

## **NH LIQUOR COMMISSION**

Annual Report
Fiscal Year
1999



# Annual Report Fiscal Year 1999

## NEW HAMPSHIRE LIQUOR COMMISSION

Jeanne Shaheen GOVERNOR

#### **Executive Council**

Raymond S. Burton FIRST DISTRICT

Peter Spaulding SECOND DISTRICT

Ruth L. Griffin THIRD DISTRICT

Thomas Colantuono FOURTH DISTRICT

Bernard A. Streeter, Jr. FIFTH DISTRICT

### From the NH Liquor Commission

December 1999

Her Excellency, Governor Jeanne Shaheen State of New Hampshire State House Concord, New Hampshire

Dear Governor Shaheen:

e are pleased to present to you the fiscal year 1999 annual report of the New Hampshire Liquor Commission. It covers the results of operations for the period of July 1, 1998, through June 30, 1999, and marks the 65th year of operation for the Commission.

The past fiscal year was one of substantial accomplishment for the Commission. Total sales reached a record-setting \$267 million, an increase of nearly \$14 million from FY 1998. Net profit for 1999 also set a record of \$687 million

This report outlines many of our accomplishments in all areas of our operations and our objectives for the future. Additional financial and operating data regarding the Commission is on file with the Department of Administrative Services or directly available through our office. We welcome your comments, questions, and suggestions and appreciate your continued support in our service to the people of our state.

Respectfully submitted,

JOHN W. BYRNE, CHAIRMAN

ANTHONY C. MAIOLA, COMMISSIONER

PATRICIA RUSSELL, COMMISSIONER

#### From the Governor

or the past 65 years, the New Hampshire Liquor Commission has directly regulated the sale, distribution and consumption of alcoholic beverages in the state. An important role of The New Hampshire Liquor Commission is to ensure that alcoholic beverages are purchased only by individuals of legal drinking age, and that they are consumed responsibly and in moderation.

This report outlines the financial performance of the Commission

and highlights significant achievements in enforcement, customer service and other areas in 1999.

With more than 6 million customers a year from across the state and around the nation, the work of the New Hampshire Liquor Commission continues to be challenging. My thanks to the Commission and its staff for their continued dedication and commitment to the people of New Hampshire and for their service to our many customers.

GOVERNOR IEANNE SHAHEEN

Jeanne Shaheen

### Chairman's Message

n behalf of the New Hampshire State Liquor Commission,
I would first like to extend a warm welcome to Patricia Russell
of Keene, as a new member of the Commission. Her knowledge and
experience are sure to be a great asset as we continue our mission into
the next millennium.

Looking back, Fiscal 1999 was another record-breaking year for the New Hampshire Liquor Commission. This year, total sales increased nearly \$14 million to \$267 million, to combine for a total of \$28 million in increased sales for the past two fiscal years.

While these impressive numbers point to our long commitment of offering value and a wide variety of premium and value brand wines and spirits, none of this extraordinary success could have been possible without the dedication and hard work of our employees. This report chronicles the great work our employees do every day, and is dedicated to them.

From the warehouses to the retail sales floors, and from the front office to the enforcement bureau, it is the employees of the New Hampshire State Liquor Commission who provide all our customers, wholesale and retail, with knowledge, value, and service. As a Commission, we will continue to build upon this success, by designing programs, like our wine and spirit training seminars,

that continue to enhance this success in years to come.

So, on behalf of my fellow Commissioners, I'd like to thank all our employees for their service and valuable contribution. Their hard work not only benefits the Liquor Commission, but also the State of New Hampshire. My thanks are also extended to the members of the General Court, and fellow state employees in numerous state agencies who continue to support the Commission's mission.

As we look ahead into the new millennium, we look forward to continued success and service to the people of the state of New Hampshire.

JOHN W. BYRNE, CHAIRMAN

### The Secret of Our Success – Our Employees

he smiling faces and helpful advice of New Hampshire Liquor Commission employees greet many of the over 25 million visitors to New Hampshire each year. With 72 stores situated along the state's major highways and nestled in picturesque hamlets, the New Hampshire Liquor Commission and its 770 employees often serve as ambassadors to the Granite State's burgeoning tourism industry.

The Commission is also the wholesale supplier of wine and spirits to the state's flourishing hospitality industry, as well as to numerous supermarkets and convenience stores throughout the state. Serving these many wholesale customers is a priority of the Commission and its employees.

The exceptional customer service provided by Commission employees to visitors and residents alike is key to the ever-increasing growth of wine and spirit sales and, ultimately, to the Commission being one of the largest contributors to the state's general fund. The Commission's record-breaking sales of over \$267 million for the 1999 fiscal year are due in large part to the dedicated service of Commission employees.

What visitors and residents don't see when they visit a New Hampshire

#### Behind the scenes

Liquor and Wine Outlet store are the scores of employees behind the scenes who assist in the smooth running of the stores. Beginning in the merchandise warehouses in Concord and Nashua, workers oversaw the proper storing and delivery of the 29 million bottles of wine and spirits sold this year. Whether products are being delivered to New Hampshire Liquor and Wine Outlet stores, to the hotels and restaurants in the hospitality industry, or to supermarkets and convenience stores, the detail-oriented employees in the warehouse carefully fill orders and arrange delivery of thousands of bottles each day.

Warehouse Supervisor Leroy French (center), one of the Commission's longest-serving employees with 35 years of dedicated service, oversees the stocking and delivery of wine and spirits with Tom Barrett (right) and Harry French. Combined, this trio has spent more than 75 years with the Commission.

#### Putting out the welcome mat

Ensuring that each store welcomes visitors with well-maintained grounds and interiors is the job of the Maintenance Division. This well-skilled crew creates an inviting atmosphere and comfortable shopping experience for customers. From reconditioning floors, installing new racking and signage, rearranging shelves for improved traffic flow, and installing enhanced lighting – all the way to complete store renovations – these employees are responsible for the upgrading and reengineering of each of the 72 outlet stores.

Whether a Commission store needs a minor facelift or major reconstruction, Tom Smith (right), a Commission employee for over 15 years, and Bob Whiting, a 13 year employee, are ready to handle the job.

#### On the front line

The Commission's best-known employees are those in the New Hampshire Liquor and Wine Outlet stores who deal directly with customers from not only across the state, but from every state in the union and around the world. Many of these visitors stop at one of our outlet stores for its outstanding values and no sales tax, but also because of our knowledgeable and helpful store employees. Commission studies report a high level of customer satisfaction with our retail store employees, which explains why some visitors return to the same store during each visit so they can request assistance from an employee who has helped them in the past. Other customers have remarked on how pleasant and cooperative store employees have been with customers with large or challenging orders, while still others have marveled on our employees' broad product knowledge. The Commission's wine

Linda Gilbert (left), Commission employee for 22 years, discusses a wine promotion with Nicole Horton, Wine Merchandising Specialist. As the supervisor of all north country stores, Linda knows what it takes to successfully manage Liquor and Wine Outlet stores, work with staff, and promote store products.

and spirits employee training seminars, often organized and run by Commission employees, educate employees so they can answer customer questions that range from the simple to the sophisticated.

An innovative marketing strategy has been integral in making the New Hampshire Liquor

Commission a national leader in the beverage industry, as evidenced this year by \$15.7 million in gross sales at the Hampton North Store #76, one of the largest volume seller of wine and spirits in the country. Store employee support of promotional contests sponsored by wine and spirit suppliers has built excitement around the drawings and increased sales. This year found customers registering to win shopping sprees, mountain bikes, backyard grills and humidors, to name just a few of the many prizes. The Commission's own highly successful Merchandising Mania program encourages employees to get actively involved in creating eye-catching promotions of wine and spirits. This year, 17 stores received awards in three areas: Creative Outlet (outstanding merchandise throughout the store), Show 'n Sell (most outstanding display using wine or spirits), and Ingenious Idea (most original merchandising idea).

In addition to promoting wine and spirit sales, outlet store employees

also continue to sell the largest number of New Hampshire lottery tickets of any retail chain, reaching nearly

\$9 million in lottery ticket sales this year.

#### Taking care of business

Keeping track of the Commission's sizable inventory of products is the heady responsibility of the Division of Information Technology. Employees helped the Commission select a state-of-the art Point-of-Sale

system for installation in each of the stores and at the Commission's main office. By linking each store register to the store's back office and then to the main office and warehouse, the system allows the Commission to monitor sales and analyze the buying habits of each store's customers. As employees in this division maintain the seamless running of this system with its high-speed communication lines for credit and debit card use, they are helping store employees quickly process customer orders, effectively reducing a customer's wait in line. The IT employees' timely generation and analysis of consumer buying

John Larochelle, Assistant Director of Store Operations, works behind the scenes to make sure all stores are running smoothly. He has been with the Commission for 28 years and his father, Raymond, for 22 years before him.



Keeping tabs on the many details in the Commission's Administrative and Accounting departments are Carol Andersen, (left) with 5 years of service to the Commission and Cheryl LaPlante, a 10-year Commission employee.

information from the system allows the Commission to be responsive to consumer demand for products and maximize sales opportunities.

Also keeping track of the thousands of New Hampshire Liquor Commission sales across the state every day are the Administrative and Accounting departments. Their efficient organization and record keeping ensure that outlet store sales and sales to the state's many hospitality establishments and supermarket and convenience stores are properly tabulated. Additionally, they oversee the accurate calculation of Commission net profit, which represents 46 percent of total statewide enterprise fund net income.

#### Ensuring public safety

From their new headquarters on Commercial Street in Concord, Bureau of Enforcement and Licensing employees continue to oversee the responsible use and sale of alcoholic beverages in the state. To better serve the needs of licensees, the Licensing and Auditing Division has been added to this department. This new division develops educational programs to assist licensees in understanding state laws relative to alcohol sales and to help them effectively deal with enforcement challenges that can arise at a point of purchase. Training includes the six-hour TEAM (Total Education in Alcohol Management) program for on-premise licensees and the three-hour GETS (Grocer Education Training Seminar) program for off-premise licensees. The division's

Cops in Shops program continues to place undercover

officers in grocery and convenience stores and State Liquor and Wine Outlet stores to monitor the responsible sale of alcohol. Employees in these divisions work diligently to ensure each licensee's responsibility to public safety.

Lisa Soiett (left), a 10-year employee, and Karen Kelleher, a 5-year employee, keep a watchful eye on public safety through their training of on- and off-premise licensees.

#### Serving those who serve others

As the wholesale supplier of wine and spirits to New Hampshire's thriving hospitality industry, the Commission continues to offer a wide variety of fine and rare wines and premium spirits to the state's restaurants, hotels, ski resorts and other hospitality establishments. With visitors from around the world vacationing or doing business in our state, and New Hampshire becoming increasingly known for its fine restaurants, Commission employees work with the hospitality industry to offer select wines and spirits that are sure to satisfy the most sophisticated tastes.

#### A toast to the millennium

As people toast the new millennium at the end of this year, thousands of them will be celebrating the event with champagne purchased at a New Hampshire Liquor and Wine Outlet store or one of the many hotels or supermarkets served by the New Hampshire Liquor Commission. As Commission employees help customers select from a wide array of champagne and millennium memorabilia to commemorate this momentous occasion, they will no doubt be heeding the advice of Peter A. Engel,

former supervisor of Store #34 in Salem and currently a spirits marketing specialist for the Commission.

In a recent Commission employee newsletter,
Engel suggests that as the holiday season
approaches, store employees should "serve the
customer like they are the most important
event of this century." If you ask some
customers, many of them already do.

Wine Marketing Specialist Jim Beck, who has been with the Commission for 12 years, is assisted by Marie Tremblay, a 7-year Commission employee, in ensuring the continued growth of the Commission's wine sales by working closely with the hospitality industry and wine brokers.

#### Fiscal Year 1999 Facts

Gross liquor sales = \$267.2 million

Net profit from liquor operations = \$58.4 million

Store with highest sales = \$15.7 million (Hampton-North)



FY 1999 Cash vs. Credit Card Sales

Credit card sale = \$91,369,180 Cash = \$175,861,771

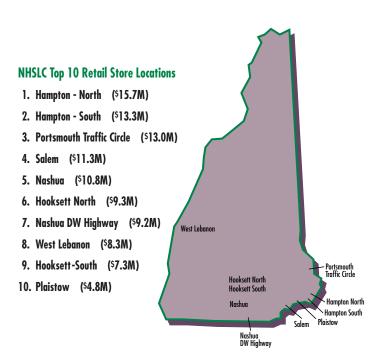
#### **Personnel Data**

CURRENT NUMBER OF EMPLOYEES	06/30/99	06/30/98	
Unclassified	3	3	
Classified	309	311	
Temporary *	458	450	
Total	770	764	

<sup>\*</sup>Permanent employees are those occupying positions permanently established by the legislature, whereas temporary employees are those whose service is authorized for a limited or intermittent period.

Physical Plant and Property Appraisal

	06/30/99	06/30/98	
Land and Land Improvements	\$2,679,379	\$2,679,379	
Buildings and Improvements	14,286,216	14,240,452	
Equipment	6,605,498	7,567,827	
Total	\$23,571,093	\$24,487,658	
Less: Allowance for Depreciation and Amortization	(9,987,901)	(12,012,572)	
Net Fixed Assets	\$13,583,193	\$12,475,086	



## **State of New Hampshire Liquor Commission Comparative Income Statement-Liquor**\*

FISCAL YEARS ENDED 6/30/98 AND 6/30/99	July 01, 1998 through June 30, 1999	July 01, 1997 through June 30, 1998	% FY 99	% FY 98	Increase/ (Decrease)	% Incr/ (Dcr)
REVENUE						
Sales—Retail	\$192,014,075	\$181,204,527	0.72	0.71	10,809,548	0.06
Sales—On-Premise	33,681,626	31,903,317	0.13	0.13	1,778,309	0.06
Sales—Off-Premise	44,413,338	42,482,496	0.17	0.17	1,930,842	0.05
Discount	(2,878,088)	(2,083,483)	-0.01	-0.01	-794,605	0.38
Total Sales	\$267,230,951	\$253,506,857	1.00	1.00	13,724,094	0.05
Less Credit Card Fees,						
Cash Over/Short, Etc.	(1,712,924)	(1,550,805)	-0.01	(0.62)	-162,119	0.10
Net Sales	\$265,518,028	\$251,956,052	1.00	1.00	13,561,976	0.05
COST OF GOODS						
Inventory Change	\$2,445,841	(\$3,533,374)	0.01	(0.01)	5,979,215	-1.69
Purchases Net	188,056,342	183,303,278	0.71	0.73	4,753,064	0.03
Buy-In Storage & Handling	307,360	265,592	0.00	0.00	41,768	0.16
Freight to Stores	960,421	958,109	0.00	0.00	2,312	0.00
Total Cost of Sales	\$191,769,964	\$180,993,605	0.72	0.72	10,776,359	0.06
Gross Profit from Sales	\$73,748,064	\$70,962,447	27.78	28.16	2,785,617	0.04
OTHER REVENUE						
Liquor Rep. Fees	\$3,926	\$3,549	0.00	0.00	377	0.11
Licenses—Liquor	2,843,405	2,776,541	0.63	0.62	66,864	0.02
Licenses—Wine	720	24	0.00	0.00	696	29.00
Brand Registration Fees	102,866	100,665	0.02	0.02	2,201	0.02
Check & Administrative Fir	nes 148,226	117,562	0.03	0.03	30,664	0.26
Warehouse Bailment Income	893,878	951,006	0.20	0.21	-57,128	-0.06
Wine Tax	6,771	3,527	0.00	0.00	3,244	0.92
Sweepstakes Income	448,390	420,244	0.10	0.09	28,146	0.07
Inventory Information	6,160	4,134	0.00	0.00	2,026	0.49
Direct Shipping Permits	3,408	-	0.00	0.00	3,408	0.00
Processing/Investigation Fee	es 56,264	50,700	0.01	0.01	5,564	0.11
Miscellaneous	33,278	32,760	0.01	0.01	518	0.02
Total Other Revenue	\$4,547,292	\$4,460,712	1.00	1.00	86,580	0.02
Total Gross Profit * Unaudited	\$78,295,356	\$75,423,159	29.30	29.75	2,872,197	0.04

## **State of New Hampshire Liquor Commission Comparative Income Statement-Liquor**\*

FISCAL YEARS ENDED 6/30/98 AND 6/30/99	July 01, 1998 through June 30, 1999	July 01, 1997 through June 30, 1998	% FY 99	% FY 98	Increase/ (Decrease)	% Incr/ (Dcr)
OPERATING EXPENSES						
Commissioner's Office	\$470,146	\$455,302	0.02	0.02	14,844	0.03
Data Processing	810,754	688,794	0.04	0.04	121,960	0.18
Accounting and Finance	959,148	841,592	0.05	0.04	117,556	0.14
Merchandising—Admin.	348,940	321,543	0.02	0.02	27,397	0.09
Purchasing	51,619	52,536	0.00	0.00	-917	-0.02
Human Resources	70,667	75,214	0.00	0.00	-4,547	-0.06
Merchandising—Stores	15,604,154	15,269,699	0.79	0.79	334,455	0.02
Warehouse	649,517	720,932	0.03	0.04	-71,415	-0.10
Depreciation Expenses -						
• Office of Commission	ners 68,300	54,382	0.02	0.00	13,918	0.26
• Data Processing	160,446	141,707	0.01	0.01	18,739	0.13
<ul> <li>Accounting and Finar</li> </ul>	nce 30,800	14,681	0.00	0.00	16,119	1.10
<ul> <li>Merchandising</li> </ul>	647	809	0.00	0.00	-162	-0.20
• Stores	557,902	524,164	0.03	0.03	33,738	0.06
<ul> <li>Warehouse</li> </ul>	78,454	78,658	0.00	0.00	-204	0.00
Total Expenses	\$19,861,494	\$19,240,007	1.00	1.00	621,487	0.03
Net Profit -						
• Liquor Operations	\$58,433,862	\$56,183,152	22.01	22.30	2,250,710	0.04
• Licensing & Enforcement	10,258,744	10,234,790	3.86	4.06	23,954	0.00
Loss on Disposal of F/A	(6,017)	(20,847)	0.00	0.00	14,830	-0.71
Total Net Profit	\$68,686,589	\$66,397,095	25.9	26.4	2,289,494	0.03
* Unaudited						
NOTE:						
Beginning Inventory	\$20,183,905	\$16,650,531			3,533,374	
Inventory Change	(2,445,841)	3,533,374			-5,979,215	
Ending Inventory	\$17,738,064	\$20,183,905			-2,445,841	

### State of New Hampshire Liquor Commission Statement of Financial Position June 30, 1999\*

	1 20 1000	1 20 1000	Increase/	% Incr/
4	June 30, 1999	June 30, 1998	(Decrease)	(Dcr)
Assets				
CURRENT ASSETS				
Cash and Cash Equivalents	\$1,641,229	\$1,125,306	515,923	45.85
Accounts Receivable	3,427,814	2,942,171	485,643	16.51
Liquor Inventory	17,738,064	20,183,905	-2,445,841	-12.12
Total Current Assets	\$22,807,108	\$24,251,383	-1,444,275	-5.96
PROPERTY, PLANT & EQUIPMENT				
Land & Land Improvements	\$2,679,379	\$2,679,379	0	0.00
Buildings and Leasehold Improvements	14,286,216	14,240,452	45,764	0.32
Vehicles, Equipment and Furniture	6,605,498	7,567,827	-962,329	-12.72
Total Property, Plant and Equipment	\$23,571,093	\$24,487,658	-916,565	-3.74
Less Allowance for Depreciation and Amortization	9,987,901	12,012,572	-2,024,671	-16.85
Net Property, Plant and Equipment	13,583,193	12,475,085	1,108,108	8.88
Total Assets	\$36,390,301	\$36,726,468	-336,167	-0.92
Liabilities & Funded Equi	ty			
Accounts Payable	\$25,769,463	\$18,281,770	7,487,693	40.96
Deferred Income	1,767,923	1,677,515	90,408	5.39
Net Investment in Current Assets	-4,730,278	4,292,098	-9,022,376	-210.21
Total Current Liabilities	\$22,807,108	\$24,251,383	-1,444,275	-5.96
Net Investment in Fixed Assets	13,583,193	12,475,085	1,108,108	8.88
Total Liabilities & Funded Equity	\$36,390,301	\$36,726,468	-336,167	-0.92
* Unaudited				

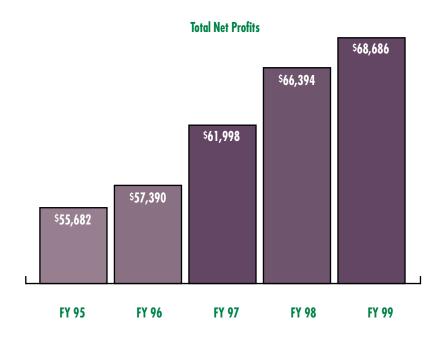
## **State of New Hampshire Liquor Commission Five-Year Comparative Statement of Operations-Liquor**\*

AMOUNT IN THOUSANDS	FY 99	FY 98	FY 97	FY 96	FY 95
SALES					
Sales—Retail	\$192,014	\$181,205	\$173,184	\$162,782	\$153,508
Sales—On-Premise	33,682	31,903	29,344	27,113	25,774
Sales—Off-Premise	44,413	42,482	38,562	34,288	31,025
Total Sales	\$270,109	\$255,590	\$241,090	\$224,183	\$210,307
Less Discounts, CC, Etc.	4,591	3,634	3,257	2,818	1,749
Net Sales	\$265,518	\$251,956	\$237,833	\$221,365	\$208,558
Cost of Goods Sold	191,770	180,994	171,358	159,115	148,724
Gross Profit on Sales	\$73,748	\$70,962	\$66,475	\$62,250	\$59,834
OTHER REVENUE					
Liquor and Wine Licenses	\$2,844	\$2,777	\$2,784	\$2,765	\$2,726
Liquor Rep. Fees	4	4	4	4	5
Sweepstakes Income	448	420	405	405	339
Miscellaneous	1,251	1,260	1,371	1,283	1,233
Total Other Revenue	\$4,547	\$4,461	\$4,564	\$4,457	\$4,303
Total Gross Profit	\$78,295	\$75,423	\$71,039	\$66,707	\$64,137
OPERATING EXPENSES					
Office of Commission	\$470	\$455	\$535	\$527	\$518
Data Processing	811	689	772	969	946
Accounting and Finance	959	842	941	945	942
Merchandising—Administration	349	322	316	335	351
Human Resources	71	75			
Purchasing	52	53	51	51	49
Merchandising—Stores	15,604	15,239	14,888	14,657	13,977
Warehouse	650	721	660	741	670
Total Operating Expenses	\$18,966	\$18,396	\$18,163	\$18,225	\$17,453
Net Operating Profit	\$59,329	\$57,027	\$52,876	\$48,482	\$46,684

### State of New Hampshire Liquor Commission Five-Year Comparative Statement of Operations-Liquor\*

AMOUNT IN THOUSANDS	FY 99	FY 98	FY 97	FY 96	FY 95
OTHER EXPENSES					
Depreciation	\$896	\$815	\$1,049	\$1,038	\$1,080
(Gain)/Loss on F/A	6	21	6	11	0
Total Other Expenses	\$902	\$836	\$1,055	\$1,049	\$1,080
Net Profit from Liquor	\$58,427	\$56,160	\$51,821	\$47,433	\$45,604
ENFORCEMENT AND LICENSING					
Rev.—Beer Tax and Permits	\$11,617	\$11,441	\$11,366	\$11,113	\$11,217
Exp.—Enforcement and Licensing	1,358	1,207	1,187	1,153	1,130
Depreciation	0	0	2	3	9
Net Profit from Enforcement	\$10,259	\$10,234	\$10,177	\$9,957	\$10,078
Total Net Profit	\$68,686	\$66,394	\$61,998	\$57,390	\$55,682

<sup>\*</sup> Unaudited



## STATE LIQUOR & WINE OUTLET STORES NH LIQUOR COMMISSION



John W. Byrne CHAIRMAN



Anthony C. Maiola COMMISSIONER



Patricia Russell COMMISSIONER

New Hampshire Liquor Commission

PO Box 503

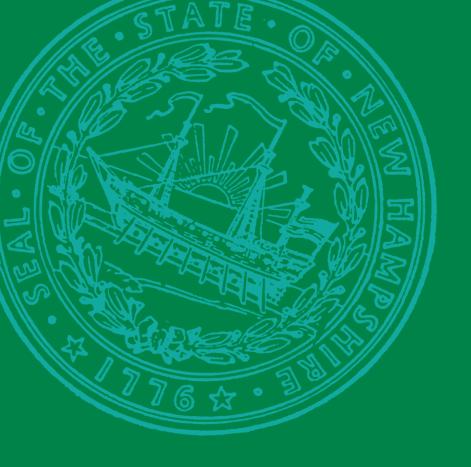
Storrs Street

Concord, NH 03302-0503

800-345-6452 (Store hours and product information)

800-543-4664 (Sales information)

Visit our web site at www.state.nh.us/liquor



## STATE LIQUOR & WINE OUTLET STORES NH LIQUOR COMMISSION