

Announcer: This episode of Beyond the Bottom Line is brought to you by the program on entrepreneurship at the Yale School of Management, where we're educating students for business and society.

Jen McFadden: So, welcome to today's version of Beyond the Bottom Line, brought to you by the Yale School of Management's program on entrepreneurship. Today we are super excited to have Mike Grillo who is president and founder of Gravity Products here with us.

Jen McFadden: Mike, if you could talk a little bit about background, how this has evolved from essentially what was a media company into now, a product company, into a product in an enviable position of having generated a good amount of revenues over the past two years.

Mike Grillo: Yeah. It is a long and interesting story, but I'll try to keep it as tight as possible. We started as a ... I joined this company, Futurism, in 2016, late 2016. It's a media company and media is a troubled space. Looking for sources of revenue became an imperative. We weren't going to play in a pure play digital ad space, so we started to look around and see that some other publishers were pushing product. Actually developing their own product, not even just affiliate, but a homegrown. Then selling it directly to their customers where they owned the full margin, didn't have to give out any affiliate costs. We started to think about what our readers have been gravitating towards, so we were doing a lot on-

Jen McFadden: No pun intended.

Mike Grillo: Right. Oh.

Jen McFadden: Sorry.

Mike Grillo: I love that. I love it. No, it's important. We started to look at what our readers were gravitating towards, no pun intended. They were reading a lot about the science of sleep, the science of mindfulness. So, we were thinking about sort of low tech but high science products in that space. Weighted blankets were something that caught our eye. There had been nothing really on the market that was super consumer facing, very constrained to these medical communities, people on the autism spectrum, adults with PTSD. So, the concept was, we could take this, which has been scientifically proven in these specific patient populations, rebrand it into this premium wellness product, and then sell it to our readers. We did that by launching it on Kickstarter and it sort of just took off from there.

Jen McFadden: Sure, so can we talk a little bit about that Kickstarter launch and you have this idea, you've done a little bit of testing in advance to figure out whether or not it would be a viable idea, but you go out with the expectation that you'll generate \$25,000, \$50,000?

Mike Grillo: Yeah. We were taking bets as to what we would close the month at, because the Kickstarter campaign runs for 29 days. I think the highest we saw was someone guessed 250 grand. Everyone was like, absolutely not. They're like, if we hit 250, this guy owes us a trip to Miami, which we never got by the way. Quickly, within I would say an hour of launch, we'd already done \$100,000. Almost closed day one at \$1 million. Which sort of just proved that we had really touched on something and from there it was all about well A, now that we've got all this demand, how do we produce a quality product because the whole point of Kickstarter is you don't necessarily have that inventory on hand. That money is used to fulfill and finish developing the product. But then also, how do we capitalize on this? We clearly have hit something. We closed the campaign with almost \$5 million. We quickly thought, how do we build a team and scale this out into a proper brand?

Jen McFadden: Talking about kind of that convergence of content and commerce, can you speak a little bit more tactically about how you leverage Futurism specifically, obviously for the Kickstarter campaign, but even before that to valid that there was a product need there in the first place? And then, kind of on an ongoing basis, can you talk a little bit about that integration between the two?

Mike Grillo: Yeah. While the Futurism audience was not necessarily huge enough to command million dollar ad budgets, it was certainly substantial enough to get a lot of data from. The sample size was certainly there. We were, before anything, we were surveying. We conducted this really, looking back on it it's such a funny survey, we tested silver infused socks that you could wear multiple times.

Jen McFadden: What exactly would be the use case for silver infused socks?

Mike Grillo: Yeah, so silver's a antimicrobial-

Jen McFadden: I know that.

Mike Grillo: You could wear them longer, up to three times. So, silver socks was one of them, the weighted blanket was one of them, and there were a few others. So, that initial read from the survey and then we were serving that particular audience because Futurism has been a very Facebook driven publication, we have all of that resourcing. We were using just a very light ad spend to drive traffic to these sort of faux landing pages where we had the product featured and saw how we could either capture an email from the reader or potentially capture a purchase from them. That core of, we have about 10 million followers on Facebook, became sort of how we informed the product.

Mike Grillo: Once we launched, we were still sort of the days, this was 2017 where Facebook was driving a ton of views to publishers, which they've since stopped doing. But, even a bad video for Futurism at the time was seeing 500,000 views. So, when we put out the Gravity video, it immediately amassed like millions of views in

the first day. So, that was really the mechanism that we used to, we took that video that we published and we pitched it to, we had at the time what we call share partners. So, other science space publications that we would do content swaps for. We went to Seeker and Now This Science and we're like hey, we've got this video that we just did. It's blowing up. Will you share it for us too? We started pitching around our own video and sort of the virality began from there.

Jen McFadden: Let's take a second before we move on to the product itself to talk about Facebook itself and the evolution since 2017. Facebook I think is now the brand that media companies love to hate.

Mike Grillo: Yeah.

Jen McFadden: Can you talk a little bit about how some of those changes have impacted Futurism's business, impacted your business?

Mike Grillo: Yeah. It's been a wee ... Futurism began at a really interesting time in that it was just the tail end of where a lot of these new media start ups were really blowing up. You had BuzzFeed obviously in like the late 2000s. They had scaled to a billion dollar valuation. At the time, Futurism's been able to grow really fast and we owe Facebook everything because it allowed us to raise money. A 10 million person community, we were touting at one point billion of views a month, which was not inaccurate. We truly had billions of views. Were they, looking back on it, were they actual views? Whatever Facebook was reporting, who knows. But that was how we were able to raise the money, but at the same time, when Facebook decided that publishers were no longer going to be a huge priority for them for one reason or another, it sort of killed a lot of those mid tier new media companies. Futurism, because we had diversified to product, was okay. But Mike's a really great example of a company that was relying very heavily on Facebook and ended up having to sell at a quarter of their valuation.

Mike Grillo: Yeah, we love to hate Facebook. They're the reason why we exist, but they're the reason why a lot of our friends in media are no longer employed.

Jen McFadden: Yeah, tough week in media this week. Another tough week in media this week.

Mike Grillo: Yeah.

Jen McFadden: Can we talk now a little bit about, you raised \$4.5 million or somewhere thereabouts. Now you have to go out and actually figure out how to manufacture the product.

Mike Grillo: Yeah.

Jen McFadden: You talk a little bit about that process?

Mike Grillo: Totally. At the time, and this is not atypical for a Kickstarter, you definitely don't have inventory on hand. You have very functional prototypes, looks like prototypes, works like prototypes. We very quickly realized that all right, now we closed, we have 30,000 of these orders to fulfill. So, scrambled to find a sourcing agent to help us because we don't have, no one at the time had ever developed a product before, we didn't have these connections in China. We ended up finding this gentleman who is working at Quirky, which was the invention platform and had started their overseas office in Hong Kong. He was like, this is actually quite easy for me. I'm used to building all sorts of electronics. I can build you this blanket very easily. So, that's what helped.

Jen McFadden: Really quickly, how did you actually find him? Was that personal networks? Or was it-

Mike Grillo: We were really envious of what BuzzFeed was doing with products at the time. They had hired him freelance from Quirky, and he was working on, BuzzFeed had their Homesick Candle line, which was like a bespoke candle. They had the Tasty one top cooking device. So, he had worked on all of those and so we had heard about him from there. We were like, well we need to work with this guy because he's worked with publishers, he's worked with ... He's been in Asia for many years. So, that's sort of how we were able to accelerate our development because without him, we would certainly be in a different space.

Jen McFadden: So, you've got it. You do how much in sales the first year?

Mike Grillo: 10 million the first year.

Jen McFadden: That's crazy.

Mike Grillo: Then the second year was all about trying to A, continue driving volume on the core product, but be quickly innovating because we saw a lot of me too's coming out. So really, what else do we have? We developed quickly a weighted sleep mask, which was a runaway hit. We were playing in like-

Jen McFadden: Which I heard was five pounds at one point?

Mike Grillo: Yeah, it was up to five pounds. The first prototype was like enormous on your face. We're like, this is probably 10X too heavy. But, became a runaway hit. Then quickly started innovating on the materials that we were using, so we developed a faux fur for the winter that we were inspired by this awesome Restoration Hardware faux fur throw and we were like, let's put that on the Gravity blanket. Let's do a cooling version. Let's do special prints and patterns. So, quickly tried to build out an assortment that made it feel as much of a real brand as we could, despite the fact that we were at the time, only maybe three or four people.

Mike Grillo: So, the first year was expanding the line, building the team and last year, we were up to 10 people. 12 if you count contractors. We grew another 60%. We closed last year at \$16 1/2 million. Growing. But the nice part being, we are not venture backed so there's no ... The expectations are really what we make them, right? We're trying to manage top line growth with the brand, with the bottom, we want to run profitably. We ran profitably last year, which is not something a lot of-

Jen McFadden: Congratulations.

Mike Grillo: Yeah.

Jen McFadden: That's incredible.

Mike Grillo: It's nice to not have to triple digit growth year over year. That's a grind for sure.

Jen McFadden: So, you're trying to build out what you're calling a science based wellness brand. Can you talk a little bit about that and the strategy there?

Mike Grillo: Yeah, so the nice part about Gravity and why it resonated so deeply with the Futurism community is that, of course Futurism is, the consumers are there for our scientific integrity. The work we were doing, at the time we had a PhD in science writing as our editor in chief, so we were really well known for true science. So, that was the reason I think that people loved the fact that the blanket had actual data behind it. Leading into that, but also not making it too clinical, because sometimes the science piece is, obviously you want that validation but you don't want to feel like you are a patient necessarily.

Mike Grillo: Finding that balance is ... The wellness angle is what sort of balances out this sort of like hard science. The partnership with Comm was a really big part of that in that, this is sort of a much more holistic approach to your sleep and wellness.

Jen McFadden: So, a little bit about a new product that you're launching, [Mellowmint 00:11:21] which is building on this whole CBD trend right now. Talk a little bit about product development for that particular product and why you chose to go with a pill verses another form factor, and how you came up with the formulation.

Mike Grillo: Yeah. The CBD thing was, everyone was really into it in the office. We were testing a million different types. Quickly learned that because the space is so [nacin 00:11:47], there are a variety of different types of formulations. The integrity of the product is not always there. We made a really, the first version of our CBD line is actually a collaboration with Mellow Mint. They're an established company that we sort of vetted and known and they're vertically integrated out of Colorado. For us, finding like a collaboration on the first one

was the way to go to ensure that we were delivering a product that we could totally stand by, because we are admittedly not experts in the emulsification process and all that sort of stuff.

Mike Grillo: We launched with Mellow Mint, we're launching with them tomorrow. Then the interesting piece is that, because CBD's so proliferated, what's our angle on it? So, we are one of the few brands that will be on the market that also had melatonin and chamomile in our CBD. So, it's a specific use case for sleep as opposed to just sort of, a lot of the stuff out there is very general. Take this CBD and you'll feel more calm. Ours is a specific use case for sleep.

Jen McFadden: Yeah, the anxiety market right now is-

Mike Grillo: It's booming.

Jen McFadden: It's booming. It's incredible.

Mike Grillo: I think I myself-

Jen McFadden: Thank you Donald Trump for that.

Mike Grillo: Yeah, no. Please. We owe the Donald sometimes.

Jen McFadden: Again, back to this idea of the partnerships that you've built out with Beats and with Calm. Can you talk a little bit about how those evolved and when you're going forward, looking at the next set of products that you're looking to build? Who are your ideal partners?

Mike Grillo: Yeah. Folks that I think, we are constantly ... You're so in the brand, you don't really know exactly what people perceive you as. I am constantly obsessed with the fact that we're only known for this blanket and we're a Kickstarter product and that's it. So, everything we do as a brand, from a partnership standpoint, is to try and hedge against that. Which is why going ... We don't even really ... We do do some stuff with bedding companies but we actually want to go even beyond bedding, and that why Comm was so important. That's why Beats is important. That's why some of our hotel partnerships are important. The spa partnerships that we do are important, because we're trying to sort of break this perception that we are a flash in the pan Kickstarter product. That's sort of the key criteria is like, are they wellness based? Can they do more for us in the consumers eyes than just sort of pigeonhole us in this Kickstarter perception?

Jen McFadden: Going forward, what are some of the other things that you're thinking about in terms of partnerships, including things like Mellow Mint? You said you have pop ups-

Mike Grillo: Yeah.

Jen McFadden: Are you partnering with people for those pop ups?

Mike Grillo: Yeah, we like to. Because we are, again, we're not venture backed so we don't necessarily have the liberty of ... Pop ups are very expensive, so we try to find other partners. For example, we did a lot with Philosophy, which is a very high, I did not know what Philosophy was before this, but they're a very high end skincare line. They're one of the largest independent skincare companies in the world, and they just started opening their own brick and mortars. We reached out to them because they have this spa at the Oculus in New York City, and they were really talking a lot about wellness. So we're like oh, can we be in your store to be like while the customer is trying on their skincare regime, they can sort of lounge with the blankets? So, trying to be scrappy about finding those opportunities where we can bring them foot traffic, because we have such a ... We're so in tune with Facebook marketing, we're able to pinpoint those locations and drive foot traffic. Then in exchange, we get space in their stores.

Mike Grillo: That's going to be a continued tactic. I think at some point we are graduating to now we're, we do have one of our own spaces that is in Soho, and hope to do more of those. But also trying to be practical about like how much all these things cost.

Jen McFadden: Yeah. Real estate prices in New York City go for-

Mike Grillo: They can be expensive.

Jen McFadden: They can be expensive but they're a heck of a lot cheaper than they were 10 years ago.

Mike Grillo: Very true.

Jen McFadden: So, talk a little bit about your background. You worked for Vander Media before, and how that has helped you as CEO.

Mike Grillo: Yeah. I started in agencies and I think working at Vander was really interesting. I came on pretty early. I wasn't like, a couple of my friends laugh at me when I say I was 50, because they were like two. It's always a competition, who was the earliest at Vander? I was like the 50th employee. By the time I left, Gary had grown the business to almost 700 and now he's at 1,000. What was cool is that I was able to see like really meteoric growth in a very short period of time and how you manage growth, what you let slip, what you sacrifice in exchange for growth. What can you compromise on, what can't you compromise on? I think that was sort of my biggest take away is like, sometimes you need to let go of the fact that something will break along the way and as long as the majority of

the train is still rolling, it's okay. That's sort of the biggest thing I learned from Gary, for sure.

Jen McFadden: So, final question to wrap up, because I always find this to be the most interesting question and I don't think it's spoken about enough in start ups is, fear and failure? What's your biggest failure and what's keeping you up at night most right now?

Mike Grillo: My biggest failure so far was sort of after the initial Kickstarter, we definitely were unprepared for the demand and I think let a couple of those customers down. I'm mostly sorry to my mom who, one of the customers found her on Facebook and started commenting on her wall about how-

Jen McFadden: Don't do that to people.

Mike Grillo: Yeah, please leave my mom alone. About how I was a fraud and she should be ashamed of her son and all that sort of stuff. So, that was the biggest failure. My biggest fear is that tomorrow we'll be irrelevant and that this is all just a trend. I don't believe that to be true, but I think anyone in this type of space, be it mattress in boxes, or meditation apps, or anything that's sort of [nasined 00:17:06] is always afraid that they're going to be like a one hit wonder. That's a constant fear of mine.

Jen McFadden: Great. Last question, and this may be a tough one to do on the spot but, book that you would recommend to read before you go to sleep at night underneath your Gravity blanket?

Mike Grillo: Oh God. I don't read. It's really bad. I do ... I keep plugging Calm, everyone thinks that I'm sponsored, but they have these cool sleep stories and they have one with Matthew McConaughey who reads to you. So, that's a version of a book but I'm really bad in that I don't read. It's really embarrassing to say.

Jen McFadden: Your mother will appreciate hearing that too.

Mike Grillo: Oh, she will. 100%.

Jen McFadden: Well Mike, thank you so much for coming. We really appreciate it and we're delighted you came to Yale today and that you're spending time with some of our students. We can't wait to try all the new products that you've got coming out.

Mike Grillo: Thank you so much for having me, this is awesome.