



## FACT SHEET

### Distributors' role in the three-tier system

#### Overview

- Alcohol beverage distributors play a key role in the three-tier system, making this regulatory system accountable and transparent.
- As the middle tier in the three-tier system, distributors separate manufacturers and retailers to ensure that manufacturers do not exert undue influence on the retail sale of alcohol. The three-tier system is the best and only viable way to meet the public's expectations for limiting access to and use of alcohol.
- Minnesota has 76 beer, wine and liquor distributors, all of which are family-owned businesses.

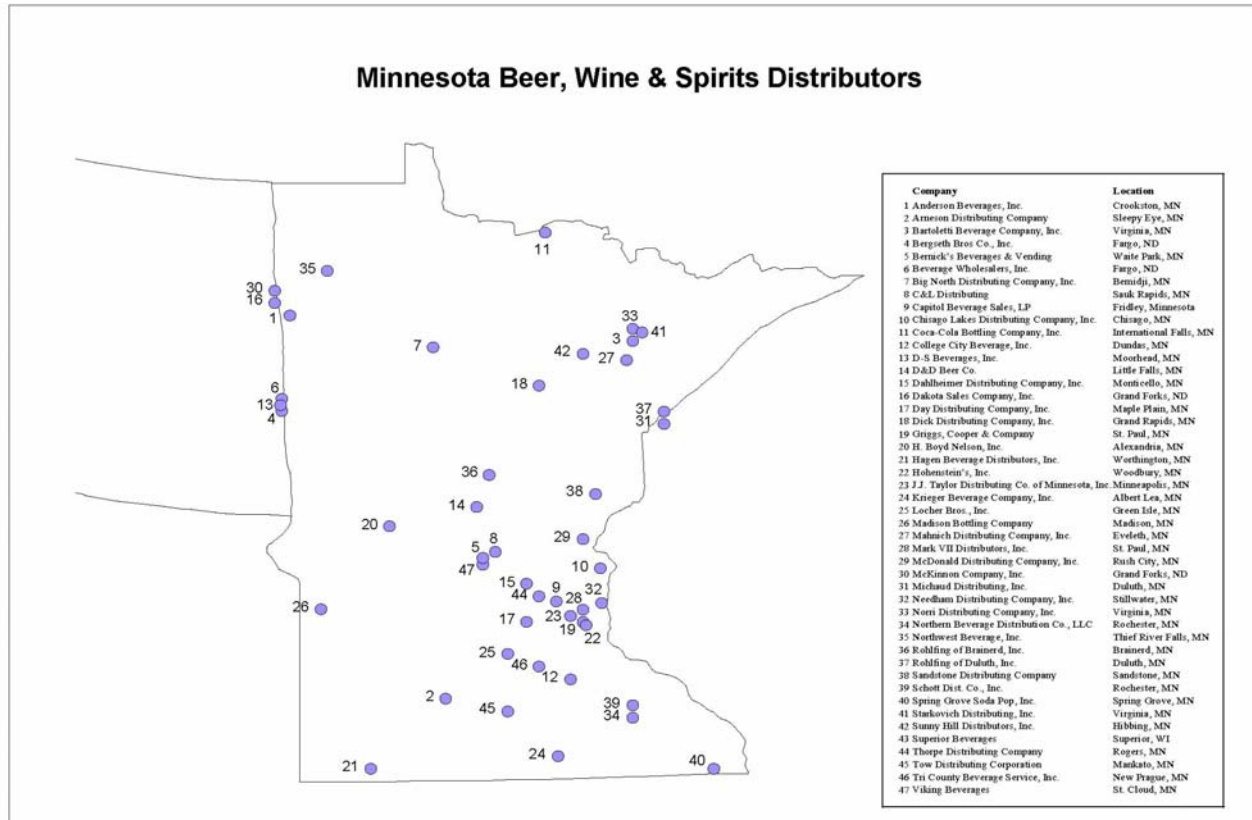
#### Value of distributors

- Distributors serve several important functions, including:
  - Providing products to licensed retailers only
  - Helping provide a wide selection of products from manufacturers of all sizes
  - Delivering and rotating stock to ensure that only the freshest, highest quality products are sold to consumers
  - Marketing, advertising, and record-keeping for the products they carry
  - Educating retailers and servers about the products they carry
  - Protecting retailers from excessive manufacturer influence
- Because retailers work directly with distributors – not manufacturers – retailers are not pressured by manufacturers' desire to sell their products. This puts manufacturers of all sizes on a more level playing field, because large manufacturers cannot control the marketplace. In turn, there is healthy competition among the manufacturers, helping ensure that consumers have a broad choice of affordable products, and that smaller manufacturers remain in business.
- As distributors work closely with a variety of retailers, they best understand customer demographics and buying habits in their local markets. They use this firsthand knowledge to help manufacturers and retailers market products and meet customers' needs.
- Distributors help reduce the number of transactions between retailers and manufacturers. With fewer transactions – therefore fewer computer systems communicating together – there is more efficiency in record-keeping and product tracking across the industry.

- Without distributors and the three-tier system, alcohol beverage manufacturers could be in a position to exert excessive influence over retailers. There would also be less innovation in the market and fewer product varieties available to consumers.

### Distributors' economic impact

- The state's 76 distributors, which are independently owned and operated, have a significant economic impact across Minnesota – through jobs, support of small businesses, and an expanded tax base.



- The beer industry as a whole employed more than 39,200 Minnesotans, paid more than \$1 billion in wages, and made nearly \$3.5 billion in total economic impact on Minnesota in 2006.

### For more information

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