

Ypsilanti's O&W celebrates 75 years of beer, looks back at Prohibition days

by Janet Miller | for Ann Arbor Business Review

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Jim Wanty, Kit Morgeson and Douglas Wanty of O&W.

O&W Inc. is celebrating its 75th anniversary as a family business in Washtenaw County by looking back to its Prohibition-era founding - and forward to further growth in new markets and sustainability.

Today, the Ypsilanti-based company runs a four-county distribution network for more than 70 brands of beer, wine and specialty beverages, said Kit Morgeson, marketing manager and a fifth-generation family member.

With the Liquor Control License number 007, O&W is one of the oldest beer and wine distributors in the state. The company has grown to using cutting edge and green technologies, from hand-held computers for its sales staff and drivers to using bio-diesel fuel for its trucks.

It's also gone from the days when a keg of beer cost \$5 to today, when the deposit alone for a keg is \$30 and craft beers are building market share.

Despite rising fuel costs and a sour economy, O&W expects to continue to expand, said President Jim Wanty.

"There's going to be some consolidation at the wholesale level," Wanty said.

That means there will be opportunities for O&W to purchase other distributors and expand its reach, he said, although that could be one to three years away.

That doesn't mean O&W is untouched by the struggling economy. Off-premise sales - such as supermarkets, beer and wine stores - are down, while on-premise sales are up, Wanty said.

And O&W is being bruised by rising fuels cost: It pays a \$500 per load surcharge from the manufacturer that isn't passed along to the retailer, Wanty said, and pays higher costs to fuel its own delivery fleet.

"It's coming at us from both ends and cutting into our profits," Wanty said. Overall, sales at O&W are flat, Wanty said: "People are buying more economical brands for home consumption, but when they go out, they're paying top dollar."

O&W began in 1915 when William Seagert opened the Union Bar on West Liberty Street, where the Old Town stands today. On the side, he began distributing products he had hauled from the Stroh Brewing Company in Detroit to other area taverns. After Prohibition ended, he passed the distribution side to his son-in-law, James O'Kane. His son-in-law, Hugh Wanty, joined the growing firm in the 1940s. By 1954, they built a warehouse in what was then rural Ann Arbor on Jackson Road, adding wine and acquiring distributorships in the 1960s.

A key decision came in 1967 when O&W became the distributor for Miller Brewing Company. "We wouldn't be here today if it wasn't for that decision," Wanty said. Miller Brewing's market strategy transitioned from highbrow beer drinkers to the much more lucrative mass market.

"Their marketing went from the champagne bucket to the lunch bucket," Wanty said, "to the guy on the street. The guy with the truck."

That decision continues to serve O&W well today. Miller Lite is its biggest label and in the top three of the nation's top selling beers. O&W continued to grow, purchasing distributorships in western Wayne and Monroe counties, a move that tripled business overnight, Wanty said.

Five years ago, O&W moved its operation to Ypsilanti when it built a 100,000-square-foot warehouse, with room to expand. The area now includes Washtenaw, Livingston, western Wayne and Monroe counties.

Now O&W is looking for new markets - such as wine, which it dropped years ago. This fall they became the sole distributor of Bo Merlot, a California label (think Rose Bowl) to honor University of Michigan football coaching legend Bo Schembechler.

As O&W moves forward, it is also looking at sustainability issues, including using bio-diesel fuel to re-lamping the keg cooler with compact fluorescent bulbs.

Whatever directions O&W takes, it will remain a family business, Wanty said. "We want to be here forever."

BY THE NUMBERS

3.1 million: Sales of cases of beer, wine and specialty beverages sold per year.

1,700: Total number of retail customers

950: Number of retail customers that are on premise (bars or restaurants)

750: Number of retail customers that sell off premise