

Spirits Pricing Policy



Finance

June 2008

Spirits Pricing Policy

Alcohol NB Liquor has established a policy for the retail pricing of spirits beverage alcohol.

Frequency of Regular Price List Changes

- The regular Price List change cycle is March 1 and October 1.
- Requotes at any other time will be determined by ANBL, with proper and timely notification given to suppliers, as required.

Price Quote Procedure

- ANBL will accept quotes and re-quotes for all Spirit brands on the 750 ml size only (reference size). Related sizes will be priced, based on the tax and deposit included retail of the 750 ml. ANBL will position the remaining sizes at appropriate retail levels to ensure reasonable and predictive pricing and savings by size (as per the table below). If a 750 ml is not available for quote, the largest size available will be accepted and pro-rated accordingly. If a permanent price change is required for a particular size other than the 750 ml, the only way to change it will be to re-quote the entire brand family based from the 750 ml price. This will change the retail prices for all related sizes at both wholesale and retail.

Size	Premium (Discount)
200 ml	23.24%
375 ml	9.61%
750 ml	Reference size
1140 ml	(4.77%)
1750 ml	(6.93%)

- Based on the 750 ml size, a supplier may submit a case cost that calculates the approximate expected retail price to the appropriate Category Manager. Suppliers are requested to not ask for associated case costs for specific retail prices (see Best Pricing Policy).
- CAPS Pricing is defined as a range of percentages provided to ANBL suppliers, in advance of a general price increase (or decrease), to communicate ANBL's expectations of the minimum and maximum change to the retail price of the reference 750 ml size. With the call for wholesale price submissions ANBL may elect to set limits on the magnitude of the expected retail price change. Special market conditions may apply to certain products, and their circumstances may be evaluated on a product by product basis. ANBL will ensure all relevant economic factors will be analyzed when setting minimum and maximum CAPS Pricing guidelines.

- Any product whose regular retail price is in excess of \$69.99 (including deposit and all applicable taxes) must be quoted on the Best Price Policy and have a suggested market retail price submitted with the cost. A suggested market retail price is a retail price which would be consistent with that of the brand in all other Canadian markets where it is currently available. ANBL will then determine the appropriate retail price.
- ANBL will entertain supplier Best Price and Suggested Retail Price quoted for any product, providing the quotation is deemed to be reasonable. This pricing can be negotiated with ANBL to achieve a satisfactory result.
- Retail prices for Wine and Spirits are rounded to \$0.29, \$0.49, \$0.79 and \$0.99, where practicable.

Retail Price Calculation

- = Supplier Case Quote
- + Exchange (if applicable)
- + Federal Customs Duty (if applicable)
- + Federal Excise Tax (if applicable)
- + In-bound freight component (if applicable)
- + Warehouse Handling Fee (beer only, if applicable)
- = **Landed Cost**
- + Markups, as prescribed by ANBL Markup Table
- = **Base Price**
- + HST
- + Deposit
- + Rounding (if applicable)
- = **Retail Price**

LTO Pricing

- LTO pricing is administered by Customer Service & Retail Operations in their "In-Store Merchandising Procedures Manual (effective July 1, 2008). LTO timelines vary and suppliers are reminded reductions are billed back at the full retail price reduction applied for and approved.
- Pricing below the Baseline Prices can only be achieved by LTO. It is not available for case cost adjustments.

Other Pricing

- Base Price will be reviewed on an annual basis, with reference to the change in the New Brunswick CPI and adjusted, if necessary.

- New product pricing will be in effect for a minimum of 12 months or until the next scheduled re-quote cycle, as long as that cycle is past six (6) months from the product's listed date.
- ANBL will entertain all supplier price submissions, other than Price List re-quotes, for any product providing there is an approved Marketing Plan. Such "one-offs" will be held in strict confidence between ANBL and the supplier.
- ANBL will consider case cost reductions and proposed case quantity adjustments on any brands, on any order cycle. All matters related to volume discounts will be specific to an individual event and will need to be reevaluated on subsequent submissions. All such volume discounts will be held in strict confidence between ANBL and the supplier.
- Retail price adjustments, other than semi-annual Price List changes, including permanent retail price reductions /increases may be entertained in conjunction with an approved Marketing Plan. Final approval of the price adjustments will be made by ANBL.
- ANBL expects all suppliers to rebate ANBL, at case cost, the total amount of any permanent case cost reduction, using the applicable exchange rate at the time the reduction took place, on all on hand inventory (both retail store and corporate warehouse). Charge back billing information must be provided and approved prior to the case cost reduction being allowed.
- If a supplier requests an excessive price for a new product, or an excessive price increase for an existing product, or is not in compliance with ANBL's Best Pricing Policy, ANBL may reduce order quantities or commence delisting procedures.

Other Administration

- ANBL expects all suppliers to invoice at the Purchase Order price. If price adjustments are required upon the supplier receiving a Purchase Order with incorrect or out of date prices, ANBL must be notified and the pricing issue resolved prior to shipment. Suppliers are cautioned payment of invoices may be withheld until Purchase Order price differences are resolved.
- When GL or core specialty products are delisted, suppliers are required to pay (or rebate) 25% of the original Purchase Order price on all remaining ANBL store and warehouse excess inventory. This allows for a reduction of our retail prices and facilitates an orderly reduction of the remaining inventory. Where an inventory reduction is required because of the impending expiration of the product's shelf life, the charge back and retail price reduction will take place approximately 8 weeks prior to the expiry

date. Alternate arrangements for delisted products by ANBL or supplier may be made - please contact ANBL for additional information.

Best Price Policy

- All products listed with ANBL are expected to be within a competitive wholesale and retail price range of any of the other liquor jurisdictions within Atlantic Canada. ANBL will be regularly monitoring these costs and retail prices to ensure compliance with this Best Price Policy.

Final Authority to Set Retail Prices

- Notwithstanding any other part of this Pricing Policy or the ANBL Markup Structure document, ANBL retains the right to determine final retail pricing, including the rejection and / or modification of any retail price changes viewed not to be in the best interest of ANBL.

Effective Date: June 3, 2008