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ALL IN THE FAMILY

Family-owned businesses
thrive in beverage alcohol.

GENERATIONS

Small businesses rarely survive the second year, never mind the second generation. For the businesses that do last, it's often difficult to keep the business in the family (and the family members in the business). But success stories do exist – and are more common in beverage alcohol retailing than many other industries.

In the following pages, we've profiled four retailers and one supplier that are all in at least their third generation of family control. They serve as models for businesses just starting out and those going through transition. They've experienced family infighting and the temptation of selling, and know how to manage spouses, siblings, parents, children and grandparents all working together under one roof.

These companies measure success in decades and generations, not by quarterly earnings and short-term growth. Their longevity, consistency and family relationships are what make the beverage alcohol industry strong and resilient.

JACK DANIEL'S ISN'T JUST A WHISKEY IT'S A FAMILY



YOUR FRIENDS AT JACK DANIEL'S REMIND YOU TO DRINK RESPONSIBLY.

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Brown-Forman Fast Facts

FOUNDED: 1870

CEO: Paul Varga

CHAIRMAN: Garvin Brown IV

HEADQUARTERS: Louisville, KY

FY2015 NET SALES: \$4.10 Billion

FY2015 OPERATING INCOME: \$1.03 Billion

WHISKEY BRANDS: Jack Daniel's, Woodford Reserve, Old Forester, Early Times, Collingwood, Canadian Mist

TEQUILA BRANDS: Herradura, el Jimador, Don Eduardo, Pepe Lopez

OTHER SPIRIT BRANDS: Finlandia, Chambord, Tuaca, Southern Comfort

WINE BRANDS: Korbel, Sonoma-Cutrer

GENERATIONS



Portrait of George Garvin Brown (founder).
Back row (left to right):
W.L. Brown Sr.,
George Garvin Brown II.
Front row (left to right):
Robinson Brown Jr., Owsley Brown I, Robinson Brown Sr.



A Vision of Perpetuity

BROWN-FORMAN'S FAMILY OWNERSHIP SPANS FIVE GENERATIONS AND 145 YEARS.

By Jeremy Nedelka

"Talking about the Brown family is like pulling at a ball of string," says Chairman George Garvin Brown IV. "You can unwind it for quite some time."

The wine and spirits supplier founded by his great-great-grandfather, George Garvin Brown, as J.T.S. Brown and Bro. in 1870, has undergone countless changes over the decades. But one constant has remained – family control.

Close to 160 Brown family "cousins," or fourth, fifth and sixth generation descendants of the company's founder, are actively engaged with the shareholder group that holds a controlling stake in the publicly traded company. Garvin Brown IV, who assumed his current role in 2007, is only the latest in a long line of Browns in leadership positions at the company.

CONNECTING THE PAST TO THE PRESENT

George Garvin Brown was born in Kentucky in the 1840s and came to Louisville during the Civil War to complete his high school education. In 1870, he was a pharmaceutical salesman who partnered with his half-brother, John Thompson Street Brown, to start his distilling company and flagship brand Old Forester.

He would later buy out J.T.S. Brown and partner with George Forman, who passed away in 1901. George Garvin Brown purchased Forman's share of the company from his widow, but kept the name Brown-Forman.

"My great-great-grandfather died a few years before Prohibition was enacted," Garvin says. "He had a few children, but only his son Owsley was given control of the company."

The other siblings were lucky enough to inherit a little something, and poor Owsley inherited a company in an industry about to be illegal."

One of Owsley's sisters moved to California, married a doctor, and put her two children through medical school. Garvin met one of those sons, his second cousin twice removed, in San Francisco about 20 years ago.

"He knew George Garvin Brown, who was his grandfather," Garvin says. "Our founder died a long time before I was born, but I can say I've met relatives who knew him, so he's a wonderful figure to me. He's a real figure to all of us in the family."

THE CURRENT GENERATION OF LEADERS

Unfortunately, Garvin never met the grandfather he's named after, who died a few months before he was born (which is why he's named after him, even though Garvin's not the eldest son in his family).

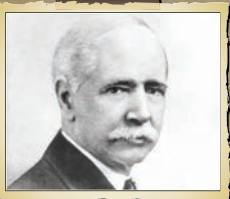
"I was raised in Montreal after my parents divorced, and I had a portrait of my grandfather hanging in my bedroom," he says. "It was like a beacon reminding me of what was south of the border. I watched my brother Campbell join the company and saw him traveling all around the world – I was shocked by the opportunities out there. I joined the company at twenty-six because when I was young it was the most successful and exciting business I could imagine."

Campbell Brown, also raised in Montreal, began his career at Brown-Forman as an intern in the late 1980s. Following his world tour that Garvin described, which

GENERATIONS

CORPORATE LEADERSHIP TIMELINE:

1870-1917



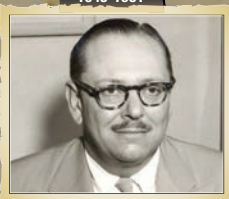
George Garvin Brown

1917-1945



Owsley Brown I

1945-1951



W. L. Lyons Brown

1951-1966



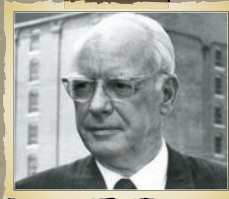
George Garvin Brown II

1966-1969



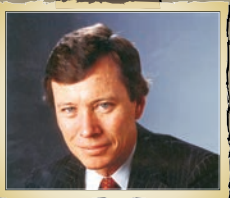
Dan L. Street

1969-1975



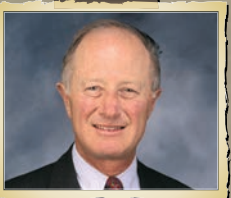
William F. Lucas

1975-1993



W. L. Lyons Brown, Jr.

1993-2005



Owsley Brown II

2005-Pres.



Paul C. Varga

BROWN-FORMAN DISTILLERY COMPANY, AT LOUISVILLE IN KENTUCKY

included stints in India, the Philippines and Turkey, he came back to Louisville to work on Jack Daniel's and Southern Comfort in various capacities. In May, he was named president of the Old Forester brand, which will soon open a new distillery in downtown Louisville and is a renewed focus for Brown-Forman.

"It was great to live in so many exotic places," Campbell says. "It was a dream and I worked for some great people at an exciting time in our industry. You couldn't ask for a better introduction to international business, Brown-Forman, and consumers in general."

Fellow fifth-generation family member Robinson Brown followed a similar path to his cousins, after joining the company after a few years working for a beer, wine and spirits wholesaler in Nashville, Tennessee. Brown-Forman holds its family members to a very high standard – out of nearly 160 living family members, only about a dozen are employed at the company. In fact, family members are subjected to increased scrutiny when they're considered for openings.



SPIRITS DEVELOPMENT & ACQUISITIONS TIMELINE

1870	1890	1901	1923	1941	1956	1966	1971	1979	1988	1992
J.T.S. Brown and Bro. co-founded by George Garvin Brown	Company name changed to Brown-Forman	Company incorporated following George Forman's death.	Brown-Forman acquires Early Times.	Brown-Forman acquires the Labrot & Graham Distillery.	Brown-Forman acquires the Jack Daniel Distillery.	Pepe Lopez Tequila launches.	Brown-Forman acquires Canadian Mist, distilled in Collingwood, Ontario.	Brown-Forman acquires Southern Comfort.	Gentleman Jack is the first new whiskey out of the Jack Daniel distillery in more than a century.	Brown-Forman introduces Jack Daniel's Country Cocktails



"The position that opened up for me was the first of its kind to handle both wine and spirits, since at that time our divisions were separate," Robinson says. "I went through nine interviews before landing the job as the on-premise manager for Kentucky in 2004."

Currently, Robinson is North American manager for the Florida market, but it was recently announced that he will be promoted to Middle East and India Territory Director in Dubai.

MANAGING FAMILY RELATIONSHIPS

One man, who Garvin describes as "a wonderful guy and one of my heroes," supervised all three Browns during their time at Brown-Forman. That man is Brown-Forman North American Region president, Mike Keyes.

During Campbell's stint as Southern Comfort U.S. Manager, Garvin's time as Jack Daniel's manager in Western Europe and Robinson's most recent post in Florida, all three men worked directly under Keyes. "I got to see those guys grow up in the business, mature and add tremendous value to Brown-Forman," he says.

Keyes began in the industry at Stroh Brewery in Detroit, but he saw during the late 80s that the company would likely become a victim to consolidation. Next he went to Hiram Walker in Windsor, Ontario, just before the company was bought by Allied-Lyons.

"I got to see a family-owned company go through a huge change – one that wasn't positive," Keyes says. "I stayed there for about four years before going back to a family-run environment, where I am now."

A SPECIAL HOME BASE

Another factor that brought Keyes to Brown-Forman was listening to Brown family members and employees who told him how special the city of Louisville is.

"I'd never spent a lot of time in Louisville, but now I've grown to love it," he says. "I've lived here for the better part of twenty-four years, and to see what the family does in the community makes me proud to be a Brown-Forman employee."

Campbell and Robinson were born in Louisville, and all three Browns have spent significant time there during their lives. They share Keyes' love of Kentucky and the city that has served as the company's headquarters for over a century.

"I think it's hard to untangle the Brown family from Bourbon, Louisville and Kentucky," Garvin says. "I'm not sure where each starts and finishes. They all feed into each other – the culture of Louisville as a crossroads with a Midwestern work ethic and southern hospitality seems to work very well for our industry, company and family."

"I sometimes wonder, if the Brown family were from another city, would Brown-Forman still be a family company?" he adds. "If we were in another industry, would the company still be around? I tend to think the answer to both questions is no. We have a unique combination in Louisville, the beverage alcohol business and the culture of our company, which have allowed us to survive so long."

> more >



In His Own Words

To hear Robinson speak about his family and his aspirations within Brown-Forman, visit www.beveragedynamics.com/generations.

"There's a very humble attitude in our family. There are nearly 160 family members with various levels of ownership, but there's no one cousin whose opinion matters more than the rest of the family. We're there to do what's right for the company and the broader family. Egos have been checked at the door."

— Robinson Brown IV,
North American Territory
Manager for Florida



1996

Brown-Forman introduces Woodford Reserve.

2004

Brown-Forman acquires Finlandia Vodka

2006

Brown-Forman acquires Chambord Liqueur.

2007

Brown-Forman acquires Casa Herradura in Mexico, and assumes ownership of Don Eduardo.



“I’ve lived in Louisville for the better part of twenty-four years, and I’ve grown to love it. To see what the family does in the community makes me proud to work for Brown-Forman. Anything you’re part of, from the arts to non-profits to even politics, there’s a footprint for the family – a very caring and nurturing footprint. Anywhere you go, if I tell people I work at Brown-Forman, ninety-nine percent of the time I’m met with, ‘They do so much for the community; they’re a great company.’”

In His Own Words



To hear Mike speak about global whiskey market trends, visit www.beveragedynamics.com/generations.

— Mike Keyes,
President of the North American Region

KEEPING THE FAMILY ENGAGED

You’ll be hard-pressed to find someone connected to Brown-Forman who doesn’t love, respect and revere Owsley Brown II, who led the company from 1993 to 2005.

“He was a wonderful human being and leader,” Keyes says. “He was brilliant, kind and nurturing, and when he passed away it was a huge blow. He’d already retired, but it was a blow to everyone who knew him. I saw the respect that the people of the community and the employees gave him.”

As the extended family grew, Owsley realized that there was a danger of having an ownership group that’s removed from the culture and operations of the company. One way he engaged with the non-employee family members was to invite everyone back to Louisville for an annual shareholders meeting (something Paul Varga has continued as CEO).

“It starts with the kids, who are given coloring books made about the history of the company,” Keyes says. “They make soft drinks in the labs and tour the facility. At an early age they’re being exposed to the company.”

As they get older, teenagers get a deeper dive into the history and production processes at Brown-Forman, and the adults sit down with management to talk about the finances and ask questions about products and plans.

In 2007 when Paul Varga became the third non-Brown to lead the company, he and Garvin devised a way to form even deeper relationships with the extended family.

“We knew we had to double-down on engaging with the fifth generation, which includes about 40 cousins,” Garvin says. “We set up the Brown Forman Family Shareholders Committee and deliberately set up a structure that would formally introduce the family to the business and culture, hoping to fuse people closer to the company rather than letting them drift off into their lives around the world.”

About a dozen committee members attend meetings throughout the year, engaging in topics ranging from industry dynamics and trends to best practices related to family governance of a public company.

“People who work inside the company really appreciate that a dozen Brown family members are volunteering their time to find out about and help the company,” he says. “The employees feel that support from the shareholders and it reinforces the company culture, which we feel is critical.”

Today there are no signs of changing those policies. “Paul has inherited this gift from Owsley, which is the nurturing of the fifth and soon to be sixth generation,” Keyes says. “You don’t see that with a lot of other companies – to the point

AN IMPORTANT FAMILY PARTNERSHIP

Blue Crest Wine & Spirits was founded by Charles Merinoff Sr. in 1944, eventually becoming Charmer Sunbelt through a series of name changes and mergers (the distributor recently announced a merger with Wirtz Beverages, another family-owned company, which would create one of the largest beverage alcohol wholesalers in the U.S.).

Control of the company passed from Charles Sr. to his son Herman, and then to current Chairman and CEO, grandson Charlie Merinoff. As multi-generational family businesses, Brown-Forman and Charmer have developed a strong partnership over the years.

“Almost all the time, being family controlled is an advantage in this industry,” Robinson Brown IV says. “Our family history and philosophy are very different from some of our competitors, and it’s very complimentary to Charmer and their family

ownership structure.”

“Even before the merger with Wirtz, Charmer was our largest distribution partner in the U.S., with nearly a quarter of our business,” he adds. “The Brown-Forman mentality, which comes from the family’s influence, adds a very unique competitive advantage for us. We don’t make decisions quickly and we tend to think long-term about everything we do, much like the Merinoffs, which is a nice dynamic for us in a partnership.”

In today’s world of corporate takeovers, acquisitions and international buyers, leaning on long-lasting relationships means survival for independent suppliers, distributors and retailers.

“Working with family-owned distribution and retail partners is critical,” Garvin Brown IV says. “I find that the other tiers are waiting with open arms for a company that will talk to them about a

partnership and culture, not just margins.”

“Thanks in no small part to multi-generational partnerships at the retail and distributor level, we’ve been able to have a successful business,” he adds.

And the current leadership teams at both companies are diligently working to ensure that those relationships built over decades remain strong, continuing into the foreseeable future.

“I’m absolutely certain that our customers, since many of them own generational, familial businesses as well, have a special place in their heart for Brown-Forman,” Mike Keyes says, “Just as we have a special place in our heart for them.”

“When Mac Brown – a fourth generation family member – tells his son Chris that he needs to meet Charlie Merinoff, it’s a special bond rather than a pure business play,” Keyes adds. “It’s a relationship, rather than a transaction.” BD

that Brown-Forman is being studied by other family-owned companies as a best practice leader. It's shocking to see some of the people who have come here to ask the Brown family members how they do it."

TAKING IT SLOW

Either because of its long history, the slowed pace of the south or some other reason, Brown-Forman has never rushed its decision-making. The company has acquired brands consistently throughout its history, but rarely jumps on trends or strays from its core portfolio of North American whiskeys. And unlike nearly all of its competitors over the decades, the company has never been for sale.

"We can't help but cherish such a successful business," Garvin says. "The strategy of our company for many decades has been quality and long-term brand building. It's fundamentally paid off with a great return, both measured in conventional Wall Street statistics like shareholder return, as well as personal benefits for the family. We have a single policy, which is to continue to control this company and remain independent."

As a territory manager responsible for sales, Robinson appreciates the company's focus on long-term growth rather than quarterly earnings.

"There's a comfort level here," he says. "As long as you're doing the right things for the brands and the business, that's all we ask of employees. We want them to think more methodically and strategically, focusing on the long-term."

Brown-Forman's approach is especially important now, as the whiskey category continues to boom and flavors are beginning to take hold.

"It's very easy for us not to jump on the bandwagon, instead being very measured about the products we put out," Keyes says. "We're creating fantastic handcrafted products and we're doing great with Tennessee Honey and Fire, but we're looking at the long-term. We won't have fifteen flavors – we want to treat these brands with dignity and equity. We won't saturate the market just because there's a new trend – other companies will, but Brown-Forman won't."

The slow pace works well in the whiskey industry, where product development is measured in years and decades,

not weeks or months.

"In the four years it takes a single bottle to reach the shelf, the whole world will change for electronics companies and Wall Street, a whole generation of buzz words will come and go, but we'll still be working on that same bottle of whiskey," Garvin says. "Knowing the patience and long-term planning that's required in our industry, it's safe to say we thrive in a family ownership structure. We're not about quarterly capitalism, we're about generational capitalism."

The long-term strategy has gotten Brown-Forman through lean years, and it's paying off now that consumers have embraced the whiskey category once again.

"Everyone talks about how we're well positioned now to take advantage of category trends, but I humbly submit it's just the opposite," Garvin adds. "We're not well-positioned for trends; we stick to our guns and create category trends. We didn't walk away from Tennessee and Kentucky in the 80s and 90s. We kept telling consumers about the values of Lynchburg and broke ground on a new distillery in Woodford County."

"Those are things that a normal public company wouldn't have done during the vodka boom, but we did because we had faith in consumers," he says. "Being a family company got us through those periods and is benefiting us today."

LOOKING TOWARD THE FUTURE

"One thing that separates this company from others is that we have a vision of perpetuity," Keyes says. "The family wants to hand this company down to the next generation – I've never heard that elsewhere. I've heard people say they want to be number one, or lead a category, but for us the number one vision is perpetuity."

And what advice does the current leadership team have for its descendants, who will make the decisions whether to remain independent, or to stay in business at all?

"We're in a good position now with brown spirits, but in twenty-five years that might not be the case," Garvin says. "When the sixth generation looks back to the fourth and fifth, and even the third, I hope they do what we did – which is to stick to our knitting and keep telling our story." ■

More Online~ To read more about Brown-Forman's role in the current whiskey renaissance, as well as the company's plans for Old Forester, visit www.beveragedynamics.com/generations.



In His Own Words

To hear Garvin speak about a Mint Julep cup that's very special to his family, visit www.beveragedynamics.com/generations.

"The big challenge for any family business is knowing where to draw the line between enthusiasm and interference. We're committed to striking a balance between engagement and stewardship, which means having the best leaders in the right jobs."

— George Garvin Brown IV, Chairman of the Board



In His Own Words

To hear Campbell speak about recent mergers and acquisitions within the beverage alcohol industry, visit www.beveragedynamics.com/generations.

"The family sets us apart from many of the companies we compete with because we've been doing this for five generations. We work extremely well and our business is built on partnerships, cooperation, thoughtfulness and trust. We have that internally as a family, and it's overlaid with our management team and board of directors. It's how we interact with our distributors and retail partners — and across functions as well. It's a huge advantage and something we're very proud of."

— Campbell Brown, President of Old Forester

Toast of the Town

FIFTY YEARS IN, HI-TIME WINE CELLARS REMAINS A COMMUNITY INSTITUTION.

By Sarah Protzman Howlett

Chuck Hanson remembers the first six-pack he ever sold. It was 1957. His brother, Fritz, and brother-in-law, Jim McVay, built a beer store at 17th and Irvine in Costa Mesa, California, using land they'd inherited from Fritz's in-laws.

"Fritz's father-in-law really encouraged him to use the land wisely—to do something with it," Chuck Hanson recalls. "So we said, 'It might as well be beer. Everybody knows beer.'" The trio built a tall, a two-sided clock outside the store and named it Hi-Time.

After a customer pulled that first six-pack off the shelf and paid for it, the three went home and celebrated with a \$2 bottle of Champagne. "That was the nice stuff," Chuck says. "And we thought, 'This is going to be easy.'"

THE EARLY DAYS

Before entering the beverage alcohol industry, the Hansons were fishermen in Juneau, Alaska. Their mother was very adventurous and exposed her sons to different ways of life. After moving to Beaumont, Washington to pursue a job in health care, they soon relocated to Cuba. That move was followed by a return to

Washington, and finally a stint in Hawaii.

In December 1941 the Japanese bombed Pearl Harbor. Chuck says, "We were stuck there for a couple of years." Once able to leave, the family

settled first in San Pedro, before moving to the Costa Mesa area.

The area was largely uninhabited at the time the store opened, but customers didn't take long to find the store. Some of them, like the actor John Wayne, became regulars. Wayne had an interest in little-known liquors, Chuck says, recalling a 1950s interview in Playboy where Wayne said he drank tequila. The now-ubiquitous spirit, Chuck says, took off after Wayne mentioned it to the magazine; Hi-Time now carries more than 100 varieties.

EXPANDING THE FAMILY

Chuck's interest in wine piqued after seeing his brother Harold's wartime photos of underground wine caves. Harold served in the Army in France, near Burgundy, and after returning became the store's general manager. He held that position for 40 years - even in retirement he still comes by occasionally. Chuck then became the store's primary wine buyer.

Current CEO and General Manager Diana Hanson Hirst's uncle McVay passed away in 1982, having sold his part in the business 10 to 15 years before. The toughest stretch for Hi-Time came a couple years later in 1984, when the business moved to 250 Ogle Street in Costa Mesa. The family didn't have much extra help during that time, Hirst says, so the transition was stressful and they had to work hard to ensure customers knew about the new location. Nearby they built a 3,000 square foot, three-story, underground, temperature-controlled wine cellar—one of the largest in the country and, at the time, one of the first in the area.

EXPANDING THE BUSINESS

"We started importing from Germany and had low prices," Chuck says. "We traveled to Los Angeles, met the people and saw what they were doing. Then we started advertising with articles in the newspaper about wine. We always said yes to anybody who offered us a tasting."

Hi-time Wine Cellar Fast Facts

LOCATION: Costa Mesa, CA

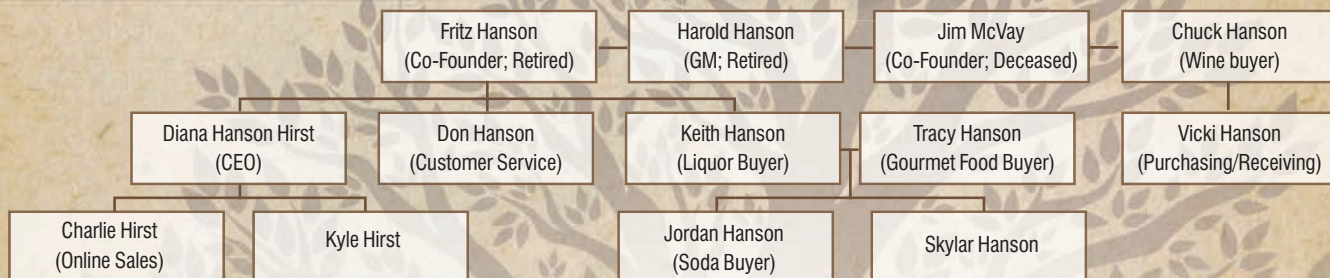
FOUNDED: 1957

FOUNDERS: Fritz Hanson and Jim McVay

SIZE: 24,000 square foot retail space; 3,000 square foot wine cellar, Walk-in beer fridge

SELECTION: 10,000+ wines, 400 cigar brands

HI-TIME Family Tree





The retail space, redesigned in 2004, is 24,000 square feet and boasts three floors. It has a basement wine cellar, a main floor of hard-to-find spirits and exotic liquors from all over the world, a comprehensive selection of North American microbrews and a walk-in beer refrigerator with more than 1,000 beers from 25 countries. The third floor is offices.

Including family members, Hi-Time has 50 to 60 employees, some of whom have been with the company for decades (a receptionist has been there over 20 years and a bookkeeper began when she was 15 and is now in her 50s). "They feel like family," Hirst says.

The older customers have known Hirst since she was a child. Now their kids are customers, and their kids' kids are customers. Hirst began working at Hi-Time at the ripe old age of six. "We had an ice machine and I recycled soda bottles with my brother, Keith. We generally drove everybody crazy," she says.

In high school, Hirst ran the registers, and in college worked on ordering bulk jugs of wine. Later, she took on more responsibility from her dad, Fritz, who is semi-retired. "He still comes by here at least four times a week," Keith says, "and he is actually pulling orders here as we speak." When he's not at the store, he's at his ranch fishing.

At 85, Chuck still works two days a week. He walks to work, then heads upstairs to look over invoices—on the day of our interview, he was sitting in one of six wine-buyers' offices, surrounded by 50 to 60 specialty wine baskets already being prepared for Christmas gifts. Chuck loves chatting to customers so much, he says, that when he descends the stairs for a cup of coffee, he may not make it back up for a couple of hours.

MANAGING FAMILY RELATIONSHIPS

As general manager and CEO, Hirst has tried to get out in front of family quarrels by encouraging each member to focus on a different area of the business. Her son Charlie, 31, handles online sales and helps customers with high-end bourbons; Kyle, 28, helps open and close. Her nephew Jordan, 25, is into the beer side, managing keg-delivery systems and home setups. He also places orders, and handles mixers and sodas.

Her brother, Keith Hanson, and his wife Tracy also work for Hi-Time. Tracy does the gourmet food buying. "She's



gotta work somewhere, so we put her to work here," Keith chuckles, adding that she has worked there since she married him about 25 years ago.

Hirst's cousin (and Chuck's daughter), Vicki, manages purchase orders and receiving. Her brother Don is the store's gardener and head of customer service. Keith Hanson, 56, son of co-founder Fritz Hanson and Diana's brother, has been head liquor buyer for 20 years.

He and Tracy's two children, son Jordan and daughter Skylar, 23, work at the family business when not in college. "Only one of them will be working in the store; Skylar will be pursuing the medical field," Keith Hanson says. "I hope Jordan will take over my area so I'll get more time off myself," he adds.

THROUGH THE GENERATIONS

Four generations of Hansons now work for Hi-Time, and Chuck says it's working well so far—but he is also cautious. "They say that after three or four generations, you'll fold," he says. Another family-owned wine store in the neighborhood ended up going out of business when the kids started bickering after their father died. "They sold to a big corporation," he adds.

After more than half a century, it's safe to say being a family business doesn't work for everyone, but it works for the Hansons.

"You work a lot of hours, but you have flexibility," Hirst says. "Being your own boss is very nice. When I go away, I know I have family I can trust and depend on." ■

Sarah Protzman Howlett is a freelance writer and editor based in Boulder, Colo. A veteran of Condé Nast Publications in New York City, her work has appeared in *O, The Oprah Magazine*; *Prevention*; *Denver's 5280*; and trade magazines across various industries.

More Online~For more information about how Hi-Time competes with chains, maintains its industry relationships and cares for customers, visit www.beveragedynamics.com/generations.

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A Father and Son Operation

HIGH-END WINE A WIN AS LIQUOR BARN CONTINUES TO GROW

By Nicholas Upton

As Minnesota trends toward large-scale operators, one Long Lake retailer is growing in an evolving market with a hyper focus on high-end wine.

The store has a long history going back to 1976, when Jack Yunger opened shop when Long Lake was still a small town. From the opening day, the elder Yunger prided himself on great customer service and ample selection. A few years later, his son Mike graduated from college and started working at the family store.

The family got along great, and unlike many family-owned businesses, the generations worked together easily, despite Jack Yunger's retirement to Florida. And with the addition of Mike's son Nick to the family business, they still do.

"My dad and I got along famously," Mike Yunger says. "My son and I also get along really well." Of course, there are some "differences in philosophies," said Yunger.

Liquor Barn Fast Facts

LOCATION: Long Lake, MN

FOUNDED: 1976

FOUNDER: Jack Yunger

SIZE: 4,000 square feet, including walk-in wine cellar

SELECTION: Approximately 50 percent wine, 25 percent spirits and 25 percent beer

REVENUE: Just under \$2 million per year

"Our differences are more generational ideas," Nick says. "We're pretty good at negotiating. Neither of us say, 'it's gotta be my way.' I think we get along better than most family-run businesses."

Mike and Nick are the only full-time workers at the 4,000-square foot store currently, and with a staff of six part-timers, they said they try to keep tight control over the operations at the store. While they hope to hire some dedicated employees to take on more of a man-

agerial role, the tight control means father or son are always in the store. They would especially like to take some more wine tours to expand their already impressive knowledge of high-wines even further.

A FOCUS ON WINE

"We really got into the high end wine about 15 years ago," Mike says.

He credits the small, affluent community for coming back to the unassuming store, despite a major highway re-routing that drew commuters around the hamlet.

"There are a lot of collectors," Mike says of the area. "People collect wine and they're looking for the best."



The climate- and light-controlled, walk-in wine cellar is stocked with high-end wines, some of which are hard to find in the state, let alone in a town of 2,000 people.

"We're one of the few stores that get some of the really collectible wines," Mike says. "We're on that short list where, if a few cases come into the state, we're usually among the top two or three that get the phone call."

The local wine enthusiasts have even grown along with the store. "Many of our customers have a wine cellar a lot like ours," Nick says.

Wine lovers and high-end collectors are major revenue drivers for the store, which has continued to grow even as big-box operators like Total Wine & More have entered the market.

"We're 50 percent wine, 25 percent liquor and 25 percent beer. Pretty evenly split," Mike says. That split is especially attractive because of the high margins.

"Wine you can work on 25-30 percent margin," he says. "Obviously there's some loss and there are some skinnier margins than that. But you can get more on wine. I think with beer we're lucky to get 10 to 15 percent on some SKUs."

SMALL BUT COMPETITIVE

One case of collectable wine does a whole lot more than keep the lights on. Despite the relatively small size, the Yunger family pulls in some pretty impressive sales figures.



"For a mom-and-pop store, we do well," Mike says. "We're close to \$2 million a year in sales."

He said that strong revenue doesn't only come from high-priced collectible wine, but great service and strong community ties. The ability to absorb volume doesn't hurt either.

"We're competitive, but we're not as big as the big boys. But we're really close," Mike says. "We're big enough to buy the volume, and overhead is low so we don't have to work with the margins that some smaller stores have to work on."

As for community involvement, the Yungers are ingrained in the community through the Chamber of Commerce, as well as sponsorships of various local intramural teams.

"We know a lot of people on a first-name basis," says Nick, who returned from college with a finance degree to help run the store.

Most everyone that comes into the store arrives with a, "Hey, Mike" or, "How's it going Nick?" and it's been that way for a long, long time.

"We have a lot of repeat customers," Mike says. "They've been coming here for decades."

Neither Mike nor Nick had an aversion to coming back to the family business after college, though both had different ideas while they were in college. Mike worked in an office for a spell before coming home to the Liquor Barn, and Nick thought he would be wearing a suit and tie after graduation.

"I had a finance degree and I was thinking I'd get a desk job at some firm," Nick says. "But I started working here right after college full-time and didn't want to leave."

GENERATIONAL CHANGE

Founder Jack Yunger, sadly, passed in mid-2015. But he set up the store for success over his decades in the business. The most notable business decision was buying a lot and constructing a new building in 1985. That smart decision decreased the capital-intensive rental budget and brought in a stream of tenants, from a video store to a Chinese restaurant.

Mike, who bought his father out when he retired 10 years ago, is hoping to get even more involved in wine and cut down the crowd at the main store.

"I've got a vacant spot next door that is 1,000 square feet," he says. "I'm going to turn that into a tasting room and have some individual tastings over there, so it's not so crowded over here."

Once that project is done, he said he will think more about winding down as 27-year-old Nick Yunger grows into the lead position. He says the store will definitely stay in the family.

"We're a ways from having to worry about that," Nick adds. "But I definitely see it continuing into the fourth generation." ■

Nicholas Upton is a journalist in the restaurant and hospitality industry covering emerging concepts, tracking financing and chasing the entrepreneurial spirit. He's based in Minneapolis, Minnesota.

LIQUOR BARN *Family Tree*

Jack Yunger (Founder; Deceased)

Mike Yunger (Owner)

Nick Yunger

A Family Heirloom

PECO'S HISTORY SPANS EIGHT DECADES AND FOUR GENERATIONS.

By Kyle Swartz

Eighty years after opening, Peco's Liquors maintains a homey feel. The Wilmington, Delaware business has been a family enterprise from the beginning. And it is built into the former home of its founders, Joseph and Frances Peco.

"The employee break room used to be my great grandparents' kitchen," says Ed Mulvihill, a fourth-generation owner.

It's a fitting metaphor. The business opened in 1936 as a storefront extending off the Pecos' house. During the decades, the retailer has expanded, and survived setbacks — including fire and corporate competition — thanks to loyal employees, customers and family members who've carried on Peco traditions of determination, community spirit and innovation.

THE AMERICAN DREAM

The history of Peco's reflects the American dream. Joseph Peco emigrated from Italy into the U.S. in 1906. He was fifteen years old. Like so many immigrants, he sought opportunities for a better life.

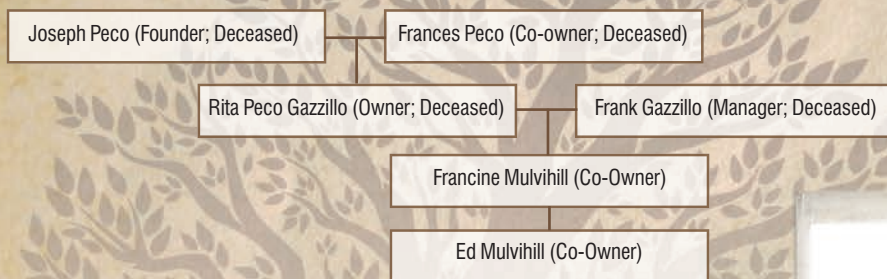
He spent his youth working in various shops. At one job, he delivered beer barrels to a local brewery, lending an early insight into the alcohol business. But for Joseph to realize his American dream of self-employment, it first took a return to Italy.

He traveled back to his country of birth for a childhood friend's wedding. There, Joseph met his future wife. He and Frances later married and returned to America, where she encouraged her husband to reach for his goals.

"She told my great grandfather to bet on himself," Ed says. "She gave him that push." And from Frances' encouragement was born a legacy.

The couple chose to open Peco's Liquors on Route 13 in Wilmington. This spot was well situated between Baltimore, Washington D.C. and Philadelphia. Joseph and Frances must have had a good eye for location. In June, Peco's will celebrate 80 years at that same address.

PECO'S Family Tree



Peco's Liquor Fast Facts

LOCATION: Wilmington, DE
FOUNDED: 1936
FOUNDER: Joseph Peco
SELECTION: Craft beer specialty
with built-in growler bar

ADAPTATION AND SURVIVAL

A business can't remain open for eight decades without innovation, setback or changing of the guard. The first major transformation at Peco's was in 1942. Joseph decided to close the store's small delicatessen and focus solely on selling spirits and beer.

When he passed in 1954, Frances took over of the business. Eventually, Peco's came under the control of her and Joseph's daughter, Rita. Rita's husband, Frank Gazzillo, left his bricklaying job to become the store's new manager. He would run Peco's for 50 years. Frank adapted and persevered. He led multiple renovations, including adding floor space, a wine cellar and a walk-in humidor. The business and its offices expanded into the house.

Frank's greatest challenge was the fire of 1986. "It burned the whole store down," Mulvihill says. "He was told it'd be a year before he could reopen." The blaze occurred just before Memorial Day. Frank had the store rebuilt and opened again in time for Labor Day — about three months later.

"My grandparents were people persons," Mulvihill explains. "They had a lot of friends. The community helped them rebuild the store. It was like George Bailey in 'It's a Wonderful Life.' They had the steel delivered to rebuild the store before they even had the permit for the construction."

Time marched onward. Rita and Frank's daughter, Francine Mulvihill, joined the company in 1993 as director of operations. Her focus on modernization — continuing from generations before her — was passed down to her son, Ed.



BIG COMPETITION

Peco's has remained a successful, family-operated store in modern times, when many mom-and-pop shops have closed after losing business to Big Box stores.

This is not for lack of competition. "We're ten minutes from the first Total Wine & More, their flagship location," Ed Mulvihill points out. "It's been challenging. The price for

me to buy from my wholesaler can be more than the cost for consumers to buy the same item at Total Wine."

"It's pretty frustrating," he adds. "It's often a balancing act with pricing. I've been in dialogue with my vendors about that. But I'm not calling for price control."

Instead, Ed looks for other methods to distinguish Peco's. The closeness to Total Wine "is also been a blessing in disguise," he says. "They are who they are, and we are who we are. And that's all about specialize, specialize, specialize."

> more >



BREAKING GROUND ON GROWLERS

One way Ed allowed Peco's to stand out — while continuing the family tradition of innovation — was by leading the charge in Delaware to legalize in-store growler fills.

Growlers are nearly ubiquitous today. But not that long ago — as the craft beer craze grew faster than politicians could pass legislation — growlers were less common. As recently as 2013, alcohol retail stores in Delaware could not fill growlers. Ed recognized the need — and the opportunity.

When he joined Peco's four years ago after graduating college, he “saw that business was good. But it could be better.” In order to lure customers away from Big Box stores, he ramped up Peco's craft beer selection. This included an 18-door cold box filled with microbrews. He got ahead of the Big Boxes in this rapidly expanding category.

During this period, Ed visited a New Jersey store that featured a growler section. The appeal was apparent. He called the Delaware Alcoholic Beverage Control Commissioner. “I asked him whether I could do it in my store,” Mulvihill recalls. “He said no. There was no law saying that we could or could not.”

So Ed sought to amend state law. As luck would have it, the local state representative was a regular customer at Peco's. Ed explained to her what a growler was, and she got on board with the idea.

The change took two years. When state legislation to legalize growler-fills finally passed, it did so with much support. “The breweries like it, the distributors like it, and the retailers like it,” Mulvihill explains. “It's good for all of our businesses. It's a win-win-win.”

And the growler law was a big victory for Peco's. He installed a fill station with 16 taps. Being at the forefront of this movement, Ed added growler business to his store three months before any other retailer.

“We had the market cornered,” he remembers. “Now there are 25 locations in Delaware doing growlers. Though it's still a relatively small number.”

INTO THE FUTURE

What's next for a business so steeped in history?

“I always tell myself that I'm not going to do anything new this year, and then I go out and add something like food trucks,” Mulvihill says.

It sounds like more of the same of what has sustained Peco's for 80 years: innovation, and embracing both the industry and the community.

“The people in this business — the sales reps and customers — and being a part of the community are what attracted my great grandfather to this business,” he explains. “I love this industry. I look forward to maintaining our traditions here for a long, long time.” ■

All in the Family

BUSTER'S IS A MEMPHIS INSTITUTION.

By Maura Keller

The family business has long been a staple in the American economy. According to the Small Business Administration, about 90 percent of all U.S. businesses are family owned or controlled.

Buster's Liquors & Wines in Memphis, Tennessee is one such family-owned entity. For more than six decades, multiple generations of the Hammond family have been working hard at founding and growing a successful liquor retail business that serves the local community.

Josh Hammond is the president of Buster's Liquors & Wines and grandson of the founder, Buster Hammond. “Good timing, the willingness to say ‘yes,’ a key understanding of customers' needs and an eagerness to meet those needs have made Buster's a concrete establishment within Memphis,” he says.

But founder Buster Hammond had not always sold liquor. He was originally in the grocery business with his friend, Tom Kirk. Together, they built three successful HamKirk grocery stores across Memphis and were recognized as the first grocery to open on Sundays in the city.

“Over time, the partnership waned and they agreed to set a price and flip a coin for the business. Buster loss,” Hammond



GENERATIONS



says. "Soon after, Buster was approached about opening a liquor store next door. The original Buster's store on South Bellevue has long been closed since we moved to a new location, but the old Ham-Kirk Grocery remains open to this day."

They say the adage "location, location, location" reigns true in determining the success or failure of retail establishments, and Buster's is no exception. As Memphis grew and expanded outward from the downtown and the mighty Mississippi River areas, Buster Hammond had good sense to move his liquor store eastward in the late 1960's to the store's present location.

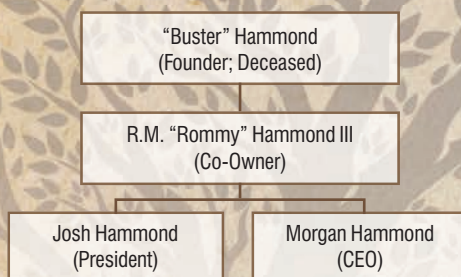
Today, this location is now centrally located in the city, with three heavily traveled east/west thoroughfares that converge nearby. Surrounded by affluent old neighborhoods and The University of Memphis around the corner, the Poplar/Highland intersection is one of the busiest in the city—and it is here that Buster's calls "home." But good location is nothing without good business sense.

THE SECOND GENERATION TAKES OVER

According to Josh Hammond, it was Buster's son and Josh's father, Rommy, who recognized the future of the wine industry when he took over the business. Rommy agreed to sell any wine his local wholesale representatives brought him.

> more >

BUSTER'S Family Tree



Buster's Liquors & Wine Fast Facts

LOCATION: Memphis, TN

FOUNDED: 1954

FOUNDER: Romulus Morgan Hammond Jr. ("Buster")

SIZE: 16,000 square feet

SELECTION: More than 10,000 SKUs

GENERATIONS

"My brother Morgan and I have complimented those two important aspects of location and selection by developing product knowledge with our staff and improving our internal systems," Josh says. "As Morgan likes to say, Buster built the road, Rommy expanded it into a highway, and our generation is turning it into a ten-lane super expressway."

Rommy Hammond agrees, and says it was a natural for him to take over when his dad began slowing down.

"My son Morgan really didn't want to finish college; he wanted to come into the business," Rommy explains. "Then Josh, after he graduated from Alabama, wanted to take six months off and find himself. I told him he could find himself at the store and work for me for six months, then go find himself if he wanted to. He's still there to this day."

A SECOND TRANSITION

Josh admits that while keeping the business intact has never been an issue, keeping his wits about him is a different story.

"Buster's has evolved through two successions," Hammond says. "Both can be described as responsibility takeovers, with the younger generation gradually performing all the duties of the elder generation." But neither transition came without its rumblings.

"Buster grumbled constantly about all of dad's wine purchases in the 1980s, saying, 'that stuff will never sell,'" Josh says. "Sooner than later, Buster came around. About fifteen years ago on a flight out of town for a family wedding, I mentioned to dad he should let Morgan handle all the daily ordering - a duty Rommy relished - mainly because the task kept him knowledgeable about inventory, selling trends and store upkeep.

"After ordering for 30 years, it just wasn't that easy for him to let it go. The notion really upset my father and the weekend turned out to be miserable. I'll never forget the golf outing as temperaments flared. But by Monday morning, he had a huge change of heart when he returned to Memphis, especially after learning a good friend had a stroke. Rommy agreed it time for him to let go of some stress and smell the roses—on the golf course, no doubt."

Josh Hammond says the biggest challenge to running a successful family business in this industry is communication and being on the same page. And from an operational standpoint, managing employees and turnover are the company's biggest challenges.

"While we've enjoyed the long tenures of most of our management team, being a small company means not everyone can move up the ladder," he says. "It's important to remain clear about employment expectations, offer competitive wages, offer meaningful feedback and deliver on benefits that can make a lifestyle impact—whether its flexible scheduling or merely great understanding and compassion from superiors."

As the current president, Josh Hammond says setting goals and sharing those accomplishments with the staff are what gets him excited about the business.

"While we've grown from a mom and pop environment to a small company with over 45 employees, it's important to recognize we owe our employees much gratitude for our success in representing our family tradition and core values," Hammond says.

MEMBERS OF THE COMMUNITY

Family businesses are undoubtedly the fabric of any community. The Hammonds have always prided themselves on being involved with many local fundraisers and charities. They also make a concerted effort to listen to their customers and meet their needs.

"There is no better compliment than customers telling us, 'this is the only place I shop because my family has been shopping here for generations.' It really doesn't get any better than that," Josh says.

There is little doubt for the Hammond family that the next big opportunity for Buster's will be opening a second location.

"Since we have 30 more years on our lease and I borrowed about \$1 million, I hope business is really good," Rommy says. "I have four grandchildren—each son has two children—and hopefully some of them in the future will want to follow in their fathers' footsteps." ■

Maura Keller is a Minneapolis-based writer and editor. She writes for dozens of publications on a variety of business-related topics. When not writing, Maura serves as executive director of the literacy nonprofit, Read Indeed.





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