

Becoming a Direct Shipping Success March 2010

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A Winning Formula

- Be strategic
- Protect against underage sales
- Be efficient
- Be energetic
- Know the market

Be Strategic

- In general:
 - Too expensive to get shipping licenses in every state that allows shipping,
 - **BUT**, fewer restrictions for wines purchased on-site.
- Think carefully about:
 - What states make good business sense to have shipping rights?
 - Will there be a reasonable opportunity for me to recoup my investment after licensing, taxes, fees, etc.?
- WineAmerica is developing a website feature that will provide the tools to answer strategy questions managed by ShipCompliant.

Protect Against Underage Sales

■ **Affirmation of required age**

- “I am 21 Years of Age” checkbox with the WineAmerica Turnkey Underage Website Warning.
 - ❖ “WARNING! Minors providing false information when obtaining alcoholic beverages over the internet will face criminal prosecution and civil liability. Violators may be charged federally with wire and credit card fraud, and under multiple state laws prohibiting the attempted purchase or possession of alcohol by minors. Penalties include monetary fines, jail time, criminal probation, loss of driver's license and a criminal record that must be disclosed on job and college applications. Licensed sellers of alcohol (including wineries and retailers) who pay large fines and lose alcohol license privileges for sales to minors are entitled to sue the minor for compensation. All Internet customers must provide a credit card number and delivery address and can therefore be POSITIVELY identified to law enforcement. IF YOU'RE UNDER 21 -- DON'T RISK YOUR FUTURE!”

■ **Age Verification**

- WineAmerica members get a discount with IDology.

■ **Required language:** CONTAINS ALCOHOL: SIGNATURE OF PERSON AGE 21 OR OLDER REQUIRED FOR DELIVERY (some states have additional requirements).

Be Efficient

- Shipping can create a whirl of paper so efficiency is key to reducing costs.
- FedEx discounts for WineAmerica members offer significant savings.
- ShipCompliant and other WineAmerica supplier members offer valuable services that maintain this data and help with compliance.
- Take advantage of on-line record keeping, age verification and compliance tools.
- Keep a good database of shipments and be sure to include county in your data base.

Be Energetic

- Dedicating energy to DTC channel will increase chances for success
- Develop a sales plan (wine club, newsletters, marketing materials, etc.)
- Dedicate a staff member to managing direct to consumer sales.
 - Accountable for carrying out sales plan
 - Effective in tracking sales metrics
 - Ensure that loyal customers feel appreciated

WineAmerica Partners

■ FedEx

- Large shipping discounts on ground and air for WineAmerica members

■ ShipCompliant

- Provides compliance software for wineries, wine retailers and importers to comply with local and state wine and liquor regulations.

■ IDology

- Provides age verification on-line.

FedEx

- Specific shipping label supplied with information for all state requirements
- This package contains ALCOHOL. Adult signature required. Check ID. Recipient must be at least 21 years old. Do not deliver to an intoxicated person. No signature release, driver release or indirect delivery allowed.
- Discounts for WineAmerica members.
- Good controls and systems.
- Automated generation of wine shipping labels
- Careful delivery service

FedEx Discounts

- WineAmerica membership required
- Up to 50% off on Express
- Up to 22% off on Ground
- Up to 16% off on Home Delivery
- Proof of delivery fee is reduced by 53%

ShipCompliant

- Direct shipping management and compliance tools
- Soup to nuts assistance
 - Help identify states worth shipping to
 - Provide guidance through state licensing and approval process
 - Provide compliance support to ensure you stay in good standing
- WineAmerica members save 16% off list prices above \$150/month

IDology

- Age verification services
- Identity verification services
- Approved by a variety of states
- WineAmerica members save up to \$1,000/year on services.

Know the Market

- What are the market trends?
- What products are selling well?
- Who are you targeting/selling to and where is the market for those customers likely to go?
- WineAmerica has a feature on our website (members only) that shows Nielsen market data and explains the trends from various perspectives.

Federal On-Site Shipment Law

- Applies whenever FAA has in effect security restrictions on airline passengers;

Note: It is winery's responsibility to know if receiving state allows personal importation, and, if so, quantity permitted. Table of states available from WineAmerica.

FedEx's State Pairing guide also provides helpful information – <https://www.fedex.com/cgi-bin/wineShipping.cgi>

On-Site Conditions

1. Purchaser must be physically present at winery. Note: Winery should retain signed copy of credit card receipt, or have purchaser sign form for cash transactions;
2. Purchaser must provide winery with proof of age (preferably a government issued photo ID);
3. Shipping container must be marked to require adult signature. Note: If you are an approved wine shipper with FedEx, the carrier's specialized wine shipment label satisfies this requirement;
4. Wine is for personal use and not for resale (consumer responsibility);
5. Purchaser could have carried wine lawfully into state (or D.C.) to which wine was shipped.

Consumer Direct Recommended States

- **AK** No limits, no tax. Only certain zip codes allowed.
- **CA** Big state. Some hassle reporting. Only state sales tax required.
- **DC** Good consumer state. No paperwork or taxes.
- **FL** Consumer responsible for sales tax
- **GA**
- **IL**
- **MN**
- **MO**
- **NH**
- **NC**
- **OR** No Sales Tax
- **TX**
- **VA**
- **WA**
- **WI**

Difficult States

- Massachusetts – may change
- NY – Excessive complexity
- OH - Excessive complexity and costs. Local reporting. Brand Registration \$50.00.

Alaska

- Open state
- Any reasonable quantity
- Limited to certain Zip Codes
- FedEx has a list of acceptable zip codes

California

- Permit \$10 annually
- 2 cases per month
- Excise tax - \$0.20
- Use tax 7.25% (out-of-state with no nexus is exempt from local tax).
- \$500 excise tax security deposit (it will be refunded after 3 years if the shipper has a good record)

DC

- Open
- 1 Case per month
- No paperwork required

Florida

- State Type: Open
- Limits: None
- File monthly excise reports (\$2.25/gallon)
- Use Tax 6%— responsibility of consumer – but include statement to that effect.
- Contact Department of Business & Professional Regulation for how to file excise reports.

Georgia

- Permit \$50
- 12 cases per year
- Copies of Federal label approval & free brand registration
- Excise tax \$1.51 <14%; \$2.53 >14% monthly
- Sales tax 4% plus local. Monthly.

Illinois

- Up to 12 cases per year per consumer
- Out-of-State Winery Shipper's License
 - <250,000 gallons per yr. produced \$150
 - 250K to 500K - \$500
 - >500K - \$1,000
- Brand Registration and copies of label approvals required with license application.
- Bond required - \$1,000 minimum
- Excise tax \$1.39 per gallon
- Sales tax registration and payment required

Minnesota

- Two cases per year to a consumer
- No tax, license or reporting requirement at this time

Missouri

- Permit – no charge
- 2 cases per month
- Excise taxes paid yearly - \$0.42 per gallon
- No sales tax requirement

New Hampshire

- Permit – no fee
- 60 bottles per consumer (each <1 liter) per year
- Monthly report regardless of whether shipping
- 8% markup
- Reporting to localities also required with invoices
- Compliance monitored

North Carolina

- License required. No fee. Does not need to be renewed.
- 2 cases per month
- Must contract with wholesaler if ship $>1,000$ cs/yr. But don't really have to do business.
- Excise tax \$0.2634 per liter
- Brand registration
- Sales tax – county specific

Oregon

- Permit - \$50/yr.
- Minimum \$1,000 bond
- 2 cases per month
- Excise taxes, \$0.67 <14%, \$0.77 >14% to be paid monthly.
- Shipping label slightly different. “Do not deliver to intoxicated persons” in addition to age requirement.
- No sales tax

Texas

- Permit \$470 for 2 years including surcharges
- 9 gallons per month – 36 gallons yearly
- Must have Texas sales tax permit
- Excise tax \$0.204/gal <14%. \$0.408/gal >14% quarterly
- Sales tax \$6.25% monthly

Virginia

- Permit \$65 (one time \$65 application fee).
- 2 cases per month
- Report each month
- Excise tax \$0.40/liter monthly
- Sales tax 5% - monthly
- Some local tax requirements

Washington

- Permit \$100 + \$15 application fee +\$5 trade name
- Monthly reporting
- Excise (monthly) \$0.87 <14%; \$1.72 >14%
- Sales tax (monthly) 6.5%
- Additional local taxes
- Label includes intoxicated prohibition

Wisconsin

- Permit - \$200 2 years
- 12 cases per year
- Quarterly excise reporting. \$0.6605/l <14%;
\$0.1189/l >14%
- Yearly sales tax 5% plus local (county) & stadium
- Bond requirement \$1,000