

# British Columbia's Liquor Distribution System "Does it work for consumers?"



A study by the Consumers' Association of Canada (BC)

March 2006



# about the association

## Service to British Columbia Consumers

Since 1947 the Consumers' Association of Canada (BC) has served the interests of consumers in British Columbia. The Association provides a strong independent consumer voice when government and industry make decisions that substantially affect the public. The Association represents the consumer's point of view to the media, government and corporations on issues related to safety, price, quality of service and products.

CAC (BC) is a non-profit organization supported by a network of volunteer members who conduct research and advocate on behalf of consumers via Advisory Boards, Commissions and Standing Committees. The Association submits briefs on consumer issues to governments and has assisted thousands of individual consumers in resolving disputes with product and service providers.

## Consumer Advocacy

Throughout its history, the Association has advocated consumers' interests in government and corporate decisions and been a catalyst for consumer action on issues such as:

- Contaminated food products and safety of the Canadian food supply;
- Beverage container recycling and deposits;
- Auto insurance and industry practises;
- Genetically Modified foods;
- Safety standards for children's car seats;
- Bans on hazardous pesticides;
- Restricted selling practices for funeral services;
- Restriction of cable TV's negative-option marketing practices;

Governments set important rules that shape the beverage alcohol marketplace. The CAC's objective in this study is to assess how changes to these rules affect consumer interests.

## Acknowledgement

The Consumers Association of Canada (BC) gratefully acknowledges information provided by the owners and managers of private liquor stores in the province of British Columbia during preparation of this study. All comments, analysis, findings and conclusions in this study are the sole responsibility of the Association.

# executive summary

In July 2002 the British Columbia government announced that it would close all government-owned liquor stores and warehouses, replacing these with privately owned retail stores and warehouses. This announcement resulted in a backlash of comment from community groups and local governments. In 2003 the Association conducted a comparison of Alberta's private system vs. British Columbia's and concluded that the importation of the Alberta privatization model would result in more stores across the province but prices would be higher and there would be less product selection in small private stores.

In 2004 the BC Government made a dramatic shift in its announced privatization policy – it would now implement a dual path strategy – in effect, a form of “creeping privatization”. Under this strategy some government liquor stores would close and few new ones would open while the Government would allow a massive increase in new private liquor stores.

This study examines the new BC liquor store model – how the changes in the existing liquor distribution model by the British Columbia government impacted retail prices, product selection and availability, and the design, location and number of new private liquor stores. The study uses information obtained from field research of private liquor stores in British Columbia to evaluate the impacts of a privatized liquor store model throughout British Columbia.

Prices were obtained directly from private liquor stores and published retail and wholesale price lists. All data was adjusted for issues such as bottle deposits and GST. In total, price data was collected on 43 different products representing a cross section of the most popular products sold in the province. This data was collected from private liquor stores in 34 communities in British Columbia and compared with prices at government liquor stores in the province.

## Key Findings and Conclusions

- 1. The BC Government's privatization of liquor sales has forced consumers to pay millions of dollars more for beer, wine and liquor.***
- 2. There has been a massive proliferation of private liquor stores across the province.***
- 3. There is less product selection at individual private liquor stores.***
- 4. Prices for products sold by British Columbia Government liquor stores are about the same as those at similar stores operated by The Government of Ontario, the largest purchaser of alcoholic beverages in North America.***

# study overview

Canadian provincial governments closely control the pricing and sale of beverage alcohol to strike a balance between consumption (via hours of service, number of outlets and pricing), ensuring consumers have access to products, and collecting significant tax revenues. In all provinces Governments are the sole wholesaler of all alcohol products and in all save one province the provincial Government also owns and manages a retail distribution system.

In Canada the retail distribution function has devolved to some degree. This ranges from Quebec permitting the sale of wine at local corner convenience stores to the full privatization of Alberta's liquor stores to British Columbia's dual private/public store model. A review of the privatization model has also occurred in Ontario where it was recommended by an independent panel but rejected by the Ontario Government as not being in the consumers' interest.

This study deals with a specific part of the liquor issue in British Columbia – how the new retail distribution model for retail liquor distribution has impacted consumers with respect to retail prices, product selection and availability, and the design, location and number of new private liquor stores.

Many BC consumers want to know and this study answers two key questions, namely;

1. Do consumers pay more or less for beer, wine and spirits in private liquor stores than at government liquor stores in British Columbia?"
2. How does product selection compare at private vs. government liquor stores?

This study surveyed private stores across large and small communities in the province as indicated in the chart below.

Brentwood Bay	Langford	Princeton
Burnaby	Langley	Richmond
Chase	Maple Ridge	Saanichton
Chemainus	Mission	Salmon Arm
Chilliwack	Nanaimo	Sooke
Cobble Hill	New Westminster	Summerland
Colwood	North Vancouver	Surrey
Coombs	Parksville	Vancouver
Coquitlam	Peachland	Vernon
Duncan	Penticton	Victoria
Hope	Port Alberni	West Vancouver
Kamloops	Port Coquitlam	

In addition the study examines other issues of interest such as a comparison of published prices between the British Columbia and Ontario Government liquor stores.

A list of products surveyed in this study follows. 43 products were selected that would act as an indicator of prices at private and government owned liquor stores in British Columbia. The products selected for this study were selected using the following criteria:

1. The products represented a cross-section of major national brands
2. The products were big sellers representative of their product category
3. The products were likely to be in stock, and available for purchase in a significant number of private and government stores

## List of Products Surveyed

Product #	Description	Product #	Description
	<b>BEERS</b>		<b>WINES cont.</b>
1	Labatts Blue (6 cans)	23	Black Tower White (0.75 L)
2	Labatts Blue (15 cans)	24	E & J Gallo Cab. Sauvignon (0.75 L)
3	Budweiser (12 cans)	25	Mondavi Chard: Woodbridge (0.75 L)
4	Molson Canadian (6 cans)	26	Andres Baby Champagne (0.75 L)
5	Molson Canadian (12 cans)	27	Henkell Trocken (0.75 L)
6	Kokanee (12 cans)		
7	Corona Extra (6 bottles)		<b>SPIRITS</b>
8	Heineken (12 bottles)	28	Beefeater Gin (0.75 L)
9	Moosehead Lager (6 bottles)	29	Gordon Gin (1.14 L)
10	Guinness Stout (6 bottles)	30	Tanqueray Gin (0.75 L)
11	Sleeman Cream Ale (6 bottles)	31	Captain Morgan Spiced Rum (0.75 L)
12	Big Rock Grasshopper (6 bottles)	32	Lamb's Navy (1.14 L)
13	Newcastle Brown Ale (6 bottles)	33	Alberta Vodka (0.75 L)
		34	Finlandia Vodka (1.14 L)
	<b>COOLERS &amp; CIDERS</b>	35	Absolut Vodka(1.14 L)
14	Mike's Hard Lemonade (4 bottles)	36	Canadian Club (0.75 L)
15	Strongbow Cider (4x275ml bottles)	37	Crown Royal (1.14 L)
		38	Seagram's 5 Star (1.14 L)
	<b>WINES</b>	39	Chivas Regal (0.75 L)
16	Domain D'Or White (1.5 L)	40	Glenlivet (0.75 L)
17	Domain D'Or Red (1.5 L)	41	Johnnie Walker Black (0.75 L)
18	Gray Monk Pinot Noir (0.75 L)		
19	Jackson Triggs Cab. Sauvignon (0.75 L)		<b>LIQUORS</b>
20	Sawmill Creek Chard. (0.75 L)	42	Amoretto di Saronno (0.75 L)
21	Sawmill Creek Chard. (1.5 L)	43	Bailey's Irish Cream (1.14 L)
22	Piat D'Or White (0.75 L)		



# key findings

## FINDING #1

**The BC Government liquor store model has forced consumers to pay millions of dollars more at private liquor stores for beer, wine and liquor**

BC consumers pay tens of millions more dollars per year when they shop at private liquor stores.

The Charts below illustrates how much higher the prices of 43 major beer, wine and spirits products sold at private liquor stores in British Columbia compared to the price of the same products sold at British Columbia government liquor stores.

Private liquor store prices for the same product were consistently more expensive than government liquor stores.

Chart 1



Charts 2 and 3 illustrate the price differences between private and government stores of two very popular products.

Chart 2

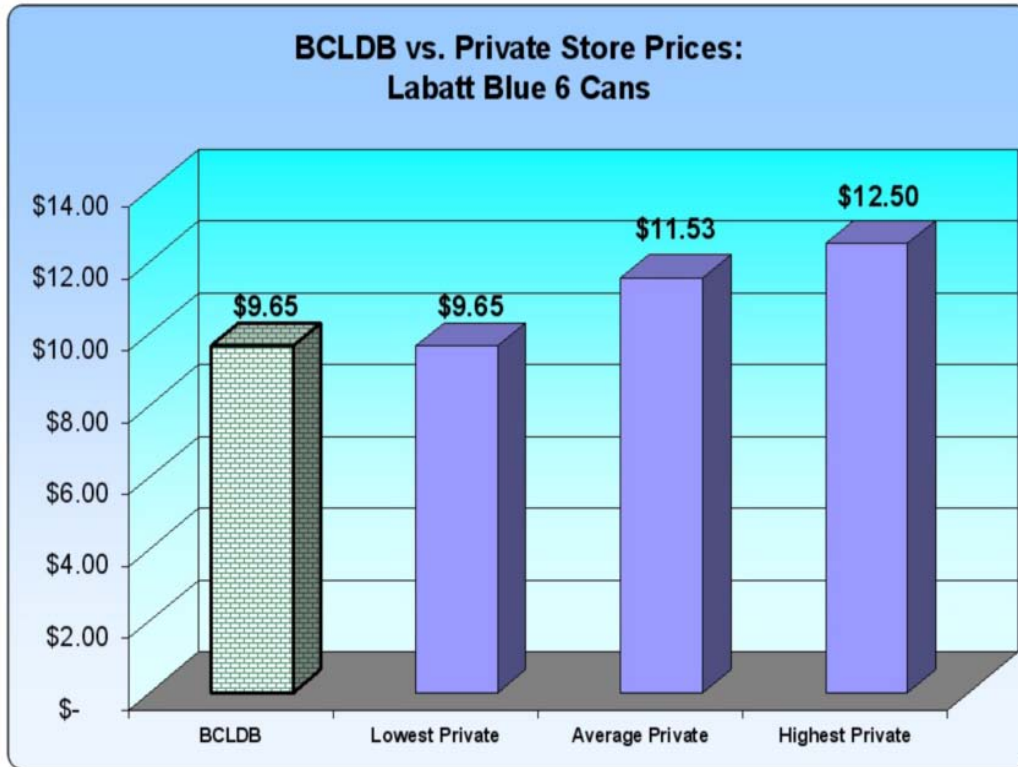
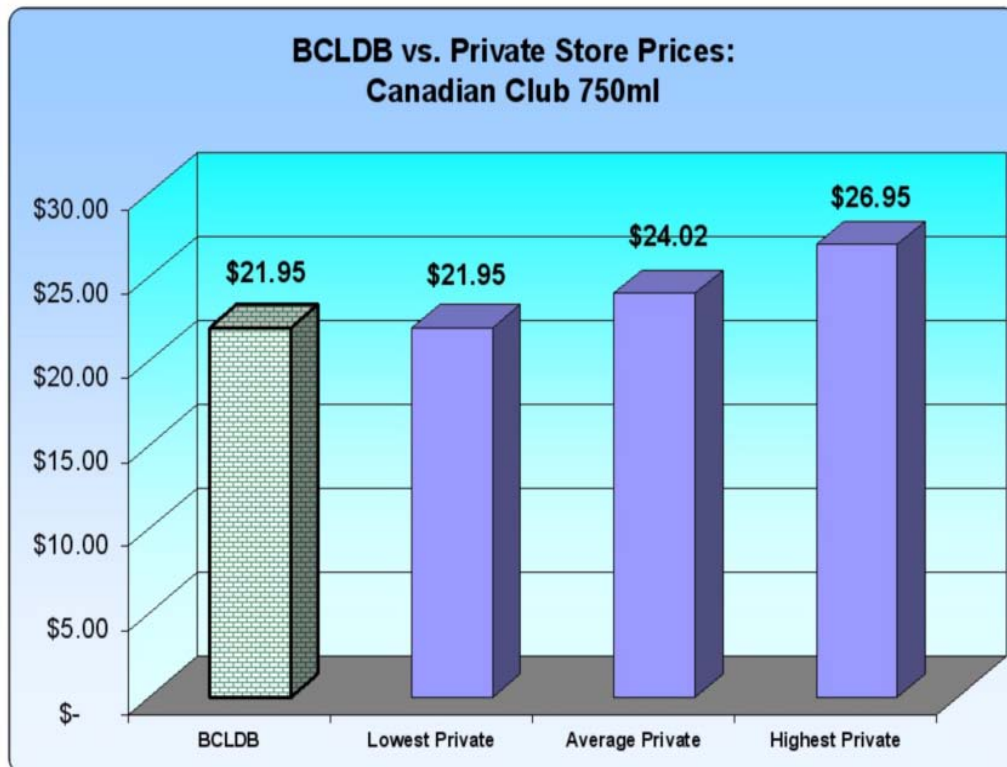


Chart 3



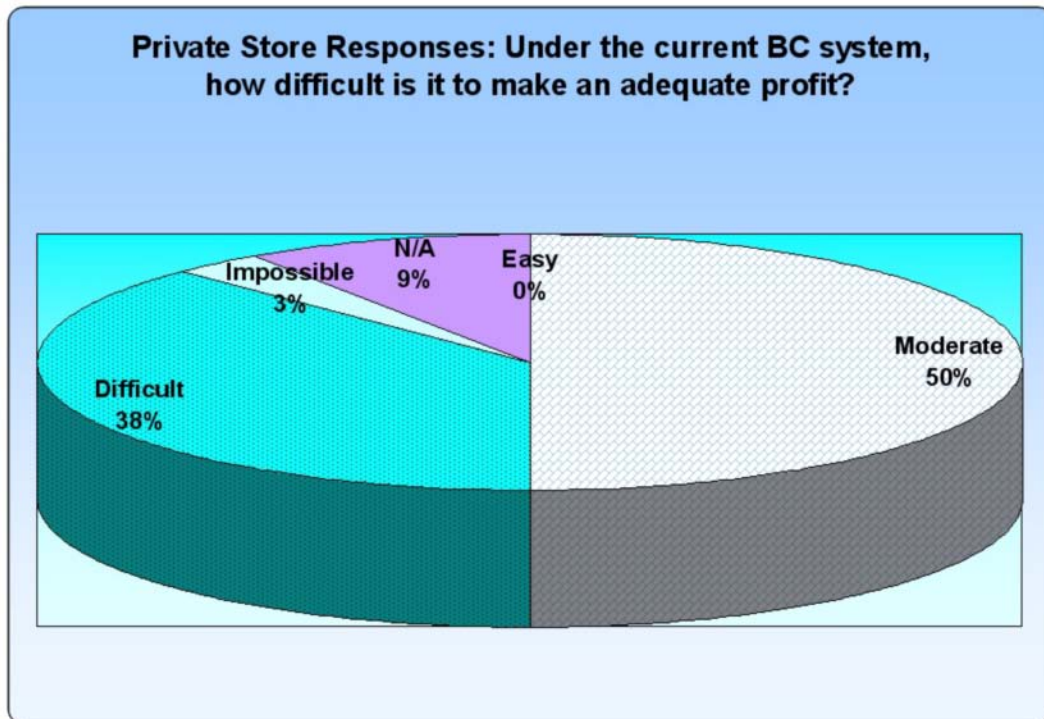


Currently, the British Columbia government provides a price discount of 13% off the listed retail prices to private liquor stores for products available through a government liquor store. Taking Alberta's private liquor store experience as a guide; this level of gross profit is inadequate to sustain this type of business. As a result prices must be higher for consumers shopping at private stores.

Private liquor store owners surveyed confirmed this (Chart 5) as they price their products as closely as possible to the government stores while attempting to remain competitive but generate an adequate margin to sustain their business.

This study shows the result is higher prices for consumers at private stores. As the BC Government closes more of its own stores consumers are being required to pay premium prices to have private liquor stores open nearby.

CHART 4



**FINDING #2**

**There has been a massive proliferation of private liquor stores across the province**

As the chart below illustrates there has been a dramatic number of local private liquor store licenses granted since the BC Government decided to implement its dual model strategy.

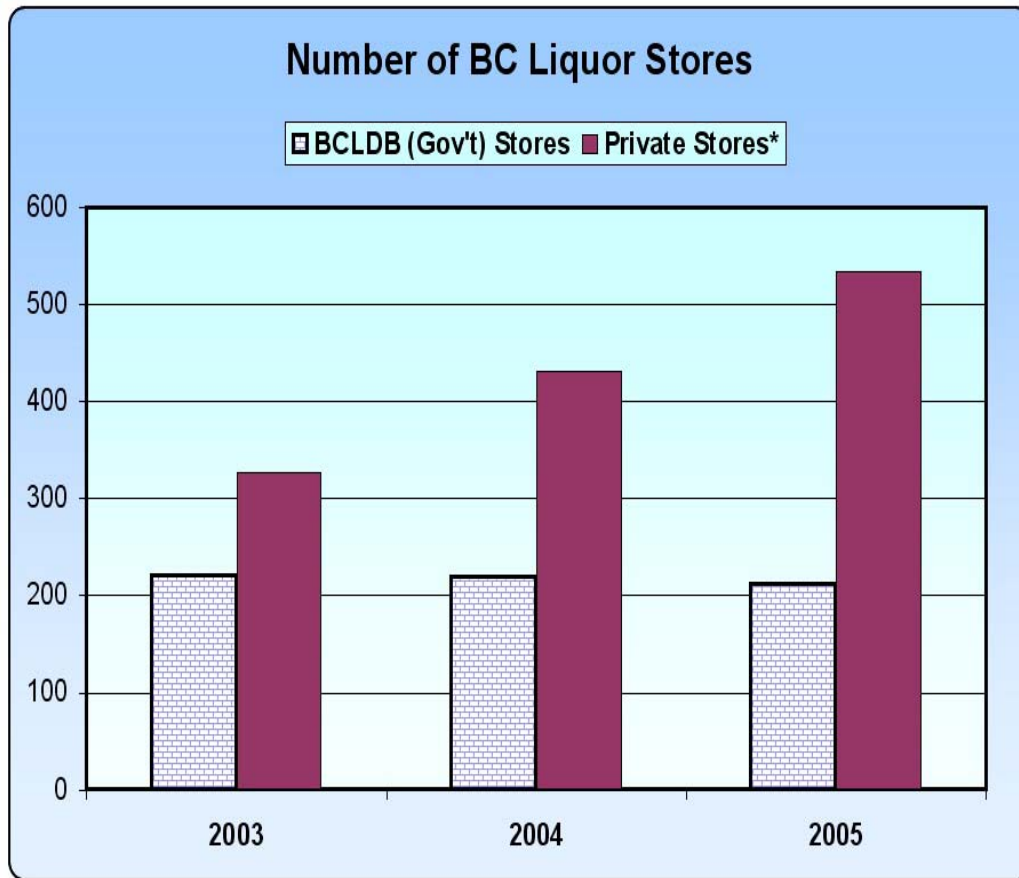
**CHART 5**



The number of private liquor stores that have opened can be placed in context by looking at the growth by store type (Chart 7). Since 2003, the number of Government stores has been in decline which reflects the Government's plan to cut back on its stores although it is not yet clear how many more will be closed. In the last year six stores have been closed with another twelve soon to follow.

The number of Licensee Retail Stores (LRS) has seen rapid growth. In addition to the expansion of the number of private stores these stores also have much longer operating hours than is the case with Government stores providing private stores with a competitive advantage. Table 1 below illustrates current operating hours for the private liquor stores surveyed.

CHART 6



Note: Does not include private Rural Agency Stores

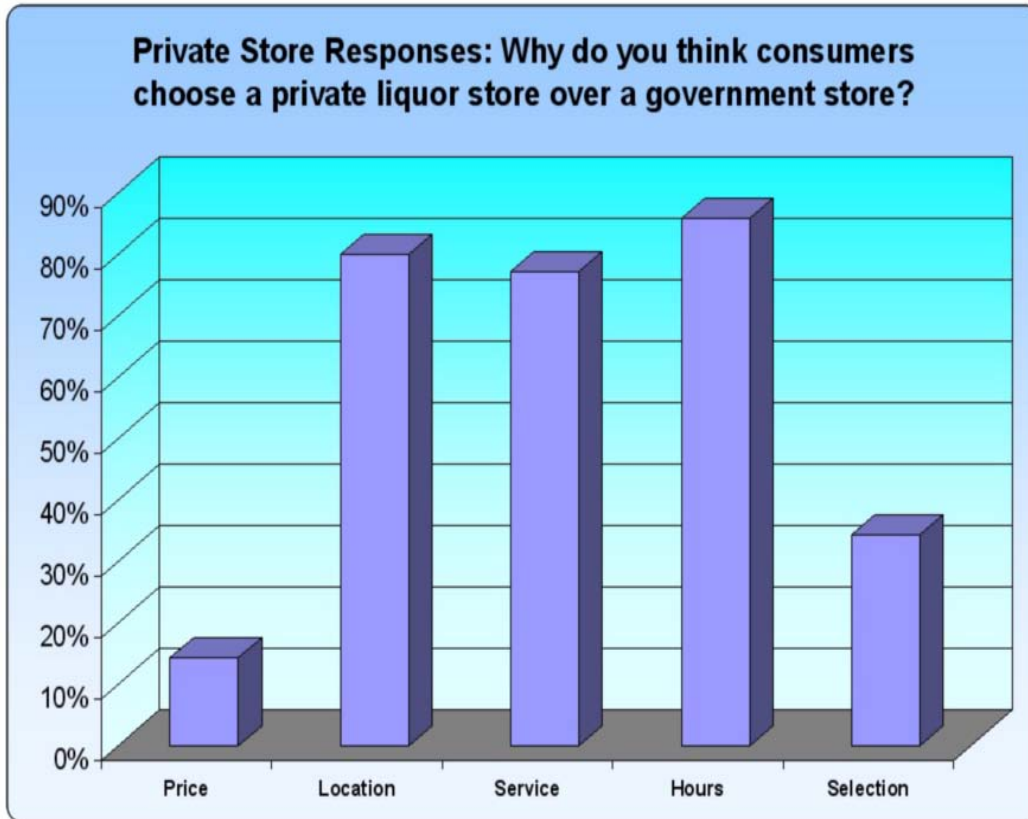
TABLE 1

HOURS AND DAYS OF WEEK OPERATION  
Private liquor stores in British Columbia

	Mon-Wed	Thursday	Friday	Saturday	Sunday
<b>OPENING</b>					
Earliest	9:00	9:00	9:00	9:00	9:00
Latest	11:30	11:30	11:30	11:30	11:30
<b>CLOSING</b>					
Earliest	11:00	11:00	11:00	10:00	10:00
Latest	11:00	11:00	11:00	11:00	11:00

As part of the survey research for this study private store owners/managers were asked why they thought consumers choose to purchase product from their store over a Government store. Chart 8 shows their response.

CHART 7



### FINDING #3

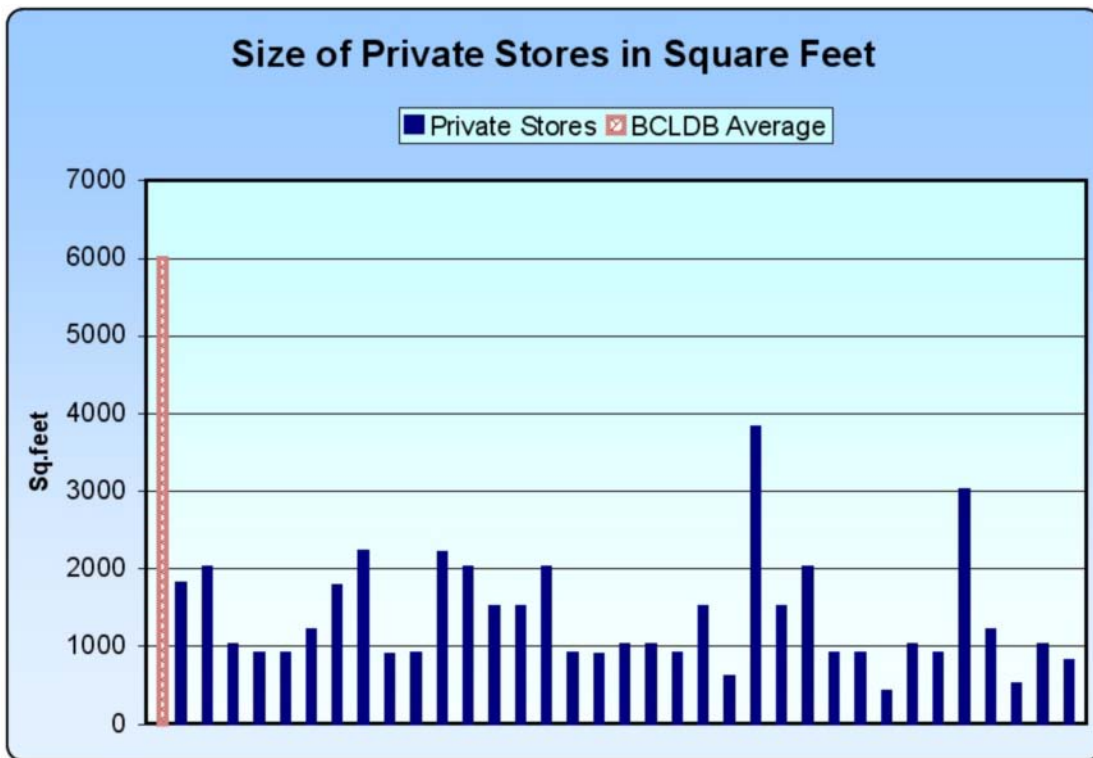
#### There is less product selection at private liquor stores

Consumers perceive product selection as being very important - what they can actually buy at a store in terms of the range of types of products available, variety in a product category and product size options. Based on the field research of private stores in British Columbia it is clear, and no surprise, that product selection is a direct function of liquor store size.

Chart 9 illustrates the size of the private liquor stores surveyed, for which there was accurate data, and compares it to the average size of a government liquor store in British Columbia, which is about 6000 sq. feet. The majority of British Columbia private stores have a good selection of beers and as store size increased the number and variety of wines, spirits and specialty products also increased.

Product selection for consumers is substantially less as these 500 -2000 sq. ft. private stores do not have the space to offer equivalent selection compared to larger 6000 sq. ft. government liquor stores.

Chart 8

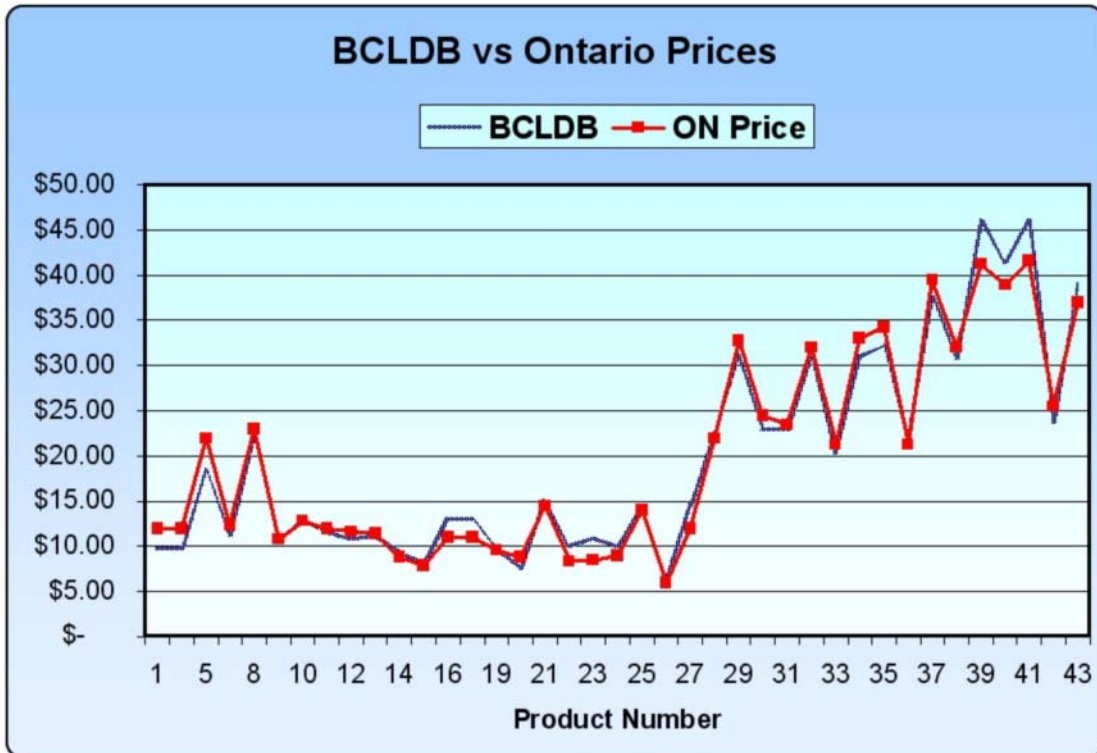


**FINDING #4**

**Prices for products sold by British Columbia Government liquor stores are about the same at Government liquor stores in Ontario**

A comparison of BCLDB store prices against Liquor Control Board of Ontario (LCBO) prices shows variation, but overall very similar prices.

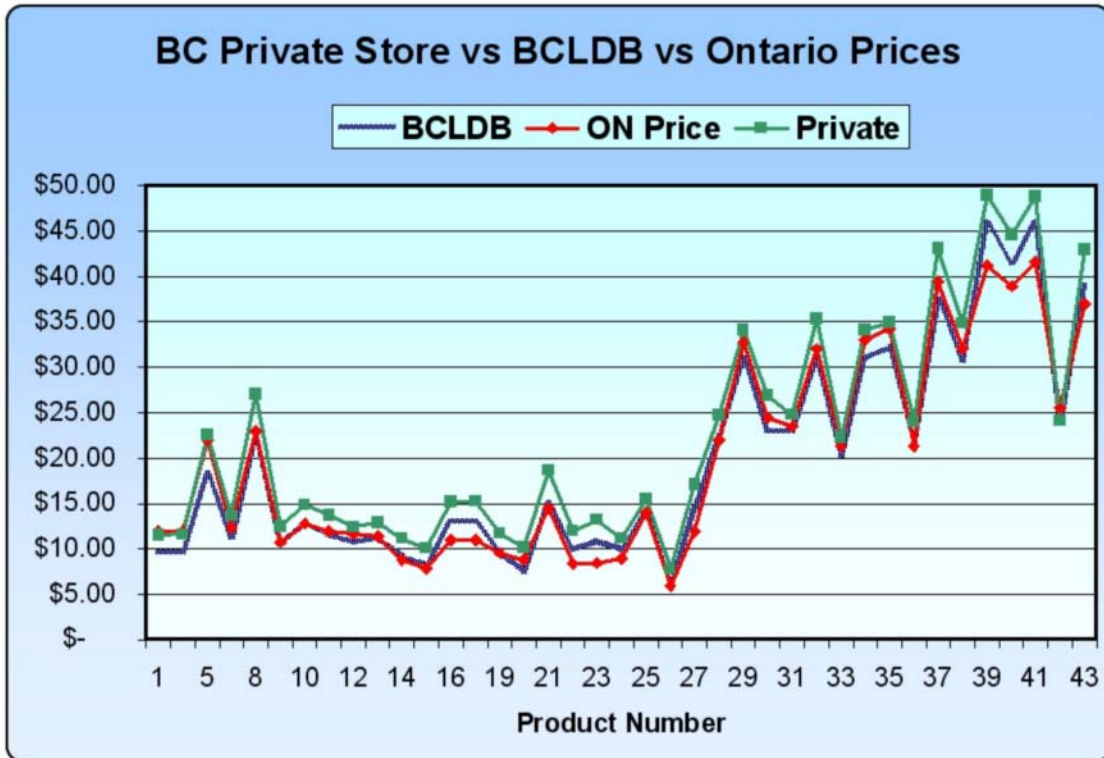
Chart 9





As the chart below shows If Ontario also had a private system, such as exists in British Columbia, then prices would be higher in Ontario.

Chart 10



# conclusions

Based on the findings of this study the Consumers' Association of Canada (BC) has reached the following conclusions:

1. *The BC Government's privatization of liquor sales has forced consumers to pay millions of dollars more for beer, wine and liquor.*
2. *There has been a massive proliferation of private liquor stores across the province.*
3. *There is less product selection at individual private liquor stores.*
4. *Prices for products sold by British Columbia Government liquor stores are about the same as those at similar stores operated by The Government of Ontario, the largest purchaser of alcoholic beverages in North America.*