Ministry of Finance
Tobacco and Fuel Tax Exemption Study

Survey Results and Analysis

February 18, 2020

Research Summary

In consultation with the project team, Indigenuity Consulting Group (ICG) drafted and finalized a survey to send to TFTE program registrants in January, 2020. The survey script was finalized on January 21, 2020 and went to field on January 22, 2020.

It was sent to 235 emails provided by the Ministry of Finance, which included multiple email addresses for some of the 176 license holders. ICG received some phone calls and emails from these individuals throughout the data collection process with clarifying questions, and also made numerous phone calls to confirm contact information required to update the list. We also completed two interviews over the phone and entered their responses into the survey platform on behalf of these retailers.

As the study progressed, the ICG team sent reminder emails to these respondents to encourage filling in the survey. The survey was closed at midnight on February 7, 2020. This report summarizes the responses of these retailers.

Out of the 201 individuals who clicked on the survey link, 80 respondents started the survey and 76 completed it. One response was deleted from the database because the survey was filled out twice by one respondent with the same answers. Four (4) respondents did not complete the survey past the first 3-4 questions and their information was removed from the data for final analysis. Further analysis revealed some duplication where we received multiple responses for one location. Eliminating duplications, we received responses from 69 of 192 retailers. This is a response rate of 36% which is considered extremely successful for a survey of this nature.

Please note that because the sample size is only n=69, any figures or charts that we present are not statistically significant, they are only suggestive. These numbers cannot predict behaviour with mathematical confidence if applied to the larger population of retailers, as they only report what is happening with the respondents who answered the survey.

The following sections summarize the findings from the survey:

Demographics

WHERE ARE YOU LOCATED? (N=76)

Remote (off-grid) ■ **Rural Area** ■ **Urban Area**

- Remote (off-grid): 15%
- Rural Area: 72%
- Urban Area: 13%
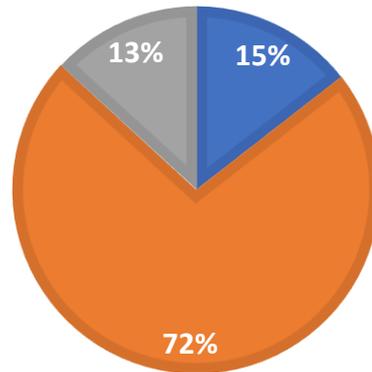
WHAT TYPE OF STORE DO YOU HAVE? (N=76)

Band/Nation office ■ **Home-based** ■ **Other (please specify)** ■ **Traditional retail store**

- Band/Nation office: 27%
- Home-based: 3%
- Other (please specify): 4%
- Traditional retail store: 66%
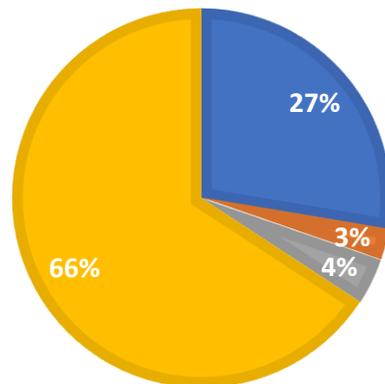
Those respondents who said "other" and we were unable to re-code their response into one of the other three categories (n=3) reported their store type as:

- "Native owned, native goods"
- "Sole Proprietorship"
- "Privately owned on Reserve Land"

Is your retail store a franchise, or partner of a chain or specific brand? (n=76)

29% of respondents (n=22) said that their store was part of a franchise, chain or brand. When asked to identify which chains/brands they were associated with, they responded:
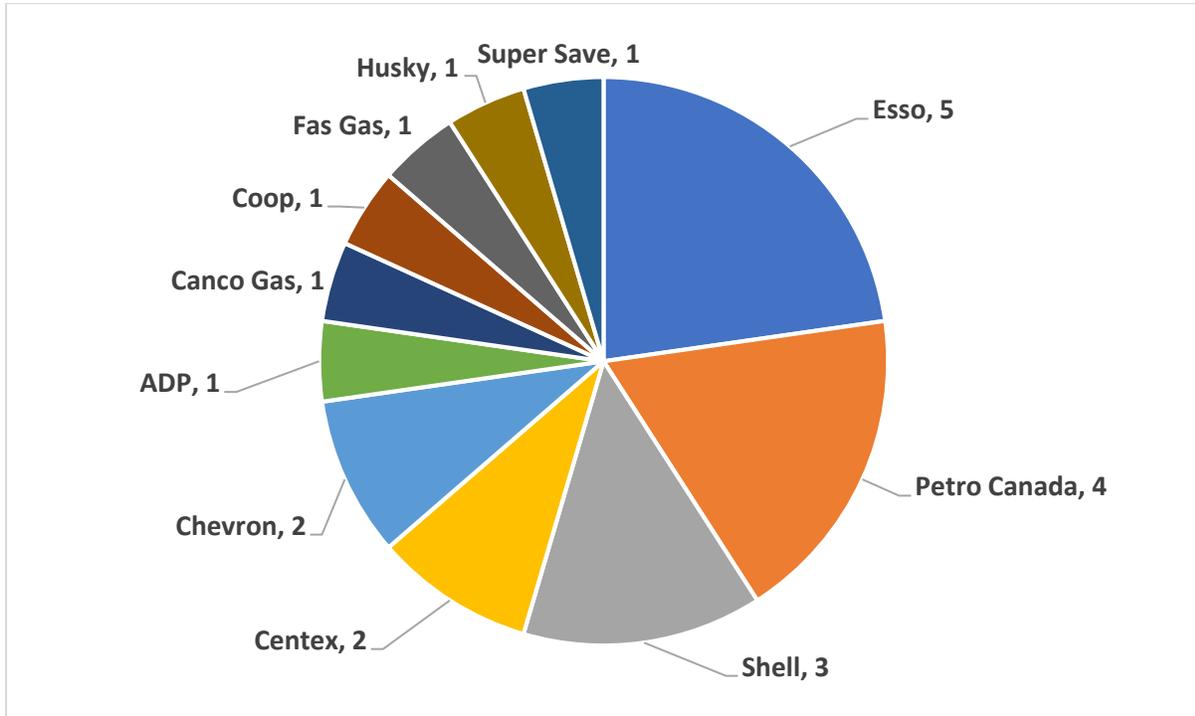
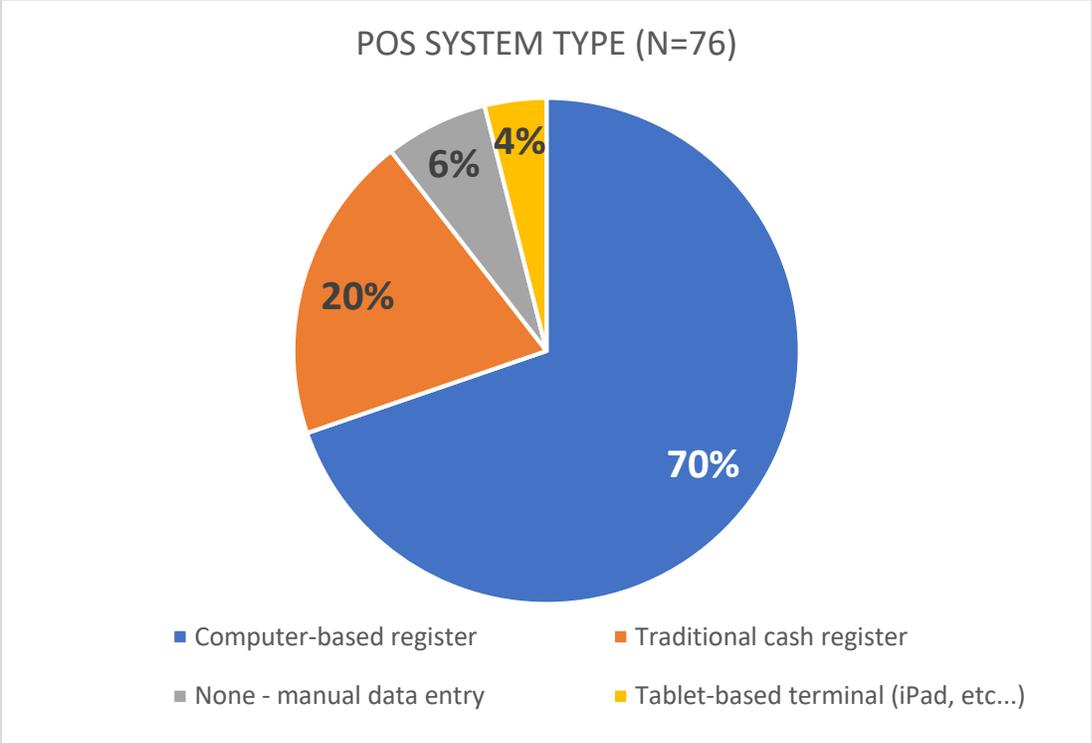## Do you sell fuel or tobacco? (n=76)

NUMBER OF RETAILERS WHO SELL FUEL AND TOBACCO (N=76)
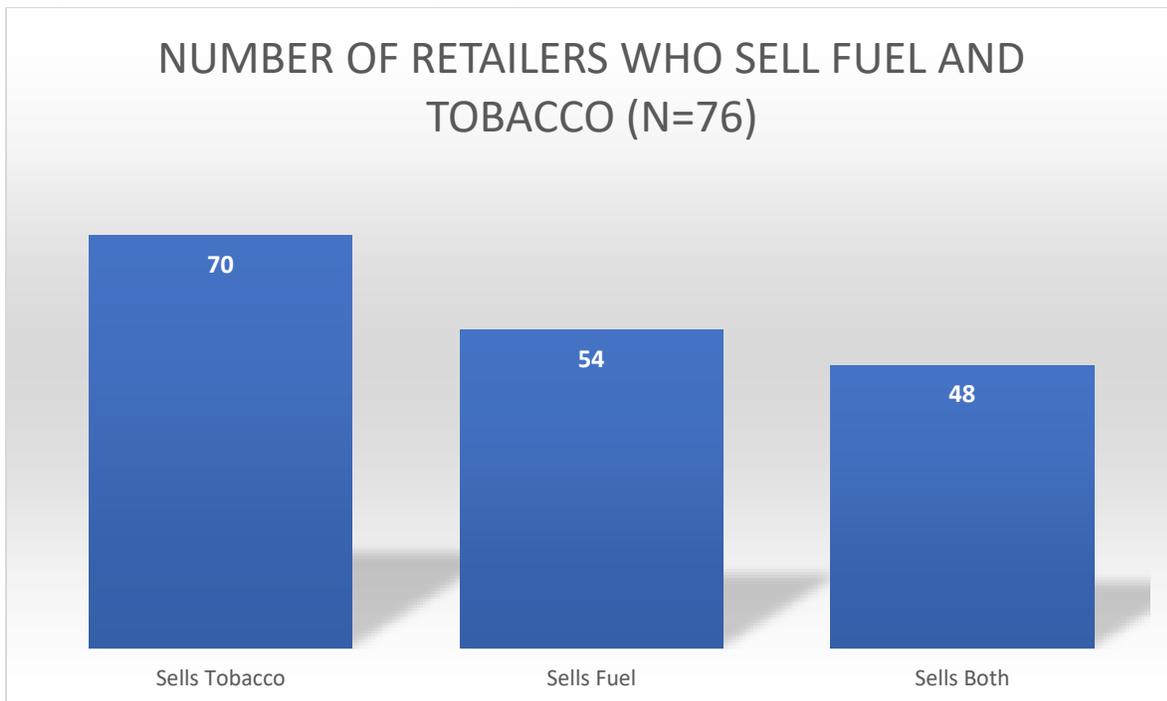
QUESTIONS ABOUT POS SYSTEMS AT THE RETAIL LOCATIONS

What type of point of sale system do you have? (n=76)

POS SYSTEM TYPE (N=76)

- ■ Computer-based register — 70%
- ■ Traditional cash register — 20%
- ■ None - manual data entry — 6%
- ■ Tablet-based terminal (iPad, etc...) — 4%

Does your point of sale system use a specific software for tax-exempt sales? (n=76)

Does your POS use a specific software for tax-exempt sales? (N=76)
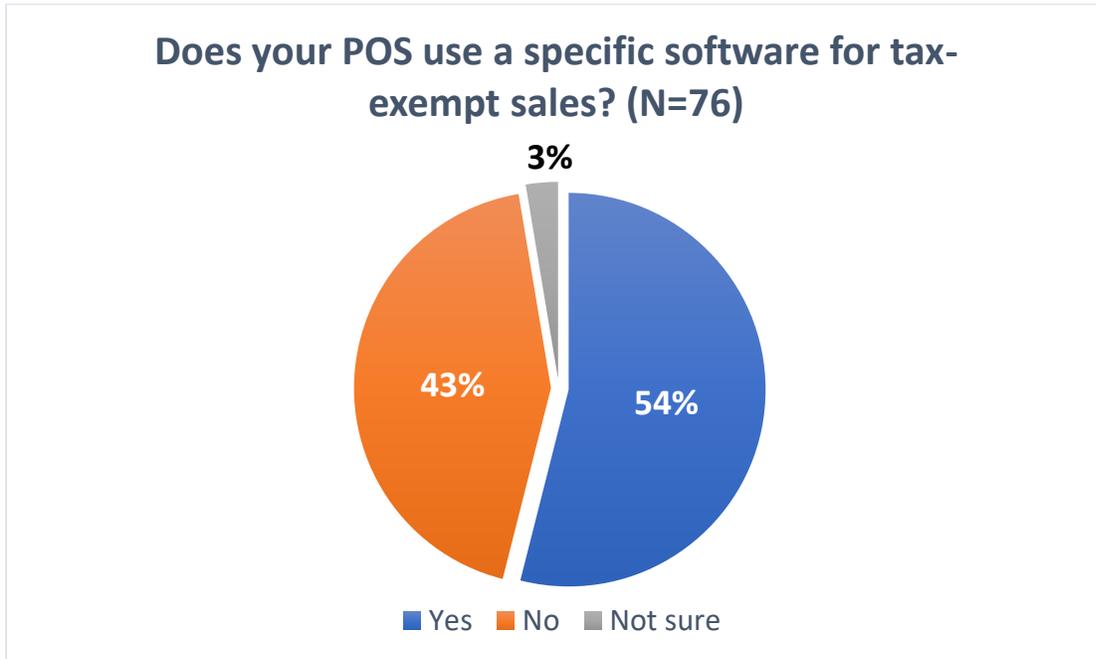
When asked to list the specific software used for tax exempt sales tracking, the respondents who indicated "yes" to the question above (n=41) identified the following software solutions as their system of choice:

TAX EXEMPT SALES TRACKING SOFTWARE (N=41)
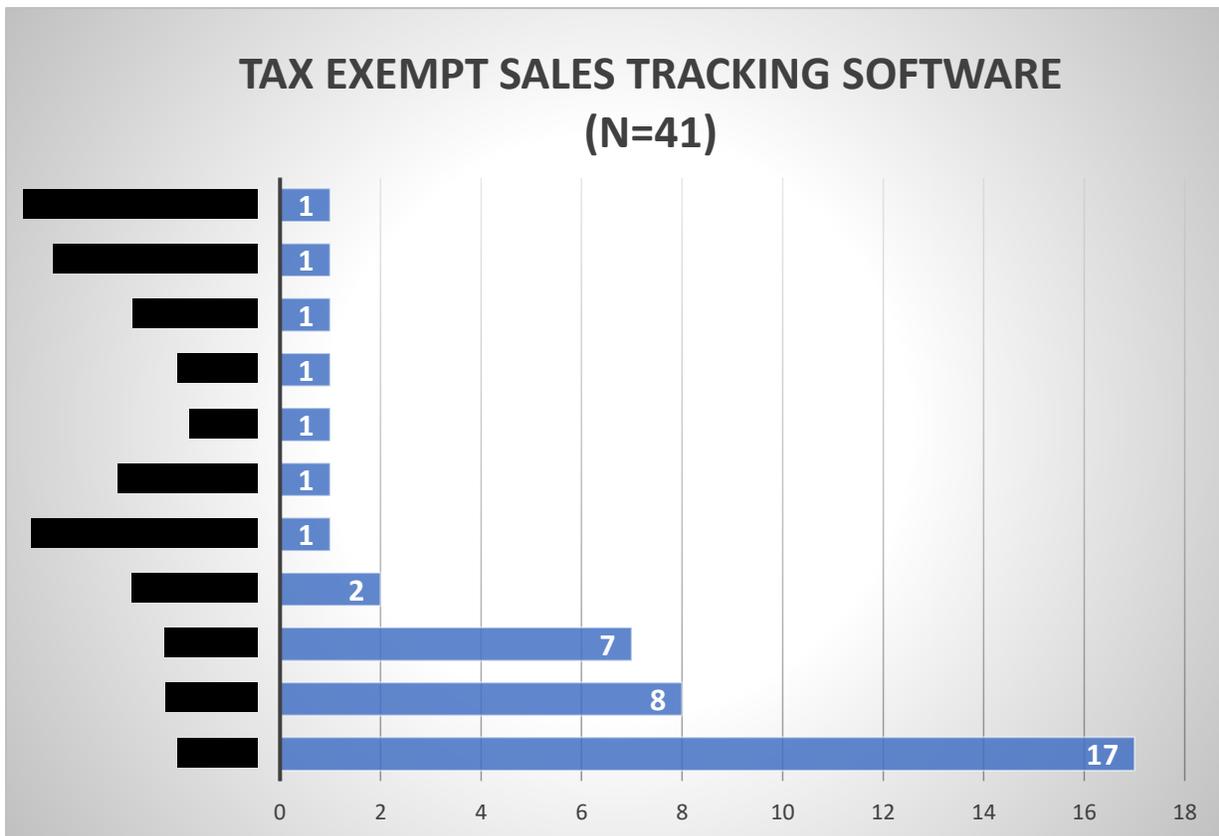
How many point-of-sale terminals do you have at your retail location? (n=76)

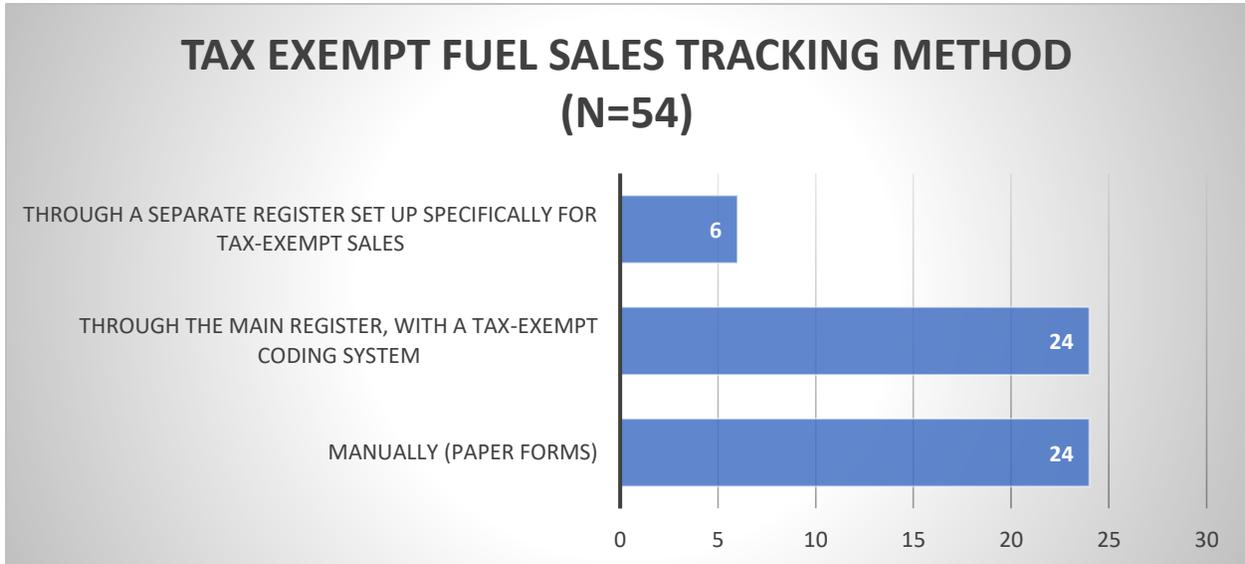| Minimum	Maximum	Average	Median
0	6	1.6	1
Avg # of terminals non-chain/brand name store	Avg # of terminals chain/brand name store		
1.4	2.2		
Avg # of terminals rural locations	Avg # of terminals remote (off grid) locations	Avg # of terminals urban locations	
1.6	1.4	1.9	

QUESTIONS RELATING TO FUEL SALES

As seen in the demographics section above, 54 (71%) of the retailers surveyed sell tax exempt fuel.

Which of the following pump services do you offer? (n=54)

FUEL SERVICE OPTIONS OFFERED (N=54)

Service	Count
CARD LOCK	3
FULL SERVE	23
SELF SERVE	39
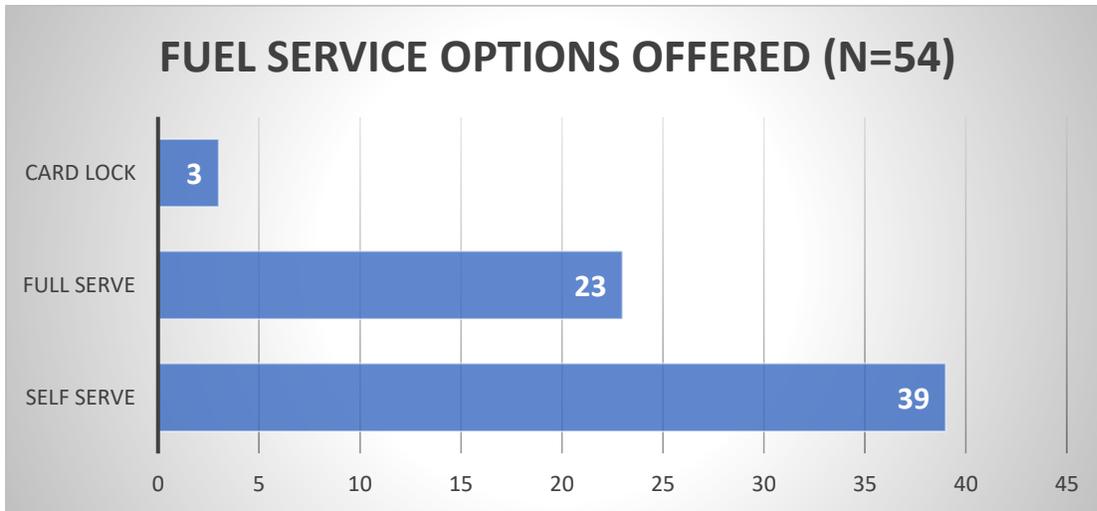
How do you record tax-exempt sales of fuel? (n=54)

TAX EXEMPT FUEL SALES TRACKING METHOD (N=54)

Method	Count
THROUGH A SEPARATE REGISTER SET UP SPECIFICALLY FOR TAX-EXEMPT SALES	6
THROUGH THE MAIN REGISTER, WITH A TAX-EXEMPT CODING SYSTEM	24
MANUALLY (PAPER FORMS)	24

QUESTIONS RELATING TO TOBACCO SALES

As seen in the demographics section above, 70 (92%) of the retailers surveyed sell tax exempt tobacco.

How do you record tax-exempt sales of tobacco? (n=69)

TAX EXEMPT TOBACCO SALES TRACKING METHOD (N=69)

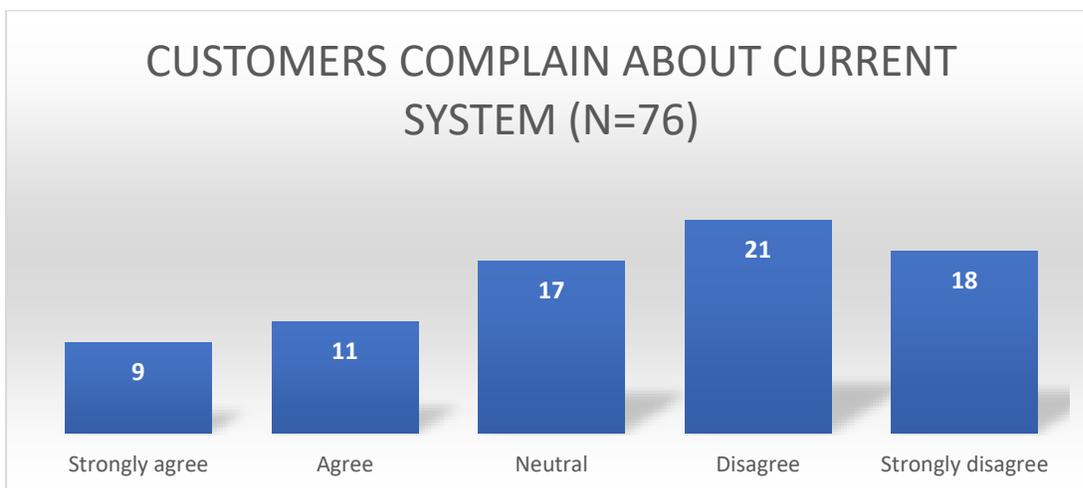| Tracking Method	Count
THROUGH A SEPARATE REGISTER SET UP SPECIFICALLY FOR TAX-EXEMPT SALES	6
THROUGH THE MAIN REGISTER, WITH A TAX-EXEMPT CODING SYSTEM	30
MANUALLY (PAPER FORMS)	33
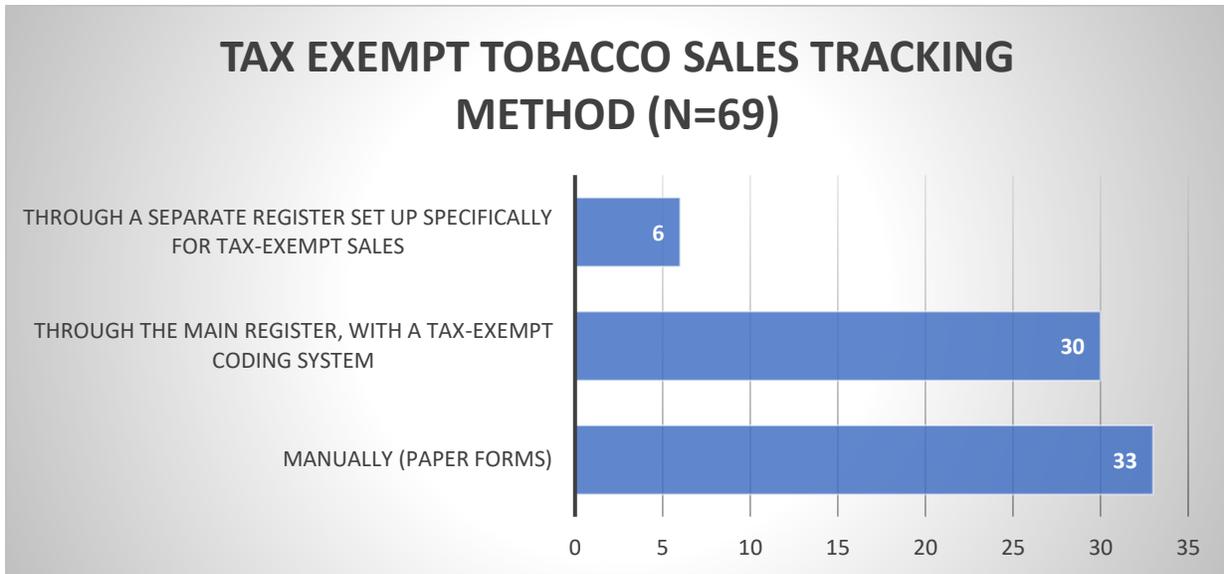
FEEDBACK ON CURRENT TAX EXEMPTION TRACKING SYSTEM

We asked respondents a series of Likert Scale questions gauging their level of agreement with the following statements. The questions were phrased this way:

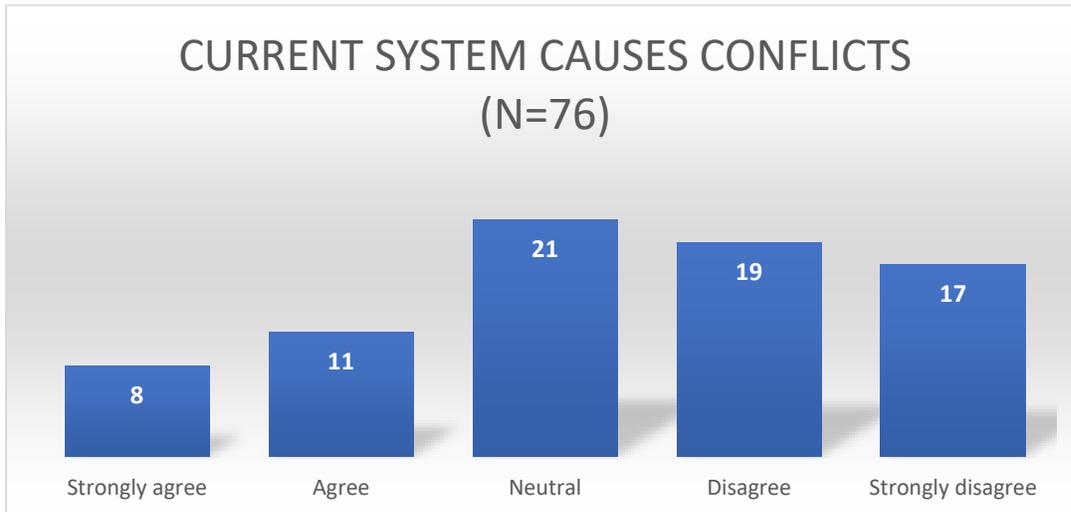*Please rate your level of agreement with the following statements about the current system for recording tax exemptions:*
<Strongly disagree, disagree, neutral, agree, strongly agree>

Customers who purchase tax-exempt tobacco and fuel complain about the current system of tracking their tax exemption. (n=76)

CUSTOMERS COMPLAIN ABOUT CURRENT SYSTEM (N=76)

Response	Count
Strongly agree	9
Agree	11
Neutral	17
Disagree	21
Strongly disagree	18

The current way of tracking tax-exempt sales causes conflicts. (n=76)

I have had issues with the paper-based system (signature sheets) in the past that have made it difficult to accurately report tax-exempt sales. Eg. Signature sheets stolen or lost. (n=76)
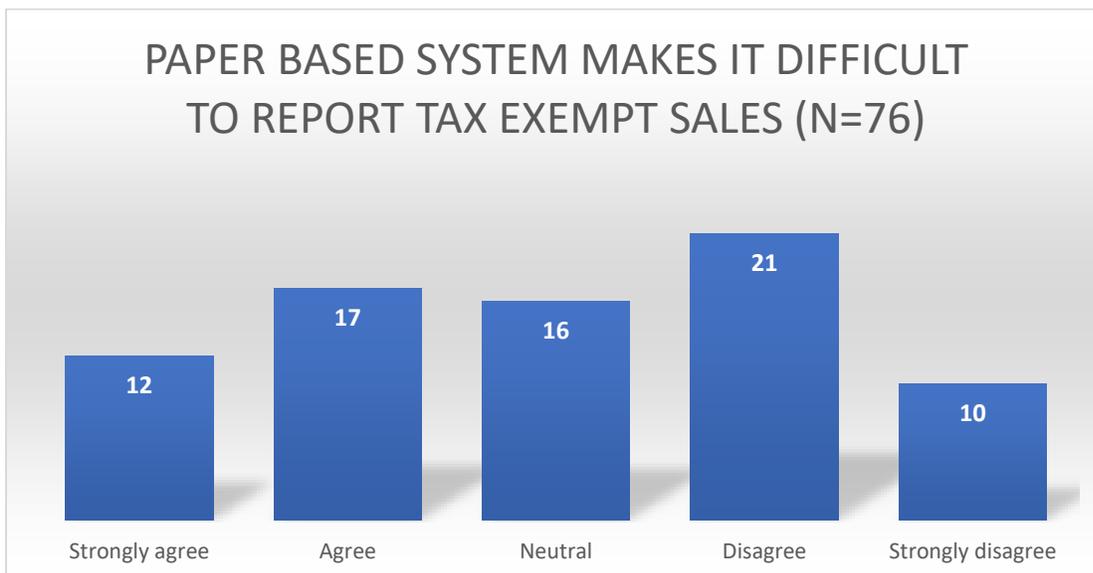
We also asked respondents the following open-ended question. Their responses are coded as follows. The raw information is in the data tables from the survey.

Please provide any additional comments about the current system for recording tax-exempt sales of tobacco and fuel. (n=41)

Sentiment	Count
Manual data entry is problematic	14
Standard Operating Procedures are in place for current system and working	11
Customers complain about current system	11
Digital is better than paper system	5
Need to be able to submit forms electronically - printing and mailing is problematic	5
Cost of setting up digital system is too high	4
Digital systems fail sometimes	2
Customers are used to current system	1

Feedback on Proposed System

We asked respondents a series of Likert Scale questions gauging their level of agreement with the following statements. The questions were phrased this way:

Please rate your level of agreement with the following statements about a new electronic system: <Strongly disagree, disagree, neutral, agree, strongly agree>

An electronic system would make mandatory reporting of tax-exempt sales easier for me. (n=76)

ELECTRONIC SYSTEM WOULD MAKE REPORTING EASIER (N=76)

21	27	17	4	7
Strongly agree	Agree	Neutral	Disagree	Strongly disagree
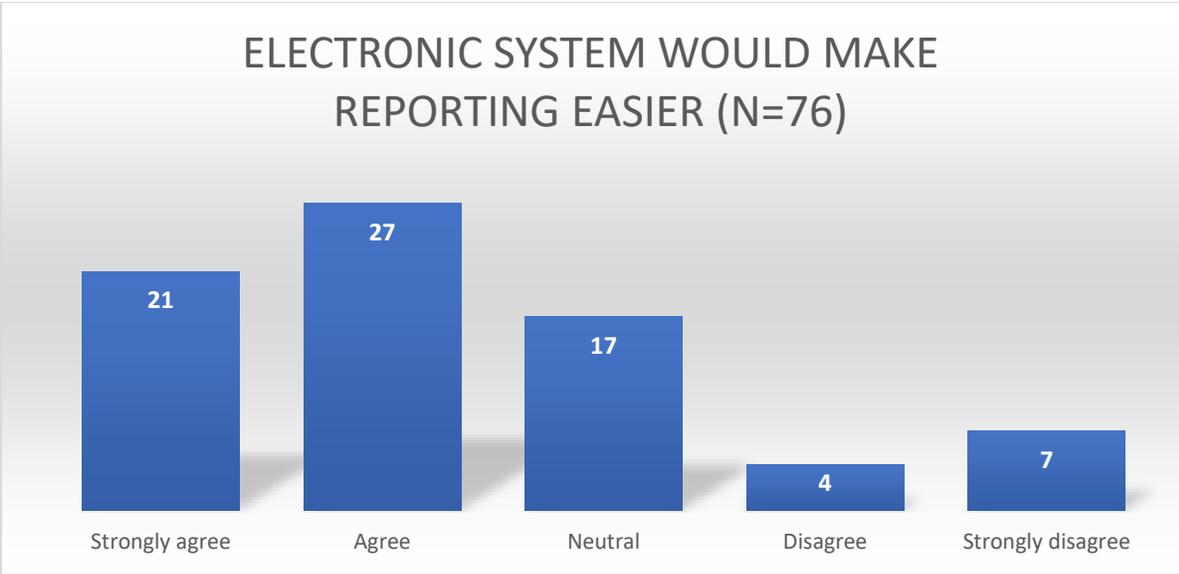
An electronic system would make tax-exempt purchases quicker and more convenient for my customers. (n=76)
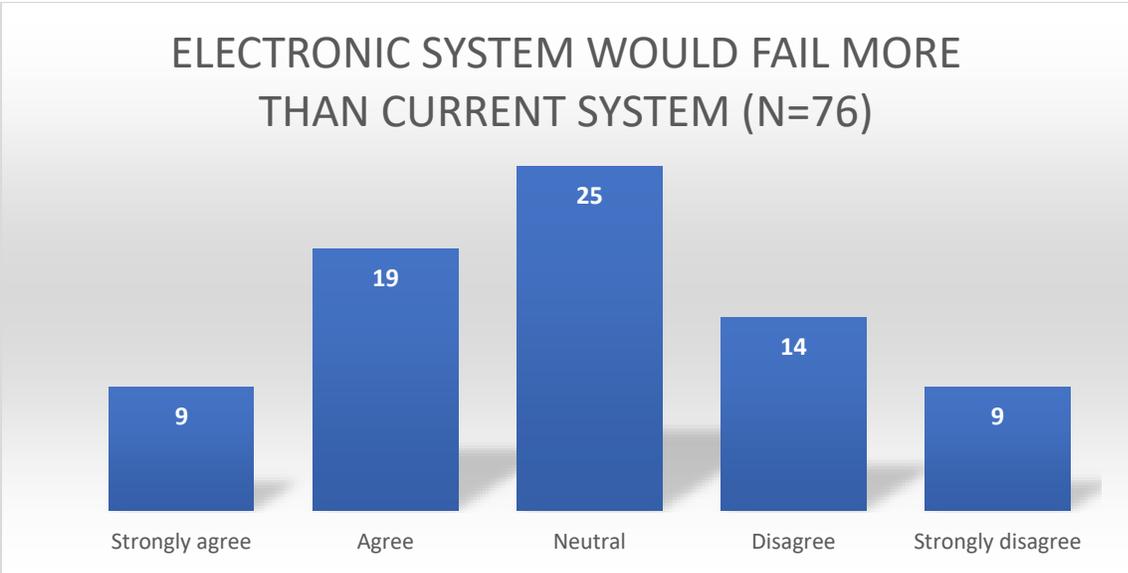

ELECTRONIC SYSTEM WOULD BE QUICKER
AND MORE CONVENIENT (N=76)

- Strongly agree: 24
- Agree: 25
- Neutral: 14
- Disagree: 7
- Strongly disagree: 6
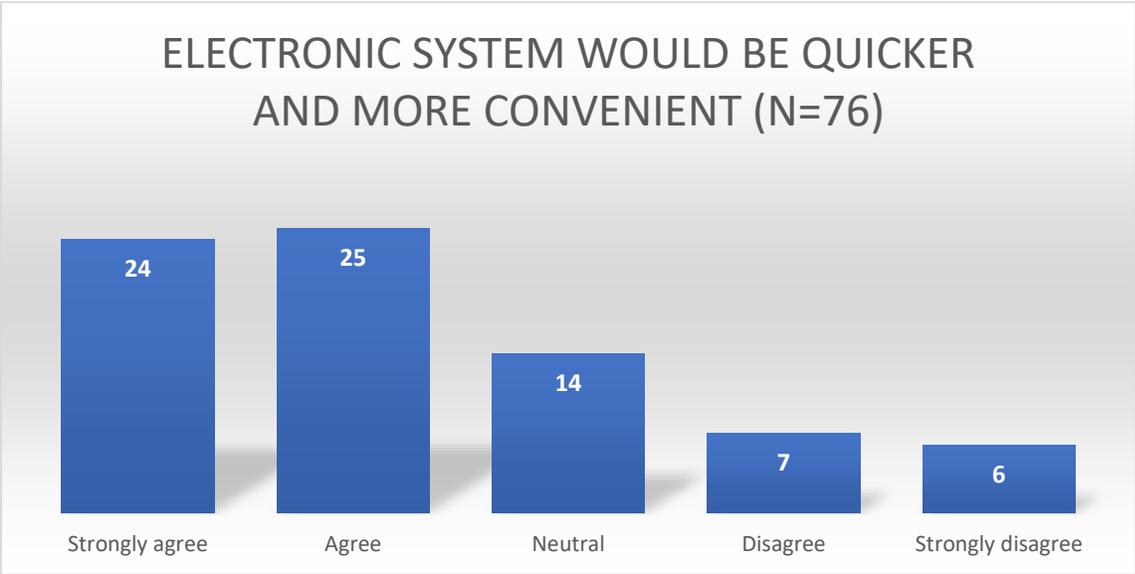
I am concerned that an electronic system would fail more often than the current system and decrease my ability to accurately report tax-exempt sales. (n=76)

ELECTRONIC SYSTEM WOULD FAIL MORE
THAN CURRENT SYSTEM (N=76)

- Strongly agree: 9
- Agree: 19
- Neutral: 25
- Disagree: 14
- Strongly disagree: 9

We also asked respondents the following open-ended question. Their responses are coded as follows. The raw information is in the data tables from the survey.

Please provide any additional comments about switching to an electronic system for recording tax-exempt sales of tobacco and fuel. (n=46)
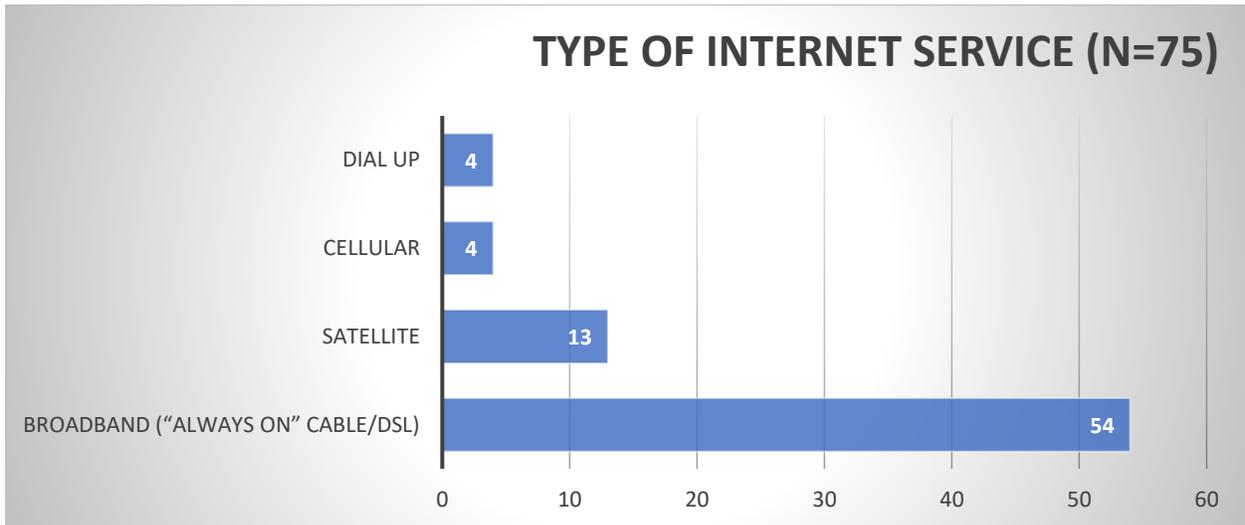
Sentiment	Count
Positive indicator	13
Concerns about its reliability and usability	10
Will improve reporting process	8
Still need paper as backup	7
Don't see need to switch	3
Need quick tech support 24/7 if system goes down	2
Concerns about cost of upgrading to this system	2
Needs to be rolled out everywhere at once	1

Questions about Ability to Convert to a New Electronic System

## Do you have internet access at your retail location? (n=76)

75 (99%) of respondents have internet access at their location.

What type of internet service does your retail location have? (n=75)

TYPE OF INTERNET SERVICE (N=75)

Service	Count
DIAL UP	4
CELLULAR	4
SATELLITE	13
BROADBAND ("ALWAYS ON" CABLE/DSL)	54

Note: Some of the responses to this question had to be re-coded because respondents were naming brand-names for broadband services under "other". We were able to re-code all "other" responses to match existing categories.

Is your internet service reliable? (N=75)
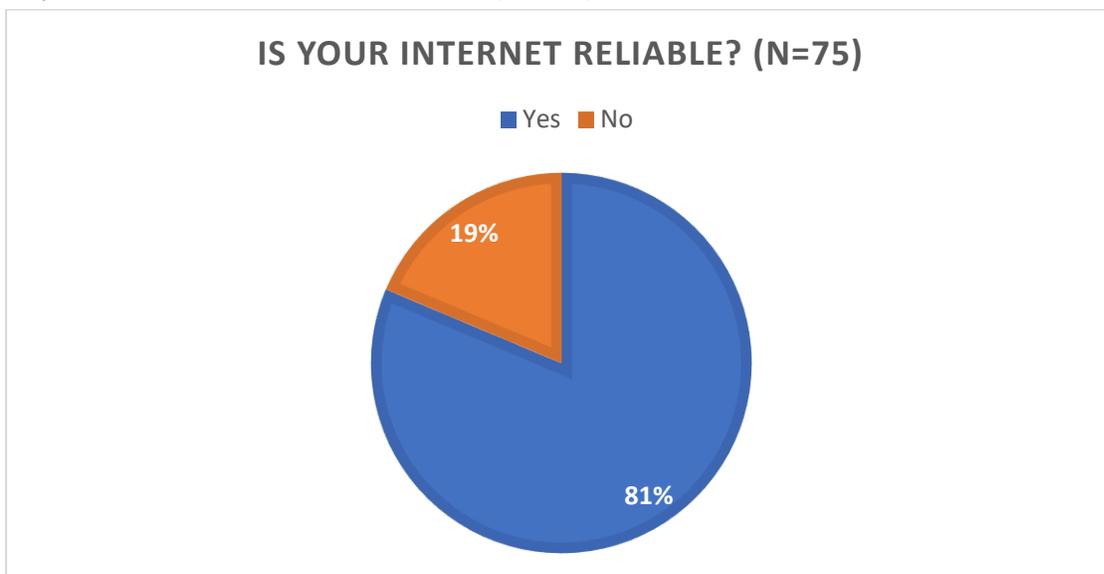
IS YOUR INTERNET RELIABLE? (N=75)

- Yes: 81%
- No: 19%

We also asked respondents the following open-ended question. Their responses are coded as follows. The raw information is in the data tables from the survey.

What concerns do you have about being able to set up an electronic system for tracking tax-exempt sales? (n=29)

Sentiment	Count
Internet reliability	8
Electricity reliability	7
Reliability of system	6
Cost of the system	2
Learning curve with new software/computers	2
Automatic rejection of status card numbers	1
Bad experience with electronic systems in the past	1
Compatibility with existing POS systems	1
Will tech support be adequate?	1

General Analysis

The following analysis includes initial and high-level thoughts specifically from the data that was gathered through the survey in Phase 1 of engagement. More detailed and nuanced feedback will be obtained from the direct engagement that will be conducted in Phase 2 of the outreach.

Representative Sample

Our overall number of survey responses was impressive. While we received a reasonable number of responses from rural and off-grid communities, we would like to garner more feedback from them in the next phases to ensure that we are adequately addressing concerns that are unique to their situation.

We did not hear from many home-based retailers in this phase of the research, and would like to target additional home-based retailers in the upcoming phone interviews.

POS Systems

While we believe the survey gave a clear explanation of what the different POS systems look like, there still appeared to be some confusion in the answers about what systems are which. In some cases, it is possible that the end users of these systems are responding to the survey but are not, in fact, the ones that set up the POS systems in the first place.

Tax Exempt Reporting Software

The response suggest that it is the more technically sophisticated respondents that are using specialty tax exempt sales tracking software. However, we are unsure about some of the responses indicating that they have [REDACTED] systems. We believe most [REDACTED] systems are either a tablet (iPad, usually) based POS system for a restaurant or small-scale retail store (like [REDACTED]), or a simple debit/credit processing machine. We don't believe that [REDACTED] makes systems that help with tax exempt sales reporting.

Systems Integration

With most respondents either using the paper system or a solution that is integrated into their existing POS, it is clear that integration of whatever solution the Ministry decides to go with will be key. It will have to work well and work quickly.

The Ministry might also get some pushback on making the switch from those respondents who have already invested in these systems. The responses suggest that some retailers have made the switch from paper recently and have, in some cases, made an investment of tens of thousands of dollars in order to make these upgrades. There were a lot of concerns raised about the cost of implementing a new system; an option that integrated with existing and new systems would be one way to address the multiple interests.

Challenges with Current System

One of the biggest challenges we heard about with the current system was regarding the logistics of submitting monthly reporting number to the Ministry on time. Several respondents suggested that if they could just submit their reports electronically instead of mailing in hard copies, it would be a good system. In general, respondents seem to be okay with the current system. The more sophisticated retailers have developed standard operating procedures around the tax exemption reporting and are

leveraging digital systems already. The big gap for them appears to be the ability to check across the whole system to see if a customer has reached their limit of exempt tobacco.

Feedback on Proposed System

Respondents in general seem to see the benefit of moving to a digital system for tax exemption reporting. Their concerns, if any, seem to revolve around how reliable an electronic system would be if there is spotty internet, power or lack of access to tech support. A significant number of respondents wanted to make sure such a system would still be able to fall back to the paper system during an outage.
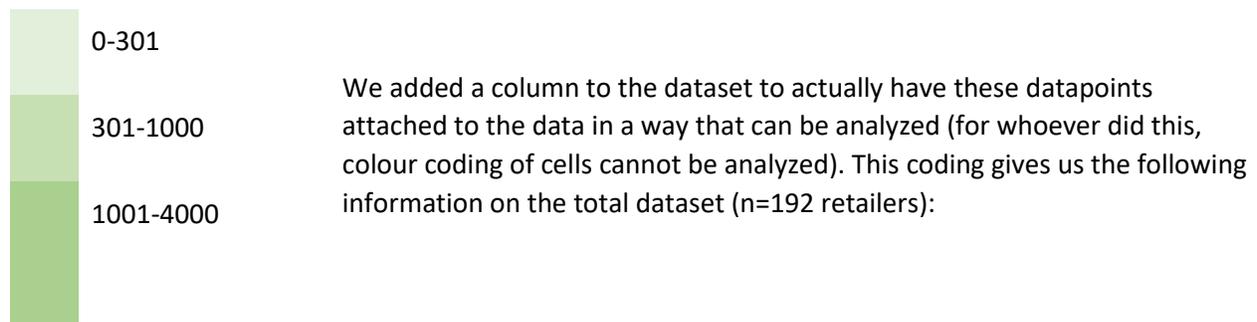
Ability to Implement a Digital System

There are definitely some concerns with retailer's ability to implement a new system. One of the concerns is cost – this is probably coming from folks who have already invested in a digital system and have paid sometimes tens of thousands of dollars to implement a solution. If the new solution didn't integrate into existing system, the prospect of having to do switch to a new system again may not be well received.

Another question that came up in our survey responses was related to the reliability of a new system. If it goes down – can they use the paper backup? Retailers would look to the Ministry to provide training or standard operating procedures around what to do if the system does go down. Retailers would also want to see alignment between information collected in the system and on the paper forms, so the forms could be used as a backup.

Respondents in Each MFIN Category

The data provided by the Ministry was colour coded to show the following clusters:

0-301

301-1000

1001-4000

We added a column to the dataset to actually have these datapoints attached to the data in a way that can be analyzed (for whoever did this, colour coding of cells cannot be analyzed). This coding gives us the following information on the total dataset (n=192 retailers):

Row Labels	Count of Temp ID for Data Analysis	Percentage of Total
0-301	61	31.8%
301-1000	78	40.6%
1001-4000	48	25.0%
n/a	5	2.6%
Grand Total	192	

Ones marked "n/a" are records that we had insufficient data on to code/cells coded orange in the dataset provided by the ministry. We are not sure what category these orange coded cells fall into.

We can compare the total retailers from the MFIN database (n=192) to the respondents from the online survey (n=69). Our final response rate is 36%, which is considered extremely successful for an external survey. See notes in the following section about why the total number of survey respondents differs from the original final data pull.

Row Labels	Count of Temp ID for Data Analysis	Percentage of Total	Compared to %age of total from table above
0-301	15	21.7%	31.8%
301-1000	27	39.1%	40.6%
1001-4000	23	33.3%	25.0%
n/a	4	5.8%	2.6%
Grand Total	69		

This information suggests the following:

1. The MFIN segment "0-301" has been under-sampled by the survey by about 30%.
2. The MFIN segment "301-1000" has been pretty accurately sampled.
3. The MFIN segment "1001-4000" has been over sampled by about 30%.

Our recommendation is to try to get more respondents from the 0-301 category.

Geographic Spread of Respondents

This data was not coded in any of the datasets provided. We hand coded each location to an economic region within BC, using the BCEDA region definitions.

What we found when we looked at the total MFIN database of retailers was that the distribution looked like this:
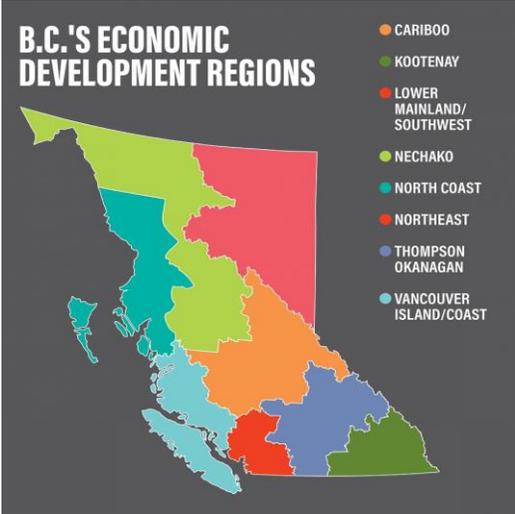
Row Labels	Count	Percentage of Total
Cariboo	24	12.5%
Kootenay	4	2.1%
Lower Mainland	25	13.0%
Nechako	39	20.3%
North Coast	24	12.5%
Northeast	12	6.3%
Thompson Okanagan	24	12.5%
Vancouver Island/Coast	40	20.8%
Grand Total	**192**	

We then compared this regional breakdown (n=192) with the survey respondents (n=69) and found the following:

Row Labels	Count	Percentage of Total	Compared to %age of total from table above
Cariboo	9	13.0%	12.5%
Kootenay	2	2.9%	2.1%
Lower Mainland	10	14.5%	13.0%
Nechako	10	14.5%	20.3%
North Coast	7	10.1%	12.5%
Northeast	6	8.7%	6.3%
Thompson Okanagan	12	17.4%	12.5%
Vancouver Island/Coast	13	18.8%	20.8%
Grand Total	69		

This information suggests the following:

1. The Nechako region is under-represented by this survey by about 30%
2. The Thompson Okanagan is over-represented by this survey by about 40%

Our recommendation is to look for more respondents from the Nechako region.

Multiple Respondents from One Location

We coded the data we received with unique retailer IDs based on their address. We found 192 individual retailers in the dataset and discovered that there were some duplicates in our dataset.

Six retailers were represented twice in the final data pull analysis.