



Stanford eCorner

Method to Success [Entire Talk]

Adam Lowry, *Method*

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Adam Lowry, co-founder of Method Products, has spent the last decade developing sustainable products that caused major disruption in the consumer goods sector. Lowry offers many of principles that guide Method's path to success and he describes the different obsessions the company keeps to deliver on its promises to customers.



Transcript

Without further ado I'm going to send it straight over to Adam. Take it away. All right. Thank you, Heidi, and thanks everybody for having me. Thanks for coming. I got to tell you a little bit about the story of Method today and I'm going to try - I'm going to bounce around to a couple of different topics that I think are interesting in the way that business can be used today as an agent of positive social and environmental change. And that's going to touch technology, and creativity, and a bunch of different things. The story of Method, like a lot of businesses, starts with the frustration of its founders. In this case, it's myself and my high school buddy Eric Ryan, who is the guy on the right up there. I was - before I started Method about 10 years ago with Eric I was a climate scientist.

I actually worked about a seven iron from here at the Carnegie Institution over on Panama, just on the other side of the parking structure out here. And while I was at Carnegie - I had been a product designer before that - and at Carnegie I came there because I was really interested in environmental science and I wanted to work directly on the issues, but in my four years there I learnt a couple of things about what really kind of motivates me. The first was, well first of all there is a lot of brilliant scientists over a Carnegie and unfortunately I wasn't one of them. The second was that I was growing frustrated with the fact that output of our work there was scientific in nature. And it was about writing articles in journals. And it was working on the Kyoto Protocol. And it was reaching an audience, but that audience was one that was already concerned about environmental issues and, for me, what I really wanted to do was reach everyone else. I also noticed at the time that every brand that I tried to use, as someone trying to live a more sustainable lifestyle - this is 15 years ago - asked me to make a sacrifice. The core proposition was: earth is dying, you need to save it, so by this ugly product that cost too much; it's brown, it doesn't work and you have to hide it under your sink. And I actually couldn't think of a brand in history that it's ever been successful based off of a course - proposition of sacrifice.

And I mean, even diet brands are about healthy eating and healthy living. At this time, I actually moved into a flat that - actually this flat on Pine Street in San Francisco described - as we lived there with three other guys - and I described it as an ironic place for cleaning products company to be born. It was exactly as clean as you would expect five male 25 year olds' apartment to be. But Eric comes from a branding and advertising background, and he is one of the most brilliant brand marketers that I've ever met. And he was starting to look at big consumer categories and asked the question: 'why are we seeing a reinvention in interesting brands in each consumer category, but not quite everywhere?' And so, we started looking at the cleaning category and this what we saw: we saw a sea of sameness. All of the products very similar in their proposition, their design and certainly in their communication. As we dug further, we got a couple of clues that this was a place where they might be some opportunity. The first was: we are really starting to see a macro-consumer trend of the styling of the home, where people are becoming a lot more vested in the things - the things they were curating for their homes and how they were taken care of it. Concurrently with that, whether it's a blessing or a curse, I have a degree in chemical engineering from this

great university. And what that means is looking into these categories and what chemicals were - that made up these products.

I was able to, sort of - I came up - I started asking myself the question: what was dirtier? What we are cleaning up or what we are cleaning with? And that started to be a question that we were asking right as sustainability as a movement was starting to catch a little bit of mainstream momentum. And so, we learnt cleaning was a dirty business. And so there was a basis of a business plan there. And that's how it's started. That became our mission: to rid the world of dirty. And it's a mission that we are still 100% committed to today, more than 11 years later. Part of what we do is really simple, we bring scarcity - we bring things that are scarce to these categories. Fun is one of them. We put naked people on advertising. We will talk a little bit more about that in a second.

And, initially we were kind of toying with this idea - innovative for the home. We're starting to ask questions about blurring the lines between who we are and the experiences we have in our home: blurring the lines between personal care and homecare. And that - just bringing those very simple ideas started to form the nucleus of what we thought was a business idea. And so, what we did is we quite our jobs and we said: 'all right we are all in. We are going to start this revolution and we are going to take on the largest of the large of global multinational companies and we are going to give it a go'. And so, we started the revolution in this 200 square foot office about the bridal boutique on Unit 3 in San Francisco. Our first goal was really to get the product designed. And Eric and I put our life savings into this business: it was a small five digit number at the time and we still have that fully invested in the business. We are all in. And the idea was we wanted to use that money to try to develop the most premium and most high quality product that we could.

Part of that was leveraging a bottle design and we actually spend over half of that money building a mould for our very first bottle, which is a very simple, elegant, kind of bullet-shaped bottle. That meant skipping on everything else that we could. Including when we made the decision that photography would be a really interesting way to - a really interesting graphic direction for the products, because it was something that was very elegant and personal, but had never been used in the cleaning space. It meant using me and Eric's girlfriend at the time as models, and that's Eric actually shooting the pictures - he was in a photography class at the time. And we certainly couldn't afford sales staff. So, we did it the old fashion way. That was - this is how we do it: we put on a tie, we get a bag and we get four homemade products. And we would drive down to a grocery store. We'd walk into the grocery store at 6 o'clock in the morning, we'd corner the store manager and we start pitching him on why he had to have Method on this store shelves. And if anybody has ever done anything like that, you'd realize we got a lot of doors slammed our face.

We were kicked out of pretty much every grocery store in the Greater Bay Area. But we persisted, and on one fateful day, February 28, 2001 - after about a year of trying - we actually got this store, Mollie Stone's in Burlingame, to say yes to us. There is a funny story about this day that I will tell very quickly. We had been in the store before, we came in this day and we said: 'Hey we are back, you know, what do you think?' You got - the store manager said: 'All right guys, I'm going to give you a shot. You are going to have space on aisle 5, but you got to have product here in four hours'. And we of course had no product, we didn't have any production, we didn't have anything, we had some prototypes. And so I went to the lab, Eric went back up to the city, grabbed the keys from all the workplaces of all of our friends we had given samples to. I made up juice, we got some bottles, we got some - inkjet printed some labels, stuck on them funnels, paper towels. We borrowed some wine cases from a friend of mine, and I bought that invoice book on the way down to - back down to Burlingame, which is a type you kind of rip off and sign a hand to them. And that's how we filled our first shelf.

\$68 was our first revenue and that's a picture of the shelf. If you look closely, you can actually see Eric's girlfriend on the right two hand SKUs, and that's me on the left two hand SKUs. We went to Home Depot and we bought like sinks and stuff like that - of course we didn't have any money, so as soon as we were done with the photo shoot, we went back to Home Depot and returned them. And so, we built the business from that one store to about 20 stores over the course of the next year. And our routine was to get up every morning, put product in the back of my parent's truck that they let us borrow, and drive around to stores and fulfill the shelves, count bottles, see what we had sold, you know, try to fix the facings and maximize the merchandizing as much as we could. And what we did after time - after a little while is we managed to somehow get some syndicated data about how cleaning products sold in typical grocery stores. And we put two and two together and realized actually we were doing pretty well. And that was the point at which we realized we really had the potential for a business here. And so, with our fledgling business starting to get off the ground, of course we are out of money. And we needed some investment.

That was a little bit harder than it looked - there is Eric in the wine aisle doing demos for cleaning products and getting people to, like: 'Hey, will you smell this cleaning product?' He had friends from his ad days kind of coming by and saying: 'Eric, man, do you need some money? Like, what happened? I thought you had a job'. So, one of the ways that we thought that we could really prove the business case for this is to get into Target. And that would help us gain investment and really scale the business. Because of the design sensibility and the sustainability of our brand we thought: 'Hey this is going to be perfect for Target!' We're going to go in there, they are going to love this brand and it's going to be all good. That wasn't an exactly how it

went, when we first went to Minneapolis. This is an exact quote from the buyer at the time who didn't like the name, he didn't like us - he didn't like anything about it. And so here you are as an entrepreneur. You've invested your life savings in this thing, you've run out of money. You are going to your big whale that you are going to land in order to take your business to the next level and you've just been told 'a snowball's chance in hell.' And so this was a low moment. And it was one where - we have some values at Method that I will talk about later, but one of them is: what would Macgyver do? And that's really about resourcefulness, which is a requirement of any startup.

And so, our first MacGyver moment was hiring and bringing to the fold a famous designer named Karim Rashid. This was a time when Target was, starting with Michael Graves and other designers, they were starting their cadence of bringing designers into sort of what they called 'class for the masses'. And we thought: 'Okay, if we can - we are about design - and if we can really hook ourselves up with a really well-known designer, bring that design to the Method product, then maybe we can get back in'. So what we did is we used some of Eric's advertising connections and we managed to get a meeting with the marketing group at Target. So, keep in mind at most retailers the merchandisers or the merchants are very different from the marketers. So, the guys that run the - guys and gals that run the television commercials are very different from the buyers. And we've been told no by the buyers. So we go into the marketers. And the marketers were more enthusiastic about this concept. They saw the potential, the sizzle, they liked it, you know, 'Okay this is a cool concept.' And they invited some of the buyers in.

And we got Karim Rashid to fly to Minneapolis. You know, he is a typical designer guy. He's about 6'4" he was wearing a white suit and pink goggles and has a larger than life presence. And we put on this dog and pony show. And of course the merchants were none too pleased that we had kind of done this end around. But what ended up happening during that meeting is we - I was actually not at the meeting, because I was developing this product up here on the right, which is a dish soap that dispenses out of the bottom. You pick it up and squeeze it and it dispenses out of the bottom - based off of an insight that that would be a better way of doing - of how to do hand dish washing. So, I had developed this prototype, of course, at the very last minute. We sent it first overnight to Target, the guys don't have any chance to squeeze it or test it out or anything. It goes around the table and the buyer who says 'snowball's chance in hell' picks it up, squeezes it and he said: 'Oh my gosh! Even I would buy this'.

And that was - the Hail Mary pass was complete and we got our equivalent of our next chance, which was: we got distribution in a hundred Target stores on a test basis; 50 in Chicago, 50 in the Bay Area. And - I will tell another quick story - in our infinite wisdom as merchandisers, we put our innovative Karim Rashid product up on the very top shelf. Not realizing that what would happen is people would look at this thing, very puzzled as to what it was. Wanting to smell the fragrance they would rip the bottom off of it, smell the fragrance, put it back on, and dish soap would start to drip down the entire display. You laugh, you laugh, but, that was another low moment where - I mean, imagine you've got 100 stores, you finally got your shot, you go into every store and there is dish soap all over everything. And cleaning up dish soap is not fun. And so, I hired all of my unemployed friends - which were many - and we literally got into every one of those hundred stores every two days for three months with wipes and paper towel, and cleaned stuff up. And we had been given visibility to the data of how we were doing. And the hurdle rates that we were given were the hurdle rates of a national brand that's well known, has 100% awareness on price discount on Encap. And we were on Encap, we were unknown and we were not discounted at all - in fact, we were premium priced.

So, we weren't hitting those hurdles. So, we go back in for our meeting to say: 'All right this is where we are going to learn whether or not we are going national or not. We didn't have very high expectations, but fortunately one buyer started to look at the data and realized that actually they weren't selling any less Dawn, they weren't selling any less 409, or Windex. Because when they were selling Method we are actually incremental to the category, we are much more profitable for them than a lot of the other commodity brands that they carry in the space. And, much to our surprise, we were actually given national distribution. And that was a real big turning point for the business, it was one where we started to be able to really scale. I am going to skip a bunch of chapters here, but it was the beginning of a very successful model. And I don't want to belittle an incredible amount of work, as well as an incredible amount of ups and downs that have happened between that, which was in 2003, and today. But, the model is working - in 2006 we were the seventh fastest growing privately-held company in America. Number seven on the INC 500.

In '08 we were the number 16 on the FAST 50, 16th most innovative company in the world. And more importantly than any of that, we've grown the business to \$100 million in size. And, most importantly, we're the fastest growing, on the top line and the bottom-line, business in our space, despite direct competitive attack, and the worst recession that we've seen - that any of us had seen in our lifetimes. And so, there's still a lot of work to do, but what's happened over the years is we've started to talk - Method has just kind of become a verb inside of our own four walls and we talk about using our methodology or methodizing something because really what we do, design and sustainability building performance into this product, each of those elements are things that other people can try to do. And so, ours - the secret to our success is more about how we do it then actually what it is that we do and what we do and how we do it allows us to actually use business to create positive social and environmental change in the world. It's something that has now become known as - we call it the Method method we actually

just recently published the book in September, this book, under that title, which is really - it's a book about our business model and it's - our theory is basically to share as open source our business model because we do some things well, we do a lot of thing not so well, but since our business success is based around how we do it, the more that people interact with it the more we learn, the more I think that we can stay ahead. And so, you know, I think you will find that those of you who choose to read it as incredibly transparent and open about how it is that we do things. So, that - the Method method has a number of components to it, in the book there are seven. I'm going to focus on three of them that I think are particularly important. Innovation and the role of innovation in creating positive change in the world.

The power of storytelling to augment that and lastly creating a culture and a methodology within a business that allows it to continually evolve overtime and maintain it's competitive advantages. So, the first is innovation, innovation is a word that's talked a lot about and it's actually really hard to define. I think what's really unique about what we've done at Method is we've actually figured out a way really to use innovation to create positive social and environmental change through business. And the secret to that is serial innovation, it's - as a business committed to sustainability we are committed to progress because there is no sustainable product yet. So, when we do something innovative, we have to get people to follow it. So, that we can do something more innovative than that and keep going and as long as we do that and change the rules of the game then we are changing the rules of the game away from scale, which is what our competitors are good at, to creativity, technology and design, which is what we are good at. So, before we get into our innovation model, I think it's actually important to level set about what is the lexicon, what is the feeling of and what is the language that is used to describe cleaning products. So I've got a little video, we never actually published this, but it's a video that kind of I think captures pretty well, we did it for internal purposes, captures well the spirit of where cleaning products have been in the past. What happened to clean? We used to know what clean was. Water, soap, a little elbow grease.

We cleaned the kitchen with the same products that cleaned our hands. Clean was familiar, clean was something we could trust, clean was simple. Then somewhere along the way clean got complicated, it became more and more powerful. But in the process clean got dirty. We added chemical after chemical to clean, convinced the more toxins we added, the better clean became. We covered surfaces with ammonia, soaped hands with triclosan, softened clothes with beef fat, and started a dangerous love affair with bleach. We became obsessed with odor, with shine, with sparkles. Forgetting things shouldn't just look clean, they should actually be clean. We made clean triple strength, super concentrated, pine scented and ultra bright. And in doing so, we damaged our eyes, our lungs, our skin and our homes.

We let toxic chemicals drain into our waterways and pollute our air supply. Suddenly, we had to protect ourselves from clean. Yellow rubber gloves became a staple, shower proofing became a \$1 million industry and the dirtiest place in the house turned out to be under the sink. What have we done to clean? Why have we made it so toxic? Why have we made it so dangerous? Why have we made it so dirty? It is time to make clean, clean again. Clean doesn't have to sacrifice power for safety. Clean can remove bacteria without removing brain cells. Clean can strip grime without stripping hands. Clean can clear filth without clearing forests. Clean can be free of toxic residue. Clean can have no consequences.

Clean can be clean. Method: a cleaner clean. So, like I said we never actually ran any campaign of that sort, but I think it has a useful sort of orientation about the language of the category. What I want to talk about is the case of laundry detergent because I think we've proven out this ability to use innovation to create positive change most in the laundry category. Nowhere was this language more relevant and more used than in the laundry space. Everybody knows that laundry forever has been bigger is better. But, as we started looking into the category you know, we took our usual lens, which is how do we redesign this thing not only from a aesthetic standpoint, but from a sustainability and actually from a technology standpoint. We started from a place we normally start, which is asking ourselves, you know, what does a truly sustainable laundry detergent look like. And that it turns out is actually not that hard to imagine, a truly sustainable laundry detergent's probably not a liquid that gets consumed all the time with every load with your laundry detergent. It's probably something where you've got a load of detergent in your machine, you press a button, it gets used, out the back comes dirty soapy water, you separate the water from the soap from the dirt, water and the soap go back in the front, dirt goes out, you know, you use it your compost or in your garden to grow vegetables.

And actually that technology pretty much exists today to be able to do something like that and so you ask yourself the question like well why, you know, why doesn't that exist and I think it actually it lends itself to something I will talk a lot about, which is the role of adoption in the innovation process. So, you know, starting with that end state in mind what we developed was actually a couple of steps shy of that vision. What we first noticed in the laundry category, a big dissatisfier: jugs, big messy wasteful, you pour it, it spills all over the place, it's messy and so back in '04, we created the first triple concentrated laundry detergent. It may not seem like that big a deal, there is some technology that's required to concentrate laundry detergent to that degree and what we did is we took that to our retailers and we were able to do some pretty interesting things. We actually displaced Tide out of the lead in in the laundry aisle at Target and this was, you know, if there is ever a first shot triggered in the laundry revolution this is the one, where we were able to move over the largest and most well known consumer brand on the planet and get that prime space. And we were able to do that because we were using a third as much shelf space

and creating a lot more profit in the category per bottle purchased than the commodity brands that had been there. So, we were serving a role for our customers. This started to catch on, we launched it nationally. We ultimately took this to Target - or to Wal-Mart, a little while later, so this is now late '04 we take it to Wal-Mart. I call this our Where's Waldo photograph.

The Method is on the second to bottom shelf there, a little blue bottle, but you can see how much less space it takes up. We actually didn't go ahead with this test with Wal-Mart sort of for obvious reasons, but we started a dialogue with Wal-Mart that they very much carried on, which was about the role of compacting laundry detergent and making it smaller and more environmentally friendly, obviously that's a big thing at Wal-Mart. What we saw was really interesting after that, so about 15 months later, All, a Unilever brand at the time, launched All Small & Mighty with some very similar graphics and language around a triple concentrated laundry detergent. They started to run ads, the one on the left ran in August of '04, the one on the right ran in October of '05. Interesting quote from an a Unilever intern, anonymous at the bottom, which I find particularly interesting a couple of years later on May 24, 2007 when Helayna Minsk, Unilever's Marketing Director, said we are delighted that everyone has decided to follow our lead after P&G and all of the other laundry brands at the pressure of Wal-Mart went to compacted formats. That actually happened, it was done and dusted by May of '08. So, in less than four years you've got the largest and one of the most stodgiest consumer categories on the planet with the most ingrained consumer habits, laundry, you are taught how to do laundry by your mother. And so it is very hard to change, but here you have an industry with Method serving as a catalyst working with customers to syndicate this movement, actually creating a change that ends up saving - these are numbers very similar to our initial presentation to Wal-Mart - where 400 million gallons of water, 95 million pounds of plastic and 125 million pounds of cardboard just from compacting laundry detergent, the scale of that category. So, you know, I get asked the question a lot, well okay you got copied, everybody went to these compacted formats, you know, isn't that a bad thing? Well in one sense sure, but going back to our mission as a business to create - to use business to create positive social and environmental change, that's an opportunity for us to innovate again and that is exactly what we did. What we did this time is we took it a step further.

We developed this product which is - this is the same number of loads that you get in the typical large jug, but this is smaller than the size of a soda can. This is smaller than - or it's eight times concentrated rather than three times concentrated and the way we were able to do that, I don't have time to go into the technology, but briefly is to say that forever liquid laundry detergent has been water that you put detergents in, and just like putting sugar in your coffee, you can only put so much detergents in those - in that water before you run out of room and that happens at about three times concentrated. We developed an entirely new chemistry, which is - the analogy is putting a tiny amount of coffee on the inside of your sugar and allows us to actually concentrate laundry detergent by putting a tiny amount of water on the inside of detergent to eight times and it's something that's uniquely ours and of course that has further sustainability benefits that are immense. And we've since done a refill version, this is 85 loads of laundry detergent in a pouch, if you use these two products together you cut down on the packaging and waste footprint of laundry detergent by over 90%, not to mention the carbon benefits and everything else. That's great, I love that, I'm an environmental scientist, I geek out about that but the most important thing about this product is not any of that stuff. The most important thing about this product is it's the world's only one handed laundry detergent. It's light enough, you pick it up four squirts in your laundry and you are done, and that solves a major problem that people have and a dissatisfier that they have with laundry detergent that makes this a product that is revolutionary in a very non revolutionary category. And so, this is sort of the model for us, if we can use innovation, build sustainability into the quality of the product, use design, we can create innovations that actually change people's minds about what a cleaning product is and what a cleaning product does. And actually through a series of steps we can actually reach that end state where you've got push button laundry and a truly sustainable laundry detergent. We've actually built a business model that allows us to not be tied to the legacy cost of selling you liquid laundry detergent, lots of it and getting you to over dose it.

So, that - that business model allows us to actually evolve over time as things move more quickly. In other words, you know, what's really important about our innovation model is that while technology and design and creativity are critical to our innovation process I would argue that actually the most important part of it is adoption, because you can create the most beautiful, the more sustainable product in the world, but, if nobody wants to buy it, if you don't get a lot of people to buy it then I would argue that it's actually not innovative. I will give you another quick example. We get - so this is an all purpose cleaner that we make and I get the question a lot, you know, why don't you guys just install a machine in stores where I can take this back in and scan the barcode and it fills it back up and it's good idea, it actually would be a more sustainable format than selling you another one of these or even a refill for one of these, which we do sell. But, what's interesting is this is actually been tried and aside from some of the hurdles of getting a retailer to install plumbing and electricity and all of that to the aisle, you know, here's another example actually from the UK where you can just kind of go and put your fabric softener in there and do it, these formats have been tried over and over again but they never really caught on because while they are interesting and actually you could argue are more sustainable formats of product, they make it less convenient to actually get - do the sustainability thing, not more convenient. So how many times have you forgot this on the back of your car and the back of your bike when you go to the grocery store. Now imagine trying to bring your bathroom cleaner, your toilet clear, your empty laundry bottle, it's not going to happen, right. There have been other formats that have been tried where you know, like this one where you have a little teeny bottle of concentrate that you put in there and then the consumer fills up the water and you kind of shake

it up and you do that thing, but same thing, you are actually making it harder on the consumer to actually adopt that habit. And so without building that into the design process, you haven't actually designed innovation for adoption and I would argue that's why these formats haven't necessarily caught on. What I think is interesting is I mentioned we have refills for pretty much everything and we have a refill for this product.

The refill is a nice, more sustainable format, I mean the starter unit comes in 100% post consumer plastic, there is a lot of benefits to it, putting in a refill reduces the footprint of the system by a lot more but again you could argue that that refill thing is a more sustainable format. But what we've done is actually much more powerful, is we've gotten people to use this format and we've gotten a lot of people to use this format. And that gives us the license to innovate again, so that when we do and whether we make a durable primary format or we find an interesting way to do refills in the store, when we do that we are going to do that making sure that we design it such that it's more convenient, not less, for people to actually adopt that format because that's the way that we will be able to create innovation that creates change. So, now I'm going to move on a little bit to the role of storytelling. So, talked a little bit about innovation. Telling stories is actually really important because it's what allows you to connect the emotion of your brand with people. One of the most important things that we think about in creating stories is we want people to, you know, Method is very much a movement, it's a philosophy and a movement and we want people to join that movement. We call ourselves people against dirty, every bottle that we make says designed for and by people against dirty. And so how do we get people to try to join the movement. We do that by telling stories and by integrating elements of storytelling that we think are really important.

The first is that every story has a villain. I talked about the laundry jug; I call it the SUV of the consumer products industry. It's heavy, it's wasteful but it's supremely profitable for its makers. They trick you into overdosing - if you take a jug, a laundry jug cap and look at where the dosage line is and you will see that it's about half to a third of what you need for a full load and what do most Americans do? Fill up the cap. So, a lot of waste in that; the dirty little secret being that they are huge jugs that are mostly full of water. And so, when we launched this product we actually created a campaign, it was a spoof off of a Drug-Free America, so Jug-Free America. Say no to jugs. Are you a jug addict? Frequently overdosing. And, you know, much like the naked people I showed earlier, we try to be a little tongue-in-cheek. And we try to create a little bit of fun with the brand experience of Method because you know, let's face it, it's laundry, it's something that most people don't really enjoy doing.

One of the things we did is to point out this, the wastefulness and the messiness of this overdosing, we created this video called Laundry Smarts. It's washday at the Smiths. Say, here they are now, ready to get started. Laundry can be hard, but step-by-step, it can be manageable. To start, grab one of the large jugs. You picked a big one and bigger is always better. Now hold firmly with one hand and gently remove the cap. Make sure to fill only to the line. Neglecting this detail could end in a sticky mess. Lastly, just put it in - the detergent.

Make sure there's bubbles. Now wasn't that easy? Let's try that again. You want fantastically clean clothes? With this compact but powerful tool it's just four quick pumps and you're done. Now, wasn't that a happy ending? So, not the type of thing that you would see from, you know, from Unilever, let's face it. But the other thing that's really important about doing something like this is, you know, we are a business that doesn't have money for a massive media budget and we are up against massive media budgets. So, when we create content that's interesting, maybe a little bit funny, maybe something that somebody passes along to somebody else, it allows us to multiply our message much larger than our media spend would normally allow and that is one of the critical ways that we are able to build our brand and get more people to join the movement as people against dirty. The second component of a story that I think is really critical is that stories must create participation and this is something that we've been able to do. We have an incredible emotional connection between our what we call advocates rather than consumers and our brand. We get people that take pictures of themselves, they write letters like this that are effusive with praise. We get these every day.

We get four times as many compliments as we do complaints sent to us which is about the opposite of what you normally get as a consumer products business. We get people that take pictures like this with automatic dish detergent; it's fairly rare in our categories. We have a nine year old that made that butterfly out of one of our hand wash bottles in the upper right, I think she had some help from her parents. We have dogs against dirty, we got dogs against dirty down there. I mean this is an emotion - these are, this is evidence of an emotional connection that you would not normally have with your bathroom cleaner. And really I think one of the reasons because of that is, or the reasons for that is really blurring the lines between who we are and who we serve, who you are. And that's something that's very human for people. On the point of creating participation we've done this in a couple of ways, some of which have been opportunistic and some of which have been planned, but I want to talk about an opportunistic one. Back about the time I was selling that stuff to Mollie Stone's, and we didn't have any money, we were trying to prove the safety of Method products and one of the experiments I ran is even though it cleans as well as a toxic cleaner, I put flowers in a toxic cleaner and Method in water and I - as an experiment and I learned that a daisy would live as long in a bottle of Method as it will in a bottle of water and if you put it in a regular cleaner it dies pretty quick. And so, we were using this photograph in a lot of our advertising and collateral for a long time since about 2003.

Well, in 2008 Clorox launched a brand called GreenWorks and GreenWorks is a Clorox brand that is meant to be a greener product and they trademarked the daisy or the usage of a daisy on their packaging. And they didn't know that actually we had in what legal - what in the legal sense is known as prior usage. So, if we've been using this thing we can continue to use it. Well one day they had a lawyer that didn't know this, wrote a nasty letter called a cease and desist letter and told us that they were going to sue the pants off of us if we didn't stop using the daisy immediately. So, what we did is we said, okay, we sent them back a note and we created this site which is votedaisy.com, you can go up here and you can click on that and you can get the cease and desist letter that they sent us which said things like Clorox has invested millions of dollars in pioneering the green cleaning category, so sort of interesting. And then what we did is I'm just going to run this video from here. We created this video on that site. Hey guys, it's Eric. And Adam. We're Method's founders and people against dirty.

We're here today in San Francisco with our friends the daisies. This Earth Day we need your help to save the daisy. That's right. That iconic symbol of purity, innocence and peace. Sadly, a major corporation's claiming that they own the rights to it. Own the daisy? That's ridiculous! Did they invent the daisy? Did they design the daisy? It's like trying to own the rights to the cucumber or the question mark. No, seriously, they sent us this cease and desist letter saying that they own the daisy and that we have to stop using it. So essentially saying don't touch the daisies. Even though we started using the image of the daisy about six years ago just to show how safe our products were, because we don't test on animals. So we just figured we'd test on our little flower friends instead.

But we never tried to own it. No, because it belongs to Mother Earth. And since daisies can't talk - yet - we asked one of our scientists. And Fred said: Well the results are in and while the daisy will last three days in Method All Surface Cleaner, nothing takes care of daisies better than Mother Nature. So, since we don't have a lot of money for lawyers or parking spots, we just figured we'd ask you, the public, to decide whom should the daisies belong to? Method, Clorox or Mother Earth. And while we'd be honored if you voted for Method, we urge you to vote with your conscience. We believe flowers belong to the planet and not corporations. So, as you can see here - oh, I lost my spot - Mother Nature is firmly in the lead and more importantly we got a tremendous amount of press on this. We got a lot of people that kind of took notice about what we are doing. And actually to this day if you type in Clorox and Daisy you'll see about 10 pages of people going off on those guys.

And talking about us as, more importantly as somebody who's authentically trying to do something real. So, another element of storytelling, you got to be willing to offend. Stories that aren't willing to do something interesting or willing to offend are just - aren't interesting, and they don't get passed along. We I mentioned the naked people in the advertising, this was the first print ad that we ran. We actually cut it off at the cactus, so it was even a little bit more discreet than that picture up there. And you would not believe the amount of people that sort of came out of the woodwork and were outraged that we were suggesting that they get naked to clean. They clearly missed the metaphor, but nonetheless. Another example is that jug ad where we had the jug and our laundry detergent in front of it. There was a line in there it said something like, 'It's so freaking concentrated that you can' ... X, Y, Z, right.

And it was talking about the concentration. I had no idea that putting 'freaking' in a print ad would also create a massive uproar. And - you know, I don't how these people watch daytime television, but what was really interesting is when you do something interesting like that and you step out a little bit what can happen. It's the Tonight Show with Jay Leno! Let me tell you something. There's a reason you hire a professional advertising company to help you advertise your product, to get the point of what your product is. This says for a jug-free America, Method laundry detergent. The secret is our patent-pending formula that is so freaking concentrated... This is so freaking concentrated! What is John Malendez writing copy for this company? So, there's no amount of money that can buy that. And that is just - it happened for free essentially, by doing something that was a little bit interesting. So I'm running a little short on time, I'm going to start to move pretty quickly through some things.

The best stories are first person, and this is something that we did - we actually, when we launched our laundry product we were the only vendor that ever be able to go into Target headquarters and hand out product samples to everybody that worked at Target. We created actually a crowdsourced video. So, we did a video where we asked all of our advocates to send in a video of themselves and we stitched it altogether into a video that we then actually ran and got a great amount of pass along value for that. I'll show you just maybe a little bit of this. So, this is all done by advocates, there are not actors anything in this. So, that one of course is a little less edgy than some of the others that we were doing, but it was supporting one of the things that we were trying to do, which was to conquer the disbelief of - that this little bottle would actually do 50 loads of laundry. And to be able to do in a way that has pass along value and actually gets your consumers to actually tell the story for you is pretty interesting. I promise this'll be the last video. This one's just kind of fun. Hi, I'm Kai, chemist at Method.

You might be familiar with this. At Method we've been working on a concentrated detergent that works on tough stains but comes in much smaller package. We've been told some people still don't believe this 20 ounce bottle packs such a punch. So we thought we'd clarify with a few in-office Method examples. 20 ounces of tequila can turn the creative team into a mariachi band. 20 ounces of hair gel can convince our entire office that Doug, a Packaging Engineer, belongs on the Jersey Shore. And

20 ounces of Method laundry detergent can do 50 loads of laundry. Convinced? So, that was very much the around same thing, trying to convince - overcome disbelief that the concentration would really work. And Kai is really the chemist that actually developed that product and Doug is really a Packaging Engineer and he was fist pumping our CEO, so. The last thing about storytelling I'll talk about is that every good story has subplots, and for ours it's sustainability.

I always say - I recently did an interview with a green business publication and the interviewer asked me, he said, 'Adam don't you find it ironic that Method has become an icon of green marketing by expressly not doing it?' And, you know, I found that as a really interesting question and it hits on one of the really, the big differences between our brand and a lot of other brands that make green cleaners, which is our brand is not about a white bottle and a picture of the leaf and planet as you guys have just seen. But for us we're very much a dark green business at the core, it's in fact what I do for the business and it's things that we give access to people to examine, we give people access to look at it. One of the things we've done is we actually now deliver about 70% of all of our volume nationwide using a fleet of 15 trucks that run on waste vegetable oil, bio-diesel. That started one with truck two years ago and it's grown now to 15 and, as I said, most of our volume. Something you wouldn't necessarily know when you saw it at the shelf. We're doing some really interesting things like we got facilities that use no water and recycle all of their water. MacGyver moments like putting solar panels on the side of trucks in order to run lift trucks in our factories. The upper left is actually a silo that we installed to house the plastic that we make all this stuff from, which is 100% post consumer. We're the people in the world that are making all of this package, custom packaging out of 100% PCR, which lowers the carbon footprint of our packaging about 85%. We're a certified B-Corporation.

For those of you that don't know about that, it's a independent audited real-time sustainability reporting online. And we actually change our articles in corporation to expand fiduciary duty to include the interests of society and the environment, not just social. And this is something that has allowed us, as I've shown before, to earn a lot of media rather than pay for a lot of media. And more importantly than that it's actually worked in our defense a couple of times. A quick case study is that a blogger about two years ago from - a Fortune blogger on the CSR blog read a McKinsey study and kind of took out of context a statement that was made that - she said 'Method, widely praised for environmentally friendly practices refuses to compromise for the environment when it comes to the aesthetics of their products', which was completely not what was said, but that was her interpretation of it. What was really interesting is two other bloggers that actually blog for that same blog for Fortune immediately came to our defense and said 'The article glosses over two big questions and simultaneously maligns one of the most innovative companies in the sustainable business space, Method.' And 'Another fellow Forbes blogger, Avril David, recently critiqued detergent manufacturer Method for refusing to reduce plastic content of its containers, but the article misses the point.' So, here's an example where we actually didn't do anything, but just by being transparent we had two bloggers in the same space who actually knew more about our brand come to our defense. And that's the type of self-reinforcement that making that sub-plot transparent to your consumers can create for your brand. The last element of the Method method, so to speak, that I want to talk about is culture. And culture is something that can be a lecture in and of itself. For us, we think of culture as something that is our number one sustainable advantage.

Because if we don't have a culture that can continually innovate and continually reinvent what we're doing than we can't stay ahead of our much larger and more well resourced competitors. We have an open space, as you might imagine. We have these things that we call wiki-walls, which is if you go to Method's offices in San Francisco, you will see everything is put up on the walls, which is actually a really intimidating thing if you're a product designer or a you're a graphic designer, putting unfinished work on the walls. And we have to train and hire the right types of designers that can deal with that. And then we also have to train our people to be able to work and collaborate and say 'yes and' rather than 'yes but' and build on work that's up on those walls. But it does foster an idea flow that's really exceptional. You know we curate a lot of things that we think are cool from all around the world. We have - this is Sarah. She's - if you e-mail or call Method you will get your e-mail or call answered by a real person, and Sarah is one of those people. She often just sits in a beanbag chair next to our product development floor to be able to fire across questions that she may have about things.

Every Monday morning we get together and we talk about the news of the business, we talk about everything from birthdays to strategy. We prototype everything. We have the ability to prototype photography, shelf sets. We have a lab, obviously, that we can do prototyping in. This is actually fairly unusual to have a lab in downtown San Francisco. We can, because the products that we make out of it are not going to explode. We do 3D printing, we can do rapid prototyping of mold so that we can do product realization. And all of these things reinforce our ability to move very quickly and design very quickly. We do things like - we very much design for ourselves. So the first thing we do is design something, put it on the sink in the office and say 'hey tell Josh do you like it or not?' And this idea of prototyping is something that we even take all the way to our hiring practices.

So, anybody who looks for a job at Method, if you get far enough in the process you'll be asked to do a homework assignment, and that assignment will always have three questions. There'll be a strategic question about the job that you're interviewing for. There'll be a tactical question. And the third question is always, simply, how would you keep Method weird? Keeping Method weird is one of our five values. I mentioned MacGyver, there are a few others. But what this does is it has an

amazing effect to actually, to orient the people that we hire around the mission that we have and the methodology that we have to actually succeed as a business. And what keeping Method weird is about, is how would you participate in the culture of this place? And the homework assignment has an amazing effect of separating the window shoppers and the good interviewers from people who will really be additive and contribute to the culture of this place, which is ultimately the secret of how we try to succeed in the marketplace. So, thank you very much. I think we have the time for a few questions, sorry not more, but let's get after it. Do you patent your formulas? The question was do we patent our formulas? In some cases yes, in some cases no.

What we usually patent is the technology. So like the technology that allows this thing to be inside out more concentrated, we have a patent on that. But formulation is not something that's not really worth patenting often, because the separations technology is such that the second we launch something, our competitors can analyze and figure out the formulation. So - and then they could just tweak one ingredient a little bit. And so, really it's really about creating platforms that we can have as intellectual property and then the model of moving very quickly. Let's go on the back then we'll come here. Before you had time to make a brand like in the very beginning, how did that stand out against all others? So if it was being sold like distributed. Yeah, it's - you know I showed the picture of that initial shelf set. And things like having a very clean aesthetic, having simplicity. I mean the Method brand name was born out of this idea of simplicity.

And using things like photography, which brought a very different feel and a premium feel to a product in the early days were enough. And you know we'd surround it with shelf talkers and things like that, but all we needed to do was get somebody to say 'hmm, I'll give that a try'. And where we started, Mollie Stone's, is a premium grocery retailer and so a greater disposition toward people that would be willing to try that. Just get a couple of people to try it and then deliver on the product experience. And you know, while our brand is a little bit premium, you know, 10, 15, 20%, the value is really there. When you use a Method product - hopefully some of you do - you really see that it's a modest premium and what you get for it is really worth it. And from there you build it fast as you can. So let's go here. Yeah, you talked about engaging the consumer and the besides the crowdsourcing video that you did, what - especially when you were beginning creating this really engaged audience. What were some other tricks that you or things that you did? Or did it just come naturally? Yeah, I mean it's - I think one of the most important things when you're starting your business is to realize that - like for us, our customers are different from our consumers.

Our customers are Target, Mollie Stone's and Lowe's and Whole Foods. Our consumers are you guys, right. And it's really easy to lose track of the fact that the people that matter are us, not our customers, even though we can't do without our customers. And so, for us, things like in the beginning we had the number, the phone number on the back of the bottle would ring on my cell phone or Eric's cell phone and we would literally answer every call. And it'd be like 'hey! I tried your stuff and I didn't like this' or whatever. And you get - even that, I mean it seems really simple, but people don't do stuff like that. That type of thing is incredibly important. And if you just treat people like people, at least in our industry, that was something that was not done. And those little things, just by doing that you learn and you can build from those things, try other things. You can do stuff in store, you know, like where the founder's sitting in a lab coat, you know.

It just kind of depends on what you're doing, but it can be done. So let's go here. We'll go here. Probably one more. What are your plans concerning international markets? Are there huge differences between the local markets concerning cleaning products? Yeah, internationally, we're actually having some great success. We initially started in the UK. So we have an office in London with six people in it and we actually are the largest hard surface, green hard surface cleaning brand in the UK right now. And we started with Anglo markets, but now we're starting to go into France and Belgium. We started in Australia, we're now starting going into parts of Southeast Asia. And what we're finding is that while the cultures are very different, the role of better cleaning product for the sub-segment of consumers that are willing to pay a premium for a higher quality product and for customers who want to break the commodity cycle, seems to be relatively universal.

And so really the biggest barrier for us is just being smart about how we enter into each and every one of those unique cultures and places. But we are doing it and we've got a nice international business that's actually growing really quickly. So, maybe last question. All right. Last question. Okay. So was it your office who sent Leno that 'freaking' ad? No. We actually we had nothing to do with it. We actually had nothing to do with it. That was a consumer that saw it and they send their things into Leno.

That was the beauty of doing something like that. Well then on behalf of DFJ, STVP and BASES we thank you for coming. All right. Cool. And thank you for your talk. Thank you very much.