

	External Policy	Dept. Index #: Policy 1.0
	DC-to-Store Transportation Policy	
	Owner: Distribution	Version: 1.0 3/4/2021
	Recipient(s): Distribution – Supply Chain – Retail Partners – Corporate Stores	

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1.0 Background

The existing fee structure for transportation has been in place for 15+ years and is not representative of actual transportation costs. Recent transportation analysis conducted by a 3rd party has estimated that Save-A-Lot is subsidizing 50% of the cost for transportation to the stores. Existing fee structure is well below market transportation rates and does not provide appropriate incentives for RPs and Save-A-Lot to partner to achieve lower supply chain system costs.

The new transportation fee structure outlined in this document is designed to cover the majority of the actual costs of store deliveries.

Implementation of these changes to the transportation fee structure will correlate with the rollout of a new wholesale pricing model, which is designed around several key components:

- Maximize transparency to drive trust.
- Reward RPs who drive the system's total buying power.
- Provide clear incentives for RPs to reduce their costs and total system costs.
- Transportation as a pass-through, not a profit center, with efficiency gains passed on.
- Link merchandising and supply chain decisions.
- No hidden subsidies – fair and equal treatment.

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2.0 Change Overview

The existing system is driven predominantly by the distance from the DC – a factor that cannot be changed by optimizing delivery patterns or ordering behavior. The new delivery fee structure is designed to incentivize RP's to create efficient deliveries:

Current System	Wholesale Model Future State
Distance from DC is predominant driver of transportation fees	Fee structure that focuses on efficiency of loads and trailer utilization, which are heavily influenced by RP ordering practices, while still maintaining competitive pricing for stores located nearby distribution facilities
Ineffective deterrents for very small orders	Fixed minimum delivery fee for all orders below 450 cubic ft. (~1/4 trailer)
Limited incentive for RP to achieve high trailer utilization or create loads easy to pair with other stores	RPs receive lower cost-per-case for efficient ½ trailer or trailer loads; savings from transportation efficiencies will be reinvested and passed through to the RPs
Current fees have not been revised in over 15+ years causing a high level of subsidy in delivery fees	Operate transportation as a 'net-zero' cost operation. Re-allocate funds currently utilized for transportation subsidy to fund target-based incentives

3.0 Wholesale Model Future transportation fee structure

The goal of the transportation fee structure is to operate as a **NET-ZERO** cost operation. The new delivery fees will follow a blended approach focused on:

1. Total volume of the order (Cube)
2. Distance from the distribution facility
3. Fuel price by region (see <https://www.eia.gov/petroleum/gasdiesel/>)

This approach provides a transparent and simple way of charging the stores for their deliveries. There are four components which will be charged to the stores

1. Freight Charges
2. Fuel Charges
3. Tolls
4. Accessorial charges

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Freight charges

The freight charges will be based on the total cube shipped according to a distance band structure. Stores within 60 roundtrip miles of the nearest distribution center are charged according to table 1. All other stores are charged according to table 2. The following tables provides a comprehensive list of freight fees going forward:

Table 1: Stores within 60 Roundtrip Miles of Save-A-Lot Distribution Center

#	Description	New Fees
1	Very small load order: fixed minimum delivery fee (< 450 Cube)	\$ 400
2	Split load order: fixed charge up to ½ trailer load (450 – 850 Cube)	\$ 250
3	Full Truckload: fixed charge for full truckload for anything greater than ½ trailer 851 – 1,900 Cube)	\$ 375
4	Multi-Stop Truckload for an RP group: fixed charge and charged as a full truckload with stop charge per stop, within the same owner group. Route and timing will be determined by Save-A-Lot.	\$ 375 + \$ 25 per stop

Table 2: All other Stores (beyond 61 Roundtrip Miles of Save-A-Lot Distribution Center)

#	Description	New Fees
1	Very small load order: fixed minimum delivery fee (< 450 Cube)	\$ 400
2	Split load order: fixed charge up to ½ trailer load (450 – 850 Cube)	\$ 325
3	Full Truckload: fixed charge for full truckload for anything greater than ½ trailer 851 – 1,900 Cube)	\$ 525
4	Multi-Stop Truckload for an RP group: fixed charge and charged as a full truckload with stop charge per stop, within the same owner group. Route and timing will be determined by Save-A-Lot.	\$ 525 + \$ 25 per stop

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Freight Fee Notes

- 3 sheet volume does count toward the cubic volume in the split/full load orders.
- Roundtrip distance from Save-A-Lot Distribution facility is determined using PC Miler software.
- The “Multi-Stop Truckload” price can be applied to any route where a single RP is responsible for all stops on the delivery route. Each stop (including stop 1) is charged \$25.
 - For low-volume store deliveries, a multi-stop truckload may include 3 stops.
 - Requirement: No single load over 850 cube, and the aggregate cube must exceed 850 cube.
- Save-A-Lot utilizes DirectRoute to define the most efficient means of transportation, which is based upon logistical geographical area. The store has no influence over routing decisions, and we cannot guarantee that a “multi-stop truckload” will always be built.

Fuel charges

The fuel charges will be a passthrough charge based on current diesel price shown on eic.gov. Fuel benchmarks will be updated weekly, and are based on the DC servicing a particular store. Final costs will also depend on distance from the DC and will be calculated as:

#	Description	New Fees
1	Very small load & Split load	$((\text{Cost/Gallon}) * 65\% \text{ of Round Trip Miles}) / 6 \text{ MPG}$
2	Full Truckload	$((\text{Cost/Gallon}) * \text{Round Trip Miles}) / 6 \text{ MPG}$

*Actual round trip miles incurred on splits historically have averaged 65% of individual round trip miles

Fuel charges apply up to a maximum of 400 Roundtrip miles. Fuel charges will be capped at 400 roundtrip miles for every delivery.

Fuel Region (see <https://www.eia.gov/petroleum/gasdiesel/>)

#	DC Name	Region
1	Edwardsville	Midwest
2	Humboldt	Midwest
3	Fort Worth	Gulf Coast
4	Austinburg	East Coast
5	Winchester	Midwest
6	Plant City	Lower Atlantic
7	Williamsport	Central Atlantic

#	DC Name	Region
8	St. John	Midwest
11	Coxsackie	New England
12	Muncie	Midwest
13	Hammond	Gulf Coast
14	Edgerton	Midwest
20	Lexington	Lower Atlantic

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Accessorial Charges

Fees incurred beyond typical delivery operations will be passed on as-incurred to Retail Partners, based on the average cost across transportation providers utilized by Save-A-Lot

Typical fees include:

Type of Charge	Fee
DETENTION	\$60/hr, charged on a quarter hour increment (roundup)
TOLLS	Passthrough (dependent on store)
MISC CHARGE	Passthrough (as incurred)
FREIGHT ADJUSTMENT	Correction entry for freight
STORE TRANSFER	Passthrough
RENTAL TRAILER	Passthrough (pick-up and drop-off charges)
RENTAL TRAILER FUEL	Passthrough
RENTAL TRAILER TRANSPORT	Passthrough
DRY ICE	Passthrough (transportation cost plus dry ice)
SPECIAL DELIVERY FREIGHT (Off-Schedule Order)	Passthrough (dependent on store - freight rate)
SPECIAL DELIVERY FUEL	Passthrough (dependent on store & market rate)
RESTOCKING	10% of product value (\$200 max)
REDELIVERY	If an initial delivery is attempted and unsuccessful the original delivery charges will be applied in conjunction with the charges for the revised delivery.
CROSSDOCK PALLETS	\$50 per pallet of non-Save-A-Lot product sent through the Save-A-Lot distribution center for delivery (example: RP-specific display racks)
ADDITIONAL DC HANDLING	For non-Save-A-Lot product sent through the Save-A-Lot distribution center, DC labor will be charged as a passthrough expense for any pallet breakdown or case-level handling
RECYCLING / OLD CORRUGATED CONTAINERS CREDIT (OCC)	Retail Partners are entitled to 40% of the net OCC reimbursement amount collected by Save A Lot; Credit will be issued within 30 days of Save A Lot's receipt of payment from the Recycling Vendor. (see OCC Recycling Services for Licensed Retailers Service Agreement)

*Documentation can be provided as needed

Detention: Detention is any time delay over the 1 hour free for unloading

- Driver arrives on time for appointment, detention starts accruing at 15-minute increments immediately after free 60 minutes has elapsed.
- Driver arrives early for an appointment and the store starts unloading before appointment time, the unload time will be calculated from the original delivery appointment time.

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- Driver arrives early for appointment and store does not start unloading until appointment time. The unload time will be calculated from appointment time.
- Driver arrives late for appointment; detention starts accruing at 15-minute increments immediately after free 60 minutes has elapsed

Example Calculation 1

Example Store 50 roundtrip miles from the closest SAL distribution facility. Diesel fuel is \$3.00 per gallon in the region.

ORDER SIZE	LOGIC	CALCULATION	FEE
Order less than 450 cube	Small Load Fee + ((Cost/Gallon) * 65% * Round Trip Miles)/6 MPG	\$400 + (\$3.00*65%*50/6) Freight Cost + (Cost per Gallon x 65% of RT Miles/MPG)	\$416.25
Order between 450 and 850 cube	Split Load Fee + ((Cost/Gallon) * 65% * Round Trip Miles)/6 MPG	\$250 + (\$3.00*65%*50/6) Freight Cost + (Cost per Gallon x 65% of RT Miles/MPG)	\$266.25
Order between 851 and 1900 cube	Full Truckload Fee + ((Cost/Gallon) * Round Trip Miles)/6 MPG	\$375 + (\$3.00*50/6) Freight Cost + (Cost per Gallon x RT Miles/MPG)	\$400.00
Order less than 850 cube; paired with another store from the same RP	(Full Truckload Fee + ((Cost/Gallon) * 65% * Round Trip Miles)/6 MPG + \$25 per stop) / 2	[\$375 + ((\$3.00*65%*50/6)*2) + 2*25]/2 [Freight Cost + ((Cost per Gallon x 65% of RT Miles/MPG) * Stops) + (Stops x Stop Charge)] / Stops *example exhibits two stores at 50 Round Trip Miles	\$228.75/each

Example Calculation 2

Example Store 200 roundtrip miles from the closest SAL distribution facility. Diesel fuel is \$3.00 per gallon in the region.

ORDER SIZE	LOGIC	CALCULATION	FEE
Order less than 450 cube	Small Load Fee + ((Cost/Gallon) * 65% * Round Trip Miles)/6 MPG	\$400 + (\$3.00*65%*200/6) Freight Cost + (Cost per Gallon x 65% of RT Miles/MPG)	\$465.00
Order between 450 and 850 cube	Split Load Fee + ((Cost/Gallon) * 65% * Round Trip Miles)/6 MPG	\$325 + (\$3.00*65%*200/6) Freight Cost + (Cost per Gallon x 65% of RT Miles/MPG)	\$390.00
Order between 851 and 1900 cube	Full Truckload Fee + ((Cost/Gallon) * Round Trip Miles)/6 MPG	\$525 + (\$3.00*200/6) Freight Cost + (Cost per Gallon x RT Miles/MPG)	\$625.00
Order less than 850 cube; paired with another store from the same RP	(Full Truckload Fee + ((Cost/Gallon) * 65% * Round Trip Miles)/6 MPG + \$25 per stop) / 2	[\$525 + ((\$3.00*65%*200/6)*2) + 2*25]/2 [Freight Cost + ((Cost per Gallon x 65% of RT Miles/MPG) * Stops) + (Stops x Stop Charge)] / Stops *example exhibits two stores at 200 Round Trip Miles	\$352.50/each

****Note:** Tolls incurred during delivery will be automatically added to fee amounts. Additional accessorial may also apply retroactively, per table above.

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Delivery Windows

- Full Truck Loads will have 60 min window on the scheduled delivery day
- Split loads will have an AM/PM window that will be communicated and confirmed the day before
- Note: If the Full Truck Load is fully maximized on the scheduled delivery day, it provides better opportunity to split further deliveries with another store

Wholesale Model Future Modifications

As stated above, the intent of this transportation fee structure is to establish a ‘net-zero’ environment where overall transportation fees are approximate to the actual costs incurred to deliver Save-A-Lot product to stores. Save-A-Lot supply chain leadership will conduct an annual review of transportation-related costs and may update the amounts in the fee curve to reflect actual costs. Note that modifications may be up or down, dependent on market conditions, overall efficiency of transportation operations and routing, fleet utilization, or changes to 3PL provider costs (ex. yearly CPI increase from dedicated carriers).

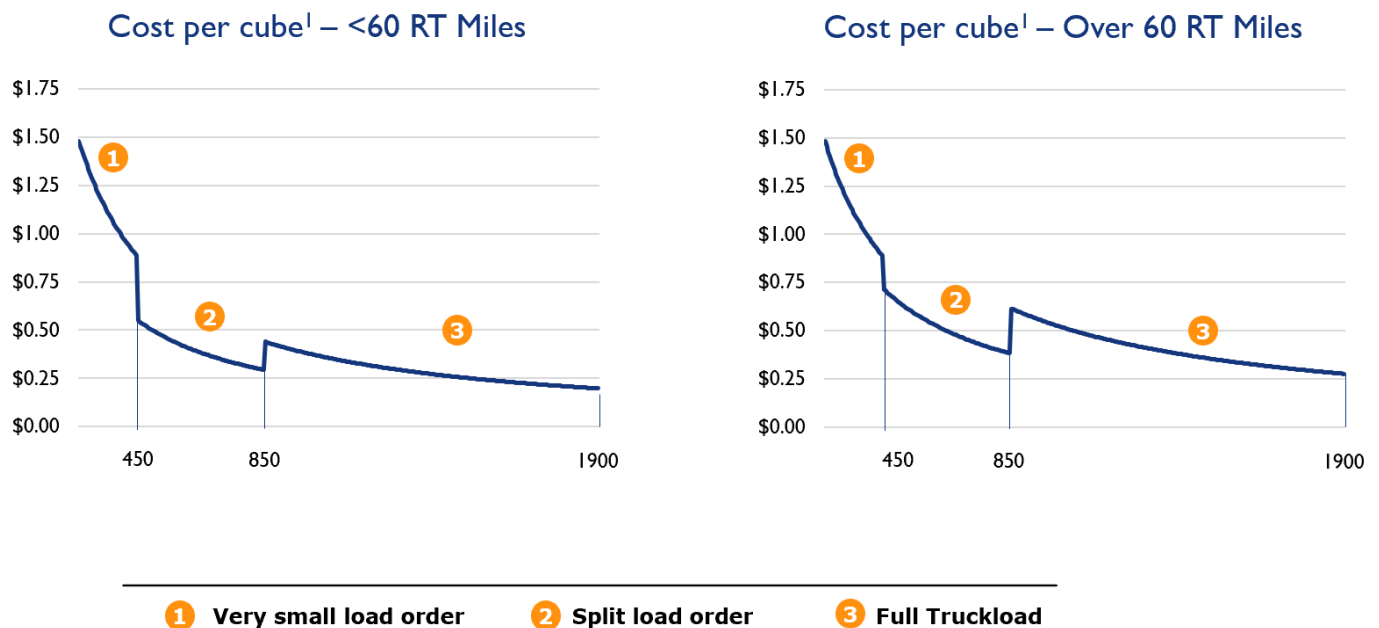
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4.0 Fee Mitigation Strategies

The new fee structure is designed to incent Retail Partners to place orders that enable efficient utilization of delivery trailers.

- Minimize small deliveries. While small/expedited orders are available to Retail Partners, these should be avoided if possible due to a high fixed delivery charge for orders below ~1/4 of a truck
- Reduce delivery frequency. Most stores should be able to receive an average of 2 deliveries per week while maintaining sufficient stock levels and freshness
- Seek to maximize use of available space on full truckloads to achieve lowest per-case cost. For full truckload deliveries, there are no additional transportation fees for adding to the order (up to 1,900 cube).
- For Split deliveries, seek to achieve the equivalent of ½ trailer (850 cube)
- Keep in mind the cube required for any survey items or expected 3-sheets with your regular order
- Avoid off-schedule deliveries

As shown in the chart below, the lowest cost per cube is achieved with orders equal near 850 cube (~1/2 trailer) or for full truckload quantities.



1. 1 case averages 1.1 cubic ft.. Costs shown do not include fuel, tolls, or ancillary fees
2. Maximum delivery size is 1900 cubic feet or 43,000 pounds

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5.0 Delivery Guidelines and FAQ

Regardless of the times in the customer master, each DC will send out a “Daily Dispatch” approximately 24 hours in advance to the stores receiving deliveries the following day. In the Daily Dispatch, stores, their order on routes, and the delivery windows will be provided. Other specific call outs are below:

- *Do we lock down Retail Partner stores by the day of week?*
 - o For now, no. Store delivery dates do auto-populate in the handheld RF device but can be changed.
 - o Retail partners can order any day of the week, but this would be an “off-day” order. Off-day orders do not come with any delivery window, but the time will be sent 24 hours in advance with the daily dispatch. Save A Lot cannot provide a 100% guarantee for the fulfillment and shipping of “off-day” deliveries
 - o Arrival time will be communicated via the daily dispatch 24 hours in advance. Distribution has a grace period of 30 minutes for all load types starting at the communicated arrival time. This is to account for traffic and other factors influencing on-time delivery
- *Do we guarantee delivery windows for those full truck load deliveries that are regularly planned (“on-day”) and built into the customer master?*
 - o Yes, with 60-minute windows provided
 - o If an order is set in the customer master to be a full truck load for a particular day, but a split is ordered for that day, then what guarantee is given?
 - We would treat that order as a split, or an “off-day” order, when it comes to providing delivery times. So, the delivery time would be given via the daily dispatch 24 hours in advance and could be delivered at any time during the store’s operating hours
- *Do we guarantee delivery windows for those split deliveries that are regularly planned (“on-day”) and built into the customer master?*
 - o Split loads will have an AM/PM window that will be communicated and the daily dispatch sent 24 hours in advance will have these delivery times
 - o If an order is set in the customer master to be a split for a particular day, but a full truck load is ordered for that day, then what guarantee is given?
 - We would treat that order as a split when it comes to providing delivery times. So, the delivery time would be given via the daily dispatch 24 hours in advance and could be delivered at any time during the store’s operating hours
- *Do all regularly planned full truck load deliveries receive AM deliveries?*
 - o No. Requests for specific time-of-day deliveries will be evaluated as requested

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6.0 Additional Notes and Special Circumstances

- Any 'Hot Shot' trailers driven by SAL caused out of stocks or special buys will not be charged to the RP (This will be determined by SAL's discretion)
- Any special request dunnage pick-ups will be charged at the freight and fuel pricing for a full trailer
 - Note: typical scheduled cadence is for one dunnage pick-up per week, which is not subject to additional charge
- Note the pricing is based on actual product shipped, which may be less than full order due to stock-outs
- To maximize trailer utilization, pallets may be stacked up to 84" (7 ft) tall.
- Incorrect Store Order Submissions
 - The opportunity to catch these deliveries & route accordingly exists, but the DCs will need retail support. If the DCs receive notification of incorrect delivery date by 10pm, the night before routing, the load will be routed for normal delivery day.
 - Example: Save A Lot routes on Sunday for Monday, Monday for Tuesday, etc. A notification must be received by 10 PM Saturday night to allow DC to route for Monday delivery.
 - Late Order Submissions: Stores who submit orders after the 10 PM cutoff 2 days before delivery**
 - Example: Store #12345 is on a MF delivery pattern. The store misses the cutoff on Wednesday night at 10 PM. The order will be routed for their next pattern delivery day, Monday, at the latest
 - Incorrect Delivery Date Submissions: Orders entered for same day, next day, previous day, etc.**
 - Example: Store #12345 is on a MF delivery pattern. The store submits their Friday order with an incorrect delivery date. The order would then be delivered on Monday, at the latest

7.0 Fill Pallet Program

The fill pallet program is an optional rule applied to every order book, which provides stores the opportunity to add additional full pallet quantity items to an order. In the event of a short order, or an out of stock situation, the Warehouse Management System will add these preselected pallet items to the order to maximize the cube efficiency of the load; due to cube constraint not all items are guaranteed to be added to the order. The objective of this program is to cube out all deliveries in order to maximize equipment efficiencies and reduce transportation costs.

The Fill Item Optional rule is available on every load and includes the below parameters:

- Can select up to 5 items
- Must be a pallet item or a full pallet quantity of any one item
- Can be any item except
 - Merch dept 005, 006, 007 (produce, supplies, GM)
 - Item class 084, 162, 164, 186 (meat)
 - Item dept 011, 012 (milk, cultured, ice cream)

Store Order Book View - The store order book has the Fill field available to enter fill quantities, while the PQty and Pal fields are available to assist in determining what the full pallet quantity is, or if it is a pallet item.