Vendor Managed Inventory (VMI)

Vendor Managed Inventory (VMI), sometimes known as Continuous Replenishment Program (CRP), is a program where suppliers order their product lines for delivery to Delhaize America distribution centers in lieu of Delhaize America Inventory Analysts ordering through our own replenishment systems. Suppliers perform this function by utilizing Electronic Data Interchange (EDI).

In this process, Delhaize America sends a daily file to the supplier via EDI which contains information about the previous day's activities through the warehouse. This file, known as the EDI-852 (Product Activity Report) includes Sales, Lost Sales, On-Hand, and On-Order quantities for each of their products. Each supplier has invested in software that allows them to build a solid forecasting network very similar to the Delhaize America replenishment system. When we begin a VMI relationship, we send the supplier a history file that includes actual movement information for each item over the past 2 years. This information is integrated into the supplier's software, and combines with the current 852 files to allow the supplier to predict replenishment needs for Delhaize America. The supplier then creates Purchase Orders using PO numbers from a block of numbers that have been previously assigned to them. The supplier sends these orders to Delhaize using the EDI-855 (Purchase Order Acknowledgement) document. Delhaize processes the 855 information and creates the Purchase Order in our replenishment systems just as if we had created the order.

The goal of VMI is to form an alliance with our suppliers to reduce the cost of inventory management for both parties, while providing even higher service levels to the end-use customer. The supplier is motivated to implement VMI for multiple trading partners due to the potential benefits from critical mass. Once critical mass has been achieved, a supplier realizes benefits through better management of labor and materials and more stabilized demand curves.

VMI Data Requirements

- Delhaize America uses ANSI X.12 EDI documents for the exchange of data. Document 852, Product Activity Data, is used to send inventory position to the supplier. Document 855, Purchase Order Acknowledgment, is used to return the vendor created purchase order to the retailer. Delhaize America and the vendor will send/receive X.12 997s, Functional Acknowledgment, to verify receipt of the VMI documents

- The vendor has full responsibility for providing their own software for doing inventory analysis and purchase order creation.

- Correct Case UPC's are vital to VMI information processing. All items are identified by UPC Case Code in the 'UA' (2-5-5) format. Delhaize America must be notified of changes and effective dates for those changes in order to prevent purchase order rejection.

- A unique purchase order number must be given for each vendor number, distribution center, delivery date, and truck load combination. (In the event that two purchase order numbers should be placed on the same truck, these must have a unique invoice number for each).

- Delhaize America will designate inventory and movement information (852) with either a 'CA' (case) or 'EA' (each) unit of measure. The purchase order (855) created by the vendor and sent to Delhaize America must designate quantities ordered using either the 'CA' (case) or 'EA' (each) unit of measure.   The unit of measure to be used on the 852 should be determined at the

beginning of the VMI partnership.

- The 855 PO must contain a valid Ship-From code (usually a DUNS+4 number). New or updated ship-from numbers must be communicated to Delhaize America before being sent on an 855 document.

- Discontinued or unauthorized items, or items proposed for deletion will be rejected.

- The vendor must monitor the return of our Functional Acknowledgment (997) to confirm receipt of the 855 Purchase Order. However, errors can occur after the 997 has been sent. The vendor analyst must also monitor the 852 On-Order quantities and stay in contact with the Delhaize America Inventory Analyst to ensure the PO data is loaded accurately into our replenishment systems.

- Any change to purchase orders after sending the 855 must be communicated directly to the Inventory Analyst. The company will not accept changes to orders via EDI.

Data Processing Times (All times are approximate: Eastern Time Zone)

852 Send Times:

Monday – Friday: 3:00AM   Saturday: 7:30AM   Sunday: 3:00AM

(852 transmission times are approximate and can vary)

855 Processing Times:

Monday - Friday

EDI Translation	PO Creation
3:00	05:30
6:20	
7:15	
9:00	10:00
11:50	13:50
14:00	14:45
16:00	
17:30	
21:00	22:00

Saturday

EDI Translation	PO Creation
3:00	05:30
6:30	
7:30	
12:00	13:00
17:30	
21:00	Next Day

Sunday

EDI Translation	PO Creation
6:00	07:00
12:00	13:00
17:30	
21:00	Next Day

Start Up and Testing Procedures

The testing period of time is flexible and will continue until both the vendor and the company are confident in the system. General guidelines for startup and testing follow:

- The vendor and the company determine product line to be managed by VMI.

- Both vendor and the company contact people are designated.

- Target startup dates are set.

- Vendor ensures that forecasting/replenishment software is sufficient for producing replenishment purchase orders.

- The vendor and the company establish performance goals to be met, measurement criteria, and the review process. Performance goals include service level, inventory turns, and ROI measurements.

- The company sends 852 on a daily basis.

- Vendor will receive the 852.

- Delhaize America provides a 2-year history of product movement information at the vendor's request.

- Vendor will generate test 855's without sending them to the company. Vendor compares these

tests with actual purchase orders coming from Delhaize America.

- Vendor sends test 855 to Delhaize America. If technical errors are detected in the EDI transaction they will be communicated to the vendor by a rejected 997 and an email. If the 855 is successfully translated in EDI it will be passed to the Delhaize America replenishment system for review by the Inventory Analyst.

- The vendor is placed in production status at the company. We will no longer cut turn orders. The vendor assumes full responsibility for this activity. However, should a problem arise, the Inventory Analyst will notify the vendor immediately upon recognition of it.

- Throughout this process, the vendor and the company work closely to resolve problems and to develop a dependable replenishment system.

- The company will continue to send 850 Purchase Orders for any products not managed under the VMI program.

Problem Resolution

- Any questions regarding purchase orders or their creation or modification, UPC issues, or transportation issues, should be addressed to the Delhaize America Inventory Analyst for the account.

- Any EDI technical questions should be addressed to our eBusiness Specialist Team at esupport@delhaize.com.