

# LCBO E-commerce Dec.9, 2015 Trade Summit FAQs

1.) Will there be storage fees for e-commerce Products of the World and boutique stores?

Specialty Services will waive storage and interest on cases held specifically for Products of the World - Ecommerce/BOUTIQUE stores. Specialty Services commits to providing notice of any change to this practice.

2.) Which carrier will be used for home delivery, Canada Post or other? Will they have any Social Responsibility mandate? (E.g. not delivering to minors, etc.)

Canada Post is the contracted carrier for home delivery. They will support our Social Responsibility mandate to check ID for anyone 25 years or younger, and will not deliver to a suspected intoxicated person.

3.) If you are going to target consumers with consignment wines will you increase available space to support demand? (On-hand and in-transit?)

We will require minimal allocation for ecommerce, and have adequate space to support this in the interim. Cases held specifically for Products of the World - Ecommerce/BOUTIQUE stores will be inventoried outside of consignment thresholds.

4.) Will you be doing any cross-promotion with your partners (agents)?

We are indeed going to do cross-promotion.

5.) In the quest to be the “best online service in the world,” what competitive analysis was done to create the model?

We are benchmarking against otheretailers and retailers in and outside our industry. We’ve completed a market scan of comparative online market places, looking at the largest players like Amazon, EBay and Etzy. We’ve also performed customer research and usability studies to understand what customers need and want from us in digital channels and how to provide a great online experience.

6.) How do you decide what brands are on page 1 of the website?

Search results are randomized to ensure distributed exposure for all products. There will be some promotional opportunities as an extension of other available marketing program, and eventually specifically for online exclusive features too.

7.) Specialty services are badly under-resourced. Will you add resources to make this work?

Specialty Services is committed to ensuring adequate resources to execute all programs including Products of the World for Ecommerce/BOUTIQUE stores.

8.) With flash offers, is the entire cost borne by the supplier or will the LCBO also contribute to the discount?

Flash offer discounts will be at supplier cost.

9.) Will suppliers/agents be able to provide on-line video content? If not, how will imported brands be able to offer content?

This will not be considered in the short term for our launch, but will be evaluated on a case-by-case basis in the future.

10.) Can all our existing consignment portfolios be on the ecommerce platform if it's not domestic?

Yes.

11.) Instead of segmenting agents by consignment/non-consignment, why not open up more consignment spaces? Why not have this for only consignment agents?

This is not necessary, as not all agents may want to participate. There may be suppliers interested only in on-demand ecommerce or marketplace orders, and do not want to keep inventory with the LCBO. The initial phase of this project was exclusively on consignment inventory. During multiple discussions with Drinks Ontario/Agents during the summer of 2015, Specialty Services recognized the need to provide commercial opportunities to non-consignment agents as well. Consignment inventory committed to Products of the World is outside of an agent's threshold. A non-consignment agent, with commitment to participate, receives a specific "consignment type order" for specific quantities for Products of the World - Ecommerce/BOUTIQUE.

12.) Why can't customers sign a lab waiver like they do for private orders?

Like some other ecommerce programs, we will have a return/refund policy since some unopened and returned products may wind up in our store network for resale. For our customer's safety, we require all ecommerce products to have been lab tested for safety. Specialty Services allows customers to sign a lab waiver with the understanding that the product is for personal consumption.

13.) How is product selection managed for boutique stores? Will there be calls?

There will be a Product call to all Agents using the LCBO NISS system. As needed, Specialty Services will review all previous NISS submissions and if still required, issue additional product calls.

14.) Is the LCBO guaranteeing safe shipping to ensure wine quality (e.g. heated transportation)?

Will be consistent with our current Logistics policies and procedures. LCBO will continue to transport utilizing our current supply chain infrastructure and methodologies.

15.) When are you doing Italy, France and California for Boutique store Products of the World?

Fall/Winter of calendar 2016.

16.) How is the money split on wines of the world? Does LCBO take normal mark-ups and consignment agents get normal commission?

No changes to our current markup / pricing policies and process. Agents must be sure to quote appropriately.

17.) With all of these extra products being lab tested, what steps are being taken to ensure continued timely service by the lab for all products?

The Quality Assurance department will ensure there are adequate resources to manage all testing including requirements for Ecommerce/BOUTIQUE Stores.

18.) If we bring in a wine specifically for e-commerce and it doesn't sell, what happens?

Specialty Services has defined the requirements for sell through rates for Consignment and Non-Consignment agents. All online exclusive products will be evaluated by the LCBO. Agents can decide to remove products from the online channel themselves if they feel the sales do not meet their targets. Stock remaining after the defined time frame (6 months), will return to the agent's portfolio and given an additional 14 days for the agent to arrange a customer order.

19.) Regarding lab fees, for small POW orders, are you going to waive the cost of the lab test?

There are no additional lab fees for any POW products already tested. Fees will be charged for new POW products. During the NISS submission, Specialty Services will request a confirmation that the product has or has not been tested through the LCBO Quality Assurance department. The product will not require LCBO QA testing, if the product has an acceptable pass status. The lab testing fee will be charged in accordance to current Specialty Services practices. The lab fee is payable after 45L have been sold through the LCBO.

20.) What are the projected annual sales per year for e-commerce?

We are forecasting around 40,000 transactions / orders in our first year. We'll know better after launch.

21.) Will lab fees still be waived for products if total sales are less than 45 L?

Lab fees will not be waived for products being offered for sale online. A passed lab test result is required for products offered through E-commerce and/or BOUTIQUE stores. The lab testing fee will be charged in accordance to current Specialty Services practices. The lab fee is payable after 45L have been sold through the LCBO.

22.) Are packaging requirements as strict as general list items? E.g. ECT ratings and flap gaps.

To begin with, products will have the same requirements as consignment/specialty services products, since they will be shipping into the Toronto Warehouse and not into Durham. Packaging and labeling requirements for Products of the World allow for current Vintages and Specialty Services exemptions. Please keep in mind however, that this could change at any time, and the packaging standards may change accordingly.

23.) Must Inter-provincial suppliers ship within 24 hours – is that rule firm? Most BC suppliers do not ship to Ontario on a daily basis.

For clarity on this – The expectation will be for Inter-Provincial suppliers to acknowledge receipt of their orders within 24 hours, and ship shortly thereafter. Specialty Services will facilitate the shipping from the supplier to the LCBO. We ask that the supplier contact the designated carrier for pick up within 24 hours of receiving the LCBO purchase order.

24.) How will POW / E-Commerce SRP be handled, given that consignment products are marked-up by agents?

Agents are responsible to quote products appropriately and the retail selling price for Products of the World must be uniform across all selling channels.

25.) Will NISS calls specifically solicit brands for the E-commerce channel, with projected cases stated, and SRP range?

Yes, there will be calls through NISS, but there will not be projected sales targets for the first year. We will also NOT be indicating a desired price range for e-commerce products – it will be up to the Agent/Supplier to let us know the retail price and define the number of secured cases for the product offering. We will be accepting all price points, assuming they are above our minimum price threshold.

26.) Do you expect any backlash from the licensees now that a lot of consignment products are going to be available online?

Whether a consignment product goes up for sale on lcbo.com will be entirely up to the Agent. If it has a strong following amongst licensees and the Agent anticipates a negative reaction, then it is probably not a good idea to submit that product for consideration. We will not be selecting what consignment products go up for sale – it will be up to the Agents to indicate their interest by applying in NISS.

27.) Some vintages ethnic rapid release products sell > 3000 cases/year (> than GL Targets) are not main list and not Essential. For e-commerce, do these have to wait until 2017?

Vintages Releases are on the ecommerce and marketplace roadmap. A timeframe for when they will be available to order online isn't available yet. It is also possible for the Agent to phase this product in and out of consignment in between releases – it can be on e-commerce when it is not in VINTAGES, helping to create more consistent supply in the marketplace. Products of the World is an opportunity for agents to list their products on either or both, E-commerce and BOUTIQUE Stores. This will provide increased commercial opportunities and consumer access to products not currently listed in Vintages or LCBO.

28.) Can a non-Ontario resident order from LCBO and will you ship out of province?

Customers from all over the world are welcome to shop LCBO ecommerce; however delivery and pickup will be in Ontario only.

29.) Will sale of data access be available now?

Eventually, but not at launch.

30.) In regards to on-demand sales, how do you expect to have any supplier be able to turn an order in 24 hours?

The expectation will be for Inter-Provincial suppliers to acknowledge receipt of their orders within 24 hours, and ship shortly thereafter. Specialty Services will facilitate the shipping from the supplier to the LCBO. We ask that the supplier contact the designated carrier for pick up within 24 hours of receiving the LCBO purchase order so that we can meet customer delivery expectations.

31.) Will e-commerce products ever be delisted? What happens if the vintage changes - must we re-apply if there's no stock?

All online exclusive products will be evaluated by the LCBO. Sales Targets will not be set in the first year, however once we have a better gauge as to sales, we may then begin to implement sales targets. In an ongoing partnership with the agents and suppliers, Specialty Services will assist in removing Products of the World from E-commerce and BOUTIQUE stores. A new vintage for Products of the World includes a new item submission through NISS and all online exclusive products will be evaluated by the LCBO.

32.) Does “must be produced in Canada” include “ICB” or imported bulk (100%) bottled in Canada?

If the package is labelled “Product of Canada” it is eligible. Bag-in-Box or other formats not allowed in our stores will not be purchased for sale on-line.

33.) Is label compliance required for POW and E-comm brands?

Packaging and labeling requirements for E-commerce and BOUTIQUE stores will follow current Vintages and Specialty Services exemptions.

34.) For Canadian produced product out of province (ie. BC), can we ship from our Ontario warehouse?

The LCBO will arrange the freight delivery from the supplier (including authorized warehouse in Ontario) to the LCBO in accordance with current LCBO shipping practices.

35.) Can licensees buy (and sell) online?

Our initial launch this Spring 2016 will be a B2C (consumer) experience. B2B (including Licensee) sales are on the ecommerce future roadmap.

36.) Can we do virtual offer for super premium products?

This will continue to be available through VSO, and eventually on the new lcbo.com ecommerce experience.

37.) Are there performance targets and applicable rebates? (Non-consignment products)

Product sales targets have not been established. We will take the first year to monitor sales, and then sales targets will be set for these products to maintain their presence on-line. Specialty Services outlines sales expectations at time of order for consignment and non-consignment products to ensure that we are managing inventory turnover as well as enabling the agents to address other customer sales.

39.) In regards to inter-provincial wines of the world (non-consignment). Is that essentially Private Order with long delays in shipping?

Private Ordering allows customers to request products we don't currently offer. Inter-Provincial ecommerce products are listed by suppliers and agents, and customers will shop them. Products of the World are required to have the cases readily available to ship within 24 hours to meet customer expectations.

40.) Can consumers only purchase Consignment and Inter Provincial products by the case?

Yes. The case configuration is determined by the vendor.

41.) How and who will be chosen for feedback when you are testing the e-commerce?

Members of the trade will be invited to test the new lcbo.com ecommerce site for feedback, before we go live.

42.) For the Canadian products, why is cider not included?

All product categories will be considered, including wine, spirits, beer and ciders.

43.) Is there a limit to the # of NISS applications? (as per Vintages)

There is no limit on the number of NISS applications.

44.) The product call is being announced in Jan- when is the deadline for submission?

There is no deadline, as applications will continue to be considered as they are submitted.

45.) If licensees order through this new channel, will supplier thresholds be increased to accommodate added SKUs entering the mix?

Licensees will not be able to order on-line. Only regular consumers will be able to purchase in our first phase of ecommerce.

46.) How many orders do you anticipate in year one, and what would be the split between home deliveries and free pick up?

We are estimating first year sales of 40k orders, with an average of 10 units per order. Approximately 80% of orders will be delivered to store for pickup.

47.) Will Licensee and SOP sales be available on e-commerce?

B2B and SOP are on the ecommerce roadmap in the future.

48.) For global/longer shipments how will you manage beer that expires?

Will be consistent with our current Logistics policies and procedures and follow the current LCBO shipping practices and methodologies.

49.) Will shipments be temperature controlled?

Will be consistent with our current Logistics policies and procedures and follow the current LCBO shipping practices and methodologies.

50.) For existing products do we need to re-apply to NISS?

Yes.

51.) What percent of orders are you targeting to be pick-up vs. delivery?

We are estimating close to 80% of orders will be picked up in store; this is consistent with saq.com.

52.) How are the 3500 LCBO products chosen for the e-commerce program?

All products available in stock at store 217. This includes de-listed products in stock.

53.) Where do you ship when order is placed by consumer? 5 DC's only or direct to store?

LCBO will leverage current supply chain infrastructure that will give the customer an option for free delivery to the LCBO store of their choice. These orders will be cross docked through the LCBO RSC to the destination LCBO store. Customers will also have the option to have their order delivered directly to their home for a fee.

54.) Will you geo-fence any of the product offering for remote regions, or will they have access to full product list?

All regions of Ontario will have access to the full online assortment.

55.) Will Ecommerce home delivery orders ship only to Ontario addresses?

Correct. Anyone from around the world can buy but orders will only ship to an Ontario address.

56.) Can the suppliers/agents provide digital content (videos) or where and who generates the content?

This will not be considered in the short term for our launch, but will be evaluated on a case-by-case basis in the future.

57.) Will the LCBO offer specific supplier promos (LTOs, BAMs, etc) only for the e-comm program?

We are considering all opportunities to promote the ecommerce channel, but may not introduce online exclusive promotions for launch.

58.) Will there be sell-through quotas for ecommerce, and sell-through discount chargeback?

Online product-specific sell-through targets have not been established yet. There won't be any fees in the interim.

59.) Will ecommerce be available within the LCBO mobile app?

LCBO.com website is a mobile responsive site that scales appropriately depending on your device (smart-phone and tablet). Ecommerce through the LCBO app is also on the ecommerce roadmap.

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