The Supply Chain Television Channel

*Supply Chain VideoCast™*

**Videocast Series: Retail Supply Chain Best Practices**

*Part 3: Benchmark Study on Advance Ship Notices*

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# *Retail Supply Chain Best Practices Videocast Series*

- **Part 1: Visibility and Performance Management**
  - **Now Available On-Demand**

- **Part 2: Best in Class Retail Supply Chains**
  - **Now Available On-Demand**

- **Part 3: ASN Benchmark Research**

- **Part 4: To be announced soon**

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# *The Advance Ship Notice*

- **EDI 856 Transaction**

- **An "Electronic Packing Slip," but More**

- **Tied to UCC-128 [GS1-128] Serialized Pallet/Carton Label**

- **Leads to Improvement in DC Receiving Efficiency by as Much as 40%**

- **Improved Merchandise Allocation**

- **Critical for "Flow Through" Processes**

- **Important Element of the Perfect Order**
    - ASN = Shipment = Invoice + Received On-Time

# What is the Purpose of the Study?

**While advanced shipping notifications (ASN) in the retail industry have been around for quite time, we wanted to really look at:**
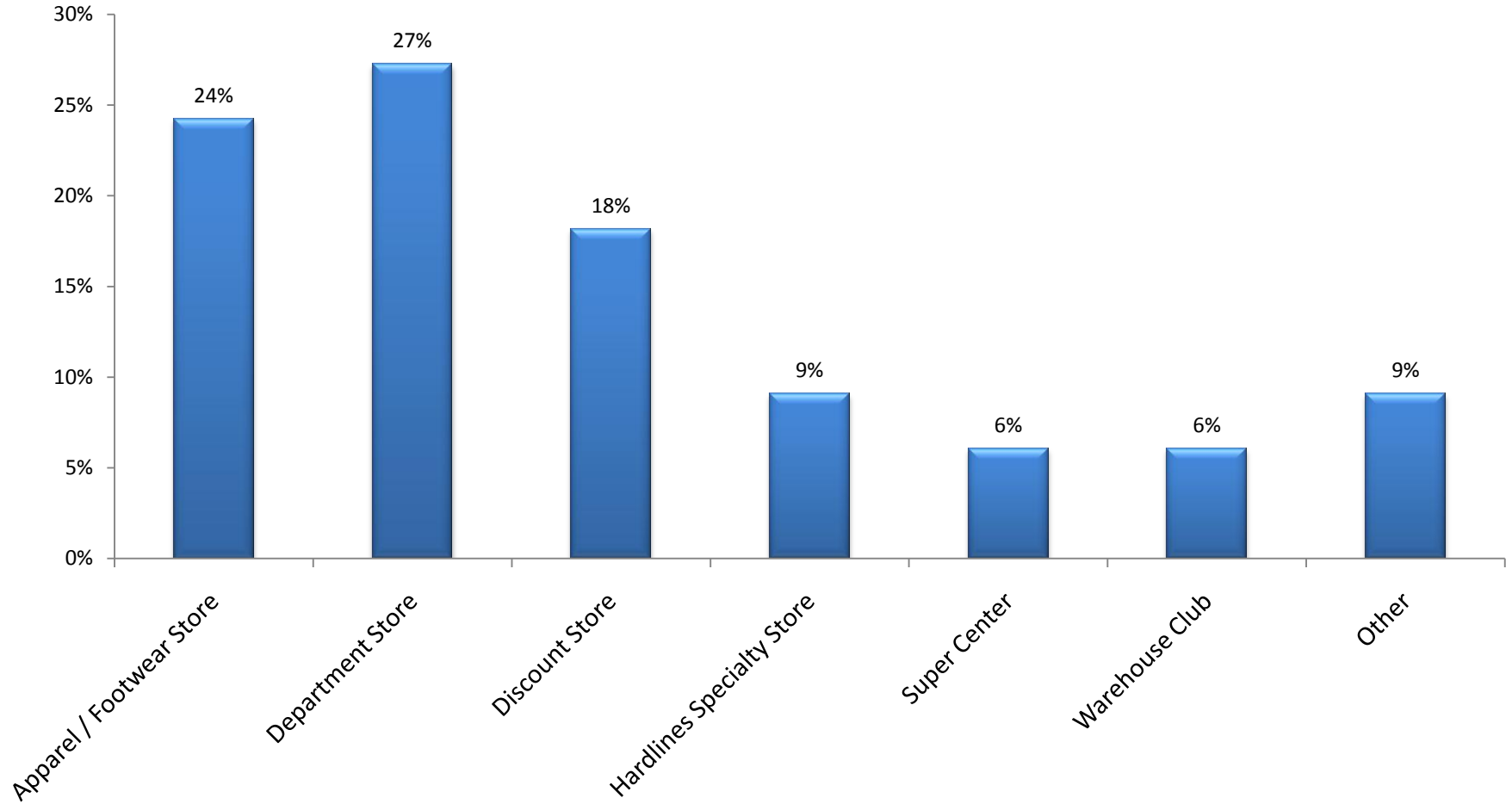
- **The extent of their use**

- **The level of compliance associated with ASNs**

- **Their accuracy**

- **Dollar impact**
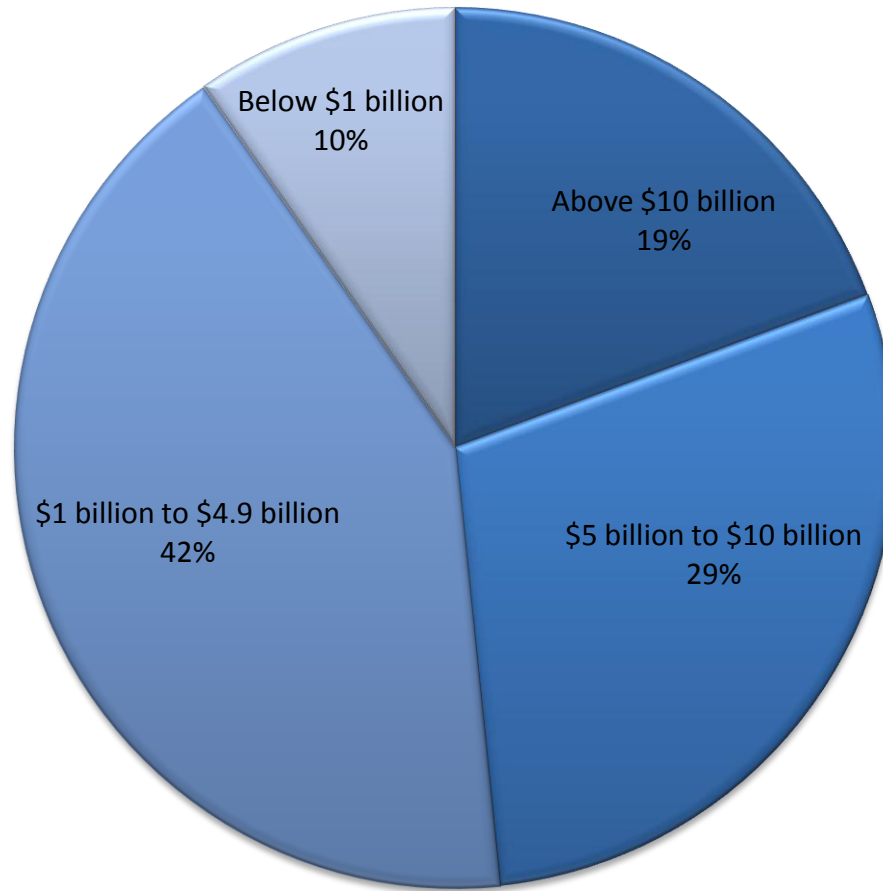
# Methodology: Two-Phased Approach

- Like much of our research, we think it's important to investigate a question from more than one perspective.

- Surveyed a broad group of retailers about their ASN programs.

  - 26 different retail companies have participated

- Second, we collected data on ASN audits from a small set of select retailers

# Retailers by Segment

# Respondents by Revenue Size

# ASN are Widely Used/Required

**First, we asked retailers whether or not they required suppliers to provide ASNs:**

- **The majority of retailers in our study do require ASNs**

- **80% require suppliers to provide ASNs**

- **20% do not**

# How Pervasive is ASN Coverage?

- We found that about 40% of the retailers receive ASNs from all suppliers, while about 60% don't receive ASNs from all suppliers.

- Of the retailers don't receive ASNs from all suppliers, we found that, on average, they receive them from approximately 75% of their suppliers.

# Reasons for not Requiring ASNs

We heard two primary reasons for not requiring suppliers to provide ASNs

- Systems capabilities was a major factor

- Lack of EDI requirement

- Not all divisions are EDI compliant

- What we heard was it still comes down to the fact that not all suppliers have EDI capability and/or retailers don't require EDI  and some retailers still don't have the system capabilities to receive EDI.

# Data Confirmed Strong ASN Benefits

- **Receiving Process Efficiency**

- **Support for Flow Through**

- **Improved Visibility**

- **Improved Availability at the Shelf**

# Those Not Requiring ASNs Feel Pain

- **Over 70% of the retailers that don't require ASNs feel that there is a negative impact on the business**

- **They cite labor issues, too much time spent receiving at the dock and a less efficient flow of inventory through the DC as the most significant impacts**

- **Interestingly, 100% of the retailers that currently require ASNs indicate that they plan to require ASNs in the future**

# ASN Accuracy

The research really breaks ASN accuracy or compliance into two dimensions

- **Is the ASN document compliant?**

- **Is the ASN accurate relative to what's actually received?**

# ASN Technical Compliance

- **Overall, we found that retailers feel that suppliers do a reasonably good job of providing readable and usable documentation.**

- **40% of retailers say that over 99% of ASNs received are in a readable/usable format and well over 80% of retailers say that at least 95% of ASNs received are in a readable/usable format.**

- **However, retailers told us that a bigger issue may be that ASNs are inappropriately documented. There seems to be a somewhat high error rate. 85% of the retailers said that up to 10% of ASNs received are not documented correctly**

# ASN Content Accuracy

We asked retailers to estimate the overall accuracy of ASNs, relative to the contents received

- Again, we found a fairly wide range of accuracy estimates [73% - 99%]

- On average, we found the ASN accuracy estimate to be about 94%

- These results were confirmed by our detailed study of transactional data from several select retailers

# ASN Content Accuracy

To begin, we asked the retailers about their ASN audit programs?

- **92% of the retailers that receive ASNs told us that they do audit ASNs in some manner**

- **As you would expect, the audits are primarily take place at the DC but some audits occur at the store or a third party facility, depending upon how the product is distributed**

# ASN Content Accuracy (Con't)

**ASN Audit Percentages**

- As you would expect, there is a mix among the different retailers

- About 40% indicated that all deliveries are audited at the receiving location

- Another 17% indicated that more than 90% of deliveries are audited

- So, well above 50% audit at least  90% of deliveries; however, we found a wide range amongst the other half.  Range = [2% - 70%]

# Audit Sampling Practices

- **For the most part, we found that business intelligence, whether manual or system driven, drives audit sampling decisions**

- **The highest % (~ 40%) indicate that deliveries from "problem" vendors are audited.**

- **Some retailers only audit deliveries from new vendors**

- **Some audit a small % of deliveries from all vendors, while other simply audit at random**

# Error Trends

**Transactional Analysis Showed:**

- **50% or errors are shortages**

- **10% of time overages**

- **40% of time substitutions/unexpected SKUs**

# Impact of Errors

- **Average error rate of 6% means 60,000 problem cartons for a million carton retailer**

- **Impacts processes in many areas of the retailer**
  - **Leads to operarional errors and poor decisions**
  - **A "Supply Chain Reject Line"**

- **Can Lead to stock outs at shelf**

# The Goal

- **Meat set goals for ASN accuracy at the least operational cost in terms of audit and other processes**

- **Closed loop process**

- **System intelligence**

# Next Steps in Study

- **We are continuing to survey retailers about their ASN programs**

- **Also, a small group of retailers have agreed to let us do a "deep dive" into their ASN programs.**

- **We will be collecting and analyzing ASN audit to data to validate some of the survey findings.**

- **In particular, we want to look into the audit accuracy rates of these retailers**

# Key Takeaways

- **We are continuing to survey retailers about their ASN programs**

- **Also, a small group of retailers have agreed to let us do a "deep dive" into their ASN programs.**

- **We will be collecting and analyzing ASN audit to data to validate some of the survey findings.**

- **In particular, we want to look into the audit accuracy rates of these retailers**

# Resources

- **Dr. Brian Gibson, Auburn University**
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- **Dr. Brent Williams, Auburn University**
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- **Kevin Harris, Compliance Networks**
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