

Prince of the City

Simon Bergson, one-time Home D, now bestrides the metro New York beer market.

In a beer wholesaler segment that is increasingly the province of the MBAs and CPAs, Simon Bergson is the last of the industry's true cowboys. It may seem an odd characterization for this archetypal New York City businessman, but it is apt. Simon still packs a pistol on his hip, a testament to his propensity for locating his warehouses in some of the toughest neighborhoods in the city ("I moved into the South Bronx in 1979. They had just burned the place, but it was cheap as could be"). He started out as a home distributor, or "Home D" ("In those days," he recalls, "I had to carry two guns, plus the Remington pump I kept under the counter") In the late 1970s, he became an established beer distributor, and settled his business in the South Bronx. He was fortunate in his brand choices—Rolling Rock and Corona, for two. But Simon attributes his growth to one of his father's maxims. The elder Bergson used to say, "The harder you work, the luckier you get." And using that formula, Simon has indeed gotten lucky. MBD merged with the Coors house in NYC in 1998, doubling in size overnight, and becoming one of the largest wholesalers in the country. The company now has five facilities—Three in New York City proper (The Bronx, Brooklyn and Queens) plus additional facilities in Long Island and Harriman, NY.

Simon, what sets New York City apart as a beer market?

New York City is not chain-driven. Chains are maybe 20% of volume. It's mostly independent operators and buyers. 7-11 doesn't even have a store in NYC. They are opening a store again shortly, but they closed their stores back in the early 1980s. They claimed it was because they couldn't offer that neighborhood feeling of New York's local vendors. That's what makes New York grocery stores, restaurants and bars successful in this market. Every consumer wants their own little location. When the mass chains came in, they didn't play to the local needs of the shoppers. We have 21,000 cus-



Simon Bergson of Manhattan Beer Distributors

tomers, and about 19,000-20,000 buyers. It gives you the perspective of the enormity of calling on this marketplace.

In Arizona, you make one call, but if you get knocked out or don't get your promotion or feature, you're out of business in that account, and maybe they represent 60% of your volume. I'd much rather have it this way.

It seems unlikely that direct shipping would ever have a major effect on your business.

True, not yet. But over time, everything will change. But we'll adapt to it. We've adapted over the years to almost everything. Why can't we adapt to that?

When I got into business in 1978, there were almost 300 distributors in our state association. I would guess there were about 30 beer distributors in New York City. Here it is 27 years later, and there are probably four distributors left in New York City, and in the state there are 45-50. So we were able to adapt to change. I don't know if I was smart or lucky.

When you were looking at the market 15 years ago, where did you see yourself in the NYC distribution hierarchy?

I had no evaluation, I had zero analysis 15 years ago. I knew if I got up at 4:30 every morning and went to work, and got my trucks out and serviced my customers and stayed until 7 or 8 at night, at the end of the week, maybe I'd make some money. When I started the company, and ran it for the first 15-20 years, we had no market plan, no business plan. There was just a work ethic. What I tried to do is hire the best people I could afford in those days. As the days got longer, affordability came easier, so we could get better people. We're very different today than we were 10 years ago.

What was the big step? Obviously the Coors deal. But prior to that...

Prior to that, we were close to a 7 million case house, and our number-one brand was Corona. Almost every brand in our house was an import. So we had share of profit, as they say. We had the high-margin items, and 6-7 million

cases is not chopped liver, it is significant volume. The only domestic brand we had was Rolling Rock, but that was perceived as a premium domestic. So we were just schlepping along, but doing well. That's when I saw the need to either get larger and get more scale, or go the way of my peer wholesalers over the years. Many of them had not been willing to adapt or change, and a lot of them went out of business. There was major transshipping going on in the those years, and a lot of people survived on transshipping. And when they had to change to service their market, or the controls came about and they couldn't transship as much, all of that income got lost, and they ultimately went out of business.

I saw the need to get larger in those days. My largest competitor and I had been talking on and off for years. And ultimately the timing was right to put the companies together.

Your negotiations with Coors began in what year?

We started talking in 1994 or 1995. And we didn't get serious until 1997, and did the transaction in 1998. We had some transition issues, but we adapted to change [laughs]. We did our deal May 7th, we fixed it all within 30 days. We were at least able to deliver our beer for July 4th.

Last year we did 26.4 million cases. When we did our combination in 1998, we took my 7 million case house and their 11 million case house, and put them together overnight. So we went from 7 to 18, in one day.

Initially you were a specialty distributor...

We still are. A lot of our volume is Coors. That's about 10.5 million cases. And our Corona is also about 10.5 million cases, so just about neck-and-neck. The rest includes Inbev, Scottish & Newcastle, and Grolsch. Imports like that are my roots. We are introducing Brahma beer in September, and the first brand of beer I distributed when I started in this business was Brahma Chopp. "Chopp" meant draft, although it was in the bottle. So what goes around, 27 years later, we're back together again. The bottle is different, the beer is different, the wholesaler is even different [laughs].

How did you end up with Brahma Chopp?

It was imported by a company called EFCO Importers out of Philadelphia. In those days, there were so many wholesalers, but no one wanted to take on new brands. Everyone was very happy selling their Rheingold, their Schmidt's, their Piels. Everyone was very complacent. When innovative brands or imported brands were looking for distributors in the mid-70s, they were turned down. When I got into

THE GREENEST WHOLESALER IN THE COUNTRY

Manhattan Beer Distributors may well be the most environmentally-progressive beer wholesalers in the country. For starters, it is the only wholesaler that can boast a fleet of 40 Compressed Natural Gas Trucks. "They run quieter and cleaner, with the same amount of power," Simon says. When these trucks are lined up in the morning outside the warehouse, you don't have to walk through a choking blue haze of diesel emissions. Other than a mild odor of gas, you'd never know a half dozen trucks were idling just outside the warehouse.

Inside the company's 1,000,000-square foot main Bronx warehouse (one of five distribu-



tion facilities currently operated by the company) the forklift fleet has been converted to 100% electric. "The only problem is that now they're too quiet," Simon says, "and you don't hear them coming."

Out back, Manhattan maintains a state-of-the-art recycling plant, where all glass, cardboard, wood and aluminum is recycled under New York State mandate. "We also recycle our pallets," Simon says. "Our Corona comes in on these Mexican pallets, which are made of a nice clear, clean pine. This is nice wood. So we sell those to a mulcher. It costs us a little money, but less than it used to cost us to dispose of it otherwise." All cardboard goes into a baler, and all glass is sorted and broken down. On the white glass, the company breaks even (luckily, more than a third of MBD's volume is in Corona) but green and brown glass costs the company money. MBD recycles 5,000 tons of cardboard a year, and 75,000 tons of glass.

The greener MBD is also a rare modern company that utilizes energy efficient rail freight. To tie into a nearby rail line took MBD three years and \$3 million dollars, but now three rail spurs extend to the Bronx warehouse. Two trains a day come into the facility—one from Mexico, which disgorges pallets of Corona, and the other from Colorado, which unloads pallets of Coors. "For us this is very efficient," Simon says.

the business, Rheingold had closed their doors. They had brands like Rheingold, Schmidt's, Carling Black Label and Tuborg Gold. The Rheingold/Schmidt's were probably three million cases, and they got picked up in a second. But no one picked up Carling and Tuborg. I went to Bob Wilson at Carling National. And I told him I wanted to distribute their brands in New York City. And he started laughing. Because I was a home D, I didn't have a com-

pany yet. And I started laughing back at him. And he said, "What are you laughing at?" I said, "I'm in the largest market in the world, New York City, and you don't have a home for your Tuborg and Black Label. And you're laughing at me?" And he asked me if I sold any other brands, and I said "Yes, Brahma." And he started laughing again. So we did a little of that tit-for-tat, but he gave me a shot. So that's how I picked up Tuborg and Carling. That put me in

business. Our first warehouse was on East 5th Street, between Avenues B and C. That was when we became Manhattan Beer Distributors. I called it Manhattan Beer Distributors, because I was in Manhattan. People always ask me why we call it Manhattan when we are in the Bronx. And I say, "I started in Manhattan, that's the name I gave it." Our Congressman here in the Bronx, Jose Serrano, asked me that the other day. He asked, "why not call it Manhattan-Bronx Beer Distributors?" And I said "I sell other markets, and I'd have to call it Manhattan-Bronx-Brooklyn-Queens-Staten Island-Nassau-Westchester-Putnam-Dutchess-Suffolk-Sullivan-Orange and Rockland Beer Distributors," and that name is way too long.

Why do you think other specialty wholesalers, notably Brooklyn, ultimately have to leave the business?

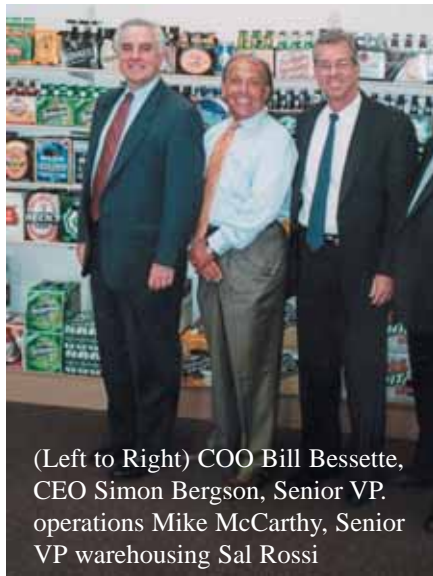
I thought Brooklyn was doing fairly well. Based on the information I had, they were fairly successful at establishing their label, Brooklyn Lager, and they were somewhat successful in their distribution. They were profitable, from what I understand. I spoke with them years ago, and discussed doing a venture, but it didn't evolve. I think the reason they went out is they didn't have the passion for distribution anymore. They could have survived, in my opinion.

Obviously, they were a lower volume house...

You have to have lower volume before you have higher volume [laughs]. Remember where Corona was?

And look at Stella Artois. There was no presence in New York. Labatt USA spent \$10 million on Stella. A lot of it was kind of underground communications, mainly public relations driven. Nothing too mainstream. A significant amount of time and attention spent on that brand, and look where it is today. They had a billboard in Times Square for New Year's Eve. From October to January, probably cost them a million dollars for that billboard. We had a Belgian chef touring, telling people how to cook with beer. We had seven full-time people working on the brand in the city.

The key to it all is that they have all the time in the world, apparently. All very well planned, but all the time, and no pressure for volume. No sales manager saying, "where are my sales from last month!" They knew this would take time, and they had the patience. I just hope they have the same patience with Brahma in this market. They should learn from the success of their Stella introduction and have that same amount of patience. Allow the consumer to discover it and understand it. Don't push on it. Especially



(Left to Right) COO Bill Bessette, CEO Simon Bergson, Senior VP operations Mike McCarthy, Senior VP warehousing Sal Rossi

with today's consumers. Nobody wants to be pushed with anything.

Last time you had Brahma, how did it go?

We sold it to a Brazilian grocery stores and restaurants, anyone that had a Brazilian clientele. But that was over 30 years ago. And it was very different. There wasn't the understanding of imports that there is today. In New York City, we estimate that imports now have a 35-40 share.

Rolling Rock was a big early success...

Yes, they had a sales guy, George Kachezian. He was getting some beer out of his trunk, and I noticed an old bottle in the wheel well. It was the silk-screened label, and I said, "Hey George, what's that?" And he told me it was their refillable, returnable, export bottle, sold in Pennsylvania. And he said "What, you like it?" And I said, "Like it, it is beautiful!" And I asked him if we could buy it. And he was kind of puzzled, but he calls the sales manager, and gets me a price, something like \$4.00 a case. And I said "send me ten pallets." That was in 1979.

It had been successful in Philadelphia, and was doing well in Latrobe, obviously. But these guys from the brewery would come into New York, in the mid-80s, and they would see Rolling Rock all over the bars and clubs, at \$5.00 a bottle, and their jaws would drop. And we'd tell them "Welcome to New York, guys."

Corona and Stella Artois are examples of brands that have also expanded by reaching completely new consumers. Corona, In Mexico, was the everyday beer. It was the Rheingold or the Schaefer of Mexico. It is an import now, with a new personality. Stella Artois is an everyday beer in Belgium, but it promoted itself, and it is accepted here. They are both good beers, and so was Rolling Rock.

Transshipping was a major concern in the market at one time...

The home Ds make the phone calls to the guy upstate. Maybe they aren't looking to do the transshipping. People do it at the slow times of year. May, June, July, it's so busy, no one can even think about transshipping.

How many home Ds are still in the city?

I would say about the same amount—250-275 home Ds. Some are larger than others. Many are just retail locations. They have to be concerned about the big box stores that are competing with them, that are willing to work on lower margins than the home Ds. The home Ds have to be innovative as retailers, or else they will start dwindling. The key is to be willing and able to adapt to change.

The declining number of wholesalers coincided with the reduction in transshipping...

The transshipping slowed down as the wholesalers went out of business, because they were all transshipping. Some of the big transshipped brands, like Schaefer were gone.

Some of the breweries took a fairly proactive stance against it, Anheuser-Busch being one. But it still goes on.

Did you work with suppliers to reduce transshipping?

Yes [laughs] I worked with them. I complained, they listened, they did nothing, I complained more, they listened some more, and they attempted to do something but failed. That's the way it went. The problem was, I couldn't fight fire with fire. Because the demand was in New York City. Sometimes people would ask why I didn't just transship back to them. First of all, some of it was coming from places like Greene County. There was a guy there who was going through a trailer a month of Rolling Rock. And there was a guy in Gloversville, NY, who was going through trailerloads of Olde English 800. Sure enough, I found all of it was coming down here. If you saw a customer, buys five pallets a weeks, suddenly doesn't need any anymore, you know something is wrong. That is the key. Every wholesaler is supposed to know their customers. There are reports that can tell you retailer consumption, their needs, velocity through the account. That's why in the agreements today, you are not supposed to sell to any retailer, that you know, or should know, will sell product outside the territory. Brewers manage it better today. There are also issues of freshness and quality. Nobody wants to be responsible for somebody else's product coming into the market. Things have changed.

Those second-tier brewers were desperate for volume...

Yes, they didn't care where it went. It was the brewers pushing it on the sales manager, the sales manager putting it on the local salesman.

How do you see things on a macro scale, imports versus domestic?

Domestic has their challenges, because everyone is getting into the retail price game. But imports have pricing challenges as well. We compete with Heineken in this marketplace, and they are priced in this market, sometimes as much as three dollars a 12-pack cheaper than Corona. That creates a challenge, but my philosophy is that people will understand that they are getting what they pay for. I've always been a believer that perceived value is associated with the price a consumer has to pay for something. There is no reason to get down into the mud and deep discount as much as Budweiser and Miller are in this market, and as much as Heineken and smaller imports like St. Pauli Girl sometimes do. It's not necessary.

How do you position Coors in this market with A-B and Miller discounting?

We try to be price competitive, but we can't always be price competitive. Coors still only

has one brewery, and transportation is an issue. But we are still up with our Coors business this year, despite all of that. We have a significant volume in the city now, and we are comfortable and confident. We will be up this year. We have done the right things. We have done the positioning, we have multiple SKUs on the shelves, we've got programs in the inner city. We're doing everything that a wholesaler should be and could be doing, and now it's up to the consumer to pull. And we think, given a choice, with the right positioning, the consumer that wants a good quality, cold Coors Light will pull the Coors Light brand. We provide a high level of service to customers. We don't have any minimum order level requirement. And we don't divide up our routes geographically, in the sense that we only go to a given geography once or twice a week. We offer every customer in this marketplace service every day.

There is significant expense to that. But if I were a retailer, and I wanted to do business with Manhattan Beer, I wouldn't want to wait. If I were running a bar or a club, I want to call a beer distributor and I wanted beer tomorrow, I wouldn't want to hear that I had to wait until next Thursday. We are not running a furniture store, here. We are a service business. We are a big distributor, with a small local mentality. If

you want beer, you'll get it. We deliver to some supermarkets five days a week, because they just don't want to carry inventory. And it might be 25 cases Monday, 15 cases Tuesday, 20 on Wednesday, 40 on Thursday, nothing on Friday, and 50 cases on Saturday for the week-end. We'll give them any service they ask for. Our geography is such that, as large as it is from an account population, you could have one truck never leave a ten-block area. A five-block area in some routes. We have some trucks that just service a five block area. They are there anyway, so what do I care if they deliver beer to these customers. Would I prefer that they order once a week in big quantities and pay me on time? And would I like them to say thank you? [laughs] Of course I would! But that's not the real world.

That's another reason we opened a fifth warehouse. The fifth warehouse is not just for storage. We still have our warehouse in Hunt's Point for dry storage. We can put a half million cases in there as back-up, but we don't run trucks out of there. So we've always had five warehouses and four operating facilities. Now we have six warehouses, and five operating facilities. Each facility allows us to improve service. When we opened Brooklyn in 2001, the service levels in Brooklyn and Staten Island

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jumped. Now the truck was no longer coming out of the Bronx, crossing the Tri-Borough Bridge, going down the Brooklyn-Queens Expressway, getting stuck in traffic, going across the Verrazano Bridge, taking an hour and a half to get to Staten Island. And then another hour-and-a-half to find the account in Staten Island, because Staten Island is another world! [laughs]

So when we opened Brooklyn, our service levels dramatically increased. And our sales benefited from that. We saw the same thing in Queens. We thought we were giving great service in Queens, but the minute we opened up that facility, it jumped. Expensive as it is to buy a facility, to put in the infrastructure and to man it, the intangible is the benefit we get in additional business, because we have the ability to better service our customers. That's what it is all about. This is a service business.

Do you have the geography pretty well covered?

We're in great shape in the city, and we have a facility right in the middle of Long Island. Our furthest point is Montauk. That truck leaves at 5 AM every morning this time of year, and works his way back. We're doing a little expansion to our Wyandanch facility that will bring us over a million square feet for our total operation. We are capable of increasing our business significantly, another 10-15% easily. If we were to do an acquisition, we might need a sixth facility, but that's an if and when.

What is Coors share in NY Metro?

About a 14-15 share. It's growing, but slightly. It was a 12. We think we are gaining some share while our competitors are losing a little share. But we're also gaining share as a company. We went from 18, to 20, to 24. Now we have 26 share. We'll do close to 27 million cases this year. And we know that our industry is flat or down. So if we are growing, we know this will come at the expense of some of our competitors.

How is Corona doing?

It is growing low single digits, but it is a high-share market. We are probably the highest price-to-consumer for Corona in the country, due simply to the cost of doing business. We are higher priced than Heineken, as I said. At a minimum a dollar more a 12-pack, sometimes three, if they are on feature and we are not.

What do you see developing in the market?

There is a lot of interest in energy drinks. And these so-called nutraceuticals, or vitamin and mineral enhanced waters.

BILL BESSETTE, MBD COO

Bill Bessette, MBD's Chief Operating Officer, is the taciturn Yankee (or more accurately Northern-tier French Canadian) to Simon Bergson's voluble New Yorker. It seems an odd match, but Bessette has found his niche at Manhattan Beer since joining the company in 2002. "This company has a certain passion about it," he says. "It is a company that makes things happen. Over the years, I've seen Simon as a visionary, a guy who was willing to take risks. I had seen the investment in this company. When I was doing a presentation a couple of months ago, and I added it up, I found Simon has spent over \$60 million on this company since 1998. He's invested in infrastructure and in people. Simon's investment in the human side of the business is terrific, and now every facet of the operation has top people. He has built a quality team. I thought it would be an exciting company to work for, and that has proved to be the case."



Bill how was it to transfer to the wholesaler side?

It's been terrific. The distributor side is very action oriented. Things happen every day in the trade from a competitive standpoint. A lot of decisions are made every day. You have to make things happen. On the supplier side, you get to sit back and be a little more strategic and look out there further. With a guy like Simon, you certainly learn a lot.

When did you first meet Simon?

I've known Simon since the late 1980s. We met at the New York State Beer Wholesalers meeting at Grand Island, near Niagara Falls. That was late 1980s. I was managing the upstate New York market, and Simon had a transshipping issue, and I was trying to track it down. I started on the wholesaler side, and then went work for the Pabst Brewing Company, and then to Labatt U.S.A. So I knew the wholesale side well.

Did you know the New York City market well?

Very well. It has been part of my responsibility for probably 20 years, for one brewery or another. It was our number-one Rolling Rock market at Labatt. At one time, it was 10% of our Rolling Rock volume.

What is different about doing business in New York City?

You find a lot of people who don't know or understand the New York market. It's hard for an executive sitting out in Milwaukee to make decisions about this market. They think one size fits all. This is a very different market because of the number of independent retailers. In my view you need a company with the infrastructure to deal with 23,000 retail accounts.

And I think some of the laws in this state might change in the next few years, especially in light of the Supreme Court decision on direct wine shipments. I think that may have some effect on some of the laws we have right now. Some of them are antiquated. Some of them could be perceived as discriminatory, and might be eliminated, based on the same logic used by the Supreme Court. Would that have a negative or positive effect? It all depends on which fork in the road the legislators take, the left or right. I'm not sure the legislature even realizes yet that

changes will have to be made. Our association will realize that as well. We're not the only state. All the states will have to reexamine their laws and make sure they are not discriminatory.

What is your personal sense as to how that will impact your business?

I don't have a personal sense. I have certain personal desires [laughs]. There are always questions as to why can't a beer distributor in the state of New York also sell wine and liquor. And by the same token, why can't a New York

wine and liquor distributor sell beer? Or why can a supermarket in Arizona sell beer, wine and liquor, but a supermarket in New York only sell beer? There are a lot of variations.

And opportunities?

Sure, but an opportunity can become a significant challenge. For me, an opportunity to get into wine and liquor suddenly makes me the smallest guy in town, not the biggest. But I've been there before [laughs].

Whatever evolves, whatever happens, we will deal with the changes. Because we always have. We have to, we have no choice.

I'm only one person. I have no influence with the state legislature. None whatsoever. For the most part, these guys are full of shit, and that's on the record. I recently sat down with one of the most powerful New York legislators. We sat in his office, talking about a bill. And he tells me, "That is the dumbest bill I've ever heard of, I will not vote for that." And just last week he voted for it. So go figure. They vote based on the least amount of phone calls they will get to their office. They tell you one thing, and do something else.

And they swap...

Sure, they trade. They trade, like I used to trade Mickey Mantle cards for Hank Bauer. [laughs] Give me a break! But that's how it works. I called an assemblyman here in New York, and I asked how he could have voted on this one bill, and he tells me he had to, and he knew it would never get through the Senate anyway. So they trade and make their deals. That's still the way government works in the state of New York.

You may be one of the greener wholesalers in the country...how did that come about?

Well, when it comes to the CNG trucks, we were approached by an agency that was trying to get medium-duty truck fleets to convert to this new energy source of compressed natural gas. And everybody was turning them down, including one of my larger competitors on Long Island. Everybody turned them down. And when I heard the presentation, it was coming from Federal and State funding, and I looked at these numbers. And I said, this is not advantageous to us financially. But it's certainly not disadvantageous. And it's the right thing to do. What better thing to do than clean up the environment and clean up the air? Particularly since we are based in the South Bronx, which has 25% more cases of asthma than anywhere else in New York City, because of all the trucking from Hunt's Point and all the waste transfer stations and industrial facilities. I told Mike

McCarthy, senior v.p. of operations, this was the right thing to do. So Mike did all the research, because he didn't want to get stuck with a lot of CNG trucks that would turn out to be lemons. Eventually, we agreed to do 15 trucks. We had to build a CNG station. It worked out for us. We have embraced the project. So every year, Clean Cities and the Department of Energy come out with new programs, and new funding. We put in our applications. We just put in a CNG station at our Brooklyn facility. We have 10 CNG trucks there. And we have been approved to build a CNG station in Long Island, so we will be running 10-15 CNG trucks on Long Island as well.

Environmentally, this was the right thing to do. As a neighborhood businessman, it was the right thing to do. It isn't something I had imagined we would do. I would love to say I had dreamt about running a low-emissions truck fleet when I was a kid, but the opportunity fell into our laps. We are now touted as the only privately-owned medium-size truck fleet in the U.S. that has embraced CNG. I think there is one other truck fleet in Texas that is doing this, but they are not a beer distributor.

It makes us feel good. You can walk over to those trucks, and stand by the tailpipe, and breathe that in. I haven't tried it [laughs] but that is what I am told. There are no particulates, it is clean as can be. And one of the problems I see today, is that the oil companies are controlling us, like puppets. We are so dependent on foreign oil. Natural gas is an alternative, and most of it comes from North America. But the problem is that there is no infrastructure yet. One agreement that we had to sign, was that if any other CNG vehicle comes to our terminal, we must fill them up. We charge them for it, but we have to fill them up. No one has ever come to us. But Con Edison and MTA all have CNG vehicles, so they have stations as well. They wanted us to send one of our nice new CNG trucks to Albany for this presentation, so we made it up, they told us the location of an Albany CNG terminal. So we refueled, and a few days later they billed us. But this shows you how limited the infrastructure is. There is one other station in Hunt's Point. There is one public gas station on 10th Avenue that sells CNG. But there are several Con Edison and MTA terminals.

I would love to be able to convert my garbage to fuel! All this glass and cardboard. But that hasn't happened yet.

This was pretty rough and tumble when you started...You and your executives used to pack guns...

It was because of the locations we were in. It

was because of the high visibility of the business we were in. In the 1970s and 1980s, you may recall, the Bronx was in bad shape. The reason we moved to the Bronx in 1979, is that they had just burned it, and everyone had moved out. It was cheap as can be. We had to have a pack of German Shepherd guard dogs in the warehouse. It was a tough neighborhood, but it was cheap! [laughs].

Our first warehouse was at 138th. It had been a Pontiac dealership, a beautiful brick building, but it looked like it had been bombed. They had smashed all the windows. My father was still alive in those days, and he was very excited and proud of what I was trying to do. He was an immigrant, and a Holocaust survivor, and for him, any opportunity in America was a great opportunity. So we drive up to the building. We look in through the windows, and we see the guard dog sleeping, and we see a guy working in there, doing something with the wiring. And my father says, "Oh, it looks they have an electrician working in there." So we go to the closing, and we tell the guy, "Oh, we saw your electrician in there." And he says, "Electrician, what electrician? I don't have an electrician over there." So we go back, and sure enough, the guy is still there. He was a junkie, pulling the copper wires out of the pipes! And when we come in, he runs out a hole in the back of the building, and the guard dog is still asleep! The guy who owned the building had to give us a \$10,000 refund, because we had no electricity.

You were born in Europe, correct?

I was born in Austria, in a U.S. Government Displaced Persons camp. My family originally came from Poland. My father and mother both came from a small town outside Warsaw. My father had been in a concentration camp for five years during the war—Sachsenhausen, Mauthausen and Auschwitz, and my mother was in Auschwitz for three years. These were labor camps, but they were also extermination camps. The Germans still needed workers. The ones that survived were lucky and were healthy. So many died of typhoid and dysentery and malnutrition. You had to be physically fit. My parents were physically fit, and they were lucky. So, after the war, for them, the DP camp was good living. They had schooling, they had three meals a day, all courtesy of the U.S. Government. My father was trained as a tailor, and that's how he came to America.

My father only wanted to come to America. He could have gone to Israel, or Canada, Brazil or Mexico. He had one surviving sister in Mexico. But he only wanted to go to United States of America. That's why we didn't leave

the D.P. camp until 1949. We were on one of the very last boats. He had no money, no connections, no family and no occupation. But he said he only wanted to come to America. He said that's where the opportunity. The harder you work the luckier you get. I grew up with that, with his work ethic. I finished high school at a very young age, but I never finished college. I went to many colleges, but never really finished. I worked since I was 13, at least part-time. My father used to say "I worked for Adolph Hitler, and he gave me nothing. At least in America, when I work, they pay me." He had an unusual perspective on life.

What did he think of the beer business?

He got me into the beer business. I was in Tucson, Arizona, and he called me, and said "I've got a friend who has a beer business for sale." So I came back, and we looked at the business. And it was a home distributorship on Houston Street. And we bought that Home D, and ran it for three years. That's where I learned all there was to know about the business. I thought it was a great business, but I knew I didn't want to run a Home D on Houston Street for the rest of my life. Houston Street didn't have heat, no air conditioning, and I used to have to carry two guns in those days, besides the Remington pump shotgun I kept under the counter. That's when Rheingold went of business, and I started my own beer distributorship.

Before we moved here, we had about 50 people. We expanded to two facilities in 1988, when Corona came into the market. No one wanted the brand, so I had to expand into Long Island and distribute it myself.

As time went on, we started developing the organization, and bringing in people, and adding processes. It's mind-boggling to me, when I think how we run the operation today, as opposed to ten years ago, when I was still hands-on in the operations. I would get lost in the operations today. I'm not savvy anymore. I'm not familiar with all the procedures, and

all the computerization. I used to order all the beer! I used to review all the orders once a month! I'd have my secretary do all the math for me, I'd look at it and figure things out-too much here, not enough here.

The priority is serving the customer. Not that my managers don't think about saving the company money, but the priority is servicing the customer. If you have to pay the driver over-time, or double-overtime, and pay a parking violation while you are delivering it, the customer needs his beer. That's how you build relationships, that's how you build continuity. We had a million dollars in parking tickets, and paid about \$600,000 of it. You can negotiate it down, if it was a double-parking situation if you were actively making a delivery. And that's after-tax dollars, you cannot take that as a deductible expense.

It is legal to double-park while making a delivery, but not to obstruct traffic. So instead of giving a double-parking ticket, now most of the time they give you an obstruction of traffic ticket.

What is next for Manhattan Beer?

My first goal is to round out my 14 county territory. We will work to acquire other brands that we can do the job for, and increase our share. I want to acquire my brands for all 14 counties. And if there is anyone who wants out of here to go with someone else in all 14 counties, God bless them.

Will you add brands?

People approach us all the time with small brands. And they say "We don't think we'll fit in your house, you're too big." Well, we are a big house, with a lot of clout in the marketplace, but we have the mind-set and history of developing brands that started with nothing. Sure, some brands come in with major volume, but most brands when they come into this marketplace, come in with nothing.

I'm accustomed to dealing with brands that are underdogs. I think of myself as a champion for the underdogs, because I was an underdog. Now I happen to have a larger business.

Corona, when it came into this market, was a new brand with nothing. Stella Artois, a new brand to this market, nothing. Hoegaarden, a new brand, with nothing. Newcastle, a new brand, with nothing. You have to be willing to start from nothing. And we have no problem taking on a small brand, if we think there is an opportunity to sell in this market. We don't care if the opportunity is 100,000 cases a year, or a million cases a year. We want it. We have 15 brands that sell less than 100,000 cases. In fact, we have 10 brands that sell less than 50,000 cases a year. We try to give them the same treatment. We won't give a brand like that mass distribution, because it doesn't mandate mass distribution. But if it is a specialty brand, for specialty pockets, we have no problem carrying it.

As examples, we are now importing two specialty import brands. Lion Heart Stout is made by Big City Brewing in Jamaica. Some of the shareholders are former executives at Desnoes & Geddes. We are also importing Quisqueya Extra, from Cerveceria Vegana in the Dominican Republic.

The brands we are importing, we aren't going to put in every Pathmark and A & P. But we will have it in a lot of stores in parts of Brooklyn, parts of Queens and parts of the Bronx. That's where the Caribbean shopper is. Just another opportunity for us to sell more boxes, and become a more valuable supplier to our customers.

Sounds complicated...

It's complicated to execute, but we have 1150 employees, we have great managers, great processes, great COO, great president, Come on! [laughs]

Thanks for your time, Simon

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