

SHOPKO®

Vendor Partnership Manual

Section 18 – E-commerce Drop Ship Terms

What's New

*Changes have occurred since our last
update in January 2018*

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1. Statement of Purpose

This Section outlines specific policies and procedures for vendors participating in Shopko's E-commerce Drop Ship program. Each drop-ship vendor is expected to satisfy all of the requirements outlined in this Section (as well as other Sections within this Manual) when shipping merchandise direct to Shopko's customers. Deliveries will be audited to ensure the requirements listed in this manual are being met. Any non-compliance may result in vendor deductions (chargebacks) to recover additional costs associated with dropping below service level standards; mis-billings, mis-shipments and damaged merchandise and/or termination of the relationship. If after consulting this Section, you have questions regarding the requirements, please contact your Shopko Ecommerce merchant.

2. Vendor Set-up and Integration

Shopko may contract with an independent third party company (“Facilitator”) to administer its drop ship program. Vendor must integrate with Facilitator’s platform in order to enter into a drop ship program with Shopko.

- Vendor is responsible for and must comply with all Facilitator requirements (including signing any required agreements). Vendor will be required to pay any and all facilitator program fees/charges. These fees/charges may be modified from time to time as directed by Facilitator. It is Vendor’s responsibility to pay all fees/charges imposed by Facilitator on a timely basis. Shopko will not be liable for late or missed payments by Vendor.
- Vendor must work with Shopko Ecommerce merchant contacts to initiate the setup process with Facilitator and/or with Shopko through Facilitator.
- Upon completion of the Vendor Set-up forms, Vendor will be assigned a unique 10 digit vendor number before setting up SKUs that will be drop-shipped.
- Vendor must work with the Ecommerce merchant to finalize assortments and complete SKU set ups in the facilitator’s platform prior to the web start date (date the product will be sold for Shopko).
- Once initial paperwork is complete, Vendor must work with the facilitator to set up an account for their SKU set up, item content & image tool. (see **Section: 4 Media & Content for Shopko.com**)

3. Item Set-up Process for Shopko.com

- Every item that will be sold as drop ship item is required to go through the drop ship SKU setup process which is done via Shopko's selected third party facilitator tool. There is a monthly fee charged by the facilitator to use this tool. Once all set up paperwork has been completed, the vendor will be contacted by the facilitator to start the integration process. All drop ship SKUs that are set up will require a level of information that is predetermined within the tool and adheres to Shopko.com standards. The information entered at the time of SKU set up must be for the exact product that is shipped direct to Customer. SKU information must be at a single unit (or "each") level along with accurate shipping dimensions and weight
- Vendor must include packaging and handling in the SKU cost. Shopko will not pay any additional fees for packaging and handling costs.
- Vendor must fill in a Web Description Title at item setup. The Web Description (maximum of 64 characters) is the name of the product that will be displayed on Shopko.com to help the customer identify the product. Note that this is different than the SKU description. Use the following guidelines when creating your Web Description.
 - Hard/Home: [Brand] + [Series] + [Product]
 - Apparel: [Brand] + [Gender] + [Series] + [Defining Attributes (style, cut)] + [Product]
- Vendor must fill in Manufacturer Model # for the Vendor SKU.

4. Media & Content for Shopko.com – Web Content Tool

4.1 Product Content

4.1.1 Agreements

1. Vendor hereby covenants, represents and warrants that the product descriptions, knowledge sheets, feature/benefit information, photography, images, video animation, or interactive media, graphics, audio, website addresses and other content (collectively, “Product Content”) furnished by Vendor to Shopko for any merchandise displayed on websites relating to Shopko’s e-commerce programs shall be accurate, complete, and comply with all relevant laws – including, but not be limited to: (i) all existing laws, regulations, standards, orders, rulings, rules and guides of all United States federal, state and local governments (and all departments, boards, bureaus and commissions thereof), including, but not limited to the Federal Trade Commission Act, the Consumer Product Safety Act, the Textile Fiber Products Identification Act and regulations relating to statement of fiber content of rayon, wool, linens, and other textiles contained in such merchandise, the Wool Products Labeling Act, the Care Labeling Rule, the Fair Packaging and Labeling Act, the Magnusson-Moss Warranty Act, the Federal Hazardous Substances Act, the Poison Prevention Packaging Act, the Radiation Control for Health and Safety Act, the Food, Drug and Cosmetics Act, and the Fur Products Labeling Act; and (ii) the laws, regulations and rules of all countries in which merchandise is produced or delivered.

2. Vendor hereby grants to Shopko (subject to number 3. below), a non-exclusive, gratis license to use the Product Content furnished by Vendor to Shopko in any advertisement or display of the merchandise, including, but not limited to, on any of the websites relating to Shopko’s e-commerce programs. Vendor hereby covenants, represents and warrants that Vendor is the sole owner and copyright proprietor of the Product Content furnished by Vendor to Shopko, that Vendor is free to grant Shopko all rights hereunder, and that Vendor possesses all rights to the Product Content necessary for the grant of the license provided for herein. Vendor further covenants, represents and warrants that the Product Content furnished by Vendor to Shopko shall not infringe or encroach upon the contractual or proprietary rights of any other person, firm or corporation, including without limitation, the designs, design patents, trademarks, trade names, trade dress, copyrights, rights of privacy and publicity, trade secrets and other proprietary intellectual property rights of any third party.

3. If, at any time during the term of this Agreement, in the event Vendor no longer has the necessary rights with respect to any of the Product Content for use as described herein, Vendor shall provide Shopko with immediate written notice and Shopko will use its commercially reasonable efforts to discontinue any use objected to by Vendor as soon as reasonably practicable.

4. For purposes of clarification, Shopko shall not be obligated to use any portion of the Product Content provided by Vendor to Shopko.

5. Vendor shall submit Product Content for all drop ship items via the 3rd party facilitators copy and image set up tool. A monthly fee charged by the facilitator is required to use this tool.

6. Vendor shall provide customer friendly selling features, detailed product information, and/or high resolution images for items that will be sold for Shopko.

7. To meet Shopko.com standards, images must meet the following minimum requirements:

- ◆ Image size of 1500 pixels x 1500 pixels or larger, dependent on shape of product.
- ◆ Minimum of true 72 dpi
- ◆ Images must have a white background.

.jpg images are preferred, but we will accept other industry standard formats (tif/png).

Note: Images must not be falsely enlarged as they will be rejected. Additionally, only true photographs will be accepted, not product drawings or false images.

Vendor must submit samples if image/s of the product/s is not available. Work with respective merchant contacts in the event a sample needs to be provided to Shopko

5. Service Expectations – Inventory and Shipping

5.1 Inventory

Vendor must maintain inventory service level standards of 98% in stock total inventory on hand for items being drop shipped for Shopko. For example, if Vendor has 100 drop ship SKUs for Shopko, 98 of the drop ship SKUs are expected to be in stock for each inventory availability update.

1. Vendor must maintain current SKU availability statuses for all SKU's in the Inventory file. The three statuses are: Available, Unavailable, or Discontinued.
 - a) Vendor must move temporarily out of stock SKUs to the "Unavailable" status. All unavailable SKUs must have a "Next Available Date" so Shopko understands ETA. SKUs within the Unavailable status will not count against the 98% in stock requirement.
 - b) Vendor must move discontinued SKUs to the "Discontinued" status. A discontinued item can have inventory, and will continue to send to shopko.com until on hands have reached 0. When on hands are 0, the vendor must delete the SKU from the inventory feed. Vendor must send written communication to the ecommerce merchant and inventory contacts, notifying the team a SKU has been discontinued.
 - c) SKUs that have inventory on hand and are not discontinued must be in the "Available" status.
2. Vendors must assign a "Next Available Date" date in the inventory file for SKUs that are out of stock. Out of stock items will display on Shopko.com as "temporarily out of stock."
3. Vendor must send **full** inventory availability for all drop ships SKUs sold for Shopko once a week to Facilitator on Monday at 12am CST.
4. Vendor must send **incremental** inventory availability for all drop ship SKUs sold for Shopko that have changed inventory levels 4 times daily (Monday through Sunday). The times expected to receive the inventory updates are 12am, 6am, 12pm, and 6pm CST.
 - Vendor need only to send the full inventory availability on Monday at 12am CST as this will capture the incremental changes.

5.2 Shipping

1. Vendor will provide product fulfillment for customer orders placed for the merchandise SKUs set up under this program. Vendor is not involved in the actual sales transaction between Shopko and its customers. Vendor's manufacturing and distribution facilities shall be transparent in the packing slip and shipping process (i.e. each package sent to the Customer will appear to have come from Shopko directly).
2. Vendor must use UPS shipping services, unless otherwise specified by Shopko, and must ship Customer orders using the vendor's own Account Number. Shopko will provide a unique account number during the drop ship vendor set up process to bill shipments against. All shipments should be billed Third Party to the unique account number provided by Shopko.
3. LTL deliveries: Shopko will not provide Vendor with LTL carrier and account information for oversized and/or overweight items, and for items that can only ship via LTL, both parties agree to use Vendor's LTL provider. The average cost of shipping must be accounted for in the SKU cost. Shipping charges not accounted for in the SKU cost will not be accepted.
 - a) All LTL Bill of Ladings (BOL) must be approved by the Shopko Drop Ship Team.

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- b) BOLs must contain required information that will be provided by Shopko Drop Ship team as part of set-up.
 4. Vendor must ship Customer orders (including parts orders) within 2 business days upon acceptance of the order or cancel.
 - a) Orders received daily between 4pm and 11:59pm local time will start the 2-day shipping service requirement the following business day, as day 1. "Business day" is defined as Monday through Friday, non-national holiday.
 5. Vendor is required to send FUNCTIONAL ACKNOWLEDGEMENT to facilitator upon receipt of Customer order.
 6. Vendors are required to maintain accurate order status and confirm in the system when orders ship by sending a SHIP CONFIRM message to Facilitator. The SHIP CONFIRM message will include: shipment date, ship method, tracking number, and SKU level details.
 - a) SHIP CONFIRM messages must be sent the same day an order is shipped by vendor. An order that is beyond the 2-day shipping service requirement, even if vendor states the order has shipped from warehouse, is considered late if the order status is "open/no action" and not "shipped".
 7. Vendors are required to send an ORDER CANCELLED message to Facilitator if vendor is unable to fill all lines on the Customer order. The ORDER CANCELLED message should be sent within 48 hours of order being received by Vendor.
 8. All orders must follow the Fill or Kill procedures. If multiple items are ordered from a single vendor, the vendor must ship all items on the order. If only partial orders can be fulfilled, the entire order must be cancelled. Shopko will not accept partial deliveries.
 9. Vendor must input Customer Purchase Order Number information in Reference Fields 1 and 2 when creating the shipping label. If vendor has a direct connection to UPS, they must ensure the following data is transmitted when creating the shipping label:
 - a) Reference Field 1: Customer Order Number (should never be truncated)
 - b) Reference Field 2: Customer Order Number (should never be truncated)
 10. Vendor is responsible to recognize, prioritize, and ship all order/s where Customer selected an expedited shipping method so that Customer receives order/s in time. Vendor must prioritize and ship according to the ship method that Customer selects.
 - a) **2 – Day Air (2-day)**. Customer pays for expedited shipping to receive order within 2 business days. Orders must be prioritized and shipped within 24 hours.
 - b) **Ground (Standard)**. Customer pays standard shipping to receive order within 3-8 business days. Orders must be shipped within 48 hours.
 11. Vendor is required to ship to meet the 8 day delivery expectation. If vendor did not ship in the 2-day shipping service requirement upgraded shipping is required at Vendor's cost. Shipping cost difference will be charged back to the Vendor. Shipping cost difference with the upgraded service will not be paid by Shopko.
 12. Vendor must maintain a fill-rate on Customer orders accepted by Vendor of 98%. Fill-rate on accepted Customer orders will be reviewed weekly.
 13. Shopko is "fill or cancel" at total Vendor Customer order level for all customer orders. For example, if the Customer order has 2 items, and 1 item is out of stock, the entire Customer order must be cancelled per vendor unable to ship both lines of the order. Shopko does not accept partial shipments.
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14. Vendor is liable for all charges associated with incorrect billings. Customer order billing will be audited regularly. If shipments from another company are inaccurately charged to Shopko's UPS account, or other inaccuracies occur, Vendor will be responsible for paying a penalty fee (cost of shipping charge +25% for time spent to correct billing error). The total dollar amount will be deducted from Invoice Payments.
15. Vendor will receive a charge-back if a Customer purchase is not shipped to the correct ship-to destination. Ship-to destinations are entered by customer at checkout and are sent by Facilitator to the vendor once the order is placed. If the vendor ships to an address other than the ship-to received, the vendor will be charged freight in and freight out, plus an additional 25% of freight charges (to cover administrative charges) to move the merchandise to its intended destination.
16. Vendor must not include any non-Shopko packing slips, collateral, or marketing materials in the package (Product info, warranties, instructions manuals, etc. are acceptable with Shopko approval).

5.2.1 Packaging Requirements

Vendor must supply and ship items in new, plain brown corrugation, or industry standard packaging appropriate for the type/size of item shipping. Vendor must notify Shopko what type of packaging items will ship in and may be required to submit images of all sides of packaging to Shopko for approval before migrating to production with Facilitator. Packing material must be used to secure and ensure products ship undamaged to Customer. Plain brown over-wrap corrugate, and other packaging material to secure product may also be used.

5.2.2 UPC and Label Requirements

All items being sent directly to Customer must have UPC and other required labels as defined in the **Shopko Label Manual** <http://www.shopko-vendors.com/vendors-shopko-label-manual>.

5.2.3 EAS Tags

EAS tags are not required for Drop Ship items sent direct to Customer. Please contact the merchant team with questions.

6. Invoicing

1. Upon receipt of SHIP CONFIRM message, a second message called INVOICE is sent by Vendor after the SHIP CONFIRM message. This message can be sent with an invoice number that Vendor generated within their system for tracking purposes or Facilitator can auto-generate a number for Vendor.
2. The INVOICE message will be sent to Shopko from Facilitator with the Quantity and Cost pulled from the original purchase order sent to Vendor.
3. The Facilitator's invoice process will not allow Vendor to change the Quantity and Unit Cost or add shipping charges (shipments are to be charged to Shopko's carrier shipping account number).
4. Vendor can transmit the Ship Confirm and Invoice message via several electronic methods (EDI, XML, DSM – Facilitator's web based solution, or flat files are all acceptable) or they can update directly into the Facilitator's online system manually. **Paper invoices will not be accepted.**

7. Packing Slip Requirements

1. Shopko approved packing slip templates will be provided to Vendor by Facilitator. Vendor is required to use the provided template when printing Shopko packing slips and provide sample packing slip to Shopko before Vendor begins fulfilling orders through shopko.com.
2. Shopko recommends Vendor to use plain white paper with black ink. If Vendor has specific material for packing slips other than standard plain white paper, the test packing slip must be approved by Shopko before Vendor begins fulfilling orders through shopko.com.
3. Gift packing slips will display a gift message and alphanumeric conversion where the price of the item displays. The message and converted price are sent over to Vendor in a file as text from Facilitator. Vendor is required to print alphanumeric text on gift packing slips. The gift message will be a maximum of 250 characters.
4. The review and approval process for packing slip templates will be completed during the test order phase when integrating for drop ship through Facilitator. If Vendor is creating a custom pack slip according to Vendor specific printer paper and/or software limitations, Vendor must provide sample packing slip to Shopko and obtain approval from Shopko before migrating to production with Facilitator.
5. Return address is required and returns will be sent to the vendor's return warehouse unless vendor does not accept returns, in which case Shopko will provide return address vendor is to use.

8. Returns

1. Returns received from a Shopko Customer must be processed within 2 business days.
2. Vendor must adhere to Shopko's Return Policy.
<http://www.shopko.com/category/Customer-Help/Returns-Exchanges-Policy/pc/2198/2204.uts>
3. Vendor must send a RETURN NOTIFICATION through the Facilitator the same day the Customer return is processed.
4. A RETURN NOTIFICATION must be sent for every return regardless of RETURN REASON. This notification is required in order to refund the customer.
5. Returns require a valid RETURN REASON as indicated by Customer (via selected return reason defined on packing slips) and will be reviewed weekly.
6. Shopko will self-invoice for the cost of the item/s returned and bill Vendor back the item/s cost returned.
7. Vendor can transmit the RETURN NOTIFICATION via several electronic methods (EDI, XML, DSM – Facilitator's web based solution, or flat files are all acceptable) or they can update directly into the Facilitator's online system manually.
8. All returns must be prepaid by the Customer and shipping costs are not refunded by Shopko.
9. Returns may also come from a Shopko store or Shopko distribution center and are expected to be processed the same as if direct from Customer.
10. Shopko will not be held financially responsible for orders and/or product that are lost, damaged, mis-shipped, mis-billed and/or shorted.
11. Vendor is responsible for beginning the Carrier Investigations on Lost or Damaged orders, as they are the Shipper of Record. It is expected that the Vendor cooperates and complies with Shopko's Request to begin a Carrier investigation. If deemed damaged or lost by carrier, Vendor is expected to enter a Return Notification through the Facilitator within 2 days of being notified by carrier.
12. Vendor is responsible for return shipping costs for the damaged, mis-shipped, or shorted items.

9. Customer Service

Vendor is expected to cooperate in good faith with Shopko to resolve any customer service related issues with drop ship orders and/or returns. Vendor is expected to reply to Shopko within 24 business hours of first inquiry regarding customer service issues and continue to be responsive until customer service issue is resolved.

10. Indemnification

In addition to the Indemnification Agreement signed by Vendor and any other indemnification obligations agreed to herein, Vendor agrees to defend, indemnify and hold Shopko, its parent and affiliates, and their officers, directors and employees harmless from any claim, liability, loss, damage or expense, including attorneys' fees, which arises, grows out of, results from, or is based on (i) any claim of (a) unlawfulness, (b) infringement of any proprietary or intellectual property rights including without limitation claims related to the Product Content, (c) unfair competition or (d) unfair or deceptive trade practices in connection with the Product Content furnished by Vendor to Shopko; (ii) any claim of negligence, recklessness or willful misconduct on the part of Vendor; (iii) any breach of this Drop-Ship Vendor Agreement with Facilitator; or (iv) any other claim related to Vendor's participation and performance (or failure to perform, as the case may be) under Shopko's e-commerce drop-ship program.

11. Exhibits

E-commerce Drop Ship Agreement

E-Commerce Drop Ship Agreement

By signing below, Vendor agrees to comply with the terms, conditions, requirements and expectations as set forth in the E-commerce Drop Ship Terms Section of the Shopko Vendor Partnership Manual. In addition to the remedies outlined in the Vendor Acknowledgment, Shopko reserves the right to terminate its relationship with Vendor, if Vendor fails to comply with any of the E-commerce Drop Ship Terms or other Vendor Partnership Manual terms.

Vendor: _____

[Print or type Vendor's full legal name]

By: _____

[Signature of Vendor's authorized representative]

Name: _____

Title: _____

Date: _____