

of technology, of resources and banking really was a great proving ground to learn how companies get things done, how to move forward.

[00:03:32] Nichols: I know that when you were transitioning from banking. You were like a vice president. You had a great career there, but there was something else that was itching inside of you. That's kind of where your siblings come in. Let's talk about that journey a little bit.

[00:03:48] Lauer: For me I'm a creative. All my life I've kept record logs and I can't draw to save my life, but when I was eight, my sisters used to make dolls out of water balloons. Water Babies, which is now one of the bestselling longest selling dolls ever was really inspired by a childhood memory of sisters playing in the backyard with water-filled balloons.

[00:04:09] Nichols: I remember when I met you, I'm like, "You are the Water Baby guy?" Because I could remember buying those for my daughters when they were younger. That is so funny. You said you had something inside of you that you wanted to do more, where do you think that came from, Dan?

[00:04:26] Lauer: We studied that, again, born or made, what are the characteristics of entrepreneurs? We tend to be optimists, we tend to connect the dots before others, we tend to want to leave a legacy or leave something behind, make better. In this case too, though, I'm a capitalist. I wanted to make money. I wanted to explore doing my own thing. Water Babies represented an opportunity to-- I watched Cabbage Patch happen, I watched Pound Puppies happen. It was a fashion industry and we talk about ecosystem and there was no internet back in the day. Truly, this was a mine to market by enrolling others in my dream by being very intentional about it.

[00:05:03] Nichols: You made your first prototype, did you not? You did your own prototype, right? It took you three years and 700 rejections because you were going after a Mattel or Hasbro. You were going after one of the big toy companies to pick this up?

[00:05:17] Lauer: Like most inventors, I wanted a million dollar check for Mr. Mattel and 5% royalty and I found out quickly, there is no Mr. Mattel. These companies get thousands of letters a week from undiscovered first time inventors. When I think about success, it's how do you define your north star? In this case, my be hag was, I want the top sell in doll in the country in three years. That's hard to get to when you don't have money and you don't have profit, but then

you align that north star around processes, around people, around technology and that's really been my pattern all my life.

I would inspire your listeners to really set up process, set up people. You cannot do this alone. This is not linear. The first part of this was writing our letters. Today it's called customer discovery. Would a mom pay \$20 to get a warm water filled out? Because that's basically what Water Babies is. It's a hot water bottle doll and it's warm and cuddly. My customer discovery was around, has it been done before? Has someone tried it? Has someone done it better? Am I really first mover?

We'd always talk about first mover. Well, dolls have been around forever, but mine happened to be a technology around warm. What I heard from the big toy companies was, "Prove it. Do you fill up the water in China to keep it warm? How do you keep it not moldy?" I was getting feedback and you have to really listen to the universe, especially in this post-COVID world, entrepreneurs can no longer boil the ocean. We have to pick one or two strategic things. I was listening carefully. They didn't pull out one. They didn't say we tried it before. They said, prove it. I set up about doing that.

[00:06:47] Nichols: Over 700 rejection letters?

[00:06:50] Lauer: Yes.

[00:06:51] Nichols: I know that we can go in and you've already touched on a few of these things, the qualities and the mindset of an entrepreneur, but one of them is just perseverance. If you believe in something like you said, you align the people, the process, the technology, and you just keep going. That's probably why some people don't get their products to market. It's because they give up too soon.

[00:07:15] Lauer: They do give up too soon. I have three things I think about with the entrepreneur mindset that we're deploying now at UMSL. One is learn fast, less fear. I think fear kills quickest. I'm asking your audience, what are you of? Are you afraid of looking foolish? Are you afraid of getting fired? Examine that. My first prototypes were balloons and condoms tied together. Imagine what my friends thought they're like, "What are you doing?" My apartment look like Jeffrey Dahmer's place with cut up dolls and heads and body parts, but you got to get over that.

If you have your north star and you have intentionality about it-- This learned fast part, well, my first product I tried was a product called a cast saver. I walked into Walgreen's and there was already a product on the market called shower safe, which protected your cast when taking a bath. I'm like, "Stop right there." Learn fast, but then the second thing is a maniacal focus on the customer. What does mom want? In this case, mom wants to give a tool, a right of passage tool to their children to be more empathetic.

That's important to mothers. That's important to grandmothers. If I stuck with that maniacal focus on the customer, what's their needs and wants. Then finally an entrepreneur mindset is bias towards action. I have some inventors that come to me nowadays and I'm like, "How long have you been working on this thing?" They say, "Well, 30 years." I'm like, "Wow, you're a bad investment." Doing is better than not doing around a process to get you to a conclusion.

[00:08:42] Nichols: That just reminds me about the minimum viable product. Just get it out there, get it out there fast.

[00:08:47] Lauer: My minimum Bible was, "I'm going to make 5,000 of these. I'm going to sell them at Venture and Walmart and Target in St. Louis in 1990 and I'm going to see if mom's willing to spend 20 bucks on it." The truth is, you talked about resiliency earlier, my first production runs, seven out of 10 failed. They leaked. I had to go into stores, beg store managers to swap out tested product for not tested product, had an army of people that would unbox, put the failed dolls in a bathtub, look for air bubbles, repackage.

It was a nightmare, but it was a tipping point because the store manager said, "You know what? You got a hot water bottle doll, right? You're showing TV and you're in the newspapers. Why don't you stand at the front of the store and hand one to a little girl?" Wow, you do this at Thanksgiving, in the cold? We went from selling hundreds a day to hundreds an hour. I could have never imagined that happening, but it was an unforeseen good stroke of fortune that we actually created.

[00:09:44] Nichols: That is an amazing story. Now, today, I don't know exactly, but I think it's somewhere around 25 million of these being sold, is that still accurate?

[00:09:54] Lauer: 24.7 to be exact, but you know what? Our best days are ahead of us. I credit that to my work at UMSL to think about purpose cause marketing and we have great things in front of us there.

[00:10:04] Nichols: I'm excited to get into that. I want you to talk a little bit about Haystack. I know that I read about that and I'm like, "Haystack," you were trying to find needles in the Haystack with that and that's where the name came from, right, Dan?

[00:10:20] Lauer: I lived the entrepreneur American dream for the good and the bad. I noticed that once the success of Water Babies happened, we are in the *Wall Street Journal* and *People Magazine* and on *CBS news*. In St. Louis, that means for some reason, more attractive girls wanted to date me, but every inventor in the Midwest, in the country wanted to see me because now I had something important. I had senior management and access to Mattel and Hasbro.

I could take your idea, we could plus it up and I could have it shown. Well, what a horrible process. Even for someone successful, you sit in a room with a dozen suits and they press a button and you go through the floor if it doesn't work. I thought, "Trust the genius and others". I saw brilliant original creative stuff. Haystack Toys, we did a thing called the great American toy hunt, which was a road trip like antique roadshow meets I want to be a millionaire. We generated billions of media impressions, found tremendous toys and yet in two and a half years, the company failed.

[00:11:14] Nichols: Why do you think it failed?

[00:11:16] Lauer: I had a big appetite and I probably read and believed my press too much. I believed my projections, but we were doing some heavy lifting. We were doing some very expensive, complicated toys. We launched the year bush was going to be president so there is macro things that were against us. We were booked on *Good Morning America* and *Today show*, and we sold out in St. Louis where we got good press. We didn't sell out in Seattle because we couldn't get that tipping point moment. The core thing of trusting the genius in others, and looking outside for innovation still applies today. It's exactly what we're doing at UMSL to Accelerator.

[00:11:52] Nichols: That plays right into what you're doing today.

[00:11:54] Lauer: Yes. The principles apply entrepreneurship success you have to be lucky, timing and luck. There's a couple of products that we pioneered back and this was 2000, that are on the market now. There was brain that time maybe it's too early. The leading-edge versus

cutting-edge, but boy, did I learn so much more from Haystack than I did with Water Babies, I'm sure.

[00:12:14] Nichols: Unfortunately, sometimes we do learn more from our failures. I don't even like to call them failures. They're just trials, they're experiments, [laughs] sometimes. As an entrepreneur, you do a lot of experimentation, don't you, Dan?

[00:12:30] Lauer: If you adopt this model of learn fast, less fear, I learn fast. The best thing to do if you want to cut is shut down. Undaunted, I continued on and learned from it.

[00:12:42] Nichols: I love something that you wrote. "Success rarely ever follows a straight line."

[00:12:48] Lauer: It's not a linear equation. A lot of people do. I think they want the playbook, and there is no overnight success. It just doesn't happen. Every success has at least two or three years of hard work, enrollment of others, enrolling the best and brightest. Back to what I said earlier, process, people and technology we cannot do this alone. You have to complement your skills and look at your blinders.

[00:13:12] Nichols: In your story, I was thinking about your 700 rejection letters. It so reminded me of the story that I read a long time ago again about Walt Disney. I think he went to over 500 banks to get someone to say-- [laughs] and to believe in his idea of Disney World and was rejected. He just kept going and believed in that.

[00:13:36] Lauer: Most successful entrepreneurs have a strong process, have very strong branded language, and are resilient. He was also getting enough feedback to say, keep trying. It's not your parents or your family telling you to keep trying, you do have to get outside on customer discovery to truly get objective feedback. If it really doesn't work, the universe is saying, it's been tried before, it's been done before, then maybe the best thing to do is stop.

I have a process of time and money, and I was getting enough good signals listening closely because you want to de-risk this. The other thing that happens, I get people coming to me and saying, "Wow, I'm getting a divorce. I've got a second mortgage on my house, and I got these 10,000 products in my basement." They didn't look at the competition. They didn't study the market. It's a balancing act of listening to the universe as well as being very intentional and resilient about your vision.

[00:14:28] Nichols: Definitely. Great advice. We're going to take a quick break and then we'll be right back with Dan Lauer.

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[00:14:35] AD: Let's face it The Future is Mobile. There's a good chance that you are listening to this show right now on your phone. Have you explored how you can move your business mobile too. Our Mobile Apps team at technology partners makes it their mission to move our clients into the hands of their employees and customers, and change their business processes to meet the demands of their users.

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[00:15:09] Nichols: Dan, after 27 years of being in the toy business how are you keeping it fresh?

[00:15:16] Lauer: Amen. We get to every price point \$5, \$10, \$15. I take 10% of every dollar I receive in what I call a Blue Ocean Fund. We have dolls that stay warm, we have dolls that can hold your hand. The big thing is, and it's linked to COVID is entrepreneurs tend to be busy, busy, busy, busy trying to boil the ocean. With Water Babies we're like, "What really moves the needle?" Hopefully, in a second we're going to talk about UMSL, but I got to thinking, what is the purpose of Water Babies? What's the calling of Water Babies? Water Babies is 80% water, humans are 80% water.

My work at UMSL was, hey, I want to give 10% to this charity, and I want to do this an that. Well, to do that right has to be authentic. I start thinking Water Babies love clean water. Long story made short, there's a company called Charity Water in New York that's doing amazing things. Scott Harrison, he wants to solve the water crisis in our lifetime. One authentic cause marketing related thing that hits me in my core-- in 2021, we hope to come out with Water Babies loves clean water and make hundreds of Water Babies wells all around the world to end this crisis.

[00:16:29] Nichols: Yes. That would just be phenomenal. Clean water is paramount. We've even talked about that in COVID. It's like people that don't have clean water how can they even

sanitize properly much less clean drinking water? Dan, that's a nice theme. How do you put that into the product? How did the dots connect there?

[00:16:49] Lauer: To really move the needle, I wanted to be audacious. Today, if you know what a jerrycan is, a jerrycan is a yellow or red big bucket that carries diesel fuel or dirty water. Women in remote hard parts of the world carry these big jerrycans on their shoulders or heads three hours a day which means they can't teach, which means they can't cook, which means they can't train their children. Today a customer thinks, "Oh, it's dirty."

Well, a Water Babies dolls, you fill with warm water and say we have a pink little funnel that fills it up, we're going to use a yellow jerrycan. Now, imagine a sweet little Water Baby next to a dirty jerrycan. That requires explanation and it's audacious. We're going to give this a try because it's a way of getting our story out in literally mixing it into the product which is much more than just a slogan, it's at its core. It's how Water Babies are filled up, and we're going to take a chance.

[00:17:45] Nichols: Any way that we can get involved in that and our listeners, I think, it's awesome. Let's pivot and talk about what you're doing today because I think what you're doing today is so amazing and you are running the Accelerate program at UMSL? I had read something, Dan, you say that 70% of students that graduate from UMSL end up staying in St. Louis. I think that's a really important part because we want homegrown companies here, do we not?

[00:18:15] Lauer: What I love about UMSL is it's a practical education. Nursing, business, education, arts, and sciences. If you're from St. Louis you know that UMSL means you probably don't have a 30, 40 CTE, you probably don't have a silver spoon, and you probably have a job or two. These are serious students. How I came to be at UMSL was, I read a book called Halftime. That's how to go from success to significance.

It started out with a conversation with the dean Charlie Hoffman that led to this, let's try to reinvent what it means to be an accelerator or an entrepreneur centered today, and what are the practical 21st-century skills that need to be trained? We use Accelerators which by the way was Haystack Toys. We trust the genius in others. We've got a new model of in-classroom experience, club or peer experience within the ecosystem experience, and students are ravenous for it.

[00:19:05] Nichols: Very exciting. How many students have gone through the program?

[00:19:09] Lauer: We just launched BSBA last Spring and we had immediately, 19 students show up. We've had last semester, I think, 147 students taking it. Equally important, we want to give them foundational experiences. An intro and entrepreneur, we say nine out of 10 of you may never start a business, but what you're going to learn will make you better wherever you go.

By the time you're senior we want you if you're still in entrepreneurship looking for a degree, we want you to have real venture formation. We have this thing called an entrepreneur quest student accelerator. It's a call to action. We do it on all four campuses at UMKC and Mizzou, and Rolla. It's a competition. We get 50, 60 applications per campus, we do a shark tank, they go into a very exclusive mashup of a capstone meets Accelerator cohort, and we give them real dollars.

Instead of a \$500 business plan, you could win up to \$30,000. When you think about continuation of capital, our winner went on to win an Arch Grant, then once that happens, maybe you should get into an Accelerator and really use this robust St. Louis ecosystem that we have to then attract real vendors with real technologies to really move them further faster. Who wants to get on an airplane to go to an expensive East Coast school today?

So UMSL could be that answer, that void to fill with practical education that teaches hard skills, 21st-century skills. I never thought I'd be in the education business, but man, it's great to see when light bulbs are turned on and seeing these students overcome this non-linear process.

[00:20:41] Nichols: Well, I tell you what, you're a great guy to be that person, Dan, because I know you just got so much experience. I'm just thinking there was nothing like this when we were all starting our businesses, were there? [laughs]

[00:20:54] Lauer: Right. I think it's a great time. Even in this COVID world, it's a great time to be an entrepreneur. There's so much opportunity, and there's so much ability to do research, there are so many people willing to help, to make it less lonely, to make it more viable, to de-risk it. For the listener, I would say try. I'd say, look, draw it, write it down, take it out of your brain, and for the next six months, invest.

How much time can you commit to this? Two hours a week, four hours a week? How much money can you commit? \$1,000 a month, \$100 a month? In six months, try to come with an

MVP a minimum viable to see if there's a there and I think this is a great time to reflect, to reset, to consider, to inquire, and maybe it's a go, maybe it's not, but it's a wonderful experience either way.

[00:21:40] Nichols: Yes. I could not agree more. This is something extra. I want to talk about maybe something extra in one of your team members or even one of your students.

[00:21:50] Lauer: The something extra I always look for is attitude. Are you a self-starter? Are you curious? At UMSL, we had Thomas and both were MBAs, both could get paid more somewhere else, but they believed in the vision. They were the people we enrolled. When you get that something extra, the whole organization moves farther faster because you've got people that are passionate that want to be there. I think that my success all my life was enrolling others in this game. If you have a strong enough belief you do that. The skills come later. I hire for culture.

[00:22:26] Nichols: Yes. I just think about Herb Kelleher. That's what he always said too. He hired for attitude, trained for skills.

[00:22:32] Lauer: Anytime you're sitting in an airplane and many don't want to today, but it's their heart, is his love. How much more pure and basic can you get? He is the model of culture and most leaders-- you too, you build your organization around culture and trust. Without it, it doesn't really matter.

[00:22:50] Nichols: I could not agree more with that great advice. What do you believe, Dan, is the something extra that every leader needs?

[00:22:57] Lauer: I was listening to some of your episodes and all these entrepreneurs, all these leaders have a strong branded language. They have a lexicon. What it does is really help their team have intentionality. We all have similar but different languages, but it really does create this culture of trust. If you don't have it, you can't move farther faster. It really is a showstopper.

The something extra is the leader that I call it enlightened self-interest. If you can get others to believe in the dream and find a path for them to be successful with you, people say success has many fathers. Well, amen. If 30 people take credit for Water Babies happen or 60, great, and thank you. Otherwise, it just remains an idea.

[00:23:40] Nichols: This has been so good. Let me ask you. Is there something coming up that you're excited about? This is your time to pitch whatever it is that you'd like to.

[00:23:48] Lauer: I want to talk to the listener who has an idea. I would say, take it serious and draw it, put it on a PowerPoint, make it happen, and surround yourself with process, people and technology. Now, I do you have to plug UMSL, there's never been a better time to go get a great education at a good cost and we're local, but for the yearner, for the seeker, what does it say, a goal without a deadline is a dream. Really focus. Validate it, and take it serious.

My action today is if you dreamed about this, in the next 30 days, do something about it and follow up. I'm out there in the world. I'm happy that we have an entrepreneur in residence program, bring it on. There's support in the world for you. 90% of it is showing up. Show up and the world will provide.

[00:24:32] Nichols: That is a great advice. To your point, Dan, people are so willing to help. They want to see people succeed. We want to see one another succeed. If there is a way that you can help or I can help, but people have to lean in. We certainly can not read minds and we don't know what's going on inside of them unless they reach out and say, "I need help."

[00:24:53] Lauer: It's still Darwinian. Any class, any group of 50, you remember five of them. The people that raise their hand, that be the light you want to see in the world, attitude. That's who I want to play with. Let's play.

[00:25:07] Nichols: Absolutely. This has just been much fun. I just know that all your insights and wisdom is going to help our listeners. Thank you so much, Dan, for taking the time to be on the show today.

[00:25:17] Lauer: Keep doing what you