



# IOWA ABD

**Alcoholic Beverages Division**

## Strategic Plan

FY 2022 – 2024

View the Strategic Plan at <https://abd.iowa.gov>

# Alcoholic Beverages Division Strategic Plan Overview

FY 2022-2024



## Goal 1:

Maximize revenue to the General Fund by collaborating with our distribution partner through modernization of processes.



## Goal 2:

Provide educational opportunities for internal and external stakeholders, and focus regulatory program efforts on ensuring safe communities and a fair and level business environment.



## Goal 3:

Maintain a competitive and transparent environment for Iowa businesses.



## Goal 4:

Utilize and engage Information Technology in areas of data analytics, operational metrics, and data governance to enhance reporting and daily operations.

# IOWA ABD

Strategic Plan  
Fiscal Years 2022 - 2024

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# Introduction

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## Overview

In today's alcohol marketplace, it is important for the Alcoholic Beverages Division (ABD) to examine its operations to ensure it efficiently manages, allocates its resources, and returns value for the investments dedicated to its mission. This requires a comprehensive organizational strategy to guide decisions about operations and policies regarding marketplace governance.

ABD has engaged in an intensive strategic planning process to devise a plan that is progressive and participatory. We reassessed our mission, vision, and values, and defined the organizational strategy to improve our performance over the next three years.

Monitoring performance aligned to our strategy requires implementation of effective performance measures. ABD plans to use a suite of performance measures and indicators to monitor and address key risks and evaluate progress toward each strategic objective that supports our program goals. These performance measures will be monitored and updated as objectives and programs evolve.

ABD's strategic plan for fiscal years (FY) 2022-2024 outlines a roadmap for continuous improvement and performance. The strategic management framework engages individuals from across ABD's bureaus, reflecting the insights, creativity, and energy of the entire organization.

As we move forward with implementation, we expect continued opportunities for our various internal and external stakeholders to become involved and to assist us towards improving results and achieving our strategic goals. These goals align with Governor Reynolds' goals and priorities including *"Iowa's Resilient Economy"*, *"Ensuring Strong, Safe Communities"*, *"Focus on Economic Recovery"*, *"Change Lives through Second Chances"*, *"Empower Rural Iowa"*, and *"Prepare for a Future Ready Iowa"*.

# Authorities and Responsibilities

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ABD operates under the authorities of the Iowa Alcoholic Beverage Control Act (Iowa Code chapter 123) as well as other applicable state laws, rules, and regulations. ABD administers and regulates Iowa's alcoholic beverage laws, led by the Administrator, who is charged with the authority and responsibility of overseeing ABD's day-to-day functions and executing ABD's policies.

ABD is comprised of three bureaus: Regulatory Compliance, Administrative Affairs, and Business Operations. Regulatory Compliance oversees regulation and tobacco enforcement, Administrative Affairs oversees administrative actions, licensing, education and outreach, legislative support activities, and rules administration. Business Operations oversees financial and asset management, product and inventory management, information technology, safety and security, buildings and grounds, and managerial oversight of the wholesale spirits distribution contract, which oversees warehousing and distribution functions and the fulfillment of spirits orders.

ABD's core functions of licensing, regulation, and the distribution of spirits, focus on maintaining a fair and level playing field for stakeholders; protecting the health, safety, and welfare of Iowans; and simultaneously generating revenue for state and local governments. ABD transferred over \$150 million to state and local authorities for FY21 and FY22 transfer commitments will meet or exceed past transfer amounts.

In FY21, ABD issued over 16,900 licenses, permits, and certificates to alcoholic beverages retailers, manufacturers, brokers, and wholesalers. ABD interacts with licensees by providing platforms for online licensing and product ordering, conducting compliance inspections to ensure a fair and level playing field for licensees and permittees, offering educational programs and materials, and delivering orders to class "E" licensees.

## The Iowa Alcoholic Beverages Commission

The Iowa Alcoholic Beverages Commission, created under Iowa Code section 123.5, is comprised of five members appointed by the governor and subject to confirmation by the Senate. Each member serves a five-year term, with the ability to serve a maximum of two terms. The commission acts as a public policy-making body and serves in an advisory capacity to ABD's administrator.

## The Division Administrator

Iowa Code sections 123.7 and 123.9 outline the Division's administrator duties and powers. The governor, subject to confirmation by the Senate, appoints the administrator to a four-year term. The administrator holds the authority to wholesale alcoholic liquor and license, inspect, and regulate the entire alcoholic beverage industry in the state of Iowa.

# Administrator's Letter

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"The outcomes within this year's annual report reflect good government planning and execution. This is a direct result of ABD putting in place a solid strategic plan in 2019."

— Stephen Larson, Administrator



In today's rapidly-changing alcohol marketplace, it's important to have a comprehensive organizational strategic plan to guide decisions and look for operational modifications. The outcomes within this year's annual report reflect good government planning and execution. This is a direct result of the Iowa Alcoholic Beverages Division (ABD) putting in place a solid strategic plan in 2019 to meet the needs of our licensees and industry partners and ensure a level playing field to protect the health and safety of local communities.

In FY21, ABD experienced exponential revenue growth. Total liquor sales were \$415.8 million, a 13.2% increase over the previous fiscal year. Income from liquor profits, funds generated by excise taxes on wine and beer, and revenue from licensing and regulatory efforts translated into a total transfer of \$144.7 million.

Another successful year was completed in the public-private partnership with Ruan Transportation Corporation, which continued to optimize the delivery of liquor and provide increased efficiency and delivery consistency for our retail customers. This partnership allowed us to maintain the continued profitability of Iowa's highly successful citizen-owned model. In addition, ABD implemented and utilized many new information systems to yield data-based decision making. A partnership began with SAS Analytics Software to provide data management and predictive analytics for sales and warehousing products.

Contained within this report will be information regarding alcohol education programs and partnerships, law enforcement training, administrative actions associated with non-compliance, a regulatory compliance report on protecting the health and safety of Iowans during COVID-19, and financial information to provide context and analysis associated with a pre-COVID-19 marketplace versus a COVID-19 marketplace.

## LOOKING AHEAD

As we move forward, we will be expanding upon a joint partnership with the Iowa Department of Revenue's GovConnect Iowa program. This is a one-stop-shop licensing portal for businesses across Iowa to apply for various state issued permits and licenses. ABD's strategic initiatives (see page 3) will be to continue working toward improving our operations, policies, and processes to align with Governor Reynolds' vision of "Unleashing Opportunities."

The information contained within the body of this year's annual report reaffirms our commitment to strive for continual improvement to better serve and protect the welfare of the citizens of Iowa, while meeting the demands of an ever-evolving alcoholic beverages marketplace.

Sincerely,

Stephen Larson, Administrator

# Mission, Vision, and Values

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## Mission

To serve Iowans through responsible and efficient licensing, regulation, and distribution of alcohol.

## Vision

The Iowa Alcoholic Beverages Division provides clarity, consistency, and equity to all stakeholders within the alcoholic beverage industry.

## Values

The Division has adopted the following core values, which employees are expected to demonstrate in carrying out the core functions.

- **ACCOUNTABILITY**  
Respond to requests for guidance received from policymakers and stakeholders with information that is accurate and unbiased. Provide accurate service to class “E” customers in a timely manner.
- **APPRECIATION**  
Instill within Division employees an understanding of the worth and importance of providing our customers with high quality goods and services they need to be successful.
- **INTEGRITY**  
Conduct every task within the Division with honesty and dedication to purpose. Enable staff to take pride in their respective duties through communication and training.
- **COMMITMENT**  
Regulate the industry and wholesale spirits in a responsible manner.



# Assessment

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## Opportunities

As we look to the future, ABD continues to work toward refreshing our laws, processes, and policies to find ways to align with the governor's goals that are fair and protects the general welfare of Iowans. ABD recognizes the need to continue to adapt to meet industry and consumer demands for brand diversity, blending of business models, increased convenience within the retail tier, and advances in technology, e-commerce platforms and business models.

## Challenges

ABD is challenged with balancing its obligation to generate revenue through the wholesale distribution of spirits to over 1,850 class "E" customers with the responsibility of licensing, regulating, and educating the alcoholic beverage industry.

## Population Served

In FY21, ABD issued over 16,900 licenses, permits, and certificates. Licensees and permittees include on- and off-premises retailers, manufacturers, brokers, and wholesalers. ABD interacts with licensees and permittees in multiple ways, including providing platforms for online licensing and product ordering, conducting compliance inspections, audits, and investigations to protect the public health, safety, and welfare, and ensure a fair and level playing field for all licensees and permittees, and delivering orders to class "E" licensees.

## Trends

The alcoholic beverage industry in the United States is anything but static. Mergers and acquisitions on a global scale, along with a craft industry growing at a pace never seen before, intertwine with changes in retailer demands for increased access to alcohol products, technology, and expectations of greater selection and convenience. ABD will need to continue to adapt operations, processes, and policies to enable it to work effectively and efficiently with this evolving industry and consumers.

# Iowa Alcoholic Beverages Division

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## Our Mission

To serve Iowans through responsible and efficient licensing, regulation, and distribution of alcohol.

## Our Vision

The Iowa Alcoholic Beverages Division provides clarity, consistency, and equity to all stakeholders within the alcoholic beverage industry.

## Core Values & Focus

**INTEGRITY** – Our employees, partners, and licensees can count on ABD to be honest and trustworthy.

**MISSION ORIENTED** – We will keep a constant focus on the Iowans our programs benefit.

**PURPOSEFUL WORK ETHIC** – We nurture a culture of outstanding work ethic, teamwork, and diligence.

**ACCUNTABILITY** – Willingness to accept responsibility and honor our commitment.

**CUSTOMER SERVICE** – We are courteous, responsive, and respectful.

**TRUSTED RESOURCE** – We are a reliable resource for Iowans.

Maintaining a responsive and effective organization requires state agencies to look at their business processes and operations strategically.

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## Executive Information

Kim Reynolds ..... Governor of Iowa  
Adam Gregg ..... Lieutenant Governor

## Division Administration

Stephen Larson ..... Administrator  
Herbert H. Sutton, Jr. .... Operations Bureau Chief  
Leisa Bertram ..... Comptroller  
Joshua Happe ..... Regulatory Compliance Bureau Chief  
Lolani Lekkas ..... Administrative Affairs Bureau Chief  
Stephanie Strauss ..... Government Relations

# Key Strategic Initiatives

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## Building a Future-Ready Iowa

- Partner with other agencies and outside stakeholders to share resources and information as a way to better provide services to all Iowans.
- Provide internship opportunities for Iowa college students to help advance their knowledge and/or skills.

## Creating a Competitive Business Environment

- Identify ways to streamline the alcohol licensing process by collaborating with other State and local licensing authorities.
- Revise trade practice rules to create regulatory clarity and better synchronize with an evolving industry and marketplace.
- Identify ways to increase service to Iowa businesses by demonstrating ongoing improvement in the distribution of spirits.
- Create e-commerce platforms that allow businesses and consumers to place and track products ordered through delivery.
- Modernize rules and regulations that affect the alcoholic beverages industry by refreshing ABD's regulatory program and increasing licensee compliance.

## Empowering Rural Iowa

- Provide educational opportunities for rural stakeholders regarding alcohol licensing in manufacturing, retailing, and regulatory governance.

## Offering Redemption through Second Chances

- Ensure administrative actions taken for first-time violations properly fit the severity of the offense. When appropriate, provide education to licensees, allowing for a second chance to comply.

# Governor's Goals and Priorities

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## Focus

ABD's strategic plan focuses on being efficient with the expenditure of public funds while seeking opportunities to improve services, maximize revenues, and provide education and outreach to internal and external stakeholders. ABD's strategic plan aligns with Governor Reynolds' goals and priorities, with a focus on operational and financial efficiencies.

## Governor's Strategic Goals and Priorities:

- Focus on Economic Recovery
- Change lives through Second Chances
- Empower Rural Iowa
- Prepare for a Future-Ready Iowa
- Iowa's Resilient Economy
- Ensuring Strong, Safe Communities



# ABD Strategic Goal Overview

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**ABD established three-year strategic goals to set the long-term outcomes and direction for our programs.**

## ABD Strategic Goals

### **GOAL 1:**

**Maximize revenue to the General Fund by collaborating with our distribution partner through modernization of processes.**

Create a revenue-maximizing product portfolio and reduce distribution operating costs. Additionally, use data management analytics to monitor trends, which will improve sales and thus, increase revenue.

### **GOAL 2:**

**Provide educational opportunities for internal and external stakeholders, and focus regulatory program efforts on ensuring safe communities and a fair and level business environment.**

Improve compliance through providing reference materials electronically and provide educational training to staff to enhance internal processes.

### **GOAL 3:**

**Maintain a competitive and transparent environment for Iowa businesses.**

Collaborate with policymakers to identify what should be the drivers of change to modify Iowa's alcohol laws.

### **GOAL 4:**

**Utilize and engage Information Technology in areas of data analytics, operational metrics, and data governance to enhance reporting and daily operations.**

Identify systems and processes that can be improved or enhanced by IT solutions. Create intelligent and robust reports and data sets.

# Goal 1:

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**Maximize revenue to the General Fund by collaborating with our distribution partner through modernization of processes.**

**Strategy 1: Structure the Division to maximize operational efficiency and to create opportunities to lower its costs.**

- Measure progress by achieving lower operating costs related to freight and warehouse expenses.
- Measure progress with return on sales increasing from year to year.
- Measure progress by reducing cost per case delivered.
- Implement site improvements for increased safety, security, and increased value of the State asset.
- Configure warehouse space in order to maximize capacity and diversify product portfolio.
- Use technology to make data-driven decisions.

**Strategy 2: Maximize revenue generation within ABD's business model.**

- Measure progress by increases in income from operations.
- Measure progress by increases in the percentage of net profit.
- Search for alternative uses of ABD's logistics capabilities.
- Create a revenue-maximizing product portfolio.
- Reduce distribution operating costs in partnership with our distribution partner, executive branch agencies, policy makers, and industry.

## Goal 2:

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**Provide educational opportunities for internal and external stakeholders, and focus regulatory program efforts on ensuring safe communities and a fair and level business environment.**

**Strategy 1: Increase compliance with Iowa Code chapter 123 by continuing to offer training and education to law enforcement, local authorities, and licensees/permittees.**

- Expand ABD's outreach strategy to make compliance training more accessible to law enforcement officials, industry, and health officials.
- Refresh reference materials and make materials available electronically.
- Provide easier access for retailers to educational materials such as, but not limited to, I-PACT and I-PLEDGE.
- Measure progress by decreases in non-compliance from the prior year to the current year, and increases in training programs.

**Strategy 2: Increase knowledge and training of ABD staff.**

- Review succession planning, emergency management training, and execute practice drills periodically.
- Create written processes and procedures for all agency job functions.
- Identify opportunities for professional growth and development of ABD staff.
- Hire additional personnel with accounting, investigative, and regulatory compliance backgrounds.
- Measure progress by maintaining individual staff training plans.

**Strategy 3: Increase compliance with the law and promote a fair and level business environment by addressing complaints received by citizens, licensees, and other stakeholders and by implementing an ongoing licensee inspection and audit program.**

- Effectively and efficiently educate and license alcohol establishments in partnership with local authorities.
- Ensure proper payment of tax on alcoholic beverages, which includes classifying products for tax purposes and verifying compliance through audits and investigations.
- Detect and address alcohol and tobacco violations.

## Goal 3:

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### **Maintain a competitive and transparent environment for Iowa businesses.**

#### **Strategy 1: Create regulatory clarity by modernizing the rules and regulations that affect the alcoholic beverage industry.**

- Review and refresh ABD's rules and regulations.
- Collaborate with policymakers to understand the drivers of change that lead to modernizing Iowa's alcohol laws.

#### **Strategy 2: Enhance existing partnerships and build new relationships and networks.**

- Expand partnerships with other state agencies to increase alcohol and tobacco regulatory compliance and education and outreach.
- Strengthen communications and relationships with customers and industry.
- Continue to maximize efficiencies in distribution with our distribution partner in the areas of warehousing and delivery.



## Goal 4:

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**Utilize and engage Information Technology in areas of data analytics, operational metrics, and data governance to enhance reporting and daily operations.**

### **Strategy 1: Utilize technology for the efficient delivery of services.**

- Ensure safety, security, and continuity of ABD functions by maintaining state-mandated COOP/COG.
- Pursue technology innovations to enhance measurement capabilities and capitalize on opportunities.
- Complete implementation and integration of technology platforms across core ABD functions and state executive branch agencies.

### **Strategy 2: Update systems and processes that customers and stakeholders use for daily operations.**

- Build technology solutions to support data transparency and improve business opportunities in Iowa.
- Provide enhanced technology systems to support both citizens and businesses in increased compliance efforts.
- Improve technical systems and processes to provide modern reporting capabilities for beer and wine taxes.

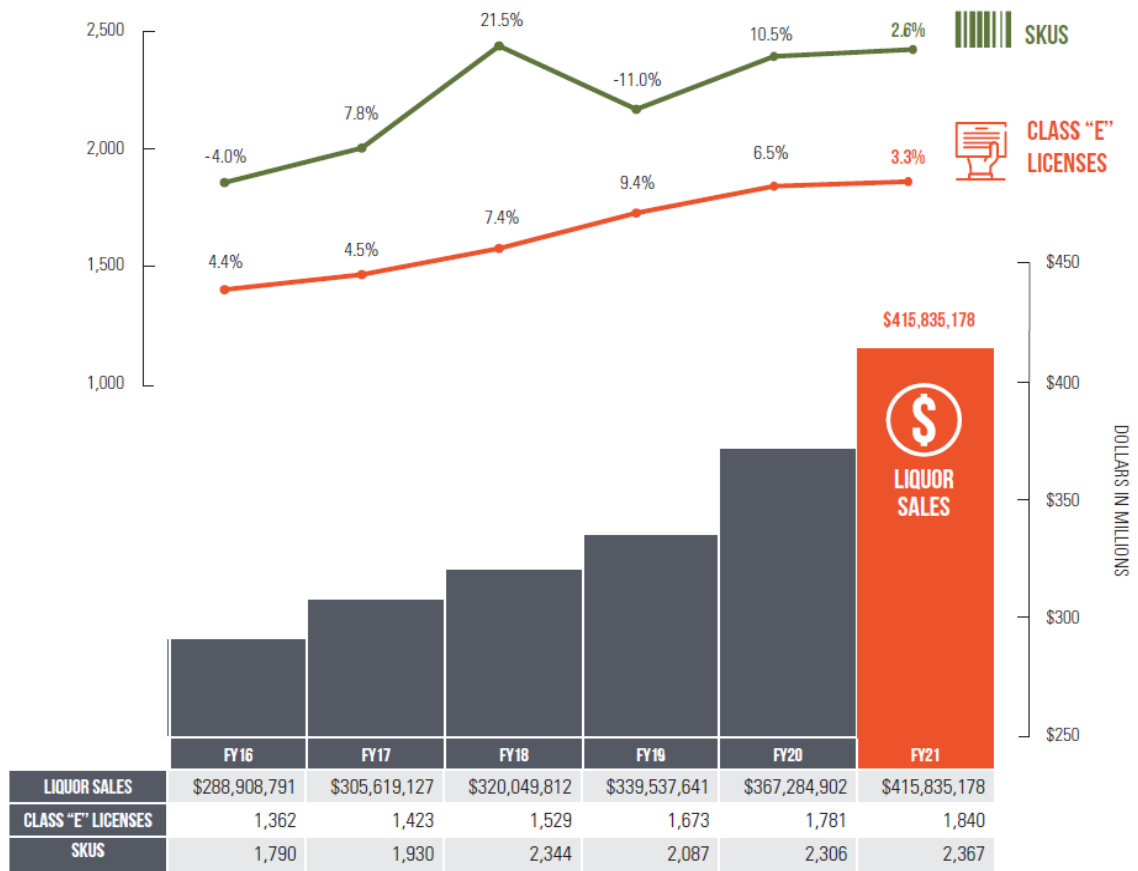
### **Strategy 3: Use technology to enhance reporting for both internal and external stakeholders.**

- Continue to evolve and enhance the information technology human resources at ABD in order to provide intelligent operational data.
- Engage in statewide initiatives and programs to increase data governance and continue to manage and clean data at ABD for accurate reporting.
- Provide analytics and detailed systematic information for all units within ABD.

# Class “E” License and SKU Growth

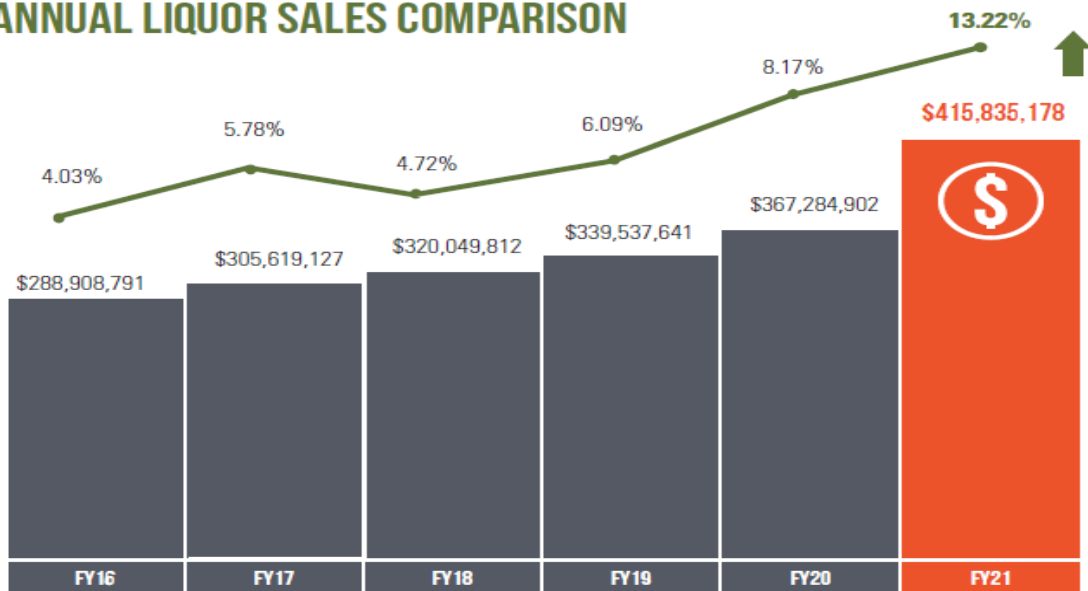
ABD continues to experience growth in many aspects of the business model including class “E” licenses and SKUs. The increase in class “E” licenses increases the number of distribution points available to be delivered to on a weekly basis. The number of SKUs refers to the diverse catalog of products offered for distribution to class “E” licenses for sale to the public and on-premises license holders. The following graph depicts the growth of the spirit sales as well as the distribution and SKU growth over the last six fiscal years.

## ANNUAL GROWTH OF SPIRIT SALES, DISTRIBUTION OUTLETS, & SKUS

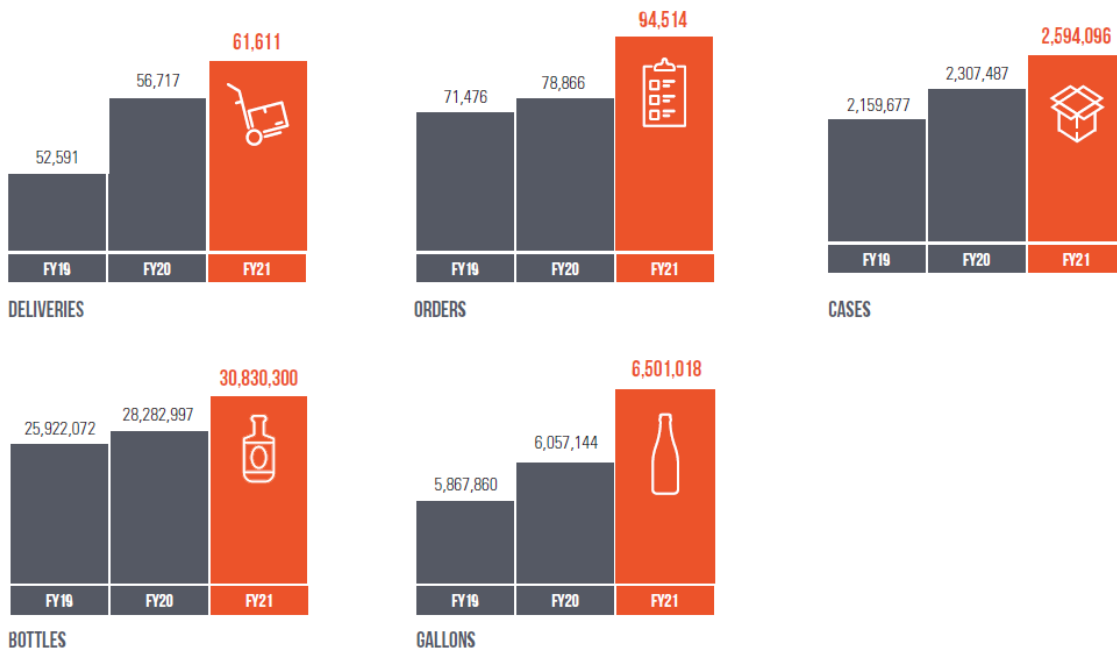


# Annual Liquor Sales and Delivery Comparison

## ANNUAL LIQUOR SALES COMPARISON

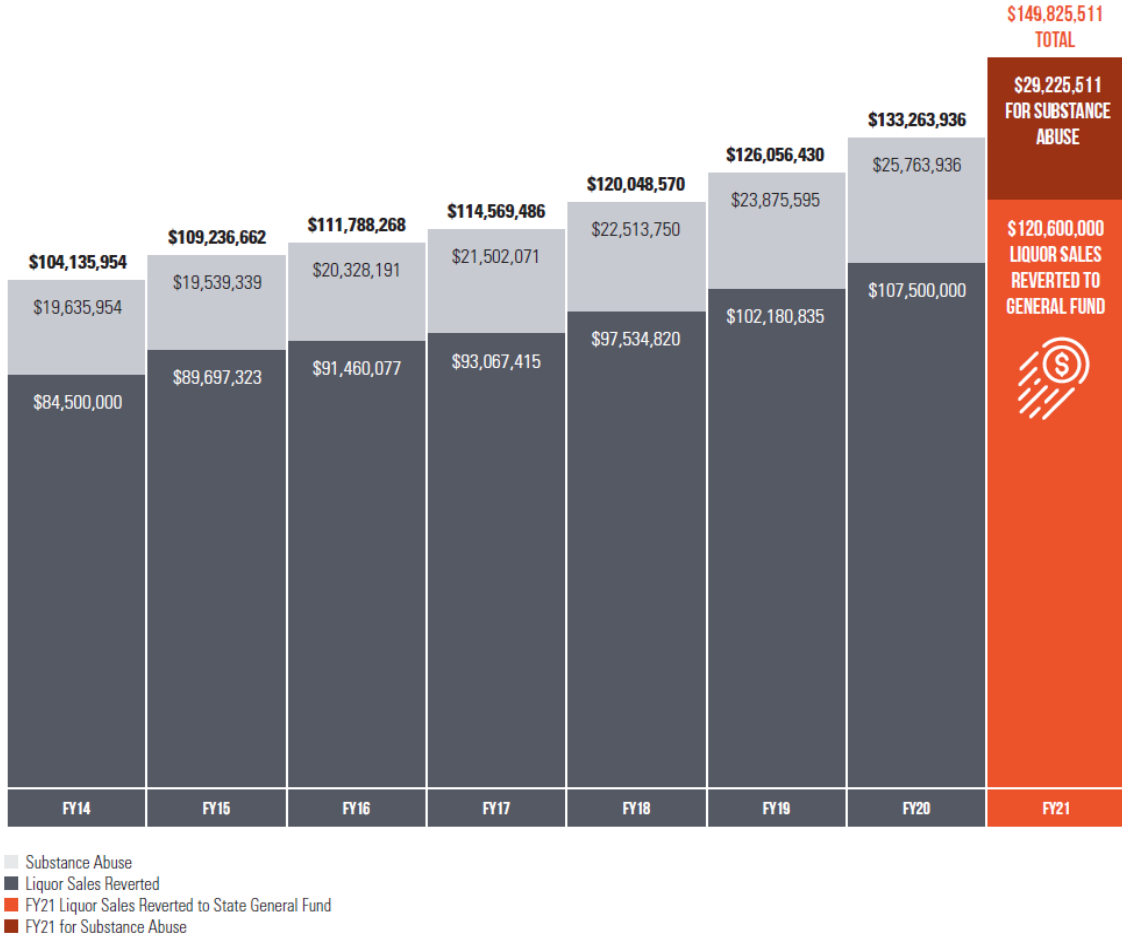


## ANNUAL DELIVERY COMPARISON



# Reversion Analysis Summary

Each year ABD transfers a monthly reversion amount of a portion of the revenues from liquor sales, license fees, and other sources back to the State General Fund. This reversion is then appropriated by the legislature to other departments and agencies throughout the state. ABD provides an estimate of this total number to be used in budgeting and is required to fulfill this estimated amount. The estimate is derived using past and current sales and reflects the overall growth of ABD as it continues to serve Iowans through the responsible regulation, sale, and distribution of spirits.



# Contact Information

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