



**WALMART**

the retail-supplier relationship

bluegrace | white paper

# Walmart & The Retail-Supplier Relationship



## Introduction

### You landed the Walmart account! Now what?

Retailers and **Consumer Packaged Goods (CPG)** suppliers have a co-dependent relationship. The retailer needs products to sell to customers; the suppliers need to be able to reach those customers. Each has its own specialisms, abilities, and infrastructure; each is good at what it does. Retailers want great products that happy customers will keep coming back for. Suppliers want the reach that the likes of Walmart and Amazon provide. It is a mark of success, of scale, to be stocked by some of the most recognizable names in the world.

That's the theory. In reality, the relationship is in a state of flux as the retail sector is buffeted as never before. [High-profile brands are announcing store closures; store traffic continues to fall; up to a quarter of malls are predicted to close by 2022](#), and the shift to online shopping continues to accelerate. Buffeted, yes. Disrupted? Definitely. Beaten? Hardly. Retailers that are thriving are overhauling their operations, streamlining their processes and seeking efficiencies in every part of their business.

What does that mean for CPG suppliers? It means that they need to make sure their own processes and systems are in line with their retailers. Complying with retailers' requirements, whether **On Time In Full (OTIF)** or **Must Arrive By Date (MABD)**, is critical to ensure retailers keeping stocking supplier products. It's important that suppliers put themselves not in the shoes of the retailer but in the shoes of the customer. If they were to walk into a Walmart or log on to Amazon with the aim of purchasing a specific item, and it's out of stock, they'll go somewhere else.

## AN INTERNAL SUPPLY CHAIN AUDIT IS ONE OF THE MOST POWERFUL METHODS OF EVALUATING & IMPROVING

As a retailer, that's not just the lost sale of that item, but the missed opportunity of selling them other related products. It might be chewing gum at the checkout or the Bought-Together suggestions from Amazon - whatever it is, it is money the retailer is not getting this time.

When that happens, questions start being asked. If insufficient stock was ordered, that's a retailer issue. If the delivery did not turn up on time, the supplier is responsible. Given the situation the sector is in, lost sales equal lost revenue, and retailers intent on surviving will move quickly to rectify issues. For suppliers, that could well mean saying goodbye wholesale customers.

In such a situation, who'd be a CPG supplier? Yet for those that have their house in order, that are compliant, the opportunities are immense as major retailers look to increase their footprint and secure their leadership positions.

It might feel like getting into a Walmart or an Amazon means the hard work is done, but that would be a mistake. The purpose of this paper is to give CPG suppliers a guide to meeting retailer demands. It doesn't matter whether you've just landed your first Walmart account, or you've been supplying it for years - we've put this resource together to help you navigate the ever-changing requirements of being a Walmart supplier.



We know what a great opportunity supporting Walmart is for you - **we want to help you make the most of it.**



01

An  
Enviably  
Position

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## An Envable Position

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Congratulations! You made it this far – you’re a Walmart supplier. To achieve this, you’ve provided all your information, proven that your products are a good fit for Walmart’s customers and demonstrated that you are the sort of business Walmart wants to work with. You’ve filled out the forms, shared your certificates and completed [the 11 step onboarding process](#).

It’s a fantastic achievement. [According to Walmart, you’re now one of 100,000 businesses worldwide](#) supplying products to its customers. That number demonstrates just how much Walmart is the “800 lb gorilla” in the supply chain. It’s also a mark of how highly regarded you are, as a CPG company, to have Walmart agree to distribute your products.

We know that all of your distributors and the retailers you sell wholesale to are important to you, but Walmart might be a little more special. Whether you’ve just started or have been a supplier for a few years, it’s a different business than the one most grew up with.

The pressure Walmart faces is the same as the rest of the retail sector. Its size is a double-edged sword – its footprint of stores and operations means there are more places to be affected by market disruptions, yet it has the resources to not only weather the storm, but profit from it too.

Just being big isn’t enough, however. What marks Walmart out is its commitment to innovation. **In July 2019 it opened its first high-tech consolidation center – a 340,000 square foot dock** in Colton, California that will use automated technology to receive, sort and ship freight. [According to the announcement](#), this *‘will enable three times more volume to flow throughout the center.’*

**Walmart innovates to maintain its position. Why does it need to do that?**



# 02

## The Situation Today



## The Situation Today

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Walmart needs to continually innovate because it faces a very real threat: **Amazon.**

Amazon has been at the forefront of the consumer shopping experience revolution. One-click payments, same-day delivery in certain geographies, multiple delivery and collection options, dash buttons – all features that are shaping customer expectations. Its dominance of the retail landscape is such that **it has gone from driving 15% of core U.S. personal consumption expenditure (PCE) growth in 2013 to 69% in 2017, according to Morgan Stanley Research.**

This has forced many retailers, including Walmart, to revise how they serve customers. For Walmart, that means a switch from building stores to focusing more on e-commerce to drive growth. In September 2016, it acquired e-tailer Jet.com, accelerating its online sales and **helping it to outperform the retail sector within one year.** It consolidated its e-commerce position with the purchase of **Indian online retailer Flipkart in 2018.**

In much the same way that Amazon purchased Whole Foods to acquire physical presence, Walmart acquired Jet.com to give it a credible e-commerce function. That does not mean that **Walmart** is abandoning its bricks and mortar business. Those stores mean that it is closer to more people in the U.S. than any other retailer, **with 90% market penetration, versus Amazon and Whole Foods' combined 74%.**

So, Walmart is closer to you, but Amazon can offer a great experience. This is where Walmart's innovation switches from automation technology in vast consolidation centers to delivering efficiencies in its extended supply chain. A customer can find anything on Amazon and get it the next day. With a Walmart down the street, if a product is in stock, that same customer can walk away with it on that day.

**It is here that suppliers come in; products have to be in stock.**



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As Steve Bratspies, the **Chief Merchandising Officer for Walmart U.S.**, told the **Wall Street Journal**:

*“When we receive the product that we ordered, we see better sales.”*

In other words, if a customer cannot find what they want, they will go somewhere else. Not only does the retailer lose that sale, it also loses the opportunity to sell complementary products, or perhaps something that simply catches the shopper's eye on the way to checkout. According to Greg Foran, Walmart U.S. CEO, **5% ‘out of stock’ at Walmart’s scale translates to 5,000 orders.**







So, Walmart will do everything to make sure that its shelves stay full and that customers can find what they want, when they want it. If enough stock is not ordered, that's a retailer issue. If not enough stock is delivered at the right time, that's a supplier issue.

At the same time, as Walmart and other bricks and mortar retailers look to economize, they're looking at where they hold stock. They want stores to sell, not to act as warehouses – the price of retail square footage simply does not allow that in the current market. That's why Walmart is introducing these consolidation centers – to collate from hundreds if not thousands of suppliers, before using their own distribution networks to get the stock to stores.

That's the retail landscape suppliers are entering into when they become part of the Walmart supply chain. Alongside this are rising fuel and transport costs – the **U.S. Energy Information Administration's (EIA) May 2019 [update](#)** forecasts that **regular gasoline retail prices will average \$2.92 per gallon**, up from an average of **\$2.85 per gallon** last summer.

It's an additional cost that both suppliers delivering to Walmart and the retailer itself, are going to have to take on board. This ultimately impacts margin across the supply chain.



# 03

Ramifications:  
They Say  
Jump, You Say  
How High

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## Ramifications: They Say Jump, You Say How High

**An environment of ruthlessly seeking efficiency, with fluctuating transportation costs, dominated by 800 lb gorillas.**

What that means for suppliers is that they have to deliver when Walmart wants, not when the suppliers feel like it. It's where OTIF comes in – on the actual due date, exactly the right amount. There is no grace period or limited leeway because flexibility eats into the margin.

Struggle to comply and chargebacks will kick in – **currently 3% on all shipments below the threshold**. Amazon, with MABD, may appear slightly more lenient, but it has a similar level of chargeback on both late and early deliveries. On top of that, **purchase order (PO) and advanced ship notice (ASN) violations** (such as failing to confirm a PO or not sending an ASN in good time) **levy a 2% charge**.



It just got stricter, as well. Starting in May 2019, suppliers that ship **full trucks (Full TL) must hit a specified window 87% of the time**, up from the previous **85%** previous target. For **less than truckload (LTL) shippers**, the jump is that much higher – **up to 70% in that window**, from **50%** before.

It gets trickier. Historically, suppliers were judged on how consistent deliveries were on time and how complete they were. Now, those two parts will be evaluated separately. It's all about having data that can be fed back into a stringent evaluation process to identify further efficiency opportunities.

Then there's the challenge of Walmart as an international operation. As you grow within Walmart, there may become opportunities to supply its Canadian subsidiaries, or even further overseas. That brings its own challenges, as you will need to comply with local regulations and legislation – both in terms of your products and your business practices.



# 04

What You  
Need to  
Think About  
If You Are...

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## What You Need to Think About if You Are...

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So far, what we've discussed applies to all shippers. Yet every business is different, and there will always be specifics that only certain types of suppliers need to focus on. In this section, we'll take a brief look at three types in particular: newer CPG companies, LTL shippers and those dealing in perishables (such as fresh food).

### *...A Newer CPG Shipper*



With the introduction of consolidation centers and the end of stores holding inventory, the onus of predicting consumer demand is passed on to CPG companies. That means knowing who your end customers are, how they shop and when there might be spikes in demand, even if you do not sell direct. This is a challenge for all CPG shippers, but whereas more established brands may have the resources to store spare stock, that capacity may not be available for newer businesses.

This is where really clear insights into customers, coupled with efficient internal processes and a lean supply chain of your own come into play. Falling foul of chargebacks will quickly eat into profits, making it vital that shippers can accurately predict consumer demand.

### *...Less Than Truckload (LTL)*



If you're LTL, the positives are the savings in not paying for half-empty trucks, but the drawback is less control over how the carrier gets to your distributor compared to a Full TL shipper. The carrier may pick up your pallets then go to another shipper for their products. It might head to a regional dock to unload your pallets to go on another truck heading somewhere else, before being cross-shipped onto a third truck with everyone else heading to Walmart.

That means you have to build in additional time to your shipment planning to ensure that you comply with OTIF, which will have ramifications for your own production processes and supply chain.

## THERE WILL ALWAYS BE SPECIFICS THAT ONLY CERTAIN TYPES OF SUPPLIERS NEED TO FOCUS ON

### *...Dealing in Perishables*

While targets may be tight for long-life or non-perishable goods, for suppliers that deal in products that have a limited shelf life the OTIF goals are even stricter. That two-day window becomes one, which puts the emphasis on the shipper to be absolutely accurate with their deliveries.



All retailers that stock food and drink, particularly that which needs to be kept in controlled, refrigerated environments, need it to be able to stay on the shelf for as long as possible in order to be as attractive as possible to customers. Get closer to 'Use By' or 'Best Before' dates, and consumers are less likely to buy - leading to last-day discounting and wastage.





# 05

## The Upside





## The Upside

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It might seem like becoming a Walmart supplier is nothing but hardship and the constant threat of chargebacks. Yet it is challenging because Walmart is such a golden opportunity to get your products into the hands of millions of consumers, both in the U.S. and further afield.

It isn't all about the sales opportunity, however. With retailers like Walmart looking for efficiencies, it forces their suppliers to either follow suit or fall off. By aligning your own systems and processes with the demands of OTIF, you will end up a leaner, meaner machine. This means less waste in your operations, resulting in less outgoings and more profit.

At a time when all sectors are undergoing huge disruption, this streamlining sets you up to thrive rather than simply survive. While it is demanding, the practices and processes you on-board will unlock long term gains for your business.

**The question is what do you need to consider when aligning your business with the demands of Walmart?**





# 06


## Top Tips on Being a Star Supplier for Walmart


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Here is what we've learned turns a good shipper into a great Walmart supplier from working with businesses just like yours:

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- 1. It's all about data:** Walmart wants its supply chain to be as efficient as possible, so it's willing to share the data it has to help you shape your operations. If you don't sell direct, getting tangible customer intelligence can be a challenge, but Walmart will share information, such as on-shelf availability and point of sale insights, more often.
  - 2. Work from the customer backward:** On time doesn't mean in-time to Walmart. If you don't want to suffer chargebacks, you need to think about your timings from the customer backward. The customer buys your product after it's been on the shelf X days, so how long prior to that do you need to be delivering it to the distribution or consolidation center? How long does it take to get from your warehouse to that point?
  - 3. Chargebacks hurt, so make sure it's justified:** Walmart may be huge, but it isn't infallible. There's a lot of automation, which means sometimes chargebacks can be applied due to mistakes in their processes rather than your failed compliance. For instance, a carrier may have delivered your shipment OTIF, but the DC did not unload that day. The only way to contest is to have complete records of delivered OTIF against the buyer's requirements. Having a trusted logistics partner that can audit your scorecard and compare it to carrier manifests is critical, and could be the difference between receiving a chargeback and being able to challenge it successfully.
  - 4. Load planning:** If you supply multiple products to Walmart, think about how they are loaded on the pallet or in the truck. It's no good having the back half of the truck full of products for distribution centers further down the line, or shorter life products near the bottom of the pallet.

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- 5. Think like a Roman:** The Romans crisscrossed their empire with straight lines, because that's the most efficient way from point A to B. You want to do the same, but build in factors such as weather forecasts, traffic patterns, fuel levels, and load points. You're looking for the most optimized route because it will save you time, which in turn saves money.
  - 6. Packaging tips:** People need to know what's in the box. That means distribution center employees, yes, but it also means customers. How will it look on the shelves? At Walmart's Supplier Summit 2019, Foran said *"packaging should be designed for impact and efficiency with large fonts that are easy to read, easy to find and bar codes which also are prominent on the packaging."*
  - 7. Cut down on travel time:** Fuel and transport costs are the great unknown, tied to everything from crude production levels to the political situation in the Middle East and South America. You want to control as much as possible, so limit how far you need to move your inventory by positioning it closer to warehouse locations. If Walmart is selling your product predominantly in California, why not get as close as possible to the new consolidation center? Limit the variables and you have a more efficient machine.
  - 8. Appointment scheduling:** Be aware that your mode of transport will dictate when your products can be delivered. Most LTL carriers will not allow you to pre-schedule appointments, preferring to wait until your freight has arrived at the consolidation terminal. It will then be co-loaded with other Walmart-bound deliveries, with appointments based on the trailer the carrier has allocated for that day. It's therefore vital that you, or more likely your logistics partner, can work closely with both the carrier and scheduling system to make sure this is being done. By doing so, you will be better placed to identify exceptions, such as where the carrier cannot accommodate the delivery, and adjusting OTIF without penalty. Most suppliers don't realize this and miss the opportunity. It is important to note, however, that this must not be abused and is for exceptions only. Your lead logistics service provider is expected to have the right connections and expertise to manage it professionally.

**9. Reliable carriers are worth their weight in gold:** We hear of horror stories where carriers and shippers fall out because neither can clearly understand what the other is actually trying to achieve. The number one mistake people make is to think that being efficient equals going for the cheapest option, when it's actually about having every part of your chain operating reliably. You want a good price, certainly, but you need a partner that's aligned with your objectives more.

**10. The right foundations:** You can't operate a 21st-century business using 20th-century tools. To compete in today's market you need to have the right technology underpinning your operations. Foundations that give you visibility and control optimize every aspect of your business.



**11. Embrace digital:** Walmart is investing billions in its technology – that means manual processes and paper documents are disappearing. Digital tools like electronic bills of lading are becoming the norm. Shippers that fail to embrace the new paperless systems will stand out and slow down the process.

**12. Ensure everyone lives by OTIF:** It's all well and good your logistics team is being held to OTIF, but when the penalties impact the rest of your business, isn't it really a matter for everyone? It comes back to working back from the customer – the process doesn't stop when the product leaves your dock, it should carry on through to your production team. If you've got a lead time of two weeks to produce new stock, that's not a just manufacturing factor, it's a supply chain one too.



**13. Walmart wants you to win; let them help you:** Walmart runs a sophisticated education network designed to support suppliers. It's in their best interest that you are operating to the best of your abilities, so make full use of their classes, academy and tools offered to help you do just that.

**14. OTIF is vital, but so is everything else:** Walmart is taking huge strides in making its entire operation as sustainable as possible, which includes targets for suppliers. These targets are only going to get stricter, so it's a good idea to know what they are and keep yourself aligned. There will come a point where being 100 percent OTIF compliant, with customers buying your products in droves, won't save you if you have a huge carbon footprint and are unsustainable.

*That's a lot to take in, so here's a one-off tip:*



**15. How to write a great OTIF action plan:** Walmart lives on data, which means evidence. Write a great OTIF action plan and you will have evidence to show how you will improve standards. But how do you do that if you've not done one before? Googling isn't an option here - you need qualified, experienced support. Hiring the right people is one route - but they won't come cheap, and you may not be able to justify having them as a permanent employee.

Another option would be to outsource to a competent third party. One which has experience in supporting suppliers to build efficient supply chains, whether they're supplying to Walmart, Amazon or any other big box retailer. Having a supportive partner that has done this time and time again, for all different types of business sectors, means you get access to the right experience and support, tailored to your unique requirements.



# 07

## Being a Walmart Supplier

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## Being A Walmart Supplier - A Story from the Frontline

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For one Houston-based health and beauty supplier, working with Walmart was a dream come true until the tremendous growth it propelled led to distribution challenges.

With vendor scorecards dwindling and chargebacks against purchase orders mounting, the need for a better solution was apparent. From numerous carrier meetings to drive on-time compliance to costly upgrades in service levels, the trend continued to show little improvement.

Lead times were not an issue and inventory levels were manageable, yet carriers could not seem to comply with the OTIF date clearly displayed on the BOL. Purchase orders were being shipped with ample lead time and in most cases, early with guaranteed service at a premium. However, even with upgraded service, the carriers would typically refuse to refund the charges since they were delivered “on time” per the standard transit.

To tackle this, the supplier analyzed the data and scorecards to determine the root cause and set a baseline for current state performance. Next, an assessment of ERP integration capabilities was performed. By linking this with a transport management system, this supplier was able to apply custom business rules to achieve the missing link of the overall issue.

What this meant was that no matter when the order was received in advance of the OTIF, the supplier could effectively route the “Best Value Carrier” and provide the most optimal ship date, relative to the selected carrier’s standard transit time. Each order, once approved within the ERP, would be rated and routed with a Walmart approved carrier delivering the lowest cost, standard service and shipped on the day that would best fit that carrier’s network. This ensures the delivery was within the specified OTIF window.

The supplier showed a **90% reduction in chargebacks within the first 60 days** of implementing this program and realized the best scorecard performance in recent history.



## Conclusion

### Now It's Time To Start Working

As we said before, the hard work starts now. Remember, you aren't alone - many CPG companies experience difficulties keeping up. **Back in August 2017, OTIF compliance stood at 70%**, and it's taken a while to get higher. Walmart wants you to do well - so listen, learn and take the opportunity that awaits. Look at your own network, your own suppliers and operations, and see how they can work together to support your business with Walmart or any other big-box retailer. Technology and nuances of logistics and supply chain operations are vital here. Working with partners who have the connections, first-hand experience, and understand both the business and technology can make the difference between success and failure.

**BlueGrace Logistics** is a freight and logistics services provider, and one of the top **third-party logistics providers (3PL)** with invaluable experience in managing complex logistics programs of leading CPG companies. The dedicated team has the first-hand experience in planning, building and delivering supply chain solutions for CPG businesses that not only help them meet the requirements of their retail partners, but turn their logistics costs into a value add.

You've done great work getting this far. Now it's time to do even better. [Contact BlueGrace today and see how we can help you achieve exactly that.](#)





## ABOUT BLUEGRACE

Founded in 2009, BlueGrace Logistics is one of the largest third-party logistics (3PL) providers in the United States. With over 500 employees and working with over 10,000 customers to provide successful shipping solutions, the company has achieved explosive growth in its 10-year operating history. Backed by a \$255 million investment by private equity firm Warburg Pincus, the company operates 12 locations nationwide, and its headquarters are in the sunny Tampa Bay area of Florida.

*For more information, visit [www.mybluegrace.com](http://www.mybluegrace.com)*



2846 S. Falkenburg Road  
Riverview, Florida 33578

Phone: 800.MY.SHIPPING  
Fax: 813.626.7447

Email:  
[contactus@mybluegrace.com](mailto:contactus@mybluegrace.com)

Web:  
[www.mybluegrace.com](http://www.mybluegrace.com)