



IDAHO STATE
LIQUOR
DIVISION

Executive Office of the Governor

STRATEGIC PLAN

Fiscal Years 2025-2028

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Director

MISSION

The mission of the Idaho State Liquor Division is to provide control over the importation, distribution, sale, and consumption of distilled spirits; curtail intemperate use of beverage alcohol; and responsibly optimize the net revenues to the citizens of Idaho.

VISION

The vision of the Idaho State Liquor Division is to be the most respected and highest performing purveyor of distilled spirits in the USA.

VALUES

We operate the Idaho State Liquor Division in accordance with the spirit and letter of the law that established its purpose

We conduct business in an ethical manner at all times

We work to continuously exceed the expectations of our customers, each other, and our community

We are personally responsible for our individual performance

We work diligently toward continuous process improvement

We commit to operational excellence in all disciplines

We cooperate with each other to create an environment that is conducive to great work

We treat each other with mutual respect and cooperation

GOALS

- (1) Operate in a manner that prioritizes safety. Maintain Idaho’s low per-capita consumption of distilled spirits in comparison to other control states and maintain at least a 15% advantage in consumption rate vs. non-control states.**
- (2) Provide responsible and temperate availability of distilled spirits to Idaho citizens without stimulating the normal demands of responsible, temperate consumers of legal drinking age and achieve a 100% success rate on age compliance checks.**
- (3) Optimize financial returns that result from responsible operation of the wholesale and retail enterprise. Specifically, the Division strives for the following: Distributions to stakeholders grow faster than sales; sales grow faster than 9-Liter case equivalent sales; 9-Liter case equivalent sales grow faster than consumption per capita.**
- (4) Operate in a manner that maintains trust and respect with our stakeholders, beneficiaries, business partners, associates, the prevention community, and the public.**

STRATEGIES & OBJECTIVES

(1) Prioritize Safety and Maintain Idaho’s position of low per capita consumption of distilled spirits by:

- a. Providing limited but convenient locations and hours of operation in state-run stores.
- b. Rejecting products designed for quick consumption and irresponsible use.
- c. Maintaining minimum (floor) pricing on all categories of spirits products.
- d. Nurturing responsible relationships with our suppliers to leverage their expertise and means to promote responsible use.
- e. Building synergistic partnerships with stakeholders, coalitions, and state/local law enforcement throughout Idaho to optimize prevention efforts.
- f. Maintaining an environment that maximizes associate and customer safety.
- g. Furnishing ongoing social responsibility training for retail associates.

(2) Responsibly provide for the availability of distilled spirits to Idaho citizens without stimulating the normal demands of temperate consumers and achieve a 100% success rate on age compliance checks by:

- a. Offering sensible and uniformly priced products in state and contract liquor stores.
- b. Meeting community and consumer desire for access to convenient but limited retail outlets.
- c. Pricing product at manufacturer suggested retail price or lower, where applicable.
- d. Avoiding ISLD discounting of products except in the case of close-outs. Providing responsible service suggestions through our consumer website.
- e. Anticipating product trends and attending to consumer interest in new products.
- f. Executing identification checks to ensure high compliance rates.
- g. Adhering to a long-held practice of not advertising to stimulate demand.

(3) Optimize financial returns to the citizens by:

- a. Applying sound business management principles and practices to operate an efficient wholesale and retail business operation.
- b. Managing operating expenses and cost of goods sold in a rigorous manner.
- c. Offering uniform, fair, and market-based pricing for all categories of products.
- d. Employing best practices in customer service and merchandising in retail stores.
- e. Evaluating retail store performance and store siting criteria on a continuous basis.
- f. Executing continual upgrades to the Division's Enterprise Resource Planning (ERP) system that will affordably and effectively integrate with the Warehouse Management System (WMS) and Point-of-Sale (POS) systems to deliver efficiencies and cost savings well into the future.

(4) Build Trust and Respect by:

- a. Maintaining transparency by communicating operational results to all Idahoans via annual reports and in-store informational brochures.
- b. Modernizing rules; reducing barriers to commerce.
- c. Partnering with the National Alcohol Beverage Control Association (NABCA) to provide monetary awards to fund alcohol prevention efforts throughout the State.
- d. Engaging our customers and providing innovative and educational shopping experiences.
- e. Actively engaging with stakeholders in government, business, and the communities we serve to promote social responsibility in the use of beverage alcohol.
- f. Highlighting the myriad of benefits ISLD distributions provide to Idaho communities. For example, community college tuition assistance to counties, community colleges and public education in general, substance abuse and treatment, drug and family courts, law enforcement, public safety, parks and recreation, and more.

Performance Trends and Benchmark Measures

The best measures of the ISLD's operational effectiveness are its performance to plan as reported in the statement of revenues, expenditures, net income, and internal benchmark criteria.

Internal benchmarks indicate how the ISLD performs in attaining our vision and delivering on our mission. We compare our performance to other Control States and to the industry in general, where applicable. The criteria include, but may not be limited to, our performance in adjusted per capita consumption; total revenue growth; 9-Liter case equivalent sales; distributions to stakeholders; net margin; and profit per 9-Liter case.

Specifically, the Division has established a benchmark philosophy that is the basis for its strategic and operational planning. The benchmarks aim to ensure that the Division responsibly optimizes net revenues without implementing strategies that encourage irresponsible consumption.

Idaho Code § 23-203 specifies the powers and duties of the Idaho State Liquor Division. Furthermore, the statute directs the Division to “exercise its powers as to curtail the intemperate use of alcoholic beverages. It shall not attempt to stimulate the normal demands of temperate consumers thereof, irrespective of the effect on the revenue...” To this end, the Division has established a benchmark philosophy that is the basis for its strategic and operational planning. The benchmarks aim to ensure that the Division responsibly optimizes net revenues without implementing strategies that encourage consumption.

Specifically, the Division responsibly focuses on the following: ***Distributions to stakeholders should grow faster than dollar sales; dollar sales should grow faster than 9-Liter case equivalent sales; 9-Liter case equivalent sales should grow faster than consumption per capita.***

Idaho State Liquor Division Performance Trends

	actual FY20	actual FY21	actual FY22	actual FY23	est. FY24
Sales \$ (benchmark)	\$258,567,000	\$297,072,900	\$305,619,200	\$319,852,400	\$320,012,300
<i>chg. vs. PY</i>	12.4%	14.9%	2.9%	4.7%	0.0%
Total OPEX**	\$20,493,300	\$21,100,600	\$18,647,000	\$21,466,000	\$24,014,800
<i>% of Sales</i>	7.9%	7.1%	6.1%	6.7%	7.5%
<i>chg. vs. PY</i>	6.8%	3.0%	-11.6%	15.1%	11.9%
Net Income	\$98,241,700	\$114,069,700	\$114,246,000	\$119,737,400	\$120,575,600
<i>% of Sales</i>	38.0%	38.4%	37.4%	37.4%	37.7%
<i>chg. vs. PY</i>	13.9%	16.1%	0.2%	4.8%	0.7%
Cap Ex**	\$531,300	\$824,400	\$4,447,000	\$4,479,500	\$6,139,800
<i>% of Sales</i>	0.2%	0.3%	1.5%	1.4%	1.9%
<i>chg. vs. PY</i>	-37.9%	55.2%	439.4%	0.7%	37.1%
Distributions (benchmark)	\$95,444,300	\$114,513,100	\$115,565,600	\$121,036,100	\$121,641,300
<i>% of Sales</i>	36.9%	38.5%	37.8%	37.8%	38.0%
<i>chg. vs. PY</i>	11.8%	20.0%	0.9%	4.7%	0.5%
9-Liter Case Sales (benchmark)	1,348,000	1,463,000	1,442,500	1,429,200	1,397,800
<i>chg. vs. PY</i>	9.2%	8.5%	-1.4%	-0.9%	-2.2%
Performance Measures:					
<u>Consumption</u>					
9-Liter Cases/adult * (benchmark)	1.03	1.08	1.05	1.03	0.99
<i>chg. vs. PY</i>	3.0%	4.9%	-2.8%	-1.9%	-3.9%
Net Income/9-Liter Case	\$72.88	\$77.97	\$79.20	\$83.78	\$86.26
<i>chg. vs. PY</i>	4.2%	7.0%	1.6%	5.8%	3.0%
OPEX/9-Liter Case**	\$15.20	\$14.42	\$12.93	\$15.02	\$17.18
<i>chg. vs. PY</i>	-2.2%	-5.1%	-10.4%	16.2%	14.4%

*Idaho residents aged 21 and over, per U.S. Census data. Note that Idaho consumption metrics are skewed by significant cross-border Sales along the Washington border. It is estimated that non-resident consumption adds approximately 7.5% to ISLD Sales and related consumption statistics.

**In accordance with Government Accounting Standards Board (GASB) Statement No. 87, Lease costs are now recognized as a capital outlay beginning in Fiscal Year 2022. Prior to FY22, Lease costs were included as an operating expense. Consequently, Cap Ex costs increased sharply in FY22 by approximately \$3.5MM per year with a corresponding decrease in OPEX.

Idaho State Liquor Division Performance Forecast

	est. FY24	est. FY25	est. FY26	est. FY27	est. FY28
Sales \$ (benchmark)	\$320,012,300	\$320,972,300	\$322,256,200	\$323,867,500	\$326,134,600
<i>chg. vs. PY</i>	0.0%	0.3%	0.4%	0.5%	0.7%
Total OPEX**	\$24,014,800	\$25,376,800	\$25,478,000	\$25,605,000	\$25,784,000
<i>% of Sales</i>	7.5%	7.9%	7.1%	7.1%	7.1%
<i>chg. vs. PY</i>	11.9%	3.7%	0.4%	0.5%	0.7%
Net Income	\$120,575,600	\$120,587,700	\$121,190,600	\$121,917,700	\$122,893,000
<i>% of Sales</i>	37.7%	37.6%	37.6%	37.6%	37.7%
<i>chg. vs. PY</i>	0.7%	0.0%	0.5%	0.6%	0.8%
Cap Ex**	\$6,139,800	\$4,980,600	\$5,000,500	\$5,025,500	\$5,060,700
<i>% of Sales</i>	1.9%	1.6%	1.6%	1.6%	1.6%
<i>chg. vs. PY</i>	37.1%	4.9%	0.4%	0.5%	0.7%
Distributions (benchmark)	\$121,641,300	\$122,249,500	\$122,983,000	\$123,720,900	\$124,834,400
<i>% of Sales</i>	38.0%	38.1%	38.2%	38.2%	38.3%
<i>chg. vs. PY</i>	0.5%	0.5%	0.6%	0.6%	0.9%
9-Liter Case Sales (benchmark)	1,397,800	1,364,300	1,332,900	1,308,900	1,286,600
<i>chg. vs. PY</i>	-2.2%	-2.4%	-2.3%	-1.8%	-1.7%
Performance Measures:					
<u>Consumption</u> (benchmark)					
9-Liter Cases/adult *	0.99	0.96	0.92	0.89	0.88
<i>chg. vs. PY</i>	-3.9%	-3.0%	-4.2%	-3.3%	-1.1%
Net Income/9-Liter Case	\$86.26	\$88.39	\$90.92	\$93.15	\$95.52
<i>chg. vs. PY</i>	3.0%	2.5%	2.9%	2.4%	2.5%
OPEX/9-Liter Case	\$17.18	\$18.60	\$19.11	\$19.56	\$20.04
<i>chg. vs. PY</i>	14.4%	6.3%	2.8%	2.3%	2.4%

*Idaho residents aged 21 and over, per U.S. Census data. Note that Idaho consumption metrics are skewed by significant cross-border Sales along the Washington border. It is estimated that non-resident consumption adds approximately 7.5% to ISLD Sales and related consumption statistics.

External Factors

Tight Labor Market Impacts Recruitment and Retention

According to the Idaho Department of Labor, Idaho’s unemployment rate has remained unchanged, at 3.3%, since September 2023. This will continue to present a challenge to the ISLD in the recruitment and retention of both warehouse and retail personnel. Additionally, the minimum wage in Washington state increased to \$16.28/hour as of January 1, 2024. This will continue to make it challenging to compete for quality employees along our shared border with the Evergreen State.

Washington State Changes to Liquor Taxes

ISLD sales to Washington State consumers comprise a significant portion of our topline revenue. This is due to Idaho’s lower, uniform state-wide pricing vs. Washington’s highest-in-the-nation spirits taxes that cause extraordinarily high retail prices. In Washington State, retail consumers pay \$3.77 per liter plus 20.5% sales tax; on-premise licensees pay \$2.44 per liter plus 13.7% sales tax. Washington State policymakers continue to consider reducing the taxes. If implemented, it could impact cross-border sales in the future and corresponding distributions to beneficiaries.

Health of the Overall Economy

General economic conditions affect the liquor industry and the ISLD. The Consumer Price Index (CPI) has decreased from 4.0% to 3.3% over the past 12 months (May 2023 to May 2024) according to CPI data released by the U.S. Bureau of Labor Statistics. Though inflation is easing some, retail prices and the general cost of living continues to climb.

As of this writing (July 2024), the most persistent pain-point for the average U.S. consumer continues to be the cost of housing. According to the Bureau of Labor Statistics (BLS), the index for shelter rose in May 2024, up 0.4 percent for the fourth consecutive month. The index for food increased 0.1 percent in May. The energy index fell 2.0 percent over the month, led by a 3.6-percent decrease in the gasoline index.

CPI Rate						(Bureau of Labor Statistics)						
YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEPT	OCT	NOV	DEC
2024	3.1	3.2	3.5	3.4	3.3							
2023	6.4	6.0	5.0	4.9	4.0	3.0	3.2	3.7	3.7	3.2	3.1	3.4

Overall, consumer trends have recently been migrating toward lower-priced products, larger sizes, or a combination of both. However, even when inflationary pressures have been high during recent years, liquor products with more expensive price points have experienced larger increases in sales, and this trend has continued into the first two quarters of 2024. This demonstrates that the consumer is drinking better not more. When consumers consume “better” as opposed to more, the mission of the ISLD is accomplished.

A key tenet of the ISLD mission is for dollar sales to grow faster than 9-Liter case equivalent sales. This is most effectively achieved when customers opt for higher-end offerings. Despite unfavorable economic factors and overall volume declines, the Idaho customer is choosing higher-end products over value offerings. A visual example of this is presented in the graph below which shows the variance in dollar sales for products categories (categorized by price, low-to-high/left-to-right).

Rolling 12 Month Sales Variance by Tier



Price Tier Retail Ranges: • Value \$0.00 - \$8.95 • Popular \$9.00 - \$14.95 • Premium \$15.00 - \$24.95
 • Super Premium \$25.00 - \$39.95 • Ultra-Premium \$40.00 - \$59.95 • Luxury \$60.00+

Other

Other external factors that may impact our ability to deliver performance to plan include, but are not limited to: future economic uncertainty; disruptions in national trucking logistics that impact in-bound delivery of product; volatility in fuel prices for delivery services that affects our cost of goods sold; our ability to be nimble in responding to rapidly changing retail market conditions and sudden shifts in consumer preferences; the technological changes that have an enormous impact on how retail businesses operate; our need to continue to meet the market with additional retail locations that are convenient for citizens; unintended adverse changes to our business model as a result of legislative action or inaction; and Acts of God.



www.mixblendenjoy.com
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