

## **Announcement of New Extra Slow-Moving Category**

Over the past few years, there has been a large increase in liquor stock keeping units (SKUs) which has put severe pressure on the amount of available inventory warehouse space and the efficiency of our central warehouse operations.

AGLC is directing Connect Logistics Services (CLS) to increase long-term storage fees for the lowest performing liquor products to help manage the number of SKUs and better manage space in the AGLC warehouse.

A new storage fee category (Extra Slow Moving or ESM) will be created for low-performing SKUs that have been in inventory for 12 months and are not maintaining a rolling 12-month total of at least 100 cases in sales.

High-value SKUs with a threshold unit price of \$100 or more will be exempt from the new storage fee category to prevent penalizing these products which usually sell at a lower rate.

The new Extra Slow Moving storage rate will come into effect April 1, 2024, allowing agencies to adjust their operations. The full 2024 annual rate structure was released by Connect Logistics Services (CLS) in early December. The rates are included in the FAQ section below.

AGLC will continue to review policies to balance the autonomy of liquor agencies to determine product for their customers with keeping overall warehousing costs to industry as low as possible.

If you have any further questions regarding liquor SKU management, please contact AGLC Liquor Services at [supplychain@aglc.ca](mailto:supplychain@aglc.ca).

Sincerely,  
AGLC Liquor & Cannabis



### **Liquor Services Administration**

Liquor Services

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## FAQ's

### **Why is AGLC increasing liquor warehouse storage fees and creating a new storage fee category?**

- Over the past few years, there has been a large increase in SKUs in the central warehouse, which has put severe pressure on the amount of available inventory warehouse space and the efficiency of warehouse operations.
- Increasing storage fees for slow-moving products balances the ability to manage space in the AGLC warehouse with the autonomy of liquor agencies to determine which products are appropriate for their customers.

### **Q: Who will be responsible to apply new storage fee category?**

- AGLC is directing Connect Logistics Services to increase long-term storage fees for the lowest performing liquor products to help manage the number of SKUs in the network and better manage space in the AGLC warehouse.

### **Q: Who will be impacted with the increase in storage fees and new storage category?**

- A new storage fee category, Extra Slow Moving, has been created for low performing SKUs that have been in inventory for 12 months and are not maintaining a rolling 12-month total of at least 100 cases in sales.
- This will also require liquor agencies to pay higher storage fees to keep those SKUs in inventory.
- Agencies have the autonomy to make the final decision on whether they wish to continue carrying the SKU.
- For the more than 800 agencies AGLC works with, most will see impact to less than 25% of their SKUs.

### **Q: When does the new storage fee category and fee come into effect?**

- The new storage fee category comes into effect until April 1, 2024, allowing agencies time to adjust their operations.

### **Q: Is the change retro-active?**

- The new rate will apply to extra slow-moving product in inventory as of April 1, 2024. The change is not retroactive as there are no new charges being added to previous billing periods. There is a historical performance component to the change as it is based on a SKU's sale performance over the previous 12 months, however the rate will only be applied to the current month.

**Q: Can SKUs be grandfathered?**

- SKUs will not be grandfathered because that would negate the intention of this initiative. The ESM rate is intended to incentivize agencies to evaluate the economic viability of very low performing SKUs from a sales perspective.

**Q: What are the options available to liquor agents to manage ESM inventory?**

- In addition to the sale of liquor product to liquor licensees in the province, the following options are available to liquor agents:
  1. Liquor stored at the AGLC warehouse based on the approved posted rate schedules.
  2. Agencies can request to return product to their vendor/supplier.
  3. Agencies can request to have the product transferred to an out of province bonded warehouse (board transfer).
  4. , Agencies may decide it makes financial sense to destroy a product rather than continue to pay for storage, depending on the value and marketability of a SKU.

**Q: Is this new storage fee category a permanent move or a temporary measure to alleviate inventory pressures?**

- The new storage fee category will be a permanent change to long term storage rates effective April 1, 2024.
- AGLC will continue to review policies to balance the autonomy of liquor agencies to determine product for their customers with keeping overall warehousing costs to industry as low as possible.

**Q: Are there any exceptions with the new storage fee category?**

- High-value SKUs with a unit price of \$100 or more will be exempt from the new storage fee category to prevent penalizing these products which usually sell at a lower rate.

**Q: Given the challenges the liquor industry is facing with rising costs, why is AGLC making it more difficult for liquor agencies to do business in Alberta?**

- Given the rising number of SKUs on a yearly basis, AGLC is facing warehouse storage challenges that will ultimately lead to an increase in costs for everyone.
- Slow moving SKUs tend to have more stock on hand than required to support sales which increases space requirements and puts pressure on warehouse operating efficiency.

- The rate increase and new storage category for these SKUs is intended to encourage agencies to evaluate whether it makes economic sense to continue to carry these very slow-moving products.

**Q: How did AGLC determine that low performing SKUs must generate at least 100 cases in sales in a rolling 12-month period? Why 100 cases?**

- Given the warehouse storage challenges, AGLC looked at agencies carrying SKUs that sold less than 100 cases in a 12-month period. The current minimum level of 100 cases annually equates to less than 10 case sales per month over the course of a year.

**Q: What is the new storage fee for low performing SKUs?**

- The monthly storage fee for this new category \$6.12 per month which is 3 times the current greater than 12-month storage rate. The new rate will take effect starting April 1, 2024.

**Q: What are the current rates being charged by CLS?**

- The 2024 rates were announced by CLS on December 6, 2024, and are provided below. If you are looking for more detailed information, please refer to the CLS website. [Liquor Connect](#)

## 2024 Connect Logistics Service Rates Structure

	<u>2023</u>	<u>2024</u>	% Diff
<b>Transportation</b>			
Distribution - Case	\$ 1.72	\$ 1.78	3.5%
Distribution - Beer Cans	\$ 1.14	\$ 1.18	3.5%
Distribution - Beer Kegs	\$ 2.13	\$ 2.22	4.2%
Wine/Spirits Mega Case	\$ 1.86	\$ 1.94	4.3%
Beer Mega Case	\$ 1.90	\$ 1.98	4.2%
<b>Miscellaneous</b>			
Web Orders	\$ 8.30	\$ 8.30	0.0%
Faxed Orders	\$ 53.00	\$ 53.00	0.0%
Phone Orders	\$ 80.00	\$ 83.20	4.0%
Non Scheduled Order	\$ 132.00	\$ 137.28	4.0%
Hourly VAS Rate	\$ 68.75	\$ 72.19	5.0%
<b>Receiving</b>			
Full Pallet	\$ 8.25	\$ 8.25	0.0%
Floor Loaded - per Case	\$ 0.44	\$ 0.46	4.5%
Mixed Loads - per Case	\$ 0.40	\$ 0.41	2.5%
Kegs	\$ 2.64	\$ 2.71	2.7%
Bar Code	\$ 0.35	\$ 0.44	25.7%
<b>Assembly</b>			
Full Pallet	\$ 9.02	\$ 9.02	0.0%
Cases	\$ 1.09	\$ 1.14	4.6%
Kegs	\$ 2.82	\$ 2.95	4.6%
Beer Cans	\$ 1.09	\$ 1.14	4.6%
Mega Case	\$ 2.18	\$ 2.28	4.6%
Beer Mega Case	\$ 2.18	\$ 2.28	4.6%
<b>Miscellaneous</b>			
Administration	\$ 0.23	\$ 0.24	4.3%
SKU Setup	\$ 80.00	\$ 84.00	5.0%
Product Allocation	\$ 0.16	\$ 0.16	0.0%
Hourly VAS Rate	\$ 68.75	\$ 72.19	5.0%

**Storage**

**< 6 Months & Type "C" New SKU Exceptions**

Wine, Beer, Spirits	\$	0.47	\$	0.47	0.0%
Wine, Beer, Spirits (Cooler)	\$	0.74	\$	0.74	0.0%
Kegs	\$	3.95	\$	3.95	0.0%
Kegs (Cooler)	\$	6.28	\$	6.28	0.0%
Mega Case	\$	0.96	\$	0.96	0.0%
Mega Case (Cooler)	\$	1.51	\$	1.51	0.0%

**6-12 Months & Type "C"**

Wine, Beer, Spirits	\$	1.00	\$	1.02	2.0%
Wine, Beer, Spirits (Cooler)	\$	1.60	\$	1.63	1.9%
Kegs	\$	4.27	\$	4.36	2.1%
Kegs (Cooler)	\$	6.80	\$	6.94	2.1%
Mega Case	\$	2.00	\$	2.04	2.0%
Mega Case (Cooler)	\$	3.17	\$	3.25	2.5%

**> 12 Months**

Wine, Beer, Spirits	\$	2.00	\$	2.04	2.0%
Wine, Beer, Spirits (Cooler)	\$	3.17	\$	3.25	2.5%
Kegs	\$	8.51	\$	8.68	2.0%
Kegs (Cooler)	\$	13.54	\$	13.82	2.1%
Mega Case	\$	4.00	\$	4.08	2.0%
Mega Case (Cooler)	\$	6.36	\$	6.50	2.2%

**> 24 Months**

Wine, Beer, Spirits	\$	3.00	\$	4.16	38.7%
Wine, Beer, Spirits (Cooler)	\$	4.76	\$	6.63	39.3%
Kegs	\$	12.77	\$	17.76	39.1%
Kegs (Cooler)	\$	20.31	\$	28.18	38.7%
Mega Case	\$	6.00	\$	8.32	38.7%
Mega Case (Cooler)	\$	9.54	\$	13.26	39.0%

**Extra Slow Moving**

Wine, Beer, Spirits	\$	6.12	New
Wine, Beer, Spirits (Cooler)	\$	9.75	New
Kegs	\$	26.04	New
Kegs (Cooler)	\$	41.46	New
Wine/Spirits Mega Case	\$	12.24	New
Wine/Spirits Mega Case (Cooler)	\$	19.50	New
Beer Mega Case	\$	12.24	New
Beer Mega Case (Cooler)	\$	19.50	New