



Stanford eCorner

Proving the Business Case

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Method Products had a lot to prove when trying to take on some of the world's largest consumer brands, according to company co-founder Adam Lowry. Here he tells the story of trying to land a major retail account, and how resourcefulness and an emphasis on design helped to close the deal.



Transcript

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.