

**MINISTRY OF ATTORNEY GENERAL
LIQUOR DISTRIBUTION BRANCH
BRIEFING NOTE**

PURPOSE: For INFORMATION for David Eby, QC
Attorney General

ISSUE: Email from the Import Vintners and Spirits Association regarding deliveries from ContainerWorld

BACKGROUND:

- On February 12, the LDB received an email from Ted Latimer, the Executive Director of the Import Vintners and Spirits Association (IVSA), raising concerns from IVSA members about delayed deliveries to customers.
 - The email was addressed to both LDB and ContainerWorld representatives.
- The email contained an excerpt from a note that IVSA members received, which appears to be from ContainerWorld. The note refers to delays in shipping orders to both the Vancouver Distribution Centre (VDC) and the Delta Distribution Centre (DDC).
- While there have been delayed shipments from ContainerWorld to the LDB's distribution centres, the note contains a number of incorrect statements that appear to point to the LDB as the cause.
- The LDB responded to the IVSA that same day, clarifying the issue and some of the incorrect information. See Appendix A.
- On February 13, ContainerWorld sent their own response to the IVSA, where they again appear to point to the LDB as the cause of any delayed deliveries.

DISCUSSION:

- The delays in question are primarily due to issues with ContainerWorld not being able to keep up with a recent increase in LDB order volumes.
- During the last week of January, the LDB's Wholesale Operations department was asked to build up inventory in the DDC as a necessary step to support the eventual transition of all wholesale customers to the DDC.
 - At the time, the DDC held approximately 4 weeks of inventory, and the intention was to build up to approximately 6-8 weeks of inventory.
- On February 1, the LDB reached out to ContainerWorld to let them know about the intention to build up inventory, and to ask whether they could see any issues associated with an increase in orders. The LDB provided estimates of the average daily volumes that ContainerWorld could expect to see.
- As most suppliers generally keep around 10-12 weeks of import inventory at ContainerWorld, it was thought that building up to 6-8 weeks of inventory in the DDC would not be problematic.
 - ContainerWorld also indicated that it had no concerns with the estimated volumes and confirmed their full support in keeping up with the anticipated increase.

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- As order volumes increased, the LDB started to receive delayed shipments from ContainerWorld, particularly on orders of Non-Stocked Wholesale Products (NSWP).
- On February 6, the LDB reached out to ContainerWorld to raise concerns about the delayed deliveries and to provide support – in particular, to offer additional receiving appointments at the DDC to clear the backlog. The LDB also advised that ContainerWorld should have at least 15 standing appointments per day at the DDC, to keep up with the increase in orders.
 - ContainerWorld noted that they were facing challenges with inbound volume, due to their recent closure for their annual inventory count, but indicated that they were reviewing their operational priorities and making deliveries of NSWP a priority.
 - Despite the advice to have at least 15 receiving appointments per day at the DDC, ContainerWorld made roughly 10 appointments per day for the week of February 11. While the LDB offered an additional 25 appointments to help clear the backlog, ContainerWorld was unable to take any more.
 - On February 13, ContainerWorld cancelled 6 of their 14 appointments scheduled for the VDC on February 16. It was confirmed that this was because of labour constraints due to recent bad weather and a number of employee absences. In addition, ContainerWorld clarified their inbound volumes are higher than normal for this time of year, which is resulting in less labour being allocated for shipping.
- The LDB had a call with ContainerWorld on February 13, where it was re-iterated that NSWP need to follow their regular delivery schedule, and delivery timelines shouldn't be compromised due to the inventory build-up of regularly stocked products. The LDB also asked for feedback on whether or not daily ordering volumes need to be reduced, to help ContainerWorld catch up with the backlog and given their current labour constraints. ContainerWorld again did not indicate any concerns with order volume.
- As of February 14, ContainerWorld is behind by approximately 3 days for deliveries to the DDC, and 2 days for deliveries to the VDC. However, many NSWP orders are coming in 7-8 days late.

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- Due to the nature of NSWP, orders are usually made for one to two cases at a time. This is compared to regularly stocked products, where orders are usually for full or half pallets. Assembling the latter is much less labour-intensive.

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Impact on wholesale customers

Delayed deliveries

- As all wholesale customers have scheduled delivery dates, it is important that the LDB receives product from third party warehouses on time.
- If a delivery from a third party warehouse is delayed, it may be received into the LDB's warehouses after a wholesale customer's scheduled delivery date. As a result, the wholesale customer will receive it in their next delivery, which could be up to a week later.
 - As a result, a delay of four or five days from ContainerWorld can result in a multi-week delay for some wholesale customers.
 - This would have the greatest impact on small wholesale customers, including hospitality customers, as they have less frequent delivery dates.
- At this point, a small number of wholesale customers have been impacted, but this number could increase if these issues with ContainerWorld are not resolved soon.

Automatic cancellation of late orders

- There is an additional impact on wholesale customers as late orders could automatically be cancelled by the LDB's systems.
 - The LDB's systems have a function where orders from third party warehouses are automatically cancelled when they are not received in the LDB's warehouses within 10 business days of the stated delivery date.
 - This feature ensures that third party warehouses are consistently delivering product in line with standard delivery timelines, and it also protects the LDB and wholesale customers from receiving product late, or receiving product that is no longer required.
- When orders are auto-cancelled, wholesale customers receive a notification that they will not be receiving the product. BCLS stores that service hospitality customers also receive this notification.
 - In cases where orders are being auto-cancelled due to delayed delivery, wholesale customers, including those serviced by BCLS, must place the order again if they still want to receive the product. This gives wholesale customers the option of deciding if they still need the product.
- In the past, the LDB has turned this function off – specifically, when accommodating increased warehouse inventory within a constrained space ahead of the busy holiday season.¹
- ContainerWorld has recently requested that this function be turned off again. It should be noted that when this function has been turned off in the past, it has

¹ This is because the amount of inbound volume at the LDB's distribution centres is high at this time of year, so if this function wasn't turned off, it may be the case that orders are cancelled because there is a backlog in receiving product into the LDB's distribution centres.

resulted in the LDB receiving shipments of old product – in some cases, up to a month old. In addition, wholesale customers do not receive any notifications and have no visibility into whether their product will be arriving or not.

NEXT STEPS:

- In the interest of maintaining open communication and working collaboratively with the other parties, the LDB has suggested an in-person meeting between the LDB, ContainerWorld and IVSA, to discuss the points raised in the emails. This meeting is scheduled for February 19.

OTHER MINISTRIES IMPACTED/CONSULTED:

- N/A

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APPENDICES:

Appendix A: LDB response to IVSA email

Appendix A

LDB response to IVSA email

- In his email of February 12, the Executive Director of the IVSA included a copy of a note that IVSA members received, which appears to be from ContainerWorld.
- The note made reference to VDC cancelling all night and weekend appointments, which was causing “an additional backlog in orders destined to Vancouver” and causing capacity issues with orders not being able to be shipped out.
- The LDB clarified in its response to the IVSA that appointment availability is not a concern and that additional appointments can be made, to align with increased order volumes.
 - While the number of appointments at the VDC has, in general, been reduced, this is because of the reduced number of customers being serviced out of the VDC. There are still a sufficient amount of appointments available for the volumes that are being ordered.
- In addition, the LDB noted that ContainerWorld had been given notice of the intention to increase orders to stock up the DDC, and that the LDB had been in continuous communication with ContainerWorld to raise concerns and help resolve any issues with delayed deliveries.

Date: March 6, 2019

To: Wholesale Customers

Re: Receiving delays into LDB warehouses for select Import products (Regular, Stocked-Spec and Third Party Stocked Spec products)

As you may be aware, one of our major third-party warehouse partners is experiencing unfortunate operational challenges. While this partner warehouse continues to work diligently to resolve the issues, the LDB has been impacted by delays in receiving import products, including regular, stock-spec, and pre-ordered non-stock spec.

As a result, some of your pre-ordered non-stock spec products may be delayed or cancelled. Select customer orders for LDB-stocked product (regular import, stocked-spec) may also be impacted.

If you are notified of a cancelled sales order for non-stock spec products, please re-order.

We are continuing to work with our agent warehouse partner to provide the necessary support to bring delivery timelines back to standard operations. While we do not yet have a timeline for resolution of these impacts, we will continue to keep you updated.

We apologize for the inconvenience and impact this may have on your business.

Thank You,

LDB Wholesale Operations

February 19, 2019 at the BCLDB

Meeting Minutes

Meeting Participants:

LDB: Blain Lawson, Renu Bains, Sairose Fisher, Amitabh Biswal, Nicole Infanti, Candace Jones,

IVSA: Ted Latimer, Matt Thirlwell, Carmen D'Onofrio, Brian Berry

ContainerWorld: Amir Abdollahzadeh, Sara Patton

Agenda item	Discussion
LDB opening comments	<p>LDB:</p> <ul style="list-style-type: none"> LDB is not faced with capacity or labour issues and needs to get the product flowing. We have the capacity; we just need to get the goods flowing into our building Issue with SPEC products; the three-day delivery timeframe is not being met by Container World (CW) and is causing delayed deliveries to customers; deliveries outside the three-day delivery timeframe can cause a much bigger customer delay There is a desire and need to work collaboratively across all parties and the purpose of this meeting is to determine how we can better work together, going forward, in order to support the best customer service
NSWP and EPO auto-cancellation	<p>Container World (CW):</p> <ul style="list-style-type: none"> CW requested that LDB separate their orders so that there is differentiation between product that is required to stock up the distribution centre in Delta, and product that has been ordered by customers CW noted that many wholesale customers are adding SPEC SKUs to their inventory which is creating expansion issues in their warehouse CW noted the massive cyber attack they are currently managing (no one at CW has a computer at the moment) as well as the impacts resulting from the recent snow conditions CW has capacity to pick spec products, but it can be difficult due to the way the orders come in from LDB; however, CW recently implemented a new consolidation process which should help the issue <p>LDB:</p> <ul style="list-style-type: none"> LDB noted that many spec customer orders are arriving late or being cancelled as they are not arriving within the max allowable 10 days (after 3 day delivery window); this causes customer dissatisfaction. <p>Group discussion:</p> <ul style="list-style-type: none"> CW confirmed that they are not able to work on a first-in, first-out (FIFO) process due to recent operational challenges Both the LDB and CW confirmed that the auto-cancellation will remain set

	<p>at 10 business days (after the initial 3 day delivery timeframe) for now; however, LDB mentioned there is new reporting in progress for customer orders and purchase orders that will provide visibility to order date and receipt date; the report is currently in testing; more updates to follow in the next 2 weeks. Delivery mechanism (vendor portal or something else) is still tbd.</p>
DDC inventory build-up plan	<p>LDB:</p> <ul style="list-style-type: none"> LDB noted they are stocking up the Delta distribution centre as a proactive measure; so that SPEC issues don't continue through the summer <p>Group discussion:</p> <ul style="list-style-type: none"> LDB and CW will continue to have regular conversations regarding the Delta distribution centre build-up process There was also discussion if increasing/stocking the number of NSWP products should be prioritized as part of Delta build-up. The preference is for this to continue in parallel with LDB stocked product. LDB stated the current plan is to go up to 1000, however there is space and possibility for this to go up to 1500
Appointment availability	<p>LDB:</p> <ul style="list-style-type: none"> LDB noted that based on current order volumes for Delta distribution centre CW should book 15 appointments per day (+ more if needed); however, they must book in advance to reserve the spots LDB noted that additional appointment times can be allotted if necessary in either Vancouver or Delta warehouse <p>CW:</p> <ul style="list-style-type: none"> CW noted that recent labour, capacity, and volume issues have impacted them filling orders, as well as unforeseen circumstances (such as weather conditions and cyber attack)
Recommendations and next steps	<p>Group discussion:</p> <ul style="list-style-type: none"> It was noted by all parties that SPEC product will remain priority and follow FIFO; starting with the orders that are in the backlog CW committed to providing a plan to clear the current backlog of spec and regular products by the end of this week (Friday 22nd February). CW committed to planning out the next 4-5 weeks of SPEC product, CW confirmed they remain comfortable with the 3 day delivery timeframe for SPEC products for now CW confirmed to share their constraints in terms of max # of deliveries they can do/day to each of the LDB warehouses based on which LDB can plan ordering on an ongoing basis LDB noted that the SPEC process is being reviewed as part of the third-party review of its distribution centre, as announced by the Minister Attorney General All parties committed to refraining from posting negative communications regarding each others business and to proceed with transparency and collaboration

