

Not Your Father's Boom Town

By: Scott Winship

THE POWERFUL TEXAS ECONOMY IS GIVING RISE TO AN EMERGING CLASS OF CONSUMER PRODUCTS STANDOUTS

113 years removed from the Lucas gusher at Spindletop, the Texas economy continues to thrive from its direct affiliation with Oil and Natural Resources. While there is little debate that the energy complex will continue to anchor the regional economic discussion for the foreseeable future, several powerful derivative effects of Oil's influence are increasingly apparent in a new Texas economy that is rapidly expanding through different industry sectors that once called other zip codes their homes. Clearly, the State's functional balance sheet and business friendly posture are aiding and abetting its run towards economic supremacy, but it is also fairly safe to say that the enormous transfer of oil-related wealth into the wider-angle view of successor generations, has directly contributed to the emergence of Texas as a national hub of innovation, creativity and contemporary value creation in branches of the economy that have little or nothing to do with fossil fuels. Nowhere is this more visible than in the consumer products and services segment, where an increasing number of uniquely creative brands and highly differentiated service offerings are producing a very audible boom of their own.

If you have picked up a lifestyle magazine at any airport in the U.S. in recent years, chances are you've noticed an increasing frequency of nods directed towards cities like Austin, Houston and San Antonio. You're seeing this because Texas is "bringing it" for the young and ambitious by way of increased professional opportunity, a high standard of living and a palpable hipness that is sweeping across the state. Furthermore, if you lift the lid on any of Texas' primary metropolitan areas, it's not just BBQ that you're going to catch a whiff of, but rather an entrepreneurial spirit and an intelligent approach to product development, theme variation and brand creation that was formerly reserved for the glass walls and hallowed halls of cities and states where boots and hats don't get a lot of play.

With no disrespect directed towards the rest of the country, the business environment simply feels different here. Different in that there is an efficiency in "opportunity conversion" that characterizes many of Texas' promising upstarts – one that tends to favor instinct over the textbook, and one that almost always starts with "yes" and works down the details from there. Obviously, this has a lot to do with the State's deeply engrained frontiersman spirit and ever-present pride, which combined with capital availability and capital investment, are literally paving the path to prosperity for the new class of Texas entrepreneurs. Any way you examine it, the "next-generation" business climate in Texas is unmistakably enthusiastic, heavy on value creation potential and a lot of fun to participate in.

There's no doubt that the massive success of Whole Foods and the rapid ascendency of several other high-impact companies from Austin, such as **Sweet Leaf Tea**, **Yeti Coolers**, **Chuy's** and **Freebirds World Burrito** were fundamental contributors to the ignition of the Texas-based consumer inferno. This is true to the point where Austin can now be described as one of the leading consumer brand incubation environments in the country. In the shadow of the State Capitol there are a number of compelling new food and beverage brands like **Chameleon Cold Brew**, that is redefining coffee consumption with a cold brew concentrate that



delivers a smooth, rich flavor in a very convenient multi-use format and **Cookwell** that is focused on taking the pressure out of dinner planning with a line of high quality prepared sauces and mixes that enable the consumer to put a delicious, gourmet meal on the family table in a matter of minutes. Other notable Texas-based growth names in the food and beverage space include larger industry players like **Windsor Foods**, which is powerhouse in the frozen foods aisle and **John Soules Foods**, which is the leading fajita brand in the U.S. There are also a number of fast growing mid-tiers like **Stubb's**, **Deep Eddy Vodka** and **PitaPal**, and very promising earlier-stage brands such as **Rhythm Superfoods**, **Simply 7**, **Little Soya** and **Boomerang's**.



Whereas Texas is very well known for its legendary food and hospitality, it is also coming on strong in other high profile consumer segments, such as fashion. On the retail side, Houston is home to several fashion retail and accessory pioneers including **Charming Charlie**, who turned an innovative color-based strategy into a highly differentiated retail environment and shopping experience, and **Francesca's** whose eclectic mix of curated fashion designs and accessories has quickly expanded to over 350 boutiques in 45 states. Up the road in Austin, the team at **Criquet Apparel** has put a unique, preppy spin on the venerable 70s golf shirt and quickly became

one of the most compelling new men's fashion labels on the market, with a differentiated line and a clever brand personality that is directed at the higher-end demographic.

Extending the category line a bit further, cosmetics and beauty leaders like **Laura Mercier**, **Chi** and **Luminess** all call Texas home. Leading Housewares brands including **Chantal** and **Blinds.com** (recently acquired by Home Depot) both hail from the Lone Star State. Emerging power brands in the alcoholic beverage sector like **Tito's**, **Shiner Bock** and **St. Arnolds Brewing** hang their respective hats here. It's also important to note that beyond these higher profile brands there is an equally impressive army

of consumer-oriented manufacturing and services businesses whose differentiated products and service offerings touch and impact consumers across the globe on a daily basis.

In absolute terms, it wasn't too long ago when the consumer products influence base in Texas could easily be described as Frito-Lay and Chevrolet. Today it's coming wide and deep and, in contrast to the overplayed Texas stereotype, it's not coming with a loud, oversized gaudiness – but rather with a depth of sophistication, a weight and a force that have the potential to re-draw how (and where) the world thinks about brand value creation.

It all starts at the foundation, and that thick black crude that, 113 years ago, forced its way through a Spindletop wellhead and into the Texas sky, has now worked its way through several generations of investment, increasing trade and strong infrastructure building. The result is a Texas Economy that is broader today than it has ever been in the past, one that is uncommonly strong and one that is in a unique position to forcefully lead the nation into its next era of economic expansion and prosperity.