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## Indy beverage acquirer scores first purchase

*Taliera drinks up Texas maker of Bloody Mary mix*

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It took a year and a half. But Indianapolis-based Taliera Holdings LLC finally acquired its first beverage brand.

Taliera, led by Indianapolis entrepreneur J. Smoke Wallin, acquired Texas-based Red Eye Brands this month. The company makes Red Eye Bloody Mary mix, as well as salsas and sauces.



Wallin

Terms of the deal were not disclosed. But Wallin said Red Eye holds less than 5 percent of the Bloody Mary mix market. He hopes to take the company to 10 percent three years from now.

"Red Eye is really strong in Texas. Strong in a couple of other markets," Wallin said. "Where they haven't done much in terms of penetrating the market is getting the distributors to promote it and get into some of the on-premise sites [such as] bars and hotels."

Taliera also hopes to get Red Eye into national specialty retail chains, such as Texas-based Whole Foods Market.

Taliera's strategy is to roll up unknown or orphaned alcohol-related brands that could grow if given senior management attention and adequate resources for marketing and distribution.

Wallin, 41, is former chief financial officer of National Wine & Spirits Inc., an Indianapolis liquor distributor. He

founded eSkye Solutions Inc., which makes ordering software for the liquor industry's supply chain, and sold it in September.

Wallin has assembled a team of beverage industry veterans to help find and evaluate deals. Also helping Wallin are two local business notables: Eric Todd, chief investment officer of Forethought Financial Services, and Brian Williams, former executive director of the Indiana Democratic Party and now a partner in Hopewell Ventures.

Taliera first tried to advance its plan in July 2006 through a \$60 million initial public offering. It abandoned that route in late March 2007 and decided to privately finance its acquisitions.

But two weeks later, Taliera's chairman, S.K. "Skeeter" Johnson, died in a freak polo accident. It took Wallin six months to buy back Johnson's stake in the company. And losing the expertise of the former vice president of Coca-Cola Enterprises Inc. was a big blow, Wallin said.

He didn't start seriously shopping for deals until October.

"Honestly, that kind of set us back," Wallin said of Johnson's death. "He was a major sponsor of our deal."

Red Eye employs 10 at its Bryan, Texas, plant and has sales personnel in other parts of the country. Wallin acknowledged that the Red Eye acquisition is significantly smaller than the \$100 million or greater deals he forecast a year ago. Wallin said he's realized Taliera will have to do smaller deals to build up the \$100 million portfolio he



Red Eye Brands makes four flavors of Bloody Mary mix, as well as sauces.

wants to have three years from now.

The drink mix, while not alcohol itself, is distributed by the same companies as wine and spirits are, Wallin noted. It also taps into the fast-growing market for specialty and gourmet products. That industry segment has been growing at a compound rate of 11 percent a year since 2003. Industry sales totaled \$59 billion last year, according to Taliera's market research.

Red Eye Brands makes four flavors of its Bloody Mary mix: original, limon, habenero and horseradish. The product was created in 1985. Red Eye also acts as a contractor for food retailers and manufacturers, making salsas and sauces to put under those companies' brand names.

"When it came time for my family to sell the Red Eye Brand Co., we looked long and hard for a strategic buyer who

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would build upon the foundation we have built over the years,” said Bob Phillips, who has owned Red Eye Brands the past 10 years, in a written statement.

Taliera’s strategy drew skepticism last year from Duncan Cameron, a board member of the Ohio-based World Association of the Alcohol Beverage Industries Inc. He said revitalizing

brands or ramping up marketing cannot guarantee a successful beverage product. The industry really is, he said, “a fashion business, with popular trends” that determine which products sell well.

But Tom Hustad thinks Taliera’s strategy is a good one. In fact, it’s happening more and more in the food and consumer products industries, said the marketing professor at Indiana University’s Kelley School of Business in Bloomington.

“You’ve got talent; you put it together

with money and opportunity,” he said. “They are excellent strategies.”

Though the roll-up plan has taken longer and led to smaller purchases than Wallin planned, he’s happy with the activity now.

“We feel really good about where we are in terms of prospects,” he said. “We’ve been tremendously active. We’ve had looks at 25 companies. I’m under confidentiality with at least 15 companies right now.”•