



INDUSTRY ADVISORY

Merchandising Services Furnished by Suppliers to Retail Licensees

The Department has received a number of recent inquiries and complaints concerning the extent of permissible merchandising services and activities that alcoholic beverage suppliers (winegrowers, wine blenders, beer manufacturers, brandy manufacturers, distilled spirits manufacturers, distilled spirits manufacturer's agents, rectifiers, distilled spirits wholesalers, and beer and wine wholesalers) may provide to licensed retailers without charge. Business and Professions Code sections 25500 and 25502 prohibit suppliers from giving anything (goods or services) of value to on-sale and off-sale retailers, respectively. Section 25503.2, however, allows certain limited exceptions for stocking and shelving activities, and associated merchandising services.

There are notable differences in the law with respect to stocking/shelving functions that may be performed by beer suppliers versus wine and distilled spirits suppliers. For example, beer manufacturers and wholesalers may remove beer inventory from the retailers' storeroom and place it on the shelves and in refrigerated boxes at retail stores, whereas normal inventory (stock) replenishment of wine and distilled spirits on shelves is not permitted. Beer suppliers may also perform any of the authorized services described in the applicable statute at *on-sale* licensed premises such as bars and restaurants. Wine and distilled spirits suppliers may only furnish authorized services to *off-sale* licensed retailers such as supermarkets and liquor stores.

Exceeding the permissible limits of section 25503.2 will expose licensees to disciplinary action. This includes action against retailers that solicit or accept merchandising services from suppliers beyond those specifically authorized.

Section 25503.2 may be reviewed at the following link:

<http://www.leginfo.ca.gov/cgi-bin/displaycode?section=bpc&group=25001-26000&file=25500-25512>