FDFA Semi-Annual Operator's Meeting Minutes
Hilton Lac Leamy Hotel - Ottawa, ON
April 12th, 2011

Description	Action
1. Call to Order The meeting was called to order at 9:00am by Laurie Karson Laurie welcomed the members to the FDFA Semi-Annual meeting in Ottawa and introduced our meeting special guests and presenters. The special guests/presenters include: Jack Hughes of BLG and Michael Powell of Impact Consulting. Laurie noted a special thank you to Patron Spirits – Burt Stewart and Roger Thompson for hosting the Operator dinner in Ottawa on Monday, April 11th. She also recognized our special dinner guest – Mr. Stan Mitchell who recently retired from his role at CBSA's duty free shop program office in Ottawa. Laurie noted that CBSA would not be presenting at the meeting due to the current election.	
2. Roll Call & Review of November 2010 Draft Operator Minutes Laurie Karson conducted roll call. <u>Attendees:</u> Abbotsford Duty Free, Ambassador Duty Free, Blue Water Duty Free, BHT de Highwater, BHT de L'Est, BHT de Philipsburg, BHT de Stanhope, Importations Guay Ltee, Niagara Duty Free, Peace Bridge Duty Free, Tobacco Plains Duty Free, West Coast Duty Free, Windsor Duty Free <u>Proxies:</u> North Portal's proxy to Blue Water Bridge Duty Free, Peninsula Duty Free proxy to: Ambassador Duty Free, Osoyoos and Kingsgate Duty Free proxy to: Abbotsford Duty Free, Peace Garden Duty Free proxy to Blue Water Duty Free, <u>Non-Attendees:</u> Aldergrove Duty Free, Altan Duty Free, Fort Duty Free, BHT de la Beauce, DFS Ventures, Peace Arch Duty Free, Sault Ste. Marie Duty Free, St. Stephens Duty Free, Woodstock Duty Free and Kitt's Duty Free Total Stores Represented at meeting– 19 Stores. Laurie Karson noted that quorum for the operator's meeting has been met. She then reviewed the November 2010 minutes and requested that if anyone had any amendments, deletions or comments to provide at the meeting. No additional agenda items or agenda amendments for the meeting were requested. **<u>Meeting Objectives:</u>** Laurie reviewed the key meeting objectives which are to discuss: Operator Strategic Planning Budget and Exercise, Update on Program and Committee Reports and discussion on critical GR issues and concluding with the professional development workshop on grassroots advocacy.	Motion was made to approve the November 2010 Operator minutes from the Niagara Annual Convention meeting – Mike Maskery approved and Len DaSilva seconded.
3. Committee & Service Reports Update **Convention Committee 2011** • Laurie reviewed the current committee composition which is comprised of – Mr. Chris Foster (Chair), Jim Pearce, Steve Richardson, Sherri Isherwood of Pernod Ricard, Phil Case, Allison	

Boucher and Laurie Karson

- She reminded everyone that this year's November convention will again take place in Niagara Falls, at the Hilton Hotel. She noted the convention dates are November 13th to 16th, 2011 with registration beginning at the end of May 2011.
- Some of the key changes and notations regarding this year's convention include the following:
    - Tradefloor will continue for 2011 show – including allowing non-FDFA members to participate on floor – via board approval
    - Pernod & Labatt Hospitality Lounge – Two night venue (Monday and Post Gala Evening)
    - Continued Formal Gala/Gold Standards Presentations i.e. MC for Gala/Gold Standards, More polished Gold Standards Presentations
    - No band during gala evening
    - Increasing delegate registration by $5.00 – all proceeds to Child Find Canada – from $15.00 to $20.00
    - New Registration policy – all meeting attendees must be registered at convention or will be invoiced (late admin. Fee)
    - Online registration and operator day passes will once again be available
    - Hotel facility boasts lobby level bar, new state of the art hotel tower, more hotel restaurants, free delegate hotel parking and hotel room internet (only for those staying at Hilton)
    - Media Cocktail appreciation night continues

National Marketing Update 2011

- Laurie updated the members on this respective committee, which is comprised of Nancy Enright, Steve Richardson and Laurie Karson – reporting directly to the FDFA Board of Directors – and working alongside Beakbane Retailing.
- Goal of Committee: To work in a collaborative manner with Beakbane Marketing to identify store perspectives in respect to upcoming and existing marketing initiatives.
- The goals of the committee are not to interfere with our national marketing companies work/expertise, but provide key feedback and information to assist Beakbane in achieving marketing milestones
- Laurie noted the critical reasons why the FDFA has embarked on a National marketing initiative which include the following objectives: giving the industry a consolidated online presence – with a specific consumer target of the CDN public. She also noted the key milestones that have been achieved since the program has been established.
- She noted the recent Internal Consultations/Survey's with key member groups (operator/supplier/friends and family) regarding the new national website feedback whereby – 85% of respondents extremely satisfied with website and initiative, New Duty Free blog, Twitter account, Establishment of supplier advertising opportunities, French Translation of website and store pages – April 2011
- Preparation for Phase 2 of program – Summer 2011 Campaign, Facebook (social networking), banner advertisements and tracking, individual store websites being developed (Peace Arch Duty Free, Osoyoos Duty Free)
- Since February 19th, 2011 – the website has generated 3,108 visitors with 2,402 being unique visitors and 746 returning visitors
- Customers in 48 countries have visited new website with an average time on the site being that of 3 minutes. Average daily visits to the site are approx. 120 per day – with our goal being by the end of 2011 that of 300 unique visitors per day.
- Highest Peak dates – March 10th (124 unique visitors) and April 7th (105 unique visitors) – both Friday's
- Top pages viewed – Allowance page, Store Map Locations, Tax Savings Checker page, Peace Arch Duty Free, Why Duty Free and Border Facts
- Laurie then reviewed the upcoming Summer Awareness Campaign 2011. This campaign is set to be launched in May 2011, and its objective is– Customer driven contest to generate further awareness of duty free website – drive web traffic, and increase our new duty free website's Google ranking
- The campaign will integrate contest with social media platforms, banner ads and in-store activities
- Stores receive turn-key marketing package to promote contest and a small nominal cost for the marketing materials for store material will be implemented i.e. $200.

• Moving forward, the FDFA is also establishing national supplier advertisements • Concluding Laurie noted that it is highly recommended that our stores engage and participate in our national marketing strategies and integrate the national branding components with the store's respective marketing initiatives. Some key suggestions include: utilizing the new brand focus images in store advertising and marketing efforts locally i.e. Change signage, add new website to your respective website, add website link to your email salutation, create radio ads with new "It's Better at the Border tag line", promote website via your personal facebook page • Update your respective store page on national website to promote sales or local activities • All of our efforts will result in increased web traffic which will inevitably lead to increased store traffic and sales. **Business & Professional Development Committee** • Committee: Justin Guay (Chair) and Laurie Karson • Mandate • The Business Development Committee will support the board by identifying, analyzing and recommending specific business and marketing initiatives to assist the association and/or the members as a whole. The committee will support the Board by providing ideas, assessment of opportunities, research, and recommendations on how the FDFA can better fulfill its overall mission. Such areas that the Committee will review include; educational programs to its members on specific business or industry issues/solutions, communication of industry specific topics to customers, national promotional programs and marketing of the industry, and reporting/analysis of innovative business opportunities. These key objectives are meant to assist all members in their common interest to increase profitability and industry awareness. • 2011 Goals: Identify a workshop/speaker or forum at upcoming FDFA Semi-Annual meeting and Annual Convention. Part of this committee's mandate has resulted in today's GR workshop on grassroots advocacy. **Gold Standards Committee - 2011** • Laurie noted the 2011 Gold Standards and Scholarship Committee members: Phil Case (Chair), Glenn Mills, and Laurie Karson and for the Scholarship Committee: Doug Waldie, Laurie Karson and Gene Davis • 2011 Program Highlights/Amendments • Store Participation Forms now available, Online Program documentation – available week of April 11th, 2011, No Customer Exit Forms – encourage stores to use online resource, Voting for speciality product will now include product listing for voting purposes, More professional PowerPoint presentation at Gala of GS awards, New Gold Standards Tagline: *Be the Best you can Be...,* More industry promotion of Gold Standards via PR and National Marketing i.e. Promote winning stores on individual store pages • The Scholarship Committee will be reviewing a method of expanding the current scholarship program to potentially allow for non-duty free employee students to participate in program – possibly align scholarship to the new national marketing initiative to better promote our industry in a positive manner but extend its reach, which will provide better pr benefits. **Financial Update – Jim Pearce** • Jim Pearce – FDFA Board Member and Treasurer reviewed the statement of operations and accumulated net assets as of March 31st, 2011. • FDFA Audit almost finalized (Brian Watson Accounting) • FDFA Membership Dues – increase of 5% across the board - invoices being sent week of April 11th, 2011 and the Marketing Phase 2 invoices – distributing mid-April 2011 • Laurie noted that the FDFA audited draft documents are complete and approved by the board. However, rather than hand these documents out to all members at the convention in our pre-existing manner – we are looking at consolidating these audited statements in a formal Annual Report to the members – which will give our association an opportunity to highlight our GR activities and other accomplishments in a professional and promotional manner. • Jim noted that we will be running a deficit this year due to the Strategic Review and the marketing initiative, but the board has approved this since this is a transitional year due to the marketing initiative. He also noted that we plan on continuing with our 150 reserve fund for emergency purposes. **Supplier Member Committee**	Motion to pass the March 31st, 2011 Financial statements: Gary Dickinson approved and Normand Challifeur of IGL seconded – all approved

• Laurie noted the tentative Supplier Committee members: Brian Herman, Brock Freeman and Confirming Scott Bradley
• Objective: To work with key Supplier Committee in an advisory capacity on key issues/initiatives, in order to garner supplier feedback and insight on key decisions or pending decisions
• Such initiatives and Committee objectives include: Convention Committee activities, Gold Standards voting, National Marketing Communications and advertising, Business and Professional Development Workshop topics or initiatives
• The Supplier Committee is the voice of the suppliers. The FDFA Board will allow a Supplier Committee representative to speak to the board on key issues or matters regarding the duty free industry.
 	
<u>FDFA Bylaws Review</u>
• In Spring 2010, the Operator members voted to approve changes to be made the FDFA bylaws for greater efficiency
  o Key Changes included: Allowing more flexible ability for inclusion of supplier members – previously too restrictive, removed formal regional director positions and just require that the board composition must include at least one person from each of the current regional areas. The person who gets the most votes among members running in each region will be deemed elected to the board, Reduce notification period from 6 weeks to 30 days prior and reduce return date for nominations to 10 days prior, Board term of directors – from one year to two years, and Eliminated 5 year restriction for board members
  o Current Status – Board and Legal advisors completed changes in summer 2010.
  o In order to complete final process, she requested a final motion on the bylaw changes.
	Motion regarding final bylaw amendments were approved by Gerry Lee and seconded by Deborah Kotulak – all approved. .

4. 2011/2012 Board Planning and Budgeting Discussion • Abe followed up on Jim Pearce's financial statement points, by noting that this respective year is a very large transitional year for the FDFA due most in part to the marketing initiative. As such, the board is examining how the FDFA will move forward in funding this program and all of its programs and initiatives. He noted that in 2010 the board agreed to implement a special assessment to cover the marketing costs over the course of three years. He noted that the goal being that the member benefits be funded by member dues and not to go back to the membership for additional dues on special initiatives. He noted that the board is examining how to fund all programs, committees and operating budget moving forward. • The board will be presenting its 2012 budget to members at the FDFA AGM this November in Niagara Falls. • Between now and then, the board will be reviewing all FDFA programs and key policies; all members will have the opportunity to provide input on key issues to the board. The goal is to ensure that the board can make informed budgeting decisions that -- to the greatest extend feasible -- reflect member wishes. • The board would like to kick off the planning and budgeting process, by having some preliminary dialogue with those attending on some key issues already identified. • The goal is not to make any final determinations; final determinations will be made by the board based on its overall review process. Those attending this meeting will have further opportunities for input before the 2012 plan and budget is finalized. • The 2009 Board determined that collaborative industry marketing should be a permanent, core FDFA activity. The goal would be to build up our program impact over time. • It was felt that the industry was falling behind in effectively communicating the merits of duty free to the general travelling public: particularly in new media areas such as the internet, and in PR activities to raise the profile of the FDFA and the industry. • The board determined it should use marketing experts to drive the program. • Other goals/parameters for the program: to ensure the overall cost to members amounts to what should be only a small fraction of a store's annual marketing budget; to extend store advertising outside local marketing areas; and, not to replace the prerogative of stores to manage the bulk of their individual marketing programs. • Given the mid-year commencement, special assessments were used to start-up the 1st phase and it planned to do the same for phases 2 and 3 of the initial plan.	

- Given the original intention that collaborative marketing be a permanent FDFA activity, the board wishes to assess whether future costs should simply be added to operator member fees, versus utilizing special assessments.

Collaborative Marketing Planning Issues

- As part of its planning and budgeting exercise, the board will be considering:

What is an appropriate permanent annual budget for collaborative marketing?

- To pursue a beneficial program certainty must exist that it can continue from year to year, and the amount must be adequate to accomplish meaningful results.
- Since marketing issues and options change over time, the best approach may be to establish a budget based on a modest percentage of industry sales (such that the FDFA program would constitute ~5-15% of what a typical retail store would spend on marketing).

The Board requests your comments, suggestions, concerns about how the FDFA arrives at a reasonable budget amount, and how the costs should be apportioned through membership fees?

- Abe noted that the board's objective is to collaborate with the operators on how we will move forward with this process and create a transparent dialogue on the future funding of the FDFA. The final discussion on this issue will conclude at the operator meeting in November 2011 at the Annual Meeting. Abe reviewed the current spending with the program and next year's spending. Laurie noted that in year one the spending (Phase One) consisted of marketing audit, analysis, market research and development of the website. Phase 2 website program, contest, banner ads and social networking. Additional costs not accounted for such as trademark registration of the logo and tagline, translation costs, style guide, webinar, press release activities and propriety photography for the website.
- What is a reasonable amount to continue doing significant and valuable marketing to support this program. This was only meant to be 5 to 7% of everyone's annual marketing budget. Phillipe Bachand noted he would prefer to have a special assessment and keep our dues as it currently is. It was noted that there is no special assessments to the suppliers, but will be engaging the suppliers with cooperative national ads. The board is planning on relooking at all member thresholds to better reflect our initiatives that will impact all of our members in a positive manner.
- Abe noted that we have a problem as a board with the philosophy of funding core mandates of the association through special assessments – that is not why they are there. We are trying to identify a reasonable level of funding to improve the store's traffic and the overall benefits of the FDFA.
- This exercise is not solely meant for the marketing but development of a business model which may support other core mandates that the board/operators identify in the future.
- The FDFA had a shortfall in the original store thresholds for two reasons 1/ one store not participating and 2/ some stores resulted in wrong thresholds – amounting up to 12K. Abe noted that in his role he does not plan on continuing passing budgets with large defits.
- Laurie noted that the next marketing operator invoice is expected by the beginning of May – which is the same amount noted to the members in Las Vegas – with many respective benefits for the members.
- Abe noted that our number one focus is always going to be GR activities and those activities will never be underfunded. We also have to realize that surprises occur within the association i.e. GR issues unexpected, etc. – and we need to have the proper reserve.
- Gary Dickinson noted that if our land border sales are $140 million annually – if everyone spinet 2.8% of their revenue and use $100,000 for example on our national marketing efforts – this may be something that the operator should consider.
- Having said this, Abe noted that if we have a successful year with national ads, and successful convention – our revenue issues for a respective year many not be a concern – but we have to budget accordingly if the members determine that the marketing is in fact a core mandate. Laurie asked the members their perspective on the marketing program. Mike Maskery, Gary, Gerry Lee, Normand, Phillipe, etc. All noted their support of the program. Tobacco Plains noted that since she is a small store she could never achieve the scope of the national marketing program initiatives and hence very much is happy with the opportunity to leverage these marketing tactics to increase her sales.

General Discussion

Are there any areas where you feel the FDFA is failing to adequately address all the needs of

existing/historical programs and activities, or where changes in emphasis are required?

- Gold Standards, Waldie Scholarship, Industry Statistics and Survey Reports, Convention, GR, Semi-annual, Etc.

Are there programs or activities that the FDFA is not pursuing now, that should be considered in future?

Do you have any suggestions that the board should consider – on how to carry out the planning and budgeting process – as it proceeds over the next 6 months?

Store Eco and Plastic Bag Program

- Abe noted that the current bag program is a revenue generator for the FDFA. This program is not utilized by all members yet all members benefit from the revenues. Abe noted that we would like to see this program as a cost recovery program for next year, consolidating our bag volume and utilizing our new common logo, centralized warehousing of the bag program. Laurie noted that currently we have 60% of our stores participating in the plastic bag program with 30% participating gin the eco bag program – resulting in approx. 20K in profits.
- Abe also noted that we may want to look at other collaborative efforts such as consolidation of our industry's credit card rating. Other areas for consideration, could be group insurance and or group health benefits.

Contraband Tobacco Update

- Laurie noted that previously the Coalition for Contraband tobacco, which the FDFA is a member of, was being spearheaded by a PR firm entitled Prime Strategies. The Coalition, which is run by the Convenience Store Association, has now contracted Impact Consulting to take charge of this issue. A meeting is forthcoming, in which the FDFA has been invited to attend – whereby they will outline their future strategies that include legislative and PR objectives.

Tobacco Pricing via Store Websites

- Recently, the FDFA sent out a strong recommendation to our stores encouraging our stores not to place any tobacco pricing on their respective websites – as the current environment with tobacco is so under scrutiny. While it is legal for our members to upload tobacco pricing via their websites, the board highly advises our members to refrain from such activities.

Strategic Review Update

- Peter Brain and Laurie Karson provided an update on the Strategic Review. He noted the recent activities since the November convention with CBSA i.e. specifiying the various communications, letters to CBSA, responses, etc. . Additionally, it was outlined to the members on key FDFA meetings with our political contacts regarding this issue, which have included meetings with Minister Nicholson's office, Minister Moore's office and high level staff representatives in Minister Toews office. Some challenges have included restructuring in various government departments.
- Overall, we are pressing for a working group meeting with CBSA. Our goal is to ensure that our key industry pillars remain in place. Since November 2010, the FDFA has proposed several options for CBSA's consideration. While these options have been discounted by CBSA, the FDFA feels that presenting a single focused proposal to CBSA that continues to keep our industry pillars in tact, while working with CBSA to streamline administrative processes that meet CBSA's budgetary and departmental objectives is the optimal solution.
- At this time, we are not asking our members to reach out to their respective MP's on the strategic review issue.
- The FDFA Working Group Committee is solely committed that the SR is the FDFA's number one priority for the association – and is utilizing all efforts and strategies to ensure that we are successful in achieving the maintenance of our industry.
- Since the November Convention, Stan Mitchell has retired, and has been replaced by Joanne Giles, in her role as Senior Program Advisor. It was noted that Joanne is very professional and knowledgeable on our industry and regulations that impact the industry.
- Perimeter Vision and Strategic Review Continued
- Jack Hughes from BLG spoke about the importance to continue pursuing our high level political contacts on this issue – as political will can determine the final outcome of the Strategic Review.
- In terms of the Perimeter Vision, this initiative is a result of the US and CDN governments working together to develop better border efficiencies streamlined regulations to create a better flow of traffic, goods and people – while maintaining both countries high security standards.
- Jack noted that the key areas that the Perimeter Vision will focus on include: 1/ expand security measures 2/ Integrated cross border facilities where appropriate 3/ critical infrastructure

changes at bridges, roads, etc. And 4/ improved trade facilitation • Overall the joint US and CDN regulatory framework with include a public consultation for greater feedback. The FDFA will be providing as part of this consultative process our key asks as they relate to potentially harmonizing the allowance structure and supporting measures that will allow a better flow of traffic at all land border crossings. Currently, the Working Group Committees that are reviewing this initiative has not been formed yet, but we do understand the CDN Privy Council will be overseeing this matter and providing the Prime Minister with their final report of recommendations.	

Government Relations Workshop – Grassroots Advocacy
 	
• Laurie Karson introduced Michael Powell of Impact Consulting who presented to the operator members in attendance a presentation on best in class grassroots advocacy tips and the overall importance of their political relationships.
• Michael began his presentation by noting clear research that indicates that successful association lobbying requires the participation of all its members. The fact remains that Members of Parliament are more interested in their constituency concerns over that of lobbying groups. It is critical to identify, develop and maintain political relationships before issues arise. If and when an issue does arise that requires MP and/or governmental support, it is much easier to express your message and be successful if a coordinated member effort is conducted – and with key political relationships in place
• Michael noted some interesting points for our members to consider:
  o When meeting with your MP – allow them to speak on issues as well
  o Writing a personalized thank you note or congraulatory note is very well received amongst political officials
  o It is important when sending correspondence to your respective MP to highlight your postal address – so that the political office understands that you are in fact a constituent and one that they want to respond to in a timely fashion
  o Attending elected officials town hall meeting, or charity events will not go unnoticed by your respective MP
  o When speaking with a MP highlight who you are, your industry, your key industry concerns – paint a mental picture, and identify your key asks when speaking to your MP – how can your MP support you. If you can identify key statistics in your MP dialogue that is very helpful and don't be afraid to emphasize your businesses visibility and employment within your community.
  o You may even want to consider inviting your MP to your store for an upcoming event – and ensure there is a press component to your event.
  o The workshop was concluded by Laurie noting that during this election period, we ask that our members not discuss the strategic review at this time, but address general border issues. If the FDFA determines that mobilizing our members to speak to their respective MP's on the Strategic Review, the FDFA GR Committee will provide our members with clear direction and messaging.
  o She then gave every attendee a tote bag that has the new National branding logo, with a bottle of ice wine and maple syrup from Turkey Hill Sugarbush. The FDFA recommends that our members when meeting with their newly elected or re-elected official give this tote bag as a gift – thus representing our industry. This tote bag and its contents were verified by our legal counsel as appropriate. All members who did not attend this meeting will receive the tote bag, alongside the recently published GR book on best in class process by Huw Williams – President of Impact Consulting.	

5. Adjournment of Meeting The meeting was adjourned at 4:00pm and the operators would meet again live in November 2011 at the Annual Convention	Gerry Lee of Blue Water Bridger adjourned the meeting