

## INDUSTRY ADVISORY

## **Supplier Payments to Retail Licensees**

In response to recent industry inquiries, the Department is issuing this advisory to remind manufacturers, importers and wholesalers of alcoholic beverages that paying money, directly or indirectly, to retail licensees for stocking and displaying alcoholic beverages, or for other support services, is a violation of the Alcoholic Beverage Control Act. The inquiries submitted to the Department concern payments often referred to as "slotting fees" or "slotting allowances." Retailers who solicit or accept such payments are also in violation of state law and will be subject to the same sanctions as the suppliers.

Paying money or giving free goods or other things of value to retailers for favorable product placement on store shelves or in retailer advertising circulars or coupon books, not only constitute violations of state law, but are considered unfair trade practices which create and foster anti-competitiveness and disorderly markets. Such practices also violate the Federal Alcohol Administration Act, which is administered by the Bureau of Alcohol, Tobacco and Firearms, and could subject violators to Federal sanctions.

During the past several years, the Department has conducted a number of investigations into illegal payment schemes and has taken formal disciplinary action against both suppliers and retailers. In some instances, the parties have agreed to settle their disciplinary matters by paying substantial fines.

Suppliers and retailers alike should be aware that tied-house statutes limit financial relationships between them. In addition to the overall prohibition against the payment or acceptance of slotting fees, payments for other purposes such as the placement of brand advertising and for sponsoring retailer-inspired contests or promotions could also violate the Alcoholic Beverage Control Act.

References:

Business & Professions Code Sections 25500, 25502 & 25503

Questions concerning this advisory can be directed to the Department's Business Practices Unit at (916) 263-6900.