



# **Consignment Program Guidelines**

**Version 1.0**

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## Contents

<i>Introduction of the Consignment Program</i> .....	2
<i>Overview of the Program Guidelines</i> .....	3
<i>Participating in the Consignment Program</i> .....	4
<i>Performance Security Deposit</i> .....	4
<i>Agent Responsibilities</i> .....	5
<i>Agent and the LCBO Customer</i> .....	6
<i>Invoice requirements</i> .....	6
<i>LCBO Fees and Related Charges</i> .....	7
<i>Placing Consignment Orders</i> .....	7
<i>Minimum Order Quantities</i> .....	8
<i>Flex Space Orders</i> .....	9
<i>Arrival of Product at the LCBO Designated Warehouse</i> .....	10
<i>Schedule "A" – Application Requirements</i> .....	11
<i>Schedule "B" – Fees and Related Charges</i> .....	12
<i>Schedule "C" – Inventory Management, Clearance and Returns</i> .....	14
<i>Schedule "D" – Performance Review</i> .....	16
<i>Glossary of Terms</i> .....	18

## *Introduction of the Consignment Program*

The LCBO's Consignment Program provides their customers with convenient access to unique Products which are generally not available through the LCBO retail network.

In general, the Consignment Program allows agents to place orders with the LCBO for the Products they represent on behalf of certain suppliers. The LCBO then arranges shipping and warehousing of these Products to a designated LCBO warehouse.

This program consists of 2 modules:

- (i) Regular Consignment (which includes Seasonal Consignment); and,
- (ii) High-Volume Consignment (HVC), accommodating Products with higher sales volumes relative to those in the Regular Consignment module.

The LCBO Specialty Services Department facilitates sales by eligible suppliers and their Ontario agents for LCBO customers under all modules of the Consignment Program.

These Program Guidelines have been created to establish the requirements for participation in the Consignment Program and to act as a guide for working with the LCBO. As the program evolves, the LCBO will continue to streamline and adapt its processes and systems to meet operational requirements and will notify agents of any material changes.

## *Overview of the Program Guidelines*

The program guidelines provide direction on how to participate in all modules of the Consignment Program. This document and additional information about the LCBO Specialty Services Department is available on our website at:

[Specialty Services | Doing Business with LCBO](#)

Please note that these program guidelines are in addition to terms set out in any corresponding Consignment Program Agreement.

In addition, the LCBO expects all agents and suppliers to adhere to the LCBO's Supplier Code of Business Conduct, which is available at the doing business with LCBO website and can be found at:

[Introducing LCBO's Revised Supplier Code of Business Conduct | Doing Business with LCBO](#)

Unless otherwise indicated, this introduction and the enclosed schedules are applicable to all modules in the Consignment Program. The enclosed schedules include:

Schedule "A" – Application Requirements

Schedule "B" – Fees and Related Charges

Schedule "C" – Inventory Management, Clearance and Returns

Schedule "D" – Performance Review

For definition of terms referenced under the Program Guidelines, please refer to the "Glossary of Terms".

## *Participating in the Consignment Program*

### **General Approval Criteria (applies to all Modules)**

To participate in the Consignment Program, new agents must submit an application that contains the materials listed at Schedule “A”. New agents will be approved following a review of the application by the LCBO’s Specialty Services Department and once the LCBO determines that the agent meets the requirements for participation in the Consignment Program.

Agents must set up and use the LCBO’s online **Agent Portal** in order to participate in any module in the Consignment Program. To obtain access to the **Agent Portal** and receive a copy of the *Agent Portal Manual* please contact [psinfo@lcbo.com](mailto:psinfo@lcbo.com).

#### Note:

- Under all modules of the Consignment Program only one agent can represent a Product at any given time.

### ***HVC module only***

To participate in the HVC module, the agent must further email a request to the LCBO seeking consideration for Product(s) to participate in this module. Upon receiving the request, the LCBO will evaluate whether the agent meets all criteria stipulated in Schedule “A” and the Products under consideration meets sales performance requirements for the HVC module. If the agent meets the criteria the LCBO will notify the agent and they will be subject to the HVC module requirements contained in this Program Guideline.

### ***Performance Security Deposit***

At the time of entering into the Consignment Program Agreement the agent will be required to provide an initial performance security deposit to the LCBO of \$2,500.00 CAD.

Agents who also wish to participate in the HVC module and who are approved by the LCBO, must provide the LCBO with an additional performance security deposit in the amount of \$2,500.00 CAD per vendor of record represented by the agent under the HVC module.

Payment(s) of the performance security deposit amounts to the LCBO must be in the form of a certified cheque, bank draft, credit card, EFT (electronic funds transfer), or any other means deemed as acceptable to the LCBO.

The performance security is intended to secure payments of all amounts which are payable by the agent and supplier to the LCBO under the Consignment Program Agreement and any performance security will be held by the LCBO until termination of the Consignment Program Agreement.

Any agent with a Consignment Program Agreement that pre-dates November 1, 2021 will receive a notice that the LCBO requires additional security.

Upon termination of the Consignment Program Agreement, the LCBO will be entitled to apply all or any part of the performance security to amounts owed by the agent or the supplier to the LCBO.

### ***Agent Responsibilities***

Agents are responsible for reviewing and complying with all documents governing the Consignment Program including, but not limited to: *The Program Guidelines, The Consignment Program Agreement* (including without limitation *The Supplier Agreement and Appointment of Agent Form*), as they may be amended or supplemented.

As well, agents must ensure the supplier(s) they represent comply by the *LCBO Product Packaging Standards and Guidelines for Chemical Analysis* which can be found at:

[LCBO Product Packaging Standards and Guidelines for Chemical Analysis | Doing Business with LCBO](#)

The participating agents are required to use the LCBO online **Agent Portal** to set up customers, submit new items for approval, place inbound and outbound customer orders and print customer invoices. The agents are also required to use the **Agent Portal** to track their business performance (sales), inventories, order status, and business reporting.

Questions or inquiries regarding access to the LCBO **Agent Portal** are to be directed to [psinfo@lcbo.com](mailto:psinfo@lcbo.com).

Managing inventory is key to success in the Consignment Program and the agent's responsibility. Good inventory management is facilitated by carefully planning the frequency and quantities of orders placed for LCBO customers. It is important to consider potential sales very carefully before placing new orders.

Poor inventory management will necessitate the LCBO to destroy, clear or return inventory to suppliers. See Schedule "C" for the conditions under which the LCBO will require action to deplete excessive or unsaleable inventory.

The LCBO will conduct audits at regular intervals and on a real-time basis, as necessary and at the LCBO's sole discretion, to ensure participating agents are meeting all the requirements as per the Consignment Program Agreement and the Program Guidelines.

Note:

- The LCBO monitors agent activity in the **Agent Portal**. Any agent who has not been active in the portal within a consecutive 6 month period will lose access to the portal.

### *Agent and the LCBO Customer*

An agent can only order or pick up products from the LCBO designated warehouse on behalf of a LCBO customer. Agents acting on behalf of an LCBO customer can:

- place an order for the customer
- pay for a customer's order
- pick up the customer's order from the LCBO designated warehouse.

### *Invoice requirements*

The agent must issue invoices to LCBO customers for all products sold and the invoices must clearly display the following:

- LCBO retail price per unit;
- LCBO item number; and,
- LCBO product description.

Note:

- Non-LCBO fees must not, in any way, be associated with the LCBO price of the product.
- The invoice issued by the agent must state that the agent is not permitted to sell beverage alcohol but is arranging for the purchase from the LCBO on the customer's

behalf.

- The LCBO may request a sample of the agent's invoice for review and approval.

Updates on the Consignment Program will be provided at the LCBO Specialty Services website.

## ***LCBO Fees and Related Charges***

LCBO's fees related to storage, handling and removal of Products from the LCBO's designated warehouse are set out in Schedule "B". Handling and storage fees applied to Products in the Regular Consignment module (including the Seasonal module) are charged to the **agent** representing the Products. Handling and storage fees applied to Products in the HVC module are charged to the vendor of record of the Products.

Any fees or charges related to Product compliance, destruction of Product or shipment back to supplier will be defaulted to the vendor of record as it appears on the purchase order.

### Note:

- 'Other Fees' are presented in Schedule "B" and indicate the default charge to either the vendor of record or the agent representative.
- All fees are subject to applicable taxes
- Unless otherwise indicated, payment of fees for storage and handling are due on the first day of the calendar month.
- All 'Other Fees' incurred are due as and when the service or action is performed.

## ***Placing Consignment Orders***

Placing an order for Products under the Consignment Program must be initiated by the agent and entered on the LCBOs online **Agent Portal**. Please refer to the *Agent Portal Manual* for full details and instructions on how to place an order and upload associated required documentation.

For a copy of the *Agent Portal Manual* contact [psinfo@lcbo.com](mailto:psinfo@lcbo.com).

For the Regular and Seasonal module, ordering quantities are dependent on inventory thresholds as per the **Regular & Seasonal Consignment Module Tier Structure** presented in Schedule "D". Once an order is entered into the **Agent Portal**, the LCBO will review and



approve the order providing the agent is meeting the performance requirements as per the applicable tier structure.

Suppliers must follow the purchase order details and not include any other products or marketing materials with the purchase order.

Payments to suppliers will be made by the LCBO to the vendor of record, in accordance with the Consignment Program Agreement as well as the applicable purchase order terms and conditions which can be found at:

[Specialty Services Information | Doing Business with LCBO](#)

## *Minimum Order Quantities*

**Regular Consignment module:** twenty (20) cases per Product ordered, OR

if the supplier quote is  $\geq \$20$  per bottle( CAD) then the minimum order quantity is one (1) case per Product.

**Seasonal module:** at least one (1) case.

Agents can place orders for Products in the Regular Consignment module below the minimum order amount by placing the order under the Seasonal module of the Consignment Program. The LCBO conducts reviews of product performance and inventory thresholds on a semi-annual basis (as per Schedule “D”), at which time ten percent (10%) of an agent’s total Regular Consignment threshold can be allocated to the Seasonal module to accommodate a request for a lower minimum order quantity.

**HVC module:** subject to a minimum order amount, a maximum order amount, and a minimum annual sales target of two hundred (200) cases per product.

The *minimum order amount* under the HVC module is defined as at least one (1) full pallet.

Typically, the *maximum order amount* is calculated as follows, with weeks of inventory defaulted to 24 weeks:

$$\left( \text{Average Weekly Sales}_{\text{preceding 8 weeks}} \times \text{weeks of inventory} \right) - \text{Inventory}_{\text{on-hand+in-transit}}$$

*For Example:*

An agent has 50 cases on hand and 50 cases in-transit with average weekly sales of 10 cases per week over the last 8 weeks.

The maximum order amount for the product is calculated as:

$$\begin{aligned} &= (10 \times 24) - 100 \\ &= 240 - 100 \\ &= 140 \end{aligned}$$

In this example the agent can order up to 140 cases of this product.

*In the calculation of maximum order amount for seasonally demanded products with high volume sales the average weekly sales period will be adjusted accordingly up to a maximum of 52 weeks.*

## ***Flex Space Orders***

Flex space orders for up to an additional two hundred (200) cases, can be placed by agents who wish to process orders exceeding their inventory thresholds (as further described in Schedule “D”). Agents are required to pay an additional security deposit to facilitate flex space orders.

The applicable additional security deposit associated with flex space orders is applied as follows:

- 0 - 50 cases → \$ 3,750.00 CAD
- 50 - 100 cases → \$ 7,500.00 CAD
- 100 - 150 cases → \$ 11,250.00 CAD
- 150 - 200 cases → \$ 15,000.00 CAD

These flex space orders can be allocated to the inventory thresholds applied to products in either the Regular or Seasonal modules of the Consignment Program as per the agent’s request.

The security deposit must be in the form of certified cheque, bank draft, credit card, EFT (electronic funds transfer) or any other means deemed acceptable to the LCBO. The security

deposit will be held by the LCBO until all inventory placed by a flex space order is depleted from the LCBO designated warehouse. Once depleted, the agent can request return of the security deposit that was applied to the corresponding flex space order.

### ***Arrival of Product at the LCBO Designated Warehouse***

Once the agent's ordered Product is received into the LCBO designated warehouse, the base handling fee applies, as detailed in Schedule "B".

Once products are received and stored at the LCBO designated warehouse the LCBO will update the **Agent Portal** accordingly and the per case storage fees as presented in Schedule "B" will apply. It is the agent's responsibility to monitor the status of their orders in the **Agent Portal**.

Product stored in the LCBO designated warehouse can be removed from the premises if it is:

- (i) sold by the agent to a customer; or,
- (ii) to be returned to the supplier; or,
- (iii) to be transferred to other sales channels as may be approved by the LCBO; or
- (iv) to be sent for disposal; or
- (v) to be transferred out of Ontario (as facilitated by the LCBO).

Before the products are released by the LCBO designated warehouse, the LCBO product price, as stipulated in the Consignment Program Agreement must be paid to the LCBO by the customer or by the agent on behalf of the customer.

Note:

- Additional charges may apply if the product leaves the LCBO designated warehouse for any reason other than for the sale to a customer.

Pick up of paid customer orders is **by appointment only** at the LCBO designated warehouse. Details regarding the LCBO designated warehouse and how to make an appointment can be found at:

[Order Fulfillment Centre | Doing Business with LCBO](#)

### *Schedule "A" – Application Requirements*

At the time of application, agents must submit the following documents to [psinfo@lcbo.com](mailto:psinfo@lcbo.com) :

1. A valid AGCO manufacturer's representative licence;
2. A signed Consignment Program Agreement;
  - i. A completed and fully executed Supplier Agreement and Appointment of Agent Form (including the Supplier Confirmation of Products).
3. If the applicant is a corporation, a certificate of status or similar good standing certificate dated not more than thirty 30 days prior to the application;
4. A non-refundable application fee of \$200.00 CAD, plus applicable taxes; and,
5. Security Deposit as noted in these Guidelines

All document submissions to the LCBO in connection with the Consignment Program will be held in confidence by the LCBO, except as otherwise required by law (including, without limitation the public access provisions of the *Freedom of Information and Protection of Privacy Act*, as amended from time to time) or by order of a court or tribunal.

## *Schedule "B" – Fees and Related Charges*

### **Storage and Handling Fees**

Agents participating in the Consignment Program pay fees for storage and handling.

**Handling fee** of \$ 1.05 per case charged upon receipt into the LCBO designated warehouse.

**Storage fees** are applied on an ongoing basis at a per case rate and are initiated once the product is received into the LCBO designated warehouse, priced and laboratory and Quality Assurance (QA) testing by the LCBO is completed. It is the agent's responsibility to monitor their products status and availability on a regular basis in the **Agent Portal**.

Invoices for storage fees will be generated on the last day of every month and will display the number of units on-hand, days in storage and calculated storage fee by purchase order.

**Other Fees** presented in the table below will be charged to the agent as they are incurred.

<b>Storage Fees</b>										
<b>Days in storage</b>	1-30	31-60	61-90	91-120	121-150	151-180	181-210	211-240	241-270	≥271
<b>Fee/case</b>	Free	\$0.50	\$0.50	\$1.00	\$1.00	\$2.00	\$2.00	\$4.00	\$4.00	\$6.00

<b>Other Fees</b>		
<b>Service/Action</b>	<b>Amount</b>	<b>Defaulted To:</b>
Corrective PO (admin fee)	\$100.00 per PO	Vendor of Record
Non-Compliant Shipment* - 1st offence	\$100.00 per supplier shipment	Vendor of Record
Non-Compliant Shipment – 2nd offence	\$300.00 per supplier shipment	Vendor of Record
Non-Compliant Shipment - 3rd offence	\$500.00 per supplier shipment	Vendor of Record
Non-Compliant Shipment – Each Following	\$500.00 per supplier shipment	Vendor of Record
Re – Work **	as applicable	Vendor of Record
Disposal/Destruction Fees	Landed cost + \$5.00 per case	Vendor of Record
PO Cancellation Fee	\$50.00 per PO	Agent
Repricing Fees	\$50.00 per PO	Agent
Pre-release request Fee	\$ 25.00 per Item	Agent
Stock Check request Fee	\$ 50.00 per item	Agent
Virtual Return Material Authorization (RMA) Admin Fee	\$ 15.00 per RMA	Agent
Physical Return Material Authorization (RMA) Admin Fee	\$ 25.00 per RMA	Agent
Missed/Late Appointments Admin Fee	\$ 25.00 per appointment	Agent
Rush Request (hourly rate)	\$ 60.00 per hour	Agent

\*A shipment will be considered “Non-Compliant” when it has not been prepared and/or shipped in accordance with the terms of the applicable purchase order. Purchase order terms for orders placed under the Consignment Program can be found at:

[Specialty Services Information | Doing Business with LCBO](#)

\*\*Re-Work will be required when the LCBO needs to undertake any actions or steps to correct quality services, packaging or labeling issues.

Note:

- The LCBO may at any time revise the fees or charges under these Program Guidelines as it deems necessary.
- The LCBO will provide written notice of any revised or additional fees or charges to the agent 30 calendar days prior to such revised or additional fees coming into effect.

## *Schedule "C" – Inventory Management, Clearance and Returns*

If sales of a particular Product are not meeting sales performance requirements, the agent is expected to take action to generate sales and deplete existing inventory. The LCBO requires all orders to be sold within three hundred and sixty-five (365) days from the time Product is available for sale. Any inventory that remains in the LCBO designated warehouse beyond 365 days will be subject to one or a combination of the following:

- (i) the inventory to be destroyed or returned to the supplier, the expense of the return or destruction is defaulted to the account of the vendor of record.
- (ii) the unsold inventory will be discounted for up to 30% of the LCBO retail price and offered for sale by the LCBO through its other sales channels including LCBO retail stores, wholesale lines of business and online (e-commerce). The vendor of record payment will be reduced by the amount of the applied discount to the impacted inventory.

Alternatively, the agent may arrange - at any time prior to the 365 day limit - to have the remaining inventory destroyed, returned to the supplier or transferred to another jurisdiction.

When inventory of a Product is sent for destruction, returned to supplier, reduced in price or transferred to another jurisdiction, the LCBO can refuse to accept any new orders of this Product for at least twelve (12) months after the date of destruction, return, price reduction, or transfer.

### **Unsaleable Product**

If the LCBO determines that Products have spoiled or have otherwise become unfit for sale, a notification via email will be sent to the agent with the option to either destroy the Product or return it to the vendor of record.

The agent must respond in writing to the LCBO within ten (10) days of the notification, providing direction to either destroy or return the unsaleable Product to the vendor of record.

LCBO will destroy the Product if direction is not provided within 10 days of the notification.

Any associated cost to destroy or return the Product will, by default, be charged to the vendor of record on the purchase order.

Where Product is damaged or corked, the LCBO will accept returns up to six (6) months after the sale and the vendor on record will be charged the landed cost of the damaged or corked Product.

See Schedule “B” for fees associated with any returns.

### **Saleable Product**

Product returns in a saleable condition will be accepted by the LCBO up to thirty (30) days after sale and subject to the fees presented in Schedule “B”.

A Return Material Authorization (“RMA”) for any Product must be submitted through the **Agent Portal** and approved by LCBO before the return is arranged. For details on how to submit the RMA please refer to the *Agent Portal Manual*.

Information on how to book an appointment for product returns can be found at:

[Order Fulfillment Centre | Doing Business with LCBO](#)



## Schedule "D" – Performance Review

In order to ensure appropriate and cost-effective management of sales and inventory, the LCBO has established the **Regular & Seasonal Consignment Module Tier Structure** as presented below. This tier structure applies to the Regular and Seasonal modules only.

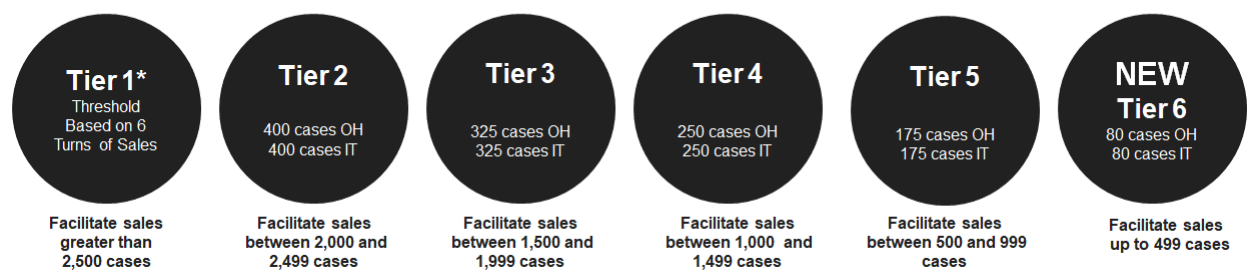
A review of the performance of Products represented by an agent is performed semi-annually in July and January of each year,

Inventory thresholds, the maximum amount of inventory an agent can carry in the LCBO designated warehouse for all their represented Products, are determined at the semi-annual review. The LCBO establishes inventory thresholds, as per the tier structure seen below. LCBO sales, excluding HVC module, are calculated as the total cases sold of all Products represented by an agent over a 12 month period of time preceding the date of their semi-annual review.

Inventory thresholds are reset and the agent is moved to the appropriate tier if indicated following the semi-annual review of sales performance. In addition to a reset of the inventory threshold for the Regular and Seasonal Consignment inventory thresholds, 10% of the Regular Consignment threshold is assigned to the Seasonal Module.

All new agents will automatically be assigned to Tier 6.

### Regular & Seasonal Consignment Module Tier Structure



\*Tier 1 Threshold is calculated as:

$Sales_{previous\ 12\ months} / 6$ , rounded up to the nearest 100 and applied to on-hand & in-transit inventory  
e.g. If upon semi annual review previous 12 months sales are 3,486 cases then the threshold =  $3,486 / 6 = 581$  rounded up to the nearest 100. The rounded amount is applied to both the on-hand and in-transit thresholds.

Note: OH is on-hand inventory, IT is in-transit inventory

Note:

- For the purposes of the semi annual review, paid orders will be considered sales only when Products are shipped from the LCBO designated warehouse.
- In the event that the agent representing a supplier changes within the semi-annual review period, sales performance will not be transferred from the existing agent to the new agent.

Agents can request an adjustment of their inventory thresholds (on-hand & in-transit) during each of the following time periods:

- (i) the last 5 business days of January until the end of the fifth business day in February;
- (ii) the last 5 business days of April until the end of the fifth business day in May;
- (iii) the last 5 business days of July until the end of the fifth business day in August; and,
- (iv) the last 5 business days of October until the end of the fifth business day in November.

The LCBO reserves the right to amend the Consignment Program Tier Structure as needed to meet operational and business requirements.

**HVC module:**

The semi-annual review for all Products participating in the HVC module is conducted in July and January. Any products that have not met the 200 cases sold limit for the 12 months period preceding the review will be removed from the HVC module.

Note:

Agents eligible to participate and admitted into the Consignment Program by the LCBO are accorded certain privileges. However, participation in the Consignment Program is subject to, and requires compliance with, these Program Guidelines. Agents and suppliers must also adhere to the conditions established in the Consignment Program Agreement. The LCBO may give written notice to immediately revoke an agent's and/or supplier's participation in the Consignment Program at any time in order to comply with any LCBO policy or government Ministry or Agency requirement, legislation, judgement order or ruling of any kind affecting the LCBO. In the event of a revocation it will be effective upon thirty (30) days written notice.

## *Glossary of Terms:*

### **Agent**

An entity or entities who have been issued a license to represent a manufacturer by the Alcohol and Gaming Commission of Ontario and are permitted to take or solicit orders for liquor.

### **Available for Sale**

A product is considered available for sales once it is received in the LCBO designated warehouse, priced and Quality Assurance laboratory testing is complete with a pass or conditional status.

### **Consignment Program Agreement**

Is the written agreement between the LCBO and the agent governing the Consignment Program and includes the corresponding written agreement between the LCBO and supplier in respect of same (including, without limitation, the Supplier Agreement and Appointment of Agent Form) each as may be amended or supplemented.

### **Flex Space Orders**

Is the additional inventory threshold permitted provided that the applicable security deposit is provided to the LCBO.

### **In-transit inventory**

Is the quantities of items, in cases, ordered but not yet received at the LCBO designated warehouse.

### **Inventory**

For the purposes of establishing the inventory thresholds as presented in Schedule "D". total inventory is calculated as on-hand plus in-transit. For the purposes of determining storage and handling fees as presented in Schedule "B" inventory refers to on-hand inventory only.

### **Inventory thresholds**

Is the maximum total amount of inventory that an agent is permitted to keep in the LCBO designated warehouse. It consists of both on-hand and in-transit inventory.

### **On-hand inventory**

Is the quantities of items, in cases, represented by a specific agent and received into the LCBO designated warehouse.

### **Products**

The liquor products of any eligible Supplier represented by an agent that are approved by the LCBO for sale under the Program.

### **Sale**

Is the transactions between the LCBO and its Customers that are facilitated by an Agent when payment is received by the LCBO and product is shipped out from the LCBO designated warehouse.

### **Supplier Agreement and Appointment of Agent Form**

Is the agreement between the LCBO and the Supplier as it relates to participation in the Program and the Consignment Program Agreement.

**Tiers**

The categorization of agents by the LCBO, in accordance with specific sales performance expectations as set out under Schedule “D” of the Program Guidelines.

**Vendor of record**

Is the supplier, manufacturer or authorized designate by a supplier or manufacturer established in LCBO financial systems to engage in all financial activity with the LCBO including submitting and receiving payments.