
GROCERY CHANNEL – PROGRAM & SUPPLYING SOURCE UPDATES

October 29, 2019



Agenda

Program Update & Wine Expansion

Grocer Feedback: Emerging Trends

Supplying Source Responsibilities

Q&A

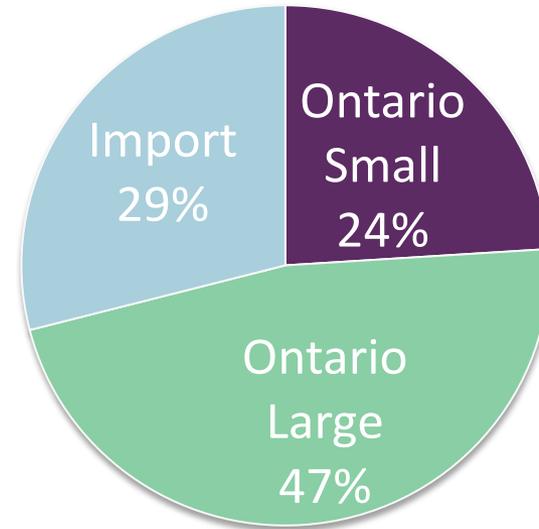
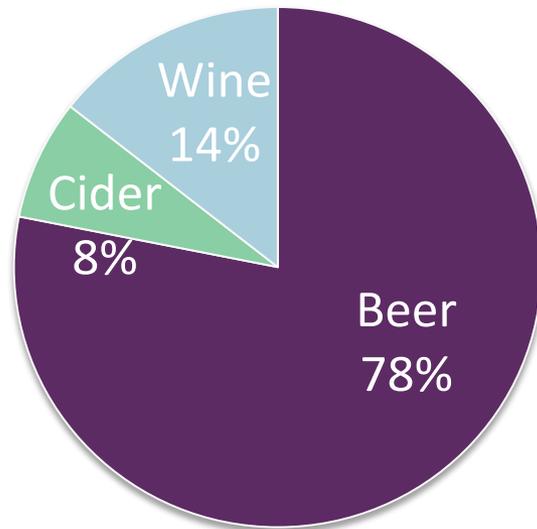


Program Update & Wine Expansion

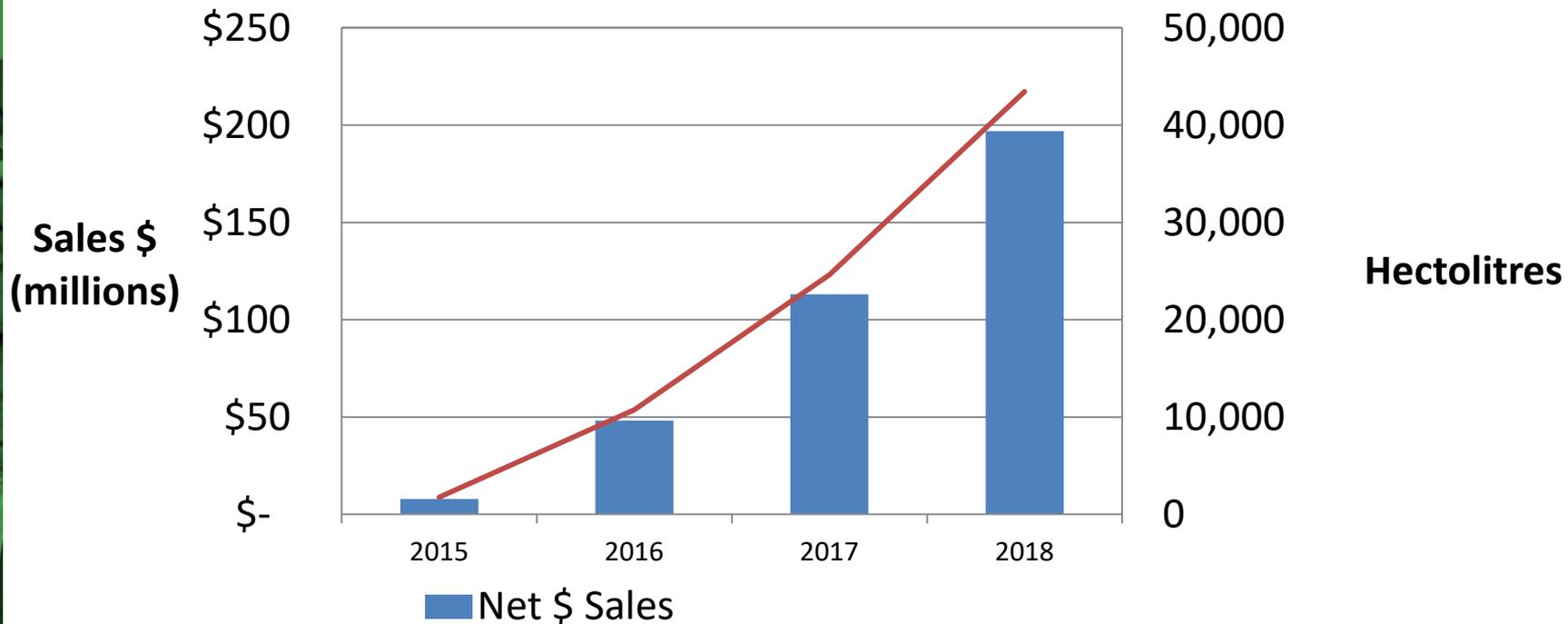
April 2019 – 363 grocery locations selling wine, beer & cider



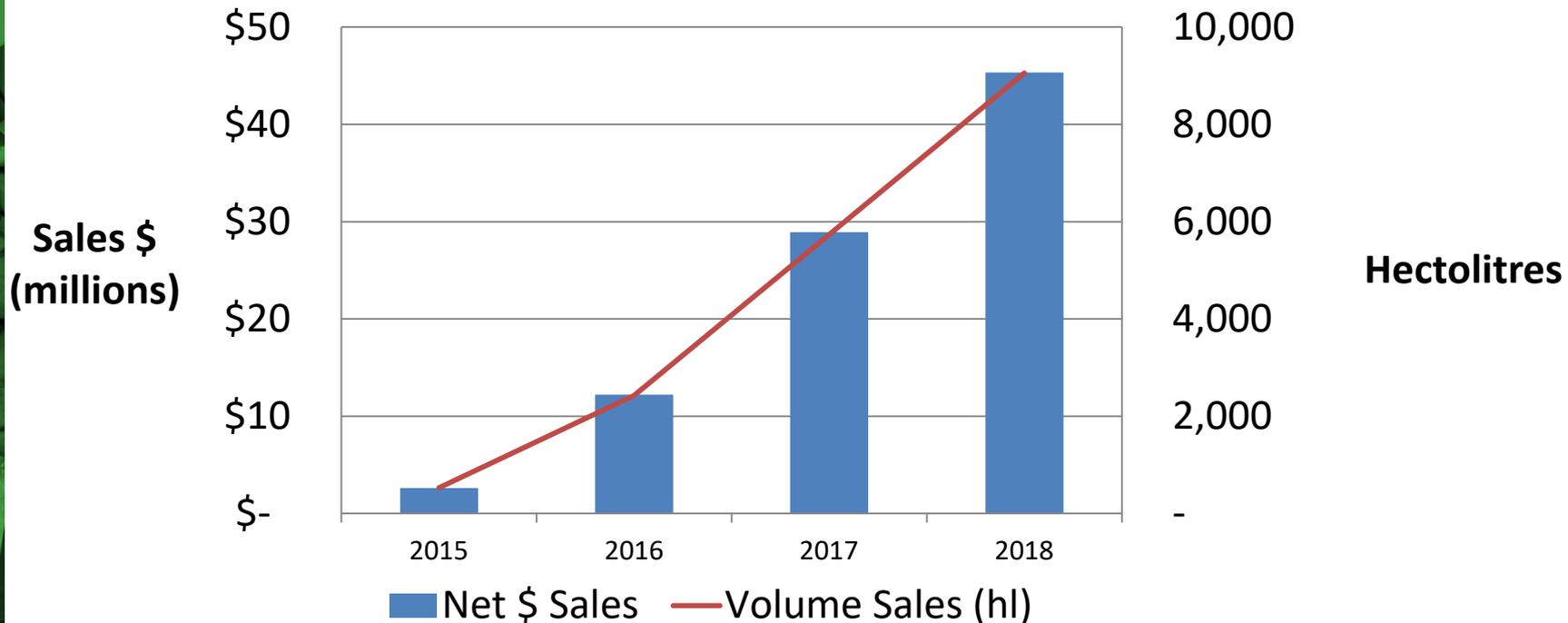
Net Sales By Product Type



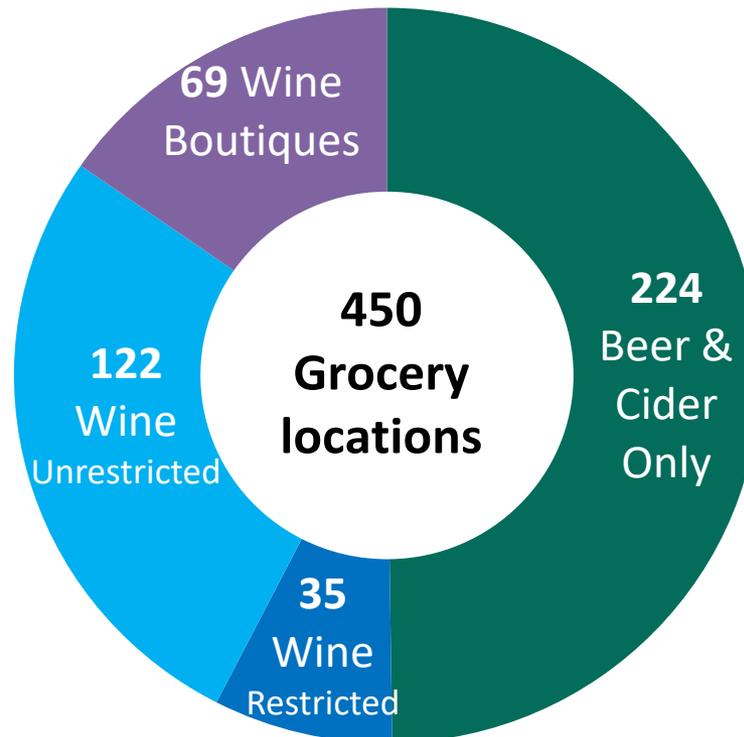
Grocery Operations Total Beer Sales



Grocery Operations Small Brewer Sales



September 2019 – 87 new unrestricted wine, beer & cider locations authorized



In August 2020 - 50.2% of grocery stores selling wine with beer & cider



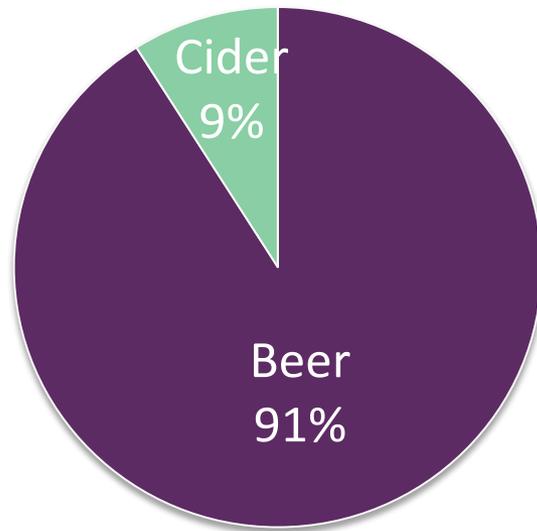
Grocer Feedback & Emerging Trends

1. Assortment Rationalization
2. Consolidated Deliveries
3. Frictionless Transactions

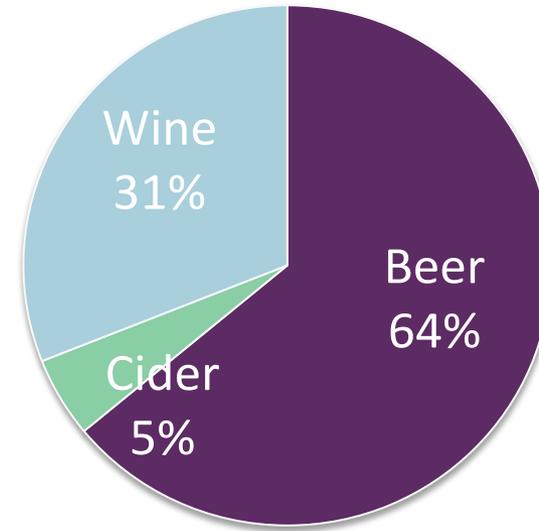
1. Assortment Rationalization

- Grocers have close to 4 years of data and analytics available to them and are more knowledgeable on the types of beverage alcohol products and brands that perform well in their stores
- Many grocers now have a variety of authorization types and are starting to understand customers shopping behaviors when wine is available

Wine Impact on product type share

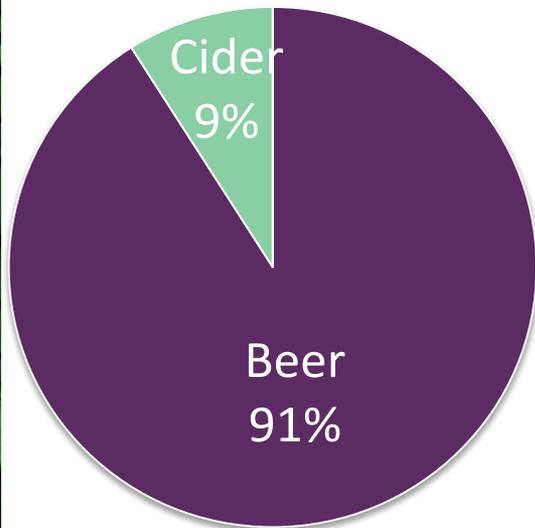


Beer & Cider Authorization

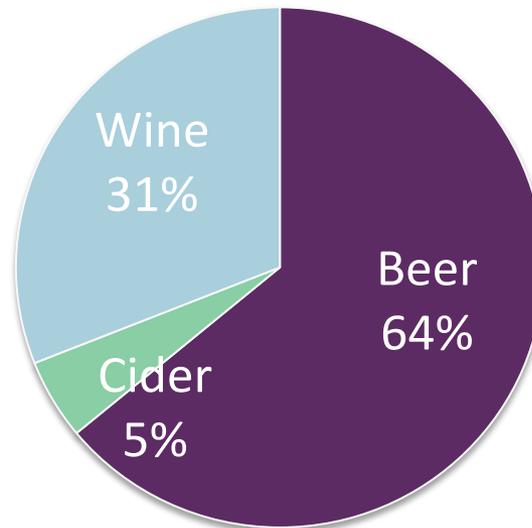


Restricted Wine Authorization

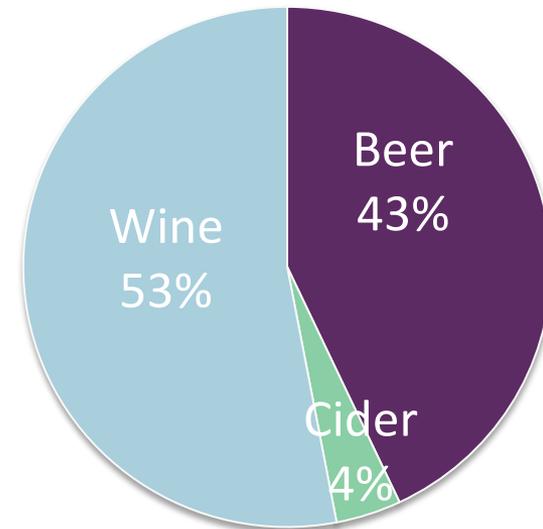
Wine Impact on share of product type



Beer & Cider
Authorization



Restricted Wine
Authorization



Unrestricted Wine
Authorization ¹⁴

Finite Shelf Space

- Grocers have stated that shelf space is finite
 - Considerate of product display requirements
- The addition of wine to a grocery location does not automatically equate to an increase in shelf space for beverage alcohol
 - It could result in a reduction in the amount of space allocated to beer and cider if total shelf space remains the same
- For grocers selling wine, at least 10% of the total beverage alcohol containers on display are beer

2. Consolidated Deliveries

- Some grocers have expressed a desire for consolidated deliveries
 - There is nothing that precludes them from requesting or implementing
- Their objective is to minimize the number of deliveries – the number of trucks – at their receiving docks
- In an effort to increase receiving efficiencies, maintain regularly scheduled deliveries and plan labour accordingly
- Grocers may edit assortment after reviewing delivery method to reduce the number of trucks arriving

Grocery Supply Chain

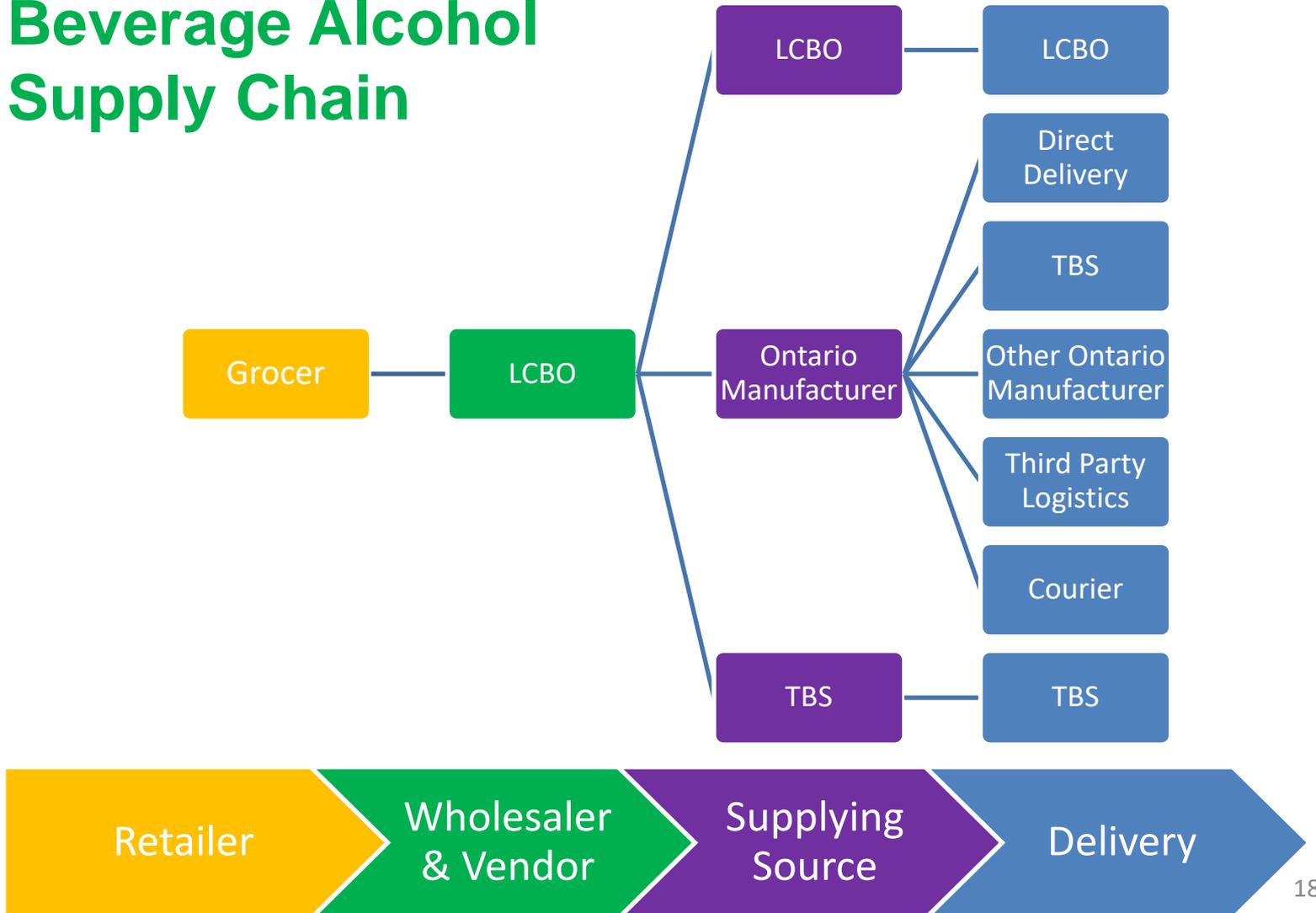
Grocer

Vendor

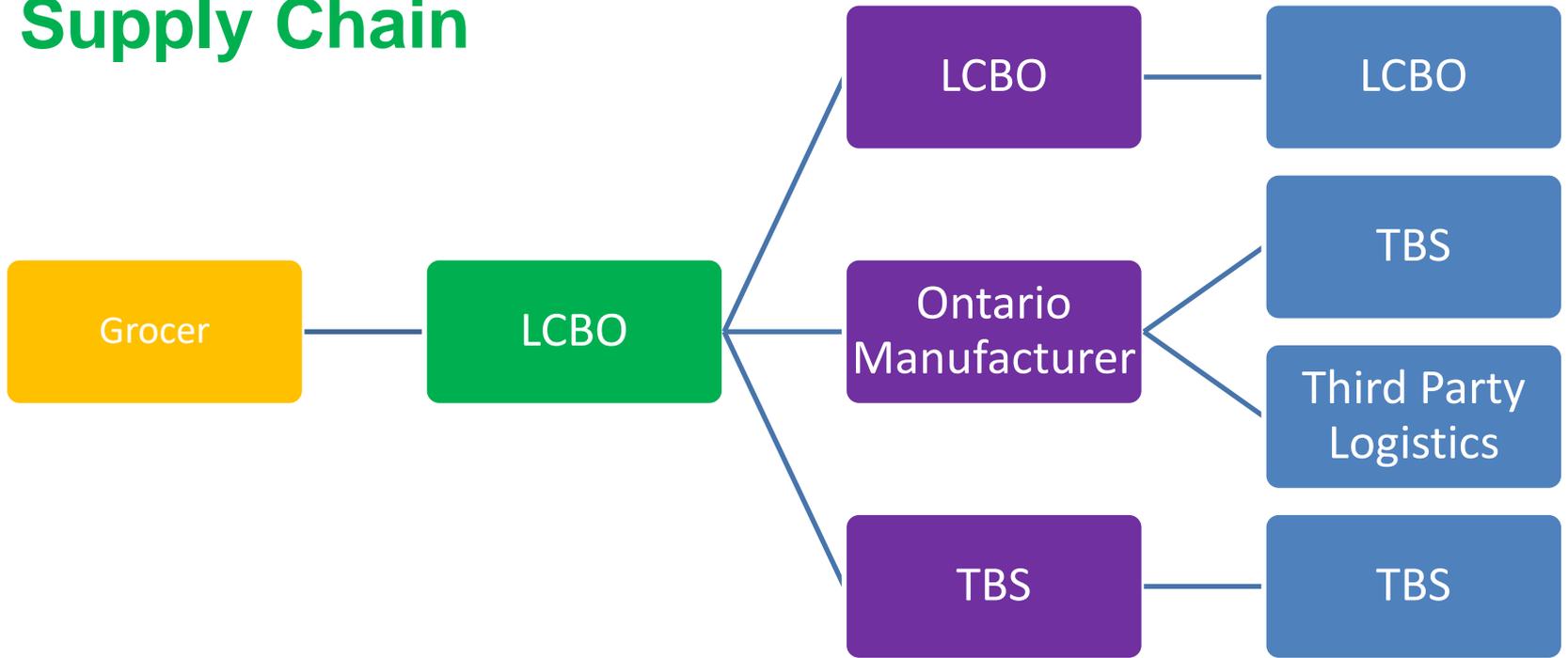
Retailer

Vendor (Manufacturer
or Wholesaler) /
Delivery

Beverage Alcohol Supply Chain



Beverage Alcohol Consolidated Delivery Supply Chain



3. Frictionless Transactions

- Our 6 largest customers interact electronically through EDI with LCBO (orders, invoices, adjustments & payments) = 87% of volume
- 80% of our customers submit claims & returns electronically through our new B2B Claims App
- We continue to explore new opportunities to make transactions seamless including automated reporting, file transfers and GS1 data standards

Supplying Source Responsibilities

1. Grocery Channel Distribution
2. Supplying Source Responsibilities
3. Frictionless Payment

1. Grocery Channel Distribution

Direct Delivery

- Supplier controls distribution and delivers product direct or via approved Third Party Logistics company (3PL) to authorized grocers

LCBO Delivery

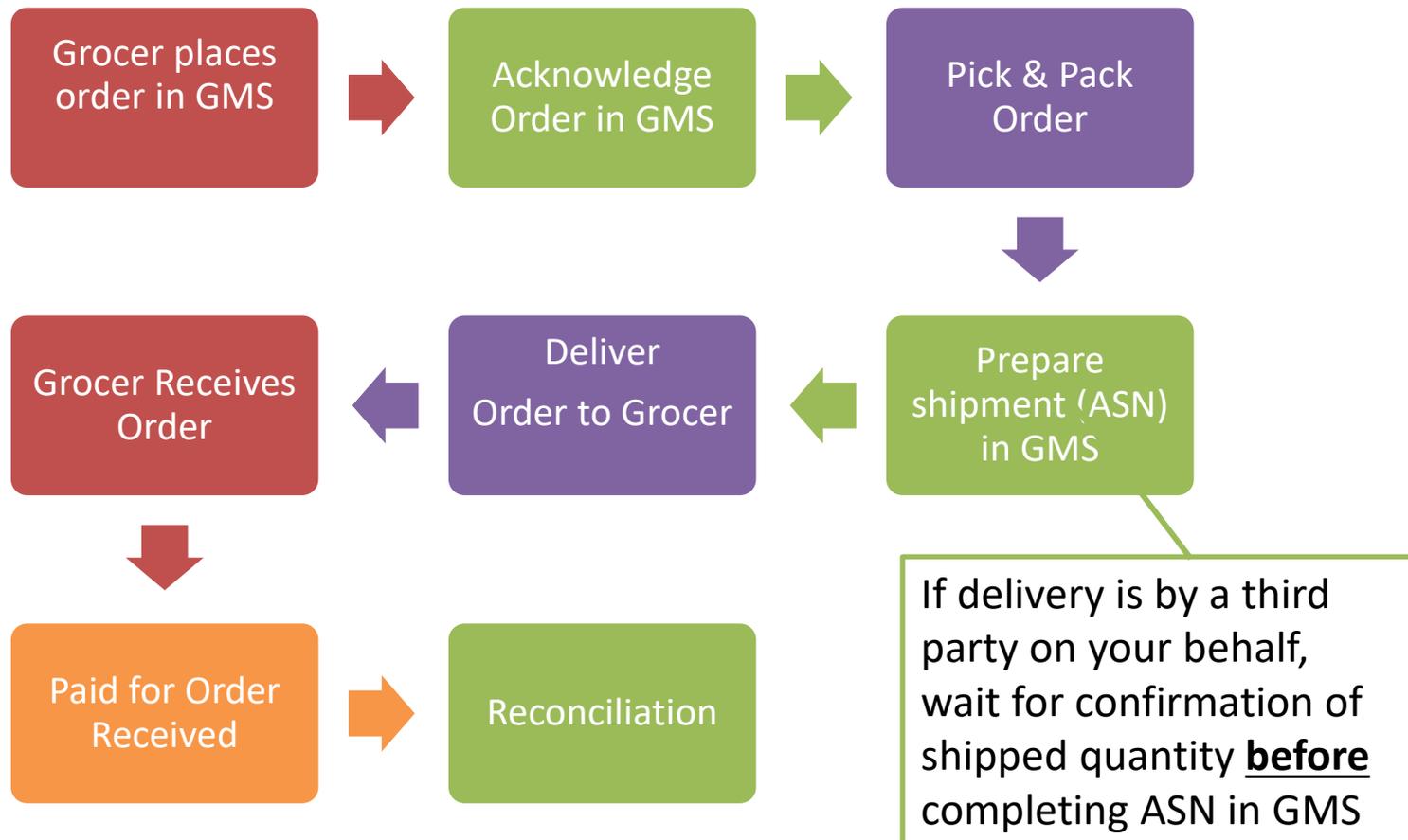
- Product is received at LCBO warehouse and distributed to authorized grocers by LCBO

The Beer Store (TBS) Delivery

- TBS warehouses and distributes product to authorized grocers

Roles & Responsibilities	Supplying Sources		
	Brewer	LCBO	TBS
Vendor of Record <i>(paid by LCBO)</i>	<ul style="list-style-type: none"> Brewer 	<ul style="list-style-type: none"> Brewer 	<ul style="list-style-type: none"> TBS
Grocery Management System (GMS) access	<ul style="list-style-type: none"> Brewer 	<ul style="list-style-type: none"> LCBO 	<ul style="list-style-type: none"> TBS
Delivery to grocery	<ul style="list-style-type: none"> Brewer TBS Approved Third Party Logistics Company (3PL) or brewers 	<ul style="list-style-type: none"> LCBO 	<ul style="list-style-type: none"> TBS
Proof of Delivery (POD) <i>(Reconciliation)</i>	<ul style="list-style-type: none"> Brewer 	<ul style="list-style-type: none"> LCBO 	<ul style="list-style-type: none"> TBS

2. Supplying Source Responsibilities



3. Frictionless Payment

- To efficiently process your payment we need to collectively work together to minimize the amount of reconciled items
 - The volume of reconciliations is increasing with additional grocery store locations and distribution changes
- Weekly reconciliations result in extra work for both the LCBO and supplying sources
- If you do receive a reconciliation inquiry, please respond in a timely manner to avoid disruption in payment

How to minimize reconciliations:

1. Remember to accurately complete ASN in GMS
 - Many supplying sources are not getting paid because
 - ASN data is inaccurate (i.e., wrong quantity and/or delivery date entered)
 - ASN is not completed
2. Decline an order in GMS in you are not going to ship

Grocery
Operations

LCBO

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