

## Macy's, Inc. Damage Return Programs

Dear Macy's, Inc. Vendors,

In an effort to reduce the expenses that both retailers and vendors incur in handling defective merchandise, Macy's, Inc. has modified our Damage Return to Vendor practices to provide the three programs listed below.

We encourage all new vendors to contact us to ensure we update your records to reflect your program preference. Existing Macy's, Inc. vendors may also contact us at anytime to update or change your current damage return program selection.

If you would like to make a change to your existing selection, please contact us at [damagereturns@macys.com](mailto:damagereturns@macys.com) or call 732-661-3093 for details.

### **Vendor Allowance Program**

In the Vendor Allowance Program, the vendor and Macy's, Inc. agree on a damage allowance that is based on the vendor's historical damage rate of return experience. The allowance, which is periodically reviewed to keep it in line with changes in damage rates, is deducted from the amounts paid for the vendor merchandise covered by the program. Vendors save all damage RTV handling or freight charges by participating in this program because no returns are processed for defective merchandise.

### **Salvage Credit Program**

Central return centers accumulate damaged merchandise for each vendor participating in the Salvage Credit Program and process a "no goods moving" RTV document, on a monthly basis. The RTV document will provide each participating vendor with the specific unit, style and cost information associated with the damaged merchandise processed. The salvage credit, which is applied to reduce payments otherwise due to the vendor, is equal to the actual value of the damaged merchandise but because the damaged merchandise is not physically returned to the vendor, these RTVs do not have any handling or freight charges applied to them.

### **Return to Vendor with a Standing Return Authorization Program**

Under the "Return to Vendor with a Standing Return Authorization Program," damaged merchandise is held by our central return centers and returned to vendors on a monthly basis. Vendors that elect to have damaged merchandise returned to them must provide a standing return authorization that will allow us to process RTV shipments in a timely manner. By choosing to have the damaged merchandise returned, vendors are agreeing to pay a handling fee as well as applicable freight charges.

### **FAQS for Vendors**

**What are the benefits of the Allowance program for a vendor?**

- No damage returns
- Reduced operating expenses for inspecting and processing returns
- No handling and freight charges for damages
- Simplified payment reconciliation

**How is the return discount rate for an allowance established?**

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By comparing the total purchases Macy's, Inc. made with your company (at cost) to the cost of damaged merchandise Macy's, Inc. returned to you during the previous fiscal year.

### **Will an allowance discount rate given to a vendor at this time always stay the same?**

No, Macy's, Inc. will continue to monitor the relative amount of damaged merchandise we process for your company for significant fluctuations (up or down). The discount rate applied to your invoices will be reviewed annually to reflect their current business conditions. If we find that a rate adjustment is in order, we will notify your company to ensure you are in agreement before any change is made.

### **How is an allowance discount applied when I do business with different Macy's, Inc. selling divisions or buyers within a division?**

The actual return allowance rate will be determined at the Macy's, Inc. division, department and vendor level. This will account for variances in your damages experience as a proportion of sales volume between our different divisions and families of business.

### **How is a return allowance deducted?**

The applicable allowance percent is deducted from the payment to be issued for each invoice by our Accounts Payable systems. There is no need for a vendor to make any kinds of systems or invoice changes to account for the allowance.

### **What are the benefits of the Salvage Credit program for a vendor?**

- No damage returns
- Reduced operating expenses for inspecting and processing returns
- No handling or freight charges for damages
- Detailed information on the units and styles returned from the stores

### **Do the Vendor Allowance & Salvage Credit programs apply to all types of returned merchandise?**

No, these options can only be arranged for damaged or defective merchandise from our stores. Seasonal accommodation returns and other special returns of first quality merchandise that you negotiate with the buyers will be processed and shipped back to your company following our current guidelines.

### **What if the vendor decides that it wants to continue to have damaged merchandise returned?**

If a vendor requires that we hold and ship damaged merchandise for return, it must provide a standing return authorization number so that we can process the return as sufficient quantities of merchandise are accumulated. Macy's, Inc. handling and freight charges will continue to be applied to these returns.

### **What if we have questions that are not answered in the materials provided?**

If you have any additional questions please contact us at [damagereturns@macys.com](mailto:damagereturns@macys.com) or call 732-661-3093.