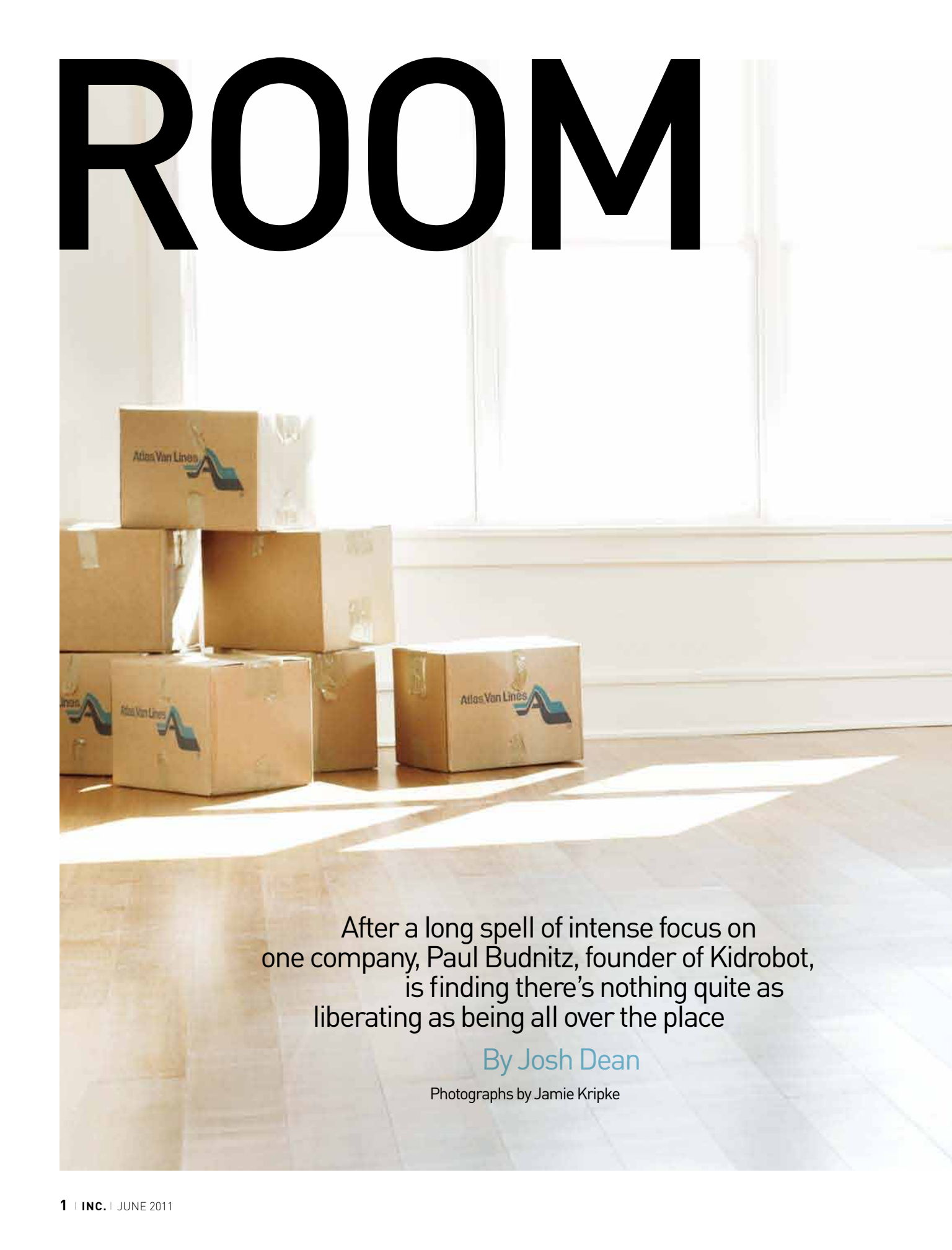


ROOM



After a long spell of intense focus on one company, Paul Budnitz, founder of Kidrobot, is finding there's nothing quite as liberating as being all over the place

By Josh Dean

Photographs by Jamie Kripke



TO

Flip This Life

Paul Budnitz atop Moustache Rabbit. Budnitz bought the house the day he saw it. Then he had a “a better idea—and sold it.

ROAM

Foremost among his attributes, Paul Budnitz has impeccable taste, so it should be no surprise that when it came time to have a midlife crisis, his was exquisitely executed. Eight years after founding his most successful company, the art-toy emporium Kidrobot, the serial entrepreneur was feeling a little antsy. He had been in New York City for what seemed like a long time, and had recently had his first child, a daughter; and because he had sold a good chunk of the company and assumed the role of creative guru, there was no longer any sort of anchor tethering him to Manhattan. He felt the time was right for a move.

That his unease with the city and with day-to-day management came in the midst of a recession proved fortuitous. Kidrobot's growth had been so dramatic over its short life that Budnitz hadn't had time to carefully consider each expansion. He took the company from two employees to 90—and from \$300,000 in sales to more than \$15 million—by often making impulsive hires and when necessary assuming more responsibility himself. He designed and refined software, wooed artists, ran marketing, traveled to China to settle disputes with suppliers, and generally worked all the time. Things settled down by 2007, and Budnitz was able to back off a little, but Kidrobot was never exactly efficient.

It wasn't until 2009, the first down year in Kidrobot's history, that he realized his company was bloated, and that if he was going to put it in a position to get even bigger, it might first have to get smaller.

What if, he thought, we all move?

And so they did, to the crunchy city of Boulder, Colorado. On the surface, it was an odd choice. New York's gritty cool is practically infused into Kidrobot's toys—small, artfully made vinyl characters fetishized by kids and adults alike—many of which are designed or modified by edgy, urban artists who use the city's streets as their canvas. But videoconferencing and direct flights make location less important than it once was, and the abrupt relocation did two important things: It allowed the investors to keep Budnitz in the same city as the company he created, and it created an opportunity to rebuild the management almost from scratch.

"One of the reasons we moved, really, was to redo our nuts and bolts," Budnitz explained when I first called him to discuss a visit. "Which is much easier than doing it in the same office."

It was the corporate version of skipping town rather than breaking up with a girlfriend, and it saved everyone the bloody purge that was inevitable had the company stayed in New York.

All employees were asked to make the move, but most had no interest in moving, and because the retailing has always been mostly Web-based and thus location agnostic, the collision of circumstances provided for a kind of crazy kismet—a successful and still-ambitious company was able to hit Reset without actually changing its business. "We've hired people with more standard backgrounds," Budnitz says, noting that he had even replaced himself, removing the *President* from his title and retaining only *Founder*. "I'm no longer the CEO. I'm more in the design and marketing side now.

"What really worked out well about coming here was I felt like I already had the zaniness and the artist connections. I didn't really feel like I needed more edginess. But I started to realize that the back end wasn't strong, and it was affecting our ability to be more insane, more interesting."

Budnitz and his investors (he will only say that there are "a few" and that "some are private individuals") were also able to dip into Boulder's deep pool of adventure and outdoor-apparel businesses for key hires. "The way I describe it is, we got the best of the Midwest," he says. "We got these solid, supply-chain-oriented, sales-oriented people and a really great CFO." These people immediately corrected mistakes. For example, Budnitz had been with the same few Chinese manufacturers from Day One, and though he loved the companies' work, they had no incentive to keep prices low. Kidrobot's new supply-chain specialists, however, brought relationships that immediately opened doors. Manufacturers that previously had no interest in small first orders were now more open-minded, and Kidrobot's ability to shop among factories lowered costs, allowed more specialization (the company could now farm out vinyl to one factory and plush toys to another), and even had the unexpected benefit of boosting creativity. "We found," Budnitz says, "that we can now work with lots of materials, like wood toys, that we didn't have expertise in before." He couldn't believe how well it was all working out.

AND AN ILLUSTRATED POSTER SHALL LEAD THE WAY

The town of Boulder is a New Age vortex of healthy people and tidy streets. Tucked up tight against the Rocky Mountains, which form the city's backyard, and yet just a half-hour by highway from Denver, it has a combination of clean air, comfortable living, and progressive ideology that make it a perfect place for contemplation and self-awareness. And it didn't take long for this juju to take effect on Paul Budnitz.

A few days before I arrived in town, the 43-year-old called to tell me that he had recently had a revelation that he thought was important to share, in case it might discourage my interest in his story. This is what he said: "I had this discovery, only about a month ago, that I'm really an incredibly superficial person. I had been trying to avoid this my whole life. We think *superficial* is a bad word. But it isn't. It means you can do a lot of things."

Satisfied that his company was safely ensconced in its new home (above a Japanese restaurant just off the downtown pedestrian mall), with a competent management team in place, Budnitz gave up his office. Not a big deal in practical terms—his house is a 10-minute walk away, and he still speaks to several key people most days—but, figuratively, the cutting of ties was profound. It meant that he could wake up every morning with a blank itinerary. If he wanted to think about toy concepts for Kidrobot, great. But if he wanted to wander around the corners of his mind, he was free to do that, too. "I'm more an entrepreneur and into new stuff rather than keeping things going," Budnitz says. The sum of all the flux—the reorganization, the relocation, the changing of titles—"is really me wanting to do more stuff," he says.

These days, Budnitz's office is wherever his iPhone, iPad, or laptop happen to be. For much of the winter and spring, it was a spartan room in the basement of his LEED-platinum-certified home, bought the same day his investors agreed to move the company to Boulder. (And then put up for sale six months later, when he decided it was too big and that he needed to design and build his own house—though not until he had spent the summer in Holland.)

One of the more surprising things about a Budnitz home is how little clutter there is. The man who invented the business of selling tiny, collectible plastic objects to other grownups resides in a space with virtually none of his own. When I visited, the only signs of Kidrobot in his home office were a plastic stool in the form of Labbit, a cigarette-smoking rabbit that is one of Kidrobot's most popular characters, and a cartoony Japanese thing I mistook for a lamp but that is actually a small sculpture/toy Budnitz calls "Tofu Head guy."

His favorite piece of art is a framed poster that he hadn't even bothered to hang. It is a blowup of a cartoon from the

1920s that illustrates a winding road passing through and around all sorts of obstacles to business and life success—the "True Knowledge" tunnel, for instance, passes through "Lack of Preparation" mountain. It's titled *The Road to Success*, and Budnitz admired it for years in its spot on the wall of his "favorite libertarian hot dog stand" in his hometown of Berkeley, California. Budnitz doesn't seem like the kind of guy who would pore over management tomes full of bullet-pointed lessons; he is, however, exactly the kind of person who would find business lessons in a cartoon.

One of his current side projects is a series of children's books (the first of which Hyperion will publish this month), and one book in the series is loosely based on this poster. It is the story, Budnitz says, of "kids driving a car through the land of places where you're told you can't do it." For lack of a better title, he's calling it the *You Can Do It Book*, but he really wants to call it *Hell, Yeah!* Either title would serve as a good name for Budnitz's biography.

Budnitz is both modest and confident. He is quick to assign credit and shares praise easily and readily, but he's also extremely certain of his own taste. (His new head of marketing, Bob Africa, says, "He has confidence, not arrogance.") "My

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It can be dizzying to sit with him and bounce from idea to idea, but there is nearly always a common thread. Budnitz has come to realize that his name, and by proxy his aesthetic, could be a brand itself. The project he's most focused on, for instance, is a bike company. These bikes are to be "clean, elegant, light, and fast," he says, and built with "no expense spared in design or componentry." They will be branded Paul Budnitz Bicycles.

Because he knew little about bike design, Budnitz read everything he could on the subject, studying design, history, and marketing. Starting with a goal of making the best possible city bike, he identified flaws in comfort and quality in other bikes and befriended James Bleakley, a Fort Collins, Colorado, man he calls "the best titanium frame builder in America." The two set about simplifying the bike frame so that it is both lighter and stronger. And, of course, beautiful.

Budnitz bikes (he has designed two models) will have no

parts that can rust, a carbon fiber belt drive that is smooth and grease-free, and German tires that last up to 15,000 miles. Every one will be an exact fit, custom built to the buyer's measurements. "From my obviously biased perspective, these are the best city bikes ever made," he says. The prices—\$6,000 or more—will reflect that.

Budnitz thinks his name will generate enough press to make traditional advertising unnecessary, and it will help him get the bike into places that wouldn't normally sell such a thing—high-end design shops, as well as places like Barneys, a temple of high fashion that would seem to be an unlikely buyer of bicycles until you recall it was once an unlikely buyer of vinyl toys. Despite having no experience whatsoever in the bike industry, Budnitz quickly signed on an investor, and the bikes will be for sale this summer.

Production will be extremely limited, primarily because of the limitations of labor, and that makes Budnitz very happy. "If we get more than a few orders, there will be a waiting list right away," he says. "A long waiting list is not bad marketing. People will wait for something good, you know?"

Anticipation is a central tenet of Budnitz's marketing philosophy. Waiting creates value. Time is a commodity, and when we invest a chunk of it we are almost certain to perceive the

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product we waited for as valuable, whether it actually is or not. Or, to look through a Paul Budnitz lens, it becomes beautiful.

"Business is a vehicle to make something beautiful," he says, summing himself up. "And my basic business plan, if you could call it one, is just to make and sell beautiful things and try not to be stupid about it—make sure it's at least possible to make a profit—and just assume that it'll work itself out and make money. This usually works, and occasionally doesn't."

YOU EXPECTED A LESS UNUSUAL BACKSTORY?

Budnitz is the slender, eccentric son of a nuclear physicist from Berkeley, California; he has a prominent nose, a fondness for meditation, and the uncanny ability to recognize—and create—cool things. "I've been running businesses my whole life," says Budnitz, and he's not exaggerating. Most summaries of his early life begin with the fact that he was writing safety-analysis software for nuclear power plants by age 15, but the entrepreneurial spark was actually struck a bit earlier, in eighth grade, when he would hop the train to Chinatown in San Francisco,

buy fireworks, and resell them to his friends back home.

This wasn't your run-of-the-mill teenage black-market operation, either; business was so good that he couldn't keep track of the orders, so Budnitz computerized the orders using teletype machines on the UC-Berkeley campus, and that really streamlined the operation, until an IT guy discovered a bunch of orders for fireworks on the campus computers and reported the matter to the police, who showed up at the house and put an end to that business.

After high school, Budnitz decamped to Yale, where he studied film while also starting a business that bought, altered, and sold vintage Levi's and Air Jordans to global collectors. (Budnitz sold a pair of Air Jordans in Japan for \$16,000.) After graduating with a degree in fine arts, he moved home to the Bay Area and focused on finishing a pair of movies. Wanting to edit on a computer but finding no software for doing this, Budnitz hacked his Macintosh and cut *93 Million Miles From the Sun*. The film was the first ever edited on a home computer—a feat reported in the magazine *Wired*—and it won a prize at the 1997 Berlin International Film Festival.

Hacking would be a recurrent theme in his early years. His next start-up was MiniDisco, a company that hacked Sony MiniDisc players—a new portable music player he had discovered in Tokyo—so that they could be used as recording devices. MiniDisco boomed into a \$7 million company by 2001, but Budnitz sensed that its days were numbered (Apple's iPod would be released later that year), unloaded the company, and turned his attention to Kidrobot.

Budnitz was a frequent traveler to Asia, and he found himself enamored of a handful of artful toymakers who were producing high-quality vinyl toys that sold in stylish shops, for large sums, to adults. What a great idea, Budnitz thought. This is so beautiful, and there's no market for this.

So he created one. At first, Budnitz merely imported toys and sold them on a website he built and coded himself. Six months in, he opened a store on Haight Street in San Francisco, and six months after that, Kidrobot was producing art toys of its own. With the company little more than a year old, Budnitz relocated to New York, expanded the line, and held on as Kidrobot's growth took off.

"When I first started, it was really hard to explain to people what I was doing," Budnitz says. "People would ask, 'Are they art or are they toys?' And I'd say, 'Both—and selling them is part of the artwork, too.'" It was, at the time, a pretty revolutionary idea. "He created the whole thing, single-handedly," says Frank Kozik, one of the first artists Budnitz approached (and the creator of the Labbit character). "Paul was ahead of his time, with enough money lined up to be



He's Here

Budnitz occasionally swoops into Kidrobot's new headquarters for meetings that are fast and intense. At the right is Brian Krezel, the company's new creative director.

ahead of the curve and lose money for a few years and then take full advantage when it broke. He was there first and Kidrobot will be there last.”

Clever marketing helped make Kidrobot both critically acclaimed and commercially successful. Budnitz mined the quirky corners of pop culture, sought out the coolest street and graffiti artists, and partnered with the edgiest brands and designers. He created demand by making limited editions at all price points—by making only 10 versions of a \$5,000 toy, say, while also producing a collection of \$5 characters in which certain ones would be very difficult to find. You might buy the whole set twice in search of one final piece. It is, of course, a classic piece of salesmanship best deployed by baseball-card makers.

Certainly, one of Kidrobot's shrewdest moves was the creation, in Year Two, of its two most popular characters, Dunny and Munny. Each of these is a standard mold of a character, manufactured in white vinyl. Dunny is given to artists to customize. Those customizations are then made in very limited editions, except when they're not. Munny, on the other hand,

is sold blank, the intention being that the buyer does the customization himself.

To this day, Dunny and Munny dominate Kidrobot's sales; they are manufactured in quantities of up to 50,000 and yet are continually reinvented so as to seem fresh. So iconic are the designs that in 2007, New York's Museum of Modern Art acquired them for its permanent collection.

Budnitz also knew how to craft an image. Rather than advertise, he guerrilla marketed. Kidrobot managed to seem exclusive while being inclusive—by staging the retail stores as museum shops but staffing them with attractive, friendly people, by putting on exhibits to display certain toy series, and by exciting a universe of buyers who happened to be exactly the people who jumped early at blogging, social networking, and photo and video sharing.

Kidrobot also piggybacked on the street cred, and marketing clout, of larger brands through targeted collaborations. In some cases, the company would design Kidrobot limited editions, as in the case of a line of snowboard gear for Burton, or a one-off car for Volkswagen, but more often designers would

lend their name and talents to vinyl toys. Marc Jacobs, Dries Van Noten, Pucci, Hermès, Louis Vuitton—they all provided twists on Kidrobot toys, which lent credibility to both brands and provided each name with the opportunity to cross-promote to a new audience.

All of these efforts combined to entrench Kidrobot in a community of aesthete retailers who can operate in the very upper echelons of exclusivity, as well as down amongst the common folk in the bargain bin, without the brand's reputation suffering. It's clever stuff—and nobody does it better than Nike, which sells extremely limited quantities of collectible Air Jordans at specialty boutiques that require you to buzz for entry, as well as millions of

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\$29 high-tops at Foot Locker. Budnitz says that most of his inspiration comes from smaller companies like Supreme skateboards and Oliver Spencer clothing, which make sought-after, quality products that are “not out-of-reach expensive.” Nike, however, he says, “is the object lesson in a giant company pulling this off. Nike makes great products for the niche market. And that trickles down to Kmart two years later.”

THERE IS NO SUCH THING AS TOO SPECIFIC AN IDEA

During this particularly fecund, halcyon period of his life, Budnitz has started so many different companies that he forgets about some of them, and they only slip out into conversation when something reminds him of one. For instance, we were eating sushi below the Kidrobot offices when he happened to mention that he started and still owns one-third of the most successful nonmusic ringtone company in the iTunes store.

He was attempting to explain why he would have the nerve to start a bike company, having absolutely no history in bicycles. “I have a lot of ideas, and I just pursue a bunch of them, and they don't always work out,” he said. And then he launched into a story.

Budnitz was an early buyer of the iPhone, as you would expect, and being the kind of person who would want his phone to ring in a peculiar manner, he was frustrated that it came “with, like, eight ringtones,” he said. And when he looked to buy more, the only option (then) was to turn a song from iTunes into a tone for a dollar. “I wanted beautiful sounds or funny sounds,” he explained. “The only way I could figure out how to do it was to put out an album and then buy my own

album.” So he went into a friend's music studio, he said, “made an album of all these pretty little tones, put it up [on the iTunes store], and they started selling a little bit.” Then he realized: “I could make some money off this.”

Being a hacker, Budnitz manipulated the site's search engine and ensured that his albums ranked at the top. This not-at-all-thought-out company he had started on a whim quickly began “making tens of thousands of dollars,” he said. “It was awesome. I put a few more albums out, and I was doing pretty well, and then I got busy.” He offered to cut in two friends who lived in Montana and had a band. They would keep making albums of tones, some based on his ideas, and the three would split the money. Today, he

has little involvement, other than to occasionally suggest a theme—sex sounds, barnyard sounds, barnyard-sex sounds—and the company is humming along, adding cash to his bank account while also allowing his friends the financial freedom to play in a band.

Another thing that irked him about his new device was that it required so many steps to call his wife. The truth is, it doesn't require that many steps, and to complain that it takes three taps of the screen on your pocket computer is the

very definition of a Privileged Person's Problem, but that doesn't matter; Budnitz is a cool geek, and he knows what cool geeks want. And it was an easy problem to fix. He hired a guy in India to design a one-click app called Call Home. It was simply a button that said, in a bold sans serif font, “Call Home,” and it cost 99 cents. He added Mail Myself, SMS Home, and more than 80 others: Call Your Mother, Call Your Brother, Call 411. And this simple idea worked. “I sold I don't know how many thousands of dollars' worth of those apps,” Budnitz said. “They just sort of sell.”

The idea, in these cases, seems to be: Get it started, provide direction, tweak the styling, let it run itself. (His latest tweak is: Spend other people's money to do it.) “All these little things add up to making a pretty good living and also having a lot of fun,” Budnitz says. “And the secret is, if you hold on to one thing really tightly, then you don't get to do the other stuff. Everything's a big art project.”

Truly, many of his best friends are artists he met through Kidrobot. Six of them will be illustrating his books, which of course aren't just good-looking, clever books (though they are that). In the e-book era, Budnitz says, characters can be so much more than two-dimensional.

“The e-book format doesn't work,” Budnitz says—doesn't work yet, he means. “I wanted to do interactive children's books. They would move around sing and talk to you.” He has already recruited friends to chase funding for his solution. “The idea is to be a boutique children's publishing company,” he says, “but the business model is that you start out on the iPad, but you

own and control the IP, so then you can go from iPad to paper, from iPad to TV, from iPad to toys for licensing. But the only thing you produce yourself is the digital version, and then you license out the rest of it. It's like Kidrobot, but we're creating characters for children."

Yes, it's an ambitious undertaking. But so are the bikes. And that's part of the fun. "I don't know what I'm doing," Budnitz says. "I don't have any experience. Will it be successful? I don't know. I didn't know how to do ringtones. I didn't know how to make movies. I didn't know how to make toys."

AND MAYBE IN THE END THE SNAKE SWALLOWS ITS TAIL

It's certainly possible that Budnitz's excessively promiscuous entrepreneurial streak in the months since his move West is just a cathartic outburst resulting from a sense of freedom, and that he might again latch on to a favorite idea—or even fall back in love with Kidrobot—once he has had time to screw around. Certainly there are things about the company that intrigue him still. Making very expensive wooden toys sold in

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minute numbers, for one thing. As well as the complete opposite, helping the new management figure out how to make Kidrobot balance the competing forces of expansion and credibility. He doesn't dismiss the idea of producing a line for Target, which might seem surprising until you consider the company it would put him in: Phillipe Starck, Marcel Wanders, Jean Paul Gaultier, Zac Posen. Strange but true: Selling at Target now confirms a designer as an aesthetic elite.

"I don't have a problem selling anything anywhere with the caveat that the thing is awesome," Budnitz says. "I am not going to make anything that sucks."

Budnitz calls this "basically one of the mission statements of Kidrobot," but it is also a pretty tidy summation of all of his work. He senses the faintest pulse of cultural change long before the rest of us, like one of those dogs that moves to the basement two days before an earthquake.

And indeed, as Budnitz and I were warming up over bowls of Chinese noodles on one of the coldest days of the year, nearly every conversation led to an idea. Somehow, discussion over a book I'm writing led to a dissection of Google, a com-

pany Budnitz feels is deeply flawed. He had an idea for what he considered a far more useful brand of search that would tap only a very specific network of people whose opinions you most value. If you want to know, for instance, what hotel to choose in New York City, would you rather ask the entire Internet or the 500 people who share your demographic sphere? He thinks this is a great idea—potentially a many-billion-dollar idea—but it's also one that would require far more of his attention than he can spare. Maybe all of it.

It seemed possible that he might never again get as into one thing as he was into Kidrobot. Maybe Paul Budnitz needs five or 13 or 20 projects to be happy. He puzzled over that a minute. "The more I look into myself, that seems to be who I am," he said. "Maybe my life has always been like this anyway: that there are always a few or several different threads running at the same time. I think that is likely to continue to happen. I'll continue to write kids' books while I'm making bicycles, while I'm doing something else."

What he loves is the creation, and the execution, but not so much the other, equally important, parts of a successful business. "What I don't miss is the hours poring over spreadsheets," he said. Or sitting through meetings with investors, pondering why "this sector of stuff is selling, and this isn't selling."

He can recognize that it would hurt if somehow his investors were to stop listening to him and run the company into the ground. They could even sell it against his wishes, though he doesn't think they would. "Would I be upset? Yes, I would be very sad," he said, "but

it's not going to change who I am."

What if they wanted to sell to Hasbro, I asked. Would you talk to them?

"I'll talk to anybody," he said.

But it seems almost certain that Hasbro—or any major toy-maker accustomed to cheaply made volumes of millions—would ruin the brand.

"If I thought they would, I probably wouldn't sell the company," Budnitz said.

Maybe you wouldn't have a choice, I suggested.

He thought about that. "That might happen," he said. "Or maybe some little company will come over and set up and kill us. If there is a niche of beautiful, gorgeous, amazing art toys, and we proved it, and we stopped doing that..."

Somebody will fill it, I said.

I'd barely finished the line before Budnitz stepped on it.

"Maybe it would be me," he said. **■**

Josh Dean is a regular contributor to Inc. He is writing a book about show dogs, to be published by HarperCollins next February.