



This Story was first shared with me by Shad Valley's very own president Barry Bisson in the summer of 2006. It's about an entrepreneur named, John Osher, and it speaks to the "never give up; pursue what you know" attitude so many great entrepreneurs possess.



John Osher is an Inventor/Entrepreneur. He is a guy who has never applied for a real job, "I don't even have a business card." Instead he has made a career of inventing products & selling them to companies. His claim to financial fame began at first by inventing the Spin-Pop candy toy which was a basic lollypop attached to a little electric motor that spins around at the push of a button. Later he sold this to Hasbro (a \$3-billion dollar Toy and games company – NYSE- HAS) for a few million dollars. But the story didn't end there. John further took this experience and with his strong team which consists of two

principal partners at a Cleveland based industrial design firm, and their in-house patent lawyer, to seek out new pathways for this technology.

They can't remember who came up with the concept, but they know it came from their group walks through the aisles of their local Wal-Mart, where they went for inspiration. They saw that electric toothbrushes, from Sonicare to Interplak, which cost more than \$50, and for that

reason held a fraction of the overall toothbrush market. They reasoned: Why not create a \$5 electric brush using the Spin Pop technology? At just \$1 more than the most expensive manual brushes, they figured many consumers would trade up. They spent 18 months designing and sourcing a high-quality brush that wouldn't cost more than \$5, batteries included. "If it had cost \$7.99, we wouldn't have gone forward," Osher says.

Marketing Mix (4-P's)

Product

Price

Place

Promotion

They also formulated an exit strategy: Sell it to P&G. In 1998, they saw that Colgate toothpaste was dethroning Crest, the market champ since the early 1960s. Colgate edged out Crest by launching Total and pitching it around the new theme of whitening. P&G, meanwhile, clung to its cavity-fighting message. Colgate gained 5.6 percentage points of market share in 1998, giving the company 29.6% of the market, vs. P&G's 25.6%. "We knew that P&G would be very hungry to win this back."

But first they had to prove the product could sell. They couldn't afford to both spend money advertising and still sell SpinBrush at that low price. So they resorted to the marketing ploy they used with Spin Pop: packaging that said, "Try Me" and that allowed the consumer to turn the brush on in the store. They also hired a former Clorox salesman, Joseph A. O'Connor, who had years of experience selling to Wal-Mart and other big chains.

**Bring people
onboard that have
connections!**

When they tested SpinBrush in Meijer Inc., a Midwest discount chain, in October, 1999, it outsold the leading manual brush nearly 3 to 1, convincing Meijer to carry it. Using that sales data, they cracked drugstore chain Walgreen Co. and caught the interest of Wal-Mart in early 2000. To help close that deal, O'Connor persuaded a health and beauty aid manager at a Phoenix Wal-Mart to buy 240 SpinBrushes. "They sold out over the weekend," he recalls.

In 2000, the entrepreneurs sold 10 million SpinBrush units, more than triple the existing 3 million U.S. electric toothbrush market. With that record, it wasn't hard for Osher to get an appointment at P&G in July. The company had another reason to take notice: Colgate's recently launched ActiBrush electric toothbrush, at \$19.95, was off to a fast start, too.

It's called the Hockey Stick Growth Chart – everyone thinks their product has what it takes, very few experience it!



Yates, a financial manager on the Crest brand, headed a team to evaluate SpinBrush. P&G code-named the project Julius, after basketball great Julius Erving. With approval to negotiate a purchase of SpinBrush and focus group reactions off the charts, Yates moved fast. A deal to buy the startup closed in January, 2001, six months after the first meeting with Osher.

Side note – Always get it in writing it's not worth anything otherwise!



The deal's structure was unprecedented for P&G. Instead of paying a lump sum, P&G would pay \$165 million up-front with an "earn-out" payment in three years based on a formula pegged to financial results. The up-front payment alone--nearly four times SpinBrush's prior year sales of \$43 million--was rich by P&G's standards. The company paid three times sales for Clairol. But P&G was banking on faster sales growth from SpinBrush.

The deal had another unique feature: Osher, and O'Connor agreed to join the company for the three-year earn-out period with a mandate of keeping the business entrepreneurial. They would become part of a 27-person team headed by Yates that would have authority to bend any P&G rules that interfered with the business. The entrepreneurs would guide the team and had carte blanche to go higher within P&G to resolve conflicts.

And there were conflicts aplenty. Some P&Gers questioned the, "Try Me" feature, fearing the batteries would wear out. Others wanted to stop store deliveries for three months so P&G could build inventories. Still others worried about having more automated factories in China. In the end, though, "they would listen to us and fight their own bureaucracy," says Osher.

Yates broke the biggest rule of all for a company whose heritage is in marketing--he didn't advertise SpinBrush for the first seven months. The traditional P&G model for a launch calls for heavy TV advertising from the outset and a high enough price to help carry that cost.

**RED TAPE!
Bureaucracy, Big
Business, all
Enemies of the
Entrepreneur.**



**& yet the source
of most startups**

1 word: Change

But Yates didn't want the ad expense, which could force him to raise prices, until sales could support it. "I didn't want to mess up the economic structure of the business," he says.

P&G now sells SpinBrush in about 35 countries, marking its quickest global rollout ever. And it's added a multitude of models, including ones with replaceable heads. Earlier in 2002 Colgate launched Motion, a SpinBrush look-alike, at the same price. In a conference call, Colgate CEO Reuben Mark admitted that the company had cut the price of ActiBrush from \$19 to \$12 because of the competition.

P&G and the SpinBrush founders agreed to an early payout in March of 2002, 21 months ahead of schedule. P&G pushed for the deal because SpinBrush's sales so far exceeded plans that the company faced the prospect of a much bigger payout if it waited, Osher says. The founders settled on a final payment of \$310 million. The total price of \$475 million was about 2.3 times last fiscal year's sales, a price some analysts consider a steal.

3 Guys; 1 product; 2.5 years & a **\$475 million** Payday.

But Osher and his partners had their own reason for getting out early--they wanted to hedge their bets. They were uncertain whether SpinBrush would live up to its potential as it further folded into P&G. After helping P&G with the Spinbrush (2000-2002), Osher has since left to develop new products. One being the Dish Doctor, a battery powered dish scrubber sold to P&G. Osher comments, "*It won't be as big as the SpinBrush. You can only sell one to every household, while with the toothbrush you could sell it to every person.*" Now restless as ever, Osher is already on to his next idea seeking to continue to change the marketplace. ¹

Form Groups 4-5 per group and answer the following; you have 10-minutes and one person from each group will present,

1. In one word what made John Osher and his team successful (be creative) come up with 3 different words & why, no one group can use the same word, so hope your group goes first ☺
2. In your groups come up with another SpinBrush like product, tell the story using some of the same strategies and tactics
 - Focus your time on being creative, something simple that lots & lots of people can use to their benefit, develop a creative market entry & positioning strategy, & answer who would buy this & why