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December 16, 2009

To: All Trade Councils

Re: Details for 2010 Holiday Gift Submissions for the Wines, Spirits, Beer and Ready-to-Drink Categories

We are writing to you to share the details of our 2010 Holiday Gift Submission Program. The letter is divided into four sections: **DEADLINES**, **PRODUCT DETAILS**, **SHIPPING DETAILS** and **ACKNOWLEDGEMENT**

### **DEADLINES**

The deadline for submissions has been extended (see below). Please refer to the specific product needs letters on the LCBO's New Item Submission System (NISS) for more details on what each category is looking for.

- **Wines, Beer & Ready-To-Drink** submissions are due **January 22, 2010**.
- **Spirits** submissions are due **January 25, 2010**.

**The following MUST be submitted with each NEW and REPEATED submission unless otherwise stated.**

#### **Note:**

- **REPEATED items** include any products that were carried as part of the 2009 Holiday Gift portfolio by Wines, Spirits, Beer or Ready-To-Drink, and where there has been no change to the 2010 submission.
- **NEW items** include those that were not part of the 2009 Holiday Gift portfolio, or where there are planned changes to the 2010 submission (i.e. a change in pack size, gift contents, packaging, etc.). These submissions will be assigned a new LCBO number if purchased for Holiday 2010.
- **Deposit Return:** We will be unable to purchase gift packs containing multiple units of different container sizes within the same pack, if the deposit amount varies. For example, a gift pack cannot contain products both < 630mL (unless < 100mL) and > 630mL in the same package. Information on the deposit rates and levels by container are available on <https://www.lcbotrade.com>



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For any submission to be considered, the **ACKNOWLEDGEMENT** part of this letter must be completed in full, and signed by the party submitting the gift item and **all of the following conditions must be met.**

### **PRODUCT DETAILS**

Each Holiday Gift Submission **must** include:

1. **Sample(s) of the submission (photographs will NOT be accepted),**
  - One final, or photograph-ready mock-up, with ALL packaging and beverage alcohol components.
  - Two additional samples of the product component. These samples will be sent for tasting and lab analysis and must be accompanied by a completed LCBO Request for Label Examination Form (LCB 1642). *This is not necessary if the product is carried regularly.*
  
2. **A complete application. This includes:**
  - An on-line application through the LCBO's New Item Submission System (NISS).
  - A completed Section "C" from the Product Profile and Marketing Plan (LCB 2048).
  - An explanation as why the LCBO should consider purchasing the gift item, including any relevant product information.
  - An estimated retail price in Canadian dollars.

**A letter from the supplier, on company letterhead, detailing the following critical TERMS, FEES and RETAIL PRICE & PACKAGING INFO:**

#### **TERMS:**

- Agreement to the following payment terms: payment as of January 3, 2011.
- Agreement to adhere to all LCBO packaging standards and the Canadian Association of Liquor jurisdictions product identification standards for the use in the distribution of beverage alcohol.
- Agreement to bear all costs related to re-work should the supplier fail to adhere to the LCBO packaging standards.
- Written confirmation of the number of cases in a 20', 40' and 40' temperature controlled container, or number of cases in a 53' truck (depending on the mode of transportation).



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- Written confirmation of the maximum quantity in cases available to the LCBO if the supply is limited.
- Written confirmation of any minimum case quantity requirements (i.e. in order to achieve a certain price).
  - If the gift item is available in limited quantities, this must be disclosed in the application. If no limit is specified, it will be expected that all orders will be honoured. If no limit is specified on the application, and a limit is then later applied, the order will be cancelled and/or an administration fee of \$1,200 will be levied.
- It is not the intent of the LCBO to mark down gift products. If your Supplier's gift product fails to meet the sell-through targets outlined below, then the LCBO reserves the right to charge back 25% of the quoted cost on any remaining inventories **per the following schedule:**
- Agreement to provide a **25% rebate** for remaining warehouse and retail inventories if the product has not achieved a **50% sell-through by December 4, 2010**
- Agreement to provide a 25% rebate for remaining warehouse and retail inventories if the product has not achieved a **80% sell-through by December 18, 2010**
- For products with Christmas and/or holiday design, suppliers must agree to provide a **25% rebate for all remaining inventories as of December 24, 2010**
- Sell-through for any year-round gift items will be based on the quantity purchased for the holiday period only

**FEES:**

All gift items purchased are subject to a **marketing/merchandising administrative fee of 3%** with a minimum of \$1,500 to a maximum of \$3,500. The percentage is based on the case cost times the number of cases received. The fee includes the photography and production of any in-store communication and point-of-purchase materials used to highlight the gifts, as well as any in-store gift merchandising.

- Written confirmation that the marketing fee will be adhered to.
- Written confirmation of the billing party (Agent or Supplier), address and phone/fax number.
  - **Note:** If the billing party is not specified, the Agent will automatically be billed accordingly.



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**RETAIL PRICE & PACKAGING INFO:**

Written confirmation that the final negotiated retail price will be adhered to, and that any adjustments in order to achieve this retail will be agreed to.

- An FOB or Excellars quote on supplier letterhead, with liquid and packaging components broken down (in the same currency), in the following format:

	<u>Quoted Currency</u>	<u>Quote per Case</u>
a) Beverage alcohol product (indicate regular LCBO # if applicable)	_____	\$_____
b) Non-alcohol accessories (glasses, playing cards, cork screws, etc.) and packaging	_____	\$_____
Total Quote	_____	\$_____

- Packaging components exceeding 40% of the final quote will not be considered.
- If the beverage alcohol product in a gift pack is currently sold at LCBO, the quote for the alcohol component in the gift pack must match that of the regular item. Any change in quote to a regular listed product also requires a change in quote for Christmas gift products. It is the supplier’s responsibility to ensure price changes are submitted for all applicable products.
- Exchange rates used to calculate the retail price of the gift packs would be the LCBO 4th Quarter rate, which will be available in January 2010. Due to the time sensitivity for the execution of the Holiday 2010 gifting program, exchange rates cannot be adjusted for fluctuations in currency.
- If the beverage alcohol product is a regular item, or if any product is listed from this supplier, the supplier freight rate will be applied to the mark-up of the gift pack.
- If the product is not a regular listed item, a standard freight rate will be applied.
- We encourage suppliers to include reusable inserts in their packaging and include the suggested reuse. For example, cardboard pre-wrap could be reused for the storage of items, such as pens, first aid supplies or pasta. If applicable, suppliers must stipulate, “made from 100% recycled material”. However, stating “may be recycled or 100% recycled material”, is not permitted.

**SHIPPING DETAILS**

**Overseas Imported Items:**

- Confirmation of the ability to ship no later than July 23, 2010 or the order will be subject to cancellation or fine.  
**Note:** Imported products that are not available for pick up by the freight forwarder by July 23, 2010 may not be accepted and the purchase order will be considered cancelled. If



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the Business Unit Director agrees to accept the order after the July 23, 2010 deadline, the supplier will be billed a \$1,500 administration fee per week for each purchase order until received in LCBO warehouse facilities

**Domestic and U.S. Items:**

- Confirmation of the ability to ship as per the designated ship date on the purchase order, (between September 13 and October 1, 2010), or the order will be subject to cancellation or fine.

**Note:** If the Business Unit Director agrees to accept the product after the dates specified above, the supplier will be billed a \$1,200 administration fee per week for every purchase order until received in LCBO warehouse facilities.

**It is essential that the purchase orders are acknowledged upon receipt and that the LCBO is kept apprised of shipping details of all holiday process.**

**ACKNOWLEDGMENT**

I, the undersigned, have completed this submission. I acknowledge that I have read and understood all the components and have effectively communicated them to the supplier of the gift package in question.

**Name** (please print) \_\_\_\_\_

**Title** (please print) \_\_\_\_\_

Signature \_\_\_\_\_

In order to maintain the submission deadline for the Holiday 2010 program, the timelines outlined in this document are **critical** and **not negotiable**.

We look forward to working with you to provide a dynamic and exciting Holiday 2010 portfolio for our customers.

Please contact us if you have any additional questions.

Sincerely,



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