



New Hampshire Liquor Commission

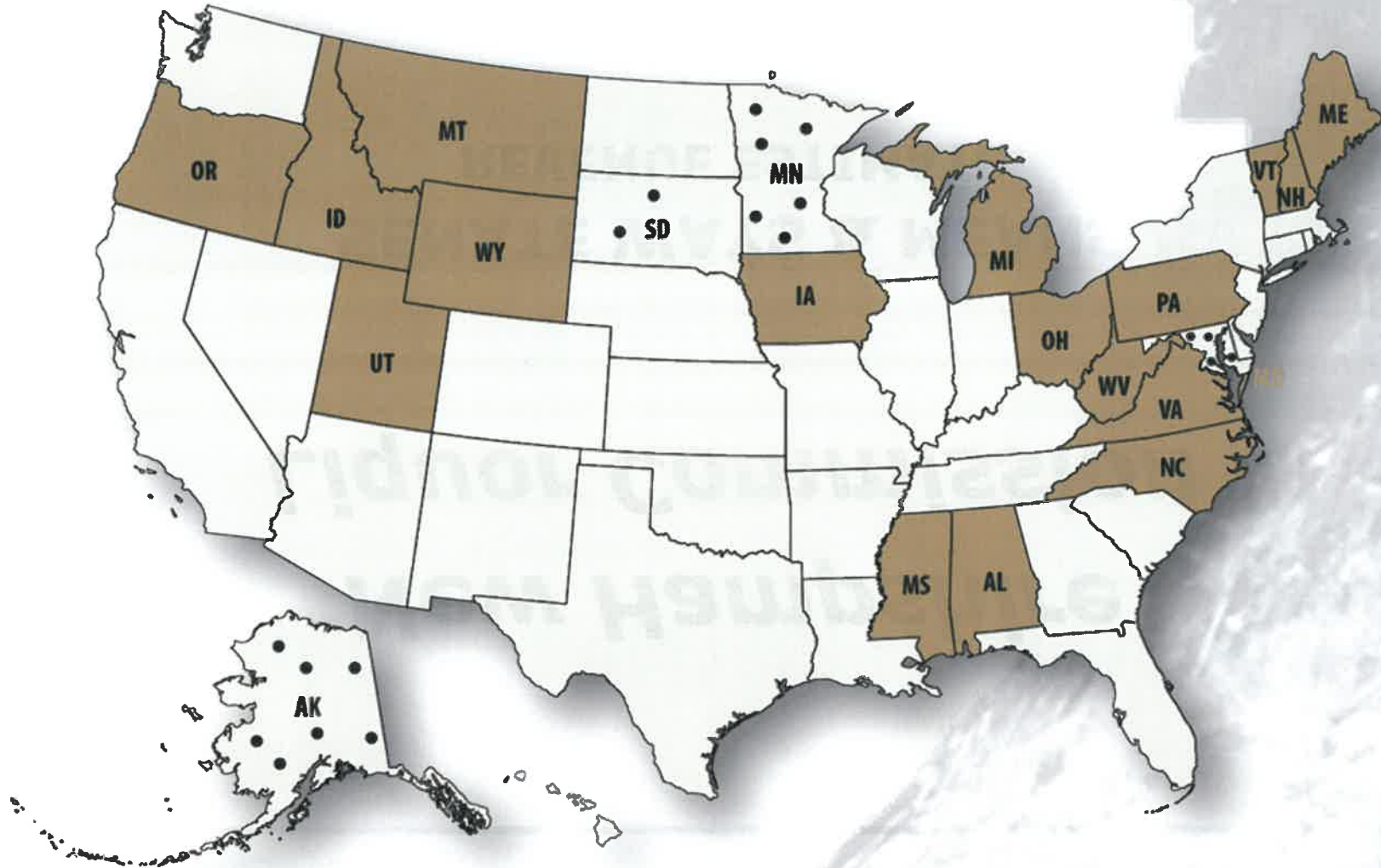
SENATE WAYS & MEANS REVENUE ESTIMATE

April 20, 2023



Control Jurisdictions

17 Control States





What is the Three-Tier System?

Tier 1



Tier 2



Tier 3





Value of the Three-Tier System

- Financial Independence prevents business practices which promote increased and high-volume consumption through price reductions. (Ownership prohibited between sectors)
- Functional Independence protects the integrity of the alcohol beverage distribution system by prohibiting ways to circumvent it.
- Revenue Collection provides for an efficient revenue collection system.
- Product Tracking prevents sale of tainted and counterfeit product.
- Prohibitions against exclusivity allow many new products into the market and have fostered a flourishing craft and boutique alcohol business. Most other developed countries allow exclusive contracts between retailer and manufacturer and store selection is extremely limited and craft manufacturers can't get their product to market.

Source: NABCA "The three-tier system of alcohol control" 2015



Introduction

**The Liquor Commission is self funded.
In a separate liquor fund outside of the general fund.
No General Fund appropriations are used to maintain operations.**

The Commission generated over \$771.1 million in net sales in FY22 through the operation of 67 retail outlets (9 state-owned and 58 leased), with product shipped through two warehouses; one is state-owned and the other contracted with DHL.

Liquor revenue is transferred to the New Hampshire General Fund and Other Funds in support of state programs. The amount transferred to the General Fund is net of administration costs and transfers to the Alcohol Abuse, Prevention and Treatment Fund and the Granite Advantage Health Care Trust Fund.

Beer tax & permits revenue is transferred in a separate line item to the General Fund.

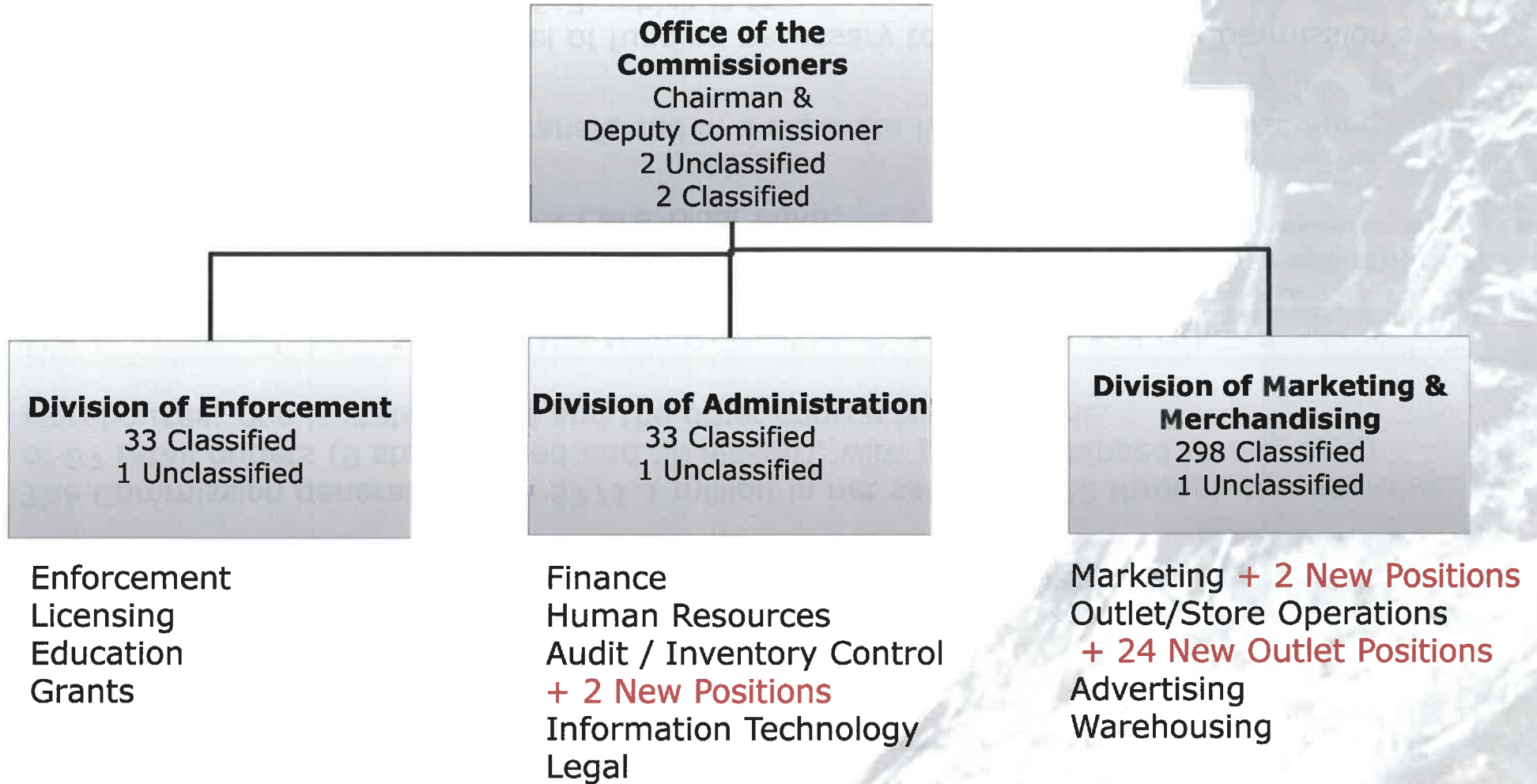
The budget presented is the level of funding necessary to accomplish the Commission's legislative duties, under RSA 176:3, which is to:

- I. Optimize the profitability of the commission.
- II. Maintain proper controls.
- III. Assume responsibility for the effective and efficient operation of the commission. And
- IV. Provide service to the customers of the commission.



Organizational Structure

The Commission is made up of 3 Division that report to the Chairman and Deputy Commissioner
Below are the divisions with the area of responsibilities listed and the number of unclassified and classified positions assigned to each.



*Important to note even with adding 28 new positions salary & benefits are decreasing in FY24 as a result of reductions in part-time and overtime budgets. FY23 Authorized positions 343 plus 28 new positions for a total of 371 positions



Divisions and Responsibilities

- Office of the Commission: The primary goals are to increase sales and maximize profits while operating in a cost effective and efficient manner.
- Division of Enforcement: Responsible for enforcing alcohol and tobacco laws, youth access to alcohol and tobacco, and providing licensing, education and support for over 6,100 licensees.
- Division of Administration: Provides support to all departments of the Commission through financial services, DoIT, human resources, audit, inventory control and legal services.
- Division of Marketing and Merchandising: Includes marketing & merchandising, advertising, retail outlets and warehousing. Maximizing profits from the sale of liquor and wine through well-presented NHLC outlets and licensees (on/off premise) using aggressive and targeted marketing and merchandising techniques.



Competition

Massachusetts Competition

- 2011 – Governor Patrick signs bill increasing the number of liquor licenses a single owner can hold
- 2012 – Cap lifted on liquor license ownership from 3 to 5
- 2016 – Cap raised from 5 to 7 licenses
- 2020 – Cap raised from 7 to 9 licenses

Total  **Wine**[®]
& **MORE**

Wegmans

KAPPY'S
FINE WINE & SPIRITS



Julio's
LIQUORS



Competition



Total Wine[®] & MORE

- Nation's largest independent wine and spirits retailer
- \$5 billion in estimated 2020 revenue
- 245 stores in 27 states
- 11,000 employees
- 10 stores in New England; 4 in Connecticut & 7 in Massachusetts
 - Braintree, Burlington, Danvers, Everett, Natick, Shrewsbury & Dorchester
- 2 new stores in Massachusetts this coming year in addition to the current six stores.



Marketing Goals

Marketing: Product, Merchandising, Promotion

- Bring the best products and values to our customers through a positive shopping experience
- Engage with customers online and in-outlet
- Support our New Hampshire businesses
- Position NHLC as Best-in-Class through:
 - World-class events that attract top industry professionals
 - Celebrity engagement for in-outlet events to drive sales
 - Execute cutting-edge marketing tactics
 - Provide excellent customer service
 - Innovate in all areas



Web & E-Commerce



Website

- **Easy navigation to find spirit and wine deals**
- **Prominent web banners – latest promos & campaigns**
- **Product info and pricing with inventory available at each outlet location**
- **New arrivals**
- **Tasting and events**
- **“Tasting Room” blog for consumers as well as on and off premise customers**
- **Curbside and in-store pickup**

Over 125K
visitors a
month!

Curbside/In-Store Pickup

- **Currently 27 locations across the state**
- **Customers can place orders for 2-36 bottles**
- **In store pickup ready in 90 minutes, or schedule a convenient time for the next day with curbside**
- **\$3.1M in sales FY22 a 15% increase over FY21.**
- **\$7.6M year-to-date since implementation in September 2020**
- **Top Stores:**
 - **Salem**
 - **West Lebanon**
 - **Hampton North**





Monthly In-Store Sales Flyer & Displays



Monthly In-Outlet Sales Flyer:

- Cover Features – Celebrity/Wine & Spirit-Makers
- Educational Articles
- Recipes & Tips
- Product Highlights
- Promotions

Cover Story
Ties into
Celebrity
Activations



In-store Product Displays & Merchandising

- Showcases high gross profit products
- Eye-catching presentation
- Easily shopped
- Supports our Monthly Sale





Monthly Sales



- **Highlights a product category**
- **Promoted in all marketing channels**
- **Reaches customers in and out of the outlets**
- **Provides a savings opportunity every month**

Promote via Email



In-Outlet Posters



Social Media Posts

Web Banners



POPULAR SALE PRODUCTS



Cohesive design reinforces campaign



Digital Advertising



Social Media & Email Marketing



Instagram

- 6,789 Followers
- Gained 1,074 in 2022
- 4,481,989 impressions



Facebook

- 150,925 likes
- Gained 24,243 in 2022
- 116,075 engagements



Twitter

- 7,462 Followers
- Gained 152 in 2022
- 115,934 impressions from shares



Email Marketing

- New products, expert advice, consumer information and savings delivered directly to in-boxes.
- 200,000 recipients
- Gained close to 25K subscribers in 2022



Seven targeted emails sent out monthly





Brand-Building Campaigns



Keep It Local – Support NH Wineries/Distillers Campaign to promote NH companies and products



Kick-Off Event at Flag Hill

Microsite – Interactive Map of all NH Wineries and Distillers, Maker profiles, and product information



MEET SOME OF THE MAKERS



Western NH Distilleries, Lakes Region Wineries and Distilleries, Central NH Wineries and Distilleries, Seacoast Wineries

View each video



In-Store Merchandising and Promotion

In-Outlet Poster



Social Media Campaign



Google Reviews

- **Reviews are monitored and responded to daily.**
- **1-star reviews: Comments surrounding expired IDs during the pandemic and some customer service issues**
- **Most reviewers were pleased with the wide selection, shop-ability and great prices in our outlets.**

Google Reviews

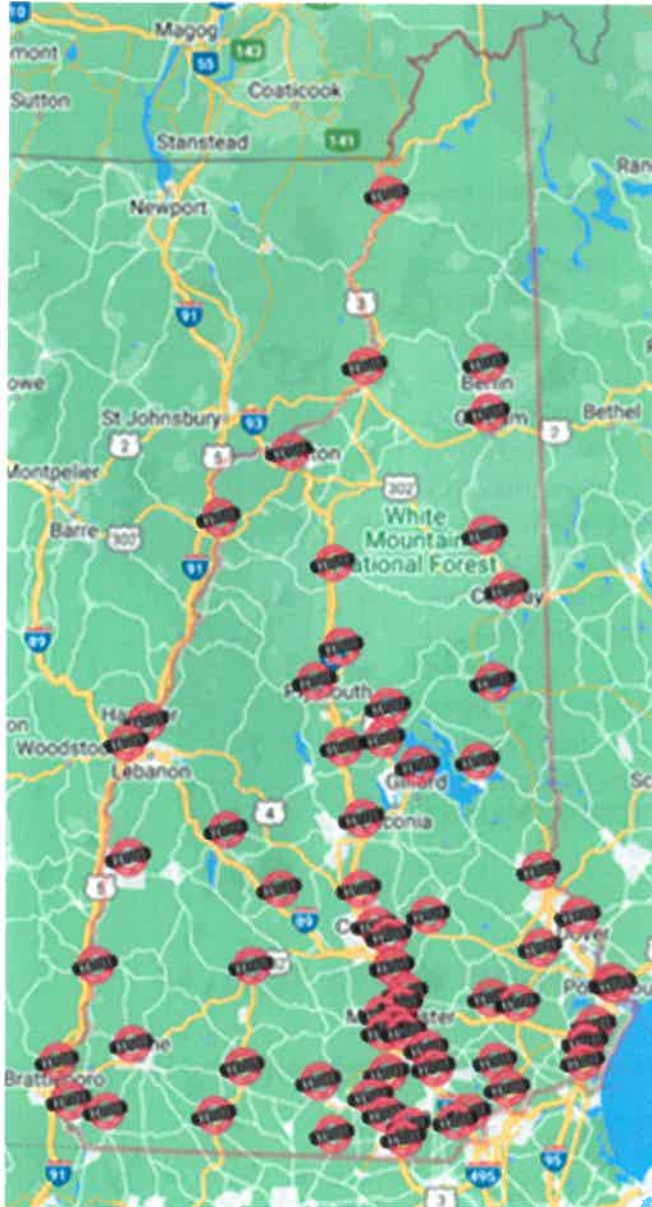
July 1, 2021 – June 30, 2022

★★★★★	1,744
★★★★	485
★★★	122
★★	30
★	57
Total	2,438

91% of reviews are 4 and 5 star ratings



Retail Outlet Locations

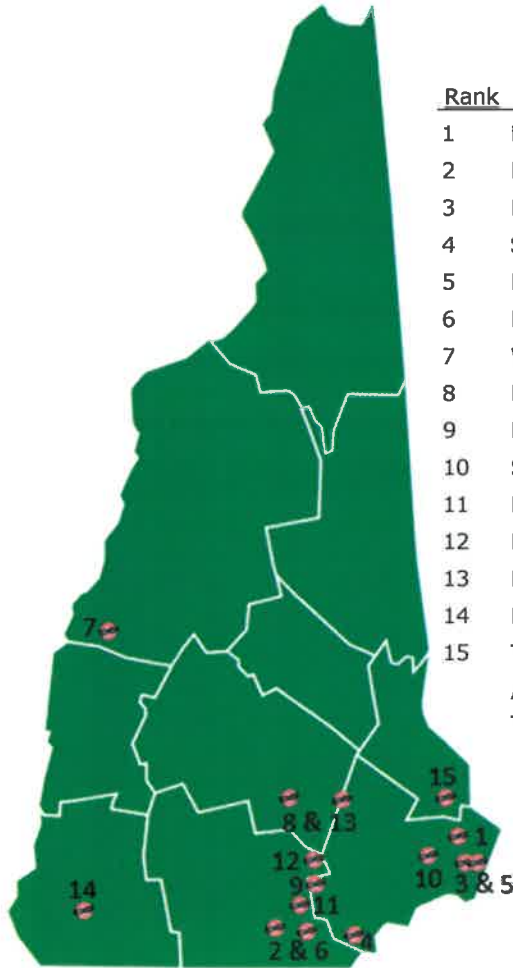


- 9 state-owned outlet locations
 - approximately 141,800 sq. ft.
-
- 59 leased outlets
 - approximately 553,000 sq. ft.
-
- 27 outlets with curbside pickup



Outlet Locations

FY 2022 Top 15 Outlet Locations

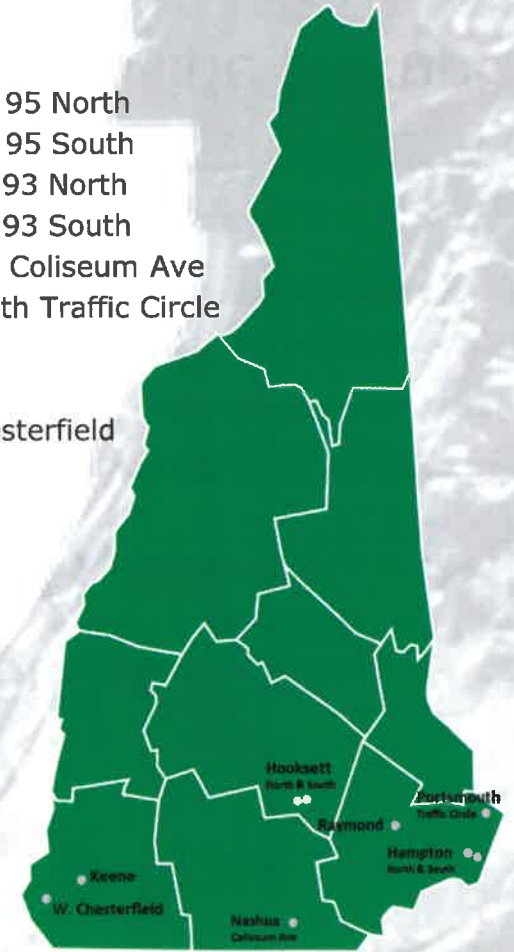


Rank	Location (Store #)	Sales in Millions	Cumulative
1	PORTSMOUTH (#38) *	\$34.5	\$34.5
2	NASHUA (#50)	\$29.0	\$63.5
3	HAMPTON-NO (#76) *	\$28.7	\$92.1
4	SALEM (#34)	\$28.4	\$120.6
5	HAMPTON-SO (#73) *	\$21.4	\$141.9
6	NASHUA (#69) *	\$20.0	\$161.9
7	W. LEBANON (#60)	\$18.5	\$180.4
8	HOOKSETT-NO (#66) *	\$18.5	\$198.9
9	BEDFORD (#55)	\$16.7	\$215.6
10	SEABROOK (#41)	\$16.8	\$232.4
11	LONDONDERRY (#74)	\$16.5	\$248.9
12	MANCHESTER (#10)	\$15.7	\$264.6
13	HOOKSETT-SO (#67) *	\$14.0	\$278.6
14	KEENE (#15) *	\$13.6	\$292.2
15	TRI-CITY * (#13)	\$13.6	\$305.7
	All other Outlets		\$297.7
	Total Outlet Sales		\$603.4



State-Owned Outlets

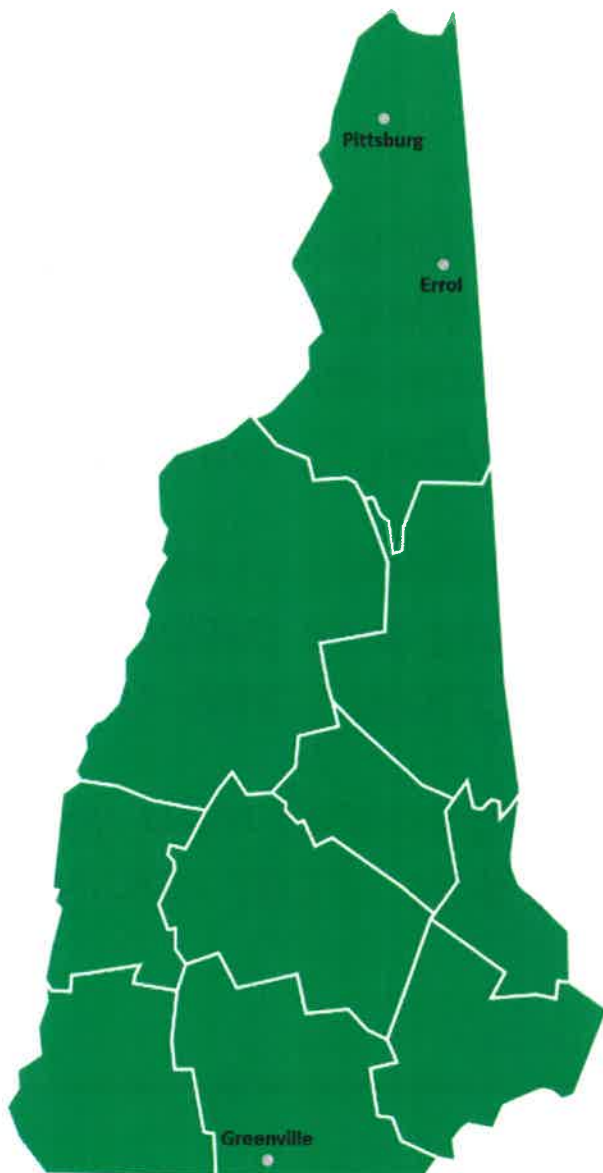
- Hampton 95 North
- Hampton 95 South
- Hooksett 93 North
- Hooksett 93 South
- Nashua – Coliseum Ave
- Portsmouth Traffic Circle
- Keene
- Raymond
- West Chesterfield



The state-owned outlet locations account for \$ 164.2M or 27% of total sales or \$150.6M of the top 15 outlet location



FY 2022 Agency Store Sales



Location	Original License Issue Date	Amount
Greenville	June 18, 2003	\$ 2,334,866
Pittsburg	January 1, 2005	\$ 81,289
Errol *	July 1, 2005	-
TOTAL		<u>\$ 2,416,155</u>

*Errol location under construction due to loss of building from a fire.

Agency Stores account for only 0.2% of total sales



Outlet Changes



- Since 2012, NHLC has renovated, relocated or constructed 40 new Outlet locations in more than 35 communities.
- This year, NHLC opened new Outlet locations in Rindge, Concord and Manchester, and new Outlet locations are in the works in Nashua and Derry.
- The NHLC, with the guidance of its consultant HNTB and the NH DOJ, continue the redevelopment of two state owned properties located alongside Interstate 95 north and southbound in Hampton, NH.



Relocated Outlet

**Rindge Outlet #77
Relocated
Opened May 2022**

**5,110 to 10,325 sq. ft.
FY23 YTD Sales \$4.7M
As of April 16, 2023
Sales Increase = 19.6%**





Relocated Outlet

**Concord Outlet #85 – Exit 17
Relocated
Opened August 2022**

**4,000 to 13,433 sq. ft.
FY23 YTD Sales \$4.2M
As of April 16, 2023
Increase = 2.9%**





New Outlet



**Manchester Outlet #31 – Gold St.
New Location
Opened September 2022**

**12,955 sq. ft.
FY23 YTD Sales \$4.8M
As of April 16, 2023**



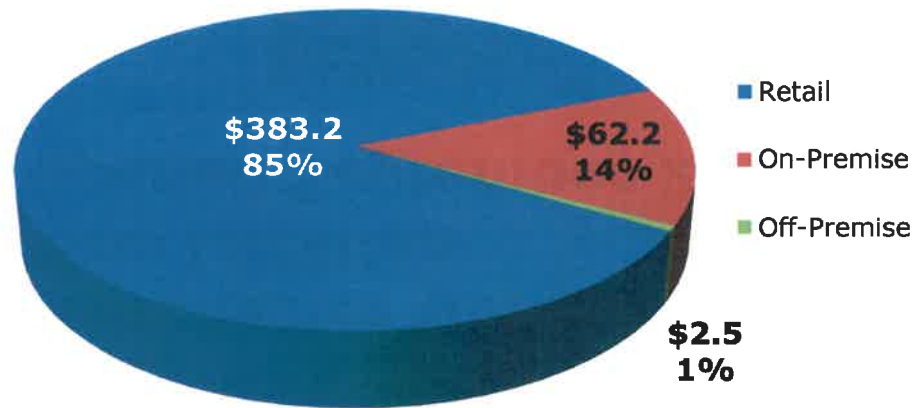


FY2022 Sales by Customer Type & Category

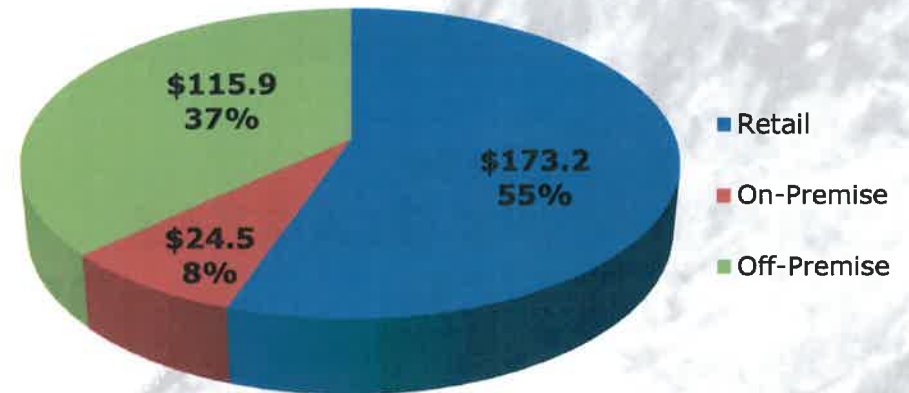


<u>CUSTOMER TYPE</u>	<u>SPIRITS</u>	<u>%</u>	<u>WINE</u>	<u>%</u>	<u>TOTAL*</u>	<u>%</u>
Retail	\$383,185,962	50.2%	\$173,165,919	22.6%	\$556,351,881	72.7%
On-Premise	62,215,849	8.1%	24,532,164	3.2%	86,748,013	11.3%
Off-Premise	2,537,179	0.3%	115,908,647	15.1%	118,445,826	15.5%
Accessories					4,046,903	0.5%
TOTAL SALES	\$447,938,991	59%	\$313,606,730	41%	\$765,592,623	100.0%

FY 2022 Spirit Sales by Type



FY 2022 Wine Sales by Type

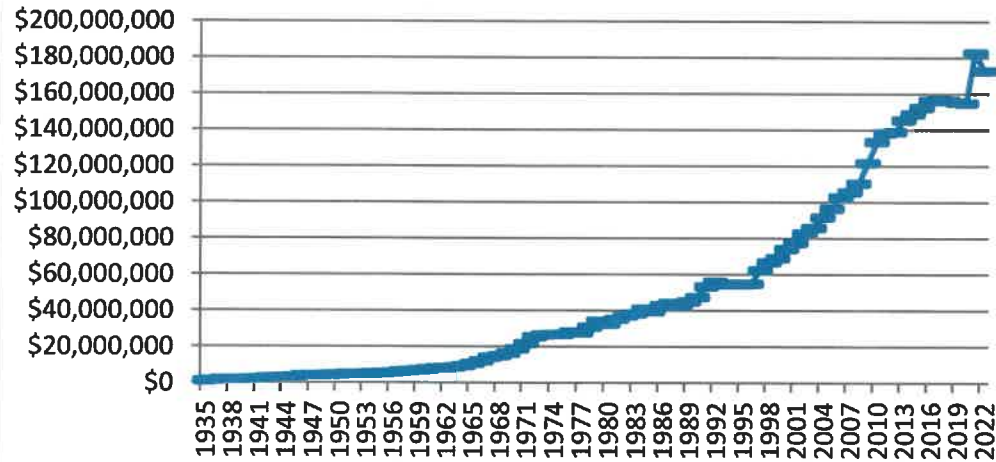


*Sales are after register discounts of \$5.5M



Net Profit History

Net Profit 1935 to 2022



Net Profit 2013 to 2022

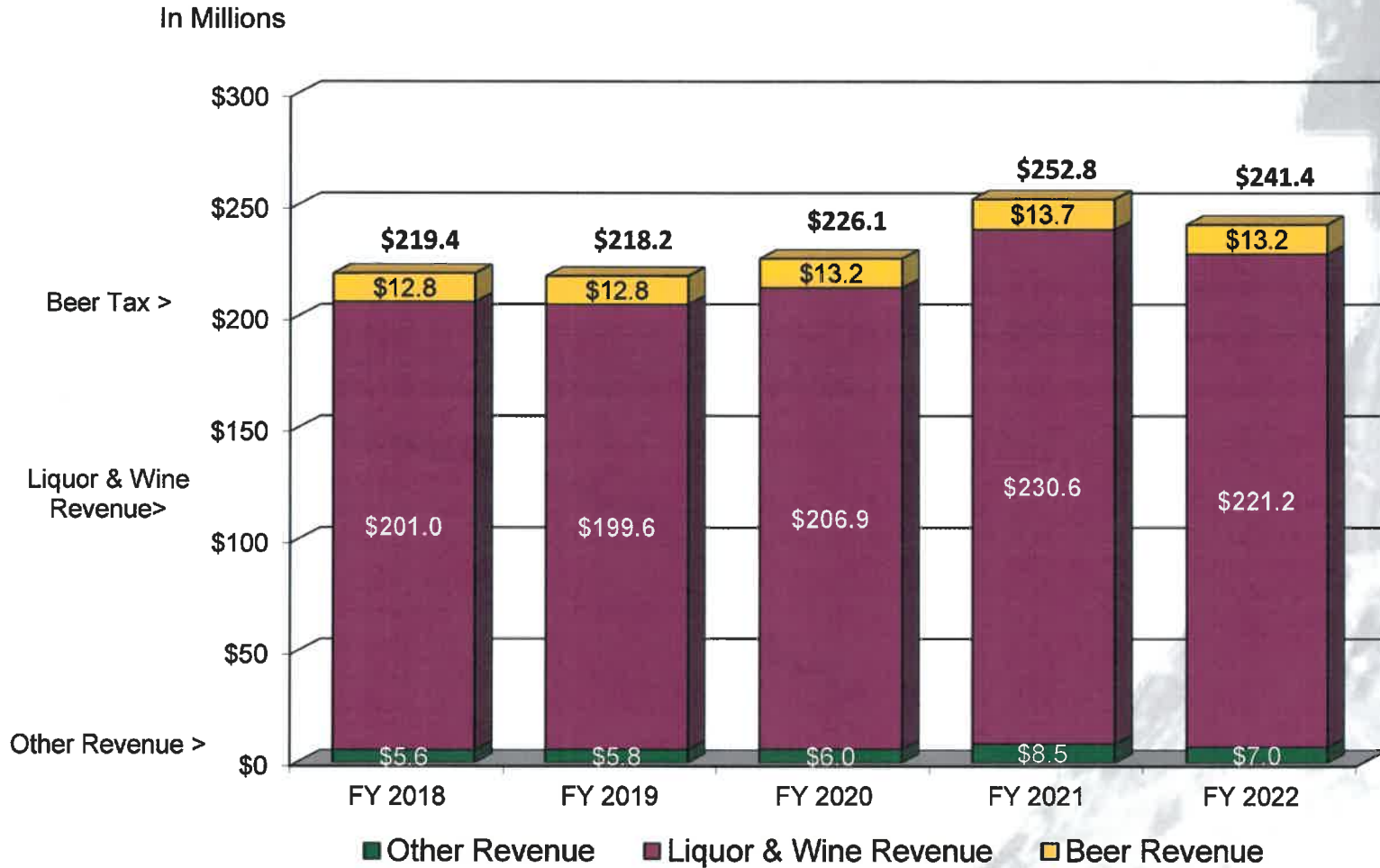
In Millions
(Accrual Basis)



Total Net Profit 1935 to 2022*
\$4,361,836,985



Revenue History by Category



* Cash Basis



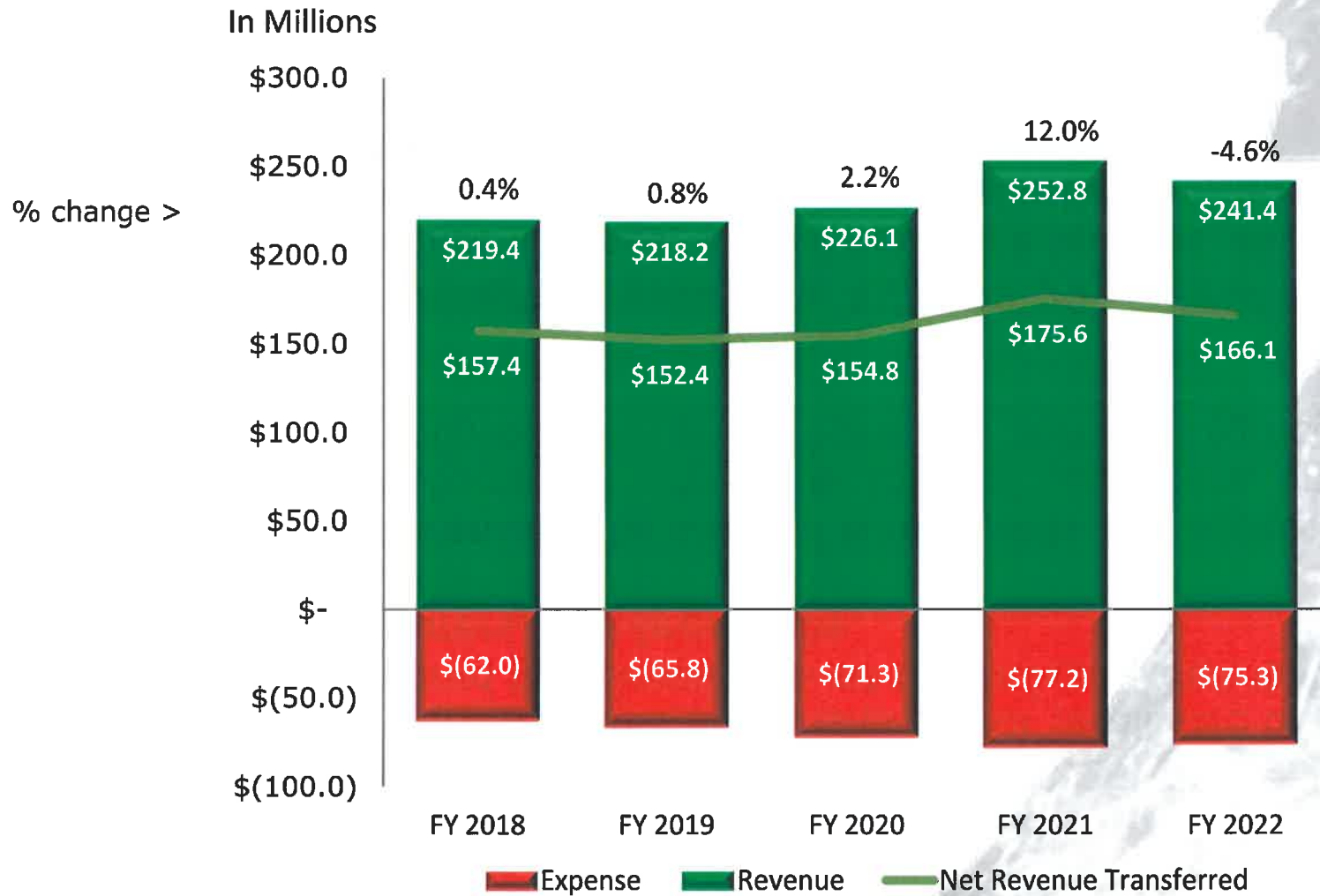
Revenue Sources



- **Beer Tax & Permits:** In accordance with RSA 178:26, I "a fee of \$0.30 for each gallon of beverage sold or transferred for retail sale or to the public shall be required for licenses issued to wholesale distributors, beverage manufacturers, and brew pubs.
- **Liquor & Wine Revenue:** The sales of wine, spirits and accessories through our outlet stores and warehouse to retail customers, on premise licensees (restaurants/lounges) and off-premise licensees (grocery stores and markets).
- **Other Revenue:** Primarily license fees, RSA 178:29 specifies license fees for on- and off-premise licenses, annual beverage licenses, carrier licenses, annual wine and liquor licenses, annual tobacco licenses, and annual direct shipper permit fees.
Also includes lottery, and other miscellaneous revenue.



Revenue and Expenses

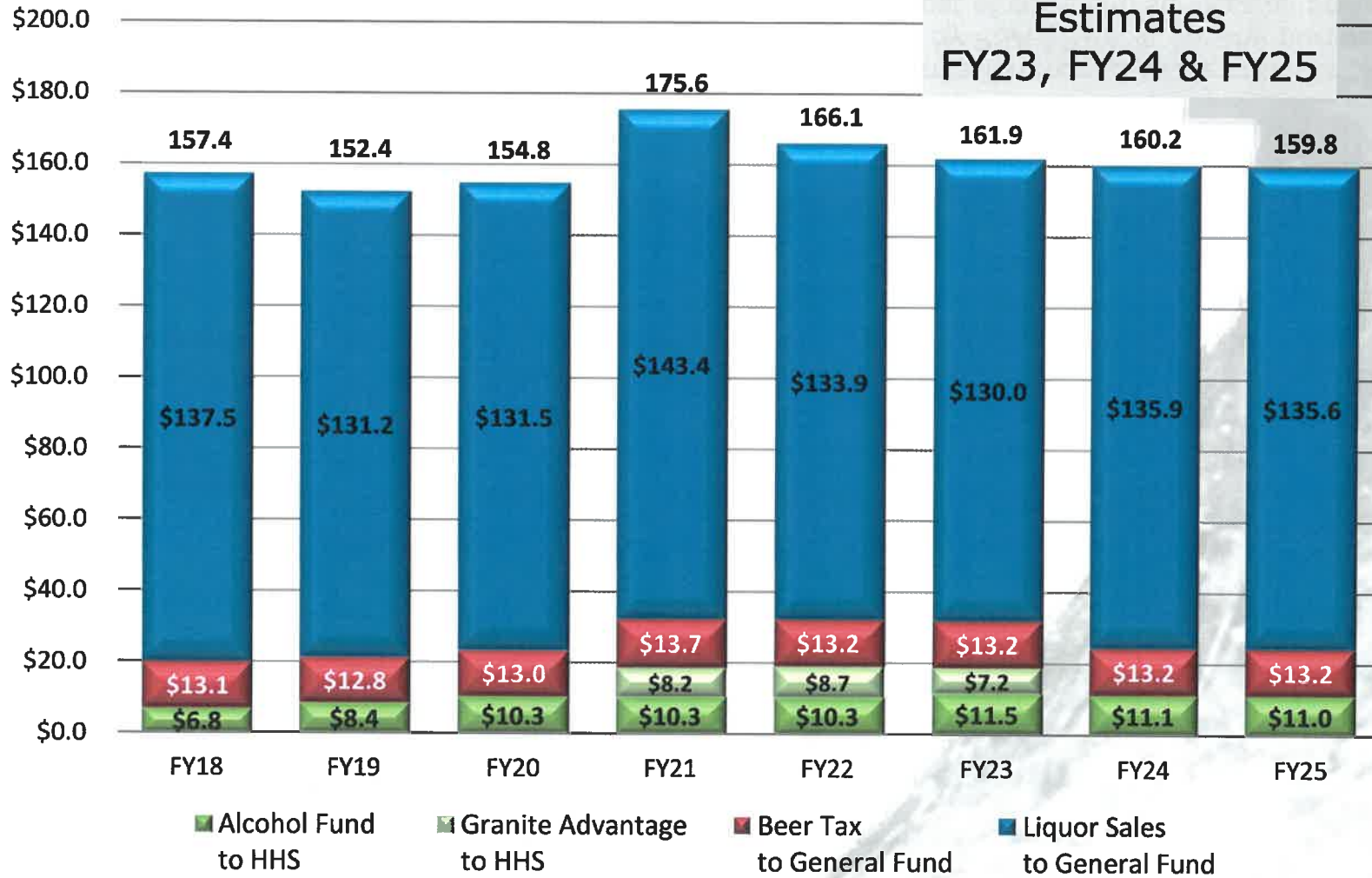


* Cash Basis



Revenue Transfers

In Millions



* Cash Basis: FY18 to FY22 Actual: FY23 to FY25 Estimates



Revenue Trends & Transfer Language



	A	B	C	D	E	F	G	H	I	J	K	L
	FY 2022	FY 2023	FY23 vs FY22		FY 2024	FY 2024	FY24 vs FY23		FY 2025	FY 2025	FY25 vs FY24	
Cash Basis (In Millions)	Actual	HOUSE	\$	%	GOVERNOR	HOUSE	\$	%	GOVERNOR	HOUSE	\$	%
1 Net Sales	755.3	748.7	(6.6)	-0.9%	784.4	784.4	35.7	4.5%	799.2	799.8	15.4	2.0%
2 Total Goods For Resale	534.1	527.9	(6.1)	-1.1%	554.4	552.9	25.0	4.5%	565.8	565.2	12.3	2.2%
3 Gross Profit from Sales	221.3	220.8	(0.5)	-0.2%	230.0	231.5	10.7	4.6%	233.4	234.6	3.1	1.4%
GP from Sales	29.3%	29.5%			29.3%	29.5%			29.2%	29.3%		
4 Other Revenue	7.0	7.0	0.0	0.3%	7.4	7.4	0.4	5.3%	7.6	7.6	0.2	3.1%
5 Total Expenses	(75.2)	(79.0)	(3.8)	5.1%	(91.3)	(91.9)	12.9	14.0%	(95.0)	(95.6)	3.7	4.0%
6 Net Revenue	153.0	148.7	(4.3)	-2.8%	146.1	146.9	(1.8)	-1.2%	146.0	146.6	(0.3)	-0.2%
7 5% of prior year gross profit transfer to Alcohol abuse prevention & treatment fund	(10.3)	(11.5)	1.2	11.7%	(11.1)	(11.1)	(0.5)	-4.3%	(11.0)	(11.0)	(0.1)	-0.9%
8 Revenue based on plan	142.7	137.2	(5.5)	-3.8%	135.0	135.9	(1.3)	-1.0%	135.0	135.6	(0.2)	-0.2%
9 Additional transfer to Granite Advantage	(8.8)	(7.2)	1.5	-17.4%	-	-	7.2		-	-	-	
10 REVISED: Liquor Transfer to General Fund	133.9	130.0	(4.0)	-3.0%	135.0	135.9	5.9	4.3%	135.0	135.6	(0.2)	-0.2%
11 Beer Tax	13.2	13.2	-	0.0%	13.2	13.2	0.0	0.2%	13.2	13.2	(0.0)	-0.2%
12 Total Transfer to General Fund	147.1	143.1	(4.0)	-2.7%	148.2	149.1	5.9	4.0%	148.2	148.8	(0.3)	-0.2%
13 Revenue Plan	137.6	137.2	(0.4)	-0.3%	135.0	135.9			135.0	135.6		
14 Plan vs. Actual or Current Estimates (line 8)	5.1	0.0	(5.1)	-99.8%	(0.0)	(0.0)			0.0	0.0		

Transfer language:

Section 176:16 Funds.

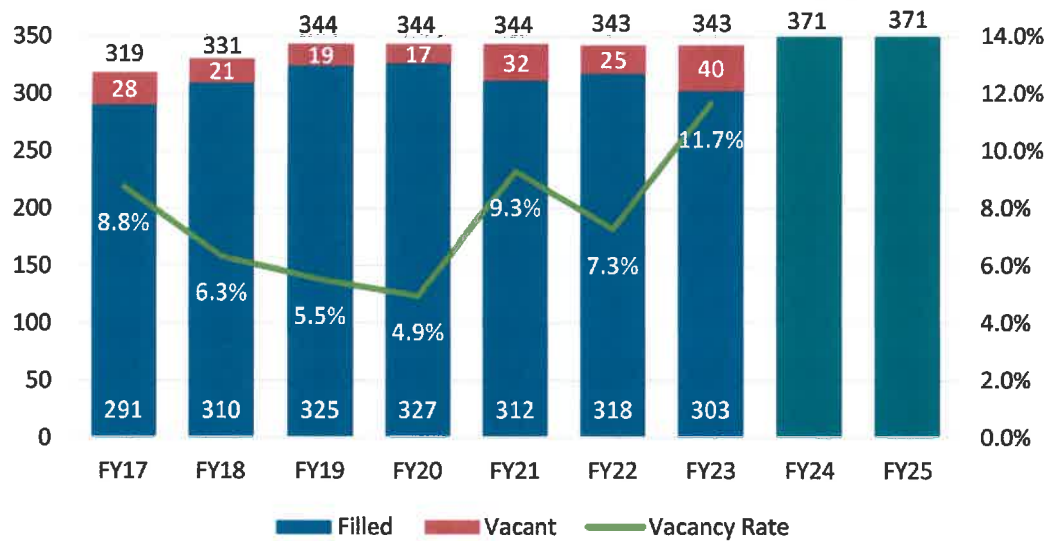
III. Five percent of the previous fiscal year gross profits derived by the commission from the sale of liquor shall be deposited into the alcohol abuse prevention and treatment fund established by RSA 176-A:1. For the purpose of this section, gross profit shall be defined as total operating revenue minus the cost of sales and services as presented in the state of New Hampshire comprehensive annual financial report, statement of revenues, expenses, and changes in net position for proprietary funds.

RSA 126-AA:3, The Commissioner of the Department of Health and Human Services, is responsible for determining quarterly whether there is sufficient non-federal funding in the Fund to cover projected program costs for the following 6-month period. If at any time the Commissioner determines that a projected shortfall exists, then the sum necessary to cover such shortfall shall be transferred to the fund from the Liquor Commission Fund established in RSA 176:16.

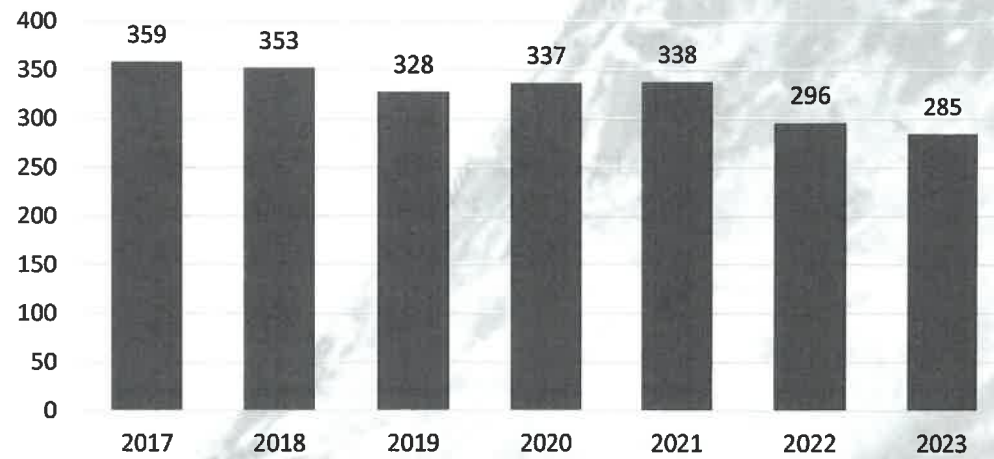


Full Time and Part-Time Positions

Authorized FT Positions and Vacancy Rate



Full Time Equivalent (FTE) based on Part-time Hours



*FY23 is six months



HB 2 Liquor Commission Request



Establish Funding for Retail Employee Incentive Program

PURPOSE: The Liquor Commission requests the language below to be included in HB 2 for the 2023 legislative session to establish authorization to transfer money from the liquor fund to other accounts to pay employees who qualify for payments under the rules established for the retail employee incentive program.

SCOPE OF THE PROBLEM: Over the past few years the Liquor Commission has witnessed a steady decline in the number of applicants for positions in our retail outlets. Combined with the Covid 19 pandemic and a vastly smaller workforce, businesses raised their pay scales to attract people to vacant positions. The loss of part time personnel has certainly had an impact on the Liquor Commission retail operations as we struggle to compete for, and retain, employees to staff our retail operations.

On October 20, 2022, the Joint Legislative Committee on Administrative Rules adopted the Liq 800 rules, which allows the New Hampshire Liquor Commission to start the process of implementing the Employee Incentive Program (EIP).

For background, the EIP program was authorized by HB 2, 2011, 224:91, which established that the Commission may develop and implement an employee incentive program, but required the Commission to implement the program via rules adopted through RSA 541:1.1 The Chapter law also requires the Commission to issue a report to the General Court each quarter.

Since the Liq. 800 rules were adopted, Human Resources has worked with the Department of Administrative Services to provide a report through NHFIRST to categorize/determine eligibility—as noted in the rules, full time employees must work 40 hours and part time employees must work at least 21 hours a week per quarter. The EIP is schedule for implementation in January 2023.

Money paid to eligible employees are not considered wages; therefore, the Commission would not pay eligible employees from the current class of funds for salary and benefits.



HB 2 Liquor Commission Request



REMEDY: The Liquor Commission requests that the General Court provide the Commission with flexibility to transfer funds, as needed, from accounts within the Commission's budget to separate budget classifications from which to make payments to eligible personnel qualifying for incentive payments as established in the Laws of 2011, Chapter, 224:91, HB2 and established in Liq. Rule Series 800.

Authorization to transfer funds to pay eligible employees will enable the Commission to implement procedures to move funding as needed and establish distinguishable records for the program.

Purpose - Amend RSA 176:16 by inserting new paragraphs VI to allow the Liquor Commission to transfer money from the liquor fund to other accounts to pay employees who qualify for payments under the rules established for the retail employee incentive program.

DRAFT STATUTORY LANGUAGE:

New language is bold and italicized.

176:16 Funds.

VI. The Commission shall be authorized to transfer funds for its employee incentive program from the liquor commission fund to such accounts as required to compensate qualifying employees as provided in the Liq 800 rules.

Note: The HB 2 request for authority to pay retail employees amends RSA 176:16 by adding new sections VI and VII. If that effort is unsuccessful, this separate proposal to amend RSA 176:16 to allow the transfer of funds would add the amended language and the new section would be VI. If both are successful, then this amendment would be VIII.



Charitable Contributions

NHLC supports dozens of nonprofits making an impact on New Hampshire and beyond. Since 2015, NHLC has worked with suppliers and brokers to raise nearly \$3.5 million for nonprofit organizations



CROTCHED MOUNTAIN





Awards



The Eagle-Tribune

**Massachusetts Readers Name NH
Liquor & Wine Outlets Best
Liquor Store Two Years Running**

StateWays

- **Best On-Premise Partnership: NH Mocktail Month/Live Free & Host Responsibly**
- **Best Technology Innovation: Customer Service Enhancements**



**Finalist: Wine
Enthusiast Retailer
of the Year**

StateWays

TWICE AS NICE!

**NHLC named Nation's Top
Control State for the
second time**

BeverageDynamics

**NH Liquor & Wine Outlets Named
Top 10 Retailer 3 Years Running**

Beating out large, private and national competitors, the New Hampshire Liquor Commission has been named one of the country's top 10 retailers



Accolades



MARKET WATCH

MARKET INTELLIGENCE ON WINE, SPIRITS AND BEER

Modern MINDSET

AS CHAIRMAN OF THE NEW HAMPSHIRE LIQUOR COMMISSION, JOSEPH MOLLIKA HAS TRANSFORMED THE CONTROL STATE MODEL

NH BUSINESS REVIEW

Nicole Brassard Jordan,
Outstanding Woman in Business

Forbes

Valuing The Work Of Women In Wine:
Lessons From New Hampshire

MEN'S JOURNAL

Featured in "Where to Buy Rare
Whiskey" article



Accolades



The New York Times

A Popular Vacation Stop? This New Hampshire Liquor Store Beckons



#3 – Best overall state to buy Bourbon

The Washington Post

New Hampshire is the best state in America for wine drinkers



Why a Control State Liquor Store Might Be Your Best Bet for Finding Rare and Interesting Spirits

