

LCBO

DESTINATION COLLECTION PROGRAM OVERVIEW

The LCBO's Destination Collection Program is comprised of two sales channels: Destination Boutique stores and e-commerce.

- **Destination Boutique stores:** These sections are located within select LCBO retail stores and feature an expanded assortment of alcoholic beverages from specific countries/regions or specific categories. Please visit www.lcbo.com for exact store locations (under the Collections banner, click "Destination Collection" then "Shop our Destinations In-Store").
- **e-Commerce program:** This program allows consumers to purchase Destination Collection products (case quantities and/or bottles) from LCBO.com. Outside of Destination Boutique stores, these items are not available for consumer sale via other LCBO channels.
- Products can be sold through both channels. An item available on eCommerce could be considered for listing within a Destination Boutique store (provided that there is a Boutique store that fits the product category). Products from categories that don't align with a Boutique store will be released as online exclusives.

Criteria for Participating Products

- Products must have a compliant UPC as described in the LCBO Product Packaging Standards.
- While participating in the Destination Collection program, product must not be available through other LCBO retail sales channels, including but not limited to: Vintages, Vintages Essentials, and Classic Catalogue. It is the agent's responsibility to notify LCBO if products with the same UPC are participating through multiple sales channels.
- Order quantities will be between 60 bottles up to a maximum of 360 bottles (in full cases).
- Uniform pricing of products is required, meaning that the LCBO selling price must be the same in Specialty Services as it is on LCBO.com and at an LCBO retail store.
- The final retail price must align with the price quoted in NISS. Agents are encouraged to fill out and attach the appropriate pricing calculator with each submission. The pricing calculators can be found on the 'Pricing' page on www.doingbusinesswithlcbo.com.
- All products must meet LCBO's Social Responsibility mandate and Quality Assurance standards including chemical testing, labeling requirements etc. as applicable for LCBO retail.
- Tasting notes are required for participating products.
- In accordance with LCBO policy, we will continue to purchase products shipping from source locations. It is the agent's responsibility to ensure all products submitted adhere to this policy.

Performance Expectations

- The expected sell through is 100% in a twelve (12) week period once the initial allocation becomes available.
- Products that do not meet the expected sell through are subject to a supplier-funded markdown.

FREQUENTLY ASKED QUESTIONS

How will products be selected?

Products will be selected from submissions that are input into NISS in response to the Product Needs Letter. The Product Needs Letter is a document that identifies the type of products that the LCBO is interested in purchasing. The Product Needs Letter will stipulate the criteria for the submissions including style of product, and price point(s). The letter also includes submission deadlines which must be met for a product to be considered for purchase. Products entered into NISS by the submission deadline will be evaluated by the Category team. Product evaluations are based on the following criteria, as well as the overall judgment of the buying team regarding the commercial prospects of a product:

- Fit with product call parameters
- Past performance of the same product in the Destination Collection Program and/or the performance of other products from the same supplier
- 3rd party awards/accolades
- Label and packaging appeal
- Product differentiation

Following this review, a decision will be made to purchase the product or to decline the submission.

Will consignment brands still be considered? How will that process work?

Consignment brands will be considered for purchase. Products should be submitted into the appropriate product call. Please note that following the transition into SCMe, we will be unable to facilitate the transfer of stock from the Consignment and/or High Volume Consignment Program to a Destination Collection Boutique store or the eCommerce Fulfillment Centre. If a brand from the Consignment/High Volume Consignment Program is selected for purchase, a Purchase Order will be issued through SCMe. The order quantity will reflect the forecasted demand for the item through the Destination Collection Program.

If my product is declined, can I submit it again in a future product call?

Yes! We will be purchasing products to meet our forecasted sales and consumer demand for a given period of time. A product decline will often mean that we have fulfilled our projected needs for the time being with other products. We will be constantly replenishing with new products as our stock sells down. If the product is still available, agents can resubmit products in the next call for consideration at another time.

Will the Purchase Order process be changing?

Yes. The Purchase Order process will be changing. Items will be ordered using LCBO's Merchandising system (i.e. SCMe) & will be housed in the Trillium Warehouse.

How will products be released for sale?

We will be strategically timing product releases in accordance with our sales and assortment plan. An initial allocation will be sent to the eCommerce Fulfillment Centre and the Boutique store(s) (if applicable). Items will be replenished as stock remains available.

Where can we monitor sales?

Following the transition to SCMe, sales data will be available through the Sale of Data (SOD) program. Information on the SOD program can be found on www.doingbusinesswithlcbo.com.

How to do you determine the quantity you will buy?

Various factors will be used to determine the purchase quantity such as:

- Past performance of the item
- Past performance of similar items
- The price point of the product (i.e. purchase quantities for super premium/deluxe priced items will generally be lower than for more approachably priced products)
- The product type (i.e. purchase quantities for niche items will generally be lower than for more mainstream product types)
- Scheduled release timing (i.e. if the item is scheduled for release during the peak selling period for the product type, the purchase quantity will be higher than if the same item is scheduled for release during an off-peak period)
- Forecasted sales and associated purchasing budget, and amount of inventory on hand & on order

What are the product Quality Assurance requirements for Destination Collection products?

Products sold through the Destination Collection channel must comply with compositional, labelling and packaging requirements set out in the LCBO Product Packaging Standards and Guidelines for Chemical Analysis as amended from time to time, and all other applicable standards and policies described in the LCBO Purchase Order Terms and Conditions.

A first-time shipment of a product (new product) will require Quality Assurance testing. Inbound shipments are reviewed on a continual basis and samples may be selected at any time for Quality Assurance purposes. At a minimum, samples are tested on an annual basis. A testing fee is applied for the product testing; the cost of this service plus applicable taxes will be automatically debited from the Supplier's LCBO account. Testing fees are currently waived if the annual order quantity of a product is 45L or less.

From what point will you start measuring sell through?

All items selected for purchase will be assigned a specific release period. Products will be ordered & received to ensure that we have sufficient time to complete the pre-release processes (i.e. lab, pricing, allocation) & have the product on shelf by the scheduled release date. We will start measuring sell through from the point in which a product has been released (i.e. stock has been allocated to the boutique store/eCommerce). If there is a delay with the release of the product for reasons that are within the LCBO's control, this will be taken into consideration when assessing the sell through of an item.

What do I do if my product doesn't meet the specifications of any of the product calls?

If you have a product proposal that does not fit into any of the calls, please contact Courtney Dawson at courtney.dawson@lcbo.com and Julie Hauser at julie.hauser@lcbo.com to discuss the opportunity.