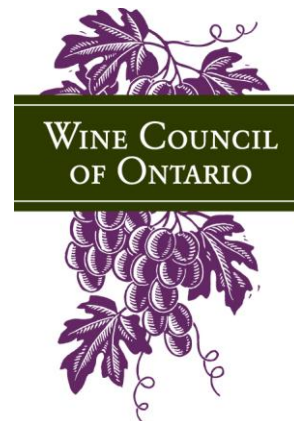


March 9, 2011

Patrick Gedge  
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Patrick:

Thank you very much for your correspondence of March 2, 2011. I welcome the opportunity to respond to your concerns and, hopefully, to clear up some misunderstandings. I would like to start with your concerns regarding a perceived lack of engagement of marketing professionals from across the industry over the past year.

### **Engagement with WGAO and Member Wineries**

To provide as much clarity as possible and ensure opportunities for engagement, the process and timetable to develop and implement the 2010-11 marketing plan were established last summer. We set up meetings to get input from the key stakeholders, particularly the WGAO. We have had many additional meetings with WGAO's marketing and tourism committee over the course of the past year and there have also been additional discussions and presentations directly with key marketing staff (WGAO Marketing Chair, Shari Niles, and Steve Bolliger as examples) that have been important to us in measuring the work of the plan on an ongoing basis and drawing on their insights. The fact that we have been able - on a day to day basis - to collaborate with these senior level marketers has been very helpful.

In addition to the periodic stakeholder meetings, there has been a significant amount of direct engagement in program development and the execution of this year's program with key members of the WGAO committees, including:

- Development of programming and tours for WOW Leaders and Product Consultants
- Development of last summer's successful outdoor advertising campaign including direct involvement in the evaluation process
- Review of Visitor's First Program – debriefing, RFP process including retention of firm for duration of marketing plan
- Wine Route Evaluation Taskforce – direct participation on Committee including commissioning of public opinion research project and development and reporting on same, scoping of additional research work
- Usage and Attitude Research – involved from the development of the RFP, interviewing and selection of firm, development of survey and metrics
- Interprovincial Buyer Visits – direct participation in planning process
- Brand Positioning - direct involvement in positioning activities, review of brand position, logo development

What I have found most motivating this year was the amount of collegiality throughout the industry. On a daily basis I know that our marketing team is in contact with the professional marketing staff from WGAO wineries and the cooperation level could not be higher. Whether working through the details of a visit or

LCBO programming or other important functional elements of the plan, there has been incredible synchronicity and effective delivery of the programs as an industry. That should be encouraging to us all.

WGAO has been invited to play a direct role in each of the major elements of the plan. In your letter, you make reference to the key elements of the plan which are underway. The only one of significance in which WGAO did not participate was the development of the Wine Country Ontario Guide RFP and scope, and the hiring of our creative agency and printer to support this project. WGAO was asked, through yourself and Shari Niles, to identify a representative to work with us through this process but the invitation was declined. To suggest that you have not had the opportunity to have meaningful input into this initiative simply is not fair and is incorrect.

I think it is important to address your concern regarding some email exchanges after the December 16<sup>th</sup> meeting where the results of the Usage and Attitude survey were presented. As a follow up to that meeting - and in response to a specific request from WGAO made at the meeting - we actively pursued dates when WGAO representatives would be available to meet with the research firm (Vision Critical). We received no response and found it disappointing that this offer was not accepted given WGAO's stated interest in exploring the findings in several key areas and the layers of analysis on which you indicated you wanted further details.

I also want to address your concerns regarding access to public relations and other opportunities over the past year. It is our policy to ensure that open opportunities (i.e where tour organizers are open to suggestions regarding which wineries they wish to visit or calls to feature product at events) are communicated simultaneously to Wine Council and WGAO members – as well as to wineries who are members of neither organization where appropriate. Per your instructions, these calls and memos are sent through your office for distribution to your members. At a discussion earlier this year I offered to concurrently send the notices directly to contacts you would identify in each of your wineries in order to minimize delays. At the time, you indicated a preference for having all communications channeled through the WGAO office. We may wish to revisit this approach; at least when dealing with opportunities that have very quick turnaround times and/or those that operate on a first come first served basis.

There are certainly lessons to be learned from the first year under the new industry structure and we look forward to a direct discussion of these issues/opportunities at the Executive to Executive meeting that has been set for March 22. I also believe we can build on the positive experiences of this past year. In particular, I believe that strong engagement on a day-to-day basis throughout the industry is vital to lessening any potential frustrations for next year's execution.

## **Objectives and Metrics**

You are right that the annual marketing plan does not provide 5 year targets for the Strategy. However, there are several quantitative metrics that we track on sales that have been core to the evaluation of this plan in every report (maintenance of a 10 point spread for growth above imports at LCBO, increasing price point, price band measures etc.). Overlaid on this are the broader targets established by the LCBO that are tracked both on a global basis and with respect to specific program performance (GoLocal VQA promotion, tastings, WOW investments).

At the meeting in February it was made clear that metrics would be added to the 2011-12 draft plan based on those identified in the previous plan and reported on in the three interim reports released over the course of this past year. We asked for feedback on those measures but made it clear we had not included them to avoid prejudging any stakeholder perspectives on the metrics. We have not heard any concerns to date with the metrics used in the 2010-11 plan and reported on during the year. We

welcome your comments and recommendations at any time and would prefer to get feedback on specific issues/concerns as they emerge throughout the year.

Starting with the first plan approved last year, each program element has strategic and quantitative goals and these are reported on in each of the Reports filed to the government and circulated to stakeholders. It was clearly understood that a significant element of the past plan was the execution of a benchmark Usage and Attitude study. Progress with our consumer is at the heart of any marketing plan. Going forward progress on all of these benchmarks will be key and will be part of our reporting out in the coming years.

You refer at several points to our recommended spend on outdoor advertising and have questioned the strategic basis for this approach. This is puzzling. There has been broad agreement for some time on the target consumer and that the best way to reach that consumer is outdoor advertising and internet communications. All of our stakeholders gave the input to do more advertising as was affordable, and as such a modest increase was budgeted for this area.

As well, as was done last year, there is plan and budget allocated for measurement of the performance of this campaign. You would recall that the performance of the advertising was well above the strong expectations that we had for this program last year and will track to see if we can achieve similar results next year. Given that this area has been the subject of significant analysis and consensus, please let us know what else would need to be addressed or answered to cover off your concerns on this proposed area of investment.

#### **Financial Issues:**

As you know the marketing plan is supported through government (MEDT) investment, a strategic partnership to deliver services on behalf of VQAO, Wine Council member revenues and some modest revenues from pay to play programming. These monies are pooled to support a suite of programs and expenditures are drawn from this pool. It is also an expectation of government that we leverage other private and public sector support for the plan in order to maximize its value.

Our partnership with the federal government on export is one of those opportunities. Because WGAO is directly engaged in this planning, you would know the details of the allocation and that this funding is provided on a cost shared basis. Pursuant to our funding agreement with the government, these dollars are reported when they are received (often 18 months or later after the programming is complete).

Similarly, the i4c event leverages industry and the public sector support to undertake a new, major initiative. The decision to invest Wine Strategy funding in i4c, was done with the full knowledge and support of Government as expressed during a meeting of ADMs from the key ministries with representatives from the i4c Board. GGO's support was also a strong consideration. The enthusiasm for this event has been terrific and it demonstrates how the various parties can come together to undertake initiatives that support the growth of the industry as a whole.

We provide very detailed financial reports to the Ministry and the information is summarized for distribution to everyone else. The Ministry has raised no issues with our financial reporting and processes which includes reviews of all of our contracting over \$25,000 and other audit protocols. We have met every test of our 5 year contract with the government to date. While the Wine Council is not prepared to fully open its books to non-members, we would be pleased to meet with you to review our summary financial reporting with a view to providing more detail in the coming year.

With regard to your comments regarding the reconciliation of financial reporting in the February 24<sup>th</sup> draft, we were able to respond to your questions at the meeting and I will be pleased to sit down and go

through the report with you again. However, at this point it may be more useful to review the next iteration of the plan. As we indicated at the February meeting, the financial data were provided for major items only whereas the final plan will provide an accounting of all elements of the plan.

### **The Wine Guide and Website:**

As you know the Guide, the Wine Route and the collateral that is driven off these assets (e.g., the website) have for many years been owned and developed by the investments of Wine Council members. Last year, at the request of WGAO through Bruce Walker, we were asked to develop a non-member opportunity to participate. At the end of that discussion a price structure was established to mirror our members' investments in that product and was offered to non members. Like our current membership fee structure, there is some tiering of fees by winery size. We believe the fee structure is fair to both WCO members and non-members and we are confident in the value it delivers. We are disappointed that your members decided not to participate this year but note that we will have more properties engaged this year than last.

In addition to the wineries that participate, our other tourism partners clearly place a lot of value on the Wine Route, the Wine Country Ontario guide and its web based application. This is not simply a product that delivers value to our wineries, but to the province as a whole and its tourism experience. Feedback is very positive and our partners that distribute the guide - and that promote it and wine country travel to their customers - treat it as an industry leading product. One of the reasons for its success is that the guide is founded on quality assurance. Through secret shopper activities, staff training, etc. we work with participating wineries to enhance the customer experience. This lifts our entire industry and has benefits beyond winery visitation and helps enhance our reputation for world class tourism experiences.

I would like to correct the impression that non-members are expected to pay for "individual features." You are correct that the guide, website, applications and related activities are bundled. The website has grown out of the guide and is the platform for the mobile applications. As noted above, the quality assurance activities are integral to the success of the guide. You may feel the price is "exorbitant" but participants would argue that they are obtaining value for money and they are satisfied with their return on investment. As you know, many of our members are smaller wineries and they rely on consortium pricing to bring websites and mobile applications within their reach financially.

### **Overhead expenses**

Our agreement with the province allows for application of certain expenses as overhead against the plan. So you know overhead did not increase in 2010/2011. At the time of the development of last year's plan, the rules around these allocations had not been confirmed. When they were, the number was adjusted. These allocations to overhead are strictly limited to marketing and the development/implementation of the plans. They are within the parameters established by government and government receives a detailed accounting of these expenditures. As noted above, while we are not prepared to open WCO's accounts to non-members, we will be pleased to work with you enhance the transparency of reporting regarding administrative overhead expenditures.

### **Strategic Tradeoffs**

I was a bit surprised by your comments on the programming selected and the investment levels allocated. I reviewed the proposed approach against the WGAO recommendations outlined in your submission to us in December, and perceive that they are virtually 100% aligned. It would be helpful to understand why you would now question the approach given that the tactical approach comes from a strong consensus with your input to the plan. Perhaps we could review your submission to us in December point by point and you could detail for us your desire to change approach.

## Moving Forward

There are clearly two separate issues that each merit discussion.

First, there are issues around process which I think can and should be resolved by our industry. I am hopeful that the recap of this year's process and implementation have reassured you that none of these program elements are being executed in a vacuum. I believe that our meeting on March 22<sup>nd</sup> will be an opportunity to move forward constructively and we will be proposing some ideas that we believe will alleviate concerns. I anticipate you will bring forward some recommendations as well.

Second, there are issues around the plan and tactics from your perspective. As I noted above I think it is important for us to understand the specific program elements that WGAO does not support as they are not indicated in your feedback. We built a plan that was meant to reflect your expressed priorities so it is important that we understand what has changed between December and today (or what might have been misinterpreted). We have received support, and in some cases very enthusiastic support, for the plan from GGO, VQAO and the LCBO. Understanding where you are unaligned with them would be helpful in seeking further input from them as well. It may be helpful to involve WCO and WGAO marketing committee representatives (e.g., Shari, Wendy) as well as the two of us as opposed to addressing this on March 22<sup>nd</sup>. If you agree, I would like to work with you to set up a "marketing plan review" meeting at the earliest practical opportunity.

I hope this letter addresses the key concerns you raise in your response to the Draft Marketing Plan. I also hope that through the Executive to Executive meeting on March 22<sup>nd</sup> and the proposed meeting to review the draft plan in more detail - we will be able to bring forward a 2011-12 plan that is supported by all wine industry stakeholders in the very near future. I think we all understand that adjustments to the process by which the annual marketing plans are developed and implemented will take a little longer but I believe that we can resolve our issues among ourselves without resorting to outside intervention.

I look forward to our discussions.



Hillary Dawson  
President  
Wine Council of Ontario