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**Vendor Drop Ship Guide**



Hudson’s Bay Vendor Drop Ship Guide

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# Vendor Setup and Requirements

## Basic Requirements

The basic requirements are:

* Provide a daily inventory feed, updated at minimum each business day
* Receive orders multiple times a day
* Daily order processing, shipping and parcel pickup
* Ship orders within 2 business days
* A dedicated resource to monitor, fulfill, and troubleshoot orders
* Include a UPC without retail ticket on each drop ship product
* Plain unbranded box or polybag (supplied by vendor)
* Include a branded Hudson’s Bay packing slip with every customer order
* Vendor provided images and copy for drop ship products
* Provide handling fees, if applicable, in the invoice feed
* CommerceHub fees:

One-time set up fee: $1,750 to establish integrated interfaces **or** $750 to establish web-based/browser interface (includes system training)

Monthly recurring fees: $65 service fee and .50c per order

## Setup Overview

The vendor onboarding process can take between 4 to 6 weeks, depending on the vendor’s capabilities. It is imperative that vendor is responsive to CommerceHub and the HBC Drop Ship team in order to ensure onboarding process occurs. The process begins upon completion of the agreement between the merchant and vendor. The steps and estimated timings are below:

|  |  |
| --- | --- |
| **Step** | **Timing** |
| 1. **Buyer** and **Vendor** select products for VDS program
 | Pre-Req |
| 1. **CommerceHub** holds Briefing Call

*Vendors and CommerceHubTeam participates* | Week 0 |
| 1. **Buyer** sets up items on RFS for eComm and approves them in RFS extension for asset setup **and** sends list to VendorDropShipTeam using template.
 | Week 0 |
| 1. **Vendor** signs CommerceHub agreement (pre-requisite to start testing)
 | Week 1 |
| 1. **CommerceHub** sets up vendor in CommerceHub’s system (2 days)
 | Week 2  |
| 1. **CommerceHub and vendor** begin testing
 | Week 2 - 5 |
| 1. **Integrated Vendor** provides Branded Packing Slip to HBC, only if applicable, for approval
 | Week 3 - 4 |
| 1. **HBC** signs off on Packing Slip
 | Week 4 |
| 1. **Buyer** validates items set up is complete
 | Week 4 |
| 1. **CommerceHub** signs off on Testing
 | Week 5 |
| 1. **VDS Team** executes smoke test in Production
 | Week 6 |
| 1. **Vendor** turns on inventory
 | Week 6 |
| 1. **VDS Team** verifies inventory feed
 | Week 6 |
| 1. Launch
 |  |

# Data Requirements

## CommerceHub

Our drop ship program utilizes a third party, CommerceHub, to automate drop ship order processing and communication with its drop ship vendors. CommerceHub provides functionality such as transmission of order data, ability to generate packing slips and shipping labels, shipment confirmation and invoicing capabilities, and daily inventory.

## Electronic Communications

Hudson’s Bay prefers an integrated method of data transmission between the vendor and CommerceHub. Various transmission methods are available with CommerceHub ranging from EDI and other options noted below to browser-based access. CommerceHub’s browser interface can be used to view orders, generate the packing slips, confirm shipments, generate invoices on all orders, and update inventory.

|  |  |  |  |
| --- | --- | --- | --- |
| **Data** | **Direction** | **EDI Method** | **Timing**  |
| Order | From CommerceHub | 850 EDI Purchase Orders | Multiple times Daily from HBC to CH to vendors |
| Inventory | To CommerceHub  | 846 EDI Inventory | Minimum - Daily |
| Order Shipment Notification - Fulfillment and Cancellation | To CommerceHub | 856 EDI ASN  | 24/7 Daily with Shipments |
| Invoice | To CommerceHub | 810 EDI Invoice | 24/7 Daily |

CommerceHub can transmit files on any regular schedule as required by the vendor, and will retrieve files throughout the day on a periodic, batch basis. CommerceHub will transmit new orders to vendors as they are provided to CommerceHub from Hudson’s Bay.

EDI file transmissions can be transmitted via FTP or through private interconnect with a VAN. CommerceHub also offers AS2 and SFTP as well as delimited and XML file types, provided that there are no additional fees assessed to Hudson’s Bay or CommerceHub for such a connection.

# Orders

Vendor must be able to pull in orders multiple times daily.

## Incorrect Cost on Purchase Order

Vendor must invoice Hudson’s Bay based on the cost sent on the purchase orders. Purchase orders with incorrect cost must be communicated to our merchants and HBC Drop Ship team immediately for quick resolution.

# Inventory Management

## Safety Factor

Vendors are responsible to apply appropriate safety factors prior to sending their inventory feed. The safety factor is used to ensure vendor can fulfill every order against the available inventory communicated. This will minimize the likelihood of generating orders for out of stock items, resulting in order cancellations and a negative customer experience. The safety factor value should be dependent on the number of retailers sharing the inventory and the vendor’s historical metrics. HBC’s order management will reserve quantities against the inventory as an order is placed.

Inventory must be sent daily for accurate inventory positions. If the vendor cannot send inventory on weekends, the safety factor must take this into consideration.

Vendor must send a numeric value of 0 inventory units when the item is out of stock or no longer available for purchase.

## Segregated Inventory

Some vendors may choose to segregate inventory for our drop ship program. Hudson’s Bay’s preference is to have access to the vendor’s full inventory vs. segregated inventory. If vendor does segregate the inventory, no safety factor is needed. Vendor should have process in place to replenish segregated inventory on a regular basis.

## Closed Fulfillment Operations

Vendors that temporarily close their fulfillment operations for more than 3 business days must send the numeric value of “0” inventory units for all drop ship items two days prior to closing. This step insures that orders will not be taken during the closure and customers are not waiting excessive time for their shipments. Positive inventory should be sent the day the warehouse closure ends.

Vendor should also inform HBC Drop Ship team of upcoming closures at least 2 weeks in advance.

# Order Fulfillment / Shipping

## Product Quality Standards

* Product must be packaged sufficiently to prevent damage during shipping.
* All products must have a unique UPC which is either on a hang tag, shoe box, or packaged box.
* Pricing: Do not include the retail on the UPC ticket. Issues should be discussed with the drop ship team.
* Must meet agreed upon specifications outlined in this document.
* Items must be in saleable condition

## Order Fulfillment

Hudson’s Bay allows for multiple shipments per order with no back orders. Orders are to be shipped to customers within 2 business days and processed in vendor’s systems within same 2 business days.

## Shipment Notification

Vendor using EDI as the method of data transmission must send an EDI 856 Advance Ship Notice (ASN) the same day the order ships to close the order. The 856 must contain the carrier tracking information in the BOL field. The 856 must also contain the correct vendor ship method determined by Saks during the onboarding process. Vendors must maintain a 98% or higher rate of orders shipped with the correct shipment methods. Failure to comply will result in a chargeback.

Once the ASN is submitted, the customer is notified that the merchandise has shipped and provided with a tracking number. This triggers the customer sale, charging the customer for the shipment.

## Shipping Requirements

Vendor will be the shipper of record. It is the vendor’s responsibility to resolve problems and issues regarding shipping and deliveries.

Vendor must complete all shipments using the default shipment method determined by HBC. Failure to comply will result in a chargeback.

## Delayed Shipments

Vendor must maintain a 98% or higher rate of on-time delivery. If there is a delay in shipment, the vendor is responsible for notifying the HBC Drop Ship team and providing a reason for the delay. The HBC Drop Ship team will further evaluate the reason for delay.

Shipment lead times are measured as the business days (Monday - Friday) from when an order is imported to when the order is closed in Commercehub. Shipment lead times exclude pre-determined national holidays. An order should be closed in Commercehub on the same day the order is shipped.

Orders for any item not available due to a “no inventory” disposition must be cancelled if the order cannot be filled within the predetermined timeframe from the import date. Failure to comply with a 98% on-time delivery rate will result in a chargeback.

## Expected Fulfillment Rate

Vendor must maintain a 98% or higher fulfillment rate while participating in the Drop Ship program to maintain HBC’s expected service levels. This equates to a 2% or lower cancellation rate. If a vendor is unable to maintain the expected fulfillment rate, a chargeback will be applied. In addition, HBC will review the assortment and determine if items should be removed from the site.

## Cancelled Orders

Vendor must immediately notify Hudson’s Bay through Commercehub of any item that cannot be fulfilled. Commercehub will send an electronic communication to Hudson’s Bay and HBC will inform the customer.

Cancellations communications can be initiated one of two ways:

1. Cancellation information included in the EDI 856 fulfillment document
2. Manually update order in the Commercehub

High cancellations may result in removal from the Drop Ship program.

Invoices for merchandise which are shipped after the order has been cancelled will not be paid.

## Replacement of Lost Items

Hudson’s Bay incurs the costs involved for the replacement of lost items when you can provide proof of delivery. You must cooperate with Hudson’s Bay Drop Ship team by providing tracking information, assisting in researching and resolving carrier claims and recouping the claim dollars.

# Packing Requirements

## Box

Vendor must supply and ship merchandise in a plain corrugated box or poly bag. Box / bag should not contain vendor name or logo and should not have been used previously for shipping. Image of the box or poly bag must be sent to VendorDropShipTeam@hbc.com prior to implementation.

Product must be packaged sufficiently to prevent damage during shipping.

Merchandise prepackaged in a shipment ready box (home merchandise) does not require repackaging. The customer packing slip / customer invoice should be placed on the outside of the box.

## Customer Invoice

All shipments must have a Hudson’s Bay branded packing slip / customer Invoice enclosed.\* Vendors can either

1. Print the packing slip / customer invoice from their own system
2. Print the packing slip / customer invoice from CommerceHub

Vendor can choose to print the branded invoice from their own system using data sent from the purchase order. It must match the current Hudson’s Bay invoice and requires signoff by the HBC Drop Ship team. Images are in the appendix. Vendor must update the format if the Hudson’s Bay’s standard format changes. Hudson’s Bay will give vendor 60 days’ notice before change is required.

Vendors can also choose to use CommerceHub to print invoice in the pre-approved format. CommerceHub prints the contents and the form so blank paper stock can be used.

## Additional Packing Materials

Do not include any additional vendor-specific packing slips, invoices, collateral or marketing materials in the package. Product information, warranties, cooking instructions, etc. are acceptable. These packing requirements are mandatory and must be adhered to at all times.

## Return Address Label

The HBC branded packing slip includes a section with a return address label to allow for the customer to use to initiate a return to Hudson’s Bay.

## Shipping Label

Vendor must use the Hudson’s Bay Fulfillment Center return address to ensure that if a package is undeliverable, it will be processed as a regular return. The address and telephone number is:

Hudson’s Bay

100 Metropolitan Road

Scarborough, ON M1R 5A2

1-800-521-2364

# Invoice to Hudson’s Bay

Vendor must send EDI 810 Invoice or enter the invoice into the browser. Paper invoices will not be accepted.

The invoicing process is electronic and is triggered by the order fulfillment system through CommerceHub. Invoices will not be released to our Accounts Payable department for processing until the 856 shipment has been received with a tracking number and matches the invoices.

Vendor is required to submit taxes at the line-item level on the invoice.

Any mutually agreed handling fees must be included in the invoice, and handling fee taxes applied.

Please refer to the Accounts Payable contact section of our Vendor Standards Manual for payment information.

# Smoke Test Order

Once testing with CommerceHub has been completed, the drop ship team will work with the vendor to generate the smoke test order. This is the final step prior to the vendor loading their inventory in order to go live. Detailed instructions will be provided prior to the smoke test being executed.

This is an actual order that the vendor will pick, pack, ship and invoice from the CommerceHub live production environment; the smoke test is not processed in the CommerceHub test environment. The drop ship team requires three vendor documents reflecting the smoke test be emailed:

* Copy of packing slip
* Copy of the UPC hang tag/sticker located on product
* Copy of the shipping label, the return/sender’s address on the label should be that of the Hudson’s Bay DC address

The vendor will be instructed to physically ship the smoke test order after the drop ship team has reviewed and validated the documents.

After physical receipt of the smoke test order by HBC, an in-store return will be processed at which time the vendor will receive instructions on how to transmit or load their inventory to go live onsite.

# Returns

Vendors must accept returns. Hudson’s Bay will return resalable and damaged product returned by customers in-store and to our DC after the completion of an agreed upon period.

Conditions below are classified as vendor related issues/errors and must be accepted without a restocking fee.

* Merchandise contains manufacturer’s defects
* Wrong merchandise was shipped to customer
* Merchandise is damaged, due to improper packaging

## Customer Returns

All online customer returns are directed to the Hudson’s Bay Fulfillment Center. All in-store customer returns are accepted as per our return policy. Instructions are provided to each customer on their Hudson’s Bay packing slip as well as on Hudson’s Bay.com.

All customer exchange requests will be processed as two transactions – (1) a return processed in the Hudson’s Bay Fulfillment Center crediting the client, and (2) a new order is placed on behalf of the customer. The exchange order will be processed as a new order.

# Operational Contacts

Invoice payment questions: hbc.ap.helpdesk@hbc.com

# Terms

## Payment Terms

All existing payment terms shall apply for drop ship.

## Agreement Terms

All terms of the agreement between HBC and the vendor cannot be changed without a 60 day written notification to Hudson’s Bay.

## Additional Drop Ship Terms and Conditions

Drop ships are subject to the Master Merchandise Vendor Agreement (“MMVA”), and also the Electronic Data Interchange Third Party Agreement (“EDI-TPA”) between the vendor and Hudson’s Bay. If there is any conflict between either the MMVA or EDI-TPA and the terms set out within this Hudson’s Bay Vendor Drop Ship Guide with respect to drop shipping, the Hudson’s Bay Vendor Drop Ship Guide will prevail, to the extent of the conflict, and with respect to drop shipping only. Hudson’s Bay does not waive any of its rights or remedies under the MMVA or at law even if Hudson’s Bay has not asserted any or all of its rights and remedies.

The customer to whom merchandise is to be drop shipped is a customer of Hudson’s Bay.

Under no circumstances will Hudson’s Bay be liable to the vendor for any amount in excess of the purchase price set out in a purchase order. Hudson’s Bay will not be liable for any incidental, special, exemplary or consequential damages, whether based upon theories of contract, tort or otherwise, arising out of or relating to such purchase order.

# Item Selection

Vendor partners with HBC merchants to add initial styles to their drop ship assortment.

# On-going Maintenance (After Initial Go-live)

Vendor partners with merchants to add new styles or remove discontinued styles to their drop ship assortment. It is the vendor’s responsibility to maintain an updated assortment of active drop ship items.

# Appendix

## Technological Requirements When Using CommerceHub

Below is an outline of the basic technological requirements:

* Printer required for packing slips to print on 8 ½ X 11 standard paper

To access your orders via the CommerceHub website, a standard computer with internet access is required. Minimum requirements include:

* One of the following supported browsers:
* Internet Explorer (10.0 or higher)
* Mozilla Firefox (all versions)
* Google Chrome (all versions)
* Depending on how vendor will use CommerceHub OrderStream, may also want or need to install the following:
* Adobe Acrobat Reader (6.0 or higher)
* A spreadsheet application (such as Microsoft Excel)

## Sample Packing Slip Image (full image should fit 8 ½ X 11 page)

