



LIQUOR DISTRIBUTION BRANCH

Date: Sunday, February 1, 2015

To: Manufacturers, Agents and Suppliers of beverage alcohol in British Columbia

From: Blain Lawson, General Manager and Chief Executive Officer, BC Liquor Distribution Branch

Re: Wholesale Pricing Model Implementation – action required by 5pm (PST) February 13, 2015


To our Industry Partners,

As a step toward creating a more modern beverage alcohol retail market in British Columbia, the Liquor Distribution Branch (LDB) is implementing a new wholesale pricing model. This means that all beverage alcohol retailers will purchase product at a common wholesale price.

As of April 1, 2015, British Columbia's manufacturers, suppliers and agents will move to a wholesale pricing model for the distribution of beverage alcohol in the Province.

Roll-out process for Period 1 (2015/2016)

While the new wholesale pricing model takes effect April 1, 2015 for Period 1 of the fiscal calendar, the roll-out process (click [here](#)) for Period 1 involves the establishment of supplier prices for all vendor SKUs **by 5pm (PST) February 13, 2015**.

 We ask that you **please take the following actions:**

New wholesale pricing and price changes

- Review the attached Excel spreadsheet which lists the wholesale price based on the Period 11 (2014/2015) supplier price for your registered SKUs;
- Use the new Wholesale Pricing Calculator (click [here](#) for the LDB Vendor Website) to re-calculate the estimated wholesale price, if required;
- Amend the supplier price of your product(s), if you choose so, by following the instructions in Appendix A of this document.
 - Email the amended spreadsheet to fincostp@bcldb.com by **5pm (PST) February 13, 2015**.

Please note: LDB will be calculating the wholesale price of each product based on the information provided. If no amended value is provided by 5pm (PST) on February 13, 2015 your Period 12 (2014/2015) supplier price will be used to develop the Period 1 (2015/2016) wholesale price. The next opportunity to amend prices will be for Period 2 (beginning May 3), with a deadline of March 24.

Using the Wholesale Pricing Calculator

There are 4 Wholesale Calculators to choose from according to product category – Spirit, Wine, Beer, and Refreshment Beverage. They can be found on the Vendor Facing Website in the Pricing Information section. Steps:

1. Choose the correct Wholesale Calculator to calculate your product.
2. Save the Wholesale Calculator to your desktop before opening.
3. Enter in your product attributes.
4. Enter in the supplier price per case (prime cost and domestic charges or just prime cost) or wholesale price per selling unit.
5. Click Calculate. The calculation results section will show you the breakdown of the calculation and will represent the new wholesale price of your product.



Wholesale Price Promotion Program (previously LTO)

- Should you wish to make a request for a Wholesale Price Promotion to SKUs in Period 1, please do so before 5pm (PST) February 13, 2015 using the form within the Vendor website and submit this to fincostp@bcldb.com.

Beer production levels for breweries

- The previous year's beer production volume (in hectoliters) must be submitted to fincostp@bcldb.com before 5pm (PST) February 13, 2015, as requested in the recent letter dated January 23, 2015.
- All breweries are encouraged to submit their world-wide production volume, as the graduated mark-up may benefit those with a volume of less than 350,000HL. If no beer production volumes are received, a default large brewery mark-up rate of \$1.08/L will be applied.

An instruction list for preparing and submitting any supplier price changes and/or promotion requests can be found in Appendix A of this document.



Additional information on the New Wholesale Pricing Model

An Overview of the Wholesale pricing model for Manufacturers, Suppliers and Agents can be found [here](#). We would like to make you aware of some changes within the model that have recently been announced, including:

- **Wholesale Price Promotion Program (previously LTO)**
Details of the Wholesale Price Promotion Program can be found [here](#).
- **Graduated beer mark-up**
For breweries, the graduated beer mark-up is calculated using the prior calendar years' beer production volume. The graduated beer mark-up schedule is published [here](#)
- **Container Recycling Fee (CRF)**
Effective April 1, 2015, Container Recycling Fees for some containers have changed. Please click [here](#) to see the changes to the CRF.
- **Black-out period for registering new SKUs.**
March 23 through March 31, 2015 – LDB will not be registering new SKUs during this time. We will calculate a wholesale price for these new SKUs after April 1, 2015.
- **Price change dates and deadlines**
The dates and deadlines for wholesale price changes and promotions for Period 1, 2 and 3 (Q1-2015/2016) are published [here](#). Future Periods will be published at a later date.



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Manufacturer agreements will be amended to reflect the new wholesale pricing model, and these are anticipated to be issued in early March, along with the cutover rules and procedures for sales reporting.

Frequently Asked Questions

We have compiled a Frequently Asked Questions document related to the new wholesale pricing model, reporting changes, and the transition period leading up to April 1, 2015.

This FAQ is [here](#).

We appreciate your patience and cooperation during these changes.

Please direct questions related to product pricing to fincostp@bcldb.com or 604.252.3348, and other queries related to the new wholesale pricing model to LDBChanges@bcldb.com.

Sincerely,

A handwritten signature in black ink, appearing to read "Blain Lawson".

Blain Lawson
General Manager and Chief Executive Officer
BC Liquor Distribution Branch

Cc:

Roger Bissoondatt, Chief Financial Officer, BC Liquor Distribution Branch
Michael Procopio, Acting Executive Director, Wholesale and Retail Services



Appendix A – Instructions for transition to Period 1

1. To make changes to supplier price:

- Review the attached Excel spreadsheet which lists the current supplier price for your registered SKUs, based on Period 11 data
- Use the new Wholesale Pricing Calculator (click [here](#) for the LDB Vendor Website) to re-calculate the wholesale price, if required
- Enter the SKU’s new supplier price components in column O, P and Q of the spreadsheet.

Product Type	Supplier Price
All Import Products	Prime Cost + Domestic Charges
Domestic Spirits and Spirit Coolers	Prime Cost Only
Domestic Wine, Beer, and Malt/Wine Coolers	Duty Paid Cost

- o If it is domestic wine, beer, or malt/wine based refreshment beverage, insert new duty paid cost in column Q
- o If it is a domestic spirit or spirit based refreshment beverage, insert a new prime cost in column O
- o If it is an imported product, insert new prime cost in column O and domestic charges in column P
- If you are not making any changes to your P12 supplier price which has been previously submitted, then delete the entire row and your P12 supplier price will be carried forward to P1. Add any missing SKUs to the spreadsheet (see # 3 below). Email the amended spreadsheet by **5pm (PST) on February 13, 2015** to fincostp@bcldb.com

2. To request a Wholesale Price Promotion:

- Review the attached Excel spreadsheet which lists the current supplier price for your registered SKUs, based on Period 11 data
- Make a request for a Wholesale Price Promotion (WPP) to SKUs in Period 1 **before 5pm (PST) February 13, 2015** using the Wholesale Price Promotion Program form on the Vendor website (click [here](#)) and submit this to fincostp@bcldb.com.
 - o Please note that your Wholesale Price Promotion for P1 (2015/2016) should be based on your product’s P1 (2015/2016) wholesale price. Please note that back to back promotions will not be allowed as per policy (i.e. if you had an LTO in Period 12 (2014/2015) you cannot submit a WPP for Period 1 (2015/2016).

3. To add missing SKUs:

- Review the attached Excel spreadsheet which lists the current supplier price for your registered SKUs, based on Period 11 data
- Add the missing SKU to the bottom of the list in the spreadsheet. Only active status 2 or 3 registered SKUs are to be added
- Enter the new SKU supplier price components in column O,P and Q of the spreadsheet. If it



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- is a B.C. manufactured product, insert new duty paid cost in column Q. If it is an imported product, insert new prime cost in column O and domestic charges in column P
- Email the amended spreadsheet by **5pm (PST) February 13, 2015** to fincostp@bcldb.com

Costing & Pricing will enter price changes, promotions and/or SKU addition requests as per your submitted requests. It is your responsibility to ensure information submitted is correct and complete.

If you have submitted a request on or before February 13th, and you have not received an email confirmation by February 16th, please phone 604.252.3348 immediately.

You will be contacted only in the event that there is an issue with your request.