Marketing Plan

Templeton Rye
Prohibition Era Whiskey

Created by:

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Executive Summary

The following marketing plan provides information and analysis for Templeton Rye Whiskey. The product characteristics, competitive landscape, sales, target market, and future expansion plans are included in this report. Templeton Rye Whiskey is a relatively new entrant into the spirits industry and follows a trend in the small batch rye distillery boom. It is a first mover in this niche market and is the only craft distillery in the state of Iowa currently producing rye whiskey.

Seventy-five years after the appeal of Prohibition, rye whiskey is becoming increasingly popular as enthusiasts embrace the resurgence of the first type of whiskey ever produced in North America. We selected Templeton Rye because it offers a unique selling proposition; an opportunity to experience a premium, authentic whiskey of the past. We found the origins of the product and the many stories surrounding its resurrection to be interesting.

This paper covers the factors that have contributed to Templeton Rye’s current success and identifies strategies that will be beneficial in the future. Templeton has shown strong demand since its first year of availability, but will be faced with industry challenges as the company grows and expands. Corporate and marketing objectives are discussed in addition to marketing strategies, including programs that address Templeton’s product, price, distribution and promotions.
Industry Analysis:

Product Definition

Rye Whiskey is a straight rye whiskey which by statute is composed of at least 51% rye, a grass that is part of the wheat family. The remainder of the grain used is usually barley or corn. This is an important distinction because many Canadian makers of whiskey label their products “rye” and use very little of the grain. True rye whiskey brands are known for their strong alcohol smell (nose) at first, followed by a spicy richness, then varying degrees of lingering warmth. The production of American Rye whiskey originated in colonial Pennsylvania and Maryland. Typically rye whiskeys are aged in charred, oak barrels for approximately four years.¹

Levels of Competition

Templeton Rye must compete against other well known distillers that also produce the same product form, such as Jim Beam and Wild Turkey Rye Whiskey. Within the product category there are several libations from which to choose including the common spirits: gin, vodka, rum, bourbon and scotch. The Standard Industrial Classification (SIC) for these alcoholic beverages is 2085 Distilled and Blended Liquors.² Generic level competition includes all common beverages that could be easily substituted and available for consumption such as juice, coffee, soda, beer and wine. The budget level competition puts rye whiskey in competition with other entertainment alternatives fighting for the same dollar amount when considering consumer discretionary spending limitations.
Levels of Competition Diagram

Market Attractiveness

Consumer interest in American Rye whiskeys is surging at a blistering pace. All of the major producers are prepared for the popular revival and are currently producing at least one label of rye whiskey in an effort to offer consumers a rye whiskey option.

Over the last decade, a massive resurgence of interest in American whiskey has created a significant rise in consumption, implementing the reintroduction of lost brands and the development of new, small craft rye whiskies.³

Market Factors
The whiskey segment of distilled spirits is considered to be one of the most attractive segments boasting sales in excess of $14 billion in 2007. As the trend of rediscovering authentic rye whiskey continues, the market share is currently holding strong at 4.3% and is expected to rise. Noah Rothbaum predicts that the industry is just seeing the beginning of the whiskey trend. Rothbaum believes that younger drinkers in their 20’s and early 30’s are just coming around to premium and ultra-premium whiskeys and that the trend is going to be huge.\(^4\)

While the spirits industry as a whole is in the mature, and in some cases a declining, stage of the product life cycle, there has been a recent trend creating the resurgence of small batch distilleries producing whiskey. This has been sparked by an interest in American whiskey and the comeback of cocktails such as Manhattans. After Prohibition clobbered American rye in the 1920’s, easy-drinking Canadian whiskey, which was easily smuggled across the border, by land or by sea, became the drink of choice in the United States, and after repeal the domestic product never recovered. Americans began referring to blended Canadian whiskey as rye, whether or not it contained rye, and using it (or bourbon) to mix Manhattans and Old-Fashioneds. Product cyclicity is relatively low as small craft distilling is not capital intensive, nor is affected directly by interest rates.

A peak is noticed for the purchase of quality rye whiskey during the Christmas season, as individuals buy for the purpose of gift giving. Templeton Rye has had strong demand for the last two years during the month of December. Marketing spending for small craft rye producers remains low as resources are inadequate to support major advertising campaigns. Profits are relatively high for whiskey craft distillers. Once a
facility has been constructed and stills have been purchased the inputs of grain and water are inexpensive. Labor and packaging remains the most costly portion of operations.

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**Competitive Factors**

Templeton Rye has entered into a highly competitive market that is not concentrated. Therefore, the buyer has leverage in a market with numerous, easily available alternatives that could be substitutes for Templeton Rye. Suppliers in many states have complete control of spirits sales. For example, Iowa is a control state, meaning that the state has a monopoly on the sale of all alcoholic beverages with an alcohol by volume ratio over 6%. Templeton Rye has an alcohol percentage that is around 40% by volume. Therefore, its sale is strictly controlled on a wholesale level by the State of Iowa Alcoholic Beverages Division.\(^5\)

The number of craft distillers is increasing in the United States raising the competitive landscape for rye whiskey producers. The Associated Press recently reported that the number of small, craft whiskey distilleries in the state of Oregon alone has doubled to more than 12 in the last two years. Sales of locally made whiskey topped 14,000 cases in a 12 month period ending November 2007 compared to 9,331 cases the previous year.\(^6\)
### Concentration

**Low**

### Power of Buyers

**Low**

### Power of Suppliers

**Medium to High**

### Rivalry

**High**

### Pressure from Substitutes

**High**

### Capacity Utilization

**Medium**

### Threat of Entry

**Medium**

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**Environmental Factors**

The rise in fuel prices has an impact on discretionary spending as consumers are forced to pay more at the gas pump. During economic recessions, consumers tighten their purse strings and tend to spend less on luxury items like premium whiskey; opting instead to purchase a less expensive brand.

In the United States, spirits advertising has self-regulatory bodies that create standards for the ethical advertising of alcohol. The special concern is where advertising is placed. Currently, the standard is that alcohol advertisements can only be placed in media where 70% of the audience is over the legal drinking age. Alcohol advertising's creative messages should not be designed to appeal to people under the age of 21, for example, using cartoon characters as spokespeople is discouraged. Advertising cannot promote brands based on alcohol content or its effects. Advertising must not encourage irresponsible drinking.

Another issue in media placement is whether media vendors will accept alcohol advertising. The decision to accept an individual ad or a category of advertising is always at the discretion of the owner or publisher of a media outlet. In the United States, there are several television networks that, although their viewers may be above the legal drinking age, do not accept "vice" advertising like alcohol advertising on principle.
Because of strong self-regulation, alcohol advertising has mostly avoided regulation by the federal government. The Federal Trade Commission has conducted investigations of possible targeting to those under the age of 21. However, its investigations and that of scholars have not found evidence of such targeting. There is concern that irresponsible advertising practices or "pushing the envelope" with audience composition may lead to permanent legislation governing the advertising of beverage alcohol.

The proportion of the US population over 55 years of age is forecast to increase from the current 20% to 33% in 2025. Older persons may cut back on their alcohol consumption owing to health problems. As a result, alcohol consuming population might steadily decrease in the coming years. An aging population therefore could result in lower revenues.

**Trends and Sales Analysis**

**Current Trends:** Beer drinkers are switching to spirits category, rye whiskey is experiencing a revival, and consumer interest in cocktails has shown an increase.

**Sales:** The US spirits market generated total revenues of 46 billion in 2006, representing a compound annual growth rate of 3.6% for the period spanning 2002-2006. The markets volume is expected to rise from the approx. 1.6 billion liters consumed to 1.8 billion liters by 2011.

Despite the slowing economy, American spirits producers saw sales increase 5.6% in 2007 according to the Distilled Spirits Council of the United States (DISCUS). Spirits gained revenue market share for the 6th straight year accounting for 33.1% of alcohol sales. The whiskey segment is the market’s most lucrative accounting for 14.1
billion in total revenues in 2006. Existing brand strength in the market is strong, established brand names are recognized worldwide. Current large producers of commercial whiskey such as Jim Beam, Jack Daniels, and Johnnie Walker Red Label control the lion’s share of the whiskey market estimated at approximately 60 percent combined market share sale of whiskey.

A new classification of spirits from 1909 and 1910 combined the statistics on Bourbon and Rye whiskies. These statistics are still combined today making it difficult to compile exact sales figures for the two types of whiskey. The rye category is a small category when compared with bourbon. Jim Beam, which produces both Old Overholt Rye and Jim Beam Rye, shipped 32,000 cases of rye in 2006. By contrast, it shipped 3.9 million cases of bourbon. It is estimated that rye whiskey sales compromise approximately 4.3% of total sales.

**Competitor Analysis: Rye Whiskey**

Rye whiskeys have a long and storied history in the U.S. and before the 1920’s and Prohibition, rye was one of the country's most popular spirits. Several major producers are currently producing at least one label of rye whiskey.

**Product: Jim Beam Rye**

Jim Beam, the #1 selling bourbon whiskey in the world, is made in Clermont, Kentucky. The brand traces its origins back to 1795 and family patriarch Jacob Beam. Jim Beam is owned by Beam Global Spirits & Wine, which is in turn owned by holding company Fortune Brands. The brand is named for James B. Beam (1864-1947), who
ran his family's whiskey distillery from 1892 until 1944. Jim Beam produces both a six-year old straight rye whiskey (80 proof) and Old Overholt at their distillery in Clermont, KY. The brand is made in small batches using a blend of 59% rye and aged four years. It is a sterling example of what's often referred to as Monongahela (Pennsylvania) Rye.\(^8\)

**Price:** $17.00- $23.00

**Place (Distribution):** Wholesalers, liquor retailers, upscale drinking establishments, online distributors. Jim Beam is distributed throughout the US and in 27 foreign markets.

**Promotions:** Jim Beam is currently a sponsor of NASCAR using its black label bourbon whiskey as a race car icon. The sport is exciting, international and operates at the highest standards of technological innovation and control. It reaches some 2.9 billion consumers annually. After 210 years, Jim Beam advertised for the first time on television in 2005. The commercial aired on networks including Comedy Central, Discovery and Spike. Spending on the effort was not disclosed, though sources said the company spent between $8-12 million. Fortune Brands, based in Deerfield, Ill., spent $12 million on advertising the Jim Beam brand in 2007, according to TNS Media Intelligence/CMR. In 2007 it changed the color of the Jim Beam Rye Whiskey label from bright yellow to a lighter creamy yellow.

**Target Market:** Mainly men from 25- to 35-years-old are the targeted segment of their consumer profile.

**Slogans:** "The stuff inside matters most".

"If you're not 100% satisfied, send it back. We'll drink it”.

**Resources and Behavior:** Fortune Brands is a leading consumer brand company with annual sales exceeding $8 billion. The company delivered a fourth-quarter revenue
record in 2007, benefiting from double-digit sales increases for the company's distilled
spirits and golf brands. In 2007 worldwide sales of Jim Beam surpassed 6 million cases
and spirits brands now generate about half of Fortune Brands' total annual operating
income. Black label Jim Beam is their most popular spirit. Last year they repositioned
rye whiskey by changing the label from a bright yellow to a creamy yellow and raising
the price.

Product: Wild Turkey Rye

Wild Turkey is a brand of Kentucky straight whiskey distilled
and bottled by the Austin, Nichols division of Pernod Ricard. Its
nicknames include "The Dirty Bird," "Gobble Gobble," "Thunder
Chicken," and "The Kickin’ Chicken", the last being a reference to the
101 proof of its most common bottling. Wild Turkey Straight Kentucky
Rye is bottled at 101 proof with no age statement.  

Price: $17.00 – 20.00

Place (Distribution): Wholesale distributors, liquor retailers, mid-range drinking
establishments, online distributors. Wild Turkey is distributed throughout all 50 states.

Promotions: Wild Turkey has a line of clothing and merchandise that carries the famous
turkey. They do not currently advertise on television, but maintain print advertising in
select periodicals that reflect the rugged brand image such as popular hunting and fishing
magazines. For their core target, they advertise in magazines like Field & Stream and
fishing books like Bass Pro's Outdoor World or This Old House. Pernod Ricard relies
primarily on the company’s long held reputation for quality and is taking a much more targeted approach; using predominately regional preprinted inserts, more billboards, and new bar postcards that get Wild Turkey in front of drinkers at point-of-purchase. Wild Turkey Rye was recipient of a Silver Medal at the 2000 San Francisco World Spirits Competition.

**Target Market:** The Company targets the core Wild Turkey consumer in the United States who is typically male, aged 40 to 60, and living somewhere in the South and (to a lesser degree), young people experimenting with dark liquors in recognition of the popularity of small-batch whiskeys.

**Slogans:** “Too good to keep cooped up”

“Wild Turkey. Not the latest thing - The genuine thing”.

**Resources and Behavior:** In 1980, Pernod Ricard acquired Austin, Nichols (founded in 1855) the brand owner of Wild Turkey Whiskey. Pernod Ricard USA is a leading importer, marketer, and producer of prized spirits and wine brands with a proven track record of generating organic growth and revitalizing acquired brands. The company is now the third largest in the U.S. spirits industry by sales value and the fifth largest by sales volume in the U.S. Wild Turkey is the preferred drink of Southwest Airlines colorful former CEO Herb Kelleher. Southwest is also the only airline that serves Wild Turkey (bourbon) onboard. The company has limited advertising and promotions and relies heavily on the brand name to attract customers. In the last few years Pernod Ricard has been entering their rye whiskey in competitions to heighten awareness. Wild Turkey
Rye was the recipient of a Silver Medal at the 2005 San Francisco World Spirits Competition.

Company Analysis: Templeton Rye

Product: Templeton Rye Prohibition Era Whiskey

Templeton Rye produces a single-malt, single-barrel rye in a craft distillery operation based in Templeton, Iowa. The Company started production in 2002 and distributed its whiskey for the first time in 2006. Scott Bush, Keith Kerkhoff, and Ted Bauer (then the holder of the Templeton Rye trademark) formed a corporation to make rye whiskey in Templeton using a prohibition-era recipe. Based on information obtained from the Iowa Secretary of State website, Bush is the registered agent for "Templeton Rye Whiskey LLC." Brian Green is the registered agent for "Templeton Rye Spirits, LLC”.

Strictly following the original Prohibition Era recipe, TR master distillers use only the best grains to make Templeton Rye. While the process has changed some in the past 80 years, the unyielding attention to detail hasn’t budged. The process now used replaces the converted copper wash tub (used by the original distillers) with a 300 gallon copper pot still. Aged in charred new oak barrels, Templeton Rye provides a smooth finish and a clean getaway.

Price: $ 35.00 to $42.00

Place (Distribution): Wholesalers, liquor retailers, upscale drinking establishments, online distributors and website. It is currently available only in Iowa and Illinois.
**Promotion**: In Iowa the company has relied heavily on word of mouth advertising. The local media picked up the story of Templeton Rye and the production of the “prohibition era whiskey” has created a buzz throughout the state increasing demand that exceeded production in 2006. The company has developed a marketing relationship with the Nadas, a rock band that is popular in the state of Iowa. The Nadas wrote a song about Templeton Rye in early 2007 adding to the excitement of the new brand of small batch rye whiskey.

In August of 2007, Iowa's Templeton Rye rolled into Chicago in with a busload of flappers and gangsters and a couple dozen cases of their rye whiskey to stage a special introduction event. Templeton Rye chose Chicago due to a link with legendary gangster Al Capone. The upstart distillery held a tasting party at the Chicago History Museum to introduce the product to a new market. Branded merchandise such as T-shirts and hats are available on their website for purchase.

**Target Market**: Templeton Rye is reaching out to younger drinkers who want the finer things in life, along with those that are interested in the historical aspect of the brand. It also is targeting consumers that participate in the current trend of ordering traditional cocktails. Therefore, its target market spans gender and is primarily focused on individuals who are in their late 20s to mid 50s.

**Slogan**: "The Good Stuff."

**Behavior**: Templeton Rye has positioned itself as a super-premium whiskey in the marketplace. It is a new entry into a market that is poised for growth within the whiskey segment. Even though US whiskey is in the mature to declining stage of the product life
cycle, the population seeking premium and super-premium products is young and
dynamic, and that makes it a very interesting possibility in the medium to-long term.
It is clear that the situation is considerably more challenging for brands' owners in these
mature (or post-mature) markets. They are faced with a loyal, but aging consumer base,
but are struggling to recruit new users at the other end. Maintenance of sales is the default
mode for most brands.

**Resources:** Although Templeton Rye Spirits has been successful as a private company,
the company could face problems in funding its growth; owing to its ownership status.
The company does not have the kind of access to financial resources that public
companies have. Private ownership puts the company at a competitive disadvantage.
Since Templeton Rye has limited resources, it will have to rely on innovative methods to
continue growth.

**Future Strategies**

Currently the state of Iowa does not allow craft distilleries to offer tours and sell
whiskey on site. Templeton Rye President, Scott Bush has broadcast an appeal on You
Tube for residents in Iowa to contact their legislators to change the law in Iowa.
Currently, Iowa winemakers and breweries have this privilege and can produce as well as
sell, on premise. The company would like to make available to the general public an
amateur craft distilling experience that would provide an opportunity to serve loyal
whiskey enthusiasts while eliminating some of the threat of new start ups.

**Customer Analysis**

**Who:**
The major categories of consumers that are likely to enjoy Templeton Rye include:
**Mid to Upper Class 25 to 45 yr. olds that are young and successful looking for a drink to match their maturing sensibilities** - Demographically, the primary market being targeted will be mid-upper class consumers who view socialization and dining out as an opportunity to take advantage of the exhilarating taste of rye whiskey. This could include working class, middle class, upper middles, lower uppers, or upper uppers. The secondary target market will be post graduates to entry level professionals beginning their careers and building a stable financial grounding. This age group will have developed a greater appreciation for a more premium tasting liquor to satisfy their emotional, physical, and social needs.

Both men and women are likely to enjoy the smooth flavor of Templeton Rye. Most of these men and women will be enjoying success within their chosen career and will have built a stable financial situation to possess some discretionary income to spend at a higher upscale bar or restaurant environment. Career fields that would portray a typical Templeton Rye whiskey customer would probably have an income of between $40,000 and $100,000 in the professional business corporate sectors, the science and biological industries, medical professionals, and those that have recently retired.

Templeton’s customers will usually have an education consisting of a Bachelor’s degree or higher due to the fact that its consumers will need a good enough job to be able to obtain and afford its premium taste. Customer religion and religious practices should not overall greatly affect the amount of Templeton customers, with the exception of those following a religion that prohibits the consumption of alcoholic beverages. A customer’s nationality is another factor that should not have much
impact due to its appeal to a wide assortment such as white, black, European, Asian, and Mexican.

- **Whiskey enthusiasts looking to connect contemporary life to the heritage of rye whiskey.** - Many men that follow whiskey trends and have an appreciation for fine whiskey will enjoy the historical aspect of the product as well as the quality. This category is made up of consumers who either currently drink rye whiskey, or those who want to try something new, will be the initiator for a particular brand or taste of whiskey. Influencers of these consumers will be personnel at liquor stores, friends, family, or co-workers and whiskey publications. The ultimate decision maker and purchaser of a particular liquor choice, brand, price, or location will be the consumer.

- **Consumers that are involved in the cocktail revival and want to experience an authentic Manhattan** - Men and women may be interested in mixing Templeton with a sweet vermouth to make a cocktail, one common example being a Manhattan. Customer’s behavioral characteristics are another category to help segment customer markets. Men and women will be able to consume Templeton Rye when they are out socially with friends, family, or co-workers, celebrating a special occasion, or for personal pleasure at home. Consuming this particular rye whiskey will provide the customer with several benefits such as a high quality premium taste, knowing you are drinking something affordable, and various psychological benefits associated with being “hip”. The type of user can range anywhere from a potential user, first time user, regular user, or an avid user. Our research suggests that once customers get a glimpse of Templeton Rye and
taste its smoothness, they become a regular to avid user when it comes to premium rye
whiskeys. This said, the usage rate can be categorized between a light, medium, or heavy
user of the product. Depending on the usage rate, the customer is determined to show
potential, medium, strong, or absolute loyalty.

Many researchers use the VALS/VALS2 typology (Values and Lifestyles) in order to
appropriately represent general personality variables to attitudes and behaviors related to
a consumer good. When evaluating Templeton Rye’s customers, most could best be
described as principle, status, and action oriented consumers. This makes sense when
you look at the education and profession of the average Templeton consumer. Strivers
have a strong will to accomplish goals, strivers have a passion for success, traditionals
have the wanting for close relationships with products and people, and adapters are
willing to be influenced by others to try new and exciting things in life.

What

What customers buy is greatly dependent on what the product offers them in
terms of benefits. Benefits to drinking Templeton Rye whiskey could be its perceived
taste, quality, psychological feeling of happiness, social togetherness, and various others.
Many people whom have tried Templeton Rye say they would more than likely purchase
it again. However, Templeton’s marketing strategy will play a key role in first getting
the Templeton Rye Whiskey into the minds and hands of consumers who have no
knowledge or the opportunity to taste the unique flavor of the brand. Once consumers
known the historical significance and experience of Templeton’s spicy richness, its
attributes will hopefully set it apart from less than premium competitor brands.
Researchers look at recency to determine how recently the customer has bought Templeton Rye. Frequency is determined by how many different products a customer buys and the time intervals between each purchase. For example, how many drinks of Templeton does a customer purchase in a given time period and how often do they order another drink? Monetary value refers to the value of the customer’s purchase in terms of profits. How often the customer attends the establishment during a specified time period along with if they only order one or multiple drinks could greatly influence whether the profit would be small or large.

**Where**

Men and women will be able to consume Templeton Rye when they are out socially with friends, family, or co-workers, celebrating a special occasion, or for personal pleasure at home. Consuming this particular rye whiskey will provide the customer with several benefits such as a high quality premium taste, feeling a connection with its unique historical significance, knowing you are drinking something affordable, and various psychological benefits. It is currently available for sale through liquor stores, restaurants and bars in Iowa and Illinois. It is also available through online sources such as Templeton’s website, Binny’s Beverage Depot, and InternetWines.com.

**When**

Most of the segmented customers previously discussed will work during the daytime from the approximate times of 8:00 a.m. to 5:00 p.m. This means that most customers will likely be consuming a greater volume of Templeton Rye in the evenings of weekdays and weekends. Customers can consume a shot or glass of rye whiskey with the evening meal, when out at night socially, or even when they go home at night. The
company does not see Templeton Rye as a seasonal product, making it so sales are somewhat steady throughout the whole year.

**Why**

The reason that customers prefer Templeton over other rye whiskeys is greatly determined by the value it creates, the benefits it provides, and the costs involved. Templeton primarily provides psychological value to the customer through its image and how it makes the customer ‘feel’ when drinking it. Many customers prefer this product over others in its category due to its unique historical significance. Consumers like to feel a physical or emotional correspondence with a product that they use, most likely obtaining loyalty to that particular brand. A second reason could be that the brand is portrayed as a classier rye whiskey that is of premium taste and quality, but sold at a reasonably affordable price. Many users are willing to pay a higher premium price, because they associate it as high quality liquor.

Most customers do not see a great amount of perceived risk when drinking Templeton Rye. Many regular or avid users of Templeton Rye do not consume it in excess or in the attempts to get obliterated. New or potential users may have performance risk in the chance that the product will not live up to their expectations. There could also be a physical risk if the customer drinks an excess amount and could cause harm to oneself or others. Along with drinking in excess, one could experience personal/psychological risk by doing something regretful. Lastly, there could be a social risk involved if others would view drinking alcoholic beverages in a social environment negatively. Most of the mentioned risks above are generally not considered as very
serious, but Templeton should make efforts to decrease the amount of perceived risk to increase the attractiveness of its rye whiskey.

The question of whether the customer will buy Templeton Rye again greatly depends on how satisfied they were with past purchases. A product’s quality is measured by how satisfied a customer is with a product after use. Qualities that could effect the satisfaction of a Templeton Rye customer are expectations of performance/quality, the perception of performance/quality, and the gap between expectations and performance. Another method used is the reliance on word-of-mouth comments, complaints, and even how often they buy the product.

Demand has been higher than expected compared to its original batch of 4,000 cases, in which Templeton strongly intends to market more aggressively outside of Iowa and even internationally. Carl Carlson, President of California-based Infinium Spirits hopes rye can gain strong ground in Chicago and then head south towards St. Louis and other cities. He strongly believes that Templeton’s success will be largely due to word of mouth advertising. It is currently working with the Templeton Area Development Corporation to further generate the Templeton Rye whiskey into the hands of the consumers.

**How**

How a customer finds out about Templeton Rye is very important when trying to determine the most effective marketing techniques that should be used. For example, as of right now most people know about Templeton Rye because they are from Iowa, through a friend or relative, sales personnel at specialty stores/retailers, being followers of the Nadas, reading about it in a whiskey publication, or by seeing it online. The
company does not advertise in newspapers, magazines, or by television ads. It is extremely useful for the company to know the decision process customers use when determining which alcoholic beverage to purchase, whether it is emotional, automatic, or spontaneous.

Researchers and companies often use the multiattribute model to determine how and why customers make a decision. The first step Templeton would use is to look at what attributes (usually physical) do customers use to evaluate rye whiskey. Each customer seeks different benefits of the product and likes various physical attributes. The second step involves the perceptions the customer has of the product from these attributes, in which a perceptual map is often used. Third, each customer puts an importance weight on each of the attributes they use when making a choice. Finally, customers combine the attribute with the assigned weight using a process to determine their preferred whiskey within its category.

**Planning**

Templeton Rye Spirits intends on expanding their distribution center’s size in Templeton and is working on expanding its marketing strategies in the attempt to gain brand recognition nationwide in the near future. Templeton Rye expects its production to give a generous boost to its current economy through the intended expansion of its facilities and operating structures. Plans call for an approximate $500,000 expansion of the Templeton facility, from 1,500 to 12,000 square feet. This will provide an increase in storage and production capability, along with increased merchandising of clothing and memorabilia. The number of employees for Templeton is thus expected to rise in the
number of full time and part time workers. Bush sees the company as “successful on a small scale based on where we see the company going.”

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Assumptions

We assume that the market for this type of super-premium quality rye whiskey will continue to grow; resulting in a continued demand for Templeton Rye. We also believe that consumers will continue to “trade up” to higher quality and specialty brand whiskeys. Double-digit increases have been reported for super and ultra-premium whiskey, according to IRI data. The company defines super-premium as the top tier, with suggested retail prices of $26 and up, and premium as less, fetching prices of $21 to $25.99. "Consumers continue to be interested in trading up in nearly every [spirits] category," says Brian Morgan, senior research analyst for Euromonitor International, Chicago. "Spirits companies are catching on to this, especially in the whiskey category, which is attracting a lot of attention," he continues. "There have been many small-batch whiskies where manufacturers are making higher-end separate brands or creating small batch products."
**Sales Forecast**

Templeton Rye Spirits was founded in 2002 and distilled 4,000 cases (24,000 bottles) of rye whiskey that would be available for sale in 2006. In November of 2006 the company launched its product and by mid April of 2007 the company had sold out. In the fall of 2007 Templeton Rye Whiskey was introduced in Chicago. It was consequently necessary to ship all available cases to Illinois, once again limiting purchases in Iowa. In 2008, production was increased to 12,000 cases (72,000) bottles, which will be made available in 2012. Therefore; sales are projected to triple in 2012.

**Objectives**

**Corporate**

Templeton Rye Spirits is currently focusing on expanding their production facilities and plans to triple Templeton Rye whiskey production in the year 2012. The growing popularity in the rye whiskey category, along with a mounting brand name, makes Templeton believe that customer demand will continue to rise. The company will also release cases on a schedule to spread out availability in current markets. In the past, insufficient product supply has resulted in shortages of the product during peak seasons. Looking at current sales and demand, the company would like to expand distribution into neighboring states of Iowa.

**Marketing**

Templeton Rye will be concentrating on keeping its marketing and advertising costs minimal by using many low expense techniques commonly used by smaller companies. Their main objectives are to further develop the rye whiskey niche market, to
raise brand awareness, and to increase demand for Templeton Rye. The techniques used will revolve around word of mouth tactics, building relationships and networks with retailers and customers, and by getting the customer psychologically involved with Templeton Rye whiskey and its many benefits. The overall goal of using these strategies is to portray the benefits that Templeton Rye provides potential and current customers, which in the end will create added value to the product and the consumer.

**Marketing Strategies**

**Customer Targets**

The customer group that has the highest growth potential within the next few years would be men and women 25 to 40 years of age that are interested in being chic and “trading up” first-rate whiskey and cocktails. These customers are in a thriving cycle in their life personally, socially, and professionally to where they want an exciting and unique experience at a cost they can afford. The cocktail culture significantly impacts this group as they tend to “drink less but drink better”.

Another key group of consumers are whiskey enthusiasts aged 40 to 55 looking to experience the past through the purchase of premium rye whiskey. Many aficionados enjoy attending whiskey tasting parties, as well as keeping a stock of favorite libations to share with others. These individuals love the history and stories behind the product and many are also history buffs. The resurgence of rye whiskey is fueled in part by demand from whiskey collectors and connoisseurs.
**Competitor Targets**

Primary competitors of TR include current large scale producers of rye whiskey that have product available in Iowa and Illinois, and small craft distilleries that produce rye whiskey that could be ordered via the internet. The two rye whiskeys that are direct competitors (Jim Beam and Wild Turkey) are priced cheaper and are made readily available in many of the same convenient locations. The competitor’s younger target customers are experimenters and have the capability and willingness to switch brands if the benefits of Templeton are clearly shown and explained to them.

Young men and women who are not as likely to have maintained brand loyalty to a product or brand will be easier to take away from competitors and try to create and build brand loyalty with Templeton. The older age group would probably be more profitable to try and gain, however they are more likely to be brand loyal by this time period in life to a particular brand or product. The product’s quality and features would have to provide a significant higher amount of benefits and value to these customers before they would switch.

**Core Strategy**

Templeton Rye offers a competitive advantage by emphasizing unique characteristics like superior quality, innovative packaging, uncompromised craftsmanship, and a unique value proposition; "Prohibition Era Rye Whiskey available legally for the first time ever." The company emphasizes the quality of its product (functional) along with the psychological; the desire to portray a certain image of luxury as a status symbol, which is helped by popular culture. The image of spirits is important
for young adults; therefore, the company has emphasized the unique past relationship with Al Capone. The desire to relate to popular culture and be “in vogue” will also be an important psychological component.

As a growing competitor within the spirits industry, Templeton Rye is continuously working on ways to create and involve customers within the distilling process, share its historical and psychological benefits, enhance quality and taste, and expand within existing as well as new markets. Scott Bush is planning on accomplishing this mission by going to great efforts to develop and involve customers in an ‘amateur distilling experience’, expanding production facilities, leveraging Templeton’s historical attributes, and creating positive word-of-mouth through buzz marketing techniques. He feels that their small size makes them well positioned to execute hands on, high end, private barrel projects. They are also creating ways for customers to keep involved with Templeton Rye through enhancing their website with an online blog and being active in many various festivals, charity events, and being associated with a well known band; the Nadas.

Templeton Rye whiskey has steadily been growing in popularity over the past few years and is now becoming something that many stores and bars are having trouble keeping in ample stock and/or supply. With expansion of the production facilities and growing demand for the product, Templeton will continue to display and promote great quality, sophistication, and a fun way to take advantage of exciting new experiences offered to every consumer. In this regard, the company focuses primarily on portraying psychological and functional advantages, which puts greater emphasis on the product’s
appeal to its culture, subculture, image displayed, sense of community, and what it has to offer each consumer; not on price.

Included in Templeton’s areas of differentiation from its competitors are characteristics including high quality, portraying a positive image, status a super premium whiskey, a strong brand name, and being able to provide customers with an ‘experience’. We believe these attributes truly set our company apart from the many other alcoholic beverages within the industry. Current consumers of the product feel a strong connection with these differential aspects possessed by Templeton Rye, and we believe will be a valuable asset in providing positive word-of-mouth to potential consumers in the market.

With Templeton continuing to expand its production, raise brand equity, develop creative marketing and advertising techniques, and be the only company able to provide consumers with its unique and inimitable psychological benefits, there is reason to anticipate an increase in consumer loyalty as well as repeat purchasing patterns. This is especially important to Templeton Rye and its ability to obtain long term profits due to its smaller size, customer base, and recognition compared too many of its competitors. Brand recognition, loyalty, and repeat purchases will be three key factors in determining the appropriate techniques used in order to best position Templeton Rye within the market.

Templeton Rye Spirits has an overwhelming enthusiasm about its rye whiskey and the impact it has in consumer’s every day lives. The company does not just see it as an alcoholic beverage to occasionally be drank, but instead as a way of life that has been seen as historically significant since the Great Depression days. It offers consumers the
chance to feel connected through the drinking experience with a product they know is of the highest premium quality, has a strong brand name and image, and a great trademark today.

**Strategic Alternatives**

Due to the fact that Templeton Rye is an existing product, (even though it was banned during the Prohibition era) focusing on just increasing sales or market share through market penetration, may be a vital concept to be considered. The company can also look at the option of increasing profitability, which can either be done by decreasing inputs or increasing outputs throughout the production process.

Consideration of the market penetration strategy looks at ways to attract and acquire competitor’s customers to induce brand switching. This strategy would be relatively easy to moderate because the switching costs would be pretty low. However, this concept does usually require a relatively large use of sales promotions, which can be costly and cause unprofitability. When competitors see these promotions and price reductions, retaliation could occur. Also, the idea of brand switching is sometimes accompanied with comparative advertising, which is risky because if poorly executed it could draw attention to competitors who may be market leaders. Since Templeton is a smaller company and does not have the vast amount of resources yet to spend on large promotions and price reductions, we feel this would be a risky alternative to pursue.

Market development strategies focus more on acquiring customers who do not currently use or consume the product. One approach to take is to pursue non users in a target that Templeton already targets. Templeton has probably reached a pretty large amount of users within its target segments being mostly in areas throughout Iowa and in
Chicago. There is always room for potential, but we feel it would not be the most worthwhile to focus a lot more resources on these areas. The second approach would be to enter into new markets and develop segments not yet focused on before. This is the strategy and direction we believe Templeton Rye is and should be headed in the future. This will allow them to pursue their current underlying goals of further expansion and growth throughout the United States, which will in turn increase their market sales/share.

Increasing profitability is the second path to consider. One way to accomplish this is to reduce the amount of inputs when developing the product. Currently, Templeton does not spend a lot of money on things such as marketing and advertising, promotion, selling expenses, and market research. Templeton does a good job of keeping inventory levels adequate to run production efficiently. One important way to increase profits is by retaining current users, which Templeton is usually seen as accomplishing very well. The other approach is to increase outputs, which Templeton could do to a certain extent. However, it is already seen as a premium rye whiskey so increasing the price may reduce unit sales and decrease revenue if seen as too dramatic to consumers.

In some attempts to increase revenues, the 80/20 rule can be applied. If twenty percent of the product attributes account for eighty percent of sales then Templeton would want to put a lot of emphasis on its size, color of bottle, attractiveness of label, etc. It could also be applied to put more emphasis and resources on those customers that have higher usage patterns and promote greater profitability. Templeton believes it needs to keep its current users happy and repeating purchases, but will need to also expand to other segments/customers in order to grow and expand for future profitability.
Supporting Marketing Programs

Product

Templeton Rye whiskey has an intriguing historical significance and image in the eyes of customers. In 1920, prohibition outlawed the manufacture and sale of alcoholic beverages, which left many Templeton residents to secretly produce and consume a ‘high caliber’ rye whiskey known as the ‘Good Stuff’. The original recipe is used today to make authentic rye whiskey from the era. The product has widely been associated with Al Capone and his gang in Chicago. He was known as a big supporter and consumer of Templeton Rye, even when in prison in Alcatraz. Templeton was produced illegally for its loyal customers, whom found its premium flavor of up-most priority and importance.

Templeton Rye Spirits has put a lot of effort into representing its product, Templeton Rye whiskey, as a premium flavor and exhilarating experience at a reasonably affordable cost. The product is intended to provide customers with a drink that will satisfy all their personal, social, and emotional needs, along with an exciting experience corresponding with its unique historical significance. All of these benefits will help improve the customer’s feeling of value being added by their decision to drink Templeton Rye whiskey over its competitors. Templeton’s rye whiskey is Templeton Rye Spirits only alcoholic product as of right now, but also sells some clothing apparel that is available on the company’s website through the online gift shop.

The product itself is made from a “heavy-bottomed glass decanter with steeply sloped shoulder leading to neck, reminiscent of a piece of labware and heavy enough to be used as a weapon, gives the feel of a serious bottle of whiskey. Simple graphics, but nice details that give the genealogy of each bottle (batch, barrel, and bottle #’s) and plenty
of open space to appreciate the color of the whiskey. The bottle contains 750 ML of exceptional flavor and premium quality rye whiskey. Templeton believes the physical attributes of the bottle are seen as very positive in the eyes of the customer and have no reason to change its size, colors used, or the taste of the rye whiskey inside.¹³

Templeton Rye whiskey has very distinctive characteristics in its appearance, first impression, and exceptional taste. The whiskey itself is a deep amber color in a copper colored bottle, which is said to look more like a fifteen year old scotch than a four year old whiskey. Each customer invariably develops a first impression of the rye whiskey, which most commonly includes attributes such as rye spiciness, leather, toffee, allspice, malt, and dried dark fruits. Its exquisite taste is a thick rye maltiness mixed with a spicy sourness with an underlying sweetness that gives it great breadth and complexity.¹⁴

Templeton Rye whiskey’s reputation, brand, and overall confidence within the market have become increasingly more prominent each year. The product is known to have a history composed of a community of people that had so much trust and devotion to the product that they would have to take great risk by consuming each swallow. Many consumers back during the Prohibition would often say that they had lost their connection to get good cough syrup. The product has been known to serve various purposes whether it be a health remedy, a part of some consumer’s every day lives, and for others an experience with friends, family, or co-workers. These attributes and characteristics need to be emphasized when trying to attract new customers and build brand equity in the future.
**Pricing**

When first entering into the rye whiskey market, Templeton engaged in what is known as a skimming strategy. This allowed the company to begin selling the rye whiskey at a higher price by its product features, representing a differential advantage compared to its competitors. Customers targeted by this strategy are not very price sensitive and are willing to adopt the product early. Templeton also limits the number of bottles it produces in order to keep demand high and have the ability to keep prices relatively high. This creates a higher margin, making it possible to devote extra funds to areas that can further increase profitability in the near future.

The current price of a bottle of Templeton Rye whiskey is between $35.00 and $42.00 retail. The following table shows a list of some common rye whiskeys currently used by distributors and consumed by customers. The average retail price is also listed with each brand of whiskey. As can be seen, Templeton Rye whiskey falls about in the middle between the lowest price range and the highest price range of rye whiskeys and is considered a super-premium (top-shelf) brand (See chart below).

<table>
<thead>
<tr>
<th>Rye Whiskey</th>
<th>Retail Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Old Overholt Rye Whiskey</td>
<td>$16.00</td>
</tr>
<tr>
<td>Jim Beam Rye Whiskey</td>
<td>$18.00</td>
</tr>
<tr>
<td>Wild Turkey Rye Whiskey</td>
<td>$25.00</td>
</tr>
<tr>
<td>Old Rip Van Winkle Old Time Rye Whiskey</td>
<td>$40.00</td>
</tr>
<tr>
<td>Van Winkle Family Reserve Rye Whiskey</td>
<td>$40.00</td>
</tr>
<tr>
<td>Pikesville Supreme Rye Whiskey</td>
<td>$13.00</td>
</tr>
<tr>
<td>Rittenhouse Rye Whiskey</td>
<td>$140.00</td>
</tr>
<tr>
<td>A.H. Hirsch Rye Whiskey</td>
<td>$156.00</td>
</tr>
<tr>
<td>Old Potrero Rye Whiskey</td>
<td>$66.00</td>
</tr>
<tr>
<td>Guckenheimer Rye Whiskey</td>
<td>$10.00</td>
</tr>
<tr>
<td>Michter's Rye Whiskey</td>
<td>$40.00</td>
</tr>
<tr>
<td>Sazerac Rye Whiskey</td>
<td>$26.00</td>
</tr>
<tr>
<td><strong>Templeton Rye Whiskey</strong></td>
<td><strong>$38.00</strong></td>
</tr>
<tr>
<td>Black Maple Hill Rye Whiskey</td>
<td>$104.00</td>
</tr>
</tbody>
</table>
Distribution

Templeton Rye whiskey is only being sold physically in Iowa and Illinois. As mentioned earlier, Scott Bush plans on expanding into Missouri and eventually nationwide\textsuperscript{18}. The company’s new expansion plans will allow more bottles of Temple Rye whiskey to be produced, and therefore hopefully spread over a larger region, while still providing sufficient amounts to current customers. Building Templeton’s business network with potential wholesalers, retailers, and customers along with attending various rye tasting events should be in the plan for possible future distribution channels.

Templeton Rye whiskey is currently sold to wholesalers, liquor retailers, upscale eating/drinking establishments, bars and lounges, two online websites, and through Templeton’s company website online.

Which distributor the customer will buy or consume Templeton Rye will depend on their buying and consuming intentions. If a customer wants to get something to take home and enjoy, either by themselves or with people socially, purchasing a bottle(s) at a liquor retail location would be most appropriate. If a customer is going out with a group socially and want an exciting atmosphere and experience, attending a bar, lounge, or upscale lounge would be a proper choice. Having the availability to order Templeton Rye online provides a very convenient and accessible way for customer to obtain the premium taste and flavor of rye whiskey. Templeton plans to continue these current channels of distribution, with its main focus being to increase the number of bottles sold through each channel. Once this occurs, more channels of distribution will need to be researched.
**Promotion**

Since Templeton Rye Spirits is privately owned, it has a limited amount of resources and revenues to devote substantially to large scale marketing and advertising campaigns. They have not advertised Templeton Rye whiskey through conventional media outlets. However, they have been able to successfully promote their product through their website, a few opening events in Chicago, free publicity, select sponsorship of the Nadas, and positive word-of-mouth. Our team believes there is a need for greater advertising and marketing by the Templeton Rye management, however not in the usual techniques used by most companies in today’s consumer market.

One low cost advertising and marketing strategy is guerrilla marketing. This will entail using creativity instead of cash. This strategy strongly relies on characteristics such as time, energy and enthusiasm, and imagination to aggressively promote a product instead of a big marketing budget. There are hundreds of different ‘weapons’ that a business can use to successfully promote a product using this strategy but it is often advantageous for the business to think innovatively and create some of their own.

Small businesses are actually seen as having positive leverage against larger companies, such as in Templeton’s case due to their flexibility and closeness to their customers. The following are recommended promotions for Templeton Rye:

- **Continued sponsorship of the Nada’s tour bus along with sponsorship of**

  **“Roaring 20’s” theme nights in bars** – These promotional techniques offer low financial risk and have the potential to reach a large portion of the target market, as well as many potential markets or customers. The Nadas recently wrote a song about Templeton Rye and strongly promote the product through the signage on
their tour bus. Sponsorship is a great way to connect with your target community. It is also a great way to use the organization or event to extend and promote the desired brand image. The brand can be leveraged by focusing on what the customers are passionate about to create a stronger brand loyalty. A “Roaring 20’s” event was staged in Chicago when TR was first launched. They created a Prohibition era experience by wearing era related costumes, sharing Templeton Rye’s historical significance by emphasizing Al Capone’s involvement, thus gaining publicity for the product. It resulted in getting customers personally and emotionally involved, bringing life the brand experience for each customer, which left them with a lasting, positive impression. It was also a great opportunity to expand personal connections & network in the hopes of creating more events in the future.

- **Continued use of website** - Current technology should be used, such as Templeton using the World Wide Web through its website, You Tube, and being mentioned in various articles on top search engines. This provides an easy way for interested individuals to access product and distribution information.

- **Whiskey competition entries** - The more customers that have the ability to taste Templeton Rye whiskey and experience its great quality, smoothness, price, and historical significance, the greater the likelihood that they will spread these positive attributes and feelings to friends, family members, or co-workers in the future. Furthermore, these events are important because Templeton Rye could be rated in quality, performance, or appeal, which could greatly enhance future customer purchases. Potential and target customers would be more likely to
purchase Templeton Rye after it receives strong ratings from industry experts. Awards in contests can later be advertised on the product or through industry publications.

- **Complementary relationship with a Vermouth maker** - Templeton should consider teaming up with a company that manufactures sweet vermouth that could be used in a cocktail, such as the Manhattan. One company and brand that seems to be pretty popular in this category is Vya. It is known to have a warm and spicy sweetness that encourages the taste buds for food to follow. It is also known for making one of the world’s greatest Manhattans. A Manhattan is commonly used with Bourbon, but new trends suggest that the drink is authentic when rye whiskey is used. Vya is sold at retail for approximately $25.00 a bottle and is common in many specialty stores, bars, and restaurants.\(^{15}\) Networking and building a relationship with this company and brand could help in other areas of the business as well. It could help create an extra boost if Vya agreed to help promote and advertise Templeton Rye whiskey in some of its advertising and promotions. This could help build a larger customer base, brand recognition, customer purchases, and possibly repeat buying patterns. It may also help expand Templeton’s distribution channels and allow Templeton Rye to be sold over a larger area and through more channels. If these techniques worked well, we would expect Templeton’s profits and sales to also increase, which would help with further expansion and production abilities.
Point of sale postcards – This would be an inexpensive way to make patrons of bars and eating establishments aware of TR. These would be designed to build intrigue about the brand by making bold statements about Al Capone or how a Manhattan is not authentic without using Templeton Rye Whiskey

Bartender /retailer education programs - It will be essential for Templeton to follow through and deliver Templeton Rye whiskey to its customers by getting to know the customers, building trust, reliability, and support, determination of their needs, and making sure the product delivers the promised benefits. The company needs to know the market, who their customers are, how they think, and where they go. Templeton should work with bartenders and retailers to educate the market about its product, special event opportunities, and what the company has planned for the future. This tactic is also meant to engage human psychology, which coincides perfectly with the strategy Templeton uses to attract and retain customers. This helps relate product characteristics, attributes, and benefits positively to psychological benefits such as feelings of a quality drink, togetherness, happiness, and a fun experience all around. Sales personnel at upscale establishments as well as retail stores could greatly enhance this strategy by consciously making suggestions to customers relating to why Templeton would be a good option to try or purchase. This could accomplish the objective of attaining new customers, getting the product into people’s hands, and spreading positive word of mouth. This could be seen as a type of Influencer Marketing, which involves targeting key individuals with higher authority and a lot of personal connections to help spread positive word of mouth.
- **Amateur craft distillery experience** – TR is currently trying to create an amateur distillery experience. This would involve interested participants coming to the facility, being involved in the distilling process, and later being able to buy what was made. Current legislation does not permit this at the time, but the company is working on making it legal. Templeton has noticed in other countries a very positive experience using this strategy.

- **Submission of press releases to area papers** - These releases will be an introduction to Templeton Rye in new markets. Information about the product, history, and local contact information will be provided. If newspapers “pick up” the releases and run them, it would be an opportunity to build awareness and could help spread WOM advertising.

**Financials**

Since Templeton Rye Spirits is a private company there are no financial records available to the public. However, by extrapolating information from known production levels an estimate of gross profit can be approximated.

<table>
<thead>
<tr>
<th>Iowa Whiskey</th>
<th>Proof</th>
<th>Size</th>
<th>Pack</th>
<th>Bottle Cost</th>
<th>Case Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Templeton Rye</td>
<td>80</td>
<td>.750</td>
<td>6</td>
<td>$25.45</td>
<td>$152.70</td>
</tr>
</tbody>
</table>

In 2006, Templeton Rye produced 4,000 cases sold in Iowa at the wholesale rate of $152.70 per case. Iowa is one of nineteen control states that, since the repeal of prohibition, directly control the sale and distribution of alcoholic beverages. The price of spirits in Iowa is comprised of several cost factors, including supplier costs, federal and state excise taxes and a variety of other charges. In Iowa all spirits are taxed at a rate of approximately 50% of wholesale cost. This means that the sale of a case of Templeton
Rye resulted in revenue in the amount of $76.35. For the first year of operation their gross profit was approximately $305,400.00 ($76.35 \times 4,000).

For their second year of operation the company split the available product between Iowa and Illinois. Since Illinois is not a control state and taxes spirits at the rate of $4.50 a gallon plus federal excise tax. It is difficult to approximate company gross profits for 2007. It is assumed that gross profits for this period were higher.
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