



Annual Business Plan  
Fiscal 2016 - 2017

## **Mandate & Legislated Responsibility**

The Nova Scotia Liquor Corporation (NSLC) is governed by the Liquor Control Act (LCA) of Nova Scotia. The most fundamental element of the organization's role derived from the LCA is responsibility for the receipt, distribution, regulation and control of beverage alcohol in Nova Scotia. Safe and responsible distribution and sale of beverage alcohol, including the prevention of alcohol sales to minors, is fundamental to our mandate.

The legislation states that the objects of the Corporation are:

1. promotion of social objectives regarding responsible drinking;
2. promotion of industrial or economic objectives regarding the beverage alcohol industry in the Province;
3. attainment of suitable financial revenues to government; and
4. attainment of acceptable levels of customer service.

In relation to our legislated mandate, the Board of Directors is responsible for ensuring that the affairs of the Corporation are administered on a commercial basis and that all decisions and actions of the Board are based on sound business practices in accordance with the objects of the Corporation.

We take our legislated mandate very seriously and consider it a top priority to deliver the responsibilities entrusted to us under the Liquor Control Act. We make concerted efforts to be a good corporate citizen and recognize our important role in the communities we operate. We take an integrated approach to Corporate Social Responsibility that looks at what we do, how we do it and who we interact with while considering the impacts to accountability, community, responsibility and sustainability.

## **Purpose and Vision**

**Purpose:** To bring a world of responsible beverage enjoyment to Nova Scotia.

**Vision:** To be a superb retailer recognized for an engaging customer experience and to be a valued industry partner.

We support Nova Scotians by focusing our operations and efforts on fulfilling our mandated responsibilities, and by living our purpose and vision. As a crown corporation we support Nova Scotians and the three priorities of the Government of Nova Scotia, people, innovation and education, within an overall context of fiscal sustainability and delivery of our core services efficiently and effectively. All of our profits go back to the province to contribute to the ability to continue to invest in programs that provide the services which support the province's priorities.

## NSLC Core Focus Areas



Over the course of our current Five Year Strategic Plan (2015/16 – 2019/20) we will continue on our journey of being a superb retailer, focusing our efforts on celebrating our people, the industry, and communities while helping our customers enhance life's occasions in a responsible manner.

Our customers, local industry and our fiscal responsibilities, are our key focuses, with our people and technology serving as our foundation. We approach our business by making decisions which support our focus areas while always considering our mandate, our people, and our overarching corporate social responsibilities.

Throughout all of our objectives and actions outlined below, the well-being of our employees is top of mind. Providing employees with a safe and healthy work environment, while supporting their growth and development is key to achieving all of our strategies. Ensuring our foundation is strong is one example of our support of Nova Scotia's goals of enhancing workplace participation, health and wellness outcomes while working to improve the communities of which we are a part.

**Customer:** To achieve exceptional customer satisfaction through engaged and personalized experiences.

Being a customer focused retailer has become increasingly important to keep customers engaged and satisfied. Reviewing trends and insights allow us to provide relevant and innovative product offers. The design of our retail network is based on customer demands in an effort to keep customer satisfaction at the forefront of our activities. Most recently we have provided product discovery / tasting guides within main product categories, helping customers take the mystery out of the bottle and provide product knowledge support to our staff. Ways to increase product knowledge continue to be expanded upon, and have been well received by customers. To demonstrate that we want to interact with customers on their terms, be it digital or one-on-one, the re-platforming of our website (myNSLC.com) has been a focus in the current fiscal year, focusing on the user experience and customer journey.

Actions for 2016/17:

- We will continue to evolve customer segmentation and integration of insights into marketing, merchandising and retail network planning activities.
- We will also begin the implementation of additional customer experience programs to improve the customer offer.
- Additional education will be offered to our Retail Product Specialists (RPS) as they continue to proactively learn about our products, and share that knowledge with their colleagues. Plans to further evolve the RPS role will be put in place to strengthen the customer experience provided by our RPS team.
- Employee training is key to providing a great work experience as well as to deliver exceptional customer service. Training will be focused on core competencies to help our employees be successful in their work.
- Implement network diversification in our retail environment, to better serve customers and satisfy demand.

**Local Industry:** To provide an engaged and collaborative business environment for local producers.

The local beverage alcohol industry in Nova Scotia continues to grow and expand. Having the local industry as a key focus area highlights the importance of the sector in general for the economic development of Nova Scotia. As a business we look to support our agricultural sectors as well as private businesses which all contribute to the economic fabric of Nova Scotia. We provide support through a variety of actions, such as; reduced mark-ups for locally produced and / or bottled products, promotional activities, display space, updates to policies and / or introduction of new policies, and industry association support to name a few. These efforts are ways of supporting entrepreneurship, which is stressed within the One NS report, helping operators of small and medium-sized enterprises within our province.

Actions for 2016/17:

- Numerous Industry Associations have been put in place to bring together various participants from government and the local industry to provide direction on future strategies and objectives for the industry. Work will continue over the upcoming years to provide counsel and recommend regulation and policy changes that will help the industry achieve objectives.
- The buy-local movement has been increasing in its level of support as well as overall demand by consumers. We will continue to work with the local industry to find ways to support their growth including financial incentives which allow them to invest more into their businesses and by directly utilizing our retail network and retail expertise to promote their available products.
- In cooperation with Alcohol, Gaming, Fuel and Tobacco, we will complete efforts on policy changes which will reduce red tape and make it easier for business owners to navigate their way through regulations and programs.
- Assess potential for technology and business process solutions to provide efficiency and effectiveness in interactions with our various industry customers. Assessments will be done in an effort to innovate and create efficiencies for further sustainable business practices, streamlining processes and communication efforts.

**Financial responsibility:** To strategically maintain profitability, delivering \$1.16B in earnings over the five years, and demonstrating value to Nova Scotians by balancing financial objectives with other legislative mandates.

Protecting the return to Nova Scotians is at the forefront of our decision making. Economic and demographic factors play a large role in our performance. We continue to manage margin and expenses carefully, working through disciplined and sustainable management practices. We have a vested interest in supporting the province’s priorities including recommendations from the One NS report. Customer satisfaction is a driver for improved financial returns, which we manage this through training and development for our employees and by providing the right products in the right place and the right time within our network.

Actions for 2016/17:

- Continue to review and refine processes, bringing efficiencies into the workplace.
- Put data strategy and governance practices in place.
- Execute on information technology infrastructure items, ensuring our systems are protected and maintained in a fiscally responsible manner.
- Further integrate Enterprise Risk Management framework elements into business planning processes.
- Implement Year 2 of our Network Plan.
- Continue to invest in training and development for our team.
- Deliver \$234M in net income to the province.

**Performance Measures**

In order to manage our operations we monitor a core set of metrics, key performance indicators (KPIs), which are tied to our actions and efforts to ensure we stay focused on delivering our goals set out in our Five Year Strategic Plan. Our corporate KPI’s are as follows:

Customer:

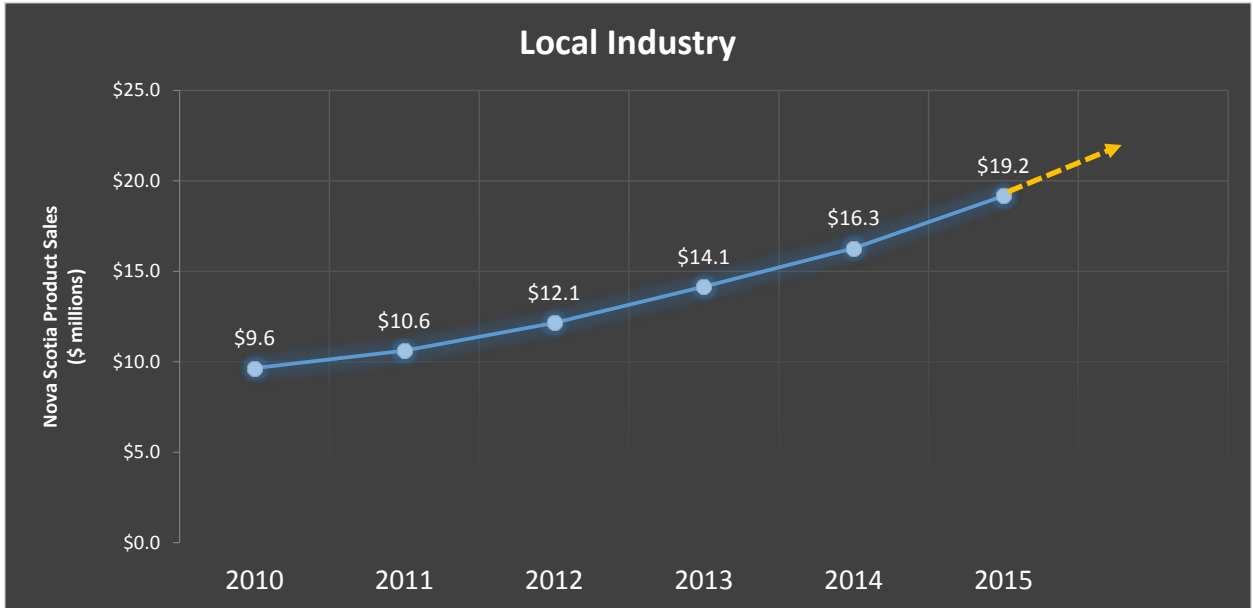
- Customer Satisfaction:

2007	2008	2009	2010	2011	2012	2013	2014	2015	Ongoing Target
83%	85%	89%	87%	86%	88%	88%	88%	90%	90%

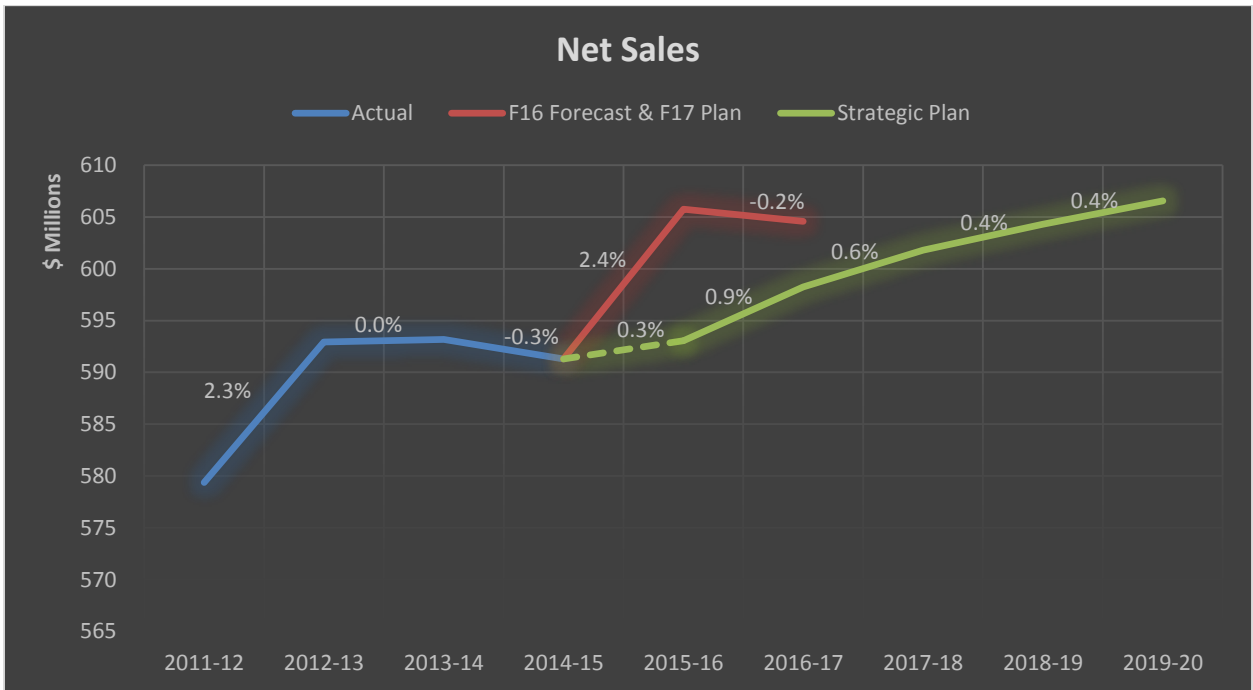
- Employee Engagement:

2003	2005	2008	2011	2013	2015	2020 Target
75.8	76.6	73.7	72.8	76.0	76.3	80.0

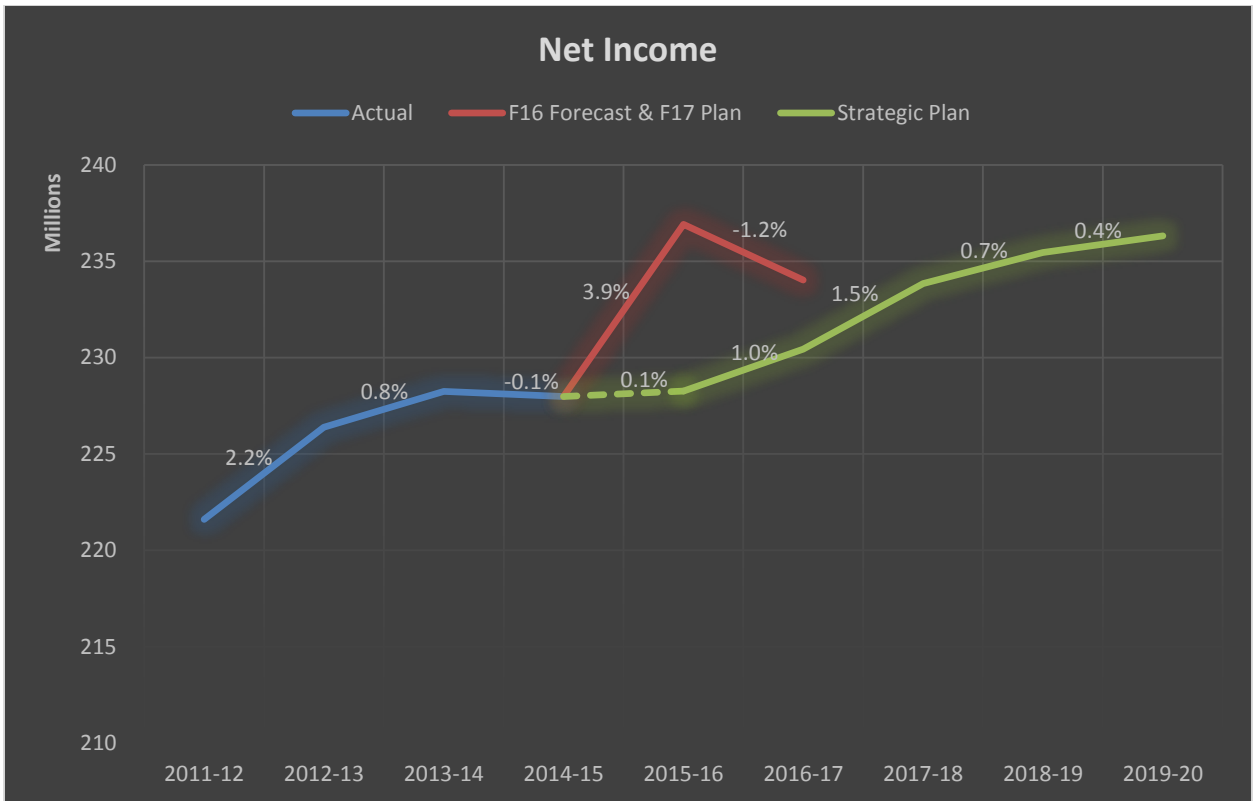
Local Industry:



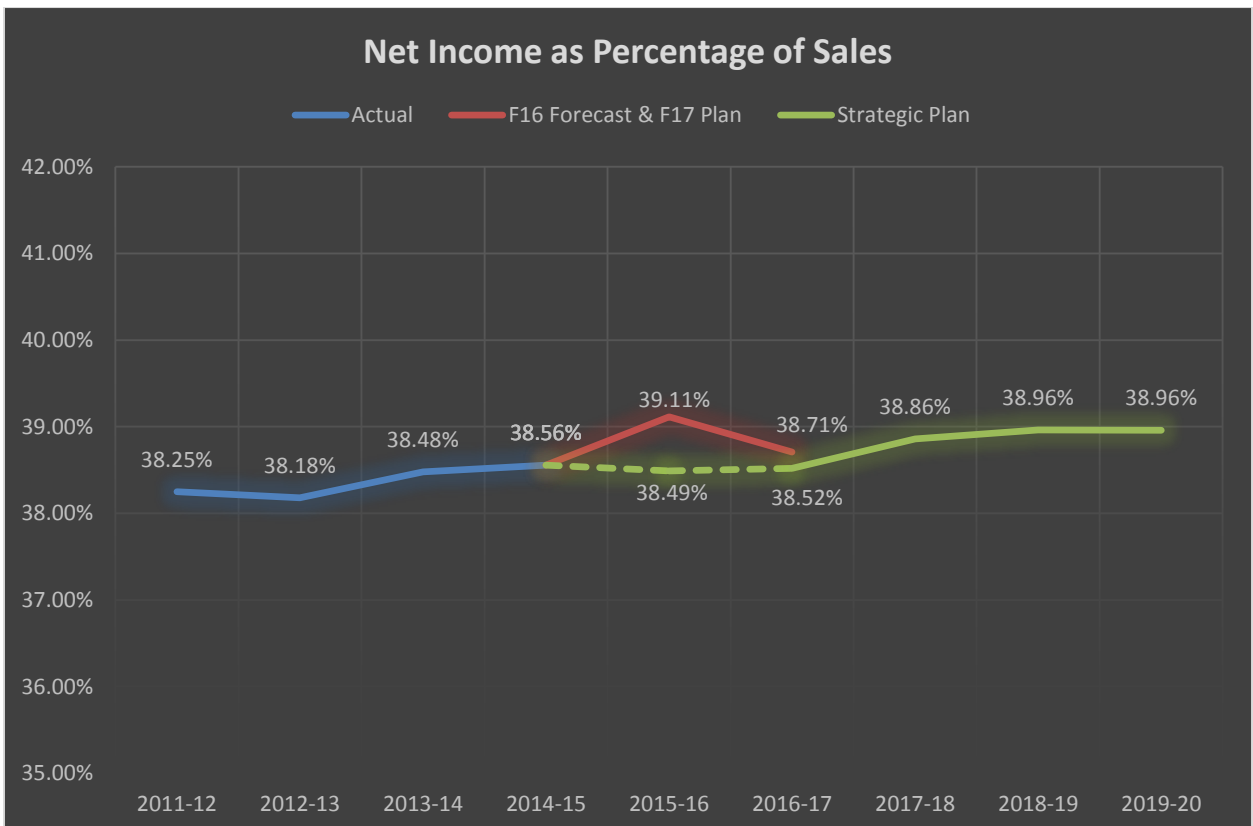
Financial:

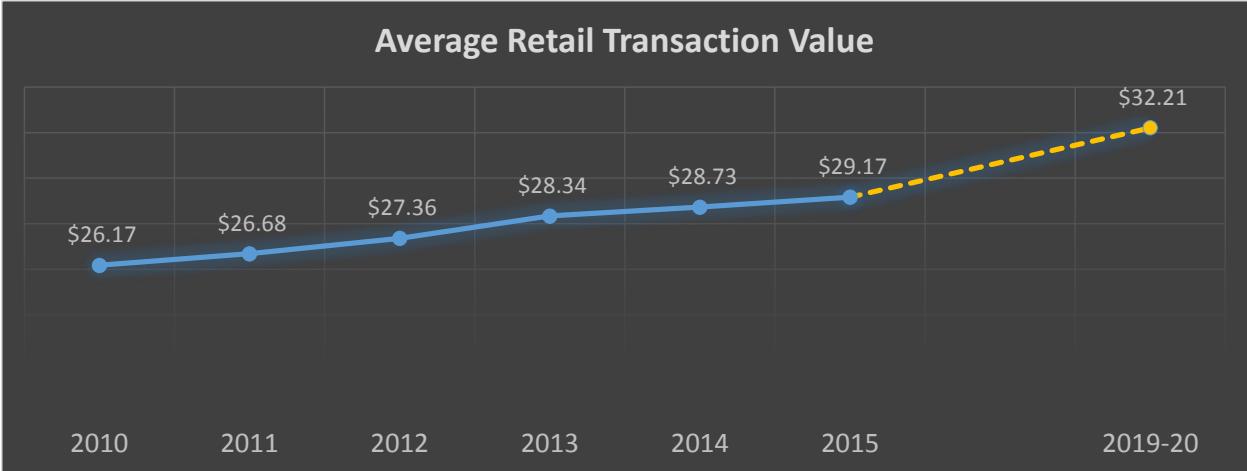


Percentage indicates the percentage change in Net Sales from previous year.

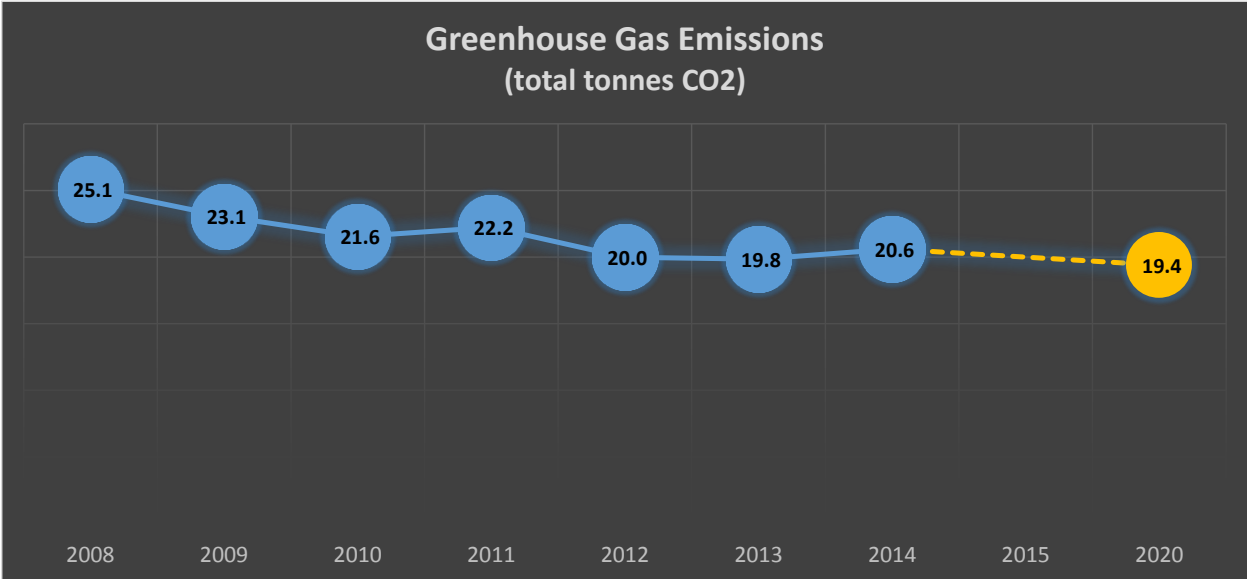


**Percentage indicates the percentage change in Net Income from previous year.**





Corporate Social Responsibility:





## Budget Context:

	Actual 2011-12 (\$)	Actual 2012-13 (\$)	Actual 2013-14 \$	Actual 2014-15 \$	Forecast 2015-16 \$	Sales (%)	Budget 2016-17 \$	Change (%)
Spirits	164,161,504	167,676,041	167,166,069	163,265,323	165,337,525		163,845,812	
Wine	120,243,611	127,699,861	133,211,335	135,160,664	141,143,332		143,476,043	
Beer	279,761,810	282,967,960	278,635,186	275,454,680	280,517,779		277,396,897	
Ready-to-drink	23,294,204	23,123,957	23,895,350	28,040,206	30,384,540		31,638,661	
Non-liquor	116,094	123,369	119,965	125,883	118,067		120,000	
<b>Total Gross Sales</b>	<b>587,577,223</b>	<b>601,591,188</b>	<b>603,027,904</b>	<b>602,046,757</b>	<b>617,501,244</b>	<b>101.9%</b>	<b>616,477,414</b>	<b>-0.2%</b>
Less: Discounts	8,206,575	8,648,296	9,861,940	10,746,737	11,756,566	1.9%	11,903,980	
<b>Net Sales</b>	<b>579,370,648</b>	<b>592,942,892</b>	<b>593,165,964</b>	<b>591,300,020</b>	<b>605,744,678</b>	<b>100.0%</b>	<b>604,573,433</b>	
Cost of Sales	262,416,729	268,361,767	268,001,097	263,507,143	269,823,949	44.5%	271,294,881	
<b>Gross Profit</b>	<b>316,953,919</b>	<b>324,581,125</b>	<b>325,164,867</b>	<b>327,792,876</b>	<b>335,920,729</b>	<b>55.5%</b>	<b>333,278,553</b>	
Less: Store Operating Expenses	57,826,745	59,787,659	60,900,062	61,281,852	61,124,965	10.1%	61,137,596	
<b>Gross Operating Profit</b>	<b>259,127,174</b>	<b>264,793,466</b>	<b>264,264,805</b>	<b>266,511,024</b>	<b>274,795,764</b>	<b>45.4%</b>	<b>272,140,957</b>	
Less: Supply Chain	6,426,853	6,654,040	6,762,224	6,922,635	7,028,520	1.2%	7,017,253	
Corporate Services	21,937,215	24,552,262	23,618,485	24,860,627	24,649,968	4.1%	25,093,501	
Other Expenses	2,536,185	2,595,455	1,139,452	2,694,644	2,416,621	0.4%	2,297,512	
Add: Other Revenue	4,862,119	5,446,049	5,148,656	5,321,491	5,444,520	0.9%	5,580,514	
<b>Total Expenses (excl. stores)</b>	<b>26,038,134</b>	<b>28,355,708</b>	<b>26,371,505</b>	<b>29,156,416</b>	<b>28,650,589</b>	<b>4.7%</b>	<b>28,827,752</b>	
<b>Operating Income before Deprn</b>	<b>233,089,040</b>	<b>236,437,758</b>	<b>237,893,300</b>	<b>237,354,609</b>	<b>246,145,175</b>	<b>40.6%</b>	<b>243,313,205</b>	
Less: Depreciation	11,473,996	10,051,599	9,647,840	9,368,127	9,225,000	1.5%	9,290,660	
<b>Income from Operations</b>	<b>221,615,043</b>	<b>226,386,159</b>	<b>228,245,460</b>	<b>227,986,481</b>	<b>236,920,175</b>	<b>39.1%</b>	<b>234,022,545</b>	<b>-1.2%</b>
Actuarial Loss (Gain)	1,603,000	2,125,182	(2,295,500)	2,123,100				
<b>Comprehensive Income</b>	<b>220,012,043</b>	<b>224,260,977</b>	<b>230,540,960</b>	<b>225,863,381</b>	<b>236,920,175</b>	<b>39.1%</b>	<b>234,022,545</b>	<b>-1.2%</b>
Total Expenses (not depreciation)	83,864,880	88,143,367	87,271,567	90,438,268	89,775,555	14.8%	89,965,348	
Total Expenses	95,338,876	98,194,966	96,919,407	99,806,395	99,000,555	16.3%	99,256,008	

Volume (hectolitres)						Change (%)		Change (%)
Spirits	51,566	50,629	49,085	48,872	49,181	0.6%	48,540	-1.3%
Wine	88,328	91,104	92,901	93,250	96,724	3.7%	97,742	1.1%
Beer	637,924	630,688	607,852	594,402	595,898	0.3%	584,561	-1.9%
Ready-to-drink	32,911	32,286	32,547	39,362	42,794	8.7%	44,775	4.6%
Total	810,728	804,707	782,385	775,886	784,597	1.1%	775,618	-1.1%

\*Historic sales numbers have been adjusted to reflect a reallocation of a portion of Sales dollars to a reduction in Cost of Sales. This has resulted in no change in the Income from operations for these years.

\*\*Historic expense numbers have been adjusted to reflect a reallocation of credit card fees causing a reduction in Other Expenses and an increase in Store Operating Expenses. This has resulted in no change in the Income from operations for these years.