

## When the Pandemic Dust Settles, Your Liquor License Could Put You Ahead of the Game

Restaurants with liquor licenses can bank on 20-30% of their revenue coming from alcohol sales. When temporary outdoor dining ends, and capacities permanently decrease, an investment in a liquor license could be the difference between surviving and thriving in 2021.

The spread of COVID-19 in 2020 left many California restaurants on a rollercoaster ride of closing, opening with restrictions, closing again, and opening again. By December we had netted out with restaurants offering takeout, delivery, and hosting guests in temporary tents spilling into parking lots and walkways.

As we look to achieve a new, consistent normal, restaurants will need to revamp their operating budget to account for a drastic change in sales. [New research from Constant Contact](#) found that 44% of consumers in a survey said local restaurants, markets, or grocery stores are the first small businesses they will head to in the next six months. Even with a surge in demand, restaurants will serve guests in lower capacities than 2019 and outdoor dining will be limited to locations with permanent outdoor dining space.

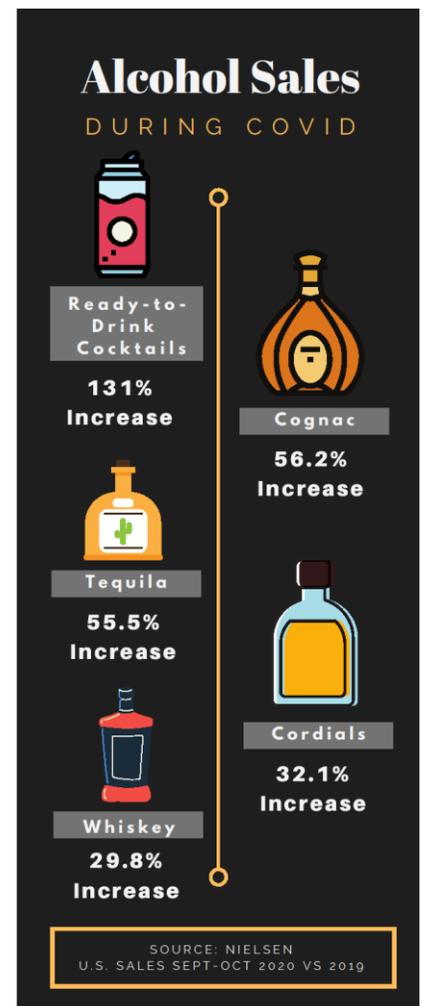
The only way for restaurants to increase their revenue in 2021 will be to provide unique offerings to customers and find new, high profit margin revenue streams. Enter alcohol.

### Curbside Opportunities

While consumer spending in dining out declined in 2020, alcohol sales have heavily spiked. For September and October 2020, off-premise spirits sales were up 26.3% compared to 2019, according to research firm [Nielsen](#). Ready-to-drink cocktails topped the charts with a 131% increase in sales, while cognac sales were up 56.2%, tequila sales were up 55.5%, cordials up 32.1%, and American whiskey up 29.8%.

Couple this increase in off-premise alcohol spending with a consumer expectation for curbside or in-restaurant pick-up to continue, and restaurants with a liquor license have the advantage. Respondents to the Constant Contact survey said they would like more creative offerings from restaurants in 2021, including 40% interested in dinner and movie packages, 14% in cooking classes, and 12% in wine tastings.

Replicate the in-restaurant dining experience by pairing craft cocktails or chilled champagne with a gourmet dinner. Or, make mixing at home fun with something like a Bloody Mary takeout kit – containing alcohol to serve 2-4 and individually packaged fixings. Even a simple beer and wine offering saves customers a trip to the store, or fees from a separate delivery order.



## Dine-in Opportunities

Alcohol provides a higher return on investment compared to food. If you factor in lower labor costs to make a drink, and the long shelf life of liquor, each drink is sold with a high profit margin. And when dining on premise, customers will often order more than one alcoholic beverage throughout the meal.

Restaurants with permanent outdoor dining space can make up for limited in-restaurant capacity by serving alcohol outside as well. Pairing signature drinks with menu items and offering Happy Hour drink specials are two ways to upsell guests on alcohol. Restaurants can also provide a unique experience to guests with Prix Fixe menu with alcohol pairings, educational or brand-focused tasting events, or small private party packages.

Fresh ideas leveraging a liquor license will welcome back old customers with an updated experience, and attract new customers.

## Know Your Liquor License

There is one caveat. Before restaurants start planning their alcohol revenue strategy, they need to understand the full extent of their liquor license compared to the license they will need. The following are common licenses available to restaurants and bars, from the [California Department of Alcohol Beverage Control website](#).

#	LICENSE	BUSINESS	DESCRIPTION
40	On-Sale Beer	Bar, Tavern	Authorizes the sale of beer for consumption on or off the premises where sold. Not wine or distilled spirits may be on the premises. Full meals are not required; however, sandwiches or snacks must be available. Minors are allowed on the premises.
41	On-Sale Beer & Wine – Eating Place	Restaurant	Authorizes the sale of beer and wine for consumption on or off the premises where sold. Distilled spirits may not be on the premises (except brandy, rum, or liqueurs for use solely for cooking purposes). Must operate and maintain the licensed premises as a bona fide eating place. Must maintain suitable kitchen facilities, and must make actual and substantial sales of meals for consumption on the premises. Minors are allowed on the premises.
42	On-Sale Beer & Wine – Public Premises	Bar, Tavern	Authorizes the sale of beer and wine for consumption on or off the premises where sold. No distilled spirits may be on the premises. Minors are not allowed to enter and remain (see Section 25663.5 for exception, musicians). Food service is not required.
47	On-Sale General – Eating Place	Restaurant	Authorizes the sale of beer, wine and distilled spirits for consumption on the licensed premises. Authorizes the sale of beer and wine for consumption off the licensed premises. Must operate and maintain the licensed premises as a bona fide eating place. Must maintain suitable kitchen facilities, and must make actual and substantial sales of meals for consumption on the premises. Minors are allowed on the premises.
48	On-Sale General – Public Premises	Bar, Night Club	Authorizes the sale of beer, wine and distilled spirits for consumption on the premises where sold. Authorizes the sale of beer and wine for consumption off the premises where sold. Minors are not allowed to enter and remain (see Section 25663.5 for exception, musicians). Food service is not required.
49	On-Sale General – Seasonal	Restaurant	Authorizes the same privileges and restrictions as provided for a Type 47 license except it is issued for a specific season. Inclusive dates of operation are listed on the license certificate.
59	On-Sale Beer & Wine – Seasonal	Restaurant	Authorizes the same privileges as a Type 41. Issued for a specific season. Inclusive dates of operation are listed on the license certificate.

60	On-Sale Beer - Seasonal	Restaurant	Authorizes the sale of beer only for consumption on or off the premises where sold. Issued for a specific season. Inclusive dates of operation are listed on the license certificate. Wine or distilled spirits may not be on the premises. Minors are allowed on the premises.
61	On-Sale Beer – Public Premises	Bar, Tavern	Authorizes the sale of beer only for consumption on or off the licensed premises. Wine or distilled spirits may not be on the premises. Minors are not allowed to enter and remain (warning signs required). Food service is not required.
68	Portable Bar License	Portable Bar	These licenses are issued to on-sale general licensees and allow for the sale and service of beer, wine, and distilled spirits from portable bars. Each portable bar must be licensed and may be moved to different rooms or areas of the licensed premises.
75	Brewpub – Restaurant	Restaurant	Authorizes the sale of beer, wine and distilled spirits for consumption on a bona fide eating place plus a limited amount of brewing of beer. This license does not authorize the sale of alcoholic beverages for consumption off the premises where sold. Minors are allowed on the premises.

If you already have a type 47 (full liquor-restaurant) license and want to extend it to serve alcohol outside, you may need a new license. If you already have a type 41 (beer and wine-restaurant) license and want to extend it to a full liquor license, you will need to apply for a new type 47 (full liquor-restaurant) license. With either option, you will also need to apply for a local (city) use permit. Licensing and permitting experts like SoCal Alcohol Consulting stay up to date on regulations and work with restaurants to identify their fastest path to a license that can increase their revenue.

## Add Equity to Your Business

California restaurants ended 2020 with the ability to take advantage of temporary permits. Restaurant locations with permanent outdoor dining space, for example, will be the new rental goldmine for commercial property owners. Since everyone is in a different boat at this point, we've explored some of the most common scenarios to demonstrate how an investment in a liquor license can add equity and build back revenue for your business.

### Scenario 1: Full Liquor License, No Outdoor Dining Space

A restaurant/bar has a type 47 liquor license and has been operating with a temporary tent for outdoor service. The restaurant has no permanent outdoor dining space.

*Solution:* Permitting specialists like SoCal Alcohol Consulting can evaluate a site – the restaurant itself or an entire building – and identify opportunities to permanently expand outdoor dining, with alcohol service. We can even help you negotiate additional permitting opportunities, including outdoor dining areas, with your landlord. If permanent outdoor space is achieved, the liquor license will need to be modified to include the outdoor space.

### Scenario 2: No Liquor License, Outdoor Dining Space

A restaurant does not have a liquor license and has been operating with outdoor service in a temporary tent.

*Solution:* Apply for a beer and wine license. This can serve as a second revenue stream by expanding menu offerings. It also will attract new customers who like to enjoy an alcoholic beverage with their meal. If possible, explore opportunities for permanent outdoor dining.

### Scenario 3: Full Liquor License, Recently Completed a Permanent Outdoor Space

A restaurant/bar has a new type 47 liquor license and recently completed a permanent outdoor expansion.

*Solution:* Ensure the liquor license and local permit includes the outdoor dining area. If not, modify your license and permit for compliance. Find creative ways to leverage alcohol sales in ways that improve the curbside pick-up and the in-restaurant dining experience.

### Scenario 4: New Restaurant Planning, Considering All Options

An owner is planning to open a new restaurant and is considering all options for a liquor license and outdoor dining in order to be in the best position for success during and after COVID.

*Solution:* If the restaurant location has not been selected yet, the owner could look for the opportunity to acquire an existing business location and transfer the existing license. City conditional use permits (CUPs) run with the land/location and can easily be assumed. An ABC license transfer, however, is a little more involved because they are specific to the owner/operator. If the restaurant location has been selected, take into consideration all possible uses of the space so that they are accounted for in the initial application.

### Scenario 5: Restaurant Subject to New Occupancy and Distancing Requirements

A restaurant/bar is or will be subject to new occupancy and distancing requirements limiting (lowering) the number of patrons at any given time.

*Solution:* Is the restaurant/bar location has not been selected yet, the owner should ensure that a location allows for outdoor dining. If you have an existing establishment, look closely at the outdoor opportunities. Negotiating with property management/owners to expand service outside is key. Once achieved, new or expanded liquor license and use permits will be required to allow for permanent alcohol service outdoors. New or expanded outdoor dining with alcohol will help make up for the loss of indoor capacity.

## Plan Your Pivot

Obtaining a liquor license is a little like buying and selling real estate – there are several variables to the cost, including what’s available on the open market. Also similar to real estate, the application process can be time consuming and involve a lot of paperwork. Licensing and permitting experts like SoCal Alcohol Consulting can walk restaurant and bar owners through the entire process and serve as their advocate to ensure the license is obtained in a timely manner. In most cases, SoCal Alcohol Consultants can get a license in half the time it would take an owner to get one on their own. Keep these tips for success in mind as you prepare for the ABC license application.

- 1. Understand and be able to explain the physical layout of your business.** One form in the application packet is a Supplemental Diagram, a drawing of the real property you own or otherwise control. This must include an exterior view of the premises and surrounding area, including cross

streets. We recommend a diagram of the interior as well, which means accounting for the square footage, dimensions, and designated eating areas of the space.

- 2. Know the agencies involved.** Depending on where you are located in California, you may need to prepare to work with state, city, or county agencies. Also, plan for meetings where you can present your business and license request to the health inspector and city council. The city and state processes happen simultaneously, so be prepared to bounce back and forth between the two processes as your application progresses. In every case, you will need to be expected to know the vernacular in order to answer questions fully and accurately.
- 3. Plan your timeline.** Obtaining a beer and wine license for the first time can take up to 6 months. Leveraging expert resources like SoCal Alcohol Consulting can reduce that time to 3 months, and we take a lot of the heavy lifting on your plate. We can be your advocate as you work through the city and state bureaucracy. We know how to speed things up to keep your application on track.
- 4. Brush up on Negotiation Tactics.** Throughout the application process, you may need to negotiate with police departments, state agencies, elected officials, and city planners... and they all have competing interests. If you present your business clearly and accurately, and keep the priorities of each agency in perspective, they will see the benefit to your license request.

## Moving Forward

Recovery from the damage COVID stay-at-home orders had on the bar and restaurant industry in 2020 will be slow. In most cases, businesses will not make back the revenue they lost, but instead, will need to move forward into a new scenario focused on making the most profit from the revenue they know they could have.

Flexibility and creativity will be key drivers in the race to adjust to new operating conditions and feel stable again. An investment in a liquor license can provide resiliency in the pandemic and its aftermath. It adds equity to a business, has a high profit margin, can create jobs, can attract customers and keep them on premise longer, and can even help a restaurant refresh its brand identity with expanded menu options. Consider how your liquor license, or obtaining one for the first time, can put you ahead of the game today.

## About SoCal Alcohol Consulting

SoCal Alcohol Consulting is dedicated to partnering with restaurant management and owners to provide the highest and best possible solutions to increase revenue. We bring over 40 years of experience in strategic planning; permitting and licensing; local, state and federal regulations; contract transactions and negotiations; and real estate, title and escrow.

We know how hard restaurant owners strive each day to provide a great experience to your customers. What's not so great is trying to open or grow your business while navigating new government regulations during these uncertain times. Talk to us today about how we can support your growth, overcome new restrictions, and put your establishment on a solid track to success and profit.