

Direct sourcing enables retailers to react quickly and make time-sensitive buying decisions based on consumer demand.

Direct Sourcing:

A Fast And Effective Retail Strategy

by Kurt Cavano

Savvy retailers are aggressively integrating directly sourced private brands into their merchandise mix to drive profits and offer unique products to discriminating buyers. A portfolio of well-branded products is essential to any retailer, but brands distribute to many retailers, limiting merchandise uniqueness and freshness. Adding directly sourced private-label goods can be just what is needed to perk up the freshness quotient. Contrary to common opinion, direct sourcing around the world is easier than it looks and can be handled in-house, as long as you take the right approach and partner with the right providers.

Doing your homework before beginning any overseas initiative is key. Retailers should be sure to do the full cost calculations. Often, 'hidden' costs are identified when peeling back a layer or two of global sourcing transactions. These hidden costs usually result from delays caused by a lack of control and visibility, and they can add up quickly, diluting the savings expected from global sourcing in the first place. Additionally, squeezing vendors to their capacity limit is not a good option. World-class retailers have diverse sourcing portfolios that allow them to shift orders in and out of different regions as needed.

Optimize Capital In The Supply Chain

Top-performing supply chains analyze every aspect of a sourcing transaction to save time and money, and successful retailers realize the importance of helping their suppliers to reduce the cost of capital and improve cash flow. The right approach to global trade is the automation of processes, from purchase order through payment and chargeback, and maintaining better control of global sourcing by marrying the physical and financial aspects of the supply chain. Invoice discounting or early payment programs are excellent ways to optimize capital and ensure that suppliers have access to the cash needed to fulfill orders on time. These programs can provide capital at a lower



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rate, reducing the suppliers' cost of capital — a benefit that cascades down to the retailer in the form of lower cost of goods sold.

Achieve Control And Visibility Across Your Sourcing Transactions

Collaboration with suppliers becomes key. More than 15 parties can be involved in a single order, and they all need to be able to work together to fulfill a retailer's goals. Transacting on a global trade platform that allows both sides — retailers and suppliers — to have visibility into the movement of products and cash can ensure control and reduce unexpected costs.

When retailers and their suppliers transact on an open global trade platform, both sides have visibility into product and payment. The result is better planning and decision making. For retailers, this means knowing where their products are in the process and when products will be arriving. If there's a delay, retailers can make the appropriate adjustments to ensure that products get to the right place at the right time. Likewise, if consumer demand shifts and sales of a specific product slow down, orders can be redirected as needed.

Additionally, an approach to direct sourcing that allows for a diverse sourcing portfolio enables retailers to improve out-of-stocks and eliminate inventory buildup. The flexibility achieved with store-direct sourcing empowers retailers to make quick decisions, expedite and route inventory as needed, and delay inventory distribution decisions, all based on the latest consumer demand. □