Benefits of Beer Franchise Laws
What are beer franchise laws?

The 21st Amendment to the U.S. Constitution gives states the primary responsibility to regulate alcohol. State franchise laws are a key component of state alcohol regulations; they address the relationship between beer suppliers and distributors.

Beer franchise laws provide balance and guidance for brewers and beer distributors.

**Beer franchise laws support:**

1. **Consumer Choice**  
   *Product Diversity*

2. **Brewer Access**  
   *Distributor Independence*

3. **Public Safeguards**  
   *Responsible Sales*

**Who Benefits?**

The **consumer benefits** because franchise laws support an independent system that generates tremendous choice in the marketplace.

The **brewer benefits** because they gain access to equipment and personnel provided by independent distributors, who deliver and sell beer to retailers across the country. Small brewers especially benefit because distributors are able to act independently and carry all brands.

The **public benefits** because franchise laws support the system that regulates and safeguards a unique product.
**Consumer Choice**  
**Product Diversity**

**Consumers see new products in the marketplace.** Beer franchise laws encourage independent distributors to invest in new brands, allowing new brewers with new products to enter the marketplace.

**Consumers have selection.** American consumers access a wide selection of beer brands through an open distribution network, unlike industries where the distribution network is closed. According to the Nielsen Company, there is more selection of alcohol than any other consumer product.

**Franchise laws promote consumer choice.** Beer franchise laws prohibit brewers from terminating distributors for taking on new brands. Beer franchise laws inhibit forced consolidation and termination without cause. Combined with three-tier requirements, franchise laws prohibit vertical integration of the brewing, distribution and retail tiers, preventing monopolies.
**Brewer Access**

**Distributor Independence**

New brewers have increased access to market. Independent distributors provide new brewers with access to any market they choose to enter. Intense competition exists between thousands of brands of all sizes, and new brewers enter the market every day.

**Investment is a key driver of brand growth.** Beer distributor investments are among the primary reasons why the craft beer market has expanded so dramatically.

- **Millions of dollars are invested** by distributors each year to create and expand the market for brewers.
- **Distributors provide resources** such as warehouses, equipment, trucks, a sales force, merchandising, advertising and promotions.

**Brewers can access retailers of all sizes.** Retailers have access to a wide selection of brands and fair distribution opportunities allowing them to compete on a level playing field with other retailers.

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**Breweries in the U.S.**

1980: <50  
Today: 3,700+
Public Safeguards

Responsible Sales

**Franchise laws ensure compliance with state alcohol laws.** Franchise laws prohibit a supplier from terminating a distributor because the distributor refuses to violate federal or state alcohol regulations such as selling to unlicensed retailers.

**Franchise laws promote responsible sales and marketing by industry participants.** Alcohol is by definition intoxicating. The state-based regulatory system provides a transparent and accountable chain of custody that protects consumers from alcohol-related problems experienced in other countries, including counterfeit or tainted alcohol.

**Franchise laws ensure all three tiers (brewers, distributors and retailers) operate independently.** This independence creates a transparent and accountable distribution system that protects consumers from abuses and counterfeit or adulterated product.

**Franchise laws support fair dealing between trading partners.** With franchise laws defining independent tiers, distributors are able to serve as buffers that insulate retailers from undue influence by brewers and, in turn, brewers from undue influence by retailers.
Facts About Franchise

• Beer franchise laws facilitate product diversity and consumer choice by encouraging distributors to invest capital and labor in the creation of new markets for new beers and the expansion of markets for existing products.
• Beer franchise laws, coupled with three-tier requirements, safeguard an open, accountable and transparent marketplace where brewers of all sizes can compete and access retailers of all sizes.
• Brand distribution rights can and do change frequently. Beer franchise laws allow for the transfer of brands between distributors.
• Beer franchise laws allow for distribution agreements to be terminated for cause.