



***The Low Price Leader***

## **Vendor Compliance Reference Manual**

**Memphis, TN and Dublin, GA Distribution Centers**



## Vendor Compliance Reference Manual

Distribution Centers

Nov. 2010

Rev: I

Pg. 2 of 38

### Revision History

Version	Date	Description of Change	By
	09/05/09	Initial Draft	Michael Steen
	01/05/10	Updated Chargeback Sheet	Michael Steen
B	06/02/10	Review and Published	Michael Steen
C	06/20/10	Added Sample Ship Label, Added note section 4.2 on drop ship fees.	Michael Steen
D	11/4/10	Added assessorial charges in section 9 Modified 3.4 Backorder Policy Modified 4.3 Charges Related to Prepaid Modified 4.3 Authorized Prepaid Shippers Modified 4.3 Penalties for Early Arrival of Prepaid Modified 5.3 Vendor Recalls Modified 5.3 Shipment Terms	Reggie Jacobs
E	3/31/11	Updated 6.2 Must call Vendor Administration to obtain security code, username and password.	Michael Steen
F	1/24/12	Updated Section 4.3 Prepaid Shipments	Reggie Jacobs
G	3/12/12	Updated charge for cancelled or missed appointments from \$500 to \$1,000	Reggie Jacobs
H	9/4/12	Added Yellow/Roadway to list of pre-paid carriers not to use.	Reggie Jacobs
I	12/28/12	Added Appendix C, 13.3; Deduction Key	Michael Steen

### Final Document Approval – Signatures Required

Role	Name	Date Approved
Industrial Engineer	Michael Steen	03/21/12
Executive Vice President	Reggie Jacobs	03/21/12



# Vendor Compliance Reference Manual

Distribution Centers

Nov. 2010

Rev: I

Pg. 3 of 38

## Table of Contents

<b>1</b>	<b>INTRODUCTION .....</b>	<b>4</b>
<b>2</b>	<b>DEFINITIONS .....</b>	<b>5</b>
<b>3</b>	<b>SERVICE LEVEL REQUIREMENTS .....</b>	<b>6</b>
	3.1 SHIPMENT READINESS .....	6
	3.2 SUPPLIER RESPONSIBILITY: .....	6
	3.3 PURCHASE ORDER EXPECTATIONS.....	6
	3.4 BACKORDER POLICY .....	6
<b>4</b>	<b>DISTRBUTION CENTER SHIPMENT EXPECTATIONS .....</b>	<b>7</b>
	4.1 DROP SHIPMENTS (COLLECT SHIPMENT).....	7
	4.2 DIRECT SHIPMENTS (PREPAID SHIPMENTS) .....	7
<b>5</b>	<b>ORDER EXCEPTIONS.....</b>	<b>9</b>
	5.1 RETURN AUTHORIZATION.....	9
	5.2 RETURN AUTHORIZATION PROCESS: .....	9
	5.3 OVERAGES, SHORTAGES, AND DAMAGES (OS&D) .....	10
<b>6</b>	<b>FRED'S TRAFFIC - VENDOR ROUTING: .....</b>	<b>11</b>
	6.1 FRED'S TRAFFIC EXPECTATIONS: .....	11
	6.2 ONLINE ROUTING REQUEST PROCESS .....	12
	6.3 INTERNATIONAL FREIGHT.....	13
<b>7</b>	<b>BILL OF LADING.....</b>	<b>14</b>
<b>8</b>	<b>PICK-UP- APPOINMENTS AT SUPPLIERS .....</b>	<b>14</b>
<b>9</b>	<b>TRANSPORTATION ASSESSORIALS AT SUPPLIER FACILITIES .....</b>	<b>14</b>
<b>10</b>	<b>DISTRIBUTION CENTER ASN REQUIREMENTS.....</b>	<b>15</b>
	10.1 ASNs (EDI 856) ARE REQUIRED FOR ALL PRODUCT SHIPPED TO A FRED'S DC. ....	15
	10.2 UPC BAR CODES ARE REQUIRED ON ALL PRODUCT(S) .....	15
<b>11</b>	<b>PACKAGING REQUIREMENTS .....</b>	<b>16</b>
	11.1 PACKAGING AND LOAD EXPECTATIONS .....	16
	11.2 PALLET SPECIFICATION .....	17
<b>12</b>	<b>ADDITIONAL CORPORATE REQUIREMENTS .....</b>	<b>18</b>
	12.1 FRED'S BARCODE REQUIREMENTS .....	18
	12.2 COUNTRY OF ORIGIN LABELING REQUIREMENTS .....	18
	12.3 MSDS REQUIREMENTS .....	19
	12.4 PRODUCT TICKETING.....	20
<b>13</b>	<b>APPENDICES .....</b>	<b>22</b>
	13.1 APPENDIX A: CONTACTS .....	22
	13.2 APPENDIX B: CHARGEBACK (AS STATED IN THE VENDOR AGREEMENT).....	24
	13.3 APPENDIX C: DEDUCTION KEY.....	25
	13.4 APPENDIX D: FRED'S PALLET SPECIFICATION .....	26
	13.5 APPENDIX E: CARTON LABELING REQUIREMENTS .....	27
	13.6 APPENDIX F: SHIPPING LABEL .....	30
	13.7 APPENDIX G: SHIPPING PALLET .....	32
	13.8 APPENDIX H: CASE PACKING (CONVEYABLE).....	33
	13.9 APPENDIX I: "RE-SHIPPER" SHIP ALONE (NON-CONVEYABLE) .....	34
	13.10 APPENDIX J: UPC CODE-UNIFORM CODE COUNCIL .....	35
	13.11 APPENDIX K: BILL OF LADING (BOL) DATA REQUIREMENTS .....	37



## 1 INTRODUCTION

### 1.1 Purpose

This reference manual provides instructions guidelines and expectations intended to assist FRED'S vendors to meet the FRED'S Distribution goals to ensure the right merchandise is in the right condition, in the right place, at the right time at the lowest cost.

Accomplishing this goal requires vendors to comply with FRED'S specifications on identifying, packing, marking, and then shipping their products to the correct Fred's Distribution Centers (DC).

### 1.2 FRED'S Mission

Fred's is a major competitor in the general retail field offering a wide variety of products and services to our customers. We make every effort to gain customers and keep them returning to our stores. FRED'S mission is "To be the Hometown Discount Store that provides a fast, fun and friendly low-price place to shop."

Additionally, FRED'S promises to:

#### To Our Customers We promise

- 1 Team members who are knowledgeable, friendly and helpful.
- 2 Great prices that are clearly marked.
- 3 A fast and easy shopping experience.
- 4 Well stocked stores.
- 5 A treasure hunt of unique bargains.
- 6 A clean environment.

#### To Each Other We promise

- 1 To be decisive, accountable and results focused.
- 2 To help team members be successful.
- 3 Teamwork, mutual respect and integrity.
- 4 Open communication with candor.
- 5 To embrace change and to achieve sustainable solutions.



## Vendor Compliance Reference Manual

Distribution Centers

Nov. 2010

Rev: I

Pg. 5 of 38

## 2 DEFINITIONS

- **DC** – FRED’S Distribution Center(s)
- **VNC** – Vendor Non-Compliance - internal to FRED’S for the DC to notify merchants of problems and for merchants to provide resolution determined with the vendor.
- **BOL** – Bill of lading
- **DIM** – Dimensions and Weight related to freight
- **LTL** – Less than Truck Load
- **Vendors** – suppliers of product and services to FRED’S
- **Master Label** – Label representing multiple products.( Ex SKUs, Sizes, Colors; depends on how buyer designed SKU/PO)
- **Eaches, EA** – **individual items purchased from a vendor for sale in stores.**
- **Case (Master Carton)** – **container holding items for sale in stores.**



### 3 SERVICE LEVEL REQUIREMENTS

The FRED'S Service Level requirement is defined as the fulfillment of a purchase order without substitutions. The following requirements are necessary to ensure that FRED'S is able to maintain its service level commitments to customers:

#### 3.1 Shipment Readiness

All purchase orders placed within the specified days to process must adhere to a 100% fill rate. All shipments must be ready for pick-up **3 days** prior to the "RECV FREDS DC" date.

#### 3.2 Supplier Responsibility:

- Loading correct case quantity
- Ensuring all loaded cases are in good condition.
- Suppliers are required to seal all trucks prior to the truck leaving their ship point
  - Seal information must be noted on the Bill of Lading.
  - In the event that a driver breaks the seal during additional "pick ups", the carrier/supplier must record the additional/new seal number on the Bill of Lading.
- Sufficient shelf life as agreed to by FRED'S and the supplier
- Securing the load to minimize shifting and maintain case integrity.

#### 3.3 Purchase Order Expectations

- Multiple purchase orders are acceptable on a single truckload.
- The Supplier must ensure that the correct Purchase Orders are loaded on the designated truck.
- The carrier is responsible for comparing the Bill of Lading with the load tender/dispatch to ensure they have picked up the correct Purchase Order.

#### 3.4 Backorder Policy

- Shipments will have exact quantity ordered. No backorders, overages, shortages, or substitutions are accepted. All overages and shortages are subject to vendor chargeback (See Appendix B)
- All backorders will be shipped prepaid.
  - Fred's will not assume any freight expenses associated backorders.
  - If backorders are shipped/comingled with collect freight the freight will be subject to DIM and billed at the prevailing rates plus 20%



## 4 DISTRIBUTION CENTER SHIPMENT EXPECTATIONS

- Shipments of multiple purchase orders must not be consolidated in a single shipping carton.
- All trailers coming onto the Fred's inbound lot must have proper identification with legible numbers and or letters on the front (nose) and back (door area) of the trailer for identification.
- Drivers do not assist in unloading the trailer.

### 4.1 Drop Shipments (Collect Shipment)

- Vendors are required to contact FRED'S traffic department **7 days** prior to shipment to schedule transportation. (Details: see section 6 Traffic – Vendor Routing.)
- For product being picked up at the vendor, a designated carrier will contact the vendor for the pickup appointment.
- If shipping by LTL carrier, then the LTL information will be emailed or faxed to the vendor by the FRED'S traffic department. The vendor is then required to call the LTL carrier according to the LTL routing instructions.
- Appointments are not required for properly routed drop shipment trailers at the FRED'S DCs. Goods are to be delivered directly to the Fred's DC once tendered to the carrier. The Fred's lot is available 24 hours/day for all drop trailers.
- Vendors will be back billed all charges related to power detention (TONU – Trailer Ordered Not Used) and layovers created by missing ready dates. [See Section 9]
- All PO's weighing less than 100 pounds are to be shipped **prepaid**.

### 4.2 Direct Shipments (Prepaid Shipments)

- Fred's assumes no ownership of prepaid inventory in transit. The terms on all prepaid shipments are FOB Destination, Freight Prepaid. The seller pays freight charges, bears all freight charges, owns the goods in transit and is responsible for all claims associated with the load.
- Prepaid Shipments are scheduled directly through each DC's receiving department Appointment Clerk. (See Appendix A Contacts).
- Fred's does not permit prepaid drivers to assist in the unloading of freight (See Section 4). Therefore, a \$100 unloading allowance will be charged for each prepaid appointment.
- Cancelling, rescheduling, missing or dropping an appointment will result in a chargeback of \$1,000.



## Vendor Compliance Reference Manual

Distribution Centers

Nov. 2010

Rev: I

Pg. 8 of 38

- Pre-paid shipments and deliveries must arrive at the Distribution Center within 2 hours of the scheduled appointment time. If shipments cannot be delivered as scheduled then the appointment will be canceled.
- Vendors are not permitted to have prepaid goods arrive prior to the "RECV FREDS DC" date. Having prepaid goods arrive at Fred's prior to the "RECV FREDS DC" date will result in a 20% penalty against the cost value of the PO and terms on the PO will be extended to net 90.
  - Vendors must work with their carriers to ensure that these goods are not delivered prior to the "RECV FREDS DC" date.
- Vendors are not permitted to ship via **any** operating company of UPS/Overnite, Averitt or Yellow/Roadway Freight Company to Fred's DC. Shipping on this carrier is subject to VNC. Any shipment on an unauthorized carrier will be subject to a \$500 penalty per PO.
- **Fred's does not pay pre-notification, storage fees, detention fees or any other assessorial associated with prepaid freight.**





## 5 ORDER EXCEPTIONS

Order exceptions refer to situations when the flow of the order is altered due to extenuating circumstances. Examples include but are not limited to, constrained product, return or recall of defective product, etc...

**UNAUTHORIZED SUBSTITUTIONS, INVALID ORDERS, CANCELLED ORDERS, EARLY SHIPMENTS, PAST CANCELLATION DATE SHIPMENTS, OVER SHIPMENTS AND DUPLICATE SHIPMENTS WILL NOT BE ACCEPTED OR WILL INCUR CHARGEBACKS.**

### 5.1 Return Authorization

FRED'S distribution centers are responsible for the consolidation of returns to vendors of FRED'S stores.

### 5.2 Return Authorization Process:

- A return request will be initiated by a FRED'S Merchant.
- Vendors must be acknowledge and approve the return request within 24 hours by email. (Disposition and a return authorization should be included in the email.)
- FRED'S Merchant will notify the DC(s) and the DC will coordinate with the Supplier in the return of product.
- In the event that non-ordered merchandise is accepted or rejected by the FRED'S Merchant, an expense offset will be assessed by the Distribution Center.
- Merchandise that is deemed to be sub-standard (defective, damaged, un-saleable) will be returned to the vendor and be assessed an offset expense.
- Recalls due to manufacturer direction are subject to a chargeback for all handling costs associated with the return. These will be billed at 10% of the value of the goods.
- All return shipment regardless of the type will be shipped collect or prepaid and deduct. Fred's assumes no responsibility for shipment cost or goods in transit.
- **FRED'S will not research shortage claims over six months old.**
- See Appendix B for Charge-back details.



### 5.3 Overages, Shortages, and Damages (OS&D)

The following description of FRED'S OS&D procedure provides a brief overview of the procedure and what Suppliers can expect when there is an OS&D claim.

**5.3.1** DC will start receiving product against the FRED'S purchase order.

**5.3.2** If an OS&D is confirmed, the DC will initiate the OS&D claim process, VNC, as they place the PO/product on hold in the DC without being received.

**5.3.3** The DC "Receiver" documents the damages and variances and sends the VNC report to the FRED'S merchant:

- **Overages** – FRED'S Merchants call Supplier/Broker, informs them about overage and determines how to address.
- **Shortage** – FRED'S merchant/Accounting notifies the Supplier/Broker that the invoice will be deducted according to the shortage. (Appendix B for chargeback's)
- **Damages** – FRED'S Merchant/Accounting discusses with the Supplier/Broker and Carrier about filing a claim for damaged product. They also determine the handling details of destroying, dumping, or returning the product. (Appendix B for chargeback's)

**5.3.4** Suppliers/vendors are expected to provide the FRED'S Merchant a minimum of the following detail pertaining to any OS&D decision:

- Return authorization number
- Return address for product
- Carrier (shipper number where applicable.)
- Carrier contact: email, phone number and fax number
- Vendor contact, phone number, email, and fax number at return address
- Estimated pick up date by carrier
- Special handling instructions/expectations/requests

**5.3.5** The FRED'S Merchant is required to respond to the DC operations management through the VCN within 24 hours, with clear and concise details on how to proceed with the OS&D product on hold.

**5.3.6** Fred's will not research any OS&D, VNC or other chargeback greater than **90** days from the time of receipt.



## 6 FRED'S TRAFFIC - VENDOR ROUTING:

This section reviews the general shipment routing process for a vendor to schedule freight being brought into FRED'S DCs.

### 6.1 FRED'S Traffic Expectations:

Vendors are expected to contact FRED'S traffic for pickup on a purchase order **7 days** prior to the "RECV FREDS DC" date, on the purchase order. The traffic department will prioritize merchandise shipments based on the "RECV FREDS DC" date.

- Freight must be ready **3 days** prior to the "RECV FREDS DC" date.
- LTL consolidation begins prior to the "RECV FREDS DC" date. If a consolidation opportunity arises, the traffic department will bring merchandise in early, but not before **7 days**.
- Vendors are not permitted to comingle the "RECV FREDS DC" dates. Shipping goods to Fred's outside the "RECV FREDS DC" date when not authorized are subject to chargeback (See Appendix B)
- Vendors calling for a PO pickup that is less than 7 days prior or after the "RECV FREDS DC" date, will be subject to an additional (5) business days of routing time past the purchase order "RECV FREDS DC" date, or pickup request. (This ensures LTL consolidation efforts are maximized.)



## Vendor Compliance Reference Manual

Distribution Centers

Nov. 2010

Rev: I

Pg. 12 of 38

### 6.2 Online Routing Request Process

Routing assignments must be requested from FRED'S traffic department using the online request tool. Vendors input orders ready for shipment into the online FRED'S traffic system that provides a receipt of notification to the vendor and initiates the traffic department to schedule a pick-up. **You will need to contact Fred's Traffic at 901-238-2596 to obtain a Security ID, Username and Password.**

#### 6.2.1 Traffic Online Request Procedure:

Go to [www.trackfreds.com](http://www.trackfreds.com)

Click on **Vendor Functions**

Click on **Submit Logon Request**

Click on **Continue to e Trace-it Menu**

Click on **Freds Vendor Order Entry**

Enter the **Fred's Purchase Order Number**

Click on **Submit Update Request**

Submit will automatically bring up your vendor information, if any other fields are filled in then do not enter and call the Traffic Department @ 901/238-2596.

Check the **STATUS** at the top left; if it says **Order Entry** then continue to move from one field to the next Check and entries for accuracy (**TAB** button moves entry to entry.)

Click on **Submit Order Entry**

Traffic Information Required to Submit Order	
Container number	Weights
P.O. number	SKU's
Carton Count	Commodity Description
Packing Slip	

Please note that **you can only use the purchase order number once** on line, so if you have multiple pick up locations or loads please email or fax the additional routing to our office. You must supply a return email address as part of the order input if you want a confirmation.

#### 6.2.2 Contact FRED'S Traffic with any questions:

[traffic@fredsinc.com](mailto:traffic@fredsinc.com)

**FRED's Traffic phone - 901-238-2596.**



## Vendor Compliance Reference Manual

Distribution Centers

Nov. 2010

Rev: I

Pg. 13 of 38

### 6.3 International Freight

- Goods are to be delivered to forwarder as defined on Fred's PO in the "DELV FORWARDER" by the forwarder date.
- All PO's delivered after this date are subject to penalties and fines.



## 7 BILL OF LADING

A Bill of Lading (BOL) is required to accompany every shipment to FRED'S Distribution Centers (s) and must comply with the U. S. Department of Transportation regulations. (See Appendix H, for BOL requirements.)

## 8 PICK-UP- APPOINTMENTS AT SUPPLIERS

Carriers will only use FRED'S purchase order numbers to make appointments for DISTRIBUTION CENTER loads. They will not have access or use any other confirmation, release, or supplier order number to set up appointments.

## 9 TRANSPORTATION ASSESSORIALS AT SUPPLIER FACILITIES

Participating in Fred's collect p/u program is a privilege and subject to each vendor's ability to perform.

- A detention charge, identified by Supplier Ship-Point, will be assessed to Suppliers if they exceed the FRED'S allotted loading time of two (2) hours.
- All assessorial charges related to vendor performance will be deducted from the invoice at the rates below.

• Corrected BOL	\$20
• Detention	\$100/hour
• Layover due to Error	\$600
• Shipping Error	(Weights and Cube) per occurrence
• Hazardous Material	Per Occurrence
• Per Diem	\$300 per day per Unit
• Trailer Ordered not Used	\$500
• Expedited Service	\$1,000
• Pre notification Charges	\$25
• Peak Season (CA Specific)	At Market Rate

- In the event a carrier is detained at a supplier facility while loading, the carrier will bill Fred's for the assessorial. This assessorial will be billed with a 10% administration penalty to the Vendor.



## **10 DISTRIBUTION CENTER ASN REQUIREMENTS**

### **10.1 ASNs (EDI 856) are required for all product shipped to a FRED'S DC.**

#### **10.1.1 Definition of ASN:**

- The Advance Ship Notice (ASN or EDI 856) is a transaction used to confirm the configuration of a shipment of goods as well as additional information relating to the shipment. This transaction will describe the shipment at the pallet, tier or case level, and will include such information as lot numbers, pack dates, expiration dates, and the net weight for catch weight items. Complete and accurate ASN's will preserve the efficiencies built into the product receiving process at a Distribution Center.
- The ASN is required to be received prior to the shipment's arrival at the FRED'S Distribution Center(s). As a guideline, the ASN should be sent once product leaves your facility to ensure receipt in the FRED'S warehouse management system prior to receipt of the product.

#### **10.1.2 FREDS EDI/ASN Contacts**

- Suppliers and Vendors must contact the FRED'S EDI department with technical questions pertaining to ASN transmissions.
- Suppliers and Vendors that have not tested the required EDI transmissions are required to email the EDI department with a request to set up a date and time to test new EDI transmissions.
- Contact email:

[thorton@fredsinc.com](mailto:thorton@fredsinc.com)

[npell@fredsinc.com](mailto:npell@fredsinc.com)

### **10.2 UPC Bar Codes are required on all Product(s)**

FRED'S DC operations use the UPC bar code to receive product in the DC's. Individual products and/or master cartons from each trailer load and SKU type are opened and the UPC barcode(s) on the selling unit are scanned into FRED'S DC inventory.

**UPC bar codes must be on all selling units for receipt into the FRED'S DC.**

- See Appendix I UPC Specifications.



# 11 PACKAGING REQUIREMENTS

## 11.1 Packaging and Load Expectations

- Pallets should not exceed the 72" in height. (height includes pallet and product).
- **Cartons weighing in excess of 45 lbs. should have a TEAM LIFT** label attached as a safety precaution for Fred's employees.
- Cases (lids and flaps) must be clean and properly secured.
- Pack only one SKU per carton; pack small-sized items in their own inner carton and mark with a separate label.
- All liquid products must have a sealed cap.
- All Perishable Goods must have Human Readable expiration dates on the cartons.
- **Do not mix SKU's, styles or sizes within the same master carton** unless specified on the Purchase Order (as in direct Fred's store or DC delivery for multi sku displays etc).
- All inner packs must be in a box or bag. (Rubber bands are not acceptable)
- Stretch wrap must cover the entire product and extend halfway down the pallet, securing all cases to the pallet.
- Multiple stacked pallets may be stretch wrapped together to reduce load shifting.
- Display the ship label information on each carton facing outside.
- There should be no product overhang on the pallet.
- All SKUs on a Purchase Order must be in quantities of one tier/layer or greater must be placed on their own pallet.
- Place carton inserts above and below merchandise to prevent the contents from knife cuts when opening.
- Case dimensions for a single SKU must remain constant. No variable case dimensions (length, width, or height) will be accepted.
- **The vendor is required to send notification 30 days prior to any new configurations/packaging changes shipped to FRED'S Distribution Center(s) which affect pallet or carton length, width, and/or height.**
  - Notification must be sent via email to the FRED'S Merchant of record and the Distribution Center management. (Failure to communicate changes in pallet and case dimensions prior to the update will result in chargeback's.)
- See Appendices C-H package and label specification details.





## Vendor Compliance Reference Manual

Distribution Centers

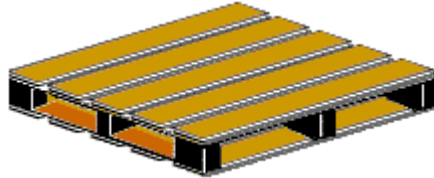
Nov. 2010

Rev: I

Pg. 17 of 38

### 11.2 Pallet Specification

It is the supplier's responsibility to ensure all pallets shipped into the FRED'S distribution Network meets FRED'S pallet quality standards (see Appendix C for criteria). Poor quality pallets will be substituted with proper pallets at **\$25/pallet**.



**Four-Way  
Double-Faced Pallet**

**FRED'S Policy: FRED'S does not participate in a pallet exchange program.**



## **12 ADDITIONAL CORPORATE REQUIREMENTS**

### **12.1 FRED'S Barcode Requirements**

**All inner packages intended for re-sale must be bar coded on at least one side with a UPC. This requirement applies to any interior product that FRED'S distribution facility COULD split for resale.**

- The bar code symbol is the UPC-A. The GTIN-12 (12-digit UPC) is composed of:
  - **Supplier's GS1 Company Prefix**
  - **Supplier's Item Reference Number**
  - **Check digit.**
- Bar codes must attain a grade C or higher when verified.
- Bar codes must be printed to accepted specifications (i.e. size, color, etc).
- All bar codes on the same package (case or unit) must be identical. For FRED'S Brand products, the FRED'S assigned GTIN must be encoded in the bar code, not the supplier's GTIN.

### **12.2 Country of Origin Labeling Requirements**

**Country of Origin must be declared on products supplied to FRED'S per US government rule in 7 CFR, Part 65.**

A copy of this rule can be reviewed at:

<http://www.ams.usda.gov/AMSV1.0/getfile?dDocName=STELPDISTRIBUTIONCENTER5070926>



## Vendor Compliance Reference Manual

Distribution Centers

Nov. 2010

Rev: I

Pg. 19 of 38

- 12.2.1** Country of Origin must be legible, conspicuous, and must appear on the master case as well as any interior packages if the interior package is labeled for retail sale. The Country of Origin declaration must meet the appropriate requirements as stated in the proposed regulation. **Acceptable terminology includes “Made in \_\_\_\_\_” or “Product of \_\_\_\_\_”.**
- 12.2.2** If paper sticker or pressure sensitive labels are used, they must be affixed in a conspicuous place and so securely that unless deliberately removed they will remain on the article while it is in storage or on display, and until it is delivered to the ultimate purchaser.
- 12.2.3** When tags are used, they must be attached in a conspicuous place and in a manner, which ensures that unless deliberately removed they will remain on the item until it reaches the ultimate purchaser. Marking that will not remain on the article during handling or for any other reason except deliberate removal is not a proper marking.
- 12.2.4** All inbound Bills of Lading and invoices accompanying the affected commodities must identify, by line item, the Country of Origin. At the very least, if you cannot provide the Country of Origin information on both invoice and Bill of Lading, it must appear on the Bill of Lading.
- 12.2.5** Vendors will be held accountable for any and all violations of these U.S. Import Requirements that result in delays or additional costs to FRED’S.

### 12.3 MSDS Requirements

FRED’S requires Material Safety Data Sheets (MSDS) on all products deemed hazardous by DOT, EPA, and OSHA. **A FRED’S Merchant must approve any hazardous material shipments and provide notification to all FRED’S distribution centers from the supplier on where to locate the MSDS for the incoming product at least 2 weeks in advance of the product arrival.**



### 12.4 Product Ticketing

FRED'S contracts to print sales tickets for merchandise sold in FRED'S stores. Once a FRED'S merchant purchases a product (new or old) the suppliers/vendors are requested to purchase products tags from the FRED'S ticket supplier. Contact and process detail is as follows:

- New Vendors must register with Fineline at [www.finelinetech.com](http://www.finelinetech.com).
- Click on the Fast Trak icon, and register using the 6 digit FRED'S vendor Number. **(Include any leading zeros provided by the FRED'S merchant.)**
- After registering with Fineline, vendor and suppliers will see all FRED'S purchase orders listed under there FRED'S vendor number.
  - Initially, vendors also need to register all FRED'S vendor assigned numbers to ensure all orders will be visible. (ex. orders could use different vendor numbers for the same vendor.)
- Ticket type(s) are listed with the PO's.
  - Each SKU will have a ticket type assigned:
    - HT1 – Hangtag
    - HT2 – Compare at Hangtag
    - LB1 – Label
    - LB2 – Compare at Label
  - Registered, vendors are sent emails each time an order is updated or added in Fineline's system. (All FRED'S orders are sent to Fineline electronically on a daily basis and are available the day after they are sent into the system.)
  - Purchase orders in the Fineline system include an additional 2.5% on ticket orders, added to each SKU quantity. (Compensating for ticket losses in production.)
    - Vendors may *reorder* tickets in any quantity needed after the first order.
  - Rebuy POs are ordered/sent to Fineline each Monday and are available to order under the purchase order **FRSKU** at any time.
    - Because these are rebuy SKU's the vendors are able to order the quantity of their choice. **(The vendor MUST verify ticket type is correct. If the ticket type is incorrect, the vendor needs to contact the FRED'S rebuyer.)**



## Vendor Compliance Reference Manual

Distribution Centers

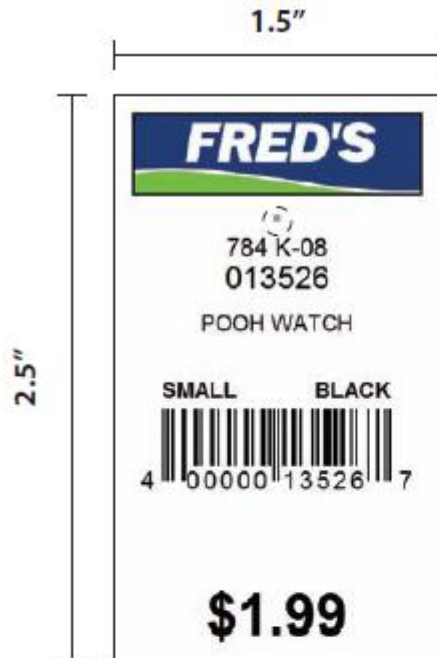
Nov. 2010

Rev: I

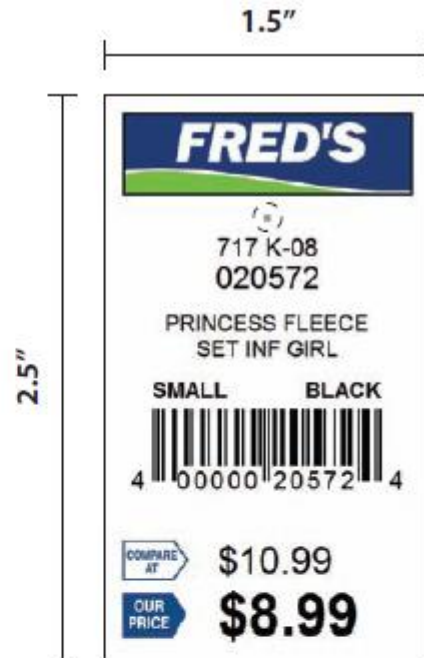
Pg. 21 of 38

### 12.4.1 Ticket Specifications and Examples

Ticket colors are Pantone 368 Green and Pantone 288 Blue.



FRED'S HT



FRED'S "COMPARE AT" HT



FRED'S LBL



FRED'S "COMPARE AT" LBL

- See Appendix I for Tag specifications.



## Vendor Compliance Reference Manual

Distribution Centers

Nov. 2010

Rev: I

Pg. 22 of 38

### 13 APPENDICES

#### 13.1 Appendix A: Contacts

##### Corporate Office:

**Fred's Inc.**  
**4300 New Getwell Road**  
**Memphis, TN. 38118**

##### DC "ship to" addresses for freight deliveries:

**Fred's**  
**Distribution Center**  
**4059 Pilot Drive**  
**Memphis, TN. 38118**

**Fred's Southeastern**  
**Distribution Center**  
**125 Valambrosia Road**  
**Dublin, GA. 31021**

Position/Location	Contact Name	Phone Numbers	Email
DC Director Fred's Distribution Center – Memphis, TN	Nora Hickman	901-238-2265	<a href="mailto:nhickman@fredsinc.com">nhickman@fredsinc.com</a>
Memphis Appointment Clerk		901-238-3191	
Corp EDI Contact	Tanya Thorton		<a href="mailto:thorton@fredsinc.com">thorton@fredsinc.com</a>
Corp EDI Contact	Nicole Pell		<a href="mailto:npell@fredsinc.com">npell@fredsinc.com</a>
DC Director Fred's Southeastern DC – Dublin, Ga.	Don Seymour	478-296-7022	<a href="mailto:dseymour@fredsinc.com">dseymour@fredsinc.com</a>
Dublin Appointment Clerk		478-296-7118	



## Vendor Compliance Reference Manual

Distribution Centers

Nov. 2010

Rev: I

Pg. 23 of 38

### 13.1.1 FRED'S Traffic Department Contacts

Fred's traffic, arriving in west coast ports will be dock-delivered to our designated trans-loading agents. Our designated trans-loading agents are;

#### **Warehouse Address/Contacts**

DCG Distribution  
2425 Saybrook Ave.  
Commerce, CA 90040

Operations Manager: Mike Bonani, Email: [Mike@dcgdist.com](mailto:Mike@dcgdist.com)

Customer Service Representative: Carolyn McClenon, Email:

Account Manager/Company President: Don Gibson, Email: [Don@dcgdist.com](mailto:Don@dcgdist.com)

Phone (323) 622-4000

Fax (323) 622-4001

#### **Additional DCG Distribution Info.**

MC/DOT Number: MC 432395C

TAX I.D. Number: 30-0008347

DOT Number: 1038081

SCAC: DCGD

For Pick-Up/Delivery Appointments:

Please call Mike @ (323) 622-4000

For Carrier Directions to Warehouse:

Please call (323) 622-4000

For Account Management Issues:

Please contact Dave Tremblay @ 310-350-2304, [dave.tremblay@yahoo.com](mailto:dave.tremblay@yahoo.com)

#### **Customer Contacts**

Primary Account Manager: Tommy Watson

Cell Phone: (901) 484-1916, Email: [tewatson56@comcast.net](mailto:tewatson56@comcast.net)

Re-Trans Operations Management: David Ray, Email: [dray@re-trans.com](mailto:dray@re-trans.com)

Re-Trans Customer Service: Kathy Allison, Email: [kallison@re-trans.com](mailto:kallison@re-trans.com)

Address: 866 Ridgeway Loop, Suite 125

City/St/Zip: Memphis, TN 38120

Phone: (901) 322-0534

Fax: (901) 322-0528

Fred's Site Management: Dinah Farrell, Email: [traffic@fredsinc.com](mailto:traffic@fredsinc.com)

Telephone: (901) 238-2596

Fax: 901-328-0353



## Vendor Compliance Reference Manual

Distribution Centers

Nov. 2010

Rev: I

Pg. 24 of 38

### 13.2 Appendix B: Chargeback (As stated in the Vendor Agreement)

**PART 3 SHIPPING AND HANDLING REQUIREMENTS:** *(Fred's Inc. shall assess the penalties and charges stated below to Vendors/ Shippers for failing to comply with routing, shipping, marking, or packaging requirements stated in this agreement).*

- 1- Fred's purchase order number must be listed on all bills of lading and packing slips along with the number of cases and weight. Failure to comply will result in a flat rate charge.
- 2- Fred's purchase order number and other markings pursuant to Fred's carton marking requirements must be printed on all cases. Carton markings can be obtained from Fred's Merchandising Division. Failure to comply will result in a flat rate charge.
- 3- All purchase orders must be shipped to arrive on or after the arrival date of the purchase order, but before the cancel date. All orders shipped outside the purchase order shipping dates are subject to be returned at the vendor's expense or storage/handling charges deducted from invoices. Fred's Inc reserves the right, at its options and without limitation, to cancel this order or reject any goods delivered after the time specified.
- 4- All merchandise is to be shipped in the specified assortments, case quantity (and/or inner packs), and sizes entered on the purchase order. Any merchandise received other than specified on the purchase order will be returned at the vendors expense, or the vendor will pay handling or repack charges.
- 5- All orders must be shipped in the quantity specified. Overages will be returned at the vendor's expense and handling charges assessed. Vendor must contact Fred's Inc on quantities not shipped.
- 6- Merchandise must be shipped with one sku number per case unless authorized by Fred's. **At Fred's discretion**, merchandise received with mixed skus **may** be returned to vendor or re-packed. Vendor will pay handling charges, re-pack and/or return freight charges.
- 7- Vendor will pay for charges incurred for counting and loading of shipment. Fred's will not be liable for loading, detention or layover charges at origin.
- 8- Merchandise shipped must be the same as the approved confirmation sample.
- 9- Merchandise received that is different than, or does not meet the specifications of the approved sample, will be returned at the Vendor's expense and the Vendor will be assessed handling charges.
- 10- Vendor will provide and pay for any samples and freight needed for production approval, advertising, product selections, and any other reason to accomplish reasonable business practices. Any freight charges billed to Fred's will be deducted off future invoices.
- 11- All merchandise must have an authorized UPC code attached. This code must be presented to Fred's for approval prior to ship date. Failure to comply with UPC guidelines or use of unapproved UPC code will be assessed a 20% (cost of goods) charge for re-ticketing, plus an additional 10% administration charge. Exception to these guidelines must have approval by Fred's Executive Vice President.

**CHARGES AND PENALTIES. (Charges are in absence of proof of higher expense)**

- 1- Handling charges will be at a rate of \$75.00 per hour plus a 10% (cost of goods) administration charge.
- 2- Orders received prior to the ship date will be subject to a storage and handling charge of 15% (cost of goods).
- 3- Re-pack charges will be assessed at \$75.00 per hour, plus expenses and supplies, and a 10% (cost of goods) administration charge.
- 4- Flat rate charges are \$250.00





## Vendor Compliance Reference Manual

Distribution Centers

Nov. 2010


Rev: I

Pg. 25 of 38

### Offset Expense Declaration Policy:

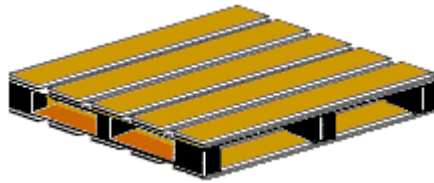
Written notice of any disagreement must be received within 90 days of the check date. If the written disagreement is received after this 90-day time period, FRED'S will not recognize the dispute.

### 13.3 Appendix C: Deduction Key

Deduction Key 	
Code	Description
OV	Overage against the po#
SHO	Shortage against the po#
SNOO	Sku not on order against po#
IS#	Incorrect Style#
ICU	Incorrect UPC#
REP	Repack sku
NT	Not ticketed

### 13.4 Appendix D: FRED'S Pallet Specifications

- Size: 40" wide x 48" long
- Type: GMA standard hardwood pallets, 4-way entry pallets
- Material: Group III and/or Group IV hardwood
- 4-way entry
- 6" lead board on top and bottom
- 2,194 lb. Payload (strength for handling products )
- No blocks, corrugates, metal plates, or pine
- Free of defects, exposed nails and/or broken boards
- All boards must be flush
- Minimum board thickness of 5/8"
- Standard 5-bottom beveled board configuration
- Standard 7-top board configuration



**Four-Way  
Double-Faced Pallet**

**\*Fred's Inc. prefers merchandise to be shipped on IGPS pallets.  
For more information, contact Mark Harry at [mharry@igps.com](mailto:mharry@igps.com).**



## Vendor Compliance Reference Manual

Distribution Centers

Nov. 2010

Rev: I

Pg. 27 of 38

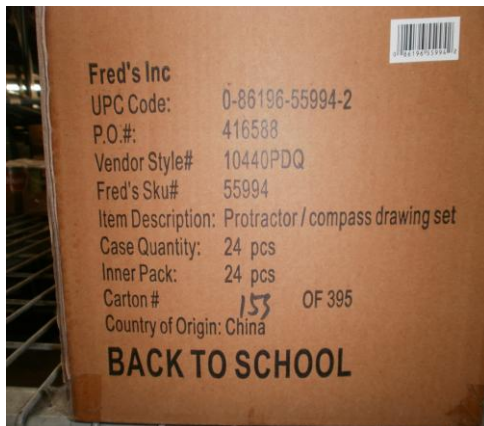
### 13.5 Appendix E: Carton Labeling Requirements

#### 13.5.1 Carton Label Contents

- Item Name/Complete Description
- FRED'S SKU Number
- FRED'S PO Number
- Case Quantity and Pack
  - Inner Pack Quantity (for mater cartons)
  - Number of Inner Pack Quantity
- Manufacturer Name and Address
- Carton Measurement
- Net Weight/Gross Weight
- Expiration Date (perishable products)
- Country of Origin
- Seasonal Note as specified by FRED'S Merchant

Valu-Mart - First Aid Kits 12ct  
Carton - 36 units  
Inner pack 3 - 12 pack units  
Dimensions: 27 1/4 X 15 X 25  
L - W - D  
NW 18 lbs. GW 20 lbs.  
Made in China

111242555675



Valu-Mart - First Aid Kits 12ct  
Carton - 36 units  
Inner pack 3 - 12 pack units  
Dimensions: 27 1/4 X 15 X 25  
L - W - D  
Made in China

||||| ||||| |||||  
0 6 2 0 2 5 5 5

GW 18 lbs. NW 20 lbs.

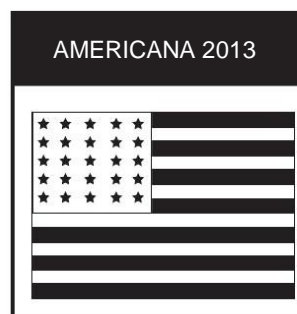
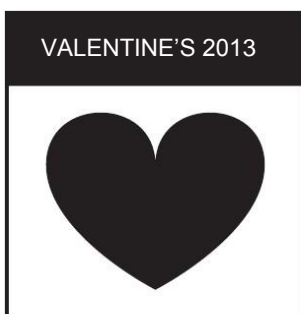
Williams Med Products  
1303 Overview lane  
Blackton NC. 27189

**\*NOTE:** Cartons should not be packed to weigh more than 40 lbs.

Cartons weighing in excess of 45 lbs. should have a **TEAM LIFT** label attached as a safety precaution for Fred's employees.

## 13.5.2 Carton Labeling of Seasonal Product

- Seasonal product cartons require a seasonal designation for use in FRED'S stores. The primary seasonal icons are shown below.



- The icon should be 3" x 3" (7.62 cm x 7.62 cm)
- The appropriate seasonal icon must be placed on the top right of two adjacent master carton sides.
- The year shown on the icons is valid only for 2013. The vendor should always update the icon to reflect the appropriate year.**



## Vendor Compliance Reference Manual

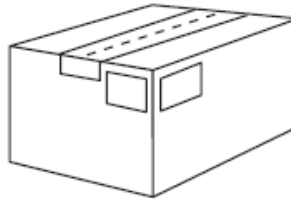
Distribution Centers

Nov. 2010

Rev: I

Pg. 29 of 38

### 13.5.3 Carton Label Location



#### Box or Carton

Identical labels should be located on two adjacent sides. (Wrap around label acceptable.) The upper edges of the labels should be as high as possible up to 20" from the bottom of the carton.



## Vendor Compliance Reference Manual

Distribution Centers

Nov. 2010



Rev: I

Pg. 30 of 38

### 13.6 Appendix F: Shipping Label

#### 13.6.1 Application of Shipping Labels to Shipping Containers

- All shipping labels must be legible and complete, with shipper and consignee information corresponding with the bill of lading.
  - Shipments must have the packing list affixed to the outside of the lead carton or pallet in an envelope marked "Packing Slip Enclosed".
- The shipping label must include a description of the product being received and the Purchase Order number.
- The Shipping label contents must include:
  - From
  - To
  - Carrier
  - Purchase Order
  - Carton Count
  - Style #
  - Final Destination
  - Quantity
  - ASN# / Serial Shipping Container #
- Sample Shipping Label:

<b>FROM:</b> WEEPLAY LLC C/O IMPAC LOGISTIC SVCS 100 WEST 33RD STREET NEW YORK ,NY 10001		<b>TO:</b> FRED'S DC MEMPHIS 4059 PILOT DRIVE MEMPHIS, TN 38118	
<b>SHIP TO POST</b> (420) 38118 		<b>CARRIER:</b> CALL <b>BOL NUMBER:</b> 204674	
<b>PO NUMBER:</b> 136850 <b>DEPT NUMBER:</b> 717 <b>CARTON</b> 14 of 15 <b>STYLE#:</b> N6026L			
		<b>FOR:</b> STORE # 0058661160001	
<b>Serial Shipping Container</b> (00) 0 06 11201 392183014 0 			



## Vendor Compliance Reference Manual

Distribution Centers

Nov. 2010

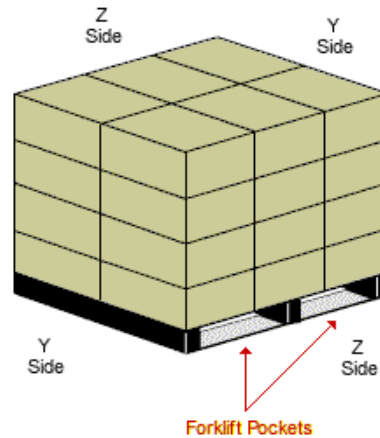
Rev: I

Pg. 31 of 38

- This label should NOT be applied to any type of shrink wrapping or outer covering that may possibly be removed during loading or unloading. If shrink-wrapping is applied, the shipping label should be easily identified through the shrink wrap material. It is not necessary to create a separate label.

## 13.7 Appendix G: Shipping Pallet

Fred's Distribution Center racking is designed to accommodate the standard 48" X 40"x72" – 4-way pallets.



### 13.7.1 Pallet Stacking Expectations

- Stack product in uniform layers
- Secure cartons to the pallet with banding, shrink-wrap, stretch-wrap or breakaway adhesive.
- Stack cartons squarely on the skid with no overhang.
- Ensure the top surface of the pallet is flat.
- Do not double stack sensitive or hazardous material, all such items must be labeled accordingly





## Vendor Compliance Reference Manual

Distribution Centers

Nov. 2010

Rev: I

Pg. 33 of 38

### 13.8 Appendix H: Case Packing (Conveyable)

FRED'S Distribution Centers distribute product to over 700 stores. A majority of product is sent as individual cases that flow through the DC on conveyor in a sorting system.

- Cases must contain only 1 item number. **Skus and Purchase Orders cannot be mixed within a case.**
- To prevent damage to our conveyor equipment
  - Do not secure cases with straps, bands, or string.
  - Do not use jiffy bags, burlap bags, mailing envelopes or plastic bags as packaging.
- Seal cartons with security tape. FRED'S recommends using theft-deterrent tape on all cartons.
- Master packing must be incorporated whenever possible. Use the largest standard case available with a MINIMUM of 3 units per case and with a MAXIMUM weight of 50 lbs (22.7 kg). **If the case capacity is less than 3 units, make the item a "Re-Shipper" Single Ship Item. (1 unit per case)**
- Use a shipping carton that fits the merchandise; do not over-pack or under-pack the carton.
  - If void fill is necessary, utilize air pillows, paper or cardboard dunnage.
  - **Styrofoam peanuts/shells and empty product boxes are not acceptable dunnage.**
- Please utilize one of the following standard CONVEYABLE case sizes if your item fits (**minimum 3 units**) in one of these cases.

#### 13.8.1 Conveyable Carton Specifications:

Carton Specifications		
Description	WT (lbs)	WT (Kg)
Case Weight (min)	5	11
Case Weight (max)	50	22.7
Carton Burst Strength	200	91
Carton Edge Crush Test (ECT)	32.5	15

Conveyable Carton Specifications		
Description	Min. Size	Max. Size
Length	9 inches	36 inches
Height	9 inches	25 inches
Width	4 inches	27 inches
Weight	1 lbs	40 lbs



## Vendor Compliance Reference Manual

Distribution Centers

Nov. 2010

Rev: I

Pg. 34 of 38

### 13.9 Appendix I: “Re-Shipper” Ship Alone (Non-Conveyable)

- Ship alone cartons are products that are deemed too large in size or weight to pack with other items. These products ship to the end customer in the vendor packaging.
- All items deemed ship alone items must be packaged individually so they can ship to the end customer and survive the rigors of small parcel (UPS, FedEx and USPS) shipping.
- Ship alone cartons must be brown box cartons with a minimum case burst strength of 200lbs and minimum edge crush test of 32.5 pounds.
- Product in ship alone cartons must be completely covered by the box. There should be no open windows in the box to view the product.

## 13.10 Appendix J: UPC Code-Uniform Code Council

The Uniform Code Council is a non-profit corporation that administers and regulates the Universal Product Code. The UCC assigns each company a manufacturer's number, which are the first 6 digits of the UPC code. The next 5 digits of the code consist of each company's individual product code for that particular item. The 12th digit of the UPC is called a "check" digit. The UPC code must be unique for each SKU that is marketed. In the scope of doing business with Tech Data the UPC code is invaluable as an alternate ID for each product that it handles. The recommended size of the UPC code, including human readable characters, is 1.5 inches wide by 1 inch high. If a company is not already registered with them, they can be contacted at: [www.uc-council.org](http://www.uc-council.org)

Uniform Code Council, Inc.  
7887 Washington Village Drive, Suite 300  
Dayton, OH 45459  
937-435-3870  
937-435-7317  
[info@uc-council.org](mailto:info@uc-council.org)

### 13.10.1 UPC Bar Code Specifications



- Assign a UPC number that is unique to each item
- Assign a separate UPC number for each color, size and package
- Print or securely affix a UPC bar code to each selling unit
- Comply with UCC size requirements:
  - 1.020" X 1.469"
  - Maximum reduction factor – 80%
  - Maximum expansion factor – 200%
  - Truncation no less than ½" high
  - Allot 0.25" blank space on both sides of the symbol to prevent the optical scanners from picking up stray markings
- Print the UPC bar code in black ink on a white background
- Ensure easy access to the bar code symbol by the optical scanner
- Place the bar code on the bottom, right-hand corner of the selling unit or packaging
- Include human-readable digits beneath the bar code symbol on all products
- Verify that the bar code scans properly prior to shipping.
- Submit notification of UPC changes to Fred's at least 60 days in advance
- Assign a new UPC bar code on new items or items that are changed.



## Vendor Compliance Reference Manual

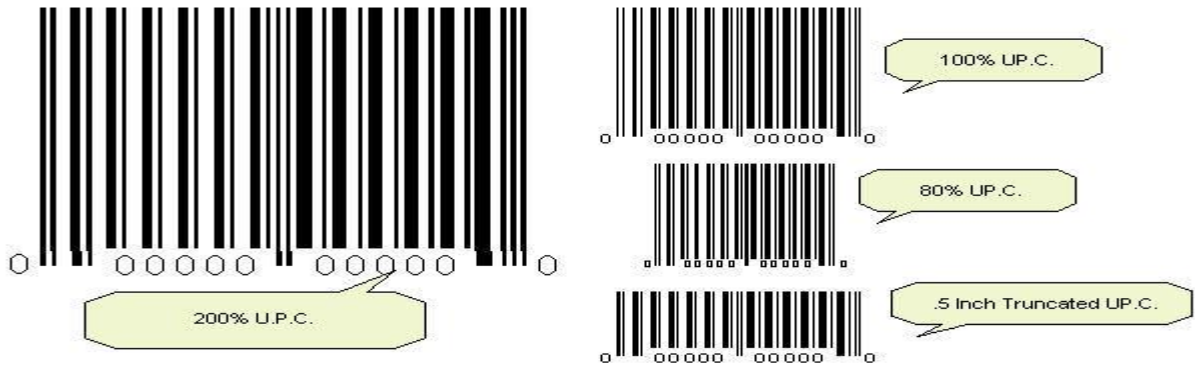
Distribution Centers

Nov. 2010

Rev: I

Pg. 36 of 38

- Do not recycle a bar code that has been used on a different current or discontinued item.





### **13.11 Appendix K: Bill of Lading (BOL) Data Requirements**

The Bill of Lading is an all-important part of rail and truck transportation arrangements. It serves as the basic contract of carriage between the shipper and all connecting carriers, as a receipt for the goods, and as indicia of ownership of the goods. The Bill of Lading is the basic transportation contract between the shipper-consignor and the carrier; its terms and condition bind the shipper and all connecting carriers. Additionally, the Bill of Lading is a necessary element of a claimant's prima facie case in a court action, although it does not necessarily prove the cargo's good condition at origin.

#### **13.11.1** The following data is required by USDOT to be included on the BOL:

- Supplier Name
- Supplier Address
- Consignee Name
- Consignee Address
- Special Instructions
- Freight Charge Type (Pre-Paid or Collect)
- Description of Articles, Packages, Markings, and/or Exceptions
- Weight
- Shipper Signature
- Time and Date Tendered
- carrier Name
- Driver Name and Signature
- Country of Origin for Imported Products (COOL)
- Quantity in cartons, weight in kgs and measurements in cbms or cbft.

#### **13.11.2** FRED'S also requires the following information to be located on the BOL:

- FRED'S Purchase Order Number
- Bill of Lading Number
- Container Number/Trailer Number
- Seal Number
- Qty Shipped per Item and Total
- Weight per Item and Total (Net Weight for Catch Weight Items)
- Carrier Obligation Responsibility-Freight Terms (FOB Buyer's Truck Shipper Load, Count and Seal)



## Vendor Compliance Reference Manual

Distribution Centers

Nov. 2010

Rev: I

Pg. 38 of 38

**13.11.3** Please logon to the Voluntary Interindustry Commerce Solutions (V.I.C.S.) website at <http://www.vics.org> to see a standard Bill of Lading form.

**13.11.4** For more information regarding Bill of Lading requirements can be found at <http://www.dot.gov> or by contacting FRED'S's National Inbound Transportation Center