

BC Liquor Distribution Branch

2025/26 – 2027/28 Service Plan

March 2025



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General Manager and CEO's Accountability Statement



The 2025/26 – 2027/28 BC Liquor Distribution Branch (LDB) Service Plan was prepared under my direction in accordance with the *Budget Transparency and Accountability Act*. This plan is consistent with government's strategic priorities and fiscal plan. I am accountable for the contents of this plan and responsible for the validity and reliability of the information presented.

All significant assumptions, policy decisions, events and identified risks, as of February 18 have been considered in preparing the plan. The performance measures presented are consistent with the *Budget Transparency and Accountability Act*, 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 LDB's operating environment, forecast conditions, risk assessment and past performance.

A handwritten signature in black ink, appearing to read 'R. Blain Lawson'. The signature is stylized and written in a cursive-like font.

R. Blain Lawson
General Manager and Chief Executive Officer, LDB
February 18, 2025

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Strategic Direction

In 2025/26, public sector organizations will continue to prioritize delivering the services and infrastructure needed for people to build good lives in strong communities.

To support this objective public sector organizations will support Government's focus on growing the economy, responding to the threat of tariffs, creating good paying jobs, improving affordability, strengthening health care and education, and making communities safer.

Public sector organizations will also continue to work as directed to support the implementation of the Declaration on the Rights of Indigenous Peoples Act Action Plan.

This 2025/26 service plan outlines how the LDB will support the government's priorities and selected action items identified in the most recent [LDB Minister's Letter of Direction](#).

Purpose of the Organization and Alignment with Government Priorities

In British Columbia (B.C.), the LDB is one of two branches of government that provide oversight for the beverage alcohol and non-medical cannabis (cannabis) industries; the other is the Liquor and Cannabis Regulation Branch (LCRB). The LDB is responsible for the wholesale distribution and retail sale of beverage alcohol and cannabis. The LCRB oversees the regulation and licensing of private retail sales of liquor and cannabis and events.

The [Liquor Distribution Act](#) (LDA) gives the LDB the sole right to purchase beverage alcohol both within B.C. and from outside the province, in accordance with the federal [Importation of Intoxicating Liquors Act](#). The LCRB licenses private liquor stores, restaurants, pubs, and manufacturers, and enforces regulations under the [Liquor Control and Licensing Act](#).

The [Cannabis Distribution Act](#) (CDA) established a government wholesale distribution model for cannabis, public cannabis retail stores, and a publicly run e-commerce retail channel. The LCRB licenses private cannabis stores and enforces some aspects of the regulations under the [Cannabis Control and Licensing Act](#).

Accountable to the Minister of Public Safety and Solicitor General; the LDB:

- Has a General Manager and Chief Executive Officer who is responsible for administering the LDA and the CDA, subject to direction from the Minister of Public Safety and Solicitor General;
- Oversees a province-wide mixed public-private retail and public wholesale beverage alcohol and cannabis business model;
- Distributes liquor products through two distribution centres in Delta and Kamloops, and cannabis products through a distribution centre in Richmond;

- Provides online ordering systems for wholesale customers of beverage alcohol and cannabis;
- Operates 198 BCLIQUOR stores (BCL) and 39 BC Cannabis Stores (BCCS);
- Operates an e-commerce retail channel for cannabis under the BCCS brand; and,
- Employs approximately 5,660 full- and part-time staff.

As part of B.C.'s mixed public-private retail and public wholesale beverage alcohol and cannabis business model, the LDB is committed to focusing on customer needs, which includes providing an expansive product selection and offering exceptional customer service.

The LDB and LCRB have a shared mandate to encourage the responsible consumption of beverage alcohol and cannabis and work closely together to coordinate policies and programs to that end.

The LDB is committed to government's goals of making life better for people in B.C., improving services, and ensuring a sustainable province for future generations. The revenue generated by the LDB helps fund essential public services like health care, education, and other community programming.

The LDB will continue to help government advance lasting and meaningful reconciliation. For example, the LDB will continue supporting Indigenous Nations' participation in the cannabis industry through the [cannabis direct delivery program](#) and the [BC Indigenous Cannabis Product \(BCICP\) program](#), which promote greater visibility of Indigenous cannabis producers and their products to both wholesale and retail customers.

Operating Environment

Shift in Consumer Trends

The LDB regularly reviews market conditions and sales trends and considers the impacts of changes in policy or regulatory approaches as part of its forecasting activities. The LDB continues to see the effects of a shift in consumer trends and spending where increasing shelter, food, clothing, and transportation costs are leading consumers to take a cautious approach to discretionary spending. These adverse economic factors are exacerbated by changing consumer habits. Surveys suggest that younger people are drinking less than previous generations and growing public awareness continues around the health and safety risks related to alcohol consumption. As the shift in consumer buying habits become known, the LDB's business areas will continue to take steps to ensure they are making purchasing decisions that continue to evolve to meet consumer trends and maintain fiscal responsibility. This includes BCL and BCCS aligning product assortments and shelf space for products that meet changing consumer trends.

Liquor Industry and the Business Technical Advisory Panel

The LDB continues to work collaboratively with the Business Technical Advisory Panel to identify and address liquor policy priorities that align with government's mandate and policy

objectives and also recognize the changing operating environment for industry, including an economic downturn and evolving consumer preferences.

As part of these priorities, the LDB completed industry engagement with the brewery and distillery sectors in Fall 2024 in support of the LDB's review of its liquor manufacturer sales agreements. What We Heard Reports summarizing the feedback received through this engagement process were shared with industry in January 2025. LDB Policy is now analyzing this feedback and will be seeking Minister direction on next steps. Additional work includes a risk assessment of B.C.'s liquor supply chain, with a focus on building its resiliency in the face of unprecedented challenges such as wildfires and other extreme weather events.

The LDB also continues to prioritize support for B.C. wineries affected by the freezing conditions in early 2024 that caused significant damage to vineyards. The LDB has introduced temporary measures through fiscal 2027/28 to help B.C. wineries produce a 2024 vintage, and in doing so, support job security in the industry.

Digital Modernization

Over the next several years, the LDB will be undertaking key technology upgrades to set the LDB on a strong and sustainable path forward. In the long-term, the plan is to transition the LDB from the current aging information technology (IT) infrastructure and business applications to a modernized IT architecture. This work is a priority as it will help address organizational risks associated with aging technology systems.

Planning has commenced in order to identify the scope of potential projects, and the associated resources required.

Cannabis Industry

The LDB is the sole wholesale distributor and public retailer of cannabis. Through its efforts, it enables an efficient and resilient supply chain for B.C. cannabis producers and private retail stores that operate within the marketplace. The LDB will continue to work collaboratively with its ministries' counterparts to support the objectives of increasing legal market competitiveness and ensuring access to quality product selection for consumers, as well as prioritizing public health and safety, and advancing reconciliation.

The LDB's ongoing commitment to supporting Indigenous and local producers is exemplified by the BCICP program, which promotes greater visibility of Indigenous cannabis producers and their products to retail and wholesale customers. Additionally, the direct delivery program helps expand the reach of smaller-scale cultivators and processors into B.C.'s retail cannabis market. The BCICP program includes five producers with 67 registered products, having made over \$20 million in sales since it launched in 2022. The direct delivery program, which also began in 2022, has grown to include around 100 participating cultivators making over \$13 million in direct sales in fiscal 2023/24. Both programs are anticipated to continue through fiscal 2027/28.

Annual Economic Statement

B.C.'s economy experienced moderate growth last year amid relatively high interest rates, persistent price pressures and ongoing global economic uncertainty. The labour market ended the year on a positive note, supported by high immigration and strong population growth. Inflation in B.C. continued to moderate as the price growth of goods eased, while inflation for services remained elevated. Consumer spending and home sales activity were weaker for most of 2024 in the wake of still elevated interest rates and high prices. Subdued global demand and lower prices for key commodities led to a decline in the value of the province's merchandise exports in 2024. Meanwhile, B.C. homebuilding activity remained relatively strong following record high housing starts in 2023.

The Economic Forecast Council (EFC) estimates that B.C. real GDP rose by 1.2 per cent in 2024. In the near-term, the EFC expects B.C.'s economy to grow by 1.8 per cent in 2025 and 1.9 per cent in 2026, in line with the national average. For Canada, the EFC estimates growth of 1.4 per cent in 2024 and projects national real GDP growth of 1.8 per cent in 2025 and 1.9 per cent in 2026. These projections do not fully include the impact of the evolving U.S. tariff situation.

Restrictive global trade policies, particularly potential U.S. tariffs, pose a risk to the outlook and there is uncertainty over the degree and timing of impacts on B.C.'s economy, and among the province's trading partners. Other risks include lower population growth due to changes to federal immigration policy, as well as the potential for renewed price pressures leading to interest rates remaining elevated for longer, weaker global demand, and commodity market volatility.

Performance Planning

Goal 1: Sustain net returns to the Province of B.C.

The LDB is committed to optimizing its financial performance to deliver its expected financial results to the Province of B.C. The LDB is a significant generator of government revenue, which supports public services that British Columbians rely on every day. To achieve this goal, the LDB will continue to look for opportunities to enhance sales and increase operating efficiencies.

Objective 1.1: Optimize the LDB's financial performance

The financial success of the LDB's wholesale and retail lines of business are key to supporting net returns to the Province of B.C.

Key Strategies

- Enhance sales in BCL by focusing on strategic product assortment and further optimization of pricing and enhance inventory management by focusing on improved forecasting via collaboration with its stores and suppliers.
- Manage BCL operating costs by closely monitoring on-hand inventory, optimizing operations and staff scheduling, and maintaining cost controls.
- Maintain BCCS gross margin and control store expenses.
- Manage liquor and cannabis wholesale inventory through regular monitoring and implementing strategies to address slow-moving products.
- Enhance the resiliency of the wholesale liquor supply chain by strengthening supplier relationships and ensuring high-demand products remain consistently available by aligning inventory levels with demand forecasts.

Discussion

For fiscal 2025/26, the LDB is carrying out key strategies in the areas of liquor and cannabis cost control, inventory management, and sales.

BCL will focus on refining its forecasting processes and optimizing inventory for key sales initiatives by focusing on strategies to address slow-moving inventory and working with its stores and suppliers to facilitate promotional support for targeted products. To support sales enhancement, BCL will further optimize product assortments to align with consumer trends and customer demand. Additionally, BCL will continue to monitor and manage operating expenses carefully. This includes monitoring on-hand inventory levels, maintaining comprehensive cost controls, as well as leveraging historical data and sales patterns. This will contribute to maximizing operational efficiency while keeping expenses in check.

The LDB's cannabis operations will focus on aligning its product assortment in BCCS more closely to customer demand to reduce the risk of markdowns with the aim of clearing out slow-moving products. Additionally, BCCS will continue to source products that can enhance

gross margin across product lines, while continuing to exercise comprehensive cost controls. The cannabis wholesale division will continue to regularly review inventory in its distribution centre to identify and address aging, slow-moving, and defective products. This will include providing licensed producers with weekly reports of their products' sales performance, distribution centre inventory levels, age, and order status of centrally delivered products (i.e., products distributed from the LDB's distribution centre). The cannabis wholesale division will continue to notify and initiate inventory returns with licensed producers if product performance thresholds are not met or if storage timelines are exceeded.

The liquor wholesale division will collaborate with suppliers to identify underperforming products and implement solutions (e.g., price adjustments, promotions, delisting) to support management of slow-moving inventory, ensure inventory remains optimized, reduce holding costs, and free up warehouse space for high-demand products. Ensuring the consistent availability of high-demand products by focusing on core stock keeping units to maintain optimal stock levels remains a priority. Furthermore, mitigating the risk of service disruptions (e.g., port and rail strikes) is critical to supply chain resilience. Strengthened collaboration with key suppliers and proactive planning (e.g., a safety stock) will help address delivery challenges to the LDB and its customers, ensuring continuity of operations and minimize disruption. All of these efforts combined will strengthen operational efficiency, support reliable product availability, and contribute to the LDB's financial goals.

Performance Measures

| Performance Measure | 2024/25 Forecast | 2025/26 Target | 2026/27 Target | 2027/28 Target |
|---|------------------|----------------|----------------|----------------|
| 1.1a Net income (in \$ millions) ^{1, 2, 3} | \$1,076.2 | \$1,027.2 | \$1,022.0 | \$1,024.8 |
| 1.1b Liquor distribution centres inventory turnover per year ⁴ | 12.5 | 13.2 | 13.3 | 13.3 |
| 1.1c Cannabis distribution centre inventory turnover per year ^{5, 6} | 9.8 | 9.5 | 9.8 | 10.0 |
| 1.1d BCL sales per square foot ^{7, 8} | \$1,442 | \$1,450 | \$1,465 | \$1,478 |
| 1.1e BCCS sales per square foot ^{9, 10} | \$900 | \$925 | \$950 | \$950 |

¹ Data source: BCL and BCCS sales data are collected from point-of-sale cash register systems and stores in Head Office databases. Sales made directly to customers by authorized representatives on behalf of the LDB are transmitted to the LDB and stored in databases. LDB financial statements are audited annually by an independent auditor contracted by the LDB under the oversight of the Office of the Auditor General. LDB expense data is captured, stored, and reported by the LDB's financial system.

² The LDB is forecasting a \$13.5 million shortfall for 2024/25, primarily due to a continued decline in liquor sales driven by ongoing economic uncertainty and shifting trends in liquor consumption, including a move toward healthier lifestyles. Slow and steady growth in cannabis sales has partially offset losses from liquor.

³ 2025/26 and 2026/27 targets have been updated to align with the projected industry outlook for both liquor and cannabis. These projections are informed by recent observable trends and anticipated future economic and social dynamics. These revisions take into consideration a decrease in forecasted net income by \$65.4 million in 2025/26 and \$79.3 million in 2026/27 compared to the 2024/25 – 2026/27 service plan, at which time the extent of economic deterioration and shifting consumption trends were not anticipated. The LDB projects that these unfavorable conditions will persist in the near future and, as a result, net income is expected to continue to decline over the next year, with growth resuming only in 2027/28.

⁴ Data source: Inventory data is collected from applications at LDB's liquor distribution centres in Delta and Kamloops designed for this purpose and stored in Head Office databases. Inventory turnover is calculated by dividing the duty paid cost of shipments from LDB's liquor distribution centres to customers (including BCL) by the average inventory in the same period.

⁵ Data sources: Inventory data is collected from applications at LDB's cannabis distribution centre designed for this purpose and stored in Head Office databases. Inventory turnover is calculated by dividing the duty paid cost of shipments from LDB's cannabis distribution centre to customers (including BCCS and BCCannabisStores.com) by the average inventory in the same period.

⁶ 2025/26 and 2026/27 targets have been updated to reflect a return to optimized inventory levels as supply chain risks stabilize and the need for elevated stock levels diminishes.

⁷ Data source: BCL sales data is collected from point-of-sale cash register systems and stored in Head Office databases.

⁸ 2025/26 and 2026/27 targets have been adjusted to reflect minor updates to square footage at some stores due to reconfigurations and updated inflation forecasts.

⁹ Data source: BCCS sale data is collected from point-of-sale cash register systems and stored in Head Office databases. It is based on total square footage, not sales floor space.

¹⁰ 2025/26 and 2026/27 targets have been updated to reflect maturation of the cannabis retail marketplace and sales growth.

Goal 2: Improve customer experience with the LDB

As the province's sole wholesale distributor of beverage alcohol and cannabis, and the public retailer of these products, the LDB is committed to providing best-in-class service to meet the needs of British Columbians and demonstrate its value and reliability to stakeholders.

Objective 2.1: Improve retail and wholesale customer satisfaction

Delivering a high standard of service and maintaining customer satisfaction are critical priorities for the LDB.

Key Strategies

- Leverage customer research to refine BCL's brand to cater to key customer groups and strengthen their experience.
- Maximize BCL's operational effectiveness and customer service delivery through employee training and upgrading point-of-sale hardware and network.
- Introduce enhancements to cannabis division's online ordering platforms for wholesale, BCCS and BCCannabisStores.com customers.
- Improve BCCS customer experience through enhanced visual merchandising standards and updating point-of-sale technology.
- Improve order accuracy and reliability through continuous improvement initiatives within LDB's liquor and cannabis distribution centres.

Discussion

Each line of business has tailored their approach to improving customer satisfaction, specific to their respective needs and operations. These approaches include improvements to customer service, product delivery, order accuracy, and understanding customer needs.

To better meet customer needs, BCL has updated its customer segmentation research and will refine its target customer groups to develop more tailored marketing, merchandising, and store operations strategies. Efforts include an ongoing brand marketing campaign and a modernized website to enhance customer experience. Additionally, the roll out of an advanced sales training module for BCL employees, initiated in fiscal year 2024/25, will better equip sales associates with skills to engage customers, understand their needs, and offer tailored solutions. Upgrades to the point-of-sale hardware, including customer-facing screens, will provide a detailed view of purchases, promote upcoming offers, and eventually allow for customer feedback, supporting improved customer satisfaction, loyalty, and store performance.

At the same time, the cannabis division is working on multiple initiatives to improve customer experience. The cannabis division is enhancing its online ordering platforms to better serve wholesale, BCCS and BCCannabisStores.com customers. This work began in fiscal 2024/25 with efforts to reduce technical issues and downtime and included a successful transition to a global system. Planned enhancements include upgrades to eCommerce checkouts and further refinements to the global platform to provide a more seamless ordering experience.

In addition, BCCS will be conducting product category reviews and implementing enhanced merchandising standards across all locations to improve how products and product information are presented to customers. These efforts will standardize the store look and feel to provide a consistent and optimized customer experience. Starting in fiscal 2025/26, BCCS will begin upgrading point-of-sale hardware which will include customer-facing screens to display a detailed view of purchases and eventually allow for customer feedback. This aims to improve customer satisfaction, service, and the overall in-store shopping experience at BCCS.

At the distribution centre, the cannabis division will continue to build a culture of continuous improvement by conducting regular process reviews and applying the Lean methodology to improve operational efficiency. It will also review the performance of inbound and outbound freight carriers and licenced producers, with a focus on timeliness and accuracy, to ensure service goals are met.

The liquor wholesale division is committed to improving operational efficiency and maintaining high standards of service for wholesale customers. As part of this commitment, it plans to reduce the time customer orders spend on the loading dock by preloading trailers earlier, which will support on-time delivery and reduce congestion in the distribution centre. Additionally, the division will address assembly errors by analyzing root causes of inaccuracies in the picking and packing processes and implementing measures such as process refinements and employee training to improve order accuracy for customers.

Performance Measures

| Performance Measure | 2024/25 Forecast | 2025/26 Target | 2026/27 Target | 2027/28 Target |
|--|------------------|----------------|----------------|----------------|
| 2.1a Liquor Wholesale on-time delivery ^{1,2} | 97.6% | 96.0% | 97.0% | 98.0% |
| 2.1b Cannabis Wholesale on-time delivery ³ | 98.0% | 99.0% | 99.0% | 99.0% |
| 2.1c Liquor Wholesale accurate delivery ^{4,5} | 99.5% | 99.6% | 99.7% | 99.8% |
| 2.1d Cannabis Wholesale accurate delivery ⁶ | 96.0% | 97.0% | 97.5% | 97.5% |
| 2.1e BCL retail customer satisfaction ⁷ | 74.0% | 75.0% | 75.0% | 75.0% |

¹Data source: Delivery data is collected by LDB's own fleet of freight vehicles and third-party freight carriers and audited against bill of lading documents signed by the customers, confirming arrival times for accuracy of data.² 2025/26 and 2026/27 targets have been updated in alignment to historical performance, industry benchmarks, and operational capabilities.

³Data source: Delivery data is collected by third-party freight carriers through their proof of delivery systems and audited against customers' reports of late deliveries.

⁴Data source: Based on an audit of four per cent of orders and shipments processed by the LDB's liquor distribution centres.

⁵2025/26 and 2026/27 targets have been updated in alignment to historical performance and reflect the LDB's commitment dedication to customer satisfaction and operational efficiency.

⁶Data source: Based on an audit of all orders and shipments processed by LDB's cannabis distribution centre.

⁷Data source: The LDB contracts a professional, third-party company to conduct market research. Data from insights shared by an online panel are shared with the BCL via a dashboard that includes high-level graphs.

Goal 3: Create positive social impact

Social and environmental responsibility is a key element of the LDB's mandate. To support these efforts, the LDB focuses on three themes: reducing the impact its business has on the environment, encouraging and promoting the responsible use of alcohol and cannabis, and giving back to the people and communities it serves.

Objective 3.1: Minimize the impact of LDB operations on the environment

The LDB is taking steps to move towards net zero emissions and eliminate waste and single-use plastics from entering landfills. This work is aligned with the [CleanBC Roadmap to 2030](#) and helping put B.C. on the path to net zero emissions by 2050. The LDB's work is also aligned with the government's legislated target to reduce greenhouse gas emissions from buildings by 40 per cent below 2007 levels, and by 40 per cent below 2010 levels for fleet vehicles by 2030.

Key Strategies

- Reduce the overall waste generated by the LDB across all lines of business.
- Support the CleanBC Roadmap to 2030 by delivering programs and solutions that reduce the LDB's carbon footprint.

- Continue to replace LDB's gas and hybrid fleet vehicles with light-duty, zero-emission vehicles (ZEVs), subject to operational feasibility.

Discussion

The LDB remains committed to reducing the environmental impact of its operations through a wide range of strategies spanning all areas of its business.

In December 2024, the LDB launched a pilot paper recycling program in a select BCL store. The pilot aimed to test the implementation process, gather feedback, and identify necessary adjustments to enable a broader rollout of paper recycling across additional locations. Building on this pilot, the LDB plans to expand the paper recycling program to BCL stores with LDB-managed waste and recycling services. In 2025/26, the LDB will also be exploring the feasibility of the introducing additional recycling streams, such as organics, at worksites located in communities, ahead of regional or municipal waste diversion and recycling mandates and bylaws.

Integrating CleanBC 2030 objectives into business operations continues to be a key focus to help the LDB meet provincial waste and emissions reduction targets. One focus area within business operations is the fleet. As of January 2025, 29 per cent (eight of 28) of the LDB's light-duty vehicles in its fleet has been replaced with ZEVs. The expansion of ZEVs within the LDB's light-duty vehicle fleet will be reassessed in fiscal 2025/26, taking factors into consideration, such as market inventory, budget, and operational needs (e.g., long-distance range during winter conditions). The Ministry of Energy and Climate Solutions has adjusted the timelines for medium- and heavy-duty ZEV requirements initially planned for 2026. The LDB will update its plans for integrating medium- and heavy-duty ZEV based on the new timelines and regulations once announced.

The LDB publishes its annual emissions profile in its [Climate Change Accountability Reports](#), available on its website. These reports comply with the requirements of B.C.'s [Climate Change Accountability Act](#) and the [Carbon Neutral Government Regulation](#).

Objective 3.2: Encourage the responsible use of beverage alcohol and non-medical cannabis

The LDB will continue to support government's mandate of prioritizing public health and safety and promoting responsible consumption and awareness of the risks associated with consuming liquor and cannabis.

Key Strategies

- Continue to prevent sales to minors or intoxicated persons in BCL and BCCS through employee education and training, and consistent ID-checking of its customers.
- Reinforce social responsibility and responsible consumption through campaigns and the display of educational material, signage, and content in BCL and BCCS stores and online.

Discussion

The LDB is committed to being a responsible retailer of liquor and cannabis. To support this commitment, BCL and BCCS will continue ID-checking all customers who appear underage and take part in campaigns centred around responsible consumption of alcohol and cannabis. The campaigns, which range in themes from impaired driving to consuming in moderation, are implemented across all sales channels. BCL and BCCS regularly review their ID-checking and social responsibility materials for relevancy. On an ongoing basis, the LDB continues efforts to develop modern and fresh campaigns in alignment with LCRB and promotes them in collaboration with stakeholders and community partners.

In fiscal 2024/25, BCL launched a refreshed Check 30 employee training program to reinforce the importance of asking customers who appear younger than 30 years of age for two pieces of identification prior to transacting their purchase. The training provides associates with the knowledge and tools to confidently verify identification, handle challenging situations, and address customer objections professionally.

Additionally, BCL has re-launched its customer-facing social responsibility materials, in stores and online, to create greater visual focus on social responsibility messaging. BCL will continue to promote responsible drinking and moderation in stores with a more engaging, digital experience. BCL will also continue to launch new messaging and campaigns every quarter to promote responsible consumption and increase memorability for customers.

BCCS continues to reinforce its commitment to social responsibility and the importance of all ID-checking requirements to keep cannabis out of the hands of minors. Updated ID-check training materials will continue to be a part of annualized training of all BCCS employees. In addition to ID-checking at the till, BCCS allocates resources to check identification on the sales floor during peak traffic periods.

Objective 3.3: Increase positive social impact

The LDB already delivers several social impact activities across the organization. Going forward, the LDB will build on these existing activities to further affect change from a social, environmental, and economic standpoint to benefit all British Columbians.

Key Strategies

- Develop and execute social and environmental programs within the overarching organizational corporate impact strategy: Multiply the Good.
- Integrate select in-store charitable programs and campaigns with the new corporate impact strategy, continuing to support the communities in which the LDB operates.
- Continue supporting employees in fostering respectful, meaningful relationships with Indigenous Peoples, advancing reconciliation through the ongoing implementation of activities within the LDB's multi-year Indigenous Learning Journey.

- Finalize the Reconciliation, Equity, Diversity, and Inclusion (REDI) roadmap, integrating accessibility into the 2025 REDI strategy, thereby reinforcing the commitment to a culturally safe, inclusive, and accessible workplace.

Discussion

Fiscal 2025/26 will mark the first full year of implementing the LDB’s new corporate impact strategy: Multiply the Good. Guided by four pillars (i.e., people, communities, environment, partners), the strategy focuses on amplifying the positive impact the LDB has on the communities it operates while striving to be an inclusive organization where employees are supported to reach their full potential. The aim within this first year will be refining the organization’s existing social and environmental initiatives to align with the overarching strategy. In line with building respectful, meaningful relationships with Indigenous Peoples, the LDB created a multi-year Indigenous Learning Journey in fiscal 2021/22. This initiative aims to assist LDB employees to build cultural awareness, sensitivity and agility to enhance positive relationships with Indigenous communities and partners. Looking ahead to fiscal 2025/26, the LDB will focus on continuing to implement the third phase of its Indigenous Learning Journey. Fiscal 2024/25 saw the development of LDB’s REDI department and related strategy. In fiscal 2025/26, the LDB will continue this work by finalizing and implementing the strategy. This will include supporting the improvement of employee experiences, delivering anti-racism training, further developing inclusive leaders, delivering culturally safe programming to improve experiences for Indigenous employees, and increasing representation across leadership levels. Related to this, the LDB will begin planning the development of an accessibility program, working in step with the next phase of AccessibleBC, the Province’s plan created under the [Accessible British Columbia Act](#), once available.

Performance Measures

| Performance Measure | 2024/25 Forecast | 2025/26 Target | 2026/27 Target | 2027/28 Target |
|---|------------------|----------------|----------------|----------------|
| 3.1a Waste diversion rate ^{1,2} | 87.0% | 87.0% | 88.0% | 88.0% |
| 3.2a BCL and BCCS compliance with ID-checking requirements ³ | 88.9% | 100% | 100% | 100% |

¹ Data source: Diversion rates are determined based on measured weights reported by LDB-contracted waste and recycling service providers. Excluded from this performance measure are BCL and BCCS locations that are overseen by landlords that do not provide their waste collection and diversion data to the LDB.

² 2025/26 and future targets have been revised due to limitations in collecting waste diversion data at BCL and BCCS stores that have waste and recycling services overseen by landlords.

³ Data source: The LCRB administers an ID-checking compliance program and provides the results of BCL and BCCS compliance to the LDB.

Financial Plan

Financial Summary

| \$millions | 2024/25 Forecast | 2025/26 Budget | 2026/27 Plan | 2027/28 Plan |
|--|---------------------|-------------------|-----------------|-----------------|
| Revenue | | | | |
| Revenue | 3,896.0 | 3,848.4 | 3,875.3 | 3,911.5 |
| Cost of Sales | 2,240.6 | 2,225.7 | 2,242.5 | 2,265.9 |
| Gross Margin | 1,655.4 | 1,622.7 | 1,632.8 | 1,645.6 |
| Expenses | | | | |
| Operating Expenses – Employment | 365.6 | 371.2 | 370.0 | 371.2 |
| Operating Expenses – Amortization | 67.2 | 69.5 | 71.7 | 73.8 |
| Operating Expenses – Administration | 76.5 | 82.0 | 91.2 | 92.6 |
| Operating Expenses – Bank Charges | 42.5 | 41.7 | 43.7 | 45.7 |
| Operating Expenses – Facilities ¹ | 35.5 | 39.2 | 41.2 | 43.3 |
| Operating Expenses – Lease Financing | 6.9 | 6.9 | 8.0 | 9.2 |
| Total Expenses | 594.2 | 610.5 | 625.8 | 635.8 |
| Other Income | 15.0 | 15.0 | 15.0 | 15.0 |
| Net Income | 1,076.2 | 1,027.2 | 1,022.0 | 1,024.8 |
| Capital Expenditures | 25.5 | 31.7 | 30.2 | 29.9 |
| Total Debt² | 210.0 | 213.7 | 227.5 | 268.7 |
| Accumulated Surplus (Deficit) | 0 | 0 | 0 | 0 |

Note: The above financial information was prepared based on current Generally Accepted Accounting Principles.

¹ Facilities costs consist of common area maintenance, property taxes, utilities, repairs, and maintenance.

² LDB does not have any loans. Debt consists of lease liabilities as of March 31.

Key Forecast Assumptions, Risks and Sensitivities

Due to market volatility and recent shifting liquor consumption trends, the LDB takes various external factors into account when preparing short-term economic forecasts. These factors include weakening consumer confidence in the economy, tightening labour markets, rising household costs, and a growing preference for healthier lifestyles. As a result, consumers are expected to become more price-conscious, prioritize products that offer good value for money, and gravitate toward options perceived as healthier (e.g., low alcohol, low sugar, low calorie). In addition to these trends, a projected decline in immigration levels in the coming years is expected to exert further pressure on alcohol sales within the province.

The LDB closely monitors the liquor and cannabis industries, with particular attention to the state of supply chains, and continually evaluates potential impacts on its finances and business operations.

The LDB's forecast includes the following assumptions:

- **Overall Sales Revenue:** An anticipated decline of 1.1 per cent in fiscal 2024/25 compared to the previous fiscal year, primarily driven by a decrease in alcohol sales volumes, as well as changes in inflation and product mix.
- **Cannabis Revenue:** A partial offset of the decline of liquor revenue through the robust growth of cannabis revenue.

Beverage Alcohol Assumptions

- **Revenue Decline:** Revenue is expected to decrease by 2.5 per cent in fiscal 2024/25, reaching its lowest level in the past 10 years. This decline is attributed to the continued deterioration of sales volumes, which began in fiscal 2022/23. Litres sold is projected to fall by 3.9 per cent compared to fiscal 2023/24.
- **Product Mix:** Economic conditions and shifting consumer preferences are expected to drive a continued shift in product mix, with declining demand for wine and beer, and increased interest in refreshment beverages through fiscal 2027/28. Spirits are expected to be stable from fiscal 2025/26 through 2027/28.
- **Volume Projections:** Beverage alcohol in litres is expected to reach a low point in 2025/26, with less than one per cent growth projected for fiscal 2026/27 and 2027/28.
- **Cannabis Impact:** The increase in cannabis sales is not expected to have a significant impact on beverage alcohol sales.

Cannabis Assumptions

- **Market Expansion:** The legal cannabis market is expected to grow, leading to increased LDB wholesale sales as more private retailers enter the marketplace. However, the growth rate will slow as the industry matures.
- **Product Innovation:** Product selection will continue evolving with strong growth anticipated in inhalable extracts, pre-rolls, and flower categories.

- Price Pressure: Supplier prices will face downward pressure due to competition from both the legal and illicit markets.
- Margins: Product margins are expected to shift as new products are introduced and consumer consumption patterns evolve.
- Store Growth: No new BCCS stores are planned for the near future, and the annual growth rate of private stores is expected to slow from seven stores in 2024/25 to two stores by 2028/29.

Capital and Operational Considerations

- Capital Expenditures: Funding will focus on renovating BCL and BCCS locations, purchasing operating equipment and vehicles, and upgrading technology-related hardware.
- Leasing and Property Costs: Leasing costs, particularly for buildings, and property taxes are expected to continue to rise due to inflation.
- Future Projects:
 - Modernizing IT systems to ensure robust and secure operations, with a shift toward cloud or software-as-a-service solutions to enhance customer experience and LDB productivity.

Sensitivity Analysis

Beverage alcohol and cannabis are discretionary consumer products influenced by lifestyle choices, product availability, and economic conditions. Consumer confidence in the economy affects spending on entertainment, including money spent on beverage alcohol and cannabis. In an inflationary environment, where the costs of basic goods and services are high, consumers often become more price-sensitive, shifting toward lower-priced products.

Marketplace changes, such as product innovations and evolving consumer preferences, can impact product margins. Research highlighting the potential harms and health risks associated with alcohol consumption also influences consumer behaviour and purchasing trends. The LDB monitors these trends proactively and adjusts purchasing strategies to maintain appropriate inventory levels.

Supply chain constraints may affect product availability. Environmental factors such as wildfires, floods, and drought disrupt supply chains and business operations. Potential material shortages, including aluminum and cardboard, may create production challenges for suppliers, impacting product availability for the LDB and its customers. Ongoing disruptions to key international shipping routes due to humanitarian or environmental crises may introduce additional logistical barriers, leading to supply shortages and price increases. Changes in international trade agreements may significantly impact pricing, product availability, and consumer demand.

Sociocultural shifts and changing demographics also shape purchasing patterns. Trends indicate a move away from beer toward other product categories.

Potential labour disputes may pose risks to the forecasted bottom line. Additionally, potential salary increases resulting from bargaining are not included in the forecasted expenses from 2026/27 onwards.

Weather patterns and the timing of statutory and non-statutory holidays influence the LDB's revenues. Hot, dry summers and long weekends typically boost sales, especially in the categories of refreshment beverages and beer. Conversely, colder or wetter weather dampens liquor sales. The timing of statutory and non-statutory holidays also plays a role — sales are generally stronger when holidays fall on Mondays or Fridays compared to midweek.

The LDB continuously monitors these factors using the best available data to inform decisions regarding product mix, supply, and staffing.

Product Margins

The LDB has a variety of margins on products and, as a result, changes in product mix impact net income. With a percentage-based wholesale mark-up applied to wine, spirits, refreshment beverages, and cannabis, each percentage change in product costs within these categories cumulatively affects net income by approximately \$13.0 million.

In contrast, a flat rate wholesale mark-up is applied to beer products based on suppliers' annual worldwide production volumes. Increased beer sales volume generates higher margin dollars for the LDB but this increase is not resulting in same percentage margins due to increased supplier prices.

Retail mark-up is percentage-based and applied on the prescribed wholesale price established across-the-province using rates at the discretion of BCL and BCCS.

Shifts in product sales, such as increased sales of lower-margin products or decreased sales of higher-margin products, result in an overall reduction in product margins for the LDB. Over time, this trend leads to a flattening of revenue contributions to the Province of B.C.

Additionally, BC Vintners Quality Alliance (VQA) certified wines generally yield lower gross margin dollars. If these categories grow relative to others, the LDB's margin as a percentage of sales will decline.

Management's Perspective on Financial Outlook

The LDB's financial outlook remains cautiously optimistic but faces several challenges due to current economic and market conditions in B.C. Inflation, supply chain disruptions, and extreme weather-related events could impact revenue.

Consumer trends in cannabis present unique retail opportunities for the LDB's network of BCCS. The growing demand for edibles and beverages highlights the importance of expanding the product mix to meet these preferences. However, competition within the cannabis market is intensifying. To remain competitive, the BCCS must focus on delivering value through product quality, education, and a strong retail presence.

Changing consumer preferences present both risks and opportunities. The LDB can benefit by expanding its product mix to align with these trends and change its marketing approach to value-driven product offerings to maintain customer engagement, while monitoring long-term implications on revenue.

Tight execution of strategic plans to maximize available revenue streams, coupled with data-driven decision-making and cost control measures, will help the LDB navigate uncertainties, maintain a stable financial outlook, and meet its operational mandate.

Appendix A: Minister's Letter of Direction



VIA EMAIL

Ref: 655915

August 18, 2023

R. Blain Lawson
General Manager and Chief Executive Officer
BC Liquor Distribution Branch
Ministry of Public Safety and Solicitor General
3383 Gilmore Way
Burnaby BC V5G 4S1

Dear Blain Lawson:

I would like to extend my thanks to you and your executive leadership team for your dedication, expertise, and service to the people of British Columbia.

This letter, which I am sending in my capacity as Minister responsible for the BC Liquor Distribution Branch (LDB), sets out overarching principles relevant to the public sector and specific direction on priorities and expectations for the LDB for the remainder of Government's term.

Government must continue to advance results that people can see and feel in these key areas: strengthened health care, safer communities, attainable and secure housing, and a clean and fair economy that delivers affordability and prosperity. In doing so, you will continue working towards lasting and meaningful reconciliation by supporting opportunities for Indigenous Peoples to be full partners in the province we are building together and delivering on specific commitments as outlined in the *Declaration on the Rights of Indigenous Peoples Act* action plan.

As required by the *Climate Change Accountability Act*, please ensure the LDB implements targets and strategies for minimizing greenhouse gas emissions and managing climate risk, including achieving carbon neutrality each year and aligning with the CleanBC target of a 50 per cent reduction in public sector building emissions and a 40 per cent reduction in public sector fleet emissions by 2030. As a branch of government, the LDB is expected to report out on these plans and activities.

Our province's history, identity and strength are rooted in its diverse population. Yet racialized and marginalized people face historic and present-day barriers that limit their full participation in their communities, workplaces, government and their lives. The public sector has a moral and ethical

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responsibility to tackle systemic discrimination in all its forms – and every branch of government has a role in this work. The adoption of the Gender-Based Analysis Plus (GBA+) lens is required to ensure gender equity is reflected in your operations and programs.

British Columbians expect that government operate in a responsible manner to deliver quality services equitably in all regions of the province. This requires strategic stewardship of planning, operations, and policies in the areas of financial, risk, and human resource management including information security and privacy protection.

The LDB must also demonstrate continued diligence and education to maintain an effective fraud risk management strategy, including, for example, strategies for minimizing large cash transactions.

In addition to continuing to make progress on your 2021 mandate letter, and working with the Crown Agencies Secretariat in the Ministry of Finance, I expect you to ensure the important priorities and areas of focus listed in this letter are incorporated into the practices of your organization and develop plans to address the following continuing priorities within your approved net income targets:

- Strengthening the LDB's focus on corporate social impact/responsibility through initiatives that align with government's social and environmental priorities;
- Continuing commitment to improve organizational effectiveness and management practices by building on existing strengths to enhance a productive work culture and bolster overall performance; and,
- Working with other government partners to refresh and refocus the LDB's work with the Business Technical Advisory Panel on areas that are mutually beneficial and straightforward to advance.

I look forward to continuing to work with you to meet the high standards set for us by all British Columbians.

Sincerely,



Mike Farnworth
Minister of Public Safety and Solicitor General
and Deputy Premier

pc: Mary Sue Maloughney
Associate Deputy Minister, Crown Agencies Secretariat
Ministry of Finance

Kim Horn
Executive Lead, Crown Agencies Secretariat
Ministry of Finance