

EPISODE 412

[INTRODUCTION]

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FT: Welcome back to So Money everyone. I'm your host, Farnoosh Torabi. It's Wednesday, May 4th, which means another fresh episode of Follow the Leader on CNBC. How are you liking the show? We're really excited to see so many of you tuning in whether you DVR it, watched it live, watch it online.

You can go to Followtheleader.cnbcprime.com and catch all of the full episodes and today we've got, believe it or not, the rockstar entrepreneurs behind Warby Parker. Anyone here wear Warby Parker glasses or sunglasses? They're a billion dollar company, estimated at a \$1 billion. A company that was started out of grad school over at U Penn.

Co-CEO's, we have Nick Blumenthal, Dave Gilboa, they are just killing it with their vertically integrated company. They make trendy high-quality eyewear for a fraction of the price because they don't spend money on licensing deals. They go straight from manufacturer to consumer, and as a result they are able to save a lot of money and pass that saving onto the consumer.

They sell this glasses for about \$95 bucks a pop versus \$300 or \$400, maybe even more, at an optician's office or in the department store, so they're onto something really cool and then of course, for every pair that they sell, they donate a pair and they've donated over a million pairs of eyewear, how about that? So we get to meet the personalities and the brains behind this genius operation, Warby Parker, tonight, 10 PM, eastern pacific on Follow the Leader.

All right, now for today's guest is Jessica Herrin. She is the founder of Stella & Dot and many of you have asked me over the years, "You know Farnoosh, where do you get your jewelry?" And a lot of my jewelry comes from Stella & Dot. I've purchased from them as well as they've gifted me some pieces throughout the years, which I've then worn on television and then magazine shoots and on my website.

In fact, the gold statement necklace that I am wearing on the homepage of Farnoosh.TV is a piece from Stella & Dot. Stella & Dot is a phenomenal company. In fact, Inc. called it an Inc. 500 Fastest Growing Company. It's based in San Francisco and its mission is to be a social selling company that creates flexible entrepreneurial opportunities for women.

Stella & Dot provides boutique style jewelry and accessories available exclusively through in home trunk shows by independent stylists and online and Jessica Herrin is the founder and she's got a new book out, just out tomorrow, it's called *Find Your Extraordinary: Dream Bigger, Live Happier and Achieve Success on Your Own Terms* and she hopes through this book that she will cultivate the entrepreneurial spirit, talk about how she was able to do it and how you can too.

A little bit more about Jessica, after joining two successful tech startups out of college, she went to the Stanford Graduate School of Business and at 24 years old, she co-founded the website, Weddingchannel.com which of course now is one of the leading websites for brides to be. In her book, *Find Your Extraordinary*, she talks about how you don't have to be perfect to start but you have to start to perfect.

Brilliant words. I'm going to actually laminate that, put that somewhere in my office so I never forget it. She talks about her own dealings with failure and how those failures led to success and how she as a female in Silicon Valley has been able to really make her mark and be successful despite some discrimination, despite some gender biases. We get real and raw and personal with Jessica Herrin.

Here we go, take a listen.

[INTERVIEW]

[00:04:00.9]

FT: Jessica Herrin, welcome to So Money. I've been a fan for years. Finally getting the chance to connect with you. Welcome to the show.

[00:04:08.7]

JH: Thank you so much for having me.

[00:04:10.3]

FT: You know, I was telling you just before we got onto the recording line that I've been hooked on Stella & Dot jewelry for about five years now and I have even contemplated selling the jewelry myself because I get so many compliments whenever I wear a statement necklace or a pair of earrings from Stella & Dot. I was thinking, "This would sell. If only I had the time to sell."

[00:04:32.5]

JH: Well, that's part of your business strategy, it's to create public facing product that's so irresistible and an affordable luxury that our business owners can do that on the go without a lot of time because it is something that is social and easy to offer. It was a key part in democratizing entrepreneurship, which is the mission behind the Stella & Dot family of brands.

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FT: Yeah, so let's first start talking about the Stella & Dot mission. You started this, this wasn't your first company, it wasn't your first time at the rodeo starting a company in Silicon Valley but the mission behind Stella & Dot is very unique. You say that anyone can be entrepreneurial. You don't have to be an entrepreneur but you can be entrepreneurial. Share with us a little bit about the Stella & Dot success story.

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JH: Well, thank you and the success story behind Stella & Dot is really the sum of success stories of all our independent business owners but my inspiration for it came from when I was a person, an e-commerce entrepreneur out of business school and a lot of women reached out to me at that time and asked me to give them advice on how they could flourish in business.

I thought about it and I realized the type of business I was pursuing that that required a specialized education, raising venture capital, working nights and weekends, signing leases, hiring employees, wasn't even the type of business I wanted to run much longer. I wanted to figure out a way to democratize entrepreneurship so you could de-risk it and have a lower cost of capital and thus, have more women really thrive in business.

So that same mission behind the Stella & Dot family of brands expanded when we expanded into Keep Collective another accessories brand that's based more on sharing your story with charms than it is fashion. And also, when we cross categories and really acted as a social selling platform and found the best in the business to launch Ever Skin Care.

Which delivers real results, good for you ingredients because all of that is being a social selling platform in women's lifestyle brands that help people find something they're truly passionate about. That they could succeed offering without having to give up their life in order to start a business.

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FT: There are a number of these direct sale companies out there that have a similar ring to them. You know, "We want to empower I guess their members to become sales reps and then through that become entrepreneurial." But some of the criticism out there, I guess in the industry is, that it's a large capital upfront. The margins aren't wide for the people who are selling these on the front lines.

How is Stella & Dot different than those companies? I won't name them by name but people can imagine that there are a lot of other companies out there very well known that have been around since the 60's and the 70's that preach, "We are a solution for women who are stay at home moms or just people who want to create some extra income on the side." How does Stella & Dot differentiate?

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JH: When I looked at this, I started with a blank piece of paper and said, “Okay, how can you really set somebody up for success and what do you have to eliminate from businesses in the past and how can you innovate with what’s now possible with technology and put together a modern business for the modern woman that works when you do?”

With that, I looked at it and said, “Okay, first of all, you’ve got to lead with an amazing design so that the product, as you said, is something people authentically want to buy.” This isn’t something you’re going to find on a retail shelf for less. This is something exclusively available backed by quality guarantee that offers tremendous price value in an incredibly large market.

So that’s sort of step one, customer experience, customer value, the product is critical which is why with my partner, Blythe Harris, we really focused on the design of something extraordinary in each one of our brands. And then it has to be a combination of a high tech and high touch platform. We do sell person to person, we do in home events.

But we also compliment that with social selling and we are a massive technology company and we invest in that because that allows people to share broader and thus earn more dollars per hour and make that really profitable but you also have to make sure that the incentive systems like the way that people earn their inventory. We don’t have inventory but they have samples that they can earn with sales for free.

And then there is no inventory. We shipped direct to the customer, we offer free returns. So then, we’re really being customer obsessed and thus, enabling someone to succeed. So if you look at some of the pitfalls of the past where people have to inventory load, that’s not even allowed within our business.

What I really had my eyes open to is our business actually works where you can choose to earn a really high margin frankly commission. Imagine if every business owner got to keep 35% of their sales, that would be a phenomenal margin, right? And so our business owners can earn up to 35% of personal commission and then because we don’t have a quota, they don’t have a fixed compensation.

It's all variable because they decide when they work and where they work and then if they choose to help other people do the same, then they're compensated just like you would see a VP of sales at a Fortune 500 company, right? That head of sales that's got a largely bonus based compensation and that's really driven based on how well their sales team is doing.

So that's what we offer but one of the things that I'm really proud of that's our core difference is personal development. We don't just give people the product to share, we give them a learning and development platform so that they have the motivation to go do it. In fact, it's those stories and experiences that I share in my upcoming book, *Find Your Extraordinary*.

Because I have come to see that it's really the motivation to go do it and the self-confidence and the actionable, attainable steps to cultivate that within yourself that really help our business owners to become successful.

[00:10:26.3]

FT: I love that you don't have to have a basement full of inventory because that is a huge differentiator, yeah.

[00:10:33.8]

JH: That follow in business that that can be having payroll and having inventory can be where you get into trouble so we take that out of the equation for people so that they're set up for success.

[00:10:43.4]

FT: Your book, *Find Your Extraordinary*, is extraordinary. I was going through it with my highlighter and I stopped at this one quote because I thought it was so fantastic. It goes like this, "You don't have to be perfect to start. You have to start to perfect." Brilliant, I love that.

I wish I'd known that when I was first starting out because I do think that a lot of men and women when they're pursuing anything that's perceived as challenging or risky, there's a lot of

fear that goes into that, there's a lot of self-doubt, I'm not perfect. How does this correlate to maybe your own personal journey as a female entrepreneur, in Silicon Valley no less?

[00:11:22.9]

JH: Well, thank you so much for your compliments. I mean this book was a real passion project for me and it was born out of the desire to help other people try to create success on their own terms and when I wrote the book, we're really trying to help people do more than have the success where you put money in the bank account or a title on your resume but also the kind that puts peace in your mind and happiness in your heart.

If you think about for me as an entrepreneur and my journey, really my success is only been because it really dependent on my helping the people around me cultivate just a few key trades to success and it is something I believe other people can learn because I've seen it work thousands of times but it's really key that you start with a foundation of self-confidence.

Then I outline a tactical framework for how I did it and how I believe other people can do it, where you've got to be out pursuing an authentic passion. You've got to surround yourself, have a plan and a path to make sure that you really break it down into actionable steps to get there and that's going to take a positive mind, having the right people around you, learning to persevere and then actually being productive so that you can get it all done without feeling too stretched to love your life.

[00:12:36.8]

FT: Another pea from your book is, "To follow the path of least regret," right? Am I getting that right? What does that mean exactly, path of least regret? Because I've heard a path of least resistance, why regret?

[00:12:49.3]

JH: Well, it's come down to my decision making framework that I've used since I first got out of school and decided to be an entrepreneur or do something in a startup company rather than

take a traditional route. I was about to go do something that I needed to pay off a mountain of student loans. I've had a job since I was 15 and I paid my way through college, and I had a giant amount of debt when I graduated school.

So I was about to go take a job at an investment bank that may have been a dream job, but it wasn't my dream and I got some great advice actually from a cab driver while I was interviewing for a different job and it was the one that I ended up taking. Because he said to me, he could tell I looked perplexed in the rearview mirror and he said, "You know darling what are you so worried about?" And I told him, "You know I had this job all lined up but this other one is really alluring to me. I can't believe I am considering it but I am."

And he said, "Well, that's easy. Which one has the most upside? And is that one with the most upside worth the risk of the downside in that scenario?" And I realized that that simple decision making framework could guide me through a lot of choices in life which is: Do I want to pursue something really extraordinary that I'm going to have to pick the path of most hope? And as long as I am able to live with the downside that comes with it, then even if I fail I don't have regret because I am still pursuing that path of maximum upside.

[00:14:12.6]

FT: Yeah, you know, that is a great way to analyze. "If I don't do this, how badly will I regret it?"

[00:14:18.6]

JH: I share some of those stories in the book and my real story of how many times I've had to fail along the way. In fact, I think I failed more than most because I've tried more than most and if I've created success, it's only been because I've been so willing to fail.

[SPONSOR BREAK]

[00:14:36.2]

FT: Need a website? Why not do it yourself with Wix.com? No matter what business you're in, Wix.com has something for you. Used by more than 84 million people worldwide, Wix.com makes it easy to get your website live today. You need to get the word out about your business, it all starts with a stunning website.

With hundreds of designer made customizable templates to choose from, the drag and drop editor, there's no coding needed. You don't need to be a programmer or designer to create something beautiful. You can do it yourself with Wix.com. Wix.com empowers business owners to create their own professional websites every day.

When you're running your own business, you're bound to be busy, too busy. Too busy worrying about your budget, too busy scheduling appointments, too busy to build a website for your business and because you're too busy, it has to be easy and that's where Wix.com comes in. With Wix.com, it's easy and free. Go to Wix.com to create your own website today. The result is stunning!

[INTERVIEW CONTINUED]

[00:15:37.2]

FT: Well let's fast forward a little bit through our standard Q&A on So Money here and talk about failure. What would you say was your greatest failure that maybe even had a lot to do with the financials, whether in your life or in the business?

[00:15:50.9]

JH: You know I have such an interesting perspective on failure that I tend to be able to look back at my career and only see something as a domino or a lynch pin rather than a failure. So if I sit there and think about how I launched Wedding Channel, which is the business that became Wedding Channel out of business school and I venture backed it.

We raised a lot of capital. In fact, it was over capitalized in that "dot com" hay day and then we merged with a business and changed our name to Wedding Channel and ultimately, I wanted to

sell that business because it wasn't my passion and I could look back and say, "Oh was that a failure to structure the business that way such that I wanted to leave it four years later?"

Or could I say, "Wow that was the warmup round." There was a gift in that because then, I then understood as a second time entrepreneur that I needed a bootstrap Stella & Dot, that I needed to keep control of the mission and I needed to feel really soulfully connected to what I do because it actually takes a lot of work.

So you've got to bound out of bed every morning because you love it and when I discovered the mission of creating flexible opportunity for women in the workplace, that felt so right to me but I wouldn't have known how important that was had I not done my first business the other way. So I really do feel like failure cease to become failures is when you find the gift in them, they actually just become the formation of your future success.

[00:17:18.2]

FT: How did you ultimately realize the need for flexibility, flexible work schedules, flexible ways to make money for women? Where were you in your life and how did that eureka happen?

[00:17:31.3]

JH: First, I was an economics major as an undergraduate at Stanford and I love economics and I've always read all the studies. If you just look out there at all the data and we hear it bandied about constantly, there is the pay gap, there is the wage gap, there is a C suite gap, there's a board gap, there's a happiness gap, there is a confidence gap, and a lot of that I believe stems from a two rigid of a nine to five that doesn't ebb and flow with the other responsibilities that women play in life.

That's motherhood, that's taking care of aging parents, that's being community activists and leaders and so I really believe that we had to redefine the workforce in order not to sideline a gender and when you do that, you really hamper the economy for all. So I think there is an imperative to continue to advance the world and the workplace for women. Now, that's the academic reason why I knew that, but nothing is the emotional experience of being that woman.

I was that entrepreneur at my first company who all of a sudden wanted to have babies and started thinking to myself, “How could the professional version of me reconcile with these personal goals in life?” When I started to think about creating my second business that would go on to become the Stella & Dot family of brands, I knew I had to create something on my own terms, on my own way.

It’s really that story and the stories of others that really said, “Hold on, I’m going to pursue a different format of success that I share in *Find Your Extraordinary*. But that’s when I really recognized, “Okay, I want to be a mother,” and when you have children, really they have you. You don’t have them. We had medical issues to work through, we had other things to sort out as two working parents and flexibility really rose to the top of the need list. It wasn’t that I didn’t want to work hard. I wanted to work, I just wanted to work when I wanted to work in order to make it all work out.

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FT: It makes total sense to me. I was just interviewing another Silicon Valley entrepreneur, a female, who identified one big challenge for her personally, securing venture capital as a female at least she has been at the end of a lot of subtle biases or sometimes just direct biases. People ask her, “Well you’re a woman who has an idea that wants to start a business, why should we give you money if you’re going to go and get married and have kids in 10 years? Like what’s your strategy?”

They are really concerned about these things and they’re not afraid to ask which I think is one very discriminatory and presumptuous. Like to think that just because a woman wants to have a family, that’s going to block her chances of success. Men also have families, they go on to be successful. Have you ever experienced that and was part of the reason why you bootstrapped Stella & Dot because you don’t want to deal with all of that nonsense?

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JH: You know, I have to tell you, I have had two decades now of starting businesses in Silicon Valley in which I worked with various types of entrepreneurs and men, whether they're in the business or they've been investors. So there's no doubt you don't go through two decades without experiencing every kind of comment and every kind of bias.

But let me tell you my perspective on that and it's why in the book I focused on how you create your success regardless of any obstacles or biases you might face because those don't have to limit you or to find you. I raise capital and I've built two companies despite pushing my way into rooms that are most often in roles, most often held by men without losing the woman that I am.

I want every woman out there to know that that's incredibly possible for them. I am not saying it's fair, I'm not saying it's easy. I'm just saying as forward as possible when you believe that it is and here's what I found in my experience. When I was raising venture capital for my first business, yes there may be biases out there but out of hundreds of meetings, I just needed one to say "yes".

It turns out, we got funded by the most prominent venture capitalist out there, Kleiner Perkins Caufield & Byers and that man that served on my board is now on my board today, Doug McKenzie and he's been one of my greatest life mentors and he has never discriminated against me because of my gender.

So I've been very fortunate to have that be my experience, but I believe it's been my experience because I have a way of immediately ignoring and moving on from any type of discriminatory comments. I don't let it hold me down, I push through it. So I think that's really important. I definitely wanted to control my business because I knew I was piecing it around the birth of my first daughter and my second.

But my second time, I bootstrapped it and then if I wanted to really escalate my commitment to the business and get the brain trust of others, I actually went back to that investor in Doug and said, "Listen, here's the deal. This isn't going to be a venture deal. I'm going to structure the business different because I wanted to drive it for the mission not the quarter. I want to make an impact. I just had a baby. I'm about to have another one so I am not going to commit to any particular timeline, what do you think?"

So that certainly wasn't your typical investor pitch but then he wasn't a typical investor and he said, "You know what? I'm in." And so there are other routes to just thinking that you have to go one path. That's what I want everybody to know and that's why I wanted to share the story because it absolutely looks nothing like a male dominated path to success.

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FT: Well you said you were fortunate but you were only fortunate because you were persistent and I love that line of that you just needed one person to say "yes", which is...

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JH: Yeah, the harder you work, the luckier you get.

[00:23:17.1]

FT: ...super factual. And by the way, being pregnant and working against a deadline like that is actually sometimes a good thing because I've talked to other entrepreneurs, women who said to me, "I started my business when I was pregnant," and to them, it was a lot of stress but also kind of this built in timeline. You have to get things done by the ninth month or it's never going to get done.

[00:23:41.2]

JH: When I started this not only was I pregnant and starting the company, I was also working another full time job and so I was really motivated to turn my maternity leave into an eternity leave because even at that job, which I learned a tremendous amount while I was there, I still wasn't in control of my schedule.

I reported to someone at the time who would call 7 AM meetings, which is when you need to nurse a newborn and I was definitely not willing to keep going on that schedule. I think I aspire to have our home office be a far more flexible and friendly environment for all parents in both

genders and certainly our independent business opportunity, which is now about 60,000 independent business owners in six countries.

They ultimately control their schedule because they work for themselves. So that flexibility needs to be there whether you're pregnant or not. That's the deadline it's driven by, it's not just a "when I have the baby, I've got to get it done" because after you have the baby your schedule is highly determined on what's going on in your family.

[00:24:48.5]

FT: Totally. Jessica, tell me a little bit about your upbringing? It sounds like you've always had an interest in business. I'm curious to learn as a child, what was your introduction to money and the business world?

[00:25:03.0]

JH: Well, I would say that one of my greatest influences is my father who was an entrepreneur and I share his story in the book and where I really believe I got my entrepreneurial spirit. I had a certainly unusual upbringing. I was raised by my dad. My parents divorced when they were younger and my dad is this incredibly self-made person.

He was raised by an immigrant mother who did everything to survive, barely spoke the language, only 4th grade education but she was a widow when her boys were just one and three. My father is the oldest of those boys and so he had a paper route since he was in the 3rd or 4th grade to help put food on the table.

He put himself through school, ended up getting his graduate degree. So I was raised in this and then he went on to start a software company, he was a home builder, he did all these things and really truly self-educated coming from absolutely no means. And so I always had the sense of "look at what's possible" and "if you don't like your situation, you change it, you create it".

And that's what business really is to me. It's about a view to look at the world and see not the way that it is but the way that you want it to be and so when I've created a business, it's really

been an outcropping of, “Look, I don’t like the way this works. I don’t like what I see. I need to go do something to fix that.” And thus, a business is born.

I really come at it from that way. It hasn’t been commercially motivated. I think the best businesses are one that come out of a true well of passion and my childhood really fuelled me to do that. I’ve had, again, two jobs since I was 15 years old whether I scooped ice cream or worked as a waitress, and ultimately worked my way through college and then got into technology. My love of being able to make things better is what fuelled my love in business and I saw my father do that.

[00:26:58.6]

FT: How do you teach your daughters now? How old are they? Are they in school yet?

[00:27:03.0]

JH: Well double digits for my — going to be 10 year old in a couple of weeks, that’s my baby and then my oldest daughter is 12.

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FT: So curious, how do you teach them the good lessons that you’ve learned along the way? Are they getting an allowance? Do they have chores? Are they learning entrepreneurship?

[00:27:20.2]

JH: Well, my youngest daughter commented that was going to need a second job that she could pay for college, I think I might be over correcting. As someone who grew up with such a fierce work ethic, I often wonder could my children’s greatest disadvantage be their advantages? So I don’t want to rob them off their hunger and their ability to persevere.

I am someone who firmly does not believe in over parenting. I believe your children need to learn on their own, they need to make mistakes, they need to provide for themselves so they

have a chore list. We use Bankaroo, which is a phenomenal app that tracks a weekly allowance and if they want something, they have to pay for it out of their Bankaroo account. If they leave their lights on, a dollar gets taken off of their Bankaroo account.

[00:28:09.8]

FT: Bankaroo. Okay I've never heard of that.

[00:28:12.0]

JH: Yeah, it's really great and they're into it and what I most admire about my children is something that we're doing is working. Knock on wood, because we're not yet to the teen years in which karma can be a real problem for me, but they have a really strong work ethic. They want to do things. They are eager to earn and not someone who wants something to be handed to them.

[00:28:36.5]

FT: Perfect. Jessica, what's next for you? I feel like you are a serial entrepreneur at heart. So I am sure you're always thinking about "the next thing". Do you have anything you can tease us with? I mean is it going to be in the same sector or you're looking at what are some other opportunities out there that you're curious about?

[00:28:55.4]

JH: Well, the book is next for me, with *Find Your Extraordinary*, and as an extension of that, I'm very excited about the idea of taking the lessons I've learned in life and business and sharing that with more women in business. So we're talking about putting an extraordinary university out there because I think it's a privilege and an obligation.

When I look at the statistics of the number of women in business, when I look at the fact that happiness has been declining for women because we are too often let joy sucking guilt rob us of

true success. I want to advance that. That's really the route of what's underneath of Stella & Dot family of brands and will continue to expand women's lifestyle brands.

So there's a lot of future in that and we're growing across all those brands. But for me, it's really about how do we change the world and work for women? And I believe that *Find Your Extraordinary* and then Extraordinary University, are truly what's next to do that.

[00:29:50.3]

FT: I love it. You're putting a new spin on the word extraordinary and it used to go back in our vocabulary and I'm sad to hear that happiness is on the decline. It doesn't really make sense when you hear about it. I feel like on the news, there's a lot of discussion about flexibility in the workplace, more women are becoming entrepreneurs, but I guess you're really paying a lot closer attention to this than everybody else.

[00:30:13.6]

JH: Well, what I'm referencing is the government survey that they've been doing every year. The US government since 1972, and they just asked a few simple questions to say, "How happy are you?" And they asked men and women. The good news for men is it's going up. The bad news for women is, it's been declining every year.

Here's what I think is happening. I mean first of all, you could always poke holes in any survey but you don't have to be a behavioral economist to resonate with the fact that the more choices there are for women, that's hands down a good thing but it also creates a lot of opportunities for women to feel like they're falling short.

It's that, what I believe, that guilt where we think, "Are we doing enough at work, are we doing enough at home, am I being judge by other people in my community that are making different choices?" This is what ultimately is hampering women's unfiltered happiness and I think that we've got to get that on the rise so that women can then "lean in" more work because they are not feeling guilty about their choices.

Choices that a man would never be made to feel guilty for making and simply, we have to celebrate the diversity of choices including those that chose to serve the home and the community, which are really providing that critical infrastructure that helps everybody work in the different choices that we make and providing amazing role models for all of our daughters who may have different choices than your own.

So I think that really talking to women about bolstering their self-confidence, how to pursue an authentic passion, how to create a path for that but can involve flexibility. Those are really important choices and things that need to be done to help women thrive.

[00:31:52.4]

FT: Jessica Herrin, thank you so much for being such an extraordinary leader and role model. We'll be following you, we'll be wearing your necklaces, I'll do whatever you want because I think you're on an important mission and I want to support it. Congratulations also on your book, *Find Your Extraordinary: Dream Bigger, Live Happier and Achieve Success on Your Own Terms*. Thank you so much.

[00:32:13.6]

JH: Thank you so much for having me.

[END]