

Beer Distributors and Alabama's "3-Tier System"

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**Rebecca L. Maisel
General Counsel**

**Gulf Distributing Co. of Mobile
Allstate Beverage Co. of Montgomery**





3-Tier System

- **Early 20th Century “tied-houses”**
- **18th Amendment - Prohibition – 1919**
- **21st Amendment – Repeal of Prohibition – 1933**
- **States have exclusive authority to regulate production, distribution, sale**
- **3-Tier Regulatory System created with mandatory “middle” tier:**
 - **Independent Distributor**



3-Tier System

- **1. Manufacturer**
2. Independent Distributor
3. Retailer
- **In Alabama, Brewers and Distributors are prevented from having any financial interest or influence with each other and/or retailers**
- **Goals of 3-Tier System:**
 - **Avoid overly aggressive marketing and sales practices and “tied-house evil”**
 - **Generate tax revenues collected by distributors**
 - **Facilitate state and local control of alcohol**
 - **Encourage moderate consumption**



3-Tier System

- **Without 3-Tier, “big 2” manufacturers would win prime space in every account**
 - **Ex: Coke vs. Pepsi**
- **Levels the playing field:**
 - Retailers/Consumers have greater access to products and brand selection**



The Middle Tier

- **Wholesale beer distributors purchase product from the brewery**
- **Each month, we send the ABC Board a check for excise taxes \$1.20/case.**
 - **Total annual state taxes collected: \$12.5 million in 2014 just from 3 distributors in the room**
- **Sell cases to retailers, then pay each locality \$1.17 per case**



The Middle Tier

- **Wholesalers are family-owned, often local businesses with deep community roots**
- **Alabama wholesalers provide thousands of jobs statewide. Over 500 just at companies here today.**
- **NET NEW JOBS = 60 at Gulf**




Distributing Craft Beer

- **Wholesalers partner with craft brewers to bring beer to market**
- **Wholesalers provide necessary infrastructure for brand growth**
 - **Trucks, salespeople, software, relationships with retailers, breadth of territory**
- **Craft brewers are able to do their due diligence to find the right wholesaler for their brand portfolio**



Distributors' Value to Craft Brewers

- **Distributors help facilitate chain approvals**
- **Distributors build a brand for craft brewers – get recognition in on-premise accounts and at local festivals, etc.**
- **Distributors sell and service thousands of accounts efficiently**
- **Distributors have expertise on the right accounts for crafts in their territories**



Alabama's 3-Tier System

- **Distributors and craft brewers in Alabama have worked together with legislators and regulators to bring about calculated change to the alcohol regulatory system**
- **Alabama's craft brewing industry has seen enormous growth in past few years thanks to the 3 Tier System**
- **Despite this growth, Alabama's craft brewers are asking for further deregulation of the alcohol industry**



Questions?

Thank you!

Rebecca L. Maisel
RMaisel@GulfDistributing.com