JT Marino   00:00:03   So instead of having to go into a store, we would ship it to you. Instead of having 30 mattresses, we'd have one, instead of multiple firmnesses, we'd have one firmness that works for everybody, things like that. So we just used our gut. Like if we were gonna shop from and buy a mattress online from a brand we've never heard of what would it have to offer to convince us to like cross that hurdle of buying a mattress online from a company you've never heard of.

Ryan Newman 00:00:36 This is dare to disrupt a podcast about Penn state alumni who are innovators, entrepreneurs, and leaders, and the stories behind their success. I'm your host Ryan Newman. And on today's show is JT Marino in 2012, JT, co-founded tough to needle with day. He park disrupting the mattress industry with their bed in a box concept. In their first six years, they bootstrapped the company to 250 million in sales in 2018. They merged with the largest us mattress manufacturer, Serta Simmons bedding, where JT is now the chief strategy officer. He studied math and computer science while at Penn state JT. Thanks so much for joining the dare to disrupt podcast. Uh, I wanna say that. Thank you. And, and also this is a first for dare to disrupt. You are the first direct to entrepreneur we've had on the podcast. So thank you for making time and more importantly, thank you for being such an innovative entrepreneur in general.

JT Marino   00:01:50   Absolutely. Thanks for having me.

Ryan Newman 00:01:52 What's really interesting as well, is that we are recording this podcast with you actually in state college. So normally we like to start by going back all the way to the beginning of, of how you got your start and what directed you to Penn state. But maybe before we do that, do you wanna just take a moment and explain why you are speaking to us today from state college?

JT Marino   00:02:12   Sure. I'm actually doing, I don't, I don't know how often Penn state does this, but I'm an entrepreneur in residency. And so what that means is for the full month of April, I'm just making my time completely available to the school for different classes and professors for interviews or Q and a, and also a few different activities at night and participating in, in a number of different events. So my schedule is fully booked <laugh>. I was surprised by how booked it would be. And yeah, it's been a lot of fun. And so things like this are, are the type of thing I'm doing

Ryan Newman 00:02:45   Well. That's amazing. Congratulations. And more importantly, thank you. Thank you. On behalf of Penn state for making time. So now we can go back to the beginning.
You're obviously in state college right now, but I'd love to hear, and our listeners would love to hear what brought you to state college originally and, and what made Penn state, your, your place that you wanted to go to school and, and where'd you go

JT Marino   00:03:05   Up? Well, I grew up in the Bethlehem area in Pennsylvania and what brought me to Penn state was the computer science program. I knew that I wanted to do something in the tech field and the software field. I'm fascinated by products and product development. And I also knew I wanted to be a part of a startup, whether it was something of my own or to be a part of other tech startups. So that's formally, or, um, from an education standpoint, why it ended up at Penn state. And that evolved into me working on a few different projects, a for startup concept while I was on campus, which then led me to the entrepreneurship program, which is a bit of my involvement here now is sort of a derivative of the experience and some of the connections I had made when I was here on campus.

Ryan Newman 00:03:52 So you are in Bethlehem, PA you're growing up in your formative years. What was the first ink or in instinct you had that you even wanted to be an entrepreneur? Where did that original interest even come from as a, a young student in grade school?

JT Marino   00:04:09   There's a few different situations that could be clues that this was something that was interested in in fourth grade, we had this, it was called economics. I in fourth grade and the class started with building a business plan for a car wash. And each kid in the class had a different role, whether it was like handling the money or making the financial plan or arranging the logistics of getting all the materials and like where we would do the --

-- car wash and then who would actually be doing the car wash, collecting the money and then doing some advertising and flyers. And just that whole process really fascinated me. And it went really hand in hand with my family. My, my father's a doctor and my mom was an entrepreneur in advertising. And so it was in line with a lot of what I saw as models in my family later, I always participated in the fundraisers.

JT Marino   00:04:58   I think it was still like a big influence of my parents. They would showed me how to like go door to door and go find different neighborhoods, but also go into businesses and build my little pitch. And so I was always very involved with fundraisers with school. And I would say probably the last couple things were in high school, you know, back when people were still building computers by hand, I would would say that it's not done so much these days, but I would build computers and sell them to my friends. The very last entrepreneurial endeavor of mine when I was a kid was, I was a senior in high school and I started baking cakes and selling them. So <laugh>, I was like becoming a baker, but anyway, I would say as far as clues that this was something that going to be of my life in the future, those would be a few of them.

Ryan Newman 00:05:44   It's amazing. So you arrive on campus, you've got this interest in computer science. And what were some of those early first experiences like? Uh, and what were your initial impressions as you arrived and you sort of embarked on your entrepreneurial journey on campus?

JT Marino 00:05:59 Well, contrasting with some of my friends or other students on campus, I wasn't really a part of like the games or fraternity or anything like that. I was really here with the goal of learning, how to write software, to make a product. And once I had a couple ideas and started working on them, I was for the most part coding the, the whole time <laugh> one of the projects of mine ended up taking up so much time that I was struggling to make class and to keep up with the coursework. So if there was like, say an exercise or a project, I would showcase the project I was working on and ask if I could use what was being taught and apply it to my actual, that was building. And a few professors agreed to that, which was really honestly, really cool, but that led to one of the professors was very supportive, had recommended that I explored this entrepreneurship minor.

JT Marino   00:06:50   And to be honest, I'm not sure how developed the minor was at the time, but he introduced me to a professor named Liz Kien weather was amazing. Like as soon as I met her, she said that there was this program that was in development where the engineering school partnered with the business school. And they would wrap like a concept that I would have, or could come up with from an engineering standpoint. And then from a business standpoint. And I mean, I, it was exactly what I was trying to do with <laugh> my other professors. And so my first class was actually with Liz and that was in the engineering school. And I gave her a demonstration of the project and we talked about milestones and what it would take to build the product. And she built a custom curriculum and syllabus around milestones. I mean, it wasn't a class of a lot of students, which are probably is, is now, it was really one on one in her office and we would do our check-ins and I would show her what I was building.

JT Marino   00:07:44   She would grade me accordingly to that. And then similarly in the business school, there was a few different classes I took, but one in which I had to build a team and then we would build a business plan, which was then presented at the end. So it was really fascinating because this school was really embracing this application, taking the coursework and, and integrating it into application and something that was really driven by, which was so motivating and so empowering. And at the end of that semester, I had a finished product that was demonstrateable and also a business plan in some team members. And then the business school actually helped get me in front of a couple potential customers. This was a B2B software product, but just that whole process was to me, mind blowing and unheard of, I, I had never heard of another university doing something like that.

JT Marino   00:08:33   Wasn't a product that I ended up continuing to pursue, but it was just the fact that t --

-- he school was so supportive and mean an entrepreneur. It feels a lot like it's a battle against yourself and your confidence and your momentum and learning what you need and meeting people. Another thing that the university was paramount in, as far as like supporting my company tough, the needle was, I met my co-founder and he actually went through the program with Liz kiss and other too. So in a number of different ways, the school like really set me up and supported my journey. So

Ryan Newman 00:09:05 You graduate Penn state. And then where does the initial inspiration for this business come from? Or where do you immediately go after graduating that you sort of settle into this, uh, the founding of tough to needle.

JT Marino 00:09:18 So right after school, I, I ended up joining a rapid prototyping software consultancy. So this company was really famous at the time. I, I had applied there because several of the developers that I, and who wrote some books were there. So I, I figured I was hoping that some of their skill and mindset would rub off on me. I mean, it definitely did. And what this company specialized in is working with startups or even big corporations, everyone from Google, the Marine biological laboratory Ericson Virgin to a number of different startups outta the Silicon valley. And from the startup sense, it was a lot of founders who had the business or sales mind and the concept and funding, but needed that technical founder and, and was struggling to build a product. So a startup would come in, we'd help the founder break down the concept to its bare minimum component, we'd storyboard, design them, and then build the software out, launch it, help them build their team and then hand them the keys.

JT Marino   00:10:24   And just that full process. I really wanted to learn because getting the exposure as opposed to joining like a software company or a tech company in Silicon valley, where you're maybe on one product team, you would be able to be exposed to, to so many different ideas, so many different types of businesses, and then really specialize in breaking a idea down, building it really fast, assembling a team, and then launching it. And then from that point, it's, it's really more marketing. So for two years I was doing that and I ended up going client side on one of them that was based in Palo Alto. The, so I ended up joining the companies, the director of engineering and my role was to build a product from the design and engineering standpoint. And we needed somebody to manage the business developments, partnerships and the e-commerce. And I, the first person I thought of was my co who would later become my co-founder.

JT Marino   00:11:15   And it was good friend of mine, which was da who's just a master of business development and marketing. And so I'd reached out to him. And within a week he had left his job and joined and moved the Palo Alto and joined us six months there. We got to learn a lot about the inner working sort of post launch and also a lot of pros and cons of what a startup that raises capital, like how they behave and a lot of like what we liked. And didn't like, and so that sort of led to this point where we felt that we had learned enough to start our own business there, that particular startup wasn't really a, a good fit for us because we were so heavily funded that it seemed like we were just pivoting and pivoting, and we really weren't finding any traction. And we just got to the point where de and I, we, we went for a walk and decided we could do this ourselves. And it didn't seem like our contribution were as needed anymore. And we decided we wanted to start something of our own. And obviously going from tech to mattresses is really, really strange, but it does definitely does make sense and hear a little bit about how we arrived there, but that's really like the history leading up to the point where we decided to start a business.

Ryan Newman 00:12:29   So you and dehi decide you want to found a business. You, so what's interesting is you got the desire to start a business before you had the idea of what business you're gonna start. Yes. Which is always sort of that chicken and egg debate. Uh, so, you know, you wanna start a business. You don't know what that business is. You have a background in software day. He has a strong background in, in business development. Had you actually go about going from where you were in terms of your skillset --

-- to actually founding tough to needle?

JT Marino   00:12:56   So what we did was we broke down what we saw were common denominators and successful startups and the common denominators that maybe led to them not being successful. And one of the things that we found is it seemed like, okay, so I go to Silicon valley, I think that this is the land of innovation, but for all of these startups that I had been reading about the time, it was like Dropbox and Facebook and Pinterest and Uber behind each of these incredible startups that are finding problems to solve and really finding their traction seem to be legions of junkie startups that were, and I mean like hundreds, you would just hear an idea and it's like, all right, I've already heard that idea. Or it's, it's mimicking something that is already popular and it's already being built. It's like Dropbox, but like a little bit of a twist or it's Pinterest with a little bit of a twist.

JT Marino   00:13:48   And it really didn't seem like people were focusing on what really is needed to be built. Another thing we found in common with the six successful startups were each of these founders had a story on how they arrived at the idea, which seemed to be very personal, some sort of a pain point or experience that they had, where they were sort of like the first customer, not to say, you don't have to be the first customer. It's something you experience, but how cool is it that you eat your own dog food? Like you can build something and you would know if it fixed it for yourself, because this is something that, you know, you have a pain around. So when we sat back and said, okay, we're gonna build something. How do we go about making the decision on what we would build? We made a list of criteria that would qualify an idea or, or a problem.

JT Marino   00:14:34   So the first one on our list is we wanted to build something that we were familiar with, a problem that we were familiar with. Well, at least one of us another was we didn't wanna raise any capital. Not that capital is all bad, but I do think that in a lot of circumstances, it can undermine a very early startup from finding traction. We've also seen how companies have gotten started with like a noble cause and then really prioritizing growth over maybe the products in the customers. So we didn't wanna build a company like that. So that was another one we thought about what is our goal as founders? How big should it be? And we were young and we wanna wanted to be founders and be rich and be successful. And so it seemed like those conversations were all about, well, let's build a billion dollar company, but we really it's like, is that really practical and what we decided to go in reverse.

JT Marino   00:15:23   So we started to think about what would the minimum success be that we would accept? And our minimum was success. We just wanted to be able to, to pay ourselves from our company. So we could have a paycheck and survive and pay our bills and not need to go and get a, another job. So financial independence was our minimum goal. And we also, I was just totally burned out in building apps and just app after app. I probably had over two years of my hands on 15 different products and I was ready for so, and like fresh and new. So we also wrote down, it could be anything like it didn't have to be software. So that was what we used to narrow down ideas. We spent about two weeks or so evaluating our lives, which started a little bit slow at first. But after a couple weeks, it just started flowing different things that were a pain.

JT Marino   00:16:08   And when we were comparing our different problems and experiences, one of them that was on our list was shopping for a mattress. And it's funny because we thought it was a joke. Like we were joking about it. Like this would be this definitely not be something we would build, but we kept going back to it because it was a problem that I had and that he had, what we ended up doing was using that rubric. We selected five different concepts and we had about enough money in both of our savings to go about six months or so from the time that we had left our jobs to needing to actually make an income. And so we reduced our expenses. My wife got a second job day. He reduced his cost of living and, and moved. And one of the things that I feel that not having a lot of runway or a lot of capital does this, it really creates a sense of urgency.

JT Marino   00:16 --

-- :59   And another thing that it did for us was it forced us to select multiple ideas and to test them quickly, as opposed to choosing one that seems cool or seems interesting, you know, building a pitch deck, finding capital, building a team, and then building the product over six months or a year or whatever it would take us to then launch it to find out if people don't want it. So to reduce that risk, we built these different tests. So for the concept of mattress shopping, what we did was we took a piece of paper and we wrote down the hate list at the top and everything we hated about shopping for mattresses. And at the time there was no top to needle, Casper purple. There was no company like that. So we were really wandering in the unknown and sort of trying to figure this out.

JT Marino   00:17:43   We didn't have a model to follow. So we wrote down, it's very difficult to compare mattresses because there's no specifications. You go into a mattress store and there would be like 30 mattresses. And like, how do you compare and contrast? And like, how do you make a decision? They all seem to be kind of the same and oh, then you have to work with it and haggle with a salesperson breaking down that problem, that pain point into finite pieces. And then for each of those, think about how would we solve it. So, and out of having to go into a store, we would ship it to you. Instead of having 30 mattresses, we'd have one, instead of multiple furnaces, we'd have one firmness that works for everybody, things like that. And from there we reduced the, those features to the least amounts. So we just used our gut.

JT Marino   00:18:24   Like if we were gonna shop from and buy a mattress online from a brand we've never heard of what would it have to offer to convince us to like cross that hurdle of buy in a mattress online from a company you've never heard of. And from that small subset of ideas or, or features, we converted that into a single page website, which I've heard called a smoke screen. We purchased a photo stock image of a mattress that was at the top. We just, this like sort of fake company, but it looked real. And we had a credit card form at the bottom, which would authorize, but not capture funds. But it, we would know if somebody like was trying to process a payment and we launched the site and I'm sitting in CUPA cafe downtown is like where Zucker Ben from Pinterest and other people would work.

JT Marino   00:19:08   And so she's, it's always very, it was like eight o'clock at night. It's buzzing. There's no outlets because people would code all day in there. And, and I, I'm sitting there day. He's not with me. And I, I launched the website and I send him a text and I'm like, Hey, the site's up. And then he sends me a text that he put an ad up on Google and 15 minutes later, my phone's ringing and he's screaming over the phone and I can't understand. I'm like, what are you saying? And he said, we just made a sale. And I literally jumped outta my chair so fast that like the, the back of my knees, like slid the chair. And I said, jackpot like really loud in the room, which I is very out of character for me. Uh, I was just like overwhelmed emotionally. And I like froze.

JT Marino   00:19:48   And the whole cafe, which was like buzzing, immediately froze. And everyone was staring at me. There was a couple people like smiling and nodding, like as if they knew what had just happened. And so that was our validation. And that was the point where we had decided, okay, this one passed. And so we need to dive in and figure out, like, how do you even make a mattress? And how do you do supply chain? And we're digital. And like, how do you do a physical product? And so that test was in June of 2012. And then October of 2012 is when we officially launched up the needle with $6,000. And we packed our bags and we moved to Phoenix, Arizona from Silicon valley. And from October of 2012 to 2018, when we did the merger, wither Simmons grew our business profitably to 250 million in annual revenue.

JT Marino   00:20:36   And what was interesting is this was fully bootstrapped. We didn't actually raise any capital. And I wanna also just say that our mission was when we started having a, why our, why was this was a pain for us, but if you were to abstract that and say, what was the actual problem that we're actually solving here for ourselves and for others. And that was wherever you went to buy a mattress. It was no --

-- t catered to people or customers. And so we realized that the, the major pain in the industry was it wasn't customer, which is doesn't sound very, you know, necessarily like that innovative, but it was a huge problem. And so our goal was to build the truly first customer-centric customer first mattress company, and to evolve the industry, to being customer first

Ryan Newman 00:21:23 JT, we talked so much about this idea of disruption and clearly what you were doing was highly disruptive in your opinion, what does it take to actually disrupt an industry?

JT Marino   00:21:34   Trying to design disruption? I think can be really challenging with the fact that there's so many variables involved is very convoluted. But if I were to say some of the things I, I feel that we did, or I've observed, I'll start with just Clayton Christensen's definition of disruption being there's three main types, and one is innovation. So that would be like a Google you've innovated some technology that is a lot better than what's available. The second would be process. That would be like you change the way things are done, or how people use a particular service or product that would what Netflix did with mailing DVDs and later streaming versus like going into a blockbuster and, and renting. And then the third would be price compression and undercutting and finding some efficiency. And what I've heard is that the big companies out there, they can handle innovation pretty well.

JT Marino   00:22:25   So if they see something they're doing, they can patent other avenues and they can develop, they could throw money at the problem. Process is definitely harder because they have a lot of infrastructure, internal process and how their teams work, maybe vertical integration and manufacturing, or maybe it's like technology they'd have to change out. That could be really hard. And the third price is the most difficult because a company had to reduce its pricing that would, we potentially reduce its top line revenue and its market cap and executives are coming under fire. And it's a very difficult thing to, to combat. So I would say that for tough and needle was really process what we were doing. Really. We didn't figure all this stuff out. There were a couple things we figured out, but a lot of stuff was just aligned. Well, as an example, cus their journey.

JT Marino   00:23:10   So a customer has a journey. They go through, it may have started in the old days, like watching a TV, seeing a commercial for a mattress, they have a life event. They remember that commercial, they know the mattress store around the corner because they pass it or they see an ad in the paper. They go into the mattress store and buy it. And today people start on phones, they search Google or Amazon, they search somewhere. Then they find a product. They do research, they compare and contrast and a lot of the match companies at the time weren't in that journey, they weren't on that path. So what we were doing was we were changing the process that a mattress is sold. So we were offering it online. We were doing it a very different way as well. So one mattress compresses into a box. So it, it, it arrives to your door.

JT Marino   00:23:56   And then also from a pricing standpoint, because we were going to D to C direct to consumer from the factory to them, we were able to cut out a lot of the margins that were needed for the retail stores and made a lot of the traditional advertising. So we were able to undercut, but with a product as good, if not better than what you were finding. So we were really fitting in those three buckets and under process and pricing. Another, I would say is overall, if you were to step back, what is disruption? Disruption is causing a problem, like a major problem. And that would be a problem for the incumbents or the companies that are established providing a product or service as you're causing this problem. What you're doing is you're catering to what the people want. Like what would they want? And you've figured it out. And the way you did is in a way that's very challenging for the established companies to, to be able to respond to

AD   00:24:49   The invent. Penn state launch box and innovation network is comprised of 21 launch boxes and innovation spaces embedded within Commonwealth campus communities across Pennsylvania, each innovation space provides entrepreneurs and innovators, a wide array of no cost resources --

Ryan Newman 00:25:23 What's incredible about your story. JT is that you took really two steps in directions that most entrepreneurs ultimately choose not to take. One is you bootstrap the business throughout. And then secondly, you merged with one of the incumbents, if not the largest incumbent in the industry in cert Simmons betting, can you talk about both the decision to bootstrap the business and then ultimate the decision to merge with an incumbent?

JT Marino 00:25:50 Sure. So the decision not to raise money, it's not that we're so adverse to raising capital and that that's all bad, but I think that it is bad for some companies and some founders and how it's used. And, you know, the company we were at prior to had raised, you know, they had tens of millions of dollar and seed funding available to them. And we got to see how money doesn't really necessarily create an urgency to find that product market fit and how you can say, well, you build the product, launch it out. It didn't work. So let's pivot and try again. And with the size of our team, we could have done it for 10 years or more <laugh> as opposed to like you've got six months and then you're dead. So I think that that was one reason why we wanted to bootstrap another is our, uh, we wanted to build as big a C as we could, but our minimum really was.

JT Marino 00:26:37 We just wanted to pay ourselves. And we've seen that a couple of companies that we admired, like Basecamp, which was called 37 signals back then the fact that they were a real profitable business. That's not selling stock as a product. In addition to their product, you really have to get a lot of things, right? And you have to build a stellar product because it, your product and your customer base, you're gonna need to lean on them for virality and board of mouth and sales. And we wanted to build a company like that. And we just had a lot of ideas on what we wanted the culture to be like and how we wanted the company to potentially operate. And we knew that if we raised capital, the main goal would be growth over everything. And the main goal would be to, to build, build, build, sell.

JT Marino 00:27:16 And we wanted a little bit of control over our destiny. And again, not to say that we wouldn't have control if we had raised, but I, we knew we'd have more control the reason why we decided to do the merger with cert Simmons. So you've got the largest company with the original disruptor and they come together. It seems very counterintuitive cuz we were so anti-establishment why would you go and partner with the sort of like maybe, you know, we definitely view them as an enemy amongst other competitors and retailers. And it does actually make a lot of sense. So from one aspect, it was very pragmatic. We had finally figured out something that could be funded every year. We actually set out to raise capital, but never decided to do it. We were advised to do that because you learn the investor mindset, you learn the financial perspective, you can discover blind spots and it helps you just overall be self aware.

JT Marino 00:28:04 And so it's always been a good exercise to go out and do the rounds with investors, but we could never really figure out what we would use the money for. Cause we're always growing really fast. We always had enough money to sustain our growth. So what would we use the money for besides just experimentation? But we had money for experimentation. Well, we figured out how to go. We were digital purely to digital and we knew retail was gonna be important because totally 20% of people buy mattresses online. So even though the brick and mortar was eventually going to atrophy and transition digitally over time, it's still a huge market. So we could go in and, and capture customers there and, and serve customers there. So we started playing with idea that could we actually figure out how to open up a store? Could we figure out outta home marketing in a profitable way because our competition wasn't profitable and we knew they weren't and they were just blasting outta home marketing and we always had to be profitable cuz we were bootstrap.

JT Marino 00:28:58 So long story short, we figured out by doing tests across multiple cities, how to go in --

-- to a city and fully take over their billboards, radio television, and then drop a store in and then cause a growth in that region of the city. And if you were to draw like the area around the city to like neighboring cities in the state to create a lift that was ACC CRE to our profits and also was growing faster than our national average growth. So we figure out this formula and it was profitable, but the problem was being cash, poor, being bootstrapped. It's a risk to spread yourself thin like that. So we could really only do one city at a time. Once we figured out the, the method we'd go into a city and then eventually build the store and our payback profitably was about a year. So now we could raise capital instead of doing one or two cities at a time we raised 25 million.

JT Marino   00:29:47   We could probably do five to 10 cities at a time and really just take over nationally and become a household name brand overnight. So that was the idea we set out to raise capital and then word got out and not just like private, but then eventually strategics like factories, competitors. And what started as let's raise money to accelerate what we figured out became this exercise. And well maybe there's something else let's just, let's not be dogmatic and let's just see what our options are. And maybe there's something that would make sense for us. So where we were at at the time, the needle and our competition, we had captured amongst us all the competition. If viewers is collaborating in like catering to an online market, we collaborated to capture it all. And we were at the point where we were sort of trading single digit percentages and for a tough needle to continue to grow.

JT Marino   00:30:36   We had to find new ways to sell and new ways to find customers new pockets as an exam, my mom shops at Costco, if she could find a product she needs at Costco, she'd buy it there versus anywhere else. So are there customers at Costco or Sam's or are there other types of stores that have customers that would prefer to buy there? So we were like, okay, we need to go to these places that these other people are, that would buy from us, but prefer to buy somewhere else. So distribution. So how do we get into retail as a new company, a new brand, you sort of claw your way into distribution and building these relationships from scratch, like try getting into Walmart and into, in front of a buyer. And so when we met with the owners, which was advent international of sort of Simmons who owns Lulu and a bunch of other badass companies, we actually really liked them.

JT Marino   00:31:25   We were like, all right, well, let's just meet with the, with the executive team at cert Simmons, we really liked the CEO. He was from Bosch in Germany and a lot of the other executives were not mattress industry people. Okay. They're not the kind of people we thought they were when we hear them talk about their future. They're, they're tough. The needle, they wanna be a brand that people love that has a simple, modern product line. They want to be able to iterate based on feedback. And they're describing tough the needle. They want the quality of our brand. And when we look at them, we wanna be their size because if we're number one and number two, we can cause an influence on the landscape to being customer first. So it was like, okay, so they've got the, the manufacturing so they can cut our costs.

JT Marino   00:32:08   They've got the skeleton key to unlock all of retail. Like what big even massive brand is in Sam's club and Costco, like just the fact that they're in both of those is insane. So they've got the ability to turn key our distribution everywhere. So it's tough needle can become prolific and, and really just rise to being a leader so they can accelerate our growth, which is what we wanted. And then we could go in as like pirates rating, a ship and disrupt from the inside and change Serta Simmons, Beautyrest being like TNN. So which aligns with our goal of making the industry customer first. So from this perspective, it makes a lot of sense. It was a way of accelerating, reducing risks, um, for TN cause we always had risk being bootstrap. So, and when we did the deal, it was a merger legally, operationally and financially, you know, day. And I are large shareholders of service Sims are the largest individual owners and we have board presence and also executives on the executive team. And we were asked and told that we we --

-- re to do this TNN would be able to accelerate and do what it did best and actually have the ability to cause these changes and modernizing like this older company,

Ryan Newman 00:33:22 JT, there's a tremendous leap of faith that an entrepreneur has to take to go into the incumbent, even if you're being promised the world in terms of the future. And then to actually be successful in that merger of new school, old school, if you will, what this has now been going on for some time. And you're clearly in a leadership position, what's really been the key to success in terms of this, uh, merging of cultures and your leadership role going forward.

JT Marino   00:33:49   Well, that's a great question. And I haven't been asked that yet and I would say honestly, it's communication and education <laugh> because you've got in our particular scenario, the older companies are manufacturers and they have a sales team that sells to retail. They're not direct to consumer, they might have a website, but it's not really a thing. It's not really a major thing. I mean, now they do. But like at the time a ma it's really a manufacturing company with a sales team. And what they have to learn, how to do is become a marketing company and a development company in a direct to consumer service company. Like when, when they would say customer, they met retailer. When we say customer, we met consumer, we don't like to call them people, consumers, but we're talking about two different people. When we would talk about marketing, we were talking about marketing, you know, as far as like digital advertising, when they say marketing, they mean like television collaboration with retailers, the paradigm is very different.

JT Marino   00:34:44   And so we had to spend a lot of time educating their teams, their leadership team, the board, the owners on what a modern future company of theirs would look like. And, and through that understanding can adapt the team, the different roles and different people. So like as an example, the digital marketing all moved over like that, that responsibility stayed outside of sort Simmons. In the beginning, we kept them separate so that we were really careful not to disrupt either group and started to bleed over competencies. But my, I would say one of the most important aspects of success and my role was primarily communicating a lot. And I feel like I could always do. And more of it speaking individually and developing relationships with all the executives and the board members and owners, because you really need in the, in a sense like a lot of the way they were doing things at the time were threatened. And so a lot of people's responsibilities were threatened and it was really important to have strong bonds and relationships. And this is definitely not my skillset. I'm like not the best at relationships and communicating I'm, I'm a maker. And so I I'm happy to be tinkering and in the throws of like chaos and figuring stuff out, as opposed to a of meetings and, and phone calls and, and developing those relationships. So it definitely matured me as a business person and a communicator and entrepreneur. Great.

Ryan Newman 00:36:05 And as you look to the future, what's next for sort Simmons and tough to needle. What does the future hold for you in store as a merge business?

JT Marino   00:36:13   Well, I do intend to leave <laugh> in transition out this year, which was always the Gulf in the beginning. I think it's the job of the founders to replace yourselves and to hire people better than you at everything. And I've done that for the most part. So I'm really, as of right now, I'm more of an advisor as far as sort of Simmons and T to needle. It really is transforming to this mattress company and sleep company. Really what is being pro divided by a mattress or a sleep company is really broadening as more people care about health, as we're becoming more digital with our wearables and starting to monitor those things. And doctors are starting to get integrated with those wearables and, and health. So really what we are building is just a modern, more digitally native brand. That's directed to consumer and, and agnostic to channel our products are consistent. They're badass. They're really aligned with what customers are looking for because we iterate basic customer feedback and we are where customers are looking for them.

Ryan Newman 00:37:09   Well, thank you JT for taking the time today to shar --

-- e your entrepreneurial journey with me. I now like to turn things over to a current Penn state student, who's in the midst of a, his own entrepreneurial journey and is very active within the Penn state entrepreneurial ecosystem. Nathan Bonslaver is a senior at Penn state Burke study, mechanical engineering. He also is the co-founder and president of car to camp, which designs, manufacturers and cells, a universally fitting sleeping platform, pro and storage system for car camping. Nathan, I'll now hand things over to you.

Nathan Bonslaver 00:37:44   Thanks very much, Ryan. Hi JT. I wanted to talk about the fact that we live in 2022, and I feel like most founder stories I am hearing these days are like software as a service businesses and software growth story, but you built a physical product and you sold a physical product to consumers and I'm working on building a physical product right now. So that's where most of my interest lies. So I'd like to know the day you launched your real website in October, 2012, uh, you were going off of the notion that you had made one fake online. Um, and then you got prepared. You launched your website. How much inventory did you have in stock that day when you launched in October, 2012? And did you have a plan to scale inventory as sales would grow?

JT Marino   00:38:35   We didn't have any inventory at all. And there's a, a number of different techniques we used so that we could bootstrap. So back to constraints, I feel constraints really help you innovate and, and figure out how to solve your problems. So our constraint was, we didn't have any real capital, six grand was a, all the money we needed to open up our initial bank account so that we could write checks and accept payments. And so we didn't have the capital actually to buy inventory. And when we were meeting with manufacturers and suppliers, most of the larger ones had MOQs, which were minimum order quantities. You know, these are all things we were learning. As, you know, as we got into tangible goods, as opposed to software where you could build a software product, you know, in a matter of a few days or a few months comparing to a physical product that takes months and months.

JT Marino   00:39:26   And it's like a lot of back and forth. Anyways, we eventually found a manufacturer who was willing to do make the order. So what that allowed us to do was it allowed us to have negative working capital, meaning we were able to accept money. Like we would make the sale on our website and we'd get paid from the customer. And then we would place the order with a manufacturer. And then when we got billed for that, for that, um, part or, or that product, we would then pay them. So we already had the money in hand, so we didn't need a line of credit. We didn't need any capital and we didn't have inventory. And so you would say like, okay, well, people are expect to get their products shipped pretty quick. Well, if you make a good case and like the fact that they were handmade and set expectations really well, obviously it probably doesn't lend you well to, to, you know, converting everybody. But you, you still will find customers. And as we had inventory and we reduced our ship times and all that, we definitely had a higher conversion, but we were making them by hand one at a time, we advertise that as feature. And so we would ship a product like two weeks later. And then what that did for us a, it really relieves these pressures. We had to have capital on hand and to have inventory.

Nathan Bonslaver 00:40:44   That's interesting to hear. I know what we did was we added lead times so that we could build when we receive orders and some customers are okay with that. Some customers are disappointed by that, but like you said, we don't have the capital right now to, uh, invest heavily upfront in inventory mm-hmm <affirmative>. And when you were working with these suppliers, was it easier to have one product, cuz I know you had dissolved the entire mattress industry down from 30 different products and different firm misses down to one. Was that easier from a manufacturing and inventory standpoint? Was that intentional on your part?

JT Marino   00:41:23   So it was very intentional from the standpoint of the consumer. So the customer, so one of the challenges with shopping for a mattress is the cognitive dissonance. You know, it's, it's, it's already more complicated. We were really like the only kids on the block when it c --

-- ame to this sort of modern way to sell a mattress. And now all mattress companies are doing it. It's now par for the course, there were no mattress salesmen. And now there's all these bloggers and review sites, which are really just mattress has been digitally manifested. So now it's complicated, again, cognitive dissonances back, but we are making it easier for a customer to make a decision. So imagine a customer flipping between tabs on their computer, looking at a company that has, you know, 30 products and then going to one that has one, it puts everything behind that one and says, this is, it really makes the decision making process easy.

JT Marino   00:42:13   So that really helped us in selling and in converting. And we have three mattresses now, but when we launched a second mattress, we did see a reduction in conversion a bit. We found new customers because we are offering a different kind of mattress, but we did see it. And, and so you see it first hand in the data that the more options you offer, the more difficult it can be for the customer to make a decision. Some companies get around this by rolling them up into one, which I am a huge fan of. And we actually are doing that wither and, and, and a couple others like an iPhone is, is actually like, I, I can't remember how many, I think it's 47. I did, I did the math. I think a Tesla model S is like 30 different cars rolled up as a model S you know, there's different engines or different colors, and they're all different colors or different skews.

JT Marino   00:42:58   So, but we actually had just one. So that helped us with conversion. And then from the manufacturing, of course, it's like so much easier. And if there's six components to a mattress, essentially like seven or eight, if those components are different for each mattress, your skews just blow up and your inventory blows up. So yes, it absolutely made it a lot easier to scale. And when we started offering other products and designing other things, like we have everything from like, you know, bedding, we design every, everything, except for our simple frame, every our other frame and everything else, we actually design in-house go and source those materials. So all our stuff is not private labeled. It's all unique. But when we started out, you know, offering other other products like the, the, it, the company immediately became complex. And so you need a lot more training and customer service. You have to spend so much more time in communicating the different products on your website. Marketing has to manage all these different skews rather than putting all their energy on just one. Even, even though it may be beneficial to the top line and bottom line overall, it just makes it a much more complex business. And when you're growing, especially growing fast, the simpler, you can make it. And the easier you can make it as a founder, because you have so many other things that are so hard, I think the better. Yeah,

Nathan Bonslaver 00:44:11   Absolutely. And finally, I have to ask, since you boots trapped your company from day one, all the way to a merger, if you could go back in time, would you do it all over again? Is there anything you'd do differently?

JT Marino   00:44:25   I think I would do it all over again, probably the same way. <laugh>, you know, I think that some of the ways that we built our team, I would change a little bit, I think some of the formalities and how we make decisions, I would change a little bit. So some of the things I learned I'll be rolling forward in my next company, but overall, I'm really proud of what we've done and I'm really proud of our team and what we catalog and the change that we've made. And there will be lasting change from the things that we had discovered and built in this industry. I'm sure in 10 years it'll all be obsolete, but I'm really proud of what we've done. And if I were to go back and I don't regret anything that we've decided, so, but definitely a lot of lessons and things that we learned that I'll be rolling forward. <laugh>

Nathan Bonslaver 00:45:08   Awesome. Thanks a lot.

Ryan Newman 00:45:14 That was JT Marino. Co-founder of tough to needle and the chief disruption officer of Serta Simmons betting. If you haven't already be sure to describe, to dare, to disrupt wherever you listen to podcasts and look out for next month's episode. Thanks for listening.

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