

SHANKEN NEWS *Daily*

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Interview: With Spec's Deal, Hi Seltzer Aims For Big Leap Forward In 2024

Late last week, Kentucky-based hemp THC beverage brand Hi Seltzer announced a deal with Texas-based drinks retailer Spec's Wines, Spirits, and Finer Foods that will place the brand across Spec's 200-plus stores, as well as offer it to the 70% of on-premise establishments that Spec's services across the Lone Star State. Hi Seltzer comes in Watermelon, Pineapple, Wild Berry, Real Cherry, and Lemon Lime flavors retailing at \$11-\$13 a four-pack and \$3-\$4 per single can, with each 12-ounce can containing 5mg of Delta-8 THC, billed as offering a gentler high than products made with the more familiar Delta-9 THC.

Spec's CEO John Rydman said in a statement that Hi Seltzer "has the right combination of taste, functionality, and innovation to be the next billion-dollar brand." This year, Hi Seltzer is targeting \$25 million in sales and an output of 2 million cans per month, according to CEO Lou Police, as it looks to continue rapidly expanding from its current base of 3,000 stores across 24 states. SNDC executive editor Daniel Marsteller spoke with Police to hear more on the Spec's deal and Hi's expansion plans.

SND: What markets are you particularly bullish on across the country?

Police: We're in a variety of states, such as Pennsylvania, New Jersey, Tennessee, Kentucky, Kansas, Missouri, the Carolinas, and Alabama with United Johnson Brothers for example. There are some conversations we're having about much bigger distribution channels as well. In Minnesota and Wisconsin we can't keep them in stock. I think Florida is going to be a huge market, and the Eastern Seaboard can be a huge market. We've got a strong on-premise presence in Nashville, Tennessee with Best Brands. On-premise owners say it's the new "shift drink" for their employees. We're doing our best to keep up with demand.

Somewhere between 17% and 20% of adults are seeking an alcohol alternative, whether it's THC, non-alc wine or beer or something else. That is going to continue to propel a product like ours that's approachable. We want to be that first-touch cannabis-infused product for people who may have otherwise not wanted to try it.

SND: What's the onset time for Hi Seltzer? How does it compare with beverage alcohol?

Police: The absorption begins literally as it hits your stomach lining, so onset is within seven to 10 minutes. And one can of Hi Seltzer at 5mg of Delta-8 is the equivalent of about a glass and a half to two glasses of wine. So I explain it to people as, how two glasses of wine makes you feel, that's what one can of Hi makes you feel, generally speaking.

SND: What are your aspirations for the Texas market after the Spec's deal?

Police: We are exclusive to Spec's in Texas. We sent them some cans, and the feedback was overwhelming and unanimous that we are onto something. They said, "we were already talking about doing this, but we looked at a bunch of brands and nobody really met the expectation, and then we tried yours and it blew us away." They have their 200-plus branded stores, and also service 70% of the entire state on-premise. We haven't even scratched the surface yet.

SND: Who is the audience for the brand?

Police: We thought we were going to skew heavily female to male. It's an alcohol alternative with zero calories, zero carbs, zero sugars. We thought, it's probably going to be that soccer mom category, the 28 to 40 category. But as I sit here and talk to you we're ages 21 to 91. I know people in their late eighties and early nineties that drink our product. I know people in their early twenties that drink our product. Diabetics, who can't have alcohol for obvious reasons, enjoy our product. Athletes like the kids that work for me, youngsters counting macros and calories, they can drink our product. The professional pickleball tour named us as their exclusive THC-infused beverage. Once people try it and understand that it's not going to send you into orbit, but rather be a nice, gentle experience, they respond to it.

SND: What differentiates Hi from other cannabis beverages?

Police: You need an emulsifier for cannabinoids, for absorption and for formulation in different products. Most brands use oil as the emulsifier, and as you can well imagine, your palate knows immediately, and it also affects the absorption and the way it's metabolized. We utilize a very specific water-soluble nano-emulsified base material that dissolves odorless and tasteless instantly in water. It pours clear and is effective, and we've been off to the races.

SND: How do you see the regulatory environment for hemp beverages developing? Right now it's behind the curve.

Police: Any change to the Farm Bill (through which hemp products were legalized nationally) is getting pushed to 2025. We're contributing a lot to those conversations at the state and federal levels. We welcome regulatory oversight. I've seen products out there that have 50, 80, 100mg a can, and I'd submit to you that someone who's never had cannabis and drinks a 50mg can on the golf course or the beach might not have the best experience. Regulatory oversight will command proper compliance, and also drive consumer confidence, steering consumers to brands that are what I call ethically dosed.

This category is growing faster than any other cannabis category in the country. It's going to require groups like ours and others who are doing it right, in my opinion, to set the standard, take the lead, and approach it reasonably and ethically so that everybody wins, the state wins, the consumer wins, the brands win.