



## Mountain Park Liquor

### Overview

**Country or Region:** United States  
**Industry:** Retail

### Customer Profile

Three years ago, Dick McGregor applied his big-dealer automotive background to owning and managing a strictly regulated Lake Oswego, Oregon, liquor store.

### Business Situation

The first two systems the new owner tried diluted his ability to see data as he needed it. Their security was weak and they didn't handle non-liquor items wisely.

### Solution

Microsoft® Business Solutions for Retail Management, enhanced by additions from New West Technologies, Inc., complies with strict state regulations yet offers thorough profit-management tools.

### Benefits

- Store keeps 25 percent less inventory
- Purchasing drops from hours to minutes
- Owner can buy liquor from state's single vendor, other items at best price
- More flexible point-of-sale interface
- Owner automates price changes

## Oregon Liquor Store Serves Up Profits While Simplifying Government Compliance

“Microsoft Retail Management just sits on a stronger foundation than other things I saw. It gives me more ways to set up inventory, mind the store, and track problems with a transaction.”

Dick McGregor, Owner, Mountain Park Liquor

In less than two years, Dick McGregor had tried and rejected two point-of-sale (POS)/retail management systems for his Oregon liquor store. Both seemed to trade away profitability for compliance with strict state liquor regulations. Their reporting was too rigid and they didn't meet his previous business standards.

Microsoft® Business Solutions for Retail Management offered Mountain Park Liquor the most solid retail basics McGregor had seen. Then certified Microsoft partner New West Technologies, Inc., customized the product for compliance and profitability. It now manages strict legal intricacies yet gives McGregor a full set of flexible business tools to increase profits.

Today, McGregor sees stock and sales reports the way he wants—for any time period—and has cut Sunday-night purchasing time from hours to minutes.



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## Situation

Dick McGregor and six employees of Mountain Park Liquor in Lake Oswego, Oregon, serve a clientele established by 22 years in one location. The store stocks about 1,000 SKUs. Nearly all are liquor items and McGregor is proud of his extensive selection of high-end scotches. Oregon law prohibits Mountain Park from selling beer, wine, or any items not related to liquors. The store sells glassware, tobacco products, soft drinks, and party and food items. McGregor and customers maintain an easygoing and comfortable atmosphere.

Although nearly all states regulate and tax liquor, Oregon shares liquor-tax revenue among counties, cities, and the general fund. The *Portland Tribune* describes state liquor tax as “100 percent markup on wholesale” and Bend.com said Oregon’s fiscal year 2003–2004 “net revenue was [U.S.]\$119.2 million” from liquor sales. This important source of public-benefit revenue is tightly regulated and protected.

## Adapting to Strict Rules

“In Oregon, liquor stores—called agents—operate under rather complex rules; far from conventional retail. We make money by optimizing our ordering and sales mix, and we become profitable by tightly controlling costs,” says McGregor, who has owned Mountain Park Liquor for three years.

State regulations require tight records and impose tough standards on stores and, therefore, on any information system. “Under our last two point-of-sale (POS) systems,” says McGregor, “we were playing catch-up with the numbers and didn’t have enough reporting to make smart projections into the future.”

Under Oregon law, agents such as Mountain Park stock liquor essentially on consignment. McGregor orders approximately \$35,000

weekly in liquor inventory from the Oregon Liquor Control Commission (OLCC). He takes delivery but not ownership, as liquor stocks remain property of OLCC until the consumer purchases them.

Agents’ credit card receipts go automatically into an OLCC account. Customers make checks out to OLCC and agents deposit them daily. Agents deposit cash to the OLCC account to top off any liquor sales not covered by credit cards and checks. Agents deposit appropriate cash into their own lottery account, from which the State Lottery Commission takes its due weekly. McGregor and other agents retain remaining cash to cover non-liquor sales and their gross profit.

Agent profits on liquor sales—a sliding commission of 7.5 to 8 percent—are determined and disbursed monthly by OLCC check.

Besides tracking unowned inventory, Oregon agents pay OLCC the same amount per bottle that they collect—a business model seldom used in retailing—so the value of stock at wholesale is the same as at retail.

“Under these rules of engagement,” says McGregor, “most liquor store inventory and information systems resort to ‘workaround’ methods that let you sell at the register, but inevitably limit your back-office intelligence. How can a system help you maximize profits when your cost equals your sales price?”

Another complexity is that stores pay a penalty for ordering in quantities that break OLCC-defined “master-pack quantities.” These may be a case, a palette, or a few bottles, depending on the product ordered and bottle size.

Further, Oregon liquor stores operate as wholesalers to the bar and restaurant trade, giving these dispensers a five percent

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discount, which must be calculated at the point of sale and tracked for reconciliation with the state board. This is all the more odd because agents pay full price for discounted items and are compensated by OLCC at month-end.

#### Using the Regulations

Oregon allows an interesting flexibility, however. Liquor stores may perform inter-store transfers with sister, or even completely unrelated, liquor stores. But OLCC is watchful that paperwork submitted by both parties agree exactly.

Further, each liquor item has its own Oregon code number that a system must track. A fifth of Jack Daniels Tennessee Whiskey is 146B, a half-gallon of Jim Beam is 140H. These codes often come in handy, but they must appear on reports and always correspond with the right items, price, and stock keeping unit (SKU) number.

McGregor says of his previous system, “I could see how many 146Bs I sold, and I could see a matrix for a month, but that was static information. I couldn’t make product comparisons, and I had no way to change a report’s time period. Retailers may want to know how well they did the five weeks since Christmas—or in the 18 months since they installed a new POS system.”

Retail systems must track lottery sales, which are also state-controlled and must be reported and paid to the Oregon State Lottery Commission. Lottery tickets are dispensed from an electronic lottery terminal but could be paid for at any register, whose totals for lottery sales must match that of the lottery terminal.

#### Living with Strict Information Systems

McGregor’s previous Microsoft® MS-DOS®-based solution, still used by many Oregon liquor stores, was modified to adhere to state

regulations on liquor sales alone, which crippled capabilities in non-liquor areas. Because liquor came only from the state, the previous system assumed all products would have a single supplier. So it couldn’t help store owners order non-liquor items from the most cost-effective supplier.

“Even if only 10 percent of your gross is non-liquor,” McGregor says, “an uncooperative system will eat up disproportionate amounts of your time and effort to keep those records straight.”

The previous solution frequently crashed, shutting down business or losing hours of back-office work. “And we had no support for the many add-ons that had been developed for it,” adds McGregor.

The earlier system let McGregor calculate profits after the fact, but offered no advance reporting or flexible and automated ordering to drive future profits. “It had a simple min-max ordering calculation. That’s adequate if you want your business to stay static. It wasn’t meant to accommodate a growing business.”

And McGregor doesn’t think there’s any point in staying static.

#### Solution

After buying the store, McGregor spent nearly 10 months inventing system workarounds, evaluating alternatives, selecting and rejecting several retail solutions, and finally exhausting and uninstalling two earlier systems.

“Speaking with other liquor agents,” says McGregor, “I got the impression that many accepted a seat-of-the pants approach to inventory management as inevitable because they had never seen an information solution to adequately handle regulations and profits. But I wanted to stay in Oregon—and I still

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wanted to run my store as I had run other service-and-goods, transaction-based businesses. ‘I know some system can do this,’ I told myself.”

McGregor had 23 years in automobile parts and service, so he brought knowledge of computerized inventories. A friend in the liquor business showed him what he terms “a sort-of *windowed-but-not-really*” product that needed work. He tried that after his previous MS-DOS-based system, prevalent in Oregon liquor stores, went flat. “Even the later one needed better reporting, inventory handling, and easier ways to look at the data in different combinations,” says McGregor.

#### **Pushing for the Ideal Solution**

“I found that other POS offerings were just making their first [Microsoft] Windows®-based product,” says McGregor, “whereas Microsoft Retail Management was structured and born in a Windows environment. That gives it enormous capabilities.

“First, I put Microsoft Retail Management through every test I could think of to verify its capabilities.” Then he had Microsoft Certified Partner New West Technologies, Inc., customize it to Oregon regulations. Both parties wanted to retain the product’s broad-brush abilities to adapt to real-world retail challenges they knew would come up.

“I selected the Microsoft solution,” he says, “largely because I could customize reports so many ways. Coming from companies that like everything visible and well reported, I know you need many ways to see your stock and money. Thorough reporting is a big deal.”

McGregor also previewed the product’s thorough and easy-to-use security system, which would allow him to define what any employee could view, do, edit, or report on.

#### **Selecting the Software Developer**

“I knew I could rely on Microsoft for upgrades and support. With a smaller company, you’re dependent on one technician’s personality, availability, training, and intelligence. You finally get someone at a help desk familiar with your business, then your person gets a better offer and leaves that developer.

“I could have bought cheaper, but not smarter. I have confidence in the software and the team backing it up. Knowing a qualified reseller like New West has Microsoft behind them means I can sleep easy knowing if I need help I can get it quickly. New West is just a phone call away and, with Microsoft’s support staffing levels, I know I’m never going to be stuck finding a qualified person.”

#### **Benefits**

Although Microsoft Retail Management was installed less than six months ago, an early result of its flexible ordering strategy is already apparent. McGregor has optimized stock levels, and thereby cash flow. The store now has 25 to 30 percent less money tied up in stock.

“I get my data the way I want it,” says McGregor. “I can see six months’ data or I can create a report for the last 49 days or for two quarters ago.”

In Mountain Park’s old systems, if a cigarette supplier changed prices, McGregor had to change each brand, variety, and length by hand.

“Now,” he says, “we run simple wizards that change prices by manufacturer, vendor, or item. They can apply a percentage or dollar amount to existing prices. I can adjust departments, categories, or individual SKU prices as I see fit. When vendors have online or CD-ROM catalogs, I can import them.”

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Dick McGregor, Owner, Mountain Park Liquor

### **Better Basics**

“Microsoft Retail Management just sits on a stronger foundation than other things I saw,” McGregor says. “It gives me more ways to set up inventory, mind the store, and track problems. Then New West made us an intelligent auto-replenishment routine to check past history and automatically adjust reordering thresholds for each product as popularity rises and falls. This helps me boost margins by avoiding the penalties of splitting master-packs.”

“We’ve had no system crashes since our new system from Microsoft Business Solutions was installed,” says McGregor.

### **Purchasing and Pricing**

Ordering used to consume McGregor’s Sunday nights from nine till midnight. “Now I actually could do purchasing in three minutes with automated order generation,” he says. “And the new system takes full advantage of sales records, current stock levels, and vendor data. But I take extra time to verify each purchase amount by viewing the graphs side by side with the numbers. As I review suggested orders, I factor in my own knowledge and anticipate variation in upcoming sales trends, like a holiday rush on eggnog.”

McGregor uses his extensive knowledge of Microsoft Excel as a backup check on prices. He exports a price sheet to Excel and writes a program to pop up any prices where retail does not equal wholesale. “With the old system, I’d have to go line by line,” he says.

“Now I compare suppliers for lowest cost. It allows me to optimize purchasing to my financial advantage. Finally, I’m in charge of my own purchasing dollars.”

### **Speeding Customers’ Checkouts**

The state-assigned code numbers for liquor products has now become a simple field for

each SKU. It is entered once and remains constant despite the occasional change in UPC code for the products.

“These codes are a fast way to sell an item when the bar code just won’t scan, or is damaged or missing. We enter that code and the sale moves on. We can look up any SKU number by so many factors.”

Everyday tasks, repeated hundreds of times, are faster each time. “The old registers required us to enter transactions in an invariable sequence. If a customer changed his mind in the middle of a purchase, we couldn’t simply modify a quantity, or edit a line of the transaction once entered. We’d have to credit the three bottles he didn’t want, or void the transaction and start over. Now, we have more complete control over the transactions and don’t waste time fighting the registers.”

“Sales flexibility was a big deal to me,” says McGregor, “because customers and cashiers aren’t cookie-cutter entities. With Microsoft Retail Management, both have flexibility to change their minds and make mistakes. The system is very forgiving.”

“Bars and restaurants order 70 to 80 bottles at a time, so we generate a ‘pick list’ for them with the Customer Item List Manager that New West developed. We use that to quickly generate this week’s mix of their usual purchases. To accommodate discounts, this tool automatically deducts the 5 percent and separates it on the invoice. Now we have these big orders pulled up at the register and the right discount applied with one touch.”

### **Unexpected Benefits**

“The system has so many timesavers,” says McGregor. Previously, time and attendance was handled by having the staff sign in and out. Their information was entered and totaled through an Excel spreadsheet. “Now,

## For More Information

For more information about Microsoft products and services, call the Microsoft Sales Information Center at (800) 426-9400. In Canada, call the Microsoft Canada Information Centre at (877) 568-2495. Customers who are deaf or hard-of-hearing can reach Microsoft text telephone (TTY/TDD) services at (800) 892-5234 in the United States or (905) 568-9641 in Canada. Outside the 50 United States and Canada, please contact your local Microsoft subsidiary. To access information using the World Wide Web, go to: [www.microsoft.com](http://www.microsoft.com)

For more information about New West Technologies, Inc., products and services, call (503) 235-4656 or visit the Web site at: [www.newestech.com](http://www.newestech.com)

For more information about Mountain Park Liquor products and services, call (503) 636-0310.

Microsoft Retail Management clocks staff in and out as they sign in on their register, which puts the information right into the system. I track payroll to the minute, and no longer need to question employees about their times in and out.

"I can't comment on Microsoft support staff as I've never needed them. The system is very self-explanatory and very reliable. New West has made Microsoft Retail Management work for the Oregon liquor store market, and made it compliant to our regulations. They've always been there on the few occasions I've needed support."

### Toasting Other Owners

McGregor advises other Oregon liquor store owners. "Don't guess! It's difficult to find a system that meets the state's needs and meets what an individual businessperson has to watch. Always get a current Microsoft Windows system that has some time in the trenches in the state you're in.

"I've solved that so successfully that I've put in an application for a second store. Other systems I saw just look at the liquor business on a limited per-store basis, not the ten-mile-up view of integrating information across a big picture as this one can."

## Microsoft Business Solutions Retail Management System

Microsoft Business Solutions Retail Management System offers a complete store automation solution for small and medium-sized retailers, streamlining point-of-sale (POS), customer service, and store inventory management, and providing real-time access to key business metrics. Microsoft Retail Management System is a comprehensive solution for single-store and multi-store retailers that empowers independent proprietors, store managers, and cashiers through affordable and easy-to-use automation. Microsoft Retail Management System has the flexibility and scalability to grow with a retailer's business. It works with the Microsoft Office System, Microsoft Windows Small Business Server, and leading financial applications to provide end-to-end support from the cash register to the back office.

For more information about Microsoft Retail Management System, go to: [www.microsoft.com/pos](http://www.microsoft.com/pos)

### Software and Services

- Microsoft Windows XP Professional
- Microsoft Windows 98
- Microsoft Business Solutions for Retail Management System

### Hardware

- Three New West Workstations
- Two Dell Dimension 2400 PCs

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