

Reversals of Fortune in the Tea Industry

Part XXXII: Thomas Lipton, Yachtsman



THOMAS J. LIPTON ABOARD HIS BELOVED YACHT *ERIN*,
SPORTING HIS TRADEMARK YACHTSMAN'S CAP.

“**T**he acquisition of the *Erin* spelt for me a new joy. Only then did I begin to realize that it is not good for any man to be tied, neck and heel, to his office desk. No matter how hard I worked there was always the complete change and pleasure of a week-end on the *Erin* to break the monotony and to give me fresh vitality. Besides, I found I could have much more companionship on my ship than I could possibly have ashore. By and by, the *Erin* became famous for her visitors. Looking back now it gives me intense satisfaction to recall the many prominent and distinguished people to whom I had the honor of acting as host aboard my floating home. And here let me say that these people were not merely aristocrats — they were the men and women who were pulling their weight in the Ship of Life in one form or another.” — *Sir Thomas Lipton*

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Reversals of Fortune in the Tea Industry, Part XXXII

As we learned in Part XXXI of *Reversals of Fortune in the Tea Industry*, Thomas Lipton's support for the charitable Jubilee dinner for the poor, in conjunction with Queen Victoria's Diamond Jubilee, had a dramatic impact on his public image. Lipton was no longer simply the proprietor of a successful chain of provisioning stores, catering to working class patrons of modest means. Almost overnight, he became a larger-than-life philanthropist who rubbed elbows with royalty, while still maintaining the simple unpretentiousness that endeared him to his customers.

Lipton was always an advocate of advertising, but he soon realized that a press-worthy contribution to a charitable cause was possibly more valuable than paid advertising of equivalent cost. In short, philanthropy was good for business. It would be cynical to state that this was Lipton's only motive for stepping up his philanthropic activities, for he had always been generous in that regard. Rather, he simply recognized that a contribution large enough to generate newsprint trumped a handful of smaller doles.

By the end of the nineteenth century, Lipton had become quite wealthy. He had no debt and the rapid expansion of his business was paid for with cash flow. There was no need to take on investors or issue stock, but in May 1898 that is precisely what he did.

Lipton did not even mention the public stock offering of 1898 in his autobiography. In fact, there are many significant events in his life that he chose not to chronicle because they were either too private or too painful for him to make public. Selling shares of his company to strangers was one of these events.

Originally, the public offering may have been motivated by his consideration of entry into the American retail grocery market. Such a move would have been expensive, and could possibly have exhausted even his substantial cash reserves. With the A&P grocery chain

well established and rapidly growing, significant capital would have been required if he expected to go head-to-head with them. Lipton was opposed to debt, but in the long run he discovered that answering to shareholders was worse than carrying bank debt.

After careful consideration, Lipton wisely chose to forego entry into the American retail grocery market and to concentrate solely on the wholesale tea market in North America. He kept this entity separate from his publicly traded U.K. enterprise, Lipton, Ltd.

While Lipton would come to regret taking his company public, it must have been gratifying to see how anxious the public was to own shares in his company when the public offering was announced. In *The Lipton Story*, Alec Waugh described the atmosphere at the time of the stock offering:

Remarkable scenes took place. "It is only once in a decade," the Telegraph reported, "that the city sees an issue attended with so much excitement as that which has characterized the conversion of Sir Thomas Lipton's gigantic business, and it will undoubtedly serve as a landmark by which to estimate the magnitude of similar enterprises in the future."

"At the Lipton offices in the City Road," another paper said, "some hundred extra clerks are engaged, registering the shares, and even they are barely able to keep pace with the work. Sir Thomas Lipton has been besieged with personal applications."

A private investor had previously offered Lipton £2 million for his U.K. operations. With the public offering, he received a premium of 25% over that price, while still maintaining majority ownership. Financially it was a great deal for him, but as early as the first stockholders' meeting Lipton appeared distraught over his lost autonomy.

Alec Waugh explains it as such:

On the second of June, in the Cannon Street Hotel, Lipton directed his first shareholders' meeting.

It was the first time in thirty years that he had to answer for his actions. Since the day he had opened his first shop in Stobcross Street he had been beholden to nobody except his mother. It was he who had given orders. Now, when his fortunes were at their peak, there was something

ironic, something inappropriate in his having to justify his conduct before a group of strangers.

Perhaps he himself felt that the whole episode was out of character. Certainly his manner at the meeting surprised some of his subordinates. He had memorised his speech, but he had memorised it inaccurately. He made mistakes and needed the prompting of a fellow director. He had not the air of authority to which they were accustomed. Nor did the meeting pass off without dispute, a gentleman of eighty ... rising to protest against the sale of alcohol in the Lipton markets. If he had known, he said, that the directorate was going to embark on such activities he would never have applied for shares. He was shouted down with offers by other shareholders to buy his shares from him and the incident was quickly over, but the protest had been made. Nor had it been handled from the chair with wit and ease. Lipton had looked shy and awkward. It was not the anticipated triumph.

Things would not improve with time, but at least for a while good dividends were paid. Lipton was a very private man when it came to his emotions. He never revealed his feelings about the loss of control of Lipton, Ltd., but premonitions of that loss may have been what sparked his interests in pursuits outside of the office.

Prior to 1897, the year of Queen Victoria's Diamond Jubilee, Lipton was totally focused on, and driven by, his enterprise. Alec Waugh describes his life thusly:

He went straight home as soon as he finished work. His staff party at Osidge [his home] became an annual affair, but it was his only party in the year. Occasionally he would take home two or three of his associates to a dinner that would be in fact a conference. Occasionally, but not very often, a neighbour would drop in for billiards. But that was all. In London, a multi-millionaire in his middle forties, he was leading the same life that he had led in Glasgow in his early twenties as the owner of two small stores, when every now and then he slept under the counter rather than waste time walking home.

Afterwards, in his autobiography, Lipton reveals a remarkable transformation:

In all likelihood I would have remained very much less of a public character than I was latterly destined to become had it not been for two interests. The first of these was my association with Her Royal Highness the Princess of Wales (afterwards Queen Alexandra of much-loved memory) in her great scheme for providing din-

ner to four hundred thousand of the poorest people in Britain in commemoration of the Diamond Jubilee of Her Majesty Queen Victoria. ...

The second of the interests which began to link me more closely with the outer world in the late 'nineties was my passion for yachting. Through the strenuous years of building up my business I had not lost one spark of my early love for the sea. ... But it was not until the year 1898 that I found my thoughts definitely and longingly turning again to my boyhood's passion — to the wind and the waves and the salt spray lashing and a mast bending under a well-filled sail.

Lipton was not satisfied with an ordinary return to his "boyhood's passion." In the summer of 1898, Lipton sponsored a challenge to the *New York Yacht Club* for a chance to return the *America's Cup* to the U.K.

The *America's Cup* got its name from a sporting schooner, christened *America*, commissioned by a syndicate of six members of the *New York Yacht Club*. In 1851 the *America* was sent to England on behalf of the *New York Yacht Club* to participate in an annual regatta sponsored by England's prestigious *Royal Yacht Squadron*. The prize for the winner of a 53-nautical-mile race around the Isle of Wight was a bottomless two-foot silver ewer weighing 134 ounces, referred to at that time as the *Hundred Guinea Cup*. Competition included some of the finest sporting yachts owned by members of the exclusive *Royal Yacht Squadron*.

The *America* handily trounced all competitors, besting the second place winner by eight minutes. In 1857 the *Hundred Guinea Cup* was officially renamed the *America's Cup* and donated to the *New York Yacht Club*, to serve as a "perpetual international racing trophy." Until 1983 the *America's Cup* was successfully defended against all challengers.

Competing for the *America's Cup* has always been a sport for the very wealthy. In *A Full Cup: Sir Thomas Lipton's Extraordinary Life and His Quest for the America's Cup*, Michael D'Antonio describes it as such:

Great sums of money, and even greater amounts of ego and national pride, were invested in the cup races, which pitted the dominant maritime empire in history against a former colony and

fast-rising competitor in world affairs. In short, yacht racing became a way for the American and British people to compete without shedding blood.

By the 1880s, the cup competition had become the biggest sporting event in the world, attracting front-page press attention and tens of thousands of spectators.”

Lipton’s interest in yachting on such a vast scale may seem unlikely for someone who had never sailed anything larger than “a twelve-foot catboat.” However, his association with Princess Alexandra and her charitable work led, in short order, to a close friendship with her husband, the Prince of Wales. Besides being the future King of England, Albert “Bertie” Edward owned *Britannia*, the most famous of the elite yachts owned by members of the *Royal Yacht Squadron*. As commodore of the *RYS*, Prince Edward was spokesperson for all *Cup* challenges.

Ironically, however, Lipton’s challenge was not presented on behalf of the *RYS*, which would have required that he be a member. In spite of the commodore’s support, the majority membership of the *RYS* considered Lipton a “Johnny-come-lately who had so blatantly bought his knighthood [and] was now outrageously flouting hallowed convention.” Moreover, Lipton was in “the trades”, which excluded him from membership outright. Lipton’s challenge would come from the *Royal Ulster Yacht Club*, which happily accepted Lipton’s application for membership.

Lipton’s foray into the elite world of expensive yachts was not limited to his quest for the *America’s Cup*. Even as he was working on the details of his first challenge, Lipton decided to channel some of his youthful longing for “salt spray” into ownership of more “practical” luxury yachts.

His first steam yacht, *Nahma*, was purchased from Robert Goelet (New York real estate magnate and member of the fledgling *New York Yacht Club*). *Nahma* must have fallen short of Lipton’s expectations. He makes no mention of that yacht in his autobiography, while extolling at great length on

Nahma’s successor, *Erin*, purchased from Count Ignacio Florio of Palermo one year later for \$300,000 (roughly \$8 million today). Michael D’Antonio describes *Erin*, originally named *Aegusa*, as follows:

Built for an Italian count, the *Aegusa* was bigger and faster than the ship that had brought Lipton to America after the Civil War, and was longer even than J.P. Morgan’s *Corsair*. Painted a brilliant white, she was as sleek as a cutter and carried three masts to provide sail power to augment her steam engines. Lipton named her *Erin* and sent her to a shipyard for inspection and redecoration. The result was a 300-foot-long floating palace that included a music room equipped with a harp, a salon filled with antiques and Asian art, a formal dining room that occupied one entire deck, and a smaller starboard space that could accommodate seventy for lunch.

Lipton’s first challenger for the “auld cup” was named *Shamrock*. In all, *Shamrock* cost Lipton nearly three times as much as *Erin*, but it was money well spent. By his own account, every \$2 spent on his quest for the *America’s Cup* returned \$3 worth of free advertising. Sales of Lipton’s tea in America took a smart uptick whenever his name appeared in print, and an *America’s Cup* challenge was sure to hit the front page of every major newspaper in the country. The teenager, who left Glasgow in 1865 with less than \$8 in his pockets, traveling steerage to cross the Atlantic in search of American adventure, was now at the top of his game.

His first attempt at “lifting” the Cup failed, as did his second, third, fourth, and fifth attempts with *Shamrocks II* through *V*. The pursuit consumed more than three decades, and in his last years he even spoke of one day challenging with *Shamrock VI*.

Lipton Ltd. began to fail in the 1920s, and it was only a matter of time that Lipton’s stores disappeared. Thomas Lipton’s model and advertising style that worked so well in his early years could not compete with the new era of retail grocery marketing.

Our series on *Reversals of Fortune in the Tea Industry* will continue in the next issue of the *Upton Tea Quarterly*.