

URL: <https://stvp.stanford.edu/clips/solving-the-chicken-and-egg-problem>

When building a marketplace, should founders first focus on supply or demand? thredUp co-founder and CEO James Reinhart argues that founders should look for the largest long-term constraint on the business and solve for that. For a consumer business, he finds, that will usually mean focusing on supply.



## Transcript

- Based on your experience, 00:00:03,560 do you have any further advice on how to address the chicken and egg problem in the early stages of a marketplace? Should founders focus first on attracting supply, demand or both at the same time? - Yeah, there's a lot of stuff written about this.. 00:00:19,700 So since we don't, we only have two minutes, you know, the Cliff Notes version is, I think you have to figure out what the real long-term constraint in the marketplace is going to be and spend all your time solving that.. And so, you know, for example, like Airbnb, you know, their whole business is constrained by the number of hosts, right? The hosts and supply team over there dwarfs everything else in the company, right? It's all about supply, you know, OpenTable when they got started, right.. It was all about restaurants.. How do I get our, how do we get our software into the restaurants? And so in any marketplace, one side is going to be more constrained than the other.. And generally speaking, this isn't always true, but generally speaking supply is the constraint.. And so if you can crack supply or crack a new way to bring supply online in any market chances are, like you're gonna have an opportunity to win.. And it doesn't mean that you'll win over the long term, but if you're gonna start somewhere in marketplaces, I think supply is a good place to start...