

Wholesale Pricing

Blain Lawson
General Manager and CEO
BC Liquor Distribution Branch

March 23, 2015



**LIQUOR
DISTRIBUTION
BRANCH**



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
Total breweries in B.C.	94

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

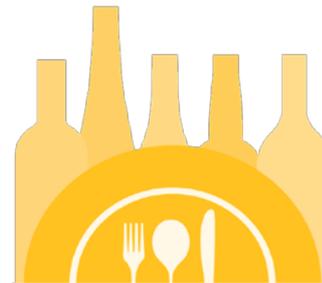


All retailers can purchase at
common wholesale price

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**

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 upcoming changes: what and when?

Manufacturers, Agents & Suppliers	Wholesale Customers	Hospitality Customers
		
<p>Implementation of new wholesale pricing model</p> <p>Revised wholesale reporting</p> <p>Updated and revised agreements</p>	<p>All retailers can purchase at common wholesale price</p> <p>Retailers ordering through WCC (Wholesale Customer Centre)</p> <p>Eligible grocery stores can begin retailing beverage alcohol</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>

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:
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 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

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

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.

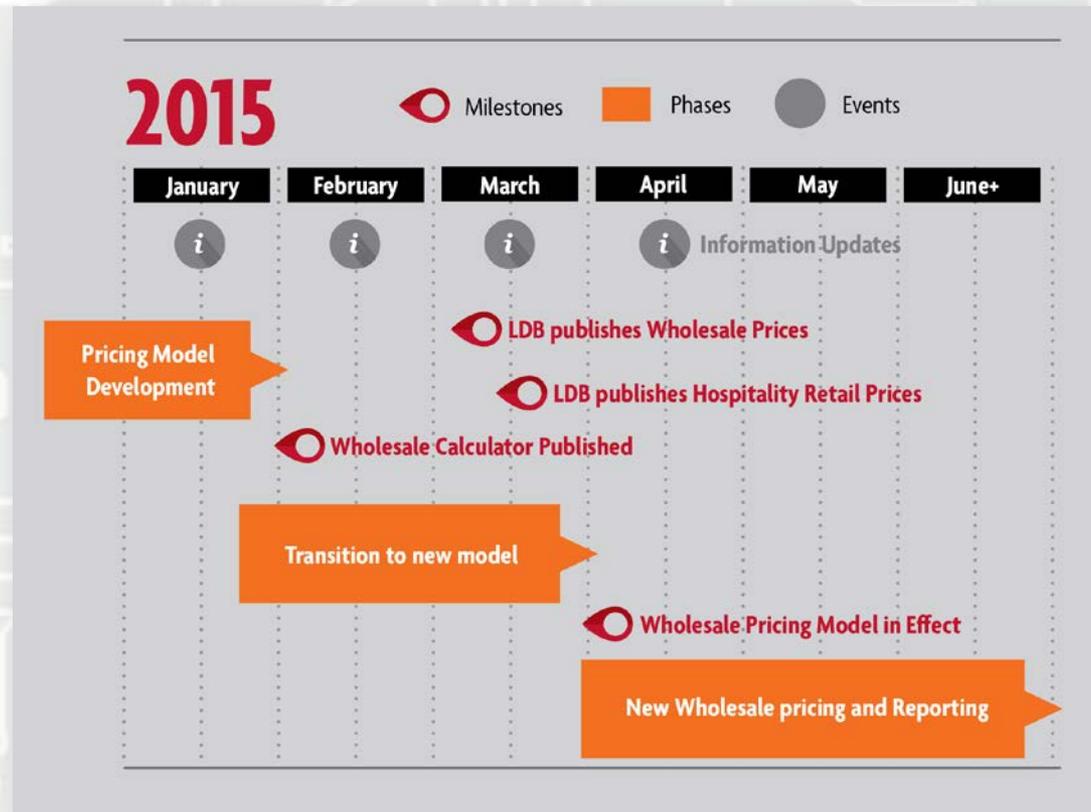
Further information can be found at:
www.bcldb.com/doing-business-ldb

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

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

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:

<http://www.bcldb.com/doing-business-ldb>

LDBChanges@bcldb.com