



Vendor Partnership Manual

Section 6 – Compliance / Non-Compliance Chargebacks

What's New

PLEASE REVIEW THE ENTIRE CHAPTER.

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Packing, Marking, and Loading Instructions

Pamida Instructions

Individual Store Shipments

The Store's operating systems require the capture of the purchase order number prior to processing a receipt. It is imperative that the cartons be legibly marked with the PURCHASE ORDER NUMBER, and VENDOR STYLE/MANUFACTURING NUMBER. Apparel / Domestic merchandise must be legibly marked with the Pamida SKU/ITEM number.

For a listing of all store locations for Pamida, please refer to our website at:
http://www.pamida.com/vendor/files/Pamida_store_listing.xls

Distribution Center Shipments

The Distribution Centers' internal operating systems require the capture of the purchase order number, carton quantity by style/manufacturing number, and carton pack quantity, prior to processing a receipt. The following instructions are for the two types of shipments to the Distribution Centers:

Shipments to our DC with each store invoiced separately.

Mail invoices to:

**Pamida
Attn: Accounts Payable
PO Box 2869
Omaha, NE 68103-2869**

1. A separate manifest must be created for each DC and must be attached to and noted on the bill of lading.
2. The manifest must list each Store #, Purchase Order #, Quantity of cartons, and weight on a by Purchase Order, by Store basis.
3. The Bill of Lading must list all the Purchase Order #'s, cube of shipment, and NMFC #'s.
4. Cartons must be labeled with the Store # and Purchase Order #. Packing List must be attached to cartons.
5. Apparel merchandise cartons must be labeled "pre-ticketed" and/or "pre-hung" if applicable.
6. Cartons must be loaded by Purchase Order #.
7. If a single trailer contains cartons for all DC's, cartons must be segregated by DC. Shipment position within the trailer will be provided when the pick-up is scheduled.

Shipments to our DC with each DC invoiced separately.

Mail invoices to:

**Pamida
Attn: Accounts Payable
PO Box 2869
Omaha, NE 68103-2869**

1. A separate detailed packing list must be created for each DC and must be stapled to and noted on the bill of lading (BOL). "Packing list is attached to the Bill of Lading" must be noted on the bill of lading. Notations

stating that an “Envelope” or “miscellaneous documents or paperwork” is not sufficient proof that a detailed packing list was given to the carrier.

2. The detailed packing list must list the Purchase Order #, Vendor Style #, total weight, the quantity of cartons by Style/Manufacturing # by Purchase Order basis, and the carton pack quantity. The SKU/ITEM number is required for all merchandise that doesn't have a unique Style/Manufacturing #.
3. The Bill of Lading must list all the Purchase Order #'s, cube of shipment, Wernervas Tour/Load ID #, and NMFC #'s.
4. Cartons must be labeled with the Vendor Style/Manufacturing #, Description, Color/Size when applicable, Case Pack, and DC Location #. All merchandise that doesn't have a unique Style/Manufacturing # must be marked with SKU/ITEM #. Apparel cartons must be marked with the SKU/ITEM #.
5. Apparel merchandise cartons must be labeled “pre-ticketed” and/or “pre-hung” if applicable.
6. Cartons must be packed by SKU/UPC according to the Pamida purchase order. Quantity in carton and any inner pack quantity (if applicable) must be clearly labeled on the outside of the carton.
7. Cartons must be loaded by purchase order # and vendor Style/Manufacturing number and further segregated by SKU/UPC.
8. If a single trailer contains cartons for all DC locations, cartons must be segregated by DC. Shipment position within the trailer will be provided when the pick-up is scheduled.
9. PAMIDA RECOMMENDS THAT VENDORS SUPPLY TRAILER SEAL AND NOTE SEAL NUMBERS ON ALL BILL OF LADINGS.

UPC/Product Coding

The UPC/Product Code is the 12, 13 or 14 digit number used for product identification. It is composed of a unique vendor and product identification number. The vendor number is uniquely assigned by the Uniform Code Council. The product number is vendor assigned and should uniquely define each item to the lowest level of merchandise detail. **Pamida requires a UPC on all products to facilitate scanning.**

Assignment of UPC

- All merchandise purchased by Pamida for resale – with some agreed to exceptions, must be assigned a unique UPC. Pamida may issue chargebacks for non-compliance.
- UPC must be assigned by the manufacturer to identify merchandise unique to the SKU level.
- UPC information must be communicated to the buyer prior to the placement of the first order for that item.

<p>Note: This information is required to enable Pamida to cross-reference the Pamida SKU number to the supplier-assigned UPC for use in point-of-sale (POS) and other systems.</p>

Use of UPC

Strategically, Pamida is moving to increased use of UPC to identify merchandise throughout the sales cycle. Currently at POS, the bar-coded UPC tag is scanned, allowing price look-up and immediate capture of sales data to the SKU level. UPC is also to be used to identify merchandise in communications with suppliers especially those transmitted via EDI. Ideally, UPC will be on outbound documents – e.g. purchase orders – sent to the supplier, and will be expected on inbound documents –e.g. invoices and advance ship notices.

All individual pieces of merchandise delivered pursuant to a Purchase Order shall bear an accurate, scannable UPC. A missing, incorrect or non-scannable UPC will result in a charge in the amount set forth in the Vendor Manual for all quantities received. Pamida Stores is in compliance with the 2005 Sunrise initiative whereby we are capable of scanning and processing EAN-13 as well as the standard UPC-A. Existing US manufacturers will not have to obtain new numbers or redesign packaging. We are also in compliance with accepting new UCC company

prefixes with lead digits of 1, 8 and 9. With Pamida's UPC requirement, when a UPC/UCC number is needed – companies should contact the Uniform Code Council (UCC) to get an application for a UCC Company prefix. Uniform Code Council – 1-800-543-8137 – Web: <http://www.uc-council.org>; E-mail: info@uc-council.org.

Packaging Requirements

Master Cartons

Weight and Size of Carton for Conveyor Application

In order to achieve maximum handling efficiencies, the following size and weight guidelines for conveyor ability have been established:

- Maximum weight of carton cannot exceed 70 lbs. Minimum weight of carton cannot be less than 1 lb.
- Carton dimensions may not exceed 42" long, 24" wide, and 30" high or be less than 9" long, 6" wide, and 3" high.
- It is preferred that one dimension of the carton be at least 1 & 1/2 times that of the other dimensions, so as to avoid "perfect cubes" which do not travel well on a high speed conveyor.

CORRUGATED REQUIREMENTS

- Cartons must be of a corrugated material - not boxboard or chipboard.
- Cartons weighing more than 40lbs must be a minimum of 200lb test.
- Cartons weighing less than 40lbs may use 175lb test.
- The preferred style is a Regular Slotted Container (RSC).
- All cartons containing glass or plastic bottles or glass or ceramic items must have dividers or partitions to protect merchandise from breakage and crushing.

TAPING

- All cartons must be sealed with reinforced or plastic tape.
- Sealing tape must be 2 inches wide and used on all open sides to properly seal cartons.
- When practical, glued cartons will be acceptable.
- No cartons are to be sealed using staples unless specifically approved by Pamida.

Inner Cartons

Weight and Size of Inner Carton for Conveyor Application:

In order to achieve maximum handling efficiencies, the following size and weight guidelines for conveyor ability have been established:

- Minimum weight of inner carton cannot be less than 1 lb.
- Inner carton dimensions must not be less than 9" long, 6" wide, and 3" high.

- It is preferred that one dimension of the inner carton be at least 1 & 1/2 times that of the other dimensions, so as to avoid "perfect cubes" which do not travel well on a high speed conveyor.

CORRUGATED REQUIREMENTS

- Inner cartons must be of a lightweight corrugated material - not boxboard or chipboard.
- Inner cartons may use 125 lb. test.
- The preferred style is Regular Slotted Container (RSC).
- All inner cartons containing glass or plastic bottles, or glass or ceramic items, must have dividers or partitions to protect merchandise from breakage and crushing.

TAPING

- All inner cartons must be sealed with reinforced or plastic tape.
- Sealing tape must be used on all open sides to properly seal cartons.
- When practical, glued cartons will be acceptable.

No cartons are to be sealed using staples unless specifically approved by Pamida.

Vendor Chargebacks for Pamida

Chargebacks will be issued against you for any non-compliance of instructions that creates additional expenses on the part of **Pamida**. Disputed chargebacks must be in writing within three (3) months of receipt of chargeback. Pamida will not honor request for copies or disputes more than eighteen (18) months from deduction. There will be a charge of \$25.00 for a third (3rd) request of documentation.

Minimum charges are outlined in the following section on Freight Chargebacks and Distribution Chargebacks.

Freight Chargebacks

- Routing Instructions: 100% of freight charges + a \$200 Administration Fee – Violations to our routing instructions, in effect, changes the terms of the Purchase Order Contract between Pamida and the vendor to "Prepaid FOB OUR DOCK", in other words, all freight charges are the vendor's responsibility.
- Freight Charges billed to Pamida via Merchandise Invoices:
Pamida **will not make payment** of freight charges as part of a merchandise invoice. If a merchandise invoice to Pamida contains freight charges, this amount will be deducted from the invoice payment.
- Any detention charges incurred by Pamida due to vendor loading practices will be charged back to the vendor.
- All shipments having the same destination on the same day must be combined and shipped on a single Bill of Lading, including shipments consigned to a freight consolidator.

Distribution Chargebacks

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|---|--------------------------------|
| • Not loaded as instructed | \$400.00 |
| • Carton Markings | \$1.00 per carton/Min \$250.00 |
| • No purchase order on outside of carton | \$100.00 per PO |
| • Incomplete Detail on Manifest/Packing List/Bill of Lading (No Wernervas Tour/Load ID#) | \$200.00 |
| • Carton Pack Variance from Purchase Order per SKU/ITEM plus extra handling cost of <u>\$1.00</u> per carton if repacking is required | \$5.00 per carton/Min \$250.00 |
| • No UPC/incorrect UPC on merchandise from purchase order per SKU/item plus additional charges for required ticketing/reticketing | \$500.00 per SKU/ITEM |
| • DC Shipments – Packing List not Attached/Noted on Bill of Lading | \$250.00 per PO |
| • Illegible Printing on outside of carton | \$1.00 per carton/Min \$250.00 |
| • Store Name & Number not on outside of carton (if required) | \$1.00 per carton/Min \$250.00 |
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- | | | |
|---|---|--|
| <ul style="list-style-type: none"> • Dated/Freezable Product Issues: <ul style="list-style-type: none"> Prescriptions/Medications with less than 12 months dating upon receipt. Food/Perishables with less than 6 months dating upon receipt. Freezable Product (Oct 1st to April 1st) | } | <p>Administrative charge of <u>\$100.00</u> per SKU (item) or 5% of merchandise value (Whichever is greater), plus applicable per carton handling cost and direct freight charges.</p> |
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- **Over shipment** (Quantity Shipped Exceeds Quantity Ordered) – \$100 per SKU/ITEM per Location per Purchase Order or 5% of merchandise value whichever is greater, plus applicable freight and handling charges.
 - **Unauthorized Substitution** – is defined as product shipped equals product billed but is not product that was ordered - \$100 per SKU/ITEM per Location per Purchase Order or 5% of merchandise value whichever is greater, plus applicable freight and handling charges.
 - **Mis-ships** – Product shipped by location does not equal product billed by location --Merchandise received with a Purchase Order shipment that was not ordered on that Purchase Order will not be accepted. Quantity will dictate the disposition of that merchandise.
 1. The Distribution Centers will automatically dispose of any merchandise remaining if there are n 3 cartons or less and the estimated value is less than \$200.00. No attempt will be made to return these. Pamida **will not pay for these quantities, if they are charged on an invoice.**
 2. For quantities greater than 3 cartons or \$200.00, an attempt will be made to notify the vendor of the over shipment / mis-shipment and arrange for a return of the merchandise to the vendor. The merchandise will be returned to the vendor provided they supply the necessary Return Authorization (RA) and shipment information within 30 days of notification.
 3. Penalty is \$100 per SKU/ITEM per Location per Purchase Order or 5% of merchandise value whichever is greater, plus applicable freight and handling charges.



Vendor Partnership Manual Compliance/Non-Compliance Fees

- Unauthorized Early or Late Shipments** – Pamida’s ship window is a ship window only, the first date in our ship window is the “Not Before Date”, the second date is the “Not After Date”. On all shipments shipped before the “Not Before Date” or shipped after the “Not After Date” in the “shipping window” on the face of the PO, or in the DTM segment of an EDI order, a penalty (see schedule below) will be assessed, unless our Merchant Team or Pamida Transportation Department has authorized either in writing or by e-mail an earlier or later shipment. This documentation must be retained by the vendor and be available for review if disputes on authorization occur. Pamida reserves the right to either assess a penalty or return the goods at the Vendor’s expense (including incoming and outgoing freight and handling charges). If you are a collect vendor and the carrier fails to pick up merchandise as appropriately scheduled, you must notify Pamida’s Transportation Department (pamida@wernervas.com) to avoid an early/late penalty. If you are a prepaid vendor you need to contact the merchant team at Pamida.

Penalty Schedule: 1-3 days early/late 3% of the received merchandise value, 4-9 days early/late 5% of the received merchandise value and 10 or more days early/late 10% of the received merchandise value.

FLOOR READY NON-COMPLIANCE FEES

It is the responsibility of the vendor/agent to ensure that all production merchandise is in full compliance with all applicable industry, government and Pamida standards. Any necessary clarification of the standards must be sought by the vendor/agent prior to product commitments. Vendor/agent will be held financially accountable for all issues of non-compliance to Quality and Floor Ready Standards. A \$500 punitive charge will be assessed to all repeat offenders.

VENDOR RETURNS

Whenever possible, merchandise that does not meet Pamida’s standards, specifications, or purchase order requirements will be returned to the vendor/agent to dispose of or sort and refurbish, at Pamida’s option. It is understood that Pamida’s right to return merchandise shall apply to all merchandise when found to be defective any time prior to resale or after resale, and upon the return of the defective merchandise, Pamida shall have the right to charge back to vendor/agent the cost of such merchandise, a 10% consolidation fee plus any in or outbound freight.

I. NON-COMPLIANCE PENALTIES FOR VIOLATIONS THAT CAN BE CORRECTED INTERNALLY (DC OR STORE):

A. FLOOR READY VIOLATIONS:

<u>Type</u>	<u>Assessment</u>
1. Missing UPC	\$0.50/unit Min 250.00
2. Pre-ticketing	
a. Failure to ship pre-ticketed	\$0.50/unit Min 250.00
b. Failure to pre-ticket correctly	\$0.50/unit Min 250.00
c. Failure to match proper size/color to items	\$0.50/unit Min 250.00
d. Incorrect Price Ticket Placement	\$0.50/unit Min 250.00
e. Incorrect Hangtag Placement	\$0.50/unit Min 250.00



3. Hangers

a. Failure to ship garment on hanger	\$0.50/unit Min 250.00
b. Not using proper hanger supplier	\$0.50/unit Min 250.00
c. Unacceptable type and/or size of hanger	\$0.50/unit Min 250.00
d. Damaged hangers	\$0.50/unit Min 250.00
e. Incorrect Hanger Color	\$0.50/unit Min 250.00
f. Incorrect Font on Size Clips	\$0.50/unit Min 250.00
g. Incorrect Size Clips	\$0.50/unit Min 250.00
h. Incorrect Size Clip Color	\$0.50/unit Min 250.00
i. Missing size clip	\$0.50/unit Min 250.00
j. Not placed on hanger per standards	\$0.50/unit Min 250.00
k. Not properly securing two-piece garments	\$0.50/unit Min 250.00
l. Mixing garment on hangers with flat merchandise	\$0.50/unit Min 250.00

4. Packing

II, NON-COMPLIANCE VIOLATIONS THAT CANNOT BE CORRECTED:

A. FLOOR READY VIOLATIONS:

TYPE

ASSESSMENT

1. Packaging

c. Trash Free (no individual poly bags, pins ,stuffing, ETC.)	\$0.50/unit Min 250.00
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2. Folded Garments

a. Not folded	\$0.50/unit Min 250.00
b. No size strip	\$0.50/unit Min 250.00
c. Incorrect size strip type or placement	\$0.50/unit Min 250.00
d. Non conformance to folding standards(trash free)	\$0.50/unit Min 250.00

ATTENTION: SHIPPING GARMENTS WITH COMPETITORS HANGTAGS IS CONSIDERED BRAND INFRINGEMENT AND IS A SERIOUS CHARGE. THEREFORE A PENALTY OF \$500.00 HAS BEEN ACCESSED IN ADDITION TO THE FEE OF "FAILING TO PRE-TICKET CORRECTLY" AND ANY OTHER VIOLATION.

ASN Chargebacks

Select vendors are required to be ASN compliant 90 days after being notified that they need to be on ASN. After 90 days, all purchase orders shipped are required to have an electronic ASN 856 transaction listing all the details of each item based on the EDI requirements. Pamida reserves the right to chargeback the vendor for non-compliance.

- **ASN** – (Advanced Ship Notice) – The following penalties will be assessed for incorrect ASN data or non-compliance with the requirements.

1. ASN not received from vendor at least 12 hours prior to shipment arrival.	\$500 per Purchase Order per final Location
2. Invalid UPC or Item	\$500 per UPC/Item per purchase order
3. ASN Quantity Error	\$50 per Bill of Lading per item and final location
4. Vendor fail to implement ASN/UCC 128 Bar Code by defined cut off date	\$500 per Purchase Order or \$5 per carton per Purchase Order per location, whichever is greater
5. Final location error	\$500 per ASN per final location.
6. UCC 128 Bar Code Error	\$500 per Purchase Order per location or \$5 per carton per Purchase Order per location whichever is greater.
7. Manual ASN created for EDI Vendor	\$500 per Purchase Order
8. Invalid/Missing ASN data (does not include valid UPC/Item, final location or UCC 128 Bar Code errors)	\$500 per Purchase Order
9. ASN and 128 Bar Code data do not match	\$400
10. No 128 Bar Code on carton of active trading partner	\$400