

Say's reading materials for Group B

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The Financial Times

Millennials get the message in Dirty Lemon bottles

Company that sells beverages direct to consumers via texts gets funding from Coca-Cola

Patrick McGee in San Francisco

The story of Dirty Lemon sometimes sounds like a satire about how to sell things to millennials. The four-year-old brand sells its 16oz colourful plastic bottles of lemon water by text message, in packs of six, for \$65.

“When you restrict distribution, and people are seeing a lot of something, it naturally creates demand no matter what the price point is,” said its founder, 35-year-old Zak Normandin. “That was part of the appeal. The fact you couldn’t buy it everywhere. It was a like a secret.”

The water, made with upscale ingredients such as hibiscus and Himalayan pink sea salt, comes in 14 varieties, purporting to boost sleep, focus, reduce wrinkles or to “improve your everyday routine”. One is described as “a daily beauty elixir formulated with four grammes of hydrolysed marine collagen”.

Bijal Vakil, a partner at law firm White & Case in Palo Alto, said he orders three cases of Dirty Lemon a month for the “unparalleled” health benefits. “It’s not easy to find waters with turmeric and charcoal on the market,” he said. “They make it easy to order and the drinks taste great.”

New customers visit the Dirty Lemon website once, to link a credit card to their phone number. After that, they simply text their order to the

company's computers. Staff members are on hand to respond to any major problems with messages laden with emojis.

Ordering by SMS — “short message service” or text — is called “conversational commerce” and according to eMarketer it is “proving to be one of the most effective” means of reaching consumers. In-app messages are seven times more likely to reach users than emails, for instance.



Dirty Lemon's distinct bottles were originally designed for shampoo © Getty

Mr Normandin said texting is critical to the business model: “Imagine if Coca-Cola had a profile on every person that has purchased Diet Coke over the last 30 years. They would be able to create a new product to sell to the consumers that they’re now losing — the people that used to drink Diet Coke but aren’t drinking it any more.”

Coke gets it. In December the drinks giant led a \$15m investment round into Dirty Lemon's parent, Iris Nova, an emerging online boutique Mr Normandin founded to sell a range of curated products via text.

Iris Nova was valued at \$60m and has attracted high-profile venture capital groups including Greycroft, which said it was in a position to “make a monumental shift” in the consumer packaged goods industry.

Mr Normandin decided to shift to engaging consumers directly after watching the long lead times of products for his previous start-up, Little Duck Organics, which sold children's snacks. He said his team would spend months perfecting a specific product, but "it would take, sometimes, up to a year to get the product on the store shelves".

In 2014, a year after selling Little Duck, Mr Normandin decided to try to use social media to build a new aspirational brand for millennials, inspired by the likes of Frank Body, whose \$50-per-7oz coffee ground-based body scrubs had gone viral on Instagram.



Frank Body's scrubs have gone viral on Instagram © Instagram

Mr Normandin decided to tackle the \$1.5tn soft drinks market. Unlike direct-to-consumer products such as Warby Parker eyeglasses, drinks are a recurring purchase that users could "replenish" over SMS.

To create buzz, he spent up to \$30,000 a day advertising on Instagram. Within weeks a niche audience of millennial women created a mystique for the product when they showed up at urban yoga studios clutching Dirty Lemon's distinct bottles — originally designed for shampoo.

Last year Iris Nova doubled-down on the mystique when it opened two staffless shops in New York, called the Drug Store, which house dozens of Dirty Lemon drinks for \$10 each. It works purely on the honour system: customers grab a drink and walk off, then text Dirty Lemon for the bill.

The store's existence partly reflects how advertising costs on Instagram have ballooned, but it is also another venue for collecting data and a tangible way for consumers to interact with the brand.

Mr Normandin is no longer advertising on Facebook and Instagram, and instead plans to invest \$100m in the next three to five years on new products such as healthy teas. Iris Nova will also begin distributing a curated batch of third-party brands, taking SMS reordering beyond drinks.

To power the back-end, Iris Nova last year purchased a chat bot start-up called Poncho, whose namesake cartoon cat had delivered weather updates to more than 1m people. Mr Normandin killed the cat, but repurposed the technology to take orders more efficiently.

"SMS is the most ubiquitous form of communication in the world," he said. "Right now we're hyper-focused on beverages. But there's a huge opportunity to really challenge the way products are getting to consumers."