Masters of Scale Episode Transcript: Daymond John part 1

"Part 1: How to partner like a shark"

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> **DAYMOND JOHN:** I was fortunate enough to grow up in Hollis, Queens where they believe something's in the water because there's got to be 30 hip-hop artists that come out of that area. And LL Cool J lived in the neighborhood.

REID HOFFMAN: That's Daymond John. He's the founder of FUBU, and one of the original "sharks" on ABC's "Shark Tank." But in 1994, he was a man from Queens trying to find LL Cool J.

In the early '90s, FUBU was a scrappy streetwear brand, selling mostly hats and t-shirts. They had a small but loyal following in the hip-hop community. Daymond just needed the right high-powered celebrity endorsement.

James Todd Smith, better known as LL Cool J, fit the bill.

> **JOHN:** I remember going over to his house, and he was leaving. He was moving to LA because he was going to go shoot a show called "In the House."
>
> I didn't know him that well, but I waited out there with my partners for about four or five hours.

HOFFMAN: Daymond and his partners didn't have a pitch deck, or a lengthy endorsement contract to sign. They had a T-shirt. And they wanted LL to put it on.

> **JOHN:** He came outside, and I asked him: Could he wear the shirt and take a picture? And he said he couldn't, because he was going on to a show. He had sponsorship opportunities from Nike and Adidas and all these people. Then if he wore my shirt, he's going to have to turn down millions of dollars.

HOFFMAN: In hindsight, this was a perfectly good reason to say no. FUBU was small and totally unproven. But they were part of the same community, raised just a few blocks apart.

So LL Cool J reconsidered.

> **JOHN:** He said that he saw me being a hard-working guy. He felt that he couldn't look at his customers, all the people that support him from the neighborhood in the face, if he didn't take this picture for me.

HOFFMAN: LL took the picture. And Daymond sprang into action.

JOHN: I spent every dime I had, and I took out an ad in The Source Magazine, the hip-hop Bible at the time. Everybody saw that ad.

HOFFMAN: That ad would give FUBU the credibility and leverage to secure thousands of orders and make their first big scale jump. And later, FUBU would give LL Cool J a piece of the company. It was a partnership that was both strategic and authentic.

That's why I believe the best partnerships are built on authentic alignment. And the more aligned you are, the more creative these partnerships can get.

[THEME MUSIC]

HOFFMAN: I'm Reid Hoffman, co-founder of LinkedIn, partner at Greylock, and your host. And I believe the best partnerships are built on authentic alignment. In fact, the more aligned you are, the more creative these partnerships can get.

Take a moment and think about your favorite food pairings. Like, chocolate and peanut butter. Or, peanut butter and jelly. And depending on where you grew up, and where you live, your favorite food pairing might be different. Just listen to a few of the answers we got when we asked our Masters of Scale team:

LIA: Feta cheese and tomatoes!

MARIE: Mango and sticky rice.

NUR: Cappuccino and brioche.

ADAM: Bangers and mash, bubble & squeak.

CHINEME: Attiéké poisson.

ADAM: Rice and kimchi, chips and salsa, spam and eggs, chocolate and chili, schnitzel and spaetzle.

JORDAN: Chicken and waffles.

ANNA: Gin and tonic.

HOFFMAN: There are chemical reasons why all of these combinations work. Or why a briny vinegar will brighten up your fish and chips, yet ruin your cappuccino and brioche. But you don't have to be a flavor scientist to know when something tastes good.

I want you to keep that in mind when we start to talk about partnerships, specifically, the strategic partnerships that can help your start-up reach scale. Instead of gin and tonic, think Ikea and Taskrabbit, or Microsoft and OpenAI, or even Starbucks and Barnes & Noble. These are companies that recognize in the other something essential they bring to the table. It's an authentic alignment of complementary assets. And the result is much greater than the sum of their individual parts.

(You'll often hear this expressed as "1+1=3." It's bad math, but great business!)

I wanted to talk to Daymond John about this because partnerships have been core to his business strategy from the beginning. As the founder and CEO of FUBU, Daymond scaled an iconic streetwear brand with an innovative series of partnerships that broke the mold for how fashion brands collaborate. He parlayed that success into a career as an author, a brand expert, and perhaps most famously, as an original cast member of the ABC series "Shark Tank" where he continues to mentor and invest in the next generation of entrepreneurs.

Daymond shared so many insights with us, in fact, that this is going to be Part 1 of a special two-part episode on strategic partnerships. Part 1 will cover the rise of FUBU, and how Daymond built it using a series of surprising partnerships. Part 2 will dig into how he has parlayed that success into a role as an investor, and founding cast member on Shark Tank. You might say, Part 1 is Daymond's journey to becoming a shark, and Part 2 covers how to operate like one. So stay with us.

Daymond founded FUBU in 1989 while working as a waiter at the seafood chain Red Lobster. But it wasn't his first business. Not by a long shot.

> **JOHN:** It was first grade. Everybody needed those No. 2 pencils, and all the kids always lost the pencils, or they got broken.

HOFFMAN: Yep, in the first grade, Daymond was looking for business opportunities. It was a scrappy operation to be sure.

> **JOHN:** I would take the pencils and with a little knife, shave the paint off the pencils. And then I would paint the names of the girls in school on the pencil.

HOFFMAN: His initial strategy was to sell to the boys in class, who he saw roughhousing with girls they wanted to talk to.

> **JOHN:** What happened was, instead of beating the girls up, they started to beat me up and try to take the pencils from me. So I decided to pivot, and I started to sell the pencils to the girls with their own names on it, and then I got to talk to the girls.

HOFFMAN: It was a classic lesson in aligning your interests with your customers as an entrepreneur.

But Daymond wasn't the only entrepreneur in his family. His mother Margot created multiple business opportunities, even while working full-time as an administrator.

> **JOHN:** In my community, there's something called dollar vans. And what they do is they go up and down the bus route, and they pick people up.

HOFFMAN: Think UberPool, long before Uber.

> **JOHN:** My mother used to have a really old El Dorado, and that thing could fit four people in the front and five people in the back. She used to have me sitting cuddled up next to her. And she used to charge people 25 cents or 50 cents to take them from the subway all the way down to their house.

HOFFMAN: Once Daymond was old enough to drive, he went into the dollar-van business himself.

> **JOHN:** There was a van that I bought, a 15 passenger van, it was probably about 20 years old. And I would go up and down the bus routes, and do the same exact thing. But I would try to also create a customer out of it, a dedicated customer. I knew that if I was at the station much later, like 12:30, 1 o'clock at night, that a lot of the customers wanted to go home, but they didn't live right on the main strip. So, I'll charge you $2. But I will go down the strip, and then I would take you three blocks in, four blocks in. So I would double my fare, and it would probably only add an extra 15% of time per trip.

HOFFMAN: Daymond's interests were aligned with his riders. They knew he'd go the extra mile for them, literally. And those riders had something of value as well.

> **JOHN:** These customers were often people who were professionals. They were attorneys, they were working in the city, I got to know these people. And later on, that would pay off as strategic partners where I can ask them for some advice.

HOFFMAN: Building on these early partnerships, Daymond might have gone on to great success as a transportation mogul. But his dollar-van business hit a couple of major roadblocks.

> **JOHN:** Number one, I didn't have much credit. I didn't really know how credit worked, so I couldn't afford to get a new van. And if you have a 20 year old van, I was paying for a transmission, I was paying for this. It ended up costing me way more than a new van would cost me.
>
> Number two is, I also didn't have the allowances from the Department of Transportation, like how you have livery plates and various other things. If you got pulled over in a bus stop picking up somebody, that was a $2,500 ticket. So I was only grossing $2,500 a week, I was netting probably … $200? By the time I pay for gas, insurance, fixing a

transmission, and food. So two tickets put you out of business. By the time I had my sixth ticket, I said, "This is probably not worth it."

HOFFMAN: Daymond's troubles stemmed from some challenges many entrepreneurs will recognize — lack of access to capital being one of them. But he also discovered the challenges of going it alone.

When you have partners, you can leverage their skills and resources. Imagine if Daymond could have partnered with a mechanic. Or if he had other van drivers to split a livery license.

But these kinds of relationships are not always easy to cultivate. And more importantly, they take an alignment of vision and passion. All partners should all be pulling in the same direction.

Driving a van wasn't Daymond's passion. That was something he found in hip-hop culture, and he happened to live in Hollis, Queens, one of the epicenters of this new art form.

JOHN: Hip Hop was so new, and it was something that we really loved, and it was starting to get a little commercial. The bigger companies were starting to profit off of it because the kids wanted to dress a certain way. Nobody was supplying the kids themselves. They were supplying their own goods, and we were taking it and reinterpreting it on the streets.

HOFFMAN: These high-end brands were slow to embrace teens remixing their styles. Ralph Lauren, Tommy Hilfiger, Timberland — these were high-status labels in Daymond's community. But the brands themselves stayed aloof.

JOHN: We would start to hear that they just don't like us, whether they didn't like hip-hop kids, or like African Americans, or inner city kids, or "You know what? I made a pair of 32 pants to be worn with a 32 waist. Why are you wearing a pair of 36 or 38?"

Whatever the case was, we felt a little insulted, or neglected, or actually disrespected. I remember saying, "Who's ever going to just value, and support, and respect, and love the people that buy these clothes, who believe in this culture as much as I do?" And that's the day I came up with FUBU, For Us By Us.

HOFFMAN: Daymond had a concept, a strategy, and alignment with his intended market. But how he landed on his product involved a bit of serendipity. It started with a rap video.

JOHN: I had liked a hat that I saw on a De La Soul video, the hat looked like a ski cap, but instead of a ball on the top, it was a tie on the top, a little string, like a shoestring. And I couldn't find the hat anywhere.

HOFFMAN: Daymond went searching for this elusive De La Soul hat all over New York. He finally tracked one down in Manhattan. But when he came back to show his mother, Margot was not impressed.

> **JOHN:** And I found it in uptown Manhattan, I remember coming home and showing my mother the hat, and telling her I paid $20 for the hat. And she said, "I can't believe you paid that money for it." So she said, "Take $40 and go to the store, and bring back $40 worth of fabric."

HOFFMAN: Daymond did as his mother asked and came home with a roll of fabric. She then introduced him to the sewing machine.

> **JOHN:** Instead of it being a black or blue or a solid color, I bought her, like, a striped color because at that moment, I wanted to match my sneakers. She showed me how to sew hats. And I sewed 80 hats that night. It was fun because I was sewing them to learn how to sew them. But then I woke up in the morning, realized I had 80 hats that all look like the same exact striped candy cane, and I only had one head.

HOFFMAN: You may see where this is going. Daymond had some unexpected inventory on his hands, and he wanted to repay his mother's $40.

> **JOHN:** 1989, Good Friday, three o'clock in the afternoon, I would stand on a corner. And I sold $800 worth of hats in one hour.

HOFFMAN: Daymond was a highly adaptive salesman, tuning into each customer's needs and demonstrating the value of his product.

> **JOHN:** What was the value to the customer? Could be, "Well, it matches your sneakers," it could be, "It's going to keep your head warm," or "People are going to think you got the same stuff De La Soul has." But I was able to pitch enough to sell $800 worth of hats in one hour. And I realized at that time that that was my calling, because I really enjoyed it. I not only enjoyed the making of the hats, I enjoyed the value to the customer, and I enjoyed, of course, knowing that I was in charge of my destiny. It was my ability to either sell them or not. It was up to me.

HOFFMAN: Daymond had found his calling, his product, his customer, and his authentic mission. Everything was aligned.

But at this stage, much like his dollar-van business, Daymond was more or less on his own. He did have a silent partner, his mom — and yes, he did give her back that $40. But he was effectively a solopreneur. He soon expanded his offerings from hats to T-shirts. But FUBU was still mostly a side hustle.

> **JOHN:** I would close it down three separate times because I was not thinking of it as a business. I was thinking, "Yeah, I can buy a couple of shirts and put FUBU on them, and I can go to the expo and sell them." But it was really around '92 that I said, "I want to make a go at it."

HOFFMAN: For Daymond, this would mean finding partners — not just cofounders, but also strategic partners who could help him with targeted needs. That search led him back to the executives he'd met driving the van. They gave him advice on things like how to incorporate, and how to raise start-up capital.

> **JOHN:** I opened it up as a DBA, doing business as, and then I needed money. So I had about $3,000 I saved up, I put about $5,000 on my credit card. And my friend had just came back from fighting Desert Storm, and he said, "Well, I want to help you."

HOFFMAN: Daymond and his friend, J. Alexander Martin, soon added two other childhood pals as co-founders: Keith Perrin and Carlton Brown.

And they set out to get their product into the world.

> **JOHN:** We started to sell a couple of shirts at expos, screen printed shirts. And then we invested in actually getting some real shirts made that we can actually put on music artists, instead of the cheap ones that we had.

HOFFMAN: The FUBU founders knew that music artists would be their lever to scale. Think about how fast Daymond's hats sold, his very first day in business. Those hats were coveted because the style appeared first in a hip-hop video. So if FUBU products started showing up in those videos, they would be coveted, too.

But Daymond and his partners knew they had to be strategic. LL Cool J aside, they couldn't just go around petitioning rappers to wear their logo. They wanted rappers to notice them. So they thought about the other people in a musician's orbit.

> **JOHN:** We invested in about 50 shirts, they all cost about $50 a piece. We took those 50 shirts, and instead of giving them to the music artists, we made them 5X and 6X. And we gave them to all the big guys.
>
> Those big guys were in front of the red ropes at clubs, in front of the music artists because they were bodyguards, or they were just big, joyous people where you could not deny that billboard.

HOFFMAN: In essence, FUBU engaged these "big guys" as their first brand ambassadors. And they didn't even have to convince them to wear the product.

> **JOHN:** Our reasoning behind that was that, if we gave them to all the cool hipsters, the whole thing about being a hipster is you don't wear the same thing twice.
>
> But if we gave them to the guys who only had options like Rochester Big and Tall. Well, now we're giving them something that's higher quality. Those guys would wear it 10 times a month, 20 times a month, they would take care of it because they were wearing it so much.

HOFFMAN: I want you to pay attention to the idea Daymond just laid out. FUBU wanted their shirts to last, they wanted their customers to feel great, so they would wear the shirts again and again. That's exactly what the "Big Guys" wanted too!

We often talk about this as "win-win," — but that's a phrase that can quickly lose meaning. So, let's think of it more as a test, one you can use on basically any strategic partnership.

"If the partnership didn't exist, would the parties be doing this anyway?" If the answer is yes on both sides, you have a win-win partnership that works.

Listen to how this principle plays out in another crafty marketing tactic FUBU used early in their scale journey. Daymond wanted more of a visual presence for FUBU around the neighborhood. But they barely had enough money to make 50 shirts. They definitely couldn't afford bus stop ads or billboards.

So Daymond and his co-founders hatched another plan.

They went around to local businesses — not just clothing stores, but electronic repair shops, bodegas, any establishment with a metal security gate.

> **JOHN:** We went to all the stores that pulled down nasty storm gates and said, "You have graffiti there or profanity on there. We are a local company. We want to spray paint your gate with our name. and keep it beautiful and white. We'll always upkeep this. We'll make sure nobody puts profanity on your gates and, by the way, the kids locally are going to know that you're supporting a local company, and we're going to come and point kids towards you." So, we spray painted 300 gates from New York to New Jersey, and put "authorized FUBU dealer." We didn't care what you were selling. I don't care if you were selling furniture or Chinese food. You were an authorized FUBU dealer. Because those gates were pulled down during morning rush hour and evening rush hour and all those pedestrians passing by, that was about three million dollars' worth of advertising.

HOFFMAN: This is a brilliant use of strategic partnering and a great reminder how much room there is for creativity in building relationships. You don't always have to go the expected route, and often, it's better not to. What's important is that you share a goal, align on brand, and seize on opportunity.

And that's just what Daymond and his team did to move to their next phase. Remember those "big guys." That strategy worked.

> **JOHN:** After the big guys wore it, well, they were in front of the music artists, and the music artists started to say, "Well, can I get some?" So then the big guys started to tell me where the videos were happening.

HOFFMAN: Now that musicians were asking where they could get FUBU, Daymond and his team were happy to oblige. They'd head down to the video shoots, shirts in hand, like volunteer costume designers.

> **JOHN:** I invested in another 10 high-quality shirts. And I would go down to the videos, and I would put it on the rapper as a stylist would. And I would take it back.
>
> Because once I learned that the stylists generally were not giving the rappers the clothes, because they were getting them from high end designers. So, why can't I do that? I would take that same shirt, and then give it to another rapper. And I did that for about two years.

HOFFMAN: Two years of seeding FUBU into rap and R&B videos, using the same 10 shirts. Soon acts from Mariah Carey to Busta Rhymes were wearing their logo. And the more music videos FUBU appeared in, the more omnipresent they seemed, despite the company having almost no inventory.

> **JOHN:** What happened was it created this swell in the market where people thought that FUBU was a huge clothing company.

HOFFMAN: Notice what Daymond just told us. By partnering with these musicians, FUBU had created the illusion of a massively scaled brand, at a time when it was almost impossible for a customer to get their hands on it. And that product scarcity would drive demand. It was a feat of marketing sleight-of-hand.

But there was nothing inauthentic about the creative alliance itself. These music artists wanted to appear in FUBU, and to represent the credo, "For Us, By Us." Doing so helped them seem and be more authentic.

This tension between authenticity and illusion goes back to something we talked about on our Masters of Scale episode with media inventor Trevor McFedries. To build an authentic connection with your customers, you need to do some things that may feel artificial. Here's Trevor on how he got his start as a DJ in LA.

> **TREVOR McFEDRIES:** The first character I built probably was myself. It was creating a MySpace page, it was getting on friends' computers, and kind of stealing their mailing lists, and sending out a mailing blast to them probably illegally saying, "Hey, just got off

tour of Europe. I'm looking for some local gigs, only a few slots available." Just faking it until you make it, trying to create this air of importance, such that I could hopefully book a $1,000 bar mitzvah or something to make it to the next month.

I think the thing that I figured out early on was that learning how to differentiate yourself is massively important. Like one of the cereal boxes in the cereal aisle, if you were to approach them and they all look the same, you might not pick that up. If I could figure out a way to stand out, that would be great.

HOFFMAN: Just like Trevor, Daymond and his co-founders were differentiating themselves in the market. They were an authentic, Black-owned brand that respected their community. They were on their way. But they would soon discover that scaling a brand means scaling up the mechanisms behind that brand, which would demand an entirely new type of partnership altogether.

[AD BREAK]

HOFFMAN: We're back with Daymond John of FUBU. If you're enjoying this episode, you can share it with friends by sending the link mastersofscale.com/Daymond1. That's D-A-Y-M-O-N-D, and the number 1. Be sure to keep your eyes and ears out for Part 2, coming soon to this show feed.

And to hear my full conversation with Daymond, become a Masters of Scale member at mastersofscale.com/membership. There, you'll hear some incredible stories we didn't have time for, even in two episodes. Like the clever branding trick that helped FUBU outsmart MTV and BET.

When we left off, Daymond and his co-founders had managed to scale awareness of FUBU before they had almost any product. They'd made their way into high-profile videos and onto the bodies of rappers like Busta Rhymes and Ol' Dirty Bastard.

They'd also scored an unofficial, but very influential, partnership with the superstar rapper LL Cool J. They had bought an ad in The Source magazine, featuring LL wearing their brand. But Daymond wasn't done leveraging that picture.

JOHN: I went to a trade show, something called the MAGIC Show. It's a trade show in Las Vegas that happens two times a year.

HOFFMAN: MAGIC stood for the Men's Apparel Guild in California. Daymond and his partners learned which stores would be attending the convention in Vegas — about 300 of them.

JOHN: I mailed this picture of LL Cool J wearing it, to all those stores. And then, I go to the MAGIC Show. I don't have enough money to exhibit in the MAGIC show. So, I take a small hotel room at The Mirage Hotel a couple miles away.

HOFFMAN: Despite not even having a booth at the convention, Daymond and his partners were able to work the floor. They connected with the retailers they'd mailed materials to. They talked about their brand, their vision, and referenced the 30 or so hip-hop videos FUBU could be seen in. The sales pitch worked.

> **JOHN:** All these stores come in and they write $300,000 worth of orders.

HOFFMAN: The MAGIC show had been a raging success. Daymond and his co-founders had struck up partnerships with retailers around the country. But when they came home, a new reality hit them. They would now have to fill those new orders with money they didn't have.

> **JOHN:** I come back home, I go to 27 banks, and I get turned down by 27 banks because I had no financial intelligence.
>
> I go to my mother and I tell her, "I don't know what to do anymore." And then she says, "Well, we have a house," and my mother goes out and takes a $100,000 loan on our house. And that was all we had because honestly, I think the house was worth 75. So I don't know how she got $100,000. But I got to tell you, the interest rate was not great.

HOFFMAN: Getting access to capital to fill that first big order is a make-or-break moment for start-ups, especially in the realm of physical goods.

Daymond couldn't find a bank that wanted to bet on him, even with $300,000 of orders in hand. So just as he had with his very first hats, he partnered with his mom.

> **JOHN:** Now, I would turn my house into a factory. I would sleep in sleeping bags next to sewing machines. I would burn all the furniture because I needed a factory.
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> I hired a bunch of seamstresses. I had a bunch of sewing machines in my house, a bunch of materials in the house, and we had a factory, and we started to really make a lot of noise. People started to see the product, and we were selling sweatshirts and polar fleece.
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> Polar fleece was selling out in July and June in small specialty shops, and a lot of people started to recognize us.

HOFFMAN: There was no question that Daymond and his biggest investing partner — his mother — were aligned in their goals. She wanted him to succeed as much as he did, not just because they were family. Her house was on the line!

But Daymond soon realized that this partnership alone wouldn't save FUBU.

JOHN: The hundred thousand dollars went away in three months, and I was three months late on the mortgage. Remember, this is all we had. It wasn't "Oh, shit. We need to scale." It was, "Oh, shit! I'm about to lose my mother's house."

HOFFMAN: Daymond had ingenuity, passion, and tons of grit. But he was missing some basics on manufacturing and financing.

JOHN: I was paying for raw goods 90 days ahead of time. I was paying for a staff. I was paying for shipping goods, and I was paying for equipment.

Then my accounts receivables were 30, 60, 90 days out. I wasn't smart enough to say that I'm not a bank, so you need to do a COD.

HOFFMAN: Daymond can be forgiven for not asking for cash on delivery. It has long been the convention that retailers can take weeks or months to pay manufacturers for their goods.

So while Daymond was waiting for invoices to come in, expenses were flowing out. And without capital to scale capacity, delivery on those $300,000 worth of orders fell behind.

JOHN: The stores are starting to say, "All right, now you're in the big time. I'm allocating space for you, and if you don't deliver those goods, I'm not sure if I can trust you anymore."

HOFFMAN: Not only were FUBU's finances in jeopardy — so too were the relationships with retailers he'd worked so hard to cultivate. Years of building up brand equity was on the line. FUBU had represented themselves as big enough to handle demand. If that façade fell apart, their reputation as authentic dealers would suffer. And trust is something that's very hard to win back.

Luckily, Daymond's mother could spot the missing piece FUBU needed.

JOHN: My mother said, "You need a strategic partner."

HOFFMAN: No one knew where to find such a thing. But Margot had an idea.

JOHN: She took out an ad in The New York Times that said, "Million dollars in orders need financing."

HOFFMAN: That's right. An ad in the New York Times. It was unconventional but when your back is against the wall, unconventional can be your friend.

JOHN: Believe it or not, 33 people called that ad. Now, most of them were loan sharks, not the type of shark that I am on TV. But three of them were actually real and one was the Textile Division of Samsung.

HOFFMAN: If you didn't know Samsung had a textile division, it was news to me too!

> **HOFFMAN:** All of a sudden, you go from the scrappiest of scrappy, sewing machines in the house, sleeping next to it, to dealing with massive corporate giants. What was that like?
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> **JOHN:** Well, thank God the partners that we found, they were the ones that technically had to deal with Samsung. But Samsung worked more like a financing arm.
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> As you know, these big multinationals, these conglomerates have a hundred divisions, but it was fairly easy because now I had strategic partners who were the buffer between us and Samsung, and we all knew our role. We knew what we would do. Their job was to deal with the finance with the LC's clearance, customs and quota, being able to make goods.
>
> And our job was the marketing, sales, design, celebrity endorsements, strategic partners, interviews. So, everybody knew their lane and what they were supposed to do.

HOFFMAN: Samsung was doing what large organizations often do, which is scout for small start-ups with a specific area of expertise. Samsung knew how to make goods at scale. Daymond knew what kind of streetwear sold, and what people wanted. In FUBU, Samsung saw a company with authentic buy-in from a community of fans.

> **JOHN:** The terms of the deal was that I had to sell five million dollars' worth of clothes in three years because if they set up all these logistics and the supply chain, how are they going to get their money back, and they considered that a wash.

HOFFMAN: $5 million in three years was the floor FUBU had to clear. For Samsung, the partnership was a relatively low-stakes gamble. To FUBU, it was life or death. So, did FUBU deliver?

> **JOHN:** We sold 30 million dollars' worth of product in three months.

HOFFMAN: It was exactly the strategic partnership they needed to scale. FUBU was on its way.

This would be a good place to pause before Part 2 of this episode. But there's one more story about authentic partnerships Daymond has to share.

Remember that day outside LL Cool J's apartment? Daymond and his partners convinced him to take a picture wearing their brand.

> **JOHN:** He felt that he couldn't look at his customers, all the people that support him from the neighborhood in the face, if he didn't take this picture for me.

HOFFMAN: That picture helped FUBU get on the cultural map. It kick-started relationships with retailers and the culture. It was seminal, it was formative, and it didn't end there.

LL Cool J had continued to be associated with the FUBU brand. In 1995, he wore one of their caps in a video with the R&B group Boyz II Men. A little later, he appeared in a FUBU ad when the brand came to Dillard's department store. And as we heard earlier in the show, he would come to own a piece of the company. But in 1997, LL Cool J took the relationship to another level.

> **JOHN:** He got a call from The Gap to do an ad, and he asked: could he wear a hat? At that time, LL was known for never taking off his hat.

HOFFMAN: LL told the Gap that he had a custom-made hat he'd like to wear. That hat, of course, was FUBU.

It was a more subtle version of their logo — just the F and the B, in looping cursive, white letters on gray canvas. But it's clearly visible throughout the 30-second spot.

This branding placement was by itself a sly bit of guerilla marketing. But LL wasn't finished.

The spot features him freestyle-rapping, by himself, against a plain white backdrop. It has everything you might expect from a rapper extolling the virtues of casual clothing.

> **LL COOL J:** I know you like your outfits stylish,
> any other line but the Gap is childish ,
> Everybody workin' there's your personal stylist…

HOFFMAN: Then, exactly 15 seconds into the ad, he says this:

> **LL COOL J:** For Us, By Us, on the low—

> **JOHN:** He says, "For Us, By Us on the low."

HOFFMAN: The meaning of that slipped past some viewers. But to those that knew, that one phrase rang out like the shot of a starter's pistol.

> **JOHN:** I remember in the office just watching this commercial every day, going, "When are they going to pull this commercial?"

HOFFMAN: Why did it take so long for someone at The Gap to notice what had happened? Daymond has a theory.

JOHN: Because The Gap didn't have any diversity whether it's African American or whether it's white people who like Hip Hop, this emerging music, they ended up spending 30 million dollars airing that ad.

HOFFMAN: To Daymond's recollection, it took four or five weeks for the Gap to finally pull the spot.

JOHN: Now, the funny thing and the great thing was, they did their analytics, and they realized that the target market they were trying to hit increased 300% because the kids thought they could get FUBU at The Gap.

So they ran another 60 million dollars' worth of that ad.

HOFFMAN: This is the power of an authentic partnership. If you tried to map out all the contours of the relationship between LL and FUBU, it wouldn't look like any contract you've ever seen. But the structure is irrelevant.

Partnerships can be utterly strategic and mathematical — a 15% stake for X amount of work — or improvisational, like an LL Cool J freestyle. They can be based on sweat equity or financial equity, or all of the above. They can grow over time, or find a natural ending point.

What's important is that each party is authentically aligned, pulling toward the same shared goal.

That's something we'll talk more about in Part 2 of my conversation with Daymond John. We'll dig into the partnerships he formed after scaling FUBU, as one of the most popular investors on TV's "Shark Tank." We'll even hear how he initially resisted becoming a Shark in the first place…

JOHN: Get a call from somebody in Hollywood. He said, "I heard he gave up a ABC show with Mark Burnett for three girls that nobody will ever hear of called the Kardashians."

HOFFMAN: I'm Reid Hoffman. Thanks for listening.