

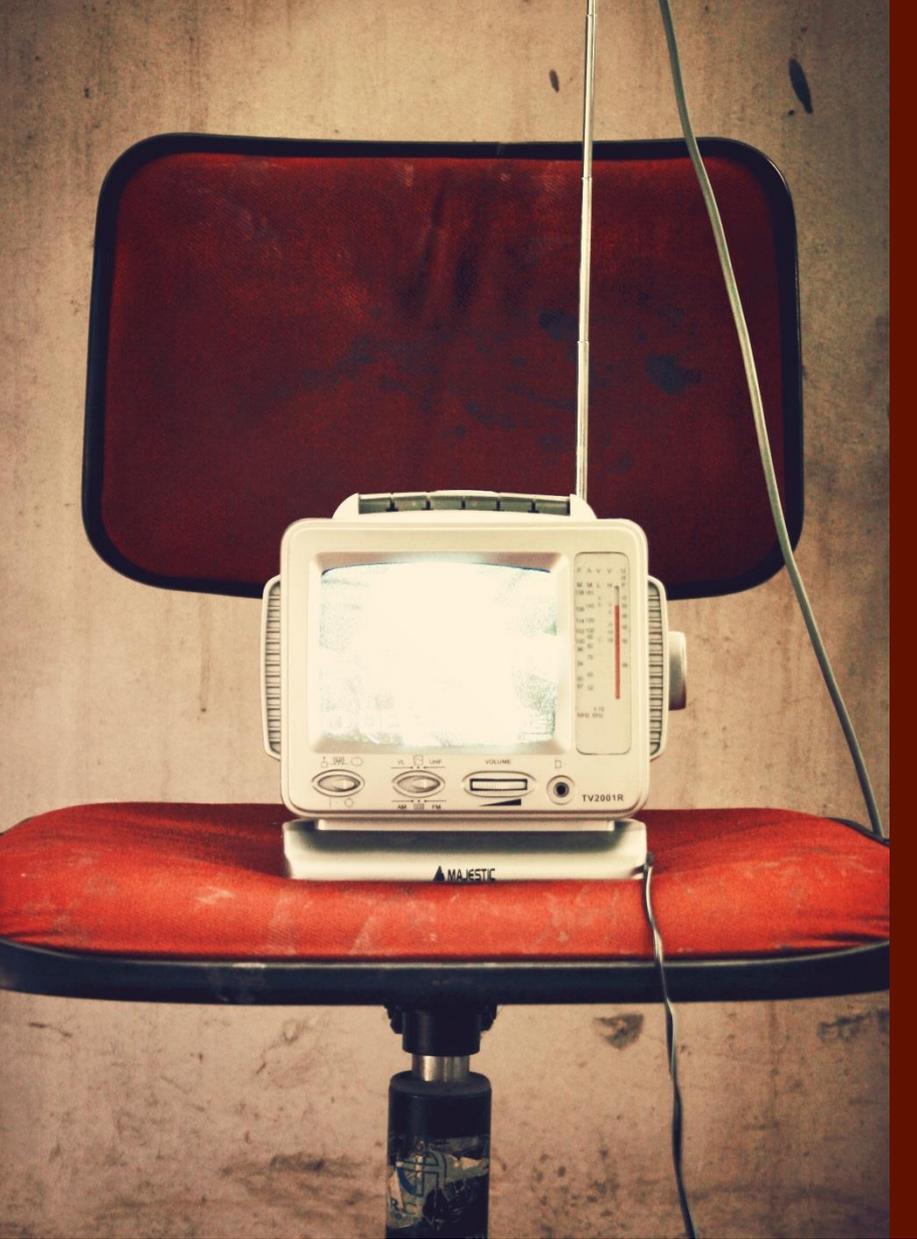


# **Beer in Grocery Stores: An Update on Cider and Other Topics**

Alcohol and Gaming Commission of Ontario  
May 18, 2016

# Today's Agenda

1. Addition of Cider to Grocery Stores
2. Reminder on Advertising Requirements
3. Reminder on Sampling Requirements
4. Sandy's Law
5. Ongoing Regulatory Assurance



# Cider in Grocery Stores

- On June 6, 2016, amendments made by the Government of Ontario to Ontario Regulation 290/15 will take effect to allow for cider to be sold by authorized grocery stores.
- Grocery stores with amended authorizations to sell cider may only begin sales of cider starting on June 24, 2016.
- Grocery stores cannot sell cider without an amended authorization.
- Grocery stores interested in having their existing authorizations amended to permit them to sell cider are required to notify the AGCO, if they haven't already. Grocers can email their request to:
  - [connect@agco.ca](mailto:connect@agco.ca)
- Once a grocery store's authorization is amended to permit the sale of cider, that store may choose to stock or not stock cider products as they wish.





# Cider in Grocery Stores

- The regulatory definition of eligible cider products that can be sold in grocery stores is:

“cider” means wine produced from apples or pears or from the concentrated juice of apples or pears, to which is added herbs, water, honey or sugar;

- As with beer, a minimum of 20% of all cider products available to customers must be cider produced by small ciders.
- A small cidery is any cidery that’s annual production in the previous year has not exceeded 25,000 hectolitres.
- Grocery stores are required to stock all cider products in their contiguous beer display area (cider and beer products may be co-mingled).



# Reminder on Advertising

- Regulatory rules and allowable advertising practices are set out in AGCO's "**Advertising Guidelines: Sale of Beer in Grocery Stores**" (November 2015)

[http://www.agco.on.ca/pdfs/en/guides/1242\\_a.pdf](http://www.agco.on.ca/pdfs/en/guides/1242_a.pdf)

- We have received several questions in regards to one section in the guide that references the ability to advertise beer brands.
- To clarify: grocery stores may advertise beer brands including specific beer products.
- Grocers are also reminded that any advertising material they use must be paid for by the grocery stores themselves and grocery stores **cannot** receive any financial or non-monetary benefit from beer manufacturers or their representatives.
- The same rules and guidelines that apply to beer will apply to the advertising of cider.

# Reminder on Sampling

- Regulatory rules and allowable sampling practices are set out in Section 7 of the AGCO's "**Sampling Guidelines**" (November 2015)

[http://www.agco.on.ca/pdfs/en/guides/1224\\_a.pdf](http://www.agco.on.ca/pdfs/en/guides/1224_a.pdf)

- Reminder, grocery stores may not accept any financial or non-monetary benefit from beer manufacturers. This includes accepting any payments from beer manufacturers for their ability to sample their beer products in your grocery stores.
- The same rules and guidelines that apply to beer will apply to the sampling of cider.



# Sandy's Law

- While grocery stores are not currently required to post a copy of Ontario's Fetal Alcohol Spectrum Disorder (Sandy's Law) warning in their stores, the AGCO strongly recommends and encourages this practice.
- An electronic copy of the sign may be downloaded at the AGCO's website. A paper copy may also be requested from your AGCO inspector.



# Ongoing Regulatory Assurance

- AGCO is very pleased with the commitment from authorized grocers to date in responsibly storing and selling beer in their grocery stores.
- Moving forward, we invite you to continue to submit questions or concerns with us that arise so that we can continue to provide you with clarification on important regulatory requirements that need to be satisfied.





Additional questions and concerns can be sent to [connect@agco.ca](mailto:connect@agco.ca)

Find the AGCO on Twitter at:

**Ont\_AGCO** (English)

**Ont\_CAJO** (French)

## CIDER IN GROCERY

Information for authorized grocers presenting an overview of the cider in grocery program.



May 18, 2016

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## Two requirements to be authorized to sell cider:

1. Grocers need to contact **AGCO** and request an updated beer and cider **authorization** in order to sell cider
2. **LCBO** will issue to grocers, **the Cider Amendment** to the existing Wholesale Supply Agreement

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## How to amend existing Wholesale Supply Agreement to include cider:

1. Within a week, you will receive an execution copy of the Cider Amendment to Wholesale Supply Agreement from Chris Dini
2. The Cider Amendment will be sent to the contact name on file who received the initial Wholesale Supply Agreement last November
3. Upon receipt, sign and return Cider Amendment to Chris Dini by Monday June 6, 2016
  - Failure to do so will result in delays

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**Once the signed Cider Amendment is received by the LCBO:**

1. The cider product catalogue will be emailed to you to set up data in your systems
2. Cider orders can be placed starting June 14
3. Grocers will start to receive cider deliveries starting June 15
4. Grocers can legally sell cider as per AGCO authorization on June 24

## Cider Timeline

Date	Action
Now	Contact AGCO to include cider in authorization
June 6	Cider Amendment to Wholesale Supply Agreement due to LCBO  Product catalogue details available once Cider Amendment is received by LCBO  Cider regulation comes into effect
June 14 onwards	Begin placing orders for cider in GMS
June 15 onwards	Initial orders begin arriving at grocery stores
June 24 onwards	Grocery stores legally allowed to sell cider as per AGCO authorization

## Cider product eligibility requirements

Some key regulations effective June 6, 2016:

- Containers **750 millilitres** or less.
- Total alcohol content cannot exceed **7.1 % ABV**.
- Only packages with **six (6)** containers or less.

NOTE: Complete list of requirements found in the ONTARIO REGULATION 290/15 - GOVERNMENT STORES regulation, available online <https://www.ontario.ca/laws/regulation/150290>

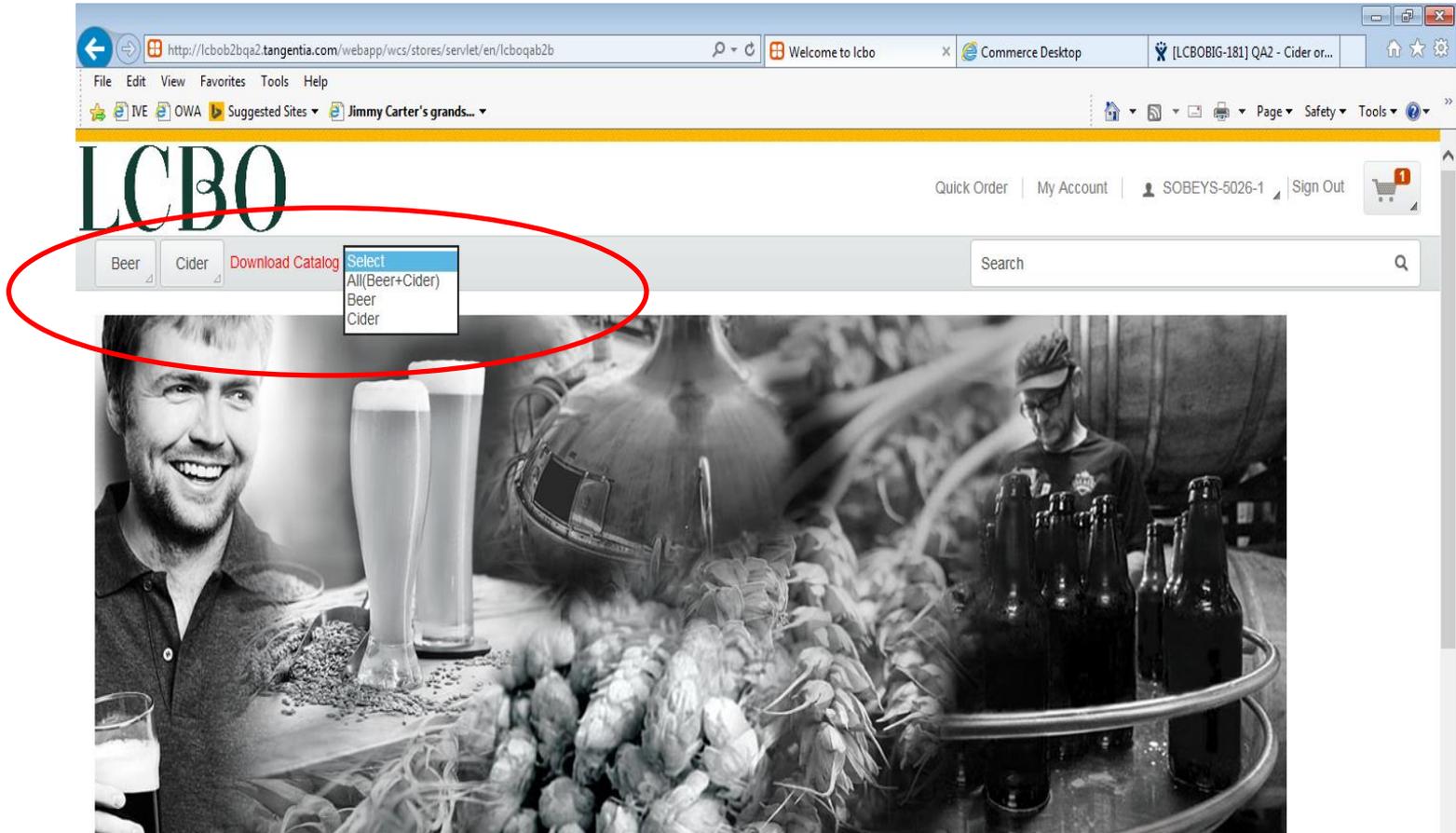
## Small Cider Producers

- **20%** of cider on display to consumers must be produced by small producers (**< 25,000** hectolitres/year).
- Small producers are identified on the product catalogue to assist in planning shelf space

## Grocery retail price = Uniform price

- The retail price for cider sold to the public by authorized grocers will be as **determined by suppliers**
- The retail price is **the same** through all retail channels; LCBO, grocery and on-site store
- The retail price is **communicated by the LCBO** to authorized grocers on the product catalogue

## Cider product catalogue available in GMS June 14



The screenshot shows the LCBO website interface. The browser address bar displays the URL: <http://lcbob2bqa2.tangentia.com/webapp/wcs/stores/servlet/en/lcboqab2b>. The page features the LCBO logo and navigation links for "Quick Order", "My Account", and "Sign Out". A search bar is present with the text "Search". The main navigation menu includes "Beer", "Cider", and "Download Catalog". A red circle highlights the "Beer" and "Cider" options, with a dropdown menu open showing "Select", "All(Beer+Cider)", "Beer", and "Cider". The background image is a collage of beer-related items, including a smiling man, glasses of beer, hops, and a tray of beer bottles.

## Cider ordering and delivery

- Start to place orders on June 14
- Combine beer and cider on one order
- Cider deliveries may start to arrive June 15
  - LCBO cider delivery is June 23
- Grocers can legally sell cider on June 24

## Cider orders delivered to grocers by:

1. LCBO
    - All **imported** and **out-of-province cider**
    - Some **Ontario** cider
  2. Direct Delivery by Producer
    - Some **Ontario** cider
- Supplying source is identified on catalogue

## Cider communication

- Policies & Procedures Manual – updating for cider
- Limited Time Offers – start June 6
- Price Bulletins – start June 13
- Product Catalogue Updates – start June 13

## BEER PROGRAM UPDATE

Information for authorized grocers presenting an update on the beer in grocery program.



May 18, 2016

## Supplier feedback: grocery sales data

- Many suppliers have expressed interest in collaborating with grocers to maximize sales opportunities
- Aggregate grocery shipment data is available to suppliers through the LCBO's Sale of Data program
- Suppliers would like grocers to share point of sale data with them to plan production and forecast inventory needs at the store level

## GMS system enhancements for grocers:

- Removed 50 line item maximum
- Removed 50 case minimum quantity per order
- Added a check to identify duplicate items on order
- Empty shopping cart with one click

## Beer and cider receiving and invoicing update

- Change to process effective June 13, 2016
- Grocers who do not report weekly receipts by the noon Tuesday deadline will have their received quantities defaulted to the shipment quantities
- This new deemed receipt process will pertain to orders with GMS delivery dates in the previous week ending Saturday and are not reported by noon on the following Tuesday

## Beer and cider receiving and invoicing update cont'd

- Grocers will be invoiced for these deemed receipt quantities
- Payment is due as per the invoice payment terms
- Subsequent claims for shortages or damages can be submitted in accordance with the existing claims and returns procedures

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## Delivery and shipping documentation update

- We understand delivery and receiving is grocer's biggest pain point
- The team met with several direct delivery suppliers and third party logistics companies over the past six weeks to educate them on delivery and shipping documentation requirements
- A presentation was created to assist in providing compliant shipping documentation

## Delivery and shipping documentation update cont'd

- In addition, GMS enhancements allow for suppliers to print compliant BOL and packing slip for each purchase order from the system
- This will make the receiving process easier for grocers
- Effective May 13 shipping documentation must be compliant

## Claims and Returns

- Grocer initiates process by completing appropriate paperwork and submitting to [wholesalereturns@lcbo.com](mailto:wholesalereturns@lcbo.com)
- Eligible situations for product returns and claims:
  - Saleable product: wrong product shipped
  - Short shipments: discovered after receiving
  - Damaged and unsaleable product: damaged or defective
  - Product Quality issues: product recalls and complaints

## Claims and Returns cont'd

- Requests are to be submitted within 72 hours following delivery
- Breakages and damages are to be reported regardless of receipt
- Following approval by LCBO, supplying source can pick up product
- Opportunity to clean up before cider begins and the summer weather hits

# **SUPPLY CHAIN OPTIMIZATION**

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Logistics Webinar Presentation  
May 18, 2016



## SUPPLY AGREEMENT HIGHLIGHTS

- Delivery Lead Time
- Delivery Appointment Time
- Administrative Requirements
- Minimum Order Requirement

## DELIVERY LEAD TIME



- 7 days Order Lead Time
- Once a week delivery

## DELIVERY APPOINTMENT TIME



- No guaranteed delivery time or window
- Anytime...24 hours a day...7 days a week

## ADMINISTRATIVE REQUIREMENTS



- Reconciliation of Shipments
- Pallet Exchange Program
  - Documentation (Pallet BOL)
  - Pallet tracking/Reconciliation
- Truck Seal Security Program
  - Truck re-sealing procedure

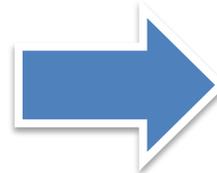
# HOW DO WE OPTIMIZE THE SUPPLY CHAIN?

## DISTRIBUTION CENTRE DIRECT DELIVERY



## DELIVERY LEAD TIME

- Reduction on order lead time from 7 to 3 days
- Increased delivery frequency from once a week to multiple deliveries

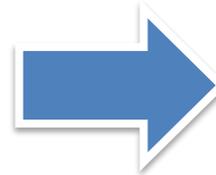


## DELIVERY APPOINTMENT TIME



DELIVERY TIME

- No delivery time/window
- Anytime...24 hours/7 days



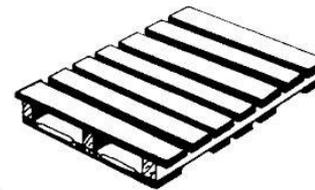
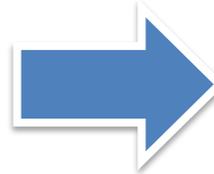
DELIVERY TIME

- Delivery at your preferred time/window

## Less Administrative Work



Weekly Inventory  
Reconciliation

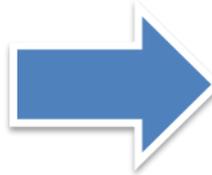


One-way pallets



Simplified truck  
re-sealing

### Enhanced Administrative Work



-Weekly Reconciliation reporting requirements

## Enhanced Product Flow

- Responsiveness to customer demand
- Promotion execution and coordination
- Highly efficient at store level
- Better inventory management

	Direct Store Delivery	DC Direct Delivery
Order Lead Time	7 Days	3 Days
Order Frequency	Once a week	Multiple Deliveries
Delivery Time/Window	None	DC preferred delivery window/time
Administrative Requirement	Extensive	Minimal
MOQ/Order Fill Rates	With MOQ affecting order fill rates	Improved Order Fill Rates
Receiving and reconciliation	Time consuming & complicated	Lesser time required
Others		Improved Service Level and stock flow

**THANK YOU**