

Episode 40

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Choosing the Midwest, Memory Ventures, Anderson Schoenrock, relocating a business, cash flow optimization, leaving Southern California, family business roots, Kansas upbringing, corporate finance, e-commerce, entrepreneurship, scaling operations, cost of doing business, real estate development, lifestyle and location

SPEAKERS

Jason Duff, Anderson Schoenrock, Ethan DeLeon

A Anderson Schoenrock 00:00
So it's summer 2014. This deal's falling apart. I'm now kind of pivoting into this mindset of let's optimize for cash flow. And the first thing that was the most obvious thing to do was probably should not be running a people shipping space intensive company in Southern California.

J Jason Duff 00:22
What do you mean? The weather's great out there, right?

A Anderson Schoenrock 00:26
The sunshine is great, but rent is higher. Hiring a lot of people, needing a lot of real estate, getting a lot of stuff shipped, uh, being in Southern California, I don't know that it's the absolute worst place, but if you're trying to optimize cash flow, it's probably—

J Jason Duff 00:42
it might be.

E Ethan DeLeon 00:48
Hey everyone, my name is Ethan DeLeon and I'm here with our founder and CEO of Small Nation, Jason Duff. Joining us on the show today, we have the CEO of Memory Ventures, Andrew Anderson Schoenrock. We want to welcome you to the Small Nation Podcast, where we share some of the valuable lessons with what we have learned about entrepreneurship, real estate, economic development, and more. The point of this podcast is to create value for you, the listener, and to create a space to learn, talk about what's trending, and inspire others.

J Jason Duff 01:16
Thank you, Ethan. Welcome, Anderson.

A Anderson Schoenrock 01:19
Thank you. Thanks for having me.

J**Jason Duff** 01:21

Yeah, no, it's great. Glad to have you. Uh, so I've known Anderson for the past 15 years, and there we have a lot of mutual friends. And as I've gotten to know him, What has been so wild and crazy, and I actually think it's a really cool thing. He is my brother from another mother.

A**Anderson Schoenrock** 01:38

Definitely. We— yeah, definitely.

J**Jason Duff** 01:41

You know, we, we have similar, like, life stories. I'm excited for him to share more about that today. But like, you know, you meet someone else from a different state, from another country, and you start sharing your background and you're like, that is super weird. That's like what— that's how I think, or that's how I operate. And I'm just excited for our guests today to hear Anderson's story and his businesses. And, you know, I've had a chance to really build a great meaningful relationship with his wife and his family. And, you know, how many kids are we up to now, Anderson? 4.

A**Anderson Schoenrock** 02:13

4. We are at 4 children.

J**Jason Duff** 02:15

4.

A**Anderson Schoenrock** 02:16

And we're done.

J**Jason Duff** 02:17

And we're done. Literally his family photo every few years just keeps expanding. He's building out the basketball team. But no, it's just great having you on the show today. You started in Kansas.

A**Anderson Schoenrock** 02:31

I did. Tell us about that. I did.

J**Jason Duff** 02:34

Yeah.

A

Anderson Schoenrock 02:34

Born and raised in Kansas. Grew up in a relatively small community called Junction City. That was an interesting community because it's a military community. So it's not necessarily what you would think of in terms of a traditional Kansas small town. It's got a lot of those aspects, but then you've kind of got this cross-section in the middle of the country with Fort Riley Army Base being there. So we, you know, growing up, going to elementary school and middle school and high school there, we had kids that were transferring in every few years and transferring out as they moved to different bases with their parents. So it was an interesting sort of melting pot and a great, great place to grow up. Grew up in a family business or around a family business there and That's easy, right? Yeah.

J

Jason Duff 03:24

Family business.

A

Anderson Schoenrock 03:25

Easy. Yeah, exactly.

J

Jason Duff 03:27

So your father started the business?

A

Anderson Schoenrock 03:31

He did. Yeah. So my dad started the business. I don't remember exactly what year. I think it was either right before I was born or shortly thereafter. Really, it was a— or is— my brother now is back in Kansas and working in the family business, but it's a real estate-focused business, started originally as residential brokerage. And then my dad in the late '70s, early '80s started doing basically home flipping before home flipping was like a thing. So he was doing a bit of that and then kind of one thing led to another. And now what they primarily do is develop commercial office properties throughout the state of Kansas, most, most of which are leased to the state of Kansas. So if the state needs a county office in a particular, in a particular community, my dad, now my brother, will go in, find the piece of land, do a build-to-suit. So it's a great, it's a great business. And it was a great business to grow up around. I spent my summers in high school waking up at 5 AM, driving all over the state wherever my dad sent me, striping parking lots, helping do repairs, whatever needed to be done. Was not thrilled with it at the time, but it was great experience. And, you know, I think— I don't know if my dad did this intentionally, but when you have a 16, 17-year-old kid and you work them from 5 a.m. till 5 p.m. in the hot summer sun, did not have a lot of energy to get into any shenanigans. And it kind of kept me in order, I guess.

J

Jason Duff 05:13

Yeah, I love that. So growing up in a family business, is that something you wanted to pursue then as you were growing up, or did you want to do something different? Yeah.

A

Anderson Schoenrock 05:23

So I think growing up around a family business, I always envisioned that I would probably be a business owner, an entrepreneur myself. And, you know, it was kind of something that I think came naturally to me. I don't know if that's sort of nature or nurture or, or both. But having grown up around a family business, it was kind of what I was used to. So it's always how I've kind of envisioned when I had my own family, how things would be. So yeah, I think I always envisioned that and we can talk about this a little bit more, but I did do a kind of corporate finance stop before starting my own business. So I can talk about that.

J

Jason Duff 06:04

Yeah, well, tell us about that. So you had the opportunity to move right in Kansas, right, to continue to work with your father and your brother. But you ended up saying, I want to get a college degree.

A

Anderson Schoenrock 06:16

Yeah. Yeah. So my parents, one of the things that they always— I mean, my dad and my mom ran that business and started it from scratch, and I watched them grow it from nothing to what they had. And one of the mantras that we were always kind of taught as I grew up was, we've worked so hard to give you opportunities that we never had. And so when it came time to go to college, one of the things my parents said is, hey, you have opportunities to go pretty much wherever you would like to go. If you can get in, we'll help you make that happen. And so I was able to do a couple of trips in high school to go look at colleges around the country and ultimately decided that if I could get into Dartmouth, that would be kind of my dream place to go. And fortunately, I was able to, to get admitted. And so I ended up leaving Kansas, uh, after graduation and going back to, uh, back east to New Hampshire to go to Dartmouth College, which is where I did my undergrad.

J

Jason Duff 07:19

And that experience from where you grew up in the middle of the country now— and I think you mentioned that the Air Force Base provided you some experiences of meeting people that are different from you, but that's a big shift. Like, how did you, how did you react to that?

A

Anderson Schoenrock 07:33

Uh, yeah, I mean, in hindsight, you know, at the time I was just kind of excited about it. Now with some age and years, I'm kind of surprised it wasn't more daunting, uh, in retrospect, just because I arrived at campus, I knew no one. I was miles away from home. This was be— you know, this is two— I went to college, I graduated high school in 1997, so this was 19, fall of 1997. So I didn't have a cell phone. I didn't have the connectivity that you have now. My parents put me on a plane. And I flew in New Hampshire and I—

J

Jason Duff 08:05

it's not Kansas anymore.

A

Anderson Schoenrock 08:07

I was on my own, which is great. I mean, I figured it out. It was a very formative experience. But yeah, I mean, it was— I was a little bit of a fish out of water and, you know, I was going to college with kids from all over the country, lots of kids from the coast, lots of kids that went to, you know, well-renowned prep schools and that sort of thing. I went to public school in Kansas, so that was a little intimidating, to be totally honest. What I would say, though, is you get to a place like that and you realize that everybody's kind of the same. I mean, everybody's, you know, there's similarities to be found. Yeah, yeah, yeah, yeah.

J

Jason Duff 08:44

When you graduated, tell us about what was next in your career.

A

Anderson Schoenrock 08:49

Yeah. So when I was in college, I thought, you know, gosh, I should probably go do an internship and get some experience. And so I was able to get an internship at Lehman Brothers in college. My junior year. And then Dartmouth has kind of a unique schedule where you basically can, it's on a quarter system and you can take quarters throughout the year off. So I actually went and interned in the winter of my junior year in New York City at Lehman Brothers. And then that led to a summer offer. So I did another 3-month stint at Lehman the summer before my senior year in college, and that led to a full-time job offer. And so, you know, I always had in the back of my head that I wanted to do my own business. But I thought, well, my thinking was at the time, well, Lehman will always be— if I have Lehman and Dartmouth on my resume, that's a great insurance policy that if I ever go out and do something and completely crash and burn, that I'll always have that on my resume. I'll probably be employable. So, and I thought it would be good experience just to learn you know, I obviously knew finance from a small business, family business perspective to a certain degree. But I thought, gosh, like going and getting exposure to publicly traded companies and private equity and some of those things would be really interesting experience. And, and it was. So I went and worked at Lehman for 2 years in New York, kind of a tumultuous time in New York because I arrived in New York July of 2001, September 11th happened. Wow. That's crazy. And I was— our office was directly across the street from the World Trade Center. So when the towers collapsed, they fell on top of our building, which meant that I literally left work the evening of September 10th and never went back to my desk again. Wow. Which was kind of a crazy, crazy experience. So yeah, we spent— I spent 8 months out of the, out of the time that I was at Lehman in New York working out of a hotel in Midtown because there was no office space available. And, and then at the end of my— I'd kind of made a 2-year commitment. At the end of that, they, they said, hey, we've got an opening in LA. If you want to stay on with us, you could transfer to LA because I kind of wanted to kind of wanted to get out of New York City at that point. Great experience. Loved living there, but it was definitely a grind. And those 2 years in particular with everything that was happening in the world, it just kind of a hard time to be in New York City. So moved to Los Angeles and continued with Lehman for another year. And then that's really where my entrepreneurial journey started. I ended up leaving Lehman Brothers with 2 colleagues and we started a boutique investment banking firm. So we were basically doing similar advisory work to what we were doing at Lehman, but we were doing it specifically in West Coast markets. And that was a great experience. That was really probably my first true, you know, I had, when I was like 14, I had like a little lawn mowing business or whatever, but that was probably my first true taste of starting a quote unquote real business. And absolutely loved it. Love the, you know, the process of setting it up, figuring out the strategy, figuring out our name and how we were gonna position ourselves in the market, how we were gonna compete against much larger players. Like, it kind of really helped me cut my teeth from an entrepreneurship perspective. The other thing that experience taught me, I was a junior partner in that company, so I owned about 15% of that business, which meant I didn't have any say or control, but probably did all the work. Did a lot of the work. I don't know, I would say all, but I did, I did, I did my fair share for sure. Yeah. Um, and so fast forward 2.5, 3 years after we started that business, the main, uh, senior partner, um, who owned about 75% of the business, he really was not an entrepreneur and there were a couple of large firms that came kind of knocking on the door. I did not want to sell. I was enjoying what we were doing. I wanted to grow and scale that business. But he saw that there was an opportunity

to sell the business and kind of go back and, you know, he was an amazing deal guy but did not necessarily want to run and own a business, which is totally understandable. We're not all cut out for that. Not all the same. Deal with deal with the, the risks and headaches involved in being an entrepreneur. So he ended up selling it and I was able to work out a deal where I consulted so that we could transition the business. And then I was able to kind of exit and figure out what I wanted to do next.

J

Jason Duff 13:45

And that experience of going from New York to L.A. are completely different ecosystems, right? In terms of people, culture. But when you arrived in LA, did you start to make friends and find other people that were like you?

A

Anderson Schoenrock 14:01

I did. It was actually really, you know, sometimes it's better to be lucky than smart, right? So I was very fortunate. I was very fortunate that some people that I knew at Lehman in New York were originally from LA, specifically this little area in Long Beach. And so one of them connected me with a couple of guys who, um, had a room for rent. And so I arrived in LA, kind of talked to these guys a couple times on the phone. They had a room for rent, and so I moved in. Turns out these guys, you know, both became really close friends of mine. One of them is still one of my closest friends, was a groomsman in my wedding, like just really very serendipitous that I met those guys. They had both gone to USC and, you know, in LA, USC, UCLA, like the alumni network there. So I, through those guys, got to meet a ton of people and made friends. And, you know, those are some of my fondest memories of living in LA were the first couple of years that I lived in that apartment with those guys. And so, yeah, it was, it was relatively fortunate that I immediately found a group of people that were similar, that I got along with, that became close friends.

J

Jason Duff 15:24

How did you vision up the idea to start your company? And tell us about your company, your first company. So, uh, beyond the lawnmower business, even though that's pretty cool.

A

Anderson Schoenrock 15:35

Yeah. So we had sold this, uh, real estate advisory company to a big real estate company called Jones Lang LaSalle. I was— I had 6 months where I basically was being paid as a consultant, and I viewed those as my 6 months to kind of figure out what I wanted to do next. And a close friend of mine who Jason knows, a guy named Mike Mothner, who I went to college with, I met in college, he grew up in LA, so he had moved back to LA, and he and I would go to Lakers games and we would hang out. And so I was telling Mike about what I was doing, and he said to me one time, you know, if, if you're looking for your next opportunity, he does e-commerce marketing and he was very early on in the e-commerce marketing space. He said, you know, I'm doing this e-commerce marketing. I really think e-commerce is the way of the future. If you ever wanted to collaborate and start an e-commerce business together, I'll put in some money. I can handle the marketing, you can run the day-to-day and we can be partners.

J

Jason Duff 16:36

And so what an opportunity. Cool.

A

Anderson Schoenrock 16:39

I said, cool, that sounds great. Like, I'm looking for my next thing. I agree with you. I think e-commerce is really interesting. And so that's how we got started. So then it was a matter of, well, we just need an idea of what we're actually going to sell online. And so we kind of—

J

Jason Duff 16:56

your Gateway 2000 computers, like, arrive in the cow box. Like, you know, for those of us that have a, you know, a little age, we've got some age on you, Ethan. But like explaining the environment of the dot-com era, for those that are listening, it was wild, wild west where we were all getting, you know, connected to the internet. We all had, you know, there was like two browsers to choose from. You had Netscape and Internet Explorer. And then on the stock market, from an investment standpoint, it was like every person that would invent an idea and add a dot-com behind it would like instantly go up, right? So, and then we know that a lot of things busted after that. But what we were learning is that the frontier of selling things on the internet was here to stay and our ability to market things through the internet were there as well.

A

Anderson Schoenrock 17:47

Yeah. Yeah.

J

Jason Duff 17:47

Yeah.

A

Anderson Schoenrock 17:47

So, when Mike and I were thinking about starting a business together, this was 2007. So, we're literally like 2, maybe 3 years into Google advertising being a thing.

J

Jason Duff 17:58

Wow.

A**Anderson Schoenrock** 17:59

Yeah. Still have multiple, you know, multiple search engines. Mobile has not even really been conceived. The iPhone hadn't come out, right? So very different, certainly very different than where we are today, even very different than where we were even 5 years into the business. But you, but you know, we'd gone through the dot-com bust. You could still tell that even though maybe not every company that put dot-com was, had survived, there were still enough traction with Google and Amazon and Facebook was starting to become a thing at that time that, you know, you could tell that the world is moving in that direction. So we felt like e-commerce was a good place to be. And the other thing that was happening at that time, which, you know, again, if you have a little age on you, you'll remember, you know, we didn't all have cameras on our phones in our pocket. And so the, uh, the growth of digital photography was still in its early stages. And so one of the things that Mike and I realized was that people were migrating to digital photography and, uh, they didn't really know what to do with all those shoeboxes of old stuff in the closet. And so that was actually the problem that we set out to solve with the business that we started, which was— which is called ScanDigital. Um, it's part of our now what is a holding company, which I can talk about a little bit more. But that original brand is called ScanDigital, and what we do is provide an easy-to-use service where we help consumers usher all of that legacy media— old photos, slides, negatives, home movies, reel-to-reel film, all that stuff— we digitize it, put it up in the cloud, give the originals back to the customer, but we kind of bring all that stuff into the modern digital age for, for customers all over the country. And that, that's what we've— that's been part of our business since 2007 when we started it.

J**Jason Duff** 19:56

I remember getting introduced to Anderson and him inviting me to come to his original facility where all of these shipments would arrive of people's boxes of stuff that included everything from VHS tapes to CDs to— you'll describe what's the old film that you guys—

A**Anderson Schoenrock** 20:19

Yeah, like 8mm film.

J**Jason Duff** 20:20

Yeah. Like all of the things, like, and it would come in a variety of medias. And then when you'd walk into his facility, he had team members and staff and all this equipment of visually playing, like they would actually watch to make sure the quality was actually recording to digital. And walking around the room, you were seeing, you know, family reunions from the '60s and '70s, Christmas morning in 1983, the first trip to Disneyland, like all of these. I mean, I was just overwhelmed with the amount of memories and the emotional connections that we all have to that, that content. And, and you build a business around that that became a household name. Like in the beginning, you probably never knew that ScanDigital would be a household, national, international brand that a lot of people would recognize. How did you take it to that?

A**Anderson Schoenrock** 21:14

Yeah, you know, it's, it's interesting because we obviously, we, one of the things we liked about this category was there was no large 800-pound gorilla in the category. And so we knew that there was an opportunity to build something unique and special. But I don't know that we had the foresight to really understand exactly what kind of connection we'd be making with our customers. And so it was, it's been built and it continues to be built in a very iterative fashion. So, you know, literally when we started, we were working at a, Mike had an office for his digital agency and they had some extra space. So me and our first employee kind of worked in the corner and we had a dry erase board where we would track all of our orders and we were keenly aware from the beginning that we are entrusted with people's one-of-a-kind materials. I mean, we're literally on a daily basis getting the last photo of Grandma or the last video that someone took with a loved one. And so that is an incredible privilege. It also comes with an incredible level of responsibility that we cannot lose anything, we cannot damage anything. And so we were very focused in the beginning on building a process that allowed us to be flexible enough to, to Jason's point, accept orders that were coming in from all over the country in all different shapes and sizes, but that was rigid enough that we knew that we could maintain control of those materials in a very deliberate way so that nothing was lost or damaged. And then we knew that we had aspirations to scale it up. And so we were always in those early days asking ourselves if we doubled tomorrow, what would break? And then that was always our like list of things that we wanted to fix. Like if we double overnight, what are we doing that would not be able to deliver for our customers? Let's fix those things. So we're already one or two steps ahead. I love that. And that, that paid huge dividends. And again, I'm kind of aging myself here, but in 2009, we, we, we were always looking for different sales channels. And so in 2009, I'll never forget, we had landed a partnership with one of the largest photo sharing sites that was out there. And concurrent with that, we had started running our first Groupon sale. And I remember, I remember the time distinctly saying, you know, this is a really exciting time for the business. We've got this massive partnership that's gonna be a game changer. And by the way, we've got this thing with Groupon that is gonna also be some nice incremental orders. I was completely wrong. It was completely flip-flopped. The photo sharing site was nice incremental orders. The Groupon deal was a game changer. And we ended up being one of the first multimarket national merchants on Groupon. And so from 2009 to 2012, 2013, when Groupon became, I think at that time, the fastest growing company in history, we were just along for the ride. And so we were able to scale our business because of the investment that we made in procedures and systems and all of that. And that culture of like, hey, if we double or triple, what's going to break? So we were prepared for the growth, and then we just sort of caught lightning in a bottle where we hitched on to the Groupon wave and rode that thing.

J**Jason Duff** 24:51

So it's an impressive story and something that looking from the outside in, you know, a lot of people could say that your success was very linear and very, you know, progressive and organized. But being an operator at heart, Was it like that? And then can you speak to like what you're naturally good at? If you were to brag a little bit about your skill and how you approach your business every day, what, what do you bring to the table?

A**Anderson Schoenrock** 25:20

Yeah, so it definitely was not as linear as it might appear from the outside. There definitely were a lot of bumps along the way. I think that any entrepreneurial journey has those, has those bumps. And if anybody tells you they weren't there, they're probably lying about that because I think that's just the just, that's just the nature of it. I mean, what, you know, when you're a leader of an entrepreneurial organization, a lot of what you spend your time doing is putting out fires and, and that's kind of by design. You know, kind of those, those fire drills trickle up to, to the top and all the stuff that's kind of under control is handled by other people. So along the way, especially when we were running with Groupon and we were scaling to, you know, I mean, we, The kind of turning point with Groupon with us is that they called about 10 days before Christmas in— I think this was 2010— and said, we're all kind of freaking out here because at the time Groupon was heavily focused on local merchants. And so our rep reached out and said, hey, we have 26 markets out of the, I think, 60 markets they were in at that time. Where we do not have a local vendor who's willing to run on the 26th of December because they don't want to deal with the calls and all of that. They're like, can you, can you take a portion of the, of those markets for us? And I said, we'll take all of them. Right. Wow. Run us, run us in all 26 markets. We'll figure it out. And I was with my family for Christmas. I literally I was traveling, visiting. We were in Colorado with my family there for the holidays. I literally spent the 26th and the 27th with a customer service line forwarded to my cell phone, just fielding customer service calls because I knew that if we, if we crushed it with that, I knew that we would be, you know, we would be seen so favorably within Groupon that they would continue to run us. So it was kind of all hands on deck. So, you know, in those early days, you just dive in, roll up your sleeves and do whatever needs to be done. But back to your other part of the question in terms of what I'm good at, I mean, I think I'm an operator, I'm a process creator, and, and I think that like the internal operations skill set that I have has really helped us. I think that, you know, having grown up in a family business and watched how things work, I think it's given me a unique ability to kind of look at things and figure out what's broken, what's not working. I mean, my wife jokes like I'm the guy that goes out and when we're standing in line at the sushi restaurant, I'm like, oh, they should put the podium here.

J**Jason Duff** 28:12

And I don't know why they do this. Fixing their problems for them.

A**Anderson Schoenrock** 28:14

Can we just go to dinner without you rearranging the restaurant anytime?

J**Jason Duff** 28:19

Just enjoy the night out. And I'm the same way. We've laughed about this. Lance says the same thing that Lisa does. I can never enjoy a nice dinner out because I see all the things that are wrong. You can't enjoy downtown anywhere. No, that's true.

A**Anderson Schoenrock** 28:34

That's true.

J

Jason Duff 28:35

Yeah. You know, we learned recently one of our guests that we had on was Benji Raybahn, and Benji built a company called Aboutly that talked about that some people have a brain type that sees things that are the same, and then sometimes they— there's a brain type that you see difference. And I bet you, Anderson, you and I are very high on the difference spectrum because we can always see what's off. Yeah, I love that.

A

Anderson Schoenrock 29:02

So take us— it is—

J

Jason Duff 29:04

sorry, go ahead.

A

Anderson Schoenrock 29:06

I was gonna say it is a blessing and a curse.

J

Jason Duff 29:09

It's a blessing and a curse. Yeah. So take us through— I know, uh, there's, there's more to that story of your business as far as, you know, trying to sell it and things like that. So can you walk us through some of that and to where you're at today?

A

Anderson Schoenrock 29:21

Yeah. So, so we, you know, along the way we acquired a couple of our competitors. We grew to a nice size. And in 2014, you know, as we grew that business through Groupon, other sales channels were kind of riding this wave. We decided in 2014, like, okay, now's the time that we should look for an exit. So we went out, hired an investment banking advisor to take us out to market, went out to market. Got a, you know, decent amount of interest and ultimately ended up signing a letter of intent to sell the business. And, you know, Jason will remember from some of our mastermind meetings, like this was kind of a roller coaster ride, like we were going to sell the business and then we weren't going to sell the business. And but ultimately in 2014, we ended up signing a letter of intent with a group that was going to buy us and a couple of other companies. And they were going to do a roll-up and they got to the end of the due diligence period and asked us for a 30-day extension because they were still working on lining up private equity to kind of back the whole deal. So we said, sure, we'll give you a 30-day extension. 30 days goes by. At the end of the 30 days, they came back and said, we just need another 30 days. And we said, well, this isn't sounding very good. 'But we're willing to stick this out. We believe in the vision of what you're trying to create. We want to be part of it. So if you're willing to put half a percent of the deal down as a nonrefundable deposit, we'll give you the 30-day extension.' And they thought about it for a day or two and came back and said, 'No, sorry, we can't do it.' What a smart way to, like, get that decision figured out.

J**Jason Duff** 31:05

Yeah.

A**Anderson Schoenrock** 31:06

Yeah. So we knew then and there how much they believed in their ability to get the funding flows that they needed to do this deal. And so we ended up walking away from the deal. And Mike was still my partner in the business at the time, although he wasn't heavily involved at that point in the day-to-day. And I remember going to Mike and saying, I've got good news, I've got bad news. The bad news is the deal's fallen apart. And we were so far down the path with these guys that we really can't go take ourselves back to market. The good news is it fell apart for completely external reasons. It had nothing to do with our business. We've got a healthy business. And my recommendation is let's optimize this business for cash flow. We'd always been optimizing for growth, and it's hard to— it's hard to do those things. It's hard to grow and scale a business and maximize cash flow at the same time.

J**Jason Duff** 31:57

Yeah. Can you walk us through a little bit of your processing that of like, why not go back out to market? Because I'm curious for myself, as opposed to like, you know what, let's just make this thing make as much money as we can.

A**Anderson Schoenrock** 32:10

Yeah. So the, the, um, the investment bankers that we had hired, you know, they had basically— we had gotten far enough towards closing that deal that, you know, option B and option C were really no longer at the table.

J**Jason Duff** 32:26

I see.

A**Anderson Schoenrock** 32:26

And going— and their perspective was that going back out to market in a kind of fully marketed way, we would just appear tainted. And like, even though we knew that the deal fell apart for nothing that had to, you know, nothing related to the business, that the market would view it as, well, there must be something wrong with the business, and therefore we would end up getting a haircut on valuation. And so, I mean, they were willing to do it, but they said realistically, you should expect. I don't remember exactly what the percentage was, but it was a sizable haircut on valuation, enough that it was going to drive valuation low enough that we were like, well, for that price, we wouldn't be a seller. So, so it wasn't that we couldn't go back. It was just, it was not optimal the way it unfolded. And, and so that's when we kind of pivoted to look at the business more through the lens of cash flow than growth.

J**Jason Duff** 33:19

And for someone listening, there are kind of different ways to think about your business, and I think that those are two really, um, clear paths where— am I building the business to sell, or am I building the business to benefit from the cash flow long term? Can you kind of share like those two camps? And I— because I think you've done both, like how you think about those things.

A**Anderson Schoenrock** 33:41

Yeah, it's, it's, it's definitely evolved over time. I mean, in the early days I thought Hey, I want to build a fast-growing company that I can sell. And then when we made this pivot to cash flow, and now that we're on the other side of that, and I can talk about some of the things that we've done because we've done some pretty sizable monumental things to, to opt, quote unquote, optimize for cash flow. You know, now I'm not even really interested in selling and having watched some friends and peers sell and seeing some of the, you know, yeah, the influx in the liquidity is nice, but they're, you know, oftentimes, especially if you're selling to a private equity or you're being part of a roll-up like what we're thinking about, like handcuffs, right? It's not like you just— what's that?

J**Jason Duff** 34:29

There's handcuffs sometimes with that.

A**Anderson Schoenrock** 34:30

Yeah, there's handcuffs and there's expectations that comes with that. And I've seen that go really, really well for some people, but it's also not gone well for some people and So I think now I'm in a position where I, you know, I like the cash flow. I like the idea of taking cash flow from one business and deploying it in potentially acquiring other businesses, starting other businesses, investing in other businesses where I'm more of a passive shareholder, investing in real estate, which we can talk about a little bit. So, you know, when I look at it, you know, yeah, selling the business would be nice, but then it's kind of like, okay, well then, then what do you do?

J**Jason Duff** 35:11

Yeah, I equate it to like when you grow up, you know, you aspire to be that NFL, you know, person, or that, you know, if you're a musician, you want to be on Broadway or, you know, it's— we all have those dreams and ambitions. Like, I want to build a company and have a huge exit. But I think it's like what you were mentioning, that's not for everyone. And some of the data and statistics show a very different story that steady, you know, building something that's steady, that is consistent, and with having good systems can also turn out to be a really rewarding and also very financially successful venture.

A**Anderson Schoenrock** 35:51

Yeah, yeah, absolutely.

J**Jason Duff** 35:52

I'm really excited too. And I know next few weeks we have different perspectives of people, uh, at different points in the journey of selling their business and explaining their thought process. So I appreciate you kind of teeing that up, you know, for our podcast, you know, these next few episodes, I feel like it's going to be a topic. So it's great to hear that. And even, even the mindset of, okay, this is the point I want my business to serve, right, in my life. Is it to cash flow? Is it to sell? Things like that. So what were some of those things that you decided to do to make your business optimized for cash flow?

A**Anderson Schoenrock** 36:26

Yeah, it's funny because it sort of seems obvious now. In hindsight, but we just never really looked at the business through that lens. So when we— so it's summer 2014, this deal's falling apart. I'm now kind of pivoting into this mindset of let's optimize for cash flow. And the first thing that was the most obvious thing to do was you probably should not be running a people, shipping, space-intensive company in Southern California.

J**Jason Duff** 36:59

What do you mean? The weather is great out there, right?

A**Anderson Schoenrock** 37:03

The sunshine is great, but rent is hiring a lot of people, needing a lot of real estate, getting a lot of stuff shipped. Being in Southern California, I don't know that it's the absolute worst place, but if you're trying to optimize cash flow, it's probably about—

J**Jason Duff** 37:19

it might be.

A**Anderson Schoenrock** 37:21

So So it was one of these moments where, again, you know, sometimes the serendipity is really interesting in life. But I had met my wife. We got married in 2013. She grew up in Michigan. I grew up in Kansas. So we were both from kind of the middle of the country. And we had sort of made the agreement as we were going through the process of trying to sell the company we had made the agreement that I was going to sell the company. I would do 2 or 3 years with the new company, whatever was going to be required. And then we would look to make our way back to the Midwest where we could be closer to families that when we started our family, they'd have a relationship with their grandparents and extended family. And so we had sort of made the kind of agreement between the two of us that we would make sure that by the time our first child was school age, that we were out of Southern California. So that was what was happening on the personal side. On the professional side, we were looking at optimizing for cash flow and all of a sudden not being in Southern California made a ton of sense from that perspective as well. And so I spent the summer of 2014 kind of crisscrossing the Midwest trying to decide where we were going to move the business. There were other things that we could do to optimize cash flow. There were other things that we could do and technologies that we could deploy that would make us more efficient. But at the end of the day, we had already kind of squeezed most of the juice out of the business from that standpoint. The, the main thing that we identified that we could do to optimize cash flow that didn't require significant trade-offs or compromises was just relocating the business to a, a part, part of the country where the environment would allow us to do what we needed to do at a lower cost. And so through that journey, I visited lots of different places in the Midwest, met with lots of different states and cities, and ultimately, ultimately we honed in on Indiana as the state and Indianapolis, the greater Indianapolis area, and specifically this suburb of Indianapolis that's called Fishers, which is where we are today. That is one of the fastest growing cities in the state of Indiana. And kind of more importantly, on that first visit, I was able to sit down with the mayor of Fishers and hear his vision for how he wanted to grow Fishers. And kind of his mantra is he wants Fishers to be a smart, vibrant, and entrepreneurial community. And so as an entrepreneur, being able to come into a community that embraced entrepreneurship, that embraced an entrepreneurial way of thinking. I mean, not even necessarily from a business perspective. The, the city takes a very entrepreneurial mindset towards solving municipal problems as well. That was just music to my ears. And it was a place where I felt like our business could thrive, and it was a place where I thought that our business could our business and myself personally could get involved and actually make a difference in setting the story for what Fisher's would become. And that was completely like not something that we had ever considered in Southern California. I mean, in 2013, we were the 8th fastest growing private company in Los Angeles County. Wow.

J**Jason Duff** 40:56

Nobody did anyone ever call you?

A**Anderson Schoenrock** 40:57

Yeah.

J**Jason Duff** 40:58

Did they ever send you like an award or a plaque or Um, no, no, just the tax bill.

A**Anderson Schoenrock** 41:04

The city of Los Angeles has a, uh, the city of Los Angeles has a gross— what they call gross receipts tax. It's basically a tax on revenue. And, uh, so the only thing they sent us was, uh, when we moved out, they sent us an audit notification. So we had the lovely experience of going through an audit with the city of Los Angeles. So that was our parting gift on the way out the door.

J**Jason Duff** 41:25

Oh, wow. Yeah. Well, I think there's like I love that you ended up moving back to the Midwest. Obviously, we're fans of the Midwest here ourselves, but there's, I feel like, a lot of lessons to be learned kind of from that move that you made. And the first one, it's kind of hitting me now hearing this story for the second time, is that you, despite your circumstances, are still in charge of your business so that if personal or life situations, there are decisions you can make to make that work for your personal life as well, despite how overwhelming it may seem. Moving back to the Midwest. That's a bold move, like transplanting your whole business. Um, but obviously you, you know, you were looking for something and you made it work, right? And so I don't know, I think that's one, uh, one nugget I take away. But another one is just that, you know, the Midwest is a great place to run a business. I mean, uh, yeah, we— can I ask a question about that related to the, the mayor? We talked to a lot of mayors and economic development folks that want to recruit and find people like you, what's the advice you would have for them?

A**Anderson Schoenrock** 42:30

Well, yeah, that's, it's a great question. One, I think it is, um, incumbent upon those leaders to really take the time to understand what the day-to-day challenges are of business owners and think about things that the city could be doing to alleviate those challenges. And, you know, a lot of times I think those conversations go, you know, they get very focused on, well, how many jobs are you bringing and what are the average wages going to be and all of those things. But, you know, the more important question in my mind is, you know, what's happening in the city that's going to help me make this a desired destination for my employees? What's happening that's going within the city that's going to, help me retain my employees or potentially recruit new talent into the community that could be beneficial to my business. And I think that, you know, the city here has been very intentional as it's been growing about creating the right sense of place and having the right, having the right sort of set of amenities where the type of talent that you want for growing entrepreneurial businesses, that that's a setting that people want to live in. And so, like, I remember one of the first things that came out of some of the stuff I was involved in at the city. You know, they brought in a group of business owners and we were doing kind of a roundtable discussion. And one of the, the, I don't want to say complaints, but one of the challenges that was mentioned was, you know, there's not a real sense of unique culinary options here. And so the mayor took that to heart and he worked with some local developers and they built a district now that's entirely focused on culinary options and that sense of place that comes with culinary options is, you know, now I have places that I can go do business lunches and, you know, it's not a chain restaurant. I think people want that.

J**Jason Duff** 44:26

But it takes you having that conversation, right? Getting involved in— and leaders that are listening to this, it takes leaders who are willing to listen and cultivate that environment, right? Like, yeah. And the more, more investors that get involved, like if I've learned one thing from this podcast, it's that like investment is what leads to other investment. So if you want people to come in and make those changes, start those restaurants and stuff, like what are you doing to contribute? And are you, are you trying to collaborate with your public officials, with your economic development, you know, people out there? And it's messy, right? Like we've— that's another thing we learned. Like it's not easy to do. And it, you know, who gets credit for what and all that? It's, it's hard. Let the politicians get the credit. If anyone— that's just the general advice. That's the goal. You could not have done it without them. Yeah, absolutely. But it takes everyone. So I love your perspective on that. Tell us about Memory Ventures.

A**Anderson Schoenrock** 45:25

Yeah, yeah. So today— so fast forward to today, we moved the business from California. We've acquired one more competitor in the scanning space. That scanning business that we originally started is about half of what we do. And then the other half of what we now do, which again is just, it's interesting how things unfold on an entrepreneurial journey. In 2017, after having been in Indiana for a couple of years, I met a couple of other e-commerce folks that were here in Indianapolis and one of them approached us and said, hey, you know, you guys keep track of people's one-of-a-kind materials. You guys must be really good with how you operate. And we've tried to outsource our fulfillment. They, they were a, a product-based e-commerce company and they were selling a, a kind of a variety of different products in sort of the outdoor, outdoor tactical gear space. And they said, you know, we're having a heck of a time. We hired a, a third-party logistics company. They couldn't do what we needed to do. We brought it in-house, but we can't, seem to get out of our own way. Could you come in and just help us think about how we're doing this? And so I went through a process with them, and on the other side of that, uh, provided them some recommendations on things that they could do. And the owner looked at me and said, you know, we've kind of decided we're really sales and marketing people. We actually don't really want to deal with any of this stuff. Would you guys ever think about taking us on just as a client, um, to do the you know, warehousing fulfillment. And we thought about it and we came up with a financial arrangement that made sense for us and made sense for them and kind of took them on as a one-off side thing. And we had extra warehouse space and some time with our team and that ended up getting, you know, turning into a referral for another client. And then we ran with 3 or 4 clients for a while and then COVID hit and, you know, those 4 clients were referring us and then we got to 8 or 10 clients and now we're at about 25 clients, and that 3PL business where we're doing mainly, and for the most part, e-commerce fulfillment, um, is now about a 25-client company and represents about 50% of our, our revenue.

J**Jason Duff** 47:42

That's incredible, by the way. And then just to share— you have to share the names, but the kinds of things that are getting packaged and shipped, like, it's a diversity of stuff, right?

A**Anderson Schoenrock** 47:53

It's, it's, yeah, I mean, we are, so because we have our own e-commerce brands and we have a lot of expertise in selling online, we are uniquely positioned and it's actually kind of a, an interesting part of the conversation when we're talking to a potential client because, because we have our own e-commerce business, we really understand in a very direct way a lot of the challenges and a lot of the ways to add value for an e-commerce business. So we're fairly exclusively focused on e-commerce, although the, we, we do have a couple of e-commerce businesses that also sell into bricks and mortar, and we, we've started to do their bricks and mortar fulfillment as well. But it is a full spectrum. We've got apparel clients, we've got a client that sells eco-friendly cleaning products, we've got a client that sells, you know, light switches and other kind of electrical components for homes and commercial use. We've got a cabinetry company that has a direct-to-consumer kitchen cabinet kind of model that they, that they use. It's, it's a whole, you know, wide spectrum of, of product types. We've got a company that sells pool toys, pool floats and stuff like that. So it's all over the board in terms of the product types. But all are very focused on e-commerce, very focused on creating a really good experience for their customers. We're definitely not the least expensive player in the 3PL market. So we cater to someone who's really looking to create that unique customer experience, which we think is really important as time goes by to differentiate yourself as a brand online. So the ability to use custom shipping products that are unique to your brand and have inserts that go with your orders that have the right branding and all of those things. We, we do things that other third-party logistics companies aren't really willing to do because they do, they do, they are a drag on efficiency. But in the grand scheme of things, a little, a little bit more cost and a little bit slower on the, the fulfillment, but delivering a really awesome experience. Is what's going to bring repeat business, which when you're spending a lot of money online to acquire new customers, that repeat business is really kind of the, the where you can make your profits.

J**Jason Duff** 50:16

So, so the industry is third-party logistics and the unique ways that you're adding value is your knowledge of e-commerce and your own existing core e-commerce businesses. So having relationships with UPS and FedEx and your proximity of your location in the Indianapolis area with logistics of getting that product out and getting product to you. And I imagine product comes in in bigger bulk shipments that you then break it down and ship in different units and sizes. So there's a lot of complexity for, for a business that just has a website And I think what's unique about your business is that you can help, you know, a lot of different industries, not just one, and still make really great money and have the economies of scale to, to grow.

A**Anderson Schoenrock** 51:09

Yeah, yeah, absolutely. Yeah, yeah. We're, we're, we're really, you know, similar to how we feel about the scanning business where we feel like we're really entrusted with these one-of-a-kind materials. We feel it's different, but we feel similar with our clients on the 3PL side where it's like you're really entrusting us with a really important— yes, it's a lot of it happens behind the scenes. If we do our job well, the customer probably doesn't know we even exist. But we really feel a high sense of responsibility for, for managing that product, taking care of their inventory. You know, there's a lot of capital tied up in that inventory that's under our roof. So, yeah, it's, it's an interesting business.

J**Jason Duff** 51:48

I imagine that takes some serious real estate to, to house that operation. So quickly, uh, can you highlight your, your facility operations and how you found that space?

A**Anderson Schoenrock** 52:00

Yeah, so that's— especially if you have listeners that are interested in real estate, that was a real interesting move that we made. Um, I spent every day from 2017 to 2021 driving by this building that we're in now. Um, it was a vacant supermarket and there was a grocery store—

J**Jason Duff** 52:21

just note the word vacant that he said. Vacant property, right?

A**Anderson Schoenrock** 52:26

Vacant.

J**Jason Duff** 52:26

Empty. Rundown.

A**Anderson Schoenrock** 52:28

Yeah. Yeah. So this used to be a supermarket. There was a supermarket chain in Indiana called Marsh Supermarkets, really innovative at the time, but they didn't survive. And so when they went out of business, there are, you know, 50 or 60 Marsh stores throughout the state of Indiana that need to be repurposed. I drove by this one every day on the way to our old facility thinking, gosh, someone could probably do something really cool with that building. And we took a, we took a run at it in 2019 and the sellers and the owners were not really in tune with the fact that there weren't going to be more big box retail tenants coming to market. And so we were patient and we waited and then COVID hit and they had envisioned turning it into a gym and obviously You know, the building's 80,000 square feet. Big gyms are not a thing, especially during COVID So we've— we're lucky that we kind of found a point where we were growing. We needed more space. The seller was more reasonable, and we ended up getting a pretty good deal to buy this building. And then we went in and gutted the whole thing, pulled out. I mean, when we bought it, it still had the freezers here. It still had the deli counter. It still had the shelves. It still had the bakery.

J

Jason Duff 53:44

Did you ever think of it as a kid? Someday I'm going to own an old grocery store. How cool that would be. That'd be cool.

A

Anderson Schoenrock 53:52

Totally. Never on my radar.

J

Jason Duff 53:54

Never on your radar.

A

Anderson Schoenrock 53:55

My entrepreneurial journey. But it was awesome. And yes, we gutted this building and turned it into our warehouse production facility, both for our scanning business and our 3PL business.. And it's been a great, it's been great from a financial investment standpoint. It's been great for our business. It's given our 3PL business room to grow. So yeah, it's been, it was, it was a great opportunity and it was also another way for us to demonstrate our presence in the community because this was kind of an eyesore property. So the city was very, very supportive of us taking over this facility and breathing new life into it. So, It's been great.

J

Jason Duff 54:35

Yeah, I love that. Thanks for sharing that. Yeah. And I think some of that comes back to those initial conversations, you know, like you— I mean, first identifying a place where you're going to be welcomed and, you know, they want, they want your business and eventually you, you know, you share what your dreams and visions are and, you know, they can help make some of those things happen. So it's like working together on some of that. So, yeah, thanks for sharing that. We're kind of wrapping up the episode here, but what are some of the professional development resources that have helped you along your journey?

A**Anderson Schoenrock** 55:06

Yeah, so the, so the, you know, Jason and I are in a mastermind group together. I know, I think on some of the other episodes you mentioned groups that you're part of, Jason. So I would say that that's probably been one of the most valuable things that I would recommend to people is go— the way I think about it is if you have the right group of people around you that's a group that you can share sort of the, the best 5% and the worst 5% of life. So having a group of trusted friends, trusted advisors where when you have those top 5% moments that you might be a little bit sheepish about sharing with just the general world, that's a group of people that are going to be there to celebrate with you. And when you have those days or weeks or months that you're going through something that's the worst 5%, you've got a people that— a group of people around you that are going to rally and really, um, really want to see you succeed and are going to help you do that in whatever aspect of life. And Jason would tell you that as our group has evolved, it's heavy, heavy business in 2011, 2012 when we started, and now spouses and kids and personal and complexity and how that's interwoven with accomplishing what we want to on a professional front. How do you mirror that with family obligations and personal obligations? Things, things get more complex. Yeah. For time. So I, you know, that group has become, you know, my closest group of friends and I really absolutely cherish our time together. So I really encourage people to, to find a group of people to surround themselves with that are like-minded, that are going to really be there to celebrate and to support. Yeah. The other thing I would say, more of a tangible recommendation, I'm a big believer in all of Jim Collins stuff. So if you haven't read Jim Collins books, Good to Great, Great by Choice, those are great resources. A couple of years ago, we made the decision to move our business onto EOS. And if people aren't familiar with EOS and you're running a small business, that's an interesting It stands for Entrepreneurial Operating System. It's sort of a strategic framework to organize your team and organize your business. And even if you don't want to completely run EOS, there are some tools and books related to EOS like Traction by Gino Wickman that would be a good resource for folks. Perfect. Those are some of the tools that I would recommend.

J**Jason Duff** 57:35

Yeah, thanks for sharing. And the last question is, you know, where can people follow you or keep up with your business?

A**Anderson Schoenrock** 57:41

Yeah. So the holding company is called Memory Ventures. Our scanning business is really ScanDigital and ScanCafe are the two primary brands on that side. And then our 3PL fulfillment business is called Victory Lane Solutions. So if you go on the web and look for those websites, you can find us and see more about what we're doing. Sure.

J**Jason Duff** 58:03

Great. Well, Anderson, thank you for being on the show today. I think hearing from you, your experiences in Kansas, and then you're literally going to, to New York City, uh, being there before 9/11. Like, a lot of, a lot of just crazy things happen. But then actually having that, that vision and dream to start a business, see that business evolve, and then what you're doing of investing and planting, um, you know, all of the things in Fishers, Indiana, and really making that your home. And now mentoring and coaching and investing in other entrepreneurs there. It's inspiring to hear that story. I know a lot of listeners are going to want to take that trip to Fishers and encourage them to do so because, um, you know, we— you and I have talked a lot. Like, I, I live in Dublin, Ohio, and Dublin and Fishers are like sister communities, and it's just— it's neat to see and learn from what's, what's happening. But thanks for being a guest on the show today.

A**Anderson Schoenrock** 58:57

Thanks for having me. Enjoyed talking to you guys, and, and, uh, always great to, to see what's happening. And Jason, really love what you guys are, are doing there in Ohio. So thanks for having me.

J**Jason Duff** 59:08

Appreciate that. All right, well,

E**Ethan DeLeon** 59:10

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