

**EPISODE 672**

[INTRODUCTION]

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**FT:** Happy New Year So Money Nation. Welcome to 2018. Hope you had an amazing New Year's Eve. We are probably flying right now, as you are listening to this, to Turks and Caicos. Our first family vacation in forever, all four of us headed to the island of Turks and Caicos. It is a children's themed resort, which is all we can really do right now. There are Sesame Street characters roaming this resort, I hear. Elmo can tuck you in. My son is not looking forward to that. He is not in to caricatures, life-size characters, he won't even sit on Santa's lap. I don't think his going to go for larger than life Elmo, but we shall see and you will hear about it. But I digress.

Today is the New Year and I wanted to start us off with the kind of theme that I'm really working for in the New Year, which is making your own rules, being a bad ass, just being your So Moneyist and I couldn't think of a more appropriate person to have us kickoff 2018 than Katia Beauchamp. Katia Beauchamp is, as you may know, the co-founder and CEO of Birchbox, which is a leading beauty subscription service and store. We connected last time, she and I, on CNBC. I've got the chance to follow her around for 48 hours on the show, *Follow the Leader*, which a lot of you tuned in for and she may be familiar to you from there.

But Katia is a force, just Google her. She is leading voice and champion for all women who work. We discussed being unapologetic about having it all and wanting it all, how companies can create an environment where women can feel the freedom to have their families and thrive at work, and how she and her husband manage their personal finances. Had to go there because I'm super nosy and I'm glad that she was game.

Here is the lovely Katia Beauchamp.

[INTERVIEW]

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**FT:** Katia Beauchamp welcome to So Money my lady friend. While – and Happy New Year you're the first episode of 2018.

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**KB:** What a privilege! Happy New Year. It's so nice to talk to you.

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**FT:** It is, it's nice to have the opportunity to finally catch up. For listeners who we may be familiar with Katia and I, last time we connected it was, oh gosh, a couple of years ago on the CNBC show, *Follow the Leader*. You and your team were kind enough to let me shadow you for two days the up frenzy of running a startup in New York City. It was amazing, but it's been a while and I know that you've grown your family, you've grown the business, catch me up a little bit. What's happened in the last two years?

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**KB:** Yeah, a lot has happened. On a personal level, I had my three and a half year old twins and now they're new brother who is about five, — about six months old and that's been exciting and a new frontier of parenthood and from a business perspective, it's been a full experience. We've taken Birchbox from being a pioneer that invented a new way to engage with a customer and a new path to purchase and beauty and have experienced an incredible amount of growth and incredible amount of development to now also being a company that is profitable and so it that was an incredible journey and quite a journey.

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**FT:** Well, let's go back to the beginning of the journey for those of us who may not be super familiar with the background. I mean, almost everyone knows Birchbox is but may not know your initial discovery of this idea and I know that it was at Harvard you and a friend started this concept and I believe I read it, it took you 48 hours with the basic concept of Birchbox.

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**KB:** My co-founder, Hayley, and I we started Birchbox when we were about six months out from graduation and we had really not intended to start a company. Our intention initially was to write a business plan, but when we saw what we felt like was a glaring opportunity in beauty with less than two percent of sales and beauty being online we did. In 48 hours we came up with what is Birchbox and really what is Birchbox today. You know, this concept of try, learn and buy and I think one of the things that's really important to understand about what we saw and the insight that we had was that it really wasn't grounded and what is best to know about Birchbox, which is the subscription.

When we saw the opportunity and we saw that beauty really wasn't being sold online in 2010 we were focused on "why?". Why were consumers not willing to purchase online? There is a lot of research happening attend a content already. Really starting to grow communities online but purchases still were not happening and we did research and focus groups and we basically came to a pretty clear realization, which was that consumers required to touch and experience beauty in real life before purchasing it for prestige beauty. So, that was a requirement. Nobody was willing to just purchase without knowing the product.

The second thing was that the beauty industry has a lot of product and that this proliferation of choice was actually really limiting people and really not allowing people to consume more and change their behavior because it was just a lot. The internet actually exacerbated the problem. So, in general there was a lot but if you put it online that's basically infinite and so we realized that we need it to make it finite. We need to make it simple, we need to make it delightful and we needed to make it tactile.

So, we said that we are going to overcome what the internet is not able to do for beauty and we are going to leverage the internet for what it is uniquely able to do. So, overcoming the touch and try or sampling, the limiting the world to five products, the personalized and subscription and the cadence that we thought that was really doable, really digestible and not this insurmountable amount of product and then leverage the internet for what it can do, which is frankly get to know you and understand what your needs are to create a more personalized and a more

relevant experience and then of course a seamless transaction. So, we got really excited and we just started operating.

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**FT:** It's smart because I do think that the companies, the new companies that are doing exceptionally well, the ones that offer like Birchbox not just a product but an experience you really have to tap in to human mindset, human psychology and we know the studies have shown more recently that too much choice is not a good thing. That when we actually have fewer choices we can make better choices and obviously choices faster and with more precision. That's pretty smart.

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**KB:** Right, it's logical I mean you definitely understand there's always some temptations to increase the offer, the offer tiers to just in case you want to fit the widest audience and what we continue to find that the insight was obviously the beauty industry has millions of products, individual products but even in our product of a \$10 monthly subscription that the simplicity of that as the entry point is extremely valuable and extremely powerful.

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**FT:** I want to go back to visiting Katia as a little girl growing up in El Paso, Texas. I read that you had really know understanding of entrepreneurship, but you did know that you want to try something challenging and hard. What is it about your DNA, your hardwiring that lead you to pursuit entrepreneurship?

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**KB:** I, what I can tell you is that I had a realization when I was in finance that I was doing well, my career was happening and that I just had so much more to give and that was unsatisfying. I wanted to be more challenged, I knew that. So I went to business school recognizing that I wanted to have an experience that really pushed me and when I took my first entrepreneurship

class I wasn't looking for entrepreneurship but it was a required class first year of business school. It just clicked.

I realized that there would be nothing harder and that it would be the real opportunity to meet myself and to see what's possible if no one else was dictating my possibility and no one else is saying, "This is the hoop to jump through. This is the standard to meet." But I knew that I will always have the highest expectation, the highest standard, the most lofty goals for myself and I knew that I had to face what I was great at and frankly what I wasn't and that was something that I really need to know. I just wanted to know that.

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**FT:** And, no better place to incubate that than probably Harvard Business School. Side bar question; there are so many great ideas that come out of Harvard Business Schools so many great entrepreneurs. When you're there do you feel pressure to come up with something brilliant?

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**KB:** Not when we went. So when we went the curriculum wasn't quite focused on entrepreneurship at all. There was a one class the first year and then you could take a couple — there were a few classes offered second year that you could select. Now, I think there is. When I go back to campus there is such a focus and such an emphasis and a requirement that you start a company, your first year. So, I think the pressure is on.

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**FT:** I want to talk about your personal financial philosophies in a minute, but let's also talk about before we get to that, the fact that you're a mom, you're a CEO, you're an entrepreneur, you not only not have one kid not two children, three children. That just blows my mind. I have two and I'm very busy and sleep deprived. I can't even tell you. I don't even know how you're doing it. How did she do it all?

But there's so many companies out there that are not — and I know that in Birchbox you're doing a lot to make my moms there feel appreciated and that there is upward trajectory. What are other companies not getting right that you have figured out and not only companies but female leaders? I think when I look at you I'm sure behind the scenes it's more messy and it's a good mess, but what are some — what's your advice for companies who want to promote women and also for female leaders who want to be mothers and provide for their families and, as it so happens, run companies.

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**KB:** Right, I mean I have a pretty simple answer to this. I think that we've been really focused on a conversation around women and around mothers. But I think the conversation has really been dominated around maternity or primary care leave, and that is a piece of it for sure. Just figuring out how to support women when they're having a child and they need that to time to really be with the child and be with their families and I really do believe in that. But I just also feel very strongly that, that is one piece of how you support women in this as a company and as a leader.

I believe that it is so critical to focus mostly on how women are coming back to work from that and what I mean is that I really believe that it is my responsibility. I take it as a responsibility for Birchbox to make it worth it to come back. I don't know how to say it any other way. But what I mean by that is I believe that there is an inherent bias that happens when a women decides to have a family where somehow people start to think and she starts to think and we've all ingrained this in ourselves that, “Well maybe I can't have it all? Maybe I now need to take a step back in my career?”

And people start assuming things for you and almost — the thing that I really despise is this sense that women have that they have to like pay back the fact that they took maternity leave or they needed flexibility and now that means they can't have the same career aspiration and I just firmly believe we are doing the society a disservice by not showing women that they can come back and we as a society, as a company, and as leaders can believe that they can still have the career that they dreamt of. That you do not come back less ambitious and frankly it is a super human feat and you've done it, right Farnoosh? It is super human to become a mother. Right? It's the opposite.

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**FT:** Oh, my gosh. Two natural births later, I can tell you women are the better gender. No, but really what we go through it is — we accomplish the impossible. I think I always say if men were the ones who had to get pregnant it would be a much simpler process. They would have figured it out how to beam the child out of you by now.

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**KB:** So, I think it's all balance. Becoming a mother, I think it really does awaken something inside people, inside women that is powerful and it should be seen as a fantastic moment and a fantastic strength and not a disability and frankly the way that we handle it is like it's some sort of disability a hardship instead of thinking about it as an incredible aspect of being human, an incredible aspect of being a woman.

So, that's how we really try to differentiate. We really try to say it's not just leave it's about off-boarding and onboarding. It's about helping our managers understand the nuance of this conversation and helping support people when they come back by, helping them recognize that this is. It is a challenging time, especially your first time, but it doesn't mean you have to put your whole self and all of your ambition aside and we really push to make sure that, that's the choice ahead.

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**FT:** I don't know if you experienced this, but every year that I had a child that year ends up to be being my biggest earning year and my most accomplished year and I don't think it's inconsequential. I do think that when, to your point, when you become a mom and you go through that, you go to the maternity process, you go to the delivery, you go to the postpartum, that takes a certain amount of strength and not only that but I think once you become a working parent you easily can determine what is a no and what is a yes. You become super efficient with your time. You calculate opportunities much differently and you are more critical about tradeoffs.

So I see that in my life and I see that in my friends who are moms and even fathers these days. Dad's are stepping up to the plate in many more ways than our parents' generation and so it to your point it would be who of companies would embrace that and leverage that for their own good.

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**KB:** I always say that when you see a woman who believe she can have it all, when you see anybody who believes she can have it all, that's a good sign. Why are we so afraid? Why are we so afraid of that kind of ambition or that kind of optimism, of that kind of belief in ourselves? Why aren't we saying, "That's actually somebody whose going to get you done," right? Instead of saying, "Well, I don't know? Can I handle it all." I think we need to have this conversation in our companies. We need to have this conversation as a society.

I think we have a problem that we are talking about as far as women at the top and how small and minuscule the numbers get and the only way to change that is to put more through, right? The throughput matters and the only way we're really going to change the throughput is if we make it worth it and it means that we need to offer women exciting careers to go back to and support, and flexibility, and all of it and we need to recognize that, that is not a hardship for a company. That a company benefits from those fantastic leaders and from their decisiveness and from their clarity and from their perspective. It's not some sort of charity; it's great and it's great for all of us.

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**FT:** So, clearly you're a badass female entrepreneur. What is your personality when it comes to money? How would you describe your relationship with money Katia?

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**KB:** I think it's such an interesting question and I'm really trying to be really open and honest about that. I haven't thought about it a lot. I came, as you said, from El Paso, Texas and from a single income household. I didn't have a lot of money and had a great life, honestly and incredi-

ble experiences. So what i really believe that it's not a huge motivator for me in terms of having a lot of money so I can have things but I do recognize the power of money and in terms of being able to change the world. I get it.

I am motivated because I recognize that my ambition to change the potential for women could really be accelerated by having a way to accelerate for other women, right? So, I see the power of it and I recognize it. But I also know that you can have, on a personal level, a happy life but not a lot of it.

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**FT:** You're a great advocate for women. How have you been a financial advocate for yourself and your own life? I know you are big on women within your company and also just at large. You know, you've talked about the importance of knowing your worth and asking for it. So if you have any personal example of that or an experience that you want to share?

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**KB:** I will tell you that it's really hard when it is for yourself. I think I'm great at advocating for it for my team. I'm really, you know, I know that and I'm pushing myself really hard. So the first step I'd say is educating yourself on what you need to know and what your worth is. Getting lots of perspective so you can have your own view on that because it isn't anyone else's view it has to be something that you can own.

And then, having a conversation about it without any sort of apology in it. Saying, "I'm going to have this conversation with you. Here's my timeline, and this is what I expect," and if in my case my conversations with board of directors so I know it varies for different people. Just keep on insisting and I have been able to that successfully but to be honest it is uncomfortable and I have to really push myself to keep getting uncomfortable and keep making sure that I'm not shying away from it.

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**FT:** Yeah, get comfortable with getting uncomfortable. As a fund raiser for the company, especially in the early days, what was that like? The VC world is largely male dominated and as two women promoting a company trying to get funding, how did that manifest?

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**KB:** I don't think people realize that there was some sort of hardship in it in the early days. We went out to fundraise for our initial round of financing, a seed round of financing and it was extremely challenging and unsuccessful. It's the only way to describe the first several months of it and we definitely were talking to mostly men and hearing feedback that was extremely subjective and showcased that it is really hard.

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**FT:** Such as? Like what?

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**KB:** Well, the notion that my wife doesn't wear make up came up quite a bit, which right? We're all like, you hear that but you can't help but laugh. Like, "My wife doesn't use beauty," even more broadly. I just remember thinking, "Well first, of all that is so not true."

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**FT:** Well, there you go. Exactly why we work because you're not -

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**KB:** "You're so not aware that, yes she does." So, things like that I'm very broad brush like recommendations around, do you really need a box? Does it really need to be a subscription? I mean the whole fundamentals of the model because I think it's really clear that the pain that we identified was a pain point women had and that men are like, "What are you talking about? My wife can buy this stuff, right? She knows where to go or she doesn't buy it in most cases."

And so, I think we did experience that but we didn't honestly think about it because we're a women. I didn't really recognize him and told them that we're really going out for later financings and sing how ridiculously strong our business was and still how challenging the conversations were. I started to realize that I don't if men can hear women and see women as visionary. I think that they're is discounting of a woman who appears to say like, "I'm going to invent a reality." Whereas I think when a man does that well, I mean it's very accepted and venture that that's a visionary compelling think with women is exciting but it's more questioned. It's more like, "I don't know?" Versus saying like, "That is ambition. That's the kind of what we need something that is seismic that's taking on an entire industry," and that's when I started to realize that it was different and frankly, it's extremely frustrating.

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**FT:** I think it's true. I think women are met with a lot more doubt. Not just when they're asking for business but pretty much anything. Pretty much anything where they're asking for, or they're proclaiming something that's really amazing, "I don't know about. Have you checked your numbers? [Inaudible] your box? Whatever."

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**KB:** The minutia, right? I feel like the details versus really understanding whether I think on a fundamental level we saying something that was pretty hard to refute, which is, "This is \$500,000,000,000 industry. It's the fastest growing large sustained industry. It hasn't had real disruption and distribution since specialty retail, which was 20 years ago, right? It's less than 2% sold online and we can't keep the shit in stock. We are waitlisted to the Wazu, we have zero customer acquisition cost, incredible gross margin, incredible unit economics," which is what should just be imperially enough, right that is in my mind just ridiculous all the way ridiculous dynamics.

I think that once I realized I was different I started to think about, "What does that mean for us?" and I think it's become part of the journey is how do we become a self-sustaining business because that really helps open up all of the options.

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**FT:** You're constantly evolving, I mean when I was chatting with you two years ago I think you had just sort of experimented, you were experimenting with the brick and mortar and that's going really well. I think it's always interesting to find online businesses that you decided to make the transition to physical location. You don't usually here about it the other way around, but that has served you well.

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**KB:** It's been an incredible experience, yes. I think what we realize is that the opportunity isn't just about bringing beauty online. But what we've learned is that Birchbox is really tapping into a customer that the beauty industry has not focused on, it's a more casual beauty consumer. It's the everyday beauty consumer. It's not the obsessed and passionate beauty consumer. We far over-indexing in her as far as our customer base and we change her spend in beauty. Because she has not been spending to her potential and the opportunity with brick and mortar is to really be there for her in all channels and I do believe that given our ambition and our mission to become the destination for that consumer to buy beauty, we have to think multichannel. We have to think about being digital first and digital native, but the physical world and that the fact that that is a part of every category shopping experience.

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**FT:** I asked this with all guests, and so now it's your turn. What is our biggest failure when it comes to money? And it doesn't have to be like something ridiculous or crazy. Not everybody has those foreclosures in their background, but something where it is a hard lesson learned and it had to do with money.

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**KB:** Fundraising was, we failed, we failed multiple times, right? I think multiple times to have the objective that we wanted. The initial round of fundraising, we came out of business school guns

a blazing. We got second place in business plan competition, we were out of the successful beta test we were sure we are going to easily raise a convertible note. That is with all the rage was in 2010 and we could not. We met with 100 people who did not fund us. Yes.

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**FT:** What? So the 101st person were funded, I mean I hear this a lot and I don't think a coincidence from female founders all the rejection, all the door shutting in their face and so I mean me, I think I could last through ten no's, you went through a hundred. What kept you going and what do you think ultimately got the yes?

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**KB:** Honestly, it was the real authentic belief that this was inevitable that we found lighting it in a bottle and that if somebody wasn't saying yes, they just didn't get it. It was this just unwavering certainty that it would happen. Honestly, I don't know where does that comes from but I remember hearing the no's, it definitely — those are really our down moment and it's depressing when you feel so sure and so convicted. But I think that kind of describes the entire experience of Birchbox or of doing anything that has extraordinary ambition, which is mostly no's and it is resilience and persistence that defines that ability to succeed and the no's are critical aspect of success, critical. Largely because hardship is when you get to know yourself the best and it's offers the most exponential growth and it's really when you define your character and you decide whether you're going to hear somebody else's doubt in you and believe it or you're going to take it understand why and just never stop proving people wrong.

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**FT:** Hardships makes you who you are. It's a 100% true. What would you say is now a good financial habit that you have that you practice as say the head of household, a mom, a shopper, a saver? What is something that you like to do as a way to keep your personal household finances on track?

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**KB:** So, luckily being busy really helps keep your personal finances on track. Right?

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**FT:** It does. Not a lot of time to shop.

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**KB:** Not a lot of time to shop and I think not over complicating it has something that I really found to keep things simple. To not have too credit, to not have too many different accounts that you are using from a day to day perspective so that you really have visibility and you, it's just manageable. You can get your arms around it. That's critical I need to be able to basically manage money in between meetings and on my way to places on my phone and if I can't, it's too complicated.

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**FT:** Yes. So streamlining expenses on one card. Do you, with couples I always ask this, do you guys keep your money all in one place? My husband and I we have a shared account but we also have our own individual accounts because we like having autonomy and frankly it's easier like when you want to buy a birthday gift because it doesn't all come out on one statement.

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**KB:** Yeah, we have both also. But visibility, I suppose, if we need to into each others.

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**FT:** Transparency a 100%. Yeah, we have it as well. Alright, so there's a couple of minutes left Katia let's do some fun So Money fill in the blanks. This is when I start off a sentence and then you finish it.

Alright, so if I won the lottery tomorrow, because I totally see you as a big lottery player, no! But let's just say you got this huge lump sum the first thing I would do is \_\_\_\_\_.

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**KB:** The first thing I would do is take a breath with my family a couple of days of just looking, seeing and appreciating it but the second thing that I would do is think about how I'm going to use some portion of that to attract capital to do later stage investment with a focus on women. I think there's a lot of like early stage, which is happening which is exciting.

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**FT:** Nice, so this is just -

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**KB:** I think there's still a really big gap for later stage and for building these multibillion dollar businesses.

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**FT:** Yes, alright, when I splurge I like to spend money on \_\_\_\_\_.

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**KB:** Experiences. Like food and travel, shows like Broadway shows.

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**FT:** We just got a ticket with Dear Evan Hansen.

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**KB:** Us too! that's our Christmas gift.

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**FT:** Oh, likewise. Maybe we'll see you at the theater. Alright, one thing that I spend on that makes my life easier or better \_\_\_\_.

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**KB:** Nanny, nanny, nanny, nanny.

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**FT:** Mani?

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**KB:** No, no, no I don't get manicures.

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**FT:** Oh, many I thought you said like manicure, like mani. Nanny, nanny you're right. Yes, yes, yes. I want to do that episode one time on like just childcare. I think that especially for working women who are out there advocating for other working women I feel like we have to kind of give credence to all of the support that we have in our lives and for many families that is another person who is watching your children while you're working or a daycare, or school. Really important to recognize those important people in our lives. Alright, when I was growing up the one thing that I wish I had learned about money is \_\_\_\_.

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**KB:** The way to compound and grow. I mean, I just didn't have any sense of how you invest.

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**FT:** So are you a big investor now, where do you invest your money?

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**KB:** You know, on a personal basis, no. I'm very focused on Birchbox being a pretty big investment and gamble. I invest in the alumni's of Birchbox and their companies in a small way. But other than that, I haven't made it a priority to really understand the things that I need to, like Bitcoin. We all need to.

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**FT:** Oh, my gosh, I'm supposed to explain Bitcoin to an audience in a few weeks and I'm nervous.

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**KB:** Can I be there?

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**FT:** I mean I don't even want to be there. I watch the documentary, I've interviewed experts. I mean I get it but it's not a tangible thing, it's really abstract and -

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**KB:** It's really abstract. It's so interesting and incredible. My brother has done incredibly well investing in it and has been telling me forever to do it. But I think the lack of tangibility has made me put it off.

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**FT:** And I think for most people; if you can't see it, you can't believe it and that's okay. Not every investment is for everybody and we're hearing all about it but it's a very, very ,very small, small, small percentage of human beings that are in this market and actually making money. But it's very exciting because we're talking potentially billions of dollars, hundreds of millions of dollars for those who did very well. Alright, enough about Bitcoin I'm over it. When I donate I like to give to \_\_\_\_ because \_\_\_\_.

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**KB:** Education, because it's the most important foundation to giving more people real potential.

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**FT:** Yes, so education like you help with scholarships, or schools, like Pencils of Promise?

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**KB:** All of that. Giving back to schools, we've built schools with Pencil of Promise. So both personally and through Birchbox and we've partnered with a Flatiron School to give scholarships to girls to learn how to code. But just at a fundamental level I think it's the place that really attracts, for me, it feels the place to spend money spend the time.

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**FT:** What a great way to start the year. Thank you for helping us all adjust to the New Year with some inspiration and hope. Katia, you are a role model of all role models. Thank you.

[END]