

have employees who ride around on skateboards? Can they maintain the culture that has incubated such creativity? There's a first time for everything.

## NOTES

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# Julie Aigner-Clark and Bill Clark, Baby Einstein

## Start 'em young

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**J**ULIE AIGNER-CLARK, THE MULTIMILLIONAIRE CREATOR OF THE Baby Einstein brand of videos, books, and other baby products, did not realize she was creating an international brand, a whole new product category, and a parenting phenomenon when she began making a homemade video for her baby daughter Aspen. She couldn't find anything in the stores suitable for her baby, so the former school teacher decided to produce one herself, turning her basement into a makeshift studio.

Aigner-Clark wanted to make a video that would introduce her daughter Aspen to music, art, literature, and poetry in a gentle, baby-friendly way. She created the Baby Einstein Language Nursery, a video that starred Aspen's favorite toys, nursery

rhymes, multilingual counting, Aigner-Clark's soft, slow, gentle voiceover, and a simplified classical soundtrack. "I guess I just hit on an idea that nobody had come up with, or they didn't know how to do it," she says. "It was literally me pushing 'play' on the Betacam and dragging a cat across a table with a fishing line."

With \$10,000 of her and husband Bill Clark's savings, they created a product that some have described as very much on the amateur side, others as "crack cocaine for children." The Baby Einstein video immediately found a following in Aigner-Clark's circle of friends. She had found a guilt-free way to entertain, and some would argue, educate the youngest demographic there is, while Mommy took a shower, made a phone call, or grabbed a few extra minutes' sleep.

In the space of five years, the Baby Einstein brand evolved from a video distributed among friends to a developmental media company sold to the Walt Disney Company in late 2001 for an estimated \$25 million. The company had only just moved out of the family home into office space when the Disney deal was struck.

Despite being told by her family she was mad to invest her savings in a baby video, Aigner-Clark, a self-confessed very persistent woman, had an instinct about the video. "I am a full-time mom. I know what they like looking at and I know what they like listening to. I think it was instinctive as a mom." She also says her secret weapon was a "fabulous, optimistic husband who was a true entrepreneur." He persuaded Julie to invest the \$10,000 in the venture.

The Baby Einstein idea and actually making the video was the easy part. Then things got tougher. Aigner-Clark was enjoying being home with her baby and was happy being a full-time mom. The next phase, finding distributors and reaching her target market, was much harder, and where Aigner-Clark's persistence came in handy. "I knew nothing about marketing," she says.

Aigner-Clark researched potential retailers and decided that The Right Start was the ideal retailer for the product. It would be able to sell at a higher price, and avoid the Baby Einstein brand being

lost on the shelves of bigger retailers, surrounded by products with multimillion-dollar marketing budgets. She posted off copies of her tape to The Right Start and heard nothing. In desperation, she flew to New York City to the annual Toy Fair in 1997 and literally walked the floor searching amongst the 15,000 delegates for staff from The Right Start. On the second day she found them thanks to their nametags. “I charged up to these women and probably scared the hell out of them,” says Aigner-Clark. “I just said ‘Oh, my God, you have to watch this video. It’s so perfect for the store.’” Unfortunately, her main contact at the fair left the company soon after, and Aigner-Clark had to pester the new buyer for several weeks until she finally watched the Baby Einstein tape. It was tested in ten stores, sold brilliantly, and was quickly distributed all over the country. Four months after launching the first video, The Right Start called Aigner-Clark and asked her to make more. “That was exciting. People really wanted what I was making,” she says.

In the early years, Aigner-Clark would be sorting videos for shipping while her daughter took her daily naps. The company operated entirely on cash flow and never took on any debt. This all-cash way was essential, especially for Bill, who had started up a software company in the 1980s and had had negative experiences with venture capitalists. Neither Bill nor Julie wanted the “having-to-answer-to-them sessions” that outside stakeholders would want to have. By owning the whole business, “we would manage our time as we saw fit, sleep easier at night, and be independent,” says Bill.

Bill Clark believes that the “all-cash way” gave Baby Einstein a competitive advantage. He emphasizes the importance of keeping overheads as low as possible to the success of Baby Einstein. He figures it is harder to predict revenue in those early years, so sticking to budgets is essential for survival. For Baby Einstein, that has meant reviewing forecast expenses if sales are looking tight, such as canceling a trade show, or cutting back on advertising or direct mail to ensure that costs do not blow out. Another trick that Bill

recommends as part of the all-cash way is to negotiate discounts with suppliers for paying bills within twenty days.

The company had respectable sales of \$100,000 in the first year—enough to cover costs and produce more videos including *Baby Bach*, *Baby Mozart*, *Baby Van Gogh*, and *Baby Shakespeare*. Aigner-Clark was now making five times what she was paid as a schoolteacher. Word-of-mouth played a huge part in the success of Baby Einstein; moms kept telling other moms how much their children loved the videos.

The birth of Baby Einstein coincided with a huge wave of time-poor wealthy older parents splurging on products they felt would give their children a headstart in life. Aigner-Clark is careful to avoid saying that her videos make children smart, preferring to describe them as simply “engaging” for children. “Do I think (Baby Einstein products) will get (kids) into Harvard? No. But I do think they give children exposure to great and beautiful things,” she says.

Independent retailers helped Baby Einstein find a market, but to reach bigger markets, Aigner-Clark knew that the company needed a large distribution partner. They formed an ill-fated partnership with an entertainment company that resulted in a substantial mass-market distribution strategy that included product tie-ins with Huggies diapers, Chlorox bleach, and Cheerios cereal, and Baby Einstein presence within stores such as Target and Wal-Mart. Within eighteen months, 2.5 million Baby Einstein videos were sold in the U.S. But this alliance was not a happy one for Aigner-Clark. “The partnership was a terrible choice for us,” she says. She alleges that the entertainment company misrepresented to Aigner-Clark the number of units sold. “We lost a huge amount of money on that deal, and the stress of that relationship was incredibly difficult.”

Disney first approached Aigner-Clark to discuss a book license for a series of Baby Einstein books. She was attracted to the idea of building the brand. At first the relationship was just for books, but Disney then offered to buy the company outright. It was a difficult

decision but Aigner-Clark felt that the market was changing, there was more competition, and taking the business to the next level needed more time than she could give it. “We were spending less and less time with out kids and hated that,” she says. “Bill and I decided on how much money would be enough for us to be able to walk away completely happy, gave that number to Disney, and they agreed. We have no regrets,” she says. “I sold my baby . . . and all the rights and I’m okay with that.”

When Aigner-Clark and Clark sold the company to Disney, sales had reached \$20 million. Disney has pushed the brand into another league with sales in 2003 of \$165 million. There are now more than seventy Baby Einstein products on the market. “That’s always where we hoped the brand would go but didn’t have the ability to take it,” says Aigner-Clark. In hindsight, she believes that Disney paid a bargain price for her business but she is happy with her deal.

Aigner-Clark is still a consultant to Disney on the Baby Einstein brand. Bill and Julie are now working on two new start-ups, Aigner-Clark Creative and Memory Lane Media, developing media products on safety for children and for Alzheimer’s patients, respectively. Aigner-Clark happily calls herself a “serial entrepreneur.”

In 2004 Aigner-Clark was diagnosed and successfully treated for breast cancer. Bill, Julie, and their family live in Colorado. After homeschooling for several years, the children now attend a school for gifted children. Maybe the Baby Einstein videos will get them into Harvard after all.

## NOTES

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# Callaway

## How Big Bertha made a fortune

**I**N 1982 ELY CALLAWAY, THEN SIXTY-THREE, WAS PUTTERING about a pro shop at a golf course called the Vintage Club in Palm Springs. As he waited for service, he noticed an unusual club for sale. Unlike the modern clubs around it, it had an old-fashioned wooden shaft, like the ones he had used as a teenager. Yet it wasn’t an old club, it was actually the product of a new Californian business called Hickory Stick.

Callaway had recently sold a winery for \$14 million—raising more than enough cash to live on comfortably for the rest of his life. A dapper man, he loved Cuban cigars, Brioni suits, Turnbull & Asser shirts, lunch at the Four Seasons, and his Rolls Royce. He had been married four times and had had three children. (His son Nicholas runs a book company called Callaway Arts and Entertainment, best known for publishing the Miss Spider series of children’s books, as well as Madonna’s children’s books.)

But he wasn’t quite ready to retire. Intrigued by the odd golf club, which actually employed modern technology in the form of a