

[Transcript] Founders / #308 Glock

Gaston Glock's company experienced rapid growth.

He essentially went from zero to a billion in less than 10 years.

And that happened in the early 1980s before every company needed fast, secure, and reliable internet and Wi-Fi that can scale up as your business expands.

If Gaston was starting a company today, I bet he would use Meter to manage and scale his company's secure Wi-Fi and internet.

Smart founders in all industries are using Meter for their Wi-Fi and network needs so they can focus on what they do best.

Meter gives business owners faster, simpler, and more secure internet and Wi-Fi in any business location.

It works in any commercial space that could be an office, a warehouse, a lab, everywhere.

Meter gives you streamlined design and installation, powerful hardware and smart software that they

make themselves and they fully manage everything for you.

One of my favorite things about Meter is how easy they make it for the customer.

All you have to do is give Meter your address and your square footage of your commercial space and they take care of the rest.

Even better, there is no upfront cost to you.

That means you can expand your business without worrying about expensive upfront cost.

Meter grows right along with your business.

You simply pay one monthly rate.

If you own a bunch of commercial real estate, make sure you get in touch with Meter's founder Anil and you could do that by going to meter.com forward slash founders.

Meter can handle the Wi-Fi network for an entire building.

This allows you to offer fully managed and secure Wi-Fi networking to your tenants.

Some of the largest commercial real estate companies in the world are using Meter.

So whether you need secure internet for a single office or an entire building, go to meter.com forward slash founders.

Their website explains all the value that Meter can provide for you and again that is meter.com forward slash founders.

Did you know that Gaston Glock was 52 before he founded Glock?

And did you also know like most other founders, he had to start more than one business until he found his life's work?

This book didn't say what he did with that previous business, but one thing is for sure.

If he needed to sell that business, the easiest way for him or you to sell a business is to get in touch with Tiny.

Tiny provides straightforward cash exits for founders.

Tiny helps founders sell their business without any of the hassle.

Tiny buy businesses of all sizes.

Tiny can do deals for a little as a million dollars to deals well over a hundred million dollars.

If you have a business that you want to sell now or in the future, make sure you get in touch with Tiny first and you can get in touch with them by emailing them at high@tiny.com.

[Transcript] Founders / #308 Glock

One more thing that I want to mention, I know there's a lot of venture capitalists that also listen to this podcast, there may be businesses in your portfolio that you know are not going to get funded again, but would make wonderful profitable internet businesses.

Tiny wants to hear about those opportunities as well.

You can get in touch with them by emailing them at high at tiny.com.

They respond within 48 hours.

If you have a business that you want to sell now or in the future, make sure you get in touch with Tiny by emailing them high at tiny.com.

And of course, you can learn more from their incredibly designed website at tiny.com.

Gaston Glock arrived in Luxembourg in July 1999 for an urgent talk with the Shell company artist Charles Ewart.

Ewart picked up Glock personally at the airport.

Before proceeding to their meeting, he suggested that Glock take a look at the new sports car that he had just acquired.

It was parked in a garage.

When they got to the garage, Ewart guided Glock down to the third underground level, where they found themselves alone.

Ewart pointed out the sports car and Glock approached on foot to take a closer look.

Suddenly, a tall man stepped out of the shadows, lunging at Glock.

Glock raised his arms defensively and the attacker swung a large rubber mallet and struck Glock on the top and the side of the head.

Rather than intervene to help Glock, Ewart turned and ran.

I'm a coward, he would explain later.

Glock, meanwhile, was fighting for his life.

The gunmaker, who usually carried a pistol, lacked one on this day.

With no other option, Glock fought with his hands.

He swung his large fists into the attacker's eyes and mouths.

Though he was 70 years old, Glock put up a stout defense.

He drew blood and knocked out several of his attacker's teeth.

Despite the hammer blows to his head, he gained the advantage.

When the police arrived, they found a bizarre scene.

The bloodied attacker lay collapsed on top of Glock with his arms outstretched like Jesus.

Glock was pinned to the ground but not mortally wounded.

His attacker was unconscious.

Glock had suffered several hammer blows to the head and lost a liter of blood.

At the hospital, though, he was strikingly composed.

Before doctors finished patching him up, he summoned his personal bankers.

Those two bankers held \$70 million of his cash in accounts to which Ewert had access.

Within three hours of the attack, Glock had moved \$40 million to a secret Swiss account.

Ewert was busy, too.

He blocked the other \$30 million from being transferred.

Ewert, Glock's supposed financial advisor, had been stealing from him.

That was an excerpt from the book I'm going to talk to you about today, which is Glock,

The Rise of America's Gun, and is written by Paul Barrett.

[Transcript] Founders / #308 Glock

I was not expecting to do this book this week.

This book wasn't even on my radar until like a week or two ago.

I saw somebody speaking about reading the book online and what they said made me interested in ordering the book.

And he says, what struck me is how his inexperience was a great advantage.

He didn't assume anything about how to design a handgun because he never designed one before. Consequently, he, of course, designed the best one ever.

He didn't know what was out of bounds.

And so that idea of not knowing what's out of bounds, not knowing what you don't know, it sounds like to a normal person, like a liability.

But as we've seen in many of these, the books that you and I go over together, for entrepreneurs, especially going, attacking an industry that never worked in before, it winds up becoming an advantage.

And that'll make a lot more sense as we go through the book.

So that intro occurs about 15 years after Glock invents and starts selling his handgun.

This story is wild because not only does he have people stealing from him, his financial advisor actually hired the guy to kill Glock.

But what's crazy is over the course of the story, Glock has so many of his top lieutenants and top executives steal from him, which I'll get to in a bit.

I want to start at the beginning because it doesn't make any sense.

This guy was 50 years old.

He was managing a car radiator factory outside of Vienna.

He had a small manufacturing business on the side.

He had never made a gun.

I don't even think he owned a gun.

And yet within a decade, he goes from zero to billionaire.

So let's jump to that right now.

After 30 years in manufacturing, Glock had yielded a respectable social station and a comfortable life.

Still, he dreamed big.

He was the son of an Austrian railroad worker.

He was managing a car radiator factory outside of Vienna and he operated a side business with his wife using a second hand metal press.

They produced a modest volume of brass fittings for doors and windows.

He also made a bunch of shower curtain rods.

Over time, the side business slowly expands and this is one of the most important ideas in the book.

And that is to always do the best with the job in front of you because you could never predict what future opportunity that unlocks.

He gets really good at manufacturing things with polymer and plastic.

One of those things he actually is going to make for the Austria's Ministry of Defense.

He starts making knives for the Ministry of Defense.

That is how he learns about the opportunity to make handguns.

So says the garage metal shop expanded over time to make steel blades, which so impressed

[Transcript] Founders / #308 Glock

Austria's Ministry of Defense that Glock obtained a contract to supply field knives and bayonets to the Austrian army.

And this is where he's going to find the opportunity and watch how fast he moves once he realizes there's a huge opportunity here.

One day in 1980, he overheard a hallway conversation between two colonels that jolted his imagination.

The army needed a new pistol to replace the antiquated ones from World War Two.

Glock interrupted the conversation and asked if it was possible if his company could bid on the pistol contract.

He's asking to bid on a pistol contract.

He's never made a pistol.

Designing firearms was something far beyond his experience.

He asked the colonels to describe the army's requirements for a new handgun.

And I just love his mindset here.

He's like, well, this shouldn't be too difficult to make because he just describes it.

To him, the handgun was simply another accoutrement that attached to a soldier's belt similar to a knife that he already produced.

As Gaston Glock himself put in an interview that I knew nothing was my advantage, that I knew nothing was my advantage.

He gets to start with a blank sheet of paper.

All of his competitors have decades, in some cases centuries, of built up procedures and processes and the way they do things.

So let's skip ahead and go into his initial research process because I think there's a lot of good ideas in here for you and I.

Glock didn't own any guns.

After the conversation at the defense ministry in early 1980, he bought a Beretta, a SIG, and a modern version of the German P-38 pistol.

He began disassembling the guns, putting them back together, and noted the contrasting methods used to make them.

I started intensive studies in such a manner that I visited the Austrian patent offices for weeks, examining generations of handgun innovation.

So what's he doing there?

He's doing exactly what you and I are doing.

He understood that learning from history is a form of leverage.

Listen to what he just said.

I started intensive studies in such a manner that I visited the Austrian patent office for weeks, examining generations of handgun innovation.

What took people generations to learn because he's going back and doing all this reading, he learns in a few weeks.

I bought and tested all modern pistols available at the time, and I tried to involve into conversation the best experts I knew.

So he contacts a bunch of experts in the firearm industry.

He invites them.

He has a meeting with them.

[Transcript] Founders / #308 Glock

There's two guys, two main guys here, and I just want to go over this really quick. He invites several firearms specialists to join him, among those who attended were this Colonel who was a champion shooter who also oversaw weapons procurement for the Austrian army that becomes extremely important. He also invited an author of technical books such as Silencers for Hand Firearms. And then he just asked them flat out, gentlemen, what do you want to see in a pistol of the future? And the beautiful thing is his initial customer is going to give them the outline of exactly what he needs. Remember, he's going to have to bid against of, it's not like they're just going to give them the contract outright. He's got to bid against other gun manufacturers. So it says they desired a high capacity pistol that held more than eight rounds. It should weigh no more than 28 ounces. They should have a light trigger pull for fast, accurate firing, and it should be streamlined and easy to holster. Crucially, the gun should have no more than 40 parts. This is so important. One of my favorite ideas about this entire book is the way this guy designs his company, and I'm going to repeat a lot of the things that he does. He designed a product and a company based on limiting the amount of moving parts. This is going to be very reminiscent of like the early days of Henry, when Henry Ford was building his car, of Herb Keller of Southwest Airlines, the limited moving parts, the simple product, the simple business processes they all created, allowed them to stack advantages at one after another. Wait till you see the profit margins that this guy, this is incredible. All right, let me, I'm getting ahead of myself. So it says the Colonel also told Glock that the pistol should be able to withstand extended contract with snow, ice, and mud. It should fire, it should be able to fire 10,000 rounds with no more than one failure per 1,000. The ideal pistol should have a long service life of 40,000 rounds. This professional research that Glock is engaged in is so important, and he knew, he knew it was important then. At the evening's end, Glock had his guest sign and date one of the sheets of paper that memorialized their thoughts. He treated the occasion as if it would be remembered by history. Another main theme that appears over and over again in the book, you don't need much to start out. He began working on a prototype. He tested crude early versions in a basement firing range that he built especially for this purpose. He shot alone using, oh, this is hilarious. He shot alone using only his left hand.

[Transcript] Founders / #308 Glock

If the gun blew up on him, he would still have his good right hand.
This guy moves fast too.
More professional research.
Glock attended police academy classes and took private shooting lessons.
Remember, he didn't own a gun.
He knew nothing about it.
My intention was to learn as much as possible, as fast as possible.
This process lasted one year.
He filed for an Austrian patent on April 30th, 1981.
It was his 17th invention.
So he called the gun, he called his gun the Glock 17.
So from zero to patent, that's one year, then from finally actually submitting the actual prototype to, which is going to be his first customer.
That's another year.
So two years in total.
After another year of testing and improvement, Glock submitted four samples of the pistol to the Austrian army.
I worked for two years day and night to bring the sample to the army on time, move fast.
And then as we'll see a few times today, Glock has a lot in common with James Dyson.
That's for the sake of it.
And retention of total control.
To this day, the Glock family owns the company.
Glock is obsessed with control, just like James Dyson was.
If you don't know what I'm talking about, listen to episode 300.
That's the third or fourth time I read Dyson's autobiography.
Two overarching concepts would set the Glock 17 apart.
Remember, he's bidding against other existing pistol manufacturers, okay?
First, it was to be made largely out of light, resilient, injection molded plastic.
And second, it was designed without a pre-existing factory.
I need to go ahead a few pages before I come back to this, because this comes up over and over again.
It's black plastic and metal construction set it apart from everything else on the market, suggesting modernism and efficiency difference for the sake of it.
Something that James Dyson talked about and that benefited that his product, his first vacuum cleaner, benefited in the early days they gave him an edge over all of his competitors is it looked different.
You would go into a store.
You'd see seven, eight vacuum cleaners all look the same.
Then you get to the end, you're like, what the hell is this thing?
It immediately snaps the consumer.
It's like, oh, I need to pay attention.
This is different.
He also has a great line, James Dyson has a great line on the value that a strange looking product will actually get you more media attention.

He says, it is one of the virtues of having such a strange looking product that journalists are more likely to take an interest in it.

That's something that he learned when he designed a wheelbarrow with, instead of a wheel, had a ball and he got so much more attention than other people trying to build wheelbows all look the same that he applied that idea about 10 or 15 years later when he was designing the vacuum cleaner.

We see that same exact idea benefiting Glock right here.

Not only did Glock's gun look different, but it also had a huge benefit.

Remember, it has to survive in rain, snow, and mud.

This was initially designed for the military.

He's using industrial plastic, which they said is often called polymer, was actually remarkably strong and resistant to corrosion, a major problem with traditional steel guns.

And then because he started from a blank page, he's like, well, I don't have to just manufacture guns in a factory that's been manufacturing guns for 50 years.

What would a factory look like if I designed it now?

From scratch, this also makes him produce his gun a lot more efficiently and cheaply and that increases his margins.

The important thing that gave him his big price advantage was that he designed the pistol for complete production on computer controlled tools.

And I probably have 75 highlights in this book, but really this is a summary of why, like studying the way he, he's very flawed person as we'll get to later on, but his approach to company building and creating a new product is very fascinating to me.

I says, this is just a note I'm writing to myself.

The book is all simplicity, focus, and differentiation.

That is the best way to get my attention.

Simplicity turns me on.

I love it.

I am drawn to it.

Glock produced the simplest handgun with only 34 components.

Again, simplicity lets you stack advantages one on top of another.

I also wrote down one of Steve Jobs' favorite quotes, one of my favorite quotes.

This is plastered all over Apple in the early days.

Simplicity is the ultimate sophistication that of course is Leonardo da Vinci.

Because of the unfussy way, the simple way Gaston Glock fabricated his slide, his pistol required fewer steps to manufacture, saves money, and there were fewer opportunities for error, adds durability.

The Glock 17 was put through a preliminary firing run of 10,000 rounds.

The Glock malfunctioned just once.

And then again, the benefit of starting from a blank sheet of paper and a brand new company, none of his competitors could say the same.

He got it right because he hadn't done it before.

One of the largest problems in getting a new design accepted by an established manufacturer is not just the quote unquote, not invented here syndrome, but also the, we don't have that tooling syndrome.

Why would we invent something new when you can simply modify what we already have?
Glock started with a blank sheet of paper as a result.

He came up with something original and he was at the right place at the right time.

The book starts out with this, this crazy shootout that's happening in Miami in the 1980s between the FBI police officers and I guess these drug dealers are bank robbers.

A lot of these cops and FBI agents get killed.

They're all at that time, they're like running around with like these Smith and Weston revolvers that hold like six shots.

And if anybody's seen the documents on Netflix called cocaine cowboys, the flood of drug violence in Miami in the 80s and they're spreading all over the country actually.

These guys have Oozies.

They have high powered rifles.

And so you have military and law enforcement officials all over the country and all over the world trying to get better guns that could hold more rounds and were more reliable.

And so even though he starts out in Austria, he's going to wind up dominating the most valuable market for his product in the world.

It's also interesting because I think I'm pretty sure he's pretty, he's very anti-American.

He does not like Americans.

He says they're stupid, but that's where I think almost all of his wealth came from.

Within just a few years, another market far larger and richer than the Austrian defense sector would be keen for a pistol of the future.

American police officials wanted a new handgun and Glock was there to offer a powerful alternative to the revolver.

And then the author talks about the dynamics of this market that the fact that the American civilian gun buying population tends to gravitate towards what the professionals carry.

And as a result for Glock, this will trans this translated into a bonanza.

And then finally, one more thing from the section before I move on, something we see over and over again.

First, they ignore you, then they laugh at you, and then they copy you.

Smith and Wesson, who dominated the American law enforcement market before Glock created something new and better.

Smith and Wesson ignored Glock at first, then they scoffed at him and eventually they began imitating him.

He actually sues them later on and wins like a patent infringement case against them.

Okay, so in addition to simplicity, differentiation and retention of total control, the other main theme of the book that stuck out to me that I've been thinking about a lot, like how can I use this in my own business, is he's got all these very unique and unusual forms of distribution.

And so my answer to this question, how did a pistol produced by an obscure engineer in Vienna, a man who barely spoke English and had no familiarity with America, become in the space of a few years an American icon?

The answer to that question is distribution.

And a lot of this is going to be media driven and media begets more media.

So first of all, there's people in America that are really, they're gun salesmen, they

[Transcript] Founders / #308 Glock

understand the industry.

They see this headline and they're like, wait a minute, what's going on?

So this guy named Carl Walter is going to play a very important role in the first few years of Glock.

Glock, I don't think really maintains very many professional relationships for a very long time.

This guy like builds up his entire American distribution and sales force and he wants to fire him later on.

But Carl is just his gun salesman.

And then he sees a headline, he's like, an unknown gun manufacturer, won a large contract to supply pistols to the Austrian Defense Ministry of Defense.

He was intrigued.

So let's go back to this very important theme that we see over and over again.

Do the absolute best job and the opportunity that's right in front of you, because you have no idea what opportunity that will unlock in the future.

Glock starts making knives to the Austrian government.

He's reliable, does the best job possible.

So then they allow him to bid on the pistol contract.

He does an incredible job there.

That headline then gets the attention of this guy who's going to build out his entire American distribution and sales force.

And so Carl is sitting in America reading a German's weapon magazine and that's where he hears about the Glock 17.

And so he says, I was extremely curious why the Austrian army bought it.

So he goes and meets Glock and there's two things that are happening here.

One, he's like, well, here's this gap in this extremely valuable market.

How many guns does the American police and military buy?

And so he's like, well, there's actually some really, there's a lot of money to be made if we could convert US police departments from revolvers to pistols.

And there's all these news stories about the cops in the 1980s being outgunned by other people, not, you know, having six shots, their guns jamming, all this other stuff.

This is like, okay, well, why would you carry a Smith and Weston revolver that carries six shots and can jam?

Why don't you carry this weird looking pistol that's made mostly of plastic by this Austrian engineer that carries 17.

And so it goes back to the Dyson thing about having the benefit of having just a strange looking product, assuming that the product is good, obviously we're operating an assumption that the product you're making is world class or really great.

And he's like, wow, that's really ugly.

But that initial reaction by Carl is like, oh, that's really ugly.

But yeah, at least that you have his attention.

And then this is another example of Glock's fetish for simplicity working in his advantage because Carl at the time when he's going to meet Glock, he actually works.

He works for this company.

[Transcript] Founders / #308 Glock

I don't know how to pronounce this maker.
It says he represented Stier, S-T-E-Y-R.
But Stier made really complicated pistols.
So it says, this is what Carl said, the handgun that they made was far more complicated and it was a pain in the ass to service.
So Carl goes and meets Glock and says, hey, listen, I represent this handgun manufacturer in the United States.
Perhaps I could do the same for you.
I could represent Glock in the United States.
This is the crazy part.
The biggest sales opportunity of Glock's entire career was somebody else's idea.
And so Carl also had contacts in the American gun media industry.
This is, again, this cannot be overlooked.
It was extremely important.
So he's having this conversation with Glock.
He says, listen, the pistol will sell, but it must be sold.
He meant that he could explain to the American law enforcement market why a gun that looks so strange deserved a chance.
And so he brings with him this guy that runs this magazine, this really influential magazine at the time called Soldier of Fortune.
And so he says, listen, this is my suggestion.
You should give the scoop on publicizing the Glock 17 in the United States, word of mouth will then spread in gun circles.
By the time that you have expanded your manufacturing capacity, America would be hungry for your new pistol.
So what Carl understood is that media begets more media, and this is going to supercharge Glock's distribution.
And so this article is going to come out.
The guy writing the article says, he argued that the Glock's design set it apart from everything else on the market back to the importance of differentiation.
Now the one, with the one exception, Glock studied and copied the greats.
Remember, he was going back and reading generations of patent filings in a few weeks.
And so this is from the article, the only conventional thing about the Glock was the method of operation he adopted for his handgun.
Glock borrowed his basic mechanics from John Moses Browning, the greatest gun designer of the late 19th century.
Okay, so let's go back into more unusual distribution.
This is fascinating.
So the Secretary of State in 1985, the US Secretary of State goes and meets the foreign minister of Vienna.
And so the US Secret Service agents and their Vienna counterparts actually start talking, and the Austrian counterparts give the US Secret Service a gift.
They give them a bunch of Glock's.
The US Secret Service agents return with unusual gifts from their Austrian counterparts.

[Transcript] Founders / #308 Glock

Three high capacity black polymer pistols.

It was Glock's first official foray westward.

So that's the first way the pistols get from Austria to America.

Once they're there, the Secret Service then passes some of the pistols along to the US Department of Defense.

Those two organizations are both going to be future customers of Glock.

So then what happens next?

Russian defense procurement officials invite Glock to compete in trials in 1984 to select a new sidearm for US soldiers.

Now I mentioned earlier that this guy's obsessed with control.

You see this example.

He objected to the Pentagon, so he's going to compete and then win at this.

He objected to the Pentagon's insistence that the rights to manufacture the winning gun design would be open to competitive bidding.

Glock intended to collect all profit from the production of his gun himself.

It's really smart.

Again, he goes back to the advice from James Dyson, retention of total control.

And so then this goes back to how if you go back in Glock's life, even before he had a lot of financial success, he was obsessed with quality.

In fact, there's a great line that comes somewhere later in the book where it says quality will always bring you more money.

Glock demanded high quality.

The motto of the company is perfection.

Glock perfection.

To this day, it's like all along the walls and everything, but this was very interesting.

This is these three-star general in the Austrian army, and he's describing Glock at the early days of building his company.

So Glock is still alive today.

He's like 93.

I think he's like 52 where we are in the book.

He says there's this interesting guy.

He never in his life designed a field knife, and he delivered the best quality samples among all the industry participating.

And all those guys have been in the knife industry for hundreds of years.

Then this interesting guy came back and sold a newly designed handgun to the Ministry of Defense.

Quality will always bring you more money.

Now what happens if you're able to make high quality in the simplest way?

You have a company that's going to, essentially he just created a money printing machine.

And this paragraph is really the benefit of a product with fewer moving parts and a company with fewer moving parts.

They settled on a commercial wholesale price of \$360 and a recommended retail price of \$560.

These levels undercut comparable American and European brands, yet they generated generous

[Transcript] Founders / #308 Glock

profits.

Glock's gross margins exceeded 65%.

By comparison, Smith and Wesson and Beretta ranged 5 to 20% of profit.

The Glock's simpler design and the computerized manufacturing methods allowed for larger profits.

Another benefit of a low cost structure?

Glock said in their first year, if they could break even, all they had to do was sell 8,500 guns for the year.

Right?

So they have a very low cost structure.

We sell 8,500 guns.

Well, at least survive.

They unveiled the Glock at a trade show in America.

They sell 20,000 units on the first day.

And then you go into why so many people want to buy it.

One, it looks weird.

It's getting covered in the media as a result of the fact that it looks weird.

But then both professional and recreational gun owners want something that's simple.

Less things can break in a life and death situation.

This is, winds up being huge advantage for Glock.

Again, make a product and a business with few moving parts.

The pistol's design and its relatively few components was the most important thing.

Because of these components, less parts can break and therefore the weapon will last longer.

Let's go back to a reoccurring theme in the book, the fact that he's getting a ton of free media attention because his product looks so differently.

Somebody writes, they're mistaken.

They thought that somebody wrote an article, I think it was like the Washington Post or something.

This gun is all plastic.

You can sneak it through.

They call it the hijacker special or something like that.

There's metal in it.

You can't sneak it through.

But the result was a huge surge in demand for this pistol.

The intense public attention devoted to the Glock did have an impact on the gun and its manufacturer.

Questions about the pistol's unusual design and materials became a major selling point.

Civilian orders continued to pour in as thousands of gun buyers decided to see what all the commotion was about.

I'm going to pause right here.

When I did the book on Robert Caro, it's episode 305.

I don't know if I mentioned this in the actual podcast, but there was something fascinating where one of the very first, what we I guess would call lobbyists today is this guy named Tommy the Cork.

Tommy the Cork was really close to like FDR and Lyndon Johnson.

He winds up surviving and living longer than both LBJ and FDR.

He agrees to be interviewed by Caro.

Robert Caro at the time is a very young man.

Tommy the Cork's older.

Robert is in Washington, DC, you know, he's spending a few days with Tommy the Cork interviewing him, wakes up, reads like the front page of the Washington, whatever, times, whatever.

It's like, oh my God, Tommy the Cork has been caught in like this huge scandal, essentially like bribing politicians.

And so Robert goes to meet him and thinking, oh my God, Tommy's going to be distraught. Maybe he won't meet with me.

Goes to Tommy the Cork's office and the guy's like smiling.

He's like gassed up, completely energetic.

And Robert's like, what's going on?

Like, didn't you see the newspaper?

He's like, yeah, that's why I'm happy.

He goes, it's just free advertising kid.

And so this idea, it's just free advertising kid, I think is a main theme in this book.

There's a lot of attention and controversy surrounding Bloch's product.

And in every case, even his attackers just make his company stronger.

Like we're seeing here, so it says civilian orders, orders continue to pour in, thousands of gun buyers decided to see what all the commotion was about, more than 1000 requests for free samples from law enforcement agencies poured in in 1986 alone.

So you're not selling one or two guns, right?

This is another part of his distribution strategy is you could sell to consumers, but they might buy one or two or whatever the case is.

These agencies are going to buy 1000 at a time.

Some of the contracts in this book, like 150 million a year to this army, 175 million to this other division in the US government and all these other governments.

And a lot of them found out because of all the controversy in the media, more than 1000 requests for free samples of law enforcement agencies in 1986 alone.

Glock would send the guns for free said, Hey, if you want to keep them, just send us a check.

And the check, the price would be heavily discounted because Glock knew that the US gun buying population is just going to copy what the law enforcement in the army has nine out of 10 of the recipients eventually sent a check saying that they would like to keep the guns.

And so from just this one article alone, this is the, what they said internally at Glock, you just got \$5 million worth of advertising for free.

Okay, so let's stay focused on more of their ideas for distribution.

They actually, I mean, I guess this is kind of a, this is kind of a, a version of influencer marketing combined with an idea that David Olgovoy learned.

So David Olgovoy, before he started his advertising agency, he was actually one of his jobs, he did multiple jobs.

One of his jobs was selling stoves door to door.

And so something that he learned was if you go up to knock on the door and somebody answers,

[Transcript] Founders / #308 Glock

Hey, you want to buy my stove, talk about it, that would have one conversion rate.

And then if you say, Hey, here's a stove, this is all it does.

But by the way, if you buy, you get six free cooking lessons with purchase.

He said the word free is magical.

Just that extra sentence or that extra offer wind up dramatically increasing the percentage of customers who actually purchased.

And so we see Glock having this like combination of influencer marketing, plus free teaching and free lessons, because very powerful distribution component for them.

In mid 1986, Carl Walter began putting some of the country's most admired shooting instructors on contract.

That's the influencer marketing part of it to spread the word about the Austrian pistol.

This melding of training and marketing became a Glock hallmark.

If a department would buy some Glocks, this is what they do.

They would then dispatch another trainer as part of the procurement deal, a freebie for the new customer.

That is the combination of the Olga V selling stoves and giving away lessons idea.

And then this was also differentiated against their competitors because their trainers would come to you.

The other existing gun manufacturers would make you come to them.

They took the training program on the road.

You had to go to Smith and Wesson Academy in Massachusetts.

If you were going to use this, if you were going to use the Smith and Wesson, if your agency was going to adopt the Glock, we would send training your way.

Again, this goes back to this more unusual forms of distribution.

Why?

Many times, instructors from neighboring agencies attended these sessions out of curiosity.

Glock would then sponsor an open house seminar for all federal, state, and municipal trainers in a given region.

This was just a brilliant way to sell this gun.

And then what happens next could have been predicted by Andrew Carnegie when he says cut the prices, scoop the market, watch the cost, and the profits will take care of themselves.

The deals worked financially because of the company's startling low manufacturing costs, which Glock was able to push down even further to less than \$100 a unit as its production volume grew.

Targeting the lucrative professional law enforcement market was a great idea, but it was not a new idea.

All the way back on episode 147, you and I have seen this idea before.

Glock is literally running Sam Colt's exact playbook.

He was just doing it 100 years earlier.

Glock was not the first firearm designer to promote a handgun to the Americans in uniform as a means of developing a lucrative market.

The first was Sam Colt.

The strategy that the Glock team pursued 140 years later resembled that of Sam Colt.

What allowed Sam Colt to get his business off the ground was the fact that he was winning

[Transcript] Founders / #308 Glock

endorsements from prominent lawmen and military officers of his day.

This is more on what Colt and Glock had in common.

Colt relentlessly pursued public contracts, this is exactly what I've been describing to you so far in the book.

Regardless of the profit margin, government patronage Sam Colt once said is an advertisement if nothing else.

Gaston Glock became the Sam Colt of the 20th century.

Back to more unusual distribution, they get the gun in the hands of prop makers for movies.

So they give pistols to the prop men and then they also give them huge discounts and they would let them cut the line in front of other customers.

Glock is one of the most valuable product placements ever in this movie called Die Hard 2 with Bruce Willis and this is what Bruce Willis' character said in the movie.

That punk pulled a Glock 7 on me.

You know what that is?

It's a porcelain gun made in Germany.

It doesn't show up in airport X-ray machines and it costs more than you make in a month and the crazy thing is all of that was made up and it did not matter.

It didn't matter that every single trait that Bruce Willis said rattled off on the pistol was incorrect.

There was never a model called the Glock 7.

The gun was made in Austria not in Germany.

It did show up on airport X-ray machines and the Glock did not cost more than what a police captain made in a month.

Despite all of the errors as a result of that line in Die Hard 2, the Glock became an instant favorite of American gun enthusiasts.

Another advantage that Glock had over their competitors was the fact that they were able to focus.

They put all of their effort and resources behind a single product.

American handgun makers offered many diverse models in the fashion of the Detroit car companies.

Glock saw that as competing with himself and resisted the temptation.

So this is what I mentioned earlier.

He goes essentially from zero to a billion within 10 years.

Here's some sales numbers 10 years in.

The company sells more than 20,000 guns a month at an average cost of \$600 a piece.

They've sold over 500,000 Glock's in North America alone.

Four out of five Glock's produced in 1995 were purchased by civilians who paid much higher prices than police departments.

And this is the crazy part is that demand is far outstripping supply of the Glock factory at this point in time.

He had taken a hiatus from buying advertising.

The factory in Austria could not make pistols fast enough to meet the demand.

And this is more about Glock the man and then how he ran the company.

A lot of weird stuff in here.

Corporation does not have a soul.

[Transcript] Founders / #308 Glock

Its character reflects that of the people in charge.

My favorite statement on that is that the founder is the guardian of the company's soul.

Gaston Glock was very much in charge of his company and he was a man with a complicated soul.

Even those people who came to have grievances against him did not dispute his drive into Nassity.

Well into middle age, he discovered a reservoir of ambition that fed the design of a truly innovative handgun.

He was a late blooming tinkerer whose breakthrough came at exactly the right moment.

He had enough sense to hire an inspired marketer in Carl Walter.

This is the guy I was telling you about earlier that really built the American marketing and sales organization in America which is by far the most valuable part of Glock's business.

At the beginning Glock had no feel for the United States at all or much of anything outside of Austria.

He evolved from a provincial manager of a radiator factory to a world traveling industrialist.

That is one of the craziest sentences in the entire book because it is true.

He evolved from a provincial manager of a radiator factory to a world traveling industrialist.

He owns all of the company.

This company is worth billions of dollars.

Glock built a cash machine with margins in the neighborhood of 70%.

The slogan Glock perfection was not puffery to Gaston Glock.

He believed it.

His organization projected coolness, certainty and arrogance.

The founder was capable of charm and at other times he struck people as distant and condescending.

He expressed disdain for Glock's American employees based on nothing more than their nationality.

He hires a bunch of people that also speak German and that happen to work in America and they like to talk in German and they talk about how stupid Americans are.

This is what a bizarre guy.

He had an unforgiving management style which one day he summarized, every morning you have to slap everyone on the head just in case they did something wrong.

Then he does just some unwise things.

He goes around.

Their American headquarters is right outside of Atlanta and so he would meet women.

He's married the whole time.

He winds up divorcing his wife who he starts the company with and now he is 93 and his new wife is 42.

He winds up meeting a bunch of women all around Atlanta then hires them and so in one case this one lady is getting hired and she's telling her she's like a young woman.

She's telling her mom and her mom gives her the right advice.

She's like you got to be really weird.

You have to assume that he has lecherous intentions.

That's the word she used, lecherous intentions and he does.

[Transcript] Founders / #308 Glock

He kind of hires her as this quasi personal assistant so she's got to do a bunch of stuff in the office but then he's like oh do a bunch of stuff in my house including make my bed and then put candy on my pillow and then she'd knock on the door and he would answer it in his underwear and so there's just a bunch of highlights.

It just sounds like he spent a lot of his time seducing several younger women.

He traveled in luxury.

He has houses all over the world at this point.

His female friends had carte blanche at Atlanta's most expensive stores but at the same time he would explode in rage when his employees bought what he considered unnecessary office supplies and so you have the weird thing is as this crazy amount of demand for the product.

The product is really good and then the company that's built on top of this like fast growing rocket ship especially in the early days it may be different now where it's like more mature.

It just didn't have a lot of, it just wasn't handling the demand really well.

The company was patched together on the fly.

The company evolved into a money maker powered by excellent product design and a fearful desire not to displease Mr. Glock.

The way I would describe it is like he was feared by his employees and so he evolves into what you would describe as a tyrant and there's a great line in here that really summarizes what's happening because everywhere he goes his company's printing money, he's winning awards and he's just like oh I'm amazing.

Says he began believing his own news clippings and so in a strange turn of events he winds up firing Carl Walter.

This is the guy that built that there would have been no Glock without Carl Walter but the problem was Carl tried to take some of the shine away from the founder.

When the Austrian company received industry awards at any war shows it was Walter who went up on stage to accept them.

Glock has this big ego.

This is not good.

Rule number one, this other guy working there says rule number one is that you let the guy who pays the bill take all the credit.

At this point Carl Walter's conversation was like a percentage of sales and he was just getting too rich and Glock didn't like that.

In 1992 Glock proposed changing his contract to cut drastically his percentage commission.

The owner had no intention of making him a multimillionaire.

Taken aback he refused.

He had lived and breathed Glock for seven years.

Was this to be the reward for all of the sacrifice to be cheated by the man that he had made rich.

Glock remained unmoved.

He gave me an ultimatum Carl said accept it or and I took the or without hesitation Glock fired him the man widely credited with establishing the company in America.

Over the next 11 years Glock would run through seven US sales managers and this is a terrible line to have your company described as and yet it didn't even affect the crazy thing

[Transcript] Founders / #308 Glock

it didn't the product and the demand was so high didn't even affect their their financial performance distinguishing oneself within the company became a career killer.

Later on in the book it talks about the fact that a bunch of his employees were embezzling money from him and they didn't feel bad about it because they thought he was such like an ass and they're like he's this guy's making two hundred thousand dollars a day personally he doesn't need the money and a bunch of them actually go to jail for this but that just gives you an indication of like what's happening and Glock goes wild.

You know he's got all these mistresses the money's going everywhere they have this company wide outing every Thursday at this giant strip club in Atlanta and so it says Gaston Glock was the king of the world the girls the guns the money in the liquor and at the center of it all was this Austrian engineer that none of us knew very well and then he doesn't stop there this guy decides to have his own theme music so he splits his time between Austria and I guess Atlanta and he would go to this casino in this restaurant so much and he would insist that when he shows up with his entourage that the band stops playing literally the house band has to stop playing whatever they're playing they would pause for a moment and then the band would swing into a rendition of Frank Sinatra's my way that was Glock's theme I did it my way and yet even through all these shenanigans the fact that his top financial lieutenant tried to have him killed the fact that his senior executive and longtime lawyer were both found guilty of embezzling money from the company it did not affect this incredible financial performance by this company that he built by the late 1990s the gun business had made Gaston Glock a billionaire estimating the size of his fortune was and is difficult because most of it remains tied up in his privately held corporation it is impossible to say how much cash that he has stashed away that the pistol still managed to flow from the factory and sell throughout the world despite the executive chaos was one of the greatest tributes to the intrinsic quality of Gaston Glock's creation and that is where I'll leave it for the full story I recommend buying the book if you buy the book using the link down below you'll be supporting the podcast at the same time another way to support the podcast and if you haven't done so already make sure you sign up for the founders AMA feed that link is down below you can ask me questions directly in the welcome email after you sign up there'll be a private email address where you can email me directly and then I answer the questions that you send over email in short AMA episodes I'm doing a few of those AMA episodes a week so if that sounds interesting to you that link is down below that is 308 books down 1000 ago and I'll talk to you again soon