Masters of Scale: Rapid Response Transcript – Andy Katz-Mayfield

“Surviving a close shave, with Harry's co-CEO Andy Katz-Mayfield”

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> **ANDY KATZ-MAYFIELD:** I had to get up the day that the FTC announced they were going to block the deal and put on a happy face and talk about all the silver linings to the company. At the time, I probably half believed that. But now, I 99% believe that.
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> It wasn't just like magic that we've been able to pull through and create more value. Some of the macro things around COVID have been a benefit to our business and helped I think. It’s been really clear on these like omni-channel capabilities that we have are truly distinct and differentiated and a real competitive advantage moving forward.
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> Of course, there were still some benefits to the merger, or we wouldn't have done it. But, we're much better off as an independent company, and I think fortunate to be where we are.

BOB SAFIAN: That’s Andy Katz-Mayfield, co-founder and co-CEO of Harry’s, the shaving and consumer products company.

Harry’s faced a double whammy in early 2020: first, the federal government blocked a billion-dollar-plus acquisition of the company, disrupting all kinds of plans. And then soon after Covid-19 lockdowns hit.

I’m Bob Safian, former editor of Fast Company, founder of The Flux Group, and host of Masters of Scale Rapid Response.

I wanted to talk with Andy because, given that environment, you might expect all sorts of lost momentum.

Instead, Harry’s has been rejuvenated, recently raising a bunch of fresh capital, at a valuation well above the blocked merger deal.

Through the pandemic, Andy explains, Harry’s got demand for some unexpected products, and introduced several new brands.

Now, with a war chest at their disposal, Andy and cofounder and co-CEO Jeff Raider are looking to acquire brands, having switched from seller to buyer.

It is a classic entrepreneurial feat, finding strength and new opportunities amid disappointment and disruption.

[Theme Music]

SAFIAN: I'm Bob Safian and I'm here with Andy Katz Mayfield. The co-CEO of Harry's. Andy is joining us from his home in California, as I ask my questions from my home in New York. Andy, thanks for joining us.

> **KATZ-MAYFIELD:** Thanks for having me Bob.

SAFIAN: So Harry's has had quite a journey over the last 18 months – and not just because of the pandemic. I was thinking when I last talked to your co-founder and co-CEO, Jeff Raider, in late 2019, you all had agreed to this $1.37 billion acquisition by Edgewell, the makers of Schick and Wilkinson and a bunch of other brands, Playtex and Banana Boat, and so on. And in that deal, you and Jeff were going to run the combined operation as U.S. co-presidents.

And then early February of 2020, the Federal Trade Commission blocks the deal, Edgewell pulls the plug, and this deal that you're all really excited about, just poof, went away. How did you first hear about the FTC decision, and how did you all react and deal with that unexpected turn of events?

> **KATZ-MAYFIELD:** Yeah, we entered into the merger agreement with Edgewell, I think it was April or May of 2019. So we had been planning for integration and going through the process. I think December, January, we knew that there was some resistance. So when the FTC ultimately decided to try to block the deal in February, it wasn't a complete shock. We had gotten signals along the way. But as you mentioned, it was certainly disappointing because we had put a lot of time and energy into that process, and we were excited about the future – and then three weeks later COVID hit.
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> So that was a one-two punch that we were not expecting. But ironically, and with the benefit of some time and some hindsight, I think the fact that there was initially another adversity to go through caused us to get over the Edgewell thing reasonably quickly, and just refocus on our business and our future.
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> In some ways, the last 12 months, or I guess 15 months for us, it's been really clarifying in terms of what our vision is, what we're good at.

SAFIAN: I want to just unpack just a little bit those two, twin disruption events, between the deal and COVID. But in between, how were you responding? Were you like, "Oh, I have to dust off these old plans that we had of what we were going to do." Or were there things that you had gone through in preparing for the deal that were like, "Oh, this points us to where we're going to go, even though there isn't going to be a deal?”

> **KATZ-MAYFIELD:** Well, I think the good news is that the vision hasn't changed that much. Back in 2017, really 2016 really started to get excited around this vision of

building this family of brands. So we were already down that path when we decided to enter into the agreement with Edgewell.

So when we exited that, there wasn't a real pivot from a vision standpoint. It was like, "Okay, well now we just know that we're doing this in a standalone way, the way that we had envisioned pre-Edgewell." And in a lot of ways, having had the opportunity to look inside the belly of the beast, so to speak, and understand from an inside standpoint, like what really went on in big CPG.

SIRI VOICE: CPG: consumer packaged goods.

KATZ-MAYFIELD: I think it gave us that much more conviction around doing this on our own, turning around brands and trying to reimagine and reinvent. As we look to M&A to add brands to the portfolio, really focusing on brands that are a lot more like Harry's and Flamingo that are built for a modern consumer with an omni-channel approach in mind where we can really help those brands accelerate growth, is probably actually a lot ... I don't want to say easy, but a lot more consistent than trying to reinvent and reimagine legacy brands.

SAFIAN: There is discussion in a bunch of industries and businesses now that, especially coming out of the pandemic that starting from scratch from that clean slate, there's a lot of advantages.

KATZ-MAYFIELD: Yeah, that's exactly right. We believe a lot in the power of launching things direct-to-consumer first. And a lot of that has to do with being able to test and learn and iterate and adapt really quickly. We've got great retail partners and there's a role for that. But if you are a business, that's got a bunch of brands that are entirely dependent on retail, as an example, it's a lot harder to pivot and adjust than in a direct to consumer world.

SAFIAN: I want to bring you back to the second disruption, the COVID disruption. For some businesses, the pandemic turned into boom times. For others that sort of became like a desert. As a grooming brand, I can imagine you thinking, oh, maybe the need for shaving drops off a little bit in a Zoom world, but you've also got that direct to consumer, DTC foundation, which generally held up really well. How did all of that net out? Was 2020 a good year? Was it a tough year?

KATZ-MAYFIELD: For us it netted to a really good year overall. We grew 25%-ish, year over year from a revenue standpoint. And our business today is a lot more diversified across channels, products, geographies, our capabilities and leadership in direct to consumer helped offset some of the challenges that we saw in a retail environment. And even our retail exposure is a lot more heavily weighted towards the Targets and the Walmarts of the world that actually fared reasonably well. And then we had interesting pockets of real growth.

For the Harry's brand, as an example, our body wash business did really, really well. Our wax business under our Flamingo brand did exceptionally well as salons were closed and women were looking for more at home solutions for hair removal. We launched a new brand Cat Person in the midst of the pandemic, which is maybe not the best time to launch a brand. But if you think about people staying at home, spending more time with their pets, investing more in their pets, and that's an entirely direct-to-consumer brand today. So the net for us overall, thankfully and gratefully, was definitely positive.

SAFIAN: Were there any surprises to you as the year went on? Or was it pretty straightforward despite the pandemic and the external environment?

KATZ-MAYFIELD: Maybe some of the things seem obvious in retrospect, but I think when we were living through it, if I think back to the early days of the pandemic, there was a lot of concern that supply chains were going to seize up or that retail would fall off a cliff entirely. And there were certainly challenges there, but I think those were probably more short-lived than we might've feared. Body wash is actually an interesting example because one of the trends there that I think would have been hard to predict where there's sort of an obvious thing that was going on with soap, in bar soap and hand soap and increased usage there, but that wasn't so much what was going on with body wash.

It was more that because consumers were staying at home and maybe they weren't spending as much money on beauty products or their hair gel styling products, they were actually shifting spend. And perhaps our body wash is priced at a slight premium. And consumers willing to invest a little bit more on those daily pleasures of which our body wash would fit that category. So I think it would have been hard to predict that type of a tailwind or a dynamic.

SAFIAN: You mentioned the supply chain, it made me think of the blade factory that you have in Germany. How did the pandemic impact things there?

KATZ-MAYFIELD: Yeah. Thankfully there wasn't any disruption there, and that's really a credit and a kudos to our team on the ground there who's done just an amazing job managing a manufacturing facility through COVID. And I don't think we've missed a single shift over the last 15 months, remarkably, despite challenges. There were a lot of operational changes that they had to make on the ground to ensure safety and protocol and social distancing. And we are fortunate that the factory is in a pretty rural area that in the early days of COVID was a little bit less directly impacted.

SAFIAN: As you're talking, I'm thinking, entrepreneurs are often extolled for their flexibility and their agility. And, between the Edgewell turnabout and the pandemic, have your processes at Harry, or your metabolism changed? Are you better at dealing with change? Are you more active about scenario planning, or gaining out possibilities, or have there been shifts that you draw from this year's experience?

KATZ-MAYFIELD: Yeah, I think that's a great question, and one that I've reflected on. I do think that the team has proven to be incredibly resilient in the last 15 months. And obviously a lot of companies have gone through adversity but probably not many that have had the multitude and breadth of challenges that we've had as we've talked about it internally, and as Jeff and I have chatted, we've used the term battle-tested. And I do think that there is real value to having a team that is quote unquote battle-tested.

I do think we're much better equipped to deal with change and adversity in a way that will benefit us going forward. Because I assume it will continue to be not linear.

SAFIAN: Yeah. I mean it's been a stressful environment. How do you help your team with their stress? How do you manage your own stress? How as a leader, has that been worked through the way Harry's works and the way you get through your days?

KATZ-MAYFIELD: The easiest answer to that question is empathy. Everybody's had a challenging year and trying to be empathetic on that front, understand that people are dealing with a lot outside of just purely the work context. For us as a company there was actually a very natural tie in. So we give 1% of our revenue to social causes and have always thought about the community and social impact partners as an important constituent. And for the Harry's brand, the cause that we really champion and support is mental health and men's mental health specifically, which quite frankly, when we started doing that a few years ago, wasn't as common or accepted as part of the everyday dialogue as it is now.

But we use that lens a ton, particularly in the early days of COVID and just saying like, "Hey, mental health is really important here, how do we support the team through this?" Whether that's just time off, whether that's access to mental health resources, free therapy sessions – trying to understand that everybody's a person and it's hard to sort of disaggregate your work self, nor should you, from your life self and trying to treat employees and approach that through a whole person lens.

We have a weekly team meeting. It's the primary channel through which we can communicate what's going on, highlighting important projects. So we started just infusing a lot more like joy and levity into that meeting. We've got a bunch of employees who are highly musically talented and have side hustles as musicians. We'd just be like, "Hey, cool." Like, "Karen, sing us a song." Then there's just 350 people on Zoom, and Karen would sing a song. It just brought joy to people's five minutes of joy to the morning.

There's a lot of little things like that, that I think we tried to do. It's not a perfect substitute for in-person interaction, but just acknowledging and trying to bring some joy and levity to what can otherwise feel like a very transactional environment when you're remote.

SAFIAN: I want to ask how things work between you and Jeff, your co-founder? Some people think a co-CEO situation isn't a good idea – that the buck has to stop somewhere. Obviously, it's been working for the two of you. How does that division of labor work? Did that shift at all over the course of the year?

> **KATZ-MAYFIELD:** Yeah, it hasn't shifted over the course of the last year, but it has shifted over the course of the company in terms of roles and responsibilities and who's doing what. I think what we've tried to do is, at any given moment in time, be very clear about what those roles and responsibilities are, and where decision rights sit? I think the co-CEO model when it's challenging is usually when there's ambiguity, and it's like, "Well, is that Jeff's fear? Is that Andy's fear? Andy's got a different perspective." That can cause a lot of inefficiency and churn. When we're clear on: "Hey, here's our spheres, here's what I'm responsible for, here's what Jeff's responsible for, here's clearly who owns the decision in those realms."
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> Then we can back channel to each other and give each other feedback and input, and that's where there's real value to the co-CEO model. You've got a partner who understands exactly who you are, what the issues are, can give you unadulterated feedback and input. But, ultimately, in my sphere and areas of responsibility, Jeff is going to trust me and defer to me and vice versa. That's when the model works well. When things start to blur is when it becomes more challenging.

SAFIAAN: Yes, you talk about it, it's like, co-parenting. As long as the parents are clear about whose decision, then you don't let the kids go around to the other parents to get a different answer, things can work okay.

> **KATZ-MAYFIELD:** Yeah, in the early days of Harry's, when we maybe didn't do as good of a job at this, there was a lot of that. There was a lot of like, "Well, you didn't like the answer mom gave you. Go ask dad," or dad just disagrees with mom, and so now it's confusing.
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> We've learned from some of those mistakes in the early days and tried to get better there. We've also known each other for almost 20 years at this point and can finish each other's sentences, and are as close to a married couple as you could be without actually being married. That model also works better in that type of a dynamic where we've just got such a short hand in just implicit deep understanding of each other that we can function as one unit oftentimes.

SAFIAN: I assume when the Edgewell deal first emerged, you were both aligned that this was the right or promising step forward for the company.

> **KATZ-MAYFIELD:** Yeah, it's interesting. We weren't looking to sell the business, we were really excited about this multi-brand vision that we had laid out. We had raised private capital against that, and the Edgewell opportunity was a bit of a one-off. It was

unique in that it wasn't a big company, there was a lot of potential synergy and shave, specifically, which was still a pretty important part of our business, even though we were diversifying. It was a unique opportunity where we were being given the keys. So even though it was an acquisition, it was really like a reverse acquisition in practice. I had pitched multiple private equity firms on going and buying Edgewell and taking them private and folding it into Harry's.

We could never get the math to work on that, but ... Yeah, we were excited and aligned around that. When it comes to big strategic corporate decisions, of course, that's not like, "Oh, well, that's a Jeff thing or that's an Andy thing." We're going to have to debate in the line. But because we share the same values, have a similar worldview, I think have similar aspirations for what we want Harry's to become and the legacy, very rarely are we misaligned on big, important strategic decisions like that. We almost always see eye to eye on those types of things.

SAFIAN: You mentioned private capital, you recently raised another round of capital, $155 million at a valuation well above the valuation of the Edgewell deal. In hindsight, was it a good thing that the deal didn't work out?

KATZ-MAYFIELD: Yeah, it was, but I think the operative word there is hindsight, and honestly, it's also been a lot of hard work and a testament to the effort of the team and the resilience. It wasn't just like magic that we've been able to pull through and create more value.

I think, as I mentioned also, like a realization that doing this independently and unconstrained by legacy brands or legacy corporate structure, or some of the challenges that big legacy have, is just an easier path. I had to get up, the day that the FTC announced they were going to block the deal and put on a happy face and talk about all the silver linings to the company. At the time, I probably half believed that. But now, I 99% believe that. There, of course, there were still some benefits to the merger, or we wouldn't have done it. But, yeah, we're much better off as an independent company, and I think fortunate to be where we are.

SAFIAN: You've determined you're better as an independent company, but part of your strategy now is to go convince other brands like yours to no longer be an independent company and to acquire and be part of this. How does that work?

KATZ-MAYFIELD: Oh, you got me, Bob.

SAFIAN: Are there things from going through the process that inform how you have those discussions or what kind of partners you look for?

KATZ-MAYFIELD: No, totally, it's a great question and I think for us we've raised a ton of capital. We've built a ton of capability. There's been a lot of blood, sweat, and tears in the last eight years since we launched and almost 10 years since we really conceived of the idea. If you looked out there at brands that might look like Harry's did five years ago, or Flamingo did three years ago, there's a lot of things that we could provide access to founders of those brands and really help them.

You talk about independence, and yeah, of course, at some point, everybody's got to make that decision of do I sort of truly want to go it alone, or do I want to sort of partner up? And I think what we are hoping to offer, and we think can offer, is a bit of a different alternative than yes, you can go it alone. You can raise growth capital and try to build all these capabilities yourself.

Or you could sell to a huge CPG company. But that's got it's own challenges. And we, as founders, I think have a unique empathy for what that experience is like. And that's how we're approaching it. To say, "Look, we get it. In 95% of 99% of cases we're looking at, it's a brand and a team that we want to sort of join forces with us as this family, this collective of sort of disruptive, new age, underdog brands. And how can we help?"

SAFIAN: So what's at stake for Harry's in this moment?

KATZ-MAYFIELD: I think we've obviously proven that we can incubate and launch brands. We've done it a number of times at this point. We want to prove that we can do this inorganically, as well, and we just talked about an M&A, and really kind of establish ourselves as this ... Sort of ask yourself the question, "Hey, if Unilever, or Procter & Gamble, or Colgate were getting built today, what would they look like," and really proving that we are this sort of next generation P&G.

I think that's what's at stake from a business standpoint. And we've come a long way, but certainly still have things to prove out on that dimension. And I think relatedly, the other thing that really comes to mind when you ask that question is we're only as good as our talent at the end of the day, so how do we also establish ourselves as this really inspiring and sort of aspirational, amazing place to work?

We've been fortunate in being able to sort of recruit and retain great talent. But as we think about building not just the investor sort of corporate brand around Harry's Inc., but also that sort of employer brand and value proposition, experience that enables us to just continue to have a talent advantage, vis a vis some of these larger legacy companies. I think those are the things that'll really make or break us over the next couple years.

SAFIAN: I mean, you know, the P&G and Colgate of tomorrow, they are not small aspirations in this. I mean, you've come a long way, but there's still a lot of ground you see ahead of you.

KATZ-MAYFIELD: Yeah. That's the exciting part. It's a big ... If you look at the size of those companies and the markets there, it's a massive opportunity. And that's where I think we feel like we're just scratching the surface and getting started. And so some places, maybe there will be true white space and we want to incubate and develop things on our own. And in other areas where it's going to make a lot more sense to help somebody that's already doing it well. But yeah, I think that's what's exciting about being an independent company and seeing a very long term path to sustain growth. And impact, as a result.

SAFIAN: Well, this has been great. I have a question to ask you that's purely a point of personal curiosity, I have to ask you about it: Prince Harry and Meghan. So, do you notice any increased clicks when news about them pops up? Like, you didn't know that Harry would be such a strong search term when you picked the name, right? Does anything happen?

KATZ-MAYFIELD: You know, that is a good question. I'd have to ask our direct to consumer team if there was any actual increase of activity coming out of that interview. But ironically, while yes, Prince Harry is a famous Harry, if you kind of go on social media, the Harry that most often gets conflated is Harry Styles, because it's like Harry S, like Harry's. So in our mentions on Twitter, and Instagram, and like that, there are a lot of Harry Styles's fans. So we'll have to figure out how to do some sort of collaboration there in the future. I think the prince is probably going to be a little bit harder to lock down on that front.

SAFIAN: Well, life is long. We never know, right?

KATZ-MAYFIELD: True. Maybe both.

SAFIAN: Well, Andy, I just want to thank you so much for joining us. It's been great.

KATZ-MAYFIELD: Yeah, well, thanks for having me. Very much appreciate it. Enjoyed the conversation.