

SOS Best Practices and Definitions

Topic: Operation schedule for processing orders

Finding: Vendors are operating on similar schedules at shipping facilities. Our findings show key hours of operation are Monday through Friday. Depending on the order volume, facilities may operate on Saturdays. Currently some vendors are working Saturdays to keep up with demand but do not report these published times as regular work hours.

Impact: Depending on order volume and peak selling times for vendors working Monday through Friday may be an issue when utilizing this schedule. If peak selling time for vendors is over the weekend, orders may not ship from facility until Tuesday or Wednesday depending on volume, resulting in a potential lead-time issue.

Vendor Review: Based on our findings, vendors should review current operation schedule for ship-from facilities. Focus on peak selling time and ensure enough staffing is in place to support order volume.

Topic: Holiday schedules

Finding: Facilities shut down for all major holidays. Vendors have detailed plans in place to ensure days off do not impact SOS orders. Our findings show most vendors only take one day for holidays (Thanksgiving & Christmas will vary by vendor).

Impact: If vendors do not have a plan of action in place to accommodate the days off, this could potentially cause a delay in vendor lead-time due to the scheduled time off.

Vendor Review: Examine current holidays scheduled for the calendar year, and determine if plans are in place to support order volume when facility reopens.

Topic: Increasing staff for peak order times

Finding: Some facilities utilize temp workers during peak selling seasons. Also, Saturday work days may be implemented temporarily to support large order volumes. Our findings show all vendors have plans in place to ensure staffing is available for peak order times.

Impact: If vendors do not have a plan of action in place to accommodate increased volume during peak selling time, this could potentially cause a delay in vendor lead-time due to increased order volume.

Vendor Review: Vendors will need to determine peak selling times for individual business. During peak time, vendors need to strategically place enough staff to support the larger order volumes.

Topic: How often does vendor pull EDI orders

Finding: All vendors participating in this study are EDI compliant and check systems two to three times a day.

Impact: If orders are not reviewed periodically, vendors will potentially lose transit time for SOS products. Vendors should ship product as soon as possible to allow more transit time for the product.

Vendor Review: Facilities should make sure EDI orders several times throughout the day.

Topic: Percentage of orders shipped via parcel carrier vs. US Postal Service

Finding: Our findings show almost all vendors are utilizing parcel carriers. Vendors are utilizing FedEx and UPS as parcel carriers.

Impact: Some providers provide quicker service in certain areas across the country. For example, FedEx can ship quicker to some parts of California vs. UPS when reviewing transit maps published by UPS and FedEx. When discussing this information during the vendor meetings, most vendors did not know this key piece of information.

Vendor Review: Both Fed-Ex and UPS are good companies that ship product on-time. Depending on ship to areas across the US, these carriers can provide quicker service to customers. Vendors should review order ship to locations and determine which shipping company can provide faster service in certain areas.

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Topic: Percentage of orders shipped direct to customer

Finding: Out of the eleven vendors participating, our team found only three vendors ship direct to customer. Of the vendors that do not ship product direct to customer, another three vendors have the potential to ship direct to customer. In an effort to provide the best experience possible to our customers, Lowe's is driving an initiative to improve the on-time delivery of Special Orders.

Impact: The impact of late deliveries is significant, resulting in Lowe's largest area of customer complaints related to Special Order Sales. Not only do late deliveries provide a poor customer experience, but also impacts our bottom line (Lowe's and our vendors') when Lowe's takes steps to resolve the customers' dissatisfaction.

Delivering directly to the customer provides quicker receipt of the product, reduces labor, reduces risk of damaged product from multiple handling and storage, and provides an overall positive experience for the customer.

Vendor Review: To help in this initiative, we are asking vendors to review your product data and ensure that all models that can be shipped direct to the customer via parcel carrier UPS, FedEx, USPS or similar alternative are flagged appropriately.

Topic: Percentage of SOS offerings stocked in vendor facilities

Finding: All vendors that participated in this study advised SOS product is stocked at facilities. Some SOS orders may require vendors to customize product at facility to complete the order, but all parts are stock at facility

Impact: If vendors do not forecast correctly, lead times may be extended due to out of stocks.

Vendor Review: Forecasting product is key to on-time performance. Product out of stocks for SOS will cause an increase in lead-times. Vendors should review sales periodically to ensure out of stocks on top selling items does not happen.

Topic: Calculate the order ship-date

Finding: Our findings show vendors calculate transit time first, then will back into the pick, pack and process time. Vendors with one ship from facility have to be aware of where the product is going and adjust transit time accordingly.

Impact: If vendors do not have a detailed plan that allows enough time for transit, and processing product will not meet published vendor lead-times. All vendors with one ship from facility advised shipping product from coast to coast is challenging.

Vendor Review: All vendors should make sure enough time has been calculated in the order ship date for facilities to pick and pack product as well as, transit time for the product to arrive at the customers home or Lowe's store.

Topic: Calculation of Lowe's published Lead-Times

Finding: Vendors worked with Merchandising to determine published lead-times. Lead-times include production time (if needed), processing and transit time. Some merchandising/vendor teams have this executed correctly with minimal on-time performance issues, while others need to review published lead-times.

Impact: In many cases, if vendors and merchandising review lead-time calculations improvements can be made by simply understanding how the Lowe's selling systems interpret lead time data. By understanding the process used to communicate delivery expectations to our customers, our vendor partners in conjunction with Lowe's Merchandising teams will be able to provide data that can be translated into a realistic lead time we can reliably communicate to our customers.

Vendor Review: Vendors should review current processes and procedures to ensure facilities are shipping orders out of facility as quick as possible. Review current pick-up times for UPS and Fed-Ex. Review volume of orders leaving facility—does volume warrant two scheduled pick-up times for UPS or Fed-Ex.

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Topic: Helpful changes to current processes and procedures implemented to enhance current business performance

Finding: Vendors are doing various changes to current processes and procedures to provide a better customer experience. Some vendors have reviewed current IT setup to better service orders being received. Also, vendors have selected home delivery as an option for customers (Direct Delivery), and instead of shipping store direct, product is shipped cross dock through Lowe's RDC Network. **Please note:** Cross dock through Lowe's RDC Network will increase lead-time by a couple of days. Some vendors have added a second shift at ship point locations to assist with increased product volume. Forecasting is reviewed periodically to ensure minimal out of stocks.

Impact: Vendors need to continuously review current processes and procedures to ensure facility stays up-to-date on ways to improve on-time performance. If vendors cross dock product through Lowe's RDC Network, ensure lead-time reflects additional days.

Vendor Review: By reviewing processes and procedures on a regular basis, this will allow vendors to enhance current business performance. Vendors need to review all areas within their organization to make certain all areas supporting product flow from the facility to customers is up-to-date with current processes and procedures.

Topic: Obstacles for shipping on-time

Finding: Vendors indicated several obstacles with shipping on-time to customers. One obstacle for not shipping on time is a store employee might be misquoting lead-times on manual orders. Vendors advised educating store employees at store level would be helpful. Also, vendors indicated forecasting correctly for numerous items can be a challenge. Sometimes there are issues with orders arriving at Lowe's stores during the allotted published lead-time, but the order was not received until the following day due to the receiving department processing next day. Most cases next day processing takes place with items sent through Lowe's RDC Network or United States Postal Service.

Impact: Improvements can be made by simply understanding how the Lowe's selling systems interpret lead time data you provide for your products. By understanding the process used to communicate delivery expectations to our customers, our vendor partners will be able to provide data that can be translated into a realistic lead time we can reliably communicate to our customers.

Vendor Review: All Lowe's vendors will be reviewing and possibly updating their SOS e-cat lead time data as necessary. By making updates to the lead time data it will allow us together to improve the experience and satisfaction of our SOS customers.

Definitions:

- **Lead-Time**-The amount of time expressed in days from when an order is received at shipping destination until the goods are received at a Lowe's store or customers home.
- **LTL (Less Than Truck Load)**-Any shipment weighing less than 18,000 pounds and occupying 20 linear feet (or less) of trailer space.
- **Parcel**- Items smaller than 70 pounds being shipping USPS, UPS or FedEx, with a package size being less than 130 inches.
- **EDI (Electronic Data Interchange)** -Electronic Data Interchange (EDI) is a standardized electronic format used for sending and receiving business transactions using computer technology.
- **Cycle Time**- is the total time from beginning to the end of your process, as defined by you and Lowe's. Cycle time includes process time, during which a unit is acted upon to bring it closer to an output, and delay time, during which a unit of work is spent waiting to take the next action. Cycle Time is the total elapsed time to move a unit of work from the beginning to the end of a physical process. (Note, Cycle Time is not the same as Lead Time).