

October 29, 2020

Generations Fall 2020 - Goslings Rum: The Secrets of Keeping a Family Business Together for Eight Generations

On August 13, Day Pitney's Family Office Practice Group hosted a private virtual tour of the Goslings Rum production facility in Bermuda. The tour was moderated by Dan Gottfried, who chairs our International Transactions and Tax practice groups. Day Pitney guests had the pleasure of a real-life Dark 'n Stormy® cocktail mixology session with Andrew Holmes, Goslings' brand director, and listening to Malcolm Gosling, President & CEO of Goslings International Ltd., discuss his family business and the secrets of keeping it together for eight generations.

Below is an excerpt from the conversation, edited for length and clarity.

Daniel Gottfried (DG): Can you tell us how Goslings got its start?

Malcolm Gosling (MG): In the late 1700s, my five-great-grandfather had a liquor store in London. He decided to expand to the New World. In 1806, he chartered a ship named the Mercury and loaded it with 10,000 pounds sterling worth of wines and spirits. Being the brave guy that he was, he stayed back in London and put his son James on board. After 90-plus days at sea, the charter ran out and the ship was nowhere near its destination, Virginia, but it was close to a little rock in the Atlantic, which was Bermuda. James was unceremoniously dumped off in Bermuda, with a lot of booze but not much money. He decided to sell some of his wares. Not 100 yards from where he was unloaded, he was granted a license to sell liquor, which would have basically been four to five varieties of wines, port, sherry, whiskey and cognac. Two years later, his brother Ambrose joined him with the next boatload. We have been here ever since.

We started bringing in other products from around the world. Today, we import, wholesale and retail over 3,000 different SKUs of wines and spirits. We are Bermuda's oldest business and 100% family owned. I am the seventh generation, and the eighth generation is heavily involved in the business, which is exciting.

DG: Your most popular rum is the Black Seal, and that is your logo, as well. Tell us where that came from.

MG: We started importing different distillates from the Caribbean and experimenting with aging and blending. This one, they said, tasted like fine old rum, so they called it Old Rum. The only way you could buy it was by taking your own vessel into one of our retail stores and getting a fill up out of the bar. This is in the 1850s and this continued on all the way to the 1920s. Tourism was starting to develop in Bermuda, so Goslings decided to put the rum in a bottle.

But where did we get the bottles? Well, we would sell champagne to the British Navy, who were always very good customers. In the early days, they would do frequent stops. Bermuda was a strategic location and eventually the British Navy had a base located in Bermuda. We would sell them champagne and bring back the empties. We rinsed the bottles out, put the Old Rum in, put a cork in, covered it with black sealing wax to stop leaking and put it on the shelf with no label, only the black sealing wax to distinguish it from our other blends. People would come in and say "Give me one with the black seal." Being the marketing geniuses that we were, we listened to that for about 35 years before we realized that nobody was calling it Old

Rum, except us. Around 1950, my Uncle Goose created the seal balancing the barrel logo and officially renamed it Goslings Black Seal Rum.

DG: What happened to the Old Rum?

MG: The tradition continued. When I worked in a Goslings retail store, from when I was 14 right to the early 1990s, we still had the barrels of draft. Even though we sold bottled product, people would still bring their empty bottles for a fill up and save on the cost of the glass, labels, and labor. It was quite popular.

When I took over the production, we created an aging project around the Black Seal. Black Seal is perfectly aged and a most versatile spirit. It can be used in daiquiris and the Dark 'n Stormy; it has many culinary applications it is even great in cheese fondue! There is no end to what you can do with Black Seal. Although Black Seal is perfect as is, we wanted to see what this blend would be like with additional aging. We filled a few hand selected, once-used, bourbon barrels and let it age in the humid, salty, Island air that fills our aging facility. Each year we filled a few more barrels. We knew this was going to be a product that we wanted to produce one day.

You can over-age rum. When it becomes too woody, too tannic and too dry, it ruins the spirit. In 2003, we decided it was time to put what we had in a bottle. At that point the total age of each distillate in the blend ranged between 16 and almost 20 years. It took 15 minutes to come up with the concept for the packaging and the name. And that's where we developed the Goslings Family Reserve Old Rum. Covered with black sealing wax in a champagne bottle. Each bottle is hand numbered. We only bottle it once a year, and our yearly inventory usually yields 27,000 to 30,000 bottles.

DG: You are eight generations along now, which is just exceptional. Tell us what other family members work in the business.

MG: We have six members of Generation 8 in the business. I am a great uncle, a couple of times now, so gen 9 is on its way. There is my niece Emily and my son Malcolm, who work with me on the export side, as well as our import and distribution companies. Emily is our brand ambassador for Canada. Malcolm is kind of our special forces guy. Their passion is wonderful thing to witness. For the local distribution business, I have a niece and a cousin, who is like a nephew. They are in accounting. Then, we have two other nieces that are on the marketing and supplier relations sides of our business for the local distributorship.

DG: Do you groom people for specific roles?

MG: It is quite amazing and it sounds haphazard, but it is really not. Everybody needs to understand what they can bring to the company, which is made very clear to any family member looking to join. All of their generation, all of our generation, and all of the prior six generations worked in the business before making it a full-time job. They know where their passions lie. Is it in wine? Is it in marketing? There is variety, because we have become very diversified. That requires different talents.

Four out of the six have had outside experience. The accountants have worked for two major accounting firms. Emily was a teacher at a private school in Canada. My son worked at Polar Beverages to learn about the non-alcohol side of our business. We encourage the next generation to bring new ideas into the company. Every member of this family is super passionate about being a member of the company. It is wonderful.

DG: Your family has such an incredible legacy. I know you have such strong values. How do you preserve and pass those down through the generations?

MG: There is no other way than how it was passed to me. If you take a look at the sixth generation, my dad and his two brothers, it was all about service to others and, first and foremost, respect. They worked in one big office and they got along so well. The family values extend to everybody that gets involved which is centered around respect, honesty and hard work.

My generation just passes that on and makes sure that the next generation understands that it is our name on the bottle. It is something that is almost unsaid. We are just carrying on tradition that was set by the three brothers, my dad and my two uncles. All three were award winners for their community service; they had friends around the globe. They really dedicated themselves to helping those that were not as fortunate and making sure that they took the right path, as best they could. They led by example.

We try to do the same thing. We work to get people to come to Bermuda to help the community by bringing in visitors and opportunities. I have been doing a lot of that. My cousin Charles is the mayor of Hamilton. Nancy sits on many charitable boards.

DG: Tell us about your governance structure. How does your company work?

MG: We have our holding company Goslings Brothers Limited, which wholly owns Goslings Limited, our local distributorship, and Goslings Export, our maker and exporter of all the Bermuda-made products. There is one board, a small board. The board controls everything for all the companies. Currently, we are setting up mini boards for each company, because our businesses are diversified. The production, product innovation, exporting and all the logistics that go with exporting, bottling overseas, marketing overseas. They are different businesses along the supply chain, even though you are selling spirits the level at which you are involved requires a specific skill set.

DG: Are all members on the board family?

MG: No, we have one non-family member, Elis Frazzoni. Tremendous guy, but he is going to be retiring soon. We have our Class A trust shares. They are nontransferable, non-voting, shares held in reserve for non-family board members. He gets the value of those shares while he holds them, but when he leaves the company they come back into the fold. The company is entirely family owned but the benefits of a non-family member on the board helps us grow.

DG: In the eight generations that your family has been running this business, there has been considerable consolidation in this industry. How have you managed to remain independent?

MG: Never put it out that you are for sale. We have had inquiries, but the interest really has not been there. The consolidation continues and there is always room for smaller brands to grow and maintain, but it gets a little bit more difficult, from the cost perspective to making sure you are heard above the noise.

Goslings Black Seal is special, though. It is synonymous with Bermuda and Bermuda's heritage. It is part of the culinary culture. Bermuda fish chowder is as popular as Dark 'n Stormy, and they use a lot of Goslings Black Seal in its making. No matter where you eat Bermuda fish chowder, you will get either a bottle or a cruet set of Goslings Black Seal Rum at the table. It is part of our culture and the Dark 'n Stormy is our national drink. It is something that we owe to Bermuda to preserve. We are an employer for Bermuda. That matters, especially now.

DG: For a liquor brand, you have an interesting trademark portfolio, and one big piece of that is the Dark 'n Stormy. Tell us about that trademark.

MG: In the 1920s the British Navy had their own ginger beer factory in Bermuda. They decided the ginger beer needed a little extra kick, so they added our Old Rum. It is written in a history book that the Dark 'n Stormy was developed in Bermuda and it was the color of a cloud that only a fool or a dead man would sail under.

Bermuda does not produce much. Everything is imported. So Bermudians were very proud of how popular this drink was with the visitors in the 1960s and 70s. It sounds complicated, Dark 'n Stormy. It looks like it could be complicated, but it is very simple. Bartenders latched onto it. Our premier in the early 1980s proclaimed it our national cocktail.

When we decided that we wanted to export, we realized one brand dominated the market for dark rum. Other brands were starting to capitalize on the Dark 'n Stormy from Bermuda. We registered the name internationally in 1980. It was also a sales tool. Over the years, millions of Bermuda's visitors have been exposed to this drink. The trademark allows us to guarantee them that they will have Dark 'n Stormy experienced in Bermuda.

I often tell people, let's not get into a debate whether another rum is better or worse. The fact is it is not a Dark 'n Stormy with another rum. It is going to taste differently, because Black Seal is so unique. That is the main reason we trademarked it. Even after all these years, protecting the mark still requires a lot of time and money ensuring violations are dealt with appropriately. Initially, the trademark was the perfect rationale for an account adding Goslings to their rum portfolio. A Dark 'n Stormy is a unique and tasty intro to our rum. This makes it so important for us to effectively communicate the message that to call a cocktail a Dark 'n Stormy, it must be made with Gosling's Black Seal Rum and ginger beer.

DG: I want to talk for a moment about Papa Seal Rum. You recently released this ultra-premium rum. It is very difficult to get. It has won all kinds of awards.

MG: Papa Seal is the result of another, smaller aging program which involved unique distillates. My son's friends call me Papa Seal, but the product Papa Seal is named this because it is the father of all rums. We liquid is limited and will be for many years. The average age of the rums in it are 16 years. This magical blend is married in American White Oak barrels with a medium char. I can't get into all the secrets behind it, but wow, it's fantastic. Elegant yet complex, hints of fruit but finishes long and dry.

We only did about 12 barrels the first year. We did 15 this year. You have to sample each barrel, because you want to discover any sort of compromise in a barrel quickly, before it destroys the spirit. When it is time for bottling, in order to capture subtle differences between the barrels, we bottle one barrel at a time.

It is all done by hand. It's very laborious. "Unfortunately we only have 261 cases allocated for the United States in 2020. It will make its way into the market by the end of October. The last one won "Rum of the Year," and this year it is even better. I do not know how they're going to rate it.

DG: You can win "Rum of the Year" twice.

MG: We'll see.

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