

# THE DENVER POST

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**Why did Molson Coors — a beer company that is one of Colorado’s most iconic brands — move its headquarters to Chicago?**

Company says need for marketing talent weighed heavily in decision to leave Denver



*The Coors Brewery can be seen from Vanover Park on Oct. 30, 2019, in Golden.*

By Aldo Svaldi | [asvaldi@denverpost.com](mailto:asvaldi@denverpost.com) | The Denver Post - November 3, 2019

Uprooting a company nearly 150 years deep in a community is never easy, and Molson Coors Brewing Co.’s decision to shift its corporate headquarters from Denver to Chicago involved a lot of deliberation.

“The leadership team and board struggled over it and agonized. We looked at this every way you could imagine,” said Adam Collins, chief communications and corporate affairs officer for Molson Coors.

But in the end, one consideration dominated more than any other — marketing.

“Marketing was the true reason,” said Matthew Hargarten, another company spokesman.

Not Denver’s ability to market itself, but rather Molson Coors’ ability to find and retain the marketing talent it needed to roll out a host of new products designed to appeal to shifting consumer preferences in a world of flattening beer sales.

Molson Coors said Wednesday it would close its Denver corporate headquarters, eliminating or moving 300 jobs. The move, part of a larger reduction of up to 500 jobs, is expected to save the company \$150 million a year.

That money will be used to fund product innovation and boost digital marketing.

But Colorado isn’t just losing high-paying jobs. Part of the state’s corporate identity is being stripped away, and its biggest foothold in the consumer goods market has slipped away.

“Coors has been the state’s best known, best-selling brand,” said Tom Noel, a professor of history at the University of Colorado Denver. “It has been more than a beer — it is Colorado.”

Colorado has long prided itself in having one of the country’s deepest pools of brewing expertise, said Sam Bailey, vice president of economic development at the Metro Denver Economic Development Corp.

Golden is home to the world’s second-largest brewery, and Coors has brewed beer there since Prussian immigrants Adolph Coors and Jacob Schueler launched the company in 1873.

Before there was a state of Colorado, there was Coors beer.

Anheuser-Busch also runs a large brewery in Fort Collins. And when it comes to states with the most microbreweries, Colorado ranks second only to California, according to the U.S. Census Bureau.



*Brewing specialist Carl Kroepelin walks past large copper brewing kettles as he works at Coors Brewery on Oct. 30, 2019, in Golden.*

But with beer sales stagnant, Molson Coors Brewing needed to move in a different direction, reflected in the company's new name, Molson Coors Beverage Co. The company is increasingly branching beyond beer, into things like boxed wine spritzers, hard coffee, CBD-infused drinks and nonalcoholic beverages.

"Our business is at an inflection point. We can continue down the path we've been on for several years now, or we can make significant and difficult changes necessary to get back on the right track," said president and CEO Gavin Hattersley when announcing the consolidation on Wednesday.

### **From maker to marketer**

As much as consumers might want to think their new favorite food item or alcoholic beverage was invented by a creative genius in a test kitchen or brewery lab, that isn't reality in the mass market.



*30 pack and 12 pack cases of Coors Light beer pass by on a conveyor belt on the canning line at Coors Brewery on Oct. 30, 2019, in Golden.*

“People have a misimpression — marketing doesn’t mean advertising. It means figuring out what the market wants and what it will pay for,” said John Lynch, senior associate dean for faculty and research at the University of Colorado Boulder’s Leeds School of Business.

The most important thing marketing departments do is come up with new products, he said.

Chicago has a much deeper base of corporate marketing talent than Denver does, especially when it comes to consumer products, said John Boyd, a site selection expert with the Boyd Company in Princeton, N.J.

That’s because it has a much larger presence of Fortune 500 companies than Denver, including giants like McDonald’s, Kraft Heinz and Mondelez International, the holding company for Nabisco, Oreo and Cadbury.

For people looking to move up the corporate ladder or wanting a place to land if things don’t pan out, working where there is a large industry cluster is important, he said.

Feeding that dominance is a bigger pipeline of marketing graduates coming out of more prestigious business universities like the University of Chicago and Northwestern.

And Chicago has more international flights, vital to a firm selling across the globe.

“In the food and beverage industry, it is all about marketing. How do you connect with consumers?” Boyd said.

Still, that begs the question, could Molson Coors have built a comparable or even better marketing team if it had chosen Denver over Chicago? Bailey and Lynch argue yes.

“It is true that there are more people in the Chicago area who have a marketing title than Denver,” said Lynch. “But I don’t believe you are likely to find better talent in Chicago than in this area.”

The University of Colorado Boulder has significantly beefed up its marketing program and is producing high-caliber graduates, said Lynch, acknowledging he isn’t an impartial observer.

The region has expertise in business-to-business marketing in technology and in marketing for the natural foods industry, which has a big hub in Boulder. And there is a lot of creative talent and a culture that fosters innovation, he said.

To that Bailey adds that VF Corporation, one of the country’s largest apparel makers, consolidated its disperse brands into a new headquarters in Denver, something it wouldn’t have done if it worried about attracting marketing expertise.

“VF Corporation, which markets several iconic clothing brands, has moved its headquarters here,” said Bailey. “We can be strong in marketing.”

And Lynch said Denver could more easily attract the top marketing graduates coming out of schools from across the country.

“People move here because they want to be in the area. This is an incredible town for millennials, whereas Chicago is not,” he said.

Cities like Seattle, Denver and Austin have been top draws for young adults on the move this decade. By contrast, a University of Chicago study earlier this year found that a third of young adults now living in Chicago want to leave.

That isn’t a recent sentiment. Chicago has been losing population for years. Metro Denver receives far more people from Cook County, where Chicago is located, than it ever sends back. The relationship is the most lopsided Denver has.

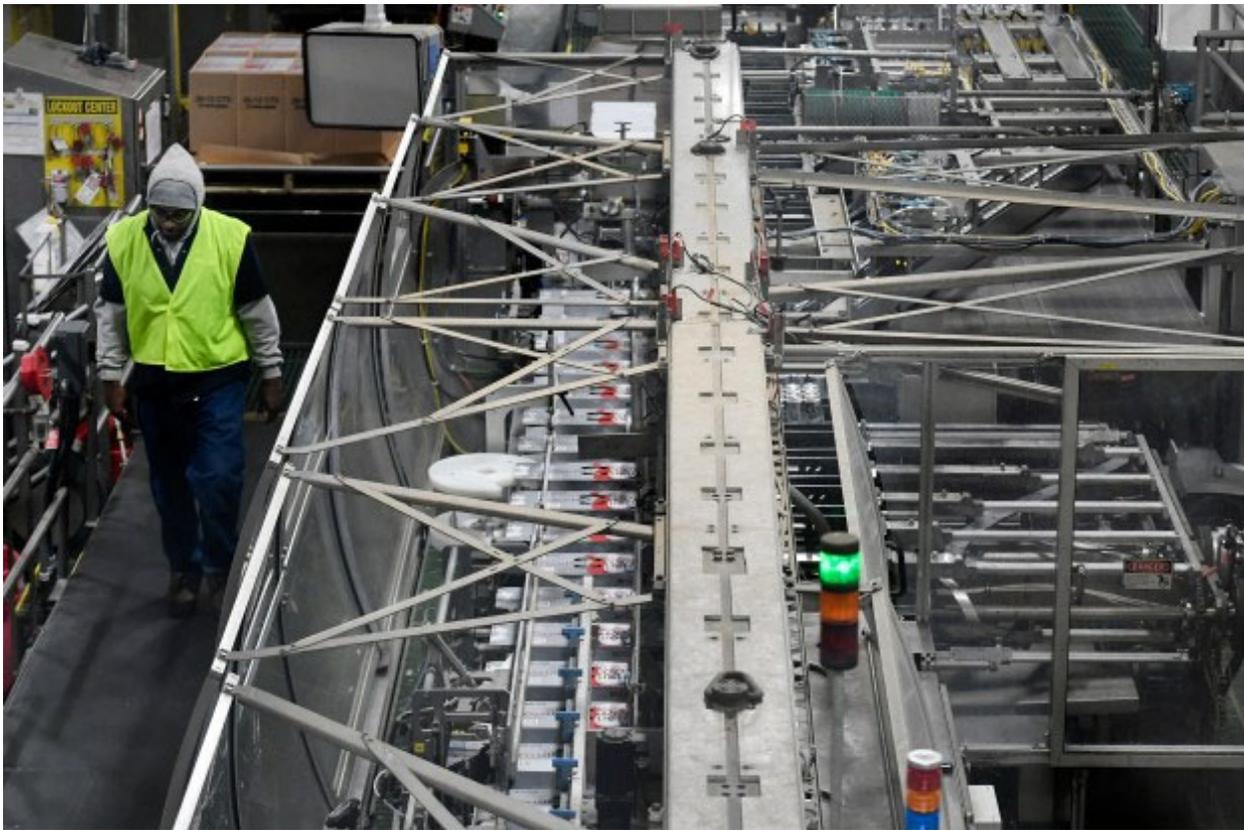
If the fundamental challenge facing Molson Coors is about remaining relevant to millennials and their shifting preferences, why craft that strategy in a city they are fleeing versus going with one they consider vibrant?

Collins responds that the marketing team in Chicago was having success with its “Made to Chill” campaign under the direction of new chief marketing officer Michelle St. Jacques, who joined the company in February.

St. Jacques came over from Kraft Heinz and is a graduate of the University of Michigan, which has a top marketing program. That supports the argument of marketing synergies.

Coors Light sales are finally starting to rebound under the new campaign. Miller Light sales continue to move forward and Blue Moon has had its best quarter for sales in years, Collins said.

“You are seeing some positive green shoots of progress with each of those brands,” he said. “The company is cognizant of not wanting to disrupt the positive progress of those brands.”



*A canning specialist works along the canning and packaging line at Coors Brewery on Oct. 30, 2019, in Golden.*

## **No neutral ground**

When Adolph Coors Co. and Molson Inc. merged in 2004, they set up executive headquarters in Denver and Montreal. U.S. operations were centered in Golden, and Canadian operations in Toronto.

Both families emphasized that the combination was a merger of equals. Chicago came into the mix in 2008 when Molson Coors formed a joint venture with SABMiller, based in London and Milwaukee.

The balancing act came back into play. Chicago offered a neutral location for the combination, and it didn't hurt that Illinois offered an \$18 million incentive package.

Chicago has about 100 more employees than Denver, so the question wasn't necessarily one of dislocation. And if it came down to community identity, Denver should have been the hands-down winner.

CEO preference sometimes is at play in headquarter relocations, and Denver still has a bitter taste from what happened with Chipotle Mexican Grill.

When Chipotle's board named Brian Niccol as CEO in March of last year, he quickly announced the Denver-based company was moving to Newport Beach, one of the country's most expensive real estate markets, located in California, a state that consistently ranks as having the most anti-business climate.

The Wall Street Journal reported that the Chipotle board had struck a deal with the former Taco Bell CEO to remain in his hometown and avoid uprooting his wife and young children, at the expense of disrupting the lives and careers of 399 people in Denver.

The argument Niccol offered was that the company needed to recruit the fast-food industry expertise found in Southern California as it reinvented itself.

Hattersley, who took over as Molson Coors CEO in late September from Mark Hunter, is a native of Zambia and rose up through the SABMiller ranks. He has lived in Chicago for the past four years, after he was put in charge of MillerCoors, which handled Molson Coors operations in the United States.

Before that, Hattersley spent three years in Denver as CFO of Molson Coors, so he knows the city. An avid sports fan, he lists Chicago and Milwaukee teams among his favorites, not any from Denver, according to a blog post to employees.

"He loved Denver," said Hargarten, who dismisses suggestions that CEO preference might be at play.

Even though Molson Coors acquired full ownership of the MillerCoors joint venture three years ago, jobs and power are being consolidated into Milwaukee, a Miller city, and Chicago.

Molson Coors executives in Colorado could have, in theory, folded Chicago operations into Denver when they purchased full control of MillerCoors in 2016, sparing the city the loss of the headquarters and saving on costs.

But that never happened. The purchase shifted the company's center of gravity from Denver to Chicago, which oversaw the U.S. business and accounted for 70% of sales.

And Molson Coors stagnated financially after it gained full control. Revenues went from \$11 billion in 2017 to \$10.5 billion last year. Profits, at \$1.1 billion, are projected at \$953 million this year.

Investors have halved the company's share price from the highs reached three years ago.



*An employee walks past the main entrance at the Coors Brewery on Oct. 30, 2019, in Golden.*

Collins emphasizes that Colorado, with 2,000 Molson Coors workers after the consolidation, will remain the single largest employment base within the company.

Besides the Golden brewery, there remains can and bottle manufacturing, a company-owned distribution arm and Blue Moon operations in the River North neighborhood. Those jobs are being preserved.

“We are proud of our heritage in Colorado and we are proud of our future in Colorado,” he said.

That future includes investing hundreds of millions of dollars in upgrading the Golden brewing plant, giving it the flexibility to handle the new product lines that the marketing team in Chicago develops.

Interestingly, when Golden lost out to Chicago for the MillerCoors joint venture headquarters, Molson Coors pledged \$100 million in upgrades to the plant.

But there is a difference between receiving the check, and signing the check.

Effectively, Molson Coors was folded into its largest subsidiary, creating a leaner structure. And the vision of what Molson Coors will become has shifted to Chicago and Hattersley.

Any pretense of maintaining the carefully crafted balancing agreements forged in 2004 and 2008 are now gone.

Notably absent from the company's statements were comments from Peter Coors, the scion of the Coors family, the closest thing the state ever had to a business dynasty.

Five generations of the family have had a hand in Coors in one form or another, although that involvement and ownership share has faded as the company grew larger to survive.

Coors will step down as the company's chief customer relations officer at the end of the year, ending his day-to-day duties. He is staying on as vice-chairman.

Coors declined interview requests to talk about the consolidation.