

URL: <https://ecorner.stanford.edu/clips/how-to-navigate-bias-when-fundraising/>

Stitch Fix founder and CEO Katrina Lake acknowledges that she faced significant bias when she was first fundraising, often because male VCs could not relate to a women's apparel business. She advises female entrepreneurs that emphasizing the business's financial upsides and the market opportunity can help break through bias, but adds that structural change — more investors from underrepresented backgrounds — is paramount.



Transcript

- Can you talk about even just the fundraising process 00:00:06,310 when you're pitching to VCs for a service that's focused on a demographic typically different than the typical VC, how do you navigate that fundraiser and how do you pitch to potential investors that don't reflect at all your target customer demographic? Can you add color to that experience? - Yeah, I mean, that happened all the time and you know, 00:00:26,380 I think the world has gotten slightly better since I was raising money from VCs 10 years ago, but you know, all the time I would get comments like, "Oh, well, you know, I just, I don't see why anybody would want a service like this", or like, "Oh, well my wife, you know, why is this any better than my wife's personal shopper at Saks?" And I'm like these are just like, not even relevant.. And, you know, and I think there's a time when, like we got to the final rounds of a lot of venture, of a lot of venture firms and like we got to and we would like, oftentimes we'd get to the final round, meet the whole partnership, do the whole song and dance and then not quite get there.. And I mean, I had one VC who was very kind to like kind of share more context and, you know, he was like, "I get to choose one or two board seats a year".. And he's like, "I love my job.. I'm really lucky, I love my job".. And like, "I wanna pick board seats where like, I, you know, where I like live and breathe the company.. I wake up everyday thinking about it and like, I wanna add value to you as a board member".. And he was like, "And I just, I don't think I can wake up in the morning thinking about women's dresses and like, I just don't think I can add a lot of value to you in this space." And like, that was really heartbreaking because look like I've made similar decisions too.. Like I'm on the board of Glossier because I love the brand, because I love Emily.. Like I purposely did not join the board of, you know, a casual gaming company or whatever else that doesn't fit my passions and what I'm excited about..

And so, you know, if you think about the, you know, the kind of lack of diversity in that VC world and just like what, you know, what, what likely those people will be gravitating towards.. Like I used to joke it would be like, you know, I would've had an easier time raising money for an app that helped guys navigate or guys organize their T-ball leagues for their kids.. Like that was a pain point that like all these men really understood.. And like that would have been easier for you to raise money for than a company that I have now that, you know, has almost \$2 billion in revenue and is in a \$400 billion market opportunity.. And, and so, you know, I think that like, it's, it is challenging I think when, again, like coming back to just the lack of diversity that's in those decision makers and you know, who gets money, like it depends, like it dictates a lot of things.. It's like which companies get founded, like which people are going be, to accumulate generational wealth.. What kind of company cultures are gonna be created where like, you know, my children are gonna work.. Like all of these things end up actually being decided by a pretty small group of people and a pretty small group of people that's not very representative of like our broader population and their needs.. And so, you know, I think there's no question we need more there.. I mean, in terms of my tips for it, like I do think at the end of the day, like this is, you know, I am a very quantitative person, like this is actually like a great business and it has been a great business for a long time..

And so, you know, I really relied on my own handle of the numbers and of cohorts and of the financial statements and really being able to show people like, look, even if you don't feel like you can wake up excited about personalizing in women's apparel, like, you know, you can at least wake up and get excited about like the size of the business and the size of the market opportunity and like, you know, the profitability profile of the company.. And so, you know, I had to focus on different ways to get people excited and to be clear, like we, in the end, like we found great investors who are, who have been, you know, great, you know, mostly have been great backers of the company and many of whom are still involved in the company today.. And I

feel very lucky that I was able to find that along the way, but you know, it definitely is not always an easy path.. (energetic upbeat music)..