The hottest trend spotter in North America reveals powerful strategies for thriving in any economic climate

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“Jeremy is a walking, talking, breathing trend, a living example of what happens when you take your own advice. With his ideas, you might catch an ideavirus.”
—Seth Godin, bestselling author of Tribes

JEREMY GUTSCHE, MBA, CFA, is an innovation expert, host of Trend Hunter TV, one of North America’s most requested keynote speakers, and the founder of TrendHunter.com, the world’s largest network for trend spotting and innovation boasting an audience of roughly 10 million monthly views. Jeremy is routinely sourced by the media, from the Economist and the Financial Times to Entertainment Tonight and FOX News. He has been described as “a new breed of trend spotter” by the Guardian, and “on the forefront of cool” by MTV.

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Foreword by GUY KAWASAKI, cofounder of Alltop, author of Reality Check

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Chaos (kā,äs) is the uncertainty sparked by uncharted territory, economic recession, and bubbles of opportunity.
Chaos causes organizations to retreat . . .

. . . but not always.


These iconic companies were all founded during periods of economic recession.¹
Dramatic change and simple evolution give birth to a new set of market needs.

Identify those needs and enjoy remarkable success.

This book is about powerful ideas and vivid stories that will help you stimulate creativity, identify opportunity, and ultimately, EXPLOIT CHAOS.
LONG BEFORE TWITTER, FACEBOOK, and the current financial crisis, Einstein proposed three rules of work:

· “Out of clutter, find simplicity.”
· “From discord, find harmony.”
· “In the middle of difficulty lies opportunity.”

These rules are more truer than ever before. We have encountered increasing media clutter (you could say I’m one of the causes of this!), organizational discord, and financial difficulty—in short, we are in an era of chaos.

The common reaction is to fear these conditions, but just as Einstein’s rules profess, difficulty can spark extraordinary ideas.

Exploiting Chaos is the quintessential road map for all those who seek opportunity in times of change. Gutsche vividly explores how remarkable companies have risen from chaos, and he provides a toolkit that managers can use to foster a culture of innovation, create great products and services, and change the world.

Read this book, or in the middle of your difficulty will lie more difficulty.
Did you know that IBM, GE, Wal-Mart, Dell, and Southwest Airlines were referenced in 1,304 of the most recent 2,000 *Harvard Business Review* articles? Holy crap! That’s excessive. In his book *The Breakthrough Company*, Keith McFarland asked, “Does it stand to reason, however, that just 5 firms account for 50% of the business knowledge created over the past 80 years?” Accordingly, *Exploiting Chaos* departs from normality to bring you examples applicable to both big businesses and new ventures.
Sadly, the grape nuts didn’t help these men prevent the Great Depression. The only cereal brand that mattered was Post. After your great-grandfather silenced the piercing bells of his wind-up alarm clock, he savored the delicious taste of Post Grape-Nuts. Launched in 1897, the cereal dominated the marketplace leading up to the 1930s.

As the Great Depression tightened its angry claws on America, Post found itself hungry for cash. The prominent cereal maker assumed they “owned” the market. How could anyone stop lusting for Grape-Nuts? Accordingly, advertising budgets were cut to weather the storm.

As the managers of Post reclined in their rawhide chairs, bracing for a slow economy, a hungry tiger lurked in the shadows. That tiger was the Kellogg Company. Their mascot, Tony the Tiger, had not yet appeared, but his insatiable spirit was already born.

While Post retreated, Kellogg doubled their ad spend. In 1933 their campaigns introduced slogans like “Snap! Crackle! Pop!” and “You’ll feel better”: motivational mantras during a gloomy era. The investment paid off. Americans loved the message and sales began to grow. Kellogg’s became the go-to pick for breakfast cereal and your great-grandfather abandoned his beloved Post Grape-Nuts.

The upbeat impact of crisis is that competitors become mediocre, and the ambitious find ways to grow.
You can thrive in times of loss

IN CORIOLANUS, Shakespeare wrote, “when the sea was calm all boats alike / Show’d mastership in floating.” Unfortunately, the seas are no longer calm. This will cause some ships to sink, but opportunity does not go away. People still buy things, they just become more particular about what they need.

During the Great Depression, unemployment soared to 25%, 15,000 banks failed, and Wall Street was no longer a place of glamour. Four dreadful months into this depression, Henry R. Luce launched a pricey magazine titled Fortune. At $1 an issue, the cover price surpassed the cost of a functional wool sweater. Seemingly bad timing.

Eight years later, Fortune had grown its subscriber base to 460,000 people. By 1937 the magazine reported an annual profit of $500,000. Scaled for inflation, that amounts to more than 7 million modern-day dollars. That’s a lot of wool sweaters.

Kellogg Professor Andrew J. Razeghi suggests, “Fortune worked for the very same reason that all great new products work: it made a uniquely relevant contribution to its customers’ lives (period).” Fortune was more than just a publication. It was a glimpse into the boardrooms of those that survived; Fortune was an answer.

Innovation is not about market timing. It is about creating something that fulfills an unmet need.
ERAS OF CHANGE give birth to unconventional ideas. In 1913 R.J. Reynolds rolled out one of these ideas: the prepackaged cigarette. There was widespread belief that this idea would fail; after all, the act of rolling cigarettes was part of a seductive ritual for many smokers. Would people trade quality and tradition for cheaply packaged goods and convenience?

Undaunted, Reynolds created a marketing machine to birth his new idea. The company launched their new product with one of the first major “teaser” campaigns in American history. Their mysterious slogan, “the camels are coming,” bubbled throughout the media.

The camels are coming? What the hell does that mean?

When the product first hit shelves, a circus camel named “Old Joe” was escorted through city streets to hand out free cigarettes. Within a year, Reynolds sold 425 million packs, making his idea the most remarkable breakthrough in the history of consumer products. For the next 15 years, nothing seemed more rewarding than the puff of a seemingly healthy unfiltered Camel cigarette. “Is enjoyment good for you? You bet it is.”

Today this advertising copy seems preposterous, but the success story is eye opening.

Revolutionary ideas defy the mold of convention.
**Keep your finger on the pulse of pop culture**

**Organizations are inclined** to protect what they acquire. This leads breakthrough companies to create the sort of structure that inhibits change. Structure distances us from the pulse of pop culture.

Intoxicated by his own success, R.J. Reynolds lost touch with the trends in marketing. In the 1920s advertising became psychological. Unregulated marketers played on fear.

Listerine mouthwash warned, “Halitosis makes you unpopular.”

Hoover Vacuums worried, “Dirty Rugs Are Dangerous—How Do You Clean Yours?” Seriously, how dangerous can carpet really be?

With a supercharged ad budget, Camel’s rival, Lucky Strike, combined Hollywood aspirations with the pervasive fear of getting fat. Their ads showcased celebrities who touted cigarettes as the “modern way to diet!” They advised, “Light a lucky when fattening sweets tempt you.”

Their aggressive strategy puffed a cloud of smoke into Camel’s unquestioned lead. Lucky Strike became the #1 brand by 1929, and shortly afterward, Camel dropped again, to #3.

Then the Great Depression began.

*Icons falter if they do not reinvent in periods of change.*
Learn the game and start to play

**MOST INNOVATION ANECDOTES** celebrate the triumph of the underdog. This adds fuel to the common misconception that people in large organizations cannot revive the dwindling fire of their heritage. However, with brand recognition and deep pockets, monolithic organizations are better equipped to enter new markets, they just lack the adaptive mindset to facilitate entrepreneurial change.

In 1930 fallen market shares and the Great Depression gave R.J. Reynolds an opportunity to spark change. They began to experiment with fear marketing, claiming, “More Doctors Smoke Camels Than Any Other Cigarettes.” *Sounds healthy to me.* In a time when health impacts were less known, the message created subconscious fear: *If doctors only smoke Camels, should I be worried about my brand?*

Lucky Strike countered with, “20,679 physicians say ‘Luckies are less irritating.’” It didn’t matter. By this time R.J. Reynolds was a step ahead. In 1933 Camel started using athletes to associate their image with vitality. Superstar jocks endorsed,

“They don’t get your wind,”

“It takes healthy nerves . . . to win the World Series,” and

“21 out of 23 St. Louis Cardinals Smoke Camels!”

By 1935, the once-aging giant had reclaimed its #1 position.

*It is never too late to learn.*
“It is not the strongest of the species that survives, nor the most intelligent, but rather the one most adaptable to change.” —Charles Darwin

**THE WORLD OF BUSINESS** is in a constant state of evolution. Great organizations fade. Fast-moving start-ups step into their place.

In *The Innovator’s Dilemma*, Clay Christensen studied the evolution of the disk drive industry, where leaps in technology led to physically smaller hard drives. This caused nerds around the world to rejoice. Also, it exemplified the difficulty of change.

In theory, the leap from one size to the next doesn’t seem monumental. You might expect the same leaders to remain over time. However, when the world changed, leaders lost their place.

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**LEADERS IN THE DISK DRIVE MARKET:**

- 1980: 14” Drives - Contol Data, IBM, Memorex
- 1984: 8” Drives - Shugart, Micropolis, Priam
- 1988: 6¼” Drives - Seagate, Miniscribe, Maxtor
- 1993: 3½” Drives - Conner, Quantum, Maxtor
- 1995: 2½” Drives - Prairetek, Quantum, Conner

**LEADERS IN THE COMPUTER CHIP MARKET:**

- 1955: Vacuum Tubes - RCA, Sylvania, General Electric
- 1955: Transistors - Hughes, Transitron, Philco
- 1965: Semiconductors - Texas Instruments, Fairchild, Motorola
- 1975: Integrated Circuits - Texas Instruments, Fairchild, National
- 1985: VLSI Circuits - Motorola, Texas Instruments, NEC
- 1995: Submicron - Intel, NEC, Motorola

RCA, for example, was once double the size of IBM. They were rockstars in the vacuum tube market, but apparently people don’t buy vacuum tubes anymore. RCA struggled with change, and eventually, the company was displaced. *(Mental note: stop selling vacuum tubes.)*

Your focus should not be on protecting what you have, but rather on adapting to the next big thing.
## You cannot escape disruptive evolution

**There are no industries** or professions immune to the effects of disruptive change, the sort of change that enables new business models and topples corporate tycoons. Our generation is fundamentally reinventing the way human beings interact.

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## Don’t become a boiled frog

**Viral videos, e-commerce**, the blogosphere, email, social media, crowd sourcing, and a lack of self-censorship: these are the shifts toppling major corporations today.

The sneaky thing is that these shifts are not happening overnight; rather, they are slowly creeping up on us.

It’s kind of like boiling a frog.

If you place a frog into a pot of boiling water, he’ll immediately hop out. And he’ll be pissed off. If you place a frog into a pot of lukewarm water and slowly dial up the heat, he will keep swimming until he’s boiled alive.

Like us, the frog is more sensitive to shocking change. If change is moderate, urgency becomes less apparent. Before we know it—*hey, what’s that smell?—we’re cooked.*

Peter Drucker, regarded as the father of modern management, noted the following at age 94: “*We now accept the fact that learning is a lifelong process of keeping abreast of change. And the most pressing task is to teach people how to learn.*”

*The key to adaptation is recognizing the ongoing need for moderate change.*
Stay focused on opportunity

AT THE TURN OF THE CENTURY, the Internet bubble was collapsing. The tech market was a land of popped aspirations and broken dreams.

Three years later, Apple CEO Steve Jobs was under fire for still maintaining his Research and Development budget. Didn’t he get it? Shareholders wanted Apple to reduce costs. The clairvoyant CEO defended his vision:

“What has happened in technology over the last few years has been about the downturn, not the future of technology. A lot of companies have chosen to downsize, and maybe that was the right thing for them. We chose a different path. Our belief was that if we kept putting great products in front of [customers], they would continue to open their wallets. And that’s what we’ve done. We’ve been turning out more new products than ever before.”12

What Jobs didn’t mention was that post-bubble economics enabled him to hire an army of affordable talent.

That same year, Apple launched iTunes. By 2008, four billion songs had been downloaded, and iTunes now rocks the market, selling more music than Wal-Mart.13

It’s good to be bigger than Wal-Mart.

An undying focus on the future can lead to invention.

Top Music Retailers
Source: NPD Group’s MusicWatch Survey, April 2008
Find a way to make sense of all the noise

Why does the Huffington Post website get more traffic than the websites of the Wall Street Journal, Financial Times, and the Economist combined?

Why did the tabloid website PerezHilton.com grow fifteen times larger than NationalEnquirer.com? Because the traditional companies didn’t get it.

They never tried to understand until it was too late.

Consider YouTube star Fred Figglehorn (played by 15-year-old Lucas Cruikshank). His videos are low-budget rants about his ordinary life. His voice is accelerated to a chipmunk’s squeaky timbre. This might annoy you or me, but his is the #1 most subscribed-to channel on YouTube. By 2009, Fred had over 250 million views. Fred connects with tweens and teens that nobody else understands.

He connects with the next generation.

Should Fred really have more star power than professional celebrities? Should he be that successful?

By understanding the chaos that IS the cutting edge, you can identify when the world will change.
Accept that the world never returns to normal

There is a commonality between Kellogg, Fortune, R.J. Reynolds, Apple, Perez Hilton, and Fred. Successful innovators do not get caught up in the turmoil of change. They don’t wait for the world to return to normal. Impervious to the clutter that surrounds them, these vanguards adapt to opportunity. Sometimes they take a buckshot approach, firing off new ideas in multiple directions, hoping that one idea will “hit.” Sometimes, like snipers, they zero in on a specific opportunity.

What they do not do is stand still.

The time to act is always now.

You don’t need to have everything figured out

Colloquially, chaos is synonymous with stress and disorder, but this doesn’t have to be true. By knowing that you can adapt, and by seizing the opportunity presented by chaos, you can avoid being trampled and step away from the herd.

There is comfort in chaos

Even in a chaotic world, some sense of stability can exist. While chaos does require you to act, it does not require precision.

Once you accept the inevitability of perpetual change, you can abandon your quest to gain control, and instead, go with the flow.
The only things slowing you down are the rules you need to break

The path to growth is full of obstacles, but it’s not impenetrable. Your company could increase its innovation budgets, take risks, encourage failure, advertise, hire talent, invest in technology, etc.

The problem with all this advice, you are saying, is that it seems unrealistic. At least, it seems unrealistic within my organization.

We’re too big.
We’re too small.
We can’t do that.
We tried that before.
I can’t make a decision that senior.
We’re just starting out.
We don’t have that much money.
Our investors would never allow that.

The pursuit of opportunity will require you to think differently and break the rules that paralyze change.
From the growth of plants to the spread of disease, chaos theory is a form of mathematics being applied to the world’s most complicated scientific problems. At its core, chaos theory reveals that much of the mystery that surrounds us is actually “order masquerading as randomness.”

For example, chaos theory has been used to prove why all snowflakes look uniquely complex and yet recognizably similar.

As it turns out, a snowflake’s entire shape is determined by a few simple conditions when the snowflake begins to grow. This is why the shape is always symmetrical.

Given one scenario, each branch will flourish into a sharp and pointy design. Given another scenario, each branch will end up round and dull.

Metaphorically, your organization is one of these snowflakes embarking on a period of chaos and evolution:

*Within a rigid culture, chaos will make your organization round and dull. Within an adaptive culture, your company will navigate through chaos and evolve into something spectacular.*
Learn to adapt

The Exploiting Chaos Framework

IN TIMES OF CHAOS, the deck gets reshuffled and the rules of the game are changed. To thrive, companies must learn not to create structure and stability, but rather, to adapt quickly.

Exploiting Chaos suggests that the next wave of management theory will be the science of adaptation. Accordingly, this book approaches adaptation using four equally important tactics: Culture of Revolution, Trend Hunting, Adaptive Innovation, and Infectious Messaging.

Exploiting Chaos™

Culture of Revolution

Culture is more important than strategy. Culture underlies your organization’s ability to adapt, and times of dramatic change magnify this importance. Most likely, your organization perceives the need to adapt, but uncertainty and resistance are paralyzing innovation. By creating an organizational culture of revolution, you can spark a new paradigm for creative change.

Trend Hunting

Innovation and strategic advantage hinge on your ability to anticipate trends and identify the next big thing. By using the cutting-edge framework in this book, you can filter through chaos and identify clusters of opportunity to focus your innovation.

Adaptive Innovation

Engineers, designers, and scientists have invested billions of dollars to perfect human creativity. By applying the best of their proven practices to your own field, you can think big while acting small. You can rapidly identify and evaluate new opportunities.

Infectious Messaging

The Internet has created a world cluttered with chaos, but it has also created the world’s first viral platform for ideas. Well-packaged stories travel faster than ever before. Unfortunately, most marketers are stuck in a world dominated by traditional advertising and cliché. By cultivating infection, your ideas will resonate, helping you to leapfrog ahead of the competition.
Accelerate your ideas with EXPLOITING CHAOS, an award-winning, bestselling, magazine-style book about 150 ways to spark innovation during times of change.

Disney, CNN, MTV, Hyatt, Microsoft, Apple, Fortune, GE, and Hewlett-Packard. These are just a few examples of companies created during periods of chaos. Dramatic change and simple evolution give birth to new market needs. Identify those needs and enjoy remarkable success.

With engaging case studies, images and humor, this book spans 5 topics:
1) STRATEGY - Turn chaos into opportunity
2) CULTURE OF REVOLUTION - Create a culture of innovation
3) TREND HUNTING – Learn to filter through all the noise
4) ADAPTIVE INNOVATION - Increase your odds of winning
5) INFECTIOUS MARKETING - Infectiously market your ideas

Get the full 260-page eBook! at ExploitingChaos.com
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—Daniel H. Pink, bestselling author of A Whole New Mind

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