

PSS

March 8, 2010

NOTICE TO THE TRADE – DeCA NOTICE 10-59

SUBJECT: Brand Name Resale Swell Allowance Program

What is a Swell Allowance Program?

The Defense Commissary Agency's (DeCA) Swell Allowance Program will eliminate most Brand Name Resale Vendor Credit Memorandums (VCM) written for unsaleable products (products that are no longer fit for sale). Only those companies that have written VCMs to DeCA in the past for unsaleables will be asked to participate under this program. By doing so, the manufacturer will agree to convert dollars of VCMs for unsaleables into a mutually agreed upon percent that will automatically be deducted from each payment. Products that come in as direct store deliveries (generally items such as bread, chips, and sodas) are not part of this program.

Why is DeCA going to this type of program?

The primary objective is to automate the existing VCM process that is now predominantly manual. Research conducted by DeCA's VCM working group confirmed that manufacturers and retail companies are already adopting similar swell allowance programs with their commercial accounts, which facilitates their objective of easing the burden associated with reimbursements for unsaleable products in retail stores. DeCA anticipates that this program will free up both store personnel and Industry partners by automating what is currently a labor-intensive, manual process. This change will permit both parties to concentrate their valuable time to better serve our patrons, operate the store more efficiently and effectively, and ultimately increase sales. This program will significantly reduce the manual requirement to process unsaleable VCMs at all stores and DeCA's accounting offices.

How will it work?

Each individual manufacturer that has one or more existing Brand Name Resale Ordering Agreement (ROA) with DeCA and that has issued unsaleable VCMs in the past will be eligible to participate. Request each manufacturer verify the amount of dollars that are currently being expended as unsaleable VCMs and convert that figure to a proposed percent that will be deducted from all payments.

The proposed percentage should then be provided to DeCA's contracting officer. A single percentage will be applied per ROA, also known as your PIIN/contract number. The swell allowance provided by the manufacturer should be comparable to the amount currently provided DeCA via manual VCMs for unsaleables. The percent, based on category brackets, may be different for each ROA. DeCA will evaluate the proposed percentage for each ROA. Once a

mutually agreed upon percentage is determined, the necessary administrative actions will be completed to implement the agreement.

New ROAs will not be required for your company to accommodate this program. Once implemented, DeCA stores will no longer process unsaleable VCMs for ROAs that have a swell allowance percent, except for exclusions agreed upon in advance by both parties.

How it will work at our CONUS sites?

The swell allowance percentage will be entered into the Standard Automated Voucher Examination System (SAVES) via a modification by the contract specialist. The percent will be deducted at time of payment, annotated on the voucher, and will credit the CONUS stores' inventory for that amount systematically.

How it will work at our OCONUS sites?

Far East, Alaska, Europe, Cuba, and Puerto Rico will have the percent processed against the applicable order processing point (OPP) Department of Defense activity address codes (DODAACs). This amount will be maintained in a table. Each month the dollars accumulated in the table will be allocated based on an all commodities value algorithm to each store supported by that OPP.

If I have questions, who do I contact?

Overall Program – Ms. Marye A. Carr, Commissary Business Manager, 804-734-8000, extension 5-2781.

ROAs – Mr. Jim Keeton, Contract Specialist, 804-734-8000, extension 4-8935, or Mr. Wayne Bordeaux, Contract Specialist, 804-734-8000, extension 4-8929.

Thank you for your continued support.

/s/
Thomas E. Milks
Chief Operating Officer