



# **Vermont Department of Liquor Control**

## **Guide to Product Selection and**

### **Distribution in the State of Vermont**



December 2015



## **Foreword**

The Vermont Department of Liquor Control (DLC) continually strives to provide the best possible service and product selection for the citizens of Vermont. Accomplishing this task requires that we model best practices and are able to adapt to changing consumer demands.

This guide is intended to serve as a reference for suppliers, brokers and listing committee members who are either currently doing business in Vermont or are serving on the listing committee, as well as to educate new and prospective suppliers, brokers and committee members about Vermont's products procedures, selection and distribution systems.

As with any retailer/wholesaler, product selection is made at the sole discretion of the DLC as a market participant. Although, the purpose of the "Guide to Product Selection and Distribution in the State of Vermont" is to provide general guidelines, nothing within it shall be construed to limit the ability of the DLC from selecting or discontinuing any product it deems appropriate under its business model.

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**Mission**

The mission of the Vermont Department of Liquor Control is to serve the public by preventing the misuse of alcohol and tobacco through controlled distribution, enforcement, education; and provide excellent customer service by operating efficient, convenient liquor agency stores.

**Vision**

The Vermont Department of Liquor Control will continue to emerge as a valuable and efficient business partnered with the State of Vermont by contributing to the State's economy through a network of well-aligned agency stores which carry a wide selection of products from Vermont and around the world. The Department will continue to strive to offer an enhanced experience for consumers, ease of licensing and a consistent regulatory process where the main focus is improving public safety.

## Authority

The authority to purchase spirituous beverages on behalf of the Liquor Control Board is granted to the Commissioner of Liquor Control under Title 7, "Chapter 5: Department of Liquor Control, Section 107. Duties of Commissioner of Liquor Control", subsections (4) and (5):

"(4) Supervise the quantities and qualities of spirituous liquor to be kept as stock in such local agency and make regulations subject to the approval of the Board regarding the filling of requisitions therefore on the Commissioner of Liquor Control.

(5) Purchase through the Commissioner of Buildings and General Services spirituous liquors for and in behalf of the Liquor Control Board, supervise the storage thereof and the distribution to local agencies, druggists and licensees of the third class and make regulations subject to the approval of the Board regarding the sale and delivery from such storage plant."





# Products



## Listings

The Vermont DLC reviews new products to determine which products will be carried on store shelves in the Vermont Liquor Stores, through a process called “listing.” Listing a new item or a product extension (generally, a different size of a product already carried) allows that product to be carried by any Vermont liquor store and guarantees it will appear in the liquor price guide. Essentially, the listing process requires that liquor manufacturers and brokers present new products to a “Listing Committee” made up of DLC staff, agents and licensees. This committee evaluates each new product based on a number of criteria. Each member casts a vote for each product and sends these to the Liquor Purchasing Coordinator who uses the vote counts to make recommendations to the Liquor Control Board. After reviewing these recommendations, the Liquor Control Board then decides what products to make available to the liquor stores.

Eight times per year DLC allows new products or product extensions to be listed. Listing Committee meetings are held in January, February, April, May, July, August, October and November. New products appear in the February, May, August and November price guides (*802 Spirits* magazine).

The Listing Committee evaluates products based upon criteria such as:

- Category trends
- Price in comparison to other products
- Sales in other states
- Category need
- Brand strength/recognition
- Packaging and appearance (uniqueness)
- Special order demand/customer request
- Promotional support
  - In-store samplings
  - Promotion \$ (local and national)
  - Price support \$ (sales, coupons, monthly discounts or Special Purchase Allowances or SPA’s)
- Taste and quality of the product (if samples are provided)
- Manufacturer’s history with supply chain management of inventory (e.g. out of stocks or over stocks)

Presenters are highly encouraged to address the above criteria in their presentations, along with other pertinent information, such as history of the product, how it is made and serving suggestions. The Committee should be able to see an actual bottle of the product, or if not available (sometimes when a product is new the final packaging isn’t ready), a factual representation or photograph of the bottle and label. Labels should adhere to the advertising guidelines listed on page 12. A brief (one paragraph) description of the product for the web and the store cash registers is also required. Presenters are asked to limit their presentations to a total of ten minutes per company.

Listing Committee members confer after the presentations to share information regarding the products just seen. Members are asked to submit their votes along with an explanation of any “no” votes within one week of meeting. The Liquor Purchasing Coordinator collects the votes and comments from the Committee and makes his/her recommendations to the Vermont Liquor Control Board. The Board then votes on the recommendations and makes the final decision as to what will be listed in the State.

Certain concessions in the Listings procedures may be given to products that are made or distilled in Vermont. Makers of these products must hold a valid Vermont Manufacturer’s or Rectifier’s License.



## Requirements for Listing

Suppliers and/or liquor representatives must complete a new item data sheet, entitled “A Blank Listing Requirements NEW spreadsheet” for each product and a standard NABCA Standard Quotation and Specification Form found at:

[http://liquorcontrol.vermont.gov/sites/liquorcontrol/files/pdf/spirit/Standard\\_Quotation\\_and\\_Specification\\_Form.pdf](http://liquorcontrol.vermont.gov/sites/liquorcontrol/files/pdf/spirit/Standard_Quotation_and_Specification_Form.pdf).

These must be filed with the Liquor Purchasing Coordinator at least two weeks prior to the listing meeting. Suppliers are limited to three items per listing meeting.

The information needed to complete the “A Blank Listing Requirements NEW Spreadsheet” includes:

- Supplier
- NABCA Code (if available, Vermont produced products may be assigned a unique code by the Liquor Purchasing Coordinator)
- Size
- Pack
- Proof
- FOB
- Suggested retail
- Price support – months
- Price support – dollar amount
- Type of local advertising
- Advertising in price guide magazine
- Type of national advertising
- Agency (store) tastings
- UPC label attached
- Quote
- Presenter(s)

DLC requires that a current specifications form (NABCA Standard Quotation form) be completed for each item submitted for consideration. Required information on the quote form includes, but is not limited to:

- NABCA code
- Bottle weight
- Bottle dimensions
- UPC
- SCC
- Cases per pallet
- Cases per layer
- Total invoice cost per case
- Representative for the state
- Proof/alcohol %
- Number of bottles per case
- Copy of the TTB label approval (Federal COLA)
- A completed “A Blank Listing Requirements NEW” spreadsheet
- A sample of the product (not a requirement)

The Liquor Control Board or the Liquor Control Board's Designee reserves the right to change the number of product listing requests.

### **Process for Reconsideration**

If DLC does not recommend a product for listing, the broker and/or supplier may appeal to the Board for reconsideration within 10 business days of the initial decision. A letter of reconsideration must be sent to the Liquor Purchasing Coordinator who will forward the request to the Liquor Control Board. As with all new products, the Board will make the final decision. A product that is not listed may be presented again in six months.

### **Size Extensions**

Requests for size extensions are part of the listing process and must file the same forms as for new products. The DLC will evaluate size extension requests based on the sizes of the product currently being sold, brand sales trends and category need.

### **Trading Products**

Items that are under revenue review for delisting (see page 13) may not be automatically traded for a new product. All new products are subject to the listing criteria, other than one-time or seasonal buys. Suppliers may inform the Listing Committee of delists in their portfolio when presenting new items, but one for one trades are not permitted.

### **Seasonal Items and One-time Buys**

Seasonal items are any item that has a visual reference to a holiday or seasonal event. Seasonal items may be presented to the Liquor Purchasing Coordinator who will decide whether the product is appropriate for the DLC stores and the quantities to be ordered. One-time buys of products, for example limited or special edition products, may also be presented to the Liquor Purchasing Coordinator. The goal of one-time buys is to sell all products within a certain limited time frame. Product will be moved around as necessary to achieve this goal.

### **Store Selection and New Product Allocation**

The top twenty stores in gross sales are allocated a quantity of all new products listed. The quantity they receive is determined by the DLC Area Coordinator for that store. Some new products, especially locally produced products, may be allocated according to the location of the store relative to the producer (e.g. products made by an in-state distiller will be allocated to the stores in surrounding towns). All stores receive notice of the newly listed products, along with order codes and product descriptions. Those stores that do not receive automatic allocations may choose whether or not to order the product based on anticipated sales and space availability.

### **Shelf Guide Placements**

Suggested shelf set diagrams (planograms) are sent to all stores at least four times per year, coinciding with new product listings. Planograms indicate into which category the item should be placed along with a specific shelf location. (See more under "Shelf Management", page 24).

## Price Changes

Suppliers may submit changes to total invoice costs (FOB) quarterly for retail price changes in February, May, August, and November. Changes must be received 45 days or by the 15<sup>th</sup> of the month two months prior to the change. New price quote forms must be filed with the Liquor Purchasing Coordinator.

## Special Orders

As a service to customers, Vermont DLC offers products not listed through a special order process. These are typically products for which there is some demand, however not significant enough to warrant a listing. Special orders can be placed either by web, by calling the DLC or at the store. DLC makes every effort to locate and order these items in a timely manner. However, due to the sometimes small quantity of these orders, they may take some time to be shipped and received into the warehouse.

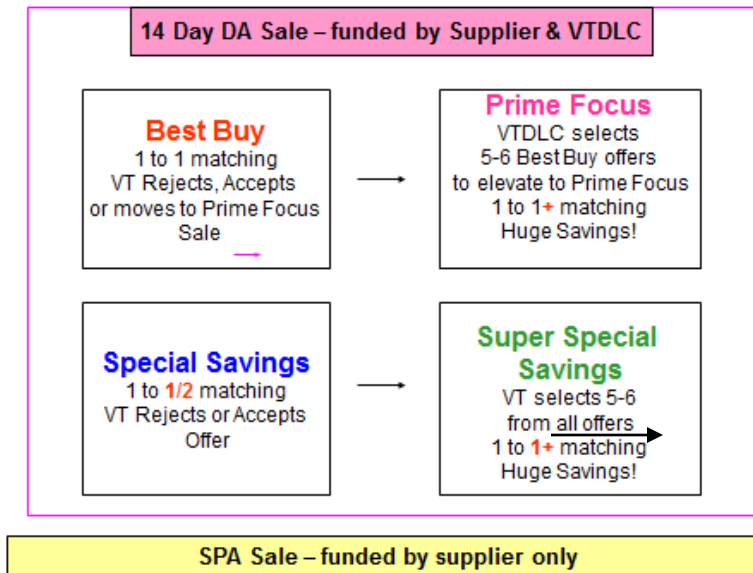
## Sales Program

DLC runs sales every two weeks from Monday through Sunday of the following week. Each sale has five or six deeply discounted items and 10-20 other sale items. Suppliers may also offer "Special Purchase Allowances" (SPA's) for the entire month. All suppliers are highly encouraged to participate in one or more of the DLC sales programs. Specifics of the 14 day sales including *Prime Focus, Best Buys, Special and Super Special Savings* sales are:

- Vermont Brokers will be required to offer at least 8% of retail.
- The Department will at least match all offers that are accepted to the Prime Focus, Best Buys and Super Special Savings programs. The Department will match up to 50% of offers accepted into the Special Savings program.
- For the most part, this program will be for a fourteen-day period.
- There will be no more than 1 item per major group. e.g., "Scotch Foreign Bottle", "Vodka US," etc.
- "Prime Focus" items will have the premier display area in all outlets.
- The Liquor Purchasing Coordinator will review all offers and determine which items to accept for the sale.
- Premier display areas will be established by the Department.
- The Department may more than match the VT Broker's offer on "Prime Focus" items, if determined to be in our best interest.
- All other items in the program will get display areas where available.
- All items in the Prime Focus and Super Special Savings programs must be advertised by the Brokers in newspapers approved by the Department.

Specifics of the Special Purchase Allowance sales are:

- Vermont Brokers will be required to offer at least 8% of retail or, in most cases, a minimum of \$2.00, unless otherwise approved by the Liquor Purchasing Coordinator
- The Department will **not** be matching funds.
- Offer may be a Depletion allowance.
- The Liquor Purchasing Coordinator will review all offers and use the highest discounted items for the sale.
- There is no requirement for advertising.



\* DA or Depletion Allowance – Bottle discount based on case sales e.g. \$36 per case offered for a \$3 off bottle price on a 12 bottle case

## Advertising

All items accepted into the Prime Focus and Super Special Savings must be advertised by the Vermont Brokers. The cost of the ads is split between the companies represented in the ad (the items on sale). The Vermont Brokers currently work with one print ad contractor to determine a selection of publications that provide coverage for the entire state. The contractor also creates the graphics for the ads. DLC has final review and approval of all ads.

DLC contracts directly with several news organizations to run ads in the western NY and Massachusetts areas. Again these ads feature only the deeply discounted products. The publishers provide the ads with DLC approval.

DLC also publishes its own price guide magazine – *802 Spirits*. DLC provides general oversight and content management of the publication with McLean Communications of Manchester, NH, providing the features, photography, graphics, ad sales and printing. While not required, all vendors and suppliers are asked if they intend to run an ad in the magazine for each new product listed in the state.

All advertising materials of spirituous products must be approved by DLC. Ad artwork may be refused if the artwork:

- Contains nudity or partial nudity
- Appeals to children or underage persons
- Encourages overconsumption
- Implies drinking enhances performance in sports, sex, etc.
- Shows drinkers engaging in irresponsible acts
- Is not in accordance with any statute, rule, procedure, practice or guideline adopted in Vermont related to spirituous product advertising

## Delistings

“Delistings” is the process by which products with a low contribution margin (sales and profit margin) are removed from the DLC price guide. Many of these items remain available to consumers through the special order process, but are removed from the store shelves and the published price list. Brokers and suppliers are highly encouraged to have exit strategies for all their products in case of delisting.

The Liquor Purchasing Coordinator sends out the history of case sales on a monthly basis so suppliers know how their products are doing. Delistings take place quarterly (January 1, April 1, July 1 and October 1). Products must meet the minimum gross plus sales program numbers for their category and size listed below.

### Delisting Criteria

<b>Segment</b>	<b>1.75L</b>	<b>750ML/1L</b>	<b>375ML/200ML</b>
Whiskey	\$9,000	\$6,000	\$6,000
Gin	\$9,500	\$6,000	\$5,000
Vodka	\$11,500	\$7,000	\$7,000
Rum	\$9,000	\$6,000	\$6,000
Tequila	\$9,500	\$6,500	\$6,500
Brandy	\$6,000	\$6,000	\$6,000
Cordials	\$9,000	\$4,000	\$4,000
Cordials	\$4,500	\$3,500	\$3,500
Cocktails	\$4,500	\$3,500	\$3,500
Vermouth	\$2,000	\$2,000	\$2,000
Fortified Wines	\$2,000	\$2,000	\$2,000

Note: the only exceptions to the delistings are 50MLs. Nip bottles, i.e. 50MLs, cannot be sold for less than \$1.99, per Board policy.

Products with a pattern of out of stock situations in the DLC warehouse due to inconsistent supply are also subject to the delisting criteria.

There is an appeal process for those that feel they have extenuating circumstances and would like special consideration for a delisting. Appeals must be submitted within 10 business days after receiving notification of a delisting. Appeals should be sent in a letter format to the Liquor Control Board through the Liquor Purchasing Coordinator. The Board will review appeals on a case by case basis and may, at their discretion, give a temporary waiver of delisting subject to any terms and conditions the Board deems appropriate.

Suppliers have a thirty-day window to pick up product left in the warehouse after it is delisted. If products are not picked up within the 30 days, starting after the appeal period, they will be destroyed.

There is a six-month minimum before a product can be offered for re-listing.

The Liquor Control Board reserves the right to reconsider products at any time, even those that have been delisted and may have been previously required to wait six months for listing reconsideration.

Delisted products will often be discounted by the DLC at retail in order to remove any remaining inventory from the store shelves.

# Listing Committee



## **Duties/Purpose**

The Vermont Department of Liquor Control Listing Committee's duty is to review all products presented to the Vermont Liquor Control Board and to suggest which ones to make available in the Vermont Liquor Stores on a regular basis. (Note - other products may be available to consumers through the special order process.) Members of the Committee vote on whether to list a product or not and those products with a majority of "yes" votes are recommended to the Board for listing. The Board has the sole authority to either accept or reject the recommendations made by the Listing Committee.

## **Voting Guidelines**

Each member is allowed one vote on each product presented. Votes may be cast in person, by email or by telephone and given to the Liquor Purchasing Coordinator within seven days. Only those present at the presentation meeting may cast a vote.

The Listing Committee takes into consideration the criteria outlined on page 8 when determining whether or not to make the product available to Vermont consumers.

## **Information Review – e.g. what members are expected to know or review prior to a meeting**

All members are expected to participate in the conversation regarding the new products, to ask questions of the presenters, be knowledgeable of some aspect of the spirituous beverages industry and to bring with them their particular area of expertise in deciding which products to recommend to the Liquor Board for listing. The Liquor Board relies on the expertise of the committee members in choosing a wide range of spirituous products that are appropriate for the State of Vermont. Members are expected to review the materials sent from the Purchasing and Pricing Office prior to the meeting including:

- The list of appointments and times
- The products being presented from each company
- The spreadsheet including the product, shipping and marketing information, and the presenters
- Though not required, 50ML samples of the products may be available to the committee members for tasting before a vote is cast (when samples are available, members are expected to sample the product)

## **Membership**

The Listing committee is made up of a combination of permanent members and revolving members.

### **A. Permanent members**

Permanent members are a selection of DLC staff in positions related to the purchasing, warehousing and merchandising of products including a representative from the Purchasing & Pricing Division, one representative from the Liquor Warehouse, a representative from the Retail Division and the Director of Sales & Marketing. Each member of the committee is expected to bring with them a certain knowledge set that will aid in the recommendation process.



The representative from the Purchasing & Pricing Division is expected to have a working knowledge of the State's overall product mix, including pricing, product history (e.g. has the product been listed before), shipping or inventory issues and special order sales.

The Liquor Warehouse representative is expected to bring knowledge of space availability for new items and provide information on packaging (including case packaging), inventory levels, out of stock situations, insight into cooperation by companies in maintaining proper inventory levels and timely returns of unwanted items or overstocks.

Representatives from the Retail Division should be prepared to be conversant in proposed product mixes for the stores, walk-in consumer sales and sales trends, in-store inventory levels (particularly sales items), store merchandising and general store trends and needs. The members from the Retail Division rotate serving on the Committee with each serving one year.

The Director of Sales & Marketing looks at the overall marketing programs for the new items. This position is responsible for writing product descriptions for the store cash registers and the Department's web site; therefore, this member must have a high level of product knowledge. This member also coordinates advertising of new products with the price guide magazine publishers.

## B. Revolving members

The revolving members of the Committee include two representatives, usually the agent of record or a store manager from the agency stores (not from the same store) and two licensees (usually owners or managers) from an on-premise account or restaurant. The store and licensee representatives serve for two years. Those interested in serving may express their interest with the Director of Retail Operations, who will keep an ongoing list. Representatives are chosen at random, though anyone who has already served will be asked to wait at least one two-year term before being considered for the position again. Those who have never served are given priority over those who have. Interested store representatives are picked on a lottery basis.

Licensee representatives are chosen on a referral basis. Representatives are chosen on their knowledge of the liquor industry, as a whole, and products as they relate to on-premise accounts. Licensee representatives are required to attend at least one Board hearing involving licensee violations.

Committee Members serve at the pleasure of the Board. Revolving members are purely volunteer and advisory. For the purposes of serving on the Listing Committee, revolving members are not employees, agents and/or contractors of the DLC and have no expressed or implied authority to represent the DLC as such.

## Meetings

### A. Attendance requirements

Members are asked to attend all meetings, though in all practicality, this may not be possible. However, if a member misses three consecutive meetings, the Liquor Board will be notified to determine the need for a replacement.

While not required, members are highly encouraged to attend the annual DLC Marketing Meeting with industry.

#### B. Frequency and location

The Listing Committee meets eight times per year in January, February, April, May, July, August, October and November, usually for three to four hours, as needed to hear all the scheduled presentations. All meetings are held at the Department of Liquor Control offices in Montpelier.

#### C. Mileage reimbursement

Members are required to provide their own means of transportation to and from the meetings, with mileage reimbursement provided. Rates for reimbursement are determined by the State of Vermont. Forms for the reimbursement are available from the DLC and should be submitted for payment to the DLC Accounting Division within 30 days of the meeting.

### **Samples**

Product samples may be accepted by members of the listing committee in accordance with the “Interim Policy on the Acceptance of Vendor Samples” dated October 12, 2015. Vendors may, but are not required to, provide one miniature or 50ML (1.75 oz.) sample size bottle of a proposed product to each member of the Listing Committee who wishes to taste the product outside the meeting as part of the evaluation process. No larger sample sizes are permitted.

### **Code of Ethics**

It is critical that members maintain the highest ethical and professional standards to protect the reputation of the list or award, the committee, and the Department of Liquor Control. This includes not only avoiding impropriety, but avoiding the appearance of impropriety.

Therefore, committee members may not:

- Accept title or possession of anything of substantial value from any officer or employee of any manufacturer, supplier, distributor or marketer of any spirituous liquor or their representative
- Taste sample products anywhere other than a private residence
- Sell sample products
- Use their vote to coerce manufacturers or representatives into providing samples, gifts or anything of value to them or any other committee members

All committee members are required to:

- Conduct themselves in a professional manner when attending any event associated with the Vermont Department of Liquor Control
- Dress appropriately whenever attending a meeting or function sponsored by the Department of Liquor Control
- Disclose any direct or indirect ownership in a manufacturer, supplier, distributor or marketer of any spirituous liquor

# Warehouse



## **Bailment Inventory System or Bailment Warehouse**

The term “bailment” means delivery of personal property by a bailor (supplier) to the bailee (DLC) for specific purposes under an express or implied agreement of both parties. When those purposes are accomplished, the property will either be returned to the bailor (supplier), held by the bailee (DLC) until the bailor reclaims it, or is disposed of according to the agreement.

In other words, suppliers ship their products into the DLC Warehouse. These products belong to the supplier until they are shipped to one of DLC’s stores. Then, they become the property of the DLC and DLC is responsible for the payment of these products to the supplier, but not until that time. While the inventory is in the DLC Warehouse, it is still the property of the supplier who has legal title to and bears the risk of loss of these products, except for loss or damage caused by the DLC. Payments to the suppliers are based on accurate accounting of inventory and shipments to the stores. The State of Vermont is the sole distributor of distilled spirits and fortified wines in the state. Suppliers may not sell directly to retailers or consumers, except where provided for in law (licensed manufacturers may sell directly to consumers with special licenses and permits). DLC charges no fee for bailment. A completed “Bailment and Trading Agreement” must be on file before a new supplier can participate in the bailment inventory program with the Vermont DLC. This can be found at: [http://liquorcontrol.vermont.gov/sites/liquorcontrol/files/pdf/spirit/Supplier\\_Bailment\\_Agreement.pdf](http://liquorcontrol.vermont.gov/sites/liquorcontrol/files/pdf/spirit/Supplier_Bailment_Agreement.pdf)

Inventory reports are sent to suppliers weekly and at the end of every month. Included in the report is: a description of the product, the DLC inventory (usually a negative number as these are depletions), the supplier’s inventory, a total inventory and a “maximum” number. This is the maximum number set by the Liquor Purchasing Office of inventory allowed for that product (usually only faster movers).

Every two weeks, liquor purchase orders are issued to the suppliers stating what DLC owes them for inventory shipped to the stores. This information is also forwarded to the Department’s Accounting Division for payment. The Accounting Division reviews the purchase orders and determines which will be forwarded to the Department of Finance for payment. Checks to the suppliers are sent from there.

## **Ordering Inventory**

Suppliers are responsible for determining quantities of product to be delivered to the DLC Warehouse for storage and must maintain inventory levels above minimum and below maximum inventory levels set by the Department. There are penalties to the supplier for inventory levels over the maximum and the Liquor Purchasing Coordinator may request that the overstock be shipped out or cancel future shipments until levels are below the maximum again. There are also penalty charges for out of stocks and, if the item runs out while on sale, the supplier will be removed from the next listing presentation.

DLC requests supplier’s notification (Advance Shipping Notice) of incoming product quantities before they ship. The Liquor Purchasing Coordinator may adjust quantities as needed.

DLC requires carriers to contact the Warehouse Program Services Clerk 72 hours in advance of the delivery to set an appointment time. The carrier should indicate the supplier and the order number from the Advanced Shipping Notice or ASN. Carriers arriving without appointments will be fit into the Warehouse schedule, as there is availability.

## **Bottle Deposits**

Vermont requires, by law, bottle deposits to be charged at the time of sale. In this manner, consumers are encouraged to return liquor bottles for the deposit amounts to either a Vermont Liquor Store or a certified redemption center.

All inventory received by the DLC Liquor Warehouse must have indications of the bottle deposit on the bottles. If they do not, it is the responsibility of the supplier to make sure bottle deposit stickers are affixed to the bottles at their cost.

## **Promotional Packaging**

Value-added products are items of value that are included in a unique package of regularly listed products. Examples of value-added products are t-shirts, flasks, shot glasses, glassware, mixers, etc. There can be no extra charge added for these products and the listed product must sell at its normal retail price.

Value-added products may be shipped with products or attached to products at the DLC Warehouse by the supplier or their representative. (For example, suppliers have attached 50ML bottles of other liquor products or maple syrup to bottles for shipment in Vermont.)

Value-added products are particularly popular at the holidays. Stores are sent a list of the holiday “gift packs” in advance of shipments and the Area Coordinators allocate the packs based on history of sales and demand.

Stores are not allowed to sell value-added products separately. They may, however, give the items away after a proper length of time has passed and the item with the value added product has not sold.

Products may also ship in “holiday gift wrap” boxes or boxes that require no wrapping for the holidays. DLC Warehouse and liquor stores are authorized to dispose of these boxes if they are still in inventory after the holiday season.

Co-packs of two or more products in the same pack are allowed. However, the bottles will need to be scanned separately for sale. At this time, the DLC cash register system does not allow for a single package price for multiple bottles.

All value-added, gift wrap or special edition bottles must be approved by the Liquor Purchasing Coordinator.

## **New Vendors**

In order to become a new vendor or supplier in Vermont, the following items must be filed with the proper State authorities before a Bailment and Trading Agreement can be finalized:

- Proof of Workers Compensation Insurance
- Proof of General Liability and Property Damage Insurance
- Proof of any applicable state/federal basic permits
- Proof of federal tax stamps
- Supplier representative name and contact information

## **Shipping**

All products shipped to the DLC Warehouse must be properly packaged and labeled. Shipping containers (boxes) should be substantial enough to hold up under normal warehouse handling and stacking. Labels should conform to the industry standards and control state coding system.

### **Case Code Label Instructions**

Case Code Labels should appear on the end panel of every case shipped stating the item and size of the product contained in it.

Case Code Labels should:

- be 4 X 6 inches in size
- Be on white stock paper with black lettering unless otherwise approved
- Include the product description – name, proof and size
- Include the Control State Code (CSC)
- Include other state code numbers, where different from the CSC
- Include the UPC (Universal Price Code)

### **Pallet Requirements**

The Department requires that every pallet being delivered to the Liquor Warehouse must comply with certain size standards. A list of the required standards is included in the Bailment and Trading Agreement.

# Merchandising and Promotion



## Shelf Management

Suggested shelf set diagrams (planograms) are sent to all stores at least four times per year, coinciding with new product listings. Planograms indicate into which category the item should be placed along with a specific shelf location. DLC uses software common to the industry. Stores are required to maintain their own shelving and to keep products clean and arranged neatly.

Each store should have twelve easily recognized categories:

1. Brandy and Cognac
2. Cocktails (Premixed)
3. Cordials
4. Fortified Wines (Port and Sherry)
5. Gin
6. Irish and Scotch Whiskeys
7. North American Whiskey (combines Bourbon, Canadian and American Whiskeys)
8. Rum
9. Tequila
10. Vermouth (can be combined with Fortified Wines)
11. Vodka
12. Schnapps

These are subject to change as sales trends change. Bourbon may be merchandised as a separate category, though combining it with other North American Whiskey types is preferable.

Stores are highly encouraged to have a separate Vermont Products section whenever possible. This allows tourists as well as in-state consumers to find all those spirits produced in Vermont in one easy to shop location.

Within these categories, pricing is the major determinant of the order in which products will appear on the shelf – starting at the top right for the most expensive items and working left and down as the price decreases.

Other merchandising guidelines are:

- Brand families, such as Bacardi or Absolut should be placed together, creating a billboard effect that is easy for the consumer to locate
- Like items, such as coffee brandies, Irish creams, or raspberry liqueurs, should be merchandised together, showing customers the range of products available

Brokers and suppliers may merchandise their own products and, with approval of the DLC, may reset sections of a retail store. Any resets must be approved in advance with a diagram of the proposed set. No resets or moving of products without store and DLC approval are allowed. Nor is the moving of another supplier's products allowed.

## Broker and Supplier Representatives

Broker and supplier representatives are encouraged to visit Vermont Liquor Stores frequently (expected frequencies are set by the Department). All stores have sign-in sheets that representatives are asked to sign upon entering the store. Sign-in sheets are returned to the home office periodically for review by the Liquor



Control Board and Department staff. While in the stores, representatives should share information about their products, particularly new items, with store staff. Representatives are also encouraged to lawfully merchandise their products (and only their products), set up sale displays, deliver point of sale materials, distribute rebate coupons and signage and conduct drawings and giveaways with the permission of the store. All signage, drawings and coupons should be approved by the Liquor Purchasing Coordinator before distributing to the stores. Representatives should work closely with store personnel to create positive shopping experiences for customers.

Annually, DLC invites all brokers and suppliers to attend a marketing meeting to discuss Vermont's marketplace and to share ideas and information. This is usually a two-day event where each company has the opportunity to meet with the Liquor Control Board, DLC staff and members of the Listing Committee.

All new representatives, though not required to, are highly encouraged to introduce themselves to the DLC Board and staff and to give DLC contact information.

### **Signage, Coupons, etc.**

Suppliers and their representatives may use shelf-talkers to highlight their products, as long as the signs do not block other products. Mail-in coupons are also allowed, with the approval of the Liquor Purchasing Coordinator.

Stores are required to display all Prime Focus sale items, if retail space in that store allows. Sale signs are provided by the DLC and suppliers are highly encouraged to assist stores with display building and to provide case cards (larger display signs) to stores that allow floor displays. If stores display sale items in two separate locations, they may request a second set of sale signs from DLC.

Suppliers are allowed to conduct raffles in DLC stores, provided that no purchase is required for entry. Winners must be announced publicly. DLC staff are not allowed to participate. Raffles must comply with all applicable local, state and federal laws.

Stores are not allowed to advertise prices outside the store, though brand signage is allowed.

### **Promotional Materials**

DLC automatically ships or mails sale signs, sale flyers and *802 Spirits* magazines to all stores. Counter displays for these materials are provided by DLC. Other *802 Spirits* brand promotional materials are available such as posters, hanging signs and category signs. Stores are highly encouraged to display them.

All promotional materials should abide by the same guidelines as advertising materials (page 12). Any promotional materials used in the stores must be approved by the Liquor Purchasing Coordinator in advance.

Consumers may sign up to be on the *802 Spirits* mailing list. They will receive copies of the *802 Spirits* magazine price guide and upcoming sale flyers, either electronically or through the USPS. Pre-paid postage mailing-list request cards are available in every liquor store and an electronic version is found at [802spirits.com](http://802spirits.com).

## **In-store Consumer Tastings**

Suppliers and their representatives may conduct product tastings in Vermont Liquor Stores. These are intended to educate those of legal age about products, especially new products. Sponsors must be a licensed manufacturer, broker or their representative and must be at least 21 years old to conduct a tasting. See “In-Store Consumer Tasting of Distilled Spirits Guidelines” and “Tasting Request Form” at: [http://liquorcontrol.vermont.gov/sites/liquorcontrol/files/pdf/spirit/Agency\\_Request\\_for\\_Tastings.pdf](http://liquorcontrol.vermont.gov/sites/liquorcontrol/files/pdf/spirit/Agency_Request_for_Tastings.pdf)

DLC highly encourages suppliers to conduct tastings, especially of new products, at the agency liquor stores. This is a great way to introduce consumers to products and to make sales.

The general rules of operation for a tasting event are:

- Sponsors must obtain approval from the DLC Liquor Purchasing Coordinator at least 15 days prior to the tasting.
- Sponsors must demonstrate evidence of liability insurance at coverage levels acceptable to the Liquor Control Board.
- Sponsors must provide a list of products to be tasted – no more than four.
- Only one sponsor can conduct a tasting at any one time (though consecutive tastings with a break in between are allowed, e.g. one from 3-5 p.m. and one from 6-8 p.m.).
- Sponsor must obtain the approval of the store/liquor agent prior to scheduling the event. It is recommended that the sponsor work with the store personnel in determining how much stock on the items to be tasted will be needed to conduct the tasting and to provide for extra bottle sales as a result of the tasting.
- Tasting must be conducted in a designated area.
- No more than eight customers can be served at one time.
- No more than ¼ oz. per product can be served to any one individual, for a total of one ounce per person (four products times ¼ ounce).
- Tastings may only last a maximum of two hours.
- Sponsors are responsible for all supplies needed for the tasting such as tasting cups (2 ounce tasting cups), dump buckets, water, etc.
- All products to be tasted must be purchased from a Vermont Liquor Store.
- All tastings must be conducted in compliance with all the requirements of Title 7 (no service to under-aged persons, intoxicated individuals, etc.).

Tasting event dates, locations and products to be tasted are posted on the [802spirits.com](http://802spirits.com) website. Sponsors are encouraged to serve food during the tasting and may mix the 1/4 ounce tasting with juice, soda or other mixes to give customers serving suggestions and ideas.

## **On-premise Tastings of Distilled Spirits**

On-premise tastings intended to present spirits products to 3<sup>rd</sup> class licensees and their employees, for the purpose of disseminating product information and education are allowed. Any licensed distilled spirits broker, manufacturer, or their representative may conduct the tasting as long as they are legal drinking age and have completed the proper DLC server training program. The complete requirements for On-premise Tasting/Samplings of Distilled Spirits can be found at:

[http://liquorcontrol.vermont.gov/sites/liquorcontrol/files/pdf/spirit/Agency\\_Tastings\\_On\\_Premise\\_.pdf](http://liquorcontrol.vermont.gov/sites/liquorcontrol/files/pdf/spirit/Agency_Tastings_On_Premise_.pdf)

Sponsors of a tasting event must report quarterly to the DLC with a list of licensees and their employees who participated in the tastings, along with a list of the products tasted. The guidelines for an on-premise tasting are:

- Tastings may only be offered to employees who are off duty for the rest of the day.
- Tastings can be provided to only three employees at one time, limited to those with buying decision capabilities.
- Tastings are limited to three products and to ¼ ounce per serving.
- Sponsors may leave a bottle of the product as long as it is the smallest size available in that product.
- Bottles for the sampling may come from the manufacturer or broker.
- Tastings must be conducted in compliance with all the requirements of Title 7 (no service to under-aged persons, intoxicated individuals, etc.).

## **Conclusion**

The “Guide to Product Selection and Distribution in the State of Vermont” is intended to give an overview of how spirits are selected, distributed and marketed in Vermont. It is meant to be used as a reference only and is subject to change as policies and procedures are updated and revised according to Board directives, market demands, or legislative modifications. Any questions or comments can be directed to:

Vermont Department of Liquor Control  
13 Green Mountain Drive  
Montpelier, Vermont 05620-4501  
1-802-828-2345, 1-800-642-3134, or 1-802-Spirits (1-802-774-7487)

