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15 **UNITED STATES DISTRICT COURT**
16 **CENTRAL DISTRICT OF CALIFORNIA**

17 FEDERAL TRADE COMMISSION,

18 Plaintiff,

19 v.

20 SOUTHERN GLAZER’S WINE AND
21 SPIRITS, LLC,

22 Defendant.

23 **Case No. 8:24-cv-02684-FWS-
24 ADS**

25 **COMPLAINT**

26 **REDACTED VERSION OF
27 DOCUMENT FILED UNDER
28 SEAL PURSUANT TO
ORDER OF COURT DATED
FEBRUARY 4, 2025**

**ACTION SEEKING
NATIONWIDE RELIEF**

1 **I. NATURE OF THE CASE**

2 1. Defendant Southern Glazer’s Wine and Spirits, LLC (“Southern”) is
3 the largest coast-to-coast distributor of wine and spirits in the United States. For
4 years, Southern has violated the Robinson-Patman Act by selling wine and spirits
5 to small, independent “mom and pop” businesses at prices that are drastically
6 higher than the prices Southern charges large national and regional chains.
7 Southern’s discriminatory pricing practices have victimized independent and
8 family-owned neighborhood grocery stores, local convenience stores, and other
9 independent retailers across the country.

10 2. Southern has been the largest U.S. wholesaler of wine and spirits
11 every year for the past 28 years. In 2023, Southern’s sales grew to approximately
12 \$26 billion, making it one of the ten largest privately held firms in the entire
13 country. At present, Southern sells one out of every three bottles of wine and
14 spirits purchased in the United States. In some states, Southern’s share of wine and
15 spirits sales is so large that Southern operates as the gatekeeper for the majority of
16 wine and spirits sold in those states.

17 3. As the single largest distributor of wine and spirits in the United
18 States, Southern has harmed small businesses by charging them far higher prices
19 than national or regional chains. For instance, Southern routinely charges small,
20 independent retailers as much as 12% to 67% more for the same bottles of certain
21 wine and spirits than national and regional chains in the exact same geographic
22 area. These independent retailers include neighborhood grocery stores, local
23 convenience stores, and independently owned wine and spirits shops.

24 4. In fact, discriminatory pricing is deeply engrained in Southern’s
25 business strategy. In one instance, Southern employees discussed offering
26 discounts that only a large national chain could access so as to “not have the
27 erosion in [the] remainder of [the] market”—i.e., to ensure that smaller businesses
28 would continue to pay higher prices to acquire the same products. In another

1 instance, Southern employees intentionally structured a multi-supplier deal for a
2 different large national retailer so as “to protect the pricing” from being captured
3 by “the rest of the market.” In yet other instances, Southern offered large national
4 chains secret special deals at favorable prices that it withheld from small
5 independent businesses.

6 5. These are not one-off instances of unlawful price discrimination.
7 Instead, internal Southern documents confirm that price discrimination against
8 small businesses is the norm: “Retailers in one channel may receive a discount that
9 a retailer in another channel does not receive.” Moreover, this price discrimination
10 in favor of large national chains is not justified by differences in Southern’s cost of
11 distributing products to the different retailers, nor does it reflect bona fide attempts
12 to meet prices offered to chain retailers by competing distributors.

13 6. Southern’s pricing practices are paradigmatic violations of the
14 Robinson-Patman Act. Congress enacted the Robinson-Patman Act in 1936 to
15 address a concern that large sellers were favoring newly arisen large corporate
16 chains due to their greater purchasing power and granting them special prices,
17 exclusive discounts, and secret rebates that the sellers withheld from smaller rivals.
18 Congress feared that discriminatory prices on offer to only a small clique of
19 “Goliath” chain corporations would undercut, impede, and eliminate competition
20 from local, community-based businesses selling the same products. Ultimately, this
21 process would leave just “a few economic overlords to whom everybody else owes
22 economic allegiance.”¹

23 7. As the Supreme Court explained in the seminal case *FTC v. Morton*
24 *Salt Co.*, 334 U.S. 37, 43 (1948), “[t]he legislative history of the Robinson-Patman
25 Act makes it abundantly clear that Congress considered it to be an evil that a large
26

27 ¹ See Remarks of Rep. Wright Patman introducing H.R. No. 8442, 79 Cong. Rec. 9077 (June 11,
28 1935); Remarks of Rep. Sumners, Debate in the House of Representatives on H.R. No. 21 8442,
80 Cong. Rec. 8109 (May 27, 1936).

1 buyer could secure a competitive advantage over a small buyer solely because of
2 the large buyer's quantity purchasing ability. The Robinson-Patman Act was
3 passed to deprive a large buyer of such advantages except to the extent that a lower
4 price could be justified by reason of a seller's diminished costs due to quantity
5 manufacture, delivery or sale, or by reason of the seller's good faith effort to meet
6 a competitor's equally low price."

7 8. Accordingly, Section 2(a) of the Robinson-Patman Act requires a
8 level playing field, making it illegal for sellers to reduce competition by charging
9 higher prices to disfavored customers that purchase commodities of like grade and
10 quality, except where justified by differences in the cost of manufacture, sale, or
11 delivery resulting from the differing methods or quantities in which the
12 commodities are sold or delivered to those purchasers, changed market conditions,
13 or a good faith attempt to match a competing offer.

14 9. Small, independent retail businesses are a critical component of the
15 American economy and provide valuable alternatives to megastore chains—to the
16 great benefit of consumers, communities, and competition. For many years,
17 Southern has harmed, and it continues to harm, smaller grocery stores,
18 convenience stores, and other independent retailers by charging them higher prices
19 as compared to large national and regional chains.

20 10. The Federal Trade Commission brings this action (i) to ensure that
21 small, independent retailers served by Southern have access to the same discounts,
22 rebates, and pricing as the large chains that they compete directly against, except to
23 the extent justified by actual cost differences, changed conditions, or a good faith
24 effort to meet a competitor's equally low price, and (ii) to obtain an injunction
25 prohibiting further price discrimination by Southern against these small,
26 independent businesses. When Southern's unlawful conduct is remedied, large
27 corporate chains will face increased competition, which will safeguard continued
28 choice for American consumers.

1 **II. THE PARTIES**

2 11. Plaintiff Federal Trade Commission (“FTC”) is an independent
3 administrative agency of the United States government established, organized, and
4 existing pursuant to the FTC Act, 15 U.S.C. §§ 41 et seq., and with its principal
5 offices in Washington, D.C. The FTC is vested with authority and responsibility to
6 enforce, inter alia, Section 5 of the FTC Act, 15 U.S.C. § 45, and Section 2 of the
7 Clayton Act, 15 U.S.C. § 13, and is authorized under Section 13(b) of the FTC Act,
8 15 U.S.C. § 53(b), to initiate federal court proceedings to enjoin violations of any
9 law the FTC enforces, including Section 2 of the Clayton Act, as amended by the
10 Robinson-Patman Act. Since its enactment in 1936, the FTC has brought over
11 1,400 actions to enforce the Robinson-Patman Act.

12 12. Defendant Southern Glazer’s Wine and Spirits LLC is a Delaware
13 corporation with its principal place of business located in Miami, Florida.

14 13. Southern is the largest wholesale distributor of wine and spirits in the
15 country. The company was formed in 2016 from the merger of Southern Wine &
16 Spirits of America, Inc. and Glazer’s, Inc. Each company had grown through a
17 series of acquisitions of other distributors leading up to 2016, including Premier
18 Wine & Spirits, World Class Wines, Olinger Distributing, The Odom Corporation,
19 Star Distributors, Phoenix Wine & Spirits, Stoller Wholesale, Victor L.
20 Robilio Co., Sterling Distributing, Alliance Beverage of Alabama, and Alliance
21 Beverage of Mississippi. The merger of Southern Wine & Spirits and Glazer’s
22 gave the combined firm the largest service area of any U.S. wine and spirits
23 distributor, with operations in 44 states and the District of Columbia. The
24 company’s announced acquisition of Horizon Beverage Group will expand its
25 footprint into a total of 46 states.

26 14. Southern distributes over 86,000 items and over 334,000 different
27 stock keeping units (“SKUs”), including top selling spirits brands such as Patron
28 Silver Tequila, Jim Beam Bourbon, Jameson Irish Whiskey, Aviation Gin, Bacardi

1 Rum, Grey Goose Vodka, Tito’s Vodka, and Fireball Cinnamon Whiskey, and top-
2 selling wine brands like Kim Crawford, Josh Cellars, Duckhorn, Stella Rosa, and
3 La Marca.

4 15. Southern controls a significant share of wine and spirits sales in
5 numerous states. In Washington, for example, Southern estimated its share of
6 statewide sales at █████% for spirits and █████% for wine. Southern estimated its
7 share of statewide sales in Texas at █████% for spirits and █████% for wine, and in
8 California at █████% for spirits and █████% for wine.

9 **III. JURISDICTION AND VENUE**

10 16. This complaint is filed, and these proceedings are instituted under the
11 provisions of Section 2 of the Clayton Act, as amended by the Robinson-Patman
12 Act, 15 U.S.C. § 13, and Section 5 of the Federal Trade Commission Act,
13 15 U.S.C. § 45.

14 17. This Court has subject matter jurisdiction over this action pursuant to
15 Sections 5(a) and 13(b) of the FTC Act, 15 U.S.C. §§ 45(a), 53(b), 28 U.S.C.
16 §§ 1331, 1337(a), and 1345.

17 18. This Court has personal jurisdiction over Southern because Southern
18 has the requisite constitutional contacts with the United States of America pursuant
19 to Section 13(b) of the FTC Act, 15 U.S.C. § 53(b).

20 19. Southern’s general business practices and the unfair methods of
21 competition alleged herein are activities in or affecting “commerce” within the
22 meaning of Section 4 of the FTC Act, 15 U.S.C. § 44, and Sections 1 and 2 of the
23 Clayton Act, 15 U.S.C. §§ 12-13.

24 20. Southern is, and at all times relevant herein has been, a corporation, as
25 defined in Section 4 of the FTC Act, 15 U.S.C. § 44.

26 21. Venue in this district is proper under 15 U.S.C. § 22; Section 13(b) of
27 the FTC Act, 15 U.S.C. § 53(b); and 28 U.S.C. §§ 1391(b), (c) and (d). Southern is
28 found, resides, transacts business, and/or has agents in California and in this

1 District, and a portion of the affected commerce described herein has been carried
2 out in California and in this District. Southern has a significant presence
3 throughout California, including in Southern California and this District. In 2022,
4 Southern sold over 17,000 different items to more than 9,500 off-premise retail
5 customers in Southern California, with sales totaling over \$2.2 billion.

6 **IV. ROBINSON-PATMAN ACT**

7 22. Subject to certain defenses, the Robinson-Patman Act, 15 U.S.C.
8 § 13(a), makes it illegal for distributors and manufacturers to charge disfavored
9 customers higher prices than those charged to favored customers for commodities
10 of like grade and quality where the effect may be to lessen competition. This
11 suspect conduct is known in antitrust law as “price discrimination.”

12 23. Each wine and spirit sold by Southern is a commodity within the
13 meaning of Section 2(a) of the Robinson-Patman Act amendments of the Clayton
14 Act, 15 U.S.C. § 13(a).

15 **V. WINE AND SPIRITS INDUSTRY BACKGROUND**

16 24. Wine and spirits are generally sold in the U.S. through a non-
17 integrated distribution system regulated by each state and requiring three distinct
18 tiers. Producers in the first tier—including distillers, vintners, and importers
19 (collectively, “suppliers”)—may sell their wine and spirits only to distributors in
20 the second tier. Distributors then re-sell the wine and spirits to retailers in the third
21 tier, which then sell the products to consumers.

22 25. State regulatory regimes for wine and spirits fall into three broad
23 categories: open, franchise, and control. In open states, distributors buy wine and
24 spirits from suppliers and re-sell to retailers. Distributors also provide marketing
25 and promotional services to both suppliers and retailers. In franchise states,
26 distributors provide similar services, but once a supplier selects a distributor, the
27 relationship becomes a franchise as a matter of state law and can be terminated
28 only for cause. In control states, by contrast, suppliers sell directly to the state, and

1 state-run agencies handle distribution and often retail sales; traditional distributors
2 are limited to providing marketing services or serving as brokers for suppliers. This
3 lawsuit concerns Southern’s conduct in open and franchise states.

4 26. In some or all of the open and franchise states in which Southern
5 operates, Southern serves as the distributor for many of the largest wine and spirits
6 suppliers, including Fifth Generation (Tito’s Vodka), Constellation Brands
7 (Svedka Vodka, Kim Crawford Sauvignon Blanc), Sazerac Co. (Buffalo Trace
8 Bourbon, Fireball Cinnamon Whiskey), Pernod Ricard (Jameson Irish Whiskey,
9 Absolut Vodka), Bacardi U.S.A. (Patron Silver Tequila, Grey Goose Vodka,
10 Bacardi Rum), Diageo (Smirnoff Vodka, Aviation Gin), Suntory Global Spirits
11 (Jim Beam Bourbon, Maker’s Mark Whiskey), Deutsch Family Wine & Spirits
12 (Josh Cellars), Delicato Family Wines (Noble Vines), E&J Gallo Winery (Clos du
13 Bois, Barefoot), and Treasury Wine Estates (19 Crimes). Southern typically enters
14 into exclusive distribution agreements with these suppliers that cover either a
15 single state or multiple states. Southern represents numerous suppliers’ brands in
16 the same wine or spirits category in a state. For example, in Texas, Southern sells
17 and distributes 1,019 different vodka products from 49 different suppliers. In
18 Washington, Southern sells and distributes 1,053 different vodka products from 45
19 different suppliers.

20 27. With limited exceptions, only retailers may sell to end consumers.
21 Retailers include state licensed businesses selling wine and spirits to consumers
22 either for on-premise consumption (e.g., bars or restaurants) or off-premise
23 consumption (e.g., grocery stores, convenience stores, or other retailers). This
24 lawsuit concerns Southern’s sales to off-premise retailers. Southern generally
25 classifies off-premise customers as either chain retailers (including both national
26 and regional chain retailers) or independent retailers.

27 28. Southern generally sells products to retailers pursuant to individual
28 purchase orders rather than “master” (i.e., long-term) agreements governing price

1 or services. Apart from price and quantity, the terms of sale for independent and
2 chain retailers are not materially different.

3 29. Southern’s sales to off-premise retailers totaled approximately \$20
4 billion in 2022. Southern’s largest off-premise chain customers include large wine
5 and spirits retail chains like Total Wine, Binny’s, Spec’s, and BevMo, large
6 grocery chains like Kroger and Albertsons, national club stores like Costco and
7 Sam’s Club, and national megastore chains like Walmart and Target. Stores
8 operated by these large retail chains often draw customers from as far as 10 miles
9 away; stores in rural areas draw customers from even greater distances.

10 30. Southern’s chain customers often purchase products from Southern
11 through their own proprietary systems or third-party applications. These systems
12 allow large chain retailers to view secret prices, promotions, and discounts, and
13 place direct orders with Southern. Southern assigns dedicated teams of employees
14 to support its key chain customers.

15 31. Southern’s independent off-premise customers differ in size. Some
16 operate a single store and others a handful of locations. They include neighborhood
17 grocery stores, local convenience stores, and local wine and spirits shops.
18 Independent retailers typically purchase wine and spirits directly from Southern in
19 one of three ways: placing orders directly with a Southern sales representative
20 assigned to their store and other stores, placing orders through Southern’s online
21 platform called “Proof,” or direct purchases picked up from a Southern warehouse.
22 In some states, independent retailers also are permitted by state law to participate
23 in purchasing cooperatives or “co-ops,” which allow them to pool their purchases
24 with other independent retailers. Even with the use of co-ops, however,
25 independent retailers often do not receive the same favorable prices offered to
26 large, favored retailers by Southern.

1 **VI. SOUTHERN’S UNLAWFUL PRICE DISCRIMINATION**

2 32. Beginning at least as early as 2018 and continuing through the
3 present, Southern has repeatedly discriminated in price between disfavored
4 independent purchasers and favored large chain purchasers of wine and spirits
5 located in both rural and urban areas throughout open and franchise states,
6 including but not limited to areas such as Concord, Lakeside, Newport Beach, San
7 Diego, Santee, Tarzana, and Venice Beach in California; Flagstaff, Page, Prescott,
8 Safford, and Tucson in Arizona; Charleston, Chicago, Collinsville, Murphysboro,
9 O’Fallon, and Peoria in Illinois; Austin, College Station, El Paso, and San Antonio
10 in Texas; and Gig Harbor, Omak, Redmond, and Tacoma in Washington. In
11 reasonably contemporaneous transactions, Southern charged significantly higher
12 prices for identical bottles of wine and spirits to disfavored independent retailers
13 than to favored large chain retailers that are in proximity to and in active
14 competition with the disfavored retailers for the resale of wine and spirits to the
15 same pool of end consumers. The favored large chain store and the disfavored
16 independently owned store are often located within just a few blocks to a few miles
17 of each other. These purchases often occurred within the same week or month, and
18 sometimes even occurred on the same day. Favored chain retailers know they
19 receive discriminatory prices because of Southern’s tiered pricing schedules and
20 their engagement in special solicitations and negotiations with Southern.

21 33. These disparities in pricing are not justified by differences in
22 Southern’s cost of providing goods to the large chain retailers and the independent
23 retailers—whether in terms of economies of scale or the logistics of delivering the
24 goods to different sized stores. Nor are these pricing differences supported by a
25 need for Southern to match prices being offered to chain customers by competing
26 distributors.

27 34. In short, Southern has engaged in a sustained course of discriminatory
28 pricing in violation of the Robinson-Patman Act. For example, Southern’s sales

1 invoice data shows that in 2022, independent retailers located in Arizona,
2 California, Illinois, Texas, and Washington paid materially higher prices than
3 nearby chain retailers for the exact same products in the vast majority of
4 transactions.

5 **A. Southern’s Mechanisms of Price Discrimination**

6 35. Southern’s discriminatory prices to favored chain customers are
7 effectuated through a variety of mechanisms. Those mechanisms include large,
8 high-volume quantity discounts, cumulative quantity discounts, channel pricing,
9 scan rebates, special or “hard coded” pricing, retroactive price reductions on
10 inventory already held by favored large chain customers, and delayed
11 implementation of price increases for certain favored customers.

12 36. In some instances, Southern solicits and accepts money or “discount
13 support” funding from suppliers in return for providing discriminatory pricing that
14 is accessible only to favored large chain retailers. This money or funding is not
15 associated with any efficiency derived from the differing methods or quantities in
16 which the wine or spirits are manufactured, sold, or delivered to the favored large
17 chains.

18 37. The cumulative consequence of Southern’s strategies is that Southern
19 routinely charges higher prices to smaller independent businesses as compared to
20 megastore chains and other large national and regional retailers.

21 **1. Large Quantity Discounts**

22 38. Southern often sets the deepest available discounts at quantity
23 purchase levels that only a few specific large chain customers can attain and that
24 are not justified by cost savings achieved by Southern.

25 39. Some quantity discounts offered by Southern require purchases of
26 [REDACTED] to [REDACTED] cases at a time. In some instances, Southern referred to the largest
27 quantity levels associated with these deals as retailer-specific “lanes” [REDACTED]
28 [REDACTED]. In addition,

1 Southern's deal identification database includes many deals that are explicitly
2 named and created for particular large chain retailers.

3 40. In numerous instances, Southern gave favored large chain retailers
4 preferential treatment on pricing associated with a specific quantity discount level
5 even on purchases that did not achieve the nominally required volume, indicating
6 that these discounts are not driven by economies of scale.

7 41. Southern's large, high-volume quantity discounts forced disfavored
8 independent retailers to pay significantly higher prices than favored large chain
9 retailers purchasing the same products and created significant retail pricing and
10 margin advantages for large chain retailers in the resale of those products to end
11 consumers.

12 **2. Large Cumulative Quantity Discounts**

13 42. Southern often allows favored large chain retailers to combine
14 purchases over a specified period to qualify for cumulative quantity discounts. In
15 numerous instances, these cumulative quantity discounts were offered only to large
16 chain retailers and, even when independent retailers were offered cumulative
17 quantity discounts for the same product, the discounts offered to chains were
18 higher for no justifiable reason. Large chain retailers were able to qualify for these
19 cumulative volume thresholds by combining purchases across many stores or by
20 utilizing warehouses. In contrast, small independent retailers often operate only a
21 single store or handful of locations and generally have limited storage space.

22 43. These cumulative quantity discounts often were substantial and
23 significantly increased the discriminatory pricing between large chain stores and
24 small independent businesses. Southern typically provides cumulative quantity
25 discounts by issuing post-delivery, off-invoice credits to the retailer.

26 44. For example, in California in 2022, Southern awarded favored
27 retailers [REDACTED], [REDACTED], and [REDACTED] credits totaling more than \$ [REDACTED],
28 \$ [REDACTED], and \$ [REDACTED] associated with cumulative quantity discounts for

1 their respective purchases of wine and spirits. In contrast, during the same period,
2 Southern awarded all independent retailers in California less than \$ [REDACTED] in
3 credits associated with cumulative quantity discounts.

4 45. To provide one stark example, for purchases of [REDACTED]
5 [REDACTED] in 2022, Southern did not award any cumulative
6 quantity discounts to independent retailers in California. During the same period,
7 Southern awarded favored large chain retailers in California cumulative quantity
8 discounts valued at \$ [REDACTED] to \$ [REDACTED]. In 2022, [REDACTED] alone received
9 cumulative quantity discounts totaling approximately \$ [REDACTED] in connection with
10 its purchases of [REDACTED].

11 **3. Scan Rebates**

12 46. A scan rebate is a price reduction given to a retailer's customer at the
13 register for each bottle of a certain brand or product purchased (e.g., \$2 off per
14 bottle of Tito's Vodka). The retailer is reimbursed dollar-for-dollar by the supplier
15 or Southern for each scan discount extended to customers.

16 47. When scan rebates are funded by suppliers, Southern is directly
17 involved in offering and facilitating the provision of scan rebates to favored large
18 chain retailers. In some instances, Southern also funds scan rebates directly for
19 favored chain retailers.

20 48. In one instance in California in 2019, the scan rebate for retail sales of
21 [REDACTED] was so large that the favored chain retailer was able to
22 promote the product at a retail price of \$ [REDACTED], while the best *wholesale*
23 price available to the disfavored independent retailer was \$ [REDACTED]. In
24 other words, a large chain was able to sell the product to customers at a price at
25 which independent retailers could not even buy the product from Southern.

26 49. Southern often awards favored large chain retailers scan rebates that
27 are not made available to competing disfavored independent retailers. For example,
28 in Arizona, [REDACTED] and [REDACTED] accumulated at least \$ [REDACTED] and \$ [REDACTED] in

1 scan rebates, respectively, largely from January through August 2023. In Illinois,
2 [REDACTED], received over
3 \$ [REDACTED] in scan rebates just for its sales of [REDACTED] products in
4 2020. In contrast to these large chain retailers, independent retailers generally do
5 not receive scan rebates.

6 **4. Channel and Special Pricing for Favored Chain Retailers**

7 50. In several states, Southern “profiles” a chain to receive a certain
8 pricing level in a practice frequently called “channel pricing” or “directed pricing.”
9 For example, in California, a favored chain retailer may be profiled as a [REDACTED]
10 [REDACTED] chains are
11 automatically profiled at the [REDACTED] discount level for spirits and the [REDACTED]
12 discount level for wine, while [REDACTED] chains are profiled at the [REDACTED]
13 discount level for spirits, and the [REDACTED] discount level for wine. When a
14 favored chain retailer is profiled into one of these categories, it receives the price
15 associated with its profile, regardless of how many cases of a given product it
16 purchases.

17 51. Internal Southern documents confirm that this practice results in price
18 discrimination among retailers: “Retailers in one channel may receive a discount
19 that a retailer in another channel does not receive.” Apparently recognizing that
20 customers would be upset when they learned that they were not offered the same
21 deals, Southern informed its employees that “[p]ricing for other channels is a
22 proprietary trade secret.”

23 52. In addition to channel pricing, Southern creates special deals with
24 preferential pricing that are only available to particular favored chain retailers. For
25 example, in August 2020, Southern created a special pricing deal of \$ [REDACTED]
26 [REDACTED] for [REDACTED] purchases by [REDACTED] in California with no
27 quantity requirements. The single case price available to competing retailers at the
28 time was \$ [REDACTED]. Even the quantity discounts for [REDACTED] purchases (\$ [REDACTED]) to [REDACTED]

1 [REDACTED] purchases (\$ [REDACTED]) available to other retailers resulted in higher prices than
2 [REDACTED] special deal price.

3 53. By way of further example, in June 2023, Southern created a multi-
4 supplier deal specifically for the [REDACTED] store located in [REDACTED].
5 Southern deliberately structured the deal in a manner that prevented other
6 customers in the market from “capturing” the special pricing and offered the deal
7 for just [REDACTED]. [REDACTED] purchased a total of [REDACTED] cases of wine and spirits
8 pursuant to this deal, including [REDACTED] for \$ [REDACTED] per case and [REDACTED]
9 [REDACTED] for \$ [REDACTED] per case. No other retailer purchased products from Southern via this
10 deal or at this pricing level.

11 **5. Delayed Price Increases for Favored Retailers**

12 54. At times, Southern delays price increases or honors expired pricing
13 for favored large chain retailers, while disfavored independent retailers are charged
14 the higher price. For example, in March 2023, Southern delayed a price increase on
15 [REDACTED] in [REDACTED] until after [REDACTED],
16 despite the price increase going into effect for the broader market on [REDACTED]. In
17 another instance, in January 2023, Southern alerted its employees that most items
18 within a supplier’s product portfolio would increase in price on [REDACTED],
19 but that chain pricing would remain the same until [REDACTED].

20 **B. Exemplar Instances of Southern’s Price Discrimination**

21 55. Southern’s substantial and sustained price discrimination can be seen
22 through a sampling of specific product examples.

23 **1. [REDACTED] (California and Arizona)**

24 56. From 2018 to present, Southern has consistently sold [REDACTED] of
25 the popular brand [REDACTED] to disfavored independent retailers in
26 California and Arizona at prices significantly higher than the prices charged to
27 favored chain retailers. In 2022, Southern provided cumulative quantity discounts
28 to [REDACTED] in California that resulted in [REDACTED] paying effective net prices

1 of approximately \$ [REDACTED] per bottle. At the same time, Southern charged disfavored
2 independent grocers, convenience stores, and other retailers that purchased full
3 cases and competed with nearby [REDACTED] locations in California net prices of up
4 to \$ [REDACTED] to \$ [REDACTED] per bottle, or as much as \$ [REDACTED] ([REDACTED]%) to \$ [REDACTED] ([REDACTED]%) more
5 per bottle than [REDACTED]. Indeed, \$ [REDACTED] per bottle was the price most commonly
6 paid by independent retailers in California in 2022, and over [REDACTED]% of independent
7 retailers paid at or above this price. Southern acquired [REDACTED] bottles of [REDACTED]
8 [REDACTED] from [REDACTED] specifically to fulfill [REDACTED]
9 [REDACTED] purchase orders in California, and not for holding in general inventory.

10 57. In Arizona, Southern provided [REDACTED] a quantity discount deal
11 supposedly tied to a [REDACTED]-case (or [REDACTED] bottle) purchase requirement that resulted
12 in an on-invoice net price of approximately \$ [REDACTED] per [REDACTED] bottle for [REDACTED]
13 [REDACTED] from September 2018 through at least October 2023. Southern also
14 extended the \$ [REDACTED] price to [REDACTED] for purchases of [REDACTED] cases ([REDACTED] bottles) to as
15 little as [REDACTED] cases ([REDACTED] bottles) at a time. Similarly, in 2021 and 2023, Southern
16 provided [REDACTED] the same effective net price of \$ [REDACTED] per bottle tied to a
17 [REDACTED]-case (or [REDACTED] bottle) purchase requirement for the same product. Southern
18 likewise extended the \$ [REDACTED] price to [REDACTED] purchase of just [REDACTED] cases ([REDACTED]
19 bottles) at a time. Southern acquired [REDACTED] bottles of [REDACTED] from
20 [REDACTED] specifically to fulfill [REDACTED] and [REDACTED]
21 respective purchase orders and anticipated purchase orders in Arizona, and not for
22 holding in general inventory.

23 58. In contrast, from September 2018 to at least October 2023, Southern
24 generally charged competing disfavored independent retailers that purchased full
25 cases in Arizona approximately \$ [REDACTED] to \$ [REDACTED] for [REDACTED] bottles of [REDACTED]
26 [REDACTED], even when purchasing up to [REDACTED] cases ([REDACTED] bottles) at a time. Southern thus
27 charged disfavored independent retailers as much as \$ [REDACTED] ([REDACTED]%) to \$ [REDACTED] ([REDACTED]%)
28 per bottle more than these favored chain retailers for the identical product in

1 Arizona over a five-year period. The price most commonly paid by independent
2 retailers in Arizona in this period was \$ [REDACTED] per bottle—\$ [REDACTED] ([REDACTED]%) more per
3 bottle than favored chain retailers—and more than [REDACTED]% of independent retailers
4 paid at or above this price.

5 **2. [REDACTED] (Illinois and California)**

6 59. [REDACTED] is the most popular [REDACTED]
7 product in the United States. Southern has consistently sold [REDACTED] bottles of this
8 wine to disfavored independent retailers in Illinois and California at significantly
9 higher net prices than those paid by favored chain retailers. For instance, in Illinois
10 in 2022, Southern charged [REDACTED] a net price of \$ [REDACTED] per bottle while Southern
11 typically charged competing disfavored independent grocers, corner stores, and
12 other retailers net prices of \$ [REDACTED] to \$ [REDACTED] per bottle, or up to a [REDACTED]% higher price
13 than [REDACTED] for purchases of full cases. \$ [REDACTED] per bottle was the price most
14 commonly paid by independent retailers in Illinois in 2022, and over [REDACTED]% of
15 independent retailers paid this price. This price differential was attributable to
16 [REDACTED] lower on-invoice pricing together with cumulative quantity discounts
17 taking the form of off-invoice credits. Southern acquired [REDACTED] bottles of [REDACTED]
18 [REDACTED] from out-of-state supplier [REDACTED] to meet
19 [REDACTED] anticipated needs and ordering history in Illinois, and not for holding in
20 general inventory.

21 60. Similarly, in California in spring 2022, Southern charged [REDACTED] a
22 net price of \$ [REDACTED] per bottle (not including any applicable scan discounts), while
23 Southern charged competing disfavored independent retailers net prices of as much
24 as \$ [REDACTED] to \$ [REDACTED] per bottle, or up to a [REDACTED]% higher price than [REDACTED] for
25 purchases of full cases. The price most commonly paid by independent retailers in
26 California in 2022 was \$ [REDACTED] per bottle—up to \$ [REDACTED] ([REDACTED]%) more per bottle than
27 favored chain retailers—and over [REDACTED]% of independent retailers paid at or above
28 this price. Southern acquired [REDACTED] bottles of [REDACTED]

1 from [REDACTED] to meet [REDACTED] anticipated
2 needs and ordering history in California, and not for holding in general inventory.

3 **3. [REDACTED] (Illinois and California)**

4 61. From 2018 to present, Southern has consistently sold [REDACTED]
5 [REDACTED], a [REDACTED], to disfavored independent retailers in Illinois
6 and California at significantly higher net prices than paid by favored chain
7 retailers. For instance, in 2022, [REDACTED] paid on-invoice net prices of
8 approximately \$ [REDACTED] to \$ [REDACTED] per [REDACTED] bottle for [REDACTED]. During
9 this same period, Southern charged disfavored independent grocers, convenience
10 stores, and other retailers with locations near [REDACTED] stores in Illinois on-invoice
11 net prices of as much as \$ [REDACTED] to \$ [REDACTED] per bottle for the identical product, or
12 \$ [REDACTED] ([REDACTED]%) to \$ [REDACTED] ([REDACTED]%) more than [REDACTED] for purchases of full cases. The
13 price most commonly paid by independent retailers in Illinois in 2022 was \$ [REDACTED]
14 per bottle—\$ [REDACTED] ([REDACTED]%) more per bottle than favored chain retailers—and over
15 [REDACTED]% of independent retailers paid at or above this price. Southern acquired [REDACTED]
16 bottles of [REDACTED] from out-of-state supplier [REDACTED]
17 to meet [REDACTED] anticipated needs and ordering history in Illinois, and not for
18 holding in general inventory.

19 62. Notably, these on-invoice net prices do not account for additional off-
20 invoice credits, discounts, and scan rebates that Southern provided to [REDACTED], but
21 not to independent retailers, during this period. These off-invoice benefits further
22 exacerbated Southern's discriminatory pricing favoring [REDACTED] over independent
23 retailers for purchases of [REDACTED].

24 63. Similarly, in California during 2022, Southern charged [REDACTED] a net
25 invoice price of at most \$ [REDACTED] per [REDACTED] bottle of [REDACTED]. When
26 off-invoice credits for cumulative quantity discounts up to about \$ [REDACTED] per bottle
27 are included, [REDACTED] paid as little as \$ [REDACTED] per bottle. In contrast, Southern
28 charged independent retailers in proximity to [REDACTED] stores in California as much

1 as \$ [REDACTED] per bottle, or an \$ [REDACTED] [REDACTED]%) higher price than what was charged to
 2 [REDACTED] for purchases of full cases. The price most commonly paid by independent
 3 retailers in California in 2022 was \$ [REDACTED] per bottle—\$ [REDACTED] ([REDACTED]%) more per bottle
 4 than favored chain retailers—and nearly [REDACTED]% of independent retailers paid at or
 5 above this price. Southern acquired [REDACTED] bottles of [REDACTED] from
 6 [REDACTED] specifically to fulfill [REDACTED]
 7 anticipated purchase orders in California, and not for holding in general inventory.

8 **4. Other [REDACTED] Spirits (California)**

9 64. Southern’s analyses show that, in California in 2022, Southern
 10 charged independent retailers a significantly higher average net price per case than
 11 favored chain retailers for [REDACTED] bottles of numerous other [REDACTED] spirits.

Item	Chain Price	Independent Price	Premium Paid by Independents	Percent Difference
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

17 The average net prices reported by Southern are calculated by dividing net sales by
 18 cases sold for all off-premise transactions within California in 2022. These average
 19 prices do not account for scan rebates.

20 65. The foregoing examples illustrate a broader pattern of Southern
 21 charging higher prices to disfavored independent retailers as compared to
 22 competing favored chain retailers for the same product, in the same geographic
 23 area, at the same time.

24 **C. Lack of Functional Availability and Lack of Justification**

25 66. Many discounts and deals offered by Southern to favored chain
 26 retailers are not functionally available to disfavored independent retailers. Such
 27 discounts are not offered to independent retailers on a systematic basis. For
 28 example, Southern discussed creating a quantity discount for one chain retailer at a

1 high enough quantity level to “not have the erosion in the remainder of [the]
2 market.” Another Southern document states directly: “Retailers in one channel may
3 receive a discount that a retailer in another channel does not receive.”

4 67. Disfavored independent retailers frequently are not informed about the
5 large quantity discounts, cumulative quantity discounts, special deals, and scan
6 rebates available to favored chain retailers, even when it may be logistically
7 feasible for the independent retailer to participate in the deal.

8 68. The largest quantity deals often are not displayed on Proof, the online
9 purchasing platform that Southern encourages independent retailers to use.
10 Southern executives acknowledge that large quantity discount deals and
11 cumulative quantity discount deals are unlikely to be communicated to disfavored
12 independent retailers by their assigned Southern sales representatives because it is
13 generally known that many such customers cannot meet the required purchase
14 volumes due to their smaller scale, limited storage space, or inability to make large
15 cash-on-demand payments upfront for wine and spirits purchases.

16 69. In other instances, favored chain retailers are advised months in
17 advance of a particular deal that, for all other customers, is only active for a very
18 short window, as little as a week or even a single day, rendering it unlikely a
19 disfavored independent retailer would become aware of the deal through Proof or
20 via direct communications with a sales representative.

21 70. Even when a discriminatory deal or discount program is made known
22 to all competing retailers by Southern, these discounts often are not functionally
23 available to disfavored small, independent retailers. Generally, independent
24 retailers cannot buy the volume necessary to achieve the highest discounts due to
25 their smaller storage space, lack of funds needed to purchase such quantities, and
26 lower turnover of products. In other instances, disfavored independent retailers
27 expressed interest in buying at the higher-volume quantity discount levels to secure
28 the deeper discounts, but Southern declined to make those deal levels available to

1 the independent retailers.

2 71. The discriminatorily higher prices Southern charged disfavored
3 independent retailers were not justified by cost savings Southern accrued doing
4 business with the favored chain retailers. That is, the pricing differentials between
5 favored and disfavored retailers exceed any cost savings achieved by Southern
6 when selling and delivering wine and spirits to the favored national chains.

7 72. Nor were the discriminatory pricing and benefits Southern provided to
8 favored chain retailers a good faith attempt to meet, but not exceed, the equally
9 low price of a competing distributor of wine and spirits.

10 73. Similarly, Southern's discriminatory pricing provided to favored large
11 chain retailers does not reflect a response to changing conditions affecting the
12 market for or the marketability of the wine or spirits concerned.

13 **VII. HARM TO COMPETITION**

14 74. In each instance of price discrimination alleged herein, the disfavored
15 independent retailer(s) competed with the favored large chain retailer(s) in the
16 same geographic area(s) for sales of identical bottles of wine and spirits to the
17 same pool of end consumers. Indeed, Southern's own executives have confirmed
18 that large chain retailers compete directly with small, independent businesses in the
19 same geographic areas.

20 75. Southern's acts of price discrimination involved substantial price
21 differences between competing retailers (i.e., a favored chain retailer and a nearby
22 disfavored independent retailer) in millions of transactions over multiple months
23 and years. In certain transactions, disfavored independent retailers paid as much as
24 32% to 78% more than competing favored retailers. Southern has made repeated
25 discriminatory sales of wine and spirits to disfavored and favored retailers across
26 many states from at least January 2018 through the present.

27 76. In many instances, the price discrimination was so significant that the
28 favored chain stores were able profitably to re-sell Southern products at retail

1 prices below the wholesale prices paid by disfavored independent retailers to
2 procure from Southern the exact same bottle of wine or spirits.

3 77. The effect of Southern’s price discrimination has been or may be
4 substantially to lessen and impede competition in the retail sale of wine and spirits,
5 or to injure, destroy, or prevent competition between such favored and disfavored
6 retailers in the same geographic areas that sell the same products to the same pool
7 of end consumers.

8 78. Disfavored independent retailers have been damaged by Southern’s
9 price discrimination. As a result of Southern’s unlawful practices, independent
10 retailers have lost sales and customers to favored large chain retailers, have been
11 unable to be price-competitive with favored large chain retailers so as to attract
12 customers, have sold lower volumes of wine and spirits than they would have sold
13 in the absence of price discrimination, and have made lower profits on the products
14 they did sell.

15 **VIII. IN COMMERCE**

16 79. In each instance of price discrimination alleged herein, Southern has
17 engaged and is now engaging in commerce, as defined in the Clayton Act, as it
18 sells, distributes, ships, or causes to be shipped wine and spirits produced overseas
19 or in one state of the United States to customers located in other states and in the
20 District of Columbia.

21 80. Southern purchases wine and spirits from out-of-state or overseas
22 producers, and then re-sells the wine and spirits to retailers in other states, without
23 any transformation of the products, in a continuing flow of interstate commerce
24 across state boundaries. The wine and spirits products are, and were, sold for resale
25 and consumption within the United States.

26 81. In many instances, Southern places orders from suppliers through
27 regional divisions that cover multiple states. These regional divisions work with
28 national and state divisions to determine the products and quantities that Southern

1 purchases from suppliers. National divisions also work with suppliers to develop
2 product plans and distribution goals, and to coordinate multi-state sales and
3 promotional opportunities that are executed by state teams.

4 82. In most instances, Southern obtains ownership over the products that
5 it distributes as soon as the products leave the supplier's warehouse, and Southern
6 is responsible for coordinating the shipment of the products across state lines to
7 Southern's warehouses throughout the United States, from which the products are
8 sold to Southern's retail customers.

9 83. The demand for wine and spirits from Southern's customers
10 (including its large chain customers) is reasonably constant and predictable.
11 Southern orders products from suppliers for immediate or future delivery to retail
12 customers based in part on specific retail customers' pending purchase orders,
13 commitments to place future orders, and anticipated purchases pursuant to
14 upcoming deals and promotions.

15 84. Based on the foregoing circumstances, the wine and spirits purchased
16 and sold by Southern remain in the flow of interstate commerce so as to be
17 considered "in commerce" for purposes of the Robinson-Patman Act because:

18 a. Southern purchases wine and spirits from suppliers to fulfill
19 existing orders from specific large chain retailers, including Costco, Total Wine,
20 Walmart, Target, Kroger, Albertsons, and Binny's, with the intent that the
21 purchased goods are to go to that specific retailer;

22 b. Southern purchases wine and spirits from suppliers to meet the
23 purchase commitments made by specific large chain retailers, including Costco,
24 Total Wine, Walmart, Target, Kroger, Albertsons, and Binny's, pursuant to
25 Southern's understanding with those retailers, whether for immediate delivery or
26 not; and/or

27 c. Southern purchases wine and spirits from suppliers to meet the
28 anticipated needs of its specific large chain retailer customers, including Costco,

1 Total Wine, Walmart, Target, Kroger, Albertsons, and Binny’s.

2 **COUNT ONE**

3 **(Robinson-Patman Act, 15 U.S.C. § 13(a))**

4 85. Each of the allegations in paragraphs 1 through 84 are incorporated in
5 this Count One as if fully set forth herein.

6 86. The acts and practices of Southern set forth in paragraphs 1 through
7 84 above constitute unlawful price discrimination in violation of Section 2(a) of
8 the Robinson-Patman Act amendments to the Clayton Act, 15 U.S.C. § 13(a), and
9 will continue in the absence of the relief herein requested.

10 **COUNT TWO**

11 **(Section 5 of Federal Trade Commission Act, 15 U.S.C. § 45)**

12 87. Each of the allegations in paragraphs 1 through 84 are incorporated in
13 this Count Two as if fully set forth herein.

14 88. The acts and practices of Southern set forth in paragraphs 1 through
15 84 above constitute unfair methods of competition in violation of Section 5 of the
16 Federal Trade Commission Act, 15 U.S.C. § 45, and will continue in the absence
17 of the relief herein requested.

18 **PRAYER FOR RELIEF**

19 WHEREFORE, the FTC respectfully requests that this Court, as authorized
20 by Section 13(b) of the FTC Act, 15 U.S.C. § 53(b); Section 16 of the Clayton Act,
21 15 U.S.C. § 26; and as authorized by its own equitable powers:

- 22 1. Enter final judgment against Defendant Southern Glazer’s Wine and
23 Spirits LLC;
- 24 2. Grant the FTC preliminary and permanent injunctive relief;
- 25 3. Order Southern to cease and desist from price-discriminating, within
26 the meaning of Section 2(a) of the Robinson-Patman Act, by selling
27 its products to any purchaser at a net price higher than that charged to
28 any competing purchaser, where the discrimination may cause
competitive harm as contemplated by the statutory language; and
4. Order such other and further relief as the Court deems just and proper.

1 Dated: December 12, 2024

Respectfully submitted,

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