

Wholesale Pricing

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Background

- 2013 BC Liquor Policy Review
- Liquor Control and Licensing Branch tasked with removing restrictions to allow alcohol sales in eligible grocery stores, with “store-within-a-store” model
- BC Liquor Distribution Branch tasked with updating the wholesale price model



Announcements

- Liquor Control and Licensing Branch “store-within-a-store” grocery model to take effect on April 1, 2015
- Wholesale pricing model and rates finalized: set to take effect on April 1, 2015



Goals for wholesale pricing

- Further an environment where all liquor stores can compete on level footing
- Increase transparency by simplifying the pricing model and providing clear separation between LDB's wholesale and retail operations



Key considerations

- Maintain government revenue (~\$1 billion annually)
- Balance stakeholder priorities
 - Consumers
 - Industry
 - Health and safety
- Continue support for BC industry and made-in-BC products



Achieving our goals



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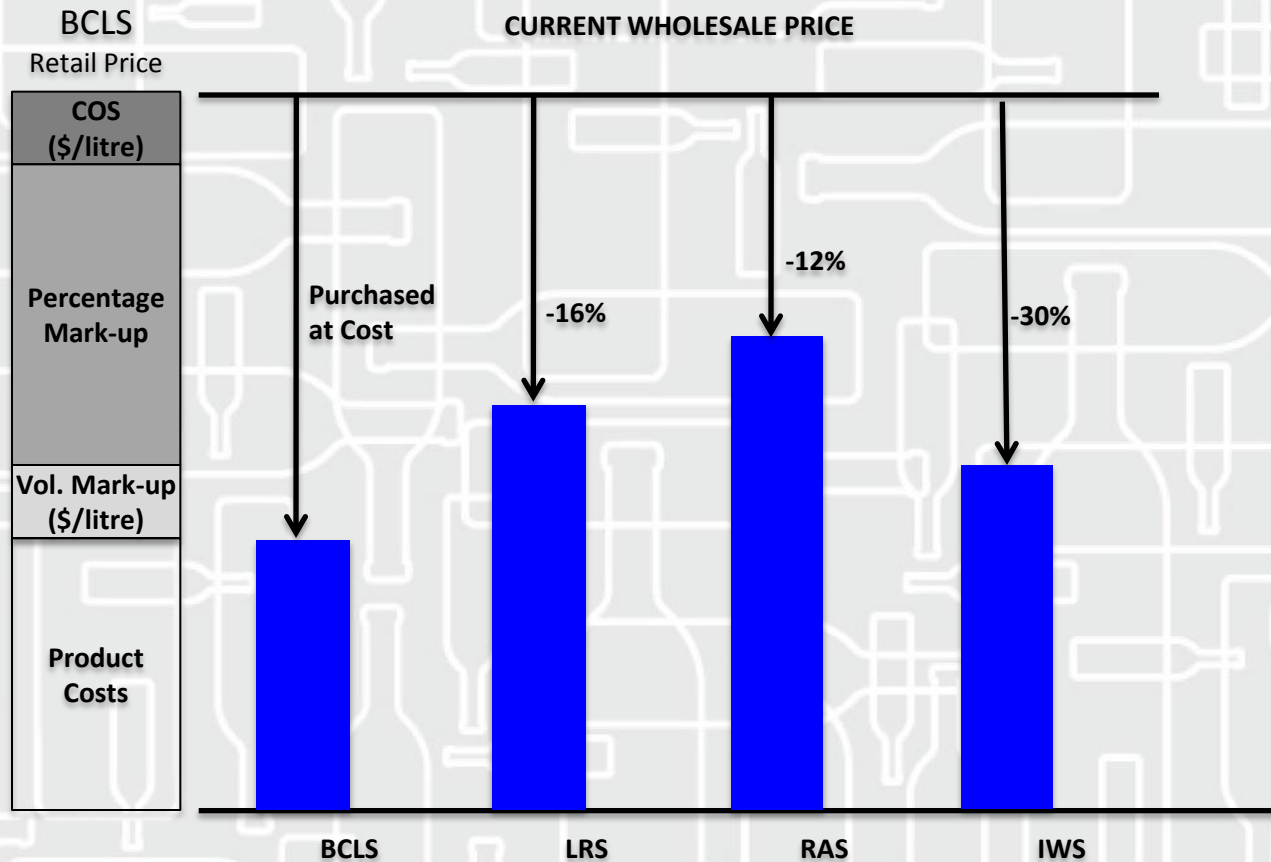
Creating a wholesale price

- LDB must meet revenue targets
- Current contribution level from each category maintained
- Removal of discount pricing model
- Create a uniform wholesale price for all retailers



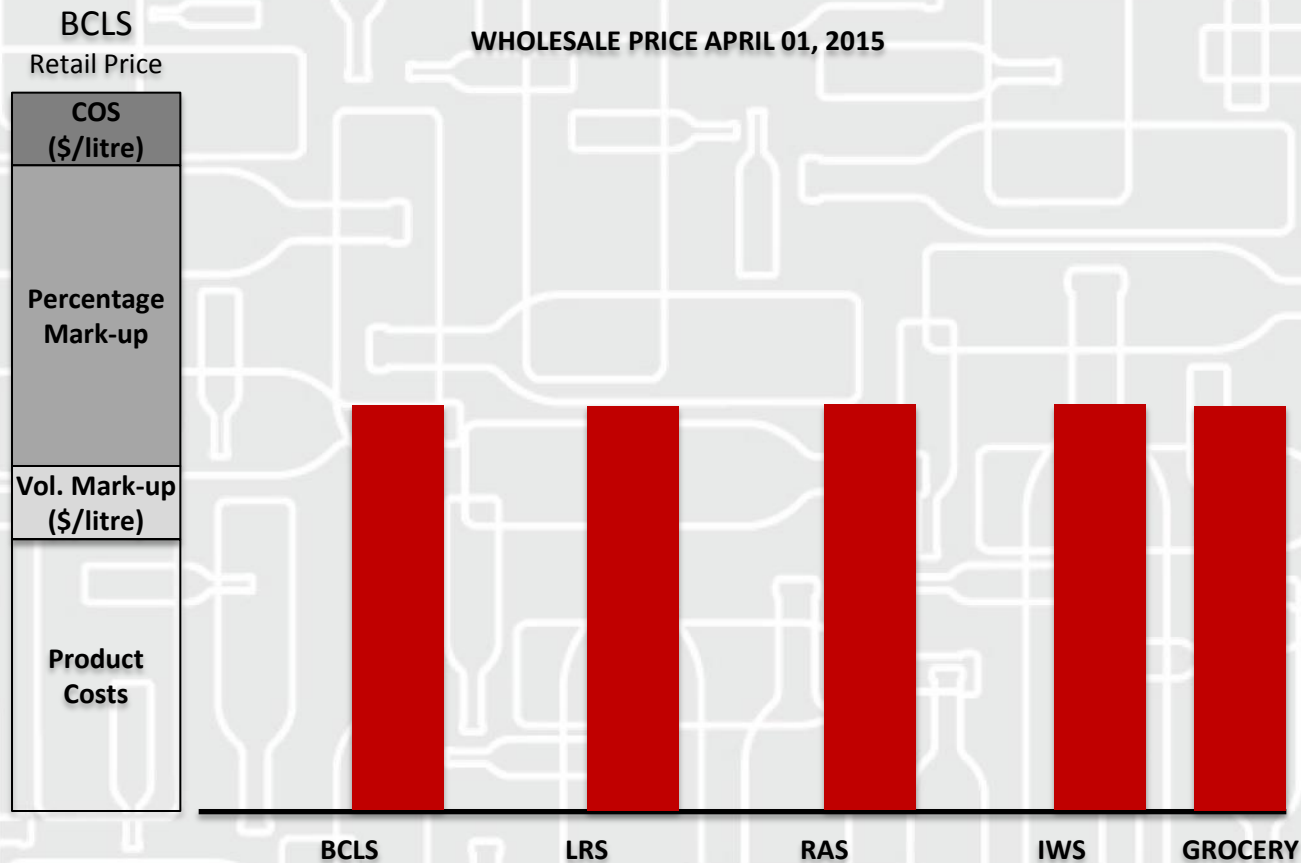
Level wholesale price

Liquor stores currently purchase product from the LDB at different discounted rates



Level wholesale price

All liquor stores – including BC Liquor Stores – will purchase product from the LDB at the same price.



Current mark-up schedule

Category	Sub-Category
Spirits/Liqueurs	Canadian
	US
	Others
Pre-Mixed Cocktails	Canadian
	US
	Others
Ciders/Coolers (incl. directly distributed)	BC Packaged
	Non-BC Packaged
	Draught
Tables Wines	BC
	Non - BC
Fortified Wines	BC
	Non - BC
BC Packaged Beer	Lrg Brewers (> 160,000 hl)
	Med Brewers (> 15,000 <= 160,000 hl)
	Sm Brewers (<= 15,000 hl)
Non-BC Packaged Beer	Lrg Brewers (> 160,000 hl)
	Med Brewers (> 15,000 <= 160,000 hl)
	Sm Brewers (<= 15,000 hl)
Draught Beer	Lrg Brewers (> 160,000 hl)
	Med Brewers (> 15,000 <= 160,000 hl)
	Sm Brewers (<= 15,000 hl)



Mark-up schedule – April 1, 2015

Product Types	New Wholesale Rates
Spirits	124% with <u>graduated</u> mark-up for cost portion over \$21/L
Refreshments	73%
Wines (incl. fortified wines)	89% with <u>graduated</u> mark-up for cost portion above \$11.75/L
Beer	
Large Brewers (> 350,000 hl)	\$1.08/L
Medium Brewers (>15,000 <= 350,000 hl)	\$0.56/L to \$1.02/L
Small Brewers (<= 15,000 hl)	\$0.55/L



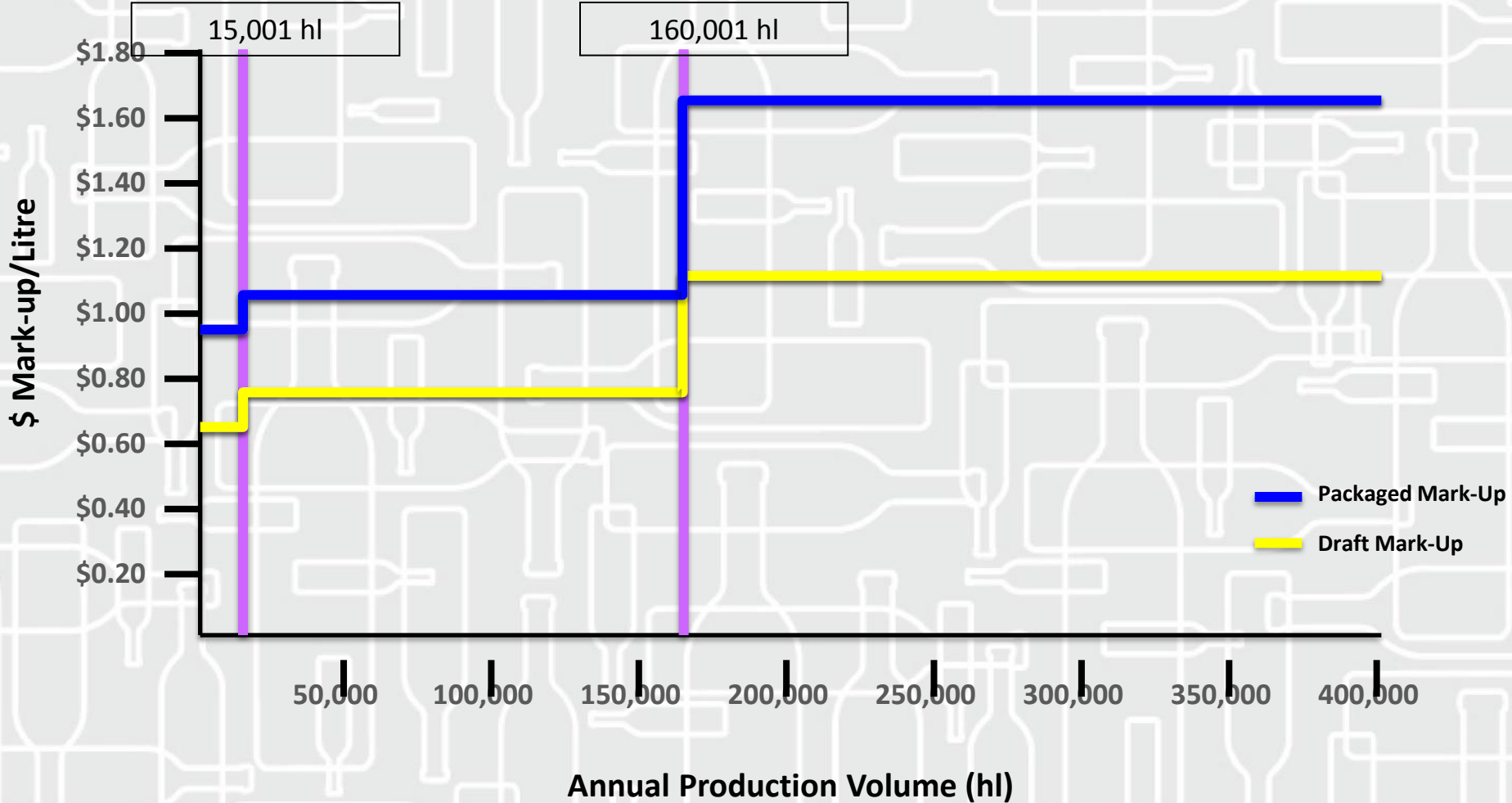
Supporting growth of small business

- The new model offers small- and mid-size breweries incentive to grow



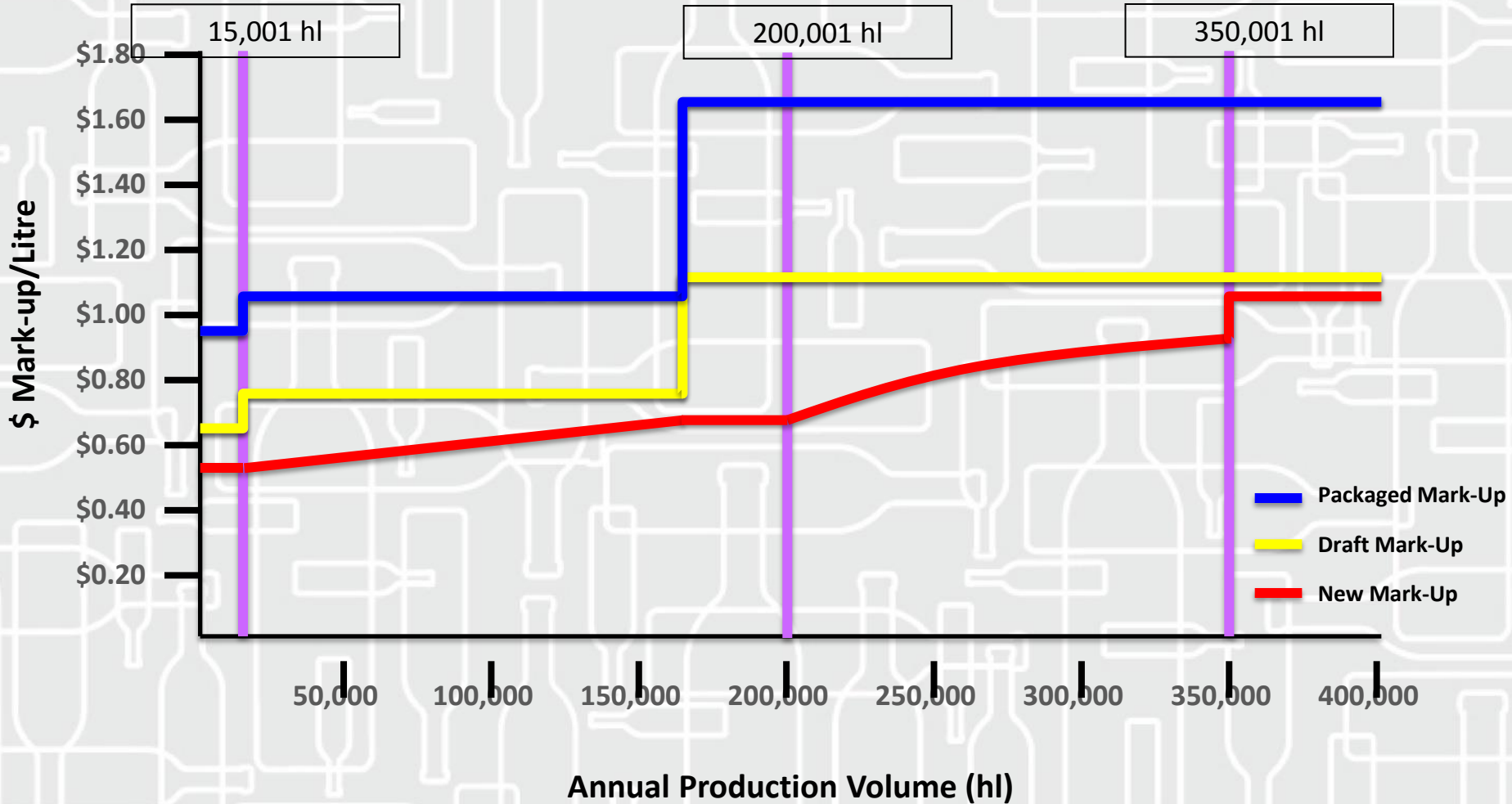
Beer mark-up

Current Beer Mark-Up



Beer mark-up

Beer Mark-Up – Effective April 1, 2015



Results

- All liquor retailers – including BC Liquor Stores – will have to compete
 - BC Liquor Stores will extend hours and expand refrigeration to align with other liquor stores
- Increased transparency
 - Separation between the LDB's wholesale and retail operations
- Not intended to impact consumer pricing
 - The increasingly competitive marketplace, including the introduction of grocery stores, will play a prominent role in future business decisions for all retailers
- Continued support for BC industry and made-in-BC products
- Continued health and safety safeguards through minimum pricing regulations



Questions?
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