



Magic Spoon - How Gabi Lewis Built The Fastest Growing New Cereal Company Transcript

Ryan Moran [00:00:04]

Hey Capitalists. Welcome to the podcast. This is one of my favorite interviews, at least on the topic of business, that I have ever done. I'm going to be interviewing Gabi Lewis. He's the founder of Magic Spoon which is a cereal company that's gone from zero to a billion dollars in 4 seconds or something like that.

Ryan Moran [00:00:25]

You may have heard the ads on the Tim Ferriss podcast, or Joe Rogan, or a bunch of the other influencers where they advertise. But I wanted to hear a different part of the story. It's one thing to talk about how a business or a company or an entrepreneur went from nothing to having a 9 figure business in 2 years, which is what Magic Spoon has done, but there's a different side to this story and the other side to this story is that Gabi had another project prior to this one that went okay but it was a slog. He called it a zombie business in this interview.

Ryan Moran [00:01:03]

And it's not fair to call it a failure. It wasn't a failure at all. But it was not the stunning success that his current project is. And I wanted to know how someone goes from struggling as an entrepreneur on a project that they weren't sure was ever going to work out where they have a duty to investors and a duty to the marketplace and they're looking themselves in the mirror saying, "Are we the right people for this?"

Ryan Moran [00:01:28]

Going from that to starting a business that goes from nothing to \$100 million dollars in a very short period of time, I wanted to know what he learned in the first project that set him up for success in the second project. I wanted to know why he raised money for both of these projects. I wanted to know how he acquired customers in both of these projects. I wanted to know what he wished he would have known in the first project.

Ryan Moran [00:01:54]

This is an absolutely fascinating case story of what happens when you get the product market fit right. It's also a warning sign around being unwilling to fail quickly. So, this was my first meeting with Gabi and it was a fascinating time and if you're an entrepreneur who has big



aspirations and is still in the grind, this is a must listen. Please enjoy this chat with Gabi from Magic Spoon.

Ryan Moran [00:02:25]

I believe very strongly that the role of the entrepreneur is to stay in vision mode. It's not to get into the weeds and the details of every piece of the business. The job of the founder is to cast the overall vision, and then to bring in the right people to be able to execute upon that vision and make sure that the company has enough money to be able to ensure that you can continue to operate. This is what we call the owner's model.

Ryan Moran [00:02:52]

The owner's model is our process for keeping the entrepreneur in the owner's seat. You cast a vision, you recruit the right people, and you ensure that the company has enough money to execute and this is what we help people do inside of the Capitalism Incubator. We help them get clear on their vision, help them launch profitably, connect them with the people that they need to know, and we have an investment fund to invest in the businesses that are coming from our little Incubator.

Ryan Moran [00:03:21]

So, if you're an entrepreneur that wants to build something great, wants to build something that you can scale and even sell, you can find out more about what we do and who we've helped at [Capitalism.com/inc](https://capitalism.com/inc). That's [Capitalism.com/inc](https://capitalism.com/inc).

Ryan Moran [00:03:37]

Well, Gabi, it is great to meet you. I was first introduced to you by our mutual friend John Durant back when you were running Exo and building that cricket protein business. And I have 1000 questions for you about that experience and how it led you to the success of Magic Spoon, but for context, I want to go to the end, the end meaning now. Can you give us some context for where Magic Spoon is at in terms of whatever numbers you're comfortable sharing or just in terms of how you view the success of it and I want to contrast that to the previous experience but could we start there?

Gabi Lewis [00:04:16]

Sure. So, Magic Spoon is a breakfast cereal company. We make high protein, low carb versions of all your favorite classic breakfast cereals and we launched in April of 2019 so we're just over 2 years into our business and in those 2 years we've sold millions of boxes of cereal. We have 23 full time employees right now based in New York. That's up from 6 people a year ago. And it's been an absolute wild ride. We've been featured in Forbes multiple times, we were named



in Times Magazine's best inventions of 2019 the year we launched and it's been a lot of fun the past couple of years.

Ryan Moran [00:04:56]

Yeah, and it's been fun as a consumer too. I am one, and watching the company evolve and do things differently has been really interesting to me. So, I want to ask you, though, about your previous project because you ... To contrast these 2 businesses is fascinating to me because Magic Spoon just got set on fire and exploded, and I don't mean to put words in anybody's mouth, but I'm assuming you've done 9 figures in cereal sales or have a 9 figure valuation which is insane in 2 years.

Ryan Moran [00:05:33]

Compare that to you going into a market where you are developing something new, where you're bringing cricket protein, cricket flour to the marketplace, and I would never dare call that a failure of a project, but it didn't have the ... It didn't have this rocket ship growth that Magic Spoon did. So, I was hoping that you could first comment about the difference, the difference between running those 2 businesses and just comment on the fact of ... Was it harder running Exo than what you're doing right now?

Gabi Lewis [00:06:11]

Yes. It was harder.

Ryan Moran [00:06:13]

Okay. Perfect.

Gabi Lewis [00:06:14]

I think a very key learning ... This is going to sound so silly and obvious, but I didn't understand the importance of product market fit until very recently and I think there's this idea, especially in Silicon Valley and the startup world that if you're a good enough founder with vision and hustle you can just make anything work regardless of the products, regardless of the market.

Gabi Lewis [00:06:37]

And so, we worked really hard for 5 years to convince Americans to eat crickets for their health and for the health of the environment and it was really hard. Americans didn't want to eat crickets, and there was no supply chain. So, we not only had to build the demand side from scratch, meaning we had to convince people that this thing they think is gross is actually desirable or even aspirational, and we did that by partnering with Michelin Star chefs on the



recipes, we got celebrity investors, lots of hype and PR, a lot of podcast adverts we did with the Joe Rogans, the Tim Ferrisses of the world.

Ryan Moran [00:07:14]
I remember those. Yeah.

Gabi Lewis [00:07:15]
Yeah. Yeah. And so I think we ... We did quite a good job actually getting the early adopters on board faster than anybody ever thought we would, so we sold our first million dollars of cricket protein bars quite quickly but then it got really hard to convince the mainstream audience to actually do this thing whereas with Magic Spoon, and this was very deliberate, we're taking a product that has as mass appeal as you can possibly imagine.

Gabi Lewis [00:07:40]
You talk to anybody in the streets, they not only have memories of eating cereal and loving it as children growing up, they probably have dozens of boxes in their pantry right now yet everyone also acknowledges that cereal and sugar specifically are not very good for you and they want to eat less sugar. And so it's a massively appealing product and we're just making a very subtle twist on it basically. And the effect of that is that it's grown much, much quicker than our last business.

Ryan Moran [00:08:09]
Now, Gabi, what was the gap between those 2 businesses? I know you sold Exo and everyone assumes that when you have an exit when you sell something it means that you made a kabillion dollars. I know you didn't ride off into the sunset after selling Exo. It sure seems like you're dancing in the sunset right now at Magic Spoon. But what was the gap between those 2 projects?

Gabi Lewis [00:08:36]
It was actually quite short. We ... So, my cofounder from Exo, Greg, that's my cofounder today at Magic Spoon, and we knew we wanted to start a business together again. We knew we wanted to stay in the food industry and we knew we wanted to do something less niche than crickets. And so we spent a few months really just wandering the aisles of grocery stores thinking through what categories might make sense, that might be right for disruption.

Gabi Lewis [00:09:02]
And when you're looking at giant categories in the grocery store, the top 3 are soda, milk, and cereal. And you look at soda, there's obviously endless companies doing kombuchas and



probiotic sodas and nonalcoholic aperitifs and just endless seltzer brands. You look at dairy and milk, you've got not only the Oatlys of the world, you've got companies now developing lab grown real dairy and all kinds of dairy substitutes.

Gabi Lewis [00:09:29]

You look at cereal and the aisle looks the same today as it did 20 years ago. And for a number of reasons that we didn't think were very good reasons, nobody had tried to reinvent cereal. So, that was the start of an ah-hah moment where we thought, alright, there's this enormous category, mass appeal, right for somebody to come in and reimagine it in a way that's for modern consumers that care about nutrition, care about ingredients. And whenever we ask people why has nobody done this before, we got some really unsatisfying answers and so we thought alright, let's just do it ourselves.

Ryan Moran [00:10:01]

So, I get all of that, Gabi. Here's what I don't understand. After exiting ... After departing Exo and having however many years of grunt and grind and just not getting the ball to move as fast as you want it, didn't you have a period after that where you were just like, this sucks. Wasn't there a period ... Now, from the outside, what I saw happen is it go from pushing this boulder uphill of trying to get Americans to eat crickets to oh, we'll just start the fastest growing cereal company maybe in history. That's just like, boop, next thing.

Ryan Moran [00:10:47]

But psychologically, how do you not come out of a business that you were trying to force uphill and not take a minute and say, does life suck? Am I not cut out for this? Did you doubt yourself, and if not, how not?

Gabi Lewis [00:11:10]

Great question. I think every entrepreneur has to be a little bit irrationally self confident. So, should I have doubted myself more than I did? Maybe. I think we had that moment during Exo. So, when we were pushing the boulder up the hill, we had those moments. We asked ourselves, is this us? Could a better entrepreneur build this business faster and more successfully than we are?

Gabi Lewis [00:11:40]

And so, the later years of running that business, so years 4, years 5, those years were filled with those sorts of questions and wondering, could we be doing better? But when we then sold the business and then decided to start the next one, we were ready. We'd gone through that period of reflection already, and thankfully we had a lot of amazing investors that backed us in



Exo, including John Durant who you mentioned who introduced us, who made it really clear to us, this was something that was amazing to hear, that they believed we sold more cricket protein bars than anybody could and nobody could have made that a billion dollar business and for that reason they were really excited to back us in whatever we did next.

Gabi Lewis [00:12:25]

We had several investors who told us that as we exited Exo we didn't make them millionaires. They could have told us this didn't turn out as we wanted, we're not backing you again. But instead, their response was even though this wasn't the billion dollar outcome we all wanted, we trust you. We see that you did the best that anybody could have done in this business and what's your next idea? Let's go and do it again together. And so, the first million dollars in financing we raised for Magic Spoon was all investors who had backed us at Exo and those were investors that we did not make rich through their first time backing us.

Ryan Moran [00:12:59]

Yeah. So, this is fascinating to me. That was going to be one of my questions because I know you did do a raise for Magic Spoon and I did know some personal friends who invested in both of those, and oftentimes as an entrepreneur, you carry the responsibility to your investors as a weight. You want to do well by those people who trusted their capital to you.

Ryan Moran [00:13:24]

And when it doesn't go exactly how you wanted it to, there can be a little bit of self doubt that comes up. But what you experienced was people said, "You went for it and you did well. What's the next project?" And so, you actually found that they were more willing to back you as a result of your hard work in Exo even though it didn't have a billion dollar exit. Is that correct?

Gabi Lewis [00:13:50]

That is largely true. Not every investor is so kind, but for the most part that's how our investors behaved. And my philosophy on investors has typically been to have a lot of investors. And so, Magic Spoon, we've probably got over 100 investors. At Exo, we had a lot of investors as well. And so, you're not going to get 100 out of 100 that are going to just say, "Don't worry about it. Great job. Let's give you more money for your next idea."

Gabi Lewis [00:14:22]

Most of them had an incredibly positive and encouraging sort of reaction and response. We did have some investors that were more challenging, and those can make a founder's life really difficult. Even 1 challenging investor texting you every couple of days being like, "Why are the



numbers not what you said they were going to be?" That can really, really sort of affect someone's ... A founder's mood and really make it harder but thankfully the 1 or 2 investors we've had in the past that have been a little bit challenging have been outweighed by dozens and dozens of incredible investors.

Ryan Moran [00:14:54]

From what I can tell from Crunchbase and public sources, it doesn't look like you raised a ton of capital for either project. I think I heard you say on a podcast that Exo raised \$400,000 dollars pre-seed and \$1 to \$1.5 in a subsequent round. You can correct me if I'm wrong.

Ryan Moran [00:15:16]

But I was curious, in both of those projects since you didn't go raise a ton of cash, what was your plan for deployment with that because in both cases you were going into brand new markets, or you were at least spearheading projects that no one had ever accomplished before which, from the outside, would seem like you're going to need a lot of cash for something like that. But that doesn't seem to have been the case for you. Can you comment on that?

Gabi Lewis [00:15:42]

Yeah. For Exo, we did those rounds you mentioned. There was another \$4 million dollar round. It was a series A, let's call it. We should have raised a lot more. I think for us to actually have succeeded in our mission of making insect protein mainstream, that required hundreds of millions of dollars.

Gabi Lewis [00:16:04]

We decided 5 years into that business we did not want to raise hundreds of millions and become cricket farmers the rest of our lives. But if we had gone all in on that business, that is an idea that needed serious, serious money both to set up the infrastructure and the supply chain, to wade through the sort of nonexistent regulations, and then of course to have some really serious marketing campaigns to get people to eat bugs. So, that was a business that did need serious capital.

Gabi Lewis [00:16:33]

Magic Spoon doesn't necessarily. We've raised probably \$12 million, maybe a little bit more. Maybe \$15 million dollars for Magic Spoon in the past couple of years.

Ryan Moran [00:16:45]

Not all at once, correct?



Gabi Lewis [00:16:46]

Correct. We raised a million dollars before we launched from mostly investors from our last business. Then 2 months after launch we raised \$5 million, and then about a year ...

Ryan Moran [00:16:57]

Did you say 2 months after launch?

Gabi Lewis [00:16:58]

Correct. We had quite a nice launch and so we were able to raise a \$5 million dollar seed round.

Ryan Moran [00:17:03]

We'll come back to that one. Please continue.

Gabi Lewis [00:17:07]

Yeah. Yeah. And then maybe a year ago, so a year into the business, we raised another \$8-10 million. So, we've raised some money. With food companies, you can't really raise too much or it's dangerous if you raise too much because valuations in food, unlike tech, have fairly narrow bands. If you're going to exit a food business, you're going to exit it at 3-6X revenue probably.

Gabi Lewis [00:17:37]

And so, I think it's tempting for food founders, especially given all the tech money coming into the food world, to decide to raise \$20, \$40, \$60 million, an insane valuation, like a tech valuation, not a food valuation, but that's going to hurt you in the long run because you cannot sustain those ridiculous valuations in the food industry. We're selling real products with real infrastructure behind them and so we've always wanted to be pretty reasonable in the amounts we raise, in what we do with the capital, and in our valuations as well.

Ryan Moran [00:18:07]

That makes a lot of sense. So, I have a different question than I had previously when you told me that you raised \$5 million dollars 2 months after launch. So, I'm going to blend this into one question which is your plan for deployment with that million dollars that you raised obviously went well because you had a great launch and your valuation skyrocketed. Can you tell me about the plan and if it went according to plan, and what broke in your favor?

Gabi Lewis [00:18:39]

Yeah. It went way better than planned.



Ryan Moran [00:18:42]

Good.

Gabi Lewis [00:18:43]

Our plan ... I mean, you never know, right? When you're starting a business, you have no idea. All you know is that the plan is not going to come true and it's going to veer one way or the other from plan. We ... I think we thought going in, we'd raise a million dollars prelaunch. That felt like a healthy amount. We knew we had the investors willing to give us that without much of a plan behind it.

Gabi Lewis [00:19:08]

And so, we raised that to finish product development, to build the brand, just launch the products. And we thought that would carry us through the first year or so. I think our goal going into it was let's get to 6 figures a month in sales within our first year. That was sort of the goal. And for a food D2C company, that's pretty good if you can get to \$100 grand a month in sales in your first year. That's impressive.

Gabi Lewis [00:19:32]

We did that probably in our first week or 2 weeks. And so then we knew, okay, this is just a completely different paradigm of a business compared to Exo. We should really raise some serious money, pour some gasoline on the fire, and build this thing as fast as we possible can.

Ryan Moran [00:19:53]

And was that because your Facebook ads converted like crazy or because Tim Ferriss talked about you or because Oprah gave a free box to everybody in the audience? What was the reason why you hit that run rate so quickly?

Gabi Lewis [00:20:06]

I think it's really as simple as product market fit. I love to say that we had these dozen amazing rare tactics or hacks but we didn't. No, we ...

Ryan Moran [00:20:18]

I would love that too.

Gabi Lewis [00:20:19]

Yeah. I mean, we did the same things we did at Exo. We worked with similar influencers, we had similar strategies behind our ads, and it just worked so much better. We could take a single influencer, for example, where if they had spoken about an Exo cricket bar, maybe we would



get \$2000 dollars sales from that Instagram feed post. And the same influencer spoke about Magic Spoon cereal, and rather than being \$2000 dollars we'd get \$20,000 dollars in sales. And so, we're doing similar things to what we'd done previous but they were having massively outsized results and that was just true across the board.

Ryan Moran [00:20:56]

That makes sense. So, personally, I've only raised money 1 time. It was a million dollar raise. I bootstrapped ... All my successful businesses I've bootstrapped. So, I'm always curious for those who raise money at the beginning about their plan to bring a return to that, and it sounds like what you're saying is that your plan was to put most of it into ... After product development, into acquisition, and acquisition being what sounds like sponsorships with influencers and podcasts.

Ryan Moran [00:21:30] [00:21:30]

So, my question is how comfortable were you or to what extent were you comfortable going into it losing money on the acquisition side in order to get a customer base that would take you to \$100,000 dollars a month in sales? I know everything exceeded your expectations. I want to know what your expectations were. What were you willing to lose or how did you expect to be acquiring those customers?

Gabi Lewis [00:22:00]

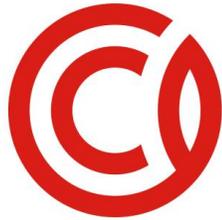
It's a tough question to answer because I think everybody's answer changes based on the reality they find themselves in. So, we were probably willing to lose money for the first couple of months and we probably had some very conservative assumptions around repurchase rates. And so, extrapolating from there believing that maybe conservatively 1 in 5 people would come back and buy again and they'd do that in month 3, based on that lifetime value we could afford to lose a little bit on the first purchase acquisition.

Gabi Lewis [00:22:35]

What we found is that we were profitable on the first purchase acquisition, and so then we changed our philosophy and we were only acquiring customers if we were profitable on the first purchase, and that puts you in an incredibly strong position and you can just keep on pouring money on it if you're in that position.

Gabi Lewis [00:22:54]

As companies grow, they then sort of have to relax that philosophy. You can't acquire customers forever being profitable on the first purchase. And so, now we're having to sort of redefine exactly what we're comfortable with as we're now at a much, much, much greater



scale, and so early days we were acquiring customers just so, so cheaply. It didn't seem right, honestly, the numbers that we saw in the early days and a lot of our investors just hadn't seen that before either.

Gabi Lewis [00:23:20]

Now, we're sort of back to reality and having to get much smarter around acquisition tactics and having to in some cases be willing to lose a little bit on that first purchase knowing, now backed with data, not assumptions, that it's okay to lose a little bit upfront because we'll make it up in months 2, 3, 4, 5.

Ryan Moran [00:23:37]

So, let's talk about that since it's more realistic today. I know you do a lot of YouTube sponsorships and influencer sponsorships, podcast sponsorships. It seems like a lot of the acquisition strategy is heavy on advertising to audiences that are a fit for the brand. Those can sometimes be hard to track and sometimes they require a decent amount of investment before you've even tested it, depending on the size of the audience. So, what gives you the confidence in that strategy and what's your approach in terms of what you're willing to lose or risk in order to get that strategy to pay off?

Gabi Lewis [00:24:23]

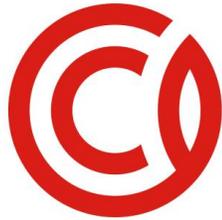
Yeah. So, we always try to minimize risk and so whenever we're approaching any podcast, any YouTuber, usually when you talk to them with their manager, their first thing they'll say to you is you will not see results from 1 sponsorship. You've got to do 3 with us. That's the minimum. We say no, we will do 1. Because of course, you can see directional results from 1 sponsorship and so if we're looking to sponsor a podcast that costs \$5 grand an episode or the 3 episode minimum buy, sometimes we'll even offer to pay a little bit more just to do 1 episode.

Gabi Lewis [00:24:56]

And so, if it's \$5 grand for 3, maybe we'll even say we'll give you \$6 grand for 1, but we're only doing 1. And that way, we minimize risk and even if, yes, it's true, you don't really know if it's going to work until you've seen the blended results across 3, you can get directional information and then you can make a smarter bet on whether to keep doing it.

Gabi Lewis [00:25:14]

So, we'll take that kind of approach to testing whatever endorsement partner we're talking with at the particular time and then in general moving forward we will have always a majority of winners being rebooks that happen in the given months. So, when we find a YouTuber or podcaster or an instagrammer that works for us, we'll rebook them over a long period of time



and in any given month, the majority of partnerships will be rebookings with a minority being new tests.

Gabi Lewis [00:25:46]

And we work it out so that it's okay if the minority tests all fall flat because we know that a certain number are going to perform. Obviously, if the ... All the tests fall flat for 3 months in a row then you're a little bit screwed because you've got nothing new to keep on rebooking. But we look into all sorts of data upfront to minimize the chance that a test is going to fail as well.

Ryan Moran [00:26:09]

That makes sense. Now that you're 2 years into the process ... My goodness, I can't believe you're only 2 years old, Gabi. But being 2 years into the process, looking back at those early stages, again, I know you didn't raise a ton of capital out of the gate but I'm assuming those investors are happy with their return. So, looking back, do you have any regrets about raising money at the valuation that you did or in the way that you did? Obviously you don't know that it's going to be a smashing success so I know it's hard to play that game. But would you have done anything different?

Gabi Lewis [00:26:48]

No. I don't think I would have. I want our investors to be really happy and I want to share our success. So, yeah, I mean, could we have raised our very first round at a higher valuation? Yes, and would the investors still have been happy? Yes. But right now, they're ecstatic and that makes me feel ecstatic and it makes for amazing relationships that are going to last for a very long time. So, I don't have any regrets. I don't think I would have done it differently at all.

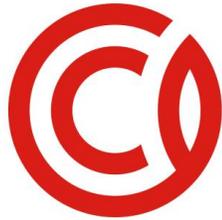
Ryan Moran [00:27:16]

Yeah, and also, because they're ecstatic, whatever you decide to do next I'm sure ... Now you have an even better track record for whatever you want to do.

Gabi Lewis [00:27:26]

Yeah, exactly. Exactly. And I view these things as somewhat binary. If I start a business and it's a huge success and it one day sells for hundreds of millions, everyone's going to be happy. It doesn't matter whether a certain fundraising round was raised at a \$10 or \$15 million dollar valuation and someone owns a few percent more, a few percent less. It's going to be okay. It's going to be a great outcome, and so it's fine.

Ryan Moran [00:27:50]



Gabi, would you tell us a little bit about the fundraising process? You mentioned that at Exo, you did 3 rounds and again, I've only raised money once and it was 1 round, so I've never gone through the process of additional rounds. Do you have teams or groups that help with that process or is it always internal to people that you know? Would you share a little bit about that process with us?

Gabi Lewis [00:28:19]

Yeah. So, there are external teams and companies that do help with fundraisers I guess. I've never worked with anyone externally. So, it's always been me and my cofounder and I would say over the course of several years, it's gone from us having cold meeting with people we've never met to now being usually people we know and have relationships with.

Gabi Lewis [00:28:42]

So, the first fundraising round for Exo, we had just graduated college. I'm from Scotland. My cofounder is from California. We didn't know any investors in New York and it actually started, again, with John Durant where I sent him a cold email telling him about my idea for Exo, and he loved it. We had coffee in New York. He came on board as our first ever advisor in that business.

Gabi Lewis [00:29:05]

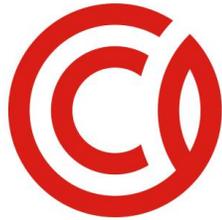
And then he emailed a couple of people he knew and said, "You should meet these young guys, just graduated from college, they've got a cool idea." And so we met a few people through him. We got our first \$50,000 dollar check through an investor that he introduced us to, and then I think they introduced us to some other people and it just snowballed and we raised the first few hundred thousand that way and now it's mostly people we've known for a few years.

Gabi Lewis [00:29:30]

And our philosophy now with investors is very much optimized for trust and optimized for good people. There are ... A bad investor can ruin everything, and so given that we have so many relationships, we generally try and raise from people that we've known for a while to really just maximize for the relationship above all else.

Ryan Moran [00:29:51]

Beautiful. Now, Gabi, I know coming into this space you were, as far as I know, first to market with a high protein cereal and I'm reminded of one time I was chatting with Tom Bilyeu who was saying that when you come to the marketplace with a new idea, you've got about 18 months before people start copying you. And in your case, I think you were first to market but



now there's Schoolyard Snacks which is a similar type of product. Even HighKey has some low carb high protein cereals.

Ryan Moran [00:30:28]

There's other people now playing in this space and I'm curious if you think about that, how you think about that, and if you've seen that competition be hurtful or helpful to your overall success.

Gabi Lewis [00:30:45]

Yeah. There's a lot now. So, there's the ones you mentioned. There's probably a dozen others. Even the big cereal companies have actually copied us at this point. And so there's a General Mills version, there's a Kellogg's version which is kind of cool. They don't usually copy 2 year old startups.

Gabi Lewis [00:31:03]

So, that's flattering. I don't think about it very much. None of the startups that are doing similar things have much scale and we have a better product, better team, more financial backing so it doesn't factor into our decision making very often. I could see that changing if someone raised \$50 million dollars to then knock us off. Then I'd probably start to pay attention and care about what they're doing.

Gabi Lewis [00:31:35]

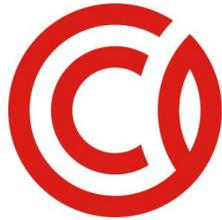
But so far, even though there's been lots of copy cats, none of them are sort of doing much that concerns us that much and I think to your point about it helping, I think it probably does a little bit. We are ... It's not a crazy idea, so it's not like we need lots of other companies doing the same thing to validate the idea and make it seem normal.

Gabi Lewis [00:31:56]

But the price point is higher than traditional cereal so it definitely helps having a few other brands that are selling very expensive cereal as well just to make it seem slightly more normal. I was chatting to the founder of one of the first cold pressed juice companies recently and they were telling the story about how when they were the only cold pressed juice on the shelf, nobody bought it because they were like, why would I buy this \$9 dollar green juice when Tropicana is \$2 dollars for a giant carton? I don't know.

Gabi Lewis [00:32:24]

And then as soon as he had 2 or 3 competitors, suddenly people started buying it and I think there's the old adage about the first bread maker, it was the same thing. Nobody knew what a



bread maker was until there was 4 of them and then people started buying them. And so, there's a little bit of that. Most of the brands doing what we're doing are D2C as well, so it's not like the shelf effect but there's the same thing in the Facebook feed or whatever I guess. So, I'm sure it helps a little bit, but the short answer is we don't pay a ton of attention to it.

Ryan Moran [00:32:51]

Makes sense. I'm an advisor to a blue blocker sunglasses company called Swanwick and he was talking about our mutual acquaintance, Dave Asprey coming out with some blue blocker glasses, and the founder James says, "I love it. Every time Dave Asprey talks about his blue blocker glasses, more people discover why they need that and some will find us."

Gabi Lewis [00:33:15]

Totally. Yeah, and I think it applies even more for a product like that where there needs to be education. Right, so, your average person in the street doesn't know what blue blocker glasses are or why they would need to buy them, and so for that I think it really, really helps. The more education the better. And with our last business, that was also true.

Gabi Lewis [00:33:32]

Nobody knew what cricket protein was or why they should eat crickets. And so with that business, we wanted there to be as much competition as possible because they're all sharing the educational burden. This time around, though, we're selling healthy cereal. Nobody needs help understanding what that is. And so we don't need 20 other companies talking about it.

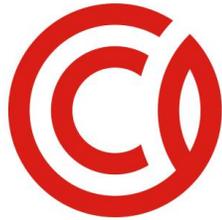
Ryan Moran [00:33:53]

It makes sense. Now, you mentioned that you'd be a little bit concerned if someone raised \$50 million dollars to knock you off. What, theoretically, could someone do just with more capital? I mean, you have the brand, you have the distribution, you have the customers, you're way ahead on flavor and product, so why would or could money take you from the top seat?

Gabi Lewis [00:34:21]

Yeah, just to be clear, I wouldn't be that concerned. I would be a little bit concerned and I'd be concerned because with money they can make things harder for us. So, I would not be concerned that they're going to beat us or overtake us, but I would be concerned that, for example, they would start ... They would use all that money to subsidize losing money on bidding for our search terms on Google, for example.

Gabi Lewis [00:34:48]



If someone came in and they just said, alright, we're going to commit a million dollars to bidding \$100 dollars on anybody who searches for Magic Spoon on Google, and so they go to that brand, not to us, that would make our life harder. And they could do the same thing on other advertising channels, they could just overpay for all kinds of things that we pay the right price for and that would probably make our life harder.

Gabi Lewis [00:35:09]

I don't think anybody would do that. They'd be starting from such a point behind where we are that it wouldn't make sense for somebody to raise \$50 million dollars to knock us off, but just a hypothetical if they did, that would be a little more concerning than the existing competition.

Ryan Moran [00:35:24]

So, there's an interesting theme that's coming up about your mindset around acquisition of customers and even tipping your cap to the fact that it would make your life harder if another person came in and was willing to spend more on advertising or spend more on acquisition than Magic Spoon.

Ryan Moran [00:35:42]

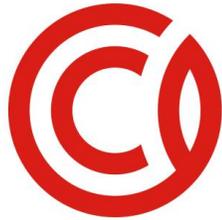
So, I'm curious about that mindset because I did hear you say on a podcast once that the reason you raised money for Exo was because you wanted to go big, and I interpret that as you wanted to be aggressive in your acquisition and your marketing. So, am I hearing you correctly by piecing all of those little breadcrumbs together?

Gabi Lewis [00:36:06]

Yes. We wanted to be very aggressive here, but we want to be aggressive to a point. And I think there's a danger amongst VC backed companies to be aggressive to a point where it doesn't make business sense anymore. And so, yeah, we're generally willing to be as aggressive as we think is still reasonable but no more and I could imagine a company that doesn't ... That wants to be aggressive to the point where it's unreasonable short term because they believe long term it will make sense.

Gabi Lewis [00:36:39]

So, if you were taking a 10 year view on building a cereal business and you had all the money in the world then you'd probably get even more aggressive than we are right now because you have a much longer time horizon and you'd be willing to make sort of bad decisions short term for the long term. We're not quite aggressive to that point. We're still trying to build a business that's a real business right now. Not one that's willing to lose money over an extended period because we believe that maybe 3 years from now it will pay back.



Ryan Moran [00:37:12]

So, let me go a little bit deeper there because you raised a million dollars for the launch of Magic Spoon and you said that you had 6 people pretty close to the beginning. I don't know if they were right at the beginning ...

Gabi Lewis [00:37:24]

So, that ... 1 year in, we were 6. At the beginning it was ...

Ryan Moran [00:37:27]

1 year in? Okay.

Gabi Lewis [00:37:28]

Yeah. In the beginning it was just me and my cofounder.

Ryan Moran [00:37:31]

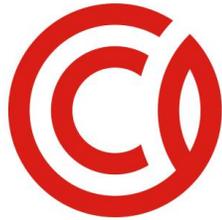
I see. Okay. Because I was going to ask, a million dollars ... You could theoretically burn through a million dollars very quickly giving a little bit to Tim Ferriss to talk about you and running some other sponsorships. All of a sudden half of that is gone pretty quickly. So, that doesn't seem like that much of a cushion if you've got 6 employees. Now that it's just you and your cofounder it makes a little bit more sense. But did you have a plan? Did you have in the back of your mind, we have this much cushion that we're going to do another raise, or what was your thought process going into that?

Gabi Lewis [00:38:07]

Yeah. Generally you don't want to have less than 6 months money in the bank, if that. And the more cushion you have the better you're going to be at fundraising. So, fundraising, you're doing a dance and it's all about leverage and it's all about power and the more leverage and power you have, obviously, the better the fundraiser is going to go in your favor, and if you have 4 months cash left and the investor knows that, you've got no power in that situation.

Gabi Lewis [00:38:36]

So, generally, we've always fundraised when we don't need money and if you make it clear that you don't need the money, the fundraiser is going to be more successful because the power is more on your side there. We didn't do things like Tim Ferriss's podcast our first month. We were a lot more careful than to spend that much on a single bet. It wasn't until the first few months of the business and we were already doing well on most channels that then we decided to make large individual bets like big single podcasts.



Ryan Moran [00:39:09]

That makes sense. Now, we've been spending a little bit of time talking about how awesome it is to be the founder of Magic Spoon. Right timing, right strategy, right partners. Zero to millions of boxes of cereal in 6 seconds. But I at least know when you were at Exo there were times you looked yourself in the mirror and said, "WTF are we doing here?"

Ryan Moran [00:39:38]

So, the reason why I want to go back to this is because we often publicly celebrate the wins and we privately hide the losses and privately hold those burdens quietly because we don't want to scare off investors or scare employees or scare spouses or what have you. So, now that we're ahead of all of those and we're now in the middle of an amazing home run, can you tell me about the lowest point you felt in your last business or in your career as an entrepreneur?

Gabi Lewis [00:40:17]

Wow, yeah. I'm trying to pinpoint a ... I don't know if it was a single moment.

Ryan Moran [00:40:24]

If you tell me your life has been all roses I'm going to come and punch you through the Zoom.

Gabi Lewis [00:40:27]

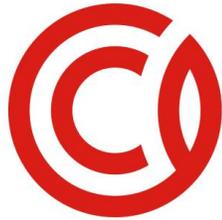
No, no, no. Not in the slightest. Not in the slightest. I think the hardest part to be as a founder actually is not necessarily the low, low point. It's that zombie-ing along period of prolonged ... Things are going not very well but not badly enough that you want to walk away from it, but well not enough that it feels remotely good.

Gabi Lewis [00:40:59]

And so, with Exo, we had sustained periods of that zombie-ing along where it's like, we're trying really hard here, it's not working as much as anybody would want, but there's these little glimmers of hope that are just enough to keep us going and just enough that all our investors are like, "Yeah, let's see if we can make this work," but not enough to feel good about.

Gabi Lewis [00:41:24]

And that lasted a while. We ran that business for 5 years and I would say the first year was full of superficial success that to me as a 22 year old or 21 year old at the time felt amazing. We got Forbes 30 under 30, New York Times articles, all this stuff right out of college that just felt so good. And I think those things that felt good masked some of the underlying business fundamentals a little bit.



Gabi Lewis [00:41:52]

So, we probably ... That outweighed some of the sales going slower than we would have wanted it to. But then there was plenty of time at Exo where it was that sort of just really, really hard days for many days and weeks and months at a time. So, I would say more that than any one moment that just felt horrible in and of itself.

Ryan Moran [00:42:13]

Did that give you imposter syndrome where all these people are saying Forbes 30 under 30 meanwhile the day to day is ... You're just slogging through. Did that ever give you an internal complex?

Gabi Lewis [00:42:30]

Not really. And maybe this is going back to my point earlier about having to be a little bit irrationally over confident. I mean, there were definitely moments. I'm sure there's always moments for every founder. But I did believe and I do believe that we did as much as, or more, as anybody could have done with that business.

Gabi Lewis [00:42:51]

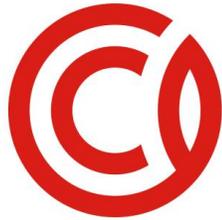
And we also did sell millions of cricket bars. It was not the success that we or our investors wanted going into it but it was a meaningful business. And so I think reminding myself of that during those times helped a lot because I think it's easy, especially when you're always reading about companies that are doing tens or hundreds of millions of dollars in sales and raising endless money, it's easy to forget that doing \$100 or \$200 grand a month in sales selling crickets in one of our early years, that's insane.

Gabi Lewis [00:43:29]

Nobody would have thought anybody could do that, but that success felt to us like a failure. And so, I think it's hard to have perspective when you're in it. Now, coming out of it, I have a lot more perspective on it and feel a lot better about it than I think I did during the final months as well.

Ryan Moran [00:43:48]

So, let's go there with the time we have left because I know you don't regret anything. When you're running a company that's growing as fast as Magic Spoon, all those lessons come full circle and serve you in some way. But what do you know now that you didn't know when you were running Exo?



Gabi Lewis [00:44:14]

The single biggest thing is that product market fit matters more than anybody talks about. It's almost all that matters, I think. And like I said earlier, I really didn't appreciate that at Exo. I thought if you pick an idea that's within the top 50% of ideas and if you're smart, it will be a successful business. And what I now know is that the difference between an idea that's the top 1% and the top 10% is everything. That is whether it's going to be a huge business or not.

Gabi Lewis [00:44:51]

And I think that's ... It's maybe easy to understand intellectually, but it's hard ... It's hard firstly to figure out whether an idea is a top 1% or a top 10% idea and then when you're in it it's hard to know whether ... If it's not working it's hard to know whether it's not working because the idea and the product market fit isn't quite right or if it's not working because you're not doing what you should be doing.

Gabi Lewis [00:45:15]

And so, I talk to founders all the time who have ... If you look at Magic Spoon as a totally mainstream product that can go mass and Exo as far too niche, never going to be a hundred million dollar brand in a reasonable time frame, talked to lots of founders who have ideas that are somewhere in the middle here. Maybe there's a new ingredient they're putting into some kind of product but it's not as novel as crickets.

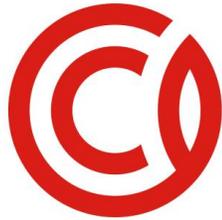
Gabi Lewis [00:45:42]

And they're often in some version of that zombie limbo mode that I described. Maybe not quite as bad as it was with crickets, but similar where they're ... Maybe they're in Whole Foods but they can't break into the next level of mainstream store and a lot of founders end up just staying in that limbo mode for many, many, many years and I think it's not until you break out of that, you realize maybe you could or should have broken out of that earlier.

Gabi Lewis [00:46:13]

And so with Exo, we were in that limbo mode for a while and in hindsight, maybe we could have got there faster and should have got there faster. I think it's hard when you're a young, inexperienced entrepreneur and you also have all these investor incentives. And so, their incentive is that you just keep on going forever. If the business even has a 10% chance of being successful, a purely self-interested investor wants you to spend 20 years trying to make that happen rather than pivot out of it after 2 years and go and do something else. And so, I think that was a learning ... Maybe fail fast would be the startup lingo of what that learning was.

Ryan Moran [00:46:55]



Fail fast in terms of finding product market fit.

Gabi Lewis [00:46:58]

Correct. Correct.

Ryan Moran [00:46:59]

And does that mean ... And forgive me, I just don't have a better word ... Way to phrase this. But did you get lucky with product market fit with Magic Spoon, or was there a different way that you were thinking about that product that was different with both of these brands? Or said differently, did you learn something at Exo that gave you different context to launch that top 1% idea or did you have 2 wacky ideas and 1 of them just happened to be a 1% idea?

Gabi Lewis [00:47:31]

Somewhere in between.

Ryan Moran [00:47:33]

Okay.

Gabi Lewis [00:47:34]

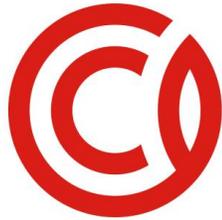
At Exo ... With Exo, we were 21, we were in college when we came up with the idea and started the business. We didn't know what we were doing. We thought it was a cool idea, and it was a cool idea. And we spoke to some people and they also thought it was a cool idea. And so then we moved to New York City and we did a Kickstarter campaign and we raised maybe \$60,000 dollars on Kickstarter, which at the time was a lot.

Gabi Lewis [00:47:59]

And then during that month, we were in Forbes and New York Times, and it felt amazing. And so then we raised some investment ... It just gradually became a business. There was no moment at Exo where we sat down and we did market sizing and surveys and focus groups and brought logic and process to coming up with the idea. We just thought it was a cool idea, and then it became a business.

Gabi Lewis [00:48:22]

Magic Spoon was certainly not a business school case study in how you come up with a good idea, but there was more process there. We knew that we wanted a large market. We knew that we wanted something for D2C logistically, meaning we wanted a product that was light and compact and easy to ship and had a long shelf life.



Gabi Lewis [00:48:43]

So, there were parameters we had for coming up with the idea this time. And then we spoke to a lot more people we trusted. We spoke to potential consumers. So, there was a little more process that went into it, but we certainly did not know that the product market fit was going to be as good as it turned out to be. And so, 100%, lots of luck there as well.

Ryan Moran [00:49:01]

If Magic Spoon were to be acquired tomorrow and you got to run off into the sunset, dance in the sunset or whatever you want to do with your time, when the time came to put your teeth behind your third project, what criteria, or what would you be looking for in that project to make it interesting enough for you to pursue?

Gabi Lewis [00:49:32]

I don't know what would be the short answer. I think for my next business it would probably have to be quite different. Exo and Magic Spoon are very similar businesses just at vastly different scales, and so I think next time around I maybe want to enter a different industry other than the food industry or maybe just not start a singular business. Maybe it's working with a bunch of companies. Maybe it's a sort of portfolio of lots of brands I'd spin up all sort of all at once.

Gabi Lewis [00:50:03]

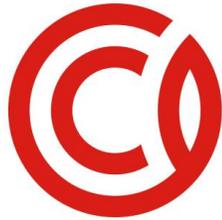
But I think it's going to be hard ... It would be hard after Magic Spoon to come up with a singular food or beverage idea and launch it just as I did with Magic Spoon, just as I did with Exo, especially knowing that it's probably unlikely to get to the scale that Magic Spoon got to as quickly as Magic Spoon did. And so, I think it would need to be a little bit more complex in other ways to make up for the fact that what we're experiencing right now is very, very unique in the scale and speed.

Ryan Moran [00:50:28]

Well, Gabi, I must say, I enjoyed every minute of this conversation because I'm a fan of both you as an entrepreneur and the business, and I think this is just a fascinating story. I interview so many entrepreneurs after the exit, after ... I love the story of Mois Ali at Native deodorant. Zero to \$100 million in 18 months, and he's become a friend over the last couple years but we didn't meet until after the exit.

Ryan Moran [00:50:57]

And here you are, right in the middle of it, living through the scale that will, I'm sure, be a 9 figure exit. So, it's really fun to watch what your company is doing and what you are doing and



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how you're evolving as an entrepreneur along the way. So, thanks for hanging out with us. It's great to meet you.

Gabi Lewis [00:51:17]

Likewise. Thank you so much.

Ryan Moran [00:51:19]

My friends, if you listened to this episode and you feel fired up, I think you're in good company. I love working with entrepreneurs who have aspirations like Gabi. And if you're an entrepreneur who has those types of goals of finding the ideal product that matches your skillset and your desires, I'd love to help you inside of the Capitalism Incubator.

Ryan Moran [00:51:44]

This is my Incubator where my team and our coaches who are all running 7 figure businesses or have had exits work with our members to help them get clear on their idea, launch profitably, and build the foundation and the relationships they need to have a 7 figure business.

Ryan Moran [00:52:03]

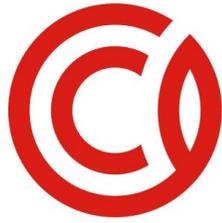
You can find out what we do and decide if you're a fit over at [Capitalism.com/inc](https://capitalism.com/inc). That's slash I-N-C. This is like an accelerator for you to find the idea that you're really excited about, to bring to market that is in alignment with the change you want to create and the success that you want to have. I'd love to serve you over there.

Ryan Moran [00:52:22]

One more thing, if you've got that, if you're already in business and you've crossed a million dollars in sales, I serve as the investor and advisor on some of those businesses that I'm excited about inside of my Fund. We create win/win scenarios where we join as advisors for free and we have capital ready to deploy if you need to hire agencies or if you need to buy more inventory or to spearhead new projects.

Ryan Moran [00:52:49]

And then we advise the business to use that capital to grow to its goals. And then when we grow together, then we unlock an advisory position in the company. So, it's risk-free for the entrepreneur and it's exciting for us when we're really in alignment with the business. So, if you've got a 7 figure business that you have dreams of taking to 8 or 9 and you'd like some help, you can go over to [Capitalism.com/fund](https://capitalism.com/fund) and filling out a little form on that page will put it right on my and my partners' desk and we'll reach out if we think it's a fit.



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Ryan Moran [00:53:22]

I hope you enjoyed this interview as much as I enjoyed recording it and I hope to see you on the next episode of the podcast. Thanks for listening and I'll talk to you soon.