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ON THE COVER

The following is from The Rural Enrichment and Counseling Headquarters (REACH)

Hawley's city-owned liquor store chose to support REACH by participating in the MMBA's (MN Municipal Beverage Association) 4th Annual Food Drive during the month of October.

Our goal was 14,000 pounds (dollars donated were counted \$1 for 1 lb.).

With the collaboration of local organizations, farmers, churches and community members we were able to raise 15,625 pounds!

Hawley succeeded in their goal and received a check for \$1,000.

Pictured is Jodi Puhalla REACH Executive director and Michael Friesen Hawley Liquor Store Manager holding the well deserved check.

REACH would like to thank everyone who contributed to our food drive. What an amazing show of community support.





6









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MMBA President's Message



Tom Agnes President

In the dozen years I have run municipal liquor operations I have used 3 different database providers to handle our perpetual inventory system.

First of all, what is a perpetual inventory? That is a system where your products are tracked by a computerized database system. So when you receive 10 cases of "abc hoppy micro beer" from the vendor "Acme Micro Beers" you enter that invoice and that product into an item number. That item number has a upc code assigned to it, so when great customer #52 walks in and buys 3 cases of that beer your database now says you have 7cs on hand. So you get the basic concept. This is a system all municipal liquor stores should be using, whether you have the most advanced database system tracking it, or entering it into a log book in your office. You SHOULD BE using a perpetual inventory system at your municipal liquor operation.

<u>I have found is there are some basic</u> <u>things to look for no matter what system</u> <u>you have.</u>

-Real time inventories

-Last cost and average costs on items

-Easy to use reporting

-Price changes and label printing

Once you have the basics down, there are some more detailed things to keep an eye on in your system. I use a product called Microsoft Dynamics Retail Management System supported by RITE out of St Cloud MN. So I will tell you how we do it on our system. But if you don't use RITE, ask your support people if they can help you with these processes.

-Negative inventory items. When that "abc hoppy micro beer" says that it is negative five in the database system, something went wrong and you need to find out what. I cannot go through every scenario but I will say run a regular negative item report to see what items are having this issue and fix immediately.

-Extremely high or low, even negative profit margins. Let's say that "abc hoppy micro beer" comes 4 - 6 packs to a case, at \$24.00 a case, and you charge \$7.99 to \$8.99 a 6 pack. In our system that case count is called the MPQ, so it knows that when we order a case it is entering 4- 6 packs. Maybe someone made a mistake and entered 5 single 6 packs received at \$24.00 a 6 pack instead of 5 cases at \$24 a case. This does a couple different things. It throws your inventory way off so now it says you have 5-6 packs instead of 20-6 packs. Plus, it now thinks you are paying \$24 for an item you are selling for \$7.99 to \$8.99. This may not go over well with your finance department.

-Daily sales report. This should be something you look at daily, thus the name. <u>This report should tell you</u> <u>things like:</u>

<u>Tender info-</u> How much cash, credit cards or checks you have received.

Department or Category Sales- How much beer, liquor, wine & N/A products you have sold.

<u>Tax Information-</u> How much liquor tax, N/A tax and No tax sales were logged.

<u>Exception Reports-</u> something that shows price overrides, returns, discounts.

<u>Hourly Sales-</u>Sales hour by hour and cost per hour showing your peaks and valleys for the day.

Customer counts, Avg transaction dollars, no sales, individual clerk information... And so on!

-Best sellers and worst sellers. This should be an easy report to set up. Within a category of liquor, beer or wine tell me what my top selling SKU is. Now let's get fancy, tell me what my top selling wine for 2011 is that is priced at over \$9.99. For beer tell me how the family of "abc hoppy micro beer" did in 2011 compared to 2010, how did %, \$ and units compare to the year before. For us at BC liquors we have Capt Morgan liters as our #1 selling liquor SKU for 2011, but not our highest GP% item. That takes care of the high sellers. Make sure you pay attention to the ones you have not moved in 7 years and wiped 15 layers of dust off.

-Tracking the history of an item. This is a report you should be able to look at and say I want to know every time a case of "abc hoppy micro beer" was sold, returned, bought from a vendor, returned to a vendor, broken and counted in the month of March 2011.

-Filtering and sorting numbers. Most database programs have canned reports built into them. But sometimes you just want to know how many times a customer's transaction totaled over \$100 on a Friday night after 7:00 pm in January. This may require a little filtering and sorting. Our RITE system does not require a degree in computer science to be able to run these reports. It uses what is called drill down reporting. Which in our language means "Easy Breezy".

So as you can see I could go on all day about this stuff, but I think we covered some main points here. At the MMBA Annual conference May 20th we will have several database vendors including RITE showcasing their products for you to sample. Hope this helps and we will see you all in May.



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<u>Northbound Liquor Reduces Cambridge</u> <u>General Fund Levy</u>

By Rachel Kytonen, Isanti County News

Northbound Liquor, the municipal liquor store for the city of Cambridge, has contributed over \$300,000 per year to the city's general fund the past three years.

During a recent Cambridge City Council meeting, Northbound Liquor Manager Terry Baar gave an update regarding the liquor store.

Baar explained Northbound Liquor has served as the municipal liquor store since 1968. The store moved to its current location on east Hwy. 95 in 1993 and expanded the size of the store in 2007 from 6,000 to 10,000 square feet.

The expansion cost \$968,000, which was \$232,000 under budget. Baar noted the expansion was paid off this year, which was three years early.

City Administrator Lynda Woulfe explained in lieu of taxes, liquor store profits are transferred to the city's general fund, reducing the general fund levy.

In 2010, \$300,000 was transferred to the general fund; 2011, \$315,000; 2012, \$330,000 and \$350,000 is budgeted for 2013.

Woulfe explained to generate the same amount in taxes, another 302 homes valued at \$135,000 would need to be built or the city's tax rate would have to increase. Also, if the transfer to the general fund didn't happen, Walmart's taxes would increase by \$10,896; Target's would increase by \$7,292; and the per median home's taxes would increase by \$72.35.

Gross sales for Northbound Liquor were \$4,174,750 in 2010 and \$4,351,092 in 2011. Baar noted the Hwy. 95 road construction project in 2010 inhibited sales. He also mentioned in the current economy customers are trading down and buying less expensive beer, liquor and wine.

Northbound Liquor features over 1,400 wines, with wine sales increasing to 16 percent of total sales. The store also has over 800 different beers, and 1,100 liquors.

The store has three full time personnel, and 16 part time personnel. Baar noted Assistant Manager Bobbi Mix has won first, second, third and fourth place in several state contests, as well as two national display contests, for her creative wine displays.

Baar's beer displays have also been featured in every major beer magazine for beer of the month displays.

Woulfe also noted since the liquor store is a municipal liquor store, it focuses on controlling youth access to alcohol, and staff participates in annual training. The store has also passed all its compliance checks.

"You guys have been filling a great spot out there and we hope you continue to work with us for many years," said Council Member Dave Schornstein

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Pabst Brewing in Minnesota Q&A

Who owns the Pabst Brewing Co?

<u>Answer:</u> The Pabst Brewing Co. was purchased July, 2010 by a private equity company owned by Dean, Daren and Evan Metropoulos thereby keeping the company a privately owned family American company.

<u>Who is my Pabst Brewing Co.</u> <u>contact other than my responsible</u> <u>wholesaler?</u>

<u>Answer:</u> The Minnesota Area Sales Manager is Jeff Van Schoick (612-281-1859/jvanscho@pabst.com).

There are two Twin City metro Market Managers.

Craig Drehmel (651-357-4515/cdrehmel@pabst.com) is responsible for the on premise business and Alex Merrick (651-303-3072/amerrick@pabst.com) is responsible for the off premise business.

Does Pabst have any other brands other than Pabst Blue Ribbon?

Answer: The Pabst portfolio is very extensive for Minnesota and the following brands are also owned by PBC- Old Milwaukee, Colt 45, Blast, Schlitz, Schlitz Malt Liquor, Old Style, Stroh, Schmidt, Special Export, Blatz, Black Label, McSorleyís, Olympia, and Lone Star. There are many other regional brands across the country that the PBC owns but are not currently available in Minnesota.

How's business this year so far?

<u>Answer:</u> The total PBC portfolio is only off -1.45% January thru March. But the two largest brands (PBR and Old Milwaukee) for PBC in Minnesota are up +10.74% and +1% respectively.

How come PBR doesn't advertise on <u>TV?</u>

Answer: Although the PBC is the 3rd largest beer company in America we are a long way from doing the volume of larger companies. Our resources are limited to more local and community based ventures.

What types of local activities does PBC support?

Answer: Primarily with the PBR brand we try to Zig where others Zag to maintain our unique position. PBR has in the past supported the Minnesota Rollergirls and now the North Star Rollergirls, the 2011 PBRarbor Day Promo which gave out 10,700 samplings to consumers thru municipal liquor store locations, sponsoring local artists to produce original murals throughout the Twin Cities, many charitable events supporting local fundraising, and helping many Greater Minnesota municipal liquor operations with promotional material customized for each location's specific needs. One size doesn't fit all. AND WE ARE ALWAYS OPEN TO SUGGESTIONS.

Is the PBC happy with its MMBA relationship?

Answer: You bet.



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Public Health and Prevention Experts Recommend AGAINST Privatization of Retail Alcohol Sales in Places that Currently Have <u>Government Control</u>

The Community Preventive Services Task Force (Task Force), an independent, nonfederal, unpaid group of public health and prevention experts, recommends against privatization of retail alcohol sales in places that currently have government control, based on evidence that privatization leads to increased consumption of alcoholic beverages, excessive drinking and related harms.

The Task Force finding and The Guide to Community Preventive Services (The Community Guide) evidence review appear in the April 2012 issue of the American Journal of Preventive Medicine.

Privatization of retail alcohol sales is the repeal of state, county, city, or other types of governmental control over the retail sales of alcoholic beverages, which allows commercial retailing. The privatization of retail alcohol sales applies to off-premises alcohol outlets, or places where alcohol is sold for the buyer to drink elsewhere (e.g., liquor stores), and does not generally affect the retail sales of alcoholic beverages at on-premises alcohol outlets (e.g., bars or restaurants).

The Community Guide systematic review included scientific evidence from 18 studies, of which 17 assessed the impact of privatization on the consumption of alcoholic beverages that were and were not privatized.

Following privatization, consumption of privatized beverages within the jurisdiction that underwent privatization increased by a median of 44.4%, and consumption of non-privatized beverages within the jurisdiction that underwent privatization experienced a small 2.2% decrease, resulting in substantial net increases in alcohol use.

Nearly all of the studies used alcohol sales or tax data to estimate excessive alcohol consumption, which is a well-established way to measure this. One study in Sweden found that re-monopolization was associated with a general reduction in alcoholrelated harms.

The Task Force recommendation against privatization of retail alcohol sales is based solely on evidence related to public health consequences, which may be one of several factors to consider when making decisions on whether to privatize retail alcohol sales.

For more information go to: http://www.thecommunityguide.org/ alcohol/privatization.html

The MMBA office happily received the following note from Twin Valley. a small combination facility in Greater Minnesota:

I just wanted to catch you up on the progress our facility has made this past year.

We just had a meeting with our city auditor & we had a operating income of \$21,300 for the 2011 FY. This is a definite improvement over the previous few years of losses.

Our auditor noted the reduction in inventory, making timely deposits, tighter internal control measures and staff expectations have improved our operation.

Though we have had some glitches with our inventory control program, the cost of inventory counts have been much better than in the past. The auditor instructed us to continue to do periodic checks to monitor the inventory and the staff helped the audit go smoothly.

The person who works better with people is a follower.

The person who helps people work better is a manager.

The person who develops better people to work is a leader





Crafting the Spirits that Stir the World

Cold Spring Brewery Expands

By St. Cloud Times

Cold Spring Brewery is in the midst of installing hundreds of thousands of dollars of brewing equipment in its new location on Red River Avenue.

"It's quite exciting," Vice President and General Manager Doug DeGeest said. "We're gearing up to be a major participant in the craft brewing world of beer."

Construction began last summer and planning for the project started more than a year ago. Ten 450-barrel fermenters are being installed, DeGeest said. Just one can hold about 6,000 cases worth of beers. The fermenters are 45 feet tall and 12 to 15 feet in diameter and require a crane to lift them from truck to brewhouse.

Smaller fermenters as well as all the other piping and equipment required also are being installed. The new tanks were built and assembled by DCI in St. Cloud and delivered by Brenny Transportation of St. Cloud. "We have



a parade of trucks," DeGeest said.

As one tank arrives, it's moved inside by crane through a special opening in the building left for the installation. It's then put on rollers and moved to its position. The process can take about an hour.



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Each 450-barrel tank is worth well over \$100,000, just a portion of the \$12 million price tag for the new facility. By the end of the May, they hope to begin test brewing. He hopes to have beer on retail shelves by the end of June or early July. The company is planning to do tours and sampling on site, he said.

The company won't immediately take advantage of the recently passed "Surly law" — named for a Twin Cities based brewery — that allows brewers to sell beer on site. That will be evaluated in the future, he said.

"We hired a great new group of very skilled brewers," he said, "in addition to the very experienced existing staff." Four new positions were created with the facility. The company will produce craft beers and distribute in Central Minnesota under the brand name Third Street Brewhouse.

Eventually, the company would like to distribute all over the U.S. Small. Test brews have already taken place; samples were given out at the St. Cloud Craft Beer Expo and some sampling sessions have already been hosted in the area. He hopes they'll continue to do small-keg releases throughout the next four months until the brewhouse is ready to run commercially.

The core brands include three beers: Lost Trout, a brown ale; Bitter Neighbor, a black IPA; and Rise to the Top, a cream ale. Additional specialty and seasonable beers will also become available.

For information on the new brewhouse and the brands, visit www.thirdstreetbrewhouse.com.

The brewery currently produces beers under the Northern, Cold Spring and John Henry labels.

Can Employees Be Responsible for Cash Shortages?

At the recent MMBA Boot Camp, a member asked:

Can a liquor operation run a bank with their staff making them responsible for their cash?

According to Minnesota Statute:

181.79 WAGES DEDUCTIONS FOR FAULTY WORKMANSHIP, LOSS, THEFT, OR DAMAGE.

Subdivision 1. Deduction requirements.

(a) No employer shall make any deduction, directly or indirectly, from the wages due or earned by any employee, who is not an independent contractor, for lost or stolen property, damage to property, or to recover any other claimed indebtedness running from employee to employer, unless the employee, after the loss has occurred or the claimed indebtedness has arisen, voluntarily authorizes the employer in writing to make the deduction or unless the employee is held liable in a court of competent jurisdiction for the loss or indebtedness. Such authorization shall not be admissible as evidence in any civil or criminal proceeding. Any authorization for a deduction shall set forth the amount to be deducted from the employee's wages during each pay period.

(b) A deduction may not be in excess of the amount established by law as subject to garnishment or execution on wages.

(c) Any agreement entered into between an employer and an employee contrary to this section shall be void. This section shall not apply to the following:

(1) in cases where a contrary provision in a collective bargaining agreement exists; (2) any rules established by an employer for employees who are commissioned salespeople, where the rules are used for purposes of discipline, by fine or otherwise, in cases where errors or omissions in performing their duties exist; or

(3) in cases where an employee, prior to making a purchase or loan from the employer, voluntarily authorizes in writing that the cost of the purchase or loan shall be deducted from the employee's wages, at regular intervals or upon termination of employment.

Subd. 2. Violations by employer.

An employer who violates the provi-

sions of this section shall be liable in a civil action brought by the employee for twice the amount of the deduction or credit taken.

<u>A State of Minnesota representative</u> <u>summed it up:</u>

There is no prohibition under MN labor laws for having an employee run his/her own cash bank during a shift. There would be a violation of 181.79 if the employee came up short in cash and the employer deducted any losses from earned wages without first obtaining a voluntary, written authorization from the affected employee after the loss occurred.

Heard Around the State

• "Dave Potvin and his staff definitely operate and maintain an impressive operation," said Elk River City Administrator Cal Portner. "Our locations, along two prominent highways, are an advantage. However, the attractive facilities and knowledgeable staff provide a service not found in many other liquor operations."

Portner said the entire Elk River community benefits from the liquor operation as the proceeds have been used to offset the use of property taxes to fund numerous city park improvements, to purchase city equipment, to general fund operations as well as provide a significant contribution to a new public works facility.

• Blue Earth's municipal liquor store has been a boon to the city. City Administrator Kathy Bailey said the muni's munificence allowed the city to pay off its bond on the store earlier this year, and this summer a park picnic shelter will be built using store earnings.

"We're really doing well. It's a win-win all around," Bailey said.

• St. James City Manager Joe McCabe said the reasons for their store's yearly success is threefold: People know the city-owned swimming pool and movie theater depend on revenues from the store and patronize it accordingly, store manager Janice Stoesz runs a fiscally tight ship, and employees are routinely trained in customer service skills.





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Binny's Beverage Depot is Changing: <u>Are You?</u>

By 2012 MMBA Conference Presenter Darryl Rosen

Change isn't easy, nor is it comfortable. But it is a fact of life — and a requirement of business.

The expansion of Binny's Beverage Depot outside greater Chicago offers a good opportunity to talk about why businesses need to change once in a while — and how they can do it. If you've been focused on simply staying afloat, maybe it's time to think about reinventing your company.

I did that. Almost five years ago, I sold Sam's Wines & Spirits to a private equity firm. They later sold the business to my former archcompetitor — Binny's Beverage Depot. Now I handle the training at Binny's as one of my consulting engagements.

I never thought I'd find myself back in my old office, a place that used to be my second home. Gone were the desk and credenza and even a few of the walls. My Cubs photos were nowhere in sight. Instead, I was smack dab in the middle of a beautiful wine tasting room. If I had walked in here blindfolded, I would have no idea I had been here before.

Change or Stagnate

And that's the point. Smart, profitseeking businesses change. Those that stay the same will stagnate. Binny's Beverage Depot is making a host of changes. In late February, the chain opened a Champaign, Ill., location, representing its 28th store and its first location outside the Chicago area.

Many companies as successful as Binny's would fall prey to the curse of complacency. And why not? Binny's is a great business. It has grown by leaps and bounds and is a dominant player in a huge market. Its operational strategy of moving millions of cases a year has worked quite effectively, and the company is known as a service leader.

But Binny's wants more. Last year, the owner of Binny's told me that he felt his professionals were good performers operationally but could be doing more for the customer experience. He wanted me to define and enhance the Binny's experience. To create a "Binny's way," if you will, a uniform way of treating its most valuable commodity. He didn't succumb to the glowing reviews on Yelp and assume the status quo was enough.

You see, Binny's likes what it has, but realizes nothing is forever. As the company enters new markets, it wants customers to clearly understand what one of Chicago's oldest chains is all about.

Are you considering making a few changes? These tips will help you change successfully.

Look in the "real" mirror — ask others. When you look in the mirror, what do you see? A business owner should consider surveying employees, customers and vendors. Ask the hard questions and listen to the answers: What are we doing well and what can we do better? This isn't the time for "We're the greatest and everyone else stinks!" Dig deep with your questions and analysis. Garbage in, garbage out applies here.

Involve your associates from day one.

Bring your team into the fold and you'll have more buy-in. When we launched this effort at Binny's, we made sure the associates knew this wasn't about their lack of performance. It was quite the opposite: We enlisted their help to create the changes. With their help, we're developing a profile of where we want to go, where we're falling short and how to conquer our biggest obstacles. Most important, we're making it convenient for them to share their opinions. Don't downplay the role of logistics in this equation. The easier you make it for them, the more communication you'll get.

Don't douse ideas with a fire hose.

Give all ideas a chance. The purpose of brainstorming is not analyzing ideas — it's idea generation. There is always time for evaluation and analysis after the fact. Keep the scope specific and encourage as many suggestions as possible that fit your subject. If you include details about the desired outcome, the ideas will be more targeted and more relevant. Most of all, foster an environment where everyone's ideas are accepted and everyone actively participates. There is no fire-hosing (or spraying water on other's ideas), as I've heard it called.

Enlist the help of a few "change"

promoters. Key to every change initiative is getting a few of the company's professionals on your side from the beginning. Buy-in is essential if the finished product is to impress our customers. Some companies use an outside change consultant. But generally, there are plenty of talented professionals inside the company who have dedicated their careers to promoting your products and services. Having these professionals point the company in the right direction is essential.

Monitor progress. As we roll out the Binny's way, we'll create a plan for tracking our success and measuring and monitoring progress. Unfortunately, all you have to do is pick up the business pages to see how quickly companies abandon change efforts for one reason or another. Don't go there. At Binny's, we are creating a brand promise and clear principles for determining how close our associates' behavior is to our goals. As we move forward, we'll hold regular discussions on the Binny's way and educate (and question) our professionals on how to make our efforts last.

Change is good. Try it.

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