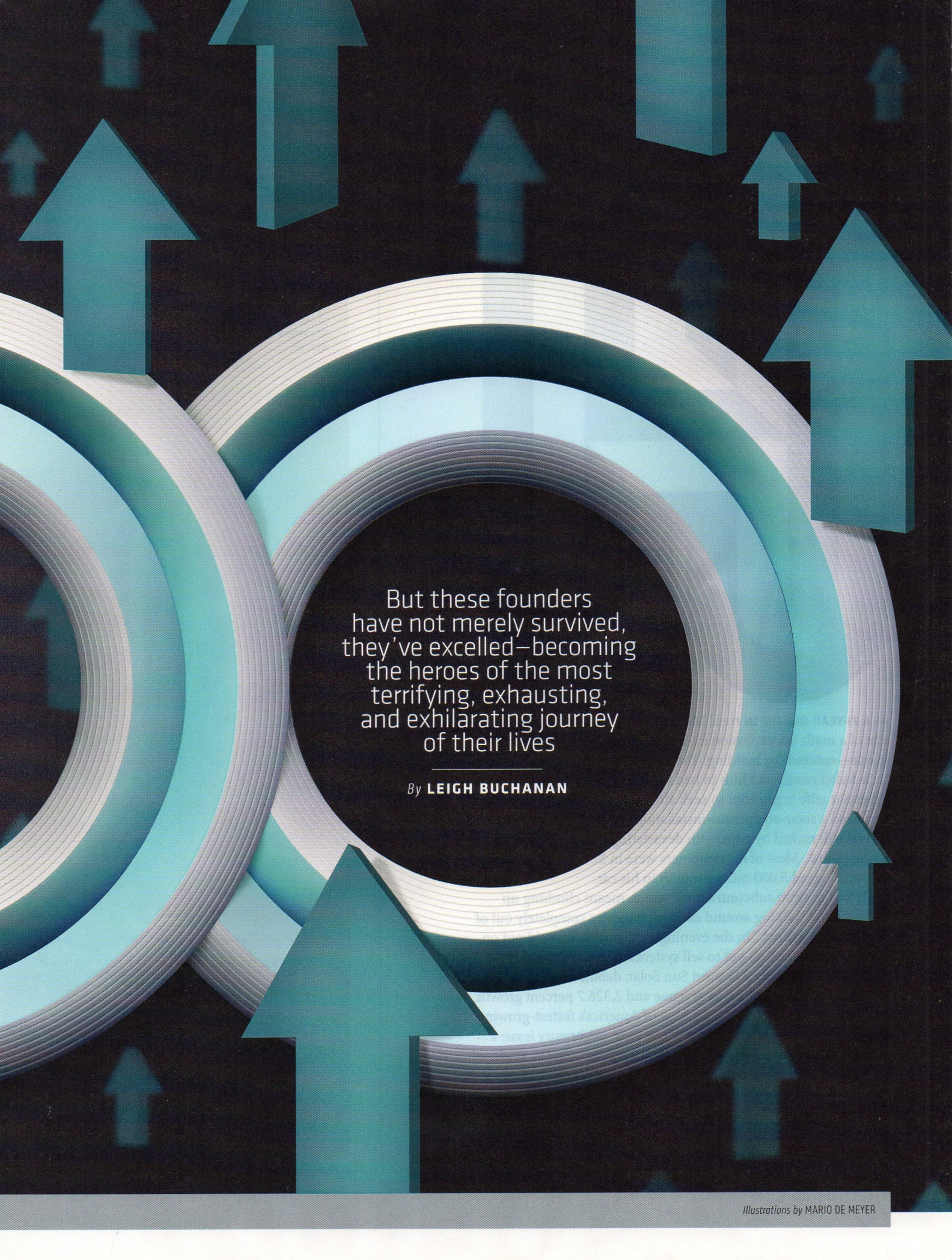


# Inc.



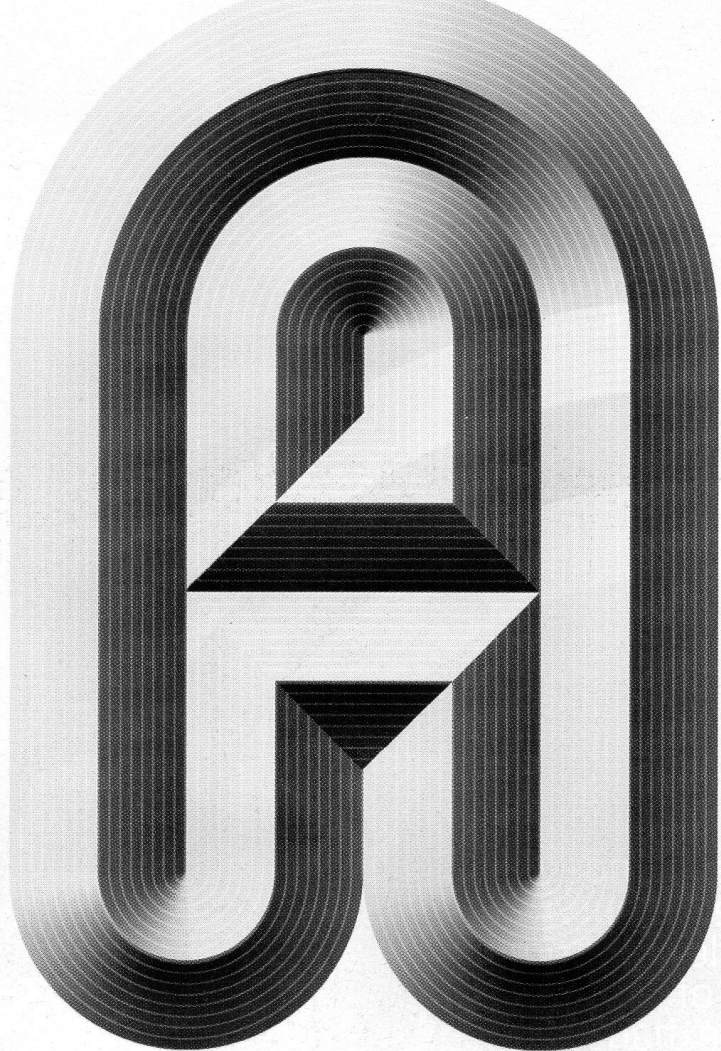


The background is a dark, textured surface. Scattered throughout are several teal-colored arrows of varying sizes, all pointing upwards. In the center, there are two large, overlapping circles made of many thin, concentric rings. The rings have a light blue/teal outer edge and a darker teal inner edge, creating a 3D effect. The text is centered within the intersection of these two circles.

But these founders  
have not merely survived,  
they've excelled—becoming  
the heroes of the most  
terrifying, exhausting,  
and exhilarating journey  
of their lives

By **LEIGH BUCHANAN**





**AS A 21-YEAR-OLD COP IN** rural Missouri, Caleb Arthur rushed to the site of a meth lab explosion and—fearing there were children inside—entered the building. The lungful of anhydrous ammonia he inhaled consigned him to bed for four months. When his pregnant wife urged him to seek alternative employment, Arthur launched a solar-equipment-installation business, even though he was still racked by pain, with devastating headaches and unrelenting thirst. Most of his customers were in St. Louis, so for two years he logged 5,000 miles a month in his car.

“I had to train subcontractors, which meant climbing up on roofs and walking around construction sites completely out of breath,” says Arthur. “In the evenings, exhausted, I would put on my dress pants and go out to sell systems. It was very hard.”

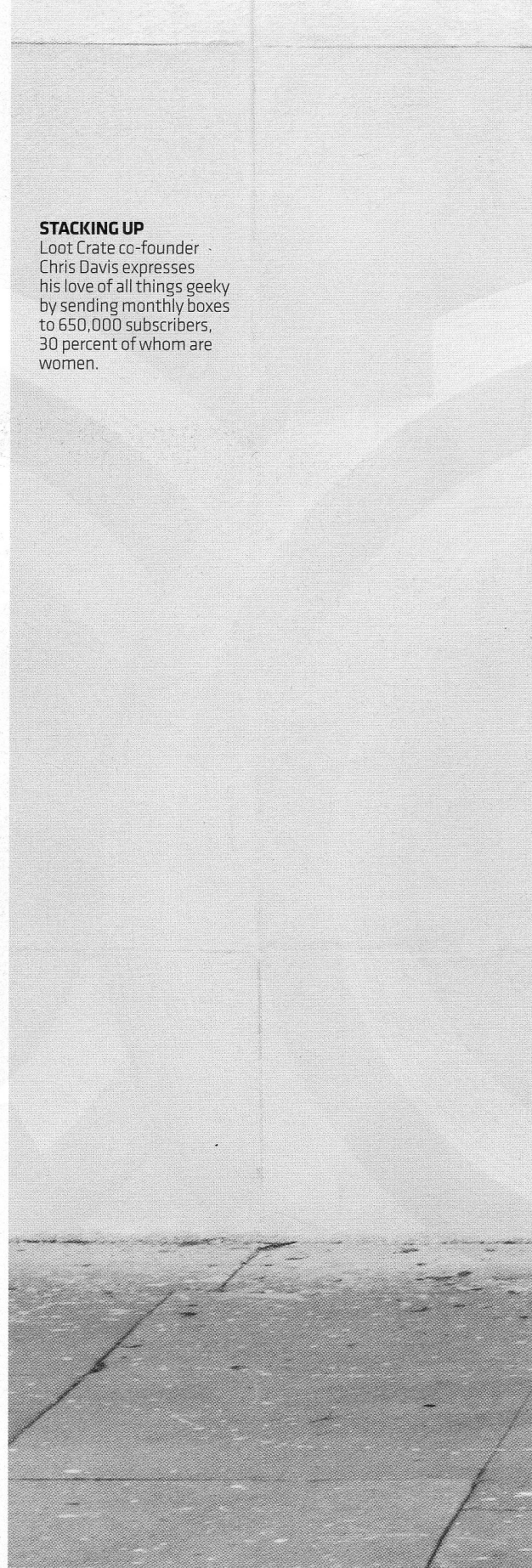
Arthur’s company, Missouri Sun Solar, debuts on the Inc. 500 at No. 156, with \$9.8 million in revenue and 2,326.7 percent growth.

The Inc. 500—an annual ranking of America’s fastest-growing private companies—is the theme of our most celebratory issue: a roll call of quantified, verified business successes. In the midst of a presidential campaign often light on substantive discussions of economic growth and employment, these businesses demonstrate what real progress looks like. The 2016 class has achieved an impressive median growth rate of 1,580.5 percent over the past three years and created a total of

CONTINUED  
ON PAGE 27 ►

#### STACKING UP

Loot Crate co-founder Chris Davis expresses his love of all things geeky by sending monthly boxes to 650,000 subscribers, 30 percent of whom are women.



Photograph by JEFF MINTON





# NO.

# 1

## Chris Davis Loot Crate

Three-year growth **66,788.6%**

2015 revenue **\$116.2 MILLION**

## GEEKS AND GAMERS AND GROWTH—OH, MY

Los Angeles-based Loot Crate tops the list by overcoming shipping strikes, product scarcity, and the uncertain subscription-box economy to succeed in the business of fandom.

*By Kate Rockwood*



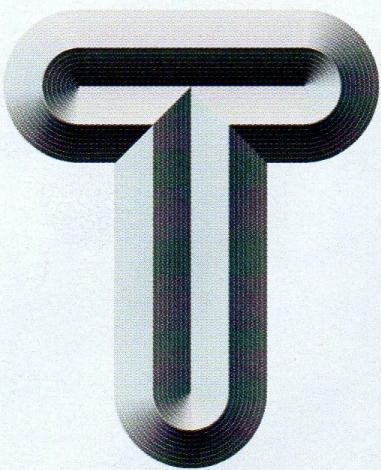
**CHRIS DAVIS'S GEEK LOVE** is as broad as it is deep: He binges on Pokémon Go, Harry Potter, and *Game of Thrones* with equal abandon. "My brother and I weren't allowed to have a video-game console until I was 14, but then we played an obscene amount," he says. "My fandom has always run the gamut."

Growing up in Southern California, Davis knew he wanted to run a business—just not what it might be. (His kindergarten yearbook lists his dream job as CEO of Disney.) He cut his teeth in college as a door-to-door meat salesman



55,704 jobs. Some of these companies are disrupting old industries or pioneering new ones.

But on another level, this issue is not about economic growth or innovation. Rather, it is about 500 companies whose founders—like Arthur—have been on the most terrifying, exhausting, exhilarating journey of their lives.



**THE INC. 500 SEEM** like the invincible inverse of those roughly 50 percent of startups that, famously, don't survive their first five years. But these companies aren't so different. No, they didn't die. But that doesn't mean they didn't *almost* die.

As noted above, the Inc. 500 have plenty to crow about. Yet when we asked the founders about their greatest achievement in their first year, we got the same answer again and again.

"Not going out of business." "Keeping the doors open." "Surviving." "Surviving." "Surviving." In interviews, most of them candidly—and many of them eagerly—related the lapses of luck or of judgment that nearly did them in.

"Doing a startup is an act of violence and chaos," says Steve Blank, a serial founder, author, and professor of entrepreneurship at Stanford and other schools. "Near-death experiences—your co-founder quit; your biggest customer walked away; you lost your funding—that's what happens before launch. You go through a series of trials, and from each one of them you come out stronger."

Consider Shawn Lange and Derek Pietz, who in 2011 founded L2F as an engineering firm that designs customized manufacturing tools for high-tech startups in Silicon Valley. Their first customer dropped into their laps, and they quickly parlayed a \$150,000 consulting gig into a \$1.5 million contract. The partners invested in hardware, software, and space. But the deal evaporated when the client's funding was yanked because it had pivoted without informing its venture investors.

"We licked our wounds a little bit," says Pietz. They landed a second client; it went bankrupt. A third client hired away L2F's only employee. Then it terminated its contract.

Lange worked his professional network and found another customer. In a hail mary pass, the founders managed to pull off in seven weeks a project they said would typically take 20. With a greater focus on industrial robots, they began landing job after job, including a contract from SpaceX. L2F is No. 237 on the list this year, with revenue of \$2.8 million and a growth rate of 1,654.2 percent.

"It was a rocky start, and it stayed rocky," says Lange. "But when you hit a roadblock, you can power through so long as you're completely dedicated to the cause."

**RESPECT FOR ENDURANCE** and determination are baked deep into Western culture. Job proved his righteousness by remaining faithful to God despite Satan's tests. Horatio Alger chronicled boys whose grit propelled them to success. Popular books and movies—including the Star Wars and Harry Potter series—follow the "hero's journey" schema laid out by mythologist Joseph Campbell, in which

before launching a dorm-moving company. After graduation, he bounced between startups, ultimately trying to sell energy snacks to hardcore gamers (one variety: Cashews of Chaos). "The idea was destined to fail," he says, "but it meant two years learning about retail, product development, and the consumer space."

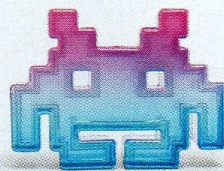
For his next endeavor, Davis decided, he needed something that would get geeks excited but also keep them talking. Subscription boxes were hot at the time, and Davis wanted to mail customers a monthly mystery box of collectibles, and then invite them to an online forum. He took the concept to a 2012 hackathon in Los Angeles, where he met co-founder Matthew Arevalo. "We started working together full time two weeks later," says Davis. "After we launched the site in 2012, we had 220 people signed up to receive the first crate within 30 days."

Four years later, Loot Crate is a \$116 million, Los Angeles-based business, winning the No. 1 slot on the 2016 Inc. 500 list of America's fastest-growing private companies. In its 130,000-square-foot warehouse, a team of 300 employees packs up to 70,000 boxes a day, shipping monthly to 650,000 subscribers in 35 countries. On a wave of *Matrix* puzzles, Han Solo figurines, and *Walking Dead* soaps, Loot Crate has built a rabid community of geeks and gamers, who open their crates and dish about the contents—and anything else related to fandom—on the company's social sites. Half a million fans watch Loot Crate's Facebook live videos every month, and user-generated video views on YouTube top more than two billion. "We want to be where people with like interests hang out," says Arevalo.

For about \$20, subscribers get a monthly box of half a dozen items. Rather than organize the crates around a single movie or comic book, Loot Crate picks broad themes, so there's something for everyone. The "Time" crate, for instance, included a *Back to the Future* hoverboard replica, a *Bill and Ted's Excellent Adventure* T-shirt, and a *Doctor Who* spork. "I'm a broader fan, and that mindset works well on the curation side," says Davis. "We want to make it compelling, even if you're not a superfan of a particular franchise."

Davis won't disclose customer-retention rates, other than to claim that the average new subscriber ponies up for more than a year. And those who do lapse tend to stick around the Loot Crate universe. "They may churn out of the subscription, but they still watch videos or participate on threads," says Davis. "And that creates a virtuous cycle, where some resubscribe to our service." It helps that Loot Crate has started pushing against the obvious parameters of geekdom, launching subscriptions tailored specifically to pet products and anime and, this summer, announcing a partnership with WWE to move into wrestling-themed crates.

Pulling together the perfect crate is easier now that Loot Crate is well known to manufacturers; more than 80 percent of the items it sends are made exclusive-



#### SUBSCRIBER SWAG

Loot Crate boxes have included items relating to arcade game *Space Invaders*, video game *Fallout*, and *Spider-Man*.



the protagonist sets off on an adventure and must face ordeals before claiming his reward. In the following pages, you will encounter many versions of the hero's journey: tales of entrepreneurs soldiering on through circumstances that would cause most folks to pack it in. However, their achievement isn't predicated on endurance alone. Yes, what didn't kill these entrepreneurs made them stronger. But it also sharpened their minds as well as toughened their spirits.

Entrepreneurs who succeed, says Blank, are those who emerge from the crucible with heightened self-knowledge. "When you talk to them, you know you're not just talking to smart people," he says. "You know you are speaking to wise ones."

LEIGH BUCHANAN is an Inc. editor-at-large.

### WHAT POWERED THIS YEAR'S GROWTH

**AS USUAL, THE INC. 500 LIST** contains a few familiar names, such as Ipsy (No. 104), Kabbage (No. 183), and Dollar Shave Club (No. 65, which Unilever recently agreed to buy for \$1 billion). Other honorees are less known but have cracked the shelves of major retailers or made themselves indispensable links in Fortune 500 supply chains.

Some Inc. 500 companies are trying to disrupt industries. Livionex (No. 441), for example, is breathing down toothpaste's tube with a plaque-attack gel; and ImagineAir (No. 390) wants to Uber-ize private air travel. Other honorees are realizing massive growth through the addition of panache to proudly quotidian products. This year we have both Chicken Salad Chick (No. 37) and the Chicken & Rice Guys (No. 206). In addition to noting the predictable strength of industries like health care and financial services, we've noticed a few smaller trends:

**HEALTHY FOOD, FUN FOOD:** As in years past, virtuous food companies dominate the Inc. 500. But indulgence may be resurgent. Companies that thrived this year with a taste-first message include Mod Pizza (No. 373), Melba's New Orleans Po Boys (No. 123), and Edward Marc Brands (No. 421).

**A RETAIL RELATIONSHIP:** Subscription and membership models worked for No. 1 company Loot Crate, Dollar Shave Club (razor blades), Ipsy (makeup), and Touch of Modern (No. 147; fashion).

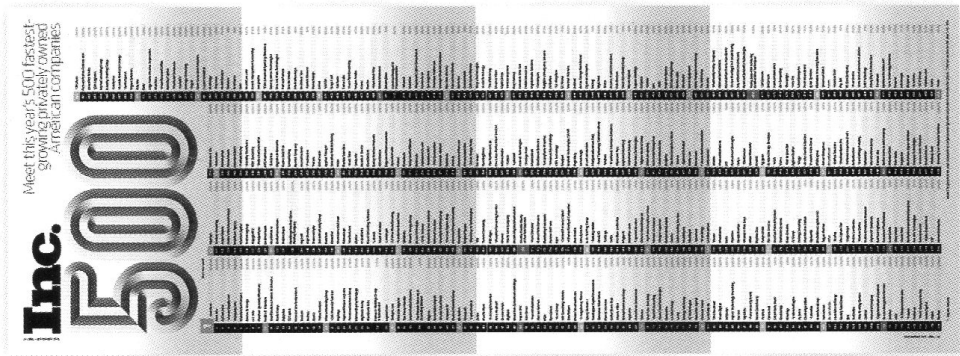
ly for subscribers. But the first small wave of customers left Davis and Arevalo scrambling to fulfill orders—Davis made a shopping trip to the L.A. toy district and called in every personal favor he could from product companies. The co-founders begged family and friends to come pack boxes.

In those early days, the timing of when the crates hit the mail was less of an issue. Today, it's a complicated, synchronized dance. "Part of the fun and excitement is the mystery," says Arevalo, who oversees fan engagement. "But digital sharing means that the mystery of what's in the crate is hard to safeguard. So the tighter the delivery window can be, the better."

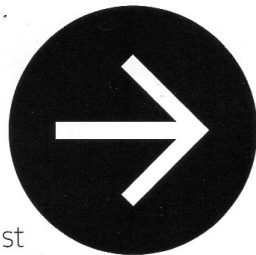
Bootstrapping the business and growing their subscriber base also pushed the co-founders to cut it close more than once—until a port strike in December 2014 threatened to cancel their Christmas shipments and thus destroy their reputation entirely. "We used to have a lead time of three months, while the industry standard is closer to 12," says Davis. "When we finally got everything, we had just three days of pulling all-nighters to get it in the mail, and we had to pay for priority shipping, which was an outrageous amount of money."

Though Loot Crate launched at a time when subscription boxes were going gangbusters, Davis knew that longevity would likely go to those companies that could stretch their customers' joy beyond one day a month of receiving mail. So he set out to extend the brand: Loot Crate launched an app, seeded fan communities across Snapchat and Reddit, and built out an in-house team of designers, developers, and writers to create custom content. The company releases an interactive game each month, includes a 24-page magazine in each crate, and produces scripted, multicamera videos with geeky plots. "We think of ourselves now as more of a content and experience platform," says Davis. "Whether it's print or mobile or digital, we want to deliver this great experience to fans. That's bigger than subscription boxes."

KATE ROCKWOOD is a freelance writer based in Chicago.



# THE LIST



Open here to read the full 2016 Inc. 500 list of America's fastest-growing private companies.

**HOW THE 2016 INC. 500 COMPANIES WERE SELECTED** This list measures revenue growth from 2012 to 2015. To qualify, companies must have been founded and generating revenue by March 31, 2012, and be U.S.-based, privately held, for profit, and independent—not subsidiaries or divisions of other companies—as of December 31, 2015. The minimum required 2012 revenue is \$100,000; the minimum for 2015 is \$2 million. Revenue listed in the company profiles is for calendar year 2015. Employee counts are as of December 31, 2015, and include all employees receiving benefits. Inc. reserves the right to reject applicants for subjective reasons. The companies of the Inc. 500 represent the top tier of the Inc. 5000, which can be found in its entirety on Inc.com. List managed by Marli Guzzetta, Patrick Hainault, and Alyssa Parsons, with additional research by Melissa Studach and Skyler Inman.