

SERVICE PLAN FOR FISCAL YEARS 2014/15 2016/17



**LIQUOR
DISTRIBUTION
BRANCH**

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LETTER FROM THE GENERAL MANAGER AND CEO

February 6, 2014

The Honourable Suzanne Anton,
Attorney General and Minister of Justice:

Since 1922 the Liquor Distribution Branch (LDB) has had a long legacy of serving British Columbians in communities large and small in every corner of the province. Our mandate remains the same; import, distribute and retail beverage alcohol, help encourage its responsible use, and contribute to providing public services by producing significant revenue to Government each year. While our mandate has not changed, the context in which we do business continues to evolve. To remain successful we must be an organization that is flexible enough, creative enough and committed enough to take full advantage of opportunities. We must recognize and act on changes in the marketplace, and successfully navigate through the challenges that will undoubtedly present themselves.

The next several years are critical ones for the LDB. We are working on the most significant opportunity for our business in a long time – the relocation of our Vancouver Distribution Centre. The opportunity to move to a new, purpose-built facility will allow the LDB to gain efficiencies that come with 21st century design and to further improve the already high level of service we provide our wholesale and retail customers. The work to ensure we get this move right is already underway and we look forward to the day the first trucks roll into our new facility, in about three years' time. We are also looking forward to working with Government on Liquor Policy Review recommendations they have chosen to implement that affect the LDB.

Another priority of the LDB going forward is to steadily increase our business intelligence. The LDB is a data-rich organization. We are now focusing on making sure we have the right data at the right time, and more importantly, that we are making optimal use of that data to ensure we meet or exceed the needs of our customers.

On the retail side of our business, we are also enhancing our efforts to show British Columbians that we value their choice to shop in our BC Liquor Stores retail chain. We are modernizing our stores, identifying and securing convenient locations, better tailoring product selection to the preferences of each marketplace, and most importantly, making sure staff has the knowledge and tools they need to provide first-rate customer service. With this approach, we look forward to retaining our loyal customers and attracting new ones.

The next three years promise to be a challenging and exciting time for the LDB. Over these three years, we are forecasting our contribution to Government revenue to be \$2.6 billion – a contribution I know our employees are proud to help generate. I am confident that with our dedicated staff and commitment to customer service, the LDB is in a great position to capitalize on opportunities and meet any challenges that come.

The 2014/15 - 2016/17 LDB Service Plan was prepared under my direction in accordance with the *Budget Transparency and Accountability Act* and the BC Reporting Principles. The plan is consistent with Government's strategic priorities and fiscal plan. I am accountable for the contents of the plan, including what has been included in the plan and how it has been reported.

All significant assumptions, policy decisions, events and identified risks, as of January 2014 have been considered in preparing the plan. The performance measures presented are consistent with the LDB's mandate and goals, and focus on aspects critical to the organization's performance. The targets in this plan have been determined based on an assessment of the LDB's operating environment, forecast conditions, risk assessment and past performance.



R. Blain Lawson
General Manager and Chief Executive Officer



ORGANIZATION

OVERVIEW

ORGANIZATION OVERVIEW

Governance

In British Columbia, the Liquor Distribution Branch (LDB) is one of two branches of Government responsible for the beverage alcohol industry. *The Liquor Distribution Act* gives the LDB the sole right to purchase beverage alcohol both within BC and from outside the province, in accordance with the federal *Importation of Intoxicating Liquors Act*.

Reporting to the Minister of Justice, the LDB:

- handles the importation and distribution of beverage alcohol in BC;
- operates the BC Liquor Stores (BCLS) retail chain, two Wholesale Customer Centres and two distribution centres; and
- has a General Manager and CEO who is responsible for administering the Liquor Distribution Act, which includes the oversight of BCLSs, subject to direction from the minister.

The *Liquor Distribution Act* clarifies:

- LDB administration;
- BCLS operation; and
- the role and powers of the LDB General Manager and CEO.

The LDB follows the Crown Agencies Resource Office guidelines for service plans and annual reports, and is reported out in public accounts in a manner similar to a commercial Crown corporation, on a modified equity basis.

Another branch of the Ministry of Justice — the Liquor Control and Licensing Branch (LCLB) — licenses private liquor stores, restaurants, pubs and manufacturers, and enforces regulations under the Liquor Control and Licensing Act.

The LDB and LCLB have a shared responsibility to encourage the responsible consumption of beverage alcohol and work closely together to coordinate policies and programs to this end.

Visit www.bcldb.com and click on the *About Us* link for more about the LDB.

Meet the LDB Executive Management Committee

R. Blain Lawson
General Manager & CEO

Roger Bissoondatt
Chief Financial Officer

Don Farley
Chief Information Officer

Kelly Wilson
*Executive Director, Wholesale
& Retail Services*

Michael Procopio
Executive Director, Human Resources

Renee Shrieves
*Director, Corporate Policy
& Communications*

Maria Patten
Director, Corporate Projects

Brendan Alexander
Director, Loss Prevention

Alexandra Henley
Legal Counsel

ORGANIZATION OVERVIEW

Government's Letter of Expectations

A key component of the LDB's governance framework is the Government's Letter of Expectations (GLE). The GLE is an agreement between the Government of British Columbia and the LDB that sets out the roles of each, the corporate mandate, high-level performance expectations and strategic priorities.

The GLE also provides direction from Government to the LDB to take specific actions. These specific actions from the 2014/15 GLE and the LDB's response to them are identified in the following table. The complete GLE is available on the LDB's website at <http://www.bcldb.com/publications/governments-letter-of-expectation>.

GOVERNMENT DIRECTION

LDB ALIGNMENT

Pursue relocation of the LDB Vancouver Distribution Centre to a new facility to realize significant efficiencies and productivity gains.

- To ensure that the goals of the relocation are realized, the LDB will be issuing a series of RFPs to seek experts in warehousing, logistics and/or distribution best practices to supplement the LDB's in-house knowledge.
- Following issuance of an RFP, a subject matter expert in supply chain and logistics management was recently selected.

Work with Government to implement recommendations coming out of the 2013/14 Liquor Policy Review.

- The LDB provides Government with information and analysis, if and when required, and complies with Government's recommendations.

Comply with the financial policies/guidelines provided by the Government for mark-up, taxation, the extent to which LDB may own capital assets, and LDB contributions to the Government.

- The LDB has implemented policy changes approved by Government – an example of which provides mark-up exemptions for craft distillers using 100 per cent BC agricultural inputs.
- The LDB reports its capital assets and contributions to Government on a quarterly basis.

Facilitate transition of Rural Agency Stores and Duty Free Stores appointed under the LDB to become licensees under the Liquor Control and Licensing Act and regulated by the Liquor Control and Licensing Branch.

- The LDB works cooperatively with Government and the Liquor Control and Licensing Branch to implement regulatory change.

ORGANIZATION OVERVIEW

Business of the Liquor Distribution Branch

The LDB operates a province-wide, retail/wholesale beverage alcohol business, within a mixed public-private model.

As of December 31, 2013, the LDB:

- has a workforce of approximately 3,500 full- and part-time employees;
- operates 195 BCLS throughout the province;
- operates two Wholesale Customer Centres;
- operates two distribution centres, one in Vancouver and one in Kamloops; and
- has a Head Office facility in Vancouver.

As part of BC's mixed-model retail system, the LDB is committed to providing customers with an enhanced shopping environment, an expansive product selection and a high level of service.

The LDB purchases beverage alcohol from more than 400 suppliers and manufacturers within the province, across the country and around the world. Licensed manufacturers in BC include 247 wineries, 63 breweries, and 19 distilleries.

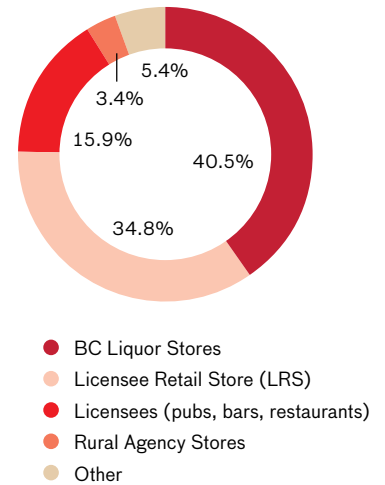
With more than 1,400 beverage alcohol retail outlets operating in BC, consumers have a variety of choices depending on their service needs, including:

- 195 BCLS (Government owned-and-operated stores selling beverage alcohol to retail and wholesale customers);
- 670 licensee retail stores (LRSs – private stores licensed to sell all beverage alcohol products);
- 221 rural agency stores (RASs – general merchandise stores in rural communities authorized to sell all beverage alcohol products);
- 279 on-site manufacturer stores (stores at wineries, breweries and distilleries that sell the products they manufacture);
- 61 wine stores; and
- 11 duty-free stores.

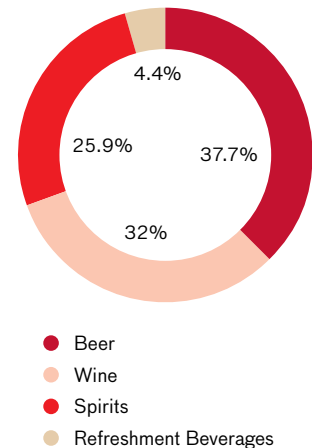
In addition to retail stores, there are approximately 8,000 bars, restaurants and other licensed on-premise establishments.

The wholesale beverage alcohol distribution model in BC includes the two LDB distribution centres, BCLSs and a number of manufacturers and private distributors that are authorized to distribute beverage alcohol as agents of the LDB.

Percentage Of Gross \$ Sales by Sales Channel 2012/2013



Percentage Of Gross \$ Sales by Product Category 2012/2013



VISION

That our customers have the opportunity to discover, enjoy and share the evolving world of beverage alcohol.

MISSION

To be a customer-centric, profitable retailer and wholesaler of beverage alcohol dedicated to innovation, exemplary service, helpful product knowledge and corporate responsibility.

VALUES

EXEMPLARY SERVICE

We take pride in the quality of our work. We strive for excellence in serving customers and coworkers.

CORPORATE SOCIAL RESPONSIBILITY

We encourage and support the responsible use of beverage alcohol and minimize the impact of our operations on the environment.

INTEGRITY

We take responsibility and are fully accountable for our actions, decisions and behaviour. We are open, honest and fair.

RESPECT

We treat all individuals with fairness, dignity and respect.

TEAMWORK

We support one another to achieve corporate goals.

INNOVATION

We encourage our people to find innovative and creative ways to improve our business.

STRATEGIC ISSUES

Economy

The Economic Forecast Council expects British Columbia's real GDP to grow by 2.3 per cent in 2014 and 2.7 per cent in 2015. Risks to British Columbia's economic outlook include the potential for further slowing of domestic activity, renewed weakness in the US economy and slowing Asian demand. Additional risks include the ongoing sovereign debt situation in Europe and a fluctuating Canadian dollar.

As the economy continues to improve, liquor sales are also expected to make modest gains. Sales increases in wine and refreshment beverages are indications of changes in consumer preferences for beverage alcohol. The LDB closely monitors trends in sales and expenses and will make adjustments to forecasts and budgets as necessary.

Customer Service

The LDB continues to invest in the customer-centric experience our customers expect and demand, on both the retail and wholesale sides of our business.

Knowledgeable staff, a friendly and courteous atmosphere and a modern shopping environment are key to engaging and maintaining customers in today's retail environment. To meet the demands of the modern consumer the BCLS chain continues to evolve. The LDB has an ambitious schedule of store renovations for the coming year, to offer customers a modern and refreshed shopping experience with a product selection that is increasingly tailored to the marketplace. WiFi will be introduced in additional BCLSs and the BCLS mobile app will be further enhanced to respond to the customer service opportunities that modern technology makes possible. A growing number of consumers have a significant level of knowledge about beverage alcohol products, and the LDB is working to ensure that BCLS staff, and in particular, product consultants are equipped with the skills and information they need to offer exceptional service to today's informed consumer. The LDB is confident that during the course of this service plan we will meet our goal of providing BCLS customers with convenient, modern stores, and an even better product mix and staff that continue to offer first-rate, customer-centric service.

On the wholesale side of our business, the LDB Wholesale Customer Centres now service more than 90 per cent of the licensed retail store business in the province. These centres have been a tremendous success and the service continues to grow. Over the next 12 to 18 months the LDB anticipates making a number of technology upgrades that will make it possible to continue improving the service provided to wholesale customers.

Human Resources

The ability of the LDB to continue to operate a successful business on behalf of British Columbians relies heavily on the

quality of leadership within the organization, the knowledge and skills of its employees and effective efforts to replace those who are retiring.

A comprehensive succession management strategy guides the development of current employees and efforts to recruit externally over the next several years. To support this focus, the LDB's Learning Services is making leadership development a top priority by continuing to refine the Signature Leadership Program offered to selected LDB employees and is delivering a new Change Management for Leaders course. The LDB will also be piloting a new Essentials of Supervision course focused on developing supervisory competencies in new supervisors.

To ensure BC Liquor Stores employees are equipped to deliver the exceptional customer service expected of a customer-centric retailer, over the next 12 to 18 months, all BCLS staff will participate in a newly developed training program tailored for the retail liquor environment. In addition, all BCLS staff will continue to receive in-depth product knowledge training that enables them to assist customers in selecting the best products to meet their needs.

Information Technology

The use of information technology is a key component in the LDB's effort to enhance customer engagement and realize business process efficiencies that will have a positive effect on revenue generation. Information Services is in the process of ensuring the LDB has the foundational systems infrastructure for Point-of-Sale, Demand Planning and Warehouse Management System upgrades that will be delivered over the next several years.

Corporate Social Responsibility

Minimizing access to alcohol by minors continues to be a high priority for the LDB. BCLS staff are well-trained, and stringent ID checking procedures are in place. The LDB actively encourages the responsible use of beverage alcohol by running high profile in-store awareness campaigns on issues including the health risks associated with overconsumption and drinking while pregnant. The LDB also runs an annual 'Support Dry Grad' campaign that collects customer donations to help fund alcohol-free grad celebrations at local high schools.

The LDB is also committed to reducing its environmental footprint and has been a carbon neutral organization since 2010. A newly developed comprehensive Waste Reduction and Recycling Strategy is aimed at reducing the quantity of disposable materials distributed to customers and diverting as much waste material resulting from everyday operations from the landfill as possible by increasing recycling rates at the LDB's Head Office, Distribution Centers, Wholesale Customer Centres and BCLSs.

RISK MANAGEMENT

The LDB Executive Management Committee meets regularly to discuss service plan performance, risks and mitigating strategies.

In view of the uncertainty of the economic climate, the LDB is closely monitoring its financial performance and budgets in order to mitigate financial risks.

The LDB regularly updates its Enterprise Wide Risk Assessment and has a number of projects in progress to mitigate identified business and technology risks.

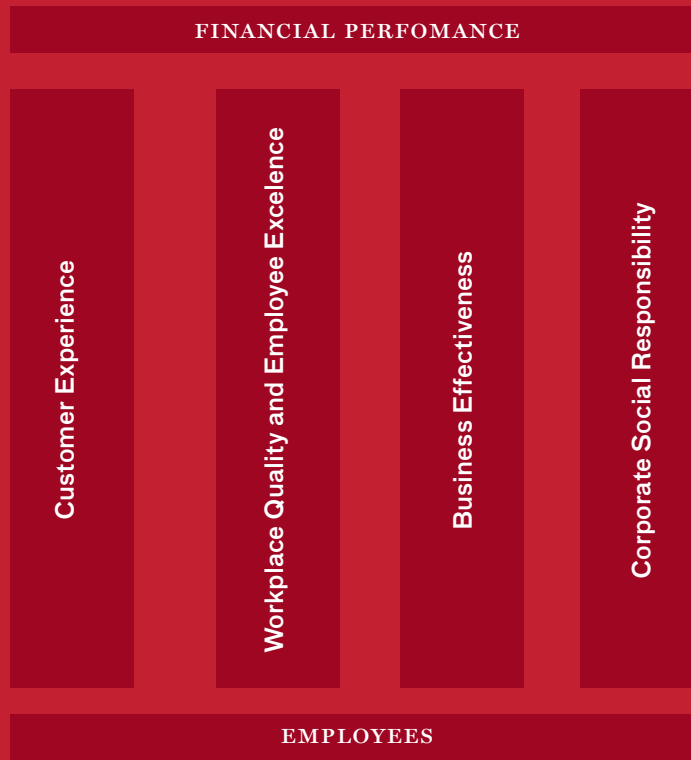
	RISK FACTORS AND SENSITIVITIES	MITIGATING STRATEGIES
ECONOMY	Beverage alcohol is a discretionary consumer product and sales are negatively affected by poor economic conditions.	<ul style="list-style-type: none"> The LDB will carefully monitor its sales and expenses and will make adjustments to its operations and budgets as necessary.
INFORMATION TECHNOLOGY	<p>Old and aging systems are a support and maintenance risk and are a challenge for changing business requirements.</p> <p>The level of security risk and threat of cyber security attack is increasing.</p>	<ul style="list-style-type: none"> The LDB is laying the foundational systems infrastructure that will support the implementation of replacement supply-chain systems. The LDB is ensuring staff is current on these risks, and security monitoring is being expanded for critical systems.
RECRUITING & RETENTION OF EMPLOYEES	A large number of employees will be retiring in the next five years.	<ul style="list-style-type: none"> The LDB is implementing its newly developed succession management strategy to ensure highly skilled people are available to replace those retiring.



OBJECTIVES,
STRATEGIES
& PERFORMANCE
MEASURES

The Four Pillars Framework

The LDB organizes its strategic priorities and key objectives around the concept of four pillars. All four pillars support financial performance, and at the foundation are the LDB's dedicated employees.



GOAL 1

FINANCIAL PERFORMANCE

Meet financial objectives approved by Government.

GOAL 2

CUSTOMER EXPERIENCE

Maintain a high level of wholesale and retail customer satisfaction.

GOAL 3

WORKPLACE QUALITY AND EMPLOYEE EXCELLENCE

Create a work environment that encourages greater employee engagement.

GOAL 4

BUSINESS EFFECTIVENESS

Maintain operating efficiencies in a climate of constant change.

GOAL 5

CORPORATE SOCIAL RESPONSIBILITY

Encourage and support the responsible use of beverage alcohol and minimize the impact of operations on the environment.

OBJECTIVES, STRATEGIES & PERFORMANCE MEASURES

GOAL 1

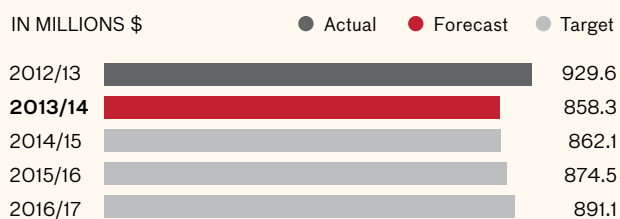
FINANCIAL PERFORMANCE

Meet financial objectives approved by Government.

Strategies

1. Grow sales and effectively manage operating expenses

1.1 Net income



PERFORMANCE MEASURE DESCRIPTION

1.1 Net income – Net income is the contribution made to the provincial government by the LDB from the total sales of beverage alcohol in the province and is audited by the BC Auditor General. LDB net income is a significant contributor to provincial government revenues.

Note that the decrease in net income in fiscal 2013/14 is due to the Harmonized Sales Tax (HST) being replaced by Provincial Sales Tax and the Goods and Services Tax on April 1, 2013 and the LDB reducing its product mark-up rates at that time to the same rates in effect prior to HST implementation.

OBJECTIVES, STRATEGIES & PERFORMANCE MEASURES

GOAL 2

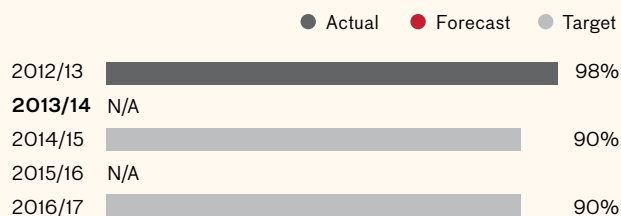
CUSTOMER EXPERIENCE

Maintain a high level of wholesale and retail customer satisfaction.

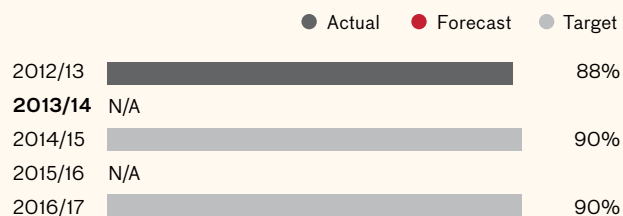
Strategies

1. Continuously refresh the store network
2. Continuously provide enhanced customer services

2.1 Retail customer satisfaction



2.2 Wholesale customer satisfaction



PERFORMANCE MEASURE DESCRIPTION

2.1 Retail customer satisfaction – The retail customer satisfaction rating is determined through a survey of a sample of BC Liquor Store retail customers conducted by a professional survey company. This survey is conducted once every two years so that customers have an adequate amount of time to experience LDB service initiatives which often take more than one year to fully implement. A survey was conducted in 2012/13 and the next survey will be conducted in 2014/15. Due to the importance of customer service to the LDB's success, a high target of 90 per cent has been set.

Note: The survey tool used for the retail customer survey is being modified into the same format used for the wholesale customer survey. This is expected to make it much more challenging to maintain the current performance level of 98 per cent. Therefore the 90 per cent target is being retained.

PERFORMANCE MEASURE DESCRIPTION

2.2 Wholesale customer satisfaction – The wholesale customer satisfaction rating is determined through a survey of a sample of wholesale customers (bars, restaurants and private retailers) conducted by a professional survey company. This survey is conducted once every two years so that customers have an adequate amount of time to experience LDB service initiatives which often take more than one year to fully implement. A survey was conducted in 2012/13 and the next survey will be conducted in 2014/15. Due to the importance of customer service to the LDB's success, a high target of 90 per cent has been set.

OBJECTIVES, STRATEGIES & PERFORMANCE MEASURES

GOAL 3

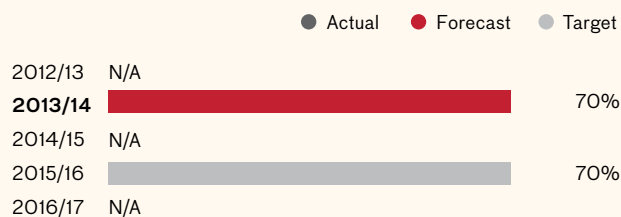
WORKPLACE QUALITY AND EMPLOYEE EXCELLENCE

Create a work environment that encourages greater employee engagement.

Strategies

1. Enhance staff skills and engagement through management development, employee training and increased communication
2. Implement succession management plans for the organization
3. Provide a safe, healthy and harassment-free workplace

3.1 Employee engagement



PERFORMANCE MEASURE DESCRIPTION

2.1 Employee engagement – Employee engagement is a measure of employees' level of commitment to, and satisfaction with, their job and the organization. The LDB's employee engagement score is based on a Workplace Environment Survey (WES) conducted for the LDB by BC Stats and administered every two years. The WES asks a number of questions about the work environment and the results are summarized into a single engagement score. The LDB believes that its target WES score of 70, on balance, reflects a healthy work environment. In 2011/12, the LDB's engagement score was 69.

OBJECTIVES, STRATEGIES & PERFORMANCE MEASURES

GOAL 4

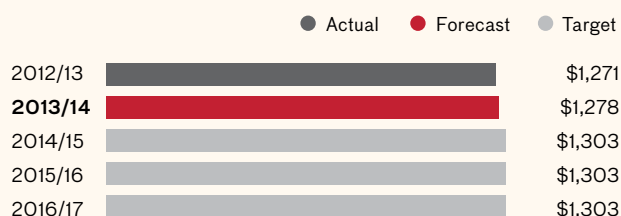
BUSINESS EFFECTIVENESS

Maintain operating efficiencies in a climate of constant change.

Strategies

1. Maximize the potential efficiencies available through improved distribution operations.
2. Increase the use of current and cost effective technology

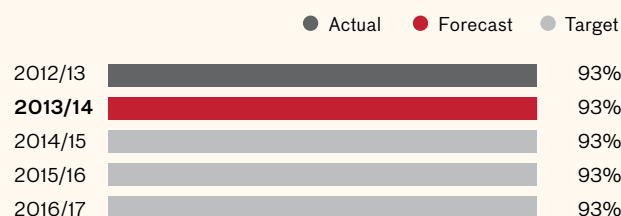
4.1 BC Liquor Stores sales per sq. foot



PERFORMANCE MEASURE DESCRIPTION

4.1 BC Liquor Stores sales per square foot – This measure is based on the annual dollar sales of the store system divided by total store system square footage and is an indicator of how well the LDB converts its store floor space into sales. Wholesale Customer Centre sales are excluded. The targets reflect the LDB’s efforts to increase the productive use of its store space.

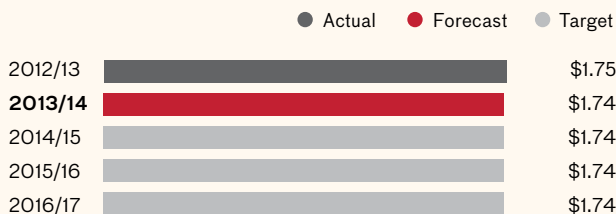
4.3 Distribution Centre line fill rate



PERFORMANCE MEASURE DESCRIPTION

4.3 Distribution Centre line fill rate – This is a measure of the completeness of orders filled by LDB Distribution Centres and is calculated by dividing the number of ordered items that are filled completely by the total number of items ordered. The calculation excludes products that are not stocked by LDB Distribution Centres. The LDB believes the target of 93 per cent is the appropriate balance between the effective management of inventory and the minimization of instances when there is insufficient product on-hand to fill an order.

4.2 Distribution Centre labour cost per case shipped



PERFORMANCE MEASURE DESCRIPTION

4.2 Distribution Centre labour cost per case shipped – This productivity measure is calculated by dividing total Distribution Centre labour expenses by total case shipments. The targets reflect the LDB’s efforts to maintain productivity by keeping the labour cost per case constant.

OBJECTIVES, STRATEGIES & PERFORMANCE MEASURES

GOAL 5

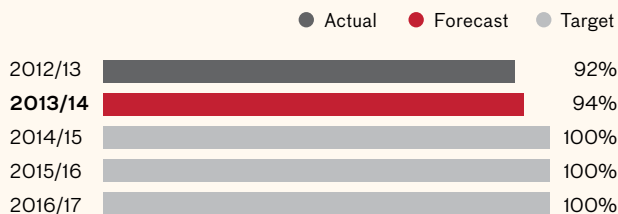
CORPORATE SOCIAL RESPONSIBILITY

Encourage the responsible use of beverage alcohol and minimize the impact of operations on the environment.

Strategies

1. Prevent sales to minors or intoxicated persons in BCLSs through staff education and enforcement of ID-checking requirements
2. Promote awareness of responsible use by continuing co-operative programs with suppliers and other stakeholders
3. Reduce the impact of operations on the environment by reducing waste, increasing recycling rates and achieving carbon neutrality on an annual basis.

5.1 Store compliance with ID-checking requirements

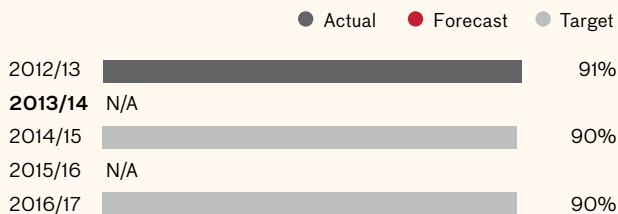


PERFORMANCE MEASURE DESCRIPTION

5.1 Store compliance with ID-checking requirement –

The legal age to purchase liquor in British Columbia is 19. In fiscal 2011/12 the Liquor Control and Licensing Branch (LCLB) implemented an ID-checking program for BCLSs and private liquor stores that uses underage agents to test compliance. The LDB uses LCLB’s compliance statistics for this measure. The target of 100 per cent reflects the importance to the LDB of preventing sales to minors.

5.2 Customer awareness of LDB corporate social responsibility programs

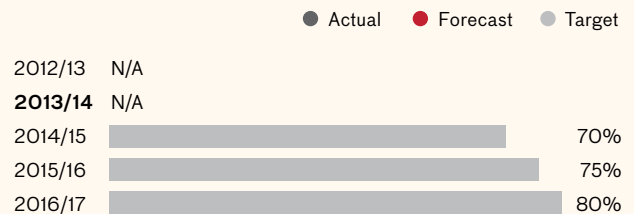


PERFORMANCE MEASURE DESCRIPTION

5.2 Customer awareness of LDB corporate social responsibility programs – The LDB places posters and other promotional materials in its stores that encourage the

responsible use of beverage alcohol. The themes, such as the prevention of drinking and driving or underage drinking, change every month. The LDB measures customer recall of these promotional materials through the same customer survey the LDB uses to rate its customer service performance (see performance measure 3.1). This survey is conducted every two years. The target of 90 per cent was set to ensure that the LDB strives to develop impactful and relevant messaging that catches the attention of customers.

5.3 Waste Diversion Rate



PERFORMANCE MEASURE DESCRIPTION

5.3 Waste Diversion Rate at Head Office and Vancouver Distribution Centre –

In previous years, the LDB reported the number of plastic shopping bags BC Liquor Stores provided to customers annually. To coincide with the LDB’s newly-launched Waste Reduction and Recycling Strategy, the environmental performance measure is now more comprehensive. The LDB is measuring waste diversion rates for its Head Office and Vancouver Distribution Center. Eventually, waste-related measures will expand to include diversion rates for BCLSs, the Kamloops Distribution Centre and intensity-based targets focused on reducing disposable materials distributed to customers and waste material generated from LDB operations.

OBJECTIVES, STRATEGIES & PERFORMANCE MEASURES

Performance Management Systems

The following information summarizes the source and accuracy of the data used for the service plan performance measures.

Sales Data (Performance Measures 1.1 and 4.1)

Sales data for BCLSs is collected from computerized point-of-sale cash register systems and stored in head office databases. Sales made directly to customers by authorized product representatives on behalf of the Liquor Distribution Branch (LDB) are transmitted to the LDB and stored in databases. LDB financial statements are audited by the Office of the Auditor General annually.

Expense Data (Performance Measures 1.1 and 4.2)

LDB expense data is captured, stored and reported by the LDB's financial system. The LDB's financial statements are audited by the Office of the Auditor General.

Employee and Customer Surveys (Performance Measures 2.1, 3.1, 3.2, 5.2)

BC Stats conducts the employee engagement survey for the LDB. The LDB contracts with professional survey companies to conduct the retail and wholesale customer service surveys.

Distribution Data (Performance Measures 4.2, 4.3)

Orders and shipments processed the by LDB distribution centers are captured and stored by computer applications designed for this purpose.

ID-Checking (Performance Measure 5.1)

LCLB administers an ID compliance checking program and provides the results of BCLS compliance to the LDB.

Waste Diversion Rate at Head Office and Vancouver Distribution Centre (Performance Measure 5.3)

Waste diversion rates represent the weight of material diverted from the landfill through composting and recycling as a percentage of the total weight of waste material generated. Rates will be determined based on measured weights reported by a contracted waste and recycling service provider.

ORGANIZATION OVERVIEW

Benchmarking

In 2013, the LDB benchmarked itself against a number of other organizations including: four provincial liquor boards; three non-Canadian government liquor authorities; two private distribution organizations and two private retailers. A total of 15 different measures were compared and results from the four that are most relevant to the LDB are shown below.

There are important differences in the operations and mandate of the LDB compared to most of these organizations and this affects their comparability. The LDB's relative performance to these organizations is shown below. Certain performance measures were only relevant to a selection of the organizations.

PERFORMANCE MEASURES	2013 RANKING		NUMBER OF COMPARABLE ENTITIES
	WORST ←	→ BEST	
Operating Costs as a Percentage of Total Sales		LDB	10
Net Income as a Percentage of Total Sales	LDB		9
BCLS Sales per BCLS FTE		LDB	5
Distribution Centre Cost per Case		LDB	5

Operating Costs as a Percentage of Total Sales

This measure indicates the overall operational efficiency of an organization and represents the per cent of each sales dollar that is used for operating costs.

Net Income as a Percentage of Total Sales

This is a measure of the overall health and profitability of an organization, and represents the per cent of each sales dollar that is generated for Government in the case of public liquor authorities such as the LDB, or to shareholders in the case of private companies.

BCLS Sales per BCLS FTE

This is a measure of productivity of BCLS employees. FTE stands for 'Full Time Equivalent' and is equal to one person-year of employment.

Distribution Centre Cost per Case

This measures how cost effective distribution centres are on a volume basis.



FINANCIAL **OUTLOOK**

FINANCIAL OUTLOOK

Summary Outlook

The financial forecasts take into consideration current economic conditions, beverage alcohol trends, and key strategic issues and risk facing the LDB. The forecast is based on the LDB's status quo business model and does not take into consideration any Liquor Policy Review recommendations Government may choose to implement. Key forecast assumptions, risks and sensitivities are highlighted below.

IN MILLIONS \$	ACTUAL	FORECAST		TARGETS	
	FISCAL 2012/13	FISCAL 2013/14	FISCAL 2014/15	FISCAL 2015/16	FISCAL 2016/17
Total Sales	2,950.4	2,939.5	2,972.0	3,031.5	3,092.2
Commissions & Discounts	196.3	198.7	190.7	194.6	198.4
Cost of Sales	1,540.8	1,587.3	1,608.2	1,642.8	1,678.2
Operating Expenses - Employment	165.3	167.4	170.5	171.1	171.5
Operating Expenses - Rent	37.9	38.5	42.5	44.5	46.7
Operating Expenses - Administration	93.0	97.5	105.8	111.8	114.1
Other Income	12.5	8.2	7.8	7.8	7.8
Net Income	929.6	858.3	862.1	874.5	891.1
Capital	10.4	16.7	30.4	31.0	27.1
Debt	0.1	0	0	0	0
Retained Earnings	0	0	0	0	0

Key Forecast Assumptions

Forecast assumptions, based on market trends by product categories include an annual sales increase of two per cent from fiscal 2014-15 to 2016/17.

The sales decrease in fiscal 2013/14 is due to the Harmonized Sales Tax (HST) being replaced by Provincial Sales Tax and the Goods and Services Tax on April 1, 2013 and the LDB reducing its product mark-up rates at that time to the same rates in effect prior to HST implementation.

Capital requirements reflect expenditures for updating and improving stores, technology-related projects and ongoing equipment replacements. Capital costs associated with the future relocation of the Vancouver Distribution Centre are not yet reflected in the targets because those costs cannot be accurately estimated at this time.

FINANCIAL OUTLOOK

Forecast Risks and Sensitivities

Beverage alcohol is a highly regulated product and its consumption can be influenced by Government decisions such as hours of operation of establishments that sell or serve liquor products and drinking and driving laws, to name just two. These types of policy decisions can have a significant impact on LDB revenue. The LDB's financial performance is also affected by price competition amongst suppliers of wine, spirits and refreshment beverages because mark-up on these products is percentage-based, meaning a reduction in the supplier price will result in less LDB revenue, assuming a constant volume. Beverage alcohol is also a discretionary consumer product and sales are affected by economic conditions – consumer confidence dictates the level of entertainment dollars spent on beverage alcohol. Weather patterns and timing of statutory holidays are other factors that influence LDB revenue. A hot, dry summer and long weekends result in increased sales, particularly in the refreshment beverage and packaged beer categories. Conversely, adverse weather conditions have a negative impact on liquor sales. The day of the week statutory holidays fall on also have an impact on sales – when they are on Monday or Friday sales are much stronger than when they are on a Tuesday or Wednesday. The LDB monitors all of these factors, using the best information available, to ensure sound decisions are made regarding such things as product mix and supply, and the staffing compliment required in our retail store locations.

Cost of Goods Sold

Each percentage change in the cost of products in the wine, spirits and refreshment beverage categories has a direct effect on net income of approximately \$7.8 million due to the percentage-based mark-up on these products.

Market Share

Each percentage change in the market share of BC Liquor Stores affects net income by \$3.9 million.

FINANCIAL OUTLOOK

Segmented Outlook

The LDB has two types of operations based on customer type – retail and wholesale. Retail operations include sales from BCLS to retail customers. Wholesale operations include sales from the LDB's Wholesale Customer Centre, BCLSs, and from authorized BC manufacturers and private distributors to re-sellers of beverage alcohol.

The LDB uses an Activity-Based Costing Analysis to allocate expenses between the two operations. This analysis is updated annually. The segmented information provided below allocates the Summary Financial Outlook from the previous page into the retail and wholesale operations.

Retail Outlook

IN MILLIONS \$	ACTUAL	FORECAST	FISCAL 2014/15	TARGETS	FISCAL 2016/17
	FISCAL 2012/13	FISCAL 2013/14		FISCAL 2015/16	
Total Sales	1,195.8	1,184.6	1,197.7	1,221.7	1,246.2
Cost of Sales	576.2	568.2	574.9	586.4	598.2
Operating Expenses	202.6	205.3	215.8	221.6	224.8
Other Income	6.3	4.1	3.9	3.9	3.9
Net Income	423.3	415.2	410.9	417.6	427.1

Wholesale Outlook

IN MILLIONS \$	ACTUAL	FORECAST	FISCAL 2014/15	TARGETS	FISCAL 2016/17
	FISCAL 2012/13	FISCAL 2013/14		FISCAL 2015/16	
Total Sales	1754.6	1,754.9	1,774.3	1,809.8	1,846.0
Commissions & Discounts	196.3	198.7	190.7	194.6	198.4
Cost of Sales	964.6	1,019.1	1,033.3	1,056.4	1,080.0
Operating Expenses	93.6	98.1	103.0	105.8	107.5
Other Income	6.2	4.1	3.9	3.9	3.9
Net Income	506.3	443.1	451.2	456.9	464.0

Contact Information

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The British Columbia Liquor Distribution Branch Service Plan for Fiscal Years 2013/14 – 2015/16 is available online at www.bcldb.com/publications/service-plan

