



Dillon Food Stores
2700 East Fourth
Hutchinson, Kansas 67501

To: The Members of the Senate Fed and State Committee

From: Ken DeLuca, Vice President of Merchandising, Dillon Food Stores

Date: March 31st, 2015

I am Ken DeLuca, the Vice President of Merchandising for Dillon Food Stores. I appreciate the opportunity today to present testimony in support of SB 298, a bill which would give consumers a voice at the ballot box and allow Kansans the opportunity to choose where they purchase adult beverages. SB 298 is a consumer friendly bill that promotes less government regulation, embraces free market principles and most importantly advocates for consumer choice.

Dillons began as a small business in a small town in Kansas more than 90 years ago. By listening to our customers and embracing innovation, we've been able to expand from a handful of stores in Sterling and Hutchinson to 81 locations across Kansas, Nebraska and Missouri. Today, with more than 10,000 associates, Dillons is one of the largest employers in Kansas. Our loyal Kansas shoppers have trusted us with their business and patronage, and in return, we have reinvested hundreds of millions of dollars back in our Kansas communities. We have created countless jobs by investing in stores through renovations and new construction. And we have helped our neighbors in need by donating cash, products and volunteer hours to hundreds of organizations throughout the state.

We learned to grow by continuing to listen very closely to what our customers want and adapting and changing based on their feedback. More than a century later, we are still continuing to listen. And we hear similar requests from customers over and over again: "Where's the wine?" and "What do you mean I can't buy regular beer here?" Like the vast majority of consumers in other states, they want the freedom to purchase full-strength beer, wine and spirits in their local grocery store.

We hear this request from busy moms who want a bottle of wine with their dinner who are crunched for time and don't want the hassle of an additional stop. We hear it from our shoppers who value local, and who want to buy beers from great Kansas microbreweries like Free State in Lawrence or Tallgrass in Manhattan. We hear it from rural families, who live in a county that has a liquor store.... but not a grocery store. We hear it from customers who have recently moved to Kansas and who think not being able to buy regular beer or wine in a grocery store is ridiculous. We have heard from over 12,000 customers who signed post cards in our stores who don't believe the government should pick winners and losers in the marketplace and we are also hearing from liquor store owners who see the value in the soft landing provided to liquor store owners by this legislation.

At Dillons, we believe in a strong, free-market economy. That is not a buzzword. It is what makes our entire system work. Our country's success has always been defined by our ability to win in the most competitive environments. The best businesses – the great ones- are able to take new competition head on, adapt and prosper. The American- the Kansan- Way is to believe that we can compete and succeed. Without that core belief, we wouldn't be the company we are today and neither would Kansas.

We can all agree, many non-traditional retailers over the years have added groceries to their shelves. You can buy milk and diapers at convenience stores, drug stores, big-box stores, and even home improvement stores! But you know what? As painful as new competition can be, I can't think of an instance when the customer didn't benefit. Competition Always Makes Us Better. At Dillons, we became better at serving our customers and found ways to increase our traffic and give our customers a different experience. No one at Dillons ever suggested passing a protectionist law that prevented other retailers from selling groceries.

We all know that liquor store owners don't like this legislation. I understand their anxiety about change. But let's look at the facts. The reality is in a free market in many other states liquor stores do survive and even thrive alongside grocery stores. For 60 years at the expense of the Kansas consumer, Kansas liquor stores have benefited from protectionist laws and have never had to worry about new competition, industry developments, or changing customer desires. A more competitive, but still regulated, environment will force everyone to up their

game and better serve the customer and community. I strongly disagree that liquor stores can't compete. I have personally lived in other states where grocery stores are selling adult beverages. Each of those states has viable, independent liquor stores--sometimes in the same shopping complex as our stores. The reality is that a business owner who chooses to stay in the market will have ample opportunity to transition, plan, and be ready to offer a very different experience than you get in a grocery store. And if a liquor store does choose not to compete or who would like to retire and sell their business, the proposed license cap creates an immediate market to sell their business and license. That doesn't exist today. We know from our sister divisions who have experience in other states, licenses can sell for large sums of money. This bill is designed to facilitate a gentle transition to a more competitive marketplace and offers plenty of incentives for liquor stores to up their game or sell their business.

We think liquor stores should be able to increase their product lines to sell products that they are currently prohibited from selling. We think it makes sense to provide a moratorium to allow existing liquor store owners time to adapt and improve. The opposition touts this can't possibly work in Kansas, those comments are simply untruthful. This works in a majority of other states, where independent liquor stores and grocery stores thrive, and where wholesalers and distributors still have very successful business models that serve a more free market.

At Dillons, we work hard to earn a profit with razor thin margins. We are after all a publicly traded company. But anyone who tries to argue that all our profits go out of state is just not being truthful. Here's how we reinvest what we earn in Kansas. In addition to the millions of dollars support to non-profits, in the past five years, we invested over \$200 million dollars building new stores in Kansas. That money pays Kansas contractors, architects, and builders. We create jobs in Kansas—more than 10,000 people are employed at our company. They receive fair wages, benefits and an opportunity to advance in our company. Their salaries are reinvested in their communities. We use Kansas plumbers, Kansas electricians, Kansas window washers, Kansas lawn services, Kansas trash services, Kansas laundry services, contract with local Kansas bakeries for fresh homemade products, support Kansas manufacturers, Kansas farmers and hundreds of other Kansas businesses. We fund

pensions of retirees that live in Kansas. We provide health care to our associates and retirees who live in Kansas. We deliver dividends and stock growth that benefit Kansans who are invested in our company. And we pay taxes to our local communities in Kansas. Dillons is part of the fabric of this great state and we always will be.

Something else that is important to me personally is safety. And it is important in this debate as well. We recently shared a video with legislators that showed how we receive product and the technology we employ throughout the store and at the register to prevent underage selling. We have the training, technology and infrastructure to responsibly handle this product safely, as we do with many other products such as tobacco, pharmaceuticals, and lottery tickets. Our Dillons division based in Hutchinson already sells beer, wine and spirits our stores in Missouri and in Omaha, Nebraska.

Consumers will benefit from a free market when SB 298 is passed. They will benefit on tangible things such as better pricing, an increased product selection and an improved shopping experience. I ask your support of SB 298!

Sincerely,

A handwritten signature in cursive script, appearing to read "Ken DeLuca".

Ken DeLuca
Vice President of Merchandising
Dillon Food Stores