

FPENTREPRENEUR

GROWTH STRATEGIES

Baby sips for Twelve
Barrels Spirits before move
to U.S., without a Dragon
on board



CBC

Each week, Financial Post contributor Mary Teresa Bitti revisits the previous week's episode of CBC's Dragons' Den. We capture what the cameras didn't and in the process provide a case study for readers, zeroing in on what pitchers and dragons were thinking and what the challenges for the deal are going forward.

The pitch On this special student edition of the Den, Carleton University student Cole Miller pitched Twelve Barrels Whisky. The Napanee, Ont. native, in his final year of a cognitive science degree (“science is my fallback”) started his path to entrepreneurship when he was 15 as a self-described bootlegger.

Long story short: when his dad caught him stealing liquor from home, Miller decided to make his own supply. He went to Walmart, bought grape juice and fermented it. He quickly moved on to making beer. “One batch was undrinkable. Rather than dump it, I bought a still and distilled it to transform bad beer into moderately drinkable whisky,” he says. “My hypothesis was if I could make really good beer, I could make really good whisky.”

Understanding the power of a good backstory, Miller visited the local museum in Napanee to find a name and an historical hook for his whisky. That's where he discovered an advertisement dating back to the 1800s from local distillery owner John Meagher. A little more digging led Miller to George Meagher, one of John's 17 children. George was one of Canada's first professional hockey players and the 1896 world champion figure skater. Growing up, George would jump over his dad's whisky barrels to practise “fancy skating.” Miller combined the stories to come up with Twelve Barrels whisky.

In 2015, in between semesters at Carleton University, Miller moved to the U.K. to work at Lakes Distillery. He spent weekdays distilling and blending and weekends leading distillery tours and tastings. “That experience cemented that I really wanted to do this.”

It also revealed a cost-effective way forward. Rather than building a distillery to make a single malt whisky, which needs to age for at least six years, he would outsource whisky production. “I buy whisky from three different distilleries and blend them. It is entirely my recipe. 66 Gilead Distillery in Prince Edward County blends, bottles and warehouses it, helping me keep costs down.”

When he entered the Den, Miller had been in business about two months. He was pre-sales with no confirmed distribution partners.

The deal Miller asked for \$30,000 in exchange for a 40% equity stake, valuing the business at \$133,300. The money was targeted for marketing, in-store tastings and social media campaigns to drive traffic to the stores — once retail distribution was secured. All the dragons were impressed with the entrepreneur and the product. Manjit Minhas was the only one who did not make an offer, because of a potential conflict. (Miller

revealed during the pitch that he had approached her company to bottle Twelve Barrels for the U.S. market.) Miller accepted a joint offer from Jim Treliving and Mike Wekerle, who offered \$150,000 in exchange for a 45% equity stake and a 50% say in decision making. That deal did not survive due diligence as both sides decided to step away. Miller has since secured distribution in hundreds of locations in Ontario and Alberta and is in talks with retailers in Atlantic Canada. He has also dropped the price point to \$35 a bottle from the **\$39.99 he pitched the dragons. “We changed the bottle design and implemented a few other cost-cutting measures to bring the price down to \$35, which seems to be the tipping point of mass volume selling.”** He’s also revised his vision. Initially, his focus was on the U.S. market. However, distributors there first want to see six months of sales in Canada. **If all goes to plan, he’ll start bringing U.S. retailers on board in the fall.** In the meantime, Twelve Barrels has already won a bronze medal in the 2017 Canadian Whisky Awards.

A dragon’s point of view Jim Treliving and his team took the lead on this deal and for his part is still interested — **depending on how well the product sells. “Cole is persistent and knowledgeable. He’s learned a lot about the industry and we look forward to working with him down the road. It all comes down to whether or not the product sells. From our own restaurants, I know that whisky is making a comeback. I think he’s taking a run at the market at the right time. I also think that the lower price point is smart. Millennials will look for this. The question is will it sell? If Canadians like it, then he can look at other markets.”**

An expert’s opinion Brad Cherniak, partner at Toronto-based business advisory Sapient Capital Partners, likes the branding and backstory and says that **marketing will be key to gain and maintain distribution. “He won’t be able to compete on quality because beyond the recipe, it takes years to create a quality whisky. But he doesn’t have to. Rather than targeting whisky aficionados, he could go after those people willing to try something new or those buying it as a gift. That’s why branding and marketing will be important.”**