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COVER STORY

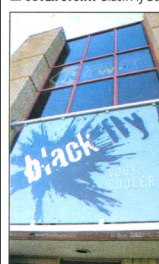
Black Fly taking bite

Under the guidance of Rob Kelly and Cathy Siskind-Kelly, the microdistillery is making its mark. **Page 8**



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COVER STORY: Black Fly Beverage Co. is securing its share of the big vodka cooler market



The Black Fly microdistillery.

'Mom and pop' shop flying high

HANK DANISZEWSKI
The London Free Press

When it first took flight, Black Fly Beverage Co. must have looked like a small, pesky annoyance to its huge competitors.

But almost five years later, the London microdistillery is taking a nice bite out of the big vodka-cooler market through clever promotion and innovative products.

Black Fly, the creation of London couple Rob Kelly and Cathy Siskind-Kelly, is a rarity in a number of ways.

In 2004, after months of research and lobbying, it became the first Ontario business to be granted a distillery licence in more than a century.

It is truly a "mom and pop" shop in an industry dominated by corporate giants.

It has relied on word of mouth, product demos and personal sales calls to compete in a market where multimillion-dollar marketing budgets are the norm.

Rob, 44 and Cathy, 41, also have juggled the creation and growth of their company with the responsibility of raising three children, aged 9, 11 and 14.

Rob said his youthful summers in Muskoka cottage country convinced him there was a market for a premium vodka cooler that was less sweet with the distinctly Canadian flavours of blueberry and cranberry.

Rob said the name Black Fly, the biting insect that is the bane of cottagers and campers, was intended to be a bit edgy and to tap into the "buy local" movement.

"Black Fly resonates on a regional level. It's something Canadians can identify with," said Rob.

Cathy said the keys to growth have been innovation and communication. They decided to make Black Fly a distinct premium product by using pure juices and cane sugar, rather than high-fructose corn syrup. The plastic bottle has a wide mouth and a resealable plastic cap.

The less-sweet taste was designed to appeal to more sophisticated consumers.

But they still had to compete with the big players, including Seagram's and Mike's Hard Lemonade in Canada, and Smirnoff, Bacardi and Woddy's internationally.

The big companies can use mass media advertising to build brand awareness with consumers.

"Those are comfortable choices. People know what to expect. A small producer has to work harder to communicate their message," said Cathy.

Though their sales volumes are gradually building, mass media advertising is still out of reach for Black Fly.

Instead, the company has relied heavily on direct consumer contact with product tastings, displays at food and beverage shows and feedback through its website.

A map in their office is covered with pins marking community events such as concerts and festivals. An outside company has been hired to help stage as many tasting events as possible.

"When people can taste our product, they get excited. The power of word of mouth is very strong," said Cathy.

They decided to open the original Black Fly plant in an old bank building on Dundas St. right across from the John Labatt Centre. Rob said it was a "fishbowl" that gave them a lot of local visibility.

Black Fly also has made effective use of media coverage, with a number of stories in local and national print media and CBC-TV's Venture business program.

With liquor sales in Ontario restricted to the LCBO, Black Fly

does not have to deal with thousands of retailers. Their seven-person sales team can work with LCBO managers and staff.

But Cathy said the LCBO sets high standards.

"At the end of the day, you have to perform, because the demand for shelf space is so competitive."

Black Fly soon branched out with new cooler flavours and a new product called Spiked Ice, a frozen vodka cooler targeted at the summer market.

Their distribution also expanded beyond Ontario to retailers in Nova Scotia, Alberta, British Columbia, Newfoundland and Labrador and the Yukon. The product is now available at 1,100 retailers across Canada.

Last year, the company moved from its downtown headquarters to a much larger plant on Sovereign Rd. in southeast London.

Rob said they had outgrown the original downtown location and needed room to expand.

The new location has access to lots of storage space at a refrigeration business next door and is close to Hwy. 401.



Co-owners Rob Kelly and Cathy Siskind-Kelly stand on the production line in Black Fly's old Dundas St. plant as a batch of vodka coolers comes off the line in 2006. The coolers contain real fruit juices, such as cranberry and wild blueberry, and other natural ingredients.



Mike Nisker and Rob Kelly on the production floor.

Cathy Siskind-Kelly checks the map showing their markets for Black Fly products.



Black Fly got its start making vodka coolers that were less sweet and featured distinctly Canadian flavours.

Black Fly's coolest product is Spiked Ice, a vodka-infused freezer that's available in three flavours.

The new Tequila Sunrise is Black Fly's first non-vodka beverage.

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Mike Nisker with a hot kettle mixer on the production floor of Black Fly's Sovereign Rd. operation.

Tequila Sunrise cocktail launched

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This year, Black Fly was a finalist for a London Chamber of Commerce Achievement Award in the small business category.

The company has 12 full-time and 20 part-time employees.

Black Fly marked another milestone last week when it launched a new product, a ready-to-pour Tequila Sunrise cocktail.

It's the first Black Fly product that doesn't use vodka as a base.

Siskind-Kelly said tequila is growing in popularity and is likely to appeal to the same market that buys vodka coolers.

The company struck a deal to import genuine agave tequila from Mexico.

The tequila is mixed with fresh pomegranate and orange juice and packaged in a distinctive 750 ml. square bottle. The lightweight plastic bottle takes up less volume and is safer to handle.

Tequila Sunrise packs a punch with a 15% alcohol content and sells for \$15.95.

Black Fly enlisted the help of Artica Manufacturing, a London firm that makes precision manufacturing parts, and was able to retrofit its production line so it could produce both vodka- and tequila-based products.



Cathy Siskind-Kelly and Rob Kelly were all smiles in 2006 as they showed off samples of their vodka-infused freezers before they went to market.

"Thankfully, we do not need two separate production lines. That's not in the budget," said Cathy.

She said the market for the Tequila Sunrise product is less seasonal than the vodka coolers that consumers tend to favour during summer months.

The next frontier for Black Fly is the international market. Rob said they are exploring opportunities in the United States and Japan.

Their experience with the LCBO has given them solid credibility and experience with American retailing giants.

After five years, the couple has learned how to juggle their work and family schedules and ironed out many of their early production problems.

"You can never really escape it — the business is 24 hours a day," said Rob.

After less than five years, Cathy said she never imagined the company would have six products and distribution across Canada.

"We are way beyond where I thought we would be," she said.

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