

HANDOUT 1

Center for Alcohol Policy Arkansas State Alcohol Policy Forum



November 18, 2021

1



COVID Impact on Beverage Retailers

• Package Liquor Stores During COVID:

- o Channel shift to off-premise forced a biz model pivot
- o "Essential businesses" during shutdowns; Innovation and ingenuity
- o eCommerce opportunities & Delivery; Sales now back down to earth
- o Labor shortages; Product availability; Supply Chain
- o **Now faced with opportunistic and overly-broad deregulatory fights**



2



What did we see during COVID?

- **New policies for local business in the US**
 - Cocktails To-Go: Some permanent, some temporary
 - Package sales: Limited (temporary) package sales by on-premise licensees
 - Delivery: Convenience for consumers; local small business accountability; Three-Tier compliant
 - Curbside: Made an option for alcohol in some states; mandated in Indiana
- **Big Box Store Reliance**
 - Use of national buying power to leverage suppliers...is that good for competition?
- **DTC Push by Suppliers; Delivery Push by Wholesalers, Some Retailers**
 - Beer and Spirits Manufacturers Pushing DTC
 - Local Delivery ≠ Global Shipping

3



COVID & Good Governance

- **Do rules & process still matter?**
 - Pandemics aren't the norm. Some rules suspended; Others ignored; Opportunism won't stop though the rationale will likely change
- **Can rules survive if there is no enforcement?**
 - Currently there are unprecedented deregulatory pressures on **alcohol**...but with disregard for appropriate oversight of responsibility, public safety, tax collection, product integrity and reliance interests of current stakeholders in the ecosystem.

4



What do consumers say?

Key findings from Center for Alcohol Policy - April 2021:

- Support remains overwhelming for individual state regulation of alcohol
- Most Americans reject the notion that alcohol is just like other consumer products
- 71% of Americans are satisfied with the alcohol regulations in their state
- 80% of respondents show support for states regulating through a three-tier system (consistent over the past decade)
- A majority agree that states should evaluate the impact of COVID-19 inspired deregulations before making them permanent.

Source: "National Alcohol Regulation Sentiment Survey"; New Bridge Strategy/Center for Alcohol Policy; April 2021

5



What are we seeing now?

• Alcohol industry groups are trying to:

- Break up stable and competitive alcohol markets
- Undermine or delegitimize the three-tier systems that states use for alcohol commerce, tax collection, accountability and public safety
- Imperil the businesses of independent beverage retailers who they have otherwise relied on to build brands and provide customers with service, choice and value
- Push drastically deregulated liquor shipping legislation in state legislatures
- Reduce access of premium products to brick-and-mortar retailers and everyday beverage consumers
- Tie responsibility initiatives to "market modernization"

6



What do the courts say?

- **Tennessee Wine (2019):** State 2-year residency requirement to hold a liquor license is unconstitutional
 - **Wrong Takeaway from Tennessee Wine:** any state alcohol law that limits unfettered interstate commerce of alcohol is unconstitutional
 - **Right Takeaway from Tennessee Wine:** legitimate state alcohol laws that promote public safety should be understood, enforced and defended.
- **“Understood, Enforced and Defended”:** This means that beverage retailers need to make sure that the state AG’s office, regulators, legislators and others know why a state’s alcohol laws exist; are enforcing those laws and keeping a record of that enforcement; and are willing to defend those laws before lawmakers, courts and the public.
- **REMEMBER:** Creating loopholes and exceptions can undermine legitimate laws.

7



What do we know?

- **Model Alcohol Legislation Rarely Works Across 50 States**
 - New York City ≠ Johnson City ≠ Salt Lake City ≠ Fort Smith (P.S. That’s OK!)
- **Liquor Has Historically Been Treated Differently Than Other Alcohol**
 - Arkansas Alcohol Taxes per Tax Foundation: [Beer](#): \$0.34/gal; [Wine](#): \$1.47/gal; [Liquor](#): \$8.33/gal
 - Communities place a greater emphasis on control of liquor sales
- **Explain the Need**
 - Choice of products available to the public is at an all time high.
 - The liquor industry has seen [supplier gross revenues soar from \\$18.2 billion in 2007 to \\$31.2 billion in 2020](#) and the number of new craft distilleries in the U.S. now numbers more than 2,000.

8



What do we want to avoid?

- **International Headlines**

- **Kenya:** "NACADA Warns of Counterfeit Alcohol"
- **Cambodia:** "7,000 litres of counterfeit alcohol seized"
- **India:** "Illegal liquor racket busted in Patiala, 3 held"
- **U.K.:** "Kings Norton shop caught selling counterfeit wine after tip off"
- **Dominican Republic:** "Deaths in Dominican Republic linked to tainted alcohol"
- **Cameroon:** "Cameroon Says Deaths from Consuming Fake Alcohol Spike During Pandemic"
- **Spain:** "Spanish Authorities Bust Pirate Rum Ring, Seize \$4.2 Million in Booty"

- **WHO: 25% of alcohol consumed worldwide is unrecorded.**

- (This is not a good thing.)

- **Fake & Counterfeit: Not an issue in the U.S...Why?**

- (Hint: It rhymes with "Three Tier System.")

9



Questions & Discussion

THANK YOU

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10

