



Annual Business Plan  
Fiscal 2015 - 2016

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## **Mandate and 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 describes five key responsibilities of the organization, specifically:

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
4. attainment of acceptable levels of customer service
5. conduct operations as a viable commercial enterprise

## **Purpose and Vision**

The Business Plan for fiscal 2015/16 represents the first year of our new Five-Year Strategic Plan.

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

Through our strategic planning process, we refreshed our vision.

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

## **Planning Context**

During the development of our Annual Business Plan (2015/16) we considered emerging trends within the retail industry, the NSLC's current environment, and the goals that form the basis of our Five-Year Strategic Plan (2015-2020). All of these aspects are taken into consideration in an effort to best serve our customers and to provide value to all Nova Scotians.

### **Retail Trends relevant to the NSLC**

- Omni-channel retailing: consumers are expecting to interact with retailers in a broader way than simply the "bricks and mortar" approach of the past.
- Digital Disruption: the consumer's path to purchase is being influenced by technology at a rapid speed.
- Customer Centricity: having an organizational focus on the customer to better satisfy and service customers.
- Social Voice: operating as a good corporate citizen concerning governance, environmental and social aspects of a business, building trust with consumers.
- Buy-local movement: supporting and celebrating locally produced products.

## **Key Considerations in NSLC's Current Environment**

### **Consumption Levels**

In terms of total consumption of beverage alcohol, Nova Scotia represents a moderate consumption environment consistently indexing below the national level. According to the Canadian Alcohol and Drug Use Monitoring Survey from 2012, approximately 72.3 per cent of the population of Nova Scotia has reported drinking alcohol, with reported per capita consumption the third lowest in the country (see chart below).

Per capita Consumption: Sales volume in litres of absolute alcohol

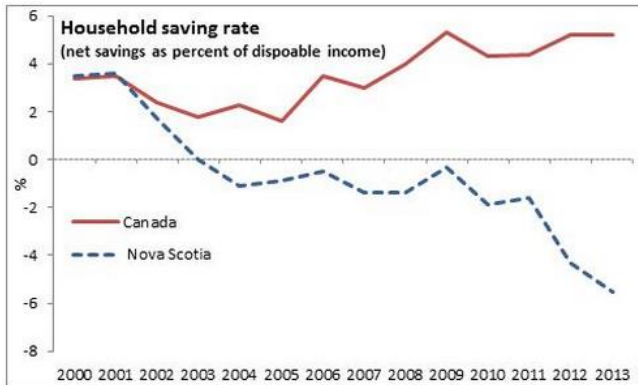
|                      | 2009 | 2010 | 2011 | 2012 | 2013 | Ranking |
|----------------------|------|------|------|------|------|---------|
| Canada               | 8.2  | 8.2  | 8.0  | 8.1  | 8.0  | -       |
| Yukon                | 13.1 | 13.6 | 13.3 | 13.0 | 13.0 | 1       |
| Nfld and Labrador    | 9.1  | 9.5  | 9.4  | 9.6  | 9.4  | 2       |
| Alberta              | 9.4  | 9.1  | 9.1  | 9.2  | 9.3  | 3       |
| Quebec               | 8.3  | 8.5  | 8.4  | 8.6  | 8.3  | 4       |
| British Columbia     | 8.6  | 8.6  | 8.1  | 8.1  | 8.2  | 5       |
| Saskatchewan         | 8.0  | 8.2  | 8.0  | 8.2  | 8.1  | 6       |
| Prince Edward Island | 8.2  | 8.4  | 8.2  | 8.0  | 8.0  | 7       |
| Manitoba             | 8.0  | 8.0  | 7.9  | 8.0  | 8.0  | 7       |
| Nova Scotia          | 8.1  | 8.1  | 7.9  | 7.8  | 7.7  | 9       |
| Ontario              | 7.6  | 7.5  | 7.5  | 7.5  | 7.5  | 10      |
| New Brunswick        | 7.1  | 7.2  | 7.0  | 6.7  | 6.5  | 11      |

Statistics Canada. Table 183-0019 - Volume of sales of alcoholic beverages in litres of absolute alcohol and per capita 15 years and over, fiscal years ended March 31, annual (litres)

Overall per capita consumption in Nova Scotia has been on a decline since 2010. Retail transactions have been declining even though the population of those of legal drinking age (LDA) has actually increased. Consumption levels and preferences change as customers age, and customer service level expectations vary within each age group. In general, we have noted that the age group of 55 and older are consuming less in volume and are beginning to make up a greater portion of the LDA population. Understanding the make-up of our customers provides direction on how to execute customer strategies.

### **Nova Scotia market: Economic and demographic environment**

The economic and demographic environment within Nova Scotia has shown patterns of urbanization, outmigration and an aging population with overall lifestyle changes occurring, all having an impact on consumption trends. Pressures on peoples' disposable income and net savings are impacting their discretionary spending (see Household saving rate chart below).



Source: Dec 11, 2014 Current Economic Environment and Outlook – Nova Scotia

[http://www.novascotia.ca/finance/statistics/archive\\_news.asp?id=10389&dq=&df=&dto=0&dti=3](http://www.novascotia.ca/finance/statistics/archive_news.asp?id=10389&dq=&df=&dto=0&dti=3)

As our transactions continue to decrease, we need to assess how consumption patterns are changing and adapt to changing customer demands. These variables can be viewed as both challenges and opportunities and were key consideration points when establishing our goals for the next five years.

Given our current environment; product assortments, promotional offers and the overall customer experience are critical to maximizing our earning potential and delivery of income to the province.

The following are key economic statements for the province from the Department of Finance (December, 2014)

- Nova Scotia's economy grew 0.3 per cent in 2013, reversing the 0.3 per cent decline of the previous year. Economic activity is expected to pick up in 2014 and 2015 to 1.6 per cent and 2.0 per cent.
- Inflation has been around 2.0 per cent in both Canada and Nova Scotia for most of 2014 as price pressures from a lower Canadian dollar and energy are passed to consumers. These effects will dissipate and inflation is expected to move lower in 2015.
- So far in 2014, the labour force and employment have similar declines, down 1.7 per cent and 1.5 per cent respectively. A large decline occurred in the number of self-employed and a smaller decline in the number of employees.
- The labour force in 2014 has decreased by 8,300 (-1.7 per cent) in the period January - November 2014 as the population shifts into older age groups with lower participation rates.
- Retail sales increased 2.5 per cent for January – September 2014 with greater sales at gasoline stations, general merchandise stores and motor vehicles and part dealers.
- Over the medium-term, Nova Scotia's economic outlook is expected to be largely determined by the pace and scale of major projects, and influenced by the level of involvement of local firms and labour.
- Projected economic growth depends on the medium-term demographic assumptions that net out-migration trends reverse.

The Conference Board of Canada is forecasting a recession in Alberta in 2015, which could impact population levels in Nova Scotia if people move back to Nova Scotia.

Combinations of these factors play a role in influencing our business strategies, overall financial targets, pricing, network planning, and how best to service the needs of customers.

## **Weather**

Weather will always be a factor that affects our sales performance; a correlation has been established between sales and daily temperature through the week and precipitation on Friday/Saturday. This correlation is particularly evident with beer sales during the critical sales period of May until Labour Day. Weather can influence customer "occasions". When seasonally lower temperatures and wet weather occur, especially leading into a weekend, transactions are lowered. After the Labour Day weekend, weather becomes less of an impact on customer "occasions" and related consumption.

Weather conditions were favourable to our sales performance in fiscal 2014/15.

## **The Nova Scotia Beverage Alcohol Producing Industry**

The Nova Scotia beverage alcohol industry has been experiencing growth in revenue, and in the number of local wineries, craft breweries and craft distilleries. In fiscal 2013/14 Nova Scotia based wine products accounted for 8.1 per cent of total wine sales, and grew from \$5.0 million in 2009 to \$10.4 million in 2014, with the growth continuing into the current fiscal year. Today, one out of every \$12 spent on wine in our stores goes to locally bottled products. Nova Scotia, as a region, is our fifth largest seller after four other countries: Canada, Australia, Italy and the United States. The Nova Scotia craft beer sector experienced 22.0 per cent growth in fiscal 2013/14, and accounts for one out of every two bottles of craft beer sold in our stores. There were four new entrants into the craft beer sector in 2014, with an additional four locations working towards being operational in 2015.

Overall demand is rising as customers discover Nova Scotia products. The "buy local" trend has been a positive factor on the industry. As this trend continues to gain support, individual customers, as well as the licensee communities, are purchasing more products directly from local producers. This means great things for their local communities as more money is being reinvested in the community by supporting these small businesses and their employees.

Through mark-up structures and other means, we provide financial and other support to the growing Nova Scotia industry. Though this affects our overall profitability, broader economic benefits are achieved for the province.

## **Government and Public Policy**

As a crown corporation, we are subject to changes the provincial government can make to legislation, regulations and public policy, which could have a direct impact on our operations. We continually work with government in an effort to inform and improve the industry, as well as provide counsel on relevant issues concerning the overall beverage alcohol industry.

## **Vendor and Industry Partnerships**

The support and partnerships with our suppliers and industry partners is critical to our success. Their level of participation and investment in the Nova Scotia beverage alcohol sector directly contributes to our financial performance.

## Our New Five-Year Strategic Plan (2015/16-2019/20)



Everything we do is a reflection of our brand.

Corporate Social Responsibility and our Values are the main support components of our brand. They serve as the filter we view all decisions through. We have a culture rooted in customer service excellence and public safety concerning responsible consumption of beverage alcohol.

Our customers, local industry and our sense of fiscal responsibility, are our key focuses, with our people and technology serving as our foundation. It is through the strength of our foundation, primarily our people, that our brand is well supported.

During our strategic planning process we formalized a set of values that will be fundamental to everything we do.

### Values

Our values are a reflection of what defines us as an organization both internally and externally. The values we hold and how they are put into action are key elements of our culture. Engagement comes from all the behaviours and actions being demonstrated and respected by all of us and reflected in our day-to-day operations. Our KORE values are as follows:

#### Knowledgeable:

- We are proactive teachers and learners. We take the initiative to learn more about our products, our business and our customers and willingly share our knowledge with others while working in a professional manner.

#### Optimistic:

- We share a positive outlook; our efforts are considered to be worth every smile. We are passionate about serving our customers and excited about the NSLC's future.

#### Responsible & Respectful:

- We commit to being held accountable for what we say and do. We maintain focus on our mandate by making well informed choices and by doing what is right.
- We think of our customers in everything we do and treat them with respect, while demonstrating respect for one another in pursuing our goals. The opinions, ideas, input, and contributions of others matter.

#### Engaged:

- We work collaboratively as one team, believing in our journey, and are committed to achieving the NSLC's goals and objectives in an environment based on trust and transparency.

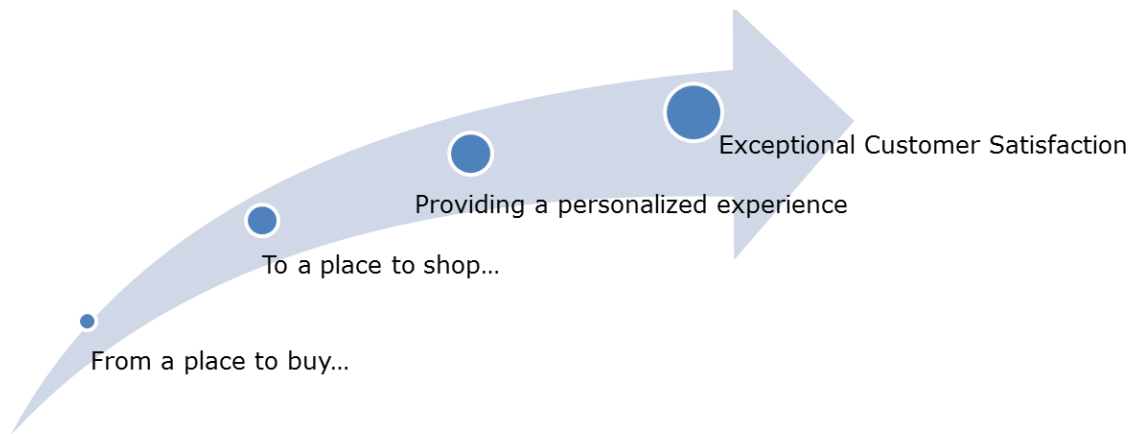
## Corporate Social Responsibility

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.

## Strategic Goals

We are entering a new Five-Year Strategic Plan in fiscal 2015/16, where 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 journey to becoming a customer centric organization



## **Five-Year Strategic Goals and Strategies are as follows:**

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

- Evolve the customer offer through insights and a relentless focus on the customer
- Leverage omni-channel retailing and adapt our business model to improve service to the customer on their path to purchase
- Create relevant format diversification in our retail network to add value and broaden the shopping experience
- Continue investment in our people, targeting product knowledge and customer engagement skills

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

- Match retail merchandising activities to support local production levels and satisfy customer demands for local products
- Continue to expand ways to get product innovation to customers
- Align promotional efforts to support the growth of local industry
- Actively participate in industry associations
- Provide clarity to industry on our regulatory role



**Financial:** 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.

- Leverage opportunities with our industry partners and others as appropriate to improve overall system-wide performance
- Continue to evolve our customer insight discipline to drive profitability performance
- Strategically invest in our network and technology, to support our business model
- Provide financial and operational support for local industry aligned with industry growth strategies
- Invest in training for our people, in support of our customer focused strategy

**Corporate Social Responsibility:** To integrate our Corporate Social Responsibility approach throughout the organization and implement meaningful and impactful initiatives.

- Accountability: Increase the level of transparency and reporting through enhanced internal and external communication
- Sustainability: Further invest in sustainable business practices
- Responsibility: Deliver innovative and effective approaches to responsible consumption in conjunction with industry partners
- Community: Leverage the influence and impact of the NSLC to make a meaningful social and economic contribution to Nova Scotia

Visit our Five-Year Strategic Plan for more details.

## **Annual Business Plan (2015/16)**

### **Key Focus areas:**

As we move forward we will continue our efforts to become a customer focused organization and work to strengthen our foundation. Through transparent communication we will demonstrate our value to Nova Scotians, making all efforts to preserve our financial contribution to the Province, while balancing support to the local industry.

An important focus of fiscal 2015/16 will be the roll-out of our new Five-Year Strategic Plan. It is imperative that employees understand our journey, feel a part of it and are optimistic that together we can achieve what we have envisioned. In conjunction with the roll-out, operational plans will be developed and implemented to ensure that we are on the path to realizing our goals as specified in the strategic plan.

### **Customer**

Being a customer focused retailer has become increasingly important to keep customers engaged, satisfied and loyal. Reviewing trends and insights allow us to provide relevant product offers and design our retail network based on customer demands in an effort to keep customer satisfaction at the forefront of our activities. We need to continually ask ourselves how we can positively affect the customer experience and to always consider our efforts to be "worth every smile". In fiscal 2015/16, 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 evolve and clarify the customer offer.

Making each shopping experience enjoyable and personalized are the key drivers for everything we do for our customers. Our Retail Product Specialists (RPS) 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. Our Wine Discovery Guide, helping customers take the mystery out of the bottle, continues to be expanded and has been well received by customers. Similar efforts were made in the current fiscal 2014/15 within our beer category, and are planned on being integrated within the spirits category in fiscal 2015/16.

Our online and digital strategies continue to be developed and improved. During the Port of Wine (POW) Festival, 30 per cent of our guests chose to interact with the event using our new event app. With the positive feedback, we will be utilizing the app at various upcoming events, demonstrating 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) will continue in fiscal 2015/16, focusing on the user experience and customer journey.

A new Five-Year Network Plan is being developed in conjunction with our strategic plan. In fiscal 2015/16 we will introduce new innovation into our store network.

### **Local Industry**

During fiscal 2014/15 we conducted a review on how we could better support Craft Distillers in Nova Scotia as they were not receiving financial support similar to that of local Craft Breweries and Wineries. New policies have been developed for Craft Distillers to support the growth and development of the sector. Additional support for Craft Distillers will be implemented in April of fiscal 2015/16 as part of our bi-annual pricing review. The Nova Scotia Commercial winery sector was also reviewed with a new policy developed and additional financial support being put in place in fiscal 2015/16 for "bottled in Nova Scotia" products.

The Wine Industry Development Board has been put in place to bring together various participants from government and the local wine 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 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.

We began a Manufacturer policy review in fiscal 2014/15 and in fiscal 2015/16 the policy will be updated. We will also produce a guide for suppliers to provide clarity on laws and regulations and applicable NSLC policies.

### **Financial**

Protecting the return to Nova Scotians is at the forefront of our decision making. As a result of continued declines in the volume of beverage alcohol sold in the province, we continue to manage margin and expenses carefully.

We continue to review and refine our processes, bringing efficiencies into the workplace, providing prudent oversight into initiatives, and conduct post-mortem reviews to determine if benefits and objectives are being achieved. This provides input into modifications to programs, and serves as insight for future initiatives. Efforts will be on-going in this area over the life of our new Five-Year Strategic Plan.

In fiscal 2014/15, we further refined our Enterprise Risk Management framework (ERM), integrating risk assessment into our strategic planning process. During the fiscal 2015/16 we will continue to enhance our risk policies and practices.

### **Corporate Social Responsibility**

Our NSLC mandate goes well beyond just being a retailer of beverage alcohol. While delivering revenue to the Province of Nova Scotia is very important, we have a mandate to promote responsible use of the products we sell. In today's world, it is also important to operate our business using sustainable business practices to demonstrate our corporate responsibility. All of these factors are what we strive to achieve as a responsible corporate citizen.

Customers want to trust retailers they engage with and are looking for companies to have a broader social voice demonstrating value to their communities and the environment, and to be good overall corporate citizens. In fiscal 2015/16 we will develop a communication strategy to actively celebrate the value we add to the communities we serve and the province overall.

Our employees are the main interaction point with customers, and are ambassadors for the NSLC. Each year our employees check over a million IDs to make sure our products stay out of the hands of minors. They also spend personal time raising funds for charities and volunteering for their local community causes. We will develop a "NSLC Gives Back" corporate strategy in fiscal 2015/16 encompassing key fundraising programs. Having our employees provide a personalized experience in their communities is important to us, and we will further develop events led by our RPS team in fiscal 2015/16.

We will continue to support major environmental projects like the NSLC Adopt-A-Stream with the Nova Scotia Salmon Association which protects and conserves local waterways and the fish population. We will continue to work with various partners and support a number of social responsibility efforts like those with MADD Canada, Nova Scotia Universities, and Budweiser GoodSport, as examples, to create awareness of the need to enjoy our products responsibly.

Current Social Responsibility programs will be extended into fiscal 2015/16 to continue communicating our messages. The "Keep it Social" anti-high risk drinking platform developed in collaboration with various universities will be extended beyond the current on-campus focus. Our "Cabbioke" platform will be expanded to include collaboration efforts with various industry partners during key opportunities throughout the year. Underage drinking will be a focus for fiscal 2015/16 both through our WE ID program and through a new awareness platform aimed at those who are purchasing for minors.

During fiscal 2015/16 we will update our CSR framework, aligning objectives with our Five-Year Strategic Plan, while making sure to further integrate it across the business. We take our CSR efforts very seriously. They are key to who we are. We are proud of the efforts of our employees. Our shared values and programs inform and inspire our activities.

We continue to develop our retail network using a sustainable approach in design and build, resulting in stores Nova Scotians can be proud of. During fiscal 2014/15 we continued our lighting/energy efficiency projects across our existing facilities, anticipating further reductions in our baseline energy consumption levels of approximately one million kilowatt hours. Good design at the NSLC is sustainable design; and our new store construction and major renovations utilize our sustainable design program when appropriate. We target 80

per cent construction waste diversion from landfills, 40 per cent use of locally sourced or recycled construction materials, 60 per cent reduction in water usage, 40 per cent reduction in energy consumption including heat recovery, daylighting and free air cooling, and provide healthy indoor air quality for customers and staff. Our Leadership in Energy and Environmental Design (LEED) based sustainability program aims to reduce the ecological impact of our facilities. As we move forward in our planning we will look to further reduce our energy usage and carbon impacts across the retail network by evaluating more energy efficient lighting and mechanical system upgrades as appropriate and when cost effective.

**Foundational Elements:** Fundamental to our success is the strength of employees and our technology platforms in place to support the business.

### **People**

The Employee Voice was re-introduced during fiscal 2014/15 to provide a platform for employees to engage and provide input into specific initiatives. As part of the development of a peer-to-peer recognition program we used the survey tool to ask employees for input into the program which will be introduced in phases beginning in fiscal 2015/16.

In order to deliver both exceptional customer service and financial performance, learning and development efforts will be a continuous activity. Focus during fiscal 2014/15 has been on the redesign of our Retail and Distribution Centre performance appraisals, creating linkages to competencies allowing for better development plans to be put in place. Casual hiring practices were also updated for efficiencies and inclusion of development plans, with a job fair held for the first time for the Distribution Centre.

During our strategic planning process we underwent the important work of confirming and articulating our values and associated behaviours, providing clarity on how our values guide our interactions with one another and how they are a part of our decision making. The roll-out and integration of our values into our performance management practices will begin to take place in fiscal 2015/16.

Our people are foundational to our success, we will continue to focus on the strengths of our people and provide development and performance management framework elements to support them. We began competency mapping and assessments concerning succession planning and development in fiscal 2014/15 with these efforts continuing into fiscal 2015/16. In fiscal 2015/16 further development plans, and appropriate implementation timelines will be created to ensure we invest in strengthening our foundation for success – our people!

The majority of our employees are members of the Nova Scotia Government and General Employees Union (NSGEU). Our three contracts with the NSGEU are in effect until March 31<sup>st</sup>, 2015; therefore, collective bargaining will take place during fiscal 2015/16.

### **Technology**

Customers' expectations are rising and changing, with digital technology playing a greater role in their overall retail experience. Customers are increasingly reliant on technology during their path to purchase to inform their purchasing decisions. It is important that we travel with the customers on their path to purchase, while providing a consistent, compelling customer experience.

As a foundational element of our business, it is important we continue to work to create and achieve alignment between our business strategies and our IT strategies. The technology

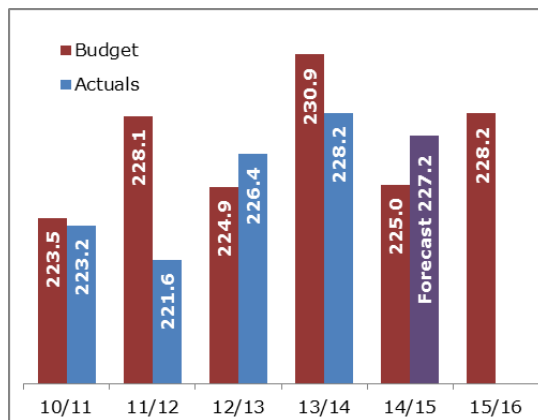
roadmap created in fiscal 2013/14 continues to serve as a guide to future technology investments, ensuring we are adequately maintaining our overall infrastructure while introducing innovation that is directly aligned with our strategic priorities. In addition to completing the re-platforming of our website, we will implement significant upgrades to core systems and replace aging infrastructure.

### Performance Measures

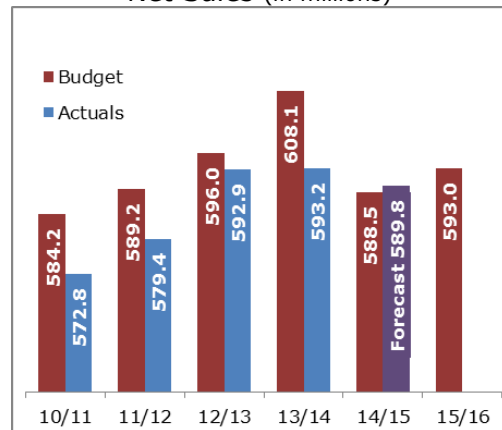
At the NSLC we use a variety of measures to monitor our performance and operational processes, and numerous performance indicators are used to manage our organization. Key Performance Indicators are as follows:

- Goal is to achieve or exceed target:

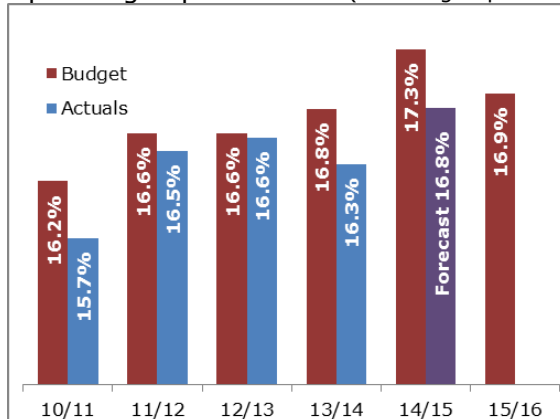
Net Income from Operations (in millions)



Net Sales (in millions)



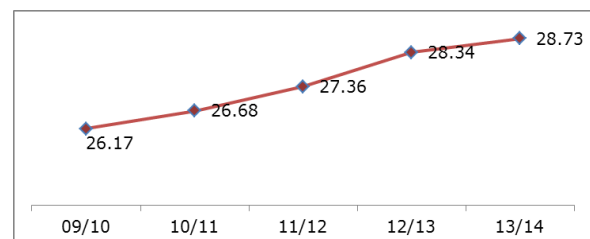
Operating Expense Ratio (including depreciation)



- Goal is to see an improvement over previously reported results:

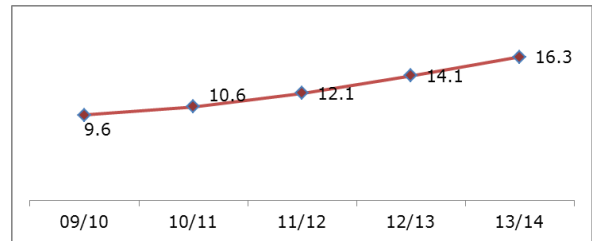
#### Average Retail Transaction Value:

Provides insight into the customers' average basket, where selling price, premiumization and incremental purchases can all be key influencers of this metric.



**NS Product Sales (in millions):**

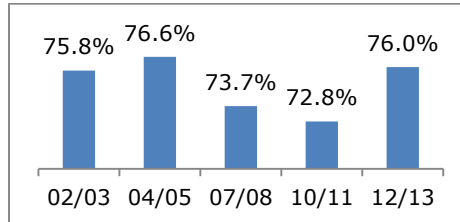
Support of the local industry is a key focus, monitoring sales levels provide insight into the overall health of the industry, currently signaling that the market is still in a growth phase.



- **Goal is to see overall improvement in directional trend:**

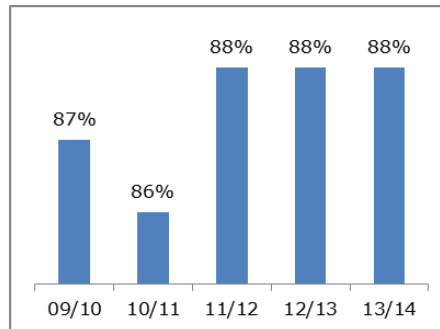
**Employee Engagement Index:**

A high level of employee engagement is recognized as a key element in achieving goals and is an indicator of a healthy workplace.



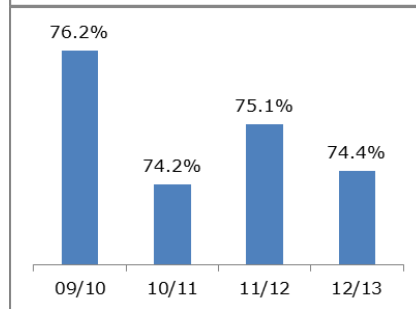
**Customer Satisfaction:**

Score reflects % of customers who rate satisfaction with their main store an 8 or better out of 10. Measure is used in conjunction with Customer Satisfaction Index; ensuring actions taken are in the interest of the customer and business.



**Brand Health:**

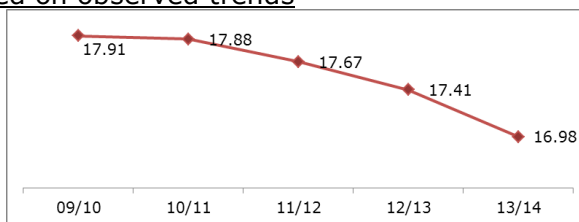
Brand NSLC = Promise + Performance + Perception, as reported by over 800 Nova Scotians via survey. In the evolution to be viewed as a "leading corporate citizen" this survey benchmarks us on overall reputation with other retailers and liquor boards.



- **Monitored as information / insight based on observed trends**

**Retail Customer Transactions (in millions):**

Provides a means to monitor frequency of purchases by retail customers.



## Budget Context

|                                      | Actual<br>2010-11<br>(\$) | Actual<br>2011-12<br>(\$) | Actual<br>2012-13<br>(\$) | Actual<br>2013-14<br>\$ | Forecast<br>2014-15<br>\$ | Sales<br>(%)  | Budget<br>2015-16<br>\$ | Change<br>(%) |
|--------------------------------------|---------------------------|---------------------------|---------------------------|-------------------------|---------------------------|---------------|-------------------------|---------------|
| Spirits                              | 160,096,711               | 164,161,504               | 167,676,041               | 167,166,069             | 162,106,354               |               | 159,725,418             |               |
| Wine                                 | 113,475,419               | 120,243,611               | 127,699,861               | 133,211,335             | 134,603,120               |               | 139,337,525             |               |
| Beer                                 | 281,763,594               | 279,761,810               | 282,967,960               | 278,635,186             | 275,289,670               |               | 273,802,666             |               |
| Ready-to-drink                       | 24,456,808                | 23,294,204                | 23,123,957                | 23,895,350              | 28,186,542                |               | 30,750,504              |               |
| Non-liquor                           | 124,028                   | 116,094                   | 123,369                   | 119,965                 | 121,557                   |               | 120,000                 |               |
| <b>Total Gross Sales</b>             | <b>579,916,559</b>        | <b>587,577,223</b>        | <b>601,591,188</b>        | <b>603,027,904</b>      | <b>600,307,243</b>        | <b>101.8%</b> | <b>603,736,113</b>      | <b>0.6%</b>   |
| Less: Discounts                      | 7,119,868                 | 8,206,575                 | 8,648,296                 | 9,861,940               | 10,521,756                | 1.8%          | 10,706,825              |               |
| <b>Net Sales</b>                     | <b>572,796,691</b>        | <b>579,370,648</b>        | <b>592,942,892</b>        | <b>593,165,964</b>      | <b>589,785,487</b>        | <b>100.0%</b> | <b>593,029,288</b>      |               |
| Cost of Sales                        | 259,579,125               | 262,416,729               | 268,361,767               | 268,001,097             | 263,420,069               | 44.7%         | 264,380,561             |               |
| <b>Gross Profit</b>                  | <b>313,217,566</b>        | <b>316,953,919</b>        | <b>324,581,125</b>        | <b>325,164,867</b>      | <b>326,365,418</b>        | <b>55.3%</b>  | <b>328,648,727</b>      |               |
| Less: Store Operating Exps           | 55,514,766                | 57,826,745                | 59,787,659                | 60,900,062              | 60,879,877                | 10.3%         | 61,583,136              |               |
| <b>Gross Operating Profit</b>        | <b>257,702,800</b>        | <b>259,127,174</b>        | <b>264,793,466</b>        | <b>264,264,805</b>      | <b>265,485,541</b>        | <b>45.0%</b>  | <b>267,065,591</b>      |               |
| Less: Supply Chain                   | 6,075,110                 | 6,426,853                 | 6,654,040                 | 6,762,224               | 6,888,562                 | 1.2%          | 7,019,323               |               |
| Corporate Services                   | 21,395,146                | 21,937,215                | 24,552,262                | 23,618,485              | 24,650,788                | 4.2%          | 24,650,901              |               |
| Other Expenses                       | 2,795,452                 | 2,536,185                 | 2,595,455                 | 1,139,452               | 2,525,503                 | 0.4%          | 2,468,211               |               |
| Add: Other Revenue                   | 4,325,078                 | 4,862,119                 | 5,446,049                 | 5,148,656               | 5,274,730                 | 0.9%          | 4,748,557               |               |
| <b>Total Expenses (excl. stores)</b> | <b>25,940,630</b>         | <b>26,038,134</b>         | <b>28,355,708</b>         | <b>26,371,505</b>       | <b>28,790,123</b>         | <b>4.9%</b>   | <b>29,389,878</b>       |               |
| <b>Operating Inc before Deprn</b>    | <b>231,762,170</b>        | <b>233,089,040</b>        | <b>236,437,758</b>        | <b>237,893,300</b>      | <b>236,695,418</b>        | <b>40.1%</b>  | <b>237,675,713</b>      |               |
| Less: Depreciation                   | 8,603,359                 | 11,473,996                | 10,051,599                | 9,647,840               | 9,475,635                 | 1.6%          | 9,446,802               |               |
| <b>Income from Operations</b>        | <b>223,158,812</b>        | <b>221,615,043</b>        | <b>226,386,159</b>        | <b>228,245,460</b>      | <b>227,219,783</b>        | <b>38.5%</b>  | <b>228,228,911</b>      | 0.4%          |
| Actuarial Loss (Gain)                | -1,072,000                | 1,603,000                 | 2,125,182                 | (2,295,500)             | 3,116,000                 |               |                         |               |
| <b>Comprehensive Income</b>          | <b>224,230,812</b>        | <b>220,012,043</b>        | <b>224,260,977</b>        | <b>230,540,960</b>      | <b>224,103,783</b>        | <b>38.0%</b>  | <b>228,228,911</b>      | 1.8%          |
| Total Expenses (not deprn)           | 81,455,397                | 83,864,880                | 88,143,367                | 87,271,567              | 89,670,000                | 15.2%         | 90,973,014              |               |
| Total Expenses                       | 90,058,756                | 95,338,876                | 98,194,966                | 96,919,407              | 99,145,635                | 16.8%         | 100,419,816             |               |

| Volume (hectolitres) |         |         |         |         |         | Change<br>(%) |         | Change<br>(%) |
|----------------------|---------|---------|---------|---------|---------|---------------|---------|---------------|
| Spirits              | 51,676  | 51,566  | 50,629  | 49,085  | 48,369  | -1.5%         | 47,465  | -1.9%         |
| Wine                 | 85,568  | 88,328  | 91,104  | 92,901  | 92,884  | 0.0%          | 95,222  | 2.5%          |
| Beer                 | 656,440 | 637,924 | 630,688 | 607,852 | 593,409 | -2.4%         | 580,650 | -2.2%         |
| Ready-to-drink       | 34,739  | 32,911  | 32,286  | 32,547  | 39,511  | 21.4%         | 42,513  | 7.6%          |
| Total                | 828,423 | 810,728 | 804,707 | 782,385 | 774,173 | -1.0%         | 765,850 | -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.

## Fiscal 2015 – 2016 Business Priorities



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

- Develop and introduce taste profiles within the spirits category, helping build spirits knowledge, while empowering employees to provide an exceptional level of customer intimacy.
- Continue [mynslc.com](http://mynslc.com) re-platforming initiative, taking a customer path to purchase approach to the digital user experience.
- Continue to evolve customer segmentation and integration of insights into marketing, merchandising and network planning activities.
- Execution of additional customer experience programs to evolve and clarify the customer offer.
- Development and implementation of new format diversification in the retail network.
- Further develop the retail product specialist role, and increase overall product knowledge.
- Establish consistent execution of operating standards and employee engagement.

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

- Provide greater access and visibility for Nova Scotia products directly utilizing our retail network and expertise.
- Participate in joint Industry and Government groups to advance sector objectives and determine future strategies for growth.
- Implement policies for Craft Distilleries and Commercial Wineries.
- Complete policy review and updates of Manufacturer's policy, along with delivery of a guide for suppliers to provide clarity on laws and regulations and applicable NSLC policies.

**Financial:** 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.

- Complete identified fiscal 2015/16 items on IT roadmap.
- Complete Year one of Five-Year Network Plan.
- Develop and implement technology solutions to introduce efficiencies in internal processes.
- Conduct assessment of technology solutions within the Distribution Centre environment to increase efficiencies in order fulfillment operations as well as payroll processes.
- Enhancement of Enterprise Risk Management policies and management practices.



**Corporate Social Responsibility:** To integrate our Corporate Social Responsibility approach throughout the organization and implement meaningful and impactful initiatives.

- Accountability:
  - Develop and implement a CSR framework, aligning CSR objectives with Five-Year Strategic Plan ensuring integration across business operations.
  - Establish process to ensure continuity of brand, and to actively celebrate how the NSLC adds value to Nova Scotia, throughout all communications, both internally and externally.
- Sustainability:
  - Launch new five year partnership with Nova Scotia Salmon Association and establish integrated "NSLC Adopt-A-Stream" promotional platform.
  - Continue efforts to reduce energy usage and carbon impacts across the network.
- Responsibility:
  - Expand reach of "Keep it Social" University anti-high risk drinking platform to extend beyond existing on-campus focus.
  - Roll out year two of "Cabbioke" responsible drinking platform to include collaborative efforts with industry partners during key opportunities throughout the province.
  - Develop social responsibility platform to increase awareness of underage drinking.
- Community:
  - Create an additional channel of engagement with customers through development of additional RPS led events within their community to provide a personalized experience for customers.
  - Develop "NSLC Gives Back" strategy encompassing key fundraising programs including IWK, United Way and NSLC Cash Can.