Business Models for the Fashion Sector
Translation of the business models developed by GS1 Germany
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Introduction

GS1 Germany has described the business processes of the German fashion industry along with the German fashion industry. This is done from the initiative Connecting Fashion Business (CFB).

Companies that have been affiliated with the CFB initiative include:

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The Fashion Business Council of GS1 Netherlands wants to have international links with other fashion companies as much as possible. Therefore GS1 Netherlands investigates the applicability of the developed solutions by GS1 Germany for the fashion industry. This document describing the business processes serves as a base.

At present members of the Fashion Business Council are:

- **De Bijenkorf**, Pieter Riley
- **Diesel**, Rien Heijting
- **Dobotex**, Peter van Oosterbeek
- **Etam Groep**, Ferry den Hoed
- **Euretco**, Jeroen Koppenaal
- **Inretail**, Jan Dirk van der Zee
- **Just Brands**, Arjan van der Heijden
- **L. ten Cate B.V.**, Jan van Nijendaal
- **Micro Fashion**, Harry van der Zee
- **Modint**, Patric Hanselman
- **Smit Mode**, Sijbrand Smit
- **Triumph**, Juan Breuer
- **V&D**, Nico Wartenbergh
- **Wild Store**, Arjan de Wildt

Read:
To avoid ambiguities: when numbering the pages and the illustrations, the chapter is put in front of the illustration in brackets. Example: Page (1) 4: Page 4 in Chapter 1; Illustration (3) 9: Illustration 9 in Chapter 3.
1 Floor-management

1.1 Definition of terms

Business model
Business models in the fashion retail industry take different forms. They can range from complete stock risk for the retailer and the retailer is carrying out all process steps, deploying retailer specific transport means (e.g. pallets, boxes) and other investment goods (such as cash registers and other IT-equipment). On the other hand, the supplier could also take over all of these functions, investments and risks or only to some extent.

Stock risk
The main stock risk in the fashion industry – besides theft and accounting errors – lies with the product becoming obsolete in terms of style. This leads to a reduction in value of these articles, so that they still can be sold at reduced prices. Less Profit is the direct consequence.

The more complete the stock is regarding size and / or colour, the better it can be sold. To reduce stock risk, one can either selectively reorder certain sizes / colours, or exchange the goods between different floors, so that almost complete product ranges are created on particular floors. Floors, which have been deprived of product range, can berestocked.

The risk of loss of goods as a sub-item to stock risk, summarizes the risks of inventory differences, theft, Act of God (fire, storm, water etc.) and other problems (goods which are not available on a short term basis).

Assortment
In a Floor-Management system an assortment needs to be determined. Determination of the assortment defines the goods available, regarding class of goods, cuts, colour and size.

Width of the Assortment
Describes the variety of offered class of goods.

Depth of the Assortment
Determines the available choice within certain classes of goods regarding: model, quality, price range, size.¹

Return of goods
Return of goods to supplier.

Exchange of goods
Return of goods by the consumer to the shop in exchange for money or goods of equivalent value to the retailer.

Handling Unit
The term “Handling Unit” describes a quantity of garments, which for instance is sent on hangers. During the loading process, these items are bundled by hand, packed (sack / bag) and marked with a SSCC (Serial Shipping Container Code).

¹ See: German BBE Retail experts, www.handelswissen.de
1.2 Efficient Consumer Response (ECR) as a forward-looking Strategy

The aim of ECR is to optimize the traditionally uncoordinated flow of information and goods between manufacturers or rather supplier and retailer. Using ECR one tries to organize the logistic processes (ECR’s supply side) and the marketing (ECR’s demand side) more efficiently to focus all of these activities more efficiently on the needs of the consumer.

The ECR-Concept can be subdivided into several basic strategies, which are independent concepts themselves. An overall ECR-Approach is achieved by following the different basic strategies simultaneously.

The principal aims of ECR are to maximize consumer satisfaction and to minimize costs at all stages of the value chain. This is realised by an efficient flow of information, as well as the automation of internal and supply chain business processes. Within the ECR-Recommendation, special attention is paid to the specific requirements of the fashion industry. One focus lies on availability of stock on the sales floor – essential condition for selling goods to the consumer.

1.3 Business model and its variants

To efficiently explain the term “Floor-Management” one needs to define the term “floor”:

- **Floor**
  “Floor” describes all sales areas in a store / retail store which are defined according to the particular business model and upon which turnover should be generated. The term might include furniture for product presentation as well as adjoining sales area in the same store, as far as this sales area is part of the same stock management.

- **Location Number per Floor**
  To make the Floor-Management-system efficient, each floor (e.g. the main department and shop-in-shop) is identified with its own GLN (Global Location Number) to enable unambiguous control and administration with the help of electronic data interchange (EDI).

Besides the determination of the “floor”, one has to decide whether it is the retailer or the supplier who provides the sales furniture, so that either the uniformity of sales in one house or a consistent representation of the brand with its own furniture is created. The capacity of furniture must be known and it should remain constant for the period of management, because it constitutes the basis for planning width and depth of the assortment.

Each business relationship is based upon a contractual arrangement, which defines the relevant parameters, the expected activities, the particular responsibility and the charging method and charging intervals. Use of EDP and EDI (Electronic Data Interchange) is essential. To which extend EDI messages are implemented, has to be defined individually and is based mainly upon the number of business transactions.

**Core elements of floor-management contracts**

1. Definition of the floor, which is to be managed with a particular business model.
2. Determination of the assortment which should be offered
3. Agreement upon which business partner has sovereignty over the product range and price and over which processes.
4. Who takes the risk of loss of goods and the stock risk. In this context it has to be determined, how the change from the current to the future business model should be arranged (treatment of old stock, e.g. reselling or rebuying the stock).
5 Arrangements upon which partner accomplishes goods handling on the sales floor.
6 Who is responsible and executes the cashing up process (check out).
7 Which logistical processing is chosen (including transfer of risks).
8 At which point in the flow of goods the transfer of property takes place.
9 Clarification of the tasks, which have to be accomplished by the staff on the sales floor as well as managerial responsibility and salaries for the staff.
10 Adjustment of the technological demands to ERP systems, EDI etc. as well as connected processes, which are relevant for accounting processes and conditions (allowances and charges).
11 Joint definition upon rules for inventory and handling of stock discrepancies. The partners adjust the rules with their auditors before starting a new business model.

These core elements consist of different sub-items, which will be explained hereafter, to get to standardized processes especially in connection with EDI (Electronic Data Interchange).

Depending on the business model, responsibilities are proposed as to facilitate contractual arrangements. These propositions are not binding as not to interfere with the entrepreneurial decision-making freedom.

For an easier understanding of these recommendations, five varying base types of business models have been defined which differentiate in some main aspects. Definition of details is part of the particular business partner’s contracts.

The mentioned business models are:

1 **order to cash**
The classical business model for the supply chain management is defined in this context “order to cash”. The retailer is responsible for the definition of the assortment and can also independently determine the kind of goods up to its variants. He orders goods from the supplier who sends them to him. Transfer of ownership (where necessary including reservation of property rights) takes place at time of delivery. At the same time, or rather after receiving the proof of delivery, the invoice is generated, payment is made due to the particular payment target. Sales floor arrangement is subjected entirely to the retailer who also carries the risk of loss of goods and the stock risk on his own. The table in index 1 is accordingly subdivided.

2 **Consignment**
Here, the supplier provides the goods physically. However, the supplier retains ownership up to determined events. Two kinds of consignment can be differentiated:
- store level: Goods become the retailer’s property in the logical second before the sale – and therefore at the logical second before the goods are registered at the retailer’s cash register. The goods are practically just in the retailer’s ownership in an administrative way.
- distribution center level: Goods are delivered to a central- / regional warehouse which is administrated by the retailer. Goods remain in the supplier’s ownership until the retailer takes them.

3 **Commission**
Sold goods directly become property of the consumer after having been property of the supplier. Activities and responsibilities for the stock of goods on the floor are incumbent upon the supplier.

4 **Concessions**
The retailer rents his sales floors to the supplier, who uses the floor to sells goods (potentially with his own staff) for own account. The supplier is also responsible for
stock control. Where required, he uses the retailer’s inventory devices and systems. Sold goods directly become consumer’s property after having been the supplier’s property.

### 1.4 Index

**Overview Parameters of Floor-management**

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**Stock risk**

| Handling of Goods Sales Floor                   |                         |                      |            |             |
| Write Offs                                      |                         |                      |            |             |
| War party?                                      |                         |                      |            |             |

**Stock risk**

| Distribution Center                             |                         |                      |            |             |
|                                                |                         |                      |            |             |
|                                                |                         |                      |            |             |

**Inventory logistics**

| Distribution Center                             |                         |                      |            |             |
|                                                |                         |                      |            |             |
|                                                |                         |                      |            |             |

**Transfer of Property**

| At moment of delivery                            |                         |                      |            |             |
|                                                |                         |                      |            |             |
|                                                |                         |                      |            |             |

| At moment of delivery                            |                         |                      |            |             |
|                                                |                         |                      |            |             |
|                                                |                         |                      |            |             |

**Caption:**

- Retailer
- Supplier
- Together
2 Variants of Business Models

2.1 General Information

In Figure (2) the most important varieties of floor-management are shown in a morphological box. Desired variants can be selected out of the particular section and then they can be composed just likes bricks in a building block. The different sections are:

- business model as described in chapter 1.3
- responsibility for stock-management on the sales floors and reordering stock during the season
- logistic handling procedures
- accounting methods

![Modular System for Floormanagement Systems](image)

### Modular System for Floormanagement Systems

Complexity reduction of implemented business solutions by dividing up into 4 main components

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<td>Compensation key</td>
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Figure (2) 1: Building blocks for formation of business model variants

2.2 Responsibility for Stock on the Sales Floor / Replenishment

An efficient automated goods-management strategy for reordering stock should secure availability of goods on the sales-floor. On the bases of these signals, the continuous feedback signals from the system establish the bases for deliveries, which meet the demands of the retailer.

In the case of fashion goods, that means goods, which are not re-orderable in the classic sense, sales data of the retailer helps to create a up-to-date and consumer-oriented delivery on the supplier’s side. Goods are mainly “pushed” to the floor (sales zone), which means that goods are delivered according to the quantity classifications in order determination.

Items, which are re-orderable (especially basics) are bought by the consumer when demand occurs and the supplier shows his merchandising competence mainly by ensuring constant availability of goods. Items can be requested from the supplier mainly
season-specific over a longer period of time from the distribution centre and can be handled / processed via a so called “Never Out of Stock” (NOS)-Program.

Responsibility for stock of goods in the distribution center and / or on the retailer’s sales floor can lie with the retailer (Buyer) as well as with the supplier (Vendor). One differentiates between:

- **Buyer Managed Inventory (BMI)**
  The buyer (retailer, receiver of goods) plans his demands for the assortment, which has been determined by himself or together with the supplier / vendor. The buyer transfers the order to the supplier. The supplier delivers goods at a desired date. In accordance with the agreement, it is necessary to generate an order confirmation after the recipe of the order (especially when the additional deliveries within the NOS-business are regular and / or short-termed).

- **Vendor Managed Inventory (VMI)**
  After the first delivery, the vendor receives the sales data in a sales report and plans his additional deliveries on these bases. The vendor plans the delivery quantity, product change and the quantity presented on the sales floor. Increased / decreased demand based upon local idiosyncrasies on part of the retailer, which are not known to the supplier, such as local celebrations etc. can be noted by the retailer or one may reject it (especially when the additional deliveries within the NOS-business are regular and / or short-termed)

One refrains from the application recommendation of the Co-Managed Inventory (CMI), which can be found in the domain of Fast Moving Consumer Goods (FMCG). Here, the supplier / vendor orders “normal goods”, the buyer / retailer decides in the domain of “promotional deals”. This solution is not practical in the fashion section. In addition, the differentiation between “normal goods” and “promotional deals” is hard to make in the textile industry.

Depending on the contractual data, the supplier (vendor) can optionally mark the goods, attach security labels, accomplish ironing on or other activities, which could be an added value to the goods, as far as the supplier possesses the information needed to execute these added services.

### 2.3 Logistic Handling Procedures

Four different procedures of delivering orders can be differentiated.

#### 2.3.1 Distribution centre

Here, the retailer stores his goods in a central or regional distribution centre. Therefore, the retailer stores incoming goods – which are not scheduled for a particular sales area – in single varieties. After receiving an order from the retail outlet (sales floor), the goods are dispatched to the sales area. Goods are administrated by using a warehouse management system.

At the moment of arrival, goods passes into the possession of the retailer (if goods are picked up from the supplier, transfer of possession takes place there). This does not affect acknowledgement of complaint and transfer of possession. At the moment of transfer of possession, the completeness of the delivery (number of packages / pallets) as well as the external integrity are recorded. Damage, defects or differences, which are determined afterwards, are to be recorded in the acknowledgement of complaint. For the transfer of risk, see “Incoterms” or individual contract details.

Commissioning out of the distribution centre is carried out at sales area-level / final-recipient-level. In the fashion industry, distribution centres have to be technically capable
of storing and transporting hanging goods. Labelling of the delivery via SSCC and notification via EDI as described under “Cross-docking 1” (see 2.3.2).

Cross-docking 1 (CD1) describes a logistic process, in which goods are commissioned and packed for single sales areas / several final recipients. At a Cross-docking point the goods are split up, so that they can be transferred without further modification to the final destination.

Logistics transactions can be processed using single staged Cross-docking, if the ordering data is based upon the final recipient (at sales area level) irrespective of whether the data has been generated by the supplier or by the retailer. Bundling of this information to one single order is not permissible.

On the bases of the ordering and request data, the supplier commissions the articles for the sales floor. Commission has to be strictly related to ordering quantities and preferably 100% of pre-delivery inspection.

After the commission, items are processed according to the final recipient or rather the sales floor. The processing can include optional pressing of garments, attachment of security tags and conditioning of the items. These processes are optional, since they could also be carried out at the final recipient (here, the processes are represented as optional, since they are absolutely necessary but their place of realisation should be chosen under economic aspects). Consolidating and repacking also takes place here.
Unique identification of each Cross-docking package is secured via assignment of an SSCC (Serial Shipping Container Code), which is encoded on the GS1-logistic label in a GS1-128 barcode.

If several via SSCC marked packing pieces are consolidated to an entity, a new SSCC has to be assigned to the new entity, if – because of the kind of wrapping during transportation – the packing pieces cannot be singularized / split up.

The data of the delivery is communicated to the Cross-docking point via despatch advice. This EDI process is carried out for each single order via an EANCOM ® - DESADV (Despatch Advice).

Here, the principle applies: 1 ORDERS = 1 DESADV. The DESADV contains the SSCC, which enables an unambiguous identification of the packing piece / the handling unit and a reference to the stored data. For re-orders, another DESADV with new SSCCs is created.

The despatch advice should fulfil following criteria:
- Display of just one delivery per despatch advice
- Content of DESADV identical with the delivery note. The DESADV is generated after commission and loading
- The DESADV has been sent to the agreed interface before the arrival of the physical delivery.

In the DESADV, each item of the delivery is described. At the point of goods receipt the notified quantity can be compared with the quantity of goods, which were actually received.

The SSCC numbers and the delivery note number – which are included in the DESADV – are the future references for the goods receipt. For this reason the DESADV should not be sent at the time of final preparation of goods (e.g. after the commission process) but rather after the loading process. This is to ensure that only loaded goods get advised. Additionally, the DESADV has to arrive at the receiver, before the notified goods physically arrive.

For the subsequent delivery, a bilateral timeframe is determined, that is to say, a date exact to the hour or rather an exact timeline. The information of this timeframe has to correspond to the transmitted data or has to be adjusted according to it.

With moment of arrival at the Cross-docking point, goods become retailer’s possession (if the retailer picks the goods up, transfer of possession takes place there); acknowledgement of complaint and transfer of possession are not affected. At the moment of transfer of possession, the completeness of the delivery (number of packages / pallets) as well as the external integrity are recorded via signature. Damages, defects or differences, which are determined afterwards, are to be recorded in the acknowledgement of complaint. For the risk of transfer see respective “Incoterms”.

Goods receipt is acknowledged by a receipt advice (RECADV), which constitutes the electronic equivalent to the despatch advice (DESADV). Juristically, the signature on the shipping order is binding proof of delivery.

The receipt advice should take place as promptly as possible. Also, a DESADV can be confirmed by several RECADVs, if the delivery does not take place collectively.

The final recipient of the Cross-docking 1 process receives the despatch advice in EANCOM® or In-house – format through the Cross-docking point. The delivery of goods to the final recipient takes place subsequently.
2.3.3 Cross-docking 2

Cross-docking 2 – two staged Cross-docking (CD2) – is a logistic process consisting entirely of single variety commissioned goods for several final recipients. The goods are separated entirely at the Cross-docking point (distribution centre of the retailer) for the final customer and are passed on to them from here.

Application of the two staged Cross-docking concepts requires an accumulated order for the supplier. Accumulating on the part of the retailer can take place as addition of demand but also according to logistic improvement (complete lorry charges, volume discount etc.).

Following this, the exact commissioning according to the order for the following Cross-docking point takes place at the supplier’s depot.

Before or after the commissioning, further processing such as attaching security labels, labelling on the level of the final recipient as well as ironing on, take place. These treatments are optional, if they only have to be carried out once. The recipient can also carry them out.

Afterwards, the delivery is composed and furnished with a new SSCC.
After the physical loading of the goods, notification through an electronic despatch advice (DESADV) to the Cross-docking point takes place. This despatch advice always correlates with the delivery, that is to say the summarized order.

For the transport and the delivery, a timeframe has to be determined bilaterally. This can be, in analogy to Cross-docking 1, a date exact to the hour or rather a timeline. With arrival at the Cross-docking point, goods become retailer’s property (if the supplier picks the goods up, transfer of property takes place there. This does not affect acknowledgement of complaint and transfer of possession. At the moment of transfer of property, the completeness of the delivery (number of packages / pallets) as well as the external integrity are recorded. Damages, defects or differences, which are determined afterwards, are to be recorded in the acknowledgement of complaint. For the risk of transfer see respective “Incoterms”.

At the moment of arrival of the goods at the Cross-docking point, a receipt advice (RECADV) is sent. Here too, a despatch advice can be acknowledged through several receiving advices.

The activities of booking-in goods and a physical control are understood as tightly related process steps and thus they are merged here. The amount of the control – up to full-controls – is to be determined bilaterally.

After booking in the goods (and control) commissioning takes place at the Cross-docking point on level of the final recipient. At this time, further processing and additional treatments such as attaching security labels, labelling, ironing on etc. can take place optionally.

For delivery, the goods are consolidated and labelled with a new SSCC.

The final recipient of the Cross-docking 2 process receives the despatch advice in EANCOM® or In-house-format through the Cross-docking point. The delivery to the final recipient takes place subsequently.

At goods receipt, a check and an alignment of the delivery with the despatch advice takes place. The receipt advice can be sent via EANCOM® or In-house – format to the Cross-docking point and / or to the headquarter of the retailer. This message is the basis for the receiving advice (RECADV) for the supplier as far as the goods are still in property of the supplier.
2.3.4 **Direct Delivery to the Sales floor**

Direct Delivery to the Sales floor – which is typical for the fashion business – is a form of distribution without utilization of a central or regional distribution centre. Instead, the supplier sends the goods directly to the point of sale. (The term *third part delivery* is common in the food industry and describes delivery with smaller delivery vehicles. This does not apply to the fashion industry. This is why the term is uncommon for this kind of industry.)

Physical delivery of goods takes place by way of own or external logistics. Because of the comparatively small amount of goods per sales area, delivery is carried out via CEP (Courier Express Parcel) – service provider.

Commissioning takes place strictly related to ordering quantities. The commissioned packing piece is labelled with an SSCC. If the supplier uses the external logistic of a CEP-service provider, the supplier can create the shipping label himself, offering a software-tool to create the shipping label on his own website or let the service provider create the shipping label.

*Particularities of Concession:* If goods, which are distributed on a concession-floor, are delivered via direct store delivery to the sales area, and it is made use of goods receipt of the retailer, the delivery should be labelled with an advice, which avoids booking-in into the inventory management system.

The DESADV, which is sent with the goods, is acknowledged via a RECADV at goods receipt at sales area level. At the moment of arrival to the sales area, goods become retailer’s possession; This does not affect acknowledgement of complaint and transfer of possession. At the moment of transfer of possession, the completeness of the delivery (number of packages / pallets) as well as the external integrity are recorded. Damages, defects or differences,
which are determined afterwards, are to be recorded in the acknowledgement of complaint. For the risk of transfer see respective “Incoterms”.

Figure (2) 7: Logistic variant Direct Delivery to the Sales Area (schematic)

2.4 Accounting Methods

Accounting of goods delivery for the different business models is carried out principally according to the following table:

<table>
<thead>
<tr>
<th>Variant</th>
<th>Description</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Classical Management</td>
<td>Invoice is created with delivery, Payment within arranged term of payment</td>
<td>Goods become retailer’s property at time of delivery</td>
</tr>
<tr>
<td>Payment at delivery</td>
<td>Invoice is created with delivery, payments at arranged date, e.g. number of weeks or month, end of season (fixed date)</td>
<td>A receivable of the supplier arises, a liability of the retailer. Exception: reservation of property</td>
</tr>
<tr>
<td>Consignment, store level;</td>
<td>Invoice / credit note / over sold goods - purchase price (price reductions have to be arranged separately)</td>
<td>Invoice / credit note on the basis of sales report data</td>
</tr>
<tr>
<td>Payment at sale</td>
<td>- retail price, realized sales price minus agreed margins (special treatment with not agreed price reductions)</td>
<td>Goods remain supplier’s property until immediately before sales down.</td>
</tr>
</tbody>
</table>
Invoice over lost goods (stock difference) at time of inventory

Invoice based on comparison of book inventory and physical inventory, synchronization of stock between supplier / retailer

Figure (2) 8: Accounting according to business processes (1)

<table>
<thead>
<tr>
<th>Business Model</th>
<th>Description</th>
<th>Comment / Remark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consignment: Distribution center level, payment at goods withdrawing out of the retail distribution center</td>
<td>Invoice / Credit note about withdrawn goods at purchase price</td>
<td>Invoice / Credit note based on outward stock movement. Inventory report; Transfer of goods at time of commission</td>
</tr>
<tr>
<td></td>
<td>Invoice about lost goods (stock differences) at time of inventory</td>
<td>Invoice based on comparison of book inventory and physical inventory, synchronization of stock between supplier / retailer</td>
</tr>
<tr>
<td></td>
<td>Return from the sales area to the central distribution centre of the retailer</td>
<td>Leads to credit, if goods are restored in the retailer’s distribution center</td>
</tr>
<tr>
<td>Accounting at commission</td>
<td>Invoice over achieved sales revenue minus agreed span (possibly plus not agreed price reductions)</td>
<td>Invoice / Credit note based on delivered amount minus sold amount</td>
</tr>
<tr>
<td>Accounting at concession</td>
<td>Invoice / Credit about turnover- and / or floor-dependent rent</td>
<td>Invoice amongst others about: staff floor- / turnover-rent making use of the systems provision of service</td>
</tr>
</tbody>
</table>

Figure (2) 9: Accounting according to Business Processes (2)

For detailing, criteria have been compiled, which could be varied in practice. The relevant criteria are detailed in the contract between the trading partners.

2.4.1 Invoice or Credit note

Important remark:
The issuing process of an invoice or a credit note have to take into account national regulations.
Normally, the delivered goods through the supplier triggers the issuing process of an invoice. Because of advanced automation with cross linked IT-systems and the new process-design, one finds in practice many solutions, where the purchaser (retailer) issues a credit note about the received goods to the supplier.

Credit notes are documents, which the retailer sends to the supplier as electronic messages. They specify the receipt or consumption of indicated items within a defined period and / or at a specific date. For control purposes, the reference numbers of the SLSRPT or INVRPT are to be given. As the invoiced items based upon the delivery of the supplier, the invoice contains the sales tax identification number of the supplier. If a supplier receives a credit note from a goods delivery from a retailer, he internally changes this into an invoice in his system. This invoice is subject to the same national legislation regarding commercial law, sales tax law and the corresponding Income Tax Ordinance.

The procedure chosen (credit note - invoice) and the terms of payment depend on the individual accounting methods of the parties involved. An EDI-agreement has to be negotiated, to guarantee that the EDI-business satisfies the national requirements of sales tax law and the respective Value-Added Tax Directives.

2.4.2 Accounting at Purchase Price

In the listing or ordering process, the purchase price is defined. This purchase price is the base of all invoices. The invoice is triggered by the sales of product. This price is to remain fixed for the relevant accounting-season. To ensure that, one price can be taken unambiguously as base for charging. Alternatively, charging should take place according to the current price in the accounting period, so that differentiation of deliveries at certain prices, e.g. according to the FIFO-principle, can be avoided.

Additionally, within the framework of supplier-controlled Floor-Management, it is contractually regulated, which business partner has to pay for write-offs and how charging of these write-offs takes place.

2.4.3 Accounting at Settlement Price

Supplier and Retailer agree by contract upon a profit margin, which is applied at every commercial invoice. These margins function as a discount for the sales prices, which have been determined (not bindingly) by the supplier, and thus influences the settlement price. One could also agree by contract, that the realised sales price minus profit margin (trading range) is used for accounting. This price is calculated in the way, that one accounts sold articles from the in fact realised sales price minus agreed margin, in consideration of the VAT.

2.4.4 Accounting at Compensation Key

A compensation key, which is used in the business model commission and concession, contains fixed and / or variable cost rates. These rates cover the expenses for the use of the sales-floor, or staff and equipment such as cash registers. Billing can be based upon articles as well as flat rates. Since accounting at compensation key is used in cases, where the supplier in not the owner of the goods, special requirements may arise through Value Added Tax Law. National regulations have to be taken into account.

Combination of these criteria and – if necessary – also other agreements by contract lead in practice to the accounting method, which is applicable.
2.5  **Sampling inspection and Listing**

Before starting a new business model or before ordering goods for a season, market objectives are determined and quantified between supplier and retailer in the framework of business- and seasonal-planning. As a result of this planning process, which is not described in detail, the supplier makes an offer for the assortment.

In practice, one can find following procedures for sampling inspection of a fashionable garment assortment and the resulting listing process:

2.5.1  **Ordering on Systems of the Retailer**

To choose and order assortments, the retailer normally receives master data about the entire assortment from the supplier detailed in the EDI messages PRICAT (Price / Sales Catalogue). If necessary, the retailer amends them with retailer- or company specific data. Not needed data, especially data of articles, which haven’t been ordered, is – if necessary – held available in a legacy- or archive system. In case of demand or for coming orders one can easily access this data. Selected articles are ordered from the supplier via the EDI message ORDERS, which is generated on the retailer’s system.

2.5.2  **Ordering on Systems of the Supplier**

In the fashion industry, the selection of articles and the ordering process often take place on the property and on systems of the supplier e.g. in exhibition rooms or on trade fairs. In this case, the retailer receives the result of the selection and the ordering in form of an order confirmation via the EDI message ORDRSP (Purchase Order Response). To process this message, the retailer receives also the master data (PRICAT) of the ordered articles – as far as they do not already exist. PRICAT and ORDRSP are in the same EDI-transfer-session.

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**Figur (2) 10: Schematic Representation of the Sampling inspection and Listing-processes**
If ordered articles are not produced / manufactured, because order quantity is too small or for different reasons, the retailer receives an order change via the EDI message ORDRSP.

2.6 Processes related to Goods

2.6.1 Ordering

Each goods delivery starts with an order, which details the kind of goods, the price, delivery date and the delivery channel for the goods. Additional provision of services such as attachment of price- / security labels, ironing on or packaging are often agreed upon within framework contracts and thus are not part of every order. The orders are transferred to the supplier via the EDI message ORDERS. As soon as the order is entered in the systems of the supplier (not applicable if supplier generates the order), the retailer receives an order confirmation via ORDRSP. Confirmations through the supplier for an order without changes are uncommon. Thus, they are necessary for deviations (article, amount, date of delivery).

- Initial Equipment

Initial Equipment describes the first delivery of a floor at the start of a newly arranged business model or at the start of a season. New articles, which have not been available on this floor before, are delivered. In contrast to additional delivery, it is not possible to refer to previous data, therefore the delivery quantity is based upon a forecast.

- Additional Delivery

Goods, which have been distributed previously to the retailer’s floor are delivered additionally, if storing of these articles is carried out on these floors. Since these articles have already been delivered and sold, on can refer to sales statistics.

- Ordering in Assortment Units

Orders in predefined or individually determined assortment units, so called “Lots”, are carried out via several colour- and / or size-variants / models of the ordered article, so that order processing and logistics are simplified. Often, these goods are products in presentation boxes, that can be ordered just as one unit. Logistic and merchandise management systems must administrate the assortment units in the smallest unit, which can be ordered. Therefore it is “Best Practice” to decompose orders of such assortment units into the contained GTINS, which are to be administrated separately, before order confirmation and declare them in the ORDRSP. Divergent decomposition methods have to be arranged between the partners.

2.6.2 Delivery of Goods

The supplier provides goods for delivery, which are intended for the retailer, after he has furnished them with – if required – labels etc. Directly before or after handing over to the freight carrier, the delivery is announced to the retailer via despatch advice (DESAV). Here, it is important, to refer to the respective business model and the respective order and to send the DESADV in sufficient time so that it arrives at the retailer before physical goods receipt. To avoid later corrections, just the ordered and actually delivered amounts should be reported. For a better referencing of the DESADV with the goods, SSCC are assigned to each packing piece / handling unit (for hanging goods), which is brought individually to the delivery channel. The information is thus declared on the shipping label and the DESADV.
2.6.3 Goods Receipt

After goods receipt by the goods recipient, the latter confirms the goods receipt through the EDI message RECADV. He refers to the correspondent DESADV and if necessary, to the underlying order (ORDERS / ORDRSP). If goods are shipped via a Cross-docking point, the goods receipt is confirmed twice. First time at the Cross-docking point, second time at the final recipient of the delivery.
The goods recipient can give different meaning to the quantity via qualifiers (see EANCOM qualifiers in brackets):
- ordered quantity according to order (21) or
- delivered quantity to an reloading point (48) or
- delivered quantity at the final destination (46)

Between the transmitter and receiver (supplier and retailer), it is often contractually regulated, that goods receipt is confirmed without accurate counting. Differences, which are determined within a stipulated time (48 hours maximum) lead to a correction report. Differences, which are detected later, bring forth a separated correction process.

Several RECADV messages can relate to one DESADV, if the delivery cannot be reloaded entirely at the Cross-docking point and the partial delivery is handled promptly. Only the additional sub-quantities are announced.

2.6.4 Sale

ECR stands for a fast and efficient reaction to requirements of the consumer, which are recorded when goods are sold. Therefore, at every kind of floor-management, sales data should be exchanged, so that the supplier can act according to customer requirements. Even for fashionable goods, which are not re-orderable in the classical sense, sales down data from the floor leads to a fashionable and consumer oriented creation of collection between supplier and retailer.

Besides the sale of goods at original or meanwhile changed sales price, which are available from price lists, three types of price reduction are to be displayed in the sales report SLSRPT with the actual realised sales price:
- single write off (price reduction for staining, minor damage, etc.) with the code value “DAP” in the price segment
- employee discount (includes clothes samples; here tax on wages-regulations have to be taken into account) with the code value “DPR” in the price segment
- other discounts (Special offers, quantity discount, association discount etc.) with the code value “PRP” in the price segment.

At quantity discount (e.g. 4 for 3), three articles are indicated at normal price and one article is displayed as 0,00 EURO. If register systems do not allow the entry of 0,00 EURO, one enters 0,01 EUROS. At the end of the special offer campaign, the total of these amounts is adjusted through bookkeeping.
Free gifts, that means gifts which are added to the sales quantity are also indicated at 0,00 or rather 0,00 EURO. This also applies to free gifts belonging to various suppliers. Their compensation has to be determined bilaterally in the annual appraisals.

Percentage quantity discounts are allocated to all articles, which have been sold during the period of the special offer campaign. In the sales data report, they are specified with their reduced price.
The message representing the period of the special offer campaign shows the volume of sales and the price for the articles. If two or more prices have been realised for the same article within the same period (including single write offs), the message includes the same article several times, each at a different price.
2.6.5 Return

The term “return” describes the returning of goods from the retailer / buyer to the supplier / vendor. Returns are sent from the sales floor either via a (central-) distribution center of the retailer or directly to the supplier. Returns are conducted just like deliveries – but with different agents. This also applies to the DESADV and the RECADV:\(^2\). Here, - the supplier acknowledges goods receipt from the retailer (external deliveries) with qualifier 48, - if delivery takes place via a distribution centre, then the DC acknowledges with qualifier 46 (outlet, internal deliveries).

Returns on a large scale have to be agreed upon prior. Normally, this is a verbal agreement, it can, however, take place electronically via a RETANN (Announcement for return message). The supplier in turn acknowledges this request via RETINS (Instruction for returns message).

2.6.6 Exchange

Return of goods from the consumer to the retailer is called “exchange”. The retailer refunds either monetary or goods of equivalent value. In the SLSRPT, exchange is displayed separately with the qualifier 210 and is not allocated with sales (qualifier 153). There is no settlement of balance between exchange and sales.

2.6.7 Stock transfer

With central control of individual sales floor stocks through the supplier or the head office of the retailer, the demand of the customer for an article can be met by the stock of another sales floor. To make this happen, goods need to be transferred from one sales floor to another one. In doing so, constant flow of goods takes place between the sales areas or via a central- or regional distribution centre.

Stock transfer is also common practice when recreating complete assortments due to out of stock from individual sales areas. As far as goods are transferred between different sales floors without calling in the central logistic of the supplier, flow of information and flow of goods get separated. The information is sent to the supplier and from there to the receiving retailer / buyer, goods are sent directly, e.g. through parcel services. Charging is carried out like delivery and return (see footnote to paragraph 2.6.5 Return).

2.6.8 Changes in Price / Markdown Controlling

If changes of a price or rather markdown controlling through a supplier take place – also if they are conditioned by season – changes in price get communicated via the EDI message PRICAT. This has to happen early enough, so that the staff can relabel the goods at the cash register or to indicate price changes with new price labels, before the changes become valid.

2.6.9 Inventory / Stock

“Inventory” describes the quantitative and value-based acquisition of all items of property, which is related to due date. In our context, the term “inventory” refers to the

\(^2\) In practice, returns and stock transfers are set off against the sales and are announces in one sum in the inventory report (INVRPT). This practice complicates the determination of the stock in transit and should therefore be replaced by the proposed handling in this application recommendation.
stock of goods. The accordant electronic report INVRPT just contains these counted amounts.

To enable parallel inventory update on side of the retailer and the supplier, regardless of which business model except for concessions, the following rules have been developed, to determine stock by way of calculation. The INVRPT, which has to be exchanged between the partners on a regular basis (besides the report about counted stock mentioned above), displays, besides the stock, which is determined through calculation, all transaction data, which has been booked since the last INVRPT in aggregated form:

**Initial inventory (Final inventory of the last INVRPT)**

+ addition of stock (48; external goods receipt)
+ addition of stock (194; goods receipt “amount received and accepted”)
+ addition of stock (210; exchange)
- stock outflow (153; sale; details in the SLSRPT)
- stock withdrawal (199, deliveries to third parties)
- returns (455; return through supplier / buyer)
+/- extraordinary usage (191; amount of stock-correction)
+/- forwarding to sales areas, stock transfer
(46; internal stock receipt -98E; stock transfer between the sales areas)

= Final inventory (of the current INVRPT)

### 2.6.10 Theft / Act of God

When abnormal goods movements like theft or Acts of God (Fire, water, etc.) take place, there has to be accomplished an (partial) inventory according to the expected extend of damage, as soon as the stock shortfall is determined.

### 2.6.11 Handling of Corrections

Differing amount of goods receipt:

If the freight carrier determines shortfalls as well as missing single packing pieces or handling units at the time of takeover of goods, these differences are registered in the freight document and the goods are frequently (“best practice”) stored intermediate until their completion on the next day. Despatch of RECADV does not take place until processing.

If discrepancies occur between delivered (actually counted) and advised amount at the time of goods receipt, the delivered amount is displayed in the RECADV with the qualifier “194” (received and accepted amount) to the sender. This qualifier is also used, if at a sight check in a distribution center one notices the margin. Optionally it is possible to indicate the reasons for the differing amount of goods receipt in the RECADV; therefore one uses the QVR segment.

The dispatch of the DESADV within the organisation of the retailer is optional. For a better transparency, assured determination of “goods in transit” and possibility of retracing, it is recommended to track deliveries with DESADV and RECADV even within organisation of the retailer.

Missing parts of the delivery, which arrive the next day and compensate the missing goods, are receipted with another RECADV, which refers to the original DESADV. This RECADV contains only the additionally received amounts. Hereby, on the side of the

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3 The code value refers to the particular business model (see Paragraph 3.1.1.7, 3.2.1.10 or rather 3.3.1.10).
supplier, it is “best practice”, to process incoming RECADV directly, but – especially in the event of a difference occurring – to wait an agreed amount of time before sending the RECADV, so that a case closing handling without acknowledgement of complaint is possible.

If the goods receipt of the missing amount fails to appear, a complaint is initiated. The complaint is affected by a recording of facts and dispatch to the supplier to enable an ex post clarification.
3 Concepts of Floor-management in Detail

3.1 General Information

Specific constellations of the elements, which are defined in chapter 2, are called concepts of Floor-management. These concepts are standardised and serve as patterns for the creation of an agreement for Floor-management between supplier and retailer.

As far as no deviations are noted from the already described processes, then they are executable as such or not relevant for the stipulation. All forms of execution are possible, the present application recommendation only defines efficient and practical constellations. The logistic procedures with their process steps are annexed. Only processes between the partners of the supply chain are described. Internal processes, which are not to be arranged contractually, remain unconsidered.

Guideline for interpretation:

- **Building blocks**
  In the building block (see for instance illustration 3-2) elements, which are highlighted in Orange, are primarily recommended. Grey elements with continuous framing represent secondary solutions, light grey elements with broken framing exist in practice and can also be implemented in this application recommendation. The other elements are not recommended.

- **Messages**
  The flow of data and goods between the parties is represented chronologically. Following aspects are considered:

![Diagram](image)

Figure (3) 1: Flow of data and goods between the parties (generalised)
3.2 Classical Management

3.2.1 General Information

Generally, stock is controlled by the retailer. In some cases, the supplier controls the stock, especially if his systems are better, he possesses better marketing information and thus can control the sales floor more efficiently.

The delivery and logistic handling is carried out via distribution centre, Cross-docking of both variants (Chapter 3.7.2 and 3.7.3) or direct delivery to the store, especially with small and medium sized commercial enterprises (Chapter 3.7.4). Accounting takes place with the invoice at the agreed sales price.

EDI-messages, which are required for efficient execution are represented in the following overview:

<table>
<thead>
<tr>
<th></th>
<th>PRICAT</th>
<th>ORDERS</th>
<th>ORDRSP</th>
<th>DESADV</th>
<th>RECADV</th>
<th>RETANN</th>
<th>RETINS</th>
<th>INVOIC</th>
<th>SLSRPT</th>
<th>INVRPT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial supply</td>
<td>M</td>
<td>M</td>
<td>K</td>
<td>M</td>
<td>M</td>
<td>M</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>(Buyer FM)</td>
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</tr>
<tr>
<td>Replenishment</td>
<td>M</td>
<td>K</td>
<td>M</td>
<td>M</td>
<td>M</td>
<td>M</td>
<td></td>
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<td></td>
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<tr>
<td>(Buyer FM)</td>
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<tr>
<td>Initial supply</td>
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<tr>
<td>(Vendor FM)</td>
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<td>Replenishment</td>
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<tr>
<td>(Vendor FM)</td>
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<td></td>
</tr>
<tr>
<td>Sales</td>
<td></td>
<td></td>
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<td>M</td>
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<td>Return</td>
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<td></td>
<td>M</td>
</tr>
<tr>
<td>Stock transfer</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>K</td>
</tr>
<tr>
<td>Inventory / stock</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>K</td>
</tr>
</tbody>
</table>

Figure (3) 3: Exchange of data for Classical Management
3.2.2 Processes

3.2.2.1 Basic Equipment (BUYER FM)

Basic equipment for the start of the season is carried out after the presentation of goods at trade fairs / shopping events. Afterwards, the retailer receives the master data of the articles from the supplier with the message PRICAT and creates his order of the chosen articles. He sends it with the message ORDERS to the supplier. If any changes occur regarding the articles, the supplier also creates PRICAT-messages for the retailer.

If the order is carried out in the rooms of the supplier and on his systems, an order response (ORDRSP) is sent from the supplier to the retailer. Out of this, the retailer creates an order on his systems with the same reference number. Additionally, the ORDRSP informs about deviations from the original order.

If goods, which are stored in a distribution centre, are ordered the quantity is indicated in one amount. The same is true for a CD2-order. Distribution of the ordered articles to the sales floors is carried out via internal distribution keys. In the other cases (CD1 and direct delivery to the sales floor), the singular quantities are listed separated for each sales floor, to which goods are delivered.

In the order, the retailer also declares, whether or not in case of an incomplete delivery, the backorders should be delivered at a later stage or rather be cancelled. Additionally, he declares the variant of the logistic handling (Distribution centre, CD 1 or 2 – direct delivery to the sales floor, see chapter 2.3) and the order type (pre-order).

Despatch of goods is announced via a DESADV, which also refers to the order and the SSCC of the delivery of goods. The retailer acknowledges goods receipt at the respective transfer point (distribution centre of the retailer, Cross-docking point or sales floor in case of direct delivery to the sales floor) via a RECADV with the qualifier 48 or 46. If the delivery deviates from the advised quantity, the retailer reports the actual delivery quantity with a deviating qualifier 194 containing the quantity he actually received.

Finally, the goods are invoiced via the message INVOIC (see chapter 3.2.2.9)
### 3.2.2.2 Additional deliveries (BUYER FM)

The supplier informs the retailer before the initial order, which articles are re-orderable in what amount, so that the retailer can consider this information for the initial order. Dependent on the sales data, the retailer determines the date and the ordered quantity for additional deliveries. The corresponding orders contain the order type subsequent order or NOS-order. These articles are delivered and accounted in analogy to the initial order. The goods-related messages (DESADV / RECADV) are to be utilised in analogy to the sub-process “Basic Equipment BUYER FM” (see chapter 3.2.2.1).

### 3.2.2.3 Basic Equipment (VENDOR FM)

If the supplier controls the inventory (VENDOR FM), he informs the retailer about the generated order (ORDRSP). Out of this, the retailer generates an order on his systems with the same reference number. If it has been so agreed, the retailer can once again intervene, if the order seems to be unexpectedly high to him (with ORDRSP). At the same time he receives the master data of the articles via PRICAT. If articles are changed, PRICAT-messages are created likewise.

Despatch of goods is accompanied by a DESADV with reference to the ORDRSP and / or the SSCC of the shipment. The retailer confirms goods receipt via the message RECADV. Finally, the goods are invoiced to the retailer with the message INVOIC (see chapter 3.2.2.9).

If deliveries to sales floors take place via a central or regional distribution centre, both distribution centre and sales floor confirm goods receipt, so that the supplier can comprehend the current inventory at any time. The used qualifiers differ according to whether goods receipt takes place at an interstation or at the place of final destination of the delivery. This is shown in the following figure.
Figure (3) 7: goods-related messages vendor managed inventory (VENDOR FM) with delivery via centre of distribution

If the delivery deviates from the advised quantity, the retailer reports the detected delivery quantity with qualifier 194 (received and accepted quantity).

Figure (3) 8: Goods-related messages vendor managed inventory (VENDOR FM) with deviating quantities

Any movement is contained in the inventory report (INVRPT), which is to be exchanged on a regular basis, in summarised form (see 3.2.2.8: Inventory Report on a Regular Basis).
3.2.2.4 Additional deliveries (VENDOR FM)

Figure (3) 9: Flow of data and goods Classical Management additional delivery (VENDOR FM)

The supplier informs the retailer already before the initial order about which articles are re-orderable in which amount and considers this information for the initial order. Dependent on the sales data, the supplier determines the date and the ordered quantity for additional deliveries. Information about generated orders for these articles is given in analogy to the initial order via ORDRSP. After the delivery, accounting is realised via INVOIC. The goods-related messages (DESADV / RECADV) are to be utilised in analogy to the sub-process basic equipment VENDOR FM.

3.2.2.5 Sale / Return of goods by the consumer

Figure (3) 10: Flow of data Classical Management sale / return of goods by the consumer

Effected sales to consumers and return of goods by consumers are reported by the retailer to the supplier at a given time (in preferably short intervals) via transmission of the sales report (SLSRPT). Thereby, all sales of an article per floor at the same sales price can be summarised and reported with the added quantity. The same is true for return of goods by the consumer.
3.2.2.6 Returns

![Figure (3) 11: Flow of data Classical Management returns](image)

If the retailer sends goods as a return back to the supplier, he advises them via a despatch advice (DESADV). In the same process, he can announce the reason for the return in the segment QVR.

If agreed with the supplier, the retailer previously requests the return via the message RETANN (announcement for returns message). The supplier confirms this request via the instruction for returns message RETINS.

As far as the supplier controls the inventory, he can request returns from the retailer via RETINS.

The supplier confirms goods receipt via RECADV (receipt advice). Returned goods are – according to quality conditions – invoiced to the supplier or rather credited to the retailer (INVOIC) (see chapter 3.2.2.9).

3.2.2.7 Stock transfer

![Figure (3) 12: Flow of data Classical Management stock transfer (VENDOR FM)](image)

If single floor-stocks / floor-inventories are controlled separately, the demands for one floor can be fulfilled with help of stock transfer from another floor. Stock transfers also are common practice, to create in one place a complete assortment out of the inventory from singular sales floors.

If the supplier controls the inventory, he sends an instruction for returns message (RETINS) to the floor, which has to dispense goods. The instruction for returns message, which contains the instruction to dispense goods to another sales floor of the same commercial enterprise, is sent to the sales floor.

If at VENDOR FM stock transfer takes place between floors / sales floors, the sales floor, which contains the goods to be transferred, sends these goods directly to the
target sales floor. The sending sales floor creates a DESADV for the supplier. The
information for the receiving sales floor is carried out in the inhouse-system.
The target sales floor confirms the incoming goods via an RECADV, in which received
goods are recorded with the qualifier 98E (quantity movements between outlets =
exchange between the sales floors).
About goods despatch to other enterprises, the retailer creates an invoice or the supplier
creates a credit, the same is true for the receiving retailer (see chapter 3.2.2.9).

3.2.2.8 Inventory Report on a Regular Basis

At regular, contractually stipulated dates (e.g. weekly or monthly), the book inventory is
transmitted as INVRPT. The INVRPT contains the current book inventory of goods per
floor or rather sales floor. The current book inventory is calculated according to the
following rule:

**Opening inventory (of the INVRPT of the previous period)**
- Increase in stock (48; external goods receipt)
- Increase in stock (210; return of goods through the consumer)
- Decrease in stock (153; sales, details in SLSRPT)
- Returns (445; returns from the supplier)
- Delivery to floors with different business models
  (199 quantity of returned goods)
- Extraordinary usage / consumption (191; quantity of stock correction)
- Transfer sales floor; stock transfer
  (46; internal goods receipt & 98E; exchange between the sales floors)

Aggregate movement data since the last
report

**Final inventory (of the current INVRPT, Code value 145 (current stock)**

The goods movement between two INVRPTs is summarised and transferred in the last
announced INVRPT, the relative reports about movement (DESADV, RECADV and
SLSRPT) represent the singular goods movements in a transparent way. They are
differentiated in segments with the particular identifier of the direction of stock movement
(with information about the possible procedures and their qualifiers):

- 1 for moving out
  - in the DC of the retailer 46 delivery to the sales floor
  - 445 Return to the supplier
  - 98E Exchange between the sales floors
  - 191 stock correction minus
  - 199 stock removal (delivery)

on the floor 46 internal return (to the distribution centre)
- 153 sale
- 191 stock correction minus
- 199 stock removal (delivery)
- 98E exchange between the sales floors (delivery)
- 445 return directly to the supplier
In the periodic reports, just those articles are reported, which have been moved during this period or which have a portfolio not equal to zero. Therefore, zero stock balances are reported ultimately in the period, during which the last article has been used.

**Algebraic sign**

Through the exact definition of the singular positions (qualifier and direction of the stock movement) as described above, one can dispense with the use of negative algebraic signs. As a result, mistakes are avoided and transparency is increased. This facilitates data transfer between financial and material management systems. **Inventory constitutes an exception. As far as it is negative, it has to be represented with a negative algebraic sign.**

### 3.2.2.9 Invoice / Credit

All consignments of goods, returns and stock transfers to other enterprises are processes, which are relevant for accounting within the business model Classical Management. The supplier creates an invoice over these processes to the receiver (retailer). Redeliveries and accounting errors are compensated by credits.

Invoices contain the positions, which are declared in the ORDERS / ORDRSP with the prices, which are contained in the reports and the particular sales tax and the quantity from the delivery reports DESADV or rather RECADV.

If positive or negative algebraic signs stand out (invoice and credit), it is "best practice", to separate the documents behind the algebraic sign and create two distinct documents. In this case, all the quantities are furnished with a positive algebraic sign. In the exceptional case "second best", the quantities are represented positively and negatively within one document, the algebraic signs of the unit prices are always positive.
3.3 Consignment at store level

3.3.1 General Information
Consignment at store level is the most complex concept of all concepts of Floor-management.

<table>
<thead>
<tr>
<th>Types of business</th>
<th>Classical management</th>
<th>Consignment Store level</th>
<th>Consignment DC level</th>
<th>Commission</th>
<th>Concessions</th>
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</thead>
<tbody>
<tr>
<td>Responsibility of replenishment</td>
<td>Vendor FM</td>
<td>Buyer FM</td>
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<tr>
<td>Logistics</td>
<td>DC</td>
<td>CD 2</td>
<td>CD 1</td>
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<td>Credit note SP/Margin</td>
<td>Invoice PP</td>
<td>Invoice SP/Margin</td>
<td>Compensation key</td>
</tr>
</tbody>
</table>

Figure (3) 14: Building-block element consignment at store level

Because the supplier carries the risk of the consignment goods and is the owner of the goods until immediately before sale to the consumer, the vendor managed inventory (VENDOR FM) is recommended here. In practice, it also occurs that the retailer – especially with many floors / sales floors – uses an efficient material management system, with orders automatically, so that he is – according to the agreement - in charge of inventory control. In both cases, it is absolutely necessary, to administrate the stock of goods through both parties via IT-systems and to make goods movement available for the other side, so that both parties can see the current stock situation.

Special agreements are required, when price reductions are given unilaterally from the retailer to the consumer and when differences in stock, which are detected through stock taking / listing or theft occur.

Preferred logistic variant of the concept “consignment at store level” is direct delivery to the sales floor (chapter 3.7.5) and single staged Cross-docking (CD 1, chapter 3.7.6), because this logistic variant secures a fast sales floor supply. Dependent on the furnishing / equipment of the logistics facility on both sides and their costs, two-staged Cross-docking (CD 2, chapter 3.7.7) can be advantageous.

A processing variant, which is also possible, but not recommended:
The logistic variant “Distribution centre” can be carried out, when the stock is controlled by the retailer and because of the type of goods, many small shipments would be generated. In this case, the stock in the distribution centre is – just like on the sales floors – to be managed separately and the movement is to be made available to the supplier.
The EDI-messages, which are needed for an efficient processing, are summarised in the following overview:
3.3.2 Processes

3.3.2.1 Start and End of the Consignment at Store Level

If one changes from Classical Management to consignment at store level and vice versa, all the articles, which will be kept in the Classical Management or rather in the consignment at store level, have to be subject to stock taking / listing and the counted quantities have to be recorded in an INVRPT for each location (sales floor and where necessary distribution centre of the retailer). In order that the bookings are made with valid article information, master data of the articles are exchanged previously via the message PRICAT.

If the businessmodel is changed the total amount of articles in possession of the retailer is reported with qualifier X24 in the INVRPT Therefore, the retailer obtains a credit note (INVOIC). Therewith, goods become supplier’s property.

In the cases, where the retailer triggers compensation via credit, an invoice from the retailer to the supplier is created. In this case, flow of data occurs according to the above figure but in the reversed direction (see chapter 3.3.2.13 Invoice / Credit)

Remark: In individual contracts between supplier and retailer, it is often stipulated to sell the stock of the business model “classical management” first, before consignment at store level starts for these articles through re-orders. Thereby, one can avoid pre-

<table>
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<th>PRICAT</th>
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investments in the stock of goods by the supplier. Because of unclear stock situations or rather idle time on the floors over a longer period of time, it is advised against this starting variant for the consignment at store level.

When consignment at store level ends, the stock, which was determined at the stock taking, passes again into retailer’s property. Therefore, a movement message is reported as despatch with the qualifier X24 and there upon stock zero. The retailer receives an invoice from the supplier or creates a credit for the supplier. Alternatively, the stock is returned to the supplier.

3.3.2.2 Basic Equipment (BUYER FM)

Basic equipment for the start of the season is carried out after presentation of goods on trade fairs / shopping events. The retailer creates his order of the chosen articles and sends it with the message ORDERS to the supplier. He receives the required master data of the articles with the message PRICAT. If changes occur regarding the articles, the supplier also creates PRICAT-messages for the retailer.

If the order is carried out in the rooms of the supplier and on his systems, an order response (ORDRSP) is sent from the supplier to the retailer. Out of this, the retailer creates an order on his systems with the same reference number. Additionally, the ORDRSP informs about deviations from the original order.

Regarding goods, which are stored in a distribution centre, order is carried out in one quantity, in the other cases separately for every sales floor or rather as a total quantity with appropriate distribution key to the sales floors (CD 1).

In the order, the retailer also declares (see chapter 4.3.4),
- that the ordered goods belongs to the business model “consignment at store level”
- if – in case of an incomplete delivery – the backorders should either be delivered at a later stage or rather be cancelled.
- the variant of the logistic handling (Distribution centre, CD 1 or 2 – direct delivery to the sales floor)
- the order type (pre-order), so that he can perform a limit update if required

Despatch of goods is announced via a DESADV, which refers to the order and the SSCC of the appropriate delivery of goods. The retailer acknowledges goods receipt via a RECADV. If deliveries to sales floors take place via a central or regional distribution centre, both distribution centre and sales floor confirm goods receipt, so that the supplier can comprehend the current inventory at any time. In doing so, the used qualifiers differ according to whether goods receipt takes place at an interstation or at the place of final destination of the delivery. This is shown in the following figure.
If the delivery deviates from the advised quantity, the retailer announces the determined delivery quantity with the qualifier 194 (received and accepted quantity).

Any movement is contained in the inventory report (INVRPT), which is to be exchanged on a regular basis, in summarised form (see 3.3.2.1 Stock taking / Listing).

### 3.3.2.3 Additional deliveries (BUYER FM)

![Flow of data and goods consignment at store level re-orders (BUYER FM)](image-url)
The supplier informs the retailer prior to the initial order about which articles are re-orderable in which amount, so that the retailer can consider this information for the initial order. Dependent on the sales data and the stock at the sales floor, the retailer determines the date and the ordered quantity for additional deliveries. These articles are ordered in analogy to the initial order with ORDERS (type of order re-order or NOS). The goods-related messages (DESADV / RECADV) are to be utilised in analogy to the initial order.

### 3.3.2.4 Initial Order (VENDOR FM)

![Flow of data and goods consignment at store level initial order (VENDOR FM)](image)

Figure (3) 21: Flow of data and goods consignment at store level initial order (VENDOR FM)

The order is carried out as an order response with the message ORDRSP, separately for every sales floor (CD 1 or direct delivery to the sales floor), or rather as a total quantity if required with a distribution key for the sales floors (CD 2).

In the order, the supplier also declares,
- that the ordered goods belongs to the business model “consignment at store level”
- the variant of the logistic handling (Distribution centre, CD 1 or 2 – direct delivery to the sales floor) should be used

Out of these EDI-messages, the retailer creates an order in his systems with the same reference number.

For articles, which – up to now – have not been sold on the floor, PRICAT is sent to the retailer. When articles are changed, PRICAT messages are created as well.

The delivery of goods is announced by the supplier with a DESADV, the retailer confirms goods receipt is with RECADV. Further development including deviant quantities see paragraph 3.2.2.1 basic equipment (BUYER FM).

Any movement is contained in the inventory report (INVRPT), which is to be exchanged on a regular basis, in summarised form (see 3.2.2.8).

The retailer informs about stock on the floor via the INVRPT.
### 3.3.2.5 Additional Deliveries (VENDOR FM)

![Diagram showing flow of data and goods consignment at store level additional deliveries (VENDOR FM)]

Dependent on the sales data and the stock on the sales floors, the supplier determines the date and the ordered quantity for additional deliveries. In analogy to the initial order, the supplier sends **ORDRSP** as well as **DESADV** at goods despatch. The retailer confirms goods receipt with **RECADV**. The **INVRPT** is sent to the supplier.

### 3.3.2.6 Sale / Return of Goods by the Consumer

![Diagram showing flow of data consignment at store level sale / return of goods by the consumer]

Sales to consumers and return of goods by consumers are reported by the retailer to the supplier at a given time (in preferably short intervals) via transmission of the sales report (**SLSRPT**). Thereby, all sales of an article per floor at the same sales price can be summarised and reported with the added quantity. The same is true for return of goods by the consumer.

Sold articles are invoiced (**INVOIC**) or rather reported as credit (**INVOIC**), in the logical second before the sale, transfer of property to the retailer takes place or – in case of return of goods by the consumer – the property goes back to the supplier. The **INVRPT** records sales by the qualifier 153 (sale) or rather 210 (return of goods by the consumer).
3.3.2.7 Returns

If the supplier initiates returns, he sends an instruction for returns message (RETINS) in the beginning of the return, which is confirmed by the retailer with an optional announcement for returns message (RETANN). If stipulated, this announcement message can also be used if the retailer initiates the returns independently. The retailer announces the despatch with a despatch advice (DESADV), which is acknowledged at goods receipt by the supplier (RECADV).4

![Flow of data and goods consignment at store level return to the supplier](image)

The qualifiers (46 and 48) correspond to those of the delivery to the retailer. By declaration of the sender and the receiver, the returns are differentiated sufficiently from the original message.

The quantity of the returns is displayed as such through the qualifier 445 (returns through the supplier) in the inventory report (INVRPT).

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4 In practice, returns and stock transfers are invoiced with an inventory report (INVRPT). This practice complicates determination of “floating stock” and should therefore be replaced by the recommended processing.
3.3.2.8 Stock Transfer

If single floor-stocks / floor-inventories are controlled centrally, the demands for one floor can be fulfilled with help of stock transfer from another floor. Stock transfers also are common practice, to create in one place a complete assortment out of the inventory from singular sales floors.

If the supplier controls the inventory, he sends a stock transfer message to the floor, which has to dispense goods. The sales floor, which has to transfer goods to another sales floor, receives the request to distribute goods to another sales floor (RETINS). Where applicable, the retailer announces returns with RETANN. RETANN can also confirm RETINS.
receives the GLN and the address of the receiver from the supplier (as EDI-message PARTIN or in plain writing).

Figure (3) 28: Flow of data and goods consignment at store level – stock transfer to a third party

Figure (3) 29: Goods-related messages consignment at store level - stock transfer a third party

In the figure above, the chronological order of the messages is numbered from 1 to 4.

3.3.2.9 Deliveries to Floors with different Business Models

If a business concern delivers goods from a central distribution centre or a sales floor / store with another business model (for example during the introduction stage, when not yet every sales floor / store has changed to the business model consignment at store level, or delivery to a connected consumer), this has to be reported to the supplier with a DESADV with the qualifier 199 (quantity of goods removal). These deliveries are allocated as invoice to the receiver or as credit through the sending business concern. The deliveries are reported in the next INVRPT with the same qualifier.
3.3.2.10 Changes in Price / Write Offs

Figure (3) 30: Flow of data consignment at store level changes in price

In case of changes in retail price or other changes in master data by the supplier or rather a general write off (changes in season), he sends the message PRICAT for the according articles to the retailer. These changes in price can be carried out with an validity date, which should be placed so far in the future, that the retailer can carry out the changes in price in both, the data stock of the cash register system and at the goods.

3.3.2.11 Stock taking / listing and regular inventory reports

Figure (3) 31: Flow of data consignment at store level inventory report

Kinds of Inventory Reports

Four kinds of depot inventory reports are determined:

- **DBS** (Depot stock start, contains counted stock)
- **DBE** (Depot stock end, contains counted stock + stock “zero”)
- **DBG** (Depot stock counted, at agreed yearly stock taking / listing)
- **DRP** (Depot report periodic, contains book inventory balances)

They are sent with the INVRPT as shown here:

Figure (3) 32: Kinds of inventory reports in chronological sequence
3.3.2.12 Stock taking / listing

The supplier’s stock in the retailer’s distribution centre, which are used for management via the Floor-management concept consignment at store level, are to be counted at the balance sheet date of the supplier and then have to be reported to him. The proceeding is agreed upon contractually.

If the date for stock taking / listing are identical for the supplier and the retailer, this is generally carried out without problems. Deviations from these dates lead to problems, which are avoidable, thus the supplier's stock on the sales floor should – as it is best practise – be reported on the balance sheet date of the supplier.

On the other hand, it is also best practice, not to eliminate stock of a certain supplier from the remaining stock of the retailer, but to conduct inventory taking as completely as possible, independent of the ownership situation and certain suppliers. Below, these stock takings / listings with consideration of deviating dates are described in detail.

Two different models of stock taking / listing are recommended: stock taking / listing at a key date and the permanent inventory. For both models different variants exist. To avoid problems of deferral, the central distribution centre of the retailer has to be empty at the key date, so that just the stock of the floors, which are to be managed, has to be counted. If this is not possible, items in the “internal circular stock” have to be counted as well. Items, which might have been left to the consumer as a selection, have to be counted.

- stock taking / listing at a key date
  at a chosen key date, all items of a class of goods are counted. In doing so, different key dates can be determined in distinct stores / sales floors of a commercial enterprise. Variants for deferral of the delivery:

  1 deliveries to stores / sales floors with stock taking / listing are stopped. With goods receipt and accounting of the last outstanding delivery, stock taking / listing starts in this section. Not until after finishing of the stock taking / listing, the delivery is picked up again.
  2 Without limiting delivery traffic, the goods in transport are booked as internal circular stock and it thus remains possible to assign them to stock taking / listing and to delimitate them
  3 Floating stock is set off out of DESADV and RECADV of the companies, which makes it delimitable

The inventory report about the processed stock taking / listing at a key date contains exclusively the present articles with the counted amounts. Prices are not contained.

- temporally postponed stock taking / listing
  With temporally postponed stock taking / listing, physical stock takings / listings are carried out at self planned dates (up to three month before and two month after the business year) and according to classes of goods or item-specific. The particular stock is updated until the key date, which is invoiced effectively.

  For deferral of goods deliveries with temporally postponed stock taking /listing, two procedures are suitable:

  1 stock is administrated as “internal circular stock” and is considered
  2 floating stock is set off the RECADV of the stores / sales floors and is therefore deferrable

The inventory report about the processed temporally postponed stock taking / listing contains besides the present items with the counted amounts also non present items,
which have to be counted, with the amount 0 (zero). Prices are not contained in the report.

Declaration of time
Besides the actual date, a virtual time is declared, to enable an accurate deferral:
- Start of the day
  Time 0:00 indicates, that all movements, which are possibly booked under this date, lie after the beginning of stock taking / listing. They reduce the following book inventory
- End of the day
  Time 24:00 indicates, that all movements, which are possibly booked under this date, lie before the beginning of stock taking / listing. They reduce the book inventory, which is compared to the stock taking / listing stock, to recognise stock differences (stock taking / listing differences).

If it is desired by the supplier, he obtains a separate inventory report on his balance sheet date, where the current book inventory balance of his items are identified. This especially makes sense, if stock taking / listing in the stores / on the sales floors takes place on different dates.

Stock correction during the period

Stock correction during the period does not replace stock taking / listing. Through stock comparison during the period, stock discrepancies are reduced promptly, because differences in the book inventory are made transparent to the partners at an early stage.

Differences in stock correction during the period and the book inventory are reported as stock correction quantity with the qualifier 191 and the respective direction of the stock movement (entry / exit) in the next frequent inventory report and considered in the book inventory.

Periodic inventory report
At regular dates (e.g. weekly or monthly), which are agreed by contract, the book inventory is transmitted (DRP) as an inventory report (INVRPT). It contains the current book inventory of the goods per floor or rather sales floor / store with the code value 152 (current depot stock). The current book inventory is calculated according to the following rule:

Opening inventory (Code value 152 of the INVRPT of the previous period)
+ Increase in stock (48; external goods receipt)
+ Increase in stock (210; return of goods through the consumer)
- Decrease in stock (153; sales, details in SLSRPT)
- Returns (445; returns from the supplier)
- Delivery to floors with different business models
  (199 quantity of goods removal)
+- Extraordinary usage / consumption (191; quantity of stock correction)
+- Transfer sales floor; stock transfer
(46; internal goods receipt & 98E; exchange between the sales floors)
= Final inventory (Code value 152 of the current INVRPT)

The goods movement between two INVRPTs are transferred summarised in the latest announced INVRPT, the relative reports about movement (DESADV, RECADV and SLSRPT) represent the singular goods movements in a transparent way. They are differentiated in segments with the particular identifier (ID) of the direction of stock movement (with information about the possible procedures and their qualifiers):
1 for moving out
   in the DC of the retailer 46 delivery to the sales floor
   445 Return to the supplier
   98E Exchange between the sales floors
   191 stock correction minus
   199 stock removal (delivery)
   on the floor 46 internal return (to the distribution centre)
   153 sale
   191 stock correction minus
   199 stock removal (delivery)
   98E exchange between the sales floors (delivery)
   445 return directly to the supplier

2 for moving in
   in the DC of the retailer 48 goods receipt from the supplier
   46 delivery from the sales floor
   98E exchange between the sales floors
   191 stock correction plus
   199 stock removal (return delivery)
   on the floor 46 delivery from the distribution centre
   48 delivery from the supplier
   98E exchange between the sales floors (receipt)
   191 correction of stock plus
   199 stock removal (return delivery)
   210 return of goods through the consumer

In the periodic reports (depot report periodic; DRP), only those articles are reported, which have been moved during this period or which have a portfolio not equal to zero. Therefore, zero stock balances are reported ultimately in the period, during which the last article was used.

Algebraic sign
Through the exact definition of the singular positions (qualifier and direction of the stock movement) as described above, one can dispense with the use of negative algebraic signs. As a result, mistakes are avoided and transparency is increased. This facilitates data transfer between financial and material management systems. Inventory constitutes an exception. As far as it is negative, it can be represented with a negative algebraic sign.

Theft of goods / Act of God

If a shortfall quantity through theft or Act of God is detected, an INVRPT has to be created. Detected deviations, both positive and negative, are listed in the INVRPT as
extraordinary consumption and accounted through the qualifier 191 (stock correction quantity). The stock correction bookings can be – dependent on the contract – recognised in the INVOIC. The head of the invoice refers in its head in the data segment RFF to the number and date of the stock taking / listing report.

3.3.2.13 Invoice / Credit

In the business model consignment at store level, sales, the beginning and closing inventory of the business model as well as – if applicable – differences in stock taking / listing, are processes relevant for accounting, over which the supplier creates invoices for the retailer or rather the retailer creates credits for the supplier. Price setting takes place according to the variants, which have been agreed upon between the trading partners according to chapter 2.3. Invoices are marked in the BGM-Segment (DE 1000) with consignment at store level (“FM200”). If positive or negative algebraic signs stand out (invoice and credit), it is “best practice”, to separate the documents behind the algebraic sign and create two distinct documents. In this case, all the quantities are furnished with a positive algebraic sign. In the exceptional case “second best”, the quantities are represented positively and negatively within one document, the algebraic signs of the unit prices are always positive.

3.3.2.14 Miscellaneous

Deviations in the stock taking / listing stock can also arise from missing labels and therefore lacking GTIN of the items. These cases for clarification have to be discussed with the supplier and – if applicable – have to be fixed manually. The transfer of the SLSRPT is also necessary in the transitional model, the INVRPT of the transitional model also contains the quantity of all goods deliveries, which have been summarised in the interim period.

3.4 Distribution centre depot

3.4.1 General Information
At Floor-management with the business model depot at distribution centre, the supplier stores goods, which he possesses in a (central) distribution centre of the retailer. **Upon removal of goods** from the central distribution centre through the retailer, the transfer of property / ownership takes place. Thereby, the issuing of the invoice is activated. With returns from the stores / sales floors to the central distribution centre, the processing is **reversed**. Flowchart see chapter 3.7.9.

**Remark:** the retailer / buyer is responsible for the sales floor as is shown in the building block. (BUYER FM = buyer managed inventory). This, however, does not signify anything about the kind of reorders or goods for stock in the distribution centre. Here classical VENDOR FM processes are possible.

Accounting takes place via both of the procedures: invoice at purchase price or credit at purchase prise. An accounting at settlement price – which means sales price minus margin – is not possible, since the achieved sales price is not known at time of the picking.

The stock management of the distribution centre, where the transfer of property / ownership takes place, can take be carried out by both, the supplier and the retailer. The management of stores / sales floors, including picking goods from the distribution centre, is always carried out by the retailer.

Figure (3) 35: Separation VENDOR FM / BUYER FM in the business model distribution centre depot

EDI messages, which are needed for an efficient processing, are depicted in the following overview:
3.4.2 Processes

3.4.2.1 Start and end depot distribution centre

![Diagram of data flow](image)

At transition from order to cash / Classical Management to distribution centre depot and vice versa, all present items, which are conducted in the distribution centre depot or rather in the order to cash / Classical Management in the future, undergo stock taking / listing and are recorded in an INVRPT. In order that the booking is made with valid item information, master data of the items are exchanged with the message PRI_CAT.

About access to a distribution centre depot, entry is reported with the qualifier X24 with the INVRPT. Therefore, the retailer receives an INVOIC. Thereby, the goods become property of the supplier. In the cases where the retailer activates accounting via credit, an invoice from the retailer to the supplier is created. In this case, flow of data according to the above figure is carried out reversely (see chapter 3.4.2.13).
When the distribution centre depot is terminated, the stock which is determined at stock-taking / listing passes to the ownership of the retailer. Therefore, a movement message is reported as despatch with the qualifier X24 and following thereupon stock zero. The retailer receives an invoice from the supplier or creates a credit for the supplier. Alternatively, stock is returned to the supplier.

3.4.2.2 Basic equipment (BUYER FM)

Basic equipment for the start of the season is carried out after the presentation of goods at trade fairs / shopping events. The retailer creates his orders of the chosen items and sends them with the message ORDERS to the supplier. He receives the needed master data of the items with the message PRICAT. If any changes occur regarding the items, PRICAT-messages are created as well. Items, which are re-orderable during the season, are mainly suitable for storing in the distribution centre.

If the order is carried out in the rooms of the supplier and on his systems, an order response (ORDRSP) is sent from the supplier to the retailer. Out of this, the retailer creates an order on his systems with the same reference number. Additionally, the ORDRSP informs about deviations from the original order.

In the order, the retailer also specifies,
- that goods are stored in a distribution centre depot
- whether or not in case of an incomplete delivery, the backorders should be delivered at a later stage or rather be cancelled

Despatch of goods is announced via a DESADV, which also refers to the order and the SSCC of the delivery of goods. The retailer acknowledges goods receipt with a RECADV. If the delivery deviates from the advised quantity, the retailer reports the actual delivery quantity with a deviating qualifier 194 (received and accepted quantity).

Finally, the goods are invoiced via the message INVOIC (see chapter 3.4.2.13). Any movement is contained in the inventory report (INVRPT), which is to be exchanged on a regular basis, in summarised form (see 3.4.2.11: stock taking / listing).
3.4.2.3 Additional deliveries (BUYER FM)

Dependent on the sales and distribution centre exit / despatch data and the stock on the sales floors and in the distribution centre, the retailer determines the date and the ordered quantity for additional deliveries, which he manages. In analogy to the initial order, they are ordered with ORDERS. The goods accompanying / related messages (DESADV / RECADV) are to be used in analogy with the basic equipment BUYER FM. Any movement is contained in the inventory report (INVRPT), which is to be exchanged on a regular basis, in summarised form (see 3.4.2.11: stock taking / listing).

3.4.2.4 Basic Equipment (VENDOR FM)

The supplier sends the order as an ORDRSP. Out of this, the retailer creates an order in his system with the same reference number. Stockpiling in the distribution centre is mainly suitable for items, which are re-orderable during the season.

Goods despatch is announced with a DESADV, which refers to the order and / or the SSCC of the goods delivery. The retailer acknowledges goods receipt with a RECADV. If the delivery deviates from the advised quantity, the retailer reports the determined delivery quantity with the qualifier 194 (received and accepted quantity). Any movement is contained in the inventory report (INVRPT), which is to be exchanged on a regular basis, in summarised form (see 3.4.2.11: stock taking / listing).
3.4.2.5 Additional deliveries (VENDOR FM)

![Flow of data and goods, distribution centre depot additional delivery (VENDOR FM)](image)

Dependent on the sales and distribution centre exit / despatch data and the stock on the sales floors and in the distribution centre the retailer determines the order quantity for additional deliveries, which he manages. In analogy to the initial order, the supplier sends an ORDRSP and at goods despatch a DESADV. Goods receipt is confirmed with a RECADV.

Any movement is contained in the inventory report (INVRPT), which is to be exchanged on a regular basis, in summarised form (see 3.4.2.11: stock taking / listing).

3.4.2.6 Delivery to the sales floor from a distribution centre depot

![Flow of data and goods distribution centre depot delivery to the store / sales floor](image)

At the moment of goods removal from the distribution centre depot for delivery to the store / sales floor, transfer of property / ownership takes place, which is effective for the invoice. This removal has to be recorded in the INVRPT as exit with the qualifier 199 “goods removal”. Every delivery to the sales floor / store within the accounting period to a GTIN can be added – independent from the store supplied.

On the stipulated setting day the retailer sends an INVRPT to the supplier, who makes an INVOIC for the deliveries to the retailer out of it. Alternatively, the supplier receives a credit per INVOIC according to the credit procedure.

If delivery demands from the stores / sales floors cannot be fulfilled because of lacking stock, they are recorded and reported as shortfall quantity with the qualifier 127 in the next INVRPT, so that the supplier can consider it at his disposal.
3.4.2.7 Returns from the stores / sales floors to the distribution centre depot (ZL)

Returns from the stores / sales floors to the distribution centre depot are effective for the invoice, because the property / ownership of the goods passes to the supplier. Returns from stores / sales floors is recorded in the INVRPT as entry with the qualifier 199 (goods removal). All returns from the stores / sales floors within one accounting period to a GTIN can be added – independent from the sales floor / store which returns goods.

On the stipulated setting day the retailer sends an INVRPT to the supplier, who turn this into a credit (INVOIC) for the returns to the retailer. Alternatively, the retailer sends an INVOIC for the returns to the supplier.

3.4.2.8 Sales / Returns

Sales to consumers and return of goods by consumers, are reported by the retailer to the supplier at a given time (preferably in short intervals) via transmission of the sales report (SLSRPT). Thereby, all sales of an article per floor at the same sales price can be summarised and reported with the added quantity. The same is true for return of goods by the consumer.
3.4.2.9 Returns from the distribution centre depot to the supplier

In case of returns from the distribution centre depot to the supplier, goods despatch has to be represented through the accompanying messages (DESADV / RECADV). These returns can be announced via a RETINS (instruction for returns message) by the supplier or via a RETANN (announcement for returns message) by the retailer. The RETANN can also acknowledge the RETINS. Any movement is contained in the inventory report (INVRPT), which is to be exchanged on a regular basis, in summarised form (see 3.4.2.11: stock taking / listing).

3.4.2.10 Changes in Price

By changes in prices or other changes in master data by the supplier, he sends the message PRICAT for the according articles to the retailer. These changes in price can be carried out with a validity date, which should be placed so far in the future, that the retailer can carry out the changes in price in both, the data stock of the cash register system and in the goods.
3.4.2.11 Stock taking / listing and regular inventory reports

Figure (3) 47: Flow of data distribution centre depot stock taking / listing

Kinds of inventory reports

Four kinds of depot inventory reports are determined:
- DBS (Depot stock start, contains counted stock)
- DBE (Depot stock end, contains counted stock + stock “zero”)
- DBG (Depot stock counted, at agreed yearly stock taking / listing)
- DRP (Depot report periodic, contains book inventory balances)

They are sent with the INVRPT as shown here:

Figure (3) 48: Kinds of inventory reports in chronological sequence

Stock taking / listing

The supplier’s stock in the retailer’s distribution centre, which is used for management via the Floor-management concept distribution centre depot, is to be counted on the balance sheet date of the supplier and then has to be reported to him. The proceeding is agreed upon contractually.

If the dates for stock taking / listing are identical for the supplier and the retailer, this is generally carried out without problems. Deviations from these dates lead to problems, which are avoidable, thus the supplier’s stock on the sales floor should – as it is best practice – be reported on the balance sheet date of the supplier.

On the other hand, it is also best practice, not to eliminate stock of a certain supplier from the remaining stock of the retailer, but to conduct inventory taking as completely as possible, independent of the ownership situation and certain suppliers. These stock takings / listings with consideration of deviating dates are described in detail below.

Two different models of stock taking / listing are recommended: stock taking / listing at a key date and the permanent inventory. For both models different variants exist. To avoid problems of deferral, the entrance and exit floor of the central distribution centre of the retailer has to be empty at the key date, so that just the stock of the floors, which are to be managed, has to be counted. If this is not possible, items in the
“internal circular stock” have to be counted as well. Items, which might have been left to the consumer as a selection, have to be counted.

- **stock taking / listing at a key date**
  on a chosen key date, all items of a class of goods are counted. The inventory report about the processed stock taking / listing at a key date contains exclusively the present articles with the counted amounts. Prices are not contained.

- **Permanent stock taking / listing**
  With permanent stock taking / listing, physical stock takings / listings are carried out at self planned dates and according to classes of goods or specific items. The particular stock is updated until the key date, which is invoice effective. It has to be assured, that each item is recorded at least once a year. The procedure of permanent stock taking / listing is particularly suitable in case of the goods having fixed positions / proper places as is the case in distribution centre areas.

For deferral of goods deliveries with permanent stock taking /listing, two procedures are suitable:

1. stock is also administrated / considered as “internal circular stock”
2. floating stock is set off the RECADV of the stores / sales floors and is therefore deferrable

The inventory report about the processed temporally postponed stock taking / listing contains besides the present items with the counted amounts also non present items, which have to be counted, with the amount 0 (zero). Prices are not contained in the report.

**Declaration of time**
Besides the actual date, a fictitious time is declared, to enable an accurate deferral:

- **Start of the day**
  Time 0:00 indicates, that all movements, which are possibly booked under this date, lie after the beginning of stock taking / listing. They reduce the following book inventory

- **End of the day**
  Time 24:00 indicates, that all movements, which are possibly booked under this date, lie before the beginning of stock taking / listing. They reduce the book inventory, which is compared to the stock taking / listing stock, to recognise stock differences (stock taking / listing differences).

If it is desired by the supplier he can obtain a separate inventory report on his balance sheet date, where the current book inventory balance of his items are identified. This especially makes sense after permanent inventory.

**Stock correction during the period**

*Stock correction during the period does not replace stock taking / listing.*

Through stock comparison during the period, stock discrepancies are reduced promptly, because differences in the book inventory are made transparent to the partners at an early stage.

Differences from stock correction during the period and the book inventory are reported as stock correction quantity with the qualifier 191 and the respective direction of the stock movement (entry / exit) in the next frequent inventory report and considered in the book inventory. Like stock removal, they are invoice effective / relevant for the invoice.
Periodic inventory report
At regular dates (e.g. weekly or monthly), the book inventory is transmitted (DRP) as an inventory report (INVRPT). It contains the current book inventory of the goods in the distribution centre depot with the code value 152 (current depot stock). The current book inventory is calculated according to the following rule:

\[
\text{Opening inventory (Code value 152 of the INVRPT of the previous period)} \\
+ \text{ Increase in stock (48; external goods receipt)} \\
- \text{ Returns (445; returns from the supplier)} \\
+/\text{ Extraordinary usage / consumption (191; quantity of stock correction)} \\
+/\text{ Transfer to stores / sales floors and third enterprises returns from the stores / sales floors (199 quantity of stock removal)} \\
= \text{ Final inventory (Code value 152 of the current INVRPT)}
\]

The goods movements between two INVRPTs are summarised and transferred in the last announced INVRPT, the relative reports about movement (DESADV, RECADV) represent the singular goods movements in a transparent way. They are differentiated in segments with the particular identifier of the direction of stock movement (with information about the possible procedures and their qualifiers):

1. for moving out  
   in the DC of the retailer  
   445 Return to the supplier  
   191 stock correction minus  
   199 stock removal (delivery)

2. for moving in  
   in the DC of the retailer  
   48 goods receipt from the supplier  
   191 stock correction plus  
   199 stock removal (return delivery)

In the periodic reports (depot reports periodic DRP), just those articles are reported, which have been moved during this period or which have a portfolio not equal to zero. Therefore, zero stock balances are reported ultimately in the period, during which the last article has been used.

Additionally, the periodic stock report contains information about
- items with shortfall quantities (217), see paragraph “Delivery to the sales floor from the distribution centre depot”
- items with delivery requests from the stores / sales floors, which have not yet been processed (73, outstanding quantity)

**Algebraic sign**
Through the exact definition of the singular positions (qualifier and direction of the stock movement) as described above, one can dispense with the use of negative algebraic signs. As a result, mistakes are avoided and transparency is increased. This facilitates data transfer between financial and material management systems. **Inventory constitutes an exception. As far as it is negative, it has to be represented with a negative algebraic sign.**

The stock corrections, which might have to be carried out, can be invoiced effective / relevant for the invoice (INVOIC). The supplier creates an invoice for the retailer.
3.4.2.12 Theft of goods / Act of God

Figure (3) 49: Flow of data distribution centre depot Theft / Act of God

3.4.2.13 Invoice / Credit

In the business model “Distribution centre depot” stock removal from the distribution centre, opening and final inventory of the business model as well as – where appropriate – discrepancies in stock taking / listing, are processes. The supplier creates an invoice over these processes for the retailer or the retailer creates a credit for the supplier. Invoices are marked in the BGM segment (DE 1000) with distribution centre depot (“FM300”).

If both positive and negative values occur (invoice and credit), it is “best practice”, to separate the documents according to the algebraic sign and create two distinct document types. In this case, all the quantities are furnished with a positive algebraic sign. In the exceptional case of “second best”, the quantities are represented positively and negatively within one document, the algebraic signs of the unit prices are always positive.
3.5 Commission

3.5.1 General Information

In the commission business model, goods are allocated to the retailer and he manages and merchandises them on his own, without acquiring property of the goods. Property directly transfers from the supplier to the consumer. The retailer is responsible for stock management on the sales floor.

The logistic processing is carried out in direct delivery to the sales floor (chapter 3.7.10) or single staged Cross-docking (chapter 3.7.11).

Two variants of accounting exist:
- Regarding accounting procedures at purchase price, at the beginning of the period the supplier provides the goods to the retailer. After the end of the period, the supplier receives the remaining goods and charges the difference to the sales price to the retailer. However, special and additional deliveries within this period are charged directly. Sales of the goods to the consumer are carried out in the own name (the retailer) but on the account of another (the supplier). At sales down of goods, the retailer charges the gross sales price (including sales tax) to the consumer. The retailer pays this amount of sales tax to the tax office; he allocates the gross sales price minus his provision with the supplier. From this proportional amount, the supplier pays the sales tax to the tax office. This is the amount, which is claimed as input tax, which he gets back from the tax office (see figure (3) 51).
- The accounting with compensation key is based upon a stipulated percentile provision. This provision is given to the retailer on the gross sales price. The sale of the goods to the consumer is carried out in another name to another invoice. This must be displayed on the cash voucher.
EDI-messages, which are needed for efficient accounting, are shown in the following overview:

<table>
<thead>
<tr>
<th></th>
<th>PRICAT</th>
<th>ORDERS</th>
<th>ORDRSFP</th>
<th>DESADV</th>
<th>RECADV</th>
<th>RETANN</th>
<th>RETINS</th>
<th>INVOIC</th>
<th>SLSRPT</th>
<th>INV/RPT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply of goods</td>
<td>M</td>
<td>K</td>
<td>K</td>
<td>K</td>
<td>K</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
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<td></td>
<td></td>
<td>K</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Returns</td>
<td></td>
<td></td>
<td>K</td>
<td>K</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>Changes in prices</td>
<td>M</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stock taking</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>K¹</td>
<td></td>
<td></td>
<td></td>
<td>M</td>
</tr>
</tbody>
</table>

Figure (3) 52: Exchange of data commission

K¹ Invoice if differences in inventory
3.5.2 Processes

3.5.2.1 Supply of Goods

Basic equipment for the start of the season is carried out after presentation of goods on trade fairs / shopping events. The retailer creates his order of the chosen articles and sends it with the message ORDERS to the supplier. He receives the required master data of the articles with the message PRICAT. If changes occur regarding the articles, the supplier also creates PRICAT-messages for the retailer, which enable additional deliveries. The retailer orders (ORDERS) basic equipment and additional deliveries from commission goods (BUYER FM), the supplier sends an optional order response (ORDRSP). With the despatch of goods, the supplier sends optionally a despatch advice (DESADV) as well as the message PRICAT, which is mandatory. The retailer can confirm goods receipt (RECADV).

If the delivery deviates from the advised quantity, the retailer reports the determined quantity with the qualifier 194 (received and accepted amount).

3.5.2.2 Sale / Return of goods by the consumer

Sales to consumers and return of goods by consumers are reported by the retailer to the supplier at a given time (preferably in short intervals) via transmission of the sales report (SLSRPT). Thereby, all sales of an article per floor at the same sales price can be summarised and reported with the added quantity. The same is true for return of goods by the consumer.
### 3.5.2.3 Returns

![Diagram of Return Process]

If the retailer sends goods back to the supplier on a stipulated date, the retailer reports it with a despatch advice (DESADV). The supplier can confirm goods receipt with a receipt advice (RECADV). The supplier creates an invoice out of the difference of the delivered quantity (supply of goods) and the returns of goods over the quantity, which is sold by the retailer or which is otherwise disposed. The invoice is marked in the head (DE 1000) as commission (“FM400”).

### 3.5.2.4 Changes in Price

![Diagram of Price Change Process]

By changes in prices with / at sales by the supplier, he sends the message PRICAT for the according articles to the retailer. These changes in price can be carried out with a validity date, which should be placed so far in the future, that the retailer can carry out the changes in price in both, the data stock of the cash register system and in the goods.

### 3.5.2.5 Stock taking / listing

![Diagram of Stock Taking Process]

Since goods on commission are the supplier’s property, they have to be counted at a stock taking / listing key date and be reported in an inventory report (INVRPT) by the retailer. This report just contains counted items and quantities. Differences can be relevant for the invoice (INVOIC), if the stock taking / listing and the stipulated accounting date take place within the same period of time. Otherwise, the stock taking / listing just serves as an inventory evidence for the supplier.
Stock takings / listings at the end of the stipulated accounting period lead to accounting of the goods delivery. In this case, the supplier determines the cost of sales through the difference between goods delivery and returns. The difference is allocated independently of the counted stock. Intermediate periodic stock taking / listing messages are not required.

### 3.6 Concessions

#### 3.6.1 General Information

<table>
<thead>
<tr>
<th>Types of business</th>
<th>Classical management</th>
<th>Consignment Store level</th>
<th>Consignment DC level</th>
<th>Commission</th>
<th>Concessions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responsibility of replenishment</td>
<td>Vendor FM</td>
<td>Buyer FM</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Logistics</td>
<td>DC</td>
<td>CD 2</td>
<td>CD 1</td>
<td>Direct Deliver</td>
<td></td>
</tr>
<tr>
<td>Invoicing</td>
<td>Credit note PP</td>
<td>Credit note SP./Margin</td>
<td>Invoice PP</td>
<td>Invoice SP./Margin</td>
<td>Compensation key</td>
</tr>
</tbody>
</table>

Figure (3) 58: Building-block elements concessions

In the concessions business model, the retailer allocates a managed floor to the supplier for a fee. The retailer can thus merchandise his goods in his own responsibility. He can use staff and / or technical equipment from the trading partner, as far as it is contractually stipulated. The supplier carries the risk of loss of goods as well as the stock risk.

Contrary to any other concept of Floor-management, the retailer is neither administratively nor physically involved in the direct cash flow of the goods. The supplier himself receives the monetary counter value of the consumer and pays the retailer indirectly for the product, since accounting is based upon a compensation key, which has to be bilaterally determined. The accounting is based upon floor and – where applicable – turnover and is named accounting at compensation key.

Mainly, the retailer receives a “rent” for the floor, which is managed by the supplier. Where applicable, the retailer receives a proportionate share of the turnover. If a credit is used for accounting, it is issued by the supplier. The credit contains the rent as well as – if applicable – a proportionate share of the turnover. If an invoice is created, the retailer creates an invoice over the same positions.

If the concessions management concept is used, the supplier controls the flow of goods on his own. For this, he can use the logistics of the retailer. It is recommended to conduct logistic control via direct delivery to the store / sales floor (index 3.7.12)

A distribution via Cross-docking 1 is possible but not recommended (index 3.7.13). Here, the use of the consolidated goods receipt of the retailer is carried out. In doing so, the packing piece has to be labelled as concessions, to avoid receipt in the distribution
centre, since concessions-items are not advised and consequently at least not attended by the system. Moreover, it might happen, that these unadvised items cannot be recognised and processed.

### 3.6.2 Exchange of data concessions

EDI-messages, which are required for efficient execution, conform to technical equipment. They are represented in the following overview:

<table>
<thead>
<tr>
<th>PRICAT</th>
<th>ORDERS</th>
<th>ORDRSP</th>
<th>DESADV</th>
<th>REGADV</th>
<th>RETANN</th>
<th>RETINS</th>
<th>INVOIC</th>
<th>SLSRPT</th>
<th>INVRPT</th>
</tr>
</thead>
<tbody>
<tr>
<td>K</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Figure (3) 59: Exchange of data concessions

### 3.6.3 Processes

Since the business model concessions envisages, that the retailer rents his floor and the supplier manages it with his own means, hardly any processes are to be agreed upon.

### 3.6.4 Delivery of goods and Accounting

If the supplier does not use his own cash register system, but utilises the cash register system of the retailer, the supplier has to transfer the message PRICAT for the goods of concession to the retailer, so that he can book the items. Additionally, in this case the transfer of the SLSRPT is obligatory, to enable accounting. PRICAT, INVRPT and SLSRPT are otherwise optional and to be agreed upon bilaterally.

If the supplier uses the retailer’s goods receipt, in order to avoid a high frequency of single deliveries of parcels to the respective floors, the supplier sends a despatch advice (DESADV), to ensure goods receipt and enable transfer to the concessions floor.

If the supplier uses the mobile data acquisition device of the retailer for stock taking / listing, the INVRPT is required as a result.

An invoice (INVOIC) to the supplier over the stipulated calculation key is only transferred, if goods related conditions are stipulated (indicating “FM500” in DE100), otherwise a conventional service invoice is created.
3.7 **Index**

3.7.1 **Order to cash / Classical Management, logistic handling distribution centre**

*Needs contractual requirement as to which party carries out processing of goods

1: In case of deviation: check routine

3.7.2 **1 Order to cash / Classical Management, logistic handling Cross Docking**

*Needs contractual requirement as to which party carries out processing of goods

1: In case of deviation: check routine
3.7.3  Order to cash / Classical Management, logistic handling Cross Docking

2

3.7.4  Order to cash / Classical Management, logistic handling direct delivery to the store / sales floor

* Requires contractual requirement as to which party carries out processing of goods
1: In case of deviation: check routine
3.7.5 Consignment: Level Sales Floor, direct delivery to the store / sales floor

*Requires contractual requirement as to which party carries out processing of goods
1: In case of deviation: check routine

3.7.6 Store / Sales floor depot, logistic handling Cross Docking 1

*Requires contractual requirement as to which party carries out processing of goods
1: In case of deviation: check routine
3.7.7 Store / Sales floor depot, logistic handling Cross Docking 2

*Requires contractual requirement as to which party carries out processing of goods
1: In case of deviation: check routine

3.7.8 Store / Sales floor depot, logistic handling distribution centre

* Requires contractual requirement as to which party carries out processing of goods
1: In case of deviation: check routine
3.7.9 Consignment: Level Distribution Centre

3.7.10 Commission, logistic handling direct delivery to the store / sales floor

*Requires contractual requirement as to which party carries out processing of goods
1: In case of deviation: check routine
3.7.11 Commission, logistic handling Cross Docking 1

*Requires contractual requirement as to which party carries out processing of goods

1: In case of deviation: check routine
3.7.12 Concessions, logistic handling direct delivery to the store / sales floor

3.7.13 Concessions, logistic handling Cross Docking 1

*Requires contractual requirement as to which party carries out processing of goods
1: In case of deviation: check routine
4 Enabling Technologies and their Application for Fashion

4.1 Introduction
The term “Enabling Technologies” refers to the basic technologies of the GS1-system, which form the bases for the implementation of ECR-Strategy and Methods – the central theme of this application recommendation. In order to realise full potential in Floor-Management-Partnerships within the framework of CFB (Connecting Fashion Business), it is necessary to be able to process information quickly automatically and without great manual interference. To ensure this, the application of open identification and communication standards is necessary. The explanation on the following pages merely presents a short summary of the most important standards and their contents. References are given to manuals and documentations, which describe and explain the Enabling Technologies in great detail.

4.2 Identification Standards

4.2.1 Overview over GS1 Identification systems
Standardised and open identification systems facilitate communication between all market partners and enable optimisation of internal and company-wide organisational procedures. This is especially important for companies, which act intersectorally. The entire identification system – which has been adopted by the consumer goods industry and by the fashion industry and its intermediaries – consists of several numbering systems and barcode types. Which are basically:
- the Global Location Number GLN
- the Global Trade Item Number GTIN
- the Serial Shipping Container Code SSCC
These numbers are generated independently by each respective company on the bases off a basic number, which is allocated centrally by GS1 Netherlands.

Figure (4) 1: Overview GS1 Identification Standards
Dependent on the requirements for the amount of individual Location Numbers, Trade Item Numbers and Serial Shipping Container Codes, a basic number is allocated by GS1 Netherlands.

### 4.2.2 Global Location Number GLN

Every modern commercial enterprise consists of a complex communication network with suppliers, providers of logistics services, banks, public authorities and other institutions of the private and public economy. The increasing complexity of communication relations and further development of the technical solutions using electronic data acquisition and EDP require the possibility of a non-ambiguous, machine capable identification of business partners.

The GLN is a numerical key, which enables quick and accurate machine processing of address information. With help of the GLN, physical addresses of companies, departments, or regional offices of a company can be identified. Distribution centre locations, depots, delivery points or other communication interfaces can be points of identification in this network. The GLN forms the key to the master data of the physical or IT-addresses mentioned above.

![Numbering structure of GLN](image1)

Within the framework of efficient Floor-Management in the fashion industry, each sales area is allocated a GLN-number (see Chapter 4.2.2.). Here, the manufacturer can change the zeros within the “individual number segments” according to his demands.

### 4.2.3 Global Trade Item Number (GTIN)

In Germany, the introduction of the Global Trade Item Number System (GTIN-System) was decided upon to facilitate communication between industry and trade nationally and internationally: starting with manufacturer’s product range and ending with the cashing up process (check out) in the retail store, whose amount of sales down can automatically flow back to the manufacturer.

![Numbering structure of GTIN](image2)

The GTIN is normally 13-digits long and always purely numeric. Its formation follows strict guidelines. The GTIN should be formed by the person who is responsible for product launch. Normally, this is the supplier / manufacturer. In the case of trademarks, the GTIN can also be assigned by the retailer / trader and then be communicated to the supplier / manufacturer.
Besides identification of trade items, the GTIN can also be used for identification of provision of services. In analogy to the GTIN for physical goods, the GTIN for provision of services has to be defined uniquely and separately.

4.2.4 GTIN Allocation Rules for Clothing

The suppliers allocate separate GTINs for each variation of size, colour, material and form of a trade item.

E.g.:
- Variations of size: different clothing sizes
  If sizes are merely described differently nationally or labelled according to the following chart with different size, yet the dimensions of the trade item are however identical, they receive the same GTIN.

<table>
<thead>
<tr>
<th>Land</th>
<th>XS</th>
<th>XS</th>
<th>S</th>
<th>M</th>
<th>L</th>
<th>XL</th>
<th>XXL</th>
</tr>
</thead>
<tbody>
<tr>
<td>International</td>
<td>X1</td>
<td>X2</td>
<td>S</td>
<td>M</td>
<td>L</td>
<td>XL</td>
<td>XXL</td>
</tr>
<tr>
<td>DE</td>
<td>44</td>
<td>46</td>
<td>48</td>
<td>50</td>
<td>52</td>
<td>54</td>
<td>56</td>
</tr>
<tr>
<td>NL, BE, DK, AT, CH</td>
<td>44</td>
<td>46</td>
<td>48</td>
<td>50</td>
<td>52</td>
<td>54</td>
<td>56</td>
</tr>
<tr>
<td>FR</td>
<td>44</td>
<td>46</td>
<td>50</td>
<td>52</td>
<td>54</td>
<td>56</td>
<td>58</td>
</tr>
<tr>
<td>UK</td>
<td>44</td>
<td>36</td>
<td>38</td>
<td>40</td>
<td>42</td>
<td>44</td>
<td>46</td>
</tr>
</tbody>
</table>

Figure 4: GTIN Allocation for different sizes

- Variations of colour: different colours from the point of view of the customer or of the supplier.
- Variations of material: relevant changes in fabric structure, material composition, equipment changes
- Variations of form: differences in cut (regular or slim), length of sleeve, changes in linen processing / cuts, form of cuff, form of collar, number of buttons, seams, type of button

Also modification of the criteria mentioned above, which has been carried out for single orders, leads to different GTINs.

The GTIN is presented on the goods label in EAN-13 barcode.

Figure: 5 EAN-13 Barcode

The allocated GTINs are blocked for at least 36 months after the last delivery or announcement to the retailer – even if no delivery takes place. After 36 months, they can be allocated again.
In contrast, not delivered or announced GTINs can be allocated directly elsewhere, if they have just been used internally and have not been passed down to others.

4.2.5 SCCC (Serial Shipping Container Code)

The purpose of the SCCC is to identify the logistical unit unambiguously on its way from the sender to the recipient. The SCCC is allocated uniquely by the generator of the logistical unit, (which is the manufacturer, service provider or retailer) and can be used for handing over and tracking of the delivery by all partners involved in the logistic process until the shipping unit is dissolved. Hereby, the SCCC can be unambiguously identified in administrative as well as the physical business processes.

<table>
<thead>
<tr>
<th>Application Identifier</th>
<th>Indicator</th>
<th>GS1 Company Prefix</th>
<th>Item Reference</th>
<th>Check Digit</th>
</tr>
</thead>
<tbody>
<tr>
<td>(00)</td>
<td>3</td>
<td>4 0 1 2 3 4 5</td>
<td>1 2 3 4 5 6 7 8 9</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>4 2 1 2 3 4 5 6</td>
<td>1 2 3 4 5 6 7 8</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>4 3 1 2 3 4 5 6 7</td>
<td>1 2 3 4 5 6 7</td>
<td>6</td>
</tr>
</tbody>
</table>

Figure (4) 6 Numbering structure of the SCCC

By allocating the SCCC for all packing pieces and handling units, which are sent on hangers, an unique identification key for each packing piece exists on every level of the supply chain. For reasons of machine readability of the SCCC, it is represented in GS1-128 barcode. An efficient configuration of the supply chain management processes is thereby possible for the recipient of the logistical unit. On basis of the SCCC, the management of the logistical unit in the ERP-system is possible. The allocation of company specific identifications is no longer necessary.

For further information on the topic “Identification”, refer to the webpage of GS1 Global Office: http://www.gs1.org/gsmp/kc/barcodes

4.2.6 Logistic Label

According to the ECR-Application Recommendations, there are several ways of composing a logistical label available for the user. Since in the fashion industry there normally are no homogenously packed logistical units, the type 3 logistical label is used. This label contains sender and receiver as well as the SCCC in plain writing and barcoded in the GS1-128 symbology.

Additionally, CEP (Courier Express Parcel) service providers have as always the possibility to indicate their number or routing information in the mid section of the label.
4.3 Communication standard

4.3.1 Overview

Electronic Data Exchange (EDI) is an important tool for increasing the efficiency of the flow of information. Therefore, EDI is defined as “transmission of structured data via determined message standards between two computers and their applications”.

For the use of EDI, recourse to the available communication standards is elementary, because it is the only way to process data automatically within a global communications network. Then information can be transferred from the system of one partner to that of another without further manual intervention or additional processing effort. To reach a critical mass of EDI-users the usage of standardised content of a message and standardised message formats in form of a uniform data structure is needed. With UN/EDIFACT the United Nations created a word-wide intersectoral standard for the exchange of formatted data. By way of subsets, the lowest quantity of message content is defined to meet sectoral demands.

The communicational standard EANCOM® was developed for the consumer goods industry. EANCOM® also supports branches, which operate at the interface to the consumer goods industry – such as providers of logistics service and waste management companies. GS1 Global and its member organisations (for Germany: GS1 Germany) are responsible for maintenance, further development and promotion of the EANCOM® standard.

The EANCOM®-messages cover all essential business processes in cooperation with the supplier and the retailer and are subdivided into three categories:
- Master data (e.g. Party Information Message PARTIN, Price / Sales Catalogue PRICAT)
- Transaction data (e.g. order data ORDERS, ORDRSP; invoice: INVOIC, despatch advice: DESADV and receipt advice RECADV), Instruction for Returns Message RETINS or Announcement for Returns Message: RETANN.
- Reporting data (Inventory Report INVRPT, Sales Report SLSRPT)

For further information on the topic “Communication Standards”, refer to the webpage of GS1 Global Office: http://www.gs1.org/gsmp/kc/ecom/eancom

In the following chapters, the main differences between the PRICAT, ORDERS / ORDRSP and DESADV / RECADV and the general ECR Standards are described. The other EDI-messages correspond with the ECR-Standard. Besides, example constructions of all message types are attached to the application recommendation.

4.3.2 Management of Master data

Master data exchange with an EDI-Partner requires intensive coordination. For this purpose there are already approved solutions in practice. The EANCOM®-message PARTIN serves for exchange of partner master data (as far as it is not exchanged conventionally in written form) and PRICAT serves for exchange of provision of service or trade item master data, providing uniform and transparent data structures.

To meet the special requirements of the fashion sector, all elements are described, needed for data exchange from pricelists and catalogues. They are listed in the following table and are described on the CD “Connecting Fashion Business”.

Because the table contains many optional fields, detailed bilateral agreements are required, so that all data elements, which are expected from the receiver (retailer), can be exchanged with the respective content.

<table>
<thead>
<tr>
<th>Textile, Sport, Shoes</th>
<th>Status</th>
<th>Must/ Can</th>
<th>Segment</th>
<th>Number of Segment</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bar-coded (yes / no)</td>
<td>M</td>
<td>PAC</td>
<td>50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Batch size (content of the order unit)</td>
<td>M</td>
<td>QTY</td>
<td>35</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business Model</td>
<td>M</td>
<td>BGM</td>
<td>4</td>
<td></td>
<td>s. Paragraph 4.2.2 Order</td>
</tr>
<tr>
<td>Clothes size /Size designation Part 1</td>
<td>M</td>
<td>IMD</td>
<td>24</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clothes size /Size designation Part 2</td>
<td>C</td>
<td>IMD</td>
<td>24</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Colour: Supplier Notification</td>
<td>M</td>
<td>IMD</td>
<td>36</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Colour: Supplier Number / Code</td>
<td>M</td>
<td>IMD</td>
<td>36</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumer unit (yes/no)</td>
<td>M</td>
<td>IMD</td>
<td>27</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Country of origin</td>
<td>C</td>
<td>ALI</td>
<td>34</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Currency</td>
<td>M</td>
<td>CUX</td>
<td>9</td>
<td>Just on header level</td>
<td>Principle: 1 Customer, 1 Country, 1 Price</td>
</tr>
<tr>
<td>Customs tariff number</td>
<td>C</td>
<td>PIA</td>
<td>13</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deliverable from</td>
<td>C</td>
<td>DTM</td>
<td>38</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deliverable until</td>
<td>C</td>
<td>DTM</td>
<td>38</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Description of the trade item</td>
<td>C</td>
<td>IMD</td>
<td>16</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Designation for product groups (model number)</td>
<td>C</td>
<td>IMD</td>
<td>20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dimension: Length / Depth (mm)</td>
<td>C</td>
<td>MEA</td>
<td>30</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dimensions: Height (mm)</td>
<td>C</td>
<td>MEA</td>
<td>30</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dimensions: Width (mm)</td>
<td>C</td>
<td>MEA</td>
<td>30</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Seasonal Identification

The German BTE (*Bundesverband des Deutschen Textileinzelhandels*, Federal Association of German Textile Retail) developed a four-digit seasonal identification. With this identification, one can display:

- Year (2 digits) and Month (2 digits) of the first planned sales month
- Year (2 digits), amount of planned seasons (1 digit) and number of the season (1 digit)

<table>
<thead>
<tr>
<th>Status</th>
<th>Must/ Can</th>
<th>Segment</th>
<th>Number of Segment</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>EFI/ COM</td>
<td>51f</td>
<td></td>
<td>Link to image files</td>
</tr>
<tr>
<td>C</td>
<td>IMD</td>
<td>22</td>
<td></td>
<td>Reference to FEDAS - Qualifier</td>
</tr>
<tr>
<td>C</td>
<td>IMD</td>
<td>22</td>
<td></td>
<td>Reference to FEDAS - Qualifier</td>
</tr>
<tr>
<td>C</td>
<td>NAD</td>
<td>5</td>
<td></td>
<td>Identical with NAD+SU</td>
</tr>
<tr>
<td>M</td>
<td>NAD</td>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C</td>
<td>MEA</td>
<td>31</td>
<td></td>
<td></td>
</tr>
<tr>
<td>M</td>
<td>LIN + HYN</td>
<td>11 / 53f</td>
<td>Bottom up, parts list</td>
<td></td>
</tr>
<tr>
<td>C</td>
<td>PIA</td>
<td>13</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C</td>
<td>PIA</td>
<td>12</td>
<td></td>
<td></td>
</tr>
<tr>
<td>M</td>
<td>PAC</td>
<td>47</td>
<td></td>
<td></td>
</tr>
<tr>
<td>M</td>
<td>PRI</td>
<td>45</td>
<td></td>
<td></td>
</tr>
<tr>
<td>M</td>
<td>CUX</td>
<td>9</td>
<td></td>
<td>On header level</td>
</tr>
<tr>
<td>M</td>
<td>QTY</td>
<td>54</td>
<td></td>
<td>Can be 1 by default</td>
</tr>
<tr>
<td>M</td>
<td>LIN</td>
<td>11</td>
<td></td>
<td></td>
</tr>
<tr>
<td>M</td>
<td>IMD</td>
<td>28</td>
<td></td>
<td></td>
</tr>
<tr>
<td>M</td>
<td>IMD</td>
<td>24</td>
<td></td>
<td>Identical with delivery unit</td>
</tr>
<tr>
<td>C</td>
<td>DTM</td>
<td>37</td>
<td></td>
<td>Only on line level</td>
</tr>
<tr>
<td>C</td>
<td>DTM</td>
<td>37</td>
<td></td>
<td>Only on line level</td>
</tr>
<tr>
<td>C</td>
<td>CCI/ CAV</td>
<td>39f</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C</td>
<td>MEA</td>
<td>41</td>
<td></td>
<td>According to ISO</td>
</tr>
<tr>
<td>M</td>
<td>PRI</td>
<td>46</td>
<td></td>
<td></td>
</tr>
<tr>
<td>M</td>
<td>IMD</td>
<td>29</td>
<td></td>
<td>According to following explanation</td>
</tr>
<tr>
<td>M</td>
<td>TAX</td>
<td>8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C</td>
<td>PIA</td>
<td>13</td>
<td></td>
<td>see. IMD Marketingcampaign</td>
</tr>
<tr>
<td>C</td>
<td>PAC</td>
<td>50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>M</td>
<td>IMD</td>
<td>17</td>
<td></td>
<td></td>
</tr>
<tr>
<td>M</td>
<td>IMD</td>
<td>15</td>
<td></td>
<td></td>
</tr>
<tr>
<td>M</td>
<td>IMD</td>
<td>18</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C</td>
<td>PAC</td>
<td>49</td>
<td></td>
<td></td>
</tr>
<tr>
<td>M</td>
<td>DTM</td>
<td>4</td>
<td></td>
<td>Just on header level</td>
</tr>
<tr>
<td>C</td>
<td>IMD</td>
<td>14</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C</td>
<td>IMD</td>
<td>14</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C</td>
<td>IMD</td>
<td>14</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Figure (4) 9: Table with PRICAT-Elements for Fashion
- Continuous or NOS-trade items with following representation: 999X. X = 0 without seasonal reference (1 digit), X = 1 for spring/summer, X = 2 for Autumn/Winter. An example is attached in chapter 4.4.5.

### 4.3.4 Order Processing

Adverse to the general ECR-Rules, the master data (PRICAT), orders (ORDERS) and Purchase Order Response (ORDRSP) should be additionally labelled in the fashion sector with:

**Variants of business models**
- Business model (order to cash, Consignment on sales area level and on distribution centre level, Commission, Concession)
- Management with BMI or VMI
- Delivery (Distribution centre, CD1, CD2, direct delivery to the sales area)

**Information whether subsequent delivery is desired or not.**

The identification of the variants of the business models takes place with the constant “FM” for Floor-Management. This is explained in more detail below.

<table>
<thead>
<tr>
<th>Process Variants Textile</th>
<th>Representation EANCOM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business model</td>
<td>Type of Replenishment</td>
</tr>
<tr>
<td>Order to cash</td>
<td>BMI</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>VMI</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales Area Depot</td>
<td>BMI</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>VMI</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Dist. Center Depot</td>
<td>BMI</td>
</tr>
<tr>
<td>Commission</td>
<td>BMI</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Concessions</td>
<td>VMI</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Figure (4) 10: Table Identification of Business Model Variants
Remarks:
- The code value is structured as follows:
  First digit: Business model (1 = Order to cash, 2 = sales area depot, etc.)
  Second digit: Inventory Management (1 = BMI, 2 = VMI).
  Third digit for logistics (1 = Distribution centre, 2 = CD1, etc.)
- As far as the information cannot be given in the order, one should use “0”.
  Example: If at the time of placing the orders, only the business model is known
  the code value “FM200” has to be used in case of the business model “sales area depot”.
- The qualifiers also apply for the master data and the goods accompanying
  messages, but always with “0” on digit 2 and 3.

4.3.5 DESADV / RECADV

In the fashion sector, DESADV and RECADV are not only used to determine orders but also returns to the supplier / vendor and stock transfer to other trading spaces.

**Document name**

To determine these business transactions unambiguously, the following qualifiers are allocated:
- Delivery to retailer – Qualifier 351 in BGM, DE 1001
- Return to supplier – Qualifier 35E in BGM, DE 1001
- Stock transfer to other trading spaces –Qualifier 35X in BGM, DE 1001

Additionally, the document header (DE1000) contains the respective business model (FM100, FM200, FM300 or FM400).

**Names and addresses**

To differentiate sender and receiver of the delivery from the supplier and to keep the representation as standardized as possible, the GLN is applied to all documents, even if they are not required in individual cases:
- supplier of the goods (according to master data) – NAD + SU
- receiver of the goods – NAD + DP
- sender of the goods – NAD + SF
- buying department of the retailer – NAD + BY
- final recipient of the goods – NAD + UC

**Reference to previous messages**

The messages DESADV and RECADV refer to previous messages ORDERS / ORDRSP. The declaration / description has to take place transparently, as far as it is possible in the relevant process variant. In chapter 4.4.1 to 4.4.4, different single and multi staged delivery variants are illustrated, with descriptions of the valid document name and references and attribution of the involved names and addresses. The illustration is analogously valid for other variants of delivery.
4.4 Indexes

4.4.1 Variant of delivery: Delivery via Distribution centre

Goods Supply via DC

![Diagram of delivery via Distribution centre]

Figure (4) 11: Delivery via Distribution centre

**Column Customer distribution centre at the supplier**

Shows, how a message can be booked between stock in transit (TB) and stock in the distribution centre (LB) with declaration of the relevant leading sign (+/-).

**Messages 1 – 4**

Order of the messages DESADV and RECADV with description of the relevant document-name in BGM and the amount-qualifier in the QTY as well as the required names and addresses (NAD) as well as references to previous messages (illustrated at the base of the figure). In the business model "depot at the sales floor", the supplier receives a copy of the messages 3 and 4, so that he can determine the actual whereabouts of his goods.

**Column Inventory Report**

Column Inventory Report describes, how the relevant messages are represented as movements in the message INVRPT (see Chapter 3, Inventory descriptions of the relevant business models).
4.4.2 Delivery Variants via Distribution Centre with Cross Docking

4.4.2.1 Cross Docking 1

CD1 Abwicklung

4.4.2.2 Cross Docking 2

CD2 Abwicklung
4.4.2.3 Delivery Variant direct Delivery to the Sales Floor
4.4.3 Stock Transfer between the Sales Floors

4.4.3.1 Direct Delivery between 2 Sales Floors

Store Stock Transfer

4.4.3.2 Stock Transfer via Distribution Centre

Store Stock Transfer via DC
4.4.4 Returns to Supplier

4.4.4.1 Directly from the Sales Floor

Return to Supplier

4.4.4.2 Via a Central Distribution Centre

Return to Supplier via DC
4.4.5 Seasonal identification

Figure (4) 12: Seasonal Identifications
5 Glossary and Key Performance Indicators for Fashion

5.1 Glossary

<table>
<thead>
<tr>
<th>Keyword / Abbreviation</th>
<th>Meaning</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buyer FM</td>
<td>Buyer Floor Management</td>
<td>Buyer is responsible for the goods supply of the sales floor.</td>
</tr>
<tr>
<td>BTE</td>
<td>Bundesverband des Deutschen Textileinzelhandels</td>
<td>The Federal Association of German Textile Trade</td>
</tr>
<tr>
<td>CD1</td>
<td>Cross-docking 1</td>
<td>Logistic variant, where trade items are handled at a Cross-docking Point (CDP), without storing or opening the shipping unit (single staged)</td>
</tr>
<tr>
<td>CD2</td>
<td>Cross-docking 2</td>
<td>Logistic variant, where trade items are transhipped at a Cross-docking point (CDP) without storing the shipping unit. The shipping unit is opened and newly commissioned. A new SSCC is created (two staged)</td>
</tr>
<tr>
<td>CDP</td>
<td>Cross-docking point</td>
<td>Location of the physical Cross-docking process taking place (CD1, CD2).</td>
</tr>
<tr>
<td>CFB</td>
<td>Connecting Fashion Business</td>
<td>An initiative, which is controlled by GS1 Germany. CFB has the goal of optimising company-wide processes between the supplier and the retailer in the fashion and sport sector.</td>
</tr>
<tr>
<td>DBE</td>
<td>Depot Inventory, End</td>
<td>Report on inventory (INVRPT), which is in the property of the supplier and should transfer to the retailer's property. Contains counted inventory at the end of a business model.</td>
</tr>
<tr>
<td>DBG</td>
<td>Depot Inventory, Counted</td>
<td>Report on inventory (INVRPT), which is in the property of the supplier. Contains counted inventory to the arranged inventory taking.</td>
</tr>
<tr>
<td>DIS / DBS</td>
<td>Depot Inventory, Start</td>
<td>Report on inventory (INVRPT), which is in the property of the retailer and should transfer to the supplier’s property. Contains counted inventory at the start of a business model.</td>
</tr>
<tr>
<td>DESADV</td>
<td>Despatch Advice</td>
<td>Electronic message about despatch of goods with reference to one or several orders (orders)</td>
</tr>
<tr>
<td>Direct Store Delivery</td>
<td>Direct delivery to the sales floor</td>
<td>Logistical variant, where the trade items get sent directly from the suppliers (e.g. via CEP) to the sales floor.</td>
</tr>
<tr>
<td>DRP</td>
<td>Depot report, periodic</td>
<td>Message about inventory (INVRPT) which is in the property of the supplier. Contains book inventory and gets sent periodically</td>
</tr>
<tr>
<td>EAN-13</td>
<td>Bar-coded representation of a 13-digit GTIN/GLN</td>
<td></td>
</tr>
<tr>
<td>EANCOM</td>
<td>Message standard, Subset of UN/EDIFACT</td>
<td>Coinage created out of EAN and Communication: standard for electronic data exchange in the GS1 community.</td>
</tr>
<tr>
<td>Keyword / Abbreviation</td>
<td>Meaning</td>
<td>Explanation</td>
</tr>
<tr>
<td>------------------------</td>
<td>---------</td>
<td>-------------</td>
</tr>
<tr>
<td>ECR</td>
<td>Efficient Consumer Response</td>
<td>Common initiative of industry and trade in the consumer goods industry with the goal to optimize procedures connected to the supply chain to offer an optimum in quality, service and product diversity to the consumer</td>
</tr>
<tr>
<td>EDI</td>
<td>Electronic Data Interchange</td>
<td>Transfer of structured data via defined message standards (EANCOM) from one computer application to another one electronically without or just with minimal human intervention</td>
</tr>
<tr>
<td>EDP</td>
<td>Electronic Data Processing</td>
<td></td>
</tr>
<tr>
<td>PP</td>
<td>Purchase Price</td>
<td></td>
</tr>
<tr>
<td>FEDAS</td>
<td>Fédération Européenne des Associations de Détailants en Articles de Sport</td>
<td>Federation of European sporting goods retail associations</td>
</tr>
<tr>
<td>FIFO</td>
<td>First in - First out</td>
<td>Withdrawal strategy for the distribution centre. The trade item, which has been stored first is withdrawn first</td>
</tr>
<tr>
<td>GLN</td>
<td>Global Location Number</td>
<td>Worldwide valid numbering structure for unambiguous identification of physical, functional or legal units of companies and / or parts of companies.</td>
</tr>
<tr>
<td>GS1</td>
<td>Global Standards One</td>
<td>Worldwide organisation for standardisation</td>
</tr>
<tr>
<td>GTIN</td>
<td>Global Trade Item Number</td>
<td>Worldwide valid numbering structure for unambiguous identification of goods or provision of services</td>
</tr>
<tr>
<td>INVOIC</td>
<td>Invoice</td>
<td>Electronic message from the supplier to a customer for delivery of goods and / or provision of services with reference to an order (ORDERS)</td>
</tr>
<tr>
<td>INVRPT</td>
<td>Inventory Report</td>
<td>Electronic message between business partners, which contain information concerning counted or calculated inventory as well as goods movement since the last inventory report</td>
</tr>
<tr>
<td>CEP</td>
<td>Courier Express Parcel</td>
<td>Courier, Express and Parcel Services</td>
</tr>
<tr>
<td>SME</td>
<td>Small and Medium-sized Enterprises</td>
<td>Small and medium-sized enterprises</td>
</tr>
<tr>
<td>Distribution Centre</td>
<td>Via Distribution Centre</td>
<td>Logistic variant, where the trade items are stored in a (central) warehouse of the retailer and are later taken out for the connected sales floor and are sent to them</td>
</tr>
<tr>
<td>NOS</td>
<td>Never out of Stock</td>
<td>Continuous Replenishment-Procedure, where trade items (within a specific timeframe) can be reordered to avoid stock deficiency.</td>
</tr>
<tr>
<td>SSCC</td>
<td>Serial Shipping Container Code</td>
<td>Worldwide valid numbering structure for unambiguous identification of shipping containers</td>
</tr>
<tr>
<td>ORDERS</td>
<td>Order</td>
<td>Electronic message from the retailer / customer to his supplier so as to order goods or provision of services. Message contains information about quantity, data for localisation etc.</td>
</tr>
<tr>
<td>ORDRSP</td>
<td>Purchase Order Response</td>
<td>Electronic message from the supplier to the customer to confirm an order or to announce changes</td>
</tr>
<tr>
<td>Keyword / Abbreviation</td>
<td>Meaning</td>
<td>Explanation</td>
</tr>
<tr>
<td>------------------------</td>
<td>-------------------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>PARTIN</td>
<td>Party Information Message</td>
<td>Electronic message for the exchange of participant data (→ GLN) which is exchanged first at the beginning of an business relationship between the business partners.</td>
</tr>
<tr>
<td>PRICAT</td>
<td>Price / Sales Catalogue</td>
<td>Electronic message from the supplier to his customers, contains the entire assortment or just parts of it, if required, PRICAT can be the announcement of single changes. The catalogue contains descriptions, logistic and other information, which have been agreed upon in the business operation, including price information (purchase price and non-binding sales price).</td>
</tr>
<tr>
<td>RECADV</td>
<td>Receiving Advice</td>
<td>Electronic message about receipt of goods with reference to a despatch advice (→ DESADV)</td>
</tr>
<tr>
<td>RETANN</td>
<td>Announcement for Returns Message</td>
<td>Electronic message from a buyer to a supplier about goods which are to be sent back</td>
</tr>
<tr>
<td>RETINS</td>
<td>Instruction for Returns Message</td>
<td>Electronic message from a supplier to a buyer, which contains information about sending certain goods back or to a third party.</td>
</tr>
<tr>
<td>SLSRPT</td>
<td>Sales Data Report</td>
<td>Electronic message from seller to supplier or a third party (e.g. market research institution) about the sale of goods within an indicated time at a mentioned sales price.</td>
</tr>
<tr>
<td>Exchange</td>
<td></td>
<td>Return of goods from the consumer to the retailer</td>
</tr>
<tr>
<td>UVP</td>
<td>Non Binding Sales Price</td>
<td>Sales Price which is recommended by the supplier</td>
</tr>
<tr>
<td>SP</td>
<td>Sales Price</td>
<td></td>
</tr>
<tr>
<td>Vendor FM</td>
<td>Vendor Floor Management</td>
<td>Buyer is responsible for the goods supply of the sales floor</td>
</tr>
</tbody>
</table>
5.2 Key Performance Indicators for Fashion

The organisations - BTE Bundesverband des Deutschen Textileinzelhandels (German Association of the Textile Retail Trade) and - German Fashion Modeverband Deutschland (German Fashion Association, Germany) initiated in the end of 2008 a workshop with selected commercial and industrial enterprises to define central terms and key data, which are commonly used within the framework of vertical Floor-Management in the fashion sector. The terms and key data are based upon the definition of business models and process visualisation of this application recommendation.

5.2.1 Turnover
Turnover means gross turnover, including sales tax. Customer bonuses, - e.g. as a result of loyalty cards from the retail industry – cannot be charged to the supplier and cannot be subtracted from the turnover. A differentiation is to be made between targeted turnover and actual turnover.

5.2.2 “Incoming goods”
Calculation of “incoming goods” (goods receipt) is carried out as a discount calculation (percentage rate). In the past, it was often calculated as a gross calculation (see calculation below). In the framework of vertical Floor Management it is recommended to use net calculation.
Background and examples for calculation: Because of changes in the sales tax rate and increased focusing on the net gross profit of goods, in the trade the net calculation is used more and more. But the net calculation in the trade is frequently calculated differently than in the industry. Therefore, a distinction has to be made between “net calculation trade” and “net calculation industry”:
The net calculation of “incoming goods” for trade is calculated as follows:
Net calculation trade = net sales price without sales tax minus net purchase price (without sales tax, discount and purchase cost) relating to the gross sales price including sales tax.:

<table>
<thead>
<tr>
<th>Sample calculation “trade”</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Price including Sales Tax</td>
</tr>
<tr>
<td>Sales Price without Sales Tax</td>
</tr>
<tr>
<td>Purchase Price without Sales Tax</td>
</tr>
<tr>
<td><strong>Net Calculation Trade (210,08 – 100,00)/250,00 = 44,03 %</strong></td>
</tr>
</tbody>
</table>

Costs associated with the procurement of goods, market development funds, bonus etc. do not enter the calculation and must therefore be taken into account in the framework of a (additional) contribution accounting of the trade per supplier.

The determination of supplier specific costs related to the procurement of goods is associated with a considerable amount of effort, especially if collective invoices of carriers are used.
If one abstains from a supplier specific acquisition of the costs associated with the procurement of goods (e.g. in case of free door delivery of a floor partner), one should estimate a lump calculation compensation of 0,5 % of the gross sales.

The net calculation of “incoming goods” for industry is calculated as follows:
Net calculation industry = net sales price without sales tax minus net purchase price (without sales tax, discount and purchase cost) relating to the gross sales price without sales tax.

Sample Calculation “Industry“:
<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Price including Sales Tax</td>
<td>250,00 €</td>
</tr>
<tr>
<td>Sales Price without Sales Tax</td>
<td>210,08 €</td>
</tr>
<tr>
<td>Purchase Price without Sales Tax</td>
<td>100,00 €</td>
</tr>
<tr>
<td><strong>Net Calculation Industry</strong> (210,08 – 100,00)/210,08 = 52,74 %</td>
<td></td>
</tr>
</tbody>
</table>

In contrast, the gross calculation of goods receipt for trade (not recommended for vertical floor control) is calculated as follows:

Sample Calculation “Trade gross” – not recommended:
<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Price including Sales Tax</td>
<td>250,00 €</td>
</tr>
<tr>
<td>Sales Price without Sales Tax</td>
<td>210,08 €</td>
</tr>
<tr>
<td>Purchase Price without Sales Tax</td>
<td>100,00 €</td>
</tr>
<tr>
<td><strong>Gross Calculation</strong> (250,00 – 100,00)/250,00 = 60,00 %</td>
<td></td>
</tr>
</tbody>
</table>

5.2.3 “Outgoing Goods”
This calculation scheme is referred to as “outgoing goods calculation” or “obtained margin”. It is calculated based on the price, which is actually realised at the point of sale. That means the price reduction has already been subtracted from the original sales price.
As with the calculation for goods receipt, in case of the obtained net calculation one distinguishes between a trade and an industry version.

The net calculation trade is recommended for vertical floor management.

Sample Calculation “Trade“:
<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
</table>
| Sales Price (SP) including Sales Tax     | 250,00 €| (Original SP)
| Price Reductions                         | 50,00 € |
| SP after Price Reductions incl. S. Tax   | 200,00 €|
| Sales Price without Sales Tax            | 168,07 €|
| Purchase Price without Sales Tax         | 100,00 €|
| **Net-Calculation** (168,07 – 100,00)/200,00 = 34,03 % |         |

For comparison a sample calculation for the net calculation „Industry“

Sample Calculation “Industry“:
<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
</table>
| Sales Price (SP) incl. Sales Tax         | 250,00 €| (Original SP)
| Price Reductions                         | 50,00 € |
| SP after Price Reductions incl. Sales Tax| 200,00 €|
| Sales Price without Sales Tax            | 168,07 €|
| Purchase Price without Sales Tax         | 100,00 €|
| **Net-Calculation** (168,07 – 100,00)/168,07 = 40,50 % |         |
In contrast, the gross calculation trade (not recommended for vertical floor management) is calculated as follows:

<table>
<thead>
<tr>
<th>Sample Calculation gross “Trade”:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Price incl. Sales Tax</td>
<td>250,00 € (Original SP)</td>
</tr>
<tr>
<td>Price Reductions</td>
<td>50,00 €</td>
</tr>
<tr>
<td>SP after Price Reductions incl. Sales Tax</td>
<td>200,00 €</td>
</tr>
<tr>
<td>Sales Price without Sales Tax</td>
<td>168,07 €</td>
</tr>
<tr>
<td>Purchase Price without Sales Tax</td>
<td>100,00 €</td>
</tr>
<tr>
<td><strong>Net-Calculation (200,00 – 100,00)/200,00 = 50,00 %</strong></td>
<td></td>
</tr>
</tbody>
</table>

### 5.2.4 Stock turnover

Background: In the practical world of the supplier, there are both value and piece related methods of inventory record keeping with cooperative trading spaces. Calculation of stock turnover is generally possible based upon sales price, purchase price and article / piece.

Recommended stock turnover calculation model:
- Stock turnover based upon 13 monthly figures
  (Opening inventory plus 12 end-month-inventories)
- Calculation on the bases of the purchase price of the stock of goods without sales tax.

Some companies calculate the stock turnover likewise on the base of 13 monthly figures, based upon the sales value, which has been adjusted for reductions, stock of goods including sales tax. This leads to different stock turnover data.

Remark: the stock turnover of one year is an important long-term planned value, but is not suitable for fine control.

### 5.2.5 Write offs

The amount of price write offs is related to the gross turnover including sales tax.

<table>
<thead>
<tr>
<th>Sample Calculation:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Price incl. Sales Tax</td>
<td>250,00 € (Orig. SP)</td>
</tr>
<tr>
<td>Price write offs</td>
<td>50,00 €</td>
</tr>
<tr>
<td>Sales Price after write offs</td>
<td>200,00 €</td>
</tr>
<tr>
<td><strong>Write offs in % from the turnover (50,00 / 200,00) x 100 = 25,00 %</strong></td>
<td></td>
</tr>
</tbody>
</table>

Changes in price and season-end reductions are considered in the write offs. Employee discounts, discounts for loyalty cards or rather bonuses as well as discounts, which are granted to the customer throughout the season, can be included in the write offs. These discounts / bonuses should be made transparent and – as far as possible – an agreement should be made between the partners.

An adjustment of profit deviations is accounted for by the commercial enterprise not to single articles but to the supplier.

Early payment discount is regarded as financing revenue and is not accounted for at goods management but separately.
5.2.6 **Sales Floor**

Within the framework of comparability of key data and as a basis for communication between the retailer and the supplier, the net sales floor should be taken into account for calculation. Proportionate customer’s routes are not included. The net sales floor is the floor, which is provided to the supplier, independently of which furniture he puts on it. If the supplier puts e.g. a changing room on the floor, the object is included in floor calculation.

(Attention! It is referred to the net sales floor NOT to the furnishing border.)

Remark: The retailer has to cover the costs for the gross sales floor.

For sales back walls, there is no separate regulation required.

5.2.7 **Efficiency per Square metre**

For calculation of efficiency per square meter, following recommendations apply:
- Basis for the calculation is the net sales floor
- Gross turnover including sales tax serves as turnover in the calculation
- Gross earning of goods is calculated without sales tax (net gross earning of goods)
- Costs associated with the procurement of goods, early payment discount, depreciation for wear and tear and cost contributions are not considered

5.2.8 **Depreciation for wear and tear**

For the profitability which has to be calculated for a shop, the yearly complexity / expenses for depreciation for wear and tear are a major expense factor. It diminishes the net gross profit per square metre.

In practice, different periods of write offs exist. Currently, the “normal” store construction can be written off over a period of eight years. In case of shop-contracts, the writing off period should be identical with the contract duration. If no contract is available, it is recommended to use a writing off period over five years.

Alternatives:
- Purchase-variant: Calculation is the rate for depreciation for wear and tear, preferably plus imputed interest, because of better comparability with the leasing-alternative.
- Leasing-variant: used for cost calculation for the leasing rate
- Rental-variant: rental charge is used for cost calculation

5.2.9 **Sales ratio / End of Month Balance**

Sales ratio are often discussed between the trade partners, partly they also are an element of the floor acknowledgement. Clarity has to be provided regarding the reference value (season, year, month of delivery, program etc.).
- Standard-recommendations, which calculation of sales ratio should be used in practice, are not possible. If required, a determination should be made in the respective acknowledgement
- Far more important than the sales ratio are in this context the month end balances. The month end balances, accounted in purchase prices, should be arranged upon within the framework of a common planning
- In case of business plans: The final inventory of the past period has to be the beginning inventory of the next period!
5.2.10 Personnel costs

In many shop contracts, the personnel costs are regulated in lump-sum. The expectation of the personnel costs should be determined as concrete as possible. Following variations of a personnel support of the manufacturer are agreed upon generally:
- grants relating to personal costs in Euro
- grants relating to personal costs in % of the targeted turnover / actual turnover
- support with temporary employees / part-time employees (personified)

In the case of personified support through the supplier, it is recommended, that the retailer uses hourly rates for internal booking.
Grants relating to personal costs and / or hourly rates should be part of the suppliers breakeven analysis.
Staffing of the floor as a demand of the supplier cannot be regulated consistently.

These key performance indicators have been developed by the following associations / companies in cooperation with some German member companies. Thankfully, this key data has been made available for this application recommendation.

<table>
<thead>
<tr>
<th>BTE</th>
<th>An Lyskirchen 14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bundesverband des DeutscheTextileinzelhandels</td>
<td>50676 Köln</td>
</tr>
<tr>
<td></td>
<td>Tel.: 0221/921509-0</td>
</tr>
<tr>
<td></td>
<td><a href="mailto:info@bte.net">info@bte.net</a></td>
</tr>
<tr>
<td></td>
<td><a href="http://www.bte.de">www.bte.de</a></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>German Fashion</th>
<th>An Lyskirchen 14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Modeverband Deutschland</td>
<td>50676 Köln</td>
</tr>
<tr>
<td></td>
<td>Tel.: 0221/7744-0</td>
</tr>
<tr>
<td></td>
<td><a href="mailto:info@german-fashion.net">info@german-fashion.net</a></td>
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<td><a href="http://www.german-fashion.net">www.german-fashion.net</a></td>
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</table>

<table>
<thead>
<tr>
<th>h+p hachmeister+partner</th>
<th>Meisenstr. 94</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unternehmensberatung</td>
<td>33607 Bielefeld</td>
</tr>
<tr>
<td></td>
<td>Tel.: 0521/2995-0</td>
</tr>
<tr>
<td></td>
<td><a href="mailto:info@hachmeister-partner.de">info@hachmeister-partner.de</a></td>
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<td></td>
<td><a href="http://www.hachmeister-partner.com">www.hachmeister-partner.com</a></td>
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### Appendix A Document change history

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<tr>
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<th>Description</th>
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</thead>
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<td>1</td>
<td>Jisca Kers</td>
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<tr>
<td>06-02-2014</td>
<td>1.1</td>
<td>Reinier Prenger</td>
<td>Some small corrections in the document regarding references and spelling.</td>
</tr>
<tr>
<td>26-03-2014</td>
<td>1.2</td>
<td>Gabriel Sobrino</td>
<td>Small corrections on the date and table of contents.</td>
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