



New Hampshire Liquor Commission

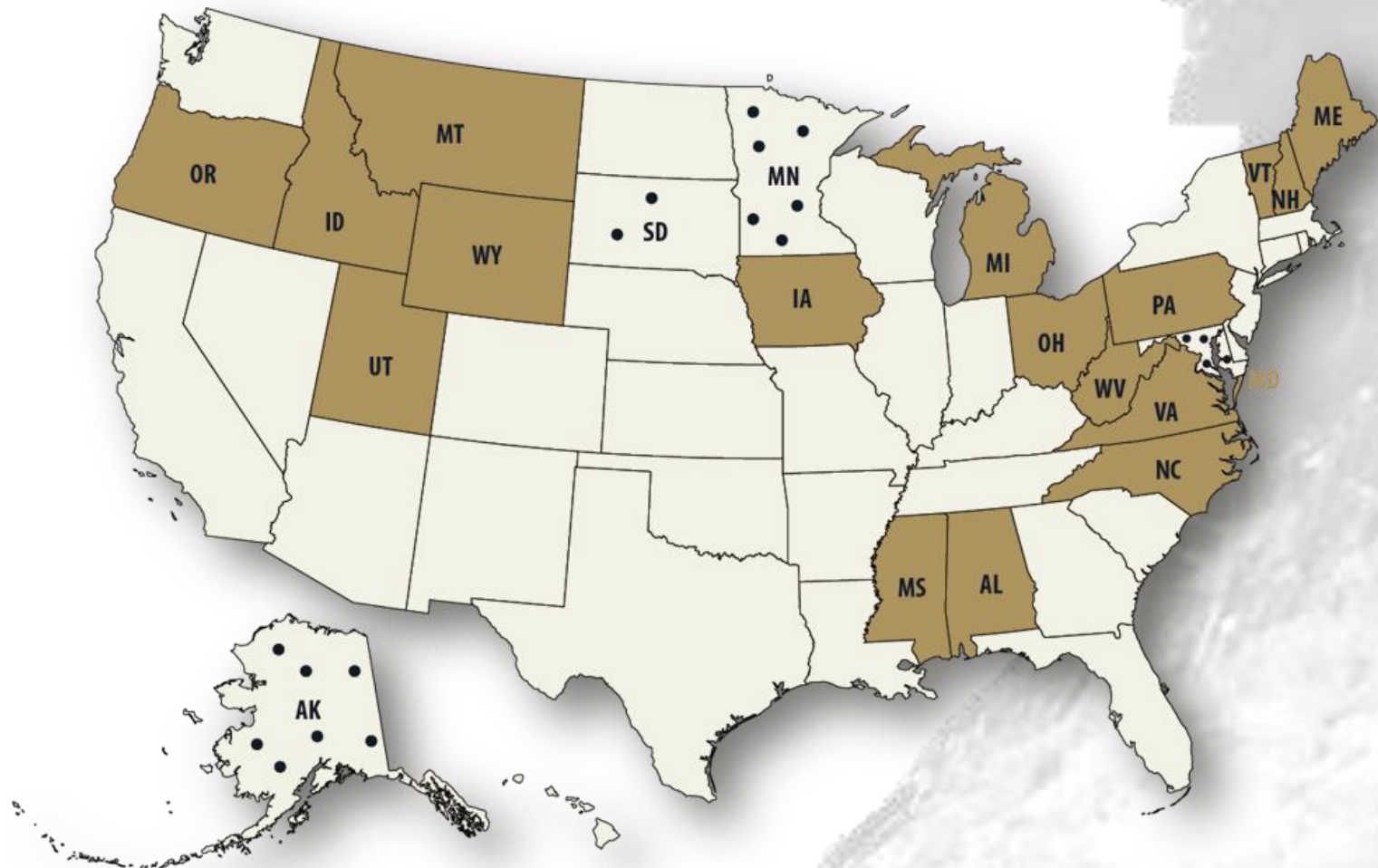
**House Ways & Means
Revenue**

February 3, 2025



Control Jurisdictions

17 Control States



• = Local jurisdictions in Alaska, Maryland, Minnesota and South Dakota control the sale of distilled spirits



What is the Three-Tier System?

Tier 1

MANUFACTURER

(Wine, Spirits, Beer)



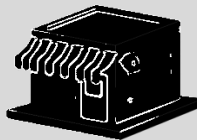
Tier 2

WHOLESALE/BROKER



Tier 3

RETAILER





Value of the Three-Tier System

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

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



Competition

- 2011 – Governor Patrick signs bill increasing the number of liquor licenses a single owner can hold
- 2012 – Cap lifted on liquor license ownership from 3 to 5
- 2016 – Cap raised from 5 to 7 licenses
- 2020 – Cap raised from 7 to 9 licenses
- Nation's largest independent wine and spirits retailer  **Total Wine**
& MORE
- \$6 billion in revenue, surpassing Costco as the top wine retailer
- 277 stores in 29 states with 11,000 employees
- 12 stores in New England; 4 in Connecticut & 8 in Massachusetts
- Braintree, Burlington, Danvers, Everett, Natick, Shrewsbury, Dorchester & Dedham



National and global factors impacting beverage alcohol sales



- According to IWSR (which is the leading global drinks data and insight provider), the global beverage alcohol market is set for moderate recovery in 2025 after two challenging years. For the first time in nearly 30 years, IWSR recorded a decline (-2% in 2023) in the volume of spirits sold in the US market.
- While some positive signs are beginning to emerge in 2024, the global market remains subdued after several years of above-trend growth, with challenges expected to continue until 2025 as household spending rebalances after strong inflationary pressures of the past 2 years.
- Premiumization (the trend of customers purchasing more premium products) has slowed in spirits and wine. IWSR also reports continued volume declines in wine that are expected to last to 2028, with some bright spots in the rosé category.
- IWSR reports that RTDs (ready-to-drink cocktails) have grown by 2% over the previous year with expected growth of 3% between 2023 and 2028. Offerings are becoming more sophisticated and premium. Agave spirits (tequila and mezcal) are continuing to grow (4%).



National and global factors impacting beverage alcohol sales



- Moderation trends are continuing in popularity with no-alcohol growth in beer (+6%), still/sparkling wine (+7%) and alcohol-free spirits (+15%). Added to this, there are now two months of the year dedicated to non-drinking – “Dry January” and “Sober October”.
- For the first time, more Americans are using marijuana on a daily or near-daily basis than alcohol. This is especially true for younger legal-drinking age consumers who are using cannabis more frequently and turning to alcohol less often. Recreational marijuana is available for sale throughout New England.
- Anti-alcohol organizations and neo-prohibitionists have emerged and are influencing public policy, evident in a January 2023 World Health Organization statement that “no level of alcohol consumption is safe” for human health.
- The potential of upcoming tariffs could positively impact US based wineries and distilleries but could have a significant impact on imported items.



The Impact of Cannabis

The sales and use of recreational cannabis continue to grow, reflecting national trends which are impacting liquor and wine sales. New Hampshire is surrounded by states that have legalized sale of recreational cannabis:

- Massachusetts' 355 licensed retailers have raised \$6 billion in gross revenues since 2018, with three consecutive \$1 billion years through CY23. The state realized \$272 million in tax revenues in FY24.
- Maine's 218 licensed retailers made \$217 million in sales in CY23, up 36% from CY22, and generated \$21 million in tax revenue.
- The explosive growth of Vermont's 79 licensed retailers, with more than \$130 million taxable sales in FY24, has caused the state to pause reviewing new applications.



Introduction

The Liquor Commission is self funded.

In a separate liquor fund outside of the general fund.

No General Fund appropriations are used to maintain operations.

The Commission generated over \$744.4 million in net sales in FY24 through the operation of 65 retail outlets (9 state-owned and 56 leased), with product shipped through two warehouses; one is state-owned and the other contracted with DHL.

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

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

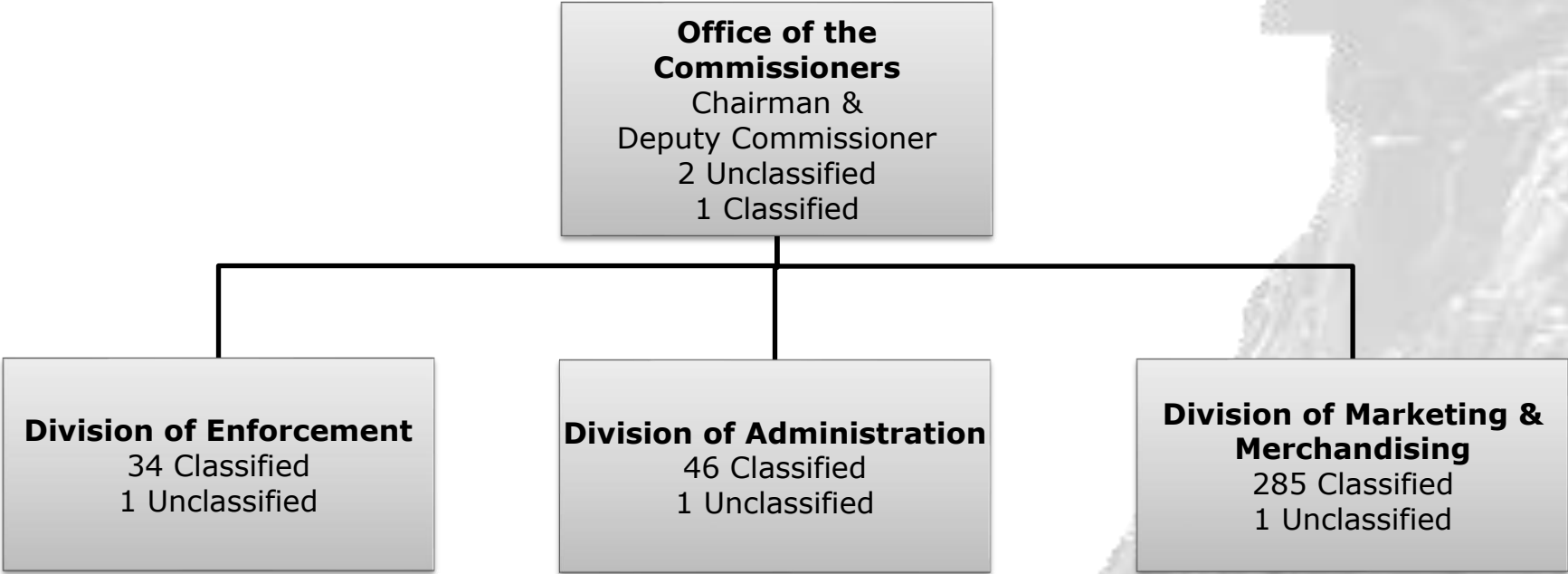
The budget presented is the level of funding necessary to accomplish the Commission's legislative duties, under RSA 176:3, which is to:

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



Organizational Structure

The Commission is made up of 3 Division that report to the Chairman and Deputy Commissioner
The Commission operates with on average **1,010** full and part-time employees.
371 Full-time (In outlets currently 237 filled full-time and averaging around 640 part-time employees)



Enforcement
Licensing
Education
Grants

Finance
Human Resources
Audit / Inventory Control
DoIT & System Support
Legal
Maintenance

Marketing
Outlet/Store Operations
Advertising
Warehousing



Divisions and Responsibilities

- Office of the Commission: The primary goals are to increase sales and maximize profits while operating in a cost effective and efficient manner.
- Division of Enforcement: Responsible for enforcing alcohol and tobacco laws, youth access to alcohol and tobacco, and providing licensing, education and support for over 6,200 licensees.
- Division of Administration: Provides support to all departments of the Commission through financial services, DoIT, human resources, audit, plant maintenance, inventory control and legal services.
- Division of Marketing and Merchandising: Includes marketing & merchandising, advertising, 65 retail outlets and warehousing (Bow and Concord). Maximizing profits from the sale of liquor and wine through well-presented NHLC outlets and licensees (on/off premise) using aggressive and targeted marketing and merchandising techniques. Offering 14,000 products to 12 million annual customers from across North America

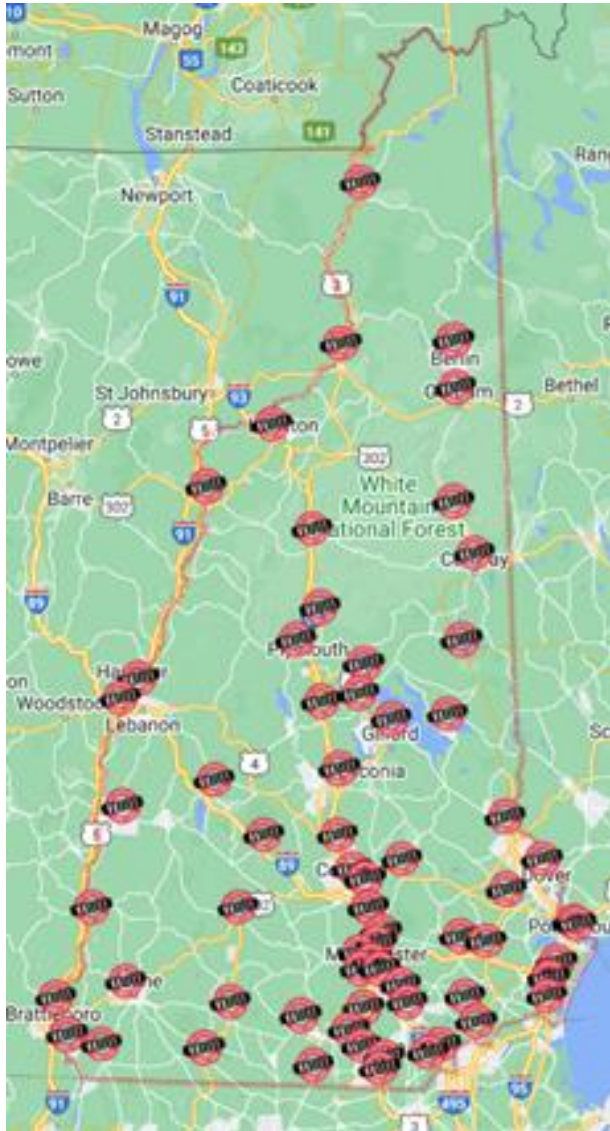


NextGen Project Summary

- ✓ Electronic shelf tags rolled out in select retail locations in 2018
- ✓ NextGen B2C website went live with online sales in September of 2020 with curbside and in-store pickup
- ✓ New hardware was rolled out in all retail locations by end of 2023
- ✓ NHLC HQ and all retail locations went live with Microsoft D365 ERP on March 29, 2024
- ✓ D365 Outlet Commerce app (new POS) was rolled out to all retail locations by June 12th, 2024.
- ✓ NextGen B2B website and Enforcement Portal went live on April 2, 2024
- ✓ New system impacted all processes for the NHLC, as well as all employees and licensees.
- ✓ NHLC Departments continue to move forward with process transformation in the new system
- ✓ Over 4,500 licensee users of NextGen B2B site to date



Retail Outlet Locations



- 9 state-owned outlet locations*
 - approximately 141,800 sq. ft.
-
- 59 leased outlets
 - approximately 573,000 sq. ft.
-
- 37 outlets with curbside pickup
-

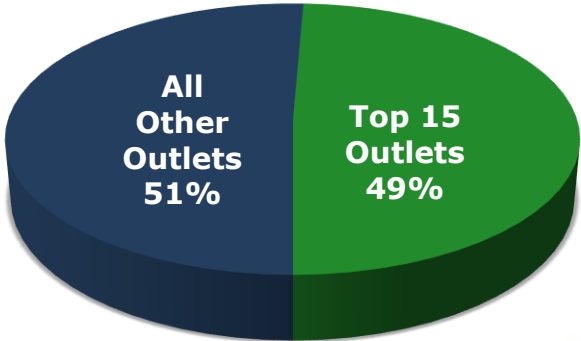
*State Owned Outlet Locations:

Hampton 95 North
Hampton 95 South
Keene
Raymond

Hooksett 93 North
Hooksett 93 South
West Chesterfield
Portsmouth Traffic Circle



FY 2024 Top 15 Outlet Locations



<u>Rank</u>	<u>Location (Outlet #)</u>	<u>Sales in Millions</u>	<u>Cumulative</u>
1	PORTSMOUTH * (#38)	\$34.4	\$34.4
2	SALEM (#34)	\$28.7	\$63.1
3	HAMPTON-NO * (#76)	\$25.3	\$88.4
4	NASHUA (#50)	\$24.0	\$112.4
5	HAMPTON-SO * (#73)	\$20.1	\$132.5
6	NASHUA * (#69)	\$19.4	\$151.9
7	W. LEBANON (#60)	\$17.6	\$169.5
8	HOOKSETT-NO * (#66)	\$17.4	\$186.9
9	SEABROOK (#41)	\$16.8	\$203.7
10	LONDONDERRY (#74)	\$14.6	\$218.3
11	BEDFORD (#55)	\$14.3	\$232.6
12	TRI-CITY (#13)	\$13.7	\$246.3
13	KEENE * (#15)	\$13.6	\$259.9
14	ROCHESTER (#14)	\$13.2	\$273.1
15	HOOKSETT-SO * (#67)	\$12.7	\$285.8

**State-owned locations \$142.9M of top 15*



Outlet Changes

- Since 2012, NHLC has renovated, relocated or constructed 44 new Outlet locations in more than 35 communities.
- Recently the NHLC opened a new location in Derry and relocated the Outlets in Nashua and Keene.
- The NHLC continues the redevelopment of two state owned properties located alongside Interstate 95 north and southbound in Hampton, NH. Finalizing the Purchase and Sales and Master Development Agreement to bring selected bidder to Governor and Executive Council for approval.



Marketing Goals

Marketing: Product, Merchandising, Promotion

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



Web & E-Commerce

Website

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

Over 125K
visitors a
month!

Curbside/In-Store Pickup

- Currently 37 locations across the state
- Customers can place orders for 2-36 bottles
- \$3.2M in sales FY24 a 2.1% increase over FY23.
- \$12.2M year-to-date since implementation in September 2020
- Top Outlets Amount
 - Salem \$1.9M
 - West Lebanon \$1.5M
 - Hampton North \$1.1M





Social Media & Email Marketing



Instagram

- Followers: 10,728
- Follower gain: 2,878
- Impressions: 5,673,933



Facebook

- Followers: 162,178
- Follower gain: 10,165
- Impressions: 22,380,000



X

- Followers: 7,327
- Follower gain: 29
- Impressions: 141,301



Email Marketing

- Reaching B2C subscribers with targeted messages based on beverage and event preferences, featuring coupons, sales, special events and consumer trends.
- Targeting B2B Licensees with relevant and timely exclusive sales and pricing by license type.
- 180k recipients, decrease from last year due to unengaged subscriber removal and natural attrition
- Over 10k new email signups across all sources



Seven
targeted
emails sent
out monthly





Monitoring & Responding to Customer Feedback

Google Reviews

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

92% of reviews are 4 and 5 star ratings

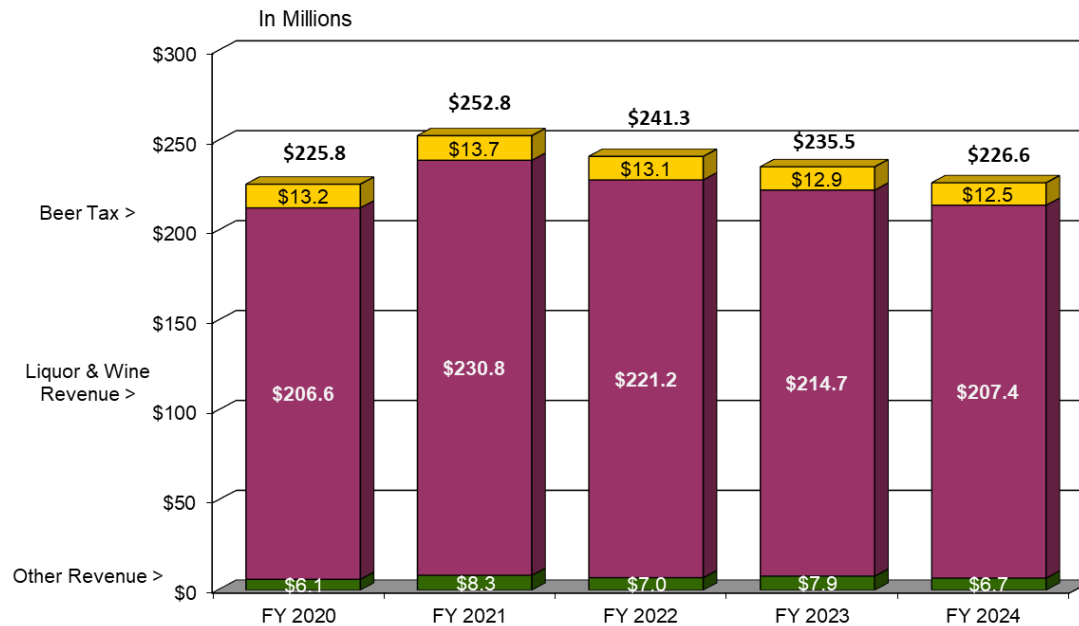
Google Review

January - December 2024

★★★★★	1,267
★★★★	248
★★★	59
★★	17
★	64
Total	1,655



History of Revenue Sources

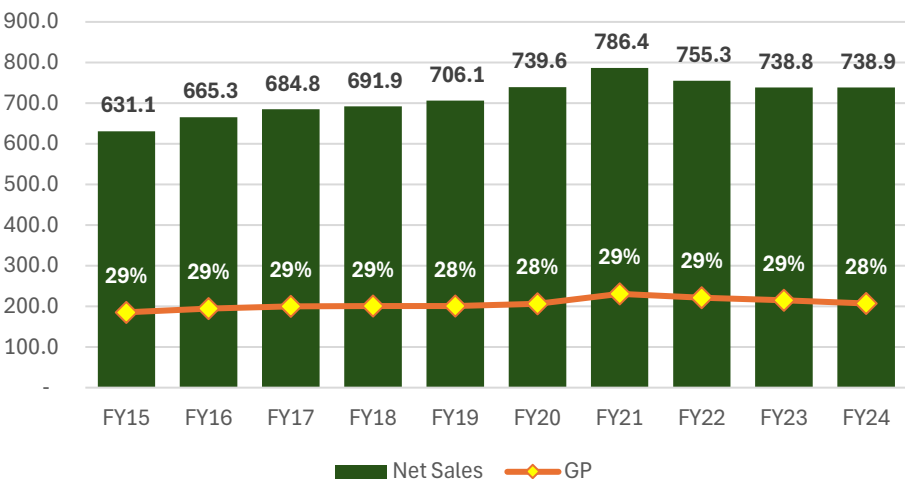


- **Beer Tax & Permits:** In accordance with RSA 178:26, I "a fee of \$0.30 for each gallon of beverage sold or transferred for retail sale or to the public shall be required for licenses issued to wholesale distributors, beverage manufacturers, and brew pubs.
- **Liquor & Wine Revenue:** The sales of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



Net Liquor & Wine Sales to Profit %

Gross Profit Percentage

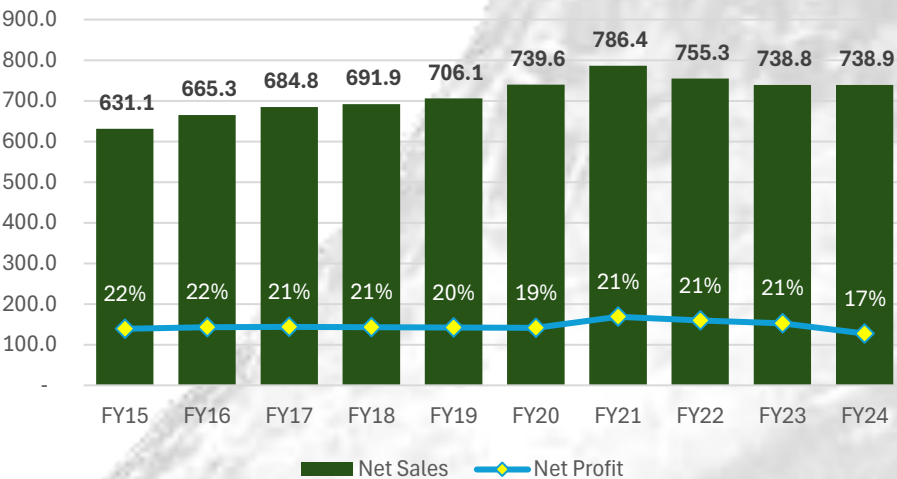


Gross Profit consistent over the last 10 years
28% to 29%

- Net Profit from FY15 to FY23 between 19% and 22%
- FY24 decreased to 17% reasons:
 - 10% pay raise & rate changes (\$9.5M)
 - Expenses associated with new software system (\$5M)

Total Net Profit 1935 to 2024
\$4,667,465,665

Net Profit Percentage



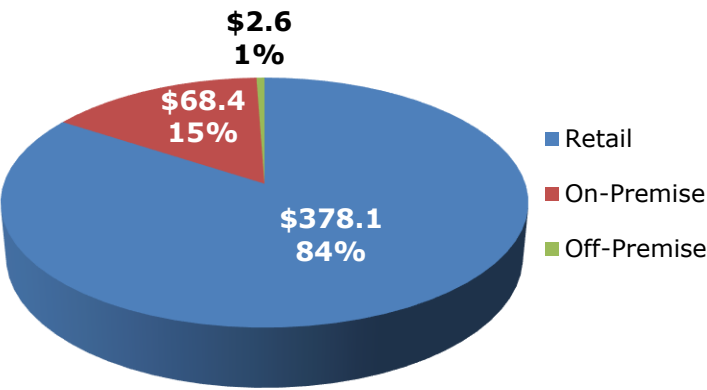


FY2024 Sales by Customer Type & Category

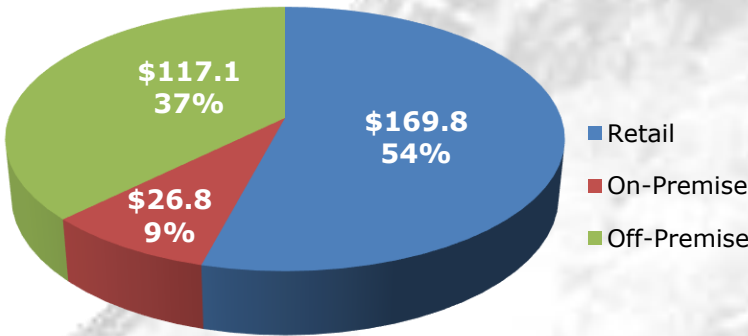
CUSTOMER TYPE	SPIRITS	%	WINE	%	TOTAL	%
Retail	\$378,100,595	49.3%	\$169,786,639	22.1%	\$547,887,234	71.5%
On-Premise	68,401,649	8.9%	26,760,601	3.5%	95,162,248	12.4%
Off-Premise	2,555,958	0.3%	117,136,462	15.3%	119,692,420	15.6%
Accessories					3,919,233	0.5%
TOTAL SALES	\$449,058,202		\$313,683,702		\$766,661,136	100.0%
Discounts & Credit Card Fees					(\$27,781,058)	
NET SALES					\$738,880,078	

Approximately 50% of NH Liquor & Wine Outlet sales are from out of state customers: 25% Massachusetts, 10% Maine, 8% Vermont, 2% Canada, and 5% are from all other states.

FY 2024 Spirit Sales by Type



FY 2024 Wine Sales by Type

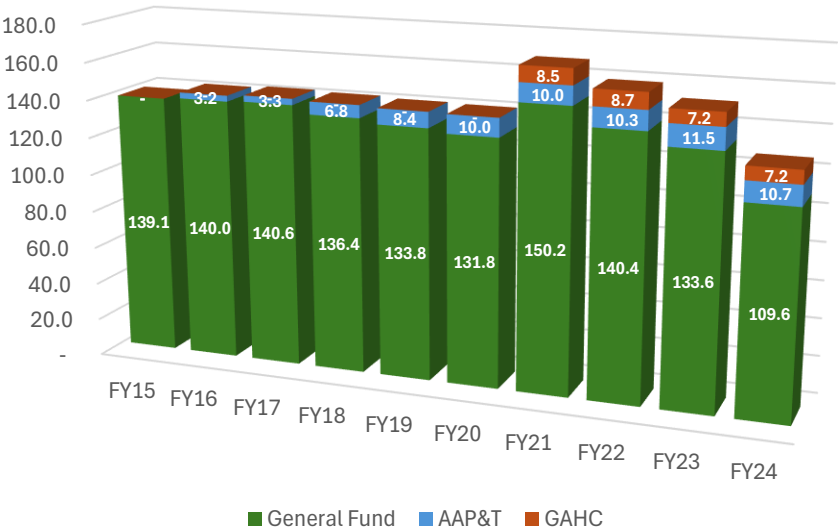


*Sales are after register discounts of \$5.5M



Where the Revenue Goes

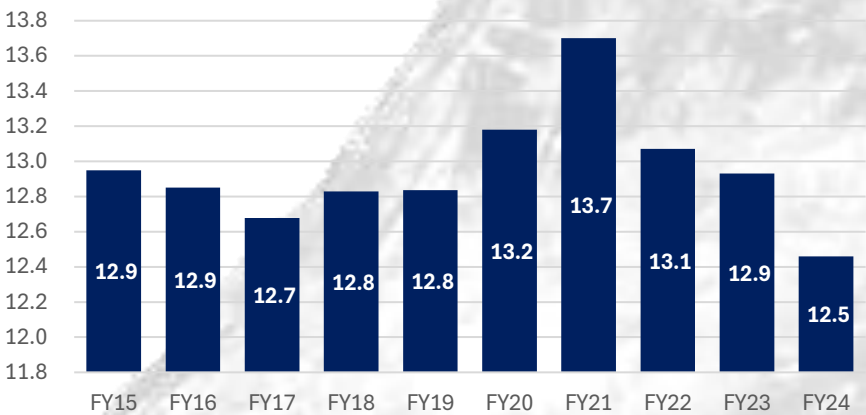
Net Liquor Revenue Transfers:



Transfer language:
RSA 176:15 III: Alcohol Abuse Prevention & Treatment (AAP&T) fund:
5% of prior year gross profit. Transfers started in FY16 at 1.7% of prior year gross profit of sales

RSA 126-AA:3, Granite Advantage Health Care Program (GAHCP):
Determined by HHS for projected sufficient non-federal funding with the ability to request additional fund to cover any shortfall. Transfers started in FY21

Beer Tax to General Fund





Revenue Trends & Transfer Language



		A	B	C	D	E	F	G	H	I	J
		FY 2024	FY 2025	FY25 vs FY24		FY 2026	FY26 vs FY25		FY 2027	FY27 vs FY26	
		Actual	Estimates	\$	%	Estimates	\$	%	Estimates	\$	%
Cash Basis (in Millions)											
1	Gross Profit	207.4	206.1	(1.3)	-0.6%	209.3	3.2	1.5%	211.8	2.5	1.2%
2	Other Revenue	6.7	6.6	(0.2)	-2.4%	6.6	0.0	0.5%	6.7	0.1	1.0%
3	Expenses	(86.7)	(87.1)	0.4	0.5%	(89.8)	2.6	3.0%	(92.3)	2.6	2.9%
4	Net Revenue	\$ 127.5	\$ 125.6	\$ (1.8)	-1.4%	\$ 126.2	\$ 0.6	0.5%	\$ 126.2	\$ (0.0)	0.0%
5	Transfer for AAP&T fund	(10.7)	(10.7)	(0.1)	-0.6%	(10.7)	0.0	0.2%	(10.9)	0.2	1.9%
6	Transfer for GAHCP*	(7.2)	(13.3)	6.1	85.8%	(12.6)	(0.7)	-5.2%	(13.0)	0.4	3.0%
7	Total Transfer to Other Funds	(17.9)	(24.0)	6.1	33.9%	(23.3)	(0.7)	-2.8%	(23.9)	0.6	2.5%
8	Liquor Revenue Transfer to General Fund	109.6	101.7	(7.9)	-7.2%	102.9	1.2	1.2%	102.3	0.6	0.6%
9	Beer Tax	12.5	12.5	0.0	0.0%	13.0	0.5	3.8%	13.0	-	0.0%
10	Total Transfer to General Fund	\$ 122.0	\$ 114.2	(7.9)	-6.4%	\$ 115.9	1.7	1.5%	\$ 115.3	(0.6)	-0.5%

*FY25 estimate for GAHCP includes an additional \$1.1M potential transfer to cover shortfall

Transfer language:

Section 176:16 Funds. (Governor's Comm.; Alcohol Abuse Prevention & Treatment (AAP&T) fund:

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

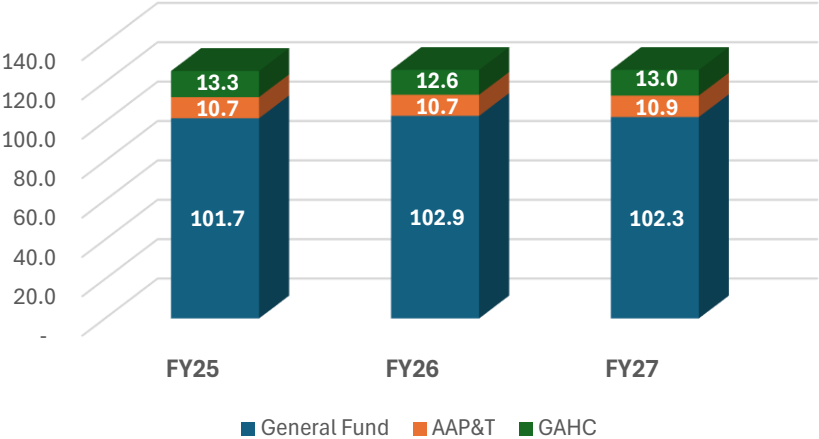
RSA 126-AA:3, Granite Advantage Health Care Program (GAHCP):

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

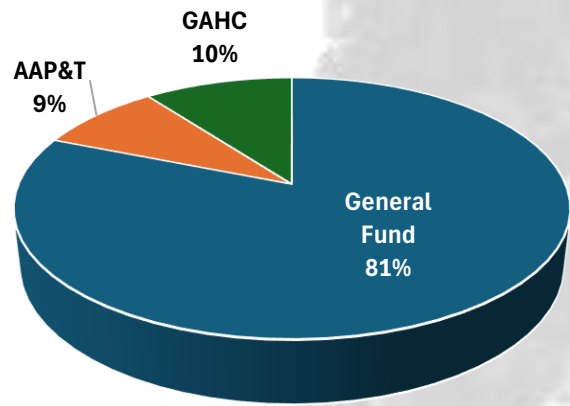


Revenue Projections

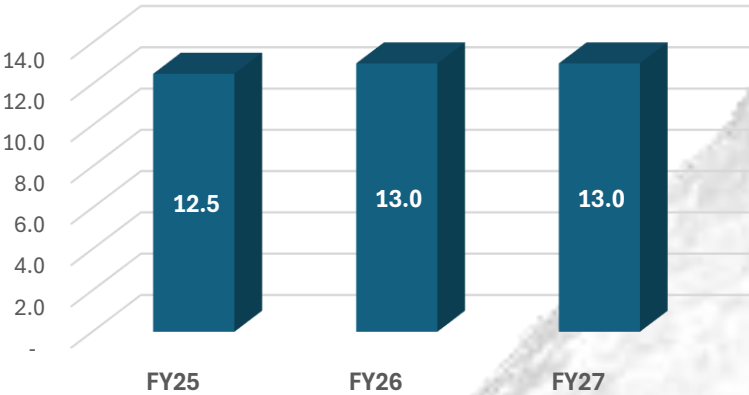
Transfer from Liquor



Annual break out of Liquor Revenue Transfers



Beer Tax





Charitable Contributions

NHLC supports dozens of nonprofits making an impact on New Hampshire and beyond. Since 2015, NHLC has worked with suppliers and brokers to raise nearly \$4.3 million for nonprofit organizations





Awards

The Eagle-Tribune

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

StateWays

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



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

StateWays

TWICE AS NICE!

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

BeverageDynamics

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

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



Accolades

MARKET WATCH

MARKET INTELLIGENCE ON WINE, SPIRITS AND BEER

Modern MINDSET

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



Nicole Brassard Jordan,
Outstanding Woman in Business

The New York Times

A Popular Vacation Stop? This New
Hampshire Liquor Store Beckons



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

Forbes

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

MEN'S JOURNAL

Featured in "Where to Buy Rare
Whiskey" article



#3 – Best overall
state to buy
Bourbon

The Washington Post

New Hampshire is the best state
in America for wine drinkers