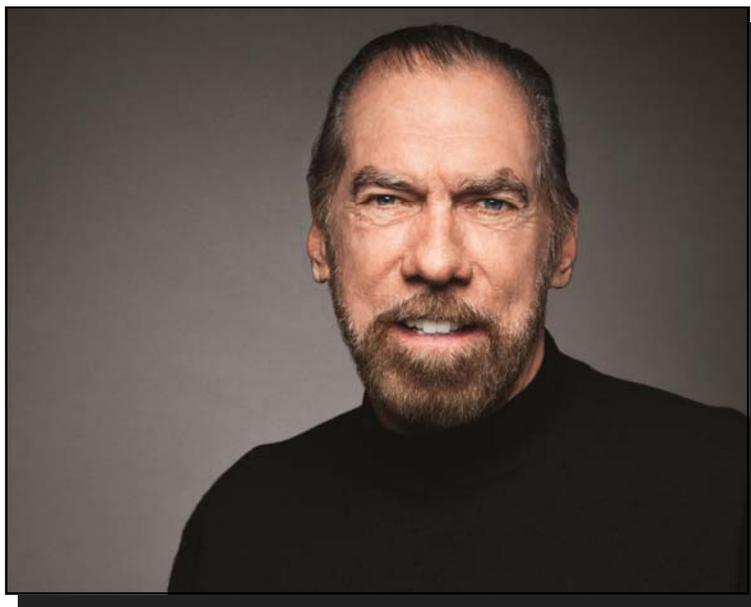


John Paul DeJoria

Chairman & CEO

John Paul Mitchell Systems



Success Unshared is a Failure

John Paul DeJoria's rags-to-riches biography exemplifies the American dream. John Paul DeJoria has struggled against the odds to achieve success, and now he shares this success with others. John Paul DeJoria was born in Los Angeles, CA, one of two children of immigrant parents (his father came from Italy and his mother's family came from Greece), but his mother raised him as a single parent before he was two.

John Paul started out selling greeting cards at age 9 and delivering newspapers to help support his family. After service in the U.S. Navy, John Paul did whatever it took to make ends and was even homeless at one time, but never gave up on his dreams.

After a marketing position with Time magazine, he moved to his first position in the hair care industry where he quickly rose to National Manager and Vice President level for several hair care and cosmetic companies before becoming an independent consultant. In 1980, he joined his marketing expertise with the hairdressing talents of his friend Paul Mitchell to launch their now-famous professional hair care system under the brand name Paul Mitchell®. Paul Mitchell tragically died of pancreatic cancer in 1989.

Today, John Paul Mitchell Systems has annual salon retail sales of approximately \$900 million. The company currently produces over 90 products. All John Paul Mitchell System hair and skin care products are made in the USA and sold through 25 distributors and thousands of hair salons in the USA. Internationally, John Paul Mitchell Systems works with distributors in 75 countries.

John Paul DeJoria believes "Corporations can and should change the world for the better. We need to leave the world a better place for our having been here." John Paul Mitchell Systems does not test its products on animals; and John Paul Mitchell Systems products are packaged in recyclable containers.

John Paul Mitchell Systems supports a variety of philanthropies raising millions of dollars for health care, social services, the environment, and the arts. Mr. DeJoria is currently ranked 66th on *Forbes* list of America's wealthiest people.

PAUL MITCHELL

“We started the company anyways and I lived in my car for the first two weeks. It was a bit of a struggle but America allowed us this opportunity and I found out how to live on \$2.50 a day.”

- John Paul DeJoria

Robert Reiss: What was it like growing up really poor and then becoming homeless?

J. P. de Joria: Well what's very interesting is that we grew up in downtown L.A. in the Echo Park area for a while in this L.A. area. We didn't know that we were going through tough times. We didn't know, because everybody went through the same thing. We didn't have a bunch of televisions back then; that was when black and white TV's were out there in the early 50's, with shows like Ozzie & Harriet. We had food on the table. We had a couple of pairs of pants we could change, usually a pair of Kenny sneakers or maybe another pair of shoes. So we didn't know that we were poor.

I can remember once in junior high school where on a weekend, my mom came home from work and said to my brother and me that we had only 27 cents. My mom says, "You know, between us we have only 27 cents. But we have food in the refrigerator, we have our little garden around back here, and we're happy, so we are rich." We said "Yeah mom! We are!" So we didn't know it at that time, but obviously when I got into my 20's, then I knew the difference.

I was unfortunately homeless on two occasions. When I started John Paul Mitchell Systems in 1980, we had "an investor" who promised to invest in the business. On the day the money was supposed to come through, I made a big life change. I left everything behind me, went to the bank to get the money, and started a whole new life. I left my ex-wife the house and whatever money I had. So I had just a few hundred bucks left in my pocket. When I arrived at the bank, the money never came; we didn't see one dime. It turned out the investor had changed his

mind, because in 1980, inflation in the United States was worse than it is today, though the news today doesn't talk about that very much. Inflation back then was 12.5%; interest rates were 18% or more; unemployment was 10.5%; our hostages were still held in Iran; and you had to wait in line around the block to get gasoline for your car.

But we started the company anyways and I lived in my car for the first two weeks. At that time I knew things were difficult and it *was* difficult. But I also believed that what we had was so unique and different as long as I could be in the reorder business. I thought people would like our products so much, they would want to reorder. So my partner and I, thank God, were able to make it. It was a bit of a struggle but America allowed us this opportunity and I found out how to live on \$2.50 a day, and still have some kind of breakfast and dinner.

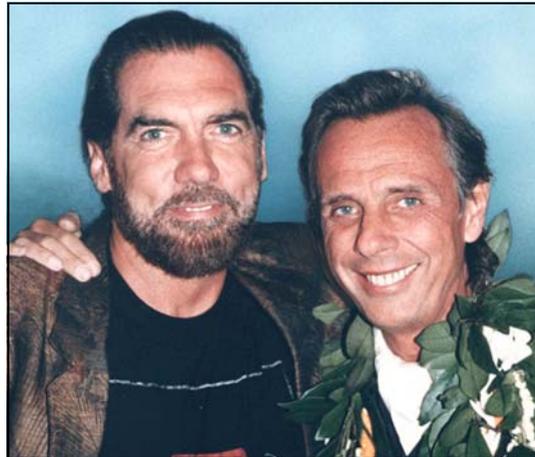
Well, \$2.50 a day is a struggle, but didn't you have your son John Paul junior with you at the time, too?

Yup, sure I did. Fortunately some girls that I knew very well were willing to watch him. I dropped him off at

school and they helped watch him, or maybe pick him up afterwards. During the time when I was living in my car, the first time he was with me, he was two and a half years old. Second time, he'd hang out with these nice girls who I knew and they would take care of him at their place while I was doing what I had to do.

What is it that gets you over the hump to say, "I can do it, I can succeed"?

That's a very good question. What I'd like to tell everybody is there are two things: One, be prepared for a



John Paul DeJoria and Paul Mitchell Starting Out

lot of rejection; people saying “No” to the service or the product that you want to sell to them. People saying, “Oh, it’s too difficult. I don’t want to do it.” So the first thing is to be ready for rejection. That means that if you knock on 100 doors and they all say, “No,” on door 101, you still have to be just as enthusiastic. So be prepared for rejection.

The second thing is that, the big difference between successful people and unsuccessful people is the successful people do all the things the unsuccessful people don’t want to do. So don’t give up; believe what you have is the best; and, again, going back to the door, be just as enthusiastic when you’ve been turned down 100 times, or 200 times, as you were the first time. Also, whatever business you’re in, whether it’s a service or product, make sure the quality of your product is so good that people will want to reorder your product or want to do business with you again. This way you have sustainability, even though you may not have any money for advertising.

When you talk about the product being so good, take me through the early days of what your vision was with John Paul Mitchell Systems up to what it is today and what you’ve maintained?

Our product line is called Paul Mitchell, and we wanted our products to be sold to hairdressers. Because my partner’s name was Mitchell, we combined our two names together. His real name, however, was Cyril Thomas Mitchell. He was a hairdresser, and I was a businessman and marketer, and helped with the formulation. We wanted to sell only to hairdressers and we wanted to do something different.

We came up with a shampoo where you only needed one shampoo, not two, to save time and money. We came up with a conditioner that you left in your hair. That, for a hairdresser, was not just a hairdressing treatment; it also saved time and money, but it was also a cutting lotion for the hairdresser, so that they could cut the hair easier. It also helped to prevent the blow-dryer from damaging the hair; it helped to neutralize all the chemicals in their hands; and it put some moisture and conditioning in the hair, all with a leave-in conditioner. That was our little twist.

Our goal was “if only we could do \$5 million a year, we’d each make a couple of hundred thousand dollars, we’d be set for life, and we would always stay by our hairdressers”. We wouldn’t do what all the other companies did, like say that we were only going to be in the hairdressing industry, but when they got big, they immediately sold out or went at full retail

with their products. In fact, even today, 31 years later, if you ever see a Paul Mitchell product in the drugstore or supermarket, it’s counterfeit or black market.

It’s counterfeit?

Yes. We don’t sell it there. Our vision was to stay with salons. Little did we know we can get hundreds and millions of dollars! But that was our vision. It’s still our vision today, to give the hairdressers the finest and most unique products available that they could use because they love it especially since their hands are in hair every single day. Then they *want* to recommend our products to their customer to maintain that same hairstyle in between visits. “Use these products and here’s how you use them.”



John Paul and Eloise DeJoria

“The big difference between successful people and unsuccessful people is the successful people do all the things the unsuccessful people don’t want to do. So don’t give up.”

- John Paul DeJoria

You've become a completely vertically integrated organization.

That is correct.

So what is the culture of your organization?

The culture of our organization is to love ourselves, love our family, love people around us, and spread it throughout the world and that "success unshared is failure". In fact, we have over a hundred Paul Mitchell schools now in the United States. Part of their training besides how to be a great hairdresser or great hair colorist or everything else, is learning about our culture of how to love yourself as a human being, how to love your family, how to get along with one another, and to make the world a better place in which to live, because you are here. Even our students are involved in this.

How do you create a culture where people love themselves?

The first thing is, by loving yourself you're going to be a happy person. A lot of people don't like themselves for whatever reason; by not being able to communicate with your mom and your dad, or a loved one that you haven't talked to in a while because, there was some communication breakdown. Then all of a sudden love makes your life a much better place. Now, you're getting along, and people are in more harmony. The more harmony people are in, the happier they are. All of our students in our company participate in fund raisers. Everything from helping people in the Appalachian Mountains to 8,000 orphans we feed every single day in Africa. When you do this, you extend your life to helping others, which makes the world a better place in which to live. Therefore, success unshared is failure.

Our students have fund-raisers, for example, they have "Cut-a-Thons" for charities that help their own community, their country, and the world. So while they're in school, they learn how to give back; and it, naturally, makes them feel good, too.

As CEO, what's your most important responsibility?

As CEO, I oversee the direction of the culture, as well as future activities and future thinking for our future growth. And what do we do for our own staff members and hairdressers. Or of course, with Patrón, to help our people and our customers make their life better because of our product and because of our culture.

What was your original vision of Patrón?

Originally, we wanted to produce a brand of tequila that was the smoothest tequila that people had ever drunk, and that didn't make you feel sick the next day. We wanted something where people were ready to treat themselves, even though it might cost a little bit more money to make a tequila like that. We wanted to have something that could one day be an ultimate premium tequila, where people could treat themselves if they have Patrón. That was our vision.

How do you feel you've come along with that vision?

We've come a long way. We had no idea we'd be as large as we are now. But I think every group of people in every segment of society, once they were introduced to Patrón, they really liked it, because

Patrón is not only an ultra-premium high quality tequila, but it's one that's made with a lot of love. And let me explain that in the vision. When we make Patrón, we don't skimp on it! We only use highlander Weber blue agave. A little expensive, but that's all we use.

We made it in the beginning and we still make it in the old fashion way, in small batches. This is also expensive to do. All of our bottles are recycled glass, which we're proud to do; we'll talk about that in philanthropy. And the reason it attached itself so well to the public was when people tasted it, they said: "My God, we can treat ourselves."

When Martin Crowley and I brought out Patrón in 1989, we had to sell it 21 years ago for \$35.00 to



JP DeJoria—CEO of Patrón, too.

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“We’re now in 87 countries but our employee turnover has been less than 30 people in 31 years.”

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\$40.00 a bottle because it was so expensive to make. When we launched, I think the average bottle of tequila was \$7.00 or \$8.00 a bottle. Today, it sells for around \$50.00 a bottle for Patrón Silver, but we believed that people wanted to treat themselves, so it started out slowly. Then all of the sudden when people got involved, it was that “Wow, this is truly different. This *does* taste better. This makes me feel better,” and you don’t have the normal tequila hangover. So let’s treat ourselves; let’s have Patrón!

Now, there are many premium tequilas out there today, but none of them come anywhere close to Patrón. It’s still growing and the reason why is that people wanted to treat themselves to the best. Now, of course, there are a lot of ultra-premiums out there, too, but we maintain the same quality today with which we started 21 years ago, and we’re not deviating from it.

You used the word “love” with both Patrón and with John Paul Mitchell Systems. Are the cultures in those organizations the same or different?

They are the same. If you are involved with Patrón Spirits or Paul Mitchell Salon hair care products, either way, you’ve got to love the product, you’ve got to love your customer and put what *they* want first, and you’ve got to love the planet. That’s our culture. We hire people with that attitude because if you don’t love what you do, within three months you will leave us. It’s not the thing for you. You’ve got to love it. This way you put extra feeling and extra quality into the product or the packaging or even answering the telephone – all of it is very important. At John Paul Mitchell Systems we’re now in 87 countries but our employee turnover has been less than 30 people in 31 years.

That is because people love what they’re doing. So

the love helps us a lot because no matter what you do, whether it’s shipping, manufacturing of products, putting ingredients in, you always make sure it’s the best because you love who your customer is and what you stand for, so that’s very important.

It sounds like not only did you build the American dream for yourself, but you’re building it for many others.

Of course -- oh gosh, success unshared is failure.

What do you see the role of the American Dream being in our society?

It’s huge! But there’s too much negativity today. When I listen to the news in the last couple of years, it’s like: “Wow, why are they telling people that?” They’re telling people, “It’s the worst economy, it’s the worst society we’ve had since the Great Depression,” etcetera, but that’s not true. In 1980, when we started our company, everything was worse than it is today. But that’s when we started John Paul Mitchell Systems with only \$700. People must realize that regardless of the economy, if you believe in yourself and your service and your product, and you’re telling enough people about it, my God, they’re going to pick it up. A lot of people will always say, “Oh my gosh, 10%-15% of the economy is off”; but how about the other 80%-85% that isn’t?

You’ve had a passion for giving and for sustainability probably 30 years before anyone was doing it.

When we started John Paul Mitchell Systems with a very little money, we said, “No matter what, we’re



going to make sure whatever we have has not been tested on animals.” We believe that we’ll test in ourselves and not on animals. We still do it, and we still believe in it. When we first started and had very little money, I grew up in the inner city and we believed that “We’ve got to help inner city youth, too.” Then all of a sudden, you’re getting to downtown L.A. and you have a couple of pretty bad Black gangs, the Crips and the Bloods. Then you have some pretty bad Hispanic gangs and some others with all kinds of different ethnic groups put together. We said, “This is not right, let’s try and unify everybody.”

So we started the Blazer House in downtown L.A. which became almost a neutral ground for the Crips and the Bloods, who were students from grade school, junior high school, and high school. All of the sudden, you could go to some place and be tutored after school. We thought it’s a way of helping change our society for everybody and it worked.

Now, in that same location today, Hispanic gangs or Afro-American gangs are all together at the same location. We figure by doing this, it helps everybody live a little bit longer, and we believed in this from the early days. Today obviously, it’s a lot bigger. But we believed in those days that we could change things,

and we did. So whether it’s the same project in New Orleans, like putting up houses, or orphanages in Mexico, or old folks’ homes down there, or things we’re doing on global basis, we can change society. We *are* changing society, and it makes us very happy. We - all of our customers and our staff - benefit more because we get to know we are doing something that’s making a difference, and that we’re stepping forward with our people in helping lives become better because of who we are and what we do.

How has this wealth changed you and not changed you?

Well, it changed me in a big way because now I don’t have to go to bed at night and not go to sleep because I have bills to pay the next day. That’s the biggest thing. I can now

pay my bills. Second of all, I can now do a lot of things I want for the people of the world. I have the money to be able to do that now, and it makes me very, very happy.

Well, John Paul, it has been a pleasure having you on the CEO Show.

Robert, thank you very much. Peace, love, and happiness to everyone out there.



Two formerly homeless men



John Paul DeJoria and Robert Reiss

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