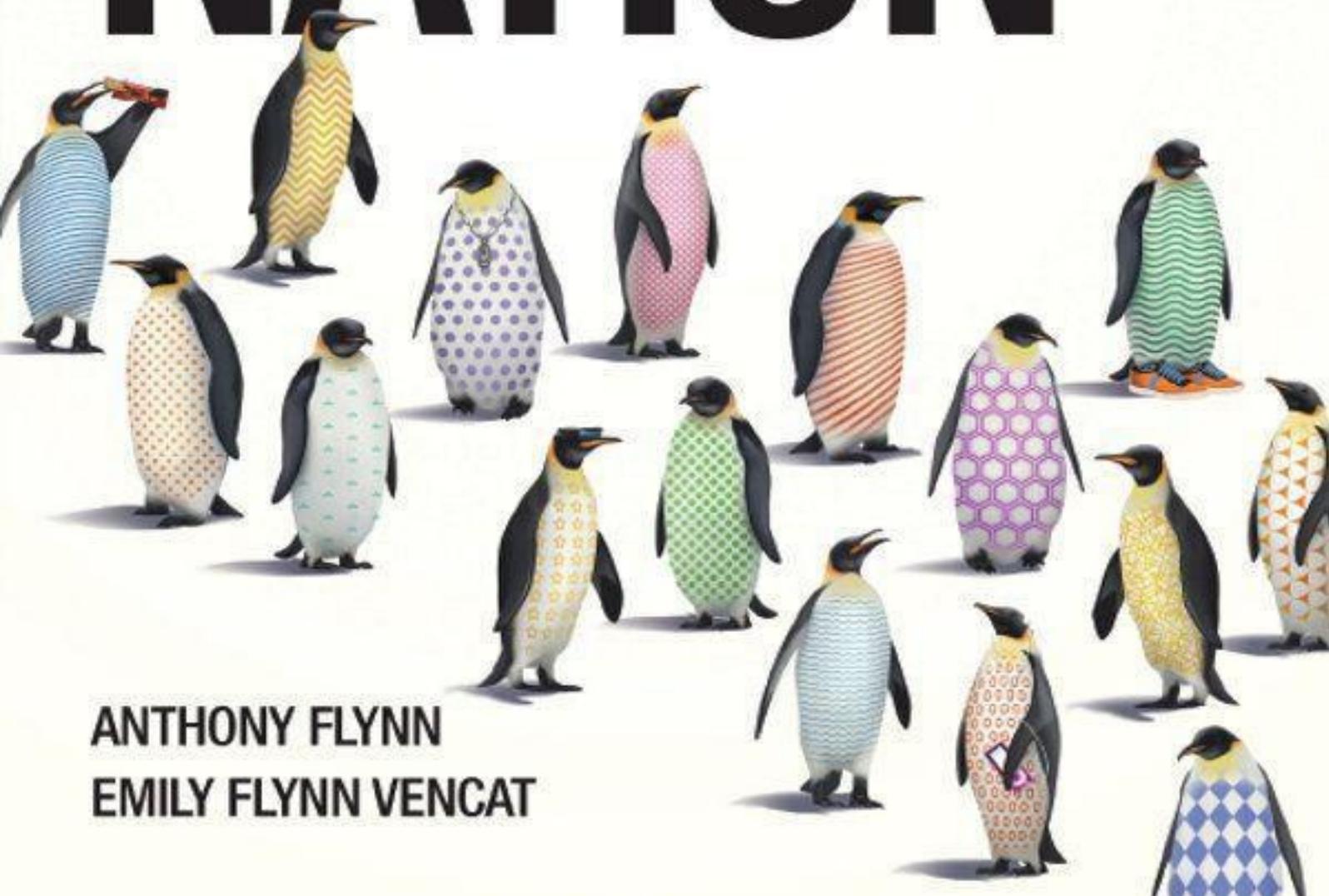
"Consumers want specialized, ownable products—and this book shows you how to build a loyal customer base and improve your bottom line."

—*Jeffrey Housenbold, President and CEO of Shutterstock*

**WHY CUSTOMIZATION IS
THE FUTURE OF BUSINESS
AND HOW TO PROFIT FROM IT**



CUSTOM NATION



**ANTHONY FLYNN
EMILY FLYNN VENCAT**

PRAISE FOR
CUSTOM NATION

“Entrepreneurs are delivering unprecedented customer value by harnessing innovative business models to provide top-quality custom products at affordable prices. *Custom Nation* takes a good look at the history of customization, who’s doing it well, and where it is headed.”

—Robert Keane, CEO and Founder of Vistaprint

“As CEO of a company whose products are driven by customization, I can confidently say that consumers want specialized, ownable products—and this book shows you how to build a loyal customer base and improve your bottom line.”

—Jeffrey Housenbold, President and CEO of Shutterfly

“Anthony Flynn applied customization to turn the humble nutrition bar into a personalized experience. In *Custom Nation*, he shares his insight on how to profit from the fact that all people are different. A must-read for all entrepreneurs—and anyone else interested in the future of business.”

—Frank Piller, Head of MIT’s Smart Customization Group

“*Custom Nation* identifies a new space for an entrepreneur to create and grow a business, marrying the evolving technologies of customized production and distribution with the enabling power of internet communications to closely fit customer needs. It gives a newcomer concrete guidance for initiating and establishing a solid platform for future growth. ‘What do I do on Monday?’ is a focus question for the handbook section of the book, and the book will tell you in clear and usable terms.”

—Norman E. Toy, Columbia Business School Adjunct Professor of Finance & Economics

“*Custom Nation* is an engaging and insightful look at the evolution of customization and how individual consumers are now the driving force in the future of retail. Flynn and Vencat have created an insightful how-to guide for anyone looking to start their own customization business based on expert sources and their own customization entrepreneurial experience. A quick and entertaining read, *Custom Nation* captures the essence of how and why customization has become such a crucial part of the modern consumer experience. The book makes it easy for aspiring customizers to leverage this wealth of knowledge to build the successful CIY business of their dreams.”

—Jeff Beaver, Co-Founder and Chief Product Officer of Zazzle

“Customization is the buzzword in business these days and *Custom Nation* explains

how to approach customizing effectively and make the most out of it.”

—*Jan-Christoph Goetze, CEO and Founder of PersonalNOVEL*

“Emily Flynn Vencat and Anthony Flynn have brought the future to you today. This book chronicles how humankind’s drive for self-expression has evolved and where it is heading.”

—*Bob Marino, CEO of CafePress*

CUSTOM NATION

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WHY CUSTOMIZATION IS THE FUTURE OF BUSINESS AND HOW TO PROFIT FROM IT



**ANTHONY FLYNN
EMILY FLYNN VENCAT**

with Dennis Flynn



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Dedicated to

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CUSTOM NATION

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section 1



AMERICA AS A CUSTOM NATION

CHAPTER 1

The 21st Century's Custom Revolution

I woke up to the sound of my BlackBerry vibrating. I grabbed it and glanced at my emails—there were thousands pouring in. Suddenly, my phone rang. It was PayPal, the payment processor. “Do you have a minute?” the voice said. “Yes,” I replied. Then the PayPal employee said something like, “You’ve had such a large amount of money come into your account in the last week, we believe you could be involved in illegal activity. What business are you in?”

I was floored. “I sell energy bars,” I said. I could tell the PayPal employee wasn’t convinced that I was telling the truth. And he was right to be dubious. Really, that’s only half the story.

What he didn’t realize was that during the week before that call, all the hard work I had put into launching a revolutionary new business had suddenly paid off. Those thousands of emails pouring in were customer orders. I’m Anthony Flynn, the owner of YouBar, and during that single week in February 2008, my nutrition bar business had been featured in *The New York Times*, DailyCandy, National Public Radio’s *Marketplace*, ABC, NBC and Fox—with headlines like: “With These Nutrition Bars, Every Order Is Special,” “Let Your Taste Buds and Imagination Take Over” and “A Nutrition Bar Created by You, for You.”

Those headlines held the clue to what I hadn’t told PayPal yet. I’m not just in the business of selling energy bars. My secret is that my company sells completely *customized* energy bars. We make all of our bars to meet the exact ingredient, taste and nutritional needs of each of our individual clients, and we sell them for roughly the same price as the existing high-quality bars on the market.

My business revolutionized the world of nutrition bars, but we are actually just one small example of the massive upheaval in manufacturing that is happening right now. As we get deeper into the 2010s, the most successful companies in every industry in the United States—from food to fashion—are ditching mass production in favor of customization. This shift is so enormous and all-encompassing that it ultimately promises to define the coming decades as powerfully as the Industrial Revolution defined the 19th and 20th centuries. It is 2012, and we are at the beginning of the 21st century’s Custom Revolution.

The 21st Century's Industrial Revolution

Just look around and you'll see the Custom Revolution catching fire everywhere: Nike's custom sneakers, Burberry's custom trench coats, Levi's custom jeans, Dell's custom computers, Mattel's custom Barbie Dolls, Hallmark's custom storybooks, Mars' custom M&M's, Ford's custom Mustangs, Pottery Barn's custom furniture and—of course—Starbucks' custom coffees.

Even the nonmaterialistic parts of our lives are teeming with customized purchases. Netflix plays personalized programming. Pandora broadcasts tailored-to-you radio stations. eHarmony offers personalized love matches. Google flashes just-for-you advertising sidebars. Facebook delivers customized newsfeeds. Amazon makes entertainment recommendations especially for you. And there are iPhone apps that sync with Google Maps to tell you which delicious nearby restaurant to hit after the movie your other iPhone app recommended.

America is becoming a nation of customizers. And the one new rule for successful businesses across the country is simple: Customize for your clients. What PayPal saw that day in February wasn't drug dealing or money laundering—it was the new Custom Revolution in action. Customization is completely changing the way we do business, and this book holds the reasons behind this enormous shift and the unwritten (until now) lessons for how to do it right.

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No Longer a Bad Business Model

In the 20th century, conventional wisdom was that customization was a bad business model for anything except a small niche seller because it was expensive and slow. But that was so last century. Today, forget everything you thought you knew about customizing. A jaw-dropping number of Fortune 500 companies now offer some sort of customized product or feature customization as a key part of their marketing strategies. In addition to the names mentioned earlier, this customizing-company list includes Procter & Gamble, PepsiCo, Chrysler, Coca-Cola, The Walt Disney Co., General Motors, Harley-Davidson, HP, The Boeing Co., Home Depot, Johnson & Johnson and Bed Bath & Beyond. In 2010 alone, the sportswear giant Nike sold more than \$100 million worth of *totally customized, made-to-order* sneakers (and, incidentally, today *every* single big athletic shoe company in the world—from Reebok to Adidas—has stepped up to offer custom shoes). Meanwhile, dozens of fashion-forward shoe companies, like selve and Shoes of Prey, march down the runway with everything from choose-your-own-heel-height custom stilettos to design-it-yourself ballet flats.

It's not just the big incumbents that are creating the Custom Revolution. Companies with completely custom business models are popping up everywhere and breaking what used to be thought of as a glass ceiling for customizers: the billion-dollar mark.

Before the early 2000s, there was only one retail company with a truly custom business model that had broken this barrier—Dell Inc. In 1985, Michael Dell started making built-to-order computers from his dorm room. Today Dell Inc. is worth a whopping \$27 billion. Even so, in its infant years many believed the company's success was a one-off anomaly because early attempts to copy the model failed.

No more. Thanks to massive technological innovations, care of the internet and the digitization of information, the custom business model is now verging on the billion-dollar mark all over the place. Vistaprint, a printing company that specializes in making custom goods for small businesses, boasts a market cap of \$1.3 billion. Shutterfly, a company that makes customized photo gifts, is worth approximately \$1 billion. Pandora, the custom radio provider, is worth \$1.6 billion.

And right behind these colossal customizers are dozens of customizing companies that are well on their way to a billion. Blue Nile, a diamond jeweler that allows customers to design their own rings and earrings, is worth \$550 million. CafePress, a company that makes custom goods of all shapes and sizes—from flip-flops to wall art—launched a successful initial public offering (IPO) in March 2012 that valued the company at more than \$288 million.¹ Zazzle, a company that customizes everything from T-shirts to skateboards, pulled in more than \$100 million in revenue in 2011, with profits in the eight-digit range and as many as 24 million visitors per month.

As a nutrition bar company, we at YouBar are, of course, smaller than these heavy

hitters, but our annual revenues are well into seven figures, our website clocks more than half a million visits a year, and we've proudly produced millions of totally customized bars in just six years in business.

The New Business Rules in the Age of Customization

Customization is so ubiquitous as the new business model that there's a scramble at the world's top companies and research universities to codify the lessons of how to do business in this brand-new era. Since that February when I got the call from PayPal, I've been invited to give lectures on customization at universities like the University of Southern California (USC), the University of California, Berkeley and UCLA; I've been interviewed in major business media, like National Public Radio's *Marketplace* and Fox; and I've been asked to consult to large companies that are adding customization to their current mass-produced offerings.

What they all want to know is, *How do you make customization work on a grand scale?*

Whenever a new way to do business takes over, there are always new rules to follow. But, since the Custom Revolution is just now happening, those rules haven't yet been written down, and the case study lessons from companies doing it right haven't yet been put together—until now. This book shows how businesses are making customization work and how you can follow suit.

For would-be entrepreneurs, the custom business model is the new gold rush. With customization, you don't have to have the funding of a Fortune 500 behind you to make it to seven-digit sales; all you need is a good idea and customization. In the following pages, I'll tell you about dozens of smart entrepreneurs, like Jan-Christoph Goetze of Personal-NOVEL and Max Wittrock of mymuesli, who launched enormously successful businesses based on customization with as little as \$5,000 in seed funding.

I will outline in this book exactly how you, too, can use customization to launch a successful new business, or exponentially increase sales in your existing business. I'll show you how, with customization, you can differentiate your product from your competitors', generate phenomenal press and—of course—get that call from PayPal.

The Genesis of This Book

The knowledge laid out in this book doesn't just come from personal experience. To get customization right, it is vital to learn from the best. So when I decided I wanted to write a book to share the wisdom of customization, I knew I needed someone who was experienced at interviewing top executives, could tell the story of customization's rise and, most of all, was a great writer.

The answer of who I needed was obvious even before I asked it. My sister, Emily Flynn Vencat, is a business journalist. Emily's first job out of college was at *Newsweek's* London bureau, where she ultimately became the magazine's London-based business writer. She has also worked on staff for The Associated Press and written stories that have been published in the *International Herald Tribune*, the *Columbia Journalism Review* and *USA Today*. Emily has interviewed some of the biggest names in the business world, including Virgin boss Richard Branson, Carlyle Group cofounder David Rubenstein and the late Body Shop founder, Anita Roddick. I knew my sister would make the perfect coauthor.

However, persuading Emily to write this book with me wasn't easy. When I first brought the idea up to her, she was skeptical. "Customization is an interesting trend," she said, "but I don't think it's book-worthy." My response caught her attention. "Customization isn't just a trend," I said. "It's the new way Americans are going to do business. It's the new mass production. By the year 2040, everything we consume—food, clothing, cars, advertisements, trips abroad—will be customized to meet our exact desires. *Everything*. I'm willing to put money on it."

Customization isn't just a trend....It's the new way Americans are going to do business. It's the new mass production. By the year 2040, everything we consume—food, clothing, cars, advertisements, trips abroad—will be customized to meet our exact desires. *Everything*. I'm willing to put money on it.

Emily was willing to take my bet. She left my Hollywood apartment still shaking her head, but a few hours later, I got a call from her. Emily told me that on her way home she had driven past Los Angeles' famous (and notoriously trend-setting) Hollywood and Vine intersection. Within blocks of Hollywood and Vine, she passed a Bed Bath & Beyond advertising personalized shower curtains and doormats, a *New York Times* ad broadcasting custom homepages for subscribers, an HSBC flyer for customized banking, a Victoria's Secret window advertising bras that feel "custom-made," and The Counter, a new burger chain whose slogan is "Custom Built Burgers."

"I've driven through that neighborhood a million times," Emily said. "It used to be all McDonald's Big Macs, Blockbuster videos and Louis Vuitton bags. But that simply isn't the case anymore. Customization—even the word itself—is literally all over the place. I'm in."

Most of what you'll read in this book you can't find anywhere else. Emily and I are extremely grateful to the visionary entrepreneurs and insightful academics whose candid interviews and generosity of advice made this book possible, including (but not at all limited to) Robert Keane of Vistaprint, Bob Marino of CafePress, Bobby Beaver and Jeff Beaver of Zazzle, Jeffrey Housenbold of Shutterfly, Dan Ariely of Duke University and Frank Piller of the Massachusetts Institute of Technology (MIT). In the following pages, Emily and I will draw from the experiences of these thinkers and business people and many other inspirational entrepreneurs to show you how you too can launch a successful new custom business or add a component of customization to your existing business. The secret of a successful 21st century business? Customization. And the secret to doing that right? Read on.