

# 2017 Supplier Summit

## Global Sourcing Home Contacts:

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# Final QC Product Inspection

## Kroger GM Home's expectations:

- Applies to both Kroger's direct import or domestic purchase in Our Brands.
- Non-Kroger Brands are exempted. Suppliers should self inspect.
- Li & Fung's suppliers making Kroger Brands should follow Li & Fung's Final QC inspection Policy.
- Do not confuse Sourcing's Final QC Product inspection with the Compliance team's Factory Social Compliance or BV's Product safety testing.
- Suppliers to work closely with Kroger Product Developers on "Our Brand" products to review and approve pre-production sample standard.
- Suppliers to perform their raw material inspections and multiple inline inspections at key stages of the production line to ensure all product match pre-production sample standard.
- Suppliers should use General Inspection Level 2 to determine sample size and AQL (Acceptance Quality Limit) should be set at 0% for critical, 2.5% for major and 4.0% for minor defects.



# AQL Tables:

## Sample size code letters & AQL allowed

Sample size code letters

Lot size (Number of ordered products)	General inspection levels			Special inspection levels			
	I	II	III	S-1	S-2	S-3	S-4
2 to 8	A	A	B	A	A	A	A
9 to 15	A	B	C	A	A	A	A
16 to 25	B	C	D	A	A	B	B
26 to 50	C	D	E	A	B	B	C
51 to 90	C	E	F	B	B	C	C
91 to 150	D	F	G	B	B	C	D
151 to 280	E	G	H	B	C	D	E
281 to 500	F	H	J	B	C	D	E
501 to 1,200	G	J	K	C	C	E	F
1,201 to 3,200	H	K	L	C	D	E	G
3,201 to 10,000	J	L	M	C	D	F	G
10,001 to 35,000	K	M	N	C	D	F	H
35,001 to 150,000	L	N	P	D	E	G	J
150,001 to 500,000	M	P	Q	D	E	G	J
500,001 and over	N	Q	R	D	E	H	K

Code letter	Sample size	1.0	1.5	2.5	4.0	6.5
		≤ 0	≤ 0	≤ 0	≤ 0	≤ 0
B	3	≤ 0	≤ 0	≤ 0	≤ 0	≤ 0
C	5	≤ 0	≤ 0	≤ 0	≤ 0	≤ 1
D	8	≤ 0	≤ 0	≤ 0	≤ 1	≤ 1
E	13	≤ 0	≤ 0	≤ 1	≤ 1	≤ 2
F	20	≤ 0	≤ 1	≤ 1	≤ 2	≤ 3
G	32	≤ 1	≤ 1	≤ 2	≤ 3	≤ 5
H	50	≤ 1	≤ 2	≤ 3	≤ 5	≤ 7
J	80	≤ 2	≤ 3	≤ 5	≤ 7	≤ 10
K	125	≤ 3	≤ 5	≤ 7	≤ 10	≤ 14
L	200	≤ 5	≤ 7	≤ 10	≤ 14	≤ 21
M	315	≤ 7	≤ 10	≤ 14	≤ 21	≤ 21
N	500	≤ 10	≤ 14	≤ 21	≤ 21	≤ 21
P	800	≤ 14	≤ 21	≤ 21	≤ 21	≤ 21
Q	1,250	≤ 21	≤ 21	≤ 21	≤ 21	≤ 21
R	2,000	≤ 21	≤ 21	≤ 21	≤ 21	≤ 21



# Ready to pack! Now, what?



# Option #1

## Hire 3<sup>rd</sup> Party, SGS, to do the Inspection

- Please email [DirectGlobalSourcing@kroger.com](mailto:DirectGlobalSourcing@kroger.com) your intent of using SGS. Please also include quote sheet, PO ship date and order quantity information in your email.
- The Global Sourcing for Home will review your product and provide SGS contacts and further instructions.
- In order to receive a “Pass” rating with SGS, you will need to submit an approved sample that was signed by Product Developer during your product approval.
- If you plan to use a different 3<sup>rd</sup> party inspection company, please email [DirectGlobalSourcing@kroger.com](mailto:DirectGlobalSourcing@kroger.com) for approval.
- SGS will send the final audit result to the Global Sourcing and copy the suppliers.
- The Home Sourcing team will then follow up with additional comments within 3 business days.





# Option 2:

## In-house inspection by supplier

- No change on your existing Production samples process with Product Developers.
- Prior to your production, please send an example of your in-house inspection report to [DirectGlobalSourcing@kroger.com](mailto:DirectGlobalSourcing@kroger.com). This item should be a similar product type that Kroger is buying.
- E-mail subject line should read “Home – (Supplier name), (Product Type), in-house QC inspection report approval request-MMDDYY”.
- This inspection needs to be an actual inspection previously performed and not a blank file. Please cross off/delete any proprietary and customer information. We are mainly reviewing your protocols and see where your QCs are focusing on.
- If your inspection protocols and format meet our requirements, we will grant you to perform your own Final QC Inspection. You should have our ruling within 7 days.



# Submitting in-house Final Inspection Report to Global Sourcing

- First and foremost, you must have a “Passed” BV’s GM product safety compliance report and a passing grade from our Social Compliance before Kroger will accept your shipment.
- Send Final Quality inspection Report to [DirectGlobalSourcing@kroger.com](mailto:DirectGlobalSourcing@kroger.com) File name should be “YYYY MM DD – FM (or KGM) PO #\_\_\_\_, SKU #\_\_\_\_ Inspection Report”.
- Attached Direct Import Quote Sheet to the same email.
- For Domestic purchase in Our Brands, please inform us in your email text so we know there won’t be a DI QS attached.
- Direct Import Quote sheet's file name should contain product item number and a brief product description.
- Mail size should be less than 10MB per email. If your inspection report exceeds this size, please break them into multiple parts.
- Our goal is to review and comment within 3 business days.



Once Sourcing approved your  
Inspection report, let them sail!





# Global Home Sourcing team will perform random product inspection



# What if product failed Sourcing's in-store inspection?

- Let's hope this will not happen. We take no pleasure having to address supplier's falsify inspection report.
- If it was determined by Sourcing that this is a gross negligence and an intentional act by supplier, penalty could be any or all of the followings:
  - 1) Supplier to lose its privilege of self-inspection.
  - 2) Sourcing to recommend buying team to pull off the shelves if we deem product's quality do not meet Our Brand's standard and requirement.
  - 3) Buying team to issue charge back for lost of sales based on end of season sell thru percentage for the category.
  - 4) Sourcing to charge back supplier any store labor incurred.

