

LIQUOR & LOTTERY TASK FORCE

DEPARTMENT OF
LIQUOR CONTROL
OPPORTUNITIES &
CHALLENGES

MERGER OPPORTUNITIES FOR THE DLC

- ✓ Training - ability to train and update liquor & lottery agents at the same time and at a central location
- ✓ Enforcement - DLC can provide an enhanced field presence including frequent compliance testing
- ✓ Licensing - combine this into a single streamlined process
- ✓ Increased Lottery Product Sales - pull-tabs, consoles, keno
- ✓ Enhanced Regulation of gambling in licensed establishments
- ✓ Improved Statehouse Effectiveness
- ✓ Marketing

MERGER CHALLENGES FOR THE DLC

- ❖ **Combined POS System** – Presently DLC operates with a very antiquated POS/warehousing system. While the system is very old it does continue to function, but the DLC is purchasing replacement parts from eBay and Craig's List. DLC is in the process of building a new modern POS system. We are presently finalizing the contract for this system. Based on the specific and very different needs the time and expense of combining the two system does not make financial sense and offers very few benefits. (Consider NH as an example).
- ❖ **Increasing the number of sales locations to DLC 1st & 3rd Class licensed locations** – present law prohibits the sale of lottery products in these locations
- ❖ **Marketing** – different marketing goals and tools used



MERGER CHALLENGES FOR THE DLC

- ❖ **Warehouse & Office Consolidation** – Lottery has a custom built modern office and warehouse space. DLC has an antiquated office and warehouse both of which are full to capacity. The DLC warehouse is inefficient, and as a result not cost effective to operate. Neither physical facility is large enough to house both operations.
- ❖ **Business Offices/Accounting** – The Lottery is a cash business. Liquor is a mix with a larger percentage of sales on credit cards.
- ❖ **Purchasing** – DLC has 2400+ SKUs and does not own the product until it leaves the warehouse. Lottery designs and purchases the scratch off games.



MERGER CHALLENGES FOR THE DLC

- ❖ **Distribution** – DLC has warehouse equipment, trucks and staff to move thousands of cases of product each week to our 80 retailers. Lottery uses UPS to deliver tickets to 650 retailers.
- ❖ **Retail Operations** – DLC uses an agency model where the product is owned by the state. DLC prescribes inventory levels and product selection for each store. DLC also has a specific set of retail standards for each store. Lottery has a much smaller retail footprint with fewer requirements to be an agent.



MERGER CHALLENGES POSSIBLE SOLUTIONS

- ✓ **Sales locations** – remove legislation prohibiting the sale of lottery products in 1st and 3rd Class establishments.
- ✓ **Marketing** – Explore expanding the DLC marketing footprint to television and radio to educate customers on why doing business in Vermont makes sense. Expand the Lottery marketing effort to include social media.
- ✓ **Accounting** – work with Finance & Management to restructure the business units to continue to properly account for revenue generated by each unit.
- ✓ **Cash versus Credit** - keep the collections accounting of the sales and settlements of liquor and lottery separate.



QUESTIONS?

