TrueCommerce™ retail TouchPoints®

Moving Beyond Compliance to Create an Efficient Supplier Network

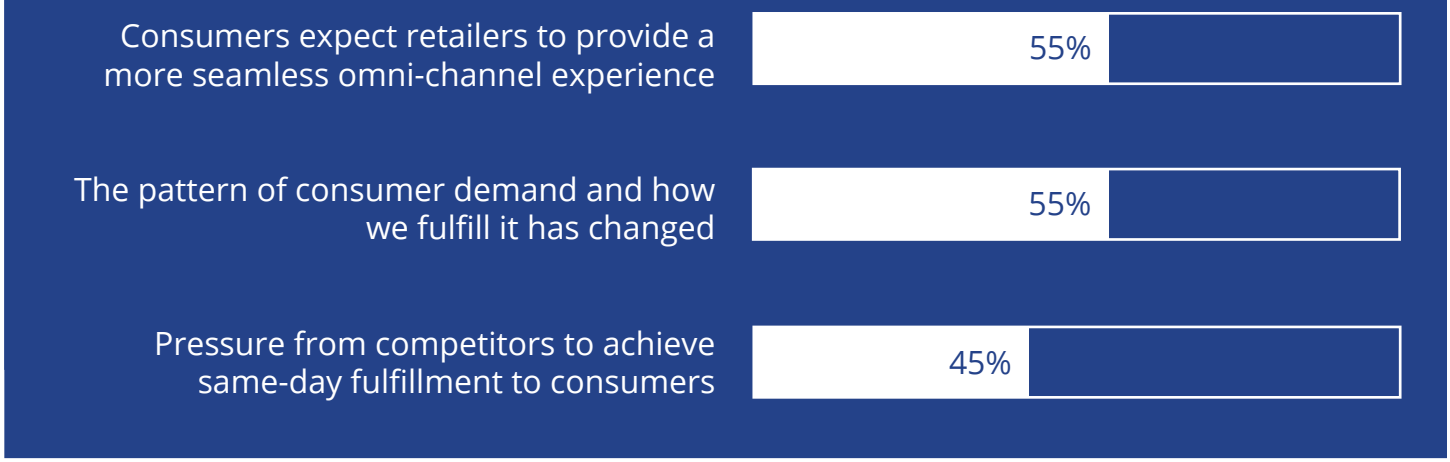
How Visibility, Transparency and Flexibility Help Retailers Meet Delivery Expectations



Study after study documents how a more empowered consumer is dramatically affecting the retail landscape. In fulfillment, this means delivery windows are shrinking, order profiles are more numerous and complex, and retailers and their supplier networks are scrambling to keep up.

View an interactive web version of this iPaper.

Top 3 Business Challenges in Supply Chain Execution



Source: RSR Research, Retail Supply Chain Execution 2016: Dancing In The Dark

The pressure is only increasing. A recent survey by Narvar found **60% of consumers are more likely to choose a retailer that provides the exact date of delivery.** Disturbingly, a large minority of shoppers — 42% — do not trust that their package actually will arrive on time. Retailers call these new expectations and demand patterns the biggest business challenges they face when it comes to supply chain execution, according to Retail Systems Research (RSR).

These shifts fundamentally change how orders must be managed and fulfilled by today's retail supply chains, and drive the need for increased flexibility as well as tight synchronization between partners. Instead of primarily sending bulk shipments to stores, for example, suppliers now need to manage a complex mix of bulk, drop shipping and store-ready packaging.

Unfortunately, many retail supply chain participants are unprepared to manage this complexity. Analysts have been warning for years that retailer-supplier collaboration must improve, but most retailers have made little progress. Now the emergence of new order profiles is exposing these weaknesses, and it's costing everyone in stock-outs, lost revenue and delivery delays that send customers to the competition.

supply chain

collaboration and use of a shared platform are a vehicle to enable an effective network model in a demand-driven supply chain.

- KPMG, The Future of Retail Supply Chains, May 2016

With the right platform in place, however, retailers can quickly reverse the unnecessary costs, latency and bottlenecks caused by poor retailer-supplier collaboration. A next-generation, cloud-enabled supplier portal, provided as a managed service, must go beyond EDI to deliver extended visibility and collaboration with suppliers. This enables powerful benefits, from minimizing stock-outs to proactive notification and resolution of compliance errors to facilitating complex order profiles. The result is improved customer satisfaction and increased revenue for the entire supply network.

The Cost of Opacity

When retailers lack timely, accurate data and visibility into supplier activities, it has a ripple effect across the brand's value proposition. It is difficult to provide consumers with accurate inventory availability or rapid shipping with a specified delivery date, for example, if inventory status data is missing or inaccurate, order visibility ends when the order is placed, warehouses get unexpected shipments, or the supplier cannot quickly process and execute drop ship orders — all common issues in many current retailer-supplier communications.

61%

of retailers call visibility into drop ship supplier inventory very important, but just 33% have a lot of visibility into drop ship supplier inventory.

- Retail Systems Research, Retail Supply Chain Execution, Dancing In The Dark, 2016

Those breakdowns lead to revenue losses, because consumers learn they cannot trust the retailer's data. Once consumer trust is lost, it is very difficult to regain.

The only thing standing between retailers and their expanded, flexible fulfillment goals is a more collaborative, managed and technology-enabled approach to supplier network communications.

3 Steps to Better Supplier Collaboration

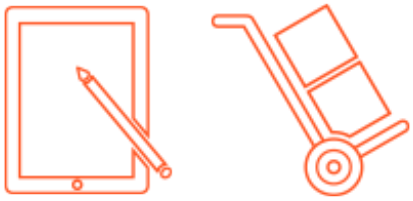
A well-crafted supplier portal facilitates three key steps that enable retailers to move from a supplier network that is merely compliant to one that is truly efficient.

1. Assess & Score Current Suppliers

Today's retailer-supplier relationships are reactive and penalty-based. However, collaboration breakthroughs happen when those relationships become proactive and focused on error prevention and mutual success. Retailers don't want to issue chargebacks; they want timely and accurate data that gives them full visibility.

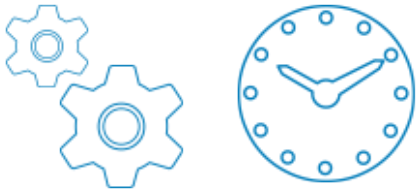
Most retailers onboard a new supplier, amass a performance history, and then score the supplier to decide whether to continue the relationship. By then, any compliance failures they incur are paid for in lost revenue and unhappy customers. In a drop ship program, for example, the supplier's ability to ship on time and in full, package according to instructions and deliver on the shipping promise reflect directly on the retailer's brand.

Instead, retailers need to thoroughly assess supplier capabilities before they begin the relationship — particularly one that includes an expanded endless aisle program supported by drop ship. A key part of this assessment is ensuring the supplier has a reliable infrastructure and process efficiency that enables it to:



1.

Provide the basic information used in EDI transactions such as ASNs, inventory statuses and purchase order acknowledgement in an accurate and timely way.



2.

Receive and process orders quickly and automatically — both on a "normal" day and during a high-volume surge such as Cyber Monday, when orders can increase tenfold.



3.

Provide accurate stock availability daily or more frequently by location to drive fulfillment decisions and provide exact delivery dates to customers.



4.

Achieve sufficient capacity and maintain operations by working with an EDI provider with robust compliance and disaster recovery tools.

In total, Inventory Distortion (Out-of-Stocks and Overstocks) costs retailers collectively nearly $1.1 trillion globally. Or put another way, same store sales could increase 7.5% if this problem were completely fixed.

- IHL Group, 2017

Retailers also need a way to continually measure and provide feedback to suppliers on KPIs including on-time fulfillment, in-full shipments and compliance performance as well as measures such as quality, cost, responsiveness, innovation, risk and customer satisfaction. With a well-constructed portal, a retailer could choose to treat suppliers differently according to their scoring, such as requiring a poor-performing supplier to acknowledge an order within two hours of receipt, while allowing a higher-performing one to simply acknowledge it within 24 hours.

To help overcome the challenges of setting up and managing initial supplier assessments and scorecarding, a growing number of retailers are working with a managed services provider to operate cloud-based portals that fill gaps in supplier capabilities. This allows suppliers of all sizes to work with the retailer despite varied technical capabilities and EDI infrastructure, ensuring timeliness, consistency and higher compliance levels to drive visibility. The managed services provider can then coach and support suppliers as they work to improve their capabilities.

2. Upgrade Onboarding Processes

It is important that new suppliers get up to speed quickly to avoid the disconnects and errors that degrade the customer experience. A thorough, step-by-step onboarding process prevents many of the initial problems that typically emerge in a new trading relationship, so customers are never impacted.

According to the Retail Value Chain Federation's 3 Key Components to Successful Supplier Onboarding, Part 1, "Every retailer understands that many compliance issues wouldn't exist if the retailer had done a better job of onboarding."

Onboarding best practices include four steps:



1. Requirements gathering: Assessing needs and identifying gaps in capabilities



2. Adoption: Managing each supplier through the enrollment process



3. Enablement: Mapping, cross-referencing, training and testing for all document and communication types



4. Ongoing support and training: Ensuring ongoing system usage, offering help desk services and implementing new initiatives

> **Every retailer** understands that many compliance issues wouldn't exist if the retailer had done a better job of onboarding.
>
> *- Retail Value Chain Federation, 3 Key Components to Successful Supplier Onboarding, Part 1*

Onboarding also may include integration with a supplier's back-end accounting, ERP or warehouse management system, replacing manual portal interfaces with automated ones to enable enhanced speed and accuracy.

3. Enable Suppliers to Succeed

Compliance programs came about to enable efficient processes and communications among retailers and their suppliers. Chargebacks became the stick intended to improve compliance. However, for many retailers it stops there; few take proactive steps to help suppliers improve or facilitate their ability to comply with mandates such as EDI.

A more enlightened approach empowers suppliers by providing tools that enable them to succeed. Working with suppliers increases compliance levels, leading to more accurate and timely data and enriched collaboration. This results in a higher functioning supply chain, one with the flexibility and visibility needed to manage today's complex order profiles and drive customer satisfaction and increased revenue.

By providing a supplier web portal, retailers also allow those with insufficient EDI capabilities to enter data directly, or provide it via a wide range of connection methods and formats including PDF, FTP, XML and web services, as well as direct integration. The portal automatically converts data to and from the correct EDI format required by the retailer. An advanced platform not only facilitates EDI, but also enables other types of messaging and collaboration not covered by traditional business transactions within the retailer's business system types.

Beyond that, a well-designed, cloud-based portal provided as a managed service works to prevent compliance issues through intelligent analytics. For example:

Content Validation



While a standard portal will only perform syntax validation, an advanced portal applies syntax and content validation to ensure the accuracy of data.

Proactive Managed Services



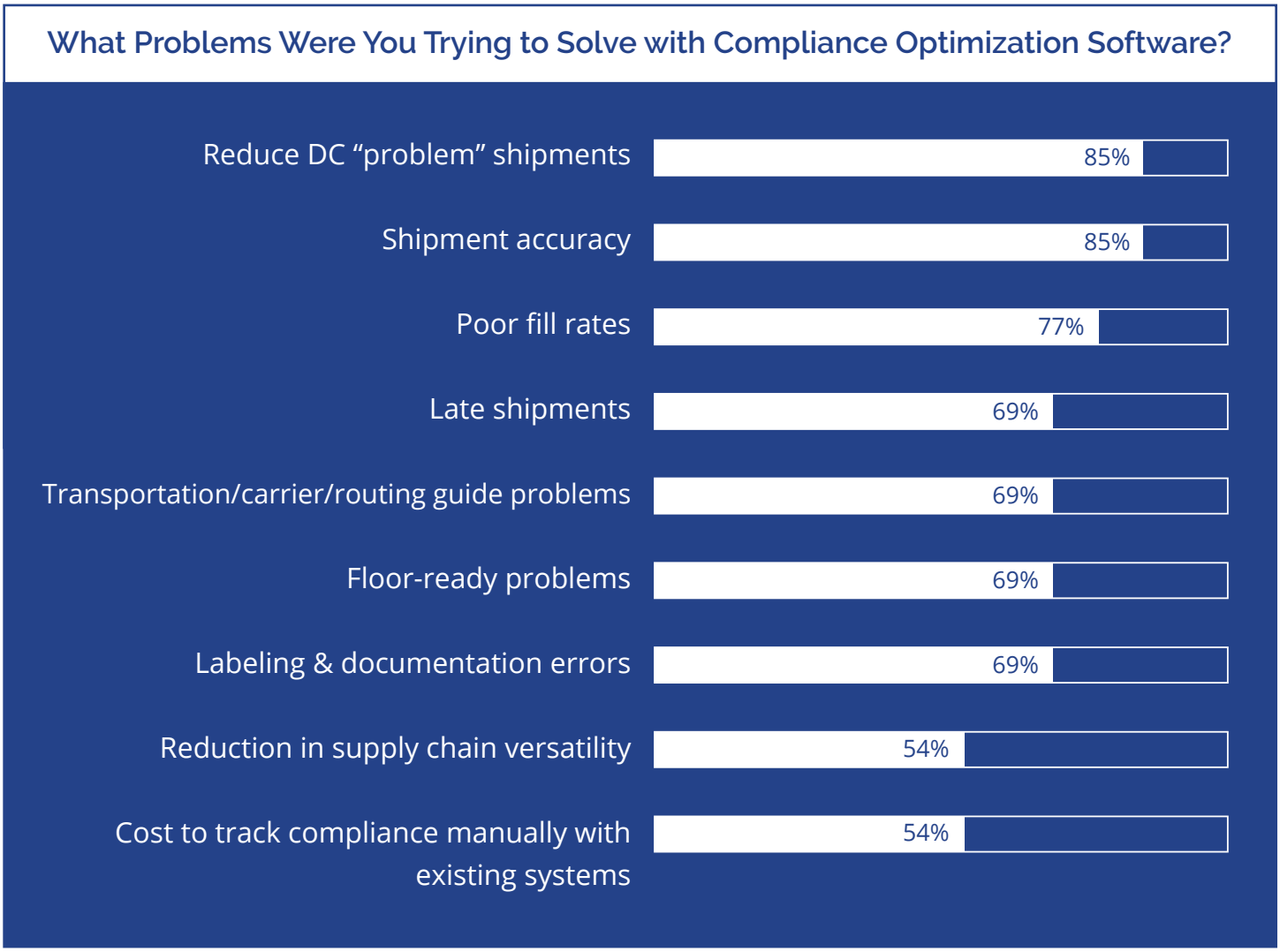
Rather than allow a supplier to send erroneous data and leave the retailer to deal with the fall out — such as invoicing not matching a receipt of goods or over/under shipments — an advanced, managed portal alerts a supplier to the error and provides a proactive managed service desk to triage the issue so that the issue can be resolved before it ever becomes a problem with the retailer.

Staying On Track



If a document is overdue, an advanced, managed portal will reach out to the supplier to help it get back on schedule.

What Problems Were You Trying to Solve with Compliance Optimization Software?



Source: RSR Research, Retail Supply Chain Execution 2016: Dancing In The Dark

Conclusion: Delivering On Today's Expanded Fulfillment Imperatives

Expanding SKU counts and order profiles to include options such as drop ship is critical to help retailers compete in an increasingly on-demand world. To accommodate customers' expectations for rapid, anytime, anywhere delivery and offer exact delivery dates — all while preserving margins — retailers need complete visibility into all inventory positions, both their own and their suppliers'. This requires close collaboration with suppliers.

A cloud-based supplier portal, provided as a managed service with experts in onboarding and managing retailer-supplier communication, has emerged as the best approach to achieving these next-generation capabilities. A robust supplier portal drives down stock-outs and inventory carrying costs and increases visibility and confidence in product availability, enabling retailers and suppliers to partner in delivering on the brand promise and, in turn, drive increased revenue and customer satisfaction.



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