

# E-commerce During COVID-19: Entrepreneur responses to changes in consumer behavior

This is a transcript of one of the sessions from the [UT Nutrition Institute](#)'s 2nd Annual Taste of Texas event that took place virtually on October 2nd, 2020 via a video conferencing software.

Session Description: Learn how a few of Austin's top CPG companies innovated and adapted after COVID-19 drastically shifted consumer behavior.

## [Taste of Texas 2020 kickoff, panel introductions]

### **Marissa Duswalt Epstein**

Alright. Well, it's 9am, everyone, on Friday, October 2nd. Welcome to the second annual Taste of Texas Showcase and Trade Show.

I'm your host today, Marissa Epstein, the director of The University of Texas Nutrition Institute, and I'm just thrilled to spend Friday with you talking about the most exciting topics in food and bev in the Texas area, at least. And certainly, with some of the most exciting people who are playing a role in the space.

So, Taste of Texas, as you probably figured out, is a celebration of everything happening in the Better-For-You food and beverage scene among friends, family members, colleagues, and our broader national network, most excitingly celebrating the community here in Austin and here in Texas with both emerging brands and industry leaders.

We are delighted to present this to you from the University of Texas Nutrition Institute, which is a partnership across the [McCombs School of Business](#), the [College of Natural Sciences](#), and the [Department of Nutritional Sciences](#). So, #TasteofTexas #WhatStartsHere. The university is so thrilled to be partnering with our industry friends and the emerging entrepreneurs and brands here close to campus. We're also really excited to do this in partnership with two major organizations here in Austin that are leading the way in Better-For-You CPG; That's [SKU](#) consumer product goods accelerator, nationally known for its incredible accelerator program, and [Naturally Austin](#), our community of startups and startup resourcing here in Austin that supports emerging brands.

We're also excited to showcase the vendors. While we weren't able to be with you all in person this year, we do have a virtual trade show on our website which is [www.tasteoftexas2020.splashthat.com](http://www.tasteoftexas2020.splashthat.com), so if you haven't checked them out yet, check out all

the brands that are part of our virtual trade show this year. Explore their products and connect with them.

So now, it's my pleasure to kick us off with our first panel of the day. We are joined by some phenomenal leaders in the space who are going to talk about e-commerce during COVID-19 to entrepreneur responses to changes in consumer behavior.

So, it's my pleasure to introduce your moderator Carolyn Lowe, the founder and CEO of ROI Swift. Carolyn is an experienced business leader with phenomenal consumer brand growth through DTC, Amazon, and paid social with startups through fortune 100 companies experience. She once won \$10,000 on the radio, and wish she'd saved it to invest in Google or Amazon two decades later, but after leaving her leadership role at Dell, running the TV display business for North America, Carolyn founded ROI Swift to follow her passion of helping emerging businesses grow. She's the mother of two children and has her pilot's license though no time to actually fly anymore. Carolyn, thank you so much for moderating our panel. I'll hand it over to you to kick us off.

#### **Carolyn Lowe**

Thank you so much, Marissa, and thanks for having me. I am honored to moderate this panel of superstars, and so thanks all for joining us this morning.

I want to introduce our esteemed panel, and I'll start with Michael. And Michael is the founder of Atlas Coffee. It's an Austin-based subscription service that highlights single origin beans while illustrating the rich story of where coffee came from, creating a full body experience all from the comfort of your home. Michael founded Atlas after a coffee shop visit during a vacation to California where he learned from the local barista that each coffee bag had a rich unique story to tell. As an entrepreneur and musician, Michael quit his full-time job in the corporate world to assemble a band of fellow storytellers, travelers, and coffee lovers as enthusiastic as he is to share stories and coffees from around the world. And I did recently have coffee with Michael, and not only is he an amazing coffee founder, but he is also an amazing data scientist. So, one of the things that is so amazing about Michael is that he is not only passionate and entrepreneurial, but he also has an amazing background in data science—which is not in his bio, but I really wanted to share that with you all.

Johnny. I have had the pleasure of working with Johnny and meeting Johnny through SKU. Johnny is passionate about building teams, brands, and businesses. He's based in Austin, Texas. He's the CEO of FitJoy Foods, which I've also had the pleasure of working with—and I love all of their new gluten-free products, so if you haven't tried them go out and try those. Prior to that, he was CEO and successfully scaled Austin Eastciders, one of our favorite hard cider companies, and also, he's active within the local CPG, and loves mentoring small food

and beverage companies, including within the SKU framework. Outside his professional life he dotes on his better half and is a dedicated father to a bright, brave, and beautiful seven-year-old girl. His hobbies include running the trails of Central Texas and cooking. So, please join me in welcoming Johnny.

And last, but certainly not least, is Jack Meredith. He was employee #1 at Kettle & Fire, one of the fastest growing CPG brands in the health and wellness space. Kettle & Fire was founded in 2015 to bring the many benefits of bone broth, collagen, gelatin, and other amino acids back into the American diet while using traditionally wasted parts of animals. And I can tell you from talking with Nick and working with Nick—one of the founders—that Jack and Nick and the rest of the team have built an amazing, amazing Better-For-You brand. And that also has a great founder story as well, but we can get into that a little bit more.

## [E-commerce pre- and post-onset of COVID-19]

### **Carolyn**

So, I'm gonna kick it off with what's on everyone's mind. First off, I'll start with you Michael. Based on your business model, where was your online business headed pre-COVID, and how much time did you devote to e-commerce?

### **Michael Shewmake**

Yeah, so we're—let me make sure I'm not a mute—we're 100% e-commerce. Have been since we started about five years ago.

We've been on about... We've pretty much tripled—on a pace to triple—for the last three to four years, and this year was gonna be close to that or a little bit slower than that. So, we were kind of like 2-2.5x over what we did the last year, and then, yeah, then COVID kind of changed all that. So, I don't know if that's the next question, so I don't know if I should jump into that or not, but—

### **Carolyn**

Yeah, feel free to just—you can jump right in. Well, I would love to just hear the pre- and post-COVID from each of you, if that's okay.

### **Michael**

Yeah, totally. So, yeah, we were—you know, I went and actually pulled up google analytics right before this call just to make sure I was accurate on this, but we were at 2.5 over last year, and then it just started like right around March 15<sup>th</sup>—you just see this steady just like a rocket all the way until around Mother's Day. And so, it was... yeah, we got to—we're doing about nine times what we would have been. 9x over last year.

And, you know, we really kind of took the hands off of active growth, because we were a bootstrap startup. We have our own kind of warehouse here. We're, you know, we're constantly having to kind of like leave the shell and get to a bigger shell, and we were already kind of busting at the seams prior to COVID, and then that just really shot us off like a rocket. So, we didn't... you know, we were focusing on keeping up with demand as opposed to kind of really scaling up during that time, but we still saw incredible growth.

**Carolyn**

That's terrific. And, Jack, I'll move on to you. Tell us a little bit about pre- and post-COVID for Kettle & Fire.

**Jack Meredith**

Yeah, so like Atlas Coffee, Kettle & Fire... we also have a pretty mature e-commerce side of business, but we're also in retail, so we're in most of the natural and conventional chains across the country. So, before COVID, our business was fairly split. I'd say about like 60-65% of business was in retail, and the rest was split between direct-to-consumer and Amazon. And on the e-commerce side, we were steadily growing, but I think at the point in our company even in our retail distribution, that was—you're starting to see that inflection point for where retail was just really scaling much quicker, which isn't too surprising given the nature of our business. So, we were in a good spot with e-commerce, and then COVID hit, and very similar to what Michael said happened to us. Like, our e-commerce business just took off. Our Amazon business took off. And we just set crazy sales records on the retail side, too. And I think a big part of that was the fact that our products were shelf-stable. So, during the pandemic when everyone was losing their minds, it was easy to, you know, look at us as like, "Okay, well. I'm gonna choose this company because I know their product's like healthy, better for you, but it's also not gonna go bad for like two years." Because at the time in March, people literally thought like, "Shoot, are we running out of food? There's no toilet paper." So, I think we definitely were able to build off of that for—and it's strange to... to like build off—to say like, "Oh yeah, you're building off this pandemic," but that's what happened. And, yeah, the growth was crazy, but it was also very tough on the operation side of the business just to keep up with all that type of demand. So, that caused a slew of issues that we had to work through.

[Changing supply and demand effects on business]

**Carolyn**

Yeah, it sounds like both of you... that the demand took off. So, what did that mean on the supply side, and how did that affect your business?

**Jack**

Yeah, for us it was bad because when you make bone broth or bone broth-based products, there's a very long lead time to get ingredients and to produce it, so it was impossible for us to forecast properly for this. Like, every time our head of finance would create a forecast for the next week, it'd just blow up immediately. Like, it was useless. So, we had to like create just a running meeting every week to where we had like operations, finance, marketing... we all kind of sat in there and tried to figure out how we were going to do this. We basically came out of that to build a port—uh, demand planner for the next like 12 weeks, and we had to, you know, look at COVID, how it's gonna affect the business, and try to determine how we... how much we would sell, but also, we wanted to make sure that we weren't putting ourselves in a bad cast position in case this all kind of blew over or whatever, because at the time in March, like, we... no one really knew what was going to happen over the next couple months. So, it was a lot of trying to predict the unpredictable, and then quickly making decisions based on the information that we would get in real time.

**Carolyn**

Wow, I love that phrase: “Predict the unpredictable.” Michael, as a data scientist that must be quite a challenge, “predict the unpredictable,” you know?

**Michael**

Yeah, and, you know, you also kind of have to layer it with, like you said, like, all the other constraints, right. Like business is just a balancing of constraints in a lot of ways, and so for us, you know—and to some degree you can think, “Okay, well I’ll buy X amount of inventory,” and even if we buy a little bit too much we’ll go—we’ll kind of eat into that and we’ll trade growths for profit in the short term. There’s those trade-offs. But for us, we actually rotate countries every 28 days. Our whole thing is every month to get to try a different country, and so, you know, we have to contract coffee out, you know, five, six months. And so, we’re staring into the crystal ball trying to figure out, you know, where growth is going to go and making all these trade-offs. It was a... I mean as soon as COVID happened, I think I was busier than I had ever been.

And then you, also, because we, you know, we have a warehouse and we do our roasting here, you’ve also got the safety side. So, we, you know, took our shifts and split them into smaller shifts so there was no kind of overlap, but then there was always that chance if someone got sick that we’d have to send the whole shift home. And so, you’re just planning for all sorts of redundancy. So, it was all hands on deck. I don’t know if I’ve had to kind of grab the steering wheel—I was white-knuckling the controls for a while. [chuckling] But yeah, I mean it’s... I mean we’re just fortunate that we were on—and I tell this to our, or kind of my founders, all the time—and any other startup founder that I know—it’s like, I can’t imagine

pouring everything you have into your business, and then having something like this happen and it just tank it. So, by and large, like, just mainly the feeling is, you know, feeling pretty fortunate that we didn't lose most of what we had, you know, built. That would have been tough.

**Carolyn**

Yeah, yeah. Johnny, tell us about—Thank you, Michael. Johnny, tell us about FitJoy. You've got a little bit of a different channel mix.

**Johnny Heiselberg**

Yeah. Thanks, Carolyn. So, I think for us it's been more of a mixed blessing. Certainly, we saw a spike in March when everyone was buying toilet paper, pretzels, and everything in between. But about 20% of our revenue coming in was food service, which stays dead in the water, so, that was just a write-off, essentially, which was a thing we had to navigate. And then, at the time, we had, you know, planned on mostly scaling through offline. So, traditional grocery, natural channel and so on. That's where people mostly buy their snacks.

And then, of course, people got afraid of going into supermarkets, and so that impacted the, you know, finding things and discovering new things in the aisles, and it accelerated the e-commerce opportunity. And, of course, being fairly old for this panel, I built a team that wasn't exactly e-commerce native, so it's been an amazing learning journey for the team. You know, one data point that they illustrated is we planned to invest maybe 10% of our marketing budget e-commerce wise and the rest offline. You know, old-school tactics like field marketing and what have you. Not much point in field marketing when there's no one on the streets, so it really challenged us.

I think the team has done a great job responding, and we've seen really good growth coming out, you know, through the spring sets and into the fall. And our e-commerce learning is also paying dividends. I think, for me, one of the simple, stupid insights is that the world in e-commerce is actually surprisingly similar to the world in offline. You know, you want to have a conversation with your consumers and your target audience as close to the point of conversion as possible. You want to carefully think about the partners you partner with and what point you partner with them in your journey, because the value chain is not the same for all partners—that reach is not the same.

So, I think for a little while maybe—like Michael was talking about—for a little while, I felt like white knuckling, and I had no idea how to navigate this thing, and I don't think anyone in the team really did, and then you started sort of identifying similarities in logic and begin to build a little traction and a head of steam, and then it's mostly—I hate to say this—but it's been kind

of fun. I think it's a once-in-a-lifetime kind of challenge. And if you have just an ounce of curiosity, it's very stimulating—and terrifying at the same time, but...

**Carolyn**

Yeah, that is terrific.

[What learnings have come out of the last 7-8 months?]

**Carolyn**

So, let's talk a little bit more about some of the learnings that have come out of this for you all. Any of you on the panel, feel free. I'd love to hear some more learnings that have come out of... what you've learned over the last seven or eight months here.

**Jack**

Make sure you can—you have a proper inventory forecasting setup. What I mean by that is like... like I said, it was impossible to predict what was going to happen, but what was a big struggle for us is that we weren't properly set up to know when a product was out of stock on our e-commerce site because of how fast we're moving through inventory. So, what happened was, at one point, we were selling product that we didn't have. And so, that led to a lot of customer service-related issues because folks were wanting to get our stuff, and they decided not to go to the grocery store and buy from us online. So, that was a big learning for us that we really needed to figure out. So, yeah, I highly recommend getting all that stuff squared away, because I'm getting PTSD just talking about it. [Laughing]

**Carolyn**

Thank you. Thank you, Jack. That is a great learning. Any other learnings that you want to share, Michael and Johnny?

**Michael**

Yeah, I've got a couple. I guess more specific to... some general, and some just more specific to e-commerce. So—and I don't, you know, some of this... I'm not sure how much it's gonna—some things is what we learned during that process. I don't know how much of it still applies today, but... One thing we saw early on was that—or actually, I wish we saw early on, but we'd see now that we look back was that—people were buying more for utility. And they were buying more volume, which makes total sense when you think about it. But we, you know, if you... so for coffee, for instance, if normally you have a cup before you go to work and then you have one at the office and now, you're not going to the office, you're having two at home. So, we've been kind of playing around with changing some of our, you know, default options, how we do discounts for multi-bag stuff, just really trying to catering to what, you know, what people's needs are there. From an ad perspective, one of the things that we saw was just,

going back to that utility comment, we saw a big spike. And we rank really highly for two big words: “coffee subscription” and “coffee of the month club.” “Coffee of the month club” is more like you want to try new things. It's more like a nice-to-have, not a need-to-have. A “coffee subscription” being kind of a, like, “I need coffee to my door,” type keyword. And we just like... when we were looking at the trends, we saw the “coffee subscription” keyword just shoot through the roof, and “coffee the month club” did okay, which is the one we rank better for—“coffee the month club.” So, you know, just keeping an eye on the search trends. Which, you know... that’s kind of a takeaway for, you know, anything that happens going forward. It's like, if you want to know where the market's going, see what people are searching for.

And then, yeah, I mean that... those are the big ones, I think. Well, one other one that we're seeing now is that—as everybody, I’m sure, on this call is aware—is that social media is a little bit cluttered these days. There’s a lot going on in the world, and so to break through, you know, we've been leaning a little bit more into sales, because there's just so much, you know. It's just a mess. So, that's been something we've been testing more and more, and that's been working really well. So, anybody who's running e-com out there and they see their Facebook falling off a cliff, try running sales. [Chuckle]

#### **Carolyn**

That's great, that's great. It's funny you talked about the search term trends, and I think that is a really great thing to bring up for business owners is, you know, we looked at—I looked at this for Amazon in January. The top 10 search terms were like, “iPhone 11 case,” “AirPods,” “iPhone 11 charger,” you know. So, it was all electronics. And then, I pulled the same top 10 search terms for Amazon, you know, the first week of April and it was, you know, “toilet paper,” “hand sanitizer,” “Germ-X wipes,” you know, those types of things, so—

#### **Michael**

Kettle & Fire. [panel laughing]

#### **Carolyn**

What’s that? Kettle & Fire didn't quite make the top ten. You weren't as popular as hand sanitizer, but I bet you if I had gone to 11, you probably would have been there, Jack, so.

But, I think, that a great learning and a great takeaway for people is to follow the trends, and to stay on top of those trends and what are people looking for. I think that is a great takeaway. Johnny, any other learnings that you would like to share... as over the last—?

#### **Johnny**

Yeah, I mean... Look, I think our learnings are maybe a little bit more generic in some way because we had a standing start, so to speak, within e-commerce, right. So, we had intentions



to build an e-commerce play, of course, but we hadn't really gotten into it, and so, I think, you know, a couple of lessons that I've probably learned a few times in life at this point, but people really do matter. And so I'm very proud of our small but mighty team and how fast they learned and what they figured out. You know really, it's just a healthy reminder to hire for culture first and technical expertise second, because we didn't have much in the way of technical expertise. So, really proud of that.

And then, I think, this experience of working remotely, for our team at least, has been very productive, and really changed how we engage. Whether it's the meeting cadence or what we discuss or discipline around tracking KPIs and how we use them. It's, I think, it's made our company a lot stronger, sort of, looking ahead.

And then, you know, I think from a business perspective, what COVID has enabled is just... it's compressed the journey that was already underway, right. The way people were discovering, engaging with grocery stores was already changing before COVID. And people were happily using curbside—I certainly was. I have a seven-year-old daughter, and it was much easier to just have her in the back of the car and some very happy member of staff from H-E-B come out and load up our car. So, I think what's happening, if you think about e-commerce broadly, is things like Instacart, curbside, or things of that nature, that'll continue to be a more important part of the mix.

And so, the question becomes, how do you get found when you know people are just browsing curbside? And we're still toying with that and figuring that out, and that informs maybe how we use some of our partners. Like to us, I think Amazon frankly is more of a reach-and-awareness play than it is an actual source of a bottom-line profit and a concern for top-line revenue. And so, just learning those kinds of things was all new to us. I always assumed that people who did well on Amazon must be incredibly rich, but I think mostly it's Mr. Bezos who's getting—who's winning here, so, you know, that was a lesson learned in the journey, too. So, lots of things like that.

### **Carolyn**

Yeah, definitely. You know, especially in grocery, it's very difficult to make money on you know \$10, \$9 snacks, you know. So, it's a lot easier to make money, you know, we—I always said, a lot of our clients were in the small and light category, so if you have a pair of \$40 underwear, you can make money all day on Amazon. It's really hard to make money on, you know, \$15 worth of three pack of pretzels, so I feel your pain. Yeah, Amazon is the devil we love, the devil we have to deal with, you know, sometimes in commerce, but...

You brought up an interesting point about that. What I think is interesting, too—and I don't know if any of you have looked at this—is my 80-year-old grandmother is now doing Instacart,

so I think you're right, Johnny. Right. We've sped up this timeline by at least five years, you know, of generations getting closer with that. We're now an Instacart agency, right. So, we're, you know, we're an Amazon agency, we're a Facebook partner, we're a Google partner, and now we're an Instacart, you know, agency. We're like, "Oh, wow." You know, so helping people get found on Instacart. I think you shared an interesting story about Wrigley chewing gum when you were with Wrigley. Would you share that with the attendees?

**Johnny**

Yeah, sure! Thanks, Carolyn.

So, I used to work for Mars, which owns Wrigley, and back in 2000... gosh, 6 or 7, maybe 8, we've become concerned about changing consumer behaviors, right. Raise your hand if you've ever put chewing gum on your shopping list. Can't see anyone, but I'm doubting too many people have. It's one of the ultimate impulse choices, right. You—and the way we used to build our businesses, you would walk into the grocery store and, if we were really lucky, you'd get stuck behind the 80-year-old grandmother who insisted on writing a check. [laughing] And you would have about an hour in line waiting for your groceries, which time you could happily browse the bad magazines and the chewing gum right in front of your face. And that's how we built the business.

And we started seeing, particularly in places like Northern Europe—I think back in 2008, one of the Swedish grocery chains shared data with us that 50% of their stores did no longer had checkouts. People were self-scanning out with mobile phones even back in 2008. And if you build a whole business about people being stuck behind grandmothers at the checkout and all of a sudden there is no check out, that's terrifying. Right, Tesco, at the time, in the UK had decided they could make more money selling their own banking and financial services at the checkout than they could make selling chewing gum. So, there was just a whole shift in how people were experiencing the grocery store journey, and so we started experimenting with different ways to engage and be discovered and remind people that we exist. And so, our sort of rallying cry became, you know, to be available wherever money changes hands... because we are still an impulse food. And it was just... scary, interesting, learning-rich, and I—thinking about my colleagues back at Wrigley to this day, I still don't think we've quite cracked the code. It's a tough nugget, but I think now the rest of us are kind of experiencing the same thing, whether an impulse good or not, right.

It used to be about the pleasant young people in the store handing out samples and that's how you found your new thing. If no one is going into the store to find a new thing, then that's kind of a pointless activity—at least a costly one. So, how do you do it? And so, how do you disrupt people, maybe in their daily lives, but in a productive way? How do you get found

elsewhere? How important do hotels become when they reopen for business as a place to discover things? Airbnb, all that kind of stuff.

So, I think it's a really interesting time, and it leaves plenty of opportunity for people that are... let's say of more modest budgets than some of the big players... to make a difference. If we can find it first and be more curious and listen more intently to what's happening.

**Carolyn**

That's terrific. Yeah, I do tell you, my Costco bill has probably gone down because there's no samples. I'm not buying those 13 things that I sample in-store anymore, so... but yeah, I love that, Johnny. That's a great way of putting it. You need to—if you're an impulse purchase brand—you need to be wherever money changes hands. I love that. And it may not be the grocery store, but yeah, I think about that for the guys that started Rev Gum that came out of UT... I was like, “Oh geez, I wonder how Rev Gum is, you know, rolling with COVID.” Really great insights. Thank you, Johnny.

**[What will happen with consumer behavior after COVID?]**

**Carolyn**

So, if COVID ended tomorrow, what are you envisioning it'll look like after this? What do you think will happen with behavior?

**Michael**

I'll kind of—Well, go ahead, Johnny, you're about to—

**Johnny**

Oh, I was just going to say the first thing that came to mind was that I think it would be a little bit like... imagine how it felt after the liberation at the end of the Second World War. I think the world is going to go crazy! We're allowed to shake hands again, we're allowed to celebrate, we're allowed to be social and have parties, and not be afraid. I think I'm going to go to every single sports game I can find. [panel chuckles] You know, I think there's going to be, certainly, almost like the March, you know, pandemic panic... We were joking earlier about toilet paper, right, but I think there's going to be this pent-up energy and this need to just be human again. But that's going to be really interesting.

And I don't that's where you want to go with the question, but I think that that's an important thing to just kind of keep in mind, because I think it will be manifested as much offline as online, at least initially. I think people will just want to go... They might not be excited about going back in the grocery store, so I don't know if that's going to happen right away, but there

will be something about being out, engaging with others, and being social, and taking advantage of all that Texas and other places have to offer.

**Carolyn**

Thank you. Michael?

**Michael**

Yeah, I mean, I—and on that like, taking it that route—I totally agree. I think there's going to be—although, I do think that it's not going to magically... [finger snap] Something about it's not going to just [finger snap] change. I think now that we're aware that there's going to be a whole rise of people who are just like always cautious. You know, it's going to be on a spectrum, but...

Going back to something Johnny said in the last question about just how this, like, slow changing tide of people becoming more and more familiar with buying things online kind of took like a tidal wave—I mean you have, like, you know, people like my parents or, you know, one set of my grandparents who like use Amazon Prime now. It just totally changed—it kind of like if you think about that, like, crossing the chasm with the bell curve, and there's, like, the laggards—it just, like, totally shifted a whole new generation and a whole... more penetration of people who are used to shopping online and used to that convenience. And they see it's not really that hard. And so, I do think that, kind of, shopping behaviors will change, and then I also think that there's a lot of businesses that have now learned how to make money online and are gonna make that part of what they do going forward. And so, like, there's just kind of like an army of little, like, you know, coffee shops or different types of companies that had to adapt to that quickly, kind of, and if they did, they were able to, you know, probably survive at a higher rate, and therefore there will be more of that, too. So, it's—which kind of goes hand in hand with that tidal wave. So yeah, I see the trends shifting in that way, and then, in terms of... you know, which ultimately makes online more competitive. So, you know, it'll be interesting.

**Carolyn**

Yeah, I agree that you're right. Between the current, you know, the upcoming election—Facebook is running ads now to get people to go out and vote both on their own platforms and on TV, you've got Amazon trying to hire, you know, 100,000 people a day, so they're running ads everywhere. So, it's like, that's an interesting thing for e-commerce.

[Channel strategy and attracting new customers]

**Carolyn**

Have you guys had to pivot a little bit because the bigger players are now all turning to e-commerce? What have you seen in terms of your channels and attracting new customers?

**Jack**

I can start with this one. It's... you can feel that it's getting more competitive. And, I think, a lot of e-commerce brands are like... nervously planning for Black Friday, just because that represents a huge chunk of revenue for a lot of brands. But this year you're seeing all these large companies or conglomerates start their own e-commerce business, or, due to COVID, they're changing how their media mix looks. Or maybe instead of doing a lot of like offline or outdoor advertising, they're pushing all their dollars into like Facebook. And I believe like for Black Friday in particular, for Target and some other stores are... they're limiting the amount of people in the store, so it's not gonna be like this crazy rush, maybe, as much as it was in past years. So it was like... is that gonna transfer over to online? And is that a good thing for e-commerce brand? Probably. But I also think that you're going to be having to compete against all these other companies that are trying to advertise and get attention, so I think that's going to be interesting because it's really hard to say how it's going to play out. But it just feels like it's going to be different compared to previous years.

**Carolyn**

Right. So what are you doing differently? Are you planning anything differently?

**Jack**

Yeah. So, for Kettle & Fire, you know, we we're trying to get ahead of it and start early. One thing that we've always done—and we're gonna be doing this year—is really focusing on like building up our email list and building up awareness leading up to Black Friday. Because the one thing that we don't want to be in a position in is, like... Black Friday comes, we launch our Facebook ads, CPMs are through the roof, and it's, like, really hard to, you know, become profitable. So, that's something that we're really thinking of strategically. And then, also, not trying to put all our ducks in the Black Friday basket, like we might have in previous years. Because it's been much easier in past years to, you know, look at our data, understand, you know, where we're going to be from a revenue point, what we can forecast... but this time it's a little dicey. It's kind of hard to say what's going to happen.

**Carolyn**

Yeah, those are great learnings. Thank you for sharing with the attendees. Michael or Johnny, would you like to share anything about how this is affecting your Q4 plans?

**Johnny**

Well, I mean. So, I think, for us the idea of forecasting is, uh, [chuckles] I don't know if I call it a

science at the moment, but it's been more guesswork than usual. It used to be maybe 80% science and 20% guessing, and now it's probably the inverse. But I think if you understand that being the case, then you try to focus on the things that you just can't, for example, run out of. Or you can't... You know, so you might increase your safety stock. You might focus on certain retailers first. You might do other things and try to put your contingency planning into high gear, right. So, the risk management used to be like, "Oh god, it's that time of the quarter. We got to do risk management." And I think that's a little bit more of an engaged and proactive activity, at this point. You know, on Monday S&OP meetings are, you know, more centered around what-if conversations and preparedness and then about trying to identify the "so-called" number (because that's kind of a meaningless exercise in this context).

And then, I think, they are [inaudible] the conversations, which is great. So, as we see things develop, you know, with certain partners—like shout out to our friends at Thrive Market. They've been great partners already. We've worked with them for four weeks... they're far ahead of where we expected and I think then they expected we would be with them, so that's informing how we think about, you know, the next three months, as an example. I mean you have a customer coming on that adds that kind of value out of the gate, and I don't know that conversation would have happened a year ago. It would've just been, "Oh, okay, another checkmark. Good work and let's go find the next thing." But we're more sensitive to the fact that we don't really have a meaningful way of predicting the outcome at this point, so it's more about preparedness and being and having your ear to the ground.

**Carolyn**

That's great. What about you, Michael?

**Michael**

Yeah, I mean, I'll kind of echo both of their thoughts on the growth side. It's—I mean, you just look at what's coming. I mean, there's the election, there's a potential bigger wave of COVID because it's the winter, and so it's, you know, hard to predict whether the election is a thing that will help or hurt sales. You know, there's still the economy that—you know, the jobs numbers just came out. It was a really low number that got added, and so there's, you know, there's the whole kind of fear of like what the economy—like the Looney Tunes cartoon where they run over the cliff, and it's just like... as soon as it looks down, it's like "Oh."

So, yeah, there's a lot of uncertainty. I think, it's really—I think, given that it's uncertain and given that it's going to be hard to break through the clutter on the growth side, I agree with Jack. And we're looking at some of the same things, which is kind of launching sales early, building a book, building up your email list now, because it's an owned list, right. You're not at the mercy of Facebook's—everyone's, you know, advertising on Facebook, which it's a

marketplace so that means as we all know [gestures to panel], but maybe not everybody knows, that the more people who advertise on it, the more expensive it is. Facebook loves that. So, yeah, on the growth side it's kind of doing more to own your list and kind of be able to break through the clutter. And then doing it sooner.

And then, you know, that goes hand in hand with kind of the ops side, which is planning for inventory, planning for, you know, all the different suppliers that we work with have lead times that are changing, and it's, you know, it's chaos for them, too. So, they're not always telling us the lead times as they change, and we've had to have some like really hard conversations with our suppliers. It's like you can't double the lead times and not talk to us. But, you know, you just kind of like get behind a whiteboard and plot the high and plot the low and figure out how you can handle the high, you know, while mitigating the kind of cost if it is the low. And so that's an exercise in tight operations, but it's kind of, you know, kind of where we are, so.

**Carolyn**

Yeah, and what I want everyone to feel good about is: it's not just emerging brands and brands that aren't fortune 100, you know. We hired a bunch of people, and I can't get a Mac for three weeks, so, you know, even Apple is feeling the pain of supply chain issues, and they've, you know, complexity. And I'm just happy I'm not at Dell today, because I can't imagine, you know, trying to manage that supply chain in this sort of environment. So, I have to commend all of you for what you've been able to do—as I say smaller... you guys are big brands, but I mean smaller compared to... you don't have as much weight to throw around.

I remember, Jack, Nick telling me the story that he couldn't get anyone to make Kettle & Fire when you guys were starting out, and he read Mark Cuban's book, and he wrote to Mark Cuban and he hooked him up with the, you know, someone who could make the product, and I think that that is a great story. I think that you guys have all shared stories of how you have to be ready to pivot and how you have to be ready to just, you know, take whatever comes at you and roll with it. And I think that you guys are great, great folks to talk about this, because you all have different types of challenges whether they're retail, whether they're supply, whether they're a customer acquisition. I think a lot of folks will take stuff away from that.

**[Has COVID-19 helped or hurt your business?]**

**Carolyn**

So, I'd love to know a little bit more about what do—I mean, ultimately, do you think this will have helped or hurt your business? Overall?

**Johnny**

Well, I mean, I think for us—well certainly in the medium term—it'll be quite a strong benefit from a number of perspectives. Back to the point I made earlier, I think the way we work and how it's stimulated our curiosity and desire to get—to strive and get stronger every day... we can't afford to lose that. I think that's just been fueled by, you know, this crisis that we're all living through together. And so, I think that that will certainly serve us well going forward.

And then, you know, I think the consumer buying behavior will continue to have changed, and, because we had the opportunity to learn at the outset of the crisis, we've massively accelerated our collective expertise in e-commerce as a team and how we think about it. And I think that's going to help us because otherwise this old guy at the helm would have just ignored e-commerce until it was too late because I could make enough money in retail, right. And so, I think it made me stronger, therefore the company's stronger, which is great.

And then, I think it kind of made us sharper in terms of our financial discipline, too, right. Because in our case we've gone through a fundraising journey per plan, right, and the fundraising kicked off in the second quarter, which was not ideal timing, as I think you all understand. And so, you know, we're closing the round, which is great, but in that process, it was... I'm pretty comfortable with P&L's and financial math, but it was certainly something that helped the whole team really accelerate their skill sets and make the company sharper. And I think that will clearly benefit us going forward, too.

**Carolyn**

Yeah. Great.

**[E-commerce journey, experience since COVID]****Carolyn**

Are there any changes that you all have made to your e-commerce, whether it's the experience or whether it's customer service? Or have you made any changes since COVID and how—what happens on your site or how you interact with customers?

**Michael**

Yeah, that's a... I think that's a really good question. I was gonna interrupt earlier and bring this up because I forgot to bring this up earlier. I think one of the really important things, and you learn this in e-com through, you know, I used to do customer services—any startup when you start from nothing you wear all the hats—but for customers, it's all about expectations, and so if you know something's going to ship late, don't just ignore it until it's late. If you know that you know USPS or DHL or whoever you use to ship... FedEx, you know, is late on a batch of packages from a given day, like, let people know. You know, they love that versus them



finding out it's late and reaching out. So, I think that's, you know, just... expectations management. So, that's one thing that we've worked on and built tools around. And, you know, just really trying to keep an eye on shipping times because that, you know, with a business that's predicated on not running out of coffee—I mean, there are very few things you could run out on and not be as upset as coffee—I mean, you're pretty upset if you run out of coffee [laughing]—so we're acutely aware. But, I think, that's just a good general lesson.

**Carolyn**

Yeah. I would tell you, when we were in an office, all my millennials would get really mad when there was no cold brew, and so I understand the, you know, you can do you could do a lot of things, but running out of cold brew was at the top of the, you know, “do not do” list.

**Michael**

Well, good thing you didn't run out of avocado toast, man. Then you would have had a [panel laughing] revolution.

**Carolyn**

It was actually that. I was always getting in—and Jack and I used to share... we used to be in a co-working space early on like in our same, at the same time—I remember Amazon, I would be like, “Okay, I need to have the coke from Mexico in the bottles, Topo Chico, and cold brew and some snacks. And, a lot of times, it was the FitJoy, the FitJoy mini nutrition bars we would we would get ordered. But yeah, there are certain things, and coffee is one of those things you can't run out of.

**Michael**

Awesome millennial survival kit right there.

**Carolyn**

[Laughing] I apologize to any millennials, do not take offense.

**Michael**

I'm a millennial and I love avocado toast, so I'm not—this is, uh—

**Carolyn**

I don't want to offend anybody, but, you know, I heard an interesting story, and I'd love for you guys to comment on how some of the things you've done... One of the brands that we worked with early on that was a western brand, you know, zero to eight figures, and one of the things that the founders said to me a year later was, you know, “Wow, I wish that we had *really* taken on customer service and all those early customers could have been advocates.” And so, they started writing handwritten thank you notes to everybody that ordered a pair of boots. How have you sort of made the e-commerce customer journey more personal?

**Johnny**

So, the first thing came to mind for me—I'm sure Michael and Jack will build on this in more detail but—you know, one of the things that's interesting to us from e-com versus offline is the speed of feedback, right. When you sell a bag of pretzels on the shelf at the Wegmans, you have no idea if that person enjoyed your pretzels and not. It's sold. Right, and then in a very rare case they'll send you a note saying, "That was a great pretzel," but that's really rare, I'll tell you that.

So, whereas online you can get so much data—particularly if you have your own Shopify channel, but even beyond that. So, you know, like net promoter scores where, you know, we're tracking manically to understand. And it's not so much about the numbers, it is about the conversation that it stimulates, whether it goes up, down, or sideways. So, really value that and that experience. And I think because e-commerce is now a more meaningful part of our business—and a really significant part of our business—the conversations are taken with a different kind of gravity then maybe they used to be.

And, you know, we have—we're a mighty team of all of eight people... but I think three of the people in the team are engaged more or less daily with some form of customer service engagement. So, you know, there's a... it's much more tangible and real than I think it really has been on any other brand that I've had the opportunity to work on. And it's kind of fun! It's amazing what... you know, we just launched our hatch chili lime pretzels, and it's amazing the kind of conversations we've ended up in with customers about like, "I didn't know you could do that with a pretzel!" You know, we just thought it was fun. And people like it. And that's kind of... it's rewarding for the team. and then occasionally things don't go to plan and you have an opportunity to—much like you would in a restaurant with a waiter—you can actually turn a negative or unfortunate experience into a positive and build a bit more of an actually engaged relationship. So, I don't know if that that's where you're going with it, but I think to me, coming from offline world, that's been a really fun discovery working with others.

**Carolyn**

Yeah, and you're right because some of those retail—and I don't, and I apologize I don't know a ton about retail and grocery—but it seems like there's a long lead time to get into those places, right. You can't just throw a product up there next week, so when you get a shot, right, you want to make sure it's a good product. And, I know some of the brands we've worked with, they'll use e-commerce and Amazon just to test out make sure there's no issues, make sure it's a five out of five-star product before they then try and pitch it to, you know, H-E-B or Target or someone else, so.

**Johnny**

Absolutely. You don't want to disappoint your friends at Kroger, Albertson's, or elsewhere if it doesn't work, so it's a great test and learning environment, for sure. And it also helps with the long lead conversations because you can share customer feedback, and we have, you know, with the likes of Target and elsewhere, you know, "It's not just us that like it. Look, Caroline from, you know, North Carolina loves the product." And so, you can have a fun conversation about Caroline, right. So, absolutely.

**Carolyn**

That's terrific. Michael or Jack, anything that you would love to share or add to that?

**Jack**

Yeah, I think on our end, you know, we've really been thinking a lot about how to create more of a personal experience when someone lands on our website and moving away from more of like the transactional type experience that you typically have with e-commerce.

So, things that we're doing right now... we just launched a personal shopper concierge type offering that is duct tape with all these automation tools and SMS. So, basically, if you buy a subscription for products... as part of the benefits of being a subscriber, you'll have direct access to a concierge line if you have any questions about your order, if you want to change products, all that. And that way, you know, we think it's gonna be a big benefit for us to get that direct feedback at a quicker pace because a lot of the times, you know, a big thing with e-commerce—and Michael can talk about this all day—is like, you know, retention is king. Like, if you're having subscribers turn, then it's much harder to scale the business, and that feedback loop can be pretty long because you might you might have all these cancellations and then only some of the people tell you why they canceled. So, you're kind of scratching your head on figuring out what the solution is. So, these types of initiatives that we're doing, you know, they are to benefit the customer, but they're also to help us learn about how we can improve the experience in real time. So yeah, on that end that's kind of what we're thinking about right now.

**Carolyn**

Great. Thanks, Jack.

**Michael**

Yeah, I mean I'll kind of add to what he said. I think, number one, it's super important just to build a relationship with your customers, especially online. It's been one of the one of the things we've taken on as a challenge from the beginning because—but I guess it makes sense in retail you don't really have much of an opportunity to build it either, but... one of the things that we try to do—we haven't done a ton since COVID—we've definitely done more kind of

check-ins about, you know, whether people want more or less—more of like the self-management aspect of the subscription. But one, you know, we've gone pretty deep in this whole like “build a world for your subscribers,” so we said, you know, we're a travel themed coffee company. Every month you get coffee from a different country. There's over 50 countries. So, kind of to his point about the concierge, like, you know, in the first email you get an email from me, I'm your coffee tour guide. And then it kind of, like, you know, when people email like either I'll respond or I'll like flip it over to support and so someone's got, you know, like a tour guide, which in coffee—coffee is notorious for being kind of an unapproachable space where, you know, you might go to a really nice coffee shop and you know the barista that day might be kind of pretentious about it, you know. So, the tour guide is, like, very *not* pretentious. It's like, “Oh, let's, like, kind of stand side by side and enjoy this together.” We also send a postcard in the mail at like month two someone's subscription. Our rewards program is kind of custom built for, to be like a branded rewards program, so you get points based on how many miles your coffee travels, and there's that dynamic element of it. So, if, you know, one month coffee's from Brazil that's a little closer, but if it's from, you know, Uganda then that's, you know, you get more points, and so that's kind of an engaging thing.

So, we're always looking for ways to do this. I think the next wave of that for us is really collecting more information about what people want to learn and then tailoring an experience based on that in their portal and with their email. So, they may want to learn more about really rare coffees and the stories of that, so... or they might want to learn like, “Hey, I use a drip machine. I'd love to use a French press.” And so, it's really just as much as you can kind of, you know, learn and engage with your customers.

And then, for customer service, I mean, we've always found it to be a good policy just, you know, anytime someone has a problem with an order we'll just, you know, “Yeah, we'll send a replacement.” So we, you know, we want to make sure that people are... yeah, they feel heard. I think that's really what a lot of customer service is. Like, especially going back to Johnny's point about like you get an angry customer... it's like oftentimes it's just they don't feel like they're being heard, and so just engaging with them a lot of times they'll even just quickly like, “Oh, I'm so sorry. I just had—I'm having a rough day.” And it's like, [empathetically:] “Oh, we get it.”

**Carolyn**

Yeah.

**Johnny**

So, I was on the AT&T [speaker using air quotes] “helpline” the other day because I had a wi-fi problem, and I certainly did not feel heard. And so, I can absolutely, uh—

**Michael**

You felt herd, h-e-r-d. [panel laughing]

**Johnny**

Yeah.

## [Rapid-Fire Q&A]

**Carolyn**

Alright, well. First off guys, we've got questions, and I'm the worst moderator ever because we had some questions. So, we're gonna do rapid-fire questions so we can get all our attendees. There's five, and I'm gonna start with the ones that are voted highest.

So, Johnny lots of interest in—could you talk more about how hotels and Airbnb's could be a discovery place for new snacks?

**Johnny**

Sure, so there are platforms out there that you can partner with that have partnered with the delights of Airbnb, where, in our case for example, we have a 100-calorie snack pack, so a small pack, that you—and then through Airbnb—you can leave for the guests to check in and they can discover you there. And it allows you to have a little storytelling, too. And I love Michael's observation there. I think it's even more powerful in e-commerce, but storytelling is such an important ingredient for people that discover brands, and so being found in an unexpected place like an Airbnb where people are already in the right mindset—are probably either there for work or for chilling out—it makes great sense.

**Carolyn**

Terrific. Something we had never even thought of one of our brands, they've got they got crushed because their brand was covered by American Airlines, so that's where pretty much all their discovery came from, and with you know 95% less people traveling, so great, great tip. Thank you, Johnny.

Okay, now that the big companies are using e-commerce, what will small brands need to do to stand out?

**Johnny**

I mean my two cents? It's always about the brand and the story, and I think that's true... and actually, I think, the advantage of being small will remain the same. You can react quickly, you can listen more intently, you can adjust more quickly. Having spent 20 years on big brands, you know, the color decision on a pack of Orbit chewing gum goes through a lot of committees, and by the time it's decided it's the right shade of white and then, you know, it is

what it is for the next 20 years. So, with that, never forget the advantage of being small. You can stay much closer and much truer to what your audience is looking for.

**Carolyn**

That is terrific. What do you—for those of you who are heavy into online, will consumers experience online shopping fatigue, and how can brands mitigate that?

[silence]

**Jack**

Interesting question.

**Carolyn**

Yeah, I think John—Michael, you talked about it a little bit. I think that was a great takeaway was that you're not just selling a coffee subscription, you're taking them on a world journey, and you're creating that connection with the customer. So, it's not just like they're doing transactional. I think you both talked about moving away from just pure transactional and creating that experience with a customer. Yeah, I think, you know, this kind of echoes a point that we've, definitely Johnny's touched on and I've heard Jack say a little bit, which is that you have to have a brand. You have to have a story.

**Michael**

I was peeking into the Q&A, too. One of the questions is about how do you compete with Amazon, and that was to me the biggest, you know, one of the biggest threats for any e-commerce store. If you don't understand how you have to have a differentiated position versus Amazon, then you're, you know, you're going to get your lunch eaten over time. And I think that threat's going to still be true, but, you know, the big thing to keep in mind is that you go shop on Amazon... I mean, it's not a branded experience. You see a product image, you see reviews. The brand doesn't have much of a runway to tell their story or really go deep in an experiential type of service-based thing or really just what their value add is as curators or what it might—you know, whatever it might be. And so, yeah, I think, you know, the same thing is true before COVID as it is now, which is that if you're gonna start an e-commerce site, you have to—like, one of the perks *is* that you have more landscape and you have to take advantage of that. You have, you know, you can design a pre-purchase and a [garbled speech] post-purchase—too much coffee—experience, and you have to kind of double down on the things that make you different. And with that, you know, you can... there's more, you know, you can do a premium product. You can charge more. People are, you know, they're not price shopping as much if what you're selling is truly curated to them and unique to them and experience for them. So, I mean, that's been—that's just like a... that will only become more true over time.

**Carolyn**

It is true, and, unfortunately, there are folks who do have to be on Amazon because they are in retail and their brand will end up on Amazon. I say if you're with [unidentifiable brand name], you know, or [unidentifiable brand name], you're going to be up on Amazon whether you like it or not. So, they're sort of like the devils of e-commerce to me, you know, for brands. But the other—there are a couple things recently that are at least encouraging, is that Amazon obviously has stores for anybody who has a registered trademark. So, you can tell your brand story. You can have videos. They've also launched video in search, so instead of just having like your product in your listing, we've done, you know, works with brands that they can do a video so you can tell your story. And then, recently, they did the top, you know, how at the top there's always one—it's called a sponsored brand ad. Now you can do videos in those sponsored brand ads. So, there's—Amazon is realizing, you know, the big brands really—and the smaller brands—really want to tell their story.

But 100% agree with you, Michael, that, you know, if you can be direct-to-consumer and avoid Amazon, you know, you're gonna make more money, and you're gonna own the customer, so. But for those of you who are in retail, it's unfortunately a necessary evil, so—Yeah, go ahead Michael. You're gonna say something?

**Michael**

Oh, I was just agreeing with you.

**Carolyn**

And then, another question: do you think your teams are more connected to customers now that you're putting more stock into virtual customer experience? Do you think it's enriching, like you know your customer better?

**Jack** Yes, for sure.

**Carolyn**

Absolutely. I think you all told some great stories. Johnny, I think, you know, the hatch chile pretzels is a great, great example of that as well. And then your concierge services, Jack. And Michael, taking customers just not into a coffee subscription but on a coffee journey and a worldwide journey. I think you guys are all doing that really well. Okay—

**Marissa**

Thank you, Carolyn. I'm—This is Marissa tagging back in, right on time. This has been such a rich discussion, and we could continue, but we have a full day ahead of us of more rich discussions.

Thank you so much, Carolyn, for moderating. Michael, Johnny, Jack, for being with us today and sharing your insights. There are more questions to be asked and answered on this topic, but it's really insightful for us to hear from you as you live through the experience, and, of course, as we benefit from the products that you're continuing to put into the market. So, thank you all. We're going to move on now to the next session of Taste of Texas in just a moment.