

Ohio

SPIRITS INSIDER NEWS



A Message from **Jim Canepa, Superintendent**

It's no secret that I've been looking at new and innovative ways to run the Liquor Enterprise since I've become Superintendent. You've heard my messages across many platforms about the many changes on how we do business. Recently, we kicked off the Agency Optimization initiative, which is yet another piece of the innovation puzzle.

As you may know, six Agencies were strategically chosen across the state by the Spirits Innovation Project (SIP) team, a partnership between the Division of Liquor Control, spirits brokers/suppliers and Ohio's Contract Liquor Agencies, to test out marketing and category management techniques, with the goal of improving customer experience and increasing sales. These six Agencies are representative of the different store layouts, sizes and locations, allowing the SIP team to analyze what works in different Agencies.

The initiative runs three months, Oct. – Dec., and after that time, the SIP team will review all the data including Agency and customer feedback to determine future efforts. We will take what works and implement it in more Agencies, and then look at retooling what didn't work as well.

I tell you this for several reasons. First, this is an important initiative to me and my team. We want to keep Ohio's Liquor Enterprise in the forefront of the spirits industry, and not allow it to become stagnant.

I've said many times that we want to enhance the customer experience, and by testing these methods, I think we're continuing to improve this process. Part of this project is working to demystify the shopping experience for customers. We're doing this by creating an overall look in the Agencies that is clean and consistent, while also adding informational shelf blades letting customers know about the styles of the product to help guide purchases.

Not only do we want to enhance the customer experience, we also want to drive sales. This initiative has economic roots, and we want to see how these changes affect sales. As we evaluate this program to determine future efforts, liquor sales will also be considered.

Products were placed by category, flavor or even region the spirit was produced. Slow moving inventory was replaced with those best sellers based off of demographics and sales data in each area.

We're also testing special sections which include Ohio-made products or seasonal recipes with all the ingredients in one area and creating shelf tags for new or sale items that will be the same in all stores. Each of these techniques was methodically chosen by the SIP team based on market research. We are excited to see how they test in Ohio.

Our hope is that doing all of this improves Contract Liquor Agencies all across the state. Which brings me to my second reason for talking about Agency Optimization. I want this to be an important initiative for you as well. At the end of the day, we know you have a business to run and profit drives that business. So, increasing sales seems like a no-brainer. But to do that we also want you to buy into enhancing the customer experience. Happy, informed customers are more likely to be repeat customers.

I hope you are as excited to see the results from this test run as I am. We will be sharing this information with you once the evaluation process is complete. It will take hard-work to make these necessary improvements across the state, but I believe we will be better off once we do. Finally, I would like to thank the six Agencies for their willingness to have their stores rearranged and revamped. We couldn't test these methods without you.



Important Agency Reminders

Gerry O'Neil, Director of Agency Operations

Holiday Ordering

The Division of Liquor Control (DOLC) has updated the minimum inventory levels (MINs) to ensure Agencies are receiving an adequate supply of products and to streamline the Transfer Order (TO) process. Due to this update, Agencies will no longer need the Holiday Worksheet.

Upcoming holidays and reoccurring events are already calculated into the new MINs. The calculation uses each Agency's sales history, current sales trends and fluctuations in sales to project for upcoming months. Agencies can find the new MINs on their Agency Inventory Report in the retail section of the Agency portal.

The new MINs and current inventory levels are used to generate TOs. The automatic replenishment of products will reduce the need to edit TOs. Agencies will still be able to edit TOs to meet business needs, such as new wholesale accounts or non-reoccurring events like large weddings or reunions.

The new MINs calculation is adjusted for Agencies currently on a bi-weekly delivery schedule, and will automatically adjust for products sold less frequently to ensure those products are not overstocked and that desired products are not out-of-stock.

This new process will help ease the burden on employees, freeing them up for other tasks during the busy holiday season. It will also be more accurate than in the past. The goal is to ensure Agencies don't have too much or too little of a product, and this new calculation helps make better informed decisions.

Contact the Liquor Enterprise Service Center at 877-812-0013 or liquoragencyhelp@com.state.oh.us with any questions.

Survey and Market Blitzes

The Division of Liquor Control (DOLC) asks Agencies to contact the Liquor Enterprise Service Center (LESC) if any Suppliers conduct surveys or market blitzes in November or December.

DOLC has a policy prohibiting Suppliers to conduct surveys or market blitzes during the holiday season, due to increased traffic in Agencies. These months are a time for Brokers and Agencies to work together to drive business, and Suppliers are not to interfere with Agency operations.

The LESL can be reached at 877-812-0013 or liquoragencyhelp@com.state.oh.us.

OhioLMP.com - Bag Order Update

The Division of Liquor Control (DOLC) continues to improve its systems and processes to more efficiently operate the Ohio Liquor Enterprise and support Agencies. The most recent improvement enhances the bag ordering process on OhioLMP.com.

Previously, Agencies were responsible for calculating the amount of retail bottles sold to determine the number of bags to order. To better support Agencies, DOLC has linked retail bottle sales data directly to the bag order form. Now, Agencies will see a maximum number of bags they will be permitted to order, based on sales data.

Agencies are still limited to one bag order every 30 days.



Blood and Sand

1 oz blended Scotch
1 oz fresh-squeezed orange juice
3/4 oz sweet vermouth
3/4 oz Cherry Heering
1 cherry

Directions:

Pour all of ingredients into a cocktail shaker. Fill shaker with ice, and shake well for 10 seconds. Strain into a chilled cocktail glass, and garnish with a cherry.

Scotch – The “Water of Life”

Scotch Whisky has been referred to as the “water of life” from the beginning of its history. In fact, the first record of the spirit being produced in Scotland was in 1494 where tax records show the purchase of the ingredients to make aqua vitae, or the “water of life.”

Scotch became a staple in Scotland, both as part of social life and as a way to get through the long, cold winters. The popularity caused the government to establish taxes on the spirit near the end of the 17th century. Increasing tax rates continued, driving many distilleries underground. Smugglers came up with signals to warn others of excise officers in the area. Despite many stills being confiscated, more than half of the Scotch during that time was purchased tax free.

Finally, in the early 1800s, the House of Lords passed a law which helped make legal Scotch production affordable. As a result, smugglers died out.

In the late 1800s, Scotch became even more popular, after a beetle infestation wiped out nearly all of France’s vineyards. This caused a shortage of wine and brandy, and Scotch slid into its place, cementing itself into more homes across Europe.

There are two subcategories of Scotch, blends and single malts, broken down into the five types: single malt, single grain, blended, blended malt and blended grain. The single malt and single grain are distilled in only one distillery, while the blended versions are made from Scotch produced at more than one distillery. Today, it is enjoyed in more than 200 countries, and generates billions each year in sales.

Ohio Scotch Facts

- Scotch accounts for 4.1 percent of the overall spirit dollars and 2.5 percent of volume in Ohio.
- Scotch is divided into 2 subcategories – blends and single malts. Blends account for 59 percent of scotch sales, while single malts makes up the remaining 41 percent.
- Scotch blends are declining about 2 percent, while single malts are on the rise, growing 3 percent.

Top 10 Ohio Scotch Brands

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| 1. Glenlivet 12 | 6. Lagavulin 16 |
| 2. Macallan 12 | 7. Laphroaig 10 |
| 3. Glenfiddich 12 | 8. Glenmorangie 10 |
| 4. Balvenie 12 Doublewood | 9. Oban Malt 14 |
| 5. Glenlivet 15 | 10. Glenfiddich 15 |

From the Distillers' Glass

New products, hot items, recipes and more

From brokers and suppliers.

Glenmorangie The Original

Brand Code: 3645B

Since 1843, Glenmorangie has been revered for its masterful whisky creation, challenging the bounds of single malt in pursuit of excellence. The Distillery's dedication to its craft is never more apparent than in The Original. Created from spirit distilled in Scotland's tallest stills, it is matured for 10 years in the finest hand selected ex-bourbon casks.

Macallan Double Cask 12 Year

Brand Code: 6027B

Traditional sherry seasoned casks from both sides of the Atlantic. Defined by a new, unmistakable American Oak Style.

Recipes

Rob Roy

2 oz Scotch

1 oz sweet vermouth

2 dashes Angostura bitters

Lemon or orange twist

Directions:

Combine ingredients in a mixing glass and fill with ice. Stir well for about 20 seconds, then strain into a chilled cocktail glass.

Twist a piece of lemon or orange peel over the drink for a garnish.



Rusty Nail

2 oz Scotch

1/2 oz Drambuie

Directions:

Combine the Scotch and Drambuie in a double Old-Fashioned glass. Add ice and stir.



Glenfiddich IPA Cask

Brand Code: 3600B

In the first experiment of its kind, Malt Master Brian Kinsman collaborated with Seb Jones, an entrepreneurial Speyside brewer, to create a new craft India Pale Ale and pioneer the way for a new kind of single malt Scotch whisky. Brewed in bespoke craft India Pale Ale barrels, this single malt expression is imbued with unique zesty citrus notes of ripe green apple, William's pear and spring blossom. Complemented by the subtle tang of fresh hops followed by a long lasting sweetness. This malt is proof that remarkable feats can be achieved when great people get together.

Glenlivet Founder's Reserve

Brand Code: 3627B

Glenlivet Founder's Reserve is aged in First-Fill American Oak Casks, leading to intense smoothness & creamy sweetness. There are hints of zesty orange, pear, caramel apples with a long creamy finish.

Matheson's Sour

- 1 3/4** oz Glenmorangie The Original
- 1** oz freshly squeezed lemon juice
- 1/3** oz elderflower cordial
- 1/3** oz Orgeat syrup
- 1** dash aromatic bitters
- Flamed orange zest

Directions:

Shake all the ingredients with cubed ice in a cocktail shaker, double strain into a glass and finish with flamed orange zest.



Mint Julep

- 2** oz Glenlivet Founder's Reserve
- 1** tsp powdered sugar
- 1** tsp water
- 4** mint leaves
- Mint sprig

Directions:

In a julep cup, gently muddle the mint, sugar and water. Fill the cup with crushed ice, add Founder's Reserve, and stir well until the glass is frosted. Garnish with a mint sprig.

Agency Expansion

Keeping Ohio in the forefront of the spirits industry is imperative to continued growth and success. The Division of Liquor Control (DOLC) continues to evaluate our operations to identify new and innovative ways to do business which will refine our operations, increase our sales and enhance the customer experience all while promoting responsible consumption.

To keep up with demand, DOLC is seeking applicants to establish and operate new Contract Liquor Agencies in the state of Ohio. Applications are now being accepted for 20 locations. The application and locations can be found online at <http://www.com.ohio.gov/liqr/Agency.aspx>. This is based on market analysis that shows the room for growth.

Expanding the Agency footprint not only provides exceptional customer service, it also adds to the economic success of the liquor enterprise. The goal is to roll out 15 – 20 stores within the next 18 months.

These new stores will take the shopping experience to the next level. New applicants must distinguish themselves in terms of look and feel, with an emphasis on sophistication and knowledge. It's important that the staff of these new stores really understand the products they're selling. DOLC wants customers to have an exceptional experience while at one of our locations, and these steps will help do just that.

Any questions can be directed to the Liquor Enterprise Service Center at 877-812-0013 or liquoragencyhelp@com.state.oh.us.

Bottle Lottery

The Division of Liquor Control's Bottle Lottery will be coming to an end at 11:59 p.m. on Friday, Nov. 17. Only lottery WINNERS will be notified via email. Agencies that will receive product as a result of this lottery will also be notified via email with delivery and sales instructions.

Agencies have tickets to provide their customers, who can log onto www.com.ohio.gov/liqr/BottleLottery and follow the instructions to complete their entry.

Ohio customers have a chance to purchase a bottle from the Pappy Van Winkle family collection that only becomes available in small amounts.

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