Dominik Reichter Intro: [00:00:00] when you raise a lot of venture capital, you need to make a decision. Are you going to sell that company? Or are you going to take it public?

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Scarlett 2i2 USB: I am so excited for this one. Stay recently. We have Joey founder and CEO of Allbirds on the show to discuss the current state of direct consumer. I'm the future ahead and state we're joined by one of the largest direct to consumer businesses of the last decade. Dominic Richter co-founder and CEO at HelloFresh. the number one recipe box delivery, service fun fight. Two of the three biggest cooking facilities in north America, uh, HelloFresh facilities with a third being Disney world Orlando. This is an incredible discussion on fundraising IPO and the future of direct to consumer.

But before we dive into the show today,

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you have now arrived at your destination.

Harry Stebbings: Dominic, I am so excited for this. I heard many great things from Harley, from Nico, from Jeff. So thank you so much for joining me today. Harry,

Dominik Reichter: it's great to be here.

Harry Stebbings: I always find it fascinating going back to childhood. What did you want to be when you were a child when you grew up? Let's just start there.

I know it's weird, but just bear

Dominik Reichter: with me. I probably had the dream that many young kids have. I always wanted to become a footballer. That's what I did most in my youth. Basically playing football each and every day. I played academy football, at some point figured that the chances of getting there are very, very slim and then pivoted towards university and the boring.

path of becoming a professional.

Harry Stebbings: I have a theory that athletes make some of the best entrepreneurs though, because of two things, which is consistency and [00:04:00] discipline, both required to be very, very good at sport and then competition as well. Do you think there's a lot actually you carried with you from the intense sporting football competition to

Dominik Reichter: entrepreneurship?

Absolutely. a lot of lessons. And also painful lessons that you get taught when you get left out of the team, when you don't agree with the manager, when you don't agree with some of your teammates, and then being able to absorb that, maybe, you know, shut up, go to bed and next day, kind of like go back onto the pitch and really trying to make the best and not have anybody notice.

How sad you are or sort of like how much that worries you. I think that is like a key lesson that you learn very, very early on.

Harry Stebbings: I never quite managed to hold back my disapproval with the manager. So maybe that's why I wasn't a good team player. we pivot away from football and decide that we're gonna go to Goldman Sachs.

how did that happen? I'm just intrigued.

Dominik Reichter: To be fair, I think that was a mistake on my side. I'm still always fascinated how good some of the big banks and the consulting firms are to lure in top [00:05:00] talent, the job is pretty boring. Nonetheless, I think they attract like a huge deal of world class talent each and every year.

And in the end, I think that all comes down to marketing. They're just really good at marketing and at branding their places as these are the most desirable places where you should go if you're a top graduate. And I have not been immune to resisting that. And so I also ended up there but figured very quickly.

That is probably not the right place for me. So after about nine months, I already left. So I mean, it's

Harry Stebbings: longer than I spent at university. So at least you can tap yourself on the back for that.

How does HelloFresh come about then? When was that? I'm going to spend the rest of my life, changing the way we

Dominik Reichter: eat. already at university I had a little void to fill. There was something of being an athlete and then ditching that career and focusing on something different.

And I was always fascinated by entrepreneurship. I think the one thing that also throughout my childhood, I always figured sort of like I want to run things. I want to be at the helm of things. I want to invent things. I want to run a [00:06:00] business. I want to be the one making decisions. So I always had that type of drive of being my own boss and deciding about my own destiny.

I started Two businesses on the side during university without funding, basically with some of our own funds and with free interns to do all of the work alongside myself and a friend.

So after that short excursus to Goldman, I kind of like was more back on track and starting that business. So what I did is actually moved to Berlin. Which was I think up and coming very different from what it is right now. European tech was up and coming. So in 2011 arrived in Berlin, little money in my pockets, and basically got together two of my smartest friends that I've met throughout university and we said, you know, we want to start something and we wanted to figure we wanted to settle on something that we have a big passion for because that to me was one of the key lessons I learned when starting my My side hustles at university that you should be doing something that you're really passionate about because you're always going to hit some rough stretches [00:07:00] and it's way easier to get out of bed in the morning when you have a rough stretch, when actually you're very, very passionate about what you're doing.

Harry Stebbings: I have this theory which gets me in trouble a lot in the investing business that we have, which is I like to invest in second time founders because I think that there are so many fuck ups that one makes the first time that you can avoid the second time. When you go back to. Deciding to start that business around a passion point, what are one or two of the biggest fuck ups that you made in the early years that you would change or would advise yourself about with the knowledge that you have

now?

Dominik Reichter: We were definitely very naive in the beginning and I think if you had talked to industry experts, they all would have told you how complex it is to ship perishables, how complex it actually is to run fulfillment, to run a supply chain at scale, to get growth marketing right.

So all of the things that we didn't know, I think were actually very, very good. We didn't know them because otherwise we would have never started that business. And in terms of fuck ups, there [00:08:00] are a lot. I think the history of HelloFresh, especially in the first 18 months plastered with, with fuck ups and things that we learned.

I remember one very vividly, we had a new record week. We had to source. I don't know the number any longer, but something like 10, 000 potatoes. And you actually source 10, 000 potatoes, which is like two big truckloads. And then the trucks actually collapsed and a highway was actually closed down because our trucks collapsed and the whole highway was full of potatoes.

So we couldn't deliver any customers. It was a huge deal, making sure. The fireman came, they closed off the streets, they did all of these things, just because, like, we had no idea how to ship potatoes. A truck broke down, we had no idea whether that's the right trucking company or not, probably chose the wrong one.

That was very early on, fortunately. these things are... 11, 12 years behind us now, but this was definitely one that I remembered very, very vividly.

Harry Stebbings: Do you ever look and think, God, I didn't choose an easy business. And I mean that nicely, shipping [00:09:00] SaaS is a lot easier than sourcing potatoes, shipping potatoes across the country.

Dominik Reichter: so it's maybe a contrarian view. I think of you that sometimes in the investor community is not much appreciated, but I like hard businesses. I like complex businesses. Why? If you figure them out, you create really big competitive modes. And that's because number one, you figured something out that is hard, that is complex, and you make it work.

And that means that everybody else who wants to figure it out needs to work equally as hard. Plus you have a headstart, you figured something out and you're already working on the next thing. So I always feel like if you're working on a complex business and you solve something, then you're actually creating modes that are so hard to overcome.

Plus you have the advantage of time that you can then use to your own advantage. that all compounds over time. And when you think about modes right in the beginning of a category. Everybody starts from a blank sheet. Nobody has any modes. If you're starting in a hard [00:10:00] category and you're figuring something out, number one, you probably have less competition in the beginning.

Number two, as you're figuring things out, you're creating modes. And then number three, you have a head start, so when your competition is figuring out what you've already figured out, you're already working on the next thing. And these things compound so much over time that then when a category like ours is now more than a decade old, we had a decade to solve some of the most complex problems here.

Now, if I look at that from the outside, it would be absolute insanity to launch a competitor to us. As of today, So that's why I like complex business model and complex problems. I think they're very often much more sustainable in the long run, and they also attract a lot less competition.

Harry Stebbings: So what would you say then to Wall Street, to investors, to analysts, who do have this negative perception? What are the most complex problems you think

Dominik Reichter: you've solved? over time, the type of business that we run, you really need to build a lot of different muscles.

we talked about being an athlete before. So if you're an athlete, you have a number of muscles. And if [00:11:00] just one of your muscles It doesn't work very well, you're an injured athlete and you're on the bench, And that's a little bit the same with our business, right?

You need to be world class. You need to build muscles and a lot of different dimensions. You need to be very good at building a brand. You need to be very good at building your last mile logistics network. You need to be very good at establishing all of your suppliers and your supplier relationships and those integrations.

We're running 42 different fulfillment centers with heavy automation in those fulfillment centers around the world. You need to scale up your operation and basically run people and processes and technology at scale. So all of these are in a way muscles We have built two pretty big muscles that helps us also going into new business verticals like we have done more recently with a couple of others that we've launched.

But in the end, I think these muscles are pretty strong and these are real competitive modes. we've always had some competitors that were also developing some of these muscles. But I think in the end, it's the sum total that you need to really be [00:12:00] successful. Can I

Harry Stebbings: be blunt? And you might be really bored of answering this and it's probably a shit question, we look at like a Blue Apron of the world, a very famous brand name that obviously did not end the way that investors wanted it to. Where did they go wrong? Where you went, right? What's the difference?

Dominik Reichter: if I look internally and what we're trying to do and some of the philosophies that we carry, Then maybe those are like a little bit different to some of the philosophies that some of our competitors or some of our U. S. competitors specifically have carried. We've always had a big appreciation for understanding things in the most detail there is, diving deep and building things internally.

rather than leveraging, external agencies or leveraging external suppliers. So we always felt there was a number of competencies, a number of muscles that we want to really understand in detail and we rather build them in house and we try to really figure things out and then that will really pay off in the long run.

Harry Stebbings: [00:13:00] I had Mike at ButcherBox on the show, and he was interesting. He said the biggest problem alternative providers had is they tried to vertically own everything. They tried to own all the facilities, they tried to do all the shipments, they tried everything. And he was like, don't do that. We're happy to pay a little bit higher price.

We can outsource that. That's not our job. Do you think that's wrong? Do you need to vertically own everything? I

Dominik Reichter: don't think you need to vertically own. I think there are some parts of the value chain that you want to own, but it also depends on the stage of the business. So even today, we're incubating like a number of new business lines.

And very clearly in the first two, three years, we're trying to keep fixed costs like as low as possible. It's all about finding product market fit in these times, I think it makes total sense to say everything that doesn't have to do with product market fit, you want to outsource, I don't want to spend mental bandwidth on that.

I want to make sure I have a great product. I understand some of the distribution channels. I understand my consumers, I can act fast on their feedback. [00:14:00] I don't want to do all the stuff that can keep me up the whole night and the whole day and worry about that stuff. But at some point, I think it's really important that if you actually say like, Hey, this is mission critical for my success, I don't want to have any dependency on somebody else.

Plus, I also want to understand how good you are in something, right? Then you actually need to go in and do that yourself. And I think there have been different phases in our journey. I would definitely say also looking at some of the competition that we've had, at certain points in time, we felt that really going from five wholesale suppliers to integrating with 1500 suppliers all over the US directly to capture that margin upside to get much better freshness and quality.

That this is something that drives a lot of value. It meant that we had to hire like 100 people internally and build technology for that, etc. But it really helped us to capture a lot more margin on every order that we did. We also never said we want to outsource anything [00:15:00] that has to do with performance marketing, for example, because as a direct to consumer company, right?

That's one of the biggest sensitivity on your LTV to CACs is your CAC. So I really want to understand that end to end. I want to dive deep. I want to have world class people internally who I can challenge, who can build up like a great growth engine. I don't think that even if that takes some time and investment in technology and people and process, those are things that I just do not want to have any dependency on anybody else.

Harry Stebbings: Can I ask a weird one, but customer acquisition cost wise, I'm always stuck in the way that I'm like, does it go down over time? Because you have brand marketing, you have word of mouth, you're a bigger name. Or does it go up because you've saturated the core market that's most tangibly obvious for your products?

naturally you're going to less obvious markets. Does it go up or

Dominik Reichter: down, do you think? So I think you described the two dynamics were right on the one hand side, you tend to penetrate much more

[00:16:00] deeply into a specific total addressable market. And that generally means that your customer acquisition cost goes up.

On the other hand, like you're building a brand. you probably have a big database of people who have ordered with you at some point. And so those two dynamics kind of offset each other. as you scale and with more tenure on a market or in a geographies, you have really those two effects that are in some ways offsetting each other.

And then you need to look really at the category weighing out the other one. You're describing well the two dynamics that you're seeing.

Harry Stebbings: in terms of capital allocation, we spoke about kind of the vertical integration there. Do you think the best CEOs are the best capital allocators?

Do

Dominik Reichter: you agree? I think that's a very financial view. That's probably what a PE fund would tell you. It's that they are the best capital allocators. I think capital allocation is a very important part of your job, but it's more than capital allocation, right?

It's resource allocation. where do you actually put sort of like your people? How do you organize your people? How do you make sure you bring out the [00:17:00] best in your people, et cetera? these are jobs that are. equally important as capital allocation. Probably capital allocation becomes more and more important the more mature your businesses and the less it is about building and the more it is about allocating the capital that you have at the highest ROI projects.

Harry Stebbings: but in terms of like capital allocation, what was the best capital allocation decision you made?

And what do you think was the

Dominik Reichter: worst? I think I have a pretty good track record in M& A. over the last For years, we've generated about 1. 5 billion in cash flow from operations. Of those 1. 5 billion that we generated, we allocated roughly 900 million into making our own operations better.

So in our fulfillment network, in our last mile logistics, in our technology, in our automation of some of the fulfillment centers, we spent about 300 million on M& A. And we did a share buyback of about 200 million over that period. Hey, you [00:18:00] generate 1. 5 billion. How do you allocate that?

That's in the end is capital allocation, right? the best capital allocation decision nonetheless was probably one of the M& A deals that we did.

We bought a company called Factor, that's a ready meal company in the U. S., which has been growing very nicely And that has certainly been a very good return for us and hence a very good capital allocation decision.

Harry Stebbings: Can you take me to that decision then?

We're sitting at HelloFresh and obviously we have co headquartered Berlin and New York. How did you come across it? Why were you excited by it?

Dominik Reichter: So first of all, we have been excited by other direct to consumer verticals. I think the way that I look at it we operate a portfolio of different P& Ls, of different business lines.

We started the business in 2012. We IPO'd the business in 2017, and at that point we were active in six markets globally with one brand, HelloFresh. Post IPO, we said there's a lot more markets that we can go into with our meal kit brands, and we basically in the three, four years after that, so between 2017 and 2020,[00:19:00] launched HelloFresh in another eight or nine markets as the one brand.

We also said there's a good opportunity to actually go into a premium category and into a sort of like everyday value category and launched different meal kit brands with Green Chef in the US. And every plate in the U. S. and also brought those to some of our European markets at some point in 2020, we said, okay, meal kits, we have a lot of business units, a lot of markets that are in the early days of their growth S curve, and we have others that are maybe a little bit more mature and where it's more about managing them for cash flow and where it's more about really building out the customer proposition, basically became interested in what are other direct to consumer vertical that share a lot of the things that we like about meal kits.

And maybe a lot of the complex problems that we already solved for meal kits. And we first had a big discussion about, is that something we should incubate ourselves? back in 2019, we actually tried our hand at coming up with our own ready meal [00:20:00] provider.

But we sucked at cooking the meals, We were very good at generating demand. So I think six months after launch, we were at 10, 15 million run rate with a small brand that we, that we launched, but the meals were terrible. Like we got really bad recipe ratings. Customers didn't stick around. We tried that for probably about. a year but we couldn't really get the milk quality right. That's when we started looking into sort of like some of the other companies in that space and really were focused on which companies. Make the best meals, which companies have really cracked that food manufacturing process, that cooking process at scale, and how can we potentially partner up with them?

Harry Stebbings: Is quality not just a line to margin? And I know that sounds blunt, but it's like, I can make the best meal, but it'll just be the lowest margin because I have the best produce, I have the best steaks,

Dominik Reichter: I would say it's one component of it, how much money you invest, but a lot is how do you cook that?

How do you prep it? How long do you keep it in inventory? How [00:21:00] quickly does it move from one station to the next station? That has all to do with the freshness of the product and the quality of the product can degrade like very, very fast. If you're not moving it from one station to the next station, you know, those are big cooking facilities at the moment with Factor.

We have two of the three biggest cooking facilities in North America. Guess what the other one is. The one that we're not owning of the top three cooking facilities in the U. S. Tell me. Disney World Orlando.

Harry Stebbings: And so you get in touch with the Fat Inter Team and say, hey, we want to buy you. We love your food.

Dominik Reichter: I think first we do a lot of desk work. We do a lot of desk research. We're trying to like really understand all of the competitors. We're trying to look at things like credit card data. We're trying to look at web traffic. blind tasting of meals and mystery shopping to understand the products and do a lot of black work and pre validation work before.

And then at some point make a decision, hey, we should build a relationship. get to know each other. That's usually then, your dating phase. You're trying to [00:22:00] evaluate if that might be a fit. If there is some willingness.

Harry Stebbings: And then we decide to buy them.

How's integration?

Dominik Reichter: How is that? Integration is very hard. probably been an integration phase of about 12 to 18 months where we worked through like a good plan. It was all about being aligned on our operating system. That is something that we talk a lot about internally. What is our operating system that makes large groups of people run in the same direction, talk the same language. And then just, you know, making sure that, you know, we can build an athlete that carries over the best muscles that we have built at HelloFresh with the best muscles that we have built at Factor. What was the

Harry Stebbings: worst capital allocation decision you made on the

Dominik Reichter: flip side?

In the rear view mirror, one of our share buybacks was at much higher levels than where the share price is trading today. So if I'm looking at the IRR of that investment, that was probably not a great investment, but then in the end, right, we're not doing that to, uh, to push the stock price. We're doing that to, uh, grow free cashflow per share by reducing the share count.

So I [00:23:00] think in the long run and in the end, all you can do is work on the long run. You're reducing the share count. And then hopefully at some point in the future that will also have been a good capital allocation decision. two years or 18 months after we've done it, the IRR on that does not look great.

Harry Stebbings: what did you IPO at? What was the price when you

Dominik Reichter: IPO'd? We IPO'd at about 10 euros per

Harry Stebbings: share. Do you like being public? Obviously I have many public markets here that I want to show. None of them like it.

They're honest about it. They're like, no, I wish I wasn't.

Dominik Reichter: There are some things which are definitely beneficial, and there are others which are not incredibly beneficial. I feel when you raise venture capital, in the end you need to make a decision. Are you going to go for a trade sale, or are you going to IPO the business?

Those are, in the end, the only two credible paths. if you still want to run the business, if you still feel That there is a lot of runway ahead of you, then you probably don't want to sell the business and give up complete control. So you're going to IPO the business. it's not the easiest to have a daily [00:24:00] reflection of everything that's going on on a, on a screen and like a value put on you every day instead of like every two years or so.

But it also, is sometimes good is. Disciplines teams kind of like makes you think straight. you have a lot less. of this insanity in public market companies than you might have seen in private market companies in the last three years. but if you want to keep being in charge and you have raised venture in the end, you need to go public.

That's pretty clear.

Harry Stebbings: How do you deal with team morale and the Daily ticket on how much stock is worth. The joy of being private, obviously, is that raise it a certain price, and then people kind of have that in their mind as the anchor, and they do the work. When it's daily, it's like, check, am I richer, am I poorer, am I richer, am I poorer?

How do you prevent team morale sinking with macro taking effect on market

caps?

Dominik Reichter: I do feel that people checking a stock price that happens like once you go public, especially in [00:25:00] the beginning because everybody's excited and everybody thinks like, Hey, what's happening today? Why is it up 3%? Why is it down 3%?

Guess what? It's just randomness or macro factors, etc. Your business is still the same. I think Warren Buffett had that great quote where he basically said, if I buy a hamburger at 2 and the next day they sell the same hamburger to me at 1. Like I'm happy, you know, I can buy double the amount. it's still the same company that might be like a different price on the stock ticker, but it's still the same company.

And that's also, if I look at the last 12 months, I think in almost every domain of the business, we're a. better company today than what we were 12 months ago.

So that's kind of like what really counts. And then in the long run, there will be times when, when things look differently.

Harry Stebbings: two aspects where we move to people. One is like the unbundling of the space.

I feel like people are getting more and more specific with preferences. You have like the gym bunnies who want protein meal kits and you see like gym Meal kit companies that just do like protein gym bunnies and then you see, you know, [00:26:00] specific religious groups that have like religious meal kit Companies.

And it just seems like it's getting so unbundled as a space and segmented by the societal group. Does that concern you, that unbundling of the space in this way?

Dominik Reichter: I don't think it concerns me,

When you look at different consumer categories, It's very rare that you have a consumer category where one company has 100 percent market share. What you tend to have in consumer categories, you have one or two really big brands, usually global brands, that own a large share of that category, but then you always have like smaller niche players, tastes are very different.

And that's not only about food, right? That's in beauty, that's basically everywhere in the direct to consumer or in different consumer categories, you tend to have the gorillas in a certain category and you tend to have a much more fragmented long tail.

because you also have long tailed tastes and some niches. If we

Harry Stebbings: think about macro, I was thinking about this before and it's like obviously we're in a tough time and [00:27:00] like we think about recessions coming in a recessionary period ahead. I was thinking, does that help you or does that hurt you?

People can get food cheaper if they go to kind of more discount They're in supermarkets, but then also they may not be going out to restaurants and they may get it instead. How do you think, a recession impacts the meal kit business as a

whole?

Dominik Reichter: So one of the first buckets people start saving is they're going less to restaurants.

That's definitely what you have seen in previous recessions, the share of out of home food has Actually, the client, whereas the share of food that you consume inside your own home actually goes up. I think that's something that is marginally positive for us. On the other hand, there are definitely some customers who are much more concerned.

about their disposable incomes, and they might think longer and harder about taking up a new routine. And that's also something that you can see with us. I think our existing customer base actually shows very good [00:28:00] retention. They're on average ordering more meals with us than they did before. Part of that because we made a lot of investments into the assortments, into the menu.

But In tough macro times, a little harder to get customers to that first purchase to basically say, I'm going to start something which maybe it's the same price, maybe slightly higher. So I'd say we have now shown over the last two years that we can also navigate through economic cycles. without having like a hugely negative impact on our business.

Harry Stebbings: Do you think it's the hardest time ever to be a direct consumer founder? I was chatting to another one the other day and they said between Facebook performance challenges, Google challenges, recession, this is the hardest time it's ever been for direct consumer

Dominik Reichter: founders. I'd say it's a very different time than what it was. Maybe five or seven or eight years ago when the whole direct to consumer boom started, We started the company when direct to consumer was not really a term I think we're today one of the largest direct to consumer companies outside of [00:29:00] China I don't really know any direct to consumer company that is much larger than we are But it's certainly like very different today than it was back then and I think back then You had a lot of people that started the direct to consumer company by going to a retail store, looking at shelf space, looking at what are the most outdated brands there that could use a new font and a new branding.

And you started your direct to consumer company. it was very easy to get the first customers in. And especially if you were operating in the US with such a large domestic market, it was very easy with one or two growth channels to actually get to 50 or a hundred million of revenue. Without being like extremely sophisticated, I think very clearly those times are over.

But I don't think that the time for direct to consumer is over because in the end, right, direct to consumer means you make it more convenient for the consumer.

The consumer probably has a lot more information, has a lot more advice, has a lot more crowd feedback on your products. So I think from a [00:30:00] consumer perspective, direct to consumer is anything but that.

But what you need to do today, you need to have a very differentiated proposition. You need to either be deeply integrated on the supply chain, or you need to have a unique angle with distribution, or you need to be like very, very good to outperform some of your competitors or others to make the marketing equation work.

But still, every single year, you have great direct to consumer companies being started. And every single year you have great exits of direct to consumer companies which have scaled to levels very few imagined they would actually get to.

Harry Stebbings: I was debating whether to go here, but fuck it. I'm enjoying this, and so I will, and we'll see how it goes.

My question is like, is direct to consumer a venture backable segment? HelloFresh is like, fucking amazing, market leader, but it's like One of the all time leaders and it's three and a half billion, but like it's not like sass where there's 50 25 over 10 [00:31:00] billion It's like as a category is it venture backable?

How would you respond if I asked that question to you?

Dominik Reichter: I don't think you can make a plain or broad statement that applies to all companies, but I do think there were a lot of companies ended up being venture backed when the better path would have been venture to raise an angel, angel round, trying to get to profitability and actually scale the business to a hundred, 200 million in revenue. I've made a bunch of angel investments and I've had that discussion with founders a lot where they say like, you scaled the company to that level. You raise some venture money. I want to do the same. And I very often advise them and said, like, Look at the personal outcome for you the much less Risky way is for many many of those categories and many many of those companies to not raise venture

Harry Stebbings: You couldn't have done what you did without venture though.

Could you do you regret raising as much venture

Dominik Reichter: money as you did? I think we have a number of particular features, characteristics of [00:32:00] our business model why it makes sense to raise venture. Number one, you're cooking or eating basically on a daily basis, right?

It's something that has like a very high frequency, which means, um, what a lot of direct to consumer companies suffer from that they don't get the frequency. We have very high frequency. Secondly, food is like such. a big category you can build like a really, really big company. So in the end, I think for what we actually did and achieved, we didn't raise like crazy amounts of venture.

How much did you raise in the end? Up to IPO, we raised around about 300 million. We had a cumulative cash burn of about 300 million before we actually started generating cashflow. And since we have started generating cashflow, I think about. Three years post IPO, we had our cash flow break even, and since then we have returned cash to shareholders, invested in all the businesses, did M& A, etc.

So I feel for the type of ambition level that we had, and for the revenue growth and category that we were going after, it [00:33:00] was not insane amounts that we raised.

Harry Stebbings: When you review your fundrais no, it's not at all, I mean, we see AIC Drowns raise that much, Dominic, so, I mean, you're positively lean. When you review your fundraising, though, is there anything that you know now that you would tell yourself, having all the knowledge you do now?

Dominik Reichter: We definitely developed our scar tissue around fundraising. we definitely started fundraising processes too late. And it was very, very close to actually closing around and getting it done.

Can you

Harry Stebbings: tell me a story of when it was thinnest, like closest?

Dominik Reichter: So I think in the early days there were one or two occasions where we were literally like three to five days before thinking about filing for chapter 11, which I guess is the, is the, is the right term, at least in US terms, very, very close.

Because in the end, I mean, you're probably sitting on the other side of the table, but in the end there's always like, you know, Things popping up gets delayed by two weeks, gets delayed by another month. There is this one document missing, et cetera, et cetera. And all of a sudden you're like, Hey, my duty is actually, when I [00:34:00] feel like I cannot be able to, to do payroll, it's actually my duty to flag that.

they were definitely in the first one or two years, I think two occasions that I remember very vividly where it was very, very close to getting to that point.

Harry Stebbings: Dominic, how do you deal with those intensely stressful moments? Like that is like all night you are not sleeping and you're having heart palpitations. how do you deal with the real stress moments?

Dominik Reichter: I think it definitely helps when you run a profitable company. you definitely sleep much better. You still have like as many problems and as many things that worry you.

But you don't have this existential angst that you carry around with you. I think I definitely sleep better since the point that we were sustainably profitable and started generating like real profits. How do I deal with it? Generally with stress. I think my way to deal with stress is just having like a very good.

routine of doing sports. I'm a sports fanatic it helps me clear my mind. It helps me get peace of mind. And every time I pick up one of many [00:35:00] injuries that I pick up while doing sports and I can't do something for two weeks or three weeks, I'm getting really anxious and I can feel that I get like way more stressed that I don't feel as healthy, that I don't feel as fit, that I do feel a lot more stressed.

A lot of people

Harry Stebbings: say it doesn't get. easier over time. I think that's bullshit. I think it does get easier. Do you think it gets easier over time?

Dominik Reichter: In the end, it's always a race against yourself and against your mind and how you feel about things.

you have all those cases where people, you know, from one day to the next, make a lot of money, and that high goes away after two or three months already. And I think that is something that in the end, you need to be at peace with yourself. always just a race against yourself.

Yes, you can probably afford a nicer chair and a better laptop and a nicer mattress but in the end it's all about being in control of your head, in control of your mind, and being at peace with yourself. I think that's the most important thing.

Harry Stebbings: What motivates you today then? If the only voice that matters is the one in your head, what [00:36:00] motivates you today?

Dominik Reichter: I would describe it with problem solving at scale. I don't want to take the easy route. I want to figure things out.

It's that sense of competition. It's that sense of winning. And it's that sense of probably like proving yourself over and over again, that you can do it. But that is something that I really enjoy.

Harry Stebbings: I do want to ask about the expansion. You said about angel investments you've made. We obviously both sit in Europe. Many European companies try and win the US. You've done it immensely well. Can you help me understand, what does it take to win the U.

S. and what are some of your biggest lessons from doing so well in the U. S. as a originally European company?

Dominik Reichter: the differences really all go back to just The massive size of the domestic market in the US, right? The massive TAM that you can go after. If you're operating in such a big domestic TAM, you're making right from the start, you tend to make different decisions.

You're trying to. Um, scale much faster. You're trying to hire more expensive [00:37:00] people because in the end, you're going to have a lot more operating leverage. You're going to have higher salaries. You're probably not caring as much about the details as about telling your vision. what I always felt is.

that bringing some of the more European skillset, diving deep, more of an engineering mindset, having attention to detail to such a large domestic market like the US is like a really great success formula.

the size of the domestic market Caters more towards certain types of founders than what you tend to find in Europe. And what that means is that if you have grown up as a company in Europe and you go to the US, you definitely need to throw overboard a lot of the things that you feel that you have learned.

What do you need to throw overboard? I think number one, everything that you know about competition will be 10x what you, what you'll find in the US. Because the size of the price is just so much bigger that you will naturally have more competitors going after the same space. They will be able to raise vastly more [00:38:00] venture capital than any of your competitors could do in, in Europe.

They will probably kind of like move equally fast as you do or even faster. So, I think that's just one of those notions where we also struggled in the beginning. like, what does that actually mean now? Do we need to pay people very differently now? That was definitely like a big discussion, right?

And that I think is a big discussion for every, for every company from Europe that goes to the US.

Harry Stebbings: And you do, don't you? That's the conclusion you come to.

Dominik Reichter: in the beginning, it's a lot more cowboy math that you need to do and where you need to get comfortable with certain levels so that you can actually build a competitor that's worth competing with.

Harry Stebbings: Any others that we need to throw overboard or any other traditional European stigmas, approaches, mindsets, you're like, that's not going to work either, approach to salaries, approach to competition,

Dominik Reichter: anything else?

So the approach to fundraising as well, right? I believe for my seed round and for my series A round, I've been asked about providing business plans for the next five years, which were obviously all made up, et cetera. that is also like very [00:39:00] different than the U. S. I think it has changed. We have been public since 2017, but back in the day, 2015, I think that environment was very, very different and it was very different what people were asking for.

Harry Stebbings: Why did you decide to go public so early? When you think about that, 2012 I think you said the founding of the company and 2017 the IPO. You know, five or six years to IPO is really fast. You know, traditionally it's the 10 year journey to IPO. Why did you decide to go out

Dominik Reichter: that early?

We had the notion that we want to run this company for a long time.

Dominik Reichter Intro: when you raise a lot of venture capital, you need to make a decision. Are you going to sell that company? Or are you going to take it public?

Dominik Reichter: my view is. The price at which you go public is completely irrelevant. Almost nobody sells at the price of the IPO. Everybody's locked up.

in the end it just matters at the point sort of like when lockups are over, when somebody wants to sell, et cetera. So the price at which you go public doesn't matter. It's all about grabbing the window. And [00:40:00] we felt back in 2017, there was a window for business models like ours, tried to make sure that we can get out through that window.

And then felt like if we establish a public market track record, then sort of like valuation will take care of itself versus saying like, Hey, let's optimize the last 10 percentage points and go public at that share price. And then you know, the market is not there, or you're actually going public and six months later when lockups are up, kind of of like you're down 50%.

the price at which you go public is completely irrelevant for everybody.

Harry Stebbings: I sometimes think that public markets in their mind have the idea that a company is finished or negative. I had the founder of all birds on the show and I tweeted that, they went public at 3. 8 billion. And it's now 120 million, and I still, by the way, really like my Allbirds, the sentiment is just like, the public markets wants it crushed, and so I just worry that sometimes perception can lead to reality, although the price [00:41:00] doesn't matter, it does.

Because if you have a shit first day that leads to a shit first week, and everyone goes, No, I knew that that was a bad category. And then that leads to a shit first month, and then team members go, Fuckin hell, we're down so much, I wanna go to Airtable now! Like, it can be a real knock on effect. So, I'm just pressing you.

Dominik Reichter: I think it's irrelevant.

Dominik Reichter Intro: First day, price, completely irrelevant.

Dominik Reichter: The price after 12 months, after 2 years, yes, that starts being relevant. The price after 3 years, that's what you should be optimizing for. Think about it like that, right? I think also for us, if we had missed the window in 2017, Potentially, there would have been another window in 2020.

Now who knows whether that window actually opens or not, whether you have a big crisis like the pandemic coming and the window is actually closed or not. all of the macro factors that you have that you can't [00:42:00] control. there is so much uncertainty. history is littered with companies that wanted to go public and optimize and squeeze out the last 10 percent for the first day, and they missed the window, and then had to do emergency fundraising if they weren't profitable, or put a lot of structure and ratchets.

And we never had any structure, we never had any ratchets, we always were like very conservative on that end. And we wanted to go kind of like very quickly towards having common shares, no pref stacks in there. And we felt like if there is a window, And then on public markets, we can prove ourselves and everybody can decide.

Let's make a decision whether that was successful or not three years in. in the end, I think it was the right decision. I think

Dominik Reichter Intro: the way that our category traded. Would've not allowed us to IPO the business at any other point in time.

Harry Stebbings: Can I ask you on you as ACEO? I actually spoke to, as I said, Jeff, Harley, Nico, many more actually around the table. They did actually kind of coalesce around a weakness as ACEO. [00:43:00] I'm intrigued if you say the same weakness. It's like an all star. Mr. And Mrs. What do you think your biggest weakness as

Dominik Reichter: ACEO is?

I don't particularly enjoy being the center of attention. I can be fairly good at it, but I just don't enjoy it that much. I always have to push myself. I think they are important up to a certain point, but it's definitely something that I'm definitely scoring very light on that one.

Harry Stebbings: they coalesced around, like, storytelling and being public was the coalescing point. The one thing that it does help with is talent acquisition, and I do want to touch on this before we do a quickfire, because Harley in particular told me I had to ask this. He said you're particularly brilliant at hiring non obvious talent, talent that many people might overlook, and you choose people that people wouldn't hire.

but are actually brilliant. what do you look for that gives you the confidence to hire these non obvious people?

Dominik Reichter: there's like different stages. And definitely in the beginning, I think we prioritized a lot frugality and [00:44:00] mostly.

Recruited friends, family, and acquaintances. That's also always what I tell everybody in my angel portfolio. If you cannot convince some of your friends, family, or acquaintances to join your company, then either your idea is not that good, or you're just not a great salesperson, after that period, you have the opportunity for a couple of years to hire for raw smartness only, you don't need to hire for a lot of experience at that point in time, Business tries to figure itself out. All of the domains kind of like are still open we've had really good experience with hiring people with very high degree of raw smartness, putting them on certain domains and those people over the sort of like next five, seven years, becoming like some of the deepest domain experts in those topics.

And I think back then. My board always pushed me during that stage. I think that is what he's referring to. Always pushed me at that stage to, to hire more experienced people, to hire people that have led larger organization, larger teams, et cetera, et cetera. But we always felt like we need [00:45:00] people who are.

Super scalable in terms of their skillset, in terms of their personality, who have an incredibly high work ethics, I think back in those days was very much expected of everybody to stay in the office till 10pm. I think that's also very different today. But nonetheless, I think that was a time where we hired for raw smartness only.

And I think that was, at that point, I think very contrarian with some of both our US investors versus our European investors. Are you back in office? For a certain amount of time, I think it's very important for collaboration and also for mentorship and building team cohesion. I think it's

Harry Stebbings: fundamental.

Can you tell me, I played this game with, our team did like this walk the other day in London, and I said, can you tell me one role that is not made better by being in person? I can't. And they're like devs. No, devs work better together. They're building product. It's a team.

Dominik Reichter: Yeah, look, one of the biggest trends in engineering is mob programming, which basically means like you're getting together three people around [00:46:00] one laptop, giving them each other instant feedback.

there's a huge value in that. Everything that has to do with planning, that has to do with aligning on strategy, figuring out architecture, playing thoughts back and forth. These things work way better. I do think if you have a plan, if you need to deliver, if it's like very clear, what are the milestones, where do you need to get to, then potentially you don't need to necessarily sit next to your colleague.

But I do think there are huge benefits to working together very, very closely and having strong bonds in your team.

Harry Stebbings: I'm, I'm like a grandpa, like just old school.

Dominik Reichter: I feel like you're more grandpa than me on this.

Harry Stebbings: Listen, I want to do a quick fire round. So I say a short statement, Dominic, and you give me your immediate thoughts. Does that sound okay? what do others not know that you know to

Dominik Reichter: be true? everything around tactics is much more important than strategy. If you have the right strategy, you don't need to change your strategy every six months, every year. You have a long term strategy, three to five years, and you're [00:47:00] spending 99 percent of your time on tactics.

Harry Stebbings: You can be CEO of any other company for a day.

What company

Dominik Reichter: are you CEO of? Going back to my youth fascination with professional football, I probably would love to be the CEO of a Premier League football club for a day. Which one? Oh, I don't mind that much. I think it's not so much my, my personal affiliation with any club as to rather wanting to, to be on the table and understand how those businesses are run, how sophisticated some of the decision making is, etc, etc.

Harry Stebbings: Tell me, how do you view competition? Is it like head down, row your own race?

Or should founders like be very aware of

Dominik Reichter: competition? In my view, competition is a constant source of innovation and inspiration. I think it's extremely arrogant to not pay super close attention to competition. And I'm not only talking about your direct competitors. I'm also talking about all other companies that market to consumers that want to reach the same consumer, like what are they doing?

What are they experimenting with? What have they learned? thousands of [00:48:00] super smart people at all of those companies which are thinking every day about how to reach customers, how to build new technology, etc. To not listen to them, observe them and not basically get inspired and see that as. As a big shortcut to your own experimentation and learning is extremely arrogant in my view.

Harry Stebbings: Tell me, you can have dinner with anyone, dead or alive, who do you have dinner with and what do you ask

Dominik Reichter: them?

I'm probably going to choose Jeff Bezos. it's such an outlier, such an anomaly, how Amazon has scaled with such high investments in infrastructure, in technology and processes. Completely reinvented how people think about organizations. And given that I'm also building in that space, sort of like at the intersection of supply chain, marketing, and technology, I probably have questions for two weeks straight.

Harry Stebbings: Which compassion impresses you most?

Dominik Reichter: I think DoorDash has done an amazing job. I don't think they're directly competitive with us, maybe on the margin, like we're [00:49:00] going after the same, the same wallets,

in the end, I think the way that they have. Also had a huge focus on operational excellence, how they have scaled in non obvious ways where everybody else in that space was focusing on other areas, had a certain hypotheses and they took the contrarian view. Have a business that is, I think, operationally also very challenging, a three sided marketplace.

That is something that I have huge respect for. And I think they've built like a massively successful business and they're very much focused on the longterm. Tony and the team are doing such an amazing job.

Harry Stebbings: How do you think about your relationship to money, Dominic?

Dominik Reichter: there is a certain threshold where probably some things become a lot easier and a little bit more comfortable. But it's not the main motivator in everything that you do or that you should be doing. What's the best

Harry Stebbings: piece of advice you've been given in the journey?

Dominik Reichter: I think best piece of advice is, I would say like question a lot of things and like form your own view. I always feel if you're too [00:50:00] much trying to follow the crowds, if you're not thinking first principle, if you're not kind of like asking the tough questions, then very often, you know, you end up Being above average, but you're never gonna be, like, part of the 0.

1 percent in whatever domain you choose. I think you have to be contrarian to out execute and out perform, the 99. 9 percent of others.

Harry Stebbings: I don't think that you can have any form of work life balance if you want to be part of the 0. 1 percent of anything. You can be good. You can be very good. But you can't be a fucking great CEO of a public company.

And have work life balance. Agree or disagree. Work

Dominik Reichter: is part of life. I don't think the two need to be in balance. You should be enjoying what you're doing. And I think it's very fluid, between, am I reading that article or that book because it makes me a better CEO? Or am I reading it because I actually enjoy it?

Am I reading that report or that consumer research that my team has prepared because I'm very interested Or because they have to. I think that that whole term always [00:51:00] assumes that work is bad and life is good. But in the end, sort of like they're very tightly connected and work is part of life.

So everybody needs to be balanced in some way, but it's not necessarily between work and life.

Harry Stebbings: You read books?

Dominik Reichter: I probably read about 25 to 30 books a year.

Harry Stebbings: What's the most memorable book recently?

Dominik Reichter: What should I read? probably an obvious one because a lot of people have been talking about it, but the Elon Musk biography definitely allowed me to pick up some things and also understand like some of the companies much, much better. there were definitely some elements of SpaceX in particular that I didn't understand as well before the book and then after.

Harry Stebbings: Tell me, final one, you said about kind of, you know, if you want to build for the long term, you have to go public. Where are you in 10 years time, Dominic?

Dominik Reichter: I think most likely I'll still be running HelloFresh, hopefully. HelloFresh at that point, not only 2 billion business lines, like we have today with our meal kits and our ready meals, but with a lot more different business lines that we have at that point, still solving problems at [00:52:00] scale with some of the smartest people in the world, if.

I ever wake up and I feel this is not fun any longer, I feel like I'm not spending my time problem solving, but I'm spending my time solving other people's problems and not my own problems and not problems that I'm excited about, then you'll probably find me either on the beach or running a football club.

If one day that I sneak into the boardroom, I find that exciting enough.

Harry Stebbings: Dominic, listen, I've loved doing this. Thank you so much for me trying to take you to a psychologist's room. I really enjoyed it and you've been

fantastic.

Dominik Reichter: It was a lot of fun. Thanks a lot, Harry.

We'll be back.

Scarlett 2i2 USB-1: Now, if you want to see that fantastic discussion in full video, you can check it out on YouTube by searching for two. Zero VC. That's 20 VC, but before we leave each day,

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