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Maker's Mark

The Company's Beginnings

The Samuels family bourbon business began in 1780 with Bill Samuels Sr.'s great-great grandfather, who started making bourbon in a small Kentucky distillery. The company was incorporated in 1840 and stayed in business until 1943, when President Roosevelt forced all distilleries to halt production of alcoholic beverages and focus instead on making industrial alcohol for the war effort. During this period Bill Samuels Sr., served in the U.S. Navy for two and a half years. He was stationed in Quincy, Massachusetts until the end of the war, when the distilleries were allowed to re-open for business and more than 60 percent of the total spirits industry jobs were created. At this point, Bill Sr. took on two partners, a common practice for spirits industry business owners of that time. When President Roosevelt's restriction was finally repealed, most of these individuals had limited financial resources.

In 1945, Bill Sr. sold his interest in the company and retired. Eight years later, after becoming bored with retirement, he decided to once again enter the spirits industry, this time with the goal of creating a world class bourbon. At the time, all bourbon was viewed strictly as a commodity – a drink of old, uneducated, southern men. Bill Sr. set out to change that image and, in 1953, bought a distillery with more than 200 acres of surrounding land for \$67,000.

Over the next year, Bill Sr. added an additional \$65,000 of his own capital for renovations of what became the Maker's Mark distillery, which opened for business in 1954. Bill Sr.'s objective was to design a product that had superior taste, to take bourbon from a commodity status to a premium status, without knowing if a market truly existed

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for such a product. He wanted to target, young, white-collar men, a segment not known for its bourbon consumption. He took the advice of Earl Gossamer, founder of *Gourmet*, a leading magazine focused on fine foods and dining. Earl believed that one created a market as opposed to just finding a market niche and filling it. He advised Bill Sr. not to follow the market but instead to create one specifically targeted to his product. Meanwhile, Bill's Sr.'s wife fabricated the label and packaging for the bourbon. His son, Bill Jr. recalled:

It was a huge leap of faith. The real risk when he bought the distillery was how did he ever know what the bourbon was going to taste like? No one just designs a product from taste; that is no one except my father. He could recall the taste of any bourbon that he had ever tried. He was an expert. From all these different taste experiences he had gained knowledge such that he knew exactly what he wanted the product to taste like. He set about trying to capture that flavor with his distillation process.

The Maker's Mark yeast culture dates back to 1842-it was kept in storage at a local bakery during the 13 years of prohibition. Bill Samuels Sr. substituted mild winter wheat for the rye that was commonly used as a flavor grain in bourbon to create a "smooth" whisky that had a distinct, individual character. That, coupled with his skill and creativity as a craftsman, enabled him to make a superior tasting bourbon. (Samuels had a test for the bourbon: "if it can lie on your tongue without bringing tears to your eyes, it passes the test".) When questioned, Bill Sr. would downplay his own expertise and modestly say that he simply recognized a void in the market

Whiskies and the History of Bourbon

Whiskies, of which bourbon is one type, can be classified according to country of origin (e.g., Scotch or American); however, this does not best define the taste differences. The federal government standards of identity recognize more than 30 different types of whiskies that are classified as either blended or straights (see Exhibit 1). Blended whisky is a mixture of straight whiskies with neutral grain spirits. Sometimes a bit of sherry , up to the amount allowed by law, is added as a blending agent. Whiskies that are labeled as "blended rye whisky" or "blended bourbon whisky" must contain at least 51 percent of the type of alcohol mentioned. Straight whisky starts out as a fermented mash of grains, yeast, and malt. It is distilled at not more than 160 proof, and is stored in charred new oak containers at not more than 125 proof for at least two years. After two years, this whisky can be called bourbon. (Maker's Mark management allows its whisky to ferment for six.) There also are blends of straight whisky made from several straight rye whiskies or several straight bourbon whiskies. These blends of straights contain no neutral spirits. The straight whiskies that comprise them do not have to be the same age, nor do they have to come from the same distillery.

Bourbon whisky's beginnings can be traced back to the late 1700s, a time when settlers traveled westward from Virginia and North Carolina. They cultivated large crops of corn, which created a transportation problem: bringing the corn to market cost more than its selling price on arrival. However, the settlers soon figured out a way to solve this

dilemma. On average, a horse could carry four bushels of grain but could pack six times that many bushels in the form of whisky. It was during the process of converting the grain into whisky that bourbon was first discovered in Bourbon County, Kentucky.

The distillers who came to Kentucky were accustomed to using rye as the dominant grain in their whiskies. But since corn was the grain most plentiful in Kentucky, they began to use it instead, adding it to rye or wheat and sprouted grain-and thus invented bourbon. The water source, natural underground springs, was chosen because it was free from iron salts.

The barrels in which the spirits were fermented added to the product's uniqueness. It is unknown how the early Kentucky distillers discovered that using new oak barrels with charred interiors added to bourbon's character. Some say the flavor-enhancing technique was first discovered when old molasses barrels were used to store and age the product. Others say one of the first distillers decided to use barrels that had accidentally been charred on the inside, rather than discarding them. Either way, it was found that during its aging, bourbon gains its color and much of its character through interaction of the whisky with the new charred oak barrels.

Three or four decades after the invention of bourbon, the distilling of whisky in Kentucky was still considered to be an extremely small-time operation. When a distiller put as much as three bushels of grain into mash he ran the risk of overstocking his neighborhood. The very earliest bourbons, made by trial and error, were inconsistent due to limited knowledge of which elements and processes would produce the best-tasting bourbon. The grain grist with malted grain added was heated into a mash, then set outside in wooden tubs to ferment. Wild yeast that drifted through the air was captured by the mash and furthered the process of producing bourbon.

Bill Samuels Sr.'s great-great-grandfather, Robert Samuels, entered the bourbon whisky-making business in 1780. In 1840, the family became serious about whisky distilling and Robert's grandson, Taylor William Samuels (Bill Jr.'s great-great grandfather) established the family's first commercial-scale distillery next to a new railroad line near Bardstown. Distillers were realizing that they could sell the product beyond the immediate area of production and so they began to increase their output.

The Samuels family bourbon recipe had been passed on for six generations. Although Bill Sr. needed a formula that would enable him to produce consistent brands from year to year, he wanted to create a unique, distinguished style of bourbon whisky. So in 1953, he began his new venture by burning the 170-year-old family recipe. The Burke's Spring Distillery Samuels purchased in 1953 first began operating in 1805 but eventually was abandoned. Over the next three decades, Bill Sr. refurbished the distillery, which in 1980 was recognized by then-U.S. Secretary of the Interior Cecil Andress. He designated Maker's Mark Distillery a National Historic Landmark. Today it is the smallest and oldest operating distillery in the nation.

The Maker's Mark Production Process

Maker's Mark's water source was a ten-acre limestone, iron-free, spring-fed lake at the distillery. Iron-free water was an essential part of bourbon making as iron gives the bourbon a bitter taste. Red winter wheat, yellow corn, and naturally malted barley purchased from farm cooperatives located within the limestone geology near the distillery-were also used. The red winter wheat gave the whisky a soft, mellow taste; the corn and barley also contributed to the product's overall distinctive flavor.

An old fashioned rollermill prepared the grain for cooking. Unlike the more widely used hammermill, the rollermill did not scorch the grain which results in slightly bitter tasting bourbon. An open cooker, rather than pressure cookers, was used to cook the grain. Although the process took seven or eight times longer, it protected the soft winter wheat and allowed subtle grain flavors that would otherwise be lost to be transferred into the whisky.

Maker's Mark propagated its own yeast for fermentation with cultures that could be traced back to the pre-prohibition times. The traditional sour mash method was employed so leftover culture from one batch could be used to start another. Cypress tanks were originally chosen for fermentation. The modern stainless steel tanks that dominate the industry today had not yet been invented and cypress wood did not contribute iron or alter the taste of the final product. Today these cypress fermentation tanks-which are irreplaceable because many of the planks are over a century in age-are still used to give visitors a sense of the traditional bourbon production. Maker's Mark currently is the only operating bourbon distillery to make whisky in batches of less than 19 barrels, the traditional standard for small-batch whisky.

Maker's Mark double distilled its whisky, once in an all copper column still to produce what was called low wine, and again in a copper pot still to produce what was known as high wine. The low wine was distilled at 120 proof, while high wine was distilled at 130 proof. This step removed any impurities in the whisky.

The American white oak used to make the aging barrels was air dried for a minimum of nine months, including one full summer. This allowed for some of the bitter tasting tannins to come out of the wood before the whisky was added for aging. The new barrels were charred inside to allow the infusion of caramel flavors and amber color to the final product. The vanilla taste and aroma came from white oak lignin that broke down during the wood's air-drying and whisky maturation processes.

The barrels were rotated to ensure optimal maturation of every barrel of bourbon. All barrels started at the top of the warehouse where they were subjected to the greatest temperature extremes and the lowest humidity. Summer heat caused the whisky to expand into the barrel and dissolved some of the caramels, vanillas and other wood extractives. The cold winters caused the whisky to contract from the wood back into the liquid, and brought the flavors with it. When ready, each barrel was moved to a lower part of the warehouse to continue its maturation process. In this manner, every barrel was uniformly matured.

Each bottle of Maker's Mark was brought to the retail market "fully mature" as a result of the "balancing" process. Barrels of bourbon were selected that were at slightly different maturation stages and matched to the company's standard, according to the select panel of tasters. Then these barrels were combined to create a consistent taste for bottling.

Bill Samuels Jr .

In 1967 when Bill Jr. joined the family business, sales of Maker's Mark had grown to 10,000 cases per year. Prior to joining his father's company, Bill Samuels Jr. earned a Bachelors of Science degree from the University of Louisville and went on to study engineering at the University of California at Berkeley. In 1964, he began to lose interest in engineering and transferred to Vanderbilt University where he earned a law degree and planned to become a patent attorney. Bill recalled:

I got my law degree at Vanderbilt. I should have gone to business school but didn't because I thought I could make more money as a patent attorney. I worked in the patent office for two years during law school, during which I learned that it just wasn't what I wanted to do. Frankly, it bored me to death. Then my father asked me if I wanted to go into the family business. At first I declined because my father's business just wasn't making any money. The whole thing seemed more like a hobby-a hobby that nonetheless had gained tremendous respect in Kentucky. However, my father eventually convinced me to join the business and to try and turn the venture into a profitable operation.

Domestically, bourbon as a spirits category was declining in popularity. In 1953 bourbon represented 42 to 43 percent of all distilled spirits sold but dropped over the next three decades to an all-time low of eight or nine percent. Sales of Maker's Mark were increasing slowly due to these adverse market conditions. However, sales of whiskies such as Jack Daniels were in the throes of a major growth spurt indicating that they would become more popular than bourbon could ever expect to be. Despite this, Maker's Mark successfully created an international presence: the product sold well in France, Australia, and Japan.

After Bill Jr. joined the company, Bill Sr. decided he would take care of the money and the whisky and Bill Jr. would do the "outside work". Bill Jr. recalled:

1966 was a losing year. In 1967 we made \$1,500. For the first thirty years it was hard getting people to try it, except in Kentucky. They became our marketing department. Farmers and the highway contractors were the ambassadors. That kept us in business and bought us time to really figure out how to capture a larger share of the market. Word of mouth has been and remains the backbone of our business. These self-appointed ambassadors just go around the bars and ask for Maker's Mark. You could call it fanaticism.

The bad news was we couldn't use that style of advertising to get beyond Kentucky. Another concern of ours was that the first account

we had in almost every state was the race track-but of course they don't have race tracks in every state, so we had to figure out a better system.

Bill Jr. thought that advertising was of key importance to build sales but his father was against advertising-believing that customers should ask for the product instead of being told (by advertisements) what to buy. Bill Sr. was a conservative man who thought that traditional marketing was rude and so relied on word-of-mouth to increase the customer base for Maker's Mark. Sales were driven by consumers who asked bartenders and retailers for the product. Distributors, upon request, would then deliver the product to bars, restaurants, and retail stores. According to Bill Jr.:

My father never did like advertising. He didn't like the idea of having a public relations agency or trying to sell to restaurants. This was an emotional thing. He didn't like to be pushed around with pushy people and pushy advertising and he wasn't going to do it to others. So we had to figure out a better system. Then we got the *Wall Street Journal* interested.

The Wall Street Journal

Dave Gerano covered the Kentucky area for the *Wall Street Journal*. Bill Jr. discovered that he and Dave had a mutual friend, Sam Walker, with whom Dave had gone to journalism school. Bill Jr. knew Dave was going to be in town covering an unrelated story and decided to try a unique approach to persuade him to do a story on Maker's Mark. Bill Jr. staged an event at the distillery and awarded exclusive rights to cover the show to a local news station. He found out which hotel Dave Gerano was staying in and had Sam Walker arrange to meet Dave for cocktails in the hotel's bar. Next, Bill Jr. convinced the bartender to turn all the televisions above the bar to the local station that was covering the distillery show. When Dave saw the news footage he asked Sam what Maker's Mark was and why, if there was so much interest in this distillery, had he never heard of it. When Sam replied that it was the local favorite and offered to introduce him to Bill Jr., he accepted. Subsequently, Dave and Bill Jr. spent three days developing a story that was published on the front page of *The Wall Street Journal* in August of 1980. Bill Jr. recalled:

From that one story we received about 50,000 letters inquiring about our product. The phone lines didn't stop ringing for weeks. We had one salesman at the time and we were trying to figure how to best capitalize from all this publicity. I approached my father and said: 'For every letter we got don't you think there was another one that someone didn't write? Why don't we run an ad in the *Wall Street Journal*' My father agreed and that was our entry into mass marketing. We took out an ad that was in the style of a letter to our customers. People were talking to us and we got to talk back.

The ad was a little open letter. Then we started to get the next wave of letters. Then more letters from us to our customers. This went on for about four years. It was like friends talking to friends about something we were interested in. The whole effect was involvement and recommendation. Even folks who weren't interested were reading about it. In a way, his saying that we weren't going to advertise was really saying that we weren't going to shout to people "buy me". This set the style of our advertising that we have followed ever since.

The company advertised in the *Wall Street Journal* for four years.

In the beginning, when we hired the advertising agency, my father would have nothing to do with them. In fact, we had to hold the meetings on Saturdays or after hours when he wasn't around because he wanted consumers to find out about us through personal recommendation.

With the publication of the *Wall Street Journal* article, Bill Jr. realized that a pull marketing approach might just be what the company needed. He decided to focus advertising efforts on differentiating the product and providing product information for those who were interested-actually creating consumer demand without trying to push the product into markets.

I realized that we needed to develop a more focused advertising strategy. Consumers were actually looking for information. We may just be a demonstration of something much bigger that's going on. I don't think that being able to access the market is as important as being able to get into consumer brains. Consumers equal pull. Stores equal push. You don't try to sell something to someone that they don't want to buy. I worked up this idea that if we could get people to ask for our whisky and we could find a vehicle to communicate to those people with then we could advertise to them in a more informative, subtle way.

The *Wall Street Journal* article also opened up tremendous public relations opportunities for Maker's Mark. Since 1980, many major magazines have done profiles on the company and Bill Jr. himself has been on the cover of nine or ten issues.

Distribution

In the 1980s, the contracting business was booming. Contractors served as ambassadors for Maker's Mark, praising the quality of the brand and creating a buzz that made others-even in areas as distant as New York-interested in trying the bourbon. The Kentucky derby crowd also helped to build the reputation of the brand. According to Bill Jr.: "I don't think there ever has been a product produced in Kentucky that was held in such high esteem."

Bill Jr. thought that the company would be able to use the developing highway system for distribution of its product-that construction workers would spread the word throughout Kentucky and the surrounding states, as they had done in New York. However, the mystique that Maker's Mark had developed in Kentucky wasn't communicated well past the state lines into the surrounding territories. As a result, consumers in these areas never really gained much of an interest in the product. Bill believed that creating an image of distinction would help the product to become known beyond the state lines.

Surprisingly, the international standing of Maker's Mark grew steadily. Wealthy Kentuckians, during their travels, had introduced the bourbon to consumers in other countries. These Kentuckians, having originally discovered Maker's Mark at the Kentucky Derby, successfully conveyed to foreigners the colorful image surrounding the bourbon's derby connection. Through word-of-mouth, international demand for the product increased. In France, Maker's Mark was introduced by the elite Taittinger Champagne family, who began selling the bourbon through its exclusive distribution channels. The U.S. ambassador to the United Kingdom was fond of Maker's Mark, and personally introduced it to the U.K. market.

Gradually, a group of approximately 60 select U.S. distributors were brought on board, each possessing the following characteristics:

- Interest in furthering the company's personal selling philosophy by taking the time to explain the product's attributes to upscale potential retail clientele,
- Enthusiasm for brands of the future-for taking lesser-known brands and increasing their popularity, and
- Appreciation of bourbon in general and a personal affinity for the Maker's Mark brand.

After Maker's Mark was established in France and the U.K., the brand was introduced into Japan, Germany, Spain, China, Scandinavia, and a network of duty-free shops. Maker's Mark also secured a number of fashionable accounts: the *Ritz* in Paris, the *Mandarin* in Hong Kong, and *Harrods* in London. These businesses found Maker's Mark; subsequently, Maker's Mark learned of its high-end clientele. So after building a solid base in Kentucky, the bourbon achieved a high profile across the world, and could be found in upscale bars, restaurants, and liquor stores. In the company's top 20 U.S. markets, approximately one third of all high-end retail establishments sold Maker's Mark. But as the company grew, personal selling became increasingly difficult and Bill Jr. knew that new channels needed to be developed.

We needed a more formalized distribution process. The product was doing well overseas but in the U.S. there was much higher potential than what we were currently seeking.

In 1980, Bill Sr. sold Maker's Mark to Hiram Walker so that he could best divide his fortune among his children. Hiram Walker subsequently was acquired by Allied-Domecq. Under the umbrella of Hiram Walker, Maker's Mark continued to operate independently but gained access to Hiram Walker's sales force, which greatly facilitated

distribution of the product. The company began to experience rapid growth in export sales. However, the competitive outlook was changing.

Competitors

Jack Daniels and Wild Turkey were considered to be Maker's Mark's biggest competitors. Jim Beam was one of the biggest volume sellers in the market but was not considered to be a premium brand. Some of Maker's Mark's less threatening competitors included Dickel and Old Granddad. (Jack Daniels and George Dickel--because they are made in Tennessee--are whiskies that are not allowed to be called "Kentucky Bourbon".) Between 1978 and 1983, national sales of bourbon dropped almost 14 percent. But by 1985, industry-wide growth exceeded 40 percent per year. Approximately forty new brands of whisky and bourbon with prices ranging from \$30 to \$100 per bottle were created in the late 1980s and early-to-mid 1990s. During this period, exports grew from one million cases a year to over 8.5 million cases. (Bourbon is particularly popular in Japan, where Maker's Mark costs approximately \$60 a bottle.) Industry-wide consolidation occurred as smaller distillers were acquired by larger ones. Overall, the status of bourbon increased significantly, and it was said that the bourbon market changed more in the 1990s than in the hundred years before that.

Originally, one of Maker's Mark's greatest obstacles to gaining market share was consumers' tendency to buy only the market leader in a particular spirits category. Essentially, consumers behaved as conformists--all buying the same brand. But as Bill Jr. noted, the winner-take-all mentality no longer existed. People wanted to be seen as individuals. Beginning in the eighties, there was a shift toward premium beverages that represented "the finer side of life". As a result of this trend, the dominance of a single player for each type of distilled spirit came to an end.

Creating an Image of Distinction

Bill Jr. concentrated on using his father's strategy in developing a superior image for the product. He billed it as a singular bourbon, one clearly superior to the rest. Unlike his competitors, he rarely featured the bottle in his advertisements. Instead, the ads were educational and humorous, providing information on the product but never making a claim to be superior. Following the Samuels' philosophy, this was for the consumer to decide. Bill Jr. recalled:

My father's product strategy was to go to the edge: don't make a claim and don't be afraid to make a mistake. And I followed this strategy. Time after time my father and I would enter our product into whisky tasting contests and win. We knew he had the best bourbon but we never made a claim that he did. We let others--such as the editors of *Bon Appetite* magazine--come to that conclusion.

(The wine critic for *Esquire*, for example, called Maker's Mark "the smoothest, most luxuriant bourbon in the country".)

To further differentiate the product, a premium pricing strategy was used. Maker's Mark retailed for approximately \$21 per 750ml bottle. This price point was used to convey the

message that this was a special product, produced by skilled craftsmen and superior to all other bourbons. Its distinctiveness was also communicated through its style of advertising. According to Bill Jr.:

If you come right out and say you have class, consumers will see that as self-promoting advertising hype and your credibility will diminish. We simply educated consumers on the product's attributes and let them make their own judgments.

Through our ads we have been able to successfully communicate the confidence we have in our brand. People laugh at our ads and that is what we want. It is a likable brand that takes quality seriously but we want people to know that we don't really take ourselves seriously. We have fun producing what we believe to be the best bourbon out there.

(One ad's headline quotes advice from the late Jim Beam to Bill Samuels Jr.: "Stick to making whisky, son. Your family is distinguished by its incompetence at doing anything else".)

We also advertise our distinctiveness through our packaging. We use a plain vanilla label with black type and we dip our bottles in our signature red wax. This further communicates the message that we are trying to convey. Consumers see this as unique, elegant, and unpretentious packaging.

Print was used as the primary vehicle for advertising (see Exhibit 2). This was because advertising by the liquor industry was strictly regulated. Conventional media opportunities such as radio and television were almost entirely prohibited. Many states would not allow billboards to be posted. The company's print advertising was concentrated almost exclusively in U.S. publications such as *Forbes*, *Business Week*, and *U.S. News and World Report*. Originally, the company's advertising was focused primarily in southern regions, but as the target market shifted to younger, urban, more elite customers, advertising was increased in the top fifty U.S. urban centers. (In 1997, Hiram Walker & Sons spent \$2.3 million on print advertising for Maker's Mark.)

John Lindsey, Maker's Mark's advertising account executive, explained the company's advertising strategy:

We believed that the scariest thing was to go unnoticed so we developed our advertising campaigns using the philosophy that a bad ad was about as dangerous as a bad haircut-eventually people would forget about it. However, a boring ad could easily put the market to sleep and then you have to figure out some way to wake them back up again.

Maker's Mark also sponsored the "Maker's Mark Mile", a thoroughbred race at Kentucky's historic Kneeland Race Track. The company celebrated momentous events

and anniversaries by creating limited edition, numbered and dated bottles of its bourbon. Revenues from the sale of these collectibles were donated to local charities.

The Distillery

When William Samuels Sr. bought the old Burke distillery in 1953, the property included the 200-acre Spring Hill Farm, a farmhouse, and a group of aging buildings, some dating back to the early-1800s, bordering a winding creek. A meticulous, multi-million dollar, thirty-year renovation transformed the distillery into a showplace. It is the only distillery on the National Register of Historic Places. Tours of the buildings and grounds are conducted seven days a week, throughout the day, year-round. Tours begin at the Visitor's Center, a pre-Civil War building that originally was the resident distiller's home. The "still" house has a hand-polished copper still that rises through five stories of the building, a grain silo, hand-hewn support beams, and a 100-plus-year-old hardwood floor. Also on the grounds are the Quart House, which is believed to be America's oldest remaining package store, and the Toll Gate House, which was used when fees were levied for the roads in the 1800s.

The majority of activities at the distillery are accomplished by hand. (The distillery's peak capacity is 38 barrels a day versus an industry average of 600.) Visitors experience the making of Maker's Mark firsthand—from grain fermenting in cypress vats to bottles being hand-dipped in red sealing wax. When visitors purchase a bottle of Maker's Mark in the Gift Gallery, they can seal the bottle in a special dipping booth. Visitors also can purchase Maker's Mark brand bourbon chocolates, gourmet sauce, limited edition flasks, putters (made from used barrel staves), bourbon-seasoned cigars, polo shirts, and shot glasses—and take a free Maker's Mark catalog home as a souvenir. The distillery hosts over 40,000 visitors a year. A message from Bill Samuels in a Maker's Mark advertisement reads: "Even if you're not the least bit interested in whisky, we'd still love to have you drop in for a visit."

Growth Limitations

"If Bourbon is the appellation wine of American whiskies, then single-barrel and small-batched Bourbons are the grand crus of Bourbons."

In 1999, Maker's Mark sold for \$21 per bottle. There were nine bottles per case and 300,000 cases sold that year, resulting in approximately \$56 million in sales revenues for the company. (Every year, the company sells every bottle it produces.) However, Maker's Mark had three major growth-limiting factors. The first was the spring: the sole supplier of the water that was used in the making of Maker's Mark whisky. The spring could supply water for a maximum of 900,000 cases annually.

The second limitation was that, from one year to the next, the grain had to be grown in soil of the exact same chemical composition, so as not to alter the flavor of the bourbon. The wheat was grown locally and the corn that was used was always purchased from the same two cooperatives in Southern Indiana. For 45 years, these two farms had been the only source.

The third limitation was that the process was a batch process: the bourbon had to be created in small-sized batches to ensure consistency. Management favored the small batch process, not wanting to change the size because it would affect the change of the starch-to-sugars process and alter the taste of the final product. The cooker would have to be replicated at a production level of approximately 600,000. Management was afraid to take any action other than exactly replicating the original cooker, to ensure that the bourbon would taste the same. This was despite the fact that half the capacity of the other cooker would never be reached due to the spring's maximum production output of 900,000 cases per year. According to Bill Jr.:

Now the infrastructure is being built to accommodate the 900,000. The last thing we do is to double the still. Then we go find another magic place and create a different style of bourbon, different name. We could create a premium brand with customers paying two or three times as much. We could leverage our reputation and expertise. You could take the U.S. and say when will we run out of people buying this product because they consider themselves bourbon connoisseurs? We think that is about 350,000. But if we develop a group of connoisseurs who develop the taste to be in the group of fashion-conscious we could blow through that glass ceiling.

The customers would come from drinkers of other types of alcohol or foreign countries. We have had to hold back our export business because we didn't expect New York, San Francisco, and Chicago to hit at the same time. Once we reach that glass ceiling we will try to convert people who drink other beverages such as Kettle One, Crown Royal, and Glenlivet to acquire a taste for bourbon. They would be following the leaders.

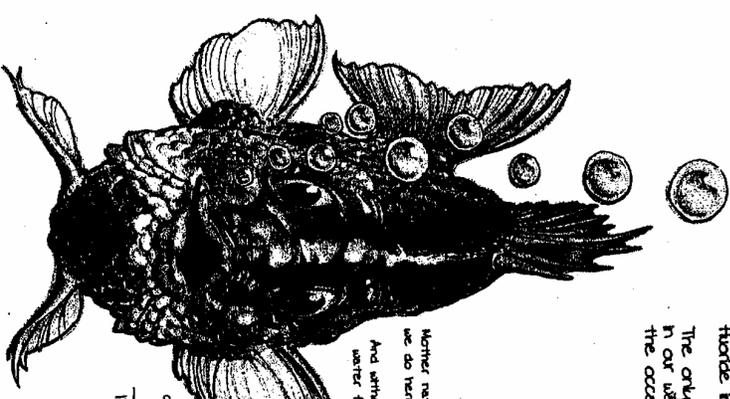
The question is: can we attract this group and what to do now so as to build the greatest brand when the grand total is limited to 900,000? We could push it out, discount it. We could get a huge surge. Then we'd be gone. We would have milked the cow. We could buy what's known as fillings-bourbon from other distilleries and mix it with ours. This is what we would do if we never wanted to run out. That's commonly done within the bourbon industry. But we would never do that. We wouldn't compromise the product's quality.

Bill Jr. thought about the different approaches to marketing Maker's Mark as well as other options for company growth. He knew that if the company were to continue to grow he had to evaluate each strategy, as well as analyze any additional ones that he had not previously considered.

Exhibit 1: Typical Liquor Store Bourbon Selection

Brand	Size	Price¹
Bakers	750 ml	\$36.49
Basil Hadyns	750 ml	\$33.99
Booker's	750 ml	\$39.99
Early Times	1 l	\$10.99
Early Times	1.75 l	\$15.99
Evan Williams	1.75 l	\$16.99
Jack Daniels	750 ml	\$16.99
Jack Daniels	1 l	\$19.99
Jack Daniels	1.75 l	\$28.99
Jack Daniels, Gentleman Jack	750 ml	\$17.99
Jack Daniels, Liege Belgium Gold Metal	750 ml	\$29.99
Jack Daniels, Single Barrel	750 ml	\$34.99
Jim Beam, 80 proof	750 ml	\$10.99
Jim Beam, 80 proof	1 l	\$12.99
Jim Beam, 80 proof	1.75 l	\$15.99
Jim Beam, Beam's Black Label	1 l	\$17.99
Knob Creek	750 ml	\$24.99
Old Granddad, 100 proof	750 ml	\$16.99
Old Granddad, 86 proof	1 l	\$18.99
Old Granddad, 86 proof	1.75 l	\$25.99
Ten High	1 l	\$9.49
Ten High	1.75 l	\$13.49
Wild Turkey Rare Breed	750 ml	\$27.99
Wild Turkey, 101 proof	750 ml	\$16.29
Wild Turkey, 101 proof	1 l	\$19.99
Wild Turkey, 101 proof	1.75 l	\$26.99
Wild Turkey, 80 proof	750 ml	\$13.99
Wild Turkey, 80 proof	1 l	\$16.99
¹ Fanon's Liquor Store, Natick, MA, Dec. 17, 1998		

Exhibit 2: Selected Magazine Advertisements



You hear a lot about chrome and fluoride in the water supply. The only things floating around in our water are lily pads and the occasional bluegill.

Mother nature has a hand in everything we do here in thy Loretto, Kentucky. And without the pure, non-fluoridated water from our spring-fed lake, Mazer's Malt wouldn't have its soft, full-flavored taste.

So I guess we're fortunate my father had the good sense to locate the distillery out here by the lake. Instead of next to a spigot in the city somewhere.

Paul Sennels
President

Mazer's Malt
Mazer's Malt

Mazer's Malt Distillery, Loretto, KY 40037, 678 Ac./Acre 90 Proof, Fully Malted



Have you ever tasted **Kentucky Champagne**? Just what is Kentucky Champagne, anyway? Robert Lawrence Balzer of Travel-Holiday Magazine is the one who coined the term. After his first taste of Mazer's Malt he deemed it "pure Kentucky Champagne."

Other articles seem to agree:

"The Bourbon Busting"
of *Time* Magazine

Mazer's Malt	9.5 points
Old Fitzgerald	9.0 points
Old K. L. Weiler	8.9 points
Old Dominion	8.5 points
Wild Turkey 101	6.0 points
Mud Cat	5.0 points
Jim Beam	4.0 points

"Mazer's Malt is a modern bourbon with a taste that is the best word in spirit-drinking."
Results of Bourbon tasting conducted by *Success* Magazine.

Grand Award
International Bourbon Competition
Best of the American Category
in London, England.

Ranking

1. Mazer's Malt
2. Jim Beam
3. Old Grand Dad
4. Wild Turkey 101
5. Old Crow
6. Jack Daniels

Mazer's Malt
Mazer's Malt

Mazer's Malt Distillery, Loretto, KY 40037, Heavy Proof, Fully Malted

How airport security discovered Maker's Mark being carried out of town.

This isn't hearsay. This is fact. I know because the x-ray photo is of my canyon bag.



Tucked in that bag, I had two bottles of Maker's Mark that I was taking as gifts on a business trip.

When it went through the airport security x-ray machine, the lady monitoring the equipment fixed me in my tracks with a stern look and announced, "Get two bottles of Maker's Mark in that bag, don't you?"

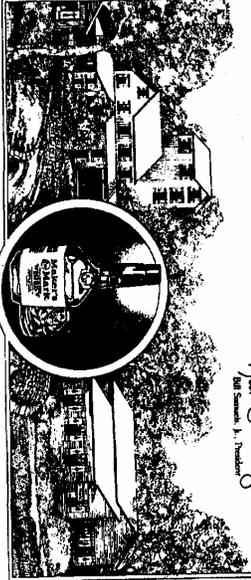
What do you do in a situation like that? I confessed, "Sure do." I told her, realizing she had no idea who I was.

"I see an awful lot of Maker's Mark in people's bags," she told me and added, "People always want to carry a bottle of Kentucky's best along."

Of course, I enjoyed hearing that. It wasn't until later that I realized I should have asked her whether these were local people taking along one of the comforts of home? Or people taking Maker's Mark to their homes?

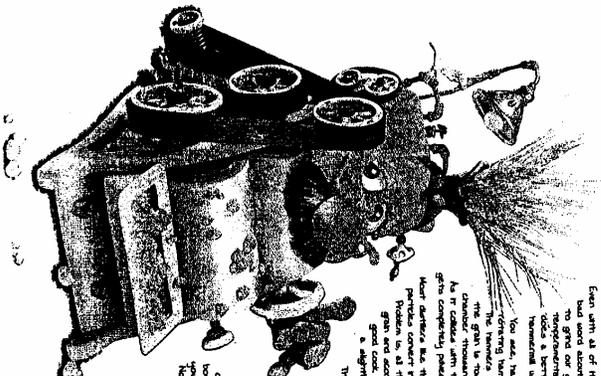
Next time I travel, I'm going to ask her.

Bill Samuels Jr.
1981 Samuels Jr., President



It costs expensive... and it's...
MAKER'S MARK BOURBON

Our roatmill is too slow, too old, and produces too little grain. And those are just its good points.



Even with all of the flour, I can't say a word about the quality of the flour. It's too good for me. It's made like a real roatmill, but it's not quite the same. It's not a better job than the modern roatmills used by other distillers.

You see, roatmills have lots of different types of rollers. The rollers are made of steel or iron. The grain is rolled around the rollers. The rollers are made of steel or iron. The rollers are made of steel or iron.

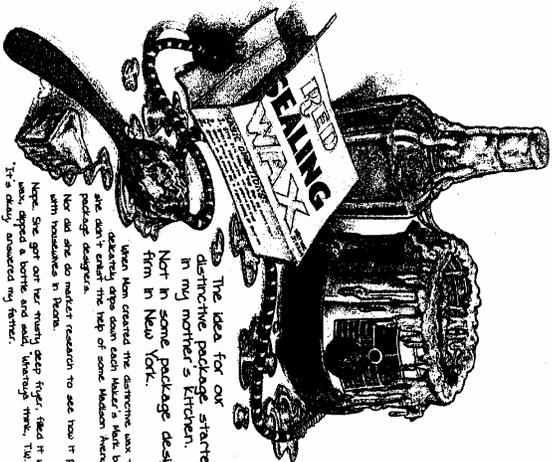
Have you ever had the flour because the corn, the potatoes, the wheat, the barley, the rye, the grain is all that every year of the year and it's all that every year of the year and it's all that every year of the year.

There's only one way to get an old roatmill. You have to get a roatmill that's been around for a long time. It's not so they grow, and it's not so they grow, and it's not so they grow, and it's not so they grow.

And when it comes to making the name of our roatmill, I've learned that you just can't rush quality. No matter how long it takes.

Bill Samuels Jr.
President
MAKER'S MARK

MAKER'S MARK BOURBON
MAKER'S MARK BOURBON



The idea for our distinctive package started in my mother's kitchen. Not in New York.

When Mom created the distinctive look that defines Maker's Mark, she didn't create the tag or some Madison Avenue package design. Her mother's reaction to see how it played out was the same as mine.

She got up for "muddy deep" fight, fixed it with her own hands, and said, "What's this? It's cheap." It's cheap, it's cheap, it's cheap.

Pat Conroy
President

Maker's Mark

Maker's Mark, Distillery, Lenoir, VA 24645, only here in the South, they know.



Some who visit our distillery could care less about the taste of Maker's Mark.

Some just drop their heads on their necks and go somewhere else. They check from up there. They seem to like our natural spring-fed water we use in Maker's Mark. But that's about the extent of their interest.

On the other hand, all the people who know their little "Mudcat" from the old Quaker house and the hand-painted copper still, hand-hewn support beams and 100-year-old barrels, they know the place that doesn't show that goes into Maker's Mark.

Even the beautiful pro, Phil Weathers, who serves as our Visitor's Center, with his unique collection of Kentucky art, 1800's and 1900's, we enjoy having folks (and ducks) around the distillery—every bit as much as we like making our award-winning whiskey.

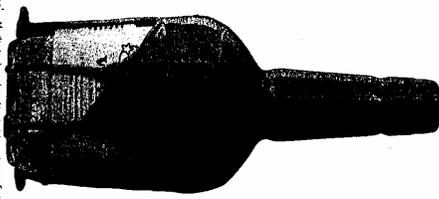
So, even if you're not the least bit interested in whiskey, we'd still love to have you drop in for a visit. Just call Dora at (540) 865-5339 or stop by Monday-Saturday, 10:30 am-5:30 pm.

Pat Conroy
President

Maker's Mark

Exhibit 2 (continued): Selected Magazine Advertisements

Whoops.



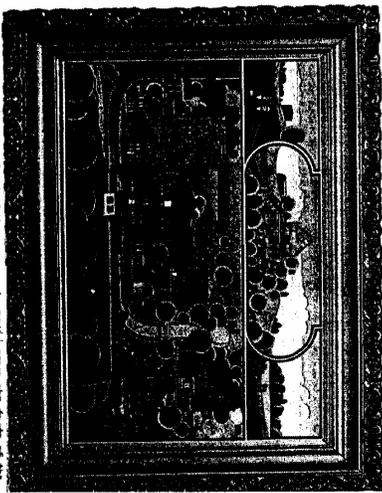
Maker's Mark is famous every step of the way as exemplified by the red wax that delicately trickles down the neck of each bottle. Well, most of them anyway.

Tom Schemmel
President

Makers
Mark's

Maker's Mark Scotch Whisky, Volume 17, 1991, 100% Malt Scotch Whisky, 40% Alc/Vol

If Utopia is defined as a place where everything is perfect, then we think we've already found it.



It's here, among the rolling fields of Macon County that my father first had the idea to create a golf course. He had a vision of a golf course that would be a place where you could not only play golf, but where you could relax and enjoy the view. That's how he came up with such a novel way of making bourbon.

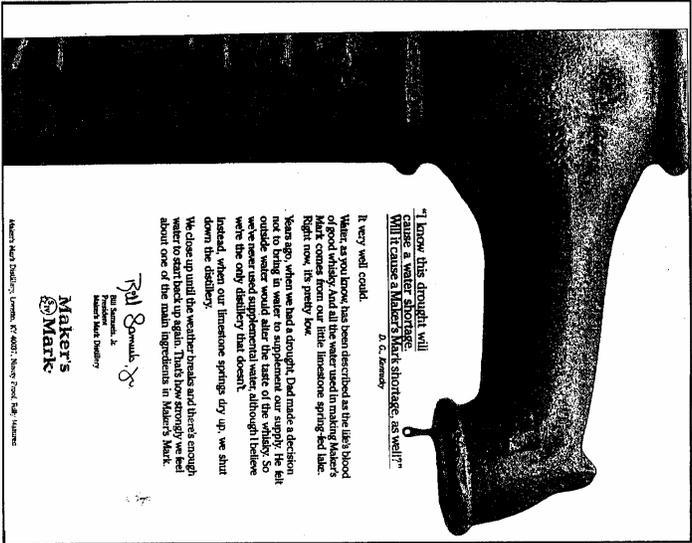
One of the things Dad figured out was that if he used better wheat instead of rye, he could improve the flavor of the bourbon. It would make our bourbon smoother and more enjoyable to drink. Dad was right. Doggone it if he wasn't right!

When our grandparents first started with whiskey, they didn't have the same idea of Utopia. I can't imagine being anywhere else. So when the company started producing, they may not be named "Utopia," but Utopia is dead enough.

Tom Schemmel
President

Makers
Mark's

Maker's Mark Scotch Whisky, Volume 17, 1991, 100% Malt Scotch Whisky, 40% Alc/Vol



"I know this drought will cause a water shortage. Will it cause a Maker's Mark shortage, as well?"
D. C. Kennedy

It very well could.

Water, as you know, has been described as the life's blood of food whiskey. And all the water used in making Maker's Mark comes from the limestone spring-fed lake.

When the spring when had a drought, Dad made a decision not to bring in water to supplement our supply. He felt outside water would alter the taste of the whiskey. So we've never used supplemental water, although I believe we're the only distillery that doesn't.

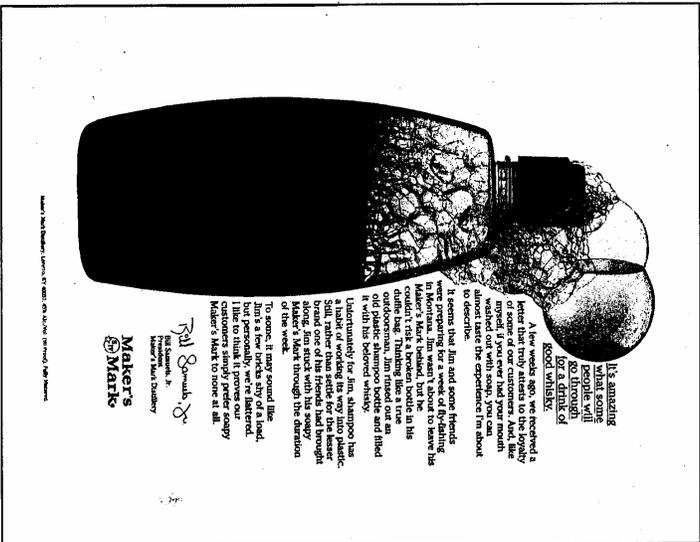
Indeed, when our limestone springs dry up, we shut down the distillery.

We close up until the weather breaks and there's enough water to make our whiskey. Dad's decision has made about one of the main ingredients in Maker's Mark.

Ral S. Monahan
President
Maker's Mark Distillery

Maker's Mark
Makers Mark Distillery

Maker's Mark Distillery, Lynchburg, KY 40003, Maker's Mark, High粱酒



It's amazing how many people will go through a drink of good whiskey.

A few weeks ago, we received a letter from a customer in Montana. Jim wasn't about to leave his home without a drink of good whiskey. He had tried almost every other brand, but he almost never had your mouth almost like the experience I'm about to describe.

It seems that Jim and some friends had a habit of working in the woods in Montana. Jim wasn't about to leave his home without a drink of good whiskey. He had tried almost every other brand, but he almost never had your mouth almost like the experience I'm about to describe.

Understandably for Jim, shampoo has a habit of working its way into your hair. Jim stuck with his soapy shampoo. Jim stuck with his soapy shampoo.

To some, it may sound like Jim's a few inches shy of a load. But I can assure you that our customers simply prefer easy Maker's Mark to none at all.

Ral S. Monahan
President
Maker's Mark Distillery

Maker's Mark
Makers Mark Distillery

Maker's Mark Distillery, Lynchburg, KY 40003, Maker's Mark, High粱酒

Exhibit 2 (continued): Selected Magazine Advertisements



Looks like someone didn't pay attention during the distillery tour.

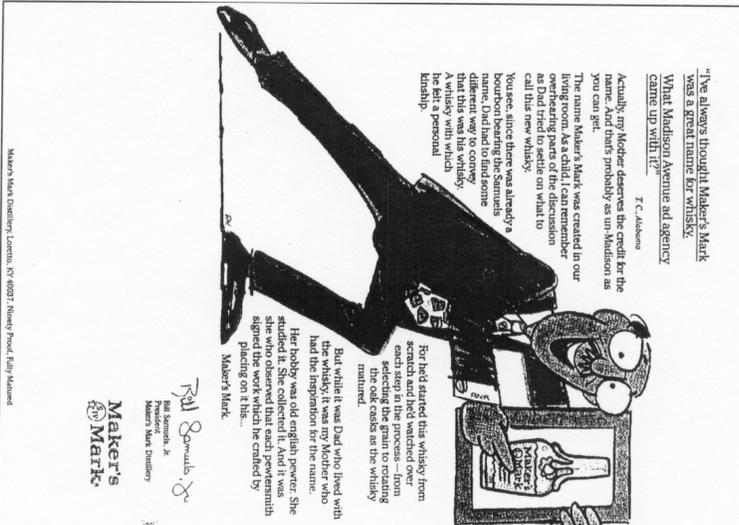
We get a lot of visitors to our historic distillery. And one of the things everybody asks us if they can dip their own hands in our Maker's Mark red sealing wax. They, good idea.

It's a lot of fun - kinda like dipping Easter Eggs. So, the next time you're in our small town, stop. Now, before you dip, have a hand dip it just like we do and sign and date the label to commemorate the event. Because to truly, the real becomes a big hit.

If you'd like to visit our distillery, please call our National Heritage Landmark, call Doreen at (502) 865-2099. But a word of advice. If you're planning to dip your own bottle, don't forget to bring a seal while you're here.

Ral Semuels
President

Maker's Mark



"I've always thought Maker's Mark was a great name for whiskey. What Madison Avenue ad agency came up with it?"

Z.C. Adams

Actually, my Mother deserves the credit for the name. Dad thinks probably as an Madison as the son. My Mother, Mark, was created in our living room. As a child, I can remember overhearing parts of the discussion as Dad tried to settle on what to call this new whiskey.

You see, since there was already a bottle of Scotch in the room, Dad had a different way to convey that this was his whiskey. A whiskey with which he was personal.

For he'd started this whiskey from scratch and he'd watched over each step in the process - from selecting the grain to creating the mash, to the whiskey matured.

But while it was Dad who lived with the whiskey, it was Mother who had the inspiration for the name. Her hobby was old english poetry. She studied it. She collected it. And it was she who observed that each poemsmith signed the work which he crafted by placing on it his...
Maker's Mark.

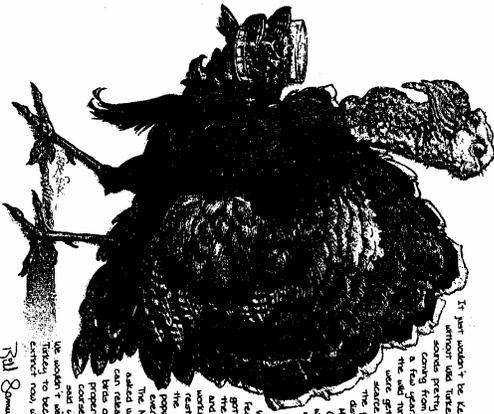
Ral Semuels
Bill Semuels, Jr.
President
Maker's Mark, Distillery

Maker's Mark

Maker's Mark Distillery, Lenoir, KY 40027. Niamey Point, Fiji Malware

Exhibit 2 (continued): Selected Magazine Advertisements

Victors are sometimes treated to a little wild turkey at Maker's Mark.



It just wouldn't be Kentucky without wild turkey. That's why we've been making it for over a hundred years. And now, with a few years ago, we've introduced a new wild turkey. The difference is in the quality of the bird. It's a National Wild Turkey Federation award winner. And it's a turkey that's been raised on a farm where the turkey is treated to the good old-fashioned, old-fashioned, old-fashioned. The bird has been raised on a farm where the turkey can breathe the fresh air of the country. It's a turkey that's been raised on a farm where the turkey can breathe the fresh air of the country. It's a turkey that's been raised on a farm where the turkey can breathe the fresh air of the country.

Maker's Mark
Wild Turkey

Visit us at makersmark.com
 Maker's Mark, Owensboro, Kentucky, KY 40301. One Wild Turkey Brand, Big Whiskey.



"I used to like a bottle of good wine along as a gift. When I was invited to the holidays parties, I'd take one to be safe."

"Now, I take a bottle of **YOU MAKE IT WITH US** instead. **Specially those who have never tasted it before.**"

I've found—you may have too—that quite often it's the unusual gift that ends up being the most appreciated. Not that a gift of spirits is unusual. It happens all the time, especially during the holidays. But to see people know about Maker's Mark (and you'll probably be introducing them to something new). What's so much fun is the reaction. One of the best was related to us in a letter this past holiday season. "A friend presented me with a bottle of Maker's Mark as a holiday gift. I had never tasted it before. I was so surprised to know how good it tasted for really it."

Paul Shambaugh
 800-368-5834
 Maker's Mark, Owensboro, Kentucky

Maker's Mark Distillers, Louisville, KY 40207. Heavy Proof. 40% Alcohol.