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BUSINESS



JOSHUA SUDOCK, STAFF PHOTOGRAPHER

Vern Underwood Jr., 75, began at Young's Market Co. in 1955. Under his leadership the company sold its meat business and is focusing solely on wine and spirits sales in 10 states.

ALL IN THE FAMILY

127-YEAR-OLD O.C. BUSINESS, STILL FAMILY-RUN, THRIVES SELLING WINE AND SPIRITS IN 10 STATES.

In a little more than 20 years, Vern Underwood Jr. went from unpacking freight cars in the warehouse of the family company to running the business.

While at the helm, Underwood would lead Young's Market Co. in its western expansion into eight states and sell its lagging grocery divisions to focus on wine and spirits. He would also consolidate ownership of the company with his sister Janet Underwood Smith Brown, buying out 34,600 shares of the Young family members and out-



LAUREN WILLIAMS
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siders' stakes in the company.

Now based in Tustin, the company's legacy spans more than a century, making it one of the oldest family-owned businesses in the United States, according to Forbes. Young's generates more than \$3 billion a year in sales, distributing 3,700 brands of wine and spirits across 10 states. It employs some 3,500 people, according to the company.

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BY THE NUMBERS

10: The number of states where Young's distributes wine and spirits

\$3 billion: The company's annual sales

3,500: The number of employees

3,700: The number of brands sold by Young's Market Co.

5: The number of family generations since the company was founded

SOURCE: YOUNG'S
MARKET CO.

FAMILY: Reorienting business pays off

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Years of guiding the company through changes and expansion have left Underwood with a vision of where the family business will need to pivot next to accommodate changing consumer tastes, which are driving a preference for small craft distilleries over big-name brands. Underwood doesn't see these changes as hurdles for the family business to overcome.

"There isn't any obstacle," he said. "There's opportunity, and there's constant opportunity in this business because consumer tastes change."

"What you see today with young people is they don't necessarily want mass-manufactured products. They like craft products. It's the new word now. Craft beer, craft spirits. More homegrown."

Being adaptable and moving forward is a key part of running a business with longevity, Underwood said.

"To be 127 years old, you're going to have to make changes," he said. "Make decisions every now and then to keep going, and pray you make the right ones - and God let me win the ties."

As a teenager, Underwood got to know the family business working in the warehouse, where his father, former Young's Market President Vern Underwood Sr., hoped his son would get a sense for hard work and see how the company operated from the ground up. Underwood recalls that in 1955, when



JOSHUA SUDOCK, STAFF PHOTOGRAPHER

EY, formerly Ernst & Young, will present Vern Underwood Jr. with its infrequently granted lifetime achievement award Thursday for the work he has done in transforming his family's business.

he started in the company warehouse, there was no automation. "All the merchandise came in by freight cars and we'd unload those," he said.

Underwood filled orders in the warehouse and later graduated to selling liquor in Watts in the 1960s. Only months after he started working there, the Watts Riots broke out.

"Dad says 'I gave you a territory and look what happened,'" Underwood joked.

But he developed close relationships with local shopkeepers, many of whom later wrote letters asking that he stay in the area after he was assigned to a new business territory.

Over time, Underwood rose through the ranks, overseeing sales in Hollywood and later strengthening the company's presence in Northern California. In 1975, his father handed over the keys to the company, making him its president. His father, who had first joined the company in 1936 by marrying into the founding Young family, became chairman of the board.

But in the late 1980s, Underwood and members of the board disagreed over the direction of the company. Underwood saw a change in the industry and a need to expand its presence both geographically and in the market for wine and spirits.

The Youngs didn't see it that way, and he was fired - albeit temporarily.

Timeline

- 1888:** Young's Market Co. gets its start when John G. Young opens a store in downtown Los Angeles.
- 1906:** Brothers John, Peter, William, George and Charles incorporate Young's Market Co., selling groceries in the Los Angeles area.
- 1933:** Prohibition ends, marking a turning point for Young's. The company expands into wine and spirits and increasingly focuses on beverages.
- 1936:** Vern Underwood Sr. joins Young's Market Co. after marrying Adrienne Young, bringing the Underwood side of the family into the business.
- 1940:** Young's discontinues its retail grocery operations and focuses entirely on becoming a food, wine and spirit distributor.
- 1963:** Vern Underwood Sr. is named president of Young's after William G. Young dies.
- 1967:** Young's expands to Hawaii with its acquisition of Better Brands.
- 1975:** Vern Underwood Jr. is named president, and Vern Underwood Sr. becomes chairman of the board.
- 1990:** The Underwood family becomes the sole owner of Young's.
- 1999:** Young's moves into Alaska, Washington and Oregon.
- 2008:** Young's moves to its new corporate headquarters in Tustin.

Source: "125 Years Young's"

"It became rather obvious to me that if we didn't expand and grow the business we were going to get left out," Underwood said. "You never want to react. You want to act. If we weren't able to become a statewide wholesaler we were going to have a problem maintaining the company. The Young family disagreed with that philosophy and felt they didn't want to spend the money."

When suppliers threatened to cut off Young's Market Co. if Underwood

wasn't reinstated, the board of directors brought him back.

In 1990, the Underwood side of the family took sole ownership of the company, buying out the dozens of multigenerational Young family members who held stakes, as well outside investors who held about 25 percent of the shares, according to "125 Years Young's," a book the company published on its own history.

By cashing out the others, Under-

wood and his sister created a leaner, more agile company ownership structure.

That allowed Underwood to complete the transformation into a wine and spirits company and expand the business in other ways formerly resisted by other shareholders.

By the time Underwood and his sister bought out the other shareholders, wine and spirits already generated 90 percent of Young's profits. Shortly thereafter, Young's Market Co. sold its meats division to ConAgra Foods. For the first time in more than 100 years, the company was out of the meat business.

"Under his leadership, they made some very strategic decisions about the focusing of the business on wine and spirits," said Joe Muscat, an executive at EY, formerly Ernst & Young, which on Thursday will present Underwood with its rarely granted lifetime achievement award for the work he did transforming his family's company.

"That reorienting, that risk taking," Muscat said, "that's really at the core of entrepreneurship and at the core of our award."

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