

# Analysis & Benchmarking of the SAQ contract for wine importation<sup>1</sup>

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## ABSTRACT

When it comes to consumption many people would think that this is something that we are doing in a totally free manner. However, even if we are living in the 21st century, it still exists places where buying a product is a complex process because of very specific contracts that rules the behavior of the consumers. It is the case in Québec with the contract for wine importation and so, consumption. Here, this paper will be designed to research, analyze and answer the reasons why private importation might be threaten by studying specialized articles, interviews, research papers in the wine sector in different countries with the use of a Multi-Attribute Decision Making method. The expectations from this paper are to point out what are the main failures of this contract, such as price, management and efficiency issues. This paper may help the SAQ to understand that it acts like an obstacle for the wine market in Québec.

**Key words:** Wine, importation, SAQ, Québec, service, contract, order

## INTRODUCTION

SAQ (Société des Alcools du Québec) is one of the most powerful state society in the world. The creation of this contract between consumers and the state dates back to the prohibition in the United States in the early 1920s. Canada has followed the example and almost all the provinces have now a strict control of the importation, distribution and the sale of alcohol. This paper will be focused on the wine sector in Québec with the SAQ as it is one of the most important. In 2016, the SAQ net profit has reached 1,067 billion dollars, fully paid to the government of Quebec.

However, the state's monopoly through the SAQ has been, over the past years, a real issue. For most people, it is no longer justified to have this entity that dictates alcohol consumption. Still, nothing has changed and it is impossible to know if there will be a liberalization one day, as a lot of people seems to hope.

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<sup>1</sup> *Editor's note: Student papers are authored by graduate or undergraduate students based on coursework at accredited universities or training programs. This paper was prepared as a deliverable for the course "International Contract Management" facilitated by Dr Paul D. Giammalvo of PT Mitratata Citragraha, Jakarta, Indonesia as an Adjunct Professor under contract to SKEMA Business School for the program Master of Science in Project and Programme Management and Business Development. <http://www.skema.edu/programmes/masters-of-science>. For more information on this global program (Lille and Paris in France; Belo Horizonte in Brazil), contact Dr Paul Gardiner, Global Programme Director [paul.gardiner@skema.edu](mailto:paul.gardiner@skema.edu).*

The SAQ has developed a new way of importing wine in Québec: the private importation. Consumers and restaurateurs can now import wines that are not proposed in SAQ throughout specialized agencies. In 2016, there were 16 000 products in private imports and 11 500 general products in SAQ shops. The contract specified that they must follow specific rules to import these wines in line with the SAQ process which will be detailed later in this paper.

Even if the market is still growing and new specialized agencies in wine importation are created, the future of private imports is seriously questioned. Thus, this paper aimed in pointed out the limitations of the private importation contract in Québec:

1. First, the pricing issue will be discussed to show that there is a real difference in price because of the contract in private importation.
2. Secondly, that this way of working between the SAQ, the consumers, the agencies and the suppliers, results in problem of management.
3. Thirdly, all the specificities of the private importation contract will be examined to reveal an efficiency concern.

Regarding these three main points, does the wine private importation contract in Québec have a future?

## **METHODOLOGY**

It is important to remind that every country has its own legislation in terms of wine sale. Canada, and particularly Québec, has a very special way of working when it comes to alcohol. The first research methodology used for this paper was to gather some secondary data. The internal data found are the ones on the SAQ official website which helped to base this analysis for prices, sales, management and operations processes parts in order to have input to respond to the main question *“Is wine private importation contract in Québec has a future?”*. As it is an official website, this information is valid enough to rely on as strong references for the paper.

Then, it was important to have a look to the external data that can be found to have an overall appreciation of the situation in Québec, France, Sweden and The United States. Here, the focus has been made on studies, specialized articles on the subject and on a survey made in a company which helped to understand practices or behaviors of the consumers regarding the wine market in those countries. This lead to the quantitative and qualitative approach of the analysis and had allowed to put forward some specifics data.

### **2. Development of the feasible alternatives**

From this, it is now possible to define 3 alternatives about the private importation in Québec.

- **The SAQ contract is good regarding private importation**
- **The SAQ process is failing regarding private importation**
- **The system regarding wine buying is better in France, Sweden and The United States.**

### 3. Development of the outcomes & cash flows for each alternative

The first alternative, ***The SAQ contract is good regarding private importation***, look at the point of view that, the private importation in Québec is well working. The consumers are satisfied about the service and they do not wish any change. The client can consider that this process works better than any other, the statements in the contract facilitate their life and do not appears as an obstacle to their consumption.

The second alternative, ***The SAQ process is failing regarding private importation***, look at the aspect that the private importation in Québec is not really good. It adds to much complications and obstacles; the consumers do not appreciate this way of buying wines. Indeed, if you want to drink wine, different from the ones already proposed at the SAQ, you must follow some specific rules:

- The minimum amount to make a private import order is 150\$ (supplier's price) per product. If the client does not respect these terms, there are fees of 100\$.
- The client makes the payment to the SAQ, not directly to the supplier.
- When the client passes its order, there is a deposit to make, which is equivalent to 80% of the SAQ purchase price.
- The client must come withdraw its order within 30 days following the date of the product availability. The client must pay on the day of the delivery and there is no separate payment. Not all the SAQ shops are designated for the delivery.
- The SAQ can store the products for 30 days. After that if the client didn't get its order, the SAQ will take possession of the products and the client will be responsible for the price charged by the supplier for the products and for the costs linked to the private order in question.
- The products ordered must follow standards (labelling, packaging, composition, elaboration etc) relative to private import. If not, the SAQ can refuse to sell those.

The third and final alternative, ***The system regarding wine buying is better in France, Sweden and The United States***, look at the fact that the method in other countries are a better solution to wine consumption. Those countries work in a total different way and it appears to be most effective and to satisfy more the consumers.

In order to decide which alternative between the first one and the second one is true, the Multi Attribute Decision Making analysis will be used to compare the Québec market from different countries in the world against specific criteria.

<b><u>Attributes</u></b>	<b>France</b>	<b>Sweden</b>	<b>The United States</b>	<b>Québec (reference)</b>
<b><i>Cost</i></b>	Better	Equal	Equal	
<b><i>Formal procedure</i></b>	Better	Better	Better	
<b><i>Time to dispose</i></b>	Better	Better	Better	
<b><i>Delay</i></b>	Better	Better	Better	
<b><i>Accessibility</i></b>	Better	Equal	Equal	

- Green when the situation in the alternative country is better regarding the corresponding criteria.
- Orange when the situation in the alternative country is the same regarding the corresponding criteria.
- Red would be used when the situation in the alternative country would be worse. Here it is not the case. That is why Québec has been put in red, to show how bad its situation is.

#### 4. Selection criteria

The selection criteria are the following:

- Cost: how much does it cost to have its own selection of wine? This attribute has been placed first because it came in the first place in people’s mind when buying products.
- Formal procedure: is the process to have wine difficult?
- Time to dispose: how long it takes to have access to the product?
- Delay: is delay something that might occur often?
- Accessibility: is it difficult to have access to the products?

## FINDINGS

### 5. Analysis & comparison of the alternatives

<u>Attributes</u>	France	Sweden	The United States	Québec (reference)
<i>Cost</i>	1.00	0.50	0.50	0.00
<i>Formal procedure</i>	1.00	1.00	1.00	0.00
<i>Time to dispose</i>	1.00	1.00	1.00	0.00
<i>Delay</i>	1.00	1.00	1.00	0.00
<i>Accessibility</i>	1.00	0.33	0.50	0.00
<b>TOTALS</b>	<b>5.00</b>	<b>3.83</b>	<b>4.00</b>	<b>0.00</b>

Table 2. Summary of Nondimensional scaling results

Attribute	Relative Rank	Normalized weight (A)	Alternatives							
			France		Sweden		The United States		Québec	
			(B)	(A) x (B)	(C)	(A) x (C)	(D)	(A) x (D)	(E)	(A) x (E)
<b>Cost</b>	1	0,07	1.00	0,07	0.50	0,04	0.50	0,04	0.00	0.00
<b>Formal Procedure</b>	2	0,13	1.00	0,13	1.00	0,13	1.00	0,13	0.00	0.00
<b>Time to dispose</b>	4	0,27	1.00	0,27	1.00	0,27	1.00	0,27	0.00	0.00
<b>Delay</b>	5	0,33	1.00	0,33	1.00	0,33	1.00	0,33	0.00	0.00
<b>Accessibility</b>	3	0,20	1.00	0,20	0.33	0,07	0.50	0,10	0.00	0.00
<b>SUM</b>	<b>15</b>	<b>1,00</b>		<b>1,00</b>		<b>0,83</b>		<b>0,87</b>		<b>0.00</b>

Table 3. The additive weighting technique results

By analyzing 4 different countries within the same market sector, it was possible to put forward how good or not were those countries regarding the wine market corresponding and the criteria.

Once the Table 1 with the summary of the gathered basic information was made, it was possible to make the Table 2 and then compare those results thanks to the nondimensional scaling results.

The results that came out are in line all along the analysis and by using the additive weighting technique method; the alternative 1, which is France, is the best alternative here.

Thus, according to this method, France is better in term of cost, formal procedure, time to dispose, delay and accessibility than Québec. Sweden and The United States are better than Québec but less effective than France.

## 6. Selection of the preferred alternative

Therefore, it is now possible to select the preferred alternative.

Then, as seen in all the tables, the first alternative **The SAQ contract is good regarding private importation** is then refused. By comparing the tables, Québec is the worst choice.

The second alternative **The SAQ process is failing regarding private importation** is accepted. It can be proven by the fact that all of the analyzed countries were better and that Québec is not good in term of private importation. For example, by comparing France to Sweden with the table 2, we can conclude that France is a better choice by 130%.

The third alternative **The system regarding wine buying is better in France, Sweden and The United States**, as seen in Table 3, it was possible to compare the results from Québec against those countries and to see that there are dominating Québec. From this comparison, it is possible to accept the third alternative.

## 7. Performance monitoring and post-evaluation of results

As this paper showed, it is now possible to say that **The SAQ process is failing regarding private importation**. The most important challenge for him is to face the cost, the formal procedure, the time to dispose, the delay and the accessibility.

In order to make the SAQ process better for the client, the first thing to do would be to give the possibility to order wine directly to the supplier and not through the SAQ website. This way it will be easier and less time-consuming for the client. Seeing that the formal procedure and the accessibility are necessary to be more effective, they need to be fully monitored in the process of private order in Québec. With the client taking care of the order, it would also decrease the cost linked to the private order process of the SAQ. Also, as the private importation is increasing year after year, more SAQ shops should be designated for delivery to facilitate the process for the client. All these recommendations should be followed and controlled to enable a better performance.

To monitor the recommendations, it would be necessary first to compare the time it takes after to order and then receive the products against the time it was taking before the recommendation.

Secondly, to take a look at the costs. These should have decreased as the budget for all the procedures had been adjusted downwards.

Finally, it would be to compare the time it takes to withdraw your delivery before and after the recommendation.

All these recommendations can be monitored by using the Before and After Pareto Analysis. For example:

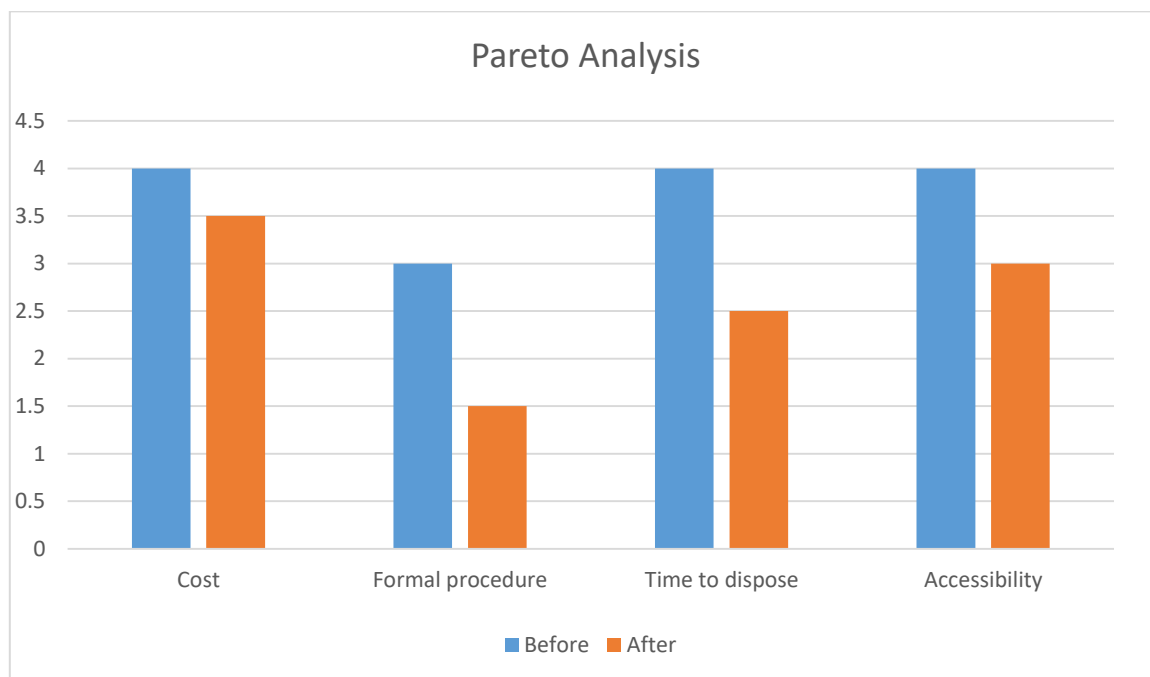


Table 4. Before and After Pareto Analysis

## CONCLUSIONS

Originally, this paper aimed in pointed out the limitations of the private importation contract in Québec and to answer the following questions:

**Is there a real difference in price on the wine bottles in Québec because of the private importation contract?**

By analyzing the cost of the wine in Québec against France, Sweden and the United States, it is evident that ordering wine through the SAQ process is very expensive. It has been proven that a bottle of wine in Québec is approximately 15\$ more expensive than in France.

**Is the way of working between the SAQ, the consumers, the agencies and the suppliers, results in problem of management?**

As a result of the analyses made for this paper and thanks to the readings, it is with no doubt that the client deals with issues of management because of too much intermediates during the private order process with the SAQ. This results in problems with the time to dispose of the product and delays because of too many formal procedures.

### **Is there an efficiency concern in the private importation contract in Québec?**

In continuity with the problem of management, the SAQ process involves also efficiencies issues. All the researches made for this paper reveal that ordering wine through the SAQ is not very effective. The access to the products is limited and there are often problems with the orders.

Regarding the result to these three questions, wine private importation contract in Québec may not have a viable future. What the SAQ is offering today to its clients is not what you can expect considering how is the market in other places. Québec should modernize its way of selling wine to meet the expectations of the clients.

### **FOLLOW ON RESEARCH**

As a follow up for this paper, a deep analysis of the contract for importing wine in France would be very interesting to compare to the private order contract of the SAQ. This way it would be possible to propose a good contract template to the SAQ, inspired by the French one.



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