

What Happens Next – Sunday May 2, 2021
Online Universities, the Rebirth of NYC, Wine, Bourbon, and Tequila
Mike Novy

Larry Bernstein:

Our last speaker in this panel, is Mike Novy. Mike is the president and chief operating officer of 818 Spirits, which is Kendall Jenner's new tequila brand.

Mike Novy:

So if you haven't seen 818 tequila in your local liquor store or restaurant yet, you're not alone. We're actually launching our brand on May 17th in California, and then it should be in most of the states where you are residing in July, or just after. So 818 Tequila was the brainchild of Kendall Jenner, who grew up in a reality TV family, but she's also carved out a really strong career as one of the top-earning fashion models in the world today.

I'm going to tell you that I think that reality TV star is an ideal face for consumer products for several different reasons. First, by the very nature of how we know them, which is watching them in their homes from the comfort of ours, we feel more intimately connected to them, and second, because they hustle. Reality TV stars are part actors, part entrepreneurs. They know how to work hard. Case in point, Kendall Jenner, the founder of my company, 818 Tequila, grew up in reality TV, but has transcended not just into modeling, but into a series of other businesses.

So, celebrities get connected to brands fundamentally in two ways. One is a company who owns a brand goes looking for something to energize it. But they go looking for a celebrity spokesperson, and then they create a backstory about how that celebrity has a passion for this category, or for the brand. The second way is that the celebrity has an idea and searches out a business partner to bring the idea to life. That's the way that my company came into the world.

I was actually working on another business when this one came along. I had a checklist for the things that needed to be there for this to make sense. I think this is the blueprint for how a celebrity or, in this instance, a TV reality celebrity and model can be successful in the spirits business. So first I asked, "Is Kendall committed to the business and willing to put in the hours on the type of activities required to build a business in this industry?" So first and foremost, it was clear to me that she comes from one of the hardest working families that I've encountered. It's just fundamentally in her DNA. Two, Kendall is in tune with styles and brands, and she felt like there were many good tequilas on the market, but none that spoke to her as a consumer. She was willing to put in a lot of time and effort to try to formulate and create, and then bring to the world something that actually did just that.

So her vision was a next generation tequila brand that was more casual, more approachable, more youthful, more social in terms of that social interaction, as Carol spoke to, that consumers

are looking for, and also more socially conscious. As an aside, 818 is the area code that Kendall grew up in, and she wanted something in this name that symbolized inclusiveness, so a consumer being figuratively invited to make a connection with Kendall through a drink that she, Kendall, loves, at a place that is the most personal to her.

For the past four years, she has been working on this idea, going from finding someone who could help her locate distilleries to someone who could guide on all the regulatory hurdles that are required. Then there's just your fundamental business management, brand marketing, and supply chain that all had to be put together. Her work ethic and commitment to me was very clear when, on the first call that I did with her, she first was willing to make the whole group shift their schedule to a Saturday trip to go down to Guadalajara to go over to Tequila so that I could be a part of that trip and then, secondly, tell the group that was flying privately out of LA that they would be wheels-up at three in the morning so that by the time they hit the ground in Guadalajara and got over to Tequila about 45 minutes away, they would have a very full day of work. Again, that was a full day of work on a Saturday. She won me over with that one.

But then I wanted to know, "Is the celebrity, in this case, Kendall, accessible for whatever's needed, not just for the fun stuff?" So even this past week, Kendall has been involved in every facet of the business. She's done Zoom calls with me with national account buyers; we went up and down the street in New York to see some key retailers and on-premise operators. She is deeply plugged into what we do with our marketing agency, with our distilling partner, working on our production plan, and, in fact, the last text that I had of the night on Friday was at 10:30pm from Kendall, who was following up on something that she and I had talked about earlier.

But then, is she relevant to the target audience, and can she be the voice of a tequila brand? I looked into this, and clearly, I'll tell you, if you don't have the answer to that question, ask your 21 to 35-year-old children, friends, or coworkers, and the answer is a resounding yes. Tequila is, as a category, of growing popularity across all consumer demographics in the US. It's really been amazing. It's really been explosive over the past three years or so.

One reason for that is, I think we're just more accepting and more interested in things like Mexican beer and Mexican food, which has improved in quality. The tequilas that people are adopting now are better crafted. They're better styled. They're really so much different than what they once were, when we needed salt and lime and a strong grimace to endure drinking tequila. It's also become very popular with young women, so it's broadly accepted across all demographics, but it's really strong with young women, and women who like drinking it on the rocks to have a seat at the table with their male counterparts.

By the way, Dora Wedner, an intern for What Happens Next, thank you for that insight when we talked earlier this week.

Kendall is a relevant style setter across a variety of different attributes, and that is incredibly relevant to us.. I'll give you some quantitative validation of her relevance: if you go to her

Instagram account and then you go and you check out her Twitter and TikTok, she has over 200 million people following her on social media. Her family all combined has over a billion, with a B. Our Instagram account, which is @drink818, I'd encourage everybody to check that out at some point, already at last count when I checked earlier today had 423,000 followers. When I looked this morning, when I first woke up, it was 422,000.

So people are interested in what Kendall has to say, and what Kendall's going to do with the brand. That's obviously very compelling in a lot of different ways. It's also economically very attractive, because that's worth hundreds of millions dollars of global media, if you had to go and buy it. She also speaks very naturally and honestly about coming into the category as a consumer. She doesn't position herself as something that she's not. She doesn't claim to have grown up in a tequila-producing family. She doesn't say that she's a master distiller. That's also one of the keys to any celebrity being a part of the spirits or wine or beer industry. I actually think that her personality is one of our secret weapons. Most of the buyers that we've talked to have called her warm. They've said her enthusiasm is infectious, and maybe the highest compliment, if you think about the world that she's grown up in, they say she seems really normal.

The last thing that was on my checklist, and this will be one that I imagine will be in follow-up questions, is, "Is the celebrity controversial or might they be?" Some of you may have seen a couple of months ago, if you're familiar with our brand or Kendall being in the tequila business, it's probably because we got a lot of press about cultural appropriation, and whether she should have right to be bringing a tequila to the US. We're all very aware of that risk, but I will tell you and maybe ironically, that it has probably become one of our greatest opportunities, as every gatekeeper who saw that actually came to me with a list, and I have it right here in front of me.

The running list is at least 12 to 15 male names of US or European celebrities who had been involved in tequila, and there are many more in rum and other categories, none of whom were criticized for cultural appropriation. So, we try to balance the question and the issue of cultural appreciation versus cultural appropriation, and we look at our investment and our partnership in the community as collaboration versus colonization. But that is going to be probably one of our most dynamic issues that we're going to be dealing with as a business.

Mike Novy:

I know why you might initially perceive 818 Tequila as a reality TV star brand. Clearly, not all celebrity partnerships are good business decisions, but I see this one as a very strong proposition, and it's a beautiful product founded by a very smart woman who happened to start her career in reality TV. So far, my point of view has been validated by Kroger, Safeway, BevMo, Total Wine, and more, Target, ABC Stores, all of whom are going to be bringing in our

product as well as some of the best hotels, bars, and restaurants in the country that are waiting for us to launch.