

08 – PURCHASING

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Policy Number: 08-01
Subject: Purchasing Policy - General
Effective: June 1987 (*Revised August 2018*)

PURCHASING POLICY - GENERAL

Introduction:

This policy establishes a general policy for the purchasing division.

Policy:

The purchasing division's primary responsibility is to keep sufficient supplies of heavy beer, wine and spirits items available in the warehouse for distribution to all state outlets while achieving an optimum warehouse inventory.

The purchasing division's secondary responsibility has multiple tasks as outlined below:

1. Maintain current price lists.
2. Publish changes to the price lists.
3. Minimize freight rates.
4. Maintain proper filing systems for records used by the division.
5. Communicate with suppliers.
6. Produce statistical reports to management informing them of trends and sale conditions.
7. Process special orders.
8. Practice good public relations.
9. Maintain necessary forms used by the division.
10. Other responsibilities:
 - a. Prepare and submit general listing requests.
 - b. Prepare and submit size extension requests.
 - c. Prepare and submit trade requests.
 - d. Prepare and submit items for delisting consideration.
 - e. Maintain correspondence file.
 - f. Submit price change requests.
 - g. Maintain price change history file.
 - h. Create and maintain files on purchase orders.

Policy Number: 08-02
Subject: Purchase Orders
Effective: June 1987 (*Revised August 2018*)

PURCHASE ORDERS

Introduction:

This policy establishes procedures for producing and issuing Purchase Orders intended for replenishing product to the DABC Main Warehouse.

Policy:

The department's liquor purchase order or replenishment request process shall be used to order all liquor merchandise for the department. Each purchase order or replenishment request shall be numbered.

All Purchase Orders and Replenishment Requests shall be entered into the agency's Enterprise Resource Planning (ERP) system. All necessary vendor information found in the ERP system should be reviewed for accuracy and adjusted as needed. After the purchase order or replenishment request is completed, the order or request shall be reviewed by the purchasing agent. If no changes are required, the order or request shall be processed (confirmed); sending the order to the supplier, the supplier's representative and to the supplier's carrier, if applicable.

For procedures on how receiving discrepancies are resolved, please see DABC Policy 10-13.

Policy Number: 08-03
Subject: Inventory Management
Effective: June 1987 (*Revised August 2018*)

INVENTORY MANAGEMENT

Introduction:

This policy establishes the procedures for maintaining appropriate levels of inventory of regularly listed items.

Policy:

The purchasing coordinator should maintain a two month inventory of any listed general distribution product in the warehouse.

1. Inventory levels should be maintained at three months of inventory during the holiday season.
2. The automated suggested ordering process of the agency's ERP system should be used to decide when replenishment orders should be created and processed.
3. Regular review of the MIN/MAX settings should occur to ensure proper inventory levels are maintained.

Policy Number: 08-04
Subject: Price Lists
Effective: June 1987 (*Revised August 2018*)

PRICE LISTS

Introduction:

This policy outlines the types of price lists available from the DABC purchasing division.

Policy:

The purchasing division maintains, publishes, and distributes price lists in the following formats:

1. MASTER CATEGORY PRICE LIST (all status codes):
 - a. Effective date
 - b. Major categories (alpha code and name)
 - c. Subcategories:
 - (1) Effective date
 - (2) Control States code
 - (3) Size
 - (4) Case pack
 - (5) Product name
 - (6) Status
 - (7) Per ounce cost
 - (8) Price - old and new
 - (9) Comments
2. NUMERIC PRICE LIST (all status codes - sorted by control states code):
 - a. Effective date
 - b. Control states code
 - c. Universal product code
 - d. Size
 - e. Case pack
 - f. Product name
 - g. Status
 - h. Per ounce cost
 - i. Price - old and new
 - j. Comments
 - k. Categories
 - l. Vendor (name limited to the first 16 characters)
 - m. Representative (name limited to the first 14 characters)
3. ALPHA PRICE LIST (sorted by product name):
 - a. Effective date
 - b. Control states code
 - c. Size

- d. Case pack
- e. Product name
- f. Status
- g. Per ounce cost
- h. Price - old and new
- i. Comments
- j. Categories (alpha code and name)

4. OUTLET PRICE CHANGE LIST:

This is a numeric list of the items carried by a specific state store or package agency which have changed prices.

5. MILITARY PRICE LIST (for military use only):

- a. Effective date
- b. Control states code
- c. Size
- d. Case pack
- e. Product name
- f. Status
- g. Per ounce price
- h. Military price (recent past and current) - 15% above landed cost
- i. Comments

DISTRIBUTION OF PRICE LISTS:

Price Books will be posted to the DABC web page upon publication of the printed price books.

State stores and package agencies shall not supply licensees with copies of the price lists (they may be referred to the web site).

STATE STORES:

A copy of requested lists shall be mailed to each state store.

PACKAGE AGENCIES:

A copy of the Category Price List and the Outlet Price Change List may be mailed to package agencies who have requested it be provided.

Policy Number: 08-05
Subject: Listing Policy
Effective: August 1988 (*Revised August 2018*)

LISTING POLICY

Introduction:

This policy outlines the procedures used to determine those items to be listed by the department as provided in sections 32B-2-204, Utah Code Annotated. This policy will also set the procedures for initial distribution of products once they have been listed.

Policy:

Suppliers may file an application for listing a product with the department at any time. A listing committee comprised of the Department Director, Director of Operations, two members of the Purchasing division, the Warehouse Manager, a member of the Compliance division and the Alcohol Education Director must review and act on all listing requests. Four members of the committee shall constitute a quorum to conduct the committee's business.

Listing Procedure

1. Listing Applications shall include the following:
 - a. Utah price quotation form including;
 - i. the assigned Control States Code (CSC),
 - ii. and Universal Product Code (UPC),
 - iii. or an assigned CSC and UPC within 30 days after a successful listing.
 - b. Utah fact sheet,
 - c. Copy of the federal label approval,
 - d. Copy of the bottle label,
 - e. Listing of malted beverages (heavy beer and flavored malt beverages) will need to demonstrate label approval by the DABC Compliance division prior to listing.

Samples

After receiving the Listing Application, the Purchasing division may request a sample. This request will be made with a Sample Request Form that will be signed by a member of the purchasing division. Requested samples should be sent to the Purchasing division along with the signed Sample Request Form.

1. Only two samples of a particular type, vintage, and production lot of a particular branded product may be sent, prepaid, to the Purchasing division. Samples may not be sent via U.S. mail.
2. The Purchasing division staff shall evaluate samples and forward any pertinent information to the listing committee for review.

Excess Samples

Samples may be retained for vendor/representative evaluation, purchasing department evaluation, or a uniqueness that would substantiate the acceptance or denial for listing of

the product by the department. Samples that are not being retained for any reason are to be destroyed after being logged out of the sample room inventory log.

2. Applications will be reviewed by the listing committee and will be accepted or rejected by the listing committee based on such factors as;
 - a. market demand,
 - b. category need,
 - c. promotional and/or advertising activity,
 - d. performance in other markets,
 - e. special order requests,
 - f. quality of product,
 - g. pricing,
 - h. past supplier performance,
 - i. availability of product to supply stores and package agencies,
 - j. whether the pallet configuration of the product conforms to a 40" X 48" X 62" high pallet size,
 - k. any other factor that might be available for consideration.
3. With the approval of the listing committee, a supplier may trade one item for another if it includes:
 - a. One product size for another
 - b. A packaging change
 - c. A labeling change

Any of the above changes would not require the product to go through the test status process.
4. Once reviewed, an item may not be resubmitted for a period of at least 6 months, unless requested by the department.
 - a. The listing committee may at any time reevaluate an item for listing that had been previously denied if new information becomes available about the product that could potentially give reason to the committee to list the item.

General Product Listing

1. Products submitted for General listing must be available in the quantities ordered by the Department throughout the year.
2. The listing committee may list any item it chooses for general distribution at any time based on:
 - a. Profit
 - b. Market demand
 - c. Sales performance
 - d. Category trends
 - e. Category need
 - f. Supply issues
 - g. Promotional consideration
 - h. Product recognition (awards)
 - i. Uniqueness of the product

New Item Distribution

Definitions

Test Status Item: New items that have been selected by the listing committee for possible general distribution. General distribution candidates are required to perform in test status first.

General Distribution Item: Items which may be carried in all Utah state liquor stores and package agencies.

Limited Distribution Item: An item which is in limited supply and not available to all stores except by permission as defined.

General Item Distribution

All new products submitted for general distribution will initially be placed in test status.

As new test status items are assigned to stores, they will be required to perform at pre-determined sales levels in order to obtain general distribution status.

Depending upon available merchandising shelf space, Test status items will be merchandised in as many stores as possible and in their respective category or as deemed appropriate by the Department.

Inventory levels for test status product must be maintained throughout the test period.

Limited Item Distribution

Designated stores are authorized to stock "L" item wines subject to the following requirements:

1. Wines are subject to availability in all instances.
2. Stores are responsible for monitoring and maintaining accurate price changes, code changes, and vintage changes.

Wines will be authorized directly to the stores and delivered with their regular warehouse shipment.

Transfers of "L" wines to other Utah state liquor stores and package agencies may be made upon request.

Seasonal Limited Time Offers

In the case of seasonal limited time offers, all companies shall submit a complete listing package. Any seasonal product received into the Department's warehouse that does not arrive in ample time to allow for normal distribution will be returned freight collect.

Policy Number: 08-06
Subject: Delisting Policy
Effective: January 1988 (*Revised August 2018*)

DELISTING POLICY

Introduction:

This policy sets forth the method and criteria for delisting products. The UDABC reserves the right to move items within the listing categories based on, but not limited to, the following criteria:

1. Low demand
2. Availability of product
3. Sales
4. Category need
5. Category trends
6. Any other factor that would require a change in listing category

Policy:

Listed products may be delisted by the listing committee at any time based on, but not limited to, the following criteria:

1. Low profit performance within a category
2. Low case turns within a category
3. Category trends
4. Category need
5. Supply issues
6. Labeling/packaging issues

Additionally, general distribution items that are stocked-out by the vendor at any time during the year can be delisted by the listing committee.

Delisted items will not be allowed a listing request for a minimum of six months after the existing product has been totally removed from the state store system.

Once an item has been delisted by the DABC, the Purchasing division will inform stores, supplier representatives and Package Agencies of the following:

1. Product description and CSC;
2. Reason for delisting the item;
3. Any other pertinent information.

PURCHASING

Policy Number: 08-07
Subject: Price Changes
Effective: April 1995 (*Revised March 2020*)

PRICE CHANGES

Introduction:

This policy defines procedures to be used when implementing price changes for price reductions on delisted items and special price allowances (SPA's) or post-offs.

Policy:

General distribution price changes are allowed during the months of February, May, August, and November only. Complete and accurate standard quotation forms must be received by the Department's purchasing coordinator by the second week of the third month prior to the effective date. The DABC fiscal calendar is located on the Department's website.

Delisted Items

1. Initially, most products delisted by the Department will be marked down by 23 percent of the retail price for the first 30 days.
2. Delisted products may be discounted at a final markdown not to exceed 46 percent of the retail price but under no circumstance will the markdown be at a price lower than the cost of the item.
3. These markdowns apply to both general and specified limited closeouts.

SPA's

SPA's are discounts off the shelf price provided by the supplier. Discounts are for specific listed products for a specified period of time.

Point of Sale material is to include department created signage only. SPA signage shall be of two different fluorescent colors indicating the difference in discount amount. SPA signage shall be of an informative nature and is not intended to give the customer something of value for making the purchase.

The department shall pass special price allowances (SPA's) on to the customer only on the following basis:

1. Any product that qualifies for a SPA is allowed a total of four discounts in each fiscal year. Products on SPA shall be classified into two different categories based on the discount amount.
 - a. Below \$2.99: Discounts from \$2.00 to \$2.99 off the shelf price will be designated as a "Below \$2.99" discount. Suppliers may choose to use any or all of the allotted four annual SPA's for a qualifying CS code as a "Below \$2.99" discount.
 - b. Above \$2.99: Discounts \$3.00 or more off the shelf price will be designated as an "Above \$2.99" discount. Suppliers may use up to three of the four annual SPA's on a qualifying CS code as "Above \$2.99" discounts. SPA discount signage shall be printed on two different colored fluorescent signs signifying discount type.

- c. SPA signage will be displayed for the designated fiscal month only.
2. Items to be used for SPA floor stacks will be determined by the department. The department will consider store safety when determining which items will be floor displayed.
 3. SPA's on decanters and gift packs will not be accepted.
 4. The regular shelf price on which any non-bailment SPA offer is made must be set two months prior to the pass-through month. The regular shelf price on bailment items must be set one month prior to the pass-through month.
 5. Complete and accurate SPA forms must be received by the department's purchasing coordinator by the second week of the third month prior to the post-off date.
 6. Submitted forms for SPA's must be complete and accurate with the required information, (Refer to SPA Fact Sheet), or SPA requests will be denied.
 7. The department reserves the right to cancel a SPA at any time if the product is not received in the buy-in month, or if there is not sufficient product in the bailment inventory.
 8. Only department signage will be used to draw attention to discounted products during the discount period.
 9. Any product that qualifies for SPA's may not be discounted two months in succession.
 10. 750 ml bottles of wine and/or spirits may not have an everyday price or a SPA price that is less than \$3.99.
 11. SPA's may not run concurrently with a price change (in the same month).

Policy Number: 08-08
Subject: Product Sample Tasting
Effective: August 1991 (*Revised August 2018*)

PRODUCT SAMPLE TASTING

Introduction:

This policy provides guidelines for tasting and analyzing heavy beer, wine, and spirits products currently carried in the department's inventory for the purposes of quality assurance and educating store employees.

Policy:

Quality Assurance

Purchasing department personnel should be familiar with the heavy beer, wine, and spirits products carried by the department, and periodically check these products for continued quality.

Product Education

Inventory samples may be part of regularly scheduled product training seminars conducted at the Department. Such tasting and analyzing of heavy beer, wine, and spirits currently in inventory may be done under the following conditions:

1. Suppliers or their representatives must notify the department in writing if they choose not to have their product(s) included in the program.
2. Standard sensory evaluation procedures recognized by the wine industry shall be followed. Breathalyzer tests may be administered to participants.

Sample bottles of heavy beer, wine, and spirits from current store and warehouse inventory shall be transferred and accounted for through the breakage process for the above purposes. The Accounting division shall then issue debit memos to each vendor of record for each individual bottle used. The Accounting division shall treat these debit memos as accounts receivable and monitor them accordingly.

Policy Number: 08-09
Subject: Special Orders
Effective: April 2015 (*Revised November 2018*)

SPECIAL ORDERS

Introduction:

Special order product is any product not carried for sale by the Department. This policy outlines the procedures for accepting, processing, ordering and disbursing special orders.

Policy:

Special orders may be placed by individuals, groups of individuals, organizations, or retail licensees. Special orders will be subject to availability and according to the distributor's shipping criteria.

1. Special orders may be ordered only in the minimum quantity set by a supplier.
2. There is no handling fee on special orders.
3. The Department shall not place a special order unrelated to a particular customer.
4. Whenever necessary, a department purchasing agent shall obtain a retail bottle price and contact the customer for approval to proceed with the order.
5. When a special order arrives, the State store to which the special order has been sent shall notify the customer.
 - a. Customers shall pay for and pick up the entire special order within 14 days after notification.
6. Any existing special order inventory shall be managed at the discretion of the DABC.
7. Misuse of the special order program may result in the suspension of ordering privileges.

Policy Number: 08-10
Subject: Product Information Cards
Effective: February 2020

PRODUCT INFORMATION CARDS (SHELF TALKERS)

Introduction:

The purpose of this policy is to establish standards for the production, distribution and display of product information cards (shelf talkers), in state liquor stores. This policy also establishes actions for violations of this policy.

Policy:

Production

Product information cards must be submitted to DABC purchasing for approval prior to placement in stores. Vendors must utilize the template found on the Vendor Portal, along with a digital copy of the recognition source. If the submission is approved it will be digitally signed by an approving official. Once approved the product information cards may be produced adhering to the following standards:

1. Printed on White 80 pound card stock in black ink. Cards will measure 3.5" wide x 4" high.
2. Reviews must only be from industry periodicals within the last two years, not edited, and must contain the name and date of issue in which the review was published. If a price or vintage is mentioned in the review it must also be included. Department tasting notes can only be produced by the department.
3. Vintage dated shelf talkers must be kept current and represent only the vintage being displayed.
4. Promotional notes from suppliers will not be accepted unless they are basic formulation and technical information.
5. All Cards will include the statement "Prices may not reflect current DABC price", the Utah Code number (six digit CSC), and the DABC authorization number.
6. All Cards will have the vendor representative's signature, name and the date on the back.

Distribution

Approved, completed shelf talkers will be delivered directly to the stores.

Display

Store participation in the product information card program is mandatory.

Store personnel may attach approved shelf talker cards to wine racks, shelves, or floor stacks at their discretion. There may only be one card displayed per CSC.

Store managers may also allow vendor representatives to attach approved shelf talkers to the above mentioned locations. Vendor representatives must sign in and be assigned a badge prior to attaching any shelf talkers. They must also sign out and return badge prior to departing the store. Vendor representatives are prohibited from any activities involving competitors' shelf talkers.

Shelf talkers cannot be modified in any way once approved. At no time are prices to be blacked out.

Shelf talkers must be removed once review or acknowledgement exceeds two years or the displayed vintage changes. No blacked out prices are authorized.

Violations

Shelf talkers will be subject to removal if these guidelines are not adhered to. Vendors found in violation of any section of this policy will be subject to the following actions:

1. First offense, the vendor will be issued a warning in writing.
2. Second offense, the vendor will be required to submit an action plan outlining steps to prevent future violation of the policy.
3. Third offense, the vendor's shelf talker privilege will be revoked for one year.

Violations will be tracked on a rolling 12-month period.