

**Supplier Guide to the M&S Foods
Purchase to Pay Process**
Core GIST depots via GL Baker

YOUR M&S

BUSINESS FOUNDATION PROGRAMME

M&S Purchase to Pay Process



BFP

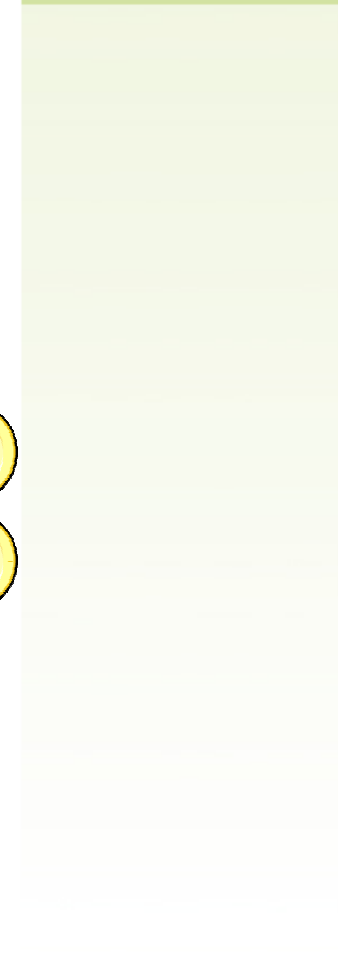
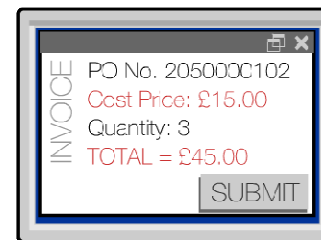
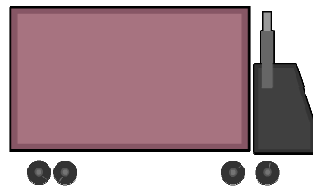
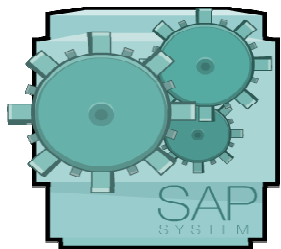
Order

Deliver

POD

Invoice

Pay



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BFP

BFP Process – Introduction

- We are implementing SAP Retail to support our new ways of working as part of our Business Foundation Programme
- The new M&S Purchase to Pay (P2P) Process will bring changes to our ordering, delivery and invoice matching processes
- We have been using the same system to order and receive goods and process invoices for over 25 years. It is timely to ensure that our systems and processes make use of available technology to meet the needs of M&S today and support our future development
- The following is a guide to the principles of the new process and support the changes accompanying the introduction of SAP Retail to M&S and its introduction to suppliers to Core GIST depots.

BFP

BFP Process – Electronic Communication

- M&S currently place orders, issue PODs and receive invoices in a number of ways including email, fax, post, via web portal, AFI (invoices) etc.
- All these methods will be replaced by paperless communication via industry standard EDI (Electronic Data Interchange). Given the volume of transactions electronic communication will help us to implement more efficient processes
- All suppliers must implement EDI to ensure:
 - They can continue to receive orders
 - They can receive PODs
 - They can submit invoices and be paid for products and services – we will not be able to accept manual (including emailed and AFI) invoices once EDI has been implemented
- Suppliers already using EDI will need to ensure that their system is compliant with our revised message specs
- For full details of the EDI options and full technical specifications please refer to the separate EDI Guide www.mands.gxs.co.uk user name: mands password: iwf01

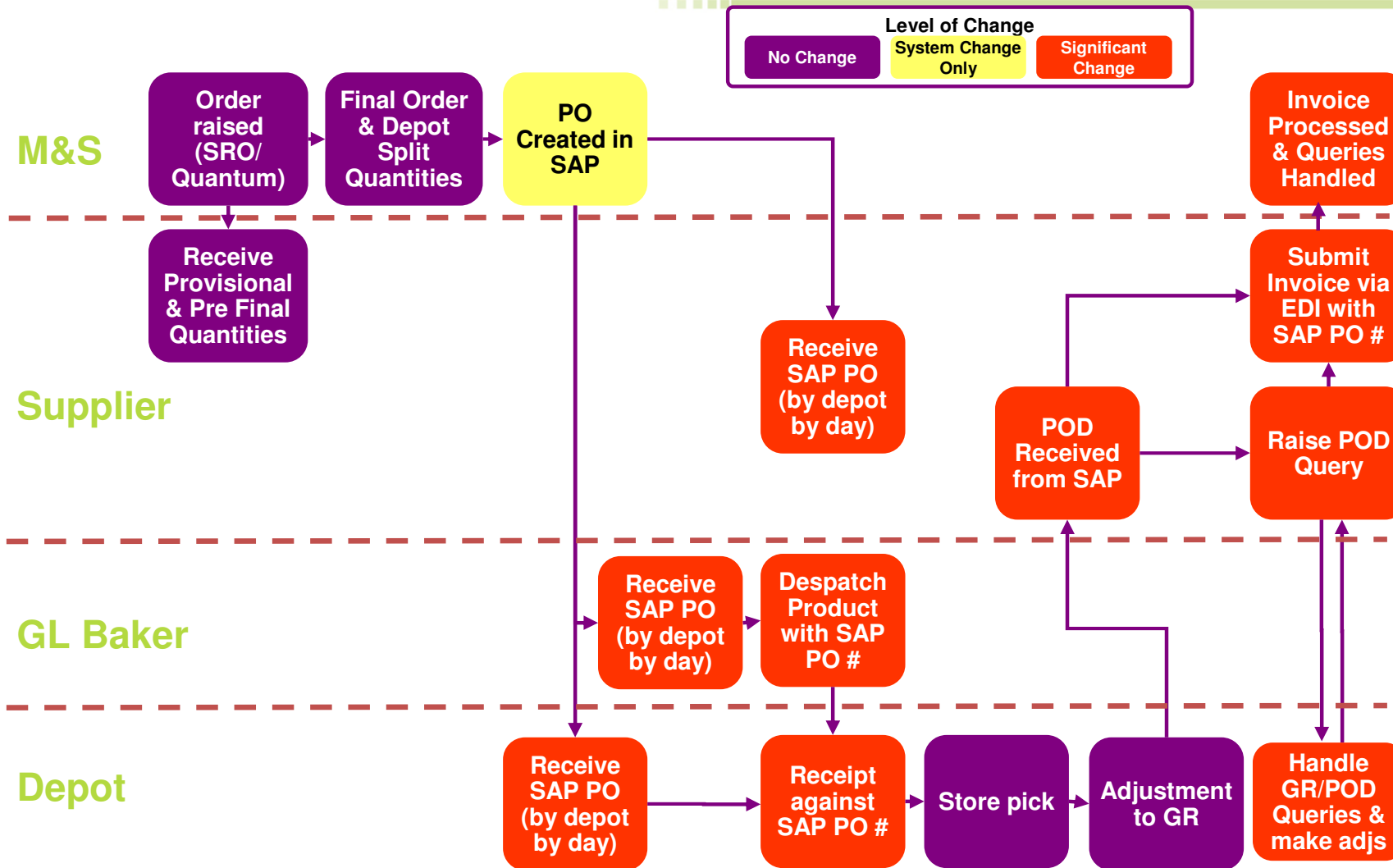
BFP

BFP Process – Key Principles



- M&S P2P Process works on the basic principle of stock being delivered, receipted (POD'd) and invoiced against a unique numbered Purchase Order (PO).
- This principle will be applied to all Foods bought by M&S.
- The point at which the PO number (#) is issued will vary depending on the extent to which stock is vendor managed but all suppliers will receive a PO # which must be linked to the POD and the invoice
- The following flow chart shows the order, delivery and payment process and the different activities for M&S, Supplier and Depot for deliveries directly into GIST.

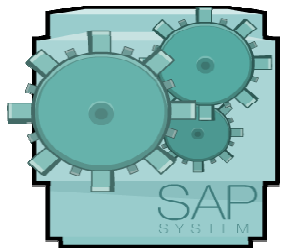
BFP Process – GL Baker Process



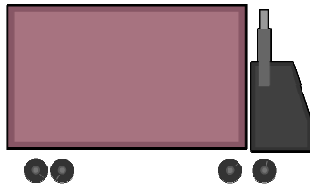
M&S Purchase to Pay Process

ORDER

Order



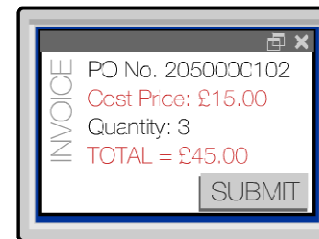
Deliver



POD



Invoice



Pay



BFP Process – Cost Prices

- The cost price must always be agreed with the buyer **before** final orders are placed
- This will minimise queries at a later stage which can also delay payment
- All cost prices are confirmed on a weekly basis in the CPP report which will list all products linked to a supplier. This report is known as the '*Price and Pack Details Report*' is a full report sent on a weekly basis
- Cost prices for new lines and any changes in cost are confirmed on a daily basis Mon – Fri. *These are sent on the 'Price and Pack Change Report'* (commonly known as the CPP report)
- Both these reports are sent to suppliers via email to a single email address only

ORDER

BFP Process – Cost Price Confirmation Reports

- The CPP reports are changing and will now show cost at gross and net level i.e. after deduction of any discounts outlined in the M&S Terms of Trade e.g. Marketing Allowance, Supplier Discount
- The net price quoted on the CPP will be quoted on the Purchase Order and will form the basis for invoice payment. **It is the net price which should be charged on the invoice**
- Suppliers must contact buyers immediately on receipt of the CPP to discuss any cost price discrepancies prior to Purchase Orders being placed
- Buyers are unable to agree retrospective changes to cost price, this includes catchweight products
- For catch weight products buyers will agree the reconciliation frequency appropriate to each product and cost prices will be adjusted up or down for future deliveries. Cost prices cannot be adjusted retrospectively
- Please see example of weekly CPP overleaf

ORDER

BFP Process – Cost Price Confirmation Reports

Marks & Spencer plc

ORDER

**PRICE AND PACK DETAILS
F02 Frozen
ACCOUNTS OFFICE**

TO:
F01504 Test vendor

For Invoicing w/e: 10.09.2010
Page: 1 of 1
Department: F02

		PACK			COST PRICE				
CTRY DEPOT STORE	CTRY OF ORIGIN	NET UNIT SIZE	NET TRAY WT	UNITS PER TRAY	Gross CP per UNIT/ KILO	Gross CP per TRAY	Net CP per TRAY	START DATE INTO LOCATION	END DATE INTO LOCATION

UPC: 00010269	%VATable 20.00 %	VAT
Test article 1		3.50%
	unit	tray

GB	GB			20	£ 1.20	£ 24.00	£ 23.76	04.09.2009	
GB	GB			15	£ 1.20	£ 18.00	£ 17.82	04.09.2009	
IE	GB			20	£ 1.20	£ 24.00	£ 23.76	04.09.2009	
IE	GB			15	£ 1.20	£ 18.00	£ 17.82	04.09.2009	

UPC: 00010368	%VATable 0.00 %	VAT
Test article 2		0.00%
	unit	tray

GB	GB			6	£ 0.17	£ 1.00	£ 0.99	01.01.2010	
IE	GB			6	£ 0.17	£ 1.00	£ 0.99	01.01.2010	

BFP Process – Cost Prices KEY POINTS

- Cost prices to be agreed before orders are placed
- The CPP will now show gross and net cost i.e. after supplier discount for each product
- The net cost price will be quoted on the Purchase Order
- The net cost price will be the basis for payment and should be the invoice cost
- Contact the buyer with any queries

ORDER

BFP Process – Orders: Provisionals, Pre-finals and Finals

ORDER

- Suppliers who currently receive provisional and pre final orders from New Foods will continue to do so according to current format and timelines
- Final orders will be transmitted after being allocated a SAP Purchase Order number (PO#). This number must be quoted on all subsequent documentation relating to that order, including G L Baker Delivery Notes
- Any amendments to Purchase orders will be confirmed via EDI. The amendment will quote the same PO# issued on the Final Order above.
- Duplicate copies of all Final POs and any PO Amendments will be sent to GL Baker as well as to the Supplier
- There will be one separate PO for each supplier series number and suffix by depot, category, delivery day & delivery cycle. As a result all suppliers will see an increase in the number of POs versus the current Final Order instructions
- A single item or product will not be ordered twice on the same PO

BFP Process – Orders: Final Orders

ORDER

- The Final Purchase Order will be numbered and state the required:
 - Depot
 - Delivery Date
 - Delivery Cycle
 - Product (identified by item code or article number)
 - Units per Tray (UPT)
 - Quantity
 - Cost
- Suppliers/G L Baker are required to deliver exactly according to the details on the Purchase Order i.e. correct depot, correct day, only products listed on the PO and in the UPT and quantities stated
- It is important that suppliers contact the M&S Category with any queries regarding their orders before making delivery. This includes queries on the cost price quoted on the PO.
- Please refer to separate section on query management later in this guide

BFP Process – Order: Purchase Order Amendments

ORDER

- As at present it may be necessary to amend final orders after transmission (weather related change in demand, promotional performance, UPT changes, availability, stock diverts/substitutions etc)

TIMING	PO AMENDMENT TRANSMISSION
Depot splits after final order	According to current lead times
Agreement between supplier and M&S (prior to the day of outload)	All amendments must be agreed by 5pm PO amendment will be received in batch run next morning (4 -6am) which will be intake day
Manual agreement between supplier and M&S (on the day of outload but prior to dispatch) NB this can only apply to products received into depot on pm receiving cycles	All amendments must be agreed by 12 noon latest on depot intake day but before EDN/Delivery Note submission. PO amendment will be transmitted to both supplier and depot within 1 hour of entry onto system

BFP Process – Orders: KEY POINTS

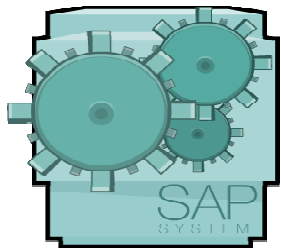
- Provisional and Pre-Finals continue as at present
- Finals will be broken down by:
 - Supplier series number and suffix by depot
 - Category
 - Delivery day
 - Delivery cycle
- There will be an increase in the number of orders transmitted
- Final orders will be allocated a Purchase Order Number
- Any change to an order will be confirmed as a PO Amendment, including changes on day of outload
- Duplicate copies of all orders and order amendments will be sent to GL Baker and the supplier

ORDER

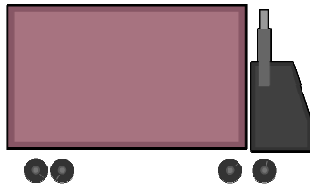
M&S Purchase to Pay Process

DELIVER

Order



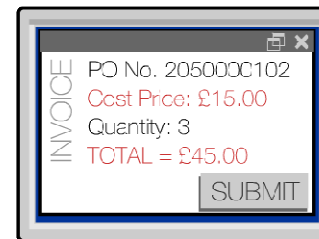
Deliver



POD



Invoice



Pay



BFP Process – Deliver

- Suppliers are required to deliver exactly according to the details on the Purchase Order i.e. correct depot, correct day, only products listed on the PO and in the UPT and quantities stated
- Suppliers are held responsible for accurate delivery to Core GIST depot even when stock is held in sites managed by G L Baker
- It is important that suppliers contact the M&S Category with any queries regarding their orders before G L Baker make delivery. This includes queries on the cost price quoted on the PO.
- Please refer to separate section on query management later in this guide.

DELIVER

BFP Process – Deliver: Delivery Notes

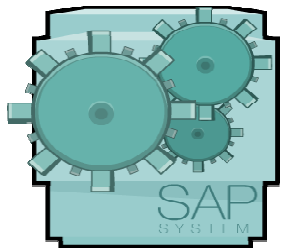
- All delivery notes for delivery to core GIST depots (electronic and paper) must state
 - The SAP PO number at header level on all pages
 - Supplier reference number and EDN number (if using EDN).
 - Category and UPC listing to reflect the same order as the PO
 - Units per tray for each product
- A separate delivery note is required for each PO#
- **The PO# must be quoted on all delivery notes and EDNs**

DELIVER

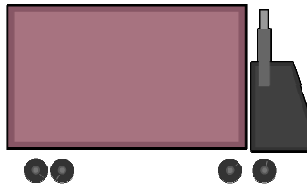
M&S Purchase to Pay Process

DELIVER

Order



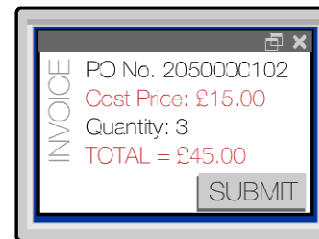
Deliver



POD



Invoice



Pay



BFP Process – Deliver: Proof of Delivery - PODs

- PODs will be transmitted electronically from SAP on a daily basis, they will be received two days after delivery
- Transmission time is expected to be 2am on Day 3
- PODs will quote the SAP PO# and the quantity received by the depot
- There will be one POD transmitted for each PO#
- Amendments to PODs will also be transmitted on a daily basis and may be received up to 7 days after delivery
- It is anticipated that amendments to PODs after Day 4 will be the exception

DELIVER

BFP Process – Deliver: Proof of Delivery - PODs

- PODs will state the ordered quantity in trays or cases and the quantity received by the depot
- The products and quantities listed on the POD will form the basis for payment by M&S
- Suppliers can start to submit invoices from Day 4 onwards (i.e. 3 days after depot delivery day)
- All POD queries should be raised as soon as possible after receipt of POD and no later than Day 7 (i.e. 6 days after depot delivery day)
- All POD queries must have been resolved with the haulier or depot as appropriate before Invoices are submitted
- Please refer to separate section on query management later in this guide

DELIVER

BFP Process – Deliver: Proof of Delivery - PODs

IDD = Into Depot Day	Week 1							Week 2				
	Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	
	1	2	3	4	5	6	7	8	9	10	11	
Su 1	IDD		POD	POD Amends								
			Delivery Query Resolution									
			Invoice Submission									
Mo 2		IDD		POD	POD Amends							
			Delivery Query Resolution									
			Invoice Submission									
Tu 3			IDD		POD	POD Amends						
			Delivery Query Resolution									
			Invoice Submission									

DELIVER

- POD Amendments may be received up to Day 7 (IDD + 6) however amendments after Day 4 will be the exception
- Invoices can be submitted from Day 4 onwards (i.e. 3 days after depot delivery day)
- POD queries must be resolved before invoices are submitted

BFP Process – Deliver: Proof of Delivery - PODs

DELIVER

- PODs will **not be issued** in the following circumstances:
 - Delivery into the wrong depot
 - Delivery of product not shown on the PO
 - Delivery of product where the PO# is not shown on the EDN or Delivery Note and this has not been agreed in advance with M&S e.g. selected fresh produce lines or during initial transition period (a separate guide to transition will be issued)
 - Delivery of product where the PO# on the EDN or Delivery Note is incorrect

BFP Process – Deliver: POD Units Per Tray

- The Units Per Tray (UPT) or Units Per Case must always be stated on the Delivery Note
- Product deliveries must always match the UPT as stated on the PO
- If stock is delivered in another UPT the POD will record this in one of two ways:
 - Where UPT does not match the PO but is a UPT previously supplied to M&S and details are held on the depot system – POD will show the actual UPT of the delivery
 - Where UPT is not as shown on PO and has **NOT previously been supplied** to M&S and details are **not held** on the depot system – POD will record the delivered quantity in trays equivalent to the UPT shown on the PO as per example below:

	UPT	No Of Trays	No of Units
Purchase Order	12	10	120
Supplier Delivery Note	16	10	160

The POD will state 13.33 trays of 12 UPT (i.e $160/12 = 13.33$) as there is no record of 16s. N.B this may affect the value of payment made

It is important that deliveries always match the UPT as stated on the PO

DELIVER

BFP Process – Deliver: POD Reporting

DELIVER

GIST PORTAL – POD REPORTS

- The existing portal will continue to be updated and available on a weekly basis until further notice
- In the event of any discrepancy between the POD and the GIST portal M&S will pay on the basis of the POD specific to the PO# concerned

DAILY OVERS AND SHORTS REPORT

- The existing report will continue to be made available to suppliers and M&S merchandising teams on a daily basis

BFP Process – Deliver: KEY POINTS

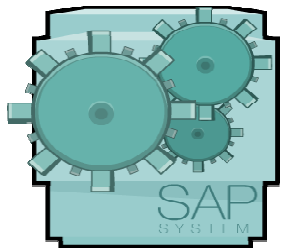
DELIVER

- Deliveries should be made exactly according to the details on the Purchase Order
- The PO# must be quoted on all delivery notes and EDNs
- A separate delivery note is required for each PO#
- PODs will be transmitted electronically from SAP on a daily basis, they will be received two days after delivery
- There will be one POD transmitted for each PO#
- PODs will state the ordered quantity and the quantity receipted by the depot
- All POD queries must be resolved before Invoices are submitted

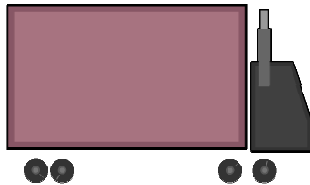
M&S Purchase to Pay Process

INVOICE

Order



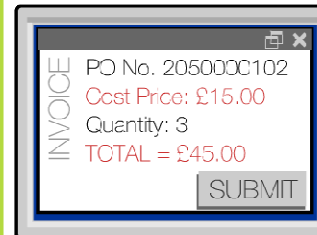
Deliver



POD



Invoice



Pay



BFP Process – Invoice: Getting Paid – The Headlines

- M&S will accept daily or weekly EDI invoice submission
- M&S will only accept one invoice per PO
- Suppliers must check and agree with the quantities quoted on their Proof of Delivery prior to invoice submission.
- All POD queries must be resolved before invoices can be submitted
- Prior to invoice submission suppliers must ensure the invoice price matches with the price quoted on the Purchase Order
- Invoices must not be submitted before Day 4 i.e. at least 3 days after delivery into depot (see timeline chart pg 23)
- **Invoice discrepancies queried after submission / payment will not be accepted**
- Details of transition arrangements i.e. invoicing of goods ordered on legacy but delivered after the 'go-live' will be detailed separately

INVOICE

BFP Process – Invoice: Cost Price

- The cost price stated on the PO will form the basis for payment of the invoice
- Where the unit cost on the invoice is lower than the PO unit cost M&S will pay the lower of the two
- All payments will be in Sterling (GBP) unless specifically agreed otherwise in advance
- All remittance advices will be emailed to Suppliers. Please ensure that we have the right address for this information and that we are notified at the earliest possible opportunity of any changes

INVOICE

BFP Process – Invoice: Invoice Acknowledgment

- M&S will return an Invoice Acknowledgement message for all submitted invoices
- The Invoice Acknowledgement message will either be confirmation of successful receipt of the invoice or notification of rejection with reason codes notifying of any discrepancies
- Reasons for invoice rejection include:
 - No Purchase Order Number
 - Purchase Order Number relates to a different supplier
 - Purchase Order no has already been invoiced
 - No POD has been issued
 - Mismatch between invoice and Purchase Order currency

INVOICE

BFP Process – Invoice: Automated Debits & Credits

- In line with the introduction of EDI and EDI invoicing M&S will also be moving to the use of automated debit adjustments
- Following invoice submission a three way match will be completed at line level matching the invoice against the PO and the POD
- Identified discrepancies will be corrected with an automated system generated debit & credit adjustment.
- Suppliers will receive an automatic debit adjustment at line level, when either:
 - The quantity on the invoice is greater than the quantity on the POD
or
 - The cost on the invoice price is greater than the cost on the purchase order
- In line with the matching process, all adjustments will be raised at line level i.e. at UPC level not total PO level.
- All automated debit & credit notes will be sent via EDI
- Any other adjustments will be communicated by e-mail

INVOICE

BFP Process – Invoice: Invoicing Exceptions

INVOICE

- **THERE ARE A SMALL NUMBER OF EXCEPTIONS TO THE NEW PURCHASE TO PAY PROCESS AND FOR THESE MANUAL INVOICES WILL CONTINUE TO BE ACCEPTED. THESE ARE:**
 - Directs deliveries to store including samples
 - Direct deliveries to Franchise Partners
 - Non Merchandise Procurement i.e. equipment, store consumables
 - Amendments to invoices agreed by exception with M&S

BFP Process – Invoice: KEY POINTS

- EDI only - paper/email etc unacceptable
- Invoice submission can be Daily or Weekly
- PO# must be quoted
- One invoice per PO
- Invoice acknowledgements will confirm invoice rejection or acceptance
- Invoices will be 3 way matched to PO# and POD
- Debits/Credits will be automated
- Invoice costs to match PO cost
- Invoices not to be submitted before any POD queries resolved and in any case not before Day 4 i.e. IDD + 3
- Invoicing in foreign currency only by prior agreement

INVOICE

BFP Process – Pay:



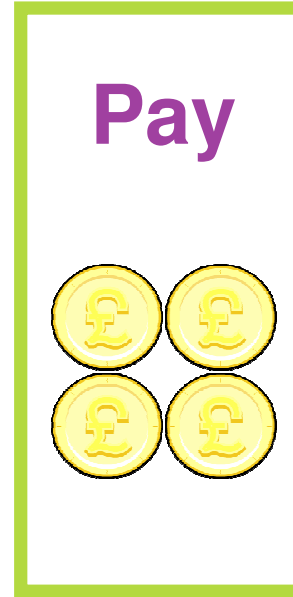
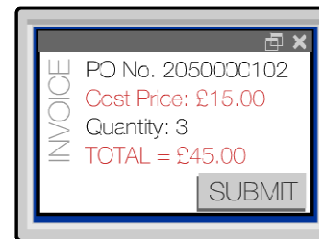
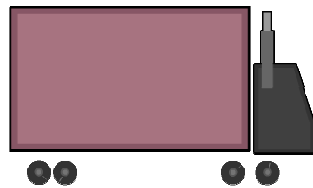
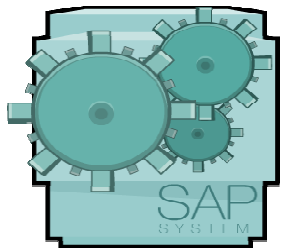
Order

Deliver

POD

Invoice

Pay



BFP Process – Pay: Quantity and Delivery Location

PAY

M&S is changing the policy on payment for goods delivered

This policy will be introduced after a suitable bedding in period for our new P2P process. After that time:

- M&S will only pay for goods delivered up to the quantity stated on the PO
- Quantities voluntarily delivered over and above the ordered quantity will not be paid for
- M&S will only pay for product delivered that has been ordered on a PO e.g. supplier decision to substitute a product without prior agreement with category, product delivered to the wrong depot will not be paid for
- M&S may seek compensation for short deliveries i.e. where the quantity received is less than the PO stated
- M&S may seek compensation when the delivery does not arrive on the date stated on the PO i.e. early or late

Full details of the notification and basis for compensation will be advised nearer the implementation time

BFP Process – Pay: Quantity and Delivery Location

PAY

- Where the haulage contract is held between the supplier and the haulier M&S will hold the supplier accountable for compensation in the event of short delivery or incorrect delivery date.
- The supplier may wish to obtain compensation from their haulier at their discretion
- This includes suppliers using G L Baker for delivery to GIST core sites
- Where suppliers have participated in a primary haulage tender with M&S, and the haulage contract is now held directly by M&S, the supplier will not be held responsible for compensation where the short delivery is the hauliers fault i.e. late delivery, wrong location, goods damaged or missing in transit. The supplier must establish that the haulier is accountable for the short delivery
- Where a short delivery is due to non availability of product from the supplier - the supplier (not the haulier) will be held accountable

BFP Process – Pay: Payment Terms

- Payment will continue to be made according to our Terms of Trade (February 2010)
- M&S will continue to operate within a four week payment cycle –
 - Delivery in week one
 - Invoice submission in following agreement of POD
 - Invoice acknowledged and processed following receipt
 - Payment submitted and received in week four
- Funds will be cleared by Friday of week 4
- The payment term will be an average of 23 days following the receipt of a valid invoice

PAY

BFP Process – Pay: Payment Terms

- The 23 day average payment term will be effective on orders placed from the date that suppliers move on to the new Purchase to Pay process
- Suppliers will be advised individually of their 'go-live' date once all testing has been completed and supplier readiness is confirmed.
- Payment terms will always commence from the receipt date of a compliant invoice ***not the invoice date***

PAY

BFP Process – Pay: KEY POINTS

PAY

- Payment will only be made against a Purchase Order #
- Over deliveries and incorrect deliveries will not be paid for
- Compensation may be sought for short deliveries or deliveries made on the wrong day
- Where M&S hold the haulage contract suppliers will not be held accountable for haulier delivery errors
- M&S will continue to operate within a 4 week payment cycle
- The average payment term will be 23 days

M&S Purchase to Pay Process



BFP

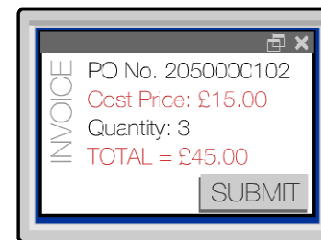
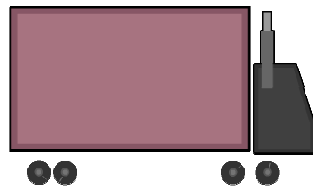
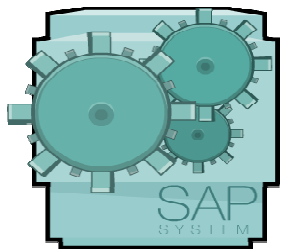
Order

Deliver

POD

Invoice

Pay



Query resolution



BFP Process – Pay: Query Resolution

- M&S recognise that the critical timescales in the new process will require efficient and prompt query resolution
- In addition we expect to experience more queries in the initial bedding in period of the new process
- We have therefore reviewed the process across categories, logistics and finance teams
- To help resolve any Supplier queries in a timely manner new teams have been created within GIST and the Finance Business Services Centre to handle any invoice and payment queries

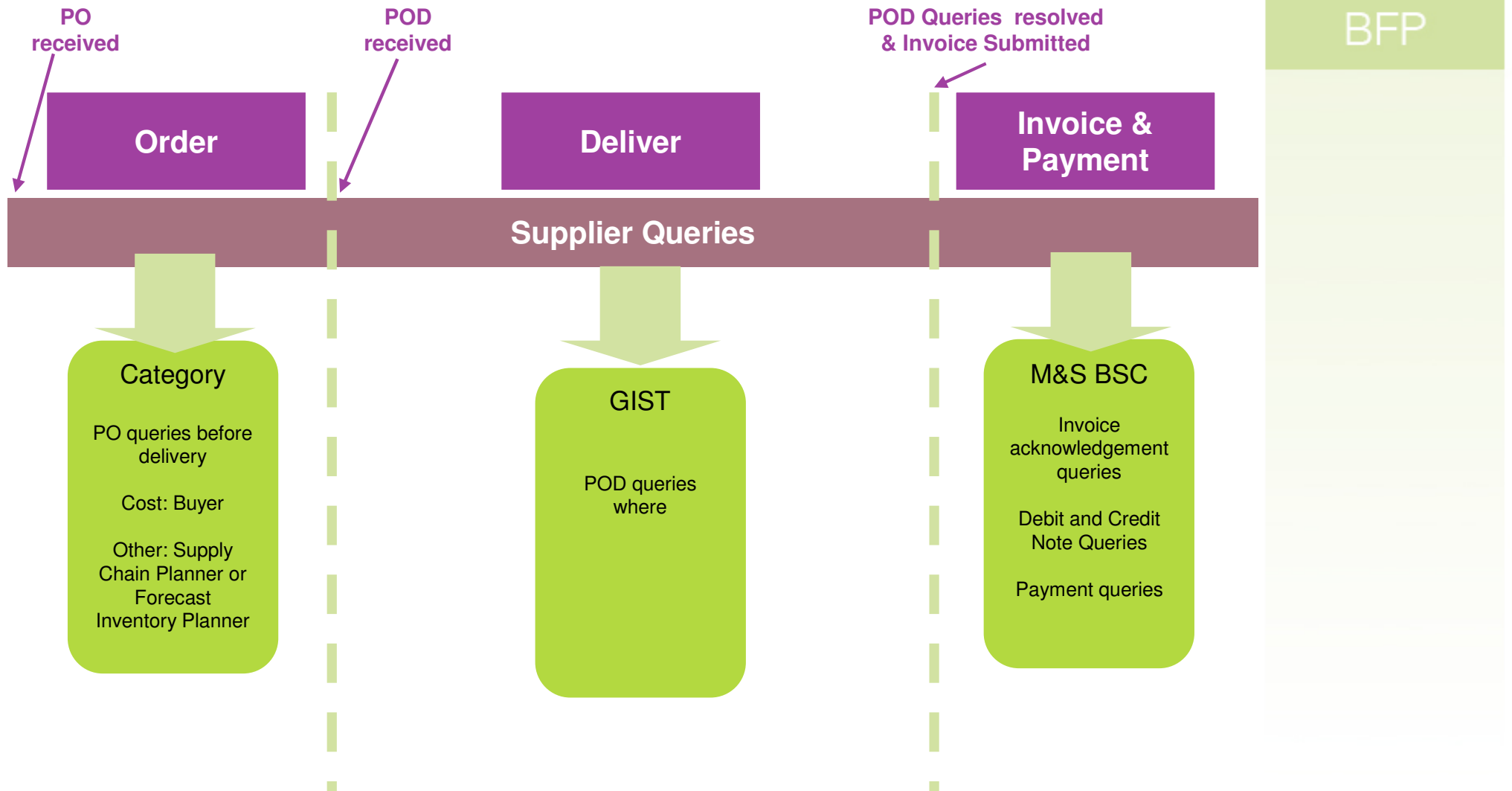
BFP

BFP Process – Pay: Query Resolution

- The new query support teams will offer our Suppliers the benefit of having a central contact available to help resolve their issue
 - These new teams will be the single point of contact for all delivery, invoice and payment queries
 - They will track queries and seek resolution, involving and escalating to other teams within M&S as appropriate
 - Categories will continue to be the point of contact for queries on cost price and purchase orders before delivery
- Please see attached chart for further details (next page)

BFP

BFP Process – Pay: Query Resolution



GIST Query process

- When making a query the following information will be required:
 - PO number & information
 - Delivery Date & Depot
 - UPCs & variance quantities
 - Haulier / service provider
 - Dispatch details (EDN/paperwork, timings, route etc)
- Queries should be raised as soon as possible after receipt of the POD and before submission of invoice
- Once an invoice has been submitted GIST will no longer have access to the Purchase Order
- Every query will be allocated a unique reference number to enable tracking and follow up
- All queries will be responded to in writing

BFP

BFP Process – Pay: GIST Contact Information

- Context for queries to GIST including G L Baker queries:
 - Queries based on POD
 - Discrepancies between despatched quantity and receipted quantity POD

Reasons for POD queries	
<ul style="list-style-type: none"> ■ Keying PO error – number incorrectly input ■ Receiving error – scanned incorrectly ■ Voice pick error – incorrectly picked ■ Duplicate booking – e.g. scanned twice in error ■ Date life of goods expired ■ RFID issues – Supplier labelled incorrectly tag missing or damaged 	<ul style="list-style-type: none"> ■ Incorrect reference data – Incorrectly categorised (e.g. marked frozen but actually ambient) ■ UPT mismatch ■ RTM locks (Category advises the depot to not dispatch goods) ■ PO adjustments post vendor dispatch

BFP

Contact Information

GIST	
Contact Methods	•Phone – 01256 891379 (GIST will respond via email)
Contact Hours	•Monday – Friday (07:00 – 15:00) •Saturday & Sunday – (07:00 – 12:00)

BFP Process – Pay: BSC Contact Information

BFP

Contact Information

Business Service Centre (BSC)		
	<p>Food Payables (before go-live) Vendor Support (after go-live)</p> <p>Type of query:</p> <ul style="list-style-type: none"> • Invoice acknowledgement queries • Debit and Credit Note Queries • Payment queries 	<p>Corporate Master Data</p> <p>Type of query:</p> <ul style="list-style-type: none"> • Bank Detail Amendments • Address Detail Amendments
Contact Methods	<p>Email:</p> <p>food.payments@marks-and-spencer.com (before go live)</p> <p>vendorsupportfood@marks-and-spencer.com (after go-live)</p> <p>Phone: 0333 200 5510 Opt 1, Opt 1, Opt 1</p>	<p>Email:</p> <p>bsc.sapmasterdatarequest@marks-and-spencer.com</p> <p>Phone: 0333 200 5510, Opt 4</p>
Contact Hours	Monday to Friday (08:00 – 17:00)	

BFP Process – Pay: BSC Contact

BFP

- When calling the BSC the following information will be required:
 - Supplier Name
 - Supplier Series number
 - PO Number
 - Invoice reference and date submitted (if relevant)

M&S Purchase to Pay Process



BFP

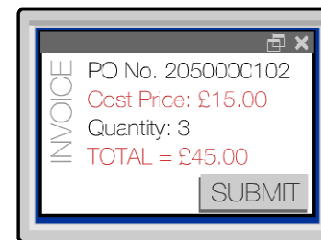
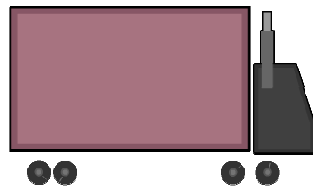
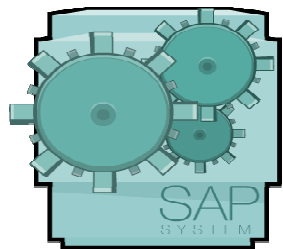
Order

Deliver

POD

Invoice

Pay



Next Steps



Next Steps

- Ensure all relevant members of your team are familiar with this Guide and the changes we are making and understand how they will impact on your business systems and processes
- Refer to any other Guides relevant to the products you supply to M&S
- Collate any questions not answered in this Guide
- Book a place at the Information Workshops in September
- Ensure that your EDI system is enabled and that you have completed testing or have agreed a test date
- Any queries should be sent by email to:

FOOD2020Change@marks-and-spencer.com

BFP