

E48 - Evan Asks, Invest \$400k For 10% Of Our Craft Brand Transcript

Ryan Moran [00:00:00]

This is the Road to \$1 Million and I'm Ryan Daniel Moran. This is an example of how to be the type of person that is capable of having an eight figure exit. So much of your success, even all of your success, comes down to how you show up in your life and business. And I want to introduce you to someone who is a living example of an eight figure exit in training.

Ryan Moran [00:00:27]

His mindset is right, his approach is exactly where it needs to be, and he's focused on creating a big pie, not just trying to get as much out of the pie as possible. We're going to go through his pitch, analyze why it's great, and what makes him a natural eight figure exit in training.

Evan [00:00:9]

Hi, there. My name is Evan, and I'm the CEO and founder of Scorch Marker. We're a wood burning marker that is shaking up the craft industry. We help crafters by making things easier. Let me show you what I mean with a quick story. I come from a family of firefighters.

Evan [00:01:05]

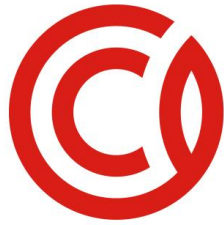
To get my dream job, I had to be tenacious. It took 5 years, 48 tests, 22 interviews, 26,340 miles on my truck, and 2 years of paramedic school. So, when I finally got the job as a firefighter, it was a big deal. 33 of us were put through an ass kicking 18 week academy. Have you ever done 1000 pushups in a day? It's where I learned discipline. It's where I learned how to be part of a team.

Evan [00:01:32]

It's where I learned how to lead one. When we graduated, it was a big deal. We were real firefighters. It was an accomplishment to commemorate. Of course, I was chosen to make the plaque that would change at headquarters. After all, I do have a wood shop. This thing was beautiful. It was made entirely out of walnut. I was going to wood burn our motto right into the wood in true firefighter fashion.

Evan [00:01:57]

So, I grabbed my soldering iron, I plugged it in, and I went to work. I got this. Nope. The whole thing was ruined. It looked terrible. I couldn't get a straight line, and the tip kept



digging into the wood. I had to start over. I was devastated. I was going to fail my team. Honestly, I was embarrassed that I couldn't do something so simple. I even burnt my fingers. A fireman burning his fingers while playing with fire? Come on.

Evan [00:02:22]

Why was this so hard? I couldn't use stencils, I didn't have \$250 for a nice tool, and I didn't have 1000 hours to practice. There had to be a way to make wood burning easier. My wife and I started experimenting. It took us weeks and hundreds of hours of research just to make the first formula. I wanted to tear my hair out at least three times.

Evan [00:02:42]

I'm not kidding when I say that. Then we nailed it. We invented a new technology. All you have to do is draw on wood, apply some heat, and the wood will burn only where you drew. A wood burning, heat-activated marker. Finally, a cheaper, faster, safer, and easier way to wood burn. Did I mention that it works with stencils? And yes, I did end up completing the plaque. It was the very first Scorch Marker project ever, and it still hangs at headquarters today.

Evan [00:03:14]

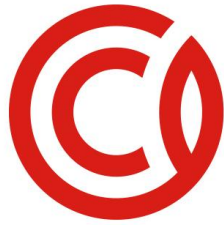
My wife and I spent the next three years building this product into a company while working full time. We bootstrapped it with \$500 of our own savings. We made a ton of mistakes, and we lost over \$63,450 of our own money in the process. But we learned some very valuable lessons. The biggest lesson was that we aren't just a wood burning tool.

Evan [00:03:36]

I mean, let's be honest. We're never going to be just a one hit wonder. That's just not good enough for us. We're a crafting company. We learned who we were, so we connected with crafters. We learned about their needs, and we began serving them.

Ryan Moran [00:03:52]

Evan's business is pretty product-focused, and it's really easy for a lot of entrepreneurs to get product-obsessed and forget about the person that is buying the product. I always tell people, start with the person, not the product. But Evan has a product-focused business. In order for him to grow beyond seven figures, which is where he is right now, he has to put his attention much more on the person that he's targeting, which is exactly what he shared in this presentation.



Ryan Moran [00:04:20]

That shift from focusing on the product to knowing who your customer is will be the unlock from him going from seven figures to high seven figures, even eight figures, and having the type of exit that sets him up for life.

Evan [00:04:36]

This was a huge lesson because it led to success. Let me touch on that success for a moment. 2020 was a big year. 2021 was even better. We did this with three channels, one audience, and some Facebook ads. We were finally able to replace my firefighter salary, so I quit. I left my dream job. I left a career that little kids dream about. But I had found a dream that was even bigger than being a firefighter, a dream that I was absolutely obsessed with.

Evan [00:05:13]

Shiny object syndrome is real, by the way. At the same time I left the fire department, I found success on TikTok, sharing business tips with other entrepreneurs. I amassed just under a million followers in less than a year. So, I entertained the shiny objects and I went hard on all the things. But what do I mean by that? I created a personal brand.

Evan [00:05:32]

I built a TikTok, grew an Instagram, started an email list, launched a YouTube channel, digital products, business course, brand deals, and a ton of affiliate marketing. I earned over a quarter of a million dollars in that first year. And I share this with you because I learned new skills, skills that I could use for Scorch Marker, especially content creation.

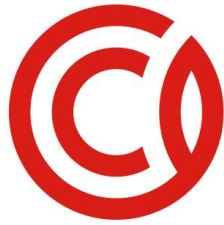
Evan [00:05:55]

But I realized very quickly that I was average at a lot of things and not great at one thing. To get to the next level, I had to focus on that one thing. And just then, an investor offered to buy our company for seven figures. It inspired us, but it also put us at a fork in the road. Do we sell? My wife and I had a talk. What's the next move?

Evan [00:06:17]

And the answer was right in front of us. Don't sell. Go all in on Scorch Marker and make it great. Use the skills that I learned to become the face of the brand, the leader that the company needs and deserves.

Ryan Moran [00:06:32]



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One of the things I look for as an investor is how much an entrepreneur actually believes in their vision. How much do they believe in their product? How much conviction do they have that what they've built is valuable to their potential customer? So, pay attention on how Evan communicates and shows up.

Ryan Moran [00:06:51]

He's confident, yet humble. He has conviction in his vision, yet he knows that he needs some help. He's focused not on how much money he can make, but how big of a pie he can create for everyone. He's thinking about the person and the customer rather than how great his product is. When you put all of that together, I believe that Evan is sitting on an eight figure exit.

Evan [00:07:17]

So, I put down the shiny objects and I put all of my focus on Scorch Marker. But I don't know what I don't know. That's literally the only thing that holds me back. Luckily, this guy Ryan wrote a book. Enter the Capitalism.com Incubator, a training program for people just like me.

Evan [00:07:38]

I jumped in head first. I devoured the trainings, and I took massive action. I didn't wait for the money. I didn't wait for investors. We had \$200,000 in retained earnings. We went all in with our own money. But just as we were making these changes, I got hit with a new challenge.

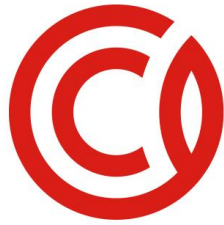
Evan [00:07:55]

30,000 defective units forced us to stop selling. We had to recall all of our stock. It hurt, but our cash reserves saved us. Between that and the new hires, we were tapped. Luckily, we invested in people, new systems, and new products. We proved that our business model is strong and our team is solid. We can handle a challenge.

Evan [00:08:22]

Our sales have bounced back higher than ever in a matter of months. Our run rate has never been better. The owner's model works. But what do I mean by the owner's model? Vision, people, and capital. Our vivid vision is very clear. We have the right people and they're bought in. All that's left is capital. And that's my job now.

Evan [00:08:43]



Let's stop for a second, though, and address some burning questions. What about the market? Has anyone done this before? Who are your competitors? And most importantly, who are your customers? The craft market is \$45 billion, and we are a craft company. Cricket is a great example. They created a technology just like us.

Evan [00:09:01]

Specifically, though, they created a vinyl cutting machine. You put in sheets of materials and it cuts it out. They have recurring, back end, and front end products, all centered around this core technology. They went public for \$6.6 billion last year. Silhouette is similar, also with a cutting machine. They earn over \$46 million a year and are still privately held with only 30 employees.

Evan [00:09:27]

Once again, an ecosystem of products centered around a technology in the craft industry, just like us. Just like Scorch Marker. What about retailers? Michaels has over 1200 stores in North America. They're the leader in craft supplies. They went private in 2021 for \$3.3 billion, and we have 35 purchase orders on hand from them.

Evan [00:09:49]

Hobby Lobby is another huge player. We've all seen them. They do over \$6 billion in sales a year. We have purchase orders from them, too. So, where's the rest of the market? It's in the hands of the crafters. The market is dominated by Pinterest Pollys and Crafty Carols.

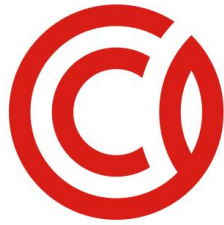
Evan [00:10:07]

In fact, they are the market, and this is who we serve. I know this personally because of the thousands of survey responses, the thousands of conversations, years of purchasing data, and the constant engagement with our people.

Evan [00:10:22]

Let's start with Pinterest Polly. Polly is a Midwest suburban house mom that loves to craft. She got a Cricket for her 40th birthday. She hasn't stopped using it. She loves selling her homemade crafts on Etsy. Crafting is her happy place. It's where she defines her creativity and her independence. Did I mention that she has two teenagers and a husband that works full time?

Evan [00:10:42]



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Crafty Carol is one generation up from Polly. She's retired. Kids are gone. She's built a happy life with many grandchildren. But Carol is 79 years young. She's crafty. She's the type to make ornaments with the grandkids on Christmas Eve just for the memories. She reads all of her emails.

Evan [00:10:58]

It's Polly and Carol that we serve. Crafty Carol is on Facebook. Pinterest Polly is on TikTok. They both learn from YouTube and they both get ideas from Pinterest. But it doesn't end there. Polly and Carol have more in common than you think, and it's not that they both live in the Midwest, and it's not that they both have spending power.

Evan [00:11:21]

It's the fact that they both want to hear one thing. Oh, my God, this is incredible. You really made this? That's why we do what we do. That is our vision. I know that feeling. And it's that feeling that we create for our customers. And we do it by making crafting easier.

Evan [00:11:44]

Let me show you the products that are making this happen, and then I will introduce you to the team. The top row is our Scorch Marker and its bundles. We have ludicrous 90 plus percent margins on these. The second row was released in July, a 10-pack of wood slices, vinyl stencils, food safe wood finish.

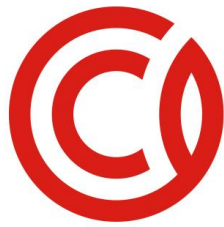
Evan [00:12:02]

The data is really promising. I'm confident that the stencils will become an eight figure success by themselves. It solves a very painful problem. The third row releases this month. A sanding kit, \$109 mega bundle, and our new fine tip Scorch Marker. By the way, we tested the mega bundle and it sold out in ten days. I'm seriously pumped about these. They are going to crush. Our customers have specifically asked for them.

Ryan Moran [00:12:30]

Having a vision is really important, but there's one piece that needs to be present in order for me to know that I, as an investor and an advisor, can bring value to someone's vision, and it's when I see, what I call, the big green button. The big green button is the one area that we can push or add momentum to help the vision unfold.

Ryan Moran [00:12:53]



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In Evan's case, he knows his numbers, his profit margin, how much things cost, what it costs to acquire a customer, where his money is going to go. So, I can analyze if there's a big green button to push that I can help, and if I can, then I know that I can mentor somebody en route to a seven figure business that they can sell. The fact that Evan knows his numbers so clearly allows me to see where I might be able to bring value, or where he might have an error in his strategy where he might need some advice.

Evan [00:13:29]

Here are those ludicrous margins I mentioned. Our Scorch Marker is made for less than a dollar and it sells for more than \$15. Soon, that price will drop even more. Our subscription boxes will have over 80% margins. In fact, we don't have a single product below a 75% margin and this isn't even at scale. We have a reliable supply chain for all of these.

Evan [00:13:51]

Here's a look at the products that will arrive in Q4. We've already ordered them. We're dead serious about giving our customers what they want. But this is what excites me the most. We sold 55,564 markers in the last twelve months just on Amazon. When we replicate the same success with our new SKUs, it will take us to an eight figure valuation very quickly.

Evan [00:14:21]

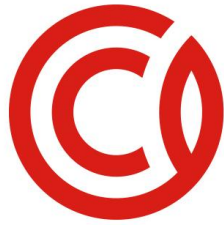
Let me introduce you to our team of doers. I have a badass chief communications officer that takes on chaos and helps me stay out of the weeds. She is literally the definition of dependable. My social media and customer service manager has been with us for two years. She talks to our customers, manages our community. Our formulator has 41 patents. He's invented items that every single one of us has used and works very closely with me on these new products.

Evan [00:14:48]

My Amazon team left a full service agency and took a pay cut to come work for me because they believe in me and my vision. Our 3PL was hired from the Incubator rolodex. Shipping is an afterthought because it's so reliable and literally the most affordable option in the industry. Our markers and intellectual property products are all made in the USA.

Evan [00:15:14]

We have patents and trademarks. Our wood is sustainably sourced from a husband and wife in South Carolina. Our back end products are currently being sourced by our product sourcing



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manager in Taiwan. He meets with every factory. And the rest of our team lives all over the world. They've grown with us and we've developed wonderful relationships. Video editors, copywriters, designers, printers, developers, and more.

Evan [00:15:38]

With their help, I can step back and focus on three things, leadership, content creation, new products. These are my strengths and I'm all in. So, what's in it for you? 10% of our company for \$400,000. We are going to use this money for three specific things, product development, media buy, and partnerships. Here's some more info on those specifics.

Evan [00:16:10]

\$150,000 is going to new products. I have the team, I just need to spend strategically so I can roll out the monthly subscription bundles. \$150,000 is going for media buy. After testing Google, Facebook, Pinterest, Amazon, and TikTok, we found a lot of clarity. Our spend will be focused on Amazon and TikTok. We are also going to purchase exposure on an existing email list to leverage our strengths.

Evan [00:16:38]

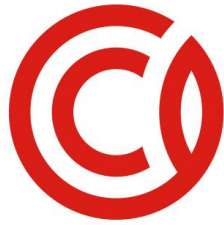
Our goal is a return on ad spend above two and a half and a customer acquisition cost below \$20 while maintaining an average order value above \$60. We're already there. We just need to spend more. The last \$100,000 is going towards partnerships. \$60,000 is for my team. \$40,000 is for user generated content so we can leverage it on social media.

Evan [00:17:02]

So, why are we raising at a \$4 million when our products last year were \$250,000? I mean, that puts us at a valuation of \$1.25. I'll tell you why, because a lot has happened since then and we are valuing ourselves on the improvements that we've made and the new products that we have released. This is where we were last year, spread thin. We had a few variations of one product and we drove traffic with Facebook ads.

Evan [00:17:31]

We did \$1.2 million in sales like this. This is where we are now. Recognize this diagram, Ryan? Channels have been delegated and teams are in place. Back end products have been created. Recurring products come out this year. New front end products were rolled out last month. Polly and Carol find out about us through paid ads, organic content, and TikTok.



Evan [00:17:58]

And then, they're nurtured and inspired with emails, live streams, and YouTube. I keep tabs with them in our super fans Facebook group and on our livestreams. We took massive action. We implemented the owner's model. We did it just like we were taught. I casted a vision, I found the people, we did the work, and we supplied it with our own money. It works.

Evan [00:18:21]

So, we're going to eight figures. It's not an if, it's a when. That's why we are valued at \$4 million pre-money. Look, I have successfully invented a product and created a seven figure company. Now I'm pitching my vision to investors like you so I can raise money and multiply it. I want that win. I want to learn this process and I want to dominate it.

Evan [00:18:46]

It's about the challenge. It's about growth. We are going to achieve a valuation of \$33 million. Once we get there, we can look for the right buyer that will carry on our mission, or we can continue to reap the rewards of a high profit margin business, and that's when you will see a return. Our plan is very simple, double sales four times.

Evan [00:19:11]

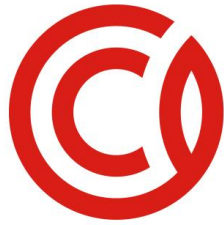
Based on our profit ratio, your \$400,000 investment will become \$3.3 million dollars when we reach our target valuation. When you join forces with me, you become part of the team, and you know exactly what that means. Together in, together out. Thanks for your time and attention. I would love to answer any questions you might have. Otherwise, you can contact me here. Have a wonderful day.

Ryan Moran [00:19:40]

Evan did a fantastic job with his pitch, and he had several people reaching out to him wanting to put money into his company to help Scorch Marker grow. I have two pieces of constructive criticism of what Evan could have done well, especially at the end of his pitch. The first is when Evan presented his valuation, he started getting a little bit defensive and trying to convince the people watching why it was worth the valuation that he wanted.

Ryan Moran [00:20:08]

That signals to me that he isn't quite there in his belief that it's worth that amount of money. A much more powerful position to be in is simply to state what the valuation is and move on. If you don't have a strong case and you start getting defensive about it and trying to convince other



people, that weakens your positioning versus just stating it and moving on. Evan did well enough leading up to that point that he had enough to work with to justify the valuation that he desired.

Ryan Moran [00:20:40]

The second piece of constructive criticism that I would give to Evan is only making 10% of the company available. That's a very small amount of equity when you're presenting to a group of investors, especially for the size of the business that he has. That leaves very little bite at the apple for an investor to be able to take part in.

Ryan Moran [00:21:02]

I would rather see him raise more money, even at a higher valuation, because investors can see themselves getting a bigger piece of a much bigger pie. I'd rather see him do that than try to keep 90% and only raise a minimal amount of money. If he's going to cast a big vision and have a \$30 million plus exit, then I want to see him be willing to raise the amount of capital that it will take for him to get there, and I'd rather see him do it now rather than in stages.

Ryan Moran [00:21:36]

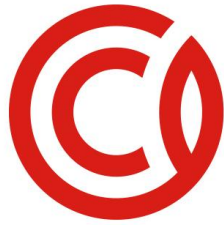
So, as an investor watching from the sidelines, I'd like to see him willing to give up more of the company and get paid for it so that I know I have a bigger bite of the apple and he has the capital that he needs in order to execute such a big vision. So, that's one of our favorite pitches from our recent pitch week inside of the Capitalism Incubator.

Ryan Moran [00:21:58]

If you're building a seven figure business that you want to sell and you want to find out what we do and how we can help, visit the link below in the description. It's Capitalism.com/Incubator. It's not hard to remember. I'm Ryan Daniel Moran from Capitalism.com. Thanks so much for watching, and I hope to see you next time.

Ryan Moran [00:22:23]

If you found value in this podcast and you're ready to go deeper, here are three resources where we can help you. One, you can grab my book, 12 Months to \$1 Million on Audible or Amazon. It has over 10 reviews, and it's the playbook to building a seven figure business. Second, you can join our community of entrepreneurs who are following a plan to build a 1% net worth by building businesses and investing the profits.



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Ryan Moran [00:22:47]

You can get plugged in at Capitalism.com/1. And third, if you're looking to go deeper and build a seven figure business that you can sell, you can work closely with us inside the Capitalism Incubator. You can get on the waiting list and find out what we do over at Capitalism.com/Inc. That's Capitalism.com/Inc.