

Inside the Box: Chain Cutters Union Financial Retrospective

Founder's Box, Q2

'**S**o where does the money go?'

If you've ever purchased anything, this question has come to mind before. 'How much of what I paid is actually what I'm paying for?' Transparency is an important thing in a new enterprise. It lets customers know their money is headed somewhere worthwhile. It keeps everyone honest. It shows you, very quickly, that everything in your investment is in order.

Jeremy and I believe very strongly in transparency. We are two players who had an idea that could help grow the sport of disc golf, and we enacted it. While we ultimately hope to make money, it certainly will not be at the expense of the sport or its players.

Part I: Expenses

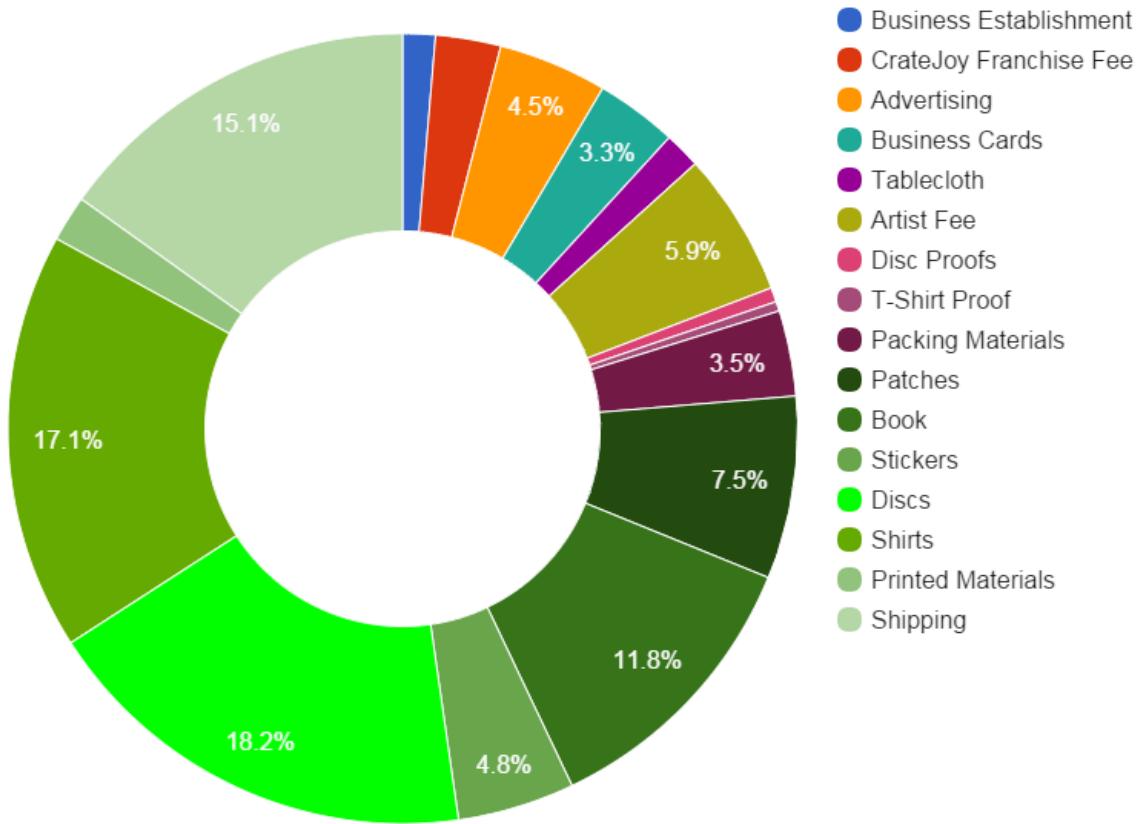
The numbers included in the graph below are the latest and final numbers from the April-June "Founder's Box", our inaugural box, and the one where we made a few mistakes that we have already learned from, and plan to fix in the next box.

A few quick things to note:

Everything in the color green is the "real box" - goods and shipping. Discs, shirts, minis, stickers, patches, the Zen and the Art of Disc Golf book, supporting printed materials, and the cost to get it out to you. Green items are your direct benefit from your payment.

Every other color is the other "little" things. What makes the business run. What gets the word out to others so we can further grow the business, be seen at events, and keep getting the product out to new people.

Founder's Box Expenses



That's everything. *Literally* everything. From the largest item - discs - to the smallest thing: a single T-Shirt proof from our vendor. Of all the money that we brought in this quarter, over 76% of it went directly back to you in fulfilling your order. And we tracked every dollar.

There's one thing you may have noticed missing from this: profit. That's because there was none. While our model is profitable, due to one-time start-up costs, we made no money from this box. We are still making sure every dollar gets to where it should be going, but none of it is going to us. We are driving everything back into the business, making sure we are well-positioned to begin to widen our margins a little, to include more, do more, and give you more wherever possible.

Besides the obvious stuff in green, there are a few items on the list of expenses that might confuse you or not be immediately obvious what they are. I'll start at the top:

1. Business Establishment

In order to actually order what we needed to - and indeed be sent anything at all from some vendors - we needed to become a legit entity in the great state of New York. There were a few administrative costs associated with this, and this money will never need to be spent again. Pure start-up expense.

2. CrateJoy Franchise Fee

We owe a great debt to CrateJoy. Their quick setup platform allowed us to get moving, establish a website with all sorts of management to keep our customers in order, handle shipments, and a host of other perks that otherwise would have made becoming able to take orders and payments a chore. That great debt is being repaid in the form of monthly payments to them.

3. Business Cards / Tablecloth

I'm combining these because their rationale is the same. We love shipping around the world (Canada is a whole other country, ya know.), but disc golf has always been a grassroots sport with in-person sales therefore likely the most effective. In order to make sure we have a proper presence at events, minutiae like business cards and tablecloths needed to be ordered. They've already seen use, and helped us establish ourselves in our local community.

4. Artist Fee

At the end of the day, what was it that brought you to us? I'll bet it was that cool Anhyzer-Bush logo! Even if it wasn't, you've probably seen the "CC" logo a few times. That quality of graphic design always comes at a cost, and as experienced professionals in the software and web field, Jeremy and I know that the cost of good graphic design is always worth it.

5. Proofs (Disc/T-Shirt)

Whether it was shipping from our incredibly generous partners at Gateway, or a one-off shirt to inspect quality and layout from our T-Shirt vendor, proofing is an essential part of getting top-quality product to customers. Without proofs, we wouldn't have known just how cool that logo looked on those discs.

And that's all. That's where all the money went from this box. But what did we learn from running this business? How will we make it better?

Part II: Lessons Learned

As with anything new, there was a lot to work out. We were new in the disc golf business, we were new to running a business, and we were still pretty new to disc golf in general. We made a few mistakes, none of them *very* costly, that needed to be made so that we could know what *not* to do next time.

1. Shipping

The calculation of shipping was a problem from day one. We estimated it as our largest expense (which was false), however, we still greatly missed the mark on its real value. This was due, in large part, to not having an established business account with the USPS. We are fixing this issue as we speak, and should hopefully be able to bring down our shipping by about 10-15%.

2. Advertising the Right Way

In the first few days of open sign-ups, we were not prepared for how ineffective link sponsorship (think AdWords) would be for our business. We continued to throw money at the problem, expecting that next ad dollar to be the one that paid off. It wasn't until we put money into targeted advertising on Facebook that we realized how ineffective the way we had been doing it actually was. This time, we're skipping right to the social media.

3. Bringing All Users Into the Fold

As we rounded the home stretch, everything on social media was going great... Too great. Caught up on our rapid Facebook growth, we began neglecting other forms of communication and social media. Because of this, many of our non-Facebook customers grew concerned about our apparent lack of updates, and that concern is not something that our customers should ever feel. In response to this, we will begin pushing out regular updates to email, as well. Though we can't promise it would be as frequent as Facebook (and who wants all that spam, anyway?), we certainly won't leave a large contingent of our customers in the dark again.

Wrapping It Up

And there you have it. We here at Chain Cutters Union loved the experience of giving you something brand new. It was about 90% excitement and 10% terror of letting down one of the most welcoming communities we've ever been a part of. We could not be more overjoyed at the positivity that has come from our work, and we hope that we can grow this Union into a fantastic, unique enterprise that will continue to humble us, delight our customers, and grow this sport of ours ever larger.

We thank you from the very bottoms of our hearts, and look forward to doing it all again in 2 months and 1 week (give or take)

Thank you,

Greg