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Entrepreneurial Spirit

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David and June Trone, for whom the university's student center is named, visit the Total Wine store in McLean, Va. Photos © William Stewart Photography.

Entrepreneurial Spirit

David Trone is building one of the nation's top retail chains.

By Andy Peters

David Trone walks past a display featuring holiday wine suggestions. He sees an assistant manager standing behind the customer-service desk at the McLean, Va., location of Total Wine & More and asks him to put on his name tag. As a check-out line lengthens, Trone calls on the staff to open another register.

Later, in the wine classroom, Trone asks the store's wine expert what varietals will be served at that evening's event for its VIP customers, people who spend thousands of dollars per year on wine.

Shortly thereafter Trone demonstrates how a customer can use a smart phone to scan a QR code, positioned in front of bottles of Dogfish Head Indian Brown Ale, to call up a video of the head brewer describing the product. Before the video can start, spam infiltrates Trone's iPhone. He pulls out a pocket voice recorder and dictates a reminder to query his technology staff about how to block spammers.

Welcome to the new world of selling beverages to adults. To put it another way, this isn't your grandfather's liquor store.

TRONE, A 1977 FURMAN GRADUATE whose family name now adorns the university's remodeled student center thanks to a \$3.5 million gift from him and his wife, June, is creating one of the nation's top retail chains. Since 1991, when the first Total Wine & More opened, Trone and his brother, Robert, have built a business with about \$1.2 billion in yearly sales and more than 85 locations in 14 states. The store in Claymont, Del., just off Interstate 95, is the

company's busiest, posting \$80 million in sales per year. The Trone brothers remain the only owners of the business.

Some craft brewers and small-scale vintners have developed their brands — and expanded their own small businesses — by clinging to the coattails of Total Wine's increasingly extensive retail footprint.

"There are other retailers we work with — Whole Foods, Wegmans — but our sales at Total are significantly greater on a per-store basis" than any other retailer, says Jim Caruso, general partner and chief executive of Flying Dog Brewery in Frederick, Md.

In short order, Total Wine has become the nation's biggest pure-play alcoholic beverage retailer, according to *Beer Marketer's Insights*, a Suffern, N.Y.-based trade publication for the industry. (The warehouse club chain Costco posts higher alcohol sales overall, but it also sells food, clothing and many other products.) *Insights* says Total Wine is probably at least twice as large as the second-biggest pure-play alcohol retailer, ABC Fine Wine & Spirits of Orlando, Fla.

For those who knew Trone during his days at Furman, his success as an entrepreneur is anything but surprising. When the *Bonhomie* needed a business manager for the yearbook, Trone volunteered and "went all-in," says a Furman friend, Richard Barr '78. Failure was not an option.

"He acted like it was his own business, selling ads — and he can be persuasive — and collecting money," says Barr, a principal with an engineering and urban planning firm in Tallahassee, Fla. "He loved to win. He hated losing."



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The alcohol-retail industry magazine *Market Watch* gave the Trone brothers its “Retailers of the Year” award in 2006 and predicted rapid growth for the chain. The magazine’s prediction came true.

Trone initially wanted to go to law school, but his childhood experiences drew him back into the world of entrepreneurship. His father was an egg farmer in Adams County, Pa., where Trone grew up, although he had other businesses as well. “He was a serial entrepreneur,” Trone says. One of those side gigs was running a small grocery store, which was designed mostly to sell his eggs. The store eventually grew into a small beer distributor. After Trone’s parents divorced, his mother took the beer retailer and Trone took the farm.

After graduating from Furman *magna cum laude*, Trone enrolled at the Wharton School of Business of the University of Pennsylvania. He juggled going to school for an MBA with running his father’s farming business, which at that point was losing money. His father eventually went bankrupt — which taught Trone a lesson.

“He didn’t pay enough attention to the income statement,” Trone says. “I learned that you can’t get overextended or overleveraged. Sometimes, when bad things happen, it makes people more aware of what needs to be done.”

Trone liquidated his father’s business, which included the family home. Shortly thereafter, while still at Wharton, Trone launched the first business of his own, a beer store in Harrisburg, Pa., called Beer World. He soon opened another store in Pittsburgh. The predecessor to Total Wine was born.

TRONE SIGNED UP FOR CLASSES

on state laws for alcohol sales while attending Wharton, knowing he would need that knowledge for his business venture. It’s perhaps something of an understatement to describe alcohol sales as a highly regulated industry, although Trone describes the rules landscape for his business in slightly different terms.

“There is a myriad of anti-competitive laws that serve as barriers to entry to the alcoholic beverage retail industry that are different in every state,” he says. “The United States is not one country with one set of alcohol laws, like France. It’s 50 states with 50 different sets of laws.”

Trone has become something of an expert on this subject, with litigation and lobbying integral parts of his expansion strategy. He sued Pennsylvania alcohol regulators over the state’s laws on advertising the price of its beer. He’s lobbied legislatures in several states, including South Carolina, to allow for the sale of beer with higher alcohol levels. In Total Wine’s longest-running legal battle, a federal appeals court ruled in 2009 that the state of Maryland’s laws banning volume discounts amounted to restraints on trade. That ruling could have an impact on Total Wine’s sales across the country.

The *mélange* of state and federal laws created by the ratification of the 21st Amendment, which repealed Prohibition, is a blessing in disguise for Total Wine. The lack of a uniform, nationwide set of rules for all states means that no one can become the Amazon of alcohol sales. Thus, Total Wine does not face the type of serious threat from online sales as do such retailers as Barnes & Noble or JCPenney.

“Largely because of the 21st Amendment, we’re inoculated from what’s happening with Amazon destroying the electronics business at Best Buy and the office supply business at Staples,” Trone says.

Total Wine conducts online sales to about a dozen states, where the practice is legal. But the main goal of Total Wine’s online strategy is to educate its customers about wine, beer



and spirits. The company is spending about \$6 million to improve its website and provide more opportunities for interaction with customers.

“The mission is to drive bricks-and-mortar sales,” Trone says.

Technology is deployed strategically inside Total Wine stores. At the McLean location, situated in an affluent area of the northern Virginia suburbs of Washington, D.C., an iPad is prominently displayed at an information desk in the wine section. Shoppers can punch in their dinner plans — pork, beef or fish — and receive customized suggestions as to whether to pair the meat with a Pinot Noir or a Gewurtztraminer.

“It will spit out choices, and you scroll down and pick the one you want,” Trone says.

REAL ESTATE IS ANOTHER important part of the Trone business playbook. If you’re going to run an upscale alcoholic-beverage retailer, Trone surmises, it’s probably a good idea to keep respectable neighbors. He instructs his real estate-scouting department to find store sites that are as close as possible to high-end retailers like Bed Bath & Beyond or the Container Store.

The company’s product inventory reflects the desire to appeal to high-income, educated customers. Step inside a Total Wine store and you’ll



Trone likes to keep respectable company. He tells his real estate “scouts” to find store sites that are as close as possible to high-end retailers.

That’s a critical element to the success of the Flying Dog brand, Caruso says. If people can’t easily find Flying Dog’s products, they’re not going to buy them.

“They make a huge effort to carry all of our products, all of the time,” Caruso says. That’s not a simple task. Flying Dog makes 10 core products that are sold year-round, like Old Scratch Amber Lager, plus seasonal offerings like K-9 Winter

Ale and one-time offerings like St. EADman, a Belgian-style dark ale.

Don’t expect to see any new retail ventures from Trone any time soon. There’s no Anvils “R” Us on the horizon, no Widget Depot, no new variations on the pet store theme. He’s got plenty of room across the continental United States for expanding Total Wine before he moves into any other business, and he says there’s too much “white space” to fill up before he launches any new store concepts.

For the time being, he’s focused on expanding Total Wine in Texas. He also has California in his sights; he recently opened a new store near Sacramento.

TRONE ISN’T OPPOSED to the concept of selling his company, headquartered in Potomac, Md., to an outside investment firm, or even to a larger retail company. An Initial Public Offering could also be in the cards, although it isn’t at the top of his list.

“It’s always something to think about, but I think we’re better off to grow at a judicious pace,” he says.

More pressing is the final prong of Trone’s business strategy — community involvement. That shouldn’t be a surprise, considering his generosity to Furman.

have a difficult (if not impossible) time trying to locate dirt-cheap beer or jug wine. Instead, one of the first things a customer sees is a wall taken up by a large, glass-doored display room, kept at the ideal temperature for storing wine. Inside are some truly top-notch wines. Fancy a \$2,999 bottle of Bordeaux, anyone?

“They turn 30,000 square feet of selling space from what could be an average warehouse wine store into a beautiful specialty store experience,” says Kip Tindell, chair and chief executive of the Container Store.

Trone’s success hasn’t gone unnoticed. The alcohol-retail industry magazine *Market Watch* gave the Trone brothers its “Retailers of the Year” award in 2006 and predicted rapid growth for the chain, partly because of its willingness to engage in litigation to seek more favorable laws. The magazine’s prediction came true.

Beer is the fastest-growing product at Total Wine, specifically craft beer, with sales increasing at an annual clip of about 26 percent, Trone says. Total Wine is also a major player in the national explosion in popularity of craft brewing. The company offers hundreds, if not thousands, of items from brewers across the country and the world, in styles ranging from Belgian quadruples to imperial stouts.

In addition to their contribution toward the student center, he and June have donated \$1.5 million to cover start-up costs for Furman’s men’s and women’s lacrosse teams, which open varsity play in 2014. Their other gifts include a \$500,000 pledge toward endowing the Riley Institute (page 28). Trone also serves on the board of trustees and routinely donates Total Wine products to Furman events.

The charitable giving extends to the communities where Total Wine does business. The company partnered with law enforcement officials in the Tampa, Fla., area in November to raise awareness about the dangers of drunk driving during the holiday season. Total Wine has also worked with Jack Daniel’s to promote the use of designated drivers.

“The money we make, we put back into the community,” Trone says.

His generosity extends to friends and former classmates. Richard Barr says Trone has paid for his family to attend World Series games, pro basketball games, concerts and more.

“These are things I would never have done, if it weren’t for Dave,” Barr says. [F]

The author, a 1992 graduate, lives in Washington, D.C., and writes for American Banker, a newspaper covering the financial industry.

Turn the page to see how the Trone Center is being transformed.