



## Stanford eCorner

### Find Your Venture's Emotional Core [Entire Talk]

Susan Koger, *ModCloth*

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Susan Koger, co-founder and chief creative officer of the online retailer ModCloth, shares lessons that transcend the fashion industry. Reflecting on her startup's early years and challenges along the way, Koger explains how emotion not only connects customers to a brand, it connects a team to the work.



#### Transcript

Hi, everyone, this is really an honor to be here, thank you for having me. I heard that this is the last lecture series of this semester, and I know you guys are like going into finals. I definitely remember what that feels like. So, I really appreciate you guys taking the time and coming out. I mean, I'd love to answer some questions at the end, so please like, keep those coming like, keep thinking about them as I am presenting. For those of you that don't know about ModCloth, I saw that there may be a few hands that didn't go up. We're an online retailer of women's fashion and decor. We carry independently designed items and we design our own lines in-house. We have about 7,500 items on the site. These are from designers based around the world.

And, I think that our customers would tell you that we have some of the coolest product that you can't find anywhere else. But, I think, they would also say that we are more than cool product. We've really built a name for ourselves in putting our community at the center of everything that we do, which is pretty innovative for a fashion retailer. Like traditionally, fashion is very tops down, it's sort of like? We tell you what's cool, and then you buy it and you wear it, and then we tell you what's cool. You know, next week, and then you buy it and you wear and it's like constantly the cycle. It's been like this very - like a lot of businesses that have been interrupted by the technology changes that have happened in the last 10 to 15 years. Very tops down, very hierarchical, and we've sort of flipped that pyramid like, we've said that we want to put our community at the center of everything we do, we want to empower her to help us pick the products that we sell on our site, she actually helps us design some of the products that we sell on our site, she helps us merchandize them by taking outfit photos, she leaves really detailed reviews to help other community members find the right fit and enhance their shopping experience. And, you know, I could like describe our customer to you, and you know like, in demographics and psychographics like, she is in her 20s and 30s like, our age range is kind of 18 to 35, but it goes below that and it goes above as well. The average age of our customer is 27. But I think that a picture is worth a thousand words, right? So, like this is her, this is our community, like this is kind of the best way to get a sense of what our brand is and what ModCloth is.

To give you a sense of our scale quickly today, we now have a team of over 350. We're based in three offices across the country. Our headquarters are here in San Francisco, which is where I live. Pittsburgh has our fulfillment and distribution; we do all of our product photography there as well. I am a Carnegie Mellon alums, I'll talk more about Pittsburgh a little bit later in the presentation? Why Pittsburgh is a city specifically on this list here. And our buying office in Los Angeles, and our in-house design team is there as well. So, I spend a lot of time with our team in LA, developing and designing the products and picking the products from the market that we sell to our customers. Another way to get a sense of our scale like these are some of our followers on social networks, like, we're one of the highest followed retailers on Pinterest. I think that probably makes a lot of sense when you think about our community that I showed you like, it's a pretty good fit there. Other than these numbers, right, like I'd say we shipped close to 2 million orders last year, like it's definitely come a long way from, you know when I started at

17 in my parent's living room.

And I won't spend a ton of time on this but I wanted to just kind of run through our founding story and like how ModCloth came to be. You know, honestly like I don't know that I was a born entrepreneur. Like I wasn't that girl that was like selling lemonade, you know as soon as I could, and like trying to employ my friends like, make an extra buck. But I am absolutely an entrepreneur through and through. That's one thing that I would like love to share with you guys like, if you could take something away from this, like there is no right way to be an entrepreneur. You know, as I have gone through this journey and as I have had the incredible opportunity to meet so many other amazing entrepreneurs like, yes there are those born entrepreneurs who, when you hear their stories you're like, oh my god like, basically as soon as you could talk, you are trying to sell something and to start a business. And that's amazing and I really respect that but you can come to entrepreneurship, you can find your entrepreneurial path in many different ways. And I think that I am a proof of that. So, for me it starts with my passion for fashion and just loving clothes and I am not ashamed to admit it. It might sound unintellectual but I've always like getting dressed and it's always something that I was drawn to and I was passionate about, and I had an eye for.

I didn't have a ton of disposable income growing up, so I started shopping at thrift stores and vintage stores like, basically I wanted to be able to stand out, and I wanted to be able to buy things that other people wouldn't have. And, you know, the intersection of these two things like, a little bit of disposal income and wanting to stand out let me to vintage and thrift store shopping. I grew up in South Florida, a suburb near Fort Lauderdale. And you know, I was a Florida girl. Like, I had seen snow once and when I was in high school like, I worked really hard I wanted to not be a Florida girl anymore, I got into Carnegie Mellon and decided to be a Business major because you know honestly I didn't really know exactly what I wanted to do, but I figured it like business maybe could lead the fashion, I actually didn't really know what job existed in the fashion industry other than this concept of being a fashion designer and I wasn't sure that I had the artistic skills to be a fashion designer. So, I got into Carnegie Mellon, I had to move up to Pittsburgh and experienced my first winter ever, which is kind of daunting maybe you guys had an opposite experience, coming to beautiful sunny Stanford, from a place that was cold and snowy. But you know, for me, like I couldn't, I had to buy a whole new wardrobe and I couldn't do that in South Florida. You know, even if I had the disposable income to be able to go to mall and buy everything brand new, there isn't winter wear or even like autumn wear in the malls in South Florida in the summer time. And so, I started going to thrift stores and looking for winter wear for the first time. And I found a lot of amazing stuff and like, I think that was kind of the moment when I sort of started to become an entrepreneur like that like seed started to grow.

Like I was just like, I can't pass up these beautiful pieces of clothing, I know they're worth so much more than they, you know are kind of marked at just sitting here like, maybe this was like my innate merchant coming out. And I found myself buying stuff even if it didn't fit me, and I would kind of say like, oh like I will give it to a friend or I will use the buttons for a craft project which would never happen or I learn it sew and I will tailor it to fit me, which also has not happened, I still don't know how to sew. That's okay, but I was bringing all the stuff home like, trash bags, trash bags full of it, and I started dating this guy around the same time. He was - his name is Eric, he is my husband today; he is my Co-Founder at ModCloth. And he had actually started a web hosting business with two of his friends in high school. I would say he is more of that born entrepreneur like, thinking about running a business from you know, aged four or whatever like as soon as he could talk and kind of think about what he wanted to do. So, he and this web hosting business, he built a few e-commerce sites like, think about it this is like 2000/2001, it was sort of like, where these like young smart kids like, let's help you get on the inner webs like, he would go around to local business centers in South Florida area and kind of pitch them on like we'll help you get - you need a website to like, make your small business bigger. And so, he had some experience and he was actually the one that suggested that I build a website and sell some of these products that I was finding. It was like one of a kind - these one-of-a-kind vintage pieces. And I thought that it sounded like a fun challenge, I mean, quite honestly I also thought hey if I sell some of the stuff that means that I get to buy more stuff which sounds really cool.

And, it's, you know, again like thinking back to that time, right? Like, there weren't really any other options like, eBay was an option but I wasn't really finding designer goods and they didn't really think I could like build a brand on eBay, it seems like, if I was going to do it I wanted to be able to control the - and more of the customer experience and more of the shopping experience. And you know, there wasn't Etsy, there wasn't any of these like easy to start up shopping carts, there was no Instagram to sell on. Like, when I think about the entrepreneurs are starting today it's like, all you really need is a mobile phone and an Instagram account and you can be connected to, you know, you can be a tastemaker to a group of people that kind of look up to you and think that you have good taste. It was different, which is kind of crazy. I mean I still consider myself like very young and I am still like learning and kind of exploring the world but then when I think back to when I started my business like, there was no iPhone, there was no Facebook like, it's hard to imagine. And so, I was gifted a digital camera for my high school graduation gift, it was my first digital camera, it was like kind of like a brick and I used that digital camera and I used all these kind of leftovers that I was finding when I was thrifting to launch the website. I also taught myself Photoshop, I taught myself some Web Design, I think I was using like Microsoft FrontPage. It's like something kind of embarrassing. And my boyfriend helped me like, hack an open source shopping cart, we used interchange which was like Linux shopping cart if anyone ever sold that footing around back in the day. And I spent that summer, before I moved up to Pittsburgh, kind of like we incorporated

and I bought the first set of inventory and merchandised that inventory like, I read all description, I thought of the names, I designed the site, I thought about like, some of the user experience of the site you know, as much as we could kind of change from this open source platform.

And, we launched in January of 2003 and we actually had a sale on our very first day, it was not someone I was related to, or someone that I knew which was very exciting, it kind of felt magic. And, I think like that was sort of like, going into the thrift stores and seeing those products and seeing opportunity was the scene like, that was like the moment when I like, I feel like I became an entrepreneur like, I was just like, wow this is really cool like, I can go out and find this stuff and I can like do all these things that I really like to do and like people will pay me for it. Like that's pretty awesome, and if I could like, I was like just getting started in my college career and I was just thinking about, you know, the things what I wanted to be as an adult, the things I want to study and the things I want to do. And I kind of have this like inkling of like, wow if I could do my own thing, like that would be pretty special, that would be pretty amazing. So, I ran the business part-time while I was at school, I continued to sell one-of-a-kind vintage and you know it grew, it was like kind of fits and starts. You know, like some months it was really slow, we'd only have a handful of orders. I was doing whatever I could I ended up being a double major. I doubled major in Business and in German. So, I had like a pretty rigorous course load as well. But like on spring break, winter break, summers like, whenever I could, whenever I wasn't like doing other stuff the normal college kids do, like I just kept coming back to this, like I loved it and I was getting better at it and that was a really good feeling.

And so when I was approaching graduation in 2006, I knew kind of my junior, my senior year, I really started thinking about ModCloth as a legitimate career option. And, it was a scary decision to have to make. And one of the things that I intuitively did that I would recommend to all of you guys and it's like - and something that's has been really powerful in my life is like, when you are making big decisions like this and maybe it's obvious and you guys already do this, but if you are making big decisions like, sit down and really think about like what are the worst-case scenarios and write them down and like, get them out there and you know, you wouldn't get them a 100% right. But like, get comfortable with those and then, you know, then you can go ahead and make your decision. That's always helped me and this was definitely what I was doing at this time in my life. You know, I was thinking about like well, if this doesn't work like, I am going to be behind my peers like, I haven't gotten, you know I was kind of making these decisions of like do I spent the summer working on the business? Or do I try to get an internship? Like where I do I devote my time and that's like the eternal question for, I mean, everyone but particularly for entrepreneurs where do I devote my time? That question will never go away. But you know, I really, I sat down I said okay like, if I don't get a job like, maybe people will look at me and say like wow, like what was she doing, she didn't get the job right out of college like, it's all these things maybe I wouldn't be able to pay my student loans, worst-case scenario like maybe I will go bankrupt. I am young, I don't have a family, that's okay, you know, like I like, put that all out there and really thought about it. And you know, it's scary but at least, like you know what you're scared of versus just like being afraid of like the unknown. So, in 2005/2006, you know, I spent a lot of time thinking about the business model like, I knew if I wanted to, I knew that we had a lot of traffic, I knew that like, new things that were happening on the web like Facebook you know, like a, a student at the time so I want the just first people to use it.

You know, I saw the power of not just building an online retailer but really building a community and allowing like, I realized the part of why customers were drawn to ModCloth was not just the fashion but it was because they were similarly-minded individuals, similarly-minded women. And I saw this opportunity to build a community, to build a lifestyle, to build something that was more than just about fashion, and that spoke to customers and that empowered them to be actually part of the process, right? Like, Facebook isn't fun if your friends aren't on it, in the same way like, I thought that I could build the retailer that would actually allow you to meet new people, and meet new like-minded people get style inspiration, get style advice from not just like a fashion company but from other individuals. There is also the rise of personal bloggers and celebrity bloggers and kind of like, everyone was gaining an audience. And I saw this opportunity to build by brands and to gain an audience from ModCloth. And so, I was thinking a lot about the business model, I was thinking about all the stuff that was happening at the time and I saw the opportunity to you know not - I knew that I had to move away from one-of-a-kind vintage pieces like, it's not scalable, it's not a great customer experience either, you know everything is like in one color and in one size. But I really had no idea where to start, like I wasn't a fashion person, I was based in Pittsburg, Pennsylvania and not necessarily the most fashionable city in the world. Carnegie Mellon which isn't a really a school that has you know, a lot of people, like, I was starting to meet entrepreneurial mentors but, I didn't really have anyone in my life that had retail experience at that time. But I was eventually able to find independent designers and to really make the business start to look like what it looks like today which is you know this mix of products that you know, some of them have a direct vintage inspiration but really like old fashion is vintage inspired in some way or another because you know it's like whether it's a dress from the 1940s, but then was re-interpreted in the 1980s, then is re-interpreter today, it's just you know, hemlines are longer or shorter, shoulder parts gets bigger and tinier and kind of moved to different spots. The silhouette changes but it's all inspired in some way. So, I was able to kind of take this, this business that started in my parents living room and eventually moved into - this is, this photo here in 2006 was our first like, official fulfillment centre.

And I'm looking at today like we're in a 200,000 square foot fulfillment center in Pittsburgh. You know, like I said we're

shipping two million orders last year. You know it's - we've come a long way. But another lesson that I've learned as an entrepreneur is that you know part of that drive will - like that, that really drives you to start things, will never let you be satisfied. So, it's really important as an entrepreneur I think to like work - to work on the practice of like celebrating your wins and like taking a moment to step back and saying like, wow, we have actually come a long way, because I look at this and I'm like, okay we've come a long way but we still have, I still have such a high aspirations for the brand, I have such high aspirations for the business, we still have such a long way to go. And that's been like an important learning for me. It's like, how do you, how do you make it sustainable, how do you like celebrate these wins but still keep that drive to want to get bigger and better. So, I'm still excited to get bigger and better, I'm still learning tons of lessons along the way. And one of the biggest ones that I have learned thus far is that it's okay to be, I'm kind of calling it like it's okay to be a rookie, like it's okay to kind of not know what you're doing, it's okay to come at problems from a really kind of like rookie mentality and that can actually be, it's not just okay but it can really be an advantage. and I think that you know, as I look back at my career and like my story at ModCloth, I think that it absolutely was, and advantage for us in a lot of ways.

Like I said, like we weren't retail veterans like we didn't come from retail families like, this is a photo of me with our first delivery of non-vintage merchandise like, peeking over those boxes like oh my god, what I am going to do with all these boxes next. It's like literally you can kind of tell literally in our college house. And, you know, like when I was going through this process like back in it's like really formative time like 2005/2006 and thinking about making this a real business like, I really had to Google like, where do I find wholesale clothing like, I didn't know where to go and who to ask. And, you know, I eventually like all my goggling eventually led me to like some of the major fashion trade shows and I kind of like, bought a ticket to Las Vegas and went to these trade shows and like walked in without knowing what to expect. And you know, like I thought maybe it's going to be it's like glamour's thing, I mean you hear about the fashion trade shows, it sounds like maybe it's going to be kind of cool. In reality, this is what it actually looks like, you are in the Las Vegas Convention Center, you are walking through you know it's kind of concrete there is no windows, so this was what I walked into with this kind of rookie mentality. And I think the fact that I did just go in and like asked a ton of questions and was like, you know like I literally asked about everything. I mean, I probably honestly was like asking some dumb questions. Like I was like, if I buy this, how many do I have to buy and when will you ship it to me and when will I pay you and like some of these things that, you know, usually you know about the time you get to this level. And you know what I learned about the trade shows like really quickly, right? It's like the buyers go there, they walk the floor like everyone from small retailers like, ModCloth was at the time to like the big department stores.

They walk the floor, they looked at the designers; the designers all bring samples that they are hoping to put into production. They see how many buyers are interested in the samples and then they go back and they make some bets and they say okay this is, you know, we have some pre orders for these and like these things people are kind of interested in. So, this is where we're going to kind of place our bets and like place our production orders. And so, what I realized really quickly in 2006/2007 as I was starting to like build out our designer portfolio and moved away from this one-of-a-kind-vintage model was that, a lot of the items that I really loved weren't getting made. And so what I'd hear from the designer is just like, oh but Nordstrom bought this one, don't you want this one, this one will get made. And of course, I didn't want the item that Nordstrom bought even if it was a great seller for Nordstrom because I needed differentiated cool products for my customer. So, you know, I kind of like I asked some rookie questions like, I was like hold on, you guys have all of these samples here and you're showing them to us and like, just because I am the only one that likes them like, sometimes half of the items that we are finding at these trade shows weren't getting made, like we had a really big fallout rate. So, yeah, I asked some of these questions, you know, they said we have all these samples here like, I have all these customers that I can talk to like immediately I don't have to you know, wait six months and then walk out on to a sales floor like, the traditional brick-and-mortar guys do, why can't, if you have these samples here, you've already gone through the cost of making the sample, can I just take those samples and see, maybe my customers will really love it, maybe I can help you get to that. You know, usually depending on the item it's like a 100, 600 minimum production order. So, maybe I can help you get to that, so I can like guarantee my order and I can give you some real customer feedback.

This led to our be-the-buyer program which we launched in 2009; this is kind of like a quick snapshot of the concept. But it really came from this like, rookie mentality of like why not, why can't we do this? And I think like, some people in the fashion industry kind of have this reaction of like, but that's your job as a buyer like, that's the thing that you are suppose to do is, you are suppose to go out there and like kind of you know, make your educated guess of what the customer will like. But from my perspective I was like, if I don't have to take that risk. And I can actually engage my customers and let them - let her be part of the process, like wouldn't that be much better for everyone. For independent designers as well like this was giving them direct customer feedback rather than just getting, traditionally they just heard from the buyers whether, why the buyers like something or not. So, giving them like actual feedback from customers was a really innovative thing at the time. And, this was a really important part of our growth like we were able to for one like get more items that they actually needed like I said half of the items were falling out at the time. And this was like the core of, you know, this like launched the core of our core tenet at our company that we should really be empowering the community to help us make these decisions, even these decisions that traditionally are made internally at traditional fashion retailers. I think that it's important, so I am telling this whole story like I think it's also important as entrepreneurs to keep in mind that fake it till you make it is totally valid like, that concept but it is just

one of many tools in their toolbox and that's something I've found as I've looked back in my career and you know, as I think that what I would share with my younger self. I think that often we try to like, just fake it till we make it all the time.

And I think, part of it is kind of the culture like, it's especially in the entrepreneurial world like, you're just, you're always you know, you're just like yes, of course I can do this, of course we'll be able to hit these numbers. Of course, we will be able to - you know we know what our plans are going to be one year from now, two years from now, five years from now. And, you know, that's totally fine, and like sometimes you really do have to do that like when you are pitching your business, when you are talking to investors like, absolutely fake it till you make it. But I think that sometimes like, if you get too caught up in this mentality like, you can, I would caution you to resist like, faking it, because you might miss opportunities to actually find your own path and you might miss these opportunities to kind of put your hand up and say like, why are we doing it this way, why is it happening this way, does this actually make sense? And this has been a really valuable lesson for me. Okay, one last word on being a rookie. I will tell everyone out here you know, don't be afraid to go into an industry that you don't know anything about. I will say like, look at this girl, if she can go on to be the creative lead of a well-loved multi-million dollar fashion brand like, you can do it too, even you know, if you're not raised in it, it's not like in your blood or whatever, I think that I am living proof that if your passion about something like you can create your own kind of your own place in that world. Okay, so this leads very well to my next lesson which is that it's okay to look back and cringe. I'm definitely putting those pictures up, makes me cringe a little bit, I'm not going to lie. I think this has been a really important lesson for me as a creative entrepreneur.

I think especially as you started out in your career, it can be really scary to be vulnerable and to put your work out in the world. You want everything to be a 100% perfect and I don't think this is just, you know, when I say creative I mean like, I am definitely, I spent a lot of my job and all of my times thinking about statics and thinking about you know, design and these sorts of things but I think this is just as applicable to if you are a code or whatever you're are doing, whatever type of product you're building like, when you are starting out in your career, you're are not going to be good and you are hopefully going to get better, which means that you're going to look back and your taste are going to be better and you're are going to know so much more, and you're cringe on your earlier work. So, you have to just like get out there and do stuff. This is one of my favorite quotes by the author Neil Gaiman, like if you're making mistakes means you're out there doing something. And I think, it can be hard sometimes, right? Like you want to just like, you want to wait until it's absolutely perfect and I'm not advocating by any means that you should not care very much about what you do and not have like real attention to detail but I think that this like, having this permission of like no matter what, I'm going to get better and I'm going to look back and cringe on my earlier work. I think it's really freeing. So, it's something that, you know, it's one of those lessons that's like easy to listen to and maybe to understand intellectually and it's harder to actually put to work in your life as entrepreneur, it's something I am still trying to work on and it can be tough quite honestly to find that balance of like having that attention to detail and not wanting to release anything until it's perfect and just getting in out there and like knowing that it's going to change and you're going to move on and you're going to look back and you're going to cringe one way or the other. So, let's just take a moment, I will show you my look back and cringe This is the first version of ModCloth. This is our first logo. I think it's very clearly designed by a 17 year old who has just learned Photoshop.

Yeah, but this doesn't mean that like I was really proud of this thing when we released it. You know, I spent time on it, I was thoughtful and you know, I thought that this like embodied my brand and I thought that bevel looked really cool. But I look back on it now and its cringe worthy. This is the next version of the site, this was 2005/2006 we switched to a new, another like open source like Linux based shopping cart. But again it was like I had taken a few design classes, it's like starting to get a little better but like this is some of the content that we are producing around that time. I look back at it and like, oh my God, oh it's horrible, but if I hadn't done it, if I hadn't put it out there I wouldn't be where I am today. This is kind of circa 2007/2008 starting to come along and starting to see some of the like, kind of more the hallmarks of the ModCloth brand that you see today, for those of you that are familiar with the brand. And you are starting to see more of like, our kind of playful quirkiest that had come through. But you know, again I look back at this and the work that I do today and I am like, yikes, you know. And like I said, it is about having this, you know, this is where we are at today and it's having this permission to be okay with the fact that you know, in 10 years you look back and like you will be proud of what you did but hopefully you're going to better and you're going to better and you're going to be past that stage in your career and your life and you're going to be, you know on to greater and better things.

So, the way that we think about like this philosophy and putting into practice today at ModCloth is, you know, in one way like thinking about the concept and our product development on the technology side of a minimum viable product, and I am sure you guys are probably familiar with this type of concept, you know it's like, think about what's the minimum I need to put this on to the world and get user feedback on it. So an example like, a more recent example for us at ModCloth is our style gallery. This is a feature that we built and we launched on our site in 2012 and like the goals are you know, let our customer come and upload outfit photos and like browses outfit photos and get inspired, and loved them and kind of build you know the community in that way. And then the second goal is to make those outfit Photoshoppable. And this was the first version that we rolled out, we worked really hard on it, we felt really good about it, but you know, since we got it out there to our users as we

sold it, she knew she realized that she should browse and she got the inspiration part of it, but she did not get the shopping part at all. You know we iterated like, released many new versions like, lots of small iterations. We found that they just like adding this magnifying glass on the mouse over told her that she could actually click in and shop. So, it's like these little things and you know, even though the first version of our style gallery failed, right? Like, we wanted it to do two things and it only did one of those things. We didn't view it as a failure, like we got something out there and we learned and you know, if we had waited to like make it a 100% to like if weren't diligent on really thinking about like what is that minimum out viable product to get out there and to get feedback. We would have probably spend a lot of time like running in a different direction because once you actually get things in front of your community, in front of your users like that's where you get the feedback that actually matters.

And, you know, I think for us and for our brands like the fact that our customers were able to be part of this experience of iterating like, she tells us what she likes and what she doesn't and she actually sees that we listen and that we make changes and that's really empowering to our customers and that's like that empowerment is more than just retail it's more than just transaction like that is part of the emotional core of what has made ModCloth successful and I think what's made Mod Cloth like love by our community as a brand. And that's the - and the final thing that I really want to talk about today is that the emotional core of what you do like, the purpose of what you do as an entrepreneur is really important and that's really what endures. I think, part of this is it's not just external, it's not just that the emotional core of what you do connects your customers to you, but it's internal as well like your purpose is what connects your team to the work, it's what make you know, employees like an actual team, an actual company and it's what makes everyone move in the same direction. And I think that you know, ModCloth like our purpose is really to find on understanding our audience like we know that if you ask women the study showed that 96% of women say that what, they say that they agree with the statement that what you wear affects how you feel, right? And that's more than dresses like it's more than just a transaction and like being able to connect to that I think has been like externally and internally has been one of the most valuable things that we have done as a company. So understanding, so it's important to understand your audience, and I feel like there are like when I've talked to other entrepreneurs about this, you know, I hear like what if I am in a B2B business, I am not dealing with an audience like yours that has this sort of, you know, emotional need for product but it's not just about, like I said, it's not just about external, it's about internal as well, right? And I think like we think about companies that really endure and that people love and people love working at, it's having a purpose, that's more than just like we're going to grow quickly and we're going to make money like, you need to think about and I have not come across a business yet, that doesn't have some sort of emotional core that doesn't make people's lives better in some way that doesn't serve some purpose even if you are B2B, like, you're helping those other employees. The other employees of those other businesses, be more efficient, to be better at their jobs like, there is an emotional core there and I think that getting to it is really important. This is ours at ModCloth; we are committed to inspiring personal style and helping our customers feel like the best versions of themselves. And, you know, it's different from you know, I'd say it's different from the rest of the fashion industry and that you know, we are encouraging our customers to be themselves and to be the best versions of themselves. Like we're not saying you have to become this, like, idealized like ModCloth version. We're just saying like we will help you be the best version of who you are.

And this is really powerful like, this is what our customers see from the rest of the fashion industry. Like each of these images is actually taken from a different retailers' campaign. I mean, you see them next to each other and they look pretty similar, I think. And there is nothing wrong with these images like, they are beautiful and there is like, lots of good things to say about them. But, for me like, I am a customer and I look at them and I don't see myself here like, I don't feel like, I necessarily belong. And this is an image from one of our most recent song campaigns of ModCloth. It's actually, this campaign went viral, it was written about around the world and we decided to photograph our employees and one of our best selling swimsuits, it's a swimsuit that we carry in a broad range of sizes and that we would carry for years and years, that has like thousands of reviews from customers of all age ranges and shapes and sizes that say that they love it. And this is really powerful, I mean, like you look at this and like, and I think this is the message in branding as well like, if you are this is a message, this is a lesson in branding as well, right? Like, if you look at these images, even though they are from different retailers, they kind of blend together. This image is different, right? And it's important that like, your business esthetically kind of stands out as well. But emotionally it stands out too, right? Like this is a different message; this is saying women look different and that's okay, it's something that can be celebrated and that we can be happy about.

And, it's also - it's like, this is the most vulnerable time for a women, probably when she is wearing a swimsuit like that's what we hear from a lot of our customers. And it is saying like, hey you don't, it doesn't have to be that way, that's okay. And so I think this emotional - like I said like, this is our emotional core for a business for all of you like, whether you're starting businesses, you're already an entrepreneur if you are you know, just like you want to take these in entrepreneurial mindset to a bigger company like, think about the emotional core of what you do, like it really is important. It's a lesson that I've learned all the time like, we get this incredible emotional outpouring from our customers because they see what we do for them, how we speak to them. And, we see it on Facebook, we see it on Twitter, we see it internally on our site and like for me this is the thing that I am most proud of when I talked about like what I felt at ModCloth. And you know, I think if you can find something that you love to do that is financially viable, right like, you got to get paid for it. And that also emotionally connects with other people

that makes other people's lives better in some way that is really powerful and that's something that like worth getting out of bed for. And you know, as an entrepreneur like I think that you have to have, I think in some ways like, you have to have that drive because there is going to be some days when you need something to get you out of bed like, it wouldn't be easy. And this emotional core is also what gets you through tough times, right? And, I think that you know, a lot of the times in the entrepreneurial world like we don't talk about what it's actually like to go through tough times. You can feel like you hear a lot of the kind of overnight success stories and like, I have had that story written about me in various ways you know, like I have been on a lot of those 25 under 25, and 30 under 30 less, and you know, like, entrepreneur does this great thing and it's like build this incredible business.

And I'll say like, always from my perspective and like from the other entrepreneurs that I have met and I have learned about, that concept of like, an overnight success story just doesn't exist, there is always something more to it, and it's never just like flowers and rainbows. And then I feel like on the opposite end of the spectrum like you do hear about, I'll just pull one out of the sky like, you hear about something like, pets.com or it's like oh, crazy explosion/implosion however you want to describe it. We don't hear as much about the stuff in between like, the actual like, what is it like to weather hard times. And, I have been through that like, the last 12 months in ModCloth were not the easiest time of my life and part of why I want to talk about is because I do think that you don't hear other entrepreneurs talking about very much and I do think it's like, part of it is the kind of the culture in the same way that I was talking about like, we feel like we have to fake it till we make it, that's a tool, and it's not something that you have to do all the time. And I think that, yeah often like you know when you are in the valley or wherever you're at like, you - as entrepreneurs you start to equate like, kind of your personal success and your personal worth with your businesses' success and businesses worth. And I think that that is, there is no way to kind of get around that when you are starting out because, it is just you and your - it's you in like a very small group of people and you're putting so much or results into the business. But, as the business grows and as you I mean, if you are goal is to actually add more people, you know, it isn't just you anymore, and I think that's like an important lesson that founders have to learn is it's not just going to be you. And that's like, for the good times and the bad times like, the good times it's your team. And the bad times, it's you and your team as well and that can be again, it's one of those lessons that I think is probably easier to understand intellectually than to actually like put in practice in your life. And, you know, for me over the last 12 months at ModCloth like, kind of the long story short and it's like we grew really quickly.

We had to make some tough decisions in the business because we were at a point, where we were growing quickly, we weren't able to support our burn rate anymore, and you know, this purpose was what got me through making those decisions and like having those times where it's hard to get out of bed, and it's hard to go to work. That's another thing that's hard to face as a founder when you know, you've created your own job and you don't want to go do that job, that's a tough place to be in. And I think if you don't have this purpose, if you don't have something that's deeper that's pulling you back to it, it will be all but impossible. So, you know, for us like as I said, like had to make some hard decisions like we had to lay people off last year and it was the hardest thing I have ever done professionally and you know, quite honestly like I felt I spent a lot of last year kind of personally feeling like a failure, and that's tough place to be in. And, again like this purpose was that brought me back to, okay even though I am feeling this way, I can step outside I can look at this, I can look at my business and I know that my business is a success because my business has this purpose and my business has this. You know this thing that it's doing like this is real, and we are making a real difference in people's lives. And, having this brought me through that time. It also brought our company through that time like, this was what our team rallied around. And it wasn't easy and as I said like, we had to make some hard decisions to set our business up for success and set our brand up for the future and you know, we decided to really focus on the things that we did better than anyone else in the world, that was thinking about building community and taking like engaging with that community and creating products and creating innovative social experiences that they would love and that they would respond to. And, having that focus, and having like this purpose to kind of drive that focus enabled us to you know, kind of look for and start thinking about the future and as we started thinking about the future of ModCloth like, in the last like 12 months or so.

You know, we knew that involved taking the brand to the next level, part of that is, thinking about what a physical presence means for ModCloth and what that would like. And you know whether that's pop ups or fit shops or guide shops or some combination of them, brick-and-mortar stores; we knew that was where we wanted to go. We also knew that we needed to work on our own proprietary products, so thinking about designing things that you could not find anywhere because we know our customer best and we know what would fit her and we have all this like, great data on what works for her. So, in order to do that we actually decided to hire and a new CEO, someone who had retail experience and who had kind of done all of those things, had brick-and-mortar experience, understood proprietary brands. And our new CEO started in January, his name is Matt. And you know, since January we have actually already launched our first fit shop, our first fit pop up. We did this in LA about a month ago. And it was incredible like, we had customers, community members linking up around the block, hundreds of them, some of them waiting for hours to actually get in and be able to try in our products and interact with each other, interact with the brands and you know, all of this is possible, you know like, moving forward, thinking about the future of ModCloth because of that core and that purpose and I think like, it's part of why I am so passionate about sharing this message with other entrepreneurs is because I feel like it's easy to think about like, there is just this kind of list of things that I need to do

as an entrepreneur, and I need you to check them off and I need to grow a business, and I needed to do this and need to do that. And, I am not sure that like this concept is on that like, well-known list. This concept is like find your purpose and find what you're doing.

And I'd like it to be that. I also don't think that the check-off the list is like actually you're saying that people should be doing. Guess I like - I feel like all entrepreneurs have different stories and like come from different backgrounds and kind of approach in different ways. But I do think this is one thing that like every business or it's really nowhere it's going in order to weather rough times and to be headed in the right direction in good times. Like this is probably like the most important thing that I would leave you guys with. And I would love to answer some questions. Thank you for having me here today. Okay. So you mentioned that it's okay to look back and cringe. But is it possible that your earlier choices even when you look back you feel that it is unsophisticated, it actually fits the young people of that same age group they actually prefer the unsophisticated versions of styles.

So the question was it's okay to look back and cringe but sometimes you find that... Yeah maybe the naive version actually fits. Yeah. Yeah, that the naive version is better for a certain age group or like for a certain customer. So I think I see what you mean and I do there is definitely some validity to - like I don't think it's about necessarily like looking back and saying like that wasn't cutting edge or that doesn't feel cutting edge because everything will feel stale kind of a few years into the future. So I do think there is definitely validity to kind of - like I feel like maybe what you are asking about is like a purposeful throwback or something that feels more, I don't know, kind of retro. And I think that's totally valid. I do think though that if you - so if you feel good about what you're putting out into the world like part of the thing that I want to convey is like if you feel good about it like get it out there and don't just kind of sit on it and hold it in because you want to make it perfect because it will never be perfect. But, yeah, I do think that there is validity to looking back and saying like, well, look, this is actually great and it's like perfect again in this moment in time. Yes, in the back.

Can you talk a little bit about the transition that your company made between filling a simple need as a small company selling to consumers and you know that they want a product and then being able to actually empower those consumers, like fulfil yourself and like being able to empower your consumers and what contributes to that cycle. Yeah. So the question is about how - what was the transition for ModCloth from going from like a purely transactional relationship with our community to actually empowering them to be part of the process. Yeah, I think - I mean I do think a lot of that for ModCloth story was timing for us. Like I said, we were kind of - I was like thinking about taking the business to the next level at this time where Facebook was really gaining traction and like all this stuff on the social web was happening. So for me, it like intuitively made sense that whatever business I was starting like this had to be a part of it like I look at the way I was using Facebook and the way my friends were interacting on Facebook and it made sense to me that like because my customers were probably pretty similar to me and my friends that they would want to interact in that way as well and not just with the brand but with kind of each other on the website. And giving them that opportunity was going to be something that would be not just useful for us because we learn more about them that it would actually be a brand differentiator. And I think the transition really was around the time that we launched our Be the Buyer program like having that kind of brainstorm of like, yeah, we could - let's ask our customers and let's get them involved, let's listen to them. It really was just like confluence of what we were thinking about, what we were excited about and what was happening in the market like - and in the broader like social world that allow that to happen. Was that too vague or does that answer your question? Cool.

Yeah. I like to know you currently have your own designers and also I would like to know are you buying and selling globally and what's been your experience with that? Yes. So the question was if we have our own designers which we do, so it's definitely something that we see as a big part of ModCloth's future and moving forward is doing more and more proprietary design. We release about 150 designs a quarter right now, they are coming from our own internal design team and we see that scaling quickly. The other part of the question was whether we work with international designers globally and kind of what that... Yeah, both buying and selling. Yeah, both buying and selling. So we do sell around the world. Our audience is mostly here in the U.S. but we do have like a fairly substantial following in Canada and Australia and like some of the other English speaking countries you'd expect and like high English speaking countries.

We do work with designers based around the world and it can be - it's incredible from a branding perspective being able to introduce a designer to the U.S. for the first time and bring them into a new market, it's great for their business too and for us like it's part of how we become known as a place to - you can find stuff that you can't get anywhere else. But from a purely like retail business perspective, it can definitely be a challenge. It's hard for designers that haven't worked with companies in the U.S. before just like all the actual logistics of like bringing product in and making sure it's like going to get through customs and going to be able to sell in the U.S. It can be - because we work with, we really value independent designs, we work with a lot of independent designers and some of them are really great at design and not so good at logistics and some of the other parts of their business. So we have to kind of step in and fill that role. Does that answer your question? Cool. Yeah. The fashion industry, it's really a cutthroat and it's really a competitive space and I know a lot of brands they go over now, you see the craziest campaigns but I am just curious what was the one thing ModCloth did differently that got its early adopters? Yeah.



So the question was what did ModCloth do differently to get early adopters. And I think - when I think back to the real early adopters like people that were joining the brand in 2006 and 2007, what we did differently was really go where our customers were at a time when other fashion brands weren't thinking those spaces. So being like one of the first brands to really build the fan page on Facebook for this audience going to up and coming like celebrity gossip bloggers and personal style bloggers because we knew - we even like we used to do a lot of advertising, we still do, but like we do a lot of advertising with like cute blogs. So like blogs that post pictures of like bunnies and kitties and that sort of thing which isn't fashion related, so it wasn't like entirely clear to the broader industry that they should go and find customers there. But we - like I knew because that's the stuff that I was interested in and it was new and it was up and coming and like my friends were interested in it. So we were able to go and like find our customer where she was at and I think that was definitely what really spoke to our early adopters. They looked at us and saw us as, in some ways, like we are early adopters as well like we were the first to work with - have partnerships with certain fashion bloggers and like be working with them to create great content that didn't feel like an ad but talked about the brand and like got brand awareness out there. Susan, thank you so much it's been fantastic. Thank you.