

Premium Imported Beers in Ontario:

The LCBO Beer Selection Process

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The Beer Selection in Ontario

- We have a decent amount of choice in Ontario
 - Retailers
 - The Beer Store
 - LCBO
 - Brewers
 - Big nationals
 - Ontario/Rest of Canada micros
 - National imports
 - Premium imports

The Beer Store

- The Beer Store focuses on mass market
 - “Grocery store” style – high turnover
 - Infrequent selection changes
 - No bells and whistles keep costs down
 - Little focus and support on “super-premium” beers

The LCBO

- Known primarily as a wine and spirits merchant, the LCBO is the only option for connoisseurs who want premium or “super-premium” imported beers
- The key point of differentiation between the LCBO and the Beer Store is the LCBO’s focus on the niche beer market
- In the past, the LCBO’s beer operations were split between their general side and Vintages
 - The general side maintained their permanent selection of beers – mostly international big brands
 - Vintages focussed on releasing “super-premium”, specialty beers

About Vintages

- Usually released around 2-4 beers per month
- Beers were only available at LCBOs that stocked Vintages products
- Vintages ceased releasing beers as of August 2001
- “Super-premium” responsibility was passed to the general side, or the “Beer and Special Markets Category” of the LCBO

What happened when Vintages gave up beer?

- The Beer and Special Markets Category expanded:
 - Continued to manage the LCBO's General List
 - The LCBO's permanent selection of beer
 - The General List mainly includes Canadian brands (micro and national) and large international brands
 - Created a premium "rotational program"
 - One-shot, often themed test beer releases every few months
 - In 2002 there have been rotational releases in January, March, June, September and November

The Rotational Program

- Replaced Vintages monthly releases
- Rotational program debuted in April 2001 with a Fruit Beer release (see Appendix for specifics)
- Releases larger amounts of beers (6-12) every few months
- The rotational program acts as a testing ground for new products and styles
- Allows drinkers to try many different styles of beer from different breweries

The Rotational Program: What has happened so far?

- Fall Beers released in September 2001
- This was followed up with a winter beer release in November
- Stouts & Porters followed in January '02
- Pale Ales & Bitters in March
 - Debut of Victory in Ontario with Hop Devil IPA
- Summer beers hit the shelves in June
- Upcoming releases scheduled for September and November 2002

The Rotational Program

- Offers many great beers to choose from for the casual or serious beer drinker
- However, any beer connoisseur knows there are many excellent beers that have not been released

How does the LCBO make its selections?

- “It’s all about balance”
 - Balance between profitability and customer satisfaction
 - Balance between the desires of mainstream-oriented drinkers and “super-premium” connoisseurs

Let's look at the marketplace

- Currently the market continues to be dominated by "mainstream" drinkers
- 3 years ago, 80% of the marketplace preferred lager-style premium beers
- Today, this number hasn't changed much, but the 80% prefer **better** lager-style beers
- The remaining enthusiasts are trying more beers more often
- The LCBO is mindful of the marketplace when making decisions to import beers

Why do we never see certain beers/breweries in Ontario?

- A number of reasons...
 - The brewery is simply not interested in exporting to Ontario
 - The brewery cannot meet production levels to export
 - The brewery cannot meet regulatory requirements (alcohol %, volume and language labelling)
 - Shelf life of the particular beer makes it impractical
 - The brewery is not represented in Ontario by an agent

However, there are many beers that meet this criteria – why do we still not see them on the shelves?

- The LCBO reserves subjective right to accept a beer for release once it is presented to them
 - Judged and scored in blind tasting by their tasting panel
 - Labelling/packaging is judged for appeal and attractiveness
 - St. Peter's unique packaging works in its favour
 - Price per mL considered
 - Most people will choose the cheaper between two similar beers
 - Track record of similar beers/brewery
 - Samuel Smith always sell well in Ontario, certain Belgians do not sell as well and as such have not been re-released
 - Support of agent
 - Need for street-level support to get the product top-of-mind
 - Balance of styles
 - Sub-styles need to be appropriately represented

Distribution of Rotational program beers

- Last year the rotational releases were distributed to 140 stores
- This has decreased to 75 to allow stores more likely to be shopped by enthusiasts to have more product
- More stock is being saved for the key stores
- Goal is to sell out themed release in 8-10 weeks
- Beers that do well will likely be released again

Are we better off?

- In 2000, Vintages last full year of beer releases, they released 38 beers
- In 2002, the rotational program's first full year, there are 46 beers scheduled for release through the rotational program
 - Does not include the Christmas gift sets or additions to general list
 - Christmas releases in 2002 include gift sets for Orval, Maredsous, La Trappe and Chimay

Are we better off?

- In the end, beer releases need to conform to the balance of financial success vs. customer satisfaction
- The LCBO doesn't always get the releases right
 - They have been slow to catch up due to the growth in interest of "super-premium" beers
 - They have a mandate to expand selection in Ontario
- The LCBO will continue to refine and adjust over time to release beers that meet the balance
- The super-premium beers continue to be priced competitively vs. U.S. retail

Opportunities for improvement?

- Timeliness of releases
 - Decisions are made months in advance
 - No room for quick decisions
 - For example, Unibroue 10 which went unreleased
- Once a rotational release is gone, it's gone
 - A drinker needs to stock up on a favoured beer, but will it keep?
- How about privatization?
 - Allow for privately-owned specialty beer stores
 - However, beer selection has not improved in Alberta

What's ahead for the LCBO?

- They will continue to utilize rotational program as testing ground for new products
 - Successful beers will be added to general list
 - For example, St. Peter's English Ale is about to be added due to their success
 - General list will be rounded out with other styles not yet represented
- Movement towards specialty beer stores within the LCBO network
 - Stores will have a larger and more diverse section
 - Currently seen at stores such as Bayview, Queen's Quay

What's ahead for the LCBO?

- Improved overall store presence for beer
 - Increased space and refrigeration
 - Larger beer selection in Summerhill LCBO currently undergoing renovations
 - Improved signage for customer education
 - Reassure hesitant purchasers of the merits of new beers
- Commitment by spring 2003 to see more interesting beers coming to the General List, along with rotational program
 - They are dedicating more time to the analysis of smaller brands
- The LCBO is committed to innovation in terms of product releasing, tempered by financial sense

I'm still not satisfied!

- What can you do?
 - Contact agents for private ordering
 - Call LCBO for the agent's name and phone number for particular brewery or beer
 - Keep visiting bars such as Smokeless Joe or the Esplanade Bier Markt that take private beer orders to increase their own selection beyond what the LCBO has to offer
 - Drive to Buffalo and get premium selection, at premium prices
 - Keep coming to Bartowel.com for all the latest news on what's happening in the beer world in Ontario

Appendix

The LCBO Rotational Program:

Beer Release History

Fruit Beers, April 2001

St. Peter's Lemon & Ginger Spiced Ale (England), \$3.60, 500mL

St. Peter's Grapefruit Beer (England), \$2.45, 355mL

Mort Subite Cassis (Belgium), \$4.60, 375mL

Mort Subite Framboise (Belgium), \$4.60, 375mL

Mort Subite Kriek (Belgium), \$4.60, 375mL

Mort Subite Peche (Belgium), \$4.60, 375mL

Timmerman's Cassis (Belgium), \$2.95, 250mL

de Troch Chapeau Kriek (Belgium), \$3.55, 375mL

de Troch Chapeau Peche (Belgium), \$4.35, 375mL

Lefebvrer Newton Apple Beer (Belgium), \$2.35, 330mL

La Choulette Framboise (France), \$2.95, 330mL

Quidi Vidi Kriek (Newfoundland), \$5.40, 2x351mL

Fall Beers, September 2001

Aecht Schlenkerla Rauchbier (Germany), 500mL

Badger Tanglefoot Ale (England), 500mL

Badger Golden Champion Ale (England), 500mL

Brugse Straffe Hendrik Brune (Belgium)

Liefmans Goudenband (Belgium), 375mL

Ommegang Hennepin Ale (New York, US), 355 mL

Rogue Dead Guy Ale (Oregon, US), 650mL

St. Peter's Strong Ale (England), 500mL

Samuel Smith's Nut Brown Ale (England), 550mL

Samuel Smith's Pale Ale (England), 550mL

Van Steenberge Bruegel Amber Ale (Belgium), 330mL

Wychwood Black Wych Stout (England), 500mL

Wells Bombardier Premium Bitter, (England)

Winter Beers, November 2001

Liefmans Glühkriek (Belgium), 250 mL

Orval Trappist Ale (Belgium), 330 mL

Corsendonk Pater (Belgium), 330 mL

Kasteel Dark (Belgium), 330 mL

Daleside Morocco Ale (England), 500 mL

Samuel Smith's Winter Welcome (England), 550 mL

St. Peter's Cinnamon and Apple Spiced Ale (England), 355 mL

St. Peter's Winter Ale (England), 500 mL

Duyck Jenlain Bière de Garde (France), 330 mL

XO Beer (France), 330 mL

McAuslan Vintage Ale (Quebec), 341 mL

Orkney Skullsplitter Strong Scottish Ale (Scotland), 330 mL

Christmas releases 2001

Van Steenberge mix pack (Belgium) - 6x330mL

Berliner Burgerbrau big jug (Germany) - 2000mL

La Trappe mix pack (Belgium) - 4x330mL and glass

Interbrew mix pack with three glasses (Belgium)

Historic Ales of Scotland - 4x330mL

Broughton mix pack (Scotland) - 4x500mL

Petrus pack (Belgium) - 6x250mL and glass

Mort Subite mix pack (Belgium) - 5x250mL and glass

Heather ale pack (Scotland) - 4x330mL

Duvel pack (Belgium) - 2x330mL and glass

DAB pack (Germany) - 4x500mL and glass

McAuslan Taste Pack - with St. Ambroise Pale Ale, Oatmeal Stout, Extra Pale Ale and Scotch Ale
(Quebec)

Inveralmond mix pack (Scotland) - 2x500mL and glass

Corsendonk Agnus canister (Belgium) - 750mL

Brugse Tripel tin (Belgium) - 750mL

Christoffel mix pack (Belgium) - 2x330mL and glass

Corona pack (Mexico) - 710mL, two glasses and bottle opener

Stouts & Porters, January 2002

Marston's Oyster Stout (England)

Samuel Smith's Imperial Stout (England)

Samuel Smith's Taddy Porter (England)

Samuel Smith's Oatmeal Stout (England)

Old Growler Porter (England)

Rogue Shakespeare Stout (Oregon)

Smuttynose Robust Porter (New Hampshire)

Bitters & Pale Ales, March 2002

Marston's India Export (England), 500 mL

Rogue Brutal Bitter (Oregon), 650 mL

St. Peter's Best Bitter (England), 500 mL

Samuel Smith's India Pale Ale (England) 550 mL

Brakspear Bitter (England) 500 mL

Victory Hop Devil India Pale Ale (Pennsylvania),
355 mL

Summer Beers, June 2002

Mort Subite Gueuze Lambic 375 ml

Mort Subite Framboise Lambic 375 ml

Victory Whirlwind Witbier 355 ml

Brussels White 330 ml

St. Peter's Lemon & Ginger Spiced Ale 500 ml

St. Peter's Wheat Beer 500 ml

Floris Passionfruit Gardenbeer 330 ml

Floris Ninkeberry Gardenbeer 330 ml

Munchner Kindl Weissbier 500 ml

Edelweiss Hefetrueb Weissbier 500 ml

Ayinger Ur-Weisse 500 ml

September 2002

Pinkus Muller Alt 330 mL

Black Wych Stout 500 mL

Badger Tanglefoot Ale 500 mL

Daleside Old Leg Over 500 mL

Castle Eden Special Ale 500 mL

Smuttynose Old Brown Dog 355 mL

Brakespear Ted and Ben's Organic Beer 500 mL

Rogue Dead Guy Ale 650 mL

Strong Suffolk Ale 500 mL

Aecht Schlenherla Rauchbier 500 mL

Well's Bombardier Ale 568 mL

November 2002

Weltenburger Kloster Asam-Bock 500 ml

St. Peter's Winter Ale 500 ml

Samuel Smith's Winter Welcome 550 ml

Paulaner Salvator 330 ml

Daleside Morocco Ale 500 ml

Slavutich Christmas Beer 500 ml

Mahr's Brau Wheat Bock 500 ml

Duyck Jenlain Biere De Garde Ambree 330 ml

XO Beer 375 ml

Lefte Brune 330 ml

Corsendonk Pater 750ml