

DRIFTWEST

# TRANSITIONING FROM COLD-CHAIN TO SHELF-STABLE WITH SPARKLE



# THE JOURNEY

## IDEATION & PLANNING

Working with water kefir grains, product development and pastry cheffing.

## COLD CHAIN & CO-PACKING

Finding a co-packer and understanding the complexities of cold chain distribution

## DISTRIBUTION & GROWTH

Getting product from the co-packer to retail shelves

## EMBRACING THE NUMBERS

Realizing that the success of the business begins and ends with obsessing over COGS

## PROBIOTIC TO PREBIOTIC

Pivoting and transforming the product formulation

## JULIANNE'S TIPS & RESOURCES

Learning to love numbers, finding mentors and connecting with buyers



# IDEATION & PLANNING



Julianne Richardson grew up on the Oregon Coast. After earning a Le Cordon Bleu degree in Pastry Arts, she spent a summer interning at Bouchon Bakery in Yountville California then settled in Portland, Oregon, where she became pastry chef at the renown Wildwood Restaraunt.

With her creative culinary background, Richardson began experimenting with kefir grains. At the time, interest in Kombucha and probiotics were becoming more mainstream, but kefir was still mainly know as a dairy based drink. Richardson began fermenting kefir grains at home and mixing local fruit purees to create a probiotic rich, fruit forward sparking beverage. It was in her home kitchen that the idea for Driftwest was born.

One of the main draws of water kefir was that it could provide all of the nutrients and health benefits of kombucha without the sour vinegary taste. For a trained pastry chef, this opportunity to capitalize on taste while still providing a health focused beverage was paramount.

After a few years of experimenting, formulating and planning, Richardson settled on three flavors: cranberry grape raspberry, grapefruit tangerine, and guava mango passionfruit. While she had become an expert at fermenting the kefir grains and formulating the beverages, she needed the equipment of a co-packer in order to make the volume needed for a grab-n-go beverage.

This is a tricky place to be when launching a food business and Richardson quickly learned the challenges of the production-distribution chicken-egg conundrum: she needed a retail ready packaged product to present to buyers in order to get on grovery shelves, but once she had produced a large volume of perishable refrigerated product she needed immediate shelf-space in order to sell it before it expired.

## What is water kefir?

Water kefir is made by combining sugar water with kefir grains and allowing them to ferment.

During the fermentation process, the microorganisms in the grains consume the sugar, producing a tangy, effervescent beverage.



Water kefir grains do not contain actual grains like wheat or rye; instead, they consist of a gelatinous mass of bacteria and yeast that thrive in sugary environments. The fermentation results in a drink that is rich in probiotics and beneficial bacteria that can support gut health.

# COLD CHAIN & CO-PACKING

Water kefir is a live, raw, naturally fermented drink with a broad spectrum of probiotic strains; these qualities are what make it uniquely nutritious and also uniquely complicated to get to market. Since the product is naturally fermented, the only way to stop the fermentation is with refrigeration. For a packaged product, this means that from the moment it is bottled or canned, the product needs to go into a refrigerated state. If for any reason the product warms up again, the natural yeasts will begin re-fermenting. The re-fermentation process can cause pressure to build up inside the packaging and in some instances will lead to an exploding bottle or can.

For a small business, the production to cold-chain workflow can cause some logistical complexities. In order for Richardson to ensure that her product was safe to sell on shelves, she needed to ferment her kefir grains to just the right state, then put them under refrigeration and deliver them to a co-packer. From the production floor, her beverages needed to be refrigerated and then transported in a refrigerated vehicle to cold storage.

Working with a co-packer also meant that Driftwest would need to launch with a significant amount of inventory as co-packers have required minimums. For Driftwest, this had one more layer of complexity. Since it is a natural product without preservatives, water kefir has a shorter shelf life than many other bottled beverages, so from the time of the production run, Driftwest needed to be ready to make lots of sales calls in order to get their product onto retail shelves before the expiration date.

In 2017, Driftwest found a co-packer and prepared to launch with a run of 600 cases of each flavor. The launch involved a significant investment including sourcing fruit purees for \$11,000, renting a \$400 a month kitchen to house the kefir grains, as well as fees for cold and frozen transportation and storage for ingredients and the final product. Then there were also packaging costs and the co-packer tolling fee. Paying for this large test run was a big risk as Driftwest didn't have a retailer in place to sell the product through.





# DISTRIBUTION & GROWTH

Fortunately, Julianne had a contact at a regional grocery chain with 11 locations in Oregon. After her first production run, she sent samples to the grocery buyer and they purchased 99 cases and immediately put Driftwest in the grab-and-go cold case at all 11 stores.

“We learned a lot during that period as we found re-fermentation issues due to insufficient cooling. And ended up having some quality control issues with some of the bottles in that first run” said Richardson. This was their first experience with the importance of an air-tight cold-chain distribution system.

A few months later another local retail chain added Driftwest to 18 of their locations. Sales were expanding and Richardson was able to do another production run.

Then, unexpectedly, after her fourth production run, the co-packer announced that they were doubling their minimums.

Despite steady sales growth, due to the short shelf life of water kefir, there was no way that Driftwest

could manage the distribution and sales of 3,600 cases in a single co-packing run. “With my products’ limited shelf life I couldn’t afford to have that much inventory produced at once,” said Richardson. All of a sudden Driftwest was searching for a new production facility.

**250**

Retail locations  
in distribution

**1,800**

Cases in first  
production run

When starting out, it’s common for new food businesses to assume that finding a co-packer will solve all of their production challenges, but Driftwest quickly discovered that this was not the case. Co-packers (sometimes called co-manufacturers) are businesses too and they also need to adjust numbers and increase prices. Sometimes they also go out of business.

Richardson eventually found another co-packer willing to do smaller product runs. This was a great match until that co-packer went out of business.

Since launch, Driftwest has had four different co-packers. With each new co-packer, Driftwest has had to reformulate, invest in new packaging designs and learn new production processes.

In the first years of business Driftwest was self distributed which was tricky for a refrigerated beverage. After establishing a consistent production output, Driftwest signed on with a regional beverage distributor that facilitated growth into new stores and Northwest regions.

Today Driftwest is distributed to over 250 locations.



# EMBRACING THE NUMBERS

When you talk to start up food entrepreneurs you will discover that most do not pay themselves for their first few years in business. Driftwest is no different. Julianne has always worked additional jobs (including as a candy maker and a traveling notary public) in addition to running Driftwest. While she has hired and paid employees, all profits to date have been fed back into the business.

When Driftwest launched, Julianne drew on her experience as a chef to design the products and flavors without thinking much about costs. But as the business grew and inflation began to seriously impact her bottom line, Julianne realized that she needed to take a hard look at the numbers and understand how ingredients, packaging and labor were impacting her margins.

After analyzing all of the inputs, Julianne recognized that in order for the business to remain viable and eventually thrive, she had to let go of some of her past product preferences and focus on what would work for her bottom line. "I had to step away from these instincts I had built throughout my career where the flavor and texture is all that matters and start making more practical decisions in terms of how hard to access or expensive ingredients were affecting the health of the business," says Julianne.

**"I HAD TO GET TO A REALLY LOW PLACE TO REALIZE THE IMPORTANCE OF MY NUMBERS"**



In order to take a more business centric approach, Julianne took a step back from her personal taste preferences and worked to formulate products that had viable margins while still tasting great.

During this time she relied heavily on her advisor at Food Methods, David Hill. They worked together to dial down on her cost of goods and financial projections. "In many ways, I had to get to a really low place to realize the importance of my numbers. I now love to geek out on the numbers and spreadsheets," Richardson says with a smile.

This refocus on numbers, forced her to reflect on some of the road blocks built into her product. She took a hard look at the cost of cold-chain distribution and re-fermentation issues. Over the years Driftwest has had to say no to some big opportunities, including sales to Safeway, Whole Foods, and Pharmaca. At the time Driftwest wasn't positioned right in regards to production and distribution so they couldn't commit to the necessary minimums.

# PROBIOTIC TO PREBIOTIC

With all of these number-focused realizations, Julianne was forced to address the built-in limitation of having a cold-chain grab-and-go-beverage. While many cold-chain products are viable, the cost of storage and transportation for an item that sits on the shelf next to low-priced sodas was having a major impact on Driftwest's success. Julianne decided to reformulate; her goal was to find a way to maintain her healthy focus without the need for refrigeration.

After contemplating her business viability and the logistical nature of her perishable beverage business Julianne realized she wanted to give it one more try. She wondered what she could do with Driftwest if she removed the shelf stability issues of her products. Julianne found a new co-packer that could pasteurize her product into a shelf stable beverage. She worked with Food Methods to work out the detailed cost of goods and financial projections. In early 2024 Driftwest rebranded, re-formulated, and launched a shelf stable line of four prebiotic beverages. With all accounts still in place the new versions of Driftwest started replacing the perishable water kefirs on the store shelves. The new flavors are raspberry grape, apple ginger, guava mango passion, and cherry limeade. All promote prebiotic fruit soda with sparkle as well as "stevia free" to differentiate from the growing lines of prebiotic sodas on the market today.



Julianne says she knows she had to go through all the steps, good and bad, that Driftwest went through to get to the place she is in now. It is a huge relief to have a shelf stable beverage and a precise, and up to date knowledge of the numbers of her business as she moves forward with her brand. Julianne has been able to decrease her cost of goods and increase her business profit. She is expecting to be able to take a pay check from her business this year!



# JULIANNE'S TIPS & RESOURCES



## KNOW YOUR NUMBERS

### Get to Know Buyers

When we did our first co-packer run we didn't have a single account. But, we had met two buyers through the GYRM course we took and had maintained relationships with them. This meant that as soon as we had product, we had an easy time getting in front of them and having them consider our products for their shelves.

### Appealing to Retailers

Early on, I definitely believed that a delicious product would just speak for itself when presenting to retailers which couldn't be further from the truth. They are considering so many factors when deciding whether your product is right for them- your distribution, price point, the saturation of similar products that they already carry etc. Don't get discouraged by it, you'll learn something new about the way they think every time!

### Forecasting

Learning how to properly forecast has helped me to make quick and smart business decisions and pivot when necessary. The numbers don't lie folks!

### Know Your COGS

Get real with your COGS. If you aren't going back and revisiting your numbers on a regular basis and tracking ingredients and production costs, you are going to be missing key data for making business decisions.

### Find Good Mentors

It's important to find mentors who encourage you and have your best interest at heart, but it is equally important to find mentors who think differently than you do. It took me awhile to truly understand the depths of this, but once I started working with Food Methods, I realized that I had undervalued numbers and forecasting. I had been coming at our food business like a Chef, but neglected to really look closely at costs and operations.

## RESOURCE CORNER

Some of the key organizations and resources that led to our success!

[Swift Cider Consulting](#)

[GYRM](#)

[Foodakin](#)

[Food Methods](#)

[Craft Canning](#)





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