

Karen Zelnick:

If you haven't hit a roadblock on your startup journey, then you haven't actually started. Roadblocks are the predictably unpredictable part of starting a new venture, and today, we're talking with Jeremy Hanks, founder of Dsco, and investor Dalton Wright, about how our approach to those early challenges to our businesses can bring us even closer to a Perfect Pitch.

Karen Zelnick:

What is Perfect Pitch? It's a podcast from Kickstart that reveals the minds of both investors and entrepreneurs throughout a startup's journey. So, whether that's uncovering what everyone's really thinking during a startup pitch, or learning how entrepreneurs like you have managed their first major roadblock, Perfect Pitch is an honest, quick, and tactical guide to help you on your startup journey.

Karen Zelnick:

I'm your host, Karen Zelnick, and I'm excited to introduce you to today's guests. First, our founder, Jeremy Hanks. Jeremy is the founder and executive chairman of Dsco, and this is the third company you've founded, correct, Jeremy?

Jeremy Hanks:

Yep.

Karen Zelnick:

Awesome. And all of them focus on adapting supply change management. And so, you have a really great perspective on not only what it's like to be a founder over the course of 20 years, but also very specific insights into the evolution of supply chain. And I love that. I love when founders find their passion, and their passion isn't just entrepreneurship in general. It's your passion. So, you're passionate about supply chain.

Jeremy Hanks:

I think I am.

Karen Zelnick:

(laughs)

Jeremy Hanks:

And I would say that I am because of this entrepreneur arc over the last 20 years. I think when I was growing up on a dairy farm in southern Idaho, I do not think that I would have said, hey, in the year 2020, this is what my expertise, right, like my, my passion would be.

Karen Zelnick:

Yeah.

Jeremy Hanks:

But that's where I've landed.

Karen Zelnick:

And you also mentioned that you're a budding naturalist, an avid reader, and you dabble in writing poetry. So, my real question and my first question for you, Jeremy, is like, is there anything you can't do? (laughs)

Jeremy Hanks:

I throw that stuff in my, in my bio so that it seems like I do things other than supply chain and ecommerce.

Karen Zelnick:

Yeah. (laughs)

Jeremy Hanks:

But I, I do, I love, I love nature. I, I took a program from Utah State University, their, uh, Utah Master Naturalists program. It was pretty cool.

Karen Zelnick:

Oh, that's awesome.

Jeremy Hanks:

Um, and, uh, yeah. I like to, I like to mess around with rhymes. Um, I'm a huge fan of alliteration, you know, where, where words start with the same, same letter.

Karen Zelnick:

No, I love alliteration too.

Jeremy Hanks:

Yeah.

Karen Zelnick:

So this is gonna be a great discussion.

Jeremy Hanks:

Yeah.

Karen Zelnick:

Throw a lot of 'em in there.

Jeremy Hanks:

Got it.

Karen Zelnick:

It's gonna be awesome. Okay.

Jeremy Hanks:

Yeah, it's... You know, anyone who knows me knows that I'm somewhat addicted to Post-It notes. I single-handedly keep the business 3M in business, and I like to kind of, you know, dabble on Post-It Notes. So I call myself the Post-It poet. I figure if 3M would sponsor me as the Post-It poet, maybe we could take it mainstream and, and, you know-

Karen Zelnick:

I mean, did you make a TikTok about it? Because I feel like you've got something here.

Jeremy Hanks:

Yeah, I, I stay away from TikTok just because of the whole like, Chinese communism, spying, overlord type thing. I-

Karen Zelnick:

There's that, yeah.

Jeremy Hanks:

Yeah, I, I don't trust, I don't trust the social media.

Karen Zelnick:

Okay, I'm sending you Post-It notes after this, 'cause I also love Post-It notes. I'm a big fan of the neon ones.

Jeremy Hanks:

And super sticky Post-It notes are garbage.

Karen Zelnick:

(laughs)

Jeremy Hanks:

Because when you peel them, when you, when you peel them off, they're so sticky that it curves the top like, half inch of the note.

Karen Zelnick:

Uh-huh.

Jeremy Hanks:

Like, the force of it. And then when you stick 'em down on a surface, they don't lay flat. They're all like, tipped.

Karen Zelnick:

That's rubbish. Yeah.

Jeremy Hanks:

It's, it's the worst thing ever. It's garbage, yeah.

Karen Zelnick:

Yeah.

Jeremy Hanks:

Like, stick with the normal, original Post-It note. So, that's my rant for today.

Karen Zelnick:

Did you hear that, 3M? Do it. And before we get on another tangent about Post-It notes or alliteration, because I could talk about both all day, let's introduce our venture capitalist, Dalton Wright. He's a partner at Kickstart Fund, who's passionate, among other things, about helping founders pursue their vision.

Karen Zelnick:

Your work with startups goes back to the beginning of kickstart, right, Dalton, when it was founded in 2008?

Dalton Wright:

Yeah. Yeah, I was lucky to join Gavin early on before anybody cared about seed stage investing in Utah. And really, you know, we had this ambition to be, you know, the fund that would be the early risk-taking supportive group that would write checks where nobody else would take that type of a, of a risk on unproven first-time founders. So, I was very much attracted and drawn to the, kind of the blank slate nature of entrepreneurship.

Karen Zelnick:

So cool.

Dalton Wright:

The earlier you go, the, I guess it's more open what these companies could become. And so, I've always really loved this stage. And, and yeah, I've been with Kickstart since 2008. When I first joined, I, I did some other things in the interim, so I haven't been at Kickstart for the past decade. But I rejoined at the tail end of fund two, and helped raise three, four, and five, which is the, the current fund that we're investing out of.

Karen Zelnick:

Yeah, which is awesome. And in the interim, you were getting your MBA from Wharton, and you were also helping start Mexico's first early stage tech fund, is that correct?

Dalton Wright:

Yeah, that's right.

Karen Zelnick:

That's awesome.

Dalton Wright:

So, you know, Ga- Gavin taught me the trade, you know, the craft of seed stage investing.

Karen Zelnick:

Yeah.

Dalton Wright:

With that skillset, I spent a couple years in Mexico raising the first, you know, seed stage/Series A fund in the country. It was called Alta Ventures. It was a, you know, really novel fund in the country. And spent some time raising that, and then came back to do grad school at Penn, and did a dual degree called the Wharton Lauder program, which was just a really kind of highlight of my life so far.

Karen Zelnick:

That's awesome. Oh, so cool. And anything else that you would like entrepreneurs to know about who you are or what you do?

Dalton Wright:

I guess what I would want entrepreneurs to know about me is that I am very easily excitable about big ideas.

Karen Zelnick:

(laughs)

Dalton Wright:

That's kind of... If I have any great skillset, I guess, it's that I can quickly catch a vision-

Karen Zelnick:

Mm-hmm (affirmative).

Dalton Wright:

... and, you know, quickly ramp up in my excitement with an entrepreneur. Now, I have to temper that with the analysis and try to check myself on really what could go wrong in these companies, and what the risks are that we're facing. But I love dreaming with founders. I love being able to imagine a different world.

Karen Zelnick:

Mm-hmm (affirmative).

Dalton Wright:

And my career is meaningful because I get to meet people like Jeremy, who are dedicating their lives to solving big problems. And I get to go on those journeys as a support.

Karen Zelnick:

Yeah.

Dalton Wright:

I'm not taking all the risk. I'm not the one who's the hero of any of these stories by any stretch. But I love my position, being able to just work with people who are making the difference, the, the, the prime movers. And I get to help them take their visions and, and turn them into reality.

Karen Zelnick:

Oh my gosh, I love that. This is gonna be such a good discussion. So, for all those entrepreneurs listening, if you wanna know more about Dalton, about Jeremy Hanks, or Dsco, we'll have more info for you in our show notes at kickstartfund.com.

Karen Zelnick:

Let's just dive right into the discussion. Jeremy, why supply chain? Talk to us about founding Dsco and your previous companies. Why supply chain?

Jeremy Hanks:

So, back in '98, '97, '98, I was talking to a couple of friends of mine, and then I got one of them in particular, we started a business. And the idea came about to sell skis on the internet.

Karen Zelnick:

Mm-hmm (affirmative).

Jeremy Hanks:

It was a ski swap. So if you're in the snow sports world, you know, you probably know about ski swaps. You go to a high school, you buy skis. And I thought, like most people, that a lot of those skis were individuals selling their skis to other individuals. But there are kind of these niche businesses that buy closeout skis from manufacturers-

Karen Zelnick:

Mm-hmm (affirmative).

Jeremy Hanks:

... and from retailers. And, and so it's kind of a business that is dealing with this distressed inventory. And I knew some family kind of acquaintances growing up in southern Idaho, the Masoner family, and that's what they did. They would buy closeout skis, thousands and thousands of pairs-

Karen Zelnick:

Mm-hmm (affirmative).

Jeremy Hanks:

... from K2, Rossignol, you know, all of the big manufacturers in the spring, and then in the fall, they would drive all over the western United States and sell these skis at ski swaps. And so, that was like, let's do this on the internet.

Karen Zelnick:

Yeah.

Jeremy Hanks:

Let's do this. Started a, a ski trade, and then that ultimately turned into Gear Trade, because we became more generic. And that put me onto this road of dealing with inventory problems, inventory distortion, you know?

Karen Zelnick:

Yeah.

Jeremy Hanks:

Closeout problem. You know, what is a closeout? It's like, hey, we bought a hundred pairs of skis. We sold 70 of them. We have 30 left. But it's March. It's April. Nobody wants to buy skis. And next year, the new models are coming. So that inventory becomes distressed, right? Like, I, we have to get rid of it, make way for the new stuff. That is what my career and kind of this arc across three companies has been dealing with, is this li-

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Jeremy Hanks:

Kind of this arc across three companies has been dealing with is this idea of inventory distortion and inventory distress for retailers and for the manufacturers, distributors, you know, and the brands. At the end of Geartrade we were trying to make a go and what we came across was a distributor in Salt Lake City called Liberty Mountain. And they're like "Hey, it'd be interesting to help with closeouts."

Karen Zelnick:

Mm-hmm (affirmative).

Jeremy Hanks:

"But what we really need help with is drop shipping." And we were like, "What's drop shipping?"

Karen Zelnick:

Yeah.

Jeremy Hanks:

We didn't know. And they said, "Well, drop shipping is where we, as the supplier, we as the manufacturer/distributor, the wholesale side of the equation, we have the inventory. We're going to hold that inventory on behalf of the retailer. The retailer's going to sell something that they don't have or own, and then once it sells to the consumer, we'll culminate the wholesale side of the transaction and

then we will ship it directly to the consumer." And it was being driven by a lot of the pure play retailers. You know, Planet Outdoors, All Trek, backcountry.com. And I remember thinking, "Okay, if a retailer did drop shipping, only drop shipping, they would never have this 30 pairs of skis that never sold, right. Like the closeout problem for retailers goes away."

Karen Zelnick:

Yeah.

Jeremy Hanks:

"Hey, let's go tackle that problem." That became Doba. We started that in 2002. You know, we were the fastest growing company in Utah from 2003 to 2007. We were number 23 on the Inc. 500, because we landed at this-

Karen Zelnick:

That's amazing.

Jeremy Hanks:

We landed at this time where there was this democratization of e-commerce, selling online, eBay power sellers. So we kind of exploded in this product, broker, virtual distributor, drop shipping type company called Doba.

Karen Zelnick:

Mm-hmm (affirmative).

Jeremy Hanks:

And then in 2012, we saw an opportunity to take the technology that we had built for ourselves to run Doba, and to commercialize that for other retailers and manufacturers and brands in the broader, kind of, consumer supply chain. Consumer e-commerce industry. And so in 2012, we spun the technology out into a new company, which wasn't called Dsco, but was what became Dsco.

Karen Zelnick:

Yeah.

Jeremy Hanks:

So we're coming up on nine years ago is when we did that technology spinoff. So, so it's kind of one thing lead to another lead to another.

Karen Zelnick:

Yeah.

Jeremy Hanks:

And now we're in-

Karen Zelnick:

And here we are today.

Jeremy Hanks:

Yep. Here we are today.

Karen Zelnick:

And the amazing company that you're running. That's awesome. Dalton, what was your perspective on Dsco when Jeremy came to pitch it?

Dalton Wright:

Well, I actually wasn't in the original pitch meetings. So I rejoined Kickstart, so, as I mentioned in the intro. And so, you know, it was a new investment in the portfolio. I joined the board as it was within probably the first year of, uh, Kickstart having made the investment. So, I wasn't the one who originated or saw it, um, or made the original investment decision, but I joined the board as a kind of newly returning member of the Kickstart team.

Jeremy Hanks:

I remember, I got a call. The former Kickstart team member and, and our board member, we would meet every month for breakfast and it was like, "Hey, that's all over. Meet Dalton. He's, he's, uh, your new guy. He's your new, you know, point person." I was like, "All right. Let's figure this out." So it was an interesting way that it, that Dalton and I came together, as far as working through Dsco and Kickstart.

Dalton Wright:

And I joined at a time where it wasn't totally obvious where the company was going. You know, it was making progress but there were a lot of question marks and road blocks that the company was facing. And so it wasn't a join and wow this is exactly what I expected from any venture investment, it's just, you know, up and to the right or anything like that, you know.

Karen Zelnick:

Yeah.

Dalton Wright:

It's the reality of startups. Probably during that time, everybody was looking at Jeremy thinking, "Man just raised a, you know, another round. Guy's kind of repeat success already." But on the inside, as you're dealing with the actual problems of the company, it's pretty sobering, you know, what, what has to be done and what we're up against.

Karen Zelnick:

So, let's talk about road blocks. Every startup has them. Dalton, you were just kind of, um, mentioning a few of them. So Jeremy and Dalton, let's get into some of the road blocks that Dsco was up against in these early days.

Jeremy Hanks:

It was interesting for us because we should have expected the road blocks but we didn't. We came out of Doba. We were kind of a well known company. My picture had been on the cover of all of the Utah magazines and stuff and we had all this technology. We had a team of 11 people who most of us had spent a decade on this problem. We culminated a seed round with Kickstart only a few months into it and we grew our team to almost 20 people. I mean, it was kind of off to the races. We kind of assumed-

Karen Zelnick:

You were up and to the right it seemed like.

Jeremy Hanks:

Yeah.

Karen Zelnick:

Just kind of like going there.

Jeremy Hanks:

We just assumed that we had this thing figured out and dialed and it was just going to go. But then, you know, reality kicks in, and you raise capital and, you know, whether you raise a million or 10 million or 100 million, that's only so much capital, right. And so there's a certain amount of time and progress you need to make. And coming into 2014, so, you know, we took two and half, three years, we, we just kind of realized, this is not, there's not going to be success here. We knew that we needed to do something different. We didn't know what it was. But we for sure knew we needed more time. So that was really difficult because we scaled the team way back.

Karen Zelnick:

Oh, that's such a tough call.

Jeremy Hanks:

We, we had to buy time. And as we engaged with the market, I think we had lost sight of some of what we learned, right. Like so we had this foundation of drop shipping and retailers and brands and we had this thesis of what the industry needed, where the world was going to go, and as soon as we started engaging with the market, we lost sight of a lot of that. With hindsight now, I can see that it started to mirror the supply chain software integration industry that exists today, which we feel is like super, super, super broken. So we got pulled in different directions and really were struggling. We were approaching this window of time at the end of 2014 where I started to wonder, "Are we going just have to call this?" Like, are we just going to have to pull the plug?

Karen Zelnick:

Yeah.

Dalton Wright:

Yeah. And I would just add my perspective on it was, you know, what I was experiencing as a new board member, joining a company that had tons of potential. I mean the, the market size and the opportunity to me, felt very apparent, but the consumers were not buying the product. For those that were consuming it, there was a lot of, uh, custom work that was being done. Didn't feel like we really had kind

of a repeatable product. And as we were doing this work to develop out the product to meet the different needs of the customers, we were expanding kind of the complexity of the product.

Dalton Wright:

And so, you know, it actually became, in some ways, became harder for the next customer to consume because there was additional complexity built in the product that previously served another customer that no longer was relevant to the next customer. And so what Jeremy did effectively, and I think some of this is just the nature of the focus that can be imposed upon a company when resources are dwindling, when time is running out, that the company had to, one, buy more runway, but also eliminate all extraneous activities, features that they could no longer support, and boil the, the product down to a core offering that could be consumed from, you know, kind of a base level entry point.

Dalton Wright:

And I think that's really when the company started to notice that they were figuring something out. That was another, I'd say, early lesson that I observed was that when you're trying to serve both sides of your marketplace, you can easily over build different features for both sides when, at the end of the day what Jeremy and DSCO discovered is that there were some key customers that if they could get one side of the marketplace buying in to their network model, they had the power to bring their trading partners with them onto the network. And so it was, you know, kind of a prioritization. They had to focus down on who cared the most. Who was willing to really fight for this technology to exist in the market. And in finding the answers to those questions they found the partners that have been relentless supporters of the business that are fully bought into what DSCO's trying to do. And that was a process to get to that point, of course.

Karen Zelnick:

Yeah. Jeremy, can you talk us a little bit through that process? So in 2014, you're like, "Maybe we can pull the plug." One, how do you shift your mind to be like, "We're going to keep going". And then two, could you walk us through that process Dalton just kind of talked about?

Jeremy Hanks:

Yeah. Yeah. So it was a really interesting time. It seemed like we, we had uncovered more what-

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Jeremy Hanks:

... really interesting time. It seemed like we, we had uncovered more of what wasn't working, right?

Karen Zelnick:

Mm-hmm (affirmative).

Jeremy Hanks:

Like what not to do, versus what would work and what we should do. You know, even for me personally, it was kind of this like, "Okay, I did drop-shipping-type stuff for 10 years at Doba, now we're three or four years into this one and it's been a battle. Do I have another, you know, maybe even bigger battle in me?"

Karen Zelnick:

Yeah.

Jeremy Hanks:

And we were at this point of extreme necessity, we had to either give up, or somehow strap and find a way to power through. I went on a trip to Costa Rica with my family over Christmas in 2014 and I had no technology, I left my phone home. I had a little-

Karen Zelnick:

Mm-hmm (affirmative).

Jeremy Hanks:

... notebook, and I didn't think about our problems a whole lot, but on the flight home, I couldn't sleep, and I filled the notebook with a lot of thoughts and ideas, and came back and said, okay, you know, maybe this is too little too late, but I just felt a huge obligation to our investors to not give up until like kind of maybe the bitter end. If we had not had investors, I would have pulled the plug, I would have bailed. So-

Karen Zelnick:

Wow.

Jeremy Hanks:

... I had, I had the support and kind of that expectation from investors, and so we started 2015, here's the plan, we're gonna simplify, we're gonna standardize, we're gonna focus on a level playing field. Those ideas that became what we called the Dsco Ball Project. It was this-

Karen Zelnick:

(laughs)

Jeremy Hanks:

... you know, this, there were again, there were seven of us working six, seven days a week to relaunch the technology, and a lot of it is we just got rid of things. We deleted two-thirds of the fields in our database because they had never had any data in them. So everything came together and we had clarity of the strategy, we had clarity of how it would go to market, we kind of saw the future, we were able to build what we needed, and that was on us, right?

Karen Zelnick:

Yeah.

Jeremy Hanks:

And we had amazing support from our investors and our board. Our head of sales at the time, he believed a little bit even more than I did, 'cause-

Karen Zelnick:

Uh-huh (affirmative).

Jeremy Hanks:

... I kinda was leaning to and preparing myself, we're still gonna have to wind the thing down, it's just gonna be later in 2015 or early 2016. And then what the universe did is they brought Nordstrom, right?

Karen Zelnick:

Yes. (laughs)

Jeremy Hanks:

Nordstrom came along-

Karen Zelnick:

I mean, what a thing to bring though? Nordstrom.

Jeremy Hanks:

Yeah, I think it came mostly, I mean, I've talked to my wife a lot about this. I'm a very fashionable person, anyone who knows me knows like I'm high fashion-

Karen Zelnick:

(laughs)

Jeremy Hanks:

... it's not, well, like I grew up on a farm and I wear shorts and t-shirts at all, it's like, I am put together well. And we ask all of our new team members at Dsco, like what retailer represents your personality, right?

Karen Zelnick:

Uh-huh (affirmative).

Jeremy Hanks:

Like Nordstrom would probably be maybe not even on my list, right? Like it would be REI-

Karen Zelnick:

(laughs).

Jeremy Hanks:

... you know, Cabela's, and, and-

Karen Zelnick:

Because you are a naturalist. Yeah.

Jeremy Hanks:

Yeah.

Karen Zelnick:

Budding naturalist. Yeah.

Jeremy Hanks:

And then, you know, probably [inaudible 00:18:39] I mean, I, I guess-

Karen Zelnick:

Yeah.

Jeremy Hanks:

... a lot of people probably before Nordstrom. But Nordstrom came looking for something different in how they work with their brand partners, and this was where I didn't think we would get Nordstrom just because of the complexities of working with a company that big.

Karen Zelnick:

Yeah.

Jeremy Hanks:

At the time, they were running a drop shipping program with 1,200 of their most important brand partners. So think of the company's Nordstrom sales product for, that's the list, right? Like the biggest names in the fashion and apparel industry. It was hundreds of millions of dollars of consumer sales-

Karen Zelnick:

Yeah.

Jeremy Hanks:

... and here we were seven of us here in Utah trying to launch this new thing. It was halfway done, and, you know, at the end of August, 2015, we had less than \$5,000 in the bank, September 27th of 2015 Nordstrom signs a contract with our company to basically move their entire drop shipping program over to us. There were a few individuals at Nordstrom, one in particular, Chris Keppel, they really, really put their necks out on the line and they aligned to us as a scrappy entrepreneurial company who could help them do things that the traditional vendors, the traditional solution providers would not be able to do.

Jeremy Hanks:

And then we had another maybe year, year and a half of like, oh my gosh, how do we actually make this work? Like how do we deliver this realignment of our solution, our technology and our strategy, how do we deliver that to a best in class enterprise retailer? And there were continuous points along the way where it could have all gone off the rails, and somehow it all came together. And then 2016 turned into 2017 and that's when DSCO really started to have some interesting opportunities, and it's really just built since then.

Karen Zelnick:

Jeremy, I loved all of that. As you were talking, I could just feel the grit and the determination and the passion that entrepreneurs have to have. And I can see you on the plane writing in your notebook and coming back and being like, okay, we're gonna do this, we've got a commitment to investors. And then Dalton as the investor, could you sense that as well? Like how were you looking at this situation, and were you kind of feeling a little bit the same in 2014, like, oh, maybe we're gonna have to kind of close?

Dalton Wright:

Oh, absolutely. It would be very rare for an investor to ever have more conviction in an investment than the founder himself or herself.

Karen Zelnick:

Yeah.

Dalton Wright:

I mean, at the seed stage there's not really the opportunity to recruit a new management team that maybe is checking out because who's gonna have a better vision-

Karen Zelnick:

Right.

Dalton Wright:

... than the original founder, right? You know, w- as they, as the companies' mature and they get to product market fit and they're ramping up, ramping revenues, then you can start to think about, well, you know, let's bring in talent that can help accelerate this company and take it to the next level. But if you're dealing with a novel new approach to a longstanding problem, and you bet on a person who had the unique insight and the particular passion to go after those, to not have somebody like that in a, in a company would just be devastating. And so I don't think I'm sharing too much, this is just part of the story of Dsco, that there was a point in time where, where we as a firm approved a \$50,000 additional check to have an orderly shutdown of the company.

Karen Zelnick:

Hmm.

Dalton Wright:

You know, that's what we thought was going to happen, 'cause we were talking to Jeremy and we installed out, and who else was gonna write in an investment in the company? And had it not been for Jeremy, we never would have continued to write checks into the company. I think for us, you have to know that you have a founder, you have a real entrepreneur. But you can have good ideas, you can have good products, interesting markets, but for us as really early investors, if you don't have the person who cares about it more than anybody else on the planet, it's gonna turn into a job for somebody when it gets hard. But for Jeremy-

Karen Zelnick:

Yeah.

Dalton Wright:

... this was a mission that he was on. And so nobody was gonna work harder in figuring this out than Jeremy, and that was certainly the case. And so for us, it was an example of a company that was, it still had a lot of potential, it looked like it was not gonna turn out the way that we hoped, and that is, even with the best teams and the best plans, a lot of startups still fail, right? And so it wasn't like-

Karen Zelnick:

Yeah.

Dalton Wright:

... oh, this, you know, how could this possibly have happened? It was, it's always hard. I think, you know, to Jeremy's credit, he was the one who refused to throw in the towel and to wave the white flag. So he says that, you know, if he hadn't had investors, maybe he would have quit, but I kind of doubt that. I take him, I take you at your face, you know, I, I, at your word Jeremy-

Karen Zelnick:

Yeah.

Dalton Wright:

... but I also know how determined you are and how grit does define you. That's something that you look for when you're writing the first check in a, in a company, is, is this a founder that, you know, is gonna care about this long after other people have gotten tired because it's taking too long or it's hard? And as investors, if you don't have that person, you do have to move on.

Jeremy Hanks:

And Dalton and I had a conversation, I still remember it was the 4th of July, 2015. And the conversation we had is we're both board members outside of anything else-

Karen Zelnick:

Mm-hmm (affirmative).

Jeremy Hanks:

... so we have a fiduciary duty to look after the organization, and that includes all stakeholders, that includes investors, that includes the founders and the team, it includes customers. And then we had a different investor who said, "You know, no, you fight to the very end." And so we did. And so we took annual renewals from some of our current customers into the, you know, summer and fall of 2015 not for sure knowing whether we were gonna have to wind this thing down. But I definitely look back on that period where I relied on some strong support from investors and from team members, because I-

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Jeremy Hanks:

Some strong support from investors and from team members, because I think personally, even though I was ready to fight more, I kind of had started to very much feel like I was fighting and it was too little too late. You know, I, my, my-

Karen Zelnick:

Yeah.

Jeremy Hanks:

... wife Amy could tell you about the times when I like would have my breakdowns and I'd get emotional and I'd cry and I'd be like, we should just shut it down. It was a challenging year. And then the spark came in Nordstrom and Dalton helped us engineer a way to get some finance needs so that we had some chance with Nordstrom. Nordstrom became a strategic investor, became an amazing partner, a lot happened over that 2014, '15, '16. And then the company kind of then said, okay, 2017 on, you know, so the last three years has been more about how do we build this to go do that we have what we set out to do almost 10 years ago?

Karen Zelnick:

Dalton, Jeremy, thank you both for this conversation because this, this is the reality of a startup, it's approving closeout costs, Jeremy it's you feeling like you have to shut down the company and needing to rely on strong team members sometimes. All the ups and downs of the startup world, this is the reality. I'm like emotional about all of that that you have shared.

Jeremy Hanks:

(laughs) It is, it is the grit and the stick to it, but any entrepreneur who doesn't credit whether you call it luck or providence or fortune, or the universe or God, or whatever, you have to give credit to the fact of being in the right place at the right time is a major part of any startup's success. And so yes, we take credit for, for showing up and fighting, but there were weeks or days or months where one little thing goes one way or the other-

Karen Zelnick:

Mm-hmm (affirmative).

Jeremy Hanks:

... and we're doing a post-mortem on how to DSCO fail versus how did we succeed.

Karen Zelnick:

Yeah.

Jeremy Hanks:

And so I think it's good to keep humble, those are the personality traits that, that allow you to be gritty.

Dalton Wright:

And when I think about grit as well, I also think about the ability to provide leadership even in the face of overwhelming odds. That story that Jeremy shared of disconnecting and coming back with a surge of

new ideas, I think the entrepreneurs out there ought to listen to that, that it would be tempting to hear the word grit and think, well, I just need to keep plugging away and beating my head against this wall until finally it gives way-

Karen Zelnick:

Yeah.

Dalton Wright:

... and Jeremy actually realized that doesn't work, right? You know, you burn yourself out and you don't necessarily get to a new novel insight by trying to just keep doing the thing that wasn't working. This is not a story of, let's just keep pushing, pushing, pushing and see if something gives way, had Jeremy not created the mental space for himself to then be able to do a sprint, a very creative sprint, he, you know, could have continued doing the same thing that eventually would have just caused us to grind to a halt and we wouldn't have actually found the path forward. So it's important for entrepreneurs to understand that those uh, flashes of brilliance can be as valuable as several quarters of trying to do the same thing over and over again.

Jeremy Hanks:

It's like creative grit.

Karen Zelnick:

Yeah. Yeah.

Jeremy Hanks:

You know, it's like, hey, hard work is great, but if I can have a machine do something that I would do on the farm with a shovel, let's have the-

Karen Zelnick:

Go for it. (laughs)

Jeremy Hanks:

... machine do it. You know, it's, it's like a creative approach to being gritty.

Karen Zelnick:

Yeah. I love that. This has been such an amazing discussion, like Jeremy thank you and Dalton so much for your vulnerability and honesty on the realities of what happens when you hit a roadblock in a startup and you keep going. And Jeremy, I just have one last question for you, and I would love to know, like what is the single most effective practice you've found that has had the greatest impact on your success?

Jeremy Hanks:

Can I say two things instead of one?

Karen Zelnick:

Yes.

Jeremy Hanks:

Okay. So the two things I think that's had the most impact on my success is first of all, acknowledging and being humble about the success and not letting my ego get too big. There are a lot of people around entrepreneurs, team members, partners and spouses, investors, customers, strategic partners. And so acknowledging that it's a very complicated puzzle that has to come together. And then second, that trip that I did to Costa Rica, where I just really disconnected, I've done that every year. I've had some investors really get freaked out when I told them subsequently like that I was going to take three weeks in Vietnam with no access to technology-

Karen Zelnick:

Yeah.

Jeremy Hanks:

... like literally you can't get ahold of me and hopefully the wheels don't fall off the bus, you know, not Dalton, I should say, but a couple of other ones. It's like, you can't leave-

Karen Zelnick:

Yeah.

Jeremy Hanks:

... you're the founder of this startup, but, but yeah, really disconnect entirely, no technology, no news, no social, no anything, and in my opinion needs to be at least two weeks, 14 days that-

Karen Zelnick:

Mm-hmm (affirmative).

Jeremy Hanks:

... you need to do that, that once a year.

Karen Zelnick:

Dalton, any final thoughts for entrepreneurs?

Dalton Wright:

What I see in Jeremy and what I've seen this company is a consistent North Star reason for existing. So it's not that they're just out there 'cause they wanna build a business together and they wanna make money and they, you know, wanna have success or anything like that, I think those are all elements of the, of the overall picture here. But Jeremy, you, you've maintained a consistent vision for what you're trying to do in the world. It's evolved a little bit, but I think, but I think you're still pursuing the same original vision that you had and it's been validated as you go. I think also, you know, when you look at companies that, you know, really kind of managed to make it through some really tough times where it's not just an obvious, hey, everything's going great, we figured it out. I think the, the flexibility while also maintaining that core focus of what you're trying to accomplish is important.

Dalton Wright:

So those are kind of dual things that have to co-exist, one, the flexibility to choose new ways to address the problem, at the same time, if you don't really have a clear vision of, of the problem to be solved or why you should exist, you'll quickly fade, fade out along the way as you're in the middle of kind of interim movements in the business, and you can forget why-

Karen Zelnick:

Mm-hmm (affirmative).

Dalton Wright:

... we're even in business in the first place. And I think that's what Jeremy has done effectively for this company all these years is he's the keeper of the, the vision.

Karen Zelnick:

Thank you both so much Dalton and Jeremy for being on the episode with us today. The thing that I, you know, had impressed upon me, again, while we were talking is something actually Dalton has mentioned about like, this is the refiner's fire of like 2014, you think you have to close down, you're on the plane back not sure what you're gonna do, like that is the setting where entrepreneurs thrive, and Jeremy you're just like such a witness to that and I'm just was so impressed with that. And also just both of you being so vulnerable in the conversation, so thank you both so much for that. And of course thank you for listening as we dive deep into what it takes to create the Perfect Pitch and a strong foundation for startups.

Karen Zelnick:

If you wanna learn more about our investor Dalton Wright from Kickstart, or our founder, Jeremy Hanks and what he and his amazing team are doing at DSCO, we'll have a link to the company and a longer bio in our show notes at kickstartfund.com. We'll be back next time with more insights from entrepreneurs and the investors who fund them, so be sure to subscribe so you don't miss a thing. You can listen to more episodes of Perfect Pitch wherever you listen to your podcasts, Apple, Spotify, Stitcher, and if you like what you're learning, leave us a review. See you next time.

PART 4 OF 4 ENDS [00:31:16]