



O Beverage Inc.: Coming to fruition

Former 'Juice Guy' taps fruit-flavored water market with owater

By Naomi R. Kooker

By all accounts, Tom First's latest business product should be a slam dunk.

Owater, a natural fruit-flavored water, which is dubbed a healthy alternative to sports and vitamin drinks, is backed by some heavy rollers -- including former chairman of Bank of America Charles "Chad" Gifford and Highland Capital Partners. In 2001, First and Tom Scott sold local juice company Nantucket Nectars to Cadbury Schweppes Bottling Group for \$100 million. The brand's sales were around \$60 million annually at the time.

Based on his previous success, First expected an instant synergy between the product, the brand's identity and the culture within the company when he launched his new venture in 2004. Instead, he spent 3 1/2 years perfecting the product, retooling packaging and getting O Beverage Inc., which produces Owater, off the ground.

"I think in hindsight it makes so much sense that it would have taken so long," said First, "but at the time I underestimated it."

This year O Beverage will reach about \$5 million in sales, an 85 percent increase from last year's sales of \$2.7 million. Earlier this year the company moved from Cambridge, where it started in 2004 with two employees, to Concord, where First expects to add 10 more employees to the 30-person staff by year's end.

The two-year plan is to reach \$15 million, a threshold

that would give Owater big-brand recognition, First said. Eventually, he wants Owater to reach \$100 million or more in sales.

Three rounds (First won't disclose the dollar amount) of funding have pumped millions of dollars into the company, which has spent little under \$5 million to date and is not profitable, yet. First expects 2010 to be the year for that.

O Beverage produces two lines of naturally flavored fruit waters with electrolytes: Owater, which has five flavors, is unsweetened; the Infused Owater, which has seven flavors, is sweetened with small amounts of pure cane sugar. The name evolved from using O, symbolic for the water cycle and for the O in Olivia, the name of First's daughter.

Owater is growing at a time when power players such as VitaminWater and Fruit 2-O have dominated the more than \$1 billion market, leaving a challenge for smaller brands, said beverage industry experts. "It's going to be a challenge, given the fact that this category already has some big players in it who are very good at getting distribution and shelf space," said John Sicher, editor and publisher of Beverage Digest. "It's not too late. It's going to be a challenge to build into a significant national brand."

As an aggressive move in building that brand, First signed on 24-year-old Boston Red Sox outfielder Jacoby Ellsbury in April to be a celebrity spokesman and stakeholder in the business; First won't disclose how much Ellsbury owns. "I'm not a glom-on celebrity guy," said First, "but one of the greatest challenges you have is building awareness."

Part of the biggest challenge for First was creating the product and establishing an identity around it. For instance, every time a water flavor didn't pass the taste test or a

label had to be redone, it cost around \$100,000. One infused water needed five label revisions. Plus, getting the right balance of the infused water, which includes electrolytes, antioxidants, fruit oil, fruit essence and cane sugar, was harder than mastering juice flavors, First said.

First, a father of three, got the idea for Owater after opening Concord Provisions, a natural food store. He noticed how many “health” drinks contained lots of sugar and artificial ingredients. As a self-proclaimed fitness freak, he wanted to make a drink he’d like, something natural and not too sweet.

First said now that the flavors and packaging are where he wants them, morale has picked up. He still holds quarterly meetings to examine and criticize the product to make sure it’s the best it can be. “Even if you think something’s good, you have to ask, ‘Can we get it better?’ That’s what being a little guy is all about.”