

A Life Built Around Consumers

An Interview with J. Gary Shansby,
Founder and Chairman, Tequila Partida, LLC



J. Gary Shansby

EDITORS' NOTE A noted brand builder and entrepreneur, Gary Shansby founded a consumer goods private equity firm and has made investments in, developed, and marketed such notable household products as Shaklee Nutritional Supplements, Glaceau Vitamin Water, Famous Amos Cookies, Mauna Loa Macadamia Nuts, Terra Chips, Smart Balance, and Tequila Partida. Prior to founding his own private equity firm, Shansby was Chairman and Chief Executive Officer of Shaklee Corporation, a Fortune 500 NYSE Company. He previously held senior management positions at Colgate-Palmolive, American Home Products, and The Clorox Company. He brings more than 50 years of brand development and building experience to Tequila Partida.

COMPANY BRIEF Headquartered in Northern California with offices in Guadalajara, and a distillery in Tequila, Jalisco, Mexico, Tequila Partida (partidatequila.com), combines traditional tequila-making methods with unique cutting-edge technology. Partida is an award-winning, 100 percent blue agave, estate-grown tequila. Its special ingredient is the pure natural essence of blue agave, which is cultivated for 8-10 years until the piñas are ripened with concentrated sugars, harvested by hand, and slowly baked in state-of-the-art stainless steel autoclaves. Tequila Partida has consistently been rated as one of the highest quality ultra-premium tequila brands on the market today.

What is it about your make-up that compels you to both create and build businesses?

Anything I do needs to be premium in quality, and perfectly aligned to the rightful expectations of consumers. Now, more than ever, the American consumer, especially Millennials, really understands the difference between independent, high quality, consistent, and authentic brands. Size is unimportant, but quality must meet consumer needs. In the past, branding was all about just making an impression. Marketing claims were often believed. Today, people do know the difference in quality and they want high quality for themselves and their friends. Young consumers trust themselves and their social circles.

I did consumer research recently with young M.B.A. students. I asked them what caused them not to believe in a company. The number-one answer was when a company made statements about being the best. They know they can, and will, make their own judgments. They believe first in their own opinions and, second, in the opinions of their friends. If it's a category like spirits, and if they're regulars at a specific bar and they relate to the bartender, they might trust that person. But they no longer trust large companies, traditional advertising, and the claims they make.

I have built my life around consumers. I'm fascinated by them. I understood the power of the female consumer long before most of my colleagues. I understood the importance of the family and the community as well as the influence of respected friends. I always also believed the glass is half full, and not half empty. I'm very passionate about what I do, and I enjoy carefully watching the rapidly changing patterns of human behavior.

Running a company is about leadership. I heard a speech recently by a young successful entrepreneur. He was asked if one had to be born a leader or whether those traits could be developed. His answer was that he wasn't sure that leaders could be developed. Instead, he thought that leadership had to come from within, and then nurtured with real world learning experiences.

What does it take to be an effective leader? Years ago, when I was politically active and was working indirectly for President Reagan, I spoke with a noted

writer from *The Wall Street Journal* who, at the time, was leading a discussion for a group of CEOs at the American Enterprise Institute. I asked him how many presidents he had met. He told me he had met every President since Nixon. I asked what he believes it takes to be a great president. He said three things: First, don't act too smart, meaning it's not about being intellectual; second, be decisive; and, finally, be passionate and communicative about what you believe. People will follow someone with those traits.

I suggested that President Carter was the opposite of that; he was very bright, not very decisive, and not very passionate or a strong communicator outwardly. He responded that those traits did describe Ronald Reagan. Everyone knows he wasn't the most intelligent President, but he was very decisive – he knew what he wanted; and he was also passionate and a great communicator. He also had a sense of humor and was approachable.

I have observed that being a leader is not a skill that one learns or studies, it's not something that is taught; it's something that comes naturally. One has to be able to care for people and most have to feel they can trust that person. Integrity is important, along with passion, good judgment, decisiveness, and strong communicative skills.

I've been working for 56 years and I'm still going. I survived cancer 11 years ago and it never slowed me down. I always knew that, sooner or later, I would have something happen



Jose Valdez, Partida's Maestro Tequilero



Partida aging barrels

to me and that I wouldn't allow it to slow me down, and it didn't. It's an attitude. A positive attitude.

The challenge in running a Fortune 500 public company, like Shaklee, is that there are so many masters. One reports to a board and they're officially the boss – sometimes they're good and sometimes not. There are also shareholders and they can make noise. Sometimes it's not just the biggest ones – sometimes the smallest ones can make the most noise. There are also the employees who expect the company to grow and for them to be important in that success.

The most important “master” is not the board nor the shareholders, but the motivation of the employees, which also reflects on product quality and consistency. We were growing at substantial compounded percentages with no debt, strong free cash flow, as well as a high stock price, which had split three times. My position as CEO still wasn't easy. I had to keep reminding our employee team to not take our success for granted. Our employee commitment, passion, and work ethic had to continue.

It's difficult to be a corporate leader since there are many audiences and Wall Street, in particular, wants to see progress. I never allowed myself to look at our business from quarter to quarter. I even told analysts if they were looking ahead to the next quarter's results, they wouldn't get quarterly projections from me. I always visualize my businesses in three-year increments.

As a public company CEO for 11 years, it was both challenging and stimulating. In some manner I felt like being back in college again as an undergrad: freshman year, work as long and hard as possible; sophomore year, start becoming accustomed to what has to be done and set priorities; junior year, relax a bit, perhaps a bit too much; senior year, do the best that can be done and press onward. The more experience one gets, the easier it should become.

At one point, being a public company CEO became somewhat boring to me. I almost wanted a crisis to happen. That was the point when I determined it was time to move on. There needed to be a real life beyond being a public company CEO, and in my 50s I wanted to accomplish much more.

I determined I wanted to start a private equity firm. Some friends, PE founders, suggested

I take my track record in consumer brand building and develop the first private equity fund in the consumer field. I did that and managed our partnership for 20 years. Our partnership was originally named The Shansby Group, and more than 15 years later became TSG Consumer Partners.

We raised five midsize funds during my involvement, and we had significant shares in companies including Glaceau Vitamin Water and Smart Balance. Our customers were twofold: the investors, which were usually the large pension funds, and the companies themselves. At any one time, we had six or seven companies and I dealt not only with the CEOs but also the other individuals who managed those companies. We never dismantled a company – we never took a company

public; we always sold to larger multinational companies. Hershey purchased Mauna Loa; Coca-Cola acquired Vitamin Water. We sold companies to many of the large Fortune 100 and 500 multinational consumer companies. But I became somewhat bored as I had been building consumer brands for large, public companies, and then investing in private equity for investors, and had not done anything by and for myself. I had more to accomplish in my career. Private equity partnerships grew in number, and some disappeared when they didn't deliver the returns they committed. Others failed by high debt leverage or by becoming too dependent on fees versus appropriate carried interest alignment. I believed private equity needed to be totally aligned with investors, and general partners should become successful only after investors realized the return committed. I believed I was working for the investor and yet my interest was still focused on the consumer.

As I was contemplating my next career, a banker asked me if I had ever been in or considered the spirits business, and I said no. I told the banker I had a vineyard in Sonoma and it was the best way I learned to lose money.

I looked into the spirits business. That led me to studying the categories and, because I knew nothing about the spirits industry, I approached the study more like a graduate student. It surprised me to learn the highest growth category was tequila. Ultra-premium tequila was rising quickly, and there was a brand, Patron, which appeared to be leading the growth. They had a nice package, and I believed there was room for a few strong competitors.

I didn't feel the current premium tequila brands fully comprehended the importance and need for true Mexican authenticity, heritage, and brand positioning. Tequila is one of three world-renowned beverages in the world that must be from a designated specific area: Champagne from the Champagne region of France; Cognac from the Cognac region of France; and 100 percent agave tequila from five states in Mexico, the largest being Jalisco.

The tequila business reminded me of the wine business as it is similarly dependent on soil and terroir. The best ultra-premium tequilas are as fine in quality as single-malt Scotch, Cognac, and great whiskeys. The cost and characteristics have a great deal in common.

I decided to build my ultra-premium tequila brand as a legitimate, authentic Mexican brand. I met Enrique Partida, an agave farmer, a ‘jimador’ (agave harvester), who was well respected in the town of Amatitan in the Tequila Valley. Don Enrique was a proud and accomplished man in his 80s at the time. He had built a small farm to 5,000 acres. He had worked the fields. He was a hard worker, honest, and very low-key. He wore a cowboy hat and white

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A Partida agave farm in Mexico's Tequila Valley

shirt and khakis. He spoke mostly Spanish and he was very passionate about what he was doing, so I decided to name my brand after him. I started by building a talented Mexican team, led by Mexicans, and by selling Partida first in Mexico, not in the U.S. as others had done and continue to do.

As an entrepreneur, it all comes back to the consumer, their expectations, and delivering on those expectations. They expect and deserve authenticity and very high quality, and they will pay for the best products money can buy. The Millennial consumer is different today than past consumers. They spend more money, they're very independent, and they think about things differently. As Winston Churchill was reported to have said, "My expectations are very simple – I expect the very best."

Our Tequila Partida positioning is very different than the other tequila brands. We are proud to be truly authentic and truly independent. While we've been distributed in the U.S. for 10 years, we now refer to our positioning as 'Partida Ahora' – we are reinforcing our proud Mexican heritage. We have brought the vivid colors, tastes, culture, and art of Mexico to America in numerous unique ways.

This past autumn we took over the subway station at Broadway and Lafayette in New York as a starting point to extend our message with highly visual graphics. In downtown Los Angeles, and extending from Hollywood to Santa Monica and Venice, Partida was visually everywhere. Our color is bright pink. We hired a contemporary Latino artist to position Tequila Partida as a highly visual brand along with the Mexican game of chance, 'Loteria,' which uses colorful cards. We now have 54 bright cards in a striking, contemporary art form. This is an authentic Loteria Mexican game and it is related to our Tequila Partida. We're demonstrating the color, the flavor, the art, and the music of Mexico while educating our consumers about a truly exceptional brand.

This all relates to leadership, passion, communication, and marketing via discovery in the 21st Century.

Partida is a brand that has done very well and has a loyal following, but it's also a brand that has not been necessarily out in front of the market. What made you feel the timing was right to become more visible?

We were perceived to be somewhat quiet because we were content with 20 to 30 percent growth per year and we weren't striving

to become a big brand quickly. I believe we should be "discovered" for our quality and taste, and not promoted aggressively. My intention from the beginning was to build Partida correctly, and not by aggressive, in-your-face marketing or price promotions. Experience has proven that rapid growth in spirits generally is not as permanent as steady growth. Most of the large spirit brands were built over decades.

Tequila Partida has achieved scores of 96 to 100 points consistently, but if we aggressively promoted our scores, the prime consumers of today would not believe it. When I learned some people believed we were asleep, it was time to demonstrate otherwise. We have never heard anything negative about Partida's quality and taste, and one taste is usually all it takes for consumers to select our brand as their brand.

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**I'm not well known
for what I've achieved,
but I'm respected
for understanding
consumer trends,
premium brand
positioning, and
the importance of
passion and risk in
achieving success.**

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How big can the brand get and at a certain size, does quality suffer?

Not necessarily. It depends on many factors. A senior executive in the spirits industry told me that entrepreneurs like myself can build brands from scratch, something larger companies have not done well. Successful entrepreneurs are passionate about their brands; they are natural incubators. Once a brand is created and has achieved a certain size, the larger companies have the organizations and marketing to build the brand to a substantial size. Larger

companies have the ability to expand brands geographically and in depth faster.

Is an entrepreneurial spirit something you're born with or can it be taught?

To some extent you might be born with the spirit it takes to succeed. I have always been fascinated by consumers, and how they think and react to brands. In my career I had exposure to numerous entrepreneurs. They're all unique – they're not an easy group to work with. Many of them think they're building a business for themselves, and later for their children, but I've seen few companies continue successfully under the next generation. Some entrepreneurs are autocratic and don't listen well or take direction easily. I listen to the consumer, watch him, learn trends, and try to interpret favorable trends. In my opinion, successful entrepreneurs need broad experience before they attempt to launch consumer brands.

Some leaders are often hesitant to help competitors, but many brands have had the good fortune of your advice.

There is plenty of opportunity for everyone, so sharing ideas or experiences is not a negative trait. I don't feel insecure. I will openly share experiences I learned the hard way through numerous learning experiences in many consumer businesses. I've worked in large corporate environments, private equity, and with entrepreneurs, and I've worked across numerous consumer brand categories.

I got a call a few years ago from a well-known CEO of a large wine company who was considering getting into tequila, and he asked to meet with me. Our meeting was very interesting and beneficial to both him and me. He did enter the tequila category and his brand has done very well, and at the same time his brand has not negatively impacted Tequila Partida.

It's hard to build real relationships in business, but you have done that. What has been your secret?

People are afraid to make a mistake or take risks. Some are inwardly protective. Some are far too conservative and cautious. I'm not. Earlier in my career, I would occasionally let subordinates make a mistake to see how they would react. It doesn't bother me to make a mistake. No one has managed a business and not made mistakes. Learning from and not repeating mistakes is key to success.

Throughout the process of building brands, do you take time to reflect on the milestones?

Yes, I do. Leaders sometimes become bigger than life instead of part of life. Thinking time and reflection is a part of being an effective leader.

I'm not well-known for what I've achieved, but I'm respected for understanding consumer trends, premium brand positioning, and the importance of passion and risk in achieving success. The longevity of CEOs today is shorter than it used to be.

Many CEOs don't gravitate to other careers when they leave their positions. I thrived on the next challenge and looked forward to the next opportunity. Part of this was about building and maintaining relationships, and valuing the work that has been done, as well as the next step forward. ●