

Business Structure of ThinkFun PS Math Program

Ralph... I'm aware that I'm sending you a number of different ideas that link together in somewhat sloppy fashion. With apologies for this, it's important to get these ideas out so we can define the playing field right.

With this memo, I want to talk about the business model for launching ThinkFun into the education world. I'm looking to develop a plan that 1) is very exciting so we can get good airplay and grow it rapidly, 2) is focused on selling a lot of product at a good margin, as a core principle, 3) if we define and create it the right way, we'll have no competition. A tall order... but I think I'm actually getting there.

I'm going to describe a number of elements of the system in turn, rather than starting out with a discussion of the overall theme. By the end, the business rationale behind the idea should be clear.

The core value of this program lies in the idea of PS Math Clubs, and what they do for their activities. The core value of the Clubs is that their activities will be to play our products, in one form or other. So the products and services themselves are very important. This whole plan is based on the idea that the products will be killer... and for the purposes of this exercise, let's assume that they are.

PS Math Clubs (the PS stands for Play Smart and/or Problem Solving) need to be turnkey systems so that a group of people can come together and start a club without too much work. We can model this... glance through the appendices to this report now to get an idea of what is possible. Much more interesting is the question of who should be in the clubs... I am very bullish on the idea of having loosely integrated clubs that may be based out of school or after-school, or may be a combination of parents and kids in a club together, with the parents organizing and moving forward the activities and the kids having a ball playing. This would let us pitch the concept to parent teacher organizations as well as to teachers... and if there were a lot of clubs that had a few dads in them, the Dads would be very likely to fork up to get the latest new club puzzle or problem solving activity.

The PS Math Clubs will play various fun math activities, like Math Dice and big River Crossing and the other concepts I've shared. But what's going to keep them going, and really add energy to the concept, are the PS Math Leagues.

A PS Math League is an affiliation of all the Math Clubs in a particular community... often a school district, but this is flexible and we'll learn from experience. The function of the PS Math League is to put on tournaments, where all the Math Clubs who want to will assemble for a day of competition and cooperation in playing math and creative problem solving games. The tournaments, and the leadership from the Math Leagues organizers, will be the key in keeping the Math Clubs alive and vital.

We need to invent this system as a turnkey product. A tall order again, but look to the appendix for an organization that has learned how already, it's possible.

The key element of the Math Leagues is that they have to be able to be run outside of the ThinkFun organization. If we are stuck managing the details, we'll drown in them. We need to find stakeholders we can rely on to run it independently of us, to our standards.

There are a number of possible sources.

- Teachers who are enthusiastic about the idea of PS Math Club and are running them in their schools
- Parents out of the Clubs who would be willing to organize the League and run Tournaments
- Local retailers

If we can make it work, local retailers would be by far the best. They would have to communicate with the clubs about tournament scheduling and what events will be held, they can sell them the ThinkFun training products they'll need to practice for the event, they can organize and schedule the districtwide event, keeping in touch with the Club leaders (parent leaders in the community will talk well of the store's good work), and they get to show up at the event and give out the big day-end awards on behalf of their shop and ThinkFun. And they get to feature our ThinkFun Centers prominently in their store, and sell our products with pride. Finally, they can promote to their customers the idea of organizing or joining a new PS Math Club, helping to support our youth education and having a great time doing it.

There's a paradox in this model so far. The Math Clubs will be more exciting if the puzzles and games are well presented and good quality, but the more and the better quality, the more expensive, and there's essentially no money in the education system. Best would be to give everything away for free... but that's not a model for profitability.

To solve this, we open up our business structure and create an entirely new look. What I'm now going to describe sounds a lot like a partnership, and I'll probably refer to it that way. But to start, we've got to design things so that all the important underlying rights and authorities are firmly with us.

I believe that this whole program should be administered jointly by ThinkFun and Andy Liu's SNAP foundation. How it actually functions and gets described to the League organizers is one thing, but for fundraising purposes, we want to present the appearance that SNAP is administering the program, and ThinkFun is a contract consultant brought in to manage and supply the product materials to SNAP. SNAP, being a University based non profit foundation, would be in a favorable position to get grant money, and also would be in a great position, with our help and support in doing so, to fundraise with foundations and charitable trusts to support the PS Math programs.

This gets too far into specifics, but I can imagine looking for government or large foundation grants to pay for consultants to build out underlying program structure and the

infrastructure for the online management system, and grants from smaller local or regional businesses to cover the training and facilitation costs of putting on a tournament competition. The more general, more important point is that with a robust enough fundraising effort, the full costs of the program can be paid by sponsored contributions, so that the program can indeed be free to the schools. This is the model used by the extremely successful, but now sleepy, 24 Game organization.

What is different is the relationship between SNAP and ThinkFun. In the model I'm describing, ThinkFun is the contract supplier to SNAP, much like Marriott supplies restaurant and cafeteria services to businesses on an outsourcing basis. Our job is to set rationalized pricing for the practice games, competition materials and game components (the sturdy high quality mats for the big Math Mat games, for example) that are needed to get the Math Clubs ready for the tournaments. (Among the materials would be inexpensive versions of each challenge, like a paper or foam River Crossing, handed out to every Math Club participant.) Depending on the infrastructure that SNAP wants to bring to the program (right now it's two overworked university professors, who may not be able to administer any of this), it may be that we should bill for other management services as well... we can worry about the specifics down the road. The underlying concept, though, is that we get paid on a cost plus basis for the materials we deliver into this program, while getting free marketing value from the name recognition and the linkage of the tournament ThinkFun products with the ThinkFun store centers.

That's it for this message. There are a lot of additional ideas on the horizon, and I'll add to this narrative soon enough. One last thing to consider is an affiliation with the World Puzzle Championships, a group that would be very interested in cultivating a crop of younger puzzle and problem solvers. Through them, it could be a short step to Google sponsorship.

Bill