

Management challenges in a time of pandemic – Wisco Pop! – an entrepreneurial case study

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The organic soda and sparkling water producer, Wisco Pop, was on track for a record year of sales. Investments in production capacity and the landing of large retail accounts with a prestigious national grocery chain and with a regional big box retailer presented opportunities for substantial growth. Then, almost overnight, the COVID-19 pandemic struck, severely impacting demand, production, and staffing. Strategic plans for continuing growth were put on the back burner as priorities shifted. The owners were faced with difficult management decisions on how best to respond and even survive the pandemic and whether there was a way to pivot the focus of the business in light of the uncertain business climate.

Keywords: strategic management, pandemic, soda pop, carbonated beverages, entrepreneurial business



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INTRODUCTION

Wisco Pop had been an entrepreneurial success story. Austin Ashley, CEO, along with wife Hallie and partner Zachary Mathes, had grown the business in less than 10 years to annual revenue of half a million dollars. Newly established business accounts in early 2020 with Whole Foods and Woodman's Markets presented opportunity for greatly accelerated growth. The approach to production was being re-evaluated: should they continue to invest in their own in-house production capacity or shift to utilizing outside contract packagers for the economies of scale and quality controls needed to meet anticipated increased demand? (Ashley, 2021)

And then, beginning in March 2021 business prospects changed practically overnight with onset of the COVID-19 pandemic. Orders from a significant segment of Wisco Pop demand including cafes and restaurants dried up as these businesses shuttered and/or greatly cut back on inside dining. Overall grocery store sales at most of their grocery store customers were actually up, but then, Wisco Pop products were priced at the higher end of their segment and not necessities for financially strapped shoppers. (Adams, 2020)

As the pandemic showed little signs of letting up in early 2021, Austin, considered various strategic options ranging from cost-cutting, pivoting the business in ways to shore up continuing demand and securing financing to sustain the business through an extended time of pandemic and diminished demand. He felt confident that one way or another Wisco Pop could sustain operations and stay in business but it was critical now to revisit their strategies and how they might best endure and even excel in a pandemic-impacted business environment.

OWNERSHIP

The ownership structure of Wisco Pop was that of a partnership with ownership shares held by Austin Ashley, his wife Hallie and Zachary Mathes. As CEO, Austin focused on overall business strategy and supplier and customer relations; Hallie on office and accounting operations and Zachary on production operations. Important business decisions were very much handled as a team. In the year leading up to onset of the COVID-19 pandemic, the company had had to deal with a challenging degree of dysfunction in ownership structure as a fourth member of the management team that had been brought in specifically to oversee sales and marketing had not contributed what was expected, resulting in operational turmoil and high degree of tension in the team. This had become an obstacle in moving forward, particularly in customer relations and expanding the customer base. The decision was made to terminate this individual and thanks to a "pre-nuptial" type of contract when this individual was originally brought on board, the separation was handled in a mutually agreed manner. This dysfunctional aspect had gone on for some time prior to this ownership/management shakeup and had impacted abilities to focus on other business needs leading up to the onset of the pandemic. (Ashley, 2021)

PRODUCTS

Wisco Pop produces two lines of organic carbonated beverages including their Wisco Pop! line that includes ginger, cherry, strawberry and grapefruit real fruit flavors with organic cane sugar. Their other Sparkle unsweetened sparkling beverage line, introduced more recently, includes ginger, lemon and lime flavors. Ginger-flavored Sparkle has become their best seller. All beverages are certified organic and produced with real fruit. Apart from the organic

designation, flavor and healthy aspects are distinguishing factors for their products and their promotion. The product description, for example for Cherry Soda and Ginger Sparkling Water includes the following (Wisco Pop, 2021):

“Organic Montmorency tart cherries are punctuated by whole brewed, organic vanilla beans and cinnamon with a bit of fresh organic lemon juice. Our Cherry Soda is cocktail-ready, complex and pretty much tastes like cherry pie cooling on a breezy windowsill.”

“The only ginger sparkling water. We use fresh, organic ginger juice, organic lime juice and nothing else to craft this 10 calorie, superfood wonder.”

PRODUCTION

Before onset of the pandemic, Wisco Pop, with annual sales of half a million dollars, was approaching the capacity limits of their production, particularly with addition of two large accounts with Whole Foods and Woodman’s Market. Should they and could they continue to make the substantial investments in equipment for increasing brewing and bottling capacity? Part of the appeal and differentiating factors for Wisco Pop was that it was a regionally produced product.

Another option would be to contract out production. There was a growing demand for contract bottlers or canners with capacity and certification processes (such as for organic and food safety) that could meet Wisco Pop’s monthly production capacity in just a day or two and such contract outfits could also handle packaging, palletizing and warehousing needs. Most contract production was with aluminum cans. (Harfmann, 2019)

Wisco Pop had already made some limited use of contract packagers for packaging their products in aluminum cans for some of their promotional events where glass bottles were not practical and/or where cans could carry additional product information more suitably than for glass. Aluminum also was weight saving, resulting in less shipping cost and was more environmentally compatible due to its greater recyclability.

Onset of the pandemic, however, also resulted in an almost overnight shortage of aluminum cans as buying patterns and demand for store-bought aluminum-can beverages increased. Lead times for acquiring aluminum-packaged products suddenly extended to many months and most canners were not even taking orders. (Wilmes, 2021).

Initially, Wisco Pop was produced and marketed as a product that needed to be continually refrigerated to maintain freshness and food safety standards. The need for refrigerated transport and refrigerated merchandising at retail establishments, however, increased costs and storage flexibility, limiting wide acceptance from some potential accounts, particularly large grocers. Non-refrigerated shelf-stable products required a high degree of process controls and testing to ensure product integrity. During 2018, with enhanced sterile production measures and laboratory testing feedback, Wisco Pop was able to meet standards for non-refrigerated distribution and shelf-stable products. (Ashley, 2019)

DISTRIBUTION, MARKETING AND PROMOTION

By early 2020, Wisco Pop had more than 500 retail accounts, primarily in the Midwest, including Wisconsin, Minnesota, Iowa, Illinois, and Michigan. Distribution was handled primarily via United Natural Foods, Incorporated (UNFI), who specializes in serving independent and organic/natural food retail stores in the U.S. and Canada. UNFI has regional

distribution centers that serve the particular delivery and finance as well as merchandising and marketing needs of their retail customers. Wholesale pricing margins for Wisco Pop vary depending on the size of the account that UNFI serves (UNFI, 2021).

In early 2020, Wisco Pop (largely as a result of now shelf-stable products) gained accounts for their Sparkle carbonated beverage products with the Whole Foods Market Mid-West region and with Woodman's Market, a supermarket chain in Wisconsin and Northern Illinois. Demand, particularly for the Ginger Sparkle product, increased dramatically as a result of acquisition of these large accounts.

Wisco Pop also sells direct to retail customers throughout the U.S. via their Website. Orders can be placed for 12 bottle quantities of sodas and carbonated beverages. Customers can also purchase Wisco Pop branded clothing merchandise. (Wisco Pop, 2021).

Competition is intense for carbonated soda pop and for unsweetened flavored sparkling water beverages. A typical supermarket dedicates substantial shelf space to various brands and their flavor variants including the ubiquitous branded Coca-Cola and Pepsi beverage offerings (including sweetened and low/no calorie offerings) and other nationally distributed brands such as La Croix, Perrier, Izze and San Pellegrino. Competition is less for organic beverages but is increasing, particularly in Whole Foods and other health-oriented stores, with some brands, such as San Pellegrino, including organic carbonated beverages in their product lines.

Given the highly competitive landscape, it's important to have a distinguishing factor for success. For Wisco Pop products, genuine fresh fruit taste has been that factor and it's important for potential customers to have opportunity to experience the taste. Promotional approaches to encourage trial purchase and consumption is key. Wisco Pop periodically arranges promotional events with retailers to stimulate purchase and trial. While promotional pricing is at a level that produces little if any profit margin, increased demand following in-store promotions can pay off. Wisco Pop has been able to employ sophisticated data analytics via access to distributor delivery information to monitor and measure the success of promotional campaigns. The economics associated with promotional efforts (in terms of return on the promotional investment) are measured by tracking demand at individual stores where promotions are held before and then during the days and months following the promotion. A sustained level of significantly increased demand has helped build demand in retail channels where promotions are held. (Ashley, 2021)

FINANCES AND PANDEMIC CHALLENGES

Wisco Pop, from its early evolution, in spite of limited personal financial resources, had been able to take advantage of various forms of "creative" financing including government small-business grants, attractive lease arrangements that included leasehold improvements and a successful Kickstarter campaign. (Schreder, 2017). Additional financing for expanded production capacity in recent years was facilitated by a fortuitous arrangement with an "angel investor" that had provided funds under attractive repayment terms. (Ashley, 2021).

With the onset of COVID-19 in early 2020, revenue decreased dramatically, falling nearly overnight by more than 30%. Much of this decline was from retail coffee shop and restaurant establishments that, if not shuttered, had pivoted to a carry-out business model where customers were much less likely to order or spontaneously pick up a Wisco Pop beverage. With the impact on cash flow, Wisco Pop was confronted with the immediate imperative of what to do to survive. A decision was made to significantly cut expenses via production staff reductions and an all-hands-on deck approach to keeping operations going, including owner take-over of

production operations and shelving of other production and marketing investments. Financial assistance from government COVID-19 business relief funding measures also helped weather initial impacts of the pandemic. (Ashley, 2021)

Interestingly, margins for the level of business that remained, as a result of cost-cutting, actually increased and what seemed a threat to survival was averted, though at the cost of much more day-to-day involvement and physical labor by owners. By 2021, the added stress of this was taking a toll and leading to a degree of “burnout.” Austin Ashley, who relished the creation part of starting an entrepreneurial business, was even wondering if it was time to consider moving on to a new entrepreneurial challenge.



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