

INVESTMENT GUIDE

Liquor Stores

4 SMART INVESTMENTS / TO GROW YOUR LIQUOR STORE



A publication of



INTRODUCTION

U.S. liquor is a \$47 billion industry that's seen approx. 3.2% growth since 2009. But, if you are a liquor-store owner you've seen competition stiffen over the last five years. According to a report by [IBISWorld](#), some states are now offering additional alcohol retail licenses, allowing more retailers to enter the industry. Permitted external industries, such as supermarkets and wholesalers are now also selling alcohol. For liquor-store owners, this means that you must come up with creative ways to maintain a healthy revenue stream.

There are opportunities of which liquor-store owners can take advantage, but it means you must be willing to make an investment. The amount of capital needed for inventory can vary depending on the time of year, cost and type of inventory, and quantity of stock.

In this guide, we've outlined four of the smartest investments a liquor store can make to create a revenue stream that will keep you thriving among the competitive nature of the industry.

INVESTMENT ONE STOCK UP ON SPECIALTY PRODUCTS FOR THE HOLIDAYS





It's no secret to liquor-store owners that sales of liquor increase around the holiday season. In fact, sales of spirits from January through November average 7.9% of the yearly total, but come December that figure jumps to 12.7%, according to the Adams Liquor Handbook, a compendium of liquor industry statistics.

"[The holiday season] is absolutely a huge chunk of the year's revenue," says [Frank Coleman](#), senior vice-president for public affairs and communications for the Distilled Spirits Council of the U.S. This is especially evident when looking at the increase in super-premium brands of alcohol, which have shown a 72% increase in sales during the holiday season; this can be attributed to more expensive or prestigious brands of liquor being considered better gifts.

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- FRANK COLEMAN, SR. VICE PRESIDENT
DISTILLED SPIRITS COUNCIL OF THE U.S.

During pre-recession times, wine consumers didn't flinch at paying a premium for expensive brands. But a soaring unemployment rate and a housing market in the tank meant that consumers cut spending by more than 50%.

The rebounding economy suggests that it's time to once again invest in these premium brands. In a 2012 article by Brad Tuttle at [TIME](#) notes that sales increased by 4% and, "Top-shelf brands performed particularly well, rising 8.9% as a group, with revenues increasing 15.9% for "super-premium" vodkas and 11.4% for top-quality bourbons and whiskeys."

In an interview with the [San Francisco Chronicle](#), Peter Cressy, CEO of the Distilled Spirits Council said, "This is a classic pattern we see during a recovery. During a recession, we see consumers go to value brands," he said, adding that even though the employment rate is still lagging, people are feeling more confident and are willing to spend.

Increased holiday sales combined with consumers' willingness to spend on premium brands suggest that it's time to invest and stock up on premium brands for the holiday season.



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- Brad Tuttle, *TIME*

INVESTMENT TWO TAKE ADVANTAGE OF SPECIALS INVENTORY BUYING OPPORTUNITIES





Most liquor-store owners know that distributors hold all of the power when it comes to purchasing inventory; therefore you must be ready to take advantage of special inventory buying opportunities when they're available.

Let's face it; smaller liquor-store merchants are competing with big box giants who have the luxury of spreading increasing liquor prices over a larger inventory. To compete, the smaller merchants have to buy smarter by:

- investing in large purchases when your distributors are offering lower prices,
- purchasing local products and specialty liquors that are hard to find in big box stores, and
- being willing to make special orders for loyal customers.



Are you willing and ready to invest when opportunity knocks?

INVESTMENT THREE CUSTOMER EDUCATION



According to an article by Forbes, Americans are now drinking more of everything. All sectors of alcohol and liquor sales are seeing an increase and this is good news for your liquor stores. Alcohol consumers aren't just drinking more, they are also more educated than ever about what they are drinking; customers who are not, want to be.

One way to invite business into your store is to offer learning opportunities in the form of wine and liquor tastings and classes. Consumers are looking for cocktail party tips, food pairing tips and buying advice, so make it readily available.



In an interview with [Reuters](#), Doug Tomlinson, the CEO of San Francisco-based Taste, Inc. points out that some generations are leading the way for others in the liquor market. He points out, "Millennials, in particular, love to try before they buy. In many ways they are sort of first movers, leaders in this shift in attitude and philosophy," he said. "And then a lot of other age groups catch on."

With millennials making up more than 40 percent of the marketplace in the next 10 years, focusing on liquor education can only benefit liquor stores and add to the bottom line. According to a Nielsen poll, this generation, born between 1977 and 2000, are more likely to trade back up to more expensive brands of alcohol because they equate product cost with the quality of the product they are consuming.

Invest in your customer's liquor education by adding a wine or alcohol tasting area in your store and scheduling special events with master distillers, local brewers, and wine experts to draw in customers and improve profits.



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Doug Tomlinson, CEO, Taste, Inc.

INVESTMENT FOUR ADD GOURMET FOODS





With the growing foodie culture, consumers are looking for a more holistic experience when drinking and eating. Pairing the right alcohol with the right foods has become paramount and offering gourmet cheese, crackers and foods with alcohol at cocktail parties and gatherings have become the norm. Liquor stores can help their customers achieve this and increase sales, by increasing the products offered and creating a “one-stop shop” for customers.





According to an analysis on consumer trends of the retail sales of gourmet foods performed by [Packaged Facts](#) in 2009, U.S. retail sales of gourmet foods and beverages reached \$67.1 billion, and only continue to grow. Even during the recession, nearly 20 percent of consumers were seeking gourmet products and a surprising 30 percent of consumers were willing to pay more for gourmet food products. This paired with the interest from millennials and other alcohol consumers' desires to buy high-quality alcohol, offers an opportunity to liquor stores to expand beyond just selling alcohol.

To appeal to the foodie crowd, [Kristy Klug](#), a communications specialist with DCI Cheese Company, recommends stocking your shelves or coolers with specialty, high-quality cheese like Havarti, sharp cheddar, feta, gorgonzola, bleu, parmesan and asiago. Combining those with a selection of gourmet crackers, desserts and local produce where available, expands your product base and offers customers all they need to entertain guests at home.

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U.S. retail sales of gourmet foods and beverages reached \$67.1 billion, and only continue to grow.

- Study by Packaged Facts

With the increase in retail licenses for selling alcohol, liquor-store owners need to find ways to draw customers in to boost profits. Purchasing new equipment and diversifying product offerings, expanding and enhancing your liquor inventory, and adding products and services, will keep you ahead of your competition.

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