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The Spirit of Partnership

Written by Amanda Baltazar

Thursday, 14 January 2010 15:15

Staying as far away from being 'corporate' and maintaining the spirit of entrepreneurship is the focus of Temperance Distilling Co. in Temperance, Mich.

This 11-year-old company makes its own products, but 95 percent of its business is contract packaging for other entrepreneurs across the country. When Brian Pearson set up the company in 1998, this was not his intention, however. Having researched gelatin shots for his sister's wedding, he saw a gap in the market, and started making his own in his basement, soon having them produced by co-packers.



For eight years, Pearson did the sales and marketing for his Zippers Gelatin Shots, but decided to go it alone in March 2006. Immediately, he started receiving calls from other entrepreneurs making products in their own homes and bars who wanted to do more. By July, he'd signed up his first contract packaging account.

By the end of 2009, Temperance Distilling had a total of 42 contract packaging customers, with 100 to 150 products between them.

"We saw potential in the market for entrepreneurs trying to enter the industry," says Molly Pearson, vice president of the company and Brian's wife. She now runs Temperance while her husband runs a brokering spin-off called Pearson & Pearson.

The past year was the bumper year for Temperance in signing on companies to manufacture products for, despite the economic conditions.

"When the economy is bad people take their destiny into their own hands," Pearson explains.

Temperance offers help from the ground up, taking the products from start to finish. The company also allows minimum runs of 2,000 cases, whereas other distilleries typically ask for at least 5,000 or 10,000. Once a company is signed up, Temperance takes care of everything from packaging to formula, sourcing bottles, labels and caps, shipping, accounting, legalities and even graphics.

"We offer turnkey solutions so they can focus on the sales and marketing," says Pearson. "It means the companies don't have to get into loads of paperwork and their focus can really be on selling their brand."

The people who contract with Temperance are varied. Its first contract was signed with a truck driver and his farmer partner to make Muddy Gut Holler Moonshine, but others have worked for big companies like Diageo who wanted to branch out on their own.

Once a company has signed up, it typically takes six to 12 months to get a product on the market, and usually two years to make a profit. In the past 11 years the Pearsons have not had a single customer fail, Pearson says.

Last September, the Pearsons sought out a wine permit because a company was interested in having Temperance contract package wine-based gelatin shots. The permit is definitely a boon to the company, she says. "It's opened doors for us. We just have one [wine] company so far, but have had lots of inquiries on this side of the business so we expect it to grow."

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Also last year, in February, the company was granted USDA organic certification, which cost \$1,000. Pearson moved into this because Thatcher's approached her to make its Organic Artisan Liqueur. "We saw a niche because only four or five other distilleries in the country offer this," she says. "Plus, consumers are starting to realize that it's viable and I think it's a growing market."

Pearson expects distilled products to remain the bulk of Temperance's business. Beverages the company makes now include Travis Hasse's Apple Pie Liqueur, Ladies' Night CottonTini Cocktails, Hard Luck Candy Vodka and Bohemian Spiced Whiskey.

Beyond contract packaging, Temperance stays true to its roots and continues to manufacture Zippers Gelatin Shots, which are distributed in 27 states and Canada. Temperance sells nearly 10,000 cases per year.

The company also has a brand called Swig Beverage Co., which includes a sweet tea liqueur and a lemonade. Introduced in June, the products sold 5,000 cases as of September. Coming next from Swig (next fall) will be cream liqueurs to make the brand viable year-round.

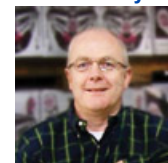
Also coming from Temperance will be a move into a new 77,000-square-foot facility on 11 acres, which is more than six times the size of its current 12,000-square-foot building. Pearson hopes that it will allow the company to continue to expand, a wise move since it's signing up two to three more customers every month and expects to have a case volume of 250,000 to 300,000 by next year.

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