

# Three Tier Beer Distribution System Overview

## *What is it, Why it's important, and How it Benefits Kansas*

### *What is a three tier distribution system?*

The Three Tier System is a cooperative system that ensures suppliers of all sizes have easy access to the market place, and that ensures proper regulatory compliance and tax collection. The roles of each 'tier' are as follows:



#### 1. SUPPLIER

There are primarily two levels of suppliers. The first being the large suppliers with volumes exceeding 15,000 to 30,000 barrels of beer produced annually. The second being smaller "craft beer" suppliers, including brew-pubs.



#### 2. DISTRIBUTOR

The local distributor provides a vehicle that gives suppliers of all sizes easy access to a vast market of retail outlets. The distributor is of particular value to the smaller craft beer suppliers who generally lack the resources to hire sales staff, market, and facilitate relationships with retailers.



#### 3. RETAILER

Retailers include restaurants, bars, liquor stores, convenience stores, grocery stores, clubs, and other entertainment venues. Retailers provide or serve the product to the consumer. Qualifying craft beer suppliers can act as an end retailer should they elect to conduct business as brew-pub establishment. The retail exception for craft beer suppliers allowing direct to consumer distribution is not available to the larger suppliers.

### *What are the benefits of a Three Tier System?*

1. Ensure all proper taxes are collected and paid to federal, state and local governments.
2. Provides vast consumer choice – nearly 13,000 brands are available to the American consumer.
3. Offers craft beer suppliers access to markets typically dominated by large suppliers.
4. The Three Tier System keeps the business of alcohol distribution local, employing state licensed distributors to monitor and ensure regulatory compliance in accordance with local attitudes and community expectations.

### *What does a distributor do?*

1. Distributors ensure access for all suppliers, regardless of size, to the market place.
2. Distributors maximize product sales for both large and craft beer suppliers through instant access to established networks of retailers.
3. Distributors are merchandisers, promoting brands through effective product placement and point of purchase displays, as well as gauging appropriate inventory levels and shelf stock to meet retail demand.
4. Distributors track product from point of supply to point of sale, ensuring product safety, regulatory compliance, and proper tax collection.

### *How do distributors impact the local community?*

1. Distributors are a key source of employment, with strong payrolls.
2. Distributors invest in warehousing, equipment, vehicles, and other capital intensive activities. These investments have a multiplier effect throughout the local economy.
3. Distributors are a major revenue source for government, generating business income taxes, individual income taxes, property taxes, excise taxes and fees, and resulting sales taxes from related consumer spending.
4. Distributors support local philanthropic activities, promote social responsibility, and invest locally in educational programs and events.
5. Distributors are a resource for state and local government regulatory authorities.

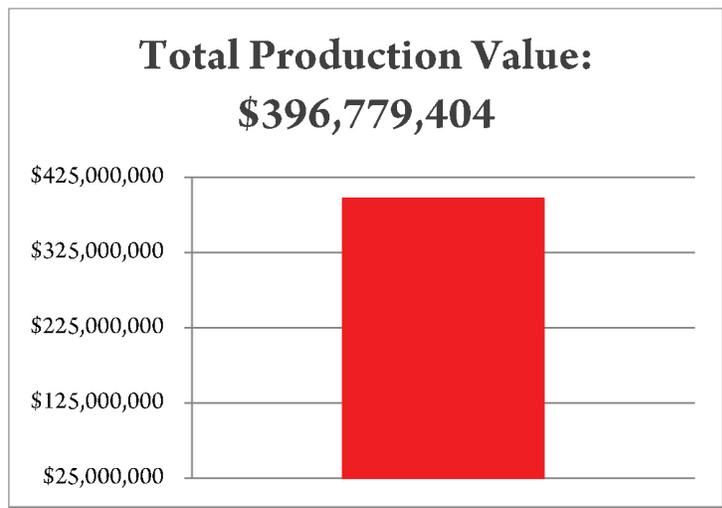
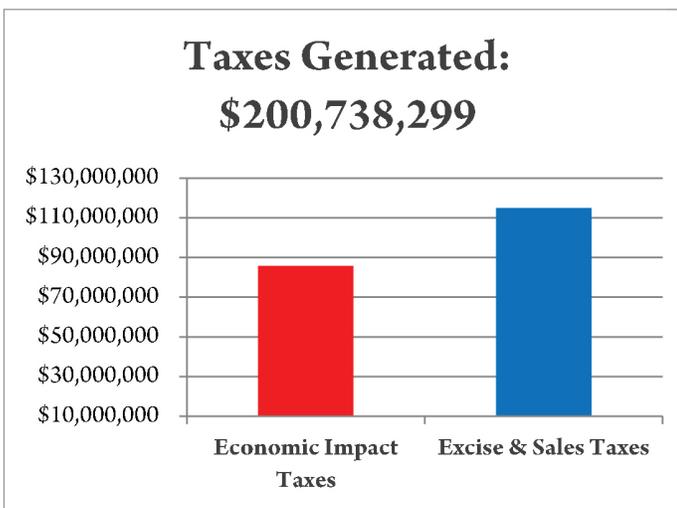
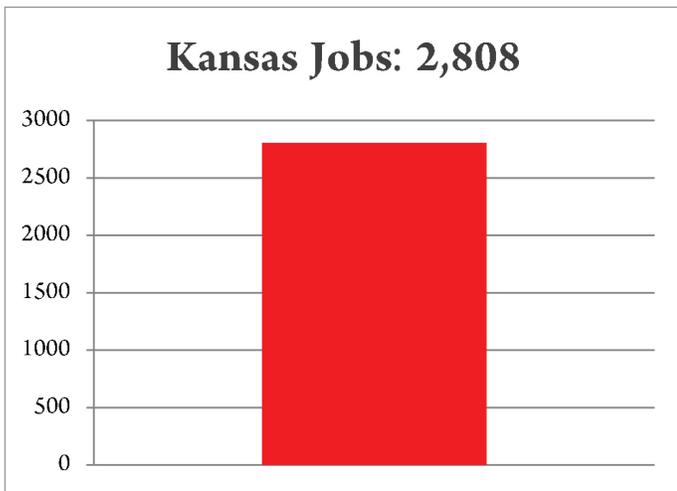


### *What is the economic impact on Kansas?*

See reverse for complete details. →

# Three Tier Distribution System's Economic Impact

## Benefits By The Numbers



## Taxes Collected By Distributors In Perspective

*Total taxes collected by Kansas beer distributors could fund:*



3,633,848 teacher hours  
in the classroom

OR



Provide maintenance for  
9,907 miles of state highways



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