

POLICIES & PROCEDURES



Single Can Cooler (SCC)

Fixture Merchandising

Policies and Procedures for displaying non-promotional beer

TBS Marketing

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Merchandising Statement

All non-promotional display of beer product and related information will be made available to the public according to a disciplined set of rules and procedures as has been TBS practice. TBS is Brewer/Brand neutral so the methodology and practices followed to merchandise beer have been designed to be objective and in accordance with the Master Framework Agreement issued by the Ontario Government on September 22, 2015.

Background

There are 347 Single Can Coolers (SCC) across the province as of November, 2015. These are dedicated merchandising fixtures for displaying and selling single serve aluminum cans that are \geq 473ml in volume and up to a maximum 950ml with the added restriction they cannot be over 7.1% alcohol by volume.

The SCC range in width from 4', 5', 6' or 8' wide and can have either 3 or 4 shelves. Some other variations exist with free-standing upright front-loaded fridges or under-the-counter units. These variations in physical size, shape and can capacity makes it a challenge to develop individual merchandising plan-o-grams but the same merchandising principles apply to all.

In most situations single can coolers are located in the central lobby area of the store. The strategic intention is to attract shoppers to try new brands or select singles of their favorite brand by mixing and matching using our 8 pack carrier carton.

This document describes the Policies and Procedures TBS follows when merchandising beer to the public in Single Can Coolers.

All other beer merchandising policies will be covered in other policies and documentation.

Mandatory Merchandising Requirements

The following over-arching strategic directives apply to merchandising beer in Single Can Coolers:

1. Zones - all analysis is conducted using data from one of 7 merchandising Zones
2. Sales Data - based on total Ontario beer sales "Through the Corporation" (as defined in the TBS Shareholders Agreement)
3. SBI - a Small Brewer Index ensures 20 % merchandising space is reserved for Small Brewers

Other Highlights:

- All re-sets are done to ensure that share allocations are periodically adjusted to reflect a brands and a brewers growth
- Re-sets....New SCC merchandising plan-o-gram resets occurs twice a year – June and December.
- In the event of a Brewer merging with or being acquired by another, the resulting entity will retain the Facings originally allocated to those Brewers for the remainder of the display period. After that period, the two merged Brewers will be treated as one Brewer for the purposes of this Policy.

Policies and Procedures

SCC Merchandising

Effective November 2017

TBS reserves the right to modify merchandising Policy and Procedures of Single Can Coolers and any Operational requirements impacting displays with 60 days written notice.

Policy *All listed Brewers have a merchandising opportunity relative to their Zone share.*

Procedure Total Zone (7 zones...see appendix) sales over the latest rolling 12 months data issued just prior to a reset period are used to calculate Brewer share.

Total sales include all beer sales "Through the Corporation" in a Zone. Cider draught sales are not included.

Brewer share of sales in a Zone is calculated by taking the accumulated sales for the Brewer or Brewer Family (see appendix) within the stores geographic Zone and dividing it by the total aggregate sales of all types in that Zone.

Policy *Small Brewers have an SBI applied so that they occupy 20% of the available merchandising space*

Procedure Each Single Can Cooler(s) has a distinct merchandising profile depending on the type of cooler present and the total available Facings (see appendix).

Small Brewer (SB) (see appendix) allocation is determined by multiplying the total available Facings by 20%. e.g. a 140 Facing X 8' wide SCC reserves 28 Facings for Small Brewers.

Note: Facing and merchandising values are not impacted by the depth of product on the shelf.

The remaining faces in the SCC (80%) is reserved for Large Brewers e.g. in a 140 Facing X 8' wide, Large Brewers have as a group, 112 Facings.

Policy *No one Small Brewer can occupy more than 5% share after indexing*

Procedure A Small Brewer Index (SBI) for the Zone is calculated using their aggregate share to ensure 20% occupation of the fixture. Example: If all Small Brewers share of sales for the Zone is 6% then the SBI index is 3.3 (20%/6%). Each Individual Small Brewer facings is then multiplied by this factor to arrive at an adjusted share adding up to 20% for the group.

Restrictions: No one Small Brewer can occupy more than 5% of the merchandising Facings as a result of applying the SBI. Example: in a 140 Facing cooler, no one Small Brewer can have more than 7 Facings.

If, after applying the SBI and the total Facings exceed 5%, the Brewer in question is capped at that level and any Facings in excess of 5% is redistributed to the Small Brewers). All Facings still must add up to 20% Small and 80% Large representation in the SCC.

A Large Brewer Index (LBI) is similarly applied to each Large Brewer (after the SBI has been calculated) so the collective representation of them as an aggregate is 80%. Example: LB collectively represent 94% zone sales, so the LBI is 0.85 (80%/94%). There is no Brewer cap on earned Facings for Large Brewers.

Policy

Procedure

Brewers earn either Permanent facings or become part of a Rotational pool.

Brewers that earn 0.5 Facings or greater after indexes have been applied are assigned a permanent Facing (s) to occupy in the fixture for the entire 6 month re-set period.

Brewers earning less than 0.5 facings are put into a rotational list, one for Small Brewers and one for Large, and listed in descending order of share. The top Brewers in the list are chosen in descending order until the fixture is full for the rotational section (Large and Small). Brewers that remain on the list and therefore not on display for the current re-set period will be rotated into the fixture on a monthly basis. When their time comes analysts choose from the next available Brewers in descending order and so on each month.

Policy

Procedure

Brewers with earned permanent Facings choose the brands/sku's for display.

Once share of space allocated to a Brewer is determined, TBS contacts each Brewer that have permanent earned Facings. Brewers then have 7-10 days from this date of notice to reply with the brands/sku's they want to merchandise in the SCC for the re-set period. Brewers that are part of a Brewer Family can select brands/sku's from their Family portfolio.

A Brewer with permanent Facings can substitute up to 10% of its earned space with their own or agency brands over the 6 month re-set period. Example – a Large Brewer with 48 earned Facings can substitute 5 positions with another brand in one re-set period by contacting TBS analysts in writing with three weeks advance notice.

Brewers with one or more permanent Facings may substitute a new single can (new to the store) for an existing single can Facing by providing written notice to TBS analysts at least 3 weeks in advance of a period re-set.

Rotational, both Large and Small Brewers, will have their brand/sku's chosen directly by TBS analysts. Each rotational Brewer will be notified of the choice based on the most popular/highest selling brand sku at the time of the re-set. The rotational Brewer can change the selection within the 7-10 day notice window.

Policy

Procedure

All merchandising must adhere to safety and customer shopping convenience.

Brewer permanent and rotational sku's will be reviewed for container size and location placement on shelves within the SCC.

Due to shelf height and customer access restrictions analysts will locate larger cans on the bottom shelf.

Single Can carriers located next to the fixture can be used by customers to select up to 8 single cans in a purchase.

All skus will be identified with a colour coded Category (see appendix) label, where practicable.

The final organization of brands and Facings in the cooler will be at the sole discretion of TBS analysts and when possible according to the new categories (see Appendix).

Rotational brands for Small and Large will be grouped together for operational efficiency.

APPENDIX

New Beer Framework Definitions

Large vs Small Brewer: A Small Brewer is one with world-wide annual production < 400K hls (see 'Master Framework Agreement, September 22, 2015"). A Large Brewer is defined as having annual world-wide production is > 400K hls. Moosehead and Brick are been deemed to be a Small Brewer when merchandising in TBS stores.

Small and Large Brewer Index: An index is applied to the Small Brewer share within a defined zone to ensure the collective share of space equals 20%. Calculated by taking the required 20% and dividing it by the collective % share earned by Small Brewers in a Zone to arrive at a multiplier e.g. a 6% Small Brewer share would result in a SBI of 3.3 (20%/6%). Once the SBI has been calculated and applied, a LBI (Large Brewer Index) is calculated based on an 80% limit SBI and applied to Large Brewers. Example: if the Small Brewer Index above is 3.3, the LBI is 0.85 (80%/94%). This ensures the merchandising allocation balances to 80%.

Categories: All beer merchandised in TBS stores must be organized into the following categories:

Value – all brands regardless of origin, that are >\$2 below the most popular priced brand per equivalent 24 pack,

Premium – Domestic (Canadian) brands priced above Value and below Domestic Specialty.

Import - Import brands produced outside Canada and priced above Value, including importedUS brands.

International – Domestic brands that have historical international origins outside of Canada and the US and are currently produced within Canada and priced >\$2 above the most popular price point per equivalent 24 pack.

Domestic Specialty – Domestic (Canadian) brands >\$2 above the most popular price pointper equivalent 24 pack.

↳ **Ontario Craft Beer** - A sub-category within Domestic Specialty defined as Ontario Craft Beer (same definition as above with the added requirement of 70% of world-wide production is in an Ontario facility with production < 400K hls).

Merchandising Definitions

Single Can Cooler: A cooler is a stand-alone refrigerated fixture solely dedicated to merchandising single serve aluminum cans. Singles merchandised on shelving in self-serve stores are not included in this definition. Large wall coolers displaying singles and six packs and Arrivals coolers are not part of this Policy document.

Single Can: Only cans listed as single serve that are ≥ 473 ml or ≤ 950 ml and under 7.1 a.b.v. are included in this merchandising program. This excludes 355 ml cans, higher alcohol cans and any other single serve container.

Brewer Family: Brewers that own or have agency representation of other Brewers will be considered as one Brand Family and all sales within the Family will be used to aggregate total sales. (eg. Molson, Labatt, Sleeman and Moosehead).

Facings:

- a) In General – A facing in a Single Can Cooler is defined as the space required to display one single can on a shelf. The average size used to define a facing is 7 cm or 2.75". The width of a can will vary when including the larger volume units so the total Facings on a shelf will depend on the mix of sku's.

- b) Available Facings by SCC type:

Cooler Size	# Facings/shelf	# Shelves	Total # Facings
4' Wide	17	3	52
		4	68
5' Wide	22	3	66
		4	88
6' Wide	26	3	78
		4	104
8' Wide	35	3	105
		4	140

Earned vs Unearned Facings

When share of sales, after indexing, is multiplied by the total number of facings available, each brewer is assigned the number of facings they could occupy in the SCC. If this number is 0.5 or greater, then the Brewer has 'earned' a facing and will be permanently given the appropriate space on the shelf. Whenever the number is less than 0.5 however, the Brewer is considered not to have earned a permanent facing and it therefore allocated to the 'Rotational Pool' of Brewers with < 0.5 Facings. These Brewers can only occupy the fixture when they are next in the queue and they are given 1 'unearned Facing' to ensure a presence for a rotational period.

Resource Data and Zones

Sales: To calculate merchandising share for each Brewer the Total Sales “Through the Corporation” (as defined in the TBS Shareholders Agreement) in a Zone is used. Total Sales = sales over the latest rolling 12 month data just prior to the reset period (April, November). Virtual skus are not merchandised in the store but are included in the calculations of total Brewer/brand sales.

Zones: There are 7 geographic zones that all data is extracted from. The defined zones reflect the amalgamation of 14 Operational Districts at TBS. The zones for calculated share and other indexes are as follows:

Zone 1 – Amalgamation of Districts #7005 Ontario NE and #7006 Ontario NW

Zone 2 – Amalgamation of Districts #7031 Ottawa and #7035 Peterborough

Zone 3 – Amalgamation of Districts #7033 Oshawa and #7034 Barrie

Zone 4 – Amalgamation of Districts #7001 Windsor and # 7002 London

Zone 5 – Amalgamation of Districts #7003 Hamilton/Niagara and #7004 Kitchener

Zone 6 – Amalgamation of Districts #7012 Brampton and #7014 GTA West

Zone 7 – Amalgamation of Districts #7013 GTA Central and #7016 GTA East