



Dillon Food Stores
2700 East Fourth
Hutchinson, Kansas 67501

To: The Members of the House Commerce & Economic Development
From: Ken DeLuca, Vice President of Merchandising, Dillon Food Stores
Date: March 7th, 2013

Good afternoon,

I am Ken Deluca, the Vice President of Merchandising for Dillon Food Stores. Thank you for the opportunity to present testimony in support of allowing Kansas adults the option to choose where they purchase adult beverages and ending the government sponsored monopoly which mandates where consumers can and can't purchase wine and single strength beer. We believe dictating where liquor can—or can't—be sold goes against the very tenets of our economic system: free enterprise and fair competition.

UnCork Kansas is a group of retailers who compete against one another every day for our fair share of customer's wallets. Our members include independent grocers, grocery retailer's, convenience stores, local individuals, The Kansas Grocers Association, The Greater Kansas City Grocers Association, American's for Prosperity, The Topeka Chamber of Commerce and, The Kansas Chamber of Commerce.

Our customers tell us repeatedly they want more convenience and the selection of adult beverages in our stores. In order to continue to grow and make capital investments in Kansas communities we must continually change to meet consumer demand.

Let's be clear on what our current situation is: by only allowing a small group of selected business owners the right to sell full strength beer, wine, and spirits, the state of Kansas is mandating a monopoly which picks winners and losers in the marketplace. The state is elevating and protecting special interests at the expense of every Kansan who would like to enjoy a glass of wine with dinner. It simply doesn't make sense to allow only one type of retailer to offer a legal product just because "we've always done it that way." Consumers win when retailers compete. That's the beauty of the free enterprise system. Why has there been an entitlement system all these years for liquor?

We operate in a highly competitive environment with razor slim margins. Unlike liquor store owners, who are currently protected by law from competition, Dillon's must respond to new people in the market every day. We face competition from big box retailers, specialty store foods, club warehouses, drug stores, dollar stores and crazy as it may seem, even home improvement stores like Menard's who have expanded their offering to include groceries. In order to survive for more than 90 years, like all other Kansas businesses (except the liquor stores who are protected by the government) we have had to embrace innovation and constantly reinvent ourselves to remain relevant to our customers.

We don't see this as a 1 for 1, "0" sum game. We see this as an opportunity to expand the market through competition, while increasing tax revenue. Since 2006, 40% of grocery stores in rural communities with a population of less than 2,500 have shuttered their doors. There are rural towns across the state who have a liquor store but not a grocery store. Changing the law would provide an opportunity for liquor stores to expand their offerings and if they choose, sell milk, eggs, bread, etc. There are also small grocers, struggling to remain profitable. Expanding their offering and selling

adult beverages could mean the difference between communities retaining their mom and pop grocery store or sadly, like 82 other grocers in the past 6 years closing it!

By updating our liquor laws, we will foster competition and free commerce instead of curbing it. Our customers, and your constituents, win when this happens. We believe the state wins as well. We know from our experience in Nebraska and Missouri, when our customers put adult beverages in their cart, we see an increase in ancillary purchases. This improves our total store sales and the state's economic health. Like all LOCAL Kansas businesses, we pay millions of dollars in state taxes including income, real estate/property, unemployment, sales and fuel.

We re-invest millions back in our stores through renovations and new construction - \$270 million in the past 5 years. We support local communities thru both cash and product donations to hundreds of grassroots throughout the state and Kansas communities benefit from our \$115 million dollar annual payroll. Our 10,000+ associates and their families live, shop and pay taxes in their Kansas hometowns.

The state classifies adult beverage as a LEGAL substance. We already have the knowledge, understanding and infrastructure for the training, technology and internal enforcement to regulate it. Currently we responsibly sell pharmaceuticals, tobacco products, dry ice and beer. Like all of you, we have worked very hard to earn the respect and trust of our consumers. We take these compliance issues seriously.

Our customers tell us every day they would like the opportunity to purchase wine and single strength beer in our stores. It's time to modernize Kansas liquor laws and put an end to the liquor store monopoly. We wholeheartedly believe consumers should decide not the government DICTATE where they can and can't purchase adult beverages. My hope is that lawmakers will choose to enact legislation that evens the playing field and gives our customers and your constituents exactly what they want - convenience and choice. It's what's best for Kansas business!!

Sincerely,

A handwritten signature in cursive script that reads "Ken DeLuca".

Ken DeLuca

Vice President of Merchandising
Dillon Food Stores