



**DISTILLED SPIRITS COUNCIL**  
OF THE UNITED STATES

California Senate Committee on Governmental Organization

Hearing on Spirits Direct-to-Consumer Shipping (SB 620)

January 11, 2022

Mr. Chairman and members, I am Chris Swonger, president and CEO of the Distilled Spirits Council of the United States, more commonly known as DISCUS. We are the national trade association representing the leading producers and marketers of distilled spirits sold in the United States and we are working in concert with the American Craft Spirits Association, American Distilling Institute, and the California Artisanal Guild.

Mr. Chairman, we thank Senator Allen for introducing SB 620, which would permit direct-to-consumer shipping of spirits or commonly known as “DTC”. Another way to describe it is “distillery to doorbell” shipping.

Thank you, Mr. Chairman, and members of this committee for your support and leadership in securing an extension for California distillers to continue to direct ship to consumers during the ongoing COVID-19 pandemic. For the record, DISCUS fully supports our wholesale and retailer partners, which are the cornerstones of a responsible and flourishing beverage alcohol market. We do believe, however, that the three-tier system should modernize to reflect the new marketplace and distillery to doorbell shipping, or DTC, will complement the three-tier system to fulfill consumer demand and create consumer pull helping the three-tier system.

The majority of DISCUS members fully support securing direct-to-consumer shipping of spirits by licensees of the Alcohol and Tobacco Tax and Trade Bureau. Any legislation should reflect the DISCUS principles we have previously shared, including a reasonable volumetric shipping limit. These principles will help ensure that any direct-to-consumer legislation does not lead to unintended consequences that compromise the integrity of responsible distribution of beverage alcohol.

Direct-to-consumer shipping is a complement to the three-tier system. There are three points worth detailing:

1. Spirits direct-to-consumer shipping or distillery to doorbell shipping serves as an on ramp for smaller producers to connect with established wholesalers. With more than 2,300 craft distillers across the United States and more than 15,000 spirits products, wholesalers can’t possibly give due diligence to all of the brands that are available, especially those that are small or only of regional interest. Spirits DTC provides a way for smaller distilleries to develop and showcase a brand “following” that is critical for the producer to be able to make the economic

case for broader distribution through wholesale partnerships. This helps create “consumer pull”.

2. Spirits direct-to-consumer shipping can serve as an additional avenue for consumer interaction for larger producers looking to provide their fans with products not geographically available to them, or items limited to distillery-only bottlings or a unique subscription offering (similar to wine clubs).
3. California consumers will not order a product online that is available at their local retailer, due to the high costs of shipping and the extra time required for delivery. Spirits direct-to-consumer shipping is naturally self-limiting, with consumers only willing to pay these extra costs for products that, for whatever reason, are not available in their local market.

Modern-day consumers want enhanced convenience when it comes to purchasing their favorite products, including distilled spirits, whether produced in-state, out-of-state or outside of the U.S.

How do we know consumers are demanding greater access? DISCUS retained IWSR to poll more than 2,000 American consumers about their interest in being able to have spirits products shipped to them like wine. This survey showed:

- Nationally, 73 percent of all households surveyed shopped online for groceries, and 47 percent reported they are shopping online more frequently than in the past year.
- Eighty percent of consumers surveyed nationwide believe distillers should be allowed to directly ship their products to legal-age consumers in any state.
- At least 76 percent of Californians surveyed agreed they should be able to order spirits directly from distillers and that distillers should have the same privileges as wineries to ship direct.

For more than three decades, California wineries have been shipping wine directly to consumers, proving DTC shipping can be done responsibly. DTC shipping of any alcohol product requires adult legal drinking age verification upon purchase, as well as ID check and adult signature upon delivery. We have great confidence in companies like UPS to ensure compliance in responsible delivery. The great success of DTC wine shipping in California is evidenced by both the expansion of the number of wineries and the growth in the overall wine market in the state. Both effects have led to the explosion of wine-related employment experienced by wholesalers, common carriers and industry producers since wine DTC shipping was enacted in 1986. For example, since 2005 the number of retail employees at liquor stores in California has increased more than 30%. Employment in the wine and spirits wholesaler segment has grown from 50,000 in 2001 to around 87,000 today. Claims otherwise are totally without merit.

Distilleries and spirits consumers, on the other hand, have been prohibited from engaging in the same consumer friendly business practice. In March 2020, as they faced the harsh economic impacts of COVID-19, distilleries were temporarily given the ability to direct ship. During this period, distillers have further proven that DTC shipping can be done safely. Distillers direct engagement with consumers has created a more

convenient marketplace and enables consumers to have increased choice and variety.

In the last 15 years, the explosive growth in interest in fine spirits has facilitated the number of distilleries to increase from only 70 in 2006 to now more than 2,300 nationwide. Increasingly, consumers want access to new and exciting spirits products that are often not available in their state.

For California, a very large and diverse state, expanding distillers' ability to direct ship spirits to consumers will allow consumers access to California craft distiller brands and products that were previously only available in niche local markets. California consumers will gain access to limited-release products and club offerings, as well as be able to ship products home from a distillery visit.

Distilled spirits suppliers large and small take great pride in the responsible consumption of our products. We are fully invested in encouraging moderation for those adults who choose to drink alcohol. The great state of California, along with 47 other states, have successfully allowed wine producers to responsibly ship wine to consumers for years and distillers should be allowed to do the same.

It's clear the world of commerce has changed significantly, and markets must adapt to meet consumers' demands.

While you will no doubt hear scare tactics about the practice of direct-to-consumer shipping and lost jobs, we urge you to focus on the facts and not let these false claims dissuade you from moving forward with responsible and balanced legislation, which is what we support.

Opponents of allowing direct-to-consumer shipping of spirits to consumers will relay stories of inadequate tax collections, lost state revenue, job losses and underage deliveries. However, there is no data to support these false claims.

The reputation of our own distilleries, these precious brands and our permits are dependent on this. Distillers give their full pride, life, blood, sweat and tears to bring their great products to market for consumers to enjoy in moderation. Distillers take pride in our commitment to responsibility, regulatory obligations, and commitments to state and federal tax collection. Accusations to suggest otherwise do not hold water, are unfortunate and are without merit.

In summary, we ask that you go beyond the headline and consider the full story behind the assertions.

All that said, with the proper safeguards in place, we believe there is no public policy reason why the spirits industry and California distillers or craft brewers too should be precluded from the same market access channels that have been enjoyed by wine producers and their customers.

Thank you, and we respectfully ask for your support of SB 620.