Jen McFadden: This episode of Beyond the Bottom Line is brought to you by the Program on Entrepreneurship at the Yale School of Management, where we’re educating students for business and society.

Jen McFadden: Welcome to this edition of Beyond the Bottom Line. This week, we are delighted to have in the studio with us, Melissa Mash, who is Co-Founder of Dagne Dover, an incredible bag company. Melissa, welcome to Yale.

Melissa Mash: Thank you.

Jen McFadden: Would love to hear a little bit about your journey, early days, going from Coach, to business school, to launching the venture?

Melissa Mash: Sure. Thanks for having me.

Melissa Mash: I started my career at Coach right after NYU Undergrad. There, I was managing its brick and mortar wholesale accounts, so managing accounts for Macy's, as well as for Bloomingdale's. Then, I helped launch the wholesale eCommerce channel. So, that was Coach on Macy's.com, Nordstrom.com, and Dillards.com. It was 2008, at the time, so eCommerce was starting to pick up steam, and I was learning a lot more about that customer. People were becoming a lot more comfortable shopping online, especially for more expensive items.

Melissa Mash: After that experience, I really wanted international experience, as well as the ability to manage a team abroad, so I decided to quit my job, actually, at Coach Corporate, which people thought I was insane for, given that we were going into the global economic crisis. I moved to London, and tried to get a job there. It was then that Coach called me up and said, "Actually, we have a position for you that we think would be pretty perfect. We have a lot of problems at our first store in Europe, and we want someone to come in and fix everything."

Melissa Mash: The store was at Heathrow Terminal Five, so it was a British Airways exclusive terminal, which is obviously a very different experience from all of my other professional experiences, having managed US brick and mortar wholesale accounts from afar, on a high level, instead of being in the store and speaking with customers on a daily basis. I saw that there was such an opportunity to get feedback directly from customers about really why they were compelled to buy something, or why they weren't.

Melissa Mash: What I learned is that people had a lot of bag problems. People had a lot of problems with the fact that very few bags were made to store and protect a laptop, or that bags were made out of materials that wouldn't withstand the elements outside, if they got stuck in the rain, or in a snowstorm. Then, their bag would be ruined as well. I saw a lot of problems of people not being able to safely carry a water bottle in their bag, and know that their $1000 of tech would be protected. There were a ton of problems that people had, and they didn't really require high tech solutions. I wanted to create a bag that could do that,
that could serve them from 7 AM to 10 PM at night, where they could live out of that bag, and know exactly where everything was, and that they could feel really confident and prepared for whatever the day threw at them.

Melissa Mash: That's, in short, what I set out to do, is to create a brand that was really well priced, really high quality. Again, if you cut out a lot of the expensive Cap X that can be involved in building a brand with the expensive real estate, and the expensive wholesale partners, if we spoke directly, and built relationships with your customers online, through digital, then you were able to capture that relationship, and own that relationship. And, hopefully deliver products that really suited their lifestyles, as well.

Jen McFadden: So, you're at Coach in Europe, then you decided that you wanted to go to Wharton?

Melissa Mash: Yeah.

Jen McFadden: Or get your MBA, in general? Can you talk a little bit about that decision making process?

Melissa Mash: Yeah.

Jen McFadden: Knowing that you wanted to launch a venture, and then the value that you got from being at Wharton?

Melissa Mash: Yeah. At the time, in 2009 when I had this idea that there was this real opportunity for a brand that was more Millennial, that was more on-the-go, that could suit a more casual lifestyle. That, again, didn't have the logos all over it, and didn't have ... That just looked more modern, and was made out of more performance materials that I was excited to carry, et cetera.

Melissa Mash: I realized that I really needed a network, and a platform to stand on, for people to actually listen to me, and for people to actually pay attention to what I was doing. It didn't matter that I had this great career at Coach, because how were people ever going to get to know me? It was actually my now husband, but boyfriend at the time, we had moved to London together, to have this career adventure. He was like, "Don't be like me, and not think about business school until you're not in the perfect age range, where they're going to want you. Look at what it did for one of our friends." Who had a similar, really good career at a consumer company prior, then she went to HBS and, suddenly, she was able to get a lot of amazing jobs that, frankly, she probably wouldn't have gotten without an MBA.

Melissa Mash: So, I saw that, and I said, "You're right. I am the right person, who really needs this, and who will really benefit from the experience, and of course have a platform to get in front of people, with this brand." So, I want back to school, and I really wanted to go to Wharton, because of its focus on entrepreneurship,
as well as its focus on retail. That's amazing that Yale is also focusing on entrepreneurship, and has amazing resources, too. It makes such a big difference, if there aren't competitions, and if there aren't awards, and if there aren't the right resources in place. It's very hard to start a venture.

Melissa Mash: I went back there, and I actually got sidetracked with another business idea, and started working on that. Then realized, this is a very technical idea, I'm not a technical person.

Jen McFadden: What was the other idea?

Melissa Mash: It was called Loving Covet. It's still a good idea, I still stand by the fact that someone needs to do this. Imagine a more shop-able Pinterest, that's not pins, but it's more like you're creating your future life, or your future self in the things that you want. You have this highly visual interface, where you're showing your home, and you have your closet, and clothes that you want, and you have your bathroom, and the things that you want, the beauty products, or the candles, or whatever. Or, the home, and the appliances that you want. It's sort of a universal registry, where people who are in your social network, who you approve to see where you live, and your shipping information, can buy you presents, and it'll just be sent straight to your home.

Melissa Mash: Where this came from was, while was in London, living there, I had a friend stay with me. She was someone who I ... it was my best friend from when I was four. So, I didn't know her that well at that point, but she stayed with me. Afterwards, she emailed me saying, "I want to send you a present. Can you send me your address?" I wasn't going to send her my address because I didn't need a present, I didn't need her to thank me in that way. But, as a result, an opportunity for commerce was lost, and an opportunity to surprise and delight someone was lost. At the time, a Wharton professor had written this book called, Scroogenomics, which is about the inefficiency of gift giving, and about how many trillions of dollars are wasted on inefficient gift giving every year.

Melissa Mash: Anyway, I wanted to solve that problem, and make people happy, and get everyone more presents that they actually like, instead of having unused gift cards, and things being not returned, in your home, sitting there for years. That's something I got sidetracked on, but then was like, I know the bags, I'm going back to the bags, for sure.

Jen McFadden: So, you have this idea for bags, and you find these two co-founders, Jessy and Deepa. Can you talk a little bit about how you found them, how that team came together, why they were the right people at the right time?

Melissa Mash: Yeah. I'd say, it's probably the hardest thing to do, is finding the right co-founders, because there's so many qualitative factors that go into this. It's definitely not a science, and it's definitely a trial. You have to see, is this going to
work? You have to evaluate it, you have to get people with the right adaptability and personalities to make it work.

Melissa Mash: Deepa and I have known each other since 2007. We were just friends from New York, and she happened to be one year behind me in business school, so she was in one of my first focus groups. She, as well as many of the other women, who came from the retail industry who were in my focus were like, we want to work on this with you, this is really cool. At the time, I was doing an independent study with Professor David Bell, at Wharton. They had joined my independent study.

Melissa Mash: At the same time, I was also working with designers in New York, or anywhere, really, digitally, and asking them to put tech packs together so that I could send samples abroad. Then, I just couldn't afford to keep paying people anymore. At the time, I had already connected with Jessy, who had ... Jessy Dover. She had won the Coach Accessories design competition in 2011, when she was still a student at Parsons. I knew that she was understood a business that was a fashion house, that was run like a business, and also the commercial-ability, and all of that, of the product, and how important that was. Starting working with her.

Melissa Mash: Eventually, couldn't afford to keep paying her on a freelance basis, but said, "I know that I want two co-founders, one who is more analytical, and one who is more quantitative. Then, the other who is the designer and the face of the brand, someone who people can really connect with and say, it's coming from this person's heart and soul, and I see they have a face, they're like me, and all of that." I wanted her, I was hoping that it would work out, where she would be able to be that person as well. At the time, she was also interested in leaving her job at a corporate fashion company, and she was very interested in eventually started her own line as well. She was excited for the opportunity to potentially become a co-founder.

Melissa Mash: So, she would come down and work on our independent study with us, as well. We were a group of five people. At the end of the semester, I picked co-founders. Deepa, Jessy, and I made a lot of sense.

Jen McFadden: Excellent. Let's talk a little bit about ... because, this is one of the questions that we get both from students who are here, and students who are looking at MBA programs, how you were able to balance that school, work, life, everything that's going on, in a way that allowed you to stay sane?

Melissa Mash: Yeah. I think what was really important, because I had a Liberal Arts background, and I didn't have formal business training, was that I wanted to go to Wharton for specific skills that I wanted to develop that would help me in entrepreneurship. I wasn't there to become an accounting whiz, barely got past that one. Just really had to hone in on the things that made sense for me.
Melissa Mash: For example, one of the classes I took that I really used a lot of information from, and really served me well was called, Legal Aspects of Entrepreneurship, with Professor Bob Borghese at Wharton. It's just fantastic, because he's an entrepreneur as well as a lawyer, and he does a lot of work with entrepreneurs, and sees the complexities of things that happen. Also, he shows the accessibility and the feasibility of entrepreneurship, but also the things that you need to protect yourself against, and look out for, and ways that you can get around tricky situations that investors might try to put you in, or otherwise. Just knowing there are certain things I have to look out for and be vigilant about, that came from, certainly, that class, and having that foundation. That was one of the most important things.

Melissa Mash: I also spent my time doing things that would really serve me in the business, where I didn't join clubs that had no end. I became the Chair of the Wharton Entrepreneurship Conference of 2012, so I got to connect with all these investors who were brought in to do panels, and shark tank competitions, and so on. I got to connect with all these entrepreneurs who I brought on to do all these panels with. I started to build my network there, so that I wasn't starting from scratch when I was fundraising, or when I needed to ask founders for advice about how to do something. I already had a network and a relationship to build off of.

Melissa Mash: Those were a couple of examples. I also went on supply chain, an operations and supply chain trek to a bunch of factories in China and Hong Kong. So, I got to see what factory life was really like, and I got to actually go to a Coach factory, and ask the owner some questions that only a student can get away with asking, not a prospective client. I really used my time in a very purposeful way, to get everything that would benefit the company.

Jen McFadden: So, you guys have gone through this independent study, you've made this decision to jump forward and do this. Talk about those first few products, how many products did you decide to launch with? How did you source the materials? What was that process like?

Melissa Mash: Yeah.

Melissa Mash: The first bag that we launched with is, basically, what you see online today as the Legend Tote, which is very similar to the Classic Tote. They're very similar, one just holds a 15-inch laptop, the other holds a 13-inch. The first bag was basically the Legend Tote. The idea was that this would be the bag that you could live out of, Monday through Friday, from 7 AM, to 10 PM. It needs to be something that just holds all your stuff exactly where you want it. It's got to have the feet on the bottom of the bag, it's got to have the zip-top, it's got to be able to stand upright on its own, so that it's not falling over and spilling out all of your items. And, it needs to be able to withstand the elements, it needs to be able to wipe clean. We've had people, literally, send pictures of their children having drawn all over that coated canvas bag, and it wipes clean within seconds.
Life is messy, and that's really what happens on a daily basis. We really wanted to create something where it was just your go-to, Monday through Friday bag.

Melissa Mash: We also created what is now on the website, seen as the Essentials Clutch Wallet, a variation of that, at least. The idea was that was the day to night solution. A lot of women, in particular, have this problem of switching out from their wallets during the day, and bringing that stuff in a clutch, or in a clutch at night. Then, they will inevitably leave an ID, or a credit card, or cash in one or the other. Then, they're screwed the next day, or they're screwed at the bar, something like that. We've all done that, at one point or another. We wanted to create a silhouette where you just had all your important stuff in one accessory. Then, you could just grab that and go out at night, coat check your bag, your bigger tote, or leave it at the office. You have everything exactly where you need, without having to do the switch out.

Melissa Mash: Those were the two solutions, those were the two bags that we launched with. Hitting on the biggest solutions for our core demographic. We felt that, if we could nail that, then of course, we could go into additional sizing, we could go into additional silhouettes. That was going to be the bread and butter, because we knew that there were consultants, there were bankers, there were lawyers, there were teachers, there were people who desperately needed that silhouette in particular, and who liked the price point, the shape of that. They were very comfortable with everything that bag was. It wasn't such a major stretch to be like, "Here, carry a backpack," when back in 2013, people weren't into backpacks. This was something that was right up their alley.

Jen McFadden: Talk a little bit about ... I know you mentioned a little bit about the fact that you were able to get in front of the customers when you were at the store in Heathrow. Talk a little bit about that process, when you were doing the independent study when you were a student? How you got in front of those customers, and how you gain those key insights that allowed you to come up with this different bag? What you introduced was quite different, at the time.

Melissa Mash: Everything that we did, we always made sure that had a ton of data to support anything that we did, because this is expensive. Inventory is expensive, you can't make mistakes. This isn't like a tech product where you can iterate off of it, and it's like software you can update. You've got to get it right, otherwise you're stuck with really unproductive inventory.

Melissa Mash: For us, we had surveyed and focus grouped 1000 women and men, to hear their biggest handbag frustrations, and the exact, key specs that we needed to make in the products, before we even produced a single one. It was very specific, where it wasn't good enough to just say, "I need a laptop sleeve," or, "I need some place to put a water bottle." It needed to be, what exact water bottles do you carry? You carry Swell, you carry Analgene. Okay, those have very different diameters. We're going to need to make sure that we have a water bottle pouch that can accommodate all of those, that are fan favorites. It's not good enough
just to have a key leash, you need to make sure that it stretches far enough that you can actually use it without having to unclip your keys, so that you don't lose them or drop them. You need to be able to safely, and comfortably, perhaps, stumble home at 2 AM, and get through your front door.

Jen McFadden: No, no, never.

Melissa Mash: And, know that you have your keys exactly where you planned them to be. Same thing with your car keys. You just need to know that you're not going to ever misplace them. The length of the key leash was really important, along with a lot of the other things, as how big the phones are that you're carrying. We need to make sure that the cell phone pockets are accommodating the other larger updates in technology that are constantly happening, as phones were becoming bigger at that time. We were very specific, in terms of what the specs needed to be for everything.

Jen McFadden: I love the analogy that you used earlier, which was, you've created a smart phone, you've created a smart bag.

Melissa Mash: Yeah.

Jen McFadden: I've seen a few dumb bags there were out on the market.

Melissa Mash: It's just funny because whenever anyone uses our products, they're like, "How did I not do this prior? I just feel like I've been living in some Stone Age up until now." It really is life changing to know exactly where everything is, in its exact spot. It's not just about having a lot of pockets, it's about this is the cell phone pocket, this is where my work ID card is, this is where my lip glosses and pens are. You can't mess it up, there's on specific place for each thing.

Jen McFadden: You've got this idea, you've got your tech packs ready. Let's talk about financing, and manufacturing. You first manufactured state-side, and then you moved to Asia. Can you talk a little bit about how you found those early manufacturers, and then how you were able to transition over?

Melissa Mash: At the beginning, it was just all hustle, where we wanted to produce here in New York because we needed to be able to see what the process looked like, iterate off it in terms of, if the filling isn't correct, fillers need to be adjusted. If anything needs to be adjusted, we needed to be able to do it in real time. We needed to be able to produce the first round of presale product in New York. That was 2013. We did that, but New York is just not set up for mass production, nor is it set up for sophisticated handbag production. It all comes down to the supply chain, and about the amount of different options you have for these materials, to make the product as best as it's going to be, from a construction standpoint. The US does not have that, anywhere close to the capabilities of Asia, let alone the machinery, let alone the talent, et cetera.
Melissa Mash: 2013 was great, in terms of us having a lot of velocity, and us seeing we have more demand than our factory can turn around, in this time period. That's fantastic. They were basically begging us to go to Asia. They were like, "We cannot keep you with this. You must go to Asia." We're like, we know this.

Melissa Mash: We'd raised a seed round in 2014, a very small amount. We went offline for a little over half the year, and then we were up and running again, with another factory in Vietnam. We had, through one of our suppliers, connected with this factory that was very reputable, and continues to work with a lot of the best standing brands, like Coach, and Marc Jacobs, et cetera. It was really good for that stage of our business.

Melissa Mash: Then, we brought in our VP of Sourcing and Production, who has 20 years of experience with a ton of amazing factories, she has an amazing background. From anywhere from Burberry, and DVF, to JC Penny, and Banana, et cetera. She has a wide range of factory relationships. She said, "Actually, there are a couple others that are really perfect for what you guys are doing, and where you guys are going." We moved that production to China, about three years ago.

Melissa Mash: It's been an evolution. We only work with the best factories, that work with the top handbag brands that we all know. We follow a lot, if not more, of the quality control codes that the best people have, the best brands have. We also do things differently than a lot of those brands, as well.

Jen McFadden: You are still an LLC, correct?

Melissa Mash: Correct.

Jen McFadden: Can you talk a little bit about that decision? Then, how you thought through your fundraising strategy?

Melissa Mash: Yeah.

Melissa Mash: For us, it was always important that we don't over-capitalize the business. You read a lot of headlines of people, brands raising $50 million, $100 million of whatever, of capital. It's sung to be this amazing feat, and this amazing milestone, when that's the exact opposite of everything that we want to do in life. Where we want to make sure we're only bringing in the capital that we know we can put to use immediately, and we know is going to get us to some additional level. We're not doing it just to have additional cash on hand, because, frankly, you don't want extra cash on hand. You want to make sure that your valuation, and everything involving your capital, really makes sense for your business, and that you are going to be eventually attractive for a potential acquisition down the line.
Melissa Mash: We are built very much like a traditional brand, in how we finance the business. Where, the traditional guys, really built very organically. There weren't VCs back then, and capital wasn't so easy to get. It really was Mom-and-Pop homegrown. We've built, very much, in that way. We've raised very strategically, a very small amount of capital, but enough to get us where we are. Then, we just are very capital efficient in everything that we do.

Jen McFadden: In terms of your marketing strategy, you primarily are an online, eCommerce, but you also have a popup store in New York. Can you talk about that decision making process, and what does that look like going forward for the next two to three years?

Melissa Mash: Yeah. For us, it's really important that we own the relationship with our customer, which is why we've always wanted to connect with them via digital, as well as in store experiences.

Melissa Mash: We do have a portion of our business that we work with strategic retail partners. We're in Apple retail stores, as well as Apple.com. We are on Nordstrom.com, as well as 35 Nordstrom stores across the country. We're in Bandier, we're in most Equinox locations. These all serve a very specific purpose for us, and for us it's really about getting exposure to a customer who may not be acquainted with us. Or, a customer who is acquainted with us, but just infiltrating his or her life a little bit more. We really like to focus on the efficiency of what we're seeing on digital spend, by connecting with our customers directly on digital. Then also, again, being able to really show them the full breadth of what we do, and the full lifestyle of what we do. When they understand how we work as a company, instead of it being diluted by people who are maybe not giving that messaging as a third party, or giving it inaccurately, or whatever. We always like to own that dialogue, and own that relationship, and it really works.

Melissa Mash: People might get to know us through, maybe, a Nordstrom, or through Shop Bop. Then, they'll come back, and go to our site, and see the full breadth, and all the limited edition colors, and all the sizes and silhouettes. And, they'll come back and shop through us, because they know that they can get the full breadth of assortment there, as well.

Jen McFadden: So, you've collaborated with people like Rachel Zoe before. Can you tell me what your dream collaboration would be in the future?

Melissa Mash: Yeah. In the past we've done a couple collaborations. We haven't done one in a very long time. We are really much more focused on brands, more so than individuals at this point. I think, for example, Nike would be a huge one for us. We see a lot of synergies there, in particular with the success of our Neoprene collection, which is called our 365 Collection. I think there's a lot of legs in terms of being able to do something with a performance company, a performance brand like Nike.
Melissa Mash: Kith is another one that we love, and we think that we would be very well suited, and interested in each other, just based off of the lifestyle, and the premium nature, and exclusive nature of the product. And, the simple aesthetic as well.

Melissa Mash: We're much more looking for, in terms of collaborations, and working with brands, going forward.

Jen McFadden: We've come to the end. Typically, I ask people what book they would recommend, but I'm going to ask you a little bit of a different question. What is your favorite Dagne Dover product?

Melissa Mash: It's hard to choose just one. I would say, I have two go-tos on a daily basis.

Melissa Mash: One is the Fanny Pack, which is great for being hands-free. I just need that for my lifestyle right now. I'm not willing to carry something on one shoulder anymore. I love that. It has a place for your keys, it has a place for cards, for your Metro card, for sunglasses, for your phone. It holds just the essentials, and you don't have to worry about carrying anything.

Melissa Mash: Then, of course, the backpack is everyone's fan favorite. It's just the most versatile bag ever. Whether it's for school, whether it's for travel, whether it's for baby, again, everyone loves it, it's super unisex. Anyone, any industry, it's a fan favorite. People love working out in it, bringing it for travel, et cetera.

Melissa Mash: Then, I'd say the third one, is the Indy Backpack, which is a baby bag, which you can totally use as a normal backpack. It's just a different silhouette, and it holds a bit more, and it's a little bit boxier. Almost like a messenger backpack. I love that one as well, because it's just a little bit more masculine, and a little bit more, I don't know, rugged? Edgy, maybe? I, of course, am all about being hands-free.

Melissa Mash: I'm into those three.

Jen McFadden: Awesome. Well, Melissa, thank you so much for joining us today, and spending the day at Yale. We look forward to watching the company grow, and watching you grow as a founder.

Melissa Mash: Thank you. Thank you for having me.