

# GLOSSARY OF U.S. MARKET TERMS

## Doing Business in the U.S. Wine & Spirits Industry

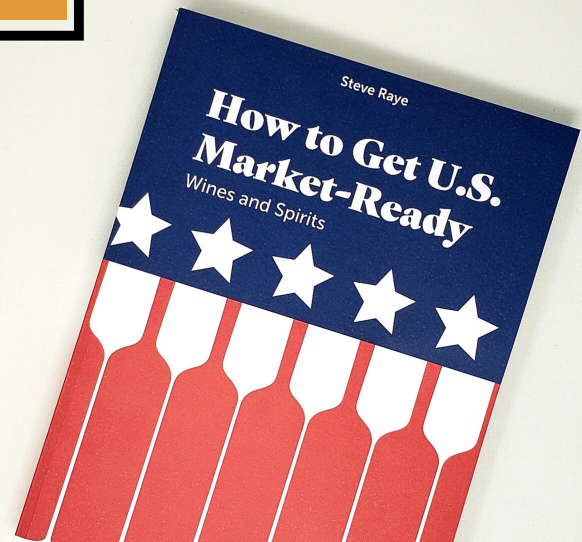
**ABV:** Alcohol by Volume

**ACV:** All commodity volume. The dollar value of stores in which a product has scanned in a geography divided by the dollar value of all the stores in that geography. Used as a measure of distribution in markets dominated by retail stores that scan UPC codes. So, for the U.S. wine and spirits industry, this applies to markets such as CA, but does not apply to states such as NY. It also does not include on-premise.

**Actual case:** A count of cases based on one carton or reshipper, which may have just 6 or 12, 750 ml bottles, vs. a "9L equivalent" case.

**Agency Brand:** Traditional import model in which the supplier sells the brand to an importer, who in turn takes full responsibility for logistics, storage, registration, marketing, promotion, PR, sales etc.

**Bailment Distribution:** Goods are shipped to a designated warehouse in a given state, but title and risk of loss are held by the importer or supplier not the state in which the warehouse resides. Bailment goods are not counted as a depletion or sale until the product moves out of bailment and into retail distribution.



**Basic Permit:** Federal (National) license issued by TTB (Tax & Trade Bureau) to import alcoholic beverages.

**BDI:** The brand development index measures the relative sales strength of a brand within a specific market.  $BDI = (\% \text{ of a Brand's total sales in a particular market}) / (\% \text{ of total population in a particular market}) \times 100$

**Call:** On-premise, when a brand is requested by consumers rather than the category, e.g. Patrón rather than Tequila.

**CBMA/CBMTRA:** Craft Beverage Modernization and Tax Reform Act. A significant tax credit program...the first such decrease in Federal wine and spirit taxes since the Civil War. Scheduled to expire at the end of 2020, however legislation is in development to make the excise tax reduction permanent.

**CDI:** Category Development Index is a measurement of how well a product or service category performs in a given market segment as compared to its performance in the total market as a whole. To determine CDI, a category's percentage sale in a specific market is divided by the total population percentage of that market and then multiplied by 100.

**Cellar Door Sales:** Direct-to-consumer sales by a domestic winery or distillery either at the production site itself or via e-commerce through dedicated clubs, newsletters or allocated inventory schemes. Cellar Door sales are not permitted for imported wines (yet) and regulations for direct spirit sales varies by state.

**COLA:** Certificate of Label Approval. Formal authorization from the TTB to commercially sell a specific sku.

**COLA Waiver:** Granted by the TTB for shipping samples into the U.S. that have not received a formal COLA.

**Control State:** Basically, a monopoly structure where the state functions as the wholesaler (Maine) and/or retailer (Pennsylvania and New Hampshire for both wines and spirits, Ohio for spirits only)

**CPG:** Consumer packaged goods. Generally recognized as referring to food and related products sold in grocery stores. Also called FMCG, a term which is not used much in the U.S.

**DA:** Depletion Allowance is a discount credit paid after a sale has occurred.

**Depletion:** Product sold from the distributor to a retail or on-premise customer.

**Distributor:** Synonymous with "wholesaler" but fundamentally different from an "importer." Distributor buys from an importer and resells to retail/off-premise in a given state. A distributor may also import, and an importer may also distribute, but they would operate the two entities as separate companies.

**DTC:** Direct-to-consumer. Sales to consumers from retail stores typically via e-commerce. Retail stores can ship interstate to only 14 states, however intra-state internet sales are permitted in some 30+ markets.

"If you don't know  
the vocabulary,  
you can't speak  
the language."

Steve  
Raye

**F/D/M:** Food, Drug, Mass Merchant. Includes supermarkets/grocery stores that sell wine and spirits.

**FDA:** Food and Drug Administration, a federal regulatory agency. Every winery and distillery exporting to the U.S. has to be registered with the FDA and have an FDA number. It's required information for the Prior Notice documentation needed to accompany shipments of samples.



<https://www.italianwinepodcast.com/2020/11/23/iwp-444-steve-raye-u-s-market-ready-americans-part-2/>

**FET:** Federal Excise Tax

**FOB:** Technically, Free on Board or Freight on Board. With imported products it describes the price of a product once it is "over the rail" on the international transport ship. Some/many distributors will call the price they buy the product from the importer for (which includes FET) as FOB as well.

**Franchise State:** Generally, describes a state where, once a wholesaler relationship is established, whether by a signed contract, one-time delivery of products or a series of sales to a wholesaler, a manufacturer or importer has limited ability to terminate the relationships. While there are situations where a wholesaler can be terminated, termed "good cause," often these are extremely narrowly defined. The net result is that once a distribution relationship is set up, the supplier is effectively locked in.

**Front-line Price:** The undiscounted price offered by a wholesaler to a retailer.

**FSA:** Floor stock adjustment. Discount applied to move aging inventory out of a retail store.

**Interstate:** Refers to activity **across** state lines.

**HHI:** Household Income, used in defining demographic groups.

**Intrastate:** Refers to activity **within** a given state.

**IP:** Intellectual Property

**KPI:** Key Performance Indicator, primary metric used to track performance against objectives.



**Landed Cost:** The total paid by the importer for receipt of goods at a destination warehouse, and includes the importer paying the Federal Excise Tax.

**Laid-In Cost:** The price charged to the distributor for receipt of goods from an importer. It typically includes interstate transfer costs, warehouse costs and state taxes.

**LDA:** Legal Drinking Age (in the U.S. it is 21.)

**Lockup:** The master brand image for the product which usually incorporates the brand name, key graphic image, colors and logo all together. It is a visual presentation and presentation of The Brand.

**Margin vs. Markup:** Markup is the percentage difference between the actual cost and the selling price, while margin is the percentage difference between the selling price and the profit.

**MIP:** Management Incentive Program

**MOU:** Memorandum of Understanding. A non-binding agreement as differentiated from a contract.

**MSRP/SRP:** Manufacturer's Suggested Retail Price. Usually rounded to end in \$XX.49, \$XX.99.

**OND:** October, November, December, aka Q4, 4Q



**OOH:** Out-of-home advertising which includes things like billboards, transit, digital signage and the like.

**PA:** Purchase Allowance, another discount scheme.

**Package Store:** Retail store that primarily sells wines and/or spirits.

**Price posting:** States require distributors to "post" or file prices with a state by a fixed deadline to be authorized to sell in that market the month following the posting due date. Examples include NY and CT.



**Private Label vs. Control Label:** Private-label is a store-owned brand name sold in a given store or chain, e.g. Trader Joe's "Charles Shaw" brand. Control label, also known as "exclusive label," is a brand name owned by the producer and sold exclusively to a given retailer or in a given geography.

**Proof:** Used to define alcohol content of distilled spirits. Equal to 2X the ABV. Reference is to the historical process of mixing alcohol and gunpowder. If it burned, it was proof the alcohol was above a minimum level.

**Proof Gallon:** Used for spirits only, not wine. A gallon of liquid at 60°F, which contains 50 percent by volume of ethyl alcohol having a specific gravity of 0.7939.

**Reshipper:** The cardboard outer carton for 6 or 12 pack cases.

**RIP:** Retailer Incentive Program (commonly used in New Jersey)

**ROI:** Return on Investment

**Service Importer:** Company that provides a limited set of services to an export producer. Commonly includes importation, logistics, freight consolidation, customs clearance and transport to storage warehouse. Service importers may have distribution licenses, however typically do not have sales personnel or trucks - but can subcontract those services.

**S/G/A:** Selling, general and administrative expenses.

**Shipment:** Product sold from supplier to Importer.

**SPA:** Special Purchase Allowance. Another sales discounting scheme.

**Specialty Store or Specialty Retailer:** Retail store that primarily sells wine and spirits. These are sometimes also referred to as "independent" stores, but that refers to the fact that they specialize in wine and spirits, as opposed to "chain" stores that sell other goods, such as F/D/M.

**Wholesaler:** See “Distributor”

**Wine Gallon:** 231 cubic inches (4 US liquid quarts or 8 US liquid pints) or about 3.785 L.

**Work-With:** When a representative of a supplier rides with a distributor salesperson on their daily route, calling on on- and off-premise accounts.

**WSWA:** Wine and Spirits Wholesalers of America



How to Get U.S. Market-Ready  
is available in both print and digital format at  
[www.GetUSMarketReady.com](http://www.GetUSMarketReady.com)



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