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Shipment Packaging, Marking & Labeling

Section 8 Overview

This section of the Kmart Vendor Information Guide provides requirements for shipment packaging, marking and labeling for vendors shipping to Kmart **from domestic locations**.

For **Kmart.com** shipments direct-to-customer and/or direct-to-store for customer pick-up, refer to the "Sears Holdings Dotcom Vendor Information Guide for requirements.

If your company receives **GT Nexus eDocs orders**, you are considered an import vendor. Refer to the "International Vendor Information Guide" located in the "Guides & Reference" section on Vendor Portal for import requirements.

Kmart Distribution Centers ("DCs") and stores receive thousands of cartons daily. The accurate systematic receipt of merchandise is primarily dependent upon the proper packaging, marking and labeling of shipping cartons/containers by our vendors. To avoid unnecessary delays and expensive, time-consuming correspondence, follow all shipment packaging, marking and labeling requirements included in this section.

Additional Information

Review these additional sections of this Guide for important information:

- ✓ **Section 6 - Purchase Orders** provides information regarding the key data included in EDI 850 Purchase Orders and purchase order fulfillment policies.
- ✓ **Section 9 - Shipping & Transportation Routing** provides information on requirements for carrier scheduling, routing, trailer loading and shipment documentation. This section also includes special carton/pallet labeling requirements for shipments direct to off-shore stores and DC shipments without an EDI 856 Ship Notice (ASN).
- ✓ **Section 10 - Compliance** provides information regarding the expense offset charges that may be assessed for non-compliance to Vendor Performance Program, Quality Assurance and logistics requirements.

Questions?

If after reviewing the information in this section, you have questions regarding:

- ✓ Shipment packaging materials or packing your product for shipment, contact the appropriate Supply Chain Operations Manager listed in the Directory of Contacts on Vendor Portal under "Contact Us".
- ✓ Shipment marking and labeling requirements, send an email to SHCLabel@searshc.com and include "Label Help" in the subject line.
- ✓ GTIN-14 bar code/label or GS1-128 shipping label testing/certification, send an email to SHCLabel@searshc.com.

Note: GS1 US provides comprehensive information on bar codes and labels and has certified certain companies that can provide templates for bar code creation. For information, contact GS1 as follows: web: www.gs1us.org; phone: 937-435-3870.

Shipment Packaging, Marking & Labeling

8.1 Shipping Carton Specifications

Vendors must adhere closely to the carton and packing requirements included in this section. Failure to comply with carton weight, size or corrugated requirements can result in lost or damaged merchandise and excessive handling by the Distribution Centers ("DCs").

- ☐ Shipping cartons that are to be processed through the automated conveyor system must conform to the conveyable carton weight and dimension requirements to ensure stability and accuracy within the system. The conveyor systems are severely hindered through induction of cartons that do not conform to specifications (see "Conveyable Carton Weight & Dimensions").
- ☐ Use cartons/packaging that sufficiently protects the product from damage during transit from the shipping location to the final destination.
- ☐ Use shipping containers that conform to the rules specified in the National Motor Freight Classification ("NMFC").
- ☐ Perfectly square cartons, e.g., 13x13x13, etc., do not convey well. An oblong footprint, e.g., 14Lx13W, etc., will be less likely to spin on curves or tumble on inclines/declines provided the bottom/footprint has a flat surface (not concave or rounded).
- ☐ Use only new, double-wall cartons except for furniture items that require triple-wall cartons.
 - Cartons may be of recycled virgin corrugation.
 - Do **not** re-use cartons.
- ☐ Shipping cartons that are also the consumer packaging must meet all packaging requirements of a shipping carton.
- ☐ Cartons weighing more than 40 lbs. must be a minimum of 200 lb. burst test or 32 edge crush test.
- ☐ Cartons weighing less than 40 lbs. must be a minimum of 175 lb. burst test or 29 edge crush test.
- ☐ Include the burst test measurement on the carton.

Inner Cartons

- ☐ If shipping inner cartons packed inside a master carton, the inner cartons must be constructed of a cardboard that is sturdy enough for re-shipping. Specifications are difficult to define since each product has a different weight and size. We expect vendors to use good judgment.
 - Do **not** use inner cartons for apparel.

Shipment Packaging, Marking & Labeling

Oversized and/or Heavy Individually Packed Items

Oversized and/or heavy individually packed items are items packed in cartons that are larger and/or heavier than a standard carton. Generally, these items have a physical dimension of 18 inches or more in any two dimensions and/or weight in excess of 28 lbs. For additional requirements for Games Table and Exercise Equipment, see "Packing Game Tables & Exercise Equipment for Shipment".

- ☐ Use cartons that protect the product during shipment against damage from normal material handling equipment including, but not limited to, forklifts, pallet jacks, clamp trucks, conveyors, hand trucks, and sorting equipment.
- ☐ Use appropriate size cartons that minimize the total carton cube without compromising the carton integrity.
- ☐ Use cartons and pack merchandise to withstand multiple handlings.
- ☐ Use inner bags or inner cartons to protect multiple quantities of an item packed in the same carton.
- ☐ Include appropriate handling graphics on the carton if special handling or stacking instruction is required.

Guidelines for Carton Strength Test (Drop Test)

- ☐ Weigh carton (fully loaded) and determine the height to drop per the below chart.
- ☐ Conduct 10 drops, 1 for corner, 3 for edge lines, and 6 for surface free fall.
- ☐ Observe damages and record on Quality Control Final Inspection Report.

PACKAGED PRODUCT WEIGHT				DROP HEIGHT	
Equal to or greater than:		But less than:		Free fall:	
LBS	KGS	LBS	KGS	IN	MM
0	0	21	10	30	760
21	10	41	19	24	610
41	19	61	28	18	460
61	28	100	45	12	310
100	45	150	68	8	200

Carton Weight & Dimensions

The high-speed conveyor system in the DCs provides the most expedient means of processing product shipped in cartons. It is preferred that vendors use cartons that conform to our conveyable carton dimension requirements listed in the chart on the following page.

- ✓ The width is the dimension of the carton that is across the conveyor side to side. Conveyors cannot accommodate cartons greater than 24 inches (60 cm) wide.
- ✓ The length is the dimension of the carton that is parallel to the sides of the conveyor. The length is always the longest dimension of the carton.

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- ☐ All cartons must meet the **minimum and maximum** weight and dimensions shown in the charts below.

RSC CARTON WEIGHT & DIMENSIONS				
DC Stock				
	Weight	Length	Width	Height
Minimum	2 lbs	9 inches	6 inches	2 inches
Maximum *	70 lbs **	48 inches	24 inches	30 inches
		36 inches	29 inches	
JIT				
	Weight	Length	Width	Height
Minimum	2 lbs	9 inches	6 inches	4 inches
Maximum *	70 lbs **	48 inches	24 inches	30 inches
		36 inches	29 inches	

RDC CARTON WEIGHT & DIMENSIONS				
	Weight	Length	Width	Height
Minimum	2 lbs	9 inches	6 inches	1 inch
Maximum *	70 lbs **	48 inches	24 inches	30 inches
		36 inches	29 inches	

* Due to the conveyor belt curves, there are **two** sets of maximum shipping carton dimensions. If your carton is 48 inches maximum in length, the maximum width is 24 inches. If your carton is 36 inches maximum in length, the maximum width is 29 inches. The height and weight maximums remain the same for both lengths.

** For apparel designated as **Repack**, the maximum carton weight is **50 lbs**.

FMI Warehouse Carton Weight & Dimensions

- ☐ All cartons shipped to the FMI Warehouse must meet the carton weight and dimension requirements specified in the charts shown on the following page.
- Cartons that do not meet the minimum or exceed the maximum will cause manual handling and extra costs in the facilities. The vendor will be held responsible for all additional handling costs incurred due to non-compliance.
 - If a carton does not meet the minimum required dimensions on any surface due to the pack quantity or type of product, the carton must be made to the minimum size required. **Example:** For FMI Warehouse, an 8 pair pack of a children's shoe comes to 13 inches in length when packed. The carton must be made to the 15" minimum required.
 - Product must be packed securely to prevent damage. No filler must be used.

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FMI WAREHOUSE CARTON WEIGHT & DIMENSIONS				
	Weight	Length	Width	Height
Minimum	6 lbs	15 inches	12 inches	6 inches
Maximum	65 lbs	36 inches	29 inches	20 inches

* Due to the conveyor belt curves, there are **two** sets of maximum shipping carton dimensions. If your carton is 39 inches maximum in length, the maximum width is 24 inches. If your carton is 30 inches maximum in length, the maximum width is 26 inches. The height and weight maximums remain the same for both lengths.

Jewelry Distribution Center (“JDC”) Carton Weight & Dimensions

Since conveyors are not used in the JDC, there are not minimum/maximum shipping carton weight and dimension requirements for fine jewelry shipments to the JDC.

Carton Sealing

- ☐ Seal all cartons with reinforced paper tape, plastic tape, or when practical, seal with glue.
 - For apparel, use shipping tape versus glue.
 - Sealing tape must be at least 2 inches wide and used on all open sides to properly seal cartons.
 - Kraft paper must be 100% sulfite.
 - Do **not** use staples; however, shipping units sold as individual sales units may be sealed using staples.
- ☐ Do **not** use fiber/metal banding, strapping or strings of any kind on the outside of conveyable cartons.
 - Bands may be used to unitize multiple master cartons, however, shrink or stretch-wrap is preferred.
 - There are no banding restrictions for non-conveyable cartons.
- ☐ Do **not** tape or band two cartons together to make a case-pack.
- ☐ Do **not** place any tape over the GTIN-14 bar code or GS1-128 Shipping Label.

Shipment Packaging, Marking & Labeling

8.2 Shipment Packing/Packaging Materials

This section contains requirements on shipment packaging materials and packing merchandise for shipment with separate sub-sections for Hardlines, Game Tables/Exercise Equipment, Footwear, Apparel, and Fine Jewelry.

General Requirements - All Products

- ☐ Vendors are responsible for ensuring their merchandise is sufficiently protected from damage during transit and delivery to the destination. This requires shipping cartons to be properly packed for shipment, and that proper packaging materials are used inside the cartons for protection of the merchandise.
- ☐ Use packaging that sufficiently protects the product from damage during transit from the shipping location to the final destination.
- ☐ Use environmentally safe and recyclable materials for all shipment packaging.
- ☐ Use inner plastic bags or inner cartons to protect multiple items packed in the same carton against damage. Do **not** use inner cartons for apparel.
- ☐ Display/consumer containers that are also the shipping cartons must meet the same packaging specifications as the shipment packaging.
- ☐ Use the **correct size carton** for your product. Each carton must be packed to its capacity.
 - Unless otherwise specified, do **not** use any fillers such as confetti paper, cardboard, tissue paper, etc., to fill up empty space within the cartons.
 - Do **not** “overstuff” cartons. Cartons must not bulge outward on the top, bottom or sides.
- ☐ Place a piece of cardboard beneath the carton’s flaps seam to prevent damage to the merchandise when cutting open the carton.
- ☐ Pack merchandise for a single Kmart department number and purchase order in each shipping carton.
- ☐ Refer to section 9 for pallet specifications, building, stacking and loading instructions and requirements.

Specific packing and packaging guidelines for hardlines, game tables/exercise equipment, footwear, apparel and fine jewelry are included later in this section.

Shipment Packaging, Marking & Labeling

Plastic Bags

The following requirements are applicable to plastic bags used as protection during shipment and then removed when the product is received in the retail stores - not plastic bags used as consumer display packaging.

- ☐ Plastic bags used on products sold to Kmart must comply with all federal, state and local laws.
- ☐ Follow the guidelines in ASTM Standard F 963, Consumer Safety Specifications on Toy Safety relating to “Packaging Film” and “Bags”.
- ☐ Follow the UL Standard 696, Electrical Toys, for sections related to “flexible plastic film bags and flexible film sheets used as packaging materials”.
 - Comply with the stretch test described in UL Standard 696 for all flexible plastic bags (except toys) that are less than 1.25 mil (.00125 inches) thickness.
- ☐ For toy packaging, use bags a minimum thickness of 1.5 mils (.0015 inches) unless the bag complies with the neck opening stretch test in UL standard 696.
 - Do **not** package toys in bags that stretch to more than 14 inches in neck circumference, or to more than 23 inches when the stretched neck circumference and the bag’s length are combined.
- ☐ For **Kmart private brand apparel**, purchase low-density, recyclable, polyethylene, dry-cleaning style bags 1mil thick that are easily removed. Bags should be a minimum of 6 inches longer than the full length of the garments.

Plastic Bag Warning Statements

- ☐ Print a suffocation warning on plastic bags when the neck opening will stretch to more than 14 inches in circumference and to more than 23 inches when the stretched neck circumference and the bag’s length are combined.
- ☐ Print the warning statement legibly on the bag in **English** and **Spanish**.

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- ❑ Use upper case font and underline the words “WARNING”, “PRECAUCION”. For Lands’ End merchandise, also underline “AVERTISSEMENT”:

English: “WARNING: Keep this bag away from babies and children. Do not use in cribs, beds, carriages, or playpens. The thin film may cling to nose and mouth and prevent breathing. This bag is not a toy.”

Spanish: “PRECAUCION: Mantenga esta bolsa alejada de niños y bebés. No la use cerca de cunas, camas, coches o corrales de juego. El plástico tan delgado puede tapar nariz y boca impidiendo la respiración. Esta bolsa no es un juguete.”

- ❑ Print the suffocation warning using print height of 3/32” to 7/32”, depending on the combined dimensions of the length plus the width of the bag. Refer to the following table for minimum print heights:

Total length plus width of bag:	Minimum height of print:
60 inches or greater	7/32 inch
40 to 59 inches	5/32 inch
30 to 39 inches	4/32 inch
29 inches or less	3/32 inch

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8.2.a Packing Hardlines Merchandise for Shipment

This section contains the minimum packing/packaging requirements for Kmart Hardlines merchandise. These requirements must be followed to ensure that product is shipped and delivered free of damage, breakage, contamination or missing parts. Testing, typically consisting of ISTA carton drop tests, may be required to verify proper product protection.

General Requirements

- ☐ Wrap all loose parts and secure by tape onto a large surface.
- ☐ Separate large parts of an item inside the carton to prevent contact and abrasion.
- ☐ Protect all pointed/sharp edges of merchandise with suitable material, wrapping or Styrofoam to prevent indentations and damage to other items or the carton's panels.
- ☐ For cartons containing glass or plastic bottles, use dividers to protect the merchandise from breakage or crushing.
 - You will be charged for all damaged product caused from not using proper dividers to protect the merchandise.

High Risk Items

- ☐ The products specified in this section are classified as being at "high risk" for damage during transit if not properly protected. Vendors are expected to follow the packaging guidelines specified in this section for these items.

Porcelain Items

- ☐ Wrap all porcelain items in individual bubble bags.
- ☐ Eliminate all excess space inside the shipping carton using Styrofoam block or paper filling.
- ☐ If there is more than one (1) small item in a single inner carton/box, there should be a separate cell for each item. The top and bottom of each inner carton should be reinforced by cushioning, pads or foam.
 - The use of paper die-cut molds or Styrofoam molds is highly recommended to prevent shifting inside the carton, especially for larger or irregular shaped items.
- ☐ For moderate size items, use double-wall corrugated boards as partitions or inserts to separate the items inside the carton. The use of foam blocks/molds is recommended to reinforce the corners of the cartons.
- ☐ A Styrofoam die-cut block should be used in the bottom and corners of each carton to prevent the item from shifting during transit. If a Styrofoam block cannot be used, fill any excess space around the item with paper.
- ☐ For items with sharp edges and/or acute angles, place a double-wall corrugated board on the top and bottom of the item inside the carton to provide extra protection.
- ☐ All shipping and inner cartons containing porcelain items must be labeled as "Fragile".

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Furniture

- ☐ Use triple-wall corrugated shipping cartons for furniture items.
- ☐ All parts and the main body of Ready-To-Assemble ("RTA" or "KD") furniture items must be wrapped in plastic bags. If possible, shrink-wrap the surface of the main body of the item.
- ☐ Securely wrap all loose parts (bolts, nuts, screws, etc.) in foam or bubble bags and tape on a concealed surface of the main body of the item or an inside carton panel.
- ☐ For heavy/bulky furniture pieces, reinforce the top and bottom of the carton with Styrofoam die-cut molds to prevent movement.
- ☐ If applicable, use double-wall corrugated boards as partitions to separate parts inside each carton.
- ☐ For rattan and non-KD furniture items, wrap the entire piece in a plastic bag. Wrap all corners, legs and armrests in paper.

Moderate Risk Items

Silverware

- ☐ Wrap all silverware items in tissue paper and a plastic bag and include a silica gel pack.
- ☐ Wrap all glass parts in bubble bags and separate by double-wall cardboard from any silver parts.
- ☐ For silverware items with legs, eliminate any excess space between the bottom of the item and the carton by using a Styrofoam block to prevent the legs from protruding when the box is compressed or crushed.
- ☐ Assess the strength of the gift box or inner carton for heavy and/or bulky items
 - All gift boxes should have at least one end sealed with tape.
- ☐ For small silver accessories like napkin rings, vanity sets, etc., wrap the items with tissue paper and place in a pre-molded box.
- ☐ For silver photo frames, wrap the frame in tissue paper and a bubble bag.

Brassware

- ☐ Wrap all brassware items with a plastic bag.
- ☐ Fill all excess space with paper.
- ☐ Brassware is usually very heavy requiring evaluation of the shipping carton and type of carton material. Each carton must not be packed with too many pieces.
- ☐ The use of corrugated pads or Styrofoam molds is recommended as reinforcement on the bottom and top of inner cartons.
- ☐ Double-wall inner cartons should be used.

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Cookware

- ☐ Individually wrap all items in a plastic bag.
- ☐ Separate items inside each carton with double-wall cardboard.
- ☐ All individual pieces are recommended to be placed in a corrugated paper die-cut mold.

Clocks

- ☐ Wrap Grandfather and mantel clocks in a plastic bag and use a Styrofoam mold to cover the entire item, if possible, or at least the top and bottom to reinforce the corners.
- ☐ Triple-wall corrugated shipping cartons should be used for heavy clocks.
- ☐ Wrap wall clocks in a bubble bag and place a foam/sponge sheet on top of the glass to prevent scratches or damage. Also apply tape to the glass to prevent shattering.
- ☐ The use of double-wall corrugated boards on the sides of the cartons is recommended to absorb any shock to the glass.
- ☐ Wrap small desk clocks in a bubble bag and pack individually in the carton.

Low Risk Items

Leather Goods

- ☐ Include silica gel inside all leather packaging to prevent mold.
- ☐ To prevent color fading, wrap all leather items in a plastic bag - not paper.

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8.2.b Packing Game Tables & Exercise Equipment for Shipment

In addition to the shipment packaging and marking requirements in this section, the following requirements apply to game tables and exercise equipment e.g., treadmills, ellipticals.

- ☐ Do not use white corrugated cartons for exterior packaging.
- ☐ Packaging must support various sizes and weights of cartons loaded on top of product.
 - Consistent inner carton support is required to ensure cartons do not crush and to prevent product damage as trailers loaded for store delivery contain numerous vendors' product loaded together, including various items stacked on top of one another.
- ☐ Packaging must accommodate clamping **up to 2,000 lbs PSI**.
 - Construct packaging to allow and withstand clamping.
 - Ensure package handling graphics include a clamp, as well as the best clamp options since clamps will be used to move the product throughout the supply chain.
- ☐ Packaging must be able to withstand:
 - Long periods in storage with humidity and stack heights.
 - Multiple handling throughout the supply chain.
- ☐ Use plastic banding or protective outer-wrap around the perimeter edge of the carton to prevent ripped flaps. (Game Tables only)
 - To prevent bands from damaging or cutting into the product, place "L-shaped" bracing around the edges of the carton and secure to the carton.
 - Do not use metal banding.
- ☐ To prevent bands from damaging or cutting into the product, place "L-shaped" bracing around the edges of the carton and secure to the carton. (Exercise Equipment only)
 - Do not use metal banding.
- ☐ Packing must support multi-directional loading/stacking.
- ☐ Refer to section 9 for pallet specifications, building, stacking and loading instructions and requirements.

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8.2.c Packing Footwear for Shipment

This section contains specific requirements for packing Kmart footwear for shipment. Also refer to Floor Ready Guidelines in the Guides & Reference section on Vendor Portal for footwear packaging information.

Shipments to the FMI Warehouse

- ☐ Pack all footwear per purchase order specifications.
- ☐ Use top-loading style cartons.

Uniform Cartons (Solid Case-Packs)

- ☐ Pack uniform cartons in **one (1) tier only**.
- ☐ Pack all pair boxes facing the same direction within each carton with the pair box labels visible when the carton is opened.
- ☐ All cartons for the same purchase order must be packed with the **same configuration**, e.g., all 12-pair cartons must be packed in either a 3 x 4 or 2 x 6 configuration (**not** some in 3 x 4 and others in 2 x 6). Refer to Figure 8.1 for illustrations of different footwear carton configurations.
- ☐ The packing configuration used must comply with the minimum and maximum conveyable carton weight and dimension requirements specified in section 8.1.

Exploding Assortments

- ☐ Exploding Assortments can be packed in one or two tiers.
- ☐ When packing in **two tiers**, pack the larger sizes on the bottom tier and the smaller sizes on the top tier as illustrated in the example below:

Upper Tier:	Size:	5	5-1/2	6	6-1/2	7	
	Pairs:	1		2		3	

Bottom Tier:	Size:	7-1/2	8	8-1/2	9	9-12	10
	Pairs:	3		2		1	

- ☐ Pack cartons with the exact sizes and quantity of each specified in the purchase order. Substitutions are not allowed without prior written approval from the buyer.
- ☐ All cartons for the same purchase order must be packed with the **same configuration**, e.g., all 12 pair cartons must be packed in either a 3 x 4 or 2 x 6 configuration (**not** some in 3 x 4 and others in 2 x 6). Refer to Figure 8.1 for illustrations of different carton configurations.
- ☐ The packing configuration used must comply with the minimum and maximum conveyable carton weight and dimension requirements specified in section 8.1.
- ☐ Pair box lids should face opposite directions to reduce the size of the carton and allow a better fit.

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Eggcrate Cartons

Eggcrate cartons are used for non-boxed footwear packed in plastic bags.

- ☐ Eggcrate cartons may be used **only** when the purchase order specifies an exploding assortment **and** when approved by the buyer.
- ☐ When eggcrate cartons are specified by the buyer:
 - The corrugation used for all the dividers must be of the same material as, or bear the same bursting strength, as the carton itself.
 - A “cover board” of the same material must be placed over the eggcrates before the carton flaps are closed. No other material may be substituted. The cover board serves three major purposes:
 - ✓ It prevents damage to the shoes when cutting open the cartons.
 - ✓ It strengthens the compression resistance of an eggcrate carton, especially if there is air in the carton.
 - ✓ It helps to keep the shoes clean from dust in transit to the destination.
- ☐ If packing eggcrate in two tiers, a partition board is required in addition to the cover board in the same size and material as the cover board. The partition board is used to separate the upper tier from the bottom tier of eggcrate cartons.

Types of Eggcrate Cartons

One pair per cell:

- Horizontal cartons with only one tier of shoes.
- Vertical cartons with two tiers of shoes - the half with the larger size run placed in one tier, the half with the smaller sizes placed in the other. This helps minimize the total size of the carton.

This type of eggcrate packing provides better protection to the product and is preferred over packing that contains two pairs in each cell.

Two pairs per cell:

- Horizontal carton is the only type used to pack two pairs of shoes in each cell unless the pack is 24 or more pairs.
- Depending on the type of footwear, a stronger corrugation may be required to protect the product when packing two pairs per cell.

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8.2.d Packing Apparel for Shipment

Refer to Floor Ready Guidelines located in the Guides & Reference section on Vendor Portal for information on the apparel requirements pertaining to store presentation (hanging and folding methods), location of main, content and care labels, packaging and hang tag placement and carton packing.

- ☐ To determine the proper shipment packing requirements that apply to your merchandise, follow the steps listed below in the order they are listed. The steps are listed in the same order as the information is presented in this section of the guide.
 1. Follow the requirements listed in “**General Shipment Packing Requirements**”.
 2. Determine if any special packing is needed by reviewing the information and requirements listed for “**Special Care Fabrics & Product Categories**”.

General Requirements

- ☐ Plastic bags must be a minimum of 6 inches longer than the full length of the garments.
- ☐ Plastic bags used on leather or vinyl garments must include air holes.
- ☐ For Kmart private brand hanging merchandise, use only Kmart authorized hangers. Refer to section 7 for a complete listing of authorized suppliers and contact information. Additional hanger information is located in the “Kmart Hanger & Accessories Manual” located in the Guides & Reference section on Vendor Portal.
 - Include a size marker on each hanger. Refer to section 7 for size marker information.
- ☐ Do **not** use inner cartons unless specifically requested by the buyer. Inner cartons may be used only for fashion jewelry, small accessories, small leather accessories, and must be sealed and re-shippable.
- ☐ Use correct size cartons to allow filling to capacity keeping within the minimum and maximum required carton length and width. Cartons should not exceed the length, width and height of the product by more than 1-1/2” per each measurement. This will allow for merchandise to be placed squarely into the carton but not allow for shifting.
- ☐ Do **not** ship cartons that are “over-filled”. After product is placed the carton, there should be at least 1” of space between the top of the product and the top of the carton.
- ☐ Over-sized cartons may be used **only** if approval is received prior to shipment. If you determine that oversized cartons should be used, contact your buyer prior to shipment.
- ☐ Cartons used for hanging merchandise must have anchors or elastic holders at opposite ends of the carton to secure hanger hooks. **Note:** Hanger hooks must be exposed outside of plastic bags unless merchandise is denoted as “**Repack Apparel**”. All hanger hooks should face to wearer’s right.
- ☐ Place a piece of cardboard on top and bottom of the merchandise in each carton prior to closing the flaps to prevent damage to the merchandise when the carton is cut open.

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- ☐ Do **not** tape or tie individual hangers or garments together into larger groups.
- ☐ Do **not** use safety pins, straight pins, tiebacks or clips of any type on hanging merchandise unless specified. **Note:** Straight pins and collar protectors can be used for packaged shirts such as Men's and Boy's woven dress and sport shirts.
- ☐ Do **not** use any fillers such as confetti paper, cardboard, tissue paper, etc., to fill up empty space within the cartons.
- ☐ Do **not** use fabric swatches or foam pieces under hanger pinch clips on hanging merchandise.
- ☐ Pack merchandise for a **single** Kmart department number and purchase order in each shipping carton.

Special Care Fabrics & Product Categories

Specific fabrics and product categories have been identified as being subject to damage and/or excessive wrinkling if not packed for shipment with special care. These fabrics and product categories include:

- ✓ Velvet, velveteen, moleskin, chenille, faux lamb, leather, suede, velour, linen, corduroy, wool, silk, cotton, cashmere, rayon, spandex, acrylic, nylon, polyester, satin, microfiber, etc (includes most synthetic fabrications)
- ✓ Highly detailed garments or garments with treatments, e.g., beading, appliques, embroideries, screen prints, etc
- ✓ Delicate knit and fine gauge sweaters
- ✓ Dresses made of synthetic fabrics or with treatments
- ✓ All RTW, Girl's, Men's and Boy's suits and separates
- ✓ All outerwear

For the above listed fabrics and product categories, the shipment packing requirements listed below are to be followed **in addition to all other packing requirements**.

- ☐ Use an individual plastic bag for each garment.
- ☐ To protect during shipment, cover all embellishments with cardboard, embroideries with tissue paper, and hardware with compressed foam unless specifically specified by the buyer.
- ☐ For PU, PVC, and leather garments:
 - Insert tissue paper between the sleeves and the garment prior to folding.
 - Cover all embellishments with cardboard, embroideries with tissue paper, and hardware with compressed foam unless specifically specified by the buyer.
 - Place cardboard between each plastic bag when placing into the cartons.
 - Insert a silica gel pack inside a pocket to protect from moisture and/or mildew during shipment.

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- ☐ If garments will not fit in the cartons without folding, use no more than **one** fold at the bottom or at the natural fold of the garments.
- ☐ Do **not** over-pack or under-pack cartons.
- ☐ Over-sized cartons may be used **only** if approval is received prior to shipment. If you determine that oversized cartons should be used, contact your buyer prior to shipment.
- ☐ Place a piece of cardboard on the top and bottom of the merchandise in each carton before closing the flaps to prevent damage to the merchandise when the carton is cut open.
- ☐ Anchor the hanger hooks to the sides of the cartons. All hanger hooks should face to the wearer's right when placing into the carton.

Packing Guidelines for Case-Pack Cartons by Type

Important: Prior to reviewing this section, make sure that you have reviewed the information and requirements listed for apparel in the following sections:

- "General Shipment Packing Requirements"
- "Special Care Fabrics & Product Categories"

Exploding Assortments - Prepack Cartons without Hangers

- ☐ Ship merchandise one prepack per re-shippable carton, per size/SKU ratio as specified in the purchase order. Do not include hangers.
- ☐ Inner cartons may be used only for fashion jewelry, small accessories, small leather accessories, and must be sealed and re-shippable.
- ☐ Use a single plastic bag for all garments packed in a carton unless otherwise specified or product could be damaged or subject to wrinkling. Refer to "Special care Fabrics & Product Categories".
- ☐ Use a plastic bag with an envelope closure or tape closed. Do **not** heat-seal or close with staples.

Refer to Floor Ready Guidelines in the Guides & Reference section on Vendor Portal for instructions on packing product into shipping cartons.

Exploding Assortments - Prepack Cartons with Hangers

- ☐ Ship merchandise one prepack per re-shippable carton, per size/SKU ratio as specified in the purchase order. Place garments on specified hangers prior to placing into the shipping cartons.
- ☐ Inner cartons may be used **only** for fashion jewelry and small accessories.
 - Inner cartons used for small leather accessories must be sealed and re-shippable.
- ☐ For specific fabrics that could be damaged or subject to wrinkling by packing more than a single garment in a plastic bag, use a separate bag for each garment. Refer to "Special care Fabrics & Product Categories".

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- ☐ Tie the ends of the bags or leave open - do **not** heat-seal or close with staples or tape.
- ☐ Anchor the hanger hooks to the sides of the cartons. All hanger hooks should face to the wearer's right when placing into the carton.

Refer to Floor Ready Guidelines in the Guides & Reference section on Vendor Portal for instructions on packing product into shipping cartons.

Repack Apparel

- ☐ For hanging apparel designated as Repack, hangers must be inserted into the garments **prior to shipping** (no "seeded" hangers).
- ☐ Each garment must be in an individual plastic bag with the entire hanger inside the bag (including hanger hook).

Refer to Floor Ready Guidelines in the Guides & Reference section on Vendor Portal or additional information regarding packing/shipping Repack Apparel.

Uniform Cartons - Bulk Cartons without Hangers

- ☐ Ship merchandise in a solid size and color without hangers in the cartons.
- ☐ Pack only one size and one color in each carton.
- ☐ Do **not** use inner cartons.
- ☐ Place each garment in a separate plastic bag.
- ☐ Use plastic bags with an envelope closure or seal with tape. Do **not** heat-seal or close with staples.

Refer to Floor Ready Guidelines in the Guides & Reference section on Vendor Portal for instructions on packing product into shipping cartons.

Uniform Cartons - Bulk Cartons with Hangers

- ☐ Ship merchandise in a solid sizes and colors on hangers in a carton.
- ☐ Do **not** use inner cartons.
- ☐ Place each garment in a separate plastic bag.
- ☐ Hanger hooks must be outside of the plastic bag unless merchandise has been denoted as "Repack" apparel.
- ☐ Tie the ends of the bags or leave open - do **not** heat-seal or close with staples or tape.
- ☐ Anchor the hanger hooks to the sides of the cartons. All hanger hooks should face to the wearer's right when placing into the carton.

Refer to Floor Ready Guidelines in the Guides & Reference section on Vendor Portal for instructions on carton packing.

Shipment Packaging, Marking & Labeling

8.2.e Packing Fine Jewelry for Shipment

This section contains specific requirements for packing Kmart Fine Jewelry for shipment direct-to-store and to the Jewelry Distribution Center ("JDC") for cross-dock to a store. The requirements do not apply to watches or costume jewelry.

- ☐ Seal all seams of each shipping carton with tape - do **not** use glue or staples.
- ☐ Do **not** apply straps or bands around shipping cartons.
- ☐ Pack each individual item/SKU in a separate plastic bag or gift box per the Kmart buyer's direction.
 - Certified diamond products must be packed in a heat-sealed plastic bag with individual certificate.
 - Place sleeves on gift boxes.

JIT (Cross-dock) Shipments to the JDC (Ship To 8763)

Shipments Less than $\frac{3}{4}$ Cubic Foot

- ☐ Pack the individual plastic bags containing the merchandise into a master plastic bag for each retail store unit number.
- ☐ Place a GS1-128 shipping label on the master plastic bag for each store.
 - The dimensions of the master plastic bag should not exceed 12" W x 15" L.
- ☐ Pack all the master plastic bags into a shipping carton.
- ☐ Apply a label to the shipping carton with the vendor name and ship-point address, and JDC name, unit # and address (including the door #) as listed below:

JDC #8763
8374 N 4000 East, Door 368
Manteno, IL 60950

- For UPS shipments, the information is included on the UPS shipping label and must be printed on the label as shown above; a separate label is not required.
- For armored carrier shipments, the information may be printed on a label/sticker affixed to each carton (preferred) or printed directly on each carton.

Shipments Greater than $\frac{3}{4}$ Cubic Foot

- ☐ Pack the individual plastic bags containing the merchandise into a separate, re-shippable carton for each retail store unit number.
 - If multiple cartons for an individual store are required, do **not** tape or shrink-wrap the cartons together.
- ☐ Place a GS1-128 shipping label on each individual store carton.
- ☐ Pack all the individual store cartons into a master shipping carton.
- ☐ Apply a label to the master shipping carton with the vendor name and ship-point address, and JDC name, unit # and address (including the door #). Refer to the shipping carton label information for "Shipments Less than $\frac{3}{4}$ Cubic Foot" for details.

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Special Event Bulk Shipments

The following packing requirements are specific to large, bulk shipments of Fine Jewelry for special events (Mother's Day, Christmas, etc.) Special event merchandise is normally shipped to the JDC for cross-dock to the stores. The Kmart D/26 buying team will advise you if the shipment is to be sent direct-to-store.

- ☐ Pack the master plastic bag for each retail store into a separate, re-shippable carton.
 - If this handling is not feasible, contact the Fine Jewelry Supply Chain Operations Manager for direction prior to shipment. The Supply Chain Operations Managers are listed in the Directory of Contacts on Vendor Portal under "Contact Us".
- ☐ Apply a GS1-128 shipping label to the shipping carton for each store.
- ☐ Pack the individual store cartons into a master shipping carton for shipment to the JDC.
 - If more than a single master carton is required for shipment, mark or label the outside of each master carton with the sequence number in relation to the total number of master cartons, e.g., "Carton 1 of 3", "Carton 2 of 3", etc.
 - Master cartons must not exceed 100 lbs in weight.
- ☐ Apply a label to the master shipping carton(s) with the vendor name and ship-point address, and JDC name, unit # and address (including the door #). Refer to the shipping carton label information for "Shipments Less than $\frac{3}{4}$ Cubic Foot" for address details.

Direct-to-Store Shipments

- ☐ Pack the individual plastic bags containing the merchandise into a master plastic bag for each retail store.
- ☐ Pack each store's master plastic bag into a shipping carton.
- ☐ Place a GS1-128 shipping label on the shipping carton for each retail store and ship direct to the store.

Shipment Packaging, Marking & Labeling

8.3 Shipping Carton Marking & Labeling

GTIN-14 Bar Code & GS1-128 Shipping Label

Kmart's GTIN-14 bar code and GS1-128 Shipping Label requirements are based on each vendor's **product Flow Path** ('Ship To' destination), the **type of purchase orders** received ("DC Stock, JIT or Direct-to-Store"), and **type of product** being shipped. Refer to section 6 - Purchase Orders for information regarding the different types of purchase orders and how to identify each type.

Flow Path	P.O. Type	Required Bar Code/Shipping Label
RDC/RSC	DC Stock	GTIN-14 bar code
FMI Warehouse	DC Stock	GTIN-14 bar code
RDC/RSC/JDC	JIT	GS1-128 Shipping Label
Direct-to-Store	Direct-to-Store	GS1-128 Shipping Label

In addition to, or instead of the above, certain types of products and packaging require additional information and/or bar codes/labels. Information and requirements for these are included section 8.3.d - "Additional Marking & Labeling".

☐ **A GTIN-14 bar code is required on:**

- Every shipping carton containing merchandise for a **DC Stock** purchase order **except "Large, Heavy and/or Bulky Items"** for which the shipping carton is the same as the consumer carton/packaging containing only **one (1)** each of a single item number, e.g., major appliances, table saws, treadmills, TV's, etc. This exception is based on a **GTIN-12 (UPC-A) or GTIN-13 (EAN-13) bar code symbol** being available on the carton. See "Large, Heavy and/or Bulky Items" in section 8.3.d for information and UPC-A and EAN-13 requirements.

☐ **A GS1-128 Shipping Label is required on:**

- Every shipping carton containing merchandise for a **JIT** ("Just-In-Time") purchase order with the exception of JIT shipments of Fine Jewelry to the Jewelry Distribution Center ("JDC"). (See "Packing Fine Jewelry for Shipment").
- Every shipping carton shipped direct to a retail store ("**Direct-to-Store**").

- ☐ Do not include a GTIN-14 or GS1-128 Shipping Label (as applicable) on inner cartons with the exception of JIT shipments of Fine Jewelry to the Jewelry Distribution Center ("JDC"). (See "Packing Fine Jewelry for Shipment").

A different format is required for the GS1-128 Shipping Label for JIT shipments than Direct-to-Store shipments. See section 8.3.c for label zone specifications and an example of each GTIN-14 and GS1-128 Shipping Label format.

- ☐ **In addition** to the GTIN-14 bar code, GS1-128 Shipping Label, or UPC-A/ EAN-13 bar code (as applicable), UPS shipments require a UPS shipping label on each carton/package. See section 9 for UPS shipping requirements.

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- For UPS JIT and Direct-to-Store shipments, there is a “Combination GS1-128/UPS Ground Shipping Label” format that vendors can use. It is an optional format that can be used only for JIT and Direct-to-Store shipments routed via UPS Ground. See Figure 8.2 for an example of the label format along with additional information.

Third-Party Bar Code/Shipping Label Options

Vendors may produce their own GTIN-14 bar codes/labels and/or GS1-128 shipping labels or have them produced by a third-party provider. Bar Code Graphics is Sears Holdings certified third-party provider for GTIN-14 bar codes/labels and GS1-128 shipping labels. They are a GS1 Solution Provider and can be contacted with GS1 technical questions at 800-662-0701.

- ❑ Vendors may choose any third-party bar code/label provider. Vendors using a non-certified provider are required to submit their bar code/label for testing and certification.

Bar Code/Shipping Label Testing & Certification

- ❑ Kmart requires new vendors and current vendors shipping a new flow-path to have their GTIN-14 bar code/label and/or GS1-128 shipping label (as applicable) tested and certified **prior to their first shipment**.
 - Kmart recommends that vendors submit a GTIN-14 bar code and/or GS1-128 shipping label for testing/certification from each of their shipping and/or production facilities that produces bar codes/labels.
- ❑ Kmart may require vendors to have their GTIN-14 bar code/label and/or GS1-128 shipping label re-certified to ensure they are still in compliance to requirements if their shipping status has been inactive.
- ❑ If you change or modify your printing hardware or software, have your bar codes/labels re-certified to ensure they are still in compliance to Sears Holdings' requirements. Contact SHCLabel@searshc.com for more information.

Testing & Certification Process

The testing and certification process is designed to assist vendors in understanding the requirements, expedite the testing process and prevent expense offset charges due to non-compliance with requirements.

The vendor's sample bar code/label will be evaluated for format and content as required for the designated flow-path, and for bar code scan-ability.

When submitting the GTIN-14 bar code/label and/or GS1-128 shipping label for testing/certification, be sure to use **valid data**, e.g., Ship From/Ship To, your company's GS1 Company Prefix, etc. Samples containing invalid data will be rejected and need to be corrected and re-submitted.

Vendors will be provided login information to access the testing website.

There is a fee of \$150 per flow-path tested.

For additional information regarding the certification process or questions pertaining to the required bar codes and/or shipping labels, send an email to SHCLabel@searshc.com.

Shipment Packaging, Marking & Labeling

8.3.a GTIN-14 Bar Code

The GTIN-14 bar code is used to identify a specific grouping of **DC Stock** products packed inside a shipping carton. Scanning the vendor's GTIN-14 bar code on each carton enables the retrieval of the following pre-defined information:

- ✓ The identity of the vendor that shipped the merchandise.
- ✓ The identity of the product inside the carton.
- ✓ The quantity and carton configuration of the product inside the carton.

When GTIN-14 bar codes are scanned in the DC, the 14-digit number scanned from each bar code **must match exactly** the 14-digit “**Shipping GTIN**” the vendor provided via the Item Maintenance Application (“IMA”) for the product, quantity and packing configuration of the product packed inside the carton for the associated purchase order.

- ❑ With the exception of “Large, Heavy and/or Bulky Items”, a GTIN-14 bar code is required on every carton containing merchandise for a **DC Stock** purchase order. See section 8.d - “Additional Marking & Labeling” for marking and labeling requirements for Large, Heavy and/or Bulky Items.

DC Stock Vendor Options - GTIN-14 Bar Code

Kmart vendors who ship DC Stock purchase orders to the DC facilities have the following options for providing the required GTIN-14 bar code:

1. Print the bar code directly on each carton, or print the bar code on a separate white label/sticker and affix to each carton, **or....**
2. Provide the “**DC Stock**”, “**Combination**” or “**Reverse Combination**” **GTIN-14 shipping label** and affix to each carton.
 - The DC Stock label includes only the GTIN-14 bar code.
 - The Combination and Reverse Combination labels include the GTIN-14 **and** SSCC-18 bar codes.

The Combination and Reverse Combination formats are included for vendors that use the GS1-128 Shipping Label on their cartons for inventory management, shipment tracking or to comply with other trading partners' requirements. Kmart does not use the GS1-128 Shipping Label in the receiving process for DC Stock shipments.

Kmart prefers that DC Stock vendors use the **DC Stock GTIN-14 shipping label**. Printing the bar code on any type of label or sticker provides much better readability rates when scanned in the DC facilities than bar codes printed directly on the cartons. This improves both receiving efficiency and accuracy.

If you choose to print the GTIN-14 bar code directly on your cartons or add it to your own label or sticker, we suggest you also include your company name, ship from address, ship to DC unit number and address, and purchase order number. If this information is not included, it will have to be added to a separate label/sticker affixed to each carton or printed directly on each carton. The additional information is required text on the DC Stock, Combination and Reverse Combination GTIN-14 shipping labels.

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EDI 856 Ship Notice (ASN) Options for DC Stock Shipments

- ✓ If printing the GTIN-14 bar code directly on the carton, printing the GTIN-14 bar code on a separate label/sticker, or using the DC Stock GTIN-14 shipping label (includes only the GTIN-14 bar code), use the '**No Pack**' structure - Shipment > Order > Item (no Pack or Tare Level details) in the EDI 856 Ship Notice..
- ✓ If using the Combination or Reverse Combination GTIN-14 shipping label (includes the GTIN-14 **and** SSCC-18 bar code symbols), you use the '**Pick & Pack**' structure (Shipment > Order > Pack or Tare > Item) including the 20 data characters encoded in each SSCC-18 symbol in Pack or Tare Level details, **or** you may use the 'No Pack' structure.

See section 9.5 for information regarding the 'No Pack' and 'Pick & Pack' structure EDI 856 transactions. See "Kmart EDI Guidelines" located in the Guides & Reference section on Vendor Portal for EDI 856 formatting requirements.

GTIN-14 Bar Code Symbol

The bar code symbology required to encode the GTIN-14 bar code is **ITF-14** (Interleaved 2 of 5 or "I 2 of 5").

- ☐ The ITF-14 symbol must have a Wide-to-Narrow Ratio (W/N Ratio) ranging from **2.25:1 to 3:1**. This is the ratio between the wide elements and narrow elements in a bar code symbology.

Required ITF-14 symbol when printed on a label/sticker:

- ☐ When the ITF-14 symbol is printed on any type of label/sticker, **Bearer Bars** (black lines on the top and bottom of the symbol) must be included at the top and bottom of the symbol and extend above and below the Quiet Zones (blank spaces) as shown in the example below (example not to scale).
- ☐ The Bearer Bars should be a minimum of twice the width of a narrow bar (dark bar) and must be excluded from the minimum required ITF-14 symbol height.
- ☐ There must **not be any space** between the top and bottom of the ITF-14 symbol and the top and bottom Bearer Bars (the Bearer Bars must butt directly against the top and bottom of the symbol bars as in the example below).

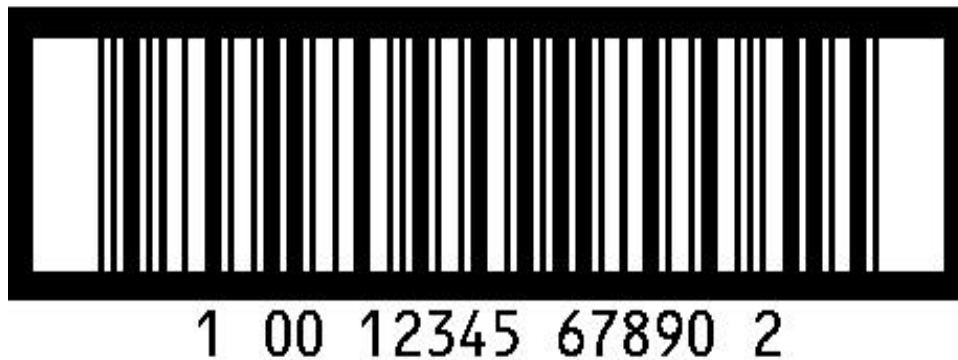


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- ☐ A clearly legible human-readable interpretation of the data characters including a Check Digit (proportional to the size of the symbol) must be printed below the symbol.
- ☐ Maintain a minimum Quiet Zone of **10X** (10 times the X dimension) to the left and right side of the symbol and **0.040"** at the top and bottom.

Required ITF-14 symbol when printed directly on a carton:

- ☐ The Bearer Bars must have a constant thickness of 0.19" and must completely surround the ITF-14 symbol as shown in the example below (example not to scale).
- ☐ The Bearer Bars should be a minimum of twice the width of a narrow bar (dark bar) and must be excluded from the minimum required ITF-14 symbol height.
- ☐ There must **not be any space** between the top and bottom of the ITF-14 symbol and the top and bottom Bearer Bars (the Bearer Bars must butt directly against the top and bottom of the symbol bars as shown below).



- ☐ A clearly legible human-readable interpretation of the data characters including a Check Digit proportional to the size of the symbol must be printed below the symbol.
- ☐ Maintain a minimum Quiet Zone of **10X** (10 times the X dimension) to the left and right side of the symbol and **0.040"** at the top and bottom.

ITF-14 Data Structure



1	0012345	67890	2
Packaging Indicator	Vendor's GS1 Company Prefix	Product Number assigned by vendor	Modulo 10 Check Digit

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Position 1 contains the **Packaging Indicator** assigned by the vendor used to designate a different quantity or different packing configuration of the **same product** (same U.P.C. or EAN-13) inside a carton, e.g., a Packaging Indicator of “1” may equal 6 units of a product inside the carton, “2” may equal 12 units of that same product in the carton, etc.

Each unique quantity or packing configuration for the same product requires a unique Packaging Indicator, e.g., if cartons “A” and “B” both contain 12 each of the same product, but carton “A” contains 2 inner packs of 6 each, and carton “B” contains 3 inner packs of 4 each, a unique Packaging Indicator is required for the ITF14 symbol on each carton.

- Any numeral between **0 and 8** (not 9) can be used as the Packaging Indicator. Use 1 through 8 for “Uniform Cartons” and 0 for an “Exploding Assortment”.
- In a Uniform Carton, all of the units in the carton have the same UPC/EAN number. The GTIN-14 for these cartons will be based off the total units in the carton.
- An Exploding Assortment carton contains a specific assortment of items. The units in these cartons will not all have the same UPC/EAN number. To create a GTIN-14 for these items, a new UPC-A or EAN-13 must be assigned to the carton itself.

Positions 2 through 13 contain the vendor’s **GS1 Company Prefix** followed by the **Product Number**.

GS1 Company Prefixes are assigned by GS1 or a GS1 Member Organization to a user company. The Product Number is assigned by the labeler.

- GS1 Company Prefixes assigned for ITF-14 symbols vary in length from 7 to 10 digits. U.P.C. Company Prefixes vary in length from 6 to 9 digits.
- The ITF-14 symbol requires a minimum of 7 digits for the GS1 Company Prefix. For 6-digit Company Prefixes assigned prior to February, 2000, or to convert a 6-digit UPC-A Company Prefix to a GS1 Company Prefix, a leading zero (0) must be added.
- The Product Number will vary in length from 2 to 5 numeric characters as a function of the length of the GS1 Company Prefix. The combined length of the GS1 Company Prefix and unique Product Number is always 12 digits.

Position 14 contains the Modulo 10 check character (“**Check Digit**”) used to ensure data integrity.

The Check Digit is calculated from the data provided in the previous 13 positions using a specific algorithm and is an essential part of both the data and the symbol. To calculate a Check Digit, go to http://www.gs1.org/barcodes/support/check_digit_calculator Most bar code label software packages will automatically calculate the MOD 10 Check Digit.

GS1 provides comprehensive information on the ITF-14 bar code symbol. For specifications, contact GS1 as follows: web: www.gs1us.org or by phone: 937-435-3870.

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ITF-14 Symbol Dimensions

There are different ITF-14 symbol size requirements depending on whether the symbol is printed on a label/sticker affixed to a carton or printed directly on the carton. Use the largest size ITF-14 symbol appropriate for the size carton being used and that is in compliance to GS1 Specifications.

The length of the ITF-14 symbol is determined by the “X dimension” used in producing the symbol. The “X dimension” is the width of a narrow element in a bar code symbology.

The chart below includes Kmart’s minimum acceptable X dimension and the equivalent length in inches for ITF-14 symbols printed on a label/sticker and directly on the carton. Vendors are strongly encouraged to exceed the minimum dimensions when possible to avoid scanning problems.

Printed on a label/sticker:	Printed directly on the carton:
Minimum X dimension: 0.195 mils	Minimum X dimension: .032 mils
Equivalent symbol length: 2.53 inches	Equivalent symbol length: 4.235 inches
Minimum height: .78 inches	Minimum height: 1.0 inches

- ☐ Maintain a minimum Quiet Zone of **10X** (10 times the X dimension to the left and right side of the symbol and **0.040”** at the top and bottom.

ITF-14 Symbol Print Quality

- ☐ ITF-14 symbols must meet the print quality standards specified in ISO/IEC 15416.
- ☐ Kmart requires ITF-14 symbols to scan with a minimum ANSI print quality grade of “**B**”. To ensure 100% first time read rate on your symbols, test them with a bar code verifier on a regular basis.

ITF-14 Symbol/Label Placement

- ☐ Position the symbol/label in the lower right portion of one of the two **longer side panels** (in relation to the natural bottom) of each carton, except for cartons that are taller than they are wide or long or “suitcase cartons” (see “Cartons Taller than Wide or Long” and “Suitcase Cartons” on the following page). The natural bottom of a carton is the panel with the largest surface area.
 - For square cartons, place the symbol/label on a side panel parallel to the carton’s flaps seam.
 - Do **not** place the symbol/label on the top or bottom of any carton.
 - **Except** for suitcase cartons, do **not** place the label over the flaps seam of any carton (see “Suitcase Cartons” on the following page for instructions).
- ☐ If the side panels of your cartons are not able to accommodate a label due to insufficient height, either print the symbol directly on the carton or carefully fold the label over the top edge of each carton so that the **entire ITF-14 symbol** is positioned on the side panel.

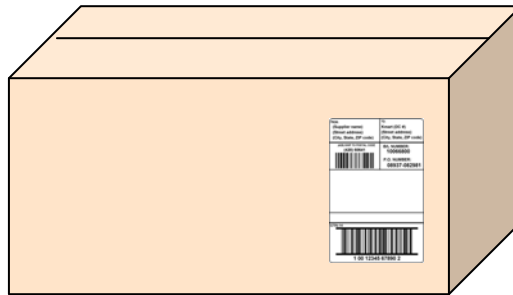
Shipment Packaging, Marking & Labeling

- The DC Stock and Reverse Combination label formats can be folded over the top of the cartons. The Combination label can be folded over the top and under the bottom if necessary but make sure the ITF-14 symbol is positioned in the center of the side panel.
- ❑ Position the bottom of the symbol/label parallel to and no closer than **1.25 inches** or more than **3.0 inches** from the natural bottom of the carton. Position the right edge of the symbol/label no closer than **0.75 inches** to the right edge of the carton.

The following placement examples reflect the ITF-14 symbol printed on the DC Stock shipping label. This is preferred, but not required. Vendors may also use the Combination or Reverse Combination label format, print the symbol on a plain label/sticker and affix it to the carton, or print the symbol directly on the carton.

Placement Examples (not to scale)

Standard Cartons (oblong and square)

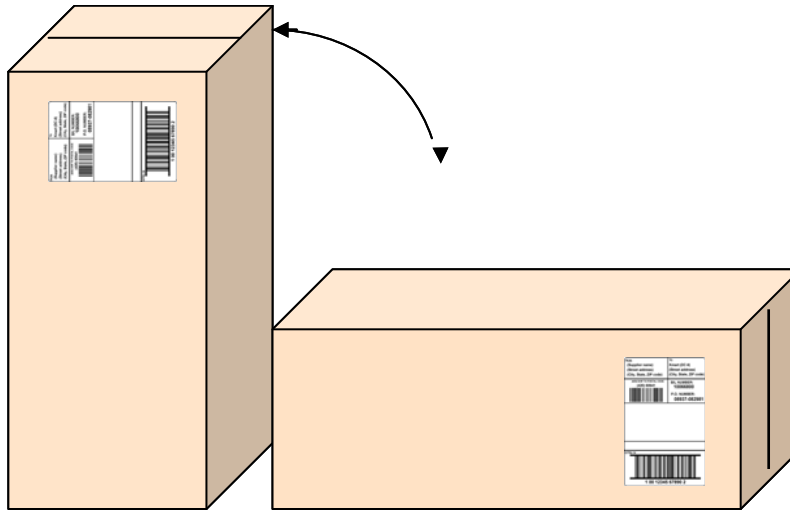


Cartons Taller than Wide or Long

Conveyable cartons that are taller than they are wide or long (with the flaps seams on the top and bottom of the carton) can be very unstable and are subject to falling over when placed on the conveyor belt in their upright position. These types of cartons must be placed on the conveyor belt lying on their side.

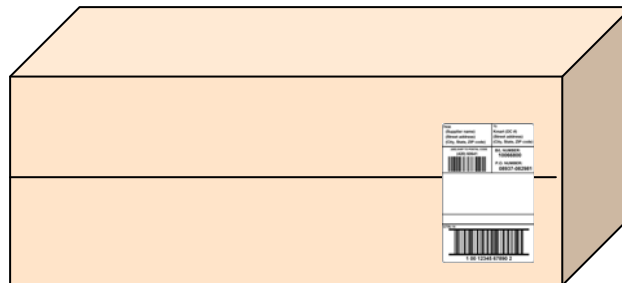
- ❑ Place the ITF-14 symbol/label in the lower right portion of the widest side panel (in relation to the natural bottom) **with the carton lying on its side** so that the symbol is parallel to the top and bottom edges of the carton. This will be the upper right portion of the carton with the carton in its upright position (see example on the following page).

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Suitcase Cartons

- ❑ For conveyable cartons that are wider than they are tall or long (“suitcase cartons”), the widest side panel in relation to the natural bottom is the panel on which the flaps seam is located. It is permissible to place the GTIN-14 label across the flaps seam **only on suitcase cartons**. **Do not position the ITF-14 bar code symbol across the flaps seam.**



Shipment Packaging, Marking & Labeling

Most Common GTIN-14 Bar Code/Label Errors

- ✓ When scanned, the 14-digit Shipping GTIN encoded in the ITF-14 symbol on each carton does not match the Shipping GTIN provided by the vendor in the Item Maintenance Application (“IMA”) for the item(s), quantity and/or packing configuration inside the carton for the associated purchase order.
 - The 14-digit number encoded in each ITF-14 symbol must be the **same** 14-digit Shipping GTIN the vendor provided via the Maintenance Application (“IMA”) for the item(s), quantity and packing configuration of the product inside the carton for the purchase order.
- ✓ There are no ITF symbols on the cartons.
 - An ITF-14 symbol is required on every DC Stock carton except shipping cartons that also serve as the consumer packaging containing one (1) each of the same item (e.g., TV’s, major appliances, stereos, table saws, etc). This exception is based on there being a UPC-A or EAN-13 bar code in the correct location on the carton (see previous instructions).
- ✓ The ITF symbols/labels are not positioned in the required location on the cartons.
 - The ITF-14 symbols/labels must be positioned in the lower right portion of one of the longer side panels of each carton in relation to the natural bottom of the carton (see previous listed instructions for cartons that are taller than they are wide or long and suitcase cartons).
 - On short height cartons, the symbol/label must be positioned so that the entire ITF-14 bar code symbol is located on the side panel of each carton.
 - ✓ If the DC Stock or Reverse Combination GTIN-14 shipping label is used, the label may be folded over the top of the cartons so that the entire ITF-14 symbol is positioned on the side panel.
 - ✓ If the Combination GTIN-14 shipping label is used, the label may be folded over the top and under the bottom of the cartons if necessary so that the entire ITF-14 symbol is positioned on the side panel.
- ✓ The symbols are less than the minimum required dimensions.
 - ITF-14 symbols must be printed within Kmart’s minimum dimensions listed under “ITF-14 Symbol Dimensions” in this section. Bearer Bars, Quiet Zones and human-readable text must be excluded from the required minimum dimensions.
- ✓ The symbols cannot be read by the scanner.
 - The symbols must be formatted per GS1 General Specifications, meet print quality standards specified in ISO/IEC 15416, and scan with a print quality of “B” or higher.

Shipment Packaging, Marking & Labeling

Most Common GTIN-14 Bar Code/Label Errors, cont.

- ✓ The symbols have less than the minimum required Quiet Zone (white space) on one or both sides of the symbols.
 - There must be a minimum Quiet Zone of **10X** (10 times the X dimension) to the left and right side of each symbol.
- ✓ The symbols are positioned on the carton at an angle.
 - The symbols must be positioned **parallel** to the top and bottom edges of the carton (see “Cartons Taller than Wide or Long” and “Suitcase Cartons” for special placement instructions).

Shipment Packaging, Marking & Labeling

8.3.b GS1-128 Shipping Label

In conjunction with the vendor's EDI 856 Ship Notice, GS1-128 Shipping Labels are used to mechanize the receiving process for each shipment.

By scanning the SSCC-18 bar code symbol from each carton's shipping label and matching it to the vendor's associated EDI 856 Ship Notice (ASN), the shipper, purchase order, item and quantity information needed for receipt is processed automatically.

- ✓ Kmart's GS1-128 Shipping Label requirements are based on industry standards and specifications contained in the GS1 General Specifications.

Kmart uses high-speed conveyors and side scanners to scan the bar code symbols on GS1-128 Shipping Labels. The bar code symbology, size, print quality, and location of the label on each carton are critical to accurately receive and flow vendor shipments to our stores.

If the labels are not scan-able when the shipment arrives at the DC, the cartons are forwarded to the stores to be received manually. This results in a back-up in the receiving process within the facility, as well as extra time and work at the facilities and stores. Due to the cartons having to be manually received in the stores, it can also result in a delay in vendor invoice payment until the vendor provides Proof of Delivery for the shipment. The vendor will be charged a per-carton non-compliance Expense Offset. See Section 10 - Compliance for details.

GS1-128 Shipping Label Formats

Different formats of the GS1-128 Shipping Label are required depending on the shipment destination (DC or store) and carton dimensions. Refer to "GS1-128 Shipping Label Zone Specifications" in section 8.3.c that includes an example of each label format along with the associated zone specifications for each.

JIT Shipments

- ☐ Vendors who ship JIT purchase orders to the DCs must provide a GS1-128 Shipping Label in the JIT format on **each carton (except** for vendors who ship fine jewelry - see below).
 - The JIT label is used only for JIT shipments.

JIT Shipments of Fine Jewelry

- ☐ A GS1-128 Shipping Label in the JIT format is required on each inner master plastic bag or inner carton for each store (as applicable). See also "Packing Fine Jewelry for Shipment".
- ☐ Apply a label to each master shipping carton with the vendor name and ship-point address, and JDC name, unit # and address (including the door #) as follows:

JDC #8763
8374 N 4000 East, Door 368
Manteno, IL 60950

- For UPS shipments, the above information is included on the UPS shipping label; a separate label is not required.
- For armored carrier shipments, the information may be printed on a label/sticker affixed to each carton (preferred) or printed directly on each carton.

Shipment Packaging, Marking & Labeling

Direct-to-Store Shipments

- ❑ Vendors who ship Direct-to-Store purchase orders direct to Kmart stores must provide a GS1-128 Shipping Label in the Direct-to-Store format on **each carton (except** for vendors who ship live plants direct-to-store - see below).
 - The Direct-to-Store label is used only for Direct-to-Store shipments.

Note: The Direct-to-Store label format is required for vendors who have been certified to ship direct to Kmart retail stores. Vendors who have been certified only for JIT that are requested by their Kmart buying department to ship direct-to-store in order to expedite a JIT shipment may use the JIT label format.

Direct-to-Store Shipments of Live Plants

- ❑ Vendors who ship live plants Direct-to-Store must provide a GS1-128 Shipping Label in the Direct-to-Store format for **each purchase order** shipping in the same truck to the same store.
 - If shipping more than one purchase order to the same store in the same truck, a GS1-128 Shipping Label is required for each purchase order with each label containing a unique 20-digit SSCC. **Note:** Usually only one purchase order is produced for each store for a specific ship date.

Carton Labeling for Direct to Off-shore Store Shipments

- ❑ For special labeling requirements for shipments routed direct to Kmart stores located in **Puerto Rico, U.S. Virgin Islands** (St. Thomas & St. Croix), **Hawaii or Guam**, see section 9.2.b. The special labeling requirements are **in addition** to the GS1-128 Shipping Label required on each carton.

Transmit the associated EDI 856 Ship Notice (ASN) for each JIT and Direct-to-Store shipment in the '**Pick & Pack**' structure including the 20 data characters encoded in each SSCC symbol in Pack or Tare Level details. See section 9 for EDI 856 Ship Notice (ASN) requirements.

For JIT and Direct-to-Store shipments via UPS, a 4.0" x 8.25" "Combination SSCC-18 and UPS" shipping label can be created from the UPS WorldShip system or any other system that's PLD compliant. See Figure 8.2 for an example of this label along with information on ordering the 4.0" x 8.25" label stock from UPS.

Shipment Packaging, Marking & Labeling

GS1-128 Shipping Label Bar Codes

- ☐ All GS1-128 Shipping Label bar code symbols must be in UCC/EAN-128 symbology and include Start Code C immediately followed by Function Code 1 ("FNC1").
 - This is a numeric format that incorporates both symbol (machine-readable) and data (human-readable) characters.
- ☐ All GS1-128 Shipping Label bar codes must include the appropriate Application Identifier ("AI").
 - In the human-readable interpretation of the encoded data printed below the bar code symbol, the AI is separated from the remainder of the symbol data by use of parentheses. Do not encode parentheses in the bar codes.
- ☐ All bar codes on GS1-128 Shipping Labels must meet the print quality standards specified in ISO/IEC 15416.
 - Sears Holdings requires the bar codes on GS1-128 Shipping Labels to scan with a minimum ANSI print quality grade of "B". To ensure 100% first time read rate on your bar codes, test the symbols with a bar code verifier on a regular basis.
 - Print all GS1-128 Shipping Label bar codes and text information in black on white label stock. All text information must be printed in upper-case bold font.
 - Use of font-based bar code software is not recommended for generating bar code symbols. Use of this type of software may cause your bar code print quality to be non-compliant to Kmart requirements.
 - Use quality label stock to prevent bleed through of carton markings underneath the label.
- ☐ Use a printer ribbon and label stock designed to work together with your printer.
 - Most laser printers require the use of toner manufactured by the printer manufacturer. Use of re-furnished/rebuilt toner cartridges for laser printers may not be suited to your printer and are not recommended.
- ☐ As needed, clean and replace thermal print-heads. The print-head is a consumable component of a thermal printer and must be checked and cleaned on a regular basis.
- ☐ If you change or modify your printing hardware or software, have your labels recertified to ensure they are in compliance to Sears Holdings' requirements.
 - To recertify your labels, contact SHCLabel@searshc.com for more information.
- ☐ When applying GS1-128 Shipping Labels, make sure you do **not**:
 - Place the labels on the narrow side of the cartons.
 - Place the labels on the top or bottom of the cartons, position the labels over the flaps seam, or wrap the labels around any edge of the cartons.
 - Wrinkle the labels during application.
 - Cover any portion of the labels with tape or other labels.

Shipment Packaging, Marking & Labeling

Carrier Routing Symbol Structure

- ☐ Encode the 5-digit Postal Zip Code for the destination DC or store address in the bar code symbol.
- ☐ Precede the 5-digit Zip Code in the symbol with Application Identifier **420**.
- ☐ Print the human-readable AI enclosed in parentheses (420) in a minimum height of 3 millimeters directly below the symbol followed by the Postal Zip Code for the destination. Do not encode parentheses in the symbol.
 - Separate the human-readable AI from the Postal Zip Code by a single space. Do not encode a space in the symbol.



Carrier Routing Symbol Dimensions

- ☐ Carrier Routing symbol dimensions (length and height) must meet Kmart's **minimum** required dimensions. Symbol length is determined by the "X dimension" used in producing the symbols. The X dimension is the width of a narrow element in a bar code symbology. The chart below includes the following:
 - Minimum X dimension required to produce the required symbol length in inches
 - Required height in inches
 - Additional X dimensions and their equivalent symbol lengths in inches

Carrier Routing Bar Code		
X Dimension (mils)	Symbol Length (inches)	Height (inches)
19.42 (minimum) *	1.75 (minimum)	0.50
20.77	1.87	0.50
22.43	2.02	0.50

* (+/- .003 mils)

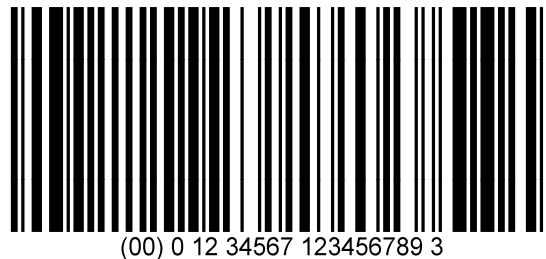
- ☐ Maintain a minimum Quiet Zone of **10X** (10 times the X dimension) on the left and right side of the symbol and **0.040"** at the top and bottom.

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SSCC-18 Symbol Structure

- ☐ Encode the SSCC-18 (Serial Shipping Container Code) in the bar code symbol.
- ☐ Precede the 18-digit Serial Reference with Application Identifier ("AI") **00**.
- ☐ Print the human-readable AI enclosed in parentheses (00) directly below the symbol in a minimum height of 3 millimeters followed by the 18-digit SSCC number. Do not encode parentheses in the SSCC symbol.
 - Separate the human-readable AI from the symbol by a single space. Do not encode a space in the symbol.
- ☐ Transmit all 20 data characters (2-digit AI plus 18-digit SSCC-18) in Pack Level details of the associated EDI 856 Ship Notice (ASN) for the shipment.

SSCC



Positions: 1-2 3 4-19 20

Positions 1 and 2 contain the Application Identifier ("AI") that indicates that the data field that follows contains the SSCC-18.

- In the human-readable interpretation of the encoded data printed below the symbol, the AI is always placed in parentheses (00) and separated from the SSCC-18 by a single space. Do not encode parentheses in the symbol.

Position 3 contains the Extension Digit.

- The Extension Digit has no defined logic and is available to the labeler to increase the capacity of the Serial Reference.

Positions 4 through 19 contain the vendor's GS1 Company Prefix followed by the Serial Reference.

- GS1 Company Prefixes are assigned by GS1 or a Member Organization to a user company. The Serial Reference is assigned by the labeler to uniquely identify a shipping container.
- GS1 Company Prefixes assigned for SSCC-18 symbols vary in length from 7 to 10 digits. U.P.C. Company Prefixes vary in length from 6 to 9 digits.
- The SSCC-18 symbol requires a **minimum of 7** digits for the GS1 Company Prefix. For 6-digit Company Prefixes assigned prior to 2000 or to convert a 6-digit UPC-A Company Prefix to a GS1 Company Prefix, a leading 0 must be added.

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- The Serial Reference will vary in length as a function of the length of the GS1 Company Prefix. The combined length of the GS1 Company Prefix and Serial Reference is always **16 digits**. A Serial Reference must not be re-used for a **minimum** of 12 months.

Position 20 contains the Modulo 10 (“Mod 10”) check character (“Check Digit”).

- The Check Digit is used to ensure data integrity. Most bar code label software packages will automatically calculate the MOD 10 Check Digit.

SSCC-18 Symbol Dimensions

- ❑ SSCC-18 symbol dimensions (length and height) must meet Kmart’s **minimum** required dimensions. Symbol length is determined by the “X dimension” used in producing the symbols. The X dimension is the width of a narrow element in a bar code symbology. Vendors are strongly encouraged to exceed the minimum symbol length when possible to avoid scanning problems.

The chart below includes the following:

- ✓ Minimum X dimension required to produce the required symbol length in inches
- ✓ Required symbol height in inches
- ✓ Additional X dimensions and their equivalent longer symbol lengths in inches

SSCC-18 Bar Code Symbol		
X Dimension (mils) *	Length (inches)	Height (inches)
19.11 (minimum)	2.98 (minimum)	1.25
19.42	3.03	1.25
20.77	3.24	1.25
22.43	3.50	1.25

* (+/- .003 mils)

- ❑ Maintain a minimum Quiet Zone of **10X** (10 times the X dimension) on the left and right side of the symbol and **0.040"** at the top and bottom.

Shipment Packaging, Marking & Labeling

GS1-128 Shipping Label Placement

- ☐ Place a GS1-128 Shipping Label on each carton containing merchandise for a JIT or Direct-to-Store purchase order. **Exception:** See “JIT Shipments of Fine Jewelry” below and “Direct-to-Store Shipments of Live Plants” on the following page.
 - Each carton must be limited to product for a single Kmart department number and purchase order number.
- ☐ Place the label in the **lower right portion** of one of the two **longer side panels** in relation to the natural bottom of each carton. The natural bottom of a carton is the panel with the largest surface area. **Note:** See “Cartons Taller than Wide or Long” and “Suitcase Cartons” beginning on the following pages for special placement instructions.
 - For square cartons, place the label on one of the side panels parallel to the carton’s flaps seam.
 - Do **not** place the label on the top or bottom of any carton. **Exception:** For very low profile cartons, the label may be placed on the top of the carton for **Direct-to-Store shipments only**.
 - Except for suitcase cartons (see following pages), do **not** place the label over the flaps seam of any carton.
- ☐ Position the label vertically with the right edge parallel to, and no closer than **0.75 inches** to the right edge of the carton.
- ☐ Position the bottom edge of the label no closer than **1.25 inches** or more than **3.0 inches** from the bottom of the carton.
- ☐ For cartons less than 7.25 inches in height, carefully fold the upper portion of the label over the top of the carton so that the **entire** SSCC18 symbol is positioned in the center of the side panel.

JIT Shipments of Fine Jewelry

- ☐ Place a GS1-128 Shipping Label on each inner master plastic bag or inner carton for each store (as applicable). See also “Packing Fine Jewelry for Shipment”.
 - When placing the label on inner master plastic bags, the full width of the bar codes must be in a flat position on the front of the bag (do not place over the opening of the bag). Use plastic bags large enough to allow the plastic to be flattened for scanning the bar codes on the attached label. Be sure not to wrinkle the bar codes when applying the label to the bag.
 - When placing the label on inner cartons, follow the label placement requirements and examples in this section.

Direct-to-Store Shipments of Live Plants (LTL & TL)

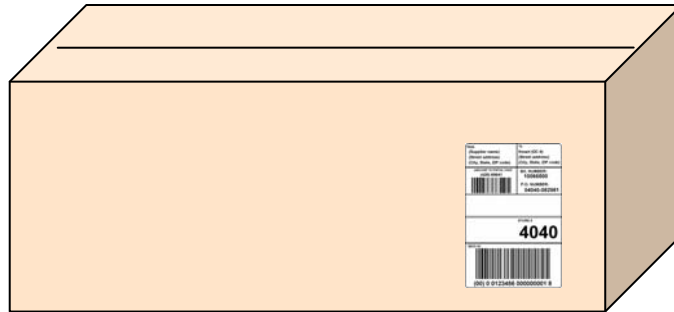
- ☐ Place a GS1-128 Shipping Label in an envelope **for each purchase order** along with a Packlist for each store.
- ☐ Give the envelope to the driver along with the Shipper Order copy of the Bill of Lading. The driver must give the envelope and Bill of Lading copy to the store’s receiving personnel.

Refer to section 9 for information on shipping documentation and the EDI 856 Ship Notice.

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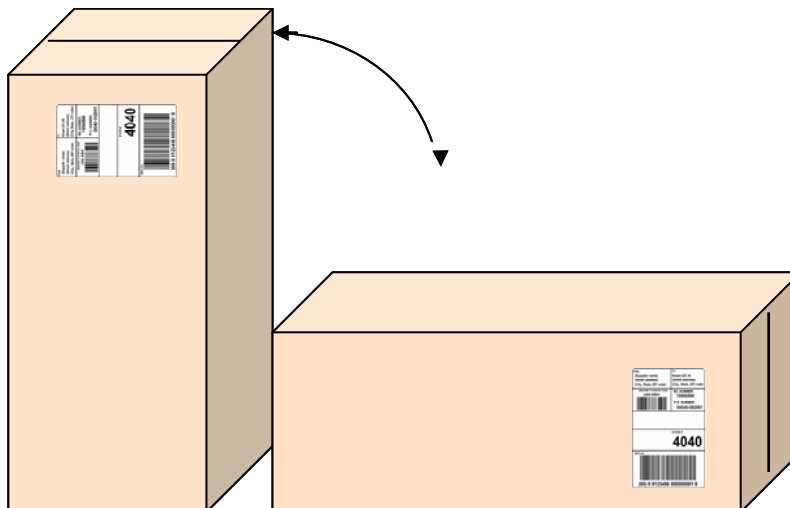
GS1-128 Shipping Label Placement Examples

Standard Cartons (oblong and square)



Cartons Taller than Wide or Long

- ❑ For conveyable cartons that are taller than they are wide or long (with the flaps seams on the top and bottom of the carton), place the label vertically on the widest side panel with the **carton lying on its side** (natural bottom) so that the label is parallel to the right edge of the carton (see the example below). This will be the top right portion of the carton with the carton in its upright position.



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Suitcase Cartons

- ❑ For conveyable cartons that are wider than they tall or long, the widest side panel in relation to the natural bottom is the panel on which the flaps seam is located. It is permissible to place the GS1-128 Shipping Label across the flaps seam **only** on suitcase cartons. **Do not position the SSCC-18 symbol across the flaps seam.**



Most Common GS1-128 Shipping Label Errors

- ✓ The 20 digits scanned from the SSCC-18 symbols do not match the 20 digits received in the vendor's associated EDI 856 Ship Notice for the shipment.
- ✓ SSCC-18 bar codes are missing the Function Code 1 character ("FNC1").
- ✓ Labels were placed on the short (most-narrow) side of the cartons.
- ✓ Bar code symbols are less than the required minimum length and/or height.
- ✓ A diagonal white line runs through one or more of the symbols (wrinkled printer ribbon).
- ✓ Vertical white lines run through one or more of the symbols (burned out printhead).
- ✓ Less than the minimum required Quiet Zone on one or both sides of the symbols.
- ✓ Labels were wrinkled during application.

Shipment Packaging, Marking & Labeling

8.3.c Zone Specifications for GTIN-14 & GS1-128 Shipping Labels

DC Stock GTIN-14 Shipping Label

This optional GTIN-14 label format may be used for **DC Stock shipments only**. It is Kmart's preferred label for DC Stock shipments. For short height cartons, this format will allow you to fold the upper portion of the label over the top of the carton. **The entire ITF-14 symbol must be positioned on the side panel of the carton.** If choosing this label option, the labels must be printed in the format specified below.

All label illustrations in this section are for example purposes only. They are not depicted in the required size or contain valid text information or encoded symbol data.

Zone A	Zone B
Zone C	Zone D
Zone E	
Zone F	
Zone G	

FROM: (Supplier name) (Street address) (City, State, ZIP code)	TO: Kmart (DC #) (Street address) (City, State, ZIP code)
(420) SHIP TO POSTAL CODE  (420) 60641	B/L NUMBER: 10066800 P.O. NUMBER: 08937-082981
GTIN-14  1 00 12345 67890 2	

See Zone Specifications on the following page.

Shipment Packaging, Marking & Labeling

Zone A - Ship From

- Print the company name that was provided to Kmart and the address of the shipping location. Do not use a third-party shipper name and address.
- Use 8 to 10 pt. upper-case bold text for all characters.

Zone B - Ship To

- Print the destination DC name, unit number and address. Use "Kmart DC" as the DC name.
- Use 8 to 10 pt. upper-case bold text for all characters.

Zone C - Carrier Routing Symbol

- Encode the Postal Zip Code for the destination DC's address in the symbol.

Zone D - Bill of Lading Number & Purchase Order Number

- Print the Bill of Lading number if available at the time the labels are printed (optional) preceded by the text "B/L NUMBER".
- Print the 11-digit purchase order number below the Bill of Lading number preceded by the text "PO NUMBER:" or "P.O. NUMBER:" If the optional Bill of Lading number is not included, print the purchase order number in the top area of the zone.
- Include only **one** purchase order number on each label.
- Use 10 to 12 pt. upper-case bold text for all characters.

Zones E and F - Optional Trading Partner Data

- Item, model, style number, or other text information you want to include on the label. Use the product identification you provided to Kmart for each item.

Zone G - ITF-14 Symbol

- Print the symbol in the required dimensions and format for printing on a label (see section 8.3.a).

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Combination GTIN-14 Shipping Label

For short height cartons, this optional format will allow you to fold the upper portion of the label over the top of the carton and if necessary, under the bottom. **The entire ITF-14 symbol must be positioned on the side panel of the carton.** If choosing this label option, the labels must be printed in the format specified below.

Zone A	Zone B
Zone C	Zone D
Zone E	
Zone F	
Zone G	

FROM: (Supplier name) (Street address) (City, State, ZIP code)	TO: Kmart (DC #) (Street address) (City, State, ZIP code)
(420) SHIP TO POSTAL CODE  (420) 60641	B/L NUMBER: 10066800 P.O. NUMBER: 08937-082981
GTIN-14  1 00 12345 67890 2	
SSCC-18:  (00) 0 0123456 000000001 8	

Zone A - Ship From

- Print the company name that was provided to Kmart and the address of the shipping location. Do not use a third-party shipper name and address.
- Use 8 to 10 pt. upper-case bold text for all characters.

Zone B - Ship To

- Print the destination DC name, unit number and address. Use "Kmart DC" as the DC name.
- Use 8 to 10 pt. upper-case bold text for all characters.

Zone C - Carrier Routing Symbol

- Encode the Postal Zip Code for the destination DC address in the symbol.

Shipment Packaging, Marking & Labeling

Zone D - Bill of Lading Number & Purchase Order Number

- Print the Bill of Lading number (optional) if available at the time the labels are printed preceded by the text "B/L NUMBER:"
- Print the 11-digit purchase order number below the Bill of Lading number preceded by the text "P.O.:" or "P.O. NUMBER:" If the optional Bill of Lading number is not included, print the purchase order number in the top area of the zone.
- Include only one purchase order number on each label.
- Use 10 to 12 pt. upper-case bold text for all characters.

Zone E - ITF-14 Symbol

- Print the symbol in the required dimensions and format for printing on a label (see section 8.3.a).

Zone F - Optional Trading Partner Data

- Item, model, style number, or other text information you want to include on the label. Use the product identification you provided Kmart for each item.

Zone G - SSCC-18 Symbol




- Print the symbol in the required dimensions and format for a printing on a label (see 8.3.a).
- You may transmit the 20 data characters (2-digit AI plus SSCC-18) encoded in the symbol in Pack/Tare level details of a 'Pick & Pack' structure 856 (Shipment > Order > Pack/Tare > Item), or ignore the SSCC and transmit the 856 in the 'No Pack' structure (Shipment > Order > Item). See Kmart EDI Guidelines for EDI 856 formatting requirements for each 856 structure.

Shipment Packaging, Marking & Labeling

Reverse Combination GTIN-14 Shipping Label

For short height cartons, this optional format will allow you to fold the upper portion of the label over the top of the carton. **The entire ITF-14 symbol must be positioned on the side panel of the carton.** If choosing this label option, the labels must be printed in the format specified below.

Zone A	Zone B
Zone C	Zone D
Zone E	
Zone F	
Zone G	

FROM: (Supplier name) (Street address) (City, State, ZIP code)	TO: Kmart (DC #) (Street address) (City, State, ZIP code)
(420) SHIP TO POSTAL CODE  (420) 60641	B/L NUMBER: 10066800 P.O. NUMBER: 08937-082981
SSCC-18:  (00) 0 0123456 000000001 8	
GTIN-14  1 00 12345 67890 2	

Zone A - Ship From

- Print the company name that was provided to Kmart and the address of the shipping location. Do not use a third-party shipper name and address.
- Use 8 to 10 pt. upper-case bold text for all characters.

Zone B - Ship To

- Print the destination DC name, unit number and address. Use "Kmart DC" as the DC name.
- Use 8 to 10 pt. upper-case bold text for all characters.

Zone C - Carrier Routing Symbol

- Encode the Postal Zip Code for the destination DC address in the symbol.

Shipment Packaging, Marking & Labeling

Zone D - Bill of Lading Number & Purchase Order Number

- Print the Bill of Lading number (optional) if available at the time the labels are printed preceded by the text "B/L NUMBER:"
- Print the 11-digit purchase order number beneath the Bill of Lading number preceded by the text "P.O.:" or "P.O. NUMBER:"
- If the optional Bill of Lading number is not included, print the purchase order number in the top area of the zone.
- Include only one purchase order number on each label.
- Use 10 to 12 pt. upper-case bold text for all characters.

Zone E - SSCC-18 Symbol

- Print the symbol in the required dimensions and format for a printing on a label (see section 8.3.a).
- You may transmit the 20 data characters (2-digit AI plus SSCC-18) encoded in the symbol in Pack/Tare level details of a 'Pick & Pack' structure 856 (Shipment > Order > Pack/Tare > Item), or ignore the SSCC and transmit the 856 in the 'No Pack' structure (Shipment > Order > Item). See Kmart EDI Guidelines for EDI 856 formatting requirements for each 856 structure.

Zone F - Optional Trading Partner Data

- Item, model, style number, or other text information you want to include on the label. Use the product identification that was provided to Kmart for each item.

Zone G - ITF-14 Symbol

- Print the symbol in the correct size and format for a printing on a label (see section 8.3.a).

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Shipment Packaging, Marking & Labeling

JIT GS1-128 Shipping Label

This is the **required** GS1-128 Shipping Label format for **JIT** shipments.

Zone A	Zone B
Zone C	Zone D
Zone E	
Zone F	
Zone G	

FROM: (Supplier name) (Street address) (City, State, ZIP code)	TO: Kmart (DC #) (Street address) (City, State, ZIP code)
(420) SHIP TO POSTAL CODE (420) 60641 	B/L NUMBER: 10066800 P.O. NUMBER: 04040-082981
STORE # 4040	
SSCC-18:  (00) 0 0123456 000000001 8	

Zone A - Ship From

- Use the company name that was provided to Kmart and the address of the shipping location. Do not use a third-party shipper name and address.
- Use 8 to 10 pt. upper-case bold text for all characters.

Zone B - Ship To

- Print the destination DC name, unit number and address. Use "Kmart DC" as the DC name
- Use 8 to 10 pt. upper-case bold text for all characters.

Zone C - Carrier Routing Symbol

- Encode the Postal Zip Code for the destination DC address in the symbol.

Shipment Packaging, Marking & Labeling

Zone D - Bill of Lading Number & Purchase Order Number

- Print the Bill of Lading number (optional) if available at the time the labels are printed preceded by the text "B/L NUMBER:"
- Below the Bill of Lading, print the 11-digit purchase order number from the BEG03 segment of the associated EDI 850 Purchase Order preceded by the text "P.O.:" or "P.O. NUMBER:".
- If the optional Bill of Lading number is not included, print the purchase order number in the top area of the zone.
- Include only one purchase order number on each label.
- Use 10 to 12 pt. upper-case bold text for all characters.

Zone E - Optional Trading Partner Data

- Item, model, style number, or other text information you want to include on the label. Use the product identification that was provided to Kmart for each item.

Zone F - Store Unit Number

- Drop the two leading zeros received in the EDI 850 Purchase Order and print the 4-digit store unit number in a height of 3/4" on the label.
- Above the store unit number, print "STORE #" using 8 to 10 pt bold text.

Zone G - SSCC-18 Symbol

- Transmit all 20 data characters (2-digit AI plus SSCC-18) encoded in the symbol in Pack Level details of the associated EDI 856 Ship Notice (ASN).
- The 'Pick & Pack' structure 856 is required for JIT shipments.

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Shipment Packaging, Marking & Labeling

Direct-To-Store GS1-128 Shipping Label

This is the **required** GS1-128 Shipping Label format for **Direct-to-Store** shipments.

Zone A	Zone B
Zone C	Zone D
Zone E	
Zone F	
Zone G	

FROM: (Supplier name) (Street address) (City, State, ZIP code)	TO: Kmart (Store#) (Street address) (City, State, ZIP code)
(420) SHIP TO POSTAL CODE (420) 60641	P.O. NUMBER: 029081981
DEPT: 35 ITEM: 0-12345678	
SSCC-18: (00) 0 0123456 000000002 5	

Zone A - Ship From

- Use the company name that was provided to Kmart and the address of the shipping location. Do not use a third-party shipper name and address.
- Use 8 to 10 pt. upper-case bold text for all characters.

Zone B - Ship To

- Print the store name (Kmart) and address followed by the store unit number.
- Use 8 to 10 pt. upper-case bold text for all characters.

Zone C - Carrier Routing Symbol

- Encode the Postal Zip Code for the destination store address in the symbol.

Zone D - Purchase Order Number

- Print the 9-digit purchase order number from the BEG03 segment of the associated EDI 850 Purchase Order.
- Above the purchase order number, print "P.O:" or "P.O. NUMBER:" using 8 to 10 pt. upper-case bold text.

Shipment Packaging, Marking & Labeling

Zone E - Kmart Department Number & Item Number

- Print the 2-digit Kmart department number from the associated EDI 850 Purchase Order (drop the leading 0 of the 3-digit department number received in the purchase order and use the last two digits).
 - Use the department number reported in REF*02 of Item Level details from the associated EDI 850 Purchase Order. Do **not** use department “999” that may be reported in REF*02 of Header Level details.
- Print the department number preceded by the text “DEPT:” in a height of 3/8” for all characters.
- Include only **one** Kmart department number on each label.
- Below “DEPT:” and the department number, print the 9-digit Key Stock Number (“KSN”) from the associated EDI 850 Purchase Order preceded by “ITEM:” Print all characters in a minimum height of 3/16”.
- If multiple KSNs are packed in the carton, use “MULTIPLE” on the label as the KSN.

Zone F - Optional Trading Partner Data

- Item, model, style number, or other text information you want to include on the label. Use the product identification that was provided to Kmart for each item.

Zone G - SSCC-18 Symbol

- Transmit all 20 data characters (2-digit AI plus SSCC-18) encoded in the symbol in Pack Level details of the associated EDI 856 Ship Notice (ASN) for the shipment.
- The ‘Pick & Pack’ structure 856 is required for Direct-to-Store shipments.

Shipment Packaging, Marking & Labeling

8.3.d Additional Marking/Labeling

This section contains additional shipment marking and labeling that may be required for specific products depending on the type of purchase orders received (DC Stock, JIT or Direct-to Store), product dimensions and weight, and how the product is packaged for shipment.

DC Stock Shipping Cartons

- ❑ In addition to the GTIN-14 bar code, the information listed below is required on every DC Stock shipping carton printed on a label/sticker affixed to each carton (preferred), or printed directly on the carton:
 - Vendor name and ship-point address
 - DC destination name, unit number, address
 - Purchase order number

Exceptions:

The information is included on all three optional GTIN-14 shipping label formats for DC Stock shipments. If using any one of these three optional labels for DC Stock shipments, a separate label/sticker or carton printing is not required.

The information is also included on the pallet label/header for palletized shipments. If the shipment is palletized, a separate label/sticker or carton printing is also not required.

Truckload shipments are also not required to have the information above on a separate label/sticker or carton printing.

- ❑ In addition to the GTIN-14 bar code and the information above, **every DC Stock shipping carton** must include the following information:
 - Brief description of product inside the carton
 - Vendor Item, style, model or part number (use the product identification for each item that was provided to Kmart)
 - Unit quantity of each item inside the carton
 - For Repack items, the number of inner packs inside the carton and the number of units in each inner pack, e.g., a carton containing 12 inner packs of 6 each should have "Contains 72 (12 x 6's)". Using the same example, a case pack quantity should have "72 selling units".

The information may be printed on a label/sticker affixed to each carton (preferred) or printed directly on each carton.

Shipment Packaging, Marking & Labeling

Large, Heavy and/or Bulky Items

Large, heavy and/or bulky items are defined as:

- ✓ Items for which the shipping carton is in excess of the conveyable carton weight and dimension requirements listed in section 8.1 under “Shipping Carton Specifications”.
- ✓ Items for which the shipping carton is the same as the consumer carton/package containing only **one (1)** selling unit of a single item number e.g., major appliances, treadmills, table saws, TV's, etc.
- ✓ Items for which a store keeps a floor display model and sells from backroom stock. Customers purchase the merchandise at the store register and it is then either delivered to the customer's home or the customer picks it up from the store's package pick-up area where the UPC-A or EAN-13 bar code is scanned out to the customer.
- ☐ **Instead** of a GTIN-14 bar code/label, a **UPC-A or EAN-13 symbol** is required on shipping cartons containing only **one (1) each** (one consumer selling unit) of a large, heavy and/or bulky item.
 - The symbol may be printed on a label/sticker affixed to each carton (preferred) or printed directly on each carton.
 - UPC-A and EAN-13 symbols must be in compliance with GS1 General Specifications.
- ☐ Do **not** place a UPC-A or EAN-13 bar code symbol on any shipping carton containing more than **one (1)** consumer selling unit of a single item number or on any shipping carton containing different item numbers.
- ☐ Do **not** place more than one UPC-A or EAN-13 symbol on a single carton.

UPC-A/EAN-13 Symbol Placement

- ☐ Position the symbol/label in the upper right portion of the **material handling side** of the carton (the side to be approached by the handling equipment). Generally, the material handling side is the back panel of each shipping carton.

For Kmart private brand merchandise, the SHMC Brand Manager will provide instructions regarding the placement of the Kmart brand name, graphics, and the UPC-A or EAN-13 bar code. Follow the instructions provided by the SHMC Brand Manager.

Kmart prefers that vendors apply a **special double label** with a tear-off UPC-A or EAN-13 bar code symbol for shipping cartons containing this type of merchandise. This allows store checkout associates to tear off and scan the bar code symbol. EDI formatting specifications for this label are included in the GS1 General Specifications and the label stock is available from UPS.

Shipment Packaging, Marking & Labeling

Multiple Component Cartons of a Single Item Number

Certain products can have a single KSN ("Key Stock Number") and UPC/EAN number but require multiple component cartons to ship a quantity of one (1) each. These types of products include garage door openers, weight sets, lamps, etc. As an example, when shipping 1 each of a lamp, the lamp base may be shipped in one carton, and the lamp shade in a separate carton.

If you have any products for which a single KSN is assigned that requires more than one shipping carton to ship a quantity of 1 each, contact the appropriate Supply Chain Operations Manager listed in the Directory of Contacts located on Vendor Portal under "Contact Us" for instruction **prior** to shipment.

When possible, the component cartons for each KSN are to be bound together and shipped as a single shipping unit.

- ☐ If differences in the size, shape and/or weight of the component cartons do not allow them to be bound together, a "**Content Identification Label**" is required on each component carton of a single KSN containing a component carton number in relation to the total number of component cartons for the item (e.g., "Carton 1 of 2", "Carton 2 of 2", etc.).
 - The content identification label is **in addition** to the GTIN-14 bar code/label (required for DC Stock shipments) or GS1-128 Shipping Label (required for JIT and Direct-to-Store shipments).

Content Identification Label

- ☐ Create a content identification label for each component carton of a single KSN using the format illustrated in the examples on the following page.
 - On each label, include the Kmart department number, KSN, item quantity (must always be "1"), and the component carton number for each component carton, e.g., "Carton 1 of 2", "Carton 2 of 2", etc.
 - Use black, upper-case bold text for all characters on white label stock.
 - Use 10 to 12 pt. font for all characters except the component carton number.
 - Print all characters of the component carton number in black, upper-case bold text in a minimum height of **0.50** inches.
- ☐ Do **not** ship multiple quantities of the same component part within the same carton, e.g., 3 of the same lamp shade for the same lamp base.
- ☐ Label each carton containing the **same** component of a specific KSN with the **same** component carton number, e.g., for KSN 012345678 lamp and shade shipped in two separate component cartons, all the cartons containing the lamp base would be labeled as "Carton 1 of 2", and all the cartons containing the shade would be labeled as "Carton 2 of 2".
- ☐ Place a content identification label on each component carton for each KSN.

Shipment Packaging, Marking & Labeling

- ☐ Place the GTIN-14 bar code/label or GS1-128 Shipping Label (as applicable) on the component carton marked as the **last** component carton number on the label for each KSN, e.g., carton 2 of 2, carton 3 of 3, etc (see examples below).

Content Identification Examples (not to scale):

09	0123456789	1
DEPT	KSN	QTY
CARTON 1 OF 2		

09	0123456789	1
DEPT	KSN	QTY
CARTON 2 OF 2		

IMPORTANT:

In the item quantity ("QTY") of the associated EDI 856 Ship Notice (ASN), and in the EDI 810 Invoice, make sure you use the **total item quantity** shipped of each KSN - **not** the quantity of component parts. The item quantity **must always be 1** (one each) for each KSN regardless of how many component parts there are.

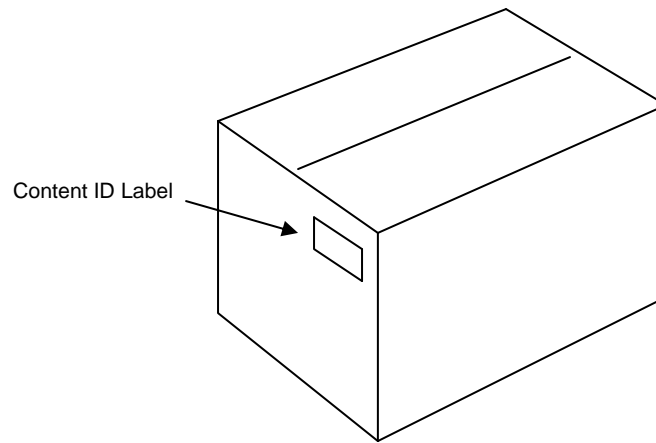
On the required paper shipping documents, use the **total number of cartons** including all component cartons for each KSN to prevent the shipment from being recorded with shipment shortages. See section 9 for shipment documentation requirements.

Content Identification Label Placement

- ☐ Place the content identification label in the upper right portion of one of the **shorter** side panels of each component carton no closer than 1.0 inches from the top and side edge. For square cartons, place the label on the side panel opposite the direction of the flaps seam (see following page for placement example).
- ☐ Place the ITF-14 symbol or GS1-128 Shipping Label (as applicable) **only** on the component carton marked as the **last** component carton number on the label, e.g., carton 2 of 2, carton 3 of 3, etc.

Shipment Packaging, Marking & Labeling

Content Identification Placement Example (not to scale)



Footwear Content Identification Label

The outside of each shipping carton containing footwear shipped to the FMI Warehouse must contain proper human-readable identification of the product inside each carton. The footwear content identification label is **in addition** to the required GTIN-14 bar code on each carton.

- ☐ Machine-print the required information on a label and apply to each shipping carton using the appropriate format illustrated in this section. Printing the information directly on the carton or hand-written information is not acceptable.
 - Print all characters in black, upper-case characters in a **minimum** height of 0.25 inches on white label stock.
- ☐ For **Uniform Cartons (Solid Case-Packs)**, include the following information:
 - The 3-digit Kmart department number received in the EDI 850 Purchase Order.
 - Kmart Category number.
 - Purchase order number
 - KSN (Key Stock Number)
 - Size
 - Total quantity of pairs of the specified size in the carton
 - Sizes 7 through 13 with the number of pairs of the the size inside the carton
 - Country of Origin - "MADE IN (Country of Origin)"

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Shipment Packaging, Marking & Labeling

Label Example - Uniform Carton (Solid Case-Pack)

DIV: 035 CAT: 71 ORDER NO: 08937123456 KSN: 012345678 SIZE: 10 QTY: 12											
7	7.5	8	8.5	9	9.5	10	10.5	11	12	13	SIZE
						12					12/TOT
MADE IN CHINA											

- ☐ For **Exploding Assortments**, include the following information:
- 3-digit Kmart department number received in the EDI 850 Purchase Order.
 - Category number.
 - Purchase order number
 - KSN (Key Stock Number)
 - Quantity of Exploding Assortments inside the carton (always “1”)
 - Sizes 7 through 13 with the number of pairs of each size inside the carton
 - Country of Origin - “MADE IN (Country of Origin)”

Label Example - Exploding Assortment

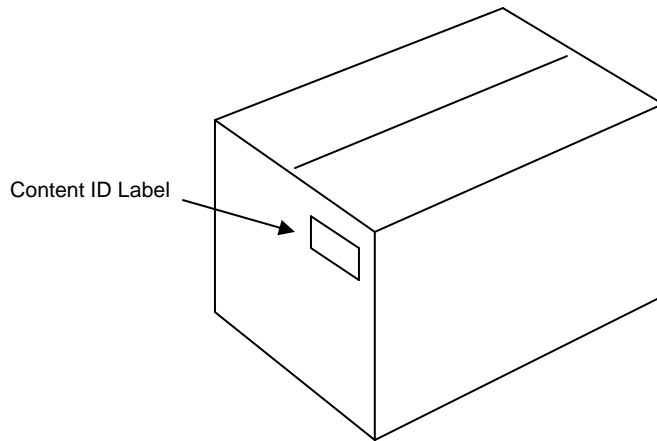
DIV: 035 CAT: 71 ORDER NO: 08937123458 KSN: 012345678 QTY: 1											
7	7.5	8	8.5	9	9.5	10	10.5	11	12	13	SIZE
		1	1	1	2	2	2	1	1	1	12/TOT
MADE IN CHINA											

The above example lists “1” as the quantity (Unit of Measure as indicated in the purchase order). An Exploding Assortment can consist of any number of items, but the **quantity of assortments** must be listed on the content identification label as “1”. Only 1 assortment is allowed per carton.

Shipment Packaging, Marking & Labeling

Label Placement

- ❑ Place the content identification label in the upper right portion of one of the **shorter** side panels of the carton. This will be the adjacent (adjoining) side panel to the side containing the GTIN-14 bar code.
 - For square cartons, place the label on a side panel opposite the direction of the carton's flaps seam.
 - Position the label parallel to the top and no closer than 1 inch to the side and top edge of each carton as illustrated below.



Shipment Packaging, Marking & Labeling

Carton Labeling for Off-shore Store Shipments

The following labeling requirements apply to collect shipments of all merchandise **except** Jewelry, Watches and UPS Direct-to-Store shipments routed via a consolidator direct to Kmart stores located in Hawaii, Guam, Puerto Rico and the U.S. Virgin Islands.

Refer to sections 9.2.b and 9.2.c (as applicable) for routing procedures and requirements, including export documentation required for shipments to specific off-shore stores.

- ☐ Each carton must have a label containing the following information:
 - From: (Vendor name and shipping address)
 - To: Kmart Corporation c/o (FLPAC or CAPAC - see label example below)
 - FLPAC address: 665 Southwest 52nd Ave.
Ocala, FL 34474
 - CAPAC address: 5691 E. Airport Drive
Ontario, CA 91761
 - For: (Kmart destination store number)
 - Purchase Order # (include P.O. number)
- ☐ Include a GS1-128 Shipping Label on each carton per requirements specified in sections 8.3, 8.3.b and 8.3.c.

An example of each carton label is included below.

Label Examples

For FLPAC Shipments - Puerto Rico & U.S. Virgin Islands:

From:	Vendor Name Vendor Street Address Vendor City, State, Zip Code
To:	Kmart Corporation c/o FLPAC 665 Southwest 52 nd Avenue Ocala, FL 34474
For:	Kmart Store #NNNN
P.O. #	NNNNNNNNN

For CAPAC Shipments - Hawaii & Guam:

From:	Vendor Name Vendor Street Address Vendor City, State, Zip Code
To:	Kmart Corporation c/o CAPAC 5691 East Airport Drive Ontario, CA 91761
For:	Kmart Store #NNNN
P.O. #	NNNNNNNNN

Shipment Packaging, Marking & Labeling

Pallet Label/Header

- ☐ All palletized shipments require an 8½" x 11" "**Pallet Label/Header**" on each pallet. Each pallet label/header must contain the following information:
 - Vendor name and ship point address
 - DC unit number and address
 - Each purchase order number for each DC and the number of cartons for each on the pallet.

Note: Do **not** mix cartons for multiple DCs on the same pallet.

See section 9.3 for pallet requirements including pallet construction, stacking height and trailer loading.

- ☐ All information must be **machine-printed** using bold 12 to 14 pt font for all characters. Hand-written text is not acceptable.

An example of pallet label/header format is included below (not to scale).

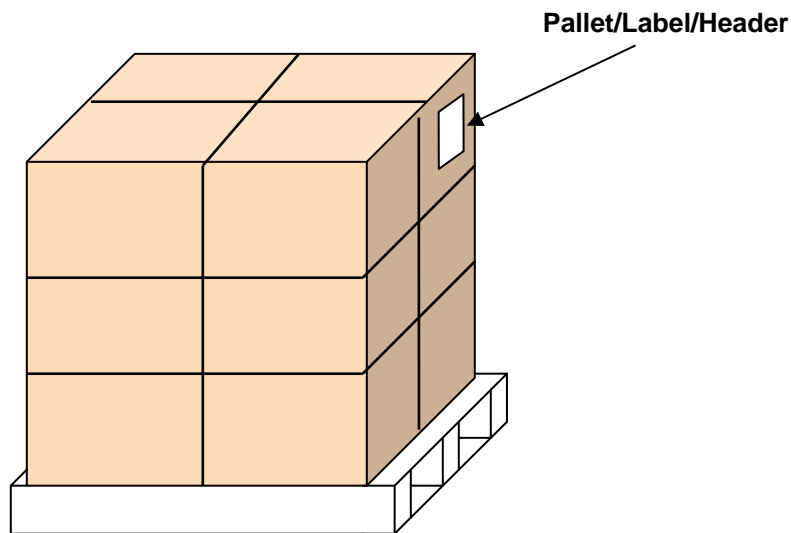
From: Vendor Name Street Address City, State, Zip	To: DC # Street Address City, State, Zip
PO # Total cartons: PO # Total cartons: PO # Total cartons: (continue as needed)	

Shipment Packaging, Marking & Labeling

Pallet Label/Header Placement

- ❑ Place the label/header on the shrink/stretch wrap in the upper right portion of the side of each pallet **facing toward the tail of the trailer**. The side of the pallet facing toward the tail of the trailer should always be the handling side – the side to be approached by the forklift or pallet jack. An example of proper label/header placement is included below.

Pallet Label/Header Placement Example



Shipment Packaging, Marking & Labeling

Carton Seasonal Color Coding

- ❑ All shipping cartons containing **seasonal apparel, accessories and hosiery** merchandise are required to include a **color band around the top of all four sides** of each carton to designate the applicable spring, summer, fall, or winter sub-season code.
 - Make the color band a minimum of 1.0 inches in width.
 - Refer to the “**Color by Season/Sub-Season Chart**” below for the color requirement for each season/sub-season code.
 - Refer to the illustration on the following page for an example of a carton seasonal color band.

Season Code	Sub-Season Code	Sub-Season Description	Price Ticket/Sticker & Carton Band Color	Pantone Number
2	20	Spring	Light Yellow	100C
2	21	Valentines	Light Yellow	100C
2	24	St. Patrick's	Light Yellow	100C
2	23	Easter	Light Yellow	100C
2	29	Spring 2	Light Yellow	100C
3	30	Summer	Light Pink	1895C
3	38	Summer 1	Light Pink	1895C
3	39	Summer 2	Light Pink	1895C
4	40	Fall	Light Blue	2905C
4	43	Halloween	Light Blue	2905C
4	48	BTS	Light Blue	2905C
4	49	Fall 2	Light Blue	2905C
5	50	Winter	Light Green	351C
5	52	Christmas	Light Green	351C
5	58	Winter 1	Light Green	351C
5	59	Winter 2	Light Green	351C

Note: Season Codes 1 and 9 with sub-season codes 10 and 90 used for basic and replenished merchandise, and Season Code 7 with sub-season codes 77, 78, and 79 used for Team Sports (college and pro), are not included in carton seasonal color banding requirements and have been omitted from the above chart.

Shipment Packaging, Marking & Labeling

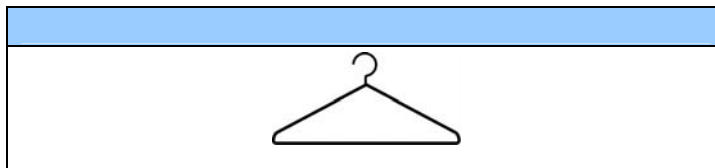
Price Tickets/Stickers Seasonal Color Coding

- ☐ In addition to the carton color band, price tickets and stickers for seasonal apparel, accessories and hosiery must contain a color box in the upper right corner. Basic and Team Sports merchandise will not require tickets/hang tags color-coding. Refer to the section 7 - Product Packaging, Marking & Labeling for information, requirements and examples of color-coded price tickets and stickers.

Apparel Carton Hanger Image

- ☐ For all shipping cartons containing **apparel shipped on or with hangers**, a **hanger image** must be shown in the **top right corner of all four sides** of each carton.
- ☐ Make the hanger image a minimum of 3.0 inches wide x 1.5 inches high.
- ☐ To accommodate the GTIN-14 (ITF-14) bar code in its required location on cartons less than 3.0 inches in height, the hanger image may be positioned more toward the center on the side of the carton containing the bar code.
- ☐ For cartons less than 2.5 inches in height, it is acceptable for the hanger image/label to be placed on top of, or superimposed over the carton seasonal color band.
- ☐ The hanger image may be printed directly on each carton or on a label/sticker applied to each carton.

Carton Seasonal Color Band/Hanger Image Example (not to scale)



Cartons Containing Home Fashions Merchandise Displayed on “Clip Strips” in Kmart Stores

- ☐ For all shipping cartons containing home fashions (soft and hard home) merchandise which will be displayed on “Clip Strips” in Kmart stores, a pre-price label must be affixed to each carton.
- ☐ Create a 5” x 5” orange-colored label using Pantone color number PMS 144C.
 - The label must contain the same information as required for the pre-price sticker specified in the “Additional Product Labeling for Home Fashions Merchandise Displayed on “Clip Strips” information in section 7 - Product Packaging, Marking & Labeling.
 - Use 25.5 pt Futura Medium font in black, upper case letters for all of the label information except Retail. For Retail, use 29.5 pt Futura Bold font in black for the Dollar Sign (\$) and use 44 pt Futura Extra Bold font in black for the retail price.

Shipment Packaging, Marking & Labeling

- ☐ Place the label in the top right corner of the carton on the side adjacent to the GTIN-14 bar code/shipping label or GS1-128 shipping label except cartons containing prepack merchandise.
 - For cartons containing prepack merchandise, place the label on the plastic bag(s) inside the carton.

Refer to the following illustration for an example of the label.



Note: The above label example is intended for illustration purposes only. It is not shown in the required size and does not contain the exact Pantone color for the label.

Carton Shoe Illustration

- ☐ For all shipping cartons containing footwear, a factory-made illustration and a description of the shoe packed inside the carton must be shown in the **upper right quadrant of all four sides** of each shipping carton.
 - On the two side panels containing the footwear content identification label, place the shoe illustration and description immediately below the label.
 - If carton height will not allow the shoe illustration and description to be placed below the content identification label, place immediately to the left of the label.
- ☐ The shoe illustration and description may be printed directly on each carton or on a label/sticker applied to each carton.
 - The illustration should be a simple line drawing of the product inside the carton. You do not need to submit the illustration for approval.

Shipment Packaging, Marking & Labeling

- The description must consist of the brand name, gender, and a simple description of the shoe, e.g., “Attention Women’s Black Pump”, etc., placed immediately below the shoe illustration (see example below).
- ☐ The shoe illustration must be a minimum of 2.0 inches in height and 4.0 inches in width.
- ☐ The text for the brand name and description must be a minimum of 0.25 inches in height.



Attention Women’s Black Pump (not to scale)

Footwear QA Cartons - TL Shipments Only

All Truckload (“TL”) shipments of footwear product to the **FMI Warehouse** should include Quality Assurance (“QA”) cartons. QA cartons allow the FMI Warehouse to perform an audit process prior to receiving TL shipments of footwear product. It is preferred that the QA cartons are included in the trailer but is not required.

The product in the QA carton is part of the quantity specified on the PO, not additional product.

- ☐ Pack one QA carton for each PO and each size of a musical prepack or solid case pack, e.g., if a single PO has 8 different musical prepack or 8 different solid case pack sizes, a QA carton for each size is required, totaling 8 QA cartons.
- ☐ Place a GTIN-14 bar code on each QA carton. See section 8 - Shipment Packaging, Marking & Labeling for information on the GTIN-14 bar code.
- ☐ Create and attach a 2” x 5” label (minimum size) to each carton that states “QA CARTON”.
 - Print all characters in black bold font on bright green florescent-colored label stock as illustrated in the example below (example not in required size).



QA CARTON

- ☐ Place the QA carton label on the same side of the carton as the GTIN-14 bar code.
 - The QA carton label must **not** cover any portion of the GTIN-14 bar code.
- ☐ Load the QA cartons in the tail of the trailer.

Hazardous Materials

- ☐ If you are a shipper of any products classified as a Hazardous Material, you must comply with additional marking and labeling requirements specified by the Department of Transportation (“DOT”) under Title 49 C.F.R, section 173.4, and the Federal Motor Carrier Safety Administration (“FMCSA”).

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Shipment Packaging, Marking & Labeling

Figure 8.1 - Footwear Carton Packing Configurations



Top view shown for each configuration

Note: The following illustrations do not include all possible carton configurations.

18 Pair Pack - 3 x 6



12 Pair Pack - 2 x 6



15 Pair Pack - 3 x 5



16 Pair Pack - 4 x 4

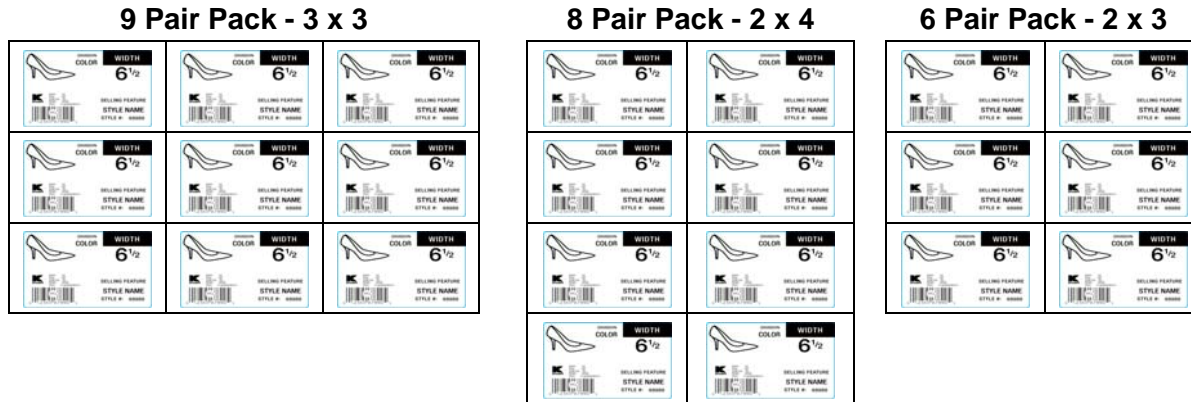


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Shipment Packaging, Marking & Labeling

Figure 8.1 - Footwear Carton Packing Configurations, cont.

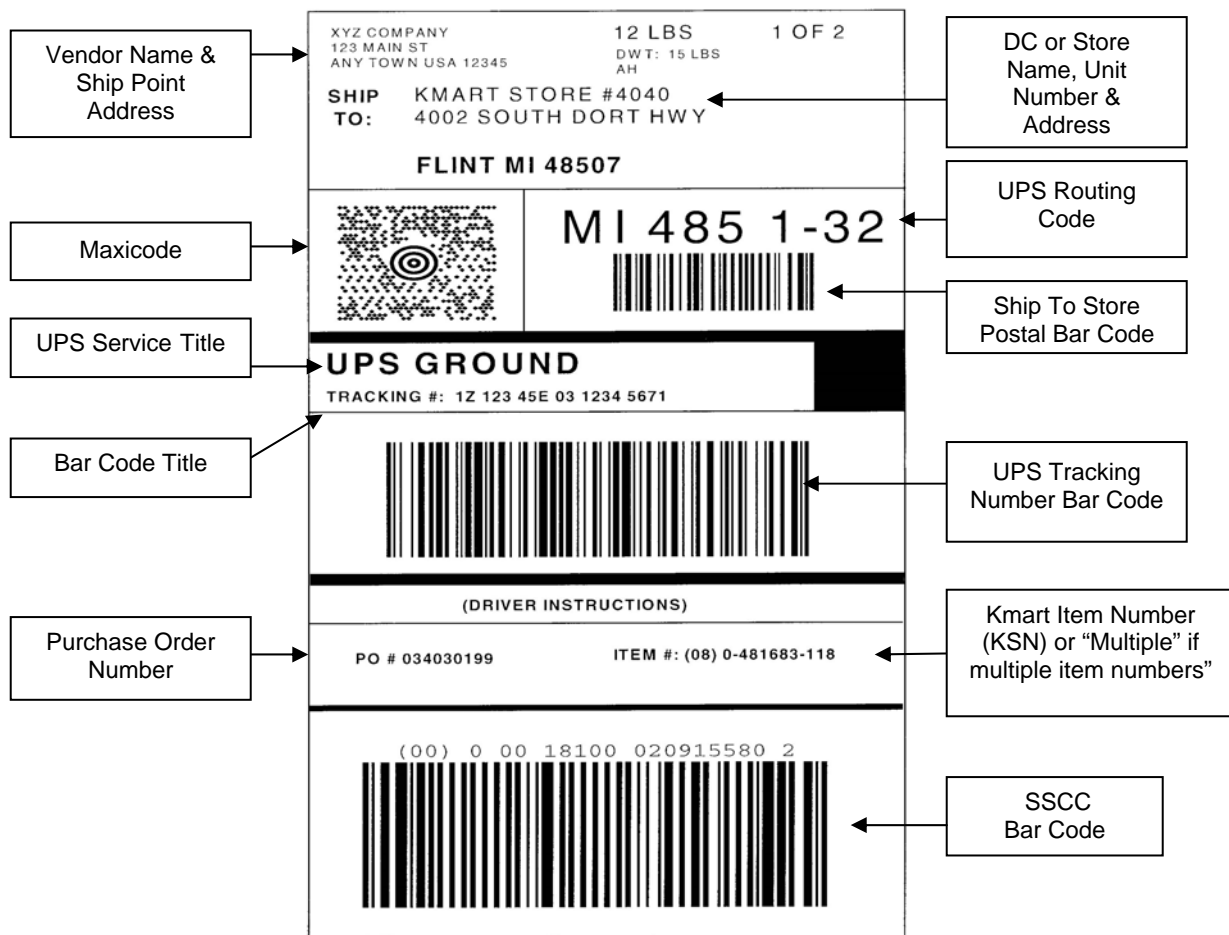


Shipment Packaging, Marking & Labeling

Figure 8.2 - Combination GS1-128/UPS Ground Shipping Label

8.25" x 4.0" Shipping Label Example

JIT & Direct-to-Store via UPS Ground



This combination UPS/GS1-128 Shipping Label format can be used **only** for Kmart **JIT and Direct-to-Store UPS Ground shipments**. Vendors may use it at their discretion. It is acceptable to use the GS1-128 Shipping Label and a separate UPS Ground shipping label for JIT and Direct-to-Store shipments routed via UPS Ground.

For vendors that would like to use this label, the labels can be created via UPS Worldship software or any third-party system that is PLD compliant. Vendors can order the 4.0" x 8.25" label stock from the UPS website at www.ups.com or via phone: 1-800-742-5877.

Shipping & Transportation Routing

Section 9 Overview

This section of the Vendor Information Guide contains instructions and requirements that all vendors must adhere to when shipping to Kmart Distribution Centers (“DCs”) and direct to Kmart retail stores. It includes instructions and requirements for transportation scheduling, routing, trailer loading and shipment documentation for shipments to Regional Specialty Centers (“RSC’s”), Regional Distribution Centers (“RDCs”), FMI Warehouse, Jewelry Distribution Center (“JDC”) and direct to Kmart retail stores from **domestic** shipping locations.

For **Kmart.com** shipments direct-to-customer or direct-to-store for customer pick-up, refer to the “Sears Holdings Dotcom Vendor Information Guide” for requirements.

If your company receives **GT Nexus eDocs orders**, you are considered a Kmart import vendor. Refer to the “Sears Holdings International Vendor Information Guide” located in the “Guides & Reference” section on Vendor Portal for import requirements.

Additional Information

Review these additional sections of the Guide and other supporting guides/manuals for important information:

- ✓ **Section 6 - Purchase Orders** provides information regarding the key data included in EDI 850 Purchase Orders and purchase order fulfillment policies.
- ✓ **Section 8 - Shipment Packaging, Marking & Labeling** provides shipment packaging, marking and labeling requirements including the GTIN-14 bar code, GS1-128 Shipping Label and other required shipping carton marking and labeling.
- ✓ **Section 10 - Compliance** provides information regarding the expense offset charges that may be assessed for non-compliance to Kmart requirements.
- ✓ **Kmart EDI Guidelines** located in the Guides & Reference section on Vendor Portal provides EDI mapping requirements for the EDI 856 Ship Notice (ASN) as well as all other required EDI transactions.

Questions?

If after reviewing the information in this section, you have questions regarding:

- ✓ Shipping and transportation instructions/requirements or shipment scheduling/routing, contact the appropriate SLS Transportation Load Planner listed in section 9.7 - SLS Transportation Contacts except Fine Jewelry and Watches.
 - ✓ For Fine Jewelry and Watches, contact SLS Specialized Transportation at 847-645-5536.
- ✓ EDI 856 Ship Notice (ASN), send an email to searsedi@searshc.com.

Shipping & Transportation Routing

9.1 Shipping & Transportation Routing Policies

Sears Logistics Services, Inc. ("SLS") manages the transportation of all collect shipments to Sears Holdings' distribution centers ("DCs") and retail stores. Shipping instructions are communicated in this section as well as system-generated and direct communications.

- ✓ "Collect" references shipments for which SLS selects and pays the carrier.
- ✓ "Prepaid" references shipments for which the vendor selects and pays the carrier.
- ☐ Ship all products collect unless the Kmart buyer has negotiated prepaid transportation.
- ☐ All collect shipments must be routed through the "**Shipsmart POV**" planning system on Vendor Portal except Fine Jewelry and Watch shipments (see "Routing Procedures for Fine Jewelry Shipments to the Jewelry Distribution Center ("JDC")" and "Direct-to-Store Routing Procedures - Fine Jewelry & Watches").

Freight Terms

Collect Shipments

- ☐ If a collect freight cost was negotiated and agreed to by Kmart, the only F.O.B. freight terms that will be accepted are: **F.O.B., City of Origin - Freight Collect**. Kmart is responsible for the freight charges.
- ☐ Collect shipments must be routed by following the appropriate instructions in this section. Failure to follow routing instructions will result in the assessment of non-compliance expense offset charges against your company.

Prepaid Shipments

- ☐ If a prepaid freight cost was negotiated and agreed to by the Kmart Buyer, the only F.O.B. freight terms that will be accepted are: **F.O.B., Destination - Freight Prepaid**.
 - If a minimum order quantity was negotiated into your prepaid pricing and agreed to by the Kmart Buyer, you must not accept purchase orders that fail to meet that minimum. If you choose to accept a purchase order that fails to meet the minimum order quantity, Kmart will not be responsible for any freight charges.

Premium Routing

Premium routing is available for collect shipments needing expedited direct service. This will be either Air or Surface transportation. Premium routing may be arranged by contacting your buyer or appropriate Supply Chain Operations Manager listed in the Directory of Contacts.

- ☐ SLS Shipper Services will **not** accept premium routing requests from vendors. All premium routing requests must be made by your buyer or Supply Chain Operations Manager.

Shipping & Transportation Routing

Shipper Load & Count

- ☐ All merchandise moved on **collect Truckload** (“TL”) carriers assigned by SLS will be **Shipper Load and Count**. The driver will sign the Bill of Lading **only** to acknowledge pick-up of the shipment. The driver’s signature will **not** designate carrier responsibility for the contents of the trailer. The vendor is responsible for the contents of the trailer until it reaches the Kmart destination.
- ☐ Vendors shipping a full Truckload are required to secure/brace the load, close the trailer, seal it with a vendor-provided seal, and document the seal number on all copies of the associated Bill of Lading. All such shipments will be considered Shipper Load and Count, whether or not so notated.
- ☐ If the vendor fails to seal the trailer or fails to reference the seal number on all copies of the Bill of Lading and shortages occur, the vendor shall be liable for such shortages. The vendor expressly agrees that the provision herein shall supersede any contrary Bill of Lading term, clause, notation, or other provision, or any other writing.
- ☐ If the vendor receives a sealed trailer as part of a Truckload sweep, prior to breaking the seal, the vendor is to compare the seal number on the trailer to the seal number listed on the Bill of Lading from the carrier’s last pick-up.
- ☐ If the seal numbers agree, the vendor is to:
 - Break the seal, load and secure their product on the trailer.
 - Apply their seal to the trailer.
- ☐ If the seal number does not agree or the driver refuses to show the vendor the Bill of Lading from his last pick-up, the vendor is to immediately contact their Transportation Load Planner listed in section 9.7 - SLS Transportation Contacts.
- ☐ For merchandise moved on collect **Less-than-Truckload** (“LTL”) carriers assigned by Menlo Logistics (SCAC = “MLOG” on Shipsmart POV Load Report), the driver is responsible for counting **total shipping units only** - pallets and/or loose cartons. The driver will **not** be responsible for counting cartons on pallets.

Ship-Point Changes

- ☐ It is the responsibility of each collect vendor to provide SLS with accurate ship-point location information. Shipping from an unauthorized ship-point will result in the assessment of non-compliance expense offset charges.

Temporary Change of Ship-Point

If you must deviate from the authorized ship-point on a given purchase order and the alternate ship-point is established and active within Shipsmart POV, you may select this ship-point via the pull down list within the P.O. Verification (“POV”) web-entry screen.

- ☐ If Kmart incurs additional freight expense as a result of this selection, you will be charged an expense offset of \$250 plus the additional freight expense.

Shipping & Transportation Routing

Additional Ship-Point or a Permanent Change to an Existing Ship-Point

A permanent ship-point change for existing items can be initiated or a new ship-point can be added via the Item Maintenance Application ("IMA").

- The information submitted will be reviewed and if does not meet requirements, the change request will be returned to the originator with a detailed description of why the request is being rejected, e.g., insufficient information, etc.
- When processed, approved ship-point changes can be viewed in IMA by clicking on the "Change" tab and browsing the Vendor Pack.

To create a **permanent ship-point change** request via IMA, complete the following steps:

1. In IMA, click "**Search**" on the main menu bar.
2. Select criteria to search for vendor pack desired, and then click "**Search**".
3. On the "**Search Results**" screen, click on the "**Vendor Packs**" tab.
4. Click on "**Marking #**" link. The Vendor Packs tab displays for marking number selected.
5. Scroll down to the DC Location section, click the "**Change DC Locations**" checkbox, and then click "**Create Change Request**".
6. Scroll down to the window's DC section and select permanent change to **ship-point** field from the drop down list in rows labeled "**New**" for all applicable DCs.
7. Scroll up and click "**Save and Go To Next**".
8. On the "**Workflow**" tab, click "**Approve**" and then click "**Submit Workflow Tasks**".

To **add a new ship-point** via IMA:

If the ship-point location does not appear in the listing accessed from step 6 above, use the link at the top of the screen to send an email requesting the new ship-point to be added.

- The new ship-point will be available in approximately one business day.

For all ship-point changes submitted by collect vendors, freight cost analysis will be performed to determine the impact of the ship-point change and negotiations will occur accordingly.

LTL Ship Day - Collect DC Shipments

SLS consolidates pick-ups of LTL size DC freight from collect vendors. LTL shipments to the following destinations do not have a Managed Ship Day.

- ☐ All shipments to RSCs.
- ☐ Shipments originating in Southern California destined to RDCs.
- ☐ Shipments originating in the New York and New Jersey markets destined to RDCs.
- ☐ Shipments originating in the Laredo, TX and Sumner WA markets destined to RDCs.

Contact SLS Shipper Services at 800-869-8376 if you have questions concerning LTL shipments. For Fine Jewelry shipments to the Jewelry Distribution Center ("JDC"), contact SLS Specialized Transportation at 847-645-5536.

Shipping & Transportation Routing

Prepaid Shipments

We encourage prepaid vendors to use SLS-authorized carriers (including UPS Ground-Prepaid) as our carriers are most accustomed to our delivery requirements at our distribution centers. A list of SLS-authorized carriers can be obtained by contacting Shipper Services - 1-800-869-8376.

- ☐ Prepaid vendors are responsible for the transportation of their shipments to each Kmart destination and carrier payment with the carrier of their choice.
- ☐ Prepaid vendors are responsible for their carrier's performance in delivering each shipment to the destination DC on the scheduled date.
- ☐ Prepaid vendors are responsible for any damage or shortage claims incurred by their carrier (see "DC Processing of Damaged Merchandise - Prepaid Shipments" below).
- ☐ In the event that Proof of Delivery ("POD") is required for a shipment, prepaid vendors are responsible for providing the information.
- ☐ Prepaid vendors are responsible for the accuracy of the piece count for each trailer as reported on the Bill of Lading and transmitted in the associated EDI 856 Ship Notice.
- ☐ Prepaid vendors' carriers must obtain a delivery appointment at each DC at least 24 hours prior to delivery (see "DC Delivery Appointments - Prepaid Shipments" on the following page).
 - Delivery appointments are not required for prepaid shipments of Fine Jewelry to the Jewelry Distribution Center ("JDC"). Receiving hours are Monday-Friday 6:15 a.m. - 3:00 p.m.

DC Processing of Damaged Merchandise - Prepaid Shipments

The DC facilities will open each carton reflecting shipment damage and inspect the contents. If the product inside the carton is not damaged, the product will be placed back into the carton and received via the normal receiving process. For product that is damaged, the DCs will follow the procedures listed below for each type of shipment.

- **Less-Than-Truckload** ("LTL") damaged merchandise will be refused and notated on the carrier's freight bill.
- **Truckload** ("TL") damaged merchandise will be accepted and notated on the vendor's Bill of Lading, but will not be receipted. The DC will send the damaged merchandise to their salvage area.

Within 48 hours after unload, the DC will send an email to the carrier and vendor (if vendor contact is known - see below) listing the damaged item numbers with an attached scan of the vendor's Bill of Lading and photos of the damaged cartons.

- The email will request the carrier/vendor to provide disposition instructions for the damaged merchandise within 30 days. If disposition instructions are not provided within 30 days, the merchandise will be disposed of or donated to charity.

Shipping & Transportation Routing

If you are a prepaid vendor and would like to receive email notices on DC receipts of damaged merchandise, send an email to Jim.ONeill@searshc.com and provide the following information:

- Your company name.
- The name of each person in your company to receive the notices along with their email address and phone number.
- Title your email "Contact for Damaged Merchandise Notices".

DC Delivery Appointments - Prepaid Shipments

- ☐ Delivery appointments at the DCs are required for all prepaid shipments including Vendor-Managed Inventory ("VMI") vendors. You must ship in time to meet the delivery date requested in the purchase order.
- ☐ The vendor's carrier is responsible for procuring an appointment at the destination RSC, RDC or FDC/FMI Warehouse prior to shipment delivery by completing the appropriate "**Delivery Appointment Request**" form - RSC, RDC or FDC/FMI (as applicable for each shipment), and emailing it to the appropriate destination.

The Delivery Appointment Request forms are available in the Guides & Reference section on Vendor Portal under "Forms" along with the following delivery instruction/information documents:

"RSC/RDC/FDC/FMI Delivery Appointment Request Instructions"

"RDC Delivery Appointment Information"

"RSC Delivery Appointment Information"

- ☐ Prepaid vendors are responsible for accessing the appointment request form and instruction/information documents on Vendor Portal and emailing it to their carrier(s).
- ☐ Appointments are scheduled for business days only (Monday-Friday, excluding holidays).
- ☐ In the response from the DC, the carrier will be given a specific date and time to deliver live unloads, and a specific date to deliver drop trailers.
- ☐ For appointment requests received by 2:00 p.m. local time, the carrier will receive a response the same day. For requests received after 2:00 p.m., the carrier will receive a response the following business day.
- ☐ Appointment requests for all drop trailers will be scheduled for delivery on the date requested by the carrier.
- ☐ For live unload appointments, requests will be granted for the requested date whenever possible, however, each individual DC has a daily inbound volume capacity and can only allot a fixed number of live appointments each day. Shipments with advertised goods will be given preference for appointment dates.
- ☐ For live unload appointments, if a scheduled delivery appointment date falls outside the arrival date requested on the purchase order, it is the vendor's responsibility to communicate with the buying department for adjustment of the purchase order's scheduled arrival date.

Shipping & Transportation Routing

Hazardous Materials

- ❑ If you are a shipper of Hazardous Materials, your 3rd party Haz Mat 24-Hr. Emergency Response phone number must be printed on the Bill of Lading (Bill of Lading not required for UPS shipments).
- ❑ Do **not** ship products classified as Hazardous Materials to a FTC without contacting your Transportation Load Planner listed in section 9.7 for instruction **prior to shipment**.

UPS shipments of Hazardous Materials

UPS accepts ORMD Materials only under the following circumstances:

- ✓ Vendor has Hazardous Materials contract with UPS (vendors must not use Kmart UPS Billing account number for shipments of Hazardous Materials).
- ✓ Facility has automatic daily pick-ups.
- ✓ Shipment is being sent within and/or between the contiguous United States.
- ✓ Ground Service only.

Contact the UPS Hazardous Materials Support Center at 800-554-9964 for details.

Shipments of Lithium Batteries or Products Containing Lithium Batteries

The United States Department of Transportation, in coordination with the Pipeline and Hazardous Material Safety Administration (PHMSA), revised guidelines for transportation of lithium batteries. The final rule can be reviewed at 49 CFR Parts 171, 172, 173 and 175 Transportation of Lithium Batteries.

The new rule implements several changes including:

- Packaging of all sizes of lithium batteries;
- Increase of Equivalent Lithium Content for batteries;
- Revision of shipping, marking and label requirements for intermodal transportation;
- Requires special documentation whenever shipping lithium batteries; and,
- Provision for allowance of lithium batteries packaged with equipment.

Sears Holdings expects all vendors conducting business with Sears Holdings to be in compliance with all applicable laws and regulations, including the regulations applicable when transporting lithium batteries to Sears Holdings. The final rule can be found at <http://www.phmsa.dot.gov/hazmat/regs>, and it is expected that vendors will implement any necessary changes to comply with the new rule.

Shipping & Transportation Routing

Compliance

Our vendor requirements for shipping and transportation routing are designed to allow merchandise to be moved quickly and efficiently through our distribution facilities to our stores and customers. Delays caused by late or improper carrier scheduling, not having freight ready to load on the scheduled pick-up date, missing and/or inaccurate shipping documents, etc., can result in additional expense incurred, as well as store out of stocks, lost sales and customers.

- ❑ To recover a portion of lost sales and additional expenses incurred as a result of non-conformity, Sears Holdings may assess expense offset charges to vendors not in compliance to our shipping and transportation routing requirements.
 - Refer to Section 10 - Compliance for a listing of Sears Holdings compliance policies and the expense offset that may be assessed for non-compliance to shipping and transportation routing requirements.

Shipping & Transportation Routing

9.2 Collect Routing Procedures

The shipping instructions in this section apply to collect shipments of all merchandise to Kmart DCs **except Fine Jewelry**. For Fine Jewelry shipments to the Jewelry Distribution Center (“JDC”), see section 9.2.a. For routing procedures for Direct-to-Store shipments, see section 9.2.b and 9.2.c (as applicable).

- ☐ Follow all carrier scheduling instructions and requirements provided in this section.
- ☐ Whenever possible, provide your Bill of Lading number when scheduling an appointment. This allows faster, more efficient receipt of goods at the distribution center.
- ☐ Make sure that Truckload (“TL”) shipments are stable to prevent damage and crushing of cartons.
 - It is the vendor’s responsibility to secure the load on all Truckload (“TL”) shipments.
- ☐ Have collect freight ready to load by **8:00 a.m.** ship-point local time.

Shipsmart POV

- ☐ All collect shipments to a Kmart DC must be routed through the “**Shipsmart POV**” (“Purchase Order Verification”) planning system. The Routing Method and Transportation Mode can vary by shipment.

The Shipsmart POV system may route your freight:

1. Direct to a Regional Distribution Center (“RDC”), Regional Specialty Center (“RSC”), FMI Warehouse **or**
2. To a Flow-Thru Center (FTC), **or**
3. A combination of the above
4. Via UPS Ground

Your freight may be routed as part of a multiple pick-up TL sweep to a FTC or direct to a DC. Vendors who ship to both Kmart and Sears may receive routing instructions to load the freight for both on the same trailer.

- ☐ Failure to follow routing instructions will result in the assessment of non-compliance expense offset charges.

Shipsmart POV Process

Step	Action
1	Kmart issues a purchase order to the vendor.
2	The vendor accesses the Shipsmart POV website on Vendor Portal, selects a Shipment Ready Date for each purchase order, and verifies the ship point, quantity, weight and cube. Weight and cube must be accurate and include the weight of all packaging and pallets. Note: Do not ship multiple days of the week.
3	The purchase order information with the vendor-confirmed data is passed into the Shipsmart POV application where loads are built and carriers are assigned.
4	A “Load Report” is generated to provide the vendor visibility to the carrier, Load Number and assigned pick-up date for the shipment.

Shipping & Transportation Routing

P.O. Verification Instructions

Step	Action
1	Log onto Vendor Portal (https://vendorportal.searshc.com).
2	Scroll to the very bottom left side of the screen to "Transportation" and select "Shipsmart POV Website".
3	Enter your pay duns number and click on "Login".
4	Select "Kmart P.O. Routing Request".

- ☐ Purchase order verification for LTL size shipments must be performed **within your Source Order Processing Time ("SOPT")**. If you do not know your SOPT, contact your buying department.

Shipsmart POV will automatically calculate allowable "**Shipment Ready Dates**" based on the size of the shipment. The dates calculated will be the assigned ship day of the week for the shipping location.

- ☐ From the drop-down list of dates provided, select one of the Shipment Ready Dates for the shipping location. Do **not** select more than one date in any week.
 - If a Shipment Ready Date is selected that is marked as "Late", a Ship to Arrive ("STA") date extension is automatically sent to the Inventory Analyst for approval.
- ☐ Failure to comply with purchase order verification requirements may result in the assessment of non-compliance expense offset charges.

Communication of Routing & Carrier Assignment

Routed purchase orders are visible on the Vendor Load Reports generated within Shipsmart POV. All shipments are assigned a unique 11-digit **Load Number**. Load Numbers are used by Kmart and the carriers to track shipments through the life of the move, freight bill payment and file retention.

- ☐ Include the Load Number on the associated Bill of Lading and on the FTC Master Manifest for shipments routed to a FTC.

Step	Action
1	Log onto Vendor Portal (https://vendorportal.searshc.com).
2	Scroll to the very bottom left side of the screen to "Transportation" and select "Shipsmart POV Website".
3	Enter your pay duns number and click on "Login".
4	Select "Vendor Load Report".

Note: Vendor Load Reports should be reviewed daily as changes in routing or carrier assignment may occur.

Shipping & Transportation Routing

Hazardous Materials

- ☐ If you have products classified as a Hazardous Material for which the routing instructions specify shipping to a FTC, contact your Transportation Load Planner listed in section 9.7 for instruction **prior to shipment**.

Canceling a Scheduled Pick-up

- ☐ If you need to cancel a scheduled carrier pick-up, it must be done prior to the carrier dispatching the driver.
 - Failure to cancel an unneeded scheduled pick-up prior to the carrier dispatching the driver will result in the assessment of expense offset charges.

Missed Pick-ups

- ☐ In the event a carrier fails to make a scheduled pick-up, you must register the missed pick-up in Shipment POV. In addition, you should contact the Transportation Load Planner listed in section 9.7.
 - Failure to document a missed pick-up within Shipment POV will result in you accepting responsibility and possible non-compliance charges for a late shipment.

Step	Action
1	Log onto Vendor Portal.
2	Scroll to the very bottom left side of the screen to "Transportation" and select "Shipment POV Website".
3	Enter your pay duns number and click on "Login".
4	Select "Shipment Missed Pick-up Entry".

Less-Than-Truckload ("LTL") Shipments

SLS uses a single source, Menlo Logistics (SCAC = "MLOG" on the Shipment POV Load Report) for all collect LTL shipments. Menlo Logistics does not supply "Menlo" trucks.

- ✓ Menlo Logistics will assign the shipment to a common LTL carrier.
- ✓ Menlo will fax the vendor a booking confirmation to provide the assigned carrier name and SCAC as well as Menlo's "booking number". Contact Menlo Logistics Customer Service (888-257-3277) if a fax is not received within four (4) hours of booking.
- ✓ The carrier will be given the Menlo Logistics booking number and will be sent to the origin location to make the pick-up.
- ☐ LTL freight must be ready **by 8:00 A.M.** local time on the scheduled pick-up day.
- ☐ Pick-up appointments at the vendor's ship point are not accepted for collect LTL shipments.

Shipping & Transportation Routing

Truckload (“TL”) Shipments

- ☐ A shipment for a single JIT and/or Stock shipment that is equal to or greater than 3500 “effective cube” is considered a Truckload (“TL”) shipment and may ship on any day with 2 business days notification. Contact the appropriate Transportation Load Planner (see section 9.7). Refer to Figure 9.1 for instructions on calculating effective cube.
- ☐ Collect vendors must use the Truckload carrier designated on the Shipsmart POV Load Reports.
- ☐ Pick-up appointments at the vendor’s ship-point are not required for collect TL shipments.
- ☐ Freight must be ready by **8:00 A.M.** local time on the scheduled pick-up day.
- ☐ Make sure that Truckload shipments are stable to prevent damage and crushing of cartons. It is the vendor’s responsibility to secure the load on all Truckload (“TL”) shipments.

Large Volume Shipments

When shipping larger than normal volume (e.g. rollout or promotional events) requiring multiple ship days, contact the Load Planner listed in section 9.7.

Small Package Routing Procedures

United Parcel Service (“UPS”) is the specified small package carrier used by Kmart for all collect small package shipments. **Note:** Do not confuse UPS Parcel for UPS LTL Freight. Kmart does **not** use UPS LTL Freight. Menlo Logistics is our only authorized LTL carrier.

- ☐ All collect UPS shipments to Kmart DCs must be routed through the Shipsmart POV planning system.
 - Shipments appearing on the Vendor Load Report with the SCAC code of “**UPSN**” have been routed via UPS Ground Service.
- ☐ Type of service is UPS Ground.
- ☐ All UPS shipments must be **loose cartons**.
 - Under no circumstances can the cartons be strapped or palletized.
- ☐ The vendor is responsible for contacting UPS at 1-800-PICK-UPS (1-800-742-5877) to schedule a pick-up.
 - When calling UPS, identify your company as an authorized Kmart vendor. This will enable UPS to recognize your location as a participant in the SHMC/UPS agreement.
 - A Shipsmart POV Load Number authorizing UPS shipment is required.

Shipping & Transportation Routing

UPS Package Size/Weight Limits for RSC & RDC Shipments

- ☐ Maximum weight per shipment (all cartons combined) is 749 lbs.
- ☐ Maximum weight per package or master carton is 150 lbs.
 - If package weighs over 70 lbs., apply the “Over 70 lbs.” sticker for overweight shipments.
- ☐ Maximum package length and girth combined cannot exceed 165 inches.
- ☐ Packages exceeding 108 inches in length are considered oversize - contact SLS Transportation (see section 9.7 for contact information).

UPS Package Size/Weight Limits for FMI Warehouse Shipments

For UPS minimum and maximum size and weight limits for FMI Warehouse UPS shipments, use the same as for RSC and RDC shipments listed above.

For UPS size and weight limits for shipments Direct-to-Store, see section 9.2.b “Direct-to-Store Routing Procedures”.

Collect UPS Ground Third-Party Billing Account Numbers & Addresses

UPS - Direct to RSC Shipments

0447RY for RSC

Billing address:

D2RSC

3333 Beverly Road

Hoffman Estates, IL 60179

UPS - Direct to RDC or FMI Shipments

0447R0 for RDC or FMI

Billing address:

D2RDC for RDC shipments or D2FMI for FMI shipments

3333 Beverly Road

Hoffman Estates, IL 60179

UPS - Direct-to-Store Shipments - All Merchandise except Jewelry & Watches

0444WY (Ground Service only). If premium routing is required, contact the buying department or Supply Chain Operations Manager.

Billing address:

DSD

3333 Beverly Road

Hoffman Estates, IL 60179

For UPS billing information for collect Direct-to-Store Jewelry and Watch shipments, see section 9.2.c.

UPS Shipping System Requirements

- UPS Worldship has 5 reference fields visible to the customer. Vendors are to utilize **reference fields 1 and 2** (“Reference Number 1” and “Reference Number 2” under the “Service” tab - see illustration below). Information entered in these two fields will be duplicated in the “Package” reference fields 1 and 2 and included on the UPS shipping label.

- ☐ In “**Reference Number 1**”, enter the 4-digit destination DC or store unit number preceded by two zeros (“00NNNN”). _____
- ☐ In “**Reference Number 2**”, enter the 11-digit Kmart purchase order number for DC shipments, or 9-digit purchase order number for direct-to-store shipments. _____

In order to access the additional Package reference fields, click on the “Reference” tab.

Shipping & Transportation Routing

9.2.a Routing Procedures for Fine Jewelry Shipments to the Jewelry Distribution Center (“JDC”)

The shipping instructions in this section are specific to collect shipments of Fine Jewelry routed to the Jewelry Distribution Center (“JDC”). Direct all questions to SLS Specialized Transportation at 1-847-645-5536, Monday through Friday 7:00 a.m. to 4:00 p.m. CDT/CST.

After hours, leave a voice mail message with your name, name of your company, a return phone number and a brief description of your question or request for information.

- ☐ All Fine Jewelry purchase orders must be consolidated into a **single** ship day each week.
- ☐ All shipments must be insured by the shipper.
 - Risk of loss transfers to Kmart upon receipt at the destination.

Routing Procedures

- ☐ Ship via UPS to the JDC if:
 - The maximum cartons per shipment do not exceed 8 (see “Note” below).
 - The weight per package or master carton does not exceed 150 lbs.
 - If package weighs over 70 lbs., apply the “Over 70 lbs.” sticker for overweight shipments.
 - The length and girth combined per package does not exceed 165 inches.
 - The maximum length per package does not exceed 108 inches.
 - Shipment does not exceed \$50,000 value per package.
 - Total shipment value does not exceed \$70,000 unless otherwise instructed by the Kmart Buyer.

Note: Multiple packages for a single store destination that can be consolidated and weigh less than the 150 lbs. limit should be packed in a master carton. When combining into a master carton, indicate “**Master Carton**” on the outside of the shipping container.

- ☐ If your shipment exceeds the above criteria, complete and submit the **Gem and Jewelry Transportation Expense Quote Form**.
 - Submit the completed form prior to noon (CST/CDT), 2 business days prior to the requested pick-up date.
 - The form is located in the Guides & Reference section of Vendor Portal under “Forms”.
 - Complete the form for each shipment and return as instructed on the form.
 - SLS Specialized Transportation will coordinate the transportation with an armored carrier and email the form containing the carrier information back to you within 24 hours of your requested pick-up date.

Shipping & Transportation Routing

UPS Shipping Requirements

- ☐ All UPS shipments of Fine Jewelry must be shipped on a **Monday, Tuesday or Wednesday**.
- ☐ The vendor is responsible for contacting UPS at 1-800-PICK-UPS (1-800-742-5877) to schedule a pick-up.
 - When calling UPS, identify your company as an authorized Kmart vendor. This will enable UPS to recognize your location as a participant in the SHMC/UPS agreement.
- ☐ The UPS Worldwide Automated Shipping System or a third-party system with the ability to capture full Package Level Detail ("PLD") for each individual package is required.
 - Follow the instructions listed under "UPS Shipping System Requirements" in section 9.2.
- ☐ Type of Service and UPS Billing Option must be **UPS 2nd Day Air, Third-Party Billing**.

Kmart UPS Third-Party Billing Account Number & Address - All Fine Jewelry UPS Shipments

- Kmart UPS Account Number: **2735EX**
 - Kmart UPS Third-Party Billing Address:
DSD
3333 Beverly Road
Hoffman Estates, IL 60179
- ☐ The Ship To information must be printed on the UPS shipping label as follows:
- JDC #8763
8374 N 4000 East, Door 368
Manteno, IL 60950

Armored Carrier Shipments

- ☐ The following requirements apply to Fine Jewelry shipments to the Jewelry Distribution Center for which an armored carrier is assigned:
 - Ship all product in the armored carrier's exclusive bags. The bags can be requested through SLS Specialized Transportation (1-847-645-5536).
 - Each bag must not exceed 50 lbs. gross weight. There is no minimum weight requirement.
 - Bag dimensions must not exceed 18"x18"x18".
 - An armored carrier's Airbill of Lading and seal must be provided for each bag.

Transportation must be requested via the **Gem and Jewelry Transportation Expense Quote Form** prior to noon (CST/CDT), 2 business days prior to the requested pick-up date. The form is located in the Guides & Reference section on Vendor Portal under "Forms".

Shipping & Transportation Routing

9.2.b Direct-to-Store Routing Procedures

The shipping instructions in this section apply to collect shipments of all merchandise **except Fine Jewelry and Watches** routed direct to Kmart stores. For direct-to-store shipments of Fine Jewelry and Watches, see section 9.2.c.

Direct-to-Store Routing Instructions for Stores Located in the Contiguous U.S.

Transportation Mode

- ☐ It is the vendor's responsibility to select the appropriate transportation mode for direct-to-store shipments based on the following criteria:

Mode	Criteria
Parcel (UPS)	Ship via UPS if: The weight per package or master carton is less than 150 lbs. The length and girth combined per package is less than 165 inches. The maximum length per package does not exceed 108 inches. The maximum weight of the shipment to a single store does not exceed 400 lbs. or 20 cartons.
LTL	Ship via LTL if: The shipment exceeds the Parcel criteria listed above. The total shipment weighs less than 14,000 lbs. The total shipment does not occupy 26 linear feet or more of a trailer.
Truckload	If your shipment exceeds the LTL criteria, then a Truckload carrier is warranted. Contact the Transportation Load Planner listed in section 9.7 - SLS Transportation Contacts.

UPS Routing Procedures

- Follow the "Small Parcel Package Routing Procedures" listed in section 9.2.

LTL Routing Procedures

- ☐ To schedule a LTL carrier pick-up, follow these steps:
- Call Menlo Logistics at (888) 257-3277 and ask for Customer Service.
 - Identify yourself as a Kmart vendor and be prepared to provide the following information:
 - Ship-point address
 - Ship-point contact name, phone and fax number
 - Destination store number and address
 - Ship-point shipping hours and shipment ready time
 - Commodity description and freight class
 - Number of pallets and/or loose cartons
 - Total weight (include weight of cartons and pallets)

Shipping & Transportation Routing

Menlo Logistics will:

- Assign the shipment to a common LTL carrier.
- Fax you booking confirmation to provide the assigned carrier name and SCAC as well as Menlo's booking number. Contact Menlo Logistics Customer Service (888-257-3277) if a fax is not received within four (4) hours after booking.

The carrier will be given the Menlo Logistics booking number and will be sent to the origin location to make the pick-up.

- ☐ All LTL freight must be ready by **8:00 A.M. local time** on the scheduled pick-up day.
- ☐ Pick-up appointments are not accepted for collect LTL shipments.

Truckload Routing Procedures

If your shipment exceeds the LTL criteria, then a Truckload carrier is warranted. Contact the appropriate Load Planner listed in the section 9.7.

Stores with Special Delivery Restrictions

Special delivery restrictions apply to the following stores as listed below.

Store 7749	Store 7777
1 Penn Plaza 250 West 34 th Street New York, NY 10119	770 Broadway New York, NY 10003

- ☐ All deliveries must be made between 7 a.m. and 11 a.m.
- ☐ Delivery equipment restricted to a maximum height of 11 feet.
- ☐ For store **7749 only**:
 - Street off-load required.
 - 24-hour advance notification to store manager (212-760-1188) for pallet/carton with a single dimension exceeding six (6) feet.

Stores Located Off-Shore

The following shipping instructions apply to collect shipments of all merchandise **except Jewelry and Watches** routed direct to stores located in Hawaii, Guam, Puerto Rico and the - U.S. Virgin Islands (St. Thomas & St. Croix). For shipments of Jewelry and Watches direct to off-shore stores, see section 9.2.c.

- ☐ Consolidate all orders into a single shipment and ship according to the following parameters:
 - Route via UPS Ground service direct to the store if the total weight of the consolidated orders does not exceed 400 lbs. and consists of no more than twenty (20) shipping cartons.
 - If the total weight of your consolidated orders exceeds UPS Ground limitations, but is less than 14,000 lbs., contact Menlo Logistics at (888) 257-3277.

Shipping & Transportation Routing

- If the total weight of the consolidated orders is 14,000 lbs. or more, and/or occupies twenty-six (26) linear feet or more of a trailer, contact Peter Shizas for routing instructions at 847-286-0209 or via email at peter.shizas@searshc.com.
- ❑ A Shipment Manifest is required for the consolidated shipment (except UPS shipments).
 - Record the routing information on the Shipment Manifest. For an LTL shipment, include the PRO or Waybill number.
 - For stores in **Puerto Rico or U.S. Virgin Islands**, fax the Manifest to **FLPAC** at (352) 873-7308, Attn: FLPAC Supervisor.
 - For stores in **Hawaii or Guam**, fax the manifest to **CAPAC** at (909) 390-4543, Attn: CAPAC Supervisor.

See Figure 9.3 for a Shipment Manifest example that includes all required information.

Export Documentation for Shipments Routed Direct to Off-Shore Stores

- ❑ The following documentation is required for **all** off-shore store shipments to **Guam, Puerto Rico and U.S. Virgin Islands**:
 - A **Shipper's Export Declaration ("SED")** when the shipment value of a single Harmonized Tariff Schedule ("HTS") Number to a single destination is greater than \$2,500 (see "Harmonized Tariff Schedule ("HTS") Number" below for further information).
 - A **Commercial Invoice** for each shipment

Additional documentation may be required depending on the value, nature and the destination of the shipment. For further information regarding shipping document requirements, contact UPS International Customer Service Center at 1-800-782-7892.

Harmonized Tariff Schedule ("HTS") Number

The U.S. Customs Service requires that any item shipped to other countries be identified with a Harmonized Tariff Schedule ("HTS") number and the correct country (or countries) of origin (including U.S.A. manufactured merchandise).

Kmart ships merchandise to **Guam, Puerto Rico and the U.S. Virgin Islands**. To accommodate the U.S. Customs Service requirements, no order is generated without indicating the HTS number(s) and the country (or countries) of origin. Items will not be listed by the buyer unless this information is provided.

- ❑ Every item must be grouped into a 10-digit HTS number so that the correct duty rate assessment can be made upon delivery into the foreign country.
 - Fines may be imposed by the receiving country if the country of origin information is missing or incorrect.

The Item Maintenance Application (IMA) includes a drop-down box that provides HTS numbers for the most commonly ordered products. For complete information regarding HTS numbers and access to the "Harmonized Tariff Schedule of the United States", visit the International Trade Commission's website at <http://www.usitc.gov/>. For help in classifying your products, contact your local U.S. Customs Service broker.

Shipping & Transportation Routing

Shipment Labeling Requirements

- ☐ For UPS shipments, label each carton/package per the GS1-128 Shipping Label requirements specified in sections 8.3, 8.3.b and 8.3.c for Direct-to-Store shipments.
- ☐ For shipments via a consolidator, label each carton per the “Carton Labeling for Off-shore Store Shipments” specified in 8.3.d and the GS1-128 Shipping Label requirements in sections 8.3, 8.3.b and 8.3.c.

Shipping & Transportation Routing

9.2.c Direct-to-Store Routing Procedures - Fine Jewelry & Watches

The shipping instructions in this section are specific to collect shipments of Fine Jewelry and Watches routed direct to Kmart stores. Direct all questions regarding Direct-to-Store shipments of Fine Jewelry and Watches to SLS Specialized Transportation at 1-847-645-5536, Monday through Friday 7:00 a.m. to 4:00 p.m. CDT/CST.

After hours, leave a voice mail message with your name, name of your company, a return phone number and a brief description of your question or request for information.

- ☐ All Fine Jewelry and Watch purchase orders must be consolidated into a **single** ship day each week.
- ☐ All Fine Jewelry shipments and specific Watch shipments (as directed by the Kmart buyer) must be insured by the shipper.
 - Risk of loss transfers to Kmart upon receipt at the store.
 - Retain proof of shipment and delivery of all merchandise.

Routing Procedures - Stores Located in the Continental U.S.

- ☐ Ship via UPS Direct to the Store if:
 - The maximum cartons per shipment do not exceed 8 (see “Note” below).
 - The weight per package or master carton does not exceed 150 lbs.
 - If package weighs over 70 lbs., apply the “Over 70 lbs.” sticker for overweight shipments.
 - The length and girth combined per package does not exceed 165 inches.
 - The maximum length per package does not exceed 108 inches.
 - Shipment does not exceed \$50,000 value per package.
 - Total shipment value does not exceed \$70,000 unless otherwise instructed by the Kmart Buyer.

Note: Multiple packages for a single store destination that can be consolidated and weigh less than the 150 lbs. limit should be packed in a master carton. When combining into a master carton, indicate “**Master Carton**” on the outside of the shipping container.

- ☐ If your shipment exceeds the above criteria, complete and submit the **Gem and Jewelry Transportation Expense Quote Form**. The form is located in the Guides & Reference section on Vendor Portal under “Forms”.
 - Submit the completed form prior to noon (CST/CDT), 2 business days prior to the requested pick-up date.
 - The form is located in the Guides & Reference section of Vendor Portal under “Forms”.
 - Complete the form for each shipment and return as instructed on the form.
 - SLS Specialized Transportation will coordinate the transportation with an armored carrier and email the form containing the carrier information back to you within 24 hours of your requested pick-up date.

Shipping & Transportation Routing

Routing Procedures - Stores Located in Hawaii, Guam, Puerto Rico & U.S. Virgin Islands

- ☐ **Ship via UPS direct to the store if:**
 - The length and girth combined per package does not exceed 165 inches.
 - The maximum length per package does not exceed 108 inches.
 - The maximum weight per package varies by destination. Contact the UPS International Customer Service Center at 1-800-782-7892 for information.
 - Total shipment value does not exceed \$500 value **per package** for stores in **Guam and U.S. Virgin Islands**, or \$50,000 value per package for stores in **Puerto Rico**.
 - Total shipment value does not exceed \$70,000 unless otherwise instructed.

Note: Multiple packages for a single store destination that can be consolidated and weigh less than the maximum for the destination should be packed in a master carton. When combining into a master carton, indicate “**Master Carton**” on the outside of the shipping container.

- ☐ If your shipment exceeds the above criteria, complete and submit the **Gem and Jewelry Transportation Expense Quote Form**. The form is located in the Guides & Reference section on Vendor Portal under “Forms”.
 - Submit the completed form prior to noon (CST/CDT), 2 business days prior to the requested pick-up date.

UPS Shipping Requirements - Fine Jewelry & Watches

- ☐ All UPS shipments of Fine Jewelry and Watches must be shipped on a **Monday, Tuesday or Wednesday**.
- ☐ The vendor is responsible for contacting UPS at 1-800-PICK-UPS (1-800-742-5877) to schedule a pick-up.
 - When calling UPS, identify your company as an authorized Kmart vendor. This will enable UPS to recognize your location as a participant in the SHMC/UPS agreement.
- ☐ The UPS Worldship Automated Shipping System or a third-party system with the ability to capture full Package Level Detail (“PLD”) for each individual package is required.
 - Follow the instructions listed under “UPS Shipping System Requirements” in section 9.2.

Stores Located in the Continental U.S.

- ☐ Type of service and UPS Billing Option must be **UPS Ground, Third-Party Billing**.
 - For special promotions, the buying department may provide direction to ship **UPS 2nd Day Air** to expedite the shipment. For these events, an exception will be made to the type of service and specific ship days will be assigned with “in store” delivery dates. These directions will apply **only** to the expedited shipments.

Stores Located in Hawaii & Puerto Rico

- ☐ Type of service and UPS Billing Option must be **UPS 2nd Day Air, Third-Party Billing**.

Shipping & Transportation Routing

Stores Located in Guam and U.S. Virgin Islands

- ☐ Type of service and UPS Billing Option must be **UPS Worldwide Express, Third-Party Billing**.

Kmart UPS Third-Party Billing Account Number & Address - All Direct-to-Store Fine Jewelry and Watches UPS Shipments

- Kmart UPS Account Number: **2735EX**
- Kmart UPS Third-Party Billing Address:
DSD
3333 Beverly Road
Hoffman Estates, IL 60179

Armored Carrier Shipments

- ☐ The following requirements apply to Fine Jewelry and Watch Direct-to-Store shipments for which an armored carrier is assigned:
 - Ship all product in the armored carrier's exclusive bags. The bags can be requested through SLS Specialized Transportation (1-847-645-5536).
 - Each bag must not exceed 50 lbs. gross weight. There is no minimum weight requirement.
 - Bag dimensions must not exceed 18"x18"x18".
 - An armored carrier's Airbill of Lading and seal must be provided for each bag.

Transportation must be requested via the **Gem and Jewelry Transportation Expense Quote Form** prior to noon (CST/CDT), 2 business days prior to the requested pick-up date. The form is located in the Guides & Reference section on Vendor Profile under "Forms".

Export Documentation for Shipments Routed Direct to Off-shore Stores

- ☐ The following shipment documentation is required for **all** off-shore store shipments to **Guam, Puerto Rico and U.S. Virgin Islands**:
 - A **Shipper's Export Declaration ("SED")** when the shipment value of a single Harmonized Tariff Schedule ("HTS") Number to a single destination is greater than \$2,500. See "Harmonized Tariff Schedule ("HTS") Number" on the following page for further information.
 - A **Commercial Invoice** for each shipment

Additional documentation may be required depending on the value, nature and the destination of the shipment. For further information regarding shipping document requirements, contact UPS International Customer Service Center at 1-800-782-7892.

Shipping & Transportation Routing

Harmonized Tariff Schedule (“HTS”) Number

The U.S. Customs Service requires that any item shipped to other countries be identified with a Harmonized Tariff Schedule (“HTS”) number and the correct country (or countries) of origin (including U.S.A. manufactured merchandise).

Kmart ships merchandise to Guam, Puerto Rico and the U.S. Virgin Islands. To accommodate the U.S. Customs Service requirements, no order is generated without indicating the HTS number(s) and the country (or countries) of origin. Items will not be listed by the buyer unless this information is provided.

- ☐ Every item must be grouped into a 10-digit HTS number so that the correct duty rate assessment can be made upon delivery into the foreign country.
 - Fines may be imposed by the receiving country if the country of origin information is missing or incorrect.

The Item Maintenance Application (IMA) includes a drop-down box that provides HTS numbers for the most commonly ordered products. For complete information regarding HTS numbers and access to the “Harmonized Tariff Schedule of the United States”, visit the International Trade Commission’s website at <http://www.usitc.gov/>. For help in classifying your products, contact your local U.S. Customs Service broker.

Shipment Labeling Requirements

- ☐ For UPS shipments, label each carton/package per the GS1-128 Shipping Label requirements specified in sections 8.3, 8.3.b and 8.3.c for Direct-to-Store shipments.
- ☐ For shipments via a consolidator, label each carton per the “Carton Labeling for Off-shore Store Shipments” specified in 8.3.d and the GS1-128 Shipping Label requirements in sections 8.3, 8.3.b and 8.3.c.

Shipping & Transportation Routing

9.3 Trailer Loading Requirements

Direct-to-DC Shipments

- ☐ All collect freight must be ready to load by **8:00 a.m.** ship point local time.
- ☐ Loading time for a collect live pick-up must **not** exceed one (1) hour for Truckload (TL) shipments, or 30 minutes for LTL shipments.
 - An accessorial charge of \$60 per hour will be assessed after the first hour (\$1 per minute).

For collect vendors, the Shipsmart POV application may combine product for DC Stock and JIT purchase orders together to obtain a Truckload quantity. Prepaid vendors may also combine product for DC Stock and JIT purchase orders to make a truckload.

- ☐ For collect and prepaid shipments that combine product for DC Stock and JIT purchase orders, load the product for the **DC Stock** purchase orders **in the nose** of the trailer, and the product for the **JIT** purchase orders **in the tail**. Refer to section 6 for information on how to distinguish JIT from DC Stock EDI 850 Purchase Orders.
 - For loose carton shipments, load the cartons for each DC's Stock purchase orders and JIT purchase orders intact with the cartons for each segregated in the trailer.
 - For shipments on shrink-wrapped pallets, load the product for each DC's Stock purchase order and JIT purchase order on its own shrink-wrapped pallet and make sure the DC Stock and JIT pallets are segregated in the trailer - Stock pallets in the nose of the trailer and JIT pallets in the tail of the trailer. Do **not** load Stock and JIT purchase orders on the same pallet.
 - If you are shipping small quantities and have questions about pallet loading versus floor loading, contact the appropriate Transportation Load Planner listed in section 9.7.
- ☐ Failure to label, load, sort and segregate your freight as listed above will cause additional handling at the DC. The additional expense of sorting and segregating your cartons will be charged back to you.
- ☐ If your load is part of a multiple pick-up "sweep", you need to bulkhead your load to prevent load-shift. It is the vendor's responsibility to secure the load.

Direct-to-DC Shipments of Game Tables and Exercise Equipment

In addition to the trailer loading requirements on the previous page, the following trailer loading requirements apply to game tables and exercise equipment, e.g., treadmills, ellipticals.

- ☐ Trailer load plans **must** be submitted and approved by the Sears Holdings Buyer **prior** to loading the product into the trailer.
- ☐ Load product inside trailers in compliance with the arrow orientation of the carton markings.
 - Make sure the package handling graphics are accurate and apply to the orientation of the product only.
 - Do not load items upside down.
 - Load game tables flat in the trailer as room permits.

Shipping & Transportation Routing

- ☐ Ensure the stack height of product inside the trailer does **not** exceed the stack height stamped on the outside of the carton.
- ☐ When the stack height exceeds 2,500 lbs., an additional pallet must be added to the stack to accommodate weight above 2,500 lbs. The position of the pallet within the stack will be noted on the trailer load plan.
- ☐ All cartons including the bottom carton are not to crush as a result of the weight of other product stacked on top or the entire weight of the stack or product (floor to ceiling inside trailer).
- ☐ In cases where trailers are loaded with mixed product, stack product with the **exact same** product on top of one another. Stacking pallets of different product on top of one another can cause weight imbalances and compromise the products in the lower pallets.

Palletized Shipments

This section contains instructions and requirements on pallet specifications, building, stacking and loading, with the exception of shipments containing game tables or exercise equipment, e.g., treadmills, ellipticals (see "Palletized Shipments of Game Tables & Exercise Equipment").

- ☐ All shipments (DC Stock and JIT) routed to a Flow-thru Center ("FTC") and all DC Stock and JIT shipments routed direct to a RSC or RDC must be palletized **except**:
 - Large cartons where fewer than 4 cartons will fit per pallet layer
 - Truckload shipments routed direct to a RSC.
 - UPS shipments

Note: It is acceptable for specific merchandise to be shipped as a pallet-sized shrink-wrapped block without an actual pallet, e.g., paper towels.

- ☐ Load the product for each DC's Stock purchase order and JIT purchase order on its own shrink-wrapped pallet. Do **not** mix Stock and JIT purchase orders on the same pallet.

Product routed to a FTC **must** be palletized. Floor loading will result in detention charges from the carrier and/or non-compliance expense offset charges from Kmart. For shipments direct to a RSC or RDC, if you believe palletization is inappropriate for your products due to additional freight expense and/or cube loss, or have questions regarding pallet requirements, send an email to Jim.ONeill@searshc.com.

Pallet Specifications

- ☐ Use good quality 40" x 48" GMA **4-way pallets** or slip sheets. Oversize cartons require oversize pallets.
 - Top decking - two 6" lead and five 4" middle
 - Bottom decking - two 6" lead (chamfered) and three 4" middle
 - 100% hardwood
 - No broken or missing boards, no double stringers, reasonably clean
 - Slip sheets should be used only for full Truckload DC Stock shipments.
- ☐ Kmart does not participate in private pallet exchange programs or purchase pallets.

Shipping & Transportation Routing

Pallet Building

- ☐ Each layer of cartons on a pallet must be easily counted.
 - If a pallet is intact upon receipt and we find cartons missing from a layer in the interior of the pallet, a shortage claim will be filed against the vendor - **not** the carrier.
- ☐ There is no height requirement for palletized product other than the product cannot be taller than the trailer.
 - The pallet should be built as high as is safe during transit without damage.
 - If pallets cannot be built to maximum height allowed to fit the trailer, build stackable pallets when product allows.
- ☐ Pallets are to be built with no product over-hang; whenever possible, the full surface area of the pallet should be utilized.
- ☐ Shrink-wrap cartons to pallets so the product is secure and does not shift during transit.
- ☐ Corner posts and other packing materials which will help protect against product damage in transit are recommended.

Single Item Pallets

- ☐ Single item pallets must be stacked based on carton handling graphics. Pallets cannot exceed item stack height.
 - Protect the contents from crushing, especially the bottom pallet layers.

Multiple Item Pallets

- ☐ Mixed item pallets must be based on carton handling graphics. Pallets cannot exceed maximum stacking height.
- ☐ Pack like items and SKU's together on the same pallet. Cartons of any one item for the same purchase order must not be on more than **one** mixed SKU pallet.
- ☐ Mixed item pallets should be limited to as few different items as possible.

Multiple Purchase Order Pallets

- ☐ You may combine product for more than one purchase order going to the same DC on a single pallet, provided product for each purchase order is separated/layered by a physical barrier, e.g., slip sheet, heavy-duty paper, cardboard, etc. **and** all of the purchase orders on the pallet are either Stock or JIT purchase orders. Do **not** mix Stock and JIT purchase orders on the same pallet.
 - Each purchase order number must be included on a “**Pallet Label/Header**” (see section 8.3.d for pallet label/header requirements).
 - Load the product for each DC's Stock purchase order and JIT purchase order on its own shrink-wrapped pallet. Do **not** mix Stock and JIT purchase orders on the same pallet.

Shipping & Transportation Routing

Multiple DC Pallets (FTC Shipments)

- ☐ Do **not** combine small orders for multiple DCs onto one pallet: Multiple DC pallets are **not** allowed. Pallets received at a FTC containing product for multiple DCs on the same pallet will result in non-compliance expense offset charges.

Display Ready Pallets

- ☐ Can be shipped on pallets or slip sheets.
- ☐ Can be of any height or size.
- ☐ Label the front of each pallet "Display Pallet for Stores".

Note: Display Ready pallets usually have their own KSN distinct from the KSN of the selling item(s).

Oversized Pallets

- ☐ Do not use oversize pallets unless an individual carton overhangs a GMA standard 48" x 40" pallet.
- ☐ Cartons that weigh more than 70 lbs. and/or are longer than 48" or wider than 40" must be shipped on an oversized pallet.

Slip Sheets

- ☐ Slip sheets can be used instead of a pallet for full Truckload DC Stock shipments **only**.
- ☐ Use slip sheets made of standard corrugated or plastic construction.
- ☐ Slip sheets should be 42 to 43 inches x 50 to 51 inches with a 2 to 3 inch flap on two adjacent sides.
 - One flap must be facing the rear of the trailer.
 - The flaps of the slip sheet must not be scored.
 - The flaps of the slip sheet must not tear when the push/pull machine (a.k.a. "slip machine") grasps the slip sheet.

Shipping & Transportation Routing

Rolled Area Rugs

- ☐ Use cradles when shipping rolled area rugs on a pallet. You may also ship them in a “coffin box”. See illustrations below.
 - Do **not** ship rolled area rugs floor-loaded.



Cradle



Coffin Box

- ☐ Failure to load, sort, segregate and label your palletized freight as listed in these instructions will cause additional handling at the destination facility. The additional expense of sorting and segregating your cartons will be charged back to you. This includes:
 - All FTC shipments for which each carton does not include the vendor name, ship-point address and destination DC unit number and address. See section 8 for carton marking and labeling requirements.
 - Any multiple DC pallets routed to a FTC where the shrink-wrap is intact and the cartons for the different DC destinations are mixed throughout the pallet.

The following pages contain actual pictures taken of “good pallets” (pallets built correctly) and “bad pallets” (non-compliant pallets) received at DC facilities, as well as comments as to why each are a “good” or “bad” pallet. Where applicable, the company name and/or logo on the cartons has been covered to protect the identity of the vendor.

Shipping & Transportation Routing

“Good Pallets” & “Bad Pallets”



Good Pallet

Cartons should fit inside the footprint of the pallet (minimal carton overhang is acceptable).



Good Pallet

Cartons should be stacked tightly and well secured with shrink-wrap (but never with tape or cardboard).

Large or heavy cartons should never be stacked on top of lighter or smaller cartons because this compromises pallet stability.



Good Pallet

Cartons should be stacked in a way that utilizes the entire pallet.

Shipping & Transportation Routing

“Good Pallets” & “Bad Pallets”, cont.



Bad Pallet

Cartons stacked on broken pallets are not only unstable, but also must be restacked by hand when they arrive at the destination.

Broken pallets can cause product damage and handler injuries.



Bad Pallet

Cartons that are not secured properly can shift or fall over during transit and create unsafe working conditions.

Pallets need to be able to survive typical travel movement.



Shipping & Transportation Routing

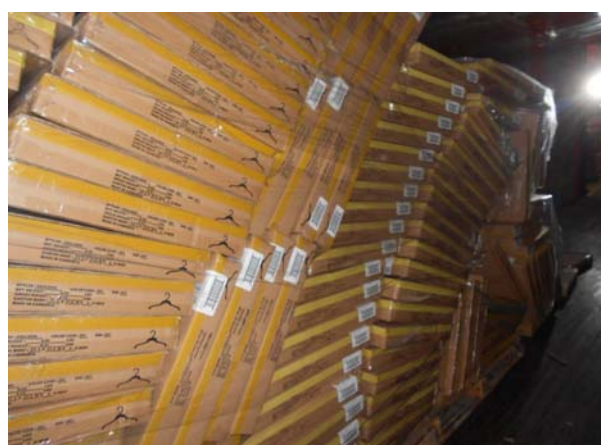
“Good Pallets” & “Bad Pallets”, cont.



Bad Pallet

Cartons that overhang the edge of the pallet become forced onto the next pallet causing a chain reaction that usually causes the remainder of the load to topple.

Often in these situations, cartons fall out of the trailer when the doors are opened.



Bad Pallet

Pallets that have empty space in the center are unsafe and very susceptible to structural collapse.

Shipping & Transportation Routing

Palletized Shipments of Game Tables & Exercise Equipment

- ☐ Use pallets when designated by the Kmart Buyer or when the product meets the following requirements:
 - Pallets are mandatory for game tables 7 feet or longer in length.
 - Pallets are mandatory for exercise equipment that is clamp only but when it is loaded into the trailer with the “wide” side facing the door, the product is too wide to unload with clamps.
- ☐ Do **not** use slip sheets in place of pallets.
- ☐ Pallets must be built to fit the exact size of the product with no product over-hang.
- ☐ Pallets must be constructed to withstand the stress of multiple moves and provide consistent support of the product.
 - Palletized product cannot sag between the “deck boards” of a pallet.
- ☐ Pallets are to be rated to carry the weight of the allocated stack, as well as the total stack height (weight) when loaded in the trailer.
- ☐ If the product is positioned in the trailer with the **narrow** side facing the trailer door and the stack weight exceeds 2,500 lbs., additional pallets must be inserted into the stack as specified in the Trailer Load Plan that was approved by the Kmart Buyer. (Game Tables only)
- ☐ If the product is positioned in the trailer with the **wide** side facing the trailer door and the stack weight exceeds 4,500 lbs., additional pallets must be inserted into the stack as specified in the Trailer Load Plan that was approved by the Kmart Buyer. (Game Tables only)
- ☐ There must be a minimum of 6 inches of space between the top of the trailer and the top of the product to allow the stack quantity to clear the lip of the trailer without damaging the product when unloading it from the trailer.
- ☐ Trailer load plans allowing side loaded or end loaded game tables are to include additional pallets that are equal to the stack height requirement. For example, stack height is 8 units on a pallet; 16 game tables are loaded on end without pallets; 2 additional pallets are required. These pallets must be sized exactly to the product. (Game Tables only)
- ☐ All product on pallets must be banded in both directions and secured to the pallet to prevent shifting.
 - The number of bands and type of bands used are to be rated to accommodate the weight of the unit stack.
 - Do **not** use metal banding.
 - To prevent bands from damaging or cutting into the product, place “L-shaped” bracing around the edges of the carton and secure to the carton.
- ☐ See Figure 9-6 for pallet specifications suitable for multiple moves and consistent support over long storage times in the distribution centers. (Game Tables only)

Shipping & Transportation Routing

- ☐ Contact the Sears Holdings Supply Chain Operations Manager for Sporting Goods with questions regarding palletized shipment requirements for game tables and exercise equipment. Sears Holdings Supply Chain Operations Managers are listed by product type in the “Vendor Support” section of the Directory of Contacts on Vendor Portal under “Contact Us”.

Pest Infestation

It is Sears Holdings policy that all inbound trailers will be inspected for evidence of pest infestation. Trailers that are found to be infested or have evidence of infestation will be refused and the merchandise in the trailers will be rejected.

Upon receipt of a trailer at the dock, and prior to the off-loading of merchandise, the freight handler will inspect the trailer for the following:

- ✓ Signs of infestation such as:
 - Chewing
 - Droppings
 - Nesting
 - Dead rodents/insects
- ✓ Presence of irregular odors such as:
 - Insect spraying
 - Coffee grounds
 - Chemicals
- ✓ Webs, nesting material behind shrink-wrapped merchandise, cocoons, larvae.
- ✓ A black light inspection will be conducted to check for evidence of rodent urine.
- ☐ If the load is determined to be infested before or during the unloading of the shipment, the following actions will be taken:
 - Entire load will be rejected. If a dropped trailer, the carrier will be notified to pick up the loaded trailer.
 - The carrier’s freight bill will be documented noting reason for rejection, e.g., “Rejected - Evidence of Infestation”.

For food products, an inspection form will be completed and forwarded to our Food Safety department noting reason for rejected shipment along with photographs showing evidence of infestation.

- ☐ Sears Holdings assumes no responsibility or liability in connection with these pest infestation policies and procedures. Vendor shall remain fully responsible for any and all infestation existing as of delivery to Sears Holdings.

Shipping & Transportation Routing

9.4 Shipment Documentation

This section provides information on the **paper** shipping documents required for shipments to Kmart DCs and direct to Kmart retail stores. The shipping documents required for each shipment are based on the shipment routing as listed below. See section 9.5 for EDI 856 Ship Notice (ASN) instructions and requirements.

Shipments Routed to a FTC

- ☐ Bill of Lading consigned to the FTC for each trailer - **not** for each DC unit number).
- ☐ FTC Master Manifest for each trailer.

Shipments Routed Direct to a RSC or RDC

- ☐ Bill of Lading for each destination DC and trailer (except UPS shipments).
 - For shipments that combines product for DC Stock and JIT purchase orders, a separate Bill of Lading for each DC address is not necessary. A single Bill of Lading may include all purchase orders with the JIT orders identified as such. The DC main building and the JIT building are considered the same destination for purposes of receiving shipments of DC Stock and JIT purchase orders.

Shipments Routed Direct to the FMI Warehouse

- ☐ Bill of Lading for each trailer (except UPS shipments).

Shipments Routed Direct to the Jewelry Distribution Center (“JDC”)

- ☐ Bill of Lading (except UPS shipments)
- ☐ Shipment Manifest
- ☐ Packlist for each purchase order

Shipments Routed Direct-to-Store via LTL & TL (includes shipments direct to off-shore stores - Guam, Hawaii, Puerto Rico and the U.S. Virgin Islands, and Direct-to-Store shipments of live plants)

- ☐ Bill of Lading for each store destination and trailer
- ☐ A Shipment Manifest for each shipment to an off-shore store (except UPS shipments and shipments of live plants)
- ☐ A Packlist for each store
- ☐ Export documentation for shipments to Guam, Puerto Rico or the U.S. Virgin Islands (see section 9.2.b and 9.2.c)

Note: Do **not** ship Direct-to-Store unless you are a certified Direct-to-Store vendor or have been asked to do so by the Supply Chain Operations Manager to expedite a shipment (except shipments direct to off-shore stores).

Shipping & Transportation Routing

Shipments Routed Direct-to-Store via UPS (includes shipments direct to off-shore stores - Guam, Hawaii, Puerto Rico and the U.S. Virgin Islands)

- ☐ A Packlist for each store
- ☐ Export documentation for shipments to Guam, Puerto Rico or the U.S. Virgin Islands (see section 9.2.b and 9.2.c)

Note: Do **not** ship Direct-to-Store unless you are a certified Direct-to-Store vendor or have been asked to do so by the Supply Chain Operations Manager to expedite a shipment (except shipments direct to off-shore stores).

All Shipments

- ☐ Include complete and accurate information in all shipping documents.
- ☐ Include **only** the required shipping documents - do **not** include any invoice copies, picking tickets, or other documents used in your internal process.

Bill of Lading

- ☐ To ensure proper handling by the carrier and facilitate receipt at the destination, all shipments **except** UPS shipments must be accompanied by a Bill of Lading.
- ☐ A **single** Bill of Lading is required for **each destination and trailer**. A Bill of Lading is not required for UPS shipments; however, a Bill of Lading number is mandatory in the EDI 856 Ship Notice (ASN) for every shipment. See section 9.5 - "EDI 856 Ship Notice (ASN)" for instructions on handling the required Bill of Lading number in the EDI 856 Ship Notice (ASN) for UPS shipments.
- ☐ If shipping product for multiple purchase orders in the same trailer for the same destination, a **single** Bill of Lading must be provided to include information for all purchase orders loaded in the trailer. **Do not provide a separate Bill of Lading for each purchase order.**
 - If shipping multiple trailers to the same destination, a separate Bill of Lading is required for **each trailer**. A single Bill of Lading must never exceed a single trailer.
 - If shipping product for more than one destination in the same trailer, a separate Bill of Lading is required for **each destination**. A single Bill of Lading must never exceed a single destination.
- ☐ For shipments of finished product containing composite wood products, the Bill of Lading (or EDI 810 Invoice) must include the ATCM statement to affirm compliance (see section 3 Business Standards for information regarding "California Air Resource Board Standards for Composite Wood Products").
- ☐ Retain a copy of all Bills of Lading for a minimum of 2 years.

Shipments Routed to a FTC

- ☐ For collect RSC shipments routed to a FTC, provide a Bill of Lading for each trailer that reflects the FTC address as the "Consign To" destination and includes total cartons and total weight loaded in the trailer for each RSC included in the shipment, in addition to a list of all purchase orders in the trailer.

Shipping & Transportation Routing

- ☐ If the routing instructions call for both Sears and Kmart product to be loaded in the same trailer, include total cartons, total weight and purchase order information **for both** on the **same** Bill of Lading.

Shipments Routed Direct to a RSC, RDC, FMI Warehouse or Jewelry Distribution Center

- ☐ Provide a Bill of Lading for each destination unit number and trailer.
- ☐ If shipping product for both Kmart and Sears in the same trailer, include total cartons, total weight and purchase order information **for both** on the **same** Bill of Lading.
 - If shipping any products classified as Hazardous Material, your Bill of Lading must include all DOT and FMCSA required information.

Direct-to-Store Shipments

- ☐ For LTL and TL shipments, provide a Bill of Lading for each destination store and trailer (Bill of Lading not required for UPS shipments).

Bill of Lading Format

Kmart does not require a specific format for the Bill of Lading. You may use the Bill of Lading you use for other trading partners **provided that you include specific information required by Kmart** (see below). Kmart highly recommends that vendors use the VICS Standard Bill of Lading as it provides all required information.

- If using the VICS Standard Bill of Lading for shipments routed to a FTC, use the FTC address as the 'Ship To' address and do **not** provide an Underlying Bill of Lading for each DC facility.

Required Bill of Lading Information

- ☐ The following information is required on each Bill of Lading:
 - Vendor name and complete address
 - Shipping point address (if different than above) and route (carrier)
 - Destination unit number and address
 - Bill of Lading Number (must be unique and **exactly the same as transmitted in the associated EDI 856 Ship Notice**)
 - Date shipped
 - Kmart department number(s)
 - Total number of shipping units (cartons or pallets), total weight and total cube. For total weight, include the weight of all packaging and pallets.
 - For palletized shipments, include the carton count for each pallet with the statement: "(Number) of cartons on (number) of pallets" in the body of the Bill of Lading.
 - Commodity description as stated in the National Motor Freight Classification (N.M.F.C.). Must be accurate including density or value, item number and sub class when applicable. Any doubt concerning the correct N.M.F.C. description of your freight should be called to the attention of a carrier representative or to Menlo Logistics at 888-257-3277.

Shipping & Transportation Routing

- All purchase order numbers and the purchase order type for each (“**R**” for DC Stock [Replenishment] or “**J1**” for JIT). **Note:** For **JIT** shipments, use the DC-level (“rolled up”) purchase order number(s) on the Bill of Lading - **not** the individual store purchase order numbers. The EDI 856 Ship Notice must contain each store purchase order number. See section 6 - “Purchase Orders” for information on JIT EDI 850 Purchase Orders.
- Delivery date received in the purchase orders.
- For collect shipments, include the Shipsmart POV 11-digit Load Number assigned to the shipment as provided on the Vendor Load Report.
- Seal number for Truckload direct to DC shipments.
- ☐ For collect LTL shipments with Menlo Logistics assigned as the carrier on the Load Report, the following additional information is required on the Bill of Lading:
 - The assigned carrier’s name and SCAC (“MLOG”)
 - The Menlo Logistics booking number preceded by “Menlo Booking No.”
 - The following freight “Bill To” information:
Prepaid 3rd Party Freight
Sears Logistics Services, Inc.
c/o Menlo Logistics
PO Box 5159
Portland, OR 97208
- ☐ Do **not** include the above freight billing information on any Bills of Lading for Truckload (“TL”) shipments or vendor prepaid shipments.

Bill of Lading Number

- ☐ The Bill of Lading number assigned to each Bill of Lading must be unique and consist of **no less than 5 or more than 17 numeric characters**.
 - If using the VICS Standard Bill of Lading, follow the VICS Guidelines for creating the numeric Bill of Lading number.
 - Do **not** include any alpha characters, spaces, hyphens or other non-numeric characters in the Bill of Lading number.
 - Do **not** reuse the same Bill of Lading number for a minimum of 90 days.
- ☐ Include the **exact** Bill of Lading number printed on each Bill of Lading in the REF*BM segment (REF02) of the associated EDI 856 Ship Notice (ASN) for each shipment. For collect shipments routed to a FTC, also include on the FTC Master Manifest.
- ☐ For shipments routed to a FTC, use the Bill of Lading number from the Bill of Lading consigned to the FTC in the EDI 856 Ship Notice (ASN) for each DC (use the **same** Bill of Lading number in the 856 Ship Notice for each DC unit number).

Note: A Bill of Lading is not required for UPS shipments. See section 9.5 - “EDI 856 Ship Notice (ASN)” for instructions on handling the mandatory Bill of Lading number in the EDI 856 Ship Notice for UPS shipments.

Shipping & Transportation Routing

FTC Master Manifest

- ☐ A FTC Master Manifest is required for each collect shipment routed to a FTC. Vendors are required to use the on-line “**FTC Master Manifest**” form provided in the “Guides & Reference” section on Vendor Portal under “Forms”. Refer to Figure 9.2 for an example of the FTC Master Manifest.
 - Access the form on Vendor Portal by clicking on “FTC Master Manifest”.
 - Save the form to your desktop, complete by providing all required information, print and include with each FTC shipment as instructed in “Shipping Documents Handling”.
- ☐ Use the FTC Master Manifest **only for collect shipments routed to a FTC**. Do **not** use the FTC Master Manifest for any other shipments.
- ☐ If the routing instructions call for both Kmart and Sears product to be loaded in the same trailer, include the total cartons, total weight and purchase order information for both on the same FTC Master Manifest. For total weight, include the weight of all cartons and pallets.

Shipment Manifest

- ☐ A Shipment Manifest is required for each collect shipment routed to the Jewelry Distribution Center or direct to off-shore stores in Guam, Hawaii, Puerto Rico or the U.S. Virgin Islands (St. Croix). Create **one** Shipment Manifest that includes information for all purchase orders shipping to the destination within the same shipment.
 - Do **not** create more than **one** Shipment Manifest for a single destination unit number and shipment, e.g., do **not** create a separate Shipment Manifest for each purchase order.
- ☐ Machine-print each Shipment Manifest - hand-written documents are **not** acceptable.
 - Refer to Figure 9.3 for an example of the preferred Shipment Manifest format for shipments to the JDC. You may use a different format, but **all** required information must be included as specified in the Legend for Figure 9.3.

Manifest Number

- ☐ Assign a unique Manifest Number to each Shipment Manifest and include it on the Shipment Manifest document as illustrated in Figure 9.3.
 - Do not re-use the same number for a minimum of 90 days.

Packlist

- ☐ A **Packlist** is required for each store for all direct-to-store shipments unless the shipment is palletized and shrink-wrapped (see “**Note**” on the following page). For Fine Jewelry shipments to the JDC, a Packlist is required for each purchase order.
 - Kmart does not require a specific format for the Packlist; however, all required information must be included as specified in the “Packlist Example Legend” in Figure 9.4 for Direct-to-Store shipments and Figure 9.5 for Fine Jewelry shipments to the JDC.

Shipping & Transportation Routing

- For Direct-to-Store shipments, if you are shipping more than one purchase order for the same store unit number, include a **sub-total line** for each purchase order on the Packlist listing the total quantity shipped of all item/KSNs.

Note: In order to ship Direct-to-Store on pallets, the pallet must be built to a sufficient height with cartons **for a single store only**. See section 9.3 for requirements for palletized shipments.

Shipping Documents Handling

Shipments Routed to a FTC

- ☐ Give the Shipper Order copy of the Bill of Lading and a copy of the FTC Master Manifest to the driver.
 - For Truckload (“TL”) shipments, place a copy of the Bill of Lading and FTC Master Manifest inside the tail of the trailer.
 - For Less-Than-Truckload (“LTL”) shipments, attach a copy of **both** documents to the **last** shipping container loaded on the trailer.
- ☐ Fax or email a copy of **both** documents to the destination FTC **on the day of pick-up**. Refer to section 9.6 - “Distribution Network” for the fax number and email address for each FTC.

Shipments Routed Direct to a RSC or RDC

- ☐ **Except** for UPS and intermodal shipments, give the Shipper Order copy of the Bill of Lading to the driver (a Bill of Lading is not required for UPS shipments).
 - For intermodal shipments, place **two** copies of the Bill of Lading in a bright yellow or orange envelope labeled “Bill of Lading” and attach the envelope to a carton or pallet near floor level inside the tail of the trailer on the passenger side.

Shipments Routed Direct to the FMI Warehouse

- ☐ Give the driver the Shipper Order copy of the Bill of Lading.

Shipments Routed Direct to the Jewelry Distribution Center

- ☐ Give the driver the Shipper Order copy of the Bill of Lading.
- ☐ Place the Shipment Manifest inside the shipping carton. If shipping multiple cartons, place the Shipment Manifest inside the carton marked “Carton 1 of X”.
- ☐ Place the Packlist inside the master plastic bag or inner carton (as applicable) for each store.

Direct-to-Store Shipments via UPS (includes shipments direct to off-shore stores)

- ☐ Place a Packlist for each store in a plastic pouch and affix to the outside of one of the store’s cartons.
- ☐ Export documentation for shipments to stores located in Guam, Puerto Rico or the U.S. Virgin Islands (see section 9.2.b and 9.2.c).

Shipping & Transportation Routing

Direct-to-Store Shipments - LTL & TL

- ☐ For LTL shipments, give the Shipper Order copy of the Bill of Lading to the driver.
- ☐ For TL shipments, give the Shipper Order copy of the Bill of Lading to the driver and attach a copy to the right, rear inside wall of the trailer.
- ☐ Place a Packlist for each store in a plastic pouch and affix to the outside of one of the store's cartons.

Direct-to-Store Shipments to Off-shore Stores - LTL & TL

- ☐ Give the Shipper Order copy of the Bill of Lading to the driver. For TL shipments also attach a copy to the right, rear inside wall of the trailer.
 - For stores in **Puerto Rico or U.S. Virgin Islands**, fax the Shipment Manifest to **FLPAC** at (352) 873-7308, Attn: FLPAC Supervisor.
 - For stores in **Hawaii or Guam**, fax the Shipment Manifest to **CAPAC** at (909) 390-4543, Attn: CAPAC Supervisor.
- ☐ Place **two** (2) copies of the Packlist for each store in a plastic pouch and attach it to one of the store's shipping cartons.
- ☐ Export documentation for shipments to stores located in Guam, Puerto Rico and the U.S. Virgin Islands (see section 9.2).

Direct-to-Store Shipments of Live Plants - LTL & TL

- ☐ Give the Shipper Order copy of the Bill of Lading to the driver.
- ☐ Place a Packlist for each store in a separate envelope along with a **GS1-128 Shipping Label for each purchase order**. Usually, only one purchase order is generated for each store for a specific ship date. See section 8.3, 8.3.b and 8.3.c for GS1-128 Shipping Label requirements.
- ☐ Give the envelope to the driver to give to the store's receiving personnel.

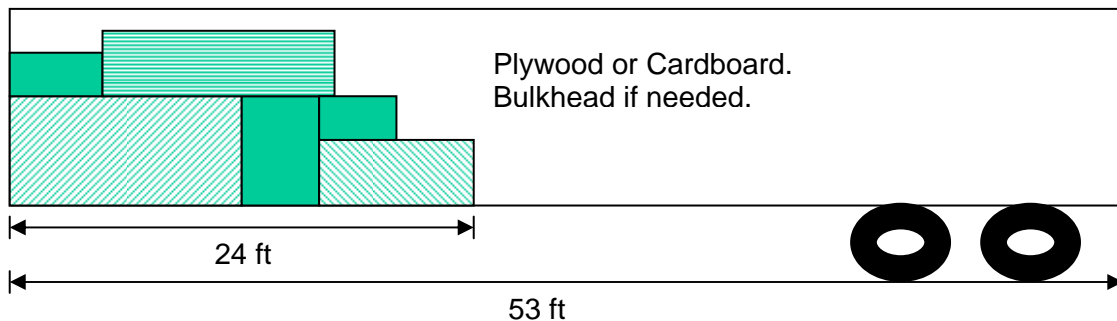
Shipping & Transportation Routing

Figure 9.1 - How to Calculate Effective Cube

Due to the difference in size and space your merchandise will utilize in a trailer, use the effective cube measurement listed below as a guideline for determining if your shipment is Less-Than-Truckload ("LTL") or Truckload ("TL"). The formula for determining effective cube is as follows:

1. Estimate the load configuration as it would be built in a 53' trailer stacked as high as is safe to prevent in-transit damage. You may need to bulkhead your load to prevent load shift. It is the vendor's responsibility to secure the load on TL shipments.
2. Determine the total linear feet of the 53' trailer required for the load.
3. Divide the total linear feet by 53 and multiply by 4,000.
4. Round up the total.

Example:



For the above example: $\frac{24}{53} \times 4,000 = 1812$ effective cube (rounded up).

Other Examples:

- A full trailer would be 4,000 effective cubic feet.
- 75% of a trailer would be 3,000 effective cubic feet.
- 50% of a trailer would be 2,000 effective cubic feet.
- 25% of a trailer would be 1,000 effective cubic feet.
- 48 feet of a trailer would be 3,623 effective cubic feet.
- Rule of thumb is that a non-stackable standard pallet = 150 effective cube and a stackable standard pallet = 75 effective cube.

Kmart Vendor Information Guide



Shipping & Transportation Routing

Figure 9.2 - FTC Master Manifest Example

FTC MASTER MANIFEST									
VENDOR:				LOAD NO./BOOKING NO.:		SHIP DATE:		FTC USE ONLY	
Vendor Name:				(2)		(3)		Unloader Name:	
Ship Point Street Address: (1)								(4)	
Ship Point City/State/Zip:									
No. Shipping Units *		Kmart/Sears References				No. Shipping Units *		Outbound to DC Trailer No.:	
Pallets/ Skids:	Loose Cartons:	Destination :	Bill of Lading Number (Must be same as transmitted in ASN)	Division:	Weight:	Pallets/ Skids :	Loose Cartons :		
(5)	(6)	420	Columbus, OH	(7)	(8)	(9)	(10)	(11)	(12)
		425	Jacksonville, FL						
		440	Manteno, IL						
		443	Wilkes-Barre, PA						
		446	Memphis, TN						
		447	Garland, TX						
		449	Delano, CA						
		87420	Columbus, OH						
		87425	Jacksonville, FL						
		87440	Manteno, IL						
		87443	Wilkes-Barre, PA						
		87446	Memphis, TN						
		87447	Garland, TX						
		87449	Delano, CA						
		6282	Columbus, OH						
		8272	Sparks, NV						
		8273	Lawrence, KS						
		8275	Fairless Hills, PA						
		8287	Ontario, CA						
		8288	Greensboro, NC						
		8289	Manteno, IL						
		8290	Brighton, CO						
		8292	Ocala, FL						
		8298	Newnan, GA						
		8305	Warren, OH						
		8780	Mira Loma, CA						
		8781	Chambersburg, PA						
		8936	Groveport, OH						
		8937	Forest Park, GA						
		7992	Mira Loma, CA						
		8110	Mira Loma, CA						
		8991	Dodgeville, WI						
		8992	Dodgeville, WI						
(13)	(14)	Does shipment include cartons for JIT purchase orders? Yes <input type="checkbox"/> No <input type="checkbox"/> (15)				(16)	* Unit is either a carton (non-skidded/loose), or a shrink-wrapped pallet/skid. Indicate the number of units consigned to each DC.		

See "FTC Master Manifest Legend/Instructions" on the following page for the information required in each numbered section within the above example.

Shipping & Transportation Routing

FTC Master Manifest Legend/Instructions

1. Enter your company name and ship point address, city, state, and zip code.
2. Enter the assigned Load Number or Booking Number (from routing instructions).
3. Enter the actual date of shipment - do not pre-date.
4. **Do not write in this space** - for FTC use only.
5. Enter the total quantity of pallets you have to ship for each Distribution Center ("DC").
6. Enter the total quantity of loose cartons you have to ship for each DC. If shipping a mixed load (pallets and loose cartons), list **only** the total quantity of loose cartons in this column.
7. Enter your Bill of Lading number for each DC for which you have product to ship. This must be the **exact BL number printed on the Bill of Lading document and transmitted in your associated EDI 856 Ship Notice (ASN) for each DC unit number**.
8. Enter each Sears or Kmart department (a.k.a. "division") number.
9. Enter the total weight of shipping units (pallets and cartons) for each DC unit number. Include the weight of all cartons and pallets.
10. **Do not write in this column** - for FTC use only.
11. **Do not write in this column** - for FTC use only.
12. **Do not write in this column** - for FTC use only.
13. Enter the total quantity of pallets for all DCs.
14. Enter the total quantity of loose cartons for all DCs. If shipping a mixed load (pallets and loose cartons), list **only** the total quantity of loose cartons in this column.
15. Check (X) whether or not shipment includes cartons for **JIT** purchase orders (check "Yes" or "No")
16. Enter total weight in the shipment - pallets and cartons (including the total weight of all cartons and pallets).

Shipping & Transportation Routing

Figure 9.3 - Shipment Manifest (for Off-shore Store Shipments and Fine Jewelry Shipments to the JDC)

SHIPMENT MANIFEST (1)				
Ship From: Vendor Name (2)		Ship To: JDC # 8763 (3)		
Ship-point street address		8374 N 4000 East, Door 368		
City, State Zip Code		Manteno, IL 60950		
Manifest Number (4)		Ship Date: (5)		
Store #	PO Number	Dept #	Total Ctns/Pkgs	Total Weight
(6)	(7)	(8)	(9)	(10)
(11) Sub-Total Store # _____				
(11) Sub-Total Store # _____				
Totals:			(12)	(13)

Shipment Manifest Legend

1. "Shipment Manifest" must be printed at the top of the document.
2. Ship From company name and complete address of shipping location (use your company name as provided to Kmart - do **not** use a third-party shipper name).
3. Ship To destination name, unit number, and address. For off-shore store shipments, use "Sears Logistics Services, Inc." as the Ship To Name. For Fine Jewelry shipments to the JDC, use "JDC #8763" as the Ship To name.
4. Manifest Number.
5. Date of shipment.
6. Store unit numbers - **list in numerical sequence**.
7. Kmart purchase order number(s) for each store.
8. Kmart department number for each purchase order number.
9. Total cartons/packages shipped for each purchase order number.
10. Total weight of cartons/packages shipped for each purchase order.
11. Sub-total line for total cartons/packages and total weight shipped for each store unit number (if only a single purchase order for each store, a sub-total line is not required).
12. Total quantity of cartons/packages for all stores and purchase orders.
13. Total weight of all cartons/packages for all stores and purchase orders.

Shipping & Transportation Routing

Figure 9.4 - Direct-to-Store Packlist

PACKLIST (1)							
Shipped From: Vendor Name Ship-Point Street Address City, State Zip (2)				Ship To: Kmart Store #XXXX (3) Street Address City, State Zip			
Ship Date: 04/06/12 (4)							
Dept #	PO#	KSN	Description	Item Qty	UOM	Item Cost	HTS #
(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
41	13511115	012345678	Portable TV	24	Ea.		
"	"	012346782	"	12	Ea.		
"	"	012345676	"	30	Ea.		
(13) Total:				66	Ea.		
42	18311128	015236723	DVD Player	6	Ea.		
"	"	016654317	Camcorder	6	Ea.		
(13) Total:				12	Ea.		
(14) Total:				78	Ea.		
(15) Total Cartons:					78		
Country of Origin: China (16)							

See "Packlist Example Legend" below for an explanation of the information required in each numbered section in the above example. **Note:** Shaded areas are required for direct to offshore store shipments to Guam, Puerto Rico or U.S. Virgin Islands shipments **only**. The example does is not in a required format and does not include factual information.

Packlist Example Legend

1. "Packlist" must be printed at the top of the document.
2. Ship From company name and complete address of shipping location (use the company name as provided to Kmart - do **not** use a third-party shipper name)
3. Destination "Kmart Store", unit number and address (use same as received in the EDI 850 Purchase Order).
4. Date of shipment
5. Kmart department number - if more than one, list in numerical sequence
6. Purchase order number - if more than one for the same store, list each
7. KSN ("Key Stock Number") for each purchase order number
8. Merchandise description (you may also include your item/model number)
9. Quantity shipped of each KSN for each purchase order (sub-total required only when merchandise for more than one purchase order is shipped to the same store)
10. Unit of measure for KSN (use same as received in associated 850 P.O.).

Shipping & Transportation Routing

Packlist Example Legend, cont.

11. Cost for each item/SKU (Guam, Puerto Rico and U.S. Virgin Islands shipments only)
12. 10-digit Harmonized Tariff Schedule ("HTS") number (Guam, Puerto Rico and U.S. Virgin Islands shipments only)
13. Sub-total quantity of all KSNs shipped for each purchase order
14. Grand total quantity of all KSNs shipped to the store
15. Total cartons shipped to the store (Guam, Puerto Rico and U.S. Virgin Islands shipments only)
16. Country of Origin - include if made in U.S (Guam, Puerto Rico and U.S. Virgin Islands shipments only).

Shipping & Transportation Routing

Figure 9.5 - Packlist for Fine Jewelry Shipments to the JDC

PACKLIST (1)			
Shipped From: Vendor Name Ship-Point Street Address (2) City, State Zip		Shipped To: JDC #8763 8374 N 4000 East, Door 368 (3) Manteno, IL 60950	
Ship Date: (4)	Dept # (5)	PO # (6)	Packed By: (7)
KSN	Merchandise Description	Qty	Unit
(8)	(9)	(10)	(11)
012345678	14K Necklace	1	EA.
012346782	14K Bracelet	1	EA.
012345676	Diamond Ring	1	EA.
(12) Total:		3	EA.

Packlist Legend

1. "Packlist" must be printed at the top of the document.
2. Ship From company name and shipping location address (use your company name - do not use a third-party shipper name).
3. Ship To destination name, unit number (8763), and address. Use "JDC" as the Ship To name.
4. Date of shipment.
5. Kmart department number - if more than one, list in numerical sequence.
6. Kmart purchase order number.
7. Name or initials of person who packed the carton(s).
8. KSN ("Key Stock Number") for each purchase order number
9. Merchandise description for each KSN.
10. Total unit quantity of each KSN shipped for the purchase order.
11. Unit of measure for each KSN (use same as received in associated 850 PO).
12. Total quantity shipped of all KSNs for the purchase order.

Shipping & Transportation Routing

9.5 EDI 856 Ship Notice (ASN)

Receipt of a valid and correct EDI 856 Ship Notice for each shipment prior to trailer arrival is vital to the receiving function in Kmart distribution facilities and stores. Missing, invalid, and/or incorrect 856 transactions can result in receiving delays, receiving errors, shortage and overage claims ("SQCs"), delays in invoice payment, and non-compliance expense offsets assessed against the vendor. This section provides specific information regarding Kmart EDI 856 Ship Notice requirements.

- ☐ Transmit **one** 856 for each DC or store destination that includes information for **all** purchase orders and merchandise loaded in a single trailer.
One trailer to one destination = one Bill of Lading = one EDI 856
 - Do **not** transmit more than one 856 for a single destination and trailer, e.g., do **not** transmit a separate 856 for each purchase order.
- ☐ If shipping multiple trailers direct to the same destination, a separate 856 is required for each trailer.
 - A single 856 must **never** exceed a single trailer.
- ☐ If shipping product for multiple destinations in the same trailer, a separate 856 is required for each destination.
 - A single 856 must **never** exceed a single destination.
- ☐ For UPS shipments, transmit a **single** 856 for all purchase orders and cartons included within a single shipment to a single destination.
- ☐ The Bill of Lading number must be included in each 856 (except UPS shipments - see below) and **match exactly** the Bill of Lading number printed on the associated Bill of Lading document.
 - **Important:** For UPS shipments, you may omit the REF*BM segment (for the BOL number) in your 856 if you use UPS, RPS, USPS, UPSN, UPSS or FEDX as the carrier SCAC in the TD5 segment. If you omit the REF*BM segment and do not use one of these carrier SCACs, your 856 will be rejected.
- ☐ For shipments routed to a FTC, use the Bill of Lading number from the Bill of Lading consigned to the FTC in the 856 for each RSC unit number (use the **same** Bill of Lading number in the Ship Notice for each RSC destination unit number).
- ☐ Each 856 must contain the accurate information for the purchase order(s) and product loaded in the trailer for the associated destination.
 - Kmart DCs cannot receive shipments of JIT merchandise without a valid and accurate 856.
- ☐ When re-transmitting a corrected 856, you must use the **same** Bill of Lading number.

Shipping & Transportation Routing

EDI 856 Structure

- ☐ The '**Pick & Pack**' 856 structure (Shipment<Order<Pack or Tare<Item) is **required** for all JIT and Direct-to-Store shipments.
 - Use Tare Level when shipping on for pallets and Pack Level when shipping loose cartons.
 - Do **not** use Pack and Tare levels within the **same** parent Order Level. This will cause the 856 to be rejected. If shipping pallets and loose cartons for the same purchase order, use **Pack Level** for both.
- ☐ The '**Pick & Pack**' or the '**No Pack**' 856 structure (Shipment<Order<Item) may be used for **DC Stock** shipments and shipments to the **FMI Warehouse** (GS1-128 Shipping Labels are not required).
 - If using the "Combination" or "Reverse Combination" GTIN-14 shipping label (includes SSCC-18 symbols), you may use the 'Pick & Pack' structure including each SSCC-18, **or** ignore the SSCC-18s and transmit a 'No Pack' structure.
 - An ITF-14 bar code symbol/label is required on each DC Stock shipping carton (see section 8.3, 8.3.a and 8.3.c for requirements).

Note: 'Standard Carton Pack' structure (Shipment<Order<Item<Pack or Tare) is not listed above as an 856 structure option. 'Standard Carton Pack' is **not** a valid structure for EDI 856 transactions processed by Kmart systems.

EDI 856 Timing

- ☐ A valid Ship Notice must be received and processed for every shipment **prior** to trailer arrival at the destination.
 - Kmart processes 856 transactions every 15 minutes each day.
- ☐ To ensure your 856 transaction is received and processed prior to trailer arrival at the destination, transmit the 856 immediately after trailer loading is completed.

Balance Cancel

Selected vendors may be authorized by the Sears Holdings Buyer or Inventory Management Team to provide a Balance Cancel "flag" in their EDI 856 Ship Notice. When included in an 856, Balance Cancel prompts Kmart systems to remove any unshipped quantity of an item number from the "open" order file.

- ☐ Do **not** use Balance Cancel in your 856 transactions **without authorization** from the Kmart Buyer or Inventory Management Team.

Authorized vendors may use Balance Cancel in their 856 to:

- ✓ Cancel the balance of item numbers for which a partial quantity is shipped.
- ✓ Cancel the entire order quantity of an item number. This requires a zero (0) quantity be used in the Item Level SN1 segment for the item number(s).
- ☐ Balance Cancel **cannot** be used to cancel an entire purchase order (all item numbers).

Refer to "Kmart EDI Guidelines" located in the Guides & Manuals section on Vendor Portal for EDI 856 mapping requirements.

Shipping & Transportation Routing

EDI 856 Monitoring

- ❑ To verify that your 856 transmission was received and the data was correct syntactically to ASC X12 standards, pick up your EDI 997 Functional Acknowledgment within 24 hours after transmission.
 - You should receive a 997 within 24 hours after transmission, usually much sooner.
 - If AK5 error codes are present and contain “R” (Rejected) or “P” (Partially Accepted), an email with error details will be sent to your EDI contact(s). Make the necessary corrections and re-transmit the 856.
 - If you do not receive a 997, check the Receiver ID used to ensure the 856 was transmitted to the correct Kmart 856 Receiver ID. If transmitted to the wrong receiver ID, re-transmit to the correct Kmart 856 Receiver ID.
 - If the correct Kmart Receiver ID was used, contact Sears Holdings EDI Support: Phone 800-931-3141, option 3, 5; Email: SearsEDI@searshc.com.

EDI 856 Rejection/Error Notice

Whenever errors are discovered during the 856 edit process, an automated e-mail notice is sent to the vendor's EDI Contact(s). Each e-mail notice will contain the actual data from the segment(s) in error, a description of the error(s), and the number of occurrences of each error within the transaction.

- ✓ If you receive an e-mail notice from “Bobject@searshc.com” for an 856 reflecting that “**Fatal Errors**” (see following page) were discovered, correct the error(s) and re-transmit the 856 using the **same Bill of Lading number**. If you do not understand the error(s), send an e-mail to searsedi@searshc.com.
- ✓ If you receive an e-mail notice from “edigroup@searshc.com” for an 856 reflecting that “**non-fatal errors**” (see following page) were discovered, correct the cause of the errors so there can be no re-occurrence in future 856 transmissions, but do **not** transmit a corrected 856 unless requested to do so.

To change the contact(s) who receive the EDI 856 Rejection/Error Notices, send an e-mail to searsedi@searshc.com and include the following:

- Company name
- Your Sender/Receiver ID
- Your “Pay Duns Number” (Kmart-assigned pay vendor number)
- EDI contact's e-mail address

Multiple e-mail addresses at your company can receive the notifications. Or if you prefer, you can set up a single generic e-mail address as a distribution list in your company's e-mail system for multiple people to access.

Shipping & Transportation Routing

Note: Email rejection/error notices are provided to Kmart vendors as a means of notifying them that their 856 transaction was rejected due to errors, or contained data errors. Each vendor is responsible for transmitting a valid EDI 856 Ship Notice for each shipment that contains correct data, matches the associated shipment, and is in compliance to all EDI and 856 Ship Notice requirements. Not receiving a notice for a rejected 856 or an 856 containing data errors will **not** be accepted as a reason to not assess, or to cancel previously assessed expense offset charges for EDI 856 Ship Notice non-compliance. The vendor is responsible for ensuring that their contact information (name, phone, fax and email address) for 856 rejection notices is kept up to date with Sears.

“Fatal” versus “Non-Fatal” Errors

Errors discovered during the edit process of EDI 856 Ship Notices are classified as “**Fatal**” and “**Non-Fatal**”.

- ✓ Fatal errors result in the 856 being rejected and no data sent to the destination DC or store for receiving the associated shipment.
- ✓ For Non-Fatal errors, the 856 data is sent to the destination DC or store, however, based on the specific error(s), the DC or store may not be able to use the information to receive the shipment.
- ❑ Correct all **non-fatal** errors so there can be no re-occurrence, but do **not** transmit a corrected 856 unless requested to do so.

A chart is provided on the following page provides a description of each fatal error and the data element involved.

Shipping & Transportation Routing

EDI 856 Ship Notice (ASN) Fatal Errors	
856 Data Element	Error Description
TD102 (Fatal for DC shipments only)	Total shipping containers missing, not numeric or zero (0).
REF02 (BM qualifier) (Fatal for DC shipments only)	B/L number is missing, contains all zeros (0's) or all nines (9's).
N104 (SF qualifier)	Pay Vendor Number ("Pay Duns Number") missing, not correct amount of digits, not numeric, all zeros or not found.
N104 (ST qualifier)	Ship To destination unit number not correct amount of digits (11 for DC, 9 for store), not numeric, all zeros, not valid or not on file.
PRF01	Purchase order number not correct amount of digits, not numeric, not valid or not open.
REF02 (IA qualifier) (Fatal for DC shipments only)	Kmart-assigned Vendor Number not correct amount of digits, not numeric, all zeros, not found, not valid or not on file.
MAN01 (Fatal for DC shipments only)	Qualifier not alpha "GM".
MAN02 (Fatal for JIT and D2S shipments only)	Multiple item levels included for one item number for one SSCC, SSCC duplicated within the transmission, is missing, not numeric, not 20 digits, is a duplicate SSCC (previously transmitted during past 12 months), or contains an invalid Check Digit.
LIN03 (IN qualifier)	KSN not correct amount of digits, not numeric, all zeros, not found, not on file, or is not included in the associated purchase order.
LIN05 (UP qualifier) (Fatal for D2S shipments only)	GTIN-12 (U.P.C. #) or GTIN-13 (EAN #) not numeric, all zeros or not on file.
SN102	Item quantity shipped not numeric, is zero (0), not divisible by the associated pack quantity, or is less than the carton quantity the vendor entered in IMA for the item.
SN103	Item ship quantity unit of measure does not match the unit of measure in the associated purchase order ("CA" or "EA").
SN106	Order quantity unit of measure not "CA" or "EA".

DC = Distribution Center; **D2S** = Direct-to-Store; **JIT** = Just In Time

Shipping & Transportation Routing

EDI Data from the 850 Purchase Order

The following provides the relationship of EDI 850 Purchase Order data elements that must be returned in the corresponding EDI 856 Ship Notice data elements.

Element Description	Data Element in 850	Equal to Data Element in 856
Requested Delivery Date	DTM02 (002 or 064 qualifier)	DTM02 (067 qualifier)
Method of Payment	FOB01	FOB01
Ship To	N104 (ST qualifier in N101)	N104 (ST qualifier in N101) *
Purchase Order Number	BEG03	PRF01
Assigned Vendor Number	REF02 (IA qualifier in REF01)	REF02 (IA qualifier in REF01)
KSN (Key Stock Number)	PO107 (IN qualifier in PO106) **	LIN03 (IN qualifier in LIN02)
U.P.C. Number (Retail GTIN)	PO109 (UP qualifier in PO108) **	LIN05 (UP qualifier in LIN04)
Vendor Item Number	PO113 (VN qualifier in PO112) **	LIN07 (VN qualifier in LIN06)
GTIN-14 (Shipping GTIN)	PO111 (UK qualifier in PO110) **	LIN09 (UK qualifier in LIN08)
Unit of Measure (for item shipped)	PO103	SN103
Quantity Ordered	PO102	SN105
Unit of Measure (for quantity ordered)	PO103	SN106
Number of units in the carton.	PO401	PO401
Number of units per inner pack	PO402	PO402
Unit or Basis of Measurement Code	PO403 ("CA" or "EA")	PO403

* When N101 contains qualifier "ST", qualifier '9' may be used in N103 followed by the 9-digit RSC or store Duns number plus the 4-digit DC or store unit number in N104 (as received in the 850), e.g., **N1*ST**9*1234567898781**, or qualifier '92' may be used in N103 followed by the 4-digit DC or store unit number in N104, e.g., **N1*ST**92*8781**.

** Refer to Kmart EDI Guidelines located in the Guides & Reference section on Vendor Portal for important information regarding the order of PO1 information that you may receive in EDI 850 Purchase Orders.

Shipping & Transportation Routing

9.6 Distribution Center Network

Sears Holdings' Distribution Center Network consists of:

- ✓ Seven Flow-Through Centers ("FTCs")
- ✓ Ten Regional Distribution Centers ("RDCs")
- ✓ Four Regional Specialty Centers ("RSCs")
- ✓ One National Stocking Center ("NSC")
- ✓ One FMI International Warehouse
- ✓ One Jewelry Distribution Center ("JDC")

Flow-Through Centers ("FTCs")

The 7 FTCs are used to consolidate collect vendor shipments into full outbound Truckload (TL) shipments to the RSCs, RDCs and FMI Warehouse.

Regional Specialty Centers ("RSCs")

The 4 RSCs serve as a "hub" to the RDCs. RSCs receive merchandise direct from FTCs and vendors and ship it to the RDCs for distribution to the stores.

- Except in rare circumstances, RSCs do not ship direct to stores.

Regional Distribution Centers ("RDCs")

The RDCs flow merchandise received from the RSCs, FTCs and direct from vendors to the stores.

National Stocking Center ("NSC")

The NSC is part of the Lawrence, Kansas RDC (same unit number and address). It is used to store and ship repack items that do not have a high turnover rate. All shipping requirements that apply to RDC shipments also apply to shipments to the NSC.

FMI Warehouse

The FMI Warehouse receives shipments of specific product direct from FTCs and vendors and ships the merchandise to the RDCs for distribution to the stores.

Jewelry Distribution Center ("JDC")

The Jewelry Distribution Center receives shipments of Fine Jewelry from vendors and ships the merchandise to the stores.

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Shipping & Transportation Routing

Distribution Center Information

FLOW-THRU CENTER ("FTC") FACILITIES						
Unit #	Street Address	City	State	Zip Code	Fax #	Email Address
99001	200 N. Manheim Road	Hillside	IL	60162	586-467-0199	FTC99001@menlowworldwide.com
99002	2700 Moreland Ave. SE	Atlanta	GA	30315	586-819-0433	FTC99002@menlowworldwide.com
99004	1000 Riverside Drive	Keasbey	NJ	08832	732-661-1905	FTC99004@gilbertusa.com
99006	2849 Ficus Street	Pomona	CA	91766	909-628-5746	FTC99006@gilbertusa.com
99007	550 S. Alameda Street	Compton	CA	90021	310-438-4402	FTC99007@dartinternational.com
99008	13515 48 th St. East	Sumner	WA	98390	253-891-4122	FTC99008@ptgt.net
99009	4848 Riverside Drive	Laredo	TX	78041	877-441-9477	FTC99009@timelogistics.net

IMPORTANT: FTC unit numbers are not included in EDI Purchase Orders and must **not** be included in any EDI transactions transmitted to Kmart, e.g., 810 Invoice, 856 Ship Notice, etc.

REGIONAL DISTRIBUTION CENTERS (RDCs) - DC STOCK						
Unit #	Name	Street Address	City	State	Zip Code	Phone
8272	Sparks RDC	1400 S McCarren Blvd	Sparks	NV	89431	(775) 359-2610
8273	Lawrence RDC	3051 Lakeview Road	Lawrence	KS	66049	(785) 842-9600
8275	Fairless Hills RDC	One Kresge Road	Fairless Hills	PA	19030	(215) 736-8280
8287	Ontario RDC	5600 E Airport Road	Ontario	CA	91761	(909) 390-4515
8288	Greensboro RDC	300 Penry Road	Greensboro	NC	27405	(336) 621-2111
8289	Manteno RDC	333 S Spruce Street	Manteno	IL	60950	(815) 468-3426
8290	Denver RDC	18875 Bromley Lane	Brighton	CO	80601	(303) 654-0054
8292	Ocala RDC	655 SW 52nd Ave	Ocala	FL	34474	(352) 873-7377
8298	Newnan RDC	60 Herring Road	Newnan	GA	30265	(770) 253-1050
8305	Warren RDC	541 Perkins-Jones Rd.	Warren	OH	44483	(330) 372-2273

REGIONAL DISTRIBUTION CENTERS (RDCs) - JIT						
Unit #	Name	Street Address	City	State	Zip Code	Phone
8272	Sparks RDC	1402 S McCarren Blvd	Sparks	NV	89431	(775) 359-2610
8273	Lawrence RDC	3051 Lakeview Road	Lawrence	KS	66049	(785) 842-9600
8275	Fairless Hills RDC	Two Kresge Road	Fairless Hills	PA	19030	(215) 736-8280
8287	Ontario RDC	5656 E Airport Road	Ontario	CA	91761	(909) 390-4515
8288	Greensboro RDC	302 Penry Road	Greensboro	NC	27405	(336) 621-2111
8289	Manteno RDC	395 S Spruce Street	Manteno	IL	60950	(815) 468-3426
8290	Denver RDC	18881 Bromley Lane	Brighton	CO	80601	(303) 654-0054
8292	Ocala RDC	665 SW 52nd Ave	Ocala	FL	34474	(352) 873-7377
8298	Newnan RDC	58 Herring Road	Newnan	GA	30265	(770) 253-1050
8305	Warren RDC	541 Perkins-Jones Rd.	Warren	OH	44483	(330) 372-2273

Kmart Vendor Information Guide



Shipping & Transportation Routing

Distribution Center Information, cont.

REGIONAL SPECIALTY CENTERS (RSCs)						
Unit #	Name	Street Address	City	State	Zip Code	Phone
8780	Mira Loma RSC	3100 Millikin Avenue	Mira Loma	CA	91752	(951) 727-3211
8781	Chambersburg RSC	1475 Nitterhouse Drive	Chambersburg	PA	17201	(717) 267-0356
8936	Groveport RSC	4400 S Hamilton Road	Groveport	OH	43125	(614) 836-5000
8937	Forest Park RSC	5265 Old Dixie Highway	Forest Park	GA	30297	(404) 363-6830

SPECIALTY WAREHOUSES						
Unit #	Name	Street Address	City	State	Zip Code	Phone
7992	FMI International	3355 Dulles Drive	Mira Loma	CA	91752	(951) 360-8310
8763	Jewelry Distribution Center	8374 N 4000 East, Door 368	Manteno	IL	60950	(815) 352-8278

Product Flow Paths

- ✓ Collect RSC and RDC Less-Than-Truckload (LTL) shipments are routed to a FTC for consolidation into full truckload outbound shipments to each RSC and RSC.
- ✓ Collect RSC and RDC Truckload ("TL") shipments and all prepaid shipments are routed direct to each RSC or RDC. RSC facilities receive merchandise from vendors and ship to the RDCs for distribution to Kmart retail stores.
- ✓ All collect and prepaid FMI Warehouse shipments are routed direct to each facility where the merchandise is received and shipped to the RDCs for distribution to Kmart retail stores.
- ✓ All collect and prepaid Jewelry Distribution Center ("JDC") shipments are routed direct to the JDC for distribution to Kmart retail stores.
- ✓ For vendors authorized to ship direct to Kmart retail stores, shipments are routed direct to each store.

Shipping & Transportation Routing

9.7 SLS Transportation Contacts

Shipper Services

The Shipper Services staff is responsible for:

- ✓ Ensuring routing instructions and requirements are understood by vendors.
- ✓ Premium routing requests.

The Shipper Services staff is available Monday thru Friday 7:00 a.m. - 4:00 p.m. CDT/CST.
Phone: 800-869-8376; Fax: 847-645-5492.

If calling after hours, leave a voice-mail message with your name, the complete name of your company, a return phone number, and a brief description of your question or request for information. Your call will be returned in a timely manner.

SLS Specialized Transportation

Direct all questions regarding Fine Jewelry and Watch shipments to SLS Specialized Transportation at 1-847-645-5536, Monday through Friday 7:00 a.m. to 4:00 p.m. CDT/CST.

If calling after hours, leave a voice mail message with your name, name of your company, a return phone number and a brief description of your question or request for information. Your call will be returned in a timely manner.

Transportation Load Planners

Close contact between your company and the Transportation Load Planner is necessary to ensure timely loading and delivery and/or pick-up of drop trailers. Transportation Load Planners are responsible for the planning and execution of all collect shipments planned through Shipment POV. Contact the appropriate Transportation Load Planner for the state in which your ship point is located whenever any of the following occurs:

- ✓ You have questions about the use of the Shipment POV system.
- ✓ You have questions about accessing your Vendor Load Report.
- ✓ A purchase order fails to be routed.
- ✓ A carrier misses a scheduled pick-up or calls to reschedule a pick-up date.
- ✓ A driver does not have the Load Number.
- ✓ There is not enough space on the trailer for your shipment.
- ✓ You need to cancel a scheduled pick-up.
- ✓ You need to add additional freight to an existing load.

Refer to the following page for contact information.

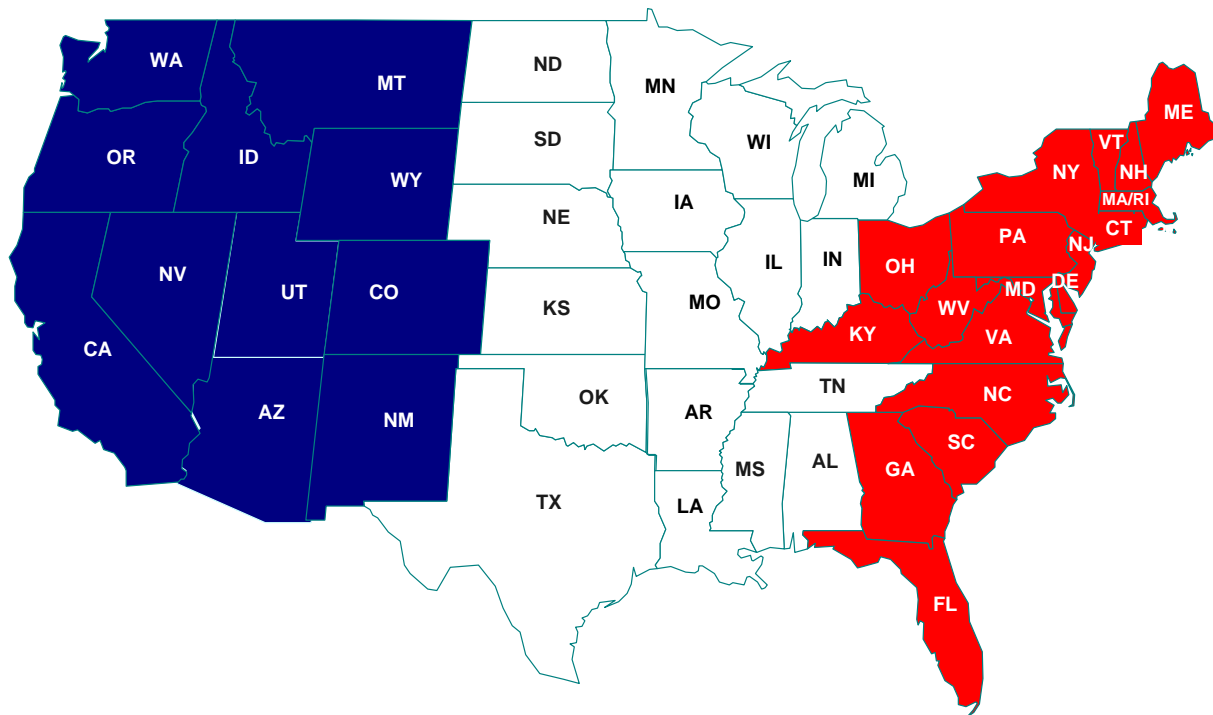
Transportation Load Planners are available Monday thru Friday 7:00 a.m. - 4:00 p.m. CST/CDT. If emailing the Load Planner, include the load number in the subject line of the email. If calling after hours, leave a voice mail message with your name, name of your company, a return phone number and a brief description of your question or request for information. Your call will be returned in a timely manner.

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Shipping & Transportation Routing

SLS Inbound Transportation Department



Note: The Central Region includes Quebec, Ontario, British Columbia and New Brunswick.

WEST REGION
EMAIL CONTACT
VendIB-West@searshc.com
OPERATIONS MANAGERS
Marlene Ruckoldt Phone: 847-645-5191
LOAD PLANNERS
Jason Stachura Phone: 847-286-6407

CENTRAL
EMAIL CONTACT
VendIB-Central@searshc.com
OPERATIONS MANAGERS
Autumn Lintz Phone: 847-286-0939
LOAD PLANNERS
Susie Seef Phone: 847-645-5201

EAST REGION
EMAIL CONTACT
VendIB-East@searshc.com
OPERATIONS MANAGERS
Bert Jobe Phone: 847-645-5168
LOAD PLANNERS
Maria Miranda Phone: 847-286-1871

Fixtures Specialist:

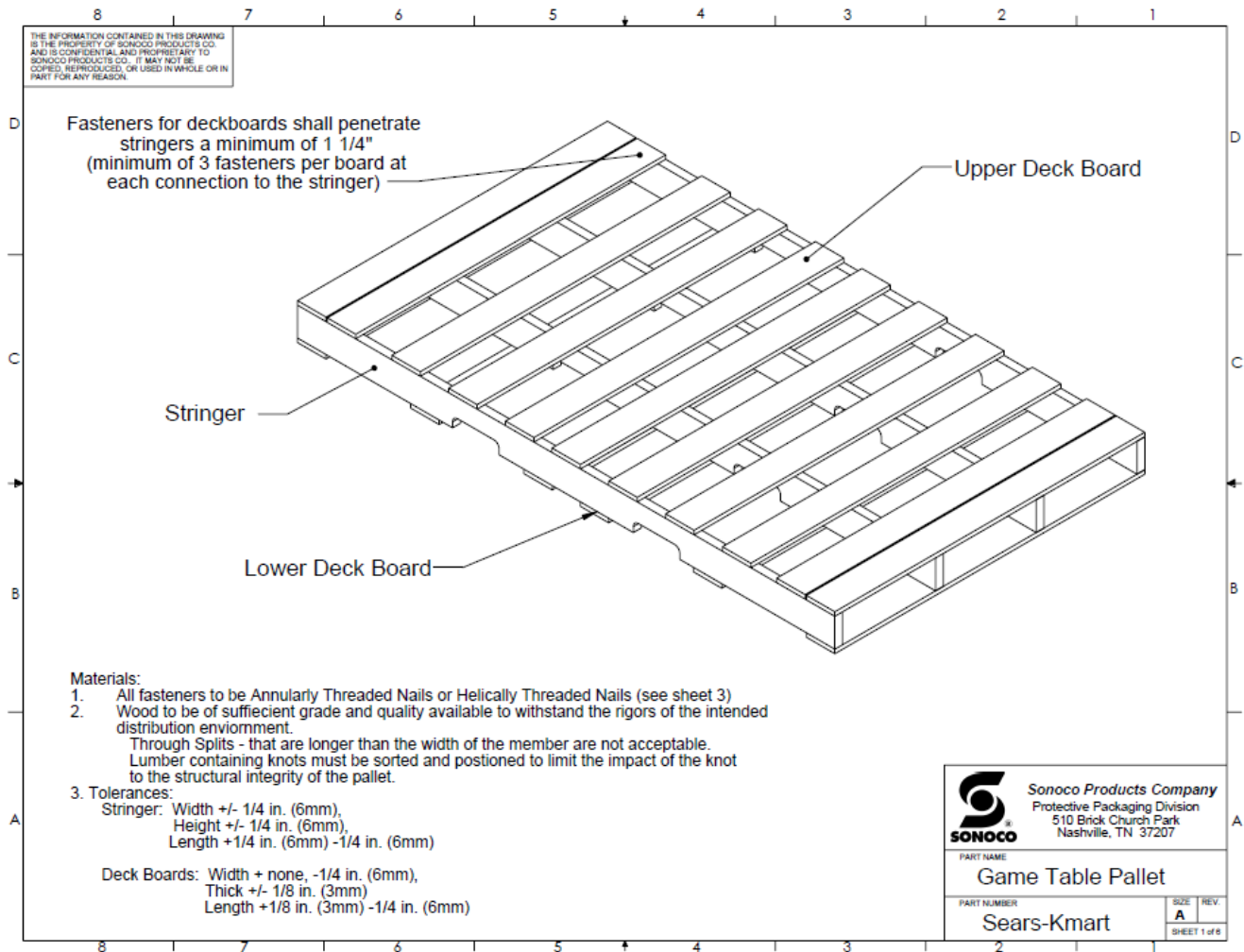
Elizabeth Cornman

Phone: 847-286-7965

Email: Vend-FIXSup@searshc.com

Shipping & Transportation Routing

Figure 9.6 - Pallet Specifications for Game Tables

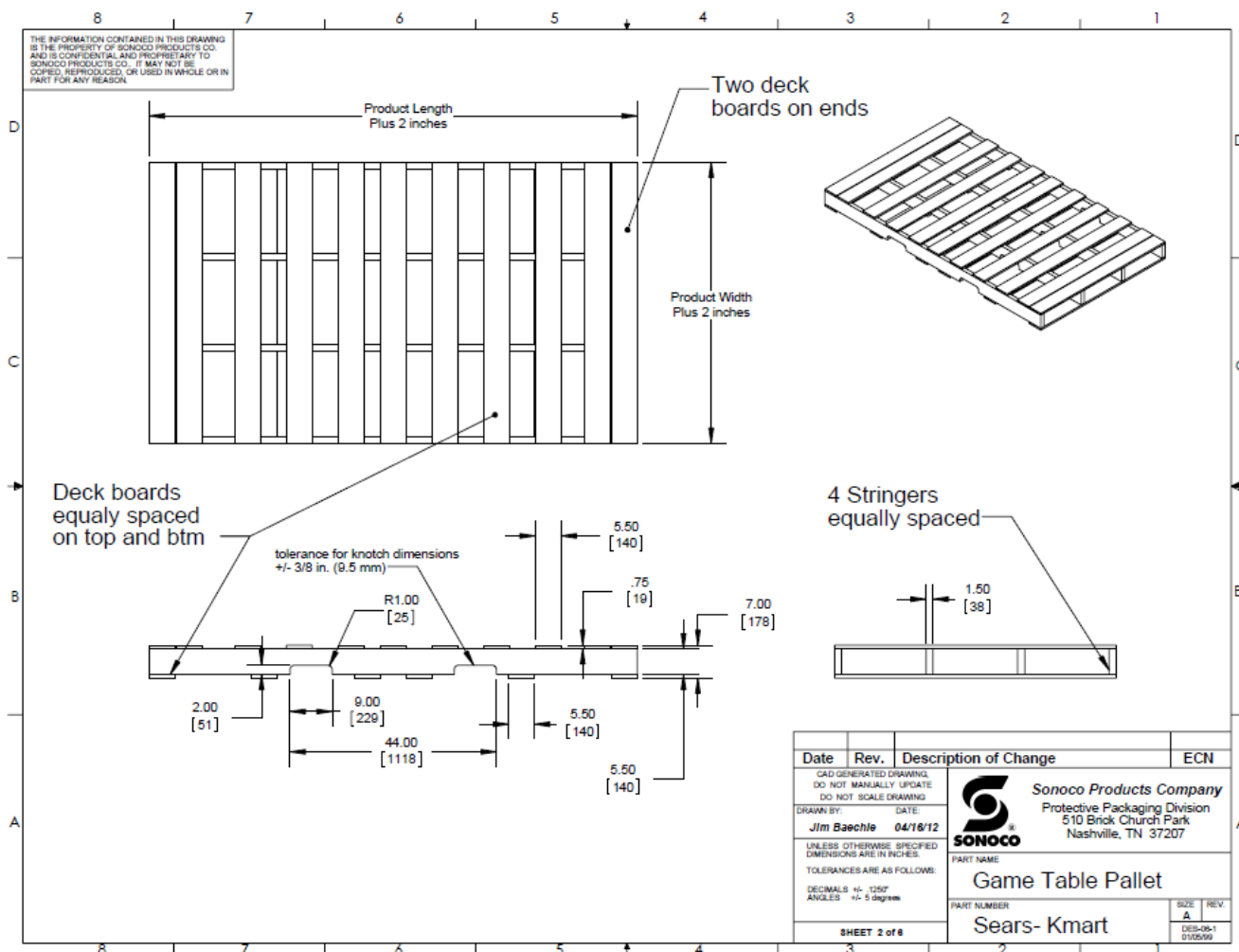


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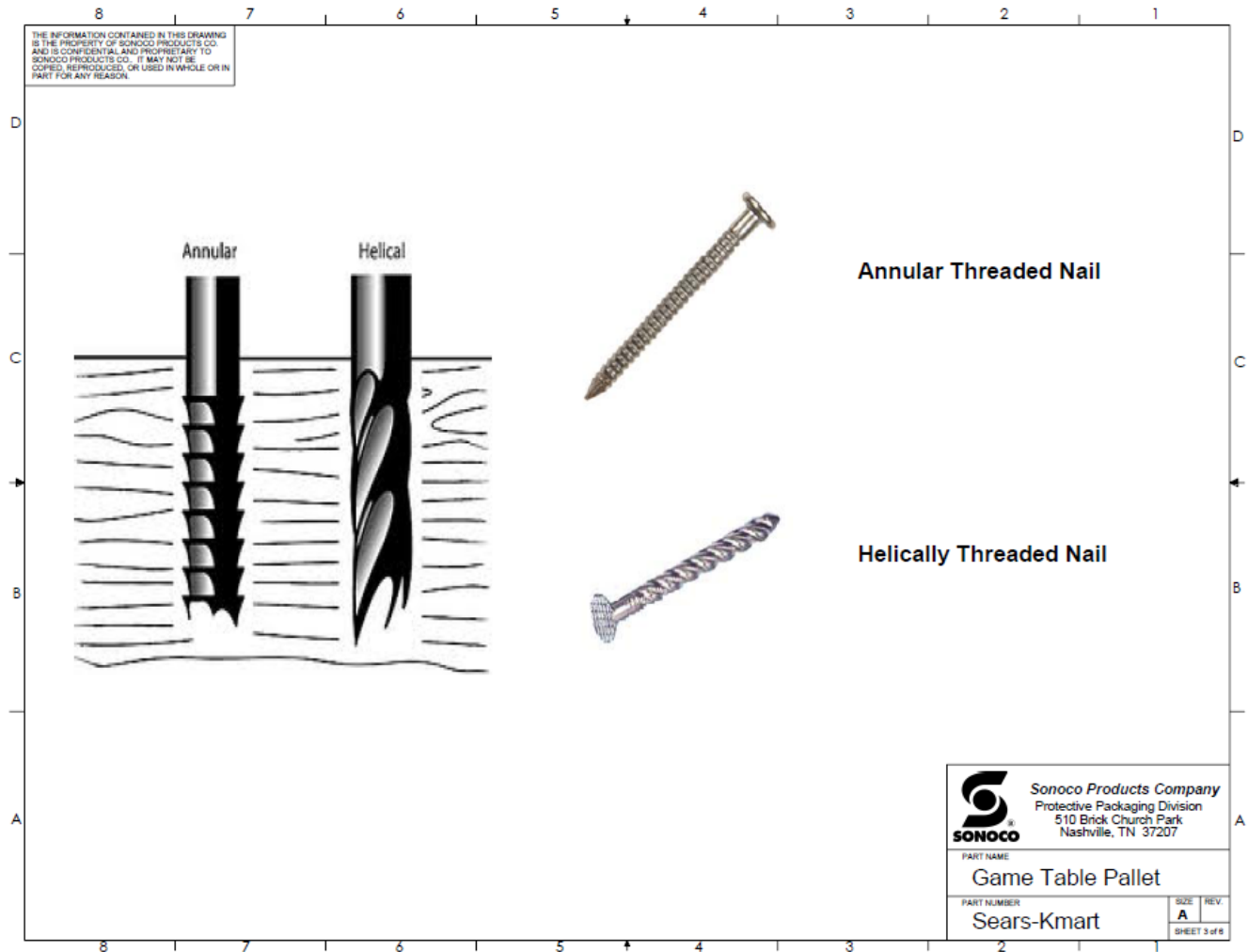
Shipping & Transportation Routing

Figure 9.6 - Pallet Specifications for Game Tables, cont.



Shipping & Transportation Routing

Figure 9.6 - Pallet Specifications for Game Tables, cont.

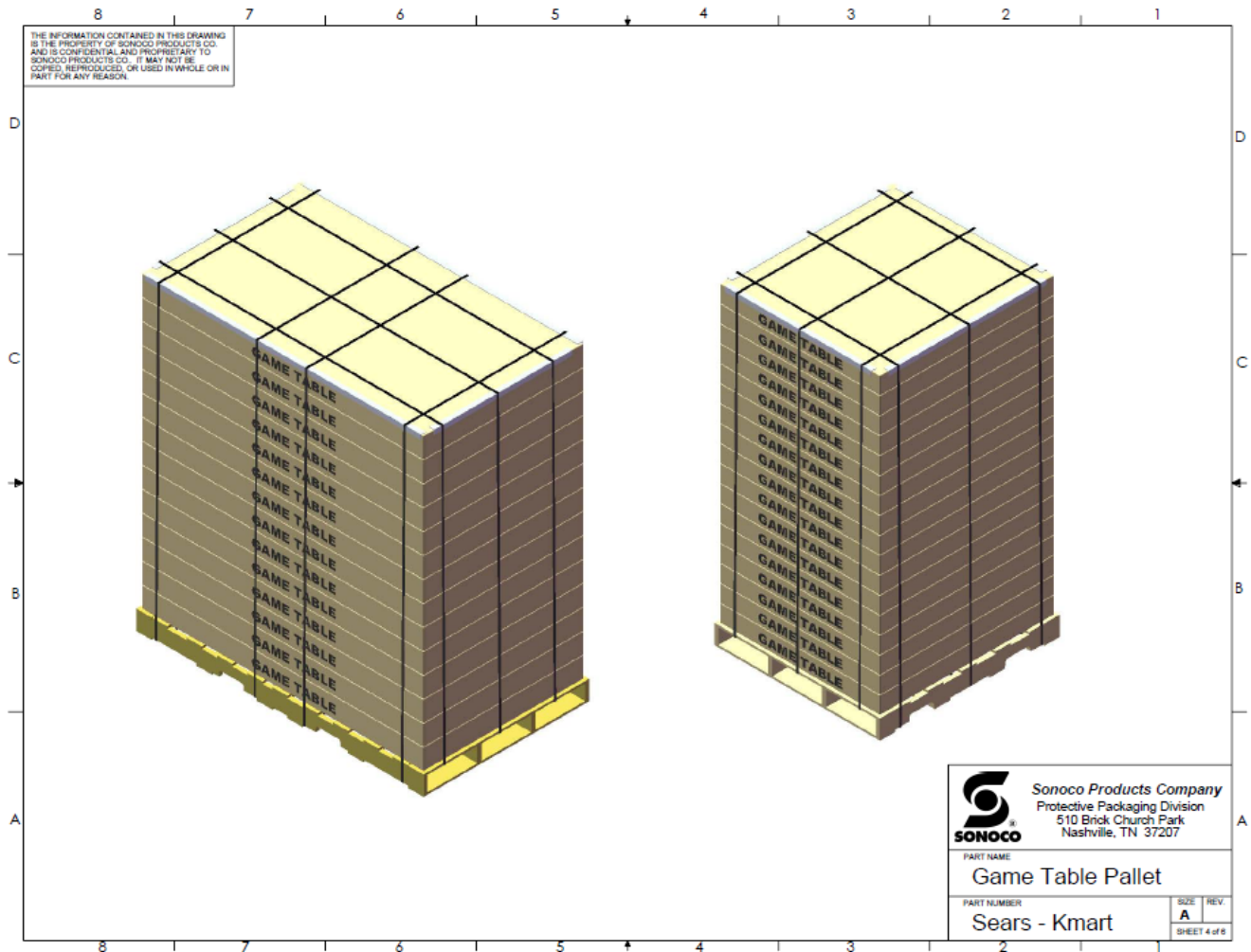


Kmart Vendor Information Guide




Shipping & Transportation Routing

Figure 9.6 - Pallet Specifications for Game Tables, cont.



Shipping & Transportation Routing

Figure 9.6 - Pallet Specifications for Game Tables, cont.

<small>THE INFORMATION CONTAINED IN THIS DRAWING IS THE PROPERTY OF SONOCO PRODUCTS CO. AND IS CONFIDENTIAL AND PROPRIETARY TO SONOCO PRODUCTS CO. IT MAY NOT BE COPIED, REPRODUCED, OR USED IN WHOLE OR IN PART FOR ANY REASON.</small>	D	Pallet Lumber:	<p>The grade of lumber used for pallets varies widely from region to region and manufacturer to manufacturer. Basically expendable pallets are made from any kind or grade of lumber available. For Game Table pallets, any lumber without excessive defects as described below is acceptable. Defective lumber, if used, should be positioned on the pallet so that the overall strength, stability and functionality of the pallet are not effected by the defect.</p>	D
	C	Pallet Fasteners:	<p>Nails are the most common fastenings used for pallets. A pallet must be properly nailed to develop the maximum strength of its wood members. Many maintenance problems can be traced to the wrong number, size, or style of nails.</p>	C
	B	<p>In many expendable pallets, it is good practice to drive nails through the thinner into the thicker member. When nailing deck boards to stringers, the nails should be long enough so that the portion penetrating the stringer is a minimum 1-1/4". The correct number of nails for each deck board crossing varies: Two nails for material of less than nominal 6-inch width; three for nominal widths of 6 to 8 inches; and four for material of nominal 8-inch widths and wider. To prevent splitting and to provide maximum performance, the nails should be staggered. If pallet parts are predrilled to reduce splitting, these lead holes should be about 75 to 80 percent of the outside diameter of the nail shank.</p>	B	
	A	<p>Excessive overdriving of nails or imbedding their heads in the wood crushes the fibers and reduces the resistance to shearing out of the shanks and pulling through of the heads. Slight overdriving not to exceed 1/16 inch in thicker deck boards (nominal 1 inch or more) is acceptable to reduce the tendency for snagging cartons on protruding nail heads.</p>	A	
 Sonoco Products Company Protective Packaging Division 510 Brick Church Park Nashville, TN 37207		PART NAME	Game Table Pallet	
PART NUMBER		Sears - Kmart		SIZE A REV. SHEET 5 of 6

Shipping & Transportation Routing

Figure 9.6 - Pallet Specifications for Game Tables, cont.

<p>THE INFORMATION CONTAINED IN THIS DRAWING IS THE PROPERTY OF SONOCO PRODUCTS CO. AND IS CONFIDENTIAL AND PROPRIETARY TO SONOCO PRODUCTS CO. IT MAY NOT BE COPIED, REPRODUCED, OR USED IN WHOLE OR IN PART FOR ANY REASON.</p>	<p>Pallet Lumber Defects:</p> <p>Moisture Content: The moisture content of Game Table Pallets (at the time of fabrication) is: Deck boards not to exceed an average of 19 percent moisture content with no one deck board exceeding 22 percent; and stringers should not exceed 26 percent moisture content.</p> <p>Knots: Knots in pallet lumber are objectionable because distortion and discontinuity of grain surrounds them. This weakens the wood, causes irregular shrinkage, and makes machining more difficult. When lumber dries, knots shrink more than the surrounding wood and may check, loosen, or drop out. Knotholes are no more damaging than knots.</p> <p>The size of knots permitted in various pallet parts is governed by the proportion of their width to the width of the piece containing them as well as by their location in the finished pallet part. Though knots are acceptable in pallet parts, they are limited to the following size and frequency. Knots may not exceed $\frac{1}{2}$ the cross section of the board and there may not be more than 2 knots in 6" (152mm) of length.</p> <p>Checks: A check is a longitudinal crack, generally in the radial direction (across the annual rings). Checks usually result from shrinkage in seasoning. Thick lumber checks more severely than thin lumber. Checks less than $\frac{1}{3}$ the length of the board are acceptable.</p> <p>Splits: A split is a longitudinal crack that extends through the full thickness of a board. It often takes a radial direction and may be called a through check. Splits less than $\frac{1}{3}$ the length of the board are acceptable.</p> <p>Shakes: A shake is a longitudinal crack between two annual rings. Shakes are present in green timber and they may be extended in seasoning. They indicate a weakness of bond between annual rings. This weakness may extend lengthwise beyond the visible opening. Shakes less than $\frac{1}{3}$ the length of the board are acceptable.</p>
<p>SONOCO</p> <p>Sonoco Products Company Protective Packaging Division 510 Brick Church Park Nashville, TN 37207</p> <p>PART NAME Game Table Pallet</p> <p>PART NUMBER Sears - Kmart</p>	<p>SIZE A</p> <p>REV. 1</p> <p>SHEET 6 of 6</p>

Compliance

Section 10 Overview

To recover a portion of lost sales and additional expenses incurred as a result of non-conformity and to help promote compliance to requirements, SHMC may assess expense offsets to vendors not in compliance to requirements as listed in this Kmart Vendor Information Guide and other supporting guides and manuals. This section provides information regarding SHMC's **Vendor Performance Program** and includes the expense offset charges that SHMC may assess for non-compliance to requirements. Also included are the expense offset charges that SHMC may assess for non-compliance to Global Compliance, Quality Assurance, product packaging, marking and labeling and shipping and transportation routing requirements.

Additional Information

Review these additional sections of this Guide and other supporting documents located in the Guides & Reference section on Vendor Portal for important information:

- ✓ **Section 5 - Invoices and Payments** provides information regarding invoicing requirements, payment policies, payment deduction identification, and fees and charges that Sears Holdings may deduct from invoice payment, e.g., advertising subsidy, etc.
- ✓ **Section 9 - Shipping & Transportation Routing** provides requirements on trailer loading, shipment documentation and transportation scheduling and routing.
- ✓ The **Global Compliance Program Policies & Procedures Manual** located in the Guides & Reference section provides detailed information regarding SHMC's registration and audit procedures for vendors and factories.
- ✓ **Quality Assurance Manuals** provide detailed information on Sears Holdings' Global Sourcing Quality ("SHGS") Assurance Program.

Questions?

If after reviewing this section, you have questions regarding:

- ✓ The Vendor Performance Program, send an email to vendorperf@searshc.com.
- ✓ Invoice payment deductions and the contact area for each type of deduction, refer to "Deductions Codes" in Section 5 - Invoices & Payments.
- ✓ Global Compliance policies and procedures, including registration and questions regarding invoices for non-compliance, send an email to laborc@searshc.com.
- ✓ Shipping and transportation routing compliance policies, or for disputing an expense offset charge for a violation, send an email to kclaims@searshc.com.
- ✓ Changing your Key Contact who will receive non-compliance expense offset deduction notifications, complete and submit the "Vendor Contact Change Form" located on Vendor Portal under Guides & Reference > Forms > General Forms.

Compliance

10.1 Vendor Performance Program

Sears Holdings Management Corporation ("SHMC") has a Vendor Performance Program for domestic vendors that ship to our Distribution Centers ("DC's"). Our goal is to maintain a program that is firm but fair, and to improve vendor performance while simultaneously reducing costs throughout the entire supply chain by partnering with our vendors. This program involves:

- ✓ Identifying measurable key business metrics,
- ✓ Setting reasonable and achievable goals, and
- ✓ Reviewing vendor performance on a regular basis and developing joint action plans for improvement.

We believe that by working together with common goals, both SHMC and our vendors can improve efficiencies, reduce costs and achieve a higher level of performance that will result in improved satisfaction for our customers.

Vendor Performance Program Administration

Our Vendor Performance Team administers our Vendor Performance Program and they are the single point of contact for communication between SHMC and our vendors regarding this program. If you have questions about the program, please contact vendorperf@searshc.com.

Vendor Performance Reviews

SHMC monitors performance and develops action plans for improvement with our vendors. Our objective is to work together to achieve established goals and identify opportunities to optimize performance. Maximum performance will only be achieved when both SHMC and our vendors provide constructive feedback.

Vendor Performance Metrics

The Vendor Performance Program focuses on ten key metrics with specific goals for each:

1. On Time Delivery Metric
2. JIT Audit Metric
3. Fill Rate Metric
4. Pack Size Metric
5. No ASN Metric (Or Invalid ASN)
6. Shipment Labeling Metric
7. Ship Point Audit Metric
8. Truck Detention Metric
9. Missing Bill of Lading Metric
10. Transportation Metric

Detailed information for each of these Performance Metrics is provided in this section of the Guide.

Compliance

Performance Evaluation Process

We review vendor performance for metrics No ASN, Fill Rate, JIT Audit, On Time Delivery, Pack Size, Ship Point Audit and Shipment Labeling on a weekly basis to determine if non-compliance expense offset charges are applicable. If performance is outside of defined targets, expense offset charges may be assessed. The process is as follows:

- ✓ Prior to assessing the expense offset charges, we notify vendors of the charges via email.
- ✓ Vendors have a “**Vendor Review Period**” in which to review Vendor Performance Program charges prior to deduction from payment. The Vendor Review Period varies by metric. Specific details for each metric are included in this section.
 - **Note:** The Vendor Review Period prior to payment deduction applies **only** to non-compliance charges for specific **Vendor Performance Program metrics**. For the No ASN Metric and other non-compliance expense offset charges, e.g., Global Compliance, Quality Assurance, shipping and transportation routing, shipment marking and labeling, etc., payment deduction occurs from the next scheduled payment after the charges are assessed.
- ✓ After the Vendor Review Period has expired, the charges will be deducted from the vendor's next invoice payment. **Any disputes submitted after the Vendor Review Period has passed will not be considered for reversal.**

We review vendor performance metrics on Transportation, Missing Bill of Lading and Truck Detention on a monthly basis to determine if non-compliance expense-offset charges are applicable. If performance is outside of defined targets, expense offset charges may be assessed.

Vendor Dispute Process

The dispute process listed in this section must be followed for disputing specific **Vendor Performance Program** non-compliance expense offset charges. Charges for Vendor Performance Program non-compliance can be identified based on the specific “**Deduction Code**” that appears in the EDI 820 Payment Order/Remittance Advice, remittance checks, and/or on SHC Merchant Workbench. The following Deduction Codes are used to identify Vendor Performance Program expense offset charges:

- ✓ **VPASN:** No ASN (Or Invalid ASN)
- ✓ **VPFR:** Fill Rate
- ✓ **VPJIT:** JIT Audit
- ✓ **VPOT:** On Time Delivery
- ✓ **VPPS:** Pack Size
- ✓ **VPSPA:** Ship Point Audit
- ✓ **VPLB:** Shipment Labeling
- ✓ **VPTRAN:** Transportation
- ✓ **VPMBL:** Missing Bill of Lading
- ✓ **VPDET:** Truck Detention

Compliance

Refer to “**Deduction Codes**” in **section 5 - Invoices & Payments** for a complete listing of all Deduction Codes along with the definition and contact information for each.

For disputes regarding the Vendor Performance Program Deduction Codes listed above **that arise during the Vendor Review Period**, contact the Vendor Performance Team via email to vendorperf@searshc.com. Only a vendor may dispute deductions for non-compliance expense offsets - **not** a SHMC associate. Disputes are handled on a first-in, first-out basis.

For disputing deductions for all other deduction codes (not Vendor Performance Program), follow the instructions included in section 5.

- ☐ When disputing Vendor Performance Program deductions:
 - Include the metric name in the subject line of your email (“On Time Delivery”, “JIT Audit”, “Fill Rate”, “Pack Size”, etc).
 - Include the Deduction Number from the email notification you received and the reason you are disputing the charges.
 - Include the original notification document sent by the Vendor Performance Team. Email the notification document to vendorperf@searshc.com.

Important: Vendor Performance non-compliance expense offset deduction notifications for No ASN, Fill Rate, On Time Delivery, Pack Size and Ship Point Audit are emailed to the vendor’s **Key Contact** approximately two weeks after a non-compliant purchase order is reported in SHC Merchant Workbench. Vendors have **60 days** from the time of notification to dispute non-compliance incidents for all metrics except JIT Audits (must dispute within 7 days). Disputes should be sent to vendorperf@searshc.com. **Vendor Performance does not have the ability to resend these notifications.**

You can view Vendor Performance deduction information in SHC Merchant Workbench by following the path listed below. This reporting is available with all levels of Workbench access (SBP and Full). **Path:** Standard Business Process > Vendor > Vendor Performance > (choose Metric - “On Time Delivery”, “JIT Audit”, “Fill Rate”, “Pack Size”, etc.). **Note:** Claim numbers beginning with “VP” appear only on the email notifications - **not** on these reports. To look up information by claim number, use the Accounts Payable (“A/P”) section of SHC Merchant Workbench.

Non-compliance expense offset deduction notifications for Shipment Labeling are processed and emailed to the vendor’s **Key Contact** each week. These claims are not posted on SHC Merchant Workbench. Disputes should be sent to SHCLabel@searshc.com.

We will determine the dispute’s validity and reply within 30 to 60 days after receipt of your email and supporting documentation. If the supporting documentation is not available at the time of dispute, resolution to the dispute will be delayed or be considered invalid (and the charges will be deducted).

- ☐ If the dispute is valid, we will not deduct the charges from your next invoice payment.
- ☐ If the dispute is invalid, we will deduct the charges from your next invoice payment.

Compliance

Non-compliance expense offset deduction notifications for Transportation are emailed to the vendor's **Key Contact** each month as the claim is created and charged. Non-compliance expense offset deduction notifications for Missing Bill of Lading and Truck Detention are provided upon request by the vendor. These claims are not posted on the SHC Merchant Workbench and there is no delay in processing the claim. Any appeals must be made within 60 days of the claim create date. Appeals should be forwarded with the claim number on the subject line to the applicable email address below. Replies to appeals will be made within 14 days.

VPTRAN - Transportation non-compliance expense offset charges: kclaims@searshc.com

VPDET - Truck Detention non-compliance expense offset charges: vendorperf@searshc.com

VPMBL - Missing Bill of Lading non-compliance expense offset charges:
vendor_compliance@searshc.com

- ☐ If the dispute is valid, a credit will be issued reversing the charge on the next monthly credit processing.
- ☐ If the dispute is invalid, no change to the claim will be made.

Questions?

If you have any questions, please contact:

Vendor Performance

Email: vendorperf@searshc.com

Compliance

10.1.a On Time Delivery Metric

The On Time Delivery Metric applies to all domestic vendors that ship to our Distribution Centers (“DCs”).

Prepaid Vendors

For prepaid vendors, we compare the destination DC “in-gate” date with the Ship-To-Arrive (“STA”) date transmitted in the associated EDI 850 purchase order to measure on time delivery.

Purchase order dates may be changed prior to the receipt of the product. On-time performance is calculated as follows:

- When the PO date change is initiated by the vendor, on-time performance is measured against the original “Ship to Arrive (STA)” date on the purchase order.
 - When the PO date change is initiated by Sears Holdings, on-time performance is measured against the revised “Ship to Arrive (STA)” date.
- ☐ Prepaid **TL** deliveries are measured within a **2-day window**. Deliveries arriving **1 business day before the STA date or on the STA date** will not be subject to a non-compliance expense offset charge. Deliveries arriving outside this window are subject to a non-compliance expense offset charge.

TL Example:

PO STA Date	On Time Arrival (in-gate) Dates
09/19/08	09/18/08 thru 09/19/08

- ☐ Prepaid **LTL** deliveries are measured within a **4-day window**. Deliveries arriving **3 business days before the STA date or on the STA date** will not be subject to a non-compliance expense offset charge. Deliveries arriving outside this window are subject to a non-compliance expense offset charge.

LTL Example:

PO STA Date	On Time Arrival (in-gate) Dates
09/19/08	09/16/08 thru 09/19/08

Note: Kmart DCs do not provide delivery appointments based on the purchase order STA date. Prepaid vendors are responsible for advising their carrier when the delivery must be made to the DC. The vendor’s carrier must then request a delivery date within the two-day window noted above. Specific instruction and information regarding carrier delivery appointment requests is included in section 9.1.

Compliance

Collect Vendors

Two methods can be used to calculate on-time performance:

1. **Scheduled carrier pick-up date to the ASN** - applies to purchase orders with **no date change or with a date change initiated by Sears Holdings**. We compare the scheduled carrier pick-up date with the ship date transmitted in the associated EDI 856 Ship Notice (ASN) to measure on time delivery.

Note: For “No ASN” (no EDI 856 Ship Notice received) deliveries, we measure the carrier’s actual pick-up date versus the scheduled pick-up date. If a missed pick-up is reported by the vendor and approved, the late shipment will show as on time on the report. Vendors must update carrier pick-up and missed pick-up information **daily** within Shipsmart/POV.

- ☐ Collect **TL** deliveries are measured within a **2-day window**. Deliveries with a ship date in the associated EDI 856 Ship Notice (ASN) of **1 business day before the scheduled pick-up date or on the scheduled pick-up date** will not be subject to a non-compliance expense offset charge. ASN ship dates outside this window are subject to a non-compliance expense offset charge.

TL Example:

Scheduled Pick-up Date	On Time ASN Ship Dates
09/19/08	09/18/08 thru 09/19/08

- ☐ Collect **LTL** deliveries are measured within a **4-day window**. Deliveries with a ship date in the associated EDI 856 Ship Notice (ASN) of **3 business days before the scheduled pick-up date or on the scheduled pick-up date** will not be subject to a non-compliance expense offset charge. Deliveries arriving outside this window are subject to a non-compliance expense offset charge.

LTL Example:

Scheduled Pick-up Date	On Time ASN Ship Dates
09/19/08	09/16/08 thru 09/19/08

2. **STA date to the In-gate date** - applies to purchase orders with a **date change initiated by the vendor**. Shipments must arrive before or on the original STA date in the purchase order. Deliveries arriving after the STA date may be assessed an expense off-set.

Compliance

Non-compliance Expense Offset

- ☐ Non-compliant deliveries may be assessed an expense offset of **5% of the purchase order cost** of each non-compliant purchase order. **Note:** Cost represents the purchase order value of the merchandise received at the DC.
- ☐ SHMC reserves the right to revise this metric and/or change the associated non-compliance expense offset charges in the future.

Administration Process

For the On Time Delivery Metric, data is gathered from a one-week review period to determine if target levels were met for that period. If the vendor is subject to non-compliance expense offset charges, the vendor is notified via email of the charge amounts. The vendor is given **sixty (60) calendar days** to review the charges before they are deducted from the vendor's next invoice payment. Unless the vendor has disputed the charges within the review period, the charges will be deducted **sixty (60) calendar days** after the date of the non-compliance email notification. If a vendor disputes the charges within the review period, Vendor Performance will review and determine the validity of the dispute within 30 to 60 days after receipt of the vendor's email and any applicable supporting documentation.

Reporting

An On Time report is available on the SHC Merchant Workbench under "Standard Business Reports" under the vendor menu selection. Detailed documentation for this report is available in the on-line Help file. The Help file can be accessed by clicking the Help button found in the upper right corner of the report screen, or within the menu option located at the left side of the Standard Business Process menu.

Dispute Process

- ☐ If you feel that non-compliance expense offset charges were assessed to you in error, provide all backup documentation including the Bill of Lading/Proof of Delivery documentation and supporting vendor notification email, letter, etc., you received within **sixty (60) calendar days** after the date of the non-compliance expense offset notification.
- ☐ Direct all disputes via email to **vendorperf@searshc.com** or fax.

Compliance

10.1.b JIT Audit Metric

The JIT Audit Metric applies to all vendors shipping JIT (“Just In Time”) merchandise to our DCs. The JIT Audit Metric audits a sampling of cartons to ensure the associated EDI 856 Ship Notice (ASN) matches the cartons’ contents. Audits are conducted using a Sample Size of the total number of units in a shipment based on Military Standard 1916 (“Mil-Std”). Once the Sample Size is determined, a specific number of cartons from that shipment will be randomly selected to satisfy the audit.

Audit Review Process

If you receive a failed audit notification, you may contact the DC via email to indicate whether or not you would like:

1. The DC to hold the next failed audit merchandise for your review, or...
2. To attend and view the next audit conducted on your delivery at the DC. Contact information for the DC is included on the failed audit notification.

JIT Failed Audit Error Codes

Code	Description	Expense Offset Yes / No	This Occurs When
A	U.P.C. not on file	No	The scanned U.P.C. bar code does not match any items in our system.
B	Shortage	Yes	We receive fewer items in a carton than the ASN states.
C	Overage	No	We receive more items in a carton than the ASN states.
D	Valid Scan	No	We receive the exact number of items in a carton the ASN states.
E	Not on ASN	No	We receive an item that is not included in the ASN.
F	No U.P.C. Bar Code	No	We receive an item that has no U.P.C. bar code attached to it.
G	U.P.C Bar Code Not Readable	No	We are unable to scan the U.P.C. bar code on the item received.

Note: The “Valid Scan” (code ‘D’) does **not** appear on the failed audit notification email. Vendors that have audits pass at 100% will **not** receive a failed audit notification email. Only vendors with failed audits (less than 100%) receive a failed audit notification and when applicable, a subsequent notification of assessment of a non-compliance expense offset.

Compliance

JIT Failed Audit Expense Offset Charge

Error Rate	Expense Offset Calculation
> 0%	\$200 + (Error Rate %) x (Cost of Merchandise)

Note: Error Rate = (Count of Code B Errors) / Sample Size.
Error rate only includes Code B (shortage) errors.

Administration Process

Audits are conducted and failed audit notification emails are sent to vendors daily. Vendors may contact the DC via email to indicate whether or not they would like:

1. The DC to hold the next failed audit merchandise for review; or...
2. To attend and view the **next** audit conducted on their delivery at the DC.

The Vendor Performance Group sends vendors weekly notifications of expense offset charges assessed for the audits that failed throughout the week. The vendor is given **seven (7) calendar days** to review the charges before they are deducted from the vendor's next invoice payment. Unless the vendor has disputed the charges within the review period, the charges will be deducted **seven (7) calendar days** after the date of the non-compliance notification. If a vendor has disputed the charges within the review period, Vendor Performance will review and determine the validity of the dispute within 30 to 60 calendar days.

Reporting

A JIT Audit report is available on SHC Merchant Workbench under "Standard Business Reports" from the vendor menu selection. Detailed documentation for this report is available in the on-line Help file. The Help file can be accessed by clicking the Help button found in the upper right corner of the report screen, or within the menu option located at the left side of the Standard Business Process menu.

Dispute Process

- ☐ If you feel that non-compliance expense offset charges were assessed to you in error, you have **seven (7) calendar days** from the date of the non-compliance notification you received to dispute the charges.
- ☐ Direct all disputes via email to **vendorperf@searshc.com**.

Compliance

10.1.c Fill Rate Metric

The Fill Rate Metric applies to all SHMC domestic vendors shipping to our Distribution Centers (“DCs”). Fill Rate is the absolute value of the quantity received at a DC versus the quantity ordered at a Purchase Order (P.O.) line level. The goal for Fill Rate performance is 100% at a purchase order (“P.O.”) line level. This means that we expect the quantity of an item physically received at the DC to match the quantity of the same item as ordered on the associated purchase order.

While the objective of the Fill Rate Metric is 100%, an **acceptable level of performance is 97%**. We review fill rate data over a one-week time period to determine if the average fill rate of all purchase orders for the specific week in review meets the acceptable 97% or higher service level. Based on the purchase order average, non-compliance expense offset charges may apply. If non-compliance expense offset charges are applicable, P.O. line level fill rate detail will be reviewed individually to determine the specific charge amount for each.

Fill Rate Calculation

Fill Rate = $\text{Ordered Quantity of P.O. Line} - \text{Deviation} / \text{Ordered Quantity of P.O. Line}$

Where Deviation = $\text{Absolute Value of P.O. Line Quantity Ordered} - \text{P.O. Line Quantity Received}$

Non-compliance Expense Offset Charges

PO Line Fill Rate %	Ad Mdse. PO Line Charge	Non-Ad Mdse. PO Line Charge
95 - 99.99	2% of Deviation Cost	1% of Deviation Cost
90 - 94.99	4% of Deviation Cost	2% of Deviation Cost
85 - 89.99	6% of Deviation Cost	3% of Deviation Cost
80 - 84.99	8% of Deviation Cost	4% of Deviation Cost
< 79.99	10% of Deviation Cost	5% of Deviation Cost

Note: Deviation cost is the cost of the total deviation of the P.O. line order quantity versus the P.O. line over/short quantity multiplied by the unit cost.

Administration Process

Fill Rates are calculated and viewed based on a Ship to Arrive (“STA”) date range selected at the Fill Rate main selection screen. Fill Rates for a given STA date range are updated continuously based on receipt or cancellation activity for up to fourteen (14) days subsequent to that STA date. For example, any receipts applied after fourteen (14) days of the STA date is disregarded for Fill Rate purposes and is treated as if the receipt never occurred.

Reporting

A Fill Rate report is available on SHC Merchant Workbench. This report is located in Standard Business Reports>Vendor>Vendor Performance>Fill Rate. Detailed documentation for this report is available in the Workbench on-line Help file.

Compliance

Dispute Process

- ☐ If you feel that non-compliance expense offset charges were assessed to you in error, you have **sixty (60) calendar days** from the date of the non-compliance notification you received to dispute the charges.
- ☐ Direct all disputes via email to **vendorperf@searshc.com**.

Compliance

10.1.d Pack Size Metric

The goal for Pack Size performance is 100% at a purchase order ("P.O.") line level. This means that we expect to receive all P.O. lines in the same item configuration as ordered in the associated purchase order. An item's configuration is comprised of two components:

- ✓ Vendor carton quantity: The number of retail units in an inbound carton (the inbound ship unit from the vendor).
- ✓ Pack quantity: The number of retail units per DC pick (the outbound ship unit to the store).

Performance Measurement

Vendor pack size performance is measured and calculated by comparing each P.O. line's item configuration physically received at the distribution center with the item configuration on the associated purchase order. For the Pack Size Metric, if a single carton for a P.O. line was shipped with an item configuration that is inconsistent with the configuration specified on the associated P.O., **the entire P.O. line is considered as being shipped in error.**

IMPORTANT: In order for the P.O. line to be in the correct item configuration, "Vendor Carton Qty. Receipted" must equal the "P.O. Vendor Carton Qty.", and "Pack Qty Receipted" must equal the "P.O. Pack Qty.".

Non-compliance Expense Offset Charge

Non-compliance expense offset charges consist of a flat fee per purchase order type as listed in the table below. Regardless of the number of P.O. lines in error, **if at least one P.O. line is in error for a purchase order, then that purchase order is subject to an expense offset charge.**

Ad Mdse. P.O.	Non-Ad Mdse. P.O.
\$300 per P.O.	\$150 per P.O.

Reporting

A Pack Size report is available on SHC Merchant Workbench. Detailed documentation for this report is available in the Workbench on-line Help file. The report is located in Standard Business Reports>Vendor>Vendor Performance>Pack Size Metric.

Dispute Process

- ☐ If you feel that non-compliance expense offset charges were assessed to you in error, you have **sixty (60) calendar days** from the date of the non-compliance notification you received to dispute the charges.
- ☐ Direct all disputes via email to **vendorperf@searshc.com**.

Compliance

10.1.e No ASN Metric (Or Invalid ASN)

The goal of the No ASN Metric is 100% at a Purchase Order appointment level. This means that we expect a valid and accurate EDI 856 Ship Notice (ASN) to be available on the day and time a shipment arrives at the destination Distribution Center ("DC").

- ☐ All vendors that receive EDI 850 Purchase Orders are required to transmit an EDI 856 Ship Notice (ASN) for each shipment.

Performance Measurement

Performance for the No ASN Metric is calculated on each delivery made to a DC. If a valid and accurate EDI 856 Ship Notice is not available or is received after carrier arrival at the DC, a non-compliance expense offset charge for that delivery may be assessed.

Non-compliance Expense Offset

JIT Purchase Orders *	DC Stock Purchase Orders
<p>\$1 per shipping carton when a shipment must be held at a DC while the vendor is contacted regarding a missing or invalid ASN.</p> <p>\$3 per shipping carton when an invalid ASN must be corrected in the ASN Hospital.</p> <p>\$5 per shipping carton for each shipment that must be received manually due to a missing or invalid ASN.</p>	<p>\$150 per purchase order received manually due to a missing or invalid ASN.</p>
<p>* Note: A valid ASN is required for each JIT shipment in order for the RSC facility to properly receive the shipment and ensure accurate data integrity and vendor payment.</p> <p>Any JIT shipment that arrives at a RSC with either a partial, invalid or no ASN will be returned to the vendor at vendor's expense if attempts to get a valid ASN from the vendor are unsuccessful within seven (7) business days after shipment arrival. In addition, the vendor will be assessed \$300 for each JIT shipment returned.</p>	

The following JIT purchase order types appear in SHC Merchant Workbench reports. They include: **JA** - JIT Allocation; **JR** - JIT Replenishment; **JC** - JIT Combined. All other purchase order types are considered as DC Stock.

Note: Original ASN date and time is the time the ASN is received. Vendor EDI 856 transactions are processed every 15 minutes.

Reporting

A "No ASN" report is available on SHC Merchant Workbench. Detailed documentation for this report is available in the Workbench on-line Help file. The report is located in Standard Business Reports>Vendor>Vendor Performance>No ASN.

Compliance

Dispute Process

For shipments that must be received manually (\$5 per-carton JIT; \$150 per purchase order DC Stock), the vendor is notified via email of the charge amounts. The vendor is given **sixty (60) calendar days** to review the charges before they are deducted from the vendor's next invoice payment.

Unless the vendor disputes the charges within the review period, the charges will be deducted sixty (60) calendar days after the date of the non-compliance email notification. If a vendor disputes the charges within the review period, Vendor Performance will review and determine the validity of the dispute within 30 to 60 days after receipt of the vendor's email and any applicable supporting documentation.

For the \$1 and \$3 per-carton JIT expense offsets, there will be no email notification of the charges. The vendor will be contacted by the ASN Hospital Team at the time of receipt of the non-compliant shipment.

- ☐ Direct all disputes via email to **vendorperf@searshc.com**.

Compliance

10.1.f Shipment Labeling Metric

This metric applies to **shipments to Regional Specialty Centers (“RSCs”) and Regional Distribution Centers (“RDCs”)**. The goal of the Shipment Labeling Metric is 100% at carton level.

Bar Code/Label Requirements

- ☐ A **GTIN-14 bar code** is required on each shipping carton **except**:
 - Shipping cartons containing merchandise for **JIT** purchase orders.
 - Shipping cartons that are also the consumer selling unit, e.g., TV’s, stereos, etc. This exception is based on the Point of Sale (POS) GTIN-12 (U.P.C.) or GTIN-13 (EAN-13) bar code being available on the carton.
- ☐ A **GS1-128 Shipping Label** is required on:
 - Each shipping carton containing merchandise for a **JIT** purchase order.

GTIN-14 and GS1-128 shipping label requirements are included in section 8 of this Guide.

Non-compliance Expense Offset Charge

- ☐ A non-compliance expense offset charge of **\$3.00 per carton** with a \$50 minimum charge per shipment will be assessed for all non-compliant shipments. Violations include, but are not limited to the following:
 - GTIN-14 bar code or GS1-128 label not on carton as required for flow type.
 - GTIN-14 bar code or GS1-128 label not in required format.
 - GTIN-14 bar code or GS1-128 label not in required position on carton.
 - GTIN-14 bar code or GS1-128 label bar codes less than minimum required size.
 - GTIN 14 bar code or GS1-128 label bar codes scan with less than ‘B’ grade.
 - Shipping GTIN scanned from GTIN-14 bar code not resident in IMA (Item Maintenance Application).
 - Shipping GTIN scanned from GTIN-14 bar code not correct for items in the carton.
 - Same GTIN-14 bar code used for multiple KSNs.

Communication

An email notification will be sent to the vendor’s Key Contact for each non-compliant shipment. For additional information regarding a violation, send an email to **SHCLabel@searshc.com**.

Dispute Process

- ☐ If you feel that a non-compliance expense offset charge was assessed to you in error, you have **sixty (60) calendar days** from the date of the non-compliance notification to dispute the charges. Direct all disputes via email to **SHCLabel@searshc.com**.

Compliance

10.2 Global Compliance & Quality Assurance

This section contains Sears Holdings vendor compliance policies for Global Compliance and Quality Assurance.

Violation Description	Expense Offset Charge
Global Compliance	
Vendor produces merchandise in an unregistered factory or subcontractor factory.	\$10,000 per occurrence
Vendor submits inaccurate and/or falsified information on a factory.	\$10,000 per occurrence
Vendor produces merchandise in a previously terminated factory that has not been approved for new production.	\$10,000 per occurrence
Vendor inactivates a factory and then reactivates in less than 6 months.	Vendor will be responsible for the cost of all audits conducted during the inactivation period, and the audit cycle will be based on the last audit conducted.
Vendor fails to inactivate a factory that will not be producing merchandise for Sears, Kmart or Lands' End within 6 months.	Vendor will be responsible for the cost of all audits conducted in a factory that is listed as active with the Global Compliance Department.
Vendor fails to pay for an audit invoice within 10 business days.	Sears Holdings will conduct an audit at their expense. If production for Sears Holdings is found during this audit, the vendor will be responsible for the cost of the audit and an administrative fee of \$5,000.

Kmart Vendor Information Guide



Compliance

Global Compliance & Quality Assurance, cont.

Violation Description	Expense Offset Charge
Quality Assurance	
Inaccurate and/or falsified information submitted, or test samples do not conform to actual bulk production.	\$10,000 per occurrence
Use of unapproved or unauthorized factory or sub-contractor.	\$10,000 or 5% FOB per occurrence
Evaluated factory changed to a new non-evaluated factory.	\$10,000 or 5% FOB per occurrence
Factory fails to meet evaluation expectations resulting in need of re-evaluation	\$500 for each re-evaluation
Submission of late or inaccurate Pre-Production Status Report ("PPSR").	\$500 for each late or incorrect PPSR received
Late submission of pre-production testing samples.	\$500 for each late submission
Inspection scheduled or cancelled less than 7 business days prior to the requested inspection date (applicable only for Tier 4 In-line and Tier 5 Final inspection).	\$500 per occurrence
Inspection scheduled or cancelled less than 24 hours prior to the requested inspection date (applicable only for Tier 4 In-line and Tier 5 Final inspection).	\$1,000 per occurrence
Inspection on a Saturday, Sunday, holiday or late night due to product not being ready for final inspection at time of factory visit.	\$500 for each inspection
Factory not ready for drawing samples for inspection.	\$500 per occurrence
Merchandise not ready for final inspection (Softlines 100% packed; Hardlines 80% packed).	\$500 per occurrence
Re-inspection required.	\$500 for each re-inspection
Product loaded to freight forwarder without inspection/approval.	10% of the total shipment (merchandise) cost value, minimum \$1,000 or cancel order

Compliance

10.3 Product Packaging, Marking & Labeling

This section contains Sears Holdings vendor compliance policies for product packaging, marking and labeling.

Violation Description	Expense Offset
Missing, incorrect, and/or unscannable GTIN-12 (U.P.C.) or GTIN-13 (EAN) bar codes, or bar codes with a print quality grade less than 'C'.	Costs of re-ticketing merchandise.
Failure to purchase packaging (labels, printed packaging and trims) for Kmart private brand apparel from an authorized supplier.	\$0.25 per error, per garment, per purchase order.
Missing or incorrect required information on tickets.	Costs of re-ticketing merchandise.
Failure to purchase hangers and sizers from an authorized supplier.	Cost of hanger and sizer replacement (including transportation) and labor needed to re-hang product.
Missing or incorrect sizers for hanging apparel.	Costs of material and labor for repackaging the merchandise.
Adhesive stickers attached to a raised surface or pile fabric, e.g., corduroy, velvet, velveteen, terry cloth, velour, fleece, or attached to the surface of a smooth fabric that does not release without leaving residue and/or damaging the fabric or product surface.	Cost of product replacement, or cost of materials and labor needed for repackaging the merchandise.
Missing or late apparel samples, or apparel samples that are not individually labeled or do not include all of the required information on the label.	\$75 per non-compliant apparel sample
Failure to pack footwear pair boxes per requirements.	5% of the total cost of footwear not packed per requirements
Failure to provide a pair box sticker on each footwear pair box purchased from an authorized supplier containing complete and accurate information on each pair box.	\$1 per non-compliant pair box

Compliance

10.4 Shipment Packaging, Marking & Labeling

This section contains Sears Holdings vendor compliance policies for shipment packaging, marking and labeling **specific to shipments to the FMI Warehouse**.

Violation Description	Expense Offset
Failure to pack footwear one (1) pair box deep in each shipping carton with the item bar codes facing up (except children's shoes).	\$5 per non-compliant shipping carton.
Failure to pack footwear in shipping cartons that meet minimum and maximum carton weight and dimensions requirements.	\$5 per non-compliant shipping carton.
Failure to provide a content identification label on each shipping carton per requirements.	\$1 per non-compliant shipping carton.

Compliance

10.5 Shipping & Transportation Routing

This section contains Sears Holdings vendor compliance policies for shipping and transportation routing **specific to shipments to Kmart RSC and RDC facilities**. For questions or to dispute a shipping and transportation routing non-compliance expense offset, send an email to kclaims@searshc.com.

Violation Description	Expense Offset
Failure to verify purchase orders in Shipsmart POV within Source Order Processing Time ("SOPT") for a LTL shipment.	\$250 per purchase order.
Failure to enter accurate weight and cube into POV.	\$250 per non-compliant shipment plus all transportation expense incurred.
Requiring freight pick-up appointment for collect LTL shipment causing carrier to miss pick-up.	\$250 per missed pick-up.
Failure to cancel a scheduled pick-up prior to the carrier dispatching the driver.	\$250 per occurrence.
Exceeding one (1) hour loading time for a collect Truckload ("TL") live pick-up. (VPDET)	\$60 per hour after first hour (\$1 per minute).
Failure to sort and segregate cartons by DC destination in FTC trailer.	\$250 per non-compliant shipment plus \$.43 per carton.
Failure to palletize product routed to a FTC.	\$250 per non-compliant shipment.
Failure to ship from the authorized ship point specified in the purchase order. (VPSPA)	\$250 per non-compliant shipment plus the actual transportation expense and the transportation expense from the authorized ship point.
Failure to route shipment to the destination or use the carrier specified in the routing instructions.	\$250 per purchase order plus all transportation expense incurred.
Failure to provide one complete and accurate Bill of Lading for each load number/booking number that includes all required information (except UPS shipments). Total shipping units and Bill of Lading number on the Bill of Lading must match total shipping units and Bill of Lading number received in the associated EDI 856 Ship Notice (ASN). (VPMBL)	\$250 per missing or non-compliant Bill of Lading plus all transportation cost incurred.
Failure to provide a complete and accurate FTC Master Manifest for each trailer routed to a FTC.	\$250 per missing or non-compliant FTC Master Manifest.
Failure to fax a copy of the FTC Bill of Lading and FTC Master Manifest to the FTC on the shipment pick-up day.	\$250 per non-compliant shipment.

Compliance

10.5 Shipping & Transportation Routing, cont.

Violation Description	Expense Offset
Use of unauthorized premium routing.	\$250 per non-compliant shipment plus the actual transportation expense and the transportation expense for the authorized carrier.

Compliance

10.6 Shipping & Transportation Routing

This section contains Sears Holdings vendor compliance policies for shipping and transportation routing **specific to shipments to the FMI Warehouse**.

Violation Description	Expense Offset
<ul style="list-style-type: none"> EDI 856 Ship Notice not received prior to trailer arrival. EDI 856 Ship Notice was rejected due to errors. Multiple EDI 856 Ship Notices received for product in a single trailer. A single EDI 856 Ship Notice is received for product in multiple trailers. 	<ul style="list-style-type: none"> \$1 per shipping carton when a shipment must be held while the vendor is contacted and corrects a missing or invalid 856 Ship Notice. \$3 per shipping carton for each invalid 856 Ship Notice that must be corrected in the ASN Hospital. \$5 per shipping carton for each shipment with a missing, invalid or inaccurate 856 Ship Notice either not corrected by the vendor or the ASN Hospital prior to receipt.
Failure to provide one complete and accurate Bill of Lading for each load number/booking number that includes all required information (except UPS shipments).	\$250 per missing or non-compliant Bill of Lading plus all transportation cost incurred.
Failure to provide a complete and accurate Packlist for each trailer that includes all required information.	\$5 per shipping carton.
Failure to use the authorized carrier specified in the routing instructions.	\$250 per non-compliant shipment plus all transportation expense incurred.
Use of unauthorized premium routing.	\$250 per non-compliant shipment plus the actual transportation expense and the transportation expense for the authorized carrier.
Failure to comply with weight break requirements for collect shipments.	Difference between the actual transportation cost and the most economical transportation cost.
Failure to provide accurate NMFC codes, weight and cube information in the request for transportation.	\$250 per non-compliant shipment plus all transportation expense incurred.
Failure to ship a collect LTL shipment on the assigned ship day.	\$250 per non-compliant shipment plus all transportation expense incurred.

Revision Summary

Section 11 Overview

This section contains information regarding revisions made to this Guide for the past 12 months.

June 2013 Revisions

Section 1 - Overview

- ✓ Added language to state that the requirements in the VIG also apply to merchandise which Sears and Kmart provide to its affiliates or its or their divested entities.

Section 2 - Trading Partner Communication

- ✓ Replaced the information on MySearshc.com with information on the new vendor website, Vendor Portal.
- ✓ Updated the information on SHC Merchant Workbench.

Section 3 - Business Standards

- ✓ Revised the information regarding Electronic Funds Transfer (“EFT”) that it is the required method of invoice payment.
- ✓ Revised the information and requirements for CPSIA.
- ✓ Added Federal Trade Commission (FTC) and Dept of Energy (DOE) Energy Guide Compliance.
- ✓ Added Trademark Registration, Electrical Safety Testing and Certification and Country of Origin Certification to the list of federal, state and local laws and regulations that product must be compliant with.
- ✓ For Federal Hazardous Substances Act, OSHA Hazard Communications Regulation and Hazardous Materials Shipping Regulations, revised the definition of a Chemical.
- ✓ Added Washington State Children’s Safe Product Act requirements.

Section 4 - Merchandise Returns, Product Quality Assurance

- ✓ For the Distribution Center Inspection Program, changed the labor charge assessed to the vendor if a 100% inspection is performed.

Section 5 - Invoices & Payments

- ✓ Revised the information regarding Electronic Funds Transfer (“EFT”) that it is the required method of invoice payment.
- ✓ Updated deduction codes information.

Section 7 - Product Packaging, Marking & Labeling

- ✓ Added “Consumer Product Packaging Information”.
- ✓ When packing hanging merchandise, cartons used must have anchors or elastic holders at opposite ends of the carton to secure hanger hooks. Replaced “anchors or cardboard hanger inserts” with “anchors or elastic holders”.
- ✓ The Packaging ID Code on apparel hang tags or stickers includes a unique 4 or 5 digit number instead of a 4-digit number.

Revision Summary

June 2013 Revisions, cont.

Section 7 - Product Packaging, Marking & Labeling, cont.

- ✓ For apparel packaging, changed “Multi-Source Supplier Program” to “Single and Multi-Source Supplier Program” and revised the information.
- ✓ Updated the Kmart Footwear Pair Box Sticker Example and the Kmart Footwear Hang Tag Example. Also updated associated PIC code images in the CPSIA information.
- ✓ Revised the Pair Box Sizing Specifications information and the Standardized Pair Sizes Chart.
- ✓ Changed the size of the pair box that requires 2 pair box stickers to larger than 14” in width. It was previously 16” in length.
- ✓ Revised the maximum dimensions for pair boxes. It is 5.5” for height, 23” for width and 14” for length.
- ✓ Revised the Pair Box Measuring Standards Illustrations.
- ✓ Added Women’s size 11.5 to the Shoe Size Conversion Table.
- ✓ Added that only private label footwear require SHGS embossed on the Micro-Pak® patch.
- ✓ Added that a Micro-Pak® is also required in each polybag.
- ✓ For footwear product, do not use silica gel packs or Microgarde. Previously this applies to only Ethyl Vinyl Acetate (“EVA”) product.
- ✓ Goodbox/Tailien and Nan Chien Paper Products are still authorized suppliers for some footwear packaging but are no longer authorized suppliers for pair box stickers.
- ✓ Removed Fu-Meng Paper Product Manufacturing Co. Ltd and Lian Sheng Printing & Packaging Co. Ltd. from the Footwear Authorized Supplier List.
- ✓ Added Season Date Code as required information for Sears Inserts, J-Boards, Tags & Stickers for Home Fashions product.
- ✓ Added 2014 Season Date Code information.
- ✓ Removed Periscope/L&E International and Rock Tenn from the Home Fashions-Packaging Development & Production Authorized Supplier List.
- ✓ Removed IMEX from the MPE and PEVA Bags Authorized Suppliers List.
- ✓ Corrected the Pakistan phone number for Starone in the MPE and PEVA Bags Authorized Suppliers List.
- ✓ Added U.S. phone, fax and email for Starone in the MPE and PEVA Bags Authorized Suppliers List.

Section 8 - Shipment Packaging, Marking & Labeling

- ✓ Removed pallet label/header example for “Mixed Pallets” since pallets with cartons for multiple DCs on one pallet are not allowed.

Revision Summary

June 2013 Revisions, cont.

Section 9 - Shipping & Transportation Routing

- ✓ Changed “Failure to follow routing instructions **may** result in the assessment of non-compliance expense offset charges.” to “Failure to follow routing instructions **will** result in the assessment of non-compliance expense offset charges.”
- ✓ Collect freight must be ready to load by **8:00 a.m. instead of 9:00 a.m.** ship-point local time on the scheduled pick-up day.
- ✓ Truckload shipments may ship with 24 hours’ notice instead of 48 hours’ notice.
- ✓ If Kmart incurs additional freight expense as a result of a temporary change of ship-point, changed “you may be assessed” to “you will be assessed” an expense offset of \$250 plus the additional freight expense.
- ✓ Added that “Product routed to a FTC **must** be palletized. Floor loading will result in detention charges from the carrier and/or non-compliance expense offset charges from Sears Holdings”.
- ✓ For FTC shipments, pallets containing product for multiple DCs on one pallet are not allowed. Non-compliance will result in expense offset charges.
- ✓ For multiple item pallets, pack all items **and SKU’s** together on the same pallet.
- ✓ Updated the contact information for the SLS Inbound Transportation Department.
- ✓ Added “If emailing the Transportation Load Planner, include the load number in the subject line of the email.”

Section 10 - Compliance

- ✓ Added “Failure to palletize product routed to a FTC.” with an expense offset of “\$250 per non-compliant shipment”.
- ✓ Changed email address to contact for Shipment Labeling disputes from test@barcode.com to SHCLabel@searshc.com.
- ✓ The Expense Offsets for non-compliance related to Product Packaging, Marking & Labeling requirements have not changed. To date, the expense offsets have not been administered on a consistent basis. Effective immediately, compliance to the requirements will be monitored more closely and expense offsets for non-compliance will be debited. Questions related to the expense offsets should be directed to the appropriate Product Packaging contact listed in the Directory of Contacts on Vendor Portal.

March 2013 Revisions

Section 9 - Shipping & Transportation Routing

- ✓ Added FTC 99009 in Laredo, TX which opened 3/4/13.

Revision Summary

November 2012 Revisions

Section 3 - Business Standards

- ✓ Revised the Product Liability Insurance Limits. Instead of having 3 limits, there is now two - \$5,000,000 for all products unless the product type is listed as an exception. If so, the limit is \$1,000,000.
- ✓ Added information to the CA Proposition 65 requirements regarding 2 CA Proposition 65 questions that must be answered during the item set-up process in IMA.

Section 5 - Invoices & Payments

- ✓ Updated the contact info for Deduction Code VPLB - Vendor Performance - Shipment Labeling.

Section 7 - Product Packaging, Marking & Labeling

- ✓ For Apparel & Accessories added to be sure each garment properly stays on the hanger and does not slip off the hanger.
- ✓ For Apparel & Accessories added that garments of excess weight, e.g., outerwear, robes, heavyweight garments, must be on a hanger that accommodates heavyweight garments so the hanger will not break or bend.
- ✓ If a garment may slip off the hanger due to fabric or design, a hanger with rubber grabbits must be used.
- ✓ In the Authorized Suppliers, added abbreviation for Sourcing Solutions Int Ltd as "SSI" to coordinate with the Floor Ready Guidelines.
- ✓ Updated the Apparel Hang Tag examples.
- ✓ Added Season Date Code as required information on the integrated brand logo, care and content label for Home Fashions product.
- ✓ Revised the specifications for Pre-Price Guidelines for Home Fashions.
- ✓ When packing JIT shipments to the Jewelry Distribution Center ("JDC") that are less than $\frac{3}{4}$ cubic foot, added that the dimensions of the master plastic bag should not exceed 12" W x 15" L.
- ✓ Added that footwear packaging orders placed to authorized suppliers must be finalized at least 30 days prior to when the packaging is needed in the factory.
- ✓ Added to align the lower-left corner of the pair box sticker with the tick marks on the pair box for proper placement.
- ✓ Added instructions for affixing the pair box sticker on pair boxes longer than 16: in length.
- ✓ Added that the image on the pair box sticker is color not black/white.

Section 8 - Shipment Packaging, Marking & Labeling

- ✓ Revised additional marking/labeling info for DC Stock cartons.

Revision Summary

November 2012 Revisions, cont.

Section 9 - Shipping & Transportation Routing

- ✓ To the Shipper Load & Count information, added that TL shipments need to be secured/braced.
- ✓ Revised LTL Assigned Ship Day information to state that vendors must ship on one assigned ship day each week, not multiple days of the week.
- ✓ For Direct-to-Store off-shore shipments to Puerto Rico, Consign To Unit #425 should be entered into the Menlo system as Unit #45434 not 425.
- ✓ For Direct-to-Store off-shore shipments to Hawaii, the Consign To Unit #6989 changed to Unit #46000.
- ✓ Changed contact information for shipments to offshore stores if the total weight of the consolidated orders is 14,000 lbs or more and/or occupies 26 linear feet or more of a trailer.
- ✓ Clarified information that palletized shipments must have JIT and DC Stock purchase orders segregated on separate pallets, not loaded on the same pallet.
- ✓ For shipments to a FTC, added that a list of all of purchase orders on the trailer must be included on the Bill of Lading.
- ✓ Added Collect UPS Ground Third-Party Billing Account Numbers and Addresses for UPS shipments to the ADS or FMI Warehouse.
- ✓ Revised the SLS Transportation Department contact information.

October 2012 Revisions

Section 8 - Shipment Packaging, Marking & Labeling

- ✓ Updated the address of the Jewelry Distribution Center ("JDC") to include "Door #368" instead of "Door #367".

Section 9 - Shipping & Transportation Routing

- ✓ Updated the address of the Jewelry Distribution Center ("JDC") to include "Door #368" instead of "Door #367".

September 2012 Revisions

Section 8 - Shipment Packaging, Marking & Labeling

- ✓ Changed the name of the Kmart Jewelry Center ("KJC") to Jewelry Distribution Center ("JDC") and revised all references in the section.
- ✓ Revised Packing Fine Jewelry for JIT Shipments to the JDC. The packing instructions were previously for "Shipments Less than ½ Cubic Foot" and "Shipments Greater than ½ Cubic Foot". The revised instructions are for shipments less than or greater than ¾ **Cubic Foot**.
- ✓ For Fine Jewelry shipments to the JDC, clarified the Ship To information and the format of the information that must be included on a label on the master shipping carton.
- ✓ Revised the GTIN-14 bar code/label and GS1-128 shipping label testing and certification process, in addition to contact information for questions.

Revision Summary

September 2012 Revisions, cont.

Section 9 - Shipping & Transportation Routing

- ✓ Changed the name of the Kmart Jewelry Center ("KJC") to Jewelry Distribution Center ("JDC") and revised all references in the section.
- ✓ For Fine Jewelry shipments to the JDC via UPS, clarified how the Ship To information must be printed on the UPS shipping label.

August 2012 Revisions

Section 3 - Business Standards

- ✓ Revised the Gift Policy that is applicable to all associates as part of the Company's Code of Conduct.

Section 8 - Shipment Packaging, Marking & Labeling

- ✓ Added Shipment Packing/Packaging Materials Requirements for Game Tables and Exercise Equipment.
- ✓ Added Packing Fine Jewelry for Shipment Requirements.

Section 9 - Shipping & Transportation Routing

- ✓ Added Trailer Loading Requirements for Game Tables and Exercise Equipment.
- ✓ Added Palletized Shipments of Game Tables and Exercise Equipment.
- ✓ Added Routing Procedures for Fine Jewelry Shipments to the Kmart Jewelry Center ("KJC").
- ✓ Added FTC 99008 in Sumner, WA which opens 9/10/12.