Trade FAQs

The following document provides frequently asked questions by manufacturers or other LCBO trade partners. For more information, visit the <u>dedicated page</u> on doingbusinesswithlcbo.com.

Q&A topics include:

- Products
- Grocery and convenience
- LCBO systems and distribution
- Pricing

Products

What products will be permitted to be sold in new stores?

Starting September 5, licensed convenience stores are able to sell mainly products from eligible non-LCBO supplied sources. On October 1 they will be able to start ordering the remainder of all eligible products (including imports) and sell it once received. Licensed grocery stores will also be able to start ordering all eligible products from October 1, but cannot legally sell product until October 31.

Grocery and convenience stores are permitted to sell the following products available on their product catalogue which may include:

- Beer: all pack sizes, excluding draught beer
- Wine: red, white, rose, sparkling and sake (including fortified, flavoured and cream wine / excluding Vintages and consignment)
- Cider: all pack sizes, excluding draught cider
- Ready-to-drink: coolers, hard seltzer or other pre-mixed cocktails made from spirits, wine, beer or fermented sugar

The ABV limit for beer, cider and RTD is 7.1% and for wine it is 18%. The container size limit for all categories is 5L.

Will convenience stores be required to order a full pallet?

We are working on fulfilment options to best meet the needs of our customers and will be setting guidelines on minimum order quantities with the 200+ supplying sources we work with.

Will wines that are below \$10.95 be permitted to be sold in the grocery channel? Will these products be in the grocery catalogue and the minimum retail price will just be \$10.95?

We are currently reviewing our product assortment and working through expanding the catalogue to align with revised regulations and government direction.

If a product is accepted for Grocery & Convenience, does that exclude it from being listed in regular LCBO stores?

No. There are slight differences between wholesale and retail product listings. For wholesale, products are permitted provided that meet eligibility requirements (refer to the relevant regulations).

For Retail, the Merchandising team issues product calls in <u>NISS</u> for competitive tenders on the types of products they are interested in purchasing.

Do all new skus that will be listed in the grocery/convenience catalogue have to go through the NISS procedure which includes full lab testing/label review etc?

Yes. Products that are not currently listed at LCBO will have to go through the expedited process for the wholesale channel (which is more streamlined than our retail listing process). A listing process is still required as products needs to be tested, labels reviewed, eligibility checked, etc. If you have questions on that process, please contact your LCBO representative.

Is there a specific catalogue that retailers order from or will all available products (from the approved categories) be available?

As the exclusive wholesaler to convenience and grocery stores, the LCBO provides a catalogue of eligible wine, beer, cider and RTD products which retailers can order from. We provide the relevant catalogue that aligns with the terms and conditions of retailers' AGCO licence.

Will the RTD's be spirit-based or malt-based?

The RTD eligibility requirements are defined in the government regulation as ready-to-consume cooler, hard seltzer or other premixed cocktail made from spirits, wine, beer or fermented sugar.

Will there be a listing cap on new listings for the grocery/convenience channel?

There is no listing cap for products to be included on the grocery/convenience store catalogue if those products meet the government regulations for product eligibility (e.g. Vintages and consignment are excluded). What private retail operators list, however, is solely at their discretion.

Will agents be able to offer wines from their consignment portfolio to grocery and convenience stores? Will import Vintages Essentials be added to the grocery catalogue? Are exclusives permitted?

At this time there is no plan to offer imported exclusive eligible products to grocery stores and convenience stores. Ontario produced eligible products can be submitted to the appropriate

product call in NISS. Vintages and consignment products will not be available to grocery or convenience stores.

Will the threshold on alcohol percentage be removed?

No. Grocery and convenience stores cannot sell beer, cider or RTDs over 7.1% ABV, and they cannot sell wine with more than 18% ABV.

In phase 1, will all 450 currently licensed stores be able to sell wine?

If an existing grocery store has an AGCO licence for beer and wine, it is eligible to continue selling wine. If an existing grocery Stores has an AGCO licence for beer and cider, it is not eligible to sell wine until January 2031 unless it enters into a wine boutique agreement.

If you hold an AGCO licence and have questions about activities under your licence, please contact the AGCO.

Will large packs of beer be available at LCBO?

Yes, starting August 20, we will be selling large-pack sizes of beer in 87 LCBO stores in addition to the 165 stores who already sell large pack beer in partnership with The Beer Store. More information can be <u>found here</u>.

Are vendors that co-pack products in Ontario would be eligible to be the supplying source for such co-packed products (with purchasing via the LCBO as wholesaler of record)?

This situation meets the standard for Ontario produced eligibility.

Grocery and convenience stores

Will there be an amendment to the 2024 grocery planograms?

Grocery retailers are private companies and they are responsible for determining product assortment to meet regulatory requirements. They determine the cadence of updating and refreshing their assortment and planograms. We encourage you to contact the private retailers to discuss in greater detail.

Will there be any sales threshold for retailers and grocers?

The LCBO does not set sales targets for grocery stores or convenience stores. Any sales targets are set by the individual retailers. We encourage you to contact the private retailers to discuss greater detail. The LCBO sales targets remain in place as published and apply to our retail network only.

Many convenience stores will have limited shelf space for products – what is the delivery frequency?

Grocery and convenience stores typically receive orders on a weekly basis.

Is cross promotion possible?

There is no change to cross-promotion rules. Non-beverage alcohol items can be merchandised in the beverage alcohol section; however, beverage alcohol cannot be merchandised in other sections of the grocery/convenience store. For more information, refer to AGCO.

Do shelf space requirements apply to craft products or Ontario in general?

For the purposes of shelf space requirements, the definition of small producers (i.e., breweries, cideries, wineries, and distilleries) can be found in the <u>(licensing) regulation</u>.

Where can I find a list of licensed convenience stores?

This list is available on the <u>following page</u> and is updated regularly.

Will there be an option to direct deliver to grocery or convenience stores?

No. Manufacturers who participate in the direct delivery program may only delivery on LCBO's behalf to:

- Businesses with a Licence to Operate a Liquor Consumption Premises issued by the AGCO;
- Individuals who have been issued a Special Occasion Permit by the AGCO (if applicable);
- Duty Free Operators who hold a Duty Free Shop authorization issued by the LCBO; and
- Air Carriers who hold a Warehousing by Airlines authorization issued by the LCBO.

How will consumers benefit from competitive retail pricing?

Grocery and convenience stores will be able to set their own prices, which means that they may retail products above, below or the same price as LCBO. Minimum retail pricing, including the \$10.95 price floor on wine, continues to apply. Refer to our <u>Minimum Retail Pricing Guide</u>.

Do convenience stores/grocery stores/manufacturers retail stores have to match LCBO LTO promotions?

Promotional Limited Time Offers (LTOs) in LCBO's retail stores will no longer impact pricing in grocery stores as of September 5, 2024.

Can I get convenience store sales data?

Yes, starting November 7, 2024 you will be able to purchase sales data.

LCBO systems and distribution

Will there be a new system for PO issuance?

The online ordering system that LCBO uses for existing grocery stores will support marketplace expansion to convenience stores and grocery stores.

Will the new third-party warehouse levy fines and penalties for late POs?

LCBO vendor performance management program will continue to evolve according to previous communications (<u>www.doingbusinesswithlcbo.com</u>), and once a full approach is finalized, further announcements will be made.

How will the LCBO prevent short shipments to grocery stores - particularly high performing skus that are already listed?

The LCBO is committed to providing a high level of service to all of our customers regardless of the channel. LBCO will continue to work with our wholesale customers to incorporate their demand forecasts to inform our inventory planning.

Pricing

When I submit a price change, will that change the retail price at Grocery/Convenience Stores and TBS?

Starting September 5, uniform pricing will no longer apply to grocery and convenience stores or TBS. A price change at the LCBO will impact the retail prices at LCBO retail stores and LCBO Convenience Outlets, as well as the wholesale price for grocery/convenience stores and The Beer Store.

What is a wholesale price?

This is the price that grocery/convenience stores and TBS purchase products from the LCBO.

How do I submit a LTO for the wholesale channel including TBS?

In 2025, the LCBO will review to develop a new program for the wholesale channel, including LTOs for beer products.

Do rebates impact the wholesale price?

Yes, rebates will impact the wholesale price, and depending on the type of rebate, it may be applicable to all inventory sold by the LCBO, including sales to grocery, convenience stores and TBS. For information on rebates and types of rebates, please <u>click here</u>.

As an Ontario brewer, I want my product exclusively at The Beer Store, do I have to set up my brand with LCBO pricing before going to The Beer Store.

LCBO pricing is not required for listing Ontario products at TBS. Please work directly with TBS.

I want to change my purchase price for brand exclusive with TBS, do I submit the price change to the LCBO?

Do not submit a price change to the LCBO for Ontario exclusive brands that do not have an assigned LCBO brand number.

I want to change the retail price for brand exclusive with TBS, do I submit the price change to the LCBO?

No, refer to TBS.

I want to change the TBS licenses price , do I submit the price change to the LCBO?

No, refer to TBS.

How do I submit a retail price change at the LCBO, for a LCBO brand or brand that is sold at LCBO and TBS?

For non-Ontario products, send a quote submission form within the deadlines (as per the Schedule of Quote Submissions) to <u>pricing@lcbo.com</u>.

How do I submit a retail price change to grocery stores, convenience stores and TBS?

Starting September 5, grocery stores, convenience stores and TBS set their own retail prices.

Do I continue to use the Beer Submission form for price changes?

No, use the quote submission form.

How do I calculate my supplier cost to reach the desired retail price in LCBO and LCOs?

The LCBO pricing calculator allows you to enter in the retail price and cost components and will calculate the supplier quote.

How do the pricing changes impact the keg pricing process?

The keg pricing process does not change.