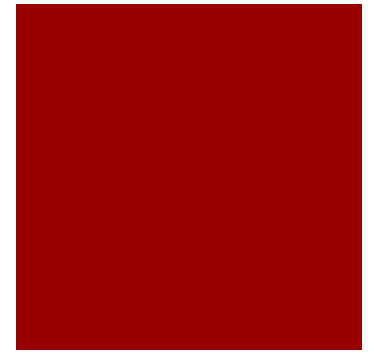




Wine Council of Ontario Town Hall Meeting

Shari Mogk-Edwards
Tamara Jakes
Merchandising & Vintages, LCBO
January 26th, 2012



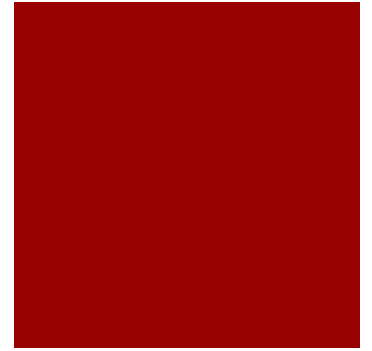


Overview

1. Vision and Mission
2. New Structure
3. Trends and Sales Results
4. What's New and Planned
5. Questions



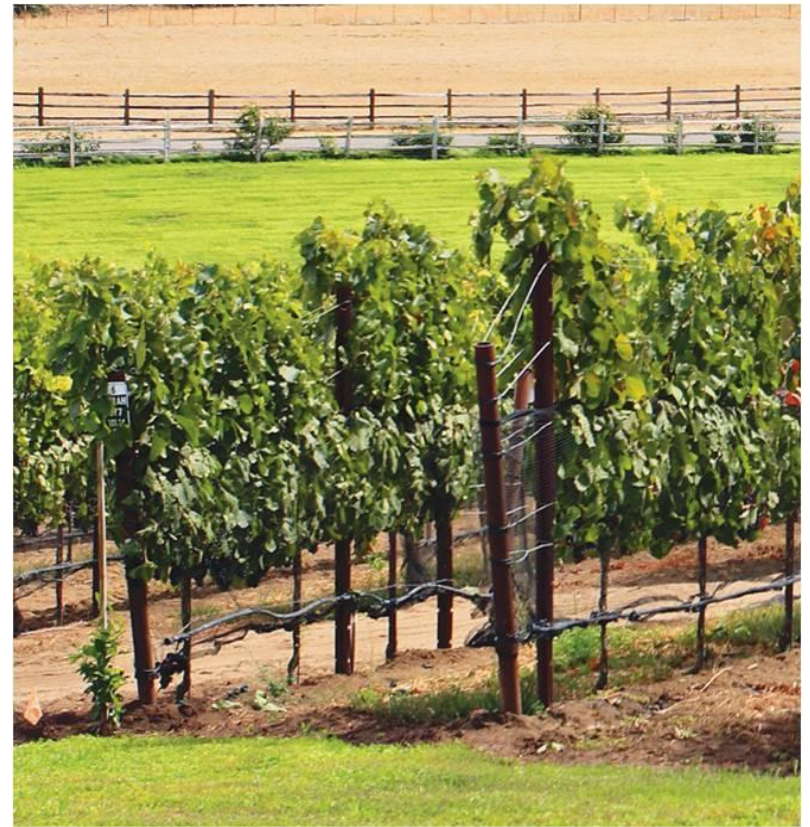
LCBO Category Team Mandate and Purpose



To provide the best beverage alcohol assortment in North America, while providing value to the consumers of Ontario and effectively managing LCBO assets.

LCBO Category Team Ultimate Goal and Vision

Develop a high performance team across all Business Units with a clear focus on product assortment, managing inventory and supplier collaboration.



Our Top Four Overarching Objectives



1. Product Assortment that Provides Value
2. Effective Inventory Management
3. Solid Supplier Collaboration
4. Team Development and Succession
Planning

How Best to Grow Ontario Wine Sales?



Opportunity to Improve our Internal Structure to:

- Make it easy for suppliers to know what channel to explore
- Achieve sales goals without jeopardized product strategies
- Make strategic purchasing decisions
- Have holistic goals to maximize sales opportunities across LCBO departments



BIG IDEA!!!



Completely New for LCBO - Effective January 16, 2012

- One Category Manager and one Product Manager for Ontario Wines to merge BOTH LCBO and Vintages
- Provides holistic view of business and best opportunity to maximize sales opportunities and make it easier for industry to work with us and for us to better help guide the wineries
- Departmental competition gone
- All Ontario programs can be planned and synergized more strategically and thereby increase effectiveness of all programs



Our New Teams



Ontario WINES 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

Meet the new Ontario WINES team



Tamara Jakes

Category Manager, Ontario Wines

- Tamara has been with the LCBO for 12 years.
- She has held positions as a category analyst, product manager and finally, she has spent the last 8 years in the position of Category Manager across the SPIRITS, WINES and VINTAGES business units.
- The last 6 years have included the management of Ontario portfolio (3 years with LCBO wines, and 3 years with VINTAGES).

Lucy Skeard

Category Administrator, Ontario Wines

- Lucy started with the LCBO 24 years ago and moved to VINTAGES in 1992.
- Lucy has been the Category Clerk in VINTAGES, working with Classics, Bordeaux Futures, Events, Virtual Offers, and many other aspects of the VINTAGES business.
- Lucy has experience working on the Taste Ontario and I4C events, and is very excited to begin her role in Ontario Wines and getting to know more about the fantastic portfolio – most notably, her favourite, Ice Wines!

Astrid Brummer

Product Manager, Ontario Wines

- Joining the LCBO team in 2001 Astrid has had extensive experience sharing her passion for the world of wine, beer and spirits.
- She had the pleasure of assisting customers in stores as an LCBO Product Consultant, has taught many classes and seminars, was a frequent guest on local morning TV talk shows and was a member of the VQA grading panel.
- After completing courses with the Wine and Spirit Education Trust Astrid moved on to studying oenology and viticulture at Brock University.
- Astrid is an expert on the local wine scene and thoroughly enjoys her role helping consumers discover great local wines and ensuring that Ontario wineries find success at the LCBO and has been with the LCBO WINES team since 2009.



Ontario Wines Successes in 2011



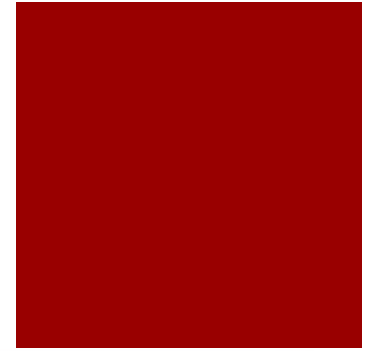
1. Increased Market Share for Ontario Wines

- ✓ Share increased by 0.3%
- ✓ Share growth was lead by increasing share in VQA wines

2. Implemented Basket Program for VINTAGES

- ✓ Secondary display of an Ontario Essential outside the VINTAGES section
- ✓ Average lift - over 50%

Ontario Wines Successes in 2011



3. Go Local Fixture and FSI

- ✓ Prominently display wines based on season/trends
- ✓ Average sales uplift of 33% per product per turn
- ✓ A “go to” spot for interesting recommendations

4. Rolled out VINTAGES Ontario Feature Fixture

- ✓ Increased Ontario wine exposure in store
- ✓ Highlight Essentials, Releases and Promo skus
- ✓ Supported by Ontario video monitors



Astrid's Picks - Strategy



- Products that Astrid can personally endorse
- Products that are unique or undiscovered
- Good value and good representation of Ontario's style



Astrid's Picks – Results



“Hi, I'm Astrid, Ontario Wines Buyer for the LCBO. I'm proud to bring you the best of Ontario wine country, with my top picks each month.”

Astrid Brummer,
Ontario Wines Buyer, LCBO

ONTARIO WINE SUPERSTARS ★★★★★

Reif Estate Winery
Vidal VQA

\$9.95

111781 750 mL

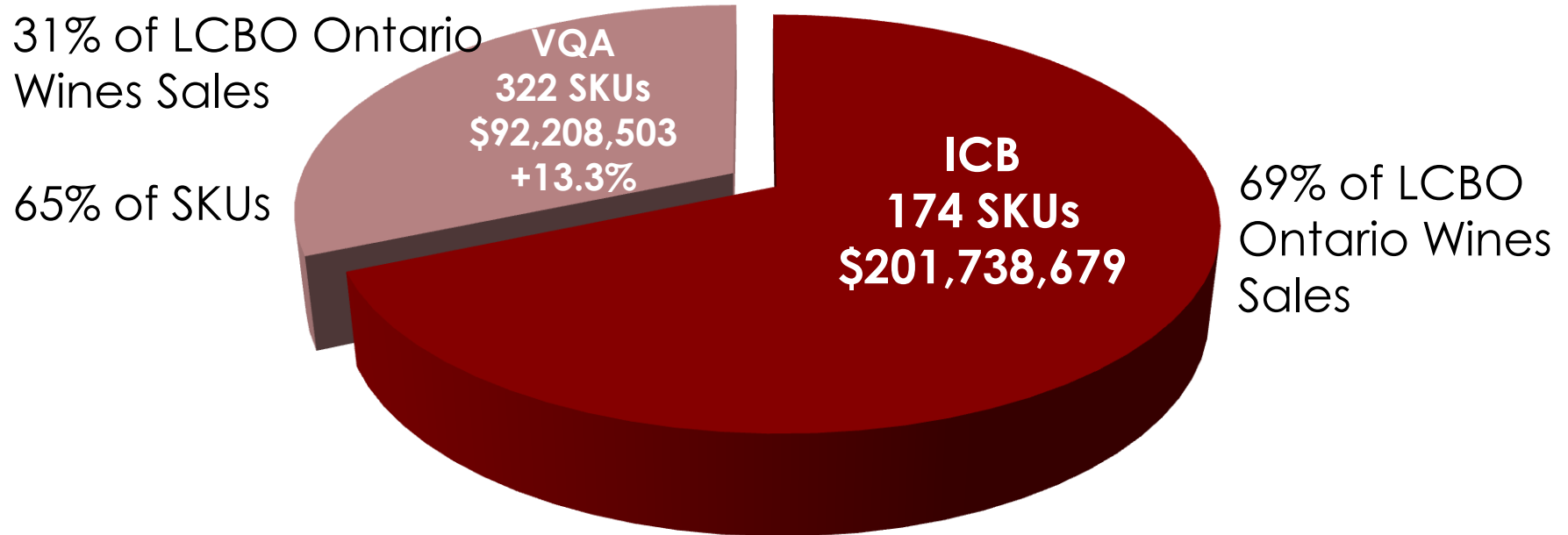


Personal
endorsements
work!

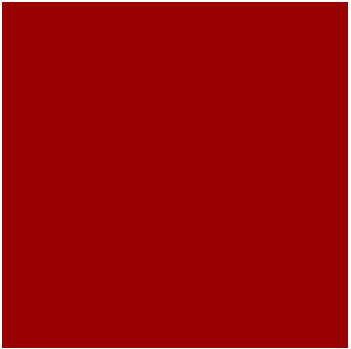
- Ontario Wine Superstars +187%
- Net Sales \$2.6M

Ontario Wines Sales

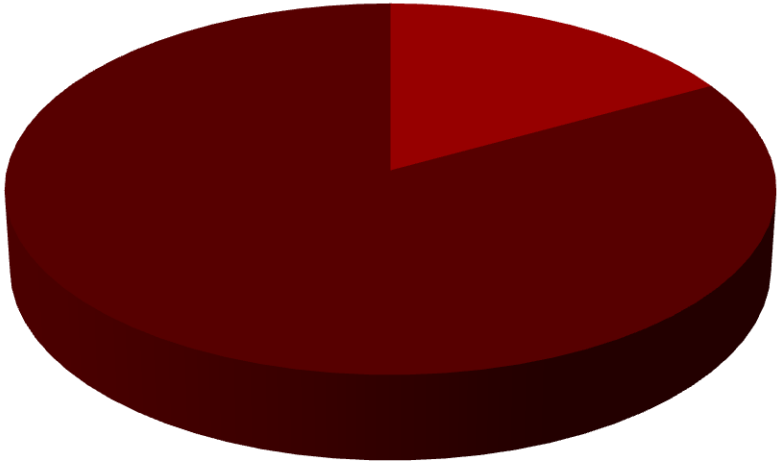
LCBO WINES VQA vs.. ICB



Ontario VQA Wines Sales at LCBO

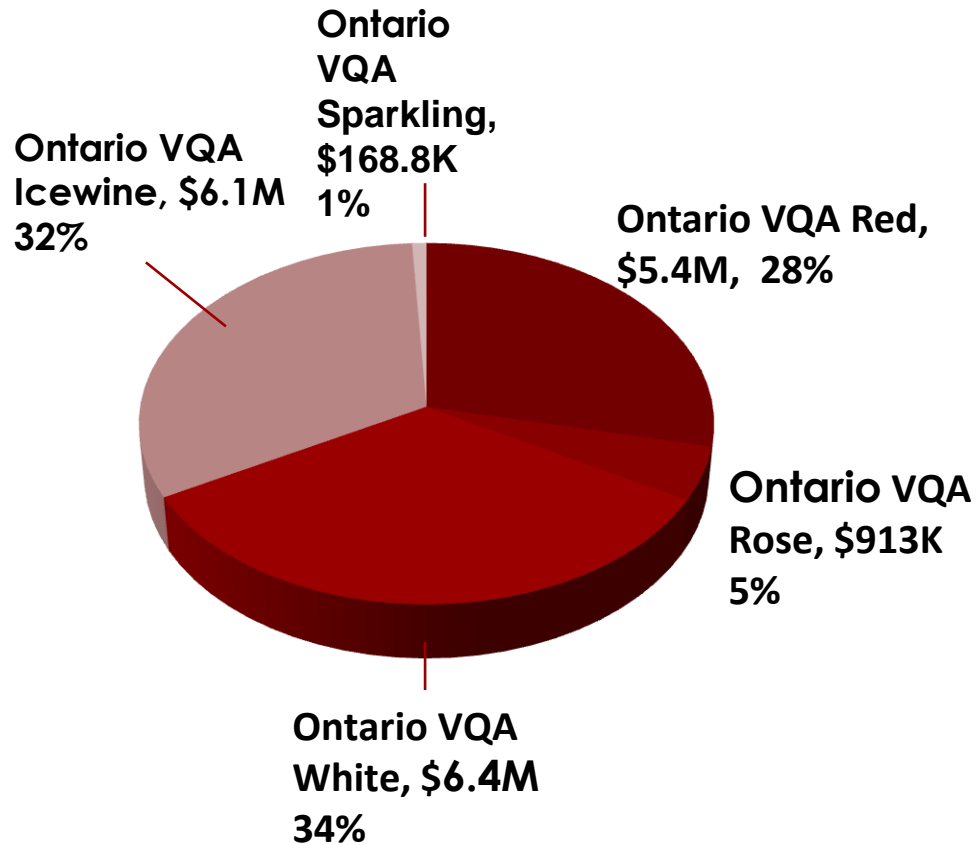


	TY	LY	% Chg.	% Share of Business
VQA LCBO	\$93.6M	\$86.1M	+8.8%	83%
VQA VINTAGES	\$19.2M	\$18.2M	+5.2%	17%
TOTAL VQA	\$112.8M	\$104.3M	+8.1%	100%

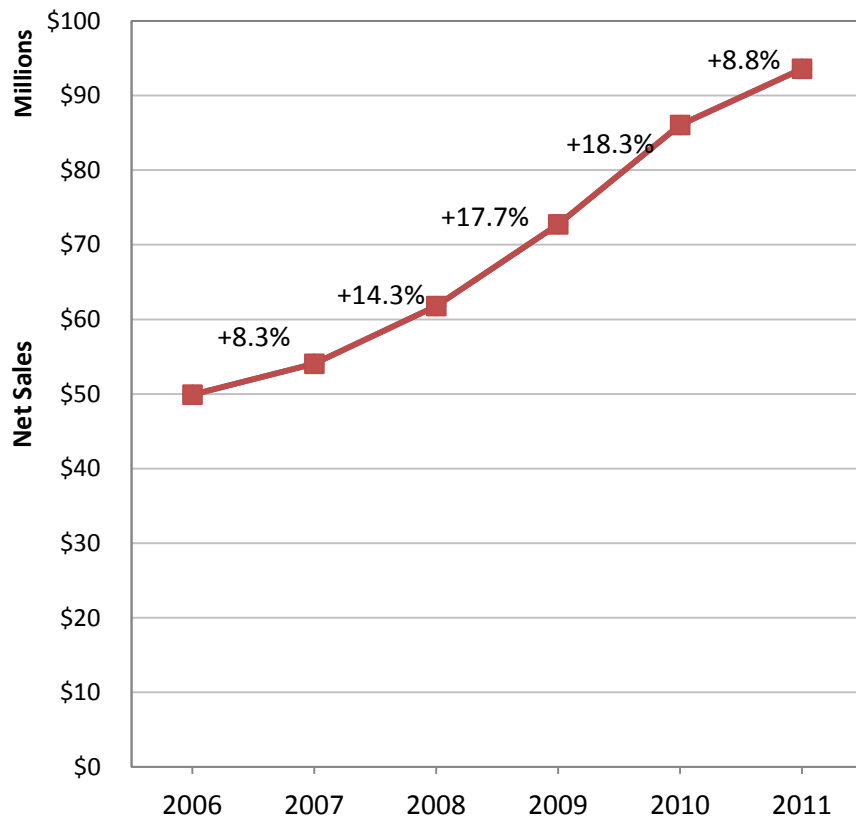
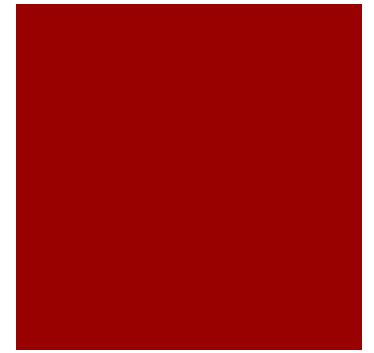


■ VINTAGES
■ WINES

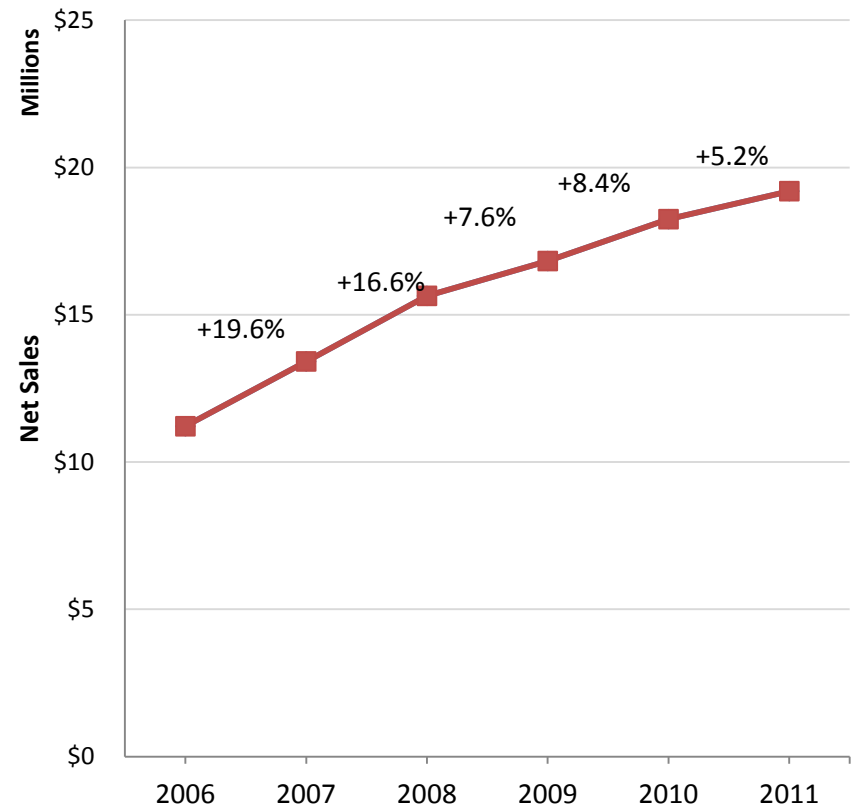
VINTAGES Ontario Wines Sales



VQA Sales Trends



LCBO WINES



VINTAGES

LCBO VQA Trends



Blends

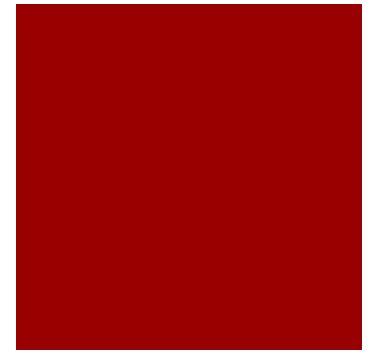
- White Blends +18%
- Red Blends +23%

Rosé's

- LCBO Rosé's +11%
- VINTAGES Rosé +17%
- LCBO Sparkling Rosé +55%



LCBO WINES VQA Trends



Cabernet Sauvignon +23%

- Sales reached \$1.1M

Sauvignon Blanc +107%

- Sales reached \$3.2M



New products in LCBO WINES represents
+75% of growth

VINTAGES VQA Trends



Pinot Noir +15%

- Sales reached \$1.5M

Customers like exploring
new VQA products

VINTAGES frontline +13%



LCBO WINES Trends

Customers are Trading up



Price Band	Net Sales	\$ Growth	% Growth	Market Share	Mkt Share % Chg.
<\$8.00	\$358,410,626	-\$13,030,705	-3.5%	29.2%	-2.4%
\$8.00 - <\$10.00	\$284,778,765	\$9,761,515	3.5%	23.2%	-0.2%
\$10.00 - <\$12.00	\$206,137,237	\$11,368,119	5.8%	16.8%	0.2%
\$12.00 - <\$15.00	\$242,817,770	\$30,382,778	14.3%	19.8%	1.7%
\$15.00 - <\$20.00	\$97,377,122	\$12,815,552	15.2%	7.9%	0.7%
\$20.00 - <\$25.00	\$6,403,855	\$149,368	2.4%	0.5%	0.0%
\$25.00 - <\$30.00	\$3,662,302	\$21,333	0.6%	0.3%	0.0%
\$30.00 - <\$35.00	\$1,650,094	-\$146,570	-8.2%	0.1%	0.0%
\$35.00+	\$26,992,774	\$757,986	2.9%	2.2%	0.0%

LCBO WINES VQA Price Bands



Price Band Per 750 mL	Net Sales	\$ Growth	% Growth	Market Share	Mkt Share % Chg.
<\$8.00	\$534,250	-\$580,873	-52.1%	0.6%	-0.7%
\$8.00 - <\$10.00	\$8,778,864	-\$12,989	-0.1%	9.4%	-0.8%
\$10.00 - <\$12.00	\$25,781,816	\$1,793,253	7.5%	27.5%	-0.3%
\$12.00 - <\$15.00	\$51,105,647	\$5,520,579	12.1%	54.6%	1.6%
\$15.00 - <\$20.00	\$5,183,077	\$1,165,451	29.0%	5.5%	0.9%
\$20.00 - <\$25.00	\$883,231	-\$491,573	-35.8%	0.9%	-0.7%
\$25.00 - <\$30.00	\$729,121	\$155,178	27.0%	0.8%	0.1%
\$30.00 - <\$35.00	\$321,854	-\$21,491	-6.3%	0.3%	-0.1%
\$35.00+	\$268,532	\$6,969	2.7%	0.3%	0.0%
Grand Total	\$93,586,392	\$7,534,504	8.8%	100.0%	0.0%

LCBO WINES VQA Price Bands - Trends



Price Band Per 750 mL	SKU Count	Sales \$ Net Roll 13	% Chg.
Less than \$8.00	42	\$966,158	-31.6%
\$8.00 to \$9.99	39	\$7,708,880	6.5%
\$10.00 to \$11.99	88	\$26,268,360	14.6%
\$12.00 to \$14.99	209	\$49,540,709	13.2%
\$15.00 to \$19.99	30	\$4,604,346	32.7%
\$20.00 to \$24.99	4	\$1,021,189	-13.4%
\$25.00 to \$29.99	5	\$771,604	35.7%
\$30.00+	3	\$443,749	33.2%

VINTAGES VQA Price Bands



Price Band Per 750 mL	Net Sales	\$ Growth	% Growth	Market Share	Mkt Share % Chg.
<\$12.00	\$268,561	-\$40,962	-13.2%	1.4%	-0.3%
\$12.00 - <\$15.00	\$2,226,453	\$13,118	0.6%	11.6%	-0.5%
\$15.00 - <\$20.00	\$6,638,779	\$445,045	7.2%	34.6%	0.6%
\$20.00 - <\$25.00	\$1,865,324	\$248,471	15.4%	9.7%	0.9%
\$25.00 - <\$30.00	\$336,096	-\$18,615	-5.2%	1.8%	-0.2%
\$30.00 - <\$35.00	\$583,565	\$19,609	3.5%	3.0%	-0.1%
\$35.00 - <\$40.00	\$558,567	\$258,978	86.4%	2.9%	1.3%
\$40.00 - <\$50.00	\$588,377	-\$70,134	-10.7%	3.1%	-0.5%
\$50.00+	\$6,128,202	\$94,217	1.6%	31.9%	-1.1%
Grand Total	\$19,193,924	\$949,727	5.2%	100.0%	0.0%

Key Trends - Sales

LCBO WINES – VQA Reds



Varietal	Roll 13 Net Sales	% Chg.	Market Share
BLEND - MERITAGE	\$11,238,328	6.0%	12.3%
BLENDS	\$7,846,933	35.5%	8.6%
BACO NOIR	\$4,066,046	5.9%	4.5%
MERLOT	\$3,957,362	6.2%	4.3%
PINOT NOIR	\$3,708,294	-2.0%	4.1%
CABERNET FRANC	\$3,085,068	-0.1%	3.4%
CABERNET SAUVIGNON	\$1,239,368	12.7%	1.4%
OTHER VARIETALS	\$1,020,350	52.9%	1.1%
GAMAY NOIR	\$697,996	-25.0%	0.8%

Key Trends - Sales

LCBO WINES – VQA Whites



Varietal	Roll 13 Net Sales	% Chg.	Market Share
BLENDS	\$12,514,081	35.3%	13.7%
RIESLING	\$12,348,191	13.2%	13.5%
CHARDONNAY	\$11,157,219	-5.3%	12.2%
PINOT GRIGIO	\$4,398,481	3.1%	4.8%
SAUVIGNON BLANC	\$3,065,583	80.9%	3.4%
VIDAL	\$2,967,667	13.4%	3.2%
GEWURZTRAMINER	\$1,176,617	-7.3%	1.3%
LATE HARVEST	\$1,094,602	10.1%	1.2%
OTHER VARIETALS	\$522,659	32.7%	0.6%

Key Trends - Sales

LCBO WINES – VQA Rose & Sparkling



Varietal	Roll 13 Net Sales	% Chg.	Market Share
ROSE WINES	\$2,658,023	22.1%	2.9%

Varietal	Roll 13 Net Sales	% Chg.	Market Share
SPARKLING WHITE	\$2,064,794	16.3%	2.3%
SPARKLING ROSE	\$497,333	18.6%	0.5%

Top Five New VQA Products

- 1. Crush White VQA** \$12.95 -
\$617,970 in 30 weeks, *launched May 13, 2011*
- 2. White House Riesling Pinot Grigio VQA** \$11.95 - \$503,909 in 32 weeks, *launched May 6, 2011*
- 3. Red House Cabernet/Shiraz**
\$12.95 - \$502,495 in 32 weeks, *launched May 6, 2011*
- 4. (V)Malivoire Ladybug Rose VQA**
\$15.95 - \$343,348 in 40 weeks, *released May 14, 2011, launched as an Essential in P7*
- 5. Crush Red VQA** \$12.95 - \$295,466 in 30 weeks, *launched May 13, 2011*



Ontario Wines Goals for 2012

Supplier & Trade Relations:

- Travel to Ontario wine regions to present LCBO programs to Ontario wineries
- Conduct regular business reviews with the Wine Council of Ontario and key trade associations



Ontario Wines Goals for 2012



1. Refresh VINTAGES Essentials Portfolio Assortment

- ✓ Updated Essentials sales targets
- ✓ Will replace underperformers
- ✓ Evaluate fit of skus – may be movement between categories

2. Evaluate All Current Programs

- ✓ Look for opportunities to improve efficiencies
- ✓ Keep/Stop/Start

Ontario Wines Goals for 2012



3. Focus on growing licensee sales

- ✓ Direct delivery sales are outpacing LCBO licensee sales
- ✓ Generate ideas to stimulate sales via LCBO

4. Use current programs to drive sales of mid-tier wineries

- ✓ Review and highlight marketing options for Mid-tier sized wineries

5. Make it easier to work together!

Big Volume Sales Channels

Sales Channel	Frequency of Purchase	Cases Required	Annual Sales Target	Retail Price	Marketing Spend	Sales Support
LCBO WINES LISTING	Continuously available	Min 1200 cases	\$150,000	\$10-\$19.95	~ \$10,000	Agent or Sales Force required
VINTAGES ESSENTIAL	Continuously available. <i>Fixed SKU count.</i>	2500-3500 cases	Reds \$180K Whites \$150K Icewine \$300K	Wines: \$15-\$30 Icewine: \$20- \$50	\$10,000 launch fee 1.5% of PO spend On-going mktg support expectation	Agent or Sales force required
VINTAGES COLLABORATIVE SKU	2-3X /year <i>Proven , customer demand</i>	500-800 cases	100% order Sell-through in 12 weeks	\$15-\$30	1% of PO spend Mktg support e.g.. tastings, external advertising, other	Agent or Sales Force required

Medium Volume Sales Channels



Sales Channel	Frequency of Purchase	Cases Required	Annual Sales Target	Retail Price	Marketing Spend	Sales Support
LCBO WINES TO WATCH	Always available 3 yr incubator program	Yr 1: 400 Yr 2: 700 Yr 3: 1200	\$150,000 by year 3	\$10-\$19.95	\$2000-\$10,000	Agent or Sales Force required
VINTAGES RETAIL RELEASE PROGRAM	1 release/yr featured in Vintages catalogue	Approx: 112 cases	100% order Sell-through in 12 weeks	\$15-\$25	Mktg support strongly recommended e.g. tasting, media, other promotions	Agent or Sales strongly recommended
VINTAGES IN-STORE DISCOVERY	1 release/yr to select stores featured in Vintages catalogue	Avg. release order 20-30 cases	75% order Sell-through in 12 weeks	\$25+	In-store support budget recommended	Sales Force recommended

Small Volume Sales Channels



Sales Channel	Frequency of Purchase	Cases Required	Annual Sales Target	Retail Price	Marketing Spend	Sales Support
LCBO WINES GO-TO-MARKET PROGRAM	<i>Direct delivery to approved stores (up to 30 stores)</i>	10+	6 bottles/store per period	\$10-\$19.95	In-store tastings	Agent or Sales support required
VINTAGES GO-TO-MARKET PROGRAM	<i>Direct delivery to approved stores (up to 20 stores)</i>	Niche products, limited allocation	6 bottles/store per period	\$20-\$40	In-store tastings	Agent or Sales support required

Merchandising Programs – DISPLAY

DISPLAY PROGRAMS	PROGRAM FEE	LCBO WINES	VINTAGE S
goLOCAL DISPLAY FIXTURE	No charge to supplier. Rotates with promotional turns. By invitation (non-applied).	X	
POD DISPLAYS	For entire Pod with 1-4 products \$17,900/turn, +\$9200 promo fee, + 1 tasting. One product can participate at ¼ the rate.	X	
END AISLE DISPLAYS	For the full 3-product end: \$145-\$250 per end/store. One product may participate at 1/3 rd the rate. Rates vary by period.	X	
WINE FRIDGE	Rates vary by turn and store flight.	X	X
ONTARIO SUPERSTARS	No charge to supplier. By invitation (non-applied).	X	
BASKET PROGRAM	\$9200 marketing fee + LTO fee and charge		X

Merchandising Programs – SUPPORT

SUPPORT PROGRAMS	PROGRAM FEE	LCBO WINES	VINTAGE S
BONUS AIR MILES	\$525 per product. Fee for each BAM awarded is \$.30	X	X
BUNDLED BONUS AIR MILES	Highlights cross promoted products. \$525 per product. Fee for each BAM awarded is \$.30	X	X
LIMITED TIME OFFER (LTO)	\$700 signage fee per turn. Charge based on full retail reduction for the # of units sold at the LTO price	X	X
IMAGE SHELF TALKER	\$700 per product, per turn	X	
RAVE REVIEW SHELF TALKER	No cost to supplier. Products that have received high scores or awards		X
FREE STANDING INSERT (FSI)	\$9200 per product	X	X
OTHER PROGRAMS			
WINE OF THE MONTH	\$3750 - \$4400. Rates vary by period.		X
MARIE'S PICK / LOCAL TALENT	1% of the Purchase Order value		X
BENCHMARK / ARRIVE IN STYLE	\$2000 - \$3000. Rates vary by period.		X

Merchandising Programs – EXPERIENCE

EXPERIENCE PROGRAMS	PROGRAM FEE	LCBO WINES	VINTAGE S
IN STORE TASTING PROGRAM	\$17.25 Bar rental + \$9 charity free/day. \$190 for LCBO hosted tasting/day	X	X
THURSDAY NIGHT TASTING PROGRAM	\$9 charity fee. Products used for sampling are charged back to supplier. Person administering tasting must have SMART Serve.	X	X
VINTAGES EVENTS	Participation is free - by invitation. Wineries must donate poured product and hold product allocation for virtual offer.		X
SPECIAL EVENTS (KITCHEN)	\$9 charity fee. Product must be listed at the store which you want to hold the event. Person administering tasting must have SMART Serve.	X	X

New Initiatives – We are just starting!

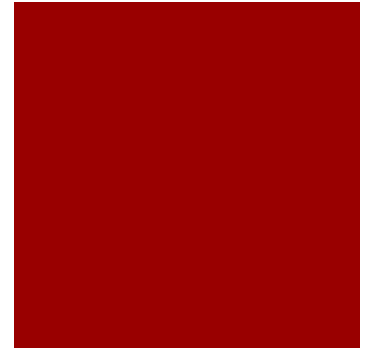


Test merchandising ice wine in the LCBO WINES section in stores

- Increase visibility

Combine the VINTAGES basket program with the “Ontario Superstars” program

- Three Superstars per month, one VINTAGES
- Leverage the equity in Superstars
- VINTAGES merchandised in baskets
- \$3,000 fee per product
- Looking at increasing the current 60 store distribution of VINTAGES baskets



Key Initiatives – Launching in P2

Implement style descriptors on each LCBO wine product in store to give consumers a better idea of the flavor profile of the wine before they purchase

- ✓ All wines have been classified into 1 of our 8 style descriptors
- ✓ Style descriptors will be on the bin tags

Style Descriptors

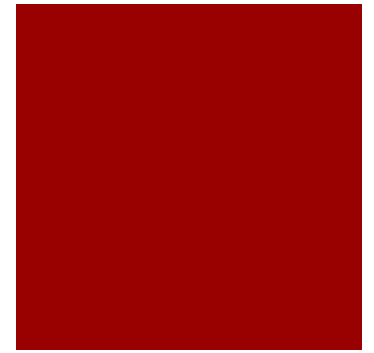


Wine Style Descriptors

Red	White	Sherry
Light bodied and fruity	Light and crisp	Dry
Medium bodied and fruity	Off dry and fruity	Medium
Full bodied and smooth	Aromatic and flavourful	Sweet
Full bodied and firm	Full bodied and rich	

Launching the program in P2 – May 2012 “How to Buy Wine” Promotion

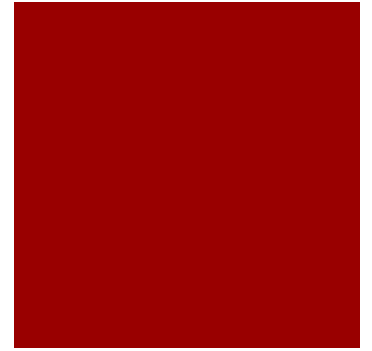
Key Initiatives - Launching in P2



Implement a Sold Space program in the Wine Fridge

- ✓ Minimum 50% remains discretionary
- ✓ Add consistency to the fridge selection

Wine Fridge Opportunity



- Stores are required to list the product in fridge for duration of program
- Opportunity to test product in stores where they are currently NOT permanently listed
 - Additional distribution opportunity

New WINES Planograms

Rolling Out Now

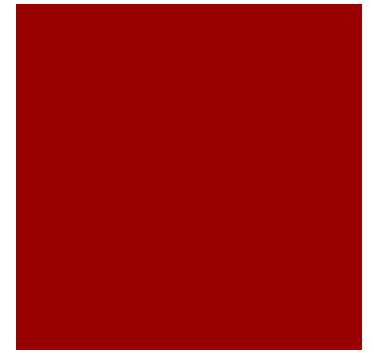
- 12 week test included various sized stores; urban, rural, 3 tier, 4 tier and had representation from all 4 regions
- Consumers traded up
 - Premium wines grew +8.4% vs. pilot stores
 - +0.5% increase in GM\$/litres
- Store staff and consumer feedback very positive



Media:

Wine Spectator, Matt Kramer

December 20, 2011



“You don’t win by staying out of the game. The sooner Ontario’s and Australia’s best wines become available to a larger audience, the faster they will cease to be “local heroes” and take their rightful place among the world’s recognized great wines. They will also likely fetch higher prices, which some of them deserve. But they can’t achieve that recognition as long as they remain exclusively local.”



Questions?



Thank You!