

# Market Developments in the U.S.:

Direct-to-Consumer Shipping

Measures in Response to COVID-19

July 7, 2020



**DISTILLED SPIRITS COUNCIL**  
OF THE UNITED STATES



# Christine LoCascio

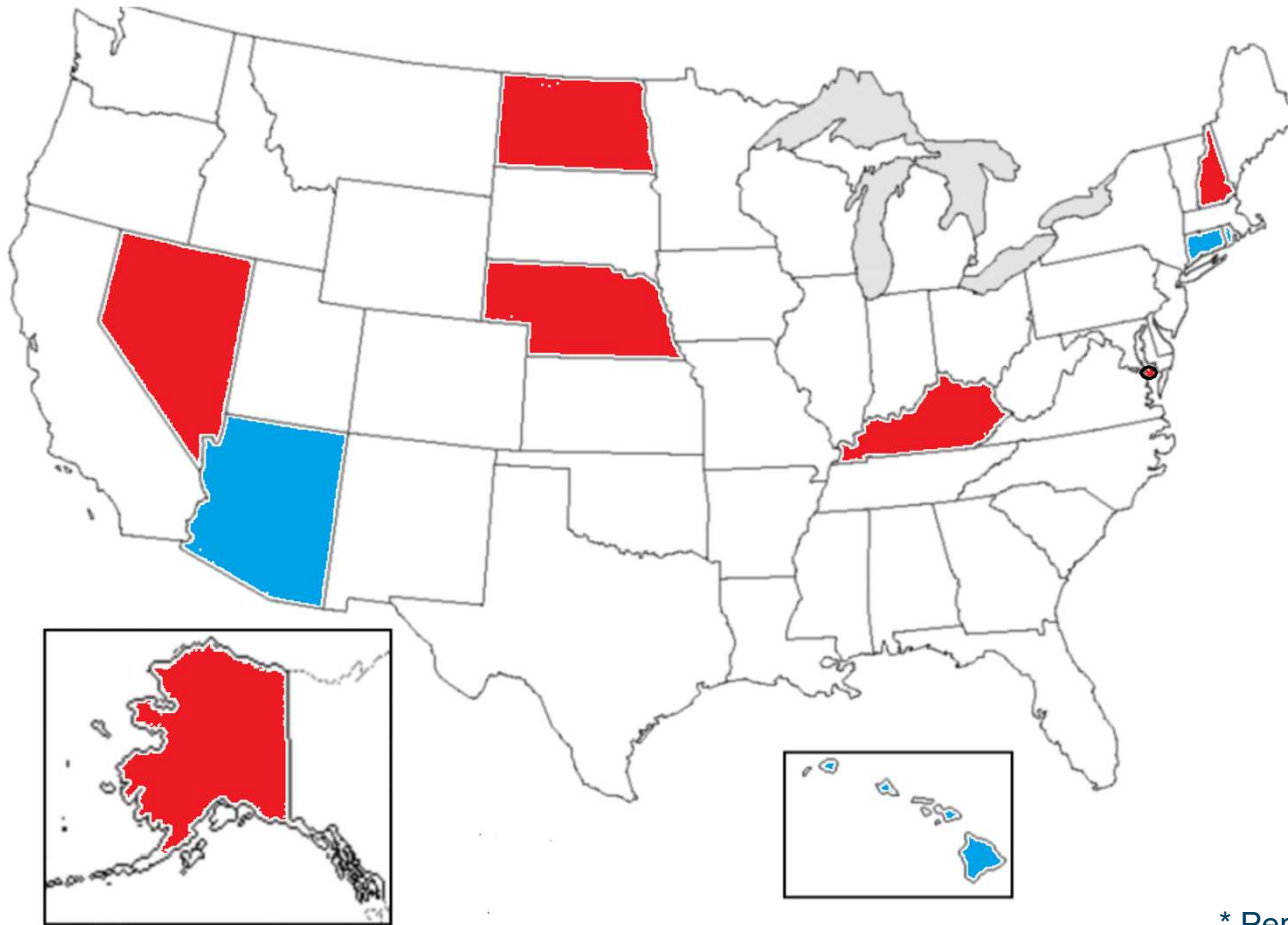
Chief of Public Policy

Distilled Spirits Council of the  
United States



# Direct to Consumer

# States Allowing Direct-to-Consumer (DTC) for Spirits

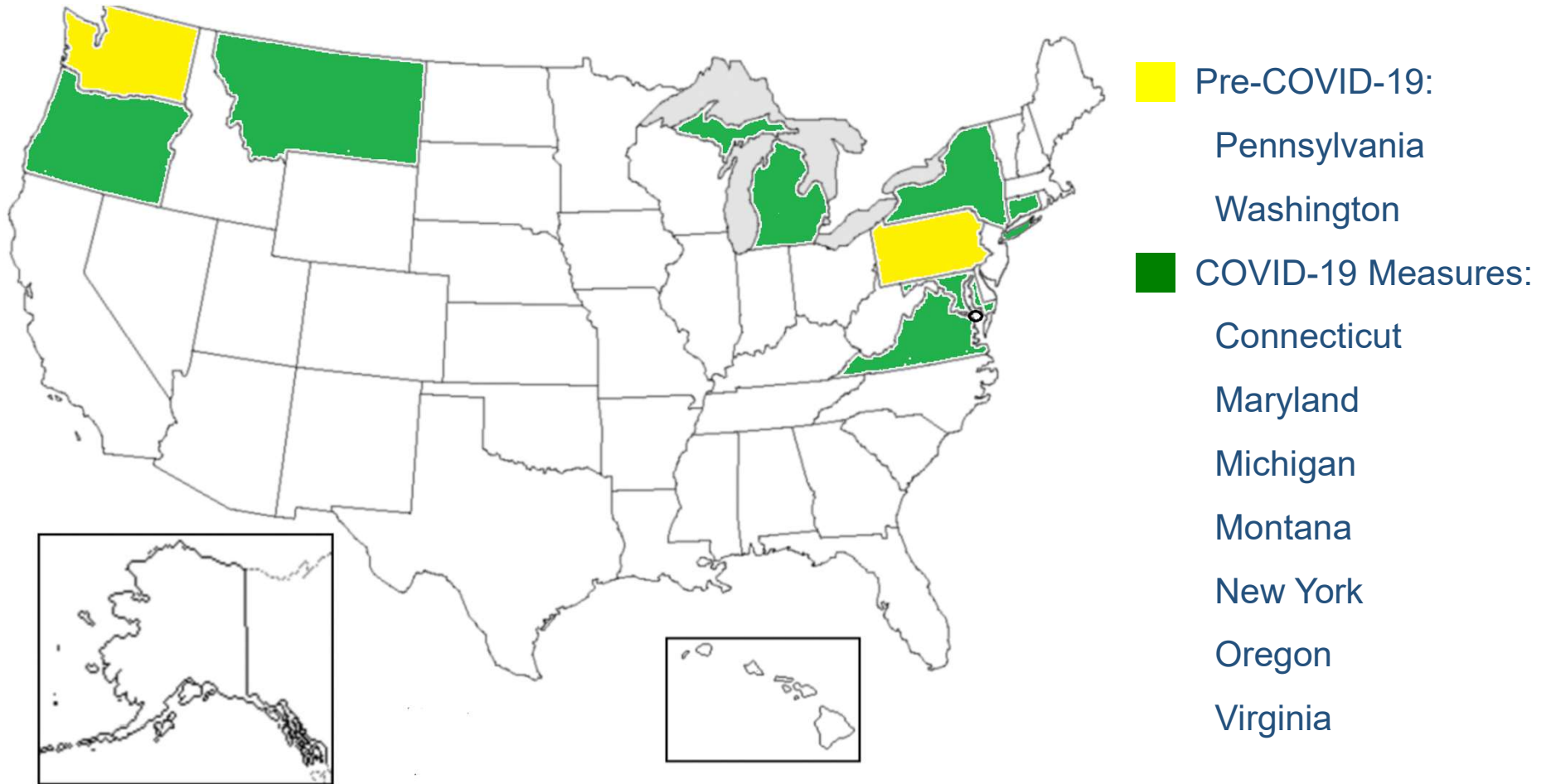


- Alaska
- Arizona\*\*
- Connecticut\*
- Hawaii\*
- Kentucky
- Nebraska
- Nevada
- New Hampshire
- North Dakota
- Rhode Island\*\*\*
- Wash. DC

\* Personal consumer permit only  
\*\* Small distillers only  
\*\*\* Physical presence required



# States Allowing In-State DTC for Spirits



# Kentucky: Background

## HB 400

- First Kentucky version of direct-to-consumer legislation passed in 2018
- Problems/flaws with HB400:
  - Required face-to-face transaction
  - Cumbersome to implement for distillers

## HB415

- Next iteration of HB400 and SB99 (Wine DTC/failed 2019)
- Provides for direct-to-consumer shipping by producers only
- In sum:
  - Treat all alcohol products equally
  - Avoid commerce clause issues
  - Maintain a regulatory framework that assures product integrity
  - Ensures that all taxes are collected
  - Safeguards against underage access



# Kentucky: Overview of Key Provisions

- Persons eligible for a direct shipper license:
  - Manufacturer of alcohol beverages licensed in KY or in any other state
  - Alcohol beverage supplier licensed under KRS 243.212, which includes out-of-state importer for a distillery or importer of the non-U.S. brand
- A licensed direct shipper is authorized to:
  - ship alcohol beverages to consumers (includes all products the licensee is authorized to sell)
- Direct shipper must:
  - collect all applicable KY taxes to consumer as part of selling price
  - comply with reporting/recordkeeping/audit requirements
  - comply with requirements to ensure product is not delivered to underage persons
- Consumer is limited to purchasing 10 liters of spirits per month
- Sales may be in-person, electronically, online, by mail or phone
- ABC to issue proposed regulations on the rules of the road 8/1



# Beverage Alcohol Sales During COVID-19



# Online Sales of Total Beverage Alcohol

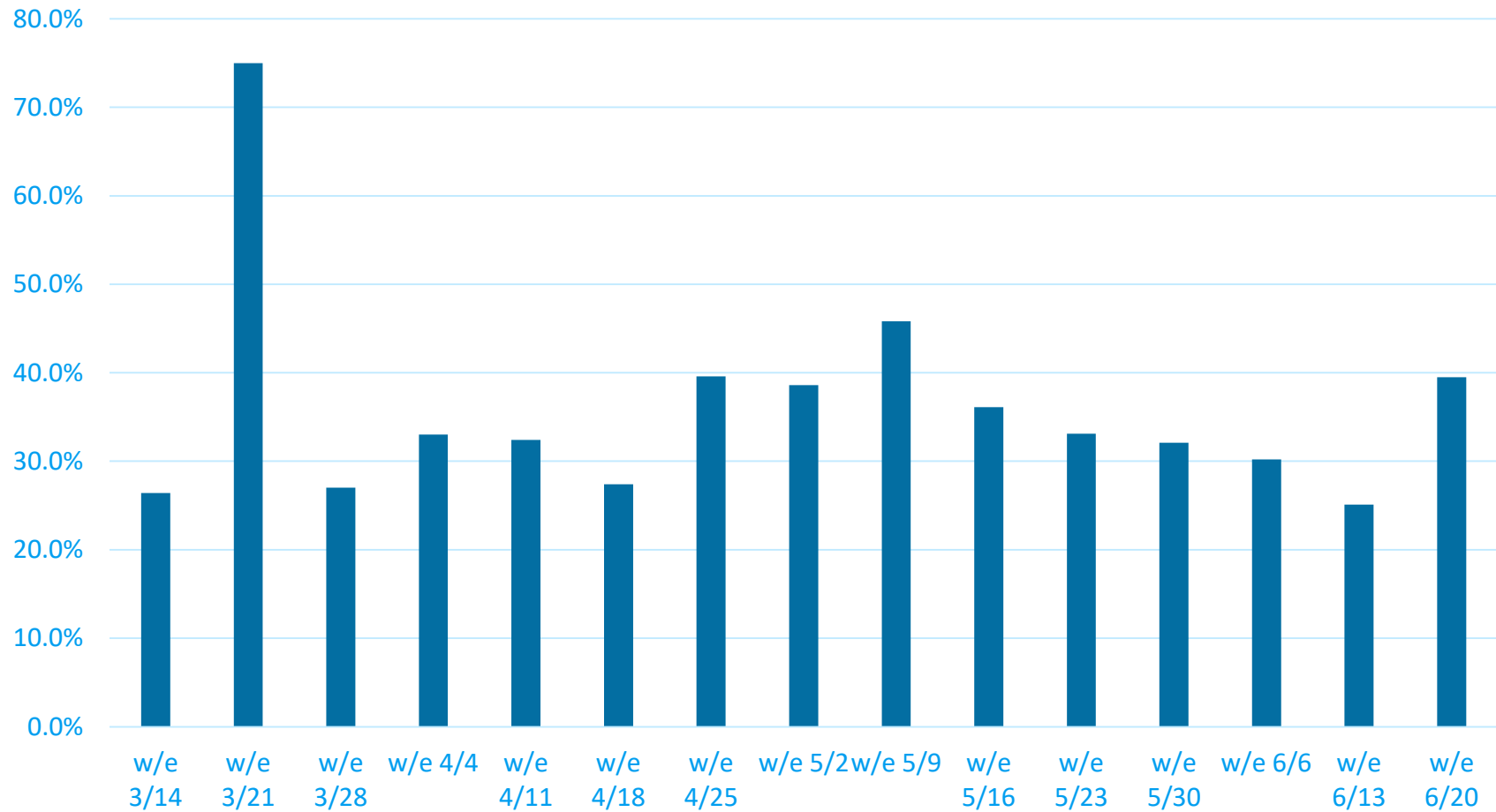
- New consumers are embracing online sales
- YTD sales up 200%+
- Since April Y/Y online sales up 400-500%
- Important changes for beverage alcohol
- Starts to put beverage alcohol on par with other consumer packaged goods
- Creates consumer expectation to continue to purchase online

Source: A.C. Nielsen



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# Off-Premise Sales Growth of Distilled Spirits – U.S. Market



Source: A.C. Nielsen Scanner data



# Market Responses to COVID-19

## Off-Premise Retailers

- All states, except Pennsylvania from 3/18 until the reopening of 77 stores on 5/7 (559 stores have reopened as of 6/19), have continued to permit retail sales of beverage alcohol
- The following forty states have expressly declared that retailers that sell alcohol can be open for business during the emergency: AL, AK, AZ, CA, CO, CT, DE, FL, GA, HI, ID, IL, IN, KS, KY, LA, ME, MD, MA, MI, MS, MO, MT, NV, NH, NM, NJ, NY, NC, OH, OK, OR, RI, SC, TN, VT, VA, WV, WA, and WI and DC.

## Delivery from liquor stores and/or other off-premise retailers

- Already allowed in **27** States and DC : AK, AZ, CA, CO, DC, FL, HI, IL, IN, IA, KY, LA, MD, MA, MI, MN, MO, NE, NV (Clark County/groceries), NJ, NY, OR, RI, SC, TN, TX, WA;
- In response to COVID-19, temporarily allowed in AR, OK, PA and expanded in NV (Clark County/liquor stores in unincorporated areas & Reno/Sparks/Washoe County)



# Market Responses to COVID-19

## Delivery from restaurants and/or bars:

- Previously allowed in 3 states: IN, NJ, TX
- Allowed in 16 new states and DC in response to COVID
  - CA
  - DC
  - FL
  - HI (Honolulu)
  - IL
  - IN
  - IA
  - MD
  - MI
  - MT
  - NE
  - NV (Reno/Sparks/Washoe County)
  - NJ (Expanded)
  - NY
  - OH
  - TN
  - TX (Expanded)
  - VT
  - VA
  - WA



# Market Responses to COVID-19

## Curbside pickup from liquor stores and/or other off-premise retailers

- Previously allowed in 5 states: CO, GA, NV (Clark County/groceries), WA, WY
- Allowed in 15 new states in response to COVID
  - AL
  - AK
  - AR
  - CA
  - CO
  - CT
  - GA
  - IN (only in liquor stores, not groceries and box stores)
  - KS
  - MI
  - NV\* (expanded in Reno/Sparks/Washoe County)
  - OK
  - OR
  - PA
  - MS
  - TN
  - TX
  - VA
  - WA
  - WY



# Market Responses to COVID-19

## Curbside pickup from restaurants and/or bars:

- Not previously allowed in any states
- Allowed in **15** states and DC in response to COVID:
  - AL
  - AK
  - DC
  - IL
  - IN
  - IA
  - KY
  - MS (Jackson and Tupelo)
  - MO
  - MT
  - NE
  - NV (Reno/Sparks/Washoe County and Las Vegas)
  - OH
  - TX
  - VT
  - WA
- This measure will continue to assist the hospitality industry as many states are currently rescinding announcements of on-premise retailers' use of indoor operations



# Market Responses to COVID-19

## Carry out/Take out (“cocktails to go”/by the drink) from restaurants and/or bars:

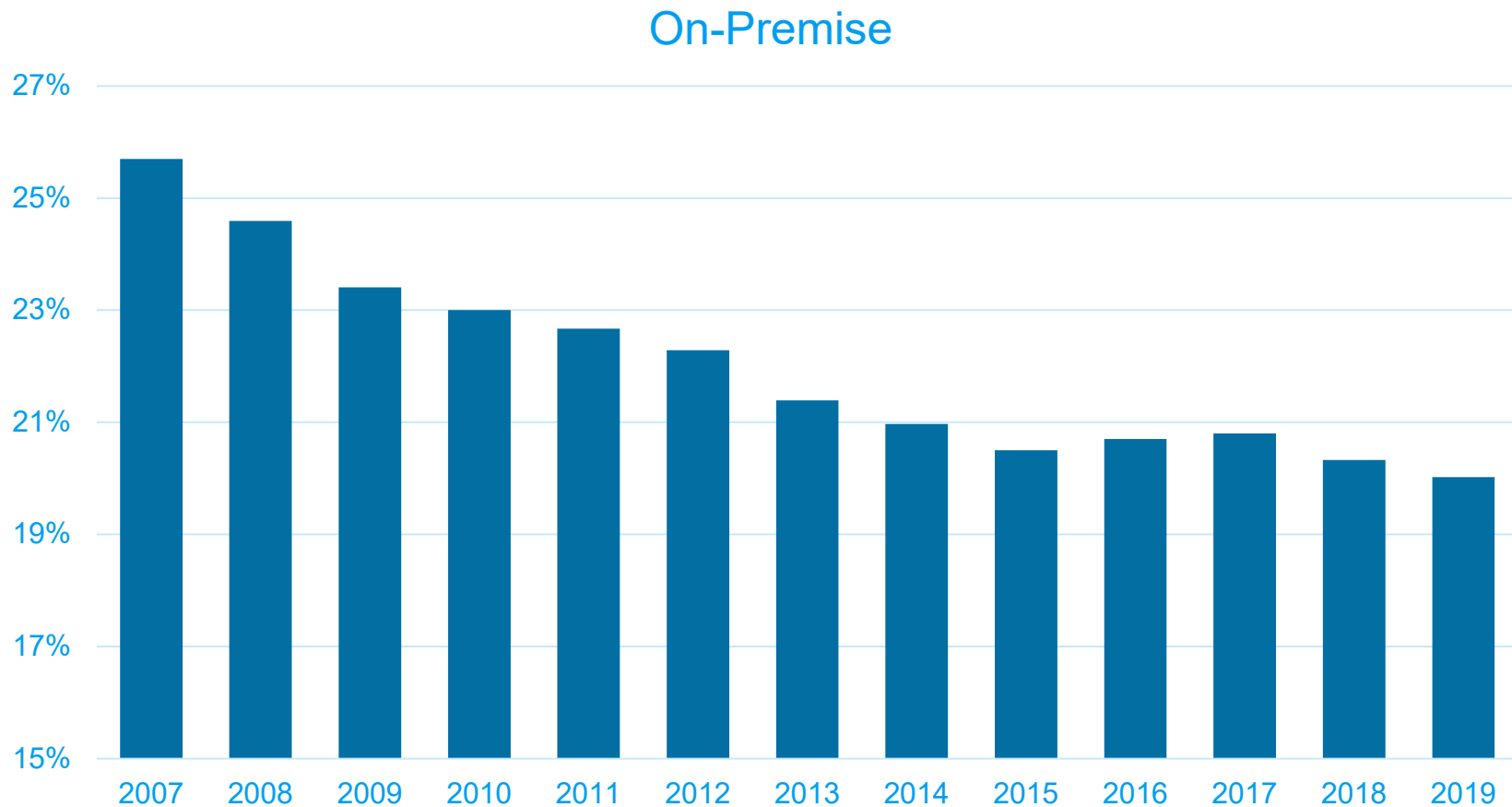
- Previously not allowed in any state.
- Temporarily allowed in **30** states plus DC in response to COVID-19: AZ, CA, CO, CT, DC, DE, FL, HI (Honolulu), ID, IL, IA, KS, KY, ME, MD (Montgomery County), MI, MS (Jackson and Tupelo), MO, MT, NE, NV (Reno/Sparks/Washoe County), NJ, NY, OH, PA, RI, TN, TX, VT, VA, WA
  - Many of these states also allow these sales in original containers
  - At least 2 other states (AL and IN) allow these sales only in original containers (not by the drink).
  - There also may be localities in addition to those listed in HI, MD, NV allowing carryout drinks, as well as localities in the 29 states on this list that do not allow them
- Iowa is the first state to make this temporary measure permanent.
- Michigan Governor Gretchen Whitmer (D), signed into law [HB 5811](#), which will allow cocktails to-go effective immediately until December 31, 2025.
- Illinois recently approved cocktails to-go until June 2, 2021.
- Delaware extended sale of cocktails to-go from restaurants, taverns and bars until March 31, 2021.
- New Jersey and New York also recently extended cocktails to-go.



# Cocktails to Go Preliminary Review



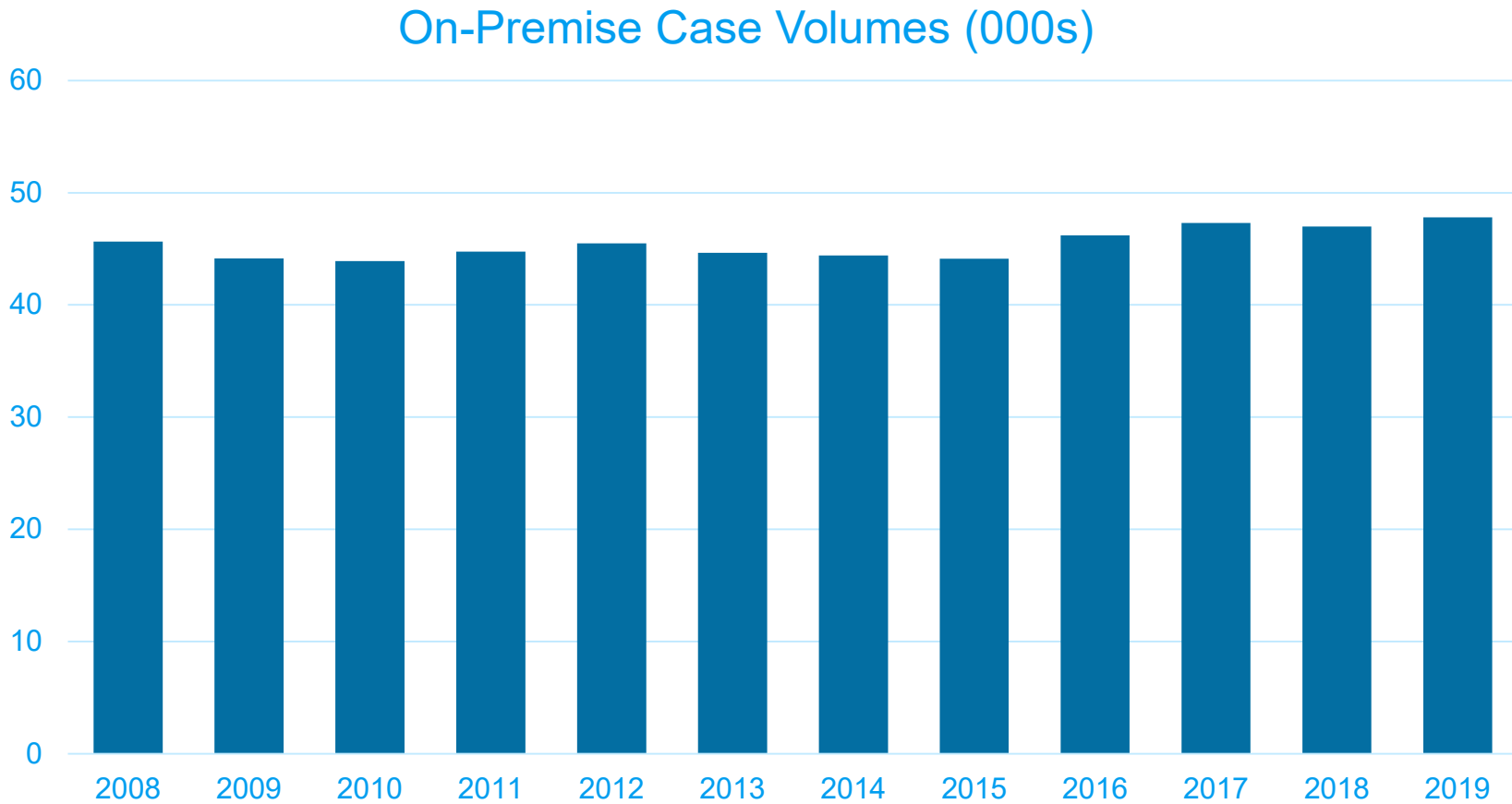
# On-Premise Sales as % of total spirits volume has been declining



Source: Liquor Handbooks, DISCUS Depletions Reports



# On-Premise sales flat since 2008/09 recession



Source: Liquor Handbooks



# A.C. Nielsen Survey on Take-Out

- 62% said they have ordered food take out/delivery in the past two weeks
- 9% of US consumers have ordered a take-out/delivery that included beverage alcohol
- 17% of 21-34 year old's ordered a take-out/delivery with beverage alcohol
- Red wine, imported beer and craft beer are the top 3 beverage alcohol categories consumers have ordered with their take-out/delivery, with white wine and neat spirits making up the top 5
- Consumers across all categories are price conscious, but they are also looking for a treat with purchases to perk up daily life under restrictions



# U.S. Restaurants Performance

- Total restaurant performance, not just bev/alc.
- Four important states week ending 6/27:\*
  - New York      -53% pre-Covid                      +24% since June 20<sup>th</sup>
  - Illinois        -37% pre-Covid                      +10% since June 20<sup>th</sup>
  - California    -31% pre-Covid                      + 7% since June 20<sup>th</sup>
  - Texas          -24% pre-Covid                      -4% since June 20<sup>th</sup>
- Recovery is uneven and being impacted by resurgence in Covid-19 infections in some states
- Likely to be a year or more before complete recovery

Source: A.C. Nielsen



# Summary

- DTC - watch this space
- Online sales expanding as more consumers are exposed to these platforms
- States innovating to support local businesses during the crisis (local delivery, curbside pickup and carry-out options)
- Spirits sales through on-premise outlets have been flat for 10 years
- Food-to-go is important and growing part of the restaurant business
  - In many instances carry out is replacing in-restaurant dining
- Cocktails-to-go is helping to support restaurants and bars during the pandemic
  - Proving to be incredibly popular with consumers



# Questions & Answers...

