February 7, 2012

To: Members of the House Commerce & Economic Development Committee
From: Gratz Peters

Mr. Chairman and Members of the House Commerce Committee:

My name is Gratz Peters and I'm the owner of Pump'n Pete's Convenience Stores with our home office in Parsons, Kansas. I am a lifelong Kansan and a career long convenience store retailer. My staff and I also operate stores in Oklahoma and Missouri which allows us a unique cross border view from the other side. I also serve on the Board of Directors of PMCA the Petroleum Marketers and Convenience store Association of Kansas representing its members throughout Kansas.

I'm here today to voice from a convenience store owner's perspective on why it is important to update current Kansas liquor laws. These laws from the post prohibition era of over 60 years ago may have been well intentioned then but they certainly do not meet the expectations of today's price savvy and convenience demanding customer. That said I want to be clear that my testimony is not attack on liquor store owners themselves but rather on the laws that restrict competition of a legal commodity. Current Kansas liquor laws restrict competition and negatively affect the price Kansans pay for all consumables. Simply put current Kansas liquor laws determine winners and losers with Kansas residents being the losers. Allow me to explain.

Convenience and grocery stores must generate gross profit in order to cover operating expenses. Convenience and grocery stores generate their gross profits from a number of categories, Motor fuel, soda, snacks, automotive, foodservice, tobacco, lottery, and yes beer. However profits from our beer sales contribute least to the overall profit pool we use to pay for these operating expenses. This means customers must pay more for items in those other categories regardless of whether or not their purchases include beer. In Missouri, where liquor laws have been reformed to allow for fair competition, their retailers don't have to rely as heavily on other category profits like we must do in Kansas. Missouri retailers are then better able to compete and pass on lower prices to their customers. For this reason, along with various use tax differentials on motor fuel and tobacco between Kansas and Missouri, there is an ongoing hemorrhage of Kansans choosing to make their purchases of fuel, tobacco, adult beverages, and anything else they choose to purchase while in Missouri. Along with those purchases also go sales tax revenues out of Kansas. Since nearly 1 in 3 Kansans live in a border county next to Missouri and Oklahoma this retail bleed to those states from Kansas is obviously substantial. Ultimately Kansans lose.

Kansas liquor stores are restricted by law from selling non-alcohol items thereby forcing them to rely only on profits from items with alcohol content, lottery sales being the only exception. This restriction of sales limits a liquor stores ability to engage in consumer friendly competition therefore costing their customers more for their purchases. It is noteworthy to point out that the use tax differential on adult beverages between Kansas and Missouri pale in comparison to the retail price differential between the two states thereby contributing to the exodus of Kansas customers going to Missouri for their purchases. Ultimately Kansans lose.

Modernizing Kansas laws would give current cross border shoppers one less incentive to shop in Missouri. The proposed bill in front of you tears down the walls of restricting who can and can't sell what allowing all retailers to offer their customers convenience at competitive prices. Ultimately all Kansans win.

We have experienced a lot of attacks on our business over the years. When non-traditional fueling outlets came into our markets there were no laws protecting us from that new competition. When smoke shops came into our markets there were no laws protecting us from that new competition. When Walgreen's came into three of my markets, each being one block away from one of our stores, there were no laws protecting us from that new competition. When Dollar General came into most of our markets there were no laws protecting us from that new competition. Now there are stand alone ice vendors popping up and competing with us and there are no laws protecting us from that new competition.

After saying all of that I am happy to say that we are not here asking for protection from new competition but quite the contrary. We strongly support fair competition and the ability to tweak our business models accordingly to meet that new competition all in best interest better serving our customers. This effort to reform Kansas liquor law offers an opportunity for our opponents to tweak their business model in the best interest of their customers as well by allowing them to sell anything they want.

I'd also like to point out that grocery and convenience are serious about restricting sales to minors. Today's technology and ongoing training allow us to shut down underage sales better than ever before. Our compliance ratings on the other age-restricted items we sell continue to improve.

In closing, I ask for your continued support of free and fair competition and for your support of this bill.

Thank you

Gratz Peters

Competing Channels Grab a Share of Convenience

Grocery, dollar and drug stores are enticing shoppers by offering the same benefits as convenience stores — namely a convenient location.

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HOUSTON – Convenience stores are losing market share to other retail outlets, reports The NPD Group in its new Convenience Store Monitor, which tracks consumer purchasing behavior of more than 51,000 c-store shoppers in the U.S.

In the quarter ending December 2011, non-convenience store outlets, including grocery and mass market retailers, dollar stores, and drug stores, captured 9.3% of convenience store traffic, a 2% increase from the same quarter in 2010. Convenience store traffic overall dipped 2% for the quarter from the same quarter last year.

The main reasons consumers shop at a convenience store — convenient location, efficient shopping experience, and extended hours of operation — are now shared at non-traditional outlets.

According to the report, 79% of consumers who visit a convenience store did so because of its convenient location, while 67% chose a non-traditional store for the same reason. Getting in-and-out of a convenience store quickly was a deciding factor for 44% of consumers, while for the same reason, 40% chose a non-traditional outlet. And 21% of consumers visited a convenience store because of longer hours of operation, while 24% reported that as the reason for shopping at other retail outlets.

"There is no doubt that convenience stores are facing stiff competition from non-traditional retail outlets," said David Portalatin, convenience store channel analyst for NPD. "Convenience stores need to glean as much insight as they can from the preferences that consumers are exhibiting. When they do that, they can differentiate themselves from the competition by providing offerings most relevant to their consumers."

Source; The NPD Group, founded in 1966, is the leading global provider of consumer and retail market research solutions for a wide range of industries. We offer consumer behavior and point-of-sale (POS) information and industry expertise across more industries than any other market research company.

Through our consumer tracking, retail tracking, special reports, custom research capabilities, and other products and services, we help our clients understand and profit from consumer and retail trends. Our data tells them who is buying, what, where, and why at the international, national, and store levels.