

COLLECT AND PREPAID

All suppliers must decide how to get their products into stores. PREPAID and COLLECT are the two primary delivery options available. (Direct Store Delivery (DSD) is a third, less common option.)

PREPAID means that the *supplier* is responsible for getting products to the stores or distribution centers. The supplier decides the means of delivery to the retailer (his own transportation or a third-party carrier), and the supplier manages all the logistics.

COLLECT means the *retailer* manages shipping and transportation to retrieve the order. Whether using its own transportation or using a third-party carrier, the retailer pays transportation costs. The supplier just packages and labels the merchandise.

Fully understanding the qualities and limitations of both prepaid and collect transportation helps suppliers know which is going to help them maximize profits and improve their businesses.

While it may seem wiser to choose collect delivery because it simplifies the freight process by allowing the retailer to handle the pickup and delivery of products, that is not always the case. Today some collect suppliers are being hit with new charges related to freight handling and fuel and so are reevaluating their delivery decision. Sometimes they see operational savings and an increase in margin by managing delivery themselves.

Understanding the differences between them is the first step in determining which is better for you.

WHO DOES WHAT?

FUNCTION	PRE-PAID	COLLECT
Is responsible for transportation	Supplier	Retailer
Manages route	Supplier	Retailer
Picks/packs/labels merchandise	Supplier	Supplier

Information About Prepaid

- The transportation cost is built into the supplier's price of goods and is incorporated into the vendor agreement.
- There are three options for freight: less-than-truckload (LTL), full truckload (FTL), and parcel.
- 3PLs (third party logistics/carriers) may charge the supplier for extras such as storage, picking, labeling, palletizing, EDI transactions.
- The supplier maintains the legal ownership of the goods while they are in transit and until they are received.
- Large-volume carriers or suppliers sending shipments to many different locations tend to use this.



Warnings About Prepaid

- There is no guarantee that your payment to a carrier is a one-and-done payment. Extra charges can be incurred throughout a shipment's journey.
- There is a lot of follow-through needed. If the truck doesn't reach the DC on time, you could be fined, so suppliers have to check regularly that their carriers will get the orders delivered on time.

Information About Collect

- Many consider this no fuss. The supplier simply turns over to the retailer the shipping of merchandise who is then responsible for delivery. Walmart does not take possession of goods until they are received at the DC.
- The payment dates for the cost of the *goods* and the cost of the *shipping* are separated, giving the supplier some flexibility with cash flow management.
- Lower volume shippers and suppliers who don't have the resources to manage transportation tend to use this.

Warnings About Collect

- Once your merchandise leaves your hands, you have zero control over when it actually arrives — which can impact your inventory and your sales.
- Even if you find cheaper options, you'll be locked into specific shipping costs for the term of your contract.
- There is never a guarantee that the retailer will pay all of the cost of shipping. The supplier is at risk of paying for storage, gasoline, excessive freight charges, or for the shipment to be returned to them. Walmart has instituted the Collect Pickup Program (CPP) which requires collect suppliers to pay a portion of the cost of goods and a fuel surcharge.

Some historical averages from [RJW Logistics Group](#):

FUNCTION	PRE-PAID	COLLECT
Required on-time delivery %	Over 98%	50 - 60% for LTL, 85% for TL
Lead time	7 - 10 days	14 - 21 days
Order-review frequency	1 - 7 times/week	1 - 2 times/week

Listen to our Podcast: Prepaid vs. Collect Delivery with RJW Logistics Group

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- Customized training using your data
- For one person or for your whole team
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Certified



Corporation

8th & Walton is the second Arkansas company to become B Corp certified.

“8th & Walton has chosen to be a company that is ethically responsible to our community, our clients, and our colleagues,” Clapper continued. “A different kind of economy is possible. Business can balance profit and purpose. Business can be a force for good. Business can be purpose-driven and create benefits for all stakeholders, not just shareholders. That is what we pledge to be.”