



Uncovering the Illicit Shipment of Goods in Violation of Federal and State Laws and a Franchise Owner's Corporate Policies



CLIENT

A National Chain of
Gourmet Food Stores



SERVICE

Civil Investigations and
Litigation Support



INDUSTRY

Retail and Consumer

UNPLUGGED

A FRANK OPINION
The Project Manager's
Post-Engagement Perspective

"Like many of our assignments from clients, this was a phased engagement. It started quickly – and urgently – when the company needed to determine how extensive this illicit practice might be.

As information of interest emerged, we provided continuous updates to the general counsel's office through phone calls, emails and status reports.

Once the company gained confidence that it understood the scope of the challenge, it authorized several additional phases of investigation and due diligence. And it may still ask us to support their attorneys with expert witnesses."

Client's Challenge

The laws and regulations governing the shipment of alcohol vary by U.S. state depending on, for example, whether or not the shipper is a licensed dealer, manufacturer or seller and whether the receiver is over a specific age, usually 21 years old. These were two legal reasons – in addition to several strategic business ones – that a national chain of gourmet food stores expressly forbid their franchisees to sell or ship liquor products of any kind.

So, when the U.S. Postal Service alerted the company that it had intercepted and confiscated multiple packages sent from three of the company's franchisee branches, the COO began wondering how extensive the problem might be.

The Hillard Heintze Solution

Hillard Heintze's first task was to determine if any additional franchise branches were shipping alcohol and, where possible, to place and receive an online order for a liquor product from each of these locations.

Through site assessments at 16 locations in ten states, surveillance and other methods, Hillard Heintze also conducted an investigation to determine whether these branches were using other carriers for shipment.

Impact on the Client

This investigation helped the management of this national gourmet food chain crack down on illicit shipments of liquor and alcohol-related products. It also provided the company with information that supported several different avenues of redress and response. These included court-admissible evidence and expert witnesses to the general counsel's office to support options ranging from cancellation or renegotiation of franchisee contracts; the possible filing of a lawsuit; and potential referral to federal, state and local law enforcement authorities.

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