



KILLING GIANTS

10 STRATEGIES TO TOPPLE THE GOLIATH IN YOUR INDUSTRY

The Killing Giants Interviews

Noel Lee, founder and CEO of Monster Cable

Noel is a pioneer in the consumer electronics business, having introduced the industry to The Art of Attachment Selling. He was very generous in giving me this much of his time back in August of 2012 as I was framing up the new stories that were originally going to be part of the revised soft cover version of Killing Giants – which because of a last minute change of plans with the publisher became The Killing Giants Framework. Our conversation covered a lot of ground, from his amazing founder's story to the discover that Monster Cable wasn't in the "cable business" at all, to his fast education in lifestyle marketing with Interscope Geffen A&M's Jimmy Iovine and Dr. Dre, to hip hop culture and more.

Stephen Denny: I am very interested in getting you to tell your story. But I want you to start at the beginning. Tell me where this all began?

Noel Lee: First is you could say I am a real geek, an audio guy. In those early days, I built my own amplifiers and speakers and I was really intellectual as a kid. I had a propensity for just loving audio gear. And I was a fan of jazz music. When we were teenagers, we were listening to Miles Davis and Bob Dylan in those days and that was the most popular thing for a kid to be listening to, so I love the music. And because I love the music, I wanted to play music so I became a musician... I played drums and toured professionally for a couple of years as a real passion. But as a son of immigrant parents from China, I was also going to be an engineer or an accountant.

Stephen Denny: Yeah.

Noel Lee: So I became an engineer. Formal training as engineer, graduated at CalPoly with engineering degree, worked at Lawrence Livermore Laboratory where it was a great learning ground for technical stuff. You had unlimited budget if you had the right project, pretty high profile work with a lot of talented businesses, the Department of Energy and all that kind of stuff. So with the music career, this was kind of like a part time thing, playing with a band. But then we got offered a gig to go on a world tour with a Polynesian band playing some pretty cool music. At that time, you know, we were unique in America, we were popular. And so they put us on tour.

"I just loved to play music and because of the business aspect of it, I really got to learn about the marketing of the band..."

While the other kids were good with that, you see, they weren't married, I was married, I had a kid, I had a job at Livermore and I was pretty well established. And I said can't go, this is not something I can really do, you know, I have got a family and so I thought if I don't do it now I am just never going to do it. So I quit my job, packed up my wife and my kid at that time, rented out the house and I went on to the road as a musician. And that was the best and the worst time of my life.

First of all, we landed in Hawaii on first part of our world tour and the guy who booked us didn't realize we are not a top 40 band, he thought we were top 40 band so we got fired in 2 weeks.

Stephen Denny: Oh boy.

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Noel Lee: So we were here in Hawaii without a job. I quit my job. And I have my wife and my kids and I had all kinds of stuff I brought from home, not having ever gone on road before, and we played the wrong kind of music. So that's all the bad part. Things were really scrappy those days, you know, because we would work one weekend and then go on unemployment for the next week. Eventually we landed one of the best paying jobs on Waikiki, but we didn't go any further than that. But the good part about that is that's where I really learned about business because I had no business training at all. I was really a geeky kind of Chinese engineer, very introverted and not seeing the world, you know, so when I was working with the band I got to meet these shark agents, you know, who would take advantage of the band. We had an agent who wanted to book us and I had already booked to the higher paying job at Waikiki and they wanted to be our agents, take 10%, put other people in the band. I couldn't talk the band out of it. So, you know, working on unemployment and then working with all these different people, club owners and stuff like that, really taught me how to deal with people and how business works.

So when I reflect back, it was some of the best times of my life. I just loved to play music and because of the business aspect of it, I really got to learn about the marketing of the band and all that kind of stuff. So when I came back I wanted so much to be in the audio business I didn't want to go back to be an engineer because you know I was working on the band, we had hours that were like 10:30 at night until 03:30 in the morning and we go to the beach in the day time you know I had to go back to 8 to 5 job which was like totally boring to me at that point.

Stephen Denny: Now how long were you in the Waikiki phase?

Noel Lee: Yeah almost 2 years.

Stephen Denny: 2 years, all right.

Noel Lee: And what put the band out of business was this shark agent, he said, "Hey, I am going to buy uniforms, we're going to be professional. And by the way, take 30% of your money put it in an account and let me watch over it so we'll have that as a slush fund."

Stephen Denny: Oh boy.

Noel Lee: I said, "You're going to trust this guy?" They were like, "No, no, no he's going make us famous," so we did that. When I saw this thing and said I'm taking my money out – it wasn't a lot, I had like \$400 – so I am taking my money, you guys leave it in if you want. And the very next day he cleaned out the whole account, took all that money and nobody got any money of it.

Coming back, I wanted to be so much into audio business not be an engineer, I did everything I could do not to work at the lab again. I worked in Berkeley this time as I lived in San Francisco with my in-laws. I came back had no money and stayed at my in-laws flat. They offered me a job back at Lawrence Berkley Laboratory and I did that for about a year just hating every day. I would commute all the way to Berkeley from San Francisco on my motorcycle because I didn't have a car, so kind of crazy things like that. Then I was trying to find a way to be in the audio business, so I applied for a sales job at Pacific Stereo. They said, "Wait a minute – you're a degreed engineer and you work for Lawrence Livermore Laboratory... I think you are over qualified to be a sales guy."

Stephen Denny: Yeah, no kidding.





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Noel Lee: So I couldn't get hired. Then I started to meet these brands so I made some friends and started working on tape head cleaners and little stuff like that, speaker switchers... and that's when I learnt to really how to sell.

Stephen Denny: Now what time frame are we talking about you Noel, just you help me understand what years, where are we yet chronologically?

Noel Lee: Oh, chronologically, we probably are about 1975.

Stephen Denny: That's '75 now and the Hawaii years were just before then early '70s?

Noel Lee: Yeah, just, yeah, right before that.

Stephen Denny: Yeah, OK, all right.

Noel Lee: So, what happened was I learned a little bit about selling. Even little speakers, switch boxes and tape switch boxes, I mean you know a company called West Sound, which went on to become a pretty big company, but I was their number one rep in the country. They would say, "Hey, you know we've got the minimum quantity too high, all the rest are complaining and so we've got to change this to 6 and not 12," and I was very successful at selling bulk, so I said, "No, no, no don't cut my pricing down - I am going to make it 12 because I can sell 12 per sales call, not 6." So I was the number one rep. I got to CES, but in the meantime as an engineer I was looking at what can I improve in my system. I didn't have any money. I kept reading about speaker wires and that you don't have to increase the size of the speaker wire because it was big enough at 18 gauge or 20 gauge and they were just carrying electrons anyway and I thought that more copper can only be better. So this is the first Monster Cable.

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I made it aesthetic, I put it in a great package, I came up with the name you know, the "Monster" Cable. I personified it, gave it life. It sounded big, it sounded strong and I put it in little cardboard boxes, took an Avery label and put the Monster on them, would rub on type and I was in business. I got a little corner of the table at CES for my tape head cleaner guy, and he said take a corner of my table. It was a success, people thought it was a great idea and that's how it all started.

Stephen Denny: So it was what, 1975 you say it's about the time frame?

Noel Lee: That was probably '77 because the trade mark for Monster Cable was filed in '78.

Stephen Denny: OK. So it's the Consumer Electronic Show... back in those days there were 2 years weren't there?





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Noel Lee: Yeah there were 2 in those years, so this was in Chicago, the Blackstone—over at Blackstone. I couldn't even get a place. But anyway, it was a very exciting time. I had no business experience. I had some engineering experience, I engineered the first Monster and found out all of those things several years later, four or five years later, what really made life worth it, that it was a good idea to start with.

But back then I had to run a little business and I didn't have any money. I was broke and, you know, I didn't have any credit cards either. So went to my local bank and tried to get money over there and they didn't believe me, they didn't believe in the product, they didn't believe in me. I had no business experience – I was a musician – so I guess they were right not to believe in the product. But it took me several, several years – I mean almost 3 years – to get any kind of money. Meanwhile I was borrowing money from my parents and everything, even my mom put up her house to guarantee the loan and SBA loan guaranty the bank still wouldn't loan me the money. So I had only asked them for \$5,000. Then, as I got deeper in debt, it became \$70,000 and so by the time I found a bank that believed me, they said, "You don't need \$70,000 – you need at least \$250,000." So I got the SBA loan and, you know, that's how I got Monster started.

Stephen Denny: So that's the founder story that you are so glad is behind you now?

Noel Lee: If I knew how it was going to be I'd have never...

Stephen Denny: I've heard that before... so now you've got a bank behind you, after your mother had to put up her house in collateral, and you have a product, you have the name, you've got the packaging... when did the beginnings of traction happen?

Noel Lee: First of all, no national retailing. So you couldn't go to Best Buy or Target or anything just to get a big national footprint, so they were all little stores, you know, mom and pop operations, and the biggest was Pacific Stereo, which was in Berkeley. They had 50 locations. So that was the Big Kahuna, what I dreamed to be able to sell to but in the mean time I had to go from store to store.

I built a little demo switcher and put Monster Cable on one side and zip cord in the other side. I hooked it up and the retailer would say, "I can't sell this stuff – you want 60 cents a foot and I'm giving away wire now, you know, buy a pair of speakers and I just give it to my customer." And I said, "Well, first of all, listen to what you are saying. You give it away for free, so if you charge \$30 for a set of wires with connectors on them you will make \$15 and you save the \$3 worth of wire you were giving away, so you really made \$18." So now I came out with a financial scenario that made a lot of sense

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to people. So I can make another \$20 on every sale of speakers and then when you add that up, how many speakers you sell, you know, that becomes significant money.

So I started to get placements for the original Monster Cable with only 3 SKU's. We had one called the Big Banana. So it's kind of a fun thing, right from the beginning, and now I was the Head Monster right from the very beginning, I would call people Monster and we coined the whole Monster theme as a culture. And really nobody had culture, you know. Apple Computers started at the same time and you know in those days, it was either business or, yeah, not something you really had fun at. So we created this Monster culture and everybody started enjoying it, you know. The dealers got behind it. It was couple of years after I started giving them awards and giving them recognition for achievement and that kind of thing.

And then I landed Pacific Stereo. I went to Pacific Stereo and they said, "Yeah, this is an interesting product." The guy, Richard Schram, he was in the business, he started Parasound afterwards, but he was the buyer, he was the head merchant, and he says, "Yeah, this is an interesting product and Noel, you are an interesting guy," and he had lot of passion behind it, you know, "So let's roll this out in the fall and let's see what happens." So he told me I had to go see their marketing manager and he said, "I love the package and I love the product, I love the concept but one thing I really don't like – and that's the name. It will never fly."

Stephen Denny: OK.

Noel Lee: So you got to change the name.

Stephen Denny: I take it you didn't take his advice?

Noel Lee: Yeah, no I didn't take his suggestion.

Stephen Denny: Good.

Noel Lee: And he got fired and Pacific went out of business so...

Stephen Denny: So Pacific was your first non-mom and pop, it was your first big retail. It was about that time you were talking about, so it sounds like the distribution had started very small, mom and pop mainly as a necessity you built a base out of the smaller independents and then it just sort of grew from there Pacific Stereo being the first major regional player and you also threw in that one comment about how you started doing a regional, you started doing awards. So tell me how the business evolved at that point ...

Noel Lee: We call it now a "cure with no disease," meaning, "Did you know that your speaker wire wasn't as good as it could be?" And you say, "No, no, my speaker wire's fine, my speaker sounds good," and we'd say, "No no, no, really, it's not as good as it could be - and I have got the medicine, so you really feel sick but you don't know you're sick." So we had to create the market – we had to

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first convince somebody that the product they had wasn't good. It was free but it wasn't good, but you can improve it at some cost, so we had to build the market as well as build the product. And we had no marketing budget and no internet.

Stephen Denny: So what was the answer to creating the disease?

Noel Lee: Education. This whole thing about demos, you know, then I started to get reps, started to get international distributors and I went on the road with the switcher and all I had to do was put the Monster on one side put the zip cord on the other side and there was an immediate difference. I was able to describe that difference that the sound emanates beyond the speaker, it emanates away from the box, and the sound goes back into the box when you use regular zip cord wire. Listen to the bass, how clean and how tight it was and more dynamic. And you've got twice the efficiency because you're delivering more watts from the amplifier, so you don't need a more powerful amplifier, you need better wire. So I would do all of those kind of things that I had read up on and had known about since I was a kid studying engineering magazines and recording magazines.

Stephen Denny: So now there's a first-person experience – there is absolutely a financial argument that you went through – but in order to get people to understand they don't know how sick they are, you have to give them an A/B test and say, "Now your own ears can convince you that I am right."

Noel Lee: Well it wasn't only the bankers that I had issues with - I had issues with the vendors because I had no money so I had trouble finding the right wire company who could make the wire for me because some of the specifications had never been done before. I wanted a 12 gauge wire and the insulation had to be crystal clear, like water. They said nobody makes wire like that. It was all light gray insulation. I said I really need it to be crystal clear and I need the pass the wet noodle test – OK, when you hold the wire up, it has to flex like a wet noodle, it has to be super flexible. I had this one guy at this wire company who just believed in me, you know, because I was so convincing that there was a market here and then he went to his CEO. He just said I think this guy has got something. So he had to believe in me, the banker had to believe in me, the dealers had to believe in me, and because they did, they gave me the opportunity, they gave me just a little bit of credit which wasn't enough but I had to go to the bank.

We had a lot of people to convince at that time, including the public. The technical editors were against us – in fact, we are still fighting that battle today but they said wire is a hoax. We had the AES Audio Engineering Society against us. They would say, "Which bottle is heavier – the big one or the small one? You are psychologically getting into thinking that this wire sounds better." We fought on the front cover of stereo reviews. They panned us. I had to go out to the industry to people that I knew

"... I had to go out to the industry to people that I knew who would be in defense of Monster Cable because the audiophiles heard it OK, the engineers could measure and they said, 'Yeah, if you can really hear it then why can't I measure it?'"

I said, 'Let's put the other way around – if I can hear it and you can't measure it, then you are measuring the wrong thing.' Sure enough, that was true."





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who would be in defense of Monster Cable because the audiophiles heard it OK, the engineers could measure and they said, "Yeah, if you can really hear it then why can't I measure it?" I said, "Let's put the other way around – if I can hear it and you can't measure it, then you are measuring the wrong thing." Sure enough, that was true. So they came up with all different kinds of measurements later on and physics and everything and it took me a long time to figure out the actual physics of why the wire worked and when I did it was still very difficult to get towards engineers who wouldn't believe that the level of electrons around the outside of the wire and all that kind of stuff. So, you know, it was an uphill battle every step of way even with the engineers and the press saying it doesn't make a difference.

Stephen Denny: I like the story about having to work with the engineering community having to work with the press to find out what tests actually measure why things work. Because I mean I have run into that myself.

Noel Lee: I've got this whole barrage of engineers who say that tubes sound better than transistors and this is the difference and B to A converters and if I was saying that you can't measure yet but other engineers and the professional community can hear it, so you guys go figure it out. And that's when they came up with things on negative feedback and distortions, kind of internodular distortion because tube amplifier will have 10 times the or 100 times the distortions of a transistor but the tube amp sounded best, so why is that? So the engineering guys had to come up with different kind of measurements because they were measuring studies and music is not steady, it is transient.

Stephen Denny: OK, so now during this period of time you've just transitioned from mom and pops to regionals - where would you put the inflection point in Monster's growth?

Noel Lee: OK, the inflection point to answer your question took about 10 years, ten years to figure it out. I announced to my team that we were not in cable business. We are in the business of attachment selling. Meaning if speakers went down, speaker cable sales will go down. I developed the concept of attachment rates, so I'd ask, "How many speakers did you sell today at this location, Mr. Retailer?" "I sold 100 pairs." "How many went out with Monster?" "Two. Or one." Well, what if he had 5? And what if we did that throughout the year? So I did these equations that would tell them what the profit opportunity was. "Why don't I train you? Why don't I train your sales staff that with every pair of speakers you would ask questions like, 'Would you like to get the best performance from these speakers? Would you love to get the most power out of your amplifier?'" They say, "Hey, this makes sense."

So I came up with a training program. I was training all the retailers' salespeople myself, personally getting them "Monster-ised," making them big evangelists for the cable as opposed to the speakers. We developed the art of attachment selling. Look at what McDonald's does: you know, "Do you like fries with that?" and how they now bypass that and go right to the meal. What's the meal? Well, the meal is speaker cable, interconnect, a digital cable and it's a screen cleaner and the bunch of other things, so if McDonald's can do this sort of attachment selling with price or super sizing – you know, let's not buy the cheap cable, let's buy the more expensive cable. You know they have been making a whole lot less money and I said, "You know that McDonald's has a franchise inspector that makes sure every 15-year-old kid who comes works part time at McDonalds knows how to say that – and if a 15-year-old kid can learn how to say that, why can't you?" So it was like yeah, OK I get it now.

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Stephen Denny: So your education and evangelism process was that two fold. You hear it with your own ears and believe that you're not just giving them a line, you have to believe it in your heart that yes, in fact, you Monsterised this amplifier/speaker combination, so that it does in fact sound better. And on the other side of the coin, very often to the business owner or to the business side of the house, you said, listen, if you were to do this here's what happens as a result, financially. There is a financial argument and there is a product argument.

Noel Lee: I took that to a very high level. This was the reason why it took 10 years, because I was so focused on technology, because I was an engineer and I focused on how I could make a better wire. I did the math I said, oh, there are 500 independent retailers out there and if they each did this and at 1%-2%, this is how much money they were making and this is how much money I would make. But if I raised that to 30%-40% so I sold 100 speakers and if I get 30% of those attached, wow, the business was massive. I remember doing the math I said oh my God, here is the business, I don't think I would ever get this, it was such a dream to get at that kind of attachment rate, but we got it.

"... what made the company a real success is when we turned it from a product to a process."

Stephen Denny: But that had to happen at a face to face level? You had to get the individuals on the shop floor to buy into that vision and make sure they said, "Do you want fries with that?"

Noel Lee: Yeah, we had to touch everyone, because it is such a foreign concept for electronics retail. But I think what made the company a real success is when we turned it from a product to a process. And I remember at the height of just doing Tweeter, I asked them to re-program their computers to measure attachment rates. So they did that and they were successful. I did the training and then I said you know I got to can this into a process that everybody can understand and I called it the M4. There was the product mix, and the product mix talked about what kind of customer you had and the kind of products you sold and that we would give you the (right assortment of) product because you don't know all the product stuff. Then came Monsterization, which is the training, because the sell-through was more important to us than the sell-in. And then merchandizing. How do you merchandize? What does your merchandiser say? What does the supplier say? And the last one was management.

So I had to coin this thing "M4." Now it was a program. We had the products, we had the program and we went out to teach this program to all of the major regional chains and at that time up to just recently there were maybe 20 regional chains like Tweeter, you know, Hi-Fi Buys, and United Audio, you had 10 to 20 store chains to summarize them all. You know we had them all, we had them all competing against each other. I put a report out that said, OK, a Hi-Fi Buys has this kind of attachment rates and you're done it 2% of attachment rates, so wouldn't you like to be up higher? Look at the money that you are going to make. And I break it down on a profit per store basis and the sale per store basis and a percentage of sales, it was very kind of scientific but it was all kind of behind the scene. That's really what propelled it.

Stephen Denny: Yeah, now was this you basically doing the training back in those days?

Noel Lee: I did all the trainings, yes.





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Stephen Denny: Oh man.

Noel Lee: I did all selling, I did all the training and then later on we took the M4 program to very sophisticated level. To give an example, the Reverse 80-20 Rule. OK, so the 80-20 Rule says that 20% of your inventory, 20% of your sales staff accounts for 80% of your profit, you name it. So the rule of thumb is 80-20 and that 80% doesn't do anything. So what we do as a CE industry we is we recognize the top 20%, we send them on contests or, you know, we give them awards and everything. I clearly remember at Magnolia at that time we had the CEO – and that's the management part, you have to deal with the senior management and all the way down – so the CEO brought all his top sales people and they went around the table there were like 10 guys from 10 stores. So 10 of the top guys and they all had said, you know what, I am number 5 and I was number 6 last year and so they had the same guys win except they only traded places. I said to myself, wait a minute – what about the 80% of the other guys? They don't get any recognition, they don't get any encouragement, so the concept of Reverse 80-20 paid the bottom 80% to get them to do half as well as the top 20. I would draw that line I would do the math calculations and it was 4 times the number. So if I had the top 20% and they all did 100% instead of some lower percentage they would only do 1/4th of what the 80% could do if they only did half of what the top 20% did.

I had something called Sales Floor in the Factory, I had something called Best/Better and not good, better, best, you know, all these concepts and they ended up being in a management course for senior management. We had two training courses for sales people, I had one for managers that started from the CEO down to the retailer to store managers they had something called Who Put Up the Hook, which talked about how much profit per hook. We got the retailers to change the merchandise, because instead of having a whole wall full of \$7 remote controls or \$3 wire, that all came down because the first thing they would say is "I don't have the space for Monster Cables." And we said, well, look at the space you got now so I am profitable for you, you know a wall of VCR tapes makes you \$50 and when they took on Monster the same wall grew to \$5,000, so it's all those kinds of concepts that were below the radar. This was not product, it was the selling process that we perfected, so that was the time of bringing some real sophistication and learning that actually worked for teaching management people how to attach accessories.

Stephen Denny: Yeah got it, great. We've got our arms around this pretty well; I'd love to skip forward if it's OK with you. You made this radical leap - I would call it a radical leap I don't know – it may be if we are still talking in the realm of attachment selling, its still fair to say that headphones are absolutely still an accessory but going from a component to essentially finished good. One day

"...we don't consider headphones to be an accessory. I said no, no this is the wrong way around.

The headphone is the HDTV, OK? The iPod is the Blu-ray player, OK? So, the component that is the star of the show is the headphones and you attach an iPod to it, so if you think about it that way merchandizing becomes different.

So now instead of putting headphones where you can't see them, you highlight them."





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Monster was on the planogram with headphones and I am curious to know how that came about, I am curious to know about the relationship that began with Beats by Dre. Tell me that story if you would – I'm curious to know how that evolution took place and what you are thinking was and how you got there?

Noel Lee: Well, that was a transformation because we don't consider headphones an accessory. I said no, no this is the wrong way around. The headphone is the HDTV, OK? The iPod is the Blu-ray player, OK? So, the component that is the star of the show is the headphones and you attach an iPod to it, so if you think about it that way merchandizing becomes different. So now instead of putting headphones where you can't see them, you highlight them.

We came up with this whole thing called Headphones Are the Next Loudspeakers. We put them in jewelry cases so we could highlight them as something that is the equivalent of a HDTV, except that the HDTV is playing when you walk in and the headphone is not, and so what do you have to do to sell this? Well, you have to play it. So we came out with Art of the Demo, we came out with Headphones Around Your Neck program, Every holiday, Best Buy included, this year all the retailers are going, all the major retailers are going to do headphones around their neck. OK, that's your best way to do this.

So when Jimmy (Irvine, Chairman of Interscope Geffen A&M Records) and Dre were looking for an alternative to the music business because, you know, the music business was going to hell in a handbasket and they were looking at how they can diversify. They were going to make speakers at first. So Jimmy and Dre you know they, Jimmy tells Dre kind of which direction to go, he's more of the business mind. So he says let's do speakers. We were just developing headphones and planning to go onto headphone market when I got to know some people within Interscope and got introduced to Dre and I told them you don't want speakers, nobody buys speakers anymore. People don't like the big box, speakers are going away and they said wait a minute, yeah big speakers are going away because he is an engineer he's used to big speakers. So I said, why not headphones? I said, look at all the little iPods that are out there with ear buds – ear buds are the zip cords of the audio business, so again, this is the cure for our disease. Did you know how bad your music sounds through ear buds? You don't even know how bad they are because you haven't heard how good it can be. And you say that MP3 sucks, but MP3 doesn't suck, you've never heard it.

“So I said, why not headphones? I said, look at all the little iPods that are out there with ear buds – ear buds are the zip cords of the audio business, so again, this is the cure for our disease.”

Did you know how bad your music sounds through ear buds? You don't even know how bad they are because you haven't heard how good it can be.”

OK, so that's why we call the headphones the HDTV of audio. I had to go out and learn how to design headphones. I got bass out of headphones which nobody had got until we designed it, always anemic in bass. It didn't sound like what a recording engineer inside of a studio hears, it didn't sound like what Dre hears. We coined a term, 'You know what the engineers or producers and musicians want you hear because they work in the studio countless hours and then you play their music on white ear buds? It's like watching Hi-def content on a black and white TV. You don't get to see it. So we had the same "cure without the disease," and we went out the same way to convince retailers that there





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was a big opportunity with headphones and we got marketing horsepower now with Interscope which was being able to put it on every act that he's got under the label, so when you guys do a video you put on this headphone. So the musicians they didn't even know what they were but they put them on because we said to put them on.

And I got exposure then. We got people like Will.I.Am, Black Eyed Peas, Gaga, U2 and all the relationships that Jimmy felt we didn't have. And we got into learning lifestyle marketing. Oh my God, what's lifestyle marketing? I don't know what that is. He said, well, that's what they do in the record business.

That's how you promote a record, you throw millions of dollars at it and you get it to be in the tastemakers's hands. Dre is the guru of pop music. He is like the Michael Jordan, everybody respects him and nobody—so you can't be polarizing. So it was the best experience of my life, learning how to do that kind of marketing, I learned about the kind of horsepower that a record company has to really learn lifestyle marketing.

Stephen Denny: I think you said something very important here. Would you chalk up your success with that venture to the fact that Jimmy Iovine was able to force the hand of a lot of musicians and put the thing into public eye? Is that the causal factor that made this thing go through the roof?

Noel Lee: No. I said it takes four ingredients to make it work, so we have two ingredients and Jimmy has two of the ingredients. So the four ingredients are... one is Monster the manufacturer, designer, distribution arm, M5, all the things we knew how to do. The second is our relation with retail, because one of the M's is management. We knew all the CEOs of all the companies. And so we were connected throughout the management layer to every store manager, every department manager, we had done that before well at least twenty years before we started doing headphones, so we were heroes on the sales floor. So what Jimmy did was he said hey I know Best Buy. Yes I know Gary he has been dealing with Best Buy for, you know, thirty years at Interscope, he is dealing with a music buyer and the music buyer is one sliver of Best Buy's business. So I put him together with (then Best Buy's CEO) Brian Dunn. When I put two CEOs together with myself, three CEOs, then the reaction started to happen. Then the 4th ingredient is a high profile celebrity like Dre that you could not argue with. So Dre said it was good so there were believers. And the 5th element around lifestyle is hip-hop. So, hip-hop culture is the most influential culture in the world. It affects how people talk, how people dress, you know, how people look, how people wear their baseball caps, and it's worldwide. There is no other music genre, not jazz, not classical, not vocal, not pop that had as much influence as hip-hop. So that was the right musical genre.

So the combination Jimmy couldn't have done it without us, Dre couldn't have done without us, we couldn't have done with them. And in the four short years we came—oh three years – we became the

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number one headphone company. We grew the whole pie – I think we doubled the whole headphone business, just like I did with speaker cables. You can't even buy zip cord now, you can't get it at a retail. You will buy Monster or some other cable. We are looking forward for the time that if you got your iPod, you'd throw away the white ear buds and you'd be seeking a better quality headphone. We are not there yet, but we are still in the middle of training, we are still in the middle of evangelizing and we haven't even started the attachment selling on that yet so we're we just kind of figured this out in the last year, year and a half.

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Many thanks to Noel, again, for being so generous with his time. There's a lot to like about this interview and it's a great education for the student of business.

*You can pick up your copy of *Killing Giants: 10 Strategies to Topple the Goliath In Your Industry* (Portfolio, 2011) [here](#).*

*You can also pick up your copy of *The Killing Giants Framework: 3 Areas of Excellence that Define How Davids Topple Goliaths* – where Noel's and Monster Cable's story can be found – at the Kindle storefront [here](#).*

