

Quantity Discounts on Alcoholic Liquor Purchases by Class “E” Liquor License Holders

INTRODUCTION

The purpose of this bulletin is to provide industry members with guidance on the practice of offering a quantity discount for alcoholic liquor purchases by class “E” liquor license holders. This bulletin replaces Regulatory Bulletin No. B-2014-01 L issued November 1, 2014.

For the purposes of this bulletin, industry members are liquor manufacturers, native distillers, distiller’s certificate of compliance holders, and brokers.

DISCUSSION

What is a quantity discount?

A quantity discount is the practice by industry members of offering class “E” liquor license holders refunds, rebates, price reductions, or other instruments (i.e. promotional checks) for designated quantity purchases of alcoholic liquor.

The practice of offering quantity discounts is not prohibited per se by state or federal law or regulation. The legality of a particular industry member’s quantity discount program depends on the specific facts and circumstances under which it is being offered in the Iowa market area.

Best Practices

The Division recommends several best practices to industry members choosing to offer quantity discounts, including, but not limited to, the following:

- 1. A quantity discount must be uniformly offered to each individual class “E” liquor license holder in the market area.**
 - An industry member is prohibited from offering discounts to retailers which are not uniformly offered to all retailers in the market area. (185 Iowa Administrative Code § 16.10)
 - It is recommended that a quantity discount be proactively communicated by an industry member through a medium that ensures all retailers in the market area are aware of the quantity discount before the promotional period ends. An example of this type of medium is a website.
 - Because the Division delivers alcoholic liquor statewide, the “market area” is viewed as the entire state of Iowa for liquor manufacturers, native distillers, distiller’s certificate of compliance holders, and brokers.

2. **An industry member may not place conditions or restrictions on a class “E” liquor license holder who participates in a quantity discount offer, including, but not limited to, the following (Iowa Code § 123.45):**
 - Store placement of the alcoholic liquor;
 - Pricing of the alcoholic liquor;
 - Advertising of the alcoholic liquor;
 - Store placement of the merchandise;
 - Use of the merchandise as part of a product display, product demonstration, promotional giveaway, raffle, or contest.

3. **Have a strategy for the overall management of the quantity discount program.**
 - It is recommended that industry members be able to articulate the specifics of their quantity discount programs.
 - Industry members have the burden to demonstrate that the quantity discount programs are conducted in a manner that is in compliance with all applicable state and federal laws, rules, and regulations.
 - Industry members are reminded that records associated with a quantity discount program are required to be maintained and accessible for inspection by the Division. (IC § 123.33)

4. **Consider alternative methods for promotional offers on alcoholic liquor purchases.**

One alternative is a temporary price reduction (TPR). A TPR is a temporary reduction in the per-case price of a particular product. By offering a TPR, an industry member can ensure that a particular promotional offer is uniformly offered to each individual class “E” liquor license holder in the market area through the Division’s online purchasing portal.

VIOLATIONS

An industry member or a retailer who commits, permits, or assents to a quantity discount program that is found to be in violation of Iowa laws or rules may be subject to administrative sanctions, including, but not limited to, civil penalty, license/permit/certificate suspension, or license/permit/certificate revocation. (185 IAC § 16.105)

The Alcoholic Beverages Division was created to administer and enforce the laws of Iowa concerning beer, wine, and alcoholic liquor.

*This bulletin does not replace statutes, rules, or court decisions.
This bulletin should not be considered legal advice or a substitute for legal counsel.*