Rimma Kats

How the pandemic pushed Olipop into the D2C space

Article

A direct-to-consumer (D2C) strategy wasn't top of mind when soda brand Olipop launched in 2017. In fact, during its first year of business, the brand didn't even have a website—primarily relying on retail brick-and-mortar partnerships to drive sales. But last year, that changed.

We recently spoke with Olipop's co-founder David Lester and its growth marketing manager Steven Vigilante about the brand's foray into the D2C space, the key role SMS plays in its monthly subscriptions, and why it plans on building an Amazon presence.

Explain the Olipop brand and how it's disrupting the beverage industry.

Lester: We have a very hybridized food system. In fact, processed food manufacturers take out a lot of the fiber from packaged goods in order to extend shelf life, because bacteria like to eat it. That has led to an estimated 50% decline in the complexity and diversity of our gut microbiome over the past 100 years.

Olipop isn't a silver bullet, but we put a lot of effort into the formulation and the science behind our products. We have a health advisory board led by one of the leading microbiologists in the US. And it's designed as a replacement for soda, delivering that soda-style experience but ultimately benefiting your health rather than damaging it.

The brand now has a D2C site. Was that the plan from the get-go?

Lester: Before, we had no D2C strategy. We thought it was always an interesting avenue, but cans of heavy drinks at a $3 price point are not particularly amenable to the D2C channel. We set the framework up—but we didn't activate it until March of last year. And it was actually Steven who came to me in February 2020 and said there's a lot more we can be doing here. At that point, we were just over a year old as a business. And then the pandemic, as well as shelter-in-place orders, really kicked in. That's where things took off for us. We've seen more than a tenfold increase in D2C sales over the past 12 months or so.

Can you go into more detail regarding what that growth looked like?

Vigilante: As David mentioned, we didn't even have a website for the first year of business. We launched our website in fall 2019, and then we ran our first Facebook ad around February 2020. We saw nice tailwinds with everything happening and people shopping online. At that point, just a few brands, especially in the food and beverage industry, were focused on D2C.

As we started to shift in the summer, a lot of brands ran into a wall. And it happened with us, where we were just running cold Facebook ads. That was our only acquisition channel. We had to figure out what the brands that were way ahead of us were doing, then try to reverse-engineer a channel strategy. We've expanded to multiple different acquisition channels since last fall and continue to add on as we go. It's still a lot of testing and learning. But we've certainly diversified away from leaning on just Facebook and Instagram.

Speaking of acquisition channels, SMS is becoming a big part of your business. On your site, consumers can either subscribe and save on beverages or make a one-time order. Have you leveraged SMS to turn one-time consumers into subscribers?

Vigilante: We've had a lot of success with SMS and took a very hands-on approach to it. We don't view it as just a channel to blast out discounts, but as a way to give a behind-the-scenes look at the business. Regarding subscriptions, we made some changes to the site over the summer last year, just to emphasize our subscriptions more, and started pushing them more from a marketing perspective. It took us about a year to build a base of subscribers. And then once we made those changes last summer, we've actually grown our subscribers tenfold since then.

Do you have any data pertaining to that change to the website and the inflection point for subscriptions? How did customers shift when you altered the website?

Vigilante: We launched online in November 2019, and it took us seven months to get to our first 500 subscribers. We made some tweaks to the website, added a landing page, and we've gone from 500 to now crossing 5,000 subscribers. We'll push new flavors out to our subscribers before they go out to the broader site and even before they go out to influencers. We use SMS partially for retention on the subscription side and partially for community-building on the general marketing side.

Lester: It's a very interesting channel. If we look across our communication platforms, from social media to email to text, we treat all of those very differently. And text is the most intimate form of connection and communication, so we tailor our messaging that way. Often, you'll be getting a specific message from a member of the team; the images we use are less polished than those on Instagram, they're more of a user-generated content style of photography. So, it does feel more intimate and like you're getting an insight into the brand.

Remind me, Steven: When we launched the Blackberry Vanilla flavor and you sent out that initial text, what were the sales we did in the first 15 minutes?

Vigilante: We did roughly $15,000 in sales in 15 minutes. We launched a new flavor in December and sold more of it in two weeks than our few slowest-selling products throughout the entire year. We've been able to use this channel to really drive interest. We have our next flavor coming out in April, and again, that launch will go out to the text subscribers. SMS is one of the highest-converting channels I've ever seen.

What are the typical open rates on a text?

Vigilante: Open rates on a text are about 80%. And then we convert about 40% of the 80% who open. So, you're looking at about a 50%-plus conversion rate. Meanwhile, it's about 5% on the website. So, that's 10 times our standard conversion rate.

Shifting gears, before you dove into the D2C space, you started off in retail stores, correct?

Lester: Yes, we started in retail and then pushed into ecommerce, which makes up close to 50% of our revenues at this stage. People are more comfortable shopping online now; the household penetration has increased. And we have had to get more sophisticated, which has paid off, and it's given us the opportunity to do marketing as an early-stage business that we otherwise wouldn't have been able to do.

You can't see the ROI [return on investment] on outdoor ads or magazine ads, but you can in the digital space. Business is managing cash on a tight runway, and we can turn our spend on and off on a week-to-week, almost a day-to-day basis. That's pretty vital for a business at our life stage.

Vigilante: We see a substantially higher number of people who are actually first-time subscribers to the site, but who've never bought from us online before. And we chalk that up to people who find the product in retail and love it. But we don't sell 12-packs in retail, we sell just single cans. They can come to our site, subscribe, and get a box shipped to them every two, four, or eight weeks, whatever they want. And it's a flywheel effect.

Or you have someone who doesn't necessarily want to buy a 12-pack at the time, but then they find out we're in the Kroger down the street, and they can go there and buy single cans. We don't necessarily care where people are buying our products from; we want to meet people where they are, and that's how we operate.

As you continue to study the data from your retail sales, as well as those from D2C, are you finding that you're moving toward an omnichannel strategy?

Lester: Yes, we're moving toward a true omnichannel approach across our D2C platform, Amazon, our retail partners, etc. Coca-Cola built its business by having a Coke within arm's reach of every consumer. And that's now become possible 24 months into a company's life cycle through the D2C space.

Vigilante: Historically, the only way for us to drive awareness in-store was by doing demos, which are very expensive and honestly don't scale very well. Now we have this paid acquisition expertise, where we're running traffic ads on Facebook around all of the Kroger and Sprouts stores we're in. We actually just launched a new flavor in every Sprouts location, so we can run geo-fenced ads around those locations. And it's much cheaper to run traffic ads versus conversion-based ads on Facebook. We're getting millions more impressions on those ads letting people know that there are new flavors in the stores than we'd ever be able to get by doing in-store demos.

What's next on your road map?

Vigilante: Amazon has been a big project, and there was a debate over whether we should be on there or not. We're gearing up for a formal launch on Amazon. We had some issues with other random merchants selling our products on Amazon, so we wanted to actually own that channel.

Lester: Amazon is definitely a big one. It's interesting, I think we've stuck largely on our own platform, just due to the additional expense of Amazon. And really, for me, I see a lot of value in the data that we get through our own site. Although we're not exclusively a D2C business—in fact, if anything, we're predominantly retail—all of our marketing is now in the digital space—"the D2C flywheel," as Steven described it. But Amazon is a good place for us to be. And if we look at this omnichannel approach, the consumers can go anywhere on the internet, or out in real life, and have an amazing experience with our products.

We're also going to be looking at our website and making changes and iterations to it. We'll continue to get more sophisticated around our retention funnels. It has been a rapid journey over the past 12 months and a lot of work for the team. There's a lot of runway ahead of us to get more sophisticated in our approach across the foundations that we've now built.

Vigilante: I'd say that one other big project that we're tackling is just understanding attribution. Really understanding where your customers are coming from is something I had always heard people talk about with ecommerce. The way Facebook and Snapchat work, somebody can see an ad and then buy from an influencer two weeks later, and the social platform still takes credit for that.

Understanding which platforms are most efficient, and where to allocate tasks each month is a puzzle. There's not necessarily a right answer, but you can get as close as possible. Now that we're running podcast ads, doing a lot of this influencer work, and Amazon has come into the picture, things will change again. We're really trying to understand where our consumers are coming from and where our most profitable, highest-value consumers are coming from.

Professionalizing the operation when there isn't a pandemic is going to be a big story for all the CPG [consumer packaged goods] brands that blew up online last year. There's a lot to learn really quickly to make the business efficient. And so, it will be interesting to watch trends and see who rises and falls now that they have to figure out some more challenging pieces of the puzzle.