



New Hampshire Department of Information Technology & New Hampshire Liquor Commission

2017 NASCIO Award Nomination

Title:

Technology and Business Alignment Between State Agencies

Category:

State CIO Office (or equivalent) Special Recognition

Project Timeframe:

February 2015 – December 2016

Contact:

Commissioner Denis Goulet

Denis.Goulet@doit.nh.gov

603-223-5703

Chairman Joseph Mollica

Joseph.Mollica@liquor.nh.gov

603-230-7005

EXECUTIVE SUMMARY



Only 17 states in the country control the sale of alcohol. Some states simply manage warehouse operations, while others license private retailers to sell product on their behalf. New Hampshire stands out from this crowd in that it operates 79 NH Liquor & Wine Outlet locations throughout the state, employing 1,400 full and part-time employees that serve 11 million annual customers. The state of New Hampshire does not simply control the sale and marketing of alcohol. The state runs a three-quarters of a billion-dollar enterprise generating critical revenue used to fund programs including education, health and social services, transportation and natural resource protection.

The New Hampshire Liquor Commission (NHLC) has generated more than \$3 billion in net profits since the first store opened in 1934. NHLC set an all-time sales record in Fiscal Year 2016, generating \$678.4 million in gross sales, an increase of \$26.3 million – or 5.65% – over the previous fiscal year. Total liquor net profits reached \$159 million, of which \$156 million was transferred to the NH General Fund. Additionally, \$3 million was transferred to the NH Alcohol Abuse Prevention and Treatment Fund, which utilizes a percentage of NHLC profits to fund addition treatment and prevention programs.

Given the significant revenue NHLC brings to the State of New Hampshire, the importance of enhancing and maintaining a stable IT environment was obvious to Denis Goulet, who became the Commissioner of the New Hampshire Department of Information Technology (NHDoIT) in February 2015. It was quickly apparent to him that changes were needed from both an IT engagement model perspective as well as an aging and not sufficiently reliable IT infrastructure.

Commissioner Goulet’s vision was to evolve NHDoIT to become a more business-focused organization. His strategy was to initiate a more productive dialogue with the agency one that concentrated on the business needs where transparency, accountability, collaboration and teamwork through employee empowerment was promoted.

The ensuing relationship between NHLC and NHDoIT quickly evolved to a place of mutual understanding and trust, enabling both agencies to work together to successfully open seven new retail stores spanning across the state – all within a year, and with no downtime. The two state agencies are now working together to transform how technology is conceived of, planned for, and implemented in support of NHLC’s current and future business objectives.

Commissioner Goulet credits the existing expertise, work ethic, and professionalism of the NHDoIT and NHLC teams on the ground with this success; with better communication at the

executive level, the team's many strengths could now be optimized to help NHLC meet its business objectives on an aggressive schedule.

CONCEPT

Given the dependence on NHLC's sales to fund critical programs, its technology requirements are not those of a typical government agency; instead, NHLC's IT needs are that of a business enterprise handling millions of dollars in annual sales with the need to quickly adapt to succeed in the competitive retail market.

In 2015, NHLC came to a crossroads. Competition from neighboring states and private retailers was building, and NHLC refused to rest on its laurels. Led by Chairman Joseph Mollica and Deputy Commissioner Michael Milligan, NHLC was in the midst of a long-term project to renovate or relocate more than a third of its 79 NH Liquor & Wine Outlets located across the state to improve customer experience, offering exclusive selections, and increase revenue for the state. While NHLC had plans to continue leading the way in this new competitive landscape, it knew its technology capabilities were not sufficient for the task.

Commissioner Goulet challenged both NHDoIT and NHLC employees to embrace his vision. The teams came together to address two things: the state's existing technology, which was not sufficiently reliable, and the relationship between NHLC and NHDoIT, which was merely transactional – disconnected in communication tactics and not results-driven – making it difficult to implement transitional change.

With backgrounds in the private sector, Commissioner Goulet and Chairman Mollica came to a quick understanding that NHDoIT could not approach NHLC like a typical state agency. By initiating a more productive dialogue between the two departments, Commissioner Goulet, along with NHLC Chairman Joseph Mollica, established and empowered a team of key members from both organizations to work collaboratively to enhance the use of technology and improve business productivity.

SIGNIFICANCE

The state of New Hampshire depends on NHLC for essential revenue. As a business, NHLC must remain ahead of the competition in order to continue on its current path of growth. In 2012, NHLC embarked on an ambitious and strategic campaign to renovate and relocate its statewide NH Liquor & Wine Outlets, erecting new stores and improving existing locations with state-of-the-art upgrades such as iPads for perusing inventory, digital displays to promote products and enhanced phone and internet capabilities to add more capacity for serving additional shopping space, new products and more convenient locations—all while maintaining the most competitive prices and the largest selection. The project began in 2012, and 2016 marked a milestone year with the completion of stores in 26 communities and most stores completed in one year – seven – including the largest liquor stores in the region, a 33,500-square-foot NH Liquor & Wine Outlet along the Massachusetts border in Nashua. The size of this project as it

relates to technology is massive, long-term, and the stakes are high with so much critical revenue to the state at stake.

New Hampshire has built and burnished a national reputation and brand as the most progressive and most profitable control state in the country – despite managing the business on a 30+ year old financial system. A failure of this platform would have resulted in a significant loss of revenue and negative publicity. To put this in perspective, NHLC’s most profitable retail locations are located on Interstate 95 North and South in Hampton, which generated a combined \$63.7 million in Fiscal Year 2016 alone. Across the entire portfolio of stores, sales can reach \$1.4 million in a single day.

The relationship between NHLC and NHDoIT now compared to when Commissioner Goulet and Chairman Mollica began their collaboration is almost unrecognizable. Transforming the IT function in NHLC started with a change in the engagement model. By initiating a dialog inside NHDoIT about NHLC’s importance to the state, NHDoIT began to better align efforts with NHLC’s business interests, which created a virtuous circle of improved operational effectiveness as well as improved inter-organizational trust.

Mechanisms were put in place to facilitate the transformation:

- Regular executive level communications between Commissioner Goulet and Chairman Mollica to ensure consistent top-level alignment on strategic and operational priorities. Both parties agreed to use influence within their own spheres to promote a culture of honest communication and collaboration.
- Partnership across organizations to adjust roles, recruit new players, and sometimes change out players so that the staff mix in both organizations was better aligned with NHLC’s mission.
- Improvements in the agency level IT governance structure to ensure better prioritization, transparency, and accountability for both organizations.

By recognizing and better understanding the challenges between the two agencies, NHDoIT was able to shift the working rapport in a way that ensured mutual responsibility and accountability moving forward. With that new door open, it became possible to then begin implementing new technology and strategies, and upgrade all areas of IT in NHLC needed for future business operations and expansions.

IMPACT

As a result, NHLC and NHDoIT are aligned at all levels, allowing NHLC to operate in an efficient and nimble manner.

The following initiatives and results were generated following the engagement model shift:

- Established IT risk mitigation processes to minimize impact of aging infrastructure and applications.

- Migrated 30+ year-old back office financial system to updated hardware without impact to the business operations. This is now hosted in a virtual environment, which eliminates lengthy business interruptions due to hardware failure.
- Reduced store outages due to network errors by 89% since replacing wide area circuits.
- Implemented backup data communications to high volume retail locations to minimize downtime in the event of carrier based network outages.
- Deployed upgraded voice communications systems to all locations that included replacement of NHLC’s end of life VoIP solution with zero business interruption.
- Contributed to NHLC’s aggressive revenue goals by assuring all requisite technology was in place and operational for the seven retail store openings that occurred in 2016. This included installing brand new equipment and transferring existing equipment from an old location to the new location. In the case of location changes, all equipment was shut down at the close of business, and back up and running in the new location by opening of business the following morning.

Each NH Liquor & Wine Outlet addressed in 2016 has seen a performance improvement compared to its original location:

Location	2016 Opening Date	Initial Size / Upgraded Size (Square footage)	Revenue Generated Within Six Months (new location)	Increase Compared to Same Timeframe of Prior Year (old location)	Sales Performance Improvement
Epping	January	(New) 12,000	\$ 3,394,513	N/A	N/A
New Hampton	April	7,000 / 12,000	\$ 2,860,242	\$ 1,390,755	195%
Londonderry	May	4,000 / 15,000	\$ 7,893,840	\$ 4,071,542	207%
Seabrook	June	6,000 / 15,000	\$ 6,752,600	\$ 1,703,529	134%
Plymouth	July	4,000 / 9,000	\$ 2,767,582	\$ 1,261,388	183%
Nashua	August	8,000 / 33,500	\$ 14,236,969	\$ 4,246,946	143%
Pembroke	September	(New) 12,000	\$ 1,453,449	N/A	N/A

The pace of new store openings and relocations shows no signs of slowing, as NHLC anticipates opening six more store locations within the next year - from the northern most point in New Hampshire near the Canadian border (Colebrook) to the Vermont border (West Lebanon) and the Seacoast (Portsmouth).



All new and renovated NH Liquor & Wine Outlets follow a uniform design, such as the new Epping location pictured here

Additionally, NHDoIT and NHLC are working together to further advance IT capabilities to include:

- A two-year project to implement the Next Generation ERP and Point of Sale solution to address aging infrastructure. This project is being operated under strict multi-tiered governance principles.
- Rolling out new pin pads to address EMV compliance and enhance the security of credit card transactions and increase the profitability of store operations.

Internally, NHDoIT employees supporting NHLC are reporting increased efficiency due to more aligned workflows and goals, and turnaround time for day-to-day tasks has increased on average by more than 100%. In addition to the improvements in day-to-day workflows, the following operational improvements were achieved:

- Wide area network issues typically presented 54 times a year, and usually took 5 hours to resolve. Under the upgraded WAN platform, those requests have been reduced by 89%, and if an issue does arise, it is resolved 20% faster.
- Issues with credit card processing not only caused disruption at the retail lanes; they also caused issues with back office functionality processing and reconciling those transactions. These outages took an average of 10.3 days to be resolved. Network upgrades, improved vendor management with the credit card acquirer and better back end data management tools have resulted in any disruption in processing to be fully resolved the same day.
- Outages with the backend financial system typically took an average of 5.5 days to resolve. Expanding the staff supporting the system and migrating it to new hardware resulted in same-day resolution of problems with the system.

This has allowed NHDotIT to interact with NHLC on a more proactive improvement basis rather than a reactive technology failure basis. The improved relationship at all levels is exemplified by the fact that NHLC recently recognized the key role two NHDotIT staff members played in its success by presenting them with its Business Partner of the Year award, which is traditionally given to business entities outside of state government, and on a national level.

NHLC has its sights set on an ambitious goal - \$1 billion in sales. Implementing new technology will play a central role in achieving this milestone. Thanks to the work of Commissioner Goulet and Chairman Mollica to optimize the existing strengths of and collaboration between their teams, New Hampshire is well poised to reach this figure and continue to benefit the state of New Hampshire and its citizens.



*NHLC honored the New Hampshire Department of Information Technology as its Business Partner of the Year. Pictured here, from left to right, Michael Milligan, NHLC Deputy Commissioner; Joseph Mollica, NHLC Chairman; Theresa Pare-Curtis, NHDotIT Director of Web Services; Michael O'Neil, NHDotIT Director of Agency Software; **Award Recipient Jim Cordio, NHDotIT**; Denis Goulet, NHDotIT Commissioner; and Nicole Brassard Jordan, NHLC Director of Marketing, Merchandising and Warehousing.*

*Pictured here, from left to right, Michael O'Neil, NHDotIT Director of Agency Software; Denis Goulet, NHDotIT Commissioner; **Award Recipient Richard Racicot, NHDotIT**; Theresa Pare-Curtis, NHDotIT Director of Web Services; and Jessica Co, NHDotIT IT Manager.
Photos by Gil Talbot.*

