ASN 857 – Shipping and Billing Notice

First Steps:

- Overview
- General Procedure
- Requirements
- Prequalification Requirements/ Checklist
- Division Testing/ Implementation
- Kroger General Office Contacts
- Business Rules
- ASN Reduced Random Audit Flowchart

[Updated January 13, 2015]

ASN 857 – Shipment and Billing Notice

<u>Overview</u>

From the UCS Guidelines: *"The Shipment and Billing Notice (857) combines the requirements of the Ship Notice/Manifest (856) and the Invoice transaction set (894). It is essentially a modified ship notice with terms and invoice totals added to the order level, and prices and allowances/charges added to the item level. The communication of accurate and timely shipment and invoice data in the Shipment and Billing Notice effectively eliminates the need for the exchange of both the Shipment Notice/Manifest AND the Invoice transaction sets."*

For Kroger, the ASN 857 EDI transaction set provides the next level of sophistication above the NEX 894 Electronic Invoice. The ASN 857 incorporates pallet/container level information and hierarchy into the delivery/invoice document. The 894 EDI document details Invoice and Line item level of information for a store delivery. With the 857, you can provide Invoice, Pallet/Container and Line item levels of information for this delivery as well.

The primary difference between the ASN 856 and the 857 for Kroger is that the 857 contains line item costing/allowance information similar to the 894 AND can be use for checking in the product and generating vendor payment. This is critical for Kroger's DSD backdoor receiving system. By including the line item information, Kroger is able to provide a copy of the invoice to the delivery person immediately upon completion of the check in process. It also enables Kroger to use the EDI 895 – Vendor Acknowledgement document to communicate back to the vendor the acceptance of the delivery and/or any item level discrepancies (i.e. cost, allowance, pack, quantity) found during the check in process.

Another significant benefit to Kroger and Vendors using this method of invoicing is that the DSD backdoor DSD receiver can quickly check in a delivery by scanning the SSCC-128 bar code that is on each pallet/container. All 857 Shipment and Billing Notice invoices received and accepted by the Kroger EDI system, will then be passed downstream through several networks, ultimately to the specific store for which the Shipment and Billing Notice applies. The Shipment/Billing Notice will appear in Kroger's backdoor DSD receiving system (CT2020) and used by the receiver to check in the delivery.

Kroger expects that all vendors that implement the 857 Shipment and Billing Notice invoice document will make the necessary application changes on their end to receive back the 895 – Vendor Acknowledgement EDI document when delivery is completed at store level. Vendors that participate with Kroger using the 857 and 895 documents will benefit from the quick notification of cost, allowance, quantity, pack and unidentified/unauthorized item discrepancies. These discrepancies will need to be addressed quickly to minimize short payments and no-pays (i.e. missing invoices).

Credit /return Shipment and Billing Notice documents can also be utilized through this same process to handle product returned for credit by Kroger stores.

ASN 857 – Shipment and Billing Notice

General Procedure:

- A store communicates an order to the vendor. This could occur through the EDI 0 Purchase Order processes, Vendor rep writing the order, phone, email, etc.
- The vendor processes the store order and palletizes/containerizes the delivery.
- The vendor will be required to shrink wrap each pallet/container at the distribution center prior to loading onto the truck, to ensure that no item can be removed from the pallet (or fall off the stack) during the delivery process. This shrink wrap must cover at least ¾ of the product on the pallet/container from the top to the bottom. If stretch wrap has been compromised during the delivery process, the receiver is required to audit that pallet at 100%
- The vendor will affix (secure) an SSCC-128 Bar code label (License Plate) to each palled of product shipped. This SSCC – 128 Bar code must be tested prior to ASN roll out in the Kroger test labs to ensure it meets the requirements. All products on that pallet must be assigned to that License plate. You cannot have product assigned to one license plate and load it on a different pallet.
- The 857 ASN invoice is processed through the Kroger EDI system for validation against EDI 857 standards.
- The vendor will receive a 997 – Functional Acknowledgement for each 857 packet delivered. The 997 will indicate whether or not Kroger accepted or rejected each 857 based on established EDI standards.
- The Kroger EDI team will then pass the ASN 857 document to the Kroger's DSD Host system for application validation. Validation will be performed against the 857 to ensure that all required data fields are included and there are no DSD application errors.
- The vendor will receive an EDI 824 – Application Advice document for any errors during the validation process. ASN 857s without any errors will be passed on down to the store. ASN 857s with any errors will be rejected. ***The vendor will be responsible to fix and resubmit in a timely manner so as not to impact the store receiving process during delivery.***
- The 824 – Application advice will clearly describe the warning or error encountered (See separate list of warning/error codes for the 824 document).
- All accepted ASN 857s will be transmitted from the DSD Host system to its final store destination.

> *** 857 INVOICE DELIVERY TIME FROM KROGER EDIT TO THE*****
> ***STORE IS BETWEEN 2-4HOURS***   *****

- The ASN 857 is notification to the store of an upcoming delivery. All electronic invoices must be transmitted at least four (4) hours in advance of the physical delivery to the store.
- When the delivery physically arrives at the store, the DSD receiving clerk will use the pallet/container SSCC-128 Bar codes affixed (secured) to the pallet/container to initiate the check in process. The vendor/driver is required to help the receiver during this process.
- Once all pallets have been checked in and the invoice is closed, an EDI 895 – Vendor Acknowledgement documents will be created and staged for transmission back to the vendor the following day.

ASN 857 – Shipment and Billing Notice

❑ EDI 895 – Vendor Acknowledgement documents for all NEX 894 and ASN 857 invoices will be batched together at the end of each day's receiving and delivered to the Vendor the next day through Kroger EDI.

❑ No "Scan Sheets" are allowed to be used in any Kroger Co. Store.

❑ ASN vendors are required to have a DEX invoice back up for each delivery. The DEX invoice will be used if the ASN invoice does not arrive at the store or if there are issue with the ASN invoice. **The DEX invoice number must be the same invoice number as the ASN invoice number.**

❑ Product delivered but is not needed by the store will be returned back to the vendor. The vendor is required to create a Credit invoice for product returned as the receiver is required to process the ASN delivery based on what was delivered. Returns must be sent back on either on the current truck or the very next delivery.

❑ ASN product must be delivered during receiving hours. **No Night Deliveries or after hour deliveries.**

❑ ASN vendor is responsible to inform Kroger of any reduction to the ASN audits. Reduction request will be considered and approved based on the Kroger ASN Business rules.

❑ Vendor may be required to create a "SOP" Standard Operating Procedure for processing the ASN invoice.

❑ ASN vendors are required to have one contact person assigned to respond to the weekly "ASN accuracy reporting". Vendors have 48 Hours to respond to these reports.

❑ Voided ASN invoice will also need to be researched by vendor.

❑ ASN vendor is required to notify Kroger of any system shut down that will delay or obstruct the delivery of an EDI - 857 invoices.

ASN 857 – Shipment and Billing Notice

<u>Requirements:</u>

The following are the requirements for vendors to utilize the ASN 857 Electronic Invoice processing with Kroger.

- ❑ The vendor must have pre-qualified for the Kroger ASN 857 program. (***See separate pre-qualifications section later in this document.***)
- ❑ Vendors must be setup in the Kroger EDI System as a partner. If you are unsure, please visit the Kroger EDI Website (edi.Kroger.com) and/or contact the Kroger EDI support team at <u>edi@kroger.com</u>.
- ❑ Once the vendor has been established as a partner in the Kroger EDI system AND pre-qualified for the ASN 857 program, implementation of the ASN 857 must be coordinated with the DSD coordinator for the targeted division. ***(See Kroger EDI website document for the list of Kroger division contacts for DSD/EDI.)***
- ❑ The vendor must be capable of sending an ASN 857, receiving and interpreting the 997-Funcational Acknowledgement document as well as the 824 Application Advice response(s).
- ❑ The vendor must also be prepared to receive and process the 895 – Vendor Acknowledgement document that will be generated and sent back to the vendor when the product is checked in at store level. They should be prepared to review and address any invoice discrepancies identified in a timely manner.
- ❑ Credits (returns) can be processed using the ASN 857 document as well.

ASN 857 – Shipment and Billing Notice

Prequalification Requirements/Checklist:

- ✓ Review of current delivery accuracy information (produced by Kroger using internal EDW information across multiple periods.)
- ✓ Vendor's Distribution center picking accuracy based on random audits of store orders.
- ✓ Vendor DC must be ASN certified for the pick to pallet/container process.
- ✓ Vendor capable of securing product on pallet/container (shrink wrapping).
- ✓ Vendor capable of producing an acceptable SSCC-18 Bar code to be affixed to each pallet/container of product.
- ✓ Ability to build an 857 EDI document per Kroger standards and delivery of document to Kroger EDI using AS2, a minimum of 4 hours before physical delivery of product to the store.
- ✓ Ability to accept and interpret 997 EDI document as generated by Kroger.
- ✓ Ability to accept and interpret 824 EDI document (Validation) as generated by Kroger. Support available to react to issue and resubmit 857 in a timely manner.
- ✓ Ability to accept and interpret 824 EDI document (Random Audit) as generated by Kroger. React to quantity issues promptly.
- ✓ Ability to accept and interpret 895 EDI document as generated by Kroger. Assignments established within Vendor personnel to address Cost, Allowance, Quantity and Unauthorized/Not on File issues in a timely manner.
- ✓ Successful completion of lab testing for all EDI document s (857, 997, 824 and 895).
- ✓ A vendor support contact list to be used for issues and problems that occur during testing and ultimately during rollout.
- ✓ Signed contract detailing terms and conditions relative to Kroger's 857 program.

ASN 857 – Shipment and Billing Notice

Division Testing/Implementation:

ASN is designed for Kroger National DSD vendors.

- ❑ The initial point of contact should be the vendor's Kroger General Office contact in either DSD Merchandising or DSD Retail Operations.
- ❑ Vendors should review the Kroger EDI Website to gather pre-qualification documents for ASN 857.
- ❑ Vendors should submit the "New Partner Setup Form" to confirm registration as a Kroger EDI partner and the permission to begin the transmission of 857 documents.
- ❑ Once a vendor is setup in the Kroger EDI system, they should schedule a test with General Office DSD Operation manger.
- ❑ If this is the first time the vendor has transmitted an AS2 documents to Kroger, they need to initiate and complete a communication test between them (or their 3rd party supplier) and the Kroger EDI system.
- ❑ Once the communication test is completed, the vendor can then schedule a test with one store in one Kroger division (See 3 Phase testing on next page).
- ❑ Validate the success/failure of the test.
    - o 857 passes Validation test
    - o 857 passed store receiving test.
    - o 997 Acknowledgement received/processed by vendor.
    - o 824 Validation document received/processed by vendor.
    - o 824 Random Audit received/processed by vendor.
    - o 895 Vendor Acknowledgement received/processed by vendor.
- ❑ Repeat testing until all issues have been resolved.
- ❑ After a successful test has been completed and the Kroger DSD Operation Manager has signed off on the results, the vendor should establish/publish an implementation plan for all stores for the division. Specific dates should be identified.
- ❑ A backout/contingency plan should also be formulated in case of errors or late transmissions of the 857 documents.
- ❑ If the vendor is servicing multiple Kroger divisions, repeat the process for each division.
- ❑ The 8 evaluation period in which audit statistics will be captured starts once all stores attached to the vendor number are live on ASN. This will be reported to the vendor (via 824) and the ASN Accuracy report weekly.
- ❑ During the 8 week evaluation period, the vendor and Kroger business contact should review the results of audits on a daily/weekly basis and coordinate any necessary actions related to the audit results.

ASN 857 – Shipment and Billing Notice

ASN Testing/Implementation: 3-Phase Process

Phase 1 – Pilot Invoice (857 – Transmission ONLY):
A pilot invoice for each division you are delivering to is required.
> *Only 1 invoice per division is to be sent for Pilot (test) purposes:
> Requirements for the Pilot invoice:
> 1. Vendor DC/warehouse must provide a printed license plate to be tested in the Kroger lab at least 2 weeks prior to the store Pilot test.
> 2. At least 2 Day Notice given to DSD Project Manager before invoice is sent.
> 3. Be in 'P'roduction.
> 4. Include all authorized items each with a quantity of ***1***.
> 5. Invoice number should include ***T*** or ***TEST***.
> 6. This is a pilot invoice only and must not be a live invoice that represents an actual delivery.
> 7. E-mail the DSD Project Manager with Division, Store, and Invoice number at least 2 days **prior to Outbound send**.
> 8. It is up to the vendor to choose the store.
> 9. A response as to the success or lack of will be sent via email with screen shots of the final product.
>   a. Errors in Data will be noted
>   b. In most situations if there are discrepancies approval for Full Production will not be given until corrections are made.

Phase 2 – Pilot Invoice (in Production):
DSD Project manager and vendor will test a "live" delivery in one store.
> 1. EDI 857 will be in Production for an actual delivery
> 2. EDI 857 and License Plate will be validated.
> 3. Vendor will create a DEX invoice as a backup to the delivery (as with all ASN deliveries).
> 4. EDI 824/895 validation; transmission is sent from Kroger and received by the Vendor.
>   a. DSD project Manager responsible for turning on 895 Flag
>   b. Vendor needs to validate that they are receiving both an 824 and 895 (necessary for audit purposes).

Phase 3 – Production Full Roll- Out:
A subset of stores will be approved for full production for a period of 2 weeks. DEX back-up invoice will be tested during this phase.
> 1. Upon the successful 857 ASN invoice Pilot of these stores, approval will be given for Full Production Roll-out to the rest of the division.
> 2. Any new issues with mapping or transmissions must be communicated to the DSD Project Manager via email.
> 3. All deliveries (and possibly returns) are expected to have an 857 NEX invoice available prior to delivery.
> 4. Any new issues with mapping or transmissions must be communicated to the DSD Project Manager via email.

ASN 857 – Shipment and Billing Notice

Kroger General Office

Grocery Merchandising

Cookie Cracker   Assigned by Don Harrison
Salty Snacks   Assigned by Steve Stocker
CSDs   Assigned by Mitchell Alm
Bread   Assigned by Jeff Stirk
Ice Cream/Frozen   Assigned by Darin Malloy

Drug GM Merchandising

Books/Magazines   Craig Hart
Greeting Cards   Craig Hart
Videos   Jessie Y Hood

Retail Operations

DSD Retail Ops   Rodney Tarleton

Business Analyst   Kevin Bruss

ASN 857 – Shipment and Billing Notice

Business Rules

Kroger Standard for Division Rollout of Reduced Random Audit

Upon meeting Kroger accuracy standards for DSD deliveries over an eight week test phase, a division may begin to implement reduced random audit for that vendor. Reducing random audit is a DSD Host function and is controlled based on vendor number. These basic standards are not optional and must be met:

- Eight week DSD quantity accuracy of 99.8% or better.
- Store compliance to ASN delivery rules.
- DSD monitoring in Business Objects by KMA owner.

Training documents Key Retailing Wave 3a

"Receiving an ASN Vendor with Random Audit".

"ASN Process Overview for Reduced Random Audit"

"DSD Host DV Screen – Reducing Random Audit %"

Schedule for Reduced Random Audit Rollout

Phase One (4 weeks):   Reduce random audit to 75%.

Phase Two (4 weeks):   Reduce random audit to 50%.

Phase Three (4 weeks):   Reduce random audit to 25%.

Phase Four (4 weeks):   Reduce random audit to 10%.

Failure to maintain 99.8%:

If a single delivery's accuracy rating is below **98.5%**, the Kroger divisional business owner and a vendor associate simultaneously investigate the discrepancy and within **48 hours** collaboratively decide upon a source of error

- If a **Kroger associate** or system glitch proves to be the cause of the problem, the vendor remains at the current audit % and problem resolution is delegated to the correct Kroger contact

- If a **vendor associate** proves to be the cause of the problem, the vendor is placed back on 100% audit probationary period for a minimum of 8 weeks, after which their eligibility will be reevaluated.

ASN 857 – Shipment and Billing Notice

Post-Qualification Flowchart

ASN Reduced Random Audit Flow Chart

Go to Kroger EDI Web
http://edi.kroger.com/
homepage_edi.htm
ASN 857 Prequalification
Satisfy All Steps
Begin Transmitting 857 Invoices

56 day probationary period
100% Random Audit
Kroger tracks accuracy.

Achieve 99.8% Accuracy?

Process changes and approved?

100% Audit

75% Reduced Random Audit ← Yes

99.8% accurate → No

Yes

50% Reduced Random Audit

99.8% accurate → No

Yes

25% Reduced Random Audit

99.8% accurate

NO

Define NO:

Single Order Accuracy <98.5%

28 Day Cycle Accuracy <99.8%

Division Discretion

100 % Random Aduit

Simultaneous investigation by Kroger and Vendor

Collaboritve decision made within 48 hours

Whose Fault?

Vendor

Kroger

99.8% accurate ← No

10% Random Audit

Kroger Fixes Problem