July 28, 2020 | Episode 184

Kat Cole – How to Operate, Lessons in Brand, Distribution, and Leadership

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CHAPTERS

EPISODE 184 BROUGHT TO YOU BY:

EPISODE SNIPPETS

VIEWING EVERYTHING THOUGH A LENS OF POSITIVITY

- **People tend to come closer to their potential if you see them at their potential.** If you don't see potential in them, they will never get to their potential
- People are intuitive and can sense when you trust them and believe in them. Even if you think you are "faking it" and have convinced them, you haven't. **You cannot fake true belief**

JUMP TO SECTION

RELEVANCE AND DIFFERENTIATION MATRIX

- Real brand sustainability comes down to two things, which is relevance and differentiation
- If you are relevant (but not differentiated), you are in a commodity business. If you are differentiated (but not relevant), you will struggle to gain market share and must make changes. If you are not differentiated and not relevant, you are dead
- **Businesses that are both relevant and differentiated can maintain margins and control market share**

JUMP TO SECTION

CHALLENGES AND OPPORTUNITIES OF A FRANCHISE MODEL

- Nature of the relationship between franchises is beautiful and painful. Both need to have respect and trust for each other because **franchise model doesn't thrive if you're managing via compliance**
- It is imperative to ensure high quality brand and customer experience. A customer doesn't think "oh this local operator did a bad job" they would think "why is Cinnabon delivering such a bad product and experience." **Local operators are in charge of the global brand experience**

JUMP TO SECTION

STRATEGIES FOR BUSINESS NEGOTIATIONS

- Be honest with what you are bringing to the table in any business negotiation. It is easy to view your perspective through rose-colored glasses and think you are bringing all the value (often not the case)
- In a long-term partnership, “winning” the early negotiation can be damaging to the partnership in the long term. **The deals where one side wins end up being the shortest deals**
- On negotiating exclusivity - exclusivity is a sliding scale of “if you want more exclusivity, then you need to guarantee me protection for my opportunity cost and/or downside.”

JUMP TO SECTION

LESSONS IN BUSINESS LEADERSHIP

- **Stay as close to the action as possible.** The best leaders are constantly checking in with front line staff to understand common patterns and fixing the issues
- Kat employs the “**hot shot rule**” where she envisions a super star taking over role tomorrow and I ask myself “what is one thing they would look at and immediately address.”
- Check in with your team in a structured way that Kat describes here Key question to ask – **“tell me one thing I can do differently to be more effective for you.”**

JUMP TO SECTION

INTRO

Patrick O'Shaughnessy (00:02:13): So, Kat, the moment I heard you appear on my friend, Pomp's podcast, I knew I would love to record a conversation with you. It was one of my favorite that I've heard this year. And so, my goal will be to make this complimentary to that one. I encourage everyone to go listen to that one before this one. We'll cover maybe some similar ground, but try to make it really fresh.

In order to kick that off, I would love you to begin if you could by sharing this story that I found about you in Egypt around a call to prayer that you heard.

Kat Cole (00:02:42): I think it was my first year as president of Cinnabon, and Cinnabon has a massive presence in the Gulf and in the Middle East, in the Northeastern Africa. So, part of my tour was meeting franchisees all around the world and Egypt was one of those stops. It was the first time I had been to Egypt and I was with one of our franchisees. I'd spent a little bit of time in Istanbul, so it wasn't the first time I had heard the call to prayer, come over the speakers from all the mosques.

I was in the car with the franchisee, and the call to prayer came on blaring from the speakers from the mosques. I just looked at him and I said, "God, this is so beautiful. I love it." I pulled up my phone and showed him that I had an app on my phone that played the call to prayer because I was so impressed by it in Istanbul, I went to the app store and found an app that played every country's different call to prayer. They actually all sound a little bit different.

His face, I can't even describe it. He looked at me like I had three heads. We would later discuss that he wasn't expecting an American, much less this leader of the brand that he's a franchisee of, to be so deeply in awe and appreciative and sharing reverence for something that I guess he assumed would be polarizing and I understand why. It just opened up this gorgeous relationship between us and let him know the type of person that I was and it reminded me that the reason he might have been surprised by that is he's likely had alternative experiences where people might have complained and been like, "Oh, that's so loud or oh, I wish that wouldn't play, all day."

I could feel almost this invisible weight lift off of his shoulders and it opened up a great dialogue. Literally we're like family now, have been since then and he would tell everyone whenever he would come to company events every year, "You won't believe what Kat did." And I thought: “I was just sharing that I love it,” but it just showed how important human connection is in business and respecting cultures and being open if you find something that you might not be familiar with, beautiful and appreciated.

VIEWING EVERYTHING THROUGH A ‘LENS OF POSITIVITY’

Patrick O'Shaughnessy (00:05:20): Can you say a bit more about this theme that I see kind of across your career of what I would call like a “positivity lens” sort of seeing events and people as an opportunity to be very positive and sort of default positive, and how that's impacted your thinking and your career?

Kat Cole (00:05:37): Yeah, I love that question. I think I've learned that I am a pragmatic optimist or maybe an optimistic pragmatist. I'm not sure which one. But there is a groundedness in me. My balloon is tied to the ground. It's not floating through the clouds. But I think the way that grew over time, was from growing up with my mom. He left my dad when I was nine years old. He was an alcoholic. She fed us on a food budget of $10 a week for three years. She worked three jobs and she never spoke ill of our father.

That has to have contributed to this mindset of even when in a difficult scenario, you can operate with grace. So I think that's part of it, just what I absorbed from her amazing resilience and grace. And in a little bit of it is nature. It's in my nature. But over the years, I've learned that people tend to become closer to their potential if you see them as their potential and the opposite happens if the opposite is true.

> **"Mindset of, even when in a difficult scenario, you can operate with grace."**

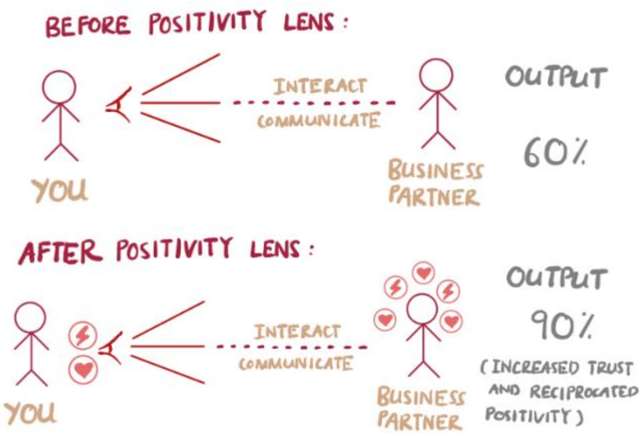
So I believe that humans are magic. I just think every fucking human being is so special and maybe they have greatness that's unfound or unpolished or they're somewhere on that journey. And I know that by believing that, I will be occasionally let down. But that is a tax I'm willing to pay for all the benefit that comes from looking at people like they are their highest order self, they are their potential. Seeing how our interactions change, and if they're my team members or people I just work around, how the outcomes improve and how then it affects how they then go treat other people.

I think the other piece is I learned that from being a waitress. You can find the worst in people if you want and you can find the best in people if you want, and it just made my job a lot easier to assume positive intent. So I could go on and on about it, but those are some of the things that I think formed that positivity filter and what I believe are the benefits of it.

Patrick O'Shaughnessy ([00:07:55](#)): Do you have a favorite example from across your professional career of applying this lens to a person or a scenario, maybe even where it would be natural to not do it that way and the outcome was great as a result?

Kat Cole ([00:08:10](#)): I mean so many. I would say it happens weekly, truly. It's that common. Some more recent examples, I'll give quick ones, but I want to go way back to sort of an [OG story](#) when I was a waitress that really highlights this point.

But I take calls like many people do from founders. People who are looking to spread the word about what they're doing, raise funds. It blows my mind when I talk to a minority founder, a woman, a really young woman, a black founder, a LatinX founder, an LGBTQ plus founder, non-binary, how many times I hear the story that they aren't even given the window to describe what they do that there is just this belief that you must be building some small time business and that you're not worth my time and that there's not a billion dollar idea in there.



Not everybody has billion-dollar ideas. And I know plenty of people that have horrible ideas are ones that will rise to some level and be someone's nice little investment, but maybe not rise to the level of top decile VC firms around the world. But just hearing these stories and then seeing and hearing the stories of how many people pass on these opportunities because they don't understand the market and there are unconscious biases that we all have and they don't have the skills to sort through those and really see the potential.

So that's just a really common one, probably with your listening audience and your network, where if you really viewed people as a default as what they *could become* like you actually believe first that it could be a billion dollar idea, you don't go into it that it's not. Again, will you be disappointed? Yes. Will you waste your time? I do occasionally waste my time. But wow, when you don't, when you can see it where other people don't, and then you feel the emotional release of people who feel seen because they are being seen, I think that's super common in the world today with everybody who's raising micro funds and super angels and all these hybrid models of being willing to put capital to work. There is a way to put this possibility filter. I won't even call it a positivity filter. It's a possibility filter of what is possible. It can really open up some opportunities.

Kat Cole continued (00:10:31): But I want to share the story when I was a Hooters girl. So now going way back. So there was this customer that used to come in and I worked for Hooters for 14 years. I had many jobs. I grew with the company as vice president by the time I was 26. I helped sell the company into private equity. It was an amazing ride, but I was an actual hostess and Hooters girl as my first job there for just under two years. And then I moved up as the company grew.

But when I was a waitress, rocking the orange shorts. There was this group that would come in every Friday. And this guy in the group, they would order 50 wings and at the end of the meal with bones on the plate, he would call me or whoever the waitress was over and complain and say, "There were only 40 wings," and get really mad about it. "I want a discount. These should be free. We need a pitcher of beer," whatever.

You're looking at it and you're like, "It's a plate of bones. How can I debate this?" They would do this every Friday, 50 wings, a pitcher or two of beer and our servers would get so upset. The managers would get furious and go fight with this guy, and ultimately end up providing some type of discount anyway.

I remember one Friday, I just thought, "You know what, he comes in every Friday, and that's good business for any restaurant." So when he was almost done with his 50 wings, before he called anyone over, when there were still some uneaten, I rung up, on my own dime, a plate of 10 wings. I brought them over before he ever complained and I was like, "Here you go. Since I know we can never count all the way to 50, here's an extra 10."

His buddies started cracking up laughing. He was so impressed. It was basically saying, "Hey, dude. You're kind of an asshole about this, but I'm going to do it in a way that says, I think you can get past this and ultimately I'm going to prove that you're definitely not being cheated out of your precious wings and drummies." The table tipped me incredibly well for that experience and he never complained again.

No one else handled it that way. Everyone fought it, right? Everyone was like, "You're trying to scam us, you're trying to cheat us." Yeah, he probably was. But there was a different way to approach it that was like, "You don't seem like a horrible human, you just think the world's out to get you. So let me be the one that circumvents that cycle." I've got countless examples in the restaurant industry, in board rooms with employees, with franchisees, startup founders, investors, friends family members that is like that. That when you see it differently as what's possible and then act accordingly people tend to be a better version of themselves.

Patrick O'Shaughnessy (00:13:34): That is an incredible story. I want to come back to this experience you've had with especially minority founders and this kind of possibility lens and talk a bit tactically. At the very end of our conversation, I'm going to ask you a question which I ask everybody which is for the kindest thing that anyone's ever done for you. I don't think I've ever brought that question up this early in the conversation, but I do so because the most common answer I've started collecting is some version of "someone taking a chance on me, when they didn't need to" or "it wasn't a smart idea" or "it was a leap of faith" or something like that.

And your point about the ability to see possibilities early on, it just seems so important to me and I'd be curious for like tactically how you do that? How do you show people in a first conversation or as you're building a relationship that you see that in them? What is it? Is it good question asking?

Is it focusing just on what it could become? I'm just very curious – what are the best practices for having that sort of mindset early on in meeting somebody.

Kat Cole (00:14:34): The first step is what I learned when I traveled to open restaurants around the world at such a young age and every time I went to a new country, it was a new team. I had never met them before. They had never met me. The concept was new to the country and so it was just a lot of new like a lot of firsts. And so I had to build trust very quickly. I was the leader leading a team I had never met who had to get to know each other, do a job, hire and train employees and managers, get the restaurant set up, get it open successfully, stay there for a week to make sure it was good, train trainers before we would leave so they could support themselves and then we're out in four weeks. And then another do it in another country and another team over and over.

And that really forced me to build a muscle of learning to build trust quickly. And of learning as a leader, there is no alternative. To me, there was no option other than believing that the people I've got can do the job and that somehow subconsciously formed these little behaviors. Again, they became subconscious over time, but looking people in the eye if you're looking at them, making the time for them. The tone of voice saying, "I'm so excited to hear what you have going on," as opposed to, "Ugh, I'm so important and you're groveling."

It's mindset. First and foremost, it's mindset, and how people feel it. People are intuitive. They're empathic beings. They sense energy even through voice only or a Zoom and certainly in person. And if you're belittling someone else in your mind, even if you think you're covering it, you're not. So it has to start with like genuinely believing there's something possible because that's going to show up in tone of voice and treatment of the individual and then beyond that, using literal words: "I believe there could be something here. I'm not sure. What do most people miss?"

> "People are intuitive. They're empathic beings. They sense energy even through voice only or a Zoom and certainly in person. **And if you're belittling someone else in your mind, even if you think you're covering it, you're not.**"

Kat Cole continued (00:16:29): Flipping the question a little bit instead of "sell me like everybody else sells me" even though you may not have had near the resources or the support or the infrastructure, impress me like everybody else does. Of course, that's not typically going to happen consistently, but rather what do most people miss? What do others you've talked to not get about this that you understand? I want to know what's unique about your view.

A phrase like that, a question like that indirectly says, "I respect your perspective." And so finding questions that are like that where you don't have to say, "I'm different. I see you as what you might become." It's more around evidencing that with showing humility and curiosity about a person, and then having the courage to be honest with them if you have a question or a doubt, or a point of view because that builds trust as well. So I think it has a lot to do with specific questions and tone of voice and non-verbal cues that demonstrate reverence, and respect, and humility, and curiosity.

Patrick O'Shaughnessy (00:17:36): I don't want to take for granted that everyone listening knows your background. So I always like to start these conversations, dive straight in and then back up somewhere like at this point in the conversation to give a thumbnail sketch of your career to this point. You mentioned how it started. I would love just to give a quick summary of how you got going and what you would consider to be the major steps of your career to this point and ending sort of with a description of Focus Brands specifically.

Kat Cole (00:18:02): The thumbnails, I love that term. I haven't heard that. The thumbnails are: raised by a single parent, had to start working very young, first person in my family to get into college, ended up having to drop out. I say having, *choosing* to drop out of college, because I moved from being just a waitress at 18 and 19 to opening up franchises around the world at 19 and 20. I was traveling so much. I was failing college, so I dropped out of college.

Then later in the year, when I was 20, I was offered a corporate job at the Hooters corporate office which is what got me to move from Jacksonville to Atlanta. I oversaw employee training and then really fast forward to my next thumbnail, I grew as the company grew. I took progressive jobs, with growing people responsibility and P&L responsibility and by the time I was 26 I was vice president of the company doing around 800 million in revenue then remained an executive as we grew to 33 countries in just under 500 locations around the world.

Those last two years I was at Hooters, I went back to school, nights and weekends, in an executive MBA program at Georgia State. So I have a masters without a bachelors. I also started my global humanitarian work right around that time. Started doing work in Rwanda and then eventually with friends in Ethiopia, and that was a bit of a parallel path that developed both domestic and international humanitarian work.

Then I became president of Cinnabon in 2010, helped turn that brand around out of the recession. A mall-based sweets business at the peak of the Great Recession and at the peak of the Atkins craze, when no one was eating carbs. So that was interesting. And it is just this crazy success story and a huge testament to franchisees and the team and the creative approach we took to building this multi-channel empire with Cinnabon. Then again as the company grew, I grew. I took over the group president role running licensing CPG, and e-comm, and manufacturing. I then continued my humanitarian work with the UN Foundation and their global entrepreneur’s council. I started angel investing at that point. So a third parallel path of my world in advising founders.

Then three years ago became president and COO. So rolled up all of those channels. So, the presidents of the nine businesses report directly to me. That is with Focus Brands, the parent company of Cinnabon. We are the owner and operator and franchisor of Cinnabon, Auntie Anne's, Carvel, Moe's Southwest Grill, Schlotzky's, McAlister's and Jamba Juice, our latest acquisition and integration a year ago. We build those brands. So we grow by acquisition, we build the brands, we franchise them. So we know IP, branding, franchising, multi-channel distribution and I've been doing that for right around three years, and here we are today.

BRANDS - RELEVANCE AND DIFFERENTIATION MATRIX

Patrick O'Shaughnessy (00:21:02): One of the reasons I was so excited to talk to you is my focus and sort of the whole investing world's focus of late has been so technology heavy, software heavy, and I'm excited by those things. But I was just really excited to talk about some simple products that everyone probably has had that understands and use them as lenses to view changes in sort of business trends, product distribution, consumer appetites, brand as you mentioned. Everyone has had Cinnabon, or Carvel, or Jamba Juice, or Auntie Anne's. One of those four, right?

So I'd like to spend the next big chunk of the conversation on lessons learned from working in and across simple, but well-known brands of this variety. Maybe we could just start with brand itself. Each of these is slightly different, some are healthier, some are more indulgent. All are kind of in one general umbrella or category. I'd love to begin by just asking what you've learned about building and developing brands given that you've been involved with so many.

Kat Cole ([00:21:59]()): I love this topic on any platform. Twitter, Instagram, LinkedIn, for people who are on clubhouse or any other groups where I show up. I love jamming on this topic. So what I've learned and I actually started appreciating this back when I was bringing the Hooters franchise to multiple countries. Because that brand, the name of that brand, does not translate into any language. It doesn't mean anything. It had an owl logo which is super confusing. Then it sells chicken wings and it's like are those owl wings we're eating? You're like no.

I had to learn how to deconstruct a brand, a concept, a business and break it into its parts, compare it to local benchmarking, really understand the reference point that local customers might have and learn to story tell and connect the dots, or separate the dots if they needed to be separated between what we were and what other people might naturally compare us to that I wouldn't have known unless I asked the question.

So that started my brand love, brand appreciation, brand architecture journey. Because I dealt with the pain of not having it done right every time we would go somewhere and there were mistakes and confusion. So to learn, trial by fire, from being in the trenches of launching a brand in new markets.

Then when I took over Cinnabon, the brand was beloved. So then I thought but the business was super broken because traffic was down in malls, because of the recession. These are small unit volumes and so they print cash when you get past break-even and they're impossible to sustain when they're close to break even.

> "**Brand is the promise that a consumer believes** that entity makes to them through how it communicates itself."

Kat Cole continued ([00:23:45]()): So the business model was really challenged but the brand was beloved. I remember thinking so if it's beloved what is brand? If the business can be broken while the brand is beloved, what is brand? And brand is the promise that a consumer believes that entity makes to them through how it communicates itself which, yes, is logo, and colors, and marketing, but equally so if not more so is the experience every day with that brand. Then how that brand and its people and its manifestations in the market react when things happen good or bad.

So it's this combination of "what we say and what we do," and that leads to a set of beliefs about who we are as a brand. And therefore what we then have permission to go do as a brand, which very literally extends to what stores should we be in, what formats can we produce? At what pricing tiers, with what quality standards, with which partners, and in what countries? I love decoding everything. I was an electrical engineering and computer sciences major although I dropped out but some of the natural thinking is still there.

I really love breaking things into its parts and I learned when you don't, you can make big mistakes by making huge assumptions about what a brand is. Is it premium? Is it accessible? Is there a difference between those two things? Can something be both? I then learned to appreciate that *real brand sustainability comes down to two things, which is relevance and differentiation. And everything fits into one of those two buckets. Something either affects a brand's relevance. It is meaningful to my life today. And its differentiation. It is unique and I can identify that uniqueness.*

Everything falls into one of those two buckets as it relates to brand. And the goal is to be high on both. I learned that there are some brands that are highly differentiated, but can quickly become irrelevant. A good example is something like Rolls-Royce back in the day. Super differentiated. Everyone knows what a Rolls is, or was, and knows the shape of that car and how premium it is, but was it relevant? No. There were tons of premium cars that were becoming far more relevant to different groups around the world.

And then the opposite is true. Brands that are highly relevant but not differentiated and they become commodities, and then it's a race to at the bottom from a pricing perspective.

Kat Cole continued (00:26:16):So I learned to think about brand and these frameworks, but then be really clear that the only way to optimize what's in those frameworks is the human side: people, teams, culture, customer service, being obsessed with customers. Because how can you know if something's relevant to people's lives if you aren't connected to their lives. So I'll stop there. I could go on and on about brand. But those are some of my learnings. We grew Cinnabon from out of the dumps into this multi-channel, multi-billion dollar sales business. Then we've had other brands that we've bought that were successful and the investment thesis was don't eff-it-up.

> "Real brand sustainability comes down to two things, **which is relevance and differentiation.** And everything fits into one of those two buckets. Something either affects a brand's relevance. It is meaningful to my life today and its differentiation. It is unique and I can identify that uniqueness."

I appreciate the brand, respect the brand and it just needed some juicing. A little bit of improvement and some just need investment in technology, or improving access. Because customers, they love it, but they can't find it and that improves relevance.

Patrick O'Shaughnessy (00:27:10): Whether using Cinnabon or really any other story that you've been involved with, I'd love to hear an example of changing the dynamic of either relevance or differentiation within a given brand. You mentioned Cinnabon's struggles with Atkins and the financial crisis in 2010. What are some examples of how you can actually change those two? I love that 2x2 matrix, how you can kind of pull into the upper right quadrant if you will.

Kat Cole (00:27:35): So the diagnosis of Cinnabon was high in differentiation, no doubt. And waning in relevance. And relevance, if the definition of relevance, or a definition to use, is it *matters to my life today*. Part of that equation is access. It's harder to matter to people if they can't find you. And our research showed that Cinnabon had a massive access problem. People loved it, they wanted it, but we're going to malls less, going to airports less because of the recession in 2010.

So giving them a taste of the brand in more accessible ways was a key part of building relevance. The other part of relevance is in fact pricing. If I can't afford you, I can't get you, therefore you are not relevant to me. Now, if you're a premium brand and your point is to be aspirational, then that might not be the lever you pull for relevance. But when you're a snack, pricing and being accessible is a huge lever that needs to be pulled to grow relevance because it is a way to get to access.

So we did two things specifically. Well, we did many things. But two that are great for this discussion and the time we have. One is we shrank the portion size of the giant cinnamon roll. That not only made us smaller and therefore a more approachable indulgence during the height of the Atkins crisis. It was a crisis for us. It was a craze for other people. But it also brought the price point down because it was smaller, right? So instead of paying $4.50 for a giant thing the size of your face, you were paying $2.50 for something smaller than your fist.

And oh by the way, because people appreciate a smaller portion you can actually charge a little more per ounce. So the gross profit per ounce was better for the franchisees. The top line sales went up because it was something they could afford to treat themselves with and/or because it was something they wanted via a smaller portion, a more responsible indulgence, something they wanted to choose. So that's one. It's a product solution that led to a pricing solution to access which improved relevance.

Kat Cole continued (00:29:55): The other lever we pulled was multi-channel distribution. One thing I knew is that during a recession, unit sales, unit growth of these franchise businesses, had slowed. Not only because franchisees were a little scared to deploy capital, but new franchisees couldn't get access to capital. If you're a bank during a recession, you're not doing a lot of loans. And the last person you're going to give a loan to is somebody who comes to you and says, "I'm a first-time business person who wants to open a business in a mall selling a cinnamon roll full of sugar and fat the size of your face at the height of the Atkins craze." That's the last person you would give a loan to if you ever were going to give a loan at this time.

KAT COLE 2x2 MATRIX – RELEVANCE AND DIFFERENTIATION

So the headline there is we weren't going to have a major vehicle of our typical growth strategy, which is unit expansion, which meant slowing down of points of access. So then the question is "how, oh, how do we solve this problem without being able to fix things I can't control." And the answer was partnerships. We then produced licensed product that we could quickly distribute through other channels. Burger King carried the Minibon, the smaller thing that we had come up with in 7,000 Burger Kings.

Kat Cole (00:31:09): At the time, we only had 600 domestic Cinnabon franchise locations that... I mean, many outside the US, but in terms of the US, that had taken 20 years to build. And overnight, and of course, it wasn't overnight, it took time to negotiate this deal, but quickly we added 7,000 points of distribution to the brand. So that was a different way to improve relevance by providing access in a way that required us to be open to coopetition. Partnering with someone that you might argue does a little bit of what we do, provides food and beverage, but in a way that they could add value to us, they had the distribution channel but we had something they needed, which is a premium baked product.

If Burger King had come out and said, "We're the king of the whopper and we just invented the world's most delicious cinnamon roll." You'd be like, "Nah, no way." But if it's, "We're Burger King and we're bringing you a real Cinnabon cinnamon roll, holy shit, I can go through the drive-through and get one of those little things? That's amazing." And that's what we did and it worked.

There were many other versions of that expansion strategy that was multi-channel licensed product, right-sized for the occasion and the retail point of distribution, and the competitive set, and the changing frequency that that product format might have. Those are two very specific things we did to address the “relevance challenge” that was growing at the time that I joined Cinnabon.

Patrick O'Shaughnessy (00:32:35): It begs the question of the differentiation and like what ultimately a brand is and why it's valuable. So in the case of Cinnabon if you asked a hundred people like name a cinnamon roll brand like, I don't know, 95 are probably going to say Cinnabon. And that in and of itself seems like an incredibly valuable piece of real estate to own in people's mind. That you can then distribute via Burger King. So I'm curious how you think about making sure you keep that positioning in people's minds and then potentially even extending it to adjacent categories?

Kat Cole (00:33:07): Part of that licensing strategy was extending it to adjacent categories. We launched, still today like seven years later, Cinnabon coffee creamer with International Delight and Cinnabon coffee with Green Mountain in their K-cups. So all these non-baked, non-core yet still very relevant adjacent categories. And to your point, I always heard from the academics, scarcity drives value. What I've learned is that is true sometimes, but not always. There are other ways to drive value.

There is such a thing as a creative ubiquity. If you do it right and you have enough differentiation and clarity of brand and you honor that brand as you expand, not degrade it, not diminish it, not foolishly sloppily extend but really understand the brand's DNA and have the courage to make big choices of how to alter the brand when it shows up somewhere. And have the courage to say no to some opportunities that may come your way. There's something about expanding and being more a part of people's lives.

> “And so it's either virtuous or vicious when you start extending the brand, that there is a way to **actually strengthen a brand as it shows up in more places**. It's not easy but there is a way.”

Again, you have to honor the DNA of the brand to protect the differentiation, but ironically by being in those adjacent channels, it's a little bit of a moat. It starts to put the brand and its attributes, its aromatics, its flavor profile, its textures, into all of these places that if we aren't there, I love this phrase: “if we don't, the competition will.” So somebody else who maybe at some point has a growing cinnamon roll brand could go into ice cream which we did with Breyers. Or could go into coffee creamer which we did with International Delight. And maybe they could be so successful that they would reverse build their brand that way. It happens all the time.

Kat Cole continued (00:35:00): So the irony is if that it's done well, it protects differentiation via protecting mind share and reinforces key brand attributes that are the reason the brand is differentiated in the first place. But as you know that can go very wrong if you don't do that.

UBIQUITY	VS	SCARCITY
PREMISE: ENTRENCHED IMPRESSION IN PEOPLE'S MIND		PREMISE: PEOPLE LOVE EXCUSIVITY
BENEFITS: · CAN TAP INTO ADJACENT MARKETS · DIVERSIFIED PRODUCT PIPELINE		BENEFITS: · HIGHER MARGINS · SPECIALISATION IN AN AREA
APPLICABLE INDUSTRIES: HIGH RELEVANCE CINNABON		APPLICABLE INDUSTRIES: HIGH DIFFERENTIATION, LOW RELEVANCE. ROLLS RR ROYCE PATEK PHILIPPE GENEVE

It can diminish the brand. It can dilute the brand if you're not making sure. We make sure it's our cinnamon which is actually different and milled different. We make sure it's co-created with our chefs. It's not NASCAR, slapping the logo on a box, which a lot of people do.

It is a highly collaborative architecting because we are super clear – "if we get that wrong, it will actually hurt the core over time." And so it's either virtuous or vicious when you start extending the brand that there is a way to actually strengthen a brand as it shows up in more places. It's not easy but there is a way.

FRANCHISE MODEL

Patrick O'Shaughnessy (00:35:56): It seems as though especially with such distinctive brands like this portfolio that you manage that that is a huge part of the equation, but also that working with franchises in the franchise business model is a critical piece. And related to this idea of like ice cream, I don't know whether or not Cinnabon locations sell Cinnabon ice cream, but one reaction would be that maybe they wouldn't like that. You're extending beyond what they can sell. I'd love you to talk about what you've learned about franchise business models, working with franchisees and franchisors and why you think it's a powerful business concept?

Kat Cole (00:36:31): It really is beautiful. And painful. Every light casts a shadow. So there are things about it that are incredibly challenging, but I would say that the franchise model might be the single greatest thing that has impacted my leadership style, and that is because of the nature of the relationship. Sure, there are contracts of what they commit to do and what we commit to do for them as a franchisor. But no relationship goes well when you're managing via compliance. It is about shared commitment.

So yes, we have a contract to fall back on, but that doesn't cover every scenario. We, a leader of a brand is often going to franchisees, who have invested in the brand asking them to commit above and beyond the minimum that's required in the contract for the good of the future of the brand. Investing in new technology, evolving the menu, a new piece of equipment that you couldn't have foreseen five years ago in the franchise agreement.

So that builds a muscle of influence, of respect for business partners. I mean some people who complain about having one or two business partners. We literally have thousands of business partners... some of them are mom and pop operators and their world is very small because it's what happens in their four walls, and some are super big and sophisticated with hundreds or thousands of units not only with our brands but with others.

Kat Cole continued (00:38:00): So one, learning how to work with such a broad spectrum of business partners who have varying degrees of marketing expertise, operating capabilities, and overall business experience and access to capital is in and of itself a masterclass, an influence in business. Then the construct of the fact that they are franchisees, so they're independent business owners. Their employees are theirs, not mine, and it's actually illegal for me to force them to do certain things with employees, anything really related to employment because it crosses the employer-franchisor line. But yet so there's all that nature of independence and distributed operating model, yet it's one brand, one promise, tying it back to the conversation we had at the beginning of this.

It's one thing that needs to generally deliver a consistent experience in a very hyper local way. So that tension of Main Street versus Wall Street. I have a promise to consumers. They don't care if it's a franchise location or not. It's just Jamba.

If something goes wrong, they're not going to say, "Oh, I bet it's just this independent operator, right?" They call Jamba. They tweet Jamba. So that tension, that conflict is like fast-moving water, weathering rock. There's so much force coming from that tension, which in most cases is a healthy tension between local owner operator and global brand promise. And then the way those things have to work together to feed each other versus destroy each other.

You can't do things at a brand level that diminished franchisees profitability and therefore viability. You also can't have franchisees taking shortcuts to promote and build their profitability at the expense of the customer experience and the brand promise. That muscle has helped me be a better investor, a better advisor to executives and founders, a better leader. I'm constantly reminded of that maybe not zero to one phase, because that's true founder idea to one.

But I am repeatedly going from the 7 to 10 phase like something is really on its journey and we're scaling it up even more, but also the 2 to 3 phase. New person coming in, first time business owner looking to be a part of a business, a franchise phrase "you're in business for yourself, but not by yourself."

So it's not zero to one, but it's one to two and two to three. So I'm just reminded of the grit and the resilience and the risk that people take when they put their money and their reputations and their life savings on the line. That has built a muscle that I think is needed in leaders and founders and investors today.

Patrick O'Shaughnessy (00:40:50): I'm really curious in what specific ways you think that experience makes you a better investor?

Kat Cole (00:40:57): It helps me ask questions that are a bit deeper. And that's not true of all business models. There are some industries or business models, biotech might be one of them, where I don't know that my experience makes me a better or worse investor. But in a lot of businesses, I understand the sequence and the stops and starts of operational phases and the overall journey from small to maturity, which means I don't expect miracles, where miracles shouldn't be performed. And I know where to pressure test and ask, "Hey, are we investing enough in this thing?"

Or I respect the role that sales may play at a certain stage and I've seen franchisees get overwhelmed with opening a restaurant, which is a one-time activity, versus running a restaurant, which is a 20-year activity. So when I think about founders who might be doing something that's a one-time or a rare activity, I give them grace and permission to not be amazing at that because do I care? Do I really care if they're awesome at this thing they're going to do one time, or do I care that they're going to be awesome at the thing they're going to need to do over 20 years?

That mindset of saying you need to be good at this thing you're only going to do once, but I don't expect you to do that by yourself. So how do I help you think about how to resource yourself with the help of, say, fundraising or setting up manufacturing for the first time? These are activities that are critical but are sporadic, whereas running a successful business *is the business* and I care more about that. And I've learned that through franchising and I'm able to be maybe more graceful or even more challenging in the right areas as an advisor or an investor because of that.

> “Do I really care if they're awesome at this thing they're going to do one time, **or do I care that they're going to be awesome at the thing they're going to need to do over 20 years**?”

Patrick O'Shaughnessy (00:42:51): One of the things we've talked about is distribution and I'd love to spend a bit of time. There's always the focus on product which of course is probably the most important or at least equally as important, but sometimes businesses are built on really creative smart distribution. So you could have an amazing brand positioning like a Cinnabon or a Jamba in someone's mind, but if you don't do a good job getting it to the people, the relevance idea you mentioned earlier, it's not going to be a big business.

So I'd love to hear stories or lessons that you've learned about building unique new distribution channels. What comes to mind? What are things you've done well? Maybe you've made mistakes and won't do again. This seems like an under discussed part of growing business that's really important.

Kat Cole (00:43:33): There are different schools of thought. I remember I was in this group, where CNBC recognized these innovators, like 25 most innovative people across industries, and I was one of them. I was at this big fancy dinner with really important people. I had major imposter syndrome being there. I was sitting next to Mellody Hobson who was just this human that I admire and follow religiously and listening to these titans of industry like Mickey Drexler on stage and I'm like, "What am I doing here?"

So the guy who was the CEO of UnderArmour at the time, my story played on this video they did which was me talking about licensing, and about partnerships, and about putting my product in other people's retail outlets, and co-branding. He watched it, and he doesn't know me from Adam or Eve or whatever and he literally looked at the crowd and he said... I'm paraphrasing, but he basically said, "That's a stupid strategy. UnderArmour is not going to show up in anyone else's retail site. We are going to own the distribution channel. Why would I give away my IP and share in the success?"

I was like, "Oh, yikes. Maybe I'm not that smart." But it highlighted a difference in philosophical approaches to distribution. “Own it at all costs, share nothing,” and there are benefits to that.

But for most of us who don't have that luxury of being founder, owner, operator and I would argue that that didn't work out quite so well for them for a season of their existence, that most of us don't have the time to build it that way. And that being open to partnerships, collabs, groups of other brands, I think that that is a beautiful way to learn from each other, to share customer pools, and when you do that, you give up a little bit of margin, but if the pie gets 10 times bigger as opposed to 10% bigger, and I have a decent slice of that, and I'm growing an ecosystem, I'll do that all day long.

I'm not saying that's the only way. I'm simply suggesting that my experience says that for most of us that don't have the time to wait for the organic traction, or the money to acquire the customers needed for the growth needed to then be on people's radar, that sometimes strategic alliances and partnerships is a low risk, high reward path to awareness and trial and potentially ongoing distribution.

NEGOTIATING BUSINESS DEALS

Patrick O'Shaughnessy (00:46:20): What have you learned about negotiating those partnerships? Before we started talking, you mentioned this interesting idea which is like one of the keys to building a good business is understanding what you really own in terms of intellectual property or some advantage. So I'm just curious how you blend that idea of knowing what you really own and

negotiating the best possible position where everyone makes money together and wins, but you get your fair share in a partnership like what you're describing.

Kat Cole (00:46:47): I love that question. And an interesting fun fact about Cinnabon that out of its 1.3, 1.4, it flexes up from 1.3 to 1.6 billion in global consumer product sales between franchising, CPG, all these licensed businesses I've talked about. That's the total product sales number. Out of that number, *75% are the innovation channels that are not franchises.* Partnerships, alliances, co-branding, co-manufacturing. We don't own a single manufacturing plant.

So let me start there. That what I'm about to say is born out of building a sizable business. In fact, Focus Brands is the sixth largest licensor of food and beverage brands in the world. Only behind like Sunkist, and Disney, and Coca-Cola, and I forgot the others. Maybe Hershey, one of the candy brands. So it's big. And that means I've made a shitload of mistakes, specifically in these negotiations. But it also means I've learned a lot and I'll forget more than most will know.

So that's why I love this question because few ask it.

So the foundation of doing that well, negotiating partnership contracts, licensing contracts is not just knowing what you own, but being honest about it. Because your baby is so beautiful to you. And I learned that there were times where we really had the rose-colored glasses on as it related to the value that our brand would bring to someone else.

Kat Cole continued (00:48:22):It doesn't mean it brought no value, but if you go into a negotiation thinking, let's use Cinnabon as an example. You need me more than I need you. Maybe that's true but the degree to which that is true matters and literally is the foundation for the royalty rate or the license rate. So first and foremost, is getting honest about the value your brand brings to a category.

> "And I learned that there were times where we really had the **rose-colored glasses on as it related to the value that our brand would bring to someone else.**"

Second is doing the research on proving out or at least having some data around the **level of incrementality**, that is the word not broad value, but incrementality that my brand brings to your business or your brand. Said another way, if you were to partner with an unbranded similar alternative, what would those sales, those margins, those customer growth numbers be? And then compare that to what it would be if it were my brand and my product.

So the product is different, the brand is different, therefore the pricing premium is different. Because if I'm going to tell you, you have to pay me a royalty, you've got to either sell enough to pay for that or be able to charge more or both and/or bring in more customers new to you, new to category to make that margin compression that you're going to experience because you're going to have to make a more expensive product because you've got to use my ingredients and you got to pay me a royalty on it.

It comes back to this honoring, that for the partner it must also be profitable, and good and smart. And the only way that's true is if we optimize what we get for what we uniquely bring and don't try to get value from things that we don't. And anytime I've pushed the boundaries of that, anytime I've been a good salesperson and been able to get one or two more points of royalty that are probably a bit beyond what is really the fairest deal, those deals always end early.

So it is really about being honest about that math and the research and then truly valuing what that partner is going to bring to the table. What is the value of distribution for me? What is the value of the national marketing they're going to do like Pillsbury, or International Delight Coffee Creamer, or Pizza Hut where we have products on their menu. Their marketing budget is more than like the EBITDA of the company. It's like apples and grape seeds. It's just so different.

Kat Cole continued (00:50:50): So there's a real value that I have to honor comes with these partnerships and you just learn to sort all that out. And that leads to the economics of a deal. There's one other thing I want to mention about these deals. And it's the concept of exclusivity. Sometimes partners will say, "Okay, we're going to partner with you, Jamba Juice but we want to be your exclusive partner. You can't talk to anyone else."

Exclusivity has a cost. It has an opportunity cost. So the way we negotiate exclusivity, in full transparency out under the bright light of scrutiny, it is not a black box. It's based on opportunity cost. If you don't want me to work with anyone else in this category, you're going to have to guarantee me some percentage of business, that would otherwise come from the opportunities you're telling me to walk away from, and usually that shows up as minimums. Where whether you start a business in these categories or not, you're telling me I can't go work with somebody in that category, so you're going to have to pay me minimums and that's going to incentivize you to grow in that category and that's only going to exist for a certain amount of time.

It's going to burn off faster. The exclusivity will burn off faster than the overall contract because if you don't honor your part of that, if you don't grow something in those categories, I'm blocking off. It will make me irresponsible for not pursuing those categories and I'll need to go do that. So the whole concept of exclusivity is a sliding scale of "if you want more exclusivity, then you need to guarantee me protection for my opportunity cost and my downside."

If you don't want any exclusivity, then we just make money together organically and I can go do whatever I want with anyone else, and if you're a great partner, I'll come to you. Then there are hybrid models within that like, rights of first refusal, or exclusivities for short time frames. So those are two building blocks of good licensing negotiation.

Patrick O'Shaughnessy (00:52:45): I love this idea of honestly knowing what you bring to the table in a negotiation and then thoughtfully splitting the spoils right as a foundation for good long-term partnerships. It begs the question in my mind, this is obviously an umbrella of brands. I'm sure, it may grow in the future and so you're looking and thinking about other brands all the time. What attributes, I'm thinking again about what a brand owns like what is the real IP, what attributes of a brand get you most excited when you see it for the first time?

Kat Cole (00:53:17): It's really fan love, community, and tied to that, differentiation. It's not scale. Because size can happen a lot of ways. It can happen in sustainable sticky ways. It can happen in purchased unsustainable ways. Scale doesn't impress me on the surface. It's like fan love. It's community and yes, differentiation.

So Jamba is this really interesting example. One of the world's largest smoothie and bowl chains. It was publicly traded. We took it private. It had lost its way a little bit as smoothie bowl and juice concepts grew because it was burdened by a lot of things that came along with being public. It was too small to be public. It just hadn't innovated in the way that it should have to stay competitive.

So it was one of the reasons we bought it. Part of the investment thesis was there's still enough fan love and obsession here and a workable model to evolve the brand at a speed that we think is achievable to bring it back to relevance and protect its differentiation. Which for Jamba meant less sweet, more plant-based, which we've been doing. And just bringing it to a better place from a wellness perspective without violating the historic things, the sweet bright orange smoothies. All of which had always been made with fruit juices and never any sugar.

Kat Cole continued (00:54:50): But still, super sweet, thick delicious. Not what you envisioned with smoothie and the most relevant smoothie and bowl brands today. But it had the pieces. It had the puzzle pieces.

But instead of being glued together with the relevance glue that it had in the late '90s, early 2000s, those puzzle pieces started to move away from each other. If you can picture that on a table, like product relevance and points of distribution and just the overall look and feel of the brand, and technology, the puzzle pieces started spreading apart and some of them even sort of dissolved like they were really behind in technology.

No real app that was functional. Not a really great loyalty program. We knew we could make those investments and bring that puzzle piece back to life. Invest in the product puzzle pieces with more plant-based ingredients and options and product and cleaning up the menu. And then bringing it together with better storytelling and more technological digital access. And we did that. But the only reason we have permission and the time to do that, is there is still a core base of like Jamba-obsessed people that keep coming to us because of who we are today. But they'll stay with us and come more frequently because of who we're becoming for tomorrow. *So I look for community and brand obsession and like deep fan love*. Somewhere in there is frequency, but that's a product of those other things I mentioned.

Patrick O'Shaughnessy (00:56:20): I love it. It's such an interesting framework for thinking about these things and probably one that is extensible beyond simple consumer brands like we've been talking about today. In what ways do you think that's most true? So what you've learned in your career do you think is more broadly applicable to maybe some of those more tech-heavy or even software-heavy or more online let's say businesses that that seem to be dominating today? What are things that are portable?

Kat Cole (00:56:49): Those online businesses, and let's just use DTC as an example or maybe SaaS solutions, I don't want to say they're commoditized because a lot of them are quite differentiated. But the barriers to entry have been lowered. They're not zero. So I'm not saying it's not hard, but basically if you have a product and that's a huge part of the first hurdle, but let's say you have a product, if you can partner with the right growth strategy, get the right website built. Now, there's access to low code, no-code tools, that you can plug in much more easily with less upfront capital to power your brand or your business.

I think that in those businesses, it is more true, even more true that fan love and community be the nucleus. It has to be the nucleus in order for it to have its strongest shot. Again, not its only shot, but its strongest shot. That thing, that attribute have meaningfulness to people. Relevance and differentiation for some reason. It seems that it's almost higher in the DTC world.

So portable from my world, but even higher because you don't have the other touch points of experience that my brands have. It's only what you see on your screen and then it's only the digital transaction experience. And it's only the unboxing experience. That is it. And so within that, if the brand doesn't feel differentiated and if there's not community around it that makes me want to talk about it and try it again, it's susceptible to a lot of like competitive leakage because it doesn't have those things.

So I think that importance of community, fan love, connection that comes from the most loyal, most frequent customers at the early stage in a business’s growth is a portable required trait of brands in almost any category that are early in their journey. And it's even more important if there isn't a lot of money to go acquire fans.

LEADERSHIP LESSONS

Patrick O'Shaughnessy (00:59:05): Your career is so interesting to me because while you didn't found any of these brands or these businesses, you've been a leader in and amongst them in many different ways at a very young age. So I'd love to hear a little bit of your thoughts on lessons learned

on leadership specifically. What do you think are the most effective tools that you use to have allowed you to kind of jump from place to place constantly elevating the groups over which you're in charge of them and the things that you control as a leader and having to work with tons of people, including things like the franchise dynamic that you talked about earlier that's very sensitive. What are the what are the big chunky do's and don'ts that you've learned in the area of leadership?

Kat Cole (00:59:48): One is staying super close to the action. So I always tie this back whenever I do speeches or keynotes. It's one story I tell consistently because it's such a pillar of my belief systems around leadership, and a personal experience. When my mom came to me when I was nine and she said “that's it, I'm done, we're leaving.” And she meant we were leaving my father. At the age of nine, because I had seen how bad it was. I was in three car accidents with my dad before I was nine years old. It wasn't a secret to me.

When she told me we were leaving, as you can imagine a conversation she dreaded for month. Her oldest of three girls. I did not cry. I did not get upset. I looked at her and said, "What took you so long?" At the age of nine. And the lesson in that is that people who are close to the action know what the right thing to do is long before the leader makes the decision.

The tricky part though is that those of us close to the action in this case me, the daughter in our businesses, it's our front line employees often, call centers, sales reps, frontline employees, hourly workers, there are two things that they lack that a leader has. They lack the language to fully articulate a scaled problem or opportunity or a scalable solution and they lack the authority to do something about it. But the leader has both of those.

> “And the lesson in that is that **people who are close to the action know what the right thing to do is long before the leader makes the decision.**”

So the trick is to stay as close to the action as I can, as often as is appropriate, to find the patterns. Because again, the people closest to the action can't tell me what to do. They say things and it is my role to find the path, to listen frequently enough to see the patterns and use that to impact the prioritization of the allocation of my business's limited resources.

Kat Cole continued (01:01:41): Every time I take action based on feedback from the frontline, employees say some line very similar to what I said to my mom back then which is, "What took you so long?" Because *they knew* it was a problem or they knew it was an opportunity. And I could give countless examples of this, but the question is if you believe this to be true and I do deeply as a foundation of leadership, then how do you solve the gap? Because you can't be everywhere.

So I have techniques of checking in and there's two ways to check in. There's checking in with myself using a lot of very easy to access reflective exercises. I call it my “hot shot rule” where I envision a badass in my role tomorrow and I ask myself “what is one thing they would look at and immediately address”. Because we've all been that person. We've all had that first day perspective. We've all been the new person on the job that took over from someone else. Or we bought a company from someone else.

And what's funny is the person's job we take over or the person's business we buy, to them it's probably the best it's ever been. But to us, the new owner, the new leader the irony is it is on the same day as it is the best it's ever been to them. It is the worst it will ever be to us. Because it's the beginning of the journey.

So my “hotshot rule,” I'll write a book with title that one day, really going deep because this exercise has been foundational to my own personal professional growth as well as evolving brands. That act of pausing, reflecting, asking what someone else would do, acknowledging it very quickly because it's not hard to see it when you think about it through someone else's lens and then the trick is taking action on it right away and then telling my team. That is how I get better every week.

I think about what you would do, if you had my job, if you saw my world. I acknowledge that that's something I can and should be doing differently. I take action on it within 24 hours. I tell my team. And every time, I tell my team, they say, "What took you so long?" Or “Finally!” Or some version of that. So that's the “hot shot rule” checking in with myself envisioning outside in perspectives.

> “I call it my “**hot shot rule**” where I envision a badass in my role tomorrow and I ask myself: what is one thing they would look at and immediately address.”

Kat Cole continued (01:03:52): Then there's actual check-ins. My husband and I have a check-in every month. I've written about it on several platforms. But it's about these check-ins with my husband and it's saving space every month where we ask each other questions to help us be better for ourselves and for each other. It's a space that's held to ask, answer these questions, but then a commitment to act on what we learn. And we get a little better for each other every single month.

I do that with my team members. My team members do that with their team members. Great leaders do this with their customers occasionally. Of course, research can be a way that you check in, but there's nothing like really personal check-ins. Holding space so that people feel permission to be candid. Asking questions that don't affirm our own beliefs but really seek to know the true truth, and then acting on it.

Those check-ins, that obsession. I have a true belief that I never know the truth. I don't know the reality of everyone because it's always changing. And at some frequency I need to keep rediscovering that and unlearning what I believed was true previously because something about is probably different a year later or a quarter later, and if I don't figure that out the competition will.

Patrick O'Shaughnessy (01:05:14): What kinds of questions are most effective in those check-ins? And I'm curious about this professionally, personally the extent to which you're comfortable sharing specific examples.

Kat Cole (01:05:25): I've got the specific questions in my article, my newsletter that's available to anyone and on my Instagram. But one that is my favorite, the wording matters is: *“tell me one thing I can do differently to be more effective for you?”* And there's something about the wording. One, I'm asking for one thing, not a list. It's not your place to pile on. The world is hard enough and I can't act on a million things. So asking for one thing is a really important part.

Using the word “differently” takes the pressure off of people. I'm not assuming it's bad. Just one thing I can do “differently,” which also means less the same or more. Stop, start or continue. “To be better for you” or for “this business to be more effective,” to be more effective for you. Also, the wording of it seems to optimize truth candor that I receive. That's a big one.

Patrick O'Shaughnessy (01:06:25): What if any are the major differences between doing this personally? You mentioned you do it with your husband every month. I love the idea of that. And doing it professionally. Or does it kind of end up being something quite similar because it's so interpersonal.

Kat Cole (01:06:38): There are a lot of similarities. But I think with my husband, there are more extensions into multiple parts of our life, our kids, our profession, our emotions, our health. It is a bit more emotional, the personal one. Because we've been doing this since the first month we were together. So we're on check-in number 57. Number 58 is coming up.

And we learned that you can also get lazy with these. Where it's like a check-the-box instead of a check-in. We made that mistake a couple check-ins. We called each other out and committed to having it be a much deeper dive on how we're thinking and how we're feeling about things and what might be behind that and how is that affecting us. It's really powerful.

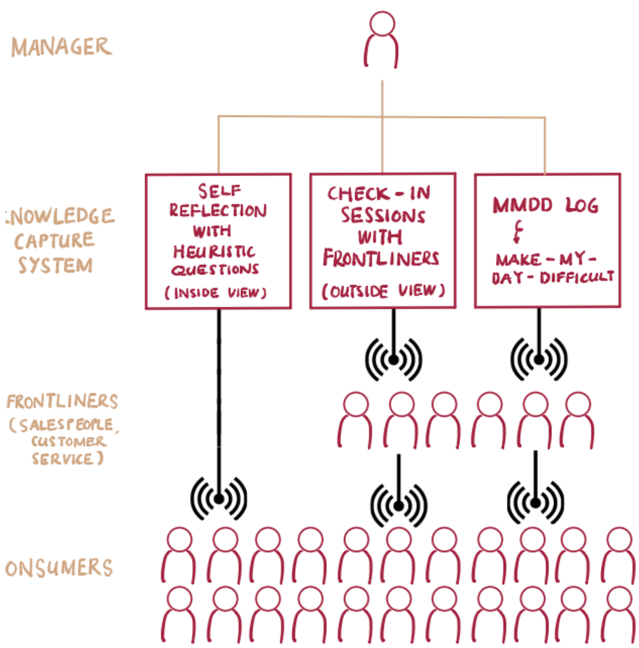
A check-in with a team member has different layers of emotion depending on how long we've worked together, how comfortable that person is in being candid. It takes time. So I think the level of emotion varies. It's one of the more obvious ways it might differ. But otherwise it's quite similar. The other questions are “tell me something that's made you the most worried in the last 30 days.” That's a big question, right? If someone answers it honestly, it's very telling. “What have you been the most grateful and look for in the last 30 days?” Of course, the very typical, “what's been the best part? What's been the worst part? What are you most proud of?”

Kat Cole continued (01:08:05): But that question, “what can I do differently to be a better leader for you?” Or the question I asked when I started working at Cinnabon, I'd go into all the restaurants, I was working, I did nothing for the first 60 days, but basically work in the restaurants to build relationships and understand the customer and stay close to the action.

I asked the same three questions everywhere I went.

One of them was “what do we throw away?” Because I needed to find a way to save money, so we were throwing things away, spending money on things. We were going to stop doing that. And then I ask a second question, that's one of my favorites, which is “when do we say no?” Because if we're saying no often to customers or employees, that likely represents an opportunity. And then the third question though is given my role: “what's one thing I could do differently?” Or “our business or this store (depends on the level of employee) could do differently to make the business better from your perspective.”

That third question, that's similar to what I ask in my check-ins. One, it varies more widely across roles because it's from their perspective, but it does typically either affirm or deprioritize what I heard in the first two questions. And there are patterns if I listen closely. Like are there management issues? Are there corporate communication issues? You can find patterns in those if people are like, "Well, the one thing you could do is to get a computer that works."



If I hear a version of that everywhere, that might rise to the level of “wow, I should do that.” And then when I used to open restaurants around the world, I learned this simple trick. So much changed and I mentioned every day and I mentioned these are all teams I had never met before. So I had to find a way to iterate quickly while we were there to get the business to improve. So we just had a clipboard with a piece of paper and we heard it from this restaurant consultant years prior and he said, "When you open a restaurant, you should always have an MMDD log." An MMDD log is a “made my day difficult” log.

So we just put it up. And every day at the end of every shift, when people, before they would leave, we ask them to fill out the MMDD log. It's not hard to see the patterns. If 10 out of 15 comments are one thing, fix that thing and then go to the next one and then go to the next one, and you do it every day. So check-ins and asking this question are a version of that.

Patrick O'Shaughnessy (01:10:27): I love that. It's like a systematic way of capturing the knowledge at the front lines, right? It's basically like surfacing or making legible the real problems at the edge of the frontier. That's a really, really fascinating tactic. Given the trajectory of your career so far, I'm really curious how you balance gratitude and sort of satisfaction with ongoing ambition?

Kat Cole (01:10:50): I've always had a little bit of an allergic reaction to the word ambition. I don't know why. It's fitting for others and I have no judgment against it for others. But it doesn't feel fitted to me.

I think driven. I've always been driven and driven by different things. In the early days, it was just if I could be somewhere different tomorrow than I was today, that was growth for me. Because I wanted to get out of that world, out of that life with my dad, and my mom, and all of that. So I was driven to be different and better in some way and no other specificity to it.

But also my dad had a really good job. He was the only person on either side of our family to have a fancy white-collar job. Everyone else were truckers and factory workers, or in jail or on drugs, or veterans struggling to find their way. And he was an executive, yet he was an alcoholic. And so I also grew up with a very unhealthy relationship with money. Because to me having money, which we were the only family in the family that had any, was not a good thing, so I rejected that.

So even that wasn't my drive or ambition. I've learned over time to have a healthier relationship with money, but that took time. So for me, I've learned that there can be a dark side of gratitude which people don't often talk about. And that was what my mom experienced. Because we had a house and a car and her husband had a good job. For many years, even her family said, "Yeah, he's an alcoholic and yeah things are tough. But you should be grateful. You've got it so much better than everyone else."

In her mind, because she had the obligation to be grateful, that for a period disabled her right to want or deserve things that were better for her family. Now, eventually she came to a different and better conclusion, which is just because things could be worse, just because yes, I should be grateful for something, it does not remove my desire and maybe even my obligation to make things better. And I think that's where it ties to your word ambition or drive. That there can be a healthy relationship between those two things and there can be a deep imbalance, going both ways.

Kat Cole continued (01:13:10): That's a very personal decision for any one person and many, many drivers, typically rooted in our childhood, of why we want to achieve the things we want to and at what point we feel a sense of achievement or satisfaction or accomplishment. So that's deeply personal and I hope everyone who listens to this knows they have the permission to make that personal choice and should not use someone else's definition.

But we also have the permission to change. My mom gave herself the permission to change. She was so grateful for that house and for that car and for that lifestyle. But she also eventually changed her mind and said, "What is more important is my girls being able to be independent, being in a safer environment, getting away from other elements of our family members that were around where we grew up."

So I think the best advice I could offer is for anyone listening to just constantly check in with themselves. Give yourself permission to be on a journey. Make sure that you aren't so grateful that you are minimizing your right and your potential to make things better, but that you aren't so ambitious and driven that you're missing the real fruit of the journey along the way.

> "So I think the best advice I could offer is for anyone listening to just constantly check in with themselves. **Give yourself permission to be on a journey.**"

Patrick O'Shaughnessy (01:14:28): Well, I think it's an absolutely wonderful place and idea to close on and move to my question that I referenced earlier which given the scope of our conversation today, I think is a really especially nice place to close this one today, which is to ask what the kindest thing that anyone's ever done for you is.

Kat Cole (01:14:45): I think I have to answer connected to where we just left off. And I'll say that there are many people along my career who have given me a shot. An unexpected opportunity or an opportunity that didn't make sense for someone so young or so inexperienced, but the only reason any of that is possible was because of my mom having the courage to put herself in a position of discomfort to leave my dad.

That choice that benefited me came in exchange for great pain and uncertainty, and fear, and discomfort for her. The other opportunities I've been given that where people have put their name on me. They took a risk, but it's nowhere near the risk that my mom took.

And so that is the kindest, the most generous thing, regardless of her own motivations. It is the most generous thing that anyone has ever done for me that I can honestly say without which, I do not believe the rest of the movie would have played out in the way that it did and it led to this belief and my mom used to write a version of this on my birthday cards once I was in the news or the media, and she would write something like this. I've changed it a little bit: "Don't forget where you came from, but don't you dare ever let it solely define you."

Her making that generous, selfless decision is what allowed me to learn that lesson that we all have permission to change, that our truth is in our roots, but our past is not our jail. And I wouldn't know that as deeply as I know that, and I wouldn't have been able to apply that to life and business without her having made that decision for us, for my sisters and me, and benefited from it so deeply.

Patrick O'Shaughnessy (01:16:38): Well, Kat, this has been kind of scratching the surface of so many different things that I wanted to talk to you about. I feel like I could do this every quarter or

every six months with you and learn more each time. I loved our conversation today and I definitely want to have you back in the future to dive even deeper into some of these business aspects. I've learned a lot. Thank you so much for your time.

Kat Cole (01:16:56): Yeah, my pleasure. Thank you so much.

Patrick O'Shaughnessy (01:17:00): If you enjoyed this episode, you can sign up for a new email newsletter sent out each week called Inside the Episode. Each week, I condensed that week's episode to my favorite big ideas, quotations and more. I've been recommending books to members of this email list for years and will keep doing so in this weekly email. You can sign up at investorfieldguide.com/bookclub.