



THE BARCODE PODCAST Episode 011

Sean O'Connor: Closing the Learning Gap

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Welcome to The Barcode Podcast, where we equip emerging consumer brands. I'm Ben Ponder, and at Barcode, we're here to give our listeners the knowledge and tools you need to thrive in the marketplace.

At Barcode, we think a lot about closing the gap of learning that comes from direct experience. Because one thing we see time and time again is this - a brand grows over time, gets sold for a ton of money, and then the founder who just sold doesn't go sit on a beach somewhere. He or she turns around and starts building something new. And then that second company reaches success in a dramatically shorter period of time. The lessons that the founder learned in the first rodeo dramatically impacts the trajectory and time horizon of future rodeos.

Our guest Sean O'Connor, Managing Partner at [Big Swig Sparkling Water](#) and [Dynamo Specialty Distributing](#), has lived that story and has a ton to share on what it takes to create and launch a food or beverage brand. He has deep experience in food and beverage distribution combined with the unique perspective he gained when he started a rapidly-scaling food company of his own back in 2005.

Ben: Welcome to The Barcode Podcast. I'm Ben Ponder. I'm, I'm really excited to have, uh, my- my friend Sean O'Connor with us today who is I think you'll find, uh, one of the more interesting folks you're gonna encounter in the, in the food and beverage space. And has a- a lot of fascinating experiences, great stories, and a wide, and- and ... both broad and deep set of experiences that I think, uh, you know, first time or less experienced founders can definitely learn from. So, Sean, thank you for being here.

Sean: Thank you.

Ben: Before we- we dive into all of, uh, Sean's, uh, vast background with some of the- the different startups that he's been a part of, and is a part of today, I wanted to just invite, in- in- invite him as- as we're, uh, tend to be focused on food and beverage stuff, to share with us your, uh, your iconic meal from your, from your past whether childhood or e- even a- adulthood. Like, tell us about what that meal was and what it meant to you.

Sean: So, growing up grandfather was in the restaurant business, mother is from France, from Paris, France, so big food family. Um, father raised capital for a group of restaurants in LA, which is where I grew up. Uh, this place called the Mustache Café across the street from The Improv, and if you ever-

Ben: It's, it's a good spot.

Sean: ... this is in the 70s. Well, this is party time, you know, 5,000. This was crazy, but, uh, Ferno and Cami were the operating partners, I mean, we ate everything. So, it was a French brasserie, there was oysters, there was Escargot, there was ... you know, I'm six, my brothers four, and we're eating in the house. So, you know, all of that kinda-

Ben: Did you naturally as a six year old, did you enjoy oysters and escargot? Did you not know anything? Did you not know that- that there was a stigma there for a lot of other six-year-olds?

Sean: Yeah, we did ... yeah, well, we ... no, it was delicious.

Ben: It's just great.

Sean: And we hammered it.

Ben: (laughs).

Sean: So, um, all that ... Yeah. All that kind of...

Ben: Bring on the caviar. (laughs)

Sean: Yeah, rich food that people wouldn't have thought about. I mean, if they were eating it, and this is the 70s, right?

Ben: That's right.

Sean: There were mirrors all over the bathroom. You know what I mean?

Ben: Go, go. Mm-hmm (affirmative).

Sean: They were, they were getting after it.

Ben: That's right.

Sean: Um,-

Ben: That's right.

Sean: I've raised my girls now to eat like that, right? The ... I took them to Quality Seafood-

Ben: Uh-huh.

Sean: ... and the waitress was like, uh, "Honey, how old are you?" You know? She's like, you know, "I'm eight." She's like, "I've never seen an eight-year-old"-

Ben: Quality Seafood if you're not in or from Austin is- is the- the kind of go to purveyor of- of- of fine- fine seafood here, which, uh, again, if you know your geography, we're fairly landlocked. So-

Sean: Right. That's right. That's right. But say, it was her third dozen, you know. And she just doesn't know different. I'm like, "Those are expensive." She says, "Dad, I don't eat the golf." I'm like, "Oh, then it's really expensive."

Ben: That's awesome.

Sean: Right?

Ben: I don't eat the golf.

Sean: Yeah, that's right.

Ben: I got standards, dad.

Sean: That's right.

Ben: That's amazing. Okay, so I want to, I want to back up a little bit. You- you've done a lot of things you came from this food, this food family. Uh, you- you find your way as a, as a young man up in the San Francisco Bay Area, uh, talk a little bit about like, those, uh, the early days. So you were involved in- in some of the initial launch of- of Red Bull in that metro area. What- what were you doing at the time, and what was that like?

Sean: So I was working, uh, there was a beer wholesaler called Golden Brands, which was actually just recently purchased by the Reyes family.

Ben: Okay.

Sean: Um, and it's now called Golden Brands, again, but we were a Miller house and really the first craft beer house in the country. Craft beer was happening. This is, uh, mid 90s in- in San Francisco and just city and county, so, you know, not a huge area. Um-

Ben: Very localized.

Sean: Yeah, the su- super local. And Red Bull- Red Bull launched. I mean when we talk about Red Bull and you look at the category of energy that's grown. You meet anybody, they're gonna say they work for Red Bull. And I say-

Ben: Sure.

Sean: ... like hey, if I don't recognize them, uh, you know, they were after, right? 'Cause-

Ben: Right, right.

Sean: ... there were, you know, was one girl and three guys, I mean, that was Red Bull.

Ben: Because it was, you know, so- so Red Bull is this Thai, uh, Thai company, Aus- Austrian-

Sean: Right.

Ben: ... uh, founder kind of mishmash thing. Where did it actually launch in- in- in the US?

Sean: So- so we were city and county of San Francisco, I think there was a wholesaler in Santa Cruz that might have got a truck before us.

Ben: Okay.

Sean: They had said - my boss who was a great guy, this guy, Bob Stall, um, had said no to them, like seven times. They had already pre bought TV and radio and then started sending free trucks. Um, so we were charged ... I mean, if you can imagine the first meeting, they're like, "We're an energy drink." And nobody before that-

Ben: That- that wasn't a thing.

Sean: You didn't need energy.

Ben: (laughs) You have Styrofoam coffee.

Sean: Yeah, all that stuff was really burned, coffee is good now.

Ben: That's right.

Sean: It used to be just burned. Um, which is yeah, that's a trip. So- so they give us, they give us this entire pitch. Um, they get ahead of it in terms of marketing I mean crazy, crazy marketing.

Um, but we're charged to go sell energy and I'm key accounts, San Francisco downtown, clubs, bars, restaurants. Um, and the customer it was expensive. It was \$32 a case and at the time, that's what we sold Heineken for. And we were told, "Okay, go sell these people this energy, they love it, they need it, they gotta have it," and nobody was buying.

Ben: Right.

Sean: Um, and then we ended up ... so we were giving away coolers. It was a, it was a Buy one get Four, I mean it was crazy.

Ben: Complete giveaway.

Sean: Wh- what ... Yeah, what it took to- to make that happen. And it took a while for the worm to turn like that wasn't ... I want to say they spent - I believe the number was like 10 million on radio and TV, just in, San Francisco that first year.

Ben: City and county?

Sean: Yeah, just to get it.

Ben: Not all of Northern California?

Sean: No.

Ben: Just-

Sean: Not over the-

Ben: ... the city?

Sean: ... Golden Gate and not over the Bay Bridge, so just there. Um, and it was, you know, it was everywhere. It worked. And it ... that's really where-

Ben: Had it already taken off in Europe at that point?

Sean: It- it must have been popular, but we weren't.

Ben: Somebody is paying for this.

Sean: Right.

Ben: Right.

Sean: Right. And they were making the bet big enough to ... I mean, even today, people don't have that kind of money to throw at -

Ben: No.

Sean: ... growing up a business especially in a small-

Ben: Not from zero.

Sean: Right. Exactly.

Ben: So- so you're, you're there. They're, they're pumping all this radio, TV in- in giveaway stuff-

Sean: And events.

Ben: Yeah.

Sean: That's right. Their event marketing was very robust. I mean, all their own-

Ben: Did they have the MINI Coopers at that point?

Sean: No. I don't, I don't think the MINI Coopers existed.

Ben: Okay. Yeah, the- the- the- the- well they... yeah, they well ... they do that there's kind of special branded MINI Coopers with the little the cans-

Sean: Oh, a can on the back?

Ben: On the back and ... oh, yeah.

Sean: They did have things that were they tried to get people to make their own airplanes or something to fly-

Ben: Right.

Sean: ... and then they just jump off a pier -

Matt: Flugtag.

Sean: Yeah.

Ben: Because it, because it, beca-

Matt: The Red Bull Flugtag.

Ben: That, that's right the Flugtag. That's right. The, uh, so- so that's where ... but- but that was ... those are go- go times and they were going after the college set at that point in- in- in giving stuff away-

Sean: And the club,

Ben: Had- had- had that happened yet?

Sean: The club thing was happening ... in- in San Francisco, interestingly enough doesn't really have ... I mean, I went to college there-[crosstalk 00:08:40]

Ben: It's, not, it's not what you would think of as a, as a traditional college city.

Sean: At all.

Ben: Yeah.

Sean: Right. Or much youth-

Ben: Fair.

Sean: ... in general. So I think they were gonna ... it was just the clubs, right?

Ben: Okay.

Sean: It was the nightclubs.

Ben: Right.

Sean: And then that's what we had kinda - the term - stolen from New York the bridge and tunnel crowd.

Ben: Right.

Sean: Right. People that come in from the burbs to party in the city.

Ben: Right.

Sean: Um, and that really scene ... I mean, it was really kind of a- an exceptional opportunity to be part of like this big, big change when you take one step back. 'Cause as a salesperson, you're like, "How, what? What are we doing? Why are we doing this? I thought we were in the beer business." Right? So and I was very young,-

Ben: Mm-hmm (affirmative),

Sean: ... so I shouldn't have had all like old jaded, but-

Ben: Right.

Sean: You know, but seeing it work and seeing it come alive was- was pretty cool.

Ben: I bet. How did you know when to- to use the- the term you used, when the worm turned? H- how did you know it was working?

Sean: Well, when you get second reorder and your third. I mean, we're like in my business now on the distribution side. You're so close to it.

Ben: Yeah.

Sean: I mean, you- you ... and this is again, why I love distribution, you know, 'cause you're in the street, right? You see it.

Ben: That's right.

Sean: I was in an office. You know, that independent retailers at C store or that shelf at an H-E-B is blown. And you know it, right? That-

Ben: Right.

Sean: Right.

Ben: And what was it? It was it because initially that product even people felt a palpable sense of energy from it because it's not - most people would say objectively that Red Bull doesn't taste great.

Sean: Oh, that was it, that was crazy 'cause we're all drinking it at the first meeting. And we're like, "What is it even taste like?"

Ben: Yeah.

Sean: What flavor is this?

Ben: What is this? Yeah.

Sean: So selling it? I mean, there were all kinds of objections.

Ben: Of course.

Sean: Right. Is it good? I'm not sure.

Ben: (laughs).

Sean: I've never had it, it tastes like some kind of gelatin, something. But nobody knew what it was, right? And it's like, "Jesus." How are we gonna ... I mean it ... Yeah, it was pretty incredible. And that ... And so the consumer behavior shift, which- which I got to experience in- in the on premise was I got a \$32 case, people are selling ... So mid 90s, um, some of the- the call vodka, you know, started-

Ben: Right.

Sean: ... to happen. Um, tequilas weren't really-

Ben: It wasn't a thing yet.

Sean: ... there yet, there was still José Cuervo. Um, and people were maybe getting-

Ben: So this is like the- the- the- the Grey Goose era?

Sean: Right.

Ben: Okay.

Sean: And people were getting like seven bucks for those for drink. But then we showed up and you're like, "Well, it's a buck, then change a can." And they're like, "So you want me to give that away? 'Cause I'm fine with a splash of cranberry that doesn't cost me what that costs." And how many drinks do I get out of a particular can, and the cans were those small cans.

Ben: Right.

Sean: Um, so, you know, the fact that they gave enough of this product away, and really earned the consumer pull, gave the bars ... and they didn't really understand what was happening at the time.

Ben: How much did a, how much did a Red Bull and vodka cost?

Sean: Well, yeah, it ended up ... drinks got up to like nine bucks, and then old- old 10 bucks in the clubs. And so that behavior shift was so powerful because ... and the bars don't know that this

happened, but all of a sudden, if you're getting three drinks out of everybody, you moved from 21 bucks, 30 bucks, right? And you take dollars to the bank.

Ben: Right.

Sean: Right. That's what pays the bills.

Ben: Right.

Sean: So that shift was real positive shift.

Ben: And they were all in on that.

Sean: Yeah. Yeah. And- and Red Bull was, you know, timing. Timing is really, really important. The- the partnership, I mean, the market was apparently ready for it.

Ben: Right.

Sean: But I don't know what would happen two years earlier. And it had they not done that, we wouldn't have seen Rockstar and Monster and ...

Ben: Not at all. Were they the first ones to use the ... that- that can? The ... is it, uh-

Sean: The slim?

Ben: Yeah, the slim.

Sean: I mean, I don't wanna say but I think so.

Ben: It's the first, it's-

Sean: Yeah.

Ben: ... it's my first association. It's super common now-

Sean: Yeah.

Ben: ... but it wasn't before Red Bull, really.

Sean: Yeah.

Ben: Yeah. Uh, so I think that- that the form factor became iconic in and of itself-

Sean: That's right.

Ben: ... as well.

Sean: That's right. In that serving size. When we look at the market now, people are pulling away from some cans. Those aren't very cool anymore.

Ben: Mm-hmm (affirmative).

Sean: Uh, the 12 ounce beer cans-

Ben: It's kind of jumped the shark.

Sean: Yeah, a little bit. And it's hard to convey value out of that. Um, you just kind of feel like you're getting cheated-

Ben: Right.

Sean: ... it's not enough. But that's also very regionalized. I mean, they. they could be really popular in some parts of the country, but here in Texas and Austin, feels like that time is-

Ben: Right.

Sean: ... come and gone.

Ben: Yeah, that makes sense. So any other key like early formative insights or things that you took away from that time that- that perhaps informed your thinking about, a- about brands and distribution and things like that beyond that day?

Sean: Yeah, I mean, I think I- I- I learned the appreciation for distribution, about how powerful a distributor partner can be, 'cause it's really about getting it done. I mean that ... Who the hell else is going to do it?

Ben: Right.

Sean: It's them. Um, I was witness to ... So the wholesaler I worked for had Redhook. If you remember that-

Ben: Yeah.

Sean: ... from like Washington. They sold to Anheuser Busch. The guy that ran the wholesaler I worked for, went and interviewed a bunch of breweries, um, and Sierra Nevada kind of won the bid like, can you commit to X number of trucks a day, and if you can, we're gonna, we're gonna flip all this-

Ben: Or switch.

Sean: ... Redhook business to you, but it's big. And it was, you know, something like 750 tap handles, again here in San Francisco flipped in a matter of weeks.

Ben: Right.

Sean: Uh, which really put Sierra on the map.

Ben: Absolutely.

Sean: You know? And- and that was, that was very big and a big leg up for them. And it's funny to think it could have been Full Sail.

Ben: Right.

Sean: Right?

Ben: Wow.

Sean: 'Cause they were on ... at the table too. But the frayed they were a little further, right? Feeling, uh, Sierra was a little bit more close to home out of Chico.

Ben: Right.

Sean: Um-

Ben: So history turned on some of these-

Sean: Yeah. I mean-

Ben: ... subtle things. Yeah.

Sean: ... totally.

Ben: Yeah. That's, that's super fascinating. And I think it's, it again, probably for your typical consumer, maybe even for a lot of entrepreneurs. It's easy to discount the- the role of that distribution because you don't see it. It's hidden, right? It's behind the scenes. It's early morning. It's back stockroom of- of the stores, but you can spend all the money that you want to on radio, TV, social, whatever you're investing in. And if you're not on the shelf, and you're not replenished in- in stock-

Sean: Right.

Ben: ... it's not gonna do that much good.

Sean: No, that's, that's right. And- and not all distribution is the same. Not all products require the same level of distribution. But well you can go broad line or you go warehouse and you don't do DSD, which is-

Ben: Right.

Sean: ... where we are. There really isn't that touch.

Ben: That's right.

Sean: You're kind of relying on the retailer to work really hard for you.

Ben: That's right. That's right, we'll, we'll ... I wanna we're going to dig in deeper on the DSD direct store distribution thing in a, in a minute. But I wanna, I wanna bookmark that for a second and

then transition to another chapter of your, of your business and entrepreneurial journey, which is the- the Batter Blaster chapter.

Sean: Mm-hmm (affirmative).

Ben: So tell us about what was [Batter Blaster](#) How did you come up with it and what- what did that what did that journey look like for you 'cause I know it was filled with ups and- and downs.

Sean: Well, yeah.

Ben: Big- big ups, big downs.

Sean: That's right. And it was the panic/euphoria roller coaster-

Ben: Absolutely.

Sean: ... of an entrepreneur. So I guess coming out of the- the Red Bull thing, was being part of and witnessing like - it can happen, right? Like-

Ben: You've seen it.

Sean: ... these guys took energy and then it's like, well, why not? They were capitalized enough to do it. So- so I had, I had ... so Batter Blaster was, uh, organic pancake and waffle batter in a whip cream can. And I had a guy ... I was in the bar business in San Francisco. Um, and one of my buddies ... one ... a regular was ... had run a food manufacturing business. Um, and he did a lot of like frozen stuff. And I had the idea, I select one, uh, you know.

Ben: Why not?

Sean: Yeah, I mean, there is kind of, "Jeez, well, can this thing work," and we charge with air and it makes it fluffy. And when I'm making waffle batter, I am putting, like 7UP, club soda in it to make it more, you know,-

Ben: Right.

Sean: Can this thing work? So we talked about it, and he's like, "I think we can make it work." Um, and it was pretty nuts. I mean, a lot of people are like, what are you doing? That's what you're doing?

Ben: But a lot of great ideas start off as pretty nuts.

Sean: Right. Right. So a lot of when you're really out there as an entrepreneur, you know, you got to keep your head down and if you're dreaming big ... I didn't ... I created a category, I had no intention of creating a category. It was, didn't know. And so-

Ben: Which could theoretically created a- a giant prize, but it's really challenging because now you've got to convince buyers consumers everyone else-

Sean: Well-

Ben: ... to change fundamentally change some- some behaviors.

Sean: Right. And- and I- I liken it to, you know, everybody's trying to climb a mountain, you know, our mountain had a lot of clouds on it and I had no idea how- how much further I had to go [crosstalk 00:18:28] (laughs)

Ben: Yeah. Are you at the summit? Do you have a long ways to go?

Sean: Yeah.

Ben: Yeah.

Sean: And I had forever to go.

Ben: That's right.

Sean: We were able to lab test it. It was a friends and family funding. We have 86 or 89 different shareholders, which was a lot.

Ben: Wow that's, that's, that's a, that's its own conversation because that like having a- a cap table the- that's that- that- is that full, A, that probably took a long time to have all those conversations that you needed to have.

Sean: Yup.

Ben: But then also, you kind of got 89 bosses, or at least people who were, who were curious about everything.

Sean: That's right.

Ben: And so it's hard to focus on what you're doing. If you've got that many people. Sometimes that can ... that's just the way it needs to go.

Sean: Right.

Ben: But- but I'm sure there's it came with- with good and bad.

Sean: So I'm trying to think back. So this was – I like I started in earnest that mid 2005 we made our first sale in like October, November 2007. So it was a, was a long time getting it started. Um, and we had to develop our own manufacturing facility, find a co-packing partner and then raise enough money to put this-

Ben: Right.

Sean: Facility in. And, and I remember, so the facility was in like Ventura County-

Ben: Mm-hmm (affirmative).

Sean: ... California, Southern California, and I was in San Francisco. And I tried a couple times to take the cans on the plane with a cooler, and then I would try and check it 'cause it was just inconvenient for me to drive all the time and I would get a speeding ticket constantly.

Ben: Six hours at least.

Sean: Yeah.

Ben: Yeah.

Sean: And, uh, boy I had like-

Ben: Pressurized cans, uh-

Sean: Well, and they wouldn't believe me what it was, right? There like, they ... it looks like bombs-

Ben: That's right (laughs).

Sean: ... as far as they're concerned. So I've had ... I had a, you know-

Ben: Waffle bombs.

Sean: Yeah, I had, uh, LAPD there. I had the Homeland Secu- ... I mean, the whole thing. We're out on the sidewalk. I'm like, "I'm gonna miss the flight. It's just waffle batter," I did convince LAPD. I said dude take it home. It's delicious.

Ben: (laughs).

Sean: And a couple of the guys were like, "Yeah, we'll do it. But the airport was like, "That needs to leave the property."

Ben: Oh, my goodness.

Sean: This is ridiculous. 'Cause it was unlabeled, right? I mean, it wasn't-

Ben: Oh, yeah. They're just the samples at this point.

Sean: The samples. Yeah.

Ben: So you really ... they- they really looked like artillery shells?

Sean: Kind of, yeah.

Ben: Yeah.

Sean: But I squirted it like into a garbage can-

Ben: Right.

Sean: ... and then there were half running away.

Ben: (laughs) This is good stuff.

Sean: It is a lot of crazy. I mean I look ... I ... liken that that business was kind of an act of really, because if it didn't ... and, you know, my theory was I mean if I don't have 150 outbound calls, no one's calling me.

Ben: Right.

Sean: I mean zero people-

Ben: Sure.

Sean: ... didn't care. Um, we were able to go real fa- ... grow real fast and there's a, there's a lot to that story.

Ben: H- h- so how did it ... how did you ... so- so you struggle for- for two years. Uh, I assume you're still working in the, in the bar scene and, you know, just again making ends meet.

Sean: Right.

Ben: And then you- you- you figure out how to get- get this stuff manufactured? How do you take it to market? Like how did it launch?

Sean: Uh, the first customer was the Big Club, big-

Ben: Mm-hmm (affirmative).

Sean: ... Costco business.

Ben: Okay.

Sean: And I remember walking I had a broker. I mean, I didn't know ... I knew none of the jargon of the grocery business-

Ben: Right.

Sean: ... at all. So, that was like speaking a different language entirely. And then, you know, you just don't know what you don't know. I remember walking in older guy, broker gets to the meeting. It's the LA Costco-

Ben: Mm-hmm (affirmative).

Sean: ... buyer. And this guy's like shaking, nervous. I'm like, "Uh, hey, dude, before we go in here, have you tried this stuff?" And he's like, "Well, no," and I'm like, "God." you know, dude, this is rad."

Ben: (laughs).

Sean: Right? "This is really cool."

Ben: Yeah, there's nothing to be nervous about here.

Sean: You don't need to be nervous here.

Ben: Yeah.

Sean: I said, so you just ... I'm gonna go in there and make pancakes.

Ben: That's right.

Sean: That's about as crazy this thing is gonna be.

Ben: That's gonna alter this conversation.

Sean: He ... well that-

Ben: Yeah.

Sean: ... and I didn't, I didn't know how big Costco was. I've been to a Costco-

Ben: Sure.

Sean: ... but I just didn't care.

Ben: Right.

Sean: I mean, I mean, 'cause I felt like I'm not a huge at risk position here. This isn't a make it or break it moment.

Ben: Right.

Sean: I'm gonna show somebody else the next day-

Ben: Mm-hmm (affirmative).

Sean: Um, so we go, you just in their break room. I got an electric griddle, making pancakes, then people are coming in. And they're like, checking out-

Ben: Because it smells good?

Sean: making shapes and whatever, right? And then all these plates go out. And what the broker didn't explain to me was a Costco process needs to get through buyer, another decision maker and then like the head of a region,-

Ben: Right.

Sean: ... something. So a lot of people just coming in and out. And the guy would come back in and out who was the buyer, um, but with all the action, I wasn't even sure who-

Ben: Sure.

Sean: ... who we were talking to.

Ben: Just making heart-shaped pancakes.

Sean: Yeah, efo- ... I mean-

Ben: Yeah.

Sean: ... try not to burn 'em.

Ben: That's right.

Sean: I mean, that was-

Ben: If you screwed up-

Sean: If I did that then we're, then we're going, 'cause they'll blame me for-

Ben: That's right.

Sean: ... burning pancakes. Um, and the guy said, "Um, well, if we do this, I'm not going to want to see this at Sam or Sam's.

Ben: Right.

Sean: And I totally naively say, "Sam, who?" And he's like, "Done, when can you deliver?"

Ben: (laughs) Because you were really saying Sam who.

Sean: Well, we didn't, I didn't go to Sam's Club.

Ben: (laughs) You didn't know is a big deal.

Sean: I don't, I don't-

Ben: That's, that's Walmart, that's flyover country to you-

Sean: Well, that's right.

Ben: As a Californian, yeah.

Sean: And ... Well, I was in San Francisco. We didn't ... I don't even think we had a Walmart.

Ben: That's right. Yeah.

Sean: So, or Sam's Club.

Ben: Right.

Sean: So-

Ben: (laughs) That's all it took.

Sean: ... I was honest.

Ben: That's right. So- so you launch in- in- in Costco in the Los Angeles, uh, region-

Sean: Mm-hmm (affirmative).

Ben: ... there. And what's the initial response?

Sean: It's really good when we demo. Um, the ... but really, so that's when it starts to set in, like, where should we really be in the store? We're refrigerated. So if I was next to ... 'cause you're on a pallet, and then we're selling a club pack. So I don't even know what it is, but I gotta buy three of them. And then we had not set a retail price point at other retail.

Ben: Right.

Sean: So even though I'm getting three for 9.99 the consumer like, a good deal, bad deal. I don't know.

Ben: That's right.

Sean: Right. So I mean, it was good for trial when we demoed.

Ben: Right.

Sean: We quickly find out how expensive doing demos are.

Ben: Correct.

Sean: Um-

Ben: And there's certain retailers Costco being one of them, where- where demos are- are expected. And that's-

Sean: Right.

Ben: ... just sort of how you play the game.

Sean: It's your marketing.

Ben: Yeah.

Sean: So it's a net, you know, for an operator to actually generate positive revenue on a brand side.

Ben: Right.

Sean: There's people that sell private label stuff and commodity stuff that can do find their-

Ben: Kirkland Signature.

Sean: That's right.

Ben: Yeah.

Sean: Or XYZ branded coffee as long as they bought their coffee, right? And they're, they're making them spread.

Ben: Right.

Sean: But a branded product it's kinda a little hard.

Ben: Correct.

Sean: Um-

Ben: Unless it's at astronomical scale, which Costco is very capable of- of- of driving?

Sean: Yeah, but if you gotta get ... if your demos are 250 a store day, and depending on how broad you are, you know, and what your margins are.

Ben: Right.

Sean: Right? And I guess if- if you're-

Ben: Because Costco can be very aggressive-

Sean: Yeah.

Ben: ... with- with you to say, "Hey, we- we really wanna see a significant" ... now you- you didn't have a- a reference price out there-

Sean: Right.

Ben: ... in the market. But- but typically if that there's a preexisting price, they're going to want to see significant value, and maybe two to three times the size of container-

Sean: Right.

Ben: ... pack.

Sean: Right. That's right. And that was interesting. I don't think they oftentimes do that. I mean, there are unique items that you'll see there. But because nothing like this existed, I mean-

Ben: Right.

Sean: ... it- it became one of those ... It's a treasure hunt item for sure.

Ben: Sure.

Sean: Like, "Oh my gosh, I was in Costco today, can you check this out?"

Ben: I've never seen anything like it.

Sean: "And it's 10 bucks. Yeah, 10 bucks. Let's, let's do it." So I mean, we did well, but as we grew distribution, coast to coast, so in short order, maybe 18 months, we were in 15,000 doors of traditional grocery coast to coast. Then-

Ben: Do you feel like you were in the right doors? Because all doors are not created equal, especially for newer products.

Sean: Yeah, that's true. I mean, you know, looking back on it, knowing what I know now, I would have stayed regional. Like really regional.

Ben: For longer.

Sean: Yeah. And like build a sensation. We also had stuff. You know, we have stuff today like we ... The- the internet, I had a blackberry-

Ben: Right.

Sean: ... back then. I mean, there was no-

Ben: They were crackberries but the-

Sean: ... social or anything.

Ben: Yeah.

Sean: It was best you're emailing.

Ben: That's right.

Sean: Um, so there wasn't these ... all these other ways to get to the consumer that we have now. Um, so you have to build the grounds well. We had a couple of reasons; um, getting national press was easier for our type of a story. So the need to be everywhere. I think I was the early Regis, remember[crosstalk 00:27:50]?

Ben: Oh, sure.

Sean: So-

Ben: We just filled in.

Sean: Yeah. So he's on and he's doing, he's making waffles I got nothing to do with it-

Ben: Oh, that's, that's Teed up for regions they- they-

Sean: They are just doing it[crosstalk 00:27:59]

Ben: ... you love such stuff.

Sean: And I think it was like ... it went way over. I was eight minutes, 10 minutes. I mean, it was a huge between commercial breaks segment and they're eating 'em and but I'm not available to, you know?

Ben: Right. And that's-

Sean: Three quarters of that audience.

Ben: Exactly. Timing that so important that you see people chasing after PR and- and news stories or big magazines or whatever the site is. And- and the question is like, you gotta make sure that your- your, uh, your operations are growing to meet the demand if you're creating that demand through your e- even earned media-

Sean: Right.

Ben: ... in that case, like if you're going to be on- on TV in New York City, can they get you in New York City?

Sean: Right.

Ben: That's pretty important.

Sean: Right. And that's why that's why we grew-

Ben: As quickly as you did.

Sean: Yeah. But-

Ben: Yeah.

Sean: But then we had to support it. And ultimately, we didn't have we had, you know, the 2008, uh, housing crisis.

Ben: Right.

Sean: We had the whole I mean-

Ben: The crash.

Sean: Yeah.

Ben: All that.

Sean: It- it was hard.

Ben: It was a bad time.

Sean: Yeah. And then to- to market in mass [crosstalk 00:29:02]

Ben: Ve- venture capital really kind of seized up in that moment too.

Sean: Completely.

Ben: Yeah.

Sean: People were scared, people were buying bullets if you remember.

Ben: That's right. Oh, I don't remember.

Sean: They were buying bullets-

Ben: Well-

Sean: ... which is ridiculous.

Ben: Yeah.,

Sean: There was like, well, all right.

Ben: Yeah.

Sean: People were scared. Um-

Ben: So- so it- it- it blows up, and it became, it became a sensation for a little while, right?

Sean: Yeah. I mean-

Ben: Yeah.

Sean: ... we sold really well. I had another big TV thing that was ... I was on that Sunday morning, CBS Sunday morning.

Ben: Right. Right.

Sean: And that was a really big show.

Ben: Yeah.

Sean: And we had broad distribution for that. And I wanna say like, you know, that Monday we got a million dollars in purchase orders just to refill the shelves of every Walmart and Safeway and Kroger and Publix and H-E-B, right?

Ben: Yeah.

Sean: But we really never got to, were the shelves even full. You know what I mean?

Ben: Right.

Sean: It's sitting in a warehouse, then the store needs to pull. I mean, we just ... we were never able to take, you know?

Ben: What's hard to execute, even if you have a- a pretty significant team in 15,000 doors-

Sean: Yeah.

Ben: ... across the country. Man, that's a tall order.

Sean: Yeah.

Ben: Especially for an early stage company that you're just scrambling and trying to keep up with everything. You're probably like, "Can we make? Can we fulfill this- this million units PO?"

Sean: Oh, that's right.

Ben: Right?

Sean: Yeah, yeah, you're trying to forecast on all your raw materials. And then, you know, on the food side that ... a lot of that commodity moves around.

Ben: Mm-hmm (affirmative). Can you get the ingredients?

Sean: Right.

Ben: Yeah. Can you get the, can you get your cans, all of those things.

Sean: Right. We needed the ... Oh, that was something, the cans, so there was only a few can manufacturer those 10 cans.

Ben: Right.

Sean: It was Crown like makes the same and Ball that makes the, like the beer cans now.

Ben: Right. Right.

Sean: And a company called Bway, and there was some kind of collusion where cans went from-

Ben: There are not many manufacturers of these things.

Sean: Yeah, they wouldn't play golf and they're like, "Let's jack this up."

Ben: (laughs).

Sean: "Let's just do it."

Ben: Sure.

Sean: I'm the smallest customer, any of them have had.

Ben: Low man on the totem pole.

Sean: Right. But they're doing ... I mean, it was the same like, you know, ham or something that was-

Ben: Right.

Sean: ... going on in these cans. And they hadn't taken a price. And it just so happened when we come into the business, they're gonna take a price.

Ben: Mm-hmm (affirmative).

Sean: And I mean, I want to say my can price went up by like 50%. It was a huge.

Ben: Significant. And again, for the, for the e- early stage founders who are listening prices on these things somehow never go down. They only go up.

Sean: Yeah.

Ben: Right. That's just sort of the nature. That's, that's the- the Newton's law-

Sean: Yeah.

Ben: ... of- of this sort of thing.

Sean: And then when we start Big Swig, the same thing happens.

Ben: Sure.

Sean: But I mean, it's-

Ben: Yeah.

Sean: ... uncanny. I mean, it's like [crosstalk 00:31:44].

Ben: Uncanny. Boom, Boom. (laughs).

Sean: But- but it's, uh, I mean, it was like three months.

Ben: Right.

Sean: And then the price gets-

Ben: That's right.

Sean: ... jacked up.

Ben: Yeah. And then it messes your margins up and-

Sean: Oh, totally.

Ben: Yeah.

Sean: I mean, you can't take the price. You just rewrite your book, and-

Ben: Right.

Sean: ... write,-

Ben: Right.

Sean: ... well we're not ranking what we thought we would.

Ben: That's right. That's right. So- so back on the Batter Blaster side, you ... it- it did open some doors for you, right? So you were, uh, like, again, you're getting all this press, you're getting, uh, a lot of attention and certainly some- some relationships with retailers. You also, uh, like the Grocery Manufacturers Association-

Sean: That's right. We won, so we won the ... it's called the GMA, is the group Grocery-

Ben: Right.

Sean: ... Manufacturers Association. They give an award every year, uh, for innovation and creativity. And it's the C-suite of everybody's who's there.

Ben: Right.

Sean: You know, Nestle, Coke, Pepsi, ConAgra, Kraft General Mills, everybody.

Ben: Right.

Sean: And the category is three billion and under, and then three billion and over.

Ben: Right.

Sean: So-

Ben: So- so it's just you hanging with a country club?

Sean: It was crazy. It was totally crazy.

Ben: (laughs).

Sean: I mean, we were doing like maybe ... I don't know, we did eight or nine million that year.

Ben: Uh-huh, uh-huh.

Sean: And then it was me getting-

Ben: You're like, yeah, we're ... I guess we're, we're under three billion. Yeah.

Sean: Yes, si- significantly under.

Ben: (laughs).

Sean: And then it was, uh, then it was the General Mills guy.

Ben: Yeah.

Sean: Right? Over thousand people in the room when you accept your award. I forget what I said. I did get some laughs, I think I admitted to being significantly under. Um, and that was kind of ... it was interesting met. So you got to be on the advisory board of the GMA,-

Ben: Mm-hmm (affirmative).

Sean: ... which was, which was awesome. Uh, with the CEOs of I think it was George Can, McCormick, multimi- ... I mean, big guys running big businesses.

Ben: Absolutely.

Sean: Billion dollar business.

Ben: Some of them ended up being really helpful mentors to you too, right?

Sean: Yep, yep, yep. John, uh, John Lilly, he was the last CEO of Pillsbury, when that got spun off into rich people.

Ben: Right.

Sean: He was It was great. He thought I was nuts constantly. He's like, "What are you doing, man?" He's like, "What are you [crosstalk 00:33:52]

Ben: But he kind of got a kick out of it.

Sean: Yeah.

Ben: Yeah.

Sean: I said, "What are you talking about?" He's like, "Consumer behavior shift." He's like, "Not ... I'm not doing that. I don't know why you're doing that?" I think the- the ... he told me his like Pringles ran a negative P and L for 17 years in a row. I was like, "I love Pringles." He's like, "Nobody needed a new chip, Sean."

Ben: That's right.

Sean: Chips are fine. You don't need a new tube ... they don't need to stack. The world didn't need it.

Ben: They had to, they had to work hard. They had to spend a lot of money-

Sean: Yeah.

Ben: ... to- to alter that consumer behavior. Which again, the prize is very big to- to your point like with the, with the Batter Blaster, the price is very big, but the ... you got to have a lot of a, a lot of money in the bank to be able to- to survive-

Sean: Right.

Ben: .. for 17 years,-

Sean: Oh, yeah.

Ben: ... until you're actually making money.

Sean: Yeah, but that's not paying back the 17 years. It's just-

Ben: No. [crosstalk 00:34:46] on a year over year.

Sean: Yeah.

Ben: Yeah.

Sean: So that- that- that piece of business in that portfolio. And then his other good example, which you know, I never thought of, and you don't think of until you're in the business was the, um, it took all detergent companies 20 years to transition from powder to liquid. And you think about the Tide and Cheer-

Ben: Gain and all those. Yeah.

Sean: ... all those. Yeah. I ge- ... So their collective market because they're competitors,

Ben: Right.

Sean: ... but just to move that category from powder to liquid 20 years of marketing. I mean, how many billions of dollars is that?

Ben: Oh gosh, yeah.

Sean: Because clothes were clean 20 years ago.

Ben: Mm-hmm (affirmative). What's the problem?

Sean: Well, they just figured we- we if we can make a little bit more money doing this?

Ben: Right.

Sean: Um-

Ben: And eventually they make the change over to pods.

Sean: Yeah, they're doing the pods.

Ben: Yeah.

Sean: I- I don't these pods. I don't know why I don't, I just don't.

Ben: You're philosophically against pods?

Sean: Well, I don't know.

Ben: (laughs).

Sean: I'm very, I'm [inaudible 00:35:46] in some areas. Some areas, on food, I'll spend whatever it takes.

Ben: That's right.

Sean: But the, you know, clothes are clean, no one is complaining.

Ben: That's right. That's right.

Sean: Yeah.

Ben: I know how to measure my own, my own liquid detergent.

Sean: No, [crosstalk 00:35:56] splash.

Ben: That's right. It's easy. Yeah. Um, so okay, so- so things- things progress at- at Batter Blaster, and you got like it was hard. Right? So- so how did you know when this isn't ... this ... we're not gonna make it?

Sean: Well, so we needed to fund. I did, I did to take deal as a bridge to the next round of funding. So we had added like a friends and family for a million and a half. And then another add on friends and family with some more sophisticated to, uh, for another four. And then we did this debt deal that put the debt people in first position. And it was like a local energy, Texas thing.

Ben: Right.

Sean: They had no idea but we were a fun, cool product. Um, and they didn't really understand the business. It's like, if you foreclose you ... there's nothing.

Ben: That's right.

Sean: Right?

Ben: Yeah.

Sean: And I said I still have, right? I mean, we're still, we were still selling-

Ben: We're a brand there's not a lot of hard assets here.

Sean: Right.

Ben: Yeah.

Sean: But God, we were selling 250,000 cans a month. I mean, it was still selling it but I said I need more marketing you just gonna have to hold on. And this may be a conversation for a different time but like when you do due debt, all of the different strings attached that debt and the use of funds and the- the requirements that have a capital account that's not touched to make debt feel better to foreclose on.

Ben: They're all kinds of strings attached.

Sean: Yeah. Why ... I mean, [crosstalk 00:37:36]

Ben: You effectively have to have the same amount of money somewhere else-

Sean: Yeah.

Ben: ... in order to use that amount of money to grow your business-

Sean: That's right.

Ben: ... or to keep it up.

Sean: That's right.

Ben: that can be ... sometimes it doesn't make a ton of sense. Yeah.

Sean: Well, it's specifically for us because it was really marketing like I didn't need more distribution. I needed more velocity.

Ben: Mm-hmm (affirmative).

Sean: Learned a lot about household penetration. Um, our household penetration was very, very low. Um-

Ben: Well, in- in most startup brands it is.

Sean: Right. Right.

Ben: Right. Nobody is hard of you.

Sean: No one's tried it. And until you get your penetration up to ... and it depends on the category, but up into, like, we were under 1%-

Ben: Right.

Sean: ... household penetration. So until you get to like, 5%. You don't even know if you found your customer yet.

Ben: Right.

Sean: Right? Because I kind of felt the Batter Blaster customer was gonna be late to the dance.

Ben: Absolutely.

Sean: But they would really dig it, but they're frantic early stage parents.

Ben: Right.

Sean: And then they're just, you know, they're lucky to get the diapers like that I-

Ben: Right. Or- or- or it's grandma making, uh-

Sean: Right.

Ben: ... you know, making pancakes for the grandkids on the weekend or something like that.

Sean: So, yeah. For that thing to have really worked. We would have had to get to that 10%, 12%, 13% household penetration and then find our audience in there.

Ben: Right, right.

Sean: Um, so we needed to market. It's hard to do as a manufacturer, when you really have one product, I had a couple different flavors, but that's still-

Ben: Right.

Sean: It's located in one part of the store.

Ben: And it's good to be laser focused on- on that level. It's like you can over, you can over SKU and- and create a- a different set of problems.

Sean: Oh, that totally.

Ben: Right? You- you diffuse focus.

Sean: Ag- agreed. And then we went to strategics because I had a lot of those relationships, uh, everybody loved it, but the business was too much of a distraction.

Ben: Hmm.

Sean: Right? So these guys are like, I'm driving a billion dollar ship. And if I bring you on, nobody's going to not say it's cool, but you're so small, you're going to distract-

Ben: That's right.

Sean: ... everybody's time growing your thing from whatever it was nine or 10. But even if you got to 60, I got a billion over here."

Ben: That's right. Yeah, if you're not, if you're not north of some- some metric, then the elephant is just going to accidentally stomp you.

Sean: Yeah.

Ben: Is ... and they know this, right?

Sean: Yeah.

Ben: So that's why they're not buying cute little brands. Like you have to reach that escape velocity get to some ... what- what feels like to you a substantial number. And then it's beginning to be a cute number to them.

Sean: Right.

Ben: Right? Because these are ... Yeah, like, "Oh, we have, you know, dozens of billion dollar brands in our, in our portfolio."

Sean: Yep.

Ben: And you're like, "Oh, not that yet. But- but you just wait."

Sean: Right.

Ben: So- so you're raising money you're trying to get, uh, you're trying to extend the runway and and then what happened?

Sean: And then the- the lender foreclosed so that was just a, Pop goes the weasel.

Ben: That's the death now.

Sean: You know, we're gonna we're gonna foreclose on you. And, like, "You sure you want to do this? I also had to do a personal guarantee-

Ben: Right.

Sean: ... which is [crosstalk 00:40:44] I know kind of enforceable.

Ben: Yeah.

Sean: Right.

Ben: Right.

Sean: I mean, I did ... everything I had was in that business.

Ben: That's right. Okay. Come after me, if you to then.

Sean: Yeah. So they did like, you know, a lot of-

Ben: Yeah.

Sean: ... threatening it wasn't, it was not, I mean, that's the ugly.

Ben: Yeah, yeah.

Sean: ... and you're alone for that one.

Ben: You bet.

Sean: And as much as You're the CEO. As much as you did everything you were supposed to do and thought you could do. It's your fault.

Ben: Mm-hmm (affirmative). Yeah.

Sean: And it sucks.

Ben: Yeah. Yeah.

Sean: Um, you know, so-

Ben: How did you handle it emotionally?

Sean: I did ... Like, there were two choices. It was like Jameson-

Ben: (laughs).

Sean: ... or, um, I had done the Master Cleanse in the past.

Ben: Uh-huh.

Sean: And I was like, "All right, I'm just gonna do the Master Cleanse." And people are like, "Dude, what are you doing? Your life just fell apart. Now. You're not gonna eat for two weeks?" I was like, "I think I gotta do that."

Ben: Why not?

Sean: I don't know ... Yeah, how much worse can we get?

Ben: That's right (laughs).

Sean: Um, and I could drink later, but it you know, that's kind of-

Ben: Yeah.

Sean: ... whatever.

Ben: That, that's how you, h- how you walked through that point.

Sean: Yeah. Yeah.

Ben: Do you feel like it gave you some more clarity in that time?

Sean: Well you just kind of a little bit more calm.

Ben: Yeah.

Sean: And I don't know if you've done the Master Cleanse, you get to like day five, six, seven, you're tripping. Anyway, right?

Ben: (laughs).

Sean: 'Cause you're-

Ben: You're detoxing.

Sean: ... you're so hungry.

Ben: That's right.

Sean: That's right. Well, and everything it's coming out.

Ben: Yeah, yeah.

Sean: Um, yeah, that was how ... that was, that was how we did it. I mean, it was a more extensive process in that.

Ben: Of course.

Sean: And it's like when you have no money. That's when you need your bankruptcy attorney.

Ben: That's right.

Sean: And guess when he gets paid? Like, immediately.

Ben: Absolutely.

Sean: Like, if I need to say another word. I need 25 grand, I'm like, but that's ... I thought this is the whole-

Ben: That's right.

Sean: And he's like, "You think this is charity?"

Ben: (laughs).

Sean: Oh, man, 25.

Ben: That's right. That's right. 25k per conversation. That's right.

Sean: That's it.

Ben: Yeah. So- so what did you do after that?

Sean: So, that was ... I think it was August 2012. I went on vacation.

Ben: Okay.

Sean: Because I was asked when the last time I took a vacation was and it was September 2012. We did the Disney Cruise. That was kind of-

Ben: Hey, two- two- two-

Sean: I read a lot of books.

Ben: ... for one, right? You- you get Disney and you get the cruise.

Sean: (laughs). That's right.

Ben: Win- win. You're, you're the cool dad.

Sean: Who wouldn't do that. Um, so we did that. Um, and then, and then I was working on a just a number of different ideas, um, was asked to consult with on a business which is my now partners, old business. Um, and they ... he was in the bakery business and, uh, and asked my opinion and after coming out of, you know, the bloodbath that I just had gone through, I was like, "You want me to be really honest. And they're like, "Please." I was like, "Okay, this is gonna hurt." But I was really honest with them.

Ben: Yeah.

Sean: And I said, "You know, you either chase this thing with millions and millions of more dollars, and I'm not sure." I said, "Here's where the landscape is. Here's where your category is, and the frozen space. This is the level of slotting and you're gonna need to expect to do your marketing opportunity are pretty low."

Ben: Right.

Sean: "It's all price. And-"

Ben: Yeah.

Sean: So they- they wrapped up that business and they said, "What are you looking to do?" And I said, "Well, I wanna get ... I still want to be in the business of growing brands. But I think it's really important to have a very strong distribution business. And I see a lot of opportunity in distribution right now, in where the craft beer scene was.

Ben: Mm-hmm (affirmative).

Sean: Was a really good early way to- to jump into it.

Ben: Right.

Sean: Not going to be expensive, it's going to be hard. But owning these relationships are really what it's all about. So that when we're ready to get back into the ... on the brand side of things, we're going to do it right, and we're going to control the whole thing.

Ben: Right. Now at that, at that point are you still in California or have you moved to Texas?

Sean: No,. I'm here. I'm here. So we ... I moved to Austin in '09.

Ben: Okay.

Sean: Um-

Ben: So you were pretty familiar with the, with the Texas distributor landscape at that point?

Sean: Yeah, although I was in the food space-

Ben: Right.

Sean: ... so we [inaudible 00:45:09] Batter Blasters out of here.

Ben: Right.

Sean: Um, and we were ... I was the DS always with a couple DSDs.

Ben: Mm-hmm (affirmative).

Sean: Who were when you look back on it really pretty pretty strong, you know?

Ben: Right, right.

Sean: Relatively speaking. Um-

Ben: Well distributors can be a point of frustration for- for many brands.

Sean: Oh sure. Es- especially-

Ben: Yeah.

Sean: You really got a level set expectation, you know, like a lot of people that want to talk to me about brands and all that kind of stuff, you know, I'll offer like, if you want to sell for me, or you want to merchant or you, whatever, work for us for a little while.

Ben: Right.

Sean: And really understand-

Ben: You want to know what it's like?

Sean: Well, yeah, you really got to understand like ... Because it will become evident to that entrepreneur, where their position in the world is after doing some of the work.

Ben: Right.

Sean: You know, how's this product really going to live in this class of trade? Or in this vertical? You know, how do we get there? How does food service work?

Ben: Right.

Sean: You could have the want, your coffee product? Everybody, [crosstalk 00:46:15].

Ben: Do you know who you need to talk to? Who has the authority to say yes, who has the authority to say no?

Sean: Yeah.

Ben: And- and in different chains, different stores. It's different.

Sean: Yeah.

Ben: Right? And you've got to understand that landscape.

Sean: Yeah.

Ben: So- so fast forwarding a little bit, you- you ultimately decide to start Dynamo.

Sean: Yeah.

Ben: Right?

Sean: Now called Dynamo.

Ben: As-

Sean: ... Was Austin Specially-

Ben: Okay. Au- Austin Specialty Foods, or Austin's-?

Sean: Yeah, I think we called it foods.

Ben: Or some ... Yeah. Okay.

Sean: Distribution.

Ben: So, uh, so is not Dynamo Distributing,-

Sean: Mm-hmm (affirmative).

Ben: ... is that right? So and what was the thesis behind that? You- you hinted at it a little bit before.

Sean: So to be ... it ... Well, I mean, ultimately, we recognize the landscape of what is a DSD, right? Which is a- a distribution company that really helps brands grow.

Ben: Right.

Sean: About starting 20 years ago there was a roll up of a lot of these little guys. And now when you look at who's out there the- the chip people-

Ben: Mm-hmm (affirmative).

Sean: ... are doing it-

Ben: Right.

Sean: ... so Frito Lay is doing it.

Ben: They're actually very few, uh-

Sean: Yeah. Snyder Lance is doing it.

Ben: Yeah.

Sean: The bread guys are doing it, Mission Tortilla, Goya-

Ben: Right.

Sean: ... but they're manufacturer owned.

Ben: Right.

Sean: And then you have Coke, Pepsi, Cott, Dr. Pepper.

Ben: Mondelez does it. Uh-

Sean: Yeah, yeah, with our candies.

Ben: Yeah, right?

Sean: And then and then you have a Bud house and a, and a MillerCoors house typically in every market.

Ben: Correct.

Sean: Um-

Ben: And these are the, these are the trucks or vans or whatever they are that are visiting stores at least once a day, maybe multiple times a day.

Sean: Mm-hmm (affirmative).

Ben: They're actually on ... they have, they have a route-

Sean: Mm-hmm (affirmative).

Ben: ... and then they're in accounts and this sort of thing. And most of the early stage brands are not going that route because they can't get on those trucks.

Sean: That's right.

Ben: Right.

Sean: That's right. And those and really those brands, so if your Bud or you're MillerCoors, you're Coke or Pepsi, that's the power of your brand by keeping all these little brands away.

Ben: Right.

Sean: Right? Because that's making them work too hard for their business they don't want the competition, right? We look at like the White Claw what looks to be a phenomenon, right? That products been around for three years and just-

Ben: Right.

Sean: ... really hit it this year because-

Ben: Yeah, this summer.

Sean: That ... yeah, the millennial consumer aged into it.

Ben: Mm-hmm (affirmative).

Sean: ... all of the ... it checked all the boxes of the different diets from [crosstalk 00:48:35].

Ben: Along with the- the Truly and- and some other ones.

Sean: That's right. That's right.

Ben: Yeah.

Sean: But in this market in particular-

Ben: Right.

Sean: ... White Claws, killing it. Well, the guys that run the suppliers for these other distributors, I mean, MillerCoors wish that never happened.

Ben: Sure.

Sean: 'Cause it's killing them.

Ben: They'd rather just sell Miller Lite all day long.

Sean: That's right and continue to do so for the next 50 years. Don't change it.

Ben: Right.

Sean: Let's just keep them on that the Bud Light, you know, that whole thing.

Ben: That's right.

Sean: So all these new brands in order for them to grow, need, you know, a strategic DSD program.

Ben: Right.

Sean: Um, and what we recognized was these guys with these legacy businesses, okay? They don't want new brands, they'll take you if they ... 'cause they're gonna have a fear of missing out, right?

Ben: Right.

Sean: So they'll take you if you really are able to build that fear into 'em. Um, but-

Ben: Whi- whi- which often may come with some sort of either minority or majority investment from that, from that big mothership too, right? So again, they're trying to get aligned. They're like, "Hey, if we help grow you, we want to, we want to participate in the upside and or have the ability to own you completely."

Sean: Oh, for sure. Yeah, that- that's for sure.

Ben: Right.

Sean: Um, and then, but the entrepreneurial spirit of all those distributors that we just talked about, like the big DSDs, the spirit is gone.

Ben: Right.

Sean: And on the beer side, it would be the grandparents that built a business, right?

Ben: Mm-hmm (affirmative).

Sean: And it's, and it's down to third or fourth generation at this point. And they became very, very good at logistics, right? And staffing and running freight efficiently, right? Really excellent because the scale of their businesses demand that, but less excellent at building brands. So they're not as big of a help necessarily to these it ... in terms of guidance, right? 'Cause your, your real good distributor partner needs to get a layer deeper-

Ben: Right.

Sean: ... or 10 layers deeper than just, "Here's my purchase order."

Ben: Right.

Sean: "This is the pricing I need, send it."

Ben: They actually need to- to be of help in getting the right placement on the right shelf in that retailer and- and-

Sean: [crosstalk 00:50:52]

Ben: ... executing-

Sean: That-

Ben: ... promotions.

Sean: Like a ... like letting your supplier partner know like, "Hey, man, this isn't going to work in this market."

Ben: Right.

Sean: This is, your pricing strategy well, that might you guys bake that in a room someplace that's not real.

Ben: Right.

Sean: We're not doing it, you're not going to get the polls there.

Ben: Mm-hmm (affirmative).

Sean: Where a lot of the big distributors are going to just take your product and think that you've already figured out how to make this thing work.

Ben: Right.

Sean: You know, and that's why you see some pricing that's, like, out of control.

Ben: Right.

Sean: Um, and that's just on one side of it. You know, I think there's, there's regional direction and all kinds of things.

Ben: Well, and you know, the reality o- obviously, on the, on the beer side, uh, you know, spirits and liquor, it's, it's its own world.

Sean: Mm-hmm (affirmative).

Ben: And, and that is, I mean, frankly, there- there can be some cartelish behavior (laughs) that- that happens there.

Sean: Oh, yeah.

Ben: That ... it's like, all right, like you- you wanna actually be in- in the bars and you came from this world too-

Sean: Mm-hmm (affirmative).

Ben: ... that it ... there are a lot of obstacles to your cute little startup brand getting on- on the right, you know, on the right truck and in the right doors.

Sean: Right. And so you look at the spirit- spirit business and this is a whole big conversation but-

Ben: Yeah.

Sean: ... I would be very scared. Well- well we have some really big brands that have come out of Austin, come out of Texas, it's a very expensive endeavor, we pull back the curtain on that thing.

Ben: It is.

Sean: Um, and the retail landscape isn't great. It's controlled by very few. Um, it's hard, and it's a hard path to market.

Ben: Mm-hmm (affirmative).

Sean: Um, so we get a lot of calls for that. And I'm like, you need to focus in states that, you know, go to California-

Ben: Mm-hmm (affirmative).

Sean: ... not New York, not Texas. Try Nevada but that's really mobbed up I mean-

Ben: Right.

Sean: Florida might be okay, Louisiana.

Ben: Right.

Sean: Yeah, but that- that business scares me a little bit. I mean, we have a want to be in it at some point.

Ben: Of course. Yeah, it's a ... I mean, it's a, it's a big business.

Sean: Yeah.

Ben: No question about it, but it can be challenging. And, you know, and then there's part of it that especially the DSD reputation is one of, uh, sometimes those ... the relationships are very expensive for brands, certainly.

Sean: Mm-hmm (affirmative).

Ben: The- the some clauses to those contracts can be very, very aggressive. And then you have to ... it becomes a- a situation where you do it kind of to your FOMO example, you do it because you feel like you have to, uh, and you ... because the reality is some, some DSDs are so aggressive, that they'll effectively elbow you out of a market.

Uh, by ... the- they'll, you know, move- move product around that is not theirs so that they get, they get better placement. And that's just a very aggressive world that- that- that kind of blows the mind I think sometimes of- of earlier stage entrepreneurs, and they- they thought, "Oh, I thought we ... you just had a planogram - and- and- and you put it-

Sean: Oh, yeah. [crosstalk 00:53:47].

Ben: ... you put it where the picture is."

Sean: Well, you want your DSD doing that.

Ben: Yeah, yeah.

Sean: Because-

Ben: I mean, you- you want them to-to help you to defend you.

Sean: Yeah, yeah.

Ben: Yeah.

Sean: It's a knife fight in the, in the street out there.

Ben: That's right.

Sean: And if you're good-

Ben: Right.

Sean: ... you're doing that[crosstalk 00:53:59].

Ben: That's right.

Sean: I mean, that's ... I trained my guys to do it.

Ben: That's right. Yeah.

Sean: 'Cause if they're not on my trucks they're the enemy-

Ben: That's right.

Sean: ... essentially.

Ben: Yeah.

Sean: Right. They're, there are on our friendlist.

Ben: That's right. yeah. So you've, you've gotta, you gotta stick out your territory and then again but this is a thing that people they go to stores they don't think about this stuff. H- How did this get here? How Why is this it eye level and why is the other thing not at eye level.

Sean: Mm-hmm (affirmative).

Ben: Right? Um, I think that's a little bit of a kind of behind the- the- the curtain Wizard of Oz stuff that it's like, "Hey, man, this is really what happens."

Sean: Yeah.

Ben: And- and but if you don't do this well, you're going to be at a disadvantage.

Sean: Yeah. Or that you'll be disadvantaging your way out the door.

Ben: That's gone.

Sean: All the way.

Ben: Yeah, you just gone. Right.

Sean: And so really understanding-

Ben: Yeah.

Sean: ... again to the-

Ben: Yeah.

Sean: .. you know, my offered to like, we'll pay you to work. But I think you need to, you need to-

Ben: You need to understand this.

Sean: ... for a while. Right?

Ben: Yeah.

Sean: It's kind of the Mr. Miyagi paint the fence.

Ben: Yeah. Yeah.

Sean: You don't know why you're doing it this way. But believe me, you're gonna, you're gonna need it.

Ben: It'll be worth it.

Sean: Yeah.

Ben: Yeah. You're gonna create the muscle memory.

Sean: Right.

Ben: Yeah. So- so so you started this- this distribution company? And like, what was your What was your vision? Like what did you guys start as? What were you, what ... were you focusing on- on- on actually-

Sean: So we weren't-

Ben: ... delivering?

Sean: We were ... It took us a while ... that was a government shutdown or something. So-

Ben: As always, always. Yeah.

Sean: Our beer license. You know, it's like the can collusion thing that happens to me. It's-

Ben: Yeah (laughs).

Sean: If it can happen, it's happening to me. Um, I gotta remind myself-

Ben: That's right.

Sean: ... for the next one.

Ben: Be prepared.

Sean: Right. Um, so it took us a long time to get licensed. We had an idea of doing ... we ended up branding this thing called the Texas Takery. So it was a turnkey ... going back then ... I kind of hate I'm gonna say it but I hate this. The razor- razor blade thing. So we were going to distribute-

Ben: Right. And then that's the [inaudible 00:56:01] the- the inkjet ink-

Sean: Right.

Ben: ... toner, uh, kind of model where you- you sell a thing for a lower price point but then you actually make your margin and your money in the kind of recharge.

Sean: On the repeat. Yeah.

Ben: Yeah.

Sean: The repeat the repeat purchase and that was what was going to drive. So this was a bakery program.

Ben: Mm-hmm (affirmative).

Sean: So we sourced some really good, there's great bakery technology these days.

Ben: Mm-hmm (affirmative).

Sean: You know, frozen stuff, that bake great.

Ben: Mm-hmm (affirmative).

Sean: And we were gonna ... we provided this was for convenience stores so we provided a really cool display case an oven, the table to put it on the bags, the paper, uh, freezer, and then fill this freezer with a recommended program to- to grow their breakfast, kind of-

Ben: Right.

Sean: ... business with muffins and croissant and whatever. And then complement their coffee program 'cause-

Ben: Sort of what some of them do with like the, uh, the- the- the pizza programs-

Sean: That- that right.

Ben: ... or whatever. Yeah

Sean: That's right.

Ben: Uh- huh (affirmative).

Sean: Um, and then, and then we had an afternoon program. So cookies and brownies and something like that.

Ben: Right.

Sean: The challenge we ran into. So the idea was great. The margin was there for retailers. We went with a bunch of independent retailers. I did do some chain stuff, which they executed. Well, the challenge was the reclamation. And the reclamation is essentially spoilage.

Ben: Right.

Sean: And they weren't willing to throw it away.

Ben: Hmm.

Sean: I'm like, "Dude, you got-

Ben: So then the qualities.

Sean: Yeah, gotta put a clock on this.

Ben: That's right.

Sean: And you gotta clean it, by the way.

Ben: Right.

Sean: Right? It can't ... I'm gonna give it to you-[crosstalk 00:57:34].

Ben: Which in- independent convenience stores are not known for their ability to do that [crosstalk 00:57:37] .

Sean: That's right. That's right. So, um, we lost lots of money doing that.

Ben: Mm-hmm (affirmative).

Sean: It was a, it was a really good idea. And there's, there's examples of that-

Ben: Right.

Sean: ... you know, in- in that class of trade, but just really found out that that class of trade that customer, um, not enough there to make a business.

Ben: Right.

Sean: Some would execute well, but that's not enough to- to make a real business.

Ben: Very uneven.

Sean: Right. And then we- we started doing some foods. Um, but traditional food with snacks, a lot of the products, it was challenging for us to get territory exclusive rights. Right? Because they're just like, "Hey, we're gonna-

Ben: They'll take anything.

Sean: Yeah, we're gonna we're gonna push it through all these broad liners-

Ben: Mm-hmm (affirmative).

Sean: ... and then we're also going to go direct and then you're lucky if we sell it to you. So that was backwards.

Ben: Right.

Sean: And had been working then we got licensed for beer-

Ben: Mm-hmm (affirmative).

Sean: ... then we worked for a number of breweries, um, as we [crosstalk 00:58:42].

Ben: Kind of the craft, the Craft Brewery?

Sean: The craft, yeah, the craft. And- and- and-

Ben: Which was a great honor for many of those folks too, right? Who maybe they- they couldn't get on or or weren't willing to get on with some of these larger distributors.

Sean: Well, that's right. So they were scared of some of the big guys. Some of them were- were ... in the craft space there's, there's a lot of, uh, disdain for distributors it's just looked at as the evil empire.

Ben: Mm-hmm (affirmative).

Sean: Um, which is really not, you know, we're, we're kind of a rarity.

Ben: Right.

Sean: There's not a lot of guys that are doing small stuff.

Ben: Right.

Sean: Um, and then when we're able to really help, you know, our breweries and they're able to take some of the feedback, we've been able to grow some- some breweries that we're really proud of to- to be working with.

Ben: Yeah.

Sean: Um, and- and- and then, and then up into, we did not much NA, until we started Big Swig. Um-

Ben: NA being non alcoholic?

Sean: Yeah, non alcoholic-

Ben: Mm-hmm (affirmative).

Sean: ... beverages.

Ben: Right.

Sean: Um, so we've had Dynamo for a little bit north of six years, launched Big Swig about two years ago.

Ben: Okay, so let's pause there a second. What was the genesis behind Big Swig?

Sean: So we had always had to want to get back on the manufacturing and the brand side.

Ben: Right.

Sean: So as they ... my- my operating partner Ben, so there's three of us that are founders. So Ben Erwin is my partner, uh, in Dynamo and Big Swig, and then myself and then, uh, uh, branding guy, our third founding partner, his name is Christian Helms is-

Ben: He- Helms Workshop.

Sean: Hems workshops, like the best.

Ben: Right. Super talented designer.

Sean: So ... totally the best. Um, and we met ... so I launched two years ago, we- we may have met as long as like, four years ago. And I had approached Christian and said, "Hey, we really admire what you do. This is our idea. Here's our distribution business. We wanna get into the brand game. We have the unfair advantage of being in grocery stores, and we're able to look at category, um, trends and volumes and- and if it's not actual data, which we're able to see often, we're just in and experience-

Ben: You have a lot of anecdotal evidence too.

Sean: Yeah. I mean it's ... When you're in it every single day-

Ben: Right.

Sean: ... and that means all seven days.

Ben: Right. So you knew that- that LaCroix was a deal?

Sean: That's right. So the sparkling water category was the fastest growing category in the grocery store.

Ben: Right.

Sean: Um, and that was private label. That's all of them, right?

Ben: Mm-hmm (affirmative).

Sean: So we had been working on, uh, what became Big Swig for again two years prior to, prior to launch. Um, and that was driven by, okay, we see carbonated soft drinks are waning, we look at the current dietary trends. We look at the overall volume. Um, because my past experience I was able to get some manufacturers to take me seriously where they would normally not talk-

Ben: Right.

Sean: ... to startups. Um, so we were able to get the product done it a price that was, you know, the margins aren't great, really.

Ben: It is acceptable.

Sean: And the pennies ... Yeah.

Ben: Mm-hmm (affirmative).

Sean: I mean, it makes it work. And we were able to say like, "Okay, what can we do? How can we participate in this category?"

Ben: We also had the advantage of owning the distributor, right?

Sean: Well, that's-

Ben: Which allows you to-

Sean: Yeah. Well, now we're-

Ben: ... play ball.

Sean: That's right, we know we're gonna be able to get on shelves-

Ben: Right.

Sean: ... at the right price. We- we were also able to as the distributor and what makes kind of us unique, um, we really believe strongly in high low price strategies, um, and almost like game theory with- with-

Ben: Mm-hmm (affirmative).

Sean: ... pricing. And when you're able to be the, you know, discount the product at the back door, kind of yourself-

Ben: Mm-hmm (affirmative).

Sean: ... what I do with all my brands,-

Ben: Right.

Sean: ... we're able to not make the retailer sensitive to outside competition, you know, be- be willing to compress margin and yellow tag and really invest with them. And-

Ben: So tell me more about that. So your height, the game theoretic part of it so hi- high low for you, at the, at the shelf level means what?

Sean: So for- for the brand, we're a 499 to two 399.

Ben: Right.

Sean: Um, and ultimately, what you're trying to do with a, with a product that doesn't require refrigeration is display.

Ben: Right.

Sean: Because consumer confidence is built by display.

Ben: Highlight high and let it fly.

Sean: Right. And a lot of the ... You know, I've been told by a ton of people that they thought Big Swig was a private label, right H-E-B product 'cause they see-

Ben: Such a strong presence here.

Sean: So, yeah, so prominently displayed, which is a great thing. That means we're doing, we're doing a good job.

Ben: Right.

Sean: But your price is gonna ... so you need to get trial for your product. Um, consumer confidence in kind of ultimate trust is gonna be driven out of your display program, being able to protect the retailer's margins, and give them velocity on this, um, on a price promotion.

Ben: Right. And so in terms of protecting their margins, is making sure that you're contributing as- as the brand and or distributor in this case, uh, to help them make sure that they're still making their money almost?

Sean: That's right. You need-

Ben: Even when that price comes down.

Sean: Yeah, so we just eat it.

Ben: Yeah.

Sean: But you put that into your brand building-

Ben: Yeah.

Sean: ... instead of marketing. 'Cause-

Ben: Part of the model. Right.

Sean: Right. If you're gonna demo everywhere, that's very expensive.

Ben: Right.

Sean: You know, it's 200 plus dollars to demo. How many units are you gonna sell?

Ben: Mm-hmm (affirmative).

Sean: If you took a dollar off every unit, right? How much more would you sell in all seven days-

Ben: Right.

Sean: ... 24 hours every day .

Ben: And you're kind of driving that trial in a passive way, rather than the active demo way.

Sean: That's right. And- and some items need, you know, there's such-

Ben: Some items you just can't do it.

Sean: Right.

Ben: Yeah.

Sean: In this, in this particular category, just a lot of velocity there.

Ben: Right.

Sean: Um, our brand position was big and bold and different than anybody else in the category.

Ben: Mm-hmm (affirmative).

Sean: Um, I think that was a pretty big bat but we feel real confident about Christian.

Ben: Mm-hmm (affirmative).

Sean: There was a funny story there. When were ... the ideation process, we all kind of get together and it's like we're partners and there's all these ideas. And - and Christian gives back to Ben and I, you know, a bunch of choices. And then we're all like, "Well, I know, I've won awards. I think I'm pretty special and-"

Ben: You're pretty artsy.

Sean: Yeah. I gotta, (laughs)

Ben: Yeah.

Sean: ... I gotta, whatever. I think Ben was like, "Uh, didn't we partner with that guy, 'cause he's like, the best in the world at this?" I'm like, "Yeah." And I was like, "Buddy you bake the cake. We're okay with it." He was like, "You're kidding." I'm like-

Ben: Which- which as an, as an artist and designer he loved.

Sean: Right.

Ben: Right.

Sean: And so we're, Yes. Before we see it. We're just doing it.

Ben: That's good.

Sean: Do the best you can.

Ben: Yeah.

Sean: So that was kinda-

Ben: That's pretty cool. Yeah.

Sean: That was the direction, we worked together on flavors-

Ben: Of course.

Sean: ... just like beers but when it comes to the look and feel I the-

Ben: That's his baby.

Sean: Yeah, I don't ... I mean,-

Ben: Uh-huh.

Sean: ... I'm working hard doing other stuff, right?

Ben: That's right.

Sean: And it's so hard to take your ego out of it.

Ben: It's true.

Sean: Right? You just gotta remember like-

Ben: Right.

Sean: Yeah.

Ben: 'Cause you're, you're, you're wearing the logo around with you everywhere.

Sean: You're right. Yeah.

Ben: Like this is this part of my identity too. So- so- so now you guys with both Dynamo and Big Swig, you're doing a different thing 'cause they're obviously, partially because of LaCroix success and some of the private label sparkling waters that you're referring to- Topo Chico, others. The, um, like, there's a lot of competitors in the market-

Sean: Mm-hmm (affirmative).

Ben: ... that weren't there, uh, three or four years ago.

Sean: Mm-hmm (affirmative).

Ben: Right? So it's again now a lot of play. Certainly you have some of the ... we- we mentioned the White Claws and others that kind of alcoholic options down- down some of those paths as well. But what- what differentiates like what's your, what's your approach with Big Swig, that creates that- that difference, uh, for ... like both at the shelf and then in your, in your larger strategy. I know you guys are really focused, laser focused on Texas, right?

Sean: Right. So you know Texans love Texas that's why we are here.

Ben: They do. Yeah.

Sean: Right? You're not here 'cause you hate it.

Ben: That's right (laughs).

Sean: Leave if you don't like it, right?

Ben: Yeah.

Sean: So- so really being water made in Texas for Texans its first, speaking very boldly to a category that was very soft and feminine.

Ben: Hmm.

Sean: I think you know, the brand has edges to it, uh, and others, you know, may not. Um, we keep our flavors all inspired by Texas. So the chili mango, the jalapeno pineapple, we got the pickle, prickly pear, watermelon, mint, stuff that's very familiar to-

Ben: Right.

Sean: ... you know our experience.

Ben: It's in the Texan culinary palette.

Sean: Right. Right? Yeah. Thank you. Um, and then, um, in terms of, you know, differentiator, you know, there's a high price there's, there's a low price, um, I think, um-

Ben: Are you trying to do that within your brand? Or you- you trying to anchor it in the, in the broader set?

Sean: Yeah, well within- within the sparkling water category, so that ... we- we- we look at the consumer, and this is where I was going with that. There's the consumption in this particular categories is so high on a per point, you may drink six or eight cans a day.

Ben: Right.

Sean: That- that then becomes kind of a lifestyle extension.

Ben: Correct.

Sean: Right? So White Crow has grown-

Ben: Yeah, I'm gu- guilty as charged.

Sean: Right.

Ben: Yeah.

Sean: White Crow has grown craze ... like crazy. But like, guys don't feel great about it. It's not that cool.

Ben: Yeah, (laughs).

Sean: Really. I mean, I'm gonna drink it-

Ben: It's like, it's like drinking a Zima.

Sean: Yeah. And we, you know, and if everybody's doing it, then like, "Oh, hey," but really, we're not cool doing that.

Ben: That's right.

Sean: So- so can our brands speak to people in terms of, in terms of lifestyle. And it looks like-

Ben: Yeah.

Sean: ... it looks like it's working there.

Ben: Yeah.

Sean: And I, and I feel like it's almost created a moment. You know, we there's a lot of social engagement, um, with the brand, but when you say to somebody, hey man, let's go have a Big Swig. It's like, you know, you're doing something.

Ben: That's right.

Sean: You're having a Big Swig.

Ben: Well, it's also something that can play in- in the convenience, uh, world a little bit better, maybe then some of the ... some of the more feminized brands you're referring to there.

Sean: That .. yep, yep, that's right. Because that-

Ben: Which tends to skew a little bit more masculine.

Sean: That's right. Well, a lot. I mean-

Ben: A lot.

Sean: [crosstalk 01:09:33]

Ben: Monster and all the, you know, all- all the [crosstalk 01:09:35]

Sean: ... all the energy and- and the guy buying a can of Skoal -

Ben: Right.

Sean: They're not having Perrier with their Skoal.

Ben: They are not. Uh, sometimes you'll, you'll have one facing a Perrier, some- sometimes.

Sean: Right. But if they're in the category,-

Ben: Yeah.

Sean: ... we're hoping that the Big Swig checks their box.

Ben: That's right.

Sean: We're at the Texas State fair right now we're actually selling kind of great guns up there.

Ben: Oh, that's great. Washing-

Sean: That's pretty cool.

Ben: washing down the- the- the deep fried-

Sean: Something.

Ben: ... Batter stick or something like that.

Sean: Right.

Ben: Yeah.

Sean: They were in the Go Texan store, um, well, it's up to like 300 cans a day.

Ben: That's awesome.

Sean: It's pretty cool.

Ben: That's awesome.

Sean: So- so and then ... and that's that kind of speaks to the consumer so if carbonated soft drinks are drinking, you know, the last people out of that game are the people that were kind of die hard for brand and nostalgia whatever Coke means to them-

Ben: Right, right.

Sean: ... Pepsi, Cola, you name it, and does Big swing kind of replace that. Um, they anecdotally, you know, I run into every time I see the fire department shopping in the store, I'll pull out like a VIP coupon and I'm like, "Oh, hey, man, we buy it all the time."

Ben: Yeah.

Sean: He's like, "We call 'em work beers." So it's like, "I'm stealing that."

Ben: That's excellent.

Sean: Because it's mostly-

Ben: Yeah.

Sean: ... know, guys, some gals but you're hanging out-

Ben: Uh-huh.

Sean: ... and all you're doing is waiting for a fire.

Ben: That's right. Very community, camaraderie oriented. Yeah.

Sean: Yeah. And they, if they could they be drinking beer?

Ben: Sure.

Sean: That's kind of what you doing.

Ben: They gotta be, um, they gotta be at the ready.

Sean: Right.

Ben: Yeah.

Sean: So then Big Swig becomes work beers for them.

Ben: Oh, that's good stuff. So you really saw that as ... like you- you analyze the- the sparkling water set and said, "Hey, we actually think that there's an angle here for" ... like that, that ... "There's a there's a male consumer who's under represented here."

Sean: That's right.

Ben: Right?

Sean: Yeah, so we ... that was the white space-

Ben: Which is a little, a- a little counterintuitive because most of the time, especially when you're talking about groceries, there is, there's a lot more opportunity because the typical grocery shopper is- is a female, and it's just kind of, uh, empirically how- how it tends to go.

Sean: That's true.

Ben: So you had a little bit of a, a- a, of a counterfactual there?

Sean: That's right. And it presented itself in white space, though, right?

Ben: Okay.

Sean: What's the-

Ben: Nobody was going after it.

Sean: ... noise and this is how its presented. And this is what people think, the category should look like.

Ben: Okay. Yeah.

Sean: You know? But then I think we kinda, you know, a little tiger by the tail in terms of timing of the millennial consumer wants something different and that consumers really, really important-

Ben: Right.

Sean: ... right now they're aging into it. And then the other brands that we're up against, they're just not cool.

Ben: Right (laughs).

Sean: I mean, that's it.

Ben: Yeah, absolutely. So what- what have you learned about- about winning at that store level at the, at the, at the shelf level? Like what what- wh- wh- what's the approach that actually generates success?

Sean: You know, for us a lot of touch. Um, really understanding the price, the needs of the retailer in terms of price.

Ben: And a lot of touch means you're visiting that store, uh, not- not once a month, uh-

Sean: I have ... we have stores that we are in, you know, this is not every store but what I have a representative in between salesman, merchandisers, drivers 14 times a week.

Ben: Right. Right. So you're hitting those-

Sean: A lot.

Ben: ... Somebody is there-

Sean: Yeah.

Ben: ... a couple times a day.

Sean: Right. Twice a day.

Ben: Right. Yeah. And that's, and you're building relationships at the store level, you're building relationships with the- the store manager, the assistant managers, the department managers, the stockers, everybody.

Sean: That's right. That's right.

Ben: Right.

Sean: And then when they're gonna do something-

Ben: Mm-hmm (affirmative).

Sean: ... so there's a lot of, there's a lot of trust there.

Ben: Yeah.

Sean: So if something needs to get done, and you say you're going to do it, then they have the confidence that you're not going to leave 'em high and dry.

Ben: That's right.

Sean: 'Cause labor becomes a big-

Ben: Because you're going to-

Sean: ... a big issue.

Ben: ... they're going to see you again tomorrow or this afternoon?

Sean: Right.

Ben: Right.

Sean: And they got your cell number and your-

Ben: That's right.

Sean: ... going to make it happen. Um, so that, yeah, that's great. Relationships are great. Um, we're able to offer so the on the distribution side, there's a concept called contribution margin.

Ben: Right.

Sean: So then that's thinking about something that runs DSD is grossing up the margin or grossing down the competition.

Ben: Interesting.

Sean: Um, and it's about seven or eight points.

Ben: Okay.

Sean: If a product doesn't have to go, you know, into their warehouse then picked and on their truck, then to their store and then worked by that store.

Ben: Right.

Sean: Um, you know that the- the labor of that store that grocery department, or the department it is. So when you're able to kind of get that across as you build these relationships with people and just kind of remind them like, "Hey, let's not just look at the symbol-

Ben: Mm-hmm (affirmative).

Sean: ... let's think about contribution margin." Um, that's a real benefit.

Ben: So you're actually coaching the store personnel on- on some of that stuff as well.

Sean: Yeah, maybe just kind of reminding.

Ben: Yeah, yeah.

Sean: You know, 'cause that stuff can get lost and you- you want to share it. So things aren't apples to apples.

Ben: Correct.

Sean: You know?

Ben: Correct.

Sean: You've got to use that to your advantage to get the space.

Ben: That's right.

Sean: And to think about white space in that store. Like typically, we don't normally do this, but I'm going to ask for it, and can we have this space. And-

Ben: Right.

Sean: Can we do the secondary display over here?

Ben: That's right.

Sean: Or we can we do five displays-

Ben: Right.

Sean: ... in all the different parts of the store.

Ben: That's right.

Sean: And- and yeah-

Ben: It'll be beautiful. Everybody will be talking about it, it'll move a lot of product, all of those things.

Sean: Your margins are there.

Ben: Yeah.

Sean: This is what your real contribution margin is.

Ben: Right.

Sean: Um, that was it. We're doing that now. So this summer, we, um, launched the 16 ounce cans, which is a little different. I mean, there had been 20 ounce, PT.

Ben: Okay.

Sean: You know, single serve.

Ben: Right.

Sean: Sparkling is out there. There's a lot more penny profit in it-

Ben: Right.

Sean: ... the retailer.

Ben: Right.

Sean: Um, we did some-

Ben: Just kind of like a tall boyish.

Sean: Tall boy, exactly. A tall boy. Um, we did some unique flavors that are only available in that. Um, uh, and we're able to move that around the store in terms of, you know, for in the deli section, if you're going to buy a salad or sandwich, well, how about a zero calorie sparkling water.

Ben: Right.

Sean: So an add on with high margin. My team's really good about getting all kinds of displays of that stuff.

Ben: Absolutely. So what, what's your, what's your vision or goal for- for Dynamo and- and or Big Swig?

Sean: So we, you know, the- the, um, for Big Swig, you know, right now plan to stay in Texas keep it in Texas, expand retail.

Ben: Right.

Sean: We have a bunch of C-stores have coming on this year possibly some of the other retailers in the state.

Ben: And that's part of, part of the identity, right? Do you want this to be the go-to Texas-

Sean: Right.

Ben: ... sparkling water?

Sean: Right. And- and ultimately, you know if you're drinking a sparkling water and is not a Big Swig your buddy's going to be like, "Hey, man-"

Ben: We need to have a talk.

Sean: Yeah, "What are you doing? What is that? It's just not cool."

Ben: Right.

Sean: Right?

Ben: Sort of this Shiner beer strategy in some, in some ways.

Sean: Yeah, I mean-

Ben: Yeah.

Sean: You know, and- and when you're a brand and I encourage really all Texas brands to remind themselves of this, is people already loved Texas, right? So if you're here, you know, talk about Texas.

Ben: Right.

Sean: It's a very prideful state. So hooking yourself to that is- is great people feel good about it, right?

Ben: Absolutely.

Sean: It's Texas, Texas, Texas.

Ben: As long as you're, a- as long as you're in ... as your target market is Texas now you go Texas, Texas, Texas, outside of Texas-

Sean: Oh, no.

Ben: ... and sometimes-

Sean: You're not.

Ben: ... that - that has a very different reaction (laughs).

Sean: Yeah, they don't get ... Well, I mean-

Ben: Yeah.

Sean: ... Austin specifically, but Texas export is really well, well there's a lot [crosstalk 01:17:27]

Ben: For certain things.

Sean: Yeah.

Ben: Right?

Sean: Yeah.

Ben: But- but you know, if you, if you emblazon the- the Lone Star flag on it, uh, people in California might not, you know, maybe for somethings.

Sean: Yeah, it depends [crosstalk 01:17:38], that's right.

Ben: ... but- but not not on- on everything.

Sean: Yeah.,

Ben: Like, "Oh, there you go. The Texans again"

Sean: Right.

Ben: Yeah.

Sean: Right.

Ben: Right.

Sean: That's an interesting so we-

Ben: Yeah.

Sean: ... so kind of back to Dynamo-

Ben: Yeah.

Sean: ... um, the goal is to, is to really grow this into kind of the premier White Glove DSD company that's looked at nationwide, right? That everybody-

Ben: Yeah.

Sean: ... wants to be. Um, and build a lot of just some giant successful brands. Um-

Ben: That's a great goal.

Sean: So, yeah. Yeah, that's I mean, that's what we're trying to do. And I talked to brands constantly our suppliers, you know, brands want to be now ... the inbound is crazy.

Ben: I bet.

Sean: A little, like-

Ben: A little too crazy.

Sean: Well, [inaudible 01:18:24] the fact that this phone hasn't rung-

Ben: That's right (laughs).

Sean: ... nine times while I've been here is a little odd. Maybe it's just Friday. But, um, lots of brands coming in and you look at people's ... there aren't a lot of people with great go-to market strategies. And then there's not a lot of people that do what we do-

Ben: Mm-hmm (affirmative).

Sean: ... for work that are offering good go-to market strategy. So and I don't care how experienced these people are too-

Ben: Right.

Sean: ... big guys. And you ask him, man, and it's like, dead air. You know, like, What do you mean go-to market strategy? So understand I did end up doing a lot of education on how important our big, big retailers are, that are here-

Ben: Right.

Sean: You know, you look at ACV numbers-

Ben: Mm-hmm (affirmative). ACV is All Commodities Volume, it's a- a measure of, uh, that not all- all doors are the same. A little mom and pop grocery store does not sell the same as the H-E-B at Mueller, for instance. Yeah.

Sean: Yeah. And I say ... I explain it-

Ben: Yeah.

Sean: ... like this, like in a particular market, say it's like city x. And you talk about a one particular store banner, there, percentage of ACV assigned to that banner. I don't mean a particular store but like an H-E-B so like all the H-E-Bs would represent the percentage of hotdogs and toilet paper and charcoal and ketchup that they sell.

Ben: That is sold anywhere.

Sean: That's sold anywhere, right? So of all the hot dogs in that market. They're going to sell that percentage [crosstalk 01:20:01].

Ben: Right.

Sean: So because our big H-E-B is such a significant a ACV, your strategy needs to be-

Ben: Weighted-

Sean: Oh, my!

Ben: ... in that direction.

Sean: There needs to be a plan. And I don't, you know, we got ... I mean, because you're not building a brand in Texas without them.

Ben: Right. Right.

Sean: It's just not going to work.

Ben: And- and- and so it's sort of like if you're going after the convenience store market in Texas and you ignored Buc-ee's. That you're like, "Okay-

Sean: That's right.

Ben: ... they sell a lot of stuff."

Sean: Right. And they were really influential to the other-

Ben: That's right.

Sean: ... convenience stores.

Ben: Other people are paying attention to what they're selling.

Sean: That's right. So [inaudible 01:20:37] H-E-B even more so.

Ben: Right. Oh, absolutely.

Sean: Like really believe that you can't do anything-

Ben: Right.

Sean: ... without them.

Ben: Well, in the case of H-E-B it's other- other chains around the country are looking at- at what they're doing.

Sean: Oh, yeah.

Ben: Right.

Sean: I mean, there she ... secret shoppered to death. I mean, everybody's looking at them.

Ben: Sure.

Sean: Which is really great. So if somebody does make an impact went into the Texas market, they need to understand how to really win there. And that throws a lot of people's play 'cause you don't have, you don't have a lot of other markets that have that dominant of a retailer.

Ben: That's right.

Sean: Um, and it could throw your price strategy around off-

Ben: Right. There's, there sometimes there are these key regional retailers kind of a, of a Publix, or a Wegman's or whatever, where- where there is a very clear market leader.

Sean: Right.

Ben: ... in a, in a given region.

Sean: Right.

Ben: But in- in the markets where H-E-B plays in Texas, it- it dominates.

Sean: Uh, yeah, that's crazy.

Ben: Yeah.

Sean: I was actually talking to it's a big, you know, big company back backed venture fund that had called-

Ben: Mm-hmm (affirmative).

Sean: ... [inaudible 01:21:48] and he, you know, it's like, "Hey, I pulled your numbers, your Big Swig numbers, man, and they're awesome." And I said, "Well, how did you get those? There is no way you have that." I said, "My biggest customer doesn't report."

Ben: That's right. H-E-B doesn't share their data.

Sean: And- and he's like, "Oh, no, what ... your ... I got your number one of all the other sparkling waters." I was like, "Well, what does it say my velocity is?" He's like, "16 cases a week." I'm like, "Hey, dude, I'm not ... I don't want to brag. But do you want to know what my velocity is?"

Ben: (laughs)

Sean: Right? And it's way north of 10 times that.

Ben: That's right. That's right.

Sean: Right? Like way.

Ben: Yeah.

Sean: And he's like, "Oh, gosh." I'm like, "Where are you getting this?"

Ben: You just making stuff up?

Sean: It's ... Yeah, stop buying with that. If you're, if you're making decisions off of that you can't, you can't do that. So-

Ben: That's right.

Sean: And that was the first time I heard that.

Ben: Yeah.

Sean: I'd always assume that people just weren't getting anything in terms of data.

Ben: Well, it clearly wasn't getting good data.

Sean: Right.

Ben: Well, they don't they, don't share data, that sort of thing.

Sean: Yeah.

Ben: Uh, so they know how you're doing-

Sean: Right.

Ben: ... and nobody else does.

Sean: Nobody else sees-

Ben: And they see that as a competitive advantage.

Sean: Yeah. [crosstalk 01:22:54]

Ben: Other- other chains, that's a, that's a profit center for them, right? They're selling that data-

Sean: Oh, yeah.

Ben: ... and making money-

Sean: Yeah.

Ben: ... off of it. So H-E-B is like, " No, we're good. Uh, we'll just kind of keep that."

Sean: Oh, I love, I love working with those guys for all kinds of reasons.

Ben: They're very, very good at what they do.

Sean: Yeah.

Ben: Very good at what they do. Uh, so- so what's next for you? What's, what's on the horizon?

Sean: So we're looking, uh, we're going deep into CBD. Um-

Ben: Okay.

Sean: So we happen to have a refrigerated warehousing and we run refrigerated trucks and we did that for craft beer a long time ago.

Ben: Right.

Sean: Uh, that puts us in a really unique spot in the distribution side 'cause the beer guys don't do it. The dairy guys are refrigerated but they're really not into a brand building-

Ben: Not at all.

Sean: ... space. Um, so that's unique.

Ben: Right.

Sean: For us, we've had some bigger suppliers come to us, uh, to open up particular markets. So that's good. We've grown ... Dynamo has grown from less than 20 employees to north of 60 in about the past eight months.

Ben: That's really significant.

Sean: And that, and it's still growing.

Ben: Yeah.

Sean: We need, we need people. We need good people. Um, and then that CBD space we're-

Ben: Which I hear is a thing (laughs).

Sean: Right. Well but it's a thing-

Ben: Yeah.

Sean: ... so the money loves it.

Ben: Sure.

Sean: The press loves it.

Ben: That's right.

Sean: The consumer-

Ben: Is still figuring it out.

Sean: ... way new, and then the retailer you know some like it some don't some can't.

Ben: Right.

Sean: You know, they're not sure.

Ben: Is this okay?

Sean: That's right.

Ben: Yeah.

Sean: So does it work?

Ben: Mm-hmm (affirmative). Right.

Sean: Some more work, some don't.

Ben: E- empirically does it work?

Sean: I mean, I don't even know.

Ben: Right.

Sean: So, um, and then some people I just learned this like you gotta ... some people it works but the same thing if you don't have the-

Ben: Right.

Sean: ... the right receptor or whatever portions and the thing isn't-

Ben: You're immune.

Sean: [inaudible 01:24:50] Yeah, then they can't work. Um, I did say, um, I wanna put out the 23 & Me test for CBD, right?

Ben: Sure.

Sean: Spending a vile mail it in and say like-

Ben: Right.

Sean: ... like this is the one for me.

Ben: That's right.

Sean: Um-

Ben: Next business (laughing).

Sean: So that was, whatever, that was in.

Ben: Yeah.

Sean: But there's enough businesses out there.

Ben: That's right.

Sean: Um but what we're trying to do with that is we're taking a lot of not a lot of brands but say I'm taking a half a dozen brands of the best funded nationally brand, national brands and working with them to really be a category captain of that category. So it's an opportunity for me to get these new guys-

Ben: Absolutely.

Sean: ... that are really well funded, and then present a turnkey solution to a retailer that we can wholly manage, that we have a lot of confidence, they have a lot of confidence in us. Um-

Ben: So you're presenting kind of a cohesive CBD set to them?

Sean: Yes, that's right. That's right. And then with- with suppliers that can do that understand the game and they can afford it. Um-

Ben: Are they'll beverages, are you, are you post categories?

Sean: No, they're all, they're all, they're all beverages now.

Ben: Yeah.

Sean: I think. Oh, some have some snack.

Ben: Right.

Sean: We haven't taken those on yet.

Ben: Right.

Sean: Um, but it's a little bit of a slow, it's a little bit of a slow build.

Ben: Right.

Sean: I mean, some of the velocities are really high. We're pretty much playing in independence in C stores. Not a lot of independence.

Ben: Mm-hmm (affirmative).

Sean: You know, so mostly see store. Price point is .. I- I don't know how long it'll hold you remember-

Ben: Right.

Sean: ... uh, cold pressed juices?

Ben: Sure.

Sean: 10 bucks a juice and you're like, "When are the wheels falling off that thing?"

Ben: And it did eventually (laughs).

Sean: Yeah, it did 'cause-

Ben: That's right.

Sean: I just can't do 10 bucks a day.

Ben: Not every day.

Sean: You know, habits.

Ben: That's right.

Sean: I'm saving that for beer.

Ben: That's right.

Sean: That's not your money.

Ben: (laughs)

Sean: Not for juice money.

Ben: That's right. Yeah.

Sean: Right? Um-

Ben: Well, and- and the- the consensus is that, um, what's happening with CBD right now, and kind of the larger cannabis debate is there, you know, and- and- and I think it's fair is- is this is sort of a post prohibition era. Like The next Anheuser Busch or whatever is going to come out of this era. And so that's ... thus the land grab-

Sean: Mm-hmm (affirmative).

Ben: ... around- around CBD is, whether it's an existing giant player or some upstart, some small set, or one or two people are going to win this and in- in the end is going to be a pretty big market.

Sean: Right. Right. And ... but it needs to be fostered properly.

Ben: Correct.

Sean: Because it can really-

Ben: 'Cause there's no- no quality standards.

Sean: That's right.

Ben: A lot of that stuff is-

Sean: That's right.

Ben: Uh-

Sean: So and how we're perce- ... So we think our, you know, our plan, we have cooler programs, we have branded cooler programs, um, that can really help the suppliers collectively grow.

Ben: Right.

Sean: The tide will rise [crosstalk 01:27:44].

Ben: And it's an interesting marketing problem too, right? Because you have the like what ... you know, do we do like the Cypress Hill looking, uh, you know, kind of lean into the- the- the marijuana associated thing.

Sean: Yeah.

Ben: Right, but in most cases for retailers, they're like, "No-

Sean: None of my-

Ben: ... not at all.

Sean: We're not doing that.

Ben: That's not what we wanna to do." Yeah.

Sean: Yeah. Ours are very clean-

Ben: Yeah.

Sean: ... um, nationally kind of known-

Ben: Right.

Sean: ... brands. Um, because there's already the Bone Thugs-n-Harmony or whatever.

Ben: That's right.

Sean: There's, there's, there's a lot of that out there and it's like scary.

Ben: That's right (laughs).

Sean: And it's garbage.

Ben: Yeah. And it's made in somebody's basement.

Sean: Totally. With stickers.

Ben: That's right (laughs).

Sean: I mean, it's bad.

Ben: Right (laughs).

Sean: Put on crooked, you know? Um, so that's, uh, so we're ... I'm definitely excited about that. And then other functional beverages. Um, we talked to a prebiotic brand, um, and this was great. A guy I worked with back at Golden Brands-

Ben: Okay.

Sean: ... 24 years ago, happens to be the national sales manager for this prebiotic brand called Lollipop which is doing really, really good. And we met on the phone and Austin is going to be important to him as soon as he flies out. I turned the corner and, you know, our greeting room. I'm like, "Don Jeff." Yeah. He's like, "Sean. Oh, wow." We had to hug going out for a minute.

Ben: That's awesome.

Sean: I hadn't seen him in years I didn't know it was him.

Ben: Yeah.

Sean: So, that was really good. Um, so just yeah. continuing to grow the brands be nimble, possible collaboration. Um, for the Swig-

Ben: Cool.

Sean: ... on some boozy.

Ben: Cool.

Sean: The market really wants it.

Ben: Is-

Sean: I don't know-

Ben: Yeah.

Sean: ... if that's something that we can really do, but I could do-

Ben: Right.

Sean: ... a collaboration once. So-

Ben: Ba- based on anecdotal evidence from a ACL weekend one, uh, I think, I think it's a pretty safe bet-

Sean: Yeah.

Ben: ... at this point (laughs).

Sean: I got a bunch of new flavors in the hopper, um, for the Swig, um, but a hard Swig is very interesting-

Ben: Sure.

Sean: ... for us and big customers have been asking. They're like, "This is kind of a no brainer."

Ben: Correct.

Sean: I don't know, I don't know what to do. I also have some other functional ideas for Big Swig that'll keep us alone on- on what we're doing.

Ben: Yeah, that's awesome.

Sean: Um, and every move we make is going to be ... it's sparkling water, and it's for everybody. But it's going to continue to keep us as a the total separate.

Ben: A- a- a step, a step ahead and step different all of that stuff.

Sean: Yeah. Or at least to the side, right? I mean

Ben: That's right. Yeah.

Sean: So-

Ben: You- you're not playing the same game as everyone else.

Sean: Right.

Ben: That's good stuff. Well, Sean O'Connor, like you are a fascinating guy. So I appreciate you taking the time out of your busy schedule.

Sean: Thank you, very much.

Ben: And, uh, and not taking those nine phone calls from- from people who want your help - (laughs) [crosstalk 01:30:36]-

Sean: From the next-

Ben: ... for a little while.

Sean: Yeah. From the next brand.

Ben: Yeah, so I- I, you know, I- I enjoy talking to you. And- and I know that our- our listeners are gonna get a lot out of your experience and- and wisdom that you've, you've picked up, uh, some of it very, very hard won. And, uh, and there's no way around that.

Sean: And there's no shortage of the losses.

Ben: (laughs) But- but a lot of, uh, a lot of great opportunity ahead. So again, thank you for, thank you for joining us.

Sean: Thank you. Right on.

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