



**LIQUOR
DISTRIBUTION
BRANCH**

Wholesale Pricing Model

An Overview of the Upcoming Changes

Manufacturers | Agents | Suppliers

February 2015



**LIQUOR
DISTRIBUTION
BRANCH**

The purpose of this document is to provide an overview of the wholesale pricing-related changes that are being implemented.

This document details the upcoming changes that will impact agents, manufacturers and suppliers, and provides a timeline of the changes and planned next steps.

Please email any questions related to the following content to: LDBChanges@bcldb.com

Disclaimer:

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



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1. BACKGROUND

As a step toward creating a more modern liquor retail market, the Liquor Distribution Branch (LDB) is implementing a new wholesale pricing model.

When the new wholesale pricing model takes effect on April 1, 2015, all liquor retailers will purchase their product from the LDB at a common wholesale price.

As part of this transition, the LDB is taking the opportunity to update its systems and the way it does business.





2. OVERVIEW OF GOVERNMENT ANNOUNCEMENTS

In line with the new wholesale pricing model, government announced other changes aimed at modernizing BC's liquor industry. These changes, effective April 1, 2015 include:

- **A common wholesale price for all liquor retailers**
As part of the new wholesale pricing model all liquor retailers, including BC Liquor Stores, will purchase beverage alcohol at a common wholesale price.
- **A gradual mark-up system for breweries**
Currently, smaller breweries are subject to a significant mark-up rate increase as their production volume grows beyond the small brewery threshold. The new graduated mark-up system will enable breweries to expand at their own pace and encourage growth by smoothing out the mark-up rate increases.
- **Liquor in grocery**
The Liquor Control and Licensing Branch (LCLB) was tasked with removing restrictions to allow alcohol sales in eligible grocery stores with a "store-within-a-store" model. Some eligible grocers may be able to sell 100 percent BC wine on shelves.
- **Extended store hours**
BC Liquor Stores (BCLS) will be permitted to extend their hours to align with private liquor stores. They will have the option of being open Sunday and statutory holidays and extending their operating hours to as early as 9:00am and as late as 11:00pm.
- **Expanded in-store refrigeration**
The LDB will be looking at each individual BCLS, assessing the current market environment, and deciding which would benefit from offering refrigerated products.



New Wholesale Pricing Model -

A common wholesale price for all retailers

Prices as of April 1, 2015



*Retailers can't
sell to the public
for less than the
minimum standard.*

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.

Gradual Mark-up System for Breweries

Breweries in B.C.



1 hl = 100 litres
or 282 cans of beer

*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**

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

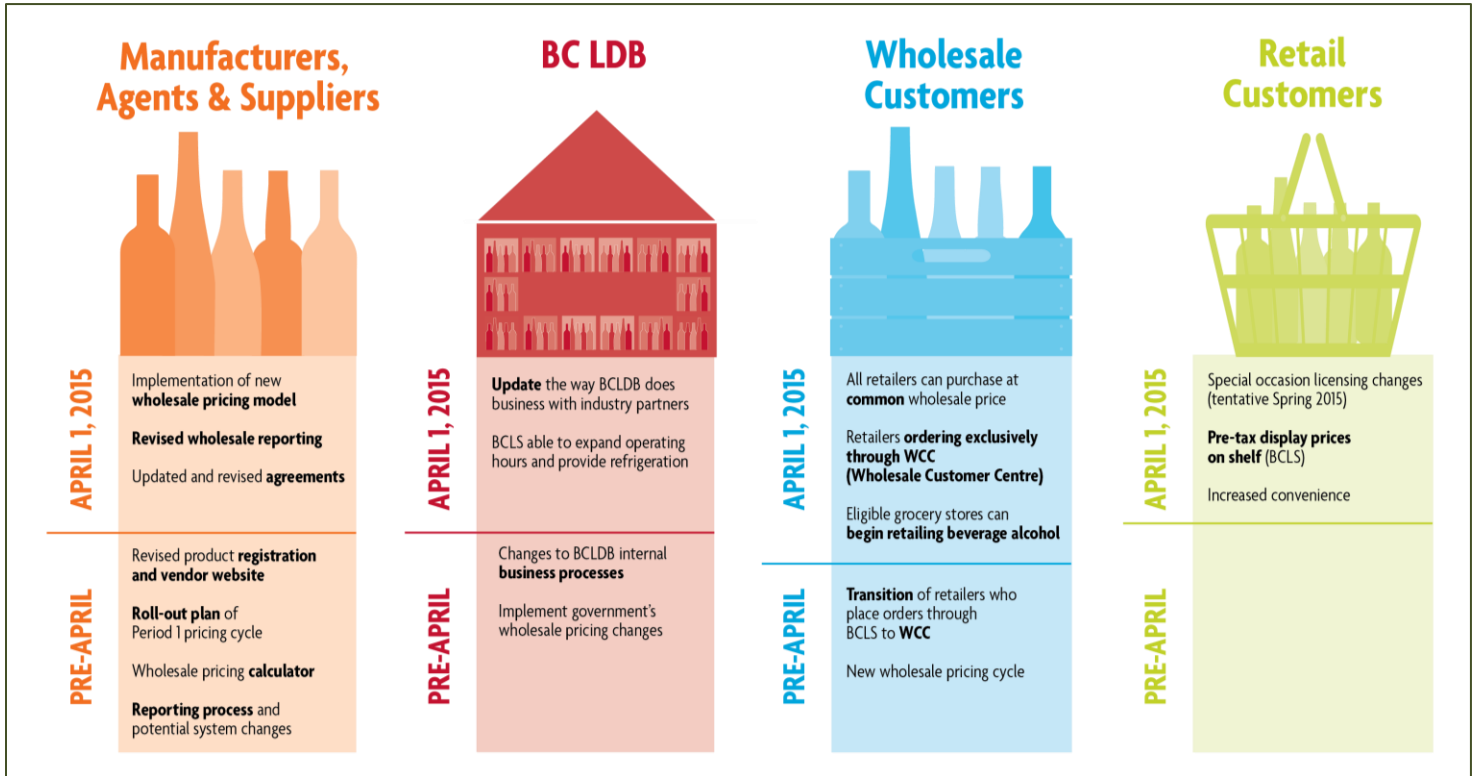
*Honourable Suzanne Anton,
Attorney General and
Minister of Justice*

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

3. KEY UPCOMING CHANGES

Implementing the changes associated with the new wholesale pricing model requires updating many of the LDB's business processes and systems to better streamline the way the LDB does business with industry partners.

Key upcoming changes include:



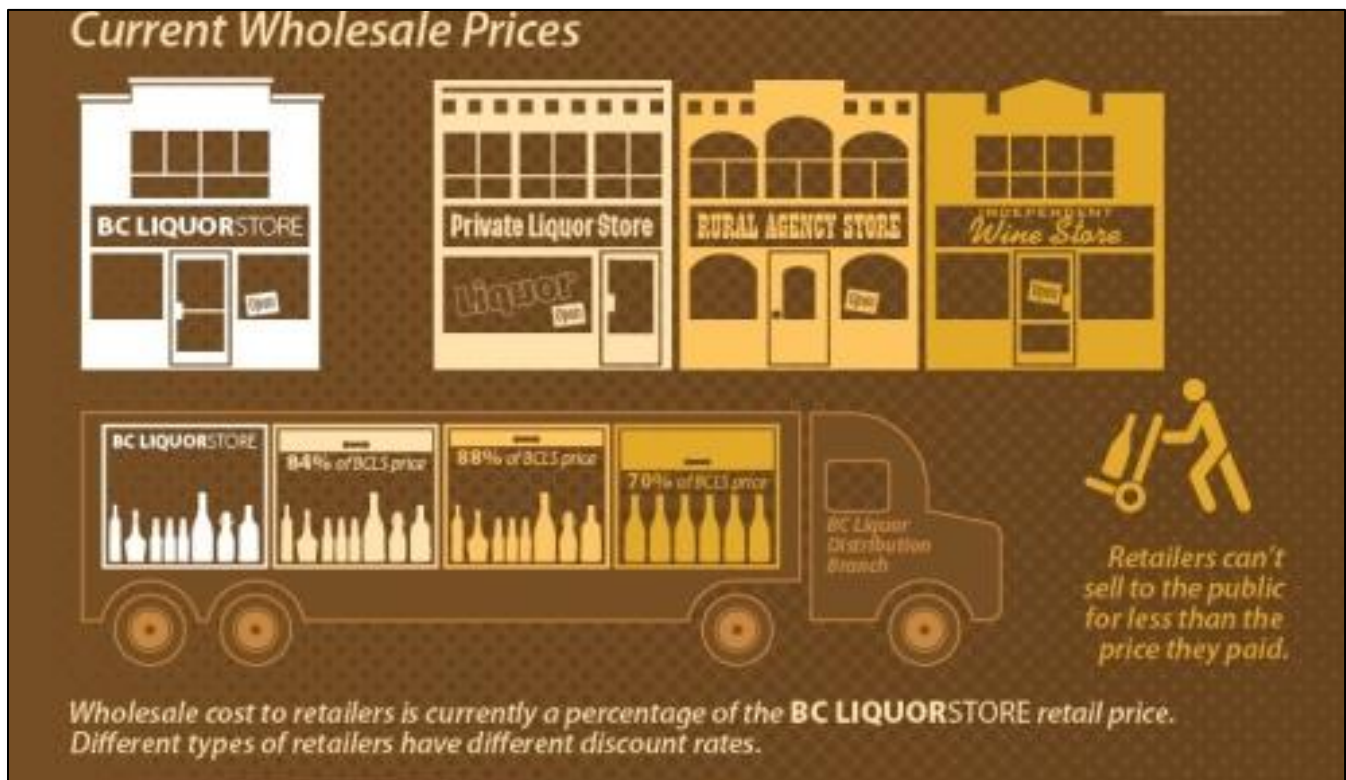
3.1 Implementation of the new wholesale pricing model

As part of the new wholesale pricing model, all liquor retailers, including BC Liquor Stores, will purchase beverage alcohol at a common wholesale price.

A) Impacts to Wholesale Customers

Currently, wholesale customers purchase product using the following discount-off display price pricing model:

$$\begin{aligned} & \text{As Is –} \\ & \text{Discount off display price} \\ & \text{LDB Display Price} \\ & \text{Less PST and GST} \\ & = \text{Retail Price} \\ & \text{Less applicable wholesale discount} \\ & = \text{Wholesale Price for that Customer Type, plus GST} \end{aligned}$$





As of April 1, 2015, wholesale customers will purchase product under the new, duty paid cost plus mark-up pricing model:

New Model - Duty paid cost plus mark-up

= Wholesale Price (tax excluded), plus GST

Prices as of April 1, 2015



*Retailers can't
sell to the public
for less than the
minimum standard.*

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.



B) Impacts to Hospitality Customers

Currently hospitality customers purchase product using the following pricing model:

<p style="text-align: center;">As Is</p> <p style="text-align: center;">LDB Display Price</p> <p style="text-align: center;">Less PST</p> <p style="text-align: center;">= Price for Licensed Hospitality</p>
--

As of April 1, 2015, hospitality customers will continue to purchase product from BCLS and LDB agents (direct sales) under new BCLS retail price:

<p style="text-align: center;">To Be</p> <p style="text-align: center;">LDB Established Retail Price (tax excluded), plus GST</p>
--

C) Changes to the Pricing Process

- Promotion Program
Under the new wholesale pricing model, the retail “Limited Time Offer” program will no longer exist; it will be replaced by a “Wholesale Price Promotion Program.”
- Price Change Requests
Currently, price change requests are made and lead to the tax in display price. Under the new model, price change requests will lead to the tax-excluded wholesale price.

D) Industry Programs

Existing programs for manufacturers will continue, including VQA programs. Manufacturers that currently direct deliver to wholesale customers will continue being able to do so.

3.1.1 Wholesale Pricing Mark-up Formula

As part of the new wholesale pricing model, the current discount pricing system for wholesale purchases will no longer continue and duty paid cost plus category mark-up pricing will come into place.

The new Mark-up Formula is as follows:

Display Price – As Is	Wholesale Price – To Be
Prime Cost	Prime Cost
+	+
Domestic Charges (optional)	Domestic Charges (if applicable)
= In Bond Cost	= In Bond Cost
+ Excise & Customs (if applicable)	+ Excise & Customs (if applicable)
= Duty Paid Cost	= Duty Paid Cost
+ Volume Markup/Distribution Charge	+ Distribution Charge (beer only)
+ % Markup for Wine, Spirits, Refreshment Beverages	+ % Markup for Wine, Spirits, Refreshment Beverages
OR	OR
+ Volume mark-up for Beer	+ Per Litre Markup by Supplier annual production for Beer
+ Cost of Service Fee	
+ CRF	+ CRF
= LDB Retail Price	= LDB Wholesale Price
+ GST	+ GST
+ PST	
= LDB Display Price before applicable container deposit	= LDB Wholesale Price before applicable container deposit




The new mark-up formula is inclusive of the following elements:

3.1.2 Wholesale Pricing Mark-up Schedule

The new wholesale pricing schedule simplifies the current model. All beverage alcohol products will fall under the Product Types: Spirits, Refreshments, Wines and Beer.

As of April 1, 2015, all wholesale customers will purchase product under this new schedule and discounts will be eliminated.

Wholesale Pricing Mark-up Schedule:

Product Types	New Wholesale Rates			
Spirits	124% with graduated mark-up for cost portion over \$21/L 	Mark-up boundaries	Mark-up applied	Product category (Cost per Litre)
		On first \$21 cost per litre	124%	\$0 - \$21
		On next \$8.20 cost per litre	93%	\$21.01 – \$29.20
		On next \$8.20 cost per litre	62%	\$29.21 - \$37.40
		On any amount over \$37.40 cost per litre	43%	\$37.41+
Refreshments	73%			
Wines (incl. fortified wines)	89% with graduated mark-up for cost portion above \$11.75/L 	Mark-up boundaries	Mark-up applied	Product category (Cost per Litre)
		On first \$11.75 cost per litre	89%	\$0 - \$11.75
		On any amount over \$11.75 cost per litre	27%	\$11.76+
Beer				
Large Brewers (>350,000 hl)	\$1.08/L			
Med Brewers (>15,000 <=350,000 hl)	\$0.56/L to \$1.02/L		Subject to annual CPI adjustments	
Sm Brewers (<=15,000 hl)	\$0.55/L			

Sample mark-up calculations for each product type are provided in Appendix I.



3.1.3 New Beer Mark-up Schedule

A new beer mark-up structure is also being implemented on April 1, 2015.

The mark-up rates for beer are:

Mark-up A	0.55
Mark-up B	0.68
Mark-up C	1.08

A distribution charge of \$0.10/L will be applied to all packaged product where a brewery designates LDB as distributor.

At the beginning of each calendar year, breweries must provide proof of world wide production (including production from affiliated breweries) for the prior calendar year. The markup rates are updated in the LDB system and are in effect from April to March.

3.1.3.1 Determining Beer Mark-up Rate

1. Breweries that produce 15,000 HL or less will pay mark-up A
2. Breweries that produce over 15,000 HL up to 200,000 HL
This brewery pays a blended mark-up rate that is calculated as follows:
 - Mark-up A for the first 15,000 HL
 - Mark-up B for production over 15,000 HL up to total of 200,000 HL
3. Breweries that produce over 200,000 HL up to 350,000 HL
This brewery pays a blended mark-up rate that is calculated as follows:
 - Mark-up A for the first 15,000 HL
 - Mark-up B for production over 15,000 HL up to total of 200,000 HL*
 - Mark-up C for remainder of production up to total of 350,000 HL

**If a brewery's production level exceeds 200,000 HL, an amount below 200,000 HL that is equal to the volume over 200,000 HL is reallocated and subject to Mark-up C.

4. Breweries that produce over 350,000 HL will pay mark-up C



Example:

Brewery annual production = 250,000 HL

Brewery Size by Annual Production Level	Assignment of HL before reallocation	Assignment of HL after reallocation	Markup Rate
Up to 15,000 HL	15,000	15,000	Markup A – 0.55
> 15,000 HL – 200,000 HL	185,000	185,000 135,000	Markup B – 0.68
> 200,000 HL – 350,000 HL	50,000	50,000 100,000	Markup C – 1.08
Total	250,000 HL	250,000 HL	Blended Rate – 0.83

In this example, total production is 50,000 HL over the threshold of 200,000 HL. Therefore, 50,000 HL is reallocated from Markup B to Markup C.

A link to the new beer mark-up schedule is provided in Appendix II.



3.1.4 High Priced Mark-Up

LDB recognizes a wine or spirit as a high priced product when the duty paid cost per litre exceeds its category threshold as detailed below.

Please note:

- Container sizes less than .200L do not qualify for High Priced Markup
- Where a product is stocked in more than one size, sizes .200L and greater must qualify (based on litre equivalent) for High Priced Markup to apply
- High Priced Markup does not apply to Refreshment or Beer

Wine

When the duty paid cost per litre exceeds \$11.75, the graduated markup rates are applied as follows:

<u>Duty Paid Cost per Litre</u>	<u>Markup Rate</u>
First \$11.75 per litre	89%
Amount over \$11.75 per litre	27%

Spirits

When the duty paid cost per litre exceeds \$21.00, the graduated markup rates are applied as follows:

<u>Duty Paid Cost per Litre</u>	<u>Markup Rate</u>
First \$21.00 per litre	124%
Next \$8.20 per litre	93%
Next \$8.20 per litre	62%
Amount over \$37.40 per litre	43%

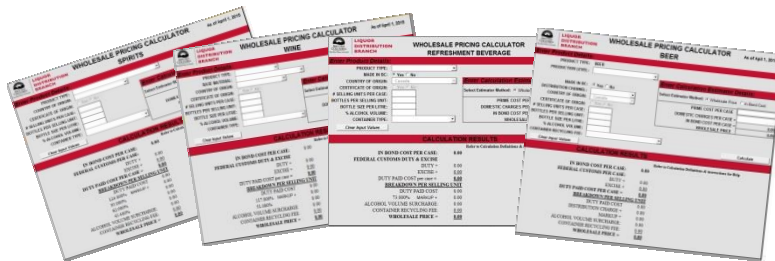
3.1.5 Wholesale Pricing Calculator

A new wholesale pricing calculator will be available on the Vendor Website on February 1, 2015 to reflect the new pricing model effective April 1, 2015.

Pricing calculators will support industry partners in determining the wholesale price for their product.

The existing pricing simulator will remain on the website until April 1, 2015 to reflect the current pricing model up to, and including March 31, 2015.

Each product type (beer, wine, spirits, and refreshment beverages) has its own pricing calculator. Each of these calculators will be available on the Vendor Website from February 1, 2015.





3.2 Supplier Price Changes

The supplier price is the amount LDB pays to vendors for product. Supplier price is paid either In Bond or at Duty Paid Cost.

The LDB Finance Department establishes the supplier price change schedule and the schedule is distributed in advance to vendors. Change requests must be submitted on the Supplier Price Change form, in accordance with submission dates/deadlines. Price change requests received after the submission deadline are not accepted.

Requests for changes are reviewed by Costing and Pricing and are subject to LDB approval. Supplier prices are changed on the first day of each period and the LDB does not process price changes during a period.

Changes to wholesale prices become effective on the first day of the next applicable period, concurrent with the corresponding changes to supplier price.

3.2.1 Supplier Price Change Guidelines

Requests for supplier price increases will not be accepted for any product that is pending delist. Supplier price decreases are limited to a maximum decrease of 30% off the regular wholesale price.

The following guidelines also apply:

- a 30% maximum decrease may be requested in a single period or occur in increments over multiple periods
- if a supplier price decrease results in a calculated wholesale price that falls below the minimum price assigned to the product category, the minimum wholesale price will take effect (under review)
- once the wholesale price has been decreased by a maximum of 30%, this decreased price must be maintained for at least 3 consecutive periods before LDB will consider a further supplier price decrease request up to a final maximum decrease of the selling unit "duty paid cost" (as calculated for the regular wholesale price). This final price decrease must be approved by the Director, Expenditure.

The criteria for maximum wholesale price decreases include:

- products must be Status 3 (pending delist) at time of the request to reduce the wholesale price by the 30% maximum
- products discounted for the purpose of final clearance, to a maximum of 30% or to the original registered duty paid cost, will not be registered for sale in BC again for a minimum of one (1) year
- no additional purchase orders will be permitted during the clearance process



3.3 Wholesale Price Promotion Program

A Wholesale Price Promotion, previously known as a Limited Time Offer (LTO), is a temporary decrease in a product's wholesale price requested and fully funded by the Supplier/Agent. The minimum price reduction must be the greater of \$1.00 or 5% off the regular wholesale price. When submitted it must be a dollar value (e.g. \$1.50 off). A Wholesale Price Promotion price cannot fall below the product type minimum pricing requirement (under review).

All products are eligible for the Wholesale Price Promotion program.

Requests for Wholesale Price Promotions:

- Must be submitted on the Wholesale Price Promotion Form in accordance with the submission dates/deadlines
- Must be received before the submission deadlines; changes and/or cancellations are not permitted after the deadline
- Will be accepted up to five times per sku, per year and can be made for any period
- No back-to-back periods of Wholesale Price Promotions will be allowed

It is the Agent/Supplier's responsibility to fully fund all Wholesale Price Promotions and to ensure sufficient inventory to support the promotion. If the Pricing Agent changes during the Wholesale Price Promotion period, the Pricing Agent for the majority of the Wholesale Promotion period will be liable for the Wholesale Price Promotion invoice.

The LDB will not adjust the cost on the Purchase Order to reflect the temporary change in the wholesale price; the Agent/Supplier will continue to receive payment as if the regular wholesale price were in effect. At the conclusion of the Wholesale Price Promotion period, the LDB will issue a debit note/invoice for the difference between pre-Wholesale Price Promotion price and Wholesale Price Promotion price for the total number of units sold by the wholesale division during the Wholesale Price Promotion period.

3.4 Wholesale Reporting and Systems Changes

To comply with the new wholesale pricing model, the LDB and industry partners may need to update their systems and change the way they report on sales. As of April 1, 2015, only wholesale sales will be reported. Retail sales will no longer be reported.



3.4.1 Wholesale Reporting Changes

The implementation of the new wholesale pricing model involves the following reporting changes. Although these changes go into effect as of April 1, 2015, there is the need for earlier preparations to ensure organizations are ready for the changes.

A) Item Pricing

Beverage alcohol products will have two separate prices: wholesale price and LDB established retail price. Wholesale customers will purchase product at the wholesale price, and retail customers, including hospitality customers (formerly Licensees/LIC), will purchase product at the retail price.

As part of the LDB's updated business model, BC Liquor Stores will also move to tax excluded display price. This will bring BC Liquor Stores in line with the vast majority of other retailers in BC.

B) Sales Tax on Retail Sales

The LDB will no longer collect and remit Provincial Sales Tax (PST) and Goods and Services Tax (GST) on behalf of manufacturers on their retail sales.

PST and GST on manufacturer's retail sales must be collected by the manufacturers and remitted to the provincial and federal authorities accordingly. Manufacturers selling to retail customers, including Special Occasion License holders, must register for a PST number, if they do not already have one.

This affects commercial wineries, distilleries and breweries in BC. Land-based wineries and mark-up exempt distilleries have already been responsible for collection and remittance of taxes of their own sales.

C) Manufacturer Stores and Endorsements

Manufacturer Stores* will no longer be reporting their retail sales to the LDB. Instead, as of April 1, 2015, manufacturers will report a wholesale sale to their on-site/off-site manufacture store as a wholesale customer.

This means that:

- Sales to the Manufacturer Store will be reported using the Manufacturer Store Number as the Customer Number
- Sales to wine manufacturer on-site lounges (manufacturer's endorsement type) will be reported at Hospitality prices using the Liquor Control and Licensing Branch-issued endorsement license number as the Customer Number



D) Customer Type Changes

Since retail sales will no longer be reported, sales will no longer be reported to LDB as Counter or Retail customer types.

Instead, the following new customer types will come into effect:

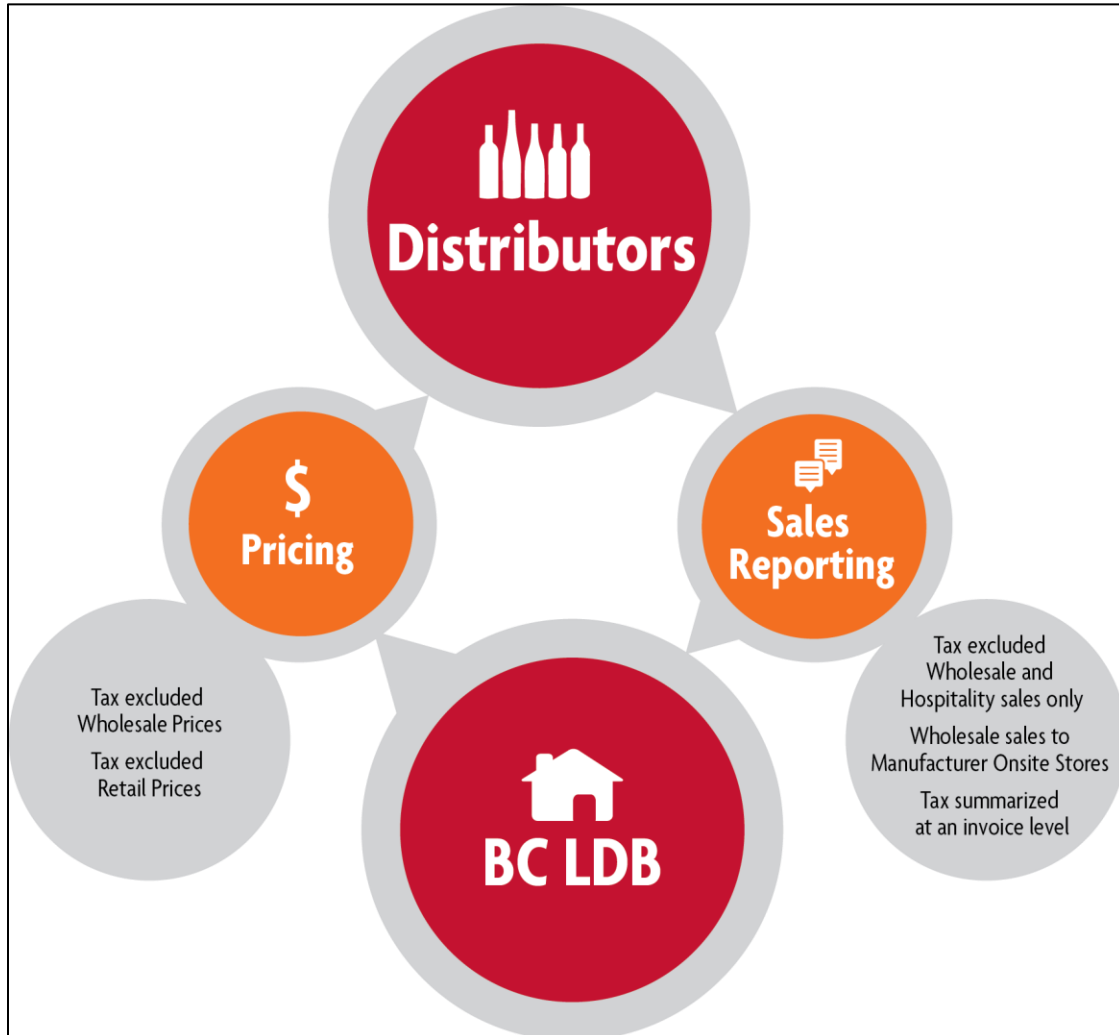
***Manufacturer On-Site Stores (MOS)** – A retail store operated by a BC manufacturer on the site of its manufacturing facility where it sells products manufactured onsite to the public. On-site endorsements, except winery lounges, are classified by the LDB as MOS for sales reporting, revenue and tax collection purposes.

Grocery (GRC) – Eligible licensed grocery stores.

VQA – Only used by the BC Wine Institute (BCWI) to report on sales from VQA stores at the wholesale price.

3.4.2 SYSTEMS CHANGES

With the implementation of the new wholesale pricing model, the following system changes will come into effect on April 1, 2015.



A) Price Distribution

The LDB will provide manufacturers, agents and suppliers with the following prices for their SKU's:

- Wholesale price of products distributed by them for sales to wholesale customers
- Retail price (LDB established retail price) of products distributed by them for sales to hospitality customers if authorized by the LDB
- The Price Lists will be available for download in CSV format via the Vendor Website.



B) Direct Sales Website Reporting

The following changes to direct sales and website reporting will come into effect:

- Retail counter sales will no longer be reported
- All items will be tax-excluded
- All transactions must reference valid customer number
- All references to 'Display Price' will be replaced with 'Price'
- The 'Discount Field' will be removed throughout the application, as discounts are being removed as part of the new wholesale pricing model
- Customers will receive revised PDF output formats for Sales and Returns. Please note – PDFs generated prior to April 1, 2015 will continue to reflect the current (discount-based) pricing model.

3.4.3 Updated Sales Reporting Formats

As of April 1, 2015, the following sales reporting formats will come into effect.

A) CSV Upload File Format

Customers currently using a CSV Upload file format to report sales will be required to rename "Display Price" field to "Price" in the Upload template.

The 'Customer Type' field will reflect the new list of valid customer types. For example, Customer Type 'COU' will no longer be valid.

A link to the Direct Sales Web Reporting CSV Fields Specification and Validation Rules document and a link to the Direct Sales Web Reporting CSV Upload Specification document is included in Appendix II.



B) Manual and System Generated Forms

The LDB will continue to provide Private Distributors with the ability to report sales via manual forms. However, Private Distributors submitting forms printed directly from their systems will need to update the output format to reflect LDB's new document formats.

The following fields will need to be changed on the output forms:

- Customer Types
 - Add: Grocery, Manufacturer Onsite Store, VQA stores
 - Remove: Counter, Bulk, Special Occasion License
- Price
 - To be populated with *Wholesale Price* for wholesale customers or *Regular Retail Price* for hospitality customers

Taxes (GST) must be provided on the product sub-total.

The following forms have been updated:

- Licensee Agency Order Form
- Customer Return Form
- Daily Batch Control Document Form

The structure of these forms is represented in the Sales Reporting Manual Form specification document. The link to this document is included in Appendix II.

3.4.4 Reporting and Systems Next Steps

Revised specification documents have been published to the LDB's website at: <http://www.bcldb.com/doing-business-ldb>.

To prepare Private Distributors for reporting and systems-related changes, the LDB will begin report testing with Private Distributors in March 2015.

Additional steps involved in the reporting and systems changes implementation roll-out plan will be communicated in due course.

3.5 Updated and Revised Agreements

Manufacturer, agent and supplier agreements are being amended to reflect the new wholesale pricing model requirements and business processes.

The LDB expects to issue new agreements early March 2015.



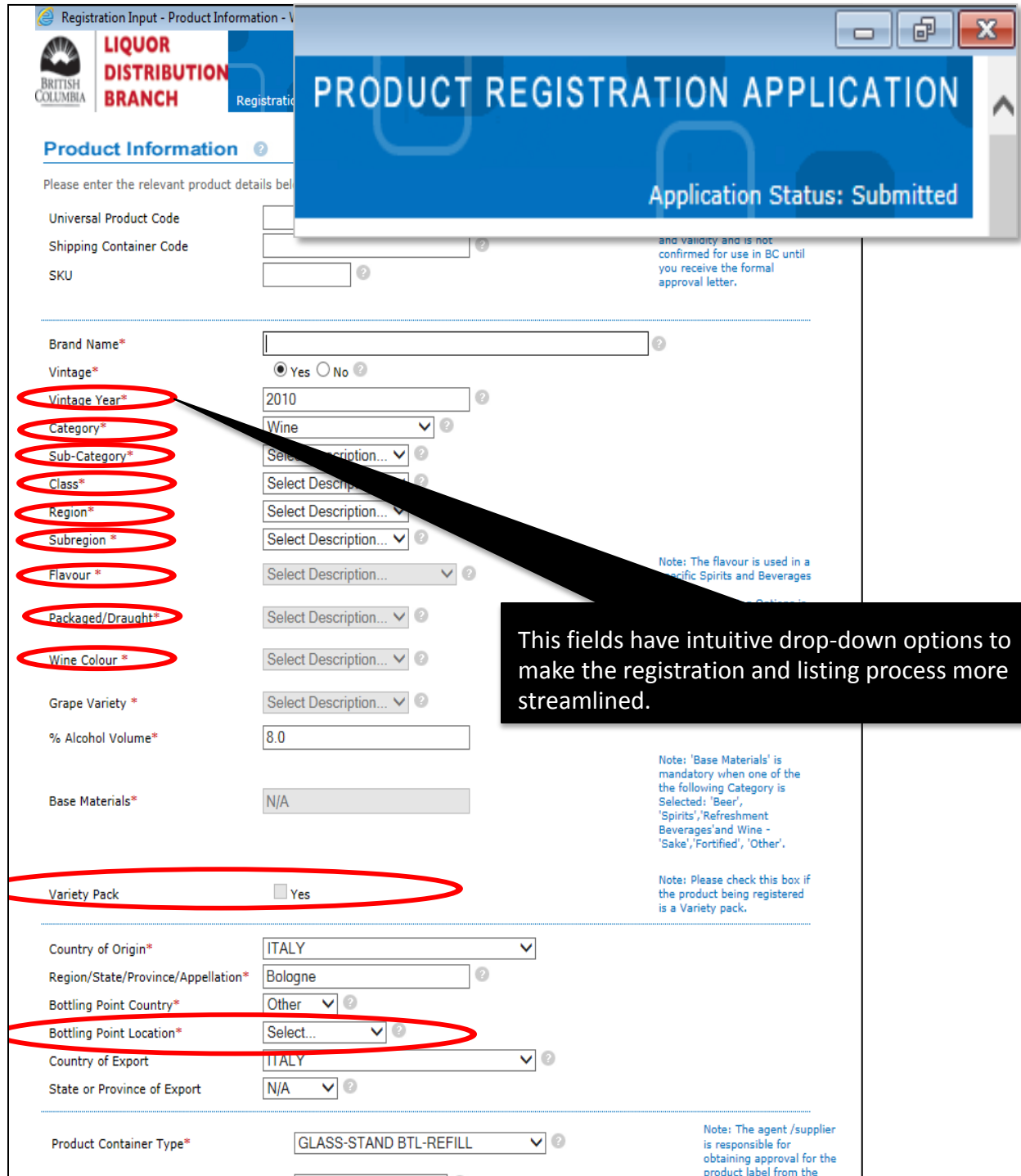
3.6 Revised Product Registration and Listing Website (Vendor Website)

The LDB will be releasing the Vendor Website in two phases, prior to April 1, 2015, to support industry partners in the transition to the new wholesale pricing model.

Release 1: February 1, 2015	Changes to the first release of the Vendor Website will include: <ul style="list-style-type: none">• New product categories and attributes to better categorize and market product within the LDB system• Minimal process changes:<ul style="list-style-type: none">○ Log-in details remains the same○ eReg (LDB registration) and eLAF (BCLS listing) applications approach remains the same○ No specific training required
Release 2: March 1, 2015	Changes to the second release of the Vendor Website will include: <ul style="list-style-type: none">• Amendments to reflect the new wholesale pricing model• An approval letter to reflect the wholesale price for vendor-specific SKU's

There will be some changes to the Vendor Website to reflect the transition to the new wholesale pricing model, including:

A) New and updated registration fields on the Product Registration Application (eREG)



Registration Input - Product Information - V

**LIQUOR
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PRODUCT REGISTRATION APPLICATION

Application Status: Submitted

Product Information

Please enter the relevant product details below

Universal Product Code

Shipping Container Code

SKU

Brand Name*

Vintage* Yes No

Vintage Year*

Category*

Sub-Category*

Class*

Region*

Subregion*

Flavour*

Packaged/Draught*

Wine Colour*

Grape Variety*

% Alcohol Volume*

Base Materials*

Variety Pack Yes

Country of Origin*

Region/State/Province/Appellation*

Bottling Point Country*

Bottling Point Location*

Country of Export

State or Province of Export

Product Container Type*

Note: 'Base Materials' is mandatory when one of the following Category is Selected: 'Beer', 'Spirits', 'Refreshment Beverages' and 'Wine - 'Sake', 'Fortified', 'Other'.

Note: Please check this box if the product being registered is a Variety pack.

Note: The agent /supplier is responsible for obtaining approval for the product label from the

Note: The flavour is used in a specific Spirits and Beverages

This fields have intuitive drop-down options to make the registration and listing process more streamlined.



B) Updated listing fields on the Product Listing Application (eLAF)

BCLDB Vendor Online - Application Details

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Listing App

PRODUCT LISTING APPLICATION

Application Status: Unsubmitted

Step 6 of 7 - Application Details

Brand name: qq

Please enter the application details below:

BCLDB Listing Applied for: **Select...** (dropdown menu with options: BCLS Exclusive, General, Specialty)

Is this an exchange?

If Yes, Product SKU#?

Exchange Product Name

Reason for Exchange (max. 255 characters)

By Invitation Yes No

Invasion Number

Product Profile: (max. 2000 characters)

Label Approval

Please indicate whether the CFIA approval/review letter and/or label/strip label is in electronic copy by attachment or hard copy by fax. If 'Hard Copy' is selected, you must fax or mail the letter to LDB with the listing application number and Product Name written on it. Please forward it to LDB Administrative Assistant in Purchasing. If the 'Attachment' value is selected, you must attach the file using the 'Browse' and 'Attach File' buttons. To replace or update the file, simply re-attach it. For security reasons .exe, .cmd, .bat, .vbs, & .com file extensions will be blocked. For performance reasons, please keep attachments under 2 MB:

CFIA letter format: *

Attachment:

Signing Officer Name*

Signing Officer Title*

BACK

GO TO PREVIOUS

*=Required Field

3.6.1 New Product Attributes

Within the Vendor Website registration process, all *Product Attributes* are selectable and based on the *Product Type* selected.

New Product Attribute examples:

Within the vendor website registration process, all product attributes are **selectable** and based on the product type selected.

Product Type	Name	Category	Sub-Category	Class	Region	Sub Region	Flavour
Beer	Heineken	Beer	Import	Commercial Beer	N/A	N/A	N/A
Wine	Beaujolais – Dobeouf	Wine	France Wine	France Red Wine	Beaujolais	Non-Cru	N/A
Spirit	Absolut Vanilla	Spirits	Vodka	Flavoured Vodka	N/A	N/A	Vanilla
Refreshment Beverage	Growers – Bing Cherry	Refreshment Beverage	Cider	Domestic Cider	N/A	N/A	Cherry

3.6.2 Roll-out Process of Period 1 2015 (April 1, 2015) Pricing Cycle

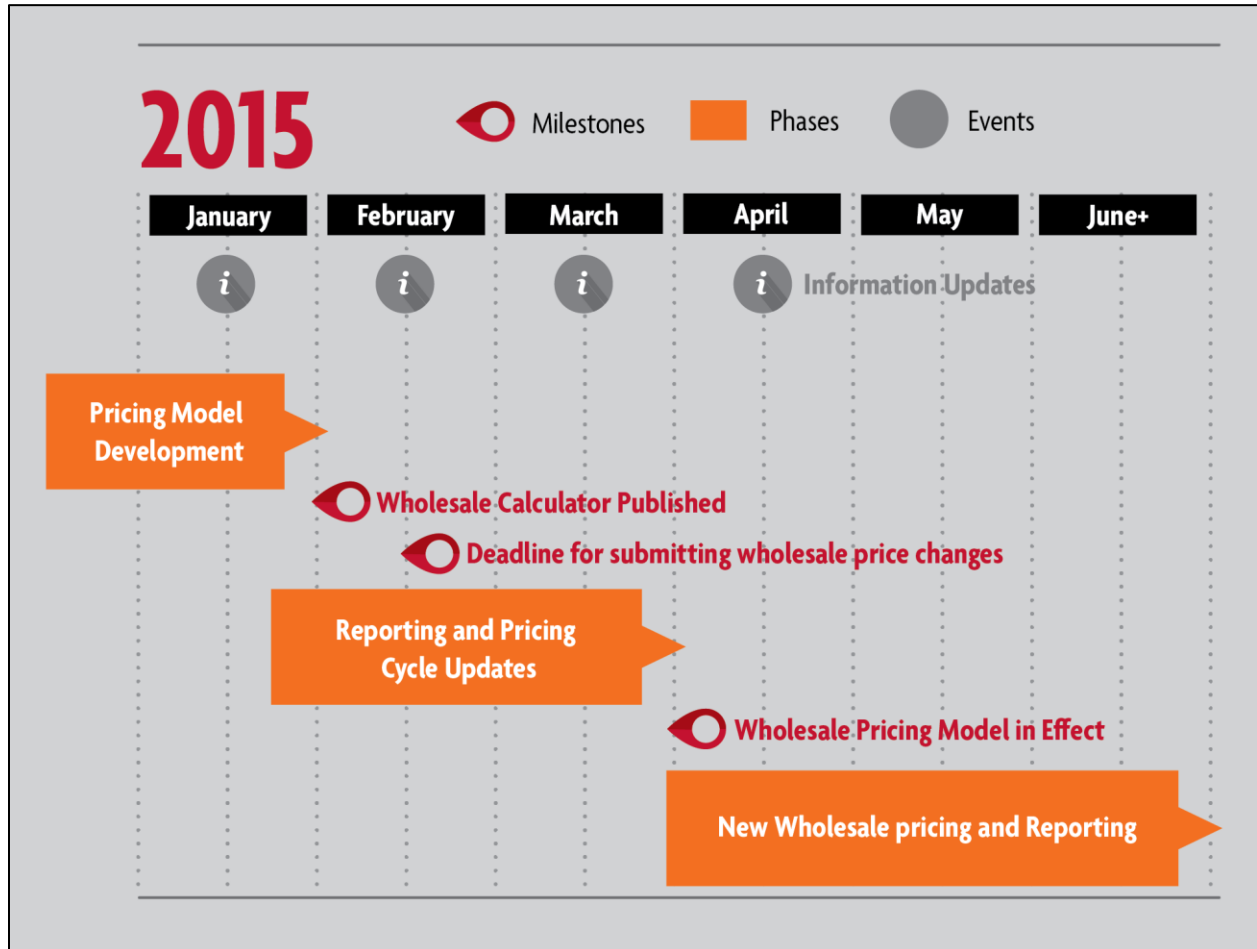
Below are important dates related to the roll-out process of the Period 1 2015 Pricing Cycle:

- February 1, 2015 – LDB wholesale pricing tools available to suppliers through the wholesale pricing calculator and vendor-specific price list
- February 13, 2015 – Deadline for submitting wholesale pricing price changes, wholesale price promotion programs (previously LTOs) and annual beer production volume (for new beer mark-up model)
 - Annual beer production volume reported based on prior calendar year and will take effect according to the LDB next fiscal year starting April 1, 2015.
- March 6, 2015 – LDB publishes Period 1 (April 1, 2015) wholesale prices
- March 20, 2015 – LDB established retail prices for Period 1 (April 1, 2015) for vendor-specific SKUs (hospitality sales)
- April 1, 2015 – effective date for wholesale and retail prices

A link to Period 1 to 3 (2015/2016) pricing dates and deadlines is available in Appendix II. Future period price change cut-off dates (beyond first quarter) will be published at a later date.

4. MILESTONES AND NEXT STEPS

The diagram below represents key milestones and next steps related to implementation of the new wholesale pricing model:



If you have any questions related to this document or the new wholesale pricing model please contact the dedicated LDB email inbox at: LDBChanges@bcldb.com.



APPENDIX I: SAMPLE CALCULATIONS

Spirit Wholesale Calculation

Prime Cost per case (Cost per case including freight into BC)	\$50.00
Domestic Charges (ie: warehouse costs, marketing, agent margin)	<u>2.75</u>
In Bond	\$52.75
Federal Duty	
Customs: $0.1228/\text{LPA} \Rightarrow [((12 \times .750) \times 40\%) \times .1228]$	0.44
Excise: $11.696/\text{LPA} \Rightarrow [((12 \times .750) \times 40\%) \times 11.696]$	42.11
Duty Paid Cost per case	<u>\$95.30</u>
Duty Paid Cost per selling unit (12/case)	<u>\$7.94</u>
Mark-up @ 124%	9.85
Container Recycling Fee @ \$0.12/bottle	0.12
Wholesale Price	<u>\$17.91</u>
Goods and Services Tax (GST) @ 5%	0.90
Total Price before container deposit	<u>\$18.81</u>
Container Deposit	<u><u>0.10</u></u>



High Priced Spirit Wholesale Calculation

Prime Cost per case (Cost per case including freight into BC)	\$175.00
Domestic Charges (ie: warehouse costs, marketing, agent margin)	<u>80.00</u>
In Bond	\$255.00
Federal Duty	
Customs: $0.1228/\text{LPA} \Rightarrow [((12 \times .750) \times 40\%) \times .1228]$	0.44
Excise: $11.696/\text{LPA} \Rightarrow [((12 \times .750) \times 40\%) \times 11.696]$	42.11
Duty Paid Cost per case	<u>\$297.55</u>
Duty Paid Cost per selling unit (12/case)	<u>\$24.80</u>
<u>Mark-up</u>	
First \$21/L ($\$21 \times .750 = \15.75) @ 124%	19.53
Next \$8.20/L ($\$8.20 \times .750 = \6.15) @ 93%	5.72
Remaining Duty Paid Cost ($\$24.80 - (15.75 + 6.15) = 2.90$) @ 62%	1.80
Container Recycling Fee @ \$0.12/bottle	0.12
Wholesale Price	<u>\$51.97</u>
Goods and Services Tax (GST) @ 5%	2.60
Total Price before container deposit	<u>\$54.57</u>
Container Deposit	<u><u>0.10</u></u>



Wine Wholesale Calculation

Prime Cost per case (Cost per case including freight into BC)	\$65.00
Domestic Charges (ie: warehouse costs, marketing, agent margin)	5.00
In Bond	<hr/> \$70.00
Federal Duty	
Customs: $0.0187/L \Rightarrow [(12 \times .750) \times 0.0187]$	0.17
Excise: $0.62/L \Rightarrow [(12 \times .750) \times 0.62]$	5.58
Duty Paid Cost per case	<hr/> \$75.75
Duty Paid Cost per selling unit (12/case)	<hr/> \$6.31
Mark-up @ 89%	5.62
Container Recycling Fee @ \$0.12/bottle	0.12
Wholesale Price	<hr/> \$12.05
Goods and Services Tax (GST) @ 5%	0.60
Total Price before container deposit	<hr/> \$12.65
Container Deposit	<hr/> <u>0.10</u>



High Priced Wine Wholesale Calculation

Prime Cost per case (Cost per case including freight into BC)	\$250.00
Domestic Charges (ie: warehouse costs, marketing, agent margin)	25.00
In Bond	<hr/> \$275.00
Federal Duty	
Customs: $0.0187/L \Rightarrow [(12 \times .750) \times 0.0187]$	0.17
Excise: $0.62/L \Rightarrow [(12 \times .750) \times 0.62]$	5.58
Duty Paid Cost per case	<hr/> \$280.75
Duty Paid Cost per selling unit (12/case)	<hr/> \$23.40
<u>Mark-up</u>	
First \$11.75/L $\Rightarrow (\$11.75 \times .750 = \$8.81)$ @ 20%	7.84
Remaining Duty Paid Cost $(\$23.40 - 8.81 = 14.59)$ @ 27%	3.94
Container Recycling Fee @ \$0.12/bottle	0.12
Wholesale Price	<hr/> \$35.30
Goods and Services Tax (GST) @ 5%	1.77
Total Price before container deposit	<hr/> \$ 37.07
Container Deposit	<hr/> <u>0.10</u>



Refreshment Wholesale Calculation – 6 Pack Can

Prime Cost per case (Cost per case including freight into BC)	\$15.00
Domestic Charges (ie: warehouse costs, marketing, agent margin)	5.00
In Bond	<hr/> \$20.00
Federal Duty	
Customs: $0.1228/LPA \Rightarrow [(24 \times .355) \times 5\% \times 0.1228]$	0.05
Excise: $0.2950/L \Rightarrow [(24 \times .355) \times 0.2950]$	2.51
Duty Paid Cost per case	<hr/> \$22.56
Duty Paid Cost per selling unit (4/case)	<hr/> \$5.64
Mark-up @ 73%	4.12
Container Recycling Fee @ \$0.00/can	0.00
Wholesale Price	<hr/> \$9.76
Goods and Services Tax (GST) @ 5%	0.49
Total Price before container deposit	<hr/> \$10.25
Container Deposit	<hr/> <hr/> <u>0.60</u>



Beer Wholesale Calculation – 6 Pack Can

Prime Cost per case (Cost per case including freight into BC)	\$25.00
Domestic Charges (ie: warehouse costs, marketing, agent margin)	3.00
In Bond	<hr/> \$28.00
Federal Duty	
Customs: Free	0.00
Excise: $0.3122/L [(24 \times .330) \times 0.3122]$	2.47
Duty Paid Cost per case	<hr/> \$30.47
Duty Paid Cost per selling unit (4/case)	<hr/> \$7.62
Percentage Markup @ \$1.08/L => $[(6 \times .330) \times \$1.08]$	2.14
Distribution Charge @ \$0.10/L => $[(6 \times .330) \times \$0.10]$	0.20
Container Recycling Fee @ \$0.00/can	0.00
Wholesale Price	<hr/> \$9.96
Goods and Services Tax (GST) @ 5%	0.50
Total Price before container deposit	<hr/> \$10.46
Container Deposit	<hr/> <u>0.60</u>



APPENDIX II: LINK TO SUPPORTING DOCUMENTS

The following documents are located on the LDB's website at: www.bcldb.com/doing-business-ldb

New Pricing Model:

- New Mark-Up Schedule - Effective April, 2015
- Revised Beer Mark-Up Schedule

Revised Wholesale Reporting:

- Direct Sales Web Reporting CSV Upload specification
- Direct Sales Web Reporting CSV Fields Specification and Validation Rules
- Direct Sales Web Reporting CSV Sample file
- Sales Reporting Manual Form specification
- Solution Design Document-Price List CSV File Download Format

Roll-Out Process For Period 1 2015 Pricing Cycle:

- Cut-Over For Period 1 (April 1, 2015)