

Recommended Retailer Best Practice Considerations for Scan-Based Trading

Scan-based trading (SBT) is a process that offers potential benefits to the magazine supply chain. The Newsstand Industry Council (NIC) believes that a complete understanding of the recommended best practices is an important foundational step toward the implementation of this process, which could provide substantial benefits to all supply-chain members and ultimately to our readers.

Retailers are key members of the supply chain and as such their individual decisions regarding participation in SBT are critically important. The following recommendations are presented in this context.

Retailers seeking a magazine SBT relationship with wholesaler suppliers should be committed to providing adequate space for and also support of the magazine (mainline and front-end) and book categories at both the headquarters and store level.

Here are the specifics of the recommended guidelines:

1) Minimum IT Requirements:

- a.** Retailer should have the ability to transmit EDI 852 POS sales.
 - i)** Data should include store number, sold date, UPC, and quantity sold. Cost information may also be a consideration.
 - I.** The data collected should reasonably facilitate the definition of issue code. Issue determination should conform to standards acceptable to the publishing community and the Audit Bureau of Circulations (ABC).
 - (i)** Issue code scan is preferred.
 - (ii)** Absent issue code scanning, it is recommended that a method of determining issue code is agreed to with supply chain partners.
- b.** Synchronized data is a critical foundational component in an SBT relationship. Retailers should have the ability to accept and send EDI 832 UPC updates, or GDSN capability.
 - i)** Data should include UPC, BIPAD, title name, and cover price. Cost information may also be a consideration.
- c.** Retailers should update the item information in their headquarter systems in a timely manner, within 48 hrs after receiving it from their wholesaler suppliers via EDI 832 or through the GDSN process. Critical updates or new items rushed to market may require a condensed timeline.
- d.** Retailer systems should consistently and accurately update store files with new title and price information automatically in a timely manner (overnight force-down). Critical updates or new items rushed to market may require a condensed timeline.
- e.** Retailer should have the ability to tie the 852 data to an EDI 820 electronic remittance to wholesaler.
- f.** 13 months of inactivity should occur before removal of item from store files. This accommodates annual publications (GDSN addresses automatically).

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2) Suggested SBT Test Protocol:

- a.** Prior to going live in an SBT relationship, it is suggested that a retailer and wholesaler compare wholesaler order regulation sales data to the retailer's POS sales data.
 - i)** Historical sales data for a six-month period should be compared, or a non-live test of at least 120 days in parallel with existing non-SBT procedures should be conducted prior to any consideration of moving to a live SBT environment.
 - ii)** High volatility (a difference between POS data and traditional counted returns) in the comparative numbers may indicate serious flaws and could be cause for concern. Continual testing should occur until the volatility level is within an acceptable tolerance determined by the individual parties.
 - iii)** A statistically valid ongoing store audit sample size should be agreed to by the parties prior to roll out.
- b.** Once volatility is within an acceptable tolerance, and prior to going live across the whole chain, a live 180-day test of at least five stores (10 in larger chains) should be conducted to ensure proper data synchronization, and compliance to all SBT protocols.

3) Other Suggested Retailer Requirements in an SBT Relationship:

- a.** Retailer and supplier should agree on mutually acceptable levels of use of any "dummy" key in the retailer's registers. Retailer should create procedures that ensure that copies of magazines that do not scan are keyed in to the register by GTIN.
- b.** Retailer should assign an acceptable number of key employees to work in conjunction with its wholesaler suppliers to ensure that the SBT relationship is beneficial to all parties. Personnel resources should be assigned in IT, accounts payable/finance, operations and item file maintenance.
- c.** Retailer should communicate to its wholesaler suppliers any items that are not scanning or have incorrect information at store level within 12 hours of occurrence, preferably through an automated process.
- d.** Retailer receiving personnel must be diligent in their duties to ensure that the defined receiving and return procedures are expressly followed.
- e.** Retailer should develop and require compliance to store procedures that adequately protect the consignment inventory that is in each store.

Release date: October 10, 2008