CASE STUDY

BLUE ONION

HOW BLUE ONION HELPED LIFESTYLE BRAND DRAPER JAMES REDESIGN THEIR FINANCIAL REPORTING

ABOUT DRAPER JAMES:

Founded by Reese Witherspoon in 2013 and launched in 2015, Draper James is a brand rooted in a Southern attitude that celebrates the modern, feminine woman in all facets of her life.

Draper James brings this approach to women's wardrobes and lives through a collection of fun yet classic apparel and lifestyle products.

Today, the company is a fast-growing, primarily direct-to-consumer brand, with retail locations in Nashville, Lexington, Houston, and Minneapolis.

GROWTH & CHALLENGES:

With growth comes new challenges, as CFO Sarah Foley discovered when she joined the Draper James team in 2019 with a mandate to build an in-house finance department. It was her first post as the Senior Finance Officer in a startup company, although she had accumulated experience in analyzing financial statements and evaluating financial controls while working for accounting giant PricewaterhouseCoopers, specializing in audit and due diligence. One of the first tasks she focused on was ensuring revenue recognition across the company's ecommerce and retail channels was supported by order-level detail and reconciled cash settlement.

This proved to be particularly challenging, as Draper James had recently migrated both its ecommerce and retail POS onto Shopify. "The fundamental question always is, if I expected to receive $100 in sales, did $100 end up in the bank in the form of cash?" Foley explains. "If we only received $98, that's a 'break': the cash doesn't match what's been reported." **That may look like a small difference, but when it's multiplied over many hundreds or thousands of different orders, unexplained breaks could have a significant impact on a company's bottom line.**

Usually, the explanation for a "break" like this is a reporting problem related to third-party applications companies often use as add-ons to Shopify for assessing sales taxes, processing returns, running promotions, etc. But Foley could only assume that would be the case once she had identified what kind of reporting snag was responsible and reassured herself that the financial statements fairly and accurately represented the company's financial position.or look at these breaks all day long," she recalled. It didn't make economic sense to hire someone to monitor this situation, especially when technological solutions to such tasks existed. The challenge was to find the right solution.

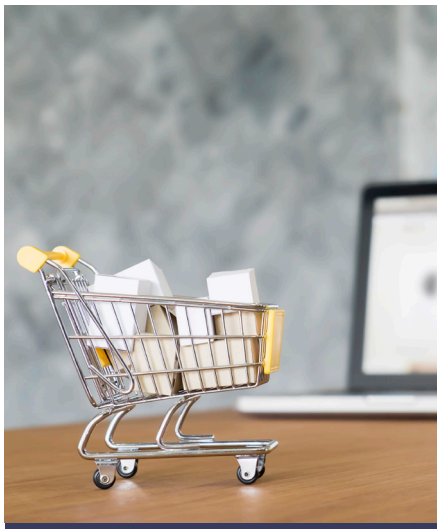
AT A GLANCE

Identified breaks, errors, and patterns in reporting.

Ensured retail channels have support from order-level detail.

Automated the manual reconciliations of cash flow to revenue reporting with a real-time view.

Accounted for differences due to promotions.



This case study highlights the best practices to build custom reports, tackle promo codes, and identify unexplained breaks in a timely fashion.

"We don't have people whose full-time job is to do reconciliations or look at these breaks all day long," she recalled. It didn't make economic sense to hire someone to monitor this situation, especially when technological solutions to such tasks existed. The challenge was to find the right solution.

Then Foley picked up a cold call from Lyndsey Bunting, CEO and co-founder of Blue Onion Labs. "I get a lot of cold calls from prospective vendors, **but this one felt different from the very beginning,**" she says. "**Importantly, Lyndsey has been in my seat, working on finance issues for a startup company. She knew what the problems I had looked like.**" Most exciting of all was the fact that Bunting's new company had a technology-driven solution to the time-consuming challenge of matching each order to the relevant cash flow transaction.

IMPLEMENTING BLUE ONION:

Working with Blue Onion allowed Foley to work closely with the Blue Onion team to identify the biggest sources of 'breaks' and other problems in cash reconciliation. **"They began building a dashboard that allowed us to isolate transactions where breaks were occurring. We then used that view to investigate sample transactions and start to identify patterns of reporting mismatches. Once identified, Blue Onion would further refine the reconciliation rules and/or the related revenue recognition journal entries, as appropriate."**

CLIENT SUMMARY

Client Name:
Draper James

Industry:
Ecommerce

Order Management System:
Shopify

Payment Processor:
Shop Pay, Afterpay, Stripe, Catch, Amazon Pay, & Rise.ai

DRAPER JAMES

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Sarah Foley,
CFO, Draper James

TACKLING PROMO CODES:

Blue Onion helped Foley address an issue that arose during a promotion designed by Draper James' marketing team. "We did a gift card promo-buy a $100 gift card, and get another $50 gift card for yourself," she explains. "The way the gift card add-on application integrated with Shopify, our order system thought that the customer was buying something for $100, and told us that was our cash inflow," Foley recalls. The problem was that the promotion actually "sold" $150 of merchandise for only $100. In this case, Blue Onion was able to pull in additional order-level detail and create an adjusting journal entry to account for this difference.

CROWDSOURCING SOLUTIONS:

Because many Blue Onion Labs customers are companies like Draper James - ecommerce startups without large teams of accountants that are growing rapidly and trying to integrate data from a myriad of sources - Foley realized working with Blue Onion came with other benefits.

"Blue Onion has been helping a lot of their customers with Facebook's new payment process, something that has created a lot of headaches for all of us," Foley says. Instead of Draper James having to devote time and resources to figuring out the nature of the new Facebook issues, Foley could rely on Blue Onion to explain and help solve the problems.

Blue Onion is also able to communicate directly with Facebook, with our feedback," Foley says. Small companies that Facebook might otherwise have been able to shrug off become more significant when their input is pooled and delivered via a provider like Blue Onion.

ZEROING IN ON PROBLEM AREAS:

For many people, getting something 95% correct is an exceptional result. For accounting teams, it can be underwhelming, as Foley explains, especially if that 5% is related to an underlying issue that begins compounding over time. That's where Blue Onion's system helps, as it helps identify patterns early that create problems for the accounting function. **"If I can identify a pattern causing a problem in reconciling transactions, and then I have the help of Blue Onion to figure out a way to solve that, and be confident that our numbers are consistently 97% accurate, that's extraordinarily helpful."**

Every small issue, such as the hiccup in reporting for returns from one third-party app to Shopify, can create a big problem for a finance team executive working to ensure that the quality of the company's accounting more than matches its marketing prowess, its design skills, or its manufacturing quality. **"The Blue Onion reports offer me a kind of athematical proof that what I think is indeed correct, and warns me when something isn't precise,"** says Foley. **"Since it's an evolving tool, we can apply it to new payment methodologies and other apps when we need to and adjust it to reflect specific glitches."**

Before Blue Onion Labs, Foley calculates that her team had to devote a full day each month-end to toiling away on manual reconciliations of cash flow to revenue reporting and that she never had a real-time view. **"Now, I can log into the Blue Onion portal, and know I can rely on it to contain all the accurate numbers."** What will she do with all that extra time? Nothing short of helping launch Draper James into the stratosphere-in (Southern) style.

BLUE ONION

FINAL HIGHLIGHTS:

Through the automated process of reconciliation and clean data, Blue Onion is able to provide Draper James with the following:

Expedited close process, eliminating days of manual work in order to compile financial statements with the automated reconciliation and recommended journal entries.

Visibility and reporting into how and when sales translate into cash in the bank account.

Identification of any areas of cash loss with a clear and auditable order trail.

Flagging of transactions with cash settlement discrepancies so anomalies can be resolved quickly by the team.