

Business Network

He's made it: ski instructor goes on the grog

Janine Perrett finds a bloke in the mountains distilling his own schnapps. And it's all legal, too.

MOST ski instructors are content with just drinking schnapps but Brad Spalding has built an entire business around the drink, even to the extent of creating his own distillery.

Within one year his Wild Brumby brand, Australia's first home grown schnapps, has become a favourite of the NSW skiing set and will hit the Victorian snowfields this season.

But far from being simply a winter novelty, it is poised for an even wider market and managing that next stage of growth is the main challenge for Spalding. "If I increase production, how do I maintain the quality of this premium product?" he asks.

It's a good question for a perfectionist who uses only quality fruit, destalking every item and discarding any with blemishes, and who grows his own raspberries for his range of different flavoured schnapps retailing at about \$27 a bottle.

It might sound a steep jump for this 48-year-old ski instructor but his experience managing the Thredbo ski school for many years helped hone his business skills; and a fierce determination to achieve his vision.

"I always knew there was going to be an opportunity to make a great Australian schnapps of a fine quality that people would enjoy," Spalding says.

The mix of snow, spirits and small business is a family theme. Spalding's father was a publican who helped build the Albury Ski Club in Falls Creek, while his wife Monika is not only an Austrian ski instructor but also comes from a family of schnapps makers. A talented painter, Spalding originally studied fine arts and design at university before he was seduced into skiing. He is renowned for having spent 56 winters in a row between the Australian and Austrian snowfields, which whetted his appetite to start a schnapps business.

"I ended up at Innsbruck University studying sport and a lot of guys there were distillers, so that's where the interest really started in not only drinking it but making it," says Spalding.

Under the guidance of some of the best European experts he began experimenting with his own fruit-based schnapps and researching the Australian market.

Sales of the imported product were about \$20 million a year but apparently in decline at the time he purchased his picturesque Lindabyne property five years ago and began the painstaking process of starting a distillery.

"We thought great, this is going downhill, but then I talked to the Thredbo Alpine Hotel, which was really helpful. They said skiers were still drinking schnapps and if it is good quality and made from fruit they



There's nothing like a good fiery drink at the top of Crackenback... Brad and Monika Spalding at their Thredbo Valley Distillery can supply just this thing. Photo: Narelle Audio

thought they might even increase their sales," says Spalding.

The business model was narrowed to focus on local consumption with a strong emphasis on wine-type tastings and cellar door sales as visitors to the ski fields must drive straight past the front gate on the Alpine Way.

Indeed, it is a unique experience as you enter the tiny shed with its shiny still imported from Germany and sample the vast array of different flavoured schnapps.

The still alone cost \$180,000 and then there was a lengthy wait before he could produce anything or sell a drop of alcohol. It is rare for governments to give a distiller's licence to such a small operator.

"There was a lot of paperwork. To get a licence to distill and manufacture I had to go through a lot of hoops and it took a lot of time and effort because it was so unusual for the size of this," says Spalding.

"The Government has got to do lots of checks on you and, for the excise, they have to trust you to keep clear records. It's very bureaucratic and a much bigger burden than other businesses. I call the [Tax Office] my main partner."

CHALLENGES FOR WILD BRUMBY

- Increasing distribution outside ski areas
- Maintaining high quality with increased capacity
- Delegating sales and marketing to concentrate on distilling side

Unlike other business people, he must also pay his hefty excise taxes when the alcohol is made and not when it is sold, which means a careful eye must be kept on production levels to avoid a cash flow crunch.

Despite the bureaucratic obstacles, the Thredbo Valley Distillery opened in Easter 2005, in time for the ski season, but it was the surprisingly strong sales over the summer months which boosted annual sales 40 per cent above initial expectations and forced a complete rewrite of the original business plan.

While he always had plans to broaden his customer base, he is now accelerating those plans.

"My focus has gone from producing for the cellar door and selling into the local market into where do we go from a whole sale point of view, what is the strategy from a distribution point of view?" he says.

His first challenge is to meet the demand outside the snowfields. As skiers return home to Sydney they are asking for the product but as yet he has not found the right distributor.

"Because it's a premium product you would need a bottle shop in the upmarket suburbs where the skiers live - say a small independent bottle shop in the right location," he says.

Of course small independent bottle shops are becoming as rare as boutique distillers but, in the cut-throat liquor industry, Wild Brumby needs to stay below

the radar of the multinationals while still increasing brand awareness.

(A Sydney and Melbourne distributor could also be listed on the company's website, which is just being remodelled. At the moment, Spalding simply takes the odd email or phone order and posts them out individually.)

Until now his marketing efforts have been quite basic, with flyers at the ski lodges and regular tastings which, in keeping with the rest of the business, Spalding does all himself, even taking along his squeezebox to provide entertainment.

"My passion is to make it. I'm the only distiller here, the only one who can operate the still," he says.

Apart from Monika, the only other full-time employee not only does the bottling but also helps with everything from growing the raspberries, peeling the mangoes and even laying the cobblestones.

Spalding says the distillery can easily increase capacity tenfold from its current 5500 litre production; however, he's not sure he wants it to grow too big too rapidly.

"I want to maintain the quality and don't want to corrupt anything."

It reflects the dilemma of an artist, (Spalding's distinctive ski school paintings are a fixture around Thredbo), who does not want the business side to overshadow his craft.

He is confident that with the systems now in place he can delegate tasks like cold-calling to others while he concentrates on the distilling side.

"My main ambition is to make the great Australian schnapps," he says.

His perfectionism means he doesn't fear competition; "You try peeling a tonne of mangoes," he laughs.

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US 'expert' uses Packer defence



JANINE PERRETT

SO REMIND me again just why you would pay good money for advice from an American financial "guru" who gets nabbed at Sydney Airport on tax evasion charges?

That's the scenario which presented itself this week in the case of Larry Williams, who was visiting our shores to enlighten punters on how to get rich through stockmarket trading.

Only problem was the federal police were waiting for him, armed with a warrant issued by the US Attorney-General for his arrest and extradition on a charge of evading tax worth \$2 million.

Naturally Mr Williams, who also happens to be the father of a Hollywood actress, who happens to be the mother of our own Heath Ledger's baby, is protesting his innocence.

Well, he would wouldn't he? After all, it can't do much for his marketing efforts to be seen to advise others on how to get rich if he can't keep his own gains.

Mr Williams' solicitor, Chris Watson, said his client had done nothing wrong and was not a party to any "bottom of the harbour" money laundering scheme.

(Strange, I thought "bottom of the harbour" was a uniquely Australian scam dating back decades and really only of historic significance to locals with long memories.)

Mr Watson was then quoted as saying: "Williams had done only what Kerry Packer was quoted as saying when asked about how he minimised his tax: pay no more and no less than he had to."

Invoking the Packer defence is even more bizarre for our American expert, or perhaps he too is looking for a state funeral service.

The next day Mr Williams had progressed to that age-old defence of blaming his accountant. Apparently he was the "victim of a tax scheme devised by an accountant he trusted"

But why would you would hand over your hard-earned funds to hear financial advice from someone who can't even control his own financial affairs?

The \$2 million in issue stems from lectures and book sales, not the stockmarket wheeling and dealing on which he is advising others.

Obviously it is more profitable to tell others how to do it than do it yourself.

Or in the case of Mr Williams' next lecture perhaps the title should be "Do as I say not as I do."

None of this should come as a complete surprise given the long line of Yankee "experts" who have come to our shores spruiking their wares to the gullible locals.

Not to mention our own home-grown shockers, such as Brad Cooper, who were popular among the budding entrepreneurs and small business people desperate for motivation and inspiration, and vulnerable to a bit of showmanship and exploitation.

Perhaps the real moral out of this is just how vigilant the US authorities are on tax issues.

Mr Williams' arrest comes only days after Richard Hatch, winner of the first *Survivor* television series, was jailed for four years for not declaring his winnings from the program.

Hope our own Brad and Todd pay heed - then again, the hope ours might still be too busy with pole dancers to scrutinise the wealth of worldly winners.

janineperrett@access.fairfax.com.au

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Use established distribution channels

Rajarshi Ray
Head of Small Business Services, American Express

With such detailed research, background planning and a measured approach to growth, Brad's business has no immediate Achilles heel. However, the personal challenge that Brad highlights (his desire to work more on making schnapps than sales and marketing) is an interesting - and often overlooked - issue that faces many small businesses. Small business operators often prefer to focus their attention on this aspect of their operations, and that's fine enough. However, in Brad's case it's probably now time to invest in finding a distribution model that uses his spare capacity better and ramps up cash flow.

In our experience working with customers in the liquor industry, distributing to wholesalers would be a more effective growth path for Wild Brumby than the direct supply or retail distribution models Brad is currently considering. This model potentially has far greater reach than supplying individual stores, especially given the logistics and administrative overheads of small-order volumes. At this stage of Wild Brumby's business cycle, it makes sense to use someone else's scale for distributing and marketing support. Without having that established presence, Brad could find his margins erode very quickly.



Consider exports or work with ACT Brumbies

Tim Harcourt
Chief Economist, Austrade

Brad has combined his passion for skiing, art and distilling and created a unique business concept. However, he and his wife might be overstretched as the business expands. Accordingly, I'd advise Brad to concentrate on distilling and maintaining the quality of his product while employing someone else to help with marketing and distribution.

In terms of expansion, he has two options. One is to become a potential "export schnappsbot" and expand outside the Australian ski fields into countries such as New Zealand. The other option is to go beyond the ski market and collaborate with nearby sports teams. He has a unique opportunity to capitalise on the popularity of the ACT Brumbies Super 14 rugby team.

Why not get the Brumbies to get involved with Wild Brumby in a marketing or sponsorship deal? After all, the Bundaberg Rum Bear has done a lot for the Wallabies and vice versa. Both "brands" share a similar geography and mascot, and the Brumbies could help promote Wild Brumby among sports lovers. There would be plenty of promotional opportunities with Super 14, Bledisloe Cup and the Rugby World Cup in France in 2007. Just like Brad, former Brumbies and Australian rugby "super-coach" Rod MacQueen was a graphic artist before turning his creativity into a passion for business and sport.



Don't abandon the boutique feel for mass market appeal

Ross Cameron
Chief Executive Officer, Cameron Research Group

Brad is one of the 20 per cent of small business owners that we call the "Passionate Professionals". His primary interest is his passion - producing quality schnapps. The fact a business has grown around this interest almost seems to be an afterthought. If Brad can convey his love for this process and product through marketing he can develop a brand that customers want to belong to. People love a brand that stands for something and, since most brands don't, Brad already has a head start and probably instinctively knows more about selling his product to consumers than he thinks.

Brad is right to be concerned about maintaining the integrity of his product as he grows. He can, should and probably already does highlight the limited quantity of the product to support his positioning as an elite brand. The challenge is steadily growing that success without oversupplying the market and undermining the product's foundation.

Brad either needs to continue to be focused - keep it tight and boutique and create a brand that people keep wanting more of and will pay more to have - or reach for a mass market, and ramp up production and distribution. The latter would involve a major change. I think it would be difficult for Wild Brumby to move into significantly larger production runs while maintaining its proven business model.



Target skiing areas in Australia and overseas

Carolyn Stafford
Director, Connect

I would advise Brad against distributing his product outside ski areas. Marketing Wild Brumby in Melbourne and Sydney could be difficult; the liquor industry is competitive and I would suspect that most people only buy schnapps at the snow.

Wild Brumby needs to be targeted in its marketing and distribution. There is a strong skiing culture in Australia and overseas, and this should be Brad's primary target market. Marketing should initially focus on local ski resorts, hotels and bottle shops. Brad could then approach other ski areas in Australia and consider exporting to similar markets overseas. In this way he is more likely to achieve controlled growth and target supply to where it's most in demand.

E-commerce could support this marketing effort. Brad could create events with local producers and complement his schnapps with local cheeses. The Wild Brumby website should promote the dates and times of wine tasting events and enable people to order schnapps online. He could build a database of clients by encouraging people to subscribe to the website and email them event invitations.

Every time Brad makes a sale, he should ask people how they heard of Wild Brumby. This will help him identify who buys his products, what for and how often, thereby helping ensure his marketing dollar is spent effectively.



Partner with a restaurant and invite media to attend

Prue MacSween
Director, Verve Communications

Has Brad looked into leasing machinery to peel fruit and do the bottling? If Brad continues to nurse every aspect of the business, it will potentially stymie Wild Brumby's growth. Increasing consumption through improved distribution will be vital to the company's success, but Brad should not consider this until he can guarantee supply and maintain quality.

While small, independent bottle shops are becoming rare, many specialty chains might be interested in Brad's schnapps provided he could prove a year-round market (as opposed to seasonal) and support his products with a marketing campaign to help drive sales.

Brad could conduct a series of communications programs to capture skier names and contact them on an ongoing basis. He could develop attention-grabbing special offers such as "If your partner is in a snappy mood, help her schnapp out with a weekend away". Brad could also create seasonal recipes to encourage schnapps consumption all year round.

Brad should partner with a restaurant or bar and host a lunch or tasting where influential media could attend. He could offer his product for free sampling at suitable forums - such as Mercedes Fashion Week - and target food and lifestyle magazines through a public relations campaign.



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