

## Rogers, Nick

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**From:** Rep. Baram, David  
**Sent:** Friday, February 19, 2016 6:18 PM  
**To:** Rogers, Nick; Sen. Leone, Carlo; lindsey.grimes@cga.ct.gov; Hanratty, Richard  
**Subject:** Fwd: Senate Bill 14  
**Attachments:** Liquor Law Overhaul.pdf; ATT00001.htm; Liquor Post offs.pdf; ATT00002.htm

Sent from my iPhone

Begin forwarded message:

**From:** Nelson Gonzalez <[gonzalez@earthlink.net](mailto:gonzalez@earthlink.net)>  
**Date:** February 19, 2016 at 4:12:58 PM EST  
**To:** David Baram <[David.Baram@cga.ct.gov](mailto:David.Baram@cga.ct.gov)>  
**Subject:** Senate Bill 14  
**Reply-To:** Nelson Gonzalez <[gonzalez@earthlink.net](mailto:gonzalez@earthlink.net)>

Dear Mr. David Baram

I am writing to you regarding **Senate Bill 14** which will affect my business greatly. I have attached my views on the bill and an excel sheet so that you may actual see what the cost of an item is, what the gross profit is and what the posted bottle is. This will allow you to see inside of the liquor industry and be able to make a judgment as to the feasibility of taking away bottle minimum. And why in the end some small and medium store will no longer be able to do business in the state. The bill will add to the unemployed and also lessen tax dollars for city and towns that count on those same works who live in those cities to spend money locally.

I may not be from your district but that should not matter. The issue before us is the consumer/taxpayers who will be affected by this bill.

Thank you in advance for reading the material have attached, and your time.

Nelson Gonzalez  
The Grog Shop of Torrington

I read with great interest that Governor Malloy wants to change the state liquor laws. The governor would like to repeal the so called minimum bottle price. The governor states that the pricing scheme is unfair to consumers and he estimates that prices within the state are \$4-\$12 more per bottle than other states. Before we look at pricing and especially before it's compared to pricing in other states, let's first see how the liquor industry works in this state.

Connecticut is a three-tier state; there is a supplier, a wholesaler and the liquor store owner. The supplier, a wholesaler distributor set the case and minimum bottle price. The price reflects what the supplier would like their product to sell for. The supplier does not care about the liquor store owner's gross profit.

In Connecticut the cost per case varies per month. This is called "Post Offs"; for example a case maybe "posted" at its lowest price in January, then in the following three months the cost will rise to the same cost as the bottle minimum times the quantity per case. I will use Kendall Jackson Chardonnay as an example. When Kendall Jackson Chardonnay is posted, my case cost is \$115.68 (\$9.64 per bottle.) When it is not posted, cost is \$142.92 (\$11.91 per bottle) yet the minimum bottle price stays at \$11.99. My gross profit at the lowest case cost is merely \$2.35. If I as a store owner wants to A. stay competitive and B. not lose any customers I must buy into this product. Which means I must buy enough cases for a three month period; on a monthly basis this is just one of hundreds of items that follow a post off pattern every month. Post offs can be 30 days in length or as long as 180 days.

Connecticut is a "case one state" a store owner pays the same price per case regardless of the quantity purchased. Store owners in surrounding states get quantity discounts. Store owners are required to pay their bills within 30 days, or be subjected to penalties. And, unlike any other industry, these penalties are enforced by the state, not by the distributors.

The last part of the equation is gross profit or EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization). What one must realize is that the gross profit that a retailer makes is reduced by a 2% to 6% surcharge if the purchase is done via a charge card or debit card. These expenses further lower the retailer's gross profit. Other expenses that come out of the retailer's monthly gross profit are rent, utilities, insurance, real estate taxes, maintenance if one is in a plaza, and salaries, plus any unexpected expenses.

The retailer must also pay for the product they purchased within 30 days. If some of those products were purchased during a "Post Off" to stock the retailer's inventory so that they can continue to give their customer better pricing, then the retailer is using some of his remaining profit to pay those bills. As one can see the slim gross profits after EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) are not as large as the Governor thinks.

In the article that quoted Governor Malloy, Mr. Edward Cooper, vice president and public affairs and community relations for Maryland-based Total Wine and More which has 30 stores in 18 states, says: "Having a system in place, a government-mandated system in place which the retailer are told what it is they should sell a product for and thus guarantee them a profit at a certain level, that's really not the free market." As for Mr. Cooper's statement that retailers are told what to sell a product at is not true. A retailer is made aware of what bottle minimum is, but final pricing is up to the retailer. I have seen product prices vary from store to store, and town to town, and a store owner may have certain key products at minimum bottle price. And Mr. Cooper knows that no store could survive on minimum

bottle pricing, not even Total Wine and More.

The other thing that Mr. Cooper and the article do not reveal is that Total Wine and More pushed for the number of liquor licenses one entity could have in Connecticut to be increased to five. Why five? Because Total Wine and More needs to have at least five stores to make it a viable business model for Total Wine and More to do business in this state. Also take note, Total Wine and More is a Maryland-based company, so their profits are not being spent here.

The article also leaves out the fact that Total Wine and More is not just a retail store; they are an importer and a distributor for their own wines and liquor, which [under the current liquor laws of the state] is not allowed under the three-tier system. Total Wine and More cuts out the distributor and sales person giving them a higher profit than the average liquor store owner. And because they are in 18 different states, they wield considerable power when it comes to dealing with other importers, vineyards, and distillers. Total Wine and More also gets preferential treatment from some local distributors in the form of delivery and packing out of the store.

As for pricing in comparison to other surrounding states, customers from New York City find our prices lower than in their neighborhood. Some visitors from other states say our prices are the same or lower and some say they pay less. Connecticut residents go to Lee, Mass. to buy clothing. Why isn't the Governor demanding that all clothing retailer lower their prices? I never see anyone pushing for lower gas prices, cigarette prices, or other consumables that are of higher cost in this state. Or why do we pay a personal property tax on our car, boat or motorcycle when other states don't charge this tax?

The Governor's quote in the article "When in doubt, stand up for the consumer" is quite funny. The Governor may not realize this, but the tax payer and the consumer are both the same. So where was he when the two largest tax increases in this state's history were passed? When he increased the hours that liquor and beer could be sold, it was on the promise of increased sales and more tax revenue - that did not work. Now, when the Governor says this will help the consumer, is he saying that because that is what Mr. Cooper told him? This is the same Governor who said GE would not leave the state and look what happened.

Or is this whole scheme because of a few special interest parties? Will it instead end up costing jobs, and closing of some liquor stores? Is the promise of lower prices for consumers just the lure to get people to support his plan? And in the end, the tax payer/consumer will not see lower prices, or the changes he promises, just like before...

Wine (1.5 Liter)	Post Off	Cost per Bottle	Min Bottle	Gross Profit
Barefoot	60 Days	\$ 8.25	\$ 10.99	\$ 2.74
Cavit	90 days	\$ 9.68	\$ 11.99	\$ 2.31
Woodbridge	90 days	\$ 9.54	\$ 12.99	\$ 3.45
Mid Post Cost		\$ 11.08	\$ 12.99	\$ 1.91
Beringer	90 days	\$ 8.24	\$ 10.99	\$ 2.75
Sutter Home	90 days	\$ 7.00	\$ 9.99	\$ 2.99
CK Mondavi	60 Days	\$ 7.49	\$ 9.99	\$ 2.50
<b>750 ML Size</b>				
Kendal Jackson	90 days	\$ 9.64	\$ 11.99	\$ 2.35
Clos Du Bois	30 Days	\$ 7.49	\$ 9.99	\$ 2.50
Josh	30 Days	\$ 9.99	\$ 14.99	\$ 5.00
Rodney Strong	30 Days	\$ 12.00	\$ 17.99	\$ 5.99
Mark West	30 Days	\$ 6.67	\$ 10.99	\$ 4.32
Gnarly Head	30 Days	\$ 6.00	\$ 8.99	\$ 2.99
Menage A Trois	60 Days	\$ 7.33	\$ 10.99	\$ 3.66
<b>Spirits (1.75 Lt)</b>				
Captain Morgan	90 days	\$ 21.74	\$ 26.99	\$ 5.25
Bacardi Rum	90 days	\$ 18.91	\$ 23.99	\$ 5.08
Mid Post Cost		\$ 23.91	\$ 23.99	\$ 0.08
Jim Beam	90 days	\$ 26.58	\$ 31.99	\$ 5.41
Canadian Club	90 days	\$ 18.91	\$ 21.99	\$ 3.08
Jack Daniels	90 days	\$ 37.08	\$ 43.99	\$ 6.91
Smirnoff Vodka	90 days	\$ 16.28	\$ 19.99	\$ 3.71
Ketel One	90 days	\$ 33.58	\$ 39.99	\$ 6.41
Jose Cuervo	90 days	\$ 29.74	\$ 36.99	\$ 7.25
Absolut Vodka	90 days	\$ 22.90	\$ 29.99	\$ 7.09
Mid Post Cost		\$ 23.90	\$ 29.99	\$ 6.09
Tito's Vodka	60 days	\$ 24.90	\$ 29.99	\$ 5.09
Pinnacle	90 days	\$ 14.41	\$ 19.99	\$ 5.58
Mid Post Cost		\$ 15.41	\$ 19.99	\$ 4.58
Tanqueray	90 days	\$ 24.58	\$ 29.99	\$ 5.41
Bailey's	90 days	\$ 32.91	\$ 39.99	\$ 7.08
Mid Post Cost		\$ 35.08	\$ 39.99	\$ 4.91