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James Reinhart is the co-founder and CEO of thredUP, one of the world's largest online resale platforms. thredUP designed a digital resale experience that aims to take the work and risk out of thrift in an effort to make used clothes the new normal and create a more sustainable future for fashion. Prior to thredUP, he helped develop one of the nation's premier public schools, Pacific Collegiate School. In this conversation with Stanford adjunct lecturer Ravi Belani, Reinhart discusses how thredUP arrived at its business model, and explores the challenges, pivots, and insights that emerged during thredUP's decade-long journey to becoming a publicly traded company.



Transcript

Announcer Who you are defines how you build. 00:00:08,600 - Welcome YouTube and Stanford communities 00:00:11,872 to the Stanford Entrepreneurial Thought Leaders Seminar. I am Ravi Belani, a lecturer in the Management Science and Engineering Department at Stanford and the Director of Alchemists and Accelerator for Enterprise Startups. The Entrepreneurial Thought Leader Seminar is brought to you by BASES, the Business Association of Stanford Entrepreneurial Students, and STVP, the entrepreneurship center in the School of Engineering at Stanford. Today, I am thrilled to be welcoming to ETL, James Reinhart. James is the CEO and co-founder of ThredUp, a \$2 billion, publicly traded company that is one of the world's largest online resale platforms. ThredUp designed a digital resale experience that aims to take the work and risk out of thrift in an effort to make used clothes the new normal and create a more sustainable future for fashion. James is also another phenomenal founder with liberal arts roots. James studied history at Boston College and, like Reed Hoffman and many others, he studied philosophy, political philosophy, at Oxford, and then spent seven years dedicated to secondary school education. He was a high school teacher, a communications director, he co-founded a network of the top charter schools, and he also was instrumental in developing one of the nation's premier public schools, Pacific Collegiate School.

He then graduated with joint degrees from Harvard, from Harvard Business School and Harvard Kennedy School where he earned master's degrees in public policy and business. So with that, please welcome James. James, welcome. - Thanks for having me, Ravi. 00:01:49,220 Good to be here. - Great to have you. 00:01:51,082 Great to have you. I'd love to start off with the origin story of ThredUp because there's so much catnip here, which is so, I think, fascinating. One of which is, if you know, if I was a life cartographer, and I'm tracking your life, and this is I think a true inspiration for many of the Stanford students, your life screams out education, politics, philosophy, and policy, and then suddenly you go to being the founder of one of the largest online reseller platforms for secondhand clothes. So can you talk us through that? How did you start ThredUp, and was there a connection between the past and that venture, or what was the inspiration behind it? - Ravi, I think I need be on a couch.

00:02:38,380 It's like a therapy session. You know, how did we get here? Well, it's great to be with all of you, and yeah, I mean the origin story, I mean, there's a few threads in there, no pun intended. You know, I think growing up, I was always a guy who had a point of view on fashion, you know, and wanted to have unique things and express my individuality with the clothes that I wore. And I think this was probably like a dormant, you know, latent part of my personality. And then, as you

said, I did a bunch of other things. And then I was in business school, you know, that school that shall not be named on this call, and when I got there, I didn't have any money. And so one of the days, I went and I tried to sell like some bags of clothing, you know, at the local consignment store, and they didn't take them. You know, and it was like, I remember it vividly, it was like a J.Crew cashmere sweater, Brooks Brothers coat, and they said, you know, these things don't have any value. And I thought, man, I find that hard to believe that this cashmere sweater is worth zero. You know, and I think that the insight that I had was like, it's worth zero to me, but in some other context, it could be worth \$20 or \$25.

And so what I saw at that moment in time was a real market failure. And, you know, in a business school parlance, I thought these were mispriced assets, right. In my closet, they were zero; in somebody else's closet, they'd be worth more. And that was really what kicked off the story. I think my whole life, I had been, you know, tinkering with businesses. You know the joke, like I had a lawn mowing business, right, and then I did. And so I think there was an entrepreneurial spirit in me. And I think I found the right idea and then got really inspired to pursue that. So that's a little bit of how I think this all came together. - No, that's terrific.

00:04:31,652 So you were always entrepreneurial. You were always thinking about things, and you just happened to, this was the moment in your life when things converged. - Yup. 00:04:40,230 - James, on this idea of market failure, 00:04:41,450 there's two schools of thought I find when it comes to starting companies. Some believe that startups attack markets. There's a set market size, you're going to go and take a certain share of that market. And there's another school of thought that startups create markets, that founders are more like missionaries that are actually going and evangelizing and creating movements, that you're more of a movement maker as a founder versus a market attacker. Do you subscribe to one of those, and if so, which one and any thoughts on that? - Yeah, it's a great question. 00:05:13,163 I think at the time, I think to be really like intellectually honest, I think at the founding moment, it was a market failure, and I was like, man, there's something wrong, right. And my whole life, I think I was sort of, you know, obsessed with markets and market inefficiencies.

And so I think, you know, the business got started with a market failure approach. And I think what we learned in the pivots, right, and we'll probably talk about some of those, right, in the pivots, we realized that we could actually massively expand, you know, the TAM by the sets of activities that we undertook. And so not to hedge, but I don't think it was either or, I think it was a sequence where we understood a market failure, which we tried to solve, and then we engaged in sort of rapidly expanding, you know, the market as it is today, so. - And can you take us through 00:06:04,310 what was the first thing you did after you had that insight? You know, when you had this instinctive, knowing that something was wrong here, that this is a misplaced mispriced asset, you ended up building a marketplace business. Marketplace businesses are notoriously the most valuable but also the most difficult businesses to create because you have a chicken and egg problem in the beginning. You need the suppliers to get the buyers; you need the buyers to get the suppliers. So when you have this, after you had that insight, what was the first thing that you did with the business? - Yeah, you know, I did a bunch of primary research, 00:06:37,496 you know, with friends and family, and I would ask them a series of questions. I would say, you know, "What percent of the clothes in your closet do you wear?" And most people said, "I don't know. I wear a third, a half." And I said, "Huh, and for the ones that you don't wear, what will you do with it?" And consistently, everybody said, "Ah, eventually I'll just give them away." And then I asked them, then I developed a third question to that after a couple of weeks. I said, "Well, how's that going to make you feel?" And they said, "Ah, I don't know.

It's just what you do." And, you know, and so I pulled together enough data points where I was like, interesting, right. Underutilized part of the closet, people are going to eventually give it away, and they're going to feel not great about it. Like, is there an opportunity to improve every part, you know, of that experience? And so when I got started, you know, when ThredUp got started, we were really focused on peer to peer. And I remember like the original pitch slides, right. It was all about building a better version of eBay. You know, how do we reduce the friction that was involved, you know, in eBay? And, you know, so that was sort of all the research that we did. And, you know, I think the business got started as peer to peer, and we quickly learned, you know, how challenging that marketplace dynamic is because you're constantly relying on sellers. And so I think that's when we started to iterate on what's the right way to access supply, and that's sort of where we landed on the business as it is today. But it was very much primary research at the beginning, and then the maximum lock I credit to a professor of mine at HBS, who, when I was running the small pilot, trying to figure out whether there was there, you know, I had a few hundred customers, you know, friends and family, people like on Facebook and so forth, and I thought that like, I had found something that made sense, right, classic sort of product market fit stuff. And I went to one of my professors, and he said, "Well, how many users do you have using this thing?" And I was like, "I think I've really nailed it.

I mean, I think we got something that like really gonna scale." And he was like, "Well, do you have like 10,000 people using it?" I was like, you know, "Well, I have like 300." He's like, you know, "You'll get product market fit when you get to 10,000. Then like, you'll know that there's a there there." And I remember walking out of his office and being I'm like, ah, you know, but he was right, right. And I often share that advice now with other entrepreneurs. Like, you can't get 10,000 people to use it on the internet these days? Like, you don't have a thing. - So that's your golden metric is 10,000 active users. 00:09:10,343 - I mean, that's like, 00:09:12,350 I that's as good a metric, I mean, as any for like out of the gate, you know, for a consumer. If you can get 10,000 people to love it, you're not going to get 10 million. - But was that the moment for you? 00:09:25,720 I mean, can you tell us when you had the moment that you knew this was going to be a big business? When did that occur? - I think it was when we opened. 00:09:37,870 So, you know, 2011, we were tinkering with getting out of the peer to peer business. 2012 is when we unlocked what we do today, which is this managed marketplace where we manage all the logistics

to really unlock supply, you know, to your previous question, right.

We were really unlocking a new market by doing all the work for people. And I think, you know, we built our first distribution center, and it wasn't really until about 2014 where I was starting to see the organic supply come into the market at like very high rates where I started to get conviction that like we had really struck a nerve on the supply side. People were sending us lots of great clothing for free, and we were able to resell it at good margins. And so that's kind of when I knew we were onto something, you know, and then I think it took another year or two for me to really appreciate that, you know, the company could be worth \$10 billion a day. - So that moment that you knew it was when there was 00:10:35,415 an organic inflow of supply. You weren't soliciting and people were just coming to you with activities. - Yeah. 00:10:41,860 - And, you know, we had Justin Kan on two weeks ago, 00:10:43,110 the co-founder of Twitch, and he talks about this moment when you know that the boulder is just rolling down the hill, and it's not that you're pushing it, it's just you're chasing it. That was that. Was there, can you quantify that? Was there a percentage that you saw at that moment when you were like, oh, this is significant? - I just, you know, people talk about viral coefficients, 00:11:06,083 right, and, you know, at that time in 2013, 2014, like our viral coefficient on the supply part of our business was above one, right.

Like, people would do it and, you know, and it's become such a problem now that we actually now have so much supply, but the challenge in our business is we have struck such a nerve on the organic clean out side that we were we're drowning, you know, so to speak, in lots of product. And so I think it's when like we weren't doing anything, and we were just, bags were just coming in the door, right. And people were sending us the bag and then saying, can you send me 10? And I think that really, you know, I think... And then I'll go a step further is, maybe Justin talked about this in his experience, is even when people would have like a non-optimal experience, they would want to do it again. Right? - Yeah. 00:11:57,360 - You're like, and so you really know 00:12:00,207 you're solving a problem when people are like, "It took too long to process, you didn't pay me very much, and, man, I would love to do it again. Can you send me another one, right?" And then you kind of know, right, I mean, that you're onto something. - That you have product market fit. 00:12:13,789 And just to be clear, that was how many years after you founded it? - I didn't really feel that probably until 2013, 2014, 00:12:21,000 so four years. - Four years after he founded it.

00:12:24,500 I think one of the hallmarks of being an entrepreneur is that the job changes, or founder, is that the job changes so much, and sometimes the very skills that allowed your success in one phase are going to be orthogonal to what's required in the next phase. And a lot of the core decisions are whether or not you stay the course or give up. And so I'd like to dive deep into that because, you know, even before you hit to that point where you knew for sure that this was going to succeed, you had 27 investors, I understand, that you pitched that said this was a failure, and yet, and at that point you said, no, I still think I'm going to persist at that. Can you walk us through the fundraising process? How many people said no to you and how you made the decision to say my internal conviction should trump their external opinion? - Yeah. 00:13:13,610 - And when do you decide to listen to external feedback 00:13:15,724 versus your own internal gut, and when you decide to listen to your gut versus external feedback? - Yeah. I mean, I think, you know, 00:13:24,790 I don't know who who's famous for saying this, so I steal it, but like this notion that like, you have to be contrarian to start big businesses, and you have to be right. And I took a lot of... I got increasing amounts of confidence when people are like, "This seems way too hard." And I was like, "Yeah, yeah, yeah. It's really, really, really hard, but, man, if we get it right, it's gonna become massive, and it's gonna be really hard for people to compete with us." And so I was, you know, because I was in business school, remember when we started the business, I was sort of obsessed with these like fundamental frameworks around competitive advantage and like how you build like disruptive businesses. Like I took, you know, I had Clay Christensen as a professor, right.

I was like obsessed with like how he thought about the world. And so I was - Clay, for the students, 00:14:19,530 Clay is the author of "The Innovator's Dilemma," which is a classic work on building disruptive companies from the bottoms up. - Yeah, yeah. 00:14:26,120 Just passed away, I think a couple of years ago, but incredible man. And so I think I just believe that like I was building something that was structurally correct and that I just needed to raise enough money to keep going to prove to people that I was going to be right on the other side. And so to answer your question about the fundraising process, like, yeah, it was really hard because you're trying to convince, you know, a bunch of, generally speaking, like wealthy white people, wealthy white men, that you're going to sell used clothes on the internet. And, you know, that's not necessarily like investor product fit. And so, you know, I think one of the things that I learned in that process was, you know, at the time, we were more focused on the kids, on kids business because kids was like a natural replacement cycle. Kids grow. You know, our first tagline was, "Clothes don't grow, kids do." And so what I realized in that process is I needed to find a really sharp investor that also happened to be female and have kids and like, appreciate like what this is like in the life of a normal person.

And so when I found Patricia Nakache, who is at Trinity Ventures, and I know teaches a class at Stanford, you know, coincidentally, I think she really like, she got it, you know, and like our conversation, you know, was, she was like, "Hey, I really get this. Tell me how you can make money." And that's a very different conversation than, "I don't even know how this works," right. And so I think that was the difference in the fundraise process. And I give Patricia a lot of credit for seeing it and getting in and getting it right. - I got a question about repeating the name of the book. 00:16:20,070 The book is "The Innovator's Dilemma." It's a classic entrepreneurship book. Clayton Christensen is an icon. Students, you should check it out. But I want to just underscore what James was saying about fundraising. You know, I oftentimes tell my students that fundraising is not so much about convincing investors that you're right, but finding the investor that's looking for you and doesn't know that you exist and going after that.

- 100%. 00:16:44,780 - And how many investors said no before Patricia said yes? 00:16:47,460 - I think I'm on record as it being 27, 00:16:49,000 but I think that number's low. I mean, you know, and I probably like, you know, and then through my whole journey, up until being a public company where investors come and go, right, you know, it's probably a hundred investors, you know, even when the company was having some modest success, who just like didn't really believe. And so, yeah, it's challenging out there. - Okay. 00:17:13,480 And I also want to sort of go down a path. So that was an example of where you stuck to your conviction because you had a belief that you knew to be true, and you listened to your internal conviction over these external views. I'd love to also explore a situation where you actually pivoted or changed, where you had some internal belief, and you decided to change. Perhaps that was the shift from the peer to peer marketplace, but I feel like we oftentimes talk about the victories, and we live in a tech crunch world where everything is glossed over, but we don't talk about the struggles. And I would just want to invite you to share any struggle or struggles that you can share that you gone through in the journey and how you got through them.

- Yeah, and I think your point about like, 00:17:57,073 you know, when do you change course and pivot, I think is an important one. So I think we went through a number of them, right. And so I think when we started out, just to paint the picture, we started out peer to peer focused on men's. So think like business model, peer to peer, category, men's. And then I said, then our first pivot was, well the men's thing, that's stupid. That's not gonna work, but peer to peer, that might be something there. So we pivoted to kids. And so we had peer to peer kids, right, and that took like a year. - And how did you know that that men's thing wouldn't work? 00:18:28,970 Did you test it? - Yeah, I mean, that was the two to 300 people that I had, 00:18:34,777 but I could never get to 400 or 500. And you know when you have a product that's not going to work when people say, "I don't think I'll use it, but I'm sure my, I think my friend will use it." Right, that's like, you know, the death knell.

People don't want to tell you your idea is no good, so they say it's not for them but maybe for somebody else. And I think I heard that enough to be like, yeah. But then in that process, I've heard a lot of people say, "Hey, I wouldn't use it for myself, but I wouldn't use it for my kids." You know, they're parents, and they understood kids are growing. And so we sort of went with some of the customer feedback. And so we went from peer to peer, and then we added kids. And then kids, you know, who shops for kids but parents? And we ruled out men, so that meant kids and moms, right. And so we had peer to peer kids and moms. And then we realized that like kids and moms was right, but peer to peer was wrong. And so the next version, and that was in like 2011, was kids, moms, and then managed marketplace. And it was at that moment when we sort of got the two together that we saw acceleration, but it was like, not without controversy.

I remember going to a board meeting where things weren't going well and when we were in the kids peer to peer business. And I was like, "And we're going to launch women's." And I remember the board being like, what are we doing, right? And, you know, but we were constantly navigating for the largest market, you know, with the right kind of business model. And those were very challenging times, you know? - And in those challenging times, 00:20:18,100 how do you overcome resistance? So when the board is shaking their heads, what do you do? - You know, I think that you have to find that balance of, 00:20:29,520 you know, your sort of base instincts around what you believe about the world, and then you have to follow some of the data. But, you know, the problem, the joke, right, the problem with the data is it's all about the past, right. The data is not a roadmap for the future. And so, you know, I was sort of obsessed with like, where do I believe the consumer is going? And, you know, at that time, I just really believed there was going to be this, you know, sustainability mindset, you know, of how the consumer was moving. And I had a bunch of, you know, data that said like, hey, if you can get the supply out there, if you can get the supply, there's a there there in this market. And so then it was ultimately like, how do we drive the business to access that supply? And, you know, I think that's why when you say, when did I know it would work, right, it was a year from there where we could really unlock supply in a powerful way. - Okay. 00:21:25,420 And I'd love to sort of talk about this notion of sustainability and that conviction that you had around that and how that interplays with, you know, there's this narrative of iterating towards victory.

You know, you're moving from men to kids, to women, and then there's this enduring mission or the sense of purpose around sustainability. Can you talk a little bit more about ThredUp's mission? How do you define the mission? How central is sustainability to the mission or vision of the company, and when did you set the mission, and how did you make sure that you kept the company's values as you were going through these iterations and scaling? - Yeah, it's a really good question. 00:22:05,100 I think in the early days, you know, we had a set of values, but we didn't really have a mission. It took until I think probably 2012, 2013, so three years before we really codified, hey, what's the mission of this business, and it's because I think in the early days, as I said, it was sort of like, hey, how are we solving this market failure piece, right, and like bringing, you know, great children's clothes to parents, but we hadn't really locked on to like, you know, what was really going to drive, you know, all the organizing activities. And so I think it was like 2012 where we like sat down, like, yeah, what is the mission? And I think that's where we ended up on, you know, our mission to inspire a new generation of consumers to think secondhand first, and embedded in that, right, was all sorts of things around, you know, new generation, right. It was like, hey, we're thinking about where people are going to be, not where the world is today. Think secondhand first became like a real big mantra for us because we knew we weren't ultimately going to get everybody to have a hundred percent of the clothes in their closet be secondhand, right. That doesn't make any sense. But we could change the mindset where you thought like, hey, maybe if you do need something new, maybe you should start with ThredUp. We often use that phrase.

Like, we want you to at least start here. You may end up shopping and buying it new, but we want to put ourselves in a position to have you start there. And then the mission, you know, we kept like testing it, and, you know, time people were like,

hey, I think we should evolve the mission. And, you know, I've sort of told people like, no, I think this is the mission. We should stay true to it, and, you know, until it no longer, until it constrains us, it feels like the right journey to be on. And then your point about sustainability, I think it was something we believe was going to matter in the future, you know, in the early days of the company. But what I kept reminding the team of and reminding myself of is that, you know, sustainability is not the end goal, right? Like, what we wanted to do is build a great business that could create a sustainable outcome. And I remember when somebody explained to me that like, you know, we were using an example of like Seventh Generation, which was like that like sustainable cleaning wipes, and they did like home products. And we were talking about how like the problem that Seventh Generation had is that it was so much more expensive. And so people want to be sustainable, but they don't want to be sustainable by paying a lot more.

And one of the things that really, like for me, that I drove in everybody, is like, you can be sustainable and pay less. That's the magic of shopping secondhand. And I think that's what's really driven us. - That is great. 00:25:07,107 And so that crystallized after three years, and it sounds like it got really, really well-honed. At the beginning though, it sounds like there wasn't a mission, but you had values. How important was it to have values at the beginning, and is that something that you recommend to founders, and how did that come into play? - I think that the values in the fountain, 00:25:25,320 the very early years, are like the values of your founders. And we didn't write them down. It was just who we were, right. And so it took a few years for us.

It probably came after the mission statement that we sat down and wrote, like, what are the values, and that process team from hiring. All of a sudden you are hiring that next layer of people where, you know, I wasn't interacting with them every day. Chris, my co-founder wasn't interacting with them every day. And so the values didn't ooze through the company. They actually need to be written down and shared and talked about. And so you'll appreciate like the value story. So when we decided to write the values, I was like, great, let's codify the values. So we had a committee, right, people, we brought people together, ba ba ba. You know, we came up with the values PowerPoint, you know, and I got the values, and I was like, "These aren't my values." Like, these are the values of some amorphous company on the internet. Like, did you guys download these? And I was like, we're not doing these.

And I went home, and on the weekend, I just wrote them, like my gut, like from the gut, like what the values were. And that became the values for like seven years of the company. And it was just in my own words, you know, why, you know, how I wanted to run the company, and yeah, that's kind of where we are today. - And were are they values that some people 00:26:57,773 would disagree with, or were they sort of mom and apple pie that were generically good virtues? - They were generally good virtues, 00:27:07,780 but they had like twists on them around, like, why, you know, why we wanted them to be, why I wanted them to be what they were, right. And like, for example, one of them was influence outcomes, right, which on its face, like yeah, influence outcomes. But like, I'm obsessed with this notion that like, it's all about the outputs. It's not about the inputs. And so like, everything in the ThredUp business is like, I want to know about what the output is. I don't care that it took 10 hours, right, if the output is not good, it doesn't matter. If it took 10 minutes, and the output's amazing, that's great.

And it goes back to my teaching career. I remember when I was a first year teacher, they were just wise old woman, Sharon Cadwalader, God bless her. She was like 70 years old. And I walked into the teaching lounge as a first year teacher, and I was like, "Man, I don't know what I'm going to teach today." And she was like, "James, it's not what you're going to teach. It's what are the students going to learn today?" And that has always stuck with me, right, because there's an inputs way of thinking about the world, and there's an outputs way of thinking about the world. And so that sharing of the Cadwalader story is like what we talk about today when I talked about the values. - That's fantastic, 00:28:21,430 and I love that thread connecting teaching to entrepreneurship, too. James, I'd love to get your comments on resilience because it's now been 12 years of ThredUp. And I think, you know, people think about startups as these sexy things, and few people realize that they're really marathons you know, if you endure, as you have, it's been 12 years. Can you share any practices or tools that you've really treasured that you would want to pass on to the next generation of founders that have helped you stay resilient and engaged over the course of 12 years? - Well, I mean, a few things.

00:28:55,220 I mean, one is like, I think if you're working on a business that has a mission and a vision and you think is making the world a better place, it's a lot easier to stick with it when it's hard. And you know, when I talk to entrepreneurs, you know, over the years who were, who are doing things that could be fine businesses, but, you know, they're things that aren't necessarily like making the world a better place, you know, I always remind them, I'm like, "Hey, it's going to get really hard at some point. Like, do you want to look back and be like, man, I spent five years building a Facebook game?" Right? And you know, when that was a thing, right. And so I always tell people like, look, it does take 10 plus years. And I was lucky enough, back to education, the school that I worked at, Pacific Collegiate School, one of the big donors at that school was Reed Hastings, the CEO of Netflix. And through the early years, Reed and I became friends. And I remember talking to Reed one day, and I said to him something that seared into my brain. I was like, "Hey, Reed." This was like 2013 or '14. I was like, "What do you think about this Redbox company?" You know, the Redbox, like kiosks? I was like, "It seems like they've come out of nowhere. You know, dollar DVDs, like, you know, this is what Netflix was really a DVD company.

He's like, "James, that company has been at it for over a decade," right. "That's the Coinstar guys. Like, these guys have been working super hard for more than a decade." He's like, "This stuff takes a long time." And for whatever reason, that like

really stuck with me that like this stuff takes a long time. And so, I always like have Reed in the background when I'm like, as long as I'm working on something I care about. You know, he's been at Netflix since '97, you know, and so 25 years, right, of passion and purpose. And I think that's a good way to think about the world. - And, you know, on this idea of taking a long time, 00:30:53,930 I mean, obviously on the face of it, it looks like ThredUp is this marketplace for used clothes, but deeper, it's actually this very complex logistics and engineering organization. - Yes. 00:31:06,070 - And I'm curious if you, 00:31:08,490 without the formal training in logistics or all the technology that's used, can you share, 'cause I think many founders or students will have imposter syndrome. They'll feel like they can't go into a market without being, you know, having formal training in that market.

How did you learn to build one of the premier logistics organizations in the world without having a formal background in that? - I mean, yeah, it's a bit cliché, 00:31:32,800 but it is all about the team that you build, right. I mean, and so I think, you know, founders like myself, there are certain things that I'm really good at. You know, I'm good at the strategy piece and the storytelling, and I think I have some natural instincts around products and markets, fundraising, despite, you know, my failures the first 27 times. But so, you know, my co-founder, Chris, you know, he was a rocket scientist at Princeton. You know, he was at Harvard Business School with me. He's the smartest guy I've ever met in my life. He was really important, you know, in the process. Ollie, one of my other co-founders, was a computer science major. You know, so those two guys were really critical. And then, yeah, people don't talk enough about luck, and like, on the logistics piece, we got lucky, right.

And so I sort of shared with you kind of the Reed Netflix connection, and so it was because I sort of knew Reed that I was able to raise money from Redpoint Ventures, guy named Tim Haley, who happens to sit on the board at Netflix. And so there was a lot of Netflix DNA floating around, and Tim knew a guy, Andy Rendich, who joined my board, and Andy had a friend, John Boris, who worked at Netflix, who was, he said, is the best systems officer he's ever met. And I managed to convince John Boris to come and join ThredUp in 2012. And I was like, this is a logistics company. He was working for Elon Musk at SpaceX. And, you know, right moment, right time, a little bit of luck, and John was like, "Shit, I don't want to keep commuting down to LA. Yeah, I'll work on this." Right, and we pulled it off. And in fact, John is now retiring in a couple of weeks. Spent nine years, and he's retiring, you know, for good. And, you know, so Ravi, a little bit of luck, really, I have to say.

- Well, I think founders don't talk enough about that- 00:33:28,095 - Ah, so much luck. 00:33:29,400 - And so it's so much of it is, yeah, 00:33:30,940 it can be a timing and luck. Let me turn it over to the students now. So I'm going to, unless I'll kick it off with the first question. How important are ethics and sustainability to your company's mission, and what do you tell people to encourage others to start shopping secondhand? How do you steer them away from fast fashion and constant consumption? - Yeah, I mean, it's a core part of our DNA. 00:33:55,135 So we really try and help people understand that every time they buy something used, they're like making a really good decision for the planet. You know, buying something used compared to buying something new saves 82% of an item's carbon footprint, right, so 82% less carbon in a used item relative to a new item. And so I think what we try and do is we don't try and preach to people. What we try and do is pat them on the back for making good choices. And, you know, people generally don't like to be preached to, but we all love to hear like, you know, when we get, I remember the Nest reports, you'd like, hey, you've used less energy than your neighbors.

You're like, awesome, right? I don't want to be brow beat that like, hey, you're the guy who using the most energy on the street. And so I do think that like that positive encouragement is really important, you know, and I think on the fast fashion side, what we really try to help people understand is that what people love about fast fashion is low prices and sort of individuality and sort of the uniqueness. And I think resale is a really good example where you can get those low prices, you get that individuality, but you can get it in a sustainable way. And so that's how we try and thread that needle. - That's great. 00:35:08,900 The next question is, how important is initial velocity following launch? How long should it take for a good idea to get those first 10,000 customers? - Yeah, you know, and I don't know, 00:35:21,440 roughly the 10,000 customers, like that might be dated these days. You know, like in 2009, that seemed like a lot. You know, these days with social platforms, maybe it's too low, but I think it's one of those areas where you should see like organic word of mouth early. Like it should, you know, there's lots has been written around like your product should be good enough, the experience should be good enough that people want to be like, hey, have you used this thing? Do you know about this? And if people aren't willing to talk about it and talk about it to their friends, share it with their colleagues, then it's going to be an uphill battle. And I think, you know, to give you the real raw example, like we've really cracked that on the supply side.

We've talked about like, we've only sort of cracked it on the buyer side, right. There's lots of competition out there around where you can buy clothing. And so I would say our viral coefficient on the supply side's way higher, for example, than on demand side. So, you know, it's not necessarily perfect. - That's great. 00:36:25,223 Next question. How do you feel about your decision to go public? Did you have any major hesitations at the time? Has ThredUp struggled with the loss of privacy with regards to having disclosed stock ownership, margins to competitors and customers, executive compensation, et cetera, caused by IPOing? - I don't think we feel like... 00:36:47,714 We felt like it was the right time. You know, I think the market was very receptive to the story that we were telling, you know, around resale and the category momentum and the category growth. You know, and sometimes I think, you know, the company is just at the stage when it just feels right.

You know, you have the systems in place, you have the data, and so we just felt like it was right. And I think the process of going public made us a much better company. I think the thing people don't talk enough about is just the rigor of that process is really powerful stuff. And so I actually think that we're a better company now that we're a public company, and yeah, I

think it's great for us being public. - Next question. 00:37:32,360 Did you always know that you wanted to do something with a socially positive mission, or did you first pursue ThredUp because you believed in the idea of buying selling second hand? - I think I've always been a mission guy, you know. 00:37:45,230 I think, you know, part of why I started off as a teacher and, you know, teaching English and history to eighth graders is, you know, I think I always wanted to do something good in the world, and, you know, and I thought education, you know, was an incredibly powerful calling. So I do think, somewhere in my life, it got burned into me that I wanted to do some good in the world. And so I think when I came up with the idea for ThredUp in its early years, I saw this wonderful opportunity to build a good business and also do good. And I think that sort of reflects, you know, how I run the company today.

So yeah. Yeah, I think I've always wanted to do something good. - Do you think that the public financial market's 00:38:26,830 focus on quarterly earnings and near-term profits hinders companies that aim to tackle long-term problems requiring more time and research? - Oh, I don't know if I'm much of an expert on that. 00:38:40,148 And then I think, you know, great public companies, you know, take Tesla, take Apple, take Amazon, have figured out a way to invent a future while being public companies. So no, I don't think it necessarily hinders innovation. It does mean that these companies have to have incredibly great stories to tell, and, you know, they're run by incredible founders. So I think it can be, if you're a great founder and a great story, and you have a big vision to tell, I think being public is, there's no better platform, you know, to get the capital you need to build the business you want to build, so. - And do you feel pressure though, 00:39:25,270 from near-term quarterly results to steer strategic decisions? - No, I've been, I mean, you know, we've only been public, 00:39:32,620 you know, a few quarters. I've been really helping investors understand sort of the long-term view and just being very consistent with our investments in the future and where we see the opportunity. And so, yeah, no, I think, like I said, I think being public has been really good for us, and, you know, I think it's just important that you really communicate what you're trying to accomplish.

- Next question is, 00:39:59,850 what were the key aspects of adapting to COVID? How did you keep your customers engaged and comfortable with buying secondhand clothes when fears of viruses and transmission were so prevalent? - Yeah, great question. 00:40:10,950 Yeah, I think in the first like couple of weeks, you know, sort of March of '20 in the pandemic, there was a little bit of like a head-scratcher of like, nobody really understood how the virus was being transmitted. I think there was a lot of confusion. And so we definitely experienced that with our customers, but quickly, right, people realized that the virus didn't get transmitted on, you know, cardboard boxes and it couldn't live long enough. And so I think once we had reliable data around how it got transmitted, it was pretty easy to communicate to customers. But yeah, the first couple of weeks I was like, man, I don't know, you know, and then we sort of figured it out. - But did you also suffer from a drop in demand? 00:40:55,235 Because I imagine the main reason why people are buying clothes is to show off in social social settings. - Yeah, no doubt. 00:40:59,539 Yeah. - And so did you give to- 00:41:02,500 - Yeah, a drop in demand and then a real mix shift 00:41:04,180 in what people were buying, right.

So instead of buying shoes and dresses for going out, right, they were buying lounge wear and shorts. We've never sold more shorts than we did in the first few months of the pandemic. - And were there any enduring lessons from that 00:41:21,770 on staying agile that you learned from the COVID experience that you'd want to share? - Yeah, I mean, I think we got sharper around, 00:41:28,483 you know, forecasting on merchandising and demand planning, but I also, you know, it was such a Black Swan event that we try not to draw too many lessons, you know, from it. 'Cause I think you could scenario plan for, for Black Swan events all day, but I think a lot of times it's a waste of time. - Next question. 00:41:47,030 What has your experience been with staying patient through the process of reaching profitability? - Well, I think the way that we think about profits 00:41:56,360 is like, you know, we obviously want to build a profitable, you know, sustaining business over the longterm, but we're really balancing, you know, growing into what we believe is a massive addressable market. And so the way that we really run the business and we communicate it to, you know, to investors or shareholders is, hey, we want to continue to grow, you know, at a really strong rate, and we want to continue to show leverage, you know, in the business. And so I think as long as we accomplish both of those things, it's pretty easy to see, you know, where profitability comes over the short to medium term. So that's sort of how we think about it. I think if we were in a market that was small and contracting, right, it might be a different story, but we're in a market that seems to get bigger every year.

- Yup. 00:42:43,050 Okay, next question is on gender. How does the gender of your customers impact your business choices? Does the gender of your target market impact how you make decisions with marketing or development? - Yeah, we only sell to women, primarily. 00:42:58,230 And then we do have some men who buy for their children, or but yeah, we don't sell men's clothing, and because we don't believe that men's market is as mature and as big, you know, in secondhand as the women's market. But I get asked about that all the time. You know, people want, "When are you doing a men's? When are you doing a men's? When are you doing a men's?" But I've really tried to be rigorous around let's stay focused on the women's market because it is, it's a lot easier to communicate your marketing messages, even the colors on your website and how the products are positioned, right. It is very much categorized for a female audience. And so, yeah, we feel like, by constraining our market in that way, we're able to better serve it. - And the founding team is all male. 00:43:43,869 - It is, yeah.

00:43:45,333 - And is that an issue? 00:43:50,090 - You know, I think, back to sort of the team approach, 00:43:52,380 right, I think we've had to make sure that we bring in a diverse set of perspectives to make sure that we're serving our target customer correctly, but I don't think it's been a huge issue, but I don't have the counterfactual. So maybe if it was business founded by women, it would be 10 times the size. - Okay. 00:44:12,010 Fair enough. Next question. Next question is, who

would you say is your biggest demographic ThredUp? Any interesting insights on what group you initially targeted versus which group you ended up utilizing ThredUp? I know we've talked a little bit about this, but they specifically said millennials versus boomers. - Yeah, I mean, we generally skew younger. 00:44:31,380 You know, it's people, but they tend to be people in their twenties and thirties. You know, I don't think we have quite as high penetration for teens, and, you know, we do have some boomers, like one of the things that unites kind of the thrift community is it is a broad, you know, segment of the population, but we're really focused on that probably 25 to 45 female demographic shopping for themselves or shopping for their kids. - Okay.

00:44:59,760 Next question. As you mentioned, finding the right product market fit can take several years. How do you know when it has been too long to find this fit? What keeps the founder convinced that it will happen eventually? Is there any way that you can foresee or calculate that it will happen? - Well, I think two things happen, 00:45:17,230 which is you get enough positive data to kind of confirm that you're getting closer, or you run out of money. And, you know, running out of money is a pretty clear indicator that like you haven't figured it out. And so, you know, the old truism of like being the CEO, it's like, you got to set the strategy, hire the people and never run out of money. - That's so true. 00:45:41,873 You just need to keep cash in some. Whatever way you can, you need to get cash, and cash is oxygen. - Yup. 00:45:51,230 - Next question is, does pivoting one too many times 00:45:53,400 mean the business is fundamentally flawed and should be shut down? - I think it gets back to the, you know, 00:45:59,390 I think you can pivot lots of times until you find the right thing, you know, assuming you have the cash as oxygen.

And so, you know, I think there are lots of great businesses out there. You know, Stewart Butterfield at Slack, you know, he built the businesses that was totally different. You know, the guys at Instagram built Burbn; it was totally different. You know, if you had Kevin Systrom on here, he would tell you that was a terrible idea. We took a while to find a good idea. So I don't think it's a number of pivots. I think it's that you end up having to find something that really does work while you still have money in the bank. - And if you run out of money, 00:46:39,170 and you're just a founder with high conviction, you're like, I just want to be a founder, I want to start this business, is there a moment when you would say, you know what, you should take a break and not continue this venture and do something else? - Yeah, I mean, you know, 00:46:55,360 I mean, everybody has personal circumstances that sort of change their ability to kind of, you know, to pursue the entrepreneurial endeavor. But I've always found that like, there's more capital chasing businesses than businesses chasing capital, you know. I do believe that markets are pretty efficient, and there's lots of money out there looking for great entrepreneurs with great ideas.

And so if you have a great idea, right, and you are a great entrepreneur, you will find the money. And so, sometimes you need to take a break, you know, to kind of regroup, but I don't think that that people should stop pursuing their passion to do something entrepreneurial. - Next question is on luck. I'm going to ask this question, 00:47:41,270 which is a word you used about the success in fundraising is luck. Can it be interpreted as the importance of network? Can luck be interpreted as the importance of having that network? How you build your network during fundraising, is that what really luck means when we say luck? - Yeah. 00:47:59,516 Yeah, I mean, it's like, you know, you're constantly, you know, when you're out fundraising, you're constantly looking for signals about, you know, who to beat next, and you know, or who might be helpful, but in that process, right, the pitch you give to your first investor is so different than the pitch you give to your 10th investor. So, you know, the fundraising process is a journey in and of itself. And so you're constantly like meeting new people, refining, you know, what you think about. And I think if you're, if you're going to be a successful entrepreneur, you're going to need to build a network, and that network's going to help, not just for fundraising, but for recruiting and partnerships and pipelines and all kinds of stuff, right. And so I think it's really something that people who want to be in the entrepreneurial ecosystem need to pay attention to.

And, you know, I've always tried to be somebody who's helpful and helps, you know, helps build my network and people that I trust and be valuable to other people. I mean, you know, Ravi, like doing this call, right. It's because, you know, the guys at Redpoint were wonderful to me, and they were like, hey, you interested? You know, and I was like, yes, I would love to do this thing for you, right. And I think there's something that's really nice about putting yourself out there and helping others. And I think if you do that, I think the world works in really positive ways. - Yes. I've seen that. 00:49:27,700 And so again, if you're looking for insights on how to network, I mean, I even hate to use that phrase, but the best connected people I know adopt James's philosophy where their attention is on helping the others around them, and then things will naturally, can fall into place. I have time for probably one more question, James, and we really appreciate your time. I'm going to just going to access my prerogative and ask you the second one, which is, based on your experience, do you have any further advice on how to address the chicken and egg problem in the early stages of a marketplace? Should founders focus first on attracting supply, demand, or both at the same time? - Yeah, there's a lot of stuff written about this.

00:50:08,910 So since we only have two minutes, you know, the Cliff Notes version is, I think you have to figure out what the real long-term constraint in the marketplace is going to be and spend all your time solving that. And so, you know, for example, like Airbnb, you know, their whole business is constrained by the number of hosts, right? The hosts and supply team over there dwarfs everything else in the company, right? It's all about supply. You know, OpenTable, when they got started, right, it was all about restaurants. How do we get our software into the restaurants? And so in any marketplace, one side is going to be more constrained than the other. And generally speaking, this isn't always true, but generally speaking, supply is the constraint. And so if you can crack supply or crack a new way to bring supply online in any market, chances are you're

going to have an opportunity to win. And it doesn't mean that you'll win over the long term, but if you're going to start somewhere, in marketplaces, I think supply is a good place to start. (upbeat music)..