

THE MONTH END

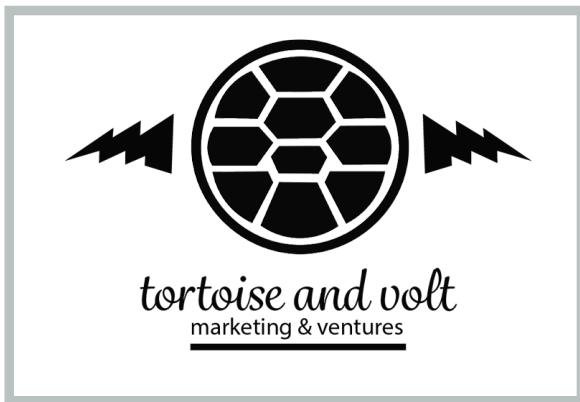
EPISODE 18

Tortoise and Volt

STEVE LUTTMANN



SHOW NOTES



SPEAKER BIO

Steve Luttmann is the Managing Director of [Tortoise and Volt](#), a strategic marketing and new ventures agency. He is a brand developer and entrepreneur specializing in the food and beverage industry. Three brands that Steve is currently working on are [Hercules Mulligan](#), [Bahnbröcker](#), and [American Vodka](#).

TAKEAWAYS

On Transitioning From the Corporate World to Starting His Own Brand:

The biggest challenge was fundraising. When you work in the corporate world, you have to raise money internally. But when you're in the incubator space, in the early stage of a brand, you're living hand to mouth most of the time for the first year or two and you have to go raise the money or use your own and bootstrap everything. You don't have an R&D department, or an accounting department. You're doing everything: you're faxing, and you're selling, and you're raising. But raising money I think is really the sea change and it makes you grow up real quick.

On the Nuances of Working Internationally in Brazil:

It's a different culture. It's a relationship culture, which is very endearing. It's fun, you get to really know the people you work with. People take the relationship there much more seriously. It is more inefficient in that regard. You always assume everyone works in English, but they don't. In Brazil specifically you have to work in Portuguese.

TAKEAWAYS (Cont'd)

On The Three Ventures that Tortoise & Volt is Currently Working On:

It Tortoise & Volt is a marketing and ventures business. It's consulting for other brands first and foremost. We do brand identity, and then we do business strategy. That's our core service. Obviously, our footprint is in CPG and beverages, and alcohol is certainly a specialty. I've been fortunate enough to have three really exciting projects come out of Tortoise & Volt, where I'm either the founder or the fractional CEO: Hercules Mulligan, American Vodka, and more recently, Bahnbröcker. I couldn't be more fortunate in terms of the three ventures that I'm working on.

On Managing Inventory/Supply Chain:

Typically I look for partners on the production—the more capable, the better. And the more capable, the greater the commitment level. On one of my projects, one of my production partners is a co-founder who took on all the development and the working capital, which in this business is extreme. For the other two projects, we just found some local distilleries that had the capability, had the attitude, the mindset, and we work with them. Typically, we do all the purchasing of our ingredients, we own the formula, we do everything, so we're almost like renting their facility. It depends on their capabilities, and how deep they can and want to go.

Best Practices of Financial Modeling:

It's an animal. I start out pretty bare. I get a lot of tabs and walk through the P&L, every line item is a tab, or they can end up becoming their own model, like working capital supply chain. I do monthly, five year monthly, and then it breaks down to an annual. I walk through the P&L, and then I continue on to working capital. And then what's the capital requirement? All the way to outcome analysis. What's the return on investment? What's the Series A, Series B, Series C? And I build that, and I'm always, always using it. Then I give it to Accountfully so we can compare actual to plan. But I tend to update it quarterly in some regard for the operating plan, and annually for sure.

TAKEAWAYS (Cont'd)

On Using Crowdfunding for Hercules Mulligan:

I don't recommend going into crowdfunding, unless you really think it through and understand it, and also to get some expertise. We're fortunate that someone on our team is very capable in that area. First off we launched Hercules Mulligan direct to consumer, the brand did great—it was a hit. Then we're getting to fundraising, and we're raising money from angels, and we said, "why don't we go back to these consumers and ask them if they're interested?". We did; we didn't ask them for money, we just asked them if they're interested, and the reaction was very positive. So we decided to launch a crowdfunding campaign.

We did a lot of analysis of who we should use--we used StartEngine, and then we spent four months trying to figure out how to do a campaign.

That's where our team did an amazing job. I can't even take much credit for it. Our raise was 750 grand, which we thought was going to take three to six months, at least, that's what StartEngine told us. We were oversubscribed after three weeks. In fact, right now, we have a waiting list.

We would have kept going, but we just don't need the money. At the same time we got angel investors with the rest. So it was an amazing experience. The key to it, I will tell you, is we had 12,000 emails that could go out and that people consumed our brand. We were already beloved. And if we didn't have that, we would have to go find that--we'd have to do paid media or something. We would have to get a list.

TAKEAWAYS (Cont'd)

Key Metrics Related to Sales:

The first thing is on the operational front we look at:

- What's our accounts sold?
- How many accounts are we in?
- What's the repeat order in those accounts?
- What's the quality of that repeat order?
- What's the conditions in that account?
- Certainly, pricing is important, how much discounting do we have to do if any? If we are just doing discounting, hopefully, it's based on volume of bracket price discount, not just a pay to play.
- What's the quality in terms of on premise and off premise, relative to our business?

We always say, in the on premise, you build the brand, and the off premise, you build the business. That's where you really can scale is in the off premise. It's very expensive in the on premise to do business. So we do look at splitting out our sales that way.

Right now we're a small brand, we're not meaningful to a distributor. So we have to put our own sales team, our reps on the street, which is a big cost for us. The measuring of the deal flow in the sales pipeline for the sales reps is a complicated area. Right now, we actually do it via Google Sheets. We're going to move to an online CRM tool--we're going to use one called LilyPad. In the beverage alcohol industry, where you have a three tier system and a distributor, it's a little more complicated than when you're when you're direct to consumer and with Amazon, and can see everything.

CPG BUSINESS DO'S AND DON'TS

CPG Business Do:

I think the most important thing is you got to get your concept right. In V/C speak, you always talk about risk. There's three types of risk:

1. Concept risk
2. Execution risk
3. Financing risk

I always believe that the concept risk is the critical one. The more you can go to town and get your concept right; your packaging, your product, everything that is relative to your proposition--execution, it will take care of itself. You'll attract the talent, and you'll attract the money, and you'll figure it out.

I call Tortoise and Volt, Tortoise and Volt because I think you've got to think slow and act fast. The part you've got to think slow on is on that concept. You've got to really know: the brand name is critical. What is your differentiation? What's your point of difference? Is your product good? It's got to be amazing to succeed. So that's the do. I mean that - to me - is huge.



BAHNBRÖCKER
Slow River
Blend

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

CPG Business Don't:

Don't get over your skis. Don't don't fall in love with your product. Certainly you can be passionate and you can internalize it, but you've got to separate yourself from your product. As a founder, you can't get too attached to it.

You have to look at it objectively. That's why it's important to have people telling you another point of view, and just don't get over your skis. Go listen to your consumer. Keep in mind, people are going to tell you what you want to hear, so try and find out what you don't want to hear.

Just don't get over your skis too far, especially when it comes to expansion. Start small, prove the concept, and then expand. Don't try and rule the world. We're not on Shark Tank. It's not as sexy and as fun as you think it is, especially when you fail. So just be an adult about it, and don't get over your skis.

Really just try and go through it sequentially. If you do, that's how the big successes work. I mean, I always look at Tito's, it's a 30 year overnight success, but *what* a success.



NOTABLE SHOW QUOTES

Steve on wearing multiple hats:

"I'm a marketeer that dabbles in everything."

Steve on working with the right people:

"When you're starting out, you don't know what you don't know, and trying to fill that gap with people that know is really important."

Steve on the success of Hercules Mulligan:

"We got some magic in a bottle there."

Steve on the importance of modeling:

"Modeling to me is a really important skill set in innovation: financial modeling, supply chain modeling, modeling your sales versus actuals. All those tools are really important, and there's an art and a science to them. And the better they are, the better you are."

Brad on the power of a good model:

"You need to understand the inner workings of it. You need to update it consistently, whether it's monthly or quarterly, and you need to assess against it. And you can literally use it as a tool to forecast scenarios, like, when will I run out of money?"

Brad on leveraging your network to raise money:

"It spans the entire spectrum now, and it's never been easier to get money."

Steve on where the name Tortoise & Volt came from:

"I think you've got to think slow and act fast."

WHERE TO FIND EACH PRODUCT:

- Hercules Mulligan [website](#)
- American Vodka [website](#)
- Bahnbröcker [website](#)

TORTOISE AND VOLT

See more of Steve's [unique brands](#) in the T&V portfolio

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