



Molly's Spirits in Lakeside, Colorado utilizes solar power and branded hybrid vehicles (pictured outside store) as part of its delivery service, which operates through Drizly.

# CUTTING EDGE *In Colorado*

**O**n the edge of Denver lies the tiny hamlet of Lakeside, famous for an amusement park that opened in 1908. Just yards away from that local landmark is Molly's Spirits, which debuted in December 2014 and has since emerged as a retail destination. Molly's managing partner Rufus Nagel launched this large-scale, high-volume store in a Denver market filled with formidable competition. He understood the risks, as he'd worked for a decade in Denver's volatile commercial real estate market. What's more, his experience at a Silicon Valley tech startup had taught him how to build energized teams and leverage technology in a retail setting.

At first, Nagel studied Colorado's beverage alcohol market and spoke with other retailers. Since opening in 2014, Molly's sales have grown every year; the store grossed \$10 million in

Rufus Nagel has leveraged his Silicon Valley background to create Molly's Spirits, a high-volume store with a modern twist

**BY ANGEL ANTIN  
PHOTOGRAPHS BY MATT NAGER**

building lesser-known brands, collaborating with suppliers to create exclusive products, and increasing awareness through event sponsorships.

Technology fuels every aspect of the company's operations. Molly's uses solar power and branded hybrid delivery cars. Inside the store, customers see 17 digital screens and MarginMate electronic shelf labels, which track inventory and enable managers to seamlessly update prices for any item. From home, they can sign for orders delivered through Drizly, an on-demand

2015, \$15 million in 2016, \$20 million in 2017, and an estimated \$23 million last year. "Distributors are shocked at our sales growth, and that our top-selling products aren't congruent with the Nielsen 100," Nagel says. "We do things a little differently here, and our sales volume doesn't quite capture that." Nagel focuses on



Molly's Spirits managing partner Rufus Nagel (pictured) launched the large-scale, high-volume beverage alcohol store in Lakeside, Colorado in December 2014. Previously, he had worked in Denver real estate and at a Silicon Valley tech startup.



Molly's Spirits offers 6,000 beer SKUs (cider pictured; craft beer displays right), with 60 of its 74 cooler doors devoted to beer. Colorado craft labels make up the store's top beer category by both volume and value.



### Making Shopping Fun

Nagel says that in this era of e-commerce and delivery, millennial consumers crave interactive shopping experiences. "Millennials like delivery, and there are companies that deliver the big brands to your doorstep for almost nothing," he notes. "These consumers won't go to their corner store unless it's interesting and fun, so the future of in-person retailing is experiential." Nagel also makes a point of constantly offering new wines, spirits, and beers for his millennial customers. "That generation always want to try new products priced on par with



mainstream brands—and we like to play with the new toys," he says. Rather than waiting months to see if a new product catches on, Nagel utilizes MarginMate's analytics to quickly determine whether the item is earning its spot on the shelf.

For Nagel, the highlight of beverage alcohol retailing is the human interaction the business yields. "I like encouraging customers to try new products," he says. Nagel also has a coded-entry, climate-controlled room that's outfitted more like a library than a cellar where interested customers can see allocated wines and exclusive spirits. "We have a different approach than other stores, and it's labor-intensive," says Nagel.

Including specialists in marketing and technology, Molly's employs 20 full-time and 20 part-time employees who take part in a profit-sharing program. "Happy employees make happy customers," Nagel says. "I want to compensate people fairly and have a sense of community and trust—very different from my experience in Silicon Valley." Nagel brings that same philosophy to the store's relationships with distributors. As a newcomer to beverage alcohol retailing, he was struck by the heavy-handed way some retailers interact with distributors. "One way to work is to beat up your distributor on price, but we don't do that," Nagel says. "We see the wholesalers and suppliers as our partners." He also values transparency in pricing with customers, and says the days of loss leaders are over.



Wine at Molly's (display top left) comprises 37% of sales. On Fridays and Saturdays, customers can sample products at the store's tasting bar (top right). The store boasts a steampunk theme, even displaying a painting of the fictional Molly (above), created by Nagel.

### Wine Destination

Wine comprises 37% of sales at Molly's, with 7,000 SKUs ranging from Barefoot Moscato Spritzer (\$2 a 250-ml. can) to the 2015 Screaming Eagle Napa Valley Cabernet Sauvignon (\$2,275 a 750-ml.). Nagel says the sweet spot for a 750-ml. bottle of wine is between \$12 and \$15, with bottles in the \$19-\$22 range also performing well. The 2016 Matua Sauvignon Blanc (\$10) is the store's top-selling wine by volume and revenue. Tied for No. 2 are the 2017 Kim Crawford Sauvignon Blanc (\$15) in volume and Veuve Clicquot Brut Champagne (\$49) in revenue. Domestic red wines dominate as a category, led by the 2016 Josh Cellars Cabernet Sauvignon (\$13) and the 2015 Dreaming Tree Crush red blend (\$12). Imported sparkling wine is a strong second, including top sellers Col Solvino Extra Dry Prosecco (\$12) and Graham Beck Brut Rosé (\$17).

Rosé is Molly's third-strongest and fastest-growing category. A huge display features 300 still and 100 sparkling rosé wines, and each one also has a placement in its respective aisle. Nagel says Colorado's mild climate contributes to the category's year-round success. Strong sellers include the 2017 Nortico Dry rosé (\$15 a 750-ml.) and the 2017 Château d'Astros Côtes de Provence (\$13). Organic wines have also caught fire since they were relocated to the front of the store, Nagel says. Sustainable

beverage alcohol delivery service. Technology also saves on labor costs and shapes the store's layout. "We dynamically reset the store based on our detailed tracking of MarginMate data like inventory," Nagel says. "We move entire sections as soon as we see a change in sales data." One night, the wine team switched rosé, organic wine, and sake to prime shelving at the front of the store because the data indicated those categories were on an upward trajectory.

Even with its high ceilings, cement floors, 28,000 square feet of retail space, and 18,000 SKUs, Molly's feels more like a boutique than a warehouse. "Our decor has an artsy, steampunk theme," says Nagel, who created the fictional Molly captured in the store's murals. The design is open and clean, with low shelving and minimal p-o-s. A tasting bar greets customers as they enter, and is used for Friday and Saturday tastings of wine, spirits, and beer. "We put the tasting bar at the front to get our customers thinking about having fun," Nagel says. Behind the scenes, the technology team orchestrates the store's playlist, as well as the content playing on the screens. "First impressions are critical," Nagel notes.

### MOLLY'S SPIRITS AT A GLANCE

<b>Founded</b>	December 2014
<b>Key Executives</b>	Managing partner Rufus Nagel
<b>Location</b>	Lakeside, Colorado
<b>Number of Stores</b>	1
<b>Annual Revenue</b>	\$23 million in 2018
<b>Sales Breakdown</b>	Wine accounts for 37% of sales, followed by spirits at 34%, beer at 27%, and miscellaneous items, including sake, food, accessories, and delivery, at 2%.
<b>Website</b>	Mollysspirits.com
<b>Future Plans</b>	Nagel will grow the business in its current location and is scouting a second location.



wines are rotated in and out of the organic section to generate interest, while also keeping their aisle spots. Strong sellers include the 2017 Meinklang Burgenladred Österreich (\$15) and the 2017 Long Meadow Ranch Napa Valley Rutherford Sauvignon Blanc (\$18). The store's 90 sake SKUs comprise less than 1% of sales at Molly's, but they began to accelerate in 2017. While Hakushika Ginjo sake (\$8 a 300-ml.) is the top-seller, interest is growing in such upscale offerings as Kura Maho Daingyo sake (\$114 a 720-ml.).

Italian still wines are gaining traction, with 685 SKUs and a focus on building brands such as the 2016 Badia Al Colle Chianti DOCG (\$10 a 750-ml.) and the 2011 Sant' Elena Cabernet Franc (\$18). Boxed and canned wines are also on the rise, including the 2013 Kingman Estates Grand Valley Cabernet Sauvignon (\$35 a 3-liter box) and the limited-release Original House Wine Rosé Bubbles (\$5 a 12-ounce can).

In just a few years, Molly's has become a destination for upscale and allocated wines. "We offer a wine for every aficionado, including a large selection of prestige and grower Champagnes," Nagel says. Examples include the Armand de Brignac Ace of Spades Rosé Champagne (\$500 a 750-ml.),



Molly's Spirits' 90 sake SKUs (Asian spirits display top) comprise less than 1% of revenue, but sales accelerated in 2017. Colorado whiskies (above) perform well, comprising 10% of sales by volume and 250 SKUs.

(\$55 a 750-ml.) and Deerhammer American single malt whiskey (\$48). Overall, Molly's 250 Colorado-made spirits SKUs comprise 10% of the store's spirits sales by volume. Through his relationships with Colorado distillers, Nagel has procured exclusive spirits like Molly's Barrel Select High Rye whiskey from Distillery 291 (\$98) and Feisty Molly whiskey (\$49)

the 2012 Château Mouton-Rothschild Pauillac (\$690), the 2011 Tenuta dell'Ornellaia Bolgheri Superiore (\$225), and ZD Abacus Napa Valley Cabernet Sauvignon (\$580).

### Spirits Keep Surging

Spirits make up 34% of sales at Molly's, with 3,000 SKUs ranging from Fireball cinnamon whiskey (\$2 a 10-ml.) to Louis XIII de Rémy Martin Cognac (\$3,300 a 750-ml.). Tito's Handmade vodka (\$27 a 1.75-liter) and Basil Hayden's Bourbon (\$32 a 750-ml.) are the store's top-selling spirits. Nagel says that domestic and imported whiskies make up the strongest spirits category in both volume and revenue, noting that while vodka comes close in terms of volume, the category trails significantly in revenue.

Molly's offers 900 American whiskies, 325 of them Bourbon. Colorado whiskies perform well, including Stranahan's Rocky Mountain single malt whiskey

from Feisty Distillery, which is labeled expressly for the store.

Molly's is also a hub for Scotch, offering 400 SKUs. Three-quarters of the selections are single malts, including Glenfiddich 21-year-old (\$180 a 750-ml.) and GlenDronach Allardice 18-year-old (\$166). Mezcal and barrel-aged gin are gaining traction, giving customers a sense of discovery with bottlings like Banhez Joven mezcal (\$29) and State 38 The Astute Jester Barrel Reserved gin (\$37).

### Crafty Collaboration

Beer is the smallest category at Molly's, accounting for 27% of sales. The store offers 6,000 beer SKUs, with a walk-in cooler for bombers and 60 of its 74 cooler doors devoted to beer. The two top-selling beer SKUs are Coors and Bud Light (both \$18 a 24-pack of 12-ounce cans). Nevertheless, Colorado craft beer is the top overall category by a large margin in both volume and value. A new collaboration with Aspen Brewing Co., Molly's Sip of Colorado (\$6 a 6-pack of 12-ounce cans), is both a top-seller and the least expensive brew in the store. "We love collaboration," says Nagel. "We've done a lot of barrel-finished and higher-end beers for about \$13 a 6-pack, but this was the first time we collaborated to produce a private-label beer at this kind of price point." The store's most expensive beer SKU is St. Bernardus Abt 12 (\$250 a 4-liter bottle). Molly's also offers about 60 beers by the keg, such as Odell Brewing Co.'s Drum Roll American pale ale (\$89 a 7.75-gallon keg).

### Connecting With Customers

Collaboration and community are central to Molly's marketing strategy. The company partners with organizations like the new Colorado Spirits Trail and sponsors such events as the Underground Music Showcase. "Our message is more subtle than just advertising prices or sales," Nagel says. The store also connects with customers through social media, differentiated email lists, and a loyalty program. "Gone are the days of 30-second TV spots or a single newspaper ad that reaches 70% of the community," says Nagel. "Today we need to address dozens of smaller communities and reach them in meaningful ways."

Molly's also takes a multifaceted, community-oriented approach to nonprofit giving. The store sells its allocated spirits,



Molly's employees (top, left to right) Grant Kleinwachter, Greg Diehl, founder Rufus Nagel, Jaylee Adams, Scott Smith, and Dave Fulton embrace a labor-intensive method of running the store, which includes a walk-in beer cooler called the Bomber Room (above).

like Pappy Van Winkle 25-year-old and Orphan Barrel Entrapment 25-year-old, at auction to raise money for a different nonprofit every year. Last year, Molly's raised \$20,000 for Mi Casa, a Denver-based organization offering job training and career support to community members. The store also makes in-kind donations to the Denver Art Museum totaling more than \$50,000 a year, and supports hundreds of other nonprofits by donating products and paying for employees' volunteer days.

Nagel plans to continue to grow Molly's Spirits in its current location and elsewhere. A Colorado Senate Bill passed in 2016 allows off-premise licensees to apply for an additional license—and grow their businesses to a total of four stores by 2027—and Nagel is scouting locations for a second store. As of January 1, grocery and convenience stores licensed to sell low-alcohol beer (3.2% alcohol by weight) are now allowed to sell full-strength beer. Nagel, like many Colorado retailers, is cautious.

"Chain grocers may go hard on beer, and some of them have already installed coolers," he says. "Beer is almost a third of our revenue, so I'm staying put until I see what happens."

Nagel argues that in this era of online ordering and delivery, consumers want engaging brick-and-mortar stores they can identify with—places that resonate with their values. Nagel first studied the beverage alcohol industry as an outsider. Now firmly entrenched, he questions some of its conventions and predicts that stores with something different to offer will thrive. "It's interesting, profitable, and fun to create a store based on what you'd like to drink," he says. "And ultimately, we exist to serve our customers." mw