



City of North Branch Staff Report

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Subject: Liquor Store End of Year Report - 2010

Background Information: During this continued period of our stressed economy, with the additional burden for the majority of the year dealing with traffic issues related to the construction of the new bridge, the City's municipal liquor store experienced a very slight decrease in sales in 2010. We have noticed a trend of customers buying-down to less expensive brands across the board. Premium brand beer sales are down, partially due to the buying-down, while some shifting to wine and spirits instead of beer. Despite these challenges, and our diligence at preventative maintenance in avoiding any unnecessary major building or equipment failure and repair costs, we were able to realize \$145,129 in net income for the year. This is a small increase over net income of 2009.

The liquor store continues to be entirely self-supporting. In addition, the store is fully burdened with accounting staff time and administrative oversight reimbursement as part of the liquor store salaries and benefits, paid out as a cost of sales prior to arriving at our Net Income. These reductions of accounting and administrative costs help to reduce the general fund levy burden. Additionally, each year transfers are made from the liquor store profits to different projects and the general fund, helping to further reduce the levy and lowering the taxes for the residents of North Branch. On average, the municipal liquor store transfers approximately \$113,500 annually to the general fund. If the City of North Branch did not have the profits from the liquor store to transfer to the general fund each year, we would need:

- An additional 228 homes valued at \$100,000, occupied and paying property taxes
OR
- An additional 152 homes valued at \$150,000, occupied and paying property taxes
OR
- The property tax levy would need to be increased by approximately 2.96%

Please refer to the attached Liquor Store 2010 Year End Report graphs and data for specifics.

HIGHLIGHTS OF 2010

Customer Service Delivery: As part of our regular quarterly liquor store staff meetings, we have made a deliberate effort to include an “Excellent Customer Service Delivery” component to our training efforts of the liquor store staff. The city’s liquor store is very fortunate to be staffed with seven staff members with extraordinary knowledge of the industry and the products that our store has to offer our customers. With proper scheduling, all shifts are virtually covered with at least one of these staff members to be available for answers to questions by customers, and to offer suggestions for purchases based on their stated needs on this shopping trip. The three staff members with a smaller scope of knowledge are committed to increasing their product knowledge by attending staff meeting training, reading product labels and POS available in the store, listening to other staff members interacting with customers, and attending the informational wine and beer seminars that we offer as part of our Wine Club and Pub Club offerings. These efforts on their part help to expand their ability to offer accurate information and suggestions to customers. All ten staff members have taken ownership of the store, and take great pride in offering our residents and other customers a pleasant shopping experience that they will remember and hopefully share with others, as well as bring them back to our store whenever they are ready to make an alcoholic beverage purchase.

Wine Club, Wine Tastings and Pub Club: The Wine Club mailing list continues to grow, with close to 700 names. 195 of these have provided e-mail addresses to receive our announcements in lieu of standard mail, which saves on printing and postage. We presented two large wine tastings in 2010, both held in conjunction with a Chamber of Commerce fundraiser. Both of these tastings were held in an open suite at the North Branch Outlets that provides ample room to bring in 15 wine, beer and spirits vendors, as well as several food vendors from North Branch. Both tastings were again very successful, and significant wine sales were realized because of these events.

In April 2010 we began offering an addition to the wine club with “Wine Seminars” featuring experts in the field presenting their products in a learning/classroom-type presentation. Our hope was to offer at least six of these smaller gatherings per year to add to the opportunities our customers will have to expanding their knowledge of wine. However, after a very successful sold out first seminar, the next three were more sparsely attended, this brought to our attention that too many too close together was not optimal. We need to take into account the Wine Tastings as well as Wine Seminars in deciding on total number of event offerings. In addition, the summer months take many people out of town for most weekends, and many times for a week or more at a time. We have also discovered that our choice of Thursday for seminars and tastings does not necessarily meet everyone’s scheduling needs, although it is the best day of the week for the vendors who come in to present their products.

With these facts in mind, and based on other feedback from customers looking to learn more about beer and other products, we have added a component called the Pub Club. This component will focus mainly on craft beers. The first seminar is scheduled for March 2011. We will offer the Pub Club seminars on Tuesday evenings to see if this is a better day of the week for attendance. Although some feedback has shown a desire for Friday or Saturday tastings and seminars, the availability of vendors, as well as room space, makes these days less attractive. We will continue to monitor feedback for the optimal day of the week for greatest attendance.

In 2011 we will try to offer a Wine Tasting or Wine Seminar one month, and then a Pub Club seminar the next month, staggering them this way throughout the year. Typically we try not to schedule any events in June, July and August due to previous experience with sparse attendance during these months. However, we will attempt a beer seminar in June to see if attendance will warrant summer beer seminars.

The wine tastings and seminars are relatively cost effective, with actual costs of liquor licensure and room space being the major costs. These costs are covered by the nominal entry fee we charge attendees to cover these costs. Staff time involved is also minimal, involving only manager and assistant manager time prior to and during the event, and regular clerk time making the additional sales following the event. Any liquor store clerks who choose to attend the seminars and tastings do so on their own time, not paid liquor store time.

2011 Goal: During the construction of the new bridge, many people changed their driving routes to avoid the congestion that was common in the construction area. Some who did not change their route were unwilling to “lose their place in line” in the construction traffic, so did not pull off to come to our store. Some members of both of these groups shifted their buying to other, more convenient places on their new route. With bridge construction now complete, our goal is to remind customers of the benefits of shopping at their local municipal liquor store, and entice them to change their buying habits back to North Branch Liquors as their liquor store of choice. Our competitive pricing, *excellent* customer service, knowledgeable staff, and special events (wine & beer seminars) are just a few of the ways we have started with to accomplish this goal.

2009 State Auditor’s Municipal Liquor Report: The State Auditor released the 2009 Municipal Liquor Report on March 31, 2011. The full report can be viewed and/or downloaded in PDF format by going to:

http://www.auditor.state.mn.us/Reports/gid/2009/liquor/liquor_09_report.pdf.

Items of note for North Branch Liquors are as follows:

- North Branch was ranked 43rd out of 210 stores for Gross Sales (all stores, on- and off-sale)
- North Branch was ranked 114th out of 210 stores for Net Profit as a Percent of Sales (all stores, on- and off-sale)
- North Branch showed \$2,106,883 in Sales, \$548,030 in Gross Profit, \$123,434 in Net Sales, and \$89,588 Net Profit (4.3%)

As stated in the 2009 State Auditor’s Analysis of Municipal Liquor Operations, page 13, ***Net Transfers of Municipal Liquor Operations – Transfers.***

Profits generated by municipal liquor operations generally serve two purposes. First, municipal liquor operations use profits to ensure that they have an adequate level of reserves to purchase inventory and maintain their facilities. Second, profits in excess of what is needed to fulfill the first purpose may be transferred to other city funds to supplement existing revenue sources.

Attachments:

2010 Year End Report graphs and data