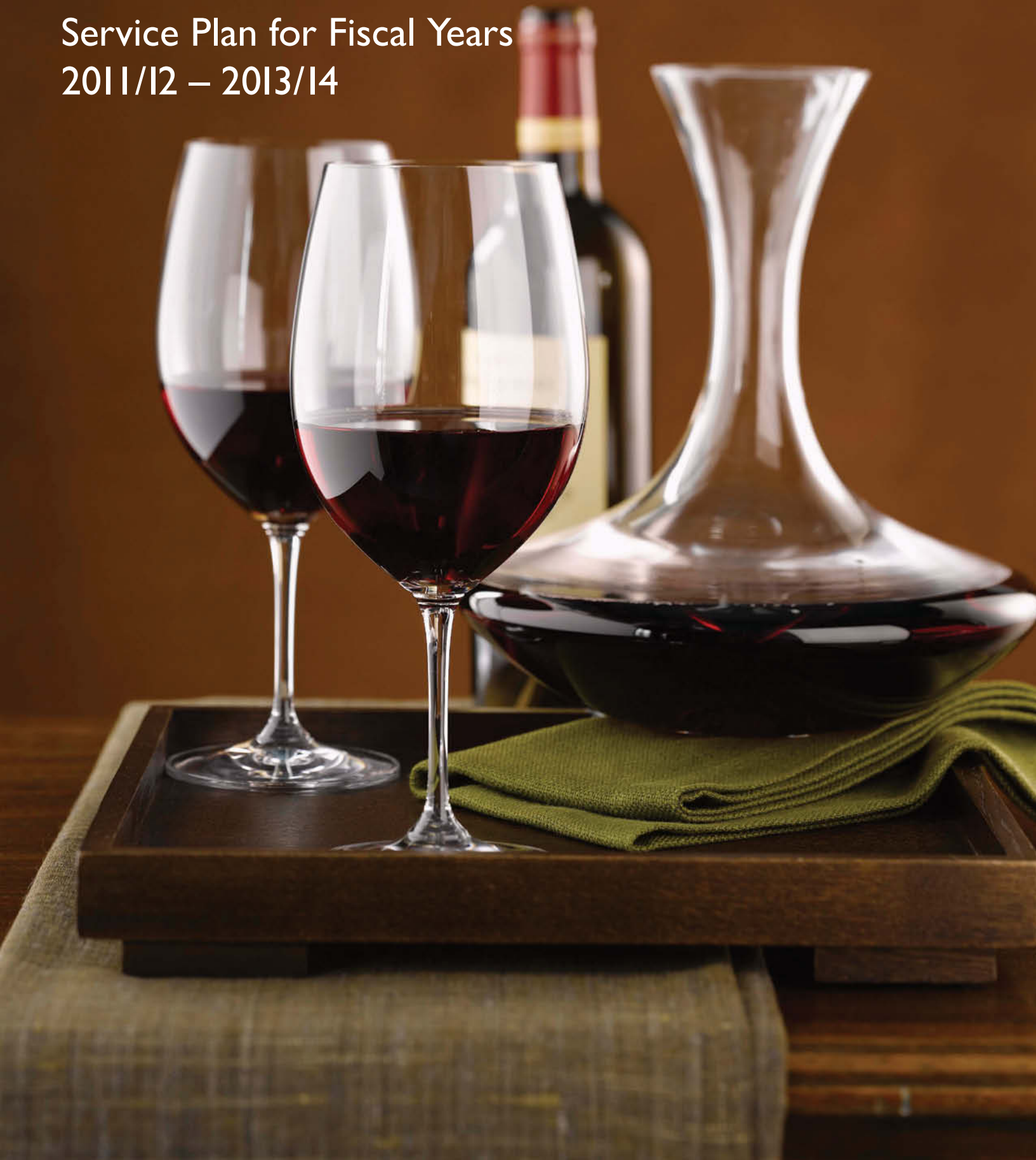


# Service Plan for Fiscal Years 2011/12 – 2013/14







## LETTER FROM THE GENERAL MANAGER

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February 14, 2011

The Honourable Rich Coleman,  
Minister of Public Safety and Solicitor General:



On behalf of all of the employees of the Liquor Distribution Branch (LDB), I am pleased to present our service plan for fiscal years 2011/12 to 2013/14.

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 \$2.84 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 social responsibility.

The weak global economy has had a negative impact on provincial liquor sales over the past two years, particularly in the on-premise sector. Although we are hopeful that the economy will improve in fiscal 2011/12 and beyond, we will closely monitor our sales and expenses and make adjustments to our budgets as necessary.

Improving our information systems over the next three years will be a priority as we strive to increase efficiencies and provide higher levels of customer service. Another important priority is the implementation of our Payment Card Industry (PCI) compliance and sustainment plan in order to protect customers' credit card information.

With respect to our workforce, we continue to focus on succession management in order to deal with the large number of retirements expected in the next three years. We are honoured to be recognized for the third year in a row by Mediacorp as one of British Columbia's Top 55 Employers for 2011.

The LDB has developed a comprehensive Green Plan in order to reduce our environmental footprint. In the past year we have received rebates from both BC Hydro and Terasen Gas for energy reduction initiatives at our Vancouver warehouse and head office facilities. Over the next three years, we will continue to implement energy efficiency initiatives and work towards our goal of reducing plastic shopping bag usage by 50 per cent compared to 2007 levels.

The LDB 2011/12 - 2013/14 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 2011 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.

A handwritten signature in black ink, appearing to read 'Jay Chambers'.

Jay Chambers  
General Manager

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# 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 Public Safety and Solicitor General, the LDB:

- handles importation and distribution of beverage alcohol in BC;
- operates government liquor stores (GLSs) and distribution centres; and
- has a General Manager who is responsible for administering the *Liquor Distribution Act*, which includes the oversight of GLSs, subject to direction from the minister.

The *Liquor Distribution Act* clarifies:

- LDB administration;
- GLS operation; and
- The role and powers of the LDB General Manager.

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 Public Safety and Solicitor General — Liquor Control and Licensing Branch (LCLB) — licenses private liquor stores, restaurants, pubs and manufacturers, and enforces regulations under the *Liquor Control and Licensing Act*. For more information, please visit <http://www.pssg.gov.bc.ca/lclb/>

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 [bcldb.com](http://bcldb.com) and click on the *About Us* link for more about 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>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
<b>Catherine Sloan</b>	Legal Counsel

## ORGANIZATION OVERVIEW

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### SHAREHOLDER'S LETTER OF EXPECTATIONS

A key component of the LDB's governance framework is the Shareholder's Letter of Expectations (SLE). The SLE is an agreement between the Shareholder (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 SLE also provides direction from the Shareholder to the LDB to take specific actions. These specific actions from the 2011/12 SLE and the LDB's response to them are identified in the following table. The complete SLE is available on the LDB's website at [bcldb/annual-report](http://bcldb/annual-report).

#### GOVERNMENT DIRECTION

#### LDB ALIGNMENT

Meet the LDB 2011/12 – 2013/14 Service Plan budget and performance targets, including net income.

Provide regular monthly financial updates to the Shareholder and regularly notify the Shareholder of major changes likely to affect the LDB's achievement of its Service Plan targets.

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

The LDB complies with the Shareholder's financial policies and guidelines.

Maintain financial reporting that clearly segregates retail and distribution operations to enable transparent disclosure of costs at the retail and wholesale levels.

The LDB maintains and publishes financial reporting that clearly segregates retail and wholesale operations.

Comply with the Shareholder's and the LCLB's direction to rationalize and improve the regulatory framework for the importation, distribution and retailing of beverage alcohol products in British Columbia.

The LDB complies with the Shareholder's and LCLB's direction.

Comply with the Shareholder's requirements to be carbon neutral under the *Greenhouse Gas Reduction Targets Act*, including: accurately defining, measuring, reporting on and verifying the greenhouse gas emissions from the LDB's operations; implementing aggressive measures to reduce those emissions and reporting on these reduction measures and reduction plans; and offsetting any remaining emissions through investments in Pacific Carbon Trust, which will invest in greenhouse gas reduction projects outside of the LDB's scope of operations.

The LDB is accurately measuring and reporting on its greenhouse gas emissions as required by government, and is implementing measures to reduce those emissions. The LDB is offsetting emissions through payments to Pacific Carbon Trust.

## 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, 2010, the LDB:

- has a workforce of approximately 3,500 full- and part-time employees;
- operates 197 GLSs throughout the province;
- operates two distribution centres, 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 manufacturers in BC include 222 wineries, 57 breweries, and 16 distilleries.

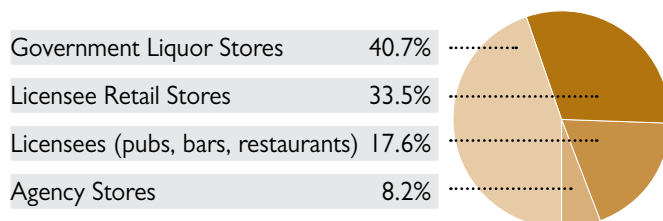
With more than 1,300 beverage alcohol retail outlets operating in BC, consumers have a variety of choices depending on their service needs, including:

- 197 GLSs (government-owned and -operated stores selling beverage alcohol to retail and wholesale customers);
- 672 licensee retail stores (LRSs – private stores licensed to sell all beverage alcohol products);
- 223 rural agency stores (RASs – general merchandise stores in rural communities authorized to sell all beverage alcohol products);
- 251 on-site manufacturer stores (stores at wineries, breweries and distilleries that sell the products that they manufacture);
- 34 off-site manufacturer stores (stores operated by the BC wine industry that sell BC winery products);
- 12 private wine stores; and
- 11 duty-free stores.

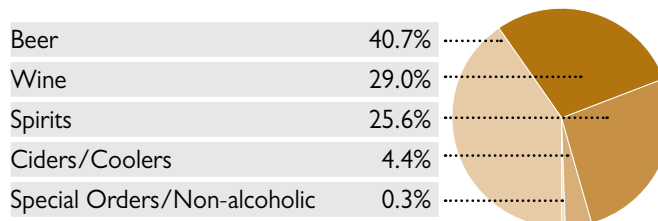
In addition to retail stores, there are approximately 8,000 bars, restaurants and other licensed on-premise establishments.

The wholesale beverage alcohol distribution model in BC includes the two government distribution centres, GLSs 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 2009/10



#### PERCENTAGE OF GROSS \$ SALES BY PRODUCT CATEGORY 2009/10





# ORGANIZATION OVERVIEW

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## VISION, MISSION & VALUES

### 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 social 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 reduce 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.

### ECONOMY

Beverage alcohol is a discretionary consumer product and sales are affected by economic conditions. As a result of the weaker economy over the past two years, LDB net income has been below targets. The LDB is expecting the economy and beverage alcohol sales to begin to strengthen in fiscal 2011/12, however, the LDB will continue to closely monitor sales and expenses and make adjustments to forecasts and budgets as necessary.

### CUSTOMER SERVICE

The improvement of customer service to the LDB's retail and wholesale customers will continue to be a priority. Over the next few years, the LDB will complete a number of store remodels and minor renovations to ensure that the store system meets the modern retail customer's expectations. There will be a continued emphasis on staff customer service and product knowledge training.

The LDB will build on recent improvements to wholesale customer service such as the online product ordering service "Webstore". The recently completed wholesale customer service survey, which gave the LDB an overall satisfaction rating of 86 per cent, will be used to identify opportunities for future service improvements.

### HUMAN RESOURCES

The LDB has a high percentage of long-service employees, many of whom will be eligible for retirement within the next five years. LDB's succession management plan focuses on leadership development of high performing internal candidates and aggressive recruitment of external candidates when necessary. The LDB has been recognized by Mediacorp as one of British Columbia's Top 55 Employers for three years in a row.

### INFORMATION TECHNOLOGY

The LDB has a number of information technology initiatives underway to increase efficiencies and provide higher levels of customer service. The Financial Business Improvement Project, which will be completed in early fiscal 2011/12, will streamline business and financial processes and improve the accuracy of inventory and financial transaction data.

In fiscal 2010/11, the LDB expects to fully implement its Payment Card Industry (PCI) compliance program to ensure that customer credit card information is protected. The ongoing sustainment activities associated with PCI compliance will begin in fiscal 2011/12. Also in fiscal 2011/12, the LDB will begin discovery work on a new liquor purchasing system and new retail store cash register software. Both of these initiatives, when implemented in subsequent years, will improve business processes, inventory management and customer service.

### CORPORATE SOCIAL RESPONSIBILITY

LDB efforts to minimize access to alcohol by minors will continue through stringent ID checking procedures. In-store LDB promotional materials will continue to encourage customers to use beverage alcohol products responsibly. In fiscal 2011/12, the LDB will conduct its eleventh "Support Dry Grad" campaign which collects customer donations that help fund local high school alcohol-free graduation celebrations.

In fiscal 2010/11, Terasen Gas recognized the LDB with a cash rebate for the installation of a new energy efficient boiler at the Vancouver warehouse/office complex. BC Hydro has also recognized the LDB with a cash rebate for an initiative to reduce head office electricity usage through computer server "virtualization". The LDB plans to aggressively pursue new energy efficiency opportunities in 2011/12. The LDB has made significant progress in reducing the number of plastic shopping bags it distributes through in-store customer education programs that promote re-useable bags or taking purchases without bags. Further shopping bag reduction targets have been established for the next three years.

## RISK MANAGEMENT

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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 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. These include the Financial Business Improvement Project, the PCI compliance program and the conversion to International Financial Reporting Standards.

	RISK FACTORS AND SENSITIVITIES	MITIGATING STRATEGIES
<b>ECONOMY</b>	Beverage alcohol is a discretionary consumer product and sales are negatively affected by poor economic conditions.	> The LDB will carefully monitor its sales and expenses and will make adjustments to its operations and budgets as necessary.
<b>INFORMATION TECHNOLOGY</b>	The upgrading of information systems and business processes are key in the delivery of efficient and effective services to 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 maintain credit card service, it must comply with the PCI standards.	> The LDB is implementing a PCI compliance program in conjunction with the provincial government.
<b>RECRUITING AND RETENTION OF SKILLED EMPLOYEES</b>	The LDB is expecting a large number of skilled long-service employees to retire in the next five years.	> 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.



# OBJECTIVES, STRATEGIES & PERFORMANCE MEASURES

## 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

**Financial Performance**

Meet financial objectives approved by government.

#### GOAL 2

**Workplace Quality and Employee Excellence**

Create a work environment that encourages greater employee engagement.

#### GOAL 3

**Customer Experience**

Maintain a high level of wholesale and retail customer experience.

#### GOAL 4

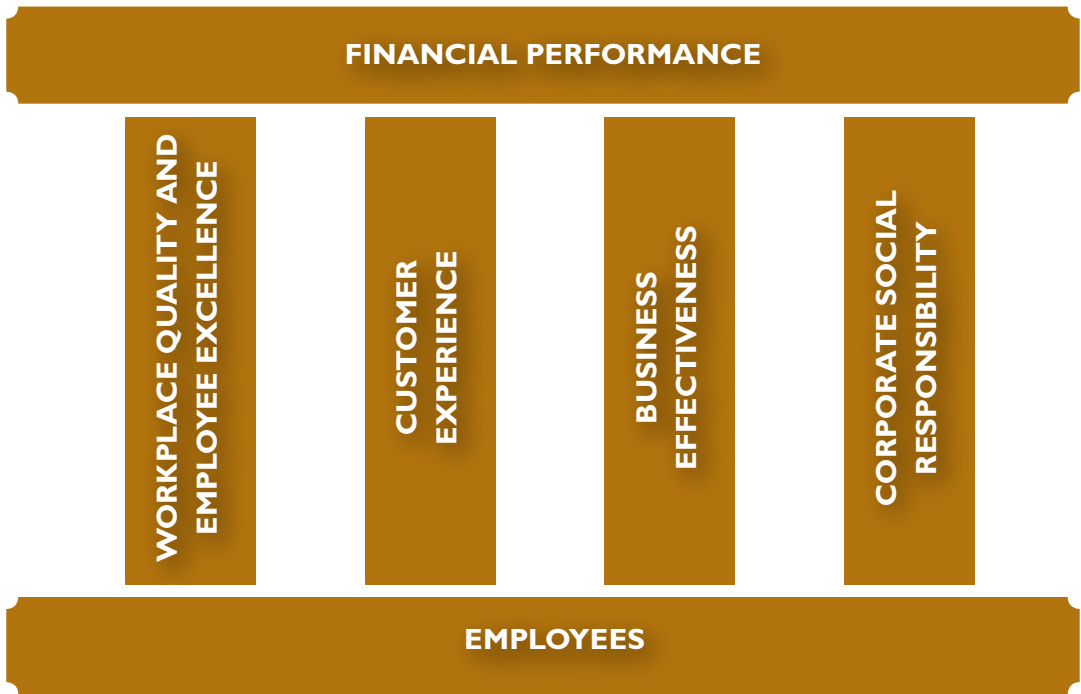
**Business Effectiveness**

Maintain operating efficiencies in a climate of constant change.

#### GOAL 5

**Corporate Social Responsibility**

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



## OBJECTIVES, STRATEGIES & PERFORMANCE MEASURES

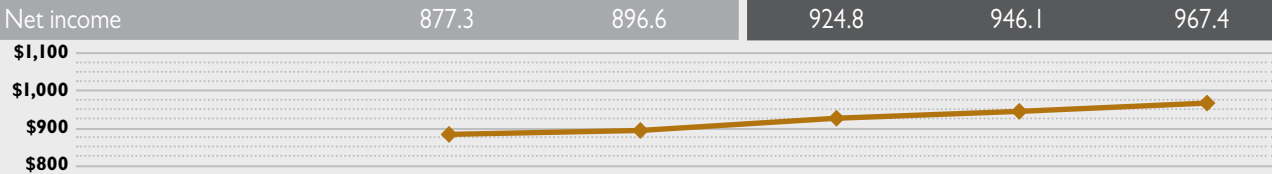
### GOAL I

#### FINANCIAL PERFORMANCE

**Meet financial objectives approved by government.**

STRATEGY: GROW SALES AND EFFECTIVELY MANAGE OPERATING EXPENSES

PERFORMANCE MEASURES		ACTUAL	FORECAST	TARGETS		
In millions \$		Fiscal 2009/10	Fiscal 2010/11	Fiscal 2011/12	Fiscal 2012/13	Fiscal 2013/14
I.1	Net income	877.3	896.6	924.8	946.1	967.4
	\$1,100					
	\$1,000					
	\$900					
	\$800					



Fiscal Year	Net Income (Millions \$)
2009/10	877.3
2010/11	896.6
2011/12	924.8
2012/13	946.1
2013/14	967.4

#### PERFORMANCE MEASURE DESCRIPTION

**I.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 an important source of funding for the provincial government and accounts for approximately 2.4 per cent of total government revenue.

#### SIGNIFICANT CHANGES FROM THE SERVICE PLAN FOR FISCAL YEARS 2010/11 – 2012/13

The LDB net income forecast/targets for fiscal years 2010/11 – 2012/13 have been reduced compared to the previous service plan to reflect lower sales than expected due to poorer economic conditions.

*For fiscal 2009/10 and 2010/11, net income was prepared based on current Canadian Generally Accepted Accounting Principles (GAAP). Net income targets for fiscal years 2011/12 to 2013/14 were prepared based on current International Financial Reporting Standards (IFRS).*

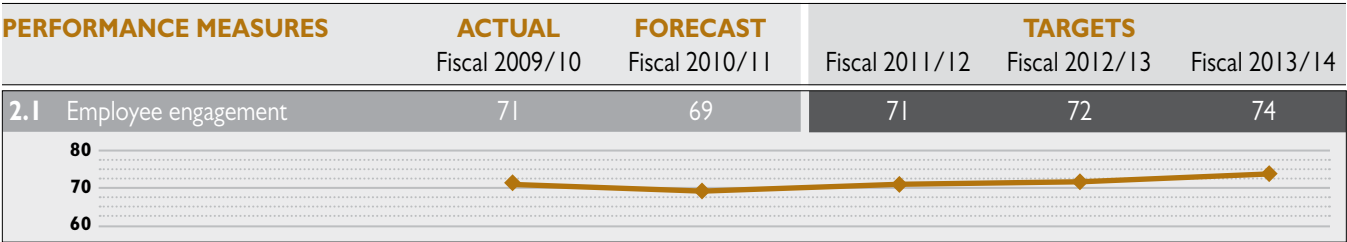
# OBJECTIVES, STRATEGIES & PERFORMANCE MEASURES

## 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 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 an annual Workplace Environment Survey (WES) conducted for the LDB by BC Stats. The WES asks 70 questions and the results are summarized into a single engagement score.

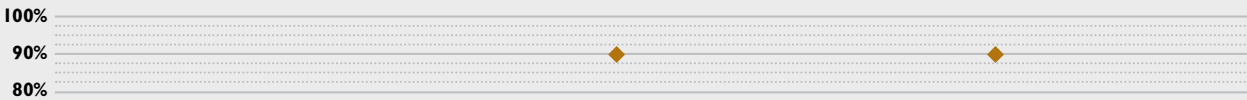
## OBJECTIVES, STRATEGIES & PERFORMANCE MEASURES

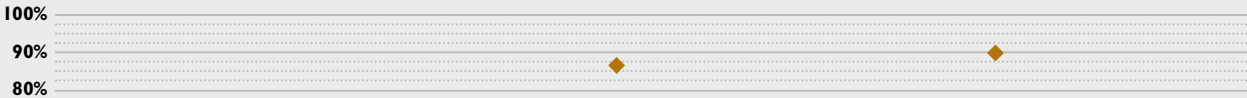
### GOAL 3

#### 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

PERFORMANCE MEASURES	ACTUAL	FORECAST	TARGETS		
	Fiscal 2009/10	Fiscal 2010/11	Fiscal 2011/12	Fiscal 2012/13	Fiscal 2013/14
<b>3.1</b> Retail customer satisfaction	N/A	90%	N/A	90%	N/A
					

<b>3.2</b> Wholesale customer satisfaction	N/A	86%	N/A	90%	N/A
					

#### PERFORMANCE MEASURE DESCRIPTIONS

**3.1 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 will be conducted in 2010/11 and the next survey will be conducted in 2012/13.

**3.2 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 2010/11 and the next survey will be conducted in 2012/13.



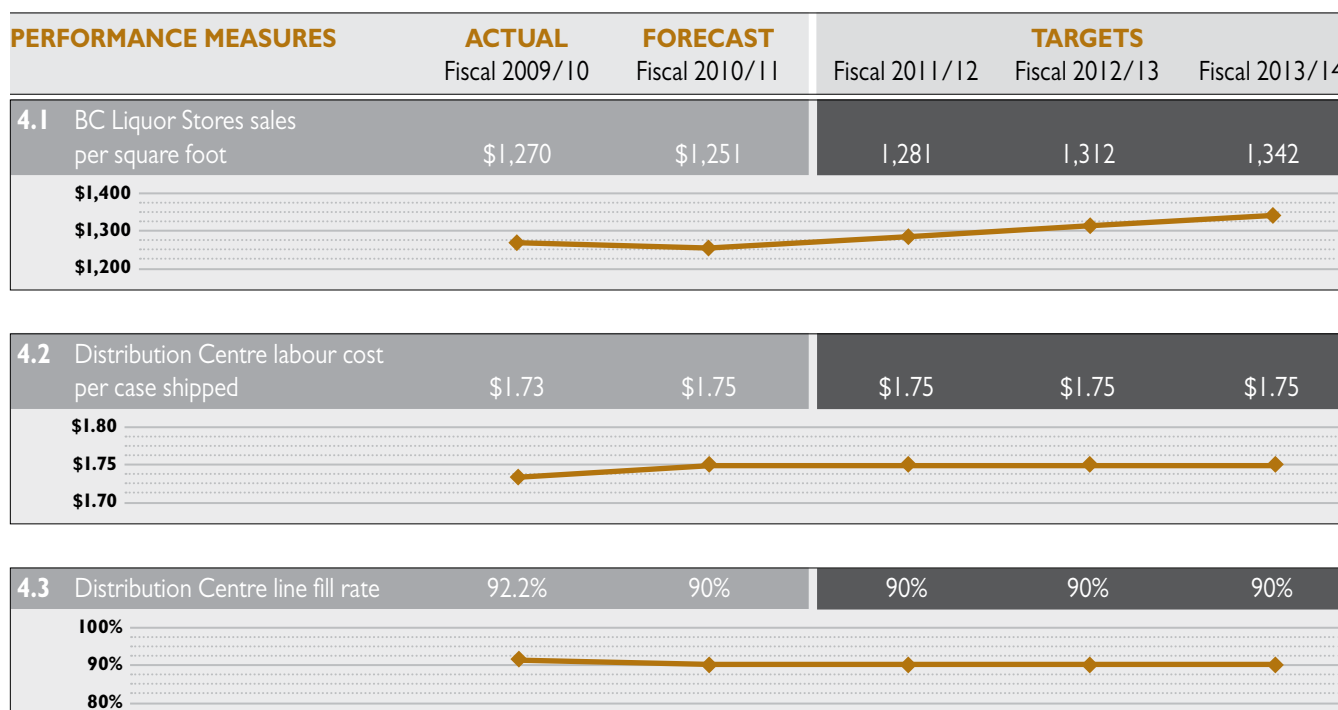
## OBJECTIVES, STRATEGIES & PERFORMANCE MEASURES

### 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



#### PERFORMANCE MEASURE DESCRIPTIONS

**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.

**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.

**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.

#### SIGNIFICANT CHANGES FROM THE SERVICE PLAN FOR FISCAL YEARS 2010/11 – 2012/13

The BC Liquor Stores sales per square foot forecast/targets for fiscal years 2010/11 – 2012/13 have been reduced compared to the previous service plan to reflect lower sales than expected due to poorer economic conditions and a greater transfer of wholesale customers from BC Liquor Stores to the Wholesale Customer Center than expected.

## OBJECTIVES, STRATEGIES & PERFORMANCE MEASURES

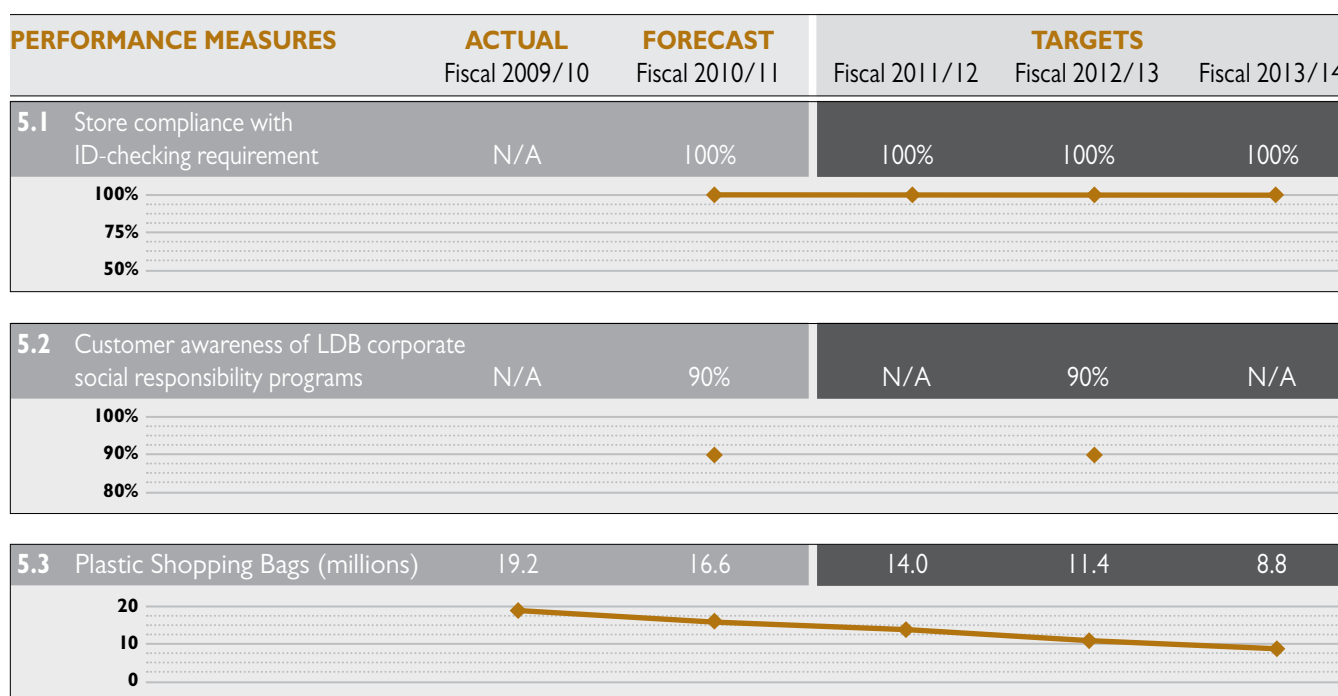
### GOAL 5

#### 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 BC Liquor Stores 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



#### PERFORMANCE MEASURE DESCRIPTIONS

**5.1 Store compliance with ID-checking requirement** – It is unlawful to sell beverage alcohol to a persons under 19 years of age. When verifying a customer's age, it is a legal requirement to ask for two pieces of provincial identification. The LCLB administers a program that checks ID compliance at private liquor outlets and LDB stores. The LDB uses the summarized results from LCLB's compliance program for this measure. LCLB did not conduct an ID compliance program in fiscal 2009/10.

**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.

**5.3 Plastic Shopping Bag reduction** – In 2007/08, the LDB launched "*The Best Bag is No Bag at All*" program in its retail stores in order to reduce the number of single-use plastic shopping bags that are distributed to customers. This program encourages customers to use re-useable bags or to take their purchases without a bag. In 2007/08, the LDB distributed 26.0 million single-use plastic bags and has set targets to reduce that number each year.

## OBJECTIVES, STRATEGIES & PERFORMANCE MEASURES

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### 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 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.

#### **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 LDB store compliance to the LDB.

#### **PLASTIC SHOPPING BAG REDUCTION (PERFORMANCE MEASURE 5.3)**

Plastic shopping bag usage by the LDB is determined from purchasing records.

# OBJECTIVES, STRATEGIES & PERFORMANCE MEASURES

## BENCHMARKING

In 2010, the LDB, with the assistance of consultants from PriceWaterhouseCoopers LLP, benchmarked itself against a number of other organizations including: four provincial liquor boards; three non-Canadian government liquor authorities; three private distribution organizations and two private retailers. A total of 15 different measures were reviewed 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.

Ranking			No. Comp. Entities
WORST	←	→	
Financial Performance			
Operating Costs as a Percentage of Total Sales	LDB		9
Net Income as a Percentage of Total Sales	LDB		9
GLS Sales per GLS FTE	LDB		5
Distribution Centre cost per case per year	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.

### GLS Sales per GLS FTE

This is a measure of productivity of government liquor store employees. FTE stands for "Full Time Equivalent" and is equal to one person-year of employment.

### Distribution Centre Cost per Case per Year

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

## FINANCIAL OUTLOOK

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### SUMMARY OUTLOOK

In millions \$	ACTUAL	FORECAST	TARGETS		
	Fiscal 2009/10	Fiscal 2010/11	Fiscal 2011/12	Fiscal 2012/13	Fiscal 2013/14
Total Sales	2,854.1	2,843.0	2,910.7	2,981.5	3,054.2
Commissions and Discounts	198.3	197.8	202.8	207.8	212.8
Cost of sales	1,515.3	1,467.5	1,495.4	1,534.9	1,575.4
Operating Expenses	275.9	288.3	295.0	300.2	306.1
Other income	12.7	7.3	7.3	7.5	7.5
Net Income	877.3	896.6	924.8	946.1	967.4
Capital	18.9	23.4	24.8	26.6	27.9
Debt	0.8	0.4	0.2	0.1	0.0
Retained Earnings	0	0	0	0	0

### KEY FORECAST ASSUMPTIONS

Forecast assumptions, based on market trends by product categories, include sales increases of 2.4 per cent (fiscal 2011-12), 2.4 per cent (fiscal 2012-13) and 2.4 per cent (fiscal 2013-14).

Mark-up adjustments related to the shift to the Harmonized Sales Tax (HST) in July 2010 are reflected in the forecast and targets.

Capital requirements reflect expenditures for updating and improving stores, technology-related projects and ongoing equipment replacements.

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*For fiscal 2009/10 and 2010/11, net income was prepared based on current Canadian Generally Accepted Accounting Principles (GAAP). Net income targets for fiscal years 2011/12 to 2013/14 were prepared based on current International Financial Reporting Standards (IFRS).*

## FINANCIAL OUTLOOK

### SEGMENTED OUTLOOK

The LDB has two types of operations based on customer type – retail and wholesale. Retail operations includes sales from BC Liquor Stores (GLS) to retail customers. Wholesale operations includes sales from both the LDB's Wholesale Customer Centre and GLSs to wholesale customers. The LDB uses an Activity-Based Costing Analysis to allocate expenses between the two operations and 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.

<b>WHOLESALE OUTLOOK</b>	<b>ACTUAL</b>	<b>FORECAST</b>	<b>TARGETS</b>		
In millions \$	Fiscal 2009/10	Fiscal 2010/11	Fiscal 2011/12	Fiscal 2012/13	Fiscal 2013/14
Total sales	1,693.8	1,669.1	1,715.3	1,757.0	1,799.9
Commissions and Discounts	198.3	197.8	202.8	207.8	212.8
Cost of sales	952.1	903.1	920.8	946.5	972.8
Operating Expenses	79.5	85.0	92.6	94.3	96.1
Other Income	6.3	3.6	3.6	3.7	3.7
Net Income	470.2	486.8	502.7	512.1	521.9

<b>RETAIL OUTLOOK</b>	<b>ACTUAL</b>	<b>FORECAST</b>	<b>TARGETS</b>		
In millions \$	Fiscal 2009/10	Fiscal 2010/11	Fiscal 2011/12	Fiscal 2012/13	Fiscal 2013/14
Total sales	1,160.3	1,173.9	1,195.4	1,224.5	1,254.3
Cost of sales	563.2	564.4	574.6	588.4	602.6
Operating Expenses	196.4	203.3	202.4	205.9	210.0
Other Income	6.4	3.6	3.7	3.8	3.8
Net Income	407.1	409.8	422.1	434.0	445.5

## CONTACT INFORMATION

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The British Columbia Liquor Distribution Branch Service Plan for Fiscal Years 2011/12 – 2013/14 is available online at **[bclddb.com/service-plan](http://bclddb.com/service-plan)**.

