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THE MOMENT

# CEO of $5B startup once took 'shortcuts' to grow business—until 'alarm bells' went off: Without change, we wouldn't 'have a company'

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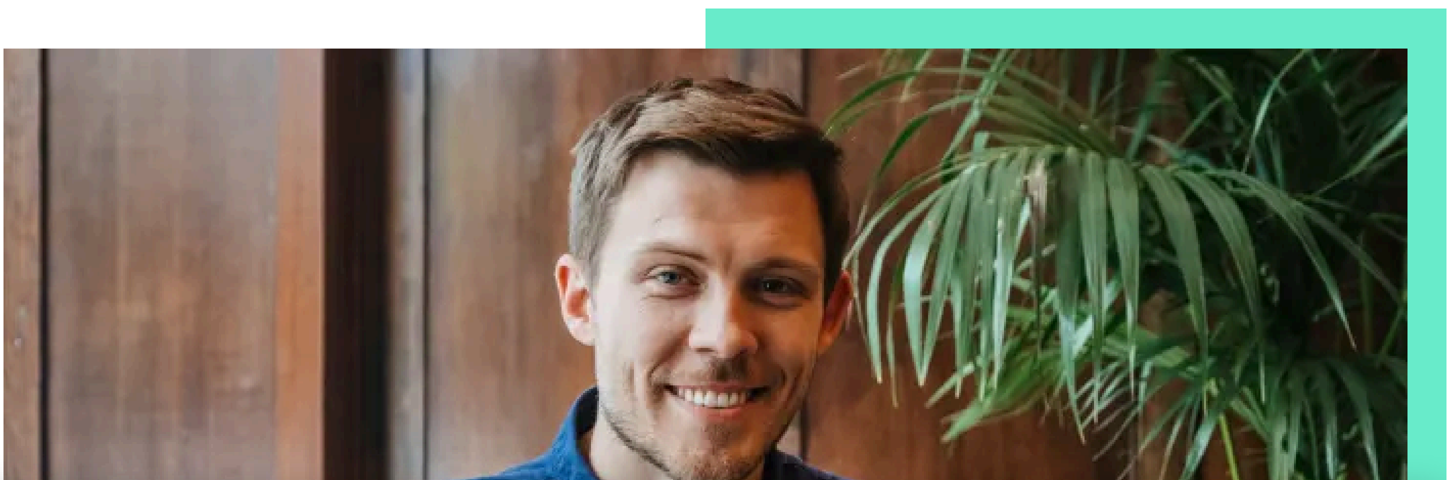

*This story is part of CNBC Make It's The Moment series, where highly successful people reveal the critical moment that changed the trajectory of their lives and careers, discussing what drove them to make the leap into the unknown.*

Most CEOs might be pessimistic if their company lost more than half of its valuation. For Faire co-founder and CEO Max Rhodes, the feeling is more akin to relief and optimism that his business' best days could still lie ahead.

Faire is an online wholesale marketplace that connects artisans and other independent brands with small retailers looking for new products to sell in their stores. It was most recently valued at $5.2 billion following a secondary share offering in November — less than half of its peak valuation of $12.59 billion, which it achieved post-money after a May 2022 fundraising round, a Faire spokesperson says.

Rhodes and his co-founders — Marcelo Cortes, Jeffrey Kolovson and Daniele Perito — launched the company in 2017 and quickly raised over $1 billion during the ensuing five years. The attention from investors was alluring, and soon, the company was chasing "vanity metrics" while growing headcount to 1,200 employees, Rhodes says.

"We got addicted to the growth rates," says Rhodes, 39.

The company risked joining the ranks of buzzy startups that never figure out how to turn their sky-high valuations into profitable, sustainable businesses — until a moment in April 2022 that caused Rhodes to reevaluate his company's approach, he says.

One option for Faire: spend more cash in the hopes of reigniting revenue growth. Instead, the startup intentionally slowed down — slashing spending, reducing the company's staff by roughly 20% and doing away with many of the incentives and discounts it'd used to attract new customers. The decision was painful, humbling and necessary, Rhodes says.

But within months, revenue growth ticked upward, says Rhodes. Most recently, Faire's revenue in 2025 grew by 32% over 2024, customer retention rates are "way, way up" and the company is projected to "break even in the very near future," he says. (Faire declined to provide documentation to verify its revenue growth.)

Even profitable, Faire could face stiff competition. Its closest rival also has a multibillion-dollar valuation: Paris-based startup Ankorstore, reportedly worth $2 billion post-money as of January 2022. They're both competing with physical trade shows, where the largest annual events can attract tens of thousands of retailers to purchase inventory directly from exhibitor brands.

Following a dip in popularity during the Covid-19 pandemic, those trade shows rebounded to an estimated market size of nearly $16 billion as of 2024, according to PwC.

Here, Rhodes discusses the role "hubris" played in Faire's initial rise, the red flags that led to its restructuring and why leaders should always be wary of feeling invincible.

**CNBC Make It: Looking back, why didn't you see the warning signs sooner?**

But it wasn't actually working. In 2021, trade shows [that traditionally connect artisans with retailers] were canceled, and there was a ton of stimulus in the economy, so people had a lot of money, a lot of time on their hands. Part of what drove that inflection of growth wasn't actually what we were doing. It was just sort of happening to us.

We had a billion dollars. It felt like infinite runway. When you feel like you have unlimited capital, it can lead you to be really undisciplined. I wasn't skeptical. I was just like, "Oh, wow. Everything we're doing works. We can't be stopped!"

**CNBC Make It: What were the biggest red flags you discovered when you started digging into what caused growth to slow?**

Rhodes: I spent a bunch of time digging into all of the metrics that we historically had used to assess the health of the business [including customer retention and spending habits]. I spent a bunch of time talking to retailers, and I spent a bunch of time using the product myself.

within a couple of years" to, like, "Oh God, if we don't clean up our act, we're not even going to have a company."

The other signal: Honestly, I felt icky, if that makes sense. It felt off in a fundamental way. I felt like I was not living my values. We felt invincible and we lost our way.

**CNBC Make It: What were the risks of slashing spending and cutting headcount?**

Rhodes: I knew it was the right thing to do, so there was never really much doubt that we were going to do it once we started to look at [the underlying metrics]. But it was scary, because it felt like an admission that the world had changed, and of the mistakes that we'd made and the consequences of those.

It's the hardest thing I've ever done, certainly in my professional life and maybe in my personal life. I was definitely worried about how people would view me, and how people would view Faire. I was worried people would leave and the shine had gone off the company.

We were burning a lot [of cash], but it wasn't existential in [the sense], like, "We're going to run out of money." It was existential in [the sense] that we're going to lose all of the momentum that we've built and end up with a product that isn't that good.

Once that happens, it's not going to work, even if you have infinite runway. You might survive for another 20 years as a business, but you're not going to do anything that matters. You're not going to have any real impact on the world.

Ultimately, it came back to the North Star for us: Serve our community [and] help our something like that is part of life. It's part of building a company. If you look at all the really great companies that I admire, almost every single one of them had something approaching a near-death experience.

Going through a process like that [made Faire] a stronger company. I think I am a better leader as a result of having been reminded, in such a traumatic way, of the importance of staying focused on customers. [Our] employees knew that our growth had slowed. We explained why we were doing it. We ended up with good [employee] retention [after the layoffs].

And we started accelerating growth again. We got back to a place where people now can see the path to us being a $12 billion company in the not-too-distant future.

**CNBC Make It: What's your advice to other entrepreneurs on how to look past positive results to see potentially destructive red flags?**

Rhodes: Check your cognitive biases, especially if you are starting to feel invincible or unstoppable. It can happen. Success can be dangerous.

Having a great board, and listening to your board, is the other thing — having advisors who can reality-check you and are willing to be honest with you.

*This interview has been edited and condensed for clarity.*

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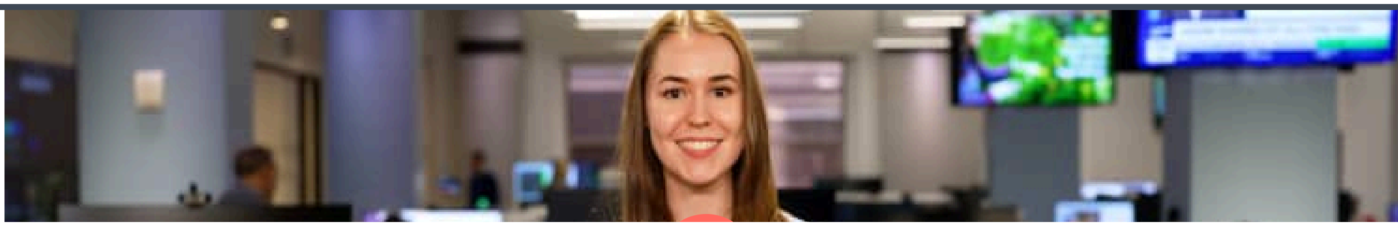

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