



---

## **Podcast Episode #4 - How one green company could beat the odds with a magical pencil and double each year - with Michael Stausholm of Sproutworld, Denmark**

### **RAW TRANSCRIPT OF INTERVIEW**

**Balint:** Today I'm sustainably excited to interview Michael Stausholm CEO of Sprout, a company which is all about sustainability. Welcome Michael to this episode.

**Michael:** Thank you Balint

**Balint:** I have come across your company by simply keeping my eyes open for companies that produce physical products, in your case a truly sustainable product a special pencil. I was traveling to Hamburg, Germany recently on an easyjet flight, a European low cost carrier, and I read an article on your company in the flight catalogue. I immediately knew I need to get in contact with you to bring your story to the listeners that a product does not have to be something very complicated that technical founders, entrepreneurs many times forget, including myself, in the past. What is important instead is finding a clever very unique way to satisfy the market's demand for sustainable products.

There was a green technology bubble, Michael probably you also noticed it at the beginning of the 20th century, so like just recently, 10 years ago roughly, especially in the solar industry and this peaked, this hype, in 2012 and actually at that time there was already a crash which resulted in around 40 solar companies which filed for bankruptcy. Some, they say, in articles that they failed because of a number of reasons, for example not getting the timing right with coming out with a product, not having the right team, not getting the engineering aspect right, so coming out with a product that is much much better than what's on the market or the distribution aspect was not well executed, so getting a product into the hands of the customers. I believe based on what I see about your products is that you got quite a few points right. To start off, Michael can you tell us about Sprout, its initial product, this magical pencil and the current line of products?

**Michael:** Yes, of course. Sprout is originally formed based on what is our, still today, hero product, the plantable pencil. It's an ordinary, standard wooden pencil and on top, instead of having an eraser, it has a small capsule with seeds and peat inside. So basically you use your pencil the normal way you would, when you have a stub left, instead of throwing it out, you plant the stub. So you literally give the product a new life, right, it's doing away with the use and throw away products mentality that was so everywhere for so many years. That's what the sprout pencil is doing away with. It's literally giving products a new life. And in addition to the sprout pencil which is patented and of course under trademark, it's unique, we also have various papers, cards, fliers, menu cards, packaging, all can be planted after use. So it's about developing products which you can give a second life.



**Balint:** Are those also patented, the other products?

**Michael:** No, the pencils are. They are all under the Sprout trademark but only the pencils, actually writing instruments, because it covers a wide range, also ballpens and any writing instrument that can be planted is covered by our global patent.

**Balint:** Yeah, this is what's interesting, that if you're so new in this field, so sustainable writing devices, you can cover as big area as possible because simply nobody thought about this, it looks like that.

**Michael:** Well it's a very simple yet I must say, because I didn't get the idea I can say, it's a simple but a genius idea right, because an old school pencil and seeds is two separate things right? But when you put it together it becomes something that sends a message about sustainability. It makes sustainability very easy to understand and to illustrate for everyone right?

**Balint:** Yeah. Now that you mentioned, short, the beginning of the company. How was the company formed? So what were the steps and also your role that you played at the beginning and what caught your eyes about the first product, which motivated you to join the company?

**Michael:** Well I founded the company, so initially I was alone about it, right. I was working as a consultant within the sustainability industry, advising large companies how to incorporate sustainability and eco-friendliness into their production and their purchasing. Talking about sustainability, always difficult because people talk about it but they don't really know what it is. It's sort of fluffy right?

Three young students from MIT in Boston had come up with the idea of a plantable pencil, they put it on kickstarter.com for crowd-funding right? And that's where I found it and that's where I made a deal with them to sell and distribute in Europe. So I started Sprout Europe based on their idea and sold hundreds of thousands of pencils in the first year and then late 2014 I bought the young students', I simply bought the IP, the patent from them so we have the global rights today, right.

**Balint:** Yeah ok, so it was basically started then, here in Europe, the company?

**Michael:** Yes, it was indeed, started in Copenhagen it was incorporated. Today we also have a company incorporated in the US for the North American markets but it was originally in the US.

**Balint:** And are the founders still around?

**Michael:** I am the founder so I'm still the CEO of the company yes.

**Balint:** But the other students, the MIT students?



**Michael:** They were not part of the European company, they had a US company which where I bought all the assets from, the IP and the patent, so they are on to different challenges and doing other things now.

**Balint:** Yeah. You came out with the sustainable pencil which can be turned into a plant after use. How do you position your company regarding other products and also this product with respect to the competitors? Are there competitors already?

**Michael:** Because we have a patent and it's a unique product we don't have competitors so to speak, but there are many companies out there trying to do sustainable and eco-friendly products and they could be considered our competitors, right? For me it's all about marketing and the message you send. We are not selling products really; we are teaching companies how they can use our products to promote their green agenda. We inspire them how to tell the story about sustainability, right.

You have company like IKEA, a huge company right? Which are doing a lot of good things actually for sustainability and eco-friendliness but they don't talk too much about it, that's what we try to help companies in general to tell their story, and what they're doing about sustainability.

**Balint:** Can you describe the business model and how you validated it, how you realized that it can work? How did you find it out, that there is a strong idea behind this initiative?

**Michael:** It is a little bit funny because originally I didn't think it was a commercial product. I didn't think it was something we could sell a lot of, pencils you can plant, right? But initially in 2013 when the product launched, here in Denmark first, we got a lot of media and press attention. Simply because the story is a good story, it's a good story about sustainability and it's a feel good story. And based on that, we started to get a lot of inquiries from companies, from retailers, from private consumers, all wanting to buy Sprout pencils. So in the first, I believe it was 2 months, we sold more than 70,000 Sprout pencils just in Denmark, only in Denmark.

**Balint:** Wow, within 2 months?

**Michael:** Within 2 months yes. And from there it started to spread around Europe. The story was being told by the media and so on and sales just went up.

**Balint:** Uh huh, yeah. And you currently count which companies among your customers? You mentioned IKEA.

**Michael:** Oh we work with a lot of very large companies: Disney, Bank of America, we work with Pepsi and Coca-Cola. We work with governments and public institutions, NGOs like Save the Children and World Wildlife Foundation. So these are very big companies but also of course medium-sized and smaller sized companies. We work with retailers around the world. They're all using and seeing Sprout as something you can use for promoting your sustainable agenda.



**Balint:** These are used, these pencils, not only among the employees working for these companies, but also they sell it to their own customers?

**Michael:** Yes, like retails online and physical. They all sell to the consumers' right? We sell on our own webshop Sproutworld.com, we sell on Amazon.com, but the majority is two companies.

**Balint:** Ok and they print their name on it?

**Michael:** Yes exactly.

**Balint:** This is done by them, or this customization is done by you?

**Michael:** It's done by us.

**Balint:** Ok, interesting.

**Michael:** We deliver them the Sprout pencils including their logo or message text engraved.

**Balint:** Now, going back to the founding and also to your current role as founder and CEO, what kind of challenges did you encounter?

**Michael:** Well, normally when you start up a business the biggest challenge is often financing. To get funding for your ideas, right? But in this case what I did was to actually get the customers originally to pay upfront for the orders. Which meant from the beginning we had a positive cash flow and was able to build a business based on that. For the first two years I didn't have to borrow money in the bank or had to take in any investors because of this. So it was all built on having the customers pre-pay orders rather than as many cases the customers would pay you 30 or 60 days after, right? I turned this upside down and required the customers to pay upfront and succeeded maybe because it was a unique and good story and so on.

**Balint:** So it's basically bootstrapping in the conventional sense that the customers were paying for the products and for the growth of the company, which resulted in the growth of the company.

**Michael:** Initially yes.

**Balint:** And you said that this was happening, going on, for about 2 years, and after 2 years was there a turning point?

**Michael:** From about 1.5 years ago I started discussing with an external investor to put in money to fund a further growth of the company, right. When you are growing very fast you can only grow so fast organically you need outside funding if you really want to grow fast. So that's what I did and I took in an investor, sold a part of the company, about 1.5 years ago.



**Balint:** Is it a venture capital company or a private person, like an angel investor?

**Michael:** A private, like a business angel, yes exactly.

**Balint:** How does the funding situation look like in Denmark, and also product development and the hardware scene, in Denmark?

**Michael:** I think it's looking very good, there's a lot of interesting companies in both tech and app and these kind of businesses in Denmark. Funding is also relatively good. There's a lot of business angels but there's also lots of focus from funds, right? Venture funds. Generally there's not so much focus on green sustainable businesses like my own. My own business, I mean Sprout, is getting a lot of attention because we have a track record, we have traction, we sell in 60 markets, we have doubled our turnover 3 years in a row, and so on. But generally green and sustainable businesses are having a hard time proving their business case and actually making money, right? So they are not that interesting for business angels or venture capital. They need to be much more business oriented, right? Instead of just based on the green idea.

**Balint:** Yeah, so in this sense you're also quite unique that you are doing so well as a green company.

**Michael:** I think so, not only in Denmark but generally, globally green and sustainable businesses are having a hard time proving profitable business case, right? So I know a lot of companies, business, are looking to us to see how it's possible to actually develop a sustainable green business case.

**Balint:** Yeah. Now that you're growing, and you've been growing quite rapidly, how do you hire staff so that you can satisfy the demand? Do you have criteria?

**Michael:** The main thing I look at is, point 1, I'm looking for people who want to work for my company, not just look for a job, and I can very easily tell the difference whether people feel passionate about what this company is doing or whether they are just looking for an interesting job in a start-up growing company, right? I want people to feel passionate about the green, the sustainable part of the business, right? But most of all I look to people with a chemistry that I feel I can work with. I need people here that I can spend half a day in an airport with, be stuck in an airport with, or something like that right. It's very very important for me.

**Balint:** Yeah, I agree with it because this is how you can ensure that the employee will go the extra mile which is what is often needed, especially for a growing company.

**Michael:** Exactly, you are absolutely right.

**Balint:** What are your next steps?



**Michael:** What is happening right now, we've been growing very fast for the last 3 years since the company was founded. We have been very lucky in the sense that our sales has been growing tremendously based on inbound enquires from companies and so on. What we are looking now is to structure much more our sales and our marketing efforts. We are focusing more on building the brand and spreading the story, right?

**Michael:** We are very focused on our European home market but also on the North American market where we opened an office last year, a sales office, right?

**Michael:** But the main purpose here is that we are focusing very very much on the B2B segment, on the companies and our mission is to be the one that can help companies understand what sustainability is about and can inspire them how to promote the sustainable agenda. Because consumers want that. Consumers want companies that are focusing on sustainability.

**Balint:** Do you look for, some sources of inspiration, besides your own inspiration, because you seem to be very inspiring regarding sustainable product development? Do you have some external people, you follow? You look at?

**Michael:** I follow a guy like Richard Branson a lot. He is in fact not really a sustainable guy but he's a great business leader and he's a guy who dared to make mistakes and who dared to try and change things. Today disruption is a huge buzz word right? But actually Richard Branson, he disrupted a lot of different businesses long long long before it was a buzzword, right?

**Balint:** Yeah, I also look at him, recently he had a tweet photo of him falling with the bike and crashing.

**Michael:** Yes that's true.

**Balint:** Yeah, on the street, hurting him quite severely. He's not afraid to take risks, even in his private life.

**Michael:** No, exactly.

**Balint:** Very inspiring.

**Michael:** Yes, yes indeed.

**Balint:** Michael, I would like to now move on to the ultrafast round of questions.

**Michael:** Yes.

**Balint:** So I ask 4 questions and it would be great if you can answer these relatively short.



**Michael:** Yes.

**Balint** So the first question; If you could time travel, like in the movie Back to the Future, to the time when you were in your 20's, what notes would you give yourself?

**Michael:** Eh, don't be afraid to make mistakes, right? I think that's the biggest one to always remember. You only learn and you only get stronger from making mistakes.

**Balint:** Yeah, I agree. The second one; If you had to name a book, which one had the biggest impact on your career?

**Michael:** I believe it would be one of Richard Branson's books. It could be "The Virgin Way", it's a relatively new one, right? But these, he's a very big inspiration on how to run businesses.

**Balint:** Yeah. The 3rd question, I'm amazed by habits that people have, some people, to reach their goals. Do you have routine that you use? Morning routine or daily routine?

**Michael:** No, I'm not a very routine kind of person and I don't structure my day very well but I think it's important to start your day early in peace and quiet. Never get stressed because you are late in the morning, right?

**Michael:** So always get up early and have plenty of time to get started.

**Balint:** Yeah, that's a good point. The 4th question; In your work, if you had to pick some critical cultural differences, because you said you are based in Denmark but you also have an office in the US and you sell to 60 markets, which one, which cultural difference, you wish you knew before and how did you resolve those issues?

**Michael:** I actually lived in Asia for many years, and what I learned in Asia was patience. And I think patience to a certain extent is an important trait that we can learn from Asian people, they have patience right?

**Balint:** You developed your patience there? Or your patience already existed before?

**Michael:** No, no. I definitely developed it while I was in Asia, but too much patience on the other hand can work against you right? So it's a balance, sometime you need to just cut through to the chase, right and move. Other times you have to be patient because people around you, can be customers or partners or whatever, are not moving very fast, decision wise, right?

**Balint:** Yeah.

**Michael:** So sometime you need to be patient around that.





**Balint:** Yeah, you just have to have faith, that things will turn out well.

**Michael:** Exactly, you have to believe in yourself and believe in what you're doing, that's the most important thing.

**Balint:** Yeah, just like you believed in the concept, like the story of McDonalds came into my mind. You know Ray Kroc and the McDonald brothers, that he believed in the future of the company.

**Michael:** Yes

**Balint:** And then he put a lot of efforts in turning the ideas of the McDonald's brothers into a flourishing business.

**Michael:** Exactly, it's all about believing in what you're doing and most importantly believing in yourself.

**Balint:** Yeah. So to close off the interview, what is the best way to reach you, for the listeners, by email or by social media?

**Michael:** It's both. I mean, email I'm always available on email but same social media, facebook, twitter, instagram is no problem to reach me there. I try to respond to people as much as I can.

**Balint:** What email for example people can use?

**Michael:** My normal Sprout mail which is available on the website also. It's [ms@sproutworld.com](mailto:ms@sproutworld.com)

**Balint:** Yeah, I'll put it into the notes for this episode. Great, so I appreciated this very interesting and inspiring conversation with you, and I wish you all the best for your company, to grow further.

**Michael:** Thank you very much Balint, it was a pleasure being with you today.

**Balint:** Thank you.