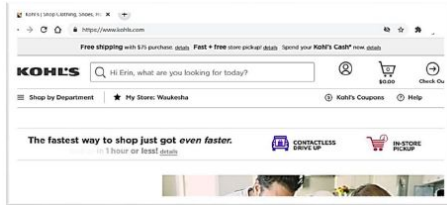# Operational Process Review

DSN Program Vendor Participant Guide
2022

Product Management

Kohl's Merchant Role in Direct Ship

- Pricing & set-up
- Additional product for Kohls.com
- Promotional Events
- Notify your merchant partner if there are concerns about set-up, cost updates or MAP pricing. For cost updates, merchants need 30 day lead time to ensure all Kohls systems update prior to the change
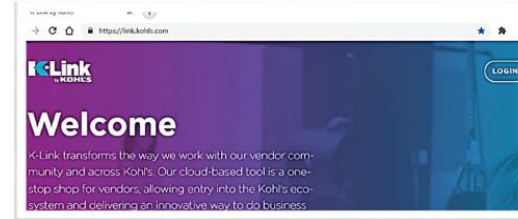
Kohl's Vendor Portal

- Kohls.com Direct Ship Network Policies, DSN Assortment Worksheet & other DSN documents (copy & feature info) available in the portal
- Web-ready images should be uploaded in the portal. Images must meet Kohl's image requirements (samples sent to merchants)
- Changes to assortments need to be submitted via a DSN Assortment Worksheet and should be submitted to the merchant for approval
  - Note approval and set-up takes several weeks and vendor will be notified when new items may be added to inventory feeds

Inventory Management

- Inventory for Kohl's is vendor-managed through a third-party platform (DSCO)
- Inventory data must be formatted and submitted correctly
  - Refer to the addendum previously forwarded to you for platform specific details on inventory and inventory statuses

In-Stock or Available Status   +   Positive Inventory Quantities = LIVE on Kohls.com

- Mandatory that a Kohl's merchant SKU be included (Partner Sku)
- Kohl's merchants SKUs are reported via a third party platform
- Only one inventory feed should be submitted per merchant SKU, to avoid duplication of product data

Inventory Methods

ACTUAL
Changes daily with order volume

M   T   W   T   F

STATIC
Same quantity is uploaded every day

M   T   W   T   F
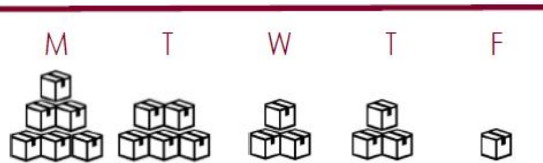
- Changes daily with order volume
- Central stock for inventory
- Set aside portions exclusively for Kohl's
  - Avoids over-sells and cancellations

- These quantities do not change
- Consider utilizing a safety stock, or buffer on the submitted quantities
  - Prevent cancellations due to over-sells

- Update inventory at least once per day
- Load only the items & quantities that are able to be fulfilled within Kohl's required turnaround time frames

Inventory Feeds

- All inventory quantities must be updated in a third-party platform
- No fees for updating inventory

DELTA
Inventory quantity or status is changed

- Kohl's accepts all inventory changes (reflected in Kohl's systems in 30 minutes)
- Changes are accepted 24 hours a day, 7 days a week
  - Any inventory feed update will trigger an inventory refresh to the quantity in Kohl's system

***Holidays: Inventory logic may be different. Kohl's will advise of any changes and best practices, in advance of any holiday time frame

Guaranteeing Inventory

- **Reporting Inventory**
  - Unit quantities are guaranteed as available for sale on Kohls.com
    - Kohl's does not apply buffers or safety stock
    - All items in-stock at all times, with the exception of seasonal items
  - If guidance is needed please reach out to your merchant partners
  - Unavailable or out of stock: refer to your third-party platform addendum
  - Kohl's does not allow back order. Reported inventory should be in stock and available to ship immediately from a U.S. Warehouse location
- **Oversells**
  - Work with your Direct Ship team *before* cancelling orders
  - If inventory is appropriately managed, over-sells and cancellations should not occur
- **Fill Rate**
  - Must maintain a 99.5% fill rate metric

Best Practices

STANDARD
Delivers to customer within 3-6 business days

- 48-hours or less turnaround time
- Includes picking, packing, shipping & invoicing orders
- West coast vendors
  - Turnaround time is 24 hours
  - Majority of Kohls.com customers are central or eastern regions, so faster turn around is required

PRIORITY
Customers pay for expedited shipping methods

- Next-day & 2nd day delivery service
- Orders placed by customers by 1pm CST are expected to ship & invoice the same day
- Priority orders placed after 1pm CST must ship & invoice by the end of the next business day

Standard Fulfillment Chart

Orders need to be shipped and invoiced by 11:59 pm CDT

I	**Insert Day:** Day the order is available within CommerceHub for pick-up
S	**Ship/Safe Day:** Order shipping day/safe day with no delinquency
D	**Delinquent Day:** Order will be delinquent on this day

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Order Processing

- Orders are transmitted to vendors in real time from Kohl's
  - Kohl's does not batch or hold orders
- Vendors should check new orders multiple times per day
 - Priority orders have same-day shipping requirements

Fill-or-Kill Policy

- Fill or kill at the line level. A line on an order cannot be partially fulfilled
- Vendors are not able to apply both a ship and a cancel status to the same line of an order
- Multiple line order: one line may be fulfilled and the other line cancelled
- If it is part of a set, reach out to Kohl's DS team for direction

OUT OF STOCK

- Inventory needs to be updated to eliminate further cancellations

Shipment Confirmation

Closing an Order → Customer → Tracking Number

Closing an Order → Kohl's → Shipment confirmation & Invoice
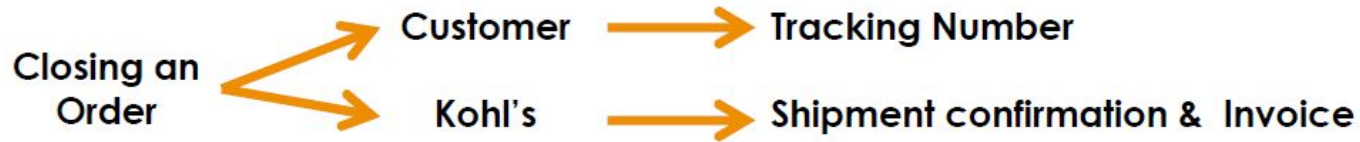
Included when closing an order:

- The correct & valid tracking number
- The correct & valid ship method **orders should not be invoiced with "unspecified shipping method"**
- Correct carrier & the service level code
- A unique invoice number
- The unit cost of the item(s)

- Invoice number available within the order's required shipping time frame
  - Failure to close orders within the required turnaround times will result in order delinquencies
- An order will not be considered closed until each line has shipped or cancelled status
- If using an internal invoice number will cause delays in closing, the DS PO number can be used in place of the invoice number

Shipment Confirmation

Closing an Order → Customer → Tracking Number

Closing an Order → Kohl's → Shipment confirmation & Invoice
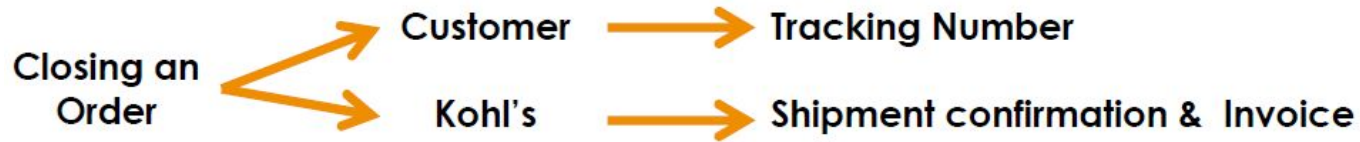
For Cancelled Orders

- Cancellation reason code
- Adjust your inventory quantity
- If partially shipping an order, apply cancelled status to the line that is unable to be filled, reprint packslip to remove cancelled line so package matches what is shipping

- All information must be submitted within the order's necessary shipping time-frame
- If shipment confirmations come from a different location than the warehouse, ensure the time differences are accounted for so the order closest the same day it ships

Shipment Confirmation

INVOICE FEES

- **Handling Fee**
  - Include at the line level in your shipment confirmation
    - -If this is not entered correctly or at all, the fee will not be reimbursed
    - -Most vendor assortments do not have approved DS handling fees
- **Shipping Fee**
  - APO, FPO, and PO Box
    - -Include the shipping fees at the time of closing the order
      - Shipping fees should only be applied to one line on the order and should only be added if you do not have an assigned Kohl's USPS or UPS SurePost Account
    - -All other shipping fees will be billed to your Kohl's billing account number
- **Purchase Order Errors**
  - Email the Kohl's DS Customer Support team & copy your DS contacts

Order to Delivery

MONITORING

Kohl's tracks all orders from the time the customer places the order until it is delivered.

TRACKING NUMBER

- Shows movement
- Scheduled delivery date
- Proof the order has shipped
- Valid tracking number

It is key that every order has a valid tracking number!

Troubleshooting Tips

TRACKING
Proper Sequence of Events

1. Picked and packed

2. Create shipping label

3. Run carrier end-of-day (PLD)

4. Carrier picks up packages

5. Close in 3rd party platform

- PLD = Package Level Detail
- Kohl's best practice is for PLD to be provided to a carrier prior to pick-up, and that orders do not close in a vendor's third-party platform system until the package physically leave the warehouse

Troubleshooting Tips

- Direct Ship team will inquire about orders not showing movement with a carrier
- If Order-To-Delivery issue is sent, a response is required same day
- Please provide accurate tracking number ASAP
- Kohl's will communicate the correct tracking number to the customer

MANIFEST
Ensure carrier picks up package

ACTION
- Email correct/valid tracking
- Ensure that your PLD is run prior to or immediately after pick up

INVALID/VOID
Incorrect digits or new label created and old voided

ACTION
- Provide updated tracking number information to Kohl's

NON-TRACKABLE
N/A or no delivery ETA

ACTION
- Ensure your PLD (Package Level Detail) has been sent to the carrier for the appropriate packages

LATE DELIVERY
Carrier shows post holiday arrival

ACTION
- Re-ship the order on the Kohl's billing account number
- Process an intercept for original package

Holiday Guarantees

VALENTINE'S DAY

MOTHER'S DAY

FATHER'S DAY

CHRISTMAS

- Arrival by selected date prior to holiday
- Includes all product categories
- Staff appropriately
- Faster turnaround time

Holiday Ship Methods

SHIP-TO-SHIP-FROM

This process determines specific shipping methods needed to have an order arrive to the customer by a guaranteed delivery date

| Customer's ship to ^^^ Vendor Warehouse | + | Promise delivery window | = | Shipment Method needed for package to arrive on time |

- Accurate warehouse information is critical
- Follow the ship methods exactly as specified on the orders
- Integrated vendors need all upgraded shipping codes programmed into their systems
- Ship orders using the shipping method specified on the order
- **Note:** Ship-to-ship-from logic may be used on an everyday basis during non-holiday timeframes

Shipping Best Practice

Refer to Kohl's Packaging Guide on the Kohl's Vendor Portal for specific questions

- All packages are billed to your Kohl's billing account number
  - Kohl's covers the cost of shipping
  - Gives visibility to the packages shipped
    - Any packages that are not billed correctly will not be paid for by Kohl's
- Vendors are responsible for filing all freight claims or trace requests
- Combine units into one package for multiple unit orders
- Use efficient and appropriately-sized packaging, including mailers or polybags
- Do not include any non-product related inserts or marketing materials
  - Warranty and assembly instructions are permitted

- Multiple fulfillment locations, full SKU redundancy across all locations
- Do not upgrade shipments unless authorized by Kohl's
- Do not add insurance or "signature required" on Kohl's orders
  - If a package's value is over $2000 insurance may be included
- Always use the most cost effective option within the assigned ship method
  - Example: choose end of day delivery as opposed to morning or mid-day delivery
- Kohl's collects reimbursement on the cost difference between the two ship methods for incorrect shipping upgrades

Ship Method Examples

SHIP METHODS

	UPS		
Unspecified – Ground	→	UPS Ground -OR- UPS SurePost	
Overnight (carrier not specified)	→	UPS Next day air saver	
2nd day (carrier not specified)	→	UPS 2nd day air	

	FedEx		
Unspecified – Ground	→	FedEx Home Delivery	
Overnight (carrier not specified)	→	FedEx Standard Overnight	
2nd day (carrier not specified)	→	FedEx 2day	

NOTES:
- Standard FedEx Home Delivery NOT FedEx Ground
- If over 70 lbs or non-residential address, FedEx Ground is acceptable
- Most cost effective option within the assigned ship method
- When closing orders, be sure to use the method that was used to ship the order. Do not list "unspecified"

Shipping & Freight Compliance

FINANCIAL RECONCILIATION

- Kohl's will generate a corporate PO by day for all of your Kohl's shipments
- A unique invoice number is required in your shipment confirmations
  - This will be used to reconcile payments
  - Your payment remittance will include the Kohl's corporate PO number, which is separate from your Direct Ship PO#
- Your payment remittance will list a document number
  - This will match the invoice number you submit in your shipment confirmation
  - Invoice numbers cannot exceed twelve characters in length
- We do not accept paper or electronic invoices
  - All of your payment remittances come from the shipment confirmations submitted
  - Payment is based on agreed-upon terms with your merchant partners.
  - All allowances will be taken off-invoice, so include gross, not net amounts in shipments

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Kohl's Packing Slip

- Direct ship vendors represent Kohl's on all orders and packages and therefore must meet Kohl's branding requirements
- System-generated packslip is available through your third-party platform system
- Integrated connections also have the option to create a vendor-generated packslip
  - Once vendor generated packslip is produced, both a standard and gift packslip must be provided to your contacts
  - Both must be approved by Kohl's before being used
- All Kohl's packages must include clean packslip
  - Reprint if needed
  - Multi carton orders each need a packslip

Undelivered Returns

- Must be able to process an undelivered return
- An undelivered return is a shipment not received by a customer, for various reasons
  - If returned to a vendor's warehouse, accept the return and process a return within 48 hours in the 3rd party platform
- This return allows the customer to be credited for items not received

Customer Service Inquiries

Customer Service inquiries require a response within one business day

Kohl's Customer Support

dsn.custsupp@kohls.com

(262) 703 - 1048

Compliance Program

- Vendors receive a monthly scorecard on orders
- Overall rating based on three criteria - each category is 1/3 of the total score
  - Fill Rate
  - Ship On Time
  - Problematic Tracking
- Chargebacks

Chargeback Metric	Chargeback Amount
Unit Cancellation	$10 fee per cancellation
Aged Order	$10 fee per cancellation
	*If a unit is canceled after being delinquent, both charges will be assessed
Shipping Reimbursements	No set amount for the reimbursement. Collected on a monthly basis, for Kohl's to be reimbursed for the cost of shipping errors made by the vendor

- Incentive Program
  - Vendors who receive an "A" scorecard for the month will have their chargebacks exempted for that month.

Warehouse & Updates

- Inform Kohl's of all of your warehouse shipping locations for Kohl's

- For changes or additions in warehouse locations, alert your Direct Ship contacts

- Best Practice, let us know 6-8 weeks before move

- Inform your Direct Ship team of any scheduled warehouse closures

- Notify your Kohl's teams of any account changes or updates

  - Even one day closures

  - Work with your Direct Ship team on an action plan

  - Alert us of weather related closures

- Including contact changes, system upgrades or enhancements, and pack slip changes

Next Steps