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Joe Pedott Oral History Interview

Interviewee: Joe Pedott

Interviewer: John Fleckner, Archivist

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JF: This is John Fleckner of the National Museum of American History, Smithsonian. I am talking to Mr. Joe Pedott of San Francisco, California. Joe, the last interview we recorded you had told the story about finding and sourcing a clay Chia Pet from Mexico.

JP: Yes

JF: What is the next step then in that evolution?

JP: Well, it was sort of a catastrophic accident. We were having it made in Mexico and I put this guy in business and all of a sudden the pricing was going up and I feel I was being blackmailed. I was at the Chicago Houseware show, I guess about thirty years ago, within that area. A Chinese guy comes up to me and introduces himself and he is a professor in a university in Philadelphia or Pittsburg or, comes from a town ... I can't remember which one. He is from [?] and they make tea pots there. And he saw the Chia Pet there and he took it back and worked on it. It took a couple of years to break the formula. And he presents me with about half a dozen Chia Pets made in China. They look very, very good. I take them home and test them and they are better than the ones made in Mexico.

JF: Better quality?

JP: Better quality, cleaner, less defects; they even grew chia seeds better. So the time was perfect. So I flew to China. I remember it was wintertime and I took my comptroller who is Hong Kong Chinese so I had an interpreter, so if they talked behind my back I would know what they were saying. And we met some factories that he said could make it.

JF: This is the professor?

JP: Yes, and we chose one and then they reneged. They got a big order for something, so there was somebody else in the room who was listening who was an employee [who] saw the opportunity – I didn't know at the time – no, I am sorry, he gave it to someone else to make and then he was just not reliable. So, then he gave it to these other people but by that time my nose and my attorney's nose – this was all legal in Shanghai because Shanghai is about 200 miles

from [?] so we met there and had a Chinese attorney. Nobody trusted this guy because he was trying to skim everybody off the top and really so I finally picked someone and they said we don't want to do business with him. We will deal directly with you. I remember saying, but he brought us to the dance and I can't cut him out but they didn't understand this so I said, explained what I meant and I said the next year, but he did bring us together and he deserves something and so I am not going to do that. But he got wind so what he did was he gave the wrong formula to this guy. He made a hundred thousand that didn't work and he shipped them and now this guy to set up the factory borrowed money from every relative, everything he had. He begged, borrowed everything to set up the factory to make it. But then he made a hundred thousand. I said I can't use them. I said you will have to replace it. We sent him out and he was convinced I wasn't lying. So he made another hundred thousand.

JF: You had to give him the actual recipe then?

JP: No, no, he found what went wrong and immediately corrected it. Federal Express was doing very well. He Federal Expressed them. They worked. So I ordered a hundred thousand and he shipped a hundred thousand. I flew out there and I met with him, it was wintertime I remember because I always go there the first of January or just before Christmas and were sitting at a table at a restaurant. By the way the first time I went there I landed in Shanghai, the road you go about ten, fifteen minutes out of the airport and you are now on gravel, and gravel, and gravel until you get there and it was about a seven hour trip.

JF: From Shanghai?

JP: Yeah, I remember the first time I got there it was freezing, everything was frozen. I went into the best hotel, the doors were open, no air conditioning, somebody said the switchboard operator was closed [?]. They put me in a suite. It is freezing, so they bring a kerosene heater so I brought for them a bottle of scotch so we are having scotch. So now it is two o'clock in the morning and we are meeting for breakfast at seven thirty. I go to take a shower and there is no hot water – it is ice -- and I could hardly shave. Try shaving in ice cold water washing your hands. So I got through, went through downstairs and I have double thermals on having breakfast. You pull out your hands and put them around the tea to keep them thawed and when the food comes out the food is hot but you got thirty seconds before.... I'll never forget that. The same hotel is now a four star. That is how the village was. He had to rent a car from the government because nobody had cars. It was all government owned, you know. So, it was really a different world.

We had this dinner and they find out that he is going to go broke because a hundred thousand will not cover the hundred thousand that was no good, plus the money he owes in interest and he went and made two hundred thousand in hopes that I'll need the extra hundred thousand, which I didn't need. And I find this out from my interpreter who found out because always with us is a man from the government who speaks English who handles export/import to keep everything legit. So, I find out, so if I don't buy another hundred thousand which I don't need, he's out of business. His wife is at the table, his manager is at the table, the export guy, I am there, and so is my Chinese comptroller. I ask him if, through my interpreter, if he was paid fifty percent on the

hundred thousand would he be able to survive? He said yes. So I then, through my interpreter, said have him stand up and I stuck out my hand and he said what is this? He wants you to shake his hand. So I shook his and he said what does this mean? I said this means that fifty percent of the money is going to be wired into your account and you'll have it there within five days. Will that keep you alive? I said you hold on to the merchandise until next year and we'll just have that part of the order. And then he says, well how much do I have to give you of my factory? That's how they think. I said nothing, all I want is good product and your friendship. [I look over and] his wife is crying

And by the way, every year I go there, every year he improves his factory. He can't wait to show me. In fact, I ate at his house the second year there. He has this little home and outside the first time was something like an outhouse where the community uses it. Nobody has a toilet in the house. The living room is like a garage, it's concrete floor so you walk in the door and there is no heat in the house, anywhere in the house. Two levels, three bedroom house, the kitchen consists of a single Bunsen burner and I couldn't remember if there was a refrigerator or not. The dining room table is a card table maybe two inches longer on each side so you could squeeze two card table sized chairs under, conceivably. Because the table is so small there is buckets where you just throw the food you are not eating into the bucket because there is no room on the table. So, we eat there and his wife is doing the cooking. We had a sixteen course meal. By the way, everything is fresh that day. The fish is caught that day, the chickens were alive an hour earlier, the turkey....the poor turtle was alive. They wanted to offer me snake. I said no sir. They eat the snake. Everything was absolutely fresh. When you think oh, it is decayed or standing there, no, everything is fresh. Anyway, so three years go by or four years, he is doing well now.

JAF: And the Chia Pet is going well?

JP: We have gone from a hundred thousand to doing about four hundred thousand so he is up there and I never changed the deal. I never asked him for a quantity discount, and over the years he only recently, these last years, said Joe [I could ? it] . But I know he is making money on it and I didn't deny it. I wanted him to make money. By the way you are only allowed one child in China. He had a daughter. So three or four years go by and I find out that he saw a car in Shanghai – it was in the window of the auto dealer – it was red – and he wants ...saving to buy the car so he could be the first one in his village to have their own car. So, I find out and I said how much have you put aside for the car? He said, I saved seven thousand U.S. I said, how much is the car? He said fifteen thousand dollars. So we enjoyed dinner and the same group of people so I asked to have him stand up again and now he is wondering and ...shake hands. What does this mean? I said eight thousand will be wired to your account...your own car.Now I am telling you this ...

One more thing. I really wanted to help the guy, so I arranged to have him brought to the United States. And I am totally responsible for him and I take him to San Francisco and to the house where ...in Chicago. And he comes in and this is, I think, in August, and he says his daughter is getting married and she is getting married on something like January tenth and he would love for the comptroller and I to be there. And I said I would love to be there ...but I said I've already

got commitments, my program ...If it was just a week earlier or ten days earlier I can make it. So now the government guy says can I use your phone? And out he comes and he is interpreting. He called his wife. Even though all the invites were out they are moving the wedding so we were both there.

JAF: That is lovely.

JP: So now, let's go back fifteen or twenty years earlier when I first started going to China. The Americans were trying break into Chinese, a billion plus population, tremendous potential, so all the companies are setting up offices in Shanghai or Beijing.

JAF: This is like the early eighties?

JP: Before that....Of course they want Western accommodations, so they were there and all of a sudden after two or three years nothing happens and they pull up their stakes and go home. The Americans always thought you make the presentation. Now I learned from guy called Armand Hammer something – you ever heard of the guy? He was in a sense considered almost anti-American because he was the first one to do business with Russia. Not that he sold anything to Russia ofThe Russians said, well what can we do for you? He said, well why don't I supply you with pencils because everybody needs pencils? So the government says that it great. So do you believe that he was shipping to Russia? You can imagine the fortune he made supplying all of Russia with pencils.

And he also was the first one to crack China. And the Chinese at that time they were very sharp. People think that they are backward and you know...Forget it. At least the people I dealt with, the mainland Chinese...Taiwan Chinese, Hong Kong Chinese, and the Americans well...they were something else. In order to do [business] he found out that you have to have patience. You can't rush. You got to let them know you and it takes many visits, many years until they trust you. Once they trust you, think you are honest, and then they'll almost give the short off their back. And for example like this guy, Mr. [Yu?]. But things have changed now. They have gotten a little savvy but they still retain the relationships that they have because it is of value to them and I am [called] Uncle Joe or Grandpa Joe.

JAF: When you came and negotiated, that we your first deal with China, the production, manufacture of the Chia Pets. Was that your first?

JP: Ah, no, I had something before and it was...No, I think it might have been. I had another product but that was supplied to me. I have been going to China, learning for many years before that. I like to learn. ...Always know what you are going to be doing. Each...you should know about so you understand.

JAF: When you went to China for the manufacture of the Chia Pet, you already had some background about working in a Chinese environment....So when this man approaches you at the trade show it's not just out of the blue for you, I mean you had been looking at China as a potential source for your product.

JP: Yeah, yeah, yeah. I wasn't really thinking of China for the Chia Pet. I even went to India, but their soil, no not for the Chia Pet, as much for the chia seeds. They grow wild under certain climatic conditions. It didn't work.

JAF: But China, they were also able to provide the seeds?

JP: No. That still comes from South America.

JAF: Just a little about that factory in China. They are still making the product?

JP: Oh, yeah.

JAF: In Mexico, they were doing it by hand? Am I remembering? Hand press.

JP: Right, right. I think the little town was outside of Oaxaca, which is in the center of Mexico, and it was a cottage industry and there was no electricity, they live in huts, clay floor, no electricity, all outhouses. They'd have a kiln in the back yard and the guys would have a machete and when they have enough money they buy the tequila and they are good for nothing for about three days until they sober up. So the women and kids would make...There was no consistency. That's one of the things I had the guy that was the contact buy a cement mixer and supplies so at least the quality was consistent. I did a little cardboard thing that said the legs had to fall into these areas, each touch the ground....

JAF: Are they actually making them by hand? Machine?

JP: Yes and no. What they do now is they make the mold and you pour into the mold and that gives you a basic body and then you open it and then they shave with a fork and if they have to put some finishing painting that is by hand. And then they'll put it in the kiln. And they have gotten quite good. They used to use coal and now he's gotten modern and he is using gas and he is so proud, except he had a disaster this Christmas. I got an email that they had the worst snow storm and huge amounts of snow and his roof caved in. It destroyed half of his factory and the kiln and he said he desperately needed forty five thousand dollars. Would I loan him the money? I said you will have it in within five days. So, I haven't seen him, but I am going to see him in about two weeks. There is a show in Vegas and he is coming out and I've guaranteed his wife coming, how son-in-law, his daughter, and ...I'm now responsible for five.

JAF: does he manufacture other products?

JP: Yes, we used to be ninety-nine point nine, now we are fifteen or twenty percent. So that worries me a little bit, but he always makes sure that he takes care of my order first and then the rest.

JAF: Your business is still pretty substantial in terms of the numbers?

JP: Yeah, this Christmas we were less than flat and then the economy took a nose dive. It seems retail sales....Target went down twenty-five percent. The only one that showed any increase I think was Walmart with two or three percent and Costco. It has not gotten any better. So, I think the U.S. is in for a rough time. You can't borrow without paying the money back. We've had a good run, what a ten or fifteen year run so....two valleys and unfortunately one of the

valleys has come. It's unfortunate ...life. We'll survive, the timing is never good. It is never a good time but I have no complaints...my life

JAF: Is there anything else about the China experience?

JP: China, I used to go to their trade shows and everything was third grade, no more, they are making as fine a product. Everyone farms out to China, IBM, they are capable of doing anything. And where there was vast unemployment, now they are finding in some areas a very tightening of the labor market. The way they do business is different, they now are cutting down their work hours, they are being more pro-employee, there are no real sweatshops, in fact they say when you live there, the living quarters, ballfields, no one complains, they are doing much, much better. You won't find too many people out in the street begging as in our country. So I've seen it, it is growing very rapidly. ...I hate to think of it, China, they own so much of our T-bills...if all of a sudden they want to pull all their cash in their T-bills.

JAF: ..The factory where your things are made has probably changed over time too.

JP: Oh, yeah. We deal with more than one factory. That is just the Chia Pet. And it keeps growing and getting better and more modern. And then we also have the Clapper factory. Totally different and before I picked that factory I spent maybe two months looking at factories and it's amazing the variation that I wanted a clean one. I didn't want defective product. I had my standards and then I came across one that was recommended to me. I liked the people. You get a feeling about people. If you like them. If there is something wrong the hair starts standing up on the back of your neck. We have been with them through hard times and good times when they were just about on the verge we didn't ask them for a better price we just stayed with them and they've been just like the Chia Pet. And now they are a public company but when I go there the chairman of the board and president always make sure they get together with me. Again, it is relationships. Being honest. Being fair. Being there when they need you and they will be there when you need them. Even though when it changes....Somebody coming in ...it is going to be a little different.

JAF: The Clapper is technologically more complicated.

JP: Oh, yeah, and we just came out with a new one, the Smart Clapper. You just press button and the signal ...that will turn off the lights in the other room. We are testing it and we are opening up the U.K. for this Christmas

JAF: You are going back...you used to...

JP: We had an office in Germany for a dozen years and we had an office in [?] for about ten years. ..But I was spending about six months a year in Europe and that's not good to keep a relationship going, unless it's a bad relationship. I really got tired of being in [?] but the challenge, I loved the challenge, I loved...my Picasso [?]...but enough is enough.

JAF: So are you going back or are you going to have someone else over there?

JP: No, no, I still do that. But when I go to Europe I still try to do a little business. We just gave all our distribution to exclusive distributors in [?] ...We still buy the TV time, we still have

...and we do the same for them for their products. For example, we don't own the [?] or the chimney but we do all the marketing, all the sales, all the collection, so it is reciprocal.

JAF: Anything else to talk about China?

JP: China is growing so fast. I think that in time they will be more democratic plus a lot of their head honchos went to school here and I think we have our fears, the Tiananmen Square thing, but, hell, we have our own Tiananmen Square thing. We just ignore it. There was one in Berkeley not ...But it is a good relationship. I think it is solid.

JAF: In the years you have been there the amount of American outsourcing has grown phenomenally. You weren't the first ones but since then it is a whole other scale.

JP: No [we were not]. And also all of Taiwan doesn't manufacture much anymore. Taiwan has factories in China. The new government I understand is a little more pro-Chinese so they have direct flights and you don't have to go through Hong Kong. I don't remember the airline, there are one or two airlines, so that is a great thing. So hopefully that....

JAF: Well it is a long, long term relationship with China. One of the other things I was going to ask you about was -- we have this program on the history of invention -- was about your working with inventors. You must be flooded with idea.

JP: Oh, yeah, and I spend...I've never said no to anybody. I'll find the time if they have a concept, because, number one, ninety-nine out of a hundred is a waste of time for one reason or another: it's been tried, the margins aren't there, there are a lot of things just don't work and so I try in a nice way to say I don't think this is a good investment or here is what I think you should do. And most people think they are the originals, the first ones out with something. They say, I checked the internet. I say, but did you check France...I have now one of the people in my office helping me screen things but I am always looking for new products, new ideas that are original, that will make your life easier, more fun, and can market and will fulfill a need. What I don't like is the Hula Hula Hoops. I like things that will be around for a long time because it fulfills a need.

JAF: ...You mention margin. You are doing a calculation in your head...Here is how much fulfilment, here's how much price, here is how I could position this. Is that what...?

JP: Yeah, in other words if you came out with a product I could lose money on...People might like it. [Gap in recording; perhaps end of tape.] So when something costs one X, the way we market things -- people market things differently -- we use television to create a consumer demand because items we have...if there wasn't television no one would ever buy it. Plus, if something is new, you have to convince people that this is going to fulfill a need. It isn't a "me too," like toothpaste. A Chia Pet is unique, a Clapper is unique, so you have to advertise so that increases the cost and you have to ...it in. But when you do that, even doing that the consumer says, hey, this is worth it. Like the [?]. It is made of ...and Kevlar...Kevlar is what...are made of, so this glove can handle more heat, it is cut resistant, it's fourteen ninety-five. Yes you could get a glove for two bucks and that will burn your hand and won't take the heat, and it is also

washable, so it fills a need, so people could barbecues, people could literally lift a hot coal, for a short time, and you won't get burned or turn a log in a fire place. So, it has to fulfill a need.

JAF: And it's got to be a price point...

JP: ...that people are going to buy. It has to be priced where the mass market because television is a mass market media. It would be interesting...it may be an entertainment need, a gift need, make your life easier, better, what...and affordable.

JAF: You can do that initial calculation in your head when you see a new idea like that but do you ...when it sounds like it is a possibility, Is there a next step, do you break out a computer?

JP: I'm not that smart. If you came to me with a product and I thought it might have something, then I'd show it to my people, I might show it to a buyer or two. I'd do some research, I'd....Patent attorneys are very expensive, so I'd be very careful before I gave them something. Trying to figure out the cost and is it patented, is it protected? If all these basic things look good, then I'll start putting money into it and then eventually build the product and prototype ...and test market.

JAF: And I remember we talked earlier, maybe you would try a couple of cities?

JP: Right, right we'll test a product in three to five cities and we'll do the commercials first class as if it's going national so that we're not doing it cheap one way and then you know.... We want it to work, so we put our best efforts to it and then if it works then we go national. If something is wrong where we have to improve it we'll do that and then go out and maybe test again because everything we touch – believe me – does not turn to gold. I mean, we could have a long conversation on losers. So, testing, I assume I am a dummy, I'm willing to learn and that [?] with a lot of pitfalls.

JF: You have the advantage that you create your own advertising.

JP: Yes, yes.

JF: You don't have to farm that out to somebody....

JP: No, no, what we do is farm out the creative but we control it, in other words a small group of people that are very talented and work with them and you can't do everything. We want to stay lean and mean. We don't want to be everything to everyone. So we have a limited amount of products and we've just gone long term so we an annuity policy built...actually there is never a yearly, you never know if someone is going to knock off or all of a sudden a consumer doesn't want to buy it. But we do our best.

JF: Do you have a formula for a new product every year, or every six months?

JP: From your mouth to god's ears, I would love to be able to introduce one new product a year, but the fact is that it is really, really difficult to find a product that is new, unique every year. If I could find every two years I'd be ecstatic. For example, I thought I had one. There was a houseware show in Chicago and the rep from Walgreens came over and said, "Joe, I saw a

product, I think it is terrific.” He said it is sunglasses that are UV – that’s nothing – but these are reading glasses too.

So you sun and you read ...I said “fantastic, I’ve never seen it,” so I started doing some homework and getting interested and on this trip I decided, just by accident, I’m going to Walgreens and looking around and there it is somebody already has it and nobody bothered to do homework. That’s what I mean, somebody came out with it first. There’s no patent on it. I knew there’d be no patent on this one but I figured that the first one that comes to market and does a good job, will have a leg up on everybody else.

JF: Like the Chia Pet?

JP: Like the Chia Pet. The Chia Pet itself has no patents, but it has the trademarks and if somebody wanted to copy the Chia Pet, they could do that, whatever they want, but if they went to a store, I would say it wouldn’t sell the store...Who’s got the brand name? Also to guarantee to the sale? They are not going to do that. In a sense we have the patent, we have the protection, it’s a marketing protection.

JF: So it’s either through a patent or it’s in this other...

JP: Marketing...But I love helping young people, or anybody, they can call me any time they want. My hours are a little long so....There’s one young boy who just got out of high school I’m encouraging. He keeps giving me ideas. Very, very creative. And I keep on saying “no” and why. A week later he comes up with another one. Here is a kid that I think one day is going to huff and puff and is going to make it. I’ll say, “You got it, now let’s talk.” I love that.

JF: I don’t imagine that there are many inventors who just hit one home run right after another. Life doesn’t work that way.

JP: You don’t need a lot of home runs. If you have one good product and you build it and maybe even build a family out of it that can keep you pretty busy.

JF: Likely to have a lot of failures on the way?

JP: Oh, yeah, that goes with the territory.

JF: One of the ways you have extended...the question I was going to ask you about with the Chia Pet, at some point you began to license some of the popular culture figures, and to use them, I guess what you are saying, extending the...

JP: What we did before, we came out with different animals and each package had a postal card which is like a warranty and we asked what new ones he wanted. We found that the puppy and the pussy cat were always stable. We came out with turtles and this and that and I hate say how many losers we have in the warehouse. And then I came up with the idea, why don’t we try and license the characters of the next movie that comes out and see what they want. So, we tried it, and that’s good but you also have to be careful, because if it is a dog movie you got a problem, and also people are fickle. The movie is hot today but...next year. So you have to be careful. But this is something. I was in New York and a friend of mine who won a lot of awards in

creative said, why don't you do an Eiffel Tower, why don't you do this...and I said they are all good ideas but I'm just wondering would the mass care about an Eiffel Tower?

Then I was think it was too late to do presidential, you know Hillary, Obama. But who knew a year in advance who was going to be running. And remember Christmas is after the election. So you can you see having out there two out of three losers? And who wants to buy a loser? So, you start thinking about these things. I would love to have somebody say, "Hey, I got a great idea for a Chia Pet," but it's tough, it's tough.

JF: But you do keep coming up with new ones.

JP: Yeah, but all of a sudden you've got an idea and then you try it out....But I love, I'm always looking for new ideas.

JF: So the figures from movies and TV are always a possibility but it's only one....

JP: One of the thoughts I've had which we may want to follow through on is I had dinner about a month ago with the vice-president of ABC in Chicago and we made a deal. She said, "do you have any idea how well known the Chia Pet is? I think it is as well-known as some of the Disney characters." I said, "no way," and she said, "I'll make a deal with you." We'll have the waiter – the waiter is somewhere between thirty-five and forty years old....She'll do the questioning and we'll see who will buy dinner. I said, "fair," so she calls him over and she says, "Do you know who Donald Duck is?" He says, "Sure I know who Donald Duck is." "Do you know another character?" yeah, sure. "Do you know Chia Pet?" And the guy says, "Cha, cha, cha Chia." Boy, so then she starts to ask him very intelligent questions and he said something I had never even thought about. He said, everybody thirty-five or forty years old knows Disney but Disney hasn't been promoting itself for the last thirty years. He said, I would wager to guess that more people under that age know Chia Pet than any Disney product. And we started thinking about it and, you know, how many Disney things have come out like when you and I were kids?

JF: Or stuff that is so far away from the brand that you don't think about it?

JP: So what I thought is, I wonder if a movie or using a series, like the Toy Story, which would help tremendously licensing. So, I am wondering, would a Disney or one or the others be interested in having exclusive rights to something like that? I don't know, maybe that would be just wishful thinking. The last thing I want to do is go on an ego trip, but I was shocked, really shocked when she said "Chia Pet" and he said "Cha, cha, cha Chia." Amazing. Just Amazing.

JF: It is amazing when you think about it.

JP: So I have no idea how strong it is compared to....but I'd love to find out.

JF: The last question I have here – of course I could talk to you....

JP: I'd love to talk

JF: The last one for today. I was going to ask you about working with the big box stores. You were selling in large chain drug stores around the country, but those were regional chains. The

big national stores, was that a change for you? Did you have to figure out how to work in another....

JP: No, Walgreens in a sense has been our first mentor. If they see something works, they want to go national with it. Walgreens has not got the largest number of stores – I think CVS or Rite-Aid – but Walgreens is the most profitable. Walgreens also is the highest [?] store most [?], so they are pretty sharp people, so CVS is moving rocking and rolling, Rite-Aid has had their share of trouble, so they have been pretty supportive of us, never lost a penny with us.

K-Mart has been supportive, they have had their problems and actually Walmart, in my opinion, did so well because of the screw-ups that K-Mart did. At that point in time, the buyers...were basically on the take, and Walmart, I knew Sam Walton, and those guys, you go in a room and you can't even offer them a cup of coffee. They were really disciplined and just judged you on....They never asked me for anything I wouldn't give anybody else. They'd ask but they never pushed where everybody else did. So, although Walmart is getting a lot of problems now, when Sam was alive and the old team [?], they were very pro the employee, I would say that their employees are more millionaires...may they be a truck driver or what have you. But when you get that big things start falling apart. It's a shame, but they're pretty good.

But to answer your question, yeah we had problems. You got a buyer, for example, we just have a problem right now, the buyer loves us right now at Walmart on the Chia Pet. He has a new boss who says we are selling it through the plant department. He says, well this isn't a plant, so it shouldn't be in our department, so now we got to find a new home after all these years because all of a sudden someone comes along who says, hey I am defining what the....And that is his prerogative. And I am saying, look at all the money you are making, look at what we are doing. But it is a plant that is not a plant. But, you know, you deal with that. You are still dealing with personalities but overall I love the drug chains, the box stores are tougher...harder to do business with, but on the other hand, Walmart for example, they pay their bills there. If you are working with them they are so damn cooperative. We're tied right to their EDI system. They work with you. So you got the goods and the bads and you take the bitter with the batter. But overall I have no complaints with anybody we do business with.

JF: Did you always work with big national – I know early on you worked with drug stores....Were there smaller level...?

JP: Oh yeah. When I first got in the business, there was ten thousand drug chains. [Laughter] You know they were all over the place. And the twos and the threes and the fives and the tens, and little by little they were gobbled up by the CVSs and by the Rite-Aids and the Walgreens....Not the Walgreens as much, the Rite-Aides and the CVS. And they disappeared, they couldn't compete.

JF: So you were selling to much smaller units?

JP: Oh, yeah, and now there's just a few. And it's dangerous. It's got its good points and bad points but it's a lot less work but it is dangerous. You lose one, you got problems.

JF: So one out of three as opposed to one out of a hundred?

JP: Correct. So, it's changed. Change a lot. You gotta keep up with it.

JF: In the end you gotta have a product that sells and in the meanwhile you got to sell them that you can sell it. If you have a product that is already on the shelf, you have some data, but introducing something new....

JP: We have a nice reputation. We're small but we really have a gilt [?] reputation. We know what the ground rules are and we get away with murder with them. They'll work on tighter margins with us. But they also know that they will never [?] with us. They also know that we always deliver more than we promise and that at the end of the day we're OK. But there's lots of years and experience there.

I was paid a very high compliment about fifteen years ago, the number two guy at Walgreens, who I remember when I first did business with them, it was on the garden weasel. He allowed me to do a test in Milwaukee. He made it very clear that if I don't do exactly what I said I am going to do, I'll never be able to step in [to the store], and for the campaign, he said, I want to see the affidavits, the television affidavits. I said "Sure," and I knew I had delivered him four times what I promised. He never mentioned that again. And then, as I mentioned, a compliment: he said publicly there are two people out of all the years he's been in business that he would trust without question, another firm and ours. Out of the blue. And we are probably so small compared to everybody else. But even the big giants are always trying to find a way that they'll needle [?] each other. You know it is KISS – keep simple, stupid! Here is what it is, we'll honor everything we say. At least we'll give you that plus more. So, it's worked. I can't say it'll work for every....remember we paid our dues. It wasn't that easy. Been at it a long time.

JF: It would be a lot tougher to start from scratch.

JP: I hate to think of that.

JF: for better or worse you don't get that choice.

JP: I encourage young people to do it. You just got to be stupid like me and believe in themselves and if they do it they'll make it. I don't think being bright is the answer all. Believing in yourself has something to do with it. Willing to make mistakes and keep on going. Pick yourself up and keep on going. You cry for an hour or two and then start going again.

JF: Joe, this is great. I really appreciate the chance to get...

JP: Any reason to sit down to talk with you without the phone ringing. This is nice.

JF: Thanks very much.

JP: My pleasure, thank you.