

The Wine Spectator California Wine Oral History Series

Arthur A. Ciocca

ARTHUR A. CIOCCA AND THE WINE GROUP, INC.:
INSIGHTS INTO THE WINE INDUSTRY FROM A MARKETING PERSPECTIVE

Interviews Conducted by
Carole Hicke
in 1999

Since 1954 the Regional Oral History Office has been interviewing leading participants in or well-placed witnesses to major events in the development of northern California, the West, and the nation. Oral history is a method of collecting historical information through tape-recorded interviews between a narrator with firsthand knowledge of historically significant events and a well-informed interviewer, with the goal of preserving substantive additions to the historical record. The tape recording is transcribed, lightly edited for continuity and clarity, and reviewed by the interviewee. The corrected manuscript is indexed, bound with photographs and illustrative materials, and placed in The Bancroft Library at the University of California, Berkeley, and in other research collections for scholarly use. Because it is primary material, oral history is not intended to present the final, verified, or complete narrative of events. It is a spoken account, offered by the interviewee in response to questioning, and as such it is reflective, partisan, deeply involved, and irreplaceable.

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Wine industry executive

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Interviewed in 1999 by Carole Hicke for the Wine Spectator California Wine Oral History Series, the Regional Oral History Office, The Bancroft Library, University of California, Berkeley.

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PREFACE

The California wine industry oral history series, a project of the Regional Oral History Office, was initiated by Ruth Teiser in 1969 through the action and with the financing of the Wine Advisory Board, a state marketing order organization which ceased operation in 1975. In 1983 it was reinstituted as The Wine Spectator California Wine Oral History Series with donations from The Wine Spectator Scholarship Foundation. The selection of those to be interviewed has been made by a committee consisting of the director of The Bancroft Library, University of California, Berkeley; John A. De Luca, president of the Wine Institute, the statewide winery organization; Carole Hicke, series project director; and Marvin R. Shanken, trustee of The Wine Spectator Scholarship Foundation.

Until her death in June 1994, Ruth Teiser was project originator, initiator, director, and conductor of the greater part of the oral histories. Her book, Winemaking in California, co-authored with Catherine Harroun and published in 1982, was the product of more than forty years of research, interviewing, and photographing. (Those wine history files are now in The Bancroft Library for researcher use.) Ruth Teiser's expertise and knowledge of the wine industry contributed significantly to the documenting of its history in this series.

The purpose of the series is to record and preserve information on California grapegrowing and winemaking that has existed only in the memories of winemen. In some cases their recollections go back to the early years of this century, before Prohibition. These recollections are of particular value because the Prohibition period saw the disruption of not only the industry itself but also the orderly recording and preservation of records of its activities. Little has been written about the industry from late in the last century until Repeal. There is a real paucity of information on the Prohibition years (1920-1933), although some commercial winemaking did continue under supervision of the Prohibition Department. The material in this series on that period, as well as the discussion of the remarkable development of the wine industry in subsequent years will be of aid to historians. Of particular value is the fact that frequently several individuals have discussed the same subjects and events or expressed opinions on the same ideas, each from his or her own point of view.

Research underlying the interviews has been conducted principally in the University libraries at Berkeley and Davis, the California State Library, and in the library of the Wine Institute, which has made its collection of materials readily available for the purpose.

The Regional Oral History Office was established to tape record autobiographical interviews with persons who have contributed significantly to recent California history. The office is headed by Willa K. Baum and is under the administrative supervision of The Bancroft Library.

Carole Hicke
Project Director
The Wine Spectator California Wine
Oral History Series

July 1998
Regional Oral History Office
The Bancroft Library
University of California, Berkeley

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- Maynard A. Amerine, *The University of California and the State's Wine Industry*, 1971
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- The Wente Family and the California Wine Industry*, interviews with Jean, Carolyn, Philip, and Eric Wente, 1992
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INTERVIEW HISTORY--Arthur A. Ciocca

Arthur A. Ciocca heads one of the largest wine-producing companies in the United States. He has approached the business from a marketing viewpoint and has pioneered packaging, sales, and advertising techniques for California wines, most notably the Franzia Winetap and Corbett Canyon brand.

Growing up in a small town north of New York City, Ciocca graduated from College of the Holy Cross, traveled around the Mediterranean on an ammunition ship as an officer in the U.S. Navy, and got an M.B.A. from Roosevelt University. In 1962 he hitchhiked halfway around the world before joining General Foods as a sales representative in San Jose, California. There he learned an important lesson: politics in business dulls performance.

He spent two years with Spice Islands Corporation, tried his hand as an entrepreneur, and keeping in mind his goal to find a career in the Bay Area, he joined the Gallo winery operations in 1969 as brand manager. After several signal successes there, he was recruited to Oroweat Baking Company in 1973, where he developed the marketing programs for several successful bakery related grocery products.

But in 1974, Coca-Cola Bottling Company of New York decided to buy Franzia Winery, and they lobbied Ciocca until, against his better judgment, he agreed to head up the winery. The company was not doing well, and turning it around proved as difficult as he had expected--but not impossible. When Franzia had finally begun making a profit, Coke New York decided to sell it, and Ciocca decided to buy. He arranged a leveraged buyout--one of the earliest of its kind--and took over the Wine Group, Inc., as it was now named. At present, the Wine Group, Inc., does about 15 percent of the wine business in the United States.

Ciocca offers in his oral history a thoughtful and provocative analysis of the industry, explaining, for example, that a short-term outlook is not a good attitude to have. "That's why big public companies that have tried this business have failed," he notes. He also has made sure that his company rewards performance and not politics, thus ensuring a high quality product.

He reviewed carefully the outline of topics to be discussed that I sent to him, and made notes of his own ideas. He is greatly interested in entrepreneurship, and together with his wife Carlyse has formed a foundation that supports and promotes education and entrepreneurialism.

Ciocca was interviewed on November 9 and 11, 1999, in his office overlooking Union Square in San Francisco. He put me at ease with a

courtly manner that belied his busy schedule. Reviewing the transcript carefully, he made a few corrections and returned it promptly.

The Regional Oral History Office was established in 1954 to augment through tape-recorded memoirs the Library's materials on the history of California and the West. Copies of all interviews are available for research use in The Bancroft Library and in the UCLA Department of Special Collections. The office is under the direction of Willa K. Baum, Division Head, and the administrative direction of Charles B. Faulhaber, James D. Hart Director of The Bancroft Library, University of California, Berkeley.

Carole Hicke
Interviewer/Editor

May 2000
Regional Oral History Office
The Bancroft Library
University of California, Berkeley

Regional Oral History Office
Room 486 The Bancroft Library

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BIOGRAPHICAL INFORMATION

(Please write clearly. Use black ink.)

Your full name ARTHUR ANGELO CIOCCA
Date of birth 12/5/37 Birthplace Tarrytown, N.Y.
Father's full name ANGELO ARTHUR CIOCCA
Occupation Medical Doctor Birthplace N.Y.C.
Mother's full name Helen De Giacinto Ciocca
Occupation housewife Birthplace Elmsford N.Y.
Your spouse Carlise Franjia Ciocca
Occupation _____ Birthplace Monterey Calif
Your children none

Where did you grow up? Tarrytown New York
Present community San Francisco, Calif.
Education College of the Holy Cross B.S. English 1959
Roosevelt University M.B.A. 1963
Occupation(s) Chairman & CEO. The Wine Group Inc

Areas of expertise Consumer marketing and general management

Other interests or activities Golf; travel; all sports; entrepreneurship; Philanthropy

Organizations in which you are active Chairman Foster Farms Poultry Co
Advisory Bd; Member Advisory Bd Stanislaus Foodshare;
Chief Executive Org; World Presidents Organization;
Calif Wine Institute - Director; Secretary the
Ciocca Charitable Foundation

INTERVIEW WITH ARTHUR A. CIOCCA

I BACKGROUND AND FAMILY

[Interview 1: November 9, 1999] ##

Family

Hicke: I'd like to start with when and where you were born.

Ciocca: I was born in Tarrytown, New York, which was, in those days, a little town about twenty-five miles north of New York City, in 1937.

Hicke: Can we have the month and date?

Ciocca: December 5th.

Hicke: Okay. Let's back up just a bit and talk about your family, as far back as you know about or can remember.

Ciocca: Okay. My father was a doctor who practiced in the local area.

Hicke: Can we get the names?

Ciocca: Yes. His name was Angelo Arthur Ciocca.

Hicke: And you're named after him--at least your middle name.

Ciocca: In reverse, yes.

Hicke: So you are Arthur Angelo.

Ciocca: The fact that he became a doctor I think is extraordinary. He grew up during the Depression. His father died before he was born. He worked to support himself and his mother from the time he was a young man.

Hicke: Was this in New York?

Ciocca: In New York City, yes. He worked his way all the way through high school and college and medical school and fulfilled his life's dream, to become a doctor. It's kind of interesting because Tarrytown at the time had three doctors. There was one that was Jewish and had all the Jewish clientele; there was another one that was Irish and had all the Irish clientele; and my father was Italian and he had all the immigrant Italian clientele. What was interesting about that is it was kind of a poor place at the time. He frequently didn't get paid. He took wine or eggs or cheese or prosciutto or something like that in lieu of cash. We had our house painted for free. It was a barter economy for him quite a lot of the time. He was really a guy who was very much admired by the people he served, to the extent that when he passed away about ten years ago four or five thousand people spanning three generations--many of whom he personally delivered--were there. It was really a moving experience for us all.

Hicke: Quite a tribute.

Ciocca: He was an amazing guy. And he was a very strong role model for me. He grew up during the Depression. It left a profound, profound impact on him. He was interested in making sure that we got good educations and never had to deal with some of the adversities that he dealt with, although he never made it easy on us.

Hicke: Probably didn't like to borrow money and saved regularly.

Ciocca: Very, very, very careful in that regard.

Hicke: That Depression really left an impression on people who lived through it.

Ciocca: He was called away when the war started, World War II, and served in Europe for pretty much the duration of the war as best I can remember, so he was away from home for quite a while in our early days. Even after he got back, his practice was such that he was always on call. It didn't matter what time of day or night or weekend, if there was some sort of medical issue, he was there. He was definitely an important role model.

I think my grandfather was even more of a role model in a very unusual way: He was an Italian immigrant--

Hicke: Let me go back--this is your maternal grandfather?

Ciocca: My maternal grandfather.

Hicke: What was his name?

Ciocca: His name was Guarino Di Giacinto, and I can't spell it, either!

Hicke: Guarino.

Ciocca: Guarino. He was a blacksmith who worked for the same company in New York City for his entire career, however long that was. Commuted back and forth by train, about twenty-five miles, to a town not too far from where we lived. Somehow managed to scrape together enough money to buy a few acres of land. On it he grew vegetables and had chickens and goats. Even had some grapes, which is kind of interesting. I loved to visit him--I loved to work with him. I helped him in his blacksmith shop. Helped him in the garden. I even remember helping him pick grapes and make wine.

Hicke: That was an early start on your career!

Ciocca: That was my start. I was about seven.

Hicke: Do you happen to know what kind of grapes he had?

Ciocca: You know, I don't. I knew that he grew them in a very unusual way. He grew them on a huge grape arbor that was at least--oh, I'd say about fifteen feet high and quite long. They were black grapes and white grapes, so he made red and white wine.

Hicke: It was an unusual trellissing system. [chuckles]

Ciocca: It was. I don't think we're using anything like that today. But we made that wine down in his little basement, a dirt floor basement. What I especially remember about it was I'd go over and visit him every three or four weeks. He'd pour a little thimbleful of wine for me, and we'd toast and congratulate ourselves on what good wine we had made. And this went on--and on. Every time I went there, we had this same celebratory glass of wine. Until one day, about six months later, we toasted, and I drank my wine, and I spit it out. It tasted terrible. This upset him a lot. He couldn't understand what was going on. It is obvious to me now that the sanitary conditions in that cellar were not the highest. There were bacteria and other microorganisms. That wine was changing. But since he drank it every day, he never noticed the change. Maybe I developed my palate early in life.

But he really was a great role model. I still remember the lectures, the discussions that we would have, the morals that he would create. He would say, "You've got to look out for number one. Nobody else is going to look out for you." He talked about the values of family and friends and demonstrated that very carefully and closely. But most of all, most of all he persuaded

me--he would say, "In America you can do anything you want to do if you're willing to work hard and stay out of trouble." Those are his words. I never forgot that.

That's a piece of advice I wish we could give to every young kid growing up today, because when you have hope, the world is a lot different place than when you grow up with no concept of hope. So I get emotional even to this day, thinking about him. He was a terrific guy. Very big, strong man. And he looked like a football lineman. But that was his exterior. Once you got to know him he was one of the warmest, most compassionate people you'd ever meet. He was great!

Hicke: A couple of questions. What part of Italy did he come from?

Ciocca: Interestingly enough, all four of my grandparents came from the same area. It's Abruzzi, which is due east of Rome, on the Adriatic. It's very agrarian. We went there and visited once. Once was enough.

Hicke: A little spartan?

Ciocca: Yes, it is. It is a little spartan. All the towns are the same. There are about 200 people per town. They're all on hilltops, and they have one church and one bakery store and one butcher shop. You could see the town that my grandmother came from, from the top of the hill that my grandfather's town was on. I'd say the two were fifteen miles apart. And then if you go forty miles south there was almost a carbon copy of that same situation with my other two grandparents.

I'm unclear about my father's side because he died so early on, but it appears as if both my grandfathers came here, found a job, and then either went back to get married or sent for their wife-to-be. It was not uncommon for those days.

Hicke: That's true. That's a fairly often-heard story.

Ciocca: Kind of interesting, because my wife's grandfather, Giuseppe Franzia, came here that way about the turn of the century. He didn't have a fiancée. He had a girlfriend back in Savona, but when he wrote and asked her to come and marry him, she got cold feet, and sent her friend instead.

Hicke: [laughs]

Ciocca: They got married and-- [pause]

Hicke: It all worked out.

Ciocca: Yes, it all worked out. They had seven kids and started a winery. She was the driving force behind it. It wasn't him.

Hicke: Very interesting.

Ciocca: That's a story unto itself.

Hicke: Let's keep that in mind, to get that story later. Yes, I think it would be better to put it off till you get closer to Franzia.

Ciocca: Okay.

Hicke: I had one other question, just out of curiosity: How did you crush the grapes, your grandfather's grapes?

Ciocca: We stomped all over them!

Hicke: I love that picture. And then put them into a barrel or something?

Ciocca: It was a sawed-off barrel, a half-barrel that was on its end, that we crushed them in. We might have had some sort of rolling device, too. I'm not sure. But then he had probably hundred-gallon barrels. They were big barrels. They were about that high [demonstrating]--

Hicke: Four feet.

Ciocca: Yes, about four feet high. And he had two or three of them, one for white and one for red and I guess one for the overflow.

Hicke: Was your grandmother around at this time?

Ciocca: She was. She was hard-working, but she took very much second seat to him. He was the powerhouse.

Hicke: What was her name?

Ciocca: Her name was Theresa.

Hicke: Tell me about your mother. First, her name.

Ciocca: Helen Di Giacinto. She married my dad right out of high school and never went to college. I was born a couple of years after they were married, and she was still only nineteen. She got married young. Then shortly after that one of my sisters was born. So she was a housewife, a housewife in the old Italian style. And did a great job of it.

Hicke: I think there were serious restrictions on wives working if their husbands were working during the Depression. That may not have had anything to do with it.

Ciocca: I don't know what they said to one another, but I just don't think my father would have heard of it.

Hicke: I see. The breadwinner.

Ciocca: Yes.

Hicke: Well, it sounds like he worked hard enough for both.

Ciocca: He did.

Hicke: I'm sure your mother worked hard, too.

Ciocca: Well, she had to fill in a lot of the gaps, because he was frequently gone. He was gone for most of World War II, and then even when the war ended his practice kept him away. He would deliver probably a couple of babies a week, at night. He did it on their schedule, not the way they do it today.

Hicke: And you have sisters?

Ciocca: I have two sisters.

Hicke: Both younger?

Ciocca: Both younger. The oldest one is Helene. And my younger sister's name is Lyn, as in Madelyn.

Hicke: Is her real name Madelyn?

Ciocca: Yes.

School Days

Hicke: What do you remember about growing up that was particularly significant?

Ciocca: Well, I had a long trek to the only Catholic high school in the area. I took three public buses, twelve miles one way. And then coming back was harder, because the bus connections were easy in the morning, but they were hard in the afternoon, so I frequently

walked the last couple of miles home. I had to get home on time to play basketball.

Hicke: Where was the school?

Ciocca: It was in White Plains, New York.

Hicke: And that was the closest, was it?

Ciocca: That was the closest Catholic school.

Hicke: Your parents chose to send you to a Catholic school?

Ciocca: It was important for my parents that I did this. And I worked a lot through both high school and college. I did all kinds of things around our place and around the neighborhood. I washed cars and cleaned cellars and fixed things.

Hicke: All those fun jobs.

Ciocca: I had a lot of different jobs. I had jobs from heavy construction--I had a job on heavy construction in Harlem, New York City. That was a great job because I made a lot of money. But it wasn't a great hit with my father, so my next summer he sort of persuaded me to take a job as a clerk in a bank, which was the most boring job in the world. But it made him happy. I ruled out banking as a career because of this experience.

Hicke: What about subjects in school? Were there any particular favorites?

Ciocca: I always got okay grades in school, but I never really got it in school. I never saw the big picture for quite a while. I just did the scholastic part of it by rote. I feel that's a really terrible way for any kid to go to school. I'd like to change some of the things that happened in my education, for the benefit of others. I think that in those days, and even today, young people didn't get exposed to a broad array of things to figure out what they like and are good at. There are not enough good role models.

It took me until graduate school to find--I don't want to call it a mentor, but a professor and a guy that I happened to be rooming with when I was in the navy, to get me interested in a particular career path. Of course, it was marketing. The combination of talking to my roommate about his experiences and taking a marketing course from a very inspiring businessman got me excited and invigorated about this field that I've been in ever since.

Hicke: That sounds like a failure in teaching, all through your lower grade school and high school.

College of the Holy Cross

Ciocca: I went to a very good college, and I've had a number of discussions with the Jesuits that run it, up until--

Hicke: This is College of the Holy Cross?

Ciocca: --as recently as this last year. I've given them a fairly significant endowment--and I did it with no strings attached. Quite some time later when I was asked for guidelines for the endowment I tried to steer it into encouraging and supporting entrepreneurship on campus. The idea was to expose students to entrepreneurialism early on so they could determine if it was something that suited them. I believe that entrepreneurs are sort of born; they're not made. But they have to discover what they have within themselves early. What's the point of getting to be thirty-five years old--with a family and a lot of responsibilities--and to find out that you really are a risk taker? And you love innovation and ideas. It's almost too late.

The best part of college was my friends. I had great friends. I learned a lot from them. I also loved playing sports. I think I got a lot out of that.

Hicke: Basketball?

Ciocca: Every one, every one. And I think sports are where you really develop the value system that you're going to have for the rest of your life. Sure, you get told what your values should be, but you don't buy into it until you spend time meeting people. And trying things out for yourself. So in that regard Holy Cross was a great education.

Hicke: How did you decide on Holy Cross?

Ciocca: In those days, it really was what your parents wanted you to do more than what you wanted to do. Things are different today. I had three choices, as it developed: I could go to Notre Dame, Georgetown, or Holy Cross. I don't know why I selected Holy Cross. Probably because I visited there and liked it.

Hicke: You went to visit it before?

Ciocca: Yes. We started with three options. I could have any one of the three.

Hicke: Okay. If we're passing up something you've got notes on, let's--

Ciocca: No, we're doing fine.

Hicke: What did you major in at Holy Cross?

Ciocca: English.

Hicke: English literature?

Ciocca: Yes. And that was sort of by default. I didn't know what I wanted to do.

Hicke: Yes. Liberal arts, more or less.

Ciocca: Yes.

Naval ROTC

Hicke: And then what happened? Let's see, what year did you graduate?

Ciocca: I graduated in 1959. One other really great thing happened during my college career was joining the NROTC [Naval Reserve Officers Training Corps] program. In our junior year we had to go on a summer cruise. It turned out that I was assigned to a ship that was operating out of San Diego. It was called the *Bonhomme Richard*. It was an old aircraft carrier, one of the old square-deck aircraft carriers. So I drove across the country with a friend, which was a great experience, boarded the ship.

We sailed around for three or four weeks, and then I think it was the Lebanon crisis developed, when we were off the coast of San Francisco here. They didn't know what to do with us. They needed this ship, and they didn't want the liability of a bunch of kids that didn't know what they were doing, so they dropped us off at the nearest port, which was San Francisco. I will never forget --ever in my life--standing at attention on the deck of this carrier as we sailed into the mouth of San Francisco Bay, past what is now our house and underneath the Golden Gate Bridge. That's when I decided that this city, San Francisco, was for me. I wanted to live here, and I was going to get back here at all costs, no matter what.

Hicke: So what was your next big experience?

Ciocca: I was commissioned as an ensign upon graduation in 1959. I got another lucky break: I was assigned to an ammunition ship operating out of the Mediterranean. It was a wonderful experience and probably where I kind of got my travel lust. We spent six months in the Mediterranean. I was given responsibility for deck divisions that handled all the cargo. What we used to do in this division was pass bombs back and forth to other ships. All we had was ammunition on board.

Hicke: You supplied ammunition?

Ciocca: Yes, we supplied ammunition to other ships. And then I was given the responsibility of Damage Control Assistant, responsible for the ship's integrity, electrical systems and propulsion systems. At the end of my sea duty I was transferred to Great Lakes Naval Training Center, to train recruits. I did that for a year, while going to graduate school at night. I thought, well, I might as well finish that degree, so I extended for another year. I enjoyed the navy. It was such a great experience for me that I really did consider making it a career.

As you can probably glean from what I've told you about my earlier days, I was a very young, naive kid--much more so than I think kids are today. I didn't make the decision where I went to college, and I didn't do any of those things. So the navy was a great experience. It was an opportunity to learn about leadership and it was an opportunity to take on enormous responsibility.

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Ciocca: As a result of that, my confidence really grew and I matured a lot. That's why I liked it so much.

Hicke: It was a real learning experience?

Ciocca: I proved to myself that I could really do things, which was good for me.

Hicke: You must be one of the first people I've ever talked to that joined the navy and actually saw the world!

Ciocca: It was a great experience.

Hicke: And you docked at ports along the way?

Ciocca: Oh, yes, fabulous ports: Barcelona and Cartagena [Spain] and the seaport to Athens, Piraeus, and all of the Italian ports, from

Genoa to La Spezia; the French ports of Marseille and Toulon and Nice; and some of the Greek islands. It was a fabulous experience. I mean, it was fun and it was hard work and fulfilling. Yes, I wouldn't trade it for anything. I think every young kid ought to go in the military. I think it's just a wonderful experience.

Hicke: So at Great Lakes you went to graduate school. What school was it?

Ciocca: It was Roosevelt University.

Hicke: It was an extension program?

Ciocca: Yes. The professors, who were all businessmen and not really traditional professors, would come out of Chicago and up to Lake Bluff to teach their courses. It was very convenient.

Hicke: And what did you study in business?

Ciocca: It was an MBA degree. But as soon as I found out that I liked the area of marketing, I tilted it as much as I could to advertising, marketing and marketing-related programs.

Hicke: Was this where you encountered the individuals who were so influential?

Ciocca: The professor and also my roommate. My roommate had had some experience in marketing prior to coming into the navy. He knew what he was going to do, and we talked about a lot. Those discussions sort of got me motivated.

Hicke: Do you remember their names, the professor and your roommate?

Ciocca: Yes. My roommate's name was Chuck Catalano. The professor's name was Richard Thane, I believe.

Hicke: And he was not a businessman but an actual professor?

Ciocca: He was actually an advertising agency executive.

Hicke: Oh, he was? Okay.

Ciocca: He was not a traditional professor. I mean, he just told us stories about life in the agency world. They were great.

Hicke: The real world.

Ciocca: Yes, the real world. That's what I liked about it. I had had all this theoretical stuff for years now.

Hicke: How did you decide to do this MBA?

Ciocca: You know, I think I was motivated by my roommate, who got the idea first. It just sounded like a good idea. I had always planned on further education, but I wanted to get some practical experience first, and the navy sort of qualified. It was a way to save time as well.

Hicke: So that was about 1962 that you got out of the navy?

Ciocca: Yes.

Trip Around the World: 1962

Hicke: And then? What were you wanting to do?

Ciocca: When I left Chicago I decided I had in fact put an awful lot into the last two years. I finished my navy career and had gone to graduate school. And I really did work hard. It was an around-the-clock proposition. I was responsible for training a thousand recruits every eight weeks. That was a full-time job during the day. And then I went to school at night. Of course, we had to have some social life, too, so it was burning the candle at both ends for a long time.

Hicke: And the middle!

Ciocca: So I decided it was appropriate to take some time off. When I announced to my father what I was doing, he couldn't believe it. I said, "Dad, I've got fifteen hundred dollars saved up, and I'm going on a trip around the world." I left the next day. I left exactly in the middle of the Cuban missile crisis. I didn't know whether we were going to bomb Cuba or what. But I just kept going.

I flew across the ocean in a propeller-driven plane that couldn't make it the whole way, so it had to land in Iceland to get fuel. I hitchhiked my way through all the countries of Europe till it got too cold--then I went south and got on a tramp steamer and sailed from Brindisi, the southern part of Italy, over through the Greek islands to Lebanon. I hitchhiked overland through Lebanon, Syria, and Jordan, and I crossed through the gate into

Israel. At the time, you could go to Arab countries and then Israel, but you could never go the other way.

I was going to go to Egypt after that, so I had to go to Cypress, I think, and get my passport purged--

Hicke: So it wouldn't have--

Ciocca: Yes, so it wouldn't have any of those Israeli stickers on it. And then I went to Egypt. My idea was to parlay my navy experience into a job on a ship headed to Australia. I was in the port city of Alexandria, where all the ships going through the Suez Canal queued up. They could only go through the Canal single file, so they'd wait for four hours in Alexandria. Ships would come four hours one way and then go four hours the other way.

I met with all the ships captains, and I tried to persuade them to let me work my way to Australia, which is really where I wanted to go. I'd tell them my navy officer experience, but they'd want someone to paint decks, chip paint, and so on.

Hicke: Overqualified.

Ciocca: Yes. But I was ready to do anything. I finally found this broken-down rust bucket that was really in trouble, and the captain said, "Look, I'd love to have you, but I've got to clear this with our insurance in London. I've got to send them a telegram. I'll tell you what you do: It would take us four hours to get through the first leg of the canal. Then we go through the middle part, where the lake is where we can pass, and then it's four hours through the bottom part." He said, "You take a train down to the town of Suez, and you meet the ship down there, and I'm sure I'll have everything cleared."

So I did. I got on this old Egyptian train. I went down there, and I was ready to meet the ship, but I didn't know how to get processed out of the country. I couldn't find a customs office in this little town of three hundred people so I went to the police station.

I said, "I'm here to get my passport stamped so I can leave Egypt." The Egyptian government was very persnickety about this at the time. The deck captain didn't understand me, he said, "Sit over there." To make a long story short, the outgoing watch forgot to tell the oncoming watch why I was there. They thought I was being detained. As the hours ticked by I began getting panicky. I thought, "This is a trip of a lifetime and I'm going to miss it."

So I finally just picked up my pack, and I started to leave. I thought to myself, I'm just going to leave without any official paperwork. A big Egyptian policeman thought I was trying to sneak out. He didn't understand any English. He put a big gun almost in my teeth. By then I got upset, and I really didn't handle it very well. I demanded to speak to somebody in higher authority.

Well, I mean, I went from one guy with gold braid dripping all down his shoulders to another guy with more of it. No one understood anything. These were the days when nobody spoke English.

Anyhow, to make a long story short, I spent a day in jail in Suez. Missed the ship. Fortunately, I had met some young Americans who were in town with the Peace Corps. I managed to get word to them about what happened. They brought a big delegation down to get me out and apologize. Some of them--the Egyptian students--were very embarrassed about this. The point is I never made it all the way around the world.

Hicke: Oh, you didn't?

Ciocca: Instead I went back to Cairo, and shortly thereafter embarked on a trip from the mouth of the Nile to its source. I hitchhiked, took a train through the Sahara Desert, rode in the back of trucks, and even rode on a paddle-wheel steamer up the Nile for one leg of the trip.

[knock on door; interruption]

Hicke: You're on your way up the Nile.

Ciocca: Part of this trip on the Nile River was on a series of barges lashed together, three abreast and three long, and driven by a paddle-wheel steamer. It would just slosh through the ever-changing channels. Floating silt and plants would pile up against the banks, and the course of the river would change constantly. The crew never knew whether they were in the main stream or not, and so a lot of times they would have to back it up and find another route. I had ten days of that.

I traveled on a narrow-gauge train through the desert. It had gaps between the windows that the sand would blast through. I slept the entire night in the luggage rack to keep out of the sand storm. The idea was to go from Cairo all the way through to Cape Town. I only got two-thirds of the way. I stopped to climb Mt. Kilimanjaro and took a lot of time in the game parks. I was in the town of Arusha, where there was an American embassy holding a telegram for me from my father.

He thought I had lost my mind. I had been gone for about five or six months by then. Not only that, but the fifteen hundred dollars I started with was almost gone. Anyhow, that was a turning point. I decided, well, I was going to be overextended if I went any farther. And I had never written the thesis for my MBA degree, and the university kept writing to my home. This coupled with my father's appeals persuaded me it was now time to turn back.

So I hitchhiked all the way back to Europe. First I went down to the seacoast, took a ship over to Zanzibar; from there I caught another ship back to the mainland and wound up in the highlands of Ethiopia, which was fascinating.

Hicke: How? By hitchhiking?

Ciocca: Hitchhiking. Back of trucks mostly. Time was of the essence at this point, so at Addis Ababa, I flew to Greece and then traveled overland all the way up through Yugoslavia, where the bombings are occurring now.

I had a very interesting experience. I went to my first soccer match. Met some guys on the train, and they said, "You've got to come to the soccer match. It's the biggest one." It was equivalent to today's World Cup. They put over 100,000 people into a stadium that was designed for 70,000 people, and it was the most frightening experience of my life. I'm six foot two, and these people were little. They came up to my chest. And there were times in that stadium where my feet never touched the ground and where I'd come down twenty or thirty feet to the other side.

Hicke: Carried along by the crowd.

Ciocca: And after it was over, there were dozens of people killed going down the exit ramps. It was really frightening.

Hicke: Where was it?

Ciocca: It was in Belgrade, yes. But anyhow, it was directly home from there. Back to Luxembourg, onto Icelandic Airline, and home. That was a great trip.

II EARLY WORK EXPERIENCE

General Foods: 1962

Ciocca: But now I really needed a job, and so I went to my parents' home in Tarrytown and operated out of there. I interviewed maybe twenty or so companies. I got job offers from Procter & Gamble and Johnson & Johnson, but they were to do marketing-related things around New York City, and that wasn't good enough for me.

So then I went to General Foods. They offered me a job. I remember talking to the regional manager, a fellow by the name of Carl Brown. He said, "You know, we'd really like to have you come to work. You seem to have the right kind of background and attitude." I said, "Well, I'd like very much to, but I have one prerequisite, sir." He said, "What is that?" I said, "I have to go to the San Francisco Bay Area." I thought, well, I'm out of here.

He reached back, took a binder off his desk, paged through it, and said, "How's San Jose?" I said, "That's terrific." I jumped up, and I shook his hand. I think I told you this story.

Hicke: Yes, but it was off the tape.

Ciocca: Thirty steps down the hall, and it occurred to me that I forgot the most important thing. So I went back in, and I said, "Mr. Brown, sir, could you please tell me what the starting salary is?"

Hicke: [laughs]

Ciocca: It would have been the same in either event, but it was--

Hicke: Did he laugh?

Ciocca: He laughed. It was \$5,500 a year, and all the dog food and cereal I wanted. It was common practice among grocery sales reps to meet in parking lots and trade samples. That's how we made ends meet in those days. If I didn't have any coffee, I'd make sure I stopped the Maxwell House guy in the parking lot, and I'd trade him some Post cereal for Maxwell House. If I needed some Armour ham, I would get the Armour guy and give him some dog food if he had a dog, and that's how we did it.

Hicke: These are General Foods brands, that you were exchanging with others?

Ciocca: Well, some of them were General Foods brands, but it didn't matter. Any negotiable product was fine.

Hicke: [laughs] Oh, that's great.

Ciocca: So anyhow, I did manage to get to the Bay Area, even though it was San Jose.

Hicke: And this was in 1962 that you started?

Ciocca: Yes, it would have been about 1962 or '63, because I was gone for a long time.

Hicke: And you moved to San Jose. What did they put you to work doing?

Ciocca: Well, I was in the Post Division, selling Post cereal and Gaines dog food and Swansdown cake mix and some other General Foods products. I was calling mostly on independent grocers. The chains hadn't really come into being at the time. One of the chains was Purity. It's not around anymore. Most of them were independents, a lot of them run by Chinese grocers.

My territory ran from San Jose all the way down to Monterey and Carmel. I was then given another territory up in Sacramento, and that went from Sacramento north to the Oregon border. My next promotion was back to White Plains, where I served in a couple of different marketing capacities for a year and a half, two years.

It was a wonderful company and a good training ground, and I would encourage young people interested in marketing to go to those big consumer packaged goods companies for experience. But it was just too bureaucratic and political for me. I mean, one of the most valuable lessons I learned there was a negative lesson. Yes, I learned a lot of the techniques of marketing, General Foods was very, very good at that. But the negative lesson I learned is that performance and politics run counter to one another. In a highly political organization, performance has to suffer. The

best way to get performance up is to get politics out of business, so that people, instead of promoting their own self-interest, are only measured by what they contribute to the organization.

I was a very, very junior guy there, and I had a lot of ideas for marketing programs. The way I would get them implemented was to write a planning letter. It would go up to my boss. For political reasons, he would change it and send it back --usually watered down a little bit, and it would go up another level. His boss would sense what was important for his next promotion, and dilute it further. So after it made five or six of these trips, it was pretty emasculated, had no cutting edges, and was a very weak program.

Hicke: Do you have some ideas for getting politics out of business?

Ciocca: Sure. I do. And I did. When I was given responsibility for this company over twenty-five years ago now, the very first thing that I did was to reward performance and punish political activities. And we made some examples, and pretty soon people figured out that the way to get ahead was to be really good at what you did and not spend a lot of time writing self-serving memos promoting yourself.

I would tell you to this day that there is no politics in this company, and it's a big company. It's got a lot of people. It's one of the fundamental cultural values that we started with and still have today. Certain people didn't make it in that kind of environment. That's okay because they're somewhere where they're happy.

Hicke: This kind of corporate culture has to come from the top, though, I think you're saying.

Ciocca: I think it does. It has to come from the top. We didn't have a board at the time, but in the case of a company with a board, it also has to be supported by the board because there are lots of examples of people who go to board meetings and spend all their time politicking.

Spice Islands Corporation

Ciocca: But I also learned a lot about how not to do it. For that, I'm very grateful. I really did get quite fed up with it, and so I took a one-week vacation, and I came to San Francisco. I had some friends in Sacramento, I had some friends in San Jose, but I didn't really have any friends in San Francisco. I actually

stayed with the friends in Sacramento, and I drove in very early every morning. There's a telephone booth over in the Shell Building, which was then in the heart of the San Francisco business district.

Hicke: Bush and Sansome.

Ciocca: Bush and Sansome, yes. That became my office. It was a very quiet telephone booth, off the parking lot, unto itself, and I operated out of there for about a week. [laughs]

Hicke: People pounding on the window because you were--

Ciocca: No, there were actually two of them. I never got bothered. And so I would make contacts and make appointments and go over and meet people. I finally, through referrals, wound up meeting the people at Spice Islands [Corporation], and I took a job there. It was a great experience.

Hicke: What was your first responsibility there?

Ciocca: I went there as sales promotion manager. I was responsible for Spice Islands and Leslie Salt. I think I did that for about a year, and then I was promoted to a brand manager. All of the things I had learned I was able to put to practice, and I was feeling pretty good about them. Probably a little bit too good, because I decided it was really time for me to become an entrepreneur and do this on my own.

Hicke: Let me back up. Do you know what year you started at Spice Islands?

Ciocca: It would have been in 1965.

Hicke: And how long were you there?

Ciocca: I was there for about two years.

Hicke: Was the company expanding? Was that why they needed you?

Ciocca: It was expanding at the time. And then a lot of their expansion plans really didn't work, and they were sort of contracting.

But anyhow, I decided to become an entrepreneur, and I went into this little venture that was really not very well conceived and didn't work. I invested a little bit of money in it, and--

Hicke: What were you doing?

Ciocca: It was actually a medium that was used to carry promotional offers for food companies. A cookbook carrying the coupons was then mailed to consumers in the demographic profile of the products that were being marketed. So if General Foods was selling Maxwell House coffee, we could carry coupons and promotional offers and deliver them to the prime audience. I was using what I had learned before. But the company failed, and I needed a job.

Marketing Work at Gallo Winery: 1969-1973

Ciocca: That's when I had to face a really important decision--one that in retrospect was an important turning point in my life. Once again geography entered into the decision. I wanted to live in the San Francisco Bay Area for the rest of my life--and this time I wanted to do it right. I didn't want to get involved in some venture that didn't have all the ingredients to success.

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Ciocca: I had to find a career opportunity in a field that was indigenous to this Bay Area. I said, In what industry will I be assured of always being in this area? Aha! Wine. The thought brought back memories of making wine with my grandfather when I was seven. The wine industry was looking for marketing people at the time. The industry had really been production-oriented to that point, but Ernest Gallo had just adopted the brand-management system of marketing. I interviewed with Italian Swiss Colony, and then I drove out to Modesto. That's one of the best decisions I ever made. This was at a time when Italian Swiss Colony was even bigger than Gallo, when dessert wines were selling more than table wines, when co-ops (which are now out of business) represented more than 50 percent of the wine industry. I liked what I saw at Gallo, and my experience fit in, and they offered me a job as a brand manager, which I happily took.

Hicke: Let me just ask you, had you been drinking wine? Were you developing your palate?

Ciocca: I didn't know much about wine, to tell you the truth. Sure, I drank a little bit of wine, but I just barely knew red wine from white wine at the time. But Gallo was a terrific experience for me. What was great about it was that Ernest Gallo was the best role model anyone could have. I was fortunate in that I had day-to-day contact with him. He's one of the best, most incredible entrepreneurs that's ever lived.

Hicke: Can you give me some examples of things that you heard from him or learned from him?

Ciocca: You just learn by watching the way he practiced leadership. I mean, he was great with people. He was tough, but he was great with people. He really was a very creative guy in his way. He was a very good problem solving--I mean, the best problem solver I've ever met. You could watch that computer-like mind just sort of chunking away. He just came out on the right side of issue after issue after issue--not by being magical or fast-footed or anything like that; just by being sound and basic and to the point and reducing things to simplicity rather than letting them get encumbered complex. He just knew how to cut to the core. That's why Gallo was a great experience.

Well, I'll give you a good example of how he operated. The thing that I am most proud of that I did there was develop this product called Spañada. I learned that the winemakers were developing a new product. I got invited to a tasting. I liked the way it tasted; I thought it had great potential. It was a red wine with flavorings added to it--kind of oranges and lemons and limes, that sort of thing--

Hicke: Like Sangria.

Ciocca: Yes, like a Sangria. In fact, that's exactly what it was. I lobbied to be given the marketing responsibility for this project. I wrote a letter to, I think, Al Fenderson at the time. I still remember the letter. It started out, "Sangria is a natural." And I told him what some of my ideas were and so on. A few days went by, and Al called me. He said, "Meet me in the conference room in ten minutes."

Well, I went down there, and he and Ernest and all of the senior people were there. Somebody said, "Well, tell us about this idea you have for this new product." They had read the letter, obviously. I guess what sold Ernest was my enthusiasm for it and I hope my ideas. And so I was given the project. It was a thrill. It was a thrill to have the opportunity to develop the marketing for it: the packaging, the advertising, the promotional program, the pricing strategy, and also work with the enologist to tailor the flavor, tailor the taste to the market.

But the most fun thing I did was the advertising. Working with the agency, we decided that if we were going to have a proprietarily named American Sangria, that the advertising just simply had to be authentic, authentic Spanish in every way. We decided amongst ourselves, without asking anyone--

Hicke: Who's "we"?

Ciocca: The agency, the advertising agency and I.

Hicke: Do you know which one it was?

Ciocca: I think it was Irwin Wesey. I'm not sure. You know, we worked with a number of different agencies. I think it was Irwin Wesey, which is now out of business. They were in L.A. We decided that we ought to go to Spain to shoot this commercial, to really make it look authentic. And so I wrote this very preemptive, matter-of-fact letter about how Bill and I were planning to leave a week from Friday, and we were going to fly directly to Madrid and spend our time after that in Seville, shooting this commercial. The production house was coming from New York, and we'd have this all done and back by such and such a time.

Hicke: Informing them, not asking them?

Ciocca: I don't think anyone at Gallo had ever done anything like that before. Frankly, in my own mind I thought it was a long shot. Then one Friday afternoon I was working a little late, and I got a call to "Come over here." It had been a long day for me, and it looked like it had been a long day for Ernest. He sort of looked at me, and he said, "What is this about going to Spain to shoot a commercial?"

I said, "Well, sir, we have to make this authentic. We don't want to have just some second-rate commercial that looks like it was filmed in an L.A. production house." He cross-examined me thoroughly on the subject. And then he said, "What's next?"--meaning, this discussion is over. I didn't know what to do. I didn't know what to do because he didn't say, "You can go." But I didn't ask him. And then finally he just looked up and smiled, and he said, "That commercial better be good."

Hicke: Oh, great.

Ciocca: He was terrific. I can't do justice to explaining the enthusiasm or the level of motivation I had leaving that meeting. We went to Spain and we shot it, and it was very authentic. I mean, we cast wonderful Spanish actors with typical Spanish features. You couldn't find anybody like that in this country.

Hicke: High cheekbones.

Ciocca: Yes, high cheekbones. And we had this one wonderful shot where we followed a lady who was picking fresh oranges, lemons, and limes, and she put them in a net basket, and we followed her down one of

the real narrow streets of Seville, around the corner, and she went through a wonderful set of Spanish doors. Then we cut to the kitchen, where you could see two hands dumping these oranges and lemons and limes onto a chopping block, and then cut to a picture of a knife slicing through them with the juice kind of oozing out all over the place, and then two hands reaching down and lifting them up and dropping them into a big pitcher of red wine. It was great.

Hicke: Yes. Making my mouth water.

Ciocca: However, we brought the rough cut footage back, and Ernest--he was never really sold on this commercial. When we showed it to him, there was stone silence. We showed it again, and again and again. He just didn't think it was arresting or attention-getting enough. He said the opening was too soft. It was the doors, those Spanish doors opening. Finally he said, "Listen, we can't run that commercial like that."

So what we did, at his direction, was to find stock footage of a matador in a bull ring with a bull, and use that for the opening using troubadour music or something like that. It was more dramatic. Anyhow, we put these commercials on the air, and were testing them in three or four markets, of which Sacramento was one.

I remember we turned the advertising on on a Friday afternoon, and I left and went up to Lake Tahoe, skiing. I came back through Sacramento about four p.m. Sunday afternoon. I told myself I'd better look in some stores to see if there's anything going on. So I went into a couple of stores, and sure enough, the product was selling. But I didn't want to just leave it at two or three stores, so I went to another handful. The further I surveyed, the more excited I became, because this product was not just selling, but it was flying out of the stores.

Where it was on display, you could see a case and a half, two cases gone; where it was on the shelf, you could see two or three bottles gone. The store clerks would tell me that people had come in and asked for it by name. They couldn't pronounce it right, but they were asking for it by name. And I was really excited because it is unheard of, to get this kind of take in just a few days.

So I surveyed in Sacramento until they closed the last liquor store. I didn't leave Sacramento until midnight. I had to drive all the way to Modesto, so I didn't get to bed until about two o'clock. My notes were just handwritten, scrawled on scrap paper. I had visited at least thirty stores. Somehow I didn't

get to work on time. I normally got there about eight o'clock. I got there about quarter to nine that day. And there were messages all over my desk: Call Fenderson, call Fenderson.

I called him, and he said, "Ernest doesn't like this commercial. He's been watching it at home this weekend, and you've got to come down to the conference room." I didn't have enough sleep and I wasn't prepared. When I got there, they said, "We shouldn't run this commercial any more. It's just not right." I said, "Listen, I've been in stores." They said, "When were you in stores?" I said, "I was in stores last night. I was on my way back from skiing, and I went to a bunch of stores in Sacramento, and the product is selling." That got their attention!

They said, "It can't be selling after three days." I said, "It is." I started trying to give them the figures from memory, and I couldn't do it accurately. I said, "I'll be right back." I went reeling out of the room and brought back a crumpled up pile of notes. Such and such a store on Florin Road, six bottles of 750s and two bottles of 1.5 liters. And then such and such a store on Folsom Blvd. and so on. I had all the facts. Ernest said, "This is remarkable. I've never seen anything like this." I said, "Neither have I." I didn't have anywhere near the experience he had, but it was enough to persuade him to let the commercial keep running.

This was a Monday morning so the field salespeople hadn't been in any stores yet. By Wednesday they had been in the stores and seen what I saw, and positive reports were coming back from not just Sacramento but the other markets, too. Sales were so strong we went into full production and started rolling the product out nationally with network television advertising. The brand went from zero to three million cases overnight. And that was great fun.

Hicke: That was a great story. But I'm curious, did they have enough product to satisfy the demand?

Ciocca: Well, at first, they only made enough for test markets, so we had to order new supplies and get production lines running. It took a couple of months to get all geared up.

Hicke: Plus the grapes. You had to have the grapes.

Ciocca: It was red wine.

Hicke: Oh, okay, you already had the wine.

Ciocca: It was wine that we had in inventory.

Hicke: And how did you decide on the packaging?

Ciocca: I was responsible for the line of products that were called the Gallo Decanters at the time. It was French, German, and Italian style--vin rosé, a Rhinegarten, and chianti. We all thought it would be a natural extension to add on a Spanish counterpart. So it was my recommendation that we use the same bottle but with a Spanish label format. We developed a label which showed a glass pitcher full of red wine with oranges, lemons and limes in the wine.

After the Spañada success I became a group product manager at Gallo. But after about three years, I was given an opportunity to run a business back here in San Francisco.

Hicke: Can I stop you?

Ciocca: Sure.

Hicke: Because we didn't get the story of you being interviewed by Maher.

Ciocca: Oh. Ah! Yes. One of the reasons I decided to go to work for Gallo was because I really liked Dick Maher, whom I interviewed. He was going to be my group product manager. We sort of consummated the deal and shook hands, and I said, "Dick, I look forward to working with you but I want to take a vacation first. I need to take about three weeks off. I'll be back in three weeks." He said, "Well, that's okay. You can do that."

So I left on a trip I always wanted to go on. I told you I developed a travel lust early in life. I never had been to the far East, to the Orient, so I went on a trip to Southeast Asia, Japan and Hong Kong. When I came back, I went out to Modesto--it was Monday morning--reporting just as I had told him I would. There was no Dick Maher. He had resigned and went to Heublein. I remind him of that from time to time, when I see him.

Hicke: So who did you end up working for?

Ciocca: I worked for a fellow by the name of Bob Huntington, who was the group product manager responsible for Gallo Decanters--and several other brands.

Oroweat Baking Company: 1973-1974

Hicke: So is that about all for Gallo, do you think?

Ciocca: Yes. I got recruited away from Gallo to run a small division of a bread company in San Francisco. It was the Grocery Products division of Oroweat Baking Company. It was a hard decision to leave Gallo because there was a lot I liked about it. But I loved the idea of running my own show. I felt there was a lot of opportunity in this company, so I took the job, and it was a great job.

I was there for about a year, and things were going great. We had developed a lot of new products. The business had improved almost threefold, and I was very excited. I had found my niche.

Hicke: You told me a little bit about the company when we were off tape. Can you go into that, about how you thought it was farsighted?

Ciocca: Yes. Well, they were in the bread business, you deliver bread on route trucks to individual stores, fresh from the bakery to the stores each day. This of course is a very expensive delivery system. The owners were concerned that a lot of grocery chains wanted to buy things more efficiently, at lower cost. Buy direct and put it through their warehouse into their store.

So one of the purposes of this division I was running was to gain experience selling to chain warehouses as opposed to using route trucks to each retail store. There were a lot of products that we could make that you really couldn't sell through the fresh-delivery route but you could sell very effectively through this more economical, lower-cost system. I thought that was farsighted, and so that's what we did. We had a frozen sourdough bread, which did pretty well, and then we had a line of stone-ground cereals.

And we were right about this particular channel of distribution. It worked quite effectively, when supported with good packaging and good advertising and the right kind of promotional activities.

Hicke: That was your job?

Ciocca: That was my job, yes.

Hicke: Can you give me an example of just maybe one of the packages that you developed?

Ciocca: Yes. We wanted to sell a frozen San Francisco sourdough bread, so we named it Golden Gate, a good tie to San Francisco. The theory was--and it's not only theory--that you can make better sourdough bread in this city than you could make anywhere in the world. It has something to do with the climate and the fog and all that. It

sounds like mumbo-jumbo, but it really isn't. It's factually true. Other companies have tried it in other places and they just can't make it as well anywhere else.

So that was the product and the mystique that we were trying to sell. And, of course, we put it in a package that would withstand the freezer. To support the Golden Gate meaning, we had a wonderful graphic design of the arches on the Golden Gate Bridge. Then we even did a commercial that had fog horn and cable car sounds. It was very San Francisco-oriented. San Francisco has a lot of travelers, and people were aware of San Francisco sourdough bread. If you go to the airport, even today, you will see a lot of sourdough bread for sale.

Hicke: Isn't that amazing? They've got bread in one hand and wine in the other.

Ciocca: So through this channel we were able to get San Francisco sourdough bread to them at a reasonable price at their own local market. It was a very upscale product. It only sold in the best neighborhoods.

That's one example. We did a lot of others.

Hicke: Yes, that's good. San Francisco example. Okay.

III COCA-COLA BOTTLING COMPANY OF NEW YORK, 1974-1981

Joining the Company, 1974

Ciocca: I was happy at Oroweat, and I planned to stay for a long time, until I got a telephone call from a gentleman by the name of Bill Sullivan, who was executive vice president of Coca-Cola Bottling Co. of New York. Coke New York had just made their second acquisition in the wine business. They had owned Mogen David, but now--this is late 1973--they had just bought Franzia Winery. Franzia had been really riding high for the last couple of years. When Bill Sullivan called me and said he wanted to get together and talk about the prospect of me coming to work as vice president of marketing for Franzia, I said, "Bill, I'm very happy doing what I'm doing. I love what I'm doing, but even if I didn't, the last thing I would do is accept the job at Franzia because it's mission impossible."

He said, "What are you talking about?" I mean, this just took him by surprise. It blew him away. I said, "Well, for one thing, anybody that wants to compete with Ernest Gallo has got to be a masochist."

Hicke: [laughs]

Ciocca: "And secondly, the Franzia brand has got nothing but trouble ahead of it." He didn't know what I was talking about. "Could you elucidate, please?" I said, "Well, first of all, I don't have to tell you about Ernest Gallo. He's a tough competitor, and you can get that from plenty of other people. But as far as Franzia is concerned, they've been succeeding in a vacuum because they are the only major company with enough wine to sell in a market that is in short supply. As a result, they've been able to go around the country filling voids that Gallo and others have created by withdrawing products from the market or raising prices."

Hicke: Franzia had been buying grapes?

Ciocca: Well, it was a much smaller company, so when the shortage developed--I've forgotten whether it was a burn or a frost that caused it--they were Johnny on the spot. They went out the very next morning, and they started signing long-term grape contracts, and they just got a corner on the market. It was a brilliant supply strategy. But, of course, it was short-lived, because once supply normalized, Gallo and others got their fair share of the grapes. So a lot of the business that Franzia had garnered during that two-year period prior to 1973 couldn't be sustained. It was obvious to everybody in the industry.

Well, anyhow, this bowled over Bill Sullivan. He said, "Look, you've got to tell me more about it." He said, "Now you've got to come to dinner, just to educate me." He was a nice enough guy on the phone, and I said, "I'm really not doing anything tonight for dinner anyhow." So we met.

Hicke: Was he in San Francisco?

Ciocca: No, he was in New York. He was out here visiting.

Hicke: Yes, he was here in San Francisco when he called you.

Ciocca: You see, when Coke bought it from the Franzias, they thought the family was going to stay, but the sons--Joe and Fred and John--decided sometime in early '74 that they were going to go do their own things and they left. So the job that Bill was trying to fill was a job vacated by one of those fellows.

So anyhow, getting back to dinner, I did have dinner with him. He's a delightful guy. I told him the story. He said, "Thank you very much." And I said, "I enjoyed meeting you. It was a nice dinner." I said good-bye, never ever expecting to hear from him again. He went back, and told the fellow he worked for, Charlie Mallard. This upset Charlie so much he decided he wanted to meet me and hear my story firsthand. Somehow Bill persuaded me to meet with him.

Hicke: In New York?

Ciocca: I don't remember where it was that we met. It wasn't in New York. It was somewhere else. I had to be somewhere and they were going to be there, too. I wouldn't have done it except it turned out Charlie Mallard had gone to Holy Cross just two years before I did, so we had a common bond.

So we met. I told him the whole story. He was just as dumbfounded as Bill Sullivan was. One thing led to another, and they decided that the more I didn't want this job, the more they wanted me to take it. It was one of those things.

Hicke: Let me turn the tape over. Just a second.

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Ciocca: So by this time, I really liked Bill Sullivan. He was just a very nice man. He persuaded me to go to another dinner, and he brought up the job offer again. I've forgotten how he put it, but he said, "Look, this could be the job opportunity of a lifetime." I said, "What do you mean by that?" He suggested they were going to need someone to run the company pretty soon. Although he never made a promise in that regard, it was certainly clear that I would be in a strong position. Even though it was an opportunity of a lifetime, it was a risky one because the odds of making it work were quite high. I wasn't sure I could make it work.

I think one of the things that really persuaded me to take the job was the indefinable allure of this thing called wine. It's an extraordinary product. It's an extraordinary industry. In retrospect, this was the hardest decision I'd ever made, but it was clearly the best one.

Hicke: Can you elaborate on the unique attraction of wine?

Ciocca: It was such an elusive thing. To this day, I ask myself that all the time. I was playing golf with a guy a week ago, and when he learned I am in the wine business he almost stopped playing golf in order to discuss his cellar. He told me about his collection of 4,000 bottles and \$300,000 worth of inventory. He knows more about these wines than I do. And he just couldn't wait to tell me the next story. It's just a hobby for him. I don't know. I don't know the answer to your question. I don't know why wine holds such an allure for so many.

The wine business has got everything that any other business has got--it's got marketing and sales and production, plus it's got the agricultural dimension. I think the allure is somewhere in the relationship that you have with Mother Nature. It's not something that you can plan on. We don't know what next year is going to be like. It could be a plentiful year; it could be a short year. It could be a very good quality year; it could be a less than good quality year. It could be good by one variety and not good by another.

And the product itself, even once you get it made and into the bottle, it's still a living thing. It's complex in many ways.

Hicke: That's really good.

Risk-taking

Hicke: At some point I wanted to ask you about risk-taking, and we've actually got two elements of this now: the business side of it, but also, as you've just said, every year in the wine business is risk-taking. So what makes you a risk-taker?

Ciocca: [pauses] I think that to succeed to a high level with any brand or any company or in life in general, you have to take some risks. I like taking risks if they are well-calculated, well-thought-through risks. It's foolish to take risks that aren't well-calculated. If you don't know what you're doing and you're just sort of rolling the dice, like you would in Las Vegas. I mean, you go to Las Vegas, you know you're going to lose. If you play long enough, you're going to lose. That's stupid risk-taking.

I think entrepreneurs, by their very nature, are not just risk-takers; they are well-calculated risk-takers. Because, you see, without taking risks, you can't really see your ideas come into being. Entrepreneurs are also imaginative people. They're inventive. They're conceptual. Well, how do you get something from the concept stage to the marketplace, or the concept stage to practical reality without taking risks?

But there's also a belief, and a vision. You have a picture of how it's going to be. It doesn't always come out that way, but--

Hicke: A goal.

Ciocca: I think life would really be boring without taking risks. We take risks all the time.

Hicke: That's very helpful. You said before that an entrepreneur is born, for the most part. Did I get that right?

Ciocca: I believe that's the case. I think entrepreneurs are born, not made. I think certain people are very comfortable doing what they're doing. They don't want to venture out of the comfort zone. That's why you have so many people working for big companies--companies that are very protective and paternalistic.

And it's okay, because some people--it isn't for them. And I do believe that they are born, not made.

I think you can tell from someone's background, by the time they're twenty-five or thirty, whether they're made this way or not. I don't want to hold my background up as any kind of great example, but actually I traveled around the world when I was twenty-one; I drove across country to San Francisco; I moved from New York to San Francisco to start my career in business because the West was a new frontier--a better opportunity to make a mark than in the established environment of the East.

Hicke: And well thought out, probably.

Ciocca: Well, I hope so. Some of them weren't. But going back to the General Foods discussion about politics versus performance: the political managers at General Foods were afraid to risk failure on a given program because they thought it would be a black mark on their career. They knew if they just stuck it out for another year and a half, they'd get the next promotion, and in two more years they'd get another promotion. So they didn't want to take any chances.

Some of the ideas were probably bad ones. If all they were interested in was their own career, then they did the right thing. But if they're really interested in the brand, they would have taken that risk and been big enough to accept a failure if it failed. See, that's another thing. I think most entrepreneurs, real entrepreneurs, have already failed once or twice or more times. It's very interesting to see these kids down in Silicon Valley. A lot of them don't make it the first time around. There are a lot of successful people down there that have done very, very well, but they didn't do it on their first try. Sometimes some of them didn't do it on their second or third try. They just kept at it until it worked.

Hicke: I think Jack London sent out his manuscripts thirty-nine or forty times before they were accepted.

Ciocca: Yes.

Hicke: So persistence is an attribute also in risk-taking maybe. Okay.

History of Franzia Winery

Theresa Franzia, Entrepreneur

Hicke: Before we get into your job, can you tell me a little bit about the history of the winery itself? You alluded to your wife's grandfather.

Ciocca: That's a wonderful story. Giuseppe Franzia came here around the turn of the century. He worked in the Bay Area as a truck farmer, growing vegetables and selling them off the back of a truck. Managed to save enough money up. Moved out to the Central Valley. I think Morada, where he rented a small farm. I don't know what he was growing. That's when he decided it was time to get married and have a family, so he sent back to Italy for a wife. The girl who was supposed to come got cold feet at the last minute and her friend came instead.

Theresa Carrera arrived in San Francisco sometime around the turn of the century--a few years after the gold rush days.

Hicke: Talk about risk-taking.

Ciocca: She stepped off the ship and met Giusseppe Franzia, the man she had arranged to marry. They were Catholic, and so she couldn't go with him out to the Valley until they were married. Well, the priest wouldn't marry them because he didn't have enough time to publish the banns of matrimony.

Hicke: It takes three weeks, I think.

Ciocca: Yes. Well, anyhow, it took a ten-dollar bribe in lieu of three weeks. [laughter]

Hicke: That was great.

Ciocca: He didn't have enough money for a hotel so they boarded the ferry to Oakland and took Giuseppe's horse and carriage back to the Central Valley.

Hicke: He had come down to meet her, her ship and all that?

Ciocca: Yes. So he paid this priest the ten dollars. He waived the banns, married them, and off they went to the Central Valley. And then he somehow saved enough money to buy another eighty acres, right on the site where the winery is today. And it was prime growing land. It's still got the best soil. We planted grapes

there in 1996, and in one year they were three feet high. Best soil, best water, best everything. He had a natural eye for good agricultural land.

It was very similar to what he had back in Italy, so he knew it when he found it. They grew grapes there, which were boxed up, loaded on rail cars at Simm's Station, shipped East and sold to immigrant Italian families for home wine-making.

I think they did most of their business in Chicago and New York. That's where all the Italian immigrants were. For a number of years this was reasonably profitable. At the time Chicago was a pretty rough-and-tumble town, and it was Mafia-dominated. Grapes are a perishable commodity, and the Mafia knew if they delayed them from market they could extort money from the owners.

It became more and more difficult to sell grapes profitably in Chicago. So when Prohibition ended, the natural solution was to make wine in order to extend the life of this perishable commodity. During Prohibition one family could only make 200 gallons of wine per year. I imagine not all winemakers stopped at that.

Hicke: The statute of limitations has run out now. [laughs]

Ciocca: Yes. I don't know for sure what the Franzias did. We can only speculate. But anyhow, when Prohibition ended in 1933, Giuseppe was back in Italy. Theresa saw the end of Prohibition as a fabulous opportunity. She had five sons and two daughters and she was clearly the matriarch of the family. She was also a gracious hostess who regularly entertained many of the old pioneers of the wine industry as well as many of the early pioneers of the industry.

Among them were Ernest Gallo, Charlie Rossi, Julio Gallo, Abe Buchman. Another frequent visitor was A. P. Giannini, head of the Bank of America. So when Prohibition ended she rode via horse wagon into San Francisco, marched up to the Bank of Italy, which subsequently became the Bank of America, and met with A. P. Giannini. She borrowed \$10,000, promising the family farm as collateral. She used five of it to start the Franzia Winery and she gave the other five thousand dollars to Ernest Gallo, who had just married her daughter, Amelia. That was the seed money that started two of America's biggest wineries.

Hicke: She's a formidable figure.

Ciocca: Oh, yes. So she was the driving force behind the entire business. It was not only her idea, but she did a lot of the physical work,

especially in the early years. She worked in the winery herself--in bottling. She also worked in the vineyards. She gave birth to my wife's father while she was working in a vineyard. Delivered this baby and kept working, they say.

She used to put the infants in dresser drawers lined with blankets in lieu of a crib. They didn't have a crib. That was where the kids slept. She worked in the fields, she made wine, she bottled wine. Did everything. She was clearly the driving force. She was four-foot-ten inches. She was a little woman.

Hicke: Did you meet her?

Ciocca: I never met her, no. I would give anything to have met her.

Hicke: That's a great story.

Ciocca: We're in the process of trying to capture that story. We've interviewed a lot of people.

Hicke: Oh, great!

Ciocca: It's a great story. She was the one of the first lady entrepreneurs--ever.

Hicke: Oh, that's so good to hear. That really is great.

Well, it's getting on toward eleven. Maybe we're at a stopping point, or what do you think?

Ciocca: If this is a good place for you, this is a good place for me.

Hicke: Well, what we'll do is start up again with what you started here with responsibilities and taking over the Franzia Winery.

Evolution of the Winery ##

[Interview 2: November 11, 1999]

Hicke: I think a good place to start this morning would be to continue on with the history of the Franzia Winery operation and how that evolved from grape growing into what it is today.

Ciocca: Just to re-cap, back in the thirties Franzia was not a winery but a vineyard. They grew grapes, packed them up in shipping boxes, brought them down to a local railroad station, and shipped them

back to eastern markets such as Chicago and New York, where they were sold largely to immigrant families, who would make them into wine for home use. When Prohibition ended in 1933, at Theresa's urging the family built the winery.

She literally laid a lot of the bricks in that winery with her own bare hands, and after it was built she helped make the wine. She was an extraordinary woman.

In the early days the wine was sold in bulk. As time went by, they built a bottling facility and were able to bottle wine. The wine industry was a very competitive business in those days, and selling a commodity, wine, even in bottles wasn't very profitable. It was clear, as time went by, that they needed to build a brand that had loyalty and could command a little bit more in price. That had happened to some extent by, I'd say, about 1970. Then, in the early seventies there was a very, very short crop. The minute that crop appeared to be short, the Franzia family went out and signed a lot of long-term grape contracts, which gave them a disproportionately high share of grapes, as compared to their competition.

They used their grape supply edge to grow a share of market during the early seventies. They grew it at an astounding rate. I was at Gallo at the time, and we could see the numbers going through the roof. It was a gloomy time at Gallo, because Gallo didn't have enough grapes to make enough wine to satisfy demand and had to raise prices or literally withdraw from certain markets. Franzia took over these markets simply by default.

Coke New York, which acquired Mogen David in the very early seventies, learned a little bit about wine and seemed to like what they saw. They wanted to expand. Franzia looked like a very, very attractive company to them, particularly given the fact that it had grown so rapidly in the last couple of years.

So in 1973 they completed the acquisition of Franzia--there may have been sort of an interim holder; I'm not exactly sure how this went--at one point in time, Marks & Lufkin bought I think 60 percent of the winery from three of the five Franzia brothers, who were all equal partners. And then I think in 1973 Coke New York came along and purchased the 60 percent from Marks & Lufkin, and then bought out the remaining two brothers, Joe and John.

Vice President of Marketing, 1974, then President and CEO, 1975

Ciocca: It was in 1974 that I was approached to become the vice president of marketing. I haven't told you any of this?

Hicke: You told me about the meetings and about how they persuaded you to do this.

Ciocca: Okay. So we're current up to that point.

Hicke: Yes, that's where we got to. And then I stopped you to go back to the history. So when you took over, I believe you said they wanted you to take the place of Joe and John, who had left to form Bronco.

Ciocca: Actually, what had happened is Joe and John had a contract that allowed them to stay, but their sons were really running the winery. Fred and Joe Jr. and John Jr. were the three sons, but for some reason in early 1974 they all left and went on to start their own operation.

Hicke: That was Bronco?

Ciocca: That was Bronco. That is part of the void that I was trying to fill. Anyhow, I told you how I got persuaded to go. I arrived in April of 1974, and the situation was as bad as I told Bill Sullivan it was, and much, much worse.

Hicke: Can you elaborate on that a little bit?

Ciocca: Well, yes. One barometer for problems was the telephone. I remember sitting in my office when nine out of every ten telephone calls had bad news--not just bad news but extremely bad news. For example, one call would say, "We just lost distribution in Safeway." Another one might say, "Our best sales manager resigned." Another one might say, "Our biggest customer can't pay us any more." And things just kept getting worse. The organization was demotivated; we were losing business across the country; we had product problems everywhere. We had far too many grapes, and a huge facility with too little volume to cover our overhead.

Hicke: I have to interrupt you again, if you'll excuse me. How did Franzia get from the position that they had held with the big supply of grapes to the conditions you're describing now?

Ciocca: Well, it in fact was that big supply of grapes that caused the problem. It was wonderful to have extra grapes when the overall

grape market was short, but when the overall market had surplus grapes--it was a liability. Remember, Franzia's grape contracts were signed at very high prices. When the overall market became oversupplied, grape prices plummeted, leaving Franzia's acquisition cost above competitors'. Then as the selling prices of Franzia wines were forced down by competitive pressures, profit margins became nonexistent.

The problem was that Franzia wasn't a strong brand, it was more of a commodity, and the commodity just simply couldn't withstand the downward price pressure caused by excess grapes. Everyone knew the solution was to build brand loyalty, but that takes time and money. We were in a mode where we had to turn this thing around--and we had neither time nor money!

We needed to cut costs, and streamline production. We converted all nonessential assets into cash. We just sold them. But that wasn't enough, because volume had shrunk so much that we needed throughput to cover overhead. We needed increased revenues. It was a very bleak situation.

Fortunately, Coke New York was a committed banker. No other banker would have stayed with us during this period of time, because in the first year that I was president, 1975, the company lost \$4 million on revenues of less than \$20 million. Coke New York had no choice. They couldn't call our loan. They had no choice, so they had to fund us. But they really didn't provide any industry know-how or any solutions to our problems, other than providing cash. We had to live by our wit and get innovative and find ways to use our equipment and know-how to do things for other people to solve their problems.

Hicke: What kind of shape was the equipment in?

Ciocca: It was in good shape. The plant and equipment were in good shape. A lot of it was very new. It was also very expensive. That compounded the problem. Not only was Coke New York not making any money, but they were far, far from getting a return on the expensive price they paid. So we went to work, and we figured out ways to solve problems for others using our fine facility. We processed grapes for growers and we made wine for other wineries. We bottled wine for others. There was no business proposition, no matter how small, we wouldn't consider.

Hicke: These are other than the grapes that you had contracts for?

Ciocca: We processed grapes that were contracted for us into wine for other wineries and we processed growers' grapes into wine for the account of those growers.

Hicke: So you really took advantage of this plant and equipment?

Ciocca: Well, we had to. We had so much overhead. It was either that or start laying off people. Without people, we knew we didn't have much of a future. So yes, we had to get throughput at all costs, even at a small loss. We sold some wine at a loss, just to move it through. We sold some of our grapes as grapes, and we even got into a contractual situation where we bottled wine for other wineries.

Hicke: Can you give me some clues as to who you bottled for?

Ciocca: Sure. We used the Franzia facility to bottle wine under the Taylor label for the Coca-Cola Company, who had just recently purchased Taylor. We did the same thing for Anheuser Busch. We bottled wine coolers for them when they were lured into the wine (cooler) business for defensive reasons.

Anyhow, the combination of all these things stopped the bleeding, and in 1976 I think we just had a small loss. In '77 we made a reasonable profit but still no return on the huge investment that Coke New York had. It was still another couple of years before we got it to the point where the company was making a reasonable return on investment.

Hicke: That's pretty amazing. That's a relatively short time for such a big turnaround.

Ciocca: It seemed like a long time.

Hicke: [laughs]

Ciocca: It seemed like a long time because all of us worked at least ten to twelve hours a day, sometimes seven days a week. It really was a long time.

Hicke: Can you tell me some of the other people who helped out?

Ciocca: Yes. My partners at the time and for several years to follow were Lou Quaccia, our winemaker; Morris Ball, our vineyardist; Lyman Bates, our chief financial officer, who later went on to take over operations as well; Lynn McShane, our vice president-sales; and Steve Hughes, who was also in the sales area.

Hicke: Thank you.

Ciocca: In 1978--you know, Coke New York had two divisions: Mogen David and Franzia. After they bought Franzia, somehow they got a Federal Trade Commission suit, alleging anti-competitive

practices. It seemed to be a little ludicrous, considering the sorry state of affairs that we were in! But the suit took a long time and a lot of money. We fought it and finally prevailed in 1977 or 1978, at which time the FTC dismissed the suit, and allowed the two companies to merge.

Hicke: You mentioned before that this was an antitrust suit and what they were doing was trying to prevent the company from merging these two wines, these two labels, is that correct?

Ciocca: Yes, that's correct. So when they won the lawsuit, they did put the two companies together, under the direction and leadership of my team and I.

Hicke: So then you were responsible for Mogen David.

Ciocca: Yes, yes.

Hicke: And that's in New York?

Ciocca: It was very interesting. It was in Chicago and New York. Bet you didn't know there was ever a winery in Chicago.

Hicke: No [laughs]. But Chicago has everything else. I'm not too surprised.

Ciocca: Actually, there were two of them in Chicago. Mogen David had three facilities, two in Chicago and one in upstate New York. One of the first things that we did was examine some of the really difficult union situations that the company faced in Chicago. The work force was almost impossible. And even though the facility was reasonably good, we wound up closing the Chicago facility and moving everything to upstate New York, which is a much more friendly environment for a wine company. Of course, it was right next-door to all of our grapes. You know, those Concord grapes come from upstate New York and from the western part of Pennsylvania.

Hicke: What kind of shape was Mogen David in financially?

Ciocca: It actually was in good shape. The business was declining, but it was a business with a huge amount of potential. We stopped doing some of the crazy things they were doing and got focused on the brand and got it stabilized. Even today it's a solid brand. It's not a growing brand, but it's a brand that's got a solid franchise.

Hicke: What crazy things were they doing?

Ciocca: Well, they weren't focussed on the core business. They were operating very inefficiently and running up very high expenses. They were importing Italian wines, and they were trying to invent new products that were made out of Concord grapes. There just isn't a huge market for that kind of taste. They just had too many facilities and too many people. The two wineries in Chicago were connected by an underground pipe that went, I think, twelve city blocks. They used to pump wine through the pipes. Very little of what we saw when we took it over made good common sense --especially to a team that had to be frugal to survive.

Hicke: [laughs]

Ciocca: A huge problem was the union. Management had caved in to them repeatedly. They were impossible, just impossible to deal with. They were demanding huge wages for little to no work. There were flagrant violations within the two plants, not the least of which was a huge drug problem.

Hicke: There was no union problem in New York?

Ciocca: No, no. It was unionized but--

Hicke: Different union?

Ciocca: The people were good. The people were solid citizens of this world. They were not out to get a free lunch like the ones in Chicago.

Hicke: Back to Chicago politics again, from the early days when Theresa was shipping.

Do you still have Mogen David?

Ciocca: Yes, it's still part of our company.

Hicke: And you said it's a kosher wine.

Ciocca: It's a kosher wine.

Hicke: Is that the main marketing feature?

Ciocca: Well, it's got quite an unusual taste. It's got that very rich Concord character, sort of like Welch's grape juice. Yes, it is kosher for Passover, and a lot of it is consumed during the Jewish holidays.

Hicke: Okay, back to Franzia.

IV THE WINE GROUP: 1981 TO PRESENT

Coke Sells Wine Businesses to Ciocca and His Management Team

Ciocca: Well, I think the next big event was Coke New York deciding to sell their wine operation, unbeknownst to me.

Hicke: That seems unusual.

Ciocca: Yes. Coke New York had made so many acquisitions that diverted their attention away from selling soft drinks in the New York metropolitan area, an area that accounts for 10 percent of the population of the U.S. The Coca-Cola Company in Atlanta had had enough and basically said they were going to take away Coke New York's franchise if they didn't stop losing share to Pepsi in metro New York, their biggest market.

So the board of directors at Coke New York decided to jettison all ancillary businesses. Wine was one. So they hired an investment banker, who was peddling Franzia up and down the streets of the big cities of this world. It didn't take very long for the rumors to get to our people, and of course have a devastating effect. I mean, here we had been working--ten hours a day, sometimes seven days a week--we had made huge progress, we thought, we had been told we had made great progress, and the financials verified that. And then, without any word whatsoever, to pick up this rumor was devastating. It was just devastating.

Hicke: Are we about in 1980 now?

Ciocca: This would have been about--yes, this would have been probably in 1980, yes. It really upset me. I invited myself back to a board meeting in New York, and I still remember sitting on the airplane. I seemed to get more and more upset every mile closer to New York I got. When I got to the board meeting, I just couldn't contain myself. I told the board that if they wanted to sell this company, that's certainly their prerogative. Whatever they wanted

to do was fine, but the way they were going about it ran a very high risk of destroying their investment.

They said, "What do you mean?" I said, "Listen, we have a huge morale problem as a result of this situation." I said, "If you want to sell it, at least bring me into the loop and let me help you do it and let me manage the process with our people. You have a much better chance of succeeding."

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Ciocca: I don't remember exactly how the conversation went, but a couple of directors made remarks to the effect that, well, you can never make any money in the wine business; you can't do this, you can't do that. I just said, "Listen, this is a good company. It's come a long way. It's got a huge opportunity in the future. And if you don't want it, I'll buy it." And those words literally came out of my mouth without any forethought, and certainly without the financial ability to back up what I was saying.

But it did have the terrific benefit of stopping the meeting dead in its tracks. People asked me a few questions about how I would do it, which I didn't answer. I was finally dismissed. I immediately flew back to San Francisco, and I immediately went to see my friend, Bob Smelick, who was running the western United States for First Boston. I told him of my situation, and he said he didn't think First Boston could help. I said, "Bob, you just simply have to help. You just simply have to help. Or put me in touch with someone who can."

And Bob did. He introduced me to a number of people in San Francisco. But I really wanted to do it with somebody that I knew and had confidence in and trusted. I had made up my mind I wanted to do it with Bob. So I persuaded him to at least make an introduction to his people in New York. He did. I flew back and explained the situation to them. They said, "Well, we've never done a leveraged buy-out."

Hicke: Not very many other people had either.

Ciocca: No, they weren't done at the time. And that's exactly what the people in New York told me. They said, "This is something that's just sort of coming into vogue in the investment banking community. We have never done one. And, by the way, what you're talking about is far too small for us." They were doing billion-dollar deals even in those days. So I thought about it, and finally said, "Listen, if you've never done one and they're really coming into vogue and this is a small one, why don't you cut your teeth on this deal?" They agreed.

So I flew back home. They gave me a lot of questions to answer, an outline of things to provide for them. I got together with Lynn Bates, our chief financial officer, and within about a week we had pulled together most of the facts. I made an appointment and flew back to New York again. Curiously enough, when I was in their office in New York, the fellow I worked for called my California office looking for me.

Hicke: The person at Coke?

Ciocca: The person at Coke. It was Bill Sullivan. I wasn't trying to hide anything, but I also hadn't been given a total green light on conducting my own LBO [leveraged buy-out], I was just sort of proceeding on my own. He said, "Well, where is Ciocca?" My secretary said, "Well, he's at First Boston in New York." That was a shock to him. Needless to say, the telephone at First Boston in New York rang shortly thereafter, and I was invited to go across the river to corporate headquarters in New Jersey.

When I got there, I was met by the chairman and executive vice president and the corporate counsel, who issued a grave warning to me. They were careful not to tell me I couldn't do it, but they were equally careful--I think for my sake and for theirs and for everyone's--to suggest that I had a very delicate mine field to negotiate through because, as they explained, I had to wear three conflicting hats.

They said, "You are not only president of Franzia. You are a vice president of Coca-Cola Bottling Company of New York, and as such you have a fiduciary responsibility to us and to our stockholders." They said, "You can try and put your own leveraged buy-out together, but you have to first discharge your responsibilities to us." And then they said, "And there have already been inquiries from others who would like to buy this company as well, and you absolutely must make a full disclosure with them"--

Hicke: As president of Franzia.

Ciocca: Yes, yes, yes. You know, you have to take off your LBO hat and deal with other prospective buyers as president of Franzia, that's right. And that was a little unnerving to me, to be perfectly honest.

Hicke: Understandably.

Ciocca: But we proceeded nevertheless. It was an agonizing seven months. It took seven months from the time of that board meeting to finally conclude the transaction. If we worked hard to turn the

company around, we worked even harder to make this transaction work. And we were fortunate. It was great that we had an opportunity to do this way before any of the books had been written on leveraged buy-outs--before the investment bankers formularized the process.

We were blessed by not knowing what we didn't know.

Hicke: [laughs] I don't believe it.

Ciocca: Because we didn't know we couldn't do it, we did it. For example, in one of our late-night strategy sessions, my good friend and advisor, Bill Jesse, asked, "What do you want to accomplish? What are your objectives?" I said, "Bill, I don't know. I want to avoid all the politics and political agendas that we've had to deal with for the last six or seven years." I said, "We built this thing up, and now somebody is pulling the rug out from under us. I don't want to have that happen again."

He said, "Well, in order to protect against that, you've got to have control." I said, "Good. Write it down. Put 'control' down as our first objective." I said, "How do you do that?" He said, "Well, you have to have more than 50 percent of the company." I said, "Good. Put that down as an objective." And that's actually what happened--my management team and I structured the transaction so that we got 51 percent of the company. Unheard of. You couldn't do it today because investment bankers have a formula that allocates 10 percent to management.

Hicke: Oh, yes?

Ciocca: And then we gave the Metropolitan Life Insurance [Company] 40 percent of the company, and let First Boston in for the balance. I had learned from some of my advisors in the Young Presidents Organization, who had been through similar situations--not LBOs but financial transactions with large companies--that when you get into the eleventh hour, companies like the Met try to stretch out and encroach upon other people's share of equity.

So we came up with a fairly ingenious scheme to avoid this. We told First Boston, who was our banker, that we wanted to protect against this, and they said, "Aw, it's going to be okay." We said, "Okay, if you think it's going to be okay, then here's how we're going to structure it. We are going to have 50.1 percent."

Hicke: Fifty point one.

Ciocca: Fifty point one. That was just a little bit over 50 percent. And we brought the Met in for 40 percent, but the Met was at the other end from us. Then the slice in the middle was earmarked for First Boston, 9.9 percent in the middle. We said to First Boston, "If you don't think they're going to spread their wings in the eleventh hour, when we don't have any other alternatives, then here's the way it's going to work: If they reach out to 41 percent, you go down to 8.9; if they reach out to 45 percent, you go down to 4.9. And they don't encroach upon any of our 50.1 percent until you're completely out of the picture."

Well, guess what. Not one single percentage point came out of First Boston, and the structure stayed intact as planned. First Boston was able to fend them off in order to protect their own stake.

Hicke: Let me ask a little bit more about that. First of all, how did you get First Boston to agree to this?

Ciocca: First Boston wanted about 10 percent for doing the transaction.

Hicke: Okay. And they in fact were strong enough that they could keep the Met contained?

Ciocca: They were.

Hicke: But perhaps you and your partners might not have been?

Ciocca: We wouldn't have been. We wouldn't have been because this transaction was a very complex transaction--not so much ours, but Coke New York was consummating three transactions at midnight on a particular day. If ours didn't close, they wouldn't have the money to do theirs, and the whole thing would have fallen out of bed. So we knew we would be very vulnerable if we got to the eleventh hour without a strong ally whose interest was aligned with ours.

Hicke: Can I interrupt you again?

Ciocca: Please.

Hicke: Were there any particular difficulties when you had to wear these three hats? I mean, would somebody come around to the winery that was interested in buying it and ask you to look around? What kinds of things might have happened?

Ciocca: Yes, we had people call and ask for information. We had competitive companies that were interested in buying it come and want to see our books. And it was very difficult. We didn't have

to show them what we were doing, but we had to give them all the facts. It was very traumatic. Some of these people would not have been--they might have been able to offer a very good price for this company, but they would have wanted to consolidate it into their wine operation. They would have fired a lot of our people and destroyed a lot of what we had built. So it was very traumatic to have to deal with some of our competitors.

Hicke: Yes. I should think not only in early days but at that point you had stopped answering the telephone.

Ciocca: Well, no, we couldn't do that.

Hicke: That's what they had told you, I guess.

Ciocca: Yes. I had one situation where--I'm not even sure--I won't mention the name of the company, but they showed up at our winery, unannounced. I really didn't want to welcome them, so we kept them waiting out there for a long time! I thought the people in New York were just going to climb through the phone, they were so upset over that.

Hicke: They heard about it afterwards?

Ciocca: No, no. They heard about it at the time. Coke New York was trying to get the highest price, and they had every right to, but we always debated whether some of these people were serious or whether they were just shells to get us to pay more!

Hicke: Did you have to enter a bid?

Ciocca: Oh, we did. We did have to enter a bid.

Hicke: And were there competitive bids?

Ciocca: There were.

Hicke: And how was that sorted out? Did they take the highest one? Did you know what other people were bidding? Was it closed?

Ciocca: I wanted to stay out of that, and I had an obligation to stay out of that. It was not my position to evaluate bids.

Hicke: Who did that?

Ciocca: That was done at the board level, at Coke New York.

Hicke: But who entered the bid for your group?

Ciocca: Oh, First Boston.

Hicke: First Boston. And did they know what other people were bidding?

Ciocca: Oh, no. Oh, no. It was all a blind bid.

Hicke: So at some point there was somebody who opened the envelope and said, "The winner is...?"

Ciocca: Yes. I don't think they all came in concurrently. I think they might get one Monday and another the next and another the next, but they did it all within a few days' time.

Hicke: And did you have an opportunity to up the bid if you had been outbid?

Ciocca: Sure, we did.

Hicke: Okay, that's what I wanted to know.

Ciocca: Here's how we got an opportunity to raise our price: I got a telephone call that said--didn't tell me what any of the other bids were, but it said, "If you're really serious about this, you need to come up with a couple of more million dollars."

Hicke: [laughs] Or write another check.

Ciocca: So we did. We did. But it wasn't easy. The transaction was so highly leveraged that we developed a debt instrument that we didn't have to pay for a long time, but it made the transaction look like more than it was. I think it was a couple of million dollars, but we didn't have to pay it for quite a long period of time. The agreement was that we wouldn't have to pay it until our balance sheet was stronger.

They negotiated hard with us. And that was fair. We didn't mind that.

Hicke: Did you have trouble sleeping that week?

Ciocca: I had trouble sleeping that whole seven months.

Hicke: I can well believe it. Really agonizing, I should think. Now, somewhere along there came the day that you found out that you had gotten--and you haven't told me yet who your other partners were, unless they were the same--

Ciocca: Oh, they were the same fellows that I mentioned before. We all mortgaged most everything we had to provide the cash to put under

this transaction, so we had not only our hearts and souls but our pocketbooks in this. It closed on August 24th, 1981.

Hicke: How'd you find out? Somebody called from Coke?

Ciocca: Somebody called from Coke. Well, actually, we found out the week before that--we might have found out two weeks before, but the transaction didn't close until the 24th. We had to do all this paperwork. Spent the next week, the week up to August 24th, in lawyers' offices in New York.

Hicke: Oh, great.

Ciocca: Yes, it was really no fun.

Making it Work--Importance of Quality and Long-term Outlook

Hicke: Well, now you couldn't sleep anymore, either, because now you had more responsibility.

Ciocca: In a way making this highly leveraged company work was a lot easier than making the transaction work, and it was a lot easier than working for Coke New York. Coke New York was not doing that well, so every quarter they would call up and say, "Can you squeeze out"--this was after we started making money--"Can you squeeze out another three or four hundred thousand dollars?" They needed it to make their earnings.

So we kept being forced to make decisions that were really not good for the long term in order to generate short-term profit to help them make their earnings. People are smart. I don't care whether they're working on bottling lines or picking grapes. They see these short-term moves being made, and they say, "Look, if this is a short-term oriented company, I'll be short-term in my approach to it." I didn't realize at the time how damaging this approach was to our business.

But making this leveraged company work was really easy compared to what we had been through as a division of Coke New York and it was certainly easier than doing the leveraged buy-out. First of all, we were unencumbered by politics. Our mission was clear. We knew we had to build a brand and even though we were highly leveraged and didn't have any room for mistakes, our new environment was more refreshing and more fun. As a result we got a lot more out of the organization.

There's an example that sort of sums this thing up better than all of my words. When we were a division of Coke New York--in winemaking, particularly with a complex facility, you make mistakes. Every once in a while we'd have a bad lot of wine. It wouldn't be that it tasted bad, but it might have a little tartrate precipitant in the bottom of the bottle, let's say. The glass is green, and you really couldn't tell. But when you finally pour the last few drops out, there would be a little crystalline sediment.

We always agonized over these things when they happened. What are we going to do? Should we destroy it and take a several-hundred-thousand-dollar write off? Or should we ship it and keep our fingers crossed. If it was a big number, I would always consult with New York. "Listen, we have a \$300,000 problem. What do you want to do?" And they'd always say, "Ship it." Which was awful.

Well, sure enough, here we are, about three or four months into this new company under our own ownership, and Lou Quaccia called me and said, "Listen, we've got a problem with some vermouth." And I started through the same old routine, the way I had done before. I said, "Well, Lou, how bad is it?" He said, "Well, it's not too bad." I said, "Could we get away with it and ship it?" And he said, "Yeah, we could." I hung up the phone, and I sat there, and I felt sick to my stomach. I called him back and I said, "Damn it, Lou, we didn't buy this company to make compromises. I think we should dump that wine." He said, "I agree."

Well, it was a big number. I don't know exactly what it was. It was about a \$300,000 hit. It takes a long time to--and you can't just sort of sneak out at midnight and break all these bottles and pour them down the drain. I mean, it's a huge undertaking to destroy all this wine. And so here we were, out there in broad daylight smashing hundreds of cases of wine. In retrospect it's the best thing we ever did because it turned around people's attitude from the sort of sloppy public company mentality to a company that really cared.

What happened is that the tom-toms [drumming on the table]--you know, the underground commentators network went to work, and the message that it communicated to all corners of the company was these guys are serious about this thing. Maybe we better get serious, too. And you could almost see a turnaround from that moment on. If we had known what a great example it would be, the decision to destroy the wine would have been a lot easier.

- Hicke: I think you just put your finger on something that I hadn't actually heard articulated before, and that is that short-term in the wine industry is not a good idea.
- Ciocca: No. No, no, no, no. That's why all the big public companies that have tried this business have failed. Every single one of them.
- Hicke: That's very interesting.

Bag-In-A-Box--A Crucial Innovation

- Ciocca: There were a lot of things that went into making the Franzia Winetap work. We knew from the outset we'd have to build a brand. The first piece of really bad news came right after we got disassociated with Coke New York. Our glass supplier, Owens-Illinois, came to us, and said, "You are no longer a division of a national company. We are going to take away your national discount." That was a big deal, because it was the only thing that offered a semblance of ability to compete with Gallo and with our other competitor. Both were backward integrated into glass manufacturing. Gallo had their own glass plant, and Heublein had their own in Madera. So they had a huge cost advantage just in glass.

This disadvantaged us to the point where we couldn't compete in large sizes--three and four liters. At first I resented it. What I had to say to the people at Owens was not repeatable. But we soon figured out that we had to solve the problem, and in retrospect it's the best thing that ever happened because necessity is the mother of invention. We had seen this Australian concept before this line of bag in a box. We knew we had to do something to level the playing field, to just get on an even keel with Gallo and Heublein.

So we started pioneering the winetap concept under the Franzia brand name. It was actually on the market prior to LBO, but volume was small. We learned enough from this to get a sense of the potential and to develop a plan that eliminated our disadvantage and provided Franzia with a competitive advantage. It took about five years, until the mid-eighties, to establish it in the market.

- Hicke: Can you tell me more about how you got into that?

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Ciocca: We knew from our marketing background that it really pays to be the first with a new concept in the minds of consumers. Jack Trout, quite a famous marketing guru, calls it the law of leadership. We decided to be firstest with the mostest with the winetap concept. Our every move was calculated to be innovative and to be first. We were the first wine ever to sell anything in a five-liter size. Competition had three and four liter bottles only--we introduced our product in a five-liter size.

We also turned necessity into an invention with grapes. Grenache grapes were a huge problem for us because we were committed to twenty-year contracts at high prices and we didn't need the pink wine they produced. One of our winemakers developed a technique for making them into a white wine which we called White Grenache. White Zinfandel was starting to sell well and White Grenache followed suit. We had invented a whole new wine type. It was another first for Franzia.

And then we made sure we were the first ones ever to put a White Zinfandel in a large size. We were first to put Cabernet [Sauvignon] in a large size, and then Chardonnay a few years later, and a few years after that, Merlot. We were the first ever to advertise winetaps on television. We did that in 1995. As a result of all these things, and a lot of hard work, Franzia is today the number one brand in the U.S. and probably in the world. It has been in that position for over six years.

As we sit here today, one out of every seven glasses of wine that are consumed in America come from the Franzia Winetap.

Hicke: Winetap? That's the box?

Ciocca: Yes. And we think that would have made Theresa proud.

The Wine Group is Named

Hicke: Yes, for sure. How did you pick out the name for your company?

Ciocca: The Wine Group?

Hicke: Yes.

Ciocca: We were known in the trade as the Wine Group of Coke New York, so we felt we had trade equity, and all we did when we concluded the leveraged buyout was change it from the Wine Group of Coke New York to the Wine Group Inc.

Hicke: Okay.

The 20/20 Wine Cooler

Ciocca: The Franzia success was important in the overall scheme of things, and it's very important today, but in the early eighties we were still investing, and although it was profitable, it wasn't really what got our balance sheet restored. A huge phenomenon swept the industry in the eighties. California Cooler started the cooler rage that drove the category to as high as forty million cases of sales. We first participated in the wine cooler rage with a line of flavored Champagne introduced in 1982. We made a Mimosa, an orange-flavored Champagne. Then we made a Kir Royale. They were both industry firsts and generated profits that were important to us at the time.

We were motivated by our success there and quickly decided to introduce a cooler but one that was different in form from California Cooler. California Cooler was a sort of lemonade and wine mixed together. And it was kind of cloudy in color. We developed a much better-tasting product that was made out of orange juice. It was orange in color, and we packaged it in a clear bottle. We introduced it in 1983 and it just [snaps his fingers] took off. It went from zero to two million cases almost overnight.

Hicke: What was the name of it?

Ciocca: It was called 20/20 Wine Cooler. I'll never forget Mike Mondavi invited me to go to one of his Les Amis du Vin dinners. We were sitting there with our tuxedos on, having an elegant meal. Mike Moon and others were extolling the virtues of the premium wine business and swirling around fine glasses of Cabernet, which were out of this world. Nevertheless, all I could think about during that entire dinner was the fact that this very day we had shipped 100,000 cases of wine coolers at five dollars a case profit to the company. I really couldn't get too excited about that wonderful glass of Cabernet I was having at the time.

Hicke: [laughs]

Ciocca: It was just such a great feeling to know we had a product that virtually assured the success of our new company. I will never forget it. I did have the common sense not to mention our wine cooler success to anybody at that dinner that night.

Hicke: Who was coming up with these ideas for the different kinds of wine?

Ciocca: Well, it was mostly me. That's what I do and did for this company more than anything. If you ask me about production or grape growing, I couldn't really help you much. My background was marketing, and that's what I like to do. It was fun.

Hicke: Did you do this by trying to think what the demand might be, or did you approach it from the other end by trying to think what you might be able to do that you might create a demand for?

Ciocca: We always approached from what the marketplace wanted--we were very in tune with the marketplace. We had our fingers on the pulse of everything that was going on out there, and we tracked what was going on with California Cooler. We followed their movements day and night, and knew this was a huge opportunity. We knew their product was poor. We knew we could make a better one. We needed to make a better one that had a point of difference that could be communicated at point-of-purchase. We couldn't afford to advertise. We didn't have the money. So it had to look dramatic right at point of sale. Theirs was sort of muddy looking--it looked like dishwater. And we had one that looked and tasted just like fresh orange juice. I mean, [snaps his fingers] it just took over.

Hicke: How was it packaged?

Ciocca: It was packaged in a twelve-ounce bottle and a four-pack carrier. A four-pack carrier is just like a pack of beer only this was a four-pack. But as you can imagine, at two million cases a year at five dollars a case margin, this went a long, long way to getting our balance sheet restored and getting us out of debt. Our success attracted even more interest in the category. By now everyone was tracking it--Budweiser and Gallo and Seagram's and so on. We knew that we couldn't play the game with those people at this stage of our development as a company. It was clear that they were going to step up and spend twenty, thirty, forty million dollars on advertising.

So we had to play what I call an early-stage game, where we rode the curve up and just milked it for all it was worth after competition entered. Our business started to come down. We didn't chase after it. Others who didn't have the same financial constraints tried to power their way through and advertise against Gallo and Seagram's. They got killed. They lost a fortune. Canandaigua lost a fortune on their Sun Country cooler.

Hicke: So what you're saying is when the sales of 20/20 started to decrease a bit, when they had peaked, you didn't pursue that.

Ciocca: When we started to see sales had peaked as a result of competitive entries supported by \$10, \$20 and \$30 million advertising expenditures, we knew our product had a short life span. Instead we invested our time and money in pioneering the next innovation, and we developed a White Zinfandel cooler, which was really the precursor to what Arbor Mist and Wild Vines are today--and they are huge, big products. Our White Zinfandel cooler sold over one million cases in that first year, more than offsetting the decline of 20/20 Cooler. It was insulated in a nitch off to the side of the main category. It is still alive and well today.

But really more than anything else our cooler success enabled us to pay off our debt. It was at about that stage in 1984 when we bought out the outside investors.

Pay-Off

Hicke: You told me off-tape that you had promised to get them out in five years or something.

Ciocca: Well, I did. Thank you for reminding me. In that late-night meeting on the evening of April 24th, 1981, in the eleventh hour the people at Metropolitan Life Insurance came to me and said, "Look, we're not sure we can go through with this deal. We don't have any liquidity mechanism in this contract and we don't want to be stuck in this company forever." I said, "Well, listen, we don't have time to put that provision in. What is it that you want?" They said, "We need some assurance--I have to tell my boss we have some assurance that we can get out of this company." I said, "When do you want to get out?" They said, "Five years." "Okay, how do you want to get out?" He said, "I don't care." So I said, "All right. Well, here's the deal. I'll give it to you right now that at the end of five years we'll take you out either by selling the company or going public or re-leveraging it or whatever we have to do." They agreed, and we shook hands, and I said, "Okay, you have my word."

Hicke: That's a lot of pressure you're under, besides everything else. To give them five years.

Ciocca: Yes, it was, especially when they came to us in the third year and demanded liquidity. The success of the coolers that I mentioned to you really made our numbers look awfully good and made their

investment look tremendous. And they were afraid we couldn't perpetuate the internal rate of return. Over time you couldn't meet these same percentages. I think some of them were frankly thinking about themselves. They were worried about making their personal bonuses that year. They were all hired guns in a big public company. So they put a lot of pressure on us to take them out.

Now, we had other things to do. We were contemplating another acquisition, which we didn't make that year but subsequently made. I said, "Listen, we are not going to leverage up again just to take you out and preclude ourselves from doing what's important to the long term success of our company. I said I would take you out at the end of five years, and I will. I still will. But this is premature."

But they wanted out, and they just complained and complained and complained and threatened and so on. Finally First Boston stepped in on behalf of the Met. They were our investment banker but they knew they were never going to do another transaction with us, and they had to do a lot with Metropolitan Life Insurance. The pressure got pretty intense. We said, "Look, we'll take you out." So we made them an offer, and it was a good offer. They took it. They were delighted with the return on investment, but it was nothing compared to what they would have made if they had stayed in for the full five years.

I don't know if the percentages would have been the same in terms of their internal rate of return, but they certainly would have made a lot more money. Anyhow, we were delighted to be totally on our own now. Now we didn't even have any outside board members. I mean, we could run this place whatever way we wanted. And we did, and it was fun--a lot more fun.

Hicke: And somewhat less pressure to get things done immediately?

Ciocca: It was less pressure, but we had to leverage up again. We had to bet the farm again to take them out.

Hicke: Oh, you did?

Ciocca: But we didn't have to put up with them.

Hicke: How did you do that? Your own financial--

Ciocca: We were actually able to do this with a bank loan. We went to our bank, and we worked it out with them. Wells Fargo [Bank] has been terrific.

Hicke: I was wondering which bank it was.

Ciocca: In addition to a working capital loan, they gave us a term loan, which enabled us to do it.

Expansion

Ciocca: Right after that, this acquisition that I had been negotiating on and off for the last three years, with no success, finally took a turn in our direction. I had been working with George Vare and Henry Trione up at Geyser Peak to buy their Summit brand. Finally, one day when I least expected it, Henry called me and said, "You know, I'd like to talk to you about selling the Summit again." Franzia brand had been growing quite a lot. It was putting a lot of pressure on Summit, which had such a high cost structure that it was unable to compete with Franzia. Their cost structure was so high that Summit didn't make any sense for them. Plus they wanted to grow their other business, and they didn't have room to do so with Summit in the way.

Henry was a wonderful gentleman to deal with, and we managed to buy Summit at a very good price, very fair price, I think--a price that was good for him and one that was great for us. Summit was a very important brand for us for a long time.

Shortly after the Summit acquisition, we made a few more acquisitions. We bought Lejon and G & D Vermouths, and then we bought the Colony winetap business as well.

Hicke: Italian Swiss Colony?

Ciocca: Yes. That was actually owned by ERLY. Yes, we bought Italian Swiss Colony in about 1985. And then we bought Petri and Bravo and Parma. It was really interesting. It was very indicative of how things work in the business. When I first got to Gallo, Italian Swiss Colony was bigger than Gallo. Gallo quickly surpassed them because they were controlled by the growers. Co-ops have never succeeded in this business because the grower mentality and the marketing mentality just don't mix. The company was banged around and mismanaged, and then Heublein took it over and Heublein sold Italian Swiss Colony to a company by the name of ERLY Industries. And we had tried to buy it from them for a long time, because they were just mangling it. Finally, things got so bad for them they were forced to sell. By this time the brand was headed down so quickly that we didn't even try and save it. It was doing less than a million cases, and losing distribution all

over the country. The only thing that we focused on was the Colony winetap, the part of the brand that was in boxes.

But I think that was interesting. How could a brand go from being number one in the country to zero in a fifteen-year period, twenty-year period? Just unbelievable.

Hicke: And how did it?

Ciocca: It was just mismanaged. It was mismanaged by the co-op. It was mismanaged by Heublein. It was mismanaged by ERLY. It was bought and sold by people that didn't understand the business. Didn't care about the long term. Heublein and Erly were public companies stuck in the quarterly earnings trap. They didn't manage for the long term.

Hicke: They had trouble with United Farm Workers, too, I think.

Ciocca: They did, yes.

Hicke: Did you?

Ciocca: Well, United Farm Workers weren't easy to deal with, but we managed to avoid them. They never became entrenched in our farming operation.

Hicke: You must have been treating your workers well.

Ciocca: I think we did. Every year we'd have a Mexican picnic. It was the best party I used to go to every year! Anywhere. All the workers would come, and they'd bring their families, decked out in their Sunday best. We'd eat Mexican food and drink cerveza. It was a great time. Yes, I think they enjoyed working there.

In 1992 we made another very important acquisition. The Franzia brand had been skyrocketing at that time, and we were out of capacity, so we bought that Sanger facility from Erly Industries. The Sanger facility is the old Cella facility down east of Fresno. And then a couple of years later we bought the Tulare facility, again from the same company. Each was about a 60,000-ton facility. Really, really helped us cover the enormous growth of Franzia at the time.

Hicke: Where were you getting your grapes?

Ciocca: We were getting grapes from the entire Central Valley, as far south as Bakersfield to as far north as Lodi.

Hicke: Buying from the growers?

Ciocca: Yes. We also farmed a lot of our own vineyards. Every year we'd go out and buy a few more vineyards. At one point we were farming about 7,000 acres in about ten different locations, ranging from as far south as San Luis Obispo and the northern part of Santa Barbara County, all the way up through the Central Valley to Lodi. We farm a lot fewer acres today. Farming our own grapes really served an important purpose. We would farm a particular variety if we thought we could grow that variety less expensively and/or if we thought we could grow a better quality than purchasing the same grapes from an independent grower.

We need so many grapes. We have to buy 300,000 tons of grapes every year. You couldn't possibly be backward integrated into all of your requirements. I one time figured out that if a company such as ours was backward integrated into all of our requirements, our vineyard holdings would be several times more than our revenues.

Hicke: Doesn't sound like such a good plan.

Ciocca: No. And it's just too risky. So there's a certain percent that really makes sense to own. We try to be as diversified as we can. We have a certain percentage of our own grapes across all different varieties and different locations, to hedge weather and all of that. Then we have a certain percent that are on long-term contract, a certain percent that we have on short-term contract, and a certain percent that we buy just annually, on a spot-market basis. That enables us to hedge the cycles.

Hicke: Sure. Pretty good.

Okay. You had just finished with other acquisitions.

Corbett Canyon Vineyards

Ciocca: The best acquisition we ever made, aside from the total company, was Corbett Canyon [Vineyards], in 1988. It was a 140,000-case winery down in San Luis Obispo. Made a wonderful product that we struggled with for years before we finally figured out how to make it all come together. It really wasn't until four or five years ago that we got the right combination of marketing elements in place.

Hicke: What interested you about it enough to buy it?

Ciocca: Well, we had great success with all the acquisitions I mentioned to you before.

Hicke: Some of those were facilities.

Ciocca: Summit was a brand.

Hicke: Summit, that's right.

Ciocca: And Lejon and G & D and Colony. They were all brands. We did happen to buy some of the facilities where they were produced, but we bought them separately.

Hicke: Oh, I see. Okay.

Ciocca: The Corbett Canyon acquisition involved a brand and a facility. We were motivated to buy it because it was an extremely good product. We didn't compete in that segment of the market, and we saw that as a way of rounding out our portfolio of brands.

Hicke: It's in the premium category?

Ciocca: Yes, yes, yes. But because it was in an area that was a little new to us, we were a lot more cautious than I wish we had been. As it turns out, the same kind of marketing that applied to building the Franzia business applied to this. Good packaging, good advertising were really the key to it. First we did some innovative things. We put it in that package that's square on the bottom and round on the top. Stands a little bit taller than most of its competitors.

Hicke: The bottle?

Ciocca: The bottle. And then we developed radio advertising using an echo mnemonic, which we believe has generated awareness that's higher than almost any wine brand has ever generated. And we happened to have a supply at a time when things in this industry were quite tight. We had to take some risks to buy grapes we weren't sure we could sell, but as it worked out, we did sell them. The confluence of those three events just put the brand on the map. In just a few years, we have grown the brand from about 200,000 cases to about 3.5 million cases.

Hicke: Could you do the echo ad for me?

Ciocca: I could play it for you, but I can't do it for you.

Hicke: Well, the echo part needs some elaboration.

Ciocca: There's a lot of dialogue between people, and every time the word "Corbett Canyon" is mentioned, it echoes, "canyon, canyon, canyon." And then there's a tag at the end that is done to a musical accompaniment which says, "Good taste echoes from the canyon, canyon, canyon."

Hicke: Oh, yes. Thanks.

Ciocca: It's very well recognized. Has extremely high levels of awareness and clearly was responsible for putting this brand on the map.

Hicke: Did you have an agency that developed that ad?

Ciocca: Curiously enough, we did not have an agency. We tried working with one of the big San Francisco agencies, and we found them to be so bureaucratic and muscle-bound and hard for us to deal with, with sort of canned solutions to things, that we went instead to freelance talent. The great thing about San Francisco is there are a lot of really great copywriters and artists and so on that operate out of their own studio and are able to do things quite well.

It was really our concept. The echo concept was really ours, and it was put to words and music by a very talented, freelance, creative guy.

Hicke: Do you get these ideas waking up in the middle of the night?

Ciocca: No.

Hicke: Or while you're on the telephone, hearing about all the disasters?

Ciocca: I don't know how they come. We brainstorm a lot. We invite a lot of creative people in, and we bat ideas around with them. We knew we had to do something that would get some attention, yet we didn't want to just borrow something that wasn't integral to the brand. As we thought about the canyon, well, echoes are tied to canyons and why don't we try an echo? So the direction that we provided was to make an mnemonic out of an echo that would be memorable and build a commercial around that. It worked.

Hicke: Apparently so. Let me turn this over.

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Hicke: I'm sure the quality of the wine had something to do with it also.

Ciocca: The wine quality is very, very good and I'm pleased to say is getting better every year. This year will be our best year ever.

Hicke: Who's your winemaker for that?

Ciocca: Jim Walls. Jim Walls has replaced Lou Quaccia as winemaker. Prior to Jim getting involved, this company, since 1933, only had two winemakers. The first one was Lou's father, Nando, who was married to one of the Franzia cousins. Lou was our winemaker up until a few years ago, when he retired, and then Jim Walls took over. And I think that's quite remarkable.

Hicke: Indeed it is. Amazing. Okay, is that all for Corbett Canyon?

Ciocca: I think it is. This area here. [looking at outline] Changes in the wine industry.

Hicke: Let me ask you first how did you decide on the price niche for Corbett Canyon?

Ciocca: The key to successful marketing is to have all of the elements in the mix of marketing, which include product price and packaging and promotion, all reinforce one another in one tight unit. We first picked out the target that we wanted to aim at, and it was a segment we weren't in. We picked it by its size and so on. And once we determined what segment we wanted to be in, that defined price, and then we had to make the wine suitable for that pricing level. It's always been our very firm belief that we want to offer the very best value in every category that we compete in. Yet we still want to make money.

For example, you wouldn't want to be selling fifteen-hundred-dollar-a-ton grapes for six dollars a bottle. So we tailored those grapes to fit that price point, and we made the wine just a little bit better than everything else in that price point. We think value had a lot of to do with its success.

Hicke: You told me when we were talking off the tape that you have a formula for your quality.

Ciocca: We do. Our formula is V equals Q minus P [$V = Q - P$]: value equals quality minus price.

Hicke: That's great. I really like that. And that's throughout the whole company, I take it.

Ciocca: We try to do that in every segment in which we compete. When we do it well, our business is very successful, and when we have done it poorly we have not succeeded.

Hicke: It sounds easy when you put it in a formula like that, but I think it's easier said than done.

V WINE INDUSTRY

Changes from 1970s to 1990s

Hicke: Okay, let's go to the changes in the wine industry from the seventies to the nineties.

Ciocca: When I first got in the wine business, dessert wines were bigger than table wines. The business gravitated quickly to table wines. In the seventies, Chablis became the dominant wine. You could just hear people in restaurants and bars saying, "I'll have a glass of chablis, please." The wine type "chablis" became more important than the brand.

And then the next big evolution was to Chardonnay. Chablis became so pervasive that people didn't like it any more; it was just too common. So they needed to upgrade. Next you started hearing, "May I have a glass of Chardonnay, please?" And Chardonnay took over and is still to this day very strong. Then the *60 Minutes* French Paradox was aired. This plus all the research on wine and the heart really ignited a lot of interest in red wines, so now the red varietals, such as Cabernet Sauvignon and particularly Merlot, are really on fire and growing dramatically.

Of course, what's happened during this whole period of time is winemakers, throughout the whole industry, have been making better and better and better wines, and the consumer's palate has been improving. So we're selling a lot better wines at a lot higher prices. It's been an extraordinary evolution since 1970 from those sweet, cloying, awful dessert wines to fine Cabernets and Merlots and Chardonnays.

The same thing has happened with the grapes. When I was first in the business, red grapes were much more in demand than white grapes, and then just as the industry got vineyards planted to red, white took off, and we were completely backwards. Then

after a period of extensive grafting of red and white and replanting of white, the French Paradox came along, and reds became in vogue again.

Hicke: This is not short-term stuff we're talking about, these changes.

Ciocca: No. It's funny, because thinking about reds, I remember when we were in trouble at Franzia and losing money, had too many red grapes--we just couldn't pay a lot of money for grapes that weren't contracted. A lot of local growers had uncommitted Zinfandel grapes. You couldn't give Zinfandel wine away at the time. They all wanted to know why our best price was seventy-five dollars a ton, which was not even enough to cover the cost of harvesting. So I invited them all in, and I said one of the dumbest things I've ever said. I said, "You know, these Zinfandel grapes are like an Edsel."

Hicke: [laughs]

Ciocca: "They're out of vogue. We can't sell 'em. That's why we're offering you so little." And we couldn't. And nobody else could, either. Right after that, the Trincheros up at Sutter Home introduced White Zinfandel; in about three years, it just ignited the whole industry. Those same growers who were ready to lynch me because they were only getting seventy-five dollars a ton for their Zinfandel were now getting a thousand dollars a ton, and making money hand over fist. And then, of course, a thousand turned out to be too much. It stayed at a thousand for a year, and then it just quickly fell down to about five hundred and it's probably about two hundred and fifty dollars a ton today, where it probably belongs. That's an example of how grape pricing can fluctuate widely.

Hicke: Does it vary from appellation to appellation a lot, like Zinfandel in Dry Creek, for instance, as opposed to--

Ciocca: Yes, it does. Red Zinfandel does. But White Zinfandel is picked so early and immature that it matters little where it comes from.

Hicke: I'm talking about the price of grapes--the same for what is used for White Zinfandel--

Ciocca: It's higher in some of the North Coast appellations, because these grapes are in demand for good red Zinfandel. They wouldn't divert to a white program in the North Coast because the demand for red is so great.

Hicke: When the growers sell Zinfandel grapes, do they know if it's going for White Zinfandel or red?

Ciocca: Oh, yes. They know by the level of maturity that they're asked to harvest it at. If they're being asked to harvest it at 16 brix it could only be white, whereas to make red you really want to get about 23, sometimes even more. Some like to get more.

Hicke: This is probably silly, but do they grow their grapes knowing this?

Ciocca: Yes. Yes, they do--because you have to use different cultural practices to get a grape to mature enough to be harvested at 23. It's much more difficult and much more costly. To get them to an immature level to pick early requires little expertise.

Hicke: So theoretically the grapes should not be as expensive for that, right?

Marketing Techniques

Hicke: Let's just follow your notes. I see you've made extensive notes.

Ciocca: [looking at outline] Of course, the technology and equipment has come a long way. There have just been all kinds of revolutionary things in the world of winemaking and equipment. But counterbalancing that, we're still making wine the same way we did 7,000 years ago. We're squashing grapes and letting them ferment.

Hicke: Yes. Basically, that's right.

Ciocca: But what I'm much better equipped to talk to is what's happened in marketing. It was a pretty primitive business in the early days. I mean, things were sold mostly on the basis of price and push. Today it's more pull-oriented type of marketing. We go right around the wholesaler and the retailer directly to the consumer to build our brand reputation, image and loyalty. When we do it right, consumers demand our product in stores.

Hicke: You're talking about radio and TV advertising?

Ciocca: Radio and television advertising, yes. And all of the different methodologies that are used to gain trial.

Hicke: Speaking of going directly to the consumer, what are your thoughts about the Internet access controversy?

Ciocca: I think sooner or later it's going to happen. Wine will be sold direct to consumers via the Internet. I personally abhor

unnecessary regulations. I think that the free market ought to be allowed to operate by itself. What we have today is a lot of self-serving special interest groups that are lobbying to keep wine off the Internet. I make no bones about it: our wholesalers are frightened to death. They're afraid they're going to get circumvented, so they're in there stirring up the pot. The techniques that they're using are, in my opinion, abhorrent. They're willing to trade on the goodwill of the industry to accomplish their own self interest. I think it's wrong.

This aside, because of the myriad of regulations and complexities associated with selling wine, it will take a lot longer than selling books the Amazon.com way. I think there may be some casualties before wine gets to be widely sold over the Internet.

Hicke: That's sort of what happens when progress is made. People that--well, we don't need quill pens anymore. Sometimes when the computer breaks down, I'm tempted.

Ciocca: [laughs]

Hicke: Anyway, let's continue with your notes.

Ciocca: Consumer attitudes toward wine have grown and changed just as much as the grapes and wine have. Our brands--take Franzia, for example. In the early days it sold strictly on a price basis. If it wasn't lower priced than everything else, it couldn't succeed. Today there are lots and lots of consumers that are very loyal, respect it and buy it on a regular basis.

Hicke: By brand rather than by price.

Ciocca: By brand, yes. The same thing is clearly true with Corbett Canyon. Think about the attitudes people must have had in the seventies toward wine. There were a lot of people that thought wine belonged in a brown paper bag and that it was called tokay or port. So it's evolved all the way from that kind of an attitude toward the wonderful fine wines that our industry is selling today: great Cabernets and Chardonnays and so on. It's amazing how far it's come in such a short period of time.

And maybe health considerations have played a big role, too. There's a lot of work that's been done by some good, prestigious medical schools that seem to indicate that wine in moderation has some health benefits for some people.

Hicke: I'm convinced if you drink wine and exercise, you'll live forever [laughs].

Ciocca: I don't know, but I think that more people believe that and there are more people drinking wine moderately today than there were a long time ago. I think what's going on is good.

Corporate Ownership

Ciocca: You ask about the advent of large corporate ownership. That's kind of fascinating. I one time was asked to give a talk on wine. I remember one of the slides I did for my presentation. It said, What do these large public companies have in common? And then I named General Foods, Pillsbury, General Mills, Kraft, Budweiser, Miller (which is a division of Philip Morris), Lipton, Nestlé, Coca-Cola, National Distillers, Coca-Cola Bottling Company of New York, Le Batts. And the answer is they have all tried and failed at the wine business.

Hicke: Oh, that's great! [laughs]

Ciocca: It's very interesting to think about why. I mean, a lot of these companies were very arrogant. They thought, Well, we are big General Foods. With our distribution clout and marketing expertise we're going to take this little cottage industry and turn it upside down. What they failed to realize is number one, this business is very capital intensive, and it takes a long time to get the kind of return on investment that public companies need to show their stockholders.

Secondly, they failed to realize that it is an enormously distribution intensive industry and that the system of distribution for wine is unique from the food channels that most of them were used to and that within these channels people are still important. I mean, it's not all done by formula. That's one of the great things about this industry: It may be one of the last industries where people relationships are still important.

And thirdly, and maybe even more importantly than the other two--although without the other two you can't even get to this stage--the wine business is image intensive. It takes a long, long, long time to build brand equity. The mentality of these companies is such that they couldn't afford to wait a long time to build a solid reputation.

Hicke: Except for exceptions like Spañada.

Ciocca: Well, that was done by a private company, Gallo, that had built a solid reputation over the long term. They understand this better than anybody. These large companies have come and they've gone, and they've gone a lot more humbly than they came.

Hicke: Yes, and somewhat poorer, perhaps.

Ciocca: In some cases, yes.

Hicke: That's really interesting, that explanation.

Ciocca: It's especially interesting now because the latest trend is that a lot of wine companies are going public. I don't know what the right answer to this one is. I've said for years and years that cyclical agricultural companies don't belong in the public arena because they can't deliver a consistent stream of steady earnings. But a lot of companies have done it. Of course, they've done it at a time when the industry is trending upward. Now, if we have a bit of a reversal, it will be interesting to see what happens. Now, the good news is that they've generated a lot of capital with which to expand and advertise and grow, and I think that's good for the industry. But it will be fascinating to see how it will shake out.

Hicke: Do you think that's enough to carry them over bad times?

Ciocca: I think they've generated so much cheap public capital that they'll have plenty to tide them over. But what I wonder about is what will happen to their stock price.

Hicke: Oh, well. That will go down, sure.

Judgings

Ciocca: As far as judgments are concerned, I have a pretty hard-line position on that. I think they're fine for publicity, and I think that these judgments and ratings that they give wine are okay to a point, but I think they're also detrimental, because it would be better if people were allowed to make their own decision based upon their own taste instead of having to feel like they're doing the wrong thing if they didn't buy something that was rated 99 or 97 or whatever.

On the one hand, I think there are parts of it that are very good. On the other hand, I think we've already made this business too mysterious and too complex for the average American, why

confound it more with another set of rules? Whether they're right or wrong doesn't matter. I think if people felt free to just simply drink what they like that we would be further ahead as an industry.

Hicke: Looking at it from the point of view of the consumer, what would you do if you walked into a store and you see 500 different kinds of wine and you didn't know anything about any of them?

Ciocca: Yes. That's a problem.

Hicke: And you didn't live anywhere in California where you could go to a winery and taste it.

Ciocca: You don't have to just include the consumer in that. I've been in this business for twenty-five years, and I walk into stores, and I see things that I've never seen before. I mean, I'm mystified by them. I don't know what to do. I really don't know what to do. But I think I know what will happen: I think that the free marketplace, left to its own devices, will sort through them all. I think that especially if we have an over-supply of grapes, I think a lot of these wine brands that haven't been building for the long term, that haven't been reinvesting in their business, that have been only succeeding because they have a supply of something that's very scarce--I don't think they have a good future. So I think there will be a shake-out, and I think the laws of the free market will remedy that problem to a large extent.

Hicke: Okay. I'm just willing to continue on with your notes. I put a lot of things down here. Maybe you don't have anything to say about some of them.

Regulation

Ciocca: You ask about federal and state laws and what kind of an impact they have. We honestly don't worry about the laws. We don't think we have the power to change them, so we don't even monkey with them. As long as we're on a level playing field and we're being treated the same as everyone else, we're willing to put up with what there is. I think that, as I've said before, I personally prefer less regulation than more. It's astounding that every day we seem to add to the Federal Register. I don't even know who reads that stuff. We ought to get our government down to doing a few things it's capable of doing well, getting them to do that well, and get out of everything else.

Appellations

Hicke: Well, do you have any notes on other parts of the California wine industry? That's a pretty big subject, so--

Ciocca: In a sense I feel the same way about appellations as I feel about judgments and ratings. I think it's nice to sell a place name, but now everybody wants an appellation for every little piece of geography around. They see that as a means of creating a point of difference. I think some of them are fine, but the more there are, the less ease there is going to be to make any of them mean anything, and therefore we're going to wind up confusing more people than we help. I'm not so sure that's good for the business. I would rather simplify it to some extent, rather than confound it, and let people decide based on their own taste.

Hicke: We're at the end of this tape.

Other Activities ##

Hicke: Did you finish with appellations?

Ciocca: Yes, I don't really have too many more notes here. Maybe you ought to--

Hicke: Okay. Well, let's go to some of your professional activities. I know you've been involved with Wine Institute.

Ciocca: Yes, I guess I've been involved with the Wine Institute for twenty-five or -six years. I have a fair amount of outside activities. I am currently chairman of the Foster Farms Poultry Company advisory board. I'm a director of Stanislaus Foods, which is a tomato-processing company in the Central Valley. I've been a director of the Wine Institute, as I say, for about twenty-five years. I was chairman of it about eight or nine years ago. I'm a member of the Chief Executives Organization, the World Presidents Organization, and I was a member of the Young Presidents Organization. There is even a more junior group than that called the Young Entrepreneurs Organization, and I'm a mentor to one of its members.

And then my wife and I have a charitable foundation. I'm only the secretary of that. She's the president.

Hicke: [laughs]

Ciocca: She's much better at giving away money than I am.

Hicke: What kinds of charities do you give money to?

Ciocca: We have two general areas that are very important to us: entrepreneurialism and education. We look for worthwhile causes that will promote entrepreneurialism and the free market. When we can combine entrepreneurialism and education, we feel as if we've really got a winner. We have worked with a few colleges and universities to encourage them to expose young people to the world of entrepreneurialism early on. I think there's a huge opportunity to expose young kids to the world of risk taking and innovation early on, as opposed to finding out after they've gone to law school and gotten a law degree and find out that they hate doing what they're doing.

Hicke: That sounds like a great thing to do.

Marriage to Carlyse Franzia--Best Acquisition of All

Hicke: Do you have anything--well, first of all, we want to hear about Carlyse [pronounced car-LEASE]--is that how you pronounce it?

Ciocca: Yes. That's the best acquisition I ever made.

Hicke: [laughs]

Ciocca: It's a cute story. Right after we completed the leveraged buyout in '81, Joe Gallo, who was a friend from my Gallo days and Ernest's son, called me and said, "Congratulations. You did a great job getting that leveraged buyout done. How would you like to come over and have dinner and celebrate?" I said, "Sure, I'd love to." He said, "You probably haven't had any exercise in a long time." "Well, you're right about that." He said, "Do you want to play some tennis? Bring your tennis racket."

And then he said--good salesman getting you saying yes, yes, yes--and I'd said yes already--twice--and he said, "And how would you like to meet my cousin?" [Resignedly]: "Oh-kay." And I hung up the phone and said, I don't like this at all. Anyhow, I went over. We played tennis, had dinner, Carlyse came over, we met, and literally six months later we were married. Carlyse is Joe's first cousin. Because his mother was Amelia Franzia, who was Carlyse's father's sister. After the whole story of the Franzia family getting out of the business--her father was one of the three that sold early and for a time I think regretted it. And

then here I wind up buying the company, thirty days later meet Carlyse, and six months after that get married to her. It sort of brings the whole thing full cycle, back into the family.

What's really ironical about it is that \$10,000 that was split evenly by Theresa Franzia became the seed money to start the Gallo Winery, and the other became the seed money to start the Franzia Winery. That's sort of an amazing, ironical, fun story.

Hicke: I must admit I'm curious: Did Gallo ever repay her? Or nobody knows?

Ciocca: I don't know. Maybe I'll send him a bill!

Hicke: Yes, really!

Ciocca: [laughs] How much do you think that would be worth right now?

Hicke: I don't have a calculator handy, but it might be worth doing.

Ciocca: [laughs] It's kind of interesting. She provided the seed money for Gallo, which probably does 40 percent of the wine business in the U.S.; for our company, which does about 15 percent of the wine business in the U.S.; and then her grandsons--yes, grandsons: Fred and Joe and John--started the Bronco Winery, which probably does another five percent of the business in the U.S.

Hicke: She's responsible for half, almost half--

Ciocca: More than half of the wine business, yes. Amazing, amazing.

Hicke: Wow! Talk about entrepreneurs.

Ciocca: I would have given anything to meet her. She must have been some lady. She was about four-foot-ten or something--just a very little woman. Had eight kids, worked day and night, was clearly the matriarch of the family. Worked in the garden, worked in the winery, cooked all the meals, had grand dinner after grand dinner for employees and extended family and all the wine industry pioneers. I'd love to be able to roll the clock back to some of those Thanksgiving dinners and Christmas dinners. You had all the legends of this industry: Ernest Gallo, Julio Gallo, Charlie Rossi, A. P. Giannini, Abe Buckman, on and on. Probably some I don't even know about.

Hicke: Did your wife know her?

Ciocca: No, no. No, she died fairly early on. For such a forward thinking woman, she had a huge fear of doctors, and she had a gall

bladder problem which actually killed her. She didn't want to see anybody about it.

Hicke: Oh, that's too bad.

Future Outlook

Hicke: Okay, well, one last thing: What do you see for the future of your company and the wine industry in general?

Ciocca: I think the wine industry has a terrific future. I mean, it's growing very, very rapidly, for all of the reasons we mentioned. Wine has really come into its own with American consumers. The industry is making better and better quality wines. It's good news long term that we now have plenty of grapes. Even though that's going to depress prices a little bit over the short term, it's going to avail us to more and better wines with which to really build this industry. We've been fairly handcuffed by not having access to enough really good quality wines. Those constraints are coming off. So I think the long-term future of the business is great.

Hicke: Well, that's a good note to end on. And I'd like to thank you for a very informative and thoughtful interview.

Ciocca: Well, thank you, Carole. You did a great job of preparing me for it.

Hicke: Thanks. You did most of the preparation yourself.

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THE WINE GROUP, INC.

The Wine Group, Inc. was founded as a privately owned company in 1981 and has grown rapidly to become America's third largest wine company. The Wine Group, Inc. produces and sells a variety of leading brands, including Premium Table wines, Vermouth, Dessert and Beverage wines. The Company operates five wineries and grows a significant portion of the grapes it requires in vineyards ranging from San Luis Obispo to Lodi, California.

- ◆ Corbett Canyon is the largest winery in California's Central Coast area, a region widely recognized as one of America's finest for growing premium varietal grapes. Consumers appreciate these world class values and have made Corbett Canyon one of America's best selling brands.
- ◆ Franzia Winetaps, America's best selling wine, are produced at the Franzia Winery in California. Founded in 1906, Franzia is one of the state's oldest and best known wineries.
- ◆ Mogen David is located in upstate New York and produces well known Concord and Blackberry table wines. Mogen Davis is one of America's best known wines.
- ◆ Tribuno, a leading Premium Vermouth, and Lejon, a leading Popular Price Vermouth, are two more high volume brands with national distribution.

Education

College of the Holy Cross, Worcester, Massachusetts
 B.S., English 1959
 Roosevelt University, Chicago Illinois
 MBA 1963

Military Experience

1959 – 1962 U.S. Navy
 Served aboard USS. Suribachi (AE-21) and trained recruits at Great Lakes Naval Training Center.
 Received an Honorable Discharge as a Lieutenant (Junior Grade).

Work Experience

1963 – 1966 General Foods Corporation
 Sales Representative – San Jose & Sacramento, California
 Assistant Brand Manager – White Plains, New York

1966 – 1969 Spice Islands Corporation – San Francisco, California
 Sales Promotion Manager
 Brand Manager

1969 – 1973 E & J Gallo Winery – Modesto, California
 Brand Manager
 Group Product Manager

1973 – 1974 Oroweat Baking Co.
 General Manager Grocery Products Division

1974 – 1981 Coca Cola Bottling Co. of New York
 Vice President Marketing – Franzia Winery
 President and CEO – Franzia Winery
 Vice President – Coca Cola Bottling Co. of New York

1981 – Pres. The Wine Group, Inc.
 Chairman, CEO and Owner

Personal

Current

1998 – Pres. Foster Farms Poultry Co. Livingston, California
 Chairman, Advisory Board 1998 - Present

1985 – Pres. Stanislaus Foods, Inc. Modesto, California
 Director - Advisory Board

1975 – Pres. California Wine Institute, San Francisco, California
 Director

1987 – Pres. Chief Executives' Organization

1987 – Pres. World Presidents' Organization

1995 – Pres. Young Entrepreneur Organization
Mentor to two members

1997 – Pres. Carlyse & Arthur Ciocca Charitable Foundation
Secretary

Past

Advisory Board Member, Foster Farms Poultry Co.

Advisory Board Member, Trans-Ocean Leasing Ltd.

Chairman, California Wine Institute

(progressed through the Chairs)

Chairman, Northern California Chapter of The World Presidents' Organization

(progressed through the Chairs)

Chairman, Northern California Chapter of The Young Presidents' Organization

(progressed through the Chairs)

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Carole E. Hicke

B.A., University of Iowa; economics

M.A., San Francisco State University; U.S. history with emphasis on the American West; thesis: "James Rolph, Mayor of San Francisco."

Interviewer/editor/writer, 1978-present, for business and law firm histories, specializing in oral history techniques. Independently employed.

Interviewer-editor, Regional Oral History Office, University of California, Berkeley, 1985 to present, specializing in California legal, political, and business histories.

Author: *The Federal Judges Association in the Twentieth Century*; *History of Farella, Braun & Martel*; *Heller, Ehrman, White & McAuliffe: A Century of Service to Clients and Community*.

Editor (1980-1985) newsletters of two professional historical associations: Western Association of Women Historians and Coordinating Committee for Women in the Historical Profession.

Visiting lecturer, San Francisco State University in U.S. history, history of California, history of Hawaii, legal oral history.

