

Greg Spillane of Fancy

Hall T Martin: [00:00:04] This is the Investor Connect Podcast Program, I'm Hall T Martin. I'm the host of the show in which we interview angel investors, venture capital, family offices, private equity, and many other investors for early-stage and growth companies. I hope you enjoy this episode.

Hall T Martin: [00:00:04] Hello, this is Hall Martin with Investor Connect. Today I'm here with Greg Spillane, CEO of Fancy. Fancy is building a more human shopping experience in an online world. Combining community, commerce, and curation, Fancy has built and operates a unique and highly-engaging social shopping platform. Greg, thank you for joining us.

Greg Spillane: [00:00:41] Thanks, Hall. It's great to be here and I'm looking forward to our conversation.

Hall T Martin: [00:00:46] Great. So, what was your background before joining Fancy?

Greg Spillane: [00:00:48] Yeah, so, you know, I started my career off actually as an engineer, I was a developer, and quickly parlayed that into being an entrepreneur. So I started an agency really early on in my career, really doing custom development for people, really early days of digital transformation. And, then we built a number of different products during that phase and we built one product, in particular, that was popular, we decided to take that to market. So this is prior to SaaS and all these different terms, but that's really what it was. We licensed it on a subscription base, it was kind of more of an ASP model. _____remember, we focused on real estate space and we got a lot of traction real early on. So, you know, that actually led to an exit early on in my career which was a really great way to start things. And at that point, I ended up going back to business school, got my MBA, and I spent the next eight years or so in management consulting, working in the sort of large-scale SAP, IBM, Accenture, type of companies and, you know, I always knew I wanted to get back into startups and the excitement that was there was just so great and a business school colleague of mine had just taken over this _____as a private-equity-backed company, sort of this conglomerate of four or five different companies that came together and he was looking for a technologist that had a business development and marketing background and I

was brought in and we ended up founding a company called Events.com at that time, which is a two-sided marketplace, kind of in the realm of like an Eventbrite or a company like that, and we built that entire platform from the ground up. I was the COO of that company, I ran the product team, marketing team, development team, customer success and we had a tremendous amount of success there and built that company up. And, the CEO at the time had ended up moving back into the investment world, he runs a fund called Sweetwater Capital, and he got an opportunity to meet the Fancy guys. And Jim Pallotta, who's the chairman of our board, Francois-Henri Pinault, who's the CEO of _____ which is like Gucci and _____ and just loved the opportunity, came in and made a sizable investment in the firm, and he remembered me, obviously, from our relationship and the success that we had building up Events.com, which was a marketplace and the experience I'd had, and obviously the company, because we are a little bit of a turnaround, was having some ups and downs and he was brought in initially to sort of consult on the company as a whole, put together some recommendations to the board, told me to put my money where my mouth is, and I was appointed the CEO in early 2019.

Hall T Martin: [00:03:28] Great. So, what led you to start work in the social commerce space? Why that space?

Greg Spillane: [00:03:34] Yeah, I mean, like I said, when we were brought in, there was just an opportunity that we saw around a shift in consumer habits, and the experiential side of things, and the social side of things. And we implemented that originally at Events.com and then, you know, obviously coming into Fancy and seeing the foundation that was in place. I mean, Fancy came out of a social network, that was really what Fancy was when it first started. It was a place to find and discover really cool and interesting things. And, you know, there's this foundation in place of 12 million users, we had over two and a half million app downloads were in place, and we saw this shift that was happening in social commerce. And you've seen the companies like an Instagram, or even some different companies out there trying to capture it, but where they were not able to get things right is the unification of the shopping experience. If you were going to buy something on Instagram, it's great, it's fun, it's discovery-based, it's social, but then if something goes wrong, which often is the case in any type of e-commerce experience, the product doesn't show up, you want to do a return, you can't call Instagram, Instagram is not going to stand behind the products they sell.

Anybody that's willing to pay Instagram, you know, to be on their platform, get on the platform and sell it, and there's many, many cases and you can read reviews and online of just really poor shopping experiences. So what we wanted to do is build upon our social roots and that serendipitous discovery of finding really cool and interesting products and being able to get that inspiration that comes with discovering something new, but then back it up with a very solid and unified and curated shopping experience, so that when you do come to Fancy and you do make a purchase and there's an issue, there's a problem, we stand behind that 100%, which is really different than some of the other social platforms out there, whether it's Pinterest or Instagram.

Hall T Martin: [00:05:27] Well, great. Well, we have a lot of investors who listen to the show, what's your advice for people investing in this space?

Greg Spillane: [00:05:33] Yeah, you know, it's a really interesting space and I think we're lucky because we are uniquely positioned because of our DNA and our background and the foundation that was in place. But I think that if you're looking at the space from the outside and you're looking to invest in a startup that's coming out of nowhere, you know, you really got to ask yourself, what is the customer acquisition cost versus the lifetime value of that customer? That ratio is going to be extremely important because really in e-commerce, any company can go out there and buy a customer, that's not that hard to do. Nowadays, with Google Shopping and Facebook Market, all these types of things, if you have a product and you want to go ahead and acquire a customer, you can do it. So, with a certain amount of money, you can actually show growth, but if you're not able to be able to grow organically from that and you're not able to have a customer that becomes sticky and someone who comes back and continues to buy down the road having to have incremental purchases, it's going to be really difficult for you to scale. And I think when you're looking at the e-commerce world, that's something that you have to really be careful with. What is that ratio in place? How much does it cost them to acquire a customer? Not, what is that initial payback, or what's that pay back over a certain period of time? And I think that's one of the areas that we're really fortunate with because of the way our app is situated. We have extremely sticky customers, our average user is opening the app five times a month because it is discovery-based, it is interaction-based. Then when we do acquire a customer, we find that that customer stays on board and then we're able to have multiple purchases down the road.

Hall T Martin: [00:07:09] Great. Well, let's talk about the sector itself. How is the industry evolving?

Greg Spillane: [00:07:13] Yeah, I mean, look, it's a good time to be in e-commerce. I mean, obviously, COVID, it's horrendous and it's changed all our lives in so many ways, so I don't want to say that we've, to capitalize on that type of situation, but it is what it is. The world has changed, we've moved into e-commerce, and, you know, I don't think that that's going to go back in the bucket. Now, where I see how the industry is changing really and how it applies to our company and what we're trying to capitalize on, is this concept of sort of e-commerce, let's just call it 1.0 was all about efficiency, right? Amazon's job is, and what they are unbelievable at is, let me get you on my site, let me let you search and find what you want as quickly, as efficiently as possible, let me make the checkout as frictionless as possible, and let me have that product shipped to you as soon as possible. And that's unbelievable. I love Amazon, Amazon's great. But not every product needs to be purchased like that, right? There's still a concept of like window shopping, inspirational shopping, social shopping, fun shopping, right? And that's not what Amazon's about. So, you know, we're looking at capturing the space in areas like home decor, health and wellness, fashion, where you don't know exactly what you want right away. You know you need something or maybe you just want to shop and kind of shop for the fun of it and you're looking for ideas and you're looking for inspiration and you're seeing what other people want and like, and that's really where that social shopping experience comes from. So, that's the big evolution that we're seeing in the industry and that we're looking to capitalize.

Hall T Martin: [00:08:54] Great. And what is the current growth rate of the sector? I am sure COVID sped it up, but what is it today?

Greg Spillane: [00:08:59] Yeah, no, that's exactly correct. So, you know, going into the year, it was expected to be about 18% growth, that was what projected e-commerce growth was going to be in 2020. The acceleration because of COVID, we've seen about 40%, 39% growth so far, year to date.

Hall T Martin: [00:09:17] Great. And how many companies are engaged in it today?

Greg Spillane: [00:09:22] There's the major, major players that we all know of, the Amazons, the Etsys, the Overstock.coms, the Wayfairs that are there, and you're starting to see a lot of little smaller direct-to-consumer brands coming up. Where we really think that we're unique and we see a big white space opportunity for us is to play in this space between the true, pure-play social commerce platforms like a Tik Tok or an Instagram who are all trying to move into shopping, but provide that stability and that advertorial shopping experience that you would expect out of an Amazon. So, there's not many people that are really able to do that well. We're seeing that the true, pure-play social players are all trying to move into commerce because that's where the industry is moving to. It's extremely big over in China right now and obviously, we're trying to copy a lot of trends and successes we're seeing globally. But most of those companies that are doing that are doing it from a pure connect-the-dot advertising model where maybe you can check out on-site, where we're looking at still being a true multi-brand retailer with a social component.

Hall T Martin: [00:10:29] Well, great. And then, so what are the challenges in the space today?

Greg Spillane: [00:10:33] Yeah, I think the challenge is, logistics would be a huge problem. You know, _____ holidays are talking about just challenges with making sure their products show up on time. And, you know, I think it's an area where Amazon has done a really great job building up an infrastructure in place that allows them to manage that. One of the positives that I see in the space, and I think it's going to trickle down and really democratize the e-commerce world, is the rise of the 3PL and the ability for different merchants and different vendors to be able to outsource logistics to partners, including potentially an Amazon, and be able to use their infrastructure for fulfillment in efficient and timely manners, right? That was the big thing that everybody faced when Amazon first came out. I mean, when Amazon was able to do free two-day shipping, everyone else, was like, "How are you possibly being able to do this?" And slowly, the industry has been able to catch up and I think that's a challenge for the space to catch up to, but I also think it's an opportunity that's there and I think there's an infrastructure that's growing in place for companies that are going to help these different companies build and compete against Amazon.

Hall T Martin: [00:11:41] Great. And so, can you give us more detail about how Fancy fits into the landscape? What's the positioning of it? You talked about the niche you're in, but can you give us more color around that?

Greg Spillane: [00:11:51] Yeah. So, you know, at the end of the day, what Fancy is, is, we're a pure-play digital-only multi-brand retailer. We focused on discovery-based, serendipitous kind of social shopping experiences for people who are looking to find the new, the now, the unique, and the cool. We're a place where you're going to find something that you've never seen before, you're going to discover a brand that you may not have heard of before. We obviously have a very specific sensibility with the kind of products, people who like design, people who like quality, people who like product that has a purpose behind it, whether it's a charitable component, whether it's a sustainability component, and we really spend a lot of time on the curation of that and finding those brands and bringing those brands to the table. And then we try to create as fun and engaging and social of a shopping experience as possible. And whether you find us through Fancy.com, or whether it's through our iOS or Android apps, you know, you can engage with us in multiple components, and then you can rest assured that if you do transact with us and you buy a product with us, that it's going to be done safely and securely and if there are any issues, we're going to stand behind that product 1000%.

Hall T Martin: [00:13:11] And what plans do you have coming up for the company?

Greg Spillane: [00:13:14] Yeah, no. We're in like growth mode. We've had a little bit of a transition with the company. Obviously, as I mentioned, you know, this is a company that at one point was valued close to \$1 billion and this is a turnaround and I'm very open about that with potential investors and partners. But, we're currently in the process of raising some capital, we're about to close on a \$2.5 million note, and I know it's got a \$12 million cap. So, you know, we're raising money and our valued ____ startup level like a company that's just kind of starting from scratch. But I think what's so exciting to me, and what's been really exciting to the investors that are involved is, we have this foundation, this proprietary technology platform, this user base, this brand, you know, that's been built over the years of us raising well over \$100 million in the past and its valuation exists. So, we had some things that needed to be changed and fixed, and we divested some business units, and we had to do some restructuring_____

organization and all that's now complete. We had a great holiday season, we've seen significant growth across all of our key metrics, not just revenue, but conversion rates. Our return on ad spend's going up, our _____ going up, the experience continues to get better and better. So, we're really excited and we're going to focus on the product and continue to bring on great partners. But, primarily we're in the point now where it's about scale.

Hall T Martin: [00:14:38] That's great. Well, in the last few minutes that we have here, what else should we cover that we haven't?

Greg Spillane: [00:14:42] We're obviously in the process of just closing out this initial raise. I think it's a really interesting time to get involved. We have about \$700,000 left on this note and then we're probably going to raise some capital here in 2021 at a more substantial round. So, if anybody is interested, obviously, we'd love to keep in touch and we'd love to talk in 2021 as we start to scale. But this is probably a really nice opportunity to kind of get a little bit of a discount on that, because, you know, we're kind of closing in on 2020 on just this last little piece of capital before we go out there and raise equity rounds probably in the next six months or so.

Hall T Martin: [00:15:21] Great. Well, how best for listeners to get back in touch with you?

Greg Spillane: [00:15:25] Yeah, I love to hear from people, anything, I'm super open. My email is Greg@fancy.com. I read all my emails myself. You know, that's probably the best way if you just want to have a direct connection to me. But, you know, you can obviously find me on Twitter, and LinkedIn, and all those other networks as well.

Hall T Martin: [00:15:41] Well, great. We'll put those in the show notes. I want to thank you for joining us today and hope to have you back for a follow-up soon.

Greg Spillane: [00:15:46] Thanks, Hall. Great speaking with you.

Hall T Martin: [00:15:50] You too.

Hall T Martin: [00:15:59] Investor Connect helps investors interested in startup funding. In this podcast series, experienced investors share their experience and advice. You can learn more at Investorconnect.org.

Hall T Martin: [00:16:06] Hall T Martin is the director of Investor Connect, which is a 501(c)(3) nonprofit dedicated to the education of investors for early-stage funding. All opinions expressed by Hall and podcast guests are solely their own opinions and do not reflect the opinion of Investor Connect. This podcast is for informational purposes only and should not be relied upon for the basis of investment decisions.