

## **OPPOSITION TESTIMONY**

MARCH 7, 2013

HOUSE COMMITTEE ON COMMERCE, LABOR AND ECONOMIC DEVELOPMENT

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Chairman Kleeb and Members of the Committee:

This week the Commerce, Labor, and Economic Development Committee is asked by Uncork Kansas, a coalition of led primarily by non-resident grocery and convenience stores, as well as state and local chambers of commerce, to consider major changes in the liquor laws of the State of Kansas. The information presented by this coalition portrays only one side of a multi-faceted industry. As an owner and operator of a wine and spirits store since 1979, and one who has contributed to and influenced many of the changes in the current liquor laws of the State, I ask you to consider the following points as you formulate an opinion the subject.

1. **Reports submitted by Uncork Kansas are inaccurate.** In 2011, members of the Kansas Legislature heard a report by Dr. Art Hall on behalf of the predecessor organization to Uncork Kansas (same players/different name). Dr. Hall admitted that the Uncork Kansas information in no ways paints a realistic picture of how alcohol-related business will be conducted in the State of Kansas.
2. **Proposed changes will not create new jobs.** The Alcoholic Beverage Control Division ("ABC") of the Kansas Department of Revenue says as many as 3,500 new alcohol-selling outlets will be added by this legislation. At most, only twenty percent (20%) of these outlets would add even one new employee. Instead, liquor wholesalers will be expected to stock and service these new accounts seven days per week, just as other wholesalers stock and monitor soda, water, chips, and other grocery store items.
3. **Kansans are accustomed to "stopping by" a liquor store for their adult beverage needs.** Uncork Kansas would have you believe that Kansas is currently suffering from a loss of revenue in adult beverage sales because these products are not sold in grocery and convenience stores. There is absolutely no research to suggest that Kansans are not buying adult beverages because these items are sold only in liquor stores. Kansans are accustomed to making their adult beverage purchases in a liquor store with a trained staff.
4. **Proposed changes will not generate revenue as promised.** Expanding adult beverage sales into grocery and convenience stores will not actually generate additional revenue for the State. Uncork Kansas has indicated that the tax revenue will increase. This is not accurate. There will be a shift in sales and not an increase. It will be a matter of where the consumer will buy and not how much.

5. **Proposed changes will force small businesses right out of business.** Right now, Kansas has 761 family-owned liquor stores. It is my estimation that at least seventy-five percent (75%) of these stores will be forced out of business within two (2) years with the proposed expansion of adult beverage sales outlets. How many Kansas families will be left without a primary means of income and support? How many years spent building small businesses will be lost, hard work and sacrifice essentially for nothing?
6. **Loss of sales for the liquor store retailer cannot be compensated for.** Attempting to compensate retailers for the inevitable loss of revenue by allowing the sale of non-alcoholic items in liquor stores is of no comfort. The sale of these non-alcoholic products cannot come close to compensating for the lost adult-beverage sales.
7. **Liquor-law reform will have unintended societal consequences.** In June 2012, the State of Washington changed from State owned liquor stores to allow for sales in stores, similar to that proposed by Uncork Kansas. The result? Out of control shoplifting, reduced tax revenue, increased underage alcohol sales and usage, and the development of a black market focused on theft and resale of alcohol.
8. **Expanding sales to grocery and convenience stores will not provide more selection to the consumer.** Dr. Hall's report claims that this legislation will provide the average Kansas consumer with more choices. This is an interesting observation since very few of the Uncork Kansas members will carry any more than 300-400 sku's and the average liquor store now carries several *thousand* sku's. More choice will come by the introduction of private label products.
9. **Any generated revenue will benefit non-state entities.** The financial backers behind Uncork Kansas are out-of-state entities, *non-Kansas residents*. Can you honestly believe that all revenue generated by these proposed liquor laws will stay in the State of Kansas? I think not. Current wine and spirits retailers are Kansans through and through. Some, like me, grew up here. We raised our families here – supported our children by working hard to build and cultivate locally-owned businesses. The dollars we make are invested right back into the revenue stream, helping to support other locally-owned small businesses. Also, how does the State pay for all the additional enforcement personnel that would be needed to cover enforcement?

It is easy to understand why members of Uncork Kansas want to sell adult beverages: A 2-liter bottle of Pepsi and a 1.75-liter of Jack Daniels take up the same shelf space. The 2-liter of Pepsi generates a ten-cent profit for the retailers, the Jack Daniels a five-dollar (\$5) profit. Basic economics tells these retailers that stocking the Jack Daniels is the more profitable way to go. During a recent CNBC documentary, entitled "The Costco Craze: Inside the Warehouse Giant," **Costco's principal wine buyer Annette Alvarez-Peters stated that selling alcohol, wine in particular, "is just a beverage product", basically no different than toilet paper is a product.** This simple statement reflects everything that is wrong with big-box retailers, including grocery and convenience store, entering the adult beverage market.

To a Kroger employee, liquor is just something stocked in aisle twelve. To the clerk at QuikTrip, beer is something stocked in the cooler. To me, to my employees, these products are something completely different. Wine now represents a life style in Kansas that did not exist 30 years ago, not just a special occasion. Beer is not only something to grab and stick in a cooler on your way to the lake, but a micro or specialty-brew, painstakingly cultivated and brewed for a unique taste.

The Jacob family, like so many other families across the state of Kansas, has been in business for thirty-four years and currently operates two retail liquor stores under our name. My family and my employees have built relationships with our customers, earning their trust and loyalty one day, one sale at a time.

How can we maintain these basic pillars of business when we are ultimately forced to raise our prices to support our families, where the Wal-Mart across the street sells alcohol products as a loss leader or uses its market power to sell other products below cost to capture liquor sales? The answer is simple: we cannot.

Jacob Liquor not only supports my family, but also 37 employees and their families. In the end, all of us and all of the owners, and employees, and families comprising the other 761 retail liquor stores are counting on you, *trusting* you to preserve our livelihoods and support your constituents, not the faceless national corporations that comprise Uncork Kansas

FYI – Oklahoma, Colorado, Tennessee, New York, Kentucky, and Pennsylvania are some of the states that do not allow wine or spirits to be sold in grocery stores.

Sincerely,

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