Kettle & Fire Co-Founder Nick Mares On Scale, Financing, and Equity Negotiation
Transcript

Ryan Moran [00:00:04]
Hey, everybody. Welcome back to Capitalism.com. I'm Ryan Daniel Moran and on today's episode, I'm going to share with you one of the talks from the most recent Capitalism Conference. It was a talk and a Q and A with Nick Mares. He's the founder of Kettle & Fire. If you're a health nut, you know that brand. They were the first to market with bone broth. They made bone broth big.

Ryan Moran [00:00:28]
Their timing was on point, their product was on point, and they did a great job scaling this business. And he and his brother grew this business when they were teenagers and in their early 20s. Early 20s, what a-holes, right? Anyway, Nick and his brother were so young as they were building this really successful brand that they also made a lot of mistakes on the way up. And one of the mistakes that they wished they had known how to navigate was how to fund the growth of something that was moving so fast.

Ryan Moran [00:01:01]
And when they were growing the business, they didn't have a lot of the resources that you have now. But also, Nick went on to start a company that solved this problem. He started a company called Upside Financing, which provides financing options for ecommerce brands so that other founders and owners could avoid some of the roadblocks at Kettle & Fire went through as they were scaling.

Ryan Moran [00:01:25]
You'll hear him touch on that quite a bit in this talk about the ways that they funded and the ways that they wish that they had funded. Now, the other thing that stands out in this episode is product market fit. So often, we see brands come out of nowhere and go into the stratosphere while we are working on the sidelines on something, just trying to hustle and grind our way to the first million.

Ryan Moran [00:01:50]
And so much of success is timing, it's when the marketplace is ready for something, it is things outside of our control, like exposure into other markets and what the marketplace demands

are, and sometimes luck and funding and people and relationships. It's all of these factors. It's all these factors that really make up product market fit.

Ryan Moran [00:02:14]
And Nick talks about one of the reasons why they were successful is because they were early in a trend, they did a great job on product, and their timing was really wrong. Now, you still have to build a great business in order to have this kind of success, but having that product really be perfect and have good timing and ensuring that the market size is big enough and creating great relationships, that is all part of the package.

Ryan Moran [00:02:43]
We recently did a class inside of The One Percent called the Perfect Product Formula, and it's about ensuring that your product is a fit before you hit the market. Before you do all of this work to launch your million dollar business or your 8-figure exit, how do you know upfront that you're going to be successful? If you want to take that class, it's free if you're a member of The One Percent.

Ryan Moran [00:03:07]
So, just hop into The One Percent, or if you're already a member, log into your dashboard and you'll see this class called the Perfect Product Formula. It will really help you ensure that you've got a winner before you launch. All right, enjoy this keynote from the Capitalism Conference from the Kettle & Fire co-founder, Nick Mares.

Ryan Moran [00:03:24]
Every once in a while you meet somebody, kind of like AJ, where it feels like everything they touch just works out. And Nick had started the business that he is famous for, Kettle & Fire bone broth. Have you guys ever had Kettle & Fire? Kettle & Fire. Well, that business was started when he was just 19 years old. And when he was 19, went all in on Kettle & Fire, and he and his brother built this to a 9-figure valuation. Today, it's known pretty much around the world and the guy's only 25 years old.

Ryan Moran [00:03:53]
And at 25 is already starting the next venture, and that next venture solves a major problem that many of you are facing, which is the financing of inventory and creating net 30, 60, 90 terms for entrepreneurs who are still scaling something great. And so, at 25, he has accomplished more than most entrepreneurs do in their careers and is just starting a venture that will probably end up being even bigger than the first.

Ryan Moran [00:04:21]
So, today he's going to be sharing with us about that journey about those holes in the entrepreneurial experience and what he has created in order to solve that and everything he's learned building a 9-figure company in his 20s. Please give it up for Nick Mares.

Nick Mares [00:04:41]
Hey guys. Nick Mares, co-founder of Kettle & Fire and now currently founder of Upside, which I'll get into much, much later, but figured it probably makes sense to start with my Kettle & Fire story. So, 7 years ago, I'm a senior in high school. I tear everything in my knee but my ACL. And so, went through reconstructive surgery. I had to spend 3 months in bed, 9 months on crutches.

Nick Mares [00:05:08]
Went from being really active to basically being and doing nothing. So, I started to focus on what I was eating and got into the paleo diet. And that was a niche community back in 2013, 2014. And within a small community, I came across an even smaller community, which we're talking about, this product called bone broth. I had no idea what it was, looked into its health benefits, immediately knew I wanted to incorporate it into my own recovery process.

Nick Mares [00:05:33]
And when I couldn't find it in stores, couldn't find it online, my mom wouldn't make it for me. I decided that I was going to start a bone broth company and be my own and first consumer. So, graduated high school. And I still remember, it was my school's proud announcement that 99.9% of students went to college and I was the one individual that didn't go to university. And so, started a bone broth company.

Nick Mares [00:05:57]
Also, I grew up in Shanksville, Pennsylvania, which gives you an idea of the struggles I was going to have trying to start a bone broth company. Spent a year talking to 600 co-packers. No one was interested, no surprise because we were asking them to tie up their line time for 4 to 6 times longer than they normally do. And the ones that were interested in potentially working with me said, okay, cool, what's your background?

Nick Mares [00:06:22]
I said, don't worry. I just graduated high school. Okay, that is a little bit difficult for us to get past. Where are the headquarters? I said, Shanksville, Pennsylvania. There's no way in hell we're going to work with you. And so, basically took 9 months, 600 nos, and I thought I was not going to be able to start this bone broth company.

Nick Mares [00:06:41]
First, I didn't even think I was ever going to start a bone broth company, so it was probably self-fulfilling. But then, out of nowhere, I read this guy, Mark Cuban's book and in the front it says, email me, I love hearing your thoughts. So I said, okay, cool. I have nothing to lose. I've been told to fuck off 600 times. I'll shoot him an email and maybe his assistant will read the email and get back to me. And turns out, 15 minutes later, I got a response and he literally connected me to the co-packer that we still work with today.

Nick Mares [00:07:08]
And so, I said, that doesn't happen too often. I'm willing to give this another year, another shot and see if I can actually make something of this bone broth company. I had told everyone I was going to start a bone broth company and they thought I was crazy for not going to college, and they thought I was even crazier and even more of an idiot for trying to start a bone broth company as my reason for not going to college.

Nick Mares [00:07:27]
So, ended up starting Kettle & Fire. Originally called Bone Broths Co., so never come to me for any branding advice whatsoever because it's like naming a chocolate company Chocolate Co. And so, after we bought our first production run and we sold through, I was like, okay, there's a real business here. We started on e-com and from there, we rebranded to Kettle & Fire. Everyone asks what the story behind Kettle & Fire is. It's an invoice of $40,000 dollars to a branding agency. I didn't come up with it.

Nick Mares [00:07:56]
We simply just coughed up the cash, and thankfully we had a really good brand that we can stand behind today. So, that started the journey for Kettle & Fire. And I always wanted to start my own company. Never knew what it was going to be. Never thought it was going to be bone broth. And we just kind of found ourselves in this right place, right time, where there was enough chatter in the online, offline world about bone broth, health benefit, why and how you should incorporate into recovery process or just daily consumption habits that we were able to catch a wave and were the only ones kind of wading in the waters.

Nick Mares [00:08:30]
And it allowed for some really tremendous growth. So, we were fortunate enough in our first year, we did $3 million in revenue, all e-com. 2nd year, we did $9 million revenue, still all e-com. And then we got an email and it was a small region or a region of Whole Foods

marketplace. And the buyer sauce on Instagram. Said, hey, we'd love to give you a shot in our stores. See if this can actually move off of shelves.

Nick Mares [00:08:58]
And we were really ... We like to joke, and I still like to joke, I can't afford my own product. We were really expensive in the early days. It was $11.99 for a box this size. And the assumption was, if we can make money and get people to buy this, as we scale and get it down to a, call it, more price sensitive level, we'll be able to really hit critical mass and grow and scale into potentially something big.

Nick Mares [00:09:21]
So, we went on shelf at $9.99. We sold well enough where we then got another region off cycle, and May, 2017 was the big tipping and turning point for the company because we got Whole Foods National. Whole Foods National is the first big domino where if you can just get them, everyone else has FOMO and they're willing to take you on.

Nick Mares [00:09:43]
And so, we were just really lucky that he reached out to us, we performed well enough, and then Whole Foods National was the next thing that we were able to tackle. So, that was the tipping point. We always ... Well, I shouldn't say we always. In the beginning days, we bought our barcode from buyabarcode.com and that does not work with Walmart, does not work with most big retailers.

Nick Mares [00:10:05]
And that shows you what I thought the ceiling was going to be, which is this is going to make me some beer money to pay my way through university, which is why I'm calling it Bone Broths Co. and buying a barcode from buyabarcode.com. So, ended up that we had a rebrand, rebarcode, a lot of shit that you don't want to do.

Nick Mares [00:10:22]
So, buy GS1 compliant barcodes, please. It'll save you plenty of time. And then, we began our retail expansion and push. That allowed us to go from $9 to $27 million. And then the following year, we went into conventional. We did $38. Last year, we did $50. And this year we'll probably shake out around $60, and we're on track for $75, $80 next year.

Nick Mares [00:10:42]
It was all not supposed to happen, and yet we were really good at putting out fires. I like to joke that we literally did everything wrong and yet, somehow it all worked out. One thing that

we couldn't seem to solve was this problem of we almost grew ourselves into bankruptcy twice, which is the most ridiculous concept in my opinion.

Nick Mares [00:11:05]
It's like, CBG is literally the only vertical where you're penalized for identifying product market fit and trying to capitalize on the opportunity, and then you essentially give 30% of your company to an investor and they get to ride the train with you. And we had to do that twice. So, we've raised up to $20 million in our rounds, all to support and continue to support the growth numbers that we are experiencing.

Nick Mares [00:11:28]
$20, or I should say $10 of that $20 went into inventory, inventory builds. It's probably the most inefficient use of capital you can possibly imagine. It materially hurts that I had to give up that much to just continue to grow. And so, one thing that we were always trying to figure out was, how can we solve this cash conversion cycle that was horribly inefficient?

Nick Mares [00:11:52]
As you get into retail, it gets stretched to 45, 60, 80 days. And we played around with a bunch of different ideas. And so, I figured my talk could be spent on telling you some of those things that we did, and then also some of the things that, with Upside, we have seen other brands do, and then just quite frankly what we do at Upside.

Nick Mares [00:12:13]
So, the first thing that we did is your co-packer, manufacturer is perfectly positioned and best positioned to solve your working capital issues. By getting payment terms with your co-packer, you can exist, thrive, and grow within a negative cash conversion cycle. Co-packers and manufacturers, if you have one, you probably hate them. I still hate my co-packer.

Nick Mares [00:12:34]
So, you really have to kind of figure out a good way to partner and buddy up. And so, one of the things if you are based in the US that you can do, and this is basically ... Upside is ... This is what we do in the background, but I'll tell you so you can do it yourself, is most manufacturers, they have AR insurance on your accounts receivable, and there's 3 to 4 big insurance companies in the US that provide this kind of insurance.

Nick Mares [00:13:01]
And so, what that means is anytime you work with a co-packer, they're taking your name, your business address, they're sending it to their insurance provider and they come back with

basically a credit limit and yes or no, we will or won't cover them. The data that they're getting is from D&B, which is the worst fucking database in the world.

Nick Mares [00:13:20]
Kettle & Fire is still 3, 4 years behind in terms of data available. And so, co-packers are basically making a credit decision which is materially affecting your business based off of the worst information possible. And so, what you should do, and what we've done in the past, is treat your co-pack and manufacturer like a financial partner, if you will, and you should literally send them data and what you should send them, if you have it, 24 months of your monthly P and L, your monthly balance sheet, monthly cash flow statement, AP and AR.

Nick Mares [00:13:55]
So, these are the reports that have all, or has all the data that these insurance companies need to re-underwrite you the company. So, we literally, to give you an idea, went from $150,000 limit to $5 million simply because we provided the relevant information and data that our co-packer needed to get comfortable that we were going to be insured and covered up to $5 million in the event of a default.

Nick Mares [00:14:21]
So, you can literally change ... If your co-packer is unwilling to give you credit or extended payment terms, see if they have insurance. If they don't, tell them to get insurance. And if they say yes, literally ask them what your credit limit is. There are a lot of things that you can do to work with them and their insurance company to boost that up.

Nick Mares [00:14:40]
One of the companies that I know and we work with, not Upside, just advisor, they got net 120 payment terms from their co-packer because they were able to submit all the information and data. They've raised $5 million to date. They're doing similar numbers to Casper and [INAUDIBLE 00:14:59] and he owns 90-95% of the company.

Nick Mares [00:15:04]
He has literally been able to fund all of his growth and operations through net 120 payment terms. All that was possible because he knew his co-packer had insurance, he knew the data that they needed in order to resubmit to their insurance provider to get this high credit limit. So, that is one, if you are here in the state side. And then I know a lot of individuals manufacture overseas.

Nick Mares [00:15:28]

And if you manufacture with a Chinese company, there is a government-backed insurance provider called Sinosure. Chinese manufacturers will not give you credit over anything that they are not covered for. So, it's a very similar thing that you want to do with your Chinese manufacturers is basically understand the credit limit, see what that is, and rather than ... I've seen basically co-packers, if there's a $10 million limit and you're $12 million or $2 million over for a total of $12, they'll cut you off, period, and you owe us $12 million. We refuse to work with you.

Nick Mares [00:16:01]
So, understand your limit. If you're over, be like, hey, we will pay the $2 million. Day zero, pre-hitting the ports, but we still want credit insurance and credit covered for the $10 million. This is a negotiation. If you understand the data, the facts, you can actually have a rather informed discussion with the co-packers that they really understand and they are comfortable with because they're already paying the insurance company day zero.

Nick Mares [00:16:30]
The way it works is you pay January 1st and it carries you through the next year. There's no penalty. They don't pay extra by acquiring new brands. They're paying day zero, which means they have every incentive to use it to the absolute max. So, you're not asking them to stick their neck out, pay an extra premium. They've already paid that day zero. So, ask them to use it.

Nick Mares [00:16:52]
So, those are the 2 big ones in terms of manufacturing and ways that we've seen brands work with manufacturers, both in state and out of state to support a breakout brand. I know that's theme of this conference, which is why I'm kind of unpacking what we've done at Kettle & Fire, what we've advised other companies to do, and what we do at Upside to support breakout brands without having to raise horribly dilutive equity and use that to funnel and fund inventory.

Nick Mares [00:17:22]
And then, another one that we've seen work incredibly well is ... I don't think I can use the brand's name, but basically they came to the table and they said, we really want to partner up with our manufacturer in a massive way. And that looks like, we're going to give you performance-based warrants in the company that will hit based on, of course, these predetermined clauses.

Nick Mares [00:17:44]

And what they were able to do was get 0% inventory finance. They were able to get preferred time on the line. They gave up 20% of the company, which yes, sounds like a shit ton because it is a shit ton. There's a lot of middle ground to explore between zero and 20, for the record, but what it allowed him to do within 2 years, he's now a $100 million business, he's raising around at a quarter billion dollar valuation, and the guy is going to own more of the company at a better and improved valuation because he was able to get these payment terms in with his co-packer early on.

Nick Mares [00:18:17]
It's actually something that Kettle & Fire is beginning to explore with our co-packer because by ... Basically, we want to increase our EBITDA as much as possible. The majority of our tool and fee, or what's the definition of tool and fee? I should say our cost of goods, 40% is captured in our tool and fee.

Nick Mares [00:18:34]
And so, if we are able to partner with our co-packer, they get some sort of equity in the company. There's going to be a liquidity event in the near future, that's for sure. It's going to work out for them. We're able to capture an additional 40% that we can drive to our EBITDA and put ourselves in a much better position for when we do want to go and exit.

Nick Mares [00:18:52]
So, I would argue, or I would say based on experience and what I've recommended to companies, this works for really well established brands that have been around for many, many years, doing north of 50, and they want to position themselves in a more attractive manner pre-liquidity event, or it's great for the early brands like the buddy I was talking about where he had past experience.

Nick Mares [00:19:14]
So, there was this ... He could go to a co-packer, point the finger behind him and say, look, I've started 2 brands prior to this. The odds of me being able to rinse and repeat are pretty high, but I want to do it in a massive way. So, why don't we partner up? You give me 0% inventory financing, preferred line time, and let's go make this happen.

Nick Mares [00:19:31]
So, that allowed him to scale and grow to $100 million in revenue really fucking quickly. And then, the last one that I'll quickly touch upon, it's worked well for us and it's worked well for a lot of the other brands that we've advised and worked with is literally give your co-packer a

fore past showing your expected volumes and revenues, and say here's where we're going to experience our cash crunches.

Nick Mares [00:19:57]
If you have a seasonal business, you know when you do promotions, you know when it's ... Just tell them. This is where we're going to experience our cash crunches. Manufacturers, at the end of the day, are a gross volume business. Anything they can do to drive additional volume through their manufacturing doors, they're pretty willing to do.

Nick Mares [00:20:14]
And so, if you can show that you just need net 60, net 90 payment terms, 2 to 3 times a year for 30 to 60 days, and that means that they will continue to receive these inventory purchase orders, whereas they otherwise might not because you don't have access to the cash, you're unwilling to raise additional equity to fund this growth, they will most times do it.

Nick Mares [00:20:39]
And so, I've always seen ... There's a lot of friction. There continues to be friction at Kettle & Fire and our co-packer. We're trying to pivot away from that mindset. It's more like they're your biggest partner. They can make and break you. So, knowing that, partner up with them, get them to love you because they will be willing to literally essentially fund your business and growth by playing the role of a bank and offering you net 30, 60, 90 payment terms.

Nick Mares [00:21:05]
So, those are the 4 things that we've either done at Kettle & Fire that's worked tremendously well, we've seen other companies do and it's worked tremendously well, and then we've also done it Upside to just help brands better improve themselves from a supply chain and cash conversion cycle standpoint so that way they don't have to lean really heavily into equity, which is ... There's a place for it but I would argue it's not to fund growth and inventory builds.

Nick Mares [00:21:31]
So, that is the Kettle & Fire story, how to support a breakout brand with a supply chain and then Upside as the next venture. And this is literally what we do. We partner with co-packers. We turn them into banks for their brands. We capture early pay discounts within the supply chain system. And by doing that, we can essentially finance and fund net 30, 60, 90, 120 payment turns for brands, like zero cost, no cost, 30 basis points per every 30 days, et cetera.

Nick Mares [00:22:00]

And so, that is the next venture that I'm working on just because I've seen way too many brands give up too much equity, lose control of the business, and instead of being something fun and they ... Aspirational and something they would love to do again, it's a terrible experience. They wouldn't do it again. And that is miserable. So, that is Kettle & Fire and Upside in a nutshell. Poorly timed end.

Ryan Moran [00:22:34]
I can't even pee around here. Give it up one more time for Nick. So, I want to ask a couple things about this because what you're identifying is that when people raise money or when people take on debt, they're really ... They're solving for one thing, and it's being able to have enough dry powder to be able to reinvest into the things that create growth.

Ryan Moran [00:22:57]
And what you have found is unique ways to do that that allow you to keep more of the business and free up more of that cash flow to be able to reinvest. Right? So, oftentimes we think that we have to do it the way that other people have done it, but something as simple as being able to negotiate based on knowing what your manufacturer's insurance policies are, people don't think about that. So, what got you to the point, probably at Kettle & Fire, to where you had to get creative at being able to manage that?

Nick Mares [00:23:29]
Yeah, I would say as soon as our business began to shift from e-com to retail, I'm sure you guys will experience if you make that shift, no one pays you on time. And so, it can really stretch your cash conversion cycle and you expect to get paid on day 30 and then you get paid on day 94. And there's really not much you can do because these distributors are a necessary evil, but they all fucking suck, ut you have to work with them.

Nick Mares [00:23:58]
And so, that's when we needed this creativity from, say, a supply chain financing standpoint is when went from pure e-com, we were already on net 30 payment terms with our co-packer, we collect inventory, we sell it online, cash in our bank that day or the next day. And then, versus retail, they don't give you any forecast or visibility into what they will place or when they'll place an order and to what size.

Nick Mares [00:24:23]
So, you need to build safety stock, so you're already increasing and stretching your cash conversion cycle. And you sell it to the distributor, takes 7 days to get there, takes 3 days to process, and as soon as it's processed, you're like, okay, cool. Now we can start the clock. 30

days from now, I'll send you a check. I'll tell you I sent a check. It's not in the mail, we'll resend it. And this is rinse and repeat until you hit day 80 to day 90.

Nick Mares [00:24:46]
You're like, all right, guys, I can't really do this anymore. Can you pay me? And then they wire you the money. So, it's a vicious cycle, but that's when we really needed to get creative is when the majority of our business started to go into retail.

Ryan Moran [00:24:59]
Tell me about the beginning days of Kettle & Fire. I mean, you're 19 when you start this thing, right? And your brother is in his early to mid 20s, and you're going to a space that has no data to suggest that this is going to be a trend, right? You just, you went hard into the space and got liftoff very quickly. Why do you think that you had that fast liftoff at the beginning?

Nick Mares [00:25:24]
So, I think it was a function of right place, right time. I wish I could say that we did some sort of magic formula in the background that really we could point our finger to and say, we grew it to this scale. But we just realized that there was chatter in the offline world or in the online world about bone broth. We saw some influencers chatting about it, and we figured that there might be a market for this. We thought the market was going to be tiny, hence why I assumed that it would be a great way for me to figure out what it's like to try and start a company.

Ryan Moran [00:25:54]
You thought it was going to be tiny?

Nick Mares [00:25:56]
Well, so, I still remember telling one of my friends' moms of all people. I was like, I generally think I can get this to $20,000 a month. And she's like, that would be really cool, Nick. I was like, yeah, it would be cool. And then it just quickly escalated past that.

Ryan Moran [00:26:11]
What was that timeframe?

Nick Mares [00:26:14]
That was when I was still 18, 19.

Ryan Moran [00:26:18]
But from ... So, you were 18, 19. I'm going to take this to $20,000 a month.

Nick Mares [00:26:22]
Oh yeah. That was 2014. So, we launched August, 2015. I started on it in earnest November 20 ... or October, 2014. So, there was a 9 month, 10 month delay between when I really started working on it and when we were able to do first production run, hit the warehouse and get the first orders out.

Ryan Moran [00:26:40]
There's something really freeing about the way that you're describing that because, I mean, this morning we heard from someone that has a $600 million exit. Yesterday, we heard from somebody who has a $100 million dollar exit. And part of the theme that has been coming up is, I need to think bigger. I need to believe in my full of abilities.

Ryan Moran [00:27:00]
And it's kind of refreshing to hear that you were ... You followed the same kind of strategy of, I followed something I was interested in, I found product market fit, but I didn't have lofty goals. And that kind of gave you permission to swing, to go up and take a crack at the bat. And if it didn't work out, you knew that you were just kind of figuring out the process of building a business. So, for you, it sounds like you had the mindset coming in of being willing to take a few swings if this one didn't work out. It was the education time for you. You were going to figure out how to own your own thing.

Nick Mares [00:27:37]
I mean, I don't think any 18 year old kid dreams of being a bone broth entrepreneur. So, I was definitely not unique in that. It was just a way to get my hands dirty and try to kind of put the reps in to understand and see what it's like to build a company. Literally, bone broth is you recycle bones, you put it in water with some vegetables and herbs and you cook it for 24 hours and you have bone broth.

Nick Mares [00:27:58]
It can't get any un-sexier than that. And so, I figured that there must be something cooler and better that I can do later on post Bone Broths Co. Just ended up being a little bit of a longer timeline and more successful than I thought. So, I'm not complaining.

Ryan Moran [00:28:10]
Yeah.That's great. How did you launch that? Because again, a new idea. It's a brand new category that you were getting into. So, what was the launch plan behind that?

Nick Mares [00:28:21]
Yeah. What we wanted do ... So we ... Shopify website, of course, the most basic website possible. 3PL, that was our Shopify partner back then. So, again, didn't introduce anything super complex because we wanted to be as streamlined as possible, again thinking that it was just going to be something that we could set up and almost forget about.

Nick Mares [00:28:41]
So, in the early days, we wanted to try and get into bed with a few of the paleo health wellness influencers who could submit it to their newsletter, drum up some interest and excitement around the first shelf stable grass-fed beef bone broth on the market. And so, we were able to get Paleo Hacks, I still remember, was our first promo and that drove $40,000 in the first promotion. I remember I was like, Shopify's either broken or they're messing with me because there's no way we're selling this amount. And then, 2 weeks later, we sold out our first production run. So, it was just kind of building on top of that momentum. We ...

Ryan Moran [00:29:16]
So, that was your influencer before influencers.

Nick Mares [00:29:19]
Exactly. Yeah. And so ...

Ryan Moran [00:29:21]
Were they a click bank product? Mostly an email list.

Nick Mares [00:29:23]
They're an email list.

Ryan Moran [00:29:24]
Yeah. So, they were not ...

Nick Mares [00:29:25]
Purely email.

Ryan Moran [00:29:26]
Yeah. They were ... They had a product they were selling. Scott was the founder.. They did not have a big ... They are not social media people. They were an email list. It's like, one of the most overlooked forms of distribution, people with blogs and email lists and followings that are not status driven. Most people are looking for the person with the following that's posting

about themselves. That's not influence, it's fame. Influence is when people have bought from you and you can send an email to them and they will listen to you.

Nick Mares [00:29:58]
Yeah. So, we thrived off of that in the early days. And so, what we did is we just captured the data and the sales that we were able to generate with this one email newsletter. And then we just hit up everyone else like, hey, do you want to make some money off your newsletter? We just did it for, I think it was David at the time, when we were working with Paleo Hacks.

Nick Mares [00:30:17]
Yeah, we just did it for David, made him $30,000. How would you like to make $30 grand? And it worked pretty well. And that's really how we got the flywheel going. And then, I will say the thing that really took us to the next level was in line with influencers. So, Thrive Market launched around the same time as us. I don't know if you guys are familiar with Thrive Market, but it's a healthy online Costco.

Nick Mares [00:30:39]
And they launched the same time as us. The founders, we met in Austin at Paleo f(x), and really liked what we were doing. And so, they were one of the first big customers and, call it, accounts that we were able to land. Thrive did something really unique in the early days, which is they got 27 or 30 of the top health and wellness influencers in the paleo health and wellness space and they said, hey, invest in this round, you'll essentially be able to immediately influence your equity stake and value based on how frequently you promote, your backlinks, all this stuff.

Nick Mares [00:31:13]
And so, that went incredibly well and Thrive went on within 2 years to be doing $10, $12 million in revenue a month. And we raised the seed round from 23 of those 27 same strategics with the same pitch as, hey, you can really directly influence your equity stake and value based on how frequently you promote us, backlinks, and just how willing you are to collaborate with us in the early days. And that's what really allowed us to gain a pretty strong foothold within certain communities, and also just begin to build a more broad customer base on top of that and then fuel our retail distribution models.

Ryan Moran [00:31:48]
Okay. So, for those of you who are looking for the tactic to take home, there's something very beautiful to unpack here because I know the relationship ... I think you had one key relationship with John Durant in those early stages. John was the person who ...

Nick Mares [00:32:03]
Wild Ventures. Yeah.

Ryan Moran [00:32:04]
He recruited a lot of these relationships, right? But as a result of that relationship, you had 2 types of people now involved in the business. You had investors and you had people with audiences. And you had those people who are now incentivized to see the brand grow. Does this sound familiar to anything you've heard me preach to you over the last year and a half or so? This is the owner's model in action. So, you had somebody who was in charge of capital, and that person, he mostly managed the raise, right?

Nick Mares [00:32:38]
Yeah. It was a syndicate. So, it's Wild Ventures. I don't even know if they're still around.

Ryan Moran [00:32:42]
I saw him last week, actually. They're still around, but he's not doing deals right now.

Nick Mares [00:32:47]
He's writing a book.

Ryan Moran [00:32:48]
Yeah.

Nick Mares [00:32:49]
Oksy. So, Wild Ventures, when they're back online, I do recommend, but sounds like they're also ...

Ryan Moran [00:32:53]
Also the Capitalism.com Fund.

Nick Mares [00:32:55]
And the Capitalism.com Fund. Yes.

Ryan Moran [00:32:59]
So, they had one person who was in charge of managing that process and along with that came those with distribution. And they're now incentivized to share and talk about the brand.

This is influencer marketing before it was cool to do influencer marketing. So, I just, I wanted to highlight that you were one of kind of the early people to be able to catch that trend, right?

Ryan Moran [00:33:21]
But it's still just relationships with distribution. Do you remember Sam saying, beginning of day one, it's distribution first. It's, where is the product going to be distributed? Where is the message going to be distributed? So, you are this little tiny startup until you found what your distribution play was going to be. So, for some people, that's Amazon. For some people, that is Facebook distribution. With this, it was getting that seed launch with those audiences. And I imagine, you probably still have relationships with those audiences and those influencers today, correct?

Nick Mares [00:33:54]
Yeah, very much so.

Ryan Moran [00:33:55]
Have they been happy with their return on investment?

Nick Mares [00:33:57]
Very much. Yes.

Ryan Moran [00:34:00]
And would you explain a little bit about that process of ... It's unique, or at least you were early in a time of an investor also having control over what their valuation would be because you have an influencer who's investing, they can now control their own valuation by how much they talk about it. So, what did you see in that process?

Nick Mares [00:34:22]
I mean, I think for them, there's definitely always ego involved and so, play to their ego. It's like, wow, you have such an incredible audience. You can literally add millions of dollars to our valuation simply by you opening your mouth and talking. And they really eat that message up. So, play their ego and let them know that they can drive millions of dollars to any company that they invest in.

Nick Mares [00:34:42]
So, it was really that process, hey, we're going to be the only bone broth company right now. We are the only bone broth company right now. We're shelf stable, so we can be omnichannel approach. We can reach your audience wherever and however they shop. Everyone else that

came onto the scene a little bit later was frozen, which is a huge pain in the ass to ship to order. It's really expensive. Can't recommend it whatsoever.

Nick Mares [00:35:03]
And so, we're like, we are just going to be found wherever your audience is. And you can literally send them anywhere. They'll buy from us. On top of that, we're still giving you literal cash back and money based on the promotions you're doing. And then, you still get the 2nd dip and the cherry on top of this is improving our equity valuation.

Ryan Moran [00:35:23]
Yeah. Is Mark Cuda in the room? Mark? Hey Mark. So, Mark and I just collaborated on this together, where there was an influencer who was just a slam dunk for what he wants to do, and we know that that individual can add millions of dollars to the valuation of the company. And if you compare the equity valuation once he is involved, compared to what he would get from a traditional year long sponsorship deal from one of his advertisers, there's just no comparison.

Ryan Moran [00:35:57] [00:35:57]
The equity is worth far more. Now, it's a risk for that audience leader. It's a risk for them, but it has tremendous upside. And the downside is you helped promote a product and a brand that you really believed in. And so, it's wins all around. And you know that those influencers do not like doing sponsors and shoutouts. It's transactional with their audience. They don't like it.

Ryan Moran [00:36:19]
They want a different model. And that is, in my opinion, a much superior model for all parties involved. Did you have certain people who were involved in the beginning that provided more exposure than others? Was this an 80/20, like most things are?

Nick Mares [00:36:37]
Yeah, I would definitely say so. In the early days, it was Mark Sisson or the Chris Kressers of the world. There are a few that are going to be horribly offended. I forget their names, but they were definitely influential. There's probably, of 23, 25, I would say, yeah, a solid 5 to 8 drove the majority of the traction, the revenue, the exposure, et cetera.

Nick Mares [00:37:03]
But it was still incredible getting ... I think the majority of the customers that we have right now, a select few or select cohorts, are definitely ordering every single month. They're on subscription. But I think the majority of our revenue is actually driven by these customers who are buying us 4 times a year, 5 times a year. So, even just capturing those that exist at the

shorter end of the tail is highly, highly valuable to us. So, it was luck. I have no idea. It wasn't skill. It was luck.

Ryan Moran [00:37:33]
Well, you obviously ... I mean, you had some things fall your way at the beginning, and that can happen. You get the right influencer, you get the right distribution, you have the right product market fit, you have some tailwinds. That can happen at the beginning. It's hard to sustain that long term and have the type of success that your team has had without getting good at it, right?

Ryan Moran [00:37:53]
And as a 19, 20, 21 year old, making a shift from this was an idea I thought would make $20,000 a month to being a real company, that's a big pivot. So, when it comes time to build team and infrastructure, it's a huge adjustment. How'd you navigate that?

Nick Mares [00:38:10]
So, one of my favorite stories of what we didn't do well, and to give you an idea of how chaotic it was, so this was probably in 2016, 12, 18 months after we launched. One of our early board member investors called my brother, and I was like, hey, do you guys like making money? I was like, haha, Brad, that's a funny question. Of course we do. It's like, okay, cool. I just had my accounting team look at your financials, and tell me why there's $800,000 overdue by 90 days.

Nick Mares [00:38:34]
And I looked at my brother. I was like, hey, are you invoicing our customers? He's like, no. Are you invoicing our customers? And I said, absolutely not. And so, we literally ... If anything, it actually made us bolder and brasher because, all right, we are now owed $800,000 that we didn't know and we didn't expect to hit the bank account and we're still doing really well.

Nick Mares [00:38:52]
So, we immediately pivoted to a financial partner and team to help really make us and turn us into a real business. And the moral of that story is my brother and I didn't know what we were doing, and so we were quick to pivot and hire the right individuals who could take us from zero to one in a sustainable, scalable manner and approach.

Ryan Moran [00:39:12]
Okay. Well, when you're 22, 23, going out and building an executive team ...

Nick Mares [00:39:16]

Yeah, it's weird.

Ryan Moran [00:39:17]
It's weird.

Nick Mares [00:39:18]
It is weird.

Ryan Moran [00:39:19]
Yeah. So, tell me about that process.

Nick Mares [00:39:21]
Well, it's like, most of them are ... The co-packers I was working with, it's like, they have grandkids older than me. So, I really play into the paternal, maternal approach. They just see me as their pseudo kid and played into that. They really liked the numbers. They really liked the products and I promised them that I would not get in their way.

Nick Mares [00:39:39]
And that really seemed to appeal to the idea of, okay, we're not going to have this problem of trying to fight with a founder. Seems like he's just going to keep doing his thing and it's not going to interfere with my thing. And so, it was just making these promises that I genuinely meant to Cap and I thankfully did keep, and they were just excited to get involved with the brand that was scaling quickly.

Nick Mares [00:39:59]
We were beginning to move into retail, so they knew that they're going to get their hands dirty with managing natural channel, conventional brokers, UNFI. I mean, just get the real experience of building and scaling a decently sized company. And so, that pitch seemed to resonate. And of course, we are very fair with our equity and comp packages to make sure that the incentives were appropriately aligned early on in the days. And it all really worked out well.

Ryan Moran [00:40:27]
So, in the times that we've spent together, my perception of you is that you are remarkably emotionally intelligent for being 25. To be quite honest, I would expect a 25 year old who's had your success to be much more of a douche.

Nick Mares [00:40:40]
Thank you.

Ryan Moran [00:40:44]
So, is that a skill that you have had to learn or is that good upbringing? Where does that come from?

Nick Mares [00:40:51]
No, it's definitely a skill I had to learn. I mean, to give you an example, it's like, you can become, or un-douche yourself. When I was interviewing my CFO, so, I was traveling the entire summer and I was in Austin for 2 nights. So my friends were like, okay, cool. Let's send it. And I said, yeah, I have an interview at 10:00 AM. There's no way anything's going to happen that's going to make me hungover at 10:00 AM. I have the youth in me, I'll be able to recover quickly.

Nick Mares [00:41:18]
I woke up to my brother calling me basically saying, where the fuck are you? And it was 10:05. And so, I quickly Ubered and I met with my CFO, who's an incredible human and thankfully very forgiving and understanding. And as we left the meeting, my brother was like, you reek of alcohol. I was like, I know. I'm going to go to bed. So, you can learn how to essentially grow into these roles.

Nick Mares [00:41:41]
I was a super young, just everything's going awesome, everything is awesome, can't do any wrong. There's plenty you can do wrong. And so, it was just, surrounding myself with the right individuals, the right executive team has been an incredible learning experience, completely different from 3, 4 years ago. I think it's fortunately set me up in a better position to do round 2 in a much more professional manner. So, it was definitely a learning process. Plenty of mistakes were made.

Ryan Moran [00:42:08]
Was that an oh shit moment for you?

Nick Mares [00:42:12]
No, the sad part is it was not.

Ryan Moran [00:42:14]
Okay. Tell me more.

Nick Mares [00:42:15]

Oh no. It's just, I should change at some point. And at some point I did change.

Ryan Moran [00:42:19]
What was the catalyst for that change?

Nick Mares [00:42:21]
I would say it was just, as we begin to scale, you just see how incredibly professional everyone is and you begin to realize that everyone in the room is an adult and you're the only one ... At one point someone said, hey, you're 22. It's totally fine to chalk this up to youth and ignorance. And I think that was the changing point. I was like, no, fuck that.

Nick Mares [00:42:43]
I really want to improve myself and be considered an adult in the room along with everyone else. And when mistakes are made, I don't want it to be attributed to youth and ignorance. And so, I would say that was the turning point. So, it's been a good journey.

Ryan Moran [00:42:57]
How did you un-douche yourself?

Nick Mares [00:42:59]
So, it was ... Okay, it's not hard to tell if you're a douche, in all honesty. It's like, just look in the mirror and have conversations. So, it was just having people hold me accountable, having these honest, vulnerable conversations with execs. And I'm like, hey, I realize I've not been acting as I would like to act. Here's what I don't want to happen moving forward, and call me out my shit.

Nick Mares [00:43:20]
And they would pull me aside, be like, hey man, that wasn't cool. I'm going to call you out. Here's what I think you did wrong. Here's where you can improve. It's just surrounding ... It's so cliche, but truly, it's surrounding yourself with the right individuals. It was an incredible learning experience for me and they held me accountable. So, it was just building some sort of accountability system that was tremendously helpful as I began to scale through Kettle & Fire, began to phase out, and then launch Upside.

Ryan Moran [00:43:47]
You are now making that transition from being heavily involved in your first success to going over to Up Fund. What was the process of starting something ... Going to round 2? By round 2,

you just came off this big success. You obviously knew you were going to do this differently. It's a completely different business. Completely different business.

Ryan Moran [00:44:12] So, how did you approach going into something brand new in an industry you had no real expertise in, but you knew the problem that the customer was going to have? So, how did you think about that differently than when you were scaling Kettle & Fire?

Nick Mares [00:44:26]
So, Upside is bucketed and tagged as FinTech, which is very fortunate for us because you can start any FinTech company right now and raise a shit ton of money off of it. It was a different experience just because I feel like a first time founder simply because there's so much I don't know. Actually, I didn't know anything about the space. And so, it's been quite the learning curve to try and climb.

Nick Mares [00:44:53]
It was really just about asking the right questions. So, basically, when I went to chat with customers, I essentially ranked them in the list of, I would love to chat with this customer first, but I realized I didn't have the right solution or the right questions to ask. So, I basically reverse ranked ordered the list, and I started from the bottom with the people I knew I could fuck up with and then basically ask stupid questions.

Nick Mares [00:45:14]
They would tell me they were stupid or they just wouldn't give great answers. And then I would iterate, improve, and then I would go to number 99 on the list. And by the time I got to the individual that I wanted to be the first customer, be the first investor, I had my pitch down pat, I knew what I was talking about, and I was actually able to go in with confidence and pitch and be like, we know this problem exists. We know the solution that we've brought to the table is really going to solve it in a unique, scalable manner.

Nick Mares [00:45:41]
And here's why you should invest, here's why you should work with us, et cetera. And so, getting the reps in with investors, partners that I knew I could afford to essentially screw up either A, because I knew them personally and they would be more forgiving, or B, in the early days, they wouldn't necessarily be the brand or the partner that would move the needle in a material way. And so, by the time I got to those types, I was in a much better spot, better position to confidently pitch what we were doing.

Ryan Moran [00:46:08]

Who was the ideal client and customer for Up Fund?

Nick Mares [00:46:12]
So, for our brands, our minimum requirements are 6 months operating history, $100,000 dollars in lifetime revenue, and 2 production runs purchased and sold through. And ...

Ryan Moran [00:46:26]
That's small.

Nick Mares [00:46:27]
It's very small. Yeah. Well, no, no, no. If you get to $100K, it's huge congrats. It's a big thing to do. So, I will never ... That's impressive in and of itself.

Ryan Moran [00:46:34]
But most people who are providing financing are looking for a lot more history.

Nick Mares [00:46:39]
Yeah. For sure. So, for us, it's all about ... It's a volumes game and we find that we work incredibly well and pair incredibly well with brands that are doing half a million in revenue a year. They're experiencing some great month over month traction. They want to push off a series A or a seed round for another 6 months just so that they can really lean into top line revenue.

Nick Mares [00:47:03]
And right now in this market, they're valuing top line revenue 3-5X. And so, if you can get another 4 months and you can drive another $3-4 million dollars, you've materially increased your valuation. You can raise the same amount, but save yourself on the dilution. Anyone who pushes into retail, anyone who has big seasonality spikes is a good fit where your cash outlay into inventory can be 2-3X times that what it traditionally is during the year. And so, we fit really well into any brand that has to drastically increase the amount of capital that they tie up in inventory at any point in time in the business's lifecycle.

Ryan Moran [00:47:40]
Are you taking clients right now or are you guys still in ... You are. Okay.

Nick Mares [00:47:43]
Yeah. We're out of stealth mode as of ...

Ryan Moran [00:47:47]
I think when we talked, you said it wasn't going to be ready in time for the event. So, this is ...

Nick Mares [00:47:50]
We got lucky with some of the hires in the early days.

Ryan Moran [00:47:52]
Say again?

Nick Mares [00:47:52]
We got lucky with some really key hires that we were able to make in the early days. And then, we just got fortunate with the type of investors that got involved with Upside as well.

Ryan Moran [00:48:00]
Yeah. And tell me about that process because your first business, you partner with somebody to kind of help with the raise. This time, you're raising it on your own experience and you're coming up with a valuation. What was that process like?

Nick Mares [00:48:15]
So, it started out in February. Basically, I want to raise $2-3 million. Investors were saying, okay, cool. You can get a $7 million valuation, $6 million valuation. Okay, that's not the most interesting, but I guess we'll work with it and I guess we'll see if we can just froth the waters up a little bit and get investors excited.

Nick Mares [00:48:35]
And I don't even necessarily remember the exact time. I'll have to take a step back and put pencil to paper. But what ended up happening is there was this one massive company. They're a supply chain finance company. They count a couple hundred co-packers as customers, couple thousand brands as customers.

Nick Mares [00:48:51]
And when I spoke to the founder, he is like, hey, I see an incredible opportunity to essentially do a JV or partner where we can create Nulogy capital partnered with Upside or powered by Upside, and you can access our existing pool of customers. As soon as I got that in an LOI, I then took that to the investors and said, look, their customer base is a $10 billion lending opportunity in and of itself.

Nick Mares [00:49:13]

I didn't know these guys. Here are the groups that I do know that we can tap into. So, if this is a $10 billion opportunity, the people I know, the groups I know, call it $50 billion opportunity. So, let's actually go back to the drawing board and increase the valuation. And then, I mean, it's such a signals game.

Nick Mares [00:49:31]
Then we got an investor who left PayPal. He was an executive there. Started his own fund. When he decided that he wanted to get involved, then it's like, everyone else has an intense case of FOMO. So, we were able to go from wanting to raise $2 million to end of July, we ended up raising $41.5 million, but most of it was in debt and our valuation more than 20X'ed. So, it was a stupid process. I don't get it.

Ryan Moran [00:49:58]
But what you are saying in the subtext, this is coming up as a theme for you, is that a lot of this is a relationship game.

Nick Mares [00:50:08]
Very much so.

Ryan Moran [00:50:09]
So, when did relationships become a priority for you on your journey as an entrepreneur?

Nick Mares [00:50:20]
So, I would say when I knew I was going to phase out of Kettle & Fire, which was probably a year ago, I officially took a full step back as of July 1st. So, I'm just board member, just advisor. I'm no longer employed nor do any day to day with them. I would say, I knew I was going to take a step back and do something else towards the end of 2020.

Nick Mares [00:50:40]
And so, I knew the brand that we had built, the relationships that we had built were incredibly powerful and unique, and I didn't necessarily want to exit the company without making sure that I could leave and those weren't Kettle & Fire relationships, they were Nick Mares' relationships. So, I spent an entire year just literally taking every coffee meeting, asking every partner, hang out, dinner, drinks, coffee, et cetera.

Nick Mares [00:51:05]
And I kind of seeded them with this idea of I'm probably going to be leaving to do something else. I don't necessarily know what that is. I have a pretty vague, loose idea of what it will be

and Upside has been something that we've kicked the tires on for 2 years. So, I was always mentioning that amongst a list of other things.

Nick Mares [00:51:24]
So, when I finally knew I was going to take a complete step back, I was able to stay on until July, but March is when I really pivoted and became full-time Upside. I just reached out to the partners and I said, hey, look, here's actually what we're doing. This is what the product is going to be. It'll probably exist in the format and way in the next 6 months, 8 months I hope, but would love to start putting our heads together to see how we might be able to partner, how you can send deals our way, how we can turn around and send deals your way, and just really make this a win-win.

Nick Mares [00:51:56]
So, I would say it was about a year ago, as soon as I had visibility that I knew I was going to leave Kettle & Fire. I wanted to make sure I left on good terms, good relationships, because I knew I wanted to dip back into those for round 2.

Ryan Moran [00:52:10]
Is Coran Woodmass in the room.? He's right where? He's outside. I won't ... That's funny. It doesn't matter. So, Coran and I compared notes once about how every time we were going through a reset period, or every time we were thinking about starting something new, or we were ... Even a downtime, it's like, I'm just not sure what my next move is or what I'm going to do next in my current business, both of us had the same exact process of we would make a list of 10 people in our network that we wanted to have a better relationship with, make that list, reach out to them, book a time with them, and ask about them.

Ryan Moran [00:52:51]
And we both came to the conclusion that you never made it to the end of the list because new opportunities would open up or something would spark a new idea. And so, coming back to the relationship building side has always has been my default when not knowing what to do. And it sounds like you just took an entire year of going a very similar process, and you're like, I know I'm going to be doing something else. Not sure what that is. And that relationship leads to this relationship, which leads to this relationship, leads to this, and then sets you up for your next opportunity. Is that a fair summary?

Nick Mares [00:53:24]
Yep. Very much so. Exactly how it played out.

Ryan Moran [00:53:27]
Well, perfect. Perfect. So, and I don't mean to put you on the spot, we've had brief conversations about Upside and hopefully you'll have a partnership with Capitalism.com because I would really hope to be able to bring what you are doing to the crowd and to the Capitalism.com audience and what we're doing in the Incubator and the Fund.

Ryan Moran [00:53:44]
I was ... Would you explain a little bit more about how that process works about ... I remember you telling me ... My brain exploded, where it was somebody needs inventory financing, there's a button and they hit the button and it connects to their bank. It's just there.

Nick Mares [00:54:00]
We're going to get there. As of now, we're still very much in V1, but that is 100% the goal and where we want to be ...

Ryan Moran [00:54:07]
Tell me about the vision.

Nick Mares [00:54:07]
... Down the road. So, I mean, one thing that we always realized is if you look at the entire supply chain of manufacturers, the raw materials, the brand, et cetera, co-packers are just incredibly positioned to solve the working capital needs of all the brands they partner with. And there's some unique arbitrages that exist within the supply chain that if you know where they are and you have the capital to take advantage of them, you can actually get and unlock incredibly cheap cost of capital for everyone else further up the supply chain.

Nick Mares [00:54:40]
And so, what we do first and foremost is we partner with co-packers and we look at the raw material partners and basically, without fail, all of them as just a default cost of doing business have these early pay discounts. And so, we're essentially ... It's early pay. Either you pay on day zero and you can knock 2% off the invoice or you can pay 2% net 10.

Nick Mares [00:55:02]
And so, to give you an example, we're working with a brand right now where they're selling to Costco and we were able to capture this 2% discount, and because we can make the majority of our margin within this 2%, we're giving them net 30 payment terms, it's net 60 and we're only charging them 60 basis points.

Nick Mares [00:55:21]
And that's because when we add 2 plus 0.6, it's 2.6 and 4, that's 60 day float. It's still incredibly lucrative to us. We will do that deal all day long. And this brand is literally able to finance their entire Costco business at a cost of capital of 3.6%. And so ...

Ryan Moran [00:55:40]
That's wild.

Nick Mares [00:55:41]
Exactly. And so, what we realized is if we just started a business that viewed co-packers as a unique entry point to access an incredibly captive audience, i.e. the brands that they work for, they have an incredibly rich pool of data, which is the actual manufacturing logs, production history, not only on a company, but their particular skews.

Nick Mares [00:56:01]
And so, you can actually break out the skew list and rank them, and I'll work with you on your top 4 SKUs but the bottom 2, we won't touch just because you're moving those every 110 days, whereas the top 4 you're consistently converting into cash every 45, 47 days. And so, just by understanding the supply chain, understanding what the critical control point is, co-packer ... We're unsecured to all brands and the reason we're able to do that ...

Nick Mares [00:56:25]
So, we're complementary to any existing capital partners is because if you don't pay your co-packer, they won't make more product for you. And so, what we do is we just simply come onto the scene and we're like, okay, let's put this in agreement and if we don't get paid and we're defaulted on, you, the co-packer, don't manufacture additional goods like you wouldn't otherwise for this brand. And so, the default rate in the space is 75 basis points from brand to co-packer because the last person you're going to stiff is the person and partner who is solely responsible for your future growth and revenue.

Ryan Moran [00:56:56]
That's right.

Nick Mares [00:56:56]
So, just by understanding the entire supply chain, we were able to just raise a bunch of money, turn these manufacturers into banks for their brands, unlock really cheap cost of capital for these brands because we know where we can find some of these pay early discounts. And that's where we make the majority of our margin.

Nick Mares [00:57:14]
If there aren't pay early discounts, we can still work with brands at 125, 150 basis points per every 30 days. So, it's not contingent on pay early, but for us, that is the long term, scalable, exciting vision where brands can unlock cheap cost of capital without having to be massive company, personal guarantees, lockbox, reporting to covenants, minimal liquidity thresholds, stuff I just ... I hate as a founder.

Ryan Moran [00:57:41]
This makes me so excited. When I was early in my journey, there was ... I did Google SEO and affiliate marketing and all this old school stuff. And there was a period in which there was a Google algorithm update and put a bunch of people out of business. And the language in the space was, oh, it's so much harder now. So much harder now to succeed in that space.

Ryan Moran [00:58:06]
And I thought that was interesting because this was before WordPress, and it was before Facebook ads, and it was before squeeze page builders existed. And all these things started to create new tools and all these new resources started to come about. And so, from my perspective, it was easier than ever. We had way more tools, way more efficiency. Outsourcing was just becoming a thing. There were all these new tools that were becoming available. There was all this freed up resources for you to be able to build what you wanted.

Ryan Moran [00:58:37]
It was people who were addicted to the old way of doing things that were getting put out of business. And I see that happen in the brand space now, too, where you have all this additional competition, or Amazon is saturated, or Facebook ad costs are going up. And then, meanwhile there's services that now will say, oh, we can basically make your inventory financing a cinch and plug it into spaces like ours, where entrepreneurs have never had those ideas.

Ryan Moran [00:59:00]
And it's like, I think if you're starting now, it's easier than if you had started 3 years ago. If you started 3 years ago, you have a foothold in 1 area, but if you're starting now, you have all these new resources that didn't exist before. It just makes me very, very optimistic for what's coming next. Thank you so much. I'm so excited for your next chapter. Thank you for being here. Real quick, if somebody wanted to reach out to you about Upside, how would they do that?

Nick Mares [00:59:29]
UpsideFinancing.com or nick@upsidefinancing.com.

Ryan Moran [00:59:32]
Okay. Cool. All right. Thank you, sir.

Nick Mares [00:59:34]
Thank you.

Ryan Moran [00:59:34]
Give it up one more time for Nick. If you've read my book, listen to the podcast, or watch any of my YouTube videos and you're asking yourself, where the heck do I start? Where do I begin my journey to my million dollar business? We got you today. My team and I just completed a new kickstart class called 5 Days, 7 Figures.

Ryan Moran [00:59:58]
This is the best on-ramp class for any of you who are ready to begin your 7-figure journey. In this 5-day class, you're going to choose your ideal market, what products to launch, come up with a plan to get each one of them to 25 sales a day, and you'll know at the end of the class exactly what your business is going to be, how you're going to get it to a million, and exactly what your next steps are to get it off the ground.

Ryan Moran [01:00:26]
It's a 5-day class. It costs $100 bucks. And when you're done, a member of my team will get on the phone with you and review your homework directly with you. When you're ready to start, go take the challenge at Capitalism.com/5. That's the number 5. 5 Days, 7 Figures, Capitalism.com/5.