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GOAL 1: FINANCIAL PERFORMANCE

Maximize net income within the policy guidelines established by government.

Financial Performance Highlights

Sales of beverage alcohol continued on a strong trend in fiscal 2006/07. Total sales for the year were \$2.4 billion, an increase of \$134 million or 5.8 per cent over the 2006/07-2008/09 Service Plan targets and \$185 million or 8.2 per cent over last year. Net income for fiscal 2006/07 was \$840 million, exceeding the target by \$42 million. Net income—total revenue less total expenses—is the LDB's financial contribution to the province of British Columbia.

Sales in all categories performed ahead of Service Plan targets. The strong sales were reflected in increases of 8.3 per cent in spirits, 12.6 per cent in wine, 5.9 per cent in beer and 8.3 per cent in refreshment beverages, compared to fiscal 2005/06. Major factors contributing to the sales performance were the extremely good weather during the summer selling period and the strong provincial economy.

An increase of 39 licensee retail stores (LRSs) contributed to a 16.3 per cent increase in sales to those outlets over the previous year. Total liquor outlets in the province increased by 58 from 1,215 to 1,273 during the year.

SALES BY MAJOR CATEGORY (\$000s)

	2006/07	2005/06	2004/05	2003/04	2002/03	Change vs Previous Year	
						\$	%
Domestic Spirits	389,181	366,999	353,392	336,237	323,849	22,183	6.0%
Import Spirits	267,723	239,560	221,004	201,033	189,733	28,162	11.8%
Total Spirits	656,904	606,559	574,396	537,270	513,582	50,345	8.3%
Domestic Wine	230,155	209,149	191,294	176,723	168,237	21,006	10.0%
Import Wine	386,835	338,881	306,904	272,158	248,420	47,954	14.2%
Total Wine	616,990	548,030	498,198	448,881	416,657	68,960	12.6%
Domestic Refreshment	90,043	84,915	86,815	82,974	82,909	5,128	6.0%
Import Refreshment	12,681	9,950	10,876	9,894	7,848	2,731	27.4%
Total Refreshments	102,724	94,865	97,691	92,868	90,757	7,859	8.3%
Domestic Beer	868,997	839,227	830,380	784,407	746,718	29,770	3.5%
Import Beer	177,598	149,111	137,554	122,855	106,337	28,487	19.1%
Total Beer	1,046,595	988,338	967,934	907,262	853,055	58,257	5.9%
Miscellaneous/Special	11,232	11,735	10,164	11,942	11,244	(503)	-4.3%
Total Sales	2,434,445	2,249,527	2,148,383	1,998,223	1,885,295	184,918	8.2%

SALES BY MAJOR CATEGORY IN LITRES (000s)

	2006/07	2005/06	2004/05	2003/04	2002/03	Change vs Previous Year	
						Litres	%
Domestic Spirits	15,488	15,152	14,739	14,391	13,963	336	2.2%
Import Spirits	8,909	8,216	7,678	7,206	6,823	693	8.4%
Total Spirits	24,397	23,368	22,417	21,597	20,786	1,029	4.4%
Domestic Wine	23,130	22,101	20,707	19,887	19,209	1,028	4.7%
Import Wine	25,087	22,726	21,122	19,200	17,963	2,362	10.4%
Total Wine	48,217	44,827	41,829	39,087	37,172	3,390	7.6%
Domestic Refreshment	19,142	18,246	18,558	14,143	18,347	896	4.9%
Import Refreshment	2,048	1,471	1,602	5,682	1,177	577	39.3%
Total Refreshment	21,190	19,717	20,160	19,825	19,524	1,473	7.5%
Domestic Beer	239,868	237,338	237,623	238,179	233,853	2,530	1.1%
Import Beer	39,356	33,274	31,109	28,398	25,160	6,082	18.3%
Total Beer	279,224	270,612	268,732	266,577	259,013	8,612	3.2%
Miscellaneous/Special Orders	194	201	199	207	209	(7)	-3.5%
Total Sales	373,222	358,725	353,337	347,293	336,704	14,497	4.0%

FINANCIAL PERFORMANCE TARGETS AND RESULTS 2006/2007

OBJECTIVE

I. Achieve or exceed net income targets.

STRATEGY

I. Grow sales and effectively manage operating expenses

PERFORMANCE MEASURE	TARGETS	ACHIEVEMENT
Total Sales (\$ billions)	06/07 – \$2.30 07/08 – \$2.37 08/09 – \$2.42	\$2.43 billion Target exceeded: Sales are an important measure of financial performance as they directly impact the LDB's ability to achieve or exceed net income targets. Total sales in fiscal 06/07 exceeded target by \$134 million. Previous years: 05/06 – \$2.25 billion, 04/05 – \$2.15 billion, 03/04 – \$2.0 billion
Gross Margin (\$ billions)	06/07 – \$1.05 07/08 – \$1.08 08/09 – \$1.10	\$1.09 billion Target exceeded: Gross margin is an important measure of financial performance as it represents the funds remaining after the cost of product has been paid. These funds are applied to pay for operating expenses with the excess being the contribution to government. Previous years: 05/06 – \$1.02 billion, 04/05 – \$1.0 billion, 03/04 – \$0.94 billion
Operating expenses (\$ millions)	06/07 – \$257.3 07/08 – \$265.4 08/09 – \$270.1	\$256.3 million Target achieved: Managing the operating expenses of the LDB is important to achieving the net income targets and is constantly monitored and analyzed. A number of favourable variances – such as rents, amortization, merchandising, data processing and travel – helped offset additional costs incurred. Additional expenses included employment expenses resulting from additional sales volumes, bank fees from the increased use of credit cards, professional services, freight due to additional volumes, beverage containers and repairs and maintenance. Previous years: 05/06 – \$242.4 million, 04/05 – \$240 million, 03/04 – \$215.3 million
Net income (\$ millions)	06/07 – \$798.1 07/08 – \$819.8 08/09 – \$835.9	\$840.3 million Target exceeded: Net income is \$42.2 million ahead of target. This measure of financial performance—total revenue less total expenses—is the LDB's financial contribution to the province of British Columbia. Increased sales, reduced amortization and managing employment expenses were the largest contributing factors in exceeding the target. Previous years: 05/06 – \$800.5 million, 04/05 – \$778.6 million, 03/04 – \$726.7 million
Total LDB expenses as a percentage of total LDB sales	06/07 – 11.2% 07/08 – 11.2% 08/09 – 11.2%	10.5% Target achieved: Managing operating expenses as a percentage of sales is an important financial index as it indicates the degree of efficiency attained by the LDB. Previous years: 05/06 – 10.8%, 04/05 – 11.2%, 03/04 – 10.8%

GOAL TWO: WORKPLACE QUALITY AND EMPLOYEE EXCELLENCE

Build a customer-focused high performance work environment that results in greater employee involvement, development, innovation and creativity.

Performance Highlights

Workforce

Our enthusiastic staff has continued to focus on providing excellent service to our retail and wholesale customers.

Like most organizations, the LDB is facing the challenge of an aging workforce. This year a succession strategy was developed to specifically target our ability to fill critical positions throughout the organization to address the issue. Over the coming year the LDB will be developing and implementing a workforce plan that will supplement the succession planning process and enable employees to develop career paths and learning and development plans.

Training and Development

Three new integrated Signature training programs were developed and delivered to staff this year: "Signature Service," "Signature Selling" and "Signature Coaching." The LDB also has 1,625 employees currently enrolled in Product Knowledge programs. These courses work in tandem to provide staff with innovative and leading-edge skills so that our customers receive the best experience possible.

A second Employee Engagement Survey was completed this year. A communiqué summarizing the results of the survey will be sent to all LDB employees. Specific objectives and action plans will be developed to address areas of employee concern.



WORKPLACE QUALITY AND EMPLOYEE EXCELLENCE TARGETS AND RESULTS 2006/2007

OBJECTIVE

I. Continue to develop a customer-focused workforce that is knowledgeable, skilled, motivated and enthusiastic

STRATEGIES

1. Enhance staff skills through management development and employee training programs
2. Employ a competency-based recruitment process
3. Develop succession plans for key positions
4. Provide a safe, healthy and harassment-free workplace
5. Promote a retail-oriented culture through an enhanced performance management and recognition process

PERFORMANCE MEASURE

TARGETS

ACHIEVEMENT

Employee satisfaction and engagement

06/07 – 70%
07/08 – 80%
08/09 – 90%

66%

Target not met: Fiscal 2006/07 saw a nine per cent increase in our employee-satisfaction measurement. Going forward, the LDB will continue to strive for yearly improvement in this goal.

Previous years: 05/06 – 57%, 04/05 – not measured, 03/04 – not measured

GOAL THREE: CUSTOMER EXPERIENCE

Continuously improve the customer experience in BC Liquor Stores.

Performance Highlights

Gift Cards

Gift cards continued to grow in popularity in BC Liquor Stores this year. Available in denominations of \$25, \$50 and \$100, gift card balances can be checked on the BC Liquor Stores website.

British Columbia Vintners Quality Alliance (VQA) Wines

This year, British Columbia VQA wines were once again featured prominently in all BC Liquor Stores. However, low yields resulted in many VQA wines being in short supply. This will adjust as the most recent harvest was excellent and we are looking forward to once again having more of these world-class wines available on our shelves.

In November, a special collection of premium British Columbia VQA wines – the “Best of BC” – was released in selected LDB stores. The release covered 19 premium VQA wines that showcased some of the more spectacular vintages in recent years.

Vancouver Playhouse International Wine Festival

For the 29th consecutive year, the LDB operated an on-site wine store during this year’s Vancouver Playhouse International Wine Festival (VPIWF). Regarded as Canada’s premier wine event, this year 180 wineries from 17 countries attended VPIWF to pour a record 1,570 wines at a record 60 events. The spotlight was on two areas – the regional theme of Australian Wine: A World of Difference and the global focus was Riesling.

For the first time this year, the festival conducted an industry symposium. This inaugural event explored issues around wine packaging and was entitled “Message in a Bottle... or in a Box?” Since its inception in 1979 the festival has raised \$5.2 million for the Vancouver Playhouse Theatre Company.

Feature Programs

The LDB worked with consulates and trade organizations to support their marketing efforts and feature programs highlighting the wines of various regions, including Chile, Italy, South Africa, France, New Zealand, Australia, California and Washington. Programs included store displays, trade events and in-store tastings.

Website

During fiscal 2006/07, an average of 35,000 visitors per month accessed the LDB website, www.bcliqorstores.com. The site provides information about BC Liquor Store products, product use, store locations, corporate publications, and the liquor industry.

Publications

Taste

Our in-store quarterly consumer magazine, Taste (formerly Matters of Taste) was re-designed this year with a modern look and format. Taste features product, editorial content and advertising from the worlds of food, drink, and entertaining. The first issue was launched in November 2006 and the magazine is published quarterly. Approximately 400,000 copies of the new Taste magazine will be distributed at 201 BC Liquor Stores across the province this coming year.

CUSTOMER EXPERIENCE TARGETS AND RESULTS 2006/2007

OBJECTIVE

1. Continue to enhance the shopping experience for LDB retail customers

STRATEGIES

1. Continue to revitalize the store network
2. Provide enhanced customer service
3. Improve customer access to British Columbia Vintners Quality Alliance (VQA) wines

PERFORMANCE MEASURE

TARGETS

ACHIEVEMENT

Total number of additional Signature Stores opened	06/07 – 12 07/08 – 5 08/09 – 5	9 Target not met: The LDB has 20 Signature Stores in BC, with one more to be completed. The target has been eliminated in the 2007/08 – 2009/10 Service Plan as the LDB is focussing on maximizing operation efficiency opportunities within the system, allowing the network to stabilize within the mixed public-private industry model. Previous years: 05/06 – 2, 04/05 – 3, 03/04 – n/a
Average retail customer transaction value	06/07 – \$27.87 07/08 – \$28.99 08/09 – \$30.15	\$28.95 Target met: The customer continues to make more premium selections in their beverage alcohol purchase and in turn this continues to have a positive affect on the average transaction value. Previous years: 05/06 – \$27.22, 04/05 – \$26.70, 03/04 – \$26.70
Increased dollar sales of VQA wines through LDB retail stores	06/07 – 20% 07/08 – 20% 08/09 – 20%	3.8% Target not met: A lower than expected 2005 grape harvest, due to poor weather, affected the availability of VQA wine this fiscal. A healthy harvest in 2006 will improve the accessibility of VQA wines in the next fiscal year. Previous years: 05/06 – 18.5%, 04/05 – 4.9%, 03/04 – 4.6%
Retail customer satisfaction	06/07 – 90% 07/08 – 90% 08/09 – 90%	98% Target exceeded: Close to 1,000 customers were surveyed and 98% responded with either an “excellent,” “very good” or “good” rating. Previous years: 05/06 – 91%, 04/05 – 89%, 03/04 – n/a

GOAL FOUR: BUSINESS EFFECTIVENESS

Continue to seek out improvements to operating efficiencies and maximize wholesale customer satisfaction in a climate of constant change.

Performance Highlights

Distribution/Wholesale

The distribution supply chain system continues to adjust to meet the demands of an expanded liquor retail network. Improvements in technology made it possible for the LDB to make upgrades this year to its distribution system that will improve services to wholesale customers and increase efficiencies in its stores.

Technology

As part of our Business Continuity and Recovery planning, this year the LDB put in place an alternate data centre that will function in the event of a disaster at our computer centre. Additionally, we have developed an integrated test centre where systems and platforms are integrated so that any changes to their environment may be tested and implemented efficiently with less risk.

The Sales Collection, Inventory & Audit (SCIA) Project was also completed this year. SCIA was implemented to eliminate the existing legacy Sales Data Collection (SDC) system, providing enhanced functionality, tighter controls, improved processing times, simplified processes, reporting with other downstream systems and improved flexibility to respond as required to evolving business practices. SCIA integrates data from both internal sources and external partners into our financial systems.

The LDB is currently working with other ministries in a partnership towards the use of a single business number and single ID (BCeID) for our wholesale customers and has completed a product database upgrade that allows input from external suppliers and agents via our Product Registration Extranet web site.

Corporate Security

Improvements in technology and digital imaging systems have provided the LDB with the opportunity to be an industry leader in corporate security measures. A five-year implementation plan encompassing upgrades to stores across the province provides the framework for advancements in live monitoring and police communication as well as cost savings and safety measures.

Investigations

The LDB has shown leadership in social responsibility and effectiveness in partnerships with police and crown counsel in all provincial jurisdictions towards the monitoring of illegal activities such as cross-border smuggling and theft. Our investigators work closely with the police and other government agencies to address community concerns and minimize the impact of illicit activities in the community.

Emergency Programs

Emergency Programs at the LDB encompasses Business Continuity, including Disaster Recovery and Emergency Management. Our Business Continuity Program identifies critical processes and guides business leaders through the process of mitigation, response, recovery and resumption of business in the event of a disruption. The LDB actively engages our employees in preparedness activities both at work and at home.

An emergency call-out exercise of over 3,500 employees was completed this year with a resounding success rate of 76 per cent. Each year, our employees receive a personal preparedness package for home and family during National Emergency Preparedness Week as well as a variety of training opportunities. We currently have an Emergency Response Team in place as well as a functioning Emergency Operations Centre (EOC). All team members have been trained and participate in annual exercises.

Regulatory Reform

In keeping with the government's regulatory reform initiative, the LDB is committed to reducing regulation and creating a more effective and results-based regulatory framework.

BUSINESS EFFECTIVENESS TARGETS AND RESULTS 2006/2007

OBJECTIVES

1. Increase wholesale customer satisfaction
2. Improve cost efficiencies

STRATEGIES

1. Increase the use of available and leading-edge technology
2. Maximize the potential efficiencies available through improved distribution operations
3. Provide enhanced wholesale customer services

PERFORMANCE MEASURE	TARGETS	ACHIEVEMENT
Wholesale customer satisfaction	06/07 – 90% 07/08 – 90% 08/09 – 90%	90% Target achieved: Approximately 3,000 wholesale customers were invited to participate in the Wholesale Customer Survey. There was a 14% response rate with 413 respondents this year. The LDB continues to develop an improved system for product ordering to meet the needs of the evolving mixed retail environment, and has made inroads in the distribution of wholesale product. This year the direct delivery customer base increased from 207 to over 300 customers. Previous years: 05/06 – 90%, 04/05 – 84%, 03/04 – n/a
Distribution centre accuracy rate	06/07 – 99% 07/08 – 99% 08/09 – 99%	99% Target achieved: Random checking of assembled orders indicates an extremely high rate of accuracy with quantity and product match. Previous years: 05/06 – 99%, 04/05 – 98.5%, 03/04 – 98.5%
Distribution centre labour cost per case shipped	06/07 – \$1.56 07/08 – \$1.53 08/09 – \$1.53	\$1.70 Target not met: Growth in volume and numbers of orders, as well as the effects of weather and power outages in the winter season, has affected the area's performance. A plan is in place for next fiscal year's activities. Previous years: 05/06 – \$1.58, 04/05 – \$1.66, 03/04 – \$1.86
Number of LRSs receiving direct shipment	06/07 – 300 07/08 – 400 08/09 – 500	308 Target exceeded: The Distribution Centres expanded direct delivery service to 308 LRSs this year. This service provides efficiencies in LDB stores and an enhanced wholesale customer experience. Previous years: 05/06 – 207, 04/05 – 97, 03/04 – n/a
LDB stores operating costs as a percentage of sales	06/07 – 10.9% 07/08 – 10.9% 08/09 – 10.9%	9.9% Target exceeded: BC Liquor Stores have improved efficiencies and overall operating costs. This success can be attributed to strong planning on the part of store management. Previous years: 05/06 – 11.1%, 04/05 – 11.4%, 03/04 – 11.9%
LDB store sales per square foot	06/07 – \$1,370 07/08 – \$1,448 08/09 – \$1,488	\$1,425 Target exceeded: Customer surveys indicate that people rate the BC Liquor Store shopping experience very highly. Sales performance supports this result. Previous years: 05/06 – \$1,347, 04/05 – \$1,309, 03/04 – \$1,197

BENCHMARKING

The LDB benchmarks itself against three other provinces: Manitoba, Ontario and Alberta. The LDB expects to continue benchmarking annually with these partners on the same measures, which are described below.

Per Capita Net Income of Beverage Alcohol

This measure shows how the British Columbia liquor system compares to other provinces from the perspective of generating government revenue.

Government Liquor Store Operating Expenses as a Percentage of Store Sales

This measure is an indicator of LDB store efficiency as compared to other provincial government stores.

Sales Per Square Foot

This is another indicator of the efficiency of the LDB's store system.

INDUSTRY BENCHMARKS 2005/2006

	British Columbia	Manitoba	Ontario	Alberta
Per capita net income of beverage alcohol	\$186	\$167	\$135	\$179
GLS operating expenses as a percentage of store sales	11.1%	10.8%	10.3%	n/a
Sales per square foot	\$1,347	\$853	\$863	n/a

GOAL FIVE: PUBLIC SAFETY AND SOCIAL RESPONSIBILITY

Encourage the responsible use of beverage alcohol.

Performance Highlights

The LDB is a leader in corporate social responsibility and demonstrates its commitment to the communities it serves through responsible-use of alcohol programs and a number of increasingly successful charitable activities. Conducting its business in the best interests of consumers and communities, the LDB promotes public safety and is committed to reducing the impact of its business on the environment.

Our staff incorporates social responsibility as a part of daily operations and the LDB sponsors and participates in a number of programs and activities that encourage responsible alcohol consumption and support a sustainable environment. These include:

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

Dry Grad Campaign

The annual Support Dry Grad campaign is part of the LDB's public safety and social responsibility program to promote the responsible use of beverage alcohol – a program that includes the prevention of underage drinking and promotion of zero consumption for minors.

This year, government liquor store customers and store staff raised a record total of \$478,307 to support high schools that are planning alcohol-free graduation events for the class of 2007. Since the 2001 inception of the LDB's annual Support Dry Grad campaign, \$1.67 million has been raised by BC Liquor Store customers and staff for alcohol-free events in communities across British Columbia.

Christmas Twin Bear Program

Every November and December, BC Liquor Store customers are invited to buy twin teddy bears for \$10. One bear goes home with the customer, while the other is donated to a charity chosen by liquor store staff.

Thanks to BC Liquor Store customers, in November and December 2006 the LDB donated approximately 27,000 bears to children in various hospitals, shelters and special homes throughout the province. Since the LDB began this program in 1989, more than 258,000 bears have been donated to British Columbia charities.

PECSF Campaign

The Provincial Employees Community Services Fund (PECSF) is a fundraising campaign supported voluntarily by staff throughout the provincial government. Proceeds are raised through employee contributions and special fundraising events, with 100 per cent of the money raised going to a variety of British Columbia charities.

Over \$131,000 was raised this year through payroll, one-time donations and fundraisers. With over one-third of employees contributing, the LDB has one of the highest participation rates of any group or Ministry.

24 Hour Relay for the Kids

Every June for the last 12 years, members of the LDB Beer-O-Crats team have laced up their sneakers to raise funds for the 24 Hour Relay for the Kids, the largest fundraiser of its kind in North America. Funds are raised for the Lions Society's three Easter Seal Camps, specially equipped for children with disabilities. In 2006/07, the Beer-O-Crats raised more than \$8,000.

PUBLIC SAFETY AND SOCIAL RESPONSIBILITY TARGETS AND RESULTS 2006/2007

OBJECTIVE

1. No sales to minors or intoxicated persons
2. Increased awareness and promotion of the responsible use of beverage alcohol

STRATEGIES

1. Increased staff education and enforcement of 2-ID program requirements
2. Develop co-operative programs with beverage alcohol suppliers and other stakeholders

PERFORMANCE MEASURE

TARGETS

ACHIEVEMENT

Government liquor store compliance with 2-ID checking policy

06/07 – 100%
07/08 – 100%
08/09 – 100%

Did not complete

Target: Compliance rules were adjusted this fiscal year. The LDB will work with the LCLB to ensure strong compliance next fiscal year.

Previous years: 05/06 – 69%, 04/05 – 82%, 03/04 – n/a

Customer awareness of LDB's social responsibility programs

06/07 – 90%
07/08 – 90%
08/09 – 90%

96%

Target exceeded: The LDB customer satisfaction survey has indicated exceptional customer awareness of the LDB Social Responsibility initiatives. The BC Liquor Store chain has done an excellent job in supporting these initiatives.

Previous years: 05/06 – 78%, 04/05 – 70%, 03/04 – n/a

Implementation of responsible-use beverage alcohol programs

06/07 – 12
07/08 – 12
08/09 – 12

12

Target met: One program per month in LDB stores—some that are sponsored entirely by the LDB and some that are partnership endeavours. Partners in 2006/07 included Molson and the Canadian Association of Liquor Jurisdictions.

Previous years: 05/06 – 12, 04/05 – 3, 03/04 – n/a