



Produce Traceability Initiative

Best Practices for Internal 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 Internal Product Substitutions

Scenario: Supplier does not have enough inventory to cover a buyer’s order and therefore substitutes one of their own products (i.e., makes an internal item substitution) for the one originally ordered.

Supplier actions:

- Provide market partners with previously discussed and approved product substitution Global Trade Item Number (GTIN) information for system synchronization on an on going basis.
- Reflect the appropriate GTIN and lot number in both human readable format and GS1-128 bar code on:
 - each individual case; and
 - the 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.