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Brooks, James W F Oral History Interview: Carl Frost Center Oral History Project

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Oral History Interview

James W. F. Brooks

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Edited by:

James W. F. Brooks

July 27, 1994
2:00 p.m.

RH- First of all, could you state your name, date of birth, and the company you presently work for?

JB- I'm James W. F. Brooks, born [date removed], 1948. The name of the company is Brooks Beverage Management, Inc.

RH- How long have you lived in the Holland area?

JB- Basically born and raised here, I went to high school in Culver Military Academy in Indiana. I went to Central Michigan University for two years, completed my undergraduate work bachelors degree at Michigan State in food marketing and management. I got my MBA at Michigan State. I lived for just under a year in Phoenix at one point, when we acquired the Squirt Company, and lived out in Los Angeles for a year and a half. But all the rest of the time, I lived in Holland.

RH- How did you become involved with Brooks Beverage?

JB- I'm a third generation in the family business. So, it started with my grandfather Phillips Brooks in 1934.

RH- Did you get hired in right out of college?

JB- I started working in the company on vacation when I was in high school, working on production lines, and working on sales

routes. Then, when I got out of college I started working in human resources, and sales and marketing, and worked lots of different jobs in virtually every department over the years.

RH- It's still privately owned?

JB- It's still privately owned.

RH- When did you get your present position?

JB- I'm Chairman and CEO now. I became that in 1986.

RH- Could you describe some of the difficulties in the first years?

JB- When I was here, or do you want some information about how the company was founded?

RH- Some of both.

JB- It's too bad. My father was just here. It would have been great to have snagged him and gotten him to explain some of the things. My grandfather started the business in 1934 during the depression. He had in-laws that lived in Portsmouth, Ohio. He and his wife were both from Ohio. My grandmother's father was a physician, and he had his practice in a house in Portsmouth,

Ohio. There was a four stall garage behind it that he rented out to the local distributor of a new product called 7UP, which was how my grandfather first became aware of the product. My Grandfather's family was from Wheaton, Illinois. Their family often vacationed in this area in the summer. My grandfather was production superintendent for Draket Chemical Company in Cincinnati, Ohio making Draino. His wife was from Portsmouth. they eventually decided they wanted to live in Holland. He wrote the 7UP company and asked if they had franchises available for this area. He was originally awarded the franchise for all of Michigan and the southern half of Florida. He very quickly realized he couldn't begin to service that much area, and gave back all but 19 counties of southwestern Michigan. He basically started out mixing granulated sugar with water and flavoring in earthen crocks in his house and then rented the Holland City bottling works at night to fill the product. He got his start by buying old beer bottles from the Bergoff Brewery for ten cents per case and putting them out at fifty cents per case deposit. this gave him forty cents per case working capital to get started. He took the back seat out of his 1929 Buick where he could put 24 cases. That was his first delivery vehicle. On Labor Day of 1934 he had sixty cases in inventory. It lasted him until May 1, 1935. When he finally built sales to one-thousand cases, he decided to buy his own plant. Peoples Bank loaned him money to by the Ottawa Furniture Company's showroom at 99 North River, But wouldn't give him money for machinery. Henry Maentz at first

National Bank loaned hem money for machinery. Phil lost \$600 the first year, and made \$600 the second year, and wound up selling the business for \$400 and moving back to Ohio. The man he sold it to couldn't make money and asked for his money back. So after a year, he decided to come back and make a go of it. It was just a long tough struggle starting from nothing.

My father went to the University of Michigan, where he was studying to be a physician, and was about to be drafted into the World War II so he signed up for the air Force and became a B29 navigator. He came out of the war and decided to go into the family business. He became president of the company in 1953, and really was responsible for taking the business from being a very entrepreneurial organization into a much more professional management style with help from the American Management Association. Then, he started expanding the business by acquiring other 7UP bottlers in the State of Michigan, Hires, Dr Pepper, and Vernors, and lots of other different franchises. We covered about 52 counties of western Michigan and the northern part of Michigan's Lower Penesula by the mid-70's. The company then was called Brooks Products. It started out as the 7UP Bottling Company of Western Michigan. Then, it eventually changed to Brooks Products when we had a lot more products besides 7UP.

Then the company, in the mid-70's in 1977, acquired the Squirt franchise company. It's headquarters were in Sherman Oaks, California. It had orchards and flavor producing

facilities in Phoenix, Arizona. And it has some fairly significant foreign operations, particularly in Mexico and Central America. We developed that business very successfully for about ten years. Then there was a rather sudden restructuring in the soft drink industry and we sold that company to A&W Brands, which has subsequently been sold to Cadbury-Schweppes. That was in 1986 that we sold the Squirt franchise. We still bottle for Michigan and Ohio.

About 1988, we decided to expand our bottling business, and we acquired 7UP Flint and 7UP Detroit. Then, we acquired all the assets of a large 7UP/RC bottler in Ohio called Beverage Management. In eighteen months time quintupled the size of our bottling operations. It made us one of the largest independent bottlers in the country. We've since made a number of other acquisitions. A little over a year and a half or two years ago, we installed some new state-of-the-art production equipment called these hot fill lines which caused our business to grow very dramatically as well. In 1989 we consolidated what was the Brooks Beverages and Beverage Management into one company called Brooks Beverage Management. That's basically the form the company is in today. We've got two major production plants; one in here Holland, Michigan here, and one in Columbus, Ohio. We have about 24 distribution centers, and a little under 2000 employees right now.

RH- When you get a new beverage you're going to bottle, like

7UP, does the 7UP Corporation give you a recipe that you use to mix the beverage?

JB- Two-thirds of our business is national franchise brands where we are given a geographic territory that we can produce and market for. They sell us a highly concentrated flavoring. Then, we add sugar, and other ingredients, and water, and add the carbonation. The franchise company usually creates the advertising creative. Then we work with them in terms of placing it on local television and radio stations. We are responsible for developing promotions with and servicing supermarkets, other stores, and vending equipment. We have about 30,000 accounts we service now.

RH- Has the business experienced any crisis situations?

JB- Every business experiences crises over time.

RH- Any major ones that come to mind?

JB- The biggest crisis was probably the first couple of years of trying to get started. The business ran into severe crises during World War II. It got into sugar rationing. You literally couldn't get enough sugar to make soft drinks. There were lots of crazy things that were done. Some bottlers would buy lemon candies and melt them down, or any way they could get sweetener. They would try to find creative ways to make product. That

certainly was a crisis stage. My grandfather Phil was co-Chairman of the Ottawa county Sugar Rationing Board. We, in the late seventies, were faced with...the Federal Trade Commission tried to prohibit franchised territories which would have turned franchise brands into generic products, as any 7UP bottler could then ^XWi,VC another's territory which would destroy incentive to invest in marketing and advertising. Eventually Federal legislation protected our franchises. That was a very frightening period of time. The State of Michigan was trying to ban convenience packaging at one point. They eventually passed mandatory deposit legislation that cost us millions of dollars to adapt to. We were 95% convenience packaging plant at that point. Those were both happening at the same time. That's what caused us to buy the Squirt Franchise Company that had neither of those risks, but was closer related to what we knew how to do.

Then the other crisis I guess in 1986, Philip Morris, which then owned the 7-Up Company, decided they wanted to get out of the soft drink business. So they put the company on the market. Pepsi made an offer to buy it. Pepsi Cola owns their bottling operations in the State of Michigan, and the Coca Cola Company owns the Coca Cola bottling operations in the State of Michigan. If Pepsi were successful in buying the 7UP Company, our largest franchisor would have been our competitor. Coke then retaliated by trying to buy the Dr Pepper Company which was another major brand of ours. So, our two largest brands would have been owned by our two largest competitors which was a very concerning

situation. The Federal Trade Commission ultimately stepped in, and prohibited them from acquiring the domestic operations of those companies. Pepsi ultimately bought the international operations of 7UP. Both Coke and Pepsi then as a result of not making those acquisitions decided to vertically structure. Coke within the next 90 days bought something like 3 billion dollars worth of bottling companies. Pepsi which was already heavily involved in bottling around the country bought another 1 or 2 billion dollars worth of bottling companies in a very short period of time. From the Squirt Franchise Company's perspective, we went from having none, to a third of our licensed Squirt bottlers owned by our two principal competitors. That was one of the reasons that we sold the Squirt business. We felt that to keep that business healthy it needed to consolidate with a lot of other brands. There was another group that quickly acquired control of Dr Pepper, Seven-Up and A&W Brands. So, we thought that the organization would be better as part of the larger enterprise. We redeployed those assets, and built our bottling business instead.

RH- How did you raise the capital to expand?

JB- Basically borrowing from banks and insurance companies.

RH- Local banks?

JB- Initially, they were certainly local banks. I think the first lenders to the company were Peoples Bank (now Old Kent) and First National Bank (now First of America). We used Old Kent to buy the Squirt Company. We grew for many years with First Michigan Bank. They've been probably the largest long-term bank that we've dealt with over the last several decades. The size of the company has really outgrown First Michigan's loan capabilities. So, we use Bank One in Ohio and a number of other banks, and several large insurance companies in different parts of the country for our financing.

RH- Have you ever considered going public?

JB- We've evaluated that, and at this point and time believe that we're better off staying private. For the most part, private companies can make longer term decisions, and make investments for long term value creation, and public companies play a lot of silly games trying to make their quarterly earnings all come out right. That isn't necessarily the best thing for the employees or the shareholders long-term.

RH- Do you have other family members that are in the business?

JB- My father was. He retired in 1986. I have a son who's now 19 and working part-time in the summer time. But other than that, that's the only other family member. The company now does

have other shareholders. We've allowed each of our officers to acquire equity in the company. So, now I have over a dozen partners in the business. The Brooks family still has the controlling interest in the business.

RH- Were there any particular reasons behind the decision to locate in Holland?

JB- Probably, my grandfather fell in love with Holland. That was the primary reason.

RH- How would you describe your management style?

JB- We run a management style that was based on what we learned from the American Management Association. It's basically a very professional, highly disciplined, management style. Yet, we haven't lost the entrepreneurial spirit. It's a very participative management style. We share a lot of management decisions with other people and are very decentralized in most areas. We have a small corporate staff, and five operating divisions. We have so many distribution centers and so many places decisions have to be made to serve 30,000 customers well, that it's impossible to try to run the business on a centralized basis. All of our markets are very different from one another. Detroit's a very different market than Holland, Michigan, and very different than Cincinnati. It's very different than

Columbus. It's very different than Cleveland. We can't possibly sit here and decide the best way to run the company in those markets. So, we give a lot of authority to local management to run the business the best way they see fit while maintaining certain command of our management disciplines.

RH- Are you limited to certain markets, or can you sell anywhere in the U.S.?

JB- No, we're limited to a specific geography. All of our brands that we handle aren't exactly the same coterminous geographies. We cover Ohio, a little bit of Kentucky, West Virginia, the lower peninsula of Michigan. We have 7UP for pretty much all of that area. We have Royal Crown, Diet Rite, and Canada Dry for all of that area except for, I think, the area around Cleveland. We have Squirt and Sunkist for most the area. We have Hires in Michigan. We have A & W Root Beer in Ohio. We have Squirt for all but Detroit and a little area in Northern Ohio. We have Hawaiian Punch for most of the area. We have Evian for most of the area. That product is produced in France and we just distribute it. We currently have Snapple for all but Detroit. We have a product called Royal Mystic in all but out state Michigan. We have Dr Pepper for western Michigan. We produce a little Tetley Tea. We produce more things than we can keep track of most of the time.

RH- Are you in any international markets?

JB- We don't do any international. We do a fair amount of contract packing now where we produce product for Amway. We produce product for a number of retailers. We're producing some beverages for Gerber. We produce quite a variety of different products, carbonated soft drinks, hot filled teas and juices, and aseptic drink box types of products.

RH- How have you seen the market and your business change over the past twenty years?

JB- The beverage business has been a very scrappy, highly dynamic industry. It's very big. Whether it's Coke or Pepsi or ourselves, they're quite well managed companies, very creative and energetic. It's always changing quite dramatically. That's one of the things that's fun about the business. There's a high creative content to the business. Those organizations that are creative and also are good at executional excellence keep the ball game quite exciting. It's hard for anybody to kind of capture the flag and keep it. We started out with just two packages of 7UP- 7 ounce and 24 ounce. Now we've got all those different carbonated soft drink brands. Then the so called "new age" beverages like Snapple, the drink boxes, and juices, the different waters over 300 brand, flavor package combinations and growing. It's just a very different business than it was before,

a lot of exciting things happening.

RH- Have you seen any major changes in the business climate of Holland as it has grown and developed?

JB- I think Holland is one of the neatest business communities that I've run into anywhere. It's highly diversified, there's a tremendous labor pool here, high work ethic that I think is somewhat related to its old Dutch heritage and the religious orientation of the community. It's a very diversified dynamic community. There are a huge number of very dynamic and aggressive growing businesses for our size city. Most communities would give their eye teeth to have that kind of dynamic. The biggest struggle that we're having right now is that demand is out stripping the availability of the labor pool. We just can't find workers, plant workers. That's just at almost a crisis stage right now. Then we're bringing in a lot of people from other communities some of whom don't share the community's values. We're winding up with some other problems in the community that we're all going to have to work together to solve. It's interesting dynamics of wanting a dynamic growth community and then having to live with some of the problems that go with it. It's not all good.

RH- Has the business turned out the way you originally envisioned it?

JB- No, it's actually changed quite dramatically from time to time. When I first was in the business, I never dreamed I would be involved in running a franchise company or owning one. Yet, I did that for ten years. When I was building that company I had no dream I'd ever sell it. Yet, we did that. In terms of the very broad basics, this industry like many others has continued to consolidate and change and evolve. It's following a somewhat predictable pattern. But there's always nuisances that nobody could envision.

RH- If you could go back and change any of your business decisions, would you make any changes?

JB- I don't think any of the big ones. I don't have any real major regrets in terms of key decisions. Everybody makes mistakes along the way. I've made my share. In terms of the big strategic decisions that have long range consequences, I don't know that I would do anything differently.

RH- What course do you see the company taking in the future?

JB- We intend to continue to grow. We're looking at geographic diversification, continuing to grow the base of products that we have and expanding our contract packing for other people. We're developing some capabilities that very few other bottlers in the country have. We think that lays a foundation for us to continue

to grow this business quite aggressively.

RH- Have you made many technological advances recently?

JB- Quite a number of them, the "hot-pack" lines that we've installed in the last two years are state-of-the-art. We've done things that nobody else has ever done before with them. We were one of the first to get into aseptic packaging in the United States. We created computer systems, that to my knowledge, no one else in our industry has. They give us information about our products, both in terms of volume and profitability, and help us make decisions about lots of different things. Right down to local stores, we serve over 30,000 stores. We basically have the ability to look at them in detail by individual store or in summary fashion, and do it almost on a real time basis. That's quite unusual in our business. That's again, one of those tools that lets us manage a business this large on a very localized basis. Our people know what we're trying to do, and give them the power to make local decisions by having that information at their finger tips.

RH- Do you set you own prices, or do the franchises dictate prices to you?

JB- Our franchise companies have nothing to say about what price we sell at. We establish our prices, but that's in very loose

terms. We run a highly, highly competitive industry. It's been close to eight or ten years since we've been able to raise prices. Prices have basically declined steadily. We've been able to stay healthy by fiercely driving productivity. I don't really expect that to change.

RH- What advice would you give to a young entrepreneur?

JB- I think that it probably takes longer than you have time for.....I don't know that I have any real pearls of wisdom. I didn't start this business. From everybody that I've talked to who started a business from scratch, they're always much much harder to start than anybody ever envisioned. Most people that start them say, "If I ever knew it was going to be this hard, I'm not sure I would have started." Yet, there has got to be tremendous fulfillment in that or people wouldn't have done it. It literally almost killed my grandfather. It was just a real tough, tough thing to do starting out.

RH- What if you had to give advice to someone interested in upper-level management?

JB- My advice to people in almost any career is to first and foremost do something you love. You ought to get out of bed most mornings and really look forward to doing what you're doing. There's no occupation that everyday's going to be that way, but

most days you ought to get up and really look forward to doing what you're doing. I think if you love what you're doing, you work hard at it, you work at it with a passion, and you become exceedingly good at it. I think it's necessary to have that kind of passion in an occupation in order to compete today because there's just too many other people out there who have it. If they do and you don't, it's hard to stay on the cutting edge. The other thing is, that people who pursue business careers as a way to get rich, if getting rich is someone's primary motive, it usually alludes them. If you have some other driving vision, of being best at something or breaking through and really finding a way to provide products and service values that are superior to what somebody else has done. If you really have a passion for doing that well, usually the prosperity follows. Wealth is a by-product really, not a goal in and of itself. For people that have really created any significant wealth, they realize how shallow it is all by itself. It's the thrill and enjoyment of building an organization, of seeing people grow, seeing people do things they never thought they were capable of doing, that's the real kick of running a business, not whether you've got a lot of money in the bank.

RH- Has the company been involved in any community service projects?

JB- Yes, quite a number. We believe quite strongly in giving

back to the community. The family has been very active in helping to start something called Project Charlie, which are substance abuse prevention programs that were started in the grade schools. We've been very active for quite a number of years promoting educational excellence in the local school systems that we think is critical for our community. We're becoming very involved, and care very deeply about the Weed and Seed program to try to get on top of the gang problem in our community. There have been very few important things in the community that we don't get involved in. We try to make contributions to worthwhile community projects. We believe we've developed some unique skills in long range strategic planning that have been very helpful to our business. We've been involved with a number of organizations in the community both other businesses, non-profit organizations, and governmental entities that we're trying to help teach those strategic long range planning skills to because we think it will improve the productivity of those organizations, effectiveness of the organizations.

RH- What is your company's mission statement in your own words?

JB- We have a mission statement. I think our goal is to be the finest beverage manufacturer in the country. Through a combination of our products and the services, and driven very much through the talents of our people, both in terms of

creativity, and in terms of executional discipline; really develop the finest management team the beverage business is able to deliver products and service to the customer for value. So far we're well on that track.

RH- Unless you'd like to add something that's all of my questions.....Thank you.