

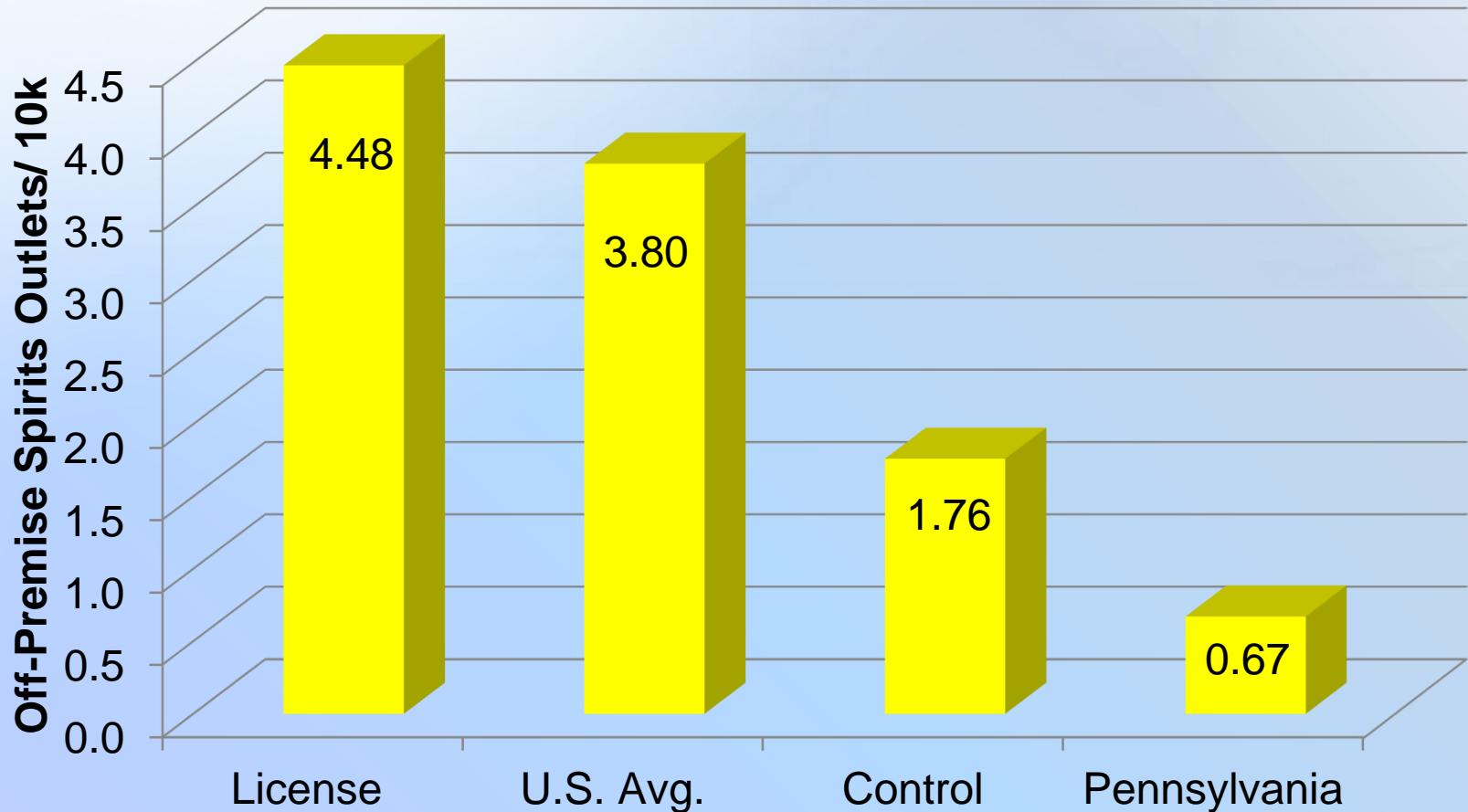
“Addressing The Need For More Spirits Outlets”

Prepared By: The Distilled Spirits Council

The Case for More Stores

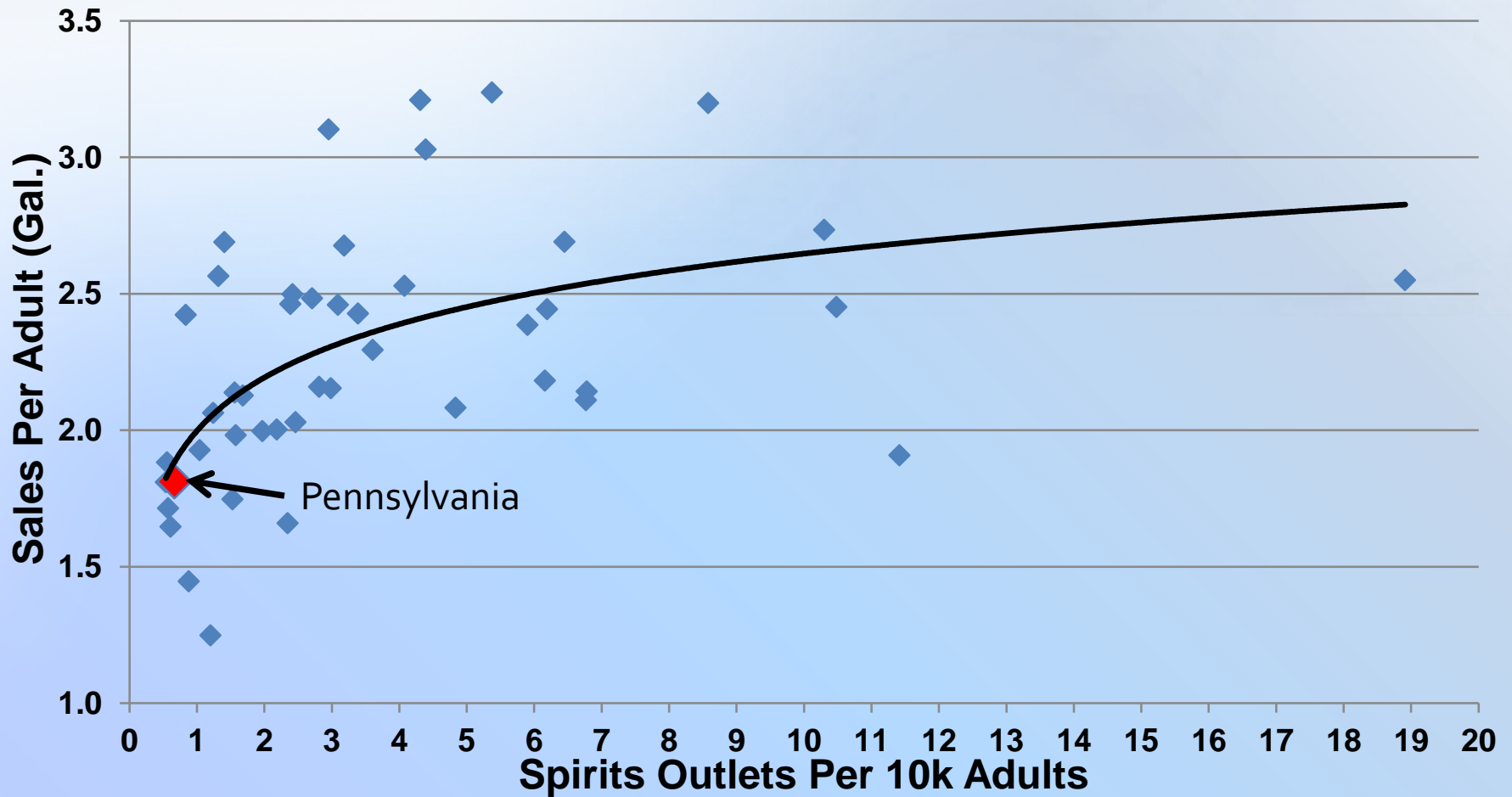
- Not all lost sales are due to price – customer convenience is enormously important
- Success of Sunday sales shows importance of convenience.
 - Sunday sales in Pennsylvania did not lower consumer prices, only made purchasing at state stores easier
 - After experiment, state increased number of stores open Sunday
- Pennsylvania consumers chronically underserved
 - PLCB simply does not have the funds to adequately serve state
- Seven other Control States (Idaho, Maine, Montana, New Hampshire, Oregon, Ohio, Vermont) take advantage of agency stores
 - Allows the state to provide more stores
 - No capital outlay
 - Protects state from expenses of market vagaries
 - Consumer friendly without privatization
 - No impact on union members

Pennsylvania Not Keeping Up With The Rest Of The Country



Source: NABCA, State records. Figures are for 2013/14

Outlet Density: Significant Gains from Moving PA Up the Curve

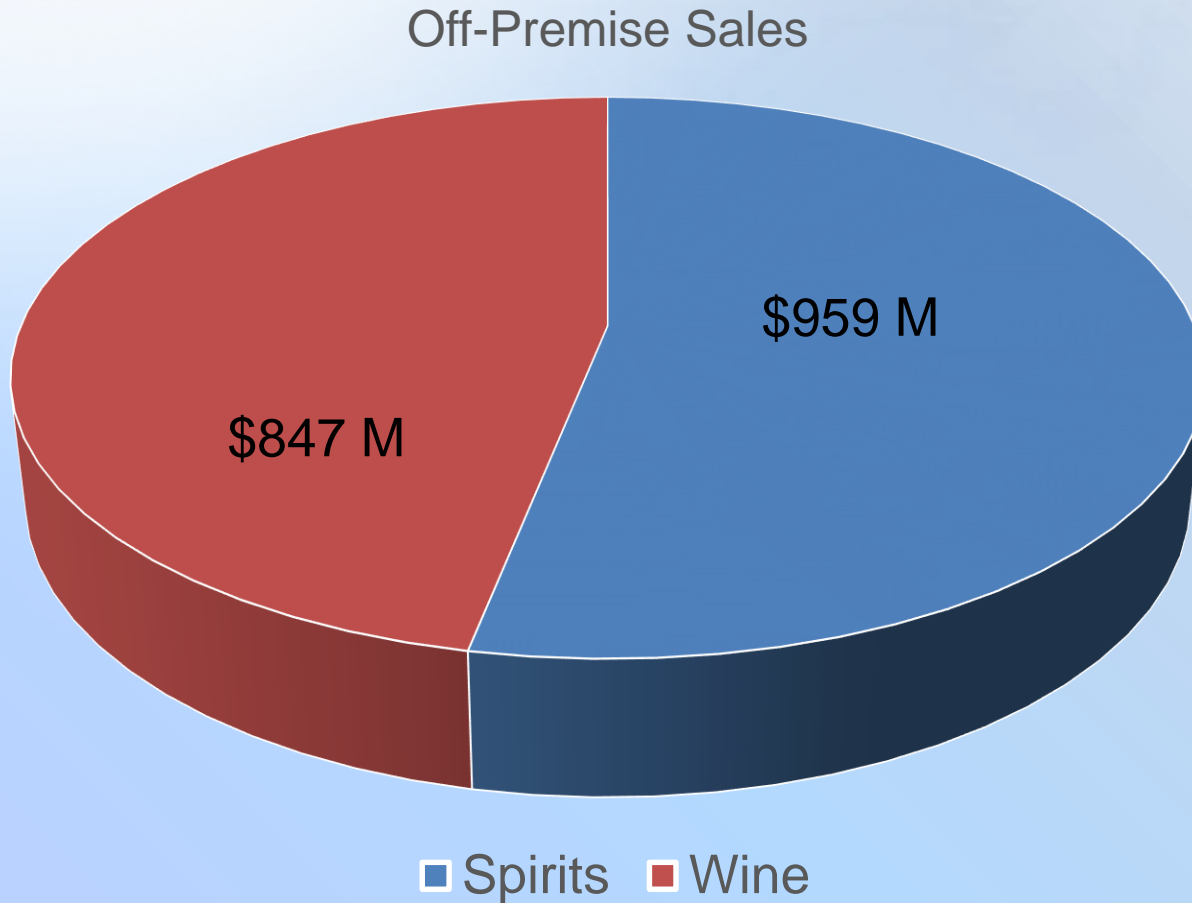


Sources: DISCUS, NABCA, Census

Why Include Spirits?

- Research shows biggest gains to be had from moving from fewer than 1.0/10k to 2.0/10k
- 70-75% of consumers purchase spirits, wine and beer.
 - Strong desire to buy all three under one roof.
- Only 4% of R Licenses (375) have gotten Wine Expanded Permit
 - +/- 250 actual grocery stores
 - Allowing spirits makes participation more enticing
 - Makes “one stop shopping” possible

Spirits Make Up 53% of Off-Premise Sales



Source: PLCB Retail Year in Review, 2015/16

Economic Impact

- Adding 900 stores would get PA near Control State average stores per capita
- Projected new sales (including taxes) \$300 million
 - Equivalent to estimated lost cross-border sales
- State to net \$100+ million after paying agent commission (10%) and delivery cost
- Projected impact of +/-900 private sector jobs