

PUBLIC NOTE

Direct to Consumer

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SCENE: A department store in 1994.

Enter VENTURE CAPITALIST, stage left, after a bright light and puff of smoke offstage.

Enter SALESPERSON, stage right.

SP: Need help finding anything?

VC: Wow, it actually worked...

SP: Are you all right? You look a little shaky.

VC: No no, it's just — I'm here from the future...

SP: *<looking around>* Ah, of course. Let's see if mall security can help with that...

VC: Wait, don't — I can tell you all about the fashion business in 2019! You won't believe how much it's changed.

SP: *<sighs>* OK, it's a slow day, I'll bite. How has the fashion business changed?

VC: Physical stores are irrelevant, for one thing. This store is now a trampoline park. And the real challenges for the industry are completely different.

SP: Challenges like what?

VC: Well, one of our biggest problems is people trying things on.

SP: Getting them to try things on? I can give you some tips...

VC: No, getting them NOT to try things on.

SP: I don't understand. How do you sell them anything?

VC: On the internet. Obviously. No stores, remember? So no way to try things on beforehand.

SP: Like a catalog? Nothing wrong with that, but —

VC: Not like that at all. It's brilliant, really. But it's expensive when people send things back, and the stuff is out of season by the time we can resell it.

SP: Well no kidding, that's why I don't just mail clothes to my customers.

VC: Oh, we'll figure it out. You wouldn't believe the innovation. For example, if we send them a whole box of clothes every month, and they send back what they don't want, then it's only one shipment each way.

SP: This still sounds more like the LL Bean catalog than what I do. You're appealing to pragmatism more than fashion. Why should that be a bigger share of the market than today?

VC: You still don't get it. LL Bean isn't cool. This stuff is cool.

SP: It's cool to get your clothes from the internet in a nerd box every month?

VC: Exactly. Hey, Nerd Box, that's a good name, I'm giving that to the next startup I invest in. Nerds are cool in the future, by the way.

SP: Really?

VC: Well, sort of. Not really. They were for a few years, now everyone hates them. It's a long story.

SP: Whatever. But how do people find your new products in the first place without a store?

VC: This is the cool part. Everyone carries these little pocket computers, right? They wouldn't let me bring one in the time machine but trust me, they're amazing, they can do anything —

SP: So they can project holograms of the clothing, or —

VC: No. Let me finish. They can do anything, but everyone just uses them to look at photos. So we buy ads in between the photos.

SP: I don't get it. Photos of what?

VC: Their friends' vacations, mostly. Or random celebrities, or cute animals. Whatever they want. It's like a personalized magazine with infinite pages for us to advertise in.

SP: That's... convenient, at least.

VC: Not really. See, there's just one company that controls this whole photo-sharing thing, so they've really got us over a barrel, and the ads keep getting more

expensive. It's one of the biggest companies in the world, in fact. So now we're trying everything else — catalogs, billboards, subway ads, coupon mailers...

SP: All the stuff we already do? Why not just open stores?

VC: Who said we're not opening stores?

SP: You said they were irrelevant.

VC: Sorry, I meant that stores like *this* are irrelevant. The ones we're opening are totally different.

SP: I'm sure. But at least people can try things on, right?

VC: *<sighs>* I guess so, but that's not really the point. We don't want to stock enough for people to try everything on. The stores are just "experiences" to get them signed up to buy online.

SP: Sounds like you're taking a long road back to where we are now. But I guess if it's more profitable this way —

VC: Did I say it was more profitable? Most of these new brands are losing money.

<long pause>

SP: You know what, I think there's something I'm still not getting here.

VC: Maybe an example would help. How much is that jacket over there?

SP: It's \$98. I sold two of them today. Want to try one on?

VC: I'm not allowed to bring anything back in the machine either. But if a jacket like that was popular in 2019, here's what we'd do. We'd start a "digitally native" brand that only makes one jacket. And it looks basically like that one, but it's "optimized" with special fabrics or extra pockets. Or it's more "sustainable" or something. We'd come up with a story about how the founder "discovered" all this on a backpacking trip in Asia. And we'd create a new brand around it, let's say "Hunt & Spence"...

SP: So at least the fake British stuff still works.

VC: Oh absolutely, people eat it up. Without that Ralph Lauren shtick or other retro branding, we don't have much to work with on the marketing side. Our new brand aesthetics are about minimalism, "optimization" or "wellness," and they've got all the charm of an empty hospital.

SP: How do you get *any* branding across on a pocket-sized computer?

VC: You would not *believe* how much time people spend on these things. It's amazing that society still functions. Anyway, we blast out lots of photo ads for Hunt & Spence, and when someone shows any interest we send them emails every day until —

SP: Do they read their emails? I thought they were just looking at photos.

VC: Yeah, that's sort of a problem too. But look, let's pretend your store is still standing in 2019 and not a trampoline park —

SP: Hang on, you mentioned that before — are trampoline parks about to make a comeback? Didn't they shut those down in the '60s after too many kids got hurt?

VC: I know, right? But you'd be surprised what leisure trends we'll bring back when we have hundreds of empty department stores to fill, and not just for kids either. Bowling, arcades, laser tag, mini golf — you can add a bar to anything and dim the lights and it's cool again. Plus new things you haven't even heard of, like axe throwing —

SP: Axe throwing with dim lights and alcohol?

VC: What are you, the health inspector? The point is that when everything happens online, people need other ways to be social. And being social in 2019 means taking pictures of yourself in as many different places as possible.

SP: Sure, but —

VC: Let me put it this way: you know when your kid gets school photos and they can pick a background to pose in front of? Imagine that but for everyone, everywhere, all the time.

SP: Wow.

VC: Anyway, pretend your store is still here and still selling this jacket for \$100. Where do you think we price our Hunt & Spence version?

SP: Well, if it's like the catalogs —

VC: Stop saying that word.

SP: OK, call it what you want. But you need to compete with established brands, and you're not paying for all this store overhead, so... \$70?

VC: Wrong again. We price it at \$150. But you get a 15% discount just for giving us your email address, and another discount and free shipping if you add high margin accessories to bump the order value up. So it works out to about the same \$100 price point.

SP: You're leading with a discount? This sounds like an infomercial. But how are you losing money then? If we can sell the same thing at the same price for a profit, why can't you?

VC: Profit! I forgot how naive people were in 1994. Anyway, we can be profitable anytime we want. It's just that we'd rather buy more photo ads and keep growing.

SP: I don't want to sound like a salesperson or anything, but if you're running the same business at a loss that we're currently running at a profit ... maybe you should just forget all this online stuff and open a regular store? It's a pretty good racket.

VC: Double disruption! I like it. But you're missing the big picture. People want change, innovation, excitement. These pocket computers have trained them to be constantly looking for something new. We need to stay nimble. Plus if we tried to run a conventional business like yours, other VCs like me would subsidize something new and edgy it while it runs at a loss, undercuts our business, and destroys us.

SP: Can't they do that anyway?

VC: Of course. As soon as Hunt & Spence gets any traction, you'll see ten more near-identical startup brands in a matter of months, each with their own cute founder story and vaguely British name. And I'll invest in half of them and watch them cannibalize each other. But we'll sell a few of them to older retailers who are desperate to catch up. And one or two others will go public and buy the rest.

<another long pause>

SP: And then? Won't they all still be unprofitable?

VC: We'll figure it out, OK? What do you care? I'm telling you about the future here.

SP: Well, I just don't see how anyone can survive selling anything in that landscape. Those pocket computers are a nightmare. By the way, where do they sell *those*?

VC: Stores! People love their stores. Also online. And bundled with the internet service. Frankly, for the last 15 years they've been able to sell them however they want.

SP: Damn, I wish we had some products like that.

VC: Don't worry about the products. This is about reconditioning people's behavior. Isn't that what you're doing anyway? Do you think you're solving real problems with all this designer stuff? *<waves arm at clothing racks>* It's all just marketing.

SP: Fair enough, but it works. Wouldn't your job be easier if you just... made better stuff, and sold it at a decent margin?

VC: Look, I'm not going to take advice from someone who'll be scraping IPA-flavored vomit off a trampoline in 25 years. What's cooler than an ill-fitting jacket with a fake British name and a built-in GPS unit? You obviously have a lot to learn about fashion.

SP: I guess so. Maybe I'll buy some tech stocks. Hey, what are you getting out of all this anyway?

VC: Honestly, this is the most interesting conversation I've had in years. No one in 2019 would listen to me for this long. Even when I speak at conferences, they're just waiting for me to say something inspirational they can repeat on LinkedIn, or something they disagree with that they can troll me for on Twitter.

SP: They'd do what to you on what?

VC: Also I'm checking out this prototype time machine as a potential investment.

SP: And?

VC: I think we're gonna pass. It doesn't really fit into any of our verticals. Super experiential, but not social enough and hard to scale. Kind of a cool steampunk project though, I'd support their Kickstarter. Anyway the flux capacitor's buzzing, gotta go!

<VC runs back offstage>

SP: You'd support their what?

<curtain>

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