



3 Strategies for Vendor Compliance Success

In this whitepaper, you will learn 3 strategies to improve product margins and trading partner relationships, which are key components to Vendor Compliance Success.

Raw material costs are rising, labor costs are rising, and logistics costs are rising. Retailers and brand owners with global supply chains are scrambling to determine how to protect product margins, despite the influence of global trade pressures. Is it more cost effective to seek new geographic areas for production? Or is there more value in strengthening trading partner relationships?

Managing expectations with global suppliers can be a daunting task because physical presence in the factory, or overseas office, is not always possible. Virtual collaboration through video conference, IM, and email are popular methods used to communicate globally, and are encouraged when building strong relationships with suppliers. Improved visibility throughout the supply chain, along with effective tracking and reporting of vendor and product data, can create new opportunities to improve the retailer-supplier relationship. Coupled with [Enterprise Collaboration](#) technologies, retailers can draw an ROI directly from improved vendor compliance policies and processes.

[VendorCompliance.info](#) defines vendor compliance as “the rules by which vendors will conduct business with their customers. As such, vendor compliance rules help companies streamline and standardize their internal procedures for dealing with vendors, and the vendors must make adjustments to their operations to react to their customer's requests.” A successful vendor compliance program is heavily reliant on document and data exchange, and retailers are finding the value of incorporating technology as the platform to do so.

There are many ways to find areas for margin improvement in the supply chain and retailers are constantly trying to find the best opportunity to protect their margins. To achieve full ROI from a Vendor Compliance program, retailers and brand owners must include visibility, intelligence, and collaboration in supplier relationship management, and they must all work together.

Visibility: Learn about your Vendors

It's an interesting paradigm when retailers and brand owners want to improve vendor compliance, yet are using disparate systems to store vendor names and addresses, quality assurance results, audit reports, certification requirements, financial information, and more. This occurs all too often and is less than an ideal situation. Vendor Profiles can be a powerful asset to your business. The more information that can be included in a Vendor Profile, the closer a company can get to reaching 100% Vendor Compliance. The Vendor Profile should not only include contact names, emails, and addresses, but also factory inspection results, high-risk product inspection reports, shipping terms, compliance certifications (with dates of expiration), on-time delivery status, multiple factory locations (if applicable), supplier financial information, and much more.

A centralized location for document storage is also needed to gather contracts and agreements in regards to the retailer's social and regulatory compliance standards, Vendor Code of Conduct documents, and Vendor guidelines. A full-bodied Vendor Profile gives all users access to the same compliance data, which limits confusion, speeds issue resolution, and enables retailers to better understand who they are working with. Gathering this information is the first step in building a stronger relationship with each vendor. The more a retailer knows about the vendor, the easier it becomes to negotiate terms and prices, collaborate to improve efficiency of production processes, and reach an opportunity to innovate with the vendor. This, in turn, helps to control margins and identify opportunities for margin improvement.

The ability to instantly access vendor information limits the risk of things going wrong further down the supply chain. Completing a Vendor Profile makes it easy to find and streamline data points for Vendor Scorecard development. Buyers should review Vendor Profiles and Scorecards prior to placing orders in order to effectively mitigate risk. If a buyer places an order after confirming a vendor is in good standing, the quality and logistics managers can take matters into their own hands, should issues arise during production and delivery, and make necessary adjustments to the Vendor Profile based on high and low risk situations.

The screenshot shows a 'Document Library' interface. At the top, there are navigation links: 'Documents Home', 'Recent Documents', and 'My Documents', along with a search bar. Below this is a 'Folders' section with a table listing various folders and their contents.

Name	# of Folders	# of Documents	Actions
Compliance Manual- 2011 Current year compliance manual	0	4	Actions
Jindun Documents Documents pertaining to the Vendor: Jindun Subfolders: GCC Forms , Inspection Reports , Vendor Certification Documents	3	1	Actions
Logistics Guidelines- 2011 Current year logistics guidelines	0	3	Actions
Marketing Briefs 2010-2011 Subfolders: Fall 2010 , Spring 2010 , Summer 2010 , Winter 2010	4	0	Actions

On the right side of the interface, there is a 'Documents Home' section featuring a folder icon and an 'Access from Desktop' button.

Research Spotlight

Supplier Management Strategies for Risk Mitigation

“Monitoring supplier risk requires accurate and reliable data that allows organizations to take precautionary steps when potential issues with suppliers are identified. When respondents were asked to rate their level of confidence in the data received from technologies used to mitigate risk, 58% were only moderately confident. Gartner attributes this confidence level to the minimal visibility into the state of the supply base, since respondents indicated the primary method for monitoring supplier risk data was through meetings and discussions. In fact, the most frequently used and successful supplier failure risk mitigation strategy across the globe is closer collaboration with trading partners (see Figure 2). Once again, it’s about collaborative relationships instead of collaborative practices.”

Figure 2. Supply Chain Risk Mitigation Methods



Q: Which of the following methods describe how your organization currently mitigates risks as it relates to supplier failure? Which method has been the most successful in mitigating supplier failure risks?
n = 503 global total sample

SOURCE: Gartner Research “Top Strategies and Technologies for Mitigating Supplier Risk.” By Mickey North Rizza and Phanney Kim, 14 October 2010.



Intelligence: Measure Vendor Performance

Not having enough data can be just as frustrating as having too much. When vendor data is stored in multiple locations, it makes it much harder to solve problems, avoid problems, and protect product margin. Retailers have massive amounts of data regarding products, vendors, suppliers, carriers, etc.; however, until a retailer can gain control of this data, it just sits there. It's all about organization and aggregation of data, and it is very possible for a retailer of any size to accomplish such. Retailers need to be able to aggregate and organize this data in a way to help promote better business decisions – the Vendor Scorecard is a great example.

A Vendor Scorecard can be the most powerful tool in a retailer's arsenal. It can directly influence buying decisions, volume and costs negotiations, and can be the biggest driver for margin protection and growth. If you are unable to tell how often suppliers ship late or attempt to change purchase orders, you have no idea just how much money is leaking out of the supply chain. The best way to make better business decisions is to measure the performance of vendors on a frequent basis, and communicate the scorecard with each vendor so they understand how they are performing and how they can earn more of your business.

Research Spotlight

Auburn University conducted a research study that examined how retailers and suppliers use Advanced Shipping Notices (ASN) in order to better understand ASN data requirements, auditing practices, accuracy levels, and benefits gained from communicating critical product and trade information with suppliers. Of the 40 retail executives participating in the survey, 42% of retailers receive ASNs from all suppliers, and on average, only 75% of all suppliers provide ASNs to retail customers. As companies rely on the information contained in ASN's to populate vendor scorecards and make assessments, retailers must demand ASNs be accurate and complete, as part of a Vendor Code of Conduct to improve the vendor compliance assessment and audit process. On-time deliveries and costs can be measured and analyzed to determine whether suppliers should be rated high-risk or low-risk supply chain partners. The importance of data accuracy escalates when processing 10+2 Importer Security Filings, and it becomes easier to streamline data points when ASN data is accurate.



SOURCE: Integrated Solutions for Retailers
“[2011 Supply Chain Special Report.](#)”
February 2011.



Collaboration: Innovate with your Vendors

Just as the marketing and sales departments would collaborate to improve sales, supply chain departments should collaborate with suppliers to bring more innovative products to market. When suppliers are geographically located on the other side of the globe, it becomes a challenge to communicate in real-time. Luckily, technologies such as instant messaging, email, and video conferencing ease this communication challenge. The limitation of these technologies is that they often leave no audit trail. Email chains become long, and may or may not include the whole group needed for decision-making, and the message ultimately gets lost in the inbox. If a retailer is managing multiple collaborative sessions through emails, it becomes quite cumbersome to organize information, and also presents a challenge recalling specific facts. Video conferencing is a great way to engage with an entire group and collaborate with real-time discussion. What happens after the conference is over? Whoever had taken the most copious notes is now accountable for the information, which may or may not be forwarded to appropriate parties. While these collaborative methods seem to solve problems quickly and encourage innovative discussion, the information gathered from the session is most often lost, translated into other words, and cannot be replicated through contrasting systems.

The answer to this dilemma is to provide a way to capture each collaborative session, save it, and attach it to the associated product sample or purchase order. It then becomes stored in one system – the same system that houses vendor data and transactional product data. Storing collaborative sessions gives instant access to any department for recalling critical product information for issue resolution.

Regulatory compliance standards require retailers and brand owners to maintain an auditable history for each product manufactured in a foreign country. This information includes where raw materials were purchased, where the product was manufactured, where the container was stuffed, etc. For a retailer offering highly seasonal product, with a 3-month window to ship product forecasted to represent about 80% of yearly sales, cycle time reduction is a top priority. There is simply no time to investigate missing cartons and/or cartons with worn labels, and to resolve product failures. Unfortunately, this is a living reality for many retailers and brand owners and is a large contributor to margin erosion. Things must be done correctly the first time. With real-time collaboration and an auditable history of each product's development lifecycle and inspection results, it creates new opportunity to correct issues before product leaves the port. The sooner a retailer can gain visibility into a potential risk, the sooner issue resolution can begin, and the sooner this information can be communicated to the vendor(s).

To schedule a demonstration of Arigo's Vendor Collaboration and Compliance solutions, please call us directly at (866) 461-7626 ext. 4, or send an email to Sales@arigo.com.



About Arigo

Arigo is the industry leading provider of Visibility, Intelligence, and Collaboration for retailers and brand owners supporting sourcing and global trade management, from pre-production through delivery. Arigo solutions provide robust functionality supporting milestone tracking, sourcing, costing, trading partner collaboration, and logistics, as well as full supplier and product quality assurance and compliance. Arigo solutions help businesses manage critical information across their organizations through an intuitive, one-stop Arigo Desktop, which provides access to all of the data, tools, and trade content needed to support global operations. For over a decade, Arigo has helped customers such as JCPenney, The Home Depot, Staples, RadioShack, Timberland, and many others drive world-class, private label organizations. To learn more about Arigo's Suite of time-tested, best practice Sourcing and Global Trade Management solutions, please visit www.arigo.com.



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