

Alberta and BC Wine

ALSA 2017

Agenda

- Quick overview
- Distribution Model
- Warehousing 101
- Wine Stats
- Q + A

Alberta's Liquor Model



(Pre-Privatization)

Selection Panel

*202 Government-run
stores*

2,200 products

NOW (Fully Privatized)

Open listing practice

Over 530 agencies (brokers)

**Variety of private liquor stores
(1,451)**

22,972 products



Connect, the History and Future

- 1994 – CLS was formed to provide dedicated third-party liquor warehousing and distribution services for the AGLC
- 1995 – Warehouse operation of AGLC completely privatized – CLS awarded contract from 16 bids submitted.
- 2000 – Launched LiquorConnect.com
 - 2009 to current ongoing enhancements
 - Today, 97.6% of order processed online
- 2018 – New AGLC warehouse coming online

Connect Today

- Approximately 1.4 million square feet
- 6 current buildings, 4 by end of year
- 17500 sq ft cooler for unpasteurized beer
- 22,000+ products, SKUs, in stock
- 11 contracted carriers
- All spirits, wine, import beer. Many domestics.

Distribution Model

- 2017 FYF of 19.5 M cases throughput
- ~1400-1600 weekly delivery points
 - No bottle pick
 - 25 case minimum
- No barrier between license > license sales
 - Only ~100-200 licensees (restaurant, bar, etc)

LiquorConnect.com

- Website for Consumers, Retailers, and Agents
- Consumers > Product research / Where?
- Retailer > Ordering
- Agents > ASN's, allocations, reporting

Comment on Rates

- Suppliers pay for:
 - New SKU Registrations
 - Receiving + Admin
 - Storage
 - Assembly
- Retailers (Licensees) pay for:
 - Ordering
 - Transportation
- Activity based costing
 - Receiving > Pallet vs case vs slip sheet
 - Storage > cooler vs ambient, fast vs slow velocity
 - Assembly > case vs pallet

Provincial Markup



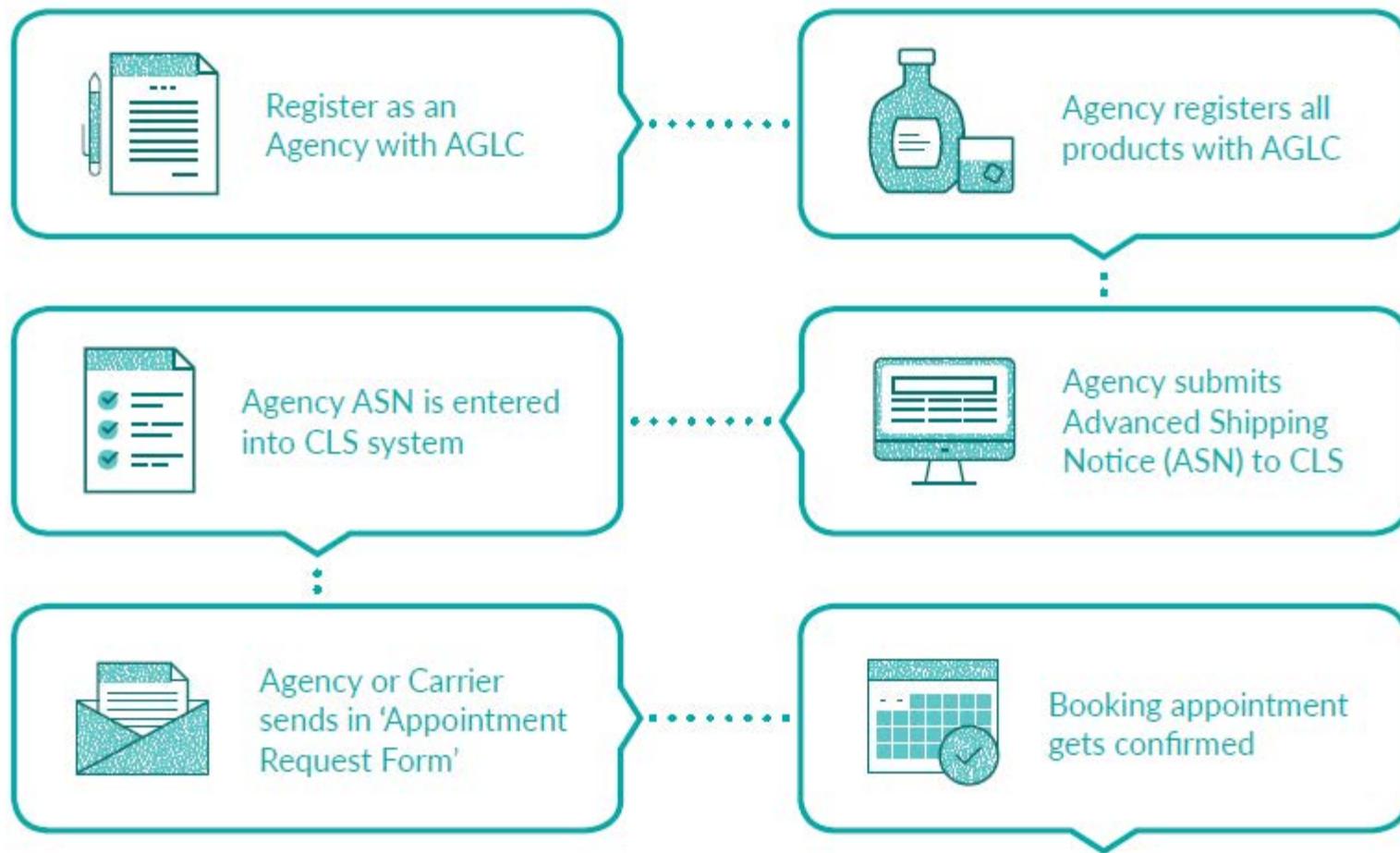
	Mark-up Per Litre
Spirits – greater than 60% alcohol by volume	\$18.33
Spirits – greater than 22% & less than or equal to 60% alcohol by volume	\$13.76
Spirits – less than or equal to 22% alcohol by volume	\$10.36
Refreshment Beverages – greater than 8% & less than or equal to 16% alcohol by volume	\$4.51
Refreshment Beverages – greater than 1% & less than or equal to 8% alcohol by volume	\$1.81
Wine & Sake – greater than 16% alcohol by volume	\$6.56
Wine & Sake – less than or equal to 16% alcohol by volume	\$3.91
Fruit Wine & Mead (sold from cottage winery/meadery farm gates, farmers' markets and/or artisan markets)	\$0.70
Beer – less than or equal to 11.9% alcohol by volume	\$1.25
Beer – greater than 11.9% & less than or equal to 16% alcohol by volume	\$4.51
Beer – greater than 16% & less than or equal to 22% alcohol by volume	\$10.36
Beer – greater than 22% & less than or equal to 60% alcohol by volume	\$13.76



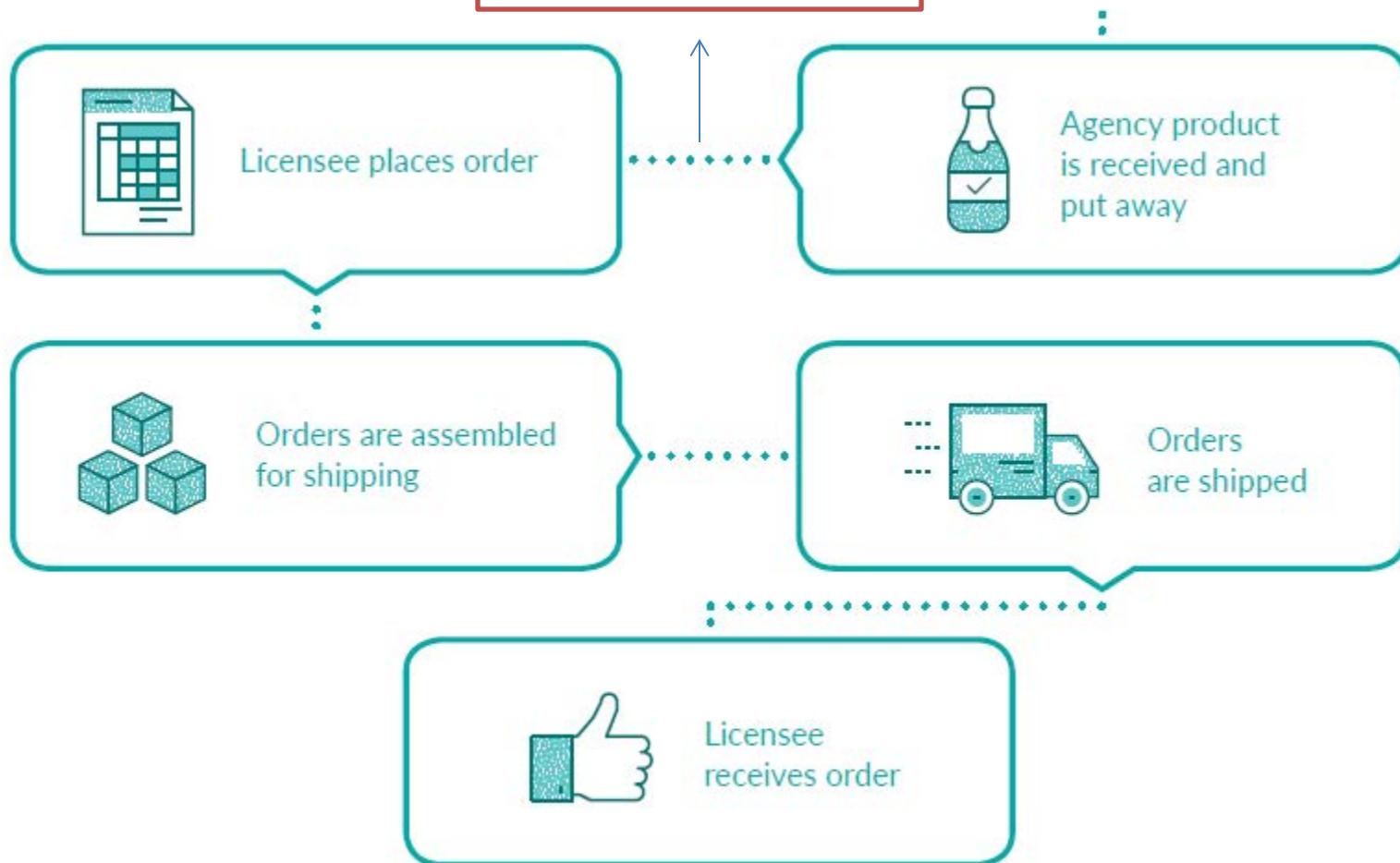


Warehouse 101

WAREHOUSE PROCESS



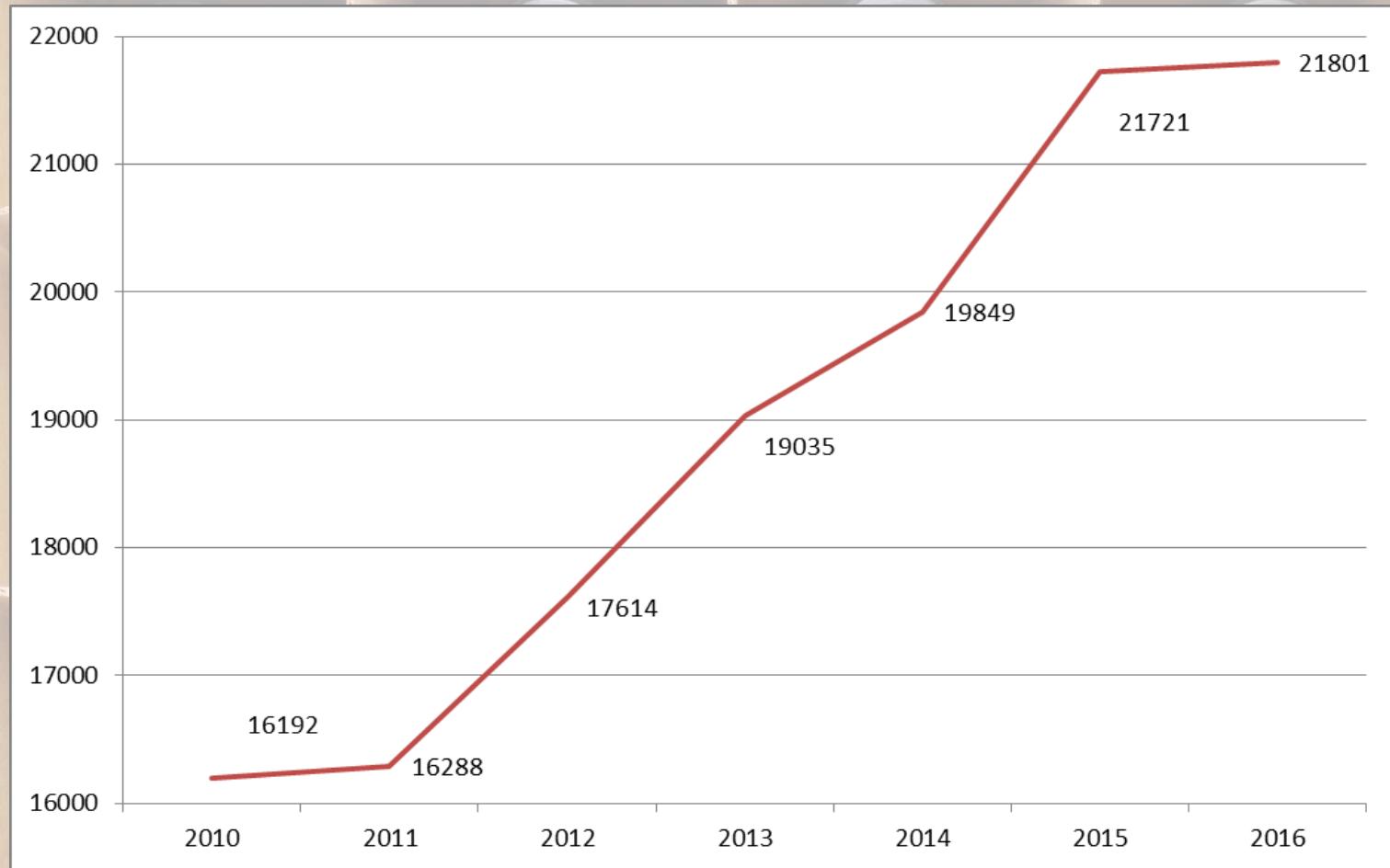
Allocations



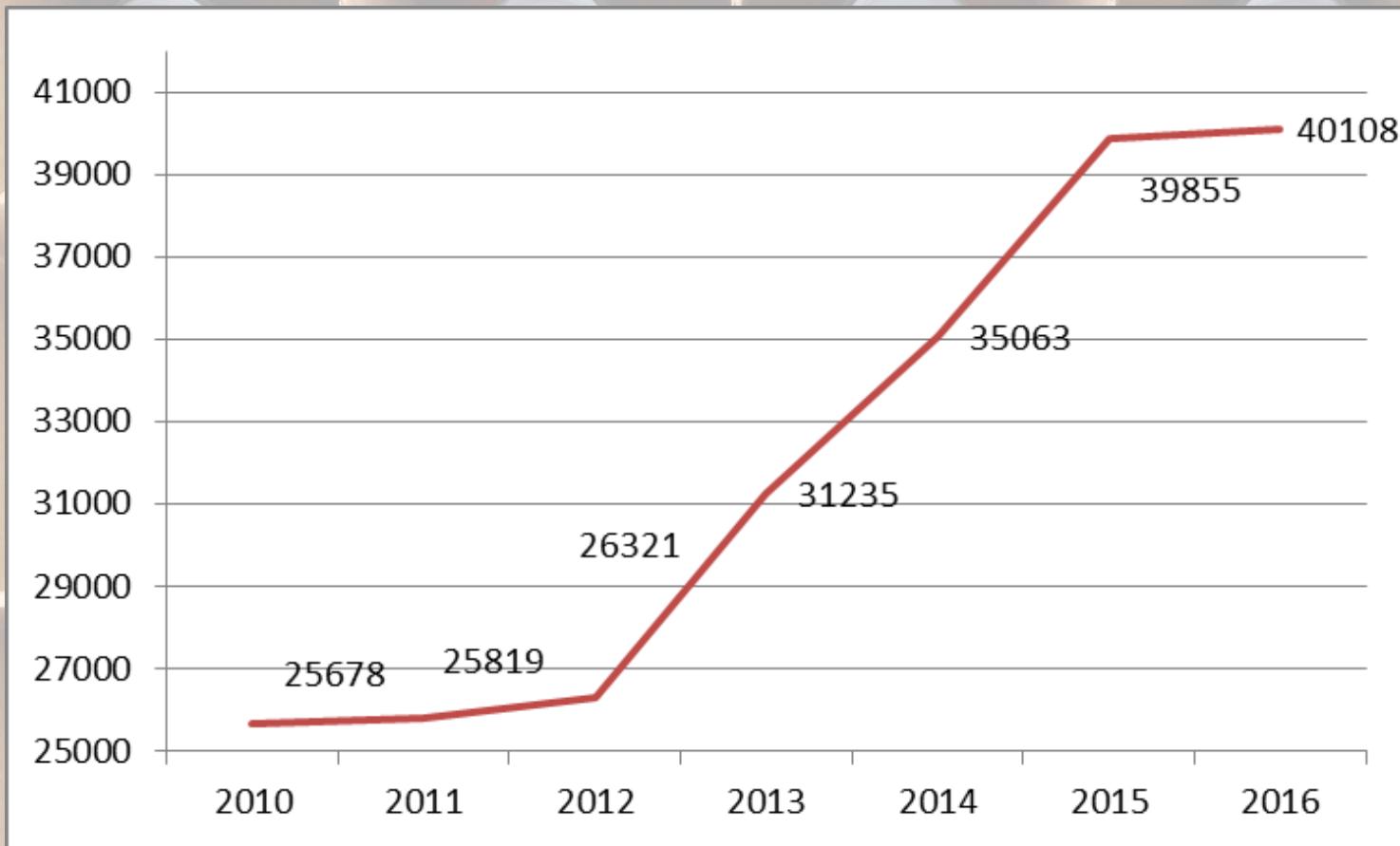
Agency and Product Registration

- EASY! No lawyer or consultant required!
- Represent yourself or work with an Agent
- Product registration is a simple form
 - Single admin fee ~\$75
- “What is the minimum?”

SKUs with Inventory



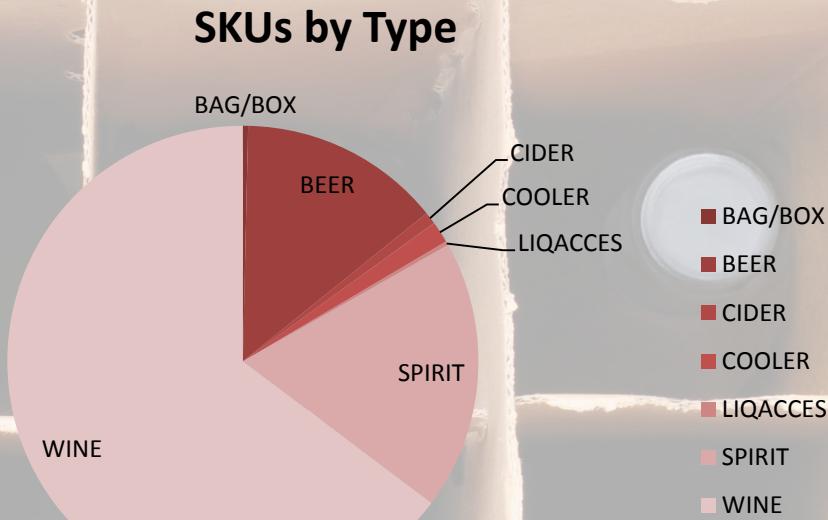
SKUs Registered



SKU BREAKDOWN

- Wine makes up 65% of SKUs at Connect based on SKU count.
- Wine represents 35% of cases in inventory.

Type	Total SKUs
BEER	5,291
CIDER	321
COOLER	566
LIQACCES	102
SPIRIT	7,056
WINE	24,742



Advance Shipping Notices (ASN)

- “How do I get it there?”
- Tell us what you’re sending
 - SKU, quantity, format
 - Promo goods?
 - ETA
- Easy on LiquorConnect.com

Agent PO:	<input type="text"/> 	Status:	DRAFT	Confirmation Address:	connectcs@exel.com
Provincial Transfer:	<input type="checkbox"/>	Created By:		Additional Addresses:	<input type="text"/>
Ship Date:	<input type="text"/> 	Created Date:	05/09/2017 11:16	CLS ASN:	0
ETA Date:	<input type="text"/> 	Confirmed Date:		CLS Message:	
Comment:	<input type="text"/>			Number:	4409
Freight Forwarder:	<input type="text"/>				

SKU	Description	Size	Units/CASE	Quantity	
<input type="text"/>	<input type="text"/>			<input type="text"/>	

SAMPLE ITEMS

Description	Quantity	
<input type="text"/>	<input type="text"/>	

Appointment Request

- Supplier or Carrier requested via email
- Specific “ask” to come in
 - Which ASN #'s (multiple can be on a booking)
 - Shipping method (Trailer, LTL, etc)
 - Pallet status (none, yes, slip sheets)
- CLS will issue a time
 - Arrival must be within 15 minutes of designated time if live unload

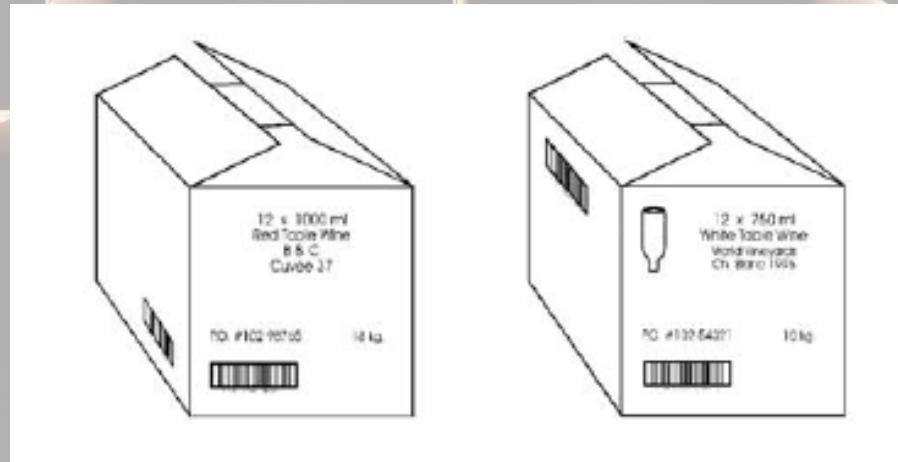
APPOINTMENT BOOKING SCHEDULES

EMAIL DAY TO BOOK LOAD	BASED ON AVAILABILITY OF APPOINTMENTS, THE EARLIEST DAY THAT THE LOAD WILL BE BOOKED
Monday	Wednesday
Tuesday	Thursday
Wednesday	Friday
Thursday	Monday
Friday	Tuesday

Any load that requires re-booking will be treated as a new booking request.

Product is Received

- Availability within 1 business day on LC.com
- If possible,
 - Product follows CFIA and barcode requirements
 - ASN matches what arrives (compliance)



Receiving Rates

RECEIVING RATES

RECEIVING SERVICE	DESCRIPTION	BOTTLE BEER	CAN BEER	WINE	SPIRITS	KEGS
Fully Palletized Receiving	1 SKU per pallet. On acceptable pallets and proper TI x HI (pallet must not exceed 60 inches in height including pallet).	\$8.47/ per pallet	\$8.47/ per pallet	\$8.47/ per pallet	\$8.47/ per pallet	
Case Receiving	Cannot handle solely by forklift or slip machine. Case Handling.	\$0.42/ per case	\$0.42/ per case	\$0.42/ per case	\$0.42/ per case	
Slipsheet or Clamp Receiving	In proper TI x HI. Acceptable Slip sheet or ability to be clamped.	\$0.38/ per case	\$0.38/ per case	\$0.38/ per case	\$0.38/ per case	
Keg Receiving						\$2.50/ per keg
Case Receiving Mega Cases/Keg	See definition on page 19 .	\$0.84/ per case	\$0.84/ per case	\$0.84/ per case	\$0.84/ per case	\$5.00/ per keg
Barcoding	See definition on page 10 .	\$0.26/ per case	\$0.26/ per case	\$0.26/ per case	\$0.26/ per case	
Administration	Charged at time of receipt.	\$0.25/ per case	\$0.25/ per case	\$0.25/ per case	\$0.25/ per case	\$0.25/ per keg

Storage

- Storage is billed daily, so you only pay for what you use
- Inventory is vendor managed

Storage Rates (Per Month)							
Product Type	Bottle Beer	Can Beer	Wine	Spirits	Kegs	Mega Case	Mega Kegs
< 6 months	\$0.46	\$0.46	\$0.46	\$0.46	\$3.83	\$0.93	\$7.66
6-12 months & Type "C" 0-12 months	\$0.97	\$0.97	\$0.97	\$0.97	\$4.13	\$1.94	\$8.26
> 12 months	\$1.94	\$1.94	\$1.94	\$1.94	\$8.26	\$3.88	\$16.52

Allocations

- A formal process to allow suppliers to control specialized product purchases
 - “Specialized” 2000 cases per year or less
- Allocate up to 1000 cases per year, per SKU
- Allocations are set on LiquorConnect.com
 - \$0.21 per case (per transaction)
 - Expiry date
 - Suppliers and Licensees have full reporting access
- “Automatic” on receipt option

SUBMIT TRANSACTION**CANCEL TRANSACTION**

Number: 225 Status: DRAFT Confirmation Address: connectcs@exel.com

Created By: 30063200 Created Date: 05/09/2017 Additional Addresses:

Confirmed Date: CLS Message:

Product:

Destination:

Source	Quantity	Destination	Expiry Date	Email Lic.
<input type="text"/> <input type="button" value="▼"/>	<input type="text" value="0"/>		<input type="text" value="No Expiry"/>	<input type="checkbox"/>

CURRENT ALLOCATION DETAIL WITH PROPOSED CHANGES FROM ABOVE

Allocated To	SKU	Current Quantity	Proposed Quantity	Expiry Date
	Total	0	0	0
	Allocated	0	0	0

Assembly

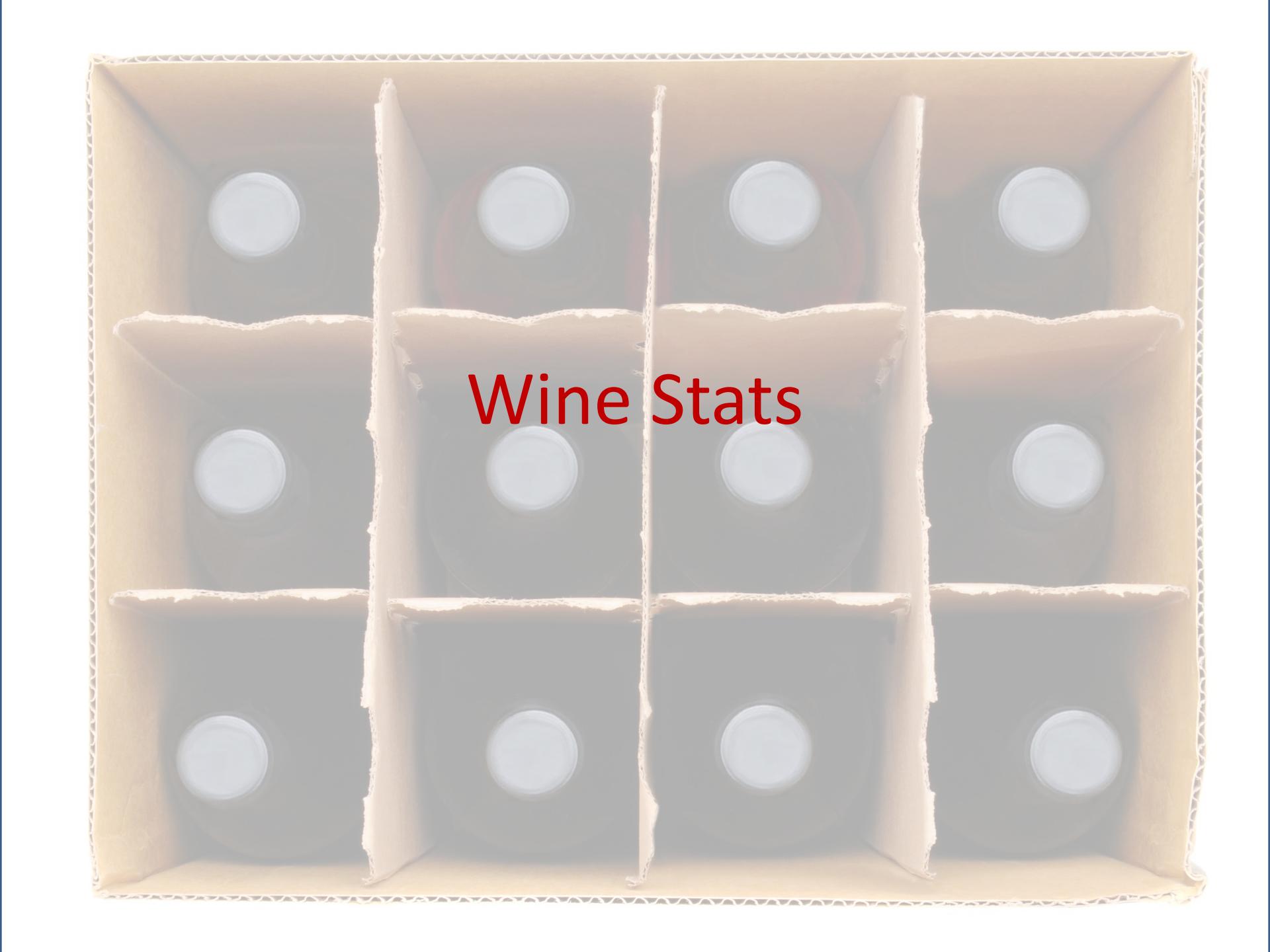
- CLS fills orders via FIFO with onhand product
- CLS can fulfill shipments to other jurisdictions (typically YK, NWT, SK, BC)

WAREHOUSE ASSEMBLY RATES

SERVICE	BOTTLE BEER	CAN BEER	WINE	SPIRITS	KEGS
Full Pallet	\$9.28/ per pallet	\$9.28/ per pallet	\$9.28/ per pallet	\$9.28/ per pallet	
Per Case	\$1.03/ per case	\$1.03/ per case	\$1.03/ per case	\$1.03/ per case	
Kegs					\$2.66/ per keg
Mega Case/Keg (See definition on page 19.)	\$2.06/ per case	\$2.06/ per case	\$2.06/ per case	\$2.06/ per case	\$5.32/ per case

Getting Paid

- CLS integrates directly with AGLC
- Payee receives consignment payment, less markup and warehouse fees, weekly
- Detailed summary of charges provided

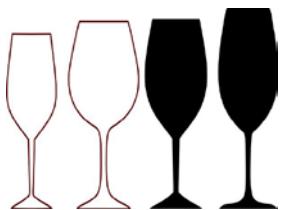
A photograph of a cardboard wine bottle carrier holding six bottles. The carrier is open, showing the bottles inside. The text 'Wine Stats' is overlaid in red in the center of the image.

Wine Stats

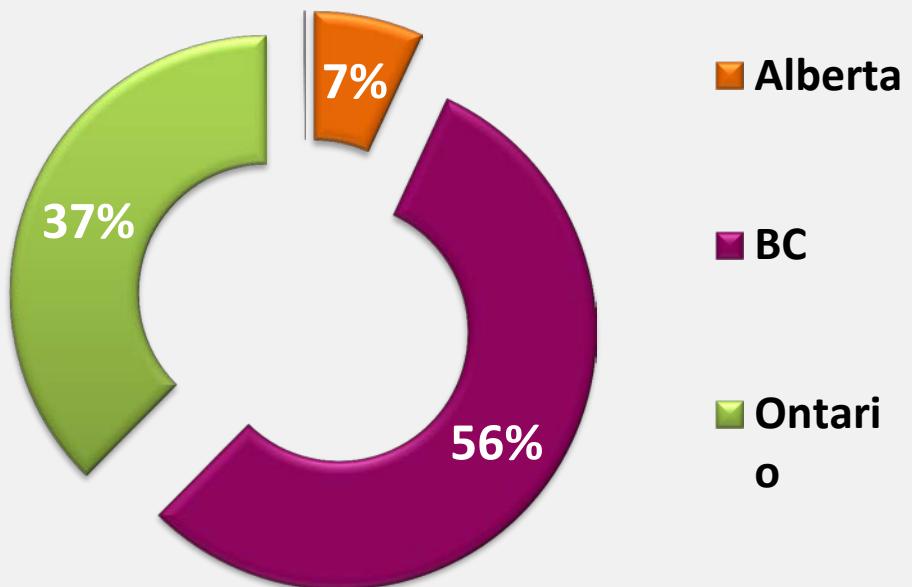
Canadian Wine

Total Canadian Wine

133,473 hL



% Volume Sold
(by Province)



■ Alberta

■ BC

■ Ontario

BC Wines



1,252
BC Products

Hectolitres (hL) Sold

Total hL = 74,054.7



	Other	DESSERT	SPARKLING	TABLE
	195.2	242.2	1,664.2	71,953.1

WINE – COLOUR AND COUNTRY

- **-0.80%** compared to 2015.
- 24742 registered SKUs and 13594 available from 45 Countries. Some reduction in SKU count YOY.
- Currently 1252 BC wine and 306 Ontario available SKUs in Alberta. Wines from Alberta, Manitoba, Saskatchewan, and the Maritimes, are active at Connect.
- 55% of all wine shipped is Red.

Product	SKU Count
BLUSH	381
RED	8109
WHITE	3903

	2012 to 2013	2013 to 2014	2014 to 2015	2015 to 2016
WINE - NEW ZELAND	17.6%	13.2%	16.1%	2.42%
WINE - ITALY	6.22%	10.9%	6.9%	0.01%
WINE - USA	15.8%	12.1%	6.9%	-5.2%
WINE - CANADA	4.0%	7.5%	6.7%	2.4%
WINE - ARGENTINA	6.1%	2.2%	0.2%	-1.1%
WINE - SPAIN	4.5%	2.6%	16.9%	11.6%
WINE – FRANCE	-3.5	0.72%	8.4%	4.2%
WINE - GERMANY	-2.7%	-4.3%	-1.9%	-13.8%
WINE - AUSTRALIA	-8.4%	-7.6%	-1.7%	-6.1%
WINE - CHILE	-8.2%	-6.06%	8.2%	6.7%

WINE – SALES DATA

IMPORT BEER	2011 To 2012	2012 To 2013	2013 To 2014	2014 To 2015	2015 To 2016
EDMONTON	9.81%	0.06%	8.74%	10.80%	-0.50%
CALGARY	7.05%	5.40%	2.63%	2.39%	-2.09%
RED DEER	6.67%	2.34%	5.96%	8.49%	-4.94%
LETHBRIDGE	16.49%	2.92%	5.31%	9.32%	0.77%
MEDICINE HAT	6.40%	6.46%	6.96%	12.52%	-1.03%

	2011 to 2012	2012 to 2013	2013 to 2014	2014 to 2015	2015 to 2016
WINE - Less Than \$9.99	2%	1%	23%	14%	6%
WINE - \$10.00 to \$14.99	13%	9%	5%	5%	2%
WINE - \$15.00 to \$19.99	3%	6%	5%	5%	-3%
WINE - \$20.00 to \$29.99	0%	0%	2%	3%	-12%
WINE - \$30.00 to \$49.99	16%	17%	14%	11%	11%
WINE - \$50.00 and up	2%	2%	7%	4%	8%



Thank You and Questions

TOP CITIES – 2016 CASE SALES

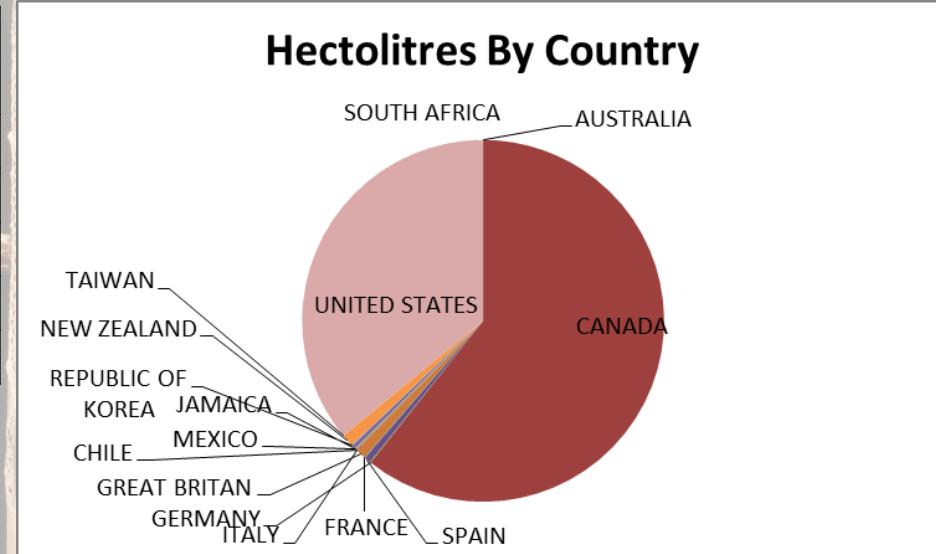


City	Rank	Last Year	Position Change	Overall Change
CALGARY	1	1	--	-5.78%
EDMONTON	2	2	--	-8.96%
SHERWOOD PARK	3	3	-	-5.54%
LETHBRIDGE	4	4	--	-4.85%
SPRUCE GROVE	5	9	+4	+36.05%
MEDICINE HAT	6	7	+1	-6.16%
RED DEER	7	5	-2	-11.19%
GRANDE PRAIRIE	8	6	-2	-12.48%
ST ALBERT	9	8	-1	-1.22%
AIRDRIE	10	12	+2	-2.08%
LLOYDMINSTER	11	10	-1	-21.79%
FORT MCMURRAY	12	11	-1	-22.05%
OKOTOKS	13	13	--	-2.70%
LEDUC	14	15	+1	4.61%
CANMORE	15	17	+2	0.42%
BANFF	16	16	--	-3.86%
COLD LAKE	17	14	-3	-10.88%
COCHRANE	18	18	--	-8.23%
FORT SASKATCHEWAN	19	20	+1	-8.41%
JASPER	20	N/A	+1	-2.02%

COOLERS

- -3.6% compared to 2015
- 566 registered SKUs and 457 available.
- Root Beer > 4000% increase from 2015 to 2016 to over 8000 HL.
- Liquor based coolers are +1%, while wine held steady, and beer and other fermented beverage based coolers -12.8% when compared to 2015.

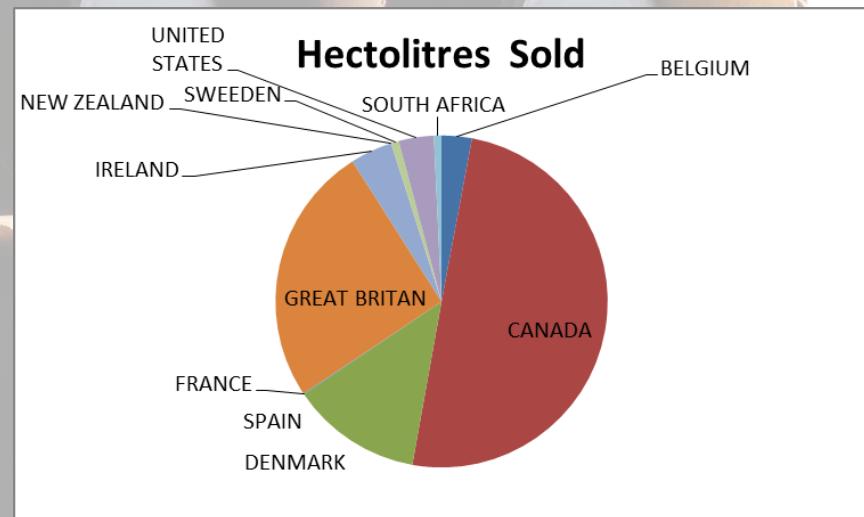
SPIRIT	2011 To 2012	2012 To 2013	2013 To 2014	2014 To 2015	2015 To 2016
EDMONTON	20.02%	18.83%	8.17%	7.09%	-3.60%
CALGARY	14.18%	13.98%	6.86%	4.27%	-2.56%
RED DEER	23.59%	26.77%	7.76%	2.18%	-8.60%
LETHBRIDGE	20.96%	12.45%	8.88%	12.47%	2.21%
MEDICINE HAT	27.29%	16.30%	12.39%	13.48%	-1.35%



CIDER

- 0.23% compared to 2015 after significant growth in previous years.
- 50% of HL shipped are Canadian
- Cider SKU variety holds steady in 2016. 321 SKUs registered and 267 available.
- Apple and Pear are still popular. Pumpkin, Cherry, Blackberry, Citrus, and Strawberry/Rhubarb also available in Alberta.

CIDER	2011 To 2012	2012 To 2013	2013 To 2014	2014 To 2015	2015 To 2016
EDMONTON	9.55%	21.77%	28.97%	20.68%	0.62%
CALGARY	7.75%	26.09%	27.34%	18.24%	-5.58%
RED DEER	9.56%	17.98%	31.22%	21.01%	-2.02%
LETHBRIDGE	0.18%	18.88%	36.55%	23.86%	-1.00%
MEDICINE HAT	6.71%	24.00%	26.30%	45.80%	0.21%



SPIRITS

- **-3.05%** compared to 2015.
- After strong SKU growth in 2015, available SKUs dipped slightly in 2016 with just over 7000 SKUs registered and over 4500 available.
- Craft distilleries are becoming more common, with distilleries popping up across the province.
- 57% of HL shipped are Canadian. Spirits are available from 80 countries.

SPIRIT	2011 To 2012	2012 To 2013	2013 To 2014	2014 To 2015	2015 To 2016
EDMONTON	12.50%	-1.54%	5.12%	5.27%	0.36%
CALGARY	8.42%	1.95%	-0.20%	3.42%	-2.61%
RED DEER	8.26%	-2.83%	2.13%	-2.60%	-8.15%
LETHBRIDGE	4.72%	4.90%	-1.25%	3.10%	-0.62%
MEDICINE HAT	5.63%	1.50%	1.72%	5.30%	-5.43%

Type	Change
MEZCAL	40.32%
BITTER	17.51%
MISC. LIQUOR	16.94%
COGNAC	7.81%
GRAPPA	0.70%
TEQUILA	-0.24%
VODKA	-1.22%
WHISKY NEW RATE	-1.68%
GIN	-1.84%
BRANDY	-3.29%
LIQUEUR	-3.40%
RUM	-6.77%
BRANDY (FRUIT)	-6.85%
PRE-MIX	-11.00%
CACHACA	-11.07%
READY-TO-DRINK	-12.48%
ARMAGNAC	-14.91%

RUM AND VODKA

- Vodka and Rum volumes decline vs. 2015.
 - Rum: **-5.24%** compared to 2015.
 - Vodka: **-1.22%** compared to 2015.
- Rum 638 registered SKUs and 468 available from 45 Countries. Barbados, Guyana, Jamaica, and the Dominican Republic are popular.
- Vodka 858 registered SKUs and 588 available from 30 Countries. Vodka from Canada and Russia, as well as France, Poland, Sweden, and Russia are popular.

Product	2012 to 2013	2013 to 2014	2014 to 2015	2015 to 2016
RUM - DARK	9.55%	-3.45%	0.06%	7.00%
RUM - FLAVORED	29.75%	5.81%	3.47%	15.53%
RUM - LIGHT	-5.10%	0.82%	2.31%	-7.13%
RUM - WHITE	-3.86%	-5.89%	-1.32%	-9.10%
VODKA - FLAVORED	-8.42%	-19.29%	-5.74%	-11.19%
VODKA - REGULAR	4.39%	3.17%	1.70%	-0.54%

Type	Available SKUs
RUM - DARK	145
RUM - FLAVOURED	68
RUM - LIGHT	166
RUM - WHITE	89
VODKA - FLAVOURED	236
VODKA - REGULAR	352

WHISKY/WHISKEY

- **-1.68%** compared to 2015.
- 2930 registered SKUs and 1617 available.
- Flavored whisky, moonshine, and other products in the 'Other' category continue to fall after breakout year in 2014.
- High demand for aged single malt scotches and aged bourbons has put a strain on supply, making room for No Age Statement (NAS) whiskys in the market.

Product	2013 to 2014	2014 to 2015	2015 to 2016
WHISKY - AMERICAN	10.97%	11.16%	0.69%
WHISKY - CANADIAN	0.61%	1.53%	-1.26%
WHISKY - IRISH	25.14%	21.37%	1.56%
WHISKY - OTHER	564.10%	-31.8%	-13.93%
WHISKY - SCOTCH	9.37%	7.69%	-2.96%

Tyoe	# Available SKUs
AMERICAN	208
CANADIAN	287
INDIAN	14
IRISH	79
OTHER	75
SCOTCH	954