

Retail Supply Chain Challenges

Increase Sales | Decrease Costs | Mitigate Risk



Retail Supply Chain Challenges

“Poor judgment and uninformed assumptions result in market miscues, setbacks, mediocre performance, politicized cultures, demoralized workers, and workforce reductions.”

Stephen Covey, Author
7 Habits of Highly Effective People

Like many other successful retailers, BCF has invested heavily in its distribution systems over the years to ensure effective execution of the company’s merchandising plans. BCF also persistently looks for changes in processes and technologies to improve operations and support the following corporate goals:

KEY TAKEAWAYS

Retail supply chain challenges will always be with us, but if there’s an automated Vendor Performance Optimization solution (VPO) in place, stakeholders have the power to make informed decisions to meet these challenges and embark on a journey of continuous improvement.

VPO solutions offer the potential to maximize sales and significantly reduce supply chain costs.

WHY READ THIS REPORT

Adopting an automated Vendor Performance Optimization process into the supply chain organization is an engine that can drive continuous improvement.

Implementing one can be a daunting task, yet it's been documented that the benefits of increased sales, reduced remediation costs and the ability to make data driven decisions are worthy of the initial effort.

If your organization has aspirations to be best in class, then an automated Vendor Performance Optimization process should be at the top of your supply chain agenda

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Overview

Improving performance can only be accomplished by equipping stakeholders with detailed and accurate information on every activity associated within the supply chain.

This visibility yields the possibility for performance improvements from vendor and supply chain executives alike. Performance improvements yield performance predictability which can reduce

- Lost margin due to lost sales and markdowns,
- Damage to the brand due to out of stocks,
- Additional labor costs associated with managing problem shipments
- Excess safety stock and its associated holding costs

Once an effective Vendor Performance Optimization process is established, supply chain professionals have the ability to

- Improve distribution service quality,
- Improve merchandise and supply chain planning and execution,
- Recover costs for poor vendor performance,

- Embark on a journey of continuous improvement, and
- Accurately manage and predict performance execution levels.

RETAIL SUPPLY CHAIN CHALLENGES

When a vendor fails to comply with a retailer's vendor requirements, it affects the entire supply chain and keeps the retailer from effectively executing its merchandising plan.

If/when a vendor violates policy by

- Over shipping or shorting a PO;
- Shipping an order early or late; or
- Inaccurately labeling their shipments,

Vendor failures disrupt product flow and cause unnecessary delays in getting the merchandise to the customer.

These delays result in ineffective execution of the merchandizing plan which creates lost sales, the need for unnecessary markdowns and higher costs for mitigation or remediation.

SUPPLY CHAIN OBJECTIVES

Although supply chain objectives will vary based roles, they all should support enterprise wide goals of maximizing sales and reducing costs.

SUPPLY CHAIN OBJECTIVES BY ROLE					
STANDARD	THE RETAIL ENTERPRISE	RETAIL MERCHANTS	VENDOR	DISTRIBUTION	STORES
Bulk or Store Pack	Maximize Sales	Optimize Vendor-To-Sales Floor Cycle	Increase Revenue And Product Flow	Streamline Product Flow	Maximize Sales Opportunities
BOL Standards	Reduce Costs	Optimize Distribution Cycle	Increase Revenue And Product Flow	Streamline Product Flow	Maximize Sales Opportunities
MSRP Pre-Ticketing	Reduce Costs	Reduce Costs And Optimize Flow	Speed Up Product Flow To Sales Floor	Reduce Costs And Optimize Flow	Reduce Costs
Carton Labelling	Reduce Costs	Reduce Costs And Optimize Flow	Speed Up Product Flow To Sales Floor	Optimize Product Flow	Maximize Sales Opportunities
Advance Shipment Notification	Reduce Costs	Optimize Trouble Resolution and Flow	Speed Up Product Flow To Sales Floor	Planned Receiving	Maximize Sales Opportunities
Value-Added Services	Reduce Costs	Optimize Flexibility	Increase Revenue And Product Flow	Reduce Costs And Optimize Flow	Reduce Costs
Shipment Frequency	Reduce Costs	Reduce Costs and Optimize Execution	Leverage Optimal Sales Period	Reduce Costs And Efficient Flow	Maximize Sales Opportunities
On-Time Delivery	Maximize Sales	Execute the Merchandising Plan	Leverage Optimal Sales Period	Minimize Troubles And Speed Up Product Flow	Maximize Sales Opportunities
PO Fill-Rates	Maximize Sales	Execute the Merchandising Plan	Leverage Optimal Sales Period	Minimize Troubles And Speed Up Product Flow	Maximize Sales Opportunities
ASN Accuracy	Maximize Sales	Execute the Merchandising Plan	Speed Up Product Flow To Sales Floor	Minimize Troubles And Speed Up Product Flow	Minimize Trouble Shipments

A VENDOR PERFORMANCE SOLUTION CAN MEET THE CHALLENGE

For an extended supply chain to effectively meet the challenges, a fully automated Vendor Performance Optimization process is essential for streamlining corporate processes, automating notifications, tracking successes and failures, driving performance improvement and delivering information required for informed decision making.

People/Processes

An effective Vendor Performance Optimization solution must grow out of an effective Vendor Compliance Optimization solution. The rules or standards that are managed by the Vendor Compliance Optimization process must be tailored to the supply chain and corporate objectives. During implementation, the organization's performance expectations should be based on supply chain objectives and consideration of the retailer's logistics and distribution environment.

Understanding how product is shipped, processed, and merchandised in the store is essential for developing relevant expectations and performance standards. The VPO Vendor Performance Optimization process should be designed to facilitate a smooth and continually-improving flow of merchandise through the distribution center.

Technology

A Vendor Compliance Optimization process efficiently collects supply chain data from core execution systems and consolidates it into a data warehouse. Data sources include purchase orders, items, EDI/ASN, freight, receipts, RF and manual audits, and AP data.

Key questions to be answered prior to the implementation of a Vendor Compliance Optimization solution include:

- What data will be gathered systemically from existing legacy systems versus human intervention?
- Where will entered data be collected? The receiving dock, vendor compliance office, or transportation office?
- Can existing processes and staff gather the data, or are new systems and staff required?
- Will the system be paper-based, RF-based, Tablet-based, etcall?

Other software and hardware considerations include:

- PC-based (i.e., database and spreadsheet softwares) may be sufficient for small retailers managing a small number of rules.
- Larger retailers, or those managing more than a few rules, require a robust database platform.
- Data must be stored in a single location to assure that all stakeholders access the same data.
- The database requires a user-friendly front-end application to facilitate data entry and analysis.

Measurement

The **Automated Performance Measurement Table** lists compliance activities that should be automated in a VPO.

Once the vendor compliance information is available, the organization is empowered to measure vendor performance, validate failures and recoup the costs associated with the failure and eventually change behavior.

AUTOMATED PERFORMANCE MEASUREMENT
Capture Performance Data
Compare Performance To Published Expectations
Identify Failures (if any)
Validate Failures With Objective Evidence
Document Failures And Evidence
Assess Penalties/Chargebacks Corresponding To The Impact Of The Failure To The Enterprise
Notify Vendor Of Performance Failure With Supporting Evidence

A best-in-class Vendor Performance Optimization process will target both 100% of vendors supply chain transactions in order to maximize collaboration among all stakeholders and optimize the benefits to the enterprise. Moving beyond vendor compliance to Vendor Performance Optimization requires vendor scorecards, advanced

performance and compliance reporting, and vendor compliance/performance portals for communication and collaboration.

THE PAYOFF

Predictability

Predictability enables the retailer to optimize supply execution of the merchandising plan and gain an edge for achieving enterprise wide business goals.

Effective analysis of historical supply chain performance data enables the retailer to base their merchandising plan on facts rather than speculation.

Predictability occurs by analyzing historical vendor performance and using those findings to anticipate future performance. Now a retailer can adjust their purchase order process to account for;

- quantities based on historical vendor shortages and overages; and/or
- timing to correspond with a vendor's shipping habits.

Thus the retailer benefits from the supply chain data warehouse in the short term, while managing longer term behavioral change with the vendor community.

A Vendor Performance Optimization solution integrated with a Vendor Compliance Optimization solution and comprehensive supply chain data warehouse is a powerful tool for improving supply chain planning and execution. It enables the retailer to manage and recover the costs associated with vendor shipping problems. It also provides historical data that can be used to anticipate vendor behavior, address behavior issues before they occur and adjust ordering practices to improve merchandise flow for the customer.

ABOUT COMPLIANCE NETWORKS

Compliance Networks is a leading provider of proven, private-cloud vendor performance solutions for retail supply chain excellence. Since 2000, our suite of solutions has enabled enterprises to improve profitability through continuous improvements in supply chain execution.

If you'd like more information or case studies of the impact of VENDOR PERFORMANCE OPTIMIZATION PROCESS, visit us at www.compliancenetWORKS.com, drop us an email at info@compliancenetWORKS.com, or call us at **877-267-3671**.