



Produce Traceability Initiative

Best Practices for External Product Substitutions

Objectives

The objectives for establishing best practices for internal product substitutions include to:

- meet the requirements of the Produce Traceability Initiative;
- create efficient shipping and receiving processes;
- create efficient document reconciliation processes;
- eliminate short pay invoices due to inaccurate data exchange;
- eliminate shipment rejections due to loading inaccuracies; and
- formalize current industry practices.

Definition of Terms

Item substitution: It is not uncommon for buyers to allow suppliers to substitute different items for product that is ordered if the supplier has an insufficient quantity of the ordered item on hand at order fulfillment time. A “substitution” item is generally the same commodity that does not compromise the specification or quality of the product. These items are considered to be “preapproved substitutes” based on prior agreement between the two parties. The supplier may or may not need to contact the buyer before effecting the substitution on the order.

Internal product substitution: This is a substituted item that comes from the supplier’s inventory; the supplier is the brand owner of the item.

External product substitution: This is a substituted item that is purchased by the supplier with whom the order was placed from an alternate source when product from the initial supplier is not available. These items may be transported from the alternate source to the supplier’s facility for loading and shipment or it may be shipped directly from the alternative supplier’s facility to the buyer.

Best Practices for External Product Substitutions

General scenario: Supplier does not have the product themselves to fulfill the order. As such, supplier procures product from Alternate Source to fulfill the order.

Scenario A: *Alternate Source ships product to Initial Supplier’s loading facility; Supplier then ships that product to the buyer’s receiving location.*

Supplier actions:

- Provide market partners with previously discussed and approved Alternate Source's product substitution Global Trade Item Number (GTIN) information for system synchronization.
- Read and store GTIN and Lot # from Alternate Source's case or Hybrid Pallet Label upon receipt at Supplier facility. (See also: Milestone 6.)
- Reflect the appropriate GTIN and lot number in both human readable format and GS1-128 bar code on:
 - each individual case (if not already done); and
 - the Hybrid Pallet Label.
- Reflect the appropriate GTIN and lot number on Advance Shipping Notice (ASN) or passing to the buyer.

Buyer actions:

- Pre-approve all potential trading partner product substitutions from Alternate Suppliers used by Initial Supplier (if required).
- Synchronize all acceptable GTIN substitutions with internal systems on an as-needed basis.

Scenario B: *Alternate Source ships product directly to buyer on behalf of initial supplier.*

NOTE: Having Alternate Source ship substituted product directly to buyer is a process that should be approved with buyer in advance. Some buyers will need to create separate purchase orders and will need to schedule deliveries separately.

Supplier actions:

- Initial Supplier to provide market partners with previously discussed and approved product substitution GTIN information for Alternate Source GTINs for buyer system synchronization.
- Reflect the appropriate GTIN and lot number in both human-readable format and GS1-128 bar code on:
 - Each individual case (if not already done); and
 - Hybrid Pallet Label.
- Reflect the appropriate GTIN and lot number on Advance Shipping Notice (ASN) or passing.

Buyer actions:

- Pre-approve all potential trading partner product substitutions if required.
- Synchronize all acceptable GTIN substitutions with internal systems on an as needed basis.