

e-commerce Business to Business

Overview for suppliers



Overview

Welcome to e-commerce Business to Business with Kmart.

This is our way of doing business in the supply chain. It is how products physically move from you, our suppliers, through our distribution centres and stores to our customers and how we electronically move the information (EDI transactions) associated with these products.

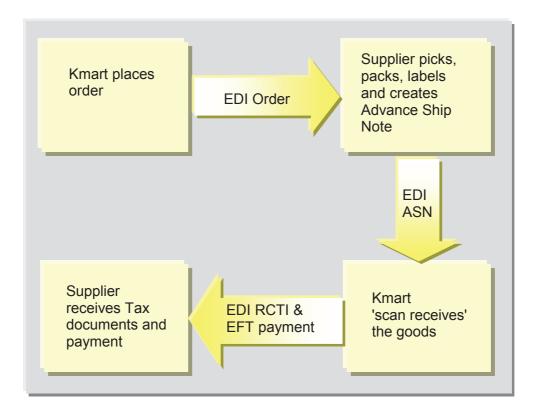
e-commerce Business to Business embodies three key principles:

- cost effectiveness
- speed
- integrity

e-commerce Business to Business is about removing manual processes and paper, and replacing them with electronic transactions. Most of these transactions centre on ordering and invoicing.

Because of these developments, a new level of co-operation is required with you our trading partners.

In its simplest form, e-commerce Business to Business transactions follow this approach:



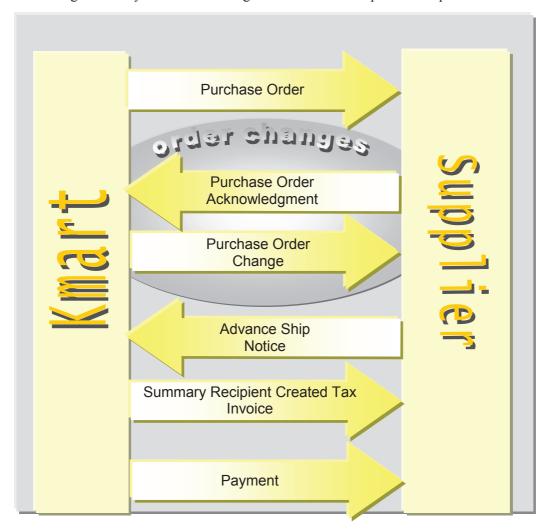
99% of all orders will be transacted this way. Further interaction and additional EDI documents are used where our order contains details you are not satisfied with, for example; there is an error in the product cost or the delivery you made to us is different when compared to the *Advance Ship Notice*.

The following pages give you detailed information about these processes and the EDI documents we use.



Mandatory transactions

The following diagram illustrates the mandatory electronic transactions used during the e-commerce Business to Business process. Purchase Order Acknowledgments and Purchase Order Changes are only used where changes to an order are required or requested.



Note: Payment = EFT (Electronic Funds Transfer)

Each of these transactions is described in detail in the following pages.

Purchase Orders (PO's)

Electronic orders are created and sent based on one order per 'deliver to' location, ie. a separate order for each delivery location. Orders are sent hourly during the day, but Replenishment orders tend to be concentrated in one nightly batch after orders have been approved during the day.

We expect you to poll your electronic mailboxes at least twice a day to collect these orders. All transactions must be confirmed with a functional acknowledgment.



Purchase Orders contain the following detail:

- Purchase Order number, date, and delivery window
- Original, Blanket or Release indicator
- EAN's
- EAN qty's
- EAN costs & GST %
- Advert, New Line, Replenishment merchandise and packaging indicator
- 'Deliver to' locations and final destination locations
- Order comments

Current EDI standards for Order Comments permits 99 lines of text. In extreme circumstances this limit may be exceeded and a printed *Order Addendum* will be generated and mailed to you. The electronic Purchase Order contains an order addendum reference if there is an addendum to be forwarded, and forms part of the terms and conditions of the order.

Types of Purchase Orders

Original Order

This is the most common type of order raised by Kmart. You are expected to proceed with processing, once the order has been validated and confirmed.

Blanket Orders

The use of this function is by prior arrangement with Kmart and is not necessarily a mandatory requirement. It is possible to activate this process anytime after implementing e-commerce Business to Business. Your Kmart contact will discuss with you whether Blanket Orders are to be activated.

Blanket Orders indicate a total quantity commitment from Kmart, however, the specific quantities for each store are yet to be confirmed. You are expected to accept the order after validating the details and then ensure that you will have the merchandise available for delivery on the nominated dates. You must suspend processing until confirmation is received in the Purchase Order Release transaction.

Purchase Order Release

The *Purchase Order Release* contains the quantity break up of an order, that was originally sent as a blanket order. Once transmitted, quantities and locations are locked in. After validating the order, you are expected to proceed with processing and deliver according to the order details.

Order processing

- You should review our orders in detail to decide whether or not to accept the order, paying particular attention to the cost price and quantity for each item, along with the pack size and delivery window.
- Communicate any discrepancy by transmitting a *Purchase Order Acknowledgment* (POA). Discrepancies sent using this method can be accepted anytime up to the point you transmit the first *Advance Ship Notice* for the order. After an *Advance Ship Notice* has been sent, the costs and other details are locked in and cannot be changed.
- Where the resolution of the discrepancy results in an amendment to our order, a revised version of the complete order will be transmitted to you, and you will be required to re



validate. You must ensure order processing is suspended until you receive a Purchase Order change that you agree to.

• Where you believe resolution is unlikely to occur using the electronic process, contact our Help Desk or the Buyer and seek advice before proceeding further.

It is imperative that this is completed diligently as your payments will be based on the cost price as per the purchase order.

Purchase Order Acknowledgment (POA)

Kmart retrieves and processes *Purchase Order Acknowledgments* every 15 minutes, 8am – 6pm Mon – Fri EST.

Purchase Order Acknowledgments are required where there are discrepancies with any of the following on the Kmart *Purchase Order*:

- EAN Cost
- EAN GST %
- Pack size variations
- EAN Qty where the order is flagged as:
 - Advertised
 - Blanket order
 - New line

Note: our systems do not require a POA to be sent regarding a quantity on a replenishment order. The ASN when sent will perform the function of updating the order, to ensure that keycodes are reordered on the next replenishment review.

Delivery window cannot be met

Purchase Order Acknowledgments are processed by Kmart with high priority, so as not to unnecessarily delay processing where short lead times are involved. We expect to be able to process Purchase Order Acknowledgments within 2 hours of receipt.

All discrepancies advised via *Purchase Order Acknowledgments* will be reviewed and processed.

If you raise a discrepancy on a *Purchase Order Acknowledgment*, then you need to suspend processing of the order, until you receive a *Purchase Order Change*.

Purchase order acknowledgments speed up and simplify the process of changing order details but they are not a replacement for communicating with the Kmart Merchandise Office who may need to make other arrangements to deal with the variation.



Purchase Order Change (POC)

Purchase Order Changes will be sent to you in response to Purchase Order Acknowledgments, as above, or if changes are initiated by the Kmart Buyer. You need to validate Purchase Order Changes in the same manner as a Purchase Order and raise a Purchase Order Acknowledgment if there are any further discrepancies.

A *Purchase Order Change* is considered to be the latest version of an order unless a *Purchase Order Acknowledgment* has been invoked.

As a matter of courtesy and ethical business practice the Kmart Buyer will contact you prior to initiating changes to a *Purchase Order*, if the change is not in response to a *Purchase Order Acknowledgment*. The *Purchase Order Change* will then confirm the change you agree on with the buyer. Likewise you are also expected to advise the Buyer where changes to an order are required. POA's and POC's only facilitate the process after agreement.



Advance Ship Notice (ASN)

Creating *Shipping Container Marks* (SCM) or carton labels and an *Advance Ship Notice* (ASN) requires that all merchandise is picked and packed by location as detailed on the *Purchase Order* or *Reverse Purchase Order*.

In order to ensure the integrity of data, and that the *Advance Ship Notice* accurately details the quantity shipped, Kmart have established an accreditation process that is undertaken during implementation.

As a rule your system must:

- Allow the contents of the *Purchase Order* to be interfaced directly to your picking system
- Collect and store data of individual carton contents by scanning either each item's EAN, carton TUN or carton barcode
- The ASN must identify all the EAN's that are in a carton
- Generate a unique EAN/UCC Code 128 shipping label to be affixed during the individual carton or bag packing operation
- Compile the *Advance Ship Notice* from the data collected and stored during the individual carton or bag packaging operation with links to specific carton labels. This ensures the *Advance Ship Notice* detail matches the physical shipment
- Transmit the *Advance Ship Notice* to Kmart on completion of the packing process for the entire shipment. For Deliveries to Xdock locations transmit no later than 11am the day before delivery, for direct delivery to a Kmart store at least 4 hrs prior.
- Kmart will clear electronic mailboxes every 15 mins to expedite processing. You'll be sent a functional acknowledgment to confirm electronic receipt of the ASN. You should track all transactions sent by ensuring that you receive functional acknowledgments.
- The *Advance Ship Notice* will be matched to the *Purchase Order* to ensure incoming goods were ordered.
- The Shipping Container Marks carton label is an essential ingredient of the receiving process. Ensure labels are always readable/scannable and positioned correctly on each carton. Refer to the Kmart Supply and Delivery handbook, ecommerce edition for further details. This can be downloaded from our Electronic Trading Website at et.colesgroup.com.au An extract of the label standards (Standardised Supplier Carton Label) is included in the Supplier Implementation kit.

Substitute EAN's

Kmart expects suppliers to supply the exact EAN that is on the order. In some situations there are acceptable interchangeable EAN's for the same product but these can only be supplied by prior arrangement with the Kmart Buyer before the order is generated.

Kmart ASN matching process

Where the *Advance Ship Notice* matches the order without exception, delivery, receipt and payment proceed uninterrupted.

Advance Ship Notice matching will fail and require manual intervention where:

- ASN quantity higher than the order quantity
- EAN not ordered or not an authorised substitute



- Short delivery on advertised orders
- Delivery date outside delivery window

Kmart Receiving process

The terms and conditions of delivery to each location are not changed as a result of e-commerce. You are required to maintain the standards and conditions outlined in the Kmart Supply and Delivery Handbook (e commerce version)

On delivery into any receiving location, Kmart will count the shippers/cartons and compare them to the driver's consignment note and sign accordingly. This is the initial proof of receipt.

Kmart expects to be able to scan merchandise as it arrives at receiving locations, for this to occur the *Advance Ship Notice* must have been transmitted and matched by us prior to the goods arriving. The scan process will automate the receipt process and trigger payment.

Receiving staff will validate that all *Shipping Container Marks* as noted in *the Advance Ship Notice* are physically received by scanning each *Shipping Container Mark* at the receiving dock.

When all *Shipping Container Marks* are accounted for, this will trigger the internal processing to update the Kmart stock and purchase order records, and trigger the accounts payable cycle.

Cartons will be checked on a random basis to ensure contents exactly match *Advance Ship Notice* details

Errors in *Advance Ship Notice* details versus actual cartons contents will:

- Trigger the generation of an *ASN Discrepancy Memo* that will be printed, then mailed, for you to manually reconcile against the remittance (See Appendix A for an example of an *ASN Discrepancy Memo*). The 'ordering' address is used to mail to. You should use the ASN Discrepancy Memo to determine any process problems/errors that need rectifying.
- Incur time delays in processing and increase costs
- Increase the incidence of Out of Stocks and lost sales
- Identify suppliers for increased integrity checks

Carton contents that match ASN details exactly will:

- Minimise processing time and optimise costs
- Improve in-stock and sales
- Identify suppliers for less frequent integrity checks

This is the prime objective of the Kmart e-commerce Business to Business implementation



Summary Recipient Created Tax Invoice (RCTI)

After scan receiving and any subsequent detail checking against the *ASN*, a *Recipient Created Tax Invoice* will be transmitted to you, providing a summary of what you should expect to be paid for each *ASN*.

Where there are no discrepancies identified, the amount stated in the summary *Recipient Created Tax Invoice* will be the quantity per EAN in the *Advance Ship Notice* multiplied by the cost and GST in the *Purchase Order*.

Where discrepancies are identified you will be mailed an *ASN Discrepancy Memo*. This needs to be reconciled with the summary *Recipient Created Tax Invoice*. Where there are adjustments due to discrepancies, the adjustment amount will be shown separately.

The summary *Recipient Created Tax Invoice* will be sent within 72 hours of the physical receipt of goods.

You can request a detailed *Recipient Created Tax Invoice* (at EAN level) if required to assist in reconciling the summary *Recipient Created Tax Invoice*. Contact your normal account queries contact. The detailed *Recipient Created Tax Invoice* is only available in a printed format.

By creating *Recipient Created Tax Invoices*, the responsibility for calculating the correct GST amount passes from you to Kmart. You will need to sign an agreement, before Kmart is authorised to create *Recipient Created Tax Invoices*. See Appendix B for a copy of this agreement.

Any disputed RCTI amounts should be followed up immediately with Account Queries Department.

Payment Process

Kmart e-commerce Business to Business suppliers will be paid according to previously agreed payment terms. The new process will eliminate any previous delays and errors associated with manual invoice processing. This means more accurate and prompt payments.

The Remittance Advice will refer to Advance Ship Notice numbers instead of the previous invoice numbers.

The Remittance Advice can be received electronically as per details in optional transactions.

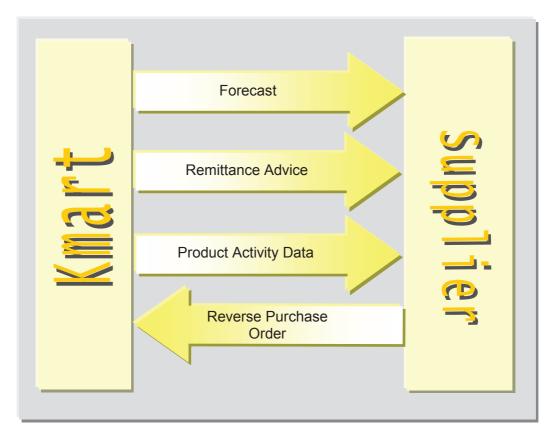
Payment will continue according to your current process (EFT or Cheque).

It should be understood that by 'paying promptly' this does not imply you will be paid earlier than agreed payment terms.



Optional Processes

The following diagram shows the optional electronic components/documents used during the e-commerce process. The value of each transaction will depend on the level of system integration, type of business you are and what type of service you provide to Kmart. Each can be implemented during conversion to e-commerce Business to Business or anytime after by contacting the EDI Help Desk.



Note: The Remittance Advice is an EDI version (paper/fax/email versions still available)

Forecasts

Replenishment Forecasts are now available in both printed and EDI formats. These can be requested through your Kmart Merchandise Coordinator.

Integration of *Replenishment Forecasts* into supplier production planning systems will significantly reduce the effort of manual data entry and any associated errors.

Remittance Advice

The *Remittance Advice* is now available in an EDI format which can be implemented independently of any other transaction and is organised through the EDI help desk.

© Kmart Australia Ltd Dec-03 9



Product Activity Data (PAD)

Product Activity Data is available on a weekly basis on Tuesday mornings. Details provided, for the previous trading week (Mon to Sun) include:

- Units Sales
- Units Stock on hand
- Units Stock on Order

All details are by product, by location

Contact the EDI help desk if you wish to participate.

The volume of data involved is significant and is only recommended for suppliers who can integrate it fully into their systems.

Reverse Purchase Order (RPO)

This document and process is only available to selected suppliers for managing inventory on behalf of Kmart (VMI). This process is only used by a small number of suppliers where management of the range by Kmart is difficult and the supplier provides expert service (eg garden seeds).

Appendix A - ASN Discrepancy Memo



Kmart Australia Ltd.

1 of 1

A.C.N. 004 700 485 ABN 73 004 700 485

ASN Discrepancy Memo

 EURONORTH PTY LTD
 Supplier
 : 310970

 38 ST ELMO RD
 ABN
 : 12 234 345 567

Location : 8201 HENDERSON

ASN : 31097888249584925100000

IVANHOE VIC 3079

PO: 1095839251

Receipt : 123456789 Date : 10/12/2000

DEPT	KD/APN < PO> Qty Unit Cost	< ASN> Qty Ext. Cost	CHARACTER STATES AND ADMINISTRATION OF THE ADMINISTRATION OF TH		< DISCREPANCY Qty Ext. Cost	Y
033 0.37	KD:12345678 24 2.0400	24	48.96 26	53.04	2	
	APN:9311985000352 / VEST COTTON	INFANTS				
033	KD:12345677 8 4.7700 APN:9311985000352 / T-SHIRT COTTO	8 38.16 ON BOYS	5	23.85	-3 -14.31 -1	1.30
033	KD:12345666 6 4.4200 APN:9311985226582 / BODYSUIT INFA	6 26.52 ANT	4 17.68	- 2	-8.84 - 0	0.80

ASN Discrepancy Amt -19.07
ASN Discrepancy GST -1.73

Page Number

Location : 9251 HUNTINGWOOD

ASN : 31097888249584925100000

PO: 1095839251

Receipt : 123456789 Date : 10/12/2000

DEPT	KD/APN <>	<>	<> RECEIPT>		DISCREPANCY
GST	Qty Unit Cos	t Qty Ext. Cost	Qty Ext. Co	ost	Qty Ex
033	KD:12345678 24 2.0400 APN:9311985000352 / VEST COTT	24 48.96 ON INFANTS	26 53.04		2 4.08
033	KD:12345677 8 4.7700 APN:9311985000352 / T-SHIRT CC	8 38.16 DTTON BOYS	5 23.85	-3 -14	.31 -1.30
033	KD:12345666 6 4.4200 APN:9311985226582 / BODYSUIT	6 26.52 INFANT	4 17.68	-2 -8.	.84 -0.80

ASN Discrepancy Amt -19.07 ASN Discrepancy GST

-1.73

Appendix B- Agreement to issue RCTIs



Kmart Australia Ltd.
ACN 004 700 485
800 Toorak Road Tooronga
Victoria Australia 3146
PO Box 350 Glen Iris Victoria 3146
Telephone (03) 9829 4111
Facsimile (03) 9829 4825

Recipient Created Tax Invoice Agreement

Name of Supplier:					
Address of Supplier:					
Australian Business Number (ABN) of Supplier:					
Name of Recipient: Kmart Australia Ltd.					
Australian Business Number (ABN) of Recipient: 73 004 700 485					
This agreement applies for the supply of: (insert description of product to be supplied)					
I. The Recipient can issue Tax Invoices in respect of the supplies to be made p	oursuant to Trading Terms				
II. The Supplier will not issue Tax Invoices in respect of those supplies					
III. The Supplier acknowledges that it is registered for GST when it enters into the notify the Recipient if it ceases to be so registered; and	The Supplier acknowledges that it is registered for GST when it enters into this agreement and will notify the Recipient if it ceases to be so registered; and				
IV. The Recipient acknowledges that it is registered for GST when it enters into notify the Supplier if it ceases to be so registered.	The Recipient acknowledges that it is registered for GST when it enters into this agreement and will				
The Supplier and the Recipient accept the terms and conditions of this agreement, as s	et out above.				
Signed for and on behalf of (Supplier name):					
Signature of Supplier:					
Print name:					
Date:					
Signed for and on behalf of Kmart Australia Ltd (Recipient)					
Signature of Recipient:					
Print name:					
Date:					
					