



DtC (Direct to Consumer) Talking Points



1 POSITIVE EFFECTS ON TOURISM AND THE HOSPITALITY INDUSTRY

With the rapid growth of the craft distilling industry (now more than 1900 distilleries), distillery tasting rooms have become a major draw for local tourism, stimulating economic development in areas of cities or communities that were formerly underserved. Many of these businesses serve only their local or regional neighborhoods but can be large draws for regional tourism. Critical to the consumer experience is the ability to be able to visit the facility and purchase products direct from the distillery. However, in many cases the inconvenience of having to physically carry away a purchase (think of air travel for instance) or the legal inability to purchase directly from the producer, significantly hinders both the hospitality experience for the customer and the economic benefits for the small business owner. DtC shipping will provide consumers with the experience they want when they visit our facilities. Further, allowing consumers to receive spirits at their location of choice, permits the consumer to continue the relationship even after a return home, perhaps extending the experience by introducing the product to family or friends.



2 PARITY ACROSS THE INDUSTRY

Today many if not most consumers of wine, regardless of where they live, can access an enormous selection that could only have been dreamed of just a decade or so ago. Consumers can both buy wine directly from wineries and participate in specialized wine clubs with producers they especially enjoy. For wineries, this has meant the ability to serve fans that live in areas where they have no wholesale presence, and to maintain an ongoing relationship long after consumers have left their vineyards and tasting rooms. This DtC relationship has directly impacted industry growth and enabled consumers to enjoy products not available in their local resale outlets. It is critical that these small, independent distillers enjoy the benefits our friends in wine have now enjoyed for some time. Parity!



3 CONSUMER CHOICE

The shopping experience today is drastically different from only a few years ago. With the growth of the internet, the consumer now has more choice in the type of shopping experience they desire. More and more, consumers are opting for the convenience of having purchases delivered directly to their location of choice rather than having to carry their purchases home. We find a strong desire on the part of many consumers to fulfill their spirits, wine and beer purchases in a similar manner. Thus, the issue of DtC shipping of spirits is a direct result of consumer demand. And, there now are a host of methods to ensure the product is safely reaching only those 21+ years of age.



4 BUILDING SMALL BUSINESSES

Most critical for startup or small businesses is DtC. While the traditional 3-tier system functions well for large or even medium sized businesses, it breaks down for small and startup enterprises. This is not due to malice or bad intent, but a simple fact that there is simply no business model for the wholesale representation of businesses that are and may well remain small and only available locally or regionally. However, this does not mean that there is not significant consumer demand and interest at the national level. Much like consumers' evolved desire to shop for local, independent food purveyors, craft breweries, or artisan makers, and we see the same trend extending to our craft spirits industry. Today, spirits producers often have a passionate following around the country who are unable to experience some of their favorite products because they are not represented in their state. DtC shipping will solve this problem and allow these small businesses to grow and reach their fanbase wherever they are. Lastly, DtC helps build a product's out of state visibility, creating a cost-effective way to generate the kind of product attention that is critical for attracting and supporting wholesale distributors.



5 DISTRIBUTION ON RAMP

The dramatic increase in distilled spirit manufactures over the last decade (from less than 50 to now more than 1900), combined with a natural limit to how many products any one distributor is able to represent, has put a severe strain on a distribution system that was not built for so many small brands. Most small distilleries produce under 500 cases per year, and it is increasingly difficult—in many cases impossible—to secure distribution in the marketplace. DtC is the only viable path for most small distilleries to grow their sales to a level that would become attractive to a state, regional, or national distributor. Without DtC, small distilleries have no path to growth; without distributors, proven small distilleries have no path to retail. Thus, DtC is aimed at maintaining the 3- tier system while providing a growth path for small brands to get to the distributor 'on- ramp' in a reasonable way.