



At the Burt's Bees R&D Lab in Durham, N.C., scientists experiment with various natural ingredients and pigments like raspberry seed oil, moringa oil, and more.



# HIVE MIND

WHY **BURT'S BEES** IS  
LENDING MARKET  
KNOWLEDGE TO NATURAL  
PRODUCTS STARTUPS

BY KELSEY ALPAIO



## WHEN IT COMES TO

startups and big companies working together, finding the right partner can be a bit like hitchhiking. The startup waits patiently along the side of the road, hoping a big corporation will pull over its 18-wheeler and pick them up. But hitchhiking isn't always the safest option. And riders and drivers don't always find common ground.

This isn't just a metaphor—it's the way Burt's Bees, the all-natural personal care company, was founded in 1984. The two founders met when Burt Shavitz, a beekeeper, picked up Roxanne Quimby, an artist, from the side of the road in Maine. The two began collaborating on projects using leftover wax from Shavitz's hives, eventually creating a popular line of beeswax lip balms, soaps, and lotions. The company, now headquartered in Durham, N.C., was bought by Clorox in 2007 for \$913 million.

The passion for entrepreneurship and all-natural products is still buzzing at Burt's Bees, but the organization has moved away from what you might call the "hitchhiking" method, with its randomness and unpredictability.

"The [Natural Launchpad] was founded on the idea that creating better relationships creates better outcomes," says Andrew Douglass, R&D Director of Open Innovation at Clorox. "It's very difficult to assess who's a good partner to work with... The whole idea of the program was to create an environment where we could learn about each other for several years. Through learning about each other, we will create better outcomes together."

The Natural Launchpad, which Douglass helped to conceive and implement, is an annual grant program for natural products

entrepreneurs. Ten startups are selected every year, each receiving a \$10,000 grant, mentoring at Burt's Bees headquarters, and access to the other entrepreneurs in the cohort. But the desired corporate "outcomes" from the program are still loosely defined. Currently, Clorox and Burt's Bees are simply looking to identify high-potential startups, form partnerships, and learn from budding entrepreneurs. But down the road, Douglass suggests these partnerships could turn into investments, mergers, or acquisitions.

The Launchpad, which is on its second cohort, is now headed up by Paula Alexander, Director of Sustainable Business at Burt's Bees.

## AN IDEA BORN FROM INTERNAL CROWDSOURCING

Every year, Clorox runs an employee idea event called Innovent. Hundreds of individuals submit ideas, hoping they will get the most votes from their fellow employees. This is where Douglass first submitted the idea for the Natural Launchpad.

"We did groundwork on where the white space is in the entrepreneurial accelerator market," says Douglass. "The idea of Burt's giving back to the entrepreneur community, tapping into its roots, and helping to generate this natural environment—that got a lot of resonance," says Douglass. "In terms of ROI, we did a fair amount of research, and there are multiple pieces of it. Tapping into a community, building for the long haul, recognizing the risk of mergers and acquisitions. We placed in there that there should be some deal exits, at a certain frequency from a financial side."

The Launchpad was voted one of the top ideas as part of Innovent in January 2015, and Douglass was soon developing the business case, forming a team, and pitching the idea to a subset of Clorox's executive committee.

"We were just pitching to get to the next stage," Douglass says. "We hadn't thought at all about how we would run a mentoring day [for entrepreneurs.] We just knew that we wanted to get out and advertise to get people to come in. If we had enough people who would come in and actually enter to try and win a grant, then we would figure out how to run the next stage of it to bring them on site."

That incremental approach worked, and the idea got greenlit in June 2015. By February of 2016, the Natural Launchpad was accepting applications, looking to attract "up-and-coming thinkers, the dreamers, the midnight-oil-burning innovators," as its website advertised.







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A photo of Burt Shavitz, the beekeeper behind Burt's Bees, sits in a window at the company's headquarters. Shavitz founded the company with artist Roxanne Quimby in 1984.

## APPLICANTS THAT FIT THE BILL

In its first year, the Launchpad received more than 100 applications. Startups that applied had to be in the health and well-being space, with revenues between one dollar and \$2 million. The Launchpad also put an emphasis on companies that were environmentally responsible.

The 100 applicants were initially evaluated by a third party, which narrowed them down to a group of 25. Then, this group was cut down to 10 by Alexander, Douglass, and others, including Burt's Bees leadership.

"We get around the table and drink drinking chocolate, eat coffee bars, smell personal care products, and eat bagel chips," Alexander says about the vetting process. "We always want to make sure that [these startups are] delivering great products that will delight consumers, but also want to make sure that they're well on their way to being a responsible company."

In its second year of taking applications, the Launchpad focused on applicants that were more mature, with annual revenue between \$200,000 and \$2 million. That caused the number of applications to drop to 75, but their overall quality and market-readiness increased.

Those further-along ventures, Douglass says, were at "more of a sweet spot" for Burt's Bees and Clorox. "They were at a place where we could provide more value to them, in terms of knowledge, and then that whole reciprocity was stronger. They had more brand recognition, more reach. Therefore, we had more visibility as the sponsor of this program."

### Burt's Bees Natural Launchpad: Participant Companies

- ▶ **EarthKind** EarthKind creates natural pest prevention products, made from essential oils and plant fiber. They guarantee that their products will eliminate pest infestations without the use of toxic chemicals.
- ▶ **ReGrained** When beer is brewed, sugar is extracted from grain, leaving behind micronutrients filled with protein and fiber. ReGrained calls this byproduct "Super Grain," and uses it to create healthy, sustainable snack bars. Flavors include Chocolate Coffee Stout and Honey Cinnamon IPA.
- ▶ **Seedles** Seedles are balls of seed, compost, and clay-seed bombs that you can just "throw and grow." These balls make it easier for individuals to fill the empty spaces in their yards and neighborhoods with colorful flowers that benefit pollinators—including bees.

## THE RELATIONSHIP

Startups that are selected for the grant program receive several perks, without Burt's Bees or Clorox taking any equity. These include a \$10,000 grant, a day-and-a-half of coaching at Burt's Bees headquarters, access to a community of peers, and permission to use a Natural Launchpad seal on their products and marketing materials. But Douglass says the more significant outcome, for both participating startups and Burt's Bees, is the relationships the companies form with each other.

"The program was founded on the idea that creating better relationships creates better outcomes." Douglass adds, "It's very difficult to assess who's a good partner to work with... In [an] M&A context, you get to peek... [but] it's very hard to know what a company is really like... The whole idea of the program was to create an environment where we could learn about each other for several years."

In terms of attracting entrepreneurs to the Natural Launchpad program, Alexander says that many hear of it by word-of-mouth, or at trade shows like Natural Products Expo East.

"There's such a value in the mindsets, in the creative spirit, and the 'we can knock down any barrier' [attitude]," says Douglass. "We've engaged some of these entrepreneurs that come in to help us to solve problems we have in our own innovation, because they bring a very fresh and different, diverse perspective... Entrepreneurs, at very early stages, can get access to broad markets by using web sales. Entrepreneurs have amazing access to funding through crowdsourcing platforms... There's a huge community of people who are making things that you can tap into. You can tap into expertise, you can tap into cash, and you can access markets."

Kari Warberg Block, founder of the natural pest prevention company EarthKind, participated in the first cohort of Launchpad, and says the resulting relationships really do feel symbiotic.

"What was most valuable was looking at how fast the consumer is changing, and looking at how fast companies nowadays have to innovate and get to market, which is extremely difficult to do when you're a small company," says Block. "But I think it's even harder to do when you're a big company... The future of innovation and the future of growth is going to be more of a harmonious, cooperative endeavor, much like how nature evolves. There's a whole ecosystem involved, and I think it's really innovative what Burt's Bees is doing, because they're reaching out their hand and creating this new network where there's a lot of sharing."







Block says one of the most valuable relationships formed through the Launchpad happened as a result of the time she spent at the Burt's Bees headquarters in Durham, N.C. for the program's "Durham CEO Exchange." During a "speed dating" exercise where grantees were able to meet with employees of Burt's Bees, Block met with an employee who had extensive knowledge on working with retailers.

"[This Burt's Bees employee] helped me move the dial and get four SKUs with a major retailer," says Block. "Each customer has their own way of doing business... Consumer packaged goods is so difficult right now, there are a lot of changes. But she gave me advice... I've been able in return to help this person get a broader perspective on her approach, because her goal is someday to be a CEO."

Despite the creation of reciprocal relationships like these, neither Burt's Bees nor Clorox has made any formal investment in Launchpad companies, but Alexander says that is a possibility in the future.

"It's certainly a conversation that we have," says Alexander. "We may over time evolve [the Launchpad participants] to be larger companies, or getting it to the point where it might [involve] staged investment."

## PROGRAM EVOLUTION

In addition to raising the revenue floor for applicants in year two, Alexander says there were several other alterations to the program for the second cohort. One change involved

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the Durham CEO Exchange.

"We had the entrepreneurs really finding value in coming out here," says Alexander. "[In year one, participants] felt like they didn't have enough time to really dig in. We adapted the program...making sure that we were spending plenty of time with subject matter experts... Also, having plenty of good interaction time amongst each other, because they are at similar stages of development, and facing similar challenges."

In year one, Alexander says 80 percent of participants in the Durham CEO Exchange said that they found a high level of value in the program. In year two, 100 percent said that it was of high value.

"What they've really found valuable was having exposure to the Burt's Bees culture and how we have built that, because these entrepreneurs are starting to build teams of their own," says Alexander. "These entrepreneurs are at this stage where they need to start doing that—engaging employees, and having [their authentic culture] come through in the way they sell their products. By coming to Durham, really get a sense for how we've done that and how to help that be a real competitive advantage." ●

The exterior of the Burt's Bees headquarters in Durham, NC. Every year, participants in the Natural Launchpad visit the HQ for the "Durham CEO Exchange."