

THE MONTH END

EPISODE 24



CRAIG "LEWIE" LEWIS

SHOW NOTES



SPEAKER BIO

Craig "Lewie" Lewis is the Co-Founder and CEO of [Flyers Cocktail Co.](#), an alcohol-free sparkling cannabis CBD cocktail company. Prior to founding Flyers Cocktail Co., Lewie provided consultancy services for big beverage companies. Flyers Cocktail Co. was founded in 2021 and is currently the world's most awarded CBD beverage.

TAKEAWAYS

On the day to day of being a CPG founder:

I feel pre-revenue and first year, you as a founder are just wearing every single hat in the business. One minute, you're flying at 50,000 feet, looking at channel strategy and expansion, then the other minute you're looking at the stickiness of labels on boxes and cans. You're learning about can line seals and all these different elements, so that's the part I actually find really exciting; being able to learn about all the different areas, but I'm looking forward to being able to scale and expand and pass some of those hats over to some other people.

TAKEAWAYS (Cont'd)

On regulatory challenges:

In 2018, hemp was fully--well, 2014 and then 2018 again--federally legalized. So anything with less than .3% THC, it's considered hemp and hemp derived CBD fits under that portfolio. So that said, the FDA have not approved ingestible CBD yet. So there's thousands of brands, there's drinks, there's edibles. There's all sorts of CBD all across the country, but because it's not FDA approved, it means for publicly traded companies it's too much of a risk factor for them to enter the space. Which is a good thing, because it means it's an opportunity for startups like ours and hundreds and hundreds of others. It's a challenge because when you get into banking, insurance, and freight, it's also also a risk factor. In terms of co-packing, we've got a really good co-packer out of Georgia that we work with. The biggest challenge for us initially was actually banking; trying to find a bank that works with us because of that risk element, and they're anti-that, obviously. Outside of that, ingredient sourcing is pretty straightforward. You know, the finding of the right partners is always a challenge because we want to be able to get the economies of scale early on, but then also be able to do larger and larger production runs as we move down the line.

The additional challenge on the other side is marketing and regulation. So we can't run ads on Instagram, Facebook, LinkedIn, Reddit, YouTube, TikTok, just for hemp CBD, this isn't THC cannabis, this is just hemp CBD. So there's already additional challenges for CPG brands on those fronts. Then you add in not being able to run any ads or any programmatic. There's a few platforms you can run, but but it's pretty restricted. So you got to come up with creative ways to get around that. We actually initially went DTC heavy at the start for the first few months, and then were realizing the customer acquisition costs were just not sustainable, so we pivoted and actually accelerated in retail. Now we're nine months in and we're in about 140 stores across New York and a few other states.

TAKEAWAYS (Cont'd)

On banking and cash challenges:

We use the CMS Shopify, but we actually can't use any of the innate payment processors on Shopify. So we can't use PayPal, Apple, Shopify Shop Pay, we have to use a third party payment processor. So finding that payment processor was a task, it took a long time and then filling the application of that was challenging, and then they actually work with another bank, who then processes that payment, and then pays us back, every week effectively. So it's a bit of a challenge and then there's the UX experience. UX on the website is not ideal because you technically have to click out and then check out, and then click back in, but we try and make it as seamless as possible. So the banking channel was hard, and that's just for the payment processor. In terms of our bank itself, it had to be cannabis friendly. There's not many in the country and it allows them to have additional transaction fees on every transaction, I think it's a 3-4% per transaction for that. On top of it, you have Bill.com challenges. We're still able to use them in some capacity, but effectively we have like three different payment processes, two or three different banks, all kinds of like running to just to help operate the business. Obviously we're working with you guys, and then QuickBooks and Fathom and all the other tools as well. So our tech stack has some additional layers too it.

Cash cycle is a whole thing. I would say it's 180 days at least at this point. One of the biggest challenges is there's a lot of really good platforms you can apply for to reduce that cash flow, but we can't apply or work with any of them. We've applied for all of them they're like, "sorry, we can't work with hemp CBD." And we're like "it's just ... it's a plant."

TAKEAWAYS (Cont'd)

On supply chain challenges:

We have about 20 vendors and 15 different ingredients per SKU. Luckily though, the ingredients that we source outside of the hemp, they're all just standard ingredients, like natural ingredients that we can use from any vendor. The challenges of that is that we leveraged our previous networks to be able to work with some of the best in class vendors for that, which are some of the world's biggest, and we are as small as it gets in terms of all of the clients. We're continually trying to fight the fight, it's like the David versus Goliath. We're trying to get the payment terms, and if there's any delay, they prioritize, obviously, the bigger clients versus ours. So our first production run, we had delays of two to three months, and that delayed our entire launch, just because of two vendors that were just kind of like, "oh, sorry, you know, we had a short run on this particular ingredient, so you'll get it in two months time," and we're like, "well, okay." Other vendors like freight, for us, we worked with a few different brokers and they work with some freight companies and some of them won't touch hemp just because their insurance doesn't allow them to. So they have to be pretty selective in the ones that can and that also kind of allows them to justify an increased price and freight is already crazy at the moment. If you add on that curated carriers that only work with hemp, it becomes really expensive just to move pallets from one state to another.

On how they are measuring success:

One is obviously the amount of doors that you're in, but then more important, that is the velocity in those doors. So we're learning that obviously, different channels have different levels of velocity. It's trying to manage this like constant flow of your own cash flow as a business, your revenue, forecast, your sell through rate, your velocity, and then your inventory that you have, and then also your components for production and the lead times of those components. So while we can have a model, I think when you make a forecast in one thing, you know that it is going to be wrong. If you can keep continuing to iterate and get closer and closer and improving it, that's going to help you be able to make those decisions.

TAKEAWAYS (Cont'd)

On expansion:

In terms of the states, we know that the big cities are kind of the goal as we move further West. Obviously, we're an East Coast brand, based out of Brooklyn, but we know that there's massive opportunities and this macro trend is occurring, not only in the US, but around the world, people drinking less and less, particularly Millennials and Gen Z, even more. So everyone's had that three day hangover that we don't really want to have anymore. COVID made everybody focus a little bit more on taking charge of their own health and well being and this is a piece of that puzzle as well. So it's more about, you know, moderation in drinking, as opposed to just completely abstaining from it. That's kind of our hypothesis, is that people still want to function during their social occasions, and there's alcohol at these locations, and that its an adult, complex drink, and that's where we fit in.

CPG BUSINESS DO'S AND DON'TS

CPG Business Do:

I would say take, take everything that you read in here and then apply your own lens to it. That particularly applies to year one, because there's a lot of conversations about margin and growth, but really in year one, you have to prove that your problem solves a consumer need and you can solve it at scale. So you've got to do everything you can to achieve that, and if that means absorbing margin or providing heavier, deeper promotional discounts to get in stores to drive velocity, velocity is the number where it's going to be at. Margin is obviously really, really important, and there's a lot of people that are just banging the door about margin, margin, margin, and that's an element where I'm like, "okay, it's year one though." You've got to grow and prove that your model is going to work and then it can work at scale. Then you'll unlock economies of scale and you'll be able to improve your margin, you'll be able to produce ten times as much. For me, it's kind of like all the learnings; take it all and then just take it all with a grain of salt and put your own lens onto it. Like, "is this relevant for me where I'm at, in my own stage of the business?"

CPG BUSINESS DO'S AND DON'TS (Cont'd)

CPG Business Don't:

Anything that you build or create: don't expect that that is going to stay the same. You've got to be open to it being that iterative process and using the build-test-learn model. Know that no matter what your previous experience is, you're going to get market feedback, you're going to adjust, you're going to change, you're going to pivot. If you build that in from the start--the ability to build, test, learn, and iterate--then you're going to be able to accelerate that movement towards product market fit. And obviously, that's going to be beneficial for the entire business.

NOTABLE SHOW QUOTES

Lewie on opportunity in the CBD market:

"We also know there's a unique opportunity where big beverage cannot operate in the hemp CBD space at the moment, just because of the regulatory challenges. So for the first time ever, all of the traditional marketing budgets that come from big beverage are not allowed to be applied to CBD beverages. So there's a bit of a rush for CBD beverages and an opportunity to gain market share. When those regulations lift, and those big beverage companies are going to be ready [to invest] it's gonna be a lot easier for them to just acquire something that's already been built. That's a little bit of a strategy."

Lewie on running a startup:

"It's awesome to be running a startup. It can be chaotic at times, but at the end of the day, your own product is something that helps you manage that startup."

Lewie on forecasting:

"After year one, we'll probably have a few data points to actually help guide decision making but before that, it's a bit of more of intuition."

Brad on taking advice through your own lens:

"From fellow entrepreneur, you got to figure it out, be a problem solver, adjust, tweak, learn from everything, but again, through your own lens."

Lewie on bars of the future:

"We think that there are going to be bars in the future where everybody's drinking, but you might be having a non-alc, someone else might be having a cannabis beverage, someone else might be having an alcohol or low alcoholic beverage, but we're all socializing. We're all drinking together, and that's the future that we're working on building."



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