Economic Impact of Allowing Wine Sales in Food Stores in Tennessee

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Stonebridge Research™

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Executive Summary

Continuing anxiety about allowing wine sales in Tennessee's food stores has focused on the potential loss of jobs among Tennessee's 563 existing package stores, all of which, it has been argued, are likely to go out of business should the wine market be opened to new competitors.

In reality, a vast number of package stores successfully compete across the U.S. in the several states which have opened their wine markets. As in most industries, the success of these businesses depends on the quality of their management and their business strategy instead of monopoly protection.

Some package stores are likely to find that increased consumer awareness of wine, generated by the presence of wine in food stores, actually helps grow their business, leading consumers to search for retailers offering wider selection, expert customer service, consumer education and special events and tastings. These services also tend to stimulate sales of higher margin, more expensive wines, one of the reasons why the share of wine market sales dollars of successful package stores across the country tends to exceed their share of sales volume.

The analysis which follows demonstrates that rather than cost jobs to the Tennessee economy, this opening of the wine market will in fact **increase employment,** by a total of between **1,597** and **3,513 total new jobs**, as explained in Chapter II. During this transition, between 104 and 597 jobs may be at risk or may shift among channels. Note the phrase is *at risk*: the vulnerability of these positions will depend upon package store business strategies, the mitigations proposed in Chapter VII and how the market actually evolves in Tennessee.

Health Issues

There is little evidence to suggest that expansion of *off-premise* sales locations increases alcohol abuse *per se*, as explained in Chapter VIII.

In fact, reviewing the table in Appendix 3 listing the number of retail outlets by state against various metrics of alcohol abuse shows little relationship between retail outlet numbers and these metrics.

As indicated in Table 1 below, many states with equal or lower rates of alcohol abuse issues have more retail outlets than does Tennessee -- and at least one, Mississippi, has higher alcohol related traffic deaths despite fewer retail outlets.

Table 1: Alcohol Abuse, Wine Consumption and Number of Retail Outlets for Wine

State	Traffic Deaths Any Alcohol Use	% Past Year Alcohol Abuse	Per Capita Wine Consumption	Number of Retail Outlets for Wine
West Virginia	34	6.14	0.10	1,172
Mississippi	40	6.29	0.12	515
Alabama	37	6.31	0.22	3,389
North Carolina	36	6.44	0.34	13,059
Georgia	32	6.75	0.25	7,801

State	Traffic Deaths Any Alcohol Use	% Past Year Alcohol Abuse	Per Capita Wine Consumption	Number of Retail Outlets for Wine
Indiana	34	7.27	0.24	2,667
Virginia	37	7.31	0.42	6,989
Tennessee	37	7.47	0.20	563

Source: Adams Wine Handbook 2009; National Institute on Alcohol Abuse and Alcoholism Division of Epidemiology and Prevention Research Alcohol Epidemiologic Data System Surveillance Report #90;SAMHSA, Office of Applied Studies, National Survey on Drug Use and Health, 2007 and 2008

Expansion of the Tennessee Wine Market

Tennessee's wine market has clearly been constrained by scarcity of retail outlets. Enabling the sale of wine in Tennessee's food stores will allow a natural expansion of Tennessee's wine market to more closely resemble the markets of neighboring states. Moreover, wine consumption in Tennessee has been too closely associated with just alcohol consumption. Allowing wine sales in food stores will facilitate wine reverting to its natural role, as a part of the meal experience and as a food itself.

As shown in Table 2 below and further explained in Chapter I below, per capita wine consumption in Tennessee is well below that of neighboring states and the Southern region as a whole.

Table 2: Apparent Per Capita Annual Ethanol Consumption from Wine, 2007

Region	Gallons per capita
Tennessee	0.20
Missouri	0.30
North Carolina	0.34
Virginia	0.42
Georgia	0.25
Average for U.S. Southern Region	0.31
U.S.	0.38

Source: National Institute on Alcohol Abuse and Alcoholism Division of Epidemiology and Prevention Research Alcohol Epidemiologic Data System Surveillance Report #90, Table 2

Tennessee alone among the states in Table 2 does not allow wine sales in food stores. This analysis projects growth in Tennessee's overall wine market of between 25%, to reach Georgia's level's of per capita consumption, and 55%, toward the Southern Region average, if wine sales were permitted in Tennessee's food stores.

Employment Implications

As discussed in Chapter II, the expected expansion in overall wine sales would have a significant impact on employment in a variety of businesses, including food stores, wine wholesalers, marketing companies and brokers, food store suppliers, wine producers, and producers of a wide variety of ancillary products.

To project the actual employment impact of this expansion in the wine market, we applied the IMPLAN model, the standard model for economic impact analysis as described in Chapter IX. Table 3 below summarizes these findings.

Table 3: Employment Created By Allowing Wine Sales in Food Stores

SECTOR	JOBS CREATED WITH 25% MARKET GROWTH	JOBS CREATED WITH 55% MARKET GROWTH
DIRECT IMPACT (INCLUDING FOOD AND BEVERAGE RETAILERS, WHOLESALERS)	1117.4	2458.2
INDIRECT EMPLOYMENT CREATION	126.5	278.3
INDUCED EMPLOYMENT CREATION	353	776.6
TOTAL JOBS CREATED	**1596.9**	**3,513.1**

Source: Stonebridge Research Group LLC and IMPLAN

Thus, the IMPLAN model finds that the projected growth in wine sales in Tennessee resulting from allowing wine sales in food stores will generate between 1,597 and 3,513 new jobs, which in turn will generate between **$59,218,379** and **$130,380,429** in new wages in Tennessee.

The market for wine in the U.S. continues to be focused on a very narrow population: those households with incomes exceeding $75,000 per year, at least college degree plus managerial, executive and entrepreneurial professions. Examining each county in the state, we identified 412 package stores, employing 2132 persons in such communities, as shown in Chapters IV and V below.

Some jobs may shift among retail channels and other sectors, putting some existing positions at risk during the market transition, but it is important to recognize that the impact will vary by community and type of store and even then will be only partial for most affected stores.

In Chapter V, Table 17, Stonebridge Research calculates the scale of this disruption, based on the (conservative) assumption that the job loss or at risk in any given channel would be proportional to the loss in sales by that channel. We drew on estimates of package store share (24% to 33%) of the total wine market in nearby open states and in the national market and on data indicating wine's share of total package store sales (10% to 40%) to identify the potential decline in total sales among these 412 stores at between 4.89% and 28%. This analysis indicated that between

104 and 597 existing positions could be at risk from the proposed changes in the structure of the market.

As discussed in Chapter VII, much of this displacement would be mitigated by proposed market based actions, the cost of which also would be absorbed principally by the private market.

Impact on Tennessee State and Local Government Revenues

While creating new employment, allowing wine sales in Tennessee's food stores will also substantially enhance state and local government revenues, as summarized in Table 4 below.

Table 4: Direct Government Revenue Impact of Allowing Wine Sales in Food Stores

Revenue Type - State & Local Level	25% Sales Increase ($ million)	55% Sales Increase ($ million)
License Fees	$2,990,000	$2,990,000
Wine Wholesale Tax and Enforcement Tax	$2,750,714	$6,051,570
Sales and Use Taxes	$5,950,155	$13,090,341
Other Indirect Business Taxes (IMPLAN)	$6,118,506	$13,460,716
Household Taxes (IMPLAN)	$405,603	$892,326
Payroll Taxes (IMPLAN)	$178,564	$392,841
Corporate Taxes (IMPLAN)	$620,624	$1,365,373
Total State & Local Tax Impact	**$19,014,166**	**$38,243,167**

Source: Stonebridge Research Group LLC and IMPLAN

This analysis also likely underestimates the full impact of the potential market growth as it excludes such factors as the 'grocery basket effect' described in Chapter I of this report. Nor does it include the various indirect tax impacts of the increase in either wine sales or employment.

Summary of Economic Impact

These several impacts of opening the wine market are summarized in Table 5, below.

Table 5: Summary Economic Impact of Allowing Wine Sales in Food Stores in Tennessee

	25% MARKET GROWTH	55% MARKET GROWTH
Growth in Wine Sales	$ 160,815,000	$ 353,793,000
Employment Growth	1,597	3,513
Growth in Total Wages	$ 59,218,379	$ 130,380,429
State and Local Tax Collections from increased wine sales	$ 19,014,166	$ 38,243,167

Source: Stonebridge Research Group LLC and IMPLAN

I. Impact on Total Wine Sales in Tennessee

Extensive research, observation and precedent argue that allowing wine to be sold in food stores will increase overall wine sales in Tennessee.

First[1], several studies have demonstrated that increased retail outlets for wine, and thus availability, increases total sales.

Second, consumer observation and logic show a powerful link between wine sales and food.

Wine has a particular place in American culture -- for gathering together with friends, for social occasions, for events, celebration. Wine is an alcoholic beverage but it is also a food product, typically consumed with meals. It is not generally something consumed merely for the alcoholic purposes. Thus, wine sells more easily when offered along with food. Tennessee's package store operators clearly share this understanding, as many offer food and wine pairings and recipes on their websites and do other promotional activities linking wine and food.

Consumer behavior in food stores offering wine clearly see this linkage in consumer behavior. Extensive Nielsen Company data shows that consumers buying wine in food stores spend at least another $20 per shopping trip, beyond the cost of the wine purchased, on other food products. Nielsen calls this the "basket effect." Thus, allowing sales in food stores would grow not only Tennessee's wine market but Tennessee's market for food products and all the related industries as well.

And it could easily be argued that, if alcoholic beverages are to be consumed, both public health and safety benefit by linking that consumption to meals and the enjoyment of food.

Qualitative and survey research as well as survey research[2] has repeatedly found that:

- Women and older Americans are more likely to consume wine, by a significant margin, while men and younger consumers favor beer and spirits;
- Women tend to associate wine with food;
- More than 50% of the wine sold in the U.S. is purchased by women as part of regular grocery shopping and meal planning;
- Women generally find it uncomfortable to shop in conventional liquor stores, particularly traditional stores focused on beer and spirits.

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[1] National Alcohol Beverage Control Association: Alcohol Policy Research and Alcoholic Beverage Control Systems:Annotated Bibliography and Review,2008.

[2] "U.S. Drinking Rate Edges Up Slightly to 25-Year High", by Frank Newman, Gallup.com, July 30, 2010. "Understanding and Enhancing the Market for California Wine in the U.S.", conducted by Yankelovich Partners for Wine Institute, California, 2005. "Understanding Wine Demographics in a Down Market". Wine Business Monthly, February 15, 2009.

Thus, for all these reasons, in those states with open markets allowing the sale of wine in food stores, per capita consumption of wine is significantly higher than per capita wine consumption in Tennessee.

Table 6 compares per capita wine sales in Tennessee with those of adjacent states with reasonably similar cultural and environmental traditions but which allow wine sales in food stores. This comparison suggests the potential range of wine sales patterns should Tennessee allow wine sales in its food stores.

Table 6: Apparent Per Capita Ethanol Consumption from Wine, 2007

Region	Gallons
Tennessee	0.20
Missouri	0.30
North Carolina	0.34
Virginia	0.42
Georgia	0.25
Average for U.S. Southern Region	0.31
U.S.	0.38

Source: National Institute on Alcohol Abuse and Alcoholism Division of Epidemiology and Prevention Research Alcohol Epidemiologic Data System Surveillance Report #90, Table 2

If wine consumption in Tennessee increased merely to the average level for Southern states, total wine sales in the state would increase by 55%, equivalent to **4.78 million gallons.** If wine consumption in Tennessee increased to just Georgia's per capita rate of 0.25 gallons per capita, total wine sales in the state would grow by 25%, equivalent to **2.17 million gallons**.

Table 7: Increased Wine Sales from Allowing Wines Sales in Food Stores

	Gallons	Value
2010	8,691,158	$643,260,000
Increased Sales @.31 Gallons Per Capita Consumption	4,780,136	$160,815,000
Increased Gallonage @.25 Gallons Per Capita Consumption	2,172,790	$353,793,000

Source: Tennessee Department of Revenue Sales and Use Tax and Wholesale Tax Collections 2010

II. Employment Creation in an Expanded Tennessee Wine Market

The expected expansion in overall wine sales would have a significant employment creation impact on a variety of related businesses including, but not limited to:

- Food stores
- Licensed Wine wholesalers/distributors
- Wine brokers and Sales and Marketing Companies
- Transport other than that owned by Distributors and Retailers
- Construction companies and suppliers, to build display, specialized warehousing, inventory and logistics capacity and technology
- Specialized equipment suppliers
- Advertising and marketing service providers, including printers, agencies, media
- Producers of ancillary products, from wine product accessories to general food store equipment to support the expanded "basket" impact of wine sales in grocery channels
- Food suppliers, distributors, packagers etc., benefiting from the "basket impact" of wine sales in grocery channels
- Tennessee's wine producers
- Producers of products which are allowed to be added to package stores' offerings (see Chapter VII)

Overall Employment Impact

We show below in Table 8 the results of applying the IMPLAN model, explained in Chapter IX, for an overall assessment of the impact of this market expansion on employment across economic sectors. The IMPLAN model provides an excellent, well-tested and widely accepted analytical framework for such economic analysis.

Table 8: Employment Created By Allowing Wine Sales in Food Stores

SECTOR	JOBS CREATED WITH 25% MARKET GROWTH	JOBS CREATED WITH 55% MARKET GROWTH
DIRECT IMPACT (INCLUDING FOOD AND BEVERAGE RETAILERS, WHOLESALERS)	1117.4	2458.2

SECTOR	JOBS CREATED WITH 25% MARKET GROWTH	JOBS CREATED WITH 55% MARKET GROWTH
INDIRECT EMPLOYMENT CREATION	126.5	278.3
INDUCED EMPLOYMENT CREATION	353	776.6
TOTAL JOBS CREATED	**1596.9**	**3,513.1**

Source: Stonebridge Research Group LLC and IMPLAN

This total includes the impacts on the several sectors listed above, some of which we discuss in more detail below.

Estimates of the specific impacts on each of these industries requires more detailed modeling of food store and package store businesses and their plans for rolling out new products than this analysis can undertake at this time. We explore below the impacts on food stores, wholesalers and Tennessee wine producers below.

Wine Wholesaling and Distribution

An increase in total annual wine sales in the state of between 25% and 55% would likely increase distribution revenues proportionately[3].

Distributors will also have to expand warehousing, transport, administrative and customer service and sales staff to cope with this increased volume. Employment may not increase proportionately, as no doubt some efficiencies will be found, but the increase should still be significant. According to the U.S. Bureau of Labor Statistics, wine and liquor wholesalers in Tennessee currently employ 1088 individuals. Thus, an increase of between 25% and 55% in total wine sales in the state could generate as many as 239 new jobs in wine wholesaling/distribution in Tennessee.

Table 9: Distribution Sector: New Jobs Created by Allowing Wine in Food Stores

	Assuming 25% Sales Increase	Assuming 55% Sales Increase
Employment Growth = 40% of New Sales	108.8	239.36
Employment Growth = 30% of New Sales	81.6	179.52

Source: U.S. Bureau of Labor Statistics, Stonebridge Research estimates

[3] Large chain food stores may be able to negotiate somewhat smaller margins from wholesalers but this will be determined case by case, with unknown implications at this time. In any case, sales to larger food chains should also provide economies of scale savings to distributors.

Wine currently represents about 50% of wholesale alcohol volume, as reported in Tennessee's Department of Revenue data on wholesale tax collections, but probably a smaller share of wholesaler profits, as wine lacks some of the economies of scale of spirits distribution.

Estimating current distributor wine sales from wholesaler and liquor store sales taxes, given industry standard wholesale markups, distributor revenue from wine currently is about $39 million. The projected market expansion would add between $10 million and $22 million to distributor revenues.

Increased wholesaler tax revenues are estimated in Chapter III below to total between $2.75 million and $6.05 million. Increased profitability from this market expansion would also generate incremental collections of other taxes for the State of Tennessee, although we don't attempt to estimate wholesaler profitability.

Tennessee's Wine and Grape Industry

Another industry which would benefit from the expansion of Tennessee's wine market is Tennessee's own wine and grape industry. In most of the states adjacent to Tennessee, food stores represent a significant share of retail sales of local wine, primarily in the food store channel. For example, in Missouri, sales through instate food stores represent nearly 40% of total winery sales and these sales in turn represent between 3% and 5% of food store wine sales. In Florida's smaller wine industry, sales through instate food stores represent about 1% of total food store wine sales. Local residents as well as visitors seem to possess a genuine interest in sampling their state's wine production as part of their regular food buying experience. Tennessee's wine industry is midway in size between that of these two states.

A 2007 assessment of the economic impact of Tennessee's wine and grape industry[4] estimated the total retail value of Tennessee's wine sales to be $11 million, about half of which was sold through retail channels in the state, to represent about 2% of the state's current total wine sales. Tennessee's wine industry employed directly and indirectly more than 1600 persons. If Tennessee-produced wine simply maintained its market share in the expanded retail market, several hundred new jobs could be created.

Food Store Employment

The analysis in Chapter IV below indicates that the food store share of wine sales could represent between $193 million and $299 million in new revenues. The "basket effect" described in Chapter I also will add substantial revenue to these stores. Altogether the growth in sales of between 2% and 4% would be expected to justify additional floor and stock staff, cashiers, managers, wine buyers, customer service and support staff.

The Bureau of Labor Statistics estimates total food store employment in Tennessee at 44,959 persons (grocery and convenience stores) and another 2041 individuals employed in speciality food stores. A 1% increase in employment by this sector, equal to about one half to one quarter of increased revenues, would be a reasonable expectation, equal to about 440 new jobs.

All of these possibilities are reflected in the employment increase identified in Table 8 above.

[4] "Economic Impact of Wine and Grapes in Tennessee 2007", MKF Research LLC

III. Impact of Increased Wine Sales on State, County and City Tax Collections

The expanded market will impact collection of a wide variety of taxes, directly and indirectly. We discuss just a few of these increased tax collections below.

Wholesaler Tax

The wholesale tax on wine in Tennessee is $1.21 per gallon.

Table 10: Projected Wholesaler Wine Tax Collections

	Gallons	Wholesale Tax Collected @ $1.21 per gallon
2010 Collections	8,691,158	$10,516,301
Increased Gallonage @.25 Gallons Per Capita Consumption	2,172,790	$2,629,075
New Total	10,863,948	$13,145,376
Increased Gallonage @.31 Gallons Per Capita Consumption	4,780,136	$5,783,965
New Total	13,471,294	$16,300,266

Source: Stonebridge Research, Tennessee Department of Revenue

Thus, allowing food stores in Tennessee to sell wine could generate as much as $5.8 million per year in additional collections for the state from just this one wholesale taxes, assuming per capita wine consumption rose to the Southern region average of .31 gallons. If wine consumption rose to just the Georgia average consumption level of 0.25 gallons per capita, the lowest among these states, additional collections of this wholesale tax would total $2.6 million per year.

Retail Sales and Use and Other Taxes

The retail sales tax rate applicable to alcoholic beverages is Tennessee is 7% at the state level and up to 2.75% at the county and municipality level. Most larger municipalities levy a total of 2.25% in city and county sales taxes. Estimating the increase in sales tax revenues requires making some assumptions about the price composition of the incremental wine sales since sales taxes, unlike wholesaler taxes, are levied on value rather than volume.

The most conservative assumption is to assume that this price composition remains constant. Tennessee reports sales and use tax collections totaled $45,028,200 in Fiscal 2010. Assuming 40% of such sales by value are wine, which is typical in most states, the additional sales and use tax generated by allowing wine sales in food stores would range from $4.5 million to nearly $10 million at the state level plus another $1.4 million to $3.2 million in city and county revenues.

Table 11: Projected Sales Tax Collections

Tax	Current Sales Tax Revenue from Liquor Stores	Current Sales Tax Revenue from Wine Sales in Liquor Stores	Increased Tax Collection @ .25 per capita consumption	Increased Tax Collection @ .31 per capita consumption
State Sales and Use Tax @ 7%	$45,028,200	$18,011,280	$4,502,820	$9,906,204
City and County Sales and Use Tax @2.25%	$14,473,350	$5,789,340	$1,447,335	$3,184,137
Total 9.25%	$59,501,550	$23,800,620	$5,950,155	$13,090,341

Source: Stonebridge Research Group LLC and Tennessee Department of Revenue

In addition, the "basket effect," described in Chapter I above, would generally increase store revenues per customer and most likely net income per store, which would be translated into increased business franchise and excise taxes as well as sales taxes at the food tax rate. As the actual tax impact of this "basket effect" depends on the number of shopping trips which occur, we have not attempted to estimate at this time the specific dollar value of this effect.

Retailers also pay a $0.15 per gallon enforcement tax to local governments.

Table 12: Projected Wine Enforcement Tax Collections

Actual 2010 Enforcement Tax Collected @ $0.15 per gallon	Additional Tax Collected with 25% Market Growth	Additional Tax Collected with 55% Market Growth
$486,553	$121,638	$267,604

Source: Tennessee Department of Revenue

License Fees

Approximately 5136 of Tennessee's 9253 food stores are located in the counties most favorable for wine sales (listed below in Table 15). We assume that 80% of the full service grocery stores but only about one half or less of the convenience stores in these areas will seek licenses to sell wine, for a total of abut 2600 new licenses. Potential revenue from such licenses is described in Table 13 below.

Table13: Projected License Fee Revenue

License Fee Type	Cost of Licenses	Total Revenue
Application Fee	$300	$780,000
Annual Fee	$850	$2,210,000
Total Revenue First Year		$2,990,000

Source: Stonebridge Research and Tennessee ABC

Total Tax Impact

The IMPLAN model projects the total tax collection impact of the market expansion as shown in Table 14 below.

Table 14: Total Estimated Tax Collection Impact of Market Expansion

Revenue Type - State & Local Level	25% Sales Increase ($ million)	55% Sales Increase ($ million)
License Fees	$2,990,000	$2,990,000
Wine Wholesale Tax and Enforcement Tax	$2,750,714	$6,051,570
Sales and Use Taxes	$5,950,155	$13,090,341
Other Indirect Business Taxes (IMPLAN)	$6,118,506	$13,460,716
Household Taxes (IMPLAN)	$405,603	$892,326
Payroll Taxes (IMPLAN)	$178,564	$392,841
Corporate Taxes (IMPLAN)	$620,624	$1,365,373
Total State & Local Tax Impact	**$19,014,166**	**$38,243,167**

Source: IMPLAN and Stonebridge Research Group LLC

IV. Counting Stores: Where are the Wine Buyers?

Estimating impact of such market expansion on existing package stores depends on the assumptions made about who will buy wine in such a market, where they will buy it and where they live.

It would not be accurate to assume that introducing wine into food stores in Tennessee would have equal impact on all regions of the state, or all retailers, equally. Wine sales tend to be concentrated in a relatively small share of retail outlets, even in the most open market. In other regions, sales of liquor are likely to dominate package store sales and thus introducing wine in food stores would have a negligible impact on existing package stores.

Extensive research[5] has defined the demographics of the frequent wine consumers and thus enable us to identify the communities in which they live. The key characteristics of these consumers are:

- Households having incomes of $75,000 per year or more
- Having at least an undergraduate college degree
- Predominantly having professional, managerial and related professions

Wine consumers also tend to own homes with relatively high valuations and to be concentrated in affluent suburbs and some parts of urban centers.

To identify those regions in which retailers are most likely to be affected by wine sales, we reviewed the demographics of each of the Tennessee counties where alcohol can presently be sold, as shown in Appendix 1, using U.S. Census data. Although all communities within a county are not likely to be equally impacted, Table 15 indicates the counties most likely to benefit from increased wine sales.

In the remaining counties, wine sales would be expected to be a relatively modest share of total revenues, with spirits dominating their sales. Such regions comprise the vast majority of Tennessee communities, as shown in Appendix 1.

5 For example, “Understanding and Enhancing the Market for California Wine in the U.S.”, conducted by Yankelovich Partners for Wine Institute, California, 2005. “Understanding Wine Demographics in a Down Market”. Wine Business Monthly, February 15, 2009.

Table 15:
Wine Demographics of Tennessee's Counties: Counties Most Likely to Consume Wine

County	Households with Income > $75,000	Attained at least College Degrees	Home Values	Professional, Managerial or Similar Occupations
Shelby	94,900	158,984	$129,800	138,564
Davidson	67,466	140,394	$159,900	117,967
Knox	49,981	90,196	$147,200	79,084
Hamilton	37,319	61,041	$142,500	56,765
Williamson	33,271	53,337	$327,900	40,228
Rutherford	28,199	40,299	$154,400	39,024
Sumner	18,716	22,987	$164,400	24,127
Montgomery	15,595	21,164	$122,700	18,942
Wilson	15,242	16,593	$180,000	17,563
Sullivan	14,429	21,438	$106,500	20,613
Blount	12,018	17,189	$150,500	17,196
Washington	10,522	21,869	$129,700	18,498
Marshall	8,482	2,265	$110,300	14,228
Anderson	6,861	11,101	$110,500	10,010
Sevier	6,619	8,852	$151,300	9,848

Source: Stonebridge Research Group LLC, U.S. Census

V. Sharing the Market for Wine

Having established where most wine is likely to be sold and how much wine is likely to be sold -- an increase of between 25% and 55% in total wine sales -- the key question then becomes in which stores will this wine be sold? What share of total wine sales will be taken by food stores? How will this impact existing package stores?

Share of Wine Retail Market for Package/Liquor Stores in Other Regions

Much of the discussion of introducing wine into food stores has assumed that such competition leads directly to the bankruptcy of existing package stores. However, independent wine and liquor stores continue to thrive, and even increase in number, in all of the states in which wine is sold in food stores. The issue is not having one channel or the other sell wine but how the market is shared by these different types of retailers.

The composition of table wine sales by type of off-premise retail sales channel is shown in Table 16 for 2007[6]. As shown, many liquor (i.e. package) stores continue to operate across the country, along with many food stores. Package stores represented more than 28% of wine sales volume and a larger share of sales dollars.

In 2007, the on-premise channel represented 22% of total wine sales, with off-premise retail claiming the remaining 78% of total wine sales. Liquor stores were gaining market share from grocery stores in 2007 but, since the onset of the recession in late 2008, as consumers traded down, food stores have regained some of that market share. In the same period, the on-premise market share has fallen to about 18% of total sales while total wine sales market have grown about 3%. Thus, the total off-premise retail market is larger than in 2007.

Table 16: U.S. Table Wine Sales by Off-Premise Retail Channel, 2007

Channel	2007 Store Count	Share of Retail (Off-Premise) Market Sales Volume
Grocery	26,280	50%
Liquor	39,306	28.2%
Club	806	11.5%
Mass Merchandiser	1,990	3.8%
Drug, Convenience & Other	73,374	6.4%

Source: The Nielsen Company, Gomberg Fredrikson and Stonebridge Research Group LLC

[6] In this study, when we refer to “retail” wine sales, it is always a reference to off-premise wine sales (sale of wine by the package rather than by the drink).

Another survey found that package stores represent up to one third of the retail wine market in Florida, although only 8% to 10% of the total store count for off-premise retail outlets. A study of the composition of sales by channel in 2009 in California, perhaps the most open and certainly the largest wine market in the U.S., found that conventional liquor stores represented 12.2% of off-premise wine retail sales but this share rose to 24.7% when speciality and chain liquor stores were included. The balance of sales went to grocery, club, drug and convenience stores.

Projected Package Store Share of Wine Market in an Open Tennessee Market

How then do we estimate what might be the market share of package stores in Tennessee if food stores were allowed to sell wine?

Evidently package stores do not disappear, not even from wine sales, when food stores sell wine. Package stores continue to claim at least 24% of total wine sales volume.

In addition, food stores tend to sell wines in the price range in which most families tend to buy wines -- those costing less than $15 per 750mL. Moreover, since wine is just one of the many product categories for food stores, they typically stock a smaller number of products and offer less specialized customer service for purchasers. Wine consumers, particularly more involved wine consumers, therefore tend to seek out more specialized outlets, with specialized customer service, for their more expensive wine purchases. Thus, the dollar share of liquor store wine sales dollars tends to exceed their share of sales volume.

The various potential scenarios for the resulting market share impact on package/liquor stores, based on assumptions about potential market growth and market share, are summarized in Table 17 and further explained below.

For clarity, let's look at alternate cases for these calculations:

Package Store Wine Sales Case Study One: Market Growth 55% and Package Store Market Share of 33%

If the total wine market grew by 55%, and package stores claimed a total of 33% of this enlarged market for wine sales, package stores would then have 30% of this new market.

In other words:

If the current total wine market was 100 units, package stores market share would also be 100% and they would sell 100 units.

By allowing wine sales in food stores, the total market could grow to 155. If package stores retained 33% of the total market, their total sales would be 51.15 units instead of 100.

However, wine sales represent only some of the revenue of package stores, with spirits representing the balance. Based on surveys of proprietors and distributors in various states, wine seldom represents more than 40% of total revenue. For stores in communities where wine is not very popular, wine can represent as little as 10% of total revenue. As noted above, the market for wine remains quite limited: far fewer people consume wine, especially regularly, than consume spirits.

So the question becomes: how important is this potential 48.85 loss in wine sales to the overall business of a package store? That will vary by how important wine sales are to the particular store.

If wine is only 10% of total store revenue, the loss in revenue to the store would only be 4.9% of their total sales.

If wine is 40% of total store revenue, the loss in revenue would be 19.5% of their total sales.

Package Store Wine Sales Case Study Two: Market Growth 25% and Package Store Market Share of 24%

If the total wine market grew by 25%, and package stores claimed a total of 24% of this enlarged market for wine sales, package stores would then have 30% of this new market.

In other words:

If the current total wine market was 100 units, package stores market share would be 100%.

By allowing wine sales in food stores, the total market could grow to 125 units. If package stores retained 24% of the total market, their total sales would be 30 units.

However, wine sales represent only part of the sales volume of package stores, with spirits representing the balance. As noted above, the share of wine in most package store will range from 40% to as little as 10% of total sales volume.

So, the question becomes: how important is this potential 70 unit loss in wine sales to the overall business of a package store?

If wine is only 10% of total store sales volume, the loss in sales to the store would only be 7% of their total sales volume.

If wine is 40% of total store sales, the loss in sales would be 28% of their total sales, which is actually the worst case outcome of the potential policy change.

This analysis is summarized in table 17 below

Table 17: % Loss of Wine Sales by Package Stores Under Alternative Scenarios

Wine as a % of Total Store Sales	Market Growth 25%		Market Growth 55%	
	Market Share 24%	Market Share 33%	Market Share 24%	Market Share 33%
10%	**7.00%**	**5.88%**	**6.28%**	**4.89%**
40%	**28.0%**	**23.5%**	**25.1%**	**19.54%**

Source: Stonebridge Research Group LLC

Thus, the impact of food stores entering the wine market in Tennessee could be a loss of between 4.9% and 28% of sales volume for *existing package stores in the communities where these channels were in competition*. It will of course take several years for these market changes to emerge, as additional food stores offer wine sales and package stores develop their responses. And again, the dollar loss should be somewhat less than the volume loss, as consumers would continue to purchase more expensive products in package stores. Moreover, there will be communities where food stores choose not offer wine in competition with package stores.

What are the implications of this sales loss for the package stores, their businesses, owners and employees?

VI. Implications for Package Stores, Owners and Employees

Table 15 above identified the counties in Tennessee where wine is most likely to be sold. Table 18 below shows the number of package stores in these regions and their total employees.

Table 18: Package Stores in Key Wine Buying Counties

County	Number of Package Stores	Employees
Shelby	129	691
Davidson	70	442
Knox	46	282
Hamilton	44	150
Williamson	21	132
Rutherford	20	80
Sumner	13	45
Montgomery	12	63
Wilson	9	18
Sullivan	13	65
Blount	7	53
Washington	11	61
Marshall	4	NA
Anderson	6	15
Sevier	7	35
TOTAL	**412**	**2132**

Source: Tennessee Alcoholic Beverage Control Commission and U.S. Census Bureau

Thus, about 412 of Tennessee's 563 package stores *potentially* could be impacted by wine sales in food stores, representing somewhat more than 2100 employees.

All Package Stores Are Not Alike

Too often in the debate on this issue, it is assumed that simply introducing wine in food stores will lead directly to failures of existing package stores.

As Chapter V discusses, many wine and liquor stores continue to thrive across the country, including in states which allow wine sales in food stores. The continued success of such stores is determined by the quality of their management and operating strategy instead of preservation of a monopoly on wine sales - which in fact represent no more than half of most retailers' sales and often far less.

As context for that assessment, the average SKU (store keeping units or retail count of separate products for sale) count for a food store is about 430, although some higher end and specialized groceries may offer up to 1400 SKUs, with a (very) few offering as many as 3000 SKUs. Even then, these offerings tend to focus on major brands offered by major wine groups and wines under $15 per 750mL, or certainly $20 per mL, simply because, among their hundreds of product categories most food stores cannot provide the complex inventory, logistics and specialized staffing needed to support more elaborate offerings.

The package store business models which tend to compete successfully in these environments have some consistent characteristics:

1. Offer a level of customer service and expertise and size and variety of inventory that few food stores could, or would wish, to offer.
2. Have built strong local customer-driven relationships, or unique business models in a niche segment (e.g. craft beers, local wines, quality spirits) of the industry, based on selection, price, product line.
3. Are primarily spirits/liquor stores, especially in communities with a relatively small wine demographic profile.
4. On-line sales have also offered small stores in even the most competitive markets the opportunity to build themselves into regional centers based on selection and market skills.

Stores which are heavily dependent on wine sales yet offer little customer service and no distinctive inventory are likely to struggle if faced with strong competition. Similarly, stores which are currently marginally profitable are likely to find any loss of market a threat to their survival. However, most such stores would likely be struggling in any case to compete with larger and better managed store within the package store market.

Even among these stores, the impact of competition with wine sales in food stores would be quite variable. Package stores in counties not listed in Table 15 would be less affected by allowing wine sales in food stores because their markets would be more focused on spirit and beer sales, with wine representing as little as 10% of total sales. Food stores in the area would be unlikely to offer wine for the same reason.

Impact of Expanded Market on Package Stores

The expanded market and increased competition for wine sales is likely to drive some stores to work harder to distinguish themselves in this new market while weakening stores with more vulnerable finances and less viable business strategies. Strong, well managed stores with well defined business strategies will hardly be affected, as they are barely impacted in other states.

It is reasonable to assume that jobs at risk in these stores would be proportionate to the sales volume[7] decline experienced by these stores.

Thus, between 4.89% and 28% of package store jobs, in the affected communities, might be vulnerable, depending on the success of managers in building competitive business responses to this new challenge.

This translates into between 104 and 597 jobs, based on U.S. census employment reports on liquor employment in these counties. However, it would not be reasonable to assume that all of these positions would be eliminated, although some might be shifted to other employers.

In addition, the Census identifies approximately 220 self-employed business owners in the industry, translating to about 140 would be based in the noted regions. These proprietors could experience a sales volume decline averaging between 4.89% and 28%.

A few stores with poor market strategies are likely to experience far more severe impact and close their business, while other, well managed, stores would hardly be affected. Some stores are likely to find that increased consumer awareness of wine, generated by the presence of wine in food stores, actually helps grow their business, leading consumers to search for retailers offering wider selection, expert customer service, consumer education and special events and tastings. Such expanded services generally are not found in food stores. These services also tend to stimulate sales of higher margin, more expensive wines, one of the reasons why the market share of sales dollars of successful package stores across the country tends to exceed their share of sales volume.

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[7] We are assuming that the current price structure of wine sales will continue although there is evidence to support the expectation that consumers would look to package stores for somewhat more expensive products in an open wine market.

VII. Reducing the Pain for Package Stores

It would be reasonable to offer some mitigation to package store owners and employees impacted by allowing wine sales in food stores.

Several options might be considered which would allow the beneficiaries of the market opening, and the market itself, to absorb much of the cost of this market dislocation.

Potential mitigations, which might add value or revenue to the existing stores to make up for projected losses due to opening the market, might include:

Wine Retail License Sales

Rather than issue entirely new licenses to eligible food store applicants for retail wine licenses, State and local governments might allow existing license holders to sell their licenses to eligible food stores, especially those planning to locate within a limited distance of the existing package store. Food store applicants would still be required to seek approval from and meet standards set by state and local governments. This provision might be adopted for a limited transition period (perhaps 24 to 36 months from the opening of the market).

The license price could either be freely set by the market or set within a formula related to the existing stores' annual sales and could provide an attractive option for package store owners. In Florida, package store licenses, albeit for spirit sales, has ranged from about $125,000 in Miami to as much as $500,000 in smaller communities.

Multiple Licenses

Allowing existing package stores, as well as food stores, to operate multiple stores would also add value to existing licenses.

Existing retailers could be permitted to purchase the licenses of other existing stores unwilling to face the more competitive market or they could simply be allowed to apply for additional licenses or for additional units, much as food stores could operate multi-unit operations.

Add Products to Package Store Permitted Offerings

To make up for the potential 4.89% to 28% loss in sales volume by the average package store in a region with attractive wine sale demographics, the package stores could be allowed to sell additional products, complementary to current stock and as a convenience to customers, such as packaged snack foods, bottled water and soft drinks and wine and spirits accessories, from glasses and beverage storage to bottle openers and books. Another, although more complex, possibility, is selected complementary perishables such as cheese. Some states allow package stores to sell some food staples, such as milk, to maintain consumer traffic.

The expanded product line could be proportionate to current wine sales or standard for all package stores. Consultation with other liquor retailers and with food stores could identify the combination of products likely to generate the desired level of revenue. Availability of some products not previously available, at least in these settings, might even produce a net increase in revenues and incremental tax revenue to the State.

These various options noted above would mitigate possible losses in revenue and asset values to proprietors and allow existing stores to maintain their business and employment. An increase in store units or product lines also would help minimize job loss among employees.

The costs of these various mitigations are intended to be absorbed by the businesses benefiting from the proposed market reforms, alleviating possible financial burdens to the state, such as unemployment insurance funds.

VIII. A Note on Social and Health Effects of Increased Retail Outlets for Wine

All parties are legitimately concerned about the risks of inappropriate consumption of alcohol. **However, there is little evidence to suggest that expansion of *off-premise* sales locations increases alcohol abuse *per se*.**

A review of alcohol abuse literature conducted for NABCA (National Alcohol Beverage Control Association) found no reliable connection between *off-premise* outlet density and increases in alcohol abuse, although there was some positive evidence with respect to *on-premise* outlets. Moreover, even that research found outcomes dependent on "the context of individual drinking behaviors and patterns as well as characteristics of patrons such as aggression and hostility and dependent on the "norms of the establishment.""[8]

In fact, reviewing the table in Appendix 3 listing the number of retail outlets by state as against various metrics of alcohol abuse shows little relationship between retail outlet numbers and these metrics. As indicated in Table 19 below, many states with equal or lower rates of alcohol abuse issues have more retail outlets than does Tennessee -- and at least one, Mississippi, has higher alcohol related traffic deaths despite fewer retail outlets.

Table 19: Alcohol Abuse, Wine Consumption and Number of Retail Outlets for Wine

State	Traffic Deaths Any Alcohol Use	% Past Year Alcohol Abuse	Per Capita Wine Consumption	Number of Retail Outlets for Wine
West Virginia	34	6.14	0.10	1,172
Mississippi	40	6.29	0.12	515
Alabama	37	6.31	0.22	3,389
North Carolina	36	6.44	0.34	13,059
Georgia	32	6.75	0.25	7,801
Indiana	34	7.27	0.24	2,667
Virginia	37	7.31	0.42	6,989
Tennessee	37	7.47	0.20	563

Source: Adams Wine Handbook 2009; National Institute on Alcohol Abuse and Alcoholism Division of Epidemiology and Prevention Research Alcohol Epidemiologic Data System Surveillance Report #90;SAMHSA, Office of Applied Studies, National Survey on Drug Use and Health, 2007 and 2008

[8] National Alcohol Beverage Control Association: Alcohol Policy Research and Alcoholic Beverage Control Systems:Annotated Bibliography and Review,2008

Other recent research[9] has found higher rates of past month and binge drinking among youth 12 to 17 who live in rural areas, defined as non-metropolitan areas of fewer than 20,000 population. Research also indicates that under-age drinking is more likely to be concentrated in rural communities than urban and suburban communities. Wine consumption by contrast tends to be concentrated in urban and suburban communities.

Research has not explored the relative impact of offering wine in food stores, where it is more likely to be consumed with a meal, than in package stores where it is sold primarily as an alcoholic beverage. Better linking with food would be expected to moderate the tendency to abusive consumption of alcohol.

[9] Alcohol Policy Research and Alcoholic Beverage Control Systems:Annotated Bibliography and Review, 2008

IX. Methodology

The data for this analysis was collected from Tennessee and other state Alcoholic Beverage Control, Food Store Inspection and Tax Collection records, U.S. Government data and interviews with industry participants. The findings from the research were then entered into the IMPLAN model, described below, to determine the overall employment and tax impacts of the actions being examined.

Direct, Indirect and Induced Effects (IMPLAN)

Much like dropping a rock into a pond, the wine industry has ripple effects on the Tennessee economy. Economic impact studies estimate the impact of an industry in a defined geographical area by identifying and measuring specific concrete economic "events." The events tracked in this report are jobs by industry code.

IMPLAN is the acronym for "**IM**pact analysis for **PLAN**ing." IMPLAN is a well established and widely used economic model that uses input-output analyses and tables for over 500 industries to estimate regional and industry-specific economic impacts of a specific industry.

In this case, we examined the impact of increased wine sales, described in Chapter I, resulting from allowing wine sales in Tennessee's food stores.

The IMPLAN model and its structure are updated annually to reflect changes in the U.S. economy, in wages, in productivity assumptions and in regional economic structures.

Appendices

Appendix I: Demographics of Tennessee Counties

County	Population	College Grads	% College Graduates	House-holds Income > $75,000	% High Income	Professional, Managerial and Related Occupations	% Manage-ment	Median Home Values
Shelby County	918,186	158,984	17.32%	94,900	10.34%	138,564	15.09%	$129,800
Davidson County	621,465	140,394	22.59%	67,466	10.86%	117,967	18.98%	$159,900
Knox County	423,655	90,196	21.29%	49,981	11.80%	79,084	18.67%	$147,200
Hamilton County	330,941	61,041	18.44%	37,319	11.28%	56,765	17.15%	$142,500
Williamson County	165,526	53,337	32.22%	33,271	20.10%	40,228	24.30%	$327,900
Rutherford County	240,181	40,299	16.78%	28,199	11.74%	39,024	16.25%	$154,000
Sumner County	151,874	22,987	15.14%	18,716	12.32%	24,127	15.89%	$164,400
Montgomery County	153,491	21,164	13.79%	15,595	10.16%	18,942	12.34%	$122,700
Wilson County	106,472	16,593	15.58%	15,242	14.32%	17,563	16.50%	$180,000
Sullivan County	153,314	21,438	13.98%	14,429	9.41%	20,613	13.44%	$106,600
Blount County	119,489	17,189	14.39%	12,018	10.06%	17,196	14.39%	$150,500

County	Population	College Grads	% College Graduates	House-holds Income > $75,000	% High Income	Professional, Managerial and Related Occupations	% Manage-ment	Median Home Values
Washington County	116,750	21,869	18.73%	10,522	9.01%	18,498	15.84%	$129,700
Marshall County	96,346	2,265	2.35%	8,482	8.80%	14,228	14.77%	$110,300
Bradley County	95,184	12,398	13.03%	8,104	8.51%	12,401	13.03%	$129,400
Anderson County	73,382	11,101	15.13%	6,861	9.35%	10,010	13.64%	$110,500
Sevier County	83,448	8,852	10.61%	6,619	7.93%	9,848	11.80%	$151,300
Robertson County	63,521	5,829	9.18%	6,328	9.96%	7,927	12.48%	$144,400
Tipton County	57,543	5,221	9.07%	6,091	10.59%	7,192	12.50%	$132,100
Loudon County	45,176	6,945	15.37%	5,371	11.89%	5,491	12.15%	$158,200
Roane County	53,186	6,555	12.32%	5,175	9.73%	6,766	12.72%	$113,900
Hamblen County	61,698	6,202	10.05%	4,479	7.26%	6,334	10.27%	$115,500
Putnam County	69,938	9,276	13.26%	4,455	6.37%	9,231	13.20%	$120,800
Dickson County,	47,140	4,826	10.24%	4,375	9.28%	5,954	12.63%	$123,200

County	Population	College Grads	% College Graduates	House-holds Income > $75,000	% High Income	Professional, Managerial and Related Occupations	% Manage-ment	Median Home Values
Cheatham County	39,042	4,356	11.16%	4,282	10.97%	6,048	15.49%	$148,700
Fayette County	36,820	4,506	12.24%	4,272	11.60%	4,703	12.77%	$167,100
Coffee County	51,694	6,444	12.47%	4,249	8.22%	6,335	12.25%	$113,800
Greene County	65,698	5,926	9.02%	3,921	5.97%	6,531	9.94%	$99,600
Franklin County	41,021	4,747	11.57%	3,654	8.91%	5,265	12.83%	$108,200
Gibson County	48,586	4,848	9.98%	3,566	7.34%	5,452	11.22%	$84,700
Cumberland County	52,852	6,155	11.65%	3,349	6.34%	5,435	10.28%	$124,800
Lincoln County	32,764	3,569	10.89%	2,987	9.12%	4,343	13.26%	$108,000
Bedford County	44,291	3,734	8.43%	2,807	6.34%	4,123	9.31%	$111,300
Dyer County	37,698	3,482	9.24%	2,647	7.02%	4,069	10.79%	$90,100
Lawrence County	40,899	2,937	7.18%	2,437	5.96%	4,155	10.16%	$90,000
Giles County	29,075	2,761	9.50%	2,286	7.86%	3,081	10.60%	$99,000
Maury County	27,960	8,690	31.08%	2,184	7.81%	2,876	10.29%	$100,100

County	Population	College Grads	% College Graduates	Households Income > $75,000	% High Income	Professional, Managerial and Related Occupations	% Management	Median Home Values
Carroll County	28,686	2,702	9.42%	1,929	6.72%	2,912	10.15%	$75,200
Cocke County	35,406	2,149	6.07%	1,779	5.02%	2,487	7.02%	$92,500
Humphreys County	18,151	1,594	8.78%	1,627	8.96%	2,079	11.45%	$98,900
Smith County	18,863	1,559	8.26%	1,604	8.50%	2,210	11.72%	$109,600
Hardin County	26,093	1,837	7.04%	1,580	6.06%	2,270	8.70%	$85,200
Lauderdale County	26,568	1,531	5.76%	1,491	5.61%	2,184	8.22%	$78,100
Madison County	25,436	15,094	59.34%	1,453	5.71%	2,190	8.61%	$81,400
Marion County	21,708	2,141	9.86%	1,116	5.14%	2,090	9.63%	$90,100
Sequatchie County	13,377	1,532	11.45%	721	5.39%	1,456	10.88%	$97,100
Trousdale County	7,682	507	6.60%	655	8.53%	764	9.95%	$104,100
Moore County	6,044	610	10.09%	626	10.36%	832	13.77%	$122,000
Grundy County	14,262	889	6.23%	512	3.59%	1,190	8.34%	$73,500

County	Population	College Grads	% College Graduates	House-holds Income > $75,000	% High Income	Professional, Managerial and Related Occupations	% Manage-ment	Median Home Values
Jackson County	10,896	677	6.21%	477	4.38%	838	7.69%	$84,600
Perry County	7,694	383	4.98%	390	5.07%	471	6.12%	$67,100
Clay County	7,937	674	8.49%	301	3.79%	752	9.47%	$79,100
Lake County	7,404	256	3.46%	244	3.30%	376	5.08%	$65,400
Van Buren County	5,423	320	5.90%	205	3.78%	432	7.97%	$76,000
McNairy County	80,190	1,708	2.13%	7,571	9.44%	10,851	13.53%	$134,800
Macon County	52,055	1,154	2.22%	3,846	7.39%	5,707	10.96%	$102,700
Jefferson County	50,116	4,628	9.23%	3,603	7.19%	5,490	10.95%	$116,100
Hawkins County	56,957	4,925	8.65%	3,253	5.71%	6,304	11.07%	$97,000
Carter County	58,955	5,780	9.80%	2,985	5.06%	6,338	10.75%	$90,300
Weakley County	33,389	3,951	11.83%	2,557	7.66%	4,092	12.26%	$80,000
Monroe County	44,602	3,337	7.48%	2,534	5.68%	3,867	8.67%	$100,800
McMinn County	29,297	5,106	17.43%	2,433	8.30%	2,996	10.23%	$104,600

County	Population	College Grads	% College Graduates	House-holds Income > $75,000	% High Income	Professional, Managerial and Related Occupations	% Manage-ment	Median Home Values
Obion County	31,610	2,710	8.57%	2,417	7.65%	3,244	10.26%	$85,300
Henry County	31,567	3,005	9.52%	2,331	7.38%	3,400	10.77%	$87,000
Henderson County	26,687	1,996	7.48%	2,237	8.38%	2,858	10.71%	$81,100
Warren County	39,915	3,017	7.56%	2,234	5.60%	3,728	9.34%	$87,500
Campbell County	40,646	2,626	6.46%	1,879	4.62%	3,513	8.64%	$81,900
Rhea County	30,633	2,292	7.48%	1,499	4.89%	2,636	8.61%	$99,100
Hickman County	23,670	1,450	6.13%	1,435	6.06%	2,139	9.04%	$96,300
Claiborne County	31,081	2,494	8.02%	1,428	4.59%	3,113	10.02%	$86,400
Benton County	16,130	1,617	10.02%	1,398	8.67%	1,736	10.76%	$75,100
Hardeman County	27,759	2,066	7.44%	1,320	4.76%	2,485	8.95%	$84,600
Overton County	20,816	1,467	7.05%	1,267	6.09%	2,336	11.22%	$89,200
White County	24,897	1,735	6.97%	1,251	5.02%	2,374	9.54%	$91,800

County	Population	College Grads	% College Graduates	House-holds Income > $75,000	% High Income	Professional, Managerial and Related Occupations	% Manage-ment	Median Home Values
Unicoi County	17,686	1,533	8.67%	1,183	6.69%	1,895	10.71%	$101,200
Grainger County	22,549	1,191	5.28%	1,129	5.01%	2,103	9.33%	$92,800
DeKalb County	18,624	1,372	7.37%	1,125	6.04%	1,931	10.37%	$95,900
Union County	18,927	895	4.73%	1,013	5.35%	1,442	7.62%	$91,400
Crockett County	14,408	1,381	9.58%	1,000	6.94%	1,513	10.50%	$82,900
Haywood County	19,155	1,586	8.28%	971	5.07%	1,764	9.21%	$86,500
Stewart County	13,078	952	7.28%	905	6.92%	986	7.54%	$95,300
Meigs County	11,747	781	6.65%	889	7.57%	905	7.70%	$106,700
Morgan County	19,294	717	3.72%	861	4.46%	1,501	7.78%	$73,500
Johnson County	18,019	1,416	7.86%	859	4.77%	1,603	8.90%	$94,400
Chester County	16,106	1,445	8.97%	849	5.27%	1,838	11.41%	$96,300
Fentress County	17,412	1,133	6.51%	842	4.84%	1,733	9.95%	$87,300
Wayne County	16,592	924	5.57%	820	4.94%	1,346	8.11%	$72,800
Scott County	21,852	1,182	5.41%	801	3.67%	1,941	8.88%	$72,600

County	Population	College Grads	% College Graduates	Households Income > $75,000	% High Income	Professional, Managerial and Related Occupations	% Management	Median Home Values
Lewis County	11,466	719	6.27%	706	6.16%	1,096	9.56%	$87,000
Decatur County	11,472	718	6.26%	684	5.96%	1,010	8.80%	$68,800
Bledsoe County	12,941	812	6.27%	636	4.91%	780	6.03%	$103,000
Cannon County	13,505	1,042	7.72%	578	4.28%	1,092	8.09%	$111,700
Houston County	8,041	386	4.80%	416	5.17%	633	7.87%	$88,900
Pickett County	4,803	350	7.29%	196	4.08%	558	11.62%	$106,400
Hancock County	6,633	333	5.02%	151	2.28%	437	6.59%	$75,400
Polk County	15,735	1,045	6.64%	1,097	6.97%	1,396	8.87%	$93,100

Source: Stonebridge Research and U.S. Census Bureau

Appendix II: Package and Food Stores in Tennessee's Counties

County	# Retail Liquor Licenses	Number of Employees Retail Liquor	# Food Stores
Shelby County	129	528	1343
Davidson County	70	372	926
Knox County	46	243	575
Hamilton County	44	131	485
Williamson County	21	135	183
Rutherford County	20	81	297
Sumner County	13	47	189
Montgomery County	12	57	174
Wilson County	9	20	169
Sullivan County	13	49	213
Blount County	7	26	129
Washington County	11	52	163
Marshall County	4	N.A.	58
Bradley County	2	N.A.	141
Anderson County	6	N.A.	91
Sevier County	7	22	192
Robertson County	3	16	73
Tipton County	8	N.A.	62
Loudon County	2	N.A.	60
Roane County	7	20	112
Hamblen County	5	31	130
Putnam County	2	N.A.	76
Dickson County	8	25	47

County	# Retail Liquor Licenses	Number of Employees Retail Liquor	# Food Stores
Cheatham County	5	N.A.	60
Fayette County	2	N.A.	60
Coffee County	9	N.A.	92
Greene County	5	14	117
Franklin County	5	8	70
Gibson County	4	N.A.	84
Cumberland County	3	N.A.	91
Lincoln County	5	N.A.	51
Bedford County	4	N.A.	74
Dyer County	5	N.A.	64
Lawrence County	4	1	74
Giles County	3	N.A.	55
Maury County	10	N.A.	120
Carroll County	2	N.A.	42
Cocke County	3	26	82
Humphreys County	4	7	29
Smith County	2	N.A.	24
Hardin County	4	N.A.	51
Lauderdale County	3	N.A.	49
Madison County	12	118	172
Marion County	5	N.A.	70
Sequatchie County	2	N.A.	25
Trousdale County	2	N.A.	17

County	# Retail Liquor Licenses	Number of Employees Retail Liquor	# Food Stores
Moore County	1	N.A.	9
Grundy County	1	N.A.	40
Jackson County	2	N.A.	15
Perry County	2	N.A.	22
Clay County	2	N.A.	20
Lake County	1	N.A.	11
Van Buren County	1	N.A.	14
McNairy County	0		50
Macon County	0		33
Jefferson County	0		66
Hawkins County	0		65
Carter County	0		76
Weakley County	0		57
Monroe County	0		73
McMinn County	0		81
Obion County	0		39
Henry County	0		63
Henderson County	0		51
Warren County	0		83
Campbell County	0		64
Rhea County	0		50
Hickman County	0		33
Claiborne County	0		39

County	# Retail Liquor Licenses	Number of Employees Retail Liquor	# Food Stores
Benton County	0		29
Hardeman County	0		51
Overton County	0		39
White County	0		45
Unicoi County	0		23
Grainger County	0		40
DeKalb County	0		42
Union County	0		7
Crockett County	0		28
Haywood County	0		40
Stewart County	0		22
Meigs County	0		23
Morgan County	0		29
Johnson County	0		30
Chester County	0		22
Fentress County	0		29
Wayne County	0		34
Scott County	0		35
Lewis County	0		23
Decatur County	0		30
Bledsoe County	0		25
Cannon County	0		19
Houston County	0		13

County	# Retail Liquor Licenses	Number of Employees Retail Liquor	# Food Stores
Pickett County	0		12
Hancock County	0		13
Polk County			35

Source: Tennessee Alcohol Beverage Control, Tennessee Department of Agriculture and U.S. Census Bureau. N.A. indicates that the Census Bureau did not release data due to limited incidence, to protect confidentiality of data

Appendix III: Alcohol Abuse, Wine Consumption and Number of Retail Outlets for Wine

State	Traffic Deaths Any Alcohol Use	% Past Year Alcohol Abuse	Per Capita Ethanol Consumption from Wine	Number of Retail Outlets for Wine*
West Virginia	34	6.14	0.10	1,172
Kentucky	32	6.20	0.18	N.A.
Mississippi	40	6.29	0.12	515
Alabama	37	6.31	0.22	3,389
Pennsylvania	39	6.36	0.23	733
North Carolina	36	6.44	0.34	13,059
New Jersey	35	6.51	0.55	1,767
Utah	13	6.55	0.17	138
Oregon	36	6.61	0.49	4,000
New York	37	6.63	0.47	2,511
Delaware	49	6.68	0.58	369
Georgia	32	6.75	0.25	7,801
Oklahoma	35	6.93	0.18	562
Florida	42	7.03	0.49	15,741
Texas	45	7.23	0.27	16,473
Indiana	34	7.27	0.24	2,667
Virginia	37	7.31	0.42	6,989
Louisiana	41	7.40	0.27	5,444
Arizona	42	7.42	0.40	3,292
Tennessee	37	7.47	0.20	563
Maine	35	7.49	0.42	1,700
South Carolina	42	7.58	0.24	4,723
U.S. Average	39	7.58	0.38	
Washington	45	7.64	0.50	4,814
Maryland	38	7.70	0.36	1,549
Idaho	32	7.74	0.81	1,374
Alaska	48	7.77	0.49	433
Missouri	41	8.03	0.30	4,459
New Mexico	39	8.04	0.31	887
Michigan	37	8.14	0.30	7,922
Ohio	38	8.14	0.26	8,266
Arkansas	36	8.18	0.17	288

State	Traffic Deaths Any Alcohol Use	% Past Year Alcohol Abuse	Per Capita Ethanol Consumption from Wine	Number of Retail Outlets for Wine*
California	40	8.18	0.55	14,477
Vermont	40	8.18	0.62	
Nevada	37	8.21	0.63	1,180
Illinois	43	8.24	0.38	
New Hampshire	36	8.33	0.81	1,397
Rhode Island	50	8.46	0.54	259
Connecticut	44	8.47	0.59	1,447
Kansas	35	8.60	0.14	711
Hawaii	51	8.86	0.52	931
Nebraska	33	8.86	0.21	842
Massachusetts	39	8.96	0.62	2,555
Iowa	26	9.23	0.17	848
Wisconsin	45	9.30	0.34	1,968
Minnesota	36	9.44	0.37	1,107
Wyoming	38	9.56	0.23	123
South Dakota	43	9.58	0.22	610
Colorado	40	9.63	0.46	1,653
Montana	49	9.63	0.35	10
North Dakota	47	10.02	0.24	
D.C.	55	10.05	1.00	615

* Blank spaces indicate that either the the data, according to the Adams Wine Handbook, was unavailable, often because the state does not differentiate between on-premise and off-premise licenses in its published data.

Source: Adams Wine Handbook 2009; National Institute on Alcohol Abuse and Alcoholism Division of Epidemiology and Prevention Research Alcohol Epidemiologic Data System Surveillance Report #90;SAMHSA, Office of Applied Studies, National Survey on Drug Use and Health, 2007 and 2008

About Stonebridge Research Group LLC

Stonebridge Research Group LLC is a leading and authoritative source of research, data and insight into the business of wine and the key trends and forces driving the industry. Stonebridge Research's services include market and consumer research, basic industry research, litigation research, financial and operational benchmarking, economic impact studies and business and strategic planning for all segments of the wine industry.

Stonebridge Research Group LLC has conducted major market and consumer studies for the Wine Institute, Wines of Chile, Wines from Spain, French Trade Ministry/UBIFRANCE, Bodegas de Argentina, Napa Valley Vintners, the Office of Champagne, several U.S. states and regional wine organizations, major producers, industry investors and suppliers in the U.S., Europe and Latin America, among others. Stonebridge's Fine Wine Trade Monitor is considered a definitive assessment of the state of the U.S. independent wine trade. Stonebridge provides the litigation research for the U.S. Coalition for Free Trade, has been a cited reference in U.S. Federal Trade Commission and Court findings.

Barbara Insel is President and Chief Executive of Stonebridge Research Group LLC. Prior to creating Stonebridge Research LLC in 2008 with a group of industry investors, Ms. Insel was the Managing Director for MKF Research LLC for four years, leading all research and advisory activities for this leading wine business consulting firm, including the first study of the Impact of Wine, Grapes and Related Products on the American Economy and managing the Wine Institute's first market research project in twenty years, which culminated in its California First promotion strategy.

Ms. Insel teaches in the Wine Business program at the Culinary Institute of America, speaks widely on the business of wine and the U.S. wine market, has been quoted in publications ranging from the Wall Street Journal and Bloomberg to many leading wine media, where her research has also been widely published.

Prior to joining the wine industry, Ms. Insel spent more than twenty years in senior positions in international investment and investment banking,with organizations including Salomon Brothers, Morgan Stanley Asset Management, Kleinwort Benson, the European Bank for Reconstruction and Development and the World Bank.