



# The Beverage Network

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REPORT

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# POST-PROHIBITION

## 75 Years Later, the Beverage Alcohol Industry Continues to Evolve

By Alia Akkam



**EDITOR'S NOTE:** In 1920, Prohibition, created by the Volstead Act and the 18<sup>th</sup> Amendment, banned the production and sale of alcohol in the U.S. Although those who yearned for a dry nation felt this "Noble Experiment" would make for a safer country, their dreams were squashed when instead it bred over a decade of anarchy, filled with illicit liquor, corruption and bloodshed. When Utah ratified Congress' proposed 21<sup>st</sup> Amendment

in 1933, the 36<sup>th</sup> state to do so, Prohibition finally ended, slowly setting the stage for a powerful alcohol industry marked by efficiency, diversity and responsibility. With 75 years under our belt, it's time to reflect on how far the industry has come from the days of covert speakeasies and sly sips of gin from teacups. We also explore the changes we expect to see during our industry's next pivotal chapters.

**U**ndoubtedly, the beverage alcohol industry is unlike any other in our country's history. Not only is it more regulated than other industries, it is the only one to have been established by the mandate of the people, created on the heels of the sweeping, misguided Prohibition reform.

During the thirteen years the 18<sup>th</sup> Amendment was in effect, banning the production, sale and transportation of alcohol, the country found itself immersed in crime and corruption, the complete antithesis of the peaceful utopia dry revolutionaries envisioned. While the law might have made consuming beverage alcohol illegal, the public exercised their own free will and decided that not only was drinking morally acceptable, it was inherently part of their cultural fabric. They continued to drink with gusto, even if it meant sipping in covert speakeasies, in the name of protecting their personal liberties and, in countless cases, livelihoods.

With the advent of Repeal, the country rejoiced that their freedoms would once again be protected and the social ills that plagued them since 1920 could hopefully be eradicated. But this era also brought along new challenges. How would the industry re-establish itself? How could the failures of the pre-Prohibition era be corrected and efficiently organized?

Together, the federal, state and local governments worked out an elaborate plan of regulation controlling the production, sale and consumption of alcoholic beverages, creating a powerful force that today continues to be an exemplary model of cooperation, law enforcement and social responsibility.

As Dr. Peter Cressy, president and CEO of The Distilled Spirits Council (DISCUS) points out: "The beverage alcohol industry's commitment to social responsibility and self-regulation are the primary reasons that Prohibition would not re-occur."

### The Three-Tier System: The Backbone Of The Industry

One can not think of the beverage alcohol industry without thinking of the three-tier system that has successfully shaped it. "First, the creation of the three-tier system has led to the most dynamic, innovative, consumer friendly — and at the same time safest and most accountable — marketplace for beverage alcohol in the world. That is a tremendous accomplishment in and of itself," notes Craig Wolf, president & CEO of the **Wine & Spirits Wholesalers of America**. "Second, because the major players in the system, across all three tiers, are committed to being responsible corporate citizens, the image and standing of the industry have never been better. I don't think anyone who witnessed the excesses

that preceded Prohibition could have envisioned the tremendous strides the industry has made over the past 75 years."

Ray Herrmann, chairman of **The Charmer Sunbelt Group**, points out yet another interesting aspect: after Prohibition ended, the beverage alcohol industry essentially started from scratch. "When the 18<sup>th</sup> Amendment was repealed, the amendment was ten words. It said nothing about how the industry would be controlled and taxed and left all those decisions to the states, creating a patchwork quilt of laws, rules and regulations," Herrmann explains. "The states opted for a wide range of management patterns, from the very liberal, treating it like other consumer product industries, to very restrictive regulations in conservative states." Today, Herrmann detects an overall sense of "creeping liberalism" across all states. This is supported by such developments as New York allowing wine & spirits shops to be open on Sundays, as well as South Carolina abolishing its mini-bottle law. With these subtle but powerful changes, Herrmann also sees the distinct distribution channel continuing to consolidate, which also means more responsibility. "As we have gotten bigger, we have recognized our responsibilities as distributors to protect the public and run our business as the state wishes to run them. It's not a divine right to run a distributorship; our permit is based on good character and good performance," he says.

**Bartenders and customers at Reisenweber's famous New York City tavern gathered for a final legal drink on the night of June 30, 1919, just before war-time prohibition clamped a tight lid on respectable establishments and ushered in an era of organized violence, vice and crime.**

(Reprinted from the Beverage Media Blue Book 1958-1959)



## A Responsible Eye Toward The Future

Ironically, Prohibition's goal of a peaceful, alcohol-free existence led to complete crime-ridden chaos. Instead of placing safety at the forefront, the forbidden, de-regulated atmosphere fostered the creation of tainted alcohol products and illicit over-consumption. Today, with an established three-tier system in place, it is all the more amazing to see that the alcohol industry is one where social responsibility is at the top of the agenda.

One can not talk about the industry's triumphant efforts over the past 75 years without focusing on the theme of social responsibility. It is the significant progress on this important front that truly illustrates how a once corrupt, illegal industry has blossomed into one where ethics is at its core.

"The spirits industry has become, throughout the supplier, wholesaler and retailer levels, truly committed to social responsibility and nothing could be more important for our credibility," says DISCUS' Cressy.

This credibility has undoubtedly been fostered by organizations like **The Century Council**. In 1991, the non-profit Century Council was formed in Arlington, VA, funded by leading distillers with the goal of developing programs and policies to foster responsible alcohol consumption and eliminate underage drinking and drunk driving. "The two most important strides made by the industry regarding responsibility can be summed up as depth and breadth," says Ralph Blackman, The Century Council's president and CEO. "The depth of industry initiatives, whether developed by The Century Council or others, reaches millions of adults and youth providing important information and resources to fight underage drinking and drunk driving; the breadth of industry activities is apparent in the number of efforts underway in thousands of communities throughout the nation."

Just like Cressy, who would like to see a dramatic reduction in underage drinking

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and an end to drunk driving as the industry marches forward, Blackman also believes the industry still has far to go. "The biggest change I'd like to see over time is an acceptance among policy makers that the industry has, and continues to make, an important contribution to the fight against drunk driving and underage drinking in America. While both drunk driving and underage drinking continue to decline, we must not let down our guard, but instead, redouble our efforts," he warns.

"Alcohol is unlike any other consumer product and should be treated as a unique commodity that is age-restricted and limited in its availability," explains Harry Wiles, executive director of **American Beverage Licensees**. "In our convenience-driven consumer-market, many people prefer that alcohol beverages be treated like sweat socks or bananas. ABL advocates and supports greater recognition of alcohol beverages as distinct products that deserve to be treated

distinctly from other consumer products. Cooperating with local community leaders, as well as local law enforcement agencies, is another ongoing example of how beverage alcohol retailers and the industry at large have embraced responsibility as more than just a slogan and are making it a reality."

In particular, Wiles points out the organization's partnership with **Learn2Serve**, the online server training program that helps businesses efficiently operate with responsibility front and center. "ABL members, who are the last industry members to handle products before they reach the customer, realize the important role they play in preventing underage access to alcohol and drunk driving," he adds.

Carolyn Panzer, global director, alcohol & responsibility for **Diageo**, also agrees that tapping into today's technological opportunities is invaluable for spearheading responsibility initiatives. "The industry has always played a role in social responsibility.

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## BUILD-UP TO THE 21<sup>st</sup> AMENDMENT

1830's

The Temperance Movement begins gaining ground as ideas promoting the abstinence of alcohol start to take root.

1851

Maine becomes the first state to pass a Prohibition law.

1869

The National Prohibition Party is formed.

1874

The Women's Christian Temperance Union (WCTU) is founded.

1893

The Anti-Saloon league is formed.

January 29, 1919

The 18<sup>th</sup> amendment is ratified by 36 states and goes into effect nationally.



Prohibition Begins

October 28, 1919

U.S. Congress passes the Volstead Act, establishing the enforcement of Prohibition.

Our message hasn't changed fundamentally in 75 years," she explains. However, the vehicles for those positive messages have adapted in today's world of online accessibility. One way Diageo has taken advantage of the social networking trend is the launch of DRINKiQ.com, an online global resource for parents, educators and consumers that helps shed light on responsible drinking practices. "We must have an online resource for people. What we didn't want to do was have another predictable web site," Panzer points out. With more and more people turning to peers for advice, DRINKiQ.com shuns a preachy attitude. Instead, video experts, YouTube clips and a drinks calculator are helpful, relevant applications.

Panzer points out that Diageo has made successful strides in the social responsibility arena by helping revoke licenses from adults who supply minors with alcohol in certain states and giving a grant to the Medical Society of New York to maintain "screen and interventions" for kids abusing alcohol. Yet, she says that the job is never done: "The challenge will always be that people are turning 21. There will always be a cohort who needs the right information."

## The Power Of Promotion

Back in the days of true speakeasies, choice took a backseat to accessibility. People drank what was available to them, whether that happened to be quality rum from the Caribbean, or more frequently, "bathtub gin." Today, when walking into a wine & spirits shop or poring over a cocktail menu at a bar, the sheer number of alcohol choices is astounding. DISCUS reports there are 7,000 spirit brands alone that are available today, most of which offer multiple SKUs. How did we transition from a bar culture where whatever spirit, despite how harsh it might be, was the order of the day, to one flooded with wines and liquors of every variety?

"At the end of Prohibition, Americans

sought out quality spirits which they knew were produced by a reputable company, not bootleggers. As a result, brands like Seagram's Gin gained a strong foothold that continues to this day," explains Jack Shea, VP, corporate communications, Pernod Ricard USA. "As demand for distilled spirits increased, it became apparent that heavily promoted brands fared well in a competitive environment and became leaders. This led to increased marketing spending behind these individual brands – a trend that is continuing today. During the voluntary ban on broadcast advertising, distilled spirits' marketers had to become expert at developing other creative ways to promote individual brands to consumers. This creativity – which now extends into broadcast advertising – has been key to establishing brand power."

An anniversary like Prohibition's repeal, for example, is one opportunity to reap promotional rewards in a creative manner. On Friday, December 5<sup>th</sup>, people all across the country people will be celebrating. Yes, it is the prime season for holiday soirees, but these particular festivities revolve around the 75<sup>th</sup> anniversary of Prohibition's repeal.



A Dewar's poster celebrating Repeal Day showcases both their current bottle and the circa 1933 bottle.

Thanks to some unique programming from the Distilled Spirits Council, who created the web site [www.prohibitionrepeal.com](http://www.prohibitionrepeal.com) to illuminate the history and legacy of this tumultuous time period.

Getting in on the festivities, in anticipation of the 75<sup>th</sup> anniversary, last year, Dewar's launched the site [www.dewarsrepealday.com](http://www.dewarsrepealday.com). Easy-to-read, the site is crammed with recipes, historic tidbits and clever toasts. This special web site is a natural marketing extension for a brand that has such a strong Prohibition connection.

"Once Prohibition was repealed, Dewar's was one of the very first spirits sold legally in the country. Consumer tastes had become more sophisticated, providing brands the opportunity to expand and market their products. In Dewar's situation it was a perfect storm of the brand developing while at the same time providing the consumer what they were asking for," explains Fannie Young, brand director. "Most Americans have always enjoyed social drinking but immediately after Prohibition a slight stigma remained. Two major developments happened: As Americans' attitudes changed and the consumer palate became more sophisticated, combined with brands devel-

## TOASTING SUGGESTIONS FROM DEWAR'S

(courtesy of [www.dewarsrepealday.com](http://www.dewarsrepealday.com))

1. **"To the Constitution!"**
2. **"To the 21st Amendment!"**
3. **"Stay Wet!"**
4. **"Remember the 5th!"**
5. **"To Carrie Nation!"**
6. **"Here's To The Repeal!"**
7. **"Happy Days are Here Again!"**

### 1920's

Prohibition's dark side becomes more prevalent with the arrival of notorious mobsters and bootleggers on the scene like Chicago's Al Capone.

### 1925

Collier's magazine describes both San Francisco and St. Paul, MN as the nation's two "wet-test" cities.

### 1929

The bloody St. Valentine's Day Massacre

### 1932

Republican presidential nominee, Herbert Hoover, discusses the ills of Prohibition in his acceptance speech.

### March 23, 1933

President Franklin D. Roosevelt signs the Cullen-Harrison Act, legalizing the manufacture and sale of beverages not more than 3.2% alcohol.



### Prohibition Ends

#### December 5, 1933

With the state of Utah ratifying the 21<sup>st</sup> Amendment, Prohibition is repealed.

# HOW CAN YOU CELEBRATE PROHIBITION REPEAL DAY?

Encourage your customers to get into the spirit of the Roaring Twenties by sipping one of these old-fashioned cocktails at the bar — or by whipping up a few themselves at home.

## THE SOUTHSIDE from the '21' Club

### Ingredients:

2 ounces gin  
Juice of one lemon  
2 tsp. of granulated sugar  
1 tbsp. fresh mint leaves

**Method:** Place all ingredients in a shaker, and shake vigorously to bruise mint leaves. Strain into a chilled Collins glass filled with ice.

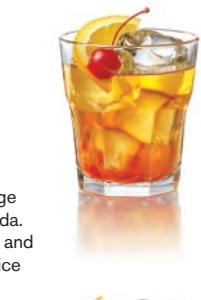


## JACK ROSE from Eastern Standard

### Ingredients:

2 ounces of Laird's Applejack  
3/4 ounce real Grenadine  
1/2 ounce fresh squeezed lemon juice  
Dash of Peychaud's Bitters

**Method:** Shake over ice and strain straight up into a chilled martini glass.



## DEWAR'S OLD FASHIONED

### Ingredients:

1 part Dewar's White Label Blended Scotch Whisky  
1 teaspoon sugar  
2 dashes bitters  
2 orange slices  
2 maraschino cherries  
Water or soda

**Method:** In the bottom of a rocks glass, carefully muddle the sugar, bitters, 1 orange slice, 1 cherry and a splash of water or soda. Remove the orange rind and add Dewar's and ice. Garnish with the remaining orange slice and cherry.



## DEWAR'S & GINGER

### Ingredients:

1 part Dewar's White Label Blended Scotch Whisky  
3 parts ginger beer or ale  
Orange wedge

**Method:** Fill pint glass with ice and add Dewar's. Top with ginger and garnish with an orange wedge.

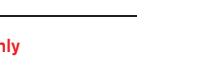


## NEW AGE GIBSON from PX

### Ingredients:

Chilled Martini Glass  
1 ounce Bombay Gin  
1 ounce Saffron-infused dry vermouth  
Saffron Infused Onion

**Method:** Fill shaker cup with ice. Pour gin and shake vigorously until ice crystals form. Strain into a chilled martini glass and add one small squeeze (from the soda spritzer) of the saffron vermouth mixture. Garnish with one saffron infused pearl onion.



## THE BILLIONAIRE from Employees Only

### Ingredients:

2 oz. of Baker's 7 year 107 proof bourbon whiskey  
¾ oz. fresh squeezed lemon juice  
¾ oz. simple syrup  
2 dashes of Absente or Herbsaint (Absinthe substitute)  
½ oz of homemade Grenadine syrup\*  
Lemon Wheel

oping more extensive and unique marketing and public relations campaigns, the country discovered that the alcohol industry was and is an accepted aspect of our nation's fabric. The Prohibition-Repeal story is a great example of what defines America — the right to choose. The right to choose is how we have been able to unite the country — and the spirits industry has promoted making that choice responsibly."

Louisville, KY-based **Brown-Forman Corporation** has the unique distinction of being the only U.S. wine & spirits company to have operated before Prohibition,

since 1870. Even when the rest of the country was dry because of the 18<sup>th</sup> Amendment,

Brown-Forman managed to stay in the game by securing a federal license to sell its Old Forester Bourbon whisky for medicinal purposes. Prior to Prohibition, one of Brown-Forman's now flagship brands, Jack Daniel's, was well known regionally. In 1896, when Jack won a gold medal for his Tennessee whiskey, he put it on the map, and remarkably, it became an early example of product differentiation, vital in today's competitive marketplace. "Interestingly, Prohibition was actually very important to the brand," says Nelson Eddy, Jack Daniel's historian. "It helped us consider the things that would define us later; for instance, we were charcoal filtered before Prohibition and we stuck with it."



This special gift set celebrates both the anniversary of Prohibition's repeal and when Lynchburg, TN started making Jack Daniel's again.

environment," says Richard Hurst, svp, beverage alcohol of the **Nielsen Company**, who attributes the plethora of innovation occurring in the industry with high-end spirits.

Greg Kirrish, vice president of sales and marketing at the Chicago-based **National Restaurant Association**, notes that now more than ever, beverage alcohol is a complementary aspect of dining. As more customers become savvier about food, they are also becoming more sophisticated about their beverage choices, and will look to enjoy restaurants that can integrate both aspects. "In tough economic times, people are looking for value and more bang for their buck and asking 'If I'm going to go out to

eat anyway, how can I improve my experience?"

For some restaurants, Kirrish notes that alcohol represents 30% to 40% of revenue. "22% percent of wine is sold through restaurants and I expect that to grow. It has much more influence than 22% because brands are built on-premise before they go to retail." Overall, the presence of alcohol in the restaurant sphere is vital and creates a win-win situation for all parties according to Kirrish: "The consumer is happier because they have a much more pleasant dining experience."

Whether it is an inventive marketing campaign or the launch of a new product, it is apparent that the beverage alcohol industry has grown tremendously since 1933. In 2033, when we celebrate the 100<sup>th</sup> anniversary of Prohibition's Repeal, how many SKUs will we boast then? What will our burgeoning tastes demand in 25 years? As palates adapt and brand power continues to grow in the next phase we are entering, it's amazing to think of the overwhelming choice that has become the trademark of the industry. ■

## The Future

The industry as a whole has continued to experience significant growth rates. "You're still seeing four to five percent growth in the off-premise, which is pretty healthy in the current

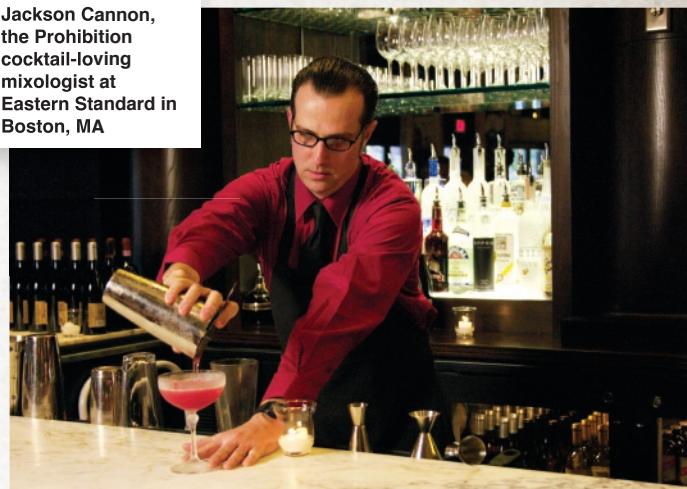
## ★ SPOTLIGHT ON THE SPEAKEASY ★

**T**here's a certain romantic kind of feel for doing something "illegal", even though it's not illegal now," says mixologist Gary Regan of the popularity of America's contemporary speakeasy culture. "Speakeasy bars that have sprung up in recent years tend to serve really good cocktails like Death & Co. [in New York] and Bourbon & Branch [in San Francisco]."

These days, once we've read about a speakeasy-esque bar, it seems the next day another one has opened flaunting a similar clandestine entrance and de rigueur pressed tin ceiling. Yet, since the really esteemed ones attract a cultured audience with refined palates, it's obvious that these are not institutions with formulaic gimmicks, but rather, truly civilized establishments to enjoy a stellar cocktail—many which are recipes from or pre-date the Prohibition era. "The ones that have remained popular will always be popular; it's highly unlikely they're going to go away," notes Regan.

The fabled '21' Club is as well known for the collection of jockeys lining its staircase as its historic reputation as New York's quintessential speakeasy. "During Prohibition, there were 30,000 speakeasies that came and went in NYC, which is pretty amazing. What separated us was the great quality," explains Roger Rice, restaurant manager. "People were sick and dying of bathtub gin but we were known for a swanky crowd and quality products. The owners really wanted to have something more than the average speakeasy." Their invisible wine cellar, pried open by a meat skewer inserted into a brick, was filled with 2,000 cases of wine & spirits, surely a powerful way to stand apart from the crowd. Guests of '21' knew they could rely on a bottle of good Bordeaux in good company; the speakeasy didn't part its door to allow just anyone entry. "You were part of the club because they knew you," Rice points out. Today, he still believes that sense of history and clubby feel continue to attract a traditional crowd to

Jackson Cannon,  
the Prohibition  
cocktail-loving  
mixologist at  
Eastern Standard in  
Boston, MA



**"In the speakeasy, the emphasis is on cocktails. I'm not using pre-made mixes or soda out of a gun. I don't have any refrigeration behind the bar, it's all just on ice... it's sort of back to the 1920s again."**

- Todd Thrasher, mixologist at PX, Alexandria, VA

'21', even though his creative bartenders are making Sazeracs with absinthe and experimenting with amaro. Naturally, Manhattans, Sidecars and French 75s, all Prohibition-style cocktails, are classics Rice says the restaurant can't part with.

Downtown in the West Village, each year **Employees Only**, the popular speakeasy bar, throws an industry Prohibition party, where homemade punches

are made and served in teacups. Yet on any given night, owner Jason Kosmas says guests order cocktails with modern twists, inspired by the ones of yesteryear, like The Billionaire, with Baker's bourbon, absinthe bitters and grenadine, or The Westside, a variation of The Southside first served at the '21' Club, but substituting gin for Char-

**One of New York's most treasured haunts, the '21' Club, is known for both its colorful jockeys and secret cellar, which stored quality booze throughout the country's dry spell.**



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clockwise: Classic cocktails are served up at the bustling Eastern Standard in Boston, MA (L) and the old-fashioned PX in Alexandria, VA, (R) a throwback to the authentic speakeasies of yore. The owners of NYC's Employees Only nod to the past with their vintage promotional materials (bottom).

bay Meyer lemon vodka. Of the speakeasy trend, Kosmas offers a New York-centric view: "New Yorkers like to be in the know. If they can discover something that doesn't have a sign, that makes them cool. A speakeasy allows them to have that element." Yet he also points out that customers do liken speakeasies to good cocktails. "There's an irony since half of the speakeasies served crap and half of the cocktails were developed out of the country by American bartenders. It fits into a nice package, though. What would be the purpose of having a speakeasy without emulating that era?" he asks. These days, speakeasies are synonymous with quality.

Todd Thrasher, mixologist at PX, the intimate speakeasy in Alexandria, VA, agrees. "In the speakeasy the emphasis is on cocktails. I'm not using pre-made mixes or soda out of a gun. I don't have any refrigeration behind the bar, it's all just on ice... it's sort of back to the 1920s again," he notes. Thrasher's bar, playing only old jazz standards, is indeed a serious one. Men must wear jackets and collared shirts, and guests must find a seat; there's no standing room. While Thrasher says the Manhattan is the quintessential Prohibition cocktail, ("timeless, always popular and everybody has a different variation on it") his menu

is also heavy on experimentation, whether a cocktail incorporating butternut squash, spiced pineapple or a re-creation of a vintage Haitian rum drink. "Everything always comes around again, whether fashion, politics or farming. Speakeasies were old and now it's new again. It puts fun back into going to bars," says Thrasher.

Jackson Cannon, the bar manager at **Eastern Standard** in Boston, MA, who also lectures on Prohibition at Boston University, decided to celebrate the 75<sup>th</sup> anniversary of Prohibition's repeal by highlighting a different cocktail from the Golden Age for \$7.50 each month in 2008. For example, in July, guests sampled the Sensation with Plymouth gin, maraschino, mint and lemon, while this month, they're bellying up to the bar and drinking Astorias with London dry gin, vermouth and bitters. "It's a moment in the drinking continuum," says Cannon of Prohibition. "Human ingenuity persisted and we have overcome the obstacles." He also acknowledges the rise of speakeasy appeal, but not without good reason. "I think what unifies a lot of those establishments and some of the more public ones, what's getting them more attention than historical sensibility, is reverence for well-made drinks," he explains. "I think of it more as how Americans got back into food, wine and cocktails. It's an evolved art." ■