

THE MONTH END

EPISODE 16 Ritual Beverage



SHOW NOTES

**RITUAL
ZERO PROOF®**

SPEAKER BIO

David Crooch is the CEO of [Ritual Beverage](#), a non-alcoholic beverage company. Founded in September of 2019, they specialize in zero proof alternatives for gin, whiskey, tequila and rum.

TAKEAWAYS

David's Role as CEO:

My background is CPG. I love the sales process. So I'm still heavily involved on the sales side of things, but it's also time that I take a larger step back, look at the entity as a whole; look at where this thing is going and make sure that we're making all the right decisions for both the brand, and this whole entire category.

We feel a real responsibility for growing this brand new category, because it is so important. As leaders in this category, it's up to us to make sure that people's first experience is the right one. So that's my focus now, is really driving the company forward.

TAKEAWAYS (Cont'd)

Sales Channel Advice:

- **The plan for this has always been retail, liquor and grocery stores**, and that's where it's gonna win. But the pandemic hits, and we were just rolling out into one major retailer, and everybody else, as you will know, largely stopped taking sales calls, and definitely stopped trying to build brand new categories inside stores where there's going to be zero discovery. So we really pulled back and focused on direct-to-consumer sales, straight through our own website. And of course, on Amazon. Which is really how every brand should start. Now it is a retail rollout focus. We just launched in about 140 Whole Foods.
- **We're constantly reviewing the data.** We're a very data-driven company. Sales metrics that we look at are: our own website sessions versus Amazon, conversion rate on our own website versus Amazon, average order value between the two. Also - number of orders: are they up? Are they down? What bundles people buy, and what different products are coming together to work. When it comes to in-store traffic, it's all about shelf velocity.
- **Amazon is our worst margin across the board.** Absolute best margin is our own website. Next best is a retail margin, and then you go full distribution.
- **Inventory management for us is critical**, we're always very aware of what's been produced, and when, and where it's going, because of the different types of packaging required.

Distribution Advice:

That's been a really, really interesting process. I have a lot of background working with natural grocery distributors thinking, 'well, this fits in perfectly there, this is great', but what's happened is it all comes down to the preference of the store buyer. So we're doing both. We're doing natural grocery distribution and large three tier distribution depending on the account.

TAKEAWAYS (Cont'd)

Inventory Management Advice:

We do use **DEAR**, which is a super helpful platform. We complete the production forecast, which cascades into that material forecast, based on bill of materials and lead times. It's all semi-automated and integrated into a big financial model.

We provide an annual material forecast to each preferred supplier, and then negotiate price breaks based on payment terms and quantity. And of course, we try to get multiple bids on bigger ticket items. When it comes to bottles, caps, labels--things that are physical--we try to go out and shop that around a little bit, especially now as prices are going up everywhere across the board.

Then we create instant POs in DEAR, and receive the materials physically (and in DEAR, of course), then issue payments via Accountfully. So it's kind of a nice, beautiful process that's all integrated into one big model that lets us kind of go to one place.



TAKEAWAYS (Cont'd)

KPIs to Review:

We are looking at:

- lifetime value (LTV),
- reorder rate,
- people that are signing up for "Subscribe and Save" both on our own website and on others.

Getting that average order value (AOV) up as much as possible is a big deal for us, so is getting our own website's conversion rate up. The biggest metrics are, the AOV and LTV - or making sure that we can really, really build that customer, build that basket, and keep them forever.

The "Subscribe and Save" number to me is one of the most fascinating. There are people out there that are buying Ritual, and they want it to arrive every month, just like WiFi and water. They want it to be a part of their life. That's, that's a really beautiful thing. They don't want to think about it. They want it to just be there, because they need it in their life for whatever reason; because someone's always pregnant, because they don't want to drink real alcohol, because just like gluten-free bread and almond milk, they want to have a nice option for whoever they happen to be hosting. I love that. That's one of my favorite stats, and the stats on that grow every month, which is incredible.



CPG BUSINESS DO'S AND DON'TS

CPG Business Do:

The do, hands down, is to hire the right people so that you can trust them completely.

Trust is, honest to God, the currency that we use here to be able to be so efficient. And it works. I'm in business with some of my best friends and people I just met, and we've become a family because of that trust. You can't have your hand in every single aspect of the business all day long, all the time as you grow. You just can't. When you can actually siphon that off from your mind and know that your person is handling that, you can then grow and look on top of the business and let the business grow again. So I think trust, it's not micromanagement, but it's not a lack of leadership, either. It's just the ability to hire people that you trust, and then do it.

CPG Business Don't:

Don't move too fast until you're adequately capitalized.

I think that people get an idea and they want to put the idea in their briefcase with a bunch of NDAs and run around and start the process and just build.

Build up, figure out how much money you're really going to need, and plan. Look forward. It's very easy to get tripped up with a lack of capital and then you're spending all of your time trying to raise funds as opposed to trying to build your business and build your product. Those are very hard to do at the same time. Get a good leg-up; get 6, 12, 18 months of capital under your belt first, and then begin the process of building your brand and making your impact on the world.

NOTABLE SHOW QUOTES

David on whiskey season coming up:

"I'm sweater-ing today, and the whiskey sounds fantastic right now."

David on starting out selling on the Ritual website and Amazon:

"You get the opportunity to speak directly to your consumer, you learn your own voice, and the voice that works for that consumer. Learn who they are, what they like, how to get a hold of them., and then build out from there. Take that same message into brick and mortar retail."

Brad on inventory management:

"It's a constant push and pull once you get things in place."

David on cash flow:

"The cash flow part of the business is critical and running in the red is not at all uncommon. But thankfully that gets to end this year, which is exciting."

David on a crazy supply chain issue:

"Our major glass supplier just let us know that this is the last time we're making glass in the US, next time it's coming from India. What?"

David on being engaged in the supply chain:

"I have to be constantly engaged in it and asking the question, what's our weakest point now?"

David on reviewing KPIs:

"ECommerce is so wonderful because you have insight into so much when it comes to KPIs."

WHERE TO BUY RITUAL:

- The [website](#)
- [Amazon](#)
- Whole Foods

DAVID RECOMMENDS:

Use the Tequila in a [Margarita](#) or [Paloma](#). Explore more cocktail recipes [here](#).

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