

Thinking Outside the Bud

Episode 400 - Alex Boone

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Alex Boone, Managing Director, Botani

Alex Boone is Managing Director of Botani. With 20+ years of experience at SWM International, Alex has led sales, marketing and product development teams for North American and international markets. In 2018, Alex was a part of the company's entrance into the cannabis and hemp markets. Alex received his Bachelor of Arts in Management from Gettysburg College. To learn more, visit Botani.com.

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EPISODE TRANSCRIPT

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You're listening to Thinking Outside the Bud, where we speak with entrepreneurs, investors, thought leaders, researchers, advocates and policymakers who are finding new and exciting ways for cannabis to positively impact business, society and culture. And now, here's your host, business coach, Bruce Eckfeldt.

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1:07

Welcome everyone. This is Thinking Outside the Bud. I'm Bruce Eckfeldt. I'm your host, our guest today is Alex Boone. He is the Managing Director at Botani. We're going to talk about the world of cannabis, we're going to talk about the world of all the other things that go into making cannabis products, one of them being obviously papers and all the things that you need to actually create cannabis product. So obviously a lot of different things that go into that. But this is a big one. And Alex and his team are doing really interesting work and kind of a long legacy that they're a part of. And I'm excited to get to hear about that and entrance into cannabis and how they're navigating all those things. Obviously in the US here. It's pretty complicated in terms of dealing with cannabis markets. And so I'm sure their stories there and challenges that hopefully people can learn from and get some insight around. So excited for this conversation and to have Alex on the program. So with all that, Alex, welcome.

1:56

Yeah. Thanks very much, Bruce. appreciate being here. Great opportunity.

1:59

Yeah. Well, thank you for taking the time. Sure. So before we get into batani, and everything you're doing today, let's get the background. How'd you get into the world that you're in on the kind of manufacturing side? And how did you get into cannabis? Give us a little the backstory?

2:12

Yeah, so for me, I've been in the paper making business for the past 22 years. So I've been in it for quite some time. Now, prior to that I've always been involved with how to stick paper. And he's three that goes into making ingredients for adhesives. And then in the sticking paper. So I've been at for quite some time. It's approaching 30 years now. I've been involved in this industry indirectly for some

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time. Yeah. Yeah. And how so? Tell us about cannabis. Like how how did the cannabis market come up? How did you kind of think about it strategically? How has it played out so far? Give us a little the story of that. Yeah, sure.

2:51

Well, indirectly, we've been involved in it for many years, we charge of our rolling paper group here at Bo tiny, which is part of a much larger organization as WM International. So we've been in the business for a very long time in in cannabis indirectly. But really, we created the brand batani back, just probably just about a year or so ago, year and a half now that we created the brand. But it really started back in summer of 2018. farm bill was introduced. And that's when we really started strategically thinking about it, why play behind the scenes, when we could really come forward with some really interesting products for the market that are cannabis facing, and really reach out to that group and, and be cannabis facing instead of behind the scenes. And that's kind of how we got started. So right at the introduction back in the summer of 2018 when things really started getting hot headed. Yeah.

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Yeah. I'm curious. I got it seems like a pretty smart or insightful or strategic opportunity for you, you know, and then the lawyers get involved. Yes, of course. How did that play out? I mean, given you know, the kind of

parent company and kind of seeing, okay, well, how do we actually navigate? I guess not only the pure kind of legal aspects, but the kind of quasi legal or or, you know, entering the cannabis market. How does that impact the rest of the business? How do you have to change what you do to really address the dynamics of cannabis? How did that kind of navigating part go for you?

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Yeah, well, well, in even going back to the story at the beginning, I really wanted to do this back in 2014, when Colorado first went on legalization of marijuana, and we're a public corporation and we're traded on New York stock. So we'll go and get back to my CEO said, hey, look, this is a great opportunity. We have this process that can take botanicals, marijuana being one of them, and we can change the center paper. Oh, Alex, we are we are a public company. We can't do that. So you get that little slap on the wrist and I kind of knew that. So that's why winding the clock to be okay. So I go to my general counsel and that was the pitch to the General Counsel first. This is really presents a unique opportunity for us to bring something that's unique onto the market. And he said, Well, is it legal, I said, it will be January 1. So okay, as long as we're meet on the legal criteria, we have strict protocols in place. And I see no reason why we can't move forward with this. And what we've always done in a regulated industry, like we have been in our, our history dealing in tobacco, where this is no different dotting I's and cross t, crossing our T's to make sure that we are compliant with the rules and regulations are out there has been our forte for years. And so just bringing that forward. So when we talk about the public corporation, certainly we've talked to our risk management people hear that, but from a sales perspective, it's small at this point in time growing, but small, but certainly we've we've done all that spoken to all of our people that we know, insurance and bankers and all those kinds of things. And we're above board. Yeah. Yeah.

6:11

I'm curious. I mean, obviously, the the experience in tobacco, you know, has given you some strategic skills in terms of navigating highly irregular environments and staying compliant and, you know, excelling in those areas was, Are there any downsides? Or were there anything that you had to kind of unlearn or significantly adjust? Because, you know, while while being a regulated market, it's quite different than tobacco? Like, what were the things that you had to unwind? Well, I

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think some of the things that, that gave us the advantage, the other is that there's one body, one body that was giving us direction before now where it becomes more difficult than that say, it's still difficult today's there's many voices out there, because this is a state by state type of regulation at this point in time. Other than the farm bill for him, we're talking about cannabis and the rules and the regulations behind it, there are no one governing body that's helping us do this. And that you can really put size and effort and efficiency behind to create the machine that this cannabis this world needs right now. And I think those are some of the things that the challenges that we've had to face and maybe unwind what we'd already good doing with one singular body, yeah, is definitely more difficult to navigate. And, I mean, imagine for us is a big company that used to doing that navigating for the small guys, it's really, really difficult to navigate. So that's what we're hoping to bring to the industry is that, you know, some I hate to say, you know, the the experienced big boy in the room to this grassroots industry that's lived it experienced it, had trouble with it, but worked around it and worked with it to come up with solutions for our for our customers. And to this day, we've been very successful as a result of doing that. Our goal is to do the same thing. Yeah.

8:04

Let's talk a little bit about the product. You know, obviously a lot of history and a lot knowledge about paper or how does this I guess what were you able to leverage coming into the cannabis market? What did you kind of innovate on? How have you kind of positioned yourself? I mean, give me some insights in terms of the products you're putting on the market while you're putting those products in? What's unique about them? Yeah, absolutely.

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Well, we'll go back to the legacy again, we invented a process back in the mid to late 50s. Taking a botanical substrate in this particular case, it was tobacco at the time and then constituting so byproducts from the tobacco processing and turning it into something that can be reused. And it started as recycling. But then it became a tool for designers of tobacco blends to be able to blend crop years from one year to the next. create consistency for and quality control for the end consumer to know that they were going to get a product the same time each and every year, knowing that an annual crop is different. So we've taken that process and now applied it to him as a botanical plant based product and taking that same thing and turning it into papers and or fillers. So papers for that are made from hemp flour, that can be used for blunt raps can be used for cones can be used for a hemp sticks if you want to as the outer wrap for a hem stick and or fillers, which can be used as a substitute for raw flour. And it can be run on high speed equipment where a customer can take our product and can either dose it with a controlled amount of product and also control the flavor. We have excellent release qualities to our products. So that's one thing that some of our customers have seen is that the consistency that they get time and time out, we have gone through the process for the end consumer to get that experience that's identical each and every time.

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Yeah. Yeah. I mean, it's it's fascinating. I mean, this is just, I think we're just sort of coming into this in the cannabis world, which is really consumer product, like how do we create consistent, reliable branded unique products that are the same throughout the market? And throughout time? I mean, do you feel like I guess, obviously, you've, you've had a lot of experience as a company and doing this. Have you found uptake in cannabis? I mean, where do you think the cannabis market is in terms of interest in this readiness for it, you know, consumer demand for it? What's the what's your kind of assessment?

10:45

Well, I think the consumer is not the end consumer. I mean, they actually, is because we're a b2b brand right now. Yeah. And one of the things is trying to get the awareness. That's why we're doing this today, and getting the awareness out there for some of those brand owners to show that they do have choice. And there are products that are on the market today. And they've been in been in existence for a while, whether they be tobacco based, or whether they be hemp based, but it's a different process altogether. And what we're trying to do is introduce something that's new, that will give someone that natural experience, and we don't have a lot of ingredients in our product.

11:23

Yeah, what actually goes into the product? And what basic, you know, without releasing any confidential, like, like, what are the basic components that go into your product?

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Well, basically, it's hemp and water. So we're making pulp out of the out of the paper out of the flour, and we're turning it right back into a sheet of paper, a nice homogeneous consistent sheet of paper that can be run on current equipment. And that's the key if you want to use our product as a paper, we can make it into roll goods, to where it can be run on a cigarette maker that may have been converted to make him sticks as an example. But talk to me

12:00

about that one, because I think I've heard this come up a couple of times that you know, the the technology, the equipment, that technology that we have from tobacco industry, it just doesn't work with cannabis and hemp products. Is that Is that right? Or why is that? Yeah,

12:13

so if you look at if you're making a stick, as an example, raw flour in itself has a lot of cannabinoids in it, it's sticky. And so as a result, it gets gummed up and come up, so to speak into the process caused a lot of jams. So running at higher speeds is is very difficult to do got it. So take that filler or take instead of that take our filler which is a homogeneous sheet that's shredded and made into a substrate that's made of hemp goes it flavor it now you can run on those high speed equipment, and you can run sticks at speed that those makers were designed for God and I think that's where the potential in the future is for, you know, tobacco replacement on nicotine, non tobacco replacement and whether it's hemp or whether it's some other product, it panicle that's the idea behind it, creating those what consumers are used to seeing in a stick form made non tobacco non nicotine Yeah, because that could be for the tobacco user as well not just the cannabis you

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know, interesting yeah. So it's really just changing the underlying sort of substrate technology or kind of strategy for what the product design actually is. And then you could you could take it any market with any

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Well that's right and then as a as a brand owner that's a converter or what have you, you know, they can add whatever active ingredient that they choose to do and experience that that consumer is looking for. So they can they can go to any different market value base to high end based or what have you, you you can do multiple things with it. Yeah.

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And I guess where are you finding the adoption of this? Or who tends to be interested? Why are they interested in it? Like where are we in terms of kind of evolution of the market for cannabis products like this?

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Yeah, so one of the things that we saw is it really that theme towards natural and I know that's been used quite a bit but I would say additive free but close to additive free type of product where you're not putting any unnatural items in it and then the 99% style and really wanting to move towards that to get an experience that complements the flour that they're smoking yeah and I think that was a thing with a products are on the market very highly flavored although they're still very popular, very highly flavor kind of mass what you're trying to do Yeah, that's fine for many markets, but for especially if we get towards the dispensaries and those places that really want to show what they have our product really complemented and paper papers very good. We sell a lot

of paper into this market. Yes, we are. And you know, the transparent paper thin paper is truly what people are looking for. And It's not easy to make I can tell you

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why, just from rolling paper side of thing Yeah. Like a strength point of view or like Why Why does

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it just very lightweight special equipment, it's truly is an art to make that that very thin, translucent. Pretty much an art. So what we're trying creating is is a product with with the hemp. The hemp flour is a blunt style paper that can be made into cones that can be made into tubes that could be, you know, you could do a standard a traditional blood wrap and a little pouch. But we're also giving the brand or the option, you can gum it like a traditional rolling paper, okay, put it in a booklet, you don't need the foil pouch. And that's what's kind of unique about ours versus some of the others is that it's not going to dry up, get brittle and crack on you. So you have some hit markets that they don't like, or consumers not adopting that single fat foil type of pouch, put it in a booklet that's the standard type of product. recyclability is okay, you've got a nice product that's different for the consumer. Yeah. And of course, all the visual differentiation, we can do a lot of different things with our products.

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How so? Like, what are you what are you finding in terms of, from

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from a color base, if we can do color control from what we had the ability to do? printed pattern on some of the papers as well? Yeah, different bases, weights gummed on gum, what have you. So a lot of different options that we're giving to our converter base and consumer base for consumer being the brand owner. Yeah, to be able to provide tools to create new things. Cuz you know, this this level of consumer, although there's a lot of folks who, hey, I want my specific paper, I want my vibe, I want my raw and that's all I have. Yeah, but there's others who are looking for, hey, let's try new, some new things. And this visual differentiation will really give give some of that to the brand.

17:05

Yeah, well, certainly with the the focus or, you know, kind of the upswing of brands, you know, and building real kind of cannabis brands and brand loyalty with with consumers. And, you know, the the ability to actually customize the paper and print on it and stuff is seems like a really interesting opportunity for a lot of companies, especially, you know, the more visually visually focused brands could be a really interesting line to get on. Yeah,

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and that's right. And that's where our forte is, is that we've become successful the years, especially in the rolling paper business, because we have been brand neutral. We are not out there promoting our own brand into the industry, we're helping other brands become successful. Yeah, made us successful.

17:46

So none of your products contain THC. So you can operate on a federal level without any issue. Yes. Yeah. I mean, so from a supply chain distribution chain point of view, you can ship across state lines, you can provide

these to the different markets, and then they can infuse and do you know, the cannabis component or the THC component, and

18:07

they so choose to do that. Yeah, that's exactly right. That's, that's up to the individual. Because we have one facility here in the United States. And that's where we ship from and, you know, we have the scale and the ability to scale as others do. So it works. But of course, you can only do that with proper federal legislation and with the industrial hemp definition of it, it works.

18:32

Yeah. Yeah, I'm curious. I mean, did you run into any problems with industrial hemp kind of the laws around it and what it would you know, how you had to kind of navigate your business or was it pretty clean you know, in terms of the Farm Bill and how it was set up and what you're going to be operating?

18:46

I think it was pretty clean, especially from the raw material, we are pretty strict at what we what we get and we require that some of our product is is post extracted byproduct and so we require that it is the CMA that comes from the farm is compliant not just what's coming out of tractor we want to make sure that chain of custody is his proper from the beginning and we've rejected some as a result or those that didn't want to participate like fine, that's no problem. Not participate. Yeah, so you know, I think one of the things that's happened over the over the years though with with hemp is obviously the price of isolette has gone down significantly and tenfold over the past couple of years. And so it's put a lot of pressure on farmers to grow and I'd like to think that our solution of being able to take especially on a post extracted process to be able to give the extractor another revenue stream Yeah. And so that we can keep keep this idea alive of hey, let's keep planning. I know yes, it's it's not as good as it Once was two years ago, but you know, there's always a U curve on on pricing over time, and certainly it'll catch up at some point. But we'd like to create that sustainable practice by giving another revenue stream back to the industry.

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So I'm curious a little bit about where you see the market going, right. I mean, we're in this kind of weird state by state, we haven't got federal legalization yet. It's, you know, on one hand, we're seeing progress. And the other hand, it feels a little just stymied, just because we haven't really been able to create a federal market here. I mean, in your strategic plan, do you see enough growth and opportunity with the current setup? Or is this federal legalization right? Really big for you are like how, I guess how important is it? And where are you thinking it's gonna come?

20:44

Yeah, I personally believe in from us, as we talked about at the beginning, is that having that singular body of legislating this is going to be so much better for everyone. You look at the states that for CBD containing products, you know, there's 15 different criteria, because 15 Different states have made up their own rules and regulations. Now, they some of them overlap, but it makes it difficult for a brand or investor suddenly, okay, now, you got 15 of them. Yeah. And what is the one criteria one package that will work for everybody? And that's not easy, because some are all different. Yeah. And it when it's small, like this, it's very difficult and expensive for the brand owner to so, you know, I my products are CBD containing and some customers are saying that interesting, you know, I need to abide by a rule that was put in place for a edible or a tincture. Wow.

And, and it all depends on the company. Right? And so you got different interpretations from different companies on how to be compliant. And I think that's key. Look, that's why I'm for it. You know, some people say no one governing body, that's terrible. That's bad. But no, it's not. It creates clarity and a level playing field. And if you have a good product, and your good product will win in a level playing field. Yeah. So that that's how I that's kind of how I proceed. Yeah. So I think there's room for improvement. The market is growing. That's way too, but the market is growing still. Yes, we had a huge spike during COVID and after COVID Yeah, I think not only this industry, but all industries are feeling the pain of high inventories right now. And that's not unusual for any fast moving consumer good. And that being said, the growth rates are back to where we thought they would be. We're going to have these momentary levels of inventory depletion hear in the short term, but I think long term it's still a long play. No, people are seeing the benefits of cannabis and and what it can bring. And socially there's there's no stigma to it anymore. At least I don't see it. My son thinks I'm super cool. And all his friends, you know, back in their in their early 20s, right. Oh, my God. Well, your dad has kind of so cool. It's so cool. So I get it. I'm not a flat Bill kind of guy. But yeah, but nonetheless, I, I enjoy like to have fun. So I love it. This has been exciting for another part of my career. Yeah, to be able to create a brand and exciting and fast moving industry. Yeah, there's a lot of pain. And there's some short term issues, but I think long term this is it's good. Yeah, I think it's a good industry. Yeah. I'm

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curious what I mean, given your long kind of legacy and a fairly established industry, a fairly mature industry, like coming into cannabis. Like where have been some of your kind of more interesting areas where you've had to flex or out like figure something out like this, just the world doesn't work the same way as the rest of the world and cannabis, right? Like, where where have you had to kind of figure out how to navigate the cannabis culture and cannabis market? You know, both, you know, kind of culturally and professionally.

23:58

Yeah, sure. Uh, you know, culturally, internally, it's, you know, we had a lot of some naysayers at first. And I think as time has gone by, you know, people see it, that it's become more socially acceptable. And so as we've talked more about it and make progress and talk to people internally about what we are doing, then the stories there in the end, especially now that we've created a market brand, where we cannot be confusing to our customers. And Otani being and cannabis all in, Hey, these are all the products that we make and our legacy customer or legacy company can offer to the cannabinoid industry with one face. So those are some of the things that I thought would be needed early on and have confirmed that's what we need early on. So we're all in on presenting our products through batani as far as, you know, rules and or not rules, but you know, what are some of the things that corporations that have been around For a long time and a customer base has been around for a long time is what are they used to? Well, a steady sales plan and forecasting that, well, when you got a brand new industry, it's very hard to do that. And you can get the traction that's needed and people launching new products you don't know. You absolutely don't know.

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Yeah, until it actually starts. Yeah, they'll actually hit the market. And then they see what happens.

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Exactly. So some of the internals of big corporations, I'm trying to figure that out. And that's partly why you do a standalone as well inside is to be able to say, Hey, guys, thank you experimental innovation move, or gas

moving. Let's put the study stuff to, you know, another compartment over here. And let's, let's focus here. Yeah. And that's what we've done. And I think that that helps.

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I'm curious about I mean, we've talked primarily here about the US market. Have you been working at all on international markets? I mean, what's your take on kind of this broader world of cannabis? Sure.

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So a lot of the the consumer, the converter base for this industry is not in the United States. Just Traditionally, it hasn't been. So yes, we talk a lot to folks in Asia, we speak to a lot of folks in Europe, a lot of the converters for booklets are there in that region, cone making out in Asia. So we already have a presence for North America, using partners outside of the United States. So we also have to work with, you know, the legal presence in those particular countries. Is it allowed to import into this area? Can you use US based products into this area, etc? Yeah, so we're already having to deal with that. But But I think because of our long term history of a lot of these these companies in the rolling paper side of things, it's been an easier transition for us to do that. Because we are global. And we have a platform that allows us to do that. Yeah. So that's been okay to navigate. Now, the rules and regs especially like in in Europe, you know, a lot, a lot of the we're looking for Germany, Okay, finally get something out there to that will allow us to the others to latch on to and because Germany, you as Germany goes, the rest of Europe goes traditionally. Yeah, I'm not saying that's D that happens every case. But that's what we're looking for. So and they're still gotten eyes crossing T's. And so working on oh, we're gonna do this, and then it comes out a little bit more conservative. Yeah. Yeah, no, it's

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just fascinating. Well, this, the international market is kind of playing out at this point. So a lot, a lot of uncertainty. Alex, this has been a pleasure. If people want to find out more about you more about botani. What's the best way to get that information, certainly by

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going to the website, botani.com. But also feel free to go to LinkedIn, we do have a LinkedIn page for Botani, as well as myself. If you want to get in touch with me directly. I am there as Alex Boond on LinkedIn. Right, that's probably the best way to go about doing it.

27:57

Perfect. I'll make sure the links are on the show notes so people can get that. Alex, thank you so much for taking the time today. It's been a pleasure.

28:04

Yeah, I appreciate it. Thanks very much, Bruce.

28:07

That's it for this episode of thinking outside the bud. Be sure to subscribe using your favorite podcast app so you don't miss our future episodes. See you next time.

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