

Masters of Scale Episode Transcript: Jessica Alba

“Make your customer the star”

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HOFFMAN: In just a moment, we'll be talking with entrepreneur and movie star Jessica Alba about scaling The Honest Company. But first, we're going to start with a story to set up our theory for this episode.

DEREK DELGAUDIO: The room was surrounded in black. The stage itself was slats of wood, like you'd see on an old ship. And there were six square chambers on a large wall behind me. And each one contained a different object or scene of sorts that I would interact with over the course of the performance. At the top left, there was an automaton with a gold head and a wolf's head in another box and a broken window with a brick smashed through it in another box, and a bottle of booze.

HOFFMAN: That's sleight-of-hand artist Derek DelGaudio describing the set for his stage show "In and of itself." I'm not going to spoil the show by giving any more details – you really need to see it yourself. But I will say that the surreal set up Derek just described is aimed at building a very real and lasting connection with his audience.

Judging by the emotional responses from those who've seen the show – and the critical acclaim it's won – Derek succeeded.

DELGAUDIO: It's nice to know that something that you've made resonates with people in a meaningful way. As an artist, that's probably the most rewarding thing to know that the thing you tried to say was heard, and it made some impact.

HOFFMAN: For Derek, the real magic is making art that stays with his audience long after the curtain closes.

DELGAUDIO: Magic works because you know that it's happening in real time right in front of you. And the more that you can verify those circumstances that this is actually happening right here and now, the more effective that moment of astonishment is.

Creating a transcendent moment for someone or for a group of people can be done with anything, I believe, you just need to have that be your aim.

And if that intention is pure hearted, and it is really genuinely trying to point to something greater than what we're able to necessarily see or hear, then I'm all for it. And it boils down to: It has to be true. And it has to be honest.

HOFFMAN: Derek emphasizes the importance of the real, lived experience in creating the wonder of a magic show.

I couldn't agree more. And it's a perfect example of why I believe the more you understand the "in real life" experiences of your customers, the more magical your product will be.

[THEME MUSIC]

HOFFMAN: I'm Reid Hoffman, co-founder of LinkedIn, partner at Greylock, and your host. And I believe the more you understand the "in real life" experiences of your customers, the more magical your product will be.

You may have heard about Silicon Valley's current obsession with the idea of creating a "metaverse" – an immersive virtual 3D world in which we can interact with each other in real time.

Now, I'm a tech optimist, which is why I believe there's a strong upside to the metaverse – as long as we maintain our connection to the real people and real lives that underpin the system.

In short, it will be essential to make sure that the virtual world doesn't eclipse our IRL world.

This term IRL or "in real life" is also an important one to keep in mind as an entrepreneur. It will help you avoid a classic mistake of entrepreneurship: falling in love with a product or service that you imagine will be a huge success, without taking account of what it will do for your users in real life.

It was an exchange that I had with Jessica Alba during our interview that got me thinking more about the term IRL, and specifically how important it is for entrepreneurs to maintain focus on the IRL needs of their customers.

JESSICA ALBA: A lot of these ideas come from: What do I wish that I had to optimize the life experience? And then, how can we do it?

HOFFMAN: Jessica gave disinfecting spray as an example of this approach.

ALBA: Usually when you're disinfecting, you'd have to open all the windows and clear out, because it's such a strong scent. Ours is basically odorless, and it's super neutral, it's really safe, but it still kills all the germs. So it's like you get to do both. So a lot of it just comes from "IRL" is what I call it, in real life.

HOFFMAN: Yes, yes. It's a very good geek term.

ALBA: I asked the team, I'm like, okay so what's the IRL version of this?

HOFFMAN: I wanted to talk to Jessica about finding the IRL version of your product because, as a hugely successful entrepreneur and film star, she knows all about the importance of cutting through fantasy to get to reality.

It's something that Jessica continues to do to great effect as co-founder of The Honest Company, which she built around her passion to make childcare and household products that are safe and eco-friendly.

Remember, we just heard Jessica say that she asks her team: "What's the IRL version of this?" It's a question you need to be asking yourself and your team constantly in order to make a product that will enhance your customer's everyday lives. Jessica's reality when she was growing up was a constant struggle with ill health.

ALBA: I had a lot of terrible health issues, asthma, and allergies. I had several surgeries. I had cysts removed and kidney issues and my tonsils, my appendix. I was allergic to grass, oranges, strawberries, anything outside: trees, dust, hay, animals.

HOFFMAN: But Jessica was determined to put herself out into the world.

ALBA: I was the kid with the breathing machine. I literally would like ... We had a breathing machine in my car when I would play sports. But I was very competitive. I wanted to play with the boys. I wanted to be better than the boys. They were my competition.

HOFFMAN: At the age of 11 Jessica persuaded her mom to let her enter an acting competition. She won the top prize: free acting classes. Within a year she was signed with an agent and booking roles. What remains a wild fantasy for many became a reality for Jessica. But as the jobs came in, Jessica soon noticed an ugly side to this reality: just how ingrained typecasting was.

ALBA: So I looked around, and I was like, "Okay, I'm this Mexican girl and no leading lady looks like me here." But I know that a lot of people in America and a lot of people in the world look like me. Even though Hollywood was so white and had this idea also of what it is to be a hero and to be strong and to be noble and all of these things, and white men were the only ones that got to portray these things. Superheroes, always white dudes. And I was like, "Gosh, I wanted to be an action hero. I wanted to do comedy." And I felt like there was a place for someone that looked like me.

I asked the agents in Hollywood, why men, and why this? And they always said, "It comes down to money. They put asses in seats. You know you're going to get that box office. And so the fans are showing up for them." And I was like, "Okay. So I just need to get the fans on my side."

And my strategy was to do as much PR as possible and to reach out and connect with the fans as much as possible.

HOFFMAN: Jessica wanted to help make the silver screen less monotone, and more reflective of the real-life experiences of people whatever their background. So she bypassed the Hollywood machine and reached out to the fans herself. Remember: this was the early 2000s – a time before social media had made direct contact with fans the norm.

ALBA: So I would travel to Japan and Germany, which were the two other biggest territories. Japan was the hub at the time to appeal to the Asian market. And Germany was the hub to appeal to the European market. And then, obviously, North America.

HOFFMAN: Hollywood had created a self-reinforcing bubble that quashed diversity and ignored the IRL experiences of audiences and marginalized performers. And the execs in charge had no vested interest in changing it as long as the tickets kept selling.

Jessica's innovative thinking and grit helped her escape this bubble, and as she became more successful, she was able to choose the kind of roles that interested her.

ALBA: My whole late teens, early 20s, I only wanted to do global distributed projects. I only wanted to be the lead. And if it was written in any way that that made my character a damsel in distress or a victim, I would always request to alter the role to have her come out as a hero.

HOFFMAN: Anyone who knew Jessica before she achieved stardom wouldn't be surprised by her refusal to let the system dictate her path.

ALBA: I always questioned the way things are done. I always felt things could be more efficient, things could be connected better and optimized. And I just felt like so much of the world was built for this white guy. I hate to say it, but you just didn't see a lot of power in the hands of young girls that were brown. And so for me, I was just like, "I matter, I have a voice, and there's so many others that are like me, whether it's someone that looks like me or others that feel disenfranchised."

And I didn't want luck to just happen. I wanted to create my own luck.

HOFFMAN: Jessica rose to fame with the TV series *Dark Angel* and movies such as *Sin City*, *Fantastic Four*, and *Some Kind of Beautiful*. But before the success she experienced something that is common to founders and actors alike: a string of setbacks.

ALBA: I have the advantage of experiencing rejection, because as an actress, when I was 12 years old, I had 1,000 no's before I got my one job where I played the girl in the background, and I got my one line. And got paid 500 bucks that day, and I'm putting in 13 hours of work. So that is my experience that brought me to the place that I'm at in

how I tackle challenges, how I think through innovation, my process, right, my thought process.

HOFFMAN: As an actor, Jessica's understanding of what her fans wanted helped her overcome those setbacks and rapidly rise to stardom. Meanwhile, her childhood struggles with health and allergies made her particularly vigilant of what was in the products she consumed. When Jessica became a parent herself, this concern became even stronger.

ALBA: The thing that really landed when I became a mom was just that people, human beings, everyone is exposed to toxic chemicals, and passively, you don't even know it. And there are so many cancers, learning disabilities, obesity, early onset dementia, just so many issues that can happen, auto-immune, that happen to people because we're all exposed to all of these chemicals.

They're all really derived from these chemicals that aren't tested for safety before they're put into consumer products. They're testing on us, whether we're going to get sick or die. And usually, there is a long tailwind. It doesn't just happen overnight. And I was like, "I don't want to be tested on, and I don't want my kid to be tested on, and it's not right that anybody's tested on."

HOFFMAN: Jessica became involved in advocating for stricter laws on consumer safety. And while she was able to bring along the audience she'd cultivated for so many years, she found the politicians in Washington to be quite a different challenge.

ALBA: I remember lobbying and sitting down with various people who can get behind this legislation and vote on it. And it really, they got down to those brass tacks of, "Is this going to help me get into office or get re-elected the next time my election term is up?" And so it was just really sad cause human health shouldn't obviously be politicized like that.

HOFFMAN: So Jessica decided to take a different approach – one that made the most of her skills to make a real-life connection with her audience.

ALBA: I was like, "All right, cool." I'm fortunate enough to live in a country where you can have an idea, and you can surround yourself with the right people, and you can try it out. And even though I don't have a formal education in this space, and even though I've never tried it, and didn't go to business school, I have this idea, and I have access to the global community online. So I leveraged social media to be my sounding board and to build community. And I wanted to create this destination for people with my website that people can get educated on issues, but also they can buy the alternative.

HOFFMAN: Jessica set about refining the idea, talking it over with her husband, producer, and serial entrepreneur Cash Warren.

ALBA: I was like, "I eventually want to have retail partners, but I want to be able to own and have that relationship with the consumer, because that's what's important to me." And he was like, "God, this idea is way too big. It's way too big. Make it simple, make it simple." So I was like, "What is the one thing that you hate doing in the middle of the night?" And I was like, "When we run out of diapers. You always blame me. I blame you. We're always irritated at each other." And I was like, "Okay, so we're going to do a subscription with diapers so no parent has to go through this again."

HOFFMAN: Note how they are taking a very real-life scenario – from their own lives – that was not just particular to them. It was just the kind of simple idea that could be scaled to other products.

ALBA: And I was like, "And what is the other thing that's so annoying?" And I was like, "When we run out of shampoo or laundry detergent or any of that stuff, so we're going to do a subscription around that stuff, too." And I was like, "We're going to do a subscription model online. Because it's a predictable online e-com, and it's the stuff that really matters. It is around you, and it's touching you and your body and your space and your baby every single day."

HOFFMAN: It's worth noting here that Jessica didn't invent the concept of the subscription model. But what she did do was take that model and apply it to the IRL experiences of millions of people – parents. Diaper subscriptions were available, but none combined the reach and mission that Jessica envisioned for The Honest Company.

Identifying the IRL needs and concerns of parents helped identify a gap in the market.

Also, notice how one of the key reasons Jessica wanted to keep the idea simple was so she could have a direct relationship with her customers. Often we talk about the minimum viable product and how it helps us get to market as quickly as possible. But launching an MVP also helps us start building our IRL relationships with our customers as quickly as possible.

This will help you learn what they like, what they need, what turns them off. And if you do this in a really smart way – as Jessica has – you'll make your customers feel like valued partners. And this in turn will make them more willing to give you a window into their IRL experiences.

[AD BREAK]

HOFFMAN: We're back! With Jessica Alba, co founder of The Honest Company. If you're enjoying this episode and want to share it with friends, send them the link mastersofscale.com/alba. That's A-L-B-A. And to hear my complete interview with Jessica Alba, become a Masters of Scale member at mastersofscale.com/membership.

Before the break, Jessica had developed her idea for The Honest Company as a way to give people daily use products that they could trust were free of harmful chemicals.

Jessica pitched the idea to ShoeDazzle co-founder Brian Lee, who initially turned her down.

ALBA: And then he had his first kid, and I re-pitched the idea. It was pretty much the same idea, but maybe I did it instead of in an hour long conversation, I did it in 15 minutes. And then Brian jumped on board because he saw his wife change all of her habits and throw out everything in their house when she learned about how chemicals are hidden in everything, certain nasty chemicals. And he's like, "Maybe there's something here."

HOFFMAN: Sometimes the people you're pitching to won't understand your idea. They need a little help in understanding your IRL experience.

ALBA: It's really interesting because all of my initial VC meetings, everyone was like, "I'm going to go home and ask my wife if this is something that she likes." Literally every single one of them. I don't even know if there was a women's bathroom in some of those offices. It's always awkward when you're eight, seven months pregnant. I was going around pitching the deck, and you're pregnant, and you see a urinal. You're like, "Yes, this is the life." But it's just the reality of what it was like 10 years ago.

HOFFMAN: Eventually Jessica secured the funding.

ALBA: It took me three years to go from the idea and people basically giving me every reason up, down, left, right, why it shouldn't happen. And I actually think that's good. I think it prepares you for what it's like to run a business. Because running a business isn't rainbows and clouds and fairies. It's friggin impossible, because there's nothing but challenges and complexities, and you're going to get hit left and right with every reason why you shouldn't exist. And so I think for me that three years of pushback just gave me the armor I needed to start the business.

HOFFMAN: Jessica is right, running a business is hard, and starting one is even harder, which is why it's so vital to have a deep understanding of the real life experiences of your customers. Which means you need to know their concerns.

ALBA: I'm thinking of the exhausted, sleep-deprived parent. So how can I give ease, peace of mind to that person? The soon-to-be parent has a different thing. They have nothing but time and research, and so the way that you communicate to them is different than the tired, sleep-deprived new parent. And then you have the person who's just woke, who's in the world, reads the news, is on social media, and cares about stuff.

HOFFMAN: Notice how Jessica divides her potential customers into different cohorts.

By doing this, you can often uncover surprising insights about how customers interact with your product in their everyday lives. And the more fine-grained you can get about these cohorts and their IRL experiences, the more you can fine-tune your strategy to scale.

For an example of this, we spoke with Greg Steltenpohl, founder and CEO of Califia Farms, maker of plant-based dairy free drinks.

Sadly, Greg passed away shortly after we recorded this interview. Greg did a lot of good in his life, and will be truly missed. Our producers relayed to me how kind, generous, and full of joy Greg was when they spoke to him. We know that Greg loved helping others by sharing his experiences, and I think every entrepreneur will learn from Greg's story.

Greg founded Califia in 2010 – originally as a juice company with a mission to reduce food waste. He soon pivoted to almond milk, and then expanded to other beverages. In 2020, the company raised \$225 million in its series-D funding.

Greg wasn't just a hugely successful serial entrepreneur, he was also an early visionary for how business can achieve wide-scale good in society. And he could find opportunities for doing that in the unlikeliest of places. For example: your refrigerator.

GREG STELTENPOHL: One thing we learned is that things have to look good in the fridge nowadays. I don't want to trivialize ... I've just heard it fed back to me so many times, like, "Greg, it makes my fridge look better. I get happy when I open the door. I like the way they..." They, meaning: "If I get a few of them, they line up." And so, I don't know, there's just an aspect to design.

HOFFMAN: There's a very good reason Greg avoided trivializing this kind of observation: because it gives you an insight into the IRL experience of your current and potential customers. Gathering many of these observations is essential, particularly when you're making that tricky transition from appealing to niche first adopters to mass-market customers.

STELTENPOHL: The listening has to get, in my mind actually, even better and better as you go up that scale curve. So the last thing is, just don't think about ingredients and attributes so much as experience and transformation. So what I mean by that is, what I find is that most entrepreneurs when they start out, a lot of them have a product or an idea and they want to sell that idea. So they don't tend to focus as much on, what happens actually if you project yourself into the future, and you imagine the case of it being accepted by the massive believers? What does that feel like? Rather than, oh it's just this cool thing first.

Yes, first you have to be cool. But if that's all you care about, many times the world passes you by, and someone else takes all that other big share. So, this sort of sitting in the future and saying, "What is it like? What is it that people really want? Do they really care? Do they really want almonds, or do they really want oats? What is it?"

The big point I'm trying to make is that many times the reasons your early adopters got in are the very things you cannot tout about it when you want to make a much more universal belief system. So the ultimate good is to get people drinking oat milk, not tell them that it's better for the environment. The environment will get better by them drinking it. So it's the old adage, don't let my selling get in the way of your buying. So it's sort of a truism, but it is true.

HOFFMAN: This is one of the key strengths in knowing the IRL uses of your product – it lets you build an early, rapid, and genuine connection with your customers. But it's something you need to keep working at. As Greg knew so well, the IRL use cases among your early adopters may be very different when it comes to your next, wider group of customers.

Jessica's sharp focus at The Honest Company on the IRL experiences and needs of her customers allows her to build accurate hypotheses about their behavior.

ALBA: It's like, I'm here for you as well. And here's how I'm going to show up to make your life better and give you peace of mind and give you a better quality of life, so thinking through those cohorts is important.

HOFFMAN: There is infinite nuance when it comes to the IRL needs of your customers, and there are many ways to uncover them. And it's important you make use of as many of these as possible. One method is psychographics – described here by data journalist and author Alexandra Samuel.

ALEXANDRA SAMUEL: So in the olden days, market researchers would rely on demographics to help segment audiences and demographics are really useful, right? What age is somebody? What gender, ethnicity? Where do people live?

Those are very useful data points particularly in understanding how consumers evolve over the course of lifetime. But as we all know, not all aged white ladies in the suburbs think the same way. And that's where psychographics come in: in understanding the differences in how people think.

The virtue of psychographics is that it allows you to ask attitudinal questions so that you can segment your audience, segment your customers, based on their mental models and their psychological orientations. And that may allow you to develop the messaging and strategies that you just can't get from behavioral patterns alone.

HOFFMAN: One example that many teams have been grappling with is navigating the transition from remote work back to the office.

SAMUEL: At first, when I started doing this research on who likes doing remote work and who is eager to go back to the office. I assumed that the people who would be most

enthusiastic about remote work would be people with kids, because who doesn't want to have the flexibility to be able to work more from home?

But it actually turned out that some of the people who were most eager to return to the office are people with young kids, because it's super annoying to try and get your work done when the kids are pestering you. This has been an issue for me personally during this time.

When you look at the psychographics, and you understand that actually those parents are often very eager to go back to the office, it starts to look like, actually it's a better bet to market your remote infrastructure to people with older kids or people with no kids. Because those are the folks who have actually been successful at making remote work sustainable.

HOFFMAN: Even when you have a deep appreciation of the IRL needs and fears of your customers, your partners may not. And this can be fatal. This is exactly the problem Jessica faced in 2016 when the company ran into issues around the quality control of some of its products.

ALBA: We couldn't get that transparency and that trust from our lab partners, because they're in the business of: let's use the cheapest stuff and throw it together and try to make the most amount of money off of this, because they have their margins they're trying to achieve. And they're not thinking through: What is the human health ramification here? They're that far away from the consumer.

HOFFMAN: It was a valuable lesson. A chain is only as strong as its weakest link. If you've spent time forging a relationship with your customers, you also need to make sure your partners are just as invested. If you can't be sure, you should consider removing that partner from the equation.

Honest learned from this experience, overcame the controversy and went public in spring 2021 at a \$1.4B valuation.

ALBA: So we have our own regulatory team, supply and operations team that doesn't just do fulfillment and find the best in class partners. But also we source raw ingredients. We buy them in bulk, we know from a supply chain perspective where things are coming from, how they're sourced, and then we can batch them at our manufacturing partners space. We spend time teaching their team how to do it. We'll even spend weeks at a time doing it if we need to, to get it right. And then we do consistent checks. So just having that rigor is super important.

HOFFMAN: It was a bold – and expensive – move, but well worth it.

ALBA: If there's no honesty, there's nowhere to even begin. So I just feel like having that honesty and there's values around honesty that are ethical. And I just felt like, gosh, there's so much trickery and thievery and greediness, and if people were just honest about stuff. If you walk into the store and if the company says we are poisoning you and you may experience X, Y, and Z, because we need to make two percent more money this quarter than last year. So we're going to give you this aerosol room spray, and it's going to smell amazing. But, you may have less brain cells, you might get cancer, be honest about it. Just be honest. And then people can say, "Yeah, I want it. I don't care. It smells great. Give it to me." Or not.

HOFFMAN: It may seem obvious that people crave honesty and clarity in their real lives. But this is also easy to lose sight of. You need to be proactive in reaching out to your customers, understanding their needs, their fears, their hopes, and then figuring out how you can address them.

Which is why it's so important to keep asking yourself that question that guides Jessica and her team: what is the IRL version of this?

I'm Reid Hoffman. Thank you for listening.