

PSM

February 4, 2005

NOTICE TO THE TRADE – DeCA NOTICE 05-57

SUBJECT: Processing Residual Seasonal Scan Downs

The purpose of this Notice to the Trade is to improve upon the current methodology of processing residual seasonal merchandise at store level.

The current methodology of utilizing store level VCMs to process residual seasonal merchandise has proven to be antiquated. This method relies upon the availability of sales representatives to prepare store level VCMs at the conclusion of the seasonal promotional period. This has not proven to be the most efficient technique for processing residual stock. This also has had a domino effect on subsequent seasonal promotions in stores with limited seasonal display space. In our efforts to improve upon this process, we have worked closely with our industry partners to develop ways to utilize existing initiatives to better handle residual seasonal merchandise.

In December 2004, we implemented a “test” scan down program for the Thanksgiving/Christmas seasonal package effective December 26, 2004. This program was an overwhelming success. The sell through period for residual merchandise was greatly reduced which afforded stores with the opportunity to better utilize limited display space on subsequent promotions. This also minimized store level VCMs creating better operating efficiencies. There were also some lessons learned during this initial test.

To continue this process improvement, we have reevaluated the scan down program incorporating both store level and industry concerns. Effective with the 2005 Thanksgiving/Christmas holiday promotion, all items presented for inclusion in the seasonal package will be required to participate in the scan down program with the exception of items that are normally stocked in DeCA commissaries and items that have been reclassified as “O” items for a select seasonal package. The scan down parameters are as follows:

- a. All seasonal items will be guaranteed sale.
- b. Markdowns will remain consistent with the current practice of 50 percent or better.
- c. The markdown period will commence the day after the seasonal period and will run for a 14 day period.
- d. Product remaining after the 14 day seasonal scan down period will be picked up at store level.
- e. This program will apply to the 48 contiguous states.

f. Items temporarily recoded as “O” items will be processed at the local level via VCM on an as needed basis.

My points of contact are Delbert L. Myrick, Deputy Director of Sales, at (804) 734-8240 and Mary M. Michael, Promotional Manager, at (804) 734-8228.

/s/

Scott E. Simpson
Chief Operating Officer