

Raising Expectations for

NHSLC

RFP Response | June 7, 2012



5) Cost Proposal

Exel is proposing an alternate commercial model.

Under this proposal Exel will operate the warehouse under a [REDACTED] commercial structure. The NHSLC sets the rates for suppliers, and keeps the difference. We believe this proposal has a number of exciting benefits for the Commission. This represents a new source of profitability. The NHSLC has the ability to adjust the rates it charges suppliers going forward to maximize its profitability. It eliminates the need for two pricing structures and for the Commission to determine which products to store in its own warehouse. As the Commission manages the pricing to suppliers, it has control over the impact of these prices on its overall profitability. The NHSLC has complete control and flexibility to add, remove, or alter the services it offers suppliers and customers. And, it is our experience that a [REDACTED] commercial structure results in lower costs for our customers.

A number of key concepts underpin how we employ a [REDACTED] commercial approach.

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

- [REDACTED]
- [REDACTED]

Notes:

We completed the spreadsheets for Appendix D to facilitate the evaluation of our proposal. There only one appendix, i.e. we are not submitting D and D-1. Our alternate commercial model assumes the NHSLC establishes the prices it wishes to charge suppliers. It does not make sense that the Commission would charge itself for handling its own products.

[REDACTED]

Please note that through the NHSLC sets the prices in this commercial model for suppliers, Exel can still collect the funds on behalf of the Commission.

We did review a two warehouse option. The one warehouse option was a lower cost and did not complete any further work on a two warehouse option.

In Appendix C, section VII, 10, the NHSLC is suggesting liquidated damages in the case of late loading of products. We would suggest this commercial model where [REDACTED] is forfeited if service levels are not met is a better method of incenting the correct behavior by the provider.

→ **Appendix D**

Please see worksheet



→ **Appendix D-1**

Not completed as discussed above

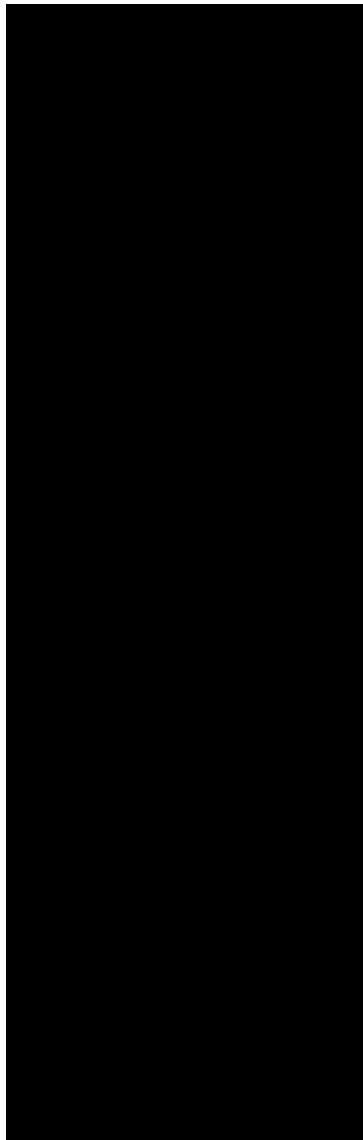
(Confidential Commercial Information Removed)

New Hampshire

FIRST YEAR BUDGET (000s)



Confidential commercial information redacted



New Hampshire

FIRST YEAR BUDGET (000s)



BASIC BAILMENT CHARGES:

INBOUND HANDLING:

Covers the ordinary labor and duties incident to the unitized (slipsheet, pallet, or clamp) unloading of cases; verifying case quantities against a proper packing slip and carrier bill of lading; placing into storage, administrative receiving. Handling is charged upon receipt of goods and calculated on a “per code per receipt” basis.

Codes of 1 – 180 cases	NA
Codes of 181 – 299 cases	NA
Codes of 300 – 669 cases	NA
Codes of 670+	NA
Pallet packs	\$ 7.40 per Pallet

INBOUND CASE - NEW PROPOSED

Cases received uncoded or other <u>unsaleable</u> status	\$ 5.50 per line item surcharge
--	---------------------------------

STORAGE:

Storage is calculated on an anniversary basis and initially charged upon receipt. For each 14-calendar day from date of receipt, the number of cases in storage is charged according to the table below on a “per code per receipt” basis.

Cases in inventory	1 - 84 days from receipt	\$ 0.09 per case per 14 days
Cases in inventory	85 -182 days from receipt	\$ 0.25 per case per 14 days
Cases in inventory	183 - 365 days from receipt	\$ 0.65 per case per 14 days
Cases in inventory	366+ days from receipt	\$ 1.15 per case per 14 days

Allocated inventory	1 - 84 days from receipt	\$ 0.09 per case per 14 days
Allocated inventory	85+ days from receipt	\$ 0.25 per case per 14 days

(Special Rates apply to selected wines only)

Definition of Allocated Inventory - wines that are generally available in small quantities and may be in high demand by consumers. Allocated wines must meet certain criteria to qualify for the program and as an incentive for suppliers to allocate these highly sought after wines a special reduced storage rate is offered.

Any case, 0-365 days, on an unsaleable status:	\$ 0.65 per case per 14 days
Any case, 366+ days, on an unsaleable status:	\$ 1.15 per case per 14 days

Pallet packs in inventory	1 – 84 days from receipt	\$ 4.25 per pallet per 14 days
Pallet packs in inventory	85 - 182 days from receipt	\$ 11.00 per pallet per 14 days
Pallet packs in inventory	183 - 365 days from receipt	\$ 30.00 per pallet per 14 days
Pallet packs in inventory	365 + days from receipt	\$ 52.00 per pallet per 14 days

Pallet pack, 0-365 days, on an unsaleable status:	\$ 30.00 per pallet per 14 days
Pallet pack, 366+ days, on an unsaleable status:	\$ 52.00 per pallet per 14 days

Note: To qualify for this rate the pallet is considered to be one unit. (Received as one unit and shipped out as received in)

Refrigerated Storage	\$	0.32	per case per 14 days
	\$	15.84	Per pallet per 14 days

<u>OUTBOUND HANDLING - NEW PROPOSED</u>	\$	0.81	per case
--	----	-------------	----------

OUTBOUND ORDER PROCESSING/REPORTING:

Consists of creating a packing slip, permanent adhesive labels for each in-state liquor store and licensee shipment, electronic shipping orders provided daily to suppliers summarizing the quantities of each product shipped.

Normal order processing:	\$	0.13	per case
Manual Non-Auto Orders:	\$	0.20	per case/\$25.00 Min

ACCESSORIAL SERVICE CHARGES:

ADVERTISING MATERIAL

Handling (small/large)	\$0.72/1.94	per carton
Storage (small/large):	\$0.50/3.50	per carton/per month

BLANKETS

Handling:	\$	24.75	per blanked
Storage:	\$	6.50	per blanket/per month

EXTRA WAREHOUSE LABOR

Labor used for handling services not included in the normal processing of a receipt or shipment, nor listed separately	<u>Regular Time</u>	\$	34.65	per person/per hour
	<u>Overtime</u>	\$	52.00	per person/per hour
	<u>Sunday/Holiday</u>	\$	63.00	per person/per hour

EXTRA WAREHOUSE LABOR & EQUIPMENT

(must be pre-approved)

Labor and equipment used for handling services not included in the normal processing of a receipt or shipment, nor listed separately below	<u>Regular Time</u>	\$	66.00	per person/per hour
	<u>Overtime</u>	\$	81.00	per person/per hour
	<u>Sunday/Holiday</u>	\$	91.00	per person/per hour

OFFICE SERVICE CHARGE (must be pre-approved)

Labor used for office services and other unusual office or data information services not included in the normal administration of receipts, shipments, or inventory.	<u>Regular Time</u>	\$	34.65	per person/per hour
	<u>Overtime</u>	\$	52.00	per person/per hour
	<u>Sunday/Holiday</u>	\$	63.00	per person/per hour

ANNUAL PHYSICAL INVENTORY

<u>Regular Time</u>	\$	34.65	per person/per hour
	\$	0.14	per case
	\$	0.09	per bottle

SPECIAL REQUEST DOCUMENTATION RUNS

For the printing and forwarding of reports and/or invoices available electronically	\$	25.00	per run
---	----	-------	---------

FACSIMILE CHARGE

\$ 0.90 per page

DESTRUCTION OF INVENTORY

Rate subject to change based on

\$ 3.80 per case (0-55)

disposal fees and transportation costs.

\$ 3.00 per case (56+)

LABELING:

Labor and materials used to apply SLC code labels to uncoded cases.

<56 cases per code \$ 2.50

56-99 cases per code \$ 2.00

100-299 cases per coc \$ 1.25

300+ cases per code \$ 0.75

Minimum per code \$ 13.50

RELABELING:

Labor and materials used to apply

\$ 1.10 per case

SLC code labels to coded cases.

\$ 15.00 min

MISSED APPOINTMENTS:

Charged after the third missed appointment in a rolling 12-mo period

\$ 250.00 per appointment

PALLET CHARGE

\$ 10.80 per pallet