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Supermarkets and Convenience Stores Expand Alcohol Offerings with Standalone Liquor Stores

Grocery chains and convenience stores intensify competition by opening standalone liquor stores, challenging traditional off-sale businesses across the country.

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Supermarkets and convenience stores are increasingly expanding their presence in the beverage alcohol market. This trend includes the opening of standalone liquor stores, which intensifies competition across the country. Dustin Mitzel, CEO of Happy Harry's Bottle Shops in North Dakota, notes that the traditional off-sale business has evolved. He identifies new, well-funded competitors, including grocery and big-box retailers, as significant rivals. Grocery chains and some convenience stores have expanded their alcohol offerings through enhanced in-store selections, additional licenses, and new standalone liquor stores.

In North Dakota, Happy Harry's faces competition from regional grocers like Coborn's, Hugo's, and Family Fare, in addition to national chains like Walmart, Target, and Costco. Mitzel suggests that grocers are drawn to the high margins associated with alcohol sales. The COVID-19 pandemic also played a role, as consumers preferred fewer shopping stops, prompting grocery stores to increase their alcohol inventory.

Scott Scanlon, executive vice president of alcoholic beverages at Circana, highlights that standalone liquor stores allow supermarket companies to focus exclusively on beverage alcohol. This setup provides more space for a wider selection of products, such as ready-to-drink beverages, compared to traditional grocery stores. However, state, county, and municipal regulations affect the ability of supermarkets and convenience stores to sell alcohol. In some states, restrictions on selling spirits in groceries have led operators to find creative solutions.

In Minnesota, for example, groceries can only sell 3.2% ABV beer, but they can operate adjoining liquor stores with separate entrances. This model has gained popularity, with the number of grocery-owned liquor stores in the state tripling from 70 in 2007 to 223 by 2024. Chains like Coborn's, Cub Foods, Hy-Vee, Casey's, and Kwik Trip have embraced this approach.

Publix, based in Lakeland, Florida, has excelled in the standalone liquor store model, operating over 350 locations, primarily in Florida. State law prohibits the sale of full-strength spirits in groceries and convenience stores, but most Publix groceries offer beer and wine. Publix Liquors, launched in 2003, are often located next to a sibling grocery store for shopper convenience. Publix has expanded beyond Florida, opening a

liquor store in Louisville, Kentucky, featuring over 150 Bourbons.

Winn-Dixie, another southeastern grocer, operates liquor stores adjacent to its supermarkets in Florida. In Apoka, Florida, a glass wall separates the two businesses to increase customer awareness and drive traffic. A Belleview, Florida Winn-Dixie liquor store even offers drive-thru service. With Aldi's acquisition of Southeastern Grocers, the future of Winn-Dixie liquor stores is uncertain. Aldi sells private-label beers and wines but has not ventured into spirits sales in the U.S.

Southeastern Grocers opened a standalone liquor store in Jacksonville, Florida, four years ago, not adjacent to a supermarket. WD's Wine, Beer & Spirits offers a vast selection of wines, beers, and spirits, along with a beer cave, cigar humidor, and event seating area. Dewayne Rabon, chief merchandising officer at Southeastern Grocers, notes the positive response to this concept. Recent trends in beverage alcohol at Southeastern Grocers include the rise of ready-to-drink beverages and continued momentum for spirits like tequila, whiskey, and gin. While wine has faced challenges, there is a resurgence in consumer interest. In beer, imports, super-premiums, flavored malt beverages, and non-alcoholic brews are driving growth.

Midwestern supermarket chains are also investing in standalone liquor stores. Hy-Vee Inc., with nearly 300 grocery stores in eight states, launched Wall to Wall Wine & Spirits four years ago. These stores, ranging from 15,000 to 30,000 square feet, offer an eclectic selection of wine, spirits, and craft brews. They employ knowledgeable staff, including certified sommeliers, to assist customers. Features include wine tasting bars, temperature-controlled wine rooms, walk-in humidors, and single-barrel offerings. Customer feedback has been extremely positive, and Wall to Wall has become an exclusive destination for unique wines, beers, and spirits.

Coborn's Inc., based in Minnesota, operates several liquor store chains, including Coborn's Liquor and Cash Wise Liquor. The company has acquired small family-owned liquor store chains, such as Captain Jack's Liquor Land in North Dakota and Andy's Liquors in Minnesota. Other Midwestern grocers with dedicated liquor stores include Fareway, Hugo's Family Marketplace, and Cub Foods.

Major convenience store chains are also expanding their beverage alcohol offerings. Casey’s General Stores, based in Iowa, holds nearly 2,900 locations in 20 states and is the fourth-largest holder of liquor licenses in the country. Many Casey’s stores are in rural Midwestern markets, offering a wide variety of products, including spirits where legal. Casey’s has focused on beer in recent years and sees potential in standalone stores. Last year, the chain acquired Wow! Foodmart LLC, which includes four liquor stores in Kentucky.

Kwik Trip, based in Wisconsin, launched its Kwik Spirits liquor stores three years ago. With 31 locations in Wisconsin, Minnesota, and Iowa, most Kwik Spirits stores adjoin sister convenience stores, but some are standalone. In addition to alcohol, Kwik Spirits stores sell cigars and other tobacco products. Wallis Cos., a franchisee of the On the Run chain, operates Dirt Cheap liquor stores in Missouri.

Independent liquor store operators face increased competition from grocery and convenience stores. Barry Broudy, co-owner of Broudy’s Liquors in northeastern Florida, notes that when Publix opens a liquor store nearby, it impacts his business more than another independent store. In South Carolina, independent package stores have been somewhat protected from chain competition due to proactive efforts by the state’s liquor stores. Many are located in strip centers adjacent to grocery stores, making it difficult for grocers to open their own liquor stores.

Independent operators must work hard to differentiate themselves from larger chains. Lock Reddic, president of Green’s Beverages in Georgia and South Carolina, emphasizes the importance of staying informed about industry trends. Mitzel at Happy Harry’s visits other markets to identify new trends and adapt quickly. Broudy’s Liquors connects with customers through events like in-store tastings and cocktail demonstrations, which are less common at grocery-owned stores.

The expansion of beverage alcohol offerings by supermarkets and convenience stores is expected to continue. Barry Broudy notes that liquor has become an entire department for these retailers. Dewayne Rabon of Southeastern Grocers sees immense potential for the category at Winn-Dixie, with plans for exciting promotions and customer-focused innovations to solidify their position as a premier destination for adult beverages.