



**DEFENSE COMMISSARY AGENCY**  
HEADQUARTERS  
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LEL

December 1, 2015

**NOTICE TO THE TRADE – DeCA NOTICE 16-17**

**SUBJECT: Addendum One to the Brand Name Resale Ordering Agreement (ROA) Master Terms and Conditions (MT&Cs) dated October 2012**

On November 7, 2014, DeCA established Standard Operating Procedures for the Distributor Discrepancy Rate Program (DDR) and the Distributor Damage Program (DDP) between the Manufacturer's Distributors and the Defense Commissary Agency (DeCA) for Frequent Delivery System (FDS) receiving.

As a result, all DeCA Manufacturer's Distributors are presently participating in both the DDR and DDP programs for receiving FDS deliveries. These programs have proven to streamline the receiving and damages processes for DeCA Personnel and the Manufacturer's Distributors, as well as, improving service to DeCA patrons, reducing costs, eliminating redundancy and waste, allowing for faster fill rates, and increasing DeCA sales and efficiency.

The purpose of Addendum One is to adopt the Manufacturer's Distributor Discrepancy Rate Program and the Distributor Damage Program into all ROA MT&Cs dated October 2012.

Therefore, sections of the ROA MT&Cs will be affected to initiate the inclusion of DDR and DDP program descriptions. The specific sections affected are referenced below:

1. Reference section "I. DEFINITIONS": Add the definition for Manufacturer's Distributor Discrepancy Rate Program and Manufacturer's Distributor Damage Program (See Attachment 1 – I. Definitions).
2. Reference section "X. CONUS REQUIREMENTS, A. DIBS-FDS ORDERING AND RECEIVING": Add the following sub-sections (See Attachment 2 – X. Conus Requirements).
  - (g) Manufacturer's Distributor Discrepancy Rate (DDR) Program
  - (h) Establishing Manufacturer's Distributor Discrepancy Rate and Payment Process
  - (i) Manufacturer's Distributor Damage Program (DDP)
  - (j) Establishing Manufacturer's Distributor Damage Percentage and Payment Process

All DeCA Manufacturers shall ensure that their distributors familiarize themselves with DeCA's DDR and DDP requirements and procedures; and ensure that they continue to participate in each of the programs.

Questions or concerns related to this NTT may be directed to Mr. Mark Vacca, DDR Specialist at (804) 734-8000, extension 48655, [mark.vacca@deca.mil](mailto:mark.vacca@deca.mil) or Mr. Randy Eller, Deputy Director, Logistics at (804) 734-8000, extension 86191, [randy.eller@deca.mil](mailto:randy.eller@deca.mil).



Eric Swayzee  
Director, Logistics

Attachments:  
As stated

## **I. DEFINITIONS**

**MANUFACTURER'S DISTRIBUTOR DISCREPANCY RATE (DDR) PROGRAM:** The DDR Program is designed to be used only for products being received under the FDS delivery method within the United States, Alaska, Hawaii and Puerto Rico. The intent of the program is to streamline the receiving process and reduce the number of Vendor Credit Memorandums (VCM) for DeCA Personnel and the Manufacturer's Distributors. The DDR Program enables DeCA to receive a single credit per rollup for shipping discrepancies (shortages of cases). The Manufacturer's Distributor rollup rate is determined based on unannounced store validations performed weekly. The Manufacturer's Distributor Discrepancy Rate is monitored and renegotiated on a quarterly basis. The DDR Program does not include missing pallets, shippers, mispicks, or damages.

**MANUFACTURER'S DISTRIBUTOR DAMAGE PROGRAM (DDP):** The DDP is designed to be used only for products being received under the FDS delivery method within the United States, Alaska, Hawaii, and Puerto Rico. The DDP is the method utilized to process all shipping damages upon receipt by all FDS distributors. The intent of the program is to allow stores to sell undamaged units within a case versus returning the entire case to the manufacturer, and reduce the number of Vendor Credit Memorandums (VCM) for DeCA Personnel and the Manufacturer's Distributors, whereby DeCA is able to receive a single credit per rollup for damaged products. The Manufacturer's Distributor damage percentage is determined based on the cumulative damages identified for six rollup periods (3 months). The Manufacturer's Distributor damage percentage will be monitored and renegotiated with each distributor on a quarterly basis. The DDP does not include semi-perishable merchandise received in a frozen or chill state, cigarettes and tobacco, mispicks, cross docks, expired merchandise, pallet display modules, and items/units damaged during shelf stocking or damaged after the shelf stocker has stocked the shelves.

## **X. CONUS REQUIREMENTS**

### **A. DIBS-FDS ORDERING AND RECEIVING**

#### (g) Manufacturer's Distributor Discrepancy Rate (DDR) Program:

(1) Manufacturer's FDS Distributors shall participate in DeCA's Manufacturer's Distributor Discrepancy Rate Program. The intent of the program is to streamline the receiving process and reduce the number of VCMs for DeCA Personnel and for the Manufacturer's Distributors by utilizing DDR procedures. Under DDR procedures, DeCA will be able to receive credit for Manufacturer's Distributors discrepancies (shortages of cases) on FDS orders.

(i) The Manufacturer's Distributor will identify the total number of assignments and/or pallets prior to delivering merchandise to the store. Assignment numbers must be clearly marked on each pallet by the Manufacturer's Distributor. There will be no split assignments which are not clearly identified on the pallet(s) as this will result in the validated assignment being short.

An "assignment" is defined as a group of numbers assigned to each pull number by a Manufacturer's Distributor to identify the number of cases located within each assignment.

(ii) DeCA Store Personnel may conduct a validation on any FDS delivery. Any FDS assignments and/or pallets may be used in order to accomplish a validation. FDS drivers will be notified upon arrival at the store that a validation will be conducted and encouraged to participate in the count, however it is not required. If the FDS driver is participating, the validation will start immediately.

(iii) DeCA Store Personnel will randomly select the assignments and/or pallets that will be validated. The assignments and/or pallets will be set aside, broken down, and counted. After each assignment and/or pallet has been counted, DeCA Store Personnel will compare the count with the receiving document.

(iv) DeCA Store Personnel and the FDS driver will review the validation count. If they agree, both will sign the validation documents. If the FDS driver does not participate in the count, the validation will be considered acceptable. If the validation results in an error more than + / - 25%, the Manufacturer's Distributor POC will be notified immediately of the validation results.

(v) DeCA Store Personnel will conduct one validation per week for each Manufacturer's Distributor delivering to their store. Validation results will be provided to the Manufacturer's Distributor quarterly or upon request.

(vi) DeCA reserves the right to perform a 100% validation at any time if deemed necessary based on the store's validations results. The Manufacturer's Distributor will be notified of the 100% validation prior to its delivery to the respective store.

(h) Establishing Manufacturer's Distributor Discrepancy Rate (DDR) and Payment Process:

(1) Each Distribution Center (DC) servicing their group of stores will have a unique "discrepancy rate" based on the results of the store's weekly validations. *(For example, if a DC services 12 stores, the validations from each of the 12 stores will be used to determine the discrepancy rate)*. Prior to implementing the discrepancy rate, both DeCA and the Manufacturer's Distributor must agree upon the established rate.

(2) The Manufacturer's DDR will be monitored and renegotiated on a quarterly basis. DeCA will re-calculate the Manufacturer's DDR percentage after six rollup periods (or 3 months) based on validation data. If the validation data supports a change (either increase or decrease) to the current discrepancy rate, DeCA will renegotiate a new rate with the Manufacturer's Distributor.

(3) The total dollar amount of the Vendor Credit (monies owed to DeCA) will be calculated using the established "discrepancy rate" for that specific Distributor Center, multiplied by the total dollar amount of the rollup.

(4) At the end of each rollup period, DeCA Resource Management's Quality Assurance Branch will consolidate all deliveries made, and determine the total dollar amount, for each store serviced by the Distribution Center. Based on the Manufacturer's Distributor Discrepancy Rate, a vendor credit dollar amount will be calculated for discrepancies (shortages of cases) for each store, as well as, a cumulative total dollar amount for the Manufacturer's Distributor Distribution Center.

(5) DeCA Resource Management's Quality Assurance Branch will generate a Vendor Credit Memo (VCM) Form identifying the total dollar amount owed to DeCA for the rollup period. The VCM Form is then submitted to the Manufacturer's Distributor Distribution Center POC for review and signature. The POC will sign the VCM Form and return it to the Quality Assurance Branch for processing. The Manufacturer's Distributor Distribution Center shall make payment for the discrepancies (shortages of cases) by check or credit card within three (3) business days of notification.

(i) Manufacturer's Distributor Damage Program (DDP):

(1) Manufacturer's FDS Distributors shall participate in DeCA's Manufacturer's Distributor Damages Program. The intent of the program is to streamline the receiving/damages processes, improving service to our patrons, reducing costs, eliminating redundancy and waste, and will increase DeCA sales and efficiency. Under DDP procedures, DeCA will be able to

receive credit for Manufacturer's Distributors shipping damages (for all units, full cases or full pallets) on all FDS orders.

(i) The Manufacturer Distributor's Distribution Center will pay DeCA a predetermined damage "percentage" for six rollup periods (or 3 months) to account for FDS shipping damages for DeCA commissaries they service.

(ii) DeCA Store Personnel will start identifying all Manufacturer Distributor's Distribution Center damaged units on the first FDS truck/trailer delivered on Sunday and end with the last FDS truck/trailer delivered on Saturday (7 day period). All damaged units identified for the seven (7) day period (Sunday-Saturday) will be consolidated.

(iii) Each Manufacturer Distributor's Distribution Center will be identified separately and will not be combined with any other Distribution Center.

(iv) At the time of receiving the FDS shipment from the truck/trailer, sorting and segregating FDS pallets, DeCA Store Personnel will identify all units, full cases, or full pallets that were damaged to determine loss of the store's inventory.

(v) Manufacturer Distributor's Distribution Centers will not be responsible or held accountable for items/units damaged during shelf stocking or damaged after the shelf stocker has stocked the shelves.

(j) Establishing Manufacturer's Distributor Damages Percentage and Payment Process:

(1) Each Distribution Center (DC) servicing their group of stores will have a unique "damage percentage" based on the actual dollar amount of damages received during a given quarter. *(For example, if a DC services 10 stores, the shipping damages for each 7 day period from each of the 10 stores will be used to determine the damages percentage).* Prior to implementing the damage percentage, both DeCA and the Manufacturer's Distributor must agree upon the established percentage.

(2) The "damage percentage" will be used for six consecutive rollup periods (or 3 months) regardless if any damaged product was received or not received during the six rollup periods. *(For example, if the rollup dollar value is \$1M, and the damage percentage is .000638, the commissaries will receive a \$638.00 damage credit; or if the next rollup dollar value was \$700,000, utilizing damage percentage .000638, the commissaries will receive a \$446.60 damage credit).*

(3) The Manufacturer's Distributor Distribution Center percentage will be monitored and renegotiated on a quarterly basis. DeCA will re-calculate the percentage after six rollup periods (or 3 months) based on actual dollar amount of the FDS shipping damages received. If the quarterly FDS shipping damages supports a change (either increase or decrease) to the current

damage percentage, DeCA will renegotiate a new percentage with the Manufacturer's Distributor.

(4) The total dollar amount of the Vendor Credit (monies owed to DeCA) will be calculated using the established "damage percentage" for that specific Distributor Center, multiplied by the total dollar amount of the rollup.

(5) At the end of each rollup period, DeCA Resource Management's Quality Assurance Branch will consolidate all FDS shipping damages, and determine the total dollar amount, for each store serviced by the Distribution Center. Based on the Manufacturer's Distributor Damage percentage, a vendor credit dollar amount will be calculated for FDS shipping damages for each store, as well as, a cumulative total dollar amount for the Manufacturer's Distributor Distribution Center.

(6) DeCA Resource Management's Quality Assurance Branch will generate a Vendor Credit Memo (VCM) Form identifying the total dollar amount owed to DeCA for the rollup period. The VCM Form is then submitted to the Manufacturer's Distributor Distribution Center POC for review and signature. The POC will sign the VCM Form and return it to the Quality Assurance Branch for processing. The Manufacturer's Distributor Distribution Center shall make payment for the FDS shipping damages by check or credit card within three (3) business days of notification.