

## Service Plan for Fiscal Years 2010/11 – 2012/13







February 17, 2010

The Honourable Rich Coleman,  
Minister of Housing and Social Development:

On behalf of all of the employees of the Liquor Distribution Branch (LDB), I am pleased to present our service plan for fiscal years 2010/11 to 2012/13.

This plan supports our mission to be a customer-focused, profitable retailer and wholesaler of beverage alcohol dedicated to innovation, exemplary service, helpful product knowledge and corporate responsibility.

Over the three years covered by this plan, the LDB forecasts it will generate \$3.03 billion in net income to government. In addition to our financial performance, the LDB's high-level goals also include workplace quality and employee excellence, customer experience, business effectiveness and corporate responsibility.

We continue to focus on our workforce plan to address our succession management process, and were honoured to be recognized as one of British Columbia's Top 50 Employers for 2010 by Maclean's Magazine.

The LDB has also developed a comprehensive Green Plan to support our environmental initiatives, and we are exploring leading edge energy reduction programs in all areas—corporate, distribution and retail. Over the last year, many positive environmental programs have been initiated, including our Think Green Shop Smart in-store awareness campaign, which will help us achieve our goal of a 50 per cent reduction in overall bag use by 2013.

As a result of the downturn in the world economy, the LDB will continue to closely monitor its sales and expenses. The LDB will also continue to collaborate with its industry partners to identify opportunities and challenges as we move through these uncertain times.

The 2010/11 - 2012/13 British Columbia Liquor Distribution Branch 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 2010 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.



Jay Chambers  
General Manager

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## GOVERNANCE

In British Columbia, the Liquor Distribution Branch (LDB) is one of two branches of government responsible for the liquor 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 Housing and Social Development, the LDB:

- Handles importing, distributing, wholesaling and retailing of beverage alcohol in BC
- Operates government liquor stores and distribution centres
- Has a general manager who is responsible for administering the *Liquor Distribution Act*, which includes oversight of government liquor stores, subject to direction from the minister

The *Act* clarifies:

- LDB administration
- Government liquor store operation
- The role and powers of the LDB general manager

The LDB follows the Crown Agencies Resource Office (CARO) 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 Housing and Social Development—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*.

Visit [www.bclddb.com](http://www.bclddb.com) and click on the *About Us* link for more on the LDB.

### MEET THE LDB EXECUTIVE MANAGEMENT COMMITTEE:

<b>Jay Chambers</b>	General Manager
<b>Roger Bissoondatt</b>	Chief Financial Officer
<b>Kelly Wilson</b>	Executive Director, Wholesale & Retail Services
<b>Catherine Sloan</b>	Legal Counsel
<b>Gordon Zelenika</b>	Executive Director, Human Resources
<b>Don Farley</b>	Executive Director, Information Services
<b>Gordon Hall</b>	Director, Corporate Policy
<b>Donna Morse</b>	Director, Corporate Security

A key component of the LDB's governance framework is the Shareholder's Letter of Expectations (SLE), an agreement between the minister on behalf of government, and the general manager of the LDB. This document establishes the LDB's mandate and identifies government's strategic priorities and performance expectations for the LDB.

A summary of government direction from the SLE and the LDB's actions to comply with this direction is shown below. The full SLE is available on the LDB's website at [www.bcldb.com/corporate-publications](http://www.bcldb.com/corporate-publications).

### GOVERNMENT DIRECTION

### LDB ACTIONS

Inform the Shareholder on a regular basis of any major changes occurring or likely to occur that may impact on the LDB's achievement of its Service Plan targets either negatively or positively.

The LDB reviews its net income and other service plan targets monthly and regularly notifies that Shareholder of any changes that may impact on the achievement of the targets.

Ensure any debit/credit card payment services provided to the public are in compliance with the international Payment Card Industry (PCI) Data Security Standards, by the October 1, 2010 deadline.

The LDB has developed a PCI compliance plan in conjunction with the Ministry of Finance and is implementing that plan.

Comply with the Shareholder's and the Liquor Control and Licensing Branch's direction to rationalize and improve the regulatory framework for the importation, distribution and retailing of beverage alcohol.

The LDB continues to comply with the Shareholder's and Liquor Control and Licensing Branch's direction.

Comply with the Shareholder's requirements to make the Public Sector carbon neutral by 2010, including the measurement of the LDB's greenhouse gas emissions and the implementation of carbon reduction initiatives.

The LDB is measuring its greenhouse gas emissions and is implementing a number of carbon reduction initiatives.



### BUSINESS OF THE LIQUOR DISTRIBUTION BRANCH

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

As of January 2010, the LDB:

- Has a workforce of approximately 3,500 full- and part-time employees;
- Operates 197 government liquor stores (GLSs) throughout the province;
- Operates two distribution centres (DCs), in Vancouver and 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, increased 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 manufacturing sites in BC include 209 wineries, 27 breweries and 24 brew pubs, and 15 distilleries.

BC's beverage alcohol retail model includes:

- government liquor stores (GLSs – government-owned and -operated stores that sell liquor to retail and wholesale customers);
- licensee retail stores (LRSs – private liquor stores licensed to sell all liquor products);
- rural agency stores (RASs – general merchandise stores in rural communities authorized to sell all liquor products);
- on-site manufacturer stores (stores at wineries, breweries and distilleries that sell products manufactured on-site);
- off-site manufacturer stores (stores operated by the BC wine industry that sell BC winery products);
- private wine stores; and
- duty-free stores.

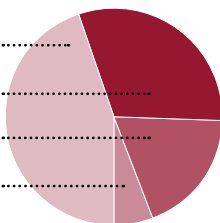
With more than 1,300 liquor retail outlets operating in BC, consumers have a variety of choices depending on their service needs:

- 197 GLSs
- 683 LRSs
- 224 RASs
- 230 on-site manufacturer stores
- 34 off-site manufacturer stores
- 14 private wine stores
- 11 duty free stores

The wholesale beverage alcohol model in BC includes the two government distribution centres as well as a number of private distributors, who are authorized to distribute liquor as agents of the LDB.

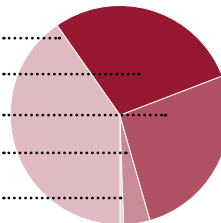
#### PERCENTAGE OF GROSS \$ SALES BY SALES CHANNEL 2008/09

Government Liquor Stores	40.7%
Licensee Retail Stores	33.0%
Licensees (pubs, bars, restaurants)	18.0%
Agency Stores	8.3%



#### PERCENTAGE OF GROSS \$ SALES BY PRODUCT CATEGORY 2008/09

Beer	39.8%
Wine	29.2%
Spirits	26.5%
Ciders/Coolers	4.1%
Special Orders/Non-alcoholic	0.4%





### VISION

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

### MISSION

To be a customer-focused, 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 strive to minimize the impact of our business 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.

### PLANNING CONTEXT

The LDB is engaged in major activities as a part of a province-wide initiative to comply with industry standards designed to increase the protection of credit card and other cardholder information. The standards are set by the Payment Card Industry Security Standards Council, an organization founded by several major credit card companies. Compliance activities within the LDB include the following categories: Business Process – Setting policy to determine how card holder information is collected, used and stored; Data Security – Ensuring that systems and networks which store and transmit card holder information are appropriately secured; Access Control – Managing who has access to card holder information; Chip & PIN – Technology used in the payment card industry to protect card holder security; and Monitoring – Ensures that security is maintained and tracked on an ongoing basis. Several of these activities are targeted for completion in March 2010 with full compliance in September 2010.

Also underway is the Financial Business Improvement Project (FBIP), designed to implement streamlined and efficient business and financial systems, processes and procedures that enable the LDB to manage the business more effectively. It is expected that significant improvements in the quality of the LDB's information, reporting and internal controls will be achieved. Benefits derived as a result of this project include one integrated inventory solution for all LDB-owned inventory managed on a day-to-day, perpetual basis. Another benefit will be increased confidence in the quality and completeness of financial transaction data flowing to head office from BC Liquor Stores. The solution will allow enhanced management of inventory on a perpetual basis, greatly reducing the need to verify and/or adjust financial records. Through the application of best business practices, simplified IT architecture and strong control mechanisms, financial reporting will be timelier and allow more informed business decisions. Staff will also have enhanced levels of job satisfaction by experiencing less frustration through the introduction of improved procedures and simplified business processes. The project will create a foundation that enables the LDB to continue to enhance services to the citizens of BC.

The LDB has developed a *Green Plan* that identifies and tracks more than 50 sustainable/environmental initiatives to help reduce our carbon footprint. In addition, we established a Climate Action Team—representing all core operational areas of the LDB—to support greenhouse gas reduction goals and act as Green Team leaders in their operational areas. Some key initiatives include: a Power Smart energy audit of all facilities to reduce energy requirements and costs; reviewing recycling practices to maximize material recovery and reduce costs; *Think Green, Shop Smart* marketing programs to heighten awareness among LDB employees and customers; and the *Best Bag is No Bag at All* in-store program, which is designed to help us reach the Retail Council of Canada's goal of 50 per cent reduction in overall bag use by 2013.

The LDB has historically had a low employee turnover rate, which has resulted in the organization retaining a large group of experienced, long-term employees, many of which are nearing retirement age. To address the challenges associated with an aging workforce, succession plans have been developed to assist the LDB in identifying and securing the skills and competencies required to deliver on its business strategies. The LDB was proud to be selected as one of British Columbia's Top 50 Employers for 2010 by Maclean's Magazine.

### KEY STRATEGIC ISSUES

#### WHOLESALE

The LDB processes more than 11 million cases of beverage alcohol annually through its two Distribution Centres in Vancouver and Kamloops — 30 to 40 thousand cases a day through the Vancouver Distribution Centre alone. The LDB has \$1.6 billion sales to wholesale customers. Of this, \$433 million is done through its wholesale facilities in Vancouver, Victoria and Kamloops.

#### RETAIL

British Columbia Liquor Stores average over 37 million customer transactions per year, making the LDB one of the province's largest retail organizations.

Some areas of continuing customer service focus include: featuring British Columbia Vintners Quality Alliance (VQA) Wines at all retail stores; operating an on-site store during the Fall Okanagan Wine Festival and the Vancouver Playhouse International Wine Festival; offering a broad selection of both international and domestic products in all BC Liquor Stores; working with consulates and trade organizations to support their marketing efforts through store displays, trade events and in-store tastings; continually updating and developing the LDB website; offering gift card options; and continuing the publication of the LDB's award-winning in-store magazine, TASTE.

### CORPORATE SOCIAL RESPONSIBILITY

The LDB includes corporate social responsibility as a part of its daily operations. Throughout the year, the LDB sponsors or participates in a number of awareness programs and initiatives that further its public safety goal by promoting the responsible use of alcohol in its retail stores. These include:

- Monthly responsible consumption of alcohol messages in stores
- Just Checking! 2-ID
- Support Dry Grad
- Get Home Safe

These programs address major areas considered to present risk, including alcohol and pregnancy, drinking and driving, and over-consumption. The LDB's responsible-use initiatives continue to maintain high levels of recognition and respect from the public, employees, suppliers and other liquor jurisdictions and agencies.

### SUPPORT DRY GRAD

Since 2001, the LDB's annual Support Dry Grad campaign has raised in excess of \$2.8 million for alcohol-free high school graduation events. Customers of BC Liquor Stores are encouraged to donate one dollar or more to support dry graduation celebrations in their communities, and \$594,517 was raised in 2009.

### SHARE A BEAR

Since 1989, BC Liquor Stores have offered plush bears for sale to customers in November and December. For every bear purchased by a customer, its "twin" is donated to a children's charity. Program success is driven by the stores, with individual stores selecting local charities to support. Beneficiaries include Christmas stocking funds, police and ambulance services, hospitals and other community charities. In 2009, approximately 30,900 bears were sold.

### PROVINCIAL EMPLOYEES COMMUNITY SERVICES FUND (PECSF) CAMPAIGN

The Community Fund is a fundraising campaign supported voluntarily by employees throughout the provincial government. Proceeds are raised through employee contributions and special fundraising events, with 100 per cent of the money raised going to a variety of British Columbia charities. LDB employees donated more than \$207,000 in 2008, a 28 per cent increase over the previous year.

### 24 HOUR RELAY FOR THE KIDS

Every June since 1995, members of the LDB Beer-O-Crats team have laced up their sneakers to raise funds for the 24 Hour Relay for the Kids. Funds are raised for the Lions Society's three Easter Seal Camps, specially equipped for children with disabilities. In 2009, the Beer-O-Crats raised over \$10,500 and have raised more than \$100,000 since joining the event.

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

In view of the uncertainty of the economic climate, the LDB will be more closely monitoring its financial performance by comparison to previous year and budget in order to ensure that actions are taken to mitigate any risk as soon as possible.

In 2009, the LDB reviewed the Enterprise Wide Risk Assessment done in 2008 and confirmed the key risks which are being addressed. The LDB currently has a number of projects in progress to address the business and technology risks. These include the Financial Business Improvement Project, the Payment Card Industry Data Security Standards (PCIDSS) Compliance Program and the conversion to International Financial Reporting Standards. The PCIDSS project is being done as part of the overall provincial government program.

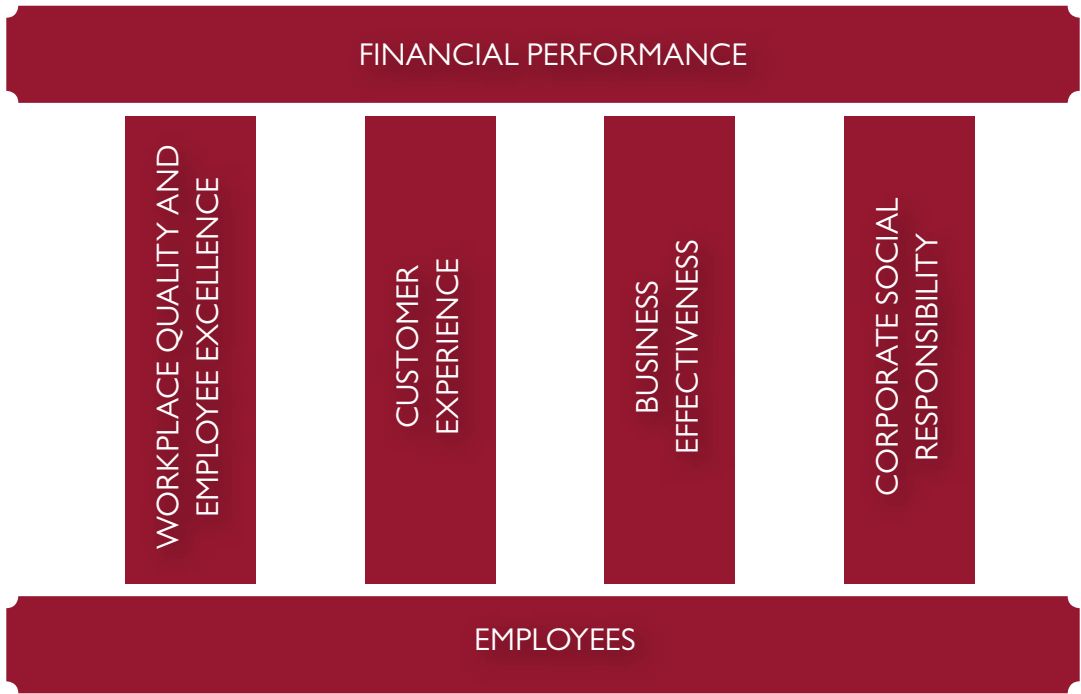
	RISK FACTORS AND SENSITIVITIES		MITIGATING STRATEGIES
<b>ECONOMY</b>	Liquor is a discretionary consumer product and sales are negatively impacted by poor economic conditions.	>	The LDB will carefully monitor sales and operating expenses and will make the necessary adjustments in order to achieve net income target.
<b>INFORMATION TECHNOLOGY</b>	The upgrading of information systems and reviewing of business processes are key in the delivery of efficient and effective services to all of the LDB's customers. The replacement of older, difficult-to-maintain systems with new systems creates challenges in ensuring integration of applications and ensuring accurate information.	>	The LDB is replacing older systems on a scheduled basis and is working to improve the overall integration of systems.
<b>PAYMENT CARD INDUSTRY COMPLIANCE</b>	In order for the LDB to provide credit card service in BC Liquor Stores, it must comply with the new Payment Card Industry (PCI) Data Security Standard.	>	The LDB is developing and implementing a PCI compliance program that coordinates with the government-wide efforts currently underway.
<b>RECRUITING AND RETENTION OF SKILLED EMPLOYEES</b>	The LDB and many other organizations are experiencing difficulties in staffing key positions due to retirements.	>	The LDB has a focus on succession planning in order to recruit skilled employees from outside the organization and to support the career development of employees within the organization.

THE FOUR PILLARS FRAMEWORK

The LDB has organized its strategic priorities and key objectives around the concept of four pillars. Overarching these four pillars is the financial performance goal, and supporting them are the LDB’s dedicated employees.

HIGH-LEVEL GOALS

GOAL 1	GOAL 2	GOAL 3	GOAL 4	GOAL 5
<b>Financial Performance</b> Meet financial objectives approved by government.	<b>Workplace Quality and Employee Excellence</b> Create a work environment that encourages greater employee engagement.	<b>Customer Experience</b> Maintain the high level of wholesale and retail customer experience.	<b>Business Effectiveness</b> Maintain operating efficiencies in a climate of constant change.	<b>Corporate Social Responsibility</b> Encourage the responsible use of beverage alcohol.



## GOAL I

### FINANCIAL PERFORMANCE

**Meet financial objectives approved by government.**

STRATEGY: GROW SALES AND EFFECTIVELY MANAGE OPERATING EXPENSES

PERFORMANCE MEASURES		ACTUAL	FORECAST	TARGETS		
In millions \$		Fiscal 2008-09	Fiscal 2009-10	Fiscal 2010-11	Fiscal 2011-12	Fiscal 2012-13
I.1	Net income	891.1	872.1	973.7	1,013.5	1039.2

Fiscal Year	Net Income (Millions \$)
2008-09	891.1
2009-10	872.1
2010-11	973.7
2011-12	1,013.5
2012-13	1,039.2

### PERFORMANCE MEASURE DESCRIPTIONS

**I.1 Net income** – Net income is the contribution made to government by the LDB. Net income is reported in accordance with generally accepted accounting principles.

*The above financial information, including the forecast, was prepared based on current Canadian Generally Accepted Accounting Principles (GAAP).*

## GOAL 2

### 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

PERFORMANCE MEASURES	ACTUAL	FORECAST	TARGETS		
	Fiscal 2008-09	Fiscal 2009-10	Fiscal 2010-11	Fiscal 2011-12	Fiscal 2012-13
2.1 Employee engagement	68	70	72	74	75

#### PERFORMANCE MEASURE DESCRIPTIONS

**2.1 Employee engagement** – The degree to which LDB employees feel engaged and satisfied with the work environment and involved with the corporate vision and mission. This is evaluated by conducting an annual survey sent to all employees. Employee performance and retention is directly related to satisfaction with the work environment and commitment to the organization’s vision and mission.

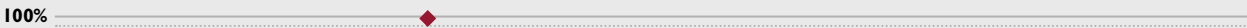


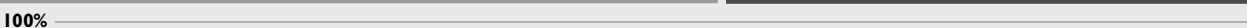




## GOAL 3

### CUSTOMER EXPERIENCE

**Maintain the high level of wholesale and retail customer satisfaction.**

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

PERFORMANCE MEASURES	ACTUAL	FORECAST	TARGETS		
	Fiscal 2008-09	Fiscal 2009-10	Fiscal 2010-11	Fiscal 2011-12	Fiscal 2012-13
<b>3.1</b> Retail customer satisfaction	99%*	N/A**	90%	N/A**	90%
100%					
90%					
80%					
<b>3.2</b> Wholesale customer satisfaction	80%	N/A**	90%	N/A**	90%
100%					
90%					
80%					

\* The LDB's ongoing goal is to achieve a retail customer satisfaction rating of 90 per cent. The 99 per cent satisfaction rating the LDB received from retail customers in fiscal 2008-09 is unusually high.

\*\* In order to allow customers sufficient time to experience and assess LDB service improvement initiatives, surveys are conducted once every two years.

### PERFORMANCE MEASURE DESCRIPTIONS

**3.1 Retail customer satisfaction** – Retail customer satisfaction with LDB store service is determined through customer surveys conducted every two years in a sample of government liquor stores. This measure is an indicator of the LDB's efforts to improve service to retail customers and will identify key opportunities for improvement.

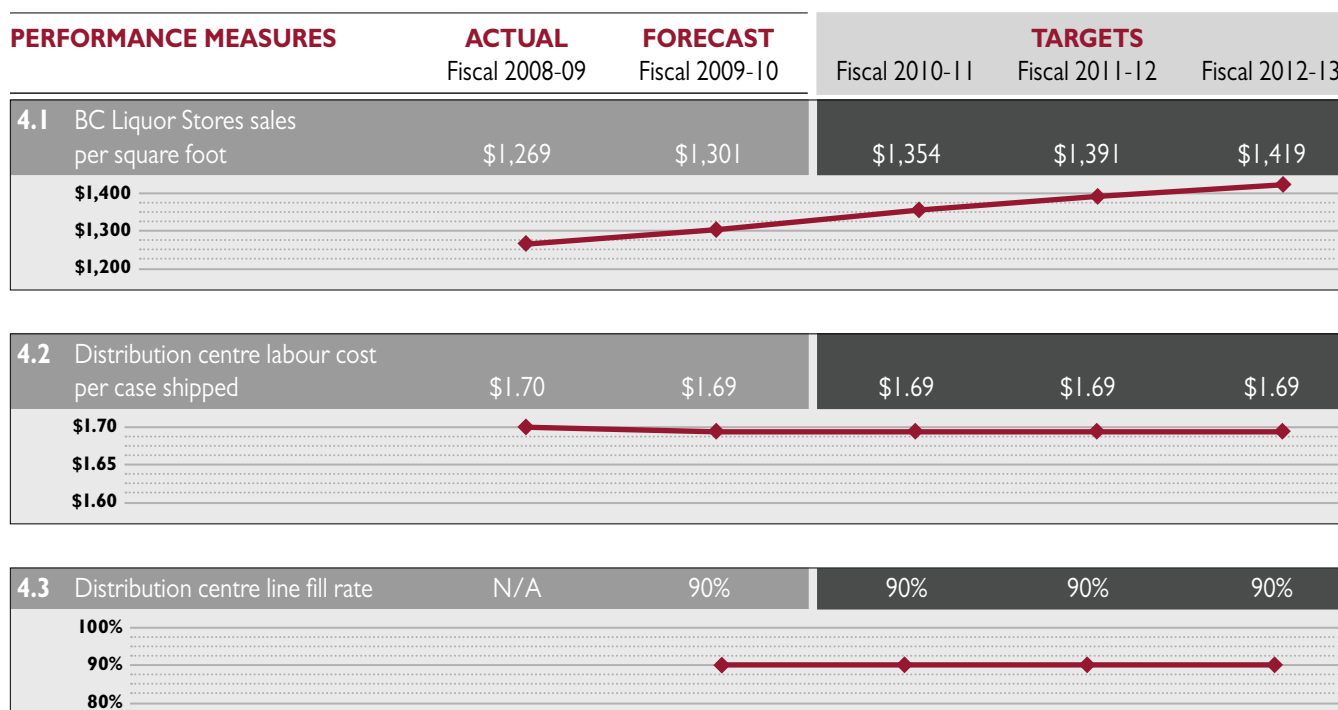
**3.2 Wholesale customer satisfaction** – The level of wholesale customer satisfaction with LDB service as determined by customer surveys sent every two years to a cross-section of wholesale customers. This measure is an indicator of the LDB's efforts to improve service to wholesale customers and will identify key opportunities for improvement.

## 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



### PERFORMANCE MEASURE DESCRIPTIONS

**4.1 BC Liquor Stores sales per square foot** – Total LDB store gross sales divided by total store system square feet. This is one measure of LDB store operating efficiency. This measure excludes the LDB's two wholesale stores located in Vancouver and Victoria.

**4.2 Distribution centre labour cost per case shipped** – Total distribution centre labour expenses divided by total distribution centre case shipments. This measure is an indicator of distribution centre labour productivity.

**4.3 Distribution centre line fill rate** – A measure of the completeness of orders filled by LDB distribution centres. The measure is calculated by dividing the number of order lines (SKUs) filled completely by the total number of order lines placed by LDB stores and wholesale customers. The calculation excludes products that are not stocked by LDB distribution centres.

## GOAL 5

### CORPORATE SOCIAL RESPONSIBILITY

#### Encourage the responsible use of beverage alcohol.

**STRATEGIES:**

1. Prevent sales to minors or intoxicated persons in BC Liquor Stores through increased staff education and enforcement of ID-checking requirements
2. Promote awareness of responsible use by continuing co-operative programs with suppliers and other stakeholders

PERFORMANCE MEASURES	ACTUAL	FORECAST	TARGETS		
	Fiscal 2008-09	Fiscal 2009-10	Fiscal 2010-11	Fiscal 2011-12	Fiscal 2012-13
<b>5.1</b> Store compliance with ID-checking requirement	56%*	100%	100%	100%	100%
<b>5.2</b> Customer awareness of LDB corporate social responsibility programs	88%	N/A**	90%	N/A**	90%
<b>5.3</b> Greenhouse Gas Emissions	N/A	N/A	Neutral	TBD	TBD

\* BC Liquor Stores staff are 74 per cent compliant in requesting one piece of ID, however, the requirement for two pieces of ID has been adhered to less strictly. The LDB has an education program in place to assist staff and is working towards achieving this goal.

\*\* In order to allow customers sufficient time to experience and assess LDB initiatives, surveys are conducted once every two years.

#### PERFORMANCE MEASURE DESCRIPTIONS

**5.1 Store compliance with ID-checking requirement** – Compliance is measured by dividing the number of violations to the ID-checking requirement by the number of times compliance is checked. The Liquor Control and Licensing Branch checks government liquor store (GLS) compliance with ID-checking requirements. A sample of GLSs is checked at least once per year.

**5.2 Customer awareness of LDB corporate responsibility programs** – The degree to which LDB store customers are aware of the LDB's corporate responsibility programs, which is determined by customer surveys conducted every two years.

**5.3 Greenhouse Gas Emissions** – The LDB's continued long-term commitment towards sustainable and environmentally friendly retailing supports the provincial government's commitment to reduce greenhouse gas (GHG) emissions. In support of this, the LDB is committed to being carbon neutral in 2010. This will be achieved through programs already implemented that will reduce the amount of GHG the LDB produces with any remainder being counterbalanced by the purchase of Carbon Offsets. With the full implementation of the accounting tool to measure greenhouse gas emissions in 2010, the LDB will be setting targets and implementing further programs to help us achieve government's mandate of a 33 per cent reduction by 2020.

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 4.3):

Sales data for government liquor stores (GLSs) is collected from computerized point-of-sale cash register systems and stored in head office databases. Sales made directly to customers by agents 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 annually.

### EMPLOYEE AND CUSTOMER SURVEYS (PERFORMANCE MEASURES 2.1, 3.1, 3.2, 5.2):

The LDB contracts with professional survey agencies to ensure that survey results are statistically valid. In order to allow customers sufficient time to experience and assess LDB service improvement initiatives, surveys are conducted once every two years.

### ID-CHECKING (PERFORMANCE MEASURE 5.1):

The Liquor Control and Licensing Branch checks GLS compliance with ID-checking requirements. A sample of GLSs is checked at least once per year and the results are provided to the LDB.

### GREENHOUSE GAS EMISSIONS (PERFORMANCE MEASURE 5.3):

The LDB's usage of electricity, fossil fuels and paper is collected from supplier invoices and input into the LDB's computerized General Ledger system. This data is then fed into government's SmartTool greenhouse gas measurement system.

The LDB conducted a performance evaluation by developing a list of comparable entities and conducting a benchmarking study. These comparable entities included other provincial and state jurisdictions as well as other retailers and distributors. Although other provincial and state liquor authorities have many similarities with the LDB, there are important differences that impact the comparability of certain statistics.

	Performance Trend	Ranking WORST ← → BEST	No. Comp. Entities
<b>Financial Performance</b>			
Operating Costs as a Percentage of Total Sales		LDB	8
Net Income as a Percentage of Total Sales		LDB	11
<b>Operating Efficiency – GLS Store Efficiency</b>			
GLS Sales per GLS FTE		LDB	6
<b>Operating Efficiency – Distribution Centre</b>			
Distribution Centre Cost per Case per Year		LDB	5
<b>People</b>			
Vacancy Rate		LDB	5

## Operating Costs as a Percentage of Total Sales

This measure indicates overall operational efficiency of an entity. It shows how much of each dollar of sales goes to continuing operations. By comparing this measure across entities, the LDB can see how well they manage their costs of doing business.

## Net Income as a Percentage of Total Sales

A measure of the overall health and profitability of the organization, this represents the percent of each sales dollar that ends up as payment to government in the case of the LDB, or the contributions to the profitability for other organizations. Because it takes into account all expenses, fixed and variable, it is a sign of how well the LDB has structured its business.

## GLS Sales per GLS FTE

This measures the productivity of staff in terms of revenue generation. By measuring FTEs, rather than labour costs, this measure eliminates distortions from variances in labour markets. Sales include sales to retail and wholesale customers.

## Distribution Centre Cost per Case per Year

This measure looks at how cost effective distribution centres are on a volume basis. A case is the standard volume metric in the liquor distribution industry, however may not be comparable with other non-liquor distributors.

## Vacancy Rate

This is a commonly used composite measure of an organization's people management. It is a good high-level metric as it is affected by employee morale and staff turnover, the LDB's reputation as an employer and the effectiveness of recruitment processes. Benchmark results need to be considered in the context of the economy and labour market in the comparable jurisdictions.

## PUBLIC SECTOR WORK ENVIRONMENT BENCHMARK

The LDB participated in the 2009 Work Environment Survey. The survey looked at what workplace experiences matter most to employees and serves as a tool for developing actions that could lead to beneficial changes to employee engagement within the LDB. The survey was based on the British Columbia Public Service Work Environment Survey and the results were compared to the results for the British Columbia Public Service overall.

Performance Measure	LDB	BC Public Service
Employee Engagement	71	68
Organization Commitment	73	70
Job Satisfaction	72	69
Organizational Satisfaction	68	64

## Summary Financial Outlook

In millions \$	ACTUAL	FORECAST	TARGETS		
	Fiscal 2008-09	Fiscal 2009-10	Fiscal 2010-11	Fiscal 2011-12	Fiscal 2012-13
Total sales	2,794.5	2,844.1	2,969.4	3,056.7	3,126.3
Commissions and Discounts	190.5	192.7	198.0	203.6	208.1
Costs of sales	1,451.2	1,501.2	1,507.9	1,544.2	1,580.0
Operating Expenses	270.0	285.3	296.9	302.9	306.5
Other Income	8.3	7.2	7.1	7.5	7.5
Net Income	891.1	872.1	973.7	1,013.5	1,039.2
Capital Expenditures	16.9	20.6	23.9	32.2	34.9
Debt	1.9	0.9	0.6	0.5	0.5
Retained Earnings	0	0	0	0	0

## KEY FORECAST ASSUMPTIONS

Forecast assumptions, based on market trends by product categories, include sales increases of 4.4 per cent (fiscal 2010-11), 2.9 per cent (fiscal 2011-12) and 2.3 per cent (fiscal 2012-13).

Mark-up adjustments as a result of the shift to the Harmonized Sales Tax (HST) in July 2010 have been reflected in the targets for fiscal 2010/11 and beyond.

Capital requirements reflect expenditures for updating and improving stores, technology-related projects and ongoing equipment replacements. Risk factors, sensitivities and mitigating strategies are detailed on page 10.

*The above financial information, including the forecast, was prepared based on current Canadian Generally Accepted Accounting Principles (GAAP).*

The LDB has two distinct operations – retail and wholesale. The retail operations cover all counter sales in government liquor stores and wholesale operations represent all other sales. An Activity-Based Costing Analysis between the retail and wholesale operations, which allocates expenses between the two operations, was done based on activities in fiscal 2008/09. This analysis will be updated each year based on the previous fiscal year's activity. The segmented information provided below allocates the Summary Financial Outlook from the previous page into the retail and wholesale streams.

## Segmented Financial Outlook

<b>WHOLESALE</b>	<b>ACTUAL</b>	<b>FORECAST</b>	<b>TARGETS</b>		
In millions \$	Fiscal 2008-09	Fiscal 2009-10	Fiscal 2010-11	Fiscal 2011-12	Fiscal 2012-13
Total sales	1,658.3	1,669.6	1,734.4	1,785.5	1,826.7
Commission and Discounts	190.5	192.7	198.0	203.6	208.1
Cost of sales	896.3	936.8	914.7	933.7	956.0
Operating Expenses	78.0	84.2	87.6	89.4	90.4
Other Income	4.1	3.6	3.5	3.7	3.7
Net Income	497.6	459.5	537.6	562.5	575.9

## Segmented Financial Outlook

<b>RETAIL</b>	<b>ACTUAL</b>	<b>FORECAST</b>	<b>TARGETS</b>		
In millions \$	Fiscal 2008-09	Fiscal 2009-10	Fiscal 2010-11	Fiscal 2011-12	Fiscal 2012-13
Total sales	1,136.2	1,174.5	1,235.0	1,271.2	1,299.6
Commission and Discounts	-	-	-	-	-
Cost of sales	554.9	564.4	593.2	610.5	624.0
Operating Expenses	192.0	201.1	209.3	213.5	216.1
Other Income	4.2	3.6	3.6	3.8	3.8
Net Income	393.5	412.6	436.1	451.0	463.3



For more information about the Liquor Distribution Branch, please contact the LDB Communications department:

**via phone:** 604-252-3029

**via email:** [communications@bcldb.com](mailto:communications@bcldb.com)

**via mail:** 2625 Rupert Street, Vancouver BC V5M 3T5

The British Columbia Liquor Distribution Branch Service Plan for Fiscal Years 2010/11 – 2012/13 is available online at **[www.bcldb.com](http://www.bcldb.com)**

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