



Beer in Grocery Stores

A Regulatory Overview

AGCO Stakeholder Education Webinar Series
February 23, 2016



The AGCO Stakeholder Education Webinar Series

- Interactive webinar broadcasts throughout the year
- Supporting the AGCO's goal of informing and engaging stakeholders in order to:
 - Understand your perspectives to inform policies and programs, and
 - Provide important information to assist in compliance with regulatory rules and regulations

Today's Agenda

- **Overview of Beer in Grocery Stores**
 - Brent McCurdy (AGCO)
 - Rebecca Castillo (AGCO)
- **An Early Assessment: Clarification on Regulatory Rules**
 - Jeff Longhurst (AGCO)
 - Adam Strongman (AGCO)
- **An Early Assessment: LCBO Wholesale Operations Feedback and Continuous Improvement**
 - Leanne Rhee (LCBO)
 - Jamie Fazekas (LCBO)
- **Q and A Session**
 - Tom Mungham (AGCO)
 - Brent McCurdy (AGCO)
 - Adam Strongman (AGCO)
 - Leanne Rhee (LCBO)
 - Jamie Fazekas (LCBO)





An Overview of Beer in Grocery Stores



Ontario's Beer in Grocery Store Program

- In September 2015, the Government of Ontario, on the recommendation of the **Premier's Advisory Council on Government Assets**, announced that 60 grocery stores would be Authorized to sell beer by December 2015
- **60 grocery stores** were approved across four regions (North, West, GTA, and East)
 - **46 large grocery stores** (Category A) and **14 smaller grocer stores** (Category B)
- **Up to 150 total grocery stores** are to be authorized by May 2017 and **up to 450 total grocery stores** until 2025
- Important program details and regulatory rules were set out by the Government in **Ontario Regulation 290/15** of the *Liquor Control Act* which can be found here:

<https://www.ontario.ca/laws/regulation/150290>

Getting Approved

The first 60 grocery stores interested in selling beer were required to secure the following:

1

Successfully bid on a “Wholesale Supply Agreement” with the LCBO

- Grocery store operators bid to become eligible to enter into a Wholesale Supply Agreement with the LCBO through a competitive process

2

Secure an “Authorization to Sell Beer in Grocery Stores” from the AGCO

- Grocery store operators selected by the LCBO for a Wholesale Supply Agreement applied and secured an Authorization to Sell Beer in Grocery Stores from the AGCO prior to entering into a Wholesale Supply Agreement with the LCBO

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

- Loyalty rewards can be issued on purchase of beer but cannot be redeemed towards the purchase of beer – any advertising referencing loyalty rewards and beer must reflect this



Sampling

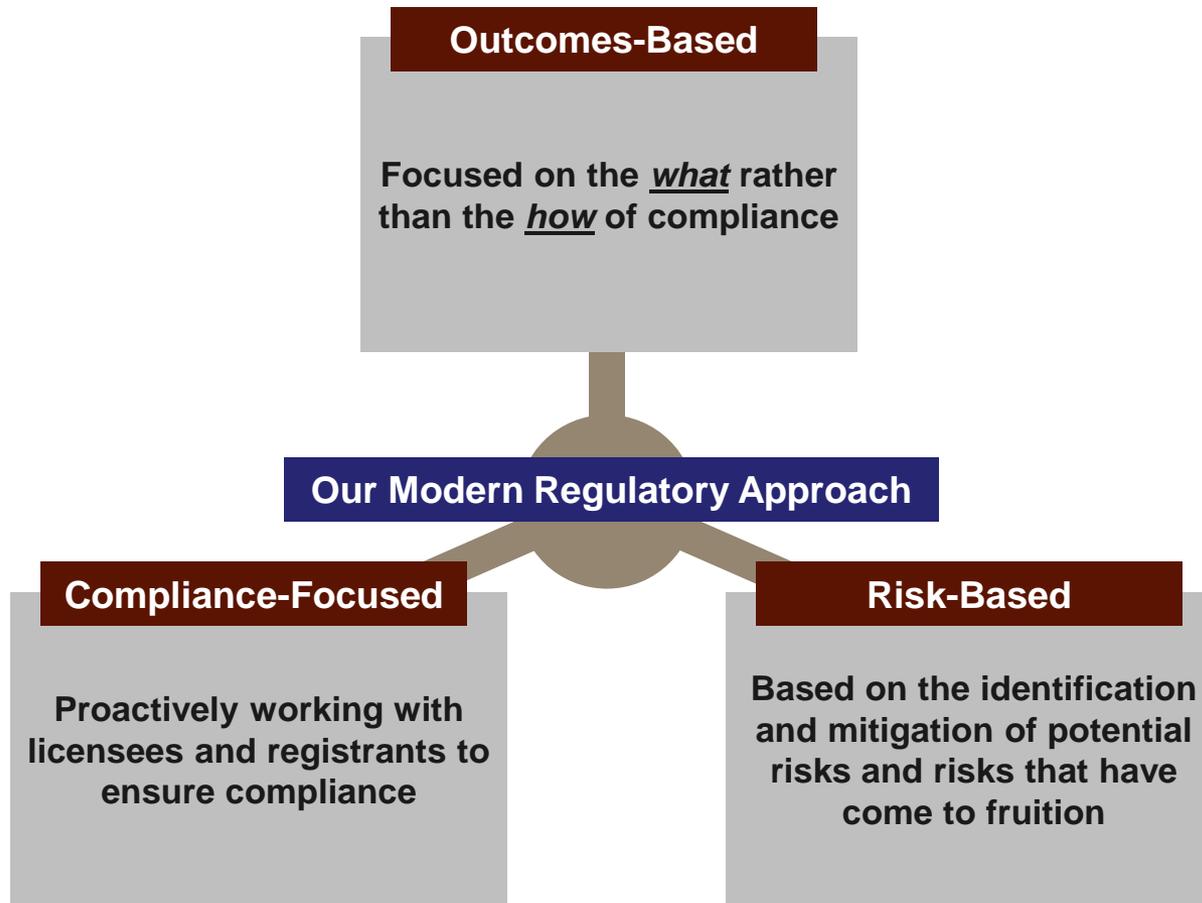
- Regulatory rules and allowable sampling practices are set out in Section 7 of the AGCO's "**Sampling Guidelines**" (November 2015)

http://www.agco.on.ca/pdfs/en/guides/1224_a.pdf

- Sampling in a grocery store may be conducted by staff of that store or authorized representatives of a beer manufacturer
- The rules apply to all samplings in an Authorized grocery store, regardless of whether they are conducted by staff of that store or authorized representatives of a beer manufacturer



AGCO'S Regulatory Approach





Compliance Tools



- The AGCO's Modern Regulatory Approach includes a range of options to promote regulatory compliance with the *Liquor Licence Act*, the *Liquor Control Act* and their regulations.
 - Education
 - Verbal Warning
 - Written Warning
 - Monetary Penalty
 - Additional Authorization / Licence Conditions
 - Suspension of Authorization / Licence
 - Revocation of Authorization / Licence



An Early Assessment: Clarification on Regulatory Rules

Applying for an Authorization

- Grocery stores applying for an Authorization to sell beer from the AGCO completed an application available on the AGCO's website: http://www.agco.on.ca/en/whatwedo/beer_sales_grocerystores.aspx

The Authorization application form had two parts to be completed:

1. **Part A - Ownership Information**

- Required for both franchisor and franchisees (if applicable)
- **Personal History Form** required for individuals that have decision-making authority or oversight of the sale and storage of beer

2. **Part B - Location Information**

- Collects store specific information
- **Personal History Form** required for on-site grocery store managers that have oversight of the day-to-day operations of selling and storing beer

Maintaining an Authorization

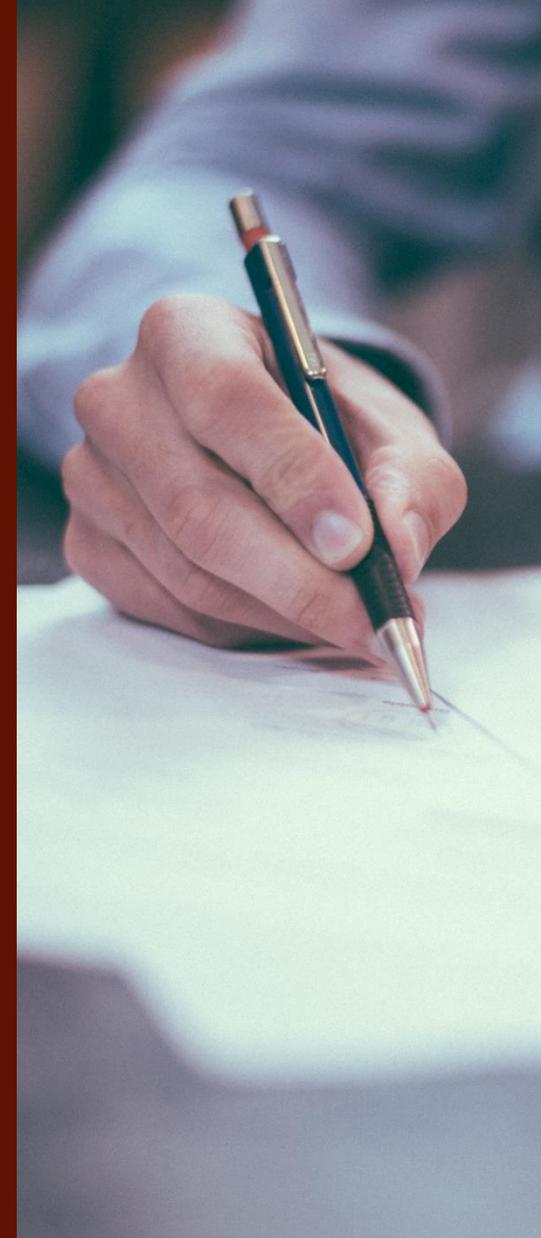
- Authorizations are valid for **1 year from the date they are issued** – regardless of when a grocery store may begin the sale of beer
- A grocery store will receive a reminder and a simplified renewal form from the AGCO to renew its Authorization **60 days prior to its expiration**
- Grocery stores must complete and submit the renewal form, along with the fee, to the AGCO prior to the date of expiry of their Authorization to ensure their regulatory approval to sell beer does not lapse (**\$7000 annual fee per each Category (A) store and \$3000 per each Category (B) store**)
- If key individuals change (e.g. store manager) please notify the AGCO. Note that a **Personal History Form** will be required for new individuals.

Authorization Relocations

- **A change to a retail store location must be approved by the AGCO**
- **The proposed location must be within the same region and the retail store must be operated by the same person(s)**
- An application to relocate an Authorization (Part B) must be submitted if the location of the store is changing and there is no change to the operator/ownership
- The new proposed location must **meet the eligibility requirements set out in Section 6 of O. Reg. 290/15**

Authorization Ownership Transfers

- **A change of ownership at a grocery store location which currently holds an Authorization must be approved by the AGCO**
- An application to transfer an Authorization (Part A and B) must be submitted
- Additional information such as ***Personal History Forms*** may be required



Hours of Sale

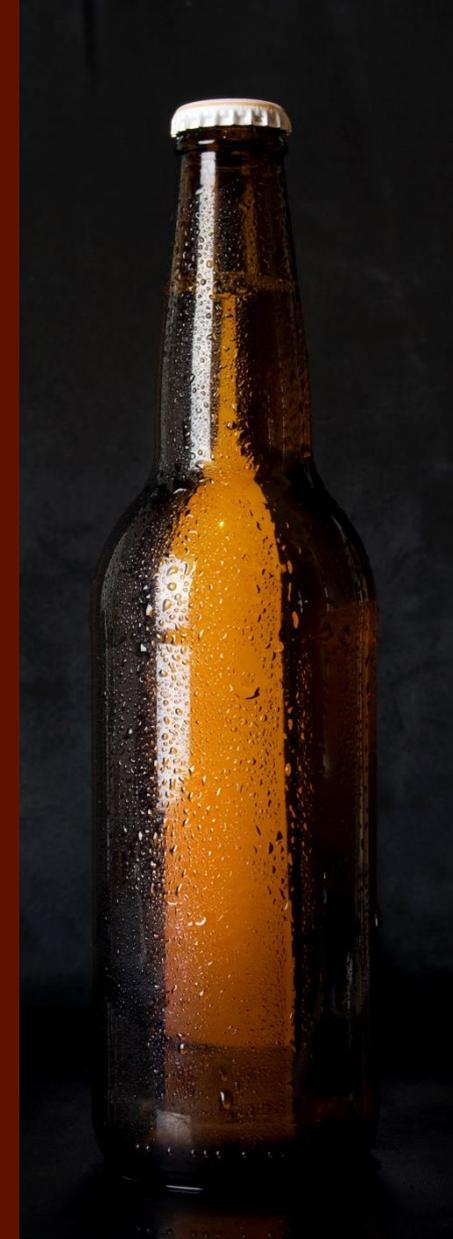
- The permissible hours for an Authorized grocery store to sell beer are:
 - **Monday – Saturday (9:00 AM – 11:00 PM)**
 - **Sunday (11:00 AM – 6:00 PM)**
- As a business decision, an Authorized grocery store may choose to limit their hours of sale within these timeframes
- Refunds are permitted outside retail hours but exchanges are not

Holiday Hours:

- The Ontario *Retail Business Holiday Act* and other provincial/municipal by-laws provide direction regarding Holidays designated for closing
- When selling on a holiday, regular hours set by the AGCO still apply

Eligible Beer Products

- Grocery stores may **not offer** or sell:
 - Beer in packages **greater than six** and may not offer discounts/rebates for purchases of more than **six containers**
 - Free or discounted merchandise that are contingent on the purchase of beer.
 - Beer in containers larger than **750mL** and beer with alcohol content greater than **7.1%**
 - Malt-based coolers
 - A brand of beer in which the store operator has a financial interest





Beer Display and Storage

- The store operator must ensure that at least **20 per cent of the containers of beer on display** are produced by small brewers
- Prices displayed and labelled **must display one final price for beer** including all applicable taxes and container deposits
 - Where required for the purposes of the *Excise Tax Act* (Canada), sales receipts and invoices may include price breakdowns
- Beer must be displayed in **one single contiguous area**
- All grocery store staff **handling beer** must be 18 years of age or older
- Beer stock not on display must be stored in a secure area

Accepting Advertisements

- **Grocery stores are NOT permitted to accept any financial or non-monetary benefit**
- Grocery stores may not accept advertising materials (i.e. signs, uniforms)
- Grocery stores are also not permitted to sell flyer or advertising space to beer manufacturers or their representatives





Sampling Beer Products

- Sampling may only be conducted during retail hours for beer and must be conducted within a designated area adjacent to beer display area
- Only beer products that a grocery store is authorized to carry can be sampled
- Samples cannot be served to any person who is under 19 years of age or appears to be intoxicated
- **Samples may only be offered and served by designated staff of authorized stores and beer manufacturer representatives who are at least 18 years of age and have SmartServe certification**
- All products used for beer sampling must be purchased from the grocery store

Inspections

- The AGCO conducts an Eligibility Inspection prior to issuing an Authorization and will conduct ongoing inspections throughout the term of Authorization to ensure regulatory compliance
- Regulatory education is important to the AGCO and one of the primary objectives of inspections is to ensure grocery staff are aware of their regulatory obligations
- Store-level managers are invited to reach out to AGCO inspectors as they need





An Early Assessment:

LCBO Wholesale Operations Feedback and Continuous Improvement

Beer In Grocery Accomplishments

- 🍺 Launched December 15th
- 🍺 Operational for 10 weeks
- 🍺 All 60 grocery stores have placed orders



Farm Boy Whitby

Beer In Grocery Accomplishments

- ① Feedback from grocers and suppliers
- ① Continuous improvements to systems and processes



Overview

- ① Pricing
- ① Ordering
- ① Data Integrity
- ① Delivery
- ① Reporting → Invoicing → Payment

Pricing

LCBO

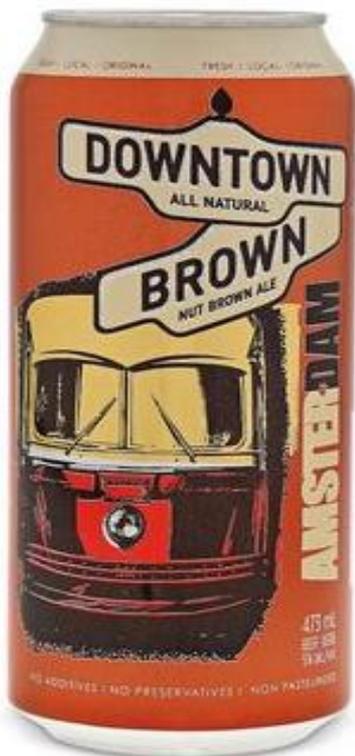
- ① **Uniform across all channels: regulatory requirement and condition of grocer's Wholesale Supply Agreement with LCBO**



Pricing

LCBO

- ① Product catalogue is **the** source for pricing information
- ① Retail price always rounded to nearest **nickel**



Amsterdam Downtown Brown Ale

SKU: 142331

Selling Units per Case Qty: 24

Retail Price of Selling Unit (including taxes & refundable container deposit)	\$2.75	Basic Price (Cost) per Selling Unit	\$2.45	Basic Price (Cost) per Case Qty	\$58.80
Case Qty Ordered	<input type="text" value="10"/>	Total Selling Units Ordered	<input type="text" value="240"/>	Total Basic Price (Total Cost)	<input type="text" value="\$588.00"/>

Add to Current Order

Pricing

LCBO

① Grocery website is **the** source for pricing updates – updated every Monday

www.doingbusinesswithlcbo.com/big/grocers.html

Wholesale
Operations
Group

LCBO

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Supplier

Grocers

FAQ

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Grocery Operator

This page contains information and forms for operators of grocery establishments.

Price Bulletins

[20160208 - Price Bulletin Effective Feb-15-2016](#)

[20160201 - Price Bulletin Effective Feb-08-2016](#)

[20160125 - Price Bulletin Effective Feb-01-2016](#)

[20160118 - Price Bulletin Effective Jan-25-2016](#)

[20160111 - Price Bulletin Effective Jan-18-2016](#)

Product Catalogue Updates

[Updates to GMS Product Catalogue Feb 8 – 2016](#)

Limited Time Offer (LTO)

[20160118 - LTO for Feb-2016](#)

[20151221 - LTO for Jan-2016](#)

[20151215 - LTO for Dec-2015](#)

Full year LTO calendars listed below under Documents.



A system limitation permits maximum 50 items to be ordered per store. We are working to fix this bug. If you wish to order more than 50 items, please place multiple orders.



Go to...

Order Product

Our Grocer Management System is

>>> OPEN NOW <<<

[Order Now](#)

GMS Support
Tel: 1-888-826-4334

lcbohelp@tangentia.com

Ordering

LCBO



Priority A enhancement to Grocery Management System (GMS) to **remove 50 item limit** for grocer orders

The screenshot displays the LCBO ordering system interface. At the top, there is a navigation bar with 'Beer' and 'Download Catalog' on the left, a search box, and 'All Departments' on the right. Below the navigation bar, there are breadcrumb links: 'Home', 'My Account', and 'Order History'. The main content area is divided into a left sidebar and a main panel. The sidebar contains sections for 'My Account' (with a sub-section 'SETTINGS'), 'ORDERS' (with sub-sections 'Requisition Lists', 'Saved Orders', and 'Order History'), and 'ORGANIZATIONS' (with 'Organizations and Buyers'). The main panel shows a tabbed interface with 'Orders' and 'Waiting for Approval'. The 'Orders' tab is active, displaying an 'Order History' table with columns: 'Purchase Order', 'Order Date', 'Order Details', 'Status', and 'Total Price'. Three orders are listed: 67895 (November 19, 2015, Order Submitted, \$66.00), 777222 (November 19, 2015, Order shipped, \$172.00), and 1234 (November 19, 2015, Inventory Availability, \$15.00). Each order has a 'Re-Order' button and a 'Details' link. The 777222 order also has a 'View Status / Confirm Receipt' button. The 1234 order has a 'View Status' button. At the bottom right, there is a summary table for Order No: 1234, showing 'Ordered' (3), 'Available' (1), 'Shipped' (0), and 'Received' (0) for 'Molson Canadian'. A note below the table states 'Will be Shipping soon'.

Purchase Order	Order Date	Order Details	Status	Total Price	
67895	November 19, 2015	Details	Order Submitted	\$66.00	Re-Order
777222	November 19, 2015	Details	Order shipped	\$172.00	Re-Order
1234	November 19, 2015	Details	Inventory Availability	\$15.00	Re-Order

Order No: 1234	Ordered	Available	Shipped	Received	X
Molson Canadian	3	1	0	0	

Will be Shipping soon

Ordering

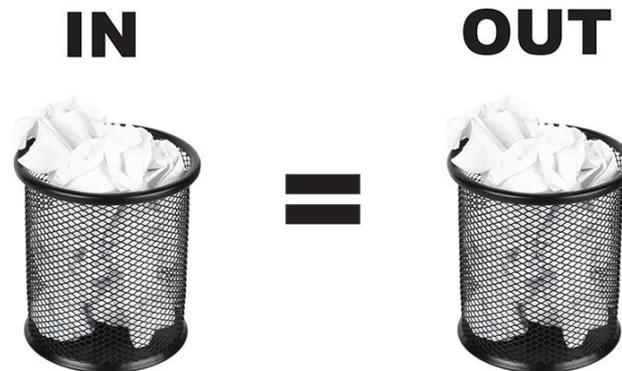
LCBO

-
- ① Minimum order quantity (MOQ) per grocer order is 50 cases
 - ① At the request of supplying sources MOQ will be implemented for each supplying source
 - ① MOQ item attribute in GMS and product catalogue will be updated shortly

Data Integrity

LCBO

- ① **SUPPLIERS:** Critical that **correct** and complete item attribute information is provided from **DAY 1**



- ① **Correct UPC code** critical to an efficient transaction
- ① Correct data facilitates grocers orders and **payments to suppliers**

Data Integrity

LCBO



GROCERS: Product catalogue is the source for product information



Data Integrity

LCBO



GROCERS: Updates to catalogue highlighted on grocery website – updated on Mondays

www.doingbusinesswithlcbo.com/big/grocers.html



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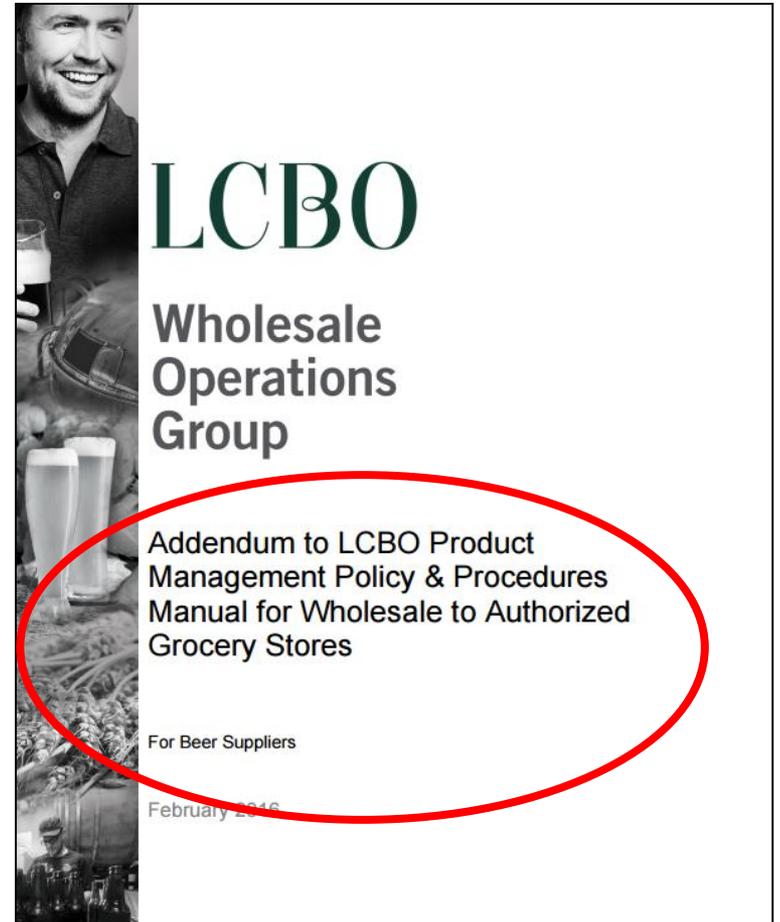
-
- ① Feedback from grocers regarding **supplying source deliveries**:
 - ① Illegible and handwritten documents
 - ① Quantity in units
 - ① No purchase order number
 - ① No LCBO Item #
 - ① Drivers not respecting grocer's receiving procedures
 - ① Impacting grocer's ability to **report receipts** and LCBO's ability to **invoice**

Delivery

LCBO

🍺 SUPPLIERS:

Policy and procedure manual for wholesale to authorized grocery stores is available on grocery website



🍺 Shipping documentation requirements

Shipping Documentation

The following shipping documentation must accompany each shipment and be **type faced** and not hand-written:

1) **Bill of Lading (BOL)** must contain the following information:

- Identification of ship-to-location (grocer store name and corresponding LCBO store #)
- Grocer purchase order number
- Total number of pallets
- Total number of cases
- Identify any company-owned or returnable pallets
- Must be marked 'freight prepaid'

2) **Packing Slip** must contain the following information:

- Identification of ship-to location (grocer store name and corresponding LCBO store #)
- Grocer purchase order number
- Itemized list of the shipment including
 - **LCBO Item #**
 - **LCBO Item Description**
 - Quantity of delivery in **cases**

Delivery

LCBO



SUPPLIERS: entering acknowledgement and advanced shipping notice (ASN) details into GMS facilitates your payment

Display Order

lcboga.tangentia.com/cd/DisplayOrder?key=[OR.3.1]

Order 99001_0002

Tasks: Prepare Shipment, Apply, Close

Reports

PO No. TESTPO002

Order Date December 3, 2015

Delivery Date

Ship To Loblaw's Test Store
123 Test St.
Toronto, ON
A1A1A1

Status: Accept

GMS Order No. 99001_0002

Messages

UPC	LCBO Item No.	Size	Description	Qty. in Cases	Quoted Price
	698209		Sleeman Clear 6 Pk-B	4	
	613497		Moosehead Lager	40	
	905976		Budweiser	20	
	306944		Shock Top	20	
	917773		Carling 6 Pk-C	4	
	900621		Molson Canadian 6 Pk-B	12	
Totals:				100	

Enter delivery date, accept & apply

Quantities can be changed

Delivery

LCBO

- ① **Advanced shipping notice (ASN):** entered into GMS **24 hours prior** to shipment to grocery store
- ① **Supplying source lead time is up to 14 days**

List Orders

lcboqa.tangentia.com/cd/PrepareShipment?key=[OR.5.1]&action=add_pack

List Orders

Ship Date	Carrier	BOL No.	Probill No.	Tasks
12/17/2015		TEST123		Apply Close

Product Code	Partner Code	Description	Qty.	Selected
Ship To : *EXTENT				
306944		Shock Top	20.00	<input checked="" type="checkbox"/>
613497		Moosehead Lager	10.00	<input checked="" type="checkbox"/>
698209		Sleeman Clear 6 Pk-B	4.00	<input checked="" type="checkbox"/>
900621		Molson Canadian 6 Pk-B	12.00	<input checked="" type="checkbox"/>
905976		Budweiser	20.00	<input checked="" type="checkbox"/>
917773		Carling 6 Pk-C	0.00	<input checked="" type="checkbox"/>
TOTAL:			66.00	

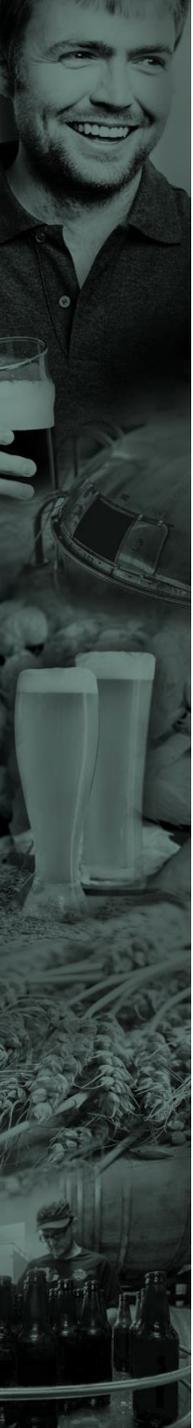
Enter Final Ship Quantities

Click "Apply" to confirm the shipment

Delivery

LCBO

-
- ① **SUPPLIERS:** ship what grocer ordered
 - ① No substitutions at delivery site
 - ① No back orders on items
 - ① No second deliveries on an order
 - ① **GROCERS:** do not have to accept product that was not order
- Facilitates payments to supplying sources



Reporting → Invoicing → Payment

LCBO

- ① **BIGGEST CHALLENGE:** Grocers reporting receivables
- ① Receival reports due every **Tuesday by noon** for all product received in week prior ending Saturday
- ① Currently **two methods** for reporting receivables:
 - ① Excel spreadsheet; OR,
 - ① In GMS

Reporting → Invoicing → Payment

LCBO



OR → GMS

Orders

Waiting for Approval

Order History

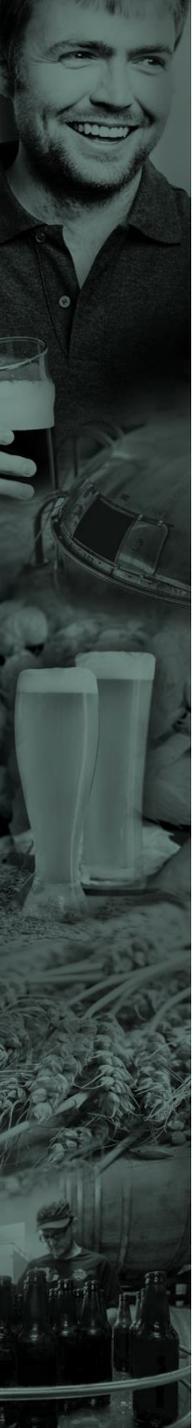
Showing 1 to 20 of 25 < 1 - 2 >

Purchase Order	Order Date	Order Details	Status	Total Price																					
JT230	December 21, 2015	Details	Order shipped View Status	\$2,150.00	Re-Order																				
<table border="1"><thead><tr><th>Order No :JT230</th><th>Ordered</th><th>PO Acknowledged</th><th>Shipped</th><th>Date Received</th><th>Received</th><th>X</th></tr></thead><tbody><tr><td>Heiken Lager 6 Pk-B+ SKU : 0000018</td><td>50</td><td>40</td><td>30</td><td><input type="text"/></td><td><input type="text"/></td><td></td></tr><tr><td colspan="6" style="text-align: right;">NOTIFY</td></tr></tbody></table>						Order No :JT230	Ordered	PO Acknowledged	Shipped	Date Received	Received	X	Heiken Lager 6 Pk-B+ SKU : 0000018	50	40	30	<input type="text"/>	<input type="text"/>		NOTIFY					
Order No :JT230	Ordered	PO Acknowledged	Shipped	Date Received	Received	X																			
Heiken Lager 6 Pk-B+ SKU : 0000018	50	40	30	<input type="text"/>	<input type="text"/>																				
NOTIFY																									
JT220	December 19, 2015	Details	Order Submitted View Status	\$2,150.00	Re-Order																				
JT210	December 18, 2015	Details	Order Submitted View Status	\$2,328.00	Re-Order																				

Reporting → Invoicing → Payment

LCBO

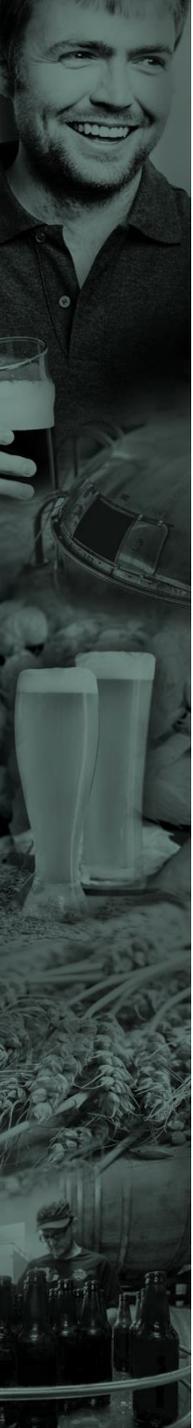
-
- ① Each line item received against a **PO**
 - ① If item missing from the order or order is incomplete **enter “0” quantity** whether in spreadsheet or GMS
 - ① Suppliers required to **clean up paperwork** to facilitate better reporting
 - ① Laxness in reporting can impact ability for grocers to **place future orders** as well as **payments** to suppliers



Reporting → Invoicing → Payment

LCBO

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- ① **Demand forecasts and inventory on hand** for LCBO supplied beer
 - ① **Grace period** for grocers extended for this requirement during initial start up
 - ① Data sent to you on January 12 will assist in **forecasting**
 - ① **Collaborate** with suppliers on forecasting



Reporting → Invoicing → Payment

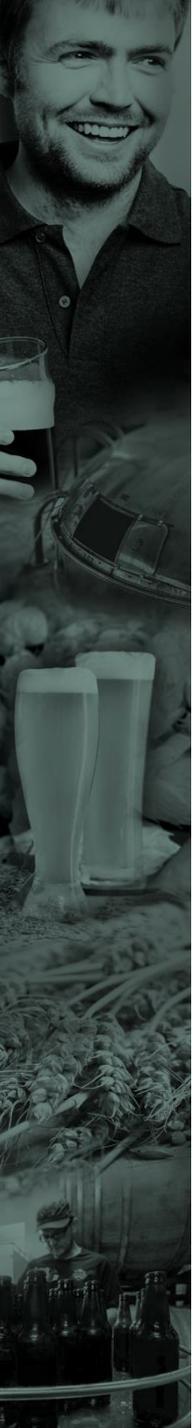
LCBO

- ① Weekly demand forecast and inventory reports due every **Friday by noon** for **upcoming quarter** for LCBO supplied beer
- ① Purpose is to ensure **inventory** to fulfill grocery orders
- ① Reports required as of **March 4, 2016**

Important to Remember

LCBO

- ① **LCBO is source of information** for grocers and suppliers
- ① **Dedicated team** to the program
- ① **Committed** to continuous improvement
- ① **Open** to stakeholder feedback



Wholesale Operations Group: Contact team

General Mgmt:

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Invoicing/Payments:

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Customer Service:

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Your Questions



Additional questions and concerns can be sent to webinars@agco.ca

Find the AGCO on Twitter at:

[Ont_AGCO](#) (English)

[Ont_CAJO](#) (French)