



How Sarah Kauss turned her drinking bottle start-up S'well into a \$100m enterprise: Teaching note

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Synopsis

This armchair teaching case, developed from a student assignment (lead author), tracks Sarah Kauss's organically funded start-up S'well, from the ideation pain point (a hot hike with her mother) through being unethically knocked off by Chinese counterfeiters, to delisting because the growth success story was attracting too much attention. This entrepreneurial/digital marketing/strategy case is developed by sketching the founder's growth story from low cost marketing, requiring door-to-door sales, to the first pivot, the invitation from Oprah Winfrey to feature in her magazine. The prospect of guaranteed national US exposure created the first trigger point, requiring scaled up production beyond the storage capacity of Kauss's New York apartment. Other celebrities and enthusiastic customers co-created organic exposure on social media through shared image posts, drawn to S'well's cool design and eco-credentials. Kauss astutely sought to position her triple-steel walled, double insulated bottle as a premium fashion accessory, partnering with up-market retailers. By imbuing her brand with more than functional attributes (the longest time performance keeping hot's hot and cold's cold), embracing a mission to do good by reducing plastic waste, and portraying a pro-social agenda through collaborations with environmental and health related charitable causes, she created a powerful, mission-led story that resonated with modern consumers. The second pivot came when invited to partner with Starbucks (who had spotted the bottles in a magazine), leading to a series of successful, website crashing, joint promotions. Carefully, over time, Kauss had successfully built a trusted, premium brand that she dreamed could achieve unicorn status, with a \$1bn valuation. Despite launching a range of product lines for beverages (from kids packed lunches to picnic wine) and food on the go, and enhancing the eCommerce site, by 2020, it was clear that because of changes to social media algorithms, organic (unpaid) community promotion was losing traction. Was it time to consider a third pivot and adopt more sophisticated paid digital marketing concepts? The case questions encourage readers to identify: the market

gap opportunity, S'well's USPs (unique selling points) and how Kauss was able to command a substantial premium for her portable, thermal storage solutions. Readers are also invited to synthesise the deployed organic marketing strategy before assessing the conservative organic business growth strategy favoured by the Harvard Business School educated, ex-accountant founder. Finally, the case invites consideration of the unresolved marketing challenges faced by S'well in 2020.

Target audience

This teaching case study has been designed to be used in marketing, digital marketing, entrepreneurial marketing, and strategic marketing classes at an intermediary level for undergraduates and as an introductory intervention on postgraduate programmes. It could be integrated into an entrepreneurship course to enhance curriculum consideration of female entrepreneurs, organic growth strategies, and low-cost marketing implementation, particularly with the addition/substitution of the supplementary questions.

Teaching strategy

This case is designed to work in a typical 50-minute small group seminar class. Adjust small group discussion time and plenary interactions upwards to fit longer classes.

To build trust and foster an appropriate interactive environment, start the class exercises by encouraging students to introduce themselves using a 30 or 60 second elevator pitch. Make sure they know their partner's first name from the get-go.

[7 mins] Warm up: As a warm up exercise before kicking off, invite students in pairs to discuss their hydration strategies. Encourage students to scan the environment by looking at the variety of solutions likely to be evident on table tops and peeking out the top of bags.

Commence the class proper by playing this 30 second short ad: <https://youtu.be/DmJvB0Nz0vw> and follow on with this 'movement' promotion for New York: <https://youtu.be/BwYHkBrEKxg>

Build up to question 1 discussion by asking the class "Who likes to drink warm water on a hot day?", "Who feels guilty when throwing away a single use plastic container?" and "What does the word swell mean to you – what feelings or ideas does it evoke?" [According to the dictionary definition, the term swell has a multitude of meanings; (1) bulging or rounded, like the bottle shape design, (2) distended with powerful or expansive emotion, (3) growth in size, number, and/or intensity, (4) high social position/fashionable stylish, socially prominent, and finally (5) as in "that's swell" – North American terminology for excellent or to highlight enthusiasm (Merriam-Webster dictionary). With a little creativity, nearly all of the above might apply to S'well too.]

[6 mins] Question 1: Invite students in the same pairs to discuss the identified gap (easy) – but encourage them to first challenge how they would frame the market. [Use Steve Jobs iPad gouging beauty and function – with a full day's battery power breakthrough]. Validate the correct gap answer (straight forward to encourage a lean in orientation), but focus the plenary conversation time on the framing question element.

[6 mins] Question 2: Explain what a USP (unique selling point) is, invite the class to offer up their own examples. If necessary use examples of students' writing instruments e.g. the heart beating space pen that writes upside down, the Bic Crystal's see-through casing that ensures you always know when your ink reservoir is about to run out, or Biro's roller ball that ensures a smooth and reliable writing experience – no illegible signatures. Remind the class that consumers buy benefits (solutions to problems they care about, or pain points) rather than features.

[8 mins] Question 3: Frame this question on the evolution of S'well's marketing with the idea of cash is king and how often start-ups have to cut their cloth to match the enterprise's life blood, cash flow. Remind them that many new businesses have to initially rely heavily on direct sales and word-of-mouth referrals for lack of ample marketing spend. Firms go bust because of cash flow problems, not poor profitability.

[5 mins] Stretch break: [remember the 20-minute attention span] Make groups of four by inviting pairs to join together. Each person should introduce their partner [at least their first name and something interesting about themselves] in 30 seconds to the 'new' members. This provides a short 3-minute break where students can converse informally.

[8 mins] Question 4: Explain that organic in this context means growth relying on internal financing resources, re-investing profits back in the business to invest in for example; larger order sizes, new equipment, enhanced eCommerce platforms, more staff, increased storage space, and more administrative support. Encourage students to consider the question using multiple stakeholder perspectives, not just the founder's lens which is powerful in the case narrative.

[8 mins] Question 5: Ahead of the discussion, play this video: https://youtu.be/k4PhS_Hoowc. Explain this is where the case pivots from analysis into more diagnostic consultancy recommendation making. Highlight that the superficial answer here is quite straight forward, but a deep dive into the fundamentals of the business (encouraged perhaps by questions 1-4) should mean students are better able to not only make recommendations, but justify why these are robust.

[5 mins] Close: Ask the class "What did you learn?" Emphasise that this case requires analysis in real world practice [and explicitly make the employability connection of these skills].

As a reflective ending piece - cum provocation - encourage students to consider how a boss or client might ask a specific question (e.g. question 5) that actually requires significant background research and analysis [questions 1-4, but also refer to follow-on questions below] merely in preparation to be able to fully consider what might seem on first reading as a simple set task. Individuals who have 'gone the extra mile', who can demonstrate investigation into a range of rabbit holes, and have prepared answers to anticipated questions are those likely to project high levels of competence and catch their boss's attention as a star performer, or not.

Potential answers to questions

1. Describe the gap in the market that caused Sarah Kauss to risk all her savings and launch S'well?

An upmarket and stylish water bottle for working professionals who did not want to purchase single use plastic. Kauss framed the product solution that would be aesthetically in keeping with less price sensitive, middle- and upper-income consumers style, as a quality accessory that would sit comfortably on a business lunch table, nestled next to an expensive designer handbag, iPhone and expensive Italian suit.

2. What were S'well's unique selling points? How does the brand command a premium?

USPs: Double insulation stainless steel shells keep cold liquids cold for 24 hours and hot beverages warm for 12 hours. Colourful, ergonomic designs that 'look good, and do good' (helping 'save the world' from plastic bottle waste) augmenting physical attributes with psychographic benefits of peer kudos and self-esteem enhancement.

Brand premium: Premium positioning – using a conscious marketing mix: price (US\$35/bottle), distribution (e.g. Neiman Marcus, Starbucks), celebrity endorsement free promotion, and reframing the product as a giftable fashion accessory (evidenced by 5.5 units owned per customer) – combined with celebrity endorsements and not-for-profit focused partnerships (e.g. Earth Day, TED). Functional attributes (easy to emulate) augmented by powerful, emotive intangible and positive carefully designed brand associations (that are much harder to copy).

3. Explain how S'well's low spend marketing evolved.

Initially Kauss relied on her friends and family to refer sales. She also then undertook door-to-door sales in leafy neighbourhoods. Once her PR plugging started to pay off with magazine (key inflection: O from Oprah listing) and wider media coverage, online sales were via the company website and Amazon. Then, partnerships with premium retailers (most notably Starbucks) and on brand collaborations with environmental charities. Social media fueled eWoM using UGC, particularly celebrities on Instagram causing dramatic sales spikes that crashed the website on several occasions.

4. Evaluate the strengths and weaknesses of S'well's organic-only business growth strategy?

+ Kauss retained 100% ownership – enabling her to cloak the firm in privacy following a negative experience with counterfeiters.

+ Rare, female founding entrepreneur brand personality and authentic values (mission to reduce plastic waste) sewn into the brand, with a body of evidence of successful partnerships with a range of eco-charities.

+ Carefully considered collaborative joint marketing efforts, seem to enhance the S'well brand

- Relatively slow new product development (no dishwasher proof bottle) and product line diversification. Post-Fordian colour range impetus came about following Oprah's interest.

- Under investment in eCommerce and paid digital marketing capability development

- Slow geographic penetration, and reliance on third party distributors – allowed counterfeiters to negatively impact sales channels, particularly via Amazon.

5. What unresolved marketing challenges does Kauss face, and how would you recommend she address them?

The appointment (see Appendix A timeline) of a CMO perhaps indicates the realisation that S'well's paid digital marketing capability was underdeveloped. The loss of traction from organic Instagram UGC playing into owner Facebook's game plan – to shake more advertising income from brands that benefit from its social media platforms. Will the firm be able to navigate through the mid-size growing stage to establish itself as a large, powerful and enduring brand, able to invest sufficiently to protect its brand and nurture it over time?

With a wider product portfolio, S'well has just started to produce traditional paid advertisements. Will consumers embrace a more aggressive commercial company, when historically it has been more co-created by its customers own shared passion for elegant design and clever cause related collaborations, stimulated via voluntary user generated content? Perhaps S'well will use an authentic consumer focussed or co-created approach to developing

its campaigns to attempt to retain its humble and authentic brand credentials.

The ongoing threat from illegal counterfeiters and lower cost, me-too competitors seeking to emulate S'well's sales strategies is significant. This will likely require an enduring focus on customer insights to understand the fashion (colour) cycle and to continue to tie in with contemporary, on trend partners – both distributors and not-for-profits.

Additional resources

Sarah Kauss reflecting on her EY background <https://youtu.be/HzBIQcngG5g>

How S'well leveraged Starbucks to become a status symbol <https://youtu.be/UOsGWxUr1vl>

Introducing S'well Eats <https://youtu.be/Dy0FKtaZrFM> [Product line diversification]

S'well's Sarah Kauss gives advice on starting a million-dollar business https://youtu.be/B6WYyG_6II [Short, motivational]

Additional/alternative follow on questions

Consider using the following questions to give the case a stronger entrepreneurship orientation. Some will require students to research beyond the case content.

- What associations does the name S'well invoke? Given the evolution of the brand over time, what meaning has been embodied through Sarah Kauss's use of the term swell?
- Describe the entrepreneur challenges often faced by female founders.
- What are the features of the S'well water bottle? How can these be translated into marketable benefits? [include consideration of intangible psychological factors in addition to functional attributes]
- Evaluate the strengths and weaknesses of alternative sources of funding available to Sarah Kauss.
- Countering the customer value proposition with a buy or fill calculation. For a low, medium and high frequency bottled water consumer (make clear your assumptions/research insight) calculated how long would it would take to recover the initial US\$35 upfront investment in a S'well bottle? Assume that a one-way plastic bottle of water costs US\$2 and tap water refills are free.
- S'well ceased reporting its financials after 2016. Can you forecast sales and cost data to derive an estimated profit for the following five years?
- What ethical considerations does the case bring forward?

- The case outlines a number of strategies used by S'well to counter the challenge from competitors and unethical counterfeiters. Can you identify three of these identified in the case and propose another potential approach that is not mentioned?
- How important have collaborations (particularly with charitable entities) been in the development of the S'well brand?

Appendix A: Sarah Kauss / S'Well timeline

1993 Colorado University Boulder: Freshman Kauss pledges to not use foam cups or plastic bottles

1997 Joins EY as a junior accountant (CPA)

2001 MBA from Harvard Business School

2009 Arizona Aha! Ideation moment – hiking with mother
2010 Sarah Kauss founded S'well with only US\$30,000 (retained 100% ownership)

July 2011 featured in the O, The Oprah Magazine list http://www.oprah.com/gift/swell-stainless-bottle?editors_pick_id=31693 triggers the development of 5 more colour options

2013 Included in TED Talk delegate gift bags

2013 Sell out distribution via 120 Starbucks stores (first partnership)

2014 \$10m sales milestone

2016 S'ip bottle launched in Target (large, US mass market) stores

2016 \$100m sales milestone

2017 Headquarters move to accommodate growth

2017 Limited edition bottle to celebrate Earth Day

2017 Lilly Pulitzer/Starbucks partnership product sold out in a day, crashing Starbucks website

2017 Diversification beyond bottles – launch of S'well Traveler and Tumbler

2018 100 Million Plastic Bottle Earth Day pledge

2018 Launch of sport cap with drink thru spout

2019 Launches stainless steel straw set

2019 Limited edition Earth Day collection (inspired by NY youth)

2019 Vacuum-insulated food containers launched

2019 FMCG brand marketer, Josh Dean, appointed as CMO (Chief Marketing Officer)

2020 Named official reusable bottle of London Fashion Week

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