

EPISODE 591

[INTRODUCTION]

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FT: From negative 2,000 in her bank account to generating projected 75 million dollars in sales this year. Welcome to So Money everyone, I'm your host Farnoosh Torabi, our guest today is entrepreneur, Sarah LaFleur, sharing her trials, her tribulations and tips for living your best financial life. Sarah is the founder of MM LaFleur, a new woman's fashion brand that CNBC says is shaking up retail.

She began the company in 2011 after quitting her job in private equity with 35,000 in savings and another 35,000 in loans, she launched what would become one of fashion's hottest new clothing lines for professional women.

Sarah and I go deep on the show, she talks about the side hustle that helped her bank account stay afloat and those early days of starting her company, the early hardships of launching MM LaFleur, she says, "I felt like I had ruined my resume." The time she was certain the company was going bankrupt.

Then her idea that turned everything around. Here is Sarah LaFleur.

[INTERVIEW]

[0:01:43.8]

FT: Sarah LaFleur, welcome to So Money, what are you wearing right now?

[0:01:48.0]

SLF: Wow, okay, I'm wearing one of our newest knit jackets, we actually call this a Jardigan because it's somewhere between a jacket and a cardigan. The Nakamura pants which is named

after one of my cofounders. Very loose easy pants, it's a Thursday so I feel like it's nearing the end of the weekend, I need to wear something easy.

[0:02:07.1]

FT: Right. Well I'll tell you, I'm not wearing anything as put together as you, I'm wearing yoga pants, the athleisure trend is huge.

[0:02:15.3]

SLF: My gosh, the joys of freelance.

[0:02:19.1]

FT: Yes, joys of freelance but you know, this transitions us into your business which is define the odds in some ways because right now, what's trending in fashion and retail for women is the athleisure look that a lot of us are freelancing, we're working from home or frankly work at Google and there really is an anything goes dress code.

[0:02:40.7]

SLF: Yup.

[0:02:41.6]

FT: Tell us where MM LaFleur fits into this world, this new ecosystem of fashion?

[0:02:48.6]

SLF: I love that. Hard hitting questions. Well you know, what we tell our investors who often think and I'll tell you, usually the first question that we get from our investors who are very often male is "Good for you, you found a real niche industry for yourselves." "You think this is a niche industry, professional women's niche industry? You are mistaken", and one factoid that we like

to give is our customers, American women who on average make a hundred K and up, that's actually only 16 million of the US population.

But – that's 5% of America but if you think about the actual amount of money that they're spending on fashion every year, it's between four and \$6,000 and the majority of that is actually apparel. You could say all right, they're not going to spend their entire \$6,000 budget on work clothes but chances are, they're spending a significant amount of that on what they're wearing Monday through Friday 70% of their waking hours, of course a lot of this women.

You know, they might be freelancing, they might be even working in a more casual environment like Google or Facebook but what we always see is that the women tend to dress up a little more than the men. Wearing jeans and a hoodie and flip flops but a lot of the more senior women that we got in this reader coming to work there, wearing jeans, the jacket on the top.

They tend to want to dress up for the occasion, I'm not saying all women are like that but I think a lot of women feel like they want to be taken seriously and they want to feel their best self, I think there's something in the power of costume and what you throw on really impacts the way you're feeling that day.

[0:04:34.3]

FT: Yes, at the same time though, I think – and you know this, these women like you and I, there isn't enough time in the day to really put together that perfect outfit every single day and so, what differentiated your fashion company and something that you kind of pivoted to leverage is helping women sort of get dressed quicker and...

[0:04:59.9]

SLF: Thank you, yeah.

[0:05:00.9]

FT: Tell us about...

[0:05:01.5]

SLF: That's really right.

[0:05:02.6]

FT: This was something that came to you as sort of an aha moment and the bento box was born. Tell us about the bento box service and how that has – I heard that tripled volume of your orders, that's crazy.

[0:05:15.1]

SLF: You know, I think the other myth that we're always fighting against coming up against with, a lot of male investors again is that this myth that all women love to shop. I think that that's a big mistake, there are some categories that women would love to shop where I think women love thinking about you know, their next travel destination or what they might wear to a fancy party but the majority of shopping that women have to do whether it's finding a seamless bra or a pair of black slacks, that's not shopping that a lot of women love to do.

That's where we come in, we launched our bento model, I think we're coming up on three, two and a half years now but you come to our site, you take a survey and based on the survey results, our stylist put together a box of clothes for you that we think will work best in your closet.

You know, our philosophy isn't that more is better, we say that you should really only have 10 outfits and that's all you need but let's help you curate the best 10 outfits possible.

Even for the woman who needs a lot of business formal clothing or the woman who's dressed more casually, we're saying, you know, the problems that you have are the same, every morning you look in your closet and you feel like you have nothing to wear, well, let us come in and fix that problem for you.

That's how MM LaFleur fits into a lot of women's lives.

[0:06:34.5]

FT: Let's talk about your personal journey to starting this business and getting more of your personal finance take on life and I understand that you started this company about six years ago and you did it with money that you had saved and a loan from your parents, totaling about, altogether totaling about \$70,000.

How did you know that was enough financial runway for you? You had a great life as a consultant, I'm sure making more than that annually. You were going to really have to bootstrap this. How did you know you had enough to really make it a go?

[0:07:10.7]

SLF: The truth is I didn't and I like to say that everything I know about money I learned when I was 27, that's the year that I quit my private equity job and decided that this is what I was going to do.

You know, when I was working at this private equity firm, in many ways I thought this was my dream job, I was making six figures, I was getting to fly private, not because I was chartering it but I would tag along with my boss to fly private almost weekly to Paris and work on these big deals that were really exciting and then I quickly went from that to making no money.

I should have known but I didn't quite realize how quickly health insurance would stop. Then I actually had some problems signing up for cobra so there was this really scary trim where I thought I was going to be without health insurance.

Then actually my now husband and I became domestic partners because I needed health insurance. It was – I went very quickly from feeling very comfortable in knowing exactly where my next paycheck was coming from to putting all my savings that I had into the business that I believed in and feeling like I wasn't quite sure whether I can make ends meet.

That was a really trying moment.

[0:08:35.2]

FT: How did you get through it, what were some of the ways that you stayed focused because your business, I understand, faced headwinds like a lot of startups do so not only were you kind of starting from scratch and financially starting from scratch but you're also, your concept, it wasn't flourishing right away as you had probably hoped or imagined.

[0:08:57.1]

SLF: No, not at all. You know, I didn't pay myself I think for the first two and a half years, I think the first paycheck I took was towards the middle of 2013 and I started this April of 2011 so it really was a good two years and I tutored actually on the side. That's kind of a piece of advice I give to every single person who is thinking of leaving their job to start a startup and I think a lot of the mistakes that people make when they think they want to start a startup is "Well, I have to save X thousand dollars before I leave."

What I say to them is look, living in New York or whichever city made in is expensive and the chances of you being able to save up that kind of money in a short amount of period is close to none. Don't put that pressure on yourself but do go find a side gig and I think again, you know, I went to an Ivy League school then I went into the building and then I went into private equity and like on paper, I had this kind of highbrow, white collar career I should say.

I don't know, yeah, I guess I should just say like maybe I look down, I thought it would be too good to bartend or work as a barista or be a tail walk. That's actually exactly you know, what ends up happening. I ended up tutoring a bunch of fifth graders and that's how I made ends meet and so I made a good amount of money, I probably made about \$4,000 a month from tutoring.

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FT: Wow, that's a salary.

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SLF: It was a salary but I was tutoring almost every day from five to eight PM and that meant that I could dedicate nine to 5 PM and those are the hours that I need to keep open because I need to go in and out of the factories and the garment district.

Those were their hours so it wasn't like I could go in the evening after my full-time job. It was really important that I had those hours open. That's really how I made ends meet in the beginning.

[0:11:07.0]

FT: I love this story. I didn't know this about you, I feel like I poured through a lot of content about your company and you and this is like the gems that we like to uncover on this show that you had a side gig tutoring, Sarah LaFleur, Harvard grad, worked at Bane and you know, yet, I had a masters and I bird sat so...

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SLF: yes, exactly, you know what? Totally.

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FT: I feel you.

[0:11:35.6]

SLF: Yeah, you're right.

[0:11:35.8]

FT: The money was good, whatever.

[0:11:38.1]

SLF: Yeah, the money was good and I mean, the notion of all cash is green is, I really embraced that, I wasn't too good for anything. My husband was kind of in a similar boat a few years back when he decided that he want to be a writer with a capital W and he started dog running.

Again, you know, Harvard grad, now a dog walker. Going from apartment building to apartment building handing out fliers to the doormen. It really ingrained the idea in me that there are all sorts of ways to make money and having a nine to five job is not the only way.

[0:12:15.8]

FT: You say you learned everything about money at age 27 but I feel like you must have had some exposure, some good exposure as a child, you named this company after your mother, homage to your mom. What did you learn about money as a child that necessarily informed you as an adult and helped you as an adult?

[0:12:33.8]

SLF: Sure, okay, my mother is Japanese which probably kind of you know, I'll start there and I think the Japanese in general tend to be very conservative about their money and their spending and I would say they are some of the hardest working people on the planet.

I think they work the longest hours of any advanced country and so that kind of puts it into context and the family motto passed on by my great, great grandparents were "those who don't work, who do not eat."

You can kind of see the Asian ethic, that lived strong in our family and so I think it was in the very fortunate position of not having to worry about whether I was going to eat that day, my parents were well off but I think this idea of you have a job at home, you have chores to do and I think when I was 18 and actually, you know, when I was in high school, my parents were like

“okay, it’s time for you to now get a summer job” and so I started doing summer jobs pretty early and this idea of you need to be a contributor to this family, you need to make money.

That was very much there from the beginning and I think my mother actually – it sounds when I say this, it all sounds like very kind of stern and harsh but my mother had a way of really making it glamorous. I think that’s what I loved and I continue to love most about her.

She was a working mom throughout my childhood and in Japan, I was born in Paris but I was raised primarily in Japan and for Japanese women, especially back in the 80’s, that was really rare and I think I remember in Kindergarten I was the only one whose mom didn’t come to pick her up at kindergarten and when I was four or five years old, I didn’t really understand that, I didn’t love that.

But as I grew older, I learned to really value it and my mom loved her career, still loves her career, she’s still working, she’s 70 years old and she has her own business that she runs but you know, she, her work is her passion and I think she just really needed something to aspire to, I couldn’t wait to get my first job even at like the tender age of 12.

I just thought it was going to be the coolest thing on the planet.

[0:14:55.4]

FT: There definitely is a correlation between entrepreneurs and working as a young kid and wanting to work and really enjoying the work.

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SLF: Yeah.

[0:15:05.8]

FT: Feeling accountable to something, getting that paycheck really feels good, I felt that way. Was it always the goal?

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SLF: Your parents were entrepreneurs?

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FT: No, but they were immigrants and.

[0:15:16.8]

SLF: The immigrant spirit yeah.

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FT: Yeah, that work ethic. I think I got to see how money led to empowerment, my parents, the more they made, the more they were able to find better neighborhoods to live in, to send us to better public schools and we would be able to take the vacation so I saw how money led to a more experiential life, a more healthier life in some ways.

[0:15:44.0]

SLF: Yes.

[0:15:45.2]

FT: It made me excited to make my own first 10 cents or whatever it was that I made.

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SLF: Totally.

[0:15:52.4]

FT: Hosting job.

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SLF: I hear you. I think it's the freedom that money buys and you see that kind of happening in front of your eyes and you're like, "wow, this could be cool, this could be amazing, yeah."

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FT: Yes. Was the goal always to start a business, you mentioned your mother's an entrepreneur, was that something that you just always anticipated?

[0:16:10.1]

SLF: Gosh no, actually, not at all. My mother is a little bit of a black sheep in the family, she is the only business woman I think in our family, everyone else works – is a civil servant or works in government. I actually thought that that's what I was going to do, you know, my dad was actually, he was a diplomat, he worked for the state department, he's American and I always thought I was going to follow in his footsteps.

I want to go work for the United Nations, I wanted to go do refugee work and that's what I study primarily in college. I spent some time working in a refugee camp in Zambia, that's what my heart was set on, I never in a million years thought I would be working in fashion, I actually remember, I think when I was like 26, I was going through this crisis of your 20's which is like "What the hell am I going to do with my life?"

I made a spreadsheet and charted maybe 10 potential career paths and fashion and starting a new job, where starting my own company was nowhere on that list. It just goes to show you how much life can change in a matter of a year.

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FT: What was the rock bottom moment for your sort of journey as an entrepreneur? I mean, there must have been a time where you were like, this is not working and...

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SLF: yeah, every day.

[0:17:28.8]

FT: I miss the paycheck, I miss my health benefits, Cobra, I can't even get signed on, I can't get on boarded. What's going on? Take us to that moment and how you worked your way through that?

[0:17:40.6]

SLF: Well, I'll tell you the first year was quite dark. I think mental health and entrepreneurship is something that doesn't really get talked about all that much. I think people are starting to talk about it but that first year, man, it was really tough, I don't consider myself that emotionally vulnerable and that year I probably was crying on a daily basis.

Things never seemed to be going right and I think I felt that I had truly ruined my resume. I had worked hard towards something and I decided to kind of take this leap and do this and I just didn't know if I was swimming in the right direction.

I say that often starting a company is like you push off from an island and you're signing this wind towards this far away island that you look up and you realize it would be so much easier just to swim back from the island you came from rather than to keep swimming because frankly you don't even know where you are relative to that island you want to get to.

I had so many moments like that and that first year when I was really working on my own, I eventually brought on two cofounders, Miako and Marie, Miako came on about six months later and then Marie a year later but gosh, that first year was so isolating and so that I would say is by far the hardest time I've experienced starting this company.

The other one that comes to mind is when, around a funding that I thought was just going to happen fell through at the last minute and I was so certain we were going to go bankrupt. I was at the bank so I could do the financial modeling, you don't even need to do the financial modeling to see that you are losing money or you're spending money faster than you're making. I was counting on this round of funding to come through and had gone through maybe four months of negotiations.

It seemed like all was a done deal and then in the very last moment it fell through and that was really one of the most crushing moments because I just thought this thing that I had worked hard on, at that point, for about three and a half years, was all going to be for nothing.

[0:19:58.9]

FT: What happened, why didn't the money come through and then how did you stay afloat?

[0:20:04.2]

SLF: Why didn't the money come through? I still don't know the real reason you know? I think I still remember the call, the investor called me and they said, "Look, the main person who has to make a decision, they just can't get a good feeling in their gut" and so that was all they said.

It could have been 10 million things, I think often people aren't quite transparent with one reason or another why they decide not to invest and so they walked away and they just knew what was done, it wasn't like I couldn't – I wasn't going to be able to get them back to the negotiating table.

What did we do? Actually, what happened around that time was we did a couple of popups, actually, our very first popup in New York which went incredibly well and almost to all of our surprise and everyone send me a popups are expensive, you don't actually make a lot of money in popups but we made more money in those 10 days of doing that popup than we really ever had and I think for me.

Because up until that point, we had been doing most of our business online to actually see customers try our clothes on in person and see their smiles and we had this one customer who had purchased 10 dresses, we'd never seen a customer purchase so many in one go but she was like, "These dresses are amazing, I'll take them all."

That was really a confidence building moment that we were doing something different. We barely made it to be clear, I think our bank accounts actually were in the negatives at some point, I did not know your bank account could go into the negatives but you know, chase let you overdraft, I think it was like were negative 2,000

[0:21:50.3]

FT: My gosh.

[0:21:51.5]

SLF: Yeah, it was scary times but somehow we were able to claw our way back from that.

[0:21:57.1]

FT: I assume your bank account has more than negative 2,000 now. The company I read is on track to make tens of millions of dollars this year.

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SLF: Yeah.

[0:22:09.1]

FT: What does that mean for you? Your financial status? I mean, that's definitely a nice headline and it's great accomplishment, you're obviously making money, people, its' a testament to the value and the need for a company like yours.

As the CEO, as the founder, how does that change your financial life?

[0:22:28.0]

SLF: Well, I'm not going to lie, it's definitely easier you know? I used to – I was going from paycheck to paycheck, just barely and really leaning on my then boyfriend, now husband. I mean, not a lot because he was a writer so it's not like he was making a ton of money at all. Either that I think that's also the truth about entrepreneurship that a lot of people don't talk about is.

If you have a partner, it can be easier especially if you have the right one who is supportive both financially and emotionally. I would say now, I'm obviously able to support myself and then some.

It definitely has changed. I'm very conscious of that, again, I say everything I know about money, I learned when I was 27 because I honestly was so scared, I think at that point you know, I talked a lot about mental health but I wasn't in a mentally good place so I had, I was seeing a psychiatrist who I still see and being able to have her and be able to pay her was so important at the same time, I wasn't making any money and now I don't have to worry about that.

I will never forget that time so I'm much more careful with my money now than I was when I was 26 and working in private equity.

[0:23:46.3]

FT: What's a habit that you practice, Sarah to help you keep better track of your money, I mean, is there something, is there an app, is there a practice, is there something that you do that really helps?

[0:23:59.1]

SLF: Yeah, I haven't done the Apps, I think I did Mint once and unfortunately a little bit unsuccessfully. It didn't really work for me and I ended up because I love my excel spreadsheets, my husband and I will do at the end of every month is actually just download all of our credit card and debit card spending and then throw it into an excel spreadsheet and make our own profit and loss statement.

It sounds very nerdy.

[0:24:25.2]

FT: As Harvard business students would do.

[0:24:27.1]

SLF: I know.

[0:24:27.5]

FT: Was it the Harvard business school or just Harvard?

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SLF: yeah, Harvard undergrad, I never went to business school.

[0:24:32.4]

FT: Whatever then.

[0:24:34.0]

SLF: No, yeah, HBS just flat out rejected me.

[0:24:37.9]

FT: You did apply?

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SLF: I did apply.

[0:24:41.3]

FT: They rejected you, they must be regretting it now, they are regretting it now.

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SLF: My gosh, one day HBS will regret it.

[0:24:49.4]

FT: They'll give you an honorary degree.

[0:24:50.9]

SLF: They could care less but yeah, never made it to business school. My parents like to say, you know, the \$35,000 that they lent me which later became, it turned into inconvertible notes, now it's their investment but they were like, that was our business school tuition, that's what we paid for.

[0:25:09.1]

FT: What's next for you? You know, you can tell us anything, maybe not even just what's happening with the business but personally, you know, now you have some wiggle room, some financial freedom and I know the work isn't getting any less difficult. Tell us what you hope for in the coming months and the year?

[0:25:29.1]

SLF: Yeah, it is still heads down really trying to grow the business so we'll hopefully do around 75 million this year, we had big aspirations to do even more and that we'd love to double the business and the funny thing is, it is emotionally easier than when I was a team of one but I think partly because I like working in teams but the responsibility in some way feels much greater because we have about 170 employees right now.

[0:26:06.2]

FT: Wow.

[0:26:06.2]

SLF: I really care about them. Yeah, we have a lot and I really care about them deeply. It does hit me that you know, those are 170 families that we are supporting. So the pressure's definitely on and I think when I think about my life, I'm 33 right now, I think my husband and I – yeah, I'm sorry. My PR person, last time I said I was 32 and she was like no, you're 33. I'm forgetting how old I am.

[0:26:42.9]

FT: That's when you know you're having fun. You forget how old you are.

[0:26:45.5]

SLF: Yeah, right? Yeah, exactly. Anyway, we just got a puppy which is like this incredible – I sound like a crazy person but it's been this incredible blessing. I do – I am really enjoying taking care of another being in our life. Because I feel like the past six years, the only thing I worried about was myself.

I really like to take care of – I love taking care of my puppy, obviously you know, I love having this life with my husband and I'm really thinking about how we can look after employees just in the coming years ahead.

[0:27:22.2]

FT: Well, a pet is always a good training grounds for a human.

[0:27:28.2]

FT: That's what everyone says, especially the first night when – I didn't realize that puppies have a tiny bladder and they have to pee every...

[0:27:33.6]

SLF: All the time. Yeah, all the time. And the first night, he got up four times in the course of five hours and I was like "oh my god", I did not realize what I was signing up for.

[0:27:44.6]

FT: Wow.

[0:27:46.6]

SLF: Yeah, because you know, you don't have like pet, you don't have pet leave the way you might have like maternity leave or paternity leave.

[0:27:53.5]

FT: Right. Maybe if you work at Facebook, Sheryl Stanford's doing all sorts of great stuff there.

[0:27:59.1]

SLF: She is, I know. I was like, my god, I probably should have just had a baby but no, instead I have a puppy.

[0:28:06.7]

FT: Sarah, thank you so much. This has been such a great conversation.

[0:28:11.1]

SLF: Thank you.

[0:28:12.3]

FT: Getting a little look inside your life and your mind and I'm glad you're getting the help that you need, it's so important, you're raising some really important issues I think for not just entrepreneurs but I think life's tough these days for a lot of us and we're not talking about it, we're not getting the help that we need and you know, it's good to have role models like you.

[0:28:33.4]

SLF: Thank you, yeah, I think the connection between your financial independence and mental health is often overlooked and people think, that homeless person is, that crazy homeless person that you see in the subway is crazy because he's homeless and actually no, he was probably mentally ill and that's why he became homeless.

Then something that I feel like more people should be talking about.

[0:28:57.4]

FT: Yeah. Sarah, thank you very much and congratulations, hope you hit that 76 mil this year.

[0:29:03.3]

SLF: Thank you very much. Yes, we're so slow, we'll need it.

[END]