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New study finds Philly beverage tax costing supermarkets more than \$300,000 a month each

Saint Joseph's University study says layoffs are inevitable as shoppers flee to suburbs

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Philadelphia's new beverage tax is crushing local Philadelphia supermarkets, costing them each more than \$300,000 a month in lost sales as shoppers flee to the suburbs, a new study conducted by a Saint Joseph's University professor shows.

The study found that total beverage sales in five Philadelphia supermarkets dropped by more than \$80,000 each month, but the damage to Philadelphia supermarkets wasn't limited to cratering beverage sales.

The study found that Philadelphia families were fleeing city supermarkets subjected to the 1.5 cents per ounce tax, causing local supermarkets to lose entire shopping trips to the suburbs.

City supermarkets saw an unprecedented \$300,000 monthly drop-off in sales, and Dr. Stanton found that sales increased substantially in suburban grocery stores

The study was conducted by Dr. John L. Stanton, an internationally recognized expert in food marketing at the Department of Food Marketing of the Saint Joseph's University Haub School of Business. Dr. Stanton has consulted for many national food companies. The co-author of several books, he serves as editor of the Journal of Food Products Marketing and serves as contributing editor for Food Processing Magazine.

These steep losses, Dr. Stanton found, will almost certainly lead to continuing job losses in neighborhoods throughout the city as the supermarket industry is forced to endure painful and continuing cuts.

"The average monthly loss in sales per Philadelphia store of \$304,433 will lead to some reduction in labor force," Dr. Stanton wrote. "There is almost no scenario that would lead one to believe that the Philadelphia Beverage Tax will permit taxed supermarkets to maintain existing labor forces.

Furthermore, the drop in supermarket sales will negatively impact distributors and other channels of distribution companies serving those supermarkets. While the reduction in force may take a few months to reach an equilibrium level, a labor reduction seems inevitable.”

Already, Jeff Brown, who owns ShopRites and Fresh Grocers in food deserts across Philadelphia, has had to reduce hours of his unionized workforce equivalent to more than 200 full-time employees because of a steep drop-off in sales caused by the tax, which is applied to more than 3,000 beverages, including teas, sports drinks and diet and low-calorie options.

Dr. Stanton compared sales receipts of five Philadelphia supermarkets with four suburban supermarkets. He also compared sales in each store after the tax was imposed with trends before the tax was imposed.

Dr. Stanton found that the beverage tax came amid an already challenging time for the supermarket industry, which had been facing sales declines because of changing consumer patterns. The beverage tax doubled these losses in Philadelphia stores.

“This study confirms our worst fears and highlights the struggles supermarkets across the city have been facing every day this unfair tax has been imposed on them,” said Dave McCorkle, President Emeritus of the Pennsylvania Food Merchants Association. “At a time when food retailers were already confronting headwinds from online shopping and other changes in consumer behavior, this tax is dealing a death blow to an industry that provides access to groceries for families in low-income neighborhoods. Our elected officials need to recognize the existential threat this tax poses for an industry that employs thousands of Philadelphians in family-sustaining jobs.”

Dr. Stanton’s report corroborates a study released last month by the market research firm Catalina, which found that sales of beverages inside Philadelphia have plummeted since the tax was imposed in January.

“Philadelphians of all socio-economic levels are smart shoppers,” McCorkle said. “When faced with the regressive beverage tax on January 1, 2017 it seems that many price conscious shoppers simply took their business elsewhere.”

Dr. Stanton’s study was funded by the American Beverage Association. The association was not involved in the development of the methodology to the study and does not have access to Dr. Stanton’s raw data.

You can read a copy of the study attached to this email.

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The Ax the Philly Bev Tax Coalition is a partnership between Philadelphia families and businesses negatively impacted by the city’s new regressive beverage tax. For more information visit www.axthebevtax.com.