



Vintages

Central Allocation Project

Overview

Today's Objectives



- To communicate project scope and objectives
- To demystify the new Vintages Central Allocation process: explain how it will improve product distribution, sell-through, and overall operational efficiencies
- We ask that you please hold your questions until the end

Change?.....Why?



**Change is born of necessity and propelled
by vision**

Change?.....Why?



- Thanks to the tremendous support and hard work of our Product Consultants and Store Managers, Vintages sales have now outgrown our ability to manage the business through manual processes
- Vintages Central Allocation (VCA) is envisioned as a key tool in helping move the Vintages business forward, to keep up with the dynamic needs of our customers

VCA - Benefits



- Wider, more balanced product distribution throughout the retail network
- More inventory in stores at time of Release
- More accurate sell-through reporting
- Time-saving efficiencies for Inv Team: less follow-up with stores, reduced “rush” orders
- Reduced residual whse inventory

VCA - Opportunities



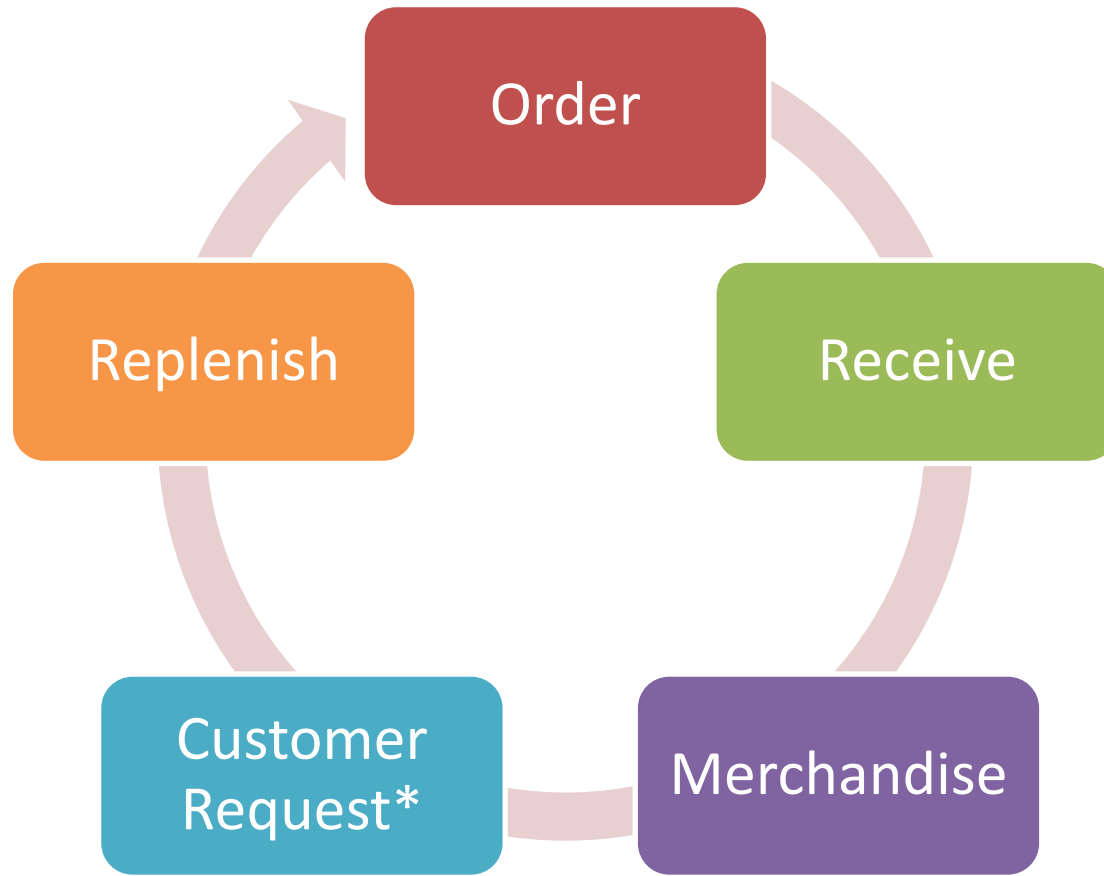
- Once VCA goes live we will be able to more accurately measure “true” sales, (i.e. less influencing factors, such as limited distribution), so it will be much easier to assess under-performing and/or over-purchased SKU’s, which will lead to improved Category purchasing decision-making in the future

VCA - Opportunities



- Vintages will develop a more firm exit plan strategy for Release items, and execute it in a more timely manner than today to ensure that stores are not stuck with slow-selling items
- This will also ensure that we are in a position to quickly remedy any potentially misallocated items

Current Bi-Weekly Release Cycle



Current Retail Ordering Process



- Stores currently receive an store order form seven weeks prior to Release
- Stores have one week to review brands, determine quantities, and manually input order, (1-4 hours each, depending on store size and terminal availability)



Current Process Gaps



- While individual order requests may appear to be appropriate at an individual store level, the summary result of these orders may not be optimal for the overall Vintages/LCBO business, (i.e. lost sales opportunities)
- Orders often not submitted, requiring follow-up; (5-10% of stores every two weeks)
- Vintage allocation team must review/re-allocate multiple SKU's on every release

Current Process Gaps



- Retail requested “No Force” list, (59% of total 264 Vintages locations currently restricted), meaning store orders cannot be increased
- This results in excessive residual warehouse inventory of saleable products, and/or excessive inventory being sent to remaining stores
- Stores often not “ready for business”, resulting in requests for last minute rush orders

Current Process Gaps



- Current practice is to allocate 80% of the total quantity purchased for each release
- This results in excessive residual warehouse inventory on SKU's with low initial store draw
- New system will allocate up to 80% of total quantity of each SKU, reducing residual inventory by ensuring stock is in stores, where it can sell, as opposed to warehouse

Vintages Central Allocation - New



- Release information form will be sent out seven weeks prior to Release, (same as today), instead of store order form
- Store allocations will be based on sales performance, and guided by store capacity limits, (for both unit and SKU count)

Vintages Central Allocation - New



- Each SKU in a new release will have an “Model SKU” assigned to it for forecasting purposes
- The “Model SKU” is a system-determined brand from a previous Vintages Release in the same season, that most closely matches the subset and price-point of the new release SKU
- Vintages Essentials and LCBO brands are **not** used for modeling

Vintages Central Allocation - New



- Allocation quantities are based on the first three weeks of sales of the Model SKU in applicable stores; (each store's ratio of sales of the model SKU is then applied to the forecast for the new SKU for each store)
- If a store did not sell the Model SKU, allocation eligibility will be determined by the "best fit" sales history at the subset level of the new SKU

Vintages Central Allocation - IPI



- **Intelligent Product Introduction**, (“IPI”) is a new module in DCM, our corporate forecasting system.
- IPI’s primary function is to determine the most appropriate Model SKU to use when introducing new products
- IPI looks at each individual new product assigned to a release, and finds the ten best potential Model SKU’s for the new item, based on pre-determined selection criteria

Vintages Central Allocation - IPI



- This selection criteria is primarily based on: subset, price point, and seasonality
- User-defined weighting is applied to all attributes used in the criteria table
- Vintages user has the option of choosing an alternative model SKU, if the best model SKU's do not appear optimal

Intelligent Product Introduction

[Return to Full Page](#)

Merchandise: 680 - 55 ITALY RED - TUSCANY/CHIANTI

Time Period: Display All Days

Unmatched (0) **Matched (11)** Ineligible (0)

No Filter Applied Clear

Filter

Unmatch

Column Settings

Export

<input type="checkbox"/>	Entry Date	New SKU ID	New SKU Description	Rel'n Start Date	Rel'n End Date	Forecast Shift Date	# Candidates	% Match	Matched SKU ID
<input type="checkbox"/>	01/19/2013	135277	10 New SKU	12/23/2012		Established SKUs	10	100	207795
<input type="checkbox"/>	01/19/2013	142281	10 CHIANTI CLASSIC...	01/06/2013	03/16/2013	Initial Sales	10	144	161851
<input type="checkbox"/>	01/19/2013	250563	08CHIANTI CL.POGGI...	01/06/2013	03/16/2013	Initial Sales	10	100	187971
<input type="checkbox"/>	01/19/2013	315150	06CHIANTI CL. RS C...	01/06/2013	03/16/2013	Initial Sales	10	144	216309
<input type="checkbox"/>	01/19/2013	317313	09 CHIANTI CL RS C...	01/20/2013	03/30/2013	Initial Sales	10	100	189803
<input type="checkbox"/>	01/19/2013	384552	07 CHIANTI CL. RS. ...	01/06/2013	03/16/2013	Initial Sales	10	100	190835
<input type="checkbox"/>	01/19/2013	39768	08CHIANTI CLASSIC...	01/06/2013	03/16/2013	Initial Sales	10	96	267328
<input type="checkbox"/>	01/19/2013	650754	08CHIANTI CLASSIC...	01/06/2013	03/16/2013	Initial Sales	10	100	206805
<input type="checkbox"/>	01/19/2013	68858	09CHIANTI GIACOMO...	01/06/2013	03/16/2013	Initial Sales	10	100	209478
<input type="checkbox"/>	01/19/2013	930966	08CHIANTI CLASSIC...	12/23/2012	03/02/2013	Initial Sales	10	100	268987
<input type="checkbox"/>	01/19/2013	984401	08CHIANTI CL.RS OR...	12/23/2012	03/02/2013	Initial Sales	10	100	232413

10 Candidates for SKU 135277 10CHIANTI CLASSICO(TENUTA DI C

Rel'n Start Date: 12/23/2012 Rel'n End Date: 03/02/2013

Match

Add Candidate

Cancel

Minimum threshold at 90%

<input type="checkbox"/>	% Match	Rel'n	Top Candidate SKU ID	SKU Description	Forecast %	Use Initial Sales	Forecast Shift Date	Launch Date	# Locations
<input type="checkbox"/>	100	No	160473	07 CHIANTI CLASSICO DOCG (...)	100	<input checked="" type="checkbox"/>		01/31/2010	131
<input checked="" type="checkbox"/>	100	Yes	207795	07 CHIANTI CLASSICO LE CIN...	100	<input checked="" type="checkbox"/>		01/23/2011	254
<input type="checkbox"/>	100	No	523076	08 SANTEDAME CHIANTI CLA...	100	<input checked="" type="checkbox"/>		02/22/2009	232
<input type="checkbox"/>	96	No	212118	07 CHIANTI CLASSICO RIS. S. GI	100	<input checked="" type="checkbox"/>		05/22/2011	102
<input type="checkbox"/>	96	No	222810	10 CHIANTI CLASSICO ROC. DI...	100	<input checked="" type="checkbox"/>		07/03/2011	639
<input type="checkbox"/>	96	No	230672	07 CHIANTI CLASSICO RISERV...	100	<input checked="" type="checkbox"/>		08/21/2011	148
<input type="checkbox"/>	96	No	23408	08 CHIANTI CLASSICO (SAN F...	100	<input checked="" type="checkbox"/>		04/29/2012	635
<input type="checkbox"/>	96	No	244210	07 CHIANTI CLASSICO (CASAL...	100	<input checked="" type="checkbox"/>		07/24/2011	131
<input type="checkbox"/>	96	No	25027	07 CHIANTI CLASSICO CAMPO...	100	<input checked="" type="checkbox"/>		01/18/2009	195

Best Match

New SKU

Vintages Central Allocation – New



- Once Model SKU's have been determined, DCM then creates suggested allocation quantities for each store, based on the forecasted sales of the new SKU's
- The Vintages team then reviews the new **Allocation Capacity Report** to identify capacity issues at either SKU or unit level; capacity max settings created by Supply Chain, and will be validated by DM's
- Over-allocations are then reduced, so that individual store capacities are not knowingly exceeded

Vintages Store SKU Capacity



LCBO Retail Supply Chain has used the following factors in determining store capacities:

SKU Count:

- Vintages Release SKU's on hand for each location with inventory greater than 2 units, (excludes Gifts, and Vintages Ethnic brands merchandised in LCBO space)

Vintages Store SKU Capacity



Linear Footage:

- Includes all fixtures in a store dedicated to the permanent merchandising of Vintages products, (incl Essentials), with the exception of the Vintages Feature Fixture. Added to this is the *Vintages Incremental*, which was additional footage collected in discussions with District Managers. It includes Vintages locations used on a permanent basis solely dedicated to Vintages products.

Vintages Store Unit Capacity



Store Unit Capacity

- Average unit capacity is based on the average weekly inventory in each store over the most recent two year period
- Maximum unit capacity = average + 10%, a conservative seeding estimate to mitigate potential overstocks



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Arial 10 Font

Wrap Text Merge & Center Alignment

General Number

Conditional Formatting Styles

Format as Table

Cell Styles

Insert Delete Format Cells

AutoSum Fill Clear Sort & Filter Find & Select Editing

Today's Date: 11-Mar-13 10:40:02 AM																			
	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S
1	Today's Date: 11-Mar-13 10:40:02 AM																		
		Release	First				First	Sales	Current			Current	Target	SKU	SKU				
2	Store #	Date	Allocation	Current	Current In	Current	Allocated	Forecast	Target	Average	Maximum	SKU	SKU	Count	Count				
3	00001	4/13/2013	3/11/2013	24458	419	408	1830	10779	16336	32191	35411	1640	1373	1313	1445				
4	00003	4/13/2013	3/11/2013	4335	58	0	1206	1729	3870	2702	2972	324	330	178	195				
5	00004	4/13/2013	3/11/2013	5732	277	2718	894	1266	8355	3676	4044	484	519	234	257				
6	00005	4/13/2013	3/11/2013	6937	440	4908	3042	6957	8370	8021	8824	744	833	564	645				
7	00006	4/13/2013	3/11/2013	1908	0	804	564	779	2497	3443	3788	300	322	304	335				
8	00007	4/13/2013	3/11/2013	790	38	270	546	561	1083	1219	1341	152	187	120	163				
9	00009	4/13/2013	3/11/2013	706	32	462	660	691	1169	1549	1703	207	240	162	178				
10	00010	4/13/2013	3/11/2013	34482	1372	11859	11472	30095	29090	40526	44578	1858	1729	1204	2490				
11	00011	4/13/2013	3/11/2013	1664	31	498	552	561	2184	1349	1484	154	184	91	100				
12	00012	4/13/2013	3/11/2013	1214	42	714	678	1014	1634	1696	1865	181	235	145	150				
13	00013	4/13/2013	3/11/2013	1729	5	1902	774	1015	3395	3115	3427	164	210	210					
14	00014	4/13/2013	3/11/2013	814	26	264	306	247	1163	1404	1544	128	142	142					
15	00015	4/13/2013	3/11/2013	8171	356	5334	3372	8359	8874	14818	16299	895	964	964					
16	00016	4/13/2013	3/11/2013	707	14	474	588	497	1286	1265	1392	148	192	192					
17	00017	4/13/2013	3/11/2013	6017	17	1302	1026	3600	4762	8111	8922	693	677	677					
18	00018	4/13/2013	3/11/2013	6165	204	2052	1494	4142	5773	7858	8644	789	806	806					
19	00019	4/13/2013	3/11/2013	6636	79	1548	1056	3422	5897	5209	5730	618	625	625					
20	00020	4/13/2013	3/11/2013	445	11	36	330	91	731	763	839	76	88	88					
21	00021	4/13/2013	3/11/2013	12479	173	2964	1716	6963	10369	10398	11437	1022	1020	685	792				
22	00022	4/13/2013	3/11/2013	5588	39	84	786	1990	4507	6603	7264	737	630	624	687				
23	00023	4/13/2013	3/11/2013	2329	0	312	528	906	2263	2819	3101	388	364	355	402				
24	00025	4/13/2013	3/11/2013	4436	49	1086	1092	2517	4146	4152	4567	615	611	449	494				
25	00026	4/13/2013	3/11/2013	4307	69	1350	906	2299	4333	5222	5744	432	466	364	400				
26	00027	4/13/2013	3/11/2013	400	0	174	360	163	771	1029	1132	87	106	112	175				
27	00031	4/13/2013	3/11/2013	12054	102	3204	1758	7688	9430	12384	13623	954	923	728	906				
28	00035	4/13/2013	3/11/2013	6906	60	168	1416	3517	5033	6525	7177	733	646	553	608				
29	00036	4/13/2013	3/11/2013	6369	72	1704	1194	3577	5762	5253	5779	784	771	439	595				
30	00037	4/13/2013	3/11/2013	5607	760	3270	1824	5083	6378	4973	5471	557	610	313	499				

Legend:

Green = ok

Yellow = under capacity

Red = over capacity

Legend:**Green** = ok**Yellow** = under capacity**Red** = over capacity

Vintages Store Unit Capacity



- Target Capacity (units) = **(current on hand + current in transit + current on order + first allocated quantity) – sales forecast**, (sales forecast is based on estimated sales between today's date and release date)

Vintages Store Capacities



- Store DICE orders will affect future allocations as they are included in the capacity calculations to ensure that there are no Health and Safety issues at store level
- Capacity numbers are **not** static values; if, after a few allocations, our original estimate is problematic, the Store Manager should advise their District Manager, who can then advise Vintages

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B5MAR30-13 Retail												
<div> <div>Release Date</div> <div>Allocation</div> </div>												
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4	994	37036	(V) AMADO SUR MALBEC BONARDA S	BLENDS	ARGENTINA RED	24	20130215					
5	994	43224	10 CAB SAUV JESTER MCLAREN VAL	CABERNET SAUVIGNON	AUSTRALIA RED	12	20130215					
6	994	50393	(V) BEAULIEU VYD TAPESTRY RESE	BLENDS	CALIFORNIA RED	24	20130215					
7	994	80192	(V) CAB SAUV HEWITT RUTHERFORD	CABERNET SAUVIGNON	CALIFORNIA RED	6	20130215					
8	994	133389	LOT 3 CANDOR ZINFANDEL (TREANA	ZINFANDEL	CALIFORNIA RED	12	20130215					
9	994	161398	10 CAB SAUV LANDER JENKINS (RU	CABERNET SAUVIGNON	CALIFORNIA RED	48	20130215					
10	994	169128	PROSECCO EXTRA DRY (TENUTA S.	ITALY	SPARKLING OLD WORLD	12	20130215					
11	994	180836	95 VINTAGE PORT (QUINTA DA COR	VINTAGE PORT	FORTIFIED OLD WORLD	12	20130215					
12	994	218339	10 HERDADE PENEDO GORDO ALENTE	ALENTEJO	PORTUGAL RED	24	20130215					
13	994	247502	07 AMARONE DELLA VALPOLICELLA	VENETO AMARONE	ITALY RED	12	20130215					
14	994	259697	09MASSANDRA MUSCAT WH(UNITED S	OTHER EASTERN EUROPEAN	ETHNIC WHITE WINES	24	20130215					
15	994	260240	10 PINOT GRIS GRAND CRU HATSCH	ALSACE	FRANCE WHITE	12	20130215					
16	994	265967	09 SHIRAZ STONE DWELLERS (PLUN	SHIRAZ	AUSTRALIA RED	24	20130215					
17	994	269969	10 SOAVE CLASSICO CAMPO VULCAN	SOAVE	ITALY WHITE	12	20130215					
18	994	293324	10 THE SUM SEVENTY FIVE WINE C	CABERNET SAUVIGNON	CALIFORNIA RED	36	20130215					
19	994	305813	10 MALBEC ANGULO INNOCENTI (AN	MALBEC	ARGENTINA RED	24	20130215					
20	994	307223	09 CHATEAU DEYREM VALENTIN AOC	BORDEAUX - MEDOC	FRANCE RED	12	20130215					
21	994	311605	09 MONTEPULCIANO D'ABRUZZO ROC	OTHER CENTRAL	ITALY RED	48	20130215					
22	994	313510	09 CABERNET SYRAH PASO ROBLES	BLENDS	CALIFORNIA RED	12	20130215					
23	994	313676	09 QUINTA DO PENEDO DAO TINTO	DAO	PORTUGAL RED	24	20130215					
24	994	313726	07 SENORIO DE P.PECINA CRIANZA	RIOJA	SPAIN RED	12	20130215					
25	994	314393	10 RIBOLLA GIALLA (FERRUCCIO S	OTHER NORTH	ITALY WHITE	36	20130215					
26	994	316075	10 COLOSI ROSSO SICILIA IGT	SICILY/SARDINIA/ISLANDS	ITALY RED	60	20130215					
27	994	317099	08 CHIANTI CLASSICO CONTESSA D	TUSCANY/CHIANTI	ITALY RED	48	20130215					
28	994	317628	08 D'ANGELO AGLIANICO DEL VULT	OTHER SOUTH	ITALY RED	24	20130215					
29	994	318865	09 ROSSO DI MONTALCINO SOLARIA	TUSCANY OTHER	ITALY RED	36	20130215					

VCA – Questions & Concerns



Example of Major Issues – product not allocated or insufficient:

- **Wines of the Month**
- **Cover wines**
- **Food and Drink**
- **Feature**

VCA - New Store Set-up



- We will utilize demographics and capacity information from Retail Supply Chain to assist in set-up, but will welcome input from the Store Manager and/or Product Consultant until the store establishes a definitive sales pattern

VCA - Renovated/Relocated Stores



- Historical sales will still be used to determine product assortment
- Vintages will work with the SM and Product Consultant to collaborate on post-renovation allocations, until the store establishes a definitive sales pattern, (as required)
- SKU count and unit capacities will need to be reviewed/updated to reflect new Vintages selling space

VCA - Retail Benefits



- Frees up valuable Product Consultant time that can/should be spent on the selling floor
- Reduced overstocks and residual inventory at stores
- Improved distribution of product, leading to increased customer satisfaction and sales
- Zero release orders missed due to Product Consultant absence



VCA - Customer Request Process

- No change at all to this process

Vintages Central Allocation - FAQ's



- Please refer to handout

VCA Focus Group Comments



- The Vintages team met with a focus group of 26 Store Managers and Product Consultants on March 14th to present this same overview of the new Vintages Central Allocation process. Here is some of their feedback.....

VCA Focus Group Comments



- “no brainer choices based on history”
- “less pressure on me to pick products”, (SM with no Product Consultant)
- “more effective distribution and uniformity”
- “overall, a more accurate assortment”
- “this will force me to spend more time on Vintages....a good thing!”
- “reduces hoarding”

VCA Focus Group Comments



- “less guesswork at store level”
- “more info for Buyers / demographics”
- “fairer allocation”
- “sell, sell, sell”
- “levels playing field between new and seasoned Consultants”

VCA Focus Group Comments



- “no missed orders”
- “more time spent on customer service”
- More time to dedicate to: “Hello/Bonjour, staff and market education”
- “lose ownership”
- “best for company”

Vintages Central Allocation



Q & A



TAKING ON
TOMORROW

Vintages Central Allocation



Thank you!