LCBO Ontario Wines Buying Team

WCO TOWN HALL October 29th, 2014



PURCHASING

ADMINISTRATION



ASTRID BRUMMER PRODUCT MANAGER



LAURA RUFFOLO PRODUCT ADVISOR (ACTING)



LUCY SKEARD CATEGORY ADMINISTRATOR, WINES



AGENDA

- Ontario Wines sales update
- Programs, Opportunities and Best practices
- OWC Boutique sales and expansion update
- 2015-16 display program changes
- 2014-15 Sales targets
- VQA Committee initiative



P7 RESULTS: ONTARIO WINES EXCEEDED PLAN BY 1.1%

VQA WINES +3.5%

VQA VINTAGES +11.6%

ICB +8.7%

Non-VQA +2.9%

TOTAL ONTARIO +7.0%



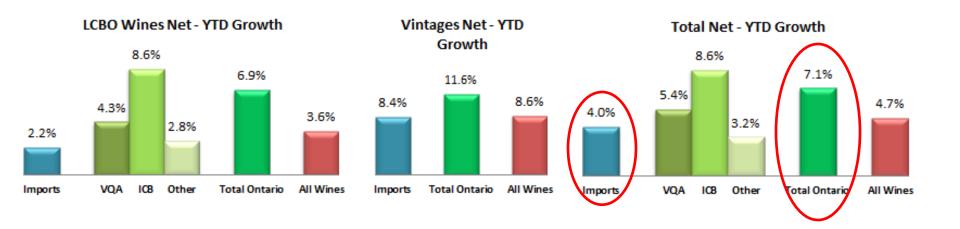


VQA WINES ARE TRENDING AHEAD OF LAST YEAR AND PLAN YTD!



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ONTARIO WINES ARE OUTPACING IMPORTS, **+7.1%** YTD





LCBO

LCBO Program Summary

| Program | Details & Definition of Success | Frequency | Cases Needed | Application Instructions & Fee |
|---|---|--|-----------------|--|
| LCBO Wines | Products are <u>continuously</u> <u>available</u> to all LCBO stores; stock flows through warehouses. Success = exceeding the established sales target. | Continuous availability | 2000+ | Apply to appropriate LCBO Wines calls in NISS; annual promo fee |
| VINTAGES (Front Line) Release | Products are <u>one-time purchases</u> made available to all VINTAGES locations;. Success = quick sell-through 8 weeks post release | VINTAGES releases approx. 6-10 Ontario wines every 2 weeks | 56-300 | Apply to VINTAGES Ontario calls in NISS; no fee |
| Wines to Watch Limited Availability (LAW) | Products are <u>one-time purchases</u> made available to a list of specific stores for limited period of time. Success = maximum sales during one 4-period turn | 3x per year Launches P4, P8, P12 | 168- 300+ | Apply to Wines to Watch, Limited Availability calls in NISS; no fee |
| Ontario Wines Direct Delivery Program (OWDDP) | Products are <u>continuously</u> <u>available</u> to a list of specific stores at store manager's discretion. Success = exceeding sales of 6 bottles per store per period | Continuous availability | >1 | Apply to Ontario Direct Delivery calls in NISS; no fee |

LCBO Program Summary

6 Programs <u>Exclusive</u> to Our Wine Country Boutiques

| Program | Details | Frequency | Approx Cases Needed | Application Instructions (no fee) |
|---------------------------------------|---|---|---------------------------|-----------------------------------|
| Boutique Enhanced Assortment (BEA) | Products are continuously available, exclusive to Our Wine Country Boutique stores | Continuous availability | 100+ | Discuss with Product Manager |
| Homegrown | Promotes a varietal, style, or region; up to 4 wines are selected to expand upon Local Talent story feature in Vintages release catalogue | Monthly | 4+ per wine | |
| Unique Find | Promotes 1 unique product | By period | 17+ | |
| Notable Wineries | Promotes 2 emerging, artisanal, interesting wineries; 3 wines per winery | Seasonally beginning P3, P6, P10, or P13 | 12+ per wine | Discuss with Product Manager |
| Seasonal Selection | Promotes 1 hot pick for the season | | 23+ | |
| Regional Stories | Promotes 1 region/appellation; 3-6 different wines | | 12+ per wine | |

Our Wine Country HARVEST TABLE tastings

The Our Wine Country boutiques have been created to bring an authentic wine country experience to our customers.

We want customers to discover and fall in love with locally-made wines when they visit, so 3 boutique locations have a Harvest Table – the spot where you can host a consumer tasting!

Wineries are invited to support products that are being featured in Our Wine Country Boutique programs or are available in the store. You will be contacted by our Special Events team!

Special Events Contact Information

If you are interested in hosting a Harvest Table tasting please reach out to Mark McCue for more information:

Mark A McCue

Coordinator, Event Marketing, Marketing, LCBO

T: 416-365-5837 E: mark.mccue@lcbo.com

Make NISS your friend.....

Look for the call that applies to your product and apply before the deadline

Pay detailed attention to the notifications that NISS will send you, because these are <u>important</u>



When you enter information for your NISS submission...

Be accurate, e.g. please don't guess how many cases per pallet

Be complete, e.g. please use the "limited quantity" field



When NISS requests that you send the wine Send the wine...

Send only the quantity specified, please do <u>not</u> send more

<u>Always</u> send the paperwork, i.e. NISS print out and case quote on supplier letterhead

When NISS requests that you send the NISS print out and case quote on supplier letterhead...

Send the NISS print out and case quote on supplier letterhead



EXPANSION OF OUR WINE COUNTRY BOUTIQUES



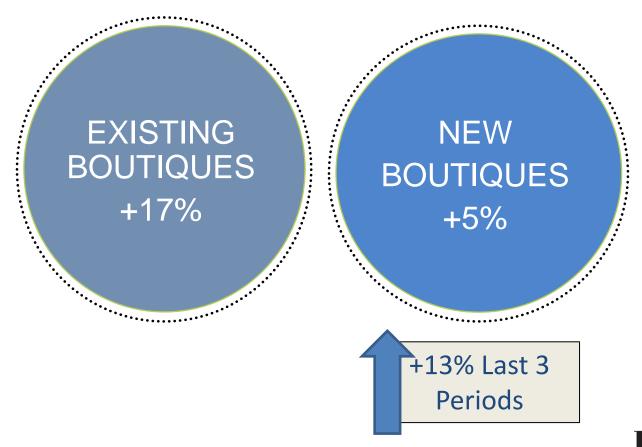
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ADDITIONAL OWC BOUTIQUES PROVIDE MORE OPPORTUNITIES TO SELL!

| STORE NUMBER | STORE NAME & LOCATION | Launch Timing |
|-----------------|--------------------------|--------------------|
| 252 | ST. CATHARINES GLENDALE | Complete 2013 |
| 401 | NIAGARA FALLS | Complete 2013 |
| 490 | WINDSOR | Complete 2013 |
| 392 | ST.CATHARINES VAN SICKLE | Complete July 2014 |
| 497 | BURLINGTON | Complete July 2014 |
| 624 | OTTAWA-ORLEANS | Complete July 2014 |
| 523 | THORNHILL | Complete Aug 2014 |



OWC BOUTIQUE VQA SALES OUTPACE TOTAL LCBO





| STORE NUMBER | STORE NAME & LOCATION | Launch Timing |
|-----------------|-----------------------|----------------|
| 445 | Oakville | Oct-14 |
| 115 | Waterloo | Oct-14 |
| 522 | ST.CATHARINES | Jan – Feb 2015 |
| 187 | BARRIE | Jan – Feb 2015 |
| 40 | Kingston | Jan – Feb 2015 |
| 253 | Toronto | Jan – Feb 2015 |
| 300 | Owen Sound | Jan – Feb 2015 |
| 407 | Sudbury | Jan – Feb 2015 |
| 412 | Nepean | Jan – Feb 2015 |
| 417 | Waterloo | Jan – Feb 2015 |
| 532 | Toronto | Jan – Feb 2015 |
| 641 | BURLINGTON | Jan – Feb 2015 |
| NEW | AURORA | Mar-15 |





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PROMOTIONAL PROGRAM CHANGES

- 1. Monthly Themes to Seasonal
- 2. "One size fits all" to Segmented
- 3. Display space re-imagined



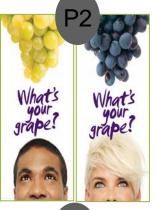


MONTHLY TO SEASONAL THEMES

CURRENT - MONTHLY

THEMES

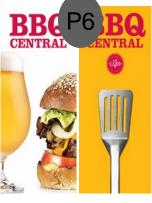




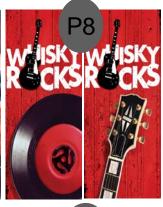
























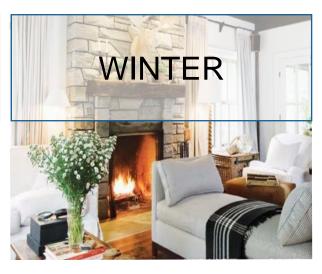
SEASONAL THEMES











SEASONAL THEMES - BENEFITS

CUSTOMER EXPERIENCE

- Relevant to what's going on in customers' lives
- Brings "Let's get together" to life
- All product categories are prominent





EXPERIENTIAL

"ONE SIZE FITS ALL" TO

SEGMENTED



TRANSACTIONAL

EXPERIENTIAL STORES

157 STORES

Urban
Suburban
Higher Income & Education
Wine
Trade Up

"FLIGHT A"



TRANSACTIONAL STORES

191 STORES

Sub-urban Rural Combo Urban small Big Brands

"FLIGHT B"





DISPLAY SPACE RE-IMAGINED

END AISLES FLIGHTED

End Aisles shared across categories – Wines, Spirits & Beer

FLIGHT A "Experiential"

- Seasonally relevant
- Premium
- Can be new

FLIGHT B "Transactional"

- High volume
- Popular

DEDICATED WINE END AILSE EVERY PERIOD

"WINE BUYERS PICK"

- Located in Power Aisle
- Buyer endorsed
- Theme links products together
- Unique selection for Flight A & B

HERO DISPLAY RE-BRANDED

"DEAL OF THE MONTH"

- High volume
- Seasonally relevant
- Deep Discount
- One SKU

"LET'S GET TOGETHER" POD DISPLAYS

SHARED POD DISPLAYS

- Located in Power Aisle
- Theme links products together
- Products featured in FSI

BENEFITS TO SUPPLIERS

SEGMENTED STORES + SHARED DISPLAYS

MORE PROMOTIONAL OPPORTUNITIES FOR YOU!



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NEW 2014-15 ONTARIO SALES TARGETS RELEASED

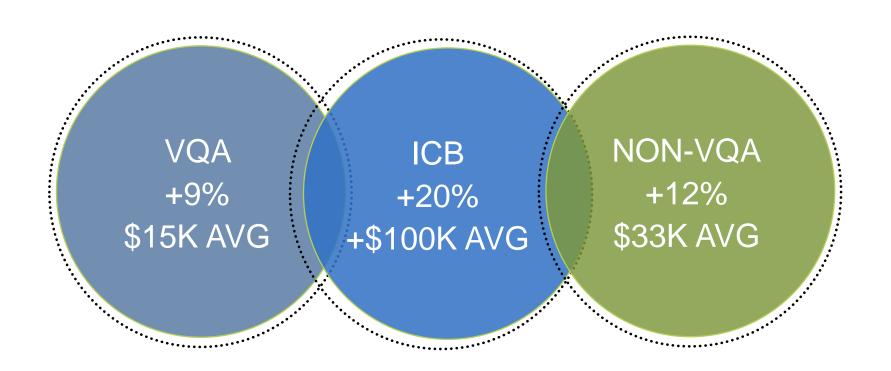
No change to previous target methodology

- Subset Sales \$ Target has been set at the bottom 10% of subset total sales (based on R13 2013-14 Fiscal)
- Seasonal listings, new products (< I year), delisted products,
 Direct Delivery and Small format wines removed
- Sales targets cannot increase or decrease more than 35% of original target with exception for new subsets
- SKU dominance adjusted for any SKU that hold over 20% of a subset's sales had it's R13 sales number reduced by 50%, and any SKU that holds over 50% of a subset's sales has had it's R13 sales reduced by 75%

NEW TARGETS MINIMALLY IMPACT ONTARIO WINES PORTFOLIO

| ONTARIO WINES: 449 SKUS | 2013-14 TARGET | 2014-15 NEW TARGET | IMPACT |
|---|--------------------------------|--------------------------------|----------|
| # SKUs not meeting target | 113 (25.2% of portfolio) | 124 (27.6% of portfolio) | +11 SKUs |
| # SKUs meeting old target but not NEW target ICB 4 SKUs VQA 9 SKUs NON-VQA 2 SKUs | | | 15 SKUs |
| # SKUs meeting NEW target but not OLD target (all VQA) | | | 4 SKUs |

VQA WINES HAS THE LOWEST AVERAGE TARGET INCREASE





In 2013, the LCBO and VQA industry representatives came together to identify ways to maximize VQA wine sales through an enhanced in-store customer experience.



TWO DIFFERENT COMMITTES

VQA CUSTOMER EXPERIENCE

COMMITTEE MEMBERS:

Stephen Gash

Norm Beal

Darryl MacMillan

Anne Givens

Paul Bosc

Erin Rooney

Kevin Watson

Paul Speck

Len Pennachetti

Shari Niles

Jim Clark

Rene Lorenzo

Dan Sullivan

Andrew von Teichman



Research: Understanding the Ontario Wine Buying Experience at the LCBO



Initiatives to enhance the in-store customer experience

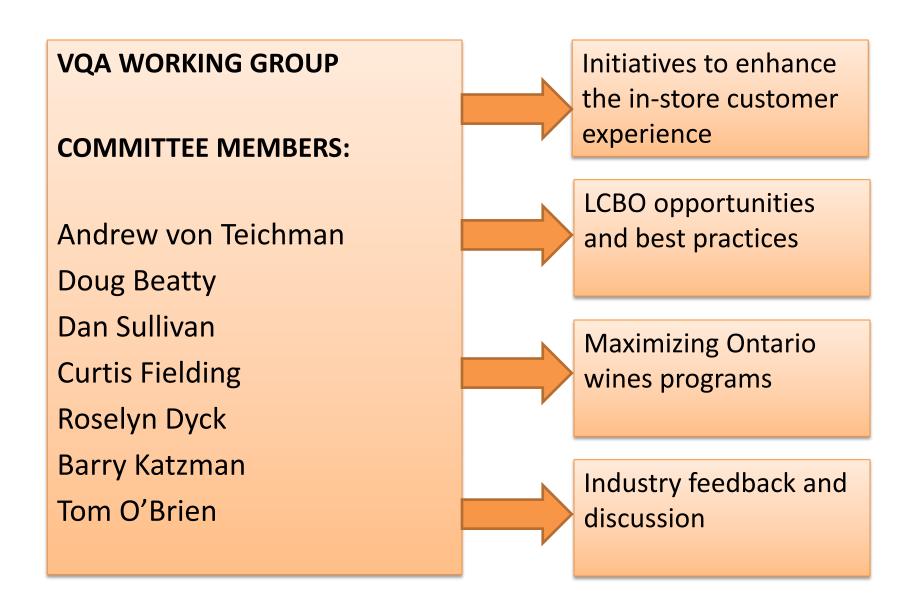


Maximizing Ontario wines programs



Telling the VQA story effectively - industry

TWO DIFFERENT COMMITTEES



Thank you!