

# **Gift Transaction Best Practices**

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**Christian Retail Solutions Committee  
For Christian Retail Channel Standards & Best Practices**

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# Introduction

As part of the industry's focus on improving how Christian retailers and their suppliers work together, the Christian Retail Solutions Committee in 2004 commissioned landmark research to assess current processes and recommend improvements. Called the Back Room Study, the research followed a number of industry initiatives, including a strategic summit where five critical industry issues were prioritized. The issues included improving operational efficiencies and financial performance, and increasing traffic and sales. A supply chain summit in Chicago led to the formation of a working group to address operational and supply-chain concerns, which eventually led to the research, published in 2005.

The Back Room Study discovered areas needing improvement, which if fully addressed could provide more than \$18 million in industry-wide operational benefits. Improvements identified included improving and automating inventory control, automating entry of new-product information into retailer POS systems, decreasing gift-product

order discrepancies by 50%, and decreasing overall order discrepancy rates by 50%.

The research involved visiting nine stores in three sales classifications: low sales volume of less than \$650,000 in annual sales, medium sales volume of \$650,000 to \$2 million, and high-volume stores with more than \$2 million in sales.

The study confirmed that receiving gift-orders is very time consuming for retailers, compared to books and music receiving. The research discovered a number of areas that could be improved to help reduce processing time and costs.

This document aims to present best practices that would significantly reduce the time and complexity of receiving gift orders. A team of retailers and suppliers came together to identify and develop these best practices based on their personal experience in stores. Retailer representatives included a major chain retailer and four independent retailers. Four major gift suppliers contributed to the production of this document.

# The "Perfect Order"

The Supply Chain Council—a national supply-chain-management professional association—identifies components of most-efficient transactions by defining the perfect order and identifying when one has been achieved. The Council measures fulfillment performance using these metrics:

1. The correct product
2. To the correct place
3. At the correct time
4. To the correct customer
5. In the correct condition
6. In the correct package
7. In the correct quantity
8. With the correct documentation
9. With a correct invoice.

The best practices in this document focus on the eighth and ninth elements: correct documentation and invoice. Retailers say improving procedures in these two areas could significantly improve product receiving and shelving at the store, plus help them be more competitive in the marketplace.

Although the Christian Retail Solutions Committee and CBA cannot mandate compliance with these recommended best practices, suppliers' customers have identified them as the best way to improve operational efficiency, reduce costs, and increase sales—benefits for all trading partners.

These practices should be a guide for technology, data, and merchandising development, upgrades, reprints, new designs, etc.

## Lackluster Performance

The Back Room Study found that compared to ABA stores, CBA stores have similar costs and comparable ratios between cost of goods sold and sales revenue (59.6% COGS in high-profit ABA stores compared to 60.8% COGS in high-profit CBA stores). However, CBA sales per square foot are much lower (\$405 ABA, \$167 CBA) as are inventory turns (3.37 ABA, 2.7 CBA). These statistics indicate CBA retailers must improve space and inventory utilization to increase sales and profitability, according to the study.

*"The data presents a clear indication that CBA retailers need to improve utilization of current space and inventory holdings to increase sales and profitability in order to remain competitive and viable."*

— Doug Popken  
Systems View  
Author, CBA Back Room Study

Nearly 25% of all gift shipments have a receiving issue, the study revealed.

# Benefits

## To Retailers:

A consistent, systematic transaction process means spending less time and money to order and receive shipments. Here are specific benefits:

**Save time and money:** The Back Room Study found stores with small sales volumes spend more than \$36 per purchase order, medium-volume stores more than \$45, and large stores nearly \$60 per order. These costs are for actual process activities and don't include fixed costs, idle-time, or other related expense, such as correcting errors, reconciling and paying invoices, etc.

Small stores order gifts about 20 times per year, while medium-volume stores order more than 50 times and large stores nearly 160 times annually. Gift-ordering alone can run \$6,400 to nearly \$10,000 at larger stores, and the total ordering process for all products can cost from about \$19,800 to more than \$24,300.

The statistics indicate it takes more than an hour on average to receive gift products. But some large gift orders can take retailers several days to complete.

**Better Deploy Store Personnel:** The complexity of current gift receiving requires retailers to keep most experienced and capable personnel in the back room instead of on the floor engaging and serving customers. Streamlining operational processes means retailers can deploy best people on the sales floor (often the owner/manager).

**Expedite merchandise shelving:** Efficient receiving means product is processed and shelved more quickly, reducing out-of-stock rates on fast-moving product and increasing sales.

**Reduce administration, reconciliation, and error-correction time:** Using common industry processes and complying with best practices means retailer and supplier administrative time to process and settle orders is faster and more accurate. Again, this frees time for customer service and sales.

**Move expenses to the bottom line:** Reducing operational costs means increased bottom-line profitability that supports a financially healthy Christian Retail Channel

**Automate transactions:** These gift-transaction best practices lay the groundwork to enable automated ordering, receiving, and reconciliation and payment. Having common underlying processes and systems means technology tools, such as EDI e-commerce and automated receiving, can be more effectively applied to speed processing, increase order and receiving accuracy, and reduce costs

**Improve cash flow:** Complying with these best practices will mean quicker cycle times from initial order to the time product is actually on the shelf. That contributes to better in-stock performance, inventory turns, sales, and profitability.

# Benefits

## To Suppliers:

For suppliers, a consistent, systematic transaction process can result in these outcomes:

**Be a preferred supplier:** Increasingly, retailers want to do business with suppliers who understand retail and the problems retailers face. When operational relationships are effective and efficient, retailers prefer to do business with suppliers who can achieve that. For example, more retailers are refusing to do business with suppliers who don't use Universal Product Codes because these codes are crucial to inventory management and optimization, sales analysis, merchandising strategy, and other retail disciplines.

**Enable collaborative trading practices:** Common transaction and data systems create new ways to do business that benefit both trading partners operationally and economically. They help establish foundational systems that create more visibility into customer trends and replenishment demand. Suppliers can work more closely with retailers in such operational areas as assisted or shared inventory management and in collaborative merchandising initiatives.

**Maximize sell-through:** Standardized processes maximize sell through, optimize promotional opportunities, enable tactical technological solutions, and improve profitability.

**Increase sales:** When retailers and suppliers don't have to spend a lot of time on the mechanics of ordering, receiving, and paying for products, suppliers may see improved performance on top-selling items. Retailer gift-inventory can result in better retailer cash flow, return on inventory investment, higher in-stock rates, and repeat sales on popular products. That translates into quicker payment cycles and increased sales for suppliers.

**Improve customer service:** When they use standards and best practices retailer-customers desire, suppliers will see benefits from improved customer-service in the form of less operating costs and better customer relationships. When you help your retailer customers provide better customer service, that can mean increased sales and broader product assortments in stores.

**Simplify globally:** The Christian Retail Channel is adopting broader general-retailing standards where appropriate and practical. That means suppliers who adapt internal business processes to industry best practices will find it easier to adapt to national standards used by nearly all retailer customers in multiple retail segments. That means a broad network of customers able to buy and sell your products.

# The Best Practices

These recommended best practices are the result of retailer and supplier participation and direct in-store experience ordering and receiving gift products. The Back Room Study confirmed that gift products have the highest discrepancy rates of all product categories coming into Christian stores—nearly 25% of all gift shipments have a “receiving issue,” according to the study. Meaning retailers must take some additional action to receive gift products because of errors and inconsistencies ranging from quantity, coding, matching, and other error or process interventions. These best practices aim to significantly reduce the high rate of gift-receiving issues.

*Nearly 25% of all gift shipments have a 'receiving issue' that delays the process*  
—CBA Back Room Study

## Ordering

The starting point of any transaction, the order establishes the foundation (even personality) for the entire transaction. These recommendations will facilitate efficient ordering and receiving, plus provide tools for key retail-management disciplines, such as inventory analysis and replenishment.

### Suppliers should:

- 1. Use and print UPCs, any supplier codes, and bar codes in product catalogs**
  - This helps retailers prepare for supplier-rep sales calls and build preliminary orders in POS systems to expedite purchasing decisions and actual ordering
  - Having all related codes in advance sets the stage for quick order processing and reconciliation later
- 2. Ensure retailers have catalogs prior to sales rep visits**
  - This speeds up the sales process for both the rep and the retailer
- 3. For any consistent product-packaging configuration, assign a UPC that reflects that configuration**
  - A standard carton or case of four units, for example, should have its own UPC so POS and database providers can automate product quantity updates in POS systems based on the product code
  - This also would avoid problems where a retailer may want to order 16 units but the supplier sees the order as 16 packages of four each. So instead of receiving 16 units, the retailer receives 64, or vice versa, may want 64 units but only receives 16.
- 4. Show any special retailer code from original purchase order on receiving and invoicing documents**
- 5. Code wholesale pricing in catalogs so they can be used with consumers**
  - This enables retailers to use catalogs for consumer browsing and special orders

**6. Ensure product coding and numbering is consistent in all supplier media and transaction-related documents**

- Inconsistent product identification creates confusion and wasted time in ordering, receiving, customer service, and reconciliation.
- Suppliers should ensure product coding for each item is uniform in catalogs, order sheets, ordering systems, packing slips, and invoices. Often, UPCs identify products in catalogs, but stock numbers are listed on packing slips and invoices, making it difficult to reconcile orders, shipments, and invoices. It also expedites re-ordering fast-selling items to maintain stock.

**7. Accept orders using UPCs**

- UPCs are crucial to ensure correct products are ordered, the most-efficient ordering and receiving, and optimal inventory management

**Retailers should:**

**1. Include UPC or supplier product codes on purchase orders**

- Using UPCs on the initial purchase order makes it easier to compare and reconcile orders in receiving and invoice-payment processes, ideally through electronic processes that reduce administrative time

**Product Labeling**

Seemingly unimportant in the grand scheme of things, product labeling could have significant impacts not only on receiving, but also the entire transaction process. For some gift companies, products are stuffed into a carton with no identifying markings. That means retailers have to unpack individual items and manually crosscheck against purchase orders, and manually enter information into POS systems, then shelve product. It's a long, arduous process often fraught with errors.

Best practice recommendations for gift suppliers include:

**1. Each item—and its package or box—should be labeled with a UPC bar code**

- This expedites the receiving process
- Individual labeling helps match original boxes in the back room to product on display when it's purchased
- Other supplier codes may be included on items, but the UPC should be on all products
- Supplier-specific codes should not obstruct UPC visibility or scanning
- Item pictures on boxes helps match boxes to products when product labels may have been removed.

**2. Retailers and suppliers must arrange labeling expectations and responsibilities**

- Trading partners need to identify best options in this area based on broad-scale need and use, and work to improve labeling through continuous-improvement processes.

## Shipping and Receiving

### Shipment Labeling

- **Carton and pallet labeling should follow ANSI/UCC-128 standards.**
  - These standards are available at [www.Christiansupplychain.org](http://www.Christiansupplychain.org).

### Packing Slip

The packing slip is a key document to speed receiving and order reconciliation. It should reflect supplier invoices or other documents relating to a retailer purchase order

- 1. A packing slip must be included in each shipment, either:**
  - In clear sealed package on outside of carton, or
  - Placed on top of package/carton contents inside shipping carton so it is immediately accessible
- 2. If the packing list is an invoice or the invoice is the packing list, the invoice must follow invoice best practices (listed below)**
- 3. UPC codes must accompany each product on the slip**
- 4. Products on the packing slip should be listed as they are in the invoice—meaning same product description, same coding, and in same order sequence.**
- 5. The packing slip should indicate the unit (each) counts in any package.**

### Invoice

The invoice should summarize the entire order and be consistent with previous ordering and shipping documents.

- 1. Supplier invoices should include:**
  - UPCs from original retailer purchase order
  - If an item is a package, it should indicate how many units are in the package. The units of measure also should be included on packing slips and invoices. When the unit of measure isn't clear, retailers may over or under order. For example, a retailer may want to order 16 units but the supplier sees the order as 16 packages of four. So instead of receiving 16 units, the retailer receives 64.
  - Any special retailer code from original purchase order
  - Other supplier codes as needed
  - Billing and dating terms
  - Product listing in same order as packing slip
  - Correct pricing

## **Data Exchange and POS Updating**

### **New Gift Data Standard**

New-product information continues to be a challenge for many retailers because of multiple data services and sources and no common standards for data exchange. This results in problems entering information into retailer POS systems, getting new-product information in a timely manner, and planning gift merchandising. Large retailers can spend more than \$7,000 annually just manually inputting new-product data into the POS, according to the Back Room Study.

As a result, Family Christian Stores designed a format that all suppliers can use to send new-product information to retailers and industry database providers. The company has presented the data standard to all its vendors, and requires them to submit new-product information this way, using Excel spreadsheet files. The format includes information important to retailers to process product information, a list of data fields for suppliers to populate with information, and the sequence in which the information needs to be presented.

Independent retailers involved in the production of this document agree that this standard structure will benefit both chain and independent retailers. They also observe that chain and independent retailers have common issues and problems that can be effectively addressed through common solutions, such as how data is presented, among others.

The Christian Retail Solutions Committee has endorsed the data structure, included in this document's appendix. Having a common way to submit data lays the foundation for future improvements in other Christian Retail Channel data-management initiatives that could benefit all trading partners and retail-support companies.

Once the supplier community broadly adapts to the standard, it will enhance electronic exchange of new-product data, increase information accuracy, and eventually automate and expedite POS updating.

### **Data Business Processes**

As part of the move toward a common data structure, suppliers should adapt new-product information to the data structure. Having this foundational capability will affect other business processes for all companies operating in the Christian Retail Channel. Retailers have identified key areas where this can have immediate impact:

1. **Provide an import file for retail POS systems using Excel spreadsheets**
  - Supplier sales reps should provide retailers a list of items from a written order for input into the POS system following the data-structure standard—not the entire product catalog
2. **Identify and properly code package configurations**
  - Retailers need to know product-package, inner-pack, and each-pack configurations to better plan merchandising and buying, ensure accurate

inventory counts, and provide effective customer service. That means suppliers should continue to identify these configurations and properly assign UPCs so ordering and inventory counts are correct.

**3. Use Gift Product Christian Product Category codes**

- Suppliers should identify and code gift and specialty products using industry standard Christian Product Category codes. Retailers use these codes to better merchandise product and search for product in industry databases. (Trade book products use the BISAC category codes, which include revised Christian Product Category codes.)

**4. Submit new-product information to industry database providers**

- *Christian Books & More* and Spring Arbor Distributors provide new gift-product information for POS systems, product searches, etc.
- Submit data using the standard structure included here.

**Nomenclature**

The following chart outlines standard Bible abbreviations retailers would like to see used in new-product data submission. These abbreviations are most common and accepted, and are based on previous Spring Arbor Distributors practices in effect for a number of years.

Because of complexity and the need for broad industry acceptance, other data style standards will be addressed separately. These standards will play a crucial role as the industry progresses to more advanced data-exchange capabilities. These capabilities may include data registries, retailer-mandated database submissions, and other possible initiatives that streamline operations between Christian retailers and their suppliers to increase efficiencies, reduce costs, and increase sales.

## Bible Abbreviation Standard

TRANS		TITLE	STYLE	SPEC	BINDING	COLOR
AMP	Amplified	STUDY	COMP	FLAP	SC	BUR=Burgundy
ASV	American Standard	Etc.	GP	SNAP	HC	BLK=Black
CEV	Cont. English		HANDI	STRAP	IL	BLU=Blue
DOU	Douay-Rheims		LP	ZIP	BND	BRN=Brown
ESV	English Standard		NT		LTHR	CRE=Cream
GDW	God's Word		NT & PS		MOROCCO	DR=Dusty Rose*
GEN	Geneva		NT-PS&PR			GRN=Forest Green
HCS	Holman Standard		PKT			GRY=Gray
KJV	King James		PS(Pers Sz)			IV=Ivory*
LVB	Living Bible		REF			LBL=Light Blue*
NAB	New American					LV=Lavender*
NAS	New American Stnd.					MV=Mauve*
NASU	NAS Updated					ML=Mulberry*
NCV	New Century					PNK=Pink
NIRV	New Intl. Reader					PUR=Purple
NIV	New International					PL=Plum*
NKJV	New King James					RED=Red
NLT	New Living					RP=Royal Purple*
NRSV	New Revised Stnd.					RSP=Raspberry*
SPAN	Spanish					SGN=Sea Green*
TEV	Today's English					SIL=Silver
						TAN=Tan
						TL=Teal*
						TP=Taupe*
						TR=Tea Rose*
						VI=Violet*
						WHI=White
						YEL=Yellow
						Other=ZZZ

\* These colors and abbreviations are specific to Family Christian Stores and are not on the ONIX standard list. The other colors and abbreviations are part of the international ONIX standard.

\*\* For a complete list of Bible translation codes see "ONIX Books Code Lists" downloadable from [www.bisg.org/onix/onix\\_downloads.html](http://www.bisg.org/onix/onix_downloads.html).

## Conclusion

This document outlines important processes that can create "win-win" situations for Christian retailers and their suppliers. Christian-retail receiving has not changed much in recent years, despite greater competitive challenges that require increased retailer efficiency, productivity, and cost reduction. Complying with these best practices will set the stage for greater operational and business-process improvements now and in the future. That will mean Christian retailers will be able to do more with less, improve profitability, and provide valuable services and support to the church, individuals, and those seeking to know Jesus Christ more.

# Appendix

