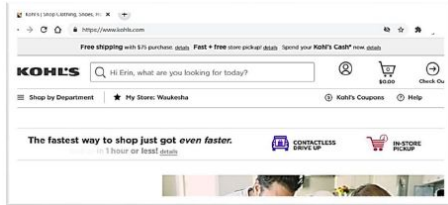# Operational Process Review

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
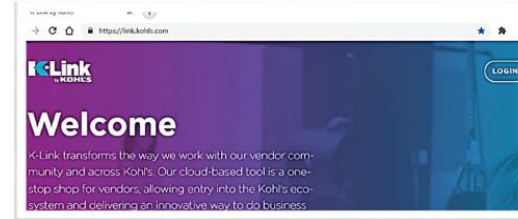
Kohl's Vendor Portal

- 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

STATIC
Same quantity is uploaded every day
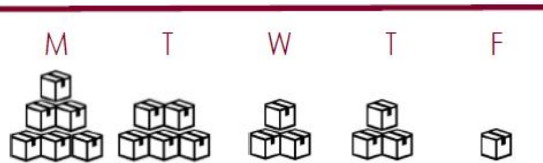
- Changes daily with order volume
- Central stock for inventory
- Set aside portions exclusively for Kohl's
  - Avoids over-sells and cancellations

- 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

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
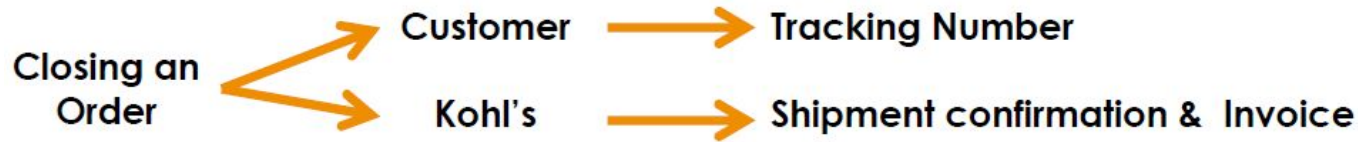
Included when closing an order:

- 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
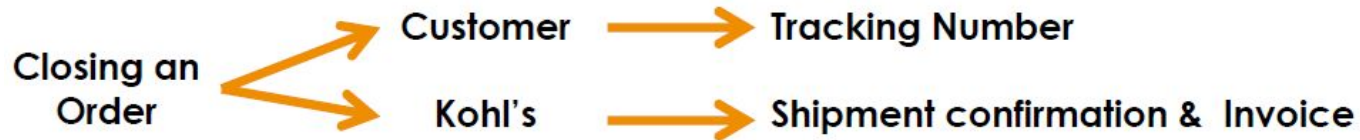
For Cancelled Orders

- 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

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 two criteria - each category is 1/2 of the total score
  - **Fill Rate**
  - **Ship On Time**
  - Problematic Tracking is not weighted but is on scorecard
- **Chargebacks**
  - Chargeback calculation will be 15% of the cost of the units in the order up to a max chargeback of $10 per order for Aged Orders & up to a max chargeback of $10 per unit for cancelled items.
  - **Example:** An order is A**ged**, the cost of the items totals $40, the new chargeback would be $6. ($40 x .15=$6) See Comparison Chart Below
  - **Example:** An order is C**ancelled**, the order has 2 items in the order one with a cost of $25 and one with a cost of $100, the new chargeback would be $13.75. ((($25x.15=$3.75)+(100x.15=$10 MAX AMT))=$13.75) See Comparison Chart Below
- **Incentive Program**
  - Vendors who receive an "A" scorecard for the month will have their chargebacks exempted for that month.

100.00%		50%		50%	
OVERALL GPA		**FILL RATE**		**SHIP ON TIME**	
GRADE	Updated Range	GRADE	CURRENT RANGE	GRADE	CURRENT RANGE
A	4-3.67	A	100.00% - 99.50%	A	100.00% - 99.40%
B	3.66-2.67	B	99.49% - 99.00%	B	99.39% - 98.75%
C	2.66-1.67	C	98.99% - 98.50%	C	98.74% - 98.00%
D	1.66-1.0	D	98.49% - 98.00%	D	98.49% - 98.00%
F	.99-0	F	97.99% - 0.00%	F	97.99% - 0.00%

Side By Side Chargeback Comparisons			
Aged Orders		**CHARGEBACKS**	
Order	Cost of Item	Current ($10 per order)	New (15% of cost of order, Max $10)
Style A	$10		
Style B	$30		
Total	$40	$10	$6
Cancelled Orders		**CHARGEBACKS**	
Order	Cost of Item	Current ($10 per unit)	New (15% of cost of unit, Max $10)
Style A	$25	$10	$3.75
Style B	$100	$10	$10.00
Total	$125	$20	$13.75

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

Questionnaire
Link located in email

Questions & Review
Follow-up call with
Direct Ship contact