



Stanford eCorner

Crisis as Wake-Up Call

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Embrace Innovations Co-Founder and CEO Jane Marie Chen describes how the sudden loss of a corporate customer threatened to end her organization's operations and served as a wake-up call that a more sustainable business model was needed, prompting Embrace to adopt one where its humanitarian efforts would be supported by the sale of baby products intended for retail consumers.



Transcript

- It's been incredibly rewarding and exciting to be a part of this effort and to create this type of impact. But I would be lying if I were to tell you that it was all roses and flowers and that we didn't face some extreme challenges along the way. It's always wonderful to have a vision of what you wanna do, but, as Mike Tyson says: "Everyone has a plan until they get punched in the mouth." This has happened to us repeatedly, and I could tell you about our challenges for days, but I'll tell you about one pivotal moment for us that really redefined the business and taught me a lot about life as well. In 2014, I'd lived in India for four years, I moved back to the US, and at that time we'd been working on a global distribution and financing deal with a major medical-device company. I had been working on this deal day and night for almost a year at that point. And then, about a week away from signing the deal, we found out that this company let go of their healthcare CEO, who was the main advocate for the deal, and they pulled the plug on our financing. We had seven days of cash left in the bank, and I was completely devastated. I had no idea what we were gonna do. All of thought we were gonna have to shut down the company. And then, a miracle happened.

Nine months prior to that, I had gone to The World Economic Forum at Davos, and one morning I went to a meditation session, which maybe five out of 3,000 people showed up for, and I happened to sit next to Marc Benioff, who is the Founder and CEO of Salesforce. Marc and I started talking after the meditation session, and I shared with him my work at Embrace. Coincidentally, he was about to make a donation to create the Preterm Birth Initiative at UCSF, in partnership with the Gates Foundation. So if there were anything in the world that would make me believe in serendipity, it was the universe seating me next to this man. I kept in touch with Marc, and when this crisis hit, I sent him an urgent email telling him what had happened, asking for his help. John Hennessy, who is one of our advisors, also reached out to Marc, asking for his help. And a few days later, he wrote back, generously agreeing to fund the company. So just so indebted to Marc for saving the company. We would have had to close our doors if it weren't for that. And it was a really pivotal experience in a number of different ways, but one of the things it forced me to do at that point was to take a step back and really reevaluate our strategy.

At the time, we were selling our product primarily to the Indian Government, and working with government contracts can be extremely painful. You don't know when the contracts are gonna come through, when you're gonna get paid. It wasn't leading to a sustainable business model. At the same time, I had started to look at models like TOMS Shoes and Warby Parker, and the team was thinking: "What if we could leverage our technology "and create a product for the US market, "and then use the profits from that to fund the expansion "of the Embrace Warmers in developing countries." And so that led to the birth of our newest initiative, which is called Little Lotus. I was just laughing to myself as I was preparing this presentation because this was coincidental, but the representation of a lotus, it's a flower that comes from these dark and muddy waters and turns into something beautiful. From the all the chaos that we experienced, we came up with this really cool product. And what it is, it's a line of baby products for the US market, so, sleeping bags, swaddles, and blankets that have a technology akin to the Embrace

Warmers. The fabric of these products is lined with microns of wax. This was first used in NASA spacesuits, and what it does, it serves to absorb or release heat to keep babies at an ideal skin temperature, helping them to sleep better. Our informal studies have shown that babies sleep, on average, an hour longer with our product versus existing products because of less temperature fluctuations.

But the real impetus for doing this was to implement a TOMS-Shoes-inspired one-to-one model. So, for every Little Lotus that we sell here in the US, we help to save a life in a developing country with the Embrace Warmer. I think the ethos behind doing this, as I came back to the US and started doing research, I would talk to lots of parents, and moms in particular, I'd often hear them say to me: "When I became a mother for the first time, "I felt an instant camaraderie "with every other mother in the world, "and if I saw a baby in need, "I would do anything to help that child." So we really wanted to create a global community of parents helping other parents.