

# FORTUNE

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## e-company

# The Renaissance Man of E-Commerce

*Patrick Byrne has done more in his 37 years than most do in a lifetime. Will that make his company, Overstock.com, a success?* ● BY NICHOLAS STEIN

**H**ow many Internet CEOs spend their adolescence learning allegorical life lessons from Warren Buffett? And how many then go on to follow his advice? Patrick Byrne, CEO of Overstock.com, a Salt Lake City company that sells excess inventory of items such as clothing and consumer electronics at deep discounts, has done both.

When Byrne was 13, Buffett told him to think of himself at home plate, waiting for a pitch. "There was no one calling balls and strikes, and I could take as many pitches as I wanted," recalls Byrne, who got to know Buffett because his father was a colleague and friend of the legendary investor's. Buffett's advice was simple: "Every year or two, the perfect pitch comes along, and you swing from the heels." But few people have the courage to do that, Buffett ex-

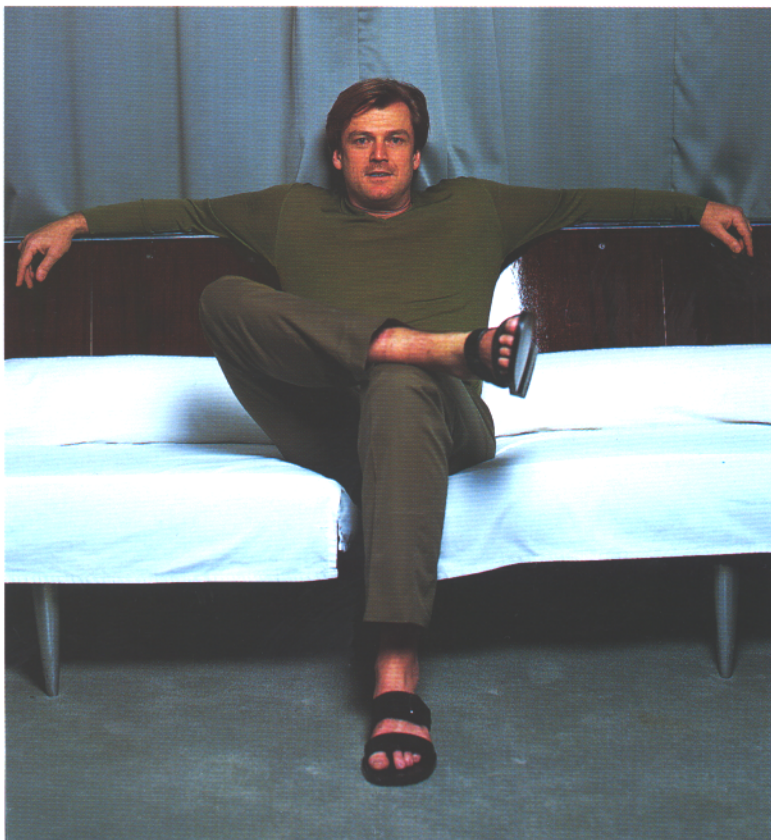
plained. "Most people just try to bunt."

No one can accuse Patrick Byrne of a life filled with safe bunts. At age 37, he has already enjoyed business success, amassing a \$100 million portfolio as CEO of High Plains, a personal investment fund

through which he bought Overstock.com. And Overstock.com, which he took over last fall, is ranked as one of the fastest-growing e-tailers by Media Metrix.

But that seems almost trivial compared with what Byrne has done along the way.

*Are you experienced? Byrne has a Ph.D., speaks Mandarin, and was a pro boxer.*



He earned a Ph.D. in philosophy from Stanford and black belts in *hapkido* and *tae kwon do*. He has bicycled across the U.S. three times, studied moral philosophy at Cambridge as a Marshall fellow, and briefly pursued a career in boxing. Byrne also speaks Mandarin—not to mention four other foreign languages—and translated Lao Tse's *Way of Virtue* during his senior year at Dartmouth. He has a nearly photographic memory, which he is fond of demonstrating with what he calls his memory trick: If he studies a deck of cards for a couple of minutes, he can recite them back, one by one, in either direction. He can even recite the same list

again six months later.

Though much of Byrne's zeal is innate, part of it stems from his bout with seminoma, a cancer that reduced his 6-foot 5-inch frame from 240 pounds to 164. It attacked him three times between 1985 and 1988, leaving his body scarred with the marks of 20 surgeries. He has been in remission for 12 years but admits that for a long time, the cancer made him think in three-month horizons.

Before he got sick, Byrne seemed destined for success. His father, Jack Byrne, had tenures as CEO of GEICO, Fireman's Fund Insurance, and FundAmerica. Soon after assuming the helm of the then-ailing GEICO, the elder Byrne met Buffett, who was so impressed by Byrne that he bought 500,000 shares of GEICO the next day.

Buffett would go on to develop such an admiration for the younger Byrne that in 1998 he brought him in as temporary CEO of Fechheimer Brothers, a Cincinnati uniform manufacturer owned by Berkshire Hathaway. Fechheimer badly needed rejuvenation, says Mike Fralix, director of (TC)<sup>2</sup>, a garment industry think tank that consulted for Fechheimer: "The company still did things the same way it had 50 years before." So in a turbulent 18-month tenure, Byrne made sweeping changes in infrastructure and personnel. Still, some felt Byrne was "too quick on the trigger," as a former Fechheimer executive puts it. Certainly, Byrne's tenure didn't lack for drama: He once challenged union leaders to a fist-

fight to resolve a labor dispute. No one volunteered, and the union later backed down.

Despite that bellicose episode, argues Karla Bourland, who worked with Byrne at Fechheimer and is now Overstock's chief operating officer, Byrne is the greatest motivator she's ever seen. When Byrne announced he was leaving Fechheimer, she recalls, many of the seamstresses cried.

Byrne's latest passion is Overstock.com, which he predicts "will make more money in the next five years than Amazon." The company buys overproductions and closeouts of consumer goods, and sells them on its site at an average discount of 50% below retail. Overstock doesn't have to worry about giant e-tailers like Amazon: To avoid cannibalizing sales, manufacturers generally won't sell excess inventory to retailers that already carry their new product lines.

Overstock.com came to Byrne's attention last spring when its founder approached High Plains for capital. "The financials were a joke," says High Plains CFO John Pettway. "But buried in all that was this billion-dollar idea." High Plains decided to invest \$7 million for a 60% stake. By September, the existing management had failed to make enough progress, and Byrne stepped in as CEO.

In the months since, he has had a significant impact. Though the company has yet to make a profit, sales increased from \$70,000 in August to \$1 million in Decem-

ber. The 2.7 million unique visitors to the site during the five-week Christmas season placed it 21st among the e-commerce sites tracked by Media Metrix. And Byrne has assembled a formidable board of directors, including Gordon Macklin, former chairman of Hambrecht & Quist; Garry Kennedy, former president of Oracle USA; and Jack Byrne. At press time, the company was set to close a deal with a syndicate of venture capitalists for \$25 million to \$30 million in funding.

Byrne plans to take Overstock public in June and expects the market to give it a billion-dollar valuation. Others are less optimistic. "Business-to-consumer companies have become the stepchild of business-to-business," says Paul Hammer, vice president of technology at investment bank Houlihan Lokey. "Companies like beyond.com, CyberShop.com, and others are all doing poorly," he says, putting Overstock's value in the \$40 million to \$70 million range.

Byrne argues that Overstock's sophisticated marketing and supply-chain management will make it an exception to that trend. And besides, no one else has a CEO quite like Patrick Byrne.

## buzzwords

**Space:** Forget Mars. E-denizens use this term to mean "industry category"—as in "There's only room for one dominant player in the online luxury-goods space."