

**Palmer, Steve**

**From:** Aris DiGiulio [adigiulio@aol.com]  
**Sent:** Friday, February 24, 2012 1:26 PM  
**To:** generallawmail  
**Cc:** FCpackagestoregroup@yahoo.com  
**Subject:** Strong Opposition to Alcohol "Modernization" Bill

To the Members of the General Law Committee:

I am writing to express my strong opposition to Gov. Malloy's Alcohol "Modernization" Bill currently being considered by the legislature.

**This proposed legislation will not just hurt the Connecticut beverage alcohol industry. It will cause complete devastation. If this all is allowed to pass, there will only be a shell of the industry left. Sunday sales is not the main threat. Everything else is far more dangerous.**

I can say this with confidence because my 10+ years of experience in this industry has been in all three tiers – retail, wholesale and supplier – at the local, regional and national level. I have the perspective of someone who understands the full impact of this reckless proposal from all sides. **If allowed to pass, it will be an historic victory for foreign suppliers and out of state big box/supermarket chains. It will come at the expense of local package store owners, who will lose their businesses. It will also mean thousands of workers at those stores will lose their jobs. For the longer term, the Connecticut wholesaler will be the next victim, causing these businesses to fail and throwing thousands more Connecticut residents out of work. And consumers, who supposedly are the main beneficiary of this "modernization", will be worse off than they are now.**

#### Impact on Retailers

**Anyone with a basic understanding of retail understands why this proposal will put 500 to 700 package stores in the state out of business.** With big-box stores and food stores allowed to own 9 alcohol sales permits each, no limit on the number of stores allowed in any town, no minimum bottle pricing (in fact, no more price postings at all) and the introduction of quantity discounts, pricing for beverage alcohol in Connecticut will be dictated by the chains to their benefit. Local retailers will be completely outgunned and will not be able to compete with the combination of loss leader pricing and aggressive promotional spending. **The Connecticut Package Store Association predicts this will cost 7,000 jobs in Connecticut. If the governor's bill becomes law, it will mean the end of independently owned shops, who would be crushed by supermarkets and big-box retailer chains.**

#### Impact on Wholesalers

**Once the retail landscape has been changed to fewer, bigger stores, the next, longer term victim of this "modernization" will be Connecticut wholesalers.** Chains distribute products to their retail stores from their own warehouses. They don't need wholesalers to do this. And suppliers would much rather keep more of the wholesaler margin for themselves. So with fewer outlets remaining per town, foreign suppliers and out of state chains will get rid of the "middleman" Connecticut wholesaler and divide up that margin. Direct shipments from supplier to retailer will be the new distribution model in Connecticut. **How do I know this will happen? Because it has already happened in markets like California, where beer, wine and spirits are sold in supermarkets and drug stores. Under the Governor's proposal, Direct Ship is not a potential threat – it is a certainty. So is the prospect of thousands of Connecticut residents losing their jobs in the wholesale segment.**

#### Impact on Consumers

The Governor has hidden the negatives of this bill behind the promise of Sunday sales, which many consumers like. Consumers might also be thinking "what's wrong with increased competition? Won't I get better selection and lower prices?" **Unfortunately, when the chains come in, Connecticut consumers will have decreased competition, fewer products, less customer service and the same prices:**

- Liquor stores will now be like home centers or supermarkets. Instead of having several local stores to choose from, many right in their neighborhood, consumers will have to drive to the fewer

outlets left in their town

- Large national brands will still be available at the chain stores. But smaller, lesser known brands will be the first to go. Chains are about-rationalizing or lessening the number of skus they carry, which is more efficient for large operations like theirs. This will result in fewer product choices for consumers
- Consumers will also not have the same level of in-store help available at your local liquor store. Think of home centers like Lowe's or Home Depot or club stores like Costco. It will be much more difficult to find anyone to answer questions or help with a recommendation
- Initially, prices could be lower. Chain food stores and big-box retailers will be able to sell items below cost as a loss leader. In many cases, their sale price to the consumer will be less than the wholesale cost available to the smaller retailers. This will put smaller independent retailers out of business. However, once competition has been eliminated, the larger retailers will be able to raise prices back up to where they were before

### **Inaccuracy of Sales Projections**

Our supposed gain under this proposal? The "millions" of dollars of sales Connecticut is losing over the border. But most of the state's population is in cities like Hartford, Bridgeport, New Haven, Norwalk, and Waterbury that are not near the border. **So how can there be "millions" of dollars of sales going over the border? In the Connecticut alcohol industry, we know these numbers are nonsense. If there was really that much business going over the border, Connecticut retailers would be the first in line to favor this proposal. The fact that we do not support it speaks volumes about how inaccurate these numbers really are.**

On February 28<sup>th</sup>, there will be a public meeting on this issue in Hartford. **It is remarkable that 2/28 was selected for the meeting since it is the last buying day of the month, making it extremely difficult for retailers and other industry members to attend. We are all struggling to make this meeting. If you do not see the representation you expect at this meeting, the date is the reason why.**

**In the strongest way possible, I must ask that you oppose this legislation. If it passes, it will destroy our industry, depriving your constituents of their businesses and their jobs, with no real upside for anyone in Connecticut.**

Regards,  
Aris

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