

Overview

Scan Based Trading (SBT) is a business model in which product is owned by the vendor until it is sold. Under the traditional model, invoices were created based on the quantities delivered to the store. SBT changes invoicing from the quantities delivered to the quantities sold to guests at check out. Shortage is determined through periodic counts of on-hand merchandise and the cost of shortage is typically shared by the vendor and Target.

Target partners with Prescient Applied Intelligence, or Prescient, to help manage the day-to-day operations associated with SBT. Prescient is able to provide Target with a machine-to-machine connection for transmitting sales and invoicing, as well as, completing various item maintenance. Using the sales information provided by Target, vendors can provide a better-balanced assortment and eliminate out-of-stocks.

The following sections outline Target's objectives, benefits of SBT and how to become a SBT vendor with Target.

SBT Objectives

Sales:

- **Improving instocks** – eliminate the receiving barriers to drive higher frequency of deliveries.
- **Merchandising** – shift the labor focus from product receiving and returns to stocking and merchandising the sales floor.

Expense Reduction:

- **Store and delivery expenses** – drive out the high labor expenses by eliminating the check-in and return processes at the back door.
- **Back office expenses** – eliminate invoice discrepancies and resulting PO mis-matches.

SBT Benefits

- **Store Access** – expanded delivery window to improve route management and efficiencies.
- **Expense Reduction** – eliminate the detail check in and return processes at the back door.
- **Timely Payment** – eliminated invoice discrepancies that cause PO mis-matches and deductions.
- **Machine to Machine Connection** – eliminates the need for paper work and manual data entry of item information.
- **Key Data Measurements** – captures and provides joint visibility.
- **Shortage** – vehicle to monitor and reduce shortage.

Becoming a SBT Vendor

To become a SBT vendor with Target, vendors must agree to the [Scan Based Trading Terms and Conditions](#) and establish a business agreement with their merchandising department. After an agreement has been finalized, vendors will need to work with Prescient and Target to complete the following two phase process:

1. Data Synchronization

Target utilizes Prescient a web-based application, to efficiently manage the following components of synchronization using Electronic Data Interchange (EDI):

- Alignment of item and price
- Item authorization
- Price changes
 - Base cost
 - Promotional pricing

Initial Item Load and Synchronization

- Vendor enters item and cost data into the Prescient system.
- Target sends item file to Prescient
- Prescient creates a compare file that looks at both sets of item data
- Prescient sends item and cost information for accepted items to Target's Partners Online Item Management system.

Ongoing Item Maintenance

- Vendor sends new item information and cost changes to the Prescient system
- Prescient sends new item offers and cost notifications via email to both the vendor and Target.
- Prescient electronically sends new item data and cost changes to Target's Partners Online Item Management.
- Merchants complete new item set up and review base and promotional cost changes.

2. Scan Based Trading

SBT utilizes Prescient as a data of record to manage:

- Store level inventory information
- Store level scanned sales
- Invoicing to Target for payment to vendor
- Exception reporting to manage potential shortage risks

Begins with Inventory Buyback

- Inventory count completed at each store.
- Process a vendor credit.
- Buyback quantity becomes BOH in Prescient.

SBT Data Flow

- Vendor reports quantities delivered and returned for each store.
- Target reports scanned sales for each store.
- Prescient invoices Target daily based on scanned sales.
- Prescient maintains perpetual store inventories.
- Shortage is managed using exception reporting and completing periodic inventories to reconcile.

SBT Partnership

After becoming a SBT vendor, it is very important that vendors work closely with Target to make sure data errors are corrected and prevented, items and stores are properly activated, and shortage remains at a minimum. The information in the Scan Based Trading Best Methods sections will help vendors successfully operate a DSD business as SBT with Target.

Item Maintenance

Electronic Item Set Up

Electronic item set ups decrease the amount of time it takes to assign a DPCI and legalize stores. Also, items are more likely to be set up accurately and will have fewer issues when it reaches the stores.

To complete an electronic item set up for SBT, all information must be properly loaded into Prescient. The UPC, size, case pack, and cost information for all cost zones where the item will be serviced must be sent to Prescient before a Target DPCI may be assigned to the item.

Steps to complete an item set up:

1. After the item has been offered in the Prescient system, Prescient will electronically send the item data to Target.
2. Along with the item data, Prescient will send out an email to Target and the vendor with an item offer report detailing information about the new item.
3. When this email has been received by Target, the merchant will complete the item set up, legalize stores, set cost, set retail and assign a DPCI.
4. Target will then send an electronic message back to Prescient and change the item status from **offered** to **accepted**.
5. Prescient sends out another email with an item offer report indicating the item has been accepted.

Even though Prescient is sending an email indicating a new item is available, it is important that vendors communicate with the department that an item has been offered.

This feature currently does not provide maintenance for items already existing in Target's Item system.

Click on the following link to view [department specific instructions regarding item set ups](#).

Base Cost Changes

Base cost changes are electronically sent from Prescient to Target via Partner's Online Item Management. Cost changes must be submitted to Prescient prior to the beginning effective date. A past effective date may not be used on a cost change. All cost changes are subject to final approval by the merchant.

Base cost changes should be entered into Prescient with enough time for Target to review the change and make retail adjustments, if necessary. After a cost changes has been received by Prescient, regular cost changes may be edited or cancelled in the Prescient application up to the effective date. If a cost change needs to be edited after the effective date, a new cost change will need to be submitted with the correct cost.

Click on the following link to view [department specific instructions regarding cost changes](#).

Promotional Cost Changes

Promotional cost changes may be sent through Prescient to provide a special cost or allowance to Target for a specific time period. If Prescient is to be used to submit a promotion, all stores in the cost zone where the promotion has been submitted will receive the special cost. For a promotion that will only be available for specific stores, promotion pricing should not be submitted through Prescient and Target will perform a bill-back after the promotion is complete. The department will then verify sales and request vendor income for the cost difference.

Click on the following link to view [department specific instructions regarding cost changes](#).

Cost Change Rejections

Merchants may reject cost changes because the price received was not previously agreed to by the department or there is a noticeable keying error in the new cost. When a cost change is rejected, Target will send a notice explaining the reason for the rejection to Prescient and they will forward it to the vendor. The vendor will need to cancel the cost change in Prescient or make corrections in order to prevent cost discrepancies. If the cost is edited, Prescient will resend the changes to Target.

Item Movement Errors

When Target sends sales data that does not agree with Prescient's item data, a sales error notification will be sent to both Target and the vendor. The errors on the report must be corrected the same day the report is sent in order to prevent the error from reoccurring. Below are some of the most common sales errors, an explanation of what caused the error and the action that must be taken to correct the error.

Error Message	Definition/Action
Supplier Item does not exist or Ref Item config is incorrect	An item that has not been set up in the vendor's Prescient item catalog has been sold at the location indicated on the report. If the item should be in the Prescient catalog, submit an item offer. If the item is not being serviced, contact the department and ask them to investigate the issue.
Item is Not Offered to Retailer	When this error appears on a Item Movement Error Report, the vendor has the item in the Prescient item catalog, however, it has not specifically been offered to Target. If the item should be in the Target stores, offer the item. If the item is not being serviced, contact the department and ask them to investigate the issue.
Item is Not Authorized in this stores cost zone	An item has been accepted at the vendor level, however, it has not been accepted at the cost zone, or sub vendor, level in Prescient. Contact the department and request that the item be accepted at the cost zone level. If the item is rejected, remaining inventory must be removed from the stores where the sales occurred.
Item does not have a cost in effect	Prescient does not have a cost for the item indicated. Submit a cost for the item to prevent additional sales errors.
Sale for the Supplier and store ID were unexpected for date	The store connected to the does not have an active Store Supplier Profile in Prescient for the vendor. If the vendor is supposed to be servicing the store as SBT, contact the department to activate a Store Supplier Profile. follow the instructions to complete a Store Supplier Profile. If the vendor is not

	servicing this store, contact the department and ask them to investigate the issue.
Item is Not Accepted by Retailer	Item data has been submitted to Prescient, however, it has not been accepted by Target before it was sold in the store. Contact the department to change the status of the item. If the item is rejected, remaining inventory must be removed from the stores where the sales occurred.

Cost Discrepancies

Cost Discrepancies occur when an item has been sold at the checkout, however, the item cost between Target and Prescient does not match. To correct this issue, first verify the item cost in Prescient is correct. If the cost is incorrect, submit a new item cost. If the cost is incorrect, contact the merchandise coordinator or buyer and ask to have the discrepancy corrected.

Store Setup

New Stores

It is important the following steps be completed by SBT vendors prior to product arriving at a new store:

6. Assign the new store to the correct cost zone in Item Management. If the new store is not available to assign to a cost zone, contact the department for more information.
7. Verify a store supplier profile has been activated in Prescient for each new store. If a store supplier profile is not active, Target will not receive an invoice from Prescient for the sale of product.
8. To prevent unnecessary item shrink, SBT vendors are encouraged to verify all items are scanning correctly at new stores before quiet opening. Scanning all items at a new location only needs to be completed **once**.
 - If an item is not scanning at the store, then notify the team leader overseeing the area where the product is located so they can contact headquarters.
 - Also, the vendor representative should be contacted so they may contact the merchandise coordinator or buyer and help resolve the issue.

Click here to review more [information regarding new stores](#).

Cost Zones

A cost zone represents a grouping of store locations with the same costs and similar item assortments. Cost zones are created and locations are assigned to each cost zone by the vendor in Item Management. The stores located in each cost zone must match the cost zones set up in Prescient.

Vendors will be responsible for maintaining the cost zones in Item Management and for notifying their merchants of any changes in cost zone structure.

Merchants will notify vendors when new stores will be available to assign to a cost zone.

Click here to [set up or edit a cost zone](#).

Store Supplier Profiles

Store Supplier Profiles are used to translate cost zone data, activate SBT and turn on invoicing in the Prescient system. To review the status of a Store Supplier Profile, log in to Prescient and,

from the main menu, click on Review Stores. If there are any discrepancies or a profile is missing, contact the department and ask them to make corrections where necessary.

Shortage

Cooler/Freezer Failure

As stated in the SBT Agreement Worksheet, Target is responsible for paying a percentage of unsellable goods due to a cooler or freezer failure. Target pays for the lost product by uploading a sales addendum to Prescient.

Stores have been instructed to contact their vendor representative when a cooler or freezer fails and allow the vendor to count and remove the product from the store. If product cannot be salvaged, a Cooler-Freezer Failure Template will need to be completed and sent to the merchandise coordinator or buyer for approval. If the store does not count the items and disposes of the lost product, the inventory in Prescient on the day of the loss will be used to process the addendum.

When the template has been submitted, the department will verify the template is filled in correctly and, if approved, will forward it to accounts payable for processing. If the information has not been completely or correctly filled in on the template, it will be returned.

Additional instructions are located on the template. Click on the following link to download the [Cooler/Freezer Failure Template](#).

Natural Disasters

As specified in the SBT Terms and Conditions, Target will pay for product which is lost due to a natural disaster, such as, hurricanes, tornadoes, floods, etc. Please follow the same steps outlined under Cooler/Freezer Failures to complete the recovery of lost products. Indicate on the [Cooler/Freezer Failure Template](#) the items were lost due to a natural disaster and the inventories will be uploaded to Prescient as a sale.