

** Will print automatically! If it doesn't, click [here](#). **

CRAIN'S

NEW YORK BUSINESS

A hyperactive Coney Island kid figured out how to beat Budweiser

Simon Bergson's Manhattan Beer Distributors is the largest beer wholesaler in New York City

[Rosa Goldensohn](#)



Buck Ennis

Simon Bergson's big break came when he branched out of distribution and bought a wholesaler with the exclusive contract to sell certain brands in New York City.

Budweiser. Bergson's lock on the beer-distribution business is the culmination of his life's work—much to the chagrin of the little players whose prices he sets and fates he controls.

“I told my sons that my goal—this was a couple years ago when our revenue was about \$700 million a year—is to get to \$1 billion in sales. When we get to \$1 billion, I'll retire,” Bergson said on a recent Friday afternoon. He sat inside a small conference room at his Bronx warehouse in Hunts Point, motioning to his 29-year-old son, Alex, and, behind him, to the towers of Dos Equis and Moretti cases framed in the room's only window.

“Well, this year we got to \$1 billion, I'm not retiring, so now I have another milestone. We sold 46 million cases last year. I said to Alex, when we get to 50 million cases, I'll consider retiring.”

Bergson dismissed the thought as the conversation moved to his love of German shepherds. He has two, Brooklyn and Shiner, whom he is training as *Schutzhunde*—protection dogs. “It's teaching them

Published: February 14, 2016 - 12:01 am

Some New Yorkers squeeze an eighth of a lime into a chilled Corona for a blast of Mexico. Others salivate at the slow cascade of foam on a perfect pint of Guinness or bask in the simplicity of a Miller High Life, no glass.

Pop open any of these—or a Coors Light, Heineken, or Blue Moon, among others—and you're unwittingly toasting the town's king of beers, Simon Bergson.

Bergson's Manhattan Beer Distributors is the largest beer wholesaler in the city, responsible for delivering almost one of every two beers consumed in the five boroughs. The company sells more than 1 billion beers a year—including 30 million cases in Gotham, plus another 16 million on Long Island and upstate. That's more than No. 2 Anheuser-Busch InBev, which owns



Buck Ennis

In 1998, Manhattan Beer merged with the city's Coors distributor, nearly tripling overnight Bergson's annual distribution to 17 million cases from 6 million

aggression," he said. "On command only."

Bergson, who was born in a displaced-persons camp in Austria in 1948 and is in the habit of holstering a .380 semiautomatic pistol under his cardigan, commands the dogs in Yiddish. "To lie down is *platz*," he said. Still, the canine training is the closest thing Bergson, 67, has to a hobby.

BEER HAS BEEN BERGSON'S life since 1975, when he lived in a Volkswagen bus in Tucson, Ariz., with a German shepherd named Bamboo. At that time, the beer business in New York City was still flush with small beverage centers. Shopkeepers had ample options and price points to pick up cases from the local breweries, Rheingold and Schaefer.

In Arizona, Bergson worked at a car-rental business for \$2.10 an hour. His father, the more amiable of his parents, he said, refused to talk to him because the younger Bergson was, in his father's words, "a bum."

Quote

"We sold 46 million cases last year," Bergson said. "When we get to 50 million cases, I'll consider retiring."

Milton Bergson, born Mordechai, worked for five years as a slave laborer in the Nazi concentration camps of Sachsenhausen, Mauthausen and Auschwitz. In New York, he learned the garment business, and built up a factory of 30 tailors making suits for dead Appalachian miners to wear in their coffins. "The workmanship wasn't so terrific," Simon Bergson said. But as his father would say, "The customer never complained."

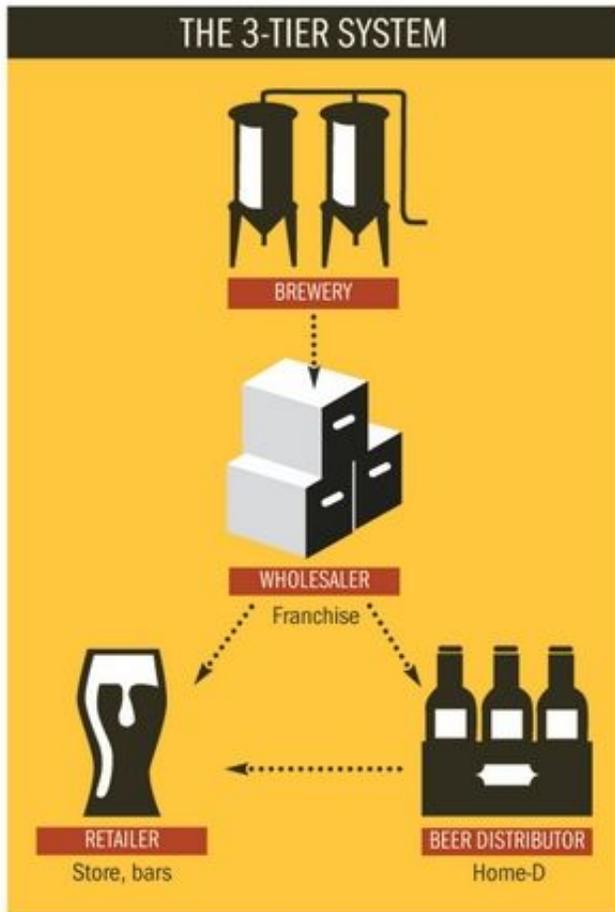
"I was enjoying Tucson; it was mellow, it was nice, it was lovely," Bergson remembered. "My father desperately wanted me back in New York."

Simon Bergson's parents both came from the Polish town of Ciechanów, though they did not know each other there. "My mother [Nadzia] came from a fairly well-off background," Bergson said. "She had maids in the house cleaning up, she studied violin, she used to go ice skating in the wintertime. She went to the public high school, which was very unusual for a Jewish girl pre-war because usually they went to the Jewish schools, because I guess my grandfather was some form of nobility because he owned the general store in town."

In Auschwitz, Milton was able to get to the women's camp on Sundays. Looking for "the girls from Ciechanów" at Birkenau, he found Nadzia, nine years his junior. After the war, they returned to their town to look for relatives. All of hers were dead; three of his seven siblings survived. Then began a four-year journey to America and an eventual landing in Brooklyn.

Growing up in Coney Island, Simon Bergson was raised with one foot in Ciechanów. Despite childhood jobs delivering for the local butcher and walking Abe the blind man to the corner coffee shop, Bergson could not spare 50 cents to ride the Cyclone, blocks away from his apartment. His mother would send him to pick up groceries when she didn't have enough cash, knowing the grocer wouldn't pester a child

for payment. The family rarely ate meat, except for the few months when Bergson says all his pet homing pigeons disappeared.



In New York, Milton Bergson belonged to the Ciechanówa Society, the social club for its transplanted townspeople. There, he met Albert Greenbaum, a onetime seltzer delivery man who had come to New York in 1930, eventually owning a beverage distribution center on Houston Street. In 1975, Milton leapt at the chance to buy Greenbaum's business and bring Simon home. He paid \$50,000 for the company with money borrowed from 10 friends, all immigrants from different parts of Europe.

BUYING HOUSTON STREET Beer Distributors may have been a straightforward purchase and a successful lure to bring a wayward son back to New York. But it was also a strategic choice. It was a toehold in a highly stratified distribution system that allows each business a cut of a beer's cost as it winds its way from brewer to consumer.

Beer in New York—and in most states—is channeled through a three-tier system imposed after Prohibition: brewers, distributors and retailers. To discourage raucous saloons dominated by big breweries, New York state outlawed what's called a "tied house," a bar or retail outlet supplied directly by a brewery. (An exception passed in 2012 allows breweries to sell their beer on their own premises, and a license to brew

includes the right to sell wholesale.)

Houston Street was a home distributor, or "home-D," as people in the trade call them, a reference to the time when beverage deliveries of all sorts were made to people's homes.

In the firmament of the three-tier system, all beer passes through distributors, who buy beer from breweries or out-of-state suppliers and truck it to their warehouses. From there, they deliver around the city to retailers (and sometimes to smaller distributors) or sell directly to consumers.

Every time the beer changes hands, there's a markup. KelSo Brewery in Brooklyn sells a six-pack of its Pilsner to a wholesaler for about \$5.50, according to founder Kelly Taylor. The wholesaler then sells to retailers for \$7.50, and retailers add about a 40% margin. With delivery fees and excise taxes at each turn, a six-pack that costs \$7 wholesale easily edges up to \$11 or \$12. A home-D, however, is not easy to run. "Just moving boxes all day long," Bergson said. Nor is it extremely profitable because distributors don't have exclusive contracts with suppliers.

Golden era for NYC's beermakers

Until the late 1970s, the city was home to major breweries whose beer slaked thirsts throughout the region. At one point, Rheingold was the official brew of the New York Mets while Schaefer was often among the top-selling beers nationwide.

Rheingold Beer Comme...  



Rheingold Extra Dry Lager Beer, 1948

Bert & Harry  



Piels Beer, "Bert and Harry Piel at the Hockey Game," 1955

The Sheafer Jingle 1972  



Schaefer Beer, 1972

The big money is in wholesale franchising. In New York state, suppliers—brewers and importers—sign exclusive contracts with franchise wholesalers to distribute their beer within a territory. Bergson knew that to really grow he had to have these exclusive wholesaling contracts. The first one he obtained the

rights to was Brahma beer, a small Brazilian brand.

But his big break came in 1978, after the old Rheingold brewery—the last and largest one in New York—closed. So Bergson went to Baltimore and secured the rights to Carling Black Label and Tuborg, which Rheingold had distributed. He picked up five more trucks when a Guinness wholesaler went down four years later, and borrowed \$105,000 at a sky-high interest rate from a man with a car-leasing company because he couldn't get a bank loan. "It didn't matter that it was \$21,000 a truck; it didn't matter that it was 21%," he said. "Without those trucks, I couldn't expand." As his wholesale business grew, Bergson sold off his Houston Street depot that brought him into the business.

For the next decade, he operated with a dozen trucks, delivering mostly to supermarkets. He picked up the contracts for Dos Equis and Rolling Rock. "I was the smallest of the distributors," Bergson said. "I was flying under the radar screen. Nobody paid attention to me."

But in 1988, Bergson won the state contract for Corona. Because he could not get any other distributors to pick up the rights on Long Island, he was forced, he said, to expand there and open a warehouse. And in 1998, Manhattan Beer merged with the city's Coors distributor, nearly tripling overnight Bergson's annual distribution to 17 million cases from 6 million.

Meanwhile, the world's major brewers began consolidating, and Bergson's Manhattan Beer rode the wave. South African Breweries bought Miller in 2002, creating the world's second-largest beer company after Anheuser-Busch InBev. Miller and Coors merged in 2007, cementing Bergson's stronghold on their brands.

As craft-beer companies began sprouting up, the big brewers started collecting them. MillerCoors picked up Crispin Cider in 2012 and Saint Archer last year. Anheuser-Busch has snapped up Goose Island, Elysian and 10 Barrel, among others, and has bought the local New York franchise wholesalers that had been Bergson's competition, including Port, Sound, Harbor and Ippolito.

Among big breweries, Anheuser-Busch InBev distributes its own brands, including Budweiser. AB InBev, No. 226 on the Fortune Global 500 list, is New York City's second-largest wholesaler, selling 24 million cases a year to Bergson's 30 million.

THERE ARE MANY REASONS why beer is expensive in New York. One is logistics. Unloading a truck of Coors to a big-box store off the interstate costs a lot less than making five stops in midtown traffic. Manhattan Beer's more than 400 delivery trucks paid \$2.3 million in parking tickets last year.

Despite the size of the marketplace, the city's small businesses do not benefit from economies of scale the way bulk retailers do. The New York space crunch means less room for storage, which means more frequent deliveries, which costs gas and truckers' time. Duane Reade, which often uses basement areas for its pharmacies, gets daily drops from Manhattan Beer. And, of course, those Duane Reades, bodegas and bars each pay monthly rent that would cover a year's lease in many American towns.



Buck Ennis

Kelly Taylor, founder of KelSo Brewery in Brooklyn, counters critics who say the tiered distribution system doesn't work. "I want to make beer and go out and talk about it. I don't want to move it."

Consolidation is another reason. The home-Ds contend that mergers have driven up costs and trimmed their margins. Houston Street Beer Distributors still operates, although it moved in January from its original location on the Lower East Side to Canarsie. Owner Michael Gelman, who bought the business in 1985, said the exclusive contracts Manhattan Beer enjoys on so many beer brands have driven up prices. "We're antiquated—we're a couple of dinosaurs left standing," Gelman said of the independent distributors left in the city.

Brewers say that considering the cost of doing business in the city, retail prices could be worse. "We sell beer in 30 states, and New York City doesn't have the highest pricing," said Robin Ottaway, president of Brooklyn Brewery, whose suds have been distributed by Manhattan Beer since Bergson took over Phoenix Beehive, the city's second-largest franchise wholesaler, in 2014.

Gelman disagrees. At one time, he could call around to any number of wholesalers and get different prices on the same brand of beer, but Bergson gained a "lock, stock and two smoking barrels" on the market. "Now," he said, "there is only one girl at the prom."

BACK IN THE BRONX, Bergson moves quickly through his headquarters, scaling the stairs to a solar-panel field atop his warehouse. He surveys the big mound of dirt next door—his neighbor is a concrete recycler—and, over barbed-wire fences, the Bruckner Expressway.

He moved the business here in 2013. Bergson's family lives in Palisades, N.Y., just across the Hudson River, where he spends weekends. During the week, he stays at his condo on Central Park West at 63rd Street.

Manhattan Beer's perch atop New York's brewing world is hardly unchallenged. A group of drivers filed a \$50 million class-action lawsuit against the company this past fall, saying it did not pay them overtime despite days longer than 10 hours, and imposed wage deductions for parking tickets and missing wooden pallets. Their wages were docked hundreds of dollars for small mistakes, the lawsuit says. Bergson denied the charges, saying the workers' unions "would have been all over me."

Manhattan Beer's drivers and warehouse workers are members of the Teamsters and SEIU affiliate Workers United.



Buck Ennis

Beer drivers filed a \$50 million class-action lawsuit against Manhattan Beer this past fall, saying it did not pay them overtime. AB InBev is also looking to take some of Manhattan's market shares.

Other players are also unsettled by Manhattan's dominance. The trade association for smaller distributors wants the state to pass a law that would require wholesalers to post prices, effectively forcing them to sell at the same prices to everyone rather than negotiate deals. The small distributors cannot compete with big-box stores and chains that sell beer at slimmer margins, they say, especially if those massive retailers can get better prices from Manhattan Beer and AB InBev.

AB Inbev has also sought to gain market share, clawing back from Manhattan Beer distribution of brands it now owns, including Stella and Spaten, paying Bergson a hefty sum for the distribution rights each time. "I don't want continue with a brand that's not fully aligned with our strategy long-term," Bergson explained. "Let's just go for a divorce."

AB InBev is in the process of merging with SABMiller, whose brands are the core of Bergson's business, but Bergson believes the Department of Justice will force the new giant to spin off the MillerCoors brands, protecting him from a monopoly that would cripple his business.

Loyalty means a lot to Bergson. It's one of two qualities the city's beer king loves about German shepherds. The other one? "They're very, very smart animals."

DECONSTRUCTING A \$12 SIX-PACK



[RELATED ARTICLE: [The economics of a bodega six-pack](#)]

CRAIN'S

NEW YORK BUSINESS

Entire contents ©2016 Crain Communications Inc.
