

Supplier Consignment Program

SUPPLIER EDITION

[Subset of "Complete Manual" – Page 1 of this manual is pg 36 of larger manual, etc)

Liebert Corporation



Keeping Business in Business... Worldwide

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For Our Suppliers: CONSIGNMENT Program Consignment Types

Introduction

Liebert has reengineered the consignment process on our ERP system to enable a more uniform and specific accounting of inventory. The restructured process will improve the inventory planning process pertaining to consigned inventory and its impact on our production schedule.

It will no longer be necessary to distribute spreadsheets to manage consignment inventory. The new process will consist of:

- The ability to actually view On Hand quantities on our ERP system, making it possible for our Liebert Materials Acquisition Specialists to undertake more conventional planning efforts.
- The “auto-faxing” of REPLENISHMENT and REQUEST FOR INVOICE faxes to the supplier.

Why consign to LIEBERT? (Benefits to Supplier)

The following Supplier benefits can result from a Consignment Program:

- Enhanced status: being named sole-source a specific Liebert plant location or named Preferred Vendor through participation in our consignment arrangement allows the Supplier to capture Liebert's market for requirements on a per part/plant basis, in addition to setting a favorable trend for a long-term, profitable relationship.
- The ability to forecast production and sales based on established consignment usage levels, perhaps even allowing larger production runs or lot sizes for additional efficiencies.
- Benchmarking 'tie-breaker'.
- Favorable status in winning Supplier contracts with Liebert.
- The opportunity to "level load" the production of material, smoothing resource larger production runs or lot sizes for additional efficiencies become possible.
- demands at the Supplier's facility.
- With part requirements known, Differentiation from competition
- Quicker turns on receivables (as often as weekly)

Why is Liebert's SUPPLIER CONSIGNMENT program superior to previous 'legacy' consignment programs?

1. "System driven" within our MRP system; no paperwork snaggles.
2. Consignment can be Liebert managed using our computerized planning process
3. Inventory onhand balances online and current
4. Automatic 'triggering' of invoice events (either weekly or monthly)
5. Agreed upon 'multiples' (I.E., skid qty etc) predetermined for consumption transactions
6. Ability to 'mix' programs (consignment in Columbus, but not in Irvine)

Liebert Corp will also receive benefits usually associated with supplier consignment.

Introduction to LIEBERT Supplier Consignment Program

Liebert is pleased to present a new consignment process in which we manage Supplier's consignment programs using Liebert Corporation's resource planning system.

We have reengineered the Liebert Enterprise System (also referred to as the ERP system) to allow visibility and control of consignment, enabling a more uniform and specific accounting of consignment inventory obtained from our Suppliers. This will also improve the inventory planning process pertaining to consigned inventory and its impact on our production schedules.

The features of our new Consignment Program enhance our Supplier relationships by ensuring accurate and timely orders and payments for parts inventory. An additional benefit is the standardization of the various consignment programs into a single process that is flexible enough to accommodate the Supplier's requirements, yet simple enough for all to comprehend and administer.

The new process will consist of:

- The ability to view On Hand quantities on our ERP system, making it possible for our Liebert Materials Acquisition Specialists to undertake more conventional planning efforts, and to **eliminate the various and potentially confusing ad hoc "spreadsheet controls" currently in place.**
- The "auto-faxing" of REPLENISHMENT and REQUEST FOR INVOICE documents to the Supplier at regular intervals. Samples of each appear on the following pages.

Overview

The normal purchase order process has both order-entry and invoicing tied to a specific purchase order number. With the new program, we divide this process into two unique parts.

The first activity is **Replenishment** (prefix "Q") of consignment stock per our scheduled requirements. The Supplier is requested to ship the product to Liebert's dock-date, no differently than a regular Purchase Order! A sample Q replenishment requisition appears below.

Liebert [®] CONSIGNMENT REPLENISHMENT REQ		CRR NUMBER	TODAY'S DATE	OPENED DATE	VENDOR	CONFIRM?	PAGE	
INSTRUCTIONS		Q92000200	02FEB00	18JAN00	V00042781	YES	001	
SHIP TO ADDRESS		YOUR ACKN NUMBER						
DEB MARTIN C & D TECHNOLOGIES INC THIS IS A NEW CONSIGNMENT ORDER. PLEASE SHIP TO OUR DOCK DATE, BUT DO NOT INVOICE TO THIS REQUISITION.		LIEBERT CORPORATION 1050 DEARBORN DRIVE, DOCKS 5,6,7 COLUMBUS OH 432290186 USA		!!! DO NOT INVOICE !!! PER OUR CONSIGNMENT PROGRAM !!! DO NOT INVOICE !!! PER OUR CONSIGNMENT PROGRAM !!! DO NOT INVOICE !!! PER OUR CONSIGNMENT PROGRAM		RECEIPT		
MARK FOR: CONSIGNMENT		DELIVERY TERMS		EMERSON				
		CONSIGNMENT		FREIGHT				
DO NOT INVOICE - REQUEST FOR SHIPMENT ONLY: PLEASE SHIP THE QTY TO ARRIVE ON THE DOCK DATE								
FOR QTY/DOCK DATE QUESTIONS ABOUT THIS REQ... CONTACT: DAVE COOK AT 614 841-5651								
FOR PRICING/PURCHASING QUESTIONS CALLL BOB ROEHRER AT 614 841-6981 OR EMAIL BOB_ROEHRER@LIEBERT.COM								
REQ SUBJECT TO OUR TERMS AND CONDITIONS; COPY AVAILABLE UPON REQUEST.								
THE INFORMATION CONTAINED IN THIS DOCUMENT IS PROPRIETARY.								
IF YOU HAVE RECEIVED THIS REQ IN ERROR, PLEASE NOTIFY THE CONTACT PERSON IMMEDIATELY! ... THANK YOU!								
LINE	SCH#	UOM	QUANTITY	OUR/YOUR PART NBR	DESCRIPTION	ENGINEERING DRAWING / BOM	DOCK DATE	PRICE
001	00	EA	120	516141P2 DYNASTY UPS12-140FR	BATTERY 12V JNSCTL UPS12-140FR	S16141 BOM: REV 00000N REV 02	18JAN00	CONSIGN
002		EA	90	516142P2 DYNASTY UPS12-170FR	BATTERY 12V JNSCTL UPS12-170FR	S16142 BOM: REV 00000N REV 02	18JAN00	CONSIGN
003		EA	90	516143P2 DYNASTY UPS12-270FR	BATTERY 12V JNSCTL UPS12-270FR	S16143 BOM: REV 00000N REV 02	18JAN00	CONSIGN
NOTICE: THIS TRANSACTION IS SALES TAX EXEMPT. UPON REQUEST PROPER CERTIFICATION WILL BE PROVIDED.								

02/02/00 14:40 Liebert Corporation p1 / 1
614 841-6981

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The second activity is a **Request for Invoice** (prefix "U") sent to the Supplier to invoice Liebert Corporation as we consume (or "take possession of") consignment stock. Consumption of the consignment stock is generally defined as opening a carton quantity, breaking a skid down, or a similar activity. A sample U order, or Request for Invoice, appears below.

Liebert® REQUEST FOR INVOICE		RFI NUMBER	TODAY'S DATE	OPENED DATE	VENDOR	PAGE		
INSTRUCTIONS		U92000201	02FEB00	20JAN00	V00042781	001		
DEB MARTIN C & D TECHNOLOGIES INC IMPORTANT: DO NOT SHIP AGAINST THIS FAX! NOT A PURCHASE ORDER --- BUT NOTICE OF CONSIGNMENT INVENTORY CONSUMPTION PLEASE INVOICE AGAINST RFI NUMBER ABOVE.		CONSIGNMENT MATERIAL - DO NOT SHIP! - THIS IS NOT A PO! - DO NOT SHIP! - THIS IS NOT A PO! - DO NOT SHIP! - THIS IS NOT A PO! - DO NOT SHIP! - THIS IS NOT A PO! - DO NOT SHIP! - THIS IS NOT A PO! - DO NOT SHIP! - THIS IS NOT A PO! - DO NOT SHIP! - THIS IS NOT A PO!		BILL TO ADDRESS 1050 DEARBORN DR. P.O. 29186 COLUMBUS OH 432290186 USA		TERMS 1 %/05 NET 30		
LIEBERT HAS CONSUMED THE FOLLOWING CONSIGNMENT ITEMS IN THE QTYS NOTED. PLEASE INVOICE LIEBERT FOR THE QTYS AND PRICES LISTED. THESE ITEMS WERE SHIPPED TO LIEBERT PREVIOUSLY PER OUR CONSIGNMENT PROGRAM. PLEASE REFERENCE ABOVE RFI NUMBER (U92000201) ON YOUR INVOICE. FOR PRICING/PURCHASING QUESTIONS CALL BOB ROEHRER AT 614 841-6981 OR EMAIL BOB_ROEHRER@LIEBERT.COM THE INFORMATION CONTAINED IN THIS DOCUMENT IS PROPRIETARY. IF YOU HAVE RECEIVED THIS ADVISEMENT IN ERROR, PLEASE NOTIFY THE CONTACT PERSON IMMEDIATELY! ... THANK YOU!								
LINE	SCH#	UOM	CONSUMED	OUR/YOUR PART NBR	DESCRIPTION	ENGINEERING DRAWING / BOM	CONSIGN	UNIT PRICE
001	00	EA	120	516141P2 DYNASTY UPS12-140FR	BATTERY 12V JNSCTL UPS12-140FR	516141 BOM: REV 00000N REV 02	INVOICE	35.38
NOTICE: THIS TRANSACTION IS SALES TAX EXEMPT, UPON REQUEST PROPER CERTIFICATION WILL BE PROVIDED.							TOTAL IN USD	4,245.60

02/02/00 12:44 Liebert Corporation pl 71

TS60-TR8

There will be an association between the two order documents (or faxes) as follows:

- The Replenishment Order Fax (prefix "Q") will take the generic form Qxxxxxx00 (for example, Q12345600), where the last two characters will always be 00, serving as a "place holder" for the series counter in the "U" order numbers.
- The Request for Invoice (prefix "U") will mimic the Q order's form and syntax, as in U123456xx; for example, the first "U" order corresponding to the Q order in the above example would be designated as U12345601, the next as U12345602, and so on.

Once the entire quantity on the original Q order has been consumed, a final U order will be generated. The total quantities across the U orders will total the original quantity shipped on the corresponding Q order; the original "Q" quantity shipped will have been invoiced to Liebert.

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These corresponding “U” orders, in keeping with the above example, would be generated at predetermined (weekly or monthly) intervals.

To illustrate, take the following example of a Q order generated with the number **Q12345600**:

Line Item	Unit of Measure	Quantity	Part Number	Description
001	each	120 each	516139p2	batteries
002	each	50 each	516145p2	batteries

During the first week, the first U order is generated with the number **U12345601**:

Line Item	Unit of Measure	Consumed	Part Number	Description
001	each	50	516139p2	batteries
002	each	30	516145p2	batteries

During the second week, another U order is generated with the number **U12345602**:

Line Item	Unit of Measure	Consumed	Part Number	Description
002	each	20	516145p2	batteries

Line item 002 is then closed since all 50 of this part have now been consumed.

During the third week, another U order is generated with the number **U12345603**:

Line Item	Unit of Measure	Consumed	Part Number	Description
001	each	50	516139p2	batteries

Twenty (20) of line item 001 remain to be invoiced, and U orders corresponding to this Q order will be generated at the established interval—weekly in this example—until the remaining parts are consumed.

Q orders for replenishment will display the Dock Date, or the date when shipment is expected to be received, but will not display pricing. Conversely, U orders will display the pricing, but the dock date would not be present. These two documents will be transmitted via fax to the Supplier unless other arrangements (such as email) have been made.

Supplier Contacts and Communications

Establishing the lines of communication is a key element of setting up the consignment program. Upon initiation of the consignment arrangement, the Supplier must indicate **who will receive the new consignment faxes**, so that Liebert Corporation's database can be set up with the correct Supplier liaison information. The Supplier may name the same person to receive both Q orders and U orders, at its discretion.

Designate the person below who will be **scheduling orders** via the **Q order** (also referred to as the Consignment Replenishment Request or CRR). This may be the customer service representative who usually handles regular purchase orders.

Name	
Title	
Fax Number	
Phone Number	
Email Address	
Mailing Address	

Designate the person below who will be **invoicing** via the **U order** (also referred to as the Request For Invoice or RFI). This may be someone in the Supplier's Collections or Accounts Receivable area.

Name	
Title	
Fax Number	
Phone Number	
Email Address	
Mailing Address	

After completing this page, please fax to _____ @ () _____

Liebert Contacts and Communications

Instructions for contacting the appropriate Liebert personnel will be printed in a text block on the faxed orders in the same way in which they are on regular purchase orders. You may also refer to your Liebert **Supplier Tool Kit** for contact information.

Invoicing Intervals/Cycles

Invoicing intervals or cycles identify **how often** U orders will be produced for a particular part. The possible intervals are:

- **Monthly (M)**, in which U orders will be produced monthly to request an invoice showing the quantity consumed to date, or from the date of the last U order.
- **Weekly (W)**, in which U orders will be produced weekly to request an invoice showing the quantity consumed to date, or from date of the last U order.

Invoice Multiple

Invoice Multiple indicates the process of paying for the quantity consumed to date *in the agreed-upon multiples*, usually defined as a box, carton, or skid of parts.

For example, when the band on a skid of parts is cut; this would signal an inventory transaction moving a skid quantity of parts out of consignment, resulting in a U order quantity being created for the next interval.

This term is not to be confused with the creation of multiple U orders (Requests for Invoice) relating back to the original Q (Replenishment) order as weekly (or monthly) consumption occurs.

Supplier Transition

To Consignment

The transition to supplying on a consignment basis requires the Supplier to cease the standard practice of invoicing Liebert for every shipment. Consignment shipments are to be invoiced only in response to receipt of a U order requesting an invoice for the quantity consumed to date, or since the last U order.

From Consignment

If the consignment arrangement is to be terminated, Liebert will work with the Supplier to cancel any outstanding Q orders. Any shipments already received will be consumed and the entire open balance will be paid. PHASE-OUT is as follows: (the MODPRPLT screen)

PARTS: CHANGE from PAYMENT = 'M' or 'W' to PAYMENT = 'P' . Watch for the CONSIGN QTY to drop to zero over the weekend as MRP forces a final consumption and corresponding issue of the last ' U ' orders to the supplier.

NEXT: CHANGE from CONSIGN TYPE '1' to (pick one) CONSIGN TYPE '5' (manual or spreadsheet) or CONSIGN TYPE = blank (no longer consignment). Parts can now be entered on regular (non – Q type) purchase orders.

NOTE: you will be unable to change PREFERRED SUPPLIER until the CONSIGNMENT FLAG is turned off !!! (if you try to do it, you'll get an error " can't change vendor if active** "

Delivery Performance

Service level objectives have been established at Liebert against which the delivery performance of the Supplier is measured. All consignment Q orders (Consignment Replenishment Requisitions) will be measured in the same manner as standard purchase orders are today.

The Q purchase order is issued with a Dock Date identifying the date when receipt of the shipment is expected. Liebert's typical service level objectives dictate that delivery may be made four (4) days in advance of the Dock Date, or on it, but not after the Dock Date posted on the Q order.

Liebert has no performance measurement established for the turnaround time on U orders requesting invoice. The time frame for replying with an invoice is entirely at the Supplier's discretion.

Reconciling Discrepancies

In the event that all our efforts and controls should fail to reconcile balances and invoices for a given period, a **Consignment Program** audit will be performed at the Liebert location where the inventory is kept.

The Supplier may request the opportunity to perform an audit of the program annually, or more often upon agreement of both parties. This will be arranged to the convenience of both Liebert Corporation and the Supplier. To facilitate this, a Reconcile Report published from the Liebert Corporation ERP (Liebert Enterprise System) will be available on demand.

Count Verification Process

Liebert will apply accepted means and methods of inventory control through our ERP transaction procedures, and will "cycle count" the consigned stock to a published or standard schedule.

Reports

The Q and U orders, documenting what is ordered and the corresponding quantities to be invoiced, will serve as the Supplier's notification of inventory shipped and consumed.

In the event that additional assistance is required to reconcile quantities shipped with those invoiced, the Reconcile Report previously mentioned may be generated by Liebert and distributed to the Supplier to audit the balance in question.

Other reports may be developed in response to Supplier needs to facilitate the continued success of the consignment partnership.

>>>>>>>>>>End!