Oregon Liquor Control Commission

Fostering Business Growth
Responsible Sales and Service

- More than 135,600 Service Permit holders
- Mandatory Alcohol Server Education
- Oregon was first state to require server education in 1987
Oregon is home to...

<table>
<thead>
<tr>
<th>Total</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>12,852</td>
<td>Annual liquor licenses in Oregon, including:</td>
</tr>
<tr>
<td>6,855</td>
<td>Restaurants &amp; Bars</td>
</tr>
<tr>
<td>4,514</td>
<td>Grocery/Convenience Stores</td>
</tr>
<tr>
<td>926</td>
<td>Wineries</td>
</tr>
<tr>
<td>242</td>
<td>Brewers/Brew Pubs</td>
</tr>
<tr>
<td>202</td>
<td>Distributors/Wholesalers</td>
</tr>
<tr>
<td>60</td>
<td>Distillers</td>
</tr>
</tbody>
</table>

*Includes multiple locations*

Totals as of January 1, 2014
Liquor Licensing

Four areas of investigative focus
- Applicant experience
- Proposed business operation
- Compliance and criminal history
- Local government/community input
Liquor Licensing

- Average 67 days total processing time
  - External factors contribute to 50% of total licensing time
    - Local government endorsements
    - Applicant responsibilities
Special Events Enhance Oregon Tourism

OLCC issues more than 5,000 temporary sales licenses for special events each year

Oregon tourism generated
$8.8 Billion in 2011

(Oregon Travel Impacts Report, Dean Runyan Associates)
Oregon’s Beer Industry

- 242 Brewery/Brewpub Licenses
- In 2010, beer-related jobs in Oregon totaled more than 15,000
  - Related wages exceeded $435 million
- Total economic impact of $2.4 billion on Oregon’s economy

(OLCC Licensing Data 2012; Beer Institute Data 2010)
Oregon’s Wine Industry

926 Oregon Winery Licenses

- 463 producing wineries

In 2010, wine-related jobs in Oregon totaled over 13,500;

- Related wages topped $382 million.

In 2010 wine-related tourism contributed $158.5 million in revenues to the Oregon economy

Oregon’s Distilled Spirits Industry

- OLCC is in charge of listing products available to the public
- 400+ Oregon items available
- 12% of all liquor sales revenue
- 16% of total volume sold
- 55 licensed Oregon distilleries
- Custom shipments allow liquor stores to offer local products
- Distribution creates level playing field for small producers
Distillery Retail Liquor Agents

- 33 distillery agents
- 51 contract locations
- Distillers able to sell their own products by the bottle from their tasting room & special events
- New market opportunity for small businesses
Distillery outlet at PDX Airport

- House Spirits currently operating a kiosk at the Portland Airport as a second location
- Law allows up to 6 total outlets per Oregon Distillery (eff. 1/1/2014)
- Allows sale of their own products
Modernizing laws and requirements allow more options for doing business

- Direct sales to consumers from distiller’s tasting room
- Expanded special event license criteria to allow distilleries to sell bottles at special events
- Modified auction criteria to allow distilled spirits raffles by non-profit groups
- Sampling rules updated to allow mixers with liquor for enhanced customer experience
Product Selection

OR carries 1,900 products every day

- 480 Oregon products
- OLCC will special order any product that a U.S. manufacturer or importer will ship to Oregon
  - Approx. 1,200 different items have been special ordered in the last few years
Liquor Distribution

Actual:
- 2,676,000 cases sold in FY 2011
- 2,792,000 cases sold in FY 2012
- 2,911,000 cases sold in FY 2013

Projection:
- 3,010,000 cases in 2014
- 3,132,000 cases in 2015

Breakage in distribution center and in liquor stores is .08%
Distribution Center

- 2 warehouses
- 65 FTE
- 230,000 square feet
- 3.0 million cases received
- 2.9 million cases shipped out
- $497.6 million gross revenue (spirits only)
- $202.6 million distributions (all sources)
Liquor theft

- Reported liquor theft in Oregon
  0.003% $7,680
  (FY 2012)
From Warehouse to Store

9 private common carriers ship distilled spirits across the state
  5 are local Oregon-owned companies
More than 13,000 shipments sent from the OLCC warehouse in FY 2013
Retail Liquor Stores

- Oregon’s 248 retail liquor stores are run by privately contracted small business owners since the mid 1980’s
- Over 1,000 people privately employed by liquor store owners
- 144 Exclusive Stores
- 104 Non-Exclusive Stores
Retail Liquor Store Improvements
July 2010 – July 2013

- 8 store openings
- 25 relocations
- 15 remodels
- 45 new liquor agent appointments
- 18 new distillery liquor agents
Retail Liquor Store Improvements

- Improved shopping experience for customers
- More convenient locations
- Retailers who have made store improvements have seen as much as 53% growth in sales
- Oregonliquorsearch.com – for product availability, store hours, directions, and more
Primary business is to sell distilled spirits

Sell related items from an approved list such as tobacco, mixers, lottery, stemware (OAR 845-015-0143)

Typically larger metropolitan communities
Non-Exclusive Stores

- Most operate in conjunction with another business.
- No limit to what types of items they can sell in addition to alcohol.
- Rural communities might have challenges supporting an exclusive store due to a smaller consumer base.
In 2004, the Commissioners approved a pilot project for a liquor store-within-a-store (OAR 845-015-0199).

Three stores were approved for the pilot:
- Lamb’s Thriftway (Portland Garden Home)
- Ray’s Food Place (West Bend)
- Bethany QFC (Portland Bethany)

The pilot project ended 2006; Lamb’s Thriftway and Bethany QFC are still open as permanent exclusive stores.
At the March 2012 meeting, Commissioners approved a rule change to allow corporations to apply to be retail sales agents and liquor stores to sell beer and wine.

For the project, Commissioners approved:
- Four existing liquor stores to sell beer and wine (as non-exclusive stores)
- Up to four corporations as retail sales agents

Commissioners deemed test successful
- Program expanding

No corporations have yet applied for any store openings
- (Some interest)
Changes for Store-within-a-Store

As of 2012, OLCC changed the rule so that corporations can apply to be liquor agents.

This change minimizes some of the challenges faced by independent agents operating store-within-a-store:

- Earnings from related items sales can be limited.
- More staff needed to receive & replenish inventory.
Satellite Stores

- Non-exclusive liquor stores in smaller communities where there is a fluctuating, seasonal demand due to tourism or other similar factors (OAR 845-015-0200)
- The satellite store is operated by the established liquor agent in that community
- Two stores currently in program:
  - Cannon Beach
  - Sunriver
Delivery service to licensees

Licensees receive 5% discount (per statute)

Sales to licensees result in less compensation per bottle

Can have higher volume of sales than individual consumer sales