

Introduction to



# Ansari X PRIZE

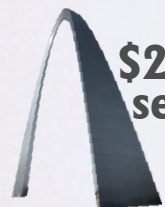
*\$10M to first privately-financed team to fly a spaceship capable of carrying 3 people to 100km twice in 2 weeks*



**26 Teams from 7 Nations spent over \$100M**

# >\$1 billion private space industry

Highly leveraged  
Efficient  
Sparks industry



\$2.5 million seed money

\$10 million prize



\$100 million spent in pursuit



It's not just about space. It never was. **It's about transforming the way we solve humanity's greatest challenges.**



# Prize Groups



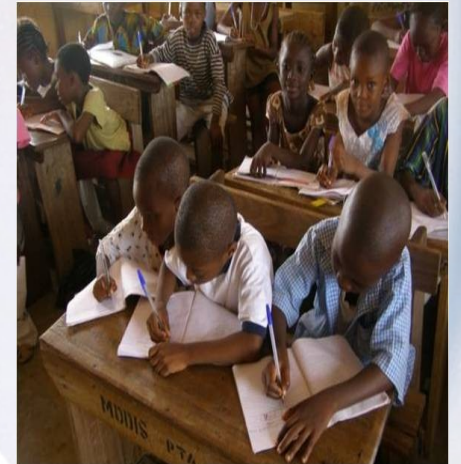
**Life Sciences**



**Exploration**



**Energy &  
Environment**



**Education &  
Global Development**



PROGRESSIVE  
AUTOMOTIVE X PRIZE

ACCELERATING FUTURE

PROGRESSIVE AUTOMOTIVE X PRIZE

September 16, 2010 DATE

PAY TO THE ORDER OF Edison2 LLC

\$ 5,000,000.00 Dollars

MEMO Mainstream Class

116090 8 2000

**The \$10MM Progressive Automotive X PRIZE: First team to build a fast, affordable, manufactureable car with >100 MPGe:**

- Won on September 16th, 2010
- 136 Teams from 11 nations spent \$100 Million+
- Generated 6 BILLION+ consumer impressions worldwide



ARCHON  
GENOMICS

X PRIZE

**Sequence 100 human genomes in 10 days or less.**

**Ushering an era of personalized medicine.**

**\$10 million**



Google  
LUNAR **X** PRIZE

Send a robot to the moon, travel 500 meters and transmit video, images and data back to the Earth.

**Reduce cost of planetary exploration & stimulate interest in science and technology.**

**\$30 million**



WENDY SCHMIDT  
OIL CLEANUP

# X CHALLENGE

Inspire a new generation of innovative solutions  
that will speed the pace of cleaning up seawater  
surface oil

**\$1.4 million**



# **Why Prizes**

# There's been a surge in prize capital since 1970

Aggregate prize purse, prizes over \$100,000  
U.S. \$ Millions

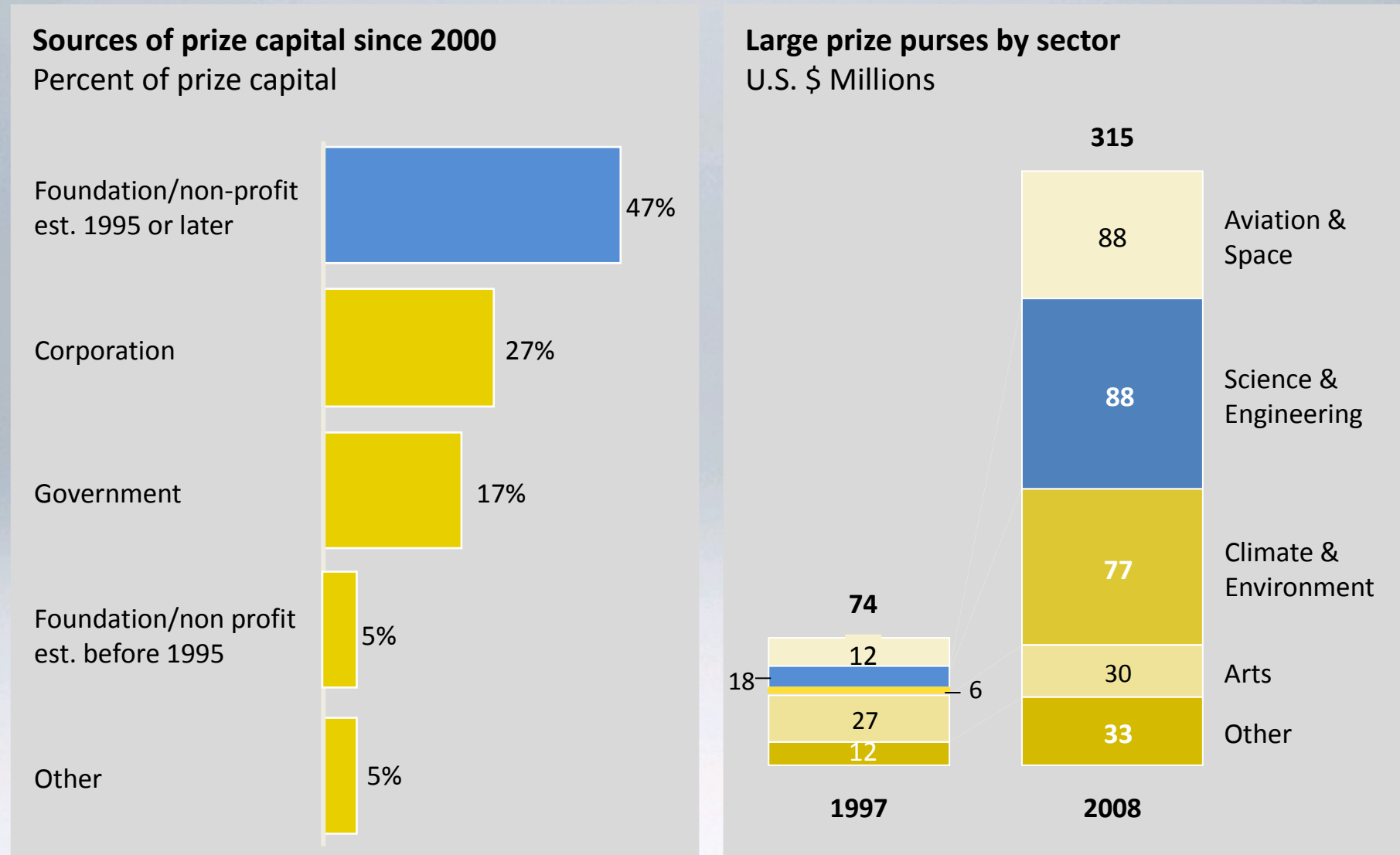


Source: McKinsey & Co. "And the winner is..." 2009

## Recent large-purse prizes

- Ansari X PRIZE (1996); \$10M
- MPrize (Methuselah Mouse) (2003); \$4M
- NASA Centennial Challenges (2003); \$2M
- Netflix Prize (2006); \$1M
- Google Lunar X PRIZE (2007); \$30M
- Mo Ibrahim Prize for Achievement in African Leadership (2007); \$5M
- Progressive Auto X PRIZE (2007); \$10M
- Saltire Prize (2007); £10M
- Virgin Earth Challenge (2007); \$25M
- Energy Free Home Challenge (2008); \$20M

# This growth has been driven by new sponsors and fields

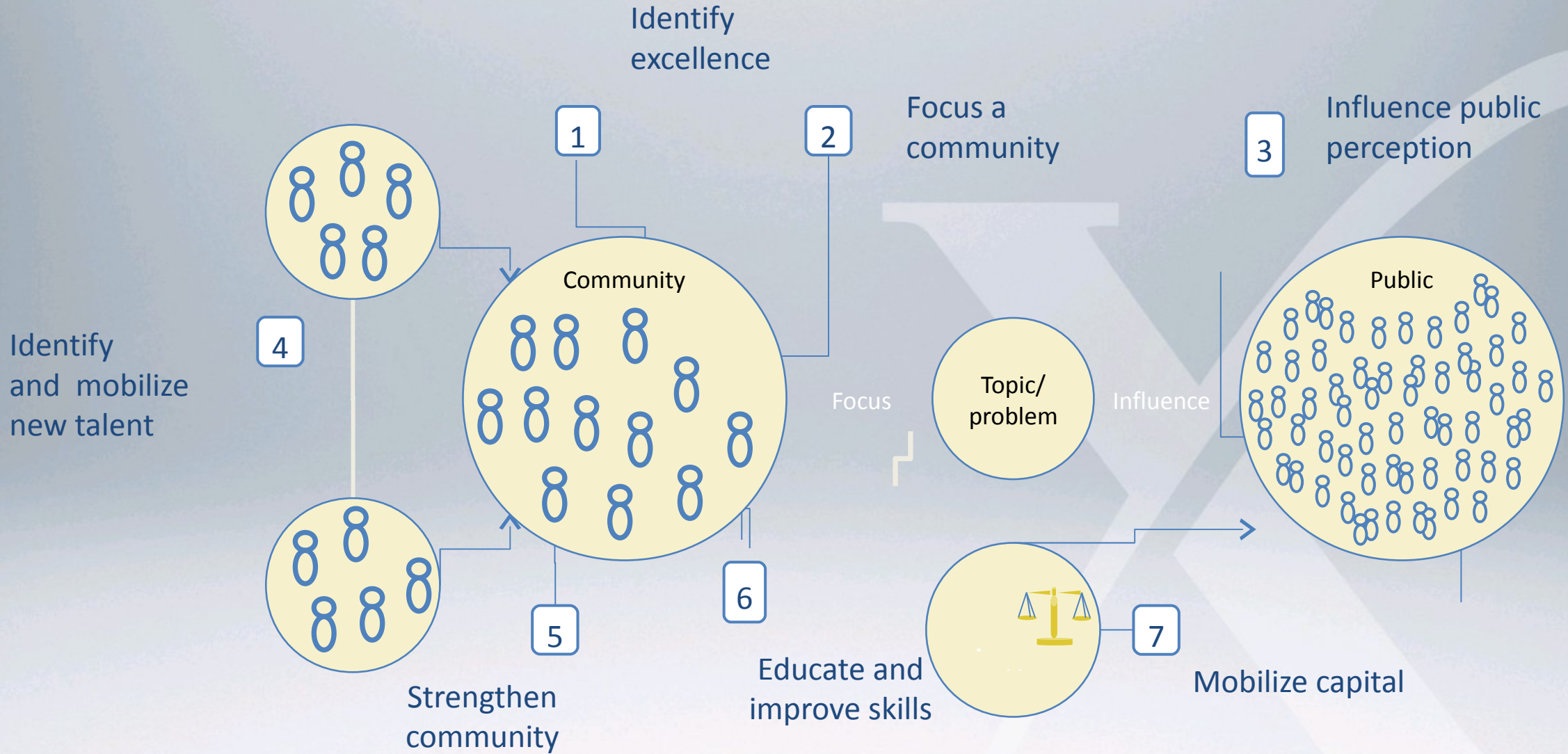


# Prizes' distinctive attributes are reinforced by broader social trends to encourage use and experimentation

- Expressiveness
- Flexibility
- Openness
- Success-contingent rewards

- New wealth
- Frustration with conventional approaches
- Internet as driver of access and collaboration
- Low-cost, distributed computing power
- Multi-media intensive society

# Seven ways that prizes deliver change



# What are the disadvantages of prizes?

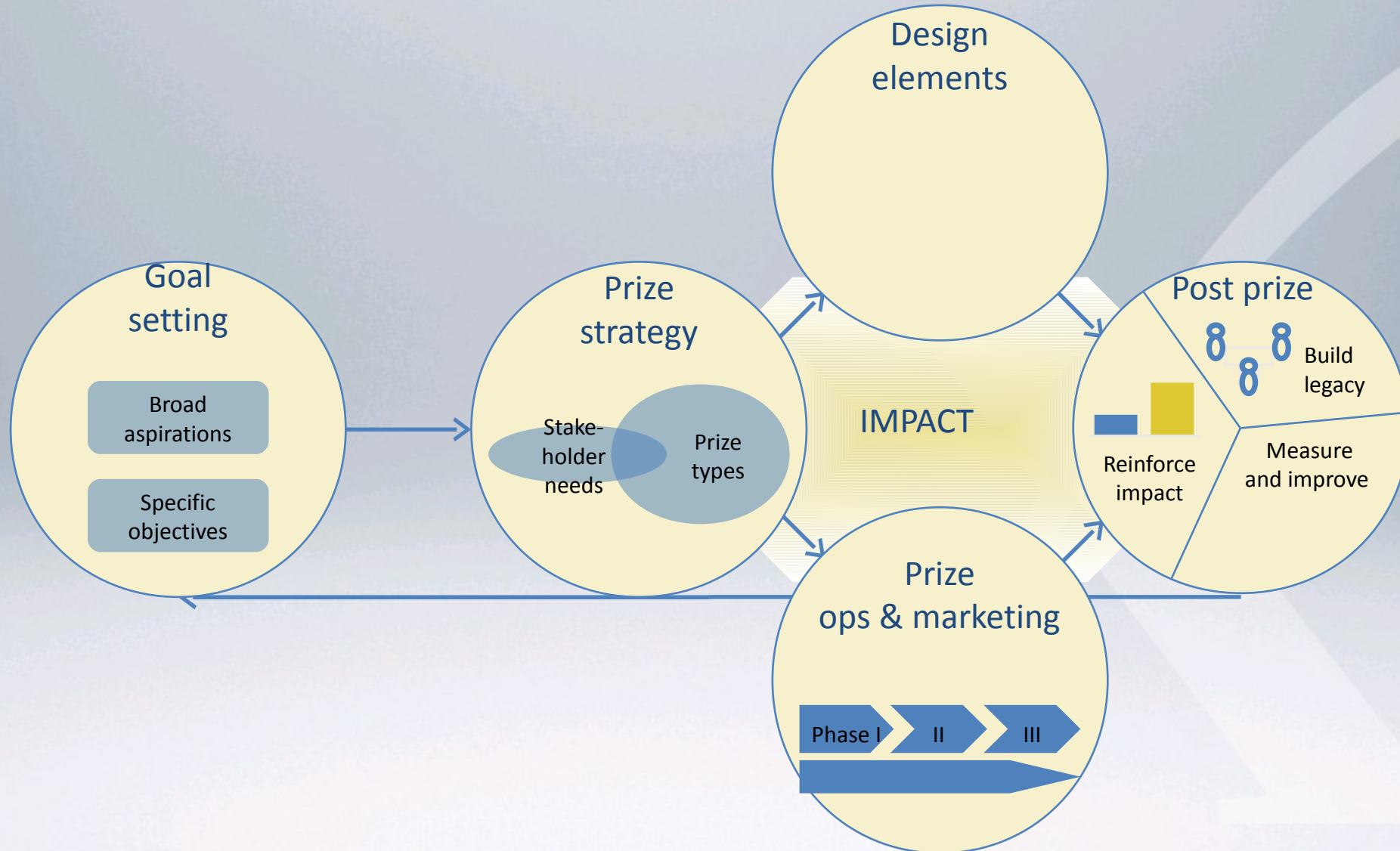
- Prizes, as “zero-sum games,” can make contestants duplicate efforts.
- Prizes may not offer incentive for incremental improvements.
- Prizes can require expensive investment by teams.
- Prizes may fail to provide info about “close successes.”
- Prizes may fail to attract contestants without a market opportunity beyond the prize (e.g. basic science).



# **Designing an Effective Prize**



# Effective prize development and delivery includes five steps



# We've observed six major prize models...

Type      Examples



- Participation
- FIRST Robotics Competition
  - Odyssey of the Mind



- Exemplar
- Nobel Prize
  - Man Booker Prize



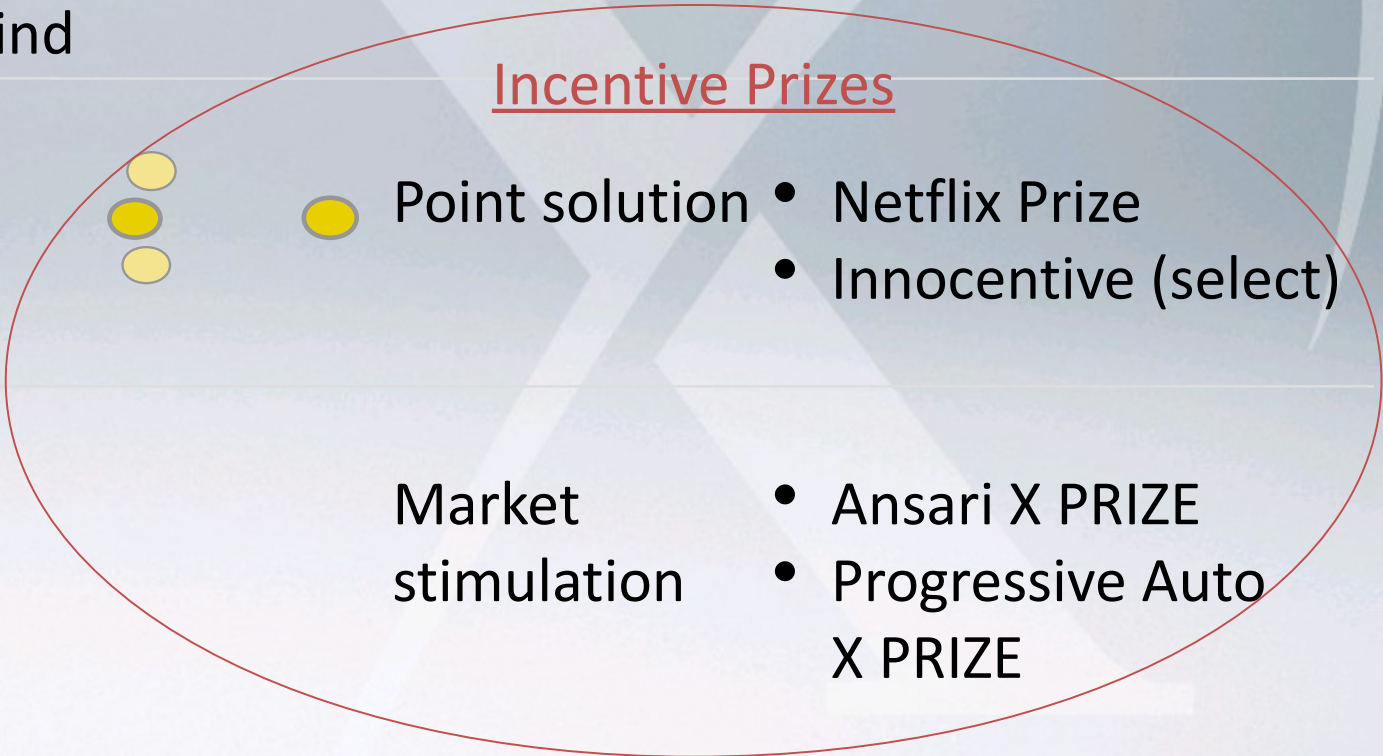
- Network
- El Pomar Awards
  - Milken Educator Awards

Type      Examples



- Exposition
- Green Challenge
  - Changemakers

Incentive Prizes



- Point solution
- Netflix Prize
  - Innocentive (select)

- Market stimulation
- Ansari X PRIZE
  - Progressive Auto X PRIZE

# ...utilizing a number of prize structures

Prize Type	Description	Example
<b>Date Certain</b>	All teams must compete on a certain day or time-window	Progressive Insurance Automotive X PRIZE
<b>Date Certain, Repeating</b>	If the prize is not won the first attempt, it can be repeated	Northrop Grumman Lunar Lander Challenge
<b>Past the post</b>	First team to meet/beat a specific metric, can be backed by a specific deadline	Netflix Prize
<b>First to Achieve</b>	First team to solve the challenge wins	Goldcorp Challenge
<b>Standing contest</b>	Any team to meet/beat a specific metric, consistent challenge	Internal employee safety “contests”

# Myths about prize design and delivery

## Common myths

There are only two types of prizes

Bigger purses are necessary to break through the noise

It's all about competition

It's all about the winner

Prizes are easy

## Research findings

- The 'recognition' and 'inducement' division is limiting
- Prizes can use many other levers for driving change
- Publicity doesn't necessarily match purse size
- Prize power actually results from effective strategy and execution
- Competition does motivate participant behavior, but many prizes are also using collaboration to drive change
- Sponsors report that some of the best innovations don't win the prize
- In many prizes, the benefit is delivered by broad participation, not winning
- Good prizes can take months to develop and refine
- Prize development is a multi-step process, with each step important to capturing the desired outcome

# Crafting Your Incentive Prize

## Part 1: What's The Target?:

- **Target Market Failure?** Have you targeted a problem where a market failure exists? Where the normal forces of capitalism will not solve the problem? Does your prize address the underlying market failure?
- **What Metric Measuring?** What parameter(s) are you measuring in your competition? If you can't measure it, you can't improve it?
- **Measureable, Objective Goal?** Without a target you'll miss it ever time. Are you able to describe a clear and measureable goal that is easy to understand?
- **Audacious & Achievable?** Is your goal Bold, Visionary, Emotionally charged, inspirational... but still achievable? Can you "dial" the competition parameters to make it audacious but achievable?

# Crafting Your Incentive Prize

## Part 2: Prize Components

- **Name:** What is the competition name?
- **One-Sentence Descriptor:** This is your elevator pitch that conveys the bold and inspired vision, at the same time you're clear about what you're measuring.
- **Purse Amount:** Purse is set depending on difficulty and length. What is the minimum amount you think a team will need to spend to achieve the goal? What will attract entrepreneurs?
- **Competition structure:** Date certain event? Past the post? First to achieve? Repeating?
- **Guidelines:** Can you convey in a simple set of rules the key objective achievements that the team must hit to win. Remember – Clear, measurable and objective.
- **New Paradigm :** What is the new paradigm you wish to create when the competition is finished? You can express this as a “New York Times Headline”.

# Crafting Your Incentive Prize

## Part 3: Fine Tuning and Testing the Impact of The Competition

- **Define Problem, NOT Solution:** Are you defining the problem, but not specifying the solution?
- **Back-end Business Model?** Will teams be inspired by the business they can create if they win the competition. Will they be excited to invest far more than the purse?
- **Telegenic Finish?** Do you have a telegenic finish that will grab the public attention and drive team to compete?
- **Operations Cost:** How expensive will this be to operate? Can you design it so that the teams need to demonstrate their results in a fashion which is obvious and non-controversial, and therefore easy to judge?

# An Example: The Ansari X PRIZE

**Prize Name:** The “X” Prize for private spaceflight (X to be replaced by name of donor)

## **Market Failure/Paradigm Change?:**

- There is no money being invested in private human spaceflight; Everyone thinks it is solely the province of government.
- No bucks, no buck rogers... No viable start-ups are even trying.
- Because there is no business, there are no regulations.

**One-Line Descriptor:** A \$10 million competition for the first team to build a privately funded spaceship, able to carry 3 adults to 100 kilometers altitude, land safely, and fly the same ship into space again within two weeks.

**Prize Amount:** \$10M      **Competition Timeline:** Up to 8 years from launch

## **General Guidelines:**

- Teams must be privately financed (>90% private financing)
- The Spaceship must be able to carry 3 adults
- Spaceship must reach a minimum altitude of 100 kilometers
- Must land safely and fly again within 14 days
- Passengers must land in good health after second flight



# Thank You

**Chris Frangione**

Sr. Director, Prize Development

[Christopher.Frangione@xprize.org](mailto:Christopher.Frangione@xprize.org)

919-247-7933

**Eileen Bartholomew**

Sr. Director, Prize Development

[Eileen.Bartholomew@xprize.org](mailto:Eileen.Bartholomew@xprize.org)

310-741-4894