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Meet Smoke Wallin: Former Amway Salesman Thinks This is a Great Time To Get U.S. Rights to Singha Beer, Expects to Grow Its Sales Five or Six Fold

Why in the world would anyone launch a new company in this economy? Even more to the point, why would anyone take a small, ethnic beer and confidently expect to grow its sales five or six fold in just a few years?

That's exactly what **J. Smoke Wallin** is doing. And he'll tell you this is a great time to do it.

Wallin has been around the alcohol beverage industry long enough that nearly everybody knows of him.

But if you don't know he grew up on Longboat Key, the nicest place in all Sarasota to live, or if you don't know that while in the seventh grade he won second prize in a science competition for a writing a computer program in BASIC on a Commodore 64 that took the user through a series of questions about the solar system and then scored them on a test, well, you just don't know Smoke Wallin.

And you won't understand why he thinks his new company, **Pelican Brands**, a national sales and marketing company set up to manage beverage brands throughout the U.S. and Europe, will do well.

First Client: Singha, Thailand's No. 1 Beer Export

Pelican's first client: **Singha**, the No. 1 exported beer from Thailand. Wallin thinks he can grow Singha's sales to five or six times their present level. And that technology will let one person do what it used to require five people to accomplish.

"The appointment of Pelican Brands represents a very important step for Singha in the U.S. market. We expect Pelican Brands to have an immediate impact on our brand distribution and to position Singha as a leading growth import for the coming years," said **Theera Vongpatanasin, Managing Director of Boon Rawd Trading International.**

Says Wallin, "Singha is an incredible brand which deserves focused attention from distributors, retailers and national accounts. It has all the right characteristics which, when properly promoted, will drive excitement and ultimately, consumer demand, in the better beer market."

Adds **Mark Smith**, Pelican Brands vp-marketing, a marketing veteran of the global beer industry: "Singha is an incredible beer -- both its flavor profile and rich traditions capture the exotic and beautiful country of Thailand. This makes it well positioned to appeal broadly to the U.S. consumer well beyond the Thai channel. The growth of Asian fusion restaurants across the U.S. creates a compelling platform for the expansion of Singha."

Peddling Amway

Wallin's first entrepreneurial venture was far from alcohol beverages. While a youth on Longboat Key he and his brother, Clay, who's now at **Vintank a Wine Industry Strategic Consultancy**, sold Amway products.

"I learned that Clay is a better street sales person than me as he basically cornered the market in our neighborhood," says Wallin. "I was always better at looking at the bigger picture," he adds.

Soaps and detergents lost their appeal by the time he went to Cornell University where he shuffled between the university's famed School of Hotel Administration, engineering and the School of Agriculture & Life Sciences with a degree in Agricultural Economics.

While studying hospitality management, he worked during summers at Longboat Key's famed **Colony Beach & Tennis Resort**, the **Tropicana** in Atlantic City and did a nine-month internship at the **Ritz-Carlton** Hotel in Boston while also taking classes at Harvard before returning to Cornell.

When he got out of college, he was torn between working in the hospitality industry and the consumer packaged goods industry.

Resetting Wine Sales

As luck would have it, he was dating **Karen LaCrosse**, daughter of **Jim LaCrosse**, owner of **National Wine & Spirits** in Indianapolis. That may have helped him land a job with **Joseph E. Seagram & Sons** as a retail account manager. He spent the summer driving around Indiana in vans, putting up posters for various Seagram products.

That led to two job offers: one from Seagram and another from National Wine to be a salesman selling wine to groceries. Wine wasn't big in those days. Wine sections were shrinking and the business – or at least the grocery segment – was controlled by **E&J Gallo Winery**.

Gallo had convinced grocers to set their shelves by brand, which helped Gallo. But with wine sales slipping, Wallin argued grocers would get better results if they set their shelves by varietal rather than by brand. "I reset my entire territory from a brand set to a varietal set in a year," he recalled.

It was the first of a series of entrepreneurial moves Wallin made while at National Wine.

\$10 Million Sales from \$1.5 Million

LaCrosse won the right to distribute **Perrier** and a couple of mixers. National was using a brand management strategy, one of the few wine and spirits wholesalers to do so back then. "I had the opportunity to be the first brand manager for the nonalcohol division," he recalled. He added a number of other products, including **Clearly Canadian** waters, created a home and office delivery company and took the unit to \$10 million in sales from \$1.5 million. It was sold to Nestle after 10 years.

Wallin went to Vanderbilt University for an MBA. Meanwhile, back in Indianapolis, LaCrosse had acquired **Union Beverage Co.**, gaining entry into the Chicago market.

"My second year of business school, I was actively managing the category management efforts and MIS group at Union Beverage from school." Many weekends classes would end on Thursday, and he'd fly to Chicago, where he would work on revamping Union's technology before heading back to Nashville Sunday night.

National Wine acquired **Federated Industries** in 1993, two years after acquiring Union Beverage. It had become clear to LaCrosse that the wine and spirits distribution industry was entering a period of consolidation – first at the state level, then regionally and ultimately nationally.

Jumping Right In

Coming out of Vanderbilt's Owens School of Management, Wallin was considering two job opportunities: One with Boston Consulting Group (BCG's founder, Bruce Henderson, was a

professor at Vanderbilt at the time) and the other with National, where he would head NWS's Corporate Group and deal with the Federated acquisition.

"BCS was very appealing to me because of the level of intellect among the team and the type of business issues they worked on," Wallin recalled. But he had the opportunity to "jump right in and deal with a several hundred million dollar acquisition of Federated."

Over cocktails in Chicago, he discussed his dilemma with **Phillip Kotler**, a well-known marketing professor at Northwestern University's Kellogg School of Management. He knew Kotler because of his work with Union. Should he be a consultant with Boston Consulting or jump right back into National Wine?

"Smoke, a lot of guys with five to eight years at BCG would love the opportunity to do what you're able to do now," Kotler said.

Backing a Startup

Meanwhile, National was backing **Joe Fisch**, who was starting **U.S. Beverage** in Connecticut. "Joe had a clear vision of what he wanted to do with USB that was quite similar to what he had done at the **Seagram Beverage Co.** National was the capital behind this effort, and I led that investment.

"We worked with Joe to set up the back of house, systems and financial infrastructure in place. We placed two of my corporate team members – who were also classmates from business school – into USB to manage this aspect," Wallin recalled.

Critically for his future, Wallin spent a lot of time with Fisch, going to Europe when USB got the rights to **Staropramen** and **Tennents** and, later, **Hooper's Hooch** from **Bass Brewers**.

Eventually Wallin became chief financial officer of National Wine. When Michigan privatized its state liquor wholesale operation, Wallin was able to put together the deal that led to NWS Michigan, which today ships about \$400 million of product a year.

Talking to Wall Street

National had been using its bank lines of credit to expand its business, and in 1999 it hit the limit. Wallin worked with Donaldson Lufkin & Jenrette, a Wall Street investment banker, to put together a bond offering that raised \$110 million. The banks were paid back, and National had cash that it could use to buy some more distributorships.

But Jim LaCrosse decided he wasn't interested in expanding, Wallin said.

"I was always about building things," Wallin said. Disappointed, Wallin stayed involved with National Wine, and continued to rise in the **Wine & Spirits Wholesalers Association** becoming president in 2002-2003 and chairman of the board in 2003-2004.

But his next move had its roots in that seventh-grade science project in Longboat Key. Wallin raised \$60 million from various investors, including National Wine and created **eSkye Solutions**, which became the leading provider of wine and spirits software and Web-based solutions for the beverage industry.

After the dot-com bubble burst in 2000, he was able to buy several companies that made software for wineries. Some 250 wineries were using eSkye's software to run their business.

In 2007, he sold the software business to Constellation Software Inc., Toronto, Canada. But he kept eSkye and the National Account Price Manager software. It turned out to be a smart move: National Account Price Manager handles all the pricing and product synchronization between six of the largest brand owners in beer, wine and spirits, their distributors and Wal-Mart.

Meanwhile, eSkye is working to expand its footprint to on-premise so suppliers can manage pricing for accounts like Darden Restaurants, Brinker and Outback.

Becoming a Supplier

Meanwhile, that hankering to be involved in consumer packaged goods, which Wallin put aside after graduating from college, kept gnawing at Wallin. He conceived "a different kind of

platform – a sales and marketing company that understood wholesale distribution, that would be good for brand owners and wholesalers.”

What Wallin wanted was to pick up some smaller brands from major spirits companies – brands that were too small for top tier suppliers but which could be profitably grown by smart management.

“We bought Red Eye Bloody Mary Mix opportunistically. But before we could do the next couple of deals, the financial system melted down,” Wallin recalls.

Meanwhile, Wallin was consulting with several suppliers, including Boon Rawd Brewery. A family business, Boon Rawd was the first Thai-owned brewery in Thailand, and it had a solid niche in Thai restaurants in the U.S. Boon Rawd’s owners wanted to expand beyond that niche to get into national accounts in the U.S.

‘Great Beer from Exotic Location’

“I told them, ‘Your beer is a great beer from an exotic location’,” Wallin said. And he thought expanding beyond Thai restaurants should be doable. “After all, you don’t go to a Dutch restaurant to drink Heineken in the U.S.,” he said.

One reason for his optimism: Thai food, and Thai-influenced food, is popular in the U.S. “We feel strongly we can grow Singha’s business to five or six times their base,” Wallin told us

Wallins is announcing the creation of **Pelican Brands** this morning. Pelican is using independent brokers – including **Anheuser-Busch** and **MillerCoors** houses. It has 60 brokers and is in all 50 states.

Meanwhile, Pelican’s sales team, led by **Don Hammond**, president, is calling on national accounts. Hammond began his career with Procter & Gamble and Gallo, and ran several major beer wholesalers. Already Pelican has secured placements in 446 accounts, including 26 cruise ships operated by **Royal Caribbean Cruise Lines** as well as **Mongolian Beef, Ghengis Grill, Studio Movie Grip** and **World of Wings** restaurants.

Pelican is focused on building Singha as quickly as possible. In addition to Wallin and Hammond, the team includes **Stan Mace**, director of sales, who helped build **Bavaria**, and **Carlos Barone**, director of national accounts, who worked with Wallin at eSkye. “We’re looking to fill in the team as we go along,” Wallin said.

Self-Funding a Start-Up

Where eSkye involved significant outside capital, Pelican is completely self-funded. “I’m being very cautious about adding overhead. I believe by using smart technology we can do with one person what would have taken five people only a few years ago,” Wallin said.

For example, when visiting a distributor, Pelican’s staff knows the 50 top accounts in the territory. This lets Pelican sales people be very focused, rather than going in randomly.

Wallin noted that his first 14 years were spent on the distributor side of the business. “I know these people very well, and relationships matter a lot. But it’s much more powerful if you’re informed by technology.

“Technology makes it easier to do business. As an industry, we’re still way behind other industries.”

Today it’s all about Singha, which Wallin describes as “a great family company with a great brand. It’s not like we’re dealing with a startup. You’ve got to be able to support the brand,” he says, “and we’ve got that resource in hand.”

Wallin and Karen were divorced a few years ago. Wallin’s new wife, **Anitra**, owned Michael’s of Cherry Creek, a fine dining restaurant in Denver. She won a Wine Spectator Award for her wine list and “is a total wine/food person,” Wallin says. An accomplished singer/songwriter, she also runs Wallin’s **Wine 2.0** (www.winetwo.net) events, including next month’s Wine 2.0 New York.

Only 4 States Had Increased Beer Shipments in September

Scanning the **Beer Institute**'s state shipment data for September we were stunned to note that only four states – the District of Columbia, North Dakota, Texas and Washington State – showed higher beer shipments in September.

Nine states posted declines exceeding 10%. They are: Alabama (-11.6%), Alaska (-21.3%), Colorado (-10.1%), Hawaii (-14.4%), Illinois (15%), Massachusetts (-14%), Michigan (-12.1%), Tennessee (-12.1%) and Utah (-13.8%).

How Europeans Drink Differs from Country to Country

The 21st Amendment put alcohol policy in the hands of the states, recognizing that New York isn't Oklahoma when it comes to how people drink or what social problems result.

Now, Europeans are discovering that just as there isn't a single American way to consume alcohol, there isn't a single European way, either.

For instance, Greek teenage girls drink almost three times less than their Danish counterparts. Young Spanish consumers drink less alcohol, but more regularly than British youngsters, who drink in greater quantities, but less often (source: ESPAD). Overall consumption trends are also going up or down, depending on the EU Member State.

"What drives people to drink is very complex, it runs from age and gender to education and socio-cultural environments; family and the parental model play a fundamental role," said Dr Marie Choquet, epidemiologist with the French Institute for Health and Medical Research (INSERM).

Choquet spoke at a scientific conference in Brussels, organized by the Wine Information Council. Industry leaders also spoke at the conference, including José-Ramon Fernandez, Secretary General of the Comité Européen des Entreprises Vins.

"Wine is a product that can only be appreciated in moderation. When it comes to wine, the key to promoting responsible consumption is to educate consumers to enjoy wine slowly and in moderation," he said. "The EU Wine sector is committed to promote responsibility and moderation in the consumption of wines and to educate the public about the social and health risks of misuse".

F.Y.I. --

Voters Trust Republicans More Than Dems on 10 Key Issues: Rasmussen

For the first time in recent years, voters trust Republicans more than Democrats on all 10 key electoral issues regularly tracked by **Rasmussen Reports**. The GOP holds double-digit advantages on five of them.

Republicans have nearly doubled their lead over Democrats on economic issues to 49% to 35%, after leading by eight points in September.

The GOP also holds a 54% to 31% advantage on national security issues and a 50% to 31% lead on the handling of the war in Iraq.

But voters are less sure which party they trust more to handle government ethics and corruption, an issue that passed the economy in recent months. Thirty-three percent (33%) trust Republicans more while 29% have more confidence in Democrats. Another 38% are undecided. Last month, the parties were virtually tied on the issue.

Among unaffiliated voters who see ethics as the most important issue, 26% trust the GOP more while 23% trust Democrats more. Most (51%) are not sure which party they trust.

On the highly contentious issue of health care, voters now give the edge to Republicans 46% to 40%. The parties tied on the issue last month, after Republicans took the lead on it for the first time in August.

Separate polling released today shows 49% say passing no bill would be better than passing the bill currently working its way through Congress. The poll finds 54% oppose the health care plan proposed by the president and congressional Democrats, but 42% are in favor of it.

On taxes, Republicans are now ahead of Democrats 50% to 35%, nearly doubling their September lead on the issue. Prior to July, the percentage of voters who trusted the GOP more on taxes never reached 50%. It has done so three times since then.

Thirty-eight percent (38%) of voters say cutting the federal budget deficit in half in the next four years should be the Obama administration's top priority, while 23% say health care reform is more important. Republicans are down to a seven-point lead on immigration after enjoying a 13-point advantage last month. Recent polling shows that 56% of voters think the U.S. Government encourages people to enter the U.S. illegally.

Voters trust Republicans more on Social Security by a 45% to 37% margin, after the GOP trailed Democrats by two points on the issue in the last survey.

The president is proposing a one-time \$250 payment to seniors who for the first time in years won't be getting a cost of living increase in their Social Security checks because inflation's down. While half of voters support this idea, they are more sceptical when told how much it will cost.

Republicans lead on the issue of education 43% to 38%. Last month Democrats had a five-point lead.

Voters also trust Republicans more on the handling of abortion 47% to 35%.

But 73% of voters nationwide think congressional Republicans have lost touch with their base.

Best regards,

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