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HITTING THE MOVING TARGET:

Sourcing From Low Cost Regions To Optimize The Supply Chain

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They're the basic fundamentals of apparel manufacturing: source from regions that provide the lowest production and labor costs, and then reap the benefits. Unfortunately it's not that simple today, particularly as the sourcing landscape continues to change.

The low cost region "target" is constantly moving in response to economic conditions, trade regulations, and unexpected disasters. Today, the low cost region may be China. Tomorrow it may be Pakistan. What's the answer? Agility of operations.

Being agile means doing business in more regions at the flip of a switch. This requires automation and synchronization of processes. Traditional manual and paper-based processes lead to time consuming mistakes that make transactions inefficient. In the accounts payable area this is a major issue, where paper, e-mail, faxing, and data re-keying consumes time and resources. Processes are slow, directional changes are tedious and time consuming, and flexibility is limited. When you think of the complexity of the apparel supply chain – buyers, various suppliers, and banks in different regions managing multiple documents in multiple formats in multiple languages – you realize there's a lot of hands touching each transaction. Manual processes prevent any type of agility in decision-making, and a single error in the chain of a financial transaction can set an order days behind.

Strategic sourcing from low cost regions requires tools that handle more trade variables throughout the transaction process – from purchase order delivery, to accounts payable, settlement and financing processes, reconciliation and chargebacks. Companies that automate financial and physical aspects of the supply chain are prepared for shifts in labor and capital costs. They have more control over their global sourcing operations. Automation of processes increases agility, enables visibility, and saves time and money.

The goal of global sourcing is to save money continuously. Having a strategy that places all of your sourcing eggs in the China basket leaves you vulnerable to shifts in policies and regulations, which is not where you want to be. I view it as an investment portfolio, with a goal of diversifying exposure to various regions. By automating trade processes to a network of suppliers that include China, Pakistan, India and Taiwan, I can flip a switch and instantly my trading partners are live on my system. Now, I can tap into the lowest cost region of the moment.

In addition to automating internal processes and cross border transactions, a third key to global sourcing agility is collaboration. Supply chain collaboration means sharing all of your data with all of your trading partners. Data is more valuable when you share it. When an apparel company and its partners are integrated they don't just reduce procurement costs, they extend visibility up and down the supply chain.

If I know that my supplier's suppliers are short on raw material, I have the agility to make adjustments in my operations to ensure the order gets fulfilled.

A global sourcing strategy should address the big picture - automating physical and financial processes to provide a holistic approach to the supply chain. With the right integration tools in place, apparel companies are finding agility and visibility to control their sourcing operations regardless of market conditions, regulations, unexpected hiccups and economic shifts.