



PETER H. COORS IS IN NEW York on a mission. Beaming down from the podium in the Pegasus Suite atop the General Electric building in Rockefeller Center, the 43-year-old CEO and president of the Coors Brewing Co. looks like an ambassador on an improbable errand of goodwill. Here at his side are black and Hispanic leaders—directors of job and education programs—listening to his announcement of a five-year, \$40 million, company-sponsored literacy campaign aimed primarily at minority families.

Given the history of Coors and its habit of creating enmity, the press conference is an astonishing attempt at reconciliation, suffused with irony and pathos.

It was, after all, the strident, reactionary outbursts of Pete's father, Joe, and uncle, Bill, that led to a punishing, decade-long boycott of Coors beer by minority and union groups. And even as Pete was quietly negotiating an end to the hostilities in 1984, Uncle Bill stepped in it once again, remarking at a luncheon for black Denver business people that "one of the best things [the slave traders] did for you is to drag your ancestors over here in chains." Such remarks have cost the brewery significant market share and saddled the family with a lasting reputation for being racist, sexist, homophobic, and antiunion. The Coors name, once as pure as the Rocky Mountain springwater it uses to brew its beer, became so tainted that even today there are bars and bodegas that still refuse to carry its product.

That's partly why Pete has come to New York from Golden, Colorado—to distance himself from the bogeys of the past and to court the very groups his family once scorned.

"As a family business," Pete says into the microphone, "Coors understands that literacy, like family values, is passed down from generation to generation, from parent to child." It's a convincing gesture of propitiation: Pete looks almost at ease as he poses with the likes of singer Smokey Robinson and comedian George Lopez.

Meet the new Coors. The one that's laboring to become a world-class brewery. That's just moved into third place, behind titans Anheuser-Busch and Miller Brewing. That's putting on a new face

and trying to slough off the sins of an older generation.

But has it, really? Only weeks before Pete's visit to New York last March, the old Coors reared its ugly head again. A Denver television station disclosed that in 1981 the brewery had had a problem with contaminated water, which it then pumped untreated into a local creek. The company failed to report either incident. Pete acknowledged that mistakes had been made and ordered an investigation by an outside attorney. Revelation of the event came on top of a 1988 announcement by the EPA that Coors had been named as a "potentially responsible par-

ery, Pete's mission has been to detoxify the Coors name and to concentrate once again on selling beer. To pull it off, he has had to loosen the stranglehold of the family, whose controversial politics and provincial strategies were keeping the company from becoming a strong national organization.

Under Pete's guidance, Coors talked its way out of the boycott by fashioning new connections with black and Hispanic groups. He is a strong champion of new products and a beefed-up distribution network. Aggressive marketing has been his idea all along. Recently, Pete started talking about the unthinkable—at least, under the old regime: creating a leaner management style; bringing in more decision makers from the outside; taking on considerable debt to expand operations and, perhaps, gobble up a competitor or two that would make Coors a truly global player.

Pete's influence has paid off. The Coors brewery just had its most successful year ever, selling 17.7 million barrels of beer in fiscal 1989—a 7 percent rise compared with a year earlier, when national consumption was essentially flat. First-quarter revenues in 1990 are already 22 percent ahead of where they were last year. In the past couple of months, Coors knocked aside the ailing Stroh Brewery Co. and became the nation's third-largest brewer of suds.

Easily the most gregarious of Joe Coors's five sons, Pete has groomed himself to become the public face for both company and clan. It's hard not to like him. An athletic six feet, five inches, with

short silver hair and large hazel eyes, Pete has the family's big-featured good looks. He eschews ties and jackets in favor of open collars and crew-neck sweaters. Like a hopeful politico, he frequently accentuates the positive. But beneath the boyish enthusiasm, there's an edge of quiet watchfulness.

In fact, Pete can sometimes be guarded and suspicious, echoing the old order he seems at pains to be leaving behind. Almost every minute this reporter spent at the brewery in Golden was carefully orchestrated and invariably chaperoned. Almost every conversation with a Coors executive was recorded by a note-taking factotum. Before publication, the company made numerous attempts to discover just what the "tone" of this story might be and whether Coors senior manage-

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Peter Coors has remade the
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brewery in his own more
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BY ALEX PRUD'HOMME

ty" in Colorado's Lowry Landfill Superfund site, a disaster that will require, at a minimum, hundreds of millions of dollars to clean up. "The issue is historical," snaps Marvin "Swede" Johnson, Coors's vice president of corporate affairs. "I think the case is closed at this point."

Yet when a reporter in the Pegasus Suite asks about the water-tainting incident, Pete's cheeks suddenly flush. He takes a deep breath and glares at the ceiling in utter exasperation. Try as he might, those ghosts from the past keep tripping him up.

Coors will likely live or die on Pete's efforts to move the company forward on momentum that is largely of his own making. Since 1985, when he became president of the now 117-year-old brew-

ment had "anything to worry about."

One-on-one, Pete seems direct and uses eye contact. But he tries hard to say the right thing and is sometimes evasive. His black plastic sports watch is set to beep on the half hour. And three-quarters of the way into a 90-minute interview, Pete is downright fidgety. "Under this relaxed exterior," he says, "is a very, very excited person."

But one who is, perhaps, modest to a fault, loath to take credit for any of his considerable accomplishments. "Although I have the appropriate last name and title," Pete says with a self-effacing chuckle, "the decision-making process is a team effort, so it's almost embarrassing for me to talk about me."

ery's first new product in years. One can only imagine where Coors would be today had the boycott not diverted attention from those efforts.

"It is possible that management change has lagged behind the changing size and complexity of the company," admits Robert Klugman, vice president for international development and marketing. Adds Pete: "Yeah, I mean, everybody goes through periods, I guess. . . . The '70s and early '80s were not a stellar time for the company."

Founded by Adolph Coors, a 26-year-old jack-of-all-trades who stowed away on a ship sailing from Hamburg to Baltimore, the brewery opened in 1873. Adolph's credo was to make technically

of Golden (population: 15,000). Except for the giant red-and-white Coors sign that looms above, the gray concrete, steam-enshrouded buildings look like bunkers stretched out into a narrow canyon. The thrum of heavy machinery and the bittersweet odor of beer pervade Golden 24 hours a day. A stream of trucks and rail cars steadily moves Coors into the nation's arteries.

Reared in the 22-room Queen Anne house his great-grandfather built on the grounds of the brewery, Pete was destined to take over. As a kid, he used to play in forts made of old beer boxes and spent summer vacations working at the brewery. Always quietly ambitious, Pete intuited that the best way to get ahead at

Coors was to stick close to home and play by the family rules. That meant following a well-trodden path from Golden to the Phillips Exeter Academy, the New Hampshire prep school, and from there to Cornell University, where nearly all the Coors men, from Adolph Sr. on, have gotten an engineering degree. In 1970, after earning his MBA from the University of Denver, Pete started working at the brewery full-time as a production trainee. "I always felt I'd end up here," he says. "But I never had any idea what that meant."

He discovered soon enough, unearthing an archaic accounting system and running into department heads who were clueless about budgets. Eager to display his business-school acumen, Pete developed an innovative financial-planning system. By 1975, Coors seemed to have grown up enough to go public—but even then, allegedly, it was to settle estate-tax problems. (The family still controls 54 percent of the common stock and all voting shares.)

Pete's father and uncle were running the brewery then, earning industrywide respect as brilliant technicians. Bill, say Coors officials, coined the two-piece aluminum can widely used today. But their small-town, old-world roots engendered a management style that was "paternalistic, authoritarian, extremely chain-of-command-oriented," recalls a Coors manager.

It was a brand of leadership that couldn't possibly keep up with the beer's runaway popularity. By the 1970s, Coors had developed a headlock on 11 Western states and a fabulous mystique built on word of mouth. Eastern college kids raved about the taste and spirited home cases of Coors. Gerald Ford is said to



Three years after a 10-year boycott of Coors, the reactionary politics of Vice Chairman Joe Coors (left) and Chairman Bill Coors (right) still stymie Pete's efforts to move the company forward.

Self-deprecation is the last thing he needs. To keep Coors a viable competitor, Pete must hold his own against Anheuser-Busch and Miller, keeping Stroh's and Heileman's at bay. At the same time, he must contend with a more insidious force than the obvious enemies—his own kin.

For years, the Coors family was a tremendous source of strength for the eponymous brewery, which prospered locally without the need of sophisticated marketing, complicated alliances with distributors, or even outside board members. But as Coors grew from a little-known but sought-after brew in the 1970s to a national label in the 1980s, the family—and its old-world, autocratic style of doing business—simply failed to keep pace.

On occasion, Joe and Bill, respectively vice chairman and chairman, sabotaged positive change at the company. The infamous boycott, for instance, came at a time when Pete was gearing up for a significant marketing push and the introduction of Coors Light, the brew-

superior beer with clear Rocky Mountain water, and to live moderately. The company blossomed, in spite of a flash flood back in 1886 and Prohibition, during which the brewery diversified into near beer and malted milk.

As control of the company passed from one generation to the next, nothing seemed to disturb dynastic succession—not even the mysterious death in 1929 of Adolph Jr., who fell from a hotel window, or the kidnapping and eventual murder of Joe and Bill's brother, Adolph III, in 1960, or the suicide of Pete's cousin, Missy, in 1983.

INDEED, THERE'S AN UNCANNY SINGLE-MINDEDNESS about the Adolph Coors Co., where little seems to get in the way of making beer. Situated 20 miles west of Denver, the \$1.8 billion company operates the largest single brewery in the world along the banks of the Clear Creek. Other divisions manufacture everything from bottles and cans to ceramic golf putters and vitamins. Coors dominates the little town

have used Air Force One to airlift the brew back to the White House. Paul Newman and Burt Reynolds couldn't get enough of the stuff. The company couldn't keep pace with demand; empty grocery shelves only enhanced the beer's growing cachet. Astonishingly, Coors was spending only \$7 million a year on advertising; its sales force was downright antediluvian. "We don't need marketing," Bill once crowed. "We make the best beer in the world."

Perhaps. But that attitude nearly buried Coors after Phillip Morris introduced Miller Lite in 1973 with support from \$3 billion worth of new breweries and the slickest promotion in the industry's history. Anheuser-Busch jumped into the act with a couple of different brands. The beer wars were born. Coors was caught snoozing; although its brand beer had a "light" taste (detractors called it "Rocky Mountain Kool-Aid"), the company couldn't cash in on the low-calorie claims of Miller Lite. Coors, says Pete, "simply ran out of gas."

Pete and his older brother, Jeff, decided to fight back, sketching out a comeback scheme on a napkin at the Rolling Hills Country Club one afternoon in 1974. Their weapon was Coors Light, introduced four years later, the first new product the brewery had gambled on in decades. Sales started off slowly—the company first packaged Coors Light in the same funky yellow can that it used for its regular brand, then switched to the now hallmark silver can—but grew rapidly to make it Coors's most successful product. Last year, the Silver Bullet nearly shot past Bud Light, vying to become the third most popular beer in the U.S., behind Budweiser and Miller Lite.

Meanwhile, starting in 1976, Joe and Bill took the uncharacteristically bold step of expanding Coors into the national market at a rate of two or three new states each year. But it wasn't until 1979 that Pete, then a senior vice president of sales and marketing, strongly encouraged his father and uncle to support the expansion with a \$46 million-a-year national ad campaign.

The company's contempt for marketing betrayed a deeper parochialism: an arrogant lack of concern about how the rest of the world perceived Coors. When it was just a regional company, Joe could afford to antagonize liberals with his jarring right-wing politics. As a regent at the University of Colorado, he seemed to delight in campaigning against Students for a Democratic Society. But even as Coors went big time, it still gave scant

attention to a corporate image that was completely inappropriate to a national company. It wasn't just that Joe's contributions to the John Birch Society and the Campus Crusade for Christ cost Coors the support of the left. Joe and Bill's unequivocal stand against unions alienated a good deal of middle America.

Trouble started when word of a polygraph test, which reportedly included questions about sexual preference, as well as a misreported story that Coors contributed to Anita Bryant's campaign against homosexual faculty, sparked a nationwide protest by the gay community. Then, in April 1977, Brewer's Workers Local 366 struck the Coors plant over several issues, including the lie-detector

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tests and rumored searches of employee lockers and automobiles for drugs. (Coors claims it was merely protecting itself against bomb threats.) In solidarity with the striking union, the AFL-CIO called for what became a decade-long national boycott, and was later joined by the National Education Association and various minority groups—Coors reportedly had few blacks, Hispanics, or women on its payroll. Coors bashing took on the proportions of a national sport. In California alone, the company's market share plunged to 14 percent in 1984 from more than 40 percent in 1977; company profits crumpled to \$44.7 million from \$67.7 million during the same period, despite the national expansion effort.

As the boycott dragged on, Coors seemed to come to its senses in 1985, when the family-controlled board voted to shuffle the company hierarchy, partly as a result of public relations disasters. Joe pulled back from day-to-day responsibilities but retained his position as vice chairman of the board. Jeff was promoted to president of the parent company,

and Pete became president of the brewing division, which accounted for 84 percent of Coors's revenues.

"Jeff and I were a bit frustrated with our situations," Pete recalls. "We were moving along fine in the company, but there was some division within upper management. Jeff and I sat down with my dad and uncle and told them we'd like to run the company one day. We said, 'You two have to make a decision: You can either run the company until you retire or die and then hand it over to us ill prepared; or you can give us an opportunity to participate more directly in management and coach us.' They both agreed." It was a shrewd move. The shuffle allowed the senior Coorses to step back from an increasingly hostile public arena but still hold a commanding position behind the scenes while "the boys" defused hostilities and showed what stuff they were made of.

PETE SOON MADE HIS MARK BY forging a rapprochement with black and Hispanic groups. To counter the effects of the company's gaffes, he agreed to hire more minorities and signed five-year, good-faith agreements to invest some \$700 million in black and Hispanic enterprises in exchange for community support of Coors. After years of delicate fence-mending with the unions, Pete brought an end to the 10-year boycott in August 1987. His negotiations with the Hispanic community landed Coors a foothold in the highly competitive New York-New Jersey market, which annually downs 10 percent of the nation's beer. This double-barreled victory was lauded widely as a major coup; even a union official acknowledged that Pete "probably saved Coors."

He must perform additional heroism if Coors is to prosper in the 1990s. "A lot rests on his shoulders," says Peter Davis, who directs Family Business Studies at the Wharton School. "Coors is caught in the middle of a tough situation, between the market leaders and the market followers. It'll take a genius to outflank Anheuser-Busch. The question is, Does Pete have that kind of leadership?"

Industry analysts think he might. The company is finally starting to behave like a grown-up corporation: For the first time in its history, Coors recently filed for a \$300 million bond offering to expand operations and invited four outsiders, including Hispanic and black executives, to join its 10-member board of directors. Business has never been better.

Thanks to the wild success of Coors Light and Keystone, a popular-priced beer introduced without test marketing last fall, the company shipped 30 percent more beer in the first quarter of 1990 than in the comparable period in 1989. Overall market share is at an unprecedented 9 percent. (Anheuser-Busch controls 43 percent of the beer market; Miller has 23 percent.)

BUT PETE STILL HAS PLENTY TO worry about. As the new president of the Beer Institute, an industry leaders' organization, he vows to combat what he calls "neoprohibitionists" who threaten brewers with their support of increased excise taxes on beer, advertising bans, and health-warning labels. Meanwhile, sales of Coors's brand beer plummeted 20 percent between 1988 and 1989, thanks to the Silver Bullet's cannibalism. Herman Josephs and Turbo, two new brands pushed hard by Pete, have been discontinued because of poor performance. Then there's the story of Coors Extra Gold, an enormously popular product and an early entrant in the premium draft-beer category. But the brewery blew its lead when it couldn't meet growing demand, stalling out at about one million barrels a year.

Capacity, in fact, is a critical concern. With only one facility, Coors is about to blow its gaskets as it nears its annual limit of 20 million barrels. Without further capacity, the brewery can't satisfy consumers or achieve economies of scale to help amortize the cost of marketing and new-product development. "We've got to grow as fast as we can without choking," explains Gerry Kaveny, vice president of administration. But how? By acquisition, or by expansion from within? Coors can't seem to make up its mind. Last year, the company made a play for the 139-year-old Stroh's, a deal that would've given Coors nearly 20 percent of the beer market. But in December, the deal fell apart when Coors balked at the \$425 million price tag, says an industry expert. (Pete declines to talk about the negotiations. He recently announced his intention to acquire a Memphis brewery from Stroh's, effective this September.) The other option is horrendously expensive: expanding the three-year-old packaging plant in Elkton, Virginia, to a brewery.

Pete will have to make a decision quickly if Coors is to elbow its way abroad. "Alliances are being formed internationally," says international devel-

opment VP Klugman. "Our capacity is limited, but if we wait five years, those doors may be barred." Pete has already hammered out agreements with Molson in Canada and Asahi in Japan and is networking with breweries in virtually every corner of the planet. Still, he concedes, "we're at a point in our history where, if we're not bold and aggressive, we're going to be left behind."

To help supercharge the company, Pete has enlisted the aid of "feel-good" management consultants, the Atlanta Consulting Group, an unorthodox move even for the "new" Coors. He's now an avid believer in frequent meetings and management team-building retreats (spouses included) to beat back institu-

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tional torpor and "align the company vision." Working with an outside group has made Pete philosophical about the fate of his company. "We're only restricted by the restrictions we put on ourselves," he says with an odd combination of cocky resolve and moody fatalism. "But that doesn't mean it's easy. We're empowered for greatness, and it's up to us if we want to achieve it. If we choose not to, then, tough luck. Somebody else will."

Coors is sounding like a more sophisticated contender. "We know we make the best beer in the world," Pete says. "But the reality of life is that we live in a pluralistic society, and people have different tastes and perceive advertising messages in different ways. It's much more of a marketing game now." Coors's ante in that game is the more than \$250 million a year it now spends to support regional as well as national marketing. "It's guerrilla warfare," says Pete. "Look at the New York barrios. You've got the Puerto Ricans and Cubans and Central Americans. It's such a

diverse community that it doesn't make sense to paint it all with one brush."

Putting on its best cosmopolitan face, Coors these days all but makes you forget about the old regime and its crude reactionary outbursts. But even deeply buried hazardous materials invariably seep through to the surface again. Take the embarrassing disclosure in 1987—just after Pete negotiated an end to the boycott—that Joe had personally donated \$65,000 to buy a Maule airplane for Oliver North and the contra cause. Or the front-page story in *The New York Times* last July alleging that Pete's father had persuaded Samuel Pierce, the ex-chief of Housing and Urban Development, to channel \$16 million to a Denver housing project, money originally earmarked for low-income development in Michigan.

If Pete feels the need to watch his back, he isn't saying. His father retired from the business in 1987, retaining the title of vice chairman. But Bill, still chairman, has moved back into day-to-day operations as head of the parent company, replacing Pete's brother Jeff, who is on temporary leave to recover from a severe case of stress. "Issues with his life and problems here at the company just became overwhelming for him," sighs Pete. "It's difficult for me not having Jeff here, and I'm anxious to get him back as soon as possible. But it's going to be another few months."

In the meantime, Pete will be dealing frequently with his uncle—the same Bill Coors who told minority business leaders that blacks lacked the "intellectual capacity to succeed." Pete doesn't view the move as a setback. "I feel fully empowered to run the brewery," he says. "But on major decisions I value [Bill's] experience too much not to include him. I like to get his reassurance that we're not making a big mistake."

The biggest mistake of all, perhaps, would be to diminish Pete's authority, undoing the careful, prudent course he's helped chart for the new Coors. "Coors's window of opportunity is wide open," observes Robert Weinberg, a marketing professor at Washington University's John M. Owin School of Business and a former Anheuser-Busch executive. "They can make it or blow it *right now*. If they're smart, they even have the ingredients to become number two. But don't forget, this is a company that has time and time again snatched defeat from the jaws of victory." ■

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