

By: David Brown

Some BC retailers say it's hard to compete with the province-run public stores.

A number of private retailers say the BC Cannabis Store, the retail chain managed by the BC government, is making it hard for them to stay in business.

The province currently runs 27 stores across BC, often operating in close proximity to the approximately 360 privately owned stores currently listed as open.

These public stores can sell at a lower price and have access to a significant amount of public funding, which means that some private retailers find it difficult to compete, especially in an already competitive space.

The BC Cannabis Stores operate with unlimited access to the public purse, amounting to a public subsidy of their operations and pricing. This allows the government stores to operate on razor-thin margins.

OANA CAPPELLANO, EGGS CANNA

In addition, although private retailers can sell cannabis online, consumers must still either pick it up at the store or have it hand-delivered by the retailer. The only way to legally order cannabis through the mail is through the BC Cannabis Store

Eggs Canna, a private retailer that also operates two stores in Kelowna and three in Vancouver, recently closed their Penticton location because they say they can't compete with the BC Cannabis Store.

Eggs Canna Vancouver

The small chain started out as a medical cannabis dispensary in Vancouver in the years prior to legalization. The BC Cannabis store being able to sell at a lower price made it impossible to compete, says Oana Cappellano, Eggs Canna president and co-founder.

"The government-owned cannabis store Eggs Canna is currently competing with in Penticton has a profound impact on my business for a number of reasons," says Cappellano. "The BC Cannabis Stores operate with unlimited access to the public purse, amounting to a public subsidy of their operations and pricing. This allows the government stores to operate on razor-thin margins."

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TAMARA DUGGAN, TAMARACK CANNABIS BOUTIQUE

While lower prices might be touted as a way to compete with the illicit market, ultimately, the public stores hurt small businesses, she says.

"As a small business owner, I am competing with a sophisticated unregulated market in addition to public stores. The irony of the situation is the depressed prices offered at the government stores are

motivated, I assume, by the desire to compete with the unregulated market, when the reality is that the only people they are forcing out of business are shops like mine.”

Tamara Duggan, the owner of Tamarack Cannabis Boutique in Kimberley BC, who made headlines in 2015 when Tamarack Cannabis Boutique became the first medical cannabis dispensary in Canada to receive a business licence, says her business dropped significantly as soon as a BC Cannabis store opened about 30km down the road.

Tamarack was also the first cannabis store licensed by BC in 2018. The BC Cannabis store near her opened about eight months after she opened, she explains, and before any other private retailers were in the area.

“When they came in, my sales plummeted. I have pretty much levelled out now and I’m maintaining that level of sales and learning to deal with that, but it hasn’t been easy.”

This access to public money creates artificially lowered prices in the BC Cannabis stores whose operations do not need to be profitable.

OANA CAPPELLANO, EGGS CANNA

Duggan says she had to cut staff and now mainly runs the store on her own, with one other part-time employee. Another challenge, she says, is that the BC Cannabis Stores have more direct access to products, often grabbing up more popular or affordable products before other stores, especially single stores like hers, have access to.

“We’ll get an email from an LP saying they have (a certain number of) cases going to the BC LDB and we go and look and they’re sold out and it’s like they were never available to the private retail sector. Because the government scooped them all up, so that’s frustrating.”

“Personally, I don’t think the government should be having government stores. They’re wholesaling it to us, they don’t need to be in competition retailing it against us.”

Danny Owsnett, another long-time cannabis retailer, has operated in some capacity for the better part of 20 years before finally getting a licence from BC in January 2020. When the BC Cannabis store opened just minutes away in April 2021, he says his sales dropped by 60%, and have been declining since. Like Eggs Canna, he says he may have to close the store if he can’t find a buyer, a prospect he doesn’t hold much hope for.

“I was about to sign an agreement to sell... and the day before the store opened up, the buyers backed out specifically because the BC Cannabis Store was up the hill.”

Another unfair competitive advantage, says Owsnett, is how cannabis deliveries work.

“They have a monopoly on mail deliveries. They allow us to do deliveries, but they’re so restrictive that they’re to our disadvantage financially. I basically have to buy a new vehicle, insurance and then run

around doing deliveries for a little bit more business. Whereas BC Cannabis stores, people can just go online, order their stuff, push the button and it gets mailed to their home. We don't have that option."

Cappellano, from Eggs Canna, says the ability for public stores operating with public funding to compete with small, privately-owned businesses makes no sense.

"This access to public money creates artificially lowered prices in the BC Cannabis stores whose operations do not need to be profitable. It is unfortunate that our sitting government has undertaken a totally unnecessary expansion of this network of public stores built with public money which are serving to destroy local small business."