



Vendor Partnership Manual

Section 8 Vendor Allowances Debit Balance

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1. Introduction

1.1 What is Vendor Allowance?

Vendor Allowance is a program by which vendors financially support and help drive sales of their products at Pamida. Although the support usually takes the form of cash payments, in some cases a credit against merchandise received is allowed. There are four main categories of vendor allowance:

- Co-op P & A Allowance
- Purchase Credit
- Price Protection
- Other (fixtures, new store allowances, payroll credit, rescans, contests, travel)

1.2 Forms Used for Vendor Allowance

There are two forms which Pamida uses to document vendor allowance. These forms are filled out by the merchants and submitted to the vendor for approval. The two forms are:

- Vendor Allowance / Performance Agreement Contract
- Vendor / Buyers Terms Agreement

1.3 What is a Debit Balance

A debit balance is when credits exceed the dollar amount of payments due the vendor. The credits could include but are not limited to Marketing Allowances, Audit Claims, Returns, Purchase Credits, and Defective Shortfall billings.

2. Definitions of Vendor Allowance Categories

2.1 Coop-P & A Allowances

2.1.1 *Advertising-Budgeted Circulars*

Monies provided by vendors for advertising their product (budgeted advertising). This allowance is often based on a percent of purchases for the year and proof of performance is usually required.

2.1.2 *Marketing Allowance*

Monies provided by vendor for instore displays and unspecified promotion.

2.1.3 *New Sku Set Up Charges (Placement Allowances)*

Charges to offset the cost of setup of new SKU's. A charge of \$500 per SKU to be billed at the time of implementation.

2.1.4 *Partnership*

An annual agreement with vendor focusing on exclusive product/shelf space/promotions/ long-term agreements.

2.1.5 *Planogram*

Charges for category sku's planogram reset. \$25 annual charge

2.1.6 *Placement in Fastracks, Endstands, Checkout, and Shelves*

Monies billed for the display of product in fastrack or endstand fixtures.

2.2 Purchase Credits

2.2.1 *Volume Rebates*

Monies received for attaining a specific level of purchases from a manufacturer.

2.2.2 *Warehouse Allowances/Early Buy Shipping Allowance*

Monies received for storing the product.

2.2.3 *Billbacks For Bracket Pricing/Deal Monies*

Monies received for purchasing product during deal timeframes and/or certain volume during these timeframes. Temporary price reductions and unadvertised specials.

2.2.4 *Defective Allowances / Shortfall*

Allowances for merchandise based on a % of purchases or actual shortfalls in excess of % allowances. This will include a billing throughout the year for actual defectives not covered by allowance and a year end billing for the shortfall. The shortfall is defined as the actual defective that exceed the allowance given.

2.3 Price Protection

2.3.1 *Markdown-Ad*

Monies billed to lower price for ads.

2.3.2 *Markdown-Sku Clearance*

Monies billed to recover lost margins on clearance merchandise.

2.3.3 *Markdown-Discontinued Vendor*

Monies billed to one vendor for clearing another vendor's discontinued merchandise.

2.3.4 *Cost Reduction*

Monies billed to protect Pamida from a financial loss incurred on on-hand inventory held at the time of a permanent cost decrease issued by vendor. Once the time of the permanent cost decrease is established, inventory received after this date is to be charged at the new lower cost.

2.4 Other

2.4.1 *Fixtures*

Money received from vendor to purchase new fixtures.

2.4.2 *New Store Allowance/Remodel Allowances*

Charges to the vendor for new store allowance/remodel allowance on set-up order and two follow up orders.

2.4.3 Payroll Credit

Charges to the vendor for in house representatives.

2.4.4 Miscellaneous

Charges to vendor for reshoot/rescans, contest monies, travel, line review, etc.