



Washington State
Liquor Control Board

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**Strategic Plan
FY2011-13**

Liquor Control Board 2011 – 2013 Strategic Plan

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Agency Vision, Mission, Goals, Values

Vision

We strive to make Washington communities safe by being:

- A recognized **national leader** in alcohol and tobacco regulation, business operation and public safety;
- A **model employer** where employees grow and thrive; and
- A **collaborative partner** that establishes effective and lasting solutions.

Mission

Contribute to the safety and financial stability of our communities by ensuring the responsible sale, and preventing the misuse of, alcohol and tobacco.

Goals

1. Provide the highest level of public safety by continually assessing, analyzing, improving and enforcing laws, regulations and policies as well as ensuring they are easy to understand, effective and reflect today's dynamic environment.
2. Maximize financial return to the state and local government by running an efficient business operation.
3. Recruit, develop, retain and value a highly competent and diverse workforce capable of responding quickly and effectively to challenges in our business and regulatory environment.
4. Create a culture that fosters excellent customer service, open and honest communication, transparency, accountability, data driven decisions, and business initiated process improvement including the use of integrated technology.
5. Promote a workplace that keeps employees safe and reduces agency liability through an integrated program of risk management, safety and wellness.

Values

Respect for people

Professionalism and integrity

Honest and open communication

Internal and external accountability

Measurable and meaningful results

Public trust and stakeholder involvement

Achieving Results

GOAL: Provide the highest level of public safety by continually assessing, analyzing, improving and enforcing laws, regulations and policies as well as ensuring they are easy to understand, effective and reflect today's dynamic environment.

STRATEGY: Regulatory Reform – License Fee for Service Model

Modernize our licensing system by establishing a cost recovery regulatory model and researching other regulatory improvements.

BACKGROUND: Washington currently has over 50 liquor license types and permits (retail and non-retail) per Title 66 RCW. Additionally, the statute provides for numerous endorsements and added activities that add privileges for the licensed establishment. This location-based licensing system was built around traditional business models such as restaurants and taverns.

The processing and issuance of liquor licenses has become increasingly complex as new business models come forward more quickly than the agency and legislature have time to create the proper license and related fee. Further, license fees are primarily referenced in statute and were established based on industry request. Unlike other licensing programs, there is no relationship between the license fee and the cost of processing the license application or enforcement of the licensing program.

During Fiscal Year (FY) 2010, the licensing fee stream collected approximately \$12.7 million, of which approximately \$4.1 million was distributed to the liquor revolving fund. This compares to total collections of \$11.37 million in FY 2009 with \$3.0 million deposited in Fund 501. Based on the updated cost allocation model, the FY 2010 fully loaded operating costs for Enforcement and Licensing was \$12.9 million.

OUTCOME DESIRED: Approved legislation where regulatory functions (licensing and enforcement) are funded by liquor license fees (2012). Approved legislation to create a licensing fee for service model (2013).

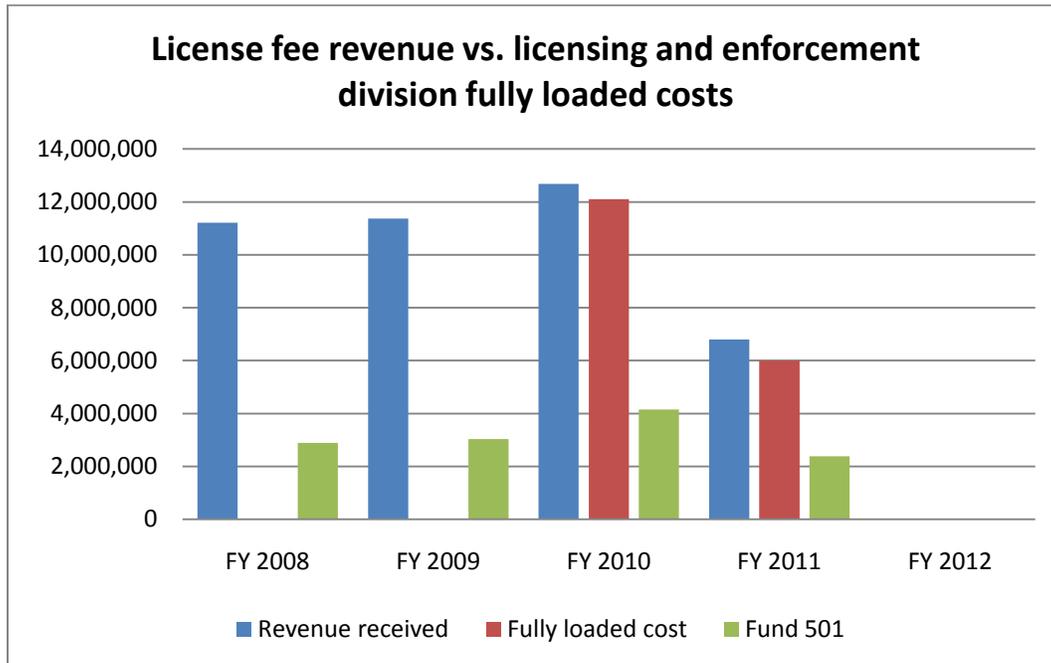
EXPECTED RESULTS: Implement a cost for service fee model that could include additional revenue options:

- Realignment of license fees through legislation and significant stakeholder input.
- Create a non-refundable application fee that may require legislation to implement. This would add revenue and provide for workflow efficiency.
- Develop a method that would allow real-time tracking of when a license will expire and provide for an additional penalty fee for late renewals. This will likely require legislation.
- Increase banquet fees to align fees with WSLCB resource expenditures.

Develop system requirements to replace or modify existing regulatory technology systems (I-series, Electronic Notebook and Oracle Workflow). This will include consideration of a total revision to our business model-licensing scheme.

MEASURES OF PERFORMANCE:

- Refer to [Appendix 1. \(a\) for flowchart of decision points](#) that will drive the project and further define performance measures.
- By June 30, 2013, a new license fee for service model is implemented and covers 100 percent of costs for licensing and enforcement.



STRATEGY: Regulatory Reform – Support creation of a New Winery License

Partner with affected stakeholders to create a new non-producing winery license (wholesaler) that would provide greater compliance with state law and Alcohol and Tobacco Tax and Trade Bureau federal (TTB) permits held by our winery license holders.

BACKGROUND: Washington has over 700 licensed domestic wineries as of March 2011. An applicant submits an application for a winery license, which must include the required TTB permit. A license may be issued after completion of the required investigation and review.

The number of licensed wineries has grown significantly over the last decade. While it is classified as a manufacturing entity under Washington law, we have not specifically attempted to enforce a requirement that Washington licensees must “produce” wine on its premises in order to maintain a license. Rather, we have required that the license holder must perform one of the following activities at its premises: (1) crush or; (2) age in bulk; or (3) bottle. This is not consistent with the requirements of the federal permit that each of our licensees must possess. This federal permit requires the license holder to actually produce or ferment wine upon the premises within three years of receiving their permit. The Washington Wine Institute has drafted legislation that would create another license in Washington that would permit something less than production on this class of licensed premises and would grant less than the full scope of privileges currently given to domestic wineries licensed in Washington. The association of Washington wineries requests the Liquor Board’s support of this legislation.

OUTCOME DESIRED: Legislative approval to create a new class of winery license that complies with state law and federal regulations. The new license would not require a production amount and would grant fewer privileges to align with the production and a reduced investment level.

MEASURES OF PERFORMANCE:

- By June 30, 2013, the agency is 100 percent compliant with state law and federal regulations for wineries.

STRATEGY: Tribal Relations

Implement the 2009 Tribal Workgroup recommendations and meet our commitment to interact with the tribes as outlined in the Government-to-Government Consultation Board Policy.

BACKGROUND: The Government-to-Government Consultation Board Policy outlines how the WSLCB and tribes will work together on liquor licensing, enforcement, liquor store location, and taxation issues. One example of using this consultation model, tribal representatives and the WSLCB developed a Memorandum of Agreement (MOA) template, which creates a new regulatory model for regulation of liquor sales in Indian Country.

Our iSeries licensing application and Enforcement Division's Electronic Notebook will not support this MOA concept as currently configured. In the short term, we are confident that a manual work-around can be accomplished, but if several tribes come forward requesting MOA negotiation, the added workload will become burdensome. We will need to address whether to modify the iSeries to facilitate this MOA, or whether we attempt to build a new system to support it.

Another key area of interest for the tribes is to own and operate liquor stores on tribal land. We developed a process where tribes notify the WSLCB of areas they would potentially want to operate a liquor store on tribal land. Tribal Vendor Agreements (TVA's) are negotiated agreements between a tribe and the WSLCB to outline specific requirements for the retail sale of liquor on tribal lands. There are currently 15 TVA's. This is another area the agency needs to prepare for as tribes explore alternative methods to generate revenue.

OUTCOMES DESIRED:

- Enhance our relationship with tribes to ensure alignment with the Centennial Accord Agreement.
- Negotiate Memorandum of Agreements (MOA) and Tribal Vendor Agreements (TVA) with tribes as requested.

EXPECTED RESULTS:

- Number of disputes raised/resolved for locations operating under an MOA.
- WSLCB and tribal satisfaction with roles and responsibilities under MOA agreement as reported through an annual survey/assessment. *[measure if relationship is enhanced]*

MEASURES OF PERFORMANCE:

- By June 30, 2013, achieve a 100 percent compliance rate (public safety violations) for tribal locations operating under a licensing MOA. Compare to compliance rate (public safety violations) for tribal locations operating a contract liquor store.

STRATEGY: Inform and engage communities and individuals, strengthen laws, policies and rules, and enhance coordination and collaboration of statewide efforts to reduce underage drinking.

BACKGROUND: Underage drinking is a leading public health problem and a major cause of death from injuries among young people. Although there has been a 20-year downward trend in underage drinking in Washington State (WA State Healthy Youth Survey Analytic Report, 2010), alcohol continues to be the drug most frequently used by youth.

Research shows that parents are the number one influence on whether their teens choose to drink. It is critical that parents begin talking to their children at an early age and continue talking to them throughout their teen years in order to discourage underage drinking. Unfortunately, research shows that adults often make alcohol use possible for young people.

At the same time, the environment where youths live influences the appeal and availability of alcohol. Alcohol advertising, the level of enforcement of laws and policies, and the social norms in families, schools, and communities will influence a youth's views about alcohol and the decision whether or not to drink.

It is anticipated that funding for prevention and intervention efforts will decrease considerably in FY 2011 through FY 2013, especially in the area of direct services for children and families. Singular, uncoordinated independent efforts that are not part of a larger focus may not result in long-term positive results.

DESIRED OUTCOME: Reduce underage drinking using a multi-pronged approach.

Components include:

- Educate and engage parents and caregivers in talking to their children about alcohol using multiple avenues.
- Increase awareness of underage drinking issues and the impact on youth, families, and communities through printed posters, participation in community events, the Internet and posting on the agency website.
- Address perceptions, attitudes, and actions through policy and rule changes.
- Increase community resources through collaboration and coordination of statewide efforts.
- Enhance and support the work of the Washington Coalition to Reduce Underage Drinking (RUAD).

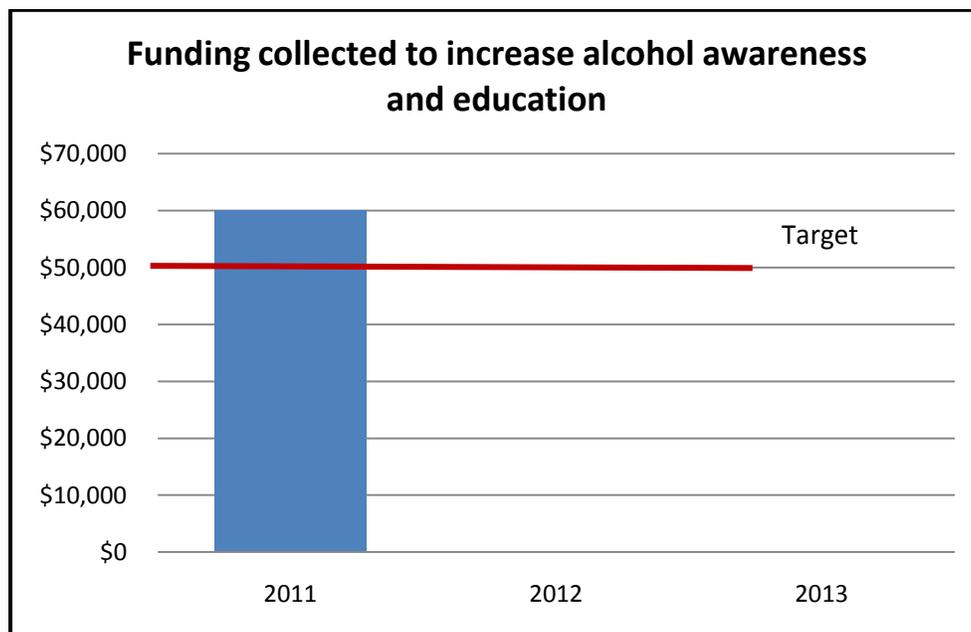
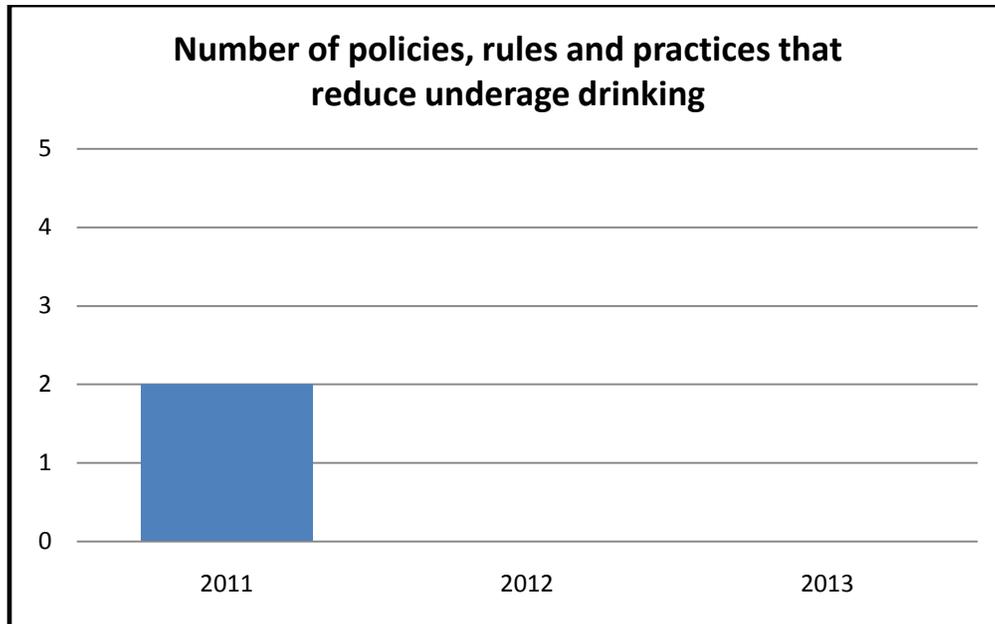
EXPECTED RESULTS:

- Expanded outreach to parents and caregivers to increase their ability to talk effectively to their children about alcohol.
- At the community level, increased knowledge of issues and research regarding underage drinking and understanding of best practices to reduce underage drinking.
- Changes/modifications to policies, rules and practices that can reduce underage drinking.
- Increased coordination of statewide efforts through work with collaborative groups.

MEASURES OF PERFORMANCE:

- By June 30 2013, underage drinking prevention messages will be aired on radio and television to reach an estimated audience of no less than two million people.
- By June 30 2013, a minimum of 50 presentations of the "Power of Parents" program will be given in communities across the state, reaching more than 500 parents.

- By June 30 2013, a minimum of five policies or rules related to underage drinking prevention will be reviewed.
- By June 30 2013, secure a minimum of \$75,000 from outside sources for the alcohol awareness program.



STRATEGY: Develop a streamlined process, which allows the Board to address three tier and tied house issues to meet the changing business needs and initiatives of licensees and their businesses.

BACKGROUND: Licensees in all three tiers of the liquor business operate under a complex and often confusing array of laws and rules related to the three tier/tied house requirements in statute and rule, which govern retailers, suppliers and distributors, and manufacturers. This is especially complicated since a winery, craft brewery or a craft distillery may frequently hold separate licenses as a retailer or a supplier and distributor in conjunction to their producing license. Exemptions and exceptions have been created in these laws over the years to address unique needs, and various interpretations of these laws and rules have also been issued as different circumstances and situations occur as business models change.

In many cases, the laws and rules can restrict the operations and profitability of these businesses, but have no effect on public safety and reflect ideas and concepts of liquor regulation, which are not relevant to today's marketplace. Given the unique business needs of retailers, suppliers and distributors, and manufacturers particularly as they seek to increase their profitability in difficult economic conditions, the WSLCB needs the flexibility to respond quickly to create policy and rules in support of licensees and liquor-related businesses in our state.

DESIRED OUTCOME: By July 1, 2012, after working with stakeholders, have a new laws in place to provide policy and rule-making authority to the Board addressing the constantly changing business needs of liquor businesses, while maintaining public safety. The Board may grant exceptions to law and rule to accomplish this.

EXPECTED RESULTS: The WSLCB, through exceptions granted by policy and rule, will be able to address tied-house and three-tier issues to help establish a liquor business climate that is profitable, competitive, and free from unnecessary regulation, encourages the growth of new and existing businesses and supports the safe and responsible sale of liquor.

STRATEGY: Special Occasion Licenses

Develop new laws and rules governing Special Occasion licenses to reflect current needs of licensees and to focus on public safety.

BACKGROUND: Over the past ten years, the number of special occasion licenses has grown from 749 per year to 2907 per year, an increase of 388 percent. This has posed a significant workload for the Licensing and Enforcement divisions. Special occasion licenses, are of short duration, granted to non-profit organizations, and are often used for venues and events involving thousands of attendees. Regulating these events is challenging, given their short duration and the absence of a system to provide notification of the events for enforcement officers and to maintain a record of problems or violations associated with the events. The current special occasion process also does not provide for "due process" if we were to seek denial of an event. Denials without "due process" puts the agency at risk of a tort claims.

The cost of a special occasion license is \$60 per-day per-location. This fee does not cover the cost of the Licensing and Enforcement divisions or the agency activities relative to these licenses. The statute does not speak to a deadline for applications for this event license. Therefore, applications for special occasion licenses are frequently done at the last minute, causing interruptions of day-to-day licensing processes to accommodate these late applications. Political pressure is sometimes brought to bear on the agency when resources or time is not available to process these late applications.

Frequently, the Enforcement and Education Division, local law enforcement and other local authorities are not aware of these events. These events are run by non-profit organizations and are usually held to raise money for organizations and causes. Volunteers for these events are untrained in liquor service. These events can result in significant threats to public safety, in the form of over-service, selling liquor to minors or disorderly conduct.

DESIRED OUTCOME: Use the expertise and experience of internal and external stakeholders and customers to accomplish the following:

- New laws and rules related to special occasion licenses that address a license fee structure reflective of workload associated with the licensing and enforcement, pre-approval by local authorities, firm timelines for applications, on-line applications, and violations and penalties. We should seek this authority in the 2012 Legislative Session.
- An automated system allowing online application processing and fee payment, provides notification of enforcement officers and local authorities of upcoming events, captures problems and issues associated with an event, and links to existing agency systems for licensing records and financial transactions associated with fees.

EXPECTED RESULTS: By January 2013, licensees will be able to apply, pay for and receive their licenses online through a simple process that ties costs of the license to the services provided by the state. Fees will be set according to the size and duration of the event. Applications will be denied if submitted after filing deadlines. The system will automatically notify liquor enforcement officers and local authorities of the event, its size, duration, and responsible parties. Special occasion licensees whose events pose a threat to public safety will face sanctions provided in the new laws and these violations will be maintained and tracked in the online system.

MEASURES OF PERFORMANCE:

- By January 31, 2013, 100 percent of special occasion applications can be processed within five business days of receipt.

GOAL: Maximize financial return to the state and local government by running an efficient business operation.

STRATEGY: Improve operational capacity of the Distribution Center (DC) without capital investment.

BACKGROUND: The WSLCB has one of the lowest distribution costs per case when compared to other control states. Over the past few years, changes in the nature of the work have resulted in significant rise to the cost of production. There has been no adjustment in the Distribution Center (DC) Full Time Employee (FTE) allocation to account for these changes. The lack of funding has resulted in increased reliance on overtime to accomplish the work within the time schedule and at acceptable fill-rate levels to support our customers. These remedies are resulting in higher distribution costs and total salary and benefit expenditures in excess of approved funding.

Below are three examples to provide an insight into the impact of the changing nature of our work creating the need for more staffing:

- SKU growth: Stock Keeping Unit (SKU) growth (products offered) has the single biggest impact on warehouse efficiency. With each new SKU added, the warehouse has to receive and unload another delivery, put away another pallet of product, maintain a new-separate location, make another pick in the picking area to select another product and sort to ship another item. This trend is expected to continue and will continue to affect the cost of distribution.
- Store growth: The WSLCB is currently mandated to add five additional State stores and 10 additional contract stores in the 2009-11 biennium with no provision for additional DC

FTE funding. This increase is expected to generate \$27 million in additional gross sales in the current biennium and represents an additional 166,633 cases to be received, stocked, pulled and shipped from the DC in the 2011-2013 biennium. This triple handling effort requires additional staffing. These new stores also require 15 new shipments from the Distribution Center each week.

- **Coverage growth:** With each year, vacation coverage requirements increase for the tenure of the DC workforce. This coverage means that while the FTE is on paid vacation another paid FTE has to backfill that position in order for production levels to be maintained. At present staffing levels, the DC experiences about 14 percent absenteeism daily due to increasing allotments for authorized vacations, leave and sickness.

Impact: The DC will not be able to maintain acceptable service levels with the current level of funding in FY 2011 through 2012. Projected deficit is anticipated to increase to approximately \$1,300,000 at the end of the biennium. To operate within this level of deficit requires excessive overtime to the equivalent of 5.9 additional people, which could be funded through reductions in overtime.

OUTCOME DESIRED: Increase the Distribution Center staffing by implementing best practices, efficiencies and reducing costs.

Barriers include capacity issues with the carousels and staff willing to work the third shift (Graveyard shift). There is a risk of not allowing enough maintenance time for the material handling system due to a third shift implementation.

MEASURES OF PERFORMANCE:

- Reduce employee overtime costs at the DC and cap the overtime cost at five percent by August 31, 2011.
- Lower the cost-per-case distribution expense to \$1.40 through lean management by September 30, 2011.
- Achieve and maintain a 95 percent fill rate by July 2013.

STRATEGY: Improve operations capacity without capital improvements by increasing the staffing capacity and embracing a lean culture.

BACKGROUND: In an effort to embrace lean culture, the Distribution Center will implement the Dark Warehouse concept, which will increase capacity by reducing pallet moves considerably. The Dark Warehouse concept will allow the movement of fewer SKU's at a given time and will increase the product velocity of the item during a particular week. The order-entry system (iSeries – AS 400) will need to be modified so that items are offered for ordering only once per month. The DC will be able to track the number of replenishments being generated each day to ascertain the success of the Dark Warehouse concept.

OUTCOME DESIRED: Implement the Dark Warehouse concept by decreasing the number of replenishments by offering the slowest moving items once per month for orders. This will increase the warehouse efficiency by reducing the product movement within the facility by consolidating demand each month

MEASURES OF PERFORMANCE:

- Reduce daily replenishments by 20 percent by October 31, 2011.

STRATEGY: Implement an expanded building maintenance service to perform custodial, repair, and housekeeping functions throughout the facility while contributing to the material handling system preventive maintenance program.

BACKGROUND: The DC facilities, building upkeep and maintenance will implement an expanded building maintenance service to perform custodial, repair, and housekeeping functions throughout the facility while contributing to the material handling system preventive maintenance program, and fulfill requests for repair, upgrades, and maintenance, thereby maintaining the value of the property and facility.

OUTCOME DESIRED: Distribution Center (DC) workplace conditions that reflect pride in our environment and appreciation for our employees. A safe, clean, and well maintained DC building. Create a plan and request authority to spend from the Construction and Maintenance fund for facility repairs and upgrades, and improved custodial services

STRATEGY: Commission an external study to ascertain the most effective way to increase the distribution center's capacity (secondary facility or modifications within the existing facility).

BACKGROUND: In the long term, the Distribution Center (DC) might need to expand the material handling system, expand the current facility on East Marginal Way or open a secondary facility. For these reasons, it is recommended that a study be commissioned to assess the use of third party logistics providers and secondary warehousing locations to serve as contingency/capacity relief.

OUTCOME DESIRED: The study results should include a feasible plan for expanding the capacity of the distribution center and simultaneously allowing for improved contingency capacity.

MEASURES OF PERFORMANCE:

- By January 31, 2012, obtain the authority to hire a consulting firm.

STRATEGY: Fully develop product and merchandising strategies to increase dollar/volume mix, selling higher priced products and increasing total profit dollars.

BACKGROUND: In Washington, one of the key benefits that the control system offers our customers is an extensive product selection statewide. In order to keep the selection fresh and relevant to customer interests, the continual listing and delisting of products is required. Our practices in this area have continued to improve over time but need to evolve to the next level: true category management. This includes targeted product listings, SKU's rationalization, and the insights of a professional category manager. Suppliers have extensive product and customer intelligence resources that we can utilize to supplement our limited resources to more fully understand and execute this true category management. It extends past product selection to include product display and arrangement. This partnership can help us develop strategies in listings, de-listings and product display to achieve the right selection while increasing the dollar/volume mix.

EXPECTED RESULTS:

- Documented marketing plan including product strategies
- Implement sampling pilot
- More agile product selection process with targeted listing and de-listings for all product categories, to ensure that incrementally profitable products are offered, and struggling or repetitive products are eliminated.
- Product designations allowing for:
 - a. Targeted product distribution of products and
 - b. More efficient access to (low volume) specialty products
- Leveraging of supplier resources to supplement staff efforts in category management.
- Utilization of data based customer shopping insights to enhance profitability of product selection and arrangement.

OUTCOMES DESIRED:

- Increase overall sales and profitability by selling more expensive products without necessarily increasing volume.

MEASURES OF PERFORMANCE:

- By June 2013, have a rolling 12 month trade up of three points or greater of overall spirits indicated by a three- point positive difference between percent dollar growth, minus the percent of case volume growth.

STRATEGY: Revise display assignment process and standards to maximize visual impact and profitability.

BACKGROUND: The current display program and methodology has been in place for a number of years, thus, a review of the display rules and practices at the retail level are in order. The development of a new program is contingent upon our suppliers being able to provide the technical development and provide on-going support in a manner that is transparent. Display appearance standards are currently a part of the agency Display Policy #935, but they are not very detailed, and are not well understood or enforced. New products are currently part of the display program and are displayed 4 times during the first year of listing in 30 stores, but are not otherwise featured or highlighted in the stores.

EXPECTED RESULTS:

- An understanding of how and why customers shop displays.
- Execute displays each month based on defined display expectations and standards.
- New products have better visibility and higher sales in the initial six to eight months.
- New display program(s), rules, and retail expectations that will provide more standardized and profitable product displays in our retail stores. The program(s) will:
 - Assign all types of displays, standard and unique, for spirits and wines.
 - Utilize clusters to place the most profitable items in each group of stores.
 - Assign displays to specific locations.
 - Organize products displayed in a logical manner.

OUTCOME DESIRED:

- Stores consistently have displays that meet standards.
- Displays are assigned within updated business rules, in a manner that drives increased transaction value.

MEASURES OF PERFORMANCE:

- By June 2013, 98 percent of stores compliant to display appearance standards and assigned display locations, measured monthly as confirmed by district managers.
- By June 2013, dollar value of transactions containing displayed products is a minimum of two percent higher.

STRATEGY: Increase funding to meet the financial obligations of operating our stores in a competitive lease market, ensuring a safe environment and providing a positive public image.

BACKGROUND: It is the goal of the Board to maximize revenues. In order for the Board to execute direction to maximize revenues, it must compete in the market place for retail locations. Being able to successfully compete and secure prime retail locations, helps to ensure that our business will have the maximum exposure to customer traffic. Unlike most business competing for retail locations, the Board cannot use avenues most commonly used by private sector business such as newspaper, radio or television to attract customers to a less than prime location. For the Board, the location itself must generate traffic. Additionally, the Board cannot develop a location. All improvements to meet Board specifications must be made by the landlord and amortized through lease payments. This requirement is particularly difficult for private sector realtors to translate into a lease package. The private sector does just the opposite. It negotiates an undeveloped cost then employs its own set of contractors to develop the property to its specifications. There are several advantages to this system that we do not have the time or space to discuss here. The point is, most realtors in the commercial retail real estate market are set up to accommodate private sector not government. While the Board has been successful in negotiating some prime retail real estate, the lack of funding has kept the board from considering many sites that would have a much higher return because of its exposure to retail customer traffic.

OUTCOME DESIRED:

- Increase non-appropriated carry forward budget for leasing by \$3.7 million per biennium beginning FY 2012.

EXPECTED RESULTS:

- Store profitability; Year three of lease compared to three years prior to new leasing period.

STRATEGY: Develop alternative store formats and contracting models to increase options for how the Board adequately services market areas while advancing public safety and revenue.

BACKGROUND: For the last two decades, the Board has had a two-model format to address its retail operation. For the time, it worked and it worked well. However, as the State enters a new century, the two-model format no longer works in the modern and ever-changing business environment. Urban crowding, higher property leases, more sophisticated customers, service emerging as king, leads the WSLCB to change its format to remain relevant to its customers and maximize revenues. In order to understand what may work in the new business environment the board proposes to explore new retailing concepts and retail service delivery systems to ensure it remains relevant to customers. It is also our intent to explore relationships between retail formats and revenue models and how to select the best combination of elements to maximize customer service and revenues.

OUTCOME DESIRED:

- Written recommendation for alternative contracting models such as franchising whereby the Board maintains appropriate control over the sale of spirits while preserving financial return to the state.
- Implementation of necessary changes to commission structure options such that contracting opportunities remain financially viable for business partners while preserving financial return to the state.
- Written recommendation, issue paper, and pseudo project management document to establish an intended action plan for implementation for each format. May include but not limited to the following:
 - Different retail iterations segregated by square footage that indicates real estate availability or where expenses ceiling are problematic.
 - Specialty stores to provide a significantly broader selection of products considering population density where additional revenue could be raised.
 - Retail partnerships, such as, but not limited to, store-within-a-store, side-by-sides, kiosk and others.
 - Limited offering partnerships, as opportunity presents, a limited SKU base of selected items depending on partnerships needs.

EXPECTED RESULTS:

- Documented work plan to complete necessary research and submit recommendations.
- Written report summarizing research findings and specific recommendations with timelines.
- Financial return by store format and contracting model compared to traditional approach.

STRATEGY: Collect quality data in sufficient quantities and intervals to analyze customer feedback for future decisions.

BACKGROUND: Historically, the WSLCB has conducted and collected a number of different studies and measurements of customer attitudes. The studies have not necessarily been designed to study the effect of operational changes on revenues with respect to changing customer buying habits or the affect on a customer's attitude (creating a revenue outcome) toward the WSLCB by creating goodwill. Therefore, the agency finds it necessary to collect and evaluate customer attitude data for purposes of operational, merchandising, product and customer service changes. The transformation is from a static entity that is reacting to its environment to a dynamic organization that is being proactive and visionary. This is done by making timely, informed decisions based on quality data at regularly scheduled intervals.

OUTCOME DESIRED:

- Implement a systematic approach to collecting statistically significant feedback on customer experience to help guide business direction and achieve desired results.
- Confirm that customers are increasingly pleased with the products and services provided through our store operations.
- A longitudinal study of customer attitudes and behaviors toward the liquor control board in response to changes in economic and political environment.
- Implement changes to the operation, merchandising programs, product selection and customer service based upon a longitudinal study of customer attitudes and needs.

EXPECTED RESULTS:

- Annual survey data of customer experience perceptions to include a statistically significant sampling and common questions to monitor changes from one period to another. Additional unique questions of interest may also be added as needed.
- Percentage of improvement by customer experience category.

GOAL: Recruit, develop, retain and value a highly competent and diverse workforce capable of responding quickly and effectively to challenges in our business and regulatory environment.

STRATEGY: Succession Planning/Workforce Readiness

Develop a successful mid-management training/succession program that will address shifts in leadership, key/mission critical and technical roles, resulting in a stream of qualified and diverse candidates to replace those leaving or choosing to leave our agency.

BACKGROUND: The WSLCB and its advising partner, the Washington State Department of Personnel (DOP) is not adequately prepared to address a shifting workforce (leadership and/or technical /mission critical positions) due to a lack of a well developed succession plan and/or workforce development plan. Data from the June 30, 2010 WSLCB Human Resource Management Report, shows that 67 percent of the Liquor Control Board workforce is over 40. Data also shows that the turnover rate for WSLCB is 12 percent, compared to the statewide average of 8.3 percent.

An opportunity exists for us to develop a sustainable plan that will address shifts in leadership, key mission critical/technical roles while ensuring we are attracting and retaining a highly qualified workforce.

OUTCOME DESIRED: Develop and implement a focused “Workforce Development/Succession Plan.”

MEASURES OF PERFORMANCE:

- By January 31, 2011, Human Resource consultants in collaboration with the Human Resources director will identify mission critical positions and develop a detailed gap analysis.
- By June 31, 2012, Human Resource Training and Recruitment manager in partnership with the Department of Personnel will design and implement a manager-training program to ensure organizational structure and that employee skill sets are designed to meet the agency mission, vision, values and business needs.
- By December 31, 2012, Human Resource consultants will develop a formal job rotation, job shadow, and employee-mentoring program to enhance staff capacity and foster strategic thinking across the agency.

GOAL: Create a culture that fosters excellent customer service, open and honest communication, transparency, accountability, data driven decisions, and business initiated process improvement including the use of integrated technology.

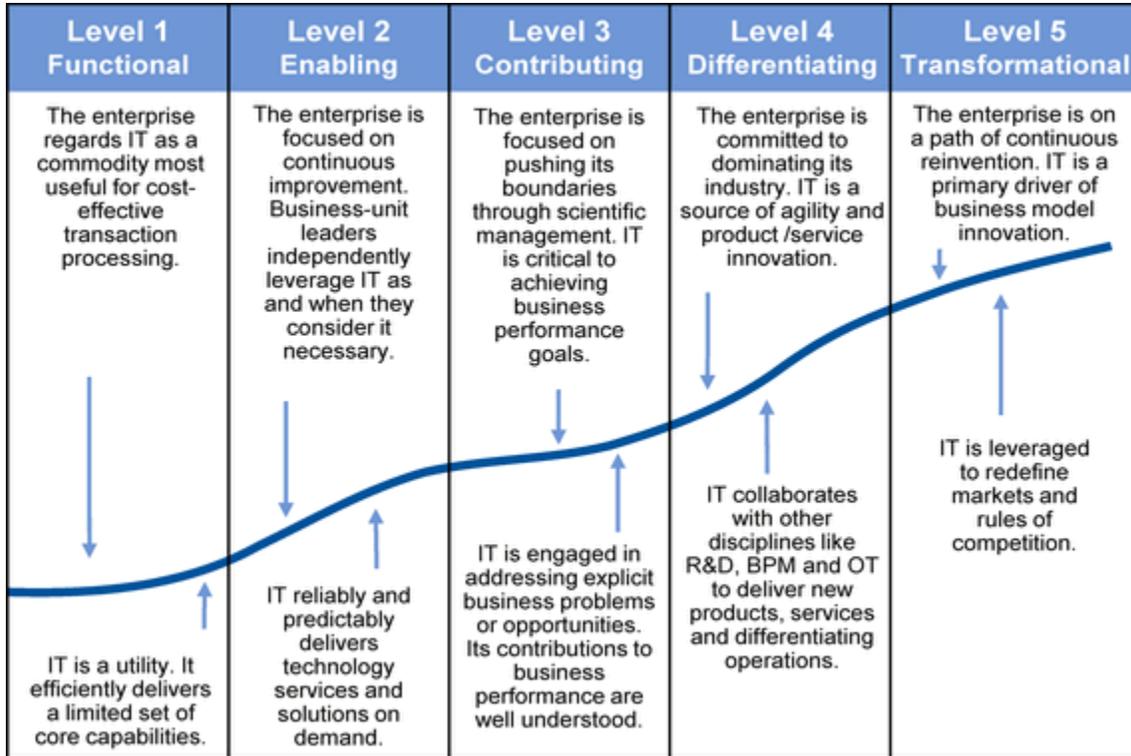
STRATEGY: Enterprise Architecture

Enterprise architecture (EA) is the process of translating the agency's vision and strategy into effective change by bridging the gap between strategic planning and project implementation. EA is holistic as it covers the impact of strategic business change on agency services, processes, information and technology. It is enterprise-wide as it spans the agency as a whole in its scope.

BACKGROUND: The agency's services, processes, information and technology have evolved over time with changes in law, rule, policy, legislation, Board, management, economy, public opinion, technology, and strategic plans. This has led to an environment of fragmented manual and partially automated processes, unnecessarily redundant solutions, questions of data integrity, increased data duplication, continually increasing operational debit load, and a decreasing ability to adapt solutions to support changing agency processes and services.

DESIRED OUTCOME: Establish enterprise architecture to continually improve the agency's services by increasing the quality, effectiveness and efficiency of supporting processes, information and technology to build an innovative, responsive, flexible organization. The implementation will occur in iterative stages:

Overview of Gartner ITScore Maturity Levels



BPM = business process management

OT = operational technology

MEASURES OF PERFORMANCE:

Using Gartner ITScore self-assessment tool:

- By September 30 2010, achieve Level 1 maturity on the Gartner ITScore.
- By June 30, 2012, achieve Level 2 maturity on the Gartner ITScore.
- By June 30, 2014, achieve Level 3 maturity on the Gartner ITScore.
- By June 30, 2016, achieve Level 4 maturity on the Gartner ITScore.
- By June 30, 2018, achieve Level 5 maturity on the Gartner ITScore.

Gartner IT Score Maturity:



Measure	2010	2012	2014	2016	2018
Application Organizations Score	2				
Business Intelligence and Performance Management Score	2				
Business Process Management Score	2				
CIO Perspective Score	2				
Enterprise Architecture Score	2				
Infrastructure and Operations Score	1				
IT Sourcing and IT Vendor Management Score	3				
Program and Portfolio Management Score	1				
Security and Risk Management Score	2				
Score	1.89				

STRATEGY: Outreach Campaign

Communicate our core mission message of public safety and financial investment in local communities and the state.

BACKGROUND: The public, elected officials and the media often don't understand the state's complex alcohol regulatory system and its impact on alcohol consumption and financial benefits. The WSLCB sees an opportunity to proactively tell its story and improve relations with the public, elected officials and the media.

The Governor has also made it a priority for agency leaders to reach out to communities statewide to gather input and show citizens the value of their investment. In 2011, the WSLCB will launch a proactive, multi-pronged, targeted outreach campaign with face-to-face visits between WSLCB leadership and local decision makers, editorial boards and legislators.

The outreach will include:

- State and contract liquor stores – store posters, signage, banners, and Lottery screens.
- Media – editorial board meetings with all statewide daily newspapers.
- Community service clubs – presentations by Board and agency leadership.
- Distribution Center tours – invite key legislators, OFM, and legislative staff.
- Publications – feature articles in stakeholder publications such as Washington Restaurant Association and other business, law enforcement, prevention, etc. publications.

DESIRED OUTCOME: Improve public perception and understanding of WSLCB mission, vision, and goals.

EXPECTED RESULTS:

- Balanced media coverage.
- Greater understanding of WSLCB's role and services by the media, elected officials, and the public.
- Improved agency image and standing with the public.
- Improved public perception of WSLCB as measured through a survey tool and focus groups.
- Public opinion about store signage as measured at the store level through a type of polling tool.
- Media stories generated from communication and outreach plan activities.
- Number of appearances at civic organization events such rotary, chamber of commerce, Kiwanis, etc.

STRATEGY: Organizational Performance

Develop and implement a long-term quality performance roadmap that details specific actions and tools to create a structure that will support a renewed agency culture of quality performance. Use periodic self and independent performance assessments to monitor progress.

BACKGROUND: In 2007, the agency conducted a comprehensive self-assessment geared to prepare for a subsequent independent assessment by the Washington State Quality Award (WSQA) a year later. The self-assessment reviewed the agency's performance based on key business and organization quality categories, known as the Baldrige criteria. Nearly 20 WSLCB employees were trained as internal examiners, who in turn, reviewed division profile information, key results and interviewed over 130 agency employees for additional input. Division-level feedback reports were generated and work plans addressing improvement areas are being implemented.

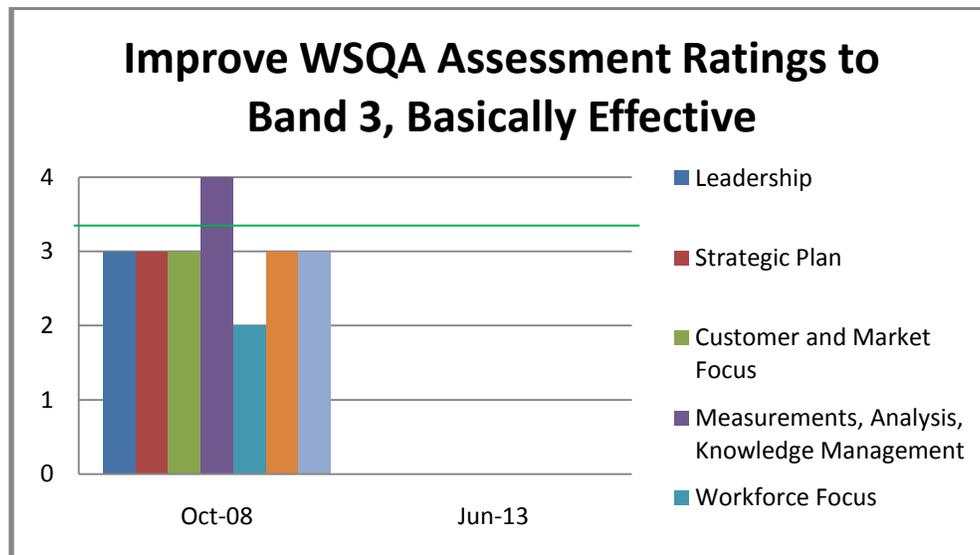
The agency completed and submitted an application for an independent assessment by the WSQA in 2008. The WSQA generated a feedback report identifying both strengths and opportunities for improvement (OFI). This feedback was used to augment previous division work plans and agency leadership determined key focus areas that included responding to customer feedback, improving our measurement and analysis of business and program results, and engaging our workforce to more fully understand and support the agency's mission, goals and activities.

DESIRED OUTCOME: The agency is a recognized as a world-class organization that engages our stakeholders, customers and employees to continuously improve our performance and service.

MEASURES OF PERFORMANCE:

- Increase the number of Quality Examiners at the Liquor Control Board to 25 by October 2011.
- Train at least 12 new internal examiners by April 2011.
- Satisfaction level with quality of training (average rating of four or above, out of five) by April 2011.
- Divisions complete all Organizational Profiles and Results sections by April 2011.
- Interview at least 60 agency employees by August 2011.
- Complete internal assessment feedback reports for all divisions by October 2011.
- Establish quality performance teams in all divisions by December 2011.

- Improve assessment ratings to a minimum of Band 3 (basically effective) in all key performance categories for an independent Assessment by June 2013.
- Receive recognition award acknowledging our efforts as a national leader, model employer, collaborative partner and visionary leader by July 2013.
(see [WSQA timeline #14.a](#)).



GOAL: Promote a workplace that keeps employees safe and reduces agency liability through an integrated program of risk management, safety and wellness.

STRATEGY: Enterprise Risk Management

Mitigate, monitor and treat risks that prevent the agency from achieving strategic goals.

BACKGROUND: Enterprise Risk Management (ERM) was first introduced to the agency in 2006. Each year the agency completed a self-assessment of ERM maturity. Assessment categories include risk fundamentals, executive support, mature practices and agency culture. Since 2006, the agency has experienced a 22 percent increase in program maturity. Methods for assessing agency risks have evolved over time. The agency senior management team has utilized techniques of risk mapping, priority exercises and frequency/severity assessments to create scorecards. The 2010 Risk Register was a major milestone in agency risk management maturity. The stand-alone register connected each agency strategic goal to identified priorities and risks.

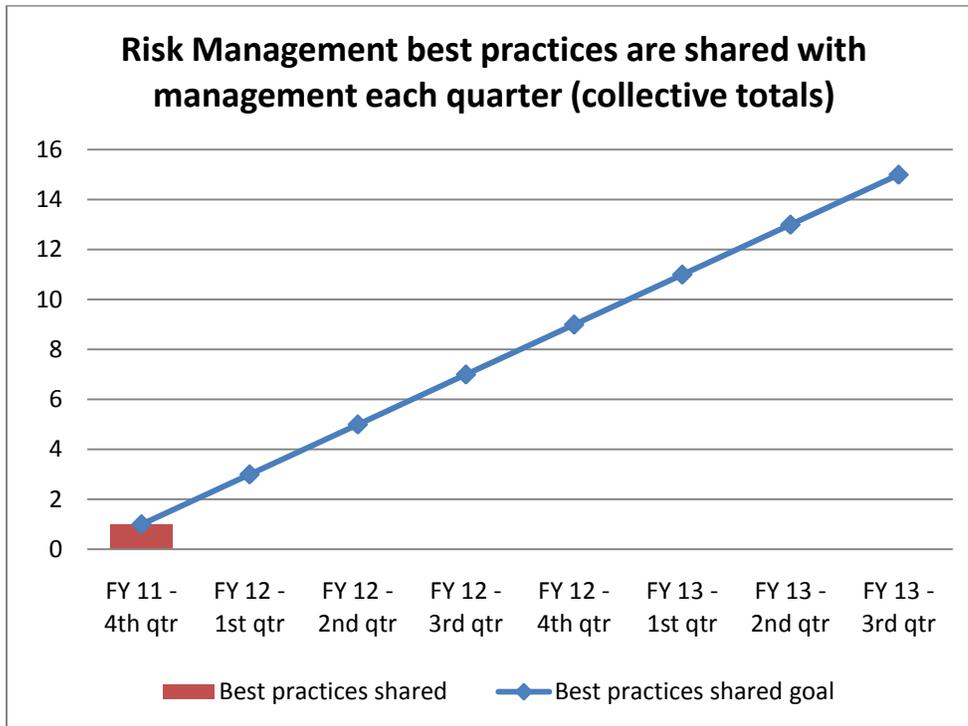
OUTCOME DESIRED:

- Educate legislators and stakeholders to obtain support for public safety initiatives (see *Outreach Campaign strategy*).
- Prioritize initiatives to ensure resources are available to support public safety initiatives (see *Regulatory Reform strategy*).
- Create alternate business models that have positive impacts on financial return (see *Business Plan strategy*).
- Funding is available to maximize financial return (see *Business Plan strategy*).
- Create an environment where employees can grow and thrive (see *Succession Planning/Workforce Readiness strategy*).

- Leadership is highly functional and mirrors traits of trust, healthy conflict, unwavering commitment, unapologetic accountability, and focuses on results (see *Organizational Performance strategy*).
- Risk mitigation practices are universal throughout the agency.

MEASURES OF PERFORMANCE:

- By September 15, 2011, the Director of Administrative Services in collaboration with the Agency Management Team will create a process to share agency best practices at quarterly GMAP sessions.



Current Agency Operations Initiatives Extending Beyond FY 11 – 13

GOAL: Provide the highest level of public safety by continually assessing, analyzing, improving and enforcing laws, regulations and policies as well as ensuring they are easy to understand, effective and reflect today's dynamic environment.

STRATEGY: Enhancement to the Licensing and Regulation Division's management capacity. Current management structure is specifically aligned to division operations, which limits resources availability for strategic planning and strategic initiatives.

STRATEGY: Increase enforcement staff to meet current public safety demands.

DESIRED OUTCOME:

- Provide timely and accurate education to new and existing liquor licensees that is timely, accurate, and maximizes public safety in their establishments.
- Further, enhance preventive enforcement by educating licensees on best practices for maintaining compliance with laws and regulations.

PERFORMANCE MEASURE: Reduce the ratio of officers to licensees from one officer for every 300+ licensees to one officer for every 120 licensees.

GOAL: Maximize financial return to the state and local government by running an efficient business operation.

STRATEGY: Improve Tax Reporting processes.

DESIRED OUTCOME: Broaden electronic payment and filing system capability to allow access to more customers and low tax liability filers the ability to file less frequently.

STRATEGY: Centralized Pallet Management Program.

DESIRED OUTCOME: A pallet management program that reduces problems, streamlines the pallet handling processes, and properly accounts for assets.

STRATEGY: Provide a retail store environment that reflects our desired brand image and mission of public safety and controlled distribution.

DESIRED OUTCOME: Store environments consistently communicate a desired image of the WSLCB through store location, modern signage, attractive shelving and display fixtures, public safety messaging, uniformly dressed employees, and clean floors and counters.

STRATEGY: Develop an internet-based interactive supplier portal.

DESIRED OUTCOME:

- Easily accessible information to suppliers to enable them to provide better service to the WSLCB, reducing operational costs and increasing sales through better product availability.
- Provide suppliers with updated supplier-specific information about inventory levels, order status, delivery appointments, performance data, and reports.

GOAL: Create a culture that fosters excellent customer service, open and honest communication, transparency, accountability, data driven decisions, and business initiated process improvement including the use of integrated technology.

STRATEGY: Development and implementation of an agency-wide integrated data and workflow system. This system should support all divisions and development should include a review and perhaps revision to workflow across the agency.

DESIRED OUTCOME:

- Complete a business needs assessment of the Licensing and Regulation division together with Enforcement division.
- Complete a technology plan for the regulatory function of the WSLCB.

GOAL: Promote a workplace that keeps employees safe and reduces agency liability through an integrated program of risk management, safety and wellness.

STRATEGY: Replace security equipment at the Distribution Center security office to upgrade to current technology.

DESIRED OUTCOME:

- Develop a security equipment plan utilizing knowledge gained.
- Replace end of life equipment.
- Expand Wide Area Network (WAN) to allow remote access to store camera systems.

STRATEGY: Effectively address critical safety issues.

DESIRED OUTCOME:

- Safety resources and skill level meets the agency need.
- Informed planning on safety risk issues.

A comprehensive plan addresses the high-risk safety areas of robbery in retail stores, heavy equipment at the Distribution Center, and weapons training for enforcement personnel.

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