

To: State of Colorado Liquor Commission

From Eric Tegl Liquor Cabinet Wine & Spirits

Subject: Grocery Coupons

The liquor law in the state of Colorado states that no off-premise retailer can sell alcohol product below the cost that the retailer purchased from the distributor. For some time, grocery chains like Kroger (King Soopers) have been offering digital coupons resulting in beer products being sold below cost. These coupons are not offered to independent retailers thus causing a major competitive disadvantage to the independent retailer. Since the addition of wine digital coupons have been added resulting in wine being sold below cost. The following is this week's King's ad (6/28-7/4) and digital coupon offers.

1. Wine digital coupons offered 45.
2. Beer digital coupons offered 42.
3. Wine & Beer ad items with coupons
  - a. Bud, Miller, Coors 24pk \$19.49 less \$3.00 coupon net price \$16.49. Cost on Bud is \$18.45 (7 case purchase) and Coors \$18.90 (104 case purchase).
  - b. Heineken 12pks \$15.99 less \$6.00 coupon net price \$9.99. Deepest deal of 36 cases cost \$13.47.
  - c. Dos Equis 12pks \$15.99 less \$6.00 net price \$9.99. Deepest deal 24 cases cost \$13.85.
  - d. Stella 12pks \$15.99 less \$6.00 net price \$9.99. Deepest deal 48 cases cost \$13.90.
  - e. Ultra 24pks \$22.99 less \$6.00 net price \$16.99. Deepest deal 28 cases cost \$20.90.
  - f. Busch 30pk \$22.99 less \$6.00 net price \$16.99. Deepest deal 117 cases cost \$15.75.
  - g. Bota Box 3l 16.99 less \$3.00 net price \$13.99. Deepest deal 65 cases cost \$14.49.

There is no evidence in store that the deal levels are being purchased to get the lowest price. Only Busch would be above cost after coupon and that would entail all stores to buy 117 cases.

The digital coupon is a loophole around the law of selling below cost for major chains. Independent retailers are not getting these coupon offers creating a major competitive difference. Think about it, an independent liquor store in the same shopping center as King's not being able to compete on price due to these coupons. How long will the independent be in business?

I'm asking the liquor commission to look at options to prevent these practices from continuing where alcohol products are being sold below cost which is a violation of Colorado Liquor Law.

Thank you.