

# Wholesale Pricing

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March 23, 2015



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# Objectives for today

To provide a further overview of:

- **Wholesale pricing-related changes** that are being implemented associated with the government's announcements
- Upcoming changes that **impact industry** partners
  - Manufacturers, agents and suppliers
  - Wholesale customers
  - Hospitality customers
- Key timelines and **next steps**

**Ultimately... to continue improving the way that we work together in furthering the modernization of the beverage alcohol industry in British Columbia.**

# Discussion points

- Objectives for today
- **Wholesale pricing: background**
- Key upcoming changes: what and when?
- Next steps
- Questions

# Background

- 2013 B.C. Liquor Policy Review
- New Wholesale pricing model
  - Common wholesale pricing for all industry partners
  - Increased transparency
  - Implementation – April 1, 2015

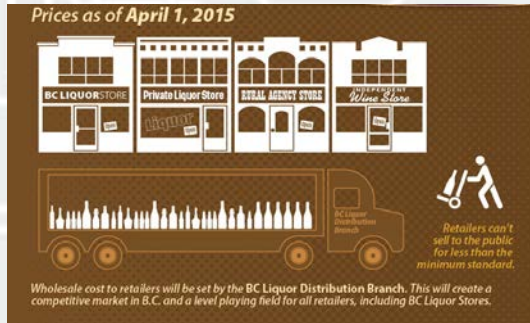


# Wholesale pricing: overview of the government's announcements

In association with licensing and other changes, steps aimed at modernizing BC's liquor industry include:

## Common wholesale price for all retailers


Prices as of April 1, 2015



Wholesale cost to retailers will be set by the BC Liquor Distribution Branch. This will create a competitive market in B.C. and a level playing field for all retailers, including BC Liquor Stores. Retailers can't sell to the public for less than the minimum standard.

## Gradual mark-up system for breweries

### Breweries in B.C.




Global production in hectolitres (hl)	Number of breweries
350,001 hl or more	4
160,001 to 350,000 hl	1
15,001 to 160,000 hl	6
15,000 hl or less	83
<b>Total breweries in B.C.</b>	<b>94</b>

1 hl = 100 litres or 262 cans of beer

*B.C.'s new gradual mark-up system creates growth opportunities for 90 breweries and counting...*

**"Breweries don't need to choose between staying small or paying large."**

Honourable Suzanne Anton,  
Attorney General and  
Minister of Justice



## Increasing convenience to consumers

Ability for some of these to include:

- Eligible grocery stores to sell alcohol
- BCLS expanding operating hours for approximately 160 stores
- Ability for BCLS to offer refrigeration.

→ To be implemented by April 1 2015 ←



# Discussion points

- Objectives for today
- Wholesale pricing: background
- **Key upcoming changes: what and when?**
- Next steps
- Questions

# Key upcoming changes: what and when?

## Manufacturers, Agents & Suppliers



Implementation of new  
**wholesale pricing model**

**Revised wholesale reporting**

Updated and revised **agreements**

## Wholesale Customers



All retailers can purchase at  
**common** wholesale price

Retailers **ordering through WCC  
(Wholesale Customer Centre)**

Eligible grocery stores can  
**begin retailing beverage alcohol**

## Hospitality Customers



**No significant changes  
anticipated**

Hospitality **will continue to  
pay LDB Established Retail  
Prices, plus GST**

Ordering **channels will not  
change**

# Key upcoming changes: what and when?

## Manufacturers, Agents & Suppliers



Implementation of new  
**wholesale pricing model**

**Revised wholesale reporting**

Updated and revised **agreements**

## Implementation of new **pricing model**

- Wholesale pricing
  - Changes from Discount-off Display Price to a Duty Paid Cost plus markup
  - Common wholesale price for all retailers
  - Tax excluded pricing
- Commissions on retail sales replaced with wholesale commission (if applicable) plus retail profit
- Graduated mark-up rate for medium-sized breweries
- Licensed Hospitality will continue to purchase at the LDB established retail price
- Existing programs for BC Manufacturers will continue
- Retail sales (e.g. Bulk and Special Occasion Licenses) will no longer be reported to LDB as Counter/retail
- Wholesale sales reporting has introduced some new customer types, (eg, Manufacturer On-Site Stores (MOS), and Grocery (GRC))



# Implementation of new pricing model

## As Is

Wholesale Customer

LDB Display Price

Less PST and GST

= Retail Price

Less applicable wholesale discount

= Wholesale Price for that Customer Type, plus GST



Hospitality Customer

LDB Display Price

Less PST

= Price for Licensed Hospitality

Pricing Process

Retail Limited Time Offer Program

Price Changes – change requests are made and lead to a tax-in display price

## New Model

Wholesale Price (tax excluded), plus GST



Wholesale Price

Plus Retail markup

= LDB established retail price (tax excluded), plus GST

Wholesale Price Promotion Program

Price changes – request changes are made and lead to the tax-excluded wholesale price

# Key questions that we've heard

**Manufacturers,  
Agents & Suppliers**



Key questions that  
we've heard

**Q. *Can I continue to direct deliver my products to Hospitality and Wholesale customers?***

**A.** Manufacturers who can direct deliver to hospitality and wholesale customers will continue to do so.

Further information can be found at:  
[www.bcldb.com/doing-business-ldb](http://www.bcldb.com/doing-business-ldb)

# Key questions that we've heard

**Manufacturers,  
Agents & Suppliers**



Key questions that  
we've heard

**Q. *What are the changes to BC  
VQA?***

**A.**  
There are no changes to the  
BCVQA program.

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[www.bcldb.com/doing-business-ldb](http://www.bcldb.com/doing-business-ldb)

# Key questions that we've heard

**Manufacturers,  
Agents & Suppliers**



Key questions that  
we've heard

**Q. *What is the 'LDB established retail price' for my products?***

**A.** 'LDB established retail price' is the price established by the LDB for all products that are distributed through BC Liquor Stores, Manufacturers or Direct Distributors for sales to Hospitality and Retail customers.

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[www.bcldb.com/doing-business-ldb](http://www.bcldb.com/doing-business-ldb)

# Key questions that we've heard

**Manufacturers,  
Agents & Suppliers**



Key questions that  
we've heard

**Q. *How and when do I change my prices?***

**A.** Wholesale pricing changes can be made for each fiscal period (12 times per year).

Deadline for submitting price changes for Period 2 (May 3, 2015) is March 24.

Retail prices will be established by the individual retailer.

Further information can be found at:  
[www.bcldb.com/doing-business-ldb](http://www.bcldb.com/doing-business-ldb)



# Key questions that we've heard

**Manufacturers,  
Agents & Suppliers**



Key questions that  
we've heard

**Q. *What are the reporting changes that I must know about?***

**A.** Retail sales to Retail customers will no longer be reported to LDB. Manufacturers, agents and suppliers will report on wholesale and hospitality sales. Please note new customer types (MOS and GRC).

Further information can be found at:  
[www.bcldb.com/doing-business-ldb](http://www.bcldb.com/doing-business-ldb)

# Key upcoming changes: what and when?

Manufacturers, Agents & Suppliers	Wholesale Customers	Hospitality Customers
		
<p>Implementation of new <b>wholesale pricing model</b></p> <p>Revised wholesale reporting</p> <p>Updated and revised agreements</p>	<p>All retailers can purchase at <b>common</b> wholesale price</p> <p>Retailers <b>ordering through WCC (Wholesale Customer Centre)</b></p> <p>Eligible grocery stores can <b>begin retailing beverage alcohol</b></p>	<p>No significant changes anticipated</p> <p>Hospitality will continue to pay LDB Established Retail Prices, plus GST</p> <p>Ordering channels will not change</p>

# Wholesale customers – LRS, WIN, RAS

## Wholesale Customers



All retailers can purchase at **common** wholesale price

Retailers **ordering through WCC (Wholesale Customer Centre)**

Eligible grocery stores can **begin retailing beverage alcohol**

All retailers, including BC Liquor Stores can purchase at a **common** wholesale price

- Eliminates a complex model that offered retailers various discounts and moves to a supplier cost plus product category mark-up model.
- For manufacturers who direct deliver to Private Retailers and Hospitality – the distribution model will not change.

New wholesale pricing cycle:

- **Mar 6** – LDB published Period 1 (April 1, 2015) wholesale prices
- **Mar 20** – LDB published an addendum/update to Period 1 wholesale prices
- **Apr 1** – effective date for LDB wholesale and BCLS retail prices.

# Wholesale customers – LRS, WIN, RAS

## Wholesale Customers



All retailers can purchase at **common** wholesale price

Retailers **ordering through WCC (Wholesale Customer Centre)**

Eligible grocery stores can **begin retailing beverage alcohol**

## Retailers ordering through WCC (Wholesale Customer Centre)

- As of **April, 1, 2015**, Private Retailers to be serviced by the Wholesale Customer Centre (WCC) located in Vancouver
  - The wholesale price is available only from the WCC.
  - Should wholesale customers choose to purchase products from a BC Liquor Store, products will be available at the retail price.
  - Retailers must directly purchase privately distributed **beer** from the brewery or distributor. Privately distributed domestic wine will not be impacted.
- The LDB has notified relevant LRS and RAS customers of this change
  - RAS Guideline changes have also been recently communicated

# Key questions that we've heard

Wholesale  
Customers



Key questions that  
we've heard

**Q. *What price will I pay?***

**A.** All Retailers, including BC Liquor Stores, will pay the common wholesale price.

Further information can be found at:  
[www.bcldb.com/doing-business-ldb](http://www.bcldb.com/doing-business-ldb)



# Key questions that we've heard

Wholesale  
Customers



Key questions that  
we've heard

**Q. *Will LRSs and BC Liquor Stores have the same access to products?***

**A.** All retailers – including BC Liquor Stores – will submit orders in the same fashion, have the same access to inventory in the LDB warehouse, and receive the same order/short reports.

Further information can be found at:  
[www.bcldb.com/doing-business-ldb](http://www.bcldb.com/doing-business-ldb)

# Key questions that we've heard

Wholesale  
Customers



Key questions that  
we've heard

**Q.** *What price can I charge for products?*

**A.** Each individual retailer will determine their shelf price based on business decisions and market demands.

Further information can be found at:  
[www.bcldb.com/doing-business-ldb](http://www.bcldb.com/doing-business-ldb)

# Key questions that we've heard

## Wholesale Customers



Key questions that we've heard

**Q. *Where do Wholesale customers order their products?***

**A.** All Wholesale customers will be serviced by the WCC. This includes orders of non-stock wholesale products (currently called SPEC).

For privately distributed beer, Wholesale customers are required to contact the brewery or third-party distributor directly.

BC wineries that currently privately distribute to Wholesale Customers will continue to do so.

Further information can be found at:  
[www.bcldb.com/doing-business-ldb](http://www.bcldb.com/doing-business-ldb)

# Key questions that we've heard

## Wholesale Customers



Key questions that we've heard

**Q. *How do Wholesale customers return products?***

**A.** Returns are to be where the product was purchased from. Wholesale product cannot be returned at a BC Liquor Store.

All requests to return product must be made to the WCC and must first be approved in writing. To return product, Wholesale customers are to contact the WCC and request a Return Authorization Form.

When the return request is approved, arrangements will be made to return the

Further information can be found at:  
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# Key questions that we've heard

Wholesale  
Customers



Key questions that  
we've heard

**Q. *What is your strategy for BCLS?***

**A.**

Strategy for BCLS is evolving and will need to be flexible to meet the demands of customers, market forces and competition.

Further information can be found at:  
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# Key upcoming changes: what and when?

Manufacturers, Agents & Suppliers	Wholesale Customers	Hospitality Customers
		
<p>Implementation of new <b>wholesale pricing model</b></p> <p>Revised wholesale reporting</p> <p>Updated and revised <b>agreements</b></p>	<p>All retailers can purchase at <b>common</b> wholesale price</p> <p>Retailers <b>ordering through WCC (Wholesale Customer Centre)</b></p> <p>Eligible grocery stores can <b>begin retailing beverage alcohol</b></p>	<p><b>No significant changes anticipated</b></p> <p>Hospitality <b>will continue to pay LDB Established Retail Prices, plus GST</b></p> <p>Ordering <b>channels will not change</b></p>

# Hospitality customers

**No significant changes anticipated** for Hospitality customers under the new pricing model

## Hospitality Customers



No significant changes anticipated

Hospitality will continue to pay LDB Established Retail Prices, plus GST

Ordering channels will not change

### Ordering and delivery

- **Hospitality will continue to order product as they do today** (from BC Liquor Stores, Direct Distributors and the Wholesale Customer Centre (if applicable))
- Delivery can be via third-party carrier, if desired

### Pricing

- **Hospitality will continue to purchase at LDB Established Retail Price, plus GST. PST will not be added**
- This price will be uniform for sales to Hospitality customers – across the BCLS and WCC channels
- LDB Established Retail prices are available through BCLS, WCC and via the distributors for directly delivered products.

# Hospitality customers

**No significant changes anticipated** for Hospitality customers under the new pricing model

## Hospitality Customers



No significant changes anticipated

Hospitality will continue to pay LDB Established Retail Prices, plus GST

Ordering channels will not change

Direct delivery through a Direct Distributor (manufacturers, agents and suppliers).

- Direct distributors (both beer and wine) **will continue to service Hospitality customers, as they do today**
- These Direct Distributors will report Hospitality sales to LDB

### Tax

- Applicable tax, at the time of purchase, is GST only.

### Product selection

- Full LDB product selection available to Hospitality customers
- Direct Distributors will continue to market their products directly to Hospitality customers
- Spec products will continue to be offered to Hospitality (and LRS/WIN Customers) through both the LDB and Direct Distributors.

# Key questions that we've heard

## Hospitality Customers



Key questions that  
we've heard

**Q. *What is changing for  
Hospitality customers?***

**A. No significant changes  
anticipated for Hospitality  
customers under the new pricing  
model.**

Further information can be found at:  
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# Key questions that we've heard

## Hospitality Customers



Key questions that  
we've heard

**Q. *Where do Hospitality customers order their products?***

**A.** Hospitality customers should continue to order product as they do today – from BC Liquor Stores, Direct Distributors and the Wholesale Customer Centre (if applicable)

Further information can be found at:  
[www.bcldb.com/doing-business-ldb](http://www.bcldb.com/doing-business-ldb)

# Key questions that we've heard

## Hospitality Customers



Key questions that  
we've heard

**Q. *What price does a Hospitality customer pay?***

**A.** All Hospitality customers, regardless of where they purchase product, will continue to pay LDB established retail price plus GST.  
Like today, there is no PST on these purchases.

Further information can be found at:  
[www.bcldb.com/doing-business-ldb](http://www.bcldb.com/doing-business-ldb)



# Key questions that we've heard

## Hospitality Customers



Key questions that  
we've heard

**Q. *Where do Hospitality customers return product that is defective?***

**A.** Hospitality customers should continue to request for returns in a timely manner from the channel where they purchased the product.

Further information can be found at:  
[www.bcldb.com/doing-business-ldb](http://www.bcldb.com/doing-business-ldb)

# Discussion points

- Objectives for today
- Wholesale pricing: overview of the government's announcements
- Key upcoming changes: what and when?
- **Next steps**
- Questions

# Next steps

The LDB will continue to work with industry partners to support the transition to the new wholesale pricing model.



# Discussion points

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**Disclaimer:**

This information is based on current processes and decisions. In the event of any changes, this information will be subject to amendment.

Questions or queries, please direct them to:

[www.bcldb.com/doing-business-ldb](http://www.bcldb.com/doing-business-ldb)

[LDBChanges@bcldb.com](mailto:LDBChanges@bcldb.com)