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Ontario Small Distiller Direct-to-Store Delivery Program

Information for Distilleries –Updated May 2018

Program Overview

The **Ontario Small Distiller Direct-to-Store Delivery Program** allows small Ontario distilleries to direct-deliver approved, locally produced spirits and liqueurs to select LCBO stores.

The program's objectives are as follows:

- Provide a platform for small distillers to offer their products for sale via the LCBO retail network.
- Augment the LCBO's Spirits assortment with market-relevant, locally produced product.

Eligibility

This program is open to small, licensed manufacturers of spirits and contract distillers in Ontario that meet the following criteria:

- The distiller must own a working still and be licensed to manufacture spirits.
- The distillery must produce less than 75,000 litres of saleable product annually.
- Eligible products must be made from start to finish by the distiller and at the distillery.
- Greater than 50% of raw materials must be fermented on-site.

Contract Distillers

- Contract distillers must hold an AGCO Manufacturer's License.
- Contract distiller products must be distilled at an Ontario distillery adhering to all of the above-mentioned criteria.
- Any spirits produced by an Ontario distillery for a contract distiller is included in that distillery's production for the purpose of determining total annual production under this policy.

Program Terms

1. Distilleries may be considered for up to a **maximum of 4 SKUs** in this program.
2. Only one SKU per product category may be considered until the SKU is exceeding sales target. For example, you cannot list a second vodka SKU until the first vodka is making or exceeding target. (See sales expectations below.)
3. Products accepted for the program are authorized for Direct-to-Store Delivery to a maximum of 25 retail stores. Products will be listed and delisted at the discretion of each LCBO store.
4. All products must undergo a Quality Assurance review for packaging and liquid on an annual basis. Once the product is in-market, any changes to packaging or liquid require a new Quality Assurance review and must be brought to the attention of the Product Advisor.
5. All products must be line priced with the distillery's on-site store.
6. A product cannot participate in the direct delivery program and be available for stores to draw from our warehouses at the same time.

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7. Category reserves the right to decline products.
8. Category reserves the right to move a product to a different listing type if product offering is deemed appropriate.
9. Distillers who wish to supply product directly to licensees or duty free, must contact LCBO Corporate Policy: distillery.policy@lcbo.com

Sales Expectation

- All products on the Ontario Small Distillers program will be held the following target: Average sales to exceed \$2000/store by the end of Year One.
- Products not meeting this quota will be eligible to be delisted.

Performance Review

- Sales by store will be formally reviewed semi-annually by the Product Advisor.
- Products that have exceeded the sales target in 25 stores may be eligible for expanded distribution (up to 50 stores) within the Ontario Small Distillers program. Expanded distribution will be assessed and authorized by the Product Advisor. The sales target of \$2000/store will remain in place regardless of the number of stores.
- Products on the Small Distillers Program will not be considered for General List until they have demonstrated a minimum of 1-year of exceptional performance on the Ontario Small Distillers program. At that time, the Product Advisor will assess if the product is a reasonable candidate to move to an LCBO General List. You may find more information regarding General List in the FAQ at the end of this document.
- Performance Advice to Small Distillers:
 - Most successful skus have investment behind them, both through in-store support programs (e.g., LTO, BAM, VA, Tastings) and external promotion. To be considered for paid support programs, please apply in MPTS by the deadlines outlined on the Trade Website: <http://www.doingbusinesswithlcbo.com/tro/Promotional-Programs/LCBO-Programs/Promotional-Calendar/2018/Promotional%20calendar%202018%202019%20due%20dates%20-%20Spirits%20Wine%20and%20RTD.pdf>
 - It is important to understand that our Retail stores may delist underperforming skus at their discretion. It is essential to build relationships at the Retail level.
 - As distribution expands, it may be beneficial to consider hiring an agent to represent your sku(s). Information and a list of agents is available at <http://www.drinksontario.com/>

Listing Process

Ontario Small Distiller Direct to Store Calls occurs on a quarterly basis, (Summer, Fall, Winter & Spring). Producers may submit products for consideration into the program via these 4 calls.

<http://www.doingbusinesswithlcbo.com/tro/Forms-Documents/ProductNeedsLetters/Downloads/2018-19%20Merchandising%20Needs%20Grid.xls>

All new item submissions must be entered into NISS via a Product Call. NISS link

<http://www.doingbusinesswithlcbo.com/tro/Web-Systems/New-Item-Submission-System.shtml>

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Key Dates

- **Pre-submission Due Date** – The final date which the NISS Submission can be made into the call.
- **LCBO Callback Date** – The date which Category Accepts or Declines products for tasting and review are communicated (via NISS).
- **Sample Due Date** – The date which the sample is due for tasting (final liquid sample needed).
- **Scheduled Tasting Date** - The date all products in the call are tasted and reviewed by Category.

Once a submission is accepted:

- Once a product has been tasted and reviewed by Category, you will receive notification of the results of the sensory evaluation (via NISS email). If your submission is accepted, you will receive an NTP (Notice to Purchase) via NISS email, you must provide the following by the stated deadline (all forms available at <http://www.doingbusinesswithlcbo.com/tro/Forms-Documents/Forms/Forms.shtml>)

Provide to the Product Advisor:

- a. A signed copy of the Product Review Application (obtain through NISS in the agent tab, by selecting print).
- b. A finished product sample for lab analysis and visual inspection, (final liquid and packaging), along with any previous certificates of Supplier analysis within one year.
- c. A signed letter on letterhead stating that this bottle is a true representation of the final product and is in every way identical to what will be delivered to stores if approved.

Provide through NISS (Upload in NTP):

- d. A quote on Supplier letterhead indicating cost per case and retail price per bottle. Please contact Pricing Administration for any questions related to calculating retail price points. Spirits Pricing Calculator is available at <http://www.doingbusinesswithlcbo.com/tro/Forms-Documents/Documents/Documents.shtml>
 - e. When prompted, please upload the required label information into the NISS system.
- Once the item has passed lab, the Product Advisor will request from the Supplier, a **list of stores** (max. 25) that they would like to approach to list their product, as well as **two cocktail recipes**, which will be included in the product circular (a one page document communicating the product to retail). It is advised that the stores be largely concentrated in the vicinity of the distillery (see participating store section below), and to start small and ladder up.
 - Please note that approval to participate in the program allows the distillery to approach the desired stores for listing – it does not obligate the store to list the product. The final listing decision is at the discretion of each individual Store Manager.
 - When a store has agreed to list a product, the distiller and Store Manager are responsible for determining an initial inventory forecast and replenishment process/timeline.
 - The Category Administrator will provide the distillery with a Distributor code that stores will require for receiving inventory. The Distributor Code will also be included in the Product Circular.
 - A small distiller wishing to have their product made available for sale via our e-commerce website should ensure they request Store 974, LCBO Ecommerce Warehouse, on their list of stores and ensure consistent supply of inventory is delivered. They should also make the LCBO Ecommerce team aware of the Ecommerce listing: Ana Coelho ana.coelho@lcbo.com

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Payment Info

The LCBO has a pay on receipt program which means you do not need to invoice the LCBO for products which are delivered to the store as part of the Ontario Small Distillers program. Please follow the steps outlined below:

- Stores will place order for product
- Suppliers will ship product directly to stores
- Suppliers will obtain a signed proof of delivery from each LCBO store
- Stores will record product receipt(s)
- The product receipts will generate invoices in Accounts Payable for payment. Pricing, HST, and any other cost component, if applicable, will be automatically generated by how the sku is databased
- Suppliers will continue to receive email payment notifications and can get more details on shipments via iSupplier

Suppliers must provide on all packing slips/bill of lading to the LCBO stores the following:

- Sku number
- The number of selling units being shipped
- The number of cases being shipped
- LCBO store number and address
- Shipment date
- Packing slip/bill of lading must be signed by an LCBO employee as proof of delivery in the event of any discrepancies

Pricing

Suppliers are paid for products delivered directly to LCBO stores based on the active quote at the time of delivery. Please note that the case cost is not adjusted when a product is on an approved Limited Time Offer (LTO). The cost of reducing the price is billed back to the supplier in the period following the LTO.

For all active SKU's, suppliers will be paid based on the cost per case that is active at the time of receipt at the LCBO store. For corporately delisted SKU's, the most recent historical cost per case will be used. Suppliers will be notified in advance if an ongoing product is being delisted by the Category Management team. Furthermore, for a seasonal product the time frame during which the SKU will be active for shipping will be given in the Notice to Purchase (NTP). The LCBO will not pay for inventory delivered to stores once the SKU is no longer in the LCBO system as this inactivates all costing information. It is the responsibility of the supplier to know the status of a given SKU prior to shipment.

All listings are at the sole discretion of the LCBO Category Management Team.

Direct Delivery to Licensed Establishments

Ontario distilleries can deliver spirits directly to licensed establishments in Ontario, on behalf of the LCBO, through LCBO's Direct Delivery to Licensees Program:

[http://www.doingbusinesswithlcbo.com/tro/CorporatePolicy/Direct_Delivery_to_Licensees\(OSD\)Q&A.pdf](http://www.doingbusinesswithlcbo.com/tro/CorporatePolicy/Direct_Delivery_to_Licensees(OSD)Q&A.pdf)

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Contact Information

For more information about the LCBO's Ontario Small Distiller Direct-to-Store Delivery Program, please contact:

Adam Caputo
Product Advisor, Spirits & Beer, LCBO
43 Freeland Street, 3rd Floor, Toronto, Ontario M5E 1L7
T: 416-864-2522 E: adam.caputo@lcbo.com

Other Key Contacts:

White Spirits Category Team (Vodka, Gin, Rum, Soju, RTD)
Category Manager White Spirits & RTD: Courtney Dawson – courtney.dawson@lcbo.com
Product Manager White Spirits: Colleen McHughan – colleen.mchughan@lcbo.com
Product Manager RTD: Jeryca Dillas – jeryca.dillas@lcbo.com
Category Administrator: Kelly Mellis – kelly.mellis@lcbo.com

Brown Spirits Category Team (Whisky, Liqueurs, Tequila, Brandy)
Category Manager Brown Spirits: Peter Cloutier – peter.cloutier@lcbo.com
Product Manager Whisky: Mike Hodgson – mike.hodgson@lcbo.com
Product Manager Liqueurs, Tequila, Brandy/Cognac: Kevin Ethier – kevin.ethier@lcbo.com
Category Administrator: Haley McGann – haley.mcgann@lcbo.com

Pricing Administration: pricing@lcbo.com
LCBO Quality Assurance Department: quality.assurance@lcbo.com
Corporate Policy: distillery.policy@lcbo.com

Important Links and Resources

TPAR – Trading Partner Access Request (includes access to NISS)
<http://www.doingbusinesswithlcbo.com/tro/Web-Systems/Trading-Partner-Access-Request.shtml>
*Please note the FAQ link on completing this access form.

iSupplier
<http://www.doingbusinesswithlcbo.com/tro/Web-Systems/iSupplier.shtml>
You may also visit www.doingbusinesswithlcbo.com for more information regarding the LCBO's programs, strategies, updates and key contacts.

Labels and Packaging
<http://www.inspection.gc.ca/food/labelling/food-labelling-for-industry/eng/1383607266489/1383607344939>
http://www.doingbusinesswithlcbo.com/tro/Packaging-Quality/Downloads/PPS_EN.pdfv

Packaging and Labelling Regulations
<http://laws-lois.justice.gc.ca/eng/acts/C-38/>

Food and Drug Act, Food and Drug Regulations
<http://laws-lois.justice.gc.ca/eng/acts/f-27/>
http://laws-lois.justice.gc.ca/eng/regulations/C.R.C.%2C_c._870/

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IMPORTANT: General List FAQ

What does moving to a General List mean?

General List has two key implications compared to the Ontario Small Distillers program:

- Distribution: Products on General List will be ordered via the LCBO Inventory team and flow through our warehouses. This means the sku would no longer be direct delivered to stores.
- Sales Targets: Annual sales targets on General List differ greatly from that of the Ontario Small Distillers program. The sales targets are available on the LCBO Trade website: <http://www.doingbusinesswithlcbo.com/tro/Forms-Documents/LettersToTheTrade/Downloads/2018-2019%20Consolidated%20Sales%20Target.pdf>

What happens if a General List sku does not meet the sales target?

To keep our portfolio fresh with many new products hitting our shelves each year, we actively delist underperforming skus. If the sku has failed to meet the category target after a year on General List, we will discontinue it in order to make room for other new products.

How are Purchase Orders managed?

LCBO's Inventory Management team will determine the frequency and volume of purchase orders, based on the rate of sale and taking into account projected uplifts for programming (LTO, BAM etc).

Will inventory be forced to stores?

LCBO will force the new general list sku to approximately 100 stores (at the discretion of Category), less the number of stores that currently list the product. (E.g., If your product is currently listed at 25 stores, we will consider forcing it to an additional 75 stores.) Forced stores will be required to carry the sku for a duration of 6 months. After 6 months, it may be continued or delisted at the store manager's discretion.

If I move a sku to General List, can I still have four skus on the Ontario Small Distillers program?

Yes, if you have one or more skus on General List, you may still have up to four on the Ontario Small Distillers program.