

GXS Inventory Visibility

Drive Improved Inventory Performance in Your Retail Network

A number of factors in the past five years have caused both retail demand and supply variability to increase. Demand variability has gone up with the proliferation of items and channels and the increase in promoted goods. With the greater dependence on offshore sourcing, supply variability has also escalated. In a supply chain, the greatest shock absorber for variability is inventory. Retailers seeking to realize the goal of flawless product availability without maintaining excessive inventory need a timely and accurate picture of inventory positions across their distribution centers and stores. However, according to the most definitive study conducted to date on out-of-stocks², we are a long way from achieving this goal. The study uncovered that:

- Stock-outs occur at an average of 8.3 percent globally; promotional items experience an average of 13 percent stock-outs
- Each year, companies lose \$2.5 billion due to obsolete inventory

With no real-time visibility to stock in-store, in-warehouse, in-transit and on-order, retailers struggle to commit to customer orders, suffer from declining order fill rates and experience difficulty delivering orders on time.

Supplier Driven Inventory Replenishment

Smart retailers recognize the benefit of involving key suppliers in inventory management decisions. For one thing, retailers have little time or resources to track inventory positions across their various supplier products. Consider, for example, the task of managing:

400 stores x 15,000 line items per store x variability of supply and demand across every one of those items.

That is more than 6 million decisions being asked of the organization every day or week or month. By sharing this responsibility with suppliers, retailers can not only free up valuable human resources, but could also get raw materials and work-in-progress inventory off their balance sheet, thereby reducing the amount of working capital needed to manage their business. Suppliers have a natural incentive to monitor the availability and performance of their products within the retail network to facilitate production and transportation planning. Furthermore, suppliers have a better knowledge of their products, the appeal they have to consumers, and any planned product marketing activities—all of which can impact merchandising decisions.

Solution Imperatives

Obtaining inventory information in a timely manner and creating a framework for collaborative order decision support can be a challenge. Vast amounts of data must be



K-Mart watched customer service measures go from the high 80's to the high 90's...

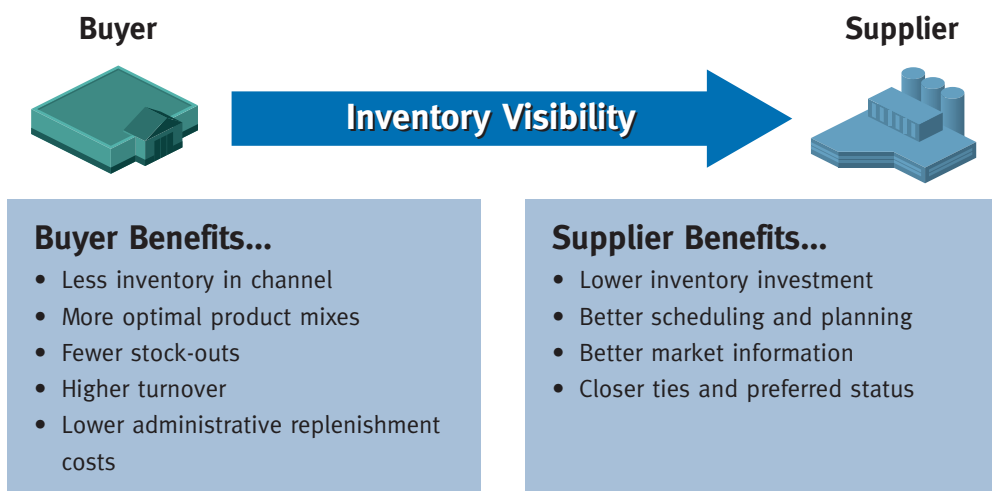
ACE Hardware, the largest hardware cooperative, saw order fill rates rise by 4 percent to 96 percent...

Grand Union, a New Jersey-based grocery retailer with more than 100 stores and three distribution centers, improved inventory turns by close to 80 percent...¹

How did they do it? By collaborating with key suppliers to better manage merchandise replenishment processes.

¹ Vendor Managed Inventory, Kellogg Graduate School of Management, 2000

² Retail Out-of-Stocks: A Worldwide Examination of Extent, Causes and Consumer Responses, GMA/FMI/CIES Study, 2002



The Benefits of Involving Suppliers in Inventory Management Processes

collected from various disparate sources throughout the supply and demand chain. And once that data has been collected, enterprises cannot afford costly delays to analyze the data and produce consolidated views of inventory. For this reason, third party market data providers such as Information Resources Inc (IRI) and AC Nielsen fall short. Their information is often delayed by weeks, and this serves little purpose particularly to companies with short replenishment cycles. Given these challenges, the ideal inventory visibility solution must have the following characteristics:

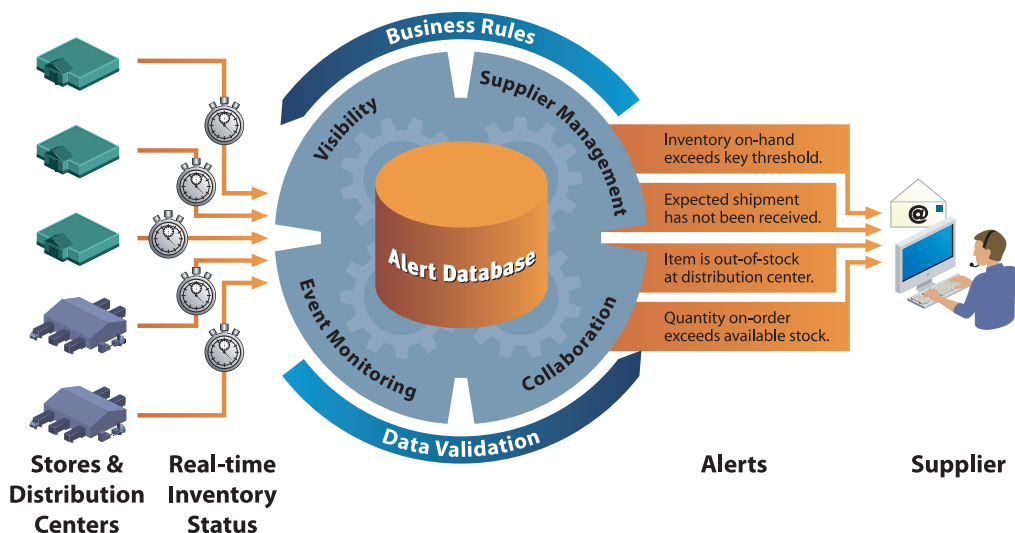
- **Real-time:** Critical alerts and reporting of inventory must be delivered continuously, in real-time or near real-time, to enable intelligent decision making and action.
- **Accurate:** Smart decisions require data that accurately reflects the true levels of inventory.
- **Optimized:** The solution must utilize existing infrastructure investments without requiring extensive data consolidation or integration projects.

Solution Overview—GXS Inventory Visibility

A hosted application on the GXS Trading GridSM, GXS Inventory Visibility empowers your suppliers with timely and accurate product inventory information, obtained directly from your warehouse management and store operations systems. GXS Inventory Visibility ensures that your suppliers receive the most up-to-date information, allowing them to monitor and proactively mitigate any potential stock-out or over-stock situation. The solution features:

- **A Web-based Dashboard:** Your suppliers can securely access all the information they need via an easy-to-use and intuitive web-based interface. The interface facilitates collaborative replenishment whereby account managers or sales representatives from your supplier can review inventory information. As necessary they can prepare and send suggested orders to your store managers for review and approval.

- **Email & Dashboard Alerts:** Information can be monitored on an exception basis, as dashboard and email alerts such as the “Out of Stock” alert ensure that inventory problems quickly gain visibility and response.



Real-time Alerts Empower Your Suppliers to Make the Right Decisions

- **A Robust Search Engine:** Inventory status searches can be performed based on desired criteria such as retailer name, SKU number, product description, stock condition and location. Furthermore, all custom reports can be created and stored for regular review.
- **Flexible and Extensible Product Attributes:** In addition to a standard set of product attributes supported, custom data fields can also be added to meet specific retailer and supplier needs.
- **Configurable Replenishment Time Period:** GXS Inventory Visibility Solution supports all your suppliers, regardless of whether they are on a weekly, monthly, quarterly, or seasonal replenishment cycle.
- **Configurable Location Hierarchy:** Suppliers can quickly map and establish the hierarchical relationships between your store, state, district, regional and corporate distribution centers.
- **Download and Print:** All search results can be downloaded to a Microsoft Excel spreadsheet or printed on demand.
- **Supplier Community Enablement:** Participation of your supplier community in your inventory visibility program is fundamental to its success. Ensure 100 percent supplier enablement and watch the benefits of your program increase as each supplier participates. GXS Community LinkSM can assist with this enablement, offering best-in-class community management through global trading partner on-boarding, technical support and change management.

SUPPLY CHAIN INVENTORY MANAGEMENT—USE CASE EXAMPLES

Reduce stock-outs by measuring sales against inventory/shipment data

- Upgrade/change carrier methods for fast-moving products during demand peaks
- Monitor replenishment criteria established for suppliers such as reorder points, safety stock levels, days of supply and inventory min/max points

Group and analyze inventory performance across predetermined location hierarchies

- Introduce new products and monitor sell-through of a product in a test market
 - If above plan, alert category manager and roll out new products to additional markets
 - If below plan, alert category manager and cancel existing orders
- Manage mark-downs for short life-cycle products
 - If selling above plan, hold or increase the price and order additional inventory
 - If selling below plan, take a mark-down until inventory is exhausted
- Monitor promotions
 - If exceeding goal, notify category manager to implement promotions in other areas
 - If below goal, notify suppliers or cancel standing orders for more inventory

Solution Benefits

- **Maintain high customer satisfaction and protect your integrity:** Ensure that your products are available and delivered in a timely manner. Store-level out-of-stocks can cause irreversible damage to consumer satisfaction.
- **Improve productivity and profitability:** An accurate, continuous view of consumption and sell-through can help enterprises increase revenue by improving product mix management and avoiding costly shortages.
- **Easy to deploy with minimal IT resources:** Eliminate the need to invest in software or hardware. GXS Inventory Visibility is a fully hosted solution, requiring no software or hardware implementation and only a low, up-front capital investment.

About GXS

GXS is a leading provider of B2B e-commerce solutions that simplify and enhance business process integration and collaboration. Organizations worldwide, including 75 percent of the Fortune 500, leverage GXS' GS1 certified global interoperability and supply chain execution solutions. Active in the global standards arena, GXS offers solutions, powered by the Trading GridSM, that enable customers both large and small, to connect with global partners, synchronize product information and optimize the execution of supply chains.

Headquartered in Gaithersburg, MD., GXS provides sales and support to businesses and their partners worldwide. For more information about GXS visit www.gxs.com.



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