

August 18, 2020 | Episode 187

Katrina Lake – The next wave of e-commerce

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EPISODE SNIPPETS

THE NEXT PHASE OF E-COMMERCE

- **Less is more** – the first wave of e-commerce was all about having every product available to everyone and expecting customers to search and filter for what they wanted. The next wave of e-commerce will feel like a *personalized storefront* with goods curated just for you
- **Inventory efficiency** – using data science Stitch Fix is better able to intelligently predict exactly what you will want to buy, what will fit you, and changes the way they order inventory since they can predict exactly what they will need to order rather than stocking every size of every item

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STAKEHOLDER VALUE VERSE SHAREHOLDER VALUE

- Stakeholder (employees, suppliers, investors) focus *is a shareholder focus*. By focusing on all the stakeholders, you will return more to shareholders over the long term.
- **Stitch Fix has placed a strong emphasis on vendors since Day 1**, which isn't necessarily true of most retailers. How does it build a great relationship with vendors? First, by offering full price clothing rather than the typical "flash sales" in e-commerce. Second, by feeding the vendors data about what people are buying, the fit of each garment, and the profile of the buyer. This data advantage becomes a supplier advantage for Stitch Fix

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LESSONS FROM THE EARLY DAYS OF STITCH FIX

- Fundraising was difficult for Stitch Fix despite its revenue growth and being profitable since 2014. So being capital constrained, they focused on their **cash conversion cycle** – turning inventory over fast enough that the customers would actually pay their vendor invoices
- **Early distribution hack** – targeting small to medium bloggers with 10,000 person followings in different verticals who would unbox their Stitch and write about their experience. Free marketing for Stitch Fix when it couldn't spend on marketing

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KATRINA'S SUPERPOWERS

- **Hiring** – she convinced two high powered executives at Netflix (Eric Colson) and Wal-Mart (Mike Smith) to work for her in the nascent days of Stitch Fix. One item that stuck out was she offered Eric and Mike something that they couldn't get at Netflix (building an algorithm for personal apparel shopping) or Walmart (the entrepreneurial journey of building the supply chain and warehousing from scratch)
- **Leadership** – Katrina describes her styles as “authentic leadership” – bringing people along for the journey and connecting with people. Before Stitch Fix she had only managed 1 person before, an intern, so she had to learn this on the fly

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THE NEXT CHAPTER FOR STITCH FIX OF E-COMMERCE

- Chapter 1 revolved around women's apparel. Chapter 2 is expanding into men's and children's wear
- **Moving to Chapter 2, Stitch Fix is also substantially changing its sales model.** For the first 8 years of Stitch Fix, 100% of goods purchased by customers were recommended by a stylist. Recently, they launched “direct buy” where customers can browse apparel on their phone and buy items the algorithm thinks would be a great fit for them. If successful, this could significantly shift top line revenue for Stitch Fix

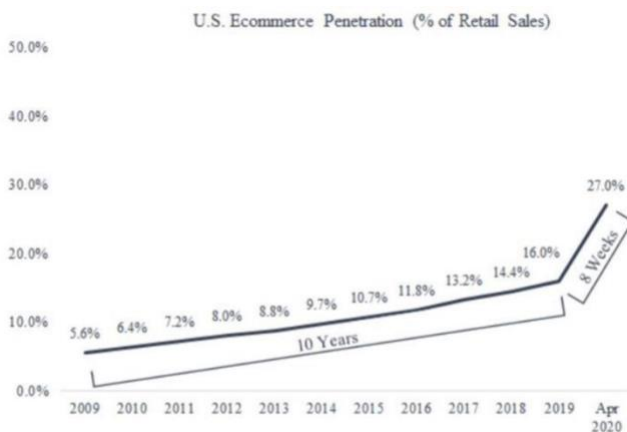
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INTRO

Patrick O'Shaughnessy (01:42): My guest today is Katrina Lake, the co-founder and CEO of Stitch Fix. Stitch Fix is a multi-billion dollar public company, which has brought an entirely new model to retail apparel by combining data science, technology, and personal stylists, to create a unique shopping experience tailored to the individual consumer. I first met Katrina through past guest, Bill Gurley, and I've been excited to host her since that first meeting. In this conversation, Katrina and I discuss all aspects of Stitch Fix. Its history, business model, innovations and its future. Please enjoy this great and thought provoking conversation with Katrina Lake.

Katrina, I've been really excited to do this with you because the business that you've built occupies a space that everyone understands, which is the world of retail, clothes, eCommerce, something that's become increasingly important, especially during COVID. I thought a neat place to start before we get into the nitty gritty around Stitch Fix, specifically, is with the eCommerce landscape. I love reading in the most recent annual report to shareholders, about this next wave of eCommerce that you've envisioned and helped usher in. Could you outline your take on where we stand in eCommerce and what the future might hold?

Katrina Lake (02:51): That's a great question, and thank you for having me. The crux of this is part of the origin story, really, of how I got so excited about the space. To your point, I think from a cursory consumer perspective, I had always been interested in this space, and as I learned more about the business of apparel and the eCommerce penetration was stunningly low, sub-20% when I started the business, and going into COVID, things will change quite a bit. But even before COVID, it was hovering at that 20% level. I thought what was so interesting was it was this category that everybody really understood, and yet, the core problem that you're trying to solve in apparel is you're not going to buy it unless the clothes fit you, unless you love them. Ultimately, how do you find the things that you love out there? Lots of people were looking at angles around, how do I find the coolest people to wear it so that you might be convinced to like it, or how do I have the cheapest product?



Source: Bank of America, U.S. Department of Commerce, ShawSpring Research

Nobody was solving that core problem of how do I actually identify the clothes on this planet of the millions of things out there that you specifically are going to love? That's true broadly, not just eCommerce, but also in stores. I think that was a big part around why apparel was so under penetrated in online. What's interesting right now about this time period is that eCommerce was growing and growing and growing before this time period. Especially in apparel, a lot of the traditionally, brick and mortar players, who had really won market share by having the nice corner lot, or by having the best location in the mall. Suddenly, those aren't advantages. Those were already starting to become not relevant anymore, but this is really accelerating that trend. I think for

years and years, we've been talking about how eCommerce will continue to grow. I think right now is just an incredibly academically interesting time when that market share growth on to online is really accelerating.

THE NEXT PHASE OF E-COMMERCE

Patrick O'Shaughnessy (04:37): Traditionally, eCommerce has been, the early days, the Amazons and the big players, was about price assortment and convenience. I think the really interesting angle that Stitch Fix has is that there's something beyond those three, even maybe an emotional thing,

when it comes to personalization. I would love to hear a bit more about why that's so important and why it's a powerful differentiator for a business like yours in the category that you occupy.

Katrina Lake (05:02): The first wave of eCommerce really was the novelty of, oh, wouldn't it be amazing if everything on the planet was available online? In fact, I think that is the tagline, the everything store. I think that was just the ... "wouldn't it be incredible if you could find the jeans from four years ago, that now have holes in them and they don't make them anymore, but you could find them online someplace?" That was such an incredible novelty, and there is value to that. But now, we have millions of things available to buy, and the reality is there's just a subset of things. You want new jeans that fit you, or you want new shoes for your kids. The first version of eCommerce was really this search and filter world. Search and filter is predicated on the fact that you already know exactly what you want.

You already know that you want Nike Vaporfly shoes, or you already know that you want a specific style of Seven jeans. Now, you want to go and price compare them. The first version of internet was amazing for that. You want to find something cheap, you want it delivered fast. That is exactly what that first version of internet was meant to do. But if you go back to a search-and-filter based platform, of which eCommerce is most of those, and just go and type in, jeans. You might be thinking to yourself, I need a new pair of jeans. I'm ready to wear jeans again in COVID world. The search result would literally deliver millions of pairs of jeans. Then you could sort by color, by size. The idea of going from a literal search result of over a million pairs of jeans, to trying to narrow it down to the four or five that are going to be best for you is an almost impossible task in searching and filtering.

"The first version of eCommerce was really this search and filter world. Search and filter is predicated on the fact that you already know exactly what you want."

I think that old model of search and filter is going to be the way that you find relevant things for you. It's an impossible solution. Jeans is one thing, even something as, if you think about you're walking down the street and you're inspired by somebody wearing a yellow dress, and you go and you type in yellow dress into a search function, you could have a long dress, a short dress, a skimpy dress, a gown. There's so many different versions of that. None of which, probably were the one that you had visually manifested in your mind. These are just examples of how I think that first wave of internet, or eCommerce, it doesn't suit something that is as subjective as apparel. Yes, price and speed of delivery are important in apparel, but actually more important: "Is it right for you? Does it fit?" You can find a great pair of cheap jeans that will ship to you tomorrow, but it's completely useless to you if they don't fit you.

Katrina Lake continued (07:33): It's very interesting of thinking about what is the next paradigm, and how are you actually going to solve the problem of relevancy in apparel. The way that we do it at Stitch Fix is we do it through a combination of data science and through recommendations. The same way that you could say to somebody, "I saw a girl walking down the street in this really cute flowy yellow sundress, and I loved it. I'd love something like that." All of a sudden, a human can visually imagine what a yellow flowy sundress that somebody would be wearing on an afternoon would look like. That actually is a much more helpful relevancy cue than just typing in yellow dress in a search engine. What we do at Stitch Fix is that we're best in class in getting to understand people, getting to understand products. So, we have clients who thought about their style profiles, let us know about themselves, what they're looking for, their price range, what types of things they're inspired by, they can take quizzes.

Then on the product side, we have carried hundreds of thousands of things, and we actually know what dimensions we need to know about those products. So, we'll know, how does this garment fit? We'll know in some cases, measurements. Then what we can do is develop recommendation scores at the intersection of those two things so that every person uniquely, we know the probability of their match to an item, and those scores are very accurate, and those scores help us to be able to deliver great recommendations, in

some cases, to our stylists, who then choose things on behalf of our clients, for them to try on at home. Actually, more recently, what we've been doing is opening up that recommendation model so that we can build other products on it. Right now, you can actually shop directly from those recommendations within the Stitch Fix app and experience some of that personalization first hand.

What we're really trying to do is to get to this personalized storefront for every person. Imagine if you could go in someplace and everything was your size, everything was in your price range, everything was going to fit you perfectly. It's almost impossible to imagine because it seems so crazy. That's exactly the experience that I do think is going to be the future of buying in apparel, and I think that we are the closest to that.

How Stitch Fix works

Tell us your price range, size & style. You'll pay just a \$20 styling fee, which gets credited toward pieces you keep.	Get a Fix when you want. Try on pieces at home before you buy. Keep your favorites, send back the rest.	Free shipping, returns & exchanges —a prepaid return envelope is included. There are no hidden fees, ever.
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No subscription required. Try Stitch Fix once or set up automatic deliveries.

Patrick O'Shaughnessy (09:34): I've got a ton of questions around that transition, even beyond apparel, but you mentioned something really important in all this, which is data science. Maybe not what people expect to hear when talking about an apparel company, but I think it's foundational to your business and how you think about the world. Can you describe the different ways in which that is sort of a foundational key element of what drives both, why your business is good and sort of your competitive advantage?

Katrina Lake (09:57): Foundational is exactly the right way I visually think of the data science. As being the foundation upon we build a lot of different things. So, that's exactly the right word for it. The data science for us, we use it in many different parts of our business, but fundamentally, what we're able to do is that we're able to recommend people and products in a really accurate way. What that allows us to do is it actually looking forward, it helps our buyers to be able to buy the right proportions of products. As an example, in a store, you have to stock every single size of every single item, just because that's the expectation. You walk in and you expect that everything is going to be there in every size and every color. In our model, we can actually be stocking. We can be thinking about inventory planning in a more algorithmic way, where we're actually planning based on the clients that we are projecting and the clients, and what their needs and demands are going to be.

Some other examples, we can look at in our warehouses and say, what products should be in which warehouses so that we can serve those clients best. That's another good example of how we're using the data science in our demand forecasting of making sure that we have enough stylists, enough inventory, enough of every product that we have. All of that is algorithmically based. But I think what's really unique about our model is that we marry that also with the art side, with stylists. When Fixes are delivered into people's homes, those are selected by a stylist who's this creative overlay over it. It's not enough just to know that these are the top five things that you're most likely to keep. There's a real human element to buying apparel, knowing what is the weather like where you are, knowing what did you buy last time and what were some of your comments about those things?

“We can be thinking about inventory planning in a more algorithmic way, where we're actually planning based on the clients that we are projecting and what their needs and demands are going to be.”

Being able to have a human interpreter of that context, and then to be able to select items based on that context, it's a very human part of the business. I think what's special about Stitch Fix is that we have been able to marry this idea of having great data science, which we've been able to do because we've now sold something like over \$5 billion of clothes to people, sight unseen, which I don't know that anybody else has been able to do that. That has allowed us to build this great data science muscle, but that really actually helps power the human element of the business, which is stylists, who are getting to know people, our clients, and then selecting things, but really showing that human context around why something is going to work for somebody and helping somebody to see why some of the selections that we've made for them are going to fit their style.

AUGMENTED HUMAN CREATIVITY

Patrick O'Shaughnessy (12:15): You touched on one of my favorite topics, which is augmented human creativity, where data science and technology levels up what a human can do. In this case, that's a stylist, you have more than 5,000 of them. I'm curious what you've learned about what makes for a good augmented human. Obviously these people are a driving force for your business. What do you select for when hiring stylists, knowing that they'll be so armed with the data that you've gathered?

Katrina Lake (12:41): This is the area I'm really passionate about. It's just going to be a very interesting topic as we think about the future of work. The stylist for us, I really think that there is more and more that we can do algorithmically, but that, by taking on more and more, that the algorithms can do what we're actually doing is freeing up more space for our stylists to be human and creative and to do the things that really only humans can do. So, when we think about hiring for stylists, it's interesting, because yes, of course, some context, and we have stylists who used to own a boutique or stylist who used to be buyers, or who have some experience in apparel, of course is important. But actually, what we have found over time, which is more important, is actually around writing, around human connections, around empathy and listening.

That's really because those are going to be the things that are really hard to program an algorithm to do, and those are the things that are really critically, uniquely human. Over time, even the selection of items, we're making that easier and easier for the stylist. The stylist are spending less time hemming and hawing over, is it the shorts are those shorts, but the stylist is actually able to be spending more of her time on the really human parts of the job and being able to scale. One of the big challenges that I heard early on in starting this business was that this idea of having a stylist curate a \$28 tank top, “the math doesn't work.” What we've been able to do is use data science, use technology so that the math does work, so that somebody can really thoughtfully get to know you, recommend for you a \$28 tank top, and we have a business that has been profitable since 2014.

There's a little bit of a narrative around humans versus machines, and I really do believe the two working together, as you put the “augmented human.” I really do think that that is going to allow us to be able to have, as humans, doing the things that are creative. They're the most human that are, for me at least, I think the most rewarding and exciting parts of the work that we do.

STAKEHOLDER VALUE

Patrick O'Shaughnessy (14:33): There has been this long history of companies in the public markets trying to maximize shareholder value, which is a very interesting idea, the history of it's interesting. I think the wave we're seeing now is that we can replace shareholder with stakeholder, which includes things like employees, suppliers, the community at large, and of course shareholders as well. It seems like Stitch Fix has a very keen interest in this idea of stakeholder capitalism. And I'd love to hear along a few dimensions how you think about it. Maybe starting with suppliers. You've already talked about how data science can be used for better inventory management. I imagine your suppliers love you because you give them insights as well, and I'd love just to hear other ways you think about being a really great partner to suppliers to begin with.

Katrina Lake (15:16): We definitely are really proud to be a partner of choice for, probably have something like over 500 partners, that we work with on the merchandising side. It's interesting because we definitely could talk about the stakeholder value concept for a long time. But for us, we even think of that as shareholder value, frankly, in a world where a lot of our vendors have had pretty adverse relationships with a lot of retailers. It was a real competitive advantage, especially during this COVID time. At the very beginning of COVID, everybody is out there trying to cut receipts, trying to get out of work, where everybody knows that volumes are going to come down. We were at the top of the heap of people that our vendors wanted to make sure that they fixed first and that they made sure that they did right by us first. That was actually a huge advantage then, it's a huge advantage now, where we're a little bit in the flip mode of we're trying to chase into inventory that's working and we're trying to make sure that we can support the growth in our business.

I think being able to be a great partner for our vendors is important, and also, because we really need them. I think in the past, in apparel, the history of innovation before us was around flash sales, and there is this big draw around flash sales and get rid of your excess inventory. That had really done a lot of harm to a lot of our vendor partners who now, all of a sudden, had customers who expected that their products would always be on sale. It did damage to their brands. So, to be able to be a full price retailer that's really introducing a brand to people in the comfort of their own home and really around the value proposition of "this is something you're going to love and not just, this is cheap." We need our vendors to be successful in order for our model to work. I think being able to make sure we're a partner of choice for our vendors was important from the beginning.

Katrina Lake continued (16:55): Then to your point, I think, not only is this a full price growth channel, which our vendors of course love, but I think the data element is, especially for our vendors who really take advantage of it, really valuable. If you are selling t-shirts to a lot of other retailers, you might know this pink sold better than the blue, or you might know some cursory data about it, but you never know, what was the demographic of people who bought this, or why did this fit not sell as well as the other one? And we have that data, and it's so valuable to our vendors, because all of a sudden, you could see that, actually, that shirt would have sold better, it was just that the sleeves were a little too tight.

It's interesting, there are times when we've been able to surface to our vendors, that some of their sizing is off. If you sell extra large t-shirts into a store, you actually don't know, it could be a medium person buying that shirt, and that your sizing was so off, but somebody made it work and bought the size that was a different size than what they normally do. And in our model, we know exactly the size of people that are buying it, we know the demographics of people, and that was all information that most of our vendors never had before. Our best vendors use that data to be able to iterate with us, to be able to create better products for our channel. And oftentimes, they're actually creating better products for all of their channels, not just ours.

Patrick O'Shaughnessy (18:10): You said something there, which sounds obvious after you said it, but I hadn't thought about it in these terms, which is that a stakeholder focus is a shareholder

focused, which is so cool. What other key dimensions of that stakeholder idea do you think most about?

Katrina Lake (18:23): I think the vendor one, and specifically, I do think that a stakeholder focus is a shareholder focus. I think there are other dimensions though. I think there's a lot of companies that are talking a lot about stakeholder value and doing somethings, but I would love to see a future where we're talking about stakeholder value. I think some of what's been happening around social justice lately kind of fits into that broader umbrella. I think you see some companies that are starting to share some data around representation, and in some cases, pay equity as well. If those things are really going to matter, and we're going to decide they're going to matter in the same way that we do earnings and that we are publicly reporting and having numbers audited and being held accountable, I think right now we're doing lip service to the notion of stakeholder value.

“I do think that a stakeholder focus is a shareholder focus.”

But I wonder if there's going to be a future where we're going to be holding companies accountable for more things that come under that broader stakeholder value meaning, and not just, today, I think a lot of what we're held accountable from the street side is around our financial performance and our results, which we want to be held accountable for. But I think there's a lot of other things that, as a society, that we'd love to see ourselves and other companies be held accountable for too.

EARLY DAYS OF STITCH FIX

Patrick O'Shaughnessy (19:29): I'd love to go back to the beginning. I love origin stories, and I was studying the early days of Stitch Fix. The investor pitch is so interesting in hindsight, because you ended up being so incredibly capital efficient. I think you only raised \$50 million or something, which is, compared to most startups these days, quite a little bit of money. Despite having a physical product, inventory management, warehouses, things that you would think would require a lot of capital. I'm just curious how you made that happen. What was the story behind the capital efficiency in the early days that I think many investors, certainly me included, would have missed given the nature of the business?

Katrina Lake (20:04): It's a little complicated, because I am proud that we are very capital efficient and that we made it work, but also to be really clear, those are the circumstances that we're not the ones that I wanted. I was out there trying to raise money, trying to raise hundreds of millions of dollars, like many of my male counterparts, to be also transforming old industries. People didn't see it with us, people weren't as excited about this. For whatever reason, it was very, very challenging to raise money for this business. And this was a business that was cashflow positive in 2014, this is a business that was growing crazy. We went from zero to a billion dollars in I think five years. I'll have to fact check that, but something like that. This was a crazy growth company, and one that dozens and dozens of venture investors passed on.

I was forced to be capital efficient. I had to make the most of our balance sheet in order to survive. I didn't set out to say, "Oh, I'm going to take as little money as possible, or I'm going to make the most capital efficient business there is." I had to do that to survive. I more just say that because I do think haven't changed that much. There's a handful, more female investors. The reality is that there are a lot of overlooked businesses, and there's a lot of capital going to some people. It's a lot easier to be a winner when you have a ton of capital, and it's a lot harder when you have less. Again, I'm proud that we were able to get there, but it certainly wasn't the aspiration that I had. But in terms of the way that we did it with this business was that you could sit down, and Bill Gurley from Benchmark who invested in our series B, and he definitely was one of the few that saw it and was really excited.

“But one way to, at least solve the inventory side, was if we could actually turn the inventory fast enough, so by the time we had to pay our vendors, our clients had already brought enough products so that we could pay them.”

I think in our first meeting, he and I sat down and went through our Excel sheet. You can do the math, you could figure out, okay, if we are paying our vendors, at the time, it probably wasn't even 60 days. It was 30, 45 days. And can you make enough revenue to cover the cost of goods before so that you can be paying our vendors with cash from our customers and so we could effectively fund our own growth. I think that efficiency around inventory has continued to be true today. It's easy to look back on hardship and say the things that you learned, even if you didn't want that hardship. Certainly one of those things is really around managing inventory. You live and die by inventory in apparel retail. This is a business where, in order to make this business work with little cash, especially in a high growth time, during a high growth time, you're having to normally use cash to acquire customers, to buy products, to even do that in a capital efficient way was crazy.

Katrina Lake continued (22:34): But one way to, at least solve the inventory side, was if we could actually turn the inventory fast enough, so by the time we had to pay our vendors, our clients had already brought enough products so that we could pay them. The early side of the unlock was trying to figure out how they could make the cash last longer. Then on the customer side, on the marketing side, this is where it was pretty extraordinary, the first, I don't know, four years, at least, I think. We paid very little money in marketing. A lot of the growth that we had was just real old school word of mouth growth. It was really just people telling other people, "You should try this out. Oh, you look cute today. Actually, I got this top from Stitch Fix. Have you heard of it?" And it was really just, I think, the product market fit of this concept, of being able to have products that are personalized, recommended specifically for you, delivered to your home.

That concept was a really powerful concept for working families, for people who are busy, who are prioritizing other things. I think that, just natural product market fit, got us really far. We were able to get to a point where we had so much traction that you couldn't ignore it. And Bill Gurley from Benchmark, of course saw that, but once we got to that point, then not only were we cashflow positive, but we also were a more attractive investment opportunity, and we were able to raise two rounds with Benchmark. But I still think that when you look at the larger scheme of things, it's a shame that we were forced to be as capital efficient as we did, because I think we were, I don't want to say lucky, but we were able to make it work, but there are probably many others that may not have made it, that might've made it, if they had just a little bit more money, and there are hundreds of millions of dollars going to other companies.

Read Bill Gurley's full investment post from October 17, 2013 [here](#).

Stitch Fix: Reinventing Retail Through Personalization

October 17, 2013: Early this year Amie Fineberg, who has been my amazing assistant for over 10 years, mentioned that she and several other employees at Benchmark had fallen in love with a new ecommerce service, and that I might want to check it out. The company, which the founder cleverly named “Stitch Fix,” had a remarkably unique offering compared to other women’s fashion experiences. Customers are first asked to fill out an in depth profile to help identify their size, style, and preferences. Then, on the customer’s requested date, the company sends a personally styled offering (a Fix) of five items (previously unseen) to the individual to try on in her own home. You only keep and pay for what you like, and send back what you do not. Stitch Fix keeps track of what you keep, what you don’t, and why and integrates this your profile, growing smarter over time.



KATRINA'S SUPERPOWERS

Patrick O'Shaughnessy (24:16): The thing I would say about it, just to add on top is that this should make investors salivate. The whole point of investing is to find things that others overlook. I hope that doesn't last long, but in this case, it should be something that perks people's ears up, because that's where opportunity lies, often is where others haven't or won't look, and I think that's a really important point to make. I love how it ended up working.

The inventory thing is so interesting to me, and usually, the businesses that are talked about today have so little marginal costs or gross costs of goods, unlike what you're doing. I just love that story. The other part of the early origin story that I found so fascinating, my team and I are playing with this concept of founder superpowers, trying to collect maybe it's 30 or 40 different superpowers that different founders have.

One for you seems obviously to be recruiting. You were able to get Mike Smith from Walmart and Eric Colson, who I think was Netflix's chief algorithm officer, at the time, very, very early in your business's life cycle. I would just love to hear, what did you say to those guys to make them leave huge jobs and come join a very young company, as I'm sure both and many other hires were critical to the path and the success?

Katrina Lake (25:24): I wish I could transport myself back to that moment, because I also wonder this. At the time, I had these incredible “founder goggles” on, where you think you're invincible and you think anything is possible. I feel like in the 10 years, since now, I've been clouded by reality of how hard these things are and how much the odds were stacked against me. I would love to know what I said at those moments, because I look back now and I'm like, “They were crazy. What were they doing?” When Mike joined, and Mike had been the CEO of walmart.com, running millions of square feet of warehouses. I met him about a year into the business and we had zero warehouses. We were shipping Fixes out of our headquarters in San Francisco, which was 1,100 square feet. And we had a bunch of little drawers and bins, and we had no dedicated people who were just the shipping.

Every Monday, it didn't matter if you were the inventory planner or me or whoever, you were on the line steaming clothes, folding clothes, slapping labels on boxes and shipping them out. Every Monday, that's what we did. I remember I was telling Mike about it, and Mike wanted to come on a Monday, and I was like, this seems like a bad idea. I don't know that I want him to see that this is the way we're doing things, but it's kind of embarrassing. He's at Walmart, but also, of course he has to see this, because he has to know this. So, he came and he worked with us on a Monday. He and I still joke about it. He was not a very good worker on the line. He'd get a pack slip, and he didn't know what a romper was, and he would miss pick things. And we were all just trying to be fast because Mondays could become 11:00 PM sometimes.

To this day, I look back and I'm like, "How did you do that?" He had thousands of employees and millions of square feet of warehouses, and he jumped into an operation where we were printing invoices on a desktop office printer and taping boxes shut on Mondays in our office. I feel very lucky that they joined, and also, I'm most impressed with their foresight that this could have worked, because I feel like if I'd put myself back into that environment as an outsider looking in, I'd probably be looking at that and be like, "This seems crazy." But I think Mike and Eric are two different stories that are somewhat interesting. I think with Mike, he really did want that. He wanted to go to the early part of the entrepreneurial journey.

He's been an incredible partner to me. He's been in every leadership role in the company. He's led almost every function. I think he wanted to see that kind of early stage, and I think he knew. If you asked him, I think he knew there was some reasonable percentage or probability that this wasn't going to work, and he wanted to sign up for that.

Then Eric, I think was slightly different, where Eric, I think academically was fascinated by the idea. I had to kind of convince him to have ... I think we had a drink, we had a wine together, and he was just fascinated. He was like, "You just ship clothes into people's homes and people don't choose any of them?" And we were like, "Nope, the stylist does this, and we have very elementary algorithm behind it, and we want it to be algorithmic with a stylist.

"I can't stop thinking about the really interesting problems you guys are solving there. I know you're going to hire somebody to do a job like mine, **and I feel jealous of that person already.**"

Katrina Lake continued (28:22): He was just fascinated by it, because at Netflix, he's like, "I've always fantasized of a time when you would just turn on your TV and Netflix would just start rolling. We would just already know what you wanted to see and we would already just be showing it." And he was like, "That's kind of what you're doing." So, he was just fascinated by this idea. Now we have direct buy where people are choosing, but for the first eight years of the company, 100% of what we sold was by recommendation. We don't know of any other businesses that are that strongly around recommendation. LinkedIn has a high percentage of connections that are by recommendation. Netflix and Amazon, both, I think a minority of things that people buy are by recommendation, and at Stitch Fix 100% of what you bought was by recommendation.

The idea that we were going to be this recommendation-centric business, where it was really at the heart of everything that we do was really appealing to him. He signed on as an advisor for a while, and then he wanted periodic data dumps, and then he wanted his own Stitch Fix machine. One thing led to another, and he was just like, "I can't stop thinking about the really interesting problems you guys are solving there. I know you're going to hire somebody to do a job like mine, and I feel jealous of that person already." For him, it was really this intellectual academic interest in what we were doing, that was really different for him, and I think radical and compelling.

Patrick O'Shaughnessy (29:40): In addition to recruiting, what other superpowers do you think of yours have been important in Stitch Fix's story?

Katrina Lake (29:47): I think the primary two are absolutely recruiting. I never, ever, ever would have been able to do all of the things that we did without having the incredible people on the team. Those were people who were the Eric, and the Mike, and the people who'd been there and done that. There's also some people who grew and expanded with the businesses, as I had to also, that were just super important. I think that developing talent, identifying talent is just super important. I do feel fortunate that I do think that was something that I've been good at.

The second thing, honestly, I think it's just ... I don't know how to call it besides authentic leadership. Before I started Stitch Fix, I had only managed one person, and that was an intern who I still keep in touch with. He's fantastic. But I had only managed one intern.

I had worked at a smoothie shop, at Banana Republic, lifeguarded. Never managed anybody in any of those jobs. But I managed one intern, once, and then all of a sudden, I have people like Mike and Eric reporting to me. Truly, I had not done anything operational before this. I really knew nothing. I didn't have 15 years of experience. I didn't have some prior success. I didn't have a thing that was a proxy for: "Oh, she's going to be a good leader." The only thing that I had was this ability to be authentic and connect with people and to bring people along. It was really the only currency that I had. There's nothing on my resume that would lead you to believe that you should follow me, or you should do this. It was really the only thing I had.

I think, very early on, I did what I could to let people know about what we were doing, why we were doing it, and bringing people along, and the things that I knew, the things that I didn't know, the things that scared me, the things that were hard, everything that we do every day is a journey. I think the more people feel part of it and the more people understand and feel connected to you, it is a form of leadership. Even today, I think it's harder, especially in Zoom, I think it's a little bit harder to be able to have some of those casual, authentic connections. But I do think that it's one of the most important currencies in leadership, especially today, is the ability to be authentic and to have people connect with that.

Patrick O'Shaughnessy (31:55): Tactically speaking, does authentic translate to transparent, pretty cleanly?

Katrina Lake (32:01): It does and it doesn't. Interestingly, going public forced us to create some of those bounds. There's things that we are not going to be able to be transparent about. We can't be transparent about our financial results every day anymore. We can't be transparent about leadership changes that may or may not be happening. People understand that we can't be transparent about everything. To me, authenticity is about bringing people along in my experience. Another interesting thing for me that I thought about too, is that, as a younger woman with young kids going through this, I didn't have a ton of other examples of this is what I should look like, or this is the mold that I should fit into. Without that, you realize you have to create your own. To me, authenticity is actually more about sharing yourself and having people understand who you are, what motivates you and be able to feel trust in you. I think that's really what authenticity is. Of course, transparency is part of that, but I don't think that they're one and the same.

STITCH FIX BREAKOUT MOMENTS

Patrick O'Shaughnessy (32:58): If you look back on the history of Stitch Fix and had to identify what felt like a really big break for the business, maybe step function changed its trajectory, or really improved its odds of becoming the business that it is today, is there a big break that stands out, of any kind, in your memory?

Katrina Lake (33:15): I think there a couple, and I don't know that this will come off as one exact break, but in the first couple of years or so, the break that we had was actually more around traction that we were getting in the blogger community. What's interesting is, and this now feels so ancient, the idea of sitting down and writing a blog post, which I get that some people do, but at the time, before Instagram or whatever, a lot of the fashion content, a lot of lifestyle content revolved around blogs. So, as a blogger, what actually was hard was coming up with content. It was actually hard to be interesting every day and to have something new every day, because bloggers are just like us and have relatively average lives. What was interesting about Stitch Fix was that it was this great Venn diagram of content, and it was unique to them, because each Fix is unique to each individual and it was easy.

It just shows up at your door, and it was super engaging, because people are trying things on. Then in the comments, a lot of our bloggers would tell us their most commented on, most engaged posts were the ones about Stitch Fix, because it actually gives you something natural, and Stitch Fix picked it, not the blogger. So, it's not insulting to say, "I like this, but I don't like that as much." It just created this really engaging content that really made bloggers' lives easier. So, that really caught on, and it really caught on in this, I don't know if you'd call it micro-blogger, but small to medium sized bloggers. At the time, big bloggers were getting sponsorships from H&M and whoever. Then, these small to medium sized bloggers were kind of off the radar, but had really strong followings.

So, you might only have 10,000 followers, but these followers really follow you and really care about your opinion. We got this flywheel thing with these small to medium lifestyle bloggers, and so it could be fitness bloggers or food bloggers, or in some cases, Christian bloggers. We had all these small to medium sized bloggers that were discovering Stitch Fix and starting to write about it. That created this virality that would have probably cost us millions of dollars in marketing that we didn't have to support the growth that it delivered to us. Looking back, at a time when we were really cash strapped, it was a real savior, I guess, of being able to have this engine that was working, that we didn't have to find with cash we didn't have.

Katrina Lake continued (35:32): Then, I do think the other, I hate to tie it to fundraising events, but fundraising for us was so hard. It was really frustrating to me because I went to Stanford, I went to Harvard, I studied business, I understand a P&L and a balance sheet and a cashflow statement. This business worked. The unit economics work, the lifetime values are good. We had a path to generating cash quickly. It was so frustrating to me, and the growth was off the charts. So, it was really frustrating to me to be able to look at the raw financials of the business and be like, "This works. I don't get it. Why aren't people excited about this?" Sometimes as a founder, it's easy to talk yourself into believing in something, and there were moments where I was like, am I just telling myself this is working, but you look at the numbers and it was working. There was just this dissonance that I had around, I really believed it was going to work, and then I also couldn't understand why people who could probably see the business in the same lens that I did and through this business lens, and still didn't see it.

I think, when I sat down with Bill Gurley and his excitement and his understanding and his belief in the business, it just made the big mental impact, I think, on me of, I'm not crazy. I think being able to have that validation, and then being able to have that belief from somebody who has seen a lot of really successful businesses and sees the same thing here, I think gave me a dose of really needed confidence and validation, I think, in my perspective, on what I felt was special about the business.

THE NEXT CHAPTER FOR STITCH FIX

Patrick O'Shaughnessy (36:55): I love both those stories, obviously very different, but both really interesting. Especially interestingly, this idea of creating a customer experience that's worth and fun writing about or sharing. That is a big tailwind, if you can do that in the future, given the influence that the crowd, generally speaking, has over products. I think that's so, so cool.

I'm curious, in the world of apparel, it's not a business that I know well at all, and you've already talked about the shifting nature of personalization and understanding the customer. If you think

that in the next act of Stitch Fix's life, that you're going to gain a competitive advantage that's maybe similar to the Kirkland brand at Costco, or Netflix Originals, or pick your scaled up player that knows its customers so well was a distributor and now becomes an originator. Talk a bit about that idea of maybe exclusive brands to Stitch Fix and the role that, that may play in the business's future.

Katrina Lake (37:48): It does play a role now, and I do believe it. I think there's a lot more potential for it in the future too. The Netflix Originals is really interesting, I love that nugget of inspiration. Because I think they also use data to drive some of the decisions that they made, and that's certainly the philosophy that we've had. In some businesses, in kids and men's, as an example, exclusive brands actually already has quite a big role. In women's, it doesn't quite as much. But I do think this idea of, how can we leverage what people are sharing with us around what they're looking for and what they would love to have more of in their lives, and how can we actually create products against exactly what their needs are, is a lot of the thesis around what exclusive brands can do.

I think in men's and kid's, we were forced to do that sooner, just because the vendor base wasn't as large as it is for women's. In women's, we have so many wonderful vendors, and so there's not as much of a need for that content alongside it, but I definitely think we really believe that there's a big opportunity there. Our vendors are also really excited to be able to be using our channel as a place to be able to be creating products that is unique through our channel, and leverage the data to be able to create that unique product. I think that's a place where we definitely had some interesting traction, but I think there's still a lot more potential and possibility.

Patrick O'Shaughnessy (39:01): I'm always interested in how business leaders define the acts of their business. Historically, for you, it would seem like act one was probably women's apparel, maybe act two kids and men's. If I'm wrong there, correct me, but I'm really curious to hear what your thoughts are on the next act for Stitch Fix.

Katrina Lake (39:18): Wow. I'm very impressed at how accurate you are. When I think about Stitch Fix, that's exactly right. I think of act one as being the women's business, women's Fixes, act two is really around taking that women's Fixed concept and taking it to men's, plus size, to kids, to the UK. Then now, we really are in this third act, and this third act is around how, I think historically, people have linked Stitch Fix with this Fix idea of a Fix shipped into your home that is not of your choosing, and that also, that people have linked Stitch Fix with the box and recommendations with the box.

I think what we're trying to do now is actually saying, now that we've sold \$5 billion of clothes sight unseen, we have this incredible recommendation muscle, and that muscle and the learning curve on that has gotten much faster, where we're able to learn a new customer much, much, much, much faster than we did eight, ten years ago. So, what we can do with that is that we can actually start to surface recommendations and use that recommendation foundation or platform in new ways.



In the last few earnings calls, we've been talking about direct buy, which is this platform where we're actually surfacing those individualized recommendations directly to consumers in our app so that they can buy directly from that, which is really meant to be able to add to the way that people buy Fixes, but also, to open up new audiences where there might have been people, historically, who might've been skeptical about getting a stylist curated fixed to their home, but they actually would be thrilled to shop their own recommendations.

So, it opens up our market opportunity, it opens up more share of wallet, but I think this notion of recommendations can be this foundation that we actually can build a lot of different products off of to be able to allow people to find the things that they love in a variety of ways is the act that we're in right now. Now, this act is really around, how do we actually make the most of this incredible recommendation muscle that we have and really capitalize on a huge market opportunity ahead of us? Right now is a crazy time, but pre-COVID, this was a \$400 billion space that we were in that is really fragmented and full of players that were struggling, and either bankrupt or contemplating bankruptcy. That is a huge, huge opportunity from a market share perspective that we're excited to be able to lean in and play offense on right now.

Patrick O'Shaughnessy (41:30): I love this idea of the internet starting with an explosion of options, and now it's sort of retracing back to personalization and customization and saving people time. I think that's really a neat platform to be working off of. I'm also curious what lessons you've learned on some pricing areas, more specifically, sort of how you charge for a stylist versus a membership fee. As I was doing some research, I think today it's \$49 a year, again, correct me if I'm wrong on that. But I'm curious, a lot of businesses have this membership now, Prime-like membership that covers some of the costs of the service, what lessons you've learned there.

Katrina Lake (42:04): One lesson that I think we've learned on pricing, what's interesting is the \$20 styling fee that we have, the historical origin of that is not that scientific. But the reason that we have the \$20 styling fee was, in the early days, when I first started the company and we had no website, so I had no credit card processing. So, I figured that if you PayPal-ed me \$20, that you were unlikely to steal clothes from me. So, it was a deposit of sorts, or a sign that you were a human on the other end. You're PayPaling me \$20, so you trust me enough to give me \$20. So, I'm going to trust you enough to send you clothes to try on at home. That was actually the origin of the \$20 styling fee. What's interesting is that, that actually has a lot of other nice attributes to it.

Even today, when somebody is getting a fix and they are handing us \$20, there's intention there. They're saying, "I want to buy clothes. I want you to help me find clothes that I love." So, there is an intention to buy that is really valuable. That also creates a strong partnership where it is a failure if we don't send you clothes that you love. So, I think that the styling fee was an interesting one, where it was a little bit arbitrary, frankly, of the way that it started, but it actually has some really nice attributes to it now. But when we launched Style Pass, it was really actually in recognition of there are some people who are actually already committed to Stitch Fix. The \$20 is not necessary to show their commitment to Stitch Fix, but that they want to be able to try things on.

A lot of times you're trying things on and you might already have something like it, or you might not have the budget that month. We didn't want it to be punishing, I think, to be able to have the try on experience and not buy the things. That was the way that we thought about it, but to be candid, I think we are starting to think about what are the different ways that people want to be engaging with us and how are the ways that we can price those things so that it can be as inclusive and also as personalized for each person as

they want it to be. I would say that honestly, we've learned some interesting things, certainly with the styling fee over time, but that we're early in the pricing exploration journey.

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Patrick O'Shaughnessy (44:03): I love the \$20 sign of commitment. I've seen that in other businesses too, that when someone pays a membership fee, their LTV actually goes up. It's almost like there's an endowment effect or something that they've sort of made a bet on this business, and then they're going to be loyal as a result of paying them, which sounds counterintuitive, but it seems to be how it works out. It's interesting that you've had a similar experience there.

I'm curious what else, apart from the obviously edge that you have in data science and personalization, just looking at the general world of retail apparel, how else would you describe what's happening at the frontier of that industry? You mentioned that they were struggling in many cases, things are changing fast in all industries. What other, just broad, interesting trends are you watching carefully?

Katrina Lake (44:44): There are so many. The ways that people are generating awareness of brands and things that they want, certainly that's changed a lot. People are finding that organically through influencers or people that they follow through social networks. That's certainly been a trend that's been happening for a while, and I think will persist. I think there's this push and pull model that's really changing. I think during the time that I was growing up, a lot of apparel was a push: “this is cool. This is the next it thing is the puffer jacket, or the next thing is this.” There was this mass push around, this is the trend and everybody get in line. I think what we're seeing now is just this desire on individualism and this desire around uniqueness, and that it's going to be less effective for brands to be pushing this notion of “this is the thing.”

It's really more about how do we respect everybody as individuals and how do we respect everybody's unique point of view. And in apparel retail too, I think the other trend that I think we will see COVID accelerate is that, I think this was a business of mass over production for 40 years, where you just wanted cheap and fun things, and that fast fashion was a great avenue for that. I think that's going to change now that we're all trapped with all of our things in our homes. I think people are thinking twice about what are the things that I really need in my life. I think that a lot of the idea of the fun cheap \$7 tank top that I'm only going to wear once, I'm not sure how much appeal that's going to have in the future. Again, I think that's a place we're really well positioned too. At the end of the day, people are buying things from Stitch Fix because they love the thing, and because it fits them well.

That's exactly, I think, how more and more people are going to be buying. I think there's nothing worse than the thing that you bought because it was 75% off and it's still hanging in your closet and you still haven't worn it. So, I think there's going to be a greater premium to the things that you really love, and that those are going to be the things that you're going to spend money and time and wear a lot. I think that's another trend that is changing, but this is an exciting time. A time when so many things are changing, the consumer is changing, the industry is changing. We haven't even been talked about stores. I don't even know what our store is going to look like post COVID. I don't even know. I think there's so much that's changing right now, and I think for a company that thrived off of change, that was always excited to be radical and be different, this is a really exciting time.

THE PERFECTION SHOPPING EXPERIENCE

Patrick O'Shaughnessy (47:09): Didn't you once have a vision of some sort of museum with a wand that you could walk through to pick your clothes, and then there was a fulfillment on the other side?

Katrina Lake (47:16): It still blows my mind that the premise of going into a store and trying on clothes is that you walk in and you look through a rack of hundreds of pairs of jeans. How do you even know, from looking at the jeans if they're going to fit you well? The whole thing is crazy. My idea was, wouldn't it be cool if you walked into a store and it was like a museum, it was beautifully visually merchandised, and you could see this outfit and that outfit and you had a wand, and you could just wave over the outfit, and then there would be a fulfillment center in the back that could pick out the right sizes for you and maybe outfit recommendations for you. Then, after you've explored the beautiful space, you could walk into the back and try things on in a personalized fitting room. I still don't understand why that's not a reality. That feels like it should be the future of a store, but I don't know, who knows. We'll see.

Patrick O'Shaughnessy (48:00): If I was an evil genius that was hell bent on my whole life's mission being just competing with you guys, and I bought fixstitch.com, or something, and I had unlimited money, and I was trying to copy what makes you guys powerful, what do you think, even with all that money, would be the hardest thing to copy?

Katrina Lake (48:17): The data is really the hardest thing. At this point, we have billions upon billions of data points that help us to understand, not just who's going to like what, but we also understand what are the attributes and clothes that matter. You could take every measurement of every garment, but if you don't actually know which ones are the ones that are meaningful and the ones that drive decisions from customers around what they're going to buy and what they're not, it's pretty meaningless. This data that matters is really what I talk about, when people are trying clothes on, they're letting us know this is too big, this is too small. It's not like online reviews. It's not just the people who hate it and the people who love it. We get this very high completion rate of people who are sharing with us what's working. That's not necessarily big data, but it's small, real meaningful data.

“My idea was, wouldn't it be cool if you walked into a store and it was like a museum, it was beautifully visually merchandised, and you could see this outfit and that outfit and you had a wand, and you could just wave over the outfit, and then there would be a fulfillment center in the back that could pick out the right sizes for you and maybe outfit recommendations for you.”

That takes a long time to amass. We've now sold \$5 billion of clothes sight unseen, and that gives us access to this pretty incredible predictive data set that's pretty hard to replicate. I think the talent also, we have an incredible team of people that combines all these super interesting worlds. We have stylists working alongside data scientists and merchants working alongside software engineers and a company culture of a place that can really respect all of those functions for the value that they bring, and to be able to take risks and try new things is also hard to replicate. But we're definitely, I think, probably an order of magnitude larger than anything we've seen that has popped up to try to replicate what we're doing. We're not just resting in that. We're very motivated to continue to invest in our competitive advantages and to continue to drive that leadership in this space.

But I think that we've had a lot in the last 10 years that we've focused on, that I think not a lot of other people have, and that, that gives us a pretty unique position in the market.

Patrick O'Shaughnessy (49:58): In addition to, obviously hiring well. You have to have great leaders in this space. Are there any other lessons that you've learned that you think would be beneficial to those that want to put data and data science sort of at the center of their business plan and their growth plans, tactics or strategies that worked out well for that focus in the start of Stitch Fix?

Katrina Lake (50:17): Maybe there's two things. I think there's the customer centricity and data of just ... data for data's sake is not valuable. I think there's this idea of, we'll have people who are like, oh, I can sell you this data set of social interactions or something. And I'm like, to be honest, who people are friends with on whatever social network is not as valuable of information as somebody telling me, "I would like a red shirt." I think generally, just having that first person, really customer-centric data is really important. We are only asking clients to share with us things that we know are going to help make their experience better.

Then I think the second one that I've really seen fewer companies in this space, but I think is really exciting is around what you call this augmented human of, how can you actually combine the best of both worlds of data science and humans?

It's very hard to do retroactively, and so you kind of have to do it from the origin of the company of being able to scaleably figure out how humans and data science can work together and deliver better outcomes than either one alone. That, I think, is a really, really interesting concept that I think actually probably applies to a lot of different industries, but we're still in the early days of knowing what that's going to look like.

Patrick O'Shaughnessy (51:25): I love that. I think, especially with what we're facing now, and thinking about the future of work, jobs that promote human creativity and are flexible, in terms of location and time and all those other things, circumstances of someone's life. It seems like companies that bake that as, what would be the right term, "labor edge," or something, that's really real.

Katrina Lake (51:42): No, it's true. There are a lot of things that I anticipated when I started Stitch Fix, but one of the things that I definitely did not was really the stylist population and just what a compelling employee population that is. With our stylists, it's interesting because even in these "low unemployment times," when it seemed like the job market was amazing, one of the things that I realized was there were tons of people out there that were overqualified and underemployed. That's where we had just had this really interesting model where, whether it was somebody who was working a few part-time jobs or somebody even who had a full-time job, and this was going to be a creative outlet, or somebody who is staying at home to raise kids, but still has some time to be able to contribute and wants to be part of the workforce, or somebody who is a hairdresser or a real estate agent, or name the thing where you have a job that's a real meaningful job, but also leaves you with these pockets of time that you'd love to put to better use, or you'd love to focus your creative energy on.

There is so much of that, what I would call underemployment or under-utilization of this incredible creative capacity that we have in the United States, in the UK and in other countries. We're really able to capitalize on creating a role that was this great creative, human fun job, but that also is real income and can really fit into your life. I think a lot of people who we hired were not necessarily counted as unemployed, but we know were underemployed and under-utilized and their talents weren't fully used in the current ecosystem. It was a very interesting thing that I think we stumbled upon, and something that I still think about a lot today. We spend a lot of money and a lot of time educating and creating this incredible knowledge-base and capacity in our world. And yet, I don't think we take the most advantage of all of the creative energy and all of the intellectual energy that's out there.

Patrick O'Shaughnessy (53:37): At what point in the Stitch Fix journey have you felt the most alive?

Katrina Lake (53:41): There were probably a few different moments that I can think of. Coming back to work after my first child, I probably felt both most alive and also most exhausted. Now, we do boot camp where new employees who start at Stitch Fix go through and meet me and ask Q&A. I've been saying this in the last few weeks, and I don't know that I've really said this before, but I actually think right now is the most exciting time at Stitch Fix. For years and years, we've talked about recommendations broadly and how recommendations can be beyond the Fix, and could potentially be in other categories. We're starting to see some of that, and I think just the strategic possibility right now is we are unhitching recommendations from Fixes and being able to create more products on this platform of recommendations. There's just so much exciting strategic possibility right now.

As much as COVID and everything has been really challenging in the last six months, there's also just this real desire for change. People are changing, behaviors are changing, the industry and the world is changing. I think for an entrepreneur, there's nothing more exciting than being able to capitalize on that change and being able to evolve and move to fit that change. It's crazy to say, because on so many dimensions, I'm so exhausted, and the last six months have just been really tough, but intellectually, this is really the most exciting time that I've been in the company.

Patrick O'Shaughnessy (55:05): I love that. I've heard that answer a few times, which is, as stressful and hard as this has been, almost everyone I know, feels like it's cracked open a new world of possibility because they're just looking at everything with a very fresh set of eyes, because they have to, so that's pretty cool.

Katrina Lake (55:17): That's exactly right.

Patrick O'Shaughnessy (55:18): I was going to ask what you're most excited about, but you've basically just answered it. So I'm going to go to my traditional closing question, which is the same question I ask everybody, which is to ask for the kindest thing that anyone's ever done for you.

Katrina Lake (55:29): I can think of a couple of different parts of my life, and through this conversation, honestly, the one that probably stands out right at this moment is, when we were going public, it just was challenging. We were a company that weren't good comps out there, still probably aren't. I don't know that we had the most accurate view on what valuation would be like. The roadshow was tough, just the same challenges that we've had with investors in the private market, ended up being true in the public market too. The IPO was just tough, and I didn't personally know CEOs who had done it before. This is my first time doing it.

I forget which day it was on the roadshow, but one of the later days on the roadshow, another public company CEO reached out to our bankers actually, and just said, "Hey, I have no idea how things are going, but can you please let Katrina know that she can call me? And that it might be tough and it might be a tough week, or might whatever."

I called him. We'd never met before. He knew nothing about me, and he just reached out. Another act of kindness, the night before the IPO, I was crying. It was like 11:00 PM in the Midwest. I texted Sarah Friar, who was the CFO of Square, and was like, "Can you talk?" And talked to her and got a little pep talk from her. But I think in those moments, when you feel very alone, and as a CEO, there's a lot of moments where you feel somewhat alone, but this was one in particular. It was like, okay, other people who could empathize with a challenging set of circumstances before what, on the surface, is a really exciting event. I felt guilty for feeling sad before this momentous picture taking thing on the stock exchange event. But I think both of those moments of being able to talk to somebody who had been through this and somebody who reached out, and just to check in, knowing that that was a time of loneliness, it was just really, really kind.

Patrick O'Shaughnessy (57:17): Fantastic. What a great set of experiences. It's funny how sometimes the things that look most glamorous can be the most stressful.

Katrina Lake (57:23): I know.

Patrick O'Shaughnessy (57:24): That's a common occurrence.

Katrina Lake (57:28): To be clear, I remember that night, and I said to Sarah, "I don't know how I'm going to be able to stand up there. This is such a disappointment for everybody. I don't know how I'm going to stand up there and smile." To be clear, it was very easy to stand up there and smile. The next day it was going to be impossible not to, but it is funny looking back. Those were real emotions I had, and it seems crazy now, but that was true.

Patrick O'Shaughnessy (57:45): Well, I've so enjoyed our conversation. I feel like you have now built, what I would call, a very modern business. Not a tech business, a modern business, in a very interesting and elegant way, and it's been fun to learn all about the business and what's coming next. So, I really appreciate everything you've taught us and for your time today.

Katrina Lake (58:01): Thank you very much. I really enjoyed the conversation, and talk soon.