

# Licensee Information Sessions

Yukon Liquor Corporation, December 2018





# Agenda

- What We Heard
- Pricing Structure Changes
  - New Markup Schedules
  - Cost of Service
- Examples
- Benefits
- Wholesale Purchase Changes
- Implementation & Next steps
- Questions



# What We Heard

- Monthly price changes create challenges
- Concern about higher prices
  - Look for options to offset increases with additional savings for wholesale
  - Little or no impact to the price of draught beer
- Clarity on “Cost of Service”
- Transparency on YLC Landed Costs
- Improve Communication on Price Changes
- Concerns regarding cost of Social Responsibility
- Small Producer thresholds and pricing benefits
- Suppliers are lowering their prices to maintain Retail shelf prices



# Yukon Licensees - Overview

- New YLC Wholesale Pricing Structure
- Net Wholesale price reduction to the Licensees
- Emphasis on YLC Landed Cost & COS reduction
  - Streamline YLC supply chain & order processing
- Focus on improved communication & collaboration
- Clarification on Wholesale and Retail Sales channels

# Wholesale Pricing Structure Components

- Supplier Product Cost
- Federal Excise & Import Duties
- Freight (Inbound Logistics)
- **YLC Wholesale markup**
- **Cost of Service (\$0.30 per litre\*)**
- Liquor Tax (12%)
- GST (5%)
- Refundable Deposit
- Recycling Fee

Landed  
Cost

Wholesale  
Base Price

Tax, Deposit &  
Fees

- LTO Discount

# Retail Pricing Structure Components

- Wholesale Base Price
- YLC Retail Markup = 13.64%
- Liquor Tax (12%)
- GST (5%)
- Refundable Deposit
- Recycling Fee

Tax, Deposit & Fees

Retail  
Selling  
Price

- LTO Discount



# Small Producer Markup Schedule

Product / Producers' Size	Wholesale Markup (\$ / l)
<b>Spirits: Small Producers</b> Annual production up to and including 8,300 litres of absolute ethyl alcohol	\$11.70
<b>Table wines: Small Producers</b> Total annual production up to and including 60,000 litres	\$7.70
<b>Coolers: Small Producers</b> Total annual production up to and including 525 litres of absolute ethyl alcohol	\$1.50
<b>Beer Packed &amp; Draft: Small Producers</b> Total annual production up to and including 15,000 hectolitres	\$0.10
<b>Beer Packed &amp; Draft: Medium Producers</b> Total annual production between 15,000 and 25,000 hectolitres	\$0.40



# Large Producer Markup Schedule

## Beer & Cider: Draught

<b>Large Producers</b> Total production over 25,000 hectolitres	Wholesale Markup (\$ / litre)
	\$1.00

## Beer & Cider: Packed

<b>Large Producers</b> Total production over 25,000 hectolitres	Wholesale Markup (\$ / litre)
	\$1.42

## Coolers

<b>Large Producers</b> Total annual production of coolers over 15,000 litres	Markup Boundaries	Wholesale Markup
	All	70%



# Large Producer Markup Schedule

## Spirits

Large Producers Total annual production over 8,300 litres of absolute ethyl alcohol	Landed Cost (\$ / litre) thresholds		Wholesale Markup
	On next \$17.40 per litre	\$0.00 - \$17.40	138%
	On next \$36.00 per litre	\$17.41 - \$53.40	35%
	Remaining \$ per litre	\$53.41+	15%

## Table Wines & Ready To Serve

Large Producers Total annual production over 60,000 litres	Landed Cost (\$ / litre) thresholds		Wholesale Markup
	On first \$7.50 per litre	\$0.00 - \$7.50	98%
	On next \$13.50 per litre	\$7.51 - \$21.00	55%
	Remaining \$ per litre	\$21.01 +	15%

# Large Producer Markup Schedule

## Fortified Wines

All Producers	Landed Cost (\$ / litre) thresholds		Wholesale Markup
	On first \$7.50 per litre	\$0.00 - \$7.50	125%
On next \$13.50 per litre	\$7.51 - \$21.00	55%	
Remaining \$ per litre	\$21.01+	15%	

## Non-Alcohol products

All Producers	Markup Boundaries	Wholesale Markup
	All	10%

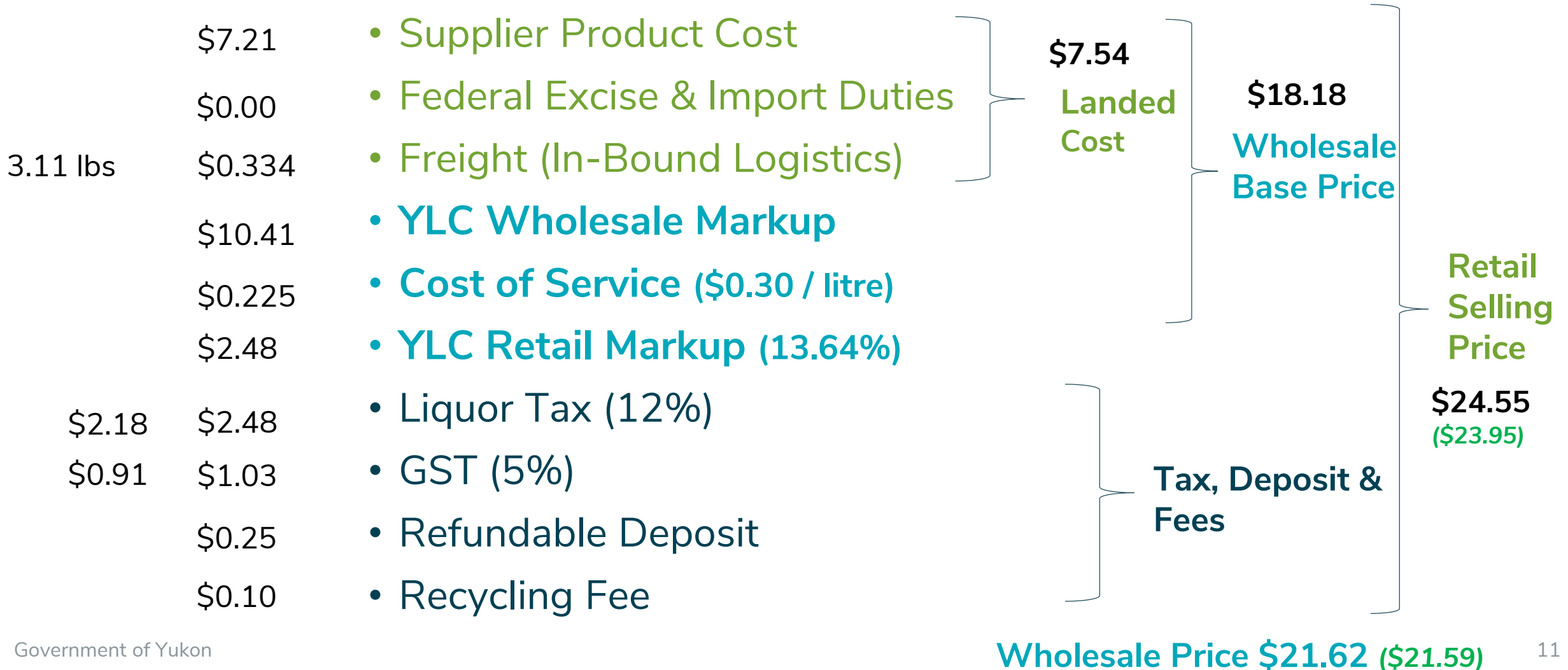


# Cost of Service (COS)

- Reflects the costs of purchase and distribution of all product sold within the Yukon
- Previously included as part of the ad valorem mark-up structure
- Change required under Comprehensive Economic and Trade Agreement (CETA)
- No differential in charge by origin of product
- Applies to all product physically handled by YLC

EXAMPLE - Smirnoff Red Label 1/750

# Liquor Pricing Structure Components



## EXAMPLE – Large Producer Spirit

Spirits – Large Producer: 1.75 litre bottle		
Pricing Elements	Retail Price	Wholesale Price
Product Cost		\$16.50
+ Federal Excise Duty		Paid by producer
+ Federal Import Duty		Not Applicable
+ Inbound Freight & Logistics		\$1.16
= Landed Cost		\$17.66
+ YLC Wholesale Markup		\$24.39
+ Cost Of Service (\$0.30 / litre)		\$0.52
= Wholesale Base Price		\$42.57
+ YLC Retail Markup	\$5.81	Not Applicable
= Retail Base Price	\$48.37	Not Applicable
+ Yukon Liquor Tax (12%)	\$5.80	\$5.11
+ Goods & Services Tax (5%)	\$2.42	\$2.12
= Final Price Before deposits	\$56.60	\$49.80
+ Refundable Deposit	\$0.25	\$0.25
+ Recycling Fee	\$0.10	\$0.10
= Final Price With Deposits	<b>\$56.95</b>	<b>\$50.15</b>

## EXAMPLE – Small Beer

Packaged Beer – Small Producer: 15 pack cans		
Pricing Elements	Retail Price	Wholesale Price
Product Cost		\$24.11
+ Federal Excise Duty		Paid by producer
+ Federal Import Duty		Not Applicable
+ Inbound Freight & Logistics		\$0.00
= Landed Cost		\$24.11
+ YLC Wholesale Markup		\$0.53
+ Cost Of Service (\$0.30 / litre)		\$1.60
= Wholesale Base Price		\$26.24
+ YLC Retail Markup (13.64%)	\$3.58	Not Applicable
= Retail Base Price	\$29.82	Not Applicable
+ Yukon Liquor Tax (12%)	\$3.58	\$3.15
+ Goods & Services Tax (5%)	\$1.49	\$1.31
= Final Price Before deposits	\$34.90	\$30.70
+ Refundable Deposit	\$0.75	\$0.75
+ Recycling Fee	\$0.75	\$0.75
= Final Price With Deposits	<b>\$36.40</b>	<b>\$32.20</b>

## EXAMPLE – CALJ Comparison SKUs

Description	Size (ml)	Current	Jan 2019	Delta	Min-CALJ	Max-CALJ
Apothic Red	750	\$19.25	\$18.60	-\$0.65	\$15.30	\$20.89
Bacardi Superior	1140	\$32.50	\$31.70	-\$0.80	\$31.70	\$42.85
Baileys Irish Cream Liquor	1140	\$44.60	\$45.60	\$1.00	\$39.75	\$47.75
Barefoot Pinot Grigio	750	\$13.60	\$12.65	-\$0.95	\$9.95	\$13.91
Corona Extra 6 Pk-B +	1980	\$18.55	\$17.70	-\$0.85	\$13.24	\$18.12
Gordon's Gin	1140	\$33.50	\$35.20	\$1.70	\$20.45	\$41.95
Heineken Lager 6 Pk-B +	1980	\$18.55	\$18.60	\$0.05	\$12.90	\$19.75
Johnnie Walker Black 12 Yr	750	\$58.05	\$57.30	-\$0.75	\$51.16	\$64.40
Kim Crawford Sauv Blanc	750	\$22.70	\$21.80	-\$0.90	\$19.55	\$23.39
Molson Canadian 12 pk-bottles	4092	\$26.25	\$24.60	-\$1.65	\$20.73	\$30.59
Molson Canadian 6 pk-cans	2130	\$13.15	\$12.65	-\$0.50	\$11.89	\$19.70
Smirnoff Ice 4pk	1320	\$11.40	\$11.35	-\$0.05	\$9.55	\$13.34
Smirnoff Vodka	1140	\$36.45	\$36.80	\$0.35	\$34.75	\$42.78
Wisers Special Blend	1140	\$31.85	\$35.10	\$3.25	\$35.10	\$41.95
Wolf Blass Yellow Label Cab Sauv	750	\$19.15	\$19.45	\$0.30	\$16.56	\$19.89
Yellow Tail Shiraz	750	\$15.60	\$15.45	-\$0.15	\$11.80	\$15.45



# Benefits for Licensees

- **Wholesale Purchases** will receive lower price (12% equiv. discount)
- Maintains 10% POS Licensee Discount at YLC Retail Stores
- Focus on Landed Cost & COS reductions
- Ongoing improvements in monthly Wholesale Price List
- Suppliers actively lowering prices to reduced impact at Retail
- Improved collaboration with Licensees
  - Communication, Ordering Process, Assortment





# 2019 Landed Cost & COS Improvements

- Continue Product Cost reduction efforts
  - Focus on lowering top Supplier costs
  - Lower transportation costs (*+ shorter lead-times*)
  - May increase COS, but benefits all Yukoners
- Focus on Cost of Service (COS) reduction efforts
  - Service Cost review & rationalization
  - Licensee - YLC Working Group
  - Will kickoff in January 2019



# Eligible Wholesale Orders

- Valid Licensee in good standing
- Pre-ordered & fulfilled from one of YLC's Wholesale locations
- Ordered on approved YLC [Wholesale Order Form](#)\*
- Picked-up or delivered to Licensee from Wholesale location
- Subject to YLC Wholesale Service Level Agreements
  - 24 hour turnaround at Whitehorse Wholesale Distribution Centre
  - Order before 11am pick up after 3pm at YLC Community Wholesale locations

*\* Wholesale Order Form working sessions with Licensees to start January 2019 (Excel, PDF, other)*



# Licensee YLC Retail Store Point-of-Sale (POS) Purchases

- 10% Licensee (POS) discount for all Retail Store purchases Monday through Thursday
- Stores reserve the right to limit POS quantities and number of purchases per week
- We are asking all Licensees to respect the “Retail-Only” policy for YLC Retail Stores on Fridays & Saturdays
  - **Emergency “2 / 12”** Licensee discount will be available
    - Discount on max. 2 of the same SKU and a max. of 12 SKUs



# Implementation

- December 1, 2018
  - Small Producer Pricing Structure changes
  - Asking all Small Producers to hold Retail Prices thru 2018
- January 1, 2019
  - All other Pricing Structure changes
  - Licensees start receiving Wholesale Pricing
  - New Wholesale Price List (Excel) to have Landed Costs



# Next Steps

- Work on new Wholesale order processing, pricing & invoices
- Review & correct recent issues raised with draught beer pricing
- January 1 – All other products
- Establish Licensee-YLC Working Group
- Improve LTO & Assortment planning & communication
  - Monthly Licensee Email Newsletters
- 2019 focus on Landed Cost & COS reductions
- Hold Suppliers to the April / October price reviews



# Questions?

Previous Example - Smirnoff Red

Label 1/750

# Liquor Pricing Structure Components



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## Future – Notes

- Licensee-YLC Working Group
  - Price List Changes
  - Wholesale Order Forms
  - Wholesale Assortment Planning
  - Monthly Licensee Email Newsletters
  - Exclusive Products – Special Order
- Improve LTO / Product planning & communication
- New Product Selection Committee – Stores / Licensees / Ops

# A Whitehorse Pint of Beer\*

Proposed	Old Cost	Difference	
\$ 1.904	\$ 1.791	\$ 0.113	
Margin		Markup	
\$ 6.75	\$ 6.75	\$ 4.85	\$ 4.96
355%	377%	255%	277%
	22%		22%

\* Alexander Keith's IPA – Current Price \$222.08 per 58671 ml Keg



# Wholesale Service Levels by Location

- **Whitehorse Liquor Distribution Centre**
  - 24 hour turnaround on full-case orders placed before noon
  - Carrier / Pick-up before 4 PM Monday thru Friday
- **YLC Community Stores** (*Dawson, Mayo, Faro, Watson Lake, Haines Junction*)
  - Wholesale orders received before 11 AM may be picked up any time after 3 PM (but before 5:30 PM) the same day
  - Retail POS Sales – Tuesday to Thursday / “2/12” Fridays & Saturdays
- **Whitehorse Retail Liquor Store**
  - Retail POS Sales – Monday to Thursday / “2/12” Fridays & Saturdays