

Vern's Retail Liquor LLC
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TO: Chairman Thompson and Members of the Committee

FROM: Aaron Rosenow
Owner Vern's Retail Liquor

DATE: January 31, 2024

RE: Please Oppose SB 253

My name is Aaron Rosenow and I am the owner of Vern's Retail Liquor located in Topeka, Ks. I am a second-generation Veteran owned liquor retailer and I'm here today to share a current picture of a locally owned Kansas retail liquor store.

Every liquor store owner knows that there are many influences that will change profits and customer traffic. We work to earn every customer, and our future depend on service. As you consider making more changes in the liquor laws, I hope you will stop to think about how Kansas can support our small businesses or damage them.

The 2019 Beer Law was a major change in the Kansas liquor system. It shifted a significant portion of strong beer sales from the Kansas owned retail liquor stores to the grocery and convenience stores. With beer sales being a loss leader to the grocery stores and big box stores they sell it right above cost because they don't have to sell it to keep their doors open.

The two-year delay for the Beer Law, was good to allow owners to prepare and implement changes. At Vern's Retail Liquor, we added some non-liquor products and set up an online ordering option with curbside service. That turned out to be a good decision when Covid-19 showed up in 2020.

2020 gave us an unexpected retail boost when people stopped going out and started buying more alcohol for home consumption. My store also sells wholesale to restaurants and clubs – so, we saw a sharp drop-off in our wholesale transactions. Retail customers filled that gap for almost a year. The profit margin for wholesale is very thin – but we're seeing that business improving.

2021 brought a new list of problems – we faced extreme supply chain challenges that were in the news every day. Deliveries from our distributors often did not include the products we need. The supply chain has rebounded – but this showed me how serious it is to my small business

when popular products are not available equally to all retailers. Online sales have a direct impact on product availability.

We are also seeing workforce problems, not only with employees for our store but we are also affected by the shortage of distributor delivery drivers and workforce up the chain to the suppliers.

I am optimistic about 2024. I have great employees and believe we will be one of the stores that can thrive. Please do not pass further major Liquor Control Act changes this year – and this bill would be a huge change and a major risk.

It was a good thing Kansas chose the direction it did when amending the beer laws, instead of following other states that rewrote their liquor laws for beer wine and spirits in favor of the corporate retailers. But it did have a negative effect on locally owned liquor stores and I don't think we've seen the end of that. We want to be one of the stores that survives the change.

I do have an online ordering platform for curbside and pickup transactions. But we know from experience that independents struggle to be seen in the digital world. Even with my app in place, we'll be an underdog – targeted by ever-increasing fee plans controlled by digital platforms. Delivery is dominated by the big box stores and the Ubers of the world. At this point, I can't afford to give the delivery apps the kind of fees they expect – and it bothers me that they can push orders to other “preferred” retailers, especially the chains. Did you realize that the fees can be 20-30% cost to the retailer on top of the customer's delivery fee?

There are other states who have jumped into the deep end on delivery and direct shipping and we should step back to see what we can learn from their experiences. So far, it appears that pushing alcohol sales online creates weak public safety and pushes further consumer traffic to Amazon and big box stores.

What are rules going to be and who will be liable for the illegal sales? According to this bill, the rules are unequal and there will be people who are not employees of licensees delivering alcohol.

Who will stick up for the stores and make sure they don't lose their margin to the delivery apps? What will stop online vendors from pushing out the retailers they don't like? It wouldn't take much for Amazon to deal directly with the suppliers to bypass most of the three-tier system and keep profits from ever touching Kansas soil.

Finally, just how available do we think alcohol should be in Kansas?

Please do not pass this major legislation adding further change and disruption to the Kansas liquor system. Kansas has a good history of reasonable regulation. Let's keep it that way.

Thank you for your time and consideration.