

How a group of
ecommerce veterans
launched hollar, an
online dollar store,
and hi...

[Business](#)



Update, Nov. 3, 2016: Hollar announced on Thursday it has raised \$30 million in a series B round, led by Kleiner, Perkins, Caufield and Byers and followed by Greycroft Partners and Comcast Ventures. This brings the ecommerce company's total funding to \$47.5 million.

Original story, which was published on May 24, 2016, follows.

As big-box stores struggle to meet the lowest of earnings projections and shutter dozens of stores nationwide, one type of brick-and-mortar retailer is thriving: the dollar store.

In this legacy industry, David Yeom saw an opportunity. He launched , an online dollar store, in November. Since then, Hollar has seen 50 percent month-over-month growth for six consecutive months, he says. By April, it had reached \$1 million in monthly sales. Today, the Santa Monica, Calif.-based company is announcing its plans to manufacture products of its own.

The Great Recession curbed middle-class spending, but despite economic recovery, shoppers remain frugal. At dollar stores, you'll find common household goods, beauty products, you name it -- for the fraction of the cost at other retailers. The brands may be unfamiliar, if not uncanny knockoffs of popular names, but post-recession customers don't like to pay full price. So what if that Sharpie marker says "Skerple" upon close examination, as long as it works?

In the past decade, online shopping and mobile devices have changed consumer behavior as well. The demise of major retailers isn't just about penny-pinching -- it's about the Internet. Major dollar-store chains are riding <https://assignbuster.com/how-a-group-of-ecommerce-veterans-launched-hollar-an-online-dollar-store-and-hit-1-million-in-monthly-sales-after-just-5-months/>

on the recession's tail, but they still make the vast majority of their money from brick-and-mortar stores and don't lean heavily on ecommerce. Some don't even offer the option to buy online. If you visit the 99 Cents Only Stores website, you can't even purchase a , let alone any items. You're directed to a store locator.

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Dollar General (founded 1939) and Dollar Tree (founded 1986), the two companies that dominate the dollar-store market in the U. S., each operate around 13, 000 locations. Dollar Tree acquired Family Dollar in 2015.

Meanwhile, Dollar General raked in \$20. 4 billion, and the chain plans to add 900 locations in 2016 and 1, 000 in 2017. Some of America's most prominent investors have gotten in on the . It was only a matter of time until a startup emerged.

Previously, Yeom was VP of marketing for The Honest Company, the Jessica-Alba-co-founded provider of wholesome household products. On every lunch break he took with CEO Brian Lee, the two would follow their meal with a stop at the nearby Daiso, a Japanese dollar store chain. These trips made Yeom, then 39, nostalgic for his childhood in East Los Angeles. Shopping at Daiso with his mom and sister was a monthly treat. He could pick out a new toy or trinket, and his mom never had to worry about it costing too much.

One day last spring, the Honest Company executives were on a typical Daiso run when Yeom started brainstorming about what it would take to launch a new dollar store company as an online marketplace. Luckily for Yeom, he

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had a dream team of serial entrepreneurs, business executives and investors waiting to help him make his idea a reality. While still working for Honest, Yeom raised \$5.5 million in seed funding from early Honest Company and Snapchat investor, Jeremy Liew. With a term sheet in hand, Yeom left his company after three-and-a-half years to build one of his own.

Lee, who also founded ShoeDazzle and LegalZoom, remains Honest's CEO, but he's a chairman, co-founder and investor in Hollar. Other co-founders include Chief Creative Officer Eddie Rhyu and CTO Thanh Khuu, both formerly of ShoeDazzle. The fifth co-founder is COO John Um, who formerly served as a strategist for 99 Cents Only Stores. After gathering \$12 million in a series A round, Yeom and his team launched Hollar in November 2015.

"When I asked John, 'Why don't you guys sell online?' the quick answer was, 'We can't do it. Our existing supply chain was never designed for the direct consumer shopping experience,'" Yeom says. "These businesses have been out there for decades, and they continue to grow and be incredibly profitable. Online is really an afterthought."

For Yeom, who had spent his career at HauteLook, Yahoo and eBay before Honest and Hollar, online was the first thought. At Honest, he had grown familiar with a demographic that would also embrace Hollar: young mothers. He didn't have Jessica Alba to plug his business on *The Ellen DeGeneres Show*, but he did have valuable insight into what matters to moms.

“ If you have something great, that especially moms are going to love, they are a chatty bunch,” Yeom says. “ They want something that’s not just a great deal, because a lot of people offer deals.”

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Yeom explains that Hollar gives moms a convenient and simple way to shop. Millennial moms increasingly use their phones to browse and buy as data plans stand in for broadband connections, and Hollar reports that 80 percent of its traffic comes from mobile, primarily Android devices. And while many delivery startups only service coastal metropolitan areas, 80 percent of Hollar orders come from Middle America.

A million in monthly sales might seem like a lot for a brand-new company that sells products for between \$2 and \$5. Part of that is thanks to a popular \$2 light-up unicorn , of which Hollar sells 1, 000 per day. But the reality is, most people don’t just buy one thing. Rather, they can’t, because Hollar has a \$10 checkout minimum. Yeom was skeptical about imposing this limit before Hollar’s launch, but an advisor assured him that as customers scrolled through the site’s 20, 000 items, they would load up their shopping carts regardless.

“ For a marketer, I’m very pro-consumer and I didn’t really like that aspect,” Yeom says. “ But you know what? We haven’t heard anything about it. We don’t hear from our 70, 000 Facebook fans like, ‘ Oh my God, why are you doing this?’”

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The average Hollar cart size is \$30, and the largest order so far, at \$963, contained 300 items. While Yeom was fortunate to find himself surrounded by a group of friends and industry veterans who could fund his company and help him set up every aspect of its operations, from supply chain to merchandise selection, he notes that just having these friends in high places wasn't enough. He had to listen to them and trust their advice.

“ Through my 17 years of working on the web, I got to see a lot of the mistakes happen,” Yeom says. “ I think I did myself a service by keeping my eyes open, listening, embracing, learning, asking myself, ‘ How do I want to structure a team?’ ‘ How do I build aculturethat’s going to get people motivated or excited?’”

He also learned about staying competitive.