



February 3, 2010

To: LCBO Trade Partners

Re: LTO Strategy February 2010 – LCBO WINES Category

This year, we have seen unprecedented changes in consumer spending. One thing that has become very clear is that consumers are looking to spend their money carefully and are far less willing to take risks. In the coming year, we will be faced with a new challenge of enticing the LCBO shopper to explore our vast selection of wines and grow our business in a much more cautious retail environment.

With this in mind, the WINES category has developed a new strategy to better utilize our Limited Time Offer program (LTO) to make a greater selection of wines available at price points that are more attractive to our customers. Our objective is to temporarily reduce the retail of a greater number of premium priced wines each period and offer our consumers a wider assortment at price levels that are within their comfort zone. We will no longer be offering Limited Time Offers on value brands. Instead, we will continue to offer a broad selection of wines at an everyday low price.

In general, value brands are those products that retail under \$10.00. We have found that Limited Time Offers on products with regular retail prices under \$10.00 stimulate a great deal of brand switching, but do not contribute to overall sales growth. The exceptions to this strategy will be in emerging countries and categories where the bulk of the business indexes significantly higher in lower price points. As well, we will exclude P11 as consumers are shopping for and have grown to expect greater value at this time of year.

We began implementing this strategy starting with the last round of IMAGE applications that encompassed P3 - P6 next year. Our deadline for the next set of applications for P7 – P10 are due in February and we thought this update would be useful when putting together your brand plans.

Please note that this new strategy applies only to the LTO program. Value brands will still be eligible to participate in all other LCBO in-store merchandising programs. If you have more specific questions on how this affects your brands, the Category and Product Managers would be happy to discuss your portfolio with you.

From the entire WINES Category, I wish you all a very happy and healthy 2010 and we look forward to working with all of you in the coming year.

Thank You

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