



February 3, 2010

To: All Trade Associations

Re: LCBO Spirits & Beer – New Sales Targets

Over the past decade, the LCBO Spirits & Beer category has experienced tremendous growth. That growth is continuing in 2009/10, despite the challenging economic times. It is the ongoing efforts and dedication of our suppliers that make this growth possible, and on behalf of the Spirits & Beer team I would like to thank you for your hard work and commitment to driving sales.

We believe the category strategy of inspiring our customer with a world-class assortment will continue this trend and deliver ongoing future growth. Key to this success is our ability to collectively bring new and exciting products to our customers, keeping them engaged in the category and increasing the frequency of purchase. We need to ensure that our processes support this ability and provide an effective means for our suppliers to bring new products into the stores.

The current sales quota process used to measure product performance has not been updated since 1997, and sales of Spirits & Beer have increased by more than 80% during this time. As a result the quota system is no longer an effective tool for managing our assortment.

New Sales Targets

In July of 2009, the Wines category announced the launch of a new sales target system to replace the old quota system. Effective February 1st, 2010, Spirits and Beer will also be moving to the new sales target system. Targets for Spirits and Ready-to-Drink will be in Net Dollar Sales, while targets for Beer will be in Sales Litres. They will be set by product grouping, taking into account category size, prospective growth, and optimal product assortment. The targets will be established to protect 90-95% of the net margin generated by the product grouping, with products in the bottom 5-10% identified for potential discontinuation. Targets may be set at the 80-85% level in some categories such as Ready-to-Drink, where a higher rate of new product introductions is anticipated. Sales targets set specific to each product grouping allows us to effectively identify under-performers, while still offering a complete assortment to our customers.

Each agent by the end of February will receive a letter outlining the performance of their products relative to the new sales targets. There will be a six month transition period during which agents can undertake initiatives to increase sales on products not meeting their target, or if appropriate develop an exit strategy. All products will be reviewed again in August with those not meeting targets identified for potential discontinuation.

Attached are the new sales targets by product grouping, as well as an example for calculating Net Dollar Sales, (Retail price less taxes, duties, and bottle deposit X unit volume.)

We look forward to working with you to continue offering our customer a world-class assortment that delivers great sales results. If you have any questions regarding the new sales target system, please do not hesitate to contact me, or any of the applicable Category or Product Managers.

Best regards



Chris Robertson
Director, LCBO Spirits & Beer

cc: Bob Peter
Bob Downey
Shari Mogk-Edwards
Tom Wilson
Patrick Ford
Bill Kennedy
Kate Mallett-Thomas
Kathy Cannon
Spirits & Beer Category

LCBO 2010 Sales Targets – Effective February 1st, 2010

SPIRITS & RTD	
Product Grouping	Annual Net Sales \$ Target
Brandy	\$425,000
Cognac	\$315,000
Tequila – Deluxe	\$150,000
Tequila - Premium/Standard	\$400,000
Single Malts	\$200,000
Whiskey American – Deluxe	\$200,000
Whiskey American - Premium/Standard	\$500,000
Whiskey Irish – Deluxe	\$200,000
Whiskey Irish - Premium/Standard	\$350,000
Whisky Canadian – Deluxe	\$450,000
Whisky Canadian - Premium/Standard	\$1,000,000
Whisky Scotch - Blended Deluxe	\$500,000
Whisky Scotch - Blended Premium/Standard	\$750,000
Grappa, Armagnac, Eau De Vie, Fruit Spirit	\$160,000
Liqueurs Classics	\$400,000
Liqueurs Cocktail Mixers	\$320,000
Liqueurs Exotic Mixers	\$340,000
Liqueurs Sippers Bitters	\$230,000
Flavored Vodka, Gin & Rum	\$500,000
Gin – Deluxe	\$100,000
Gin - Premium/Standard	\$500,000
Rum - Deluxe & Cachaca	\$150,000
Rum - Premium/Standard	\$750,000
Soju/Shochu	\$500,000
Vodka – Deluxe	\$500,000
Vodka - Premium/Standard & Alcohol	\$1,800,000
Mini - 50 mL	\$250,000
Mini - 200 mL	\$400,000
Cocktails-to-Go & Coolers	\$1,200,000
One Pour Cocktails	\$700,000
Flavoured Wines	\$900,000

LCBO 2010 Sales Targets – Effective February 1st, 2010

BEER	
Product Grouping	Annual Sales Litres Target
Cider – Domestic	3,000
Cider – Imports	60,000
Imported Beer - Europe - Mini Keg	75,000
Imported Beer - Europe - Multipack Bottles	50,000
Imported Beer - Europe - Multipack Cans (> 355 MI)	110,000
Imported Beer - Europe - Multipack Cans (355 MI Or Less)	75,000
Imported Beer - Europe - Single Bottle – Lager	60,000
Imported Beer - Europe - Single Bottle – Specialty	13,000
Imported Beer - Europe - Single Can	100,000
Imported Beer - Other Import - Multipack Bottles	30,000
Imported Beer - Other Import - Single Bottle	12,000
Imported Beer - Other Import - Single Can	40,000
Imported Beer - Usa And Mexico - Multipack Bottles	90,000
Imported Beer - Usa And Mexico - Multipack Cans (> 355 MI)	25,000
Imported Beer - Usa And Mexico - Multipack Cans (355 MI Or Less)	180,000
Imported Beer - Usa And Mexico - Single Bottle	80,000
Imported Beer - Usa And Mexico - Single Can	50,000
Ontario Beer - Multipack Bottles (> 6 Units)	70,000
Ontario Beer - Multipack Bottles (6 Units Or Less)	180,000
Ontario Beer - Multipack Cans (> 355 MI)	1,600,000
Ontario Beer - Multipack Cans (> 6 Units)	80,000
Ontario Beer - Multipack Cans (355 MI Or Less)	300,000
Ontario Beer - Ontario Craft Brewers	7,000
Ontario Beer - Single Bottle	25,000
Ontario Beer - Single Can	150,000
Out Of Province Beer - Multipack Bottles (> 6 Units)	40,000
Out Of Province Beer - Multipack Bottles (6 Units Or Less)	20,000
Out Of Province Beer - Multipack Cans (> 355 MI)	40,000
Out Of Province Beer - Multipack Cans (> 6 Units)	10,000
Out Of Province Beer - Multipack Cans (355 MI Or Less)	10,000
Out Of Province Beer - Single Bottle	15,000
Out Of Province Beer - Single Can	140,000

Net Sales \$ Calculation

Net Sales \$ = (Retail price – bottle deposit) / 1.17 (to back out GST and PST) x case volume x pack size

Example – for a product with a retail price of \$24.95:

- \$24.95 retail – deposit (\$0.20 for 750 mL) = \$24.75
- \$24.75 / 1.17 (PST and GST) = \$21.15 (basic price)
- Basic price \$21.15 per unit X case sales volume X units per case = Net Sales \$