



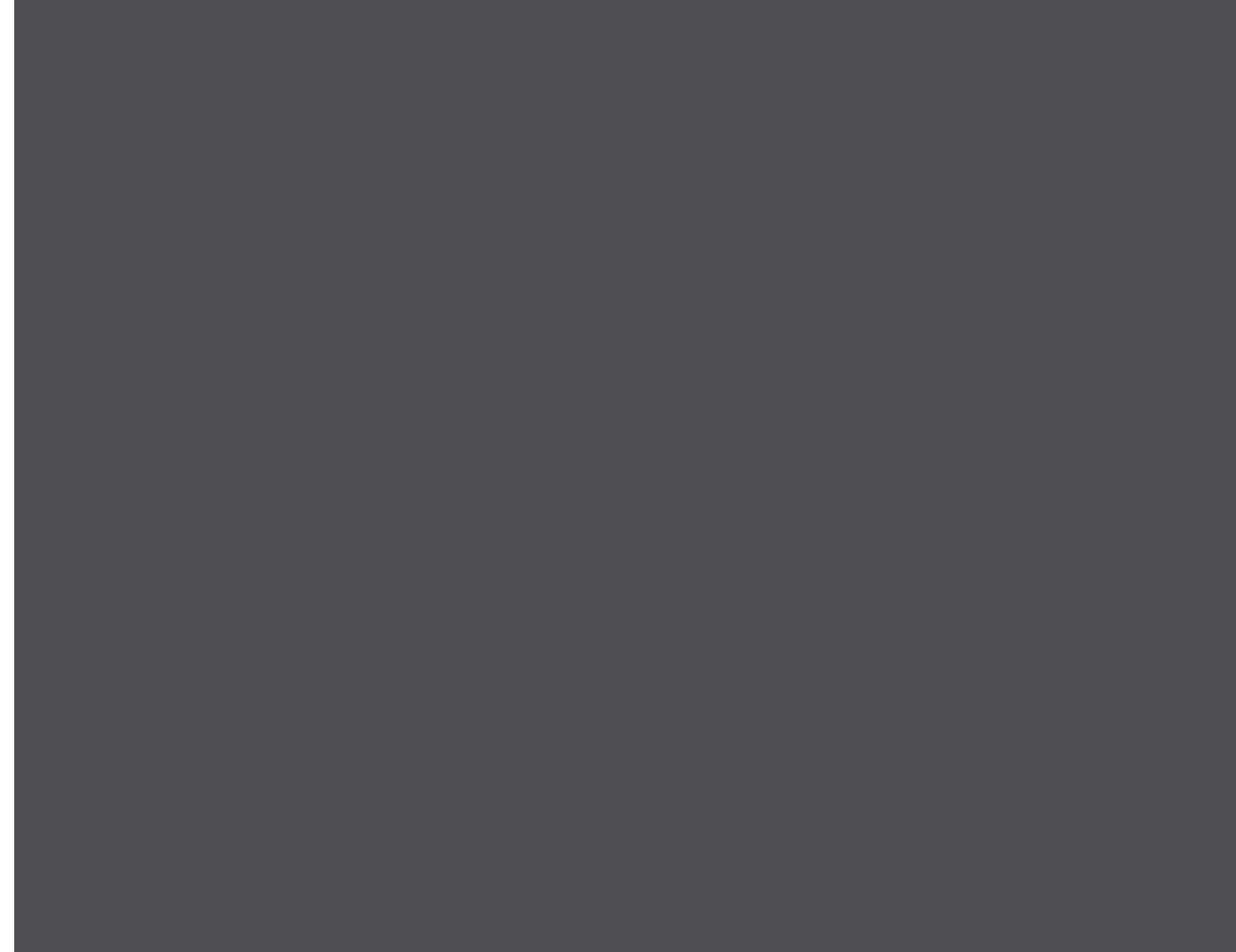
THIRTEEN HUNDRED

CELEBRATING TWENTY YEARS OF
LIQUOR PRIVATIZATION IN ALBERTA



ALBERTA
LIQUOR
STORE
ASSOCIATION







20
years

1,300
stores

THIRTEEN HUNDRED

CELEBRATING TWENTY YEARS OF LIQUOR PRIVATIZATION IN ALBERTA

Two decades after the Government of Alberta privatized liquor retailing within the province, ALSA set out to answer one question: How can we best illustrate the success of our growing industry to government leaders, fellow entrepreneurs and valued consumers? Our thought—let the numbers speak for themselves.



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RAISE A GLASS

20
years

As liquor retailers, we are partners within one of the most prosperous and diverse liquor industries in Canada.

Cheers to...

The Government of Alberta for having the vision to privatize the liquor retail industry in the province and creating a Model that has become the envy of Canada.

Alberta entrepreneurs, for their substantial investments and hard work.

Consumers, for their continued approval and patronage.

Celebrate with us!



“The voice of Alberta’s liquor retailers”
Serving Liquor Retailers Since 1994



The Government of Alberta
under Premier Klein
announced in September
1993 that liquor retailing
would be fully privatized.





SUCCESS
HAS MANY
FACES

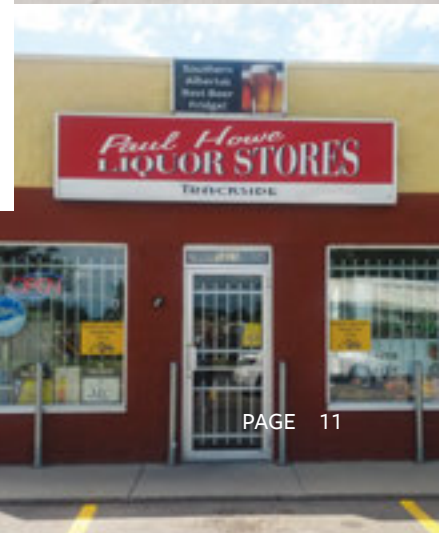




**1,300
stores**

Liquor retailers
front an industry:

- > Make significant contributions to the Alberta economy
- > Generate revenue for an array of provincial government programs and services
- > Meet consumer demands for product selection, service, convenience and pricing
- > Provide responsible service to consumers
- > Get involved within our communities





BY THE NUMBERS



\$680 million

Last year our industry generated \$680 million in revenue for the government—funds that can be used for health care, infrastructure and other provincial programs.



70% independent owned

Seventy per cent of liquor stores are independent and family-owned businesses.



\$2.4 billion

Liquor retailing is an estimated \$2.4 billion per year industry.



1,300 liquor stores

We have built or leased space for more than 1,300 liquor stores for an estimated \$400 million investment in the Alberta economy.



15,000 jobs

The liquor retail industry has generated 15,000 jobs in the province.



ONE FOR ALL

70%
independent
owned

A balanced approach

Seventy per cent of liquor retail spaces are owned and operated by independent entrepreneurs (often families)—with chains contributing the remaining 30 per cent. How does our industry have such a strong entrepreneurial base? **We count on a level playing field.**

Liquor retailers purchase products at the **same wholesale price** and we pay a **uniform shipping cost** or postage-stamp rate no matter where our stores are located. Also, we are separate and distinct businesses that primarily sell liquor—which other types of retailers cannot sell within their stores.



“The steps taken today are consistent with our overall direction of ensuring the private sector continues to be the driving force in the province’s economic growth.”

Dr. Steve West, Minister of Municipal Affairs, responsible for the Alberta Liquor Control Board, announcing on September 2, 1993 that liquor retailing, warehousing and distribution would be privatized.

The system and its players

How the Alberta system works: Liquor agencies work with suppliers to stock enormous Connect Logistics Services warehouses. Retailers order products from the warehouse based on consumer demand. In this way, Alberta entrepreneurs can effortlessly access products from 3,100 liquor suppliers in 83 countries.



More than 400 agencies decide which products will be brought into Alberta from the over 3,100 suppliers representing 83 countries.

Liquor store retailers purchase close to 90 per cent of wholesale liquor sold.



Albertans can choose from more than 19,000 wines, spirits, beers, coolers and ciders.

Retailers



Retailers



Consumers

Seventy per cent of liquor stores are independent and family-owned businesses.



Eighty-two per cent of Albertans are satisfied with Alberta's liquor business.



Liquor is
brought to Alberta
by more than
3,100 suppliers
representing over
83 countries.



The world over

Incredible. Manufacturers make wine, operate distilleries to make spirits and concoct their own special ingredients to make beer. Then, more than 400 agencies, on behalf of manufacturers and suppliers, decide which products will make their way to Alberta and how much will come in.

“The Alberta model has allowed agencies and suppliers to bring in much greater diversity in selection for the Alberta liquor retailing market. All the other provinces combined can’t match the breadth of selection available in Alberta—our system is the envy of the country. Before privatization, a few individuals decided which new products would be brought to market. Now suppliers can bring in a wide range of products from all over the world, on demand.”

– **Jan Westcott**
President & CEO, Spirits Canada



FACTOR THE MARKUP



How the Alberta Gaming and Liquor Commission figures in

The AGLC issues liquor licences to retailers and regulates the industry. It also acts as the “importer of record” for the province and sets wholesale prices. After retailers order and pay for the products at wholesale, the AGLC in turn pays the supplier to cover the manufacturer’s cost and collects the provincial markup portion.

Last year alone, the markup on liquor products generated \$680 million in revenue for the government—that’s a 70 per cent increase from twenty years ago. In fostering the growth of the privatized liquor retailing industry, the government has not only increased the benefits to consumers and retailers, but created an overall more profitable industry.

**\$400
million**

Before Privatization
(1993)

70% increase

After Privatization (2013)

**\$680
million**



DISTRIBUTOR

Connect Logistics Services

Handling the shipping logistics for millions of cases of wine, imported beer and spirits in a \$2 billion per year industry requires a lot of work behind the scenes. Fortunately, Connect Logistics Services is no stranger to heavy lifting.

“With nearly 900,000 square feet of warehouse space, Connect Logistics Services handles the fulfillment of over 100,000 orders annually, shipping over 14 million cases of product. Our 300 team members handle the distribution of all spirits, wine, and import beer to all retailers, near and far, in Alberta.”

- **Stephen Dougans**
Business Development Manager, Connect Logistics Services





Connect
Logistics
Services has
900,000
square feet of
warehouse
space.



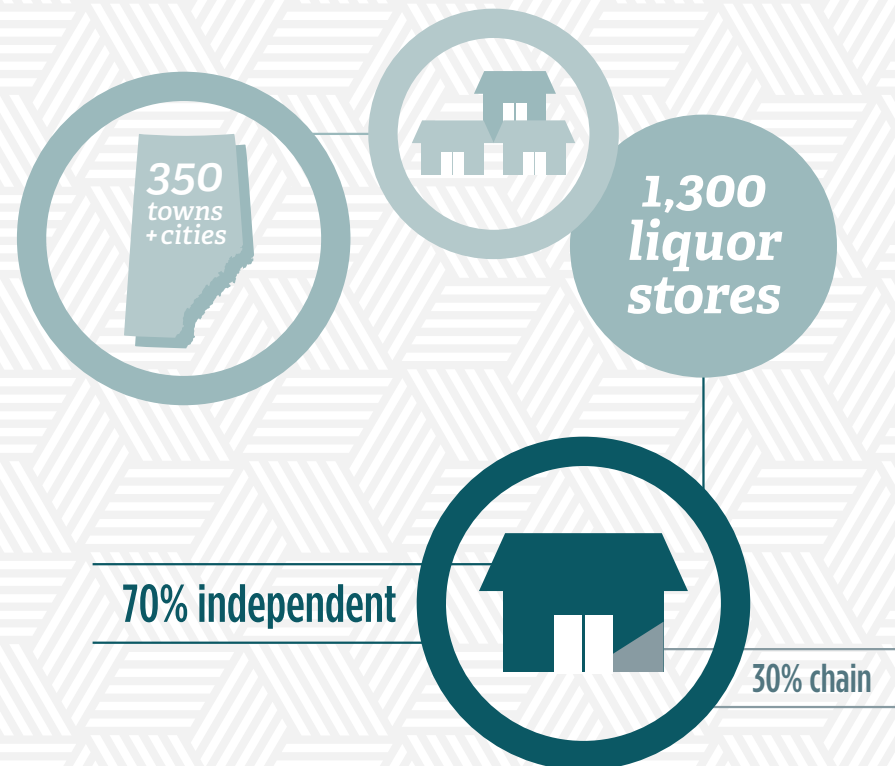
OUT IN
DROVES



We are everywhere, everyone

The depth and diversity of Alberta's liquor retailing industry is astounding. With more than 1,300 liquor stores in over 350 towns and cities across Alberta, we truly are everywhere.

About 70 per cent of liquor stores in Alberta are independent—often family-owned and run—while 30 per cent are part of liquor store chains. The size of our stores and range of products we sell vary based on local market conditions.



A photograph of a stack of liquor cases. The top case is white with 'TRAPICHE' and '15,5 KG' printed on it, along with 'OAK CASK ROBLE MALBEC' and a mountain illustration. Below it is a light-colored wooden case for 'THIRTEEN HUNDRED' featuring a circular logo with a tractor and the text 'CELEBRATING TWENTY YEARS OF LIQUOR PRIVATIZATION IN ALBERTA'. The bottom case is dark with 'BAILEYS' in a red and yellow logo, and text in French and English: 'BOISSON ALCOOLIQUE IRLANDAISE À LA CRÈME' and 'BAILEYS IRISH CREAM LIQUOR'.

Retailers
ordered over
14 million
cases of liquor
in the last
12 months.



At every store

Thanks to free market access in Alberta, all retailers—no matter their size—can bring in volumes of selection.

“The Alberta liquor model has been outstanding. I joined the industry in 2001 and quickly discovered that the Alberta model was extremely open to product selection. Having lived all across Canada with government liquor stores, and continuing to visit stores in other provinces, I realized that my small store in Medicine Hat carried more variety than bigger government stores in bigger cities.”

– **Paul Howe**
Owner of three Paul Howe Liquor Stores, Medicine Hat



THANKS
A MILLION



Responsibility to the community

Many of us strive to improve quality of life in our communities. Each year, we donate more than \$1 million to community leagues, health foundations, food banks, the arts and organizations such as the Salvation Army and the United Way.

We also show up as coaches, service club members, school volunteers, municipal councillors and charity fundraisers, among many other roles. We participate both as businesses and as community members.





RETAILERS

On the shelves

Time and time again we've seen the benefits the Alberta Model offers to consumers and retailers in urban and rural markets. From wider selection to pinpoint customization to increased customer satisfaction, it just keeps getting better.

“One of the things I like most about the Alberta Model is the ability to provide a wide range of products to our customers in rural markets. With over 19,000 products to choose from, when a customer comes to us with a special request we are almost always able to accommodate.”

- **Allison Byrne, CA**
Chief Operating Officer, Rocky Mountain Liquor Inc.



A man in a blue apron is scanning a bottle with a handheld device in a liquor store. In the foreground, two bottles of 'THIRTEEN HUNDRED' whisky are visible on a shelf. The background shows shelves stocked with various bottles.

Retailers
can order
from over
19,000
products.



STRENGTH IN NUMBERS

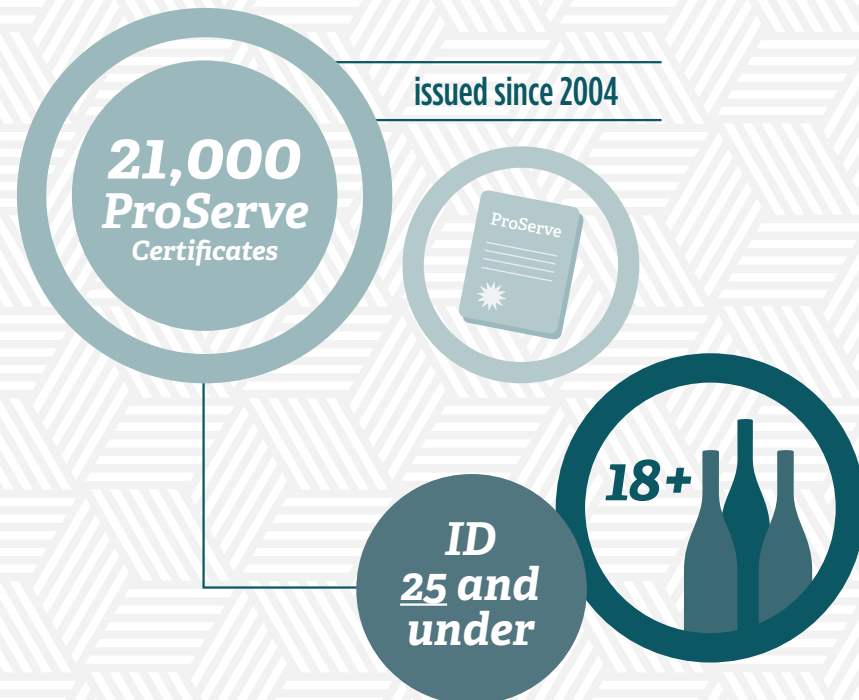


Regulations for responsible service

Within Alberta, liquor is still a controlled and regulated product. As a result, we make sure our employees understand how to responsibly serve customers.

Our employees have ProServe training and are certified by the AGLC—with more than 21,000 certificates issued since 2004.

We also have an Under 25 ID Policy. While the legal drinking age is 18 years in Alberta, we ask for identification from people who appear 25 years old or younger to help reduce the chance of selling to minors.



A blurred background image of a retail store. A woman in a purple shirt is visible on the left, reaching towards a shelf. A red heart graphic is positioned in the upper left area. A large red rectangle is on the right side, containing the text 'IN SO MANY WORDS' in white.

IN SO MANY
WORDS



Responsible voices make a difference

Experts from government and non-government groups craft information about the socially responsible use of liquor products. This information is then used in public information campaigns about safe driving, moderate consumption or responsible use of liquor products. All are aimed at developing a culture of moderation.

Retail stores pass along those messages and information to consumers, forming a valuable information network across the province.

ALSA has sponsored safe driving campaigns and co-sponsored responsible use campaigns with organizations such as the Alberta Motor Association. Our annual industry conferences always include sessions dedicated to responsible service.

Suggested limits for responsible enjoyment of wine for men and women¹ (1 = 142 ml/5 oz, 12% alcohol):





Wine
makes up
70% of the
total selection
of liquor
products.



Top of mind

With new products constantly entering the market, the quest for learning also continues to rise. We work closely with liquor agencies to educate consumers. Plus, events such as the Rocky Mountain Wine & Food Festival allow us to bring education and enjoyment to the masses.

The Rocky Mountain Wine & Food Festival started in 1998 in Calgary with 1,200 attendees and has now “grown to over 40,000 attendees between Calgary, Edmonton and Banff.”

“Privatization in Alberta has allowed the festival to respond to and accommodate this more educated attendee.” Now, it “actually influences demand, as visitors sample wine, beer, etc., then request it at their local liquor store.”

- **Michael MacDougall**
Founder, Rocky Mountain Wine & Food Festival



ONE BY ONE

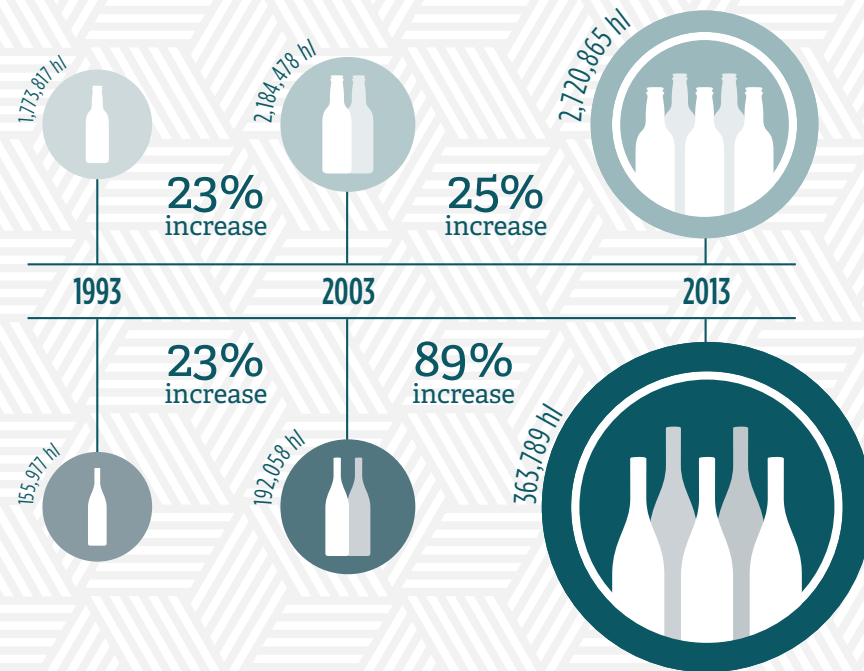


We're all becoming connoisseurs

Alberta consumers are more willing to learn and challenge their tastes than they were 20 years ago. This evolution can be credited in part to events such as the Rocky Mountain Wine & Food Festival, which brings products for every palate to over 40,000 Albertans each year. The ever-expanding selection of products mirrors the changing tides of consumer tastes.

Beer selection is almost eight times greater than it was when liquor retailing was privatized in 1993. The selection of wines has grown close to four times and makes up about 70 per cent of the total selection of liquor products.

Beer and Wine Sales by Volume (hl = 100 litres)





Province-wide

We're proud. Alberta's liquor industry is continually applauded by the most important critics of all—Albertans themselves. When surveyed by the AGLC, an outstanding 82 per cent of consumers are satisfied with Alberta's liquor business.

“There are many ways in which privatization has really helped the consumer. I quite enjoy when someone asks for a specific product, and if we don't have it, we can find it for them and bring it in. It's a great part of the industry.

Customers know that they can come in after a vacation and ask for something unique or unusual that they've found while they were away—and with the selection that's available to us, we're able to track that product down for them.”

- **Jay Robinson,**
Owner of Wainwright Liquor & Cold Beer Store

A close-up, profile view of a woman with long brown hair, wearing a blue denim shirt, holding a glass of red wine and smelling it. The background is a blurred indoor setting, possibly a restaurant or bar. A circular graphic with a grey border and a dark grey fill is overlaid on the left side of the image, containing white text.

82%
of Albertans are
satisfied with
Alberta's liquor
business.



SCORES OF SELECTION



Over 19,000 products

With over 19,000 wines, spirits, beers, coolers and ciders available from countries all over the world, Alberta's product selection is second to none. This diversity would not be possible without consumers. After all, they determine what products are brought to market, unlike in other provinces where such decisions are made by the government.

Consumers can track down a specific wine, spirit, imported beer, cooler or cider through liquorconnect.com, a tool provided by Connect Logistics Services.





TO SUM UP

\$687.1
million
revenue²

The Alberta marketplace has positively transformed after the privatization of liquor retailing.


Our industry was built on the Alberta government's blueprint for retailing, warehousing and distribution.

The level playing field concept has allowed us, entrepreneurs from all walks of life, to make the investments needed to successfully run more than 1,300 liquor stores throughout Alberta.

Together we contribute substantially to government revenues for its programs and services. And responsible service has been a key theme of the retail industry and our partners.

Lastly, our valued consumers are being served by a large and diverse product selection, competitive pricing, service and convenience.

We'd say this adds up to a success story.



The level playing field concept has allowed us, entrepreneurs from all walks of life, to make the investments needed to successfully run more than 1,300 liquor stores throughout Alberta.

Before privatization (1993)

202 government-run liquor stores.



2,200 liquor products available.

Liquor inventory in the province is determined by the Alberta Liquor Control Board.



Shelf prices are set by the Alberta Liquor Control Board and are standard at all stores.

There are no liquor store discounts available for functions or events.



Calculating government revenue was done with the ad valorem system (percentage based), a complex system still used in other provinces.

Total liquor revenue to the government was \$404.8 million.



There was no penalty faced by a retailer for serving minors or intoxicated persons.

Alberta population: 2.57 million.



THEN AND NOW



After privatization (2013)



1,314 privately-owned stores.

More than 19,000 liquor products available.



Liquor inventory in the province is determined by the marketplace (suppliers and agencies).

Shelf prices are set by the retailer, based on market conditions.



Liquor stores may offer discounts for functions or events.

Calculating government revenue is a simple, transparent provincial markup system at the wholesale level.



Total liquor revenue to the government is \$687.1 million.³

A retailer's licence can be suspended or cancelled for serving minors or intoxicated persons.



Alberta population: 3.87 million.

The Alberta Liquor Store Association

Following the privatization of liquor retailing in Alberta, the Alberta Liquor Store Association (ALSA) was created to provide its members with:

- > A unified voice in their dealings with government, the public, the media and others in the liquor industry.
- > A forum for the exchange of ideas, trends and leading practices that promoted customer service, industry well-being and an industry code of ethics.

After its establishment in 1994, ALSA's president, Irving Kipnes, noted "privatization has been a major success story, in that it opened up new opportunities, created new jobs and provided the buying public with tremendous convenience from the point of view of store hours and services."⁴

"Twenty years later, this statement is even more applicable today. The wisdom and forethought of the Alberta Government in privatizing the liquor retail system in Alberta is truly commendable. Today, Alberta has the most successful retail system in Canada with over 1,300 stores, unbelievable choice, convenience and distribution of product."

– **Irving Kipnes**
Chairman's Councillor, Alberta Liquor Store Association



ALSA



Acknowledgments

For their assistance in the creation of this book, we would like to express our sincerest thanks to the **Alberta Gaming and Liquor Commission, Connect Logistics Services and Spirits Canada**. We would also like to thank Chateau Louis Liquor Store, Piccolo Liquor Store, Sherbrooke Liquor, Wine and Beyond (Windermere), the Rocky Mountain Wine & Food Festival, Paul Howe Liquor Store, Rocky Mountain Liquor Inc., Wainwright Liquor & Cold Beer Store and the liquor store retailers who submitted photos for this publication.

Sources

- ¹ *Canada's Low-Risk Alcohol Drinking Guidelines*, developed on behalf of the National Alcohol Strategy Advisory Committee, © Canadian Centre on Substance Abuse 2013, <http://www.ccsa.ca/2012%20CCSA%20Documents/2012-Canada-Low-Risk-Alcohol-Drinking-Guidelines-Brochure-en.pdf>
- ^{2,3} AGLC 2011–12 Annual Report
- ⁴ *A New Era in Liquor Administration – A historical perspective on privatizing Alberta's liquor industry – The Alberta Experience*, December 1994

