

New Landscape for Liquor Stores in Wash.

MAI HOANG, Yakima Herald-Republic

YAKIMA, Wash. (AP) — Kristen Clark doesn't sugarcoat her thoughts on business at Liquor and More.

"We're still here," said Clark, who managed the former state contract liquor store before taking ownership in September. "But (hard) alcohol is not a stand-alone product you can have a business on."

So she is selling greeting cards, wine and gift items alongside bottles of Jack Daniels, Bombay Sapphire and other popular liquors at the store at 316 S. First St. in Selah.

Clark and others who took over liquor stores when the state got out of the alcohol business last June have had to continually tweak their business strategies to order to stay competitive with national grocery store chains and even their distributors.

"You have to know how to buy, you have to know the business, you have to make it work the best you can," said Ted Eaton, general manager of Wenatchee-based Good Spirits, which took over four state-run liquor stores, including one at 6 N. Fair Ave. in Yakima. Good Spirits spent \$153,600 to purchase the license rights for the store from the state Liquor Control Board.

The biggest challenge to many of these store owners is a 17 percent fee all retailers are required to pay on gross hard liquor sales.

Large food stores, such as Safeway and Costco, can absorb that cost with margins from other items, said Jas Sangha, president of the Washington Liquor Store Association, a newly formed group of business owners running former state-run and contract stores. The association has about 80 members.

With hard liquor making up roughly 80 percent to 90 percent of sales for many small liquor stores, they have little choice but to pass on the fee directly to consumers, who are already paying other taxes and fees on their purchases, Sangha said.

The fee has also made it difficult to offer competitive prices to restaurants. Under the state's new regulations, distributors do not have to pay the fee and can sell directly to restaurants at lower prices, Eaton said.

"It makes our price points completely out of whack," he said.

That's led many liquor store owners to sell other products not only to draw new customers, but provide a revenue source that is not taxed with the 17 percent fee.

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Good Spirits expanded its beer selection and started selling growlers — half-gallon glass beer jugs.

Clark, of Liquor and More in Selah, is selling items used in mixed drinks, such as orange juice, soda and half-and-half.

She's also in the process of adding lottery tickets and cigarettes to her offerings. She believes that people will be drawn by the convenience of one-shop shopping at smaller stores such as hers.

"After a hard day, you don't have to run around the grocery store," she said.

But a smaller store doesn't mean fewer products for Craig Paddock, owner of the Union Gap Liquor Store, a privately owned liquor store that had operated under contract with the state before last June.

Paddock's strategy has been to expand his inventory by including items not sold at grocery stores. He estimates that his 2,000-square-foot store at 1209 E. Washington Ave. sells 1,000 different products.

"We're having new customers because they heard we got a (wider) variety," he said.

Such products include miniature-size bottles of liquors commonly sold on airline flights.

A fifth of Crown Royal, he said, costs about \$40. A miniature-size bottle cost just a few dollars.

"It's a great way for people to sample things without being beat to death on the (higher) prices" of the full-size bottles, Paddock said.

Though many of the former state-run and contract liquor stores remained open under the new owners after liquor privatization, some customers believed they were gone.

"I still heard throughout the holidays, 'I didn't know the liquor store was still in business,' " Clark said.

And while they are competing against each other, these owners are still inclined to help each other out.

Clark often calls around to the other independent liquor stores if she doesn't have a certain product, just as she did when it was a contract liquor store.

Good Spirits retained all the employees who worked at the state-run stores.

These employees are used to providing drink recipes or helping customers understand the different types of spirits, Eaton said.

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"The customer service is good," Eaton said. "That's probably the key thing for any of us to make it.

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