DEFENSE COMMISSARY AGENCY
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MPS

NOTICE TO THE TRADE – DeCA NOTICE 14-75 DEC 18 2014

SUBJECT: Expansion of DeCA's Brand Name Swell Allowance Program

The Defense Commissary Agency (DeCA) is embarking on one of the most challenging efforts the Agency has ever undertaken - Enterprise Business Solution (EBS) is a retail business suite, currently being procured, that will provide DeCA an integrated, retail grocery solution. The system will be deployed in four increments, with the first including Contracting, Cataloging, Promotions, Pricing, and Planogramming capabilities.

EBS will allow DeCA to modernize its supply chain and retail business processes and improves business performance management, data accuracy and integrity, information access and visibility across the enterprise, and provides analytics to better support decision-making. As we move forward with EBS, DeCA must also change/streamline business practices.

Today, DeCA has very few companies on the Swell Allowance Program due to current system limitations that only allow for a single percentage (blended rate) assigned to each Retail Order Agreement (ROA). As we move toward EBS, we will be preparing to implement a mandatory swell allowance program concurrent with deployment of EBS Increment 1. EBS will allow assignment of individual percentage rates at the category and sub-category level with one ROA. Multiple percentages may be applied against each category in the ROA and will be deducted against each payment. DeCA's way forward is explained in the following questions and answers.

What is a Swell Allowance Program?

The Swell Allowance Program is a systematic method of automatically deducting a fixed percent from vendor's invoice payments to compensate the Agency for items not fit for sale and is designed to ensure the Agency, as a whole, is properly reimbursed.

Why is DeCA going to mandate this program?

The primary objective is to automate the existing unsaleable Vendor Credit Memorandums (VCM) process that is now predominantly manual and manpower intensive and eliminate most VCMs written in CONUS and OCONUS for unsaleable products.

Research conducted by DeCA's VCM working group confirmed manufacturers and retail companies are currently using swell programs with their commercial accounts, which facilitates their objective of easing the burden associated with reimbursements for unsaleable products in retail stores. This change will permit us to concentrate our valuable resources to better serve our patrons, and ultimately increase sales.

When will this mandatory Swell Allowance Program Start?

Beginning February 2, 2015, Category Managers will begin negotiations with Industry to determine swell allowance percentage rates by category or sub-category as applicable. Manufacturers currently on the swell allowance program will need to re-negotiate their swell allowance percentage rates taking into consideration category and sub-category level percentage rates on their current ROAs.

DeCA plans to have all negotiations complete by April 30, 2015. The deductions and application of the swell allowance percentage rates will not begin until EBS, Increment 1 is fully deployed (estimated date is Oct 2015). If you would like to start the deduction prior to EBS and not write unsaleable VCMs, DeCA will accommodate that request. The percentage rate provided must be the same rate for all items on the ROA if you decide to go that route.

Once the program is in effect (projected for Oct 1, 2015), no more manual VCMs will be written to cover unsaleable products (products not for sale).

How will the Swell Allowance Percentage Rate be determined?

DeCA will be sending each manufacturer/owner of the ROA a file via email. The file will contain the current PIIN and categories/subcategories. We will request that you review the file and annotate the swell allowance percentage rate you will be offering for the categories/subcategories. Once DeCA receives the file back, we will analyze the rate based on the commercial standard for the category and also review your current VCMs written to DeCA for unsaleables. DeCA will provide their concurrence with your swell allowance percentage(s) rates or negotiations will begin electronically. More details will be provided in the email you receive from DeCA within 30 days after you provide the POC information below:

We ask that each manufacturer/vendor provide us with a name, phone number, and email address for your authorized negotiator identified on your current ROA, no later than December 30, 2014 to swellprogram@deca.mil.

Exclusions to the Swell Allowance Program:

- **Holiday and Seasonal Items:** Items O coded and purchased in support of the Holiday/Seasonal Promotional Calendar, which will be identified at the time the product is presented to the Category Manager for consideration.

- **Any Products not in Conformance with Shelf Life Requirements at time of Delivery:** Products shall be the latest date-of- pack available at the time of delivery. Unless otherwise specified in the agreement, products shall be delivered to locations specified in the ROA or the designated port of embarkation for overseas shipments with a minimum of one-half (1/2) or fifty percent (50%) of the guaranteed shelf life remaining(rounded to the nearest whole day.) If supplies delivered do not have the minimum number of days of shelf life remaining, as set forth in the agreement, the government has the right to reject them and require replacement.

- **Meat and Produce Department Items**: Unless items are agreed upon by the Category Manager, Contracting Officer, and Industry partners; prior to implementation, any items selected to be on the Swell Program will be communicated to the stores.

- **Random Weight Items:** Unless items are agreed upon by the Category Manager, the Contracting Officer, and Industry partners; prior to implementation, any items selected to be on the Swell Program will be communicated to the stores.

- **Direct Store Delivery (DSD) Contracts**

- **OSA Items:** Items purchased through an Off-Shore Acquisition (OSA) agreement/contract will not fall under the Swell Program and will follow the requirements as written in the contract.

DeCA views this program as a win-win for DeCA and Industry Partners. Any comments or concerns may be addressed to the email address of swellprogram@deca.mil. Your support in this endeavor is greatly appreciated and we look forward to more efficient as we move forward with EBS.

My points of contact for the Swell Allowance Program are Ms. Marye A. Carr, Sales Directorate, 804.734.8000 extension 52781, and Ms. Sharryl Whitley, EBS Increment Manager, extension 48382.

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