Strategic Update Meeting
British Columbia Liquor Distribution Branch
Wednesday, February 15, 2012

Okanagan Room, 3200 East Broadway, Vancouver

8:00 a.m. to 4:00 p.m.

Agenda

1. Our Numbers

8:00 - 8:30	➢	Financials and Budget Update	- Roger Bissoondatt

2. Our Customers

8:30 - 9:00	➢	Marketing	- Paulette Parry
9:00 - 9:30	➢	Product Trends	- Bill Michael
9:30 - 10:00	➢	Real Estate	- Bob Tougas
10:00 - 10:30	➢	Nutrition Break	
10:30 - 10:50	➢	Wholesale	- Donna Mohn
10:50 - 11:10	➢	Stores	- George Reynolds
11:10 - 11:30	➢	Distribution	- Ken McDonnell

3. Our People

11:30 - 12:00	➢	Training Plan	Karen Willis for - Cary Sheppard
12:00 - 12:45	➢	Lunch	

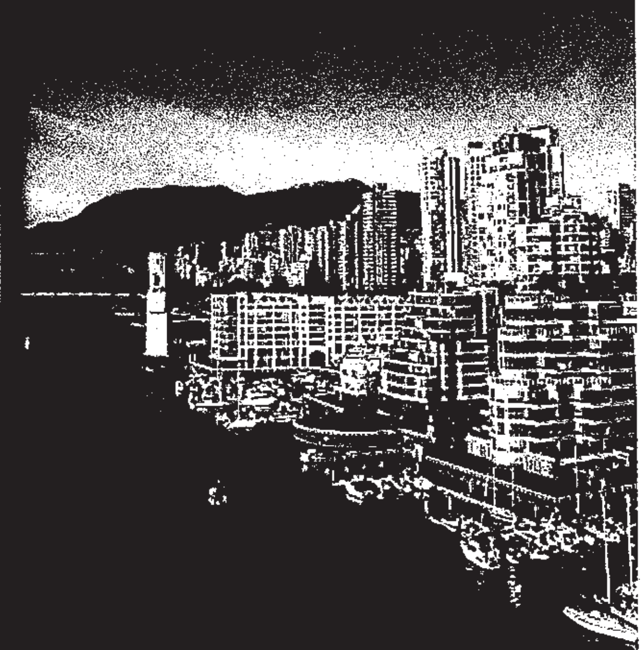
4. Our Systems

12:45 - 1:00	➢	Financial Business Improvement Project	- Gary Branham
1:00 - 1:30	➢	5 Year Project Plan	- Maria Patten ← Amin for
1:30 - 4:00	➢	Leadership Series - Appreciative Inquiry	- Liz Gilliland

As of January 23, 2012

Financial Update

February 15, 2012



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LIQUOR DISTRIBUTION BRANCH

Ecomonic Update

- http://www.abc.net.au/7.30/content/2011/s3344698.htm

Period 10 Operating Results

	Current			Year to Date		
	Current Actual	*Current Budget*	*Prior Actual*	*YTD Actual*	*YTD Budget*	*YTD Prior*
Sales	161,601	165,167	159,958	2,458,809	2,474,922	2,403,535
Commissions & Discounts	9,781	10,196	8,960	160,230	156,725	154,100
Cost of Goods Sold	83,778	85,225	83,616	1,288,843	1,294,982	1,260,324
Gross Profit	68,042	69,746	67,382	1,009,737	1,023,214	989,111
Operating Expense	22,206	22,144	19,029	236,231	245,922	227,427
Other Income	538	601	1,058	8,583	6,117	6,850
Net Income	**46,375**	**48,203**	**49,411**	**782,088**	**783,409**	**768,534**
Percentage of Sales:						
Commissions & Discounts %	6.05	6.17	5.60	6.52	6.33	6.41
Cost of Goods Sold %	51.84	51.60	52.27	52.42	52.32	52.44
Gross Profit %	42.11	42.23	42.12	41.07	41.34	41.15
Operating Expense %	13.74	13.41	11.90	9.61	9.94	9.46
Other Income %	0.33	0.36	0.66	0.35	0.25	0.29
Net Income %	**28.70**	**29.18**	**30.89**	**31.81**	**31.65**	**31.98**

Branch Projection

$000s	Actual 2010/11	Budget 2011/12	Projection 2011/12	Variance 2011/12
TOTAL SALES	2,810,145	2,899,532	2,878,447	(21,085)
Commissions and Discounts	179,749	183,755	184,224	469
NET SALES	2,630,396	2,715,777	2,694,223	(21,554)
Cost of sales	1,469,819	1,503,316	1,507,448	4,132
GROSS MARGIN	1,160,577	1,212,461	1,186,775	(25,686)
OPERATING EXPENSES				
Salaries and benefits	159,800	160,801	160,801	-
Rents	36,003	37,078	37,078	-
Amortization	13,977	15,862	15,862	-
Interest and bank charges	20,355	21,176	21,176	-
Other	51,440	60,065	60,065	-
	281,575	294,982	294,982	-
OPERATING INCOME	879,002	917,479	891,793	(25,686)
Interest and other income	11,269	7,329	7,329	-
NET INCOME	890,271	924,808	899,122	(25,686)
Capital	18,470	24,798	24,698	(100)

Note: Fiscal 2010/11 results have been restated to reflect IFRS adjustments. IFRS adjustments are preliminary and subject to audit in fiscal 2011/12.

Branch Budget

$000s	Actual 2010/11	Budget 2011/12	Projection 2011/12	Projection 2012/13
TOTAL SALES	2,810,145	2,899,532	2,878,447	2,911,456
Commissions and Discounts	179,749	183,755	184,224	184,781
NET SALES	2,630,396	2,715,777	2,694,223	2,726,675
Cost of sales	1,469,819	1,503,316	1,507,448	1,527,962
GROSS MARGIN	1,160,577	1,212,461	1,186,775	1,198,713
OPERATING EXPENSES				
Salaries and benefits	159,800	160,801	160,801	164,502
Rents	36,003	37,078	37,078	37,778
Amortization	13,977	15,862	15,862	16,855
Interest and bank charges	20,355	21,176	21,176	22,840
Other	51,440	60,065	60,065	57,771
	281,575	294,982	294,982	299,746
OPERATING INCOME	879,002	917,479	891,793	898,967
Interest and other income	11,269	7,329	7,329	7,164
NET INCOME	890,271	924,808	899,122	906,131
Capital	18,470	24,798	24,698	26,678

Note: Fiscal 2010/11 results have been restated to reflect IFRS adjustments. IFRS adjustments are preliminary and subject to audit in fiscal 2011/12.

Branch Capital

2011/12 Capital Expenditures by Department (YTD to P10)

Operating Capital (by department)	Actual Period 10	AFE Committed	Budget 2011/12	Un-committed Budget
General Manager	-	-	-	-
Retail Operations	1,789,797	3,773,549	4,737,100	963,551
Finance	71,820	87,935	895,364	807,429
Information Services	561,394	1,754,019	1,950,000	195,981
Distribution	403,467	828,000	987,000	159,000
Human Resources	-	-	5,000	5,000
Corporate Security	259,898	692,790	761,000	68,210
Audit	-	-	3,000	3,000
Tenant Improvements	3,915,001	6,879,000	6,909,700	30,700
Carryforward to 2013			100,000	
BC Hydro Reimbursement for 2011 Projects	(158,117)			
Operating Capital	**6,843,260**	**14,015,293**	**16,348,164**	**2,232,871**

Branch Capital

2011/12 Capital Expenditures by Category (YTD to P10)

Operating Capital (by category)	Actual Period 10	AFE Committed	Budget 2011/12	Un-committed Budget
Building	1,084,402	1,105,000	1,144,000	39,000
Information Systems	394,083	2,294,308	2,957,609	663,301
Mobile Equipment	427,322	664,000	838,800	174,800
Office Furniture & Equip.	24,295	38,118	183,993	145,875
Operating Equip.	720,445	2,041,200	2,343,200	302,000
Tenant Improvement	3,944,073	7,079,000	7,109,700	30,700
Vehicle	196,704	357,000	392,000	35,000
Intangible Assets	210,054	436,667	1,278,862	842,195
BC Hydro Reimbursement for 2011 Projects	(158,117)			-
Carryforward to 2013			100,000	
Operation Capital	**6,843,260**	**14,015,293**	**16,348,164**	**2,232,871**
Capital Projects				
Projects	-	-	2,673,325	2,673,325
FBIP	5,357,399	5,311,000	5,311,000	-
Non-GLS	329,292	465,675	465,675	-
Capital Projects	**5,686,691**	**5,776,675**	**8,450,000**	**2,673,325**
Total Capital	**12,529,951**	**19,791,968**	**24,798,164**	**4,906,196**

Capital Expenditures by Category

Major Category	Actual 2010/11	Forecast 2011/12	Forecast 2012/13	Forecast 2013/14	Forecast 2014/15
Buildings	22,378	1,144,000	300,000	300,000	100,000
Information Systems	2,096,794	2,957,609	2,236,000	2,306,000	2,383,000
Mobile Equipment	375,977	843,000	590,000	590,000	590,000
Office Furniture & Equip	47,227	183,993	91,600	367,100	97,500
Operating Equipment	2,402,877	2,339,000	2,120,000	1,820,000	1,820,000
Tenant Improvements	5,405,903	7,109,700	7,566,500	7,566,500	7,717,800
Vehicles	320,272	392,000	295,000	355,300	364,200
Intangible Assets - Software	400,509	1,278,862	2,079,000	2,308,000	2,078,000
Total Operating Capital	**11,071,937**	**16,248,164**	**15,278,100**	**15,612,900**	**15,150,500**
Capital Project	**7,397,840**	**8,450,000**	**11,400,000**	**12,300,000**	**20,400,000**
Total Capital	**18,469,777**	**24,698,164**	**26,678,100**	**27,912,900**	**35,550,500**

Timesheet Processing

February 15, 2012

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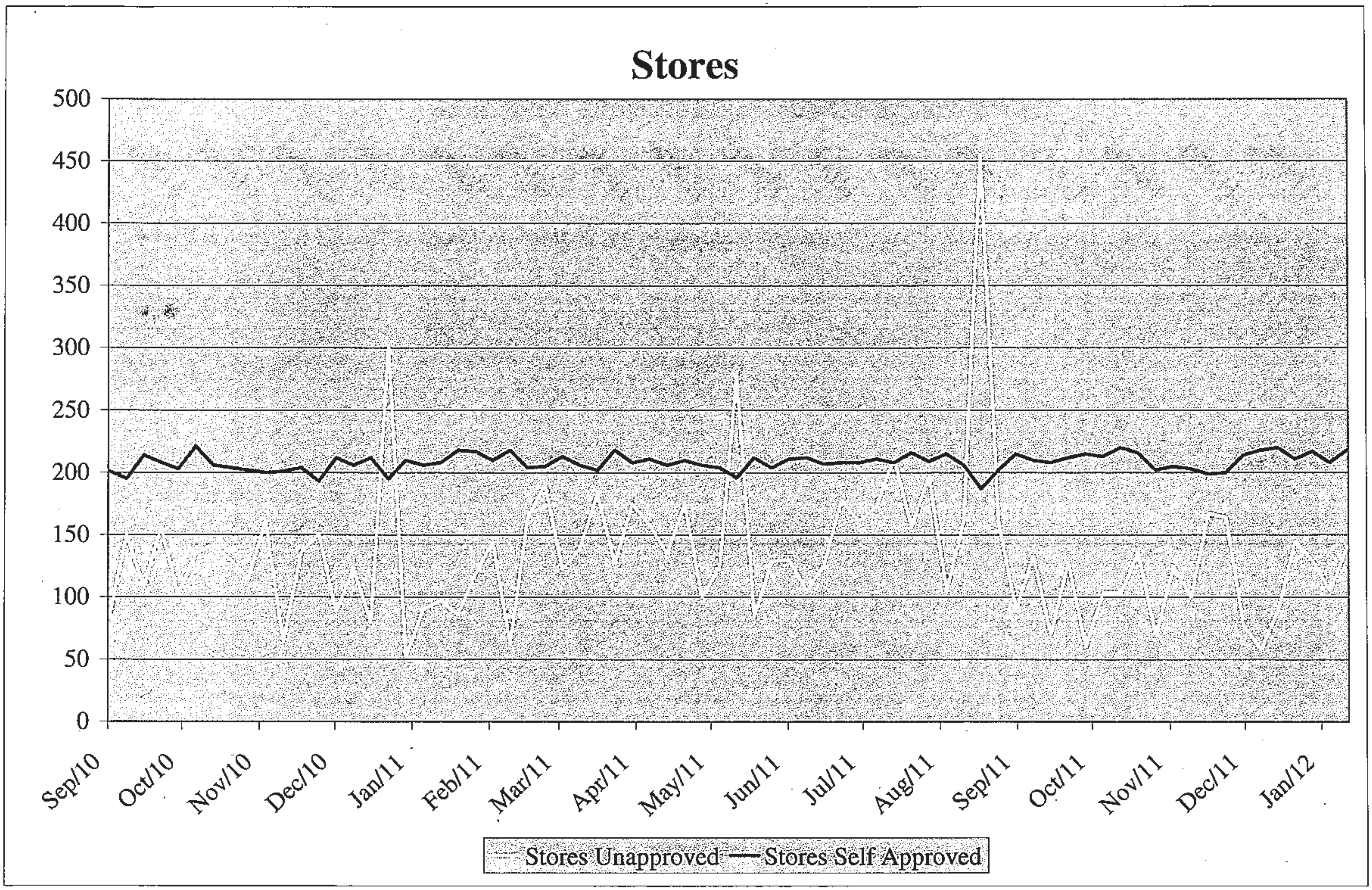
Timesheet Processing

- See excel files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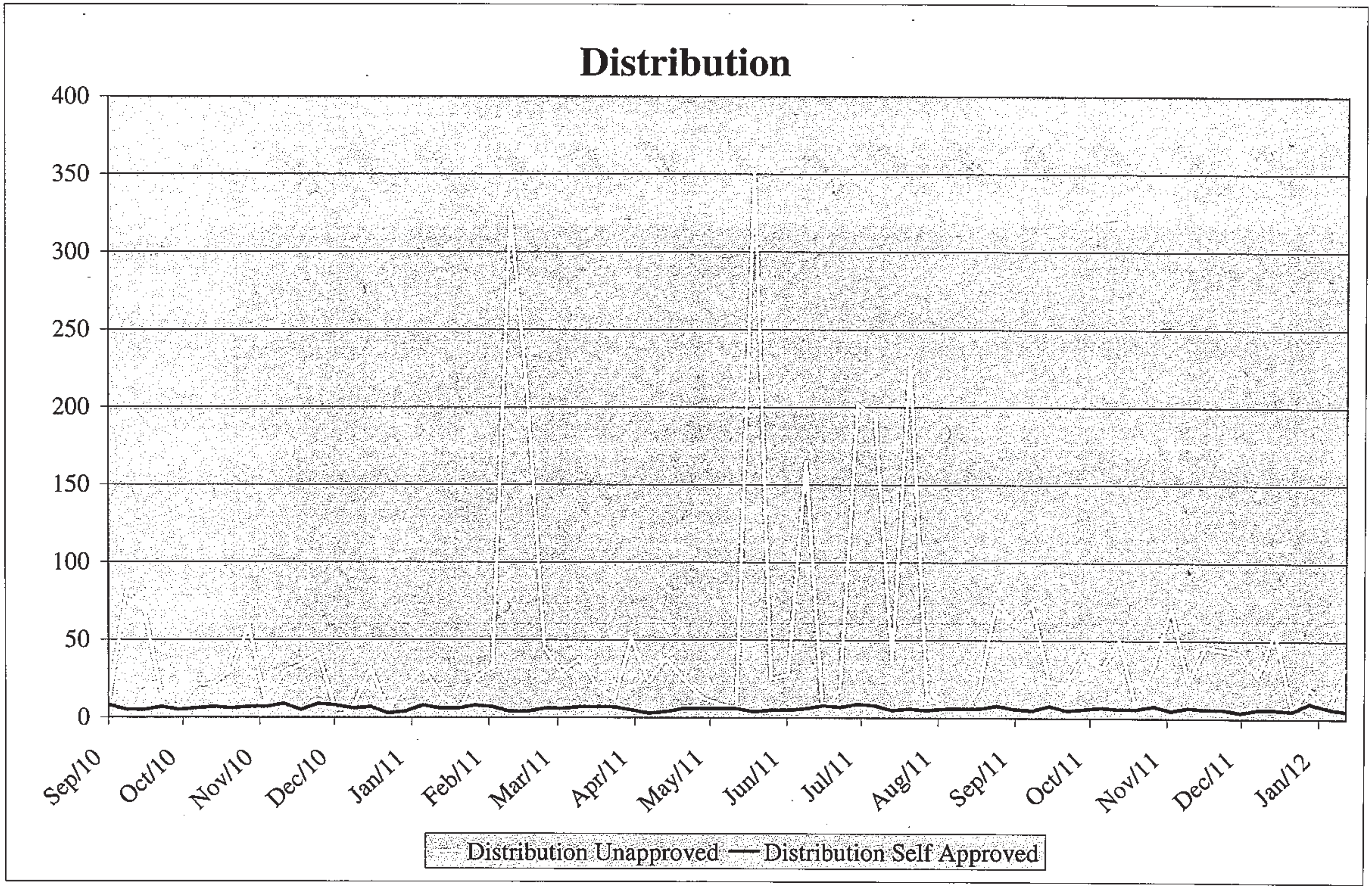
Stores Unapproved
Stores Self Approved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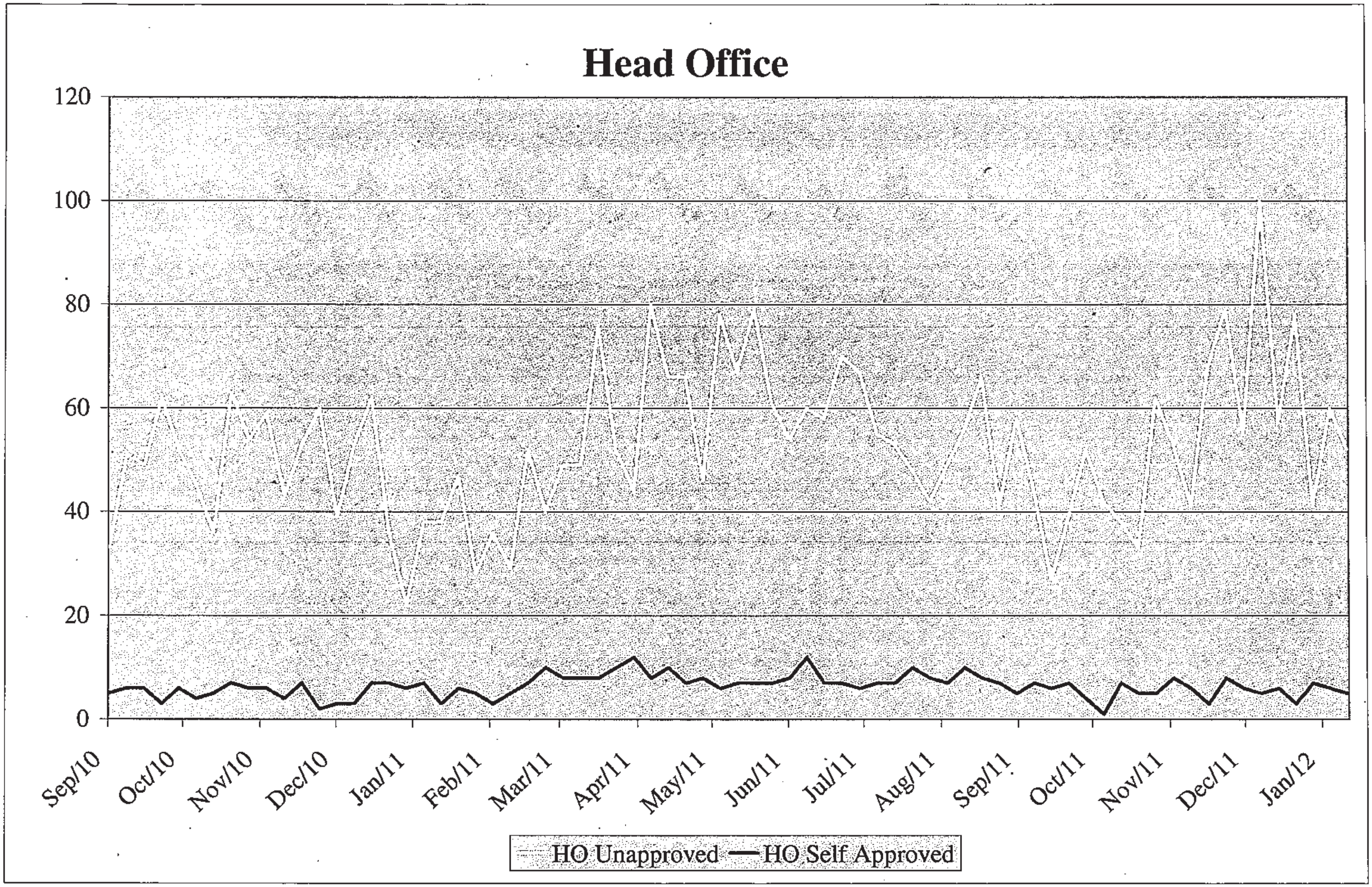
Distribution Unapproved
Distribution Self Approved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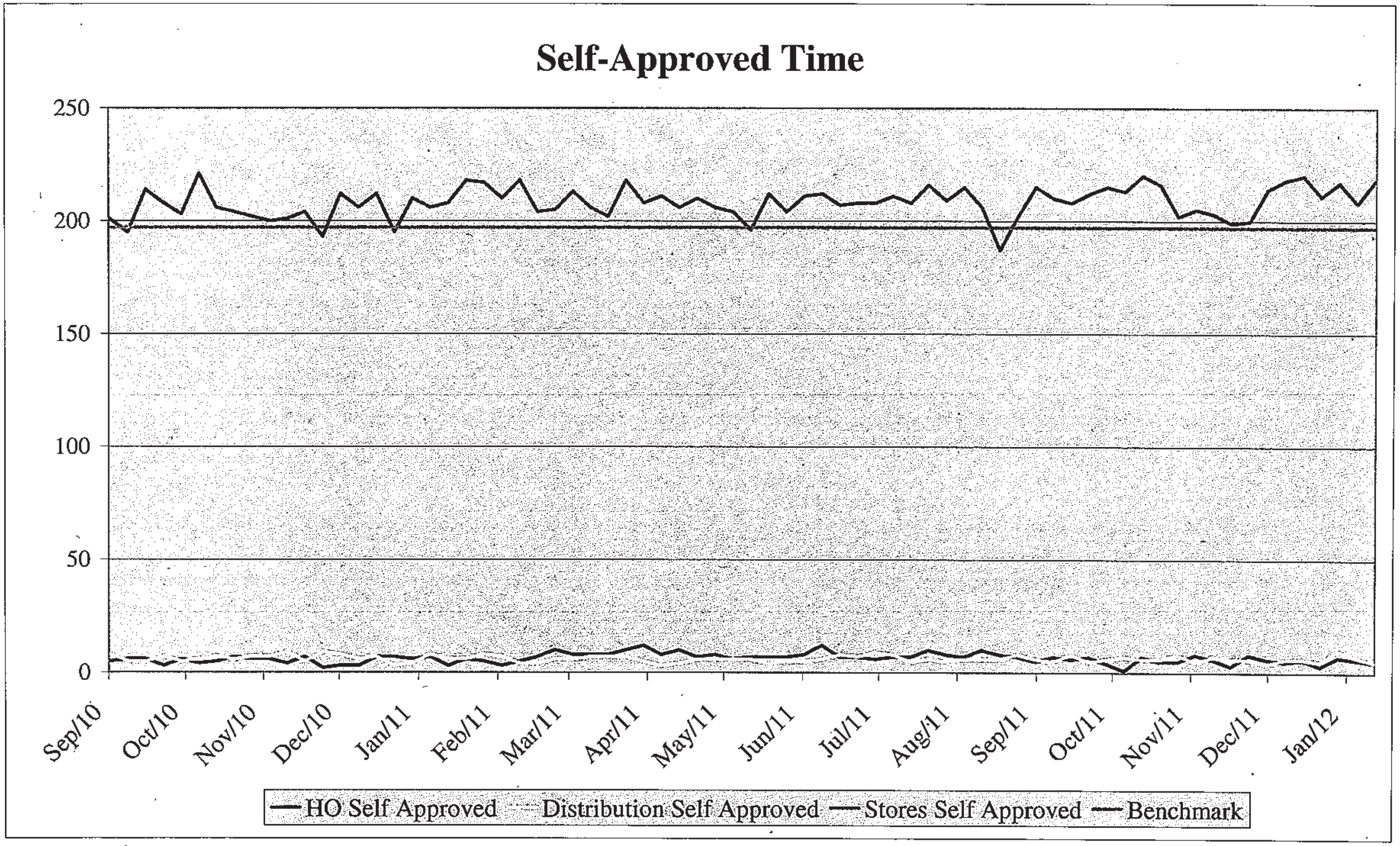
Self-Approved Time
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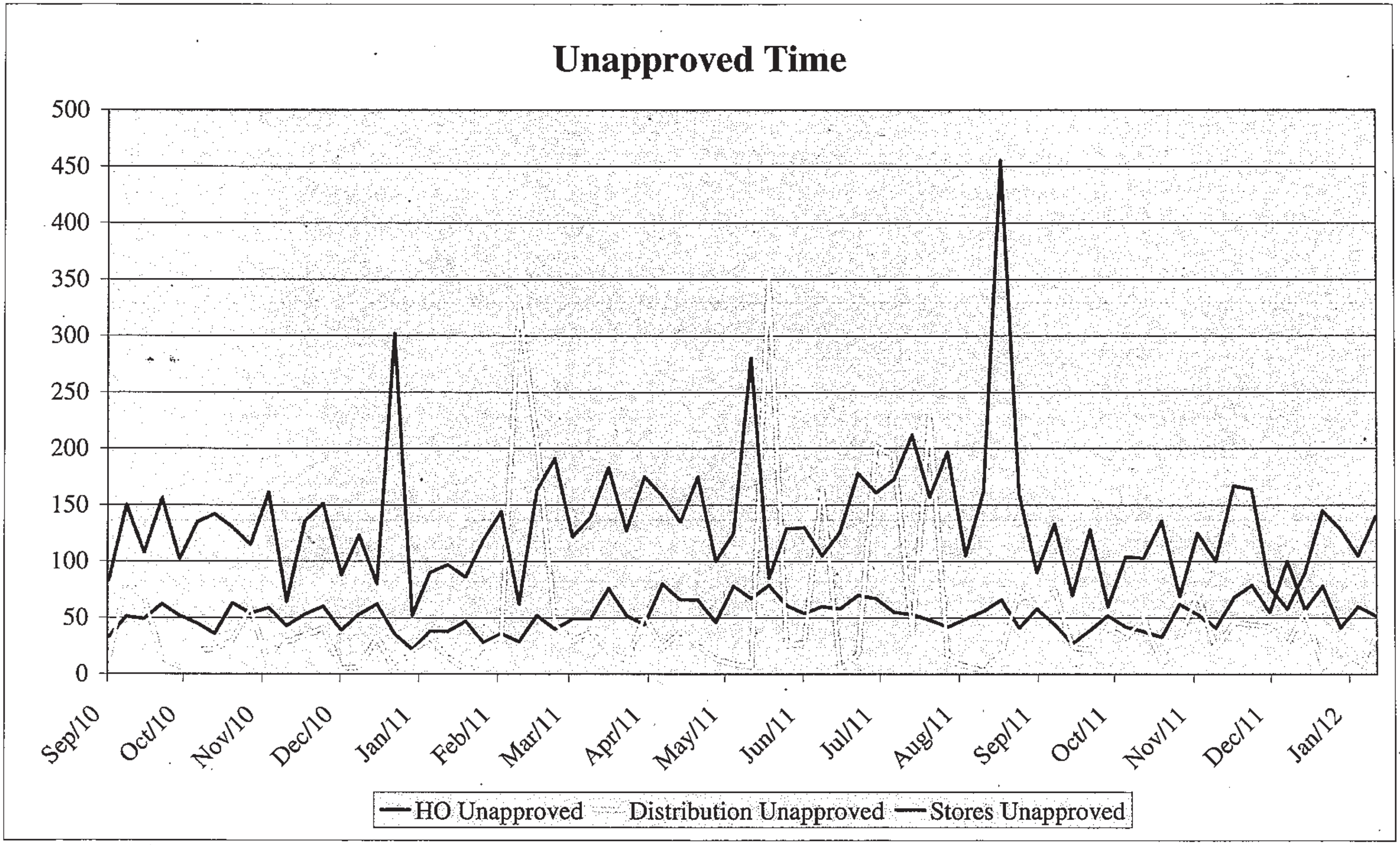
Jan/12
HO Self Approved
Distribution Self Approved
Stores Self Approved
Benchmark



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Jan/12
HO Unapproved
Distribution Unapproved
Stores Unapproved

Questions

Spring Taste

Marketing

Taste Spring

- Ocean wise – Sustainable Seafood
- The Spanish Kitchen
- Tequila Cocktails
- Single Vineyard BC Wines
- Five Rules of Food and Wine Pairing
- Mother s Day Desserts

Taste – Featured Portfo io Manager in each Issue

- Provide customers with an understanding of the expertise BC Liquor Stores offers in terms of product knowledge/selection
- Provides an opportunity to differentiate BC Liquor Stores as experts in the beverage alcohol industry
- Provides knowledge and information to our customers

Mobi e App – Re- aunch Dec

New Features:
- **Food and Wine Pairing Tool**
- **Create you own list in   my cellar”**
- **Taste Recipes/Pairings**

Mobi e App – Down oads 48,000 Average 4 ½ - 5 Star Ratings

	November	December
Total Visits	48 486	75 299
Total Page views	148 277	273 861
Avg Time on site	6 14	7 13
Top page - Products	84 553	162 091
Stores nearest me	14 610	17 244
# Search - Product	17 265	281 882
# Scans	14 408	24 432
# Added my cellar	10 532	

Mobi e App/Website Next Steps:

- Completed usability study on website – results will determine changes needed to website
- Long term - ability to have customers sign-up online/CRM program
- Mobile App –
  - Android app
  - Push out notifications e g special releases events in-store promotions
  - Online advertising

Christmas Gift Giving Guide

Christmas Gift Giving 70,000 Circu ation

# of pages	# High end Spirit/Wines	Sales 2010 (Dec) Same products	Sales 2011 (Dec) Same products ($28,000 new products)	$ Sales Increase
32 pages	37 products	$1 159 294	$1 403 021	$243 727

- Positioned BC Liquor Stores as a destination/leader for gift giving ideas
- Reinforces uniqueness/quality of products available in stores
- Encouraged higher average purchase - no wine under $30 no spirit under $40

Re- aunch of In-store Environmenta Program

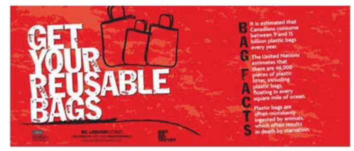
- New design for reusable bags – added third "beer" bag
- New signage for Plastic bag reduction/in-store bag count etc.
- New Look ties in with overall branding for Social Responsibility campaign bringing both under one umbrella

BC Liquor Stores Sustainabi ity – Re-fresh and Re- aunch In-store program:

- Rebag
- Reduce
- Rethink

Front Panel of New Reusable Bag

n-Store Signage



VIWF – BC Liquor Stores

- Cambie/Alberni/Park Royal will feature and promote the Wine Festival with a visual presentation/point of sale
- Vancouver Playhouse Theatre will be featured in Alberni windows with costume display/wines of Chile products
- Festival Store – larger space – Vancouver Playhouse Theatre will have a presentation to include Stage/Costumes Photo Booth and offer 2 for 1

Thank you….Questions?

Bill Michael

Director of Purchasing

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Top Selling Spirits
(December 2012)

RANKING	PRODUCT NAME	LITRE SIZE	PERIOD SALES THIS YR	PERIOD SALES LAST YR	% CHANGE
1	BAILEYS - ORIGINAL IRISH CREAM	0 750	$1, 577,575	$1,696,236	-7 0%
2	BAILEYS - ORIGINAL IRISH CREAM	1 14	$1,004,642	$1,102,335	- 8 9%
3	CROWN ROYAL	0 750	$945,179	$947,987	- 0 3%
4	SMIRNOFF - RED LABEL	0 750	$925,277	$891,831	3 8%
5	SMIRNOFF - RED LABEL	1 750	$890,000	$873,263	1 9%
6	SMIRNOFF - RED LABEL	1 140	$872,510	$830,572	5 0%
7	CROWN ROYAL	1 140	$870,248	$804,671	8 1%
8	CAROLANS - FINEST IRISH CREAM	0 750	$842,118	$798,413	5 5%
9	CROWN ROYAL	1 750	$797,777	$582,128	37%
10	BACARDI	1 140	$788,448	$739,886	-11 7%

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Top Selling Wine
(December 2012)

RANKING	PRODUCT NAME	LITRE SIZE	PERIOD SALES THIS YR	PERIOD SALES LAST YR	% CHANGE
1	CABERNET SAUVIGNON - J LOHR SEVEN OAKS	0.750	$834,540	$728,124	14.6%
2	MALBEC - ESCORIHUELA 1884 RESERVA	0.750	$688,974	$412,432	67.1%
3	SAUVIGNON BLANC - OYSTER BAY MARLBOROUGH	0.750	$574,925	$489,489	17.5%
4	PROSECCO FRIZZANTI - VILLA TERESA ORGANIC	0.750	$547,131	$326,710	67.5%
5	SHIRAZ - YELLOW TAIL	0.750	$525,410	$583,250	-9.9%
6	MALBEC - FINCA LOS PRIMOS	0.750	$432,619	$477,967	-9.5%
7	HENKELL - TROCKEN	0.750	$411,506	$420,020	-.20%
8	SHIRAZ - WYNDHAM ESTATE BIN 555	0.750	$408,517	$109,418	273.4%
9	RIESLING GEWURZ. – HARDYS STAMP SERIES	0.750	$395,726	$427,973	-7.5%
10	APOTHIC CALIFORNIA RED	0.750	$352,648	$32,660	979.7%

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Top Selling Beer
(December 2012)

RANKING	PRODUCT NAME	LITRE SIZE	PERIOD SALES THIS YR	PERIOD SALES LAST YR	% CHANGE
1	LABATT - BUDWEISER CAN 8 PK	0.355			
2	MOLSON - CANADIAN CAN	0.355			
3	LABATT - BUDWEISER CAN	0.355		s.21	
4	MOLSON - COORS LIGHT CAN	0.355			
5	CORONA EXTRA	0.330	$615,815	$891,662	-30.9%
6	HEINEKEN LAGER	0.330	$570,361	$627,053	-9.0%
7	STELLA ARTOIS	0.330	$536,069	$442,502	21.1%
8	COLUMBIA - KOKANEE CAN	0.355			
9	STROH CANADA - OLD MILWAUKEE CAN	0.355		s.21	
10	COLUMBIA - KOKANEE CAN	0.355			

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Top Selling Refreshment Beverages (December 2012)

RANKING	PRODUCT NAME	LITRE SIZE	PERIOD SALES THIS YR	PERIOD SALES LAST YR	% CHANGE
1	PALM BAY RUBY GRAPEFRUIT SUNRISE CAN	0.355	$153,355	$160,864	-4.7%
2	BULMER - STRONGBOW CAN	0.500	$141,631	$132,626	6.8%
3	PALM BAY PINEAPPLE MANDARIN ORANGE CAN	0.355	$116,232	$136,037	-14.6%
4	SMIRNOFF - ICE 4 PK	0.330	$105,007	$115,835	-9.3%
5	PALM BAY KEY LIME CHERRY	0.355	$100,453	$0	
6	BIG ROCK - ROCK CREEK	0.355	$95,991	$90,695	5.8%
7	BULMER - STRONGBOW CAN	0.440	$95,970	$92,168	4.1%
8	GROWERS CIDER CO. - EXTRA DRY APPLE	2.000	$94,527	$102,393	-7.7%
9	PALM BAY PASSIONFRUIT HIBISCUS	0.355	$92,077	$0	
10	OKANAGAN PREMIUM - CRISP APPLE	2.000	$89,174	$70,961	25.7%

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New Items Listed in 2011

PRODUCT NAME	LISTED DATE	SALES TO DATE
• BRAVA CAN	May 25th	s.21
• BRAVA CAN	May 25th	
• MOLSON – M	January 24th	
• KRONENBOURG 1664 BLANC	April 20th	$828,281 00
• M LLER CH LL LEMON	April 15th	$717,775 00
• SH RAZ - W NE MEN OF GOTHAM ADELA DE	August 12th	$684,950 00
• TR BUNAL - SONOMA COUNTY	May 27th	$571,963 00
• SH RAZ - R W NES SKULLS	October 5th	$524,178 00
• SANDH LL - CABERNET MERLOT VANESSA V NEYARD 2009	March 24th	$528,016 00
• P NOTAGE - THE GR NDER 10/11	June 17th	$353,351 00
• P NOT GR G O - FL P FLOP	June 29th	$303,766 00
• CABERNET SAUV GNON - FL P FLOP	June 29th	$291,472 00

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Total Provincial Sales

(4 year period)

Display Amount($)		Fiscal 2010-11	%Chg	Fiscal 2009-10	%Chg	Fiscal 2008-09	%Chg	Fiscal 2007-08
Spirits		859,585K	0 3 %	856,447K	-0 70%	862,492K	-1 80%	878,316K
Beer	Domestic	1,009,604K	-0 81%	1,017,858K	-4 42%	1,064,973K	1 58%	1,048,421K
	Import	248,184K	-8 79%	272,109K	4 10%	261,383K	3 39%	252,818K
Wine	Domestic	441,353K	2 07%	432,383K	6 78%	4 4,916K	2 61%	394,620K
	port	56 ,173K	63%	546, 47K	64%	537,5 8K	3 88%	59,192
Refresh. Bev.	Ciders	56,715K	2 18%	55,503K	-1 87%	56,559K	2 82%	55,006K
	Coolers	81,984K	-1 69%	83,389K	-1 49%	84,650K	7 07%	79 060K
Special Order		8,381K	16 78%	7,176K	-13 61%	8,307K	-22 43%	10,709K
Non-Liquor		3,013K	-2 64%	3,094K	9 62%	2,823K	-6 84%	3,030K
All Products		3,274,991K	0 02%	3,274,306K	-0 28%	3,283,620K	0 07%	3,281,172K

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Top 10 Worst Reasons Given by Agents to get a new Listing

1. “I need two listings because one isn’t good enough”
2. “I have 500 cases sitting in the warehouse that I can’t sell to wholesale”
3. “I asked my friends and they think it will sell”
4. “I need a favour”
5. “I don’t have any products listed with you”
6. “You delisted a product, so you can list this one”
7. “You owe me because I lost a product to another agent”
8. “If you buy it I will raise the price”
9. “The other agents have products in that category”
10. “I need to feed my family/cat”

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REAL ESTATE DEPARTMENT

Completion of 2011/12 Program

Anticipated Program for Fiscal 2012/13

Strategic Update Meeting
February 15, 2012

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Rea Estate Department
COMPLETION OF 2011/12 PROGRAM – MAJOR REMODELS

STORE NAME	PROJECT	TARGET COMPLETION
124 Gorge & Tillicum	Major Remodel (10/11)	Complete May 20, 2011
133 Dollarton Village	Major Remodel (10/11)	Complete June 10, 2011
063 Williams Lake	Major Remodel	Complete Sep 8, 2011
043 Quesnel	Major Remodel	Complete Sep 9, 2011
221 100 Mile House	Major Remodel	Complete Sep 7, 2011
212 Dawson Creek	Major Remodel	Complete Nov 4, 2011
052 Terrace	Major Remodel	Complete Nov 15, 2011

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Rea Estate Department
COMPLETION OF 2011/12 PROGRAM – MAJOR REMODELS

STORE NAME	PROJECT	TARGET COMPLETION
040 Port Alberni	Major Remodel	Complete Dec 7, 2011
167 Kelowna Orchard Park	Major Remodel	Mar 2012
027 Mission	Major Remodel	Mar 2012
170 Sardis	Major Remodel	Mar 2012
223 Kamloops North	Major Remodel	Mar 2012

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Rea Estate Department
COMPLETION OF 2011/12 PROGRAM – REMODELS

STORE NAME	PROJECT	TARGET COMPLETION
163 Westwood Centre	Remodel	Complete June 16, 2011
135 Vernon	Remodel	Complete October 2011
130 Penticton Plaza	Remodel	Complete January 2012
210 Kerrisdale	Remodel	Feb 2012
143 Kelowna Westbank	Remodel	Feb 2012
111 Commercial Drive	Remodel	Mar 2012

LIQUOR DISTRIBUTION BRANCH
Page 5

Rea Estate Department
ANTICIPATED PROGRAM FOR FISCAL 2011/12 – **RELOCATIONS**

STORE NAME	PROJECT	TARGET COMPLETION
038 Marpole (Temp)	Relocation	Mar 2012

LIQUOR DISTRIBUTION BRANCH
Page 6

Rea Estate Department
SUMMARY OF FISCAL 2011/12 PROJECTS

Net New Store	0
Relocations	1
Major Remodels	11
Major Remodel (Signature Store)	1
Remodels	3
Remodels (Signature Store)	3
Minor Renovations	32

LIQUOR DISTRIBUTION BRANCH

Page 7

REAL ESTATE DEPARTMENT

Anticipated Program for Fiscal 2012/13

LIQUOR DISTRIBUTION BRANCH

Real Estate Department
ANTICIPATED PROGRAM FOR FISCAL 2012/13 – **MAJOR REMODELS**

STORE NAME	PROJECT	TARGET COMPLETION
041 Powell River	Major Remodel	Jun 2012
069 Oliver	Major Remodel	Jun 2012
032 Nelson	Major Remodel	Sept 2012
109 Aldergrove	Major Remodel	Sept 2012
161 Blanshard Square	Major Remodel	Sept 2012
194 Champlain Square	Major Remodel	Sept 2012
012 Duncan	Major Remodel	Dec 2012

LIQUOR DISTRIBUTION BRANCH

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Real Estate Department
ANTICIPATED PROGRAM FOR FISCAL 2012/13 – **MAJOR REMODELS**

STORE NAME	PROJECT	TARGET COMPLETION
230 Sechelt	Major Remodel	Dec 2012
080 Gibsons	Major Remodel	Mar 2013
114 Prince George Hart	Major Remodel	Dec 2012
122 Whalley	Major Remodel	Mar 2013

LIQUOR DISTRIBUTION BRANCH

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Real Estate Department
ANTICIPATED PROGRAM FOR FISCAL 2012/13 – **REMODELS & RELOCATIONS**

STORE NAME	PROJECT	TARGET COMPLETION
111 Commercial Drive	Remodel	June 2012
117 Broadway & Maple	Relocation	June 2012
192 UBC Westbrook	Relocation	Dec 2012

LIQUOR DISTRIBUTION BRANCH

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Rea Estate Department
SUMMARY OF FISCAL 2012/13 ANTICIPATED PROJECTS

Net New Store	0
Relocations	2
Major Remodels	11
Remodels	1
Minor Renovations	30

LIQUOR DISTRIBUTION BRANCH

Page 12


CUSTOMER EXPERIENCE
GOAL 3 OF THE FOUR PILLARS FRAMEWORK IN THE 2011/12 – 2013/14 SERVICE PLAN
"Maintain a high level of wholesale and retail customer experience"


PHOTOS OF COMPLETED PROJECT
2011/12
(Before & After Shots)
BRITISH COLUMBIA
LIQUOR
DISTRIBUTION
BRANCH
Page 14

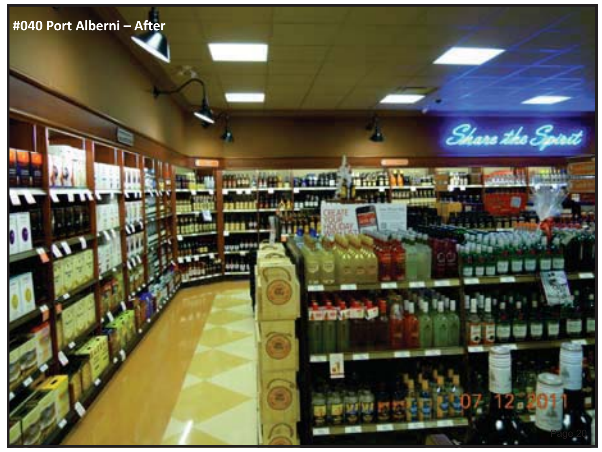

#040 Port Alberni - Before
BC Liquor Store
s.22
s.22
07/30/2008
Page 15


#040 Port Alberni – After
BC LIQUORSTORE
Page 16

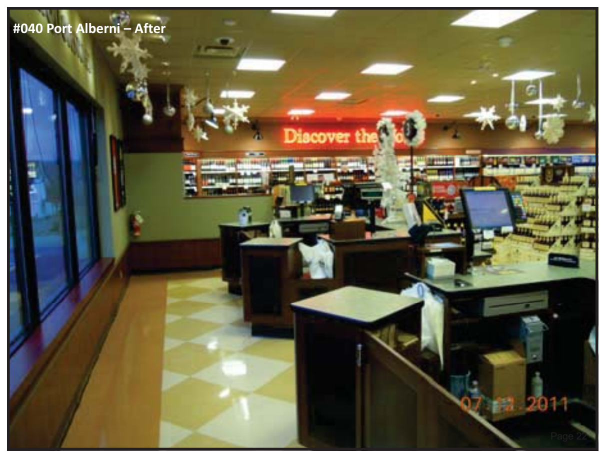

#040 Port Alberni - Before
EXIT
EXIT
s.22


#040 Port Alberni – After
EXIT
07.12.2011


#040 Port Alberni - Before

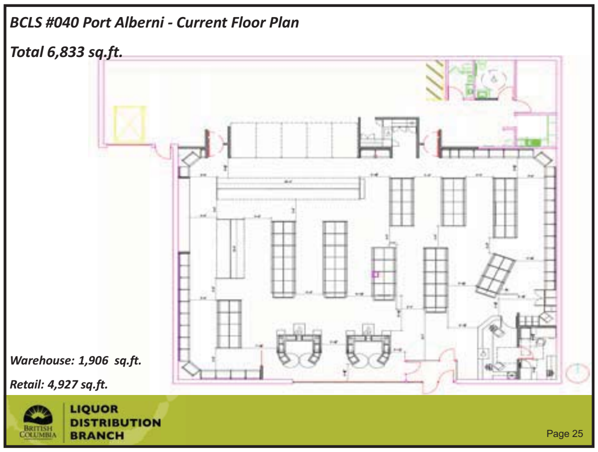

#040 Port Alberni – After
Share the Spirit
07.12.2011


#040 Port Alberni - Before
07/30/2008

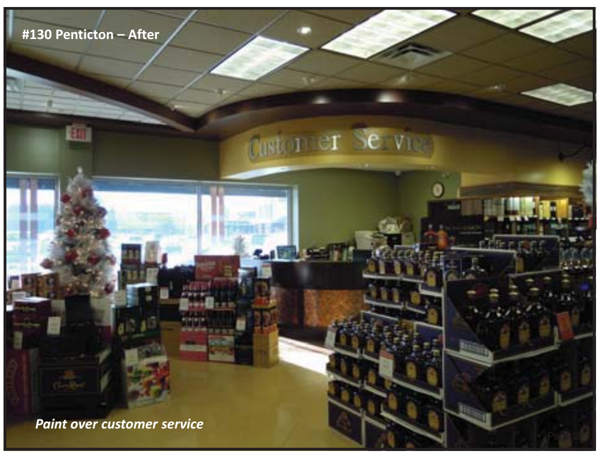

#040 Port Alberni – After

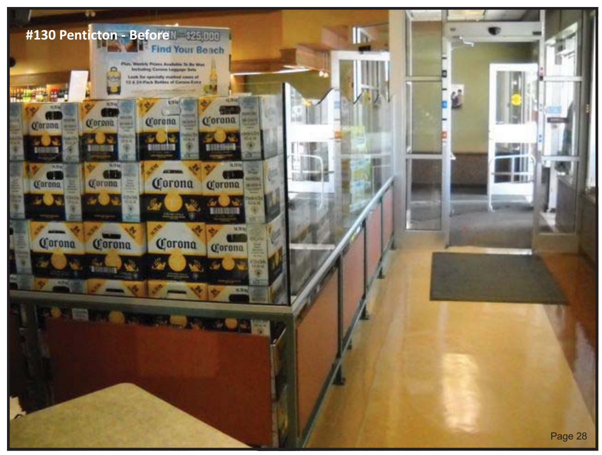

#040 Port Alberni - Before

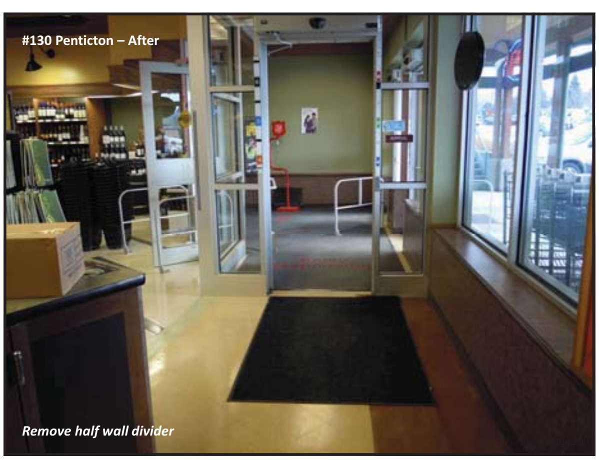

#040 Port Alberni – After
Customer Service
s.22
07.12.2011


BCLS #040 Port Alberni - Current Floor Plan
Total 6,833 sq.ft.
Warehouse: 1,906 sq.ft.
Retail: 4,927 sq.ft.
LIQUOR DISTRIBUTION BRANCH
Page 25

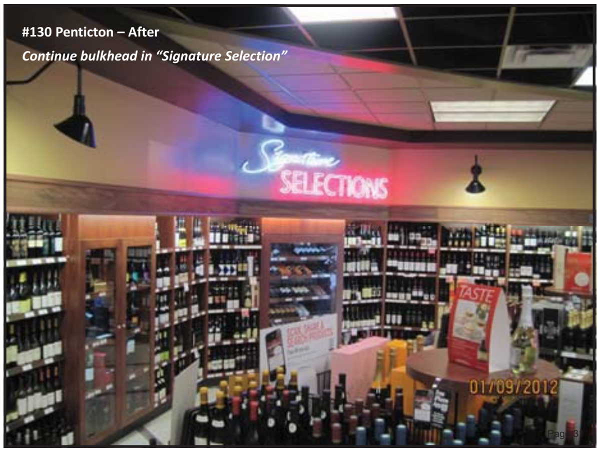

#130 Penticton - Before
Customer Service
05/28/2010


#130 Penticton – After
Paint over customer service


#130 Penticton - Before
Find Your Beach
Corona
Page 28


#130 Penticton – After
Remove half wall divider


#130 Penticton - Before



Real Estate Initiatives

FISCAL 2011/12 and 2012/13

Other Real Estate s Undertakings

- Administration Offices Interior Upgrade – Ongoing
- Customer Segmentation Studies (MapInfo Program) - Ongoing
- LDB Construction Spec Book Upgrade to Shadow LEED Standards – Spec Book Being Updated – Ongoing
- Asset Tracking / Asset Management
- VDC Roof Replacement – 2nd phase
- Cafeteria Serving area upgrade
- Multifunctional copiers and printers – Financial planning and measurement – Ongoing
- Directing and Supporting Green Initiatives

LIQUOR DISTRIBUTION BRANCH

Page 34

Environmental Initiatives

Strategic Update Meeting

February 15, 2012

LIQUOR DISTRIBUTION BRANCH

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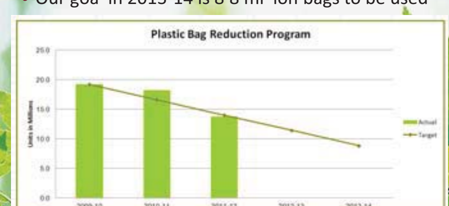
Environmental Initiatives

- Bag Reduct on Program
  - 2011-12 target is 14 mi ion bags to be used
  - After ten periods, the usage is at 13 7 mi ion
  - Our goa in 2013-14 is 8 8 mi ion bags to be used



LIQUOR DISTRIBUTION BRANCH

Page 36

Environmental Initiatives

LDB Recycling Program

- Cardboard (boxes, liners, slip sheets)
  - Calendar Year 2010 and 2011
    - 3,474 (t) recycled
    - $385,441 in revenue
- Plastic (bags, shrink wrap)
  - Calendar Year 2011
    - 419 bales shipped
    - 18 (t) recycled
    - $27,989 in revenue

LIQUOR DISTRIBUTION BRANCH

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Energy Management

- **Lighting Upgrades To-Date: Fiscal Year 2011/12**
  - 13 rural locations
  - Savings of 128,000 kWh annually
  - Reduction of 3 (t) of GHG emissions
  - $21,600 in rebates
- **Information Services**
  - Data Centre Virtualization
  - Savings of 444,700 kWh annually
  - Reduction of 11.5 (t) of GHG emissions
  - $71,200 in rebates

LIQUOR DISTRIBUTION BRANCH

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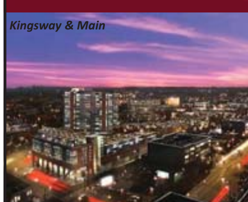
REAL ESTATE DEPARTMENT

Vancouver & Burnaby Redevelopments



LIQUOR DISTRIBUTION BRANCH

BCLS #192 UBC WESBROOK VILLAGE

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BCLS #192 UBC WESBROOK VILLAGE

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BCLS #192 UBC WESBROOK VILLAGE

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BCLS #117 BROADWAY AND MAPLE

Page 43

BCLS #117 BROADWAY AND MAPLE

Page 44

BCLS #117 BROADWAY AND MAPLE

Page 45

BCLS #117 BROADWAY AND MAPLE

Underground Parking

Page 46

Redevelopment Granville at 70th

Page 47

Brentwood Town Centre redevelopment

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Brentwood Town Centre redevelopment

The existing G.L.A. of 547,129 s.f. will be expanded to 1,300,000 s.f. upon completion of the redevelopment.

Full access to
» 75,000 cars per day
» 10,000 transit riders per day

The 28 acre site will include 3,100 new residential units. 4,700+ parking stalls

Brentwood Town Centre involves the redevelopment and densification of an existing regional mall that is just 15 minutes from downtown Vancouver and located along a major transit stop at the corner of Lougheed Highway (HWY 7) and Willingdon Ave

Page 49

Metrotown Station Square Redevelopment

e 50

REAL ESTATE DEPARTMENT

Strategic Update Meeting
February 15, 2012

LIQUOR
DISTRIBUTION
BRANCH

Agenda

- Provincial Sales
- Licensee Retail Stores Sales
- Wholesale Customer Centre Sales Breakdown
- Web Store Customer Activity
- Web Store Customer Base
- Webinar Customer Feedback
- Wholesale nitiatives

LIQUOR DISTRIBUTION BRANCH

Page 2

Provincial Sales

YTD ending Period 10

Total Provincial Wholesale: $1.4 B
Government Liquor Stores: $1.0 B

Excluding Winery Agency Stores, Tour st W ne Shops, Land Based Wineries and Consignment Agency Stores

LIQUOR DISTRIBUTION BRANCH

Page 3

Licensee Retail Store (LRS) Sales

Sales to Licensee Retail Stores Rolling 12 Ending Period 10

Service Target	WCC (100 & 231) Service De ivery to LRS	GLS Service Delivery to LRS	
	$385 M	$51 M	
85%	88%	12%	Total LRS Service Delivery WCC & GLS **$436 M**
The WCC argets to se v ce 85% of he to a L censee Reta Sto e Who esa e cus omer base	Current WCC L censee Reta Stores Serv ce De very (vs 86 % LY)	Current GLS L censee Reta S ores Serv ce De very (vs 1 % LY)	

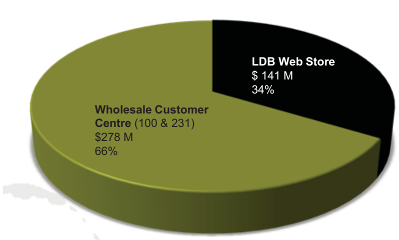
Exclud ng Direct De ivery Beer, Consignment Agency Stores, Esta e Wineries and Pr va e Warehouse Breweries.

LIQUOR DISTRIBUTION BRANCH

Page 4

Wholesale Customer Centre Sales Breakdown

YTD to Period 10



Wholesale Customer Centre (Vancouver & Victoria) 231: $278 M
LDB Web Store: $ 141 M
Total Wholesale Customer Centre(s): $419 M

LIQUOR DISTRIBUTION BRANCH

Page 5

Web Store Customer Activity

January 2012

$4.1 M	$2.1 M	$1.1 M	$1.7 M	$825,000
January 5 Monday's	**January** 5 Tuesday's	**January** 4 Wednesday's	**January** 4 Thursday's	**January** 3 Friday's

B Outage an 27

January Web Store Sales

Total $10.5 M
Monday's $4.1 M
Tuesday - Thursday's $5.7 M
Saturday and Sunday's $700,000 M

% of January Web Store Sales

Monday's 39%
Tuesday - Thursday's 54%
Saturday and Sunday's 7%

LIQUOR DISTRIBUTION BRANCH

Page 6

Web Store Customer Base

Active Customers Ordering In January 2012

Target Web Store Customer Base by March 31, 2012
300

275 Web Store Customers

200 L censee Reta Stores (LRS)

51 L censee (L C)

11 Rura Agency Stores (RAS)

8 W ne S ores
5 Duty Free S ores

Webinar Customer Feedback

- **95** webinars administered by the WCC staff facilitator from April 1, 2011 to date

95% Customers felt that the webinar facilitator presented activities and exercises to encourage discussion, keep the customer engaged and on track.

90% Customers rate their webinar as "excellent".

80% Customers said they are comfortable with placing an online order immediately after their webinar.

Webinar Customer Feedback Continued

"Training was smooth and easy to follow".

"The webinar was excellent and I was very satisfied with the instructor. They were patient and helpful. When I called back with questions I was helped quickly and efficiently".

"As with all changes, I am an anxious person, but learning online for 90 minutes made everything simple and clear. The instructor took the time to let me absorb everything and they never rushed me. I believe webinars are great to assist customers with online ordering."

"Very helpful and well spoken".

Wholesale nitiatives

- Web Store Blitz.
  - On now until Friday.
- Wholesale customer survey target: May / June.
- *Wholesale Ordering Guidelines* update scheduled for summer 2012.
- New Wholesale customer "Tool Kit" in development.
- Following reports will be available for all Wholesale customers on LDB Web Store.

New & Discontinued Product Reports

Provincial Market Trends (pub shed on ne month y)

Top Selling Product Reports (pub shed by who esa e channe)

Top Provincial Wines and Spirits

QUESTIONS?

STORE OPERATIONS

STRATEGIC PLANNING FEBRUARY 15, 2012

BC LIQUORSTORES

Agenda

- Park Royal Holiday Presentation Success
- Holiday Sales Lift and Presentation Photos
- BC Liquor Store Compliance
- Be Ready 2 Show D
- 2 D Provincial nfractions
- Customer Transactions
  - Westwood / Alberni & Bute

BC LIQUORSTORES

Park Roya Ho day Presentat on Success

- The presentation standards bar was set high during the holiday season at Park Royal
  - Large Format & Impactful Displays
  - Tray Cut Freestanding Displays
  - Pre-Packaged Gift Displays
- New Signature Store Presentation Program Standards
  - Next Steps
  - Roll Out

BC LIQUORSTORES

Ho day Presentat on Sa es L ft

Period 9: December 2011

Park Royal

- Holiday Counter Up **7.2 %**
- Overall Holiday Sales Up **12 %**
- December 18 – 24 Sales Up **29%**

39th & Cambie

- Ho iday Counter Up 4.3 %
- Overall Holiday Sales Up 4.3 %

Alberni & Bute

- Ho iday Counter Up 4.0 %
- Overall Holiday Sales Up 4.1 %

BC LIQUORSTORES

PAGE 4

Park Royal BC Liquor Store

Park Royal BC Liquor Store

BC L quor Store Comp ance

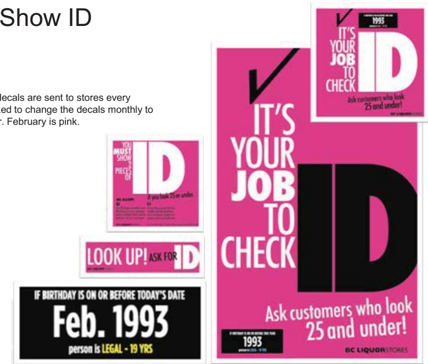
- **Compliance Overview**
  - Ensuring Compliance is a Number One Priority for BC Liquor Stores
- **Compliance Program (Subject to Area Manager Review)**
  - 2 D Compliance Booklet: All Existing Employees have Signed in Agreement
  - New Employee Compliance Training Program
  - Staff Shift Starters and Staff Meetings
  - Random 2 D Checks by Management
  - All Employees nitial Cashier nformation Sheet
- Three infractions in BC Liquor Stores have occurred from *February 1, 2011* to date
  - Kingsgate, Northgate and Ladner

BC LIQUORSTORES

Be Ready 2 Show ID

Monthly Store Campaign

- New 2 ID Decals
  - Bright, colourful 2 ID decals are sent to stores every month. Stores are asked to change the decals monthly to display the new colour. February is pink.
- **Decal Locations:**
  - Checkout Scanner
  - Receipt Printer
  - Monitor screen
  - Customer Service
  - Staffroom
  - Staff Washroom
  - Warehouse



BC LIQUORSTORES

2 ID Prov nc a Infract ons

GLS
Compliance Rate 95%

- 64 checks*
- 3 infractions

** Liquor Control and Licens ng, 20 2*

Private Stores
Compliance Rate 82%

- 175 checks*
- 32 infractions

**Times Colonist February , 20 2*

BC LIQUORSTORES

Customer Transactions & 2 D Checks

YTD to Period 10

Westwood GLS	Alberni & Bute GLS
496,657 Transactions	636,800 Transactions
26,549 2 D Checks (using code 3000)	59,191 2 D Checks (using code 3000)

BC LIQUORSTORES

QUESTIONS?

BC LIQUORSTORES

Distribution Strategic Planning

On Time Delivery

Special Orders

December Stats

Cases Shipped

LIQUOR DISTRIBUTION BRANCH

On T me De very

- Access Stats
- Pre WCC D rect De very
- GLS on y

Access Reports

- Program captur ng ncorrect data
- Report ng 84% On T me

On T me De very (Metro Vancouver)

2011	GLS	98 08%
2011	LRS	94 35%
2011	Overall	96 22%

Spec a Orders

O d Process

- *100% manual*
- *Same sku for all products*
- *No WMS tracking*

New Process (post FBIP)

- *Unique sku's for each product*
- *On WMS*
- *System track ability*

Per od 9 2010 vs 2011

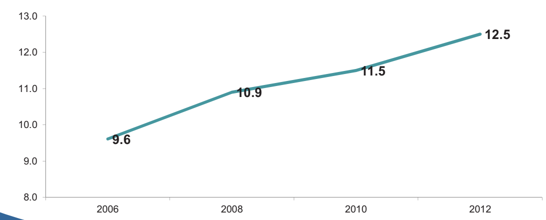
	2010	2011	%
Bottles	141 173	163 031	15 5%
Cases	1 345 618	1 466 121	9 0%

Case Weight	68%	Complete

	Fiscal Year	Period 1 – 10 YTD
Cost Per Case	2011	$1.74
Cost Per Case	2012	$1.68

LIQUOR DISTRIBUTION BRANCH

Cases Sh pped (millions)

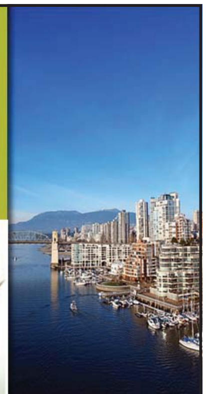


LIQUOR DISTRIBUTION BRANCH

Liquor Distribution Branch

Employee & Organization Development Department

2012 Training Plan



Learn ng and Deve opment 2012

- **Safety Initiatives**
  All the Right Moves, 1st Aid, OHS, Keep It Safe, & WHMIS
- **Retail Initiatives**
  Signature Service, Signature Selling and Product Knowledge
- **Powered Equipment Training**
  Balers, Forklifts, Pallet Movers
- **New Employee Orientation & Training**
- **Career Development Program**
  Resume Writing, Interview Skills
- **Learning Employee Assistance Program**
  Tuition Subsidy, Development Leave, Educational Leave
- **Respect Matters**
- **Technical Courses**
  Word, Excel, Outlook
- **Leadership Development programs**
  SLP, Essential Skills, Leadership Series
- **FIPPA**
  Online training for BCLS Management
- **Performance & Development Planning (EPDP)**
- **Employee Engagement (WES)**
  Focus Groups, Targeted surveys
- **Succession Management**
- **Change Management**
- **Employee Recognition**
- **Community Services**

Overall Objective: *To develop and deliver learning and organization development initiatives/solutions that respond to both the current and future needs of the organization and our employees.*

Serv ce Resu ts H gh ghts

- 6851 participants attended learning sessions in 2010-2011
- 451 managers and supervisors attended Respect Matters (full day)
- 951 employees attended Respect Matters (1/2 day)
- Signature Leadership Program launched in April/2011 – 37 participants to-date

Key Pr or t es for 2012

- Respect Matters
- Retail Management Tool Kit
- Leadership Development - Essential Skills modules
  - Recruitment & Selection
  - Performance Management

Reta Management Too K t

- Purpose of this initiative is to
  - Provide new managers and assistant managers of BC Liquor Stores (BCLS) with the technical knowledge tools and resources needed to successfully manage a store
- A series of 7 operations / reference manuals that provide new store managers and assistant managers with the technical knowledge and skills to manage the day to day operations of a BC Liquor Store.
- Part of the learning path that will be available to store managers for their development
  - New Employee Orientation Training (NEOT) – out of service
  - Retail Management Tool Kit (RMT)
  - Essential Skills Program (ESP)
  - Signature Leadership Program (SLP)

7 top c areas n the RMT Too K t are:

1 Overview and Orientation to Role of Store Manager
2 nventory Management
3 Employee Management
4 Business Systems
5 Presentation and Events
6 Reports and Communication
7 Safety and Security

Questions ?

Strategic Planning Meeting

February 2012

FBIP
Financial Business Improvement Project

FBIP Project

- AGENDA
  - December
  - January
  - Go Live
    - Challenges
  - February
  - March

Be a part of change. 2

December Activities

- Comp eted user Acceptance Test ng of overa so ut on
- Cont nued User Acceptance Test ng of Data Warehouse so ut on and report ng
- Comp eted tra n ng mater a s for Jan de very
- Read ed and ref ned cutover act v t es for end January Go L ve

Be a part of change. 3

January Activities

- Conducted the data convers on tasks requ red for Go L ve
- Cont nued w th Report test ng
  - Some deferred until after Go Live
  - Some not needed until first period end close at end February
- F n shed f na "tweaks" to FBIP so ut on
- Conducted most tra n ng sess ons
  - Exception was Financial Close training
- In t ated ear y cutover act v t es
- Conso dated susta nment tems

Be a part of change. 4

Go Live

- Successfu y dep oyed most of the FBIP so ut on nto product on on January 27/28/29 weekend w th   tt e nc dent
- Successfu y dep oyed Transact on Aud t So ut on nto product on on February 4/5 weekend w th some cha enges
- One weeks worth of transact on process ng beh nd as p anned

Be a part of change. 5

Major Challenges

- Some significant cha enges presented themse ves in the first week after TA dep oyment
  - AR preprocessor caused data processing to stall – 4 days to resolve
  - Pay on receipt issue causes difficulty in paying suppliers – manual workaround in place for payment and solution in place now
  - Tax adjustment calculation takes too long to complete and delays loading to data warehouse – anticipated solution will take two weeks to tune performance
  - JDA code fix required to allow timely data warehouse load – fix delivered but will require three days of testing
  - Cost Manager failure inherited from production disabled costing of inventory – Oracle solution delivered yesterday
  - Inability to "catch up" first weeks worth of transactions due to above challenges

Be a part of change. 6

Other Challenges

- Less ser ous Day to Day ssues managed through da y tr age meet ngs and BMC t cket process
- Batch/Transact on catch-up beh nd schedu e
- PAP transact ons w th mu t p e tenders need manua ntervent on
- Erroneous data nput by stores
  - I.e. wrong vendor on POs or wrong bill of lading entry
- H gh vo ume of nventory except ons due to de ayed data and or batch sequence

FBIP Be a part of change. 7

February Activities Ongoing

- Catch up of data – expected th s weekend
- Mon tor ng except ons and reso v ng
- Learn ng new system and procedures
  - Functional support strategy
- Comp et on of report test ng and va dat on
- F nanc a C ose Tra n ng
- F rst month end c ose
- Susta nment tems conso dated

FBIP Be a part of change. 8

March Activities

- Comp et on of a agreed f xes, tun ng etc
- Mon tor and manage f rst per od end c ose
- Cont nued tr age act v t es
- Cont nued funct ona support act v t es
- Updates to a tra n ng mater a
- Staff trans t on from project to product on
- Preparat on of f na susta nment documentat on

FBIP Be a part of change. 9

CONGRATULATIONS !!

- Thank you!!!!

FOR:

- The great participation and collaboration by all
- The heartfelt dedication to the LDB and the project
- The professionalism and ability to work through some very tough times
- The tenacity and determination required to work for such a long time away from regular positions and familiar people/surroundings

and

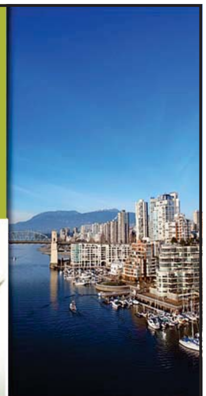
- n particular the willingness to truly

Be a part of change!

FBIP Be a part of change. 10

5 Year Project Plan

February 15, 2012



LIQUOR
DISTRIBUTION
BRANCH

s.17

"Time Out" Parallels FBIP Short Term Sustainment

- 8 month "time out" for key smaller business and S initiatives
- Select examples of pending work during timeout

Business Initiative	IS Initiative / Housekeeping
Customer Specific Product	Oracle e-Business Patching
Store Server Replacement	BPEL Upgrade
PP MS Technical Upgrade	PP MS Technical Upgrade
s.17	Autosys Replacement
Open Data / nformation	s.17
Saki Category Designation	Data Centre maintenance
s.17	Non-prod environment updates

Timeout Activities

- **PCI and FBIP inherently achieved some technology changes**
  - **Some required technology upgrades were delayed and now need to be completed (PCI new pin pad rollout)**
- Oracle
  - ntegration foundation (BPEL)
  - e-Business Patching
  - Preparation for upgrade to next version of Oracle
- Upgrade non-Production environments
  - Development and Test
- Data Centre maintenance and upgrades
- Other general housekeeping

Timeout Activities

- PP MS technical upgrade
- Open Data / nformation
- s.17
- Store Server Replacement
- Autosys replacement
- Saki Cate or Desi nation
- s.17

Post Timeout Activities

s.17

IS In t at ves 2012/2013

- Oracle e- Business Patching
  - ~ 80 Patches pending testing & deployment
  - Detailed Discovery in progress to define scope schedule resources testing
  - Estimated Start March
- BPEL Upgrade
  - Current version no longer supported by Oracle nterface upgrade for BPEL
  - Upgrade will allow for the efficient growth and maintenance t will also align LDB with industry best practices
  - Estimated Start April

IS In t at ves 2012/2013

- PP MS technical upgrade
  - PeopleSoft Technical upgrade from version 8 8 to 9 1
  - Scope definition in progress for technical upgrade
  - May include some functional enhancements
  - Estimated Start Date June
- Autosys Replacement
  - Part of HP server replacement in progress
  - Completes the 2011/12 $31K Power Smart incentive
  - Target completion August 2012

Bus ness In t at ves 2012/2013

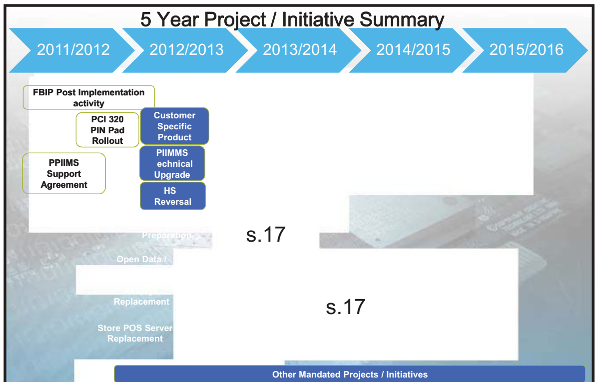
- Customer Specific Product
  - Automated system to prevent ineligible customers from ordering products that are specific to one or more wholesale customers
  - Review proposed solution for validation of assumptions made in 2010
  - Complete design development test communicate and deploy
  - Start Date April
- Store Server Replacement
  - Store server hardware approaching end of serviceable life
  - 2 phase initiative *procurement* and *rollout* of replacement hardware to BC Liquor Stores
  - Phase 1 Procurement of Replacement Servers by 30st March 2012
  - Phase 2 Rollout Hardware to Stores - TBD

Bus ness In t at ves 2012/2013

s.17

- Open Data / nformation
  - LDB participation in the BC Govt program to proactively publish data in machine process-able format
  - Working group recommended 14 data sets initially from price list to purchasing card data
  - Active

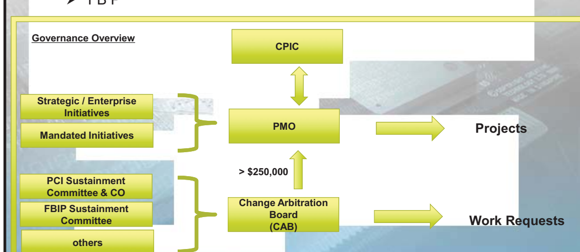
5 Year Project / Initiative Summary



Page 5

Governance Overview

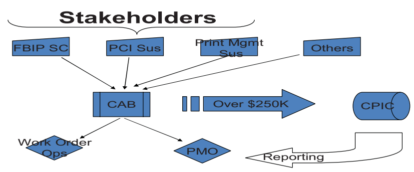
- Governance Structure in place for
  - Capital Projects, Large Operating Projects (CP C)
  - PC
  - FB P



Page 6

Governance Overview

- **Governance Structure in place for**
  - PC
  - FB P
  - Capital Projects (CP C)



BC Liquor Distribution Branch

Strateg c P ann ng Fac tat on

Feb 16th, 2011

1

Outline for the Strategy Session

The Strateg c P ann ng sess on offers the execut ve team an opportun ty to d scuss the bus ness from d stract ons or other cr t ca day-to-day pr or t es.

First Exercise

Our f rst exerc se s to cr t ca y d scuss the outcomes of our Strateg c P ann ng sess ons. We know that Strateg c P ann ng s an mportant exerc se w th   m ted t me. We shou d ensure we are hav ng the r ght k nds of d scuss ons and that we are produc ng the r ght k nd of outcomes.

Th s exerc se shou d conf rm what s work ng we , dent fy areas for mprovement, and dent fy spec f c ssues that the group wou d   ke to focus on.

Second Exercise

The second exerc se s a d scuss on of spec f c ssues dent f ed by the group. *(See the first exercise)*

Third Exercise

The th rd exerc se s a fu   rev ew of the strategy outcomes from the ast sess on. The purpose of the rev ew s to update and mprove the content where needed.

2

Facilitation Agenda

Time	Activity
8 30 – 8 45	• ntroductions / Agenda
8 45 – 10 00	• Exercise 1 Constructive Criticisms
10 00 – 10 15	• Coffee Break
10 15 – 12 00	• Discussion Points
12 00 – 1 00	• Lunch
1 00 – 2 30	• Strategy Review
2 30 – 2 45	• Coffee Break
2 45 – 4 00	• Strategy Review
4 00 – 4 30	• Wrap up and Conclusion

3

Exercise #1 Constructive Criticisms

P ease take a few m nutes to answer the fo ow ng quest ons. We w then d scuss our answers as a group.

1 **Strateg c p ann ng s mportant for BC LDB**

SA Strongly Agree | A Agree | D Disagree | SD Strongly Disagree

2 **Our strateg c p ann ng sess ons are effect ve.**

SA Strongly Agree | A Agree | D Disagree | SD Strongly Disagree

3 **What do be eve s va uab e about the sess ons.**

4 **What do be eve s not va uab e about the sess ons.**

4

Exercise #1 Constructive Criticisms

P ease take a few m nutes to answer the fo ow ng quest ons. We w then d scuss our answers as a group.

5 **The outputs from our p ann ng sess ons are usefu**

SA Strongly Agree | A Agree | D Disagree | SD Strongly Disagree

6 **The outputs from our p ann ng sess ons are usefu to me**

SA Strongly Agree | A Agree | D Disagree | SD Strongly Disagree

7 **How cou d the outputs of the p ann ng sess on be mproved?**

5

Exercise #1 Discussion Points

8 **What spec f c ssues or themes that you wou d ke to focus on today?**

9 **What e ements of the strategy wou d you ke to focus on today?**

- 9a Yes No LDB Strengths
- 9b Yes No Weaknesses
- 9c Yes No Trends
- 9d Yes No Actions

6

Updated December 15, 2011

BC Liquor Distribution Branch

Strateg c Retreat - Outcomes

September 19, 2011

Facilitation Session

- The execut ve team met on September 15, 2011 for a fu   day strateg c rev ew
- The day nc uded a rev ew of: strengths, weaknesses, trends, and act ons
- Part c pants were prov ded w th a workbook summar z ng the outcomes from the ast strateg c retreat n May of 2011
- Th s document summar zes the outcomes and d scuss on from the sess on

Strengths	Weaknesses	Trends & Opportunities	Actions
1 0 Summary of Strengths	2 0 Summary of Weaknesses 2 1 Market Share 2 2 Supply Chain	3 0 Summary of Trends 3 1 Ethnicity Discussion 3 2 Aging Discussion 3 3 Younger Demographic 3 4 Air miles 3 5 Wine ncreases 3 6 Near Pack 3 7 Selling Retail Space 3 8 Private Label 3 9 Distribution to Private Stores	4 0 Summary of Action tems 4 1 mpulse tems 4 2 Documentation of Business

Strengths | Weaknesses | Trends | Actions

1.0 LDB Strengths

Data	• We collect a depth of data that can help us better understand our business and performance For example we have clear visibility into alcohol sales in BC
Brand	• We have a strong store brand
Market ng	• We have a unique marketing capability • We have recognized successes e g TASTE magazine iPhone App
Lean	• We have a low operating cost to revenue ratio relative to peer organizations in other provinces
Reputat on	• We are a credible or anization with a stron re utation s.13
Recru t ng	• The quality of our new store hires is high • We have had success attracting experienced candidates

9

Strengths | Weaknesses | Trends | Actions

2.0 LDB Weaknesses

IT	• We have some key systems in need of replacement • We have delayed some upgrades due to re-prioritization • We face substantial technology innovation costs over the coming five years
Data Gap	• We are missing critical demographic data • We do not have the right capabilities to harness our data and use it to inform our business While we have our analysts, we need a broader capability
Lack of F ex b ty	• s.13, s.17
M n mum Pr ce	• Private providers can offer a product at below minimum price LDB can not offer product at below minimum price
Emp oyee Demograph cs	• We will be losing many of our most experienced employees through retirement • This is primarily a problem for Head Office, in particular S and Finance This is not a problem for our stores • Low wages for Head Office staff relative to other government organizations and the private sector complicate this issue This makes it difficult to attract the right talent • Union vs non union compensation complicates this issue t is difficult to encourage staff to take on the added responsibility and risk of being a manager
Cred b ty	• We do not actively correct false perceptions • For example, Sunday closures, cold product, etc

10

Strengths | **Weaknesses** | Trends | Actions

2.0 LDB Weaknesses

New Product

New Supp ers & Agents

Lack of C out

Pa n Po nts

s.13, s.17

11

Strengths | **Weaknesses** | Trends | Actions

Market Share & Supply Chain

2.1 Market Share

- Reta n ng market share for BC L quor Stores w be a cha enge due n part to Sunday and statutory ho day c osures
- LRS market share s catch ng up to the government stores
- Open ng government stores for Sundays and statutory ho days s a s gn f cant opportun ty:
  - This would generate incremental sales even though their would be some shift of purchases from LRS to government stores

2.2 Supply Chain

- Th s s the most v s b e part of our bus ness
- Any agent can br ng n any product. The weakness s t takes t me.
- Se ect who esa e customers comp a n about – ack of se ect on of mported w nes. However, for most peop e the se ect on s appropr ate.
- We do not d rect source – but we do co ect market nte gence

12

Strengths | Weaknesses | **Trends** | Actions

3.0 Trends (Opportunities and Threats)

- There are severa major trends mpact ng our customers:
  - **L festy e** – the pursuit of a healthy lifestyle influences alcohol consumption
    - *Q: What does health mean to our customers?*
    - *Q: How does a focus on health impact alcohol product choice and consumption?*
  - **Ethn c ty** – language product preference and 1st vs 2nd generation behaviours are all important considerations
  - **Economy/D sposab e Income** – changing economic outlooks and income levels influence alcohol product purchases and consumption
  - **Ag ng** – similar to health lifestyle this trend changes product selection and consumption
  - **Younger Demograph c** – this group preferentially shops at LRS not government stores
  - **Impa red Dr nk ng and Dr v ng Leg s at on**
- We have seen grow ng mportance of:
  - **Lower a coho products** – We are starting to see more of these products with improved quality
  - **Bag n a Box** – Environment considerations better pricing and operational efficiency are all increasing the importance of this product n BC we do not have a focus on this product t is not premium and is low margin but it is of growing interest
  - **Prem um Interest** – customers are showing an increasing interest in premium products
  - **Buy Down** – it is possible that promotions are encouraging this behaviour
  - **U-V ns** – the quality and price point of U-Vins will improve popularity could grow

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Strengths | Weaknesses | **Trends** | Actions

Trends (Opportunities and Threats)

3.1 Ethnicity:

- What will BC look like in 20 years? We need to plan our business for the future
- *BC population estimate to increase in population to 2036 approximately 35.9% - medium age 45.4 years, giving larger and older – senior population (65+) will increase from 15.0% in 2010 to 23.7% in 2036*
- *25-34 is expected to increase for first decade (2011) then decline, however 35-44 (steady decline since 2000) is expected to show steady growth to 2030*
- *Major growth from international migration (77.4%) India, Philippines, China*
- *Growth areas, (greater than 35%) Comox Valley, Nanaimo, Squamist/Lillooet, Fraser Valley, Greater Vancouver, - with somewhat slower growth in this category in Northern Rockies, Peace River*
- Will we have regional differences as a result of immigration? Projections major centres (cities)
- Significant population growth from immigration expected – tendency to live in major cities/centre where there are better job opportunities
- Consideration whether aging population will move further out of major centres to smaller communities in retirement – hence growth area (above)

3.2

- s language an important consideration?
  - Providing non-English services can be potentially insulting to members of an ethnic group
  - Providing non-English can be potentially alienating to ethnic groups we choose not to provide language options for
  - Opportunity to provide in-store information (identify store clerks who speak different languages) to non-english customers – adjust hiring practices predicated on demographic/ethnic mix of store trading area
- There are potential opportunities at the POS, re Product Choice, and Resources There are also advertising opportunities

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- **Aging:**
  - Does an ag ng popu at on soc a ze ess?
  - Does an ag ng popu at on dr nk ess? Do they potent a y “buy-up”?
  - Is ag ng synonymous w th an ncreased hea th-focus?
  - How s ncome mpacted?
    - Aging population (as above) could result in the reduction of alcohol intake due to health/wellness/aging issues
    - Aging population potentially could buy “better/quality” but less overall volume – higher average sales/but reduced overall volume/number of visits? Less disposal income
    - Recent research indicates that 19-35 year olds have also adjusted (reduced) their drinking habits due to lifestyle/health concerns – will this continue as this market segment ages? s it more lifestyle choices versus just health

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Strengths | Weaknesses | Trends | Actions

Trends (Opportunities and Threats)

3.3 Younger Demographic:

- This demographic preferentially shops at LRS
- What drives younger people to purchase alcohol at LRS?
  - Convenience? Less intimidating environment?
- What products are they buying? Why?
- Will younger people change their purchase behaviour as they age?
  - Will price become more important than convenience?
  - What age groups shop at LRS vs government stores? 25? 35?
- s it possible for government stores to appeal to a younger demographic and an older demographic?

s.13

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Strengths | Weaknesses | **Trends** | Actions

Trends (Opportunities and Threats)

3.5 Wine Increases:

- We are seeing profit erosion from land based winery sales
- We have little visibility into sales activity
- We should seek increased reporting as there is potential to under report at the winery level
- We could require POs for bulk wine purchases in order to better understand what is potentially happening at land based wineries

3.6 Near Pack:

- We are investigating the potential to pursue near pack promotions during tastings e g purchase a six pack of Corona and receive a bag of taco chips

3.7 Selling Retail Space:

- We do not think selling retail space and other retail service to suppliers is a good idea
- t is a potential business distraction
- t is a risk to the public / private model as it allows for inducements
- t will also result in a loss of control of the retail space

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Strengths | Weaknesses | **Trends** | Actions

Trends (Opportunities and Threats)

s.13, s.17

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Strengths Weaknesses Trends Act ons

4.0 Action Items

s.13

Strengths Weaknesses Trends Act ons

Action Items

4.1 Impulse Items:

- We have piloted impulse items
- Some items have worked really well
- We need to work out what a good duration for an impulse item is
- We also need to work out the right types of products and the right process But initial results are promising

s.13

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Strengths | Weaknesses | Trends | Act ons

Action Items

4.2 Documentation of Business

s.13

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BC Liquor Distribution Branch

Strateg c Retreat - Outcomes

Feb 26, 2012

1

Facilitation Session

- The execut ve team met on February 16, 2012 for a fu day strateg c rev ew
- The day nc uded a rev ew of: key ssues and d scuss on po nts
- Part c pants were prov ded w th a workbook summar z ng the outcomes from the ast strateg c retreat n Sep 2011
- Th s document summar zes the outcomes and d scuss on from the sess on

2

Discussion Points

- At the start of the sess on, part c pants dent f ed key d scuss on po nts for the sess on nc ud ng:

1 Government Expectations of LDB
2 Succession Planning qualifications wages attraction retention and development
3 Review of LDB Strengths with a focus on how to exploit strengths
4 New Opportunities for LDB*
5 Bill 311 Personal Wine mporta ion new regulations and potential impact to LDB
6 Governance of the LDB including roles responsibilities and accountabilities
7 Working more efficiently with LDB Partners
8 Economic mpacts & Wage Negotiations related to retention and being an employer of choice**

s.13, s.17

**This discussion topic was not explored in further detail as a related succession planning discussion covered most of the important points.

3

1. Government Expectations of LDB

Government has at east four ma n expectat ons of the LDB:

1 Operate Eff c ent y and Effect ve y

2 Ma nta n Ex st ng Number of Stores

3 Ma nta n Re at onsh p w th the Pr vate Sector

4 Enhance Customer Serv ce

LDB Focus

- We should focus on our operations and be mindful of the parameters inherent in Government expectations
- As a retailer our focus is on larger stores not smaller convenience stores we provide the right assortment and presentation with a focus on walk in customers

4

2. Succession Planning

Cha enges

- Attracting Qualified Talent
- Developing our People
- Hiring "Best of the Best" not "Best of the Worst"

Examp e

- We identified clear gaps in the development and retention plan for succession candidates
- n the minds of many managers there are good prospects However this is often not communicated to the potential successor

Goa s

-
-
- s.13, s.17

5

2. Succession Planning

We face severa cha enges ach ev ng our success on goa s:

Compensation Differentials

- Our compensation differentials throughout the organization do not provide a great incentive for a person to take on the additional responsibility of a more senior position

Exempt / Non-exempt ncentive

- We have clear dis-incentives for senior union staff to move to an exempt position
  - More hours
  - More risk
  - Less pay
- We have similar issues with shift workers moving to a day shift position

Re ated d scuss on on Overt me

- s.13, s.17

Action

s.13, s.17

6

2. Succession Planning

We face severa cha enges ach ev ng our success on goa s:

Cost of Living in Vancouver

- The cost of living in Vancouver is high This reduces our potential pool of applicants and makes offers in other jurisdictions more attractive from a financial perspective

Declining Labour Mobility

- Cost of living differen ials and two income households have reduced the mobility of the labour market
- This has a direct impact on the LDB and makes us more regionally dependent for staff

Compensation

- We do not have much control over compensation Where compensa ion causes challenges with succession we do not have the ability to address it with compensation increases

Act ons

s.13, s.17

7

2. Succession Planning

Deve op ng our peop e s an mportant part of Success on P ann ng:

Deve opment

1 Assess skills of candidates

2 Develop candidates

3 Measure development

4 Provide feedback to the candidate as part of the development process

Success on and Deve opment Notes

- Do we have a plan for our "35" Management Development Candidates?
- What do we do when Directors and Executive Directors have different opinions on candidates?
- What about essential skills for a position?
- Are we hiring the right people?
- Do our job descriptions result in selecting the wrong candidates? (e g not focusing on growth potential, people that are technically competent but lack soft skills)
- What performance management tools do we have? What do we use?
- Can we use tests such as personality or psych tests to evaluate management candidates? Would 360 degree surveys be useful? Can we use these types of tests in management training?
- How will we manage performance of staff not meeting expectation?

Act ons

s.13, s.17

8

2. Succession Planning

The LDB does have recru t ng, attract on and retent on strengths:

Strengths

- LDB offers an attractive work/life balance
- LDB offers great benefits in comparison to other employers

Exploiting our Strengths

- We should focus on helping our employees (current and potential) better understand the value of their benefits
- What is the value of a pension for employees? This is not well understood
- Some of our younger staff may not appreciate the value of a defined benefit pension plan or even the value of losing the pension plan

Act ons

s.13, s.17

9

3. LDB Strengths

The group d scussed each LDB strength, and dent f ed areas to mprove and enhance ex st ng strengths. The group a so dent f ed those strengths they be eved were most mportant to the LDB.

Rank Order of Strengths	Ind v dua Rat ng
A. Brand	1 1 1 2 2
B. Revenue Generat on for Government*	1 1 2 2
C. Reputat on	1 2
D. Data	1 3
E. Market ng	2 3
F. Lean	
G. Recru t ng	

Legend

1 - Most mportant
2 - 2nd most important
3 - 3rd most important

*Revenue generation for Government was only considered in the ranking exercise. It was not discussed in detail.

Each participant was asked to identify their top two strengths. We have indicated a number for every participant choice. For example, 3 people indicated Brand was the most important LDB strength.

Further, one participant did not provide a second choice, and two participants identified a third choice.

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3A. Brand

Summary from Sept 2011 Strategy Sess on

Brand	• We have a strong store brand

D scuss on From Feb 2012 Strategy Sess on

- We have a strong brand but this is from an internal staff perspective 15 years ago we did not have a brand We have come a long way
- We do not have a strong brand from an external customer perspective
  - For example, what does signature store mean to a customer?
- We are limited in what we can do to develop an external brand
  - We can not advertise or undertake out-of-store marketing
  - We can develop web applications, enhance our store visits, and publish our TASTE magazine
- We have 30Milllion visits per year This is an enormous opportunity

- What differentiates the LDB from other stores in BC? Lower price? Selection? We need to be careful about how we choose to differentiate ourselves

Act on

- We need to better understand what our brand is to our customers What is LDB to them?

11

3C. Reputation

Summary from Sept 2011 Strategy Sess on

Reputat on	• We are a credible organization with a strong reputa ion • While this is a strength it is also a weakness when we consider how we respond to public criticism and inaccuracies

D scuss on From Feb 2012 Strategy Sess on

s.13

12

3D. Data

Summary from Sept 2011 Strategy Sess on

Data	• We collect a depth of data that can help us better understand our business and performance For example we have clear visibility into alcohol sales in BC

D scuss on From Feb 2012 Strategy Sess on

- Our historical POS data is our key strength
- We do not have good customer data
- We do not use our POS data for our full advantage
  - We could provide our stores with better information to make better decisions
  - We should further develop our ability to manipulate data We need improved analyst capabilities
  - There were differing views regarding the best means of developing analyst capabilities
- The LDB will face a risk of losing some critical aspects of its analytical capabili ies due to an upcoming re irement

Act on

s.13, s.17

13

3E. Marketing

Summary from Sept 2011 Strategy Sess on

Market ng	• We have a unique marketing capability • We have recognized successes e g TASTE magazine iPhone App

D scuss on From Feb 2012 Strategy Sess on

s.13

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3F. Lean

Summary from Sept 2011 Strategy Sess on

Lean

- We have a low operating cost to revenue ratio relative to peer organizations in other provinces

D scuss on From Feb 2012 Strategy Sess on

s.13

3G. Recruiting

Summary from Sept 2011 Strategy Sess on

Recru t ng

- We have had success attracting experienced candidates

D scuss on From Feb 2012 Strategy Sess on

- We have had success with our new store management hires
- Some positions are a challenge to fill in a timely manner with qualified candidates

4. New Opportunities For LDB

Severa potent a opportun t es for the LDB were shared n the p ann ng sess on nc ud ng:

Selling Product Online, e.g. Special releases

Profiling Assortments

Social Media

s.13

Customer Information

17

4. New Opportunities For LDB

Severa potent a opportun t es for the LDB were shared n the p ann ng sess on nc ud ng:

Digital Merchandizing

Extending our App

Customer Flow

Business Analytics

s.13

Improving Sales to Existing Customers

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4. New Opportunities For LDB

Severa potent a opportun t es for the LDB were shared n the p ann ng sess on nc ud ng:

LDB Brand / Vision / Strategy	s.13
Customers	

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4. New Opportunities For LDB

Severa potent a opportun t es for the LDB were shared n the p ann ng sess on nc ud ng:

Opportunity	Description & Discussion
Sales Information	s.13

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5. Bill 311 Personal Wine Importation

- At the start of the sess on, part c pants dent f ed key d scuss on po nts for the sess on nc ud ng:
  - The federal government is considering lifting an existing exemption to allow individuals to import wine for personal use Provinces would be required to determine how to manage personal alcohol imports
  - The Canadian wine industry would like to access a larger group of customers and to enable more competitive pricing of heir products
  - t is likely this legislation would apply to both domestic and international wines
  - The Canadian wine industry believes that international wines would continue to be managed directly by each jurisdiction
  - However it is likely that the same rules would need to apply to domestic and international wines
  - A change to import regulations would clearly have significant impact on all of the jursidictions

At this point in time there are no definitive plans to move foreword with bill 311 BC LDB will continue to monitor the status of this bill

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6. Governance of the LDB
Including roles, responsibilities and accountabilities

•

•

•

s.13, s.17

22

7. Working More Efficiently with Partners

- What cou d we do to work more eff c ent y w th partners?
- To answer th s quest on we shou d d scuss and consu t w th a   of our partners.
  - IVSA s nterested n hav ng a partnersh p type meet ng w th us, s m ar to Ontar o.
- There are severa means of engag ng our partners. We w   need to determ ne f we want to embark down th s path, and f so, how.
- There are severa potent a ways of engag ng our partners: survey ng, meet ng w th stakeho der groups, creat ng a partnersh p mode to he p us p an our engagement.

At this point in time there are no definitive actions for this area

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