

Philadelphia Beverage Tax Effect – The Data

Independent Sales Records Confirm Massive Loss of Customers from Local Businesses to Stores Outside City

- Beverage sales have dropped significantly in Philadelphia. Residents shifted their buying to stores outside the city to take advantage of untaxed, much less expensive beverages, according to [Catalina](#), a national market research firm.
 - Sales of soda went down a devastating 55% in the city since the 1.5 cent per ounce tax went into effect Jan. 1, Catalina said.
 - Soda sales just outside the city went up, by 38%, verifying that much of the reduction of sales in Philadelphia was due to cross-border shopping.
 - Sales of all categories of beverages plummeted, including coffee, ice teas, sports drinks, energy drinks.
 - Average basket sizes of total purchases per shopping trip decreased 5%, according to an analysis of 109 million transactions at groceries, mass merchants and drug stores.
 - Bottled water purchases increased only 13%, indicating consumers did not replace consumption of soft drinks with water as pro-tax forces claimed, according to the study author, market expert Todd Morris.
 - <http://www.phillymag.com/business/2017/08/29/soda-tax-philadelphia-study>
- *The Wall Street Journal* reported that Philadelphia's beverage tax had a significant negative impact on the small business community.
 - Data from the independent marketing firm IRI verified that sales of beverages in grocery stores fell 28% from Jan. 1 through mid-April.
 - That includes not only soda but ice teas, sports drinks, juice drinks and flavored waters. Soda sales in 27 Philadelphia grocery stores fell a whopping 52%. Meanwhile, sales of powdered drink mixes and concentrates, which were not taxed, increased 31%.
 - The IRI data showed that when Philadelphians shopped for beverages outside the city they also shopped for other store items, costing Philadelphia stores more than just beverage sales. Total sales in the Philadelphia grocery stores fell 9% at the same time stores outside the city saw sales growth of 2%.
 - Sales of beverages increased 13% in stores just over the Philadelphia border. The increase was attributed to Philadelphia residents shopping outside the city to avoid the tax.
 - Jeff Brown, who owns 13 supermarkets in the Philadelphia area, told *The Journal* he canceled renovations and expansions in his city stores and is focusing on investing in stores in the suburbs, costing Philadelphia jobs.

- <https://www.wsj.com/articles/expanded-soda-taxes-stir-pushback-1504288005>
- <https://www.wsj.com/articles/beverage-sales-fell-in-philadelphia-after-tax-took-hold-1504288389>
- A study by the [Tax Foundation](#) released in August found that the Philadelphia tax has made soda more expensive than beer, cost jobs, prompted customers to abandon city stores and that most of the tax revenue did not even go to the pre-K that was promised.
 - The [study](#) found that the tax is 24 times higher than the Pennsylvania tax rate on beer. Pennsylvania's excise tax for beer is 8 cents a gallon, but in Philadelphia the tax on the same unit of soda amounts to \$1.92, including on diet drinks.
 - "Purchases of beer are also now less expensive than nonalcoholic beverages subject to the tax in the city," according to the study by Courtney Shupert and Scott Drenkard.
 - The tax was originally promoted as a vehicle to raise funds for prekindergarten education. But in practice it awards just 49% of the soda tax revenues to local pre-K programs, the study found.
 - Daniel Grace, secretary-treasurer of Teamsters Local 830, says his truck drivers earn money based in part on how many cases of soda they deliver, and he says the tax has halved their income. He says 165 of his members are out of work.
 - Several ShopRite stores slashed employee hours this spring, and in March Pepsi announced it was laying off about 20% of its local workforce. Both blamed the soda tax.
 - The tax also has failed to bring in the revenue promised, jeopardizing the programs it was created to fund. In the first six months of the tax, revenues were \$7 million under the \$46 million budget projection.
 - <http://freebeacon.com/culture/study-philadelphia-tax-makes-soda-expensive-beer/>
 - <https://www.wsj.com/articles/philadelphias-soda-tax-bust-1502661280>
- Beverage sales and total store sales declined inside the city after the tax went into effect in January, according to a study released Sept. 6 by a food marketing professor at [St. Joseph's University](#) in Philadelphia.
 - Professor John Stanton said sales from November 2016 to February 2017 at a local grocery store chain show that the stores inside the city had a much greater loss in sales than those outside the city after the tax went into effect.
 - The study showed that the average monthly loss in sales per Philadelphia store after the tax went into effect was \$304,322.
 - Stanton also found stores in the city sold an average \$101,589 less in taxable beverages in February 2017 than they did in November 2016. Stores outside of Philadelphia, meanwhile, had an average net gain of \$17,562 in that sector.
 - "There is almost no scenario that would lead one to believe that the Philadelphia beverage tax will permit supermarkets to maintain existing labor forces," Stanton wrote.

- The study was funded by the American Beverage Association, which had no input into the methodology, data collection or findings of the study.
- <http://www.philly.com/philly/news/pennsylvania/philadelphia/philadelphia-soda-tax-impact-butkovitz-20170906.html>
- http://www.phillytrib.com/news/report-soda-tax-pinching-markets/article_8c46e59b-51a6-5049-a8ba-9d970890aa1d.html
- A [study](#) released by leading economic analysis firm [Oxford Economics](#) found that Philadelphia's beverage tax has caused significant job cuts and tens of millions of dollars of economic losses on local businesses.
 - The study, funded by the American Beverage Association, found the tax resulted in a "decline in Philadelphia employment of 1,192 jobs, with \$80 million reduction in GDP, and a \$54 million decline in labor income" since taking effect in 2017. Roughly 70 percent of the job losses came from reduced non-beverage grocery retail, 25 percent from beverage trade and transport; and 5 percent from bottling
 - Beverage sales at Philadelphia supermarkets fell 24 percent and increased 14 percent outside city limits, according to the study. Sales of non-beverage items also declined by 7 percent. This shows that families shopped outside the city to avoid the tax, and when they did they also did more of their grocery shopping there, costing Philadelphia stores sales of more than just beverages.
 - The data for these findings comes from records of wholesale sales of the three largest bottlers in Philadelphia, and same-store supermarket sales data for Philadelphia area supermarkets provided by [Information Resources, Inc.](#) (IRI), a major U.S.-based marketing analysis firm.