

Retail repeat: Lily Kanter makes money (again) to give it away

by M. Sharon Baker | Jun 17, 2013



Two days after Microsoft opened its 36th retail store in late May, Lily Kanter sat on a plane waiting to take off for the Hamptons in New York where she, as co-founder and CEO, would open Serena & Lily's first retail store.

As she waited on the tarmac for the plane to take off, Kanter retold the story of how she opened Microsoft's first ever retail store more than a decade earlier, how that initial project led to her first direct philanthropic effort, and how that first foray into retail had a much different strategy than the one Microsoft is rolling out today.

The retail business was somewhat foreign to Microsoft when Kanter was recruited in 1994 to head up the retail sales overlay position for the Western U.S., she explained. The company was hiring industry experts to help drive sales of Windows NT into retail enterprise accounts. Retail was Kanter's forte.

She worked at a men's clothing store throughout high school and college. She then used her B.A. in accounting from Arizona State University at Coopers & Lybrand to help a client, The O.P. Club, open 11 office supply warehouse stores in the late 1980s. At IBM, she was controller of the largest IBM AS/400 Systems Integrator VAR, Gateway Data Sciences. When she was at Deloitte, she managed Retail Vertical Technology Consulting, and then started its Retail Vertical Integration Practice.

"Microsoft was extremely hot in 1994 and had a lot of buzz," Kanter said.

"I was very intrigued by the company, decided to interview and got hired by Rich Kaplan who's still there today," she said, adding that the company had roughly 3,500 employees at the time.

Unlike today's growing retail store efforts, Kanter proposed the idea of a retail branded store in 1997 to curb anti-Microsoft bashing and show consumers the Redmond company wasn't just a back office software company.

"At that time Microsoft had a lot of negative mojo in Silicon Valley," she said. "There was the 'Anything but Microsoft Alliance' consisting Oracle, Sun and Apple. We had a genuine interest in becoming more community minded and consumer facing in the Bay Area, and I sold it to Bill and Steve as putting a store there as our beachhead and as a community outreach vehicle."

Kanter wrote the retail business plan, which had support from boss Joe Vetter. They sold the idea to Bill Gates and Steve Ballmer, she said. "I really think the deal got sold on the golf course by Joe to Bill. Bill and Joe were very close."

First ever MSFT Retail Store counters Negative Mojo

The high-tech, ultramodern store opened in September 1999 in the Metreon, the new Sony Entertainment Center in San Francisco, a 4-story destination with 15 movie theaters, attractions, restaurants and shops. Called microsoftSF, the hip store showcased Microsoft software and hardware in an interactive environment where people could play with the technology. The store also contained hardware and software from Microsoft partners.



The store opened to great reviews for its sleek design. For her efforts, Kanter was given the Frontier Award, a special award given that year on par with the Chairman's Award, as recognition of her entrepreneurial efforts.

Lease Problems Lead to Store Closure

Despite its initial success, the retail store closed after two years due to a technicality. "Our lease was in conflict with Sony PlayStation's lease," said Kanter. "PlayStation had a retail store in the same building and their lease said that no other retailer in the building could sell electronic gaming consoles. Our lease said we could sell 100 percent of our products in the store."

So when it came to launch Xbox in 2001, trouble erupted. Rather than sue, Microsoft decided to close microsoftSF. "We never knew about each other's leases," Kanter said. "Why would we?"

The Microsoft store wasn't the first that Kanter opened, nor would it be the last. Retail success is part of her DNA. But opening the retail store

and juggling nationwide travel on behalf of the coming online revolution left Kanter drained.

"I was exhausted," she said. "I had spent five years on the road, I had just gotten married, I opened the store and was beginning my family, so it was just time." Kanter resigned in September, 2000, at age 35, becoming one of the Microsoft millionaires she had read about many years before.

Sarosi-Kanter Foundation Ramps Social Giving in a Big Way

Although Kanter says she "downshifted her life, and took a break", the only door she closed was at Microsoft. She was just beginning to ramp up her philanthropic efforts setting up the Sarosi-Kanter Charitable Foundation, with husband Marc Sarosi, in early 2000. She was already mentoring 15 young Microsoft employees, and had landed on the front cover of Time magazine's July 24 issue for being part of the new high tech millionaire philanthropists who weren't waiting for old age to start giving back.

The self-proclaimed type A-personality also helped launch Social Venture Partners in San Francisco, co-founded [AngelPoints, Inc.](#), and was pregnant with her first child – all before the end of 2000.

The daughter of an inner-city school teacher and a doctor for a free health clinic, Kanter's largess started at home long before she started her foundation. Her parents "were both working in a social action capacity and were tireless volunteers," Kanter said in a San Francisco Chronicle article.

Like her peers, Kanter isn't into writing checks but getting involved with the organizations she's supporting. She attacks her philanthropic efforts with the same vigor as a venture capitalist, seeking knowledge of where and how the money is spent and seeing measurable results. She backs organizations with passionate founders who have a lot of energy behind their cause.

Helping 20-Somethings Get Ahead

While she had volunteered many times before, Kanter's first direct social philanthropy effort was to mentor and help 15 young employees of Microsoft get ahead in life.

Noticing several knew more about computers than she did, she wondered why they worked for minimum wage rather than higher paying jobs in Silicon Valley.

"It blew my mind that they weren't working in Silicon Valley because they had the aptitude," Kanter said, adding that she quickly learned a number of them lived in a rough neighborhood in San Francisco and had dropped out of high school. "They just needed some level of certification and mentorship."

Wanting to help, Kanter aligned herself with a Microsoft technology certification organization, asked 15 employees to apply and ended up paying \$3,500 in tuition for each of them to go through the training. She met with them once a week for coffee and mentoring. Within a few months of graduating, one mentee landed a \$45,000 job, one ended up working for Cisco while another took a position at Intel.

"A couple others got caught stealing from the store," said Kanter. "Obviously I forgot to tell them some basics like not to steal, and I realized that there were life skills that were missing. It was a good learning experience for me as well as a big disappointment."

"After that, I decided to start funding programs with better infrastructure to create the right environment," she said "The first experience turned me on to social entrepreneurship, but I stopped running my own because I was over my head, and didn't have the right infrastructure to create my own organization."

"It's also a full time job, and I didn't have funding for a full organization. I thought it would be better to invest in great people."

Co-founded Social Venture Partners, AngelPoints in San Francisco

In November 2000, Kanter connected with several Microsoft alumni - Madeline Kirbach, Denise Shephard, and Brenda Lhormer – who were intrigued by the venture philanthropy model created by Paul Brainerd, MSAF board member Paul Shoemaker, and others in the Seattle area called Social Venture Partners. The quartet formed Social Venture Partners Bay, affiliated with the San Francisco Foundation, and soon started making philanthropic investments in education and children.

As Kanter was leaving Microsoft, her neighbor Andy Mercy told her about his idea of creating a company that could create value around good deeds and provide efficiency tools to the nonprofit industry in order to help others become socially responsible businesses. They teamed with Gil Fleitas, then of Trammell Crow, to co-found [AnglePoints Inc.](#)

"I loved the vision and jumped right in to become a co-founder." Kanter said. She raised the initial funding and landed the first install - her former employer Deloitte & Touche. She also took [AngelPoints](#) to Salesforce, which became one of the company's first installations.

Kanter's favorite charitable cause is the [Cambodian Children's Fund](#), created by Scott Neeson, a former president of 20th Century Fox. "Scott has taken 1,200 kids off a dump site and dramatically changed their lives in a really quality way," Kanter said. "It's really inspiring. They used to



be trash pickers.” She’s currently a board member of the nonprofit.

Another of Kanter’s efforts is Free the Children, “an international charity and educational partner, working both domestically and internationally to empower and enable youth to be agents of change,” [its website](#) says.

As part of their We to Me family program, Kanter will be taking her three sons, ages 12, 10, and 8 to build a school in Kenya this summer. “It’s a wonderful program that combines philanthropy with engagement with families,” she said.

Opens Own Retail Store: Mill Valley Baby & Kids Co.

With her philanthropy well under way, it didn’t take long for Kanter to jump back into retail. “I decided to not go back to the corporate world, but still needed to earn a living,” Kanter said. “I wasn’t going to retire at 36.”

Looking around and researching her own experiences, she focused on a void she saw as a parent: There weren’t any stores offering high end nursery furnishings in Mill Valley. In July 2002, she and Sarosi opened their own retail store, Mill Valley Baby and Kids Co. Their goal was to build a successful business so they could continue their philanthropy.

“A year and a half later, in October 2003, on the day I was having my second son, a freelance designer from Pottery Barn Kids came in and left her portfolio,” Kanter said. “The next day, when I swung in to show off the baby, I saw her portfolio and asked to meet her a couple of days later.”

The designer was Serena Dugan. “We had a lot of chemistry,” Kanter said. “I told her there was no nursery bedding out there that I would do in my nursery and asked her, ‘Do you want to start a baby bedding company together?’”

Kanter Co-Founds Serena & Lily



Six weeks later, Dugan showed her some initial designs, they created a catalog, and [Serena & Lily](#) was born in Sausalito, CA. Legend has it that the pair sent out their first catalog featuring crib bedding samples to baby decor stores nationwide, generating 100 orders within two weeks.

“We were shipping into 100 stores within a year of knowing each other,” Kanter said. “Then it took off. After my third baby came in July 2005, we sold the Mill Valley Store. I couldn’t run the family and two retail companies; something had to give.”

At first, Serena & Lily was a wholesale business selling to stores. It grew from those first 100 accounts into a brand selling to 600 stores, including Bloomingdales. Four years after opening, the company moved beyond baby furnishings and into the consumer home décor market aided by a venture capital round led by Battery Ventures.

The funding round allowed Kanter and Dugan begin selling direct to consumers through a new consumer website and catalog, a move that allowed them to double sales in 2009 and 2010, and become an online retail success story. Serena & Lily expanded into bedding, furniture, rugs, windows, décor, gifts, paint and even fabric. To support artists, they added an online Art Collection, and they returned to the kids market earlier this year with a catalog for infants and bigger kids.

Online and Catalog Success lead to First Retail Store

By 2012, the direct business sales surpassed the wholesale business, and the decision was made to shutter the wholesale business. Today Serena & Lily’s catalog reaches more than 1 million consumers. In April 2013, the privately held company landed \$10 million from ORIX Ventures, a Dallas firm that invests in mid to late stage companies.

Last month, Kanter opened the first of what she said will be 10 to 12 high-end retail stores. In just 10 years, Serena & Lily’s employment has grown to 75, and revenues will approach \$50 million this year, she said.

“We’re building a successful company and creating an amazing place to work,” Kanter said as the plane’s captain asked passengers to turn off their cell phones and prepare for takeoff. At the pace Kanter moves, doing so will afford her many more years of monumental giving.

([M. Sharon Baker](#) covered Microsoft as a business reporter from 1988 to 2002, first for the Journal American and later for the Puget Sound Business Journal. Today, she’s a freelance journalist and B2B writer helping companies create content that connects with customers.)

