

Case 6-1

Adolph Coors Company

Shirley Richard returned from lunch one April afternoon in 1982 and found a message on her desk that Allan Maraynes from CBS had phoned while she was out. "God, what's this?" was all she could say as she picked up the phone to discuss the call with her boss, John McCarty, vice president for corporate public affairs. In her second year as head of corporate communication for what was then the nation's fifth-largest brewer, Richard was well aware of the Adolph Coors Company's declining popularity—a decline that she partially blamed on an ongoing conflict with organized labor. But the conflict was hardly breaking news, and she was almost afraid to ask why CBS was interested in the company.

Richard found out from her boss that Maraynes was a producer for the network's news program "60 Minutes." Reporter Mike Wallace had already phoned McCarty to announce plans for a "60 Minutes" report about the company. Program executives at CBS were aware of accusations of unfair employment practices that the AFL-CIO had raised against Coors and wanted to investigate the five-year battle between the brewery and organized labor.

Once McCarty explained the message from Maraynes, Shirley Richard sank into her chair. She had spent the last year working hard to understand organized labor and its nationwide boycott of Coors beer, and she was convinced that the company was being treated unfairly. She believed the union represented only a small subset of Coors's otherwise satisfied workforce. But Richard also doubted whether the facts could speak for themselves and was wary of the AFL-CIO's ability to win over the media. She was well aware of Mike Wallace's reputation for shrewd investigative reporting.

On the other hand, "60 Minutes" was considered by many corporations as anti-big-

business, and Richard had no idea how corporate officials would respond under the pressure of lights, camera, and the reporter's grilling questions. McCarty and Richard met with the two Coors brothers to discuss the network's proposal and to determine whether producer Maraynes should even be allowed to visit the Coors facility. Company president Joseph ("Joe") Coors and chairman William ("Bill") Coors were skeptical of the prospect of airing the company's "dirty laundry" on national television. But McCarty was interested in the opportunity for Coors to come out into the public spotlight. Richard knew that granting interviews with Wallace and permission to film the Coors plant came with enormous risk.

Richard was frustrated by growing support for the boycott, and her own strategies to deal with the problem had been unsuccessful. She believed the interview with CBS might only exacerbate an already difficult situation. Her own public relations effort had been an attempt to portray the circumstances as she believed them to be: good management harassed by disgruntled labor organizers. She was convinced that her job was not an effort to cover up Coors's employment practices.

Richard debated how the company should handle the proposal from CBS. Any decisions about approaching "60 Minutes" also would have to be approved by the Coors brothers. Richard felt uncertain about how much control she would ultimately have over the communications strategy. Joe Coors, an ardent conservative and defender of private enterprise, would undoubtedly resist an open-door policy with the network. At the same time,

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Richard wondered if she should attempt to convince the management of this traditionally closed company to open itself to the scrutiny of a "60 Minutes" investigation or whether the best defense would be a "no-comment" approach. But with no comment from Coors, anything organized labor was willing to say on camera would go uncontested.

HISTORY OF THE ADOLPH COORS COMPANY

The Coors brewery was established in 1880 by Adolph Coors, a Prussian-born immigrant who came to the United States in 1868. Having trained as an apprentice in a Prussian brewery, 22-year-old Adolph Coors became a foreman at the Stenger Brewery in Naperville, Illinois, in late 1869. By 1872, Coors owned his own bottling company in Denver, Colorado. With his knowledge of brewing beer and the financial assistance of Joseph Schueler, Coors established his own brewery in Golden, Colorado. His product was an immediate success. In 1880, Adolph Coors bought out Joseph Schueler and established a tradition of family ownership that was maintained for almost a century.

Famous for its exclusive "Rocky Mountain spring water" system of brewing, the Adolph Coors Company soon became something of a legend in the beer industry. The Coors philosophy was one of total independence. A broad spectrum of Coors subsidiaries combined to create a vertically integrated company in which Coors owned and managed every aspect of production: The Coors Container Manufacturing plant produced aluminum and glass containers for the beer; Coors Transportation Company provided refrigerated trucks to haul the beer to its distribution center as well as vehicles to transport coal to fuel the Golden brewery; Coors Energy Company bought and sold energy and owned the Keenesburg, Colorado, coal mine; the Golden Recycle Company was responsible for ensuring a supply of raw materials for

aluminum can production. By 1980, the recycling plant was capable of producing over 30 million pounds of recycled aluminum a year. Other subsidiaries fully owned by Coors included Coors Food Products Company, Coors Porcelain Company, and the American Center for Occupational Health.

THE COORS MYSTIQUE

A certain mystique surrounding the Golden, Colorado, brewery, and its unique, unpasteurized product won the beer both fame and fortune. Presidents Eisenhower and Ford shuttled Coors to Washington aboard Air Force jets. Actors Paul Newman and Clint Eastwood once made it the exclusive beer on their movie sets. Business magazines lauded Coors as "America's cult beer." As Coors expanded its distribution, the mystique appeared irresistible; Coors moved from 12th to 4th place among all brewers between 1965 and 1969 with virtually no advertising or marketing.

Part of the Coors mystique was attributed to its family heritage. For over a century of brewing, company management had remained in the hands of Adolph Coors's direct descendants. Reign passed first to Adolph Coors Jr., then to his son William Coors. In 1977, Bill Coors turned over the presidency to his younger brother Joseph but continued as chairman and chief executive officer. The company's newest president, Joe Coors, was a well-known backer of right-wing causes such as the John Birch Society; a founder of a conservative think-tank, the Heritage Foundation; and a member of President Ronald Reagan's so-called Kitchen Cabinet. The family name was closely associated with strong conservatism by consumers, labor, and the industry.

The Coors Company was built on a tradition of family and, even after going public in 1975, remained an organization closed to active public relations. Bill Coors recalled that his father, Adolph Coors Jr., was a shy man, and throughout its history the company was reluctant to attract any public attention. In 1960, the sensational kidnapping and murder of brother

Adolph Coors III focused the public eye on the family and the business, but Coors maintained a strict "no-comment" policy.

THE NATURE OF THE BREWING INDUSTRY

From the mid-1960s through the 1970s and into the 1980s, the brewing industry was characterized by a shrinking number of breweries coupled with a growing volume of production and consumption. In 1963, Standard and Poor's Industry Surveys reported 211 operating breweries. Ten years later that number had dropped to 129, and by 1980 there were only 100 breweries in operation. On the other hand, per capita consumption of beer rose from 15 gallons a year in 1963 to 19.8 gallons in 1973. By 1980, per capita consumption had jumped to 24.3 gallons a year.

Until the mid-1970s, beer markets were essentially local and regional, but as the largest breweries expanded, so did their share of the market. Combined, the top five brewers in 1974 accounted for 64 percent of domestic beer production, up from 59 percent in 1973. Previously strong local and regional breweries were either bought by larger producers or ceased operations.

A notable exception, however, was the Adolph Coors Company, which dominated the West. Until 1976, the company's 12.3-million-barrel shipment volume was distributed only in California, Texas, and 10 other western states. Coors's share of the California market alone was well over 50 percent in 1976. Coors dominated its limited distribution area, capturing at least 35 percent of the market wherever it was sold statewide. The Coors Company ranked fifth in market share nationally throughout the 1970s, trailing giants Anheuser-Busch, Joseph Schlitz, Phillip Morris's Miller, and Pabst, all of which had much broader distribution areas.

Competition for market share among the top five brewers was intense during the 1970s and

led producers to more aggressive attempts to win consumers. According to compilations by Leading National Advertisers, Inc., advertising expenditures for the first nine months of 1979 were up 37 percent from the previous year for Anheuser-Busch, 18 percent for Miller, 14 percent for both Schlitz and Pabst, and 78 percent for Adolph Coors.

MARKETING AND DISTRIBUTION AT COORS

Industry analysts criticized the Coors Company's sales strategy for stubbornly relying on its product's quality and image rather than marketing. In 1976, the Coors mystique appeared to be losing its appeal to strong competitors—for the first time since Prohibition, Coors could not sell all of its beer. The company finally responded to competition by intensifying its marketing and development operations. Between 1976 and 1981, the company attempted to revive sales by adding eight new states to its distribution. In May 1978, Coors began to market its first new product in 20 years: Coors Light. In 1979, Coors began the first major advertising campaign in its history to defend itself against aggressive competitors such as Philip Morris's Miller Brewing Company and Anheuser-Busch. The company's 1981 annual report pictured Coors's newest product—George Killian's Irish Red Ale—along with a newly expanded package variety designed to "keep pace with consumer demand."

The Coors Company went public in 1975, but investors did not fare well as stock prices declined for the rest of the decade. Coors entered the market at a share price of \$31 but by 1978 had fallen to \$16—a loss of about 50 percent for the first public stockholders. Net income, according to the company's annual report, was \$51,970,000 in 1981, or \$1.48 per share. That figure reflected a 20 percent drop from \$64,977,000, or \$1.86 per share, in 1980.

MANAGEMENT-LABOR RELATIONS AT COORS

During pre-Prohibition years, breweries, including Coors, were entirely unionized. In 1914, the first vertically integrated industrial union in the country established itself at Coors. When the country went dry, Coors remained viable through alternative operations, but the workforce still had to be reduced. Coors offered older workers employment but fired younger employees. A strike of union employees resulted and remained in effect until 1933, when Prohibition was repealed. The company, however, continued to operate without a union until 1937 when Adolph Coors Jr. invited the United Brewery Workers International (UBW) into the Coors Company.

In 1953, the company experienced an abortive strike by the UBW to which a frightened management immediately gave in. In 1955, Coors's organized porcelain workers struck because their wages were less than those of brewery workers. Although the plant continued to operate, all of Coors's unionized workers engaged in a violent strike that lasted almost four months. The union ultimately lost the battle 117 days after the strike, when workers returned to the plant on company terms.

Negotiations over a new union contract in 1957 ended in a stalemate between labor and management, and workers again decided to strike. For another four months, workers were torn between paternalistic and small-town personal ties to management and the demands of the union. Bill Coors, who was then the plant manager, recalled that during the strike, management had wanted to show the union it was not dependent on union workers. Coors hired college students during the summer of 1957 as temporary replacements for the striking brewers. When the students left, the picketers were threatened by management's vow to hire permanent replacements and returned to the plant. The strike was a clear defeat of the union's demands and ultimately left international

union leaders with an unresolved bitterness toward Coors. Back in full operation by the fall of 1957, Coors management believed it had won complete control.

By the end of the 1950s, 15 local unions were organized at Coors. Management tolerated the unions but claimed they did not affect wages or employment practices. The Coors family firmly believed that good management removed the need for union protection and that management could win workers' loyalty. In 1960, the plant's organized electricians went on strike but failed to garner the support of other unions, and the plant continued to operate with non-union electricians hired to replace the strikers. Similar incidents occurred with Coors's other unions. A 1968 strike by building and construction workers ended with Coors breaking up 14 unions. By 1970, Coors's workforce was predominantly nonunion.

A contract dispute between Coors's management and UBW Local 366 erupted in 1976. Workers demanded a 10 percent wage increase and better retirement benefits. After more than a year of negotiations, union officials rejected management's compromise offer, which labor contended would erode workers' rights. In April 1977, over 94 percent of UBW workers voted to strike. Production at the plant continued at 70 percent of normal capacity, however, and management boldly announced plans to replace striking workers. In defense of the union, AFL-CIO officials declared a nationwide boycott of the beer until a new contract settlement was reached. But within five days of initiating the strike, 39 percent of the union members crossed the picket lines to return to work.

In 1978, Coors management called an election for decertification of UBW Local 366. Because more than a year had passed since the strike began, National Labor Relations regulations restricted striking union members from voting. Only workers remaining at the plant, including "scabs" hired across the picket lines, could vote on whether to maintain the UBW

Local. In December of that year, Coors employees voted a resounding 71 percent in favor of decertifying the Local UBW.

Since 1957, the Coors brewery had been a "closed shop," in which workers were required to pay union dues if they were to benefit from union action. But company officials called the 1978 decertification vote a victory for the "open shop," wherein workers could enjoy union benefits without paying dues as members. Union officials, frustrated over the lack of a new contract and the decertification vote, publicly charged Coors with "union busting."

In fact, according to AFL-CIO officials, the UBW was the 20th Coors union decertified since the mid-1960s. Management consistently argued that employees simply rejected union organization because they didn't require it; good management eliminated the need for a union to protect workers. But organized labor maintained that all 20 unions had been "busted" by votes called while members were on strike and scabs were casting the ballots. By the end of the decade, only one union representing a small group of employees remained active at Coors.

NATIONWIDE BOYCOTT

The AFL-CIO was determined not to be defeated by the ousting of the UBW Local from the Golden plant. In defense of the union, AFL-CIO officials declared a nationwide boycott of Coors beer until a new contract settlement could be reached and soon began to claim that their efforts had a significant effect on sales. In fact, 1978 figures reported a 12 percent profit decline for the brewery during fiscal 1977 and predicted that 1978 figures would fall even lower. Corporate officials conceded the boycott was one factor influencing declining sales but refused to admit the drop was consistent or significant.

The defeat of the Coors local brewers' union fueled the boycott fire, but the protest focused on issues beyond the single contract dispute

begun in 1977. The other issues of protest related to Coors's hiring practices. Labor leaders claimed that a mandatory polygraph test administered to all prospective employees asked irrelevant and personal questions and violated workers' rights. In addition, the protesters claimed that Coors discriminated against women and ethnic minorities in hiring and promotion. Finally, boycotters argued that Coors periodically conducted searches of employees and their personal property for suspected drug use and that such search and seizure also violated workers' rights. The boycott galvanized organized labor as well as minority interest groups that protested in defense of blacks, Hispanics, women, and gays.

The boycott's actual effect on sales was the subject of dispute. Coors's sales had begun to fall by July 1977, just three months after the boycott was initiated. Some analysts attributed the drop not to protesting consumers but rather to stepped-up competition from Anheuser-Busch, which had begun to invade Coors's western territories. Despite a decline, Coors remained the number-one seller in 10 of the 14 states in which it was sold. Labor, on the other hand, took credit for a victory at the end of 1977 when Coors's fourth-quarter reports were less than half of the previous year's sales for the same period. Dropping from \$17 million in 1976 to \$8.4 million in 1977, Coors was faced with a growing challenge. There was no doubt that management took the AFL-CIO protest seriously and began attempts to counter declining sales through more aggressive advertising and public relations.

FEDERAL LAWSUIT

The AFL-CIO boycott gained additional legitimacy from the federal government. In 1975, the federal Equal Employment Opportunity Commission (EEOC) had filed a lawsuit against Coors for discrimination in hiring and promotion against blacks, Mexican Americans, and women. The suit charged Coors with

violating the 1964 Civil Rights Act and challenged Coors's hiring tests, which the EEOC said were aimed at revealing an applicant's arrest record, economic status, and physical characteristics. The lawsuit stated that the company used "methods of recruitment which served to perpetuate the company's nonminority male workforce."

In May 1977, one month after the initiation of the AFL-CIO boycott, Coors signed an agreement with the EEOC, vowing that the brewery would not discriminate in hiring. But according to media reports, Coors still refused to admit any past bias toward blacks, Mexican Americans, and women. Coors said it would continue a program begun in 1972 designed to increase the number of women and minorities in all major job classifications. Striking brewery workers refused to sign the agreement, although the Coors's Operating Engineers Union entered into the agreement.

DAVID SICKLER AND THE AFL-CIO

The principal organizer of the AFL-CIO boycott against the Adolph Coors Company was the former president of the company's Local UBW. David Sickler had been employed by Coors for 10 years, acting as a business manager from 1973-1976. Sickler left the plant in 1976 to take a job with the AFL-CIO in Montana. In April 1977, the AFL-CIO decided to put Sickler in charge of coordinating the national boycott against Coors. Sickler moved to Los Angeles, where he also served as director of the Los Angeles organizing committee and the sub-regional office of the AFL-CIO.

Sickler initially resisted the AFL-CIO's request to put him in charge of organizing the boycott. He believed that his past employment at the company made him too close to the situation to offer a fair position on the issues at stake. But the AFL-CIO felt that Sickler's tenure with Coors made him an ideal choice; according to Sickler, his personal reports of abuse by the company in hiring and employment practices

were shared by numerous Coors employees and were the central issues of the boycott.

Sickler contended that when hired by Coors, he had been subjected to questions on a lie detector test regarding his personal life and sexual preference. In addition, he reported the company's practice of searching individuals or entire departments for suspected drug use. Despite corporate officials' insistence that the accusations were false, Sickler was convinced that Coors employees were generally "unhappy, demoralized."

Coors management was determined to fight back against the boycott and filed a breach of contract suit against the Local 366. The company charged that any boycott was prohibited under contract agreements. Management also made clear to the public its outrage over the boycott, as chairman Bill Coors began to speak out in the national media. In a 1978 interview with *Forbes* magazine, Coors stated about the AFL-CIO: "No lie is too great to tell if it accomplishes their boycott as a monument to immorality and dishonesty." Earlier that year, Bill Coors defended the company against charges of being antiunion. A *New York Times* report on the dispute quoted the CEO as saying: "Our fight is not with Brewery Workers Local 366. Our fight is with organized labor. Three sixty-six is a pawn for the AFL-CIO; that's where they're getting their money."

CORPORATE COMMUNICATION AT COORS

The 1977 boycott forced company officials to reexamine the area of corporate communication. Because labor leaders set out to "destroy the company," Bill Coors, now chairman and chief executive officer of the company, believed management must relate its side of the story. "There was no lie they wouldn't tell," the CEO recalled. "No one knew about Coors, and we had no choice but to tell the story."

In 1978, John McCarty, responsible for fundraising at Pepperdine University, was hired as

the vice president for corporate public affairs. McCarty brought to Coors expertise in minority relations and set out to repair the company's damaged reputation among minority groups. McCarty established a staff of corporate communication officers. The division was organized into four branches under McCarty's leadership: corporate communication, community affairs, economics affairs, and legislative affairs.

In response to the boycott and declining sales, McCarty enlisted the expertise of J. Walter Thompson's San Francisco office to help the company improve its corporate image. Coors launched what analysts termed a strong "image-building" campaign in 1979, with messages aimed at ethnic minorities, women, union members, and homosexuals. The theme throughout the late 1970s was clearly a response to labor's accusations against the company: "At Coors, people make the difference."

Another component of the new image campaign, according to media reports, was to condition company managers to project charm and humility in dealing with reporters. Coors executives participated in a training course designed to help them overcome a traditional distrust of the media.

SHIRLEY RICHARD

Shirley Richard was hired along with McCarty in 1978 to direct the company's legislative affairs function but was familiar with the Coors Company long before joining its staff. From 1974–1978, Richard worked on the Coors account as a tax manager for Price Waterhouse. One important issue for the Coors account, Richard recalled, was the deductibility of lobbying expenses and charitable donations. As part of her job, Richard became involved in the political arena, helping Coors set up political action committees. When Richard decided to leave Price Waterhouse in 1978, she asked Coors's vice president of finance for a job and was hired to head the legislative affairs department, a position she held until 1981.

Richard recalled her first year with the company as a time when Coors was "coming out of its shell"; Philip Morris's purchase of Miller Brewing Company meant increased competition for Coors and a demand for more aggressive advertising. In 1975, the company sold its first public stock. The bad publicity from the 1977 strike and its aftermath combined with greater competition led to a serious decline in sales and disappointed shareholders. Clearly, the Coors mystique alone could no longer speak for itself, and an aggressive public relations campaign was unavoidable.

One year before the "60 Minutes" broadcast of the Coors story, Richard became Adolph Coors Company's director of corporate communications. In that position, she managed 25 people, covering corporate advertising, internal communications, distribution communications, training programs, and public relations personnel.

CONFRONTATIONAL JOURNALISM

The challenge of CBS's "60 Minutes" to any company under its investigation was formidable. The 14-year-old program was consistently ranked in Nielsen ratings' top 10 programs throughout the 1970s. Media critics offered various explanations for the success of this unique program, which remarkably combined high quality with high ratings. A *New York Times* critic summarized the sentiment of many within the broadcast profession when he called "60 Minutes," "without question, the most influential news program in the history of the media."

The program had earned its popularity through consistently hard-hitting investigative reporting. Executive producer Don Hewitt proclaimed "60 Minutes" the "public watchdogs." In his book about the program, Hewitt recalled, "I became more and more convinced that a new type of personal journalism was called for. *CBS Reports*, *NBC White*

Papers, and *ABC Closeups* seemed to me to be the voice of the corporation, and I didn't believe people were any more interested in hearing from a corporation than they were in watching a documentary." Stories revealing insurance executives taking advantage of the poor with overpriced premiums, companies polluting streams and farmlands by irresponsibly dumping, or physicians gleaning profits from unnecessary surgery had all worked to rally public support and faith in CBS as a sort of consumer protection agency.

The program's success in uncovering scandal was due in large part to the aggressive and innovative technique of Mike Wallace. Wallace had been with the program throughout its history and was responsible for shaping much of the "60 Minutes" image. His reporting was always tough, sometimes theatrical, and was commonly referred to within the media as "confrontational journalism."

Allan Maraynes was assigned to produce the Coors segment. His experience with "60 Minutes" was highlighted by some significant clashes with big business. He had produced stories on the Ford Pinto gasoline tank defects, Firestone tires, I. Magnin, and SmithKline. Maraynes was alerted to the Coors controversy when "60 Minutes" researchers in San Francisco told him they suspected bad things were happening at Coors. The research group told Maraynes that the AFL-CIO was calling Coors a "fascist organization," which sounded to the producer like good material for a story.

Maraynes first flew to California to interview David Sickler. "We said we were setting about to do a story explaining that a fascist state exists at Coors," Maraynes recalled about his conversation with Sickler. "If it's true, we'll do it." Maraynes wanted Sickler to give him as much information about the boycott as he had. Maraynes wanted the angle of the story to be a focus on case histories of the people who had experienced Coors's unfair treatment.

OPEN OR CLOSED DOOR?

With the phone call from Maraynes, all of the pressures from David Sickler, the AFL-CIO, and the boycott were suddenly intensified. Shirley Richard had worked hard in the last year to focus public attention away from the boycott, but now her efforts to project a positive corporate image were threatened. Thinking ahead to the next few months of preparation time, she felt enormous pressure in the face of such potentially damaging public exposure.

Shirley Richard was not naive about Mike Wallace or the power of television news to shape a story and the public's opinion. Richard, along with other Coors executives, believed that the company was not at fault, but that did nothing to guarantee that its story would be accurately portrayed in a "60 Minutes" report. Mike Wallace himself had voiced the reason for a potential subject to fear the program's investigative report. In a *New York Times* interview, Wallace stated: "You (the network) have the power to convey any picture you want."

Richard knew that a big corporation's abuse of employees was just the kind of story "60 Minutes" was built on, and she didn't want Coors to be part of enhancing that reputation, especially when she believed organized labor had fabricated the controversy about Coors. Given Mike Wallace's desire to get the story, Shirley Richard guessed the company would automatically be on the defensive.

"60 Minutes" was determined to do the story, with or without cooperation from Coors. Richard wondered, however, whether an interview with Mike Wallace would do the company more harm than good. On the other hand, she considered the possibility that the company could somehow secure the offensive and turn the broadcast into a final clarification of Coors's side of the boycott story.

Richard was clearly challenged by an aggressive news team, and she was uncertain about cooperation from the conservative Coors

brothers. Even if she could convince them that an open door was the best policy, would corporate officials be able to effectively present the facts supporting Coors's position? The national broadcast would reach millions of beer drinkers, and Richard knew that the "60 Minutes" report could either make or break the future success of Coors beer.

CASE QUESTIONS

1. What problems should Richard focus on?
2. What kind of research should she do?

3. What would her communication objective be if Coors agreed to the interview? If the brothers did not do the interview?
4. Should Shirley Richard encourage or discourage the Coors brothers to go on "60 Minutes"?
5. What suggestions would you have for improving media relations at Coors?

Source: This case was researched and written by Professor Paul A. Argenti in 1985 and revised in 1994, 1998, 2002, and 2005.