



NEWSLETTER

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Finding the Right Price

Price is crucial in preventing social problems with alcohol. "Price affects drinking of all types of beverages, and across the population of drinkers from light drinkers to heavy drinkers," concluded Professor Alex Wagenaar and his colleagues after reviewing 112 studies on this subject. "The effects are large compared to other prevention policies and programs."

Over the past four decades, alcohol has become much more affordable. So how do you reverse that trend? In the US, the debate is usually about taxes not keeping up with inflation. Too little attention has been given to other powerful means of reducing prices. Consider these points:

1. **Supermarkets sell products more cheaply because they rely on low mark-ups and high volume to make profits.** The average profit margin for supermarkets is less than 2% according to the Food Marketing Institute. Large, global supermarket chains can use their purchasing power to gain price concessions particularly in those states that allow volume discounts.
2. **Promotional sale techniques, such as "loss leaders", offer bargain prices in order to attract customers to a store.** Large supermarkets can make up the loss with other products customers invariably buy once they enter a store.
3. **Once stores start offering low prices for alcohol, competitors must match prices or lose business.** Some stores can't compete under these circumstances and go out of business.

Because of these factors, the World Health Organization recommends that multiple measures be used to impact price. Relying only on tax increases will not always raise the price as has been the case in the United Kingdom. Such policies as a ban on volume discounts, ban on selling below cost, minimum mark-up, and requiring wholesalers to offer the same price to all are important measures.

Finally, it should be recognized that raising prices too high can encourage bootlegging and the sale of counterfeit or tainted products. Finding the right balance of price is a delicate, but crucial task.

Indiana's Retailing System Under Attack

Indiana has a package liquor store system for retailing alcohol. The system requires all clerks to be 21, trained and licensed. Customers must be 21 to enter the stores. There are limits on the number of stores per population. But, over the years other types of retailers were given additional privileges to sell alcohol, but without the requirements. Grocery, convenience and drug stores can have clerks that are 18 who do not need to be trained or licensed.

Recently, an Interim Committee looked at allowing grocery, convenience and drug stores to sell alcohol on Sunday. The committee decided against this measure; but, it will come up in the next Legislative Session. Hoosiers should consider adequate controls for all licensed stores before granting additional sales privileges.

Go to www.HealthyAlcoholMarket.com for the full article on Indiana as well as other sources used for this newsletter.