Liquor Stores/Package Stores (Beer, Wine & Liquor Stores)

SIC: 5921-02  
NAICS: 445310  
Number of Businesses / Units: 44,557  

This industry comprises establishments primarily engaged in retailing packaged alcoholic beverages, such as ale, beer, wine, and liquor.

Rule Of Thumb

40 to 45 percent of annual sales plus inventory  
2 to 3 times SDE plus inventory  
2.5 to 3.5 times EBITDA  
3 times EBIT

Pricing Tips

"Location, rent, and payroll expense will be the first questions asked. Gross profit is right behind them. Be prepared."

"Number of active licenses in town. Size and appearance of stores compared to competition Lease Terms, renewal clauses, options to buy. Lottery Income."

"The general rule of thumb ranges from 40-50% depending on location, GPM, payroll expense, occupancy expense and the breakdown of beer, wine and liquor compared to sales."

"This type of business sells for higher multiples in states where they restrict the number of licenses per town, such as in Massachusetts. In these areas large stores with over $1 million in sales may sell for as much as 45% of sales or 4X SDE."

"A healthy liquor store with appropriate inventory should net 15% to 20% for the owner. The following items are critical for success. 1. Location. 2. Competition. 3. Inventory level. 4. Product mix. 5. Hours. 6. Familiarity with customers.” “The larger the cash flow, influences the multiple being utilized to price the business and ultimately influences the sell price. In addition, owner financing will aid in obtaining a higher multiple, with respect to the final sale price of the business. Owner operator stores, with less than $50–$60,000 cash flow tend to fall into the 1–1.5 times multiple, for a beginning asking price. $75,000–$100,000 net discretionary cash flow, where the owner works less than 25 hours per week, a seller can expect to see a 2 times multiple or more when the business sells.” “Other criteria needs to be considered, such as occupancy expense, gross profit, location etc.” "Liquor stores are highly desired by buyers—particularly if they include real estate. The more inventory, the greater the value. If a big box competitor
is already in place, and no new locations can open up, this is a positive if the store is making a profit.” “Careful attention must be paid to product mix. Sometimes smaller stores selling 6 packs & nips will be more profitable than high-volume stores pumping out 30 packs all day. Check for % of wine sales as fine wines sell at better margins. A near auction atmosphere exists in the northeastern U.S. where ‘new American’ buyers will pay premium prices.” “Competition in area, lease terms” “Location, product mix, profitability, lease, etc. have impact on asking price/value. Stores with over $1 million in sales and/or with real estate are more desirable.”

“Some buyers use 3–4 times monthly sales, and experienced buyers generally will use 1.5–2 times seller's discretionary earnings, contingent upon size of store, and years in business.”

“In Massachusetts, liquor stores are priced at 40%–50% of sales for stores doing over $750,000 in sales. Smaller stores sell for 30%–35% of sales. Massachusetts commands higher prices because of the cap on licenses issued per town. If the business owner is selling the real estate he may also get a higher multiple for the business.”

“Liquor stores will often sell for a price equivalent to 6 months' worth of sales.”

“1 to 2 times adjusted EBITDA + liquor license + FFE + inventory = asking price.”

“You must consider location, occupancy expense, product mix, gross profit and payroll.”

“As always, watch for high lease rates as a percentage of sales. Overall lease rates in excess of 8% depress multiples and pricing, all other factors being equal.”

“Depending on fixed overhead expenses, to include the percentage of rent to gross sales, a formula of 3–5 times monthly sales will also be considered. Generally we take 3–5 of the formulas used and average them based on gross sales, cost of rent, current margins, and break even point for an owner operator, or investor.”

“I generally use 2–3 times SDC plus inventory plus any add-backs.”

“In general, liquor and convenience stores have been selling for prices equal to 6 months' sales.”

“I use 2 times SDE plus inventory at cost. Often times the price is 1 times SDE if there has been a decline in sales.”

“Pay close attention to inventory amount, turns, owner operated or use of employees, rent cost as a percentage of gross sales, margins on gross sales. 25%–28% will be closer to a true value. These areas listed will create various ranges when they are higher or lower than good working averages. Inventory should allow for 9–10 turns per year. Occupancy cost/sales should be no more than 7%–8% using the above ratios and multipliers.”

“Is store high volume because of lower margins? What percentage of store is fine wine? Is this percentage growing? Are there any other package goods licenses available in town? What is the town's position on awarding malt beverage and beer licenses? Is store on right-hand side of road heading home?”

“7 to 9 months of sales plus inventory is a general rule of thumb for a liquor store.”

“Total Gross sales, minus all expenses, add back owner’s salary and any personal expenses paid for by the business=Seller's Discretionary Cash flow. Take that figure and start with a 2 multiple for a small store and increase in .25 increments for strong lease, increasing sales, high wine sales.”

**Expert Ratings**

**Competition : 3.00 (1=Lot of : 4= Not Much)**

**Amount of Risk : 2.00 (1=Lot of : 4= Not Much)**

**Historical Profit Trend : 2.60 (1=Lot of : 4= Not Much)**

**Location & Facilities : 2.60 (1=Lot of : 4= Not Much)**

**Marketability : 3.20 (1=Lot of : 4= Not Much)**
Experts Comments

"Inexperienced operators quickly realize the tight margins and long hours. Those without retail experience and or industry knowledge, should keep an industry consultant close by. Stores with $2-3M revenue are highly in demand. Maryland is a three tier system allowing for individual ownership of licenses allowing for stiff competition. It appears in Maryland everyone wants to own a liquor store."

"Some states restrict the number of licenses per town, and in those states the licenses can be very valuable if the town does not have any more available."

"In most municipalities there are restrictions for opening new liquor stores. Additionally, liquor stores typically cannot be located within 1,000 feet of a school or church."

"Location is very important, for the businesses success. In addition, multiple locations, allowing for larger case quantity purchases, will provide a better pricing and profit model for an owner. Thus, a buyer should provide for ongoing working capital to operate the store in order to take advantage of quantity case pricing. This is important to the success and ongoing survival of the store, particularly if there is a large-volume store close by, which is viewed as a competitor. Margins are shrinking in the industry at both the retail and wholesale levels. Hence, many small stores are struggling to survive, due to their occupancy cost being high, in relation to both their sales and margins. The lower margins drive the cost of occupancy up, which cannot be adjusted, when the owner is locked into a specific lease period. Hence, we are seeing many small operators, at best, buying a job. When they get into the business, they overlook the need for additional working capital and potential negative cash flow for an extended period of time, when starting a store, from 'scratch'."

"Liquor stores with annual revenue of $1.5M and above are very much in demand."

"Liquor stores are controlled in that locations are limited. Any store must have $200,000 in inventory to be very successful and to take advantage of distributor discounts on large purchases."

"Liquor laws vary state to state and have a great bearing on competition, barrier to entry, marketability and profit trend. Colorado retailers, as an example, are facing legislative battles to stop grocery chains and convenience stores from selling full-strength beer and wine. Distributors are pressuring for changes to how sales tax is collected. Government in general is looking for ways to increase revenue through taxation changes. Conversely, liquor stores are perceived as recession resistant and therefore popular targets of acquisition. The public is more focused on a good shopping experience in stores. Customer service, presentation and cleanliness matter more now than ever before. SBA lending is difficult to find even for profitable stores."

"Recession-proof business. Location and selection and price say it all."

"Ease of Replication—In most cases, creating a new liquor store is very hard. Unless someone has a license or can obtain an existing one, it is impossible to open a liquor store. Competition, for this reason, is not a major factor. Since the competitive set is already in place, potential buyers already know who they are up against."

"Wine stores have a higher percentage of gross profit margin. Growing stores with great leases tend to sell for more money."

Benchmark Data

<table>
<thead>
<tr>
<th>Statistics (Beer, Wine &amp; Liquor Stores)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Establishments</td>
<td>44,557</td>
</tr>
<tr>
<td>Average Profit Margin</td>
<td>8.1%</td>
</tr>
<tr>
<td>Revenue per Employee</td>
<td>$278,100</td>
</tr>
<tr>
<td>Average Number of Employees</td>
<td>3.8%</td>
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<tr>
<td>Average Wages per Employee</td>
<td>$18,034</td>
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**Products and Services Segmentation**

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
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</thead>
<tbody>
<tr>
<td>Liquor</td>
<td>21.1%</td>
</tr>
<tr>
<td>Wine</td>
<td>20.5%</td>
</tr>
<tr>
<td>Food</td>
<td>18.7%</td>
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<tr>
<td>Beer</td>
<td>17%</td>
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<tr>
<td>Other</td>
<td>9.9%</td>
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<tr>
<td>Tobacco products</td>
<td>7.3%</td>
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<tr>
<td>Soft drinks</td>
<td>5.5%</td>
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</table>

**Major Market Segmentation**

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumers aged 21 to 30</td>
<td>30.0%</td>
</tr>
<tr>
<td>Consumers aged 31 to 40</td>
<td>25.0%</td>
</tr>
<tr>
<td>Consumers aged 41 to 50</td>
<td>20.0%</td>
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<tr>
<td>Consumers aged 51 to 60</td>
<td>15.0%</td>
</tr>
<tr>
<td>Consumers aged 61 and over</td>
<td>10.0%</td>
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</tbody>
</table>

**Industry Costs**

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit</td>
<td>8.1%</td>
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<tr>
<td>Wages</td>
<td>6.6%</td>
</tr>
<tr>
<td>Purchases</td>
<td>69.2%</td>
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<tr>
<td>Depreciation</td>
<td>0.3%</td>
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<tr>
<td>Marketing</td>
<td>0.5%</td>
</tr>
<tr>
<td>Rent &amp; Utilities</td>
<td>9.6%</td>
</tr>
<tr>
<td>Other</td>
<td>5.7%</td>
</tr>
</tbody>
</table>

Source: IBISWorld, May 2013

**Percent of total Sales Tendered by Liquor Stores**

Spirits and Liquors -- 40%

Beer -- 30%

Groceries, Cigarettes, Cigars -- 25%
*Typical employee expense is still 7% of revenue. This does not include owner compensation. Occupancy expense has been historically 3-6%, but I am seeing rents above that in shopping centers (7-8.2%). In order to show profitability with higher rent expense you must have gross profit upwards of 25% and revenue of upwards of $2M.*

*Typical net from a liquor store is 10-15% for a working owner. Rent and margins can greatly affect this figure though.*

*Profit should be 15% to 20% for a $1.0 million store or above. This assumes 7 days a week operation, open until 11:00 p.m. six days a week, inventory level of $250,000, surveillance cameras, drug and background checks for employees, extensive selection of wine and liquor with reasonable selection of wines.*

*Product Costs should not exceed 80%, based on purchase, or sales volume. Smaller locations should keep product costs no more then 72-75%. Occupancy costs Are very critical to the operation, As well as the location.*

*Gross Profit 25-30%, occupancy expense 306%, payroll not to exceed 7%, wine sales making up of at least 40% of revenue and stores between 5-10,000 square feet.*

*Gross profit of 25% or more, employee costs of 8%–12% as a percentage of sales, POS/Inventory system in place, and appropriate mix of beer, wine and spirits, and margins reflective of the mix.*

*$250 per square foot annually*

*20 to 25% gross income, stores that sale more beer profit % lower, stores that sale more wine profit % higher.*

*Good rule of thumb for operating expenses, in addition to rent, should not exceed $1,000. Margins for South Carolina should not be any lower than 20%. Rent, ideally, should not exceed 7% of annual gross sales.*

*Must be able to generate at least a 35% gross margin.*

*Gross profit should be between 23% and 28% and provide a minimum of $1 million in annual revenue.*

*$300,000–$500,000 per year gross sales, for a 1800–2400 square foot space.*

*Gross margins of 24% or better, overall occupancy costs of 6%–8%, good mix of beer, wine and liquor sales.*

*Successful stores are showing a GPM of 25% or better. Those stores are typically focusing on wine sales where margins are higher.*

*Stores selling high volume in smaller quantities, i.e., 6-packs, 100 ml, wine, nips etc. will have much better GP than ‘30-pack stores.’ Beware of stores that stock only 1 to show and 1 to go —probably haven’t got the cash flow to buy best deal.*

*Occupancy costs must remain within 7% for a successful operation.*

*Benchmarks: Location to populated neighborhoods, gross margins of 25% or better. 1–2 part time employees, owner operator, unless 3 units are owned by same owner.*

*Must have a rental amount less than 7% of gross sales to make money*

*Rent expense between 3–6 percent of revenue, payroll 7 percent or less not including owner, SDE typically 10 percent of gross sales,*

*Gross margins should be between 22%–28%. Higher wine sales will push the margins to the 28% range.*

*Gross margins should be at least 35%. Facility lease should be no more than 7%. Payroll expenses should be no more than 10%.*

*Sales per sf should be at least $25 per sf per month. Occupancy costs higher than 8% will decrease the value of the business, as this is one of the main cost components analyzed when valuing a liquor store.*

*Blended margins can be confusing without understanding product mix and demographics. POS systems [Point of Sale] a real pain with constant price changes but discourages employee theft.*
"Business usually requires owner-operator to work in store for best results."

"Rental must be below 7% of gross."

"Know your marketplace—selling higher margin product like wine and beer area will tie up too much cash and not help the profits of the business."

"Normal product mix in sales is 60% liquor and 40% wine."

"Turn inventory 9 to 10 times a year."

"Typically a store with normal margins needs to do $1 million + to sustain 6-figure earnings. Smaller stores need to do more business in higher margin goods like 6-packs, singles, nips, wine and high-end liquor to sustain a livable wage."

"3,500 sq. ft., ample parking, easy in and out, free-standing building, prefer basement and/or extra storage, some food items, buying co-op with regular ads, pricing"

"The typical store grosses about $350,000/year. Overall gross profit margins in liquor stores generally are between 21 to 24 percent, the exceptions being very large (over $1,000,000/year) discount stores that operate on lower margins—and wine specialty stores."

**Expenses as a Percentage of Annual Sales**

Cost Of Goods: 65 to 80%

Payroll: 08% to 12%

Occupancy: 05% to 10%

Profit (pretax): 10% to 15%

"It depends on the area but more chains and supermarkets will start to carry liquor and the small independent stores will likely go out of business or sell their licenses."

Trend continues to have a positive outlook. In rough times customers still buy beer wine and liquor."

"SDE is typically around 10% of sales but this can vary based on cost of goods sold and fixed expenses, such as rent. Stores that focus on wine typically have higher margins than those that sell mostly beer and liquor."

**General Information**

"Some seasonal holidays tend to bring sales up. January and Feb always slower months for this business."

"The trend is moving toward wine sales, where the gross profit margins are higher."

"I discourage buyers from buying liquor stores because they get caught up in a fantasy world and typically fail. Any new buyer must be prepared to add $50,000 to $100,000 in inventory to get a handle on the demand."

"Wine stores continue to attract a more affluent customer."

"Understand that typically in addition to what you pay for a store, you are going to have to buy an additional $50,000 to $100,000 of inventory to be competitive. Wine is more profitable. Beer is the least profitable."

"As the American business owner ages, new ethnicities are bringing their families in to run the stores."

"If gross sales under $500,000, you're buying a long-hour job"

"More common trend is to stock slower moving items with one to show, one to go, rather than buying big and holding inventory that doesn't turn."

"Stores with annual sales of $1,000,000 or more are most desirable; less than a million in revenues, you are only buying a job."
"Buyers want lottery sales in states where available."

"As an investor one should strive to own 3 locations and/or maintain total gross sales of $500,00–$1 million in order to experience a cash flow of $50,000–$100,000."

"In Massachusetts and other states which highly regulate licenses, you need to find out whether there are any other full liquor or beer and wine licenses available in the town. If there are, it diminishes the value of the store. Sellers also typically want to know what their license is valued at. Typically the license is sold with the other assets of the business and valued based on yearly revenues and Seller's discretionary earnings figures."

"Be wary of liquor stores on the public market. Good stores rarely make the marketplace as they are usually sold within the 'network.' If it did not sell in the 'network,' be extra cautious."

"Long hours if sales are less than $500,000 annually"

"If the capital is available, one might want to purchase 1 store and operate it, for 3–6 months, and then purchase 2 more stores; thus running 3 stores. The advantages would provide for less in-store working hours; increasing margins, by buying specials when offered by distributors; and benefiting from ordering in case quantities that also provide for additional discounts."

"Owning a liquor store requires special talents in managing inventory. No more sitting on cases of profit in the cellar. Move it out fast! Careful for underage and intoxicated buyers."

"Stores with sales of over $750,000 are very much in demand and sell quickly."

"There is a high failure rate due to people having high and unrealistic expectations. Those that are successful are heavily capitalized. Having the Lottery is very important to bring in traffic."

"Low margins, but a good business for a family. Look for locations where fine wine sales can be expanded."

"Look for stores that have quick turns on inventory. Profit in the cellar by means of whisky bought years ago at great prices not sign of modern merchandising. Store MUST have multiple profit centers."

"Takes a while to transfer a liquor license with all the background checks required today. Might be desirable to have an appraisal done on the value of the business prior to purchasing same. The proof is in the expenses."

"Owning the real estate can be a huge advantage in controlling occupancy cost."

"Small profitable stores are very desirable in our market. It is very common for older, established stores to be put out of business by new developments in the immediate trade area. Site selection is crucial."

**IRS Audit Techniques on Inventory**

The following are some questions regarding inventory from the Guide mentioned below. (This is an excellent IRS publication on liquor stores.)

- Verify that the method of inventory valuation conforms to a prescribed method.
- Compare inventory balances with prior and subsequent year returns and the taxpayer's books.
- Check for unauthorized changes from cost to cost or market.
- Check for gross percentage variations.
- Check notes to financial statements of independent auditors.
- Insure year-end purchases are included in ending inventory.
- Determine if there have been any inventory write-downs to below cost.

The above is excerpted from an IRS Audit Technique Guide *(Market Segment Specialization Program -- MSSAP)*. They are an excellent source of information and are available at [www.bookstore.gpo.gov](http://www.bookstore.gpo.gov) (search IRS -- IRS Audit Technique Guides)

**Advantages**
• “Cash, recession proof (to an extent) and generally there will always be a market for alcoholic beverages.” “Low risk and fairly steady business” “Hard to open a new store from scratch. Easy to maintain control of inventory with computer programs.”

• “Most annual revenues are in excess of $1 million and that attracts buyers.”

“It is normally a neighborhood business. It is a people business where you interact with the public and become friendly over time. It is a clear business where everything arrives in cartons. With adequate working capital, distributors will offer wonderful discounts. If you fail, distributors will buy back your unopened inventory.”

• “Perceived to be recession proof. Fun business if you’re into wine and people”

• “Nothing gets thrown away. No training needed for employees.”

• “Highly recession proof. Good long-term investment.”

• “Cash to credit card sales are still fairly balanced; lower labor and equipment costs; more recession-proof than other business.”

• “Generally lower employment needs than other hospitality businesses. Fewer equipment needs and less R&M than other hospitality businesses. Generally shorter hours of operation. Not complicated to run particularly with a good inventory system in place.”

• “It is a cash business. It is a fun business where you get to know your customers by first name. The more inventory you stock, the better the deals you receive from distributors. You also please more customers.”

• “Poor economy, people will stay home and drink.”

• “Hours: for a retail business, Monday–Saturday—9:00 or 10:00 a.m. to 7:00 p.m. Owner can work 40 hours per week and part-time employee 20 hours per week, thus reducing and minimizing labor cost. Total hours of operation are 60 hours. Hours controlled by the State of South Carolina. Inexpensive license to purchase. Transfer and purchase of license can all be accomplished in 2–3 days.”

• “Many people say ‘People tend to drink during good times and bad.’ Probably true, but do they switch from top shelf to low margin brands to save money? Many do!”

• “The cash nature of the business and recession-proof element continue to make these businesses high-demand establishments. Also inventory control systems are quite affordable and should be used to reduce the risk of theft.”

• “Once you are in, it’s very hard for new competition to come in and put you out of business.”

• “Ease of operation; high barrier to entry; easy to control inventory; distribution very regulated.”

• “Easy to control inventories. Computerized tracking and inventory ordering possible.”

Disadvantages

“Long hours, tight gross profit margins and quality of employees.”

“Long Hours, frequently 7 days per week. Problems with ABC Control board for violations. Lawsuits always possible if not careful. Theft from bad employees.”

“Most are seven-day operations with long hours.”

“You must watch your employees very carefully since it is a cash business and you can be stolen blind. There are also many opportunities for the inventory to walk out the door. You can possibly be robbed at gunpoint. The hours are long and grueling.”

• “Potential competition, that has a large operation, purchases in large quantities and offers pricing of their products, that make it difficult for a small store to sustain itself. Thus, one must have ample startup and/or working capital to stock a new location, or have the funds available to purchase a going concern; plus the funds to purchase the goodwill and FF&E (furniture, fixtures & equipment), for the existing operation.”

• “Generally heavy competition and tight gross profit”

• “Employee theft and pilferage, i.e., inventory control. Occupancy costs rising beyond sales growth.”

• “Cost of entry, can be somewhat high, for inventory investment. Average store doing $350–$400,000 in retail gross sales will generally inventory, at cost, $50,000–$70,000 in product. Very competitive business, with low margins and definite need to have additional working capital to afford case buying, to take advantage of additional percentage discounts. Volume will dictate your return on investment, for the case quantity purchases and desired inventory turns. Very difficult to make an attractive income as a non-owner-operator business, unless one owns multiple stores. In South Carolina you can have 3 licensed locations in one owner’s name.”


- "Labor intensive. An owner typically must work 50-60 hours per week to make enough of a profit out of the business. If an owner is absentee they are subject to theft by employees, and other issues."
- "Increasing competitive pressures from grocery, convenience, drug stores and big box stores. Changing liquor laws provide operator uncertainty."
- "You must invest very heavily in inventory. You cannot afford to have a customer leave empty handed. There is a great deal of employee theft if you are not present all the time."
- "Must be owner-operator if only one store involved, due to low margins and limited gross sales from a location. Cost of inventory to begin operation can be high, usually $50,000–$60,000 for a store generating $350,000–$450,000 per year, in order to have the necessary variety and to take advantage of the discounts available for case purchasing."
- "If the owner is not present, there can be extensive employee theft. Owner can feel like a prisoner due to long hours. Heavy investment in inventory is necessary for success."
- "Low profit margins, need to build multiple profit centers. Prices for stores climbing as demand remains high. Requires relatively large inventories to be tied up to properly stock a good store."
- "The business is very sensitive to lease rates. High level of cash and inventory increase the risk of theft a business owner is susceptible to. Costco and other discount alcohol retailers offer product at more competitive prices."
- "Currently margins are very low. What you purchase for a dollar you are only making around 20 cents on. To do a decent volume of business, you need in excess of 3000 sq/ft which costs good money to rent. Biggest disadvantage...LOW margins...HIGH expenses."
- "Pilferage and shrinkage. People tend to buy lower margin items during bad times."
- "The disadvantage of this business is the requirement for a good lease rate to compliment the expected profit margins. Any 'excess' rents charged by the landlords is a direct hit to potential profits."
- "Long hours, legal issues, high inventories, theft & pilferage. Price controls in some states. Long hours, legal issues, high inventories, theft & pilferage. Price controls in some states."
- "Disadvantage to the business is the high cash factor. The high cash factor exposes the business to potential employee theft if not properly managed."
- "Very little real growth."
- "Big box competition in beer & wine."
- "Usually 7 days and long hours; some areas require delivery."
- "Cash business; theft a problem for absentee owners."
- "Insurance costs, liability, local license restrictions, low profit margins especially on beer, robbery, under-age customers."

**Industry Trend**

"Despite the moderate pace of the economic recovery, the spirits industry continued to grow in volume and dollars," said Eric Schmidt, director of research at Technomic. "Spirits was actually the fastest-growing segment of adult beverage in 2012, outpacing wine and beer, and we anticipate that trend continuing in 2013."

"The fastest-growing categories include vodka (5.8 percent), American straight whiskey (5.2 percent), and tequila (3.8 percent). Vodka increased its share to account for one-third of total spirits volume and remain the largest category, while the smallest, Irish whiskey, once again posted a double-digit gain (21.6 percent)."

"Sales of spirits in bars, restaurants and other on-premise locations increased in both dollars and volume. On-premise dollar sales grew faster than off-premise dollar sales, driven by consumers trading up and operators taking modest price increases."


"More supermarkets and discount stores, such as Costco, will obtain licenses to sell beer, wine and liquor. Smaller stores will sell their licenses to these larger stores or to multi-store owners."

"More liquor store owners owning multiple stores versus one store/one owner. Families and chain stores are aggressively purchasing liquor stores."
“The worse the economy gets, the better this business gets.”

“The market will remain to have high demand, primarily for stores with revenue of $1 million+.

“Liquor stores always remain one of the most desired businesses to own, and cities limit the amount available due to population census controls.”

“Liquor stores are the most popular businesses. Those with real estate are in great demand.”

**Seller Financing**

“7 to 10 years at 2 over prime.”

“Many stores can be bank financed but sometimes the seller will finance the inventory for 1 year.”

“5 years on business, 30 to 120 days on inventory”

- “I would suggest that the buyer pay 100% of the inventory cost plus put 50% down for the business. The seller can offer 6%, ten-year amortization with a three-year balloon.”

**Questions**

“What are your margins, what are is are product percentages (beer/wine/liquor), what are your lottery commissions, what is your rent, how many hours do you work, what is the competition in your area”

“How long in business. Any deliveries? Lottery yearly commission. Hours worked by seller or his family.”

“What is the: payroll, rent, category break-down, gross profit, how long is the lease term, any options, do they have three years of tax returns/P&L statements and current YTD information.”

“1. Have you ever been robbed? If so, how did it turn out? 2. Who is your competition, how far away are they located, how long have they been there and what should cause a person to buy from you rather than from your competition? 3. Who are your distributors and what type special deals do they offer? 4. How long has each employee been with you? 5. What percentage of your sales are liquor, wine and beer? 6. How much inventory do you have for liquor, wine and beer?”

“1. Lease terms and amount 2. Sales by year, for last 3 years 3. Margins and net profit. 4. Provide copies of all invoices and bank statements for a minimum of 2 years. 5. Will they be willing to owner finance a portion of the sale price. 6. Will they allow you to view the closing of the store each day, with regards to their bookkeeping, for 1–2 weeks. 7. Why are they selling the business. 8. What would they do to grow the business. 9. What 2 things do they not like about the business and how would they fix them, if they had the time and money. 10. How much time of a training period will the seller provide and would they be available, by phone, for additional support, up to one year, at an agreed upon day and time.”

“Has a big box competitor opened up in the last 12 months? Is one scheduled to open in the next 12 months? What is the mix of wine, hard liquor and beer?”

“Blend of merchandise sales by wine, liquor and beer and by size of units sold. Special deals they receive from distributors. Under the table labor and vendors. Is there a co-op to buy at best price?”

“Closest competition, term of lease, payroll cost, how computer system controls inventory and ordering. Do they work on margins or markup? How do store margins compare to any stores within 2–3 miles? How did they arrive at selling price? How would they grow the business, and how long will they provide training and distance for a covenant not to compete?”
"Is there an option on the property or is it owned by the seller? What competition is nearby? Are there any other licenses available in the town? Do you owe any back taxes or fees that would hold up the transfer of the liquor license?

"What are your sales tax numbers and are you current?"

"Lease rate, term, options, NNN cost, assignability, product mix percentages, margin overall and for each category, operating entity type, length of time in business, why selling, knowledge of competition, inventory control systems in place."

"Security/surveillance system in place? Theft/shrinkage."

"How often do you order from your distributors? What is your markup on beer, wine and liquor? What percentage of your sales are beer, wine, liquor and other?"

"How much income was derived from buying smart? Additional sources of revenue, if any and amount? Request copies of sales tax reports from state, to verify the numbers represented. How many suppliers are used and terms available if any? Has there been or is there any liquor store in the process of being opened in the area? What type of terms will the landlord provide, for a long-term lease with options? Does it justify being opened each day at 9:00 a.m. vs. 10:00 a.m. and what have the sales trends, by day, been during that extra hour? Obtain a certificate of good standing, from the state, relative to all taxes being paid and current, particularly the sales taxes. How does the buyer figure margins, markup, gross profit and/or product cost? Much confusion among individuals relative to this topic."

"What is the mix of sales—wine, beer, liquor, cigarettes, misc.? What is the closest that a new competitor can open a store? How frequently are you receiving deliveries from distributors?"

"Ask to review bank statements, sales tax reports and purchase invoices to confirm unreported cash sales."

"Rent, cost of goods sold, payroll, lottery commissions, inventory ordering, are they on POS?"

"Why are they selling? Days and hours they work? Margins? Payroll paid off books? Case vs. broken-case pricing and what percentage of business is broken-case purchases? Cost of broken-case purchasing? Is this cost calculated before or after establishing margin on product sold? Also, any taxes paid on product purchases and are they, too, calculated before calculating margins or added on after this formula?"

"How long in business. Length of lease, option to buy building. Recent competition in area."

"What is your product mix by beer, wine, liquor and by sizes? What percentage of sales are cigarettes? Does your accountant include lottery sales in gross revenues? Why is there so much dust on your bottles? Will the wholesaler take back the 12 cases of Turkish Raki that have been 'on sale' for 4 years?"

"What conditions are associated with this license?"

"Percentage of sales in the different categories; such as wine, beer, liquor and misc.?"

"Does the store cash checks? Does the store have lottery? Does the store sell fine wines? If so, it has higher margins. Is it a discount store? Does it sell lots of half- pints?"

**Online Only**

Liquor Licenses

Note: In many states, liquor licenses have a value, a significant one in some cases. The value exists because liquor licenses are limited, generally by population; so in order to acquire a license, an existing one must be purchased. In many states, the price of a license floats in a free market—supply and demand. The transfer process can be a complicated and lengthy one. There are firms that broker liquor licenses.

*Adams Fact Book: Beverage Alcohol State Facts and Regulations—Provides information on the rules and regulations regarding the distribution and sale ... of distilled spirits, wine and beer in all 50 states (and the District of Columbia).*
There is a company that claims that they deal nationally in liquor licenses both on-sale and off-sale. It is CSA-Compliance.com. Their Website is impressive.

Resources:

Associations:

• National Alcoholic Beverage Control Association - www.nabca.org