

Comfy Shoes Helped Allbirds Become a \$1.4 Billion Company, but It's Never Been Just About Shoes

It has been a 'fairy tale' start for the San Francisco company, but there's sure to be more to the story.

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Editor's note: Inc. magazine's 2018 Company of the Year is [Bird](#). Here, we spotlight a contender for the title.

If you started a company that was valued at \$1.4 billion after just two years, you'd probably be pretty proud--of the [valuation](#), your product, and yourself. [Allbirds](#) co-founders and co-CEOs Tim Brown and Joey Zwillinger are most proud of a piece of foam.

It's not just any type of foam, of course. It's made from [sugarcane](#), and as a result, it's carbon-negative--sugarcane actually sucks carbon from the air. It took two years, a partnership with Brazilian plastic manufacturer Braskem, multiple trips to São Paulo, and millions of dollars to create. Brown and Zwillinger call it "SweetFoam." It was, in their minds, a huge deal, but they never meant for it to be a trade secret.

This past August, they published the recipe for their SweetFoam for everyone to see. Releasing their formula was equal parts altruistic and pragmatic, Zwillinger says: "The altruism is that if everyone uses this, it's going to be

great for the environment. The pragmatism is that if everyone uses it, the cost is going to go down."

That's the Allbirds ethos in a nutshell. The San Francisco-based footwear company launched in March 2016 with a direct-to-consumer model and quickly gained a reputation for quality--online reviewers rave about the comfort of the shoes--and commitment to environmental sustainability. That turned into growth: Allbirds racked up \$100 million in total revenue over its first two years, and already employs nearly 150 full-time staffers.

An October fund raise of \$50 million led by T. Rowe Price brought its [reported valuation](#) to the aforementioned \$1.4 billion, all from only three product lines. Other investors include firms like Lerer Hippeau and Elephant, and celebrities like Leonardo DiCaprio and Scooter Braun.

Impressive as those numbers are, they pale in comparison with the rest of the global footwear industry, which is worth \$208.2 billion, according to IBISWorld market analyst Devin Savaskan. Nike and Adidas lead the way with \$22.3 billion and \$11 billion, respectively, in 2017 revenue. Nike's ad expenditure alone last year, Savaskan notes, was nearly triple Allbirds's current valuation.

"We're clearly on a great trajectory, so we're really happy about that--but we're also such a drop in the bucket," says Zwillinger. "It feels like we're just getting started."

Unlikely Duo

Brown, a New Zealander born in England, played professional soccer in Australia for more than a decade before retiring in 2012. His career gifted him plenty of free shoes, and he was constantly surprised at the cheap materials used to make footwear that he considered pointlessly overdesigned. He thought about how nobody used merino wool--a luxury fabric heavily sourced from Australia and New Zealand--instead.

In 2014, he brought those ideas to a Kickstarter campaign. The campaign raised almost \$120,000, surpassing its goal of \$100,000 in just five days. Zwillinger, whose wife was college roommates with Brown's wife, was one of the first investors. It resurfaced Zwillinger's entrepreneurial itch--nearly a decade prior, at Wharton, he'd become friends with the founders of Warby Parker, and had even beaten them at a 2009 pitch competition with a educational toy for kids learning to code called CuddleBots.

Zwillinger and Brown started talking. And soon, Zwillinger would quit his job as a vice president at a biotech firm to join Brown full time.

Neither had any industry experience, and both quickly found that shoes are really hard to make. The product's heavy reliance on comfort makes the margin of error extremely small. It took them two years just to launch their first model. That slow, deliberate R&D process is why the co-founders consider 2018 their most exciting year yet: Their second and third product lines, "Tree" shoes made with eucalyptus fiber and flip-flops made from the SweetFoam, also took two years to create and finally launched this year. "It unpacks our story a little bit more," Zwillinger says. "When we just had merino wool, it was hard to sit here and say we're a material company, not a shoe company."

More Than Shoes

The company's planned trajectory, then, definitely includes more than just shoes--though the co-founders decline to cite specific plans. Ask Zwillinger if it'll still involve items people wear, and he'll wait a full two seconds before issuing a cryptic response: "Possibly."

A focus on materials encourages more of a spotlight on the company's sustainability efforts, which Neil Blumenthal, the Warby Parker co-founder and co-CEO, considers crucial to the brand's popularity. "We're living in the age of the internet, where people can find out every bit of information available. If you're inauthentic, you're easily found out," he says. "If there's a brand that defines authenticity, I think it's Allbirds."

In other words, Blumenthal says: "It's finally cool to care."

That may explain part of the company's rapid rise--which Thrillist founder Ben Lerer, whose Lerer Hippeau led Allbirds' seed round, calls a "fairy tale." It also sharpens future challenges into stark focus. Lerer notes that Allbirds is the first direct-to-consumer footwear company to draw this much attention, which places a huge target on its back. Copycats will emerge. Industry giants could take notice.

Zwilling and Brown prefer to focus internally, because despite their growth, they're still figuring out how to keep scaling. "If we're going to make a dent on the planet, we've got to be big," Zwilling says. "We've never had a number in mind. Like \$90 billion? It's all so abstract. I don't know what 'big' means quite yet."

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