LCBO

Spirits Update 2023

Presentation overview

1 **Performance + trends**

2 **Promo + assortment strategy**

3 **Aeroplan**

Heather Andrews , Director, Loyalty Marketing

4 **Insights**

Ellen Chung, Director, Customer Intelligence and Insights

Meet the team

Amanda Mustard
Product Manager
White Spirits

Mihir Parmar
Category Admin
White Spirits

Jeryca Dillas
Sr. Category
Manager
White Spirits

Helen Deterville
Administrative Assistant

Alanna Bailey
Sr. Director

Daniel Lefebvre
Product Advisor

Christina Bellotti-Ramzan
Product Manager
Other Spirits

Peter Cloutier
Sr. Category Manager
Brown/Other Spirits

Emily Llao
Product Manager
Whisky

Tania Hofweller
Category Admin
Brown/Other Spirits

Performance + trends

LCBO Spirits

Spirits is a lead product category with a profitable and traffic driving assortment providing strong solution-focused consumer promotions.

The category leverages its core assortment of staple brands to meet our sales objectives while leveraging seasonal and smaller assortment, innovation buys to generate customer engagement and showcase our world-class assortment.

Spirits Net Sales

All $ in thousands ("000"s)	FY2023 Net Sales (Actualized to P5)	YOY % Chg
VODKA	248,285	-1.8%
WHISKY CANADIAN	168,861	-4.0%
RUM	109,384	-4.4%
TEQUILA	91,406	13.9%
WHISKY SCOTCH	78,322	-6.3%
GIN	53,771	-4.0%
LIQUEURS SIPPERS BITTERS	43,868	11.3%
BRANDY/COGNAC	42,361	-13.5%
LIQUEURS CLASSICS	41,183	-6.8%
WHISKEY AMERICAN	34,519	12.5%
LIQUEURS COCKTAIL MIXERS	30,130	3.0%
WHISKEY IRISH	24,678	6.3%
WHISKY SHOP	13,536	20.4%
ASIAN SPIRITS	6,225	20.2%
NEW WORLD WHISKEY	1,798	15.8%
OTHER	186	65.7%
TOTAL	**988,513**	**-0.8%**

Spirits Sales Litres

All $ in thousands ("000"s)	FY2023 Sales Litres (Actualized to P5)	YOY % Chg
VODKA	6,626	-5.3%
WHISKY CANADIAN	4,690	-6.8%
RUM	2,938	-7.5%
TEQUILA	1,471	7.3%
WHISKY SCOTCH	1,253	-9.6%
GIN	1,317	-7.8%
LIQUEURS SIPPERS BITTERS	1,225	4.5%
BRANDY/COGNAC	715	-18.2%
LIQUEURS CLASSICS	1,179	-11.0%
WHISKEY AMERICAN	712	7.3%
LIQUEURS COCKTAIL MIXERS	918	-2.8%
WHISKEY IRISH	536	-0.2%
WHISKY SHOP	122	16.2%
ASIAN SPIRITS	238	11.8%
NEW WORLD WHISKEY	20	10.1%
OTHER	2,298	59.7%
TOTAL	**26,258**	**-5.1%**

Areas of growth

Share loss to RTD

Spirits share of business YTD is down -37 basis points to 35.6%. Areas of growth continue to be the RTD/Cooler business fueled by strong innovation and approachable prices vs rising prices in categories such as Flavoured Vodka.

Growth in RTS

The convenience trend is also showing up though on the higher strength, larger format ‘ready-to-serve’ or ‘pre-mixed cocktails in the spirits portfolio are up 24% YTD.

Customer buying smaller

Premiumization indicators mixed

4.3%

Net/Litre sales ratio outpacing plan and LY

flat%

Sales in deluxe subsets increasing: tequila, Scotch, bourbon – Declining in Cognac, vodka

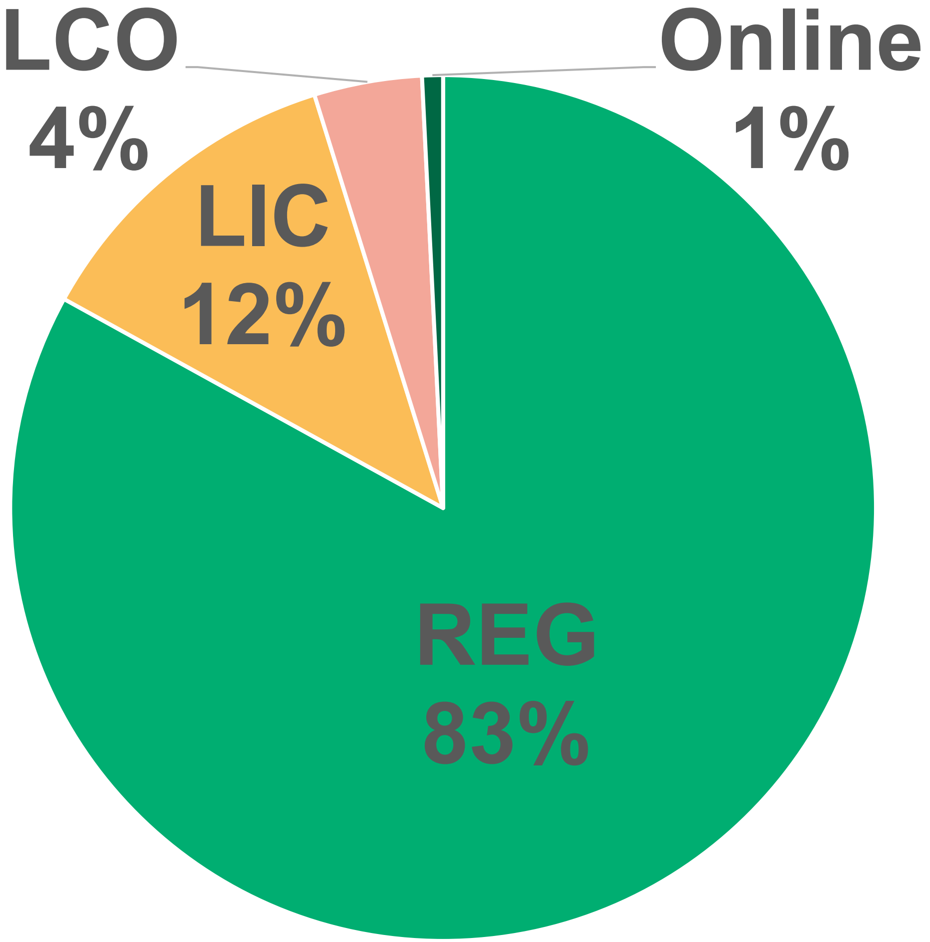
-2.6%

Units/transaction decreasing

Channel shift stabilizing

Licensee sales are leading channel growth.

Pre-pandemic shares are normalizing and should be more stable.



Major categories declining

1	2	3
Vodka	**Canadian Whisky**	**Rum**
$250M	**$168M**	**$109M**
-$4.4M, -1.8% vs LY	-$7M, -4.0% vs LY	-$5M, -4.4% vs LY
-$6.5M, -2.5% vs OP	-$6M, 3.4% vs OP	-$5M, -4.4% vs OP

Major contributors to decline

1	2	3
Cognac	**Scotch**	**Cream Liqueurs**
$40M	**$74M**	**$39M**
-$6.5M, -14% vs LY	-$5.2M, -6.6% vs LY	-$3.0M, -7.2% vs LY
-$8.1M, -16% vs OP	-$4.5M, -5.5% vs OP	-$1.7M, -4.0% vs OP

Inventory management

Monitor overstock

Forecasts & purchase quantities being reviewed for slowing categories, additional markdowns and promos are being added to avoid overstocks.

Invest in growth

Assortment priorities will be reviewed vs customer demand and will be areas of inventory investment increases.

Supply stability

Supply chain volatility has improved particularly from Mexico and the UK.

Promo + assortment strategy

Holiday outlook

What we need

Holiday sales period will be another year of normalization.

Attention to on-time inventory, promotion mix, and execution will be key to category success.

Promotional Outlook F25

- Mini- thematic is now the **Gifting Fixture** with external advertising
- Optimize the promotional mix of support programs (Value Ads, Neck Tags, Aeroplan, LTOs)
- Combine digital advertising with key displays (I.e., Meta Flyer, Paid Placement)
- Flagship programs to be exclusively used for brand/portfolio take-overs
- New Aeroplan lounge and digital activation opportunities

Product Call Highlights

1

Looking for less innovation overall in declining flavoured subsets (Vodka, Gin, Rum)

As customer demands change overtime, purchases and assortment size will reflect these needs. Areas of reduction will include the flavoured subsets which have been seeing steady declines in customer demand.

2

Increase customer interest in Pre-mixed, higher ABV cocktails

As customers look a more solution focused products such as RTD and RTS we will monitor demand and will potentially expand assortments. We are working closely with the RTD and Space Planning teams to better optimize this new segment

3

Monitoring trends in price bands, size

As the marketplace continues to normalize post-pandemic and economic uncertainty continues, we will be reflecting these trends in our selections in growing and contracting price bands and formats.

Spring innovation

Be ready

Monitor key timelines for production and shipping to ensure product arrives ready for the key selling season

Compliant

Compliant packaging, liquid and shipping - to minimize delays to launch.

Monitor

Be ready to react to changing consumer demands and trends to have consistent supply for fast movers or work to pull back on slower interest.

Whisky Shop

- Sales YTD $45M, +21%/$2.5M
- Focus on increasing rate-of-sale, higher-velocity items, markdowns where necessary
- Staff + customer education is critical to program success

Planogram update

- Spirits planogram updates complete, next update in spring
- Master planograms updated each period for new or delisted SKUs
- Next year reviewing possible change to premium sets logic given the growth in SKUs in these categories' vs standard

Local spirits

Gift a Great Local Spirit

Your Thanksgiving host will love these Ontario-crafted spirits.

Shop now

FROM GRAIN TO GLASS

Field & Flask is the new online portal for Craft Spirits Ontario (craftspiritsontario.ca): map your next distillery visit, search for events and more.

118 FOOD & DRINK AUTUMN 2023

Spirit Ambassador Trade Conference

- Category trends
- Industry experts
- Selling skills
- Tequila masterclass

Aeroplan

Heather Andrews
Director, Loyalty Marketing

Bonus offers – up to P5-FY24

Total Bonus Offers

1589

Total Bonus Issuance

246M pts

%age of Total Bonus offers

47%

Avg Pts/Offer

151k

Bonus offer roll up – by Set

- The greatest # of offers have been for Whisky products while the highest average points bonus is for Tequila products
- Customers buying Whisky, Rum and Tequila are more likely to be male
- Customers buying Liqueurs are more likely to be 50+
- Customers buying Tequila tend to be younger

Spirit Set	# of Offers	Avg Offer	Male/ Female	Age 19-34	Age 35-49	Age 50-64	Age 65+
Whisky	544	158	71%/28%	15%	29%	33%	23%
Vodka	289	106	56%/44%	18%	27%	36%	19%
Liqueur Classic	71	92	49%/51%	11%	25%	43%	21%
Gin	137	112	59%/41%	18%	31%	34%	18%
Rum	175	116	66%/34%	14%	37%	34%	25%
Tequila	87	168	64%/36%	27%	36%	29%	8%

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Bonus offer roll up – by Set

- All Sets see strong positive average growth in sales, set and share growth
- There is also a very broad range in the success of offers demonstrating the importance of test and learn to determine what promotion is most effective for each product, when it should be in market and what the offer should be

Set	Sales Growth		Set Growth		Share Growth	
	Avg Growth	Growth Range	Avg Growth	Growth Range	Avg Growth	Growth Range
Whisky	110%	-133% -12100%	19%	-67% - 485%	90%	-129% - 11428%
Vodka	71%	-81% - 670%	12%	-48% - 121%	61%	-64% - 417%
Liqueur Classic	124%	-73% - 2983%	38%	-83% - 240%	88%	-70% - 2373%
Gin	87%	-56% - 1146%	20%	-59% - 154%	72%	-36% - 1337%
Rum	66%	-77% - 466%	14%	-61% - 156%	49%	-54% - 284%
Tequila	67%	-64% - 379%	21%	-61% - 166%	58%	-67% - 262%

LCBO

- Sales Growth - %age sales growth of promoted product period over period
- Set Growth - %age growth of sales for the set that the promoted product is part of
- Share Growth – growth in %age share of sales the promoted product has of total set sales

Bonus offer example

- Example of one SKU testing a different bonus offer in different periods with different bonus amounts

P13-22: Bonus offer – 50 points

P13–23: Bonus offer – 50 points

P3-24: Bonus offer – 100 points

P5-24: Bonus offer – 60 points

Period	Aeroplan Customers			Non – Aeroplan Customers		
	Sales Growth	Set Growth	Share Growth	Sales Growth	Set Growth	Share Growth
P13-22	38%	5%	32%	-5%	0%	-5%
P13-23	6%	8%	-1%	8%	7%	2%
P3-24	32%	8%	22%	7%	4%	2%
P5-24	23%	1%	22%	2%	-2%	4%

Insights

Ellen Chung
Director, Customer Intelligence and Insights

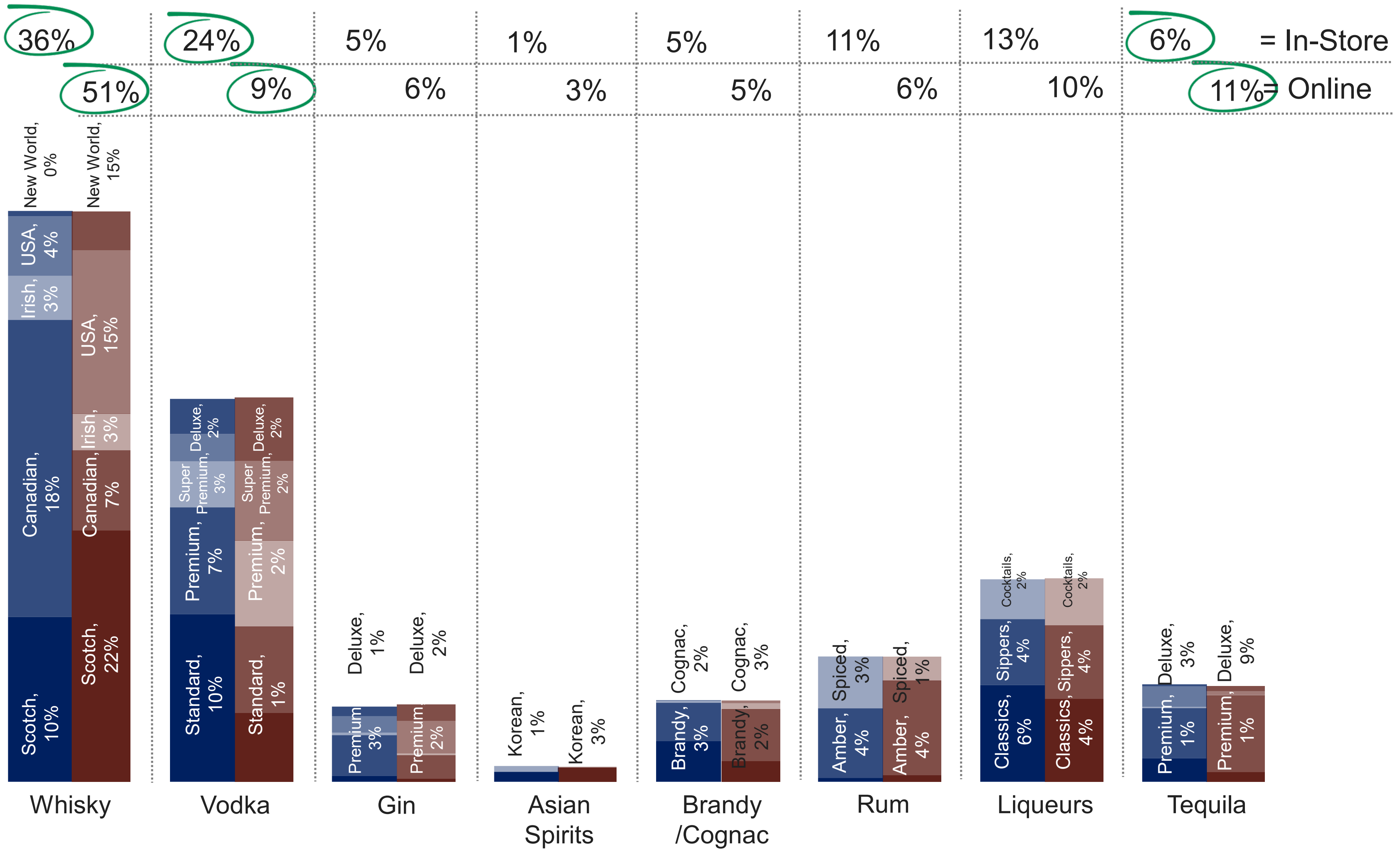
In-Store vs. Online (Net Sales)

Overall, In-Store net sales have surpassed $2.2B (99%) during the past Rolling 13 Periods compared to Online net sales at $28M (1%).

Scotch, american whisky and new world whisky and deluxe tequila overindex online with vodka and rum underindexing

Channel	$	%
In-Store	$2.2B	99%
Online	$27.9M	1%
Total	$2.3B	100%

Spirits Channel Comparison, by Net Sales



Timeframe: August 14th, 2022 to August 12th, 2023 (364 Days)
(P6 2022 to P5 2023)

LCBO

Customer Intelligence

In-Store vs. Online (Units)

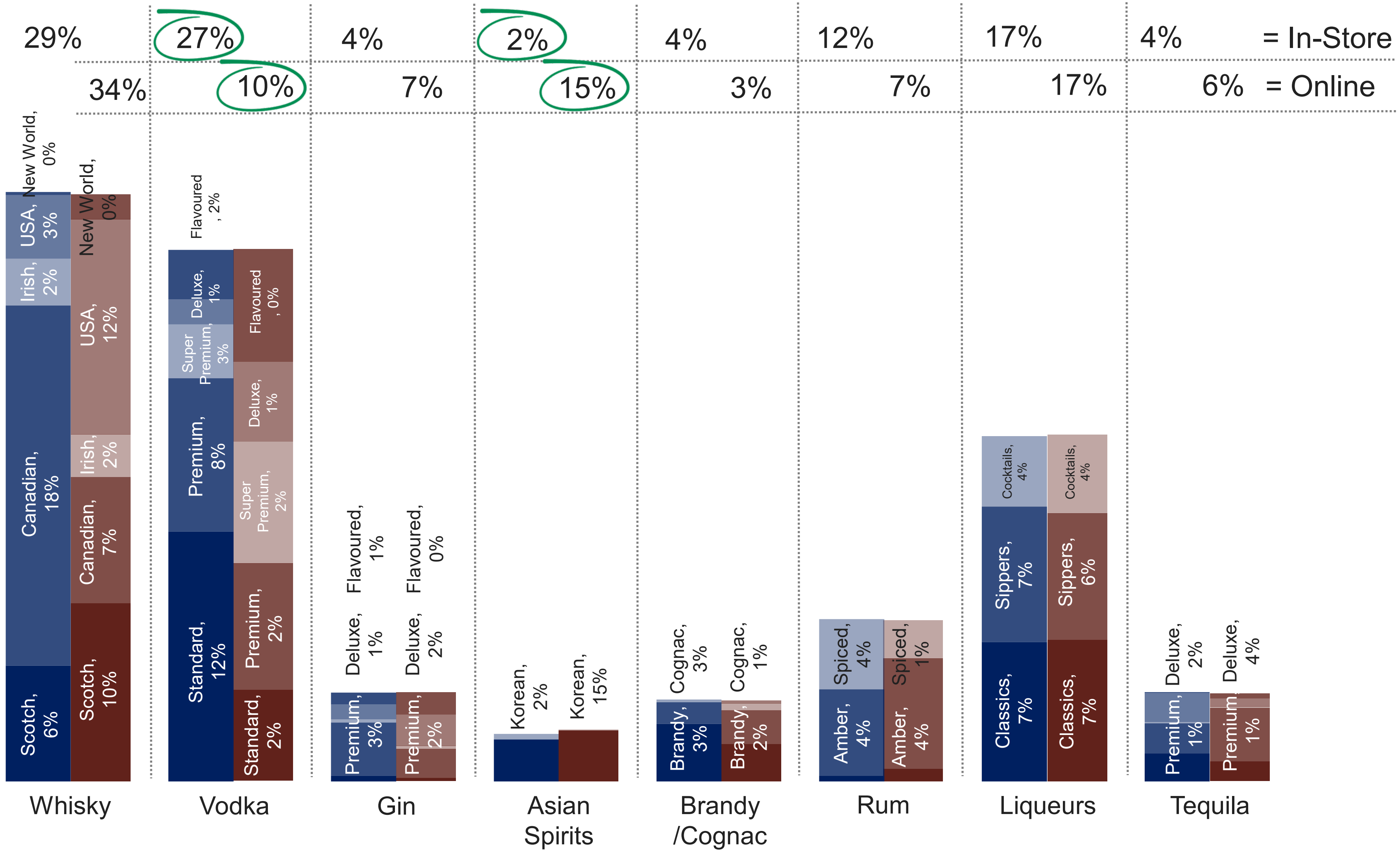
Overall, In-Store units have surpassed 71M (99%) during the past Rolling 13 Periods compared to Online units sold at 598K (1%).

Similar to sales trend, Scotch and, american whisky overindex online with vodka underindexing

Asian Spirits, specifically korean overindex online

Channel	#	%
In-Store	71.4M	99%
Online	597.5K	1%
Total	72.0M	100%

Spirits Channel Comparison, by Units

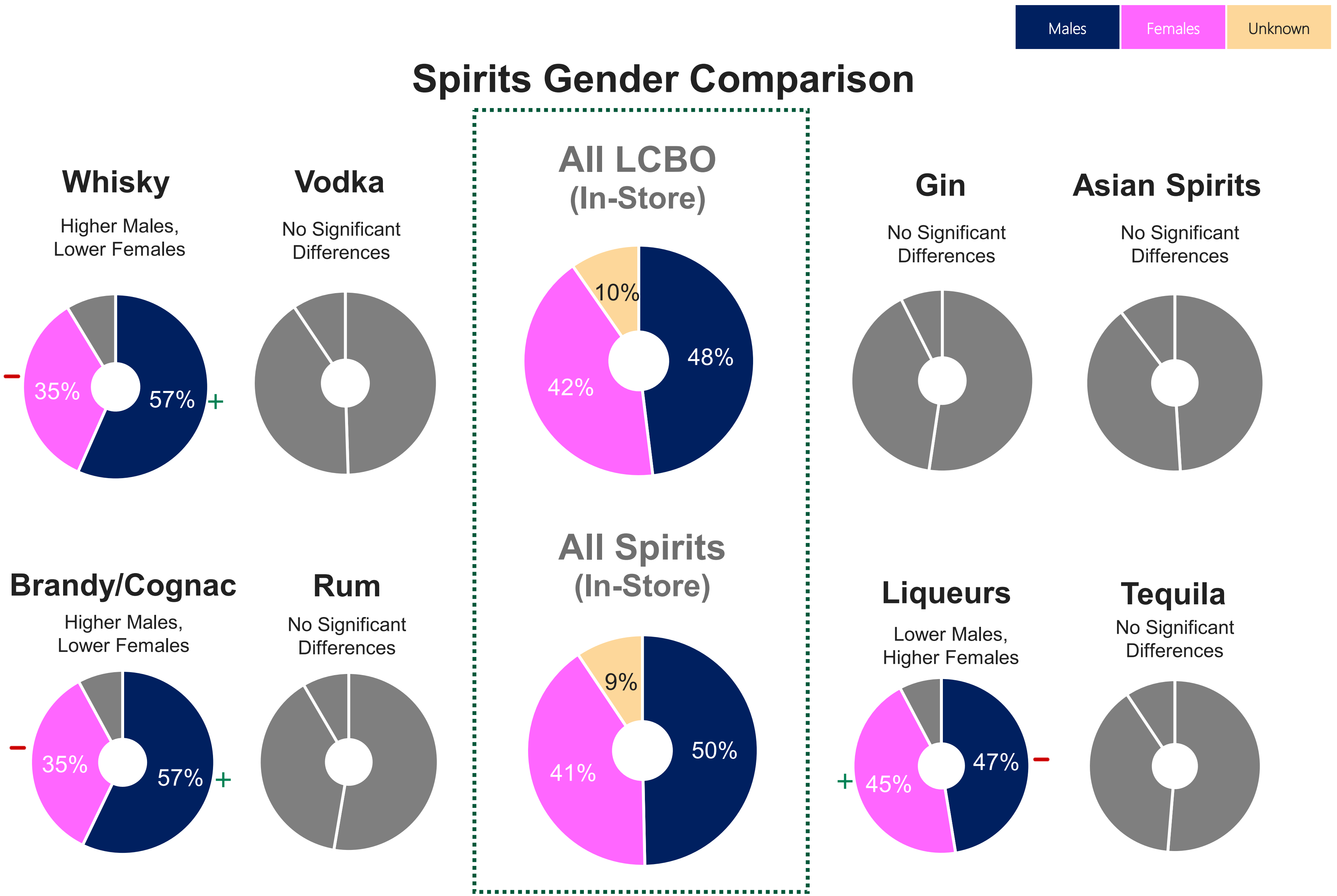


Demographics In-Store (Gender)

When looking at the In-Store differences, Whisky, and Brandy/Cognac over-index for males while Liqueurs over-indexes in females.

Vodka, Gin, Asian Spirits, Rum, and Tequilas do not display any significant difference when compared to the overall LCBO shopper and Spirits shopper.

Spirits Gender Comparison



LCBO

Total LCBO (In-Store: n = 1,176,982, Online: n = 93,675)
Total Spirits (In-Store: n = 883,444, Online: n = 49,412)
Whisky (In-Store: n = 494,426, Online: n = 27,660)
Vodka (In-Store: n = 402,009, Online: n = 9,998)
Gin (In-Store: n = 227,374, Online: n = 8,358)
Asian Spirits (In-Store: n = 51,951, Online: n = 765)
Brandy/Cognac (In-Store: n = 112,941, Online: n = 3,725)
Rum (In-Store: n = 283,330, Online: n = 7,632)
Liqueurs (In-Store: n = 486,335, Online: n = 15,421)
Tequila (In-Store: n = 191,114, Online: n = 6,988)

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Males | Females | Unknown

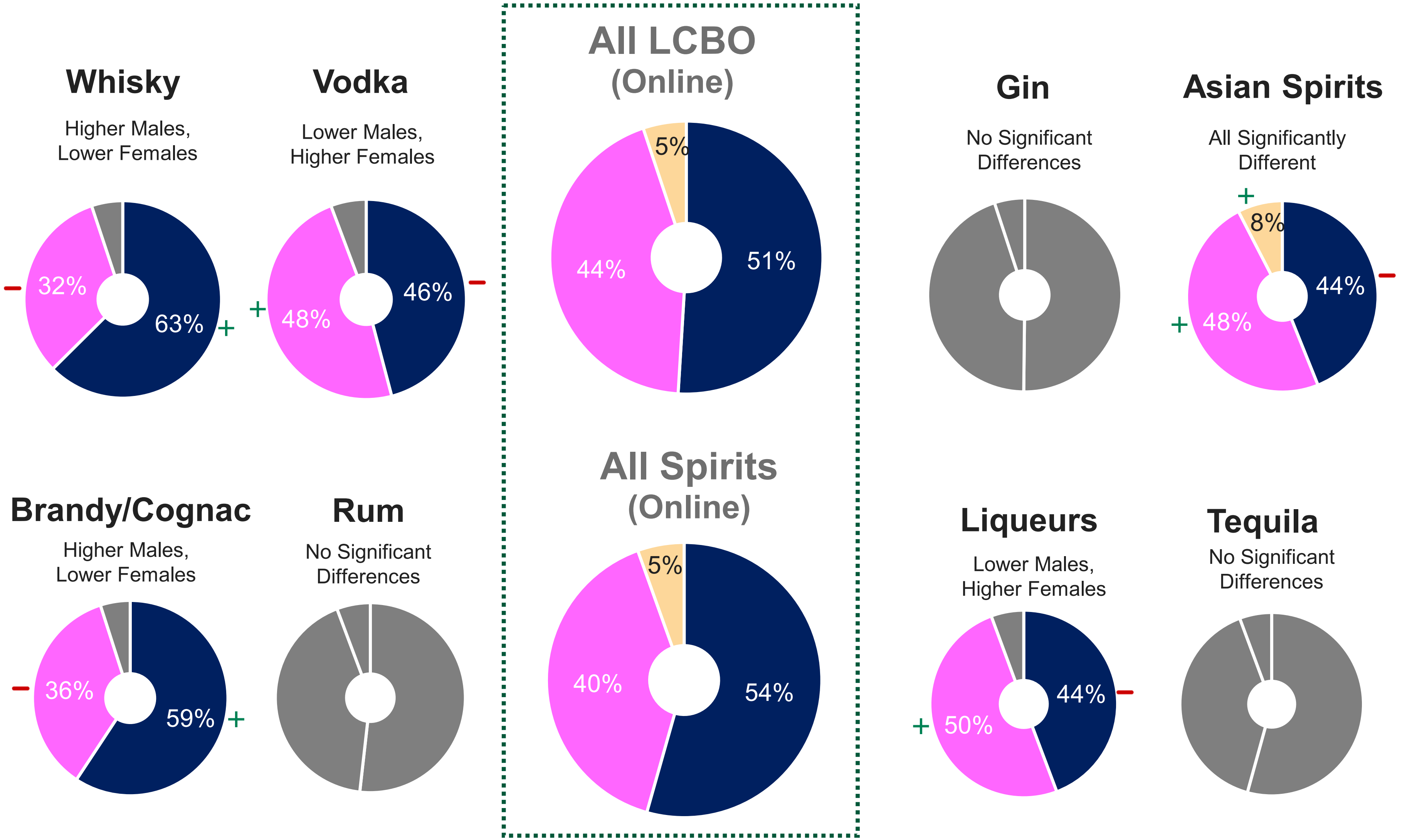
Demographics Online (Gender)

When looking at the Online differences, Whisky and Brandy/ Cognac, and over-index for males while Vodka and Liqueurs over-indexes in females.

Asian Spirits is the only Spirits category to have all its Gender roles significantly different.

Essentially, Vodka and Asian Spirits women are purchasing more online.

Spirits Gender Comparison



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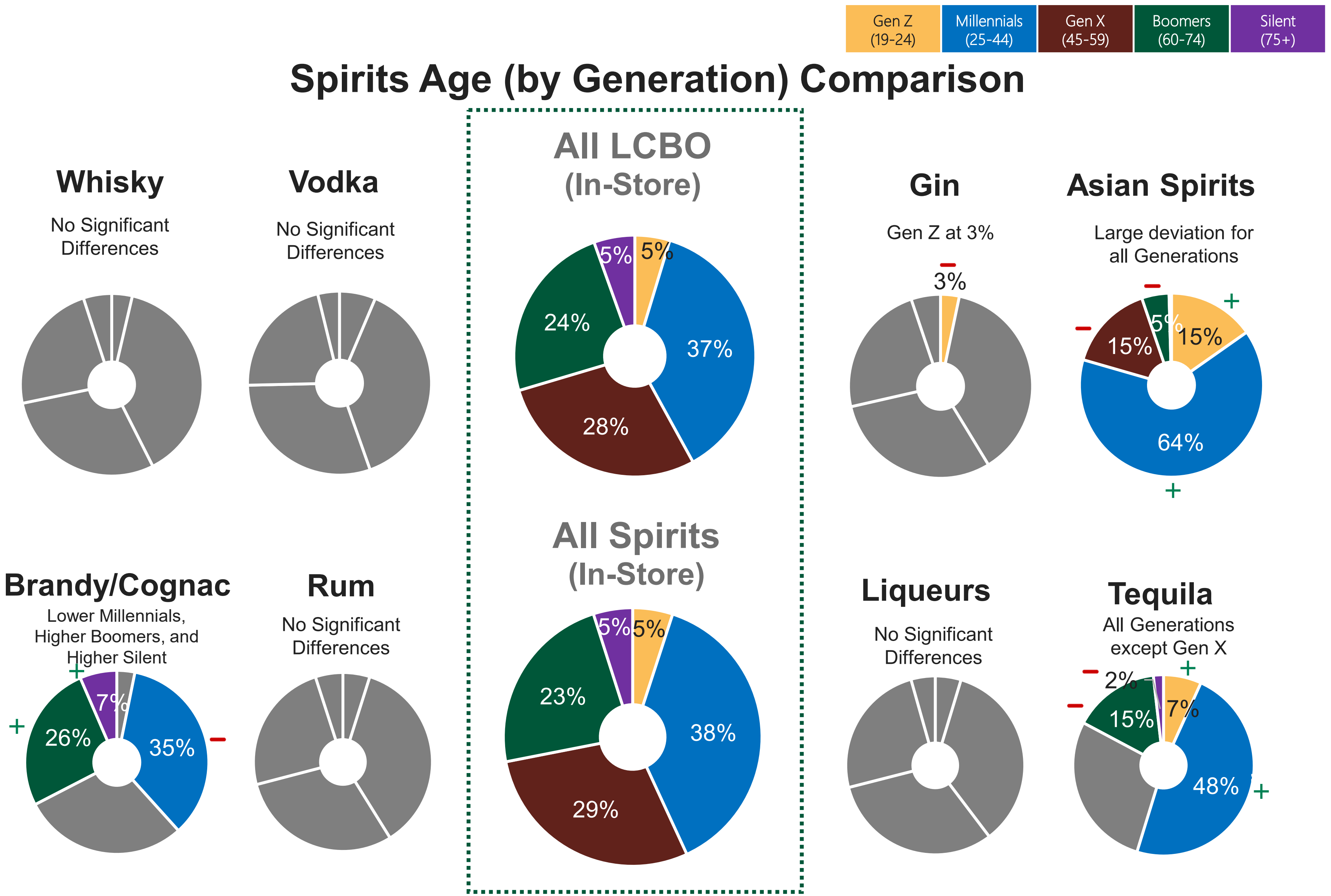
Demographics In-Store (Generation)

When looking at the In-Store differences by Generation, Brandy/ Cognac over-indexes for Boomers and Silent but under-indexes for Millennials.

Tequila shows large deviations for all Generations except for Gen X.

Asian Spirits exhibits large deviations for all Generations when compared to the overall LCBO shopper and overall Spirits shopper.

Spirits Age (by Generation) Comparison



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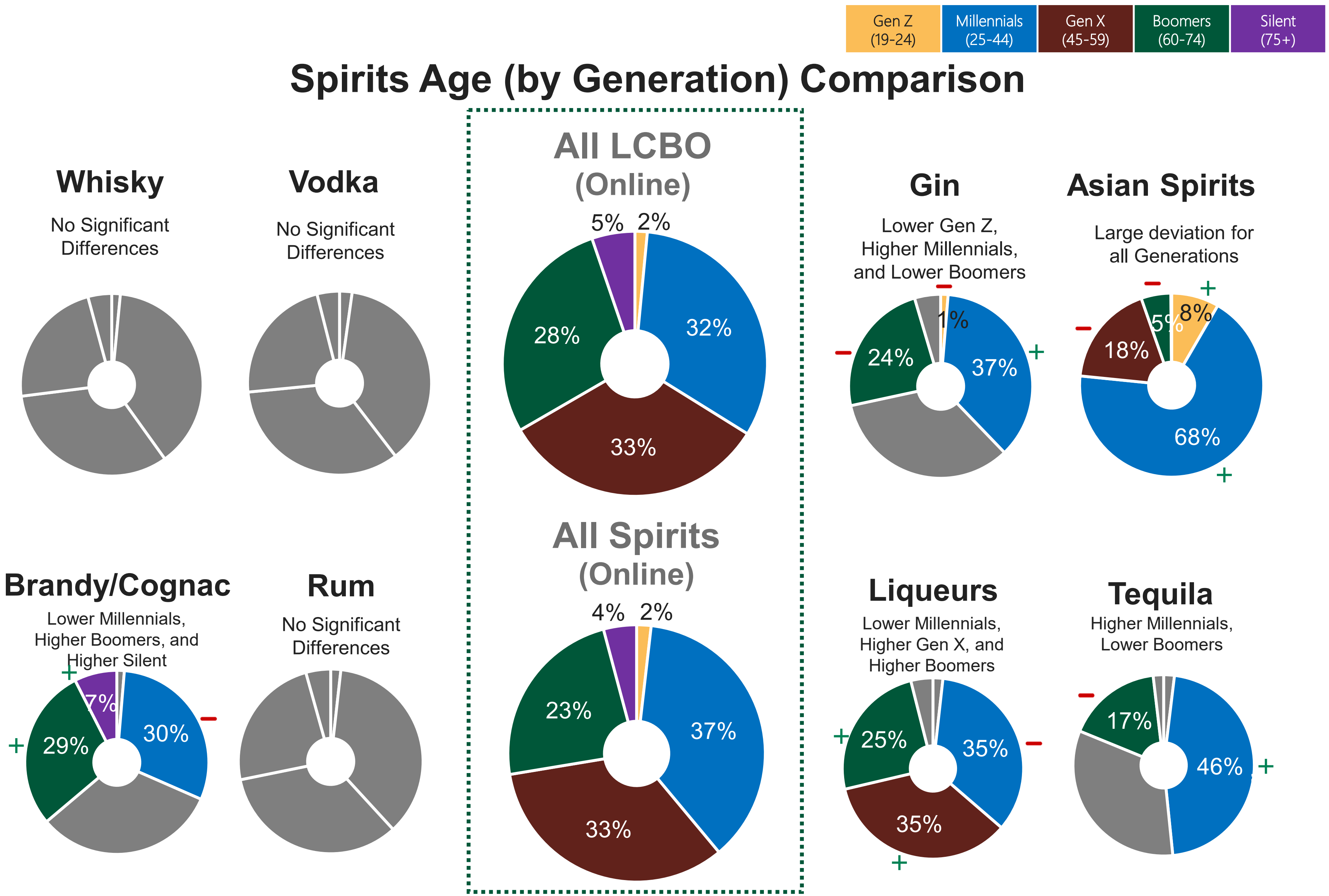
Customer Intelligence

Demographics Online (Generation)

Spirits Age (by Generation) Comparison



When looking at the Online differences by Generation, Brandy/Cognac over-indexes for Boomers and Silent but under-indexes for Millennials.

Gin under-indexes for Gen Z and Boomers but over-indexes for Millennials.

Tequila shows large deviations for Millennials and Boomers.

Gin and Liqueurs show the greatest difference between In-Store and Online customers.

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Thank you