



KINGS Of The Cape

LUKE'S SUPER LIQUOR STORES IN CAPE COD
HAS BESTED THE COMPETITION WITH ITS SELECTION,
SERVICE AND LONG-TERM PLANNING

BY EUGENIA WILLIAMSON • PHOTOGRAPHY BY JOSEPH FERRARO

With two pirate-themed miniature golf courses, scores of restaurants and motels as far as the eye can see, the stretch of Route 28 that runs through West Yarmouth, Massachusetts, in Cape Cod would never be mistaken for anything but a bustling vacation spot. Amid the kayak rental kiosks and sea glass jewelry shops are a bevy of liquor stores—three within walking distance, a dozen more in nearby towns.

Competition is stiff on the Cape, particularly for beverage alcohol retailers. But the five-unit Luke's Super Liquor Stores chain sets itself apart with a vibrant kelly green sign, an eye-catching delivery van and Martini glasses stenciled onto each parking space.



Luke's Super Liquor Stores co-owners A.J. (left) and Arthur Luke head five units in Massachusetts. The business has grown significantly over the past 40 years and employs 150 workers during the chain's busy summer season.



The amount of wine and spirits Luke's sells has evolved over the years, with wine (left) making up a greater share of sales as spirits (right) have fallen from over 50 percent to about 33 percent. Wine sales have increased at a rate of 10 percent annually over the last five years.

The 13,000-square-foot Luke's unit in West Yarmouth is the oldest of the family's locations. Industrial shelves stacked with cases of beer sweep to the ceiling, while cold beer and wine chill in their own room in the back. A dazzling array of spirits and mixers line the ample shelf space. At the front of the store, customers can peruse seasonal displays or a rack of promotional T-shirts, priced at \$5 each. Almost every night during the tourist season, and many evenings during the off-season, the store hosts a wine, beer or spirits tasting. Luke's sells cigarettes, lottery tickets, candy, key chains, bar accessories, propane, firewood, coal, kindling and branded beer can coolers—anything a beachgoer might need. The store also offers dozens of 50-ml. bottles that are sorted in green plastic bins next to the register and attract customers from distant states.

Ten years ago, Luke's added an oak wine room smack in the middle of the space that's decorated with plastic bunches of grapes and organized by varietal instead of region. The store-within-a-store invites customers to browse its shelves—in fact, it's almost impossible to leave without walking through the wine room and talking to one of the company's knowledgeable staff members. "I've tried to never be like everybody else in retail," founder and co-owner Arthur Luke says.

Since Luke and his wife, Sonja, opened their first grocery store in 1963 and debuted a full-fledged liquor outlet a decade later, the family business has gone through some dramatic changes. The last 40 years have seen the Lukes convert their grocery business into a beverage alcohol retail chain with the addition of four more locations in Brewster, Dennisport, Hyannis and West Harwich. Sonja Luke has since retired, and their eldest son, Arthur J. ("A.J.") Luke—who joined the company in 1976—has ascended to co-owner. For their long-standing dedication to beverage alcohol retailing, Arthur and A.J. Luke have been named 2014 MARKET WATCH LEADERS.

Evolving Business

Over the years, the beverage alcohol focus at Luke's has shifted. "The consumer has changed," Arthur Luke says. "We were extremely heavy in spirits at the beginning, and then beer seemed to come up dramatically. After that, the wine market started taking over. At the beginning, we were selling 20-percent beer, 25-percent wine and the rest spirits." Now wine makes up nearly 42 percent of sales, while spirits account for roughly 33 percent, beer represents over 21 percent, and the remainder is miscellaneous grocery items and tobacco products. Luke says wine sales over the last five years have grown at an annual rate of 10 percent.

KEY FACTS: LUKE'S SUPER LIQUOR STORES

Names of Leaders: Arthur N. Luke and Arthur J. Luke

Titles: Co-owners

Founded: 1973

Number of Stores: Five

Locations: West Yarmouth, Brewster, West Harwich, Dennisport and Hyannis, Massachusetts

Annual Revenue: Undisclosed

Sales Breakdown: 42-percent wine, 33-percent spirits, 21-percent beer, and 4-percent grocery, ice, tobacco and other items

Number of Employees: 50 in the off-season; 150 during the summer

Website: Capecodwines.com

Future Plans: The Lukes will continue to open new locations on the Cape as Massachusetts law permits.

That strategy has paid off. “Right now, our January business is as good as our July business was eight years ago,” Luke says. Today, his five outlets stock 2,251 spirits SKUs, 2,919 wine SKUs and 2,000 beer SKUs. The number of employees has bloomed to about 150 during the summer and 50 in the off-season. “It’s been an awesome transition,” Luke says.

The store’s success can be credited to Luke’s philosophy, which he’s passed down to his sons. “I believe in fast nickels and slow dimes,” he says. Luke has applied this vision, which encompasses both small profit margins and thinking ahead, to a number of businesses throughout the years—he has run no fewer than 13 companies in various industries, including school buses, taxicabs, video stores and a mail service.

Luke got his start in the grocery business when he and Sonja spent their \$600 savings to buy a West Yarmouth grocery store down the street from the current Luke’s location. By the end of their second fiscal year, the Lukes had quadrupled their annual revenue and began opening new locations apace. “I discovered the way to beat the big guy was to take time and invest some of your money instead of going to Disneyland,” Luke says. He’d buy rib roasts in bulk at Thanksgiving and turkeys in the summer when demand was at its lowest. “Every time I saw the market make a move, I took advantage of it,” he explains. “Take the money and make Disneyland for yourself.”

But his business acumen proved no match for the national chains. When Stop & Shop opened a 15,000-square-foot unit down the street from their 3,000-square-foot grocery store, the Lukes took a new approach. Noting the absence of a large, discount liquor retailer on the Cape, they began the process of converting their existing properties to beverage alcohol outlets in 1973. “I ran a sale in the first month and I made \$400,000,” Luke recalls. “I said, ‘I think I’m onto something.’” Buoyed by their reputation for having good prices, the couple bought two more liquor stores in Plymouth and Brewster, Massachusetts, and A.J. Luke soon opened stores of his own in Dennisport, Hyannis and West Harwich (the Plymouth location is now owned by Arthur Luke’s brother). Luke’s other sons have also joined the family business: Erik Luke heads property management, and the youngest, Carl Luke, drives a delivery truck. Arthur and A.J. are in the process of officially combining their stores into a single company.

Summer Surge

Cape Cod, a relatively small region that spans just 339 square miles, boasts socially and economically diverse communities, made even more so when the population doubles during tourist season. Accordingly, each of Luke’s outlets, though only three to five miles apart, is different. The store in West Yarmouth is the chain’s highest-volume location and has the largest cold room—which contains wine, beer, soda and mixers—as well as the biggest selection of nips to attract beachgoers. The 15,000-square-foot unit in Brewster has an older demographic and carries more Scotches, Bourbons and wines than other outlets. At 10,000 square



Beer makes up the smallest portion of Luke’s beverage alcohol sales, totaling about 21 percent. Sales tend toward beach-friendly cases of big brews like Bud Light, although many customers also come seeking local craft beers.

feet, the Dennisport store caters to a summer crowd with beer and spirits. The Hyannis and West Harwich locations—14,400 and 10,000 square feet, respectively—serve an affluent clientele who own million-dollar vacation homes.

To appeal to the variety of people who visit the Cape each year, Luke’s emphasizes a wide selection. “We couldn’t get away with having anything less than half an aisle dedicated to just vodka, but we try to give as much space as possible to the other categories as well,” says general manager Todd Pavao, who joined the business in 1993. Spirits are thoroughly represented, with 32 feet of brandy and another 32 feet of Tequila. Custom-made glass cases display high-end items like The Dalmore King Alexander III Scotch (\$270 a 750-ml. bottle) and El Dorado Special Reserve 21-year-old rum (\$100). Still, the store’s top-selling spirits items are 1.75-liter bottles of vodka, including the popular Three Olives and Smirnoff brands (both \$19.99). “Based on sales alone, we are a vodka store,” Pavao says. “Everything from straight vodka to obscure flavors sells extremely well.”

Beer is Luke’s smallest beverage alcohol category. Although the store carries a full range of craft and micro-brews, their top-selling beers are beach- and budget-friendly 30-packs of Budweiser, Bud Light, Coors Light and Miller Lite, retailing for \$22.99 each. “While the numbers are



Since Cape Cod's population doubles with seasonal visitors, management at Luke's (West Yarmouth, Massachusetts, unit pictured) plays a key role in catering to the varying needs of tourists and locals, adapting displays and selection to ensure stores remain competitive.

definitely still in the corner with the big boys, we know that a lot of customers come to us specifically for our local beer selection," Pavao says.

Wine, which comprises the largest portion of sales, has the widest variety. "In any Luke's store, you're just as likely to see a shopping cart filled with Riunite (\$6.99 a 750-ml. bottle) and Almaden (\$14.99 to \$17.99 a 5-liter box) as you are to see a wine manager assisting a customer in securing a case of Joseph Phelps Insignia (\$199.99 a 750-ml. bottle)," Pavao says. Still, overall wine sales average \$10 a bottle, including top-selling 1.5-liter magnums of Woodbridge Chardonnay and Barefoot Cellars Pinot Grigio and Chardonnay.

Seasonal Challenges

To succeed, each store must meet the needs of tourists and year-round residents alike. "During the off-season, we tend to see women over the age of 35 as our bread and butter," Arthur Luke says. "Our local population is weighted generally with citizens who are middle-aged or older." The challenge is to make sure the stores stock a variety of products for both groups—a problem largely solved by varying the displays. "In the winter, we might have five feet of vodka that we can shrink to three feet and add premixed drinks," Luke explains, noting that at other times, staff will build a display around a spirit and a mixer.

Still, "the competition down here is keen," Luke says. "Not because of me, but because of the prices advertised in Boston." Since a quick drive will take customers to other markets, including the control state New Hampshire, beverage alcohol retailers on the Cape must do more than change their displays. Luke's stores host numerous tastings—a whopping 1,734 in the last fiscal year alone. This busy agenda prompted Luke to start another business, Best Advertising and Display, with a dedicated staffer to schedule and promote the tastings. Customers who like what they sample and want it for an upcoming party can take advantage of Luke's next-day delivery service, which is now a full-service event-planning department, complete with beverage consultation.

Another key to the success of Luke's Super Liquor Stores is a staff of well-versed salespeople who are familiar with all the products available at a particular location. Each

major category has a department head, and managers spend their weeks scouting the best possible prices, merchandising display spaces and making sure the stores have the best selection in town.

In a bid to keep prices competitive with the rest of New England, A.J. Luke got his wholesale license in 2002 and only uses it for Luke's. "We're bringing in more and more items all the time because the margins are better and we control the product," Arthur Luke says. "The wholesale business allows us to buy at the right prices and sell at the right prices." The retailer might call that strategy "fast nickels."

Change is another method of retaining customers; the stores are regularly remodeled. "It's a firm belief of mine that if you don't change things and make them new, then people believe they don't need to go there," Luke explains. "By changing and making things happen, customers will take a little more time shopping."

But Massachusetts' rigorous retail statutes, which affect everything from construction to the number of stores a company may own, can hinder this strategy. "We're in the process of remodeling our Brewster location," Luke says. "We had a very small room there for wines, but a larger and larger percentage of that unit's business is becoming wine. However, like everything else, permits became a difficult thing."

Over the years, Luke has tried to make things better for himself and other small business owners by occupying various posts in local government, serving on the Department of Health and Chamber of Commerce and as the town of Yarmouth's Chairman of the Board. "I've had a great amount of success working with government," Luke notes. He's also served as president of the Cape Cod Grocers' Association and as vice president of the Liquor Association of Massachusetts.

A good thing, too: As soon as Massachusetts law permits, the family business will expand to seven locations. "Two more stores will be available in 2015, and we'll start looking for locations this year," Luke notes. "By 2018, we can have nine total, and I expect we will." And after that? "I hope my kids will continue on," he says. mw

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