

# LCBO Wines and VINTAGES Update



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**DIRECTOR,**  
**WINES AND VINTAGES, LCBO**  
**JUNE 12, 2012**

# Agenda



# The Ontario Wines Buying Team



Ontario

**Kathy Cannon**  
Business Unit Director  
LCBO WINES

**Tamara Jakes**  
Category Manager  
Ontario WINES/ VINTAGES

**Astrid Brummer**  
Product Manager  
Ontario WINES/VINTAGES

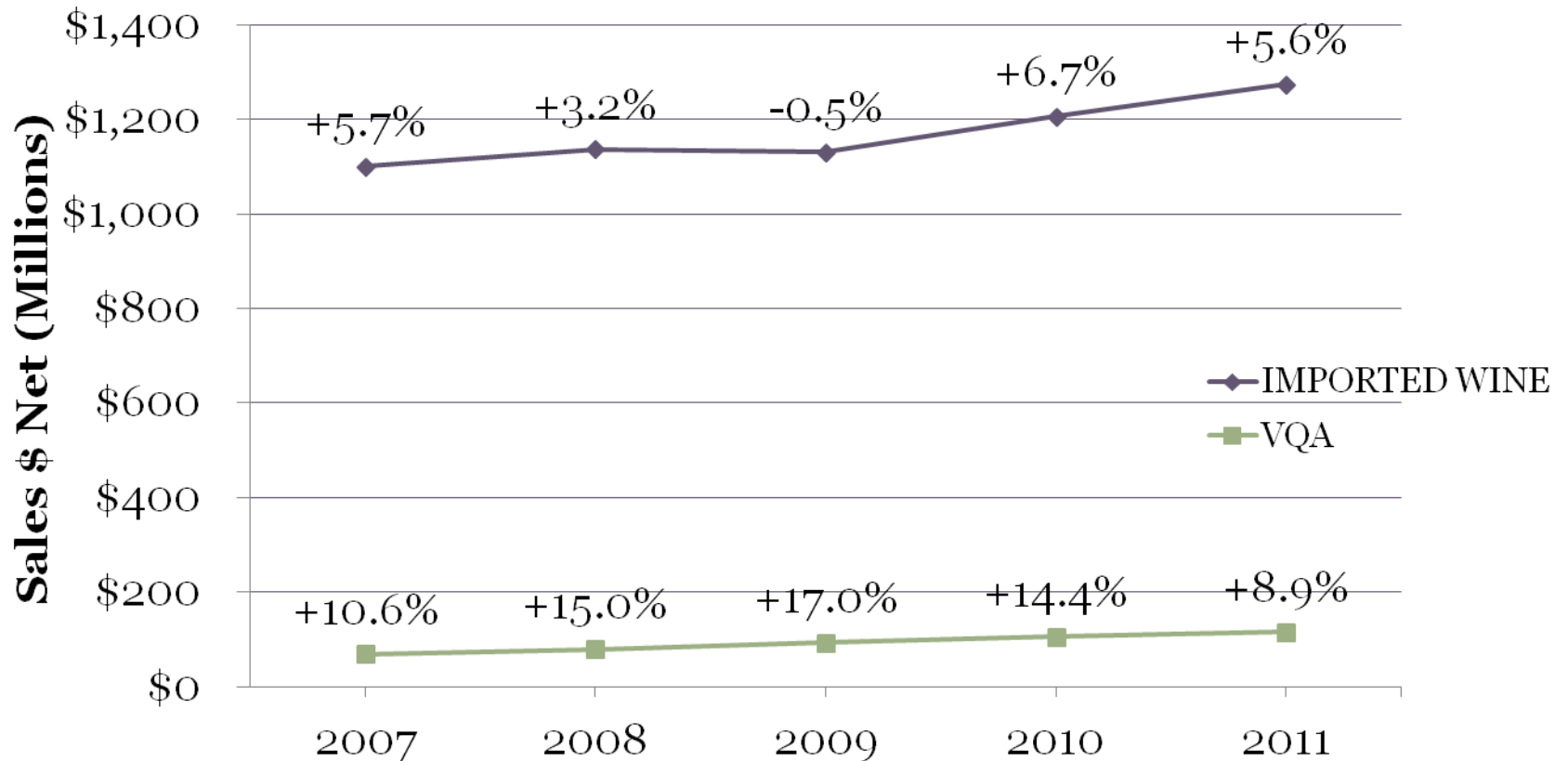
**Lucy Skeard**  
Category Administrator  
Ontario WINES/VINTAGES

# 2011-12 Sales Results – Wines and VINTAGES



Buyer	2011	2010	Chg	% Chg
EUROPEAN WINES	\$590,120,695	\$559,685,830	\$30,434,865	5.4%
NEW WORLD	\$702,137,948	\$661,905,753	\$40,232,195	6.1%
ONTARIO WINES	\$359,876,914	\$340,689,284	\$19,187,630	5.6%
• VQA	\$114,992,983	\$105,840,843	\$9,152,140	8.6%
• ICB	\$206,579,858	\$199,328,411	\$7,251,447	3.6%
• NON-VQA	\$38,304,073	\$35,520,030	\$2,784,043	7.8%
<b>Grand Total</b>	<b>\$1,652,135,557</b>	<b>\$1,562,280,867</b>	<b>\$89,854,690</b>	<b>5.7%</b>

# VQA Sales Five Year Trend



# VQA vs. ICB Five Year Trend



# 2012-13 Sales Forecast – Wines and VINTAGES



Buyer	2012 Forecast	2011 Net Sales	Chg	% Chg
EUROPEAN WINES	\$598,648,981	\$571,279,274	\$27,369,707	4.8%
NEW WORLD	\$768,286,353	\$720,979,369	\$47,306,984	6.6%
ONTARIO WINES	\$377,094,202	\$359,876,914	\$17,217,288	4.8%
• VQA	\$126,507,916	\$115,267,820	\$11,240,096	9.8%
• ICB	\$209,355,378	\$206,304,921	\$3,050,457	1.5%
• NON-VQA	\$41,230,908	\$38,304,173	\$2,926,735	7.6%
<b>Grand Total</b>	<b>\$1,744,029,536</b>	<b>\$1,652,135,557</b>	<b>\$91,893,979</b>	<b>5.6%</b>

# Why Are We Growing?



- **Excellent price value**
  - Good vintages
  - Improved processes
- **Innovation**
  - Product, processes and packaging
- **Consumers sensitive to buying local**
- **Premium Quality**
  - Consumers trading up in their wine purchases



# Price Band - Wines



Price Band Per 750 mL	2011	2010	% CHANGE	% SHARE
<\$8.00	\$352M	\$363M	-3.0%	28.3%
\$8.00 - <\$10.00	\$287M	\$280M	2.7%	23.1%
\$10.00 - <\$12.00	\$207M	\$198M	4.5%	16.6%
\$12.00 - <\$15.00	\$252M	\$225M	12.1%	20.3%
\$15.00 - <\$20.00	\$107M	\$88M	20.6%	8.6%
\$20.00 - <\$25.00	\$6.8M	\$6,7M	1.8%	0.5%
\$25.00 - <\$30.00	\$3.9M	\$4.4M	-9.5%	0.3%
\$30.00 - <\$35.00	\$2.7M	\$2.2M	23.5%	0.2%
\$35.00+	\$25M	\$25M	3.5%	2.0%
<b>Total</b>	<b>\$1,244M</b>	<b>\$1,192M</b>	<b>4.4%</b>	<b>100.0%</b>

# Price Band VINTAGES



Price Band Per 750 mL	2011	2010	% CHANGE	% SHARE
<\$10.00	\$5.0M	\$5.1M	-3.0%	1.2%
\$10.00 < \$15.00	\$5.3.9M	\$67.1M	-19.7%	12.8%
\$15.00 < \$20.00	\$167.3M	\$147.0M	13.8%	39.7%
\$20.00 < \$25.00	\$58.1M	\$48.3M	20.2%	13.8%
\$25.00 < \$35.00	\$41.8M	\$33.4M	25.0%	9.9%
\$35.00 < \$50.00	\$34.0M	\$26.4M	28.8%	8.1%
\$50.00 < \$100.00	\$33.1M	\$29.8M	11.0%	7.9%
>=\$100.00	\$28.5M	\$25.5M	12.0%	6.8%
<b>Total</b>	<b>\$421.7M</b>	<b>\$382.6M</b>	<b>10.2%</b>	<b>100%</b>

# New Products Driving Growth in WINES



## LCBO Wines

	# of Products	\$ Growth	% of Total Growth
New Products	309	\$42,738,399	82%
Existing Products	1,305	\$9,340,977	18%
<b>Total</b>	<b>1,614</b>	<b>\$52,079,376</b>	<b>100.0%</b>

## VINTAGES

- Frontline sales in VINTAGES growing 8.4%
- Essentials 13.0%

# New Products Driving Growth in Ontario



## LCBO Wines

	# of Products	\$ Growth	% of Total Growth
New Products	40	\$5,075,476	59.8%
Existing Products	255	\$3,414,865	40.2%
<b>Total</b>	<b>295</b>	<b>\$8,490,341</b>	<b>100.0%</b>

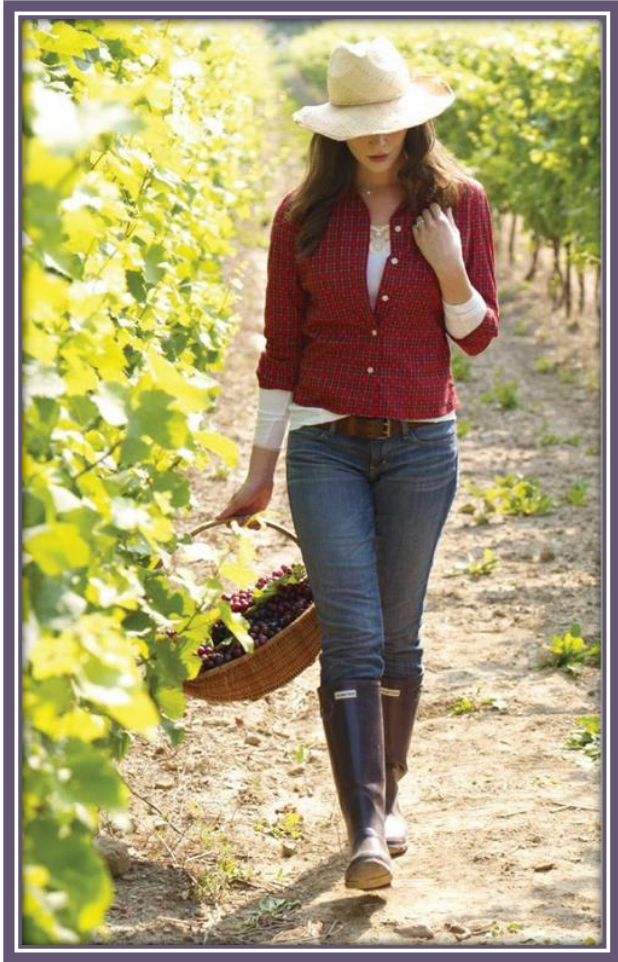
## VINTAGES

- Frontline sales of Ontario wines in VINTAGES growing 10.24%
- Ontario Essentials 1.76%

# ICB Growth Drivers



- Exceptional value
- Unique formats
  - BIB
- Sizes
  - Go to sections for stand prices large formats



# P7 - 2011

- Go Local – 140 stores



- Buy to Fly

28 DAYS  
.....✈  
28 PRIZES

BUY *to* FLY

BUY *to* SURF

# How Do We Keep Growing Ontario Wines?



## VQA – 100% Ontario

- Average Price: \$10.88
- Quality, local and premium

- Trade up – Increase consumer confidence
- Increase consumer base

## International Canadian Blend

- Average Price: \$6.43
- Volume and Value

- Steal share in under \$10 price band
- Offer the best value

# Strategy



## VQA

- Elevate the quality Image of Ontario VQA Wines and increase consumer confidence

## ICB

- Position ICB as the best value wines and make it a destination for cost-conscious shoppers





# How will We Deliver on the VQA Strategy?



1. Position Ontario as experts in producing Pinot Noir, Chardonnay, Riesling, Sparkling and Cabernet Franc
  - Offer an outstanding portfolio
2. Leverage the outstanding 3<sup>rd</sup> party reviews of the industry
  - Matt Kramer
3. Leverage consumer motivation to buy local

**goLOCAL**  
*It's seriously cool*

# How Will We Deliver on this Strategy?



4. Target a “younger” customer who is looking to become more engaged in wine
  - No baggage
5. Maintain a high level of excitement by highlighting innovation
  - Winemaking process
  - New Products
6. Portfolio Excellence
  - Make certain that every Ontario wine experience is a positive one
  - Push up price points
  - Purchase only fantastic wines

# Instore Merchandising – LCBO WINES



# Our Ontario VQA Portfolio - WINES



Price Band Per 750 mL	SKU Count	% of SKU Count	TY	LY	% Chg.	% Share
<\$8.00	0	0.0%	\$4,548	\$284,252	-98.4%	0.0%
\$8.00 - <\$10.00	25	8.3%	\$11,633,590	\$11,934,303	-2.5%	12.1%
\$10.00 - <\$12.00	66	21.8%	\$27,309,520	\$25,454,460	7.3%	28.4%
\$12.00 - <\$15.00	172	56.8%	\$50,259,659	\$43,802,451	14.7%	52.4%
\$15.00 - <\$17.00	23	7.6%	\$3,913,402	\$3,332,895	17.4%	4.1%
\$17.00 - <\$20.00	9	3.0%	\$876,491	\$389,860	124.8%	0.9%
\$20.00 - <\$25.00	2	0.7%	\$796,166	\$1,165,444	-31.7%	0.8%
\$25.00 - <\$30.00	3	1.0%	\$732,309	\$624,062	17.3%	0.8%
\$30.00 - <\$35.00	2	0.7%	\$277,631	\$325,795	-14.8%	0.3%
\$35.00+	1	0.3%	\$196,327	\$203,345	-3.5%	0.2%
<b>Total</b>	<b>303</b>	<b>100.0%</b>	<b>\$95,999,643</b>	<b>\$87,516,867</b>	<b>9.7%</b>	<b>100.0%</b>

# Ontario Opportunities - LCBO Wines



- Increase sales and selection of wines \$15.00 and over to trade customers up in price
  - Premium wines get eye level shelving
- We will be buying only the fantastic wines
  - Ok is not good enough
  - Positive experience every time consumers buy Ontario
- Innovation
  - Increase the customer base by offering a diversity of wine

# Price Band – VQA VINTAGES



Price Band Per 750 mL	TY	LY	% Chg.	% Share
<\$15.00	\$1,643,771	\$1,658,584	-0.9%	12.5%
\$15.00 - <\$17.00	\$3,254,591	\$3,344,243	-2.7%	24.7%
\$17.00 - <\$20.00	\$4,428,640	\$3,768,318	17.5%	33.5%
\$20.00 - <\$25.00	\$1,760,355	\$1,687,517	4.3%	13.3%
\$25.00 - <\$30.00	\$327,284	\$319,578	2.4%	2.5%
\$30.00 - <\$35.00	\$606,616	\$626,399	-3.2%	4.6%
\$35.00 - <\$40.00	\$542,024	\$306,448	76.9%	4.1%
\$40.00 - <\$50.00	\$556,757	\$614,611	-9.4%	4.2%
\$50.00 - <\$70.00	\$43,270	\$49,739	-13.0%	0.2%
\$70.00 - <\$90.00	\$37,732	\$47,248	-20.1%	0.3%
\$100.00+	\$1,764	\$322	447.8%	0.0%
<b>Total</b>	<b>\$13,202,804</b>	<b>\$12,423,007</b>	<b>6.3%</b>	<b>100.0%</b>

# Ontario Opportunities - Vintages



- Trade consumers up
  - Increase market share in +\$20 through the front line
- Always put Ontario's best foot forward
  - We are looking for fantastic wines
- Build a following in key varietals – Pinot Noir, Riesling, Chardonnay, Cabernet Franc and Sparkling
  - P7 promotion
  - Highlight through Ontario programs like local finds and Vintages Superstar
- Innovation
  - Product and winemaking processes



# Sales Targets and Rebates



- Objective is to discontinue slow moving brands and make room for Innovation
- Sales targets by varietal in LCBO Wines
  - Protecting 90% of the margin
  - Brand dominance removed
  - By varietal to better refine the portfolio
- Vintages Rebates on frontline
  - 75% sell thru in 12 weeks

