

Massachusetts ABCC finds Direct Link Between DTC Alcohol Shipping and Increased Underage Access



Last month, WSWA's State Advisory Council heard a presentation from Massachusetts Alcoholic Beverages Control Commission (ABCC) Chief Investigator Ted Mahony to discuss his team's extensive work addressing both unlicensed interstate and licensed direct-to-consumer (DTC) alcohol shipments to Massachusetts consumers.

"The bottom line is that we have alcohol coming into our state from unlicensed entities and individuals throughout the country and the world," said Chief Mahony. "We have had a great system in place in this country for over ninety years, that has provided a safe and secure system of the sale and delivery of alcoholic beverages. We have to get back to the basic understanding that this can be a dangerous product and the principle that alcohol should be sold and delivered by responsible entities and individuals that are properly licensed and trained. This should be the highest priority for state alcohol regulators."

The United States alcohol marketplace is the global gold standard for safety and diversity thanks in large part to the strong state-based regulatory structures in place across the country. The American three-tier system of alcohol distribution in which a federally licensed producer distributes its product to the U.S. marketplace through a licensed wholesaler who then stocks locally licensed retailers – including liquor and grocery stores as well as neighborhood bars and restaurants - ensures a transparent supply chain closed to bad actors. Interstate DTC shipping bypasses this system to deliver wine and spirits to the doorstep of consumers, introducing concerns American consumers have never faced and questions of enforcement that plague regulatory agencies already stretched thin based across the country.

Unlicensed Interstate Shippers

During his presentation, Chief Mahony called attention to the "perfect storm" of an increase in demand for deregulation and consumer convenience coupled with the infinite capacity of e-commerce. In this environment, the ABCC consistently has over 40 active investigations into unlicensed and unlawful interstate shipments to which it devotes nearly 50% of its investigative resources.

Chief Mahony noted that they are finding websites, advertising alcohol “delivered to your doorstep nationwide” that are operating out of unlicensed residential or business addresses, as well as retail outlets licensed in their respective states. The spirits ABCC purchased as part of the investigations were delivered into Massachusetts through common carriers with fictitious points of origin and no alcohol labeling or age verification.

His team’s investigations also found retail websites in Europe that sold and shipped alcohol into Massachusetts through multiple “straw” entities or individuals and also delivered through common carriers with no alcohol labeling or age verification.

Licensed DTC Shipments & Non-Compliance

In addition to unlicensed shippers, Chief Mahony encouraged the Advisory Council to speak to their State Liquor Authorities on three key points regarding licensed DTC shipments: (1) true DTC applicant vetting at the state licensing level, (2) international shippers, and (3) a lack of training or compliance by common carriers in the proper age verification of alcohol recipients.

At the state licensing level, his team regularly finds DTC permit applicants purporting to operate as a “winery” in an office building and shipping product through third party fulfillment facilities to Massachusetts consumers.

“These license applicants aren’t true wineries. In many cases they don’t physically produce or possess the product sold to consumers, which is often product that is not their brand or label.” clarified Chief Mahony.

He went on to estimate that of the \$66 million of self-reported DTC wine shipments coming into the Commonwealth, roughly 40% is coming from just 2% of the DTC licensees.

Chief Mahony said that his team has also found foreign wineries selling wine under their winery’s brand directly to Massachusetts consumers through their winery’s websites and shipping it through a DTC licensee that was merely acting as a clearing house stateside. Once the wine arrived in the US, the DTC licensee would simply add a shipping label to the package and forward it to the consumer.

The results of his the ABCC’s 2022 compliance checks of licensed DTC shippers are concerning:

- 96% of DTC licensees investigated accepted DTC orders and payment from a 15-year-old
- Despite 98% of the shipments delivered being labeled as “alcohol”
 - 26% of the shipments were left at the door
 - 43% of the shipments did not obtain an adult signature
 - ZERO verified the age of the recipient upon delivery (checked an ID).

Chief Mahoney explained that within U.S. marketplace, major fulfillment areas on the east and west coasts fulfil a high percentage of DTC orders and rely primarily on common carriers who are not, in most states, required to identify the seller of a product and, in his team’s experience, failed to verify DTC consumers’ ages 100% of the time.

“Upon delivery, even though 98% of the packages were labeled as “alcohol” 26% of shipments were left at the door, 43% didn’t obtain an adult signature, and not a single one verified the age of the recipient by checking an ID,” said Chief Mahony. “We sat down with the main [common carrier shipping] companies, and they were shocked, because they do have training for this, but clearly, the training or follow through was nowhere close to adequate. We expect to see significant improvement in the next round of compliance checks.”