



Testimony of Timothy Strickler

Before a Joint Hearing of the

Senate Law & Justice Committee and the

House of Representatives Liquor Control Committee

April 30, 2021

Hello. Thank you for allowing us to be a part of this hearing.

My name is Tim Strickler. My business partner, Jeff Reeder, and I own Ace Distributing located in Wrightsville Pennsylvania. For 33 years we have serviced retail licensees over 11 counties in central Pennsylvania.

I'd like to make several points about RTDs.

First, every class of retail customer -- distributors, restaurants, supermarkets, convenience stores - all want these products. If these products go into these channels, you have the possibility of potentially 14,000 licensees providing convenience to consumers who want the products versus the 660 LCB stores across the Commonwealth.

In our experience in the marketplace, we see that consumers want a single serving package and want it cold. The LCB does not have adequate refrigerators or space for additional ones to meet the demand. Moreover, the impact on the LCB real estate operations and thus its bottom line would be immediate. Like beer and other malt or brewed beverages, the lower alcohol content per unit volume necessarily means that the storage capacity, the handling costs, and the square footage required in the LCB stores would be immediately increased. The return per square foot of stores would be significantly lower for these products, and thus would dilute the overall performance of these stores.

Besides the cost impact, the roll-out time would be significant so the products would not get to market very quickly if they were to remain in the LCB stores. Everyone recognizes the changes the LCB has made over the last 30 years in the location of the stores for the benefit of the consumer. In my personal observations I haven't seen too many wine and spirit shops with wasted floor space, so it seems likely that the LCB would require significant increases in floor space to carry these products. Whether that means moving the stores or moving out the store adjacent to them so the LCB can expand sideways would take years.

Second, putting these products into the channels we are suggesting would not mandate a great loss to the LCB bottom line. The LCB would still be permitted to sell these products at retail if they wished to do so. The great impact on the Commonwealth's balance sheet will be the additional millions of dollars in taxes paid on the increased volume through the beer system. With this new product category expected to explode in Pennsylvania, as it has started to do in many states across the country, the volume will be significantly increased.

Third, there will be no uptick in social problems due to these products being available in new channels and many more locations. These RTDs have a lower alcohol level than many of the products that these channels are already permitted to sell. These products have been sold successfully without social problems increasing.

We are attempting to create more opportunities for sale for the licensees we distribute to, giving consumers alternatives to beer. We are trying to give consumers what they want – choice and convenience – while being a tax revenue generator for the Commonwealth. Everyone in the hospitality industry has been suffering because of the COVID-19 pandemic. The Governor's administration, the LCB and the legislature have all recognized that in trying to make some accommodations for the hospitality industry. Please continue that critical support and provide this new product – “recovery aid” as it were -- for licensees to survive the global pandemic.