CRAFTED ADVISORS · COMMERCIAL CASE STUDY

Healthy on the Surface

How Desert Door Sotol Went From a 46-State Expansion to a Padlocked Door in Nine Months

A 360-degree autopsy of a trendy, well-liked brand that looked like it was winning and the commercial, financial, governance, and operational failures underneath. Built for founders, operators, and investors who need to see what actually happens between the strategy deck and the shelf.

Prepared by Crafted Advisors
Commercial Strategy for Emerging and Growth-stage Beverage Brands
July 2026

A note on sourcing and what is and isn't, and can be confirmed

The commercial and expansion facts in this study are drawn from on-the-record reporting (Forbes, CNBC) and Desert Door's own statements.

Executive Summary

In July 2025, Desert Door - the Driftwood, Texas distillery widely credited with putting American sotol on the map - announced its most aggressive move yet: national distribution to 46 states and Washington, D.C. by the end of the year, powered by an alignment with Republic National Distributing Company (RNDC), one of the country's largest wholesalers. *Its co-founder and CEO predicted that sotol would surpass mezcal within five years.*

Roughly nine months later, in April 2026, the company abruptly ceased operations. By early May, the Austin Business Journal reported the distillery "appears to be closed." The landlord padlocked the building; staff reportedly could not retrieve their belongings. The on-site event venue, The Rackhouse at Desert Door, canceled dozens of scheduled weddings and private events, citing "economic challenges." Reporting pointed to investor disputes, missed payroll, canceled employee benefits, and the resignation of co-founder and CEO Brent Looby.

On the surface, Desert Door had every marker of a winning brand: a beloved home market, a differentiated product, a national distributor, a category with buzz, celebrity-adjacent "agave alternative" tailwinds, and a destination venue. Underneath, several failures were compounding at once. This study separates them, because the lesson is not "sotol is risky." The lesson is that **distribution is not demand, category heat is not brand velocity, and a national footprint built on top of an unproven economic model accelerates a collapse rather than preventing one.**

One reframe is important, and it comes from insider accounts detailed later in this study: the cash problem appears to have predated the national expansion, not followed it. By these accounts the company was already burning heavily and dependent on patient family-office capital before it went national. That changes the question from "why did expansion kill them?" to the harder one: "why does a business that already can't fund itself choose to triple its footprint instead of fixing the model?"

The Short Version of What Happened

A compressed timeline of the public record:

2014 Three military veterans - Brent Looby, Judson Kauffman, and Ryan Campbell - meet in an executive MBA program at the University of Texas. Desert Door begins as a class project. (CNBC)

2017 The brand launches Texas sotol, opening its Driftwood distillery on Veterans Day. An early raise, initially targeted at $200,000, reportedly filled in under two weeks and kept going, seeding a wide early investor base. (CNBC)

Aug 2022 Desert Door announced Southern Glazer's Wine & Spirits as its national distribution partner. That deal added 10 new markets (Kansas, Missouri, Louisiana, New Mexico, Arizona, South Carolina, Arkansas, California, Florida, Oklahoma), bringing the brand to 14 states total.

2017 - 2024 Desert Door builds a strong Texas following, a destination tasting room and event business, a conservation-linked product line, and lifestyle partnerships (including a placement with Western-wear brand Tecovas). (Forbes)

Jul 2025 Announces expansion to 46 states + D.C. by year-end via RNDC, rolling out in waves starting with Illinois, Indiana, and Louisiana. CEO states he believes sotol will "surpass mezcal" within five years. At the time of the announcement, Desert Door’s wholesale footprint was ~20 states. (Forbes).

Apr 2026 Operations abruptly halt. Roughly nine months after the national announcement.

May 2026 Austin Business Journal reports the distillery appears closed; landlord padlocks the building; The Rackhouse cancels weddings and private events, citing economic challenges; reporting cites investor disputes, missed payroll, canceled benefits, and CEO Looby's resignation. (Austin Business Journal; CultureMap; KVUE)

Industry Accounts — unverified insider reporting

The following comes from accounts shared privately within the industry, and Crafted Advisors has not independently verified these figures due to publicly available information. They are directional insider reporting, not confirmed fact, and are included because they materially change how the collapse should be understood.

• The company was reportedly burning roughly $700,000+ per month at one point. And that run rate was able to be reduced to about $250,000 per month - a real improvement, but still a serious cash outflow - and this work reportedly happened *before* the national expansion was announced. The cash problem, in other words, was pre-existing and structural.

• Family-office investors had reportedly committed investment over time. Facing little to no return, they eventually declined to keep funding the business. By these accounts, that withdrawal of support, not a sudden sales collapse, is what triggered the missed payroll.

• One co-founder is said to have departed roughly four months before the shutdown.

• The distillery was reportedly padlocked after the company stopped paying rent.

A Category-Creation Bet Dressed as a Distribution Win

Before diagnosing the failure, it is essential to identify what role Desert Door played in the industry. It was not a share-taker in an established category.

- Sotol is a category-creation play - most American drinkers have never heard the word, cannot pronounce it, and have no reference point for what it should taste like or cost. That is not a knock on the liquid, but it is a description of the commercial starting line.
- Category creation is the most expensive, slowest, most capital-hungry game in beverage alcohol. It requires years of education, bartender advocacy, menu placements, sampling, and repeat trial before a consumer reaches for the bottle unprompted.
- Mezcal, the nearest comparison and the exact benchmark Desert Door's CEO invoked, took well over a decade of patient, mostly on-premise, mostly urban build to reach even modest national scale.

Announcing that you will be in 46 states by December does not compress that timeline. It just means you are now paying for shelf space in 46 states while the education still hasn't happened. Announcing rapid expansion while simultaneously transitioning your wholesaler in 14+ markets is nothing short of risky.

While the RNDC deal was framed, internally and in the press, as a milestone of arrival, in reality, it was the beginning of the hardest and most expensive phase, not the reward at the end of it. A national distributor gets you into the book. It does not get you demand. Additionally, Desert Door was partnering nationally with a wholesaler who was experiencing their own strategy, growth, and cash challenges.

Failure 1: Distribution Outran Demand

This is the failure Crafted Advisors sees most often, and Desert Door is a near-perfect illustration of it.

Points of distribution are not proof of anything

Going from a strong regional footprint to 46 states in a matter of months means opening dozens of markets where the brand has no awareness, no local accounts asking for it, and no field team walking the floor. Authorization creates the *opportunity* to sell. It does not create the sale. The rate per case investment of launching a new market is typically ~2x existing markets during the first 12-24 months. A bottle placed in a Kentucky or Hawaii account that no consumer is looking for doesn't move - it sits, ages, and eventually gets deprioritized by the buyer and the distributor rep alike.

The distributor is not your sales team

RNDC was a large wholesaler. It was also representing thousands of brands, and its reps allocated attention to what moved and what paid. A small, unfamiliar sotol brand new to the book, in a category the rep also has to explain, is not where a distributor rep spends discretionary time unless the brand manufactures reasons for focus: margin, velocity, simple story, incentives, and genuine consumer pull-through. National scale *multiplies* the number of reps you need to motivate at the exact moment your ability to support any single one of them is stretched thinnest.

No demonstrated repeatable velocity outside home turf

The right sequence is to prove that the brand reorders - account by account, in a handful of representative markets outside the home base - before committing capital to a national rollout. There is no public evidence Desert Door had established that repeatable, off-home-turf velocity before flipping on 40-plus states. Texas love is real and valuable. It is also not evidence that the brand travels. Building a hub of brand activity then leveraging the ripples of that stone, market by market, is what sustainable scaling looks like. Do not bring on a new market without proof and funding to justify.

Commercial Insight:

National authorization front-loads cost (samples, depletion allowances, inventory, sales infrastructure) and back-loads revenue (reorders that only come after trial, education, and velocity). If demand doesn't arrive fast enough, the gap between the two is funded out of cash the brand usually doesn't have. That gap is where emerging brands die and a bigger footprint makes the gap wider, not narrower.

Failure 2: The Cash Problem Came Before the Expansion

Exact financials are not public, so this section is about structure, not specific numbers. But the structure alone is damning.

This is the failure the public timeline hides, and the one insider accounts bring into focus. It is tempting to read the story as "brand expands nationally, expansion drains the cash, brand dies." The order appears to be the reverse: **the brand had a serious, structural cash problem first, and then expanded anyway.**

By the unverified accounts summarized earlier, monthly burn ran near $700,000+ before bring pulled back to ~ $250,000. That is meaningful work, but still a heavy outflow for a brand of this size and category maturity. Critically, that was the state of the business *before* the national announcement. A company already spending far more than it earned, kept alive by patient investors, chose to double its footprint. That is not a company funding growth from strength, but a company trying to grow its way out of a hole.

2022 CompanyWeek/US Manufacturing Report Profile Interview:

- Headcount: 3 employees in 2018 → 55 employees by early 2022. Later data-broker profiles estimate 40 employees in 2026. If that's right, the workforce contracted from ~55 to ~40 during the exact stretch they were "expanding," potentially highlighting the cost cuts that occurred.
- Footprint: 6,500 sq ft facility in 2018 → 24,000 sq ft distillery plus tasting room and event venue in Driftwood in early 2023.
- Distribution: 5 states in early 2022 (TX, GA, AR, TN, CO) → 20 states by 2025

The expansion then made the math worse, exactly as structure predicts. A national rollout in the back half of a year front-loads cost (shelf, liquid, samples, programming, field support, trade spend) and back-loads revenue, which only arrives after trial and reorders that may never materialize. Layer that on top of what Desert Door was already carrying - a distillery, a leased footprint with a landlord, and a full events operation, all fixed costs that do not flex down when depletions disappoint - and the burn had every reason to climb again.

Based on initial assessment, the national expansion was the accelerant poured on a cash flow issue that already existed. Missed payroll and canceled benefits were not the symptoms of a demand problem a few quarters from resolving; they were the end state of a business that had been outspending its revenue for a long time and finally lost the capital that had been covering the difference.

Failure 3: Route to Market realignment during National Expansion

Layered on top of the cash and demand problem was a self-inflicted one: Desert Door changed its national distributor at the exact moment it was tripling its footprint.

From 2022 until mid-2025, Southern Glazer's Wine & Spirits served as Desert Door's national distribution partner, and the book grew under that relationship from roughly 14 states to about 20. (Before the Southern Glazer's deal, the brand launched in 2017 and built up Texas plus a handful of early markets largely on its own.) Then, in July 2025, Desert Door announced it was moving its national alignment to RNDC to power the push to 46 states — swapping the house it had spent three years learning to work with, right as it went national.

A wholesaler transition is a reset, not a handoff

Switching distributors is not like forwarding a file. Every new wholesaler needs a ramp: reps have to be trained on the brand, the portfolio has to be slotted into the book, account relationships have to be rebuilt, and someone has to re-establish which accounts actually reorder. In Desert Door's case, the incoming RNDC teams had to learn not just a brand but a category — sotol — that most of their reps, and their buyers, still could not explain. That is a long ramp under the best conditions. Just as costly is what gets lost. Whatever institutional knowledge Southern Glazer's reps had built over three years — which accounts pulled through, who the on-premise advocates were, where the brand had earned menu placements — largely resets to zero when a brand changes houses. The new distributor starts cold in the very markets where the brand had finally started to warm up.

The timing turned a hard move into a compounding one

Onboarding a new wholesaler is disruptive in the best of times. Doing it in the middle of a national expansion multiplies the risk in both directions at once. In the roughly 20 existing markets, the brand takes a step backward while the new distributor ramps. In the roughly 26 brand-new markets, the brand is asking an organization with no history of selling it to launch it from scratch — no established relationships, no proven local playbook, no tenure to lean on. Desert Door needed momentum and cash more than ever, and chose that moment to introduce a system-wide reset.

Commercial Insight:

A common rule of thumb in beverage alcohol is to expect roughly a 10% reduction in sales during a wholesaler transition, as the new distributor ramps up and relationship builds. This is a directional planning assumption, not a Desert Door-specific number, but the point holds: a wholesaler switch executed during national expansion likely meant giving back some volume in the brand's proven markets at exactly the moment it could least afford to.

Failure 4: Governance and Capital Structure Broke

This is the dimension that sits outside Crafted Advisors' usual commercial lane, and it is essential to the full picture. The reported sequence: investor disputes, then a CEO and co-founder resignation, then a hard stop, describes a governance and capital failure, not just a market one.

Two structural features are worth flagging for any founder or investor reading this:

- **A wide, early, enthusiasm-driven investor base.** The founding story - a target raise that filled almost overnight and kept growing - is charming, and it is also a governance liability if it produced a large, fragmented cap table of early believers. When money gets tight and a rescue raise or restructuring is needed, a broad base of small holders can make fast, aligned decisions harder, not easier. Enthusiasm at the seed stage is not the same as alignment in a crisis.
- **Disputes precede the shutdown, not the other way around.** When investor conflict and a founder-CEO departure show up right before the doors close, it usually signals that the people who could have funded the bridge chose not to or couldn't agree on terms. A brand can survive a bad

expansion. It cannot survive its own board and cap table losing faith at the moment it needs a lifeline.

The commercial overreach lit the fire. The governance and capital structure determined whether anyone would put it out. No one did.

Failure 5: Two Businesses on One Balance Sheet

Desert Door was really two companies wearing one brand: a spirits business selling bottles through the three-tier system and a hospitality business selling weddings, tours, and events at a destination venue. Each is legitimate. Each has completely different economics, cash cycles, staffing, and risk profiles. Run together, they don't diversify risk so much as entangle it.

The venue looked like a strength: a brand home, a marketing engine, a revenue line, a reason to visit. But it was also a heavy fixed-cost anchor tied to a landlord, and it created a category of obligation the spirits business does not have. A hospitality arm and brand sense of place can be a big marketing asset, but it can just as quickly become a cash drain when revenue is slow. The 2023 expansion extended that liability even further, ultimately pulling dollars from in-market activation, sales, and wholesale. When the money ran out, those obligations became the most visible and most damaging part of the story.

Commercial Insight

If a brand runs a consumer-facing venue alongside a wholesale business, it should be able to answer, in advance: which business is subsidizing which, what happens to venue obligations if the beverage side needs cash, and whether the fixed overhead of hospitality can be survived in a bad year. Desert Door's collapse suggests those questions weren't answered or weren't answered in time.

Failure 6: The Category Couldn't Carry the Plan

Sotol's promise is real: a distinctive, story-rich, sustainably positioned "agave-adjacent" spirit riding the broader tequila-and-mezcal wave. But promise and proven demand are different things, and the plan required the latter.

There is no reliable public figure for standalone U.S. sotol sales, and that absence is the point. A category large enough to underwrite a 46-state rollout would leave a data trail in NIQ, Circana, or IWSR reporting. Sotol doesn't, because it remains an emerging segment inside the much larger agave-spirits story. Betting national infrastructure on a category that small means the brand has to personally fund the category's education, for both customers and consumers, everywhere at once, with no established consumer base to defray the cost.

The CEO's framing that sotol would surpass mezcal within five years, captures the trap precisely. Even if that eventually proves true, **a brand cannot survive on a five-year category thesis with a nine-month or less cash runway.** Category heat is a reason for patient, sequenced building. It is not a substitute for the demand you have actually earned today.

The Warning Signs | Visible Before the Padlock

With hindsight, the signals an investor or advisor could have pressure-tested before 2026:

- **Speed of footprint vs. proof of velocity:** 25-plus new markets in one half-year, with no public evidence of repeatable reorder behavior outside Texas and Southeast.
- **A category thesis doing the heavy lifting:** The pitch leaned on what sotol *would* become, not on demonstrated national demand today.
- **Fixed-cost stacking:** A distillery, a leased venue, and a full events operation carried alongside a cash-intensive rollout.
- **Distributor dependence framed as distributor strength:** A large wholesaler treated as a growth engine rather than as a channel that still requires the brand to create pull.
- **A wide early cap table:** A crowd-of-believers funding history that can complicate governance under stress.

None of these is disqualifying on its own. Together, they describe a brand that had scaled its ambition and its cost base well ahead of its proven demand and had thin margin for error if anything slipped.

What to Take From This

For founders and operators

- **Prove velocity before you buy footprint.** Repeatable, account-level reorders in a few representative non-home markets are worth more than a press release about 46 states.
- **Treat a national distributor as a channel, not a strategy.** Getting into the book is the start of the work. Plan and fund the field support and trade spend that earn a rep's focus and an account's partnership - or don't open the market.
- **Sequence expansion to your cash and your execution capacity,** not to your ambition or your competitors' footprint.
- **Know which business is subsidizing which.** If you run a venue and a wholesale brand, model the bad year, not the good one.

For investors

- **Underwrite demand, not distribution.** Ask for depletions, accounts sold, velocity, and reorder data by market, not just POD counts. Points of distribution can be bought; velocity has to be earned.
- **Pressure-test the category, not just the brand.** A five-year category thesis is not collateral for a rollout that must be funded now.
- **Watch the cap table and the fixed-cost base.** A fragmented early cap table plus heavy fixed overhead narrows every option when a bridge is needed.
- **Model the runway against the rollout, honestly.** If the expansion assumes attention and reorders the brand hasn't yet earned, the forecast is a hope, not a plan.

The Crafted Advisors Takeaway

Every failure in this study reduces to one discipline emerging brands skip when things feel like they're working: **proving repeatable demand before scaling the cost of chasing it.**

Desert Door looked healthy on the surface: a real product, a real following, a real distributor, a real venue, a real category story. Underneath, it had scaled distribution ahead of demand, stacked fixed costs ahead of proven velocity, and left itself no runway and no aligned capital when the two didn't converge on schedule. The padlock in Driftwood is what that gap looks like when it finally closes.

The uncomfortable truth for the next trendy brand: the market doesn't reward the brand that got to 46 states first. It rewards the one that could still stand up the year after it got there.

Sources & Notes

Where a claim depends on a single source or unverified reporting, it is noted in the text. Figures marked directional should be verified against a primary source before external use.

1. **Forbes — "Desert Door Takes Sotol Distribution National" (Andy Vasoyan, Jul 31, 2025).**

   Confirms the 46-state + D.C. expansion, the RNDC alignment, the wave rollout (IL/IN/LA first; 31 states + D.C. by end of Sept), the Tecovas placement, and CEO Brent Looby's "surpass mezcal in five years" statement.

   https://www.forbes.com/sites/andyvasoyan/2025/07/31/desert-door-takes-sotol-distribution-national/

2. **CNBC — "Desert Door, the liquor brand started by three veterans who met at an MBA program" (Dec 29, 2017).**

   Founding story: three veteran co-founders, UT executive MBA origin, class project, ~$200K target raise filled quickly, 2017 launch.

   https://www.cnbc.com/2017/12/29/desert-door-the-liquor-brand-started-by-three-veterans.html

3. **Austin Business Journal — "Inside the Desert Door closure" (May 8 and May 13, 2026).**

   Primary source (paywalled) for the internal collapse based on staff accounts: apparent closure, landlord padlock, investor disputes, payroll and benefits issues, and CEO Looby's resignation. Not independently verified by Crafted Advisors.

   https://www.bizjournals.com/austin/news/2026/05/13/inside-desert-door-closure-atx-sotol-distillery.html

4. **CultureMap Austin — "Austin food news: Deserted distillery..." (May 14, 2026).**

   Corroborates the sudden closure, canceled wedding bookings, and dark social channels; references the Austin Business Journal reporting.

   https://austin.culturemap.com/news/restaurants-bars/food-news-desert-door-closed/

5. **KVUE — "Central Texas brides scramble after Desert Door Distillery venue closure" (May 2026).**

   Corroborates The Rackhouse venue closure, canceled weddings, "economic challenges" explanation, and refunds being processed.

   https://www.kvue.com/article/news/local/central-texas-brides-scramble-desert-door-distillery-driftwood-venue-closure/269-72a76f13-dc4d-43dd-be99-edc6cb944e7f

6. **Category context — agave spirits / mezcal market and Nielsen retail commentary.**

   Used only directionally to establish that sotol remains a small niche inside the larger agave-spirits story. No reliable standalone U.S. sotol sales figure is publicly available. Verify any specific number against NIQ, IWSR, Circana, or TTB before external use.
