

The Impact of PLCB Flexible Pricing on Pennsylvania Alcohol Prices

Executive Summary

- In early 2020 the Distilled Spirits Council of the United States, the American Distilled Spirits Alliance and Wine Institute engaged Pennsylvania-based S.E. Koontz Software, Inc. to conduct the first comprehensive review of consumer prices for wine and spirits in Pennsylvania since the PLCB started using flexible pricing.
- The goal was to determine what impact flexible pricing had on consumer shelf prices for listed spirits and wine sold at PLCB stores in Pennsylvania after implementation of Act 39 in August 2016.
- Koontz analyzed PLCB acquisition costs and markups for listed distilled spirits and wine products in the two years before flexible pricing (2015 and 2016) and the two years afterwards (2017 and 2018).
- The markup on spirits jumped from 57.9% to 63.5%, an increase of 5.6 points or 9.8%. These higher markups led to higher average shelf prices for consumers. On a per case basis to account for variable sizes, average consumer shelf prices for spirits increased 7.6%, from \$168.03 to \$180.61 per case.
- Similarly, the markup on the most popular listed wine brands accounting for 50% of sales increased from 60.8% to 69.3%, an increase of 8.5 points or by 14.0%. Average shelf prices for a case of wine also went up, increasing from \$50.09 to \$55.27 or by 10.3% for the top 50 wines. Adding in the wine brands that account for the bottom 50% of wine sales, the average case price for all wines increased from \$82.30 to \$88.13 or by 7.1%.
- While consumer shelf prices for both spirits and wine have increased significantly since the PLCB began using flexible pricing, across the nation during this time period, spirits prices dropped and wine prices increased by less than 1%.
- For more than three years, the PLCB has used flexible pricing to consistently increase the markup on both distilled spirits and wine, thereby steadily increasing consumer shelf prices to the detriment of Pennsylvania consumers.