

BCL Retail Pricing:

BCL retail pricing is determined by a variety of factors. Category Managers and Merchandise Analysts utilize various sources and research methods to determine and continually update retail price positioning for BCL product assortment. Retail price setting includes an evaluation of the LDB's published monthly wholesale prices as well as brand positioning, sku availability (exclusivity status and quantities available), promotional investment, international and domestic retailer pricing, along with competitor retail pricing within BC. Product and category margins are also reviewed ongoing in relation to BCL performance against forecast targets and total gross margin contribution. As BCL is a competitive liquor retailer in BC, we do not publish or distribute formal documentation on benchmark margins. Margins are also subject to change. Margins are also impacted when a product goes on sale, BCL is obligated to pass on all Wholesale Price Promotions. Anyone in the beverage alcohol industry can look up BCL or competitor margins for the majority of product assortment as the LDB publishes a monthly wholesale price list. The wholesale price list can be cross-referenced at any time with BCL current retail pricing to calculate current retail margins.

Here is a snapshot from the Merchandise Analyst job description.

1. Utilizes a variety of research methods and analysis (using qualitative and quantitative analytical methods, including cost benefit analysis) regarding any aspect of product merchandising; identifies performance relative to objectives, trends, seasonality, profitability, etc. Sources accurate, timely and relevant data from a variety of sources, both internally and externally to the organization (ie. relevant market/environmental factors, local/store community information, marketing activities, supplier information, weather/seasonality impacts, trade publications, etc.).
2. Conducts business analysis to determine pricing profiles; performs item and assortment performance analysis.

3. Develops options and recommendations for final approval on pricing, marketing, clearance activity, etc.; and prepares/presents reports.

The below graph was included to show that these numbers are not set in stone, they are constantly changing as mentioned in the description (due to sales etc.) The graph was added to provide the applicant with more information and to notify them that the pricing structure is not uniform across all tequila products. The structure fluctuates depending on the size of the bottle as well.

Tequila	Size Format	Benchmark Margin %
	375ml	
	750ml	
	1.14L	
	1.75L	
All Sizes	BC Select	
	Quasi BC Select	
	Spirit Release	






WHOLESALE PRICING OVERVIEW

LDB establishes two prices for beverage alcohol sold by the LDB: the wholesale price and the retail price. Wholesale customers purchase product at the wholesale price, and Hospitality customers (restaurants, bars) and BC Liquor Store retail customers purchase product at the retail price.

LDB purchases product at the supplier price, and this cost is the basis of the wholesale price determination. The supplier price is the amount LDB pays the agent/supplier for product and is paid either at in bond cost or at duty paid cost.

The table below displays markup rates for the four categories of beverage alcohol. The wholesale markup rates are subject to change during the fiscal year.

Mark-up Schedule: Effective July 3, 2016

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
			On next \$8.20 cost per litre
Refreshments	73%		On next \$8.20 cost per litre
			On any amount over \$37.40 cost per litre
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)
Beer	\$1.08/L		On first \$11.75 cost per litre
			On any amount over \$11.75 cost per litre
Large Brewers (>350,000 hl)	\$0.41/L to \$0.99/L		Subject to annual CPI adjustments
Med Brewers (>15,001 <=350,000 hl)	\$0.40/L		
Sm Brewers (<=15,000 hl)			

BEER MARKUP RATES BY PRODUCTION LEVELS

A brewery's markup rate is based on annual worldwide brewery production (including affiliated breweries).

Production level in HL		Rate / litre	Production level in HL		Rate / litre
1	15000	0.40	236001	239000	0.68
15001	16000	0.41	239001	243000	0.70
16001	18000	0.42	243001	247000	0.72
18001	20000	0.43	247001	251000	0.74
20001	22000	0.44	251001	255000	0.75
22001	25000	0.44	255001	259000	0.76
25001	29000	0.45	259001	263000	0.78
29001	35000	0.46	263001	267000	0.79
35001	43000	0.47	267001	272000	0.81
43001	55000	0.48	272001	276000	0.82
55001	77000	0.49	276001	281000	0.83
77001	129000	0.50	281001	286000	0.85
129001	201000	0.51	286001	291000	0.86
201001	203000	0.52	291001	297000	0.88
203001	206000	0.54	297001	302000	0.89
206001	208000	0.55	302001	308000	0.90
208001	211000	0.56	308001	314000	0.92
211001	214000	0.58	314001	320000	0.93
214001	217000	0.59	320001	327000	0.93
217001	220000	0.61	327001	333000	0.95
220001	223000	0.62	333001	340000	0.97
223001	226000	0.63	340001	348000	0.97
226001	229000	0.65	348001	350000	0.99
229001	233000	0.66	350001 and over		1.08
233001	236000	0.68			

DEFINITIONS

Affiliated

A Brewery is deemed to be affiliated, when there is 10% or more ownership. When a brewery is deemed to be an affiliation, all worldwide production must be included in the ownership reporting of their annual production levels.

Delisted Product

A product that is no longer distributed or sold in BC; an agent/supplier may request that the registration for the product be re-activated. Also referred to as Status 4 or 4.2.

Domestic Charge

The cost per case incurred by an agent (eg. Warehousing, local freight & advertising) plus the agent's profit. This charge applies only to import products.

Duty Paid Cost

In bond cost plus applicable federal duties and/or taxes. This is the value per case that the LDB pays to the agent/supplier for domestic wine, domestic beer, and non-spirit based domestic refreshment beverages. In this definition, "domestic" refers to products bottled in Canada.

In Bond Cost

Prime cost plus any applicable Domestic Charges (imports only). This is the value per case that the LDB pays to the agent/supplier on all import products, domestic spirits, and spirit based domestic refreshment beverages.

New Product

Product not previously registered for sale in BC.

Pending Delist Product

A product that will become delisted once existing inventory has been depleted. Also referred to as Status 3 or 3.1.

Pending Listing

A product that has been approved for distribution and sale in BC but is not available to be sold as it has not yet been activated by LDB Supply Chain. Also referred to as Status 1.



Pricing Agent

The agent on record at LDB authorized to set or modify supplier price of a product.

Prime Cost

The cost of a product per case, in Canadian dollars, including freight (land and/or ocean) to Vancouver.

Reactivation of a Product

The process by which a product that has previously been delisted by the LDB is to be made available for sale in BC again.

Regular Wholesale Price

A wholesale price that has been established for at least six consecutive months.

Supplier Price

The cost used by the LDB as the base for calculating a product's wholesale price.

WHOLESALE PRICE CALCULATION SAMPLES

Spirit Wholesale Calculation

Case size 12 x 750 ml glass bottles – 40% alcohol content

Prime Cost per case (Cost per case including freight into BC)	\$50.00
Domestic Charges (i.e.: warehouse costs, marketing, agent profit)	2.75
In Bond	\$52.75
Federal Duty	
Customs: $0.1228/\text{LPA} [((12 \times .750) \times 40\%) \times .1228]$	0.44
Excise: $12.736/\text{LPA} [((12 \times .750) \times 40\%) \times 12.736]$	45.85
Duty Paid Cost per case	\$99.04
Duty Paid Cost per selling unit (12 selling units/case)	\$8.25
Percentage Markup @ 124%	10.23
Container Recycling Fee @ \$0.13/bottle	0.13
Wholesale Price before tax	\$18.61
Goods and Services Tax (GST) @ 5%	0.93
Wholesale Price before container deposit per bottle	\$19.54

High Priced Spirit Wholesale Calculation

Case size 12 x 750 ml glass bottles – 40% alcohol content

Prime Cost per case (Cost per case including freight into BC)	\$175.00
Domestic Charges (i.e.: warehouse costs, marketing, agent profit)	80.00
In Bond	\$255.00
Federal Duty	
Customs: 0.1228/LPA $[(12 \times .750) \times 40\% \times .1228]$	0.44
Excise: 12.736/LPA $[(12 \times .750) \times 40\% \times 12.736]$	45.85
Duty Paid Cost per case	\$301.29
Duty Paid Cost per selling unit (12 selling units/case)	\$25.11
<u>Percentage Markup</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 ($\$25.11 - (\$15.75 + \$6.15) = \3.21) @ 62%	1.99
Container Recycling Fee @ \$0.13/bottle	0.13
Wholesale Price before tax	\$52.48
Goods and Services Tax (GST) @ 5%	2.62
Wholesale Price before container deposit per bottle	\$55.10

Wine Wholesale Calculation

Case size 12 x 750 ml glass bottles – 13% alcohol content

Prime Cost per case (Cost per case including freight into BC)	\$65.00
Domestic Charges (i.e.: warehouse costs, marketing, agent profit)	5.00
In Bond	\$70.00
Federal Duty	
Customs: 0.0187/L [(12 x .750) x 0.0187]	0.17
Excise: 0.6720/L [(12 x .750) x 0.6720]	6.05
Duty Paid Cost per case	\$76.22
Duty Paid Cost per selling unit (12 selling units/case)	\$6.35
Percentage Markup @ 89%	5.65
Container Recycling Fee @ \$0.13/bottle	0.13
Wholesale Price before tax	\$12.13
Goods and Services Tax (GST) @ 5%	0.61
Wholesale Price before container deposit per bottle	\$12.74

High Priced Wine Wholesale Calculation

Case size 12 x 750 ml glass bottles – 13% alcohol content

Prime Cost per case (Cost per case including freight into BC)	\$250.00
Domestic Charges (i.e.: warehouse costs, marketing, agent profit)	25.00
In Bond	\$275.00
Federal Duty	
Customs: $0.0187/L [(12 \times .750) \times 0.0187]$	0.17
Excise: $0.6720/L [(12 \times .750) \times 0.6720]$	6.05
Duty Paid Cost per case	\$281.22
Duty Paid Cost per selling unit (12 selling units/case)	\$23.44
<u>Percentage Markup</u>	
First \$11.75/L ($\$11.75 \times .750 = \8.81) @ 89%	7.84
Remaining Duty Paid Cost ($\$23.44 - 8.81 = 14.63$) @ 27%	3.95
Container Recycling Fee @ \$0.13/bottle	0.13
Wholesale Price before tax	\$35.36
Goods and Services Tax (GST) @ 5%	1.77
Wholesale Price before container deposit per bottle	\$37.13

Refreshment Wholesale Calculation – 6 Pack Can

Case size [4 x (6 x 355 ml)] cans

Prime Cost per case (Cost per case including freight into BC)	\$15.00
Domestic Charges (i.e.: warehouse costs, marketing, agent profit)	5.00
In Bond	\$20.00
Federal Duty	
Customs: $0.1228/\text{LPA} [(24 \times .355) \times 5\% \times 0.1228]$	0.05
Excise: $0.3220/\text{L} [(24 \times .355) \times 0.3220]$	2.74
Duty Paid Cost per case	\$22.79
Duty Paid Cost per selling unit (4 selling units/case)	\$5.70
Percentage Markup @ 73%	4.16
Container Recycling Fee @ \$0.01/can	0.06
Wholesale Price before tax	\$9.92
Goods and Services Tax (GST) @ 5%	0.50
Wholesale Price before container deposit per 6 pack case	\$10.42

Beer Wholesale Calculation – 6 Pack Can

Case size [4 x (6 x 330 ml)] cans – Brewery Production > 350,000 HL / LDB Distributed

Prime Cost per case (Cost per case including freight into BC)	\$25.00
Domestic Charges (i.e.: warehouse costs, marketing, agent profit)	3.00
In Bond	\$28.00
Federal Duty	
Customs: Free	0.00
Excise: 0.3400/L [(24 x .330) x 0.3400]	2.69
Duty Paid Cost per case	\$30.69
Duty Paid Cost per selling unit (4 selling units/case)	\$7.67
Percentage Markup @ \$1.08/L [(6 x .330) x \$1.08]	2.14
Distribution Charge @ \$0.10/L [(6 x .330) x \$0.10]	0.20
Container Recycling Fee @ \$0.01/can	0.06
Wholesale Price before tax	\$10.07
Goods and Services Tax (GST) @ 5%	0.50
Wholesale Price before container deposit per 6 pack case	\$10.57

APPENDIX 3

Customs Rates of Duty and Taxes

Rates effective April 1st, 2021

DESCRIPTION	CUSTOMS DUTY (b)				EXCISE DUTY/TAX (c)	
	AUS/NZ	CPTPP (h)	MFN (b)			
	BOL	Origin Declaration			(c)	
Beer (d)			FREE	Per litre	0.3400	Per litre
Beer (d) >11.9%			FREE	Per LPA (e)	12.736	Per LPA
Non-Alcoholic Beer (d)			FREE	Per litre	0.02822	Per litre
Non-Alcoholic Wine & Sparkling	0.033	FREE	0.033	Per litre	0.0210	Per litre
Sparkling Wine ≤ 7.0%			FREE	Per litre	0.3220	Per litre
Sparkling Wine >7.0%			FREE	Per litre	0.6720	Per litre
Wine (f) (2L or less) ≤1.2%	0.0187	FREE	0.0187	Per litre	0.0210	Per litre
>1.2% ≤ 7.0%	0.0187	FREE	0.0187	Per litre	0.3220	Per litre
>7.0% ≤13.7%	0.0187	FREE	0.0187	Per litre	0.6720	Per litre
>13.7% ≤ 14.9%	0.0275	FREE	0.0468	Per litre	0.6720	Per litre
>14.9% ≤ 22.9%			FREE	Per litre	0.6720	Per litre
SAKE ≤ 13.7%	0.0282	FREE	0.0282	Per litre	0.6720	Per litre
>13.7% ≤ 14.9%	0.0704	FREE	0.0704	Per litre	0.6720	Per litre
>14.9% ≤ 15.9%	0.0778	FREE	0.0778	Per litre	0.6720	Per litre
>15.9% ≤ 16.9%	0.0852	FREE	0.0852	Per litre	0.6720	Per litre
>16.9% ≤ 17.9%	0.0925	FREE	0.0925	Per litre	0.6720	Per litre
>17.9% ≤ 18.9%	0.1000	FREE	0.1000	Per litre	0.6720	Per litre
>18.9% ≤ 19.9%	0.1073	FREE	0.1073	Per litre	0.6720	Per litre
>19.9% ≤ 20.9%	0.1148	FREE	0.1148	Per litre	0.6720	Per litre
>20.9% ≤ 21.9%	0.1221	FREE	0.1221	Per litre	0.6720	Per litre
>21.9% ≤ 22.9%	0.1295	FREE	0.1295	Per litre	0.6720	Per litre
>22.9%	0.1295	FREE	0.1295	Per litre	12.736	Per litre
MEAD		FREE	0.1228	Per LPA	0.6720	Per litre
Coolers (d) ≤ 7.0%		FREE	0.1228	Per LPA	0.3220	Per litre
Vermouth & Similar Wines ≤ 18.3%			FREE	Per litre	0.6720	Per litre
>18.3% ≤ 22.9%			FREE	Per litre	0.6720	Per litre
>22.9%			FREE	Per LPA	12.736	Per LPA
Cider ≤ 7.0%		FREE	3.00%	Of value	0.3220	Per litre
Pre-Mixed Cocktails >7.0% ≤ 13.7%		FREE	3.00%	Of value	12.736	Per LPA
Sparkling Cider ≤ 7.0%		FREE	0.2816	Per litre	0.3220	Per litre
Brandy & Cognac (d)			FREE	Per LPA	12.736	Per LPA
Whiskies (d)			FREE	Per LPA	12.736	Per LPA
Rum (d)		FREE	0.2456	Per LPA	12.736	Per LPA
Gin (d)		FREE	0.0492	Per LPA	12.736	Per LPA
Vodka (a)		FREE	0.1228	Per LPA	12.736	Per LPA
Tequila (d)			FREE	Per LPA	12.736	Per LPA
Liquor (d)		FREE	0.1228	Per LPA	12.736	Per LPA
Other alcoholic beverages (g)		FREE	0.1228	Per LPA	12.736	Per LPA

Notes:

- a) General Preferential Tariff (GPT) rate is 0.06 per litre of absolute ethyl alcohol.
- b) Applies to products of Most Favored Nation (MFN) countries unless covered by a trade agreement and supporting documentation is provided.
- c) Applies to all imported and domestic products. Domestic Products subject to the Excise Rates only.
- d) GPT rate = FREE
- e) LPA = Litres of Pure Alcohol (% alcohol x volume)
- f) Includes Port, Sherry, Madeira
- g) Includes Schnapps and pre-mixed cocktails
- h) CPTPP (see below)

New CPTPP - Comprehensive and Progressive Agreement for Trans-Pacific Partnership effective December 30th, 2018

For countries which include Australia, New Zealand, Mexico, Japan, Singapore and Vietnam (Vietnam effective date January 14th, 2019), customs duty on originating goods will be eliminated provided an origin declaration is completed by the exporter, producer or importer to confirm proof of origin.

Container Recycling Fee Rates

(Rates Effective on January 31, 2021)

- Container Recycling Fees are applied after the application of markup, but before application of taxes and container deposits

Container Type	Container Recycling Fee
Glass – No Refill (Wine & Spirit) <= 1 Litre	\$0.13
Glass – No Refill (Wine & Spirit) > 1 Litre	\$0.18
Glass – No Refill (Beer, Cider, Cooler) <= 1 Litre	\$0.09
Glass – No Refill (Beer, Cider, Cooler) > 1 Litre	\$0.18
Glass – Refillable (Beer, Cider, Cooler) <= 1 Litre	\$0.00
Glass – Refillable (Beer, Cider, Cooler) > 1 Litre	\$0.00
Plastic PET, Tetra Pak, Pouch <= 1 Litre	\$0.02
Plastic PET, Tetra Pak, Pouch > 1 Litre	\$0.05
Bag-in-Box > 1 Litre	\$0.13
Kegs – Non-Refillable	\$1.80
Cans – All Sizes	\$0.01
De alc – Non-Refillable Glass <= 1 Litre	\$0.07
De alc – Aluminum	\$0.01