



LEAD WITH WE

EPISODE 4: Melkon Khosrovian

Simon Mainwaring:

Lead With We is produced by Goal 17 Media, storytellers for the common good.

Melkon Khosrovian:

We work with a lot of companies who say, "Look, the only kind of green I care about is the stuff in my wallet." We have to make money. Don't get me wrong. Everything we do has to be paid for with a check of some sort, but we don't only pocket the difference. We have to make some impact. My wife and I, we have continually made a small salary because we think it's right to invest part of our earnings to make the world a little bit better. That's what we think was the right thing to do.

Simon Mainwaring:

Welcome to Lead With We and I am so excited that our guest today, Melkon Khosrovian, who with his wife, Litty Matthew, are the founders of Greenbar Distillery, here in my hometown of Los Angeles. And he's someone I greatly admire both for the business he has built, also for the impact that he has created in his local community and around the country. Melkon, welcome to the show.

Melkon Khosrovian:

My pleasure. Great to be here.

Simon Mainwaring:

And Melkon, you have a fantastic story. You and your wife, you met in graduate school, doing journalism at USC and you went on to open Los Angeles' first distillery since prohibition. Tell us how that came about.

Melkon Khosrovian:

Quite by accident. We had no interest or experience or inclination to make spirits, but after 10 years of courting, my fiance finally said yes and we started to do the family circuit. My side comes from Armenia, is in the former Soviet Union and we have a particularly old world way to drink. We drink with food and we drink after we toast, which we loved every part of except the drinking what we served. And she would just kindly pick up her glass, smile and put her right back down because she thought what we drank, which was mostly very strong fruit brandies and vodkas, she thought all of that was just nothing that any human being should drink and she didn't have anything to do with it.

Melkon Khosrovian:

It was an awkward moment that I was trying to fix without really a business at the end of it. And having landed up in LA, it was the perfect place for us. It's the perfect place to make the kinds of spirits we want because it's a way for us to mingle different influences in a way that tells a story about where we think our society and our country is going both in terms of ideas and flavors.

Simon Mainwaring:

Well obviously Lead With We is focused on how business is a force for good out there in the world. And this idea of a new distillery here in Los Angeles, married with a focus on organic and sustainable produce to give those flavors, that's not expected. That's an unusual decision to make. How did that journey begin? How did you end up creating something so unique?

Melkon Khosrovian:

I'm going to use this phrase quite a bit, by accident, because most things we have ever done have been by accident. Partly because we didn't know anything. Partly because we build accidents into our business. The only way we learn is by making mistakes. That's kind of our method to madness. And we learned about organics about four years into our production. We always used whole foods for flavor and we typically bought all of the fresh fruits and vegetables and herbs from the LA Farmer's Market. And we began to buy things on a bigger and bigger scale from a handful of farmers there.

Melkon Khosrovian:

And we learned how to make many of our products using common proportions. And we've been making the same products using the same produce from the same farmers for four years. We were pretty confident that given a little bit of adjustment, we could end up with roughly the same flavor all the time, except we kept scoring it up. And we just couldn't understand why. Eventually we traced it back to the ingredients because we double triple checked our records. We had put the right amounts, at least what we thought were the right amounts in.

Melkon Khosrovian:

And finally, we just talked to the farmers and said, "Look, guys, we love working with you. We've been working with you for years now, but the things you've been selling us have been not working. They're throwing off our batches. One thing would be so flavorful. It would throw the balance off. I'm just wondering what on earth is going on?" And they said, "Oh," a little apologetically, "well look, we've known for a long time that you like flavorful things because that's the first thing you ask us every time you buy anything. And we have begun to transition our farms, at least partly to organic. And we've noticed that that part of the farm produces much more flavorful fruits and vegetables so we've been just selling it to you without charging you more. We thought you would like it."

Melkon Khosrovian:

And then, it was almost like someone poured a bucket of cold water over our heads, all of our anger and confusion disappeared. And we came to understand that, in that one flash that, oh my God, if we want to make better liquor, we have to use organic ingredients because these things obviously have more flavor because we learned it the hard way. And then when they explained why, in almost an instant, we changed everything about our company to go from haphazardly organic, although we didn't have any kind of plan to be organic when we were buying conventional things, which I'm sure were organic, to completely organic because we were chasing flavor. And that for us was the prime mover in our transition to organic.

Simon Mainwaring:

Melkon, obviously there's a broader movement of business to do good. Now, did you find that that was well received in the marketplace? Or did you take a hit? And how did you overcome that?

Melkon Khosrovian:

We definitely took a hit in terms of costs. In the beginning, everything we bought from produce to alcohol was 30 to 40% more expensive and it was painful because we couldn't charge the difference to our customers. We had to just eat it, but we made a strategic bet that we could overcome it. And the value, the quality would make the difference, which it did. It took us three to four years to overcome it and we did it in two ways. One was by buying more and because we and others were helping organic farmers grow more acreage, they became more efficient and their costs dropped as well. After about 10 years, things became a little bit more easy and it was all because we were making better things and our customers were responding and allowing us to overcome that barrier. It still costs more, but it's a little bit more bearable when it's 10% more, not 40% more.

Simon Mainwaring:

Obviously as the first distillery in Los Angeles since prohibition, you're very proud of being based here in LA. And I've seen the brand has shown up in so many meaningful ways that reflect your purpose in the last several months. Talk to us about how did you respond to COVID-19? What did that mean for your business?

Melkon Khosrovian:

It was painful as it was for many, many businesses. 80% of our business relied on restaurants, hotels and bars. But after that, everything shut down. Thankfully we have another line of business that allowed us to sell things to retail stores, our canned cocktails, but that didn't come up fast enough. And we were in the middle of this enormous lockdown and we had capacity and staff that could make a difference with some other product that we had no clue how to make or any plans to make.

Melkon Khosrovian:

But one day we got a call from the mayor's office who said, "We need some help." And we said, "We will do anything and everything we can, just let us know how we can help." And they said, "We need hand sanitizer because everyone is running out. Everything is in short supply. We need to find a way to get alcohol to hand sanitizer producers. Can you produce hand sanitizer alcohol?" We said, "Well okay, we can produce some." And we first made and donated a batch to the LA Housing Authority, roughly a 1,000 liters. And they said, "No, no, no, that's nowhere near enough. We need 50 times more, a 100 times more." We can't produce that much alcohol, let us help you find industrial producers of alcohol and connect them to hand sanitizer makers. We talked to the mayor's office and said, "Look, if you can commit to have us produce this much hand sanitizer, I will scour the country and whenever I find a tanker of alcohol, I will get it."

Melkon Khosrovian:

We turned for two, three weeks into a hand sanitizer factory. We made roughly 42,000 liters of hand sanitizer and sent that out to the supermarkets, to the hospitals, to the Sheriff's station, to the military bases around Southern California so they could serve our needs so they could stay open so they could service us. They could heal our sick and we could do what we could in that moment. Now that moment's a little bit past but we're still helping by bringing in container after container of alcohol so that larger hand sanitizer producers can continue to make and sanitizer for the rest of the country, because this thing isn't going away anytime soon. And I think we're going to need it until there is a cure.

Simon Mainwaring:

Absolutely. And have you found that showing up in these ways, responding to COVID-19, does that have an impact on your employees? Does it shape your culture inside the company? Because more and more employees are looking to work for companies that are doing good. What have you found?

Melkon Khosrovian:

It's a huge boost for our employees, for many of our business partners like wholesalers and restaurants. Everyone wants to be part of a solution, especially the younger generation. They feel the weight of the world on their shoulders. They are incredibly stressed out because they see what's happening with climate change and social justice and they need and want to help. But anyone that can, should and needs to help because we all are part of the community that makes our world better. Or if we do nothing, it becomes worse. As good citizens, as good community members, we want to do whatever we can. And we see the response, the smiles, the point of pride beginning with our staff, but then propagating and hopefully inspiring a lot of our trading partners so that we can get a bigger community of activists in some way, shape or form, make the world a little bit better, make the world a little bit cleaner, make the world a little bit more happy and just.

Simon Mainwaring:

There are those amongst us who have a healthy cynicism. They look at this movement around business being a force for good and they say, "It's not a priority. It's not going to build my bottom line. I've got to take care of business first." What would you say to them? How has it affected your business? And also how you feel as an entrepreneur and business leader?

Melkon Khosrovian:

I understand that, that need to make the bottom line a priority. And we work with a lot of companies who say, "Look, the only kind of green I care about is the stuff in my wallet." But here's the reality, their customers care about the world because it's their world. Their customers' friends care about the world because we all live in it. And even if the business leaders are impervious to this, they will become much more open to it when there are customers begin to demand it or they leave their businesses and go to some other business because they're offering something that feels like a positive solution. Some impact that makes the world a little bit better, a little bit more sane. We have to make money. Don't get me wrong. Everything we do has to be paid for with a check of some sort, but we don't only pocket the difference. We have to make some impact.

Melkon Khosrovian:

And my wife and I, we have continually made a small salary because we think it's right to invest part of our earnings to make the world a little bit better. That's what we think was the right thing to do. And we're hopeful that over time, this will lead our company to become more successful and it's happening. We're seeing people respond. We're seeing companies respond. Our trading partners, especially are sensing that, my God people want something clean. They want something flavorful. They want something responsible. When I sell them a drink that doesn't do anything except taste good and then a drink that tastes good and makes them carbon negative and helps protect land and water from chemicals and it keeps things recyclable, that means something to this generation. And it means that they will do something even sometimes despite their philosophies on business, because their customers now demand it. And I think this is the great equalizer. The minute customers demand it, no matter what you personally believe in, you're going to do what your customers tell you to do.

Simon Mainwaring:

And I see that even above and beyond COVID-19 in your efforts, you made an ongoing sustainability commitment with Sustainable Harvest. Tell us a little bit about that, but also tell us, how do you go about choosing a partner? How do you make sure you're aligned in terms of values and your purpose? And then how do you work out what you do together to get the greatest impact?

Melkon Khosrovian:

That was a very long and difficult process for us. This was all led by the conversation we had with our initial farmer partners, who said, "Hey, we sold you organic things because we knew you were into flavor and oh, by the way, I'm retiring so that's why I took my farm organic because I want to give it to our kids and grandkids." Their story really inspired us because it wasn't just organic. It was family and tradition and heritage. And we thought, hey, we're leaving something like that behind with our brand, let's do something to inspire our customers and our customers' customers. We took our bottles to be lightweight. We went from virgin paper to recycled paper and we wanted to do something to give back. We chose for our initial bottles, planting trees, because it sort of was easy to understand in both mine and Litty's backgrounds, cultural backgrounds, grandparents plant trees, whenever babies are born, these are sort of like our babies. We chose trees and then we went looking for people that plant trees.

Melkon Khosrovian:

And we found a lot of people that did things that didn't make any sense. They would fly over a burnt forest and sprinkle seeds from an airplane. How many of those turn into trees? Who knows? They paid someone to pay someone to plant trees, how many of those were planted? Who knows? We chose Sustainable Harvest because they weren't really planting trees for planting trees. They were solving poverty. And we're like, oh, that's interesting how the hell do trees relate to poverty?

Melkon Khosrovian:

They said, "Oh well, we work throughout Central America where farmers clear cut the forest, basically some version of slash and burn farming. And that causes them to not have the yields to feed their families properly. We're training them to be better farmers to sell things that are grown and sell things that can sell for at least some more money. And what we've discovered is they can grow and like the grow coffee and cocoa, but those plants burn in the hot sun of Central America. We need companies to help pay for planting tall canopy trees that provide shade. Would you mind paying for those trees knowing that these farmers will protect them because that's how they make more money?"

Melkon Khosrovian:

And I'm like, okay, that makes perfect sense. It's a complete holistic solution. Trees are means to an end and the end is poverty. And when you look at a lot of environmental degradation, it isn't because some evil corporation is raping and pillaging the planet, it's led primarily by poverty. Whether it's directly related to the people that are doing the damage or they're allowing it to be done because they need to feed their families. This made plenty of sense for us. And we have continued to grow with them and support them. We tried some other nonprofits. We have our own brand where we said, "Okay, let's give a month's worth of water for every bottle of rum sold." And the company we partnered with came back and said, "We'll take your money, but you can't use our name on your packaging." Why not? "Well, it's a promotional thing. We're celebrity driven. Every time you put our name on your packaging, we think you're benefiting you more than you benefit us so we want you to pay us."

Melkon Khosrovian:

We said, "Okay, suppose we don't put your name on our bottle, how about on our website?" "You can't do that either because we want you to pay us a \$100,000 because that's what big companies do to be part of the veneer of us doing good." We pulled out of that and just went with Sustainable Harvest that really allow us to be transparent while we do good and they'll even allow us to audit them so that whatever claims we make, they're not only transparent, but they're true.

Simon Mainwaring:

That's really powerful in terms of how you almost audit who your partner is going to be. And so how do you interrogate yourself? How do you measure your own impact? How do you hold yourself accountable? And then how does that shape the business as you move forward in terms of your impact?

Melkon Khosrovian:

Well, every single step we take, we attempt to ring some good out of it and we try to leave the world in better shape than we found it. For example, when we plant trees, we weigh that against the environmental cost of making that product. Let's say a bottle. A bottle of whiskey we make, we audit as well. We know what is the environmental cost of making and selling that bottle of whiskey and we know what the environmental benefit is of planting trees. And after we conducted the tests or the audits, we found out that on average, we contribute roughly two and a half kilos of carbon dioxide pollution in making and selling one of our products. The tree we helped plant, removes 790 kilos of the same pollution.

Melkon Khosrovian:

Net net, we make one of the most radically carbon negative consumer products on Earth, to the point where if you have a cocktail, let's say you make yourself an Old Fashioned, a couple of ounces of whiskey. Those two ounces will make the average American carbon negative for an entire day. All of your driving, showering, eating, well everything we do to stay alive that contributes to global warming is more than offset by having a cocktail that you enjoy, because it's delicious. And this for us is the yardstick we measure our success and failure by. Does every point of contact contribute to positive climate change or not? Or what we can do to make it so.

Simon Mainwaring:

And really, if this is part of the new economic model, this marriage of profit and purpose, it still has to translate at point of sale. Whether it's with bartenders, mixologists, I know you have deals going with Neiman Marcus, Whole Foods. How has this commitment to doing good translated in those relationships?

Melkon Khosrovian:

Well, to take the last example you mention, Whole Foods. We launched our new canned cocktail line with them in March. And we, and I'm sure every other liquor company in the US, competed for their business because they're one of the most prestigious retailers on Earth. They have developed over the years, a system of requirements for their vendors and they keep upping the ante. You have to be eco-friendly, you have to be transparent, you have to be a good steward of the environment, you have to make delicious products, you have to make them reasonably affordable. And when they went down the list of every one of their requirements, we stood out better than anything else they could partnered with and any other product they could have sold.

Melkon Khosrovian:

We won that competition because of all the things we do in addition to having a good tasting product, although I'm sure a lot of companies had products that were close in flavor. One of the key factors for us to win out that partnership was everything else we do. Neiman Marcus in a similar way, chose us because not only did we make great tasting products, but because they could tell their customers, "That cocktail you're about to have, that'll make you carbon negative for a day." And that matters to a lot of people. And increasingly it matters not just in a small way, but in meaningful ways to make corporate decisions, as well as consumer decisions to choose things that make a positive impact. We're seeing a tide turn. This was not the case when we started, but it definitely is the case today.

Simon Mainwaring:

And at Lead With We, we are seeing this rising movement, this new economic engine where purpose is a business driver. What are you seeing amongst your peers, amongst other entrepreneurs here in Los Angeles?

Melkon Khosrovian:

We're seeing very similar things. LA is one of the biggest manufacturing hubs in the country. And you almost can't be a dirty LA company. Not only because the customers won't stand for it, but because we have laws that won't allow you to operate in a dirty way. We are one of the most regulated parts of the country and many of our peers and colleagues in the industry, we secretly gripe about it. But then we say, "Wow, this level of oversight is forcing us to think more creatively and to offer things that allow us to compete better with other companies around the country and around the world or the allegiance of people that care about this planet." It hurts for a minute, but it really pays off after that.

Simon Mainwaring:

There's a lot of momentum behind this conversation around business as a force for good, whether it's Larry Fink at BlackRock, whether it's CEOs on the business round table, but as someone who is a self starting entrepreneur and who has built this business from the ground up and who didn't start the business intending to be purposeful, but really grew and evolved that way, what would your advice be to other entrepreneurs out there who are either sitting on the sidelines or considering launching a purposeful business?

Melkon Khosrovian:

I think I would tell them the same thing I tell a lot of people trying to get into the liquor world, which is get really comfortable with yourself, understand who you are and what makes you tick and channel that into your business. Find your passion beyond what product you're making or services you're offering and make that part of your company's mission. Whether it's cleaning the planet, educating children, feeding the hungry, there's some passion we all have for "good". And there's a lot of room for making the world a little bit better through some form of goodness. And we're seeing the public more hungry every day for some version of this. Find it, channel it, communicate it and make sure that you can make money despite it or because of it. And if you do, then I think we all will become a force for good. And if you don't, then you're just another company.

Simon Mainwaring:

And one lesson you've learned on the way, not only as an entrepreneur, but rising to this challenge of being a purposeful brand to drive business growth, one lesson that you and your wife, Litty have sat there late at night, over any number of cocktails that you've fashioned

together and said, "Wow, that was a really tough lesson, but it really helped us in the long term."

Melkon Khosrovian:

I think we've come to those two lessons at the worst points in our business, which is near bankruptcy. And that's happened twice. And both times we were led back by asking the same question, "What can we do to make our customers happier?" Both in terms of offering them better products and offering them better values as a company. And that's what saved us both times. We initially transitioned from the conventional spirit company to an organic spirit company. And the most recent one was embracing this idea of service as liquor in the form of canned cocktails.

Melkon Khosrovian:

We lost sight of the fact that unless you go to a bar with a professional bartender, the likelihood of you getting a great drink at home is virtually none because most people don't have the bandwidth to make a great drink. And offering the professional quality cocktail that our customers in bars typically offered their customers ourselves in the form of these ready to go cocktails that supermarkets and the retail stores offered to the public gives much more value to our customers. But both of them came when we had our back to the wall and we had to dig really deep and ask, "What can we do better? What can we offer that's of a higher value to our customers?" And they both were offering something better and more novel.

Simon Mainwaring:

And what would you say, on a personal level, doing this work together with your wife Litty, to make a difference in the city of Los Angeles to serve causes like COVID-19, on some level, some business leaders want to find fulfillment for themselves. What has it meant to you to be a purposeful brand and to give back in this way?

Melkon Khosrovian:

Our long, long game, if you would, for LA is to repeat something that I think happened to a lot of other cities that were similar to LA 30, 40, 50 years ago. I was at a conference a long time ago in Portland and one of the most prestigious distillers of that time, came out and said something very impactful for me. He said, "Look, when I was the kid in Portland, everything good came from some other place. Good fruit came from Washington. Good clothing came from California. Good anything came from outside, but as I got older and things began to change, more companies took pride in making things locally. And today the only good things we think come from Oregon."

Melkon Khosrovian:

Portland has a lot of self-pride, but that's kind of our long, long longterm play for LA to help LA become a city that takes pride in itself beyond the obvious good industries like entertainment, but things that we make here from food to furniture, to anything else manufactured, it takes a long time and it takes a long time for people to understand that, to appreciate it and to recognize that, oh my God, cool things come from LA, not just into LA. And that's one of our longterm goals is to make sure that when someone thinks of the best spirits that they can have anywhere, they think of LA as one of those places where things can be made, not just someplace where it ends up.

Simon Mainwaring:

Based on your experience as a successful, purposeful brand, what is your vision for the future of business? This new economic movement that's underway? How do you see the future playing out?

Melkon Khosrovian:

I hope, pray that every business through their own volition and if not through their own volition, through some sort of government mandate, has to build social good into their product, into their bottom line or into their service. It has to be done because government alone is not enough. The public alone is not enough. It took a lot of work to make the world as polluted as it is now and it's going to take a lot more work to clean it up. We all have to be part of it because we all are part of it. If we can just mandate for social justice, environmental renewal, to be part of every company's mission and bottom line, then we won't get there. That's my fear and that's my hope as well.

Simon Mainwaring:

And it would be remiss of me not to ask you this as the co-founder of Greenbar Distillery, what is your favorite cocktail? And how do you make it?

Melkon Khosrovian:

My favorite cocktail involves our whiskey, our bitter liqueur called the Grand Poppy. It's two ounces are Greenbar single malt whiskey and one ounce of our Grand Poppy Amaro, which is based on our state flower. I love that drink because it's so easy to make, just two things and an ice cube, but it's so complex and so flavorful that I have it on the back of my business card.

Simon Mainwaring:

And if someone wanted to find out more about Greenbar Distillery and also how you're contributing to these various causes, including COVID-19, where would you direct them?

Melkon Khosrovian:

Come to our website, greenbardistillery.com and when things go back to normal, come visit us. You can see everything we do. We're like an open book. And then until then you can find us at local supermarkets and retail stores like Whole Foods, Albertsons, Pavilions, Vons, some independent local stores, like the Grow, like Barkeeper, Vendome Liquor, lots of places have some thing that we make. And if they don't have it, please ask them to bring it in and always drink responsibly.

Simon Mainwaring:

Well Melkon, I can't thank you enough, not only for your time today, but for the difference you're making in our lives, in other people's lives, in the city of Los Angeles and through your partnerships with great organizations like Sustainable Harvest. Thank you for all you're doing. It's a real pleasure to connect. And everyone, I invite you to check out Greenbar Distillery. Thanks so much, Melkon.

Melkon Khosrovian:

Cheers. Thank you.

Simon Mainwaring:

Thanks everyone for listening. If you know a company that's having a really positive impact, make sure you put it out there on social media with the hashtag Lead With We. We've helped

dozens of companies over the last 10 years, just like yours, bring their organization to life in ways that have a positive impact. If you'd like to know more, just check out wefirstbranding.com. There's lots of free resources and case studies you can learn from. If you enjoyed today's episode, make sure you subscribe on Spotify, Apple or Google and be sure to share it with your friends and colleagues. See you on the next episode of Lead With We.

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