

The ACSA Guide to Starting and Operating a Distillery

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AMERICAN CRAFT SPIRITS ASSOCIATION

AMERICAN CRAFT SPIRITS ASSOCIATION OAKTON, VIRGINIA

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About ACSA

WHO WE ARE

The American Craft Spirits Association is the only registered national nonprofit trade group representing the U.S. craft spirits industry. Members vote for the 15 democratically elected representatives who make up the **Board of Directors**, and this Board collectively works to govern the ACSA in a transparent, responsive manner and in accordance with our bylaws.

VISION

The greatest spirits are universally recognized as coming from our member producers, and they are enjoyed responsibly everywhere in the world.

MISSION

To elevate and advocate for the community of craft spirits producers.

PRIORITIES

- 1. Build and Support Membership
- 2. Increase Diversity

- 3. Improve Market Landscape
- 4. Develop Organizational Stability

VALUES STATEMENT ON DIVERSITY

The ACSA acknowledges diversity in distillery leadership, and various positions throughout the industry continue to be a problem. Thus, we are committed to creating and fostering an environment that is welcoming and accepting of all individuals, and ensuring that all members of our community are treated with dignity and respect. We believe that a person's background, identity, or beliefs, should not be a hindrance to their being in a position to contribute.

MEMBER OWNED

Membership in ACSA is open to anyone, although Voting Members must be independent licensed distillers with a valid DSP, subscribe to ACSA's Code of Ethics, have no more than 50% of the DSP owned (directly or indirectly) by a producer of distilled spirits whose combined annual production of distilled spirits from all sources exceeds 750,000 proof gallons removed from bond, and annually produce fewer than 750,000 proof gallons removed from bond (the amount on which excise taxes are paid).

In case terms, 750,000 proof gallons is 315,451 9-liter cases (12 750 ml bottles) of 100 proof spirit. A DSP may not be a Voting Member if another producer of distilled spirits whose combined annual production of distilled spirits from all sources exceeds 750,000 proof gallons removed from bond and directly or indirectly holds an ownership interest of greater than 50% of the DSP.

To learn more, visit americancraftspirits.org.

PART I STARTING A DISTILLERY

T Motivation

CHRISTIAN KAHLE

So you want to start a distillery? Awesome. So where do we start?

Part-time vs. Business

Do you want to start this as a part-time or as a full-time business where you expect it to provide most to all of your income? As a part-time business it is not a great choice. There is a large and complicated amount of paperwork and long lead times to getting started. It is also fairly expensive to get started. Can you do it as a part-time business? Yes. But it will take more of your time than you can imagine. It will quickly become not fun. Some people do it as a second job. It is not. It is a full-time job, even at a small scale.

If you're looking at this as a full-fledged business that you expect to support yourself via the income generated, then you're in the right ballpark. The key here is the cost and time involved to get started. It can take six months to two years to get a distillery going properly. From a cost perspective, most decent-sized distilleries take between \$250,000 and \$1,000,000 to get going. You can spend less but it will cost you in the time it takes to get enough product out there to do better than break even. If you do spend less, what normally happens is that the first year or two you spend money on the things you need but couldn't afford if you would have had the money in the first place.

Some of the costs associated with starting a distillery include the purchase of rent of a building; renovations to meet state and local health and fire codes; mashing/fermenting/distilling/storage equipment; consultants; marketing; bottle filling equipment; logo and label design; bottles; and corks.

Industry Experience

Do you need experience in the industry? No. But a lack of industry experience will slow down your growth. It takes a long time to understand this industry. There are so many factors to account for: the number of markets; federal and state regulations; FDA limits on raw materials (for those experimenting with new products, the GRAS list is essential); the biology of fermentation; the science of distillation; the equipment (what it does, how it works, how to repair it); accounting; marketing; HR; PR; understanding distribution; sales and marketing; etc. No small business is really easy and the distilling industry, with all its regulations, is quite challenging. If you're thinking about opening a distillery, read this entire ebook. Attend one of ACSA's Distillery Start-up 101 courses before its annual convention. Seek out books on the topic. Talk to as many distillers and distillery owners as you can. Volunteer or even work at a distillery for a year.

Business Background

Do you need a background in business? No. But you will need to learn it. There's so much you need to understand about business that it can be overwhelming. One key phrase that entrepreneurs often say is, "You only run out of money once." Invest in yourself and get all the necessary tools in your toolbox so you can make informed decisions you need to make it so that you don't hear the dreaded words, "Your distillery must close." Avoid this at all costs.

There is a lot to owning a small business. You'll need to learn to cover the basics yourself. You don't need to be an expert in everything, just conversant and able to make good decisions. Ask people you know that run small businesses what it is like. Every industry is different, but you'll catch some commonalities. Talk to

your local Small Business Administration (SBA) or SCORE. Even small urban areas will have entrepreneurship groups that you can network with. There's help out there. Look up books on the subject. There are several "MBA in a book" options that will help. I suggest reading more than one. Each seems to have its own focus and it's better to have more of a general education on the subject. You will need to learn the basics of accounting, marketing and HR.

A more positive phrase you'll hear in small business is, "Hire to your weaknesses." Stink at accounting? Hire an accountant. Not great at marketing? Hire a marketing person or agency. Obstacles can be overcome. You just need to recognize them and overcome them as needed. One thing that helps is learning to be honest with yourself. Understand what you are good at, what you like, and what you are not good at or don't like. Find people to help with things you are not good at or dislike. Glossing over or pretending to not have a personal weakness will negatively affect your company and you. Be honest with yourself. What are you good at and focus on those tasks at hand. Surround yourself with talented people who can support your efforts to start a distillery. There will always be challenges to running a small business and even more challenges when that small business is a distillery. Face your personal and business challenges head on so your distillery can grow, thrive and survive.

Inspired by a love of Scotch whisky, **Christian Kahle** started distilling as a hobby that turned into Lucky Sign Spirits in Gibsonia, Pennsylvania. He likes to research weird and little known spirits and brings them to life.