



Annual Business Plan  
Fiscal 2017 – 2018

## **Mandate & Legislated Responsibility**

The Nova Scotia Liquor Corporation (NSLC) is a Nova Scotian company and has been since 1930. We're owned by the people of Nova Scotia through their government and 100% of our profits are returned to the Province to help fund key public services. Our mandate and legislated responsibilities are identified in the Liquor Control Act (LCA) of Nova Scotia. Our role includes 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 responsibilities seriously and we work diligently to deliver on the responsibilities entrusted to us under the Liquor Control Act. We make every effort to be a good corporate citizen and recognize the value we add in the communities we serve. Responsibility is ingrained in our corporate culture and it's the lens we use for all our business decisions - and not just because it's legislated. It's the right thing to do, for our employees and customers.

This responsibility extends to the safe and responsible sale of beverage alcohol in our stores and we consider this a fundamental part of our mandate. We take an integrated approach to Corporate Social Responsibility and have developed a framework that outlines our commitments. At a strategic level and within our day-to-day operations, we carefully consider what we do, how we do it and who we interact with, and how our activities impact accountability, community, responsibility and sustainability.

We operate our business to be in balance with all of our mandates, including corporate social responsibility and support for local industry. But the NSLC is also a retailer. We have 103 retail stores, along with 60 Agency stores in primarily rural areas, and four Private Wine and Specialty stores. Through this network, we work hard to provide Nova Scotians with a wide product assortment and superior customer service, supported by knowledgeable employees.

## **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 a firm commitment to delivering our core services efficiently and effectively. All of our profits go back to the Province to support the programs and services that matter most to Nova Scotians.

### **NSLC Core Focus Areas**

The Five-Year Strategic Plan is guiding the organization toward 2020 and outlines how we will continue on our journey to offer superior customer service and superb experiences at every touchpoint. We are focusing our efforts on celebrating our people, the industry and communities while helping our customers celebrate life's occasions and responsible choices

Our three key focus areas outlined in the plan are our customers, supporting local industry and our fiscal (financial) obligations. These key focus areas are supported by technology and infrastructure as well as our people, and together these provide a strong and stable foundation for the business.



We manage our business by making decisions that consider and support our key focus areas while always keeping our mandate, our people and responsibility top-of-mind. Throughout all of our objectives and actions outlined below, we consider the well-being of our employees a critical success factor. Providing employees with a safe and healthy work environment, while supporting their growth and development is key to achieving our business objectives. Focusing on our people supports Nova Scotia's goals of enhancing workplace participation and health and wellness outcomes while making a positive contribution in the communities where we live and work.

Our journey to be a superb retailer continues to drive the organization, especially as it relates to leadership and employee development. We continue to assess our business processes and functions to make sure employees are supported in their day-to-day work environments. A new leadership structure was introduced in the fall of 2016, creating a framework for greater accountability, collaboration and teamwork. This structure offers strong integration across all customer touchpoints - where alignment is key - and will ensure we can continue to improve our level of customer service and satisfaction.

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

We strive to delight our customers and create awareness about responsible choices. We are relentlessly focused on our customers, and that focus is critical in ensuring that we continue to engage with them as the retail landscape changes.

Reviewing trends and insights allow us to provide relevant and innovative product offers and services. The design of our retail network is based on customer demands and keeps customer satisfaction at the forefront of our activities. We continue to add diversity in our retail network with our banner strategy. During the last fiscal year, we opened our specialty store, The Port by The NSLC, and introduced our NSLC Express format.

We recently conducted a review of our main store space with a view to changing the flow, merchandising and signage to better align with customer preferences and needs. Changes are starting to be implemented within the network, with new store builds or renovations, as part of our banner strategy implementation.

#### Actions for 2017/18:

##### We will:

- Continue to leverage insights across marketing, merchandising and network planning activities.
- Deliver an integrated Guest Strategy in support of customer experience goals.
- Continue implementation of and support for new customer programs.
- Further evolve and support the Retail Product Specialist (RPS) role to strengthen customer experience.
- Recognize that employee training and development is key to providing a great work experience as well as to deliver exceptional customer service. Training in the coming year will focus on core competencies to help our employees be even more successful in their work.
- Continue to improve performance management efforts.
- Continue to implement network diversification to clarify customer offering and satisfy demand. During F18 this will include a new Beer Experience retail store as well as an efforts to invigorate small stores in our retail network.

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

Supporting local industry is an important part of our mandate and one of our three key focus areas as identified in our Five-Year Strategic Plan. Nova Scotians' continue to support the "Buy Local" movement, and so do we. The local beverage alcohol industry in Nova Scotia is growing. We work hard to do our part to contribute to the success of the industry by providing preferential markups, giving direct monetary support for industry associations, listing and promoting the products our local producers bring to market, and by providing advice and support to help local products succeed.

As a business, we also look to support the agricultural sector, as well as private businesses, which all contribute to the economic well-being of Nova Scotia. These efforts support entrepreneurship, which is a key directive in the One Nova Scotia Report, helping operators of small and medium-sized enterprises in Nova Scotia be successful.

Actions for 2017/18:

We will:

- Continue to provide counsel and recommend regulation and policy changes that will help the local industry achieve its objectives. We will do this in large part by working with the Industry Associations that have been put in place to bring together government and the local industry to provide direction on future strategies and objectives.
- Continue to collaborate with local industry to support their growth, including the provision of financial incentives which allow them to invest more in their businesses; and by directly utilizing our retail network and retail expertise to promote their available products.
- Ensure local product offering is clearly reflected in our retail stores and communications.
- Continue to assess, recommend, and implement policy changes which reduce red tape and make it easier for business owners to navigate their way through regulations and programs.
- Execute technology and business process solutions to provide efficiency and effectiveness in interactions with our various industry customers. We will also seek to create efficiencies through the introduction of more sustainable business practices, and by 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 financial 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 Nova Scotia report.

Customer satisfaction is a driver for improved financial returns. We are constantly working to improve this through training and development for our employees, and by providing the right products in the right place and the right time in our network. We are committed to providing the best possible experience for our customers at all touchpoints. We are all relentlessly focused on our customer and employee experience: they are equally important factors in our success.

Actions for 2017/18:

We will:

- Continue to review and refine processes, bringing efficiencies into the workplace.
- Put data strategy practices in place.
- Execute on information technology infrastructure items, ensuring our systems are protected and maintained in a fiscally responsible manner.
- Continue to assess pricing and category dynamics to ensure profitability.
- Further integrate Enterprise Risk Management within our business.

- Implement Year 3 of our Network Plan.
- Continue to invest in training and development for our employees.
- Deliver \$236.2M in net income to the province.

**Performance Measures**

In order to manage our operations effectively, we monitor a core set of metrics - key performance indicators (KPIs) - which ensure we stay focused on delivering the goals set out in our Five-Year Strategic Plan. Our corporate KPI's are:

**Customer:**

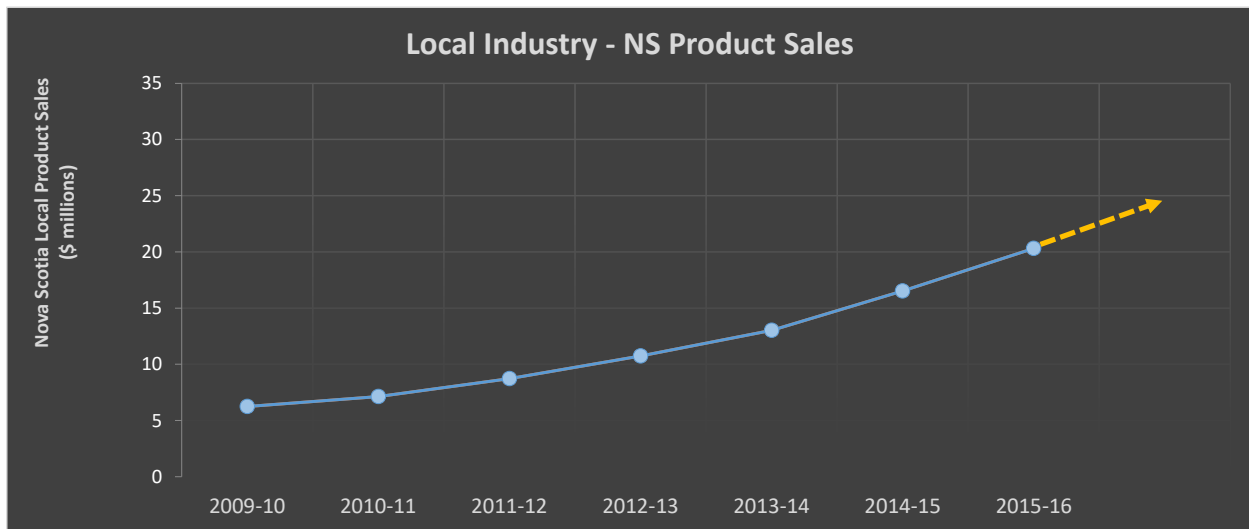
- Customer Satisfaction:

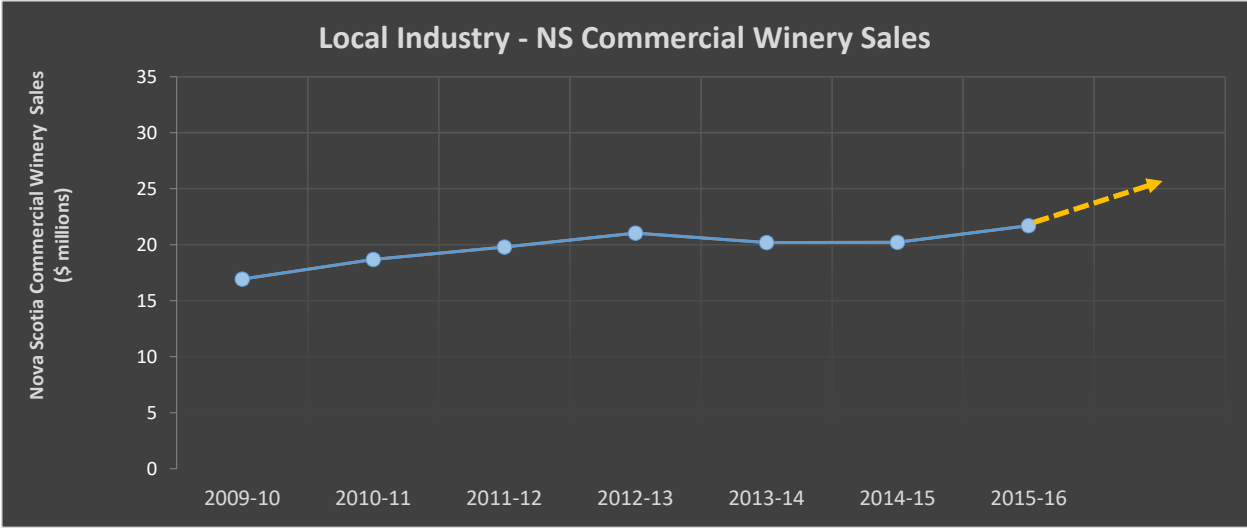
2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Ongoing Target
83%	85%	89%	87%	86%	88%	88%	88%	90%	90%	90%

- Employee Engagement:

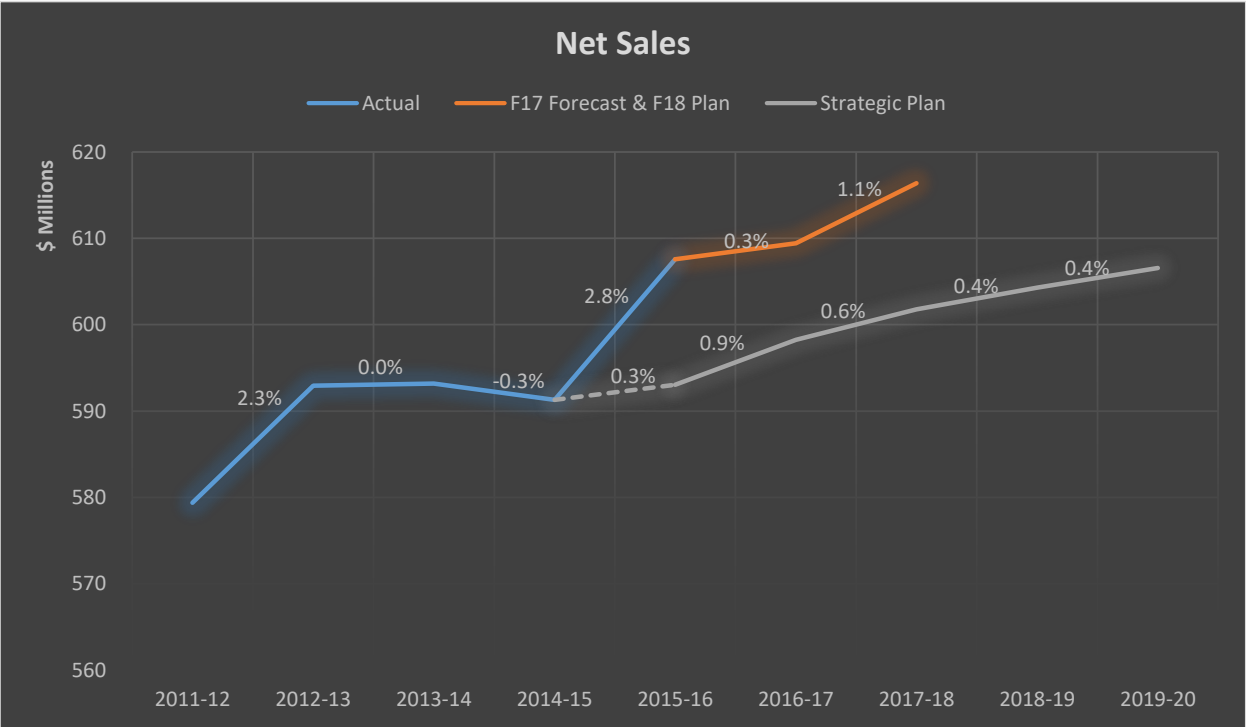
2003	2005	2008	2011	2013	2015	2020 Target
75.8	76.6	73.7	72.8	76.0	76.3	80.0

**Local Industry:**

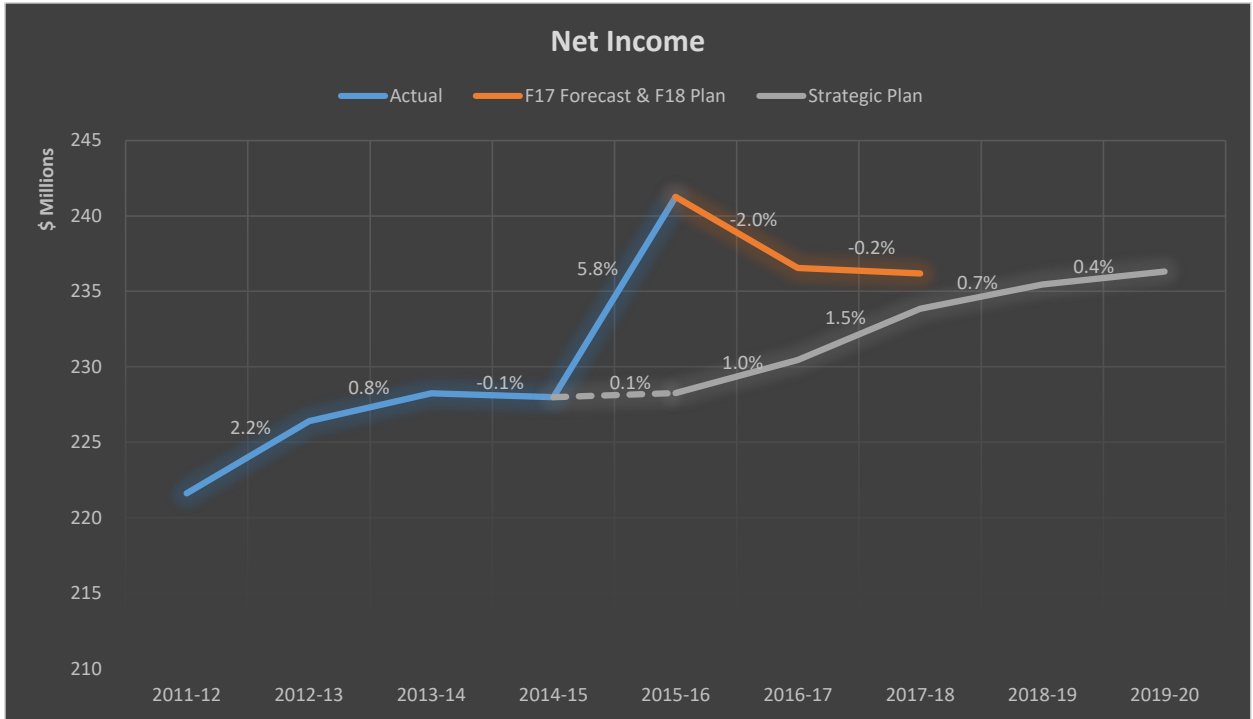




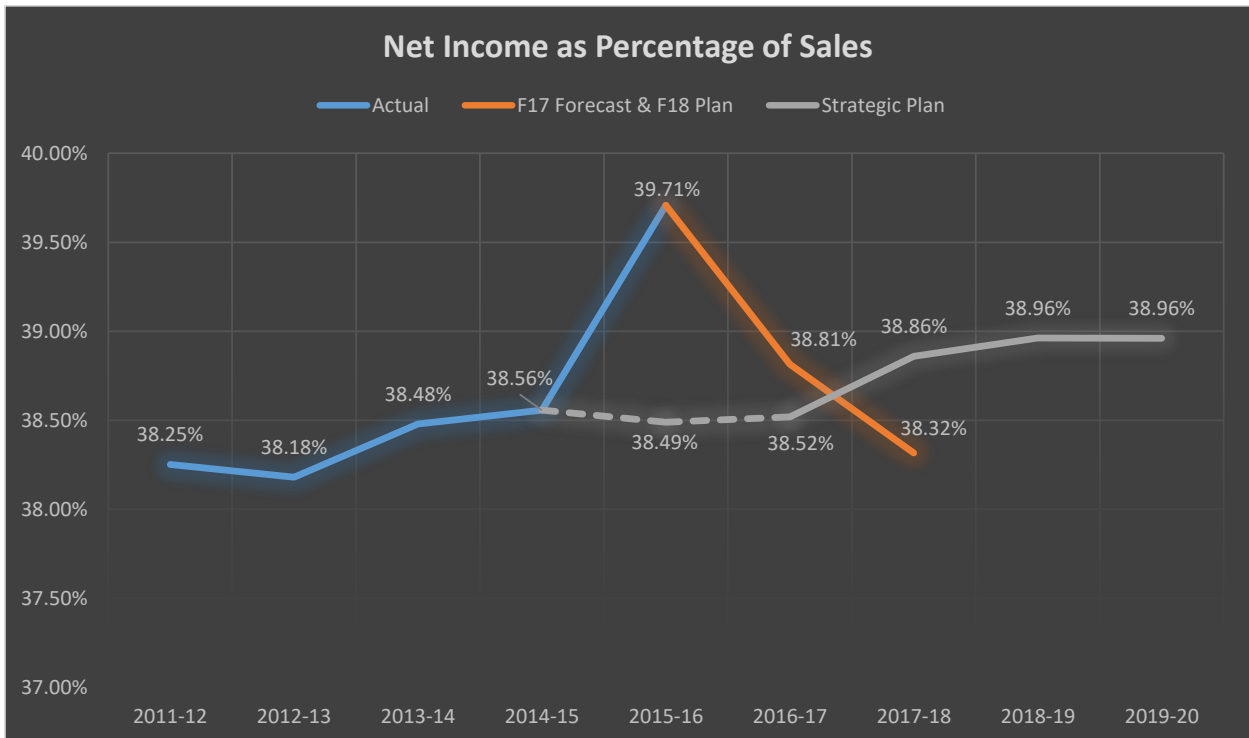
**Financial:**



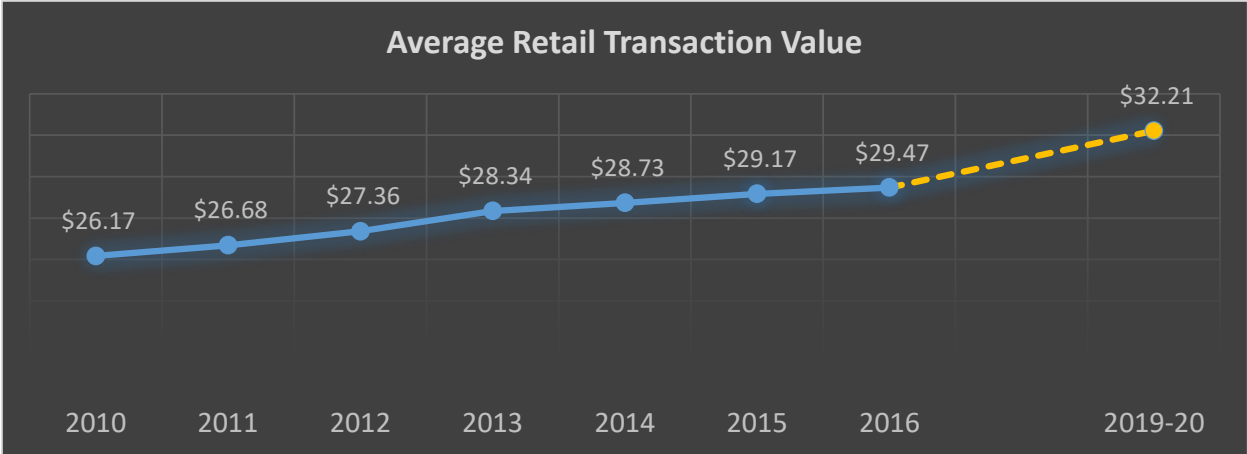
**Percentage indicates the percentage change in Net Sales from previous year.**



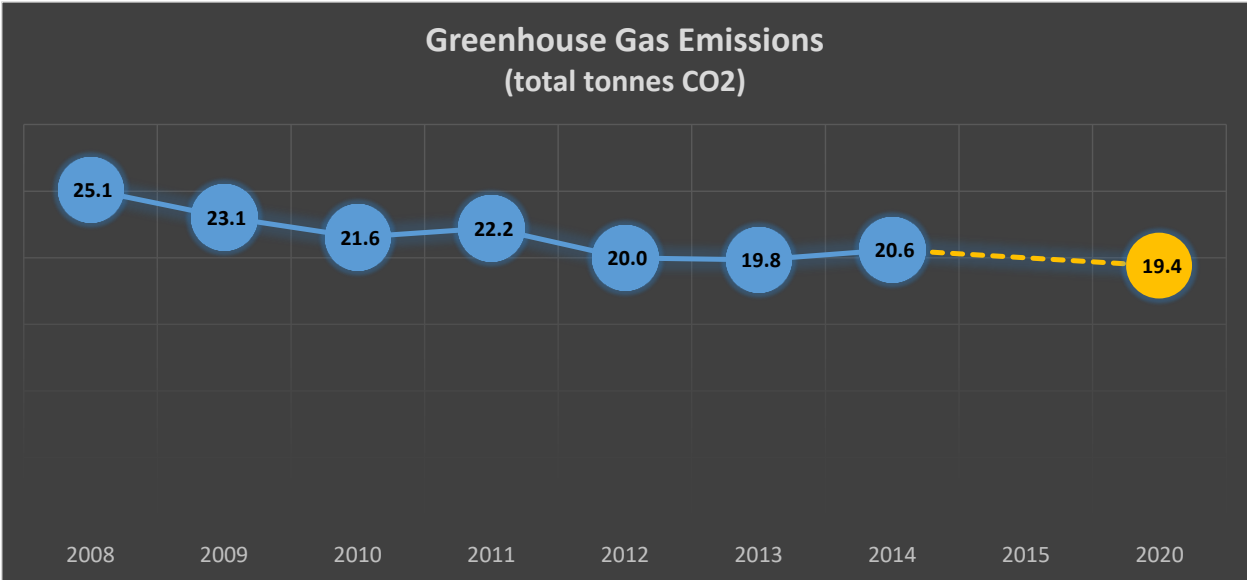
Percentage indicates the percentage change in Net Income from previous year.







Corporate Social Responsibility:



## Budget Context:

	Actual 2012-13 (\$)	Actual 2013-14 \$	Actual 2014-15 \$	Actual 2015-16 \$	Forecast 2016-17 \$	Sales (%)	Budget 2017-18 \$	Change (%)
Spirits	167,676,041	167,166,069	163,265,323	165,636,957	164,171,631		164,513,492	
Wine	127,699,861	133,211,335	135,160,664	141,348,224	144,322,055		150,008,869	
Beer	282,967,960	278,635,186	275,454,680	281,484,342	277,317,438		275,130,190	
Ready-to-drink	23,123,957	23,895,350	28,040,206	30,557,393	34,805,086		38,467,063	
Non-liquor	123,369	119,965	125,883	121,396	132,566		120,000	
<b>Total Gross Sales</b>	<b>601,591,188</b>	<b>603,027,904</b>	<b>602,046,757</b>	<b>619,148,313</b>	<b>620,748,775</b>	<b>101.9%</b>	<b>628,239,614</b>	<b>1.2%</b>
Less: Discounts	8,648,296	9,861,940	10,746,737	11,563,725	11,324,754	1.9%	11,831,740	
<b>Net Sales</b>	<b>592,942,892</b>	<b>593,165,964</b>	<b>591,300,020</b>	<b>607,584,588</b>	<b>609,424,021</b>	<b>100.0%</b>	<b>616,407,874</b>	
Cost of Sales	268,361,767	268,001,097	263,507,143	269,611,009	273,914,698	44.9%	279,335,184	
<b>Gross Profit</b>	<b>324,581,125</b>	<b>325,164,867</b>	<b>327,792,876</b>	<b>337,973,579</b>	<b>335,509,323</b>	<b>55.1%</b>	<b>337,072,690</b>	
Less: Store Operating Expenses	59,787,659	60,900,062	61,281,852	61,231,677	61,655,527	10.1%	62,477,483	
<b>Gross Operating Profit</b>	<b>264,793,466</b>	<b>264,264,805</b>	<b>266,511,024</b>	<b>276,741,902</b>	<b>273,853,796</b>	<b>44.9%</b>	<b>274,595,207</b>	
Less: Supply Chain	6,654,040	6,762,224	6,922,635	7,048,509	7,035,697	1.2%	7,072,786	
Corporate Services	24,552,262	23,618,485	24,860,627	24,697,017	24,945,461	4.1%	25,425,882	
Other Expenses	2,595,455	1,139,452	2,694,644	-40,017	2,153,335	0.4%	2,181,462	
Add: Other Revenue	5,446,049	5,148,656	5,321,491	5,387,396	5,739,183	0.9%	5,110,505	
<b>Total Expenses (excl. stores)</b>	<b>28,355,708</b>	<b>26,371,505</b>	<b>29,156,416</b>	<b>26,318,113</b>	<b>28,395,310</b>	<b>4.7%</b>	<b>29,569,625</b>	
<b>Operating Income before Depreciation</b>	<b>236,437,758</b>	<b>237,893,300</b>	<b>237,354,609</b>	<b>250,423,789</b>	<b>245,458,486</b>	<b>40.3%</b>	<b>245,025,582</b>	
Less: Depreciation	10,051,599	9,647,840	9,368,127	9,166,691	8,913,982	1.5%	8,840,827	
<b>Income from Operations</b>	<b>226,386,159</b>	<b>228,245,460</b>	<b>227,986,481</b>	<b>241,257,098</b>	<b>236,544,504</b>	<b>38.8%</b>	<b>236,184,755</b>	-0.2%
Actuarial Loss (Gain)	2,125,182	(2,295,500)	2,123,100	(3,297,500)				
<b>Comprehensive Income</b>	<b>224,260,977</b>	<b>230,540,960</b>	<b>225,863,381</b>	<b>244,554,598</b>	<b>236,544,504</b>	<b>38.8%</b>	<b>236,184,755</b>	-0.2%
Total Expenses (not depreciation)	88,143,367	87,271,567	90,438,268	87,549,790	90,050,837	14.8%	92,047,108	
Total Expenses	98,194,966	96,919,407	99,806,395	96,716,481	98,964,819	16.2%	100,887,935	

Volume (hectolitres)						Change (%)		Change (%)
Spirits	50,629	49,085	48,872	49,240	48,409	-1.7%	48,171	-0.5%
Wine	91,104	92,901	93,250	97,056	97,192	0.1%	100,147	3.0%
Beer	630,688	607,852	594,402	599,552	582,118	-2.9%	569,377	-2.2%
Ready-to-drink	32,286	32,547	39,362	42,909	48,791	13.7%	53,925	10.5%
Total	804,707	782,385	775,886	788,756	776,510	-1.6%	771,619	-0.6%

\*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.