The Perfect Order



Leveraging the insights of Dr. Edward J. Marien's Customer's Bill of Rights, consultant Norman Katz outlines the key strategies and approaches to creating the Perfect Order.

By Norman Katz

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CHAPTER 1: INTRODUCTION

Laying the foundation to building the Perfect Order

ver since my introduction to supply chain ven-

dor compliance in 1993, retailers, organizations and associations, advisory firms, transportation and logistics companies, and hardware and software resellers, have-from their different supply chain participation perspectives-talked about it and outlined points about what they believe comprises it. But, they have never really provided a unified, end-to-end and indus-



a structured end-to-end approach to follow. This

makes it a challenge to be successful. If an industry wants its members to achieve, I think that it behooves them, or rather, it is a responsibility, to create a workable model or framework that can be used as a guide.

In February 2005, I read an article in Logistics Today magazine, now known as Material Handling & Logistics. The article—"The Customer's Bill of Rights"—

try-agreed-upon definition of it. The Perfect Order has only ever been this vague concept to achieve without there ever having been a clear framework or distinct guidance on how to get there.

Akin to the Loch Ness Monster (first reported sighting on May 2, 1933) or Bigfoot, or UFOs, The Perfect Order is seemingly something that various people or entities keep pointing to on occasion but providing scant solid substantiation of. (For my part, I'm more of a believer in legendary monsters and outer-space aliens than the veracity or credibility of ambiguous business models.) And while everyone's opinions matter, what does the collective cognizance agree on in the definition of The Perfect Order?

So, in essence, we know what we want the strategic objective to be for The Perfect Order. Piec-ing together the tactical goals to accomplish that purpose has been pretty much left to the designs of the vendor consumer goods companies. We can look at different best practice perspectives gleaned from seminars, but what we don't have is was written by Dr. Edward J. Marien, who at the time was a professor at the University of Wisconsin in Madison. I was absolutely in admiration by what Dr. Marien had so clearly outlined, because what he described was not just what a customer should be deserving of for every order, but what I truly believed was the definition of a Perfect Order, regardless of who the customer is, regardless of what the customer ordered, regardless of the situation.

In summary, what Dr. Marien outlined was that logistics professionals should be tasked with the following requirements in the delivery (fulfillment) of orders/shipments to ensure that these 8 Rs (Rights) of logistics performance were met to the highlight levels.

- 1. The Right Product
- 2. In the Right Quantity
- 3. From the Right Source
- 4. To the Right Destination
- 5. In the Right Condition
- 6. At the Right Time

7. With the Right Documentation

8. At the Right Cost

As Dr. Marien pointed out, the 8 Rights apply to downstream supply chains for companies interacting with their suppliers in the acquisition of goods to be used, and to upstream supply chains for companies interacting with their customers in the distribution of goods to be sold.

Having read the article—and I still retain the original magazine hardcopy—I was awestruck, as if Nessie had popped her head out of the water and nodded and winked at me herself. I was convinced

that Dr. Marien had outlined not just the eight rights of logistics performance, but the operational framework for the execution of The Perfect Order.

I am not suggesting that companies dismantle their traditional corporate department structure, but I am suggesting that for CPG (consumer packaged goods) and other (e.g., durable, accessory, apparel/ footwear) consumer product companies, perhaps an introspective perspective is in order.

After all, what is the true purpose of your company? To deliver desirable goods to the marketplace, ideally, without error each, and every, time. Aligning your company's organization to a single theme, a mantra, or a mission such as The Perfect Order makes sense to me. And here, finally, we have a realistic definition of what The Perfect Order is, albeit with some details to fill in.

(I cited Dr. Marien's article and his Customer's Bill of Rights outline in both of my first two books, the first from a fraud prevention perspective and the second as a framework for what every retail vendor company should be striving to achieve. The link to his original article, <u>HTTPS://WWW.MHLNEWS.COM/</u> <u>GLOBAL-SUPPLY-CHAIN/ARTICLE/22046067/THE-CUSTOMERS-</u> <u>BILL-OF-RIGHTS</u>, has been updated since my books were published.)

In using Dr. Marien's 8 Rights of logistics performance as a framework for The Perfect Order, we need to dig deeper—and from a current perspective—into what each of these "rights" mean. I did that in a 2018 presentation on understanding customer supply chain demands where I used Dr. Marien's Customer's Bill of Rights to explain to a business conference audience how to up their execution in a commoditized world.

(I attempted to reach out to Dr. Marien a few years ago at his last-known place of employment but to no results. I don't believe that a good use of the internet is for stalking, so I left it at that.)

Dr. Marien's 8Rs were—based on the opening line of his article—tailored to logistics and transportation professionals. In my article series here,

Customer's Bill of Rights 1. The Right Product **2.** In the Right Quantity 3. From the Right Source 4. To the Right Destination 5. In the Right Condition 6. At the Right Time

7. With the Right Documentation8. At the Right Cost

we have to go beyond Dr. Marien's audience scope and consider everyone and every step involved in all phases of the supply chain, such as product development, planning, fulfillment, data management, software, operations. We have to consider inception to disposition, start to finish, order to delivery and then some. Both the retailer and the vendor (whether you are a name-brand or a private-labeler) have roles to

play in achieving The Perfect Order.

I'm going to use my unique supply chain and vendor compliance perspectives, and technical and operational experiences, to explore each of Dr. Marien's eight rights with you, bringing them all together into a single framework that defines what I truly believe is the long-sought-after enterprisewide Perfect Order. In each independent article, I'll include Dr. Marien's description of the "customer right" and then delve into what I believe are the nuances that need to be considered. At the end, ideally this is a business model that retail vendors can work on applying to their companies. But retailers, there are also lessons to be learned here and applied for you, because you are the leaders who are directing your vendors, so take note. It is, after all, about getting goods into the hands of the consumer, perfectly, and that's something that vendors and retailers can both agree is a shared and common commitment for each and every order.

CHAPTER 2: DEFINING THE CUSTOMER

The Perfect Order starts by defining the customer

Before we jump into the 8Rs of the Customer's Bill of Rights, I really think that we need to start more at the beginning and ask ourselves a fundamental question: Who is the customer?

Dr. Marien was not explicit here, but in reviewing his article one can extract the different meanings of how the "customer" could be defined. But let's not gloss over this, because it's important.

Realistically, there can be two identities of who the customer is:

1. The customer is a business.

2. The customer is a person.

Businesses include: retailer, grocery, manufacturing, distribution, government, non-profit, healthcare, education, hospitality, defense, entertainment, and other such revenue-generating or service organizations. I know I'm mixing different classifications or types of businesses here, but in one way or another, they all relate to being some kind of business.

A person is a person, an individual.

With the two identities of the customer defined, we can talk about the different commerce models that represent how goods are sold.

- 1. B2B: Business-to-business
- 2. B2C: Business-to-consumer
- **3.** D2C: Direct-to-consumer

In a B2B relationship, one business sells to an-



buyer of the seller's goods or services.

In a B2C relationship, one business ships to another business's customer (the consumer), who is a person. This is common in retail where vendors are instructed to drop-ship goods to the retailer's customers (the consumers). Drop shipping can now be interpreted as shipping to the consumer's

home, office, or BOPIS

Photo: Pexels/Anastasia Shuraeva

(buy online pickup in store). The buying business (the retailer) is the customer of the selling business, the retail vendor.

In a D2C relationship, the business sells directly to the consumer (a person) with no intermediary entity. The business is both the retailer and the seller and owns the customer (consumer) relationship. This is true whether the business sells via its own brick-and-mortar store or online using its website.

Sellers who use online marketplace platforms do not own the consumers; the marketplace platforms do. This would be akin to a B2C relationship.

Selling companies—especially those in the retail industry—may be engaged in more than one commerce model, e.g., B2B and B2C, and thus may have to configure their software (ERP, EDI) and business operations for customers that are both businesses and persons (regardless of the ultimate ownership).

Whether conducting commerce electronically or face to face, and regardless of whether the customer is a business or a person, customers expect orders to be perfect. We've all been customers; we all continue to be customers. And while mistakes happen, and we can forgive on occasion, our demands have increased as our expectations of execution have been amplified. From pizza delivery in 30 minutes to two-day and then one-day delivery of online orders, the world around us has collapsed our patience and narrowed our view of what is "perfectly" acceptable.

Whether the customer is a business or the customer is a person, the customer has a right to a perfectly delivered order, whether from a restaurant kitchen or from a warehouse/distribution center. It is therefore the responsibility of the seller to ensure that this right is upheld. Now, granted, customers are not always "right." But if the customer has clearly communicated all the correct information and direction regarding the goods desired, and if the customer has not placed any impediments to success in the way, then there is really no customer-based reason for not delivering the goods the customer requested, and likely received a confirmation of, that they would get, when, where, and certainly in what condition (the implication being first-quality).

With the definition of the customer clear now, we can move on to the first of Dr. Marien's customer rights. Up next: The Right Product.

EXPLAINER: WHAT IS EDI?

Electronic data interchange is a core technology used to enable supply chain success

EDI (electronic data inter-

change) is one of the core technologies—along with barcode label-ing and scanning—that is used to enable supply chains. EDI tained by the X12 organization and barcoding date back to the 1960s and 1970s, and it is remarkable to think that these tried-and- other areas of the world, UN/ true technologies are not only still in use today but that supply chains are so very reliant upon them.

Since data can be electronically exchanged between two computer systems using distinctively formatted CSV (commaseparated value) or TXT (text) files, EDI is different in that there are data standards. Just like there are different types ("symbologies") of barcodes for different purposes—the barcode standards to buy something from another maintained globally by GS1there are different EDI stand-ards

for different uses, such as industries or geographies.

In the United States, the familiar EDI standard used is mainun-der charter from the American the X12-EDI850, others use the National Standards Institute. In EDIFACT is the common EDI standard. Another EDI standard is ebXML. The ONIX standard is used in the publishing industry to exchange book information.

In X12-EDI, each transaction is given a unique three-digit number. The purchase order in X12-EDI is transaction number 850. Regardless of the industryretail, grocery, furniture, pharmaceuticals, electronics—you get the idea, if one company wants company and issues a purchase order, the buying company will

send an X12-EDI850 to the selling company if using X12-EDI. (Grocery also has its own special grocery purchase order, the X12-EDI875. Some grocers use X12-EDI875.)

EDI helps by allowing commerce to be conducted electronically and uniformly between busi-ness partners, also known as trading partners. Common business documents, such as purchase orders, shipping notices, and invoices, that were once exchanged via postal mail, fax machine, and email attachment (whether a data file of any format or a PDF) are now transferred in a standardized electronic file format that can be imported into and exported out from a busi-ness computer system, most typically the enterprise resource

planning (ERP) system.

The mapping process associates like-data fields between the EDI and the ERP system. For ex-ample, the purchase order data field ("data element") in the specific X12-EDI850 data record ("data segment") needs to be associated with ("mapped to") the purchase order field in the buying company's ERP system when they generate the X12-EDI850. The conversion of the ERP file format to the EDI file format, or visa-versa, is called translation and is handled by an EDI translator, a unique software application designed for such a purpose.

In-between the buying party and the selling party is typically a third-party EDI service provider, sometimes known as a VAN (value-added network). Providing electronic mailboxes for everyone in the trading partner relationship, (consider that the buying party probably has a lot of vendors that they are conducting business with), thirdparty EDI providers usually offer a variety of different services.

Think of the EDI service provider like a version of a postal service: The EDI service provider has all these mailboxes on its network, and connects to networks with other mailboxes. At the beginning of each EDI file there contains the from and to-the sender and receiverinformation needed to route the EDI file containing one or more documents (transactions) from the sender's mailbox to the receiver's mailbox. As part of this routing process, the EDI service provider can also offer to translate the document from

ERP-to-EDI or EDI-to-ERP. The postal service doesn't open our letters and read and transcribe our mail, but the principle is the same.

EDI software can be installed on-premises and used for data mapping/translation and com-munication. Now, it is more common for companies to use these services in the cloud without having onsite software. Translation mapping can be handled either by you, the client company, or can be outsourced to the EDI service provider; it just depends on which software, software module, or cloud service is purchased, and what the technical level of comfort is in your company.

Is EDI a good return on your investment? Consider these facts:

1. You're saving money with less paper and printer ink costs.

2. It's more secure: no more lost orders or invoices in the mail, email, or fax.

3. No more manual data entry. Inbound EDI transactions (like purchase orders) are im-ported directly into the ERP system (becoming sales orders), outbound EDI transactions (like ship notices and invoices) are generated from shipments and invoices from the ERP system and sent directly to your customers.

4. Improved data accuracy. With the reduction of data entry, the reduction of mistakes made during data entry go hand-inhand.

5. Increased operational efficiency. Transactions flow faster without manual intervention, meaning that the business

works quicker. Without data entry, staff has more time for more meaningful work. This also enhances job satisfaction. EDI sent and received transactions are confirmed by design, so no more guesswork.

6. You're in the supply chain game. If you want to engage as a seller/vendor in certain industries, you need to be EDIenabled. (But whether you integrate EDI to your ERP sys-tem, or start with webforms and manual data entry, EDI capability is still likely a supply chain compliance requirement.)

The monthly cost of EDI is easy to justify especially if the integration between EDI and your ERP system is established. Generally speaking, the greatest cost to a company is labor, and EDI-ERP integration, along with good data management, really reduces the vast majority of unnecessary data entry and the redundancy of correcting entry mistakes, making your people more productive.

Monthly EDI costs will probably be a combination of the cost of your electronic mailbox plus either a per-transaction fee or a cost per kilobyte (a fee for every 1000 characters sent or re-ceived) or some bundled pricing.

EDI isn't really a choice anymore, it's a requirement. It's not really about "if," it's only about "when," and the "when" is likely right at the beginning of your relationship with a retailer or your major customer accounts, because EDI is probably a supply chain vendor compliance requirement, just like barcode labeling.

EXPLAINER: BARCODE BASICS

Barcode laeling projects include a numer of considerations

Barcodes work based on light

reflected back to scanner optics: black does not reflect light, while the white (blank) spaces do reflect light. Because characters (alphabetic, numeric, special) are represented by symbols (most familiarly, the narrow and wide bars and the short and long spaces in-between), the different "languages" of barcodes are known as "symbologies." The same character on a keyboard can be represented differently based on the symbology used, that is to say, the same keyboard character can be represented by a different combination of narrow and wide bars and short and long spaces depending upon the symbology. Some symbologies are dedicated to certain uses, e.g., the UPC (Universal Product Code) which is now known as the GTIN-12 (Global Trade Identification Number 12) which is used to identify a unique sellable item.

Some symbologies may have a restricted character set. The GTIN-12/UPC is limited to only numbers, and is further constrained to being only 12 characters (more specifically, digits) in length, no more and no less. The SSCC-18 (Serial Shipper Container Code) is another barcode that is only numeric, has a specific use, and is constrained to a specific length.

Traditional barcodes composed of bar symbols are also known as 1D (one-dimensional) bar-codes. These barcodes are read horizontally across the bars. Other barcodes like the PDF-417 and QR code are known as 2D (two-dimensional) barcodes and are read in whole as an image. Letters, numbers, and special characters are still represented by symbols, and are represented by different sets of symbols depending on the 2D symbology; it's just that the symbols used for 2D barcodes are not the bars used in 1D barcodes.

The check digit—common in most 1D barcodes—is used to validate the integrity of the barcode by verifying the other digits of the barcode. The check digit on a 1D barcode is typically the right-most digit if optionally displayed. (2D barcodes use a type of error correction at the symbol level.) The most common check digit is the Modulo-10 (MOD-10) calculation, which works like this for a GTIN-12/UPC, where the 12th digit is the check digit:

1. Sum the digits of the odd-numbered positions (e.g., characters 1, 3, 5, 7, 9, and 11).

2. Multiply this number by 3.

3. Sum the digits in the even number positions (e.g., characters 2, 4, 6, 8, and 10).

4. Add the two numbers together. (Add the result of Step # 2 and Step # 3.)

5. The MOD-10 is the number that is required to be added to make this resultant number (Step # 4) evenly divisible by 10.

The GTIN-12/UPC (the GTIN-13 in Europe) is used to identify an individual sellable item, effectively an "each" unit of measure. The GTIN 14 is used to identify a case of more than one of the same item, (e.g., 6, 12, 15, 18, 24) as the GTIN-14 is based on the GTIN-12 identifier. The SSCC-18 is used to identify a shipping container such as a carton or a pallet. All three of these symbologies use the MOD-10 check digit for validation.

The global organization that sets and maintains barcode standards is GS1 (<u>www.gs1.org</u>). GS1 operates in over 100 countries worldwide.

GS1US has an online check digit calculator for different barcode symbologies at: <u>HTTPS://</u> <u>WWW.GS1US.ORG/TOOLS/CHECK-DIG-</u> <u>IT-CALCULATOR</u>

Barcode labeling projects require that the label size, label media (material), adhesive, label surface (e.g., matte versus glossy), and print methodology (e.g., direct thermal versus thermal transfer) be thoughtfully considered before any money is spent. Should you integrate a verifier with your barcode printer? For some industries or circumstances, this might be a very good idea.

If RFID (radio frequency identification) tagging is required, which type of tag (active, with an embedded power source, or passive, those without an embedded power source) needs to be determined, along with the frequency range for the tag. Will the tag be embedded in the product package or a (barcode) label? If the latter, ensuring that barcode printers that can encode an RFID tag are purchased will be a requirement.

CHAPTER 3: THE RIGHT PRODUCT

Customers have expectations and delivering on that promoise starts with identifying the right product

he first of Dr. Marien's 8Rs of his Customer's Bill of Rights is the Right Product. Per his original article, the Right Product was described as:

Customers are demanding products that meet tough performance specifications. They're in the front lines dealing with end users and consumers, so they have the feedback and knowledge of what's working and not working.

Suppliers must work with customers to develop and deliver the Right Product that meets buyer performance speci-

fications. What this means is that manufacturers are working with dealers and distributors or, in the case of industrial durables, OEMs who want the best and most technologically developed products to meet user needs. Whether they participate in designing products or just in ordering products, they want the correct products delivered.

A complicating factor for logistics professionals is meeting the needs of customers who are ordering multiple items, kits and assemblies for use or installation. Allowing product substitutions to fill out orders must be negotiated to spell out exactly what the requirements of delivering the "Right Product" are.

I think Dr. Marien has given us insight in that we have to look at two distinct definitions of the Right Product, with a nod toward a bit of semantics.

First, the Right Product is one that the market

wants or has a need for. In retail, this is a product that consumers will purchase because they desire it or because they require it.



Product development by consumer goods companies often works in collaboration with retailers to determine or tweak product features that the brand and the retailer (brick-and-mortar or online) believe will be attractive to consumers. Sometimes this partnership uses product feedback leading to feature enhancement that the brand was unaware of, but the re-

Photo: Pexels/Mizuno K

tailer is knowledgeable of because of the retailer's direct connection to their customer (consumer) base. Other times it may be due to the retailer wanting exclusive product merchandise from the brand, customized to their specifications. Retailers will work with private labelers to create unique products that name brand companies do not offer but retailers have a good belief that consumers will purchase.

It is interesting that Dr. Marien called out "OEMs who want the best and most technologically developed products to meet user needs." As recounted in a December 2020 Supply Chain Management Review magazine article titled "Are We There Yet?," it was in the early 1990s when General Motors once financially abused their suppliers to the point where GM's suppliers withheld technological advancements. It was only after the new purchasing chief began earnest supplier engagement which included long-term contracts that helped open up the trust and brain-trust with GM's suppliers, with the results coming to fruition in 2017.

Second, the Right Product needs to be the right—and here, I mean the correct—product that is conveyed through the end-to-end supply chain suite of transactions (physically and electronically) once the buying party has made a commitment for the product to the selling party. In brief, don't send (transmit or ship) the wrong item.

Master data management will be critically important in ensuring that the vendor's internal item identifiers, GS1 identifiers (the GTIN 12 here in the U.S. ... you know ... formerly the UPC, GTIN-13 if you're going to sell in Europe, GTIN-14 for case packs), and cross-reference to the retailer's item identifiers is all correctly established. Item and item shipping weight and volume must be accurate from the product to the carton to the pallet. Item sell description must be crystal clear and free of any special characters that could, and still can, upset legacy software systems in use. Master data is exchanged between the product's owner (the selling party) and their customers (e.g., retailers), their contract manufacturers, their freight forwards, their distributors, and their contract 3PLs, so getting it right is imperative to ensuring that the Right Product is selected.

Where throughout the end-to-end supply chain does the product have to be right, and here again, I mean "correct"? By everyone everywhere, including:

• **Purchase order receipt.** If the customer sends only their item identifier, the seller must be able to cross-reference it correctly to its own item identifier.

• **Sales order entry.** Use automation to reduce, or preferably eliminate, mistakes, but don't just trust automation for importing, use automation for checks-and-balance audits.

•Picking and packing. Good lighting in the warehouse, an organized distribution center, use barcode labeling and scanning (or RFID) with the appropriate fulfillment software. Look-a-like products in their design or packaging need to be distinguishable so that they are correctly picked and packed per the customer purchase/sales order. • **Shipping.** It's no use picking and packing the Right Product if it doesn't get to where it needs to go; make certain that all of it gets shipped to where it needs to go; again, barcode labeling and scanning (or RFID) really helps here.

• **Invoicing.** Make certain that the items ordered are the items shipped and the items invoiced.

Ensuring that the Right Product—the correct product—is conveyed transactionally (electronically and physically) throughout the supply chain depends upon master data management, software that supports operations, well-defined operational procedures, the right employee staffing, employee training, and a work environment that enables people to be successful.

With the definition of the first customer right, the Right Product, we can move on to the sec-ond customer right. **Up next: The Right Quantity.**

EXPLAINER: IDENTIFYING THE RIGHT PRODUCT

Every product has unique identifiers, but many companies struggle to get that right

I have had the opportunity to help companies that sold a variety of products: apparel, footwear, books, food, electronics, jewelry, furniture, and general consumer goods. For the most part, these companies have struggled with the definition—the construction—of their item identifier.

Companies that make and sell a product are responsible for creating an internal identifier for each unique item. In industries like retail, grocery, and publishing, there are what can be considered intermediary item identifiers that act like cross-references between the manufacturer item identifier and the buying party's reference for the item. In U.S. retail and grocery, the intermediary item identifier is the GTIN-12/UPC (Global Trade Item Number, 12-digits, which was formerly known as the Universal Product Code), and in the book publishing industry there is the ISBN (International Standard Book Number). (The manufacturer of the product is responsible for the creation and maintenance of the intermediatory item identifier, e.g., the GTIN-12/UPC.)

The internal item identifier that a manufacturer or retailer creates and assigns within their re-spective software systems to a unique item is also known as the SKU (stock keeping unit). But what are the attributes that comprise a SKU in its definition and construction? There aren't really any rules, but having a methodology helps. The SKU can be a meaningless or a meaningful identifier, but most companies I know prefer it to have meaning.

Since the internal item identifier or SKU may be limited by software system data field constraints, let's simply notate this in the conversation but let's not let it limit our discussion. Most software systems today, e.g., ERP—enterprise resource planning systems—are flexible enough to support robust item identifiers within reason.

Similar to the definition and construction of a multiplesegment general ledger account code, or how warehouse (distribution center) locations might be defined as something like "Building-Aisle-Shelf-Bin," we can look to define items by base attributes in a hierarchical structure. In doing so, I always start with the foundational characteristics of an item: style, color, and size.

• Style: Product line, brand, composition

• Color: Primary color, finish, multi-color

• Size: Singular size (e.g., S, M, L); numbered size (e.g., 1, 2,

3); multi-dimensional size (e.g., 32x30); footwear size (e.g., 6, 6.5, 6.5W); weight (e.g., 32 ounces, 64 ounces, 1 liter)

There are no hard-and-fast rules here, nor is there a requirement that the SKU be only a three-component identifier of style-color-size. Adding a fourth component for Line (e.g., men, women, girls, boys, or along the concept of different flavors) could be applicable and help to keep one of the baseline attributes uncomplicated. (A "Line" of products could also be "in-door" or "outdoor.") Instead of an item's color, perhaps an item's container is more important. Consider that the components of a well-structured SKU identifier can enable enhanced sales analysis reporting (on top of or along with item attribute data fields) and make it easier to identify the right product throughout the supply chain.

I would keep special characters like the period in fractional footwear sizes, e.g., 6.5, out of an item identifier and out of an item description. Special characters can cause problems, maybe not in your software system, but possibly in the software systems of your supply chain partners. Dashes (hyphens) are likely and typically okay, but I wouldn't recommend the following special characters in either an item identifier or item description: single quote, double quote, exclamation, ampersand, hash/ pound/number, dollar sign, percent, caret, asterisk, plus, forward slash, back-slash, question mark, comma, colon, semicolon. Remember: the SKU is a unique

item. Sixty-four ounces of the same drink in a glass bottle and in a cardboard carton are two different SKUs because the product container is different. The same style shirt in 100% cotton and in 50/50 cotton/ polyester are two different SKUs because the shirt composition is different.

In assigning the intermediary item identifier—such as the GTIN-12-most companies that I help will try and make an intelligent assignment between the serial number component of the GTIN-12 and the SKU. Don't. This will ultimately be a futile numerical exercise. The serial number part of the GTIN-12 is just that: a serial number. At most, reserve serial numbers 0 through 9 for internal testing and product development experimentation and start with serial number 10 if you want. Otherwise, treat the serial number as just that: a serial number.

Once put into use, a GTIN cannot be used again. This is a policy change by GS1 that can be found at: <u>HTTPS://WWW.GS1US.</u> ORG/RESOURCES/DATA-HUB-HELP-<u>CENTER/GTIN-NON-REUSE-RULE</u>

Go to the GS1US website— <u>WWW.GS1US.ORG</u>—and use the search magnifying glass option with the search term "floor ready merchandise." Scroll down and you will find a document titled "GS1 US Color and Size Codes Guidelines." This document may help provide your company guidance in developing color and size data values that are aligned with those already estab-lished by GS1 and recognized within the retail industry.

CHAPTER 4: THE RIGHT QUANTITY

Having the right product is only part of the challenge. Getting the quantity right is equally important

he second of Dr. Marien's 8Rs of his Customer's Bill of Rights is the Right Quantity. Per his original article, the Right Quantity was described as:

Quantity can have several meanings related to the right number of items per line, the right volume per item (such as pounds or gallons), and the Right Quantity per case or unit of shipment (such as two-quart items per SKU, six SKUs per case and 60 cases per pallet). Some customers are demanding "rainbow" pallets of mixed items with the correct counts



Are there competitive products that can be used as benchmarks? Are there trustworthy industry reports that can be leveraged?

> Understanding product launch expectations can help to avoid market over-saturation as well as shortages, the latter of which can be the result of intense consumer demand, which can further lead to consumer disappointment backlash if not handled well. I know, we all want to be popular, but it can have its downside too. Depending upon

Photo: Pexels/Elevate

for each item so that customers can crossdock these items to their trucks for delivery to a store pallet location for sale.

The right amount of goods delivered for each individual SKU, items per case pack, cases per pallet, pallets per conveyance (trailer or container) all must be negotiated.

It's not enough to get the product itself right, we have to get the quantity right too. Like getting the product right, getting the quantity right starts before we even have a product.

First, when a product is in development, there needs to be some analysis of the expectation of market demand in terms of how much product will the market require or sustain, at least at the get-go. Are there similar products that your company has that can be used for this analysis? the business model(s) the seller is engaged in (B2B, B2C, D2C), the Right Quantity needs to be viewed from possibly multiple perspectives: what the consumer is likely to purchase and what the customer (e.g., the retailer) is likely to buy. For example, whether six or eight snack bars per box is the "Right Quantity" will probably depend upon the price point of the sellable unit. Since the physical size of the shipping carton will likely be therefore affected, how many sellable units whether individual items or inner packs—will fit inside? Minimizing the variability of carton sizes keeps costs down and confusion controlled.

So, first, the Right Quantity needs to be the Right Quantity for the market, the Right Quantity for the customer, and the Right Quantity for the consumer. Second, like the Right Product, the Right Quantity needs to be the correct quantity throughout the transactional (electronic and physical) supply chain. It's not enough to get the product correct, you have to get the quantity of the product correct too.

As with the Right Product, getting the quantity correct is an exercise in master data management, more precisely with the item quantity and unit of measure (UOM) data fields and the conversion as the two relate to each other and how the customer orders. Customers must submit their purchase orders in defined measurements associated with the products being ordered and in established measure codes. (For example, if the products are only available in multiples of 12, the customer cannot order 13 items.) If the customer orders "12 EA" or "1 DZN" or "1 CS" the seller's ERP system must be able to understand if the customer means 12 individual items or that one dozen really means 12 items (likely one case) or one case of 12 items. It may be a nuanced difference for some, but for other companies, the difference can be significant.

Ensuring that the quantity is correct is reinforced by the use of technology such as automatic identification (barcode labeling and scanning, RFID), counting machines, and scale weights. The Right Product and the Right Quantity—notably when fulfilling the order—go together.

Third, the Right Quantity requires ongoing consideration to ensure that the initial quantity ex-pectations assumed for the market at the time

As with the Right Product, getting the quantity correct is an exercise in master data manage-ment, more precisely with the item quantity and unit of measure (UOM) data fields and the conversion as the two relate to each other and how the customer orders.

of product development are now based upon the analysis of hard data of shipments, customer sales, and returns. Just because you-the vendor-shipped something, that doesn't necessarily mean that your customer (the retailer) sold it. Retailers generously offer sales data, but I find that not enough vendor companies accept it and put it to practical use. Sales data plus forecast data are very useful in determining whether the retailer is sitting on too much unsold merchandise which could mean reduced future orders and shipments of an item, which in turn should translate to adjusting down raw material purchases and manufacturing commitments. Or, conversely, whether product sales are exceeding expectations and more resources need to be put into manufacturing, and if extra inventory should be readily available.

With an understanding of the second customer right, the Right Quantity, we can move on to the third customer right. **Up next: The Right Source.**

EXPLAINER: UNDERSTANDING THE RIGHT QUANTITY

Too much or too little product has an adverse effect on the bottom line

Ensuring that the quantity is right means that there is quantity available in stock to always pick from. Overstocking means over-producing and expending too much cash, resulting in deep discounts to dump the excess or being forced to write off the disposal, which can also be an environmental issue. Underproducing can leave consumers wanting more (not always a bad thing if handled correctly), and retailer customers disappointed with an underperforming vendor. Retailer forecasts should be reviewed, but vendors should also be doing their own analysis



Photo: Pexels/WeStarMoney

for comparison. Hurricane forecasters, for example, don't just look at one model track, they look at several.

(I have lived most of my life in Florida, growing up on the West Coast and currently residing on the East Coast in South Florida. For me, it is hurricane season six months of the year from the beginning of June through the end of November. There are 27 different hurricane tracking models—divided into categories: dynamical, statistical, ensemble, consensusused by the National Hurricane Center. Analyzed in combination the tracks together help forecasters better understand a hurricane's uncertainty.)

The shipments processed by an ERP (enterprise resource planning) system are recorded and viewed as sales, but let's not be so quick to judge for the purposes of this discussion. Retailers freely provide information on product sales via the X12-EDI852 Product Activity Data transaction: what sold (which product), how much (the quantity), when (date, or date range such as the week), and where (location, either store or by distribution center).

If the ERP system tells us what shipped to a retailer by date and location, and the retailer is telling us what sold by date and location, then the difference is the quantity of goods that the retailer has yet to sell, or in other words, what the retailer has on hand.

Is the retailer selling products slower or faster than anticipated? Is this happening at certain locations or all locations, even if we can only ascertain generally by distribution center? Should the vendor reduce or increase its manufacturing of some products? How does this vendor analysis compare to the retailer forecast? (In some retailer purchase orders, only the ship-to distribution center is provided; in other retailer purchase orders, the mark-for store is given. The product activity data by the retailer may be at the distribution center or at the store level. The X12-EDI816 Organizational Relationships transaction can be used to associate distribution centers to the stores that they support geographically.)

Retailer buyers handle a lot of different products by many different vendors. They try their best to stay aware of what's going on, but they can't know everything all at once for all of the products that they handle. Vendors need to take responsibility for understanding the pace at which they are supplying goods to their customers, saying something to their buyer if they see something in their analysis.

The expectation that retailer software systems are sophisticated, all-knowing entities is, well, true to a certain extent, but also a bit unrealistic at that. Vendors should be performing this type of check-and-balance against retailer reporting.

For retail vendors, the sales activity is available, and analysis of the ERP shipment data is achievable.

Make certain that you take advantage of every opportunity to have the right quantity on hand to best guarantee that you can deliver The Perfect Order each and every time. Being proactive and not reactive is one strategy that will help ensure The Perfect Order is achieved.

CHAPTER 5: THE RIGHT SOURCE

Outsourcing a process does not mean you outsourced responsbility

he third of Dr. Marien's 8Rs of his Customer's Bill of Rights is the Right Source. Per his original article, the Right Source was described as:

Sourcing policies by customers can be geographi-

cally based upon local, national and/or global sourcing depending upon the commodity. Customers are working with suppliers to help them determine the lowest total cost of ownership (TCO) when considering alternative supplier/sourcing locations. From a sourcing perspective, many suppliers have multiple plants, distribution centers and sourcing locations from which



people, customer buyers and operations planners un-der the guidance of logistics professionals will lead to the best TCO routing decisions.

A lot has changed in the world since Dr. Marien wrote his original article in 2005. The COVID-19

pandemic upset supply chains and made companies realize that JIT (just-in-time) was really just too late. Outsourcing overseas is probably too far away. Low cost seems to have a price to pay.

From one perspective, sourcing can mean contract manufacturing and distribution (fulfillment). I think that more companies today

than in 2005 are using

Photo: Pexels/Lara Jameson

customers can work with suppliers in balancing transportation outbound and inbound lanes as well as facilitating continuous-and consortium moves among col-laborative buyers and sellers.

In some industries, "swaps of shipments" occur among competitors of similar commodities. What does this mean in today's environment? Sourcing location based upon closest distance may not be the lowest cost source. The right source as determined by buyer, seller and third-party logistics service providers (3PLs) must be a negotiated item of service.

To gain low-cost solutions, routing of orders for shipment is a transportation management system (TMS) function in which buyers, sellers and 3PLs must work together for mutual benefit and gain. Pre-shipment planning among supplier sales3PLs (third-party logistics providers) rather than having their own warehouses. Certainly, more so today than in 2005, e-commerce is booming with deliveries direct to the home and specialty directto-consumer fulfillment companies populating the logistics provider landscape. To Dr. Marien's point, sourcing should be from the "right source," and this requires multiple factors to be considered, some of which may have been overlooked or less prioritized in the past.

Something that a company has to consider when thinking about the source is whether or not they can do it themselves: in-house versus outsourced. In other words, do you own it or do you contract for it? Sometimes it is not practical to own it, and that's fine, especially if you don't have the expertise in something or you just cannot Selecting the Right Source means that you know your supply chain, because it is, after all, your supply chain. If you have to know your supplier's suppliers, then do so. Your customers don't want your excuses, they want your products, perfectly. Didn't do your due diligence before you signed a contract manufacturer or distributor? That's not your customer's problem, that's yours. Child or forced labor is unforgivable, and if your supply chain is somehow a participant, you'd better be aware before your customers—or regulatory enforcement agencies—are.

financially afford to own it outright.

If outsourced, whether manufacturing or distribution, how far (distance) do you go? Whether it's in-country or offshore depends upon raw material availability, manufacturing capability, and production costs. But you also have to consider transportation lead times and shipping costs and the risks associated. You may have to buy and hold a larger amount of inventory if you source from overseas. Can you reduce the transit time by sourcing offshore but at least on the same continent? What risks do you need to consider? Have you solesourced? Will inclement seasonal weather be a factor? Is your outsourced supplier in a geopolitically unstable location?

But one thing is for certain, and I've said this and written this multiple times before: Just because you've outsourced a process, it does not mean that you can outsource the responsibility. Vendors/sellers: you absolutely own the responsibility for the product and the ability to fulfill the orders from your customers (retailers, persons) no matter whether you own or contract manufacturing or distribution.

Selecting the Right Source means that you know your supply chain, because it is, after all, your supply chain. If you have to know your supplier's suppliers, then do so. Your customers don't want your excuses, they want your products, perfectly. Didn't do your due diligence before you signed a contract manufacturer or distributor? That's not your customer's problem, that's yours. Child or forced labor is unforgivable, and if your supply chain is somehow a participant, you'd better be aware before your customers—or regulatory enforcement agencies—are.

Geographic location is important not just from a global perspective, but also from a national viewpoint too. Selecting the right location(s) for distribution has an impact on supply chain vendor compliance: for the most part, retailers do not permit shipments to their West Coast distribution centers to be done from East Coast locations, and conversely, retailers do not permit shipments to their East Coast distribution centers from West Coast locations. With retailers paying the transportation costs, even at their discounted rates, cross-coast shipments incur too much time and money. Therefore, retail vendors shipping to retailer distribution centers likely need to have at least two sources of fulfillment if they are going to sell to a national retailer.

Another perspective on the Right Source is that of the retailer. The Right Source to a retailer means the right vendor: a vendor who is not a supply chain disruptor; a vendor who is in compliance technically and operationally; a vendor whose scores on its supply chain performance metrics are high; a vendor whose chargebacks are low. Consumer goods tend to be a com-modity these days. Shoppers will buy what a retailer has, what a retailer promotes, and what is perceived to be a good value if the quality is believed to be good. If we, as shoppers, don't know what we might have missed in a vendor that the retailer passed on or dropped, we are none the worse off really, especially if it is something that we want or need now, and the retailer can provide something similar. I think we are shopping less by brand loyalty rather than by features we want or need now, trusting that, even in a disposable economy, a known retailer will provide quality merchandise, or at least we know what we're getting if we're buying from a discounter.

With clarity of the third customer right, the Right Source, we can move on to the fourth customer right.

Up next: The Right Destination.

CHAPTER 6: THE RIGHT DESTINATION

Getting the destination correct is a basic tenet of shipping

he fourth of Dr. Marien's 8Rs of his Customer's Bill of Rights is the Right Destination. Per his original article, the Right Destination was described as:

In today's world, the customer may specify

locations that are not ultimate points of sale or use. As firms work on order and shipment consolidations among supplier locations, buyers may buy at the receiving dock of the "assembly" third-party provider.

Legal delivery may take place at the designated supplier's dock. In other cases, buyers want their product not only delivered to the right facility within a

complex of facilities at a certain location, but they also want it delivered at point of use, point of sale, or even point of installation.

Adding to the complications are the so-called "gray" markets in which products are diverted to locations other than originally specified delivery locations.

I think that we need to consider the Right Destination from two vendor perspectives: First, what is the right destination for goods that we receive? Second, how do we ensure the right destination for goods that we ship?

Received goods need to be directed to where they will be fulfilled from. Remember the general rule that retailers require West Coast fulfillment from a West Coast location, and East Coast fulfillment from an East Coast location? As such, when



you receive your goods, e.g., from overseas, you may receive them at one port (seaport, airport) of entry, which is the right destination for that segment of the supply chain, but the right destination where the distribution of the goods will

> finally be is likely to be one or more fulfillment centers that you own or contract. Even in-country manufactured goods will likely need to be directed to their right destination, whether that is a distribution center (e.g., if making to stock) or directly to the retailer (e.g., if making to order). Your goods may travel via multiple modes of transportation through multiple

Photo: Pexels/Carloscruz Artegrafia

journey points from their source until they reach their right destination.

Shipping finished goods to the customer can involve deliveries to distribution centers, stores, or consumers' homes. This goes back to the question as to who is the customer, a business (B2B) or a person (B2C or D2C), and it may be a combination of both. Note that Dr. Marien identified the right destination as being "point of use, point of sale, or even point of installation." Could Dr. Marien have been speaking about now-common home delivery services that include set up of furniture, appliances, and electronics? That would have been quite the prediction!

Logistics attributes that are part of destination data and reliant upon good EDI data mapping and translation as well as good vendor compliance routing guide interpretation include:

• Carrier. Was the right carrier selected to ensure that the goods could be conveyed from the source to the destination? Does the selected carrier traverse the route from the source to the destination?

• Mode. Was the right mode (air, sea, land, rail, but realistically ground) selected to en-sure that the goods would be properly conveyed?

• Service type. Notably and sometimes notoriously for ground transportation, is the service type correct based on customer requirements, e.g., standard, two-day, overnight?

• Service level. With consumer deliveries to homes of large items like appliances, furniture, bedding, and electronics, service levels can include curb, front door, inside, and setup. Destination is now measured by the inch when it comes to consumer delivery.

• Address. Verification (that the address is the correct one) and validation (that the address exists) of the delivery address helps to

Shipping finished goods to the customer can involve deliveries to distribution centers, stores, or consumers' homes. This goes back to the question as to who is the customer, a business (B2B) or a person (B2C or D2C), and it may be a combination of both.

minimize errors. This is true whether the address is a distribution center, store, or a person's home or office.

The Right Destination needs to be thought of from both ends of the supply chain: what is re-ceived, and what is shipped.

With an updated perspective of the fourth customer right, the Right Destination, we can move on to the fifth customer right.

Up next: The Right Condition.

EXPLAINER: RESPONSIBILITY

Getting the ship-to address correct is important, but whose responsibility is it?

Getting the destination right is absolutely a matter of getting the ship-to address correct. Whether conveying goods for use or for sale, ensuring that the destination address is accurate, and clearly marked on the shipping container is something that the shipper needs to make certain. But is the shipper responsible for the reliability of the destination address when it did not originate with them?

For retail vendors in B2B relationships with retailers, the X12-EDI816 (Organizational Relationships) transaction provides the retailer's ship-to locations (distribution centers, stores), with site information (identifiers, addresses, contacts), and usually other information like store open and close dates. Vendors should ensure that they receive this transaction regularly (as often as the retailer provides it) and update their operations and logistics that requires an update to the systems with any changes.

Vendors should be using store opening dates to work with their retailer buyers on establishing marketing promotions of their products to help the retailer get shoppers into those new stores in the early opening days. This is a great—and proactive—way for brands to build closer relationships with their retailer customers message transaction, via email as well as to get their products into the hands of consumers. Will

new stores represent an increase in orders? The X12-EDI816 might be a predictor of that too, so vendors may need to do more than just look at this EDI transaction from just the perspective of one retailer's record in the ERP system.

Retailers change the alignment of stores and distribution centers as new facilities open and close. Inclement weather may temporarily necessitate shipments to a distribution center be redirected to another; this information will be messaged to vendors via the X12-EDI864 text notification, or posted on the retailer's vendor compliance portal.

Retail vendors and their distribution partners need to be aware of these potential changes and make the necessary—even if temporary—software system adjustments.

For retail vendors in B2C relationships with retailers, consumer ship-to addresses will be embedded in the X12-EDI850 Purchase Orders. These addresses will be as the consumer provided to the retailer. Can the vendor be certain that the retailer checked that the address was a qualified U.S. Postal Service delivery address, and gave the consumer the opportunity to confirm the address (e.g., ensure no data entry errors) before committing the online order? The answer is no, but the assumption is yes. And because it is not the vendor's responsibility to question the consumer's delivery location in the retailer's purchase order, the retail vendor accepts the consumer's ship-to address as-is.

For direct-to-consumer (D2C) sellers, your online stores should be checking consumer addresses and giving your shoppers the chance to confirm their entries before placing their orders. This shifts some of the burden of responsibility to the consumer to enter the correct destination information and gives them a chance to review and correct before placing the order.

With the right destination information acquired, ensuring that the goods are conveyed to the right destination becomes more of a matter of making certain that the right destination information is passed along accurately and clearly displayed when printed.



Photo: Pexels/RDNE Stock Project

CHAPTER 7: THE RIGHT CONDITION

Ensuring goods are delivered in the right condition starts with quality production

he fifth of Dr. Marien's 8Rs of his Customer's Bill of Rights is the Right Condition. Per his original article, the Right Condition was described as:

Customers want their products ready for use or sale with no loss or damage, no moisture, and no overages with the right identification (such as barcoding or RFID tags on cases and pallets). As described above, many customers want the right pallet configurations or right returnable containers to provide quick acceptance and positioning of the product for use or sale.

Does the shipment being delivered meet the buyer's performance requirements as to use or crossdocking or quick transfer to floor sale or use? Are specific requirements as to barcoding, RFID, or other data capture technologies plus other packaging/ unitization being met? Are products properly protected so as to be received without tampering? These are some of the questions that must be addressed by negotiating teams.

Like the examination of the other of Dr. Marien's customer rights, reviewing the Right Condition requires a multi-perspective assessment. Whether raw materials, components, or finished goods, the product delivered should be ready for the purpose intended. Whereas data mostly drove the rights up to this point, I think that we need to get our hands physically on the issue with this customer right.

Ensuring that the goods are delivered in the right condition requires, first and foremost, that the goods themselves are produced to the quality standard that they are expected to perform. Some quality attributes related to the Right Condition are:

• Does the product perform as it should, meaning does the product do what it was designed, advertised, or supposed to do?

• Does the product perform as long as it should, meaning does the product live up to or last as long as the minimum life expectancy?

• Does the product perform as well as it should, meaning does the product meet minimum usability promises or guarantees, explicit or implied?

• Does the product perform as safely as it

should, meaning does the product work or function without causing harm to the user, others, or damage to its surroundings?

As I have stated before: just because you outsource a process, it does not mean that you can outsource the responsibility. If there is no quality testing of (inbound) goods, then you are not fully focused on ensuring that your customers receive your own (outbound) products in their Right Condition.

Inferior ingredients can cause manufacturing machine damage, and have a ripple effect in the finished good, manifesting into a more severe problem. Make certain that you don't pick products from the quarantine area, and that you don't pick products that have expired or gone beyond their recommended use date. And for goodness' sake: don't let your products get damaged while in storage. Keep your warehouse organized with proper shelving and bins to accommodate your products. It does absolutely no good to receive quality merchandise to only let it get damaged while in your own facility due to poor handling and stor-age, and then ship out to customers in a less-than-perfect condition. The Right Condition requires that packaging protects the goods throughout the transportation process. The product box and the shipping carton need to be designed for both form and function, especially if the product box is the shipping carton. If you are using separate shipping cartons, determine the appropriate size: excess packing material costs money, but not enough can cause the product to jumble around in the carton. All that excess space is easily crushable when boxes get stacked by transportation carriers. Shipping carton cardboard wall thickness and carton size design is not just a random afterthought, it is a skillful part of overall product development.

The Right Condition should consider other aspects such as item serialization and lot/batch identification. As Dr. Marien stated, this customer

Just because you outsource a process, it does not mean that you can outsource the responsibility. If there is no quality testing of (inbound) goods, then you are not fully focused on ensuring that your customers receive your own (outbound) products in their Right Condition. right of condition focuses on the "use or sale" of an item upon receipt. If the products have expired, or will expire by the time they are received, they are no good. If the products contain a substance that was recalled by a supplier, they are no good. If during the conveyance of the products they become spoiled, e.g., exposed to moisture or high heat, they are no good.

As is common in retail supply chain vendor compliance requirements, some-

times cartons are palletized, sometimes they are floor-loaded (no pallets) when shipped via truckload (TL) or less-than-truckload (LTL) shipments. And TL and LTL carton labels will be different than small-package carton labels. Whether the goods are for use or the goods are for sale, the right condition of the goods means the right configuration of the goods from a logistics perspective needs to be ensured as the goods are conveyed from the right source to the right destination.

With a clearer perspective of the fifth customer right, the Right Condition, we can move on to the sixth customer right.

Up next: The Right Time.

EXPLAINER: DEFINING THE RIGHT CONDITION

In retail, the Right Condition means ensuring goods meet 'Floor Ready Guidelines'

Ensuring that goods are in

the Right Condition means per Dr. Marien's definition that goods are ready for "use or sale." To ensure that goods are ready for use or sale, the goods need to be packaged and protected against the trials and tribulations of shipping and han-dling, including environmental factors along the way.

But when it comes to retail supply chain vendor compliance, ensuring that goods are ready for use and sale takes on an extended definition. And the retail vendor needs to consider the customer (the retailer) and the consumer. The retail industry has something called "Floor Ready Guidelines" that were first established by the retail industry's early trade association—VICS (Voluntary Interindustry Commerce Solutions) which was created in 1986 for the purpose of developing supply chain standards for the industry. (VICS was merged into the U.S. affiliate of GS1-<u>www.gs1us.org</u>-in 2013, which continues to support the standards originated by VICS.) VICS guidelines are now part of the GS1US Apparel and General Merchandise Initiative.

Floor-ready guidelines (over 60 pages) include requirements such as:

• Hangar specifications which vary by type of garment.



Photo: Pexels/RDNE Stock Project

(The hangar specification document is over 50 pages.)

• Wrinkle-free requirement that requires the garment is free of wrinkles when packaged and throughout the shipping and handling process until the carton is opened and the garment is to be placed on the retail floor/shelf/rack.

• **Item-tagging** for identification, description, and pricing.

• **Poly-bagging** for single items, multiple items, or item protection.

• Minimal/reduced fill in boxes, because all that fill material makes a mess, requires retail staff to clean up, and takes up space in trash receptacles.

Ensuring that goods arrive in the "right condition" requires assessment of the full extent of an item's supply chain. Shipping cartons cannot be too small or too large because they will not fit on the retailer's conveyor lines. (Cartons that are too small might bounce around.) Cartons also cannot be too heavy; remember that people have to lift these things. Vendors need to review each retailer's vendor compliance guidelines and should consolidate their shipping carton sizing.

To access the GS1US Apparel and General Merchandise Initiative Floor Ready Guidelines, go to: <u>HTTPS://WWW.GS1US.</u> <u>ORG/INDUSTRIES-AND-INSIGHTS/BY-</u> INDUSTRY/APPAREL-AND-GENERAL-MERCHANDISE/INDUSTRY-INITIATIVE

The hangar specification can be found using the magnifier search feature on the GS1US home page—<u>WWW.GS1US.ORG</u> and using the search term "floor ready merchandise."

CHAPTER 8: THE RIGHT TIME

In addition to delivering the right product to the end customer, it also must arrive at the right time—not earlier and not later

he sixth of Dr. Marien's 8Rs of his Customer's Bill of Rights is the Right Time. Per his original article, the Right Time was described as:

In an environment of just-in-time or timedefinite deliveries, the right time must be set by buyer, seller and 3PLs to meet the schedules for use or sale. Guaranteed freight delivery times have become very prevalent. However, not all items need to be delivered as fast as possible. Many cus-tomers are perfectly happy with weekly delivery schedules to meet restocking or usage needs.



delayed because of required gov-ernment or business inspections or security breaches. Shipment track and trace execution systems are a necessity in a global

economy.

Well ... where to begin ... how about with a short story?

It was a little over 20 years ago (and now I have Sgt. Pepper playing in my head) that I was helping a consumer product company with X12-EDI with its big-box retail customers for B2B fulfillment orders to the retailer distribution centers. During this time, the company had

Low TCO solutions when considering transportation, planning and ordering, inventory carrying, warehousing, and cash transfer costs should be cooperatively developed by users, buyers, sellers and providers to meet time-definite delivery requirements. More customers are sharing plans and operations schedule. Customers are sharing product sales and usage data so providers are not blind-sided as to what is really going on in the front lines. Sharing information is crucial in timing the flow of orders and shipments as orders progress from needs conception to point of use or sale and ultimately to cash settlements.

Pickup and delivery times established on time-definite requirements are especially critical with today's hours of service regulations. Another important aspect of shipment timing is associated with order and shipment security. Many times, shipments are

Photo: Pexels/RDNE Stock Project

en-gaged a lean manufacturing engineer to help in the reorganization of the manufacturing area and warehouse. The lean engineer was implementing a just-in-time system that would supply raw materials to the manufacturing area and would provide just enough finished goods to the warehouse to satisfy a couple of days of pending orders.

When I was asked about this plan, as it was partially being implemented, I smiled at the executives and lean engineer (we all got along rather well) and said that I was going to disrupt the plan with two words: vendor compliance. As I explained the short purchase order notification time window, the shipment scheduling for LTL and TL, the carton and sometimes pallet barcode labeling requirements, and the occasional palletization requirements, it was clear to the group that just-in-time inventory was insufficient. (I also showed them the chargebacks for non-compliance which completely sold my side of the conversation.) Instead, the company ensured additional inventory for retail orders was always at the ready to compensate for the order/shipment preparation time.

This company had an advantage: it was performing the manufacturing and distribution itself, right there in the same location. The right time means that the raw materials had to be delivered at the right time, the finished product had to be manufactured at the right time, the finished goods had to be delivered and available for fulfillment at the right time all to allow for sufficient time to get each shipment scheduled and together the way each specific retailer required it.

As Dr. Marien stated, companies can help to ensure that goods move at the right time by sharing data with their supply chain partners. This is something that companies have been reluc-tant to do but are starting to come around to the idea of. Trust doesn't come easy, but in the right relationships, it is an embedded part. Sharing sales and inventory use and allowing suppliers to help with replenishment order recommendations instead of just pushing purchase orders is a more collaborative methodology of engagement and can help to keep product flowing on a timely basis. Vendormanaged inventory (VMI) partnerships work like this.

Retailers have been narrowing the purchase order (e.g., X12-EDI850) timeframes over the past several years, requiring vendors to ship sometimes within a day or two for B2B fulfillment orders. B2C orders are required to ship "right away," (you know, because people are impatient and Amazon set the immediacy expectation for everyone else to follow), but there can be a catch: some retailers grant the consumer a 30-minute order cancellation window, so if the vendor ships within this window and the consumer cancels, the vendor eats the order. Thus, the "Right Time" here for some retailer B2C orders is not too soon but not too late. Whereas it was once okay to just look at dates, we're now down to analyzing dates and times.

At the Right Time is when the customer requires or expects the item. Based on this, the timing of the preparation and transportation to get the item to the customer needs to be thought through to ensure that all operational steps have sufficient time to be performed, and that if anything could go wrong there is time to recover and still get the item to the customer as much on time as possible. Certainly, some risks will not be able to be avoided, but those that can be, should be.

With a more insight into the sixth customer right, the Right Time, we can move on to the seventh customer right.

Up next: The Right Documentation.

EXPLAINER: FINDING THE RIGHT TIME

Customers don't care what troubles the shipper has along the way

It is your responsibility to assess the risks that may be in the way of getting your goods to your customer. Risks will be either internal or external, technical or operational, within your control or beyond your control.

Your customer—and for retail vendors, this is especially applicable—isn't concerned with your problems; they just want your

goods. Since some risks beyond reasonable control (e.g., natural disasters) are likely to find a sympathetic ear with customers, other risks that are technical and operational that you should have had a handle on will unlikely be reason to avoid chargebacks (financial penalties for non-compliance) or consumer ire or complaints.

tomer from receiving their goods at the right time include:

• Natural disasters (e.g., delays due to bad weather), some which you can avoid if you look at weather reports

 Misdirected shipments (e.g., because you the vendor didn't pay attention to retail notifications of distribution center closing or Risks that will prevent your cus- distribution center/store realignment)

• **Traffic delays** (rush hour, construction, weather)

• Geopolitical situations (e.g., border closings, labor strikes, policy changes, regulatory requirements)

• **Port-of-entry delays** (e.g., holds in customs, incorrect or insufficient documentation)

• Material delays (supplier stock-outs)

• Supplier delays (solesource or major-source supplier goes out of business or delays your company's orders in lieu of another customer or payment problems)

• Manufacturing delays (machine down-time, maintenance failures, no backup of parts or equipment)

• **Software system** issues (downtime, integration failures, data problems)

• Make-to-order versus make-to-stock decisions

• Wait-time delays (inefficient operations, lack of labor, poorly trained staff, machine problems, software issues, yard or dock mismanagement)

At the Right Time means both not-too-early and not-toolate. But it also requires that the risks to ensuring that the goods are delivered for use or sale at the right time are identified, quanti-fied, and remediated to maintain the best state of performance in being able to consistently meet customer expectation.

Where vendors often have difficulty is in the running and synchronization of their software systems (EDI, ERP) and operations to the same level as their retailer customers. Retailers will send purchase orders 24/7, and as early as 5 a.m. EST. Advance ship notices need to be sent within one hour of the shipment leaving the facility, not at the end of the day. Retailers are becoming more demanding in receiving more frequent—even hourly—updates of inventory availability. And retailers are pushing vendors for more and increasingly detailed information. Essentially, retailers expect that vendors have software systems and operations that are equivalent to their own. So, for vendors, the right time requires the right integrated software systems coordinated to tightly running business operations.



Photo: Pexels/Kampus Production

CHAPTER 9: THE RIGHT DOCUMENTATION

Most goods include documentation, and that includes physical specs and electronic transactions

he seventh of Dr. Marien's 8Rs of his Customer's Bill of Rights is the Right Documentation. Per his original article, the Right Documentation was described as:

With the demanding Rights described above, documenting and communicating clean, reliable and timely information is crucial among parties. Besides meeting security requirements by ensur-ing that information is not getting into the wrong hands or to meet government requirements, all parties must cooperate in making sure that perfect information is passed among parties securely. If bad or unreliable order information is passed along initially, then there is a high probability that imperfect shipments are going to occur.

The quality of transportation and logistics fulfillment is necessarily tied to obtaining good, clean order information. Many firms are now separating "perfect orders" from "perfect shipments."

Perfect orders relate to getting all of the performance specifications agreed upon before the shipment is prepared and tendered to 3PLs.

Are all required documents—paper or electronic—prepared and correctly filled out to satisfy business and regulatory requirements? Once shipments • Item hazardous material sheets

• X12-EDI850 Purchase Order or X12-EDI875 Grocery Products Purchase Order

 • X12-EDI855 Purchase Order Acknowledgement

• X12-EDI860 Purchase Order Change or X12-EDI876 Grocery Products Purchase Order Change Documentation that could be related to the shipment includes:

- Pick list
- Pack list
- Bill of lading
- Shipping manifest
- Carrier label, e.g., for small package shipments

• UCC-128 carton compliance label (with optional RFID tag)

• UCC-128 pallet compliance label (with optional RFID tag)

• Routing instructions (e.g., X12-EDI754) as a result of the routing request (e.g., X12-EDI753)

• Warehouse ship order (e.g., X12-EDI940) and warehouse ship advice (e.g., X12-EDI945)

• Advance Ship Notice (e.g., X12-EDI856)

• Invoice, such as the X12-EDI810 or X12-EDI880 (for grocery products)

 Commercial invoice for cross-border commerce.

Next, Dr. Marien correctly mentions that documentation—notably for Advance Ship Notices—must be "communicated on a timely basis." Delivery "at the Right Time" is the sixth Customer Right, and extends not only to the product being conveyed, but also to the documentation as-sociated with it, whether physical or, more importantly these days, electronic. The synchronization of electronic transactions (e.g., EDI) with business operations is critical to ensure that the right documentation is sent, received, and processed prior to the physical goods arriving. It does no good (it would only compound the problem) to have the invoice sent prior to the ship notice, especially if

Shipping Notices (ASNs) communicated to buyers on a timely basis? Is payment for goods received with proper documentation and instructions as goods are turned over to buyer from seller? If an OS&D (over, short & damaged report) to the shipment occurs, do receivers and 3PLs document the damages quickly and correctly? All of these questions relate to the information surrounding the flow of materials.

are made, are clean Advance

I think that there are two key points that Dr. Marien makes that stand out regarding the definition of docu-

mentation: First, documentation can be physical or electronic, such as printed paper, a label, a hangtag, an RFID tag, or an EDI transaction. Second, documentation can relate to the order or to the shipment. One type of document might be embedded within, associated with, or reliant upon another. And so, we have to expand our definition of what "documentation" could mean.

Documentation that could be related to the order includes:

• Item hangtags for descriptions and pricing.

• Item instructions and warranty information inserts

• Item-level barcoding (whether graphically embedded or physically adhered)

• RFID tags on items

I think that there are two key points that Dr. Marien makes that stand out regarding the definition of documentation: First, documentation can be physical or electronic. Second, documentation can relate to the order or to the shipment. One type of document might be embedded within, associated with, or reliant upon another. And so, we have to expand our definition of what "documentation" could mean. the ship notice is in error.

Physical or digital, related to the item, order, or shipment, designated for product box, ship-ping carton, or pallet, whether on the inside or on the outside, the right documentation—provided to the customer at the right time—requires us to think beyond the walls of the distri-bution center and consider everything that is communicated to the customer related to get-ting the product successfully conveyed for use or sale. The Right Documentation isn't just about physical specifications, it's also about electronic transactions.

With more insight into the seventh customer right, the Right Documentation, we can move on to the eighth customer right.

Up next: The Right Cost.

CHAPTER 10: THE RIGHT COST

The Right Cost is not the lowest cost, but rather the necessary cost that ensures the order is perfectly conveyed for sale

he eighth of Dr. Marien's 8Rs of his Customer's Bill of Rights is the Right Cost. Per Dr. Marien's original article, the Right Cost was described as:

Finally, the preceding 7Rs illustrate that transportation charges and prices are only part of the cost formula. We refer to "Right Cost" rather than "Right Price" because total costs of ownership go beyond cost of goods or merchandise to include ancillary charges leading to delivered cost as well as inventory, procurement and logistics costs. The lowest delivered cost includes

warehousing, TCO analyses must be performed. Ultimately, supply chain economics necessitates that inter-enterprise, cross-functional costs are considered that cut across suppliers, intermediaries, 3PLs and buyers in



ies, 3PLs and buyers in more complex, strategic sourcing decisions and operations. Getting back to the basics: Are the right charges assessed for order shipment, including product costs, trade discounts and allowances? Are special damages assessed if guarantees of deliveries are not met? Are consequential damages for lost sales

Photo: Pexels/Kindel Media or shut down production/operations assessed

when sellers, carriers/3PLs and receivers do not meet agreed-upon performance requirements?

Logistics professionals must work with customers and other functional colleagues in their organizations to determine the performance specifications

product costs, order and shipment documentation preparation, possible inspections, and transportation from ini-tial origin to ultimate destination between buyers and sellers. When considering the costs of in-transit, stationary, and safety inventories plus for the above rights. Metrics must be determined along with glossaries, which can be attached to purchase and transportation contracts.

I want to start by pointing out something that Dr. Marien said at the beginning of his second paragraph, taking it a bit further. Paraphrasing his sentence, Dr. Marien stated that supply chain economics requires costs to be considered across all parties in a more strategic manner, albeit he focused on sourcing. I offer that the costs of business need to be considered strategically in consideration of the customer model, e.g., B2B, B2C, D2C. Notably, if a consumer product company is considering aligning itself with retail (online or brick-and-mortar), this potential retail vendor needs to do its due diligence and consider the costs of what this business model may likely require, initially and ongoing. Because retail vendor compliance (B2B, B2C) is tough.

Dr. Marien differentiated cost from price in his description of this customer right. Everything costs something: every hangar, hangtag, barcode label, shipping carton, and printed pack list, as well as each and every electronic transaction. Consumer product companies need to invest in the right software systems, establish the right business operations, hire and train the right people, and document the right procedures to ensure that their customers—or their customers' customers are guaranteed to receive their orders perfectly. The right cost is not the lowest cost, because the price to pay for that is failing to execute orders perfectly.

The cost of doing things tactically and not strategically are manual errors, redundant work, replicated data, and letting the exceptions manage the business. These are the costs that can peck away at profits and eat away at efficiencies. Retailer systems are not without error, nor are their chargeback (financial penalty) reasons always clear. This information is always easy to analyze. Vendors have control over the foundational data upon which their performance metrics are based, and can layer in protections against some retailer problems like replicate orders. Retailers, and their intermediary software providers, have the responsibility of processing and analyzing vendor supply chain data correctly to ethically and legally assess "special damages" and "consequential damages" without going beyond the actual cost of the infraction's impact on supply chain disruption plus any actual administrative fees.

The Right Cost is not the lowest cost but is the necessary cost to ensure that the order is perfectly conveyed for use or sale based on the customer's requirements and expectations. If your brand isn't ready for this level (B2B, B2C) of retail, start by building your reputation via D2C or via an online marketplace where you have more control and fewer requirements.

This was the last of Dr. Marien's 8 Customer Rights that he wrote in 2005. Today, could there be another "R" that is a customer right given the advancements in online shopping and e-commerce?

Up next: The customer's right to return?

EXPLAINER: SETTING THE RIGHT COST

The cost to deliver goods involves all costs in the process, including contractual discounts

Ensuring that products are delivered at the right cost means that the right root-cause analysis needs to be performed to discover why some costs are occurring and then decide the best course of action for remediation. Runaway costs eat away at money that could have been used for the benefit of the company like upgrading software systems, hiring additional employees, or training the employees you already have.

Retailers take money off the invoice for two primary reasons. The first reason is deductions, which are contractual allowances usually related to co-op marketing and damages. The second reason is chargebacks, which are financial penalties for non-compliance to the technical (e.g., EDI) and operational (e.g., floor-ready requirements, logistics, barcode labeling) mandates imposed by the retailer. The technical and operational requirements are often known together as "vendor compliance."

(Before I continue, here's the disclaimer: I am not providing financial or accounting advice.)

These two invoice subtraction reasons (deductions versus chargebacks) should be recorded on the vendor's general ledger separately; the two are not the same. Next, within the chargebacks ledger category, it would make sense to subledger technical versus operational chargebacks differently for a more insightful reporting analysis. There is no reason to go into much more detail than this in the ledger, though one more layer of distinction wouldn't be unreasonable. Technical reasons can be further distinguished as those related to EDI versus

master data management. Operational reasons can be those related to shipping/logistics, labels, product, etc. Optionally, instead of this lower ledger level, establish a spreadsheet for recording the chargeback characteristics and resolution.

I often find little if any collaboration between the accounting function and the technology and operations areas in the discussion and resolution of chargebacks at the retail vendor compa-nies that I assist, and this is a big mistake. The accounting department often has a different perspective and data view than IT and operations based on the information that they have available to them, making the accounting department a valuable voice in vendor compliance problem awareness and correction.

When a retailer pays (X12-EDI820 Payment Remittance) an invoice (X12-EDI810 or X12-EDI880) for less than the full amount and provides supporting documentation (X12-EDI812 Credit/Debit Adjustment) as to the reason, there needs to be an understanding as to the why, and whether there was justification for it. Deductions should be verified against the terms of the contract. Chargebacks should be investigated to ensure that the vendor was actually at fault and, if confirmed, the remedy for the problem implemented as soon as possible to avoid another financial penalty for the same issue. If the vendor does not believe that it was at fault, it should use evidence—such as EDI transactions—to support its case for chargeback reversal.

CHAPTER 11: ARE RETURNS A CUSTOMER RIGHT?

The consumer has a right to receive goods as they are presented and ready for use. But, what if they are not?

et's get back to the discussion of the definition of a customer: Are we talking about the cus-tomer as a business or the customer as a person?

If the customer is a business, then it is likely that the ability of the customer-buyer to return unsatisfactory goods to the vendor-seller is stipulated in the contractual relationship between the two supply chain partners. What makes the goods unacceptable would realistically consti-tute the inability of the goods to be used for their intended purpose; the goods are in some way not in their "Right Condition" for use or sale.

If the customer is a person (a consumer), the same rule of "Right Condition" applies. The consumer has a right to receive goods as they are represented and ready for use. The seller had the responsibility to ensure that the goods were in their "Right Condition" when they left the warehouse or distribution center and were packaged to survive the shipping and handling process. All that being said, does the consumer have a right to return in today's e-commerce business environment? We know the answer to the somewhat rhetorical question above: Yes, even if it is not a true "right" as defined by Dr. Marien, and even as some retailers are making it a bit more rigorous to return goods due to certain consumer abuse. The

customer (consumer) isn't always right, but returns have been used to attract consumers to buy without penalty yet not without there being a cost.

Part of the reason for returns is simply bad data: poor product images, a lack of detail in product

descriptions, and inaccurate product sizes such as for ap-

parel and footwear. Dirty data results in consumers purchasing multiple sizes of the same product to try on and return the ones that don't fit, or to just buy-and-try without fear of losing money due to the absence of any sort of restrictive return policy. Laissez-faire return policies were used as leverage to at-tract consumers to buy, but the cost of these unrestricted return policies wasn't always beneficial to the bottom line.

Consumer returns due to bad data aren't necessarily a right, but they are a necessity and an expensive one at that for retailers. It can be less costly for

> a retailer to let the consumer keep the goods than to handle the logistics of the return in some circumstances, but this still doesn't make it right. Improving the quality of the data will help alleviate unnecessary consumer buys and returns. Whether a company is selling

Photo: Pexels/Mart Production directly via a D2C business model, or

whether a company is a retail vendor selling B2B or B2C, focusing on quality product data reduces the supply chain costs associated with unnecessary returns. This makes consumers more satisfied because their initial product purchases are going to be more accurate more of the time. Isn't that what a perfect order should be all about?

EXPLAINER: RETAILER-VENDOR TIPS

Some commonsense tips to help improve the retailer-vendor relationship

Retailers and vendors need

each other in what should be a symbiotic relationship. So, let's clear the air on some of the issues where retailers and vendors can begin their efforts in ensur-ing that orders are perfect. Here are some tips that each can implement to help in this common effort.

Retailers:

1. Communicate clearly to your audience, which is not only internal to your organization, but notably external to your vendor community. Sometimes your own personnel cannot comprehend your vendor compliance documentation; as such, how do you expect your vendors to understand your requirements? And part of clear communication is a vendor compliance portal that is easy to navigate.

2. Consolidate your vendor compliance documentation (operational, logistics, and technical specifications) in one place and on one portal. Stop spreading it around to multi-ple places.

3. Stick to the standards. X12-EDI is a standard in its structure and data values, some of which can also be found on the GS1 website. Stop breaking the rules, because this imposes hardships, disruption, and costs across your vendor community ... you know ... hardships, disruptions, and costs like what you as the retailer don't want and continue to blame your vendors for. Stop



blaming your vendors for your problems.

4. If you are going to place a software company in between you and your vendors, make certain that they are up to the task, technically, operationally, and personnel. Don't blame your vendors because you made a bad software partner choice. Take ownership and do something.

5. Train your own staff to be the experts that they need to be and have at-the-ready the information and answers that they need. Ensure that vendors can get the answers that they need quickly, because time is of the essence. Make it easy for your vendors to get through to the experts that they need to when the answers they are looking for are missing or elusive on your compliance portal or in your compliance documentation, then learn from this and update your portal and documentation quickly and accordingly.

Vendors:

1. You wanted to sell into retail, so own this lock, stock, and barrel ... technically and operationally. You've got to take responsibility for everything every step of way throughout your supply chain, whether you own it or you contract for it.

2. Organize your master data management (items, customers) across your supply chain as this is critical to your success.

3. Educate yourself. Ideally, you would have done your due diligence before you signed up to sell to retail. But if you made the decision to do so and are going forward, then at least get knowledgeable. GS1/GS1US has courses (some of which are free)



Photo: Pexels/Anna Tarazevich

on barcode standards. Many retailers offer courses on their own portals and have branched out into general supply chain topics ... avail yourself of these retailerprovided courses. If your EDI software provider offers a course that looks relevant, take it.

4. Organize the vendor compliance documentation. If there is one consistent failing that I see with the brand companies that I help, it is that they consistently lack an organized library of retailer vendor compliance documentation. And to add insult to injury, the vendor compliance documentation is usually not kept up-to-date. And when there is a new release of a requirement, it should be reviewed and discussed among all affected personnel within and partners outside of your organization to understand the impact. Just because an outside vendor like an EDI company is handling things doesn't mean that you don't need to understand what's going on ... you do.

5. Know your way around

the vendor compliance portals. Establish user profiles. Set up alerts (if possible). Check the portals regularly as part of standard operating procedures depending upon the different departments within your company.

Getting an order to be perfect requires every aspect of the retailer-vendor relationship to be clear in the technical and operational requirements, to have the barriers that are obstructing the ability to successfully fulfill the order removed. But this is hardly the reality. Retailers, you do own the leadership responsibility here, so accept it but don't abuse it. Vendors, you wanted this relationship, so accept the challenges that come with it, because there are certainly re-wards that can be reaped from it.

Retailers and vendors should be communicating and working better together to achieve The Perfect Order, because they both ultimately have the consumer to answer to. And a perfect order is something that everyone involved will benefit from.

EXPLAINER: TYPICAL METRICS

Proactive monitoring and assessments will help vendors improve their performance

It is not enough for vendors to

let retailers measure their supply chain performance and react when they get a bad report card. Vendors should be proactively monitoring themselves and assessing their own software systems and operations, making corrections before letting bad situations get worse.

Vendors can use retailers' own performance metrics (and chargebacks) to guide them on what they should be on

the lookout for, not just within their own enterprises, but as they monitor their contract manufacturers and suppliers too.

Some typical supply chain metrics that retailers use to judge vendors on their performance, usually by calendar month, are:

• Orders accepted vs. canceled. The number of purchase orders accepted and canceled.

• Order lines accepted vs. canceled. The number lines within a purchase order accepted and canceled, and the overall number of purchase order lines accepted and canceled.

• Orders backordered vs. fulfilled and complete the first time. The number of purchase orders backordered (if allowed) and how many shipments are required to fulfill the backordered purchase order compared to the number of purchase orders fulfilled the first time complete. • Late shipments. The number of purchase orders shipped late; the number of purchase orders received late. The latter may be an indication that the correct ship service (e.g., overnight versus second-day versus standard ground) was not used.

• Early shipments. Retailers actually do consider this a problem, especially for B2B. Shipping early in a B2B model—if the routing request doesn't prevent it—can cause a truck



Photo: Pexels/Lukas

traffic problem at the distribution center due to loading dock availability. Even shipping too early in a B2C situation can be a problem in the view of some retailers.

• Incorrect data in EDI. An error in an EDI segment (record) is one that is missing or out of sequence or exists when it shouldn't be there. An error in an EDI element (field) is one that is missing, exists when it should not, is erroneously placed, or is an incorrect or invalid value.

• Missing or unusable carton barcode labels. A label on a shipping carton or pallet that is not placed correctly or is not able to be scanned because it was not printed properly or did not survive the handling and shipping process. Or the label may not contain all the correct or required information. Or you forgot to affix a label in the first place.

• **Damages** (carton or item). Which can be due to insufficient cardboard construction of the shipping carton, too little or in-

> sufficient packing material (leaving too much empty space surrounding the item).

• Late EDI (PO Acknowledgement, Advance Ship Notice). Which can result when business operations are not synchronized with software systems like EDI and ERP, or when software systems lack automation and must rely on human intervention.

The data to support these metrics should be acquirable from the audit logs of most ERP and EDI systems. Granted, something like damages would only be known based on the physical receipt of shipped goods by the customer. But most of the technical and operational metrics are likely within reach. Vendors should focus on understanding their own supply chain performance and ensure that their internal report cards reflect what their retailer customers are informing about them.

THE PERFECT ORDER: CONCLUSION

The Perfect Order has a clear path to success, and Dr. Edward Marien identified this path with his Customer's Bill of Rights. Now, it's up to businesses to follow it.

uite simply, and by its own definition, Dr. Edward Marien's Customer's Bill of Rights is a customer-focused business model that places the customer first and foremost.

Whether the goods are for use (e.g., raw materials or components) or for sale (e.g., finished goods), the Customer's Bill of Rights applies regardless of whether a company is engaged with its downstream supply chain partners (e.g., contract manufacturers, distributors) or upstream supply chain partners (customers, be they businesses or persons). It



should be.

For sellers selling D2C, you likely very well know the implications of your orders not being per-fect. The operational costs of dealing with

> unhappy customers, handling returned merchandise, applying product credits and shipping out replacement goods quickly chips away at profits.

For retail vendors selling B2B or B2C, financial penalty chargebacks for noncompliance to retailer technical and operational mandates don't just cause profits to shrink, they also cause

Photo: Pexels/Artem Podrez

performance metrics to suffer. Retailers don't want to deal with disruptive vendors that cause chaos to their supply chains. Retailers are willing to replace disruptive name-brand vendors with competitors or instead use private label substitutes.

For retailers, you own the responsibility of defining and clearly communicating your order ex-pectations to your vendors. This is one of the Customer's Rights: the Right Documentation, and for retailers, this is the vendor compliance guidelines, routing guide, EDI specifications, and EDI transactions. Treat your vendors like they were your customers (your consumers)...like you really value them. Retailers, you own the responsibility of ensuring that your vendors are enabled to succeed. Placing barriers in their path—unwieldly portals, unhelpful or incapable software providers,

is incumbent upon the buying party to take the lead in ensuring that technical and operational requirements for achieving The Perfect Order are clearly and openly communicated to the selling party. This effort helps to remove impediments to achieving The Perfect Order.

Supply chains stretch from one end to the other; if each party does their part to ensure that their order is perfect for their customer, the entirety of the supply chain will deliver a perfect order to the final recipient of the end product. Each supply chain participant must recognize their participation and responsibility within the end-to-end supply chain where the consumer makes the final and ultimate decision. If this full supply chain picture is not something known to a company's supply chain partners, maybe it cryptic communications—only inhibits your vendors' ability to comply and unfairly stacks the rules of the game against them. You can and should be doing better.

For the retail industry, there's been talk about The Perfect Order for decades. And as an industry, you've been complaining about supply chain disruption and (incorrectly and unfairly) solely blaming the vendors. Here is an opportunity, as an industry, to embrace what I believe is the best definition of The Perfect Order and create a helpful framework to guide the industry—retailers and vendors and service providers—toward improvement.

Today, retailers, software companies, and retail industry organizations (sometimes together with advisory firms) offer a lot of training on a wide variety of topics: portals, standards, software, and practices. But I think that what remains lacking is an end-to-end framework that provides guidance on how it all fits together, technically, operationally, and comprehensively. Dr. Marien's Customer's Bill of Rights does this eloquently as representing what The Perfect Order should be.

(In establishing a retail industry framework for The Perfect Order, I refer to something like COSO's (Committee of Sponsoring Organization, www.coso.org) Internal Control Framework. It may not answer every single question, but it is a how-to guide that covers a wide array of related topics. And I think that like COSO, the retail industry should have an independent and multiperspective committee that is dedicated to The Perfect Order initiative.)

Execution is the competitive edge in a commoditized world. Whether a D2C seller or a B2B/ B2C vendor, you've got competitors waiting to replace you should you fail your customer, so don't. Investments are required in software systems and business operations that are up-to-date and synchronized to perform to the expectations of your customers. Hire the right personnel and ensure that they are trained and continually educated. Engage continually with your suppliers and your customers on technical and operational issues to create a seamless end-to-end supply chain flow.

Retailers, you are not without your own

Retailers, you are not without your own competitors, whether it is D2C marketplaces or each other. How many of you have gone out of business in the last 10 or 20 years, and how many of you continue to be on the edge of failure? It behooves you to work toward helping each other and working to create a stronger industry overall.

competitors, whether it is D2C marketplaces or each other. How many of you have gone out of business in the last 10 or 20 years, and how many of you continue to be on the edge of failure? It behooves you to work toward helping each other and working to create a stronger industry overall. Understand that you have vendors of various demographics, and what your large vendors are capable of is not necessarily what your small vendors can always accomplish, yet you need them all to create a diverse shopping experience for consumers. I'm not asking you to sacrifice your supply chain efficiencies; all I'm suggesting is that you can be implementing your supply chain initiatives better and more creatively so that they are more clearly understood, and more able to be implemented without so many unnecessary exceptions. Don't push your problems onto your vendors.

I think that Dr. Edward Marien's Customer's Bill of Rights truly represents The Perfect Order, and that he rightfully deserves full credit for his clear and creative framework. I was merely the sword wielding (no bullwhips for me!) swashbuckling archeologist who dug it up, dusted it off, and provided an updated interpretation. For those who read this series, I hope that this was insightful and helpful and will be applied toward improving your enterprises and delivering perfect orders to all of your customers. The Perfect Order is not a dream, but a reality for businesses that strive to reach it. To learn more on how your business can achieve The Perfect Order, contact consultant Norman Katz.



To contact Norman Katz: Email: NORMAN@KATZSCAN.COM Web: https://www.katzscan.com