

## On-Time and In-Full (OTIF) Program

### Purpose

To support the needs of the customers at the store, an appropriate amount of inventory must be present in the right stores and distribution centers, at the right time.

The supplier community plays a large role in achieving this goal by ensuring that the timeliness of purchase order shipment (or delivery) is met, along with complete fulfillment of the quantities placed on the purchase orders.

### Applies To

Any purchase orders that have:

- 1) Origin “ship from” location on purchase order is a domestic (USA) source
- 2) Final “ship to” destination on purchase order is a Family Dollar warehouse

OTIF is considered for all product types and all transportation methods (collect, prepaid, etc). There are modifications to the metric calculation to account for transference of responsibility from the supplier to Family Dollar at different nodes in the supply chain, based on transportation method.

### Does Not Apply To

Any purchase orders that have:

- 1) An origin “ship from” location that is non-domestic (outside of USA, Import)
- 2) A final “ship to” destination that is a store (Direct-to-Store, DSD purchase orders)

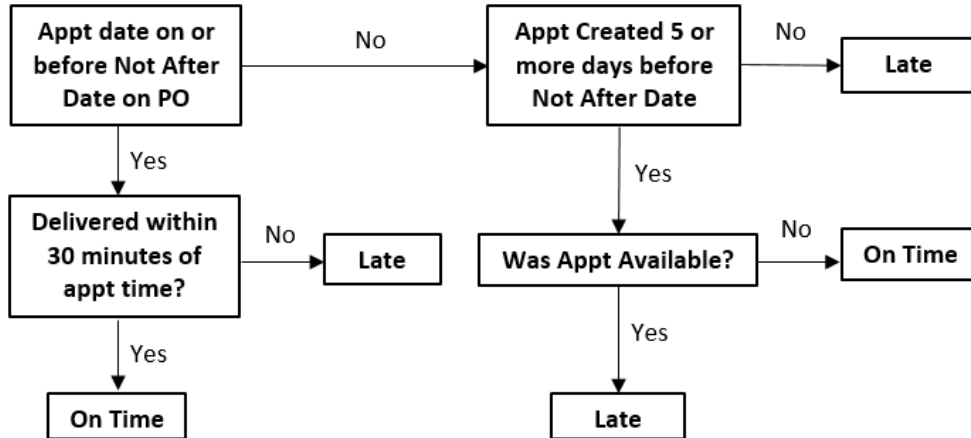
### Application

OTIF is measured with the combination of two concepts, in summary:

- 1) Timeliness
  - a. **Prepaid Transportation** – Compares the appointing of purchase orders by the supplier/supplier’s carrier versus the delivery dates at the final destination on the purchase order. The supplier is responsible for transportation of purchase orders to the warehouse (or consolidation facility) in a timely manner.
  - b. **Collect Transportation** – Compares the release and ready date in OTM versus the ship dates on the purchase order. The supplier is responsible for timely preparation of goods for pick-up by a Family Dollar managed carrier.
- 2) Fullness
  - a. Fullness is measured at the time of final receipt of product into the Family Dollar distribution center, where inventory counts are most accurate. Fullness is not measured until the purchase completely closes to ensure full and fair assessment occurs.

## Timeliness Detail

### Prepaid Transportation OTIF Logic Tree

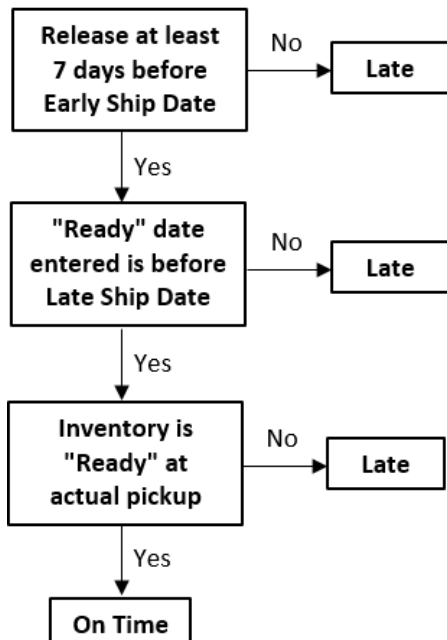


The logic tree above details the assessment of the “on-time” portion of the OTIF calculation for the prepaid transportation method. The main path to being on time is:

- 1) An appointment scheduled on or before the Not After Date.
- 2) The carrier must arrive at the DC within 30 minutes of the appointment time.

There is an additional assessment that occurs to ensure if there is a lack of appointments available that the supplier/carrier made an effort to create the appointment in a timely manner.

### Collect Transportation OTIF Logic Tree





The logic tree on page 2 details the assessment of the “on-time” portion of the OTIF calculation for the collect transportation method. The main path to being on time is:

- 1) Release the shipment in OTM at least 7 days before the earliest ship date on the purchase order.
- 2) The inventory “ready” date (supplier pickup date in OTM) is before the latest ship date on the purchase order.
- 3) When the carrier arrives, the inventory is “ready” for pickup in the quantities expected on the date/time expected.

### **Fullness Detail**

As purchase orders close, the fill rate of the purchase order is measured.

**It is expected that purchase orders be delivered at a fill rate of 90% of their unit value.**

Fill Rate = Total Units Delivered On-Time/Total Units on Purchase Order

### **Cancellations**

Cancellations can impact the total units on the purchase order.

- Supplier Cancellation: Cancellation quantities induced by the supplier (unavailability of inventory, downtime, etc.) **are** retained and contribute to the “Total Units on Purchase” value in the equation. These cancellations are indicated as “V” (Vendor) type cancellations in the scorecards.
- Buyer Cancellation: Cancellation quantities induced by the Family Dollar Buyer (entry errors, system exceptions) **are not** retained and are removed from the “Total Units on Purchase” value in the equation. These cancellations are indicated as a “B” (Buyer) type cancellation in the scorecards.

### **Chargeback Policy**

Purchase orders that do not adhere to the 90% On-Time and In-Full measurement are subject to a flat-rate chargeback. Please refer to the full chargeback schedule in [Appendix A: Chargeback Policy](#) for guidance.