

Driving radical change, a profile of The Craftory

In the ever-growing investment landscape, funds are multiplying and diversifying, and for startups there is more to raising investment than the money and the media moment. With #QVCS Maddyness profiles different funds to give founders and entrepreneurs the information they need to choose the right investor. Today we hear from Ernesto Schmitt, cofounder and Arch Crafter at The Craftory.

Temps de lecture : minute

24 May 2021

The Craftory was born 3 years ago, out of our desire to create a better way for capital and venture to come together. We're a \$375M investment house offering Series A, B or C growth capital to cause-driven challenger brands in consumer goods. We solely invest in brands that have as their core mission to bring about radical change in the categories they serve, to raise the bar for the benefit of consumers, the planet, or society.

Which industries are you working in?

We back the boldest packaged consumer goods brands across home-, personal- and beauty care, better-for-you food, vitamins and supplements, pet and baby care. We invest in brands that have proven their product-market fit and crossed at least \$15M in revenue run-rate, and we help them amplify their impact and scale to hundreds of millions in revenue. Most great ventures fail not because their concept or execution were poor, but because they fail to make the radical change from scrappy startup to a professionalised business with world-class

capabilities, fit to last. That's our unique expertise.

What do you look for in a founder?

First and foremost, we look for challengers who are determined to change the status quo, not out of economic opportunism (though we see nothing wrong with doing well), but because they believe there is a better way. Then we look for curiosity - a desire forever to learn and grow. And we look for those who are trying to find a partner, a mentor, an ally to help them on their journey, rather than a passive investor who'll fall asleep in board meetings. We work best with those who want us to stand at their side as their coach, with radical candour as well as steadfast loyalty.

Can you talk about your current portfolio?

We're proud to have backed 8 fabulous challenger brands to date (with more to be announced very soon). These range from SEED, who are democratising new science in microbiomes for the benefit of people and planet, via NotCo who lead the charge in using AI to develop plant based alternatives to traditional animal protein foods in our diet, to Hippeas who offer healthy and delicious chick pea-based snacks, all the way to Dropps and Dyper, who challenge the likes of P&G and Unilever with no-nonsense, good-for-you-and-planet laundry and baby care. Then we have the fabulous Edgard & Cooper with sustainable pet food, TomboyX as a gender-neutral apparel brand, and Ruby Love offering period underwear.

How has COVID-19 changed the way you operate?

We've all switched to working remotely, but that's not stopped us from being hands-on support for our brands. It's remarkable how well humanity

can adapt to change.

What does the future look like? New trends/technologies, changes in the global/local economic landscape?

We believe we're just at the very beginning of the challenger brand revolution. More and more consumers are beginning to pay attention to the consequences of their consumption and are looking for brands to offer alternatives that are more sustainable, fairer, cleaner, simpler and better for people and planet. Those brands that stand at the forefront of this change stand to reap the rewards of the biggest upset to the cosy oligopoly in consumer goods in two generations. Those who fail to recognise this shift risk ending up on the wrong side of history.

What makes The Craftory different?

We are not a fund - we are permanent capital. That means that we're a company that's capitalised with \$375M that we invest off our balance sheet, directly - and it means we don't have to return our capital to our own backers in any fixed timeframe. So in contrast to any VC fund, brands can stay in The Craftory portfolio for as long or as short as they want - with no fixed exit timelines, multiples or requirements. It's whatever is right for them and their market, rather than imposed by us. Next, none of us are conventional financiers - we're all experienced brand builders, entrepreneurs and hands-on operators ourselves, with real company-building expertise and empathy for the entrepreneurial process. And finally, we're structured to pass on our expertise, hands-on, to our portfolio brands. We have dedicated people across dedicated crafts, ready to help our brands across codifying strategy, brand and storytelling, digital growth platforms, product innovation, and operational scale up. Plus, we're nice people, to boot.

What one piece of advice would you give founders?

The measure of a successful day is the proportion of which you've spent with your feet up on the table, looking out the window. It's the difference between formative work and busy work - and your role as founders to change your business, not run your business. More on which I invite everyone to read at TheCraftory.io

Article by Ernesto Schmitt