

The Economic Impact of New Jersey A-2591

An Act to Increase Retail Liquor Distribution License Limits for Certain Retailers

Prepared for:

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June 3, 2011

EXECUTIVE SUMMARY

A Bill to Modernize New Jersey's Licensing Laws for Alcohol Retailing Could Generate As Many as 275 Jobs and Millions in Tax Revenue

The New Jersey Legislature is considering a measure that will gradually increase the number of alcohol retail licenses a single entity is able to obtain while keeping the total number of licenses in the state fixed.¹ Today, a person or corporate entity can only hold two licenses. By encouraging competition in the market for retail alcoholic beverages, this proposal will create as many as 275 jobs for New Jersey residents, boost municipal and state finances, and provide an array of consumer benefits.

Modernizing the liquor licensing system in New Jersey will benefit the economy:

- An analysis of retail grocery and liquor store sales and employment in New Jersey, using data from Dun & Bradstreet, found that the proposal could create over 275 full-time equivalent jobs in New Jersey, paying residents as much as \$12.6 million in wages. Nearly 200 of these jobs would be in the retailing sector; the additional jobs would be created by retail suppliers, as well as through the spending of employee wages.
- This would allow the state of New Jersey to collect \$6.7 million in additional sales and excise tax revenues, and \$3.6 million in business and employment taxes without raising tax rates. At the same time, demand for licenses would provide municipalities throughout the state with as much as \$364,600 in license transfer fees. This figure could be higher should retailers purchase lapsed licenses directly from municipalities instead of from existing license-holders;
- New Jersey consumers would see improved quality, choice and cost-savings when purchasing alcoholic beverages.

While the license changes will benefit retailers currently shut out of the New Jersey alcoholic beverage market, the evidence suggests the risks to current licensed package stores are minimal:

- The number of licensed liquor stores operating in a particular area in New Jersey is related to a number of factors including transportation access, population and the proximity to either New York or Pennsylvania, rather than to the proximity to a supermarket that sells beverage alcohol products.²
- An in-depth examination of retail licenses surrounding the Princeton Wegmans, the Paramus Whole Foods, and Ridgewood Stop & Shop, found no shortage of package stores. When the areas around each of these supermarkets is compared with the 2000 Census population estimates of the same approximate regions, it shows that the number of licensed businesses is either at or above the number that would be expected.

¹ NJ A-2591/S-1904 would phase in an increase of the liquor license cap from two to ten licenses over a 10-year period for certain corporate entities.

² The state only allows for one license for every 7,500 residents.

The Economic Impact of New Jersey A-2591
An Act to Increase Retail Liquor Distribution License Limits for Certain Retailers

The Legislature in the State of New Jersey is considering a measure that will make the licensing of alcohol sales for certain retailers less restrictive. Currently, the law prohibits any person or corporate entity from holding more than two plenary retail distribution licenses to sell alcoholic beverages. This proposed legislation would increase this number gradually and over time, but would not increase the total number of licenses in the state or in any municipality.

By increasing the number of licenses that can be held by one entity, the proposed legislation should encourage competition in retail sales of beverage alcohol products in the state. This is because the current law restricts grocery retailers and particularly corporately-owned supermarkets from offering beer, wine and spirits to their customers.

The legislation will also help increase both state and municipal government finances. By helping to increase the sale of higher value beverage alcohol products, the state could see enhanced sales and excise tax revenues. At the same time, municipal governments can benefit through enhanced license transfer fees, as some sole proprietors sell their licenses to interested buyers.

In addition, removing the cap on the number of licenses could encourage existing retailers in some of those New Jersey communities coping with very high unemployment rates to purchase inactive licenses – for which there is currently little or no demand because of the cap.¹

Table 1
Economic Effect on Licensing Changes in New Jersey

Direct		Supplier	Induced	Total
Jobs	192	37	49	278
Wages	\$ 7,602,488	\$ 2,386,295	\$ 2,643,213	\$12,631,996
Economic Impact	\$17,814,782	\$ 6,749,814	\$ 7,922,455	\$32,487,050
Business and Employment Taxes				\$ 3,613,316
Excise and Sales Tax Revenues				\$ 6,704,484
License Transfer Fees				\$ 364,615

Based on two separate analyses of retail grocery and liquor store sales and employment in New Jersey using data from Dun & Bradstreet, it is estimated that the enactment of this legislation could create as many as 278 full-time equivalent jobs in the state, paying residents as much as \$12.632 million in wages.² In addition, it is likely that the enhanced sales due to the less

¹ Liquor licenses in New Jersey are tied to municipalities and determined based on population. Currently a municipality may issue one license for on-premise consumption for every 3,000 residents, and one for off-premise retail sales for every 7,500 residents. A municipality is also allowed to ban all sales of alcohol within its borders.

² Throughout this analysis the term jobs represents full-time equivalent jobs. In other words, two people each working 20 hours per week would equal one full-time equivalent job. This is an important distinction in the food retailing sector since about 30% of grocery store employees are part-time workers. See: Bureau of Labor Statistics, U.S. Department of Labor, Career Guide to Industries, 2010-11 Edition, Grocery Stores, on-line at <http://www.bls.gov/oco/cg/cgs024.htm>

restrictive licensing regimen would provide the state with as much as \$6.704 million in increased sales and excise tax revenues, and the municipalities with a one-shot infusion of approximately \$364,600 in license transfer fees.³ Table 1 on the prior page outlines these economic benefits.

Limiting the Number of Licenses Impacts the Retail Economy in the State:

States across America restrict beverage alcohol sales in a number of ways. For example, a number of states restrict the sale of alcohol on Sunday. Others restrict the type of stores in which alcohol can be sold. Eighteen states, including New Jersey, and the District of Columbia, have very strict limits on the number of retail outlets that a licensee can hold. These antiquated licensing restrictions were put in place following the repeal of prohibition in order to limit the possibility of organized crime syndicates controlling the retail liquor trade and to prevent the development of tied houses – or retail establishments tied to beer, wine or spirits producers.

In effect, the licensing restrictions have trapped the beverage alcohol retailing industry into an outdated model that discourages competitive firms from investing in the state. This means that on average New Jersey's beverage alcohol retailers: Will be smaller than those in states with less restrictive licensing requirements; may have less access or ability to stock specialty products; and may foist higher prices on consumers than might be available in less restrictive states.

Examining data from Dun & Bradstreet⁴ shows that on average, states with low limits on the number of licenses that each entity can hold will have more liquor outlets per capita than do those with less stringent restrictions (143 per million residents vs. 115 per million residents).⁵ This is due to the fact that there are more small liquor stores in these states, on average 129 per million residents versus 119 in those states with less stringent restrictions. For comparison, New Jersey has 171 small liquor stores per million residents.

Licensing restrictions are just one of several factors that impact the number and size of liquor stores. For example, New Jersey borders Pennsylvania, a state with some of the most restrictive beverage alcohol sales laws in the country. This encourages Pennsylvania residents to shop in the Garden State and in many ways increases overall wine and spirits sales. In addition, unlike some states with restrictive licensing provisions, New Jersey's regulations provide for significant loopholes. In fact, 10 percent of the licenses in the state are held by 20 cooperatives or other marketing groups. These package stores operate under some sort of franchising or branding

³ License transfer fees going to municipalities are based on the transfer of 15.5 licenses from existing merchants to new ones. This number could be higher if lapsed licenses are sold directly from municipalities.

⁴ Data provided to John Dunham and Associates by Dun & Bradstreet, Inc. as of May 2011. Dun & Bradstreet data is recognized nationally as a premier source of micro industry data. The D&B database contains information on over 15 million businesses in the United States. It is used extensively for credit reporting, and according to the vendor, encompasses about 98 percent of all business enterprises in the country. The D&B information database updates over 1 million times a day, over 350 million payment experiences are processed annually, and over 110 million phone calls are made to businesses. In addition, D&B uses a patented matching technology and over 2,000 information computer validations to ensure a high standard of data quality.

⁵ In this case the restrictions are generally under 5 per permitted entity. States where retailers are directly operated by the government are not included in these calculations.

arrangement allowing them to compete with corporately-owned chains.⁶ See Table 2 on the following page for a list of these retailers.

Table 2
Licensees with Common Branding

Brand	Number of Licenses Under		Number of Licenses Under	
	DBA	Store	DBA	
Buy Rite	31	Bubba's		5
ShopRite	24	Royal		4
A&P	24	Home Wine and Liquor		4
Spirits Unlimited	20	Crown		4
Canal	15	Wine Chateau		3
Bottle King	13	Windsor		3
Vingo's	8	Rite Aid		3
Krauszer's	7	Gary's		3
Burbon Street	6	Bell		3
Roger Willco	5			

While these particular retail groups have been able to exploit a loophole in the current law and create de facto chains, other supermarket and specialty store chains that simply have a different corporate ownership structure are put at a disadvantage.⁷

Restrictive Licensing Limits Supermarket Sales of Beverage Alcohol Products in the State:

Even with these trading groups, corporately-owned supermarkets and specialty retail chains are limited from selling beverage alcohol products in New Jersey. This is because the necessary licenses, *Plenary Retail Distribution License*, are limited in terms of their geographic availability, and because a corporation can only own two licenses even though it may operate dozens of stores in the state.⁸

One of the factors impacting retail sales of beverage alcohol products across states is the availability of wine and or spirits in grocery stores and supermarkets. On average, grocers in states that allow for wine or liquor sales sell about \$11,500 more per store than those in states that do not allow for beverage alcohol sales. This does not necessarily mean that every grocer sells beer or wine, or that the additional sales come from beverage alcohol, it simply means that on average stores sell more goods each year.

New Jersey, like 31 other states allows grocery stores and supermarkets that have licenses to sell beer, wine and spirits, and today almost 100 supermarkets have these licenses.⁹ They also employ more people. On average, grocers in New Jersey employ 8.9 people compared to 5.2 for the average liquor store. If a liquor store were to be supplanted by a supermarket, the difference

⁶ Based on data from the New Jersey Alcohol Beverage Control Division compiled by Stonebridge Research, 2011.

⁷ A loophole in the existing law allows stores with different owners operating under a common trade name to all have liquor licenses. This is because the licenses are owned by different individuals, even though they operate using one common trade name. Other retailers are able to use their unique corporate structure as a way to obtain more than two licenses. For example, ShopRite is a co-operative with each store independently owned and operated. Therefore, they are able to have licenses operating with the same DBA. A&P is a corporate entity but its licenses predate the two license limit, and were therefore “grandfathered” when the provision took effect.

⁸ Stop & Shop for example operates almost 60 stores in New Jersey.

⁹ Grocers include everything from a corner store, to a convenience store to a farm-stand.

in employment is even greater since the average supermarket employs 53.5 full-time equivalent employees.

In those state that allow for multiple licenses, the sales per supermarket are also slightly higher (\$16.9 million compared to \$14.0 million). Employment per supermarket is also slightly larger in these states (about one employee per store) reflecting the higher sales levels. Supermarkets in New Jersey tend to be smaller than in other states that allow for wine sales (\$13.3 million in sales vs. \$14.1 million) and tend to employ far fewer people per store.¹⁰

Allowing Grocery Stores to Sell Beverage Alcohol Products Enhances Economic Activity and Creates Jobs:

Were more supermarket chains able to sell beverage alcohol products in all of their stores they would be able to benefit consumers by:

- Providing one-stop shopping for a range of standard products reducing travel times and fuel use;
- Providing products to consumers at a lower cost through its ability to better negotiate with suppliers without violating the three-tier system of alcohol distribution or violating the prohibition on selling below cost;
- Providing a reliable source for standard beverage alcohol products
- Providing reliable quality control and access restrictions that may not be available to a smaller retailer.

By benefitting consumers, the proposed change to the licensing laws will lead to overall lower costs and better quality, choice and convenience. This will encourage those who choose to purchase beverage alcohol in the state to purchase more or better products, or to use the savings to purchase other goods and services.

These consumer benefits can, therefore, enhance excise and sales tax collections, municipal transfer fees, and jobs.¹¹ Assuming that a change in the law would lead to more supermarkets selling beverage alcohol products, increasing the per capita number of retailers in line with the national average, there would be 5.19 more supermarkets in New Jersey that would obtain liquor licenses. Assumedly, these would supplant smaller package stores as supermarkets would have to purchase licenses from more marginal businesses, or in certain areas purchase licenses directly from municipalities. These so-called “pocket licenses” might now only be available in communities that are less desirable for retailers. However, if supermarket chains are no longer

¹⁰ Dun and Bradstreet identifies companies by a wide range of categories including grocery stores, and supermarkets. Businesses can self identify themselves under each – or both – of the categories. This definition of supermarket is used throughout the analysis. However, a report by The Food Trust defines a supermarket as a grocer with more than \$2 million in sales. That report indicates that New Jersey residents are in fact under-served by supermarkets (as they define them). See: *Special Report: The Need for More Supermarkets in New Jersey*, The Food Trust, 2009 at: www.thefoodtrust.org/pdf/2009NJneed.pdf

¹¹ Since there is a strict limit on the number of licenses available in the state, a supermarket chain would be required to purchase the license from either a municipality (in the case where there are lapsed licenses available) or more likely from an existing retailer. In either case, the municipality would benefit due to the transfer fees imposed by the bill.

forced to pick only their best 2 markets for beverage alcohol sales, some of these licenses may become more desirable. It is difficult to determine how many of these licenses may be sold if the law were to change, however, the box on the right of page 7 outlines the economic impact of the operation of a new supermarket opening in one of these areas.¹²

The analysis below involves two different approaches to assess the impact of A-2591. The first method (summarized in table 3) represents the low-range of the impact, and the second method (summarized in table 4) represents the high-range of the impact.

In New Jersey, the average small package store employs 3.255 people and sells \$367,180 worth of products.¹³ Since the larger supermarket retailers will have a larger reach than these marginal package stores they would likely sell more beverage alcohol products.¹⁴ Again, using the average sales differential between supermarkets in states that allow for multiple permits and those that do not, each of these stores would sell about \$3.593 million in beverage alcohol products, for a total of \$18.651 million in additional beverage alcohol sales statewide. Netting this against the lost sales in the supplanted package stores leaves net additional sales of \$16.745 million.

There would also be employment impacts resulting from this transition. The owners of the package stores that decide to sell their licenses would likely net about \$423,423 for their license – even after taxes are paid to the municipality.¹⁵ The remaining 2.25 employees per store would likely be able to get jobs with the supermarkets which would have to hire on average 14.4 additional employees to handle the additional sales resulting from their obtaining licenses.¹⁶ On net then, there would be about 62 additional *retailing jobs* created by this proposal.

Some have raised concerns about the ability of smaller package stores to compete with grocery chains. In order to ensure that package stores are protected from any impact of the proposed legislation, several safeguards have been included.

First, grocery stores would be prohibited from obtaining licenses within 500 feet of existing single licenses liquor stores with revenue less than \$1 million per year.

In addition chains would only be allowed to add 3 licenses (for a total of 5) for the first five years, 2 more licenses for another 5 years, and 3 more licenses subsequently.

Finally, the proposed legislation adds value to the existing licenses since it does not increase the overall number of available licenses and thereby increases the value of existing franchises. Existing small license holders would also participate in these rising values, without selling their own licenses, through the introduction of license transfer and license acquisition fees. 10% of the price of a license transfer would be equally shared between the municipality of the licensee and existing single license holders with revenue under \$1 million per year.

¹² It is interesting to note that the West Windsor Trader Joes license was purchased from the Township for about \$750,000 in 2009.

¹³ Based on sales per employee figures for all liquor stores multiplied by the average employment in small retailers.

¹⁴ See discussion in sidebar box.

¹⁵ Based on the arithmetic average price of licenses sold in the state over the past 10 years less the 10 percent transfer tax paid to the municipal governments and smaller license holders. Source: The New Jersey Food Council. If the new law were to significantly increase demand for plenary retail distribution licenses, prices should increase as well, leading to higher transfer fees.

¹⁶ The additional expected sales divided by sales per employee figures for supermarkets.

It is a mistake to think that initial spending accounts for all of the impact of an economic activity or a product. It may appear that consumer expenditures for beverage alcohol are the only impact on the local economy. However, one economic activity always leads to a ripple effect, whereby other sectors and industries benefit from this initial spending. This inter-industry effect of an economic activity can be assessed using multipliers from regional input-output modeling.

The economic activities of events are linked to other industries in the state and national economies. The activities required to sell a bottle of wine for example, from stocking, to identification checking to maintaining inventory generate the direct effects on the economy. Regional (or indirect) impacts occur when these activities require purchases of goods and services as diverse as cardboard or electricity from local or regional suppliers. Additional, induced impacts occur when workers involved in direct and indirect activities spend their wages. The ratio between induced economic and direct impact is termed the multiplier.

Table 3
Economic Effect on Licensing Changes in New Jersey

Direct		Supplier	Induced	Total
Jobs	62	10	11	83
Wages	\$1,720,012	\$ 611,541	\$ 616,272	\$2,947,824
Economic Impact	\$4,283,911	\$1,730,205	\$1,846,989	\$7,861,105
Business and Employment Taxes				\$ 870,149
Excise and Sales Tax Revenues				\$1,955,770
License Transfer Fees				\$ 122,087

Using the assumptions outlined above and an Input/Output model of the economy in New Jersey developed by the Minnesota IMPLAN Group Model, the impact of the proposed legislation can be quantified. The model adopts an accounting framework through which the relationships between different inputs and outputs across industries and sectors are computed. This model can show the impact of a given economic decision – such as operating a supermarket – on a pre-defined, geographic region. It is based on the national income accounts generated by the US Department of Commerce, Bureau of Economic Analysis (BEA).

Table 3 shows the results of this analysis. The additional beverage alcohol sales that would come about through the transfer of licenses from marginal package stores to supermarkets would generate a net of 62 new full-time equivalent jobs in beverage alcohol retailing. Since many of the actual jobs are part-time, even more people would be impacted. These jobs will pay about \$1.7 million in wages for an average of about \$27,850. In addition to this direct impact, the change will create work in New Jersey for about 10 people in firms that supply goods and services used in the operation of the supermarkets. These include people working in industries like accounting, real estate services and maintenance. These people will receive about \$611,500 in wages.

Finally, the re-spending of the \$2.3 million in wages received by the direct and supplier employees of the supermarket on goods and services produced in New Jersey will generate an additional \$1.8 million in “induced” economic activity in the state. This will create 11.5 more jobs.

All told, the proposed legislation will generate about 83 full time equivalent jobs paying \$2.9 million in wages. The store will generate a total of \$7.9 million in economic activity annually – excluding the retail sales themselves.

In addition to providing jobs, the supermarket and the people whose jobs are created by its opening will pay the state and municipalities as much as \$870,150 in taxes annually. This is in addition to an estimated \$122,090 in transfer taxes that would accrue to the municipalities where supermarkets purchase licenses from existing package stores.¹⁷

Finally, the increased retail sales of beverage alcohol products (most likely wine and spirits) will generate additional excise taxes sales tax revenues for New Jersey. It is estimated that the additional \$16.7 million in sales forecast in this analysis will generate \$743,650 in excise and \$1.2 million in sales taxes annually for the Garden State.¹⁸

This analysis assumes that a total of just over 5 supermarkets would purchase licenses following the enactment of the legislation. This is likely a low estimate considering the total number of existing supermarkets in the state.

Economists use a statistical technique

Supermarket retailers are major employers in the state, and provide good jobs to thousands of New Jersey’s residents.

Supermarket retailers examine a variety of variables when choosing to enter a market, of which the ability to sell liquor is but one. Our analysis cannot predict whether a change in the number of liquor licenses that an entity can hold will necessarily increase the number of supermarkets in the state. However, all things being equal, it makes New Jersey a more desirable state to locate a new store. It is possible that supermarket retailers may be able to take advantage of the provision to open stores in more marginal neighborhoods – particularly in communities that have lapsed licenses available for purchase

Based on data from the US Department of Commerce, Bureau of Economic Analysis each supermarket that opens in the state will hire for about 62.4 full-time equivalent positions. Since many of the actual jobs are part-time, even more people would be impacted. These jobs will pay about \$2.1 million in wages for an average of about \$33,600.

In addition to this direct impact, each supermarket will create work in New Jersey for about 10 people in firms that supply goods and services used in the operation of the store. These include people working in industries like accounting, real estate services and maintenance. These people will receive about \$657,750 in wages. Finally, the re-spending of the \$2.753 million in wages received by the direct and supplier employees of the supermarket on goods and services produced in New Jersey will generate an additional \$2.2 million in “induced” economic activity in the state. This will create 13.5 more jobs.

All told, then the opening of a supermarket in New Jersey will generate about 86 full time equivalent jobs paying \$3.5 million in wages. The store will generate a total of \$8.95 million in economic activity annually – excluding the retail sales themselves.

This impact doesn’t include the costs of construction of a new store, which can range from \$250 to \$400 per square foot. For a superstore with 40,000 square feet, that’s up to \$16 million in spending.

In addition to providing jobs, the supermarket and the people whose jobs are created by its opening will pay the state and municipalities as much as \$996,000 in taxes annually.

¹⁷ These transfer taxes would be a one-time revenue source for these communities.

¹⁸ Based on a weighted average wine and spirits tax rate of 4.68 percent as calculated by John Dunham and Associates, New York, 2011.

known as *regression analysis* to try to separate these influences from each other. This technique can be used to determine the importance of licensing restrictions on not only the number of stores, but also on their size in terms of both sales and employment.

An analysis of the available data and controlling for a number of factors including prices, education and income levels, and supermarket grocery store sales, shows that indeed the size of liquor outlets could become larger if a change were made to make licensing provisions less restrictive. Based on this analysis, the average store selling beverage alcohol would sell about \$33,180 more product than would be the case without the licensing change and the average number of workers per store would increase from 5.2 to about 5.3 full-time equivalents. Considering that there are about 1,730 off-premise beverage alcohol retailers in New Jersey, this would imply an increase in sales of about \$57.4 million and an increase in liquor retail employment of just over 192 full-time equivalent jobs paying over \$7.6 million in wages. Considering that the average per store employment across the grocers, supermarket and package store sectors in New Jersey is about 12.38 full-time people, this would imply a total of 15.5 new stores.¹⁹

Table 4
Economic Effect on Licensing Changes in New Jersey

Direct		Supplier	Induced	Total
Jobs	192	37	49	278
Wages	\$ 7,602,488	\$ 2,386,295	\$ 2,643,213	\$12,631,996
Economic Impact	\$17,814,782	\$ 6,749,814	\$ 7,922,455	\$32,487,050
Business and Employment Taxes				\$ 3,613,316
Excise and Sales Tax Revenues				\$ 6,704,484
License Transfer Fees				\$ 364,615

Under these assumptions a total of almost 280 additional full-time equivalent jobs could be created. The additional economic activity in the state would be almost \$32.5 million. In addition to this direct impact, the change will create work in New Jersey for about 37 people in firms that supply goods and services used in the operation of the supermarkets. These include people working in industries like accounting, real estate services and maintenance. These people will receive about \$2.4 million in wages.

Finally, the re-spending of the \$5.0 million in wages received by the direct and supplier employees of the supermarket on goods and services produced in New Jersey will generate an additional \$7.9 million in “induced” economic activity in the state. This will create almost 50 more full-time equivalent jobs.

All told, the proposed legislation will generate about 278 full time equivalent jobs paying \$12.6 million in wages. The store will generate a total of \$32.5 million in economic activity annually – excluding the retail sales themselves.

¹⁹ This could be new licenses for supermarkets or grocers or package stores or could simply be an expansion of sales in existing establishments.

In addition to providing jobs, the supermarket and the people whose jobs are created by its opening will pay the state and municipalities as much as \$3.6 million in taxes annually. This is in addition to an estimated \$364,600 in transfer taxes that would accrue to the municipalities where supermarkets purchase licenses from existing package stores.

Finally, the increased retail sales of beverage alcohol products (most likely wine and spirits) will generate additional excise taxes sales tax revenues for New Jersey. It is estimated that the additional \$57.4 million in sales forecast in this analysis will generate \$2.7 million in excise and \$4.0 million in sales taxes annually for the Garden State.

This analysis is based on the experience of other states with both supermarket sales of beer, wine and spirits, and a non-restrictive licensing system which may not perfectly apply to the market in New Jersey but can be used as an estimate.

While it Does Increase Competition and Benefit Consumers, Enhanced Grocery Store Sales of Beverage Alcohol Products Will Not Substantially Impact Small Liquor Retailers:

To the layperson, it seems to make little sense that four gasoline stations would locate on the four corners of an intersection, or that branches of 5 different banks would locate on the same block of a street, but this is a common occurrence. This tendency toward locational clustering of retail outlets has been documented by economists since at least the beginning of the twentieth century.²⁰

The concept of clustering is extremely important when examining the effect of a large retailer on a specific marketplace. For example, there has been much debate about the effect of so-called “Big Box” retailers on local communities. Those arguing against the placement of these retailers in communities argue that there is a fixed amount of retail sales, and the establishment of a new competitor will only reduce sales in existing establishments. This concept has been disproven in the academic literature. For example, studies examining data from the 1990s found that while much of the productivity growth in the retail sector has come from large national chains, smaller firms with higher cost structures can compete successfully in the same market and large big-box stores and smaller service focused retailers can co-exist.²¹

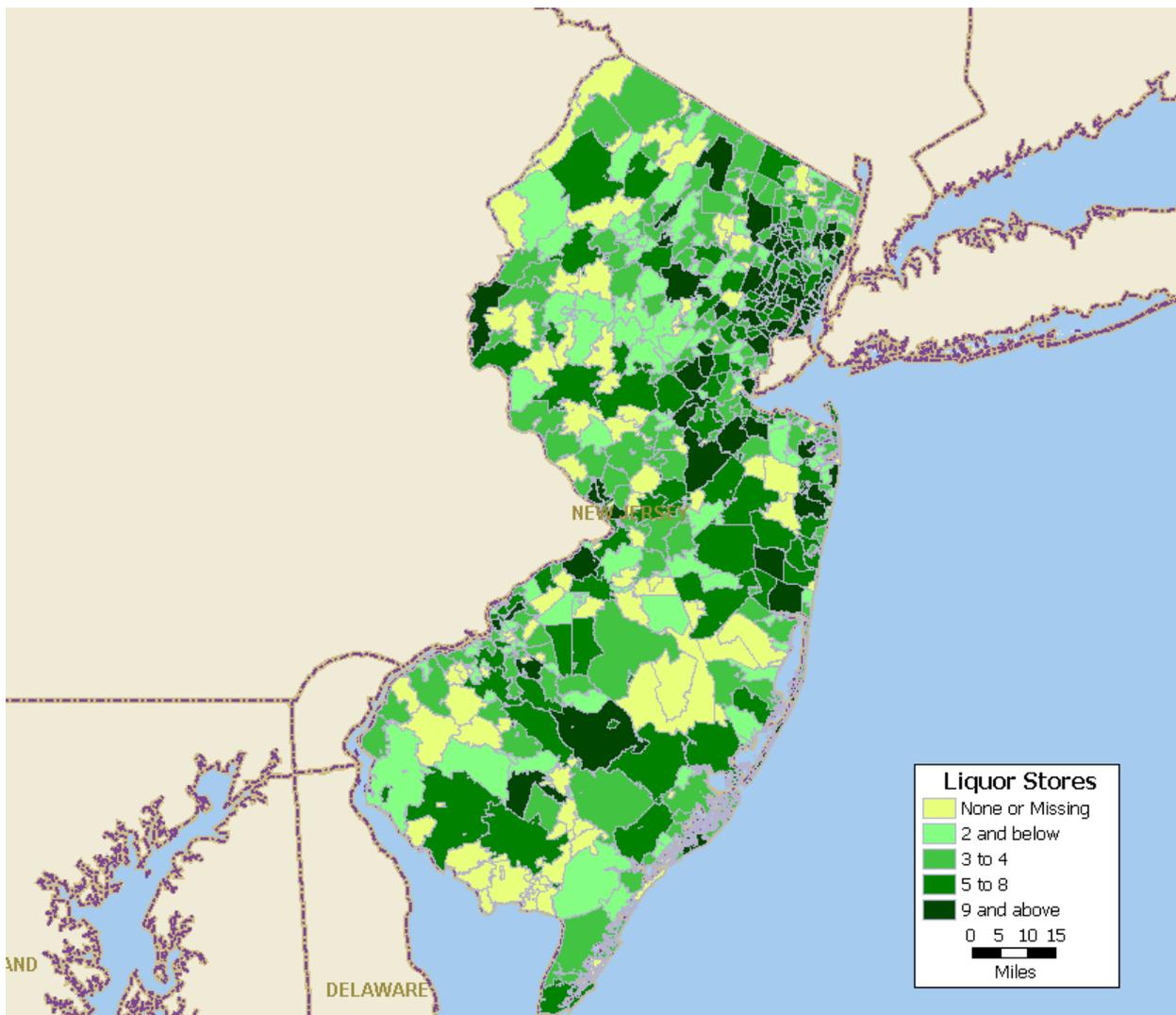
²⁰ British academic Stephen Brown described the rule of ‘retail compatibility,’ which explains how retail businesses, and especially convenience-retail businesses, know that two compatible firms in close proximity will show an increase in business volume directly proportionate to the incidence of consumer interchange between them. See: DeFranco, Laurence, William Lilley III, and John Dunham, *The Case of the Transient Taxpayer: How Tax-Driven Price Differentials for Commodity Goods Can Create Improbable Markets*, Business Economics, July 1998. This concept was confirmed by a study by Andrei Rogers who found that the clustered spatial pattern exhibited by consumer goods retailers appears to contradict a common hypothesis that these stores tend to repel one another Rogers, Andrei, *A Stochastic Analysis of the Spatial Clustering of Retail Establishments*, Journal of the American Statistical Association, December 1965.

²¹ See: Anderson, Chris K., et. al., *Competitive pricing with dynamic asymmetric price effects*, International Transactions in Operational Research, Vol 12, 2005 and Foster, Lucia, et. al., *Market Selection, Reallocation, And Restructuring In The U.S. Retail Trade Sector In The 1990s*, The Review of Economics and Statistics, November 2006.

Therefore, the academic literature suggests that the number and size of retailers that can sell beverage alcohol in an area will not necessarily lead to lost revenue or sales for any individual firm, but rather that the competitive environment of the retail licensees will determine which firms prosper over time.

Examining data from Dun & Bradstreet confirms the academic research. Based on these data, the number of licensed liquor stores operating in a particular area in New Jersey is related to a number of factors including transportation access, the level of population (and therefore available licenses) and the proximity to either New York or Pennsylvania rather than to the proximity to a supermarket that sells beverage alcohol products.

Figure 1
New Jersey Liquor Retailers by Zip Code²²



²² Since the data used to generate this analysis was gathered at the zip code level it is impossible to determine if a specific code had no stores, or was missing from the data set. Therefore, the zip code areas with no data are coded as zero establishments.

The map above shows the number of liquor stores in the state by zip code, with the darker areas representing more stores, and the lighter areas fewer stores. From this map, it is obvious that there is a wide distribution in the actual number of stores by area across the state reflecting the number of licenses available as well as a wide range of economic and demographic factors.

A more detailed examination of this same data shows similar results when drilling down into a region surrounding a supermarket with a liquor license. In the case of New Jersey, three major supermarkets sell beverage alcohol products to consumers.²³ The maps on the last page (Figures 2 and 3) show the number of beverage alcohol retailers by zip code in the areas surrounding each of these retailers.

In none of these three cases do “dead zones” exist around the supermarkets. In the case of Princeton, the large area with no liquor stores comprises the area surrounding Mercer County Park, a region that was historically rural and which does not have a large number of licenses assigned to it. In fact, when the areas around each of these supermarkets is compared with the 2000 Census population estimates of the same approximate regions it shows that the number of licensed businesses is either at or above the number that would be expected considering that the state only allows for one license for every 7,500 residents.

Table 5
Comparisons of Number of Licenses in Area Surrounding Stores

Store	Estimated Licenses Allowed	JDA Estimated Licenses in Area
Bergen Whole Foods	17	19
Princeton Wegmens	8	8
Ridgewood Stop & Shop	12	27

These figures differ due to different estimating techniques. The estimated number of licenses comes from an examination of 2010 Census data for those census tracts surrounding the three stores. The total 2000 population was divided by 7,500 to provide this estimate. It may not reflect the actual number of licenses available since these are determined by the population of specific municipalities. The JDA estimates of the number of licenses come from an examination of actual stores in the zip codes contained in a 5 mile circle surrounding the particular supermarket. Since zip code boundaries may overlap the 5 mile radius, and may include towns outside of the radius, the estimates are inexact.

Even though the estimates may differ, they all show that there is no shortage of package stores in the areas surrounding supermarkets that are licensed to sell beverage alcohol products.

²³ These are the Ridgewood Stop & Shop on 175 Franklin Avenue in Ridgewood, NJ, the Whole Foods at 300 Bergen Town Center in Paramus, NJ, and the Wegman’s located at 240 Nassau Park Boulevard in Princeton, NJ.

Figure 2
New Jersey Liquor Retailers by Zip Code (Ridgewood and Paramus)

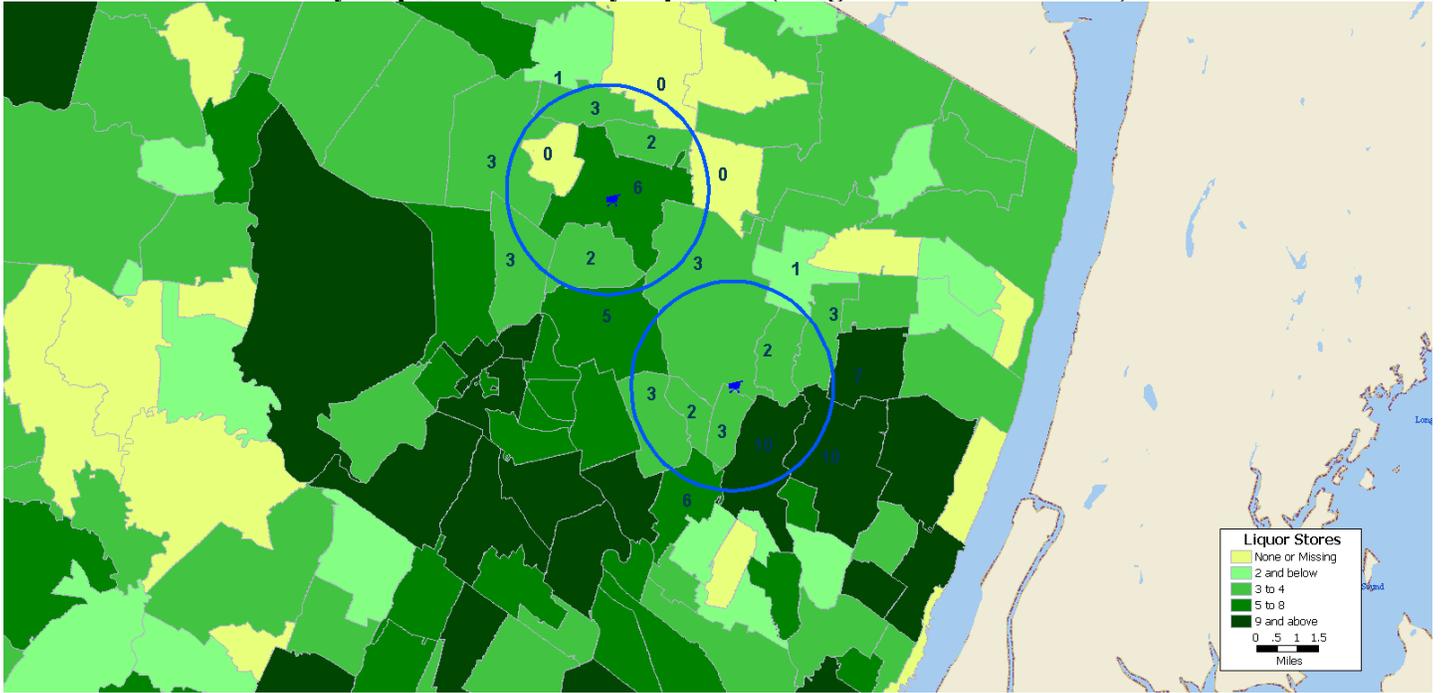
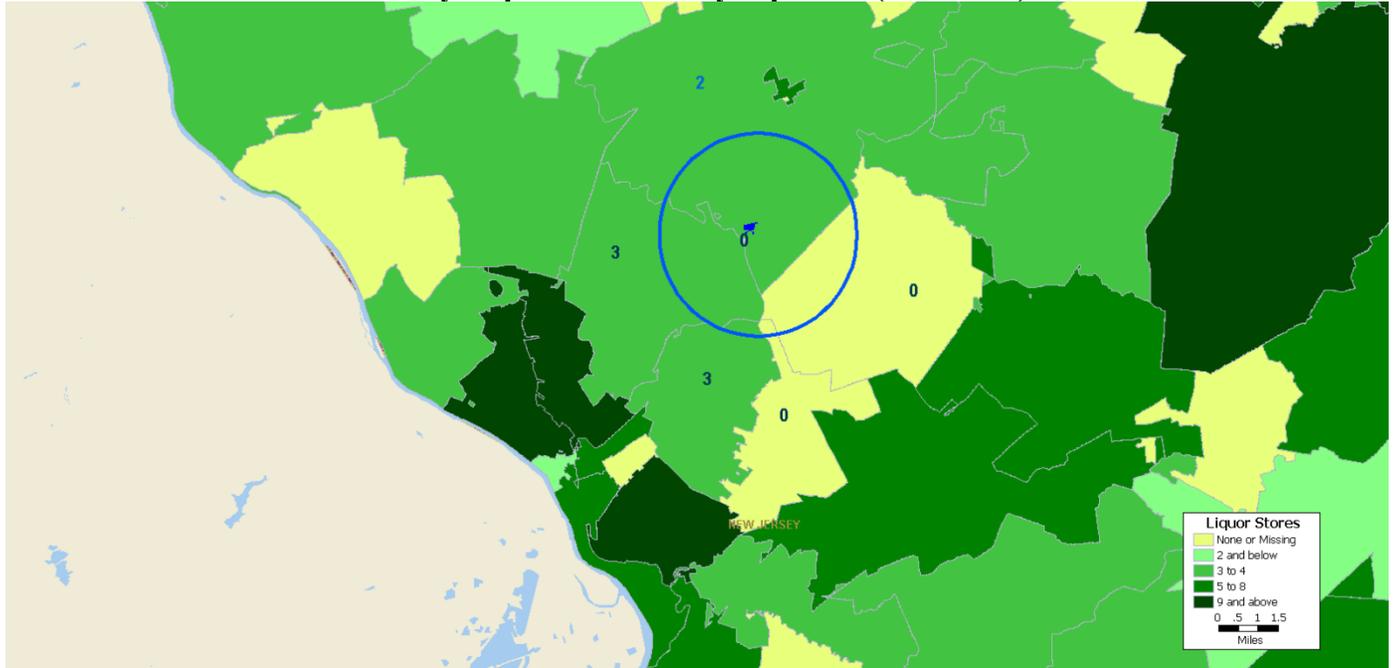


Figure 3
New Jersey Liquor Retailers by Zip Code (Princeton)

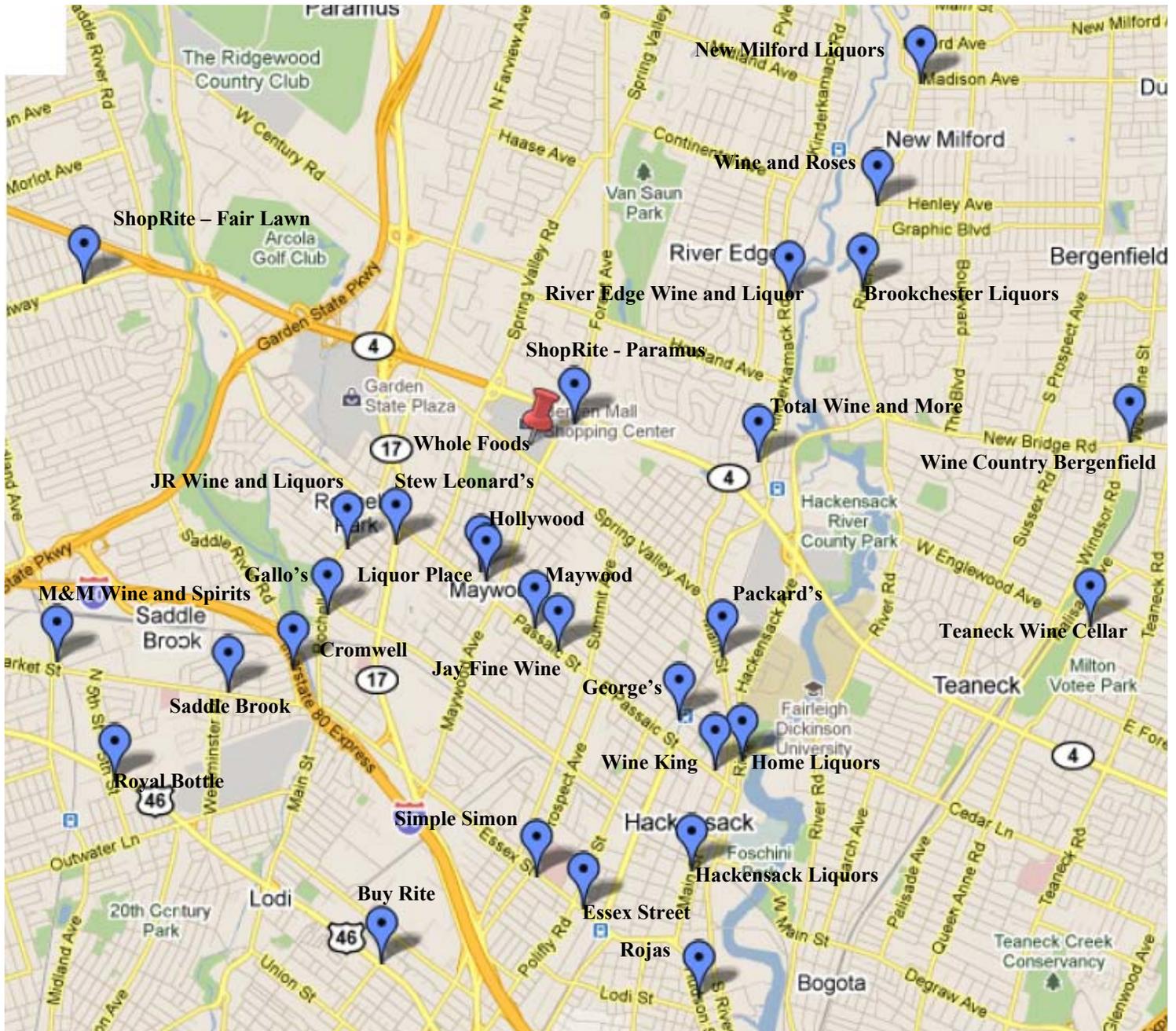


A.1 - Bergen Whole Foods

Supermarket Store with Liquor License	Package Good Store within 3 mile Radius	Distance from Supermarket to Package Good Store
Whole Foods, 300 Bergen Town Center, Paramus, NJ 07652		
	Hollywood Liquors, 40 West Pleasant Avenue, Maywood	.8 miles
	Liquor Place, 68 W Pleasant Ave # A, Maywood	.8 miles
	Stew Leonards Wine of Paramus, 396 Route 17 North, Paramus	1.0 miles
	Maywood Wine and Liquor, 117 East Passaic Street, Maywood	1.0 miles
	Jay Fine Wine and Liquor, 463 Passaic Street, Hackensack	1.1 miles
	Total Wine and More, 135 Kinderkamack Road, River Edge	1.1 miles
	JR Wine and Liquors, 332 Rochelle Avenue, Rochelle Park	1.2 miles
	River Edge Wine and Liquors, 504 Kinderkamack Road, River Edge	1.3 miles
	Gallo's Health Mart and Liquor, 192 Rochelle Avenue, Rochelle Park, NJ	1.4 miles
	Packard's Fine Wine and Spirits, 600 Main Street, Hackensack	1.4 miles
	George's Liquors, 130 Anderson Street, Hackensack	1.6 miles
	Brookchester Liquors, 872 River Road, New Milford	1.7 miles
	Cromwell Liquors, 75 Saddle River Road, South Hackensack	1.8 miles
	Wine and Roses, 710 River Road, New Milford	2.0 miles

	Wine King, 387 State St # 17, Hackensack	1.9 miles
	Home Liquors, 410 River Street, Hackensack	1.9 miles
	Saddle Brook Liquors, 195 Market St, Saddle Brook	2.1 miles
	Simple Simon Super Deli and Liquors, 337 Essex St, Hackensack	2.2 miles
	Hackensack Liquors, 159 Main Street, Hackensack, NJ	2.3 miles
	Essex St Liquors, 214 Essex St, Hackensack	2.4 miles
	New Milfod Liquors, 401 River Road, New Milford	2.5 miles
	M&M Wine and Spirits, 21 Midland Ave, Elmwood Park	2.7 miles
	Buy Rite Liquors, 183 US Highway 46 W, Lodi	2.8 miles
	Royal Bottle Discount Liquors, 220 5th St, Saddle Brook	2.8 miles
	Wine Country, 89 New Bridge Road, Bergenfield	2.9 miles
	Teaneck Wine Cellar, 166 West Englewood Ave, Teaneck	2.9 miles
	Rojas Wines and Liquors, 139 Hudson St, Hackensack	2.9 miles
Other Supermarkets with Liquor Licenses	ShopRite Liquors of Paramus, 224 E State Rt 4, Paramus	.1 miles
	ShopRite Liquors of Fair Lawn, 38-16 Broadway, Fair Lawn	2.3 miles

Liquor Stores within 3 Miles of Dgti gp'Whole Foods



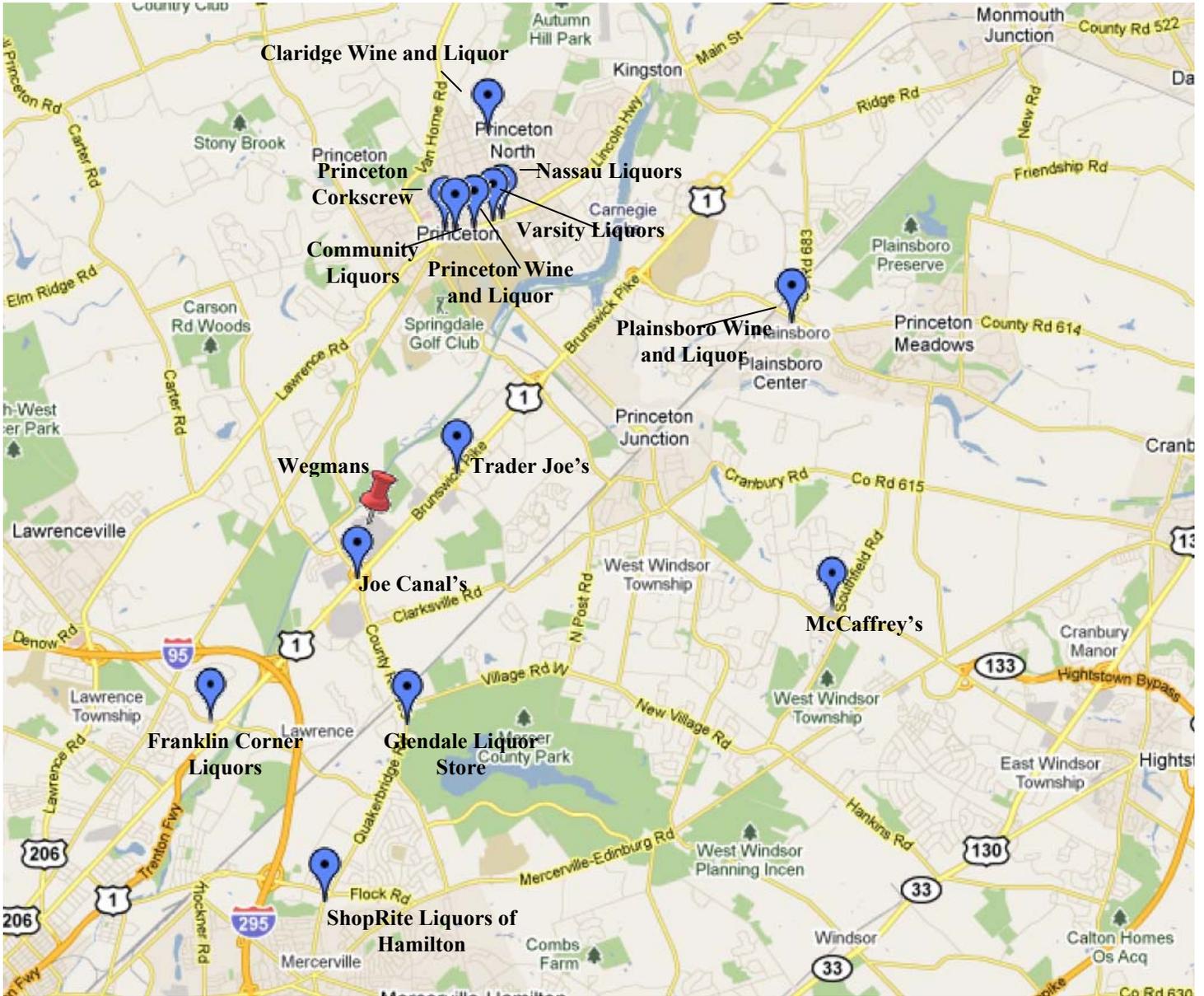
Notes:

1. Map and spreadsheet prepared by New Jersey Food Council based on Google.com search in support of June 3, 2011 report by Orzechowski and Walker

A.2 – Princeton Wegmans

Liquor Stores within 5 miles of Wegmans

Supermarket Store with Liquor License	Package Good Store within 5 mile Radius	Distance from Supermarket to Package Good Store
Wegmans, 240 Nassau Park Blvd. Princeton	Joe Canal's, 3375 US 1, Lawrence Twp Glendale Liquor Store, 4040 Quakerbridge Rd, Mercerville	.7 miles
	Trader Joe's, 3528 US Highway 1 Princeton Franklin Corner Liquors, 175 Franklin Corner Rd, Lawrence	2.1 miles 2.5 miles 2.7 miles
	Community Liquors, 23 Witherspoon St, Princeton	3.2 miles
	Princeton Corkscrew, 49 Hulfish St, Princeton	3.3 miles
	Princeton Wine and Liquor, 174 Nassau St, Princeton	3.3 miles
	Varisty Liquors, 234 Nassau St, Princeton	3.4 miles
	Nassau Liquors, 264 Nassau St, Princeton	3.5 miles
	ShopRite Liquors of Hamilton, 3161 Quakerbridge Rd, Hamilton	4.0 miles
	Claridge Wine and Liquor, 301 N. Harrison St, Princeton	4.2 miles
	Plainsboro Wine and Liquor, 10 Schalks Crossing Road, Plainsboro	4.7 miles
Other supermarkets with Liquor License in Area	McCaffrey's, 335 Princeton Hightstown Rd, Princeton Jct.	4.9 miles

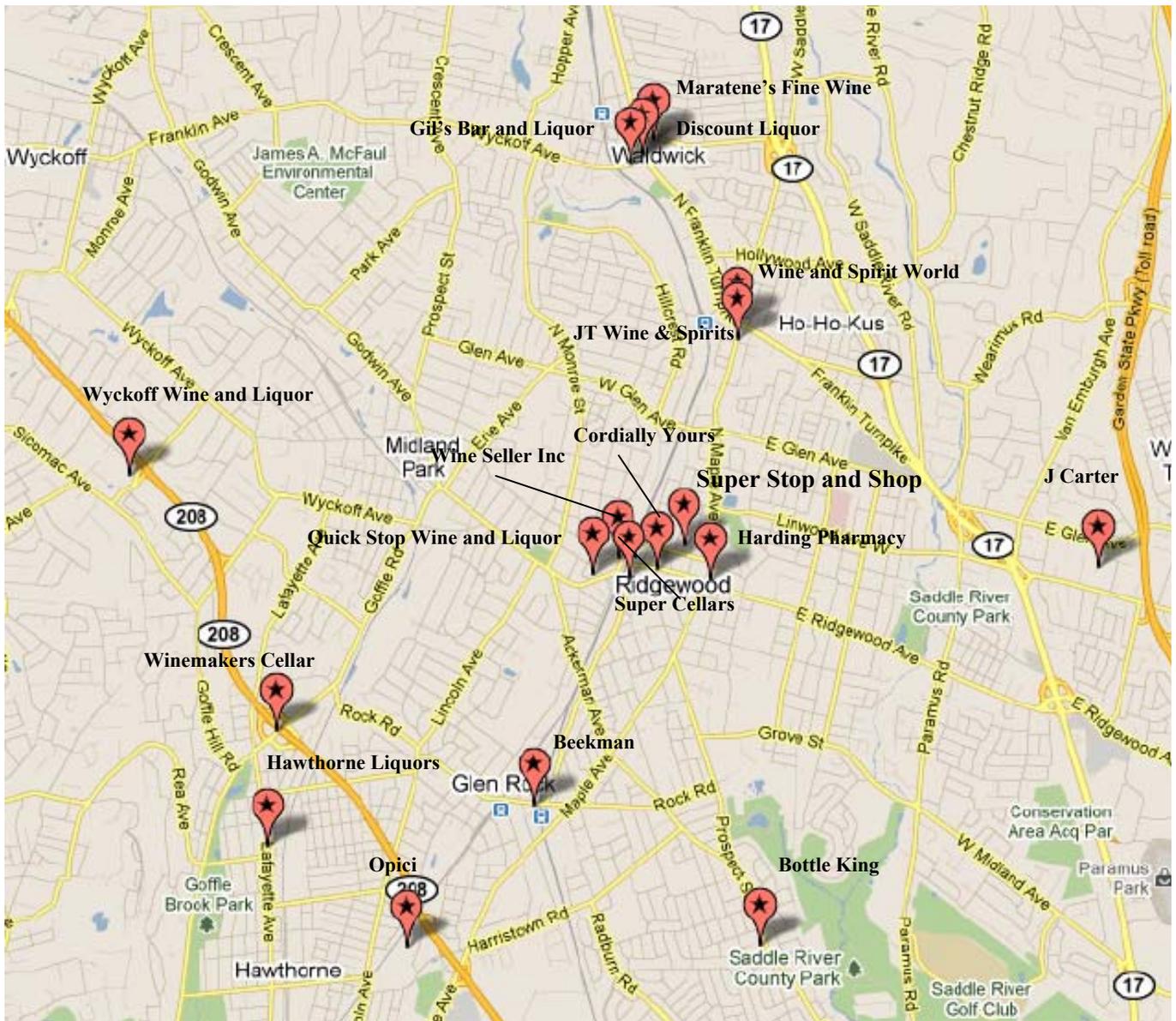


Notes:

1. Map and spreadsheet prepared by New Jersey Food Council based on Google.com search in support of June 3, 2011 report by Orzechowski and Walker

A.3 - Ridgewood Stop and Shop

Liquor Stores within 3 miles of Stop and Shop - Ridgewood



Store Name	Address	Distance to S&S
Cordially Yours	6 Van Neste Sq Ridgewood, NJ 07450-4403	.2m
Harding Pharmacy & Liquor	305 East Ridgewood Avenue Ridgewood, NJ 07450-3301	.2m
Super Cellars-Patrick & Sons	32 South Broad Street Ridgewood, NJ 07450	.3m
Wine Seller Inc	6 West Ridgewood Avenue Ridgewood, NJ 07450-3117	.3m
Quick Stop Wine & Liquors	83 Godwin Avenue Ridgewood, NJ 07450	.5m
Wine & Spirit World of Hohokus	626 North Maple Avenue Ho-Ho-Kus, NJ 07423-1548	1.1m
J T Wine & Spirits	607 North Maple Avenue Ho-Ho-Kus, NJ 07423-1535	1.1m
Beekman Wines & Liquor	246 Rock Road Glen Rock, NJ 07452-1709	1.5m
Gil's Bar & Liquor	23 Wyckoff Avenue Waldwick, NJ 07463-1719	1.9m
Discount Liquor	28 Franklin Tpke Waldwick, NJ 07463-1737	2.0m
J Carter Inc Wines & Spirits	70 Andrea Lane Washington Twp, NJ 07676-5102	2.1m
Bottle King Liquors	924 Prospect Street Glen Rock, NJ 07452-3727	2.1m
Maratene's Fine Wine	18 A East Prospect Street Waldwick, NJ 07463	2.1m
The Winemakers Cellar	1050 Goffle Road Hawthorne, NJ 07506	2.2m
Opici Wine Group	25 De Boer Drive Glen Rock, NJ 07452-3301	2.5m
Hawthorne Liquors	610 Lafayette Avenue Hawthorne, NJ 07506-2420	2.6m
Wyckoff Wines & Liquors	525 Cedar Hill Ave # 8 Wyckoff, NJ 07481-2154	2.8m

Notes:

1. Map and spreadsheet prepared by New Jersey Food Council based on Google.com search in support of June 3, 2011 report by Orzechowski and Walker

Orzechowski and Walker (O&W) is an economic and policy research and analysis firm based in Arlington, VA. O&W specialize in clear and concise analysis of legislative and regulatory issues at the federal, state, and local level. O&W have worked with a variety of business, public policy, public relations, and tax organizations, including *Fortune* 500 companies and major trade associations.

William P. Orzechowski, Ph.D.

Dr. Orzechowski is a partner at Orzechowski and Walker (O&W), specializing in economic analysis. Prior to founding O&W in 1999, Dr. Orzechowski was chief economist with the Tobacco Institute. From 1983-1988, Dr. Orzechowski was Director for Federal Budget Policy at the U.S. Chamber of Commerce. Dr. Orzechowski is also a former President of the National Association of Business Economists – Capitol Chapter.

Dr. Orzechowski has held a variety of academic positions as well, most recently as Professor of Economics at George Mason University (1980-1983). He holds a Ph.D. in economics from Virginia Tech, an M.A. in economics from the University of Missouri, and a B.A. in economics from Park College in Parkville, MO.

Dr. Orzechowski is the author of several academic journal articles; his work has also appeared in the popular press.

Robert C. Walker

Mr. Walker is a partner at Orzechowski and Walker, where he researches and analyzes tax, budget, and other policy issues at the local, state, and federal level. Before forming Orzechowski and Walker in 1999, Mr. Walker was the Director of Issues Management for the Tobacco Institute (1995-1998), where he coordinated the Public Affairs Division's efforts on tax, economics, and regulatory issues. Mr. Walker was also heavily involved in grassroots efforts and coalition work with industry allies.

Mr. Walker has a Juris Masters degree from the George Mason University School of Law. He earned his A.B. in Latin American Studies from Vanderbilt University. Mr. Walker is an adjunct scholar with the National Taxpayers Union.

John Dunham



John Dunham is the President of John Dunham and Associates, an economic consulting firm based in New York City. John specializes in the economics public policy issues and controversial products and has conducted literally hundreds of studies on the effects of excise taxes and regulations. He is a regular commentator on U.S. economic conditions.

Prior to starting his own firm, John was the senior U.S. economist with Philip Morris, the nation's largest consumer products company. In that capacity, John produced research and information on key issues facing all of its lines of business, including tobacco, beer and food products. Prior to Philip Morris, John was a senior economist for various state and local government agencies, including the New York City Mayor's Office, the New York City Comptroller's Office, and the Port Authority of New York and New Jersey where he conducted the economic impact analysis of the World Trade Center.

John received his M.A. in economics from the New School for Social Research and his MBA from Columbia University. He is a member of the American Economics Association and the National Association of Business Economists. His research has been published in a number of refereed journals including Economic Inquiry.

John is also an Adjunct Professor of Economics at St. Francis College.

Originally from Colorado, John now lives in Brooklyn Heights with his wife Alison, a published writer, and their two cats.