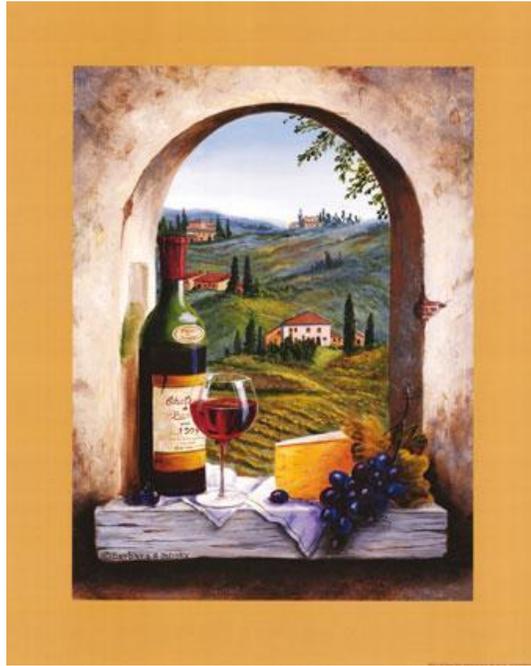


BUSINESS PLAN  
FOR  
**STRATHCONA EMPORIUM  
OF FINE WINE & LIQUOR**

*A New Upscale Liquor Retail Outlet in Southwest Calgary*



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## EXECUTIVE SUMMARY

Calgary's population growth has built a vibrant urban landscape of one million inhabitants. This is propelling growth outward into a number of new community expansions, including a surge along the city's western flank. Communities as Signal Hill, Discovery Ridge, and Springbank Hill, are thriving, upscale areas; their residents have high disposable incomes and a willingness to spend on high-end, quality goods.

The Strathcona Emporium of Fine Wine & Liquor will carry certain baseline quantities of the usual, domestic alcoholic product lines typically found at any neighbourhood liquor store. However, this new retail brand is earmarked as Calgary's exclusive outlet for fine wines, high-end liquors, and quality beer. This storefront, scheduled for opening in the summer of 2005, will primarily target upscale demographics across all of Calgary. These are persons who want to treat themselves to the special things of life. The Strathcona Emporium will be a wine and liquor "playground" for shoppers with style and uniqueness.

Customer service, based on a fun and knowledgeable staff, will be a key differentiator for the venture; this will not be just another liquor store, it will be providing an experience and satisfying feeling under a local brand. The Strathcona Emporium will become a mainstay fixture within one of Calgary's central suburban retail commercial areas.

The proponents behind the venture, Jacques and Marie Helen Bordeaux, have the necessary industry knowledge and determination to make this venture a success. To



complete the launch of the business as planned, a \$250,000 debt instrument is now being sought to augment the owner's own infusion of \$150,000. Once operational, the venture promises to be very successful, with solid profitability and cash flow projected right from the start. Once operational, the venture promises to be very successful, with solid profitability and cash flow projected right from the start. Highlights of this venture's financial performances for its initial 5-years of operation are shown below.

## STRATHCONA EMPORIUM OF FINE WINE & LIQUOR

### HIGHLIGHTS OF 5 YEAR FINANCIAL PROJECTIONS

	at startup	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Assumptions</b>						
Total wine sold	\$0	\$355,400	\$408,800	\$439,500	\$455,100	\$466,400
Total beer / cooler sales	0	498,100	572,700	615,600	637,300	653,200
Total liquors sold	0	630,300	724,800	779,200	806,500	826,700
Total other spirits sold	0	106,500	122,500	131,700	136,300	139,700
Total merchandise sold	0	17,700	20,400	21,900	22,700	23,300
<b>Revenue &amp; Expenses</b>						
Total revenue	\$0	\$1,608,000	\$1,849,200	\$1,987,900	\$2,057,900	\$2,109,300
Total direct costs	0	1,210,200	1,391,600	1,495,900	1,548,700	1,587,300
Total fixed expenses	0	283,000	296,300	307,100	315,900	324,400
Gross profit	\$0	\$114,800	\$161,300	\$184,900	\$193,300	\$197,600
<b>Cash Flows</b>						
Opening cash	\$100,000	\$100,000	\$42,800	\$120,100	\$215,100	\$316,400
Net business establishment cash	(80,000)	(150,400)	(50,400)	(50,400)	(50,400)	(50,400)
Net operational cash	0	122,000	168,000	191,600	200,000	204,300
Corporate taxes paid	0	(28,800)	(40,300)	(46,200)	(48,300)	(49,400)
Cash position at end of period	\$20,000	\$42,800	\$120,100	\$215,100	\$316,400	\$420,900
<b>Balance Sheets</b>						
Total assets	\$350,000	\$385,600	\$456,200	\$544,500	\$639,100	\$736,900
Total liabilities	\$250,000	\$199,600	\$149,200	\$98,800	\$48,400	\$0
Total equity	\$100,000	\$186,000	\$307,000	\$445,700	\$590,700	\$736,900



# THE COMMUNITY LIQUOR STORE; A VITAL RETAIL PRESENCE

## OVERVIEW OF THE LIQUOR RETAILING INDUSTRY

Albertans have over 12,000 liquor products to choose from at some 1,087 retail outlets across the province. There are over 4,000 people employed in the retail liquor industry in Alberta.

In 1993 the retail liquor industry in Alberta was privatized. This enabled the private sector to retail, warehouse, and distribute liquor in Alberta. The Alberta Gaming and Liquor Commission (ALGC) regulates the liquor industry in the province; it issues liquor licences, and collects a provincial mark-up from the sale of liquor (see Appendix B for details concerning the ALGC mark-up). For the present fiscal year (2004-05), the government of Alberta forecasts generating some \$550 million dollars in revenue.

### The History of Liquor Sales in Alberta

(Source: ALGC website)

On Monday May 12, 1924, Alberta's first two legal liquor stores opened, ending eight years of prohibition in Alberta. The new government-operated liquor stores were opened under the watch of the newly formed Alberta Liquor Control Board (ALCB). The end of prohibition came as a result of a plebiscite signed by 51,000 Albertans who wanted the Alberta Government to allow the legal sale of liquor in the province.

Hotels were also granted licences by the ALCB; the Palliser Hotel in Calgary was the first hotel granted a liquor licence in Alberta. Hotels that held liquor licences had to adhere to strict rules regarding the décor, cleanliness and aura of the establishment. According to historian David Leonard, the idea was to make drinking establishments as sparse as possible. Patrons were not allowed to stand up and entertainment in a licensed beverage room was prohibited. Although women were allowed to drink alongside their male counter-parts at first, "mixed" drinking was later blamed for riotous behaviour, and in 1928 the Liquor Control Act was amended, so that special rooms had to be put together for "Ladies and Escorts". Men and women wouldn't legally drink together again until 1967.

The Liquor Control Act was amended many times after its inception in 1924 to allow liquor to be sold in clubs and canteens, cold beer stores, and in self-serve liquor stores. The Act was amended again in 1971



The AGLC licenses liquor activities in the province according to the Gaming and Liquor Act and Regulation, other provincial and federal legislation, and AGLC policies. In 2003-2004, over 2,100 licences and registrations were issued and 99.6 per cent were processed within established timeframes.

Of the various categories of AGLC licencing, for the purposes of this document, a closer examination of the Class D licence is required. A Class D licence is required to sell liquor for consumption off the licensed premises, and is the one typically issued to a retail liquor store or a general merchandise liquor store.

#### **Retail Liquor Store and General Merchandise Liquor Store**

Retail liquor store licences are Class D licences issued for the sale of all or specific types of liquor to the general public and licensees. A retail liquor store must be identified as an independent business, but may be associated with another commercial outlet. Rules for access between non-public areas of such premises differ depending on the size of the existing business.

Retail liquor stores may sell all types of liquor or may limit their selection to one or two types (e.g., wine). Besides liquor, operators may sell related, non-liquor products approved by the Board (e.g., mixes, wine/beer glasses, corkscrews, etc.). Special event licences for private functions may also be sold.

Liquor stores may deliver liquor to private residences, offices and licensees, and any other place where it may be legally kept.

There are normally five steps involved in the licensing process, as detailed below. The time required to process an application varies among applications, but generally involves at least several weeks.

## **The Five Steps to Acquire a Class D Liquor Licence in Alberta**

### 1. Preliminary Assessment

The applicant obtains an application package for a retail liquor store from a Regulatory Division office. The AGLC requires property and layout plans, proof of ownership and / or an accepted offer / option to purchase/lease the premises, and a \$200 non-refundable application fee. The AGLC also asks for some indication as to how long the store will take to develop, following approval.

### 2. Eligibility

Details about the applicant are required to determine eligibility for licensing. The AGLC may require particulars of all individuals involved and, if a company, all shareholders and directors, as well as on-site managers, in order that criminal record checks may be conducted. Applicants must have the right to occupy and control the premises.

### 3. Board Approval

The AGLC will next prepare a submission outlining the proposal and present it to the Board. The applicant is advised in writing of the Board's decision, including any requirement to publicly advertise the intent to apply for the licence. An approval does not commit the Board to issuing a licence at a later date.

### 4. Submission of Application and Documentation

If approved, the applicant will be sent a statutory declaration form with the letter of approval. Various other documents may also be required with the application including a copy of the Certificate of Incorporation and completion of a Particulars of Incorporation form, Partnership Agreements, Franchise Agreements, business licence or written approval of the municipality, lease or Certificate of Title. An annual licence fee of \$700 is also levied.

### 5. Final Inspection and Issue of Licence

Once the premises have been completed according to the approval and the required documentation has been submitted, the applicant contacts the AGLC for a final inspection. The AGLC inspectors ensure the premises are completed as approved, and discusses the terms and conditions of the licence. On final approval, the inspector issues an interim licence authority. The licence certificate will be sent soon after.

It is also noteworthy that the AGLC has a number of other policies affecting liquor retail outlets in Alberta. Key amongst these are:

### **Purchase of Licensed Premises**

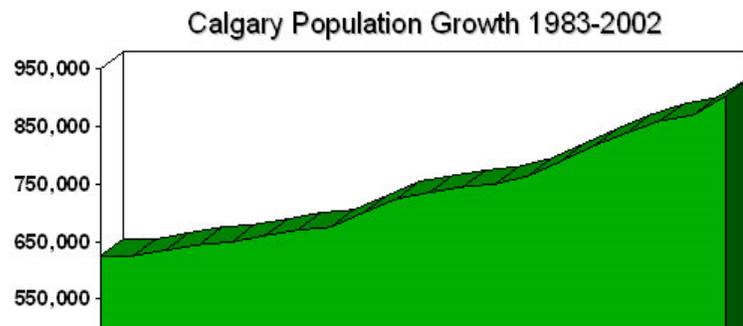
Liquor licences are not transferable. They become void if the premises are sold, leased, assigned or transferred to another individual or party. To begin the application process, prospective purchasers of premises which are already licensed must contact the AGLC once they have accepted an Offer to Purchase or Lease. This process usually requires about three weeks to process the application.

### **Renovations**

No structural renovations or major alterations to licensed premises may take place without prior approval of the Regulatory Division. If a storeowner plans to change the licensed premises, he / she must contact the AGLC before beginning construction.

### **THE LOCAL SCENE; SERVING A FAST GROWING POPULATION BASE**

Calgary's population growth over the past decade has ranged between 10,000 to 30,000 new people per year. With a consistent annual growth rate in the range of 3.0 percent, Calgary's greater urban area now encompasses some one million inhabitants. The growth now underway throughout Alberta and within Calgary is supported by the very strong oil and gas sector. Firmer energy prices since late 2002 have increased the energy



Source: City of Calgary - Civic Census Section



industry's cash flows, thus permitting it to expand spending and hiring activities. In fact, a March 2005 Provincial Outlook report by the RBC Financial Group suggest that the prospect of continuing high oil prices promises to propel the province's economy into a leading position in all of Canada. Alberta was already firmly in the number-one spot among the provinces in terms of growth predicted for 2005-06, but its lead has widened

### **Calgary Highlights**

(Source: City of Calgary Corporate Strategy and Economics, 2003 report)

#### **Population Growth:**

- The population is projected to grow at an annual rate of 2.2 per cent between 2002 and 2007. The City of Calgary should have a population of 984,000 by 2007, up from 905,000 in 2002.
- The aging of the baby boom population is expected to increase the tightness in the region's labour market. This is illustrated by the fact that above-average growth rates are expected to occur in the 45 and over age groups.
- Total employment is expected to increase to 701,000 employed persons by 2008, up from 617,000 in 2002 or by 2.2 per cent annually over this period.

#### **Economy:**

- From 2003 to 2008, an expanding world economy, increased business spending and firm consumer demand should drive economic growth. The Calgary Economic Region's gross domestic product (GDP) is expected to grow by 4.5 per cent in 2003 and 3.3 per cent in 2008.
- The unemployment rate is expected to decline to 5.3 per cent in 2003, down from 5.7 per cent in 2002 and then should trend downward to 4.5 per cent by 2008.
- The inflation rate will remain relatively low; currently running at only about 3.7 per cent, it should decline to 2.3 per cent by 2004 and 2.2 per cent in 2005.

further. The report expects the province to grow by 3.7% in 2005 and 2006 largely because of positive energy market developments. Alberta's energy sector accounts for about one-quarter of the size of its economy, half of its exports, employs almost one in every six workers, and is responsible for about one-third of total revenues collected by the provincial government. In fact, the province has become the only debt-free Canadian province.

Coupled to growth in other sectors, the overall low unemployment rate in Alberta generally, and within Calgary



specifically, continues to serve as a magnet for job seekers from other parts of the country.

A recent report from the Canada West Foundation confirms that that the demand for labour across western Canada has begun spiking upwards in recent months. A tally of want ads posted electronically in February 2005 represented an increase of 47% above the previous month, and more than double (+101%) the number in February 2004. Moreover, for the first time in the 14-month history of the Job Opportunities Index, the number of job postings in February 2005 increased in all 10-job categories. The largest gains were registered in the Finance / Economics (50%), Engineering (62%), Professional & Administrative, and Personal & Business Services (both up 56%). The number of want ads posted in the health care sector also jumped significantly.

In readiness for the influx of thousands of people coming to the city of Calgary, municipal planners have been developing detailed plans outlining where the new subdivisions, industrial parks, commercial centers and roadways will be placed. The Calgary Short-Term Growth Management Strategy of May, 2002 projected outward suburban growth in a number of principal areas. Of particular significance to this document, one of the identified high growth areas includes a surge along the city's western flank, extending such communities as Signal Hill, Discovery Ridge, and Springbank Hill.



## GOING UPSCALE; APPEALING TO COMMUNITY EXPECTATIONS

The combination of increased disposable incomes, higher employment levels, a stable rate of inflation and currency values, and a fast growing city, all points towards continued strong spending in the local consumer goods sector for years to come.



As with most retail sectors, Calgary is a prime marketplace for liquor sales. The economy is very strong and consumer confidence is high. Aside from the usual AGLC licencing and regulatory issues, there are few barriers to prevent new retailers from entering the local marketplace. Still, to properly position a new liquor retail outlet, that is, to be best able to attract a growing number of customers from the nearby community, the storeowner is compelled to design, decorate, and stock the premises in keeping with the local population's expectations.

An upscale part of town demands and deserves an upscale liquor store. Area residents fully expect to be offered a higher caliber of product, and a broader range of wines, beers, spirits, etc. relative to some "ordinary" retailer in a "lesser" part of town. Of course, they are likely to pay slightly more for such an upscale offering, but this negative is readily offset by the positives; a nearby store location provides convenience, and an enhanced product selection better suits their needs.

# STRATHCONA EMPORIUM; A UNIQUE & PLEASURABLE EXPERIENCE

## INTRODUCTION TO THE VENTURE

Imagine a retail environment where the air is permeated with beautiful, rich fragrances, earthy colour decorations accented by old wooden furnishings remind one of a kinder, gentler time, and soft classical music melodies waft in the background; these sights, sounds and smells all combining to exude fun and joy and a confirmation that one has undeniably entered an oasis in the heart of the city. Such an environment is luxurious, and exudes class and dignity. It's not just a cool place to be, it's THE place to be. Welcome to the wine and fine beverage connoisseur's sanctuary called the Strathcona Emporium of Fine Wine and Liquor.

The Strathcona Emporium is earmarked as Calgary's exclusive retail outlet for fine wines, high-end liquors, and quality beer. This Emporium, scheduled for opening in the summer of 2005, will be primarily targeted to capture the upscale demographic of Calgary who enjoy luxury and in treating themselves without paying astronomical prices. These customers, both men and women, demand quality in an inviting atmosphere. The Emporium will be a wine and liquor "playground" for shoppers with style and uniqueness.

This storefront will be an exploration of something new for the senses; a rejuvenation of the soul. The products offered would be treats for the hard working professional. All customers will be considered as special and will be treated as such. Customer service, based on a fun and knowledgeable staff, will be a key differentiator for



the venture; this will not be just another liquor store, it will be providing an experience and satisfying feeling under a local brand.

Walking into the Strathcona Emporium will be an experience. A client will feel accepted and welcome. She/he will see and feel the energy, creativity, and uniqueness throughout the premises. They will want to be a part of the ambiance and activity. They will want to discover “what all the fuss is about”.

The Emporium’s primary source of revenue will be derived from the sale of upscale liquors, quality beers (domestic and foreign), and fine wines, augmented by sales of drink mixers and juices, as well as a number of high-end accessories that anyone with a bar must have (e.g. quality crystal wine glasses).

The storefront will regularly host professional wine tasting seminars. Contracted professional wine specialists will introduce new products. The lucrative special occasion market will be marketed to; anyone in Calgary about to host a wedding, anniversary, graduation, or corporate party, will come to the Strathcona Emporium to arrange for all of their fine liquor needs.

Initially, all customer contact and revenue will be driven out of the Emporium’s storefront, as this will be the first exposure into the marketplace for this storefront’s brand name. However, in short order subsequent to the launching of the business, a growing awareness of the brand name, and an expanding source of revenue, will be realized from the company’s web site portal. Customers not able to make the regular journey to the Emporium will readily access products and other information from an e-commerce web domain (for instance, [www.StrathconaEmporium.com](http://www.StrathconaEmporium.com)).



## PRODUCT LINES

The Strathcona Emporium of Fine Wine & Liquor will pride itself on the types of product lines it carries. The two aspects of utmost importance will be each product's relative exclusivity within Calgary and its quality. These characteristics, therefore, will serve to differentiate the Emporium from any current or would-be competitor in the city.

Since all Alberta-based liquor retailers must purchase their inventories entirely from the same wholesaler (being the Alberta Gaming and Liquor Commission), and since most liquor stores in the province need to only satisfy the rather ordinary expectations of their average customer profile, not surprisingly, there tends to NOT be significant differences from one liquor store's interior to the next. In other words, most retailers tend to stock only the generally better-known brands of beer and spirits because that is all their particular constituencies ever expect from them. They carry the usual



brands at the usual prices, and by virtue of their close proximity to a local population, they “get away with it”.

Mind you, there is absolutely nothing special about their operations, and they will always be vulnerable to market forces. For instance, should some new competitor happen to open up down the street that features a better parking lot, or that features the giving of double the number of Air Miles rewards points on all purchases, or perhaps that happens

to charge lower prices for the same basic goods, such a new competitor would immediately become a threat.

On the other hand, the management behind this venture intends to build and maintain a solid business model based on what the Emporium itself does, rather than being vulnerable to what others are doing. To accomplish this, the storefront will feature a more diverse, upscale array of product. There will be a heavier reliance on the promotion and selling of imported fine wines and liquors, and a somewhat restrained approach towards the usual, domestic beers. Of course, many customers will still come into the store to simply pick up a case of Budweiser, and they will have no difficulty in doing so, its just that in the case of the Strathcona Emporium, they are far more likely to encounter a “The Joys of Scotch” group gathering or a display table featuring the exotic dessert wines of Austria as they walk towards the rear beer cooler.

To maintain the company’s ability of exhibiting exclusive products to the Calgary marketplace, it will be essential for management to always be aware of competitors; what product lines they are carrying and how they are promoting them. Similarly, it will be essential to be aware of new lines coming into the marketplace from around the world. Indeed, the Emporium’s target clientele will commonly be attracted to sampling such exotic new products, and they will soon come to expect encountering such adventures every time they enter the store.

To bolster the Strathcona Emporium’s uniqueness even further, all staff working in the store will undergo special training on all the product lines. They must be fully knowledgeable as to each product’s history and appealing characteristics, and to be able

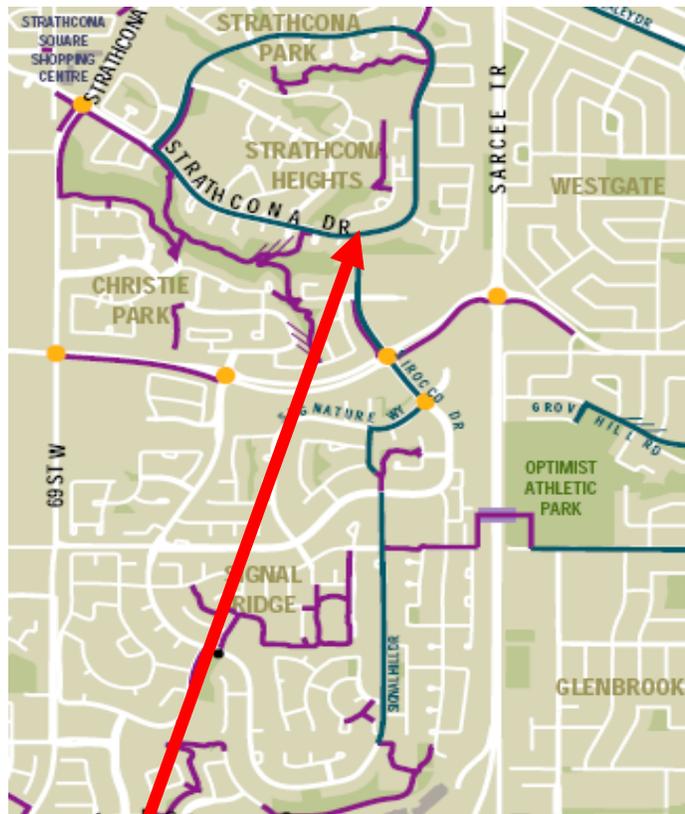


to relay that information to each curious shopper and by so doing “energize” that customer into exploring further. By being able to articulate differentiators within product lines, this storefront will impress upon area residents that this is truly a high-end outlet worthy of being in their neighbourhood.

## LOCATION

One inevitably encounters the famous line about there being three things to determine the success of any retail operation; location, location and location! To sum it all up, The Strathcona Emporium will become a mainstay fixture within one of Calgary’s central suburban retail commercial areas, the Southwest Market shopping plaza off Strathcona Drive near Sirocco Drive.

The location of the Strathcona Emporium storefront will be especially important; it will dictate the public’s perception of this new brand. This storefront must not be perceived to be yet another rather ordinary liquor retail outlet, such as all those other nameless entities common to the usual mall setting. Since The Strathcona Emporium brand is being developed particularly to cater to



**Proposed location of Strathcona Emporium of Fine Wine & Liquor**



upscale Calgary clientele, the retail storefront needs to be located in a trendy, upscale area of the city.

The accompanying map shows the surrounding fast growing area, particularly the communities of Signal Hill, Christie Park and Strathcona Park (these communities represent the principal customer target area for this venture). It is of particular significance that within this area of the city, and continuing on towards the west, there is tremendous new home construction activity, most of which tends to consist of mainly upscale, expensive housing. For instance, most single-family homes in the area are valued in the range of \$350,000 to \$500,000, a range that is well in excess of the city's average. Similar elevated property values are also witnessed for other housing categories.

From a business perspective, this location choice is being made based on how much capital, time and effort does the venue need to be fully functional, familiar / acceptable to the nearby communities, and how shopper traffic can be accommodated. Certainly, in that the premises currently feature a liquor store (albeit a rather ordinary one), area residents already associate this location with this product category.

By locating in one of Calgary's upscale areas, The Strathcona Emporium outlet will be situated where it can best reach the primary target market discussed in this business plan. Plus, it will benefit from close proximity to the area's established commercial mix, including restaurants, pubs, professional offices, and specialty retailers. It certainly provides easy access to volumes of traffic, both pedestrian and vehicle.

The final words that need to be said with respect to locating within the Signal Hill district is the fact that municipal planning authorities have planned for major, multi-million



dollar residential and commercial development plans within a few kilometers that are being implemented at this time and will continue for many years to come. The population base within the area will boom, much of which is comprised of young, upwardly mobile professionals with trendy tastes and high disposable incomes. Retailers offering trendy goods and services that are located in or near them will enjoy tremendous patronage from these local shoppers.

### **STORE LAYOUT; IMAGE IS EVERYTHING**

The proposed storefront will comprise a total of some 2245 square feet, and will include retail space, inventory storage, and a small office. The design of the interior will utilize dark brown, earthy colour themes and very innovative patterns of furnishings and



**A sample of the store's front cashier station**

displays. Above all else, the premises will be bright, clean, and uncluttered; this will be essential to optimize a sense of professionalism and to project the desired upscale setting.

The front of the store will feature the cashier station, and will have a number of tasteful product displays and point-of-sale bins in the immediate vicinity. The station will of course accommodate the working end of the business, including cash register, telephone,

essential credit card processing equipment, and a variety of packaging materials to wrap product purchases.

The main, central area of the store will house several shelving units where wine and liquor varieties will be displayed. At this time, management favours the use of shelving that is no higher than four feet from the floor, and that would showcase bottles



**A sample of the store's interior shelving**

laid on their sides within individual compartments. Such a presentation will ensure customers can easily identify individual product, while ensuring there is no sight line clutter or aisle obstructions.

A detailed floor plan is being finalized at this time, and specific orientations and sizes of individual shelving units are therefore still being

adjusted. The intent is to deploy units in diagonal rows, and to preserve an aisle width within each row of at least four feet. In this way, the available interior space should be able to accommodate four spacious aisles in total, all leading to the rear beer cooler area.

The rear of the premises will contain the large cooler where beer and ciders will be stored. Within this area, and in keeping with the usual practices of a refrigerated room, the aisles will be tighter and product will be piled up relatively high (cases stacked up to 6').

## **STOREFRONT OPERATIONS**

The location's store hours will mirror that of most of the retailers within the surrounding commercial area. Ordinarily, the Strathcona Emporium will adhere to the following hours of operation:

- Monday to Thursday – 10AM to 9PM
- Friday and Saturday – 10AM to 11:00PM
- Sunday – 11AM to 6:00PM

Of course, adjustments may be made to best reflect client demands. For instance, should there be significant demand for retail service on a particular weekday evening, the store's hours might have to be reconsidered. Finally, and most obviously, hours will be extended during the Christmas season, and possibly as well for the week leading up to certain other significant statutory holidays (e.g. July 1 long weekend).

The Strathcona Emporium will pride itself on its customer service and this aspect in particular will be a key differentiator from other liquor retailers in the city. From the time each customer walks into the shop, they will immediately encounter a superior experience. Aspects such as a welcoming, comfortable atmosphere, knowledgeable, energetic and enthusiastic staff, and unique product will all make this storefront a destination venue.

To accomplish such a high level of customer attention, management will ensure that no fewer than two persons are on staff at all times (this is also an advantage in terms of modern day retail security). One person will always occupy the front cashier station,



while the other will tend to the usual product stocking duties and / or will be directly available to provide assistance to customers.

Before the outlet opens each day, staff will come in at least a half hour earlier to prepare for that day's sales activities. Sufficient quantities of sales receipts will be positioned at the front cash register, and additional product packaging materials will be brought out from the rear storage cupboard. Special promotional signage will be put out where needed, and any product bin not yet restocked will be tended to.

At the close of business each day, staff will be responsible for completely and thoroughly cleaning away any trash, spillage or other waste. Floors will be mopped, product bins will be restocked and dusted, the cooler will be restocked and mopped, and the rear washroom will be sanitized. It's at that time as well that the day's financial transactions will be properly booked, product reordering will be completed, and any bill payments or other office duties will be undertaken.

Depending on the type and quantity of replacement product orders, incoming shipments can be expected at any time of the day. Ordinarily, all deliveries will occur via the rear door, and might require the assistance of at least one staff member. Often, newly arrived product shipments must be checked to ensure completeness of order fulfillment, and also to identify any product breakage. Incoming quantities of product will initially be bulk stacked up in either the cooler or rear storage room, but from there, will need to be separated into individual bottles / cases and then carried to the store's more interior areas where they are to reside within their own, pre-designated display bin or cooler shelf.

Finally, to serve as a general guide as to the different responsibilities of the various



managers, staff members and others associated with this business venture, the following job descriptions are provided.

### President

As the person most responsible for the success of this venture, the President's principal corporate responsibilities are summarized as follows:

- Finalize financing, operational and marketing arrangements to implement this business plan.
- Oversee setup and launch of the company's initial storefront.
- Develop new hire training curriculum. Hire knowledgeable, experienced staff and continue to train.
- Construct benefits plans, commission structure, discount and gratis plans for employees.
- Consistently research and evaluate new product lines. Discontinue old, "non-revenue generating" lines and bring in newer ones.

### Store Manager

Upon the establishment of the Strathcona Emporium storefront, a full-time store manager will be recruited to manage the day-to-day operations. This new hire must have a management background within the liquor retail industry and be knowledgeable on all of the business' product lines. Essentially, the better capable this person will be in terms of handling the daily retail activities of the company, the more freed up will be the President to focus on the major corporate issues such as R & D, marketing, and overall future growth.



### Sales Clerk(s)

In time, additional sales clerks will be recruited to provide service to customers. It is likely this position will only need to be part-time, being required for peak hours / days to work alongside the Store Manager and / or President.

### Others - Contracted

Other persons will be associated with the business on a contracted basis. These people will provide specialized niche services when required, and include:

- Web Administrator
- Accountant
- Business Advisor / Consultant
- Interior Designer / Decorator



# THE COMPANY

## CORPORATE OVERVIEW

Strathcona Emporium of Fine Wine & Liquor Ltd. is a new company being established at this time for the purpose of retailing liquors and wines. The company will be incorporated in the Province of Alberta, and will seek a Class D licence from the Alberta Gaming and Liquor Commission immediately upon securing a lease offer from the landlord of the target property (Mosby Developments). The company's address will then formally be set as that of the storefront, located at Unit #9, 1443 Strathcona Drive S.W. in Calgary.

The company is being established with two equal shareholders. Jacques and Marie Helen Bordeaux, both residents of Calgary, will also be named as the corporation's two Directors and Officers; Jacques as President and Marie Helen as the Secretary-Treasurer.

The debt financing approach being pursued at this time will enable the firm to launch retail operations as planned and as scheduled, targeting the third week of June 2005. Consequently, no additional shareholders, Directors or senior Officers are envisioned as being likely or necessary in the short to mid-term.

## MANAGEMENT & STAFF

Jacques and Marie Helen Bordeaux came to Canada from France some 15 years ago. Aside from realizing a significant improvement in lifestyle, they have also discovered North America's many entrepreneurial opportunities. Now, they are determined to bring European sophistication in alcoholic taste and style to Calgary.



Jacques is very confident in his abilities and has significant business experience. He has been an entrepreneur over the past 10 years, having run his own furniture retailing company that has been very successful. Traveling throughout the United States and fulfilling delivery schedules has enabled him to acquire many contacts with a variety of product vendors. Moreover, his ongoing business dealings have advanced his customer service skills.

Of particular significance, Jacques comes from a long line of experienced wine makers and liquor retailers, going back to the days of his grandfather. His family owned a vineyard in the south of France and operated a winery there. Now, he intends to apply his knowledge in liquor and winery in Canada. Marie Helen acquired a college graduate diploma in financial services, as well as in accounting. She has over 10 years of experience in retail and financing. Along with Jacques, Marie Helen currently owns and operates a small clothing retail outlet in the Signal Hill shopping district.

The success Jacques and Marie Helen have demonstrated through their successful running of two businesses bodes well for their new venture, the Strathcona Emporium of Fine Wine & Liquor. In keeping with their values of running a family business, their daughter, a business major at S.A.I.T. Collage, will also be fully involved.

The bottom line to all of this is that this venture will be successful because the ownership group, comprised of the Bordeaux family, always works as a team. The Bordeaux's have lived in the Signal Hill area for 15-years, know the community well, and they intend to work long hours, and to make the necessary sacrifices to ensure the Strathcona Emporium is run properly, efficiently, and profitably.



In addition to the above persons, the Strathcona Emporium will also have other persons employed in staff positions. Key amongst these will be a Store Manager, responsible for all day-to-day retailing activities. Specific individuals for the various staff positions are presently being identified, and will be in position in time for the store's June opening.

## **FURNISHINGS & EQUIPMENT**

The Strathcona Emporium will need to acquire a variety of furnishings and equipment in keeping with the essential set-up of a modern storefront. Together, the principle items will permit the company to safeguard, display, and track both product inventories and customer transactions.

Also important are the various decorations, lighting fixtures, and other leasehold improvements that will elevate the overall customer appeal of the premises. In total, some \$100,000 has been budgeted for all leasehold improvements, furnishings and equipment, although management is confident that it can ultimately realize savings to this total if it is successful in locating and purchasing appropriate used items instead of brand new. The key items required for the launch of the Strathcona Emporium storefront are highlighted below:

- Computer Related Hardware – Computers (2), Monitors (2), Multi-Function Printer, POS bar coder scanner, credit/debit card machine (via Primary Financial institution), telephones (3 – two land lines & one cell phone)
- Software – accounting, internet, POS
- Containers – Sampling program



- Shelving – wooden, floor-based units, plus some hanging style; to showcase each product line feature
- Furniture & fixtures
- Light Fixtures
- Racking/shelving for inventory room
- Security system/surveillance camera (hire security firm to consult & implement)
- Bathroom fixtures (plumbing, etc.)

### **FUTURE CORPORATE GROWTH**

To grow the Strathcona Emporium brand name throughout the city, that is, beyond the limited marketplace presence the initial storefront can garner, might require a modest expansion plan. Once the main store's operations are solidified and maintained, that is, in about 12 to 24 months from its launch, management will initiate investigations into expansion of the business' brand into new market opportunities.

One possibility might involve establishing an effective website complete with e-commerce capability. Recognizing that many target customers in Calgary and beyond may not be able to make the trip to the storefront, management could in effect "bring the store to the customer". Essentially, persons would find particular choice wines or other specialty liquors on the company's website, and then place their order electronically. The Emporium would then fulfill the order.

On a longer-term basis, as the company's position within the Calgary marketplace becomes well established, management will investigate the pursuit of establishing additional storefronts in other major urban centres, likely targeting Edmonton first. Pursuit



of additional storefronts will only be considered and pursued if the company's financial resources permit.

Of course, for any expansion pursuit, caution will be exercised to ensure that the Strathcona Emporium brand name does not lose its uniqueness or exclusivity, and that customers will always identify their dealings with this business as being a unique, exhilarating, and most satisfying experience.



# MARKETING PLAN

## **STRATEGY FOR SUCCESS; QUALITY ABOVE ALL ELSE**

The business model being deployed here is actually simple and straightforward; the Strathcona Emporium brand will be profitably promoted as a quality experience, one that leaves customers with a genuinely positive feeling and a desire to come back again and again. The tools required involve a blend of unique liquors and wines at competitive prices, and a human resource ensemble that is knowledgeable and capable. But, underlining all of this, is the most essential of all ingredients; quality.

The company's policy will be to retail only quality goods. The word "quality" is taken for granted far too often these days. It seems everybody claims their operation offers quality, when in fact, they don't! The management of this venture knows that the Emporium's long-term viability depends on its ability to only sell quality goods in decidedly upscale surroundings, to stand behind their products by offering customers fully qualified support, and to ensure that this storefront's brand remains distinctive and exclusive.

To further this distinctiveness, and building upon their extensive industry contacts, the Bordeaux's will often travel to Europe and other foreign locations to identify new, specialty liquors and fine wines. These "treasures" will then be imported back to the Calgary storefront (in limited quantities) for retailing to the general public.

Moreover, the company's marketing plan will be primed by the intent to convey to the public at large that the Emporium's brand name is synonymous with quality. At no time will this business take on or promote inferior products or services, and never will any



of the company's promotional efforts carry even a hint of "cheap", "discounted", or "generic". Instead, management will at all times promote quality imagery through such wording as "exclusive", "prestige", "limited", or "private".

## **TARGET MARKETS**

The demographics available for targeting are large and growing, as is the City of Calgary itself. But, in a closer examination of the likely consumer populations to visit the Strathcona Emporium, two distinct groups emerge.

As an obvious primary target market, in that this group will very likely will result in being the majority of regular customers, are the nearby populations in the communities of Signal Hill, Christie Park, and Springbank Hill will obviously frequent the Strathcona Emporium to meet their ongoing, usual alcohol consumption needs. In ballpark terms, some 20,000 people currently live in the area (involving a drive of only about 5-minutes from their homes), but within 5-years, many thousands of new residents will move into adjacent and very new communities just now being constructed to the west of Signal Hill.

Active promotion is not nearly as essential for this audience, but simply the convenience offered by being close by is. Indeed, the only consistent promotional activity required to pull these people into the store will simply be to position signage atop the storefront and to hang an "open" sign on the door. This group, on any given day, is more likely to purchase commonplace product lines (for instance, a case of Molson Canadian beer). Still, as has been pointed out in this document, the nearby citizenry of these communities tend to have above-average levels of disposable income, and it is not inconceivable that they will spend a little extra every now and then in order to sample /



repurchase a number of upscale, unique alcoholic products (for instance, a bottle of high-end scotch to celebrate that special day). To motivate these patrons to try out and purchase the more special product lines, therefore, will mostly be a task for the store's personnel on an ongoing basis. Rather than simply process the repeat customer's ordinary purchase at the cash register, alert staff members will strike up a friendly conversation with that patron from the time they walk into the premises, and will suggest a number of upscale product choices that might be considered (for instance, why not try some special European beer brand instead of yet another case of Budweiser?).

In terms of the second target market group, they are identified by virtue of the fact that at this time in the city of Calgary, there are very few, upscale, independent retailers of exclusive liquors, beers and wines. In other words, the second target market for this venture will be comprised of all of the city's connoisseurs of high quality liquors and wines, stereotypically considered consisting of young, urban professionals. Citywide marketing activities will be undertaken to inform and attract this population segment. Perhaps it is somewhat difficult to precisely quantify this group, but a rough estimate yields an answer of roughly 100,000 persons. This is derived through the concept that, generally, one out of ten Calgarians will, at some point during the year, choose to travel across the city specifically to experience something special in terms of shopping for some exquisite liquor or wine.

### **PROMOTIONAL STRATEGIES**

The all-important purpose of initial promotional activity will be to establish the Strathcona Emporium brand name in the local marketplace. To attract the nearby



citizenry, signage atop the store, augmented by a limited amount of sandwich board style signage along area roadways (for instance, a large sign along Strathcona Drive announcing the business' opening day), will succeed in pulling in new customers. Essentially, this will commence the process of educating the local general population that there is now a local retail outlet available to meet all of their alcohol consumption needs and wants. Actually, the entire promotional process constitutes an opportunity to stimulate alcoholic consumption patterns; when promoted properly, nearby folks who might typically never frequent a liquor store will now be motivated to drop into this new Emporium so as to buy / try something entirely different and extraordinary.

The Emporium's secondary target market, as discussed above, is a young, professional person who yearns for unique, exciting, new liquors, wines and beers. The promotional messaging to be conveyed to attract this demographic, therefore, will be based on a theme that Calgary's professionals will now have something special just for them. The Strathcona Emporium represents an exciting, upscale exploration and shopping experience for the pursuit of unique liquors, beers and wine, and that this "piece of Heaven" has come to the city specifically for them.

To reach the quality liquor and fine wine connoisseurs across Calgary, a complete communications strategy will be executed that will reach out and grab people's attention, and that thereafter will keep these folks connected to and talking to their friends about this new business. This strategy encompasses the following key areas:



## Local Print Media

Promotional advertising will be placed in local magazines and other publications announcing the launch of the Strathcona Emporium and enticing people to come down to explore the storefront's exciting products and services, and to soak up the ambiance of this magical place. The publications under consideration include:

### Print Media:

- Avenue Magazine
- "Where" in Calgary
- The City Palette
- Fast Forward

### Program Guides:

- Theatre Calgary
- Alberta Theatre Projects
- One Yellow Rabbit
- Calgary Philharmonic Orchestra
- Air Canada (En Route) / West Jet
- Other special events (e.g. Cirque du Soleil)

## Website Initiatives

The Strathcona Emporium will have a web presence a few months subsequent to opening. To start, the website will act purely for information purposes only, providing information regarding location, phone numbers, and contact information. The website will



also highlight upcoming community events, cross-promotional activities, or other special “happenings” that this business will be involved in. This will serve as a cost-effective promotional vehicle to get the word out to many people rather quickly.

However, over time, management intends to build up the website’s capabilities so that it can provide southern Albertan customers with an online shopping capability. Through various product links, the customer would be able to read up on and ultimately select certain very special product offerings. The site would have full e-commerce capability, being able to complete the transaction on-line. The particular products ordered would then be shipped directly to each customer’s home.

#### Local Cross-Promotional Activities

Community involvement and participation will be a fundamental characteristic of Strathcona Emporium. Through the provision of monetary and / or product support to certain local groups (e.g. the Signal Hill curling club), or by working closely with a local business or charity as part of some special function (e.g. a special fundraising party), the storefront will be seen to be involved.

It could be added that whenever discussing cross-promotional events, certain external funding may be secured from the vendor community. For instance, a community event might be of interest to some large corporate player, such as Seagrams for example, since they will have the opportunity to demonstrate their good corporate citizenry to the public at large. The vendor community may sponsor such events, and / or might provide personnel assistance, advertising funding, or provide product (such as a bottle of



something special as a first prize to some contest). Moreover, if the event is charity-driven, proceeds from sales might be donated.

Beyond the active, external, promotional activities, there is of course something very important in terms of marketing that still needs to be discussed. Essentially, once people are at the store, there will be a variety of in-store promotional activities to stimulate customers into considering and hopefully purchasing new, alternative products. From the moment customers first enter the storefront, they will enter an exciting world of new sensations and experiences, and appropriate signage in the right proportion and location could take advantage of the moment, and entice these people to explore.

In-store promotional activity will occur throughout the year. Of course, specific themes / messaging will likely change in accordance to certain upcoming holidays or occasions. A number of themes that warrant special treatment include:

Seasonal:

- Christmas
- Valentine's Day
- Mother's Day
- Father's Day

Non-Seasonal:

- Graduations
- Weddings
- Anniversaries
- Birthdays



Finally, it is noteworthy to state that a number of the promotional details are being worked on at this time. Aspects such as the company's logo, and related font / colours for such things as letterhead and signage, all so as to properly capture the "essence" of the Strathcona Emporium, are being developed. This essence will consistently touch all aspects of the business' print advertising, wrapping materials, point of sale receipts, business cards, postcards, brochures, website, and stickers adhering to samples.

## **PRESENTATION STRATEGY**

Management will adhere to an effective storefront presentation methodology involving a combination of open spaces, lighting, colour, and the careful utilization of available spaces. This attention to how the store's goods are presented, equals the attention paid to what those goods are and their pricing. Many retail experts verify that store layout can greatly influence buying patterns.

For instance, retailers are now accepting that it is always best to display slightly less, than slightly too much inventory. This so-called "minimalist display strategy" is used extensively by various successful clothing retailers, such as The Gap, Club Monaco, and Banana Republic. The intent is to simplify the purchasing decision of the customer. Buying becomes a snap, as there isn't too much to choose from.

Essentially, the Emporium's store layout will come across as warm and inviting, yet at the same time luxurious. Pedestrians out front will be attracted to look in through the large front entranceway, and from there, are enticed to come in and browse.



## **PRICING STRATEGY**

The base cost of the entire store's quality liquor, imported beer and fine wine products are, of course, firmly set by the Alberta Gaming and Liquor Commission (they are the only supplier permitted). Still, by carrying product that is high-end and rather exclusive, markups on most of product can be elevated. Of course, pricing for most of the standard product lines (e.g. domestic beer) will fall in line with most other liquor retailers in the city. The pricing of standard products therefore will mostly serve to draw in customers to try the storefront, and therein, to become accustomed to a whole new world

On the other hand, the pricing of most of the Emporium's upscale products will fall in the mid to high-end of the pricing spectrum. Fortunately, consumers already associate prestige liquors, beers and wines with quality and luxury; this is usually half the battle with consumers; to educate them as to the merits of a particular product category. This enables other variables in the marketing mix, such as presentation and promotion, to be used more effectively in attracting customers to the store and company website, and in making upscale purchases once there.

## **COMPETITIVE ANALYSIS**

In terms of potential new competitors entering the upscale liquor and wine marketplace, a range of market entry barriers exist that potentially restrict any would-be retailer. Aside from the regulatory hurdles, at both the provincial (AGLC licence) and municipal (zoning, business licence) levels, the most common barriers to entry for any such business would be:



- High “Start-up” Capital Costs (substantial funds upfront)
- Inventory Uniqueness (difficult to position an inventory that is different)
- Customer Loyalty (market advantage / differentiation)

The most significant challenge the Strathcona Emporium will encounter from the list above will be developing customer loyalty, especially from Calgarians living in far-off parts of the city that are likely to have become accustomed to filling their alcoholic product needs through some other, more local retail outlet. Once up and running, however, management will work hard to educate and draw Calgarians from across the city as to the presence of this storefront’s brand.

Once established, the strong market presence of the Strathcona Emporium will in itself likely dissuade any would-be future entrants to enter the upscale liquor and wine retailing marketplace; they would likely find the competitive landscape a little bit too crowded. Essentially, due to the mostly exclusive nature of the product lines carried, this business will be able to maintain a “market advantage” or differentiation from all other current competitive retailers.

Customer loyalty will be sustained because of management’s commitment to top levels of customer service, and also because of the store’s exclusive product lines that are not likely to be readily available from anywhere else locally (the Emporium’s management will always strive to secure some form of exclusivity commitments from the AGLC, although admittedly, there are no guarantees that this can be achieved).



# FINANCIAL CONSIDERATIONS

## FINANCIAL CONTROLS & STRATEGIES

Management will be particularly vigilant with respect to the handling of the company's finances. Recognizing that any start-up enterprise will need time to build up a steady clientele and therein a growing cash flow, in the interim it must carefully control its costs. For the Strathcona Emporium to grow through the start-up phase of its existence, two such cost controls in particular will be implemented and need to be emphasized here.

First, management will be very strict with respect to limiting the quantities of product inventories it commits to acquiring. Over-purchasing product inventories would severely consume too much of the company's cash resources. So, despite, the temptations to the contrary, only reasonable quantities of selective inventories will be kept (although the per unit costs for these selective product lines will be relatively high, such costs are easily recouped by way of a higher per unit pricing regimen). Once the storefront is fully operational, product categories may grow or shrink over time, in keeping with observed consumer demands. Indeed, despite promotional supports, some product lines may not sell, and as such, the company will terminate carrying these products in order to free up space to accommodate something new.

Secondly, a very important cost control will be management's commitment to avoid overstaffing. Appropriate numbers of personnel will ensure excellent customer service, but management will be careful not to overstaff, especially during non-peak store hours.



## REQUIREMENT FOR CAPITAL

The proponents of this venture are now seeking a \$250,000 debt instrument to augment their own infusion of \$100,000. The resulting \$350,000 in total initial funding will

### Strathcona Emporium – Startup Budget

Leasehold improvements	\$100,000
Inventory	\$230,000
General working capital	\$ 20,000
Total	<u>\$350,000</u>

then allow the venture to proceed as planned. To support the funding requirement, and in so far as the financial credibility of the owners /

Directors of this venture may be questioned, they do offer to provide whatever personal background information and / or relevant checks upon their credit histories as may be necessary.

## REVENUE & EXPENSE PROJECTIONS

A conservative projection of revenues and expenses has been prepared for the company's initial 5-years of operations. Management has adopted very reasonable estimates for operational revenues and business growth, and has attempted to include maximum values for all likely expenses.

It is especially important to point out that the initial year's total revenue, projected to be about \$1.6 million, and the initial year's total direct costs, projected to be about \$1.2 million, are entirely in keeping with the financial results reported for last fiscal year by the owners of the liquor store presently occupying the same physical retail space. In other words, the revenues and expenses projected for the Strathcona Emporium essentially assume that the new business operation will only be able to duplicate what the prior liquor



store achieved, despite the fact the new venture will expend significantly more on a number of essential business-building line items, such as advertising and staff salaries.

### **CASH FLOW & BALANCE SHEET PROJECTIONS**

Accompanying the forecast of revenues and expenses, a corresponding, 5-year cash flow projection has been prepared to verify the overall stability of the business, especially during the all-important startup phase. Also provided is a projected opening balance sheet and a projected balance sheet for each of the upcoming 5-year periods.

### **BREAKEVEN ANALYSIS**

Based on the variable and fixed costs as stated in the projection of revenues and expenses for Year 1, and adhering to the same relative balance in the company's in-store sales, a breakeven point was calculated for the company. The result of the analysis indicates that the Strathcona Emporium will reach a breakeven point if it generates \$1.06 million in annual sales revenue. This amounts to an average of about \$88,300 per month, or roughly \$2,943 per day (based on there being 30 business days in a typical month).

Management is extremely confident that the company will readily surpass this breakeven point. As is well documented, most Alberta-based liquor stores can easily generate \$3,000 or more in sales within a few hours on a typical weekend.



**APPENDIX A**

**FINANCIAL PROJECTIONS**



**APPENDIX B**

**INDUSTRY BACKGROUND INFORMATION**



**APPENDIX C**

**STOREFRONT DESIGN INFORMATION**



**APPENDIX D**

**PRODUCT BACKGROUND INFORMATION**



Some examples of specialty imported wines, by country of origin

- Silver Oak, Alexander Valley, USA
- Penfold's Grange, Australia
- Cakebread Cabernet, USA
- Chateau Montelena Cabernet, USA
- Joseph Phelps Insignia, USA
- Chateau Margaux, France
- Antinori Tignanello, Italy
- Caymus Special Select Cabernet, USA
- Beringer Private Reserve Cabernet, USA
- Domain Drouhin, USA
- D'Darenberg Dead Arm Shiraz, Australia
- Osoyoos Larose, Canada
- Chateau de Beaucastel Chateauneuf-de-Pape, France
- Chapoutier Ermitage Le Pavillon, France
- Cloudy Baby Sauvignon Blanc, New Zealand
- Pegasus Bay Pinot Noir, New Zealand
- Kloovenburg Shiraz, South Africa
- Moet & Chandon Dom Perignon, France



Some examples of scotch brands

- AUCHENTOSHAN 21YR
- AUCHENTOSHAN 3 WOOD
- BALLANTINES
- BALVENIE 10YR
- BALVENIE 12YR
- BALVENIE 15YR
- BOWMORE 12YR
- BOWMORE 17YR
- CARDHU 12YR
- CHIVAS REGAL
- CUTTY SARK
- DALWHINNIE 15YR
- DALWHINNIE DOUBLE MATURED
- GLENFIDDICH
- GLENFIDDICH 15 YR
- GLENFIDDICH 18YR
- GLENLIVET 12YR
- GLENLIVET 18YR
- GLENMORANGIE 10yr
- GLENMORANGIE 18yr
- GLENMORANGIE PORT WOOD
- HIGHLAND PARK 12yr
- J&B RARE
- JOHNNIE WALKER BLACK
- JOHNNIE WALKER BLUE
- LAGAVULIN 16YR
- LAGAVULIN DM
- LAPHROAIG 10YR
- MACALLAN 12YR
- MACALLAN 18YR
- MACALLAN 25YR
- OBAN 14YR
- OBAN DM
- TALISKER 10YR
- TALISKER DOUBLE MATURED



**APPENDIX E**

**MISCELLANEOUS**

