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SPEAKERS

Brad Ebenhoeh, Sean Lee

B Brad Ebenhoeh 00:00

Welcome to The Month End CPG community chat, The Month End will provide emerging CPG brands real life knowledge into the accounting, finance and operational worlds. Our guests will be key stakeholders with no same brands as well as other key contributors in the industry.

B Brad Ebenhoeh 00:17

Welcome to Episode 34 of The Month End podcast today we have Shawn Lee from Sweety ice cream. How you doing today, Sean? Hey Brad. Yeah, thanks for having me. Excited to be here. Absolutely. Sean's co CEO, Sweety and works in a family business. And I'm excited to learn more. So let's get started. First off, Sweety ice cream. How long you been in the business? What do you sell? Where do you sell? Just give us a little elevator pitch from the business.

S Sean Lee 00:43

Yeah, sure. So Sweety in its first iteration, as actually was started back in 1978. It was started by my mom, even before she met my dad as just like an Asian scoop shop in Monterey Park, which is a very Asian neighborhood of Los Angeles. At that time, she couldn't really find Asian flavor novelties or ice cream in that area of Los Angeles. So she decided to open up that store herself. In that process, she even she was struggling to get like the ice creams to her store. So he decided to start actually doing the manufacturing side of things as well. And that's how she got into you know, the Sweety because of branded CPG item. So it's been around for a while. It's kind of of mostly just been on Asian supermarkets. We were really known at the time for doing like red bean popsicles. Durian, and Taro are very, very traditional Asian popsicle novelties. Me an, me and my sister, we decided to get involved just a couple years back, right before the pandemic. At that time, the company was still very small, it was essentially just being run by my uncle and my aunt at the time. And they kind of wanted to retire. So we were at this inflection point, deciding, like, Hey, what are we going to do with this business? Do we just kind of of wind it down and shut it down when they retire? Or do we want to put some money and time into it, reinvest into it, and then relaunch it? So the decision was made to kind of, kind of get involved in this business. So yeah, me and my sister, we started doing a rebrand. At the time, we had done popsicles and mochi ice cream, we saw a lot of potential and the ice cream side or the logical side of the business. So we decided to just focus on that side. And now we launched Wow, right, as the pandemic started, and it's kind of just been a wild ride ever since?

B Brad Ebenhoeh 02:50

I bet I bet. That's very cool. Seriously, since 1978, that's crazy. When you guys took it over? Or you decided to take it over, like what was what was that process? Like? Did you look at every aspect of operations and say, Alright, we're starting a new company, taking these assets, taking the IP. Relationships with, you know; the suppliers, the manufacturer, like how did that whole process go? Or how did you look at that and execute that?

S Sean Lee 03:17

I think for us, we wanted to kind of preserve a lot of the things that made Sweety what it was. Still a large piece of our business is still kind of that original core Asian supermarket customer. That kind of informed some of the decisions that we were making in terms of we were doing further R&D on our product. I think that was the first two things we really did was to revamp the branding and look at how we can tweak some of the flavors and R&D some of it. We got rid of some flavors at the time, we got rid of the popsicles, but you know, it was important for us to kind of remain true to some of our roots. So you know, we still do like a red bean mochi ice cream. You know, we've continued to add, you know, other Asian flavors, we have a Vietnamese coffee, we do an Ube as well. And along with that, it was also just, you know, at that time, back in the day, like, my parents would cook red beans, we started basically, in our kitchen, they would cook red beans, and then they would, you know, use that the red beans in the popsicles that we make. So for us, we still do a lot of things internally. You know, we get, you know, raw Ube puree frozen puree, and we took that and we use that in our Ube ice cream, rather than, you know, just focusing on flavoring or coloring. We like to use the original ingredients as much as possible. Yeah.

B Brad Ebenhoeh 04:54

Cool. And so then where exactly are you guys selling all these products now?

S Sean Lee 04:59

Yeah, so You know, we launched and our first large retailer actually ended up being Walmart, which was not the plan. So I mean, that's one of our biggest retailers is Walmart, we're also you can find us an Albertsons, and Safeway in Southern California, Northern California and Hawaii. And we're actually going to be launching in Costco, Los Angeles later this fall. So, yeah, please, if you guys go go to Costco, if you live in the area and support our product, really appreciate it. And then, of course, a lot of the Asian supermarkets across all of the United States.

B Brad Ebenhoeh 05:39

Brad Ebenhoeh

Gotcha. So you are national on with with Asian supermarkets, but Gotcha. And then I clearly like as selling ice cream, you really, it's really hard to dive into direct consumer aspect, right?

S

Sean Lee 05:50

Direct to consumer, yeah, we would. We I'm always jealous when I see other brands like being able to do like little giveaways and direct to consumer. Yeah, it's, yeah, it's such a cool way to you know, have access to your customers in such a direct way and get that feedback. Sadly, it's, it's very tricky to do with ice cream, specifically, just the supply chain makes it extremely expensive. Yeah, even when you're using a 3PL, it just, it's, it's quite expensive. Your product goes from, you know, selling at the grocery at around anywhere from you know, $4.99 to $6.99. And then at selling at, you know, $12.99 in the direct to consumer environment, there's also just a lot of a lot of waste involved in that process, because you have to add all this extra packaging from the insulating materials, you have to get dry ice. And if there's any shipping delays, you know, your your product is just lost yeah,

B

Brad Ebenhoeh 06:57

it definitely a disadvantage for the the the frozen products on the direct consumer space. So then from on the inventory side of things, like what is your supply chain like and internally operationally, how do you manage that from supply chain, you know, raw materials, products? 3PL, etc?

S

Sean Lee 07:18

Yeah, I mean, we have a pretty small facility, we manufacture everything out of basically our original location in Monterey Park. So yeah, inventory management is really crucial for us. It's also just very expensive being in a frozen category as well. So prior to bringing on Walmart, everything was kind of inventoried at our own facility, that we've just been finding creative ways to expand our frozen storage. Yeah, we basically, we've been using kind of these frozen shipping containers, and that's how we've been able to add additional frozen storage, when from a real estate standpoint, you know, we're limited. And that that gave us kind of a way to kind of just flex that and slowly add as we went along and in needed more frozen space. But you know, once we brought on WalMart, on another game, we brought on a 3PL. So basically, they kind of handle, when you work with Walmart, they, they have something called, like a pooled system. So you ship to a 3PL, they will pool your inventory with other Walmart customers, and then they'll kind of just distribute out to all the different DCS. So we almost kind of treat that almost like its own little its own kind of supply chain. Yep.

B

Brad Ebenhoeh 08:38

So then, on the, you know, manufacturing side, like how many, you know, how do you manage your team? You know, in terms of making the product? Do you have an inventory system specific, like KPIs you look at or just kind of how do you guys view that internally?

S Sean Lee 08:53

Yeah, I mean, for the longest time, we, we just did everything kind of in a Google Sheet. Yeah, so we, you know, we had our we built out our sales forecast from our sales forecast, you know, we know our Bill of Materials, we'd be able to forecast out what the, you know, weekly, monthly annual usage was keep track of kind of what you know, lead times are, I would come up with basically, you know, what was the safety stock that we had wanted? What was the reorder quantity? And kind of basically made up a relatively simple system to basically say, once I hit this point, then my team would know to go out and reorder this. Only recently, we we started to transition over to actual inventory tracking software.

B Brad Ebenhoeh 09:40

How's that going? Is that is that adding more value or is it more of a headache versus just the simple Google Sheet?

S Sean Lee 09:46

Yeah, it's doing that type of transition is always a process. It takes a while to, you know, do that implementation and get that, see that return, just because it's just the level of accuracy that you need. From like, each of your workers, just because you have to, you really have to be perfect on your lot traceability on, you know, your usages it's, it's no moral, you can't just kind of swag it anymore. And then just like do an inventory count just like fix things then. So it's definitely it's yeah, we only really did this a couple months ago. So it's still kind of working out all those kinks. But, you know, eventually, you're gonna see benefits from just having that ease of access to that data. Whereas a lot of the stuff was, you know, very manual, and you just didn't have that same traceability that you have with something like that. But you know, what, those systems it's garbage in, garbage out?

B Brad Ebenhoeh 10:49

Yup. Yeah that's the norm, we, you know, when we talk to like our brands, or clients who require, if it's like, there comes a point where, like Google Sheet and Excel document or however you manage it, it's more time efficient, more cost efficient, it gets you to where you need to go, there's a phase your business that's like, alright, we become more precise, more real time information. And then that's when you have to jump to something like what you're talking about, and it's, it's painful, but once it becomes part of the company, operating system and workflow, then it's pretty seamless at that point. But it can be definitely a pain, but there's advantages with it, but it's definitely more costly and more time intensive to do so. So Well, good. And then in terms of, you know, just your overall manufacturing supply chain, like what are some of the mistakes that have happened, you know, you've already mentioned like, you know, having a frozen product and, you know, waste on packaging with direct consumer or delayed shipment, you know, the product can be wasted. But is there any, like big mistakes you guys made from just more of a supply chain operational standpoint that impacted your business that you learned from?

S Sean Lee 11:52

I think for us, because we we made such a big leap in terms of the scale, just taking on such a large retailer, like Walmart, and even then, like, we kind of, we wanted to slow play it a little bit, were like, hey, you know, we only want to bite as, we don't want to bite off too much. But even then, like the volume Step Up was just, it was so huge. So just like staying ahead of those initial orders, when they, when they do that initial fill, I get it was definitely intense, like how much we had to ramp up to keep up. But even though we kind of forecasted how much we needed it just yeah, the scale of it was just a whole nother level. Once you kind of get past that, then you have, you know, prior data to be able to try to forecast better, you've you've gone through you've ramped up everything. But, you know, being on both the manufacturing side, and kind of the CPG side, it definitely was a step up in terms of the complexity, just all that adding all that scale.

B Brad Ebenhoeh 12:58

And your background is like finance and operations, right? Yeah,

S Sean Lee 13:03

yeah, I've kind of a relatively varied background, you know, I've done finance and strategy, asset management, at a retail environment. Yeah, went back to get my MBA in at UCLA. And that's when I started getting involved more in kind of the food business, my family has other food manufacturing companies. So that's why I started to get more involved on this side of the industry.

B Brad Ebenhoeh 13:32

So then you also on, you know, operationally with the inventory side of things or oversee that, but also you're handling kind of the forecasting, the modeling the accounting and all that aspect, right? Yep. Yep. So then from like, a financial standpoint, in terms of the model forecast budget, like what is your plan or strategy in terms of how you do that? Do you keep it updated monthly? Do you review it looking backwards each month, like, you know, do, like what is your, you know, your just overall workflow with with your forecasting model?

S Sean Lee 14:02

I would say it's like, we kind of review the forecasts on a quarterly basis. I mean, for us, it really depends on kind of how our cash flow situation is, you know, the tighter it gets, the more we're gonna have to kind of look at that maybe monthly, or even weekly. Thankfully, you know, we've been very, very efficiency focus to make sure you know, as a manufacturing facility, you know, we are trying to, you know, have cashflow, positive, positive cash flow. And that gives us you a little bit more leeway to kind of Yeah, work within your financials.

B Brad Ebenhoeh 14:35

Yep. Are you then with the way the economy has changed or shifted last kind of nine to 12 months with interest rates, and with fundraising kind of slowing down a little bit... Has there been any changes in terms of how you change your business from more to you know, expense management efficiencies, cash flow, or was that always how you kind of looked at your business even beforehand?

S Sean Lee 14:56

I think you know, the things that some of the challenges that we've been facing As recently as more just kind of the inflationary impacts that we've seen on our margins. I think that's where, you know, we were pretty comfortable before. But now, it's definitely constrained a little bit more than just keeping ahead of kind of what competition is doing as well. You know, I would say we've been a little bit late to the game in terms of price adjustments, we've seen that some other competitors do, essentially, you know, string inflation. So I think that's where it's definitely put some pressure on us to kind of stay ahead of things like that. So, yeah, that's just kind of learning and trying to move a little bit quicker on those.

B Brad Ebenhoeh 15:41

How do you your like retail partners, how do they take like price adjustments? Or like, how, what is that process like?

S Sean Lee 15:49

Each year has been different, right? I think, you know, you know, last year, you know, when everybody was raising prices, you know, they were basically like, yeah, we're getting it from everybody else, you know, just put it in, you know, you started to get a little bit more pushback situation has kind of slowed down a bit. So it just, I see just kind of changing from year to year, at the end of the day, like, you know, we have to make enough money to be able to cover our operating margin. So it is what it is, we have to be able to kind of just push that through.

B Brad Ebenhoeh 16:20

Definitely on the on the accounting side of things, you know, managing cash week over week, reviewing financials each month, is that your cadence? Are you the one that handles that? Or do you have like, I got a team member that helps support that process?

S Sean Lee 16:32

I mean, thankfully, like, because we have other food manufacturing businesses, you know, we were able to leverage kind of some of that back of house infrastructure. So they're able to kind of produce the financials for me, and then I reviewed them on a monthly basis. And then I make sure to kind of review that with the other departments to get feedback, because, you know, I don't have full visibility on, you know, what are all the marketing promotional activities that we're doing? So, you know, if something's tracking high, you know, I want to get that input from, you know, Tiffany, who's our CMO.

B Brad Ebenhoeh 17:03

What are the first three like numbers and line items you look at in the monthly financials, when it gets sent to you?

S Sean Lee 17:10

I mean, for me, it's always kind of gross margin is kind of the big one that we're always looking at. And just to go a little bit even deeper, like, again, because we're doing the manufacturing ourselves, like, just on a daily basis, even or weekly, like I'm reviewing kind of what our production yields are for each of our production runs. And I'm also tracking, you know, what is our labor cost for each case that we're producing, or you can also look at labor hours, for each cost, just to make sure that, you know, my production staff is running, or continue to run things efficiently, though, you know, being in Los Angeles, we know that, you know, your wages are going to be increasing every single year. But, you know, trying to maintain that, that the efficiency, at least on a labor hour basis is important.

B Brad Ebenhoeh 17:57

Gotcha. Has theRe from a manufacturing standpoint, clearly, you know, you said you moved to more of a 3PL model afterwards on on the Walmart side, but is there clearly you have a family history with the manufacturing facility, things like that, at any point? Have you thought Man, it would have been easier to use a command or like differently in terms of that versus managing, you know, that in that entire process? Or are you happy in terms of where you're at, I'm sure, it's kind of a push pull at times?

S Sean Lee 18:23

Yeah, it's a push pull up. And it's a nice thing to be able to have control over, you know, everything, you know, your quality, the r&d, like, every single input, and just have that visibility and everything that can fall. On the flip side, like, just from, you know, a future expansion type situation like requirements, that are going to be necessary to, you know, grow from a $20 million dollar revenue business to a 50 to 100. You found kind of different calculations there. Because it's not like, we can just go to a different Co-Man and get kind of the scale from, you know, just the volume, it's, you know, we need to figure out how do we expand our manufacturing capacity in the mochi ice cream space, it's, it's not really there's not a bunch of Co-Mans out there doing this. It's a relatively specialized product. And we like doing it because I think that's what really sets us apart is, you know, our ice cream and our dough that we make, it's different from our competitors. And it's because we we manufacture ourselves but yeah, just the capital investment required to expand is just such a different calculation than if you were kind of a Co-Man-based

B Brad Ebenhoeh 19:44

company. Definitely benefits on both sides of the spectrum and you know, risks and costs on both sides as well. In terms of just overall I'm just like on your website, you guys have what eight flavors, is that right? Yep.

B Brad Ebenhoeh 19:58

Any big plans to expand in the short term with new flavors?

S Sean Lee 20:02

Yeah, we're always looking at, you know, flavor innovations, I think. Yeah, it's interesting, you know, I have a very different kind of outlook, then, you know, sales and marketing, like marketing, they always love to do crazy flavors. And I'm always like, woah, like, like, are we gonna get stuck with inventory like, and then what happened with that inventory, you know, when you do a seasonal, but I think that's just part of the cost of doing business sometimes. Because certain retailers, they want to have those seasonal items, even if you know, from a margin standpoint, you're gonna struggle to make that there's a component of just marketing. But at the same time, it's like, it's fun from an operational standpoint, from r&d in new flavor. I was like, we're working on a bunch of new flavors right now. And it's like, what's more fun than like, you know, trying different ice creams. That's the part that I really enjoy.

B Brad Ebenhoeh 20:56

Yeah, every time as a background of an accountant, or on the finance side of things every time you look at inventory, like, Could you see dollar signs? So it's always exactly. Alright, well, we're wrapping up are winding down this podcast for all the listeners out there, we always under podcasts with two questions, one do and one don't. So what is, from your perspective, one, do two fellow CPG, you know, emerging brand founders out there?

S Sean Lee 21:23

Yeah, I would say like, be mindful of kind of your retail go to market strategy. And just kind of understand the trade offs that are going to come with that. I think, you know, we were in this unique situation where we were presented this opportunity. You know, Walmart has been an incredible partner with us, we got through their open call program and got, you know, just distribute national distribution, and just like, we weren't going to turn that down. But, you know, at the same time, like, that wasn't our initial plan. Like, we had no idea that that was the direction we're gonna go. It's worked for us was that same time? Like, you have to be aware that, you know, there's trade offs to any go to market strategy. Yeah, especially in terms of whether you're doing, you know, natural or club or conventional. Yeah, if you go one direction, it can potentially closed doors to another another channel.

B Brad Ebenhoeh 22:22
Definitely, definitely. And then on the other side of that, like, what does one doI n't

S Sean Lee 22:27
I think to go along with that it's like, don't be afraid to pivot. And just kind of continue to reevaluate what your strategy is going to be, depending on kind of how you've pivoted to make sure that, you know, the rest of the company and the strategy is aligning. So you don't have like a mismatch of like, let's say where you're selling versus your, your marketing or your supporting infrastructure, whether that be brokers or distributors, like, just make sure you're being nimble in terms of reevaluating and then like, restructure restructuring, kind of your supporting strategies. Yep.

B Brad Ebenhoeh 23:06
Couldn't agree any more on that? Well, Shawn, I really enjoyed the chat before they let you go like Where can people find sweet ice cream? With your social your your URL? What what do you got going on from a promotion standpoint?

S Sean Lee 23:19
Yeah, I mean, just you follow us on Instagram, 3d ice cream, cocoa, or on Tik Tok? In terms of our products, you know, find us on Walmart Albertsons, Safeway in Southern California, northern California. You can find us Asian supermarkets and then yeah, if again, if you're in LA, please swing by Costco and pick up our new combo pack though. Awesome. Awesome.

B Brad Ebenhoeh 23:46
Well, Sean, I really enjoyed the chat. Hope I hope the listeners do that. Hope the listeners did as well out there. We're signing off here on episode 34. The Month End podcast Sean Lee. Thanks again. Sean. Take care. Yeah, thank

S Sean Lee 23:58
you for having me.