



Discover the World

July 22, 2009

To: All Trade Associations

**Re: LCBO Wines – New Sales Targets**

Over the past decade, the LCBO WINES category has experienced tremendous growth. In fact, the annual sales of LCBO WINES totalled over \$1.1 billion dollars in fiscal 2008/2009. It is with great partners like you that we have been able to achieve such sales increases. On behalf of the WINES team, I thank you for all the hard work, creativity and passion that have contributed to these outstanding sales results.

As we look to the future, we see strong opportunities for growth as consumers become more interested and knowledgeable about wine. We still have a long way to go in making wine an everyday part of the Ontario consumer's lives. Our strategy is to provide our customers with a broad and dynamic portfolio of wines and be the leader in bringing new products and trends to the Ontario market. In order to do this effectively we must update our business practices to ensure that we keep our assortment fresh, vibrant and relevant. This entails not only a continuous search to add new and interesting products to the mix, but also an ongoing process to remove poor performers.

**Sales Quotas:**

Our current sales quotas that govern the list status of our products were last updated in 1997. Over the past 12 years, our overall wine sales have more than doubled and trends have significantly changed. The sales quotas of 1997 are no longer an effective tool to manage our business.

**New Sales Targets:**

Effective July 20, 2009, the WINES category will begin to evaluate products using new sales targets that are more in line with today's wine business. The new sales targets take into account the size and growth potential of certain sets and subsets and reflect the potential demand. Since the sales potential in subsets varies, we have tailored sales targets by country, colour and style of wine. This is an effective method to measure the success of a product. The targets have been established to protect 90% – 95% of the net dollar margin generated in the particular subset. What this means is that products making up the bottom 5% - 10% of the margin dollars in a subset are at risk of being delisted.

To make the transition simple to follow, we will be distributing letters to each supplier and agent outlining the performance of their products relative to the new sales target. All products falling short of the new sales targets will be given a grace period of six months during which time it is our expectation that agents will execute initiatives to increase sales. All products will be reviewed again in January and those products with sales that do not achieve the new sales targets will be identified and potentially delisted.



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Attached you will find a copy of the new WINES sales targets. To make it easy and more transparent, the sales targets are calculated in annual net dollar sales (retail price – excluding bottle deposit, duties and taxes X volume). By the end of August you will receive a letter that will detail the sales status of all the brands in your portfolio and their new annual sales target.

We look forward to working with all of you in evolving the WINES category to better prepare for future growth. Should you have any questions regarding the new sales targets, please do not hesitate to contact me.

Thank you,

Kathy Cannon  
Director of LCBO WINES

cc: Bob Peter  
Bob Downey  
Shari Mogk-Edwards  
Tom Wilson  
Patrick Ford  
Bill Kennedy  
Kate Mallett-Thomas  
Chris Robertson  
WINES Category

**LCBO 2009/10 Wine Sales Targets**  
**Effective July 20, 2009**

<b>Country / Region</b>	<b>Net Sales \$ Target *</b>
<b>Ontario</b>	
VQA Table Wines (Red, White, Rosé), VQA Late Harvest Wines, VQA Sparkling	\$ 125,000
CIC & Non VQA Table Wines (Red, White, Rosé)	\$ 375,000
Fruit Wines QC	\$ 125,000
Sparkling (CIC & Non VQA), Fortified	\$ 250,000
<b>New World</b>	
Australia Red	\$ 400,000
Australia White & Rosé	\$ 300,000
California (Red, White & Rosé)	\$ 350,000
Argentina Red	\$ 350,000
Argentina White	\$ 250,000
Chile Red	\$ 350,000
Chile White	\$ 250,000
South Africa (Red & White)	\$ 250,000
New Zealand Red	\$ 150,000
New Zealand White	\$ 250,000
B.C. VQA (Red & White)	\$ 200,000
Other USA (Red & White)	\$ 250,000
<b>Europe</b>	
France - Blends (Red & White)	\$ 400,000
France - Bordeaux Red	\$ 250,000
France - Bordeaux White	\$ 150,000
France - Burgundy (Red & White)	\$ 250,000
France - Languedoc Red	\$ 250,000
France - Languedoc White	\$ 150,000
France - Rhone Red	\$ 250,000
France - Rhone White	\$ 150,000
France - Alsace & Other France	\$ 150,000
Germany Red	\$ 150,000
Germany White	\$ 250,000
Italy Central Red	\$ 300,000
Italy Central White	\$ 250,000
Italy North (Red & White)	\$ 300,000
Italy South (Red & White)	\$ 200,000
Portugal (Red & White)	\$ 250,000
Spain (Red & White)	\$ 250,000
Other Europe - Austria, Hungary, Greece (Red & White)	\$ 150,000
<b>Other</b>	
Champagne (France), European & New World Sparkling Wine	\$ 250,000
Fortified - Port & Sherry	\$ 250,000
Fortified - Vermouth	\$ 350,000
Flavoured Wines	\$ 250,000

\* Annual net dollar sales (Retail price - excluding bottle deposit, duties and taxes x volume)