

Local on Demand

Begun as a subscription service, Batch has solid plans for the future

by SANDY SMITH

When Sam Davidson and two friends wanted to share the locally made products they loved in their hometown of Nashville, they used a subscription business to spread the word. Less than two years after launching Batch, the company has added three additional markets, with another in the works, and opened a bricks-and-mortar location.

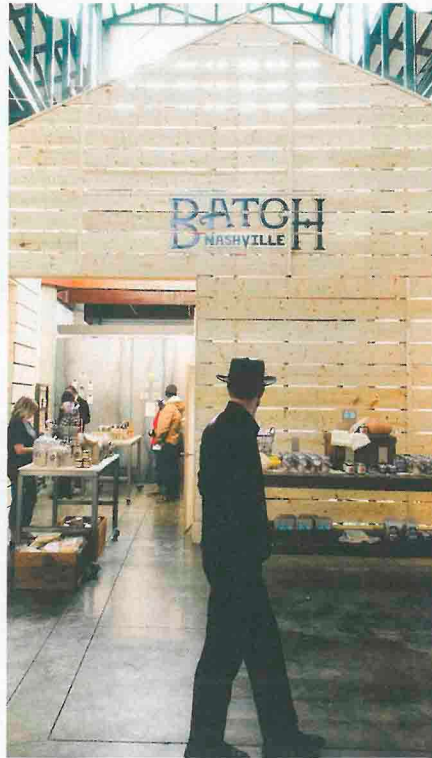
Along the way, Davidson and co-founders Stephen Moseley and Rob Williams have had to find the sweet spot between taking advantage of opportunity and growing the small business too rapidly.

“It’s grown much more quickly than we thought it would, but happily,” Davidson says. “We thought we’d be lucky if we sold 200 boxes per month. We could still do what we were doing in terms of getting together to enjoy and find local Nashville products. Then we could come together and pack the boxes. That’s all we thought it would ever be.”

Batch reached that 200-box goal within the first month and has shipped more than 20,000 total boxes since. It’s no longer just the three guys packing the boxes; a third-party company now handles packing and shipping.

Granted, those 20,000 boxes are a relative drop in the bucket compared with the volumes generated by some of the major players in the subscription box category. But small doesn’t mean there aren’t big questions along the way. Key among them: financing.

“When we first launched, we were able to self-finance and grow,” Davidson says. “We knew we could keep it in Nashville and keep it a good little business. We also knew we could do



more than that, but we would need to hire and have facilities.”

They brought on outside investors late last year to fund the purchase of inventory through the holiday season. “The best thing about outside investment was the expertise,” he says. “We have a great group of investors who act like partners and advisors, and who have business experience that far [outweighs] ours.”

“That’s been a good thing for us, too. We’ve got other people who care about it as much we do.”

GROWTH TRAJECTORY

Managing growth is a challenge for any small business — *The New York Times* pegged out-of-control growth as one of the top 10 reasons for small business failure.

“A lot of businesses fail because they try to grow too fast,” Davidson says. “If I had great access to capital and investments, I’d say, ‘Let’s be in 20 cities this year, maybe 50.’ We’re focusing on adding Atlanta and on continuing to grow in all our cities. We may add one more this year. The big thing we want to try in every city we’re in is to

have some kind of retail outlet.”

Bricks-and-mortar locations grew out of customer demand: Batch local boxes are a popular last-minute gift. “People would say, ‘I need a gift for tonight. Where’s your store?’ We’d say, ‘We don’t have one, but we can meet you somewhere.’”

“We held some pop-up events at conferences and festivals, which gave us a chance to see if people could sample the product, if they were more likely to buy it,” he says.

The Batch team took a cautious approach, signing a lease at the Nashville Farmers’ Market. “We thought if [it] didn’t work out, we could just do our packing from there and give up the warehouse,” Davidson says. “We didn’t take on a huge new line, we just stair-stepped it up. It’s done nothing but confirm our decisions.”

Convinced of the concept in Nashville, the first expansion city was Memphis. It wasn’t the barbecue — or the thriving maker market there — that drew Batch. It was the fact that staying in state meant no need to learn another way of handling sales taxes.

And then there was the logistic sim-



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plicity: “With it just three hours away, we knew we could get there easily,” he says. “We didn’t know how expansive this was going to be from a logistics or personnel standpoint, so we just kept it close.”

From there it was on to Charleston, S.C., a city known for its culinary reputation, followed by Austin, Texas, a city similar to Nashville in its creative culture. Atlanta’s up next — but don’t pigeonhole Batch as a Southern company.

“It’s easy to see they’re all Southern cities,” Davidson says. “But there’s more to it than that: There’s been a real embrace of local products. That’s a national attitude now, but we’ve always had an affinity for local music, art, restaurants. That’s not going away. I don’t worry that one day we’ll wake up and not want anything to do

with local products.”

Retail locations in each city will begin as pop-up shops in the fourth quarter of 2015 to serve last-minute gift needs and act as a test to determine if they “can support a retail market,” Davidson says. “If they can, we’d look at making those spots more permanent.”

Here again, they face the delicate dance between growth and over-extension. Retail locations require leases and staff in a way that the subscription boxes don’t.

“As you grow a business, you have increasing levels of opportunity and liability,” he says. “You have to navigate those in a smart way and not take on too much risk.”

That doesn’t mean there haven’t been surprises. Where the Batch founders expected individual subscrip-

tion boxes — which include monthly, annual or quarterly offers — to be the core of the business, corporate gifts are playing an increasingly larger role. The company also allows customers to purchase one-time themed boxes.

GOING ALONG FOR THE RIDE

Recognizing the value of the products — and the crafts people behind them — has been a key component of Batch’s growth. It’s reciprocated by product makers like Luke Duncan, founder of the Eli Mason line of cocktail mixers and syrups that have proven popular in Batch boxes.

“They were my first big order ever,” Duncan says. “It was a validating moment where I realized, ‘Oh, maybe this is a thing. Maybe I should continue to invest.’ I had already put in a couple of years building the recipes. I needed somebody to step out on my behalf and say, ‘This is good.’”

“I could say, ‘I’m in Batch,’ and people would be willing to try it.”

Then there’s the practical matter: Batch bought a sizeable order that came with a nice check, which helped Duncan take the next step. But it’s beyond being in a themed box and on the shelf.

“They’re savvy merchandisers, so they’re not just looking for good products, but good products with a good story that work well with other products with a good story,” Duncan says.

“You can buy the Stock the Bar Batch and learn about and support local companies. But you’re also being welcomed into a conversation. With most retail transactions you pay the money, get your product and you’re done. Batch is continually helping customers fit these products into their lives, helping them understand why they need a mint julep mixer. I’m a small producer and that’s something I don’t always have the time and energy to do.” **STORES**

Sandy Smith grew up working in her family’s grocery store, where the only handheld was a pricemarker with labels.