[01:11.6]

Look, this is no secret. We went through a, you know, tough experience earlier this year in our partnership with Major League Baseball and with Nike where, you know, Nike redesigned the jersey that we've been making for eight years. And, you know, there's a really negative reaction to it. And with Major League Baseball uniforms, it was the official Major League Baseball uniform because other players complained about it. Players complain. Fans complain relentlessly. They didn't like, say a little bit.

[01:26.7]

They said a lot. They spoke loud. They see through it and all this stuff. Yeah. And for us, that was actually an incredible moment. We embraced the ass whipping. We said we need to be a lot better. You know what, we got to speak up louder. We got to be stronger. We can't, you know, you can't just go along for the ride. So, like, that's why I'm so excited about this business because I get to learn every day. It's a, you know, if you like action, this is the job for you.

[01:49.8]

Welcome to How I Built this. A show about innovators, entrepreneurs, idealists, and the stories behind the movements they built. Guy Raz and on the show today, how Michael Rubin started his first business at age 8, made his first million in his teens, and then built fanatics into a massive one stop shop for sports.

[02:10.6]

We've had hundreds of brilliant entrepreneurs on the show over the past several years, and in each case, I've learned a lot from their experiences and I imagine many of you have as well. But every once in a while, we tell the story of a founder who is a true entrepreneurial savant, a prodigy. A Michael Rubin. Michael Rubin was not a good student.

[02:26.6]

He barely finished high school and only attended college for a single semester. So it's safe to say that as far as academics go, he was close to being a failure. But when it came to business, he was a superstar already at age 12. That's when he opened his own ski tuning shop. By 15, he had a brick and mortar ski shop on the outskirts of Philadelphia.

[02:43.5]

Before he graduated high school, he had five of these ski shops. And before he turned 20, Michael was making hundreds of thousands of dollars a year buying and selling excess sporting goods and footwear from big brands. As you'll hear in this conversation, what Michael lacked in academic prow he more than made up for in instincts and street smarts.

[02:59.3]

He figured out how to take big but calculated risks. Risks that would eventually lead him to the business he's probably best known for today. Fanatics. If you're a sports fan and bought an officially licensed hat or jersey or collectible, or even bet on a game, you have likely spent money on a fanatics product. Today the brand is worth roughly $25 billion and it's still privately owned, though there are rumors it could go public in 2025.

[03:20.3]

As for Michael, he's become something of a brand himself. More than a million people follow him on Instagram, where he posts videos and photos about his life and his business. For the past, he's hosted an annual celebrity filled party, the White Party in the Hamptons. A party by the way, not to be confused with another white party, the infamous one hosted by the now disgraced rap mogul Diddy.

[03:37.5]

And Michael's net worth, it's estimated at around $10 billion. Now, not surprisingly, to fuel all that success, Michael has a restless, driven nature and a confidence so powerful that it can feel like a physical force. A force I certainly felt when I met him in the studio in San Francisco. And by the way, if you're listening with kids, Michael is pretty liberal with his salty language.

[03:55.0]

So just a heads up. But unlike some founders I've spoken to who prefer to remain stoic about their struggles, Michael is pretty generous when talking about his personal challenges, his anxieties and the sacrifices he's made over the years to build his businesses. And we'll hear about all of that a little later on. For now, what you need to know is that Michael grew up in a Philadelphia suburb in the 70s and 80s.

[04:11.7]

And back then he had trouble doing the things that came naturally to other kids, like reading. People don't believe me when I say this. The last book that I read was the book called the Swoosh, the Unauthorized Story of Nike. I read it, I think when I was in eighth or ninth grade. So probably came out in the, in the, in 1986, 1987. Hard for you to concentrate on the page.

[04:27.6]

Yeah, I read a page and I have to, I read two lines, then I have to go back. I reread it. Yeah. And today, you know, again, because I haven't read a book since ninth grade, you know, my reading comes in very short, you know, like kind of pieces. If someone sends me an email that's, you know, three or four paragraphs, I'm 99% not reading it. Certainly 40 years ago was a lot less common than it is today.

[04:44.2]

Yeah. To tell you about all the learning disability. But when you have a mother who's a psychiatrist. Yes. Father's a veterinarian, both got very education oriented and you have a kid who's just not kind of doing well, in school, you know, they worry and figure out, like, how do we help them? What do we do? Did you get in trouble at school? I was not a good student. I was not a good kid in school. I wasn't like a bad kid. It was more like I just didn't connect with school.

[05:01.7]

So did I get in trouble? Yes, absolutely. Was I still well liked by everybody, school, including all the teachers and everything? Absolutely. Yeah. So it sounds like you, you didn't feel like you were. Or did you. Did you feel like that I'm failing my parents? And do you remember feeling bad? It's a great question. I don't think.

[05:16.9]

You know, I grew up in a family where they told you what you couldn't do, and then that just provided motivation to me what I could do. Yeah, I had great, two incredible parents. They just, you know, it was kind of like they told you, they told you all the things you couldn't do, all the things you couldn't accomplish. And to me, it's like, fuck that. Like, I can do anything I set my mind to. But as bad as a student as I was, and as much as I struggled in school, and even though it wasn't diagnosed that point, real ADD issues, I think I was equally as bad as an athlete.

[05:37.0]

Okay, so I wasn't just failing at school. I was failing in sports. And that meant socially. Yeah. What that meant was I was always last to be picked on a sports team. You're going to pick, you know, 10 people on each team. I'm 10. You know what that I believe, what that makes you do is you figure out, well, what are you good at? Where can you win? And to me, business and working was a place I always excelled.

[05:54.5]

I love doing it. It's a place where I could be number one. I could be the best there was. How did you figure that out? What was the moment the first time you thought, God, this is really fun. I'm good at this. I think I was born with it. But what? Tell me, because, you know already at like age 8, you started selling. I mean, a lot of kids do lemonade stands. A lot of kids do, you know, car washing things. What was the thing that you started doing eight years old, when it would snow, I would go around door to door, sell the snow shoveling and then hire, you know, six kids to, you know, five bucks an hour to just shove all the driveways.

[06:19.5]

You would go door to door. You would say, hey, I'll shovel your device. Would you like your driver shovel? It's 20 bucks and then you'd go find the kids to do whoever had them follow me around. And I was, you know, paying them five bucks an hour. Do you remember how you even thought about doing that? No. But I'll tell you one story that I do remember. When I was 12, I really learned how to tune skis.

[06:34.5]

And a friend of mine said to me, like, hey, you love skiing and you love business, why don't you start a ski tuning shop? And I said, great idea. And you know, like an hour later, I had the Mike ski tuning flyers made with the prices of, you know, you know, all the different things you could do for ski tuning. So, all right, so age 12, you start a ski tuning shop.

[06:49.5]

I guess you learned how to tune skis at like a ski camp you went to. Yeah. And so you're in Philadelphia, outside Philadelphia, you opened a ski tuning service. But I guess after your bar mitzvah, you made a little bit of cash and you were able to use a cash to actually open a storefront, like a location. They had the ski swap every year where all the ski retailers in the Philadelphia area would bring their excess inventory to a ski swap.

[07:08.5]

And I worked that swap the whole weekend, you know, just trying to help out the other ski shop owners. And I said to one of the guys, this guy Brett Bauman, who owned something called Bauman Ski Shop, I said, hey, you know, I live 45 minutes from you, so there's no competition. Why don't you lend me some of your excess equipment and I'll pay you for it as I sell it. And he did exactly that. And that year, at 13 years old, I did $25,000 in revenue. Selling it from where?

[07:24.1]

From my basement in my parents house. How did you get the word out? You would just tell people I'm selling skis? Yeah, school flyers. You know, I actually, I remember it's a great story. I don't think I've ever told this before. There was a ski shop called Ray Panella Ski Shop in the Plymouth Meeting Mall. I buy these flyers, I put on, on cars, thousands of cars in the parking lot. And I get home and my dad says, you know, hey, Michael, I need to speak to you.

[07:41.4]

He says, I said, like, dad, what's up? He says, well, Ray Panella, who owns Ray Panel Ski Shops, called to say that you were trespassing and that he was going to call the police and have you arrested for trespassing because you were putting flyers out in the mall parking lot. He has a ski shop in the mall and he thought that you were unfairly competing. I said, what would you tell him? I told my son was 13. If you need to worry about competing as a 13 year old, you got bigger problems.

[07:57.3]

Wow. So you basically take out a lease on a location on a brick and mortar store. Yeah. In your town, was it Lafayette Hill? Rich and Butler Pikes? Lafayette Hill, Pennsylvania. Okay, so meant that your dad had to co sign that. Right. And you get to take a lease out. First of all, how did you operate that business? I mean you were a 14, 15 year old kid like you to go to school during the day.

[08:14.4]

So how did that work? Did you, how did you manage that business and also go to school? Yeah, so that school thing definitely got in the way and I definitely focused on business. You know, I actually had a, they had a co op program, my school. You could get out at 11 o'clock if you had a co op program. In 12th grade, somehow I talked our school allow me to do that in 11th grade. Getting credit for having like four kids.

[08:29.9]

Yes. So my landlord just had to. So I just had to pay the right on time that he gave me an A for my co op program. And that was like half of my curriculum. Michael, how are you? First of all, at 15, were you like, were you fully grown or were you still growing? Like were you, were you short? Were you tall? Cuz 15 is young man. Like how did you have, how are you able to get people to take you seriously?

[08:48.1]

Because I didn't have fear and I just went for it. And I think, you know, so many people have ideas and they talk about what they want to do, but they don't do it. I was just always more of a person. I'm gonna, I'm gonna go and fucking do it. If it works out great. If it doesn't, you know, all good. And so, so I mean you could go back to 1986, 1988.

[09:03.3]

You know, I remember after coming to, you know, ski in the summertime, I said, well, why don't I build a ski mountain in the middle of the summertime? And I went out about 40,000 pounds of ice cubes set up in a ski slope at 15 years old. Where did you set that up? Outside my ski shop. So I had a ski shop. Yeah. In Kaihakken, Pennsylvania. Bridging Butler Pikes. And you set up an ice.

[09:18.5]

I remember, I came back, I remember waking my mom and dad up at like 2:00 in the morning. I got the greatest idea on the planet. They're like, what, what? I'm like, so I'm gonna set a scheme out in the middle of summertime, like go back to bed. What are you talking about? Sure enough, a month later I went out. It was like 2,500 bucks. I bought 40,000 pounds of ice cube cubes. Brand new. One ice company. I'm high. Remember this? And I set these up and every news outlet covered that.

[09:35.8]

This 50 year old entrepreneur had set up a ski mountain outside of a ski shop. And that was my market. Just a pile of ice with hay on both sides. Hay on each side. How do you ski down ice? You just ski on ice? Yeah. Amazing. Wow. So how was business? I mean, were you making money? So the first year at the ski shop, we did great.

[09:51.4]

We did like 125,000 hours in business. I made about $25,000 profit second year. Very good. I think we got up to about $500,000 in business. Maybe made 100 grand. You know, get a 15 years old, this is pretty spectacular. But think about this. This is also going back 37 years ago. Yeah. So half a million dollars in business. $100,000 when you're 15.

[10:06.6]

37 years ago. Kind of insane with the next year. We had a little bit of an issue. It didn't snow. If you're in the ski business, it doesn't snow. That's not like an ingredients for like really killing it. But I also made a mistake. I got a little bit cocky. Okay. And I was, I was now 15, turning 16. But I went out, I bought a Porsche. Then I went 50, 50 with a neighbor. I wasn't old enough to drive the Porsche, but I bought and kept it down the street from my parents.

[10:25.1]

So now the season ends and I have $200,000 of bills, $80,000 of inventory and half of a push. And by February, all the ski vendors that had shipped me inventory shipped me skis on open credit. Want to get paid? Yeah. But I didn't have the money to pay him. And I started getting sued.

[10:40.8]

I'd say the spring of the year that I was 16, I probably got sued 100 times. The sheriff became my friend. She'd come before I went to school, and she dropped off each day's lawsuits to me. And I thought I was complete failure. It was over. I'm never going to be successful in business. Wow. You know, I prepared to go bankrupt. And so I hired a bankruptcy lawyer and they said, hey, let's have a meeting with creditors.

[10:59.9]

All the people, money. So all these people came around and one of course is, hey, Mr. Rubin, how old Are you today? I guess I just look older than my age. And, you know, at this point, everyone assumes you're older. I said, I'm 16, and the room went dead silent. I didn't know. You know, you weren't allowed to incur debt legally till you were 18. Yeah. I think you were eventually able to settle your debts, partly because you made a deal with your parents, I guess, where they agreed to lend you some of the money if you agreed to go to college.

[11:20.8]

And you kept up your end of the deal. You started at Villanova, but you barely lasted a semester, Right? That's right. I'd say the reason I went to college was because I gave my mom and dad my word that I would go to college, and it was important. My mom's like, look, I'm a psychiatrist. I know what's best for you. You're normal kid. You need to be a normal kid.

[11:36.3]

Go to school, play sports, have friends. Why are you obsessed with this business thing? But I never got out of business. Like, you know, never shut the shops down. And then I basically became very big at buying and selling excess footwear, sporting goods, inventory, skis. Buying and selling excess inventory, you know, primarily footwear and closeouts.

[11:51.6]

So by the time I got into college, the biggest memory. If you say, what do I remember about college? I remember cell phones. At this point, you're talking about 1990. Cell phones were gigantic. Yeah. And I remember always sitting in the parking lot of Villanova on this giant cell phone, buying and selling things. Always, like, knowing that I had to get to class, but having no interest in getting to class because I was making deals. And, you know, I can remember times I was making hundreds of thousands of dollars in a trade, you know, in the parking lot of Villanova, you know, before I go to school.

[12:11.9]

So that was very difficult. Finally, after, you know, kind of part of semester, I'm just like, I'm done. This is it. College isn't for me. What do you. When you started doing these things, right, and succeeding and selling stuff, what is it that you feel that you had? I mean, was it because it wasn't like, you know, this.

[12:27.2]

You know, this accounting ability or, you know, or, you know, this mathematical knowledge. But. But there was something that you had that clearly worked. What. What do you think it was? Common sense, street smarts, work ethic. I would always work harder than. I would always outwork my competition and the ability to really build authentic and strong relationships.

[12:46.1]

And, like, nothing insults me. You could say anything to me, you know, look, you can't be insensitive, you know, and by the way, you would, you know, a lot of people, my family would disagree with this. They would say what, they would say like, you know, it's okay to be sensitive. I'd say, like, that's bullshit. Yeah. Now for some people, and you know, an interesting thing about managing people, leading people, is what works for different people.

[13:03.0]

You may go in a sports team and you can beat the shit out of them and that makes them play better. You may take that same approach with somebody else and they're going to be dejected in the corner of the locker room. I was the person you could beat on that would do better through the beatings. And it didn't bother me. Other people I think get dejected by that. I actually think in the hundreds of interviews I've done on the show with founders, I think a superpower of many founders is they, they don't get offended that they also don't hold grudges.

[13:23.7]

There's like they're desensitized. Yeah. I think, I think that's accurate of a lot of good leaders and entrepreneurs and much easier for a founder than a for hire CEO. Now, grudges are different because there could be somebody I may not like, somebody who's done me dirty. I may have no problem working with them, but I'll always remember.

[13:39.7]

Yeah, okay, but you'll still work with them if you know that there's a value in the greater interest of the greater good. 100% work with them. But I got a long memory for people who've done me wrong and that, that, I think that makes me smarter, that makes me better, that makes sure I don't, you know, get screwed multiple times. Yeah. All right, let's get back into the story here because we're, we're sort of in around 1990.

[13:56.1]

So it's, it's, this is still pre Internet and at this point you're, you're sort of, you're buying sports equipment and clothes and sneakers and then reselling it. So first of, how did you even get connected with the people who had this stuff to sell? So I remember doing my first big deal. My first big deal was I owned. When I was graduating high school, I had five ski shops at this point.

[14:12.0]

I remember going to one of the ski shops, they were selling these Umbro sneakers for. They were like soccer cleats. Yeah. And they were like 65 bucks. They were on sale for $29.99. I said to the manager of the store, I said, oh, you know These not selling well? They said, no, we bought them as closeouts. I said, oh, how much did you buy them for? They say $11.50 a pair. I said, wow. So we're selling for $29,900 at half off.

[14:28.5]

Bought them for 1150 pair. Can you find out how many pair they have? So they called the person umber. They said they had 12, 000 pair. So I just got on the phone with the person, right then. I said, hey, you have 12,000 pair, how much can I buy them for? They're like, you know, you can buy them all for 850. I said, how about I give you four bucks? They said, how about six? I said, can we agree at five? I bought the 12,000 pair for $60,000 that day.

[14:45.2]

Okay, that was the first time I got the shoe business by installing shoe clothes. And you're going to sell the shoes at the ski shops? Nope. I went to the yellow pages because that's how we found people then. And I found this company called Bosco's department stores. I just cold called them and I get this meeting with this guy, Albert Bosco's, who owns Bosco's department stores. He said, michael, how much you want for these? I said, 15 bucks a pair. He said, I'll take them all for 1150.

[15:01.1]

I hadn't even got them in yet. And I made 650 pair on 12,000 pair of shoes. So now I'm 18. It's like 70 or $80,000. But I haven't even paid for the shoes I bought yet. I got them resold to somebody else. So it was just, it was that instinct to hustle, that instinct to keep asking, to never have fear. That worked for me. You know, that was my first big bulk deal was buying all the shoes at five bucks a pair and selling them for 1150 bucks.

[15:18.6]

It must have been such a rush. It was for me who sucked in sports, who sucked in school to know, hey, on one day I could see these shoes in a ski shop that I owned, find out they were there were clothes out, and make 70, $80,000, you know, overnight without ever touching the shoes. That was pretty spectacular. And that's it. And that's the beginning. Okay, so now you've got this, this shoe experience.

[15:35.4]

But again, this is like pre Internet, right? It's all yellow pages and relationships and big block cell phones, right? How are you going to the next, how are you getting the next connection? How are you finding the next place to buy bulk stuff? It wasn't even big black Cell phones all the time. It was still pay phones. Okay. Because I remember one of the quick story. I'll tell you. It's a great story.

[15:50.9]

And I bet you this guy's still alive. I remember being at something called the Super Show. It was a big show in the sporting goods business where all the big retailers went to the show. It was in New York, it was in Atlanta called the Super Show. And I think it was Xavier McDaniel. He was a basketball player. Yeah. So he had a shoe called X Men Shoes. Yeah. They didn't sell very well. So I bought 300,000 pair.

[16:07.1]

I would have been 18 or 19, but 300,000 pair for nine bucks a pair. So $2.7 million. Okay. I remember going to the payphone and I called this guy Dennis Wasilewski, okay? He was the banker from Continental bank, my banker. I said, hey, from the payphone, like, you know, call. I said, hey, Dennis, I got great news. I just made like a million and a half, $2 million.

[16:22.4]

Like, what are you talking about? He said, yeah, I just bought, you know, 300, 000 pair of X Men shoes for nine bucks a pair. And I'm gonna, I'm gonna, you know, get them all sold to Modelos and TJ Maxx and Marshalls and Ross stores. And you're gonna get like 15 bucks. We're gonna make like six bucks a pair on, you know, 300,000 pair. We make like a million eight. She says, well, that's great. Why are you calling me? I'm like, how the. You didn't get the money? You're a bank. I need the money.

[16:37.4]

He's like, to pay for the shoes? Yeah, gotta pay for the shoes. He's like, so you bought the shoes without me agreeing to lend you the money? I said, yeah, but you're going to lend me the money because I'm going to make this much money, pay you back, and be a great customer. Yours. And sure enough, Dennis lent me the money. This was a different day. This is like, this was when banking was done. I'm like, this is back in the day, no problem. They lend me the money. I saw all the shoes and probably made a million eight.

[16:53.0]

Wow. 18 years old, maybe 19. But then you're talking about places like TJ Maxx, you're talking about other, other, other retailers, Marshalls. I mean, these are today, at least. They're huge retailers. And I think they were pretty big in 1990. How did you even get into those places as an 18, 19 year old, just calling and asking for A buyer.

[17:09.7]

Like, how did you even get into those places? Sometimes you'd know somebody that could introduce you. Sometimes you just cold call and get the person on the phone. Sometimes you meet them at a different trade show and that's what you did. If you hesitate, if you don't take your shot, how do you get a chance to win? Did you grow up a crazy sportsman medium ish affiliate sports fan?

[17:26.2]

Yeah. But it wasn't like you lived and died. I did not. Yeah. It was business that you lived and died by. Yes. So your business, really, I mean, when you essentially realize college is not for you, you are in the business of buying overstocked goods and you could do this, presumably in a pretty short period of time. You have the cash to back up these purchases, or was it this kind of arrangement where you would.

[17:43.5]

I had a bank. Yeah. I mean, by the time I was 21, I bet you I owed the bank $50 million. Wow. Because I had a business that was doing 120 million bucks buying and selling clothes. I was at a financed inventory and finance the accounts receivable. That's kind of crazy. Yeah. And it was because you had this relationship. They knew you and they had seen what you've done before.

[17:59.1]

Yeah. So there were times I would need to go in. I remember there's a guy above Dennis who was like, I think he was the CEO of Continental Bank. When I need a lot of money, I go to see him, explain like, hey, I've got this deal. I'm going to buy this. I'm going to sell this to y. Here are some of the purchase orders from some of the customers so I can show you what I'm doing. I need this.

[18:14.4]

Okay, great deal. Let's go. And by the way, there are times when I got in trouble with the bank. When I got, you know, over leveraged, too much debt. I go and see that same person and like, hey, I'm going to come through and you know, we got you, Michael. And then, you know, I came through. So, you know, relationships are important. Good times, but they don't really matter. In bad times, relationships were everything.

[18:29.8]

How. How are you staffing your. Your growing business? By 1993, you're doing, you know, a million or more in revenue. Yes. And the crazy thing is I have an assistant today. So we have a, you know, group of incredible assistants. One of my assistants, Michelle Reardon, has been with me 33 years. Wow. She started with you? She started with me in the Abington Ski shop called the Ski and Sport Emporium.

[18:47.0]

And then came to my first office that I had where KPR Sports was, by the way, named after my mom and dad, Kenneth Paulette Rubin. Yeah. All right. So you got this office and it's just growing very, very quickly. And I guess at a certain point, from what I, from my research, I guess around 95, you buy a big share of a women's shoe brand called Reika.

[19:02.3]

And I don't remember this brand, but what, what did they, I mean, was it athletic shoes, running shoes, fashion? So I had an issue. My issue was I built this incredible business. Buy and selling closeouts. Yeah, nine figure business. Right. Over $100 million. I'm now 21. And was it profitable? Very profitable. But I didn't like it because I felt like I was living off other people's mistakes.

[19:17.9]

That's why I decided to get in the brand of footwear business. And I want to make your own stuff. I want to make my own shoes and build my own brands. And, you know, I ended up with three footwear companies that got me to about $180 million call like we maybe add another 60 or $80 million revenue to close up business. And that's what the business was in 1998, by the way. We were a public company. You were, you were running a publicly traded company.

[19:33.6]

You were like 23. I think I was the youngest person ever won a public company at that point, I think in the world. And you had designers, it was everything. We had two divisions, the closeout business, and then we had the branded footwear business. And how did the Brandon footwear business, I mean, the closeout business to me seems like a great business because, you know, you're buying low, you're going to sell high, you've already got the people who have committed to it.

[19:49.1]

But making and selling your own brand is a different beast. Yeah, you know, as a 23 year old competing against Nike and Reebok and Converse, that was not the battle, but I did what I want to do. And yeah, when I was building my own footwear brand, the number one thing I like to do, I would just walk around, look at people's feet like it was crazy.

[20:04.2]

I would literally go out for, for, for, for hours at times, look at what people wear and sort of learn. But I still walk around sometimes, just look at people's feet because that's what I was programmed as a, as a, you know, early 20s kid in the footwear business. How much was money a motivator for you? And you were already making a lot of money. 10, $15 million a year at such a young age, Were you looking at that and saying, okay, I'm gonna get.

[20:21.2]

We're gonna get. We're gonna make more and more and more. Some people will believe this, some people won't. I didn't give a fuck. Like, it never ever did. I look at this and say, like, I want to be rich. It was never a motivator. It was that I was a bad student. I was a bad athlete. And I can play my game here and win. And I want to win. I want to keep putting up a lot of points each day and win against my competition.

[20:37.2]

That's what I love, because that's how I got my satisfaction, is by winning. When we come back in just a moment, how Michael moves into E Commerce and why one of his investors actually tells him that he's not losing enough money. Stay with us. I'm Guy Raz, and you're listening to How I Built this.

[20:57.1]

Hey, welcome back to How I Built this. I'm Guy Raz. So it's around 1998, and Michael is running a successful business, buying and selling other people's brands and thinking of starting his own. And then one day, a market analyst calls him up to ask about the Internet. He says, hey, what are you doing about this Internet thing?

[21:12.7]

I literally said to him, fuck the Internet. Fuck all these young kids. They're all nerds. They just lose a lot of money. I don't want to hear any of this. And I hang up on him, okay? He calls me back an hour later. He's like, michael, I really think you should think about this Internet thing. I'm like, what do you mean? I didn't even know. Like, I couldn't. At this point, I couldn't work email.

[21:27.9]

It was just starting. You know, I was not a technology person, but I did what any entrepreneur would do. After he put in my head, I went and I called the CEO of the Sports Authority, the CEO of Dick's Sporting Goods, and the CEO of Sports Chalet. Hey, what are you doing about this Internet thing? And everyone said the same thing to me. They said, you know, we had a lot of pressure from our board to figure out how to handle this, but if you have any great ideas, call me.

[21:46.2]

And literally, I went away that holiday break of 1998, and I wrote the plan for GSI Commerce. What was the plan that you wrote? The plan was to go out and get all the sporting goods retailers to give me all the rights to run their Internet business. I'd buy one Inventory and leverage it across all the sporting goods retailers because they all sold essentially very similar merchandise. So you'd go to Dick's Sporting Goods and Sports Authority and whoever.

[22:03.3]

Yeah. And say, give me your Internet rights and I'll. I'll operate your e commerce business. And before I even started, I was able to get the Sports Authority, Sports Chalet, Dunham Sports, and MC Sports to give me all the Internet rights. And then within the next year or two, I got Dick's Sporting Goods and, and, and, and several others. That was the original business, running the sporting goods e Commerce business of the biggest sporting goods retailers in the country, even though it was basically a fraction of a fraction of a percent of their business initially.

[22:23.2]

Right. But by the way, by 2001, we were. So, we did it from 99 when we launched till 2001. I think we did 100, $200 million 23 years ago. And then the bubble bursts. The dot com bubble burst in 2001. What kind of impact did that have on. On the business? Because from what I've read, there were many years where it was operating at a loss. Yeah, I loved those periods of time because to me, every period of controversy, every period of tough times, that's a big opportunity.

[22:46.5]

So for me, what did I do in 2000? So, you know, when the bubble burst in 2001, what did I do? I bought competitors at much lower prices. I focused on really locking into how we ran our business. You know, we. Our best years came from that first. That was my first kind of big implosion that happened around me. And, you know, our stock price went from $30 to $3 a share.

[23:02.3]

We just focused on business, and we built a much better business during that period of time. So. All right, let's. Let's kind of drill. Drill down this for a moment. I mean, you were a really young CEO for the first time. Right. When you're like 23, which, you know, requires leadership abilities and some people have them and some people develop them. Yes. How do you. What do you remember about just being a manager of people and like, just knowing how to organize and interact with people.

[23:22.3]

Did it come easily to you or was it hard? I think a lot of it was somewhat natural for me because I was fortunate where I wasn't able to read speak so well, focus. I had some natural leadership skills. I had a nice way about me, and so I think it generally worked well.

[23:38.0]

And what about operationally? Did you. I was always a shitty operator. So what did you do? For that. How did you, how did you found great people support me? Yeah, I was never like, I could never have, I still couldn't today. Like, hey, here's how to make a platform better. Here's how to like, I just, I wasn't, I wasn't strong in that area. So I'd say I was always like good at developing idea, the vision, the strategy and then leading to people around me.

[23:54.0]

I was always less good at like, hey, you know, how do we make the trains run on time? That wasn't what my strength was. You know, it's amazing to me because you know, when you look back on this period of time, right, like now, I think most people say, wow, that was a really smart way to think about how to run your business. Acquire other companies at lower prices, build up the portfolio.

[24:09.5]

But like you guys lost like $150 million in four year period. Like, but still you, you from, from the way you remember that time, it wasn't, you felt like it was going to be fine. I remember having the founder of SoftBank, Masayoshi Son tell me in 2000 that we weren't losing enough money.

[24:27.5]

Wow. That we weren't being aggressive enough, that we weren't moving quickly enough because you'd raised like 80 million from them. 80 the first time. But then we raised more and you know, I mean we raised hundreds of millions of dollars in total. And so for us, when you look at the $150 million that you mentioned in those four year period of time, that's nothing relative to what, you know, we had peers that were losing a billion dollars, billions of dollars.

[24:43.9]

So I'd say we were probably the most entrepreneurial of that group of competitors. All right, so I guess sort of through the early 2000s, you guys continue to expand, right? You do all these, these different partnerships and then you also acquire the, the E Commerce rights for the major professional sports leagues. Right. Which was massive.

[24:59.8]

What, what did that mean? Yeah, so we, we kind of ran the E Commerce businesses for the NFL, right. The NBA, Major League Baseball and the NHL. You were doing all the back end. You were doing the buying and the selling. We were doing everything. We were kind of the licensee that ran that business. You know, we were kind of the owner of the E commerce business of the four leagues that we would pay them a rotary.

[25:15.6]

We license those rights from the. But you weren't making the products. Not at that point. We were not. Got it. Okay. So, so now let's focus on one thing that, that we most know you for today. Right. Which is Fanatics. And. And Fanatics was actually found by two brothers. It was a brick and mortar store in, in Jacksonville, Florida. Yeah.

[25:31.3]

And then it grew into an e commerce business, I think, especially mainly for college sports. Initially. Anyway, you, you, GSI Commerce, you wound up acquiring them for about $277 million, right? Yeah. So our strength was in pro sports and Fanac's strength was in college sports. We thought it would be great to put the two businesses together. So the purchase goes through in 2011, but later that year, GSI sells to ebay, all of the brands, everything goes to eBay.

[25:53.4]

$2.4 billion. Yeah, well, what happened was ebay came to us and said, look, we want to acquire GSI Commerce. They had two businesses, the eBay Marketplace and PayPal. They said, we want to have a third business. This basically runs the e commerce operations for big retailers, big brands that will also allow us to get these brands into the ebay marketplace.

[26:09.4]

And so really what they want to do is buy GSI to get in business with all the big brands and retailers that we worked with. But ebay, as everyone knows, doesn't own inventory. So they had no interest in owning the fanatics business, which was the only business that GSI owned that owned inventory. They said, hey, Michael, we'd like to buy GSI overall, but we'd love, you know, you to buy this back if you wanted to. That would help facilitate the deal.

[26:24.8]

Yeah. And so we bought back fanatics, including the license business that GSI had, for 330 million bucks. You basically buy this back from ebay. And what was the vision that you had at that point? I mean, this is 2011. What, what did you think you were going to do with it? So when I bought fanatics pack, I said, I'm going to lock in on this business.

[26:40.7]

It's the only thing I'm really going to do and we're going to be great at this. And what, what was it going to be? It was going to be. Well, you got to realize when you think back to fanatics, when I bought it back from eBay in 2011, it was a completely undifferentiated retailer of licensed sports merchandise. And so it was a small business. They were just getting. And they weren't, it was not vertically integrated. They were, they were just like outsourcing their designs.

[26:57.7]

They bought merchandise from many third party vendors. But there was a new era of 47 Brands and Majestic, Mitchell, Ness, whoever was, they bought from lots of other brands. And you wanted to do something different. Well, I think I recognized that sports had a ton of secular growth behind it. Like just, is sports going to grow? Yes. Is fandom going to grow? Yes. At the same time, I had watched Amazon and Alibaba disrupt retail in such a, such a meaningful way that I knew if we didn't really differentiate the business that it wouldn't exist long term.

[27:20.5]

And so we had a vision for really working very closely with sports teams, sports leagues, to come up with a business model that better for them, they would let them build their direct consumer business, build how they communicate directly with fans. You know, that was kind of the beginning of really growing the fanatics business. Essentially, if I'm hearing you correctly, what you're saying is if all we did was just sell licensed shirts or, you know, hats and it was also available on Amazon, we're cooked.

[27:40.1]

We can't compete. Yeah. If we're selling merchandise that's readily available, you know, at other places, what makes it special we said we wanted to do is we want to do something that would be special. We want to have a broader assortment of merchandise. I think we want to do is create a better model with the sports properties to where they benefited from the growth of this. When we first started, really all of that licensed sports merchandise was sold through traditional brick and mortar retailers.

[27:58.4]

What the leagues want to do is no differently than what any brand wants to do. No, definitely what Apple would want to do is to build more of a direct to consumer business themselves. And we really, by working with the leagues, gave them the ability to drive a much bigger business through their own direct to consumer business. So put in perspective, when we started, it might have been 1 or 2% of business. We go through the NFL or Major League Baseball. NBA's direct consumer business takes about a third. We go through their own direct consumer business.

[28:14.0]

How did you get the leagues to agree to work with you? I mean, to sort of buy into this idea in 2012 when there were already other brands out there, There were already other. They were doing licensing deals with other. Yeah, I think the leagues recognized that they make most of their money from media, from selling the media rights and that they want to find other places to further monetize in this consumer products area where taking care of the fan is so important that they realize that if they get a new model here, a better model, that they could, they could, you know, take better care of the fans and make more money as a sports property.

[28:40.8]

So I guess from what I understand, one of the differentiating factors is also this ability to respond and react Quickly. Yeah, right. To, to, to, to like the stories in sports. Well, think about what's going on right now in sports. You just had Ohtani that goes to the Dodgers and everyone's so excited. He gets the Dodgers, okay. Everyone wants his products. They do something nobody else had done. He hits 50 home runs and 50 bases.

[28:56.8]

We make so many products around that in real time. And then, my God, they win the World Series. And so the ability for us to respond and handle that consumer demand will probably service just in, in North America, just this month, between now and then of the year, I think we'll probably service a million different Dodger fans online.

[29:12.5]

We've been able to capitalize on that in a way for fans. Yeah. That said, the thing that's scary when you hear the. And I listen to myself talk, I'm like, the biggest thing I've been thinking of this whole conversation myself is, man, I've been doing this stuff for 40 plus years. I feel like we're just getting started. I'm going to leave here, I'm going to go spend the afternoon evening with the CEO of commerce, which is our type of angry business.

[29:30.2]

We're talking about all the things that we're not doing well. What are the things we need to do better? And even the business growing from $250 million when I bought it back from ebay, did this year, that division is like a $6.7 billion business. Okay. We're not, we're doing well. We're thinking about what we're not doing well. Where can we be better? What do we need to, you know, keep enhancing? What do we need to fix? And by the way, there's a lot we need to do. And that's what gets me so excited, is like, I've been at this for a long time, but I still feel like a startup.

[29:48.9]

When we come back in just a moment, Michael talks about the sacrifices he's made to always be in startup mode and how he's finally forcing himself to sleep. Stay with us. I'm Guy Raz and you're listening to How I Built this.

[30:06.2]

Hey, welcome back to How I Built this. I'm Guy Raz. So when we last left off, Michael was saying that even though he's been running fanatics for 15 years, he still feels like he's building a brand new company. Yeah, I mean, look, we're, we have three businesses today. Our first business, the one you've been asking me questions about, X Commerce, and that includes, you know, today we have, we run the E Commerce businesses of the NFL, the NBA, Major League Baseball, NHL.

[30:27.2]

We have about 900 individual team sites that we operate. We operate the flagship Fanatics website which is the single big site that we operate. We own lids which has 1400 headwear stores. We operate the college bookstores for the apparel. We own Mitchell Ness, the apparel brand. You know, we make all the Nike licensed sports merchandise in NFL, college, Major League Baseball.

[30:44.0]

So that's the business people think of us for. But when you really look at that business, even though it's grown from a 250 million dollar business in 2010, the year before we bought it, to this year, we put all together, it's about 6.7 billion dollar business. Wow. Look, I think we've become a decent sized company. We haven't become beloved. I want to be beloved by sports fans and we need to be better to be beloved by sports fans.

[30:59.4]

So there's so much to do there, I think in our newest business, Collectibles, where we own tops and we have, you know, the official trading card rights to, you know, many of the biggest sports properties in the world. That business, we bought it and we just got into the sports betting business where everyone's been against us because I love that, I love these. DraftKings has been the dominant player. Sandal and DraftKings are the dominant two companies.

[31:15.0]

And for me, people like, oh, you're the leader in Fangare, you're the leader in trade. Why are you getting into that? You know, you're the underdog here. Guess what? If you want to ask what gets me most turned on, being the freaking underdog. Man, that is fun to have everyone betting against you say, you can't do this. Great. You know, the same way my mom told me I couldn't do something, my dad told me I couldn't do something. I was told as a little kid, you can't do this. Let's see how it plays out.

[31:30.5]

Where do you, I mean, presumably, I mean, sort of the sports betting market is a massive, massive growth opportunity. Right. I mean, when you say we're just getting started, I mean is that sort of where your head goes to, in particular to that part of the business? No, my head goes to, we're just getting started in all the businesses, even in our fanatics, Commerce.

[31:45.6]

$6.7 billion in revenue this year. Yeah. So right now we are so focused like we had. Look, this is no secret. We went through a, you know, tough experience earlier this year in our partnership with Major League Baseball and with Nike where, you know, Nike redesigned a jersey that we've been making for eight years. And, you know, there was. There's a really negative reaction to it.

[32:01.5]

It was major league baseball for the uniforms. It was the official major league baseball. And some of the players complained about it. Players complained. Fans complained relentlessly. They didn't, like, say a little bit. They said, they spoke loudly. They could see through it and all this stuff. Yeah. And for us, that was actually an incredible moment because we could sit there and say, hey, we've made lots of mistakes.

[32:16.9]

This is one thing where, you know, we didn't lead it. You know, we kind of got, you know, stuck in the situation. Or you could say, you know what? How do we use this to make our company better? We actually came up with a brand purpose. They said, we're going to relentlessly enhance the fan experience in everything we do, and if we're not, we're not going to do it. We embraced the aspect and we said we need to be a lot better. You know what, Even if we're not designing the jersey, if we have people inside of fanatics saying, hey, you know, people may not like the smaller letters.

[32:35.6]

They may not like this, they may not like that. Well, you know what? We got to speak up louder. We got to be strong. We can't, you know, you can't just go along for the ride. So, like, that's why I'm so excited about this business, because I get to learn every day. I get big challenges. You know, it's a, you know, if you like action, this is the job for you. So, all right, if you think about just 12 years ago, right, where you essentially.

[32:50.7]

About 12 years ago, where you really kind of fanatics really kind of has its rebirth and it becomes what we know about today. And that's not that long ago, right? And yet the business of sports and sports apparel has just exploded even more. And. And while so many other content and media businesses have had challenging times, and we're sort of starting to see this kind of over saturation with content sports just.

[33:09.7]

It just. It's just moving in this, like, hockey stick direction. Look, I think it's obvious to know that there's secular growth behind sports. I think we've helped to accelerate the growth of this category. But it doesn't mean you don't look at yourself and say, not what have we done well, but what are the things we haven't done well, what are all the things that, you know, we didn't get right?

[33:25.3]

Because that's the way we think. If you sit there and you're satisfied, you're dead. So you. So, I mean, I hesitate to ask you this question because I think I know the answer, but, like, you don't see. You see yourself involved in this for the long haul. Like you. Forever. Forever. I'm never selling this. You are going to be at the helm of this thing till you die. Yep. You know, one of the, you know this, that there are a lot of sacrifices that a person makes.

[33:43.4]

And one of the things that I do on the show is emphasize that entrepreneurship is not a hustle culture. It's not a hustle culture show. It's not get rich quick scheme show. It's, it's, it's a. Takes a long time. It's a lot of work, and there are a lot of things you have to give up. Yeah, you've benefited tremendously from it. Obviously, you're, you're, you know, have massive wealth, but there are also things that you've sacrificed.

[34:00.4]

And again, I don't know if people are gonna, you know, they're not gonna play a violin for you necessarily, but, like, just being young, just being a young kid, hanging out and doing stuff like you were working. You didn't have, like, a teenage college experience. You weren't in your 20s. Hanging out, hanging out with friends like, you were working. Look, I agree that there's lots of sacrifices that I've made and will continue to make, but they don't feel like sacrifices to me because I'm doing what I love.

[34:18.2]

I mean, you know, if you ask Tom Brady, did he make sacrifices to win seven Super Bowls, I don't think he's taking anything back because he won seven Super Bowls. And by the way, the only thing he's mad about is that he lost the Giants twice and, you know, didn't win more. So, you know, that's my mentality. What about as a parent, did you have to presumably sacrifice time with your kids?

[34:34.1]

I have and I do. But what I try to be there is for the things that really matter. And no, I'm not like, you know, look, I have, you know, two young kids now as well. And, you know, I think, you know, when Camille and I had, you know, when we had Romy and then Gemma are the two young ones, you know, she knew that, like, I'd be there when it mattered. But, like, then I'm gonna, like, she knew that I work 17 hours of most days.

[34:51.3]

So, you know, this morning when I woke up and the kids were up, you know, 5:00 in the morning, I went down play with the kids for 10 minutes. Then I went to work at 5am in the morning. And, you know, tonight they'll be back when I get home, but tomorrow morning, I'll go see him for 10 minutes. And, you know, but I'm there. What it matters. And I'd say with my older daughter, who's now 18. Who's now 18. Your first marriage? Yeah. Yeah. And we have our relationship. Spectacular. If I go and get my phone right now, she wolf called her.

[35:08.1]

You know, it's like we just. We make it work. You kind of figure out what you got to do, and you kind of make it all work. And, you know, it's, you know, nothing simple. But look, are there much better parents than me? Absolutely. And yes. You know, does Camille want to kill me sometimes I'm just not mentally available. Sure. But, like, I'm doing what's best for me. I love doing what I'm doing. Given that your mom was a psychiatrist, I imagine that she encouraged you to talk about things on your mind.

[35:29.9]

Have you ever benefited from therapy? I have gone to therapy off and on over my entire life. As a kid, hey, you're broken. So I was probably sent to a therapist from the age 10 or 12. Did you hate it when you were a kid? Hated it. Didn't dislike it.

[35:45.2]

I hated it. But I'd say I've never really been a great patient of a therapist, but what I am really good at is talking through my issues with people I'm very close to. Do you ever remember feeling anxiety or depression? Not depression, but anxiety. Yes. Anxiety about what I need to get done.

[36:01.2]

Pressures that could be on me. Yes. Never depression, anxiety that would, like, cause sleepless nights. Well, I have one of the worst. I mean, so look, there's something in my. In my tube, in my chest where it keeps enlarged every year, is enlarging over the past five years, has enlarged about 4, about 40 bips.

[36:17.0]

And they said if it goes another 50 bps, you have to get open heart surgery. They said the only way to fix it is sleep. Okay. And I used to think I was so tough to sleep as little as I could be. My sleep, if you look, if you average the last 20 years, it's probably four and a half hours a night. And now I got this whoop on my wrist. I'm trying to figure out how to sleep. Seven hours a day, by the way, is really, really hard because I wake up every one to two hours throughout the night with a dry mouth thinking about work.

[36:37.3]

You grab your phone always. And I know I Should have room. Yeah. Well, thank you, mister. Obviously. So if I had sleepless nights, more than you'd ever know. Have I stayed up thinking about what do I need to do? How do I, you know, compete better? How do I do better for our fans all the time? You know, you mentioned that the last book you read was when you were ninth grade.

[36:52.5]

And I think that's in part because it's just hard. It's hard for a lot of people. Just focus on a page and so some people can listen to books, some people just. I don't listen to them either. Talk about something really weird about my brain. Okay. This is gonna sound crazy. I don't know the Alphabet. I get stuck around mnp and I've never. And I've kind of decided that I'm not gonna relearn it because I kind of like that I could not be able to do that legitimately.

[37:10.4]

So, you know, I kind of accept my brain is like my brain. It's weird, but like, you know, I'm pretty good at certain things are pretty shitty. Other things, I just focus on what I'm good at. Yeah. So, all right, how much of this, of all this do you attribute to just the grind and how much do you think has to do with getting lucky? Well, anyone who says that you don't need luck to be successful in business is full of shit or doesn't understand.

[37:28.5]

You definitely need some luck to go with you. Luck and time are a very important ingredient. That said, I attribute 100% of it to the grind, not 99%. I am a top grinder. I'll outwork, I'll out hustle anybody. It's fun for me. Like, I don't look at this grind. I look at it as like if you asked any athlete in the world if they could have their career gone forever in perpetuity at the top of their game, who wouldn't wish for that?

[37:48.5]

And I can do that in business, I think. And so, like, why would I, Why would I ever give that up? That's Michael Rubin of Fanatics, by the way, in case you missed it. Back in September, Major League Baseball announced that it was getting rid of those embarrassing see through uniforms and return returning to the old ones. And one more thing. Michael recently announced that he's no longer going to throw his annual White Party, the big bash at his Hamptons estate where celebrities would dress up in white and pose for paparazzi.

[38:11.1]

Michael felt like, given the notoriety around another famous White party, the one that used to be thrown by Diddy that the whole concept has kind of been tarnished, so he's decided to focus more on charitable events in the coming years. Hey, thanks so much for listening to the show this week. Please make sure to click the Follow button on your podcast app so you never miss a new episode of the show.

[38:27.6]

And if you're interested in insights, ideas, and lessons from some of the world's greatest entrepreneurs, please sign up for my newsletter@guyraz.com or on substack. This episode was produced by Devin Schwartz, with music composed by Ramtin Arablouei. It was edited by Neva Grant, with research help from Chris Messini. Our engineers were Robert Rodriguez and Gilly Moon, and our production staff also includes Alex Chung, JC Howard, Carla Estevez, Sam Paulson, Katherine Cipher, Kerry Thompson, John Isabella, and Elaine Coates.

[38:49.2]

I'm Guy Raz, and you've been listening to How I Built this.