

Scan-Based Trading

Overview

- ***What is Scan-Based Trading?***
- ***Traditional Trading vs. Scan-Based Trading***
- ***Benefits of Scan-Based Trading for the EXCHANGE and Suppliers***
- ***SBT Business Process***
- ***Historical Sales Metrics***
- ***Supplier requirements to become a SBT Partner***

What is Scan-Based Trading?

Scan-Based Trading (SBT) is defined as the process where suppliers maintain ownership of inventory within the EXCHANGE stores until items are scanned at the register (Point of Sale). Only products delivered directly to the EXCHANGE stores are eligible for SBT. Product shipped to an EXCHANGE Distribution Center and then moved to a store cannot currently be considered for SBT.

Traditional Trading vs. Scan-Based Trading

Traditional Trading:	Scan-Based Trading:
Inventory owned by EXCHANGE	Inventory owned by Supplier
Replenishment based on Min/Max	Replenishment based on customer demand
Sale/Invoice occurs at time of shipment	Sale/Invoice occurs at Point-of-Sale
EXCHANGE responsible for all inventory management	Supplier responsible for all inventory management
EXCHANGE assumes all shrink	Shared Inventory shrink costs* is negotiated between the Supplier and the EXCHANGE.
Projected Lead-Times for Transportation	Direct shipping. No Check in for deliveries
Product Assortment Planning and Replenishment	Supplier optimizes product assortment.

*Acceptable levels are negotiated in contract.

Benefits of Scan-Based Trading for the EXCHANGE and Suppliers

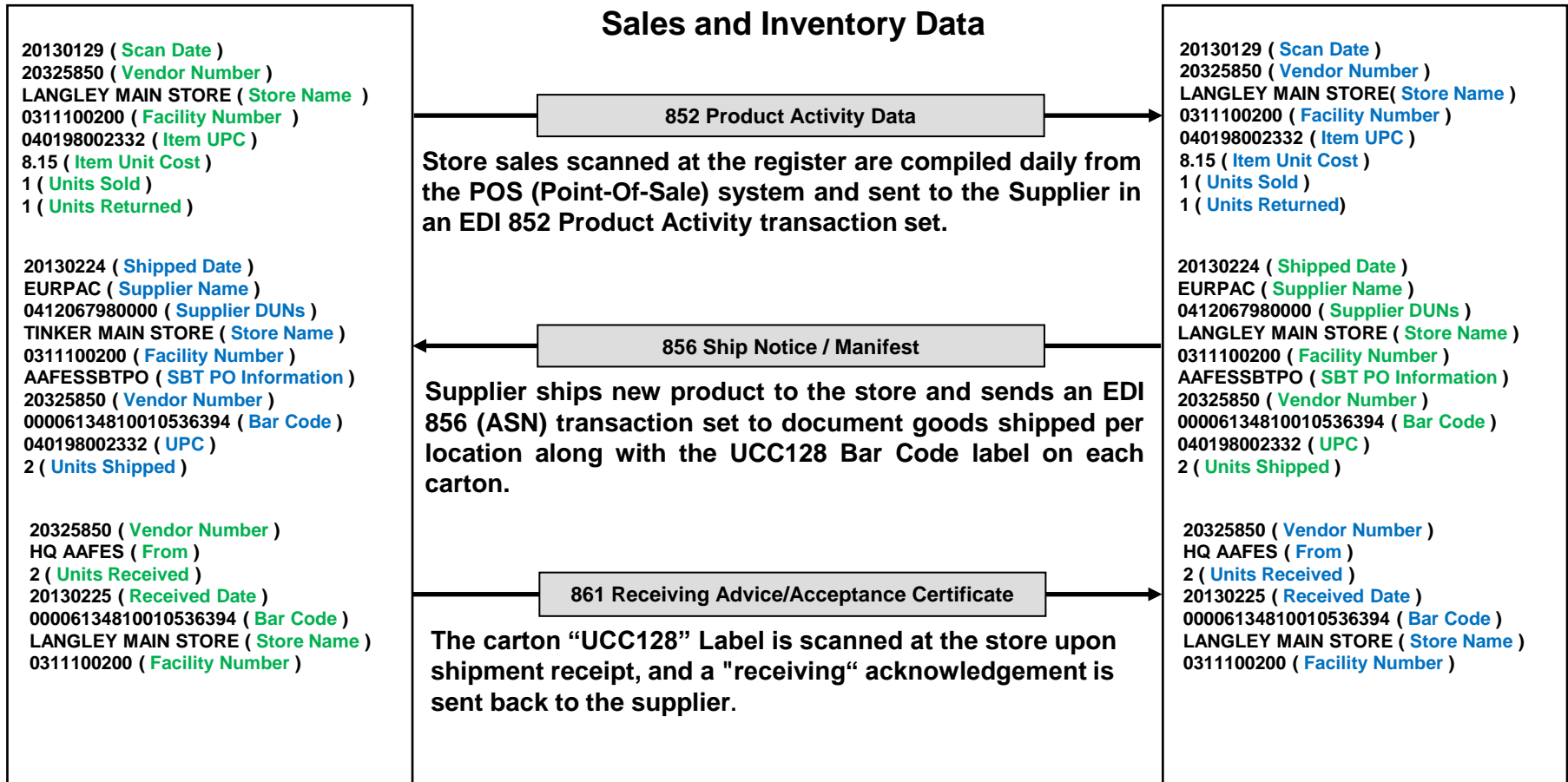
- ✓ Increased sales
- ✓ Optimized product mix
- ✓ Replenishment based on customer demand
- ✓ Reduced cost of inventory
- ✓ Reduction in non-sellable product
- ✓ Improved product quality
- ✓ Captured detailed customer purchase information
- ✓ Reduced Product Lead-Time
- ✓ Increased accuracy in invoicing and payment
- ✓ Reduction in administration cost
- ✓ Direct to Bank Electronic Funds Transfer (EFT)
- ✓ No Receiving Window
- ✓ No Check-In for deliveries
- ✓ Near real-time scan sales data for manufacturing and distribution planning.

SBT Business Process

EXCHANGE

EDI and Non-EDI Data Flow

SUPPLIER



SBT Business Process

EXCHANGE

SUPPLIER

EDI and Non-EDI Data Flow

Financial Data

Non-EDI Invoice Data

Store sales are compiled weekly from the POS system and the Invoice data is generated and sent to the EXCHANGE accounting system.

1502839582 (Check Number)
 20325850 (Supplier Pay Code)
 EURPAC WHSE SALES SBT (Payee)
 SBT031010020020130224 (Invoice #)
 1932.30 (Invoice Amount)

130228001 (Batch Number)
 20130228 (Date)
 15257273.98 (Total \$ of Check)
 738 (Qty of 820's In the Batch)

820 Payment Order/Remittance Advice

The Payment Order/Remittance Advice Transaction Set (820) is sent to the supplier weekly showing the Check numbers, SBT invoice numbers and amounts paid. Basically, this is an electronic receipt of the payment made, along with the invoice numbers.

831 Application Control Totals

The 831 Application Control Totals, or EFT (Electronic Funds Transfer), is sent directly to the suppliers designated bank or financial institution for payment.

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SBT Business Process

EDI and Non-EDI Data Flow

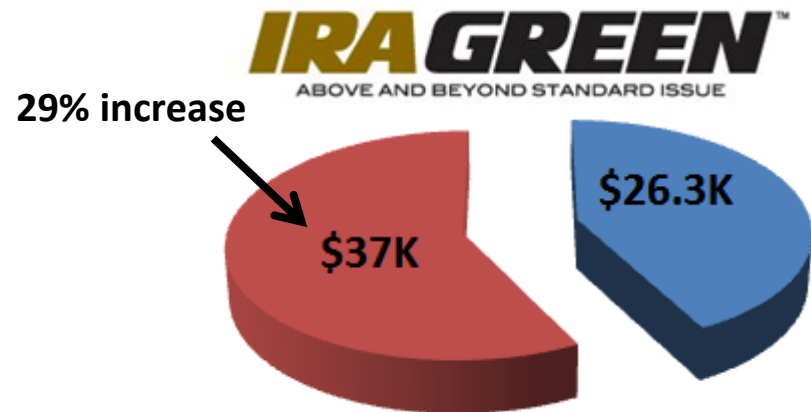
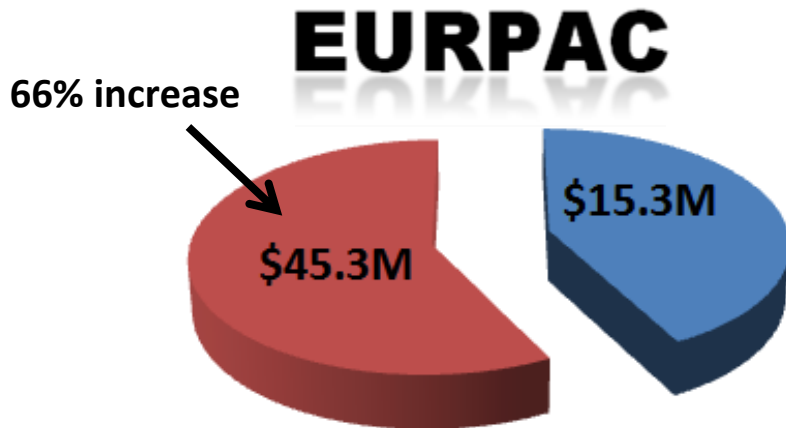
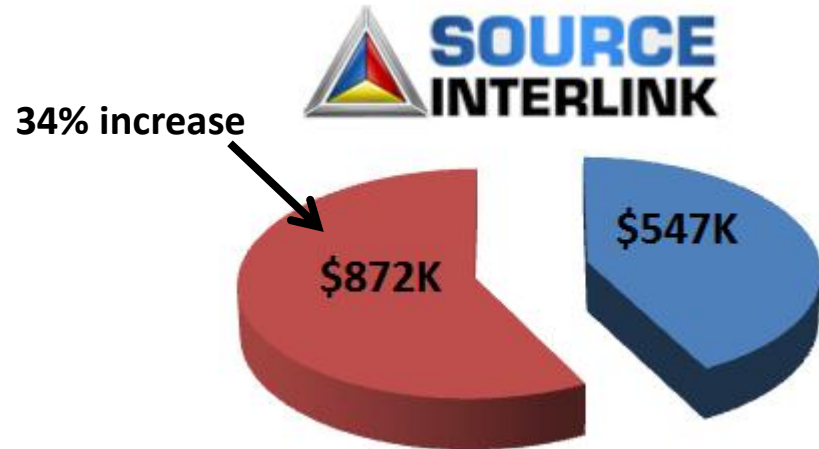
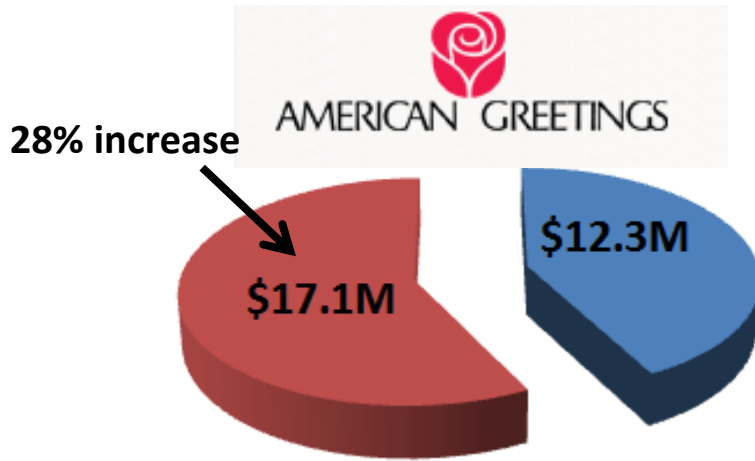
Financial Data

Note: Store sales are paid weekly to the SBT Suppliers from the EXCHANGE Point-Of-Sale system, and the Invoice data is generated and sent directly to the suppliers designated bank or financial institution.

Invoice and payment is based on the EDI sales transactions sent from Sunday through Saturday, and not by the specific transaction date.

Example: Sales for Week Ending 5/09/2015 may have mixed register scan dates, but the Invoice and Payment will include all transactions that were included in the EDI during the week from 5/03/2015 through 5/09/2015

Historical Sales Metrics



■ Prior to SBT ■ After SBT

Supplier requirements to become a SBT Partner

Requirements...

- Supplier must be EDI (Electronic Data Interchange) enabled
- Shipping direct to the EXCHANGE stores and not to the Distribution Centers
- Resources to be able to support merchandising and the EXCHANGE locations
- Dedicated Cross-functional SBT Team to work with the EXCHANGE SBT Team
- Be able to provide and maintain a full list of UPCs for SBT Items
- Be prepared to Buy-Back initial store inventory
- Sign a SBT Collaborative Agreement /Contract with the EXCHANGE Buying Group
- Adhere to Military Installation/Base Access requirements
- Have the infrastructure to support automated program.



Questions?



**For additional questions or information regarding Scan-Based Trading,
please contact the EXCHANGE MD-E SBT Team at MD-ESBT@aafes.com**



Thank You!
