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Patrick Delaney, Commissioner

January 2, 2018

Vermont State House
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To the Honorable:
House General, Housing, and Military Affairs Committee
House Ways and Means Committee
Senate Economic Development, Housing and General Affairs Committee
Senate Finance Committee

Honorable Committee Members:

Pursuant to Act Number 144 Section 22 (2016), the Department of Liquor Control (DLC) has prepared a report that details its plans for recapturing sales of spirits and fortified wines that are lost to neighboring states. The report provides written proposals to improve, diversify and increase the number of Vermont agency liquor stores. The proposal suggests an optimal number of agencies based on population trends, income data, and proximity to Vermont's borders. The report considers location of stores in rural and underserved areas, hybrid retail concepts, and standardized agency product and shelf set footprints.

If there is interest, we would be happy to discuss this report further with you.

Sincerely,



Patrick Delaney, Commissioner
Department of Liquor Control



**REPORT TO THE LEGISLATURE
REGARDING ACT 144 (S.250) SECTION 22 (2016)**

**DLC REPORT ON PLAN TO RECAPTURE LOST SALES OF SPIRITS
AND FORTIFIED WINES**

**Submitted to the
House General, Housing, and Military Affairs Committee
House Ways and Means Committee
Senate Economic Development, Housing and General Affairs
Committee
Senate Finance Committee**

January 4, 2018



Department of Liquor Control

Retail Footprint Analysis

December 2017

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Acknowledgements

The Department of Liquor Control (VDLC) would like to acknowledge all the people that assisted us in preparing this report. The group that played the biggest role in providing the data and input necessary to conduct an analysis of our retail foot print is the senior management team at the Department. Without their full commitment to working with several consulting and advisory groups this project could not have been completed.

Thanks to Kim Walker our Director of Retail Operations for her invaluable support in providing data and operational materials needed to assist in defining the Department's current operations model and providing input that helped to define the Department's future vision on improving and expanding its current retail foot print. The VDLC staff has continued to demonstrate an ongoing commitment to improving our levels of performance and customer service.

Thanks to Theresa Barrows and Tonia Pryce for their consistent level of engagement with this project. Their input and partnership was very helpful in providing the necessary resources to survey our customers and to evaluate our current levels of customer service and to identify their hierarchy of needs. They were instrumental in providing a vision to effectively re-image our brand and progress towards a more modern retail product.

I would like to acknowledge Robert Molinario, the General Manager of our partner store Hannaford, located in Bradford, Vermont. His generosity in allocating the necessary time to partner with us in providing the data and input necessary to create the comparative study regarding potential benefits to agency site re-location.

Thank you to V-Trans in general and specifically Jonathon Croft and Kevan Grimaldi, for their cooperation and assistance in creating the maps for this report.

Thank you to Jim Giffin, past interim Commissioner of the VDLC, and David Jackson, an industry consultant with National Alcohol Beverage Control Association (NABCA), for their work in preparing a previous retail analysis that was useful in preparing our report.

I would like to acknowledge and thank the staff at DHR CAPS for accepting our retail footprint analysis project. Working with Martha Torrance was an enjoyable and professional experience. The collective efforts of the Vermont Certified Public Managers (VCPM®) consulting team of Renea Bordeaux, Aaron Ferenc, Michael Kingsbury, and Rebecca White were extremely helpful in preparing this report. I was impressed by their level of commitment to the project, their consistent high levels of achievement, and their attention to detail. This report, in its current form, would not have been possible without their contribution.

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Executive Summary

The Vermont Department of Liquor Control was directed by the Vermont State Legislature in Bill S.250 to initiate a study to improve customer service, evaluate the need to increase the number of retail points of distribution within the State, and to look at diversifying our retail models. In response to this directive, the VDLC utilized a recent report prepared by David Jackson, a paid consultant referred by the NABCA, and partnered with the VCPM® to provide an additional report to evaluate our current retail policies and procedures. These two reports will collectively provide a foundation for our review.

There has been on-going concern from the state legislature regarding the VDLC's ability to maximize its net revenue opportunities with its current retail footprint. The study completed in November of 2015 by David Jackson, established that the VDLC lacked a strategic plan for expanding the VDLC's retail system.

Scope of the Work:

The VDLC management team, in collaboration with our consulting partners, analyzed our current retail foot print and identified areas that were underserved as well as areas that could be better served by a physical re-location of a current store. We evaluated strategies for locating stores based on several economic/demographic factors including population density, per capita income, and acceptable driving distances between stores, and the need for hybrid retail models to address seasonal and rural area demand.

Methodology:

The VDLC used a variety of methods to gather data. These methods included an online customer survey, interviews with the senior management team at the VDLC, interviews with store management personnel, a comparison of sales and customer service at the site of a relocated agency store from a historic village location, state demographics, economic trends, tourism, and statistical data provided by NABCA.

Background

The VDLC enlisted the support and input of two consulting groups to undertake this project.

Consulting group number one was a four-member team of State of Vermont managers and directors, who are enrolled in the Department of Human Resources Center for Achievement in Public Service's Vermont Certified Public Manager® Program (VCPM®). Members of the VCPM(R) team work in the following departments:

- The Agency of Transportation
- The Department of Financial Regulation
- The Agency of Administration

- The Department of Aging and Independent Living

VCPM[®] is a two-year program. The capstone project of the VCPM[®] curriculum is a consulting project, offered to State agencies and departments in need of independent team management consultants to help them tackle a project or problem that they may not have the personnel, resources or expertise to address.

The VCPM(R) team selected the Retail Footprint Analysis project with the VDLC. The VCPM[®] consultant team signed a client/consultant agreement in November 2016, which outlined the project scope, expected outcomes and deliverables. Although they had limited experience in the retail liquor industry, the VCPM[®] felt that they could bring a fresh perspective to this assignment.

Consulting group number two, was a collaborative effort between the VDLC's past interim Commissioner James Giffin and beverage alcohol industry veteran and N.A.B.C.A. consultant David Jackson. Their project focused on the VDLC's current retail footprint based on a per capita model and assessed if the VDLC was currently meeting consumer needs and to evaluate where communities were being under served. This project, though based solely on per capita numbers, resulted in a very similar recommendation of expanding the current number of retail stores by eight to capitalize on servicing existing demand.

Results/Findings:

Report number one: Mr. Jackson, looked at the retail availability of distilled spirits in the Vermont market on a per capita basis. With a retail store count of 80 stores the State currently has a ratio of one store per approximately 8,000 residents. This report looked at the number of stores by county. Each county's population was divided by the current ratio of 7,800/1 to arrive at a hypothetical number of stores per county.

The actual number of stores per county were then compared to the hypothetical number to identify counties that were either over or under served. Based on this simple approach it was determined the following counties were under served; Addison, Chittenden, Lamoille, Orange, and Washington. The following counties were over served: Windsor and Grand Isle. The following counties were adequately represented by agency store: Bennington, Caledonia, Essex, Franklin, Caledonia, Orleans, Rutland, and Windham. Based on Mr. Jackson's analysis of the 7,000/1 ratio, Vermont would need nine additional stores with the clear majority (seven) of those stores being in Chittenden County.

The goal of Mr. Jackson's review was to identify opportunities to grow the case business and to increase profitability of the VDLC. Mr. Jackson's analysis decreased the per capita head count to 6,000 which resulted in a potential for an additional 24 stores. In this example, Chittenden County would pick up 11 stores and Washington County five additional retail outlets.

Conclusions from report number one: Comparing the actual and recommended number of additional stores, per this analysis, concluded the per capita number should be in between 7,000

and 7,800. As a comparison to the other 13 control states, that had not privatized retail, Vermont ranked #3 as the state with the most liquor stores per capita. Only Alabama and Montgomery County, Maryland had more stores per capita with one store per 5,600 and 7,250 residents respectively.

- Based on several quantifiable factors, Vermont is providing sufficient accessibility to purchase distilled spirits to the citizens of our state. The quantifiable factors that I am referring to are:
- The total population of the State is declining.
- The VDLC case volume was flat for the three years that I researched upon my arrival in February 2016 to understand the overall state of the VDLC business model.
- Net profitability for the VDLC was also flat for that time frame.
- With the shift in demographics, stagnant population, sales, and profitability it would seem counterintuitive to simply expand the store count unless a location was compelling because it was underserved.

There is a rational argument that in a market that is experiencing population declines, a stagnant economy, and a company/department with a flat business trajectory that there is little reason to provide additional points of distribution.

The conclusions of Mr. Jackson's report, while meaningful and enlightening, did not provide us with a clear picture of our need for additional points of retail distribution.

Report number two: The VCPM working group submitted their report to the VDLC in June 2017. The VCPM(R) study focused on location specific criteria, population trends, income trends, development of new commercial districts throughout the State, and the impact on business of improved site location. It would be worth noting that most of our agents have been partnered with the VDLC for several decades in the same locations.

We initiated this consulting project to evaluate our current number of stores, their physical location, economic and demographic trends by county, a case study of a recently relocated store, and a recommendation to add new stores to the VDLC's retail footprint.

VCPM(R) performed a survey of 1,500 customers from the VDLC's email list with a response rate of 30% to the Survey Monkey questions. They made several observations and recommendations that were enlightening regarding a broader array of evaluation criteria. Surprisingly, location ranked number three behind price and product selection as reasons Vermonters chose whether to patronize their local agency.

The VCPM(R) conclusions were based on population trends, socioeconomic trends, convenience and accessibility. Their recommendations were adding eight additional retail locations to our current 80 store-model. This recommendation was generally consistent with Mr. Jackson's recommendation based on the 7,800/1 ratio.

In addition, they recommended that we:

- Improve our competitive pricing position with New Hampshire.
- Create consistent and improved retail standards throughout our system.
- Improve interior point-of-sale materials.
- Improve exterior signage.
- Evaluate all our current retail physical locations.
- Identify areas of business growth in local communities based on new development.
- Evaluate and implement new non-traditional retail models.
- Create standardized shelf sets.
- Evaluate and update s.k.u. counts for our retailers.

Since the appointment of Commissioner Patrick Delaney and Deputy Commissioner Gary Kessler in early 2016, the VDLC has made significant progress in all VCPM(R) recommended areas. In addition to hiring several senior management, we have improved operational efficiencies in the following areas including purchasing and sales, warehousing, information technology and marketing.

The results of the VCPM(R) survey supported our perception that pricing was the most important factor in guiding consumer purchase decisions. The second most important purchasing choice factor, product selection, was a little more enlightening, and the third most important criteria, store location, was a bit of a surprise as to its position in the hierarchy.

There are currently many tangible constraints, regardless of perspective, to significantly expanding the retail footprint of the VDLC:

- Limited warehouse capacity to inventory additional merchandise.
- Insufficient IT structure to support additional points of distribution.
- Additional stores may cannibalize the business of our existing agents without increasing total sales.

VCPM(R) Key recommendations:

- Several more store locations within Chittenden County, the fastest growing and most prosperous in Vermont.
- Liquor stores be strategically placed in thriving shopping locations, grocery stores, highway rest areas and tourist towns.
- VDLC move stores away from retail locations which are in transition or experiencing economic decline.
- VDLC partners with retailers that understand and implement merchandising and customer service.
- Signs for liquor stores should be placed just off the highway to guide motorists to the liquor store.

- Uniform signage for all the liquor stores.
- VDLC concentrate on offering a wide variety of products and sizes.
- VDLC should find ways to be more price competitive with New Hampshire.

The Department of Liquor Control's Objective

The Legislature mandated that VDLC submit a proposal to increase revenue by recapturing sales of distilled spirits and fortified wines that are lost to neighboring states. The mandate requested an analysis of the State agency liquor stores (identifying the optimal number and potential expansion), considering population, geography, and proximity to Vermont's borders, and a recommendation for any legislative action that is necessary for implementation.

Under the VDLC's new administration, we have been examining, evaluating and implementing changes to our business model. The focus is on improving efficiencies, return on investment, bottom line performance and customer service. The legislative mandate is an important factor that further enhances our focus.

Historical Context, Creation of Vermont's Department of Liquor Control

Vermont's VDLC was created by state statute in 1933. Today, VDLC's mission is to prevent the misuse of alcohol and tobacco through controlled distribution, enforcement, education; and provide excellent customer service by operating efficient, convenient liquor agency stores¹. The Liquor Control Board is responsible for supervising and managing the sale of liquor through the Commissioner of the VDLC. VDLC purchases, warehouses, distributes and sells spirits at its established retail prices at agency stores. Inventory is held in the state-owned warehouse in a bailment arrangement. Liquor manufacturers ship product to the warehouse and retain ownership of the product until it is placed on the State-owned delivery truck and shipped to agency stores. At that time, ownership transfers to the State until it is sold to customers. VDLC's divisions are: Information Technology, Education, Enforcement, Licensing, Marketing, Purchasing, Distribution, Accounting and Retail Operations².

Agency Stores

The Vermont Department of Liquor Control's retail footprint evaluation project focuses on the Retail Operations Division of the VDLC. Prior to 1996, VDLC owned and operated many of the liquor stores. Currently, we contract with these privately-owned retail locations to sell distilled spirits (e.g., spirits such as whiskey, vodka, gin and tequila). These retail locations are the face of VDLC to the public. Retail Operations works with the VDLC's Agency stores to promote an outstanding selection of products and customer service. All Agency stores must meet VDLC's

¹ 802 Spirits Annual Report 2016, p. 3.

² 802 Spirits Annual Report 2016, p. various.

written standards of expectation and must abide by VDLC's contractual obligations. All agency store personnel undergo training on State liquor laws, rules and regulations pertaining to the sale of alcohol.

There are currently 77 agency stores in all corners of the State. They range from a square footage of 138 to 2,300³. Annual sales range from \$85,000 to \$4.1 million⁴. VDLC issues licenses to agency stores and determines the price and product selection. VDLC applies a 65-85% markup to the cost of products to establish retail shelf prices for liquor. Of the retail price, 25% is the liquor excise tax. In addition to the retail price 6% is Vermont sales and use tax is added to the price at the register. Retail prices of liquor products are the same in each agency store in the State. Sale pricing, lasting for one month, is offered on the same day of the month at each store. All agency store customers, private citizens or a restaurant, bar or resort, pay the same retail price per bottle. There is no additional intermediary in Vermont and no discounted pricing for commercial establishments. Much of the net revenue from sales including all tax receipts is transmitted to the State's General Fund. In Fiscal Year 2016, VDLC deposited \$23.6 million into the General Fund, and \$1.1 million into the Enterprise Fund⁵.

Methodology

The VCPM[®] Liquor Footprint group used multiple sources of data collection to gather relevant information for this report. Research gathered was both qualitative and quantitative:

- An online customer survey to 3,700 individuals in VDLC's customer database. The survey was designed to gather information on customer experience within existing retail stores, their buying patterns, and general knowledge of revenue sources. The survey was open from March 3 to March 10, 2017.
- A case study was conducted at a new location in Bradford Vermont. This retail store is within a Hannaford grocery store. The group interviewed the manager of the store, customers within the store and staff. The group visited the previous location of the liquor store in Bradford Vermont on February 1, 2017.
- Secondary data gathered included an interview with key members of the Department of Liquor Control (The Commissioner of the Vermont Department of Liquor Control, the Marketing Manager and Retail Manager). This meeting took place in the VDLC boardroom on February 15, 2017.
- Vermont Demographic and Economic Analysis: A population study on the state of Vermont was reviewed along with a study of existing demographic information. The group looked at tourism in the state of Vermont and its impact on the economy as well

³ 802 Spirits Annual Report 2016, p. 23.

⁴ 802 Spirits Annual Report 2016, p. 26.

⁵ 802 Spirits Annual Report 2016, p.34-35.

as the number of visits at Rest Areas/Welcome Centers in the state of Vermont and Cross Border Trips.

Results/Findings

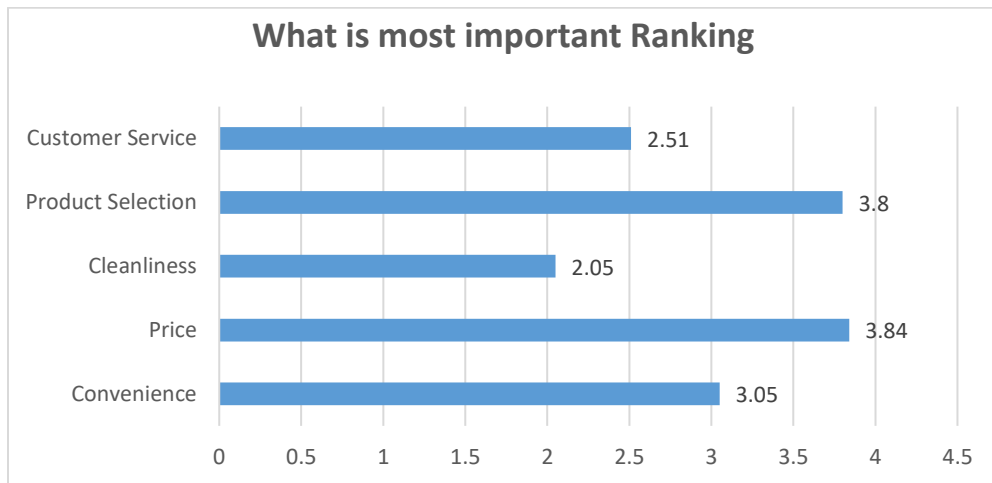
Customer Survey

This sampling represents about 0.7% of the legal drinking age residents of Vermont which is approximately 483,000+ according to the U.S. Census Bureau⁶ for the 2014 population estimates by age profile. Of the sample size, we received 427 responses or 11.54% of the sample size⁷.

We asked six questions of the respondents.

- “What is most important to you when you shop in a Vermont retail agency liquor store?”
- “Please comment on why that factor is most important to you”
- “Did you know that net profits and taxes from liquor store sales in Vermont are deposited into our State Government’s general fund?”
- “Is your local Vermont Liquor Store located in the most convenient location for you?”
- “If no, please suggest better locations for your local Vermont Agency Liquor Store”
- “What can the Department of Liquor Control do to make the Vermont retail agency liquor stores a great place to shop?”

Question 1. What is most important to you when you shop in a Vermont retail agency liquor store? Please rank from 1 to 5 with 1 as the most preferred and 5 as the least preferred.



⁶ U.S. Department of Commerce, US Census Bureau, Population Quick Facts

⁷ The sampling size represents a significant sampling with a confidence level of 95% and a confidence interval +/- margin of error of 5 = 348.

Of the 427 total responses received, 424, or 99.29% answered this question. We asked that customers rank their preference on five elements of the agency liquor store: customer service, product selection, cleanliness, price and convenience.

- Price and Product Selection ranked significantly higher than the other three as being the most preferred reason for shopping at Vermont retail agency liquor stores with a score of 3.84 and 3.8 respectively.
- Price was selected with 39.49% of the vote as the most important factor score of 1 and 31.28% ranked price a 2.
- Product selection was close behind with a ranked score of 3.8 with 35.40%, scoring it a 1 and 30.49 scoring it a 2.
- The other higher ranked component was convenience at 3.05.
- Finally, it should be noted that cleanliness was the least important with a total score of 2.05. 41.88% and 28.80% selected cleanliness as number 5 and 4 respectively as least important. See table below.

Q1 Percentage of Selection for Most Preferred (1 being as most important, 5 being least)

	1	2	3	4	5	Total
Convenience	17.24%	19.63%	30.77%	15.65%	16.71%	100.00%
Price	39.49%	31.28%	12.56%	7.18%	9.49%	100.00%
Cleanliness	5.24%	6.81%	17.28%	28.80%	41.88%	100.01%
Product Selection	35.40%	30.49%	19.90%	7.49%	6.72%	100.00%
Customer Service	8.15%	13.09%	20.99%	36.79%	20.99%	100.01%

Question 2. Please comment on why that factor is most important to you.

Results:

Of the 427 total responses, 245 explained why the factor they chose is most important to them. Their first reason is included below:

- Of the 245 comments, 83 indicated they would like a better selection of products.
- 78 people indicated they thought prices were too high.
- 26 people believed there were better prices in other states, especially NH.
- 31 people felt that agency stores should be located close or near shopping centers.

Of the 245 responses, better pricing was indicated 78 times as their first reason and six times as their additional reason. Many wrote that they felt prices were too high, tax included, especially when compared to nearby States, i.e. New Hampshire (NH). Others who identified price as their most important element, identified the need to have more sale opportunities and offer fair,

competitive prices. Moreover, those who indicated pricing as their top issue, name NH or New York (NY) four times as having better prices. Some indicated that spirits were a luxury item and could only be purchased when it was on sale. Finally, some thought that the sale prices were not consistently being applied from store to store in the State.

The second most important factor to customers in an agency store was product selection. The importance of offering an array of different products was selected by 83 people. Some customers perceive that VDLC does not have a large enough selection of high end, top shelf products. Some indicated that they shop out-of-state for special non-listed products and only shop locally for high volume, name brand products. While there is the option for special ordering in Vermont agency stores, the stores would be better served by offering more variety, and different sizes of common products to diffuse competition with neighboring states.

Of the 245 responses, 31 named having stores close by or near shopping centers where they shop as the most important factor to them. Most customers indicated that they don't want to waste time driving to different locations especially if the product selection is limited, as may occur in smaller, rural stores. Some desired not having to travel too far for distilled spirits and their desire to pick up their distilled spirits in the same store where they purchase groceries or gas.

Finally, many respondents compared Vermont agency stores with New Hampshire Liquor & Wine Outlet stores. 26 people specifically named New Hampshire Liquor & Wine Outlet stores as having better product selection and prices as their first reason for preferring to shop in NH. Some even indicated that they were willing to travel farther to go to NH than visit their local liquor store because of NH's "tax free" pricing and their perception that NH has better selection than Vermont.

Listed in table below is the first reason named in question two:

Q.2. Reason 1 For the Number 1 Ranking in Q.1.

Row Labels	Count of Number
Likes an array of different products	83
Fiscally prudent	78
Close to shopping centers	31
NH impact	26
No comment	7
Good customer service	5
Store appearance	4
Time constraint	3
Easy access and quick checkout	2
Professional appearance	1
privatization	1

IT improvements	1
Not enough stores	1
Keep as is	1
Limited parking	1
Grand Total	245

Question 3. Did you know that net profits and taxes from liquor store sales in Vermont are deposited into our State Government’s general fund?

Answer Choices	Responses	
Yes	60.71%	258
No	39.29%	167
Total		425

Results:

- Of the 427 responses, 425 answered this question.
- 60.71%, or 258 know that the general fund is reporting the profits from liquor store sales.
- Only 39.29%, or 167 respondents, indicated they did not know where the profits were going. See above.
- VDLC does a good job informing customers of the benefits of spending local dollars in Vermont that are then used to fund social programs in the State, but these results indicate there is opportunity for improvement.

Question 4. Is your local Vermont retail agency liquor store located in the most convenient location for you?

Response	% of Responses	# of Responses
Yes	86.35%	367
No	11.06%	47
I don't Know	2.59%	11
Total	100.00%	425

Results:

- Of the 427 respondents, 425 answered Question 4.
- Over 86% indicated that their store is currently located in the most convenient location for them.

- Only 11% had a negative response and 2.59% who did not know.
- These results suggest that customers clearly feel that their current stores are in convenient locations.

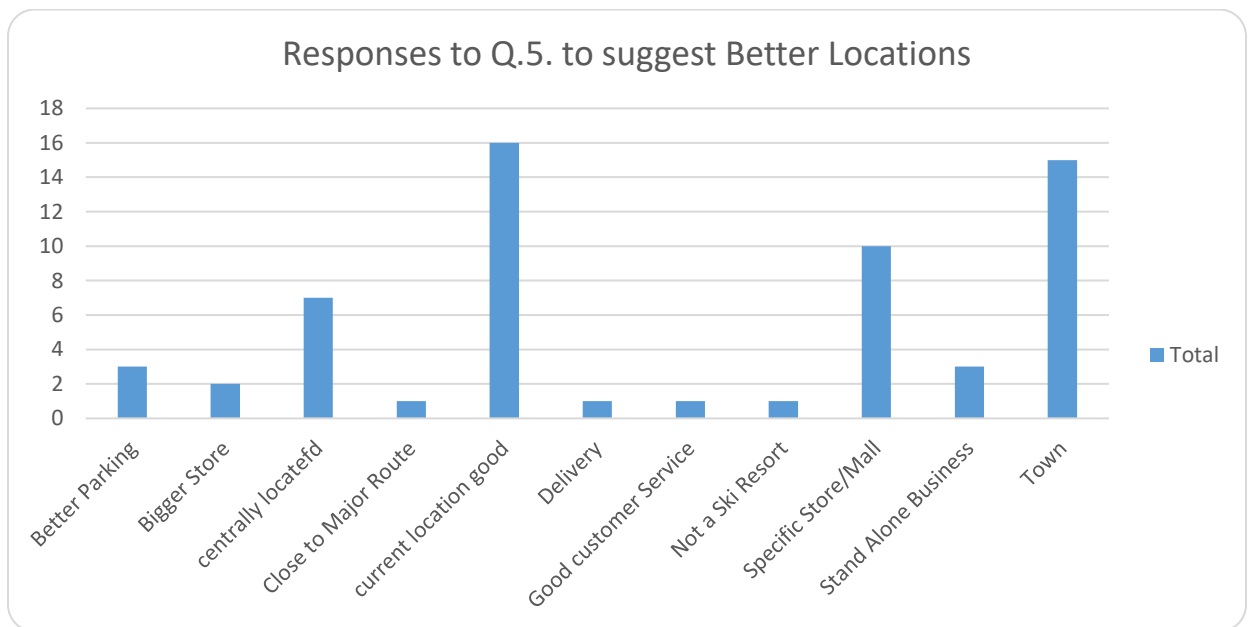
Question 5. *If not, please suggest better locations for your local Vermont retail agency liquor store.*

Results: Of the 427 repondees, 60, or 14.05% responded to question 5. Of the 60 comments to identify a better location, 15 named the following towns:

Jericho	Lowell	Williamstown	Milton
Jay	Pittsfield	Shelburne	Canaan
Troy	Colchester	Charlotte	
Westfield	Georgia		

These towns were named because their local stores were too far away, had recently closed, or are not in a convenient shopping location. Other significant responses named specific shopping centers, or convenience stores, as well as grocery stores that would be more convenient to shop. Finally, 16 customers confirmed that their current store is already in a convenient location.

Based on the responses from question 4 and question 5, the majority were satisfied with their current liquor store location.



Question 6. *What can the Department of Liquor Control do to make the Vermont retail agency liquor stores great places to shop?*

Of the 427 responses, 351 identified or commented on things VDLC can do to make their stores better. 105 indicated they were satisfied with their store experience and didn't see that any changes were needed. Of those indicating a positive experience, many noted the location as being convenient because it is where they shop or work.

84 respondents indicated that they would prefer a greater variety of products and different package sizes in retail agency stores. Several mentioned that they mix drinks as a hobby and like to have products highlighted by VDLC as well as the ability to do special ordering. Others indicated a lack of speciality products and a limited selection of Vermont brands.

63 of the respondents noted issues with pricing. 19 of the 63 respondents noted that Vermont needs to improve their competitive position to better compete with New Hampshire on pricing. They believe NH prices are lower and it is worth the trip across the border, even though VDLC uses shelf labeling comparing the prices of VT and NH. Seven respondents thought that Vermont should reduce its taxes on alcohol.

Out of 427 respondents: 6 indicated the need for more stores, 2 wanted cleaner stores, 4 thought their stores were conveniently located. 4 would like to be able to do non-spirit purchases in the same transaction. 15 people thought that Vermont should not be a control state and should get out of the liquor business.

In summary, most of the responses received concerned price and/or product selection.

- Customers are not necessarily looking for additional stores, or small satellite shops closer to where they shop or play.
- There was a strong interest to remodel less desirable stores to make them more appealing
- Customers are looking for more competitive pricing comparable to New Hampshire and a larger inventory of products to choose from.
- They feel the existing stores are in convenient locations, centrally located and easily accessible. This is indicated by the high number of customers who wanted to keep the stores where they are.
- Customers noted that some of the stores were very small and preferred co-locating in grocery stores. The reasons were security, warm lighting, ample parking and the convenience of one stop shopping.

Case Study

The Vermont Department of Liquor Control agency store in Bradford, VT has recently undergone significant changes, which have improved the availability, and visibility of distilled spirit sales in the area. These strategic changes highlight many of the opportunities and challenges the VDLC and its retail partners face and serve as a potential blueprint for transforming the VDLC's retail partnerships in Vermont. As a way of understanding these opportunities and challenges,

Commissioner Delaney suggested that we meet with Mr. Bob Molinario, Hannaford's store manager, to guide us through the Bradford store transition.

Previous Location

Bradford, VT is a rural town on the New Hampshire Border, and is located approximately 30 miles north of White River Junction, VT. The previous agency store was located in downtown Bradford for many years in a fuel oil distributor, gas station and convenience store. Downtown Bradford is in many ways typical Main Street, USA, with a few shops, restaurants, offices, and apartments. Many storefronts are currently vacant and in general disrepair, with parking mainly on-street. The business transfer led to the closing of the store, and a void for local customers looking to purchase distilled spirits, with the next closest liquor store located in New Hampshire.

New Location

The Hannaford grocery store is located outside of downtown Bradford, and is a newer building with approximately 35,000 square feet of space. The store is located at a busy intersection on a major thoroughfare in an area with close access to Interstate 91, as well as Route 5, and convenient access to New Hampshire. Farm-way, Inc., a major hard-goods retailer and consumer attraction is located close-by and helps to anchor the intersection as a retail center for the region. The Hannaford location has ample, on-site, well-lit parking and the Liquor agency store is well signed, both on the side of the building as well as on the Hannaford entrance sign.

The Store

The VDLC agency store itself is a "store within a store" model and is approximately 750 square feet in size. Mr. Molinario stated that its location within the Hannaford store, strategically serves as a theft deterrent as the outlet does not have a separate entrance and one must use the main Hannaford entrance. The agency store has a locking door, so it may be closed when the grocery store remains open. Mr. Molinario and Hannaford have extensive merchandising and retailing experience and have sought to locate the store to maximize its potential. Store Manager Molinario indicated that Hannaford's decision-making process began with utilizing an underperforming area at the front of the store, which had previously sold lower margin goods. Hannaford spent considerable time and money remodeling the area to conform to VDLC standards. It benefits from having a clean, open feel, with large windows up high, providing natural light throughout the floor plan.

Store Performance

The agency store opened in September of 2016 and has been performing better than expected. In its first twelve months of operation, the new location averaged monthly sales of \$60,000, an increase of \$11,000 compared to its previous location or approximately 23% over the same period the year prior. Mr. Molinario stated that these results were encouraging, despite being

hampered by out-of-stock situations, and ordering limitations established by VDLC during this timeframe. He stated that VDLC has removed many of these ordering limitations, and they are able to lessen out-of-stock situations, improving sales results.

To break-even and cover the costs of staffing the VDLC register, Hannaford sales per month must exceed approximately \$55,487⁸, or annualized break-even sales of approximately \$665,853. Mr. Molinario fully expects to exceed gross revenue of \$1 million this fiscal year and more than double up the previous location's average fiscal sales. He expects current trends to continue and to experience additional success in the upcoming tourist season and as the comfort of his normal customers continues to grow with his store.

Mr. Molinario attributes most of the success of the current location to convenience factors and customer service. He stated that though they didn't have hard data to support the cross merchandising occurring, he suspects that many customers begin shopping for groceries and end up buying Spirits once there or vice versa. This cross-merchandising is hard to quantify, but is almost surely contributing to the overall success of both stores (Hannaford and the VDLC agency store). He highlighted excellent customer service as a factor driving licensee sales improvements. Mr. Molinario stated that the investment made by Hannaford in this new store is paying off, however financial incentives for costs like store build out, employee training and store set-up would have made the process more viable. As VDLC embarks on strategic retail alliances, adding financial incentives for these areas may be beneficial in the long-run.

Case Study Lessons

Overall, the case study provides useful insight into developing a successful retail strategy for the VDLC as well as for identifying key qualities of areas and locales in which to put future stores:

- Locating stores in high traffic areas even in smaller Vermont towns, where customers will most likely be shopping for other goods and services.
- Moving stores away from retail locations which are in transition or experiencing economic deterioration.
- Improving accessibility through known and high visibility sign locations with ample parking opportunities.
- Partnering with professional retail partners that understand merchandising and customer experience.
- Retail locations which are appropriately sized and stocked.
- Providing financial incentives to improve store appearances, uniformity, and performance.

⁸ This is a function of expected hourly wages multiplied by hours open per month divided by the 8.2% commission structure.

Secondary Data

Secondary data gathered included an interview with key members of the Department of Liquor Control, an analysis of VT demographics, population median age, income, sales data and VT tourism data.

Meeting with VDLC Key Members

Secondary data gathered included an interview with key members of the VDLC, the Commissioner, the Retail Operations Director and the Marketing Director. This meeting took place in the VDLC boardroom on February 15, 2017. We engaged in a discussion about VDLC's past, present and future with an emphasis on marketing and retail initiatives and goals. VDLC is investing in innovation, working to change Vermonters' liquor buying habits and concentrating on becoming more business friendly for suppliers, agents and customers. VDLC management is making sure Vermont made products are highlighted in the stores. They are open to new and different approaches to marketing their products.

The VDLC is already developing a business model, standardizing graphics and logos, price setting and training agency staff.

Demographics

When seeking to identify locations and strategies for store growth areas or relocation, it is important to understand the population dynamics Vermont is currently experiencing. Vermont remains a mostly rural state. Understanding where people live and work will better inform decisions concerning where they may want to shop.

The Vermont Department of Labor produces a variety of economic and demographic statistics, which provides information on a statewide and county basis on population and economic trends. In 2015 Vermont was ranked 18th among all states in per capita personal income of \$48,587. The national average in 2015 is \$48,112. Chittenden county was ranked 1st in all Vermont counties at \$54,756 and Essex county ranked last, or 14th with \$34,497.

Population

According to U.S. Census estimates, Vermont's population growth has stagnated in recent years after growing modestly between 2000 and 2010. Census estimates for 2016 project population growth rates slowing further to 0.2% per year⁹. State of Vermont demographic projection scenarios for the year 2030 project overall population declines.¹⁰ While the overall population appears to be stagnating, on a county by county basis, certain areas of Vermont have, and will most likely continue to, experience population shifts differently. Based on the 2014 Vermont

⁹ U.S. Census Estimates 2016

¹⁰ Vermont Population Projections 2010-2030

Economic and Demographic Profile illustrated below, Chittenden (4.1%), Caledonia (4.2%), Franklin (6.3%) and Lamoille (4.7%) counties are expected to see population growth while Addison (-7.4%), Bennington (-5.6%), Essex (-13.1%), Grand Isle (-8.1%), and Rutland counties (-12.1%) are expected to see population contractions. The remaining five counties are expected to remain relatively flat over these time horizons.

Population Projections 2010-2030							
County	Census 2010	Low Scenario			High Scenario		
		Projections 2020	Projections 2030	Percent Change 2010-2030	Projections 2020	Projections 2030	Percent Change 2010-2030
Vermont	625,741	628,688	620,480	-0.8%	653,575	670,073	7.1%
Addison	36,821	35,820	34,113	-7.4%	37,198	36,730	-0.2%
Bennington	37,125	36,470	35,034	-5.6%	37,695	37,470	0.9%
Caledonia	31,227	32,199	32,534	4.2%	32,336	32,752	4.9%
Chittenden	156,545	161,812	162,967	4.1%	165,690	171,718	9.7%
Essex	6,306	5,974	5,480	-13.1%	5,949	5,489	-13.0%
Franklin	47,746	49,253	50,739	6.3%	51,810	55,647	16.5%
Grand Isle	6,970	6,773	6,405	-8.1%	8,777	10,708	53.6%
Lamoille	24,475	25,281	25,618	4.7%	28,198	31,639	29.3%
Orange	28,936	28,946	28,443	-1.7%	29,813	30,056	3.9%
Orleans	27,231	27,424	27,008	-0.8%	28,598	29,296	7.6%
Rutland	61,642	58,494	54,175	-12.1%	60,791	58,439	-5.2%
Washington	59,534	60,027	59,960	-0.7%	61,186	62,372	4.8%
Windahm	44,513	44,427	43,609	-2.0%	46,477	47,429	6.6%
Windsor	56,670	55,788	54,395	-4.0%	59,057	60,328	6.5%

Note: Percent changes are calculated as simple percent changes and are not on an annual basis.
Source of Historical Data: US Census Bureau website, online at www.census.gov.
Source of Projections: The Vermont Agency of Commerce & Community Development, <http://accd.vermont.gov/>

In conclusion, the data suggests continued population growth struggles in rural parts of the state with potential for growth expected in the general areas surrounding Chittenden County.

The median age in Vermont in 2015 was 42.2 years. This was down from a median age of 42.5 years in 2014 which was much higher than the national age of 37.7 years and 37.2 years in 2014 and 2015 respectively¹¹. Vermont is aging at a greater rate than most other states. Maine is the only other state with a higher median age. Chittenden County ranked the youngest at 39.7 years

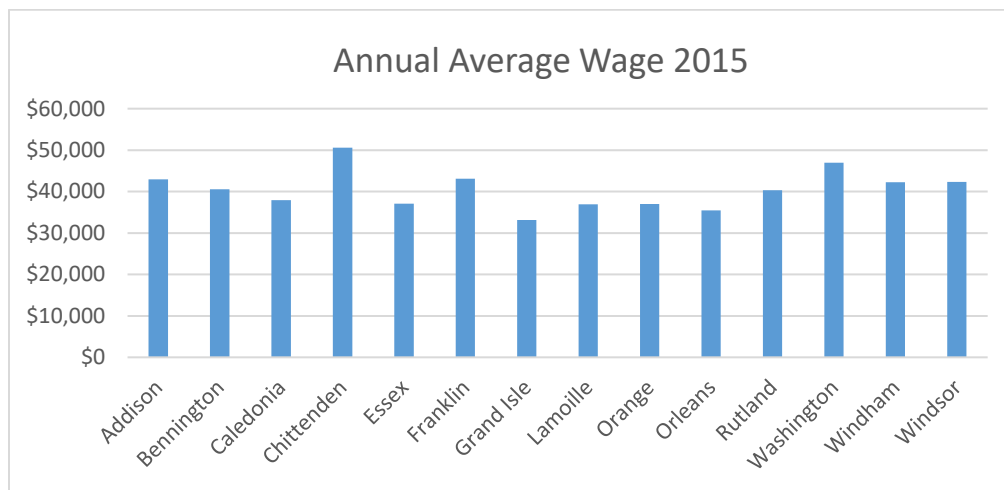
¹¹ U.S. Census Bureau, Population Division – Annual estimates of the resident population by Sex, Age, Race and Hispanic Origin for the United States, April 1, 2010 to July 1, 2015.

and Essex County comes in at the highest at 48.2 years. Vermont's drinking age population (~age 21+) was approximately 475,486 in 2015.

In conclusion, statistically noted, the largest drinking group tends to be aged 18-29 years. According to CDC¹², young adults aged 18-34 years are most common to binge drink. It is also known that binge drinkers are found in the aged 65 years and older group.

Income

The average annual wage in Vermont increased to \$44,231 in 2015, which is an increase of 2.8%, compared to 2014, the largest increase since 2008.¹³ Chittenden County leads other counties in Vermont at \$50,568 or 14% above the statewide average. The only other county above the statewide average is Washington County at \$46,973, or 6% above the statewide average. Residents of Grand Isle County have the lowest annual wage at \$33,157.



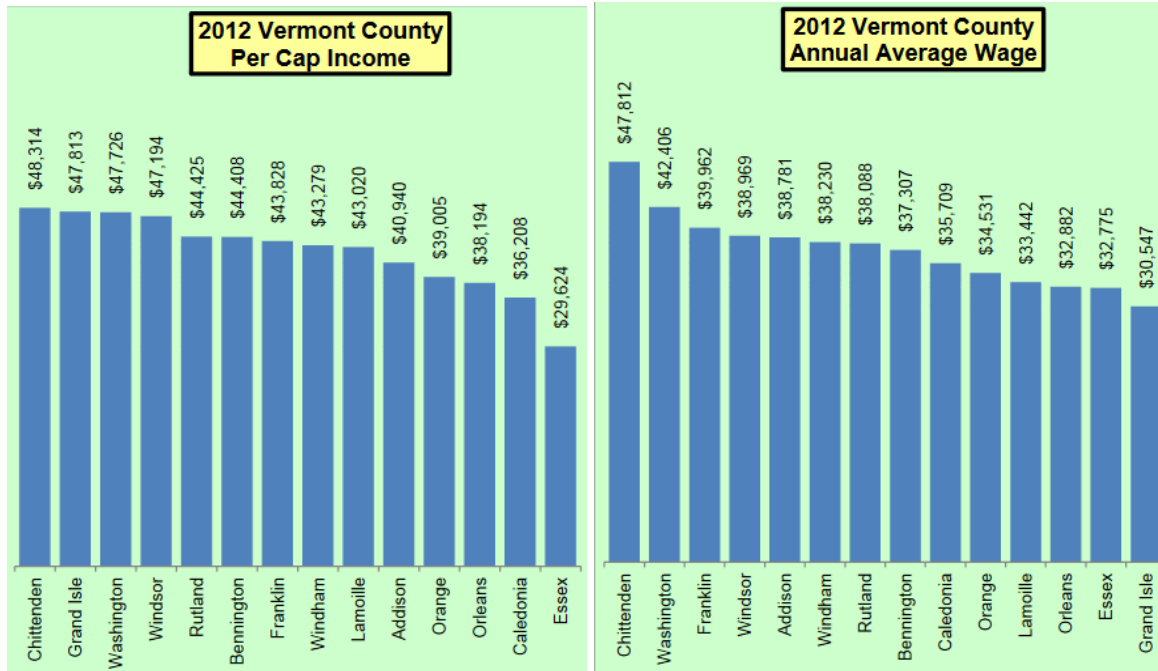
Source: Vermont Department of Labor – Quarterly Census of Employment and Wages

Chittenden County, which has the State's largest population, also has the highest per capita income in the State. In 2012, Chittenden County and Grand Isle County led the State with \$48,314 and \$47,813 in per capita income, while Caledonia and Essex were the lowest of the 14 counties in Vermont at \$36,208 and \$29,624 respectively.

In conclusion, Chittenden County residents and employees are a target market for increased agency stores because they have a growing population that most likely has the disposable income to purchase spirits on a regular basis.

¹² www.cdc.gov/alcohol/fact-sheets/binge-drinking.htm

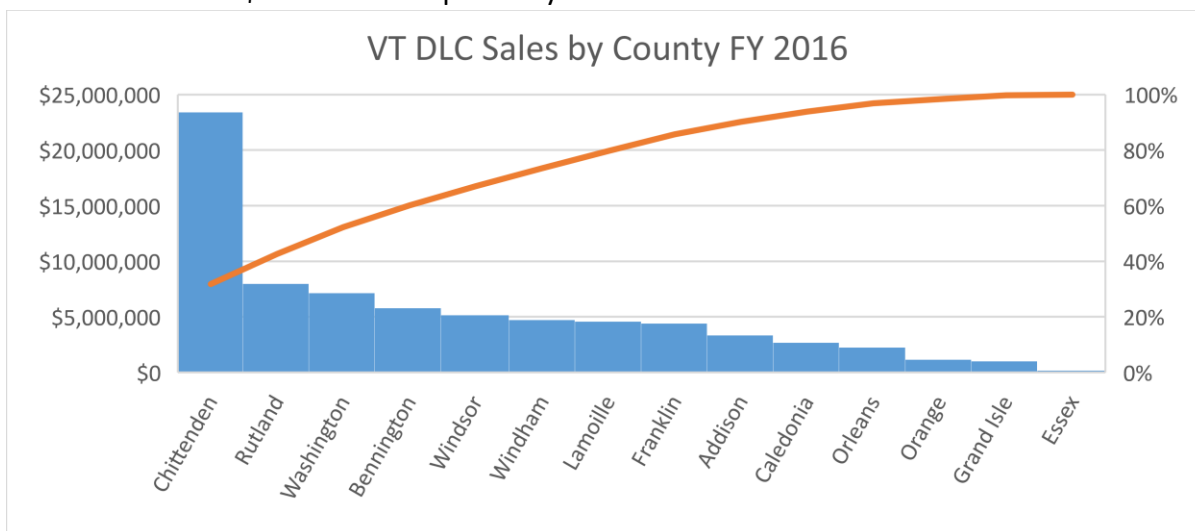
¹³ Vermont Department of labor – Quarterly Census of Employment and Wages



Source = 2014 Vermont Economic and Demographic Profile

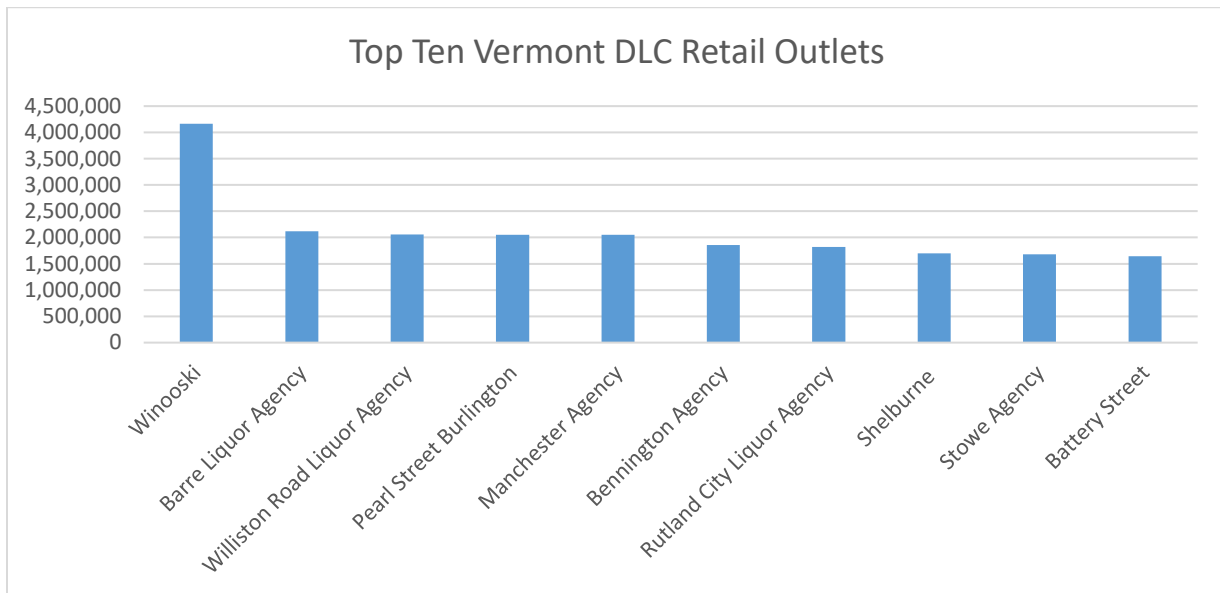
Vermont VDLC Store Sales

For Fiscal Year 2017, The VDLC reports total sales of approximately \$76.5 million. This was an increase of \$4 million over 2016's \$72.5 million. During the period, Chittenden County accounted for approximately 31.7% of all agency store distilled spirits sales in Vermont. Chittenden County's 14 stores sold a combined \$23.4 million worth of distilled spirits. Rutland and Washington counties, the second and third most populated counties, had the second and third highest sales with sales of \$7.9 million and \$7.1 million respectively. Conversely, Essex and Grand Isle counties, Vermont's least populated counties, had the least amount of sales in the State at \$181 thousand and \$1.0 million respectively.



Source: VDLC Retail Sales by Store Data FY2016

In conclusion: Chittenden County, with the largest population, has five of the top ten highest grossing liquor agencies. Rutland and Washington Counties having the 2nd and 3rd highest grossing liquor agencies. Growth potentials for agency stores maybe possible in Addison County, Franklin County, Washington County as well as Chittenden County. In addition, sales volume appears to be heavily correlated to the population in each county for even the smaller counties of the State.



*Source = VT DLC

Tourism & Welcome Centers

The VCPM[®] Group reviewed the 2013 Benchmark Study on the Impact of Visitor Spending on the Vermont Economy published by Vermont Department of Tourism and Marketing. It is a challenge to isolate one area of visitor spending as tourism relates to all economic sectors within the state of Vermont to some degree. The study found that visitors spend approximately \$2.5 billion per year in the following sectors within the state of Vermont in 2013 (See Travel and Tourism Graph 1 in Appendix D).¹⁴

According to the Dublin Institute of Technology’s report on Responsible Sales and Service of Alcohol for the Tourism, Hospitality and Retail Industries, tourism has no “one size fits all” structure on how each area organizes their tourism industry. This is determined by factors including the local government and the importance of tourism to the local economy. Based on a survey conducted through the Vermont Welcome Centers, most visitors come for sightseeing,

¹⁴ Benchmark Study of the Impact of Visitor Spending on the Vermont Economy 2013.

hiking backpacking, food/drink experiences, shopping, farms, farmer markets and historic sites and museums.

The following chart identifies spending for visitors to Vermont in 2013:

Figures in Millions	Lodging	Restaurants	Groceries	Gasoline	Retail	Recreation and Entertainment	Other Travel
Overnight Lodging	\$420	\$175	\$30	\$20	\$30	\$75	\$60
Second Home	—	\$150	\$50	\$15	\$120	\$100	\$60
Campers	\$10	\$3	\$5	\$5	\$3	\$10	--
Friends and Family	—	\$35	\$30	\$30	\$20	\$50	\$70
Day Trips	--	\$15	\$10	\$40	\$20	\$65	--
Pass Through	--	\$25	\$15	\$50	\$20	--	--

*Source = Benchmark study of the impact of Visitor Spending on the Vermont Economy 2013

Visitors staying in hotels tend to spend the most per day on food and beverage, where visitors staying with friends and family may spend less. Second home visitors spend at a higher rate than those staying at campgrounds and day visitors

Unlike other New England states, Vermont’s tourism counts are higher than average in January and February, with skiing and other winter sports offering a boost to the Vermont economy.

Opportunities for liquor sales exist at the seventeen existing welcome centers located across the state. One newly opened welcome center is in Berlin and has already seen a significant number of travelers. Some of the States welcome centers offer potential for liquor sales (See Travel and Tourism Graph 3 in Appendix E).¹⁵

According to a study by the University of Vermont on Tourism and Recreation, most visitors to Vermont reside in nearby states (MA, NY, CT). Within the state of Vermont only Washington and Lamoille Counties do not border another state or Canadian province. No area of our state is more than a one-hour drive from a state or Canadian border. Interestingly, Vermont made products are purchased by three quarters of visitors.

¹⁵ Vermont Tourism and Recreation Survey: 2012.

In conclusion: Tourism continues to be an economic boost to Vermont and many industries rely on this market.

Maps

We have created a map that illustrates the current agency store locations, as well as those areas that have been identified as possible new locations according to our analysis. We have created an overall map of the state along with a map denoting each of the 14 Vermont Counties (see Appendix F for the individual county maps).

VCPM(R) Conclusions and Recommendations

Competitive Pricing

The survey was a good way to take the pulse of Vermont consumers to see what matters to them in terms of their purchasing habits for spirits. Many of the customers thought that Vermont stores could do a better job at setting reasonable, fair and competitive prices. Some expressed their desire to see stores have more promotions, sales and for all stores to honor the monthly sale prices. Moreover, others thought that a tax reduction or removal would serve Vermont well.

Several people addressed the impact of tax free New Hampshire pricing. Some customers did mention the new VT/NH labels on the shelf that illustrated how close prices were and helped them realize that they may not necessarily obtain better deals in New Hampshire Liquor & Wine Outlet stores. However, the survey results clearly indicates that VDLC needs to do a better job at educating consumers on the actual difference in pricing between Vermont and New Hampshire.

Product Selection

Many current VDLC customers report traveling to New Hampshire Liquor Outlets, even if it is farther away than their nearby Vermont liquor store, to take advantage of perceived low prices and product variety. Customers commented that Vermont stores did not offer the array of products they were looking for. Some indicated that they had to travel to several different agency liquor stores in Vermont to get the brands they desired. Others felt that the smaller stores did not stock the most common labels or offer an array of bottle sizes because of the diminished shelf space. Others named specific products, especially whiskeys and bourbons, that they could not find in Vermont. Further, others described that top shelf products were hard to get routinely in different bottle sizes. Finally, some thought that local products were not displayed consistently throughout the agency Stores.

Located close or near shopping centers/plazas

As price and product selection were deemed the two most important factors noted by Vermont consumers, another important point is that a great deal of customers noted that their stores were conveniently located for them and they would like their stores kept as is. However, some believed that locating agency stores in shopping centers or plazas where people are doing their

shopping is prudent. We saw that in the case of the Bradford store. Shoppers are already in the area doing their errands and would prefer to shop in one area rather than travel to stores in different locations. With agency liquor stores in key shopping centers, customers are more apt to impulse buy if the store is convenient to where they routinely shop. Finally, tourists would like to go where the shopping plazas are and not in downtown locations on Main Street USA where there is limited parking, desolate, rundown buildings and possible security threats.

Through our analysis of the survey and our discussions with customers at the Bradford Store, we conclude that co-locating an agency liquor store in an established grocery store or supermarket has created a successful relationship for owners and customers. Everyone shops at his or her favorite grocery store and having the convenience of a liquor store embedded in the grocery store works well. As in the case of the Bradford agency store, sales are expected to almost double from its previous location to the Hannaford market. People like the convenience to one-stop shopping, ample parking and the security of shopping in a busy mall/mart. Our recommendation for future agency store sites, is to co-locate them in grocery stores, especially with partners who are already engaged in the beverage industry.

Named towns/areas that are underserved from customers' perspective

In the survey, several people recommended a specific town or business within a town that they thought an agency store should be placed. Although the larger town listing is indicated on the following page, several make sense given either the growing population (Chittenden County) and/or the area is currently underserved by VDLC agency liquor stores. For instance, Jericho was named four times in the survey of 60 responses as a good location for a new store as there isn't a location close by. Each of the following towns possess qualities that have been identified as providing a potential benefit through the establishment of a new VDLC store.

Specific locations and a rationale for each are:

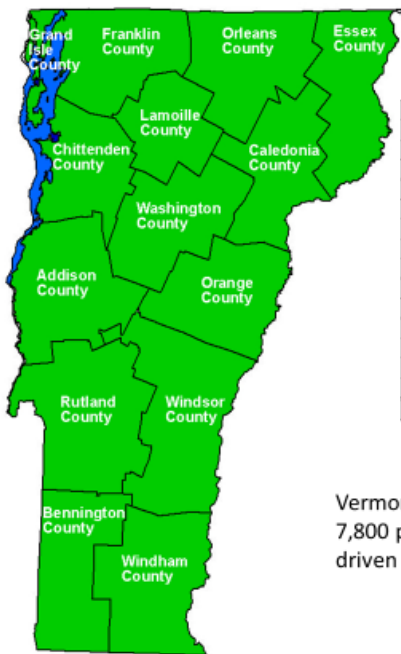
- Jericho: Proximity to Underhill, and growing population expectations, in Chittenden County, combined with a lack of a store close by.
- Shelburne: Growing population, in Chittenden County, locations on busy Route 7 corridor, and tourist attractions.
- Charlotte: Growing population, in Chittenden County, locations on busy Route 7 corridor, and a NY border hub via ferry.
- Colchester (near Costco): Growing population, in Chittenden County, potentially underserved by current store in isolated yet touristy area of town. Costco area has many ideal potential partners.
- Georgia: Growing population, in Franklin County, likely experiencing similar growth potential, lack of local store half way from Milton to St. Albans.

Select professionally run retail business locations

A store that is well run by a qualified professional retailer – even if it is in a relatively small town - can see increased sales, as indicated by the Bradford store. Mr. Molinario and Hannaford management are aware of their profit margins; know how to sell their products and know the buying habits of their customers which ultimately maximizes potential sales. Qualified professional retailers know how to use loss leaders in getting customers in the door. The Bradford agency has a remodeled footprint which resulted in an open, clean feel with large windows and good lighting that highlights products and has ample space for customers to shop. Having experienced staff is also important. Several comments were made in the survey about having experienced staff to help shoppers with questions, suggestions and recommendations on what to buy. A few customers noted that they were mixologists and liked to experiment with new drink recipes and looked to store employees to assist them in specific products to buy.

Serving populated areas

Vermont is the second smallest state in the nation. From 2000-2010, Vermont’s population only grew by 2.8%. Given Vermont’s small population and relatively static growth, the need for additional liquor agencies is not likely to be as high as in states with larger, rapidly expanding populations. Consequently, relocating and/or improving existing stores may be more important for maintaining and growing liquor sales in Vermont. On the other hand, Vermont does have a significant tourism industry. Thus, economic factors related to Vermont’s tourism economy, such as visitor spending, should be monitored and considered by the VDLC. In short, population and economic growth should be the primary drivers in expanding the number of liquor agencies in Vermont.



Current Agents by County

County Name	Agents	Population	Agents/Pop
VT, ADDISON	3	36,821	12,274
VT, BENNINGTON	6	37,125	6,188
VT, CALEDONIA	4	31,227	7,807
VT, CHITTENDEN	15	166,545	10,436
VT, ESSEX*	1	6,306	6,306
VT, FRANKLIN	7	47,746	6,821
VT, GRAND ISLE	2	6,970	3,485
VT, LAMOILLE	3	24,475	8,158
VT, ORANGE	3	28,936	9,645
VT, ORLEANS	4	27,231	6,808
VT, RUTLAND	9	61,642	6,849
VT, WASHINGTON	5	59,534	11,907
VT, WINDHAM	6	44,513	7,419
VT, WINDSOR	12	56,670	4,723
TOTALS	80	625,741	7,822

*Essex County data includes the recent closing of the Canaan store.

Vermont currently has an average of one agent per 7,800 people with a wide variance per county mainly driven by geography and town/city size.



Develop Market Location Strategy

As population and demographics change, store locations need to adjust accordingly. Likewise, little or no change in population and demographics may warrant a moratorium on opening new stores. The VDLC should develop a market location strategy that it could use to conduct periodic reviews of statewide market conditions. The market location strategy would assist the Department in analyzing key geographic, demographic, and financial factors to target areas in which liquor control agencies should be opened or closed. Likewise, the market location strategy could be used to support Department recommendations to maintain the status quo.

In developing a market location strategy, the VDLC should include factors that make the most sense for Vermont and weight them accordingly. For instance, the VDLC could develop a market location strategy that places an emphasis on tourist and/or border towns by including relevant factors, such as travel dollars spent.

Agents to Population ratio

County Name	Agents Current	Population	Agents/Pop	Agents/Pop 1:7,000	Change
VT. ADDISON	3	36,821	12,274	5	2
VT. BENNINGTON	6	37,125	6,188	5	-1
VT. CALEDONIA	4	31,227	7,807	4	0
VT. CHITTENDEN	15	156,545	10,436	22	7
VT. ESSEX*	1	6,306	6,306	1	0
VT. FRANKLIN	7	47,746	6,821	7	0
VT. GRAND ISLE	2	6,970	3,485	1	-1
VT. LAMOILLE	3	24,475	8,158	3	0
VT. ORANGE	3	28,936	9,645	4	1
VT. ORLEANS	4	27,231	6,808	4	0
VT. RUTLAND	9	61,642	6,849	9	0
VT. WASHINGTON	5	59,534	11,907	9	4
VT. WINDHAM	6	44,513	7,419	6	0
VT. WINDSOR	12	56,670	4,723	8	-4
TOTALS	80	625,741	7,822	89	9

- Using a scale of one agent per 7,000 people we could increase the number of agencies from 80 to a maximum of 89 (prior to geographic boundary protection).
- Bennington, Grand Isle and Windsor are over the 1:7,000 ration. There is no plan to reduce the number of agents in these counties unless they are unable to perform at the required DLC levels.

Establish a Rural Location Strategy

The VDLC should also develop a separate strategy that considers Vermont's rural character. A rural location strategy would provide the Department and the Board with quantifiable and objective criteria for deciding when to provide service to rural areas.

A rural location strategy should address the following questions:

What constitutes a rural area?

What are significant concentrations of population that warrant a liquor control agency?

What is an acceptable distance or driving time to a liquor control agency?

What is an acceptable level of return?⁴⁵

Again, the VDLC should exercise its expertise to answer these questions for Vermont and establish a rural location strategy. In short, a rural location strategy will provide the Department with a useful tool to target rural markets with service voids.

Chittenden County is the fastest growing and most prosperous county in Vermont, which leads the state in per capita income. Given Chittenden counties current population of 161,000, and a desire to maintain approximately one agency store for every 7,000 people, the county could support approximately 22 agency stores overall and approximately 8 more than the 14 current stores. In addition to Chittenden County, growth has occurred in Addison and Franklin Counties that could also be opportunities for expansion.

Store signage and standardized decor

As we discovered in the Bradford case study and online customer survey, some Vermont Liquor Stores have poor store signage. In fact, many visitors may not know a liquor store exists in some locations until they enter one. Signs for liquor stores should be placed just off the highway to guide motorists to the liquor store. We recommend this type of signage for all the liquor stores and that the color, size, logos and wording of signs be uniform among all the stores. The Vermont Agency of Transportation has an Official Business Directional Sign program that could help with erecting signs on State highways.

Additionally, we recommend that each store be remodeled with the same standardize décor, shelving placement and logos throughout the stores so that customers know where the products are in each store.

Tapping into Tourism Market

A large part of Vermont's economy is based on tourism. Tapping into that can benefit VDLC and alcohol consumers. Vermont has a large influx of visitors during the January to February timeframe, which draws winter enthusiasts. Our recommendation is to set up stores at the larger ski centers which tend to attract most of these tourists. In addition to the ski centers, many travelers drive on the Vermont interstate. Setting up agency stores in the interstate's rest areas and welcome centers could increase sales and tap into a Vermont market that hasn't been reached yet. Guilford, Randolph, Williston and the new Berlin Welcome Centers have attracted just under two million visitors in 2016.

Another component of tourism is the border to our north. According to Vermont Department of Travel and Tourism, approximately two million vehicle trips cross the Vermont/Canadian border every year. Tourists may be just traveling through Vermont, but placing more agency stores at the border might increase sales.

Other VCPM(R) recommendation and results

- Other comments that VDLC could do to make Vermont stores better was improving the dial up point of sale connection that stores were using.
- Allow customers to purchase non-alcohol items and spirits with the same transaction
- Improve the store layout to be with each store
- Better communication to customers on special ordering
- On-line inventory available on website by store location
- More advertising, especially on sale items

VDLC CONCLUSIONS

WHAT HAS THE VDLC DONE TO IMPROVE CUSTOMER SERVICE

Updated our Agency contract

In April 2016, the Department updated the Agency contract, to a one-year contract term, and compiled a comprehensive list of tangibles and objective evaluation criteria for the awarding of incentive payments. Attached is a copy of the new site evaluation form. Refer to Appendix G and Appendix H.

Term of agency contract

In April 2016, the VDLC initiated one-year agency contract terms to improve the level of compliance of the new incentive evaluation criteria and increase our level of partnership. In addition, we initiated a quarterly contract renewal to improve efficiencies within the VDLC.

Created objective agent evaluation criteria

The initial set of criteria established a baseline to clearly communicate the VDLC's expectations for acceptable performance. Many of the initial criteria were intentionally set at a relatively low level to get buy in from the agents. We have since revised those standards to remove any criteria that we consider to be standard customer expectations. We developed an extensive list of objective retail evaluation criteria. We have recently completed the first round of inspections and evaluations for all 80 stores and modified incentive payments accordingly. Refer to Appendix H

Launched an agent communication committee and re-designed the monthly newsletter

In March 2016, the VDLC formed a communication committee, open to all agents, to work with us to develop criteria and to provide feedback. The VDLC Initiated a monthly agent newsletter to enhance communication and to provide an overview of departmental operations.

Created an agency web portal

The Department recently created a retailer web portal to post customer service training, product knowledge, and real time financial performance data for each store. The store owner/manager must have a special login to access their specific store information. The site is presently live and 100% complete, with the product knowledge modules still being developed.

Created standardized shelf set schematics based on three standard store sizes.

We have established an acceptable range of product inventories by store and have recently created shelf set standards for three generic store sizes. The shelf set standards were developed to maximize the number of product selections for consumers in each store. They are intended to create consistency in our stores, ensure that product category adjacencies are standardized, new items are being introduced into each agency location and high-volume products are inventoried. We have begun re-setting stores and will continue implementing the standards throughout FY 2018.

Changed our ordering procedures to minimize out of stocks.

In January 2017, the VDLC discontinued it's past ordering methodology which was referred to as vendor managed inventories. This approach created chronic product out of stock problems. We started generating bailment replenishment orders for suppliers to fill and deliver on an appointment basis. This new approach has been very effective in minimizing out of stocks.

Performed surveys to better understand consumer/partner expectations.

In May 2016, the VDLC created a 50 -question anonymous opinion survey to evaluate our retail operations. We requested all agents complete and submit it to the Dept. The results were enlightening and with the input of the agent communication committee served as a partial basis for our evaluation criteria. We had a 45 percent participation rate. A second survey was done in August 2017, which was for the purpose of results based accountability and had a 60 percent participation rate.

In May 2017, the VCPM(R) consulting team created a consumer survey to evaluate consumer perceptions relating to the overall performance of the VDLC. The results of that survey are listed on pages 13-17 of this report.

VDLC initiated an aggressive shelf price program

In November 2016, the VDLC discontinued a supplier depletion allowance program that had served as the basis for its product price discounting program that had been in existence for many years. The previous program had failed to stimulate sales and profitability growth for several years and was expensive to maintain. One of the fundamental features of the old program was a two- week sales cycle that was unique to Vermont compared to other control states. Another unique feature was the level of VDLC matching of supplier program dollars to deepen discounts on 50 high volume product codes monthly. Problems with the old approach included high expense, inventory management, stagnated sales, discount levels that were not resonating with consumers and supplier fatigue in supporting the programming.

In November 2016, we instituted a new program which decreased the total number of programming months by 20%. Discontinued two-week deals, instituted a price support program that lowered shelf pricing. VDLC focused on a much broader universe of products, and decreased the State's overall spend on programming price support.

In conclusion, the overall impact of these changes, which applied to eight of the 12 months of fiscal 2017, was a sales increase of 2.5% or 10,000 cases, gross revenue growth of \$3,500,000, and an increase in net revenue of \$679,000.

Diversify retail models

The VDLC understands that the Department's historic one size fits all approach to retailing has not effectively addressed opportunities where significant fluctuations in seasonal demand exist. As a result, we developed a seasonal store model and selected a location to do a test store to better understand the financial plusses and minuses of a seasonal store location

We selected the town of Westmore and Initiated a trial seasonal store at Lake Willoughby. Our test store retailed approximately 150 products. The products selected were a mix of our top 150 selling products and a good representation of Vermont produced spirits. The sales numbers slightly exceeded our projections during a 5-month contract from June through November. We got off to a delayed start because of contracting and logistic challenges.

The results were enlightening. The net profit margins are small and are vulnerable to cost over runs due to shipping and product replenishment expenses. Please find a recap of our revenues and expenses for this pilot store on the next page.

Source of Project Cost								
	Project Task	Labor Hours	Labor cost (\$)	Material cost (\$)	Travel Cost (\$)	Other Cost (\$)	Total per task	
Seasonal locations	Review existing applications	2.0	\$56.38	\$1.00	\$100.00	\$1.00	\$160.38	
	Conduct market research	3.0	\$84.57	\$1.00	\$1.00	\$1.00	\$90.57	
	Develop business plan	1.0	\$28.19	\$1.00	\$1.00	\$1.00	\$32.19	
	Identify barriers/opportunities	2.0	\$56.38	\$1.00	\$1.00	\$1.00	\$61.38	
	other	3.0	\$84.57	\$1.00	\$1.00	\$1.00	\$90.57	
	Subtotal		11.0	\$310.09	\$5.00	\$104.00	\$5.00	\$435.09
Initial set up costs	Develop shelf set	2.0	\$36.00	\$0.00	\$0.00	\$0.00	\$38.00	
	Pick time	2.0	\$28.00	\$0.00	\$0.00	\$0.00	\$30.00	
	Delivery time	6.0	\$152.00	\$0.00	\$0.00	\$0.00	\$158.00	
	Initial set up	6.0	\$386.00	\$0.00	\$0.00	\$0.00	\$392.00	
	Training	2.0	\$36.00	\$0.00	\$0.00	\$0.00	\$38.00	
	POS install	4.0	\$78.00	\$0.00	\$0.00	\$0.00	\$82.00	
	Subtotal		22.0	\$716.00	\$0.00	\$0.00	\$0.00	\$738.00
Delivery	Truck delivery	3.0	\$54.00	\$0.00	\$0.00	\$0.00	\$57.00	
	Coordinator delivery	6.0	\$120.00	\$0.00	\$0.00	\$0.00	\$126.00	
	Secondary training	2.0	\$40.00	\$0.00	\$0.00	\$0.00	\$42.00	
	other	4.0	\$80.00	\$0.00	\$0.00	\$0.00	\$84.00	
	Subtotal		15.0	\$294.00	\$0.00	\$0.00	\$0.00	\$309.00
Seasonal close down	Audit	4.0	\$80.00	\$0.00	\$0.00	\$0.00	\$84.00	
	Product removal	4.0	\$195.00	\$0.00	\$0.00	\$0.00	\$199.00	
	Delivery truck use	3.0	\$54.00	\$0.00	\$0.00	\$0.00	\$57.00	
	POS removal (?)	1.0	\$18.00	\$0.00	\$0.00	\$0.00	\$19.00	
	Project analysis	3.0	\$84.57	\$0.00	\$0.00	\$0.00	\$87.57	
	Subtotal		15.0	\$431.57	\$0.00	\$0.00	\$0.00	\$446.57
Other cost	commissions	0.0	\$6,150.00	\$0.00	\$0.00	\$0.00	\$6,150.00	
	Other cost	0.0	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
	Other cost	0.0	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
	Subtotal		0.0	\$6,150.00	\$0.00	\$0.00	\$0.00	\$6,150.00
Subtotals			63.0	\$7,901.66	\$5.00	\$104.00	\$5.00	\$8,078.66
Risk (Contingency)			0.0	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total (Scheduled)			63.0	\$7,901.66	\$5.00	\$104.00	\$5.00	\$8,078.66
*4.5 months of sales	Total Sales							\$40,035.23
PROFIT TO STATE								\$31,956.57

We are continuing to work on a rest stop retail concept for Vermont produced product and have deferred opening a winter seasonal store due to workloads and the resources that are required to developing our new point of sale project.

We will entertain opening new retail locations and additional hybrid stores when we have the capability to equip them with the necessary hardware. We are currently accepting applications for an agency partner in Charlotte. We will be undertaking the application process in Georgia in early spring 2018.

We have evaluated the expense involved with opening a store by selling them the merchandise necessary to create opening inventories for several different sized floor plans. With the large upfront expense required for an individual to purchase their inventory this concept makes no sense when compared to the expense of opening a store with State owned merchandise.

Projected open inventory expense for new agencies

	ANNEX	CORE	BEVERAGE
VODKA	\$14,896.86	\$17,747.72	\$19,039.91
RUM	\$7,417.37	\$9,215.16	\$11,091.39
TEQUILA	\$8,912.65	\$10,113.12	\$12,188.54
GIN	\$5,024.77	\$6,470.23	\$6,671.27
WHISKEY	\$4,138.05	\$4,550.78	\$4,644.72
BOURBON	\$10,515.85	\$15,984.88	\$20,006.40
SCOTCH/IRISH	\$15,980.04	\$18,219.14	\$21,174.83
CORDIAL	\$12,251.40	\$13,564.86	\$18,695.54
BRANDY	\$3,606.22	\$3,964.69	\$6,661.28
RTD	\$603.56	\$930.59	\$1,271.02
FORTIFIED	\$2,789.68	\$2,789.68	\$3,143.33
TOTALS	\$86,136.45	\$103,550.85	\$124,588.23
VT Products	\$9,091.35	\$9,091.35	\$9,091.35

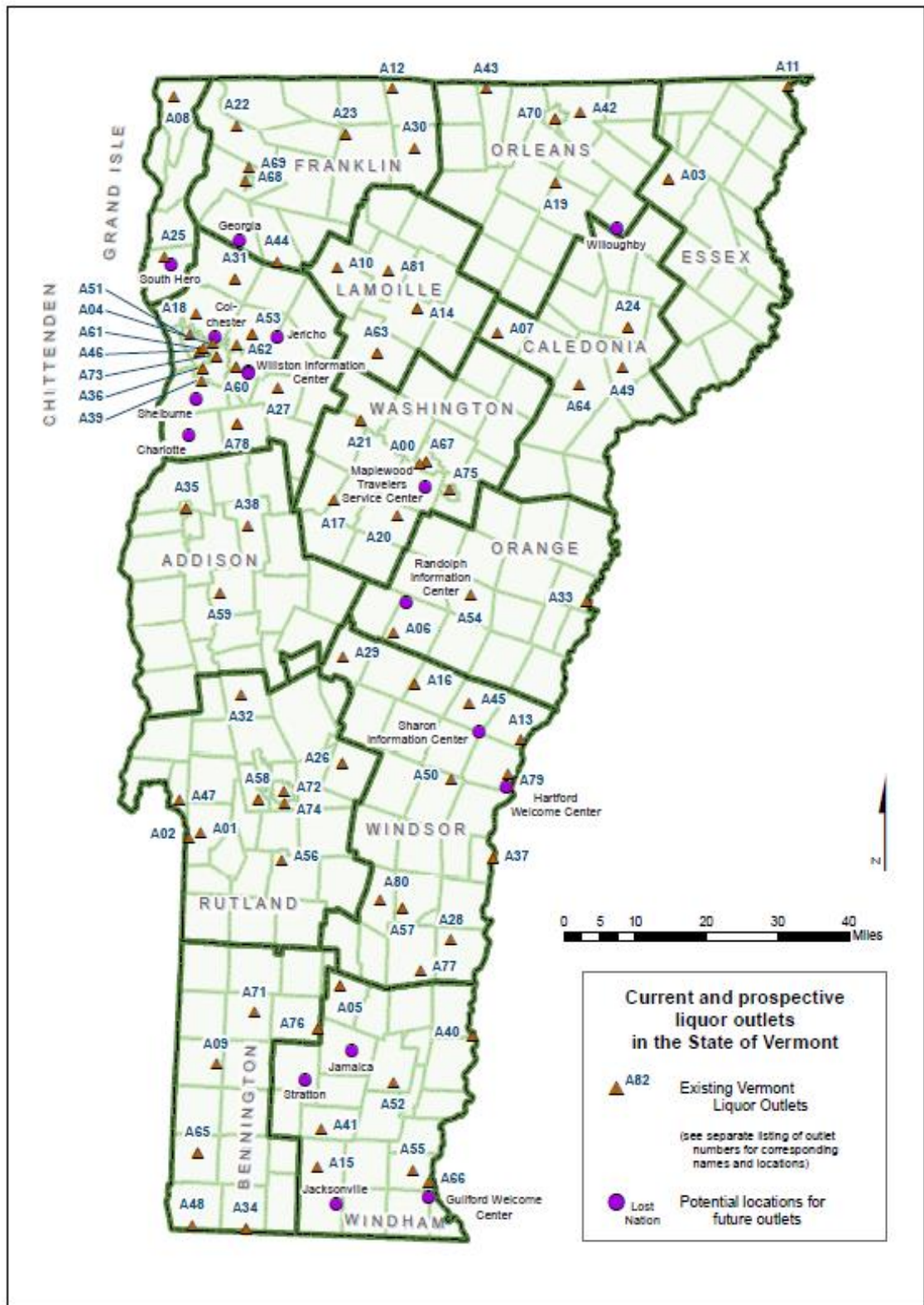
Existing VDLC standardized retail store models

	Seasonal	Annex	Core	Beverage
Contract	6 month contract	1-3 year contract	1-3 year contract	1-3 year contract
SKU count	VDLC determined	Regular & New Items	Regular, New & Limited	All categories
Special orders	Initiated by consumer/licensee	Initiated by consumer/licensee	Can be shelf if regular sales	Allowed
Commission	8.2% commission	8.2% Commission	8.2% Commission	8.2% Commission
Linear feet	under 100 linear feet	100-270 linear feet	271-369 linear feet	370+ linear feet
Average sales	\$75,000.00 *projected	\$299,005.00	\$864,189.00	\$1,356,341.00
Average commissions	\$6,150.00	\$24,518.41	\$70,863.50	\$111,219.96
Agents per category	1	21	31	27
Average starting inventory	\$45,000.00	\$86,136.45	\$103,550.85	\$124,588.23
Total VT product inventory	\$7,000.00	\$9,091.35	\$9,091.35	\$9,091.35

The VDLC has no present plan to change its business model to allow further privatizing retail. We strongly feel that the state's interests are best represented with our current control model. Deviating from this current practice would significantly dilute the Department's effort to achieve systematic improvements and to improve our competitive position with the state of New Hampshire.

What would the Department sacrifice with a retail model where the proprietor is required to pay up front for merchandise?

- Significantly diminished interest from the private sector in partnering
- Ability to control product selection and standardized shelf sets
- Ability to control product out of stocks at the retail level
- Ability to control inventory replenishment
- Ability to control product distribution scheduling



CHITTENDEN

GRAND ISLE

FRANKLIN

ORLEANS

ESSEX

LAMOILLE

CALEDONIA

WASHINGTON

ADDISON

ORANGE

WINDSOR

RUTLAND

BENNINGTON

WINDHAM

Georgia

South Hero

Colchester

Jericho

Williston Information Center

Shelburne

Charlotte

Maplewood Travelers Service Center

Randolph Information Center

Sharon Information Center

Hartford Welcome Center

Jamaica

Stratton

Jacksonville

Guilford Welcome Center

0 5 10 20 30 40 Miles



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Vermont Prohibition – Teetotalers, Bootleggers and Corruption, Adam Karakowski, 2016

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Liquor Control System: Fiscal Impact Of Privatization Projected As Neutral But VDLC Could Take Other Action That May Increase Profits, Douglas R. Hoffer, Vermont State Auditor, Report No. 14-06, Issued November 21, 2014.

Cornell University Law School website on the United States Constitution

Alcohol Problems and Solutions website

History.com website

Appendix A

Legislative Mandate

Act 144 (S. 250) § 22, eff. July 1, 2016

RECAPTURE OF LOST SALES OF SPIRITS AND FORTIFIED WINES; DEPARTMENT OF LIQUOR CONTROL; PROPOSAL

(a) In order to increase revenue by recapturing sales of spirits and fortified wines that are lost to neighboring states, the Commissioner of Liquor Control shall develop a written proposal to improve, diversify, and increase the number of Vermont's agency liquor stores. The proposal shall include an optimal number of State agency liquor stores, taking into account population, geography, and proximity to Vermont's borders, and a recommendation for any legislative action that is necessary to implement it.

(b) The proposal also shall consider and address the following:

(1) The distribution of agency liquor stores in rural areas and underserved portions of the State, and whether additional stores that are permitted to carry a smaller or more limited selection of products should be added to serve such areas.

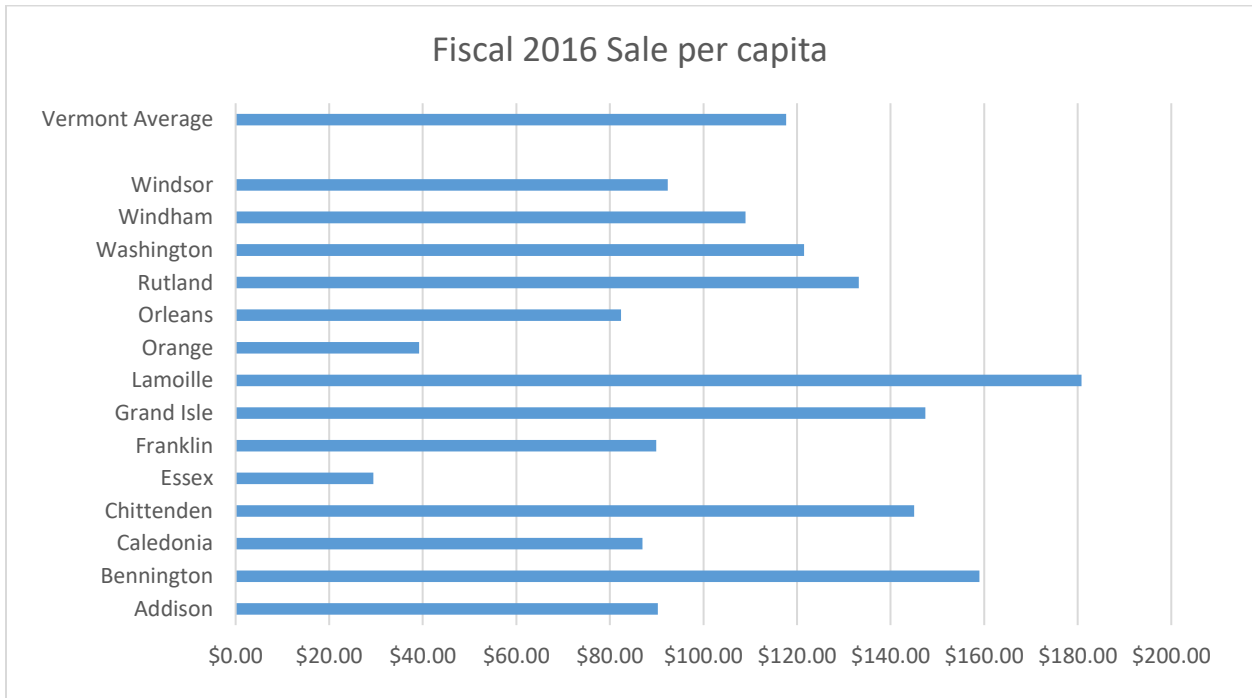
(2) Whether to create a new type of agency liquor store that owns the spirits and fortified wines it sells.

(3) Whether to permit certain agency liquor stores to decide to carry a modified selection of products subject to minimum requirements established by the Liquor Control Board.

(c) On or before January 15, 2018, the Commissioner shall submit the proposal to the House Committees on General, Housing and Military Affairs and on Ways and Means, and the Senate Committees on Economic Development, Housing and General Affairs and on Finance.

Appendix B

VDLC Per capita Sales by County Fiscal Year 2016



Source = Vermont Department of Liquor Control

Appendix C

Historical Context: Prohibition

The VDLC was created by State statute in 1933 when prohibition was repealed. This was a very significant event as Vermont had been under state prohibition from 1852 to 1903 and then federal prohibition from 1920 through 1933.

The first settlers in Vermont of European ancestry fermented apples, potatoes, grains and other farm products to create alcoholic beverages. This practice continued in our rural state through the 1800's to include a peak in the number of home distilleries for spirits in the 1820's. The homebrew and home distilleries contrasted with the Temperance Movement which was sweeping the country in the mid-1800s. The Temperance Movement became popular to highlight the dangers of drinking and drunkenness which was causing productivity problems with workers in the Industrial Age and was causing moral and financial problems at home with fathers "drinking their wages" and not spending them on food or rent. Some of the messages from the Temperance Movement were anti-immigrant: stereotyping Irish and Italian workers (for example, the granite cutters in Barre and factory workers in Burlington) as unruly, heavy drinkers.

In 1846, the Vermont legislature passed Act 24, which allowed county residents to vote on Town Meeting Day in March whether they wanted to be a dry county (banning the sale of spirits) or a wet county (allowing the sale of spirits). On Town Meeting Day, all Vermont counties except Essex County voted to be dry¹⁶. The 1852 Liquor Law that passed the State legislature was meant to outlaw distilled spirits, not fermented beverages or medicinal alcoholic beverages prescribed by a doctor or pharmacist¹⁷.

In 1898, the Vermont Anti-Saloon League was organized. The League was politically active and issued newsletters that reported on the Temperance Movement locally and nationally. The newsletters were entitled "The Vermont Issue" with the byline "A Better Vermont". In the 1930's, the byline changed to "The World is Going Dry".

In 1903, the legislature passed a law called the Local Option. It gave citizens in each town the right to decide whether to allow the sale of distilled spirits. On Town Meeting Day in March 1903, the clear majority of towns voted to allow the sale of spirits. Fifty years of statewide prohibition had ended¹⁸. The end of prohibition did not last long.

¹⁶ Vermont Prohibition – Teetotalers, Bootleggers and Corruption, Adam Karakowski, 2016, p. 35

¹⁷ Vermont Prohibition – Teetotalers, Bootleggers and Corruption, Adam Karakowski, 2016, p.40

¹⁸ Rumrunners & Revenuers: Prohibition In Vermont by Scott Wheeler, 2002, p. 23

In January 1919, the 18th Amendment to the United States Constitution, also known as the Prohibition Amendment, was passed by Congress and ratified by the states. National prohibition went into effect in January 1920. The 18th Amendment reads: After one year from the ratification of this article the manufacture, sale, or transportation of intoxicating liquors within, the importation thereof into, or the exportation thereof from the United States and all territory subject to the jurisdiction thereof for beverage purposes is hereby prohibited¹⁹.

The Volstead Act, which provided for the enforcement of prohibition, passed in October 1919, over President Woodrow Wilson's veto. The Volstead Act empowered individual states to enforce its provisions by enacting their own legislation. The penalties and prison sentences for illegal sale in Vermont were more drastic than national penalties²⁰. Border agents, detectives and police were hired, but they were outnumbered and out financed by the bootlegging gangs. Many out of state, professional organized crime members descended upon Vermont²¹. Vermont was on the well-worn path to Quebec and the rest of Canada, where alcohol was legal. The US Attorney General reported in 1928, "Smuggling across the Canadian border is on the increase and appears to be assuming great proportions²²." "The smuggling of redistilled denatured alcohol from New York has developed into a business of supplying the larger centers of southern New England. The unusual lengths of Lake Champlain, its irregular shoreline, its numerous islands and their strategic location have been so many allies to the criminal and the criminally inclined²³." The surge in organized crime was not limited to Vermont, it was nationwide. Al Capone and his gang in Chicago became notorious and very wealthy from Prohibition²⁴.

Historical Context: Repeal of Prohibition and Creation of Control States

There was not enough money or personnel to combat the problem of rising crime due to prohibition. Then, in 1929, the Great Depression hit. President Franklin Roosevelt vowed to repeal prohibition in his election campaign in 1932. There were more urgent matters, such as jobs, that the US Government needed to attend to.

In 1933, the 21st Amendment to the Constitution was passed and ratified. It reads, in part:

Section 1. The eighteenth article of amendment to the Constitution of the United States is hereby repealed. Section 2. The transportation or importation into any state, territory, or possession of

¹⁹ <https://www.law.cornell.edu/constitution/amendmentxviii>

²⁰ The Enforcement of illegal sale in Vermont, Harley Walter Kidder, Thesis for MA in Political Science, 1929, p. 6

²¹ Vermont Prohibition – Teetotalers, Bootleggers and Corruption, Adam Karakowski, 2016, p. 99

²² The Enforcement of Prohibition in Vermont, Harley Walter Kidder, Thesis for MA in Political Science, 1929, from the Annual Report of the Attorney General of the United States, 1928, p. 27

²³ Ibid.

²⁴ <http://www.history.com/this-day-in-history/congress-enforces-prohibition>

the United States for delivery or use therein of intoxicating liquors, in violation of the laws thereof, is hereby prohibited²⁵.

Following the repeal of Prohibition in 1933, some states decided to continue their own prohibition against the production, distribution, and sale of alcohol beverages within their borders. Other states decided to leave the choice up to local jurisdictions (counties and/or cities), a practice called local option. Among those states that did not choose to maintain complete prohibition, some chose to impose government monopolies over the sale of alcohol beverages within their borders. The remaining states chose to follow free enterprise regulated by laws²⁶.

Currently, twenty-one jurisdictions in the USA control the sale of alcoholic beverages. These control states utilize a system of producers, distributors and retailers to promote moderation in consumption, prevent concentration of power and raise revenues through taxes. According to the Alcohol and Tobacco Tax and Trade Bureau, in control states the government takes ownership of the product at some point in the transaction cycle and becomes the exclusive seller in a sector of the business²⁷. New England has three control states: Vermont, New Hampshire and Maine. Vermont is a control state and has a local option.

Prohibition and local decision making continues to be a strong force in Vermont civic and cultural life. Vermont state law continues to allow local jurisdictions to hold public referendums and to approve local laws or regulations on alcohol sales²⁸. Currently, seventeen towns forbid the sale of alcohol within their borders²⁹. The law also provides for local control commissioners in each town and city of Vermont. The local control commissioners administer the Liquor Control Board's rules and regulations, including issuing or revoking liquor licenses of local businesses³⁰.

²⁵ <https://www.law.cornell.edu/constitution/amendmentxxi>

²⁶ <https://www.alcoholproblemsandsolutions.org/Controversies/1127524611.html>

²⁷ Liquor Control System: Fiscal Impact Of Privatization Projected As Neutral But DLC Could Take Other Action That May Increase Profits, Douglas R. Hoffer, Vermont State Auditor, Report No. 14-06, Issued November 21, 2014, p. 1

²⁸ 7 V.S.A. §§161 through 165

²⁹ NABCA Control State Fact Sheet

³⁰ 7 V.S.A. §§161 through 165

Appendix D

Vermont Department of Travel and Tourism
Travel and Tourism Graph 1

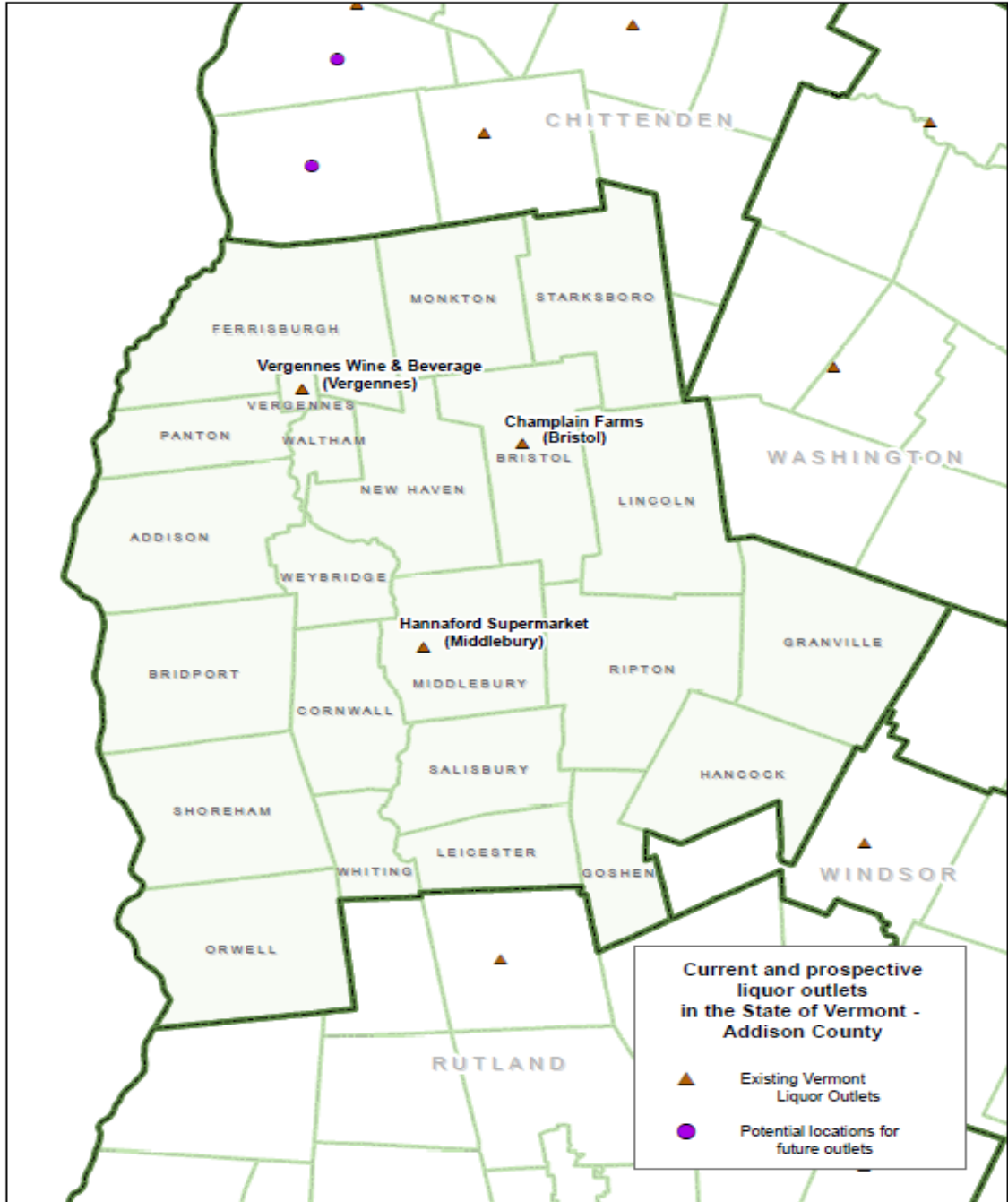
Lodging	\$430 Million
Restaurant and Bars	\$400 Million
Gasoline Sales	\$150 Million
Groceries and Convenience Stores	\$150 Million
Retail Sales (other)	\$220 Million
Travel Expenses (transportation, air travel, public transportation)	\$140 Million
Automobile rentals	\$30 Million
Second home expenses	\$200 Million
Construction/renovation	\$200 Million
Property taxes	\$240 Million
Utilities fuel	\$125 Million
Maintenance, insurance and management	\$105 Million
Total:	\$2.49 Billion

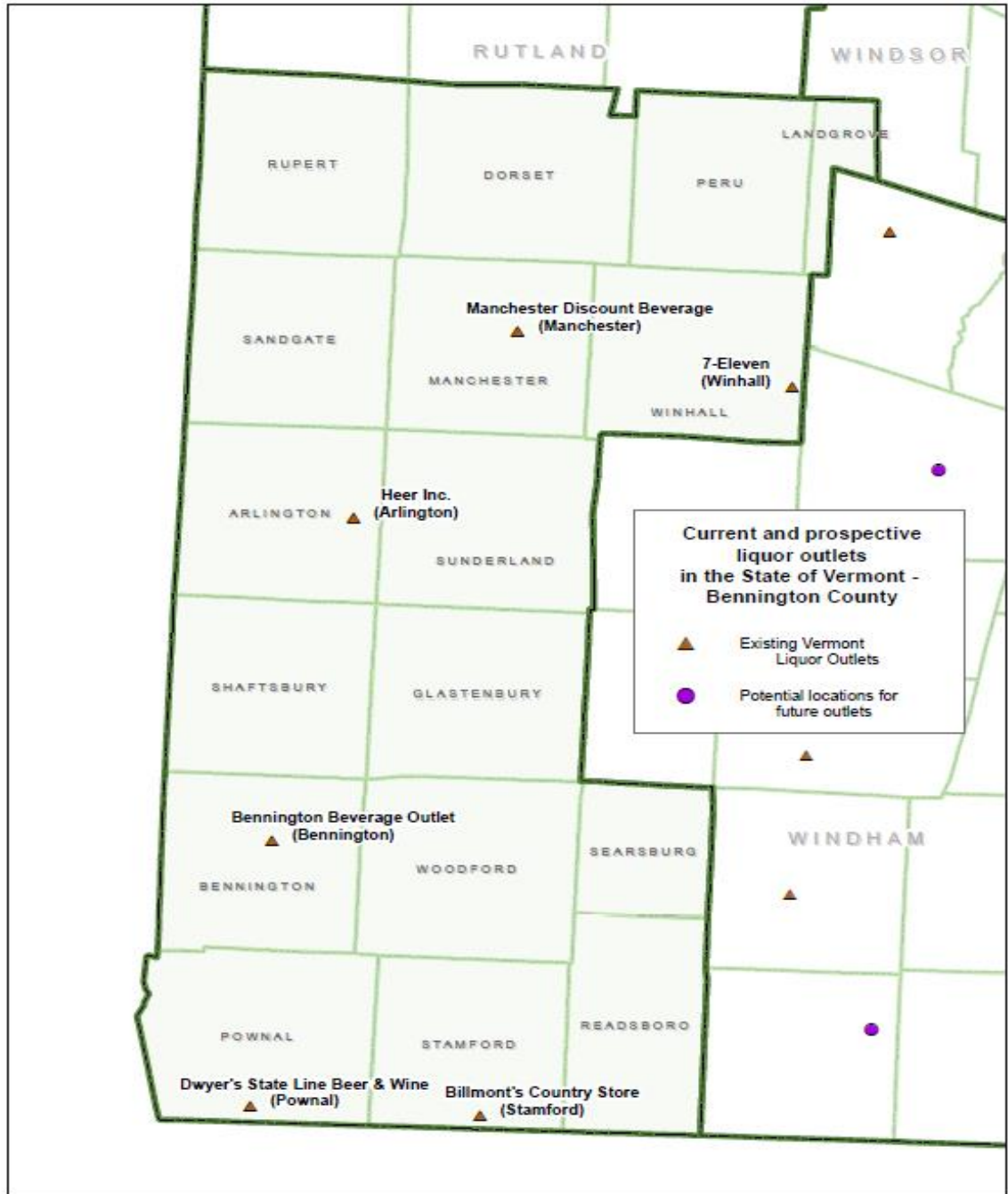
Appendix E

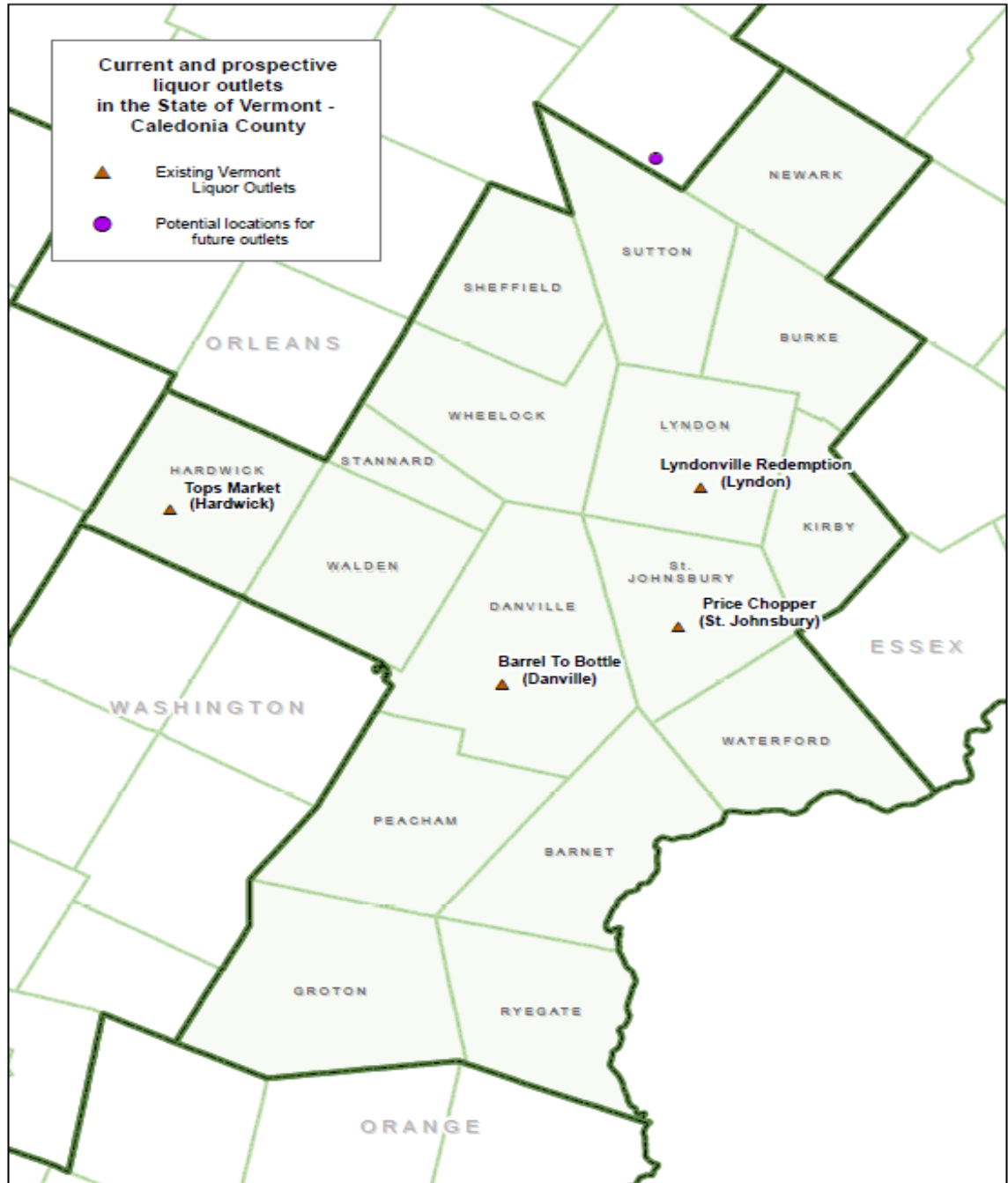
Travel and Tourism Graph 3

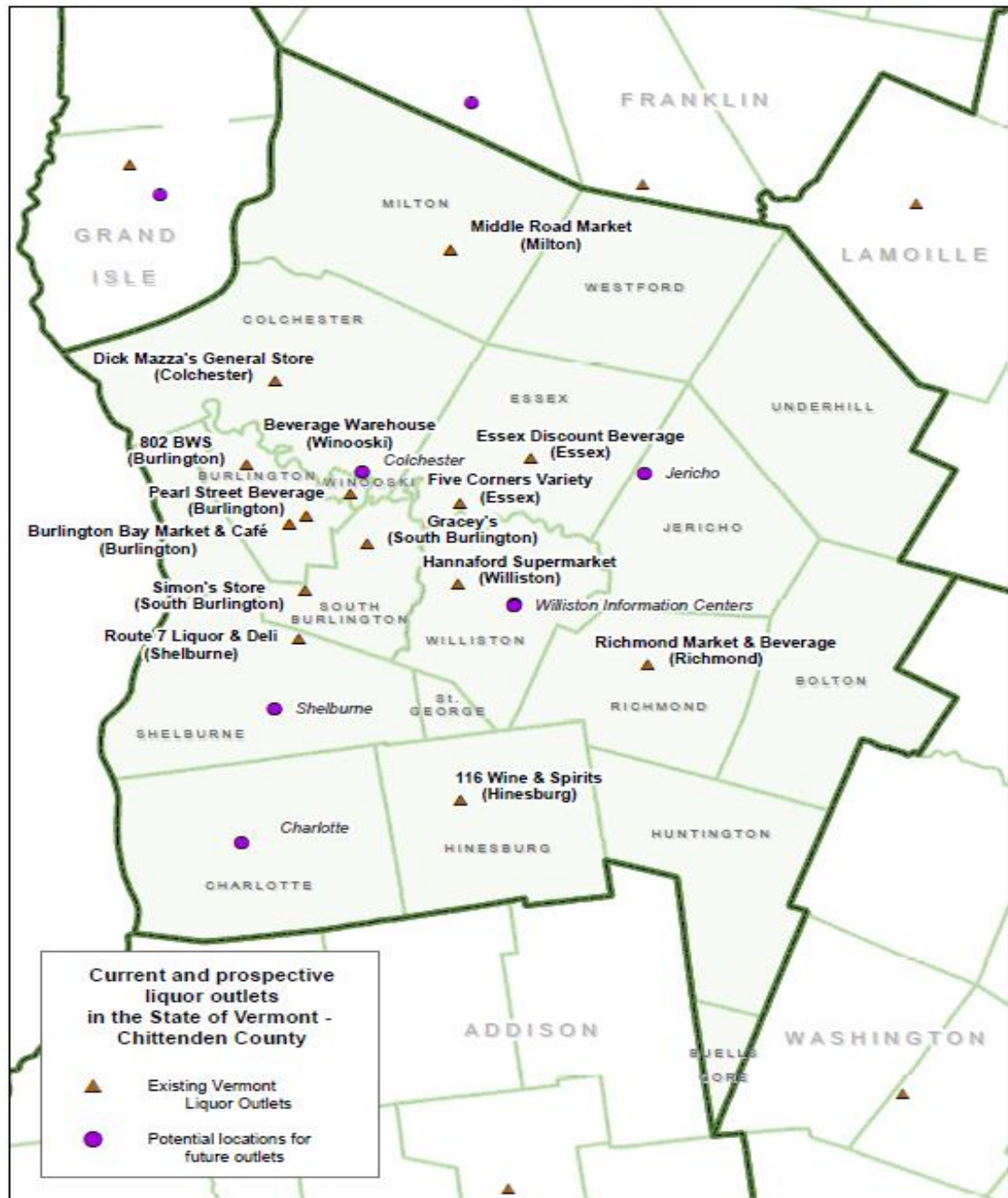
Welcome Center Location	Numbers of Visitors January to December 2016
Alburgh	18,103
Bennington	114,545
Bradford	136,937
Derby Line	161,113
Fair Haven	158,382
Georgia NB	73,864
Guilford	647,987
Hartford	325,469
Lyndonville	89,482
Montpelier	43,518
Randolph	302,611
Sharon	480,097
Waterford	132,513
White River	23,291
Williston NB	322,415
Williston SB	212,201

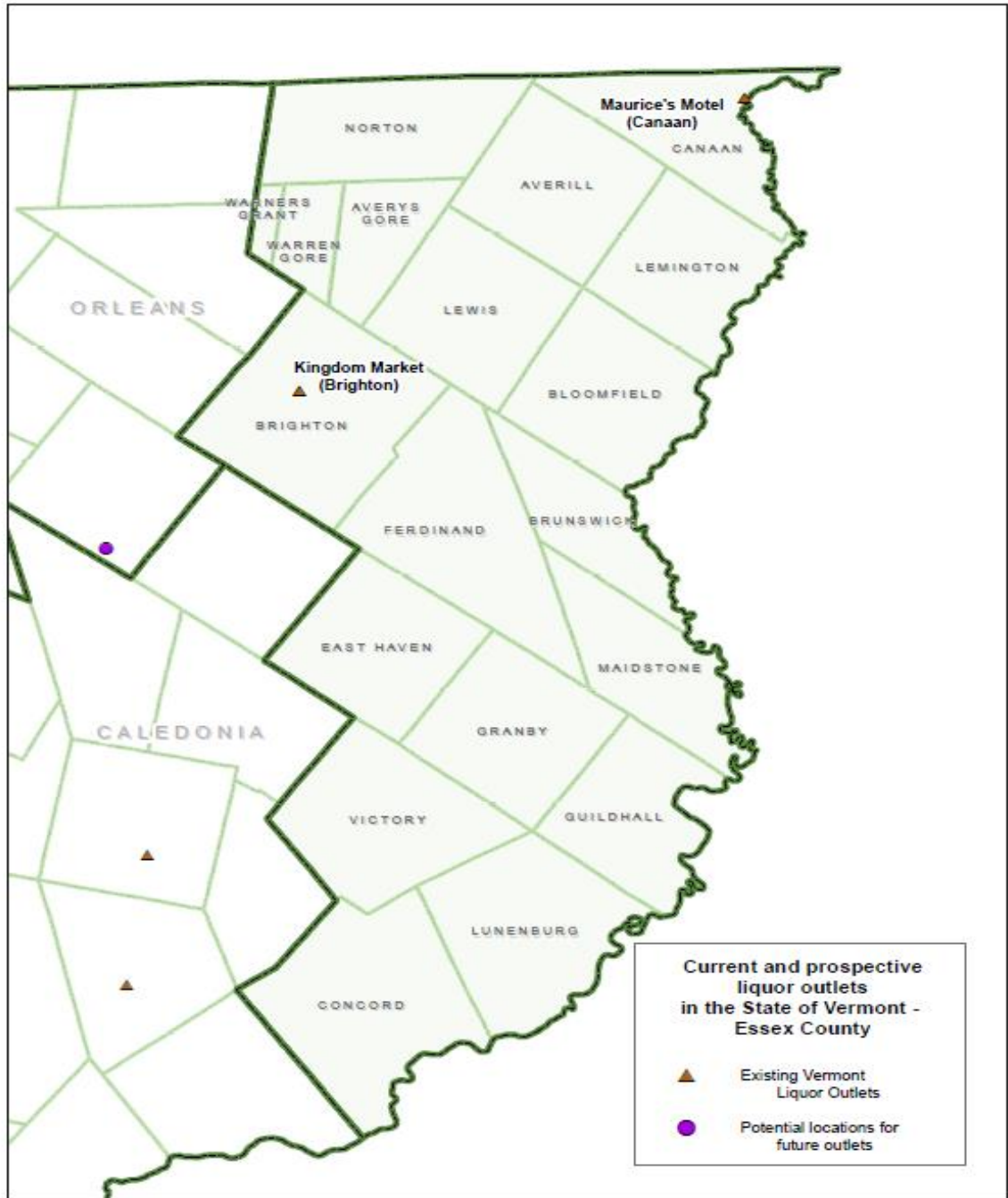
Appendix F

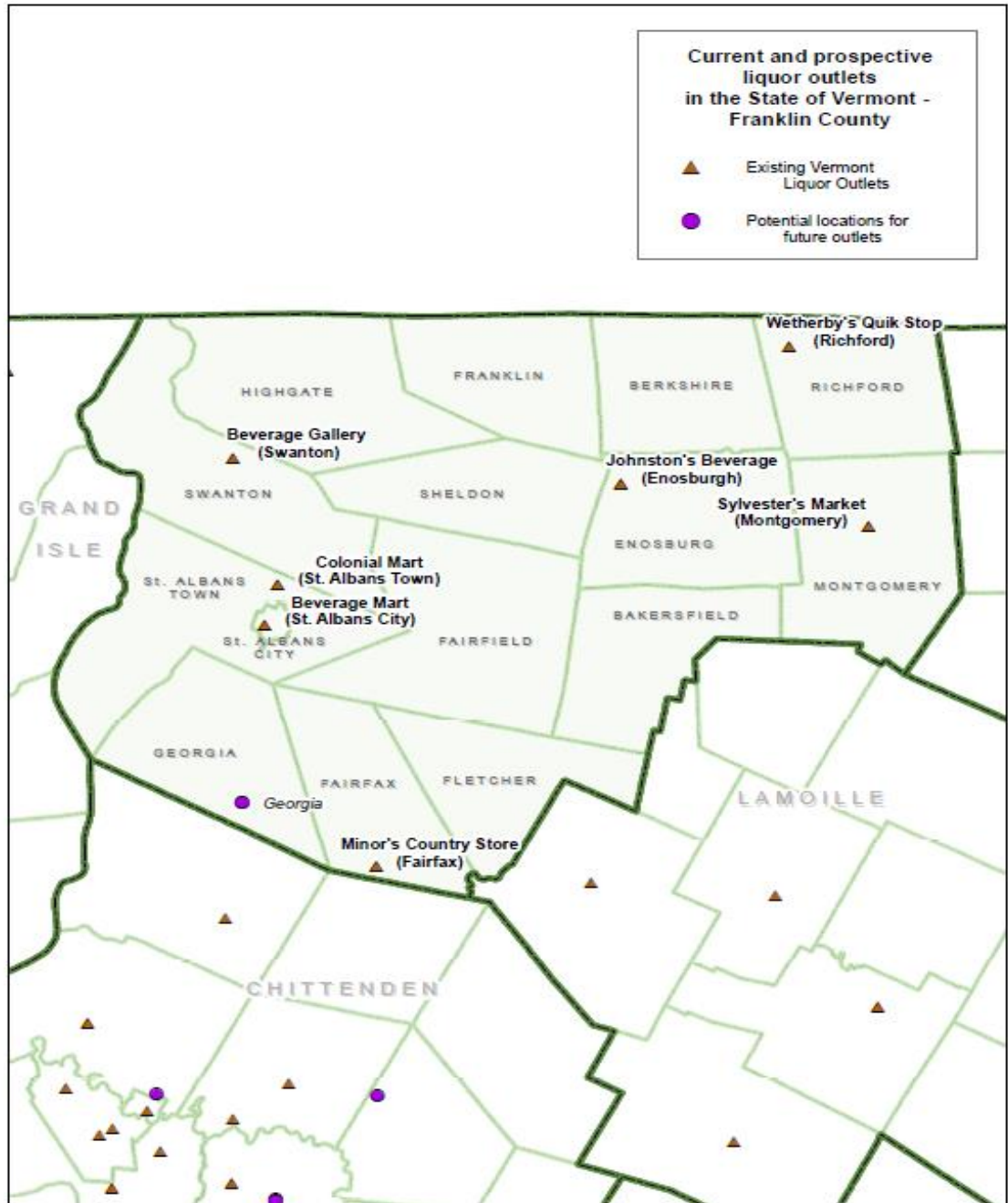


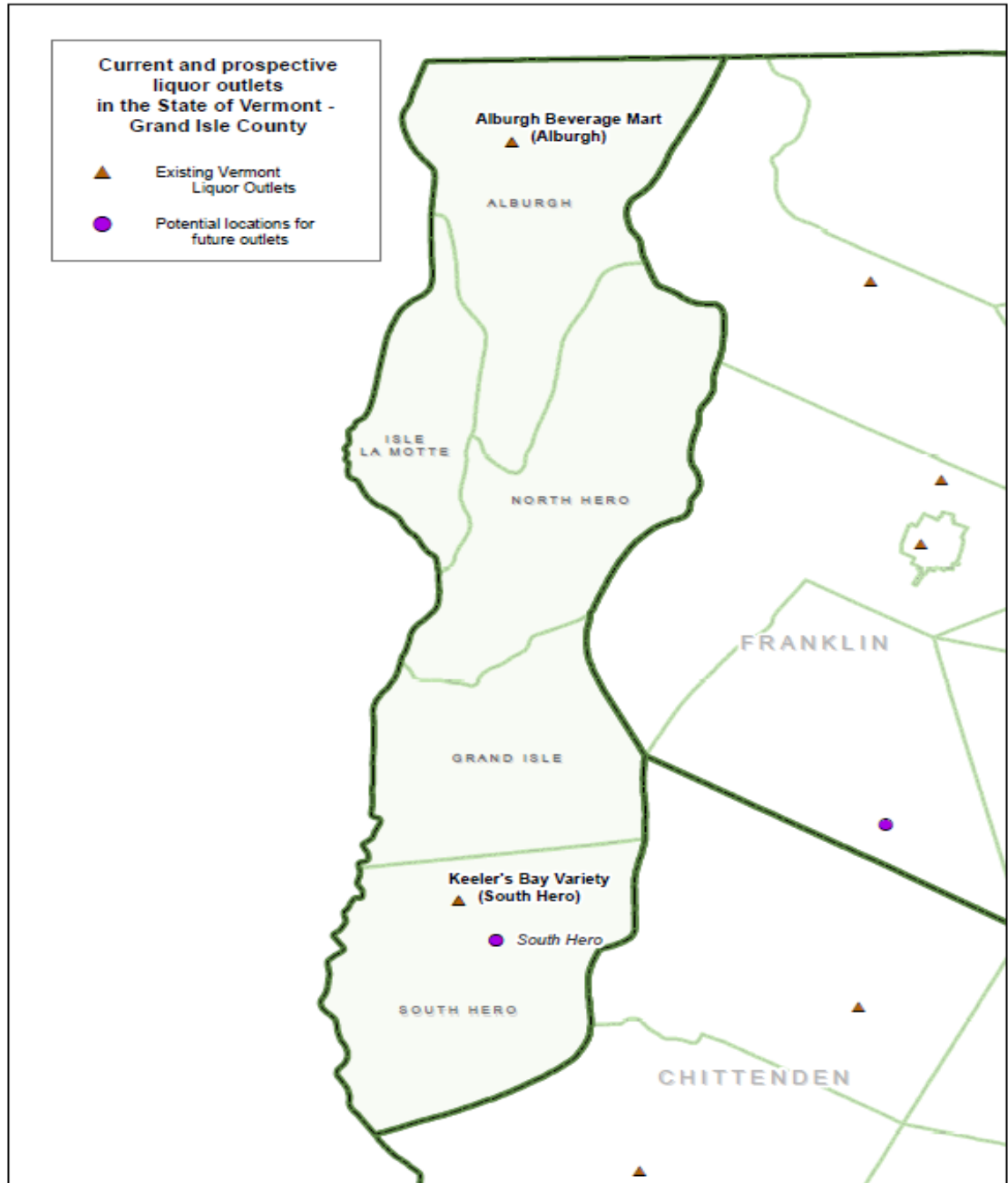


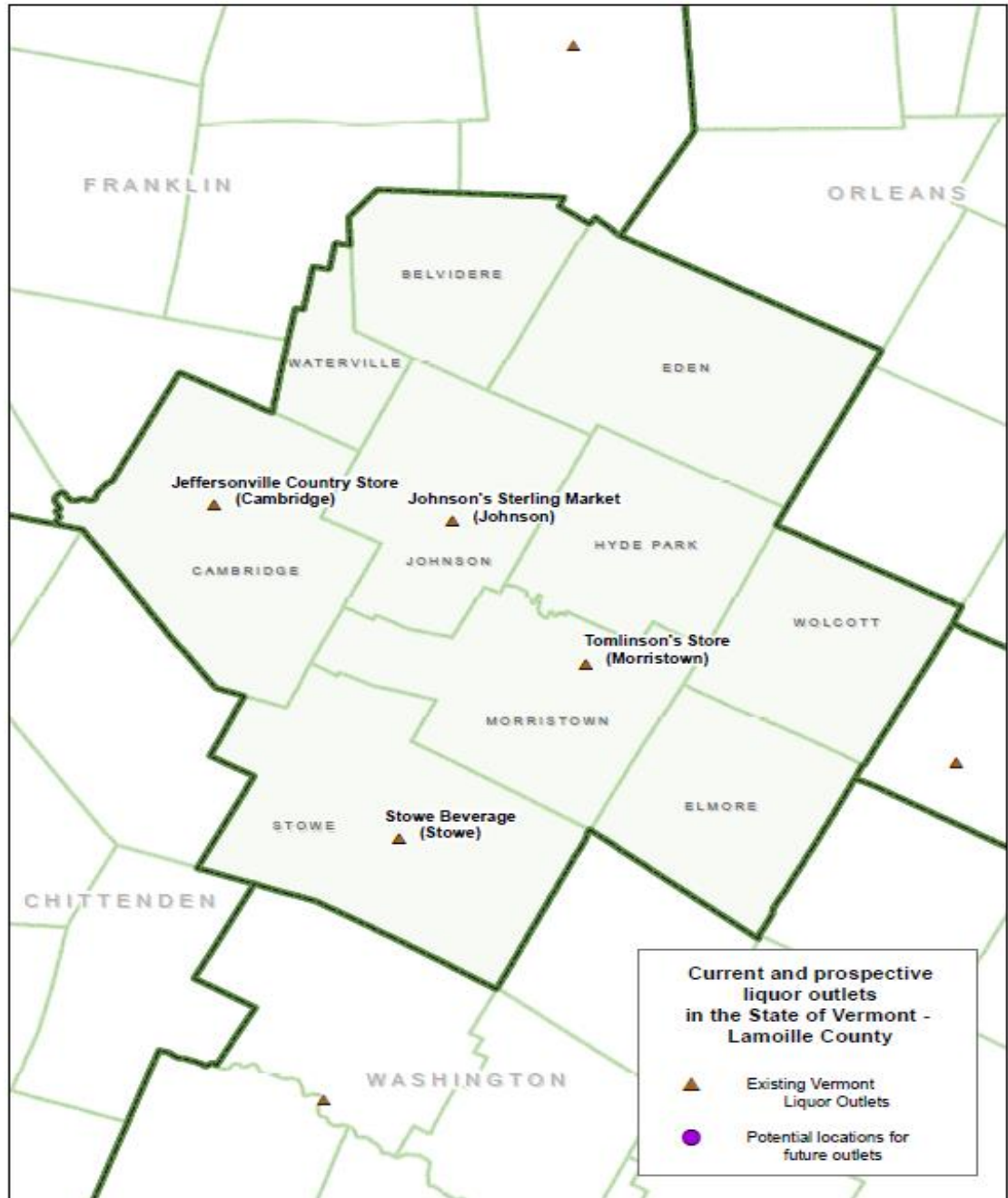


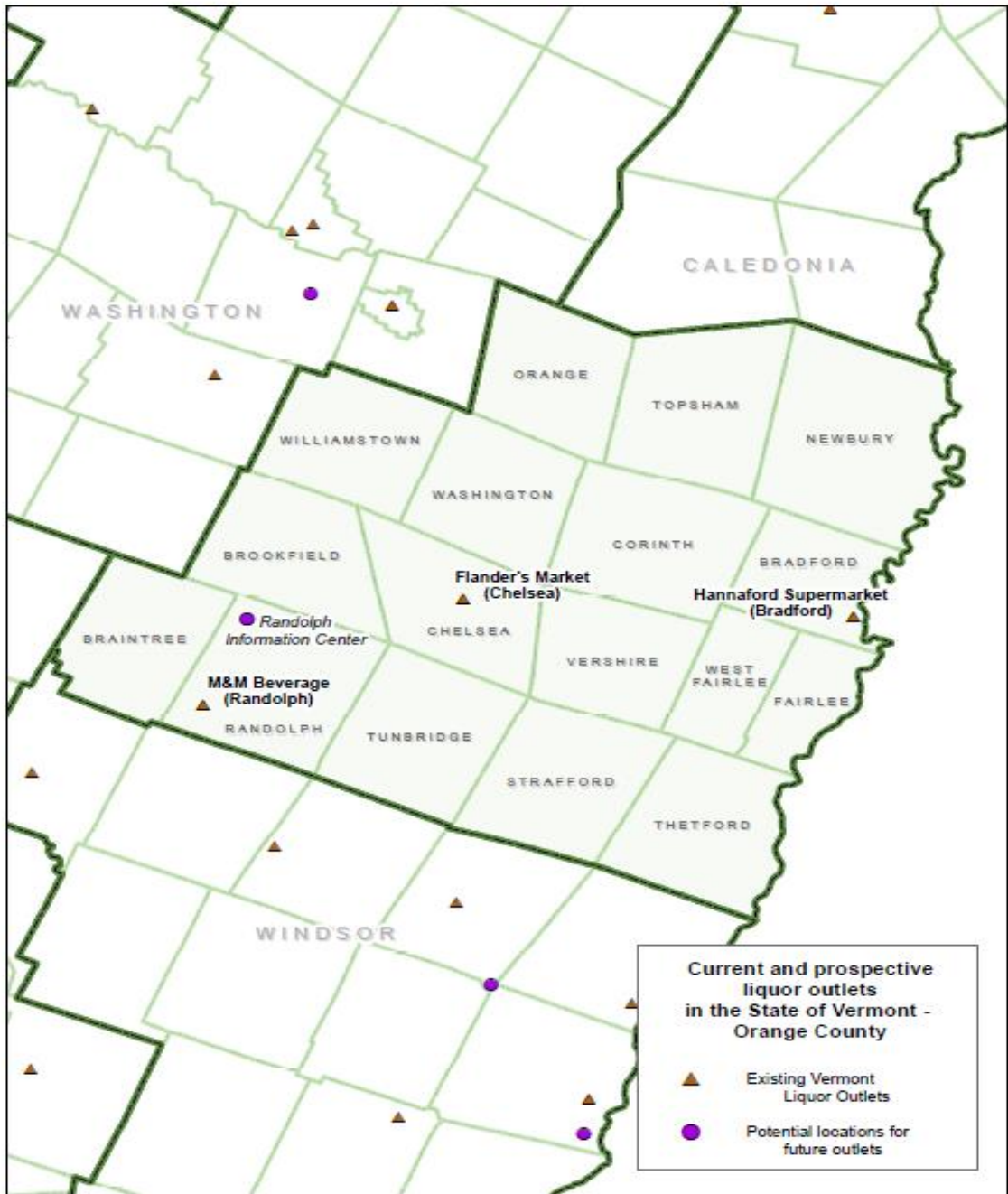


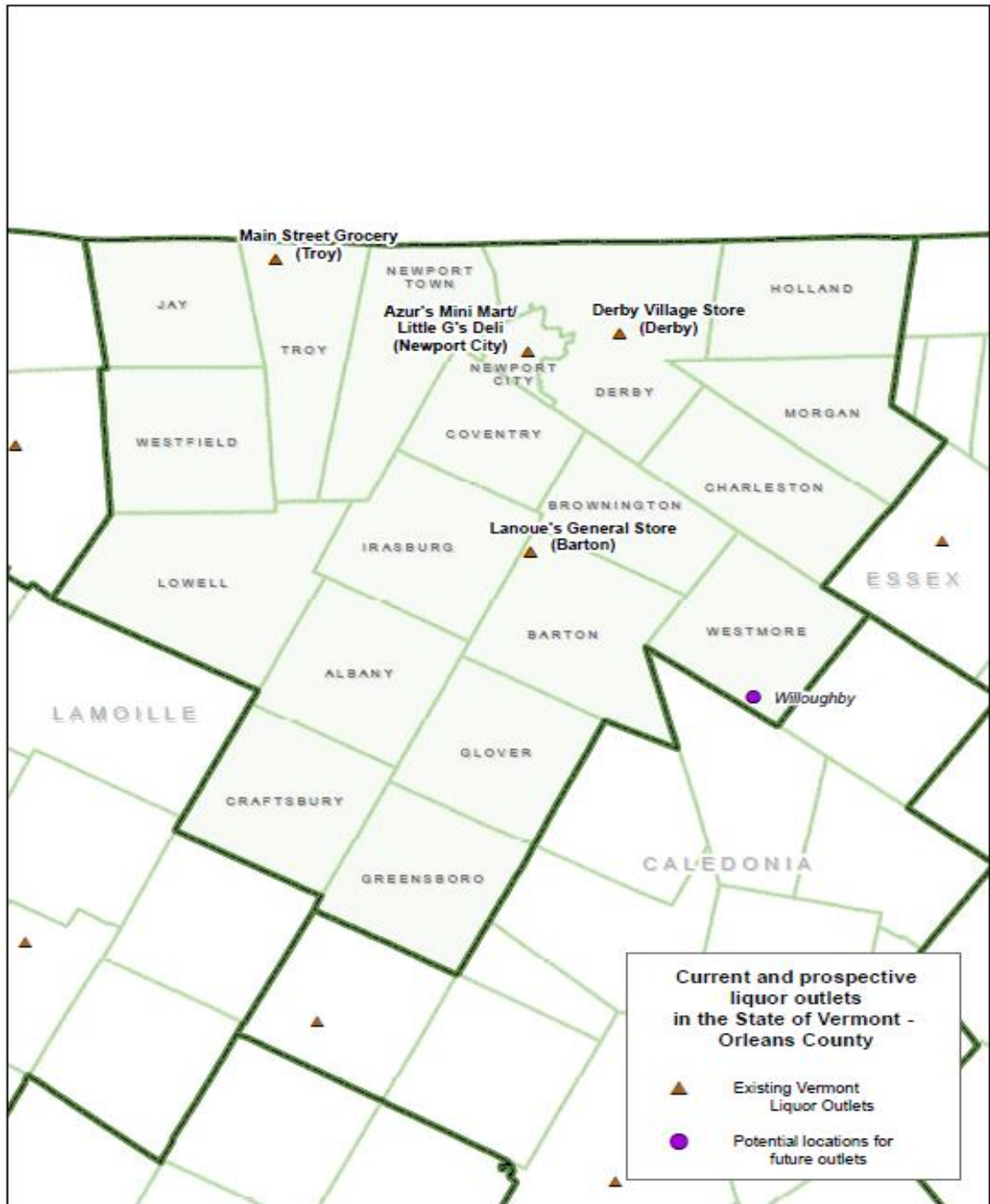


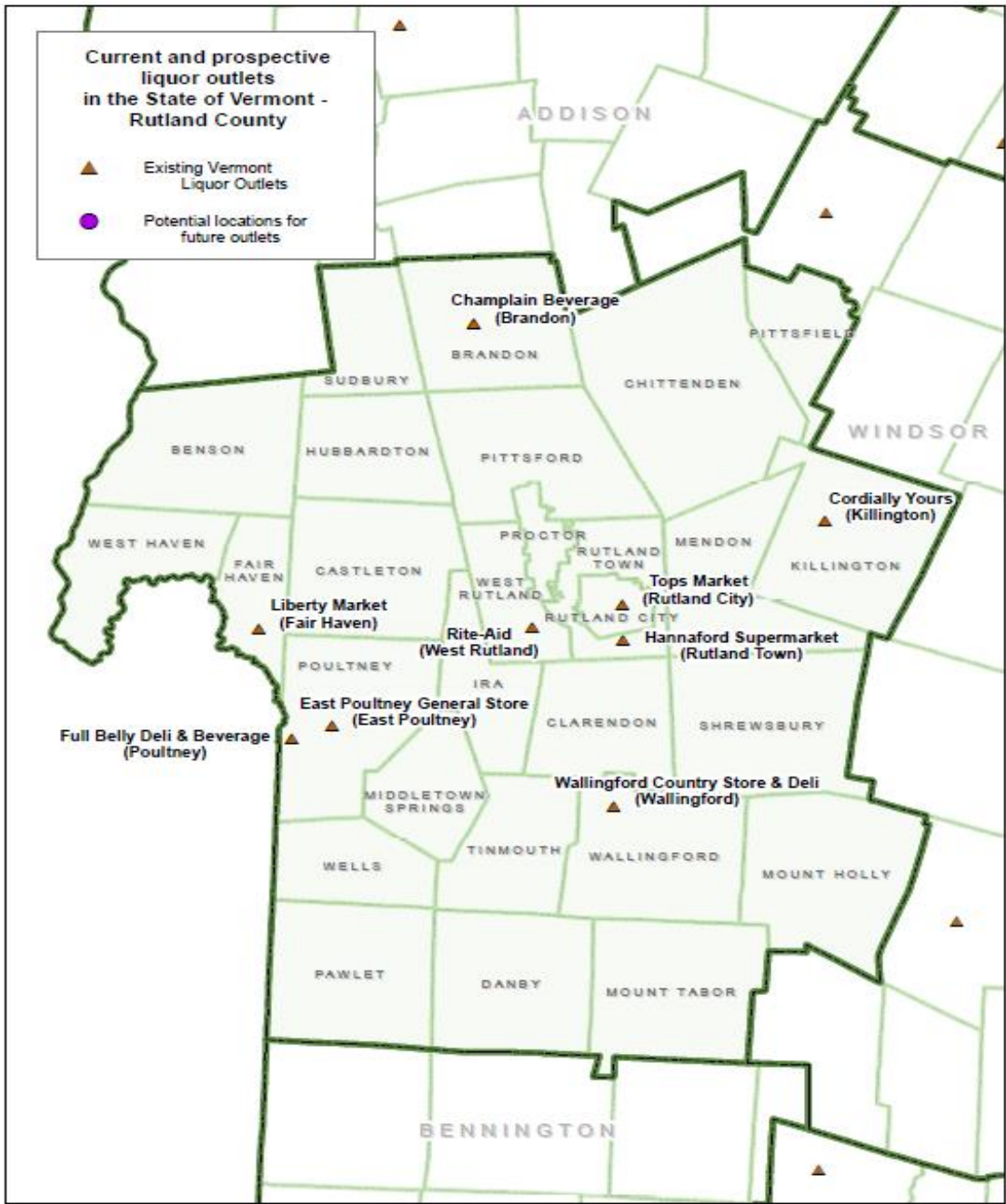


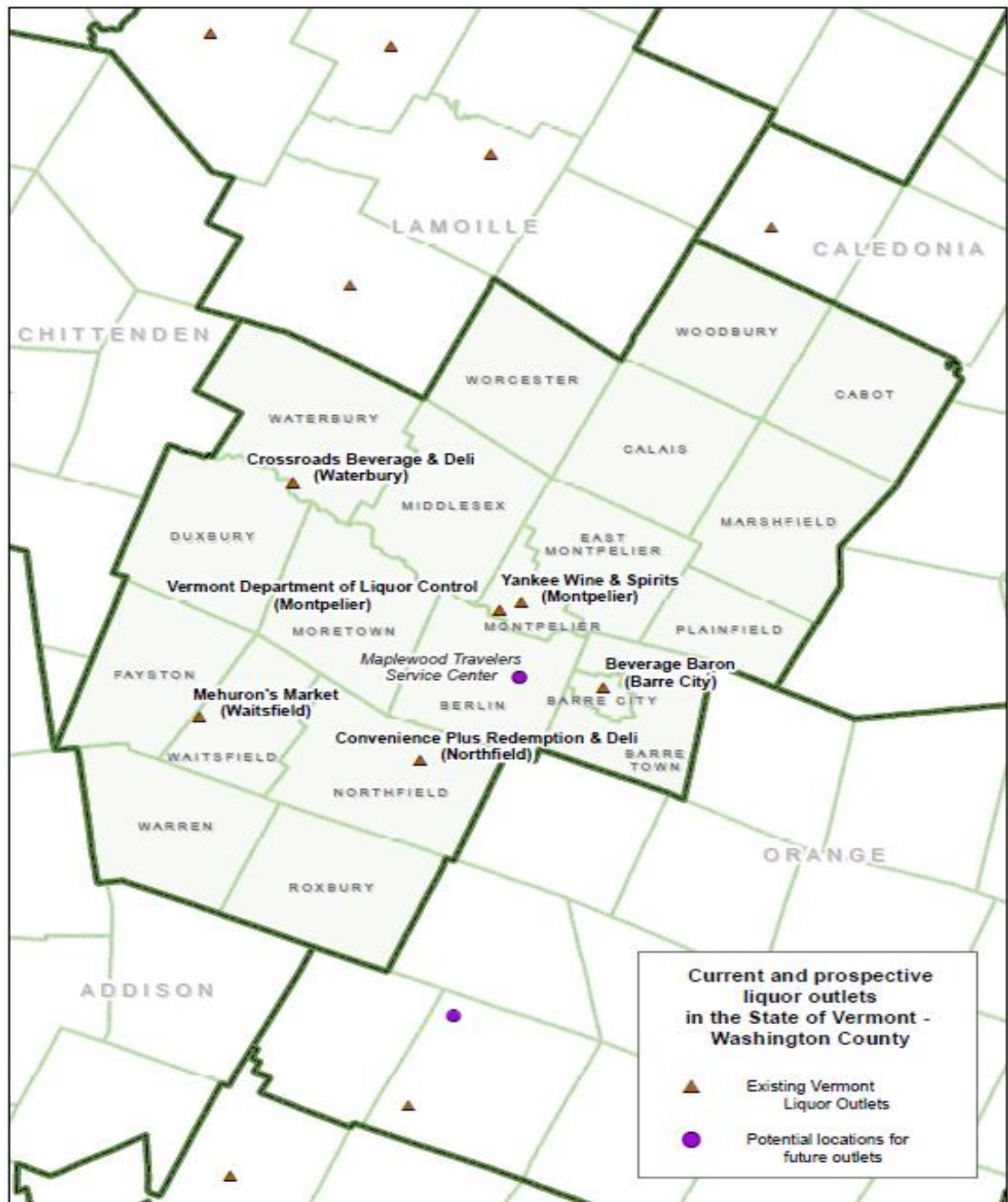


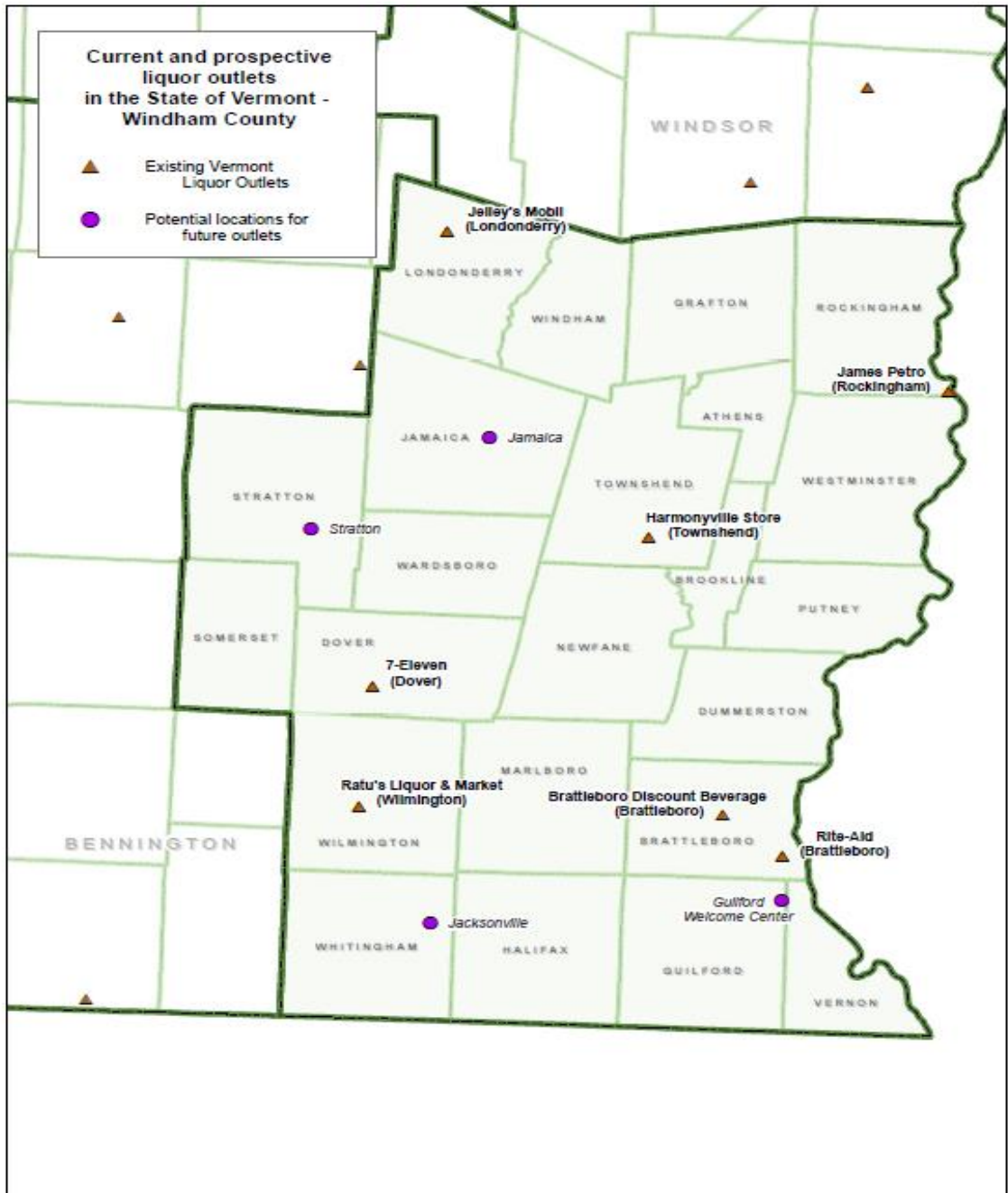


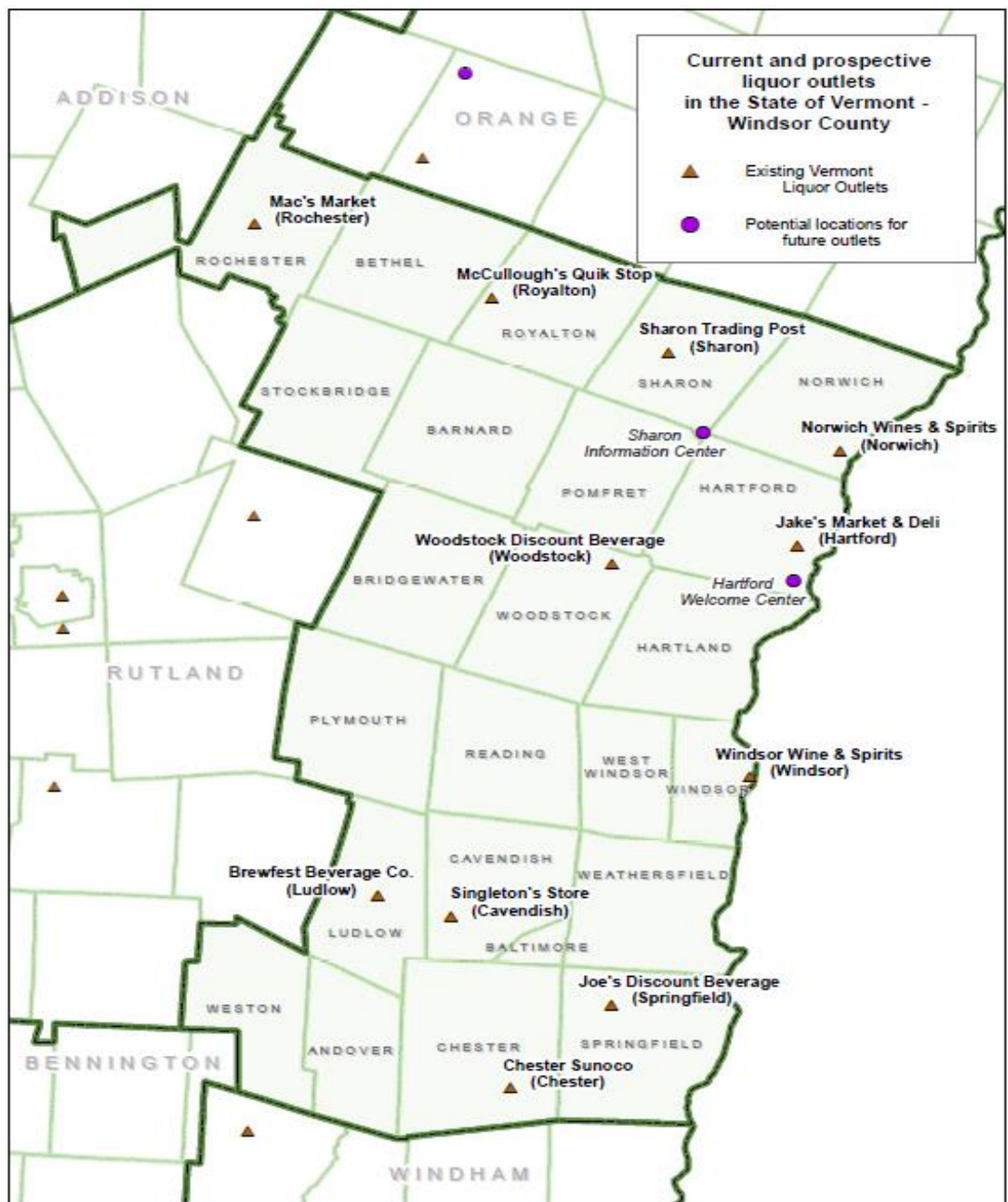












Appendix G

Vermont's DLC's Agency Applicant Evaluation Committee Analysis

TOTAL MAX POINTS: 135

MINIMUM POINTS TO BE APPROVED: 60

Section A - Applicant Information

Reviewer and score:

Proposed Agency #:

Date:

Advertised Location:

Owner/Db:

Address:

Section B - Physical Site and Location (MAX 90 POINTS)

1. Where is the proposed place of business located in relation to the area's retail business district? (MAX 15 POINTS) PHOTO

Points Awarded:

1 - Not in a retail business district. (0-3)

2 - Outskirts of retail business district, low traffic area. (4-6)

3 - Inside a retail business district, medium traffic area. (7-9)

4 - Inside a retail business district, high traffic area. (10-12)

5 - Inside a retail business district, high traffic area, located near the center of the designated geographical area. (12-15)

2. What is the general overall appearance of the site's exterior and is the business identified by visible signage? (MAX 10 POINTS) PHOTO

Points Awarded:

- 1 – Exterior in fair condition but owner has plans in place to improve, some visibility issues. The timeline for these improvements must be done before _____ to be considered. (0-3)
- 2 – Exterior in good condition and well kept, good visibility from the street. (4-6)
- 3 –Exterior in good condition and owner has plans in place to improve within a determined timeline (as listed below), excellent visibility from the street. (7-9)
- 4 – Exterior in excellent condition with no need for repairs, excellent visibility from the street. (10)

3. Does the business have off-street parking and/or on-street parking? What is the parking area’s surface and condition? Is there easy access to and from the parking area to the street? (MAX 10 POINTS) PHOTO

Points Awarded:

- 1 – 1-3 spaces available, parking lot in need of repair (i.e. – potholes, needs re-stripping), limited access from street. Limited public parking. (0-2)
- 2 – 1-3 spaces, surface in good condition – may need some repairs, limited access from street. The timeline for the repairs is listed below. The repairs must be made before we can consider this application. Ample public parking. (3-5)
- 3 – 4-10 spaces available, surface in good condition but there is no need for repairs, easy access from street. Abundance of public parking. (6-8)
- 4 – 10+ spaces available, surface in excellent condition – no repairs needed, traffic light controlled access from street. (9-10)

5. Is external lighting in place to protect customers/employees from crime and/or accident? Is there lighting in the following locations; entryway, lights covering entire parking lot, are all lights in clear working condition and functioning? Who is responsible for the maintaining outside lighting? (MAX 10 POINTS)

Points Awarded:

- 1 – Limited lighting, poor to no lighting in some areas outside of store where the customer will park. (0-3)
- 2 – Minimal lighting, most areas are lit but some areas need additional lighting. (4-7)
- 3 – All areas outside of store are well lit. (8-10)

6. What is the general overall condition and appearance of the interior of the business, i.e. flooring, walls, cleanliness, lighting etc.? (MAX 10 POINTS) PHOTO

Points Awarded:

- 1 - Interior is in fair condition, some work needs done but owner has plan in place to improve areas with issues. Time line is listed below. (0-3)
- 2- Interior is in good condition and is well kept; some minor work may need done. Timeline for minor work. (4-6)
- 3 - Interior is in excellent condition with no need for repairs. (7-10)

7. Applicant must provide the minimum of ____sq feet for the display of spirituous liquor. (MAX 5 POINTS) PHOTO

Points Awarded:

- 1 -Agent will only provide some shelving and small display area. (0-1)
- 2 - Minimum shelving space is provided; layout may require multiple liquor categories to be wrapped around corners or between shelving units. (2)
- 3 - Minimum shelving space is provided; layout provides limited possibility of having to wrap liquor categories around corners or between shelving units. (3)
- 4 Shelving space is provided, layout provides limited possibility of having to wrap liquor categories around corners or between shelving units, shelving must be self-service. (4)
5. Shelving space is provided, layout provides adequate space so that categories are not wrapped around corners or between shelving units, shelving must be self- service. (5)

8. Applicant must provide floor space or end caps to allow for seasonal or new product promotional displays. Show the proposed floor display area(s) on a store layout diagram. (MAX 5 POINTS) PHOTO

Points Awarded:

1. Floor space is provided, but will only provide space for 2 displays. (0-1)
2. Floor space is provided and should be able to have 3 displays. (2-3)
3. Floor space is provided and should be able to have 4+ displays. (4-5)

**9. How secure is the retail sales area? Where will the cashier be located in relation to the liquor area? PHOTO
Are there mirrors or surveillance cameras in the liquor area? (MAX 5 POINTS)**

Points Awarded:

- 1 - Cashier's view of retail sales area is obstructed or no register is in the retail sales area, Mirrors or cameras are in place or a plan is in place to add. The timeline for the updates are listed below. (0-1)
- 2- Cashier has clear view of retail sales area; no mirrors or cameras are in place. (2-3)
- 3 - Cashier has clear view of retail sales area; business has mirrors and/or cameras in place. (4)
- 4- Cashier has clear view of retail sales area and is near the exits, cameras with recording device and mirrors are used to monitor sales floor at all times. (5)

10. Applicant must provide ____ square feet of storage for the reserve liquor inventory. Where in the store will the reserve be stored? How secure is the storage area? Does the store have a night security system? (MAX 5 POINTS) PHOTO

Points Awarded:

- 1 - Minimum storage area is provided, but location of liquor storage area requires liquor to be transported through non-liquor areas of the business. (0-1)
- 2 - Minimum storage area is provided; location of liquor storage area requires liquor to be transported through non-liquor areas of the business. Area is locked with limited access and night security system. (2)
- 3 - Minimum storage area is provided; storage area is near or adjacent to liquor sales area, area is locked with limited access, and night security system. (3)
- 4 - 110% or more of minimum storage area is provided; storage area is adjacent to the liquor sales area, locked with limited access, and night security system without cameras and recording device. (4)
- 5 - 125% or more of the minimum storage area is provided; storage area is adjacent to the liquor sales area, locked with limited access, and night security system with cameras and recording device. (5)

11. Spirituous liquor will be delivered via Department Warehouse trucks at prearranged days tentatively between the hours of 7:00 a.m. and 2:00 p.m., Monday through Friday. How will the store's delivery access accommodate the delivery vehicle and receipt of the liquor? The Agency is required to provide appropriate staffing for delivery. (MAX 10 POINTS) PHOTO

Points Awarded:

- 1 - Delivery area is not accessible by track system or back entrance. Flow of delivery will be difficult and time consuming. (0-2)
- 2 - Delivery area provides easy access to proposed site but not directly into the liquor storage area. (3-4)
- 3- Delivery is accessed on ground floor with delivery on hand truck. (5-6)
- 4 - Delivery area provides easy access and is directly into the liquor storage area, with access to hand truck. (7-8)

5- Delivery area can accept a skid pallet directly into loading area. (9-10)

12. Licensees will place and pick-up orders during normal business hours. How and where will the business service the licensee customers? (MAX 5 POINTS) PHOTO

Points Awarded:

0 - Proposed location has no suitable accommodations will plan to put accommodations in place by noted date. (0-1)

1 - Service area for licensee customers is not adjacent to an entrance/exit (2)

2 - Service area is directly adjacent to either the liquor storage area or retail sales area (3-4)

3 - Service area also allows easy loading into customer vehicle via handcarts, bay doors. (5)

Section C - Background History (Max 30 points):

1. List all alcoholic beverage experience. Include businesses holding liquor permits or permit premises employed within the past 10 years. Disclose all liquor law violations. List any existing or previous DLC licenses held. The existence of multiple liquor law violations may result in the applicant receiving less than zero points on this question. Applicant needs to provide details surrounding the event, and what they did to remedy the situation. (Max 15 points)

Points Awarded:

Notate any negative points given for multiple liquor law violations.

0 - Violations average in excess of 1 per year for 2 or more permits held within the last 10 years. (0-1)

1 - In excess of 4 violations per permit held over the past 10 years, 2 or more underage sales violations on any permit held for any 3-year period. (2-4)

2 - Applicant has limited liquor law violations but an underage sales violation is still pending or less than 6 months old. (5-7)

3 - No previous liquor permits held, or applicant has limited liquor law violations and no more than two violations have not been resolved. (8-10)

4 - Applicant has limited liquor law violations all have been resolved, no liquor law violations for any permit held or has not held any permit for at least 5 years. (11-13)

5 - No liquor law violations for any permit held and has held at least one permit for 5 years or more. (14-15)

2. What is the business credit rating? What is the risk factor? (MAX 15 POINTS) We will use Dun & Bradstreet evaluations.

Points awarded

- 1- There is not a credit rating and risk value is high. (0-2)
- 2- There is not a credit rating and risk value is low. (3-5)
- 3- Credit rating is poor- fair. (6-8)
- 4- Credit rating is fair- good (9-11)
- 5- Credit rating is good-great (12-13)
- 6- Credit rating is excellent (14-15)

Any comments from the Prospective Agents:

Total Points Awarded by Evaluation Committee:

Points

Additional Comments:

Agency Evaluation Committee Names & Signatures:

Date:

GENERAL QUESTIONS FOR NEW LIQUOR AGENCY APPLICANTS

Agency Location:

1. Describe current Business:

2. # of Employees and mgt team:

3. Employees with alcohol training:

4. Is the property owned, leased, rental?:

5. Experience in Beverage sales:

6. Signage:

7. Parking:

8. Store Entrance: _____
9. Retail Sq. Footage: _____
10. Storage sq. footage: _____
11. General description: _____
12. Loading/unloading:
PHOTO _____
13. Planned hours of operation & holiday closure: _____
14. Redemption area:
PHOTO _____
15. Local Zoning Approval: _____
16. Bond/ Letter of Credit: _____
17. Traffic flow: _____
18. Population growth and demographics: _____
19. Future Plans: _____

Appendix H

Evaluation Criteria for Incentive Commission				AGENCY #	DATE:
STANDARD EXPECTATIONS				Potential of 6.7%	SCORE:
STANDARD EXPECTATIONS MUST BE MET TO RECEIVE ANY INCENTIVE POINTS					
REFER TO STANDARD EXPECTATION LIST					
COMMENTS:					
APPEARANCE OF EXTERIOR				Potential of .20%	SCORE:
0 to 1	Unsatisfactory-Needs Improvement .05%-.10%			0 to 7	
2 to 3	Satisfactory to Good .11%-.15%			8 to 21	
4 to 5	Excellent to Outstanding .16%-.20%			22 to 35	
				0-5	
Can consumers see the location from the street?					
Is the exterior of the building clean & inviting?					
Is the store ADA compliant?					
Is there parking for 5+ cars?					
Is their ample lighting in the parking area?					
Is the parking area clean & litter free?					
Is the Agency making efforts to be more visible according to town ordinances? OBDS signs, exterior signage, etc.					
COMMENTS:					
APPEARANCE OF THE INTERIOR				Potential of .20%	SCORE:
0 to 1	Unsatisfactory-Needs Improvement .05%-.10%			0 to 7	
2 to 3	Satisfactory to Good .11%-.15%			8 to 21	
4 to 5	Excellent to Outstanding .16%-.20%			22 to 35	
				0-5	
Is the overall appearance clean & inviting?					
Is there signage for each category of spirit?					
Are the aisles accessible to more than one consumer at a time?					

	Is the sales counter clean?					
	Is the interior well-lit for reading signs?					
	Are the aisles clutter free?					
	Is DLC equipment well maintained?					
	COMMENTS:					
CUSTOMER SERVICE				Potential of .20%	SCORE:	
	0 to 1	Unsatisfactory-Needs Improvement .05%-.10%			0 to 6	
	2 to 3	Satisfactory to Good .11%-.15%			7 to 18	
	4 to 5	Excellent to Outstanding .16%-.20%			19 to 30	
					0-5	
	Is the consumer being greeted by the staff?					
	Is the staff participating in additional industry training?					
	Is the staff properly trained on DLC's process & procedures?					
	Is the manager/owner informing staff of DLC changes/information?					
	Is the staff knowledgeable about the product?					
	Is the staff aware of new products in the store?					
	COMMENTS:					
SHELVING/MERCHANDISING				Potential of .15%	SCORE:	
	SATISFACTORY 5+ REQUIREMENTS FOR A SCORE OF .15%				0 to 11	
	WARNING IS LESS THAN 5 REQUIREMENTS FOR A SCORE OF .075%				12 to 23	
	UNSATISFACTORY IS LESS THAN 4 REQUIREMENTS FOR A SCORE OF 0%				23 to 35	
					0-5	
	Are the price/upc tags visible and clean?					
	Are the 802 Spirits visible to the consumer?					
	Were the Holiday items/gift boxes displayed outside of the shelf set?					
	Are the products easy for the consumers to reach?					
	Is the shelving clean & stocked?					
	Are there 3 facings or less for products?					
	Is their a merchandised area/shelf?					
	COMMENTS:					
SALE DISPLAYS				Potential of .15%	SCORE:	

	SATISFACTORY 4+ REQUIREMENTS FOR A SCORE OF .10%			0 to 11	
	WARNING LESS THAN 4 REQUIREMENTS FOR A SCORE OF .05%			12 to 23	
	UNSATISFACTORY IS LESS THAN 3 REQUIREMENTS FOR A SCORE OF 0%			23 to 35	
				0-5	
	Does the Agency have a VT products display?				
	Are there prominent locations for floor stacks or sale items?				
	Are the monthly sales cards up to date?				
	Are 75% of special orders for the consumer?				
	Does Agents have sorry out of stock signs?				
	Are special order items on shelf?				
	COMMENTS:				
SALES/AUDITS			Potential of .20%	SCORE:	
	0 to 1	Unsatisfactory-Needs Improvement .05%-.10%		0 to 6	
	2 to 3	Satisfactory to Good .11%-.15%		7 to 18	
	4 to 5	Excellent to Outstanding .16%-.20%		19 to 30	
				0-5	
	Is the store organized for ease of auditing?				
	Is the back room organized for ease of auditing?				
	Does the Agency have ample storage/security for delivered product?				
	Is the audit difference under \$500?				
	Is the Agency below 50 adjustments on last audit?				
	Are the monthly counts on time?				
	Does Agency engage in loss prevention measures?				
	COMMENTS:				
WAREHOUSE DELIVERIES			Potential of .20%	SCORE:	
	0 to 1	Unsatisfactory-Needs Improvement .05%-.10%		0 to 7	
	2 to 3	Satisfactory to Good .11%-.15%		8 to 21	
	4 to 5	Excellent to Outstanding .16%-.20%		22 to 35	
				0-5	
	Is the Agent verifying the order with the driver?				
	Is the Agent ready to receive the order with the driver, during the proposed time slots?				
	Is there adequate staff to receive the order?				

	Is the product easy to receive into the back room?			
	Is it easy to get products from storage to the shelf?			
	Can the Agency accept pallet deliveries?			
	Is the Agency ordering more full cases vs partial cases?			
	Is the Agency under the thresholds for add ons?			
COMMENTS:				
COMMUNICATION			Potential of .20%	SCORE:
0 to 1	Unsatisfactory-Needs Improvement .05%-.10%			0 to 6
2 to 3	Satisfactory to Good .11%-.15%			7 to 18
4 to 5	Excellent to Outstanding .16%-.20%			19 to 30
				0-5
	Is Agency mgr/owner responding to emails within 72hours?			
	Is the Agency accessing and utilizing the Portal 1x per week?			
	Does the Agency engage in professional communication with DLC staff?			
	Is the Agency communicating their needs to the DLC?			
	Does the agency reply to all DLC surveys?			
	Does the Agency staff have access & use the Agency Portal?			
COMMENTS:				