



WELCOME

THINK INSIDE THE BOX



Purchase Order Carton Consolidation at Federated Department Stores



AGENDA

THINK INSIDE THE BOX 

- Introductions
 - Peter Longo
 - Pam Sweeney
- POCC Overview
 - Maura Leddy
 - Carol Rylander
 - Mary Anne Bare
- POCC in Action - Jockey
 - Ed Gill
 - Maggie Kaprelian
 - Pam Lemarre
- POCC in Action – Vanity Fair
 - Stuart Rich
- Technical Review – Manhattan Associates
 - Bob Robertson
- FDS EDI Mapping & 128 Label Changes
 - Carol Wall

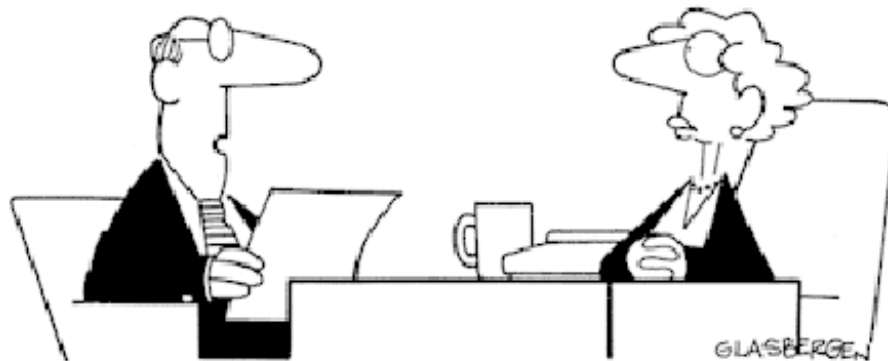


AGENDA (page 2)

THINK INSIDE THE BOX 

- Transportation- FDS
 - Eric Sexauer
 - Jacqueline Thompson
- Transportation - Roadway
 - Rick Battista
- Accounts Payable
 - David Prifti
- Pilot Vendor “Getting Started”
 - Carol Wall
- FDSNet
 - Stephanie Shaughnessy
- Closing Remarks
 - Pam Sweeney

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My team is having trouble thinking inside the box.
We can't agree on the size of the box, what materials
the box should be constructed from, a reasonable
budget for the box, or our first choice of box vendors.



Introduction

THINK INSIDE THE BOX 

- FLO processes over 45 million cartons annually.
- Improvement through supply chain efficiencies
 - Manage the merchandise pipeline by leveraging advanced technologies through improved process and collaboration
 - Implement “**win – win**” solutions that enhance supply chain efficiencies



Introduction FDS Technology History

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UPC / EDI task force formed	October 1988
UPC catalog programmed	April 1989
Key entered UPCs at Point-of-Sale (POS)	April 1989
Scanned UPCs at Point-of-Sale (POS)	July 1989
Sent vendors EDI sales	September 1989
Received EDI Purchase Orders from vendors	October 1989
Scanned inventory	September 1990



Introduction FDS Technology History

THINK INSIDE THE BOX 

Sent EDI inventory	December 1990
Received Advance Ship Notices (ASN)	September 1991
Sent EDI Purchase Orders	December 1991
FASST Plan established	March 1992
EDI Support Center established	Mid 1992
Vendor Standards Manual published	January 1994
Received EDI Invoices	June 1994
Scanned UCC-128 labels at Distribution Centers	September 1994



Introduction FDS Technology History

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Federated Logistics Founded

Spring 1995

Accepted Carrier EDI 214 Document

August 1995

Installed Yard Management in the DCs

January 1996

Internet site established

April 1997

EDI 856 and EDI 214 Integration

May 1997

Inbound Freight Management (DC Process)

June 1998

Outbound Trailer Tracking

March 1999



Introduction FDS Technology History

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Merchandise Tracking (Intranet) – Merchant	April 1999
Merchandise Tracking (Store Pipeline)	September 2000
EDI PO Overlay with Private Label (860)	November 2000
Exception Alerts - Dashboards	December 2000
Reverse Logistics – Can send ASN	September 2002
Small Package Processing – EDI 240	December 2002
Transportation Routing/Load Optimization	August 2003
Purchase Order Carton Consolidation	March 2004



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PO Carton Consolidation Overview



POCC Overview Current Process

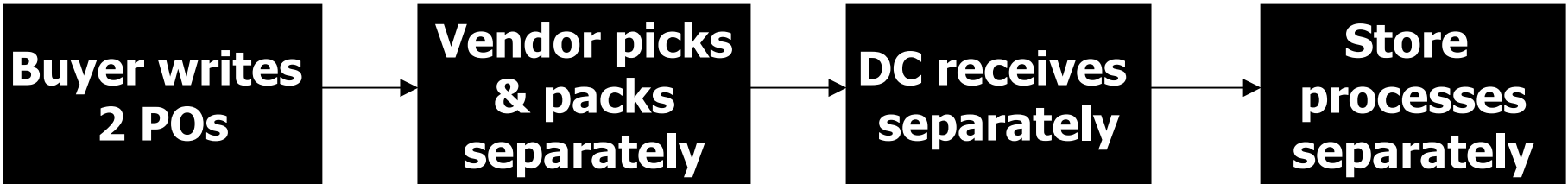
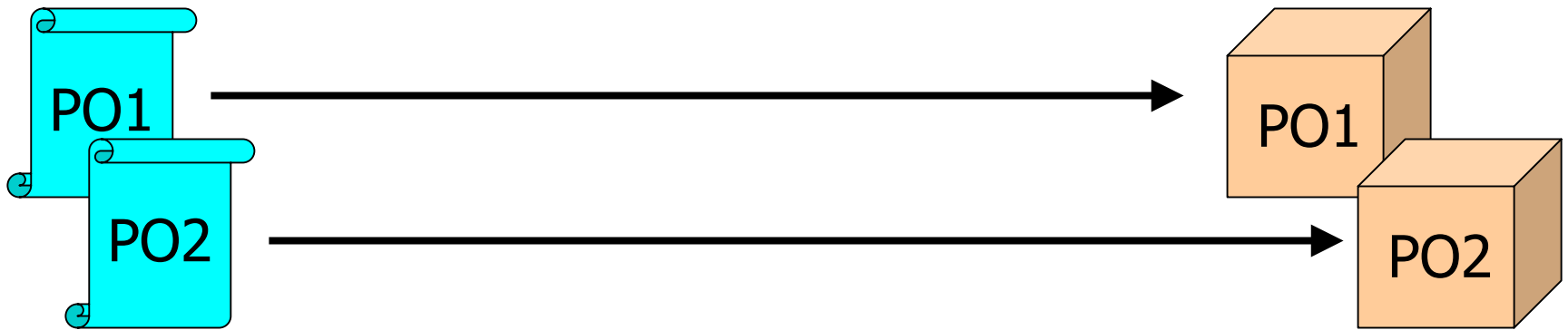
THINK INSIDE THE BOX 

- PO is transmitted with FDS defined ship and cancel dates.
- FDS requires that carton is packed and ASN sent by division, purchase order and store and shipped within the FDS shipping window.
- Vendor ships and Federated receives cartons by division, purchase order and store.
- Store processes each carton separately.



POCC Overview Current Process

THINK INSIDE THE BOX 





POCC Overview

Future POCC Process

THINK INSIDE THE BOX 

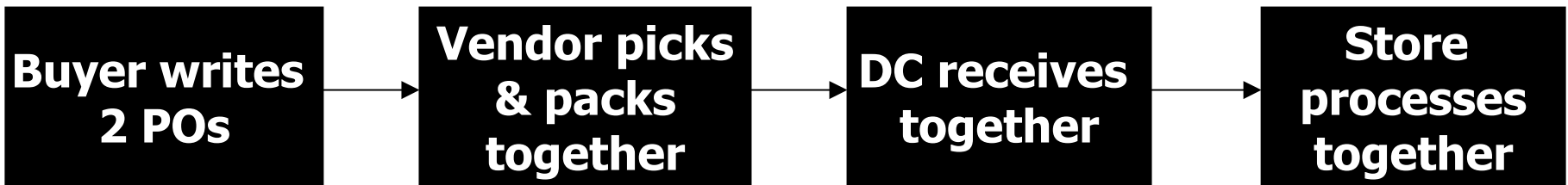
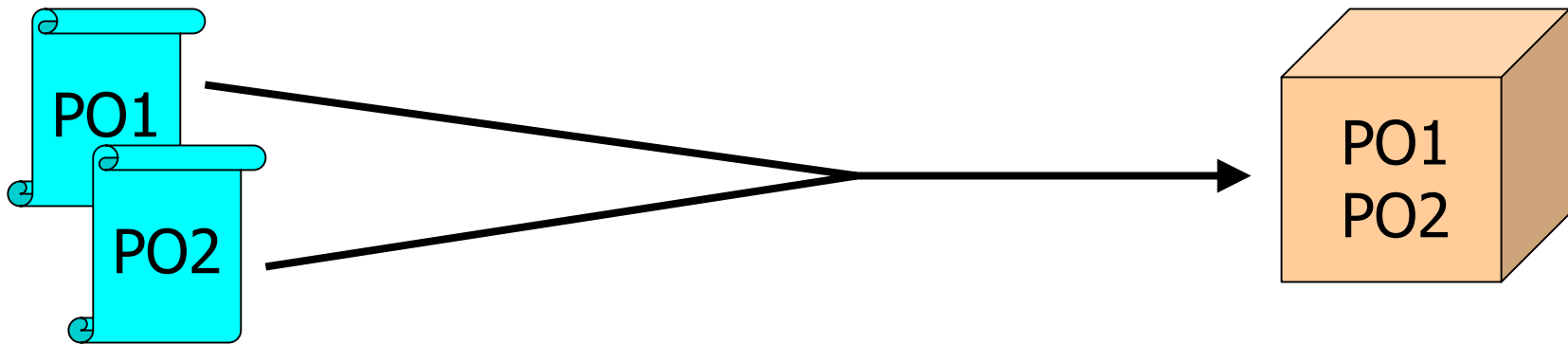
- Shipping multiple POs in 1 carton.
- Orders must be for the same division/store and have common shipping windows.
- Orders must be for approved department vendor.
- Vendor ships and Federated processes multiple POs in a single carton.
- Store unpacks and processed multiple POs in single carton.



POCC Overview

Future POCC Process

THINK INSIDE THE BOX 





POCC Overview Potential Benefits

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- **Reduced expense** - more efficient pick and pack process within your warehouse.
- **Reduced corrugated** – which is up to 30 % of vendor labor in some cases.
- **Reduced freight cost** - fewer cartons needed to ship the same amount of merchandise.
- **Reduction of non-conveyable cartons.**
- **Merchandise available for sale faster** – fewer cartons and trailers handled.



POCC Overview Simulation

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- Simulated against 5% of the PO file.
- Consolidation-friendly FOBs.
- 15 top vendors selected to represent FOBs.
- Results were verified with vendors currently doing POCC.



POCC Overview

Carton Reduction % (simulation data)

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FOB	Carton Reduction %
Women's Accessories	46%
Women's RTW	35%
Men's RTW	34%
Intimate	31%
Men's Basics	28%
Kids	24%
Women's Hosiery	23%
Cosmetics	21%
Sheets	13%
Men's Suits	10%



POCC Overview Voice of Vendor

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- Survey with top vendors across FOBs representing 5% of volume.
- **All were interested in POCC.**
- Also conducted Voice of Customer survey with our Stores.



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POCC in Action

POCC In Action



THINK INSIDE THE BOX



PO Consolidation at Jockey

Ed Gill

Pam Lemarre

Maggie Kaprelian

JOCKEY.



POCC in Action Customer Service

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- In production with another large retailer just over 1 year.
- Current rule for other major retailer requires consolidated shipments to be department specific.



POCC in Action Warehouse

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- Jockey uses PkMS as WMS
 - Functionality to consolidate Pick tickets
 - No modifications necessary
- Seamless to pickers/packers on the floor
- Engineering involved
 - SKU location on floor directly affects consolidation picking



POCC in Action ERP System

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- An addition to the ERP interface to PkMS
 - Based on customer rules we flag pick tickets eligible for consolidation at shipping.
 - All consolidation is done within PkMS.
 - Jockey automated the PkMS option to Combine Major Pick tickets.
 - A new Combined Pick ticket is created for Picking, Packing, and Shipping. The ERP Pick ticket is kept in its original form for Invoicing.



POCC in Action ERP System (continued)

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- EDI order process the same.
- Invoicing remains the same.
- EDI 856 format changes.
 - MSID found at **order level**
 - Purchase order number at **item level**
 - Non-consolidated 856 includes the purchase order at the order level



POCC in Action Lessons Learned

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- Purchase Orders cannot be modified or cancelled after accepted.
- POD reconciliation considerations:
 - Must provide UCC128 Carton Shipping Number for technology related chargebacks, purchase order number is no longer sufficient.
 - BOL or Purchase Order number is acceptable for Floor Ready Issues.



POCC in Action Benefits Realized

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- Seamless to our Distribution Center -
Did not require a new layout
- Savings in cartons
- Savings in labor



POCC in Action

THINK INSIDE THE BOX 

Vanity Fair's Experience with PO Consolidation

Stuart Rich

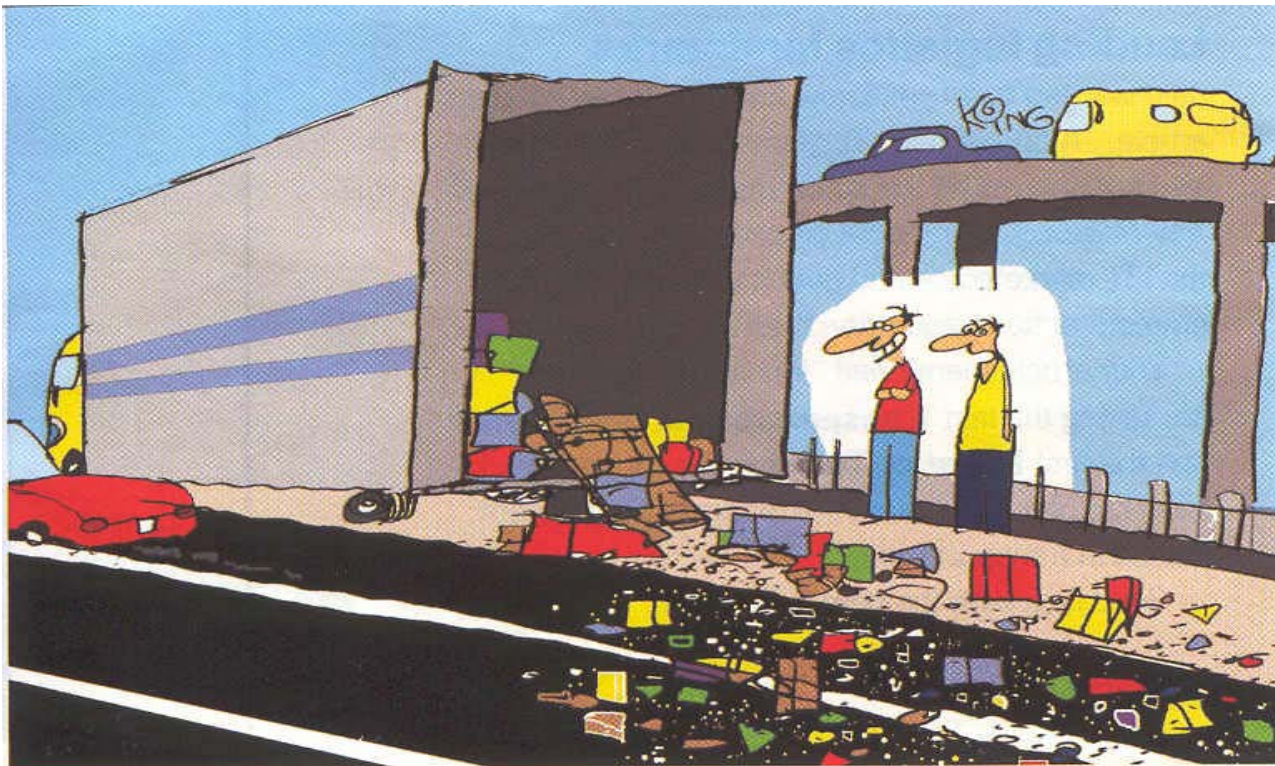
VP Customer Service and Distribution



POCC in Action

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What can happen when you don't think about the box





POCC in Action Business Overview

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- Multiple Brands
 - Vanity Fair, Lily of France, Tommy Hilfiger Intimates
- Multiple Departments
 - Pants, Bras, Shapewear, Daywear, Sleepwear
- Separate POs for basic goods, fashion goods, and different ship windows

***The complexity of buying drives
fragmentation of logistics***

POCC in Action

The Response:

Consolidate & Increase Carton Load



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- Opportunity to reduce fragmentation by combining Brands, Depts., and POs in the same carton.
 - Degree of consolidation depends on product logic, system capability, and shipping origin.
- We have implemented PO consolidation with 2 major retailers with positive results:
 - We combine Depts. & POs for both retailers.
 - Retailer A implemented in 1996.
 - Retailer B implemented in 2002.

POCC in Action

The Results:

Overview of Improvements



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	Cartons	Units/Carton	Master Pack Cartons	Weight	Cube
A	-21%	+26%	N/A	-5%	-3%
B	-32%	+47%	-51%	-8%	-4%
Federated Estimate	-28%	+38%	-57%	-7%	-3%

- Ship 157,000 less cartons, reducing:
 - Labor
 - Corrugated
 - Carton Labels
- Fill rates improve by exceeding carton minimums.



THINK INSIDE THE BOX



POCC in Action System Changes & Danger Zones

- Must be able to control by account:
 - Created a special codes file that segments who is participating
- Cartonization rule changes:
 - From: One pass of PO > Dept > Store
 - To: First pass of Dept > Store > PO
 - If multiple POs then MSID
 - If no multiple POs, then second pass PO > Dept > Store
- Our experience is that 70% of shipments with retailer A and B will contain multiple POs.



POCC in Action Invoicing

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- ASN and Invoice data must have capability for different summary levels.
- Retailers A and B A/P cannot reconcile POs to carton counts.



POCC in Action

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***Someone's sitting in the shade today
because someone planted a tree a
long time ago.***

-Warren Buffet



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Technical Review



Technical Review

THINK INSIDE THE BOX 

POCC at Federated

Bob Robertson

Manhattan Associates



Technical Review Systems Impacted

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- ERP/Host System
- Warehouse Management System
- EDI Mapping Software



Technical Review ERP System Impact

THINK INSIDE THE BOX 

- Minimized if WMS has the ability of WMS to handle carton consolidation:
 - Orders received in and passed to WMS in same format as today
 - Invoicing remains the same as today
 - Advanced ship notices will change



Technical Review ERP System Impact

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- With limited WMS, ERP impact can be huge:
 - Consolidating orders prior to sending to DC
 - Tracking both individual POs and combined POs with MSID
 - Combining POs against available DC inventory
 - Getting the right information on shipping labels and documents



Technical Review WMS Impact

THINK INSIDE THE BOX 

- Consolidation of multiple orders
- Carton size/weight requirements
- Carton shipping label
- Packing List
- Bill of Lading
- Carton Level ASNs and Invoices



Technical Review WMS Impact

THINK INSIDE THE BOX 

Grouping of Purchase Orders for Consolidation

- Rules for grouping multiple orders could change
 - Start ship and cancel dates
 - Store number
 - Department/Vendor number (DVN)
- Flexible grouping capabilities
- Tracking of individual and combined POs
- Interfaces with ERP/Host system



Technical Review WMS Impact

THINK INSIDE THE BOX 

Carton Size/Weight Requirements

With PO Carton Consolidation you must follow all applicable minimum and maximum Federated requirements as defined in the FASST manual.

Follow carton size requirements, as follows:

DO NOT SHIP ANY SINGLE CARTON SMALLER THAN OUR MINIMUM DIMENSIONS.

MINIMUM
Length 9"
Width 9"

MAXIMUM
36"
27"

MINIMUM
Height 3"
Weight 5lb

MAXIMUM
30"
50 lb.

- Same rules apply for cartons created with single or multiple POs



Technical Review WMS Impact

THINK INSIDE THE BOX 

Carton Shipping Label Impact

- Multiple Purchase Order/Department Number listings on a single label
- Up to 15 total PO/Dept combinations on shipping label
- Addition of MSID to shipping label

Technical Review Changes to Carton Shipping Label



THINK INSIDE THE BOX



Zone A	From: Best Vendor 1234 Main St Cincinnati, OH 45241	To: Macy's East c/o Secaucus Federated Logistics DC 500 Meadowlands Parkway Secaucus, NJ 07094	Zone B
Zone C	SHIP TO POSTAL CODE (420) 07094		Zone D
Zone E	PO: 1234567 DEPT: 0354		Zone D
Zone G	For: MACY'S EAST ST#: 0003 HERALD SQUARE FRAGRANCES		Zone H
Zone I	SERIAL SHIPPING CONTAINER (00) 1 0028028 000015259 4		Zone I

Zone B

Zone D

Zone H

Current

New

Zone A	From: Best Vendor 1234 Main St Cincinnati, OH 45241	To: Macy's East c/o Secaucus Federated Logistics DC 500 Meadowlands Parkway Secaucus, NJ 07094	Zone B
Zone C	SHIP TO POSTAL CODE (420) 07094		Zone D
Zone E/F	PO/DEPT: 9999999/XXX		Zone D
Zone G	MSID #		Zone H
Zone I	SERIAL SHIPPING CONTAINER (00) 1 0028028 000015259 4		Zone I

Zone A

Zone C

Zone E/F

Zone G

Zone I

Zone B

Zone D

Zone H



Technical Review WMS Impact

THINK INSIDE THE BOX 

Packing List Impact

- Change to include PO/department at the detail level
- Addition of MSID#
- Only required for shipments where an ASN is not provided



Technical Review WMS Impact

THINK INSIDE THE BOX 

Bill of Lading Impact

- Utilize VICS Standard Bill of Lading
 - Available on VICS website (www.vics.org)
- Changes to support carton consolidation
 - Addition of MSID# at PO level
 - Listing of weight and carton counts
 - Other current VICS guidelines still apply



Technical Review Changes to VICS BOL

THINK INSIDE THE BOX 

CUSTOMER ORDER INFORMATION								
CUSTOMER ORDER NUMBER		# PKGS	WEIGHT	PALLET/SLIP (CIRCLE ONE)		ADDITIONAL SHIPPER INFO		
123456789				Y	N	MSID#: 1111111111		
987654321				Y	N	MSID#: 1111111111		
333333333				Y	N	MSID#: 5555555555		
342145435				Y	N	MSID#: 5555555555		
989990000				Y	N	MSID#: 5555555555		
GRAND TOTAL		100	1000					
CARRIER INFORMATION								
HANDLING UNIT		PACKAGE		WEIGHT	H.M. (X)	COMMODITY DESCRIPTION <small>Commodities requiring special or additional care or attention in handling or stowing must be so marked and packaged as to ensure safe transportation with ordinary care. See Section 2(e) of NMFC Item 360</small>	LTL ONLY	
QTY	TYPE	QTY	TYPE				NMFC #	CLASS
40	CTN	40	CTN	500		Gloves	49900	100
60	CTN	60	CTN	500		Hosiery	49940	100
100		100		1000		GRAND TOTAL		

RECEIVING
STAMP SPACE



Technical Review WMS Impact

THINK INSIDE THE BOX 

Carton Level ASNs and Invoices

- For invoicing, WMS must provide data at original PO level to ERP system
- For carton level ASN generation WMS must:
 - Provide data at combined carton level
 - Reference original purchase orders
 - Include MSID#



Technical Review EDI Mapping Impact

THINK INSIDE THE BOX 

Key EDI 856 Advanced Ship Notice Requirements

- Bill of Lading number unique for each shipment
- New order level required for each store occurrence
- MSID number required in PRF segment at order level
- Purchase order number in PRF segment at item level
- Non-consolidated 856 includes the purchase order at the order level



Technical Review

THINK INSIDE THE BOX



Federated Department Stores



Technical Review EDI Mapping

THINK INSIDE THE BOX 

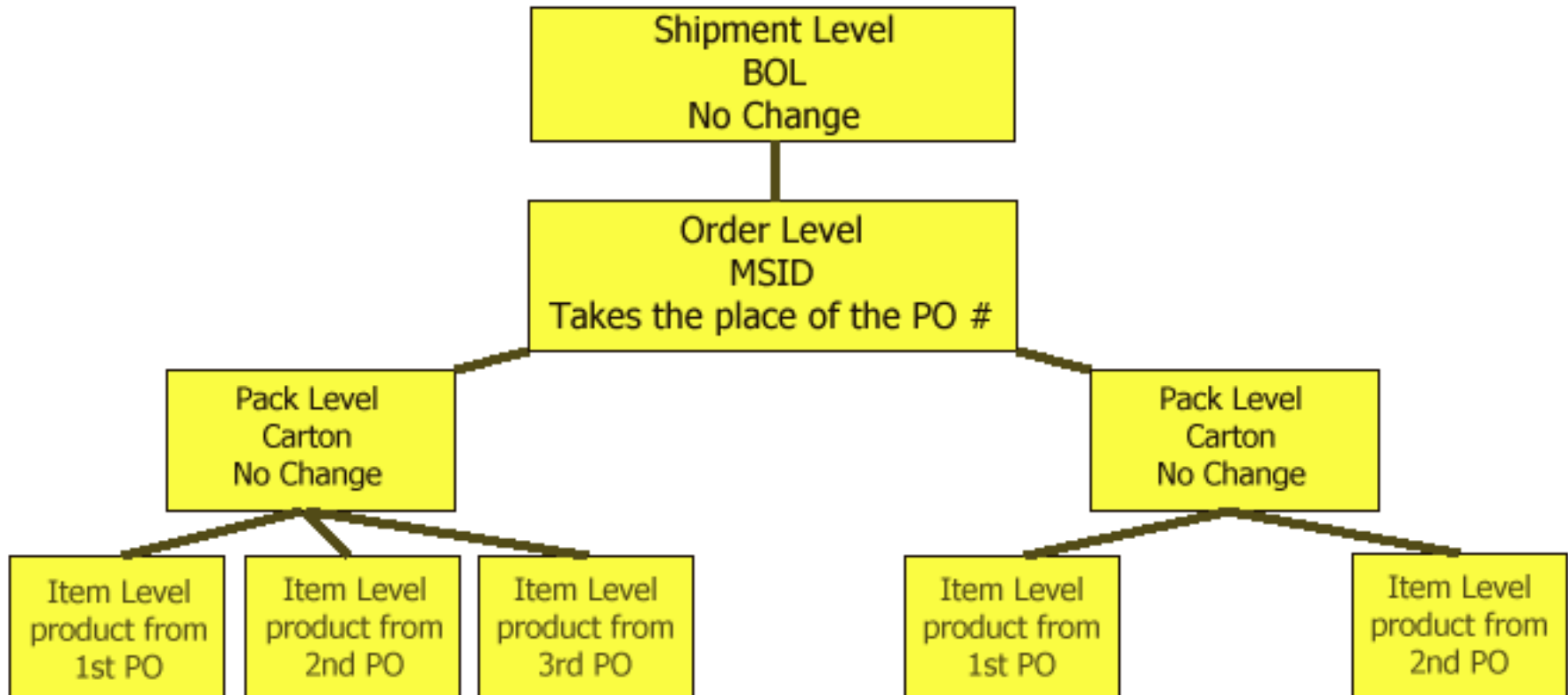
- 856 is changing to support POCC
 - Addition of Master Shipment ID (MSID)
for consolidated 856s only
 - No longer require carton count by PO for any Federated 856

Technical Review Hierarchy



THINK INSIDE THE BOX 

POCC ASN Hierarchical Levels





Technical Review

Pick/Pack Business Example

THINK INSIDE THE BOX 

- **Two POs** combined in **one supplier shipment** of **three cartons**.
- SKUs from both POs are packed in the same physical shipping container, with a supplier assigned **MSID number** of **1552214455**.
- Both orders are for the **same division**, RLG-M.
- Shipped to the **same distribution center**, Stone Mountain, and marked for same selling store.
- Four SKUs, with a total 66 Pieces were shipped on 'PO 5244455'. Three SKUs, with a total of 30 pieces were shipped on 'PO 5244465'.



Technical Review

Pick/Pack Business Example

THINK INSIDE THE BOX 

- **PRF*1552214455****M**
 - MSID Number, signifies POCC shipment
 - Max length 10 characters
- **PRF*5244455**
 - FDS Purchase Order number Max - 7 characters
- **PRF*5244465**
 - FDS Purchase Order number Max - 7 characters

Technical Review

UCC128 Labels



THINK INSIDE THE BOX



Zone A	From: Best Vendor 1234 Main St Cincinnati, OH 45321	To: Macy's East c/o Seaboard Federated Logistics DC 500 Woodlands Parkway Seaboard, NJ 07064	Zone B
Zone C	SHIP TO POSTAL CODE (420) 07064	CARRIER: Best Carrier	Zone D
Zone E/F	PO/DEPT: 9999999/XXX		
Zone G	MSID #	For: MACY'S EAST ST#: 0003 <small>HERALD SQUARE</small> FRAGRANCES	Zone H
Zone I	SERIAL SHIPPING CONTAINER (00) 1 0028028 000015259 4		

**SAMPLE OF ACCEPTABLE
UCC-128 LABELS
for Purchase Order Carton
Consolidation Program**

These labels are samples only, which have been modified to support PO Carton Consolidation. They allow up to 15 PO/Dept combinations in 12 pt bold font in Zone E/F, and Master Shipment ID (MSID) in Zone G in 20 pt bold font.



Technical Review UCC128 Labels

THINK INSIDE THE BOX 

Zone C

Zone A		Zone B		Zone G		Zone H	
FROM Supplier 1155 Battery St San Francisco CA 94111		TO Customer DC 1478 5241 San Antonio Dr NE Albuquerque NM 87109		MSID #		FOR MACY'S EAST ST# 0003 Herald Square Fragrances	
SHIP TO POST (420) 87109 		CARRIER Best Freight PRO: 2895769860 B/L: 853930 Zone D		SSCC-18 (00) 0 0052177 513895717 2 			
PO/DEPT: 99999999/XXX							
Zone E/F				Zone I			



THINK INSIDE THE BOX 

Transportation



Transportation FDS Changes

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- Routing Optimization will be rolled out in 2004.
- FDSNET volume shipment requests
 - Carton count will be entered at the **total shipment level**, not by PO.
- 204, 211 and pre-paid 214 may change to support POCC.

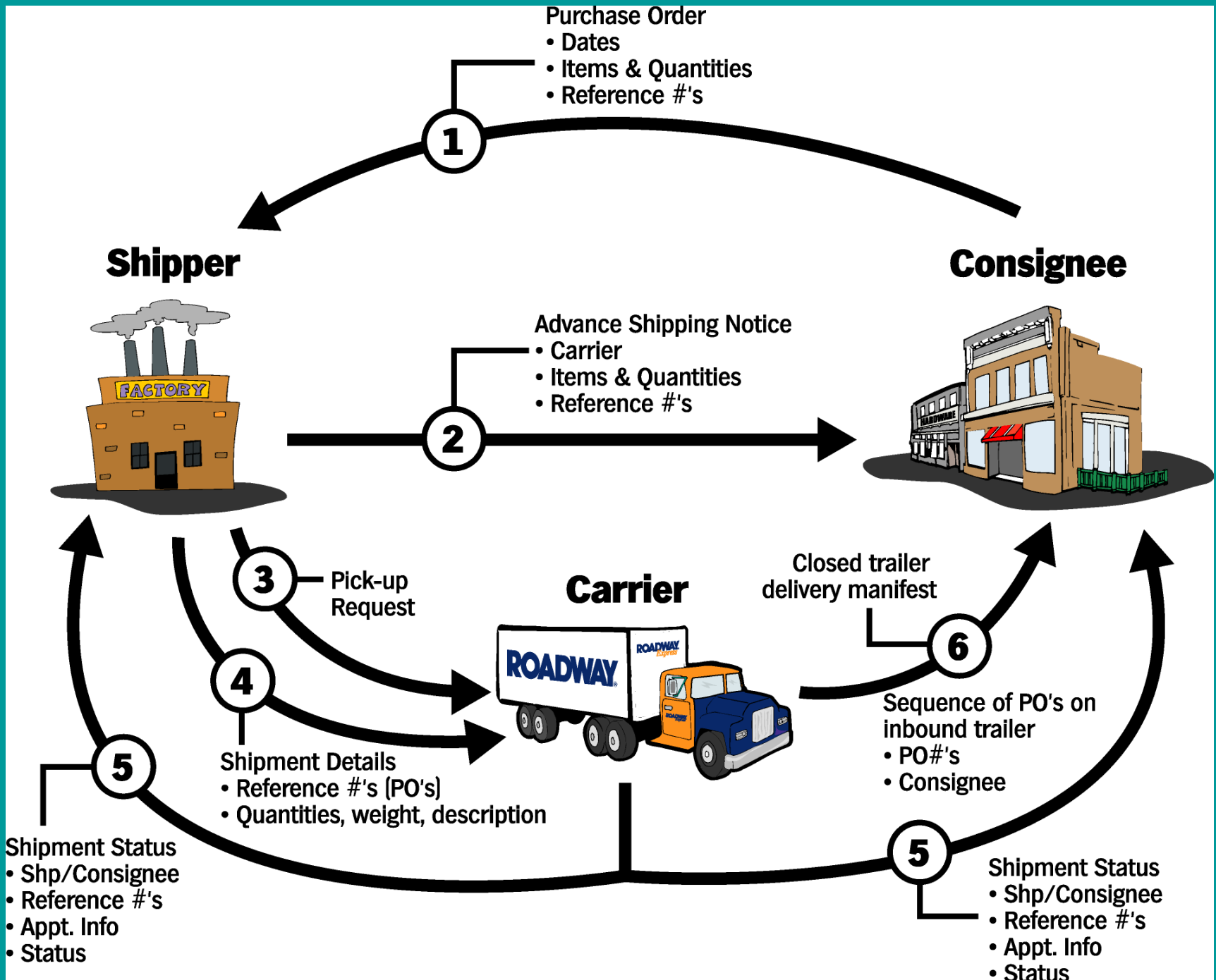


Transportation



THINK INSIDE THE BOX 

LTL Carrier Implementation

Rick Battista
Roadway



WEB BILL OF LADING

SHIPPER	Bill of Lading Number:
Name: ROADWAY EXPRESS Address: 2530 S TIBBS AVE City/State/Zip: INDIANAPOLIS,IN 46241	 (402)
SHIP TO	Carrier Name: Roadway Express Trailer Number: Seal Number:
Name: ROADWAY EXPRESS INC Address: 2000 LINCOLN HWY City/State/Zip: CHICAGO HTS,IL 60411	SCAC: RDWY Pro number: 321-735920-0
THIRD PARTY FREIGHT CHARGES BILL TO:	 (9012K) 3217359200
Name: Attn: Address: City/State/Zip:	Freight Charge Terms: Prepaid <input checked="" type="checkbox"/> Collect <input type="checkbox"/>
SPECIAL INSTRUCTIONS: CALL KATHY BEFORE PICK UP AT 330-5887	<input type="checkbox"/> Master Bill of Lading: with attached underlying Bills of Lading (check box)

CUSTOMER ORDER INFORMATION				
CUSTOMER ORDER NUMBER	# PKGS	WEIGHT	PALLET/S (circle one)	ADDITIONAL SHIPPER INFO
PO=998-4543			Y <input checked="" type="radio"/> N	
			Y N	
			Y N	
			Y N	
			Y N	
			Y N	
			Y N	
GRAND TOTAL	0	0		

CARRIER INFORMATION						
HANDLING UNIT		PACKAGE				LTL ONLY
QTY	TYPE	QTY	TYPE	WEIGHT	H.M. (X)	NMFC # CLASS
1	CRT			500		49880 65
1		0		500		GRAND TOTAL

When the rate is dependent on value, shippers are required to state specifically in writing the agreed or declared value of the property.
The agreed or declared value of the property is hereby specifically stated by the shipper to be not exceeding:

C.O.D. Amount: \$

Fee Terms: Collect: Prepaid:

Customer Check acceptable?

_____ per _____

NOTE: Liability Limitation for loss or damage in this shipment may be applicable. See 49 U.S.C.-14706(c)(1)(A) and (B).

SHIPPER SIGNATURE / DATE This is to certify that the above named materials are properly classified, packaged, marked and labeled and are in proper condition for transportation according to the applicable regulations of the DOT.	Trailer Loaded <input type="checkbox"/> By Shipper <input type="checkbox"/> By Driver Freight Counted <input type="checkbox"/> By Shipper <input type="checkbox"/> By Driver/ballets said to contain <input type="checkbox"/> By Driver/Pieces	CARRIER SIGNATURE / PICKUP DATE Carrier acknowledges receipt of packages and required placards. Carrier certifies emergency response information was made available and/or carrier had the DOT emergency guidebook or equivalent documentation in the vehicle.
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EDI 211 Example

ST*211*000010001 N/L
BOL*RDWY*PP*12345*20031101*1231234561 N/L
B2A*00 N/L
MS2*RDWY*123456 N/L
N1*SH*SHIPPER NAME*93*123456789 N/L
N3*9999 SHIPPER STREET*ADDITIONAL ADDRESS LINE N/L
N4*SHIPPER CITY*ST*00000 N/L
N1*CN*CONSIGNEE NAME N/L
N3*9999 CONSIGNEE STREET*ADDITIONAL ADDRESS LINE N/L
N4*CONSIGNEE CITY*ST*99999 N/L
G61*DC*DELIVERY CONTACT NAME*TE*(888)999-9999 N/L

Bill of Lading #

Carrier Pro #

AT1*1 N/L
AT4*MISC PIECES N/L
AT2*10*CTN*N*L*366** N/L
AT1*2 N/L
AT4*COMMODITY 1 N/L
AT2*0*CTN*N*L*210****999999-01 N/L
AT1*3 N/L
AT4*COMMODITY 2 N/L
AT2*0*CTN*N*L*72****999998-01 N/L
AT1*4 N/L
AT4*COMMODITY 3 N/L
AT2*0*CTN*N*L*84****999997-01 N/L
IX*1

Commodity Information

SPO*123 N/L
SPO*456 N/L

Purchase Order #

SE*37*000000001 N/L



Transportation

Electronic BOL

Vendor/Carrier Considerations

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- Faster movement of product
- Less chance of out-of-stock merchandise
- High visibility for inbound planning
- Automation to reduce costs
- Tracking freight by your reference #/PO#
- Better compliance – matching reference #s
- Faster payment from consignee



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Transportation Significant Changes for POCC

- PO Information is EASIER to collect
 - From PO number, Dept, CTNS by PO
 - To just PO number
- Vendors must know classification of freight (NMFC – National Motor Freight Classification code)
- Reduce freight handling – less shortages



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Accounts Payable



Accounts Payable

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- No change to invoicing (continue to invoice by PO)



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Pilot Vendors Getting Started



Pilot Vendors Participation

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- EDI 856 Carton Level Crossdock Qualified.
- Ready to Pilot in March 2004.
- Vendor Servicing Pilot Division.
- Resources to Support Pilot Program with FDS.

Pilot Vendors Process



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- Submit PO Consolidation Information Request Form on FDSnet.
- EC Technology will confirm participation and contact you.
- FDS will request mock up 856 POCC map example including new segments.
- Provide Label sample in new format for review.
- Send 856 POCC test transmission.



FDSNet Web Page

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- www.FDSNet.com



Next Steps...

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- Complete systems testing end of January 2004.
- Pilot March 2004 for 11 representative product groups.
- Expanded implementation June 2004.
- Fully implemented 2005.



Closing Remarks

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Thank you!

