



July 8, 2019

Dear Trade Partner:

Subject: WMS implementation at Durham

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As you know, a few weeks ago we implemented our new Warehouse Management System (WMS) at the Durham Retail Service Centre. This transition is central to our modernization of the Durham facility and our efforts to better serve all our customers.

As we transition to the new system things are progressing well, and we are seeing increasingly positive results with each day we are working in the system. However, while some interruption in service was to be expected, deliveries remain moving at a slower than usual pace and this has resulted in downstream implications impacting the customer experience in our stores. Our primary goal was always to minimize disruption for our Trade partners and we appreciate that you may have questions and concerns. As such, I would like to take the opportunity to provide an update as to what you can expect over the coming weeks.

Where we are:

- We anticipate Durham RSC delivery operations to remain slightly behind schedule – arriving at stores one to three days late. We expect this trend to continue for the remainder of the month. To put this into context:
 - Today's picking at the warehouse, includes completing Friday, Saturday and beginning to pick Monday's orders
 - Tuesday we will finish picking Monday's orders
 - On Wednesday we will be picking Tuesday's orders.
- The delays in stores getting deliveries has resulted in further downstream impact to our in-store inventory position, fill rates and ultimately has had a negative impact to our customers experience in our stores.
- The teams at all our Retail Service Centre are working around the clock to ensure that we maintain daily replenishment orders.
- Our Retail stores and teams also continue to work around the clock with us receiving loads on weekends and evenings.

What we are doing:

- Our immediate objective is to focus on the customer experience in our stores. LCBO will temporarily implement additional product flow options in order to optimize service to our partners:
 - We are creating short term inbound options that include,
 - Leveraging third-party partners to unload and palletize freight.
 - Adjusting inbound product flow options to maximize movement through the Durham RSC direct to customers and regional hubs.
 - On the outbound side,
 - We are instituting and leveraging regional hubs/stores that will serve to augment the distribution of seasonal, promotional and Vintages products through their capacity to perform Inter Store Transfers.
- We recognize this technology implementation has had an impact on many promotional items & programs, along with our Vintages Releases and many seasonal products. We are looking at options and remedies for impacted programs and products.

Our commitment to this project and to our customers is strong and we are laser focused on getting not just back to our regular operations – but to providing an improved and more efficient level of service – as soon as possible.

On behalf of the LCBO, thank you for your patience during this critical transition.

Sincerely,



Nick Nanos
SVP, Supply Chain & Wholesale