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Division of Public Health

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May 30, 2014

MEMORANDUM

TO: WIC Vendors

FROM: Tysha N. Grays, Vendor Manager
Nutrition Services Branch

SUBJECT: **Incentive Items and Vendor Discounts**

This memo is to provide you with the latest policy update regarding incentive items and vendor discounts. 7 CFR 246.12(h)(3)(iii) of the Federal WIC regulations requires WIC-authorized vendors to offer WIC customers the same courtesies that are offered to non-WIC customers. Per WIC Policy Memorandum from the United States Department of Agriculture (USDA), dated February 7, 2014, WIC authorized vendors may not treat WIC customers differently from non-WIC customers by excluding them from in-store promotions. This means that WIC-authorized vendors must offer in-store promotions to WIC customers that are offered to non-WIC customers and cannot disallow the use of in-store promotions in WIC transactions that are allowed in non-WIC transactions. Similarly, WIC-authorized vendors may not treat WIC customers differently by offering them in-store promotions that are not offered to non-WIC customers. Failure to provide the same courtesies to WIC customers, as outlined above, is a violation of Federal WIC regulations, thereby constituting a vendor violation.

In-store promotions are defined collectively as incentive items, vendor discounts and coupons. An incentive item is an item or service provided by a vendor to attract customers or encourage customer loyalty. Incentive items include, but are not limited to, free beverages, foods or baby products with the purchase of a certain WIC supplemental food. A vendor discount is an in-store promotion that reduces the price or increases the quantity of a given product; a vendor discount may also result from the use of a coupon. The most common types of vendor discounts are as follows:

1. **Buy One, Get One Free (BOGO)**
   In this promotion, the WIC-authorized vendor sells one WIC food item and provides a second identical food item or a different item at no additional cost. For example, a vendor offers a free box of cereal with each box of cereal that is purchased. This is a quantity discount. Using a buy one, get one free promotion allows WIC customers to get additional quantities of WIC foods or non-WIC items at no cost. If the free item in a buy one, get one free promotion is a WIC food item, it should not be deducted from the participant's WIC benefits.

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2. **Buy One, Get One at a Reduced Price**

   In this promotion, the WIC vendor sells one WIC food item at full price and sells either a second identical WIC food item or a different food item at a reduced price. For example, a vendor offers a half price box of cereal with each box of cereal that is purchased at regular price. A buy one, get one at a reduced price promotion is a price discount. In a transaction that only includes WIC items, this discount type only applies when the second, reduced price item is a WIC food item and the WIC customer has the item in his or her benefits balance. In this case, the WIC Program would benefit from this vendor discount by being charged the lower price for the second box of cereal.

3. **Free Ounces Added to Food Item by Manufacturer (Bonus Size Items)**

   In this promotion, a food manufacturer adds extra ounces to a product at no extra cost to the consumer. For example, instead of offering 16 ounces of cereal in a box, a manufacturer may temporarily offer a bonus size 18 ounce box of cereal at the same price. This promotion is a quantity discount. When a bonus size food item is purchased by a WIC customer, the vendor should redeem the WIC food instrument as if the original size (16 ounce) item were purchased.

4. **Transaction Discounts**

   In this type of promotion, the WIC vendor applies a fixed amount discount or a discount percentage to the total dollar amount of the purchase. For example, the offer may be for $10 off or 10% off when $50 or more in groceries are purchased. A transaction discount is a price discount on the total purchase. In a transaction that only includes WIC items, the Program would benefit from the vendor discount being applied to the transaction.

5. **Store Loyalty/Rewards Cards**

   WIC-authorized vendors may provide a card or token that provides additional vendor discounts for frequent or regular customers. WIC customers are not required to use loyalty/rewards cards, nor are WIC authorized vendors required to scan a "dummy" card for WIC customers who do not have their own cards. Store loyalty/rewards cards may provide a variety of quantity and/or price discounts. These vendor discounts should be processed by vendors as outlined above, according to type.

6. **Manufacturers' Cents Off Coupons**

   Manufacturers' cents off coupons allow customers to purchase certain items at a lower price. For example, a coupon may offer a price discount of 50 cents off a box of cereal. In a transaction that only includes WIC items, the value of the coupon would be applied to the WIC transaction, thus benefiting the Program.

Cash back is not permitted as a result of vendor discounts in any WIC transaction. Also, please note that although there are different types of vendor discounts that can be used, the WIC customer is not responsible for paying tax which results from the use of the vendor discount, e.g., the value of a coupon. In addition, as with any WIC transaction, vendors should not return any change to the WIC customer.

Please contact your Local WIC Agency if you have any questions.

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cc: Nutrition Services Staff-WIC staff
Local WIC Directors